• Review feedback from Ideation presentations
• Business Models
• Learning Maps
• Assignments
Objective: A validated, scalable, tested business concept
The Business Model

A coherent framework that describes what the business does and how it earns profits

Existing firms fail in the face of technological change because of the difficulty to “perceive and enact” new business models dictated by the fundamental underlying change brought about by the new technology
“A validated representation which describes the rationale of how an organization creates, delivers and captures value.”

“An articulation of management’s hypothesis about what customers want, how they want it and how an enterprise can best organize to meet those needs, get paid for doing so, and make a profit.”
What is the Launch Point for This Journey??

• A well done value proposition (v1)
Key Questions

• What?
  - features, benefits, IP/barriers to entry, cost of ownership or adoption, dependency, product delivery schedule, minimum feature set

• Who?
  - types of customers, problems, a day in the life of your customer, minimum feature set, ROI justification, market type, competition

• How?
  - key resources needed, key activities required, strategic partnerships required

• Is it financially feasible?
  - most important costs inherent with the business model, what are customers willing to pay, attractiveness of opportunity, revenue streams
Focus of Process

- Creation of value
- Prototyping/testing a business model
- Primary (first hand) stakeholder and customer segment feedback
- Documentation – learning maps/plans
- Taking “something” to market
- “Experimentation”

“Purposeful, Designed, Milestone-Driven, Experimentation”
Business Model Building Blocks

Do you know who you are creating value for and are there enough of them to make it worthwhile?
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Customer Segments – Self Driven Automobile Transportation

<table>
<thead>
<tr>
<th>Segment</th>
<th>Segment characteristics</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly rental</td>
<td>Affluent urban residents</td>
<td>Car2Go</td>
</tr>
<tr>
<td>Daily rental</td>
<td>Business Travelers, Affluent Tourists</td>
<td>Hertz</td>
</tr>
<tr>
<td>Cash purchase</td>
<td>Long term use, simple transaction, affluent</td>
<td>Car Dealer</td>
</tr>
<tr>
<td>Loan / financing</td>
<td>Long term use, modest income</td>
<td>Car Dealer</td>
</tr>
<tr>
<td>Long term lease</td>
<td>New car is important, individual and corporate</td>
<td>Car Dealer</td>
</tr>
</tbody>
</table>

Do you know who you are creating value for and are there enough of them to make it worthwhile?
Value Propositions

Are there clear advantages over existing products and solutions in the market? Do they care?
Can you deliver the product/service to the customer? What are the interaction points?
What relationships are you establishing with each segment? What level of service do you need to provide?
What are customers really willing to pay for? Transactional or recurring revenue? Is the return attractive?
Which resources underpin your business model?
Which assets are essential?
Activities

Which activities do you need to perform to make your business model work?
Do you know the network of suppliers and partners you will need to make the business model work? Who do you need to rely on?
What is the resulting cost structure?
Which key elements drive your costs?
Learning Maps

• A written, disciplined way to state and then test your assumptions about the key elements of your business model

• Why do this?
• Format
  - Hypothesis / research question
    • The primary market segment for Car2Go consists of carless, affluent, downtown residents
  - Assumptions / basis
    • A city-centric model, residents are key market
    • Students will not use the service
  - Plan to test assumptions
    • Introduce a limited number of cars and carefully track usage / customers
  - What did we learn?
    • Students & permanent residents are important and different segments
• Continued value proposition tuning

• Concept summary and discussion guide

• Voice of the customer plan

• Identify THE top technology for business model development and functional analysis – by Friday Nov 1
Questions?
Types of Value Drivers

- Costs (Reduces Material Expenses)
- Efficiency (Reduces Time or More Productivity with the Same Time)
- Efficacy (Performs Better)
- Effectiveness (Delivers More Value)
- Growth (Provides Top-Line Opportunities)
- Liability (Removes Some Safety Hazard or Risk)
Value Proposition

• A statement that summarizes why a buyer should buy your product or use your service

A good Value Proposition . . .
• Should convince a potential buyer that your product or service will add more value or better solve a problem than other offerings
• Should target customers who will benefit most from using the company's products
• Is concise and appeals to the customer's strongest decision-making drivers
• Is stated in economic and quantifiable terms