

BUSINESS MODELS

Paul Dennis 12^h Feb 2021

paul.dennis@xfiftygroup.com

LECTURE OVERVIEW

- Introduction
- Economic Engines the Heart of Business
- Role of Finance
- Business Planning for Success
- Case study of a new product across international markets

INTRODUCTION

THE ROLE AND HISTORY OF BUSINESS

- A business is an organisation that makes, buys or sells goods or provides a service. All businesses aim to satisfy **consumer** needs and wants.
 - **Needs** are the basic requirements that are essential for survival such as food, water, clothing, shelter and warmth.
 - **Wants** are things we would like to have but don't need to survive. These include luxuries such as mobile phones or holidays.
- A Business needs to make **money!**
- Anything else is a social enterprise or charity.

INNOVATION AND BUSINESS

- Sometimes when you innovate, you make mistakes. It is best to admit them quickly, and get on with improving your other innovations." Steve Jobs
- Very few new ideas in modern Business
- War has been good for Business innovation

ECONOMIC ENGINES

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- Razor Razor
- Inverted Razor Razor
- Cheap Chic
- MLM
- Franchise
- Subscription
- Long Tail
- Direct B2B / DTC

ECONOMIC ENGINES (2)

- Broker...Peer to Peer
- Network Effect
- Nickel and Dime
- Flat fee
- Serviceation
- Freemium

BUSINESS FINANCE

BUSINESS & PRODUCT COST STRUCTURES

- Understanding the type of business cost structure that exist can impact the success of a new product.
- The major components of such cost structure are variable and fixed costs.
 - Variable costs are costs that change in direct proportion to production/selling activities. Examples include sales commissions, product cost, cost of labor and raw materials used in manufacturing, etc.
 - Conversely, fixed costs are those that occur irrespective of the volume of selling or business activities. They are costs that accrue due to the passage of time such as insurance, salaries, and rent.

PRICING, REVENUE AND CASH

- Pricing
- Operating Cycle
- Cash Operating Cycle
- Working Capital

CREATING MONEY CASH, EQUITY OR DEBT

- Cash Reserves
- Operating Cash
- Equity.... investors take on some of the risk with their share
 - Your investors can provide follow-up funding as the business grows
- Debt ...can be tailored to the needs of your business
 - Lenders will take into account your personal or business credit history
- If cash flow fluctuates, repayments can be challenging

PLANNING FOR SUCCESS

INTELLECTUAL PROPERTY

- Trade Marks
- Patents
- Copyright
- Trade secrets

MARKET MIX & COMPETITION

There are four basic types of market structures: perfect competition, imperfect competition, oligopoly, and monopoly. Pure or perfect competition is theoretical only.

- All firms sell an identical product (the product is a "commodity" or "homogeneous").
- All firms are price takers (they cannot influence the market price of their product).
- Market share has no influence on prices.
- Buyers have complete or "perfect" information—in the past, present and future—about the product being sold and the prices charged by each firm.
- Resources for such a labor are perfectly mobile.
- Firms can enter or exit the market without cost.

MARKET MIX & COMPETITION

The marketing mix is a crucial tool to help understand what the product or service can offer and how to plan for a successful product offering.

The marketing mix is most commonly executed through the 4 P's of marketing: Ref Kotler

- Price
- Product
- Promotion
- Place

7 P's Packaging/Physical Element, People & Positioning

MARKET AND INNOVATION DISRUPTION

- Disruptive innovation” is a term coined by “Clayton Christensen” referring to a process in which an underrated product or service starts to become popular enough to replace, or displace, a conventional product or service.
 - Disruption is a process, not a product or service, that occurs from the fringe to mainstream
 - Originate in low-end (less demanding customers) or new market (where none existed) footholds
 - New firms don't catch on with mainstream customers until quality catches up with their standards
 - Success is not a requirement and some business can be disruptive but fail
 - New firm's business model differs significantly from incumbent
- Google Disruptor or Not?

FAILURE TO INNOVATE

- Companies that failed to innovate
 - Blockbusters
 - Kodak
 - Blackberry
 - WoolWorths
 - Thomas Cook
- Products that Failed
 - Lays (Walkers) Wow Crisps
 - Betamax
 - New Coke
 - Pepsi AM
 - Microsoft Bob/Zume
 - Apple Newton
 - Amazon Fire
 - Galaxy (Note7)

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- Innovation management and new product development ... Paul Trott
- READING
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