

BEYOND GROWTH HACKING

MANAGING INNOVATION IN BUSINESS STRATEGY, MARKETING AND FINANCE

Series Editors:

Stefano Bresciani – University of Turin, Italy

Antonio Salvi – University of Turin, Italy

Amandeep Dhir – University of Agder, Norway

Alberto Ferraris – University of Turin, Italy

At the centre of this series is the goal to contribute to understanding the role of business innovation from the perspective of three key functional areas: strategy, marketing and finance. With individual titles applying this goal to large businesses, small businesses, family businesses and more, the reader is given unique insight into the interplay of innovation in strategy, marketing and finance.

Contributions provide an innovative and enriching perspective on the newest trends in innovation management and the developmental barriers it can create. Furthermore, the volumes provide insights into modern social media usage in enterprises and the impact on consumers' well-being, sustainable competitiveness in the business and finance context. Books in this series are of value to researchers, academics, professionals and students in the fields of management, finance and business strategy.

BEYOND GROWTH HACKING: MASTERING BUSINESS MODEL EVOLUTION

BY

GABRIELE SANTORO

*University of Turin, Italy, and University of
Nicosia, Cyprus*

AND

AUGUSTO BARGONI

University of Turin, Italy



United Kingdom – North America – Japan – India
Malaysia – China

Emerald Publishing Limited
Emerald Publishing, Floor 5, Northspring, 21-23 Wellington Street, Leeds LS1 4DL.

First edition 2025

Copyright © 2025 Gabriele Santoro and Augusto Bargoni.
Published under exclusive licence by Emerald Publishing Limited.

Reprints and permissions service

Contact: www.copyright.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. No responsibility is accepted for the accuracy of information contained in the text, illustrations or advertisements. The opinions expressed in these chapters are not necessarily those of the Author or the publisher.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-83608-443-3 (Print)
ISBN: 978-1-83608-442-6 (Online)
ISBN: 978-1-83608-444-0 (Epub)



INVESTOR IN PEOPLE

CONTENTS

<i>About the Authors</i>	vii
Introduction	1
1 Before to Begin: Modelling the Business	3
1.1. Business Model. An Architecture for Understanding the Organisation	4
1.1.1. <i>The Business Model Canvas</i>	6
1.1.2. <i>Lean Canvas</i>	9
1.2. Business Model Dynamics	11
1.2.1. <i>Business Model Validation</i>	14
1.2.2. <i>Business Model Scaling</i>	14
1.2.3. <i>Business Model Innovation</i>	15
1.2.4. <i>Business Model Pivot</i>	15
2 Digital Business Models	17
2.1. An Introduction to Digital Ecosystems	18
2.2. Platforms as Digital Ecosystems	19
2.3. Business Models of Platforms: Features and Issues	20
2.3.1. <i>Clearly Define the Various Sides of the Market</i>	23
2.3.2. <i>Define Your Own Unique Value Proposition and Business Model</i>	23
2.3.3. <i>Stimulate Direct and Indirect Network Effects, If Any</i>	24
2.3.4. <i>Solve the Chicken-or-Egg Problem</i>	25
2.3.5. <i>Explore Opportunities for Scope</i>	27
2.3.6. <i>Define Precise Governance Mechanisms</i>	28

3	Defining Growth Hacking	31
3.1.	First Wave: Unprecedented Growth Through Resource Leveraging	32
3.2.	Second Wave: From GH to Growth	40
3.3.	Design Thinking, Lean Start-up, Agile, and GH	50
3.3.1.	<i>Design Thinking</i>	50
3.3.2.	<i>Lean Start-up</i>	52
3.3.3.	<i>Agile</i>	54
3.3.4.	<i>Growth Hacking</i>	56
3.3.5.	<i>Integrating the Methodologies</i>	58
4	Practising Growth	63
4.1.	Strategic Management. Defining the Path Forward	63
4.2.	Ryan Holiday's Four Growth Steps	69
4.2.1.	<i>Product-Market Fit</i>	69
4.2.2.	<i>Finding the 'Hack'</i>	70
4.2.3.	<i>Harnessing Virality</i>	72
4.2.4.	<i>Data-driven Customer Retention</i>	74
4.3.	Pirate Funnel	76
4.4.	OKRs-driven Growth	81
4.5.	The Experimentation Process	83
4.6.	Organising the Team	87
4.6.1.	<i>The Growth Team</i>	88
5	Growth and Business Model Dynamics	91
5.1.	On Scalability and Optimisation/Improvement	92
5.2.	Not All Platforms are Scalable in the Same Way. The Case of Utravel	96
5.3.	Determining the Degree of Scalability	100
6	Factors Driving Growth	103
	<i>References</i>	119

ABOUT THE AUTHORS

Gabriele Santoro, PhD in Business and Management, is Associate Professor in Innovation Management and Digital Transformation at the School of Management and Economics, University of Torino. He undertakes research integrated with the Department of Management of the University of Torino; his main areas of research include business model dynamics, growth hacking, digital ecosystems and platforms and open innovation. He has authored/coauthored several papers in international journals such as *Technovation*, *Technological Forecasting and Social Change*, *Small Business Economics*, and *Journal of Business Research*. He is currently Associate Editor of *EuroMed Journal of Business* and *Journal of Responsible Production and Consumption*. He is one of the shareholders of Progesia s.r.l.s., a consulting firm based in Turin (Italy). As such, he works as consultant on projects related to e-commerce management, growth hacking strategies, innovation development, and strategy.

Augusto Bargoni, PhD, is Assistant Professor at the Department of Management, University of Turin. He actively contributes to conducting research on the topics of marketing and entrepreneurship. Since 2022, he is Associate Researcher at the European Centre for Business Research, a joint scientific research workplace of Pan-European University in Prague, and the Faculty of Economic and Entrepreneurship of Pan-European University in Bratislava and other associated institutional partners. He is also Associate Fellow of the EuroMed Research Business Institute (Cyprus). He actively publishes scientific articles in international journals and is member of Editorial Boards of indexed academic journals. He is a member of SIM (Società Italiana Marketing) and SIMA (Società Italiana Management). He presents papers to conferences on a European basis.

This page intentionally left blank

INTRODUCTION

In an era defined by rapid technological advancements and shifting market landscapes, the agility and innovation capacity of a business are not just assets but prerequisites for sustainable growth. This book, at its core, is a comprehensive guide designed to navigate the ever-changing landscapes of modern business models, digital transformation, and the nuanced dynamics of firm growth. It is structured to provide readers with a deep understanding of the architecture of business models, the principles of digital innovation, and the tactical execution of growth strategies to enhance resilience and boost performance. We begin our journey by laying the foundational knowledge needed to model a business effectively. Drawing upon the latest academic research, we delve into the dynamics of business models, including validation, scaling, innovation, and the ability to pivot – each a critical component in the lifecycle of a business. In fact, there is a general consensus among academics and practitioners that a business model is an architecture of value creation, delivery, and capture mechanisms (Teece, 2010) serving as the blueprint to define the way a company operates, generates revenue, and sustains itself in the market. It appears crucial to specifically understand how value is created and captured (Costa Climent & Haftor, 2021; Foss & Saebi, 2017) by firms in order to understand how businesses function and how they create and sustain a competitive advantage (Ancillai et al., 2023; Massa et al., 2017; Rietveld & Schilling, 2021).

As we progress, the focus shifts to the digital realm, where digital business models are explored. The rapid and continuous technological advancements have made it nearly impossible for companies to solely develop new products and services internally. Modern technological products rely on software and hardware integrations, and modules that are difficult to develop and produce within a single company. This necessitates new open and participatory approaches and ecosystems, sometimes involving collaborations between competitors (Bresciani et al., 2018). We discuss how these models differ from traditional ones and how they provide new avenues for growth and innovation.

Defining growth hacking constitutes a significant portion of this discourse, presenting it not just as a buzzword but as a systematic approach to unprecedented growth (Bargoni et al., 2023; Bargoni, Santoro, et al., 2024; Troisi et al., 2020). We explore its evolution from leveraging resources creatively to becoming a sophisticated strategy that integrates design thinking, lean start-up methodologies, and agile practices (Bargoni, Smrčka, et al., 2024; Maurya, 2022). The practice of growth hacking, a section dedicated to the application of theoretical knowledge, offers insights into strategic management, Ryan Holiday's (2014) growth steps, the pirate funnel, and objectives and key results (OKRs). It also covers the experimentation process and the organisation of teams to foster a culture of growth (Sanasi, 2023).

In addressing growth and business model dynamics, we scrutinise the scalability and optimisation of different platforms, using case studies to illustrate these principles in action. This part of the book is pivotal for understanding that not all platforms scale in the same way and that strategic thinking must be applied to navigate these differences. Finally, we deep dive into the factors driving growth, providing a nuanced perspective on what propels businesses forward in today's competitive environment. This section is intended to equip readers with the knowledge to identify and leverage these drivers in their contexts.

This book is a beacon for entrepreneurs, executives, and students who aspire to understand the intricacies of modern business models and the strategies that drive growth in the digital age. It offers a blend of theoretical frameworks and practical insights, ensuring that readers are well-equipped to navigate the challenges and opportunities that lie ahead.

As we embark on this journey together, let us remember that the path to growth is not linear. It is a journey of learning, adapting, and innovating. Welcome to the exploration of business models, digital transformation, and the art and science of growth hacking.

BEFORE TO BEGIN: MODELLING THE BUSINESS

ABSTRACT

This chapter explores the fundamental concept of a business model, which serves as the foundational architecture for understanding how a company operates, generates revenue, and sustains itself in the market. Emphasising the significance of value creation, delivery, and capture, the chapter outlines how a business model functions as a strategic blueprint, highlighting its dynamic nature in response to evolving market conditions and technological advancements. It delves into the necessity of validating, scaling, innovating, and pivoting business models to achieve growth and maintain competitive advantage. Various frameworks, such as the Business Model Canvas and Lean Canvas are introduced as tools for visualising, analysing, and iterating business strategies. These frameworks help entrepreneurs and managers to identify customer needs, design value propositions, and establish sustainable revenue streams. Further discussion includes the concept of business model dynamics, stressing the importance of adaptability and continuous innovation in today's fast-paced business environment. The chapter concludes with how businesses like Amazon, Uber, Netflix, and LinkedIn have successfully employed different business models over time to sustain growth and achieve market leadership. By providing practical examples and strategic insights, this chapter underscores the critical role of business models in fostering innovation, guiding

strategic decision-making, and ensuring long-term success in an ever-changing business landscape.

Keywords: Growth hacking; business model innovation; scale up; business model dynamics; management; value creation

1.1. BUSINESS MODEL. AN ARCHITECTURE FOR UNDERSTANDING THE ORGANISATION

Before tackling growth and data-driven models related to experiments, it's essential to understand what a company does, how it does it, and why. In other words, it's necessary to grasp what a business model is and how it functions. The business model is to a company what DNA is to a living organism or the nature of a plant; without understanding it, it's impossible to define how to water it, how much light to provide, and so forth. The first major assumption of this book is that experimental, data-driven methodologies allow not only for the validation and improvement of a business model but also for its growth. As some examples will show, growth and the test-and-learn approach enable the generation and testing of ideas, developing new products and services. Similarly, the nature of the business model has a significant impact on the effectiveness of growth strategies. For example, as we will see throughout the book, business models subject to strong network effects should be supported by referral strategies, in such a way as to increase value for the individual user when they bring in new users. But before delving into the core of the book, let's take a step back to understand what a business model is and what business model dynamics are. This will allow us to shed light on how business objectives (validation, innovation, pivot, and scaling) are necessary to outline growth strategies.

There is a general consensus among academics and practitioners that a business model is an architecture of value creation, delivery, and capture mechanisms (Teece, 2010). It serves as the blueprint to define the way a company operates, generates revenue, and sustains itself in the market. More specifically, value creation and appropriation are conceived as a firm's boundary-spanning activity system, conducted by a set of actors linked by transaction mechanisms (Costa Climent & Haftor, 2021; Foss & Saebi, 2017). Business models are crucial to understand how businesses function and how they create and sustain a competitive advantage (Ancillai et al., 2023; Massa et al., 2017; Rietveld & Schilling, 2021).

Over time, both academic and practitioner-oriented literature has provided various frameworks and models to effectively explain a company's business

model. Several studies and practitioners agree that a business model can be explained through three main components:

- (1) *Value creation*: It is a concept that lies at the core of every business model. A business identifies a specific need or problem in the market and designs its products or services to address that need. This is the essence of what a business offers to its customers, and it must provide real value to attract and retain them. In other words, value creation is a section of the business model that describes what products and services the company offers, to which target (i.e. customers), and what needs are being satisfied.
- (2) *Value delivery*: Once a business has created value through its products or services, it must determine how it will deliver that value to its customers. This involves decisions about distribution channels, marketing strategies, and customer engagement. How a company chooses to reach its target audience plays a crucial role in its success.
- (3) *Value capture*: The final piece of the puzzle is value capture, which refers to how a business monetises the value it delivers. This includes revenue generation strategies, pricing models, and income streams. A business must ensure that the value it creates is translated into sustainable financial returns.

Other studies suggest another component to define and explain how a business model works: *value configuration*. It refers to the arrangement and integration of key resources and activities within a business model to effectively create and deliver value to customers. It involves a thoughtful design of how a company's assets, capabilities, and partnerships work together to achieve its strategic goals. This component is especially relevant in the context of platforms, which are often linked to open business models in which resources are often attracted from external parties and activities delegated externally. For example, Uber does not own the cars to transport users. Likewise, drivers are not hired.

Callout 1. Business Model Examples

- ✓ *Amazon*: Amazon's business model is built on offering a vast selection of products (value proposition) through an efficient online platform (channel) to a global customer base (customer segments). They generate revenue through sales, subscriptions (Amazon Prime), and third-party seller fees.

- ✓ *Uber*: Uber's business model centres around connecting riders and drivers (value proposition) through a mobile app (channel). They earn revenue by taking a percentage of each ride fare (revenue streams).
- ✓ *Netflix*: Netflix provides a vast library of streaming content (value proposition) accessible through its platform (channel) to subscribers (customer segments) who pay a monthly fee (revenue streams).
- ✓ *LinkedIn*: LinkedIn adopts a 'freemium' business model, attracting customers by introducing them to basic, limited-scope products. Then, with the client using their service, the company attempts to convert them to a more premium, advance product that requires payment. Although a customer may theoretically stay on freemium forever, the company tries to show the benefit of what becoming an upgraded member can hold.
- ✓ *Vodafone*: Vodafone adopts a bundling business model. To lower the cost of attracting a single customer, the company attempts to bundle products to sell multiple goods to a single client (e.g. smartphone + internet plans). Bundling capitalises on existing customers by attempting to sell them different products. This can be incentivised by offering pricing discounts for buying multiple products.

Before thinking about growth, scalability, or even profitability, it is necessary to define, analyse, and assess a business model. Over the years, academics and practitioners have developed several models and frameworks [e.g. Chesbrough's (2006) business model template for open innovation, Mark Johnson's (2018) template for business model transformation, and the 10 dimensions of innovation defined by Keeley et al. (2013)], but only two frameworks have become viral among start-uppers and entrepreneurs: the Business Model Canvas and the Lean Canvas. These both are strategic tools used by entrepreneurs, start-ups, and managers to visualise and design their business models. These canvases help organisations clarify key aspects of their business and iterate on their strategies.

1.1.1. The Business Model Canvas

Developed by Alexander Osterwalder and Yves Pigneur (2010), the Business Model Canvas is a visual framework that consists of nine building blocks or

components that together provide a comprehensive view of a business model. These building blocks are:

- (1) *Customer segments*: Identifies the different groups of customers a business aims to serve.
- (2) *Value proposition*: Describes the unique value that the business offers to each customer segment.
- (3) *Channels*: Specifies the distribution and communication channels used to reach and engage with customers.
- (4) *Customer relationships*: Defines the types of relationships established with customers (e.g. personal assistance, self-service, automated services).
- (5) *Revenue streams*: Outlines how the business generates revenue from each customer segment.
- (6) *Key resources*: Lists the essential assets, capabilities, and infrastructure required to deliver value.
- (7) *Key activities*: Describes the core functions and activities necessary to operate the business.
- (8) *Key partnerships*: Identifies external organisations or collaborators that play a vital role in the business model.
- (9) *Cost structure*: Details the costs associated with running the business, including fixed and variable expenses.

The Business Model Canvas shown in [Fig. 1](#) is a valuable tool for brainstorming, visualising, and analysing a business model. It encourages cross-functional collaboration and helps entrepreneurs and teams to quickly iterate and refine their business strategies.

Before defining growth strategies related to experiments, it can be useful to revisit the business model canvas to clarify the current business model, generate new ideas on products, services, channels, and other elements, and then define the experiments to be conducted and the hypotheses to be tested through data. Similarly, using growth hacking, as we will see, can be helpful for innovating the business model or making a pivot. The business model canvas can be used to clarify the new potential business model and discuss it with collaborators and consultants.

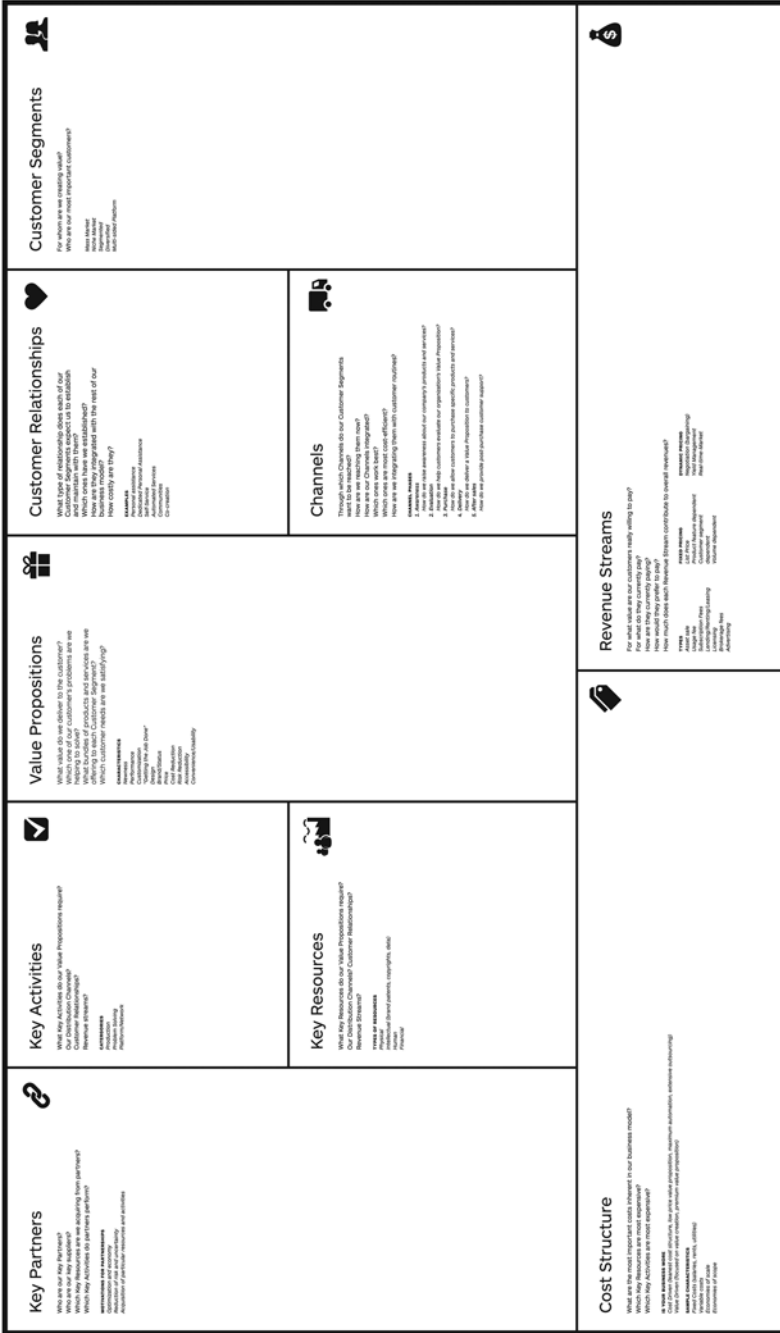


Fig. 1. The Business Model Canvas. Source: Osterwalder et al. (2010).