

Developing Innovation and Creativity for Business Advantage

Week 4 - eBusiness / Business Model Canvas

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Recap:

Week 1 – Introduction to innovation

Week 2 – Concepts & techniques of innovation & creativity

Week 3 - Innovative eBusiness / eCommerce

This week – we will look “**eBusiness / Business Model Canvas**”

eBusiness

- eBusiness is the powerful business environment that is
- created when we connect critical business systems directly to
- customers, employees, vendors, and business partners using
- intranets, E-Commerce technologies, collaborative
- applications and the Web

Developing eBusiness Successfully means.....

BUILDING RELIABLE AND SCALABLE SYSTEMS FOR...

- security
- collaboration
- messaging
- E-Commerce payments
- supply-chain management
- sales force
- data warehousing
- customer relations

AND INTEGRATE ALL THE ABOVE WITH.....

- Back-end operations

eBusiness has.....

- Increased the competition
- made companies reconfigure their business
- created a critical new market
- exploded the distribution channels
- imparted more power to customer

Main Ideas of eBusiness

- Start Simple but grow fast
- Build on what you have

Evolution of eBusiness

THREE GENERATIONS OF eBUSINESS

- Establishing static presence on the web
- Lining front-ends with the back-ends
- Benefits of automation and integration extended to the customer

contd...

Generation 1

- Developing web-sites that served as the catalogs

Generation 2

- Linking the Web front-ends with back-end order management and inventory control systems
- Enabled customers to place and track orders directly from a company's web site, thus giving customers more control over the order process
- *Vendor-centric* : company's ability to automate internal process and link them to the web for the customers

contd...

Generation 3

- Companies extends the benefits of automation and integration to the customer
- not only deliver information directly to the customer but also customize services and data delivery in order to enable rich interaction among systems
- Companies conduct business programmatically
- *Customer-centric approach*: employs automation, integration and data delivery techniques to provide maximum competitive value to external customers

eBusiness Models

There are three types of market places:

- Controlled by Sellers
- Controlled by Buyers
- Neutral Marketplaces

Seller Controlled Markets

- Set up by single vendor seeking many buyers
- Main aim
to retain value and power in any transaction

Buyer Controlled Markets

- Set up by or for one or more buyers
- Main aim
 - to shift value and power in marketplace on the buyer's side
- Buyer intermediaries can also be there
 - ...act as agents

Neutral Markets

- Set up by third party intermediaries to match many buyers to many sellers
- Matches buyers to sellers at an auction
- Commission based

Choosing a Marketplace Model

Choosing a marketplace depends on four factors:

- Are there transactions or benefits to be realized ?
- Is electronic market for product developing quickly ?
- Does company have substantial market share or buying power ?
- Would a neutral intermediary be beneficiary ?

eBusiness Cycle

FOUR PROCESSES

- Transform
- Build
- Run
- Leverage

Transform

- Ability of company to transform core business processes and leveraging the reach and pervasiveness of the internet
- where to start?

Key to success lies in making eBusiness priorities the priorities of business

Transform

contd.....

PRIORITY

- Extending reach and capturing new markets
- Improve customer retention through better services

WHAT TO DO

- Enable web-site for E-commerce
- start giving instant information to customers on web-site

Build

- Involves building the transform applications
- Fastest and effective way is simply to extend and continue to modernize existing applications and develop the new ones with the existing information systems

Run

To run eBusiness successfully and optimally:

- offer reliability to ensure trust
- provide security that provides confidence
- manageability to ensure performance
- Since eBusiness solutions must grow quickly in multiple dimensions, SCALABILITY is also important

Leverage

Outside the Organization

- Becoming customer-centric means leverage existing data for greater understanding of the customer.
- What do customer buy, when and how do they buy? -----Use this information optimally

Leverage

Contd...

Inside the Organization

- Leverage the experience and knowledge of individuals within the organization -----
to make a complex process work
to roll out a new product
- Leverage existing knowledge and replicate best processes across the organization to improve innovation & responsiveness

The First Step in Development

- *Involvement of all Major Groups*

- Example: Intel

Intel involved three major groups

SALES & MARKETING

INFORMATION TECHNOLOGY

PROCESS AND LOGISTICS

Overall Focus

- International reach and focus
- Easy fast access to all information
- Deep customer knowledge
- Effective customization
- Secure Transactions
- Reliable delivery
- Responsive customer support

Tasks Performed by

Sales and Marketing

- Application development, security, infrastructure, overall program management

Information Technology

- Program management, systems integration, marketing, international focus

Process and Logistics

- Customer services, corporate databases, planning, fulfillment

CUSTOMER RELATION MANAGEMENT

Companies must know:

What does the customer want ?

First rule : know thy customer

Goal: Provide self-service customization

Organisations must know:

Contd...

How does the customer want it ?

- HTML is not the only tool
- Deliver the data as the customer want
 - Spreadsheet, XML, data, document
 - Businesses need loosely-coupled architectures that let systems interact without creating dependencies

Organisations must know

Contd...

Where does the customer want it ?

- Customer could be using:
 - workstation
 - or cell phone
- Company's delivery system must be able to intelligently deal with a range of platforms and connections

Organisations must know

Contd...

When does the customer want it ?

- eBusiness never sleeps
so information is always needed
- customer needs information as soon as it becomes relevant
example: customer must know the price changes

Communicating with Customer

- To increase sales and profits, companies must know:

Which customer to communicate to ?

When to communicate ?

eBusiness must have insight into each customer interaction and purchase information that accumulates constantly

Prepare a Questionnaire

- How often does each customer respond to an e-mail promotion or web-site banner ad ?
- What is the average length of time between each customer transaction ?
- How quickly does the transaction value increase for each customer ?
- What is the average number of interactions before each customer buys ?
- What are the top 10 most viewed by each customer ?
Products they buy? Products they don't buy ?

Total Insight

Combine product and transaction information with all customer information like:

- Purchase History
- Non-purchase interaction
- Promotion History
- Individual Customer Preferences
- Demographics
- Psychographics

Superior Customer Understanding

Personalization

- be information intensive, helpful and relevant

Reach customer

- reach customers wherever they want to be reached

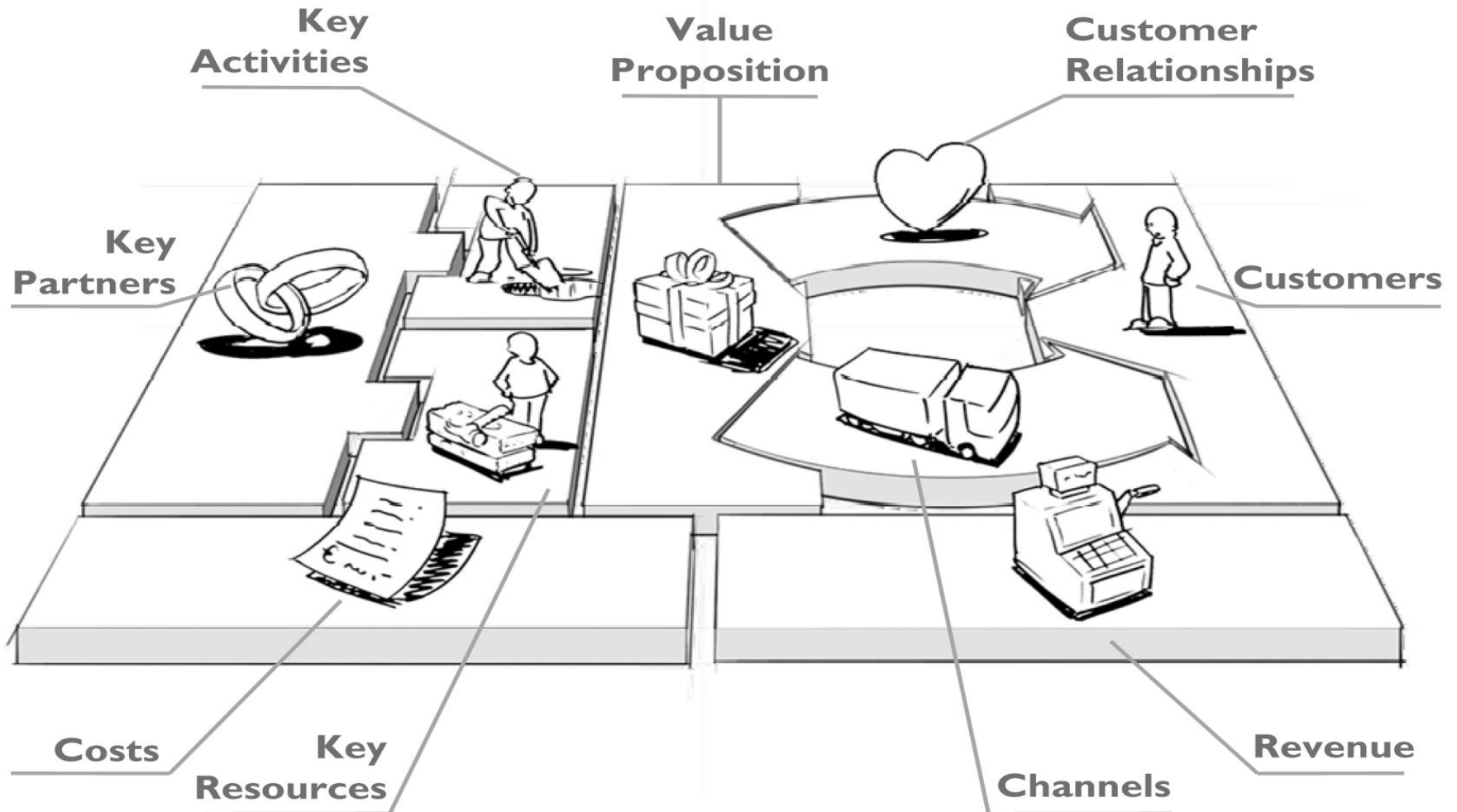
Business Model Canvas

- What is a Business Model?
- Why should we care?
- The building blocks of a Business Model: The Business Model Canvas
- Patterns in Business Models
- Business Model Innovation
- Limits and Caveats of Business Modeling

What is a business model?

- *Business models are an analytical tool used to assess the economic viability of a business concept*
 - = 10,000-feet overview of a business: how it is structured
 - = Focusing on whether the business 'makes sense',
i.e. can be profitable, sustain competition, scalable

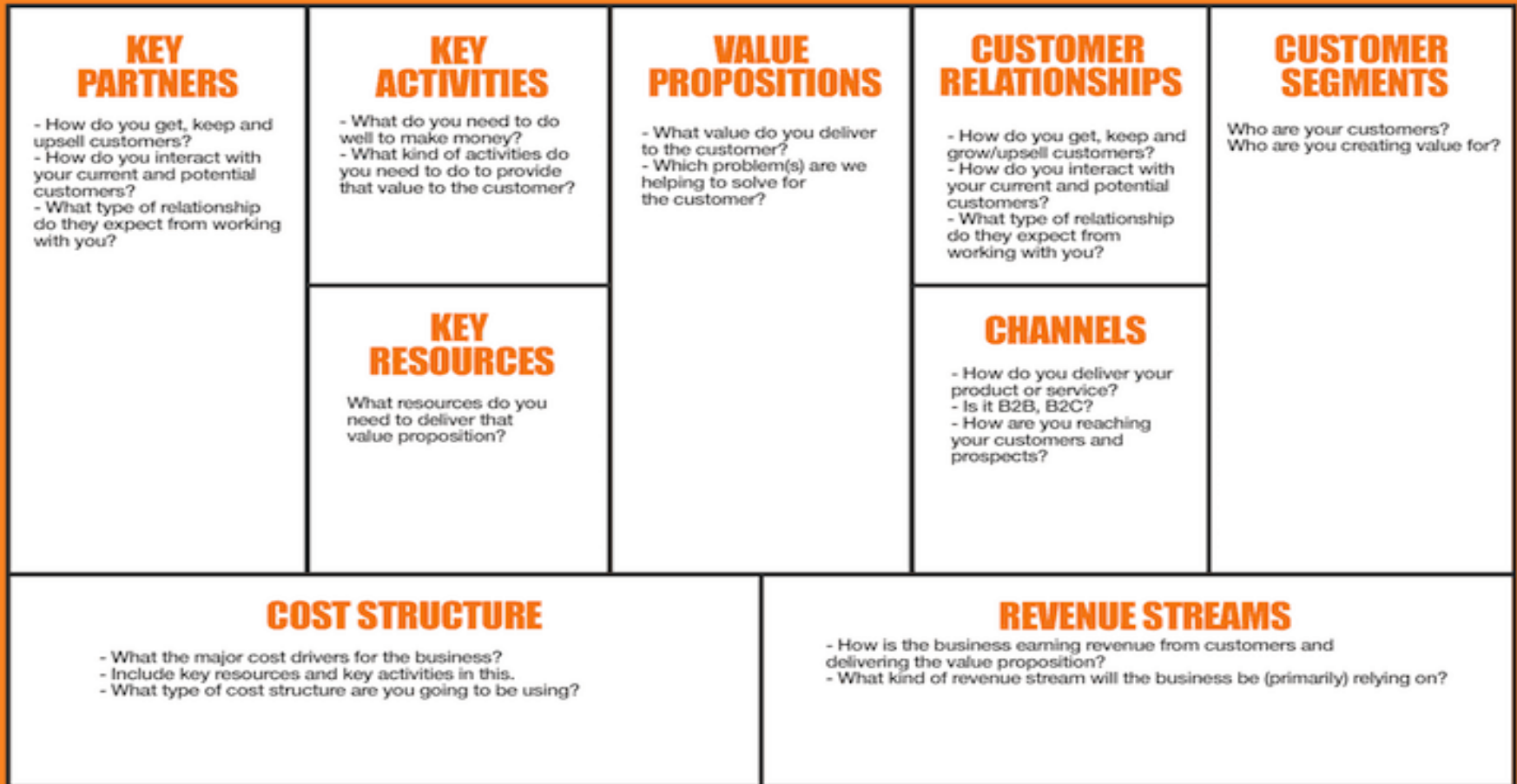
The BM canvas



drawings by JAM

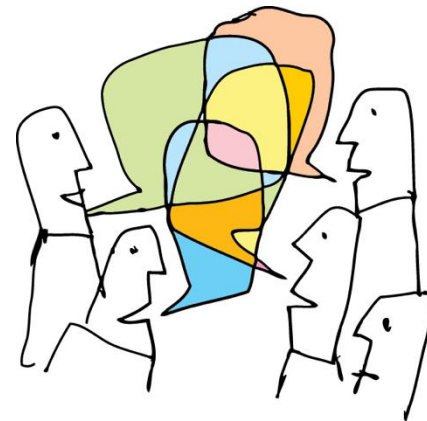
Business Model Canvas

THE BUSINESS MODEL CANVAS

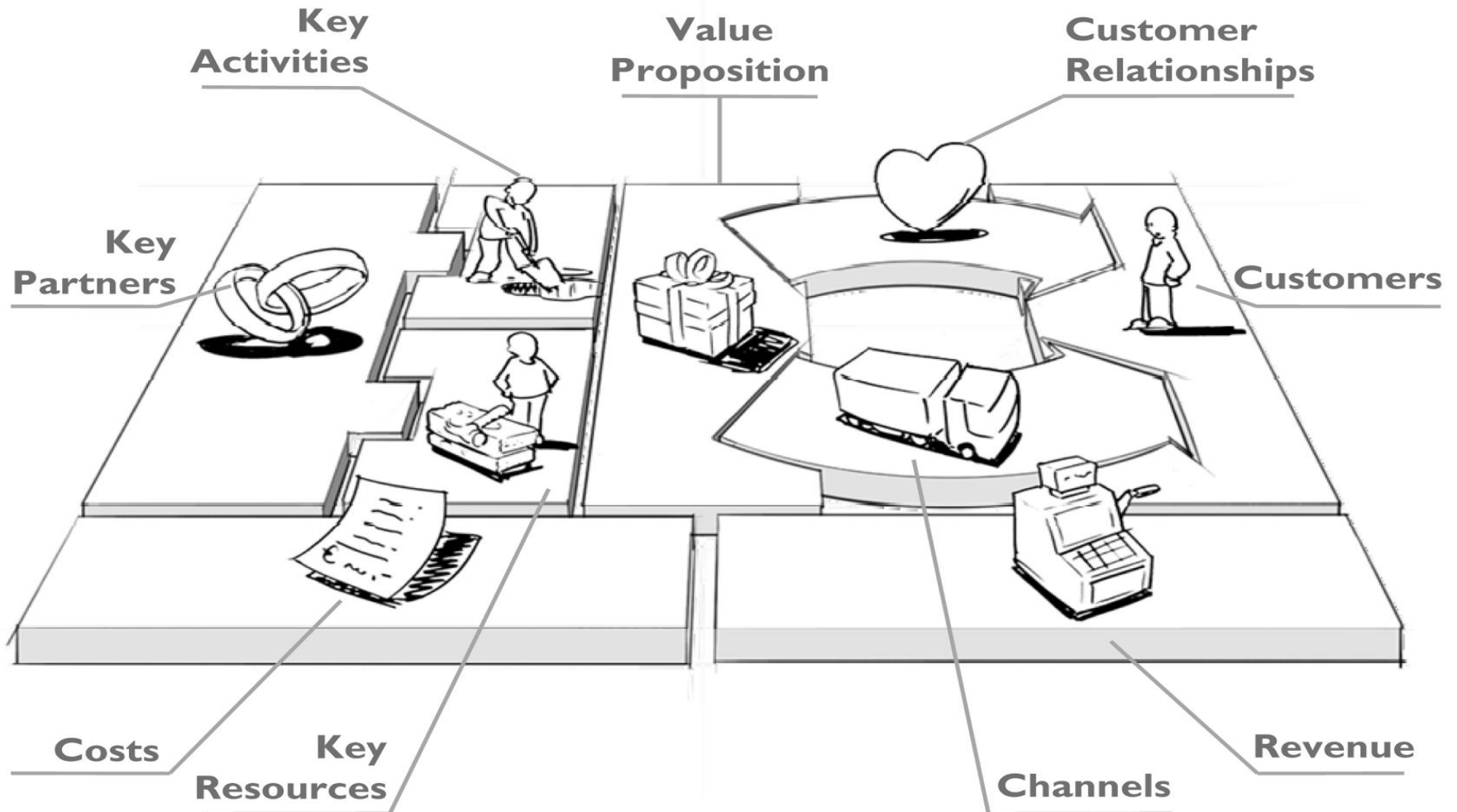


Why should you care about BM's?

- BMs are useful to think through all critical aspects of a business:
A checklist
- BMs are useful to communicate your business concept through a 'common language'



The BM canvas



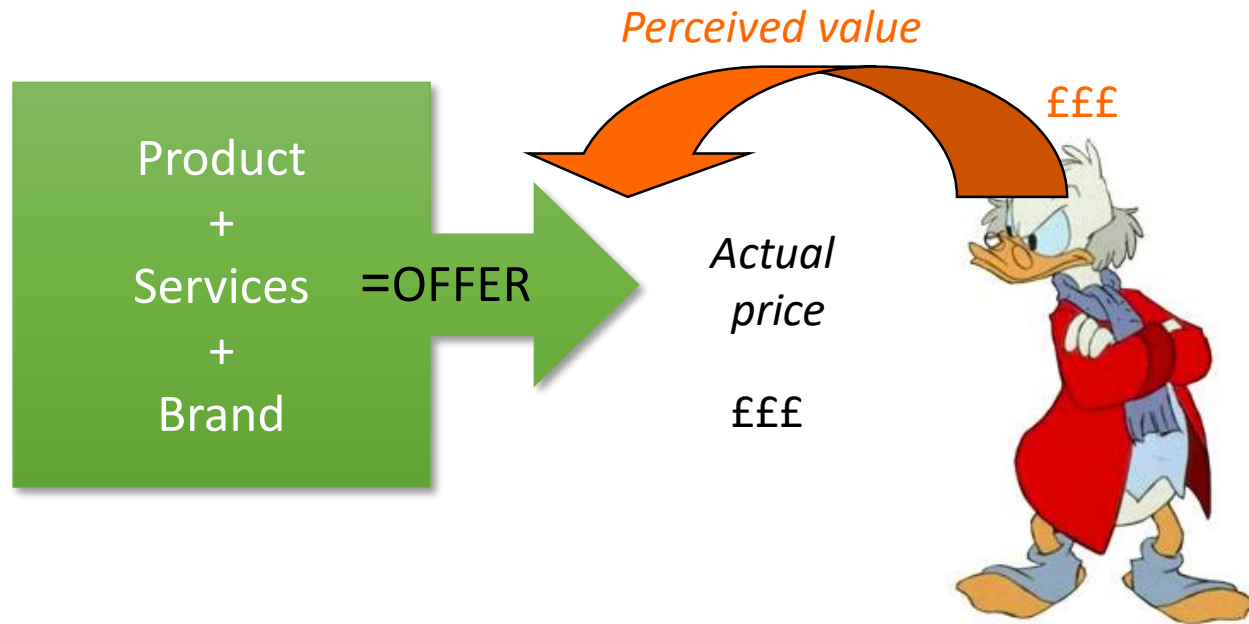
drawings by JAM

#1: customer segments

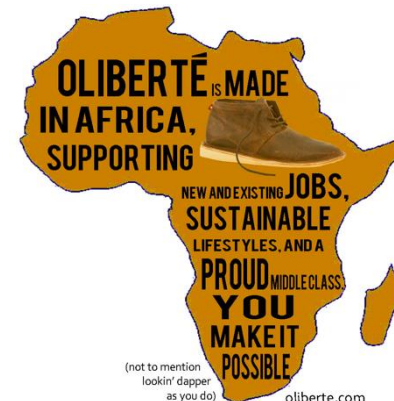
- Who is(are) the target customer(s)?
 - Mass market Vs niche
 - Single segment Vs multi-segments
 - Multi-sided platforms (serving several interdependent customer segments)



#2: value proposition

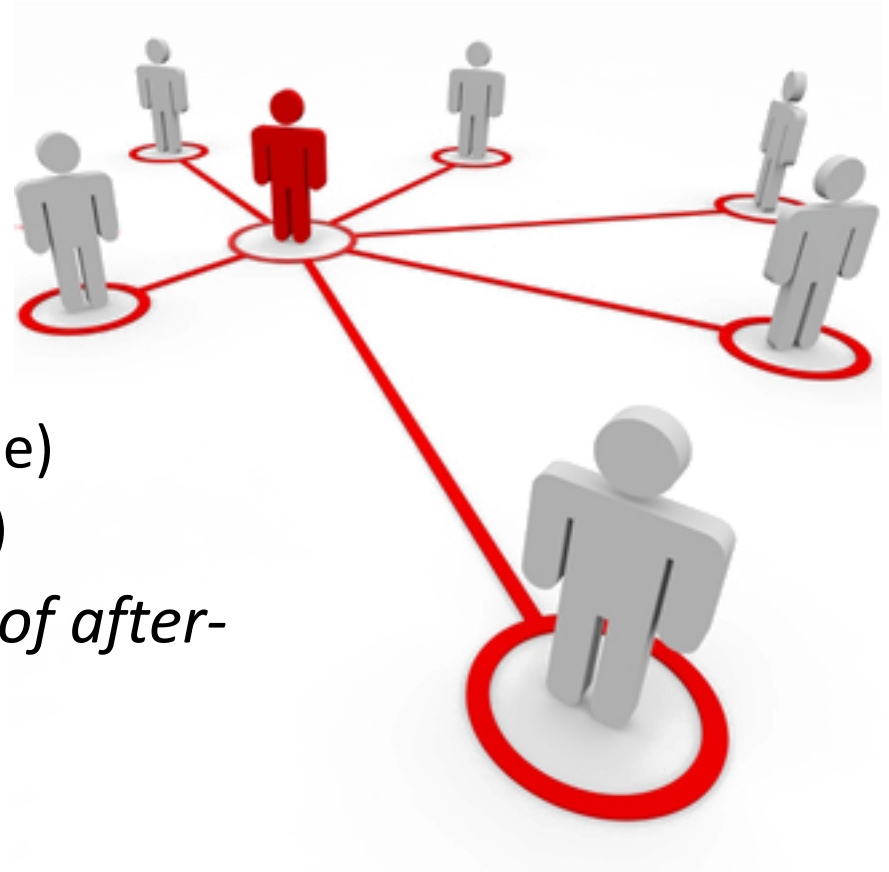


- Perceived value may be a combination of ECONOMIC value (benefits to customer) and SOCIAL value (benefits to others)



#3: distribution channels

- Direct:
 - Sales Force
 - Online
 - Own stores
- Indirect:
 - Partner stores (physical/online)
 - Wholesalers (physical/online)
- *Key question: who takes care of after-sales service?*



#4: customer relationships

- *What CR do we want to establish and maintain with our target customers?*

- Self-service



- Personal assistance



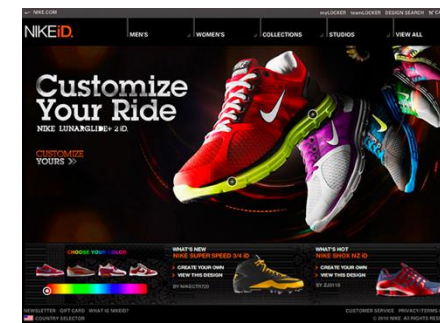
- Automated service (= hybrid)



- Communities



- Co-creation



#5: revenue stream(s)

=Cash we generate from each customer segment

- Asset sale: transfer of ownership
- Usage fee
- Subscription
- Licensing
- Brokerage fee
- Advertising
- Consumer data sale to third-party
- Can mix: e.g. "freemium"

#6: key resources

- *Most important assets required to run the business ops*
 - Physical
 - Intellectual/intangible
 - Human
 - Financial

#7: Key activities

- *What key activities are critical to the success of our BM?* Esp. to deliver the value proposition
 - Problem solving
 - Production
 - Delivery
 - Network

#8: key partnerships

- Buyer-supplier relationships
- Strategic alliances with non-rivals
- Co-opetition: partnership with rivals
- Can be based on simple contract, or a structured dedicated organization (e.g. Joint-Venture)



#9: cost structure

- *What are the cost drivers of our business?*
- Reflection in terms of:
 - Product Costing, but also Activity-Based Costing (ABC)
 - Variable Vs Fixed costs
 - => Break-even point
 - => Size-related economies
 - => Scalability

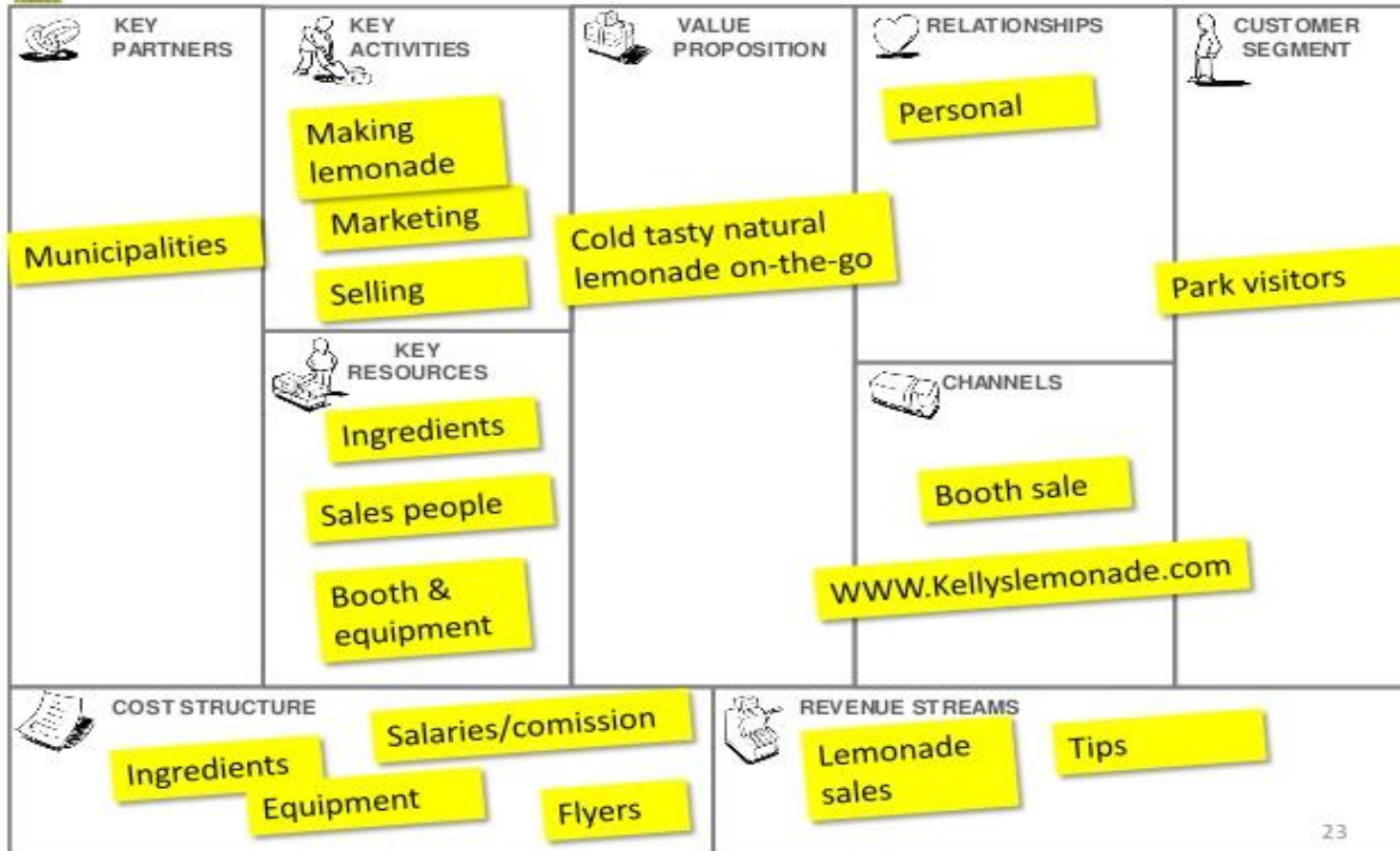
Limits and caveats

- The BM approach focuses on economic imperatives (break-even point, sustainability of operational profits), NOT competitive positioning
- A BM may be great on paper, but implementation is everything

Business Model Canvas



Kelly's Lemonade Stand: Refreshing Lemonade



Value Proposition

- What game challenge are you building, for who, and what problem does it solve?
- **Get out of the building**
- Learn what pains and gains the customer has
- Your solution solves a **major** customer problem/need

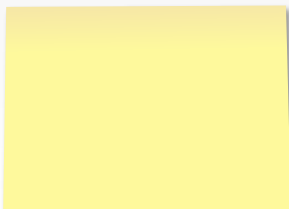
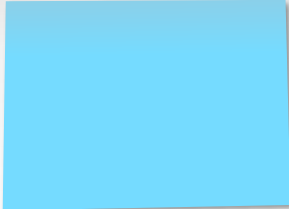
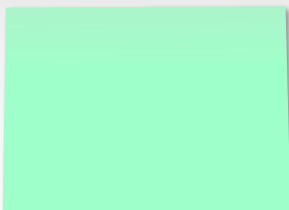
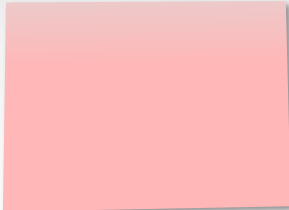
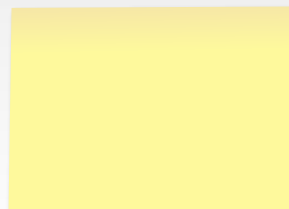
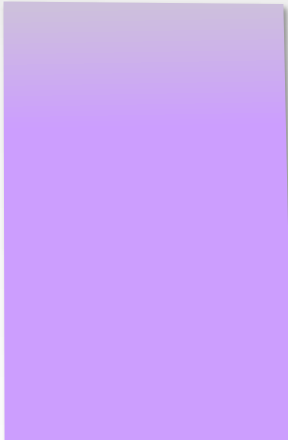
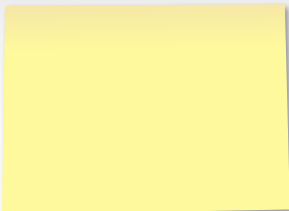
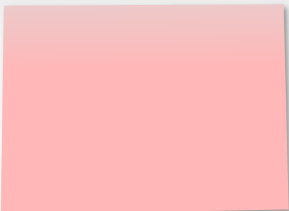
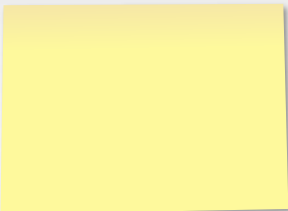
PAIN KILLERS - HYPOTHESES



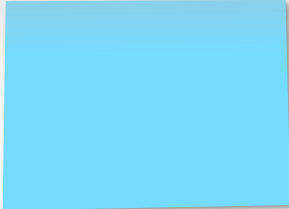
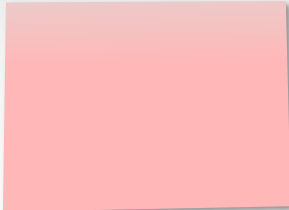
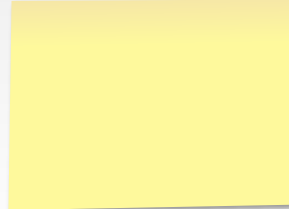
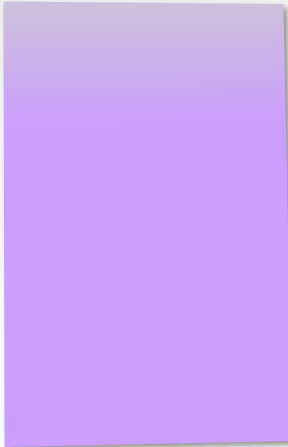
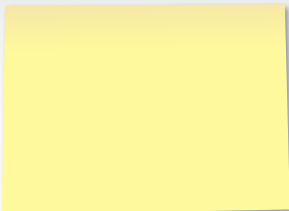
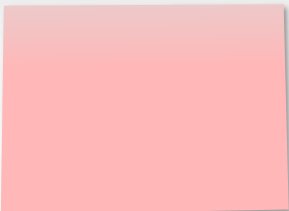
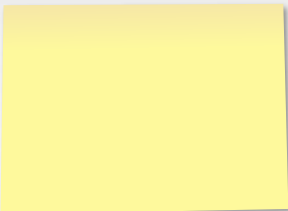
GAIN CREATORS - HYPOTHESES



The business model Canvas

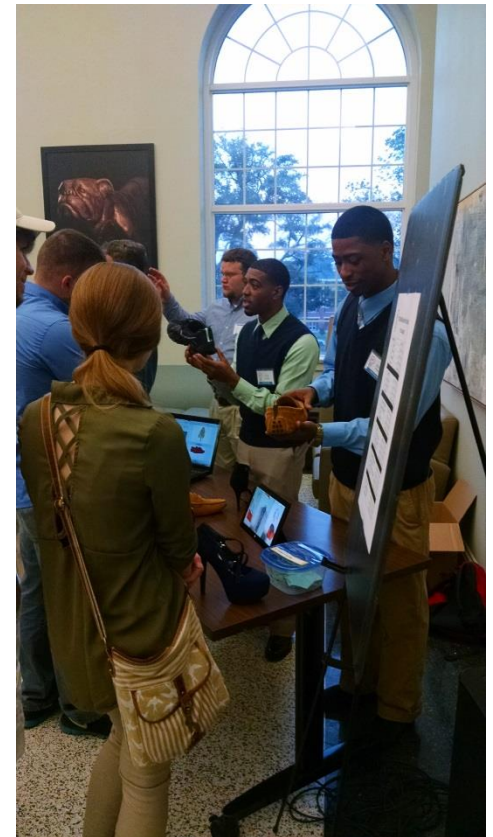
Key Partners   	Key Activities  Key Resources 	Value Proposition 	Customer Relationship  Channels 	Customer Segments 
Cost Structure  		Revenue Streams  		

The business model Canvas

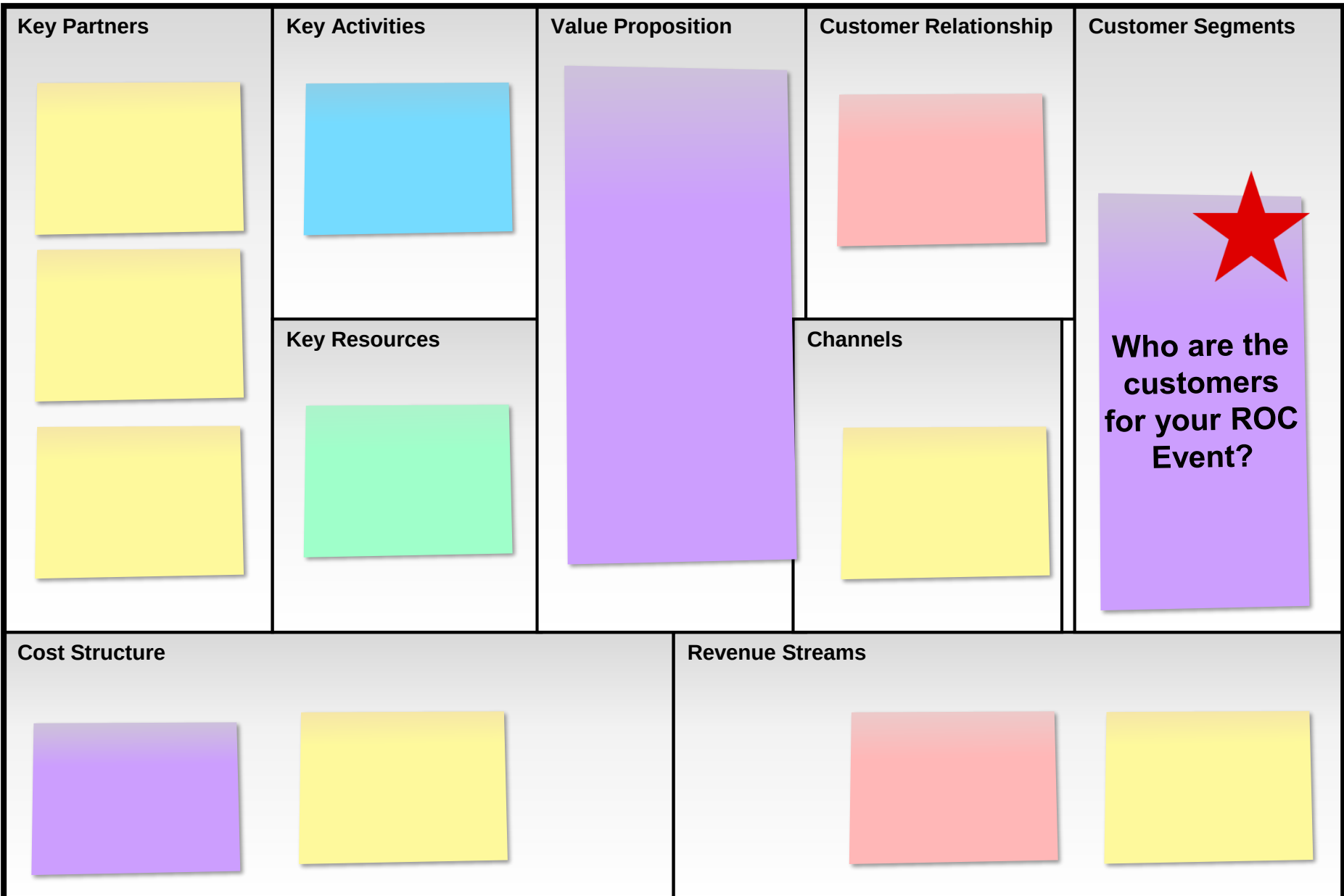
Key Partners   	Key Activities  Key Resources 	Value Proposition  Is it the experience? What about the opportunity to learn and compete with like minded students?	Customer Relationship  Channels 	Customer Segments 
Cost Structure  		Revenue Streams  		

Customer Segments

- Who are your customers and why would they buy?
- Is the buyer the user?



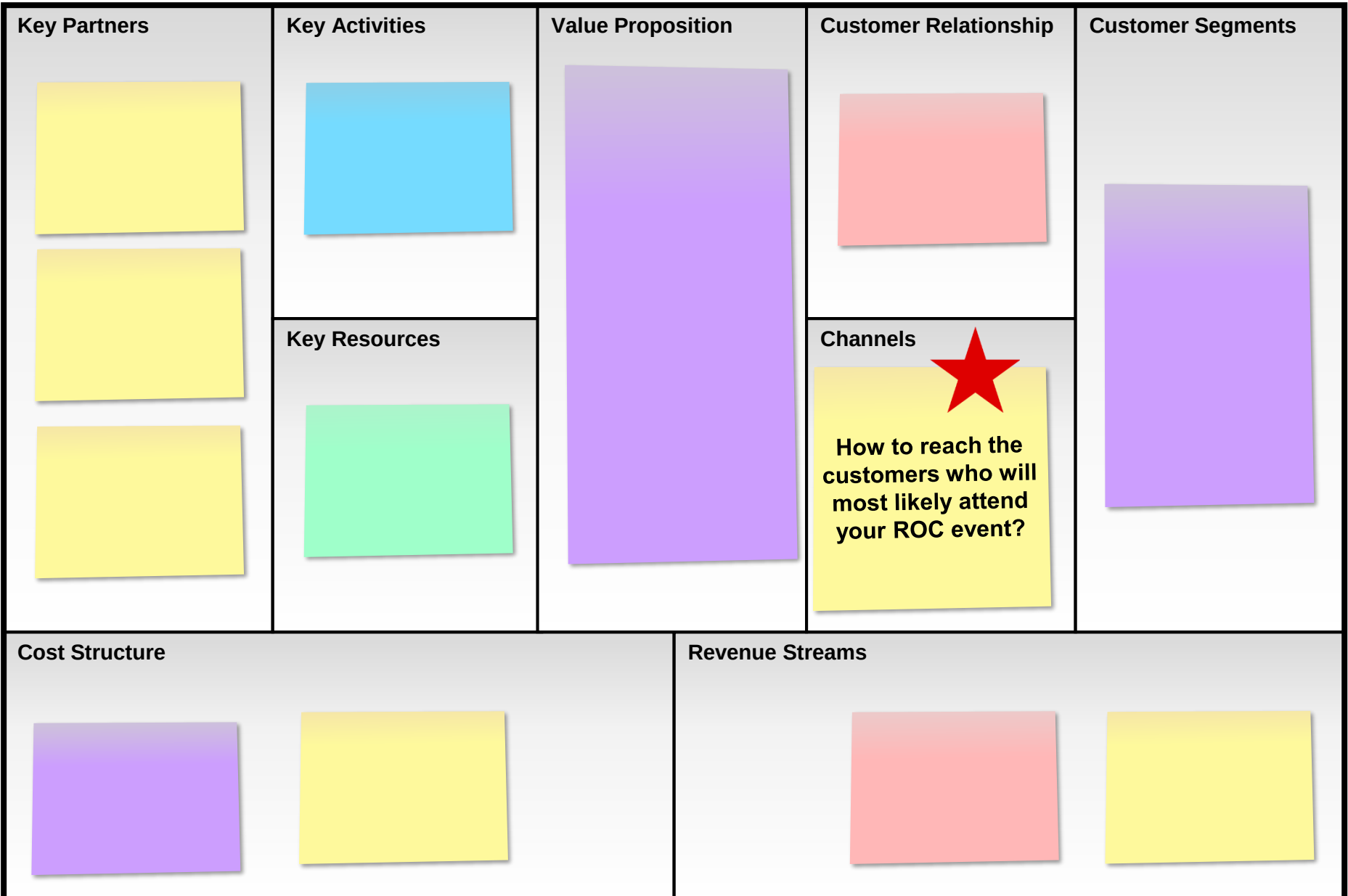
The business model Canvas



Channels

- How to reach your customers
- How does the product/service get to the customer?
- Determine distribution channel (virtual or physical)

The business model Canvas



Customer Relationships

- How do you get, keep, and grow customers?

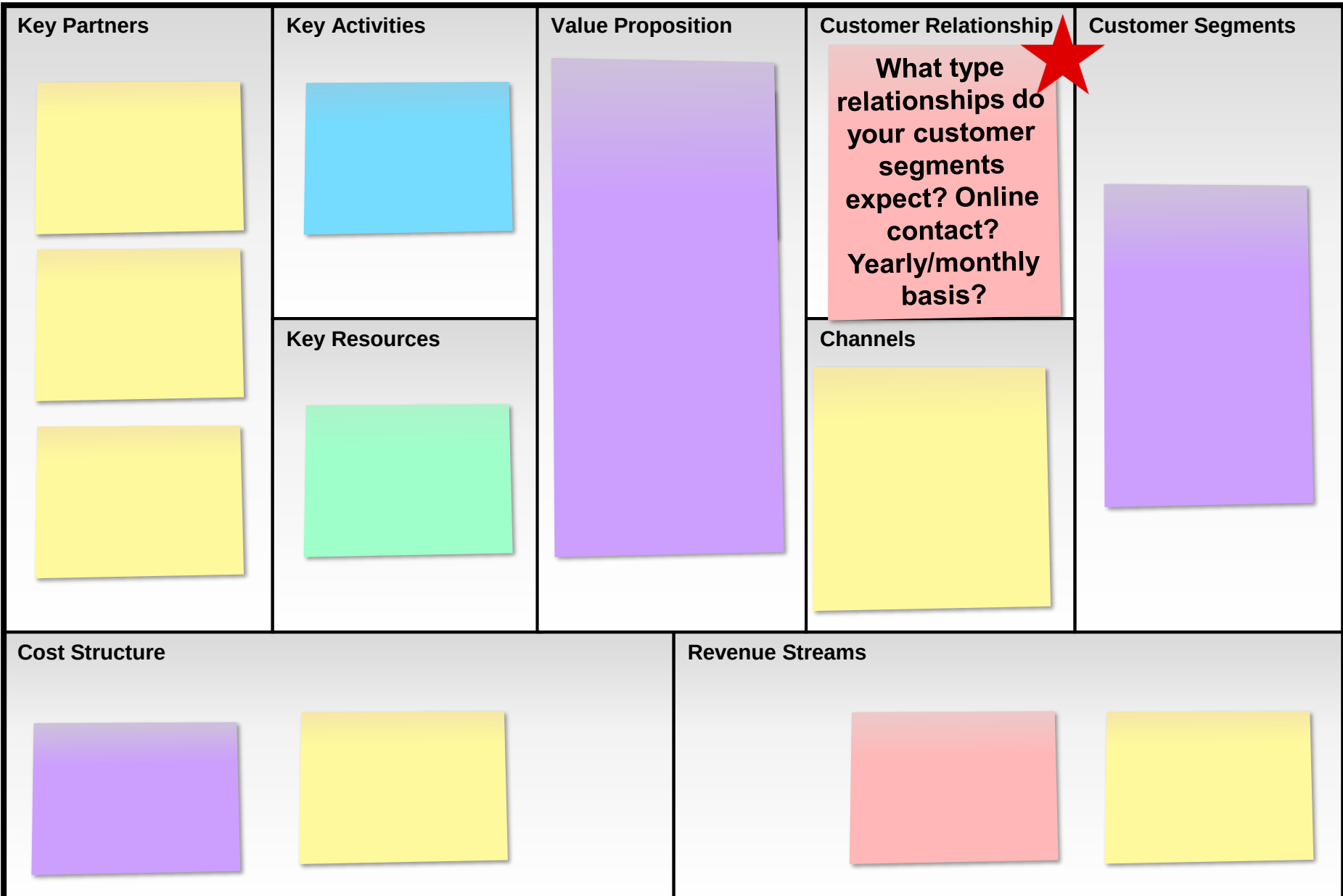
Paid

Public Relations
Advertising
Attend Trade Shows
E-mail
Search Engine
Marketing

Earned

Speak at events
Blogs
Guest articles
Social Media
Word of Mouth

The business model Canvas



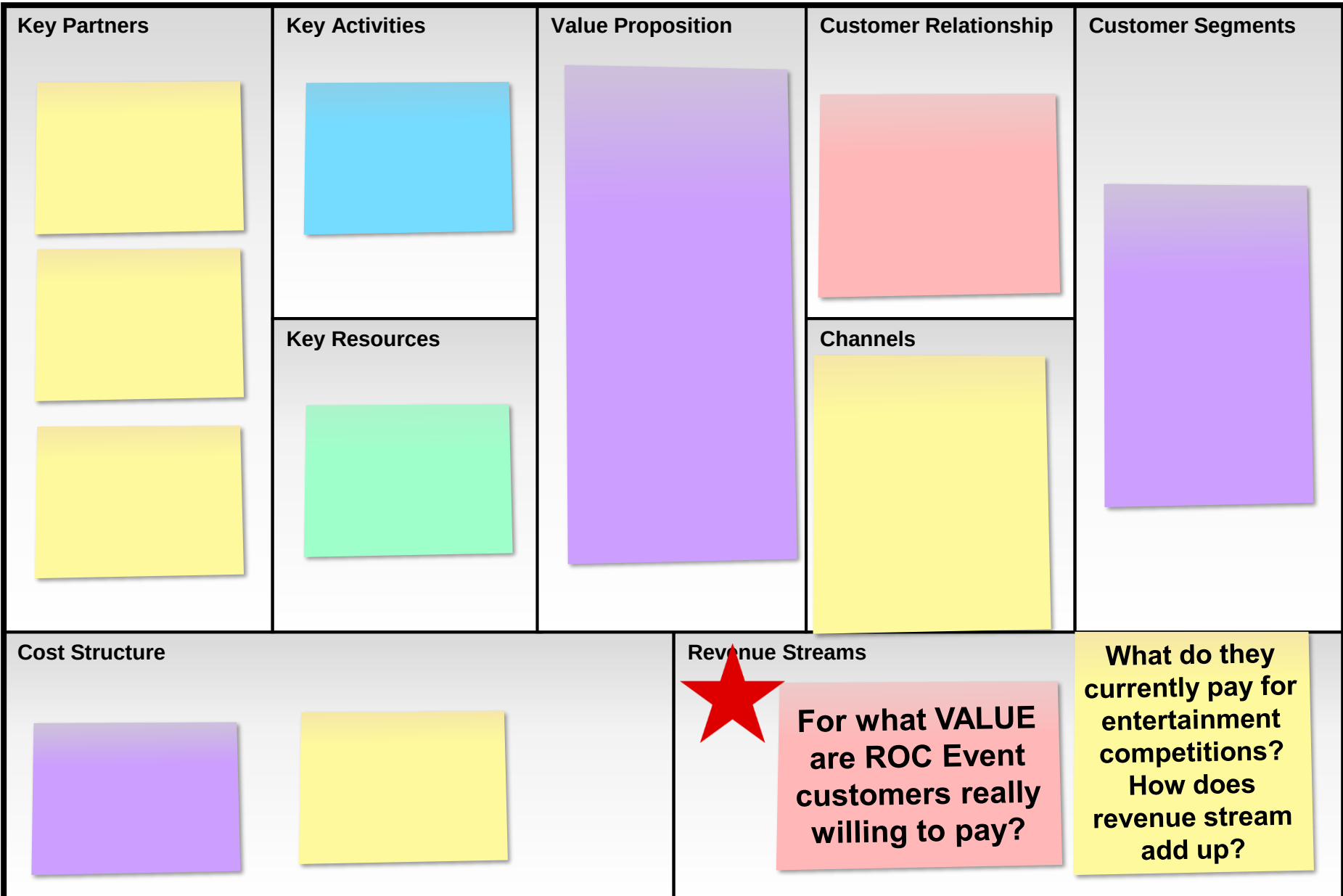
Revenue Model

- How does the company make money from each customer segment?
- Pricing
- For what Value is the customer paying?

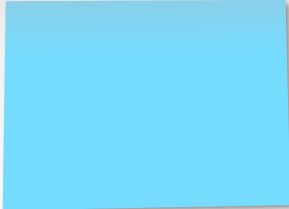
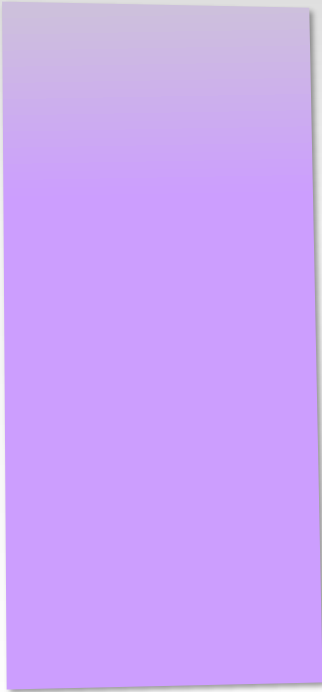
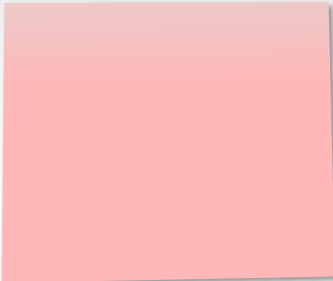
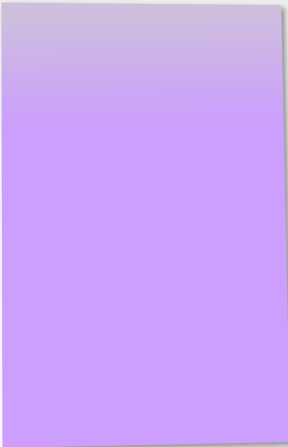
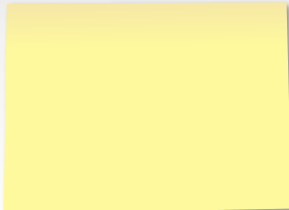
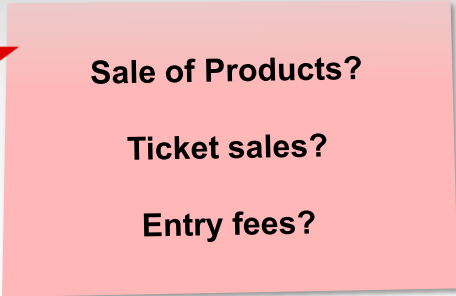
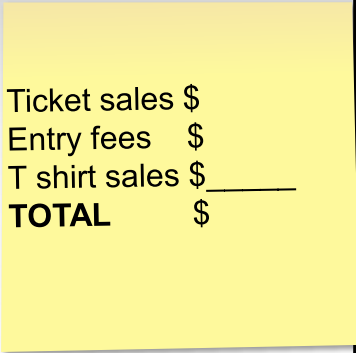
DRAW THE DIAGRAM
PUT IN NUMBERS



The business model Canvas



The business model Canvas

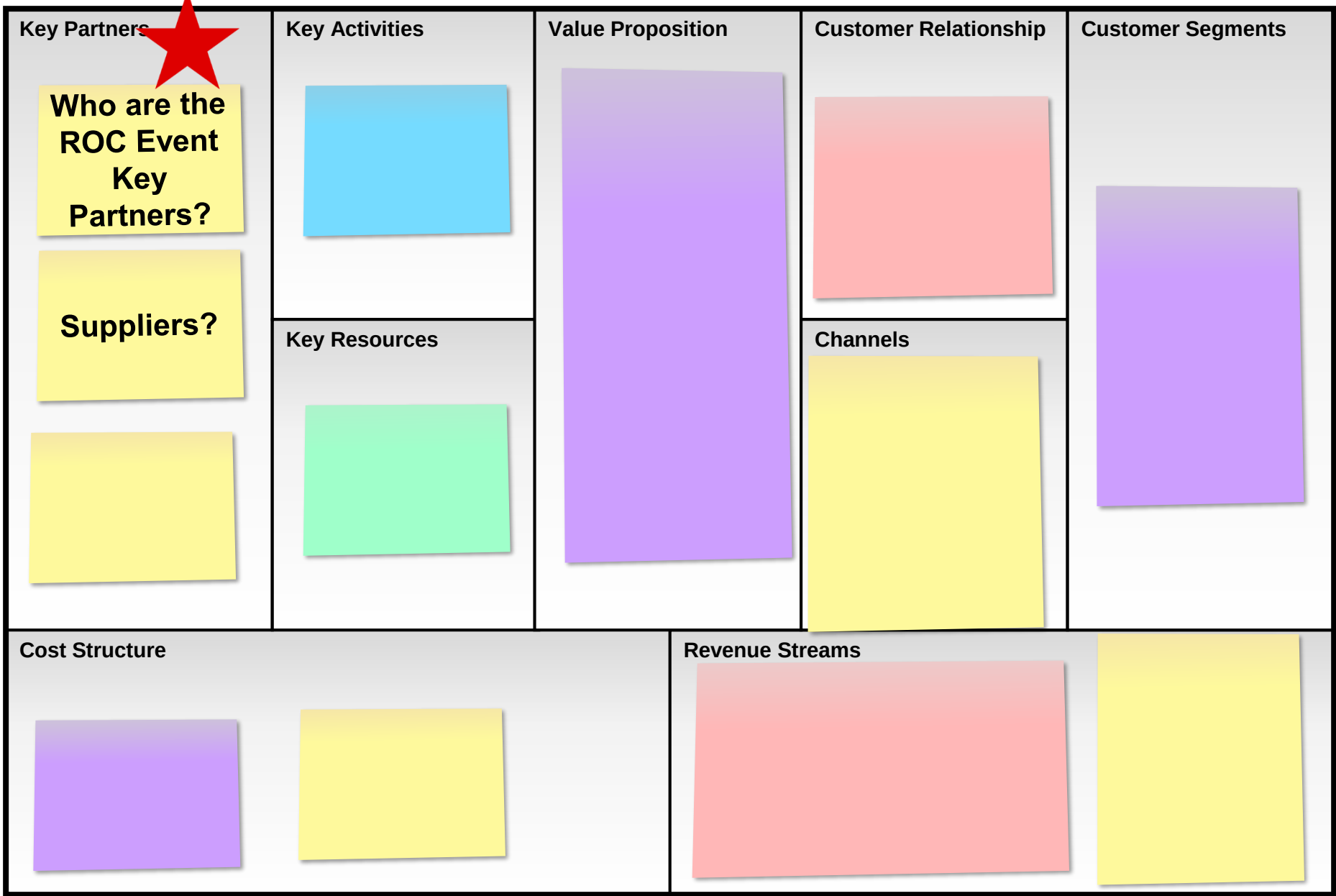
Key Partners   	Key Activities  Key Resources 	Value Proposition 	Customer Relationship  Channels 	Customer Segments 
Cost Structure  		Revenue Streams   Sale of Products? Ticket sales? Entry fees?  Ticket sales \$ Entry fees \$ T shirt sales \$ _____ TOTAL \$		

Partners

- Who are the key partners and suppliers needed to make the business model work?
- Key partners
 - What key activities do they perform?
- Key suppliers
 - What are we buying from them?



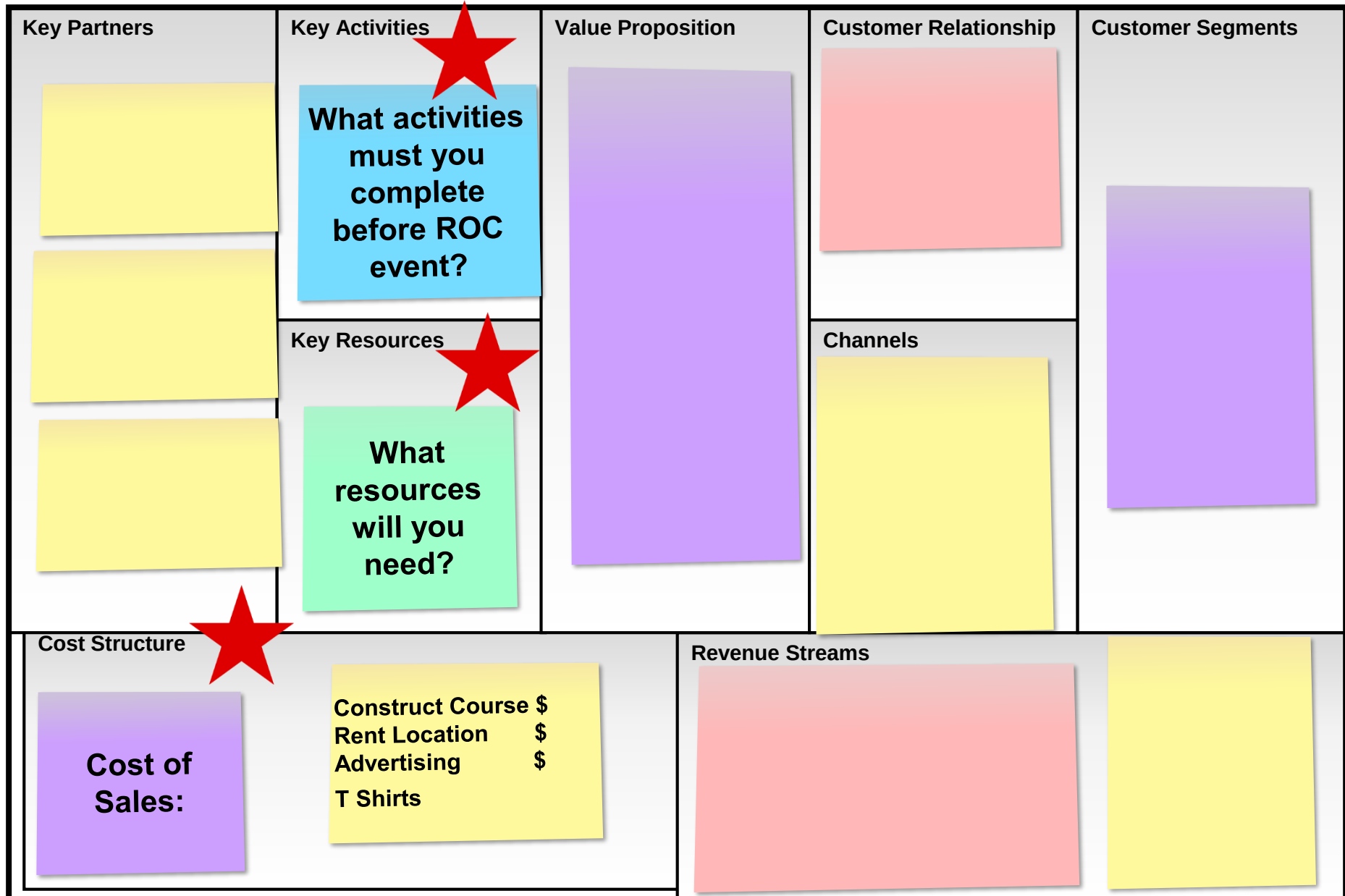
The business model Canvas



Resources, Activities, Costs

- What are the most important assets required to make the business model work?
 - Physical: machines, vehicles
 - Financial: raising money, credit
 - Human: programmers, designers, managers
- What are the costs to operate the business model?
 - Fixed: rent, machinery
 - Variable: wages, utilities, materials

The business model Canvas



The business model Canvas

XYZ Company

Key Partners This is a sample text, insert your own text, This is a sample text, insert your own text, This is a sample text, insert your own text,	Key Activities This is a sample text, insert your own text, Key Resources This is a sample text, insert your own text,	Value Proposition The LINK for this PPT Business Model Canvas is on the ROC Resource LINK Page	Customer Relationship This is a sample text, insert your own text, Channels This is a sample text, insert your own text,	Customer Segments This is a sample text, insert your own text,
Cost Structure This is a sample text, insert your own text, This is a sample text, insert your own text,		Revenue Streams This is a sample text, insert your own text, This is a sample text, insert your own text,		

Brainstorming Rules

1. Defer judgment
2. Encourage wild ideas
3. Build on the ideas of others
4. Stay focused on the topic and process....seriously focused
5. One conversation at a time
6. Be visual
7. Go for quantity

Stick to the rules!
Work quickly and List the ideas!
No idea is refused!