Business Modelling

I&E Basics

Milena Stoycheva
Andrea Capaccioli

12 November 2018

Business Model

"A business model describes the rationale of how an organization creates, delivers and captures **value**" – starting from an idea

http://en.wikipedia.org/wiki/Business_model (Oct 2018)

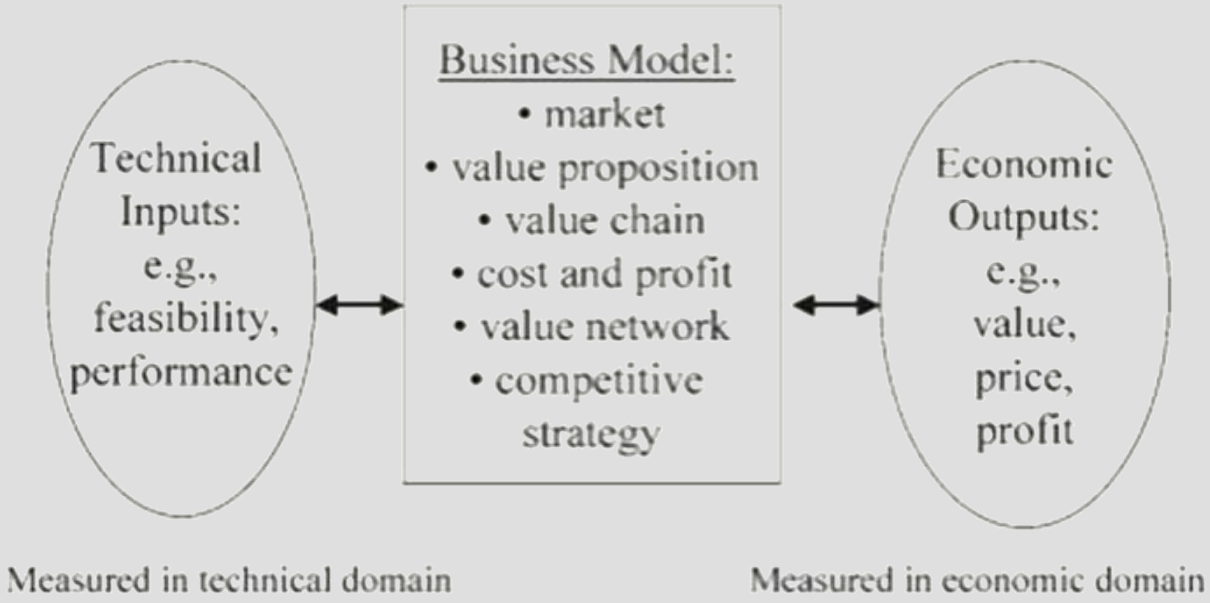
© UNITN I&E Basics team,

Business Model – other definition

“A business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers” (David J. Teece)

© UNITN I&E Basics team,

Business Modelling



Source: “Open Innovation” by Henry Chesbrough

© UNITN I&E Basics team,

Different business models, same market

© UNITN I&E Basics team,

Business Model evolution

Pay per play

Rent and trade / Buy and use

Free use + pay for:
Access to levels
Credits
Lives
Weapons / Features

© UNITN I&E Basics team,

What is the **single** necessary and sufficient condition for a business?

© UNITN I&E Basics team,

Product

Vision

Investors

Technology

Management

Company values

Customer need

Strong team

Business Plan

Competitive advantage

Money

© UNITN I&E Basics team,

Product

Vision

Investors

Technology

Management

A paying customer

Customer need

Company values

Strong team

Business Plan

Competitive advantage

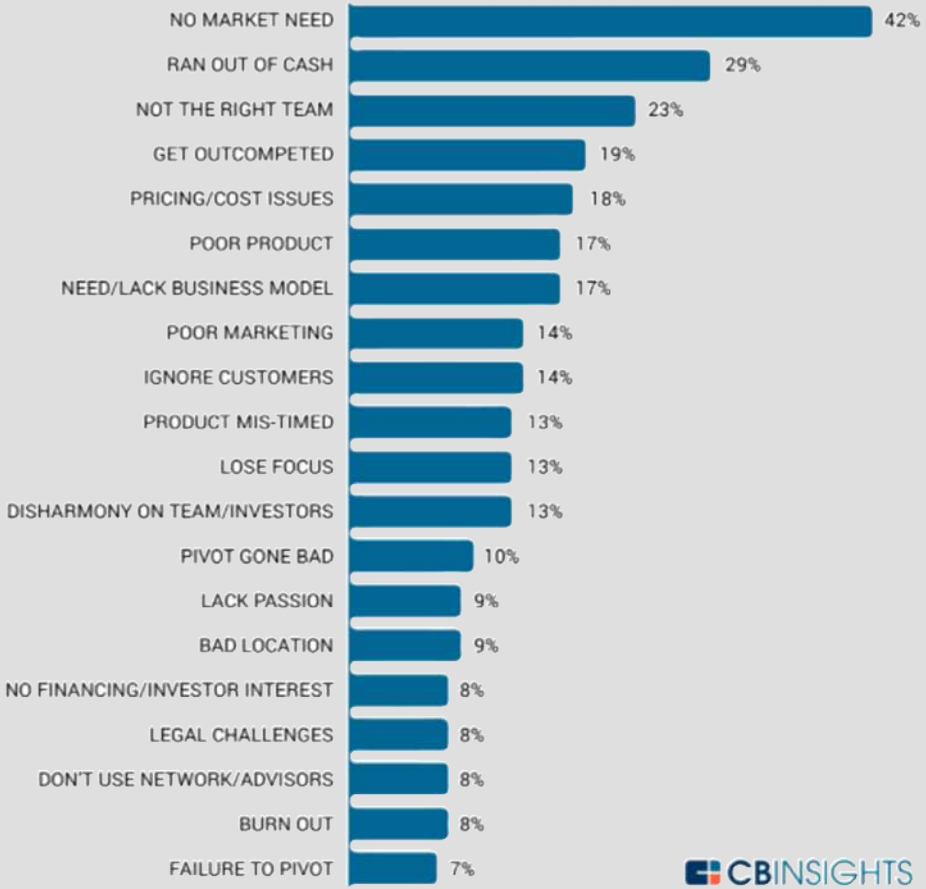
Money

© UNITN I&E Basics team,

© UNITN I&E Basics team,

THE TOP 20 REASONS STARTUPS FAIL

Based on an Analysis of 101 Startup Post-Mortems



CBINSIGHTS

© UNITN I&E Basics team,

Xerox business case

Xerox company

- 1950s – copies made by mimeograph or dry thermal processes – very poor quality, hard to archive
- Equipment was inexpensive, money was made on supplies
- 90% of machines made < 100 copies per month

© UNITN I&E Basics team,

© UNITN I&E Basics team,

The invention and Xerox solution

- Invention of xerography – much higher quality, longer lasting (Chester Carlson files patent in 1937)
- Haloid Corp buys patent and sells first Xerox machine in 1950
- Problem: Xerox machines **six times** more expensive than competitive technology, cost per copy about the same
- Kodak, GE, IBM and Arthur D. Little Consultants all concluded there was no market for Xerox machines

© UNITN I&E Basics team,

© UNITN I&E Basics team,

New Business Model identified

- Identify high volume users
- Lease machines instead of selling them, including 2000 copies in the monthly fee; customers pay extra for all further copies
- Improved quality and convenience led to average user making 2000 copies *per day*!
- More copies made = more money Xerox makes

© UNITN I&E Basics team,

Dominant logic of Xerox

- Giving the chance to customers to make more copies is the trick
- New product innovations must lead to higher volume
  - Duplexing
  - Collating
  - Stapling
  - Copies per minute

© UNITN I&E Basics team,

Find an **unmet need** and build your business around it

© UNITN I&E Basics team,

Business Model Innovation

Other examples?

Why Business Modelling is important?

© UNITN I&E Basics team,

B2B

User

Customer

Service

B2B2C

Type of business model

B2G

Provider

B2C

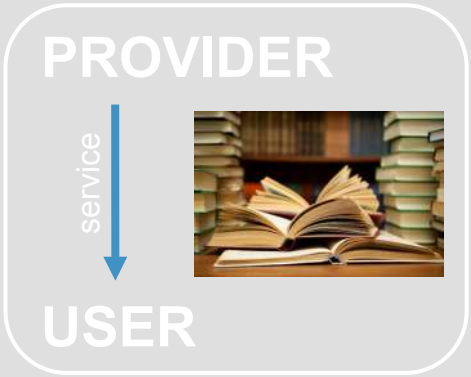
C2B

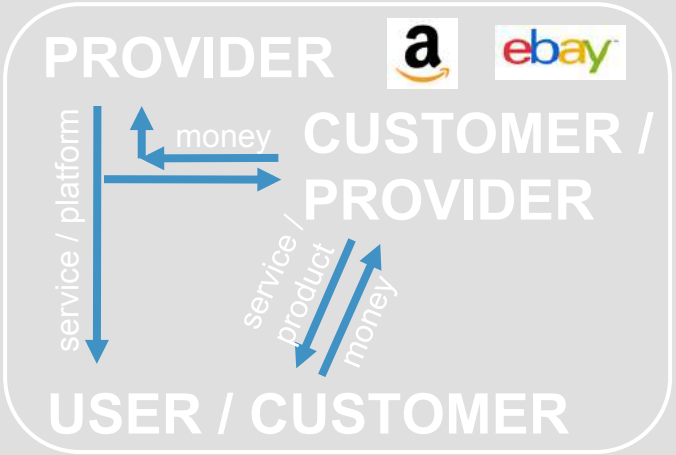
C2C

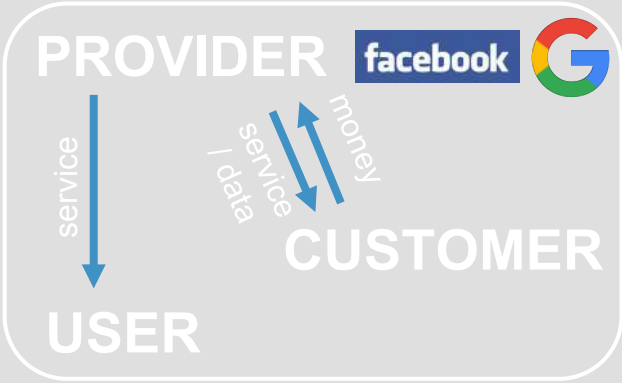
Product

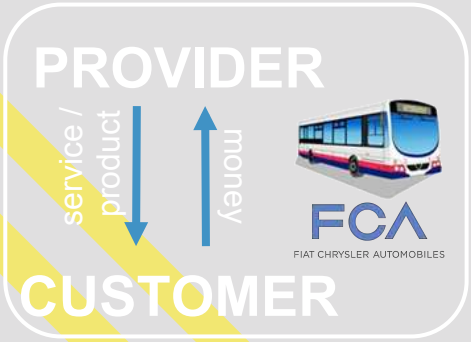
© UNITN I&E Basics team,

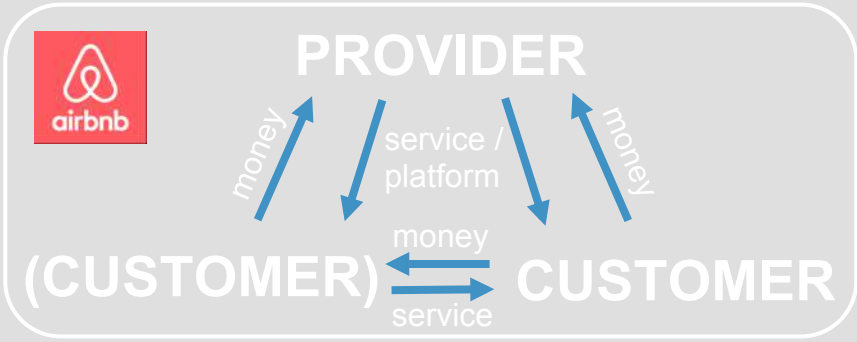
Interaction model







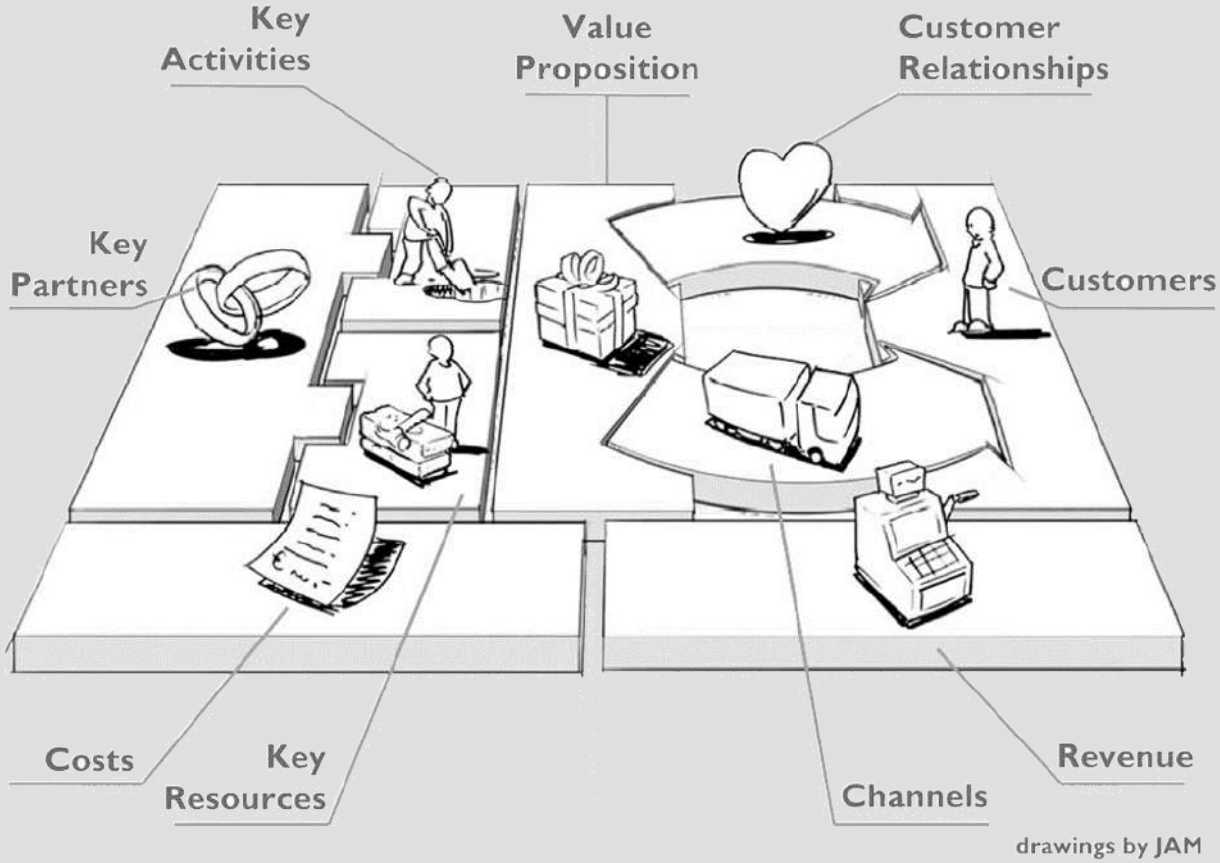




© UNITN I&E Basics team,

BM tools

Business Model Canvas



© UNITN I&E Basics team,

The Business Model Canvas

Designed for:

Designed by:

On:

Iteration:

Key Partners

Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

Key Activities

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

Key Resources

What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

Value Propositions

What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

Customer Relationships

What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

Channels

Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

Customer Segments

For whom are we creating value?
Who are our most important customers?

Cost Structure

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

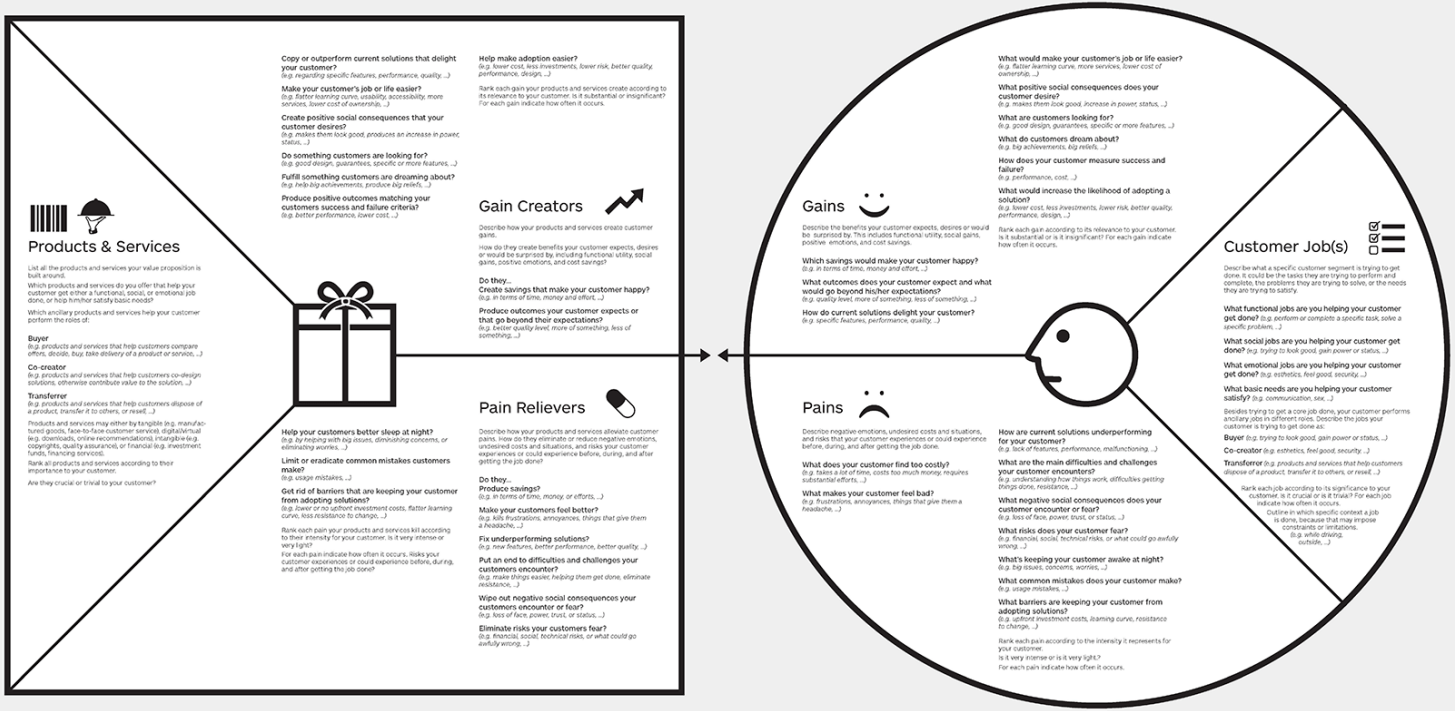
www.businessmodelgeneration.com

This work is licensed under the Creative Commons Attribution-Share Alike 3.0 Unported License.
To view a copy of this license, visit http://creativecommons.org/licenses/by-sa/3.0/ or send a letter to Creative Commons, 171 Second Street, Suite 300, San Francisco, California, 94105, USA.

The Value Proposition Canvas

Value Proposition

Customer Segment



VALUE MAP

CUSTOMER PROFILE

Copyright Business Model Foundry AG
The makers of Business Model Generation and Strategyzer
Produced by: www.stattys.com

Strategyzer
strategyzer.com

Customer Exploration Map

Who is our customer / user / stakeholder ?

Be specific: for a person - age, origin, job, interests
for a company - size, industry, purpose

What are his likes and dislikes ?

Related to the general character of the person / stakeholder

Jobs to be done & challenges

Functional / social / emotional / supporting needs in a specific situation
e.g. I need fast transport / good reputation / security / help to...
Quotes, that could be typical for this person

What we don't know

Assumptions, black spots
Why / when is something a challenge / a good experience....?

Existing solutions

Any kind of solution that could help to fulfill the needs

THIS WOULD BE GAME CHANGING!

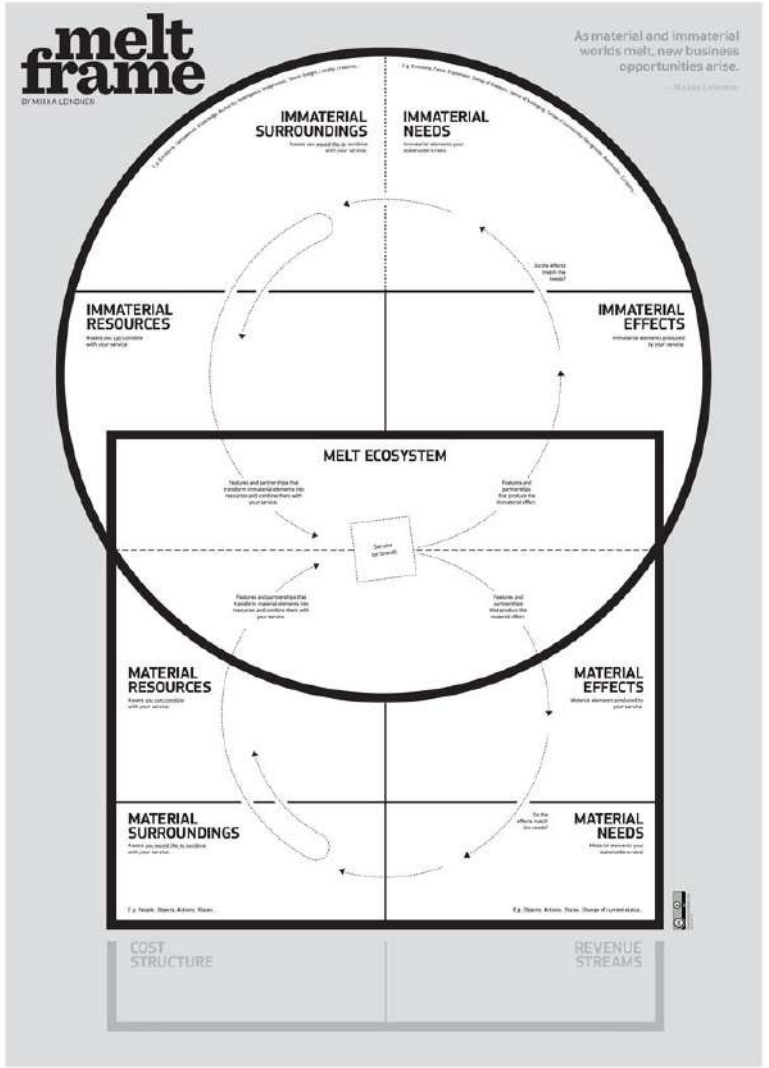
Empathize with your customer / user / stakeholder
What would be the perfect solution, situation or experience?

by Business Model Toolbox - www.bmtoolbox.net

Licensed under a Creative Commons Attribution-ShareAlike 4.0 International License

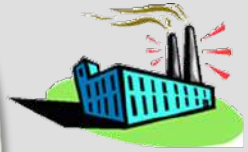
© UNITN I&E Basics team,

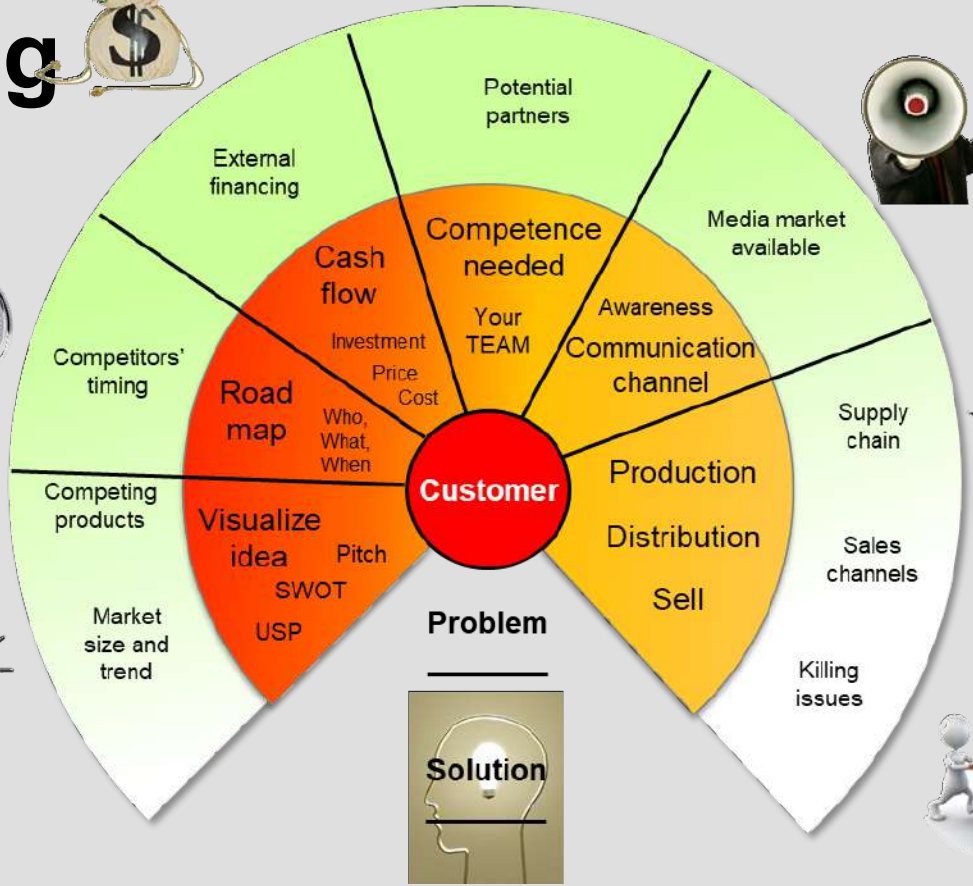
Melt Frame Canvas



© UNITN I&E Basics team,

Business Modelling Tool

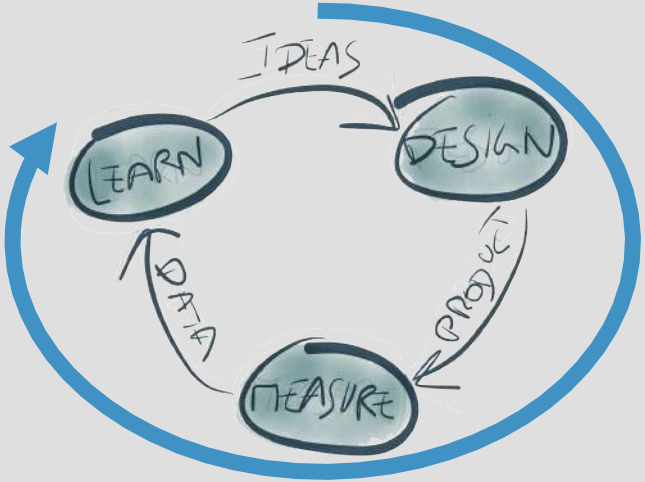




© UNITN I&E Basics team,

Lean startup method

- State your assumptions (data-driven, insight-driven, or your-vision-driven)
- Design/Build (prototypes or MVPs as tools for collecting data)
- Test (give the prototype to the customer, try to simulate)
- Measure (measure what happens using metrics)
- Learn (deduct: analyse data; compare with hypotheses; derive insights; state what you will change and how)
- REPEAT!



© UNITN I&E Basics team,

Javelin board – Customer centric innc

leanstartupmachine

Validation method better than a BM tool

Javelin Experiment Board

Project Name:

Team Leader Name:

Start here. Brainstorm with stickies, pull it over to the right to start your experiment.

Who is your customer? Be as specific as possible. Time Limit: 5 Min

What is the problem? Phrase it from your customer's perspective. Time Limit: 5 Min

Define the solution only after you have validated a problem worth solving. Time Limit: 5 Min

List the assumptions that must hold true, for your hypothesis to be true. Time Limit: 10 Min

Need help? Use these sentences to help construct your experiment.

To form a Customer/Problem Hypothesis:
I believe my customer has a problem achieving this goal.

To form a Problem/Solution Hypothesis:
I believe this solution will result in quantifiable outcome.

To form your Assumptions:
In order for hypothesis to be true, assumption needs to be true.

To identify your Riskiest Assumption:
The assumption with the least amount of data, and core to the viability of my hypothesis is...

Determine how you will test it:
The least expensive way to test my assumption is...

Determine what success looks like:
I will run experiment with # of customers and expect a strong signal from # of customers.

Experiments	1	2	3	4	5
Customer					
Problem					
Solution					
Riskiest Assumption					
Method & Success Criterion					
GET OUT OF THE BUILDING!					
Result & Decision					
Learning					

Download Experiment Board and watch case studies at www.javelin.com

© 2014 Javelin. You are free to use it and earn money with it as an entrepreneur, consultant, or executive, as long as you are not a software company (the latter need to license it from us).

Waterfall approach
vs.
Lean startup / Agile methodology

© UNITN I&E Basics team,

Aerospace

Fashion

Leisure

More BM examples

Retail

Healthcare

Consumer market

IT

© UNITN I&E Basics team,

Business Model Innovation

© UNITN I&E Basics team,

WHAT'S THE TOUGHEST COMPETITOR OF ALL?

© UNITN I&E Basics team,

WHAT'S THE TOUGHEST COMPETITOR OF ALL?

THE CUSTOMER'S STATUS QUO

© UNITN I&E Basics team,

References

- Definitions elaborated from Wikipedia pages and other sources
- Henry Chesbrough, “Open Innovation: The New Imperative for Creating and Profiting from Technology”, 2003
- Alex Osterwalder, Yves Pigneur, “Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers”, 2010
- Eric Ries, “The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Business”, 2011
- Steve Blank, “The Four Steps to the Epiphany”, 2013
- Revised course material “Economics and Management” UNITN from V. Filippas
- BMC video explanation: https://www.youtube.com/watch?v=QoAOzMTLP5s
- Build your own BMC: https://canvanizer.com/new/business-model-canvas
- The Lean Startup Machine (LSM) material including the Validation Board process created by Trevor Owens

Contacts

Milena: milena.stoycheva@unitn.it

AndreaG: andrea.guarise@trentinoinnovation.eu

AndreaC: andrea.capaccioli@unitn.it

Lorenzo: lorenzo.angeli@unitn.it

Massimiliano: massimiliano.luca@unitn.it

All in one (and more!): i-and-e-team@list.disi.unitn.it