

Session 2

Idea generation

... Does it really matter how?

Business Models

...Indispensable

Learning Objectives

- To understand the role of business idea
- To discuss sources of business ideas
- To initiate participants to the process of generating an idea
- To demonstrate the importance of the business model
- To highlight the elements of a business model
- To discuss why business models fail

Seizing an opportunity

- Technology push vs market pull
 - "Sony walkman vs hubrid cars"
- Megatrends
 - E.g. business analytics

What is a “good” idea?

- A “good” idea must be able to attract, convince and motivate a diverse group of stakeholders including:
 - Customers, Consumers, Investors.
 - Employees, Suppliers, Distributors etc.
- An idea must be strong enough to push through the various stages of the development process
- It also must be stronger and more attractive than other ideas to enable it to attract the required resources

Dr Patricia Lewis

Sources of ideas

- Past and present work experience
 - Hobbies and leisure interests
 - Qualifications and studies
 - New markets/uses for existing products
 - Solving a persistent problem
 - Research and development
 - Patents, licences
 - Invention
 - New technologies
 - Economic/market changes
 - Changes in consumer behaviour
 - Imitating an idea from a different locality
 - Imitating an idea from a different industry
 - Improving an existing product
- Schumpeter's (1934) innovation types:
 - Introduction of new products or services
 - New methods of production
 - Developing new markets
 - Identifying new sources of supply
 - New forms of organization
 - Rothwell (1993)
 - Push – technological discoveries
 - Pull – market or consumer demand
 - Iterative process of both technological push and market pull
 - Integrated management process e.g. total quality management
 - Networked management approach – ICT allows shared planning in response to multiple opportunistic market signals

Source: Dr Patricia Lewis

Or...

“I have this problem”

“I have seen this problem”

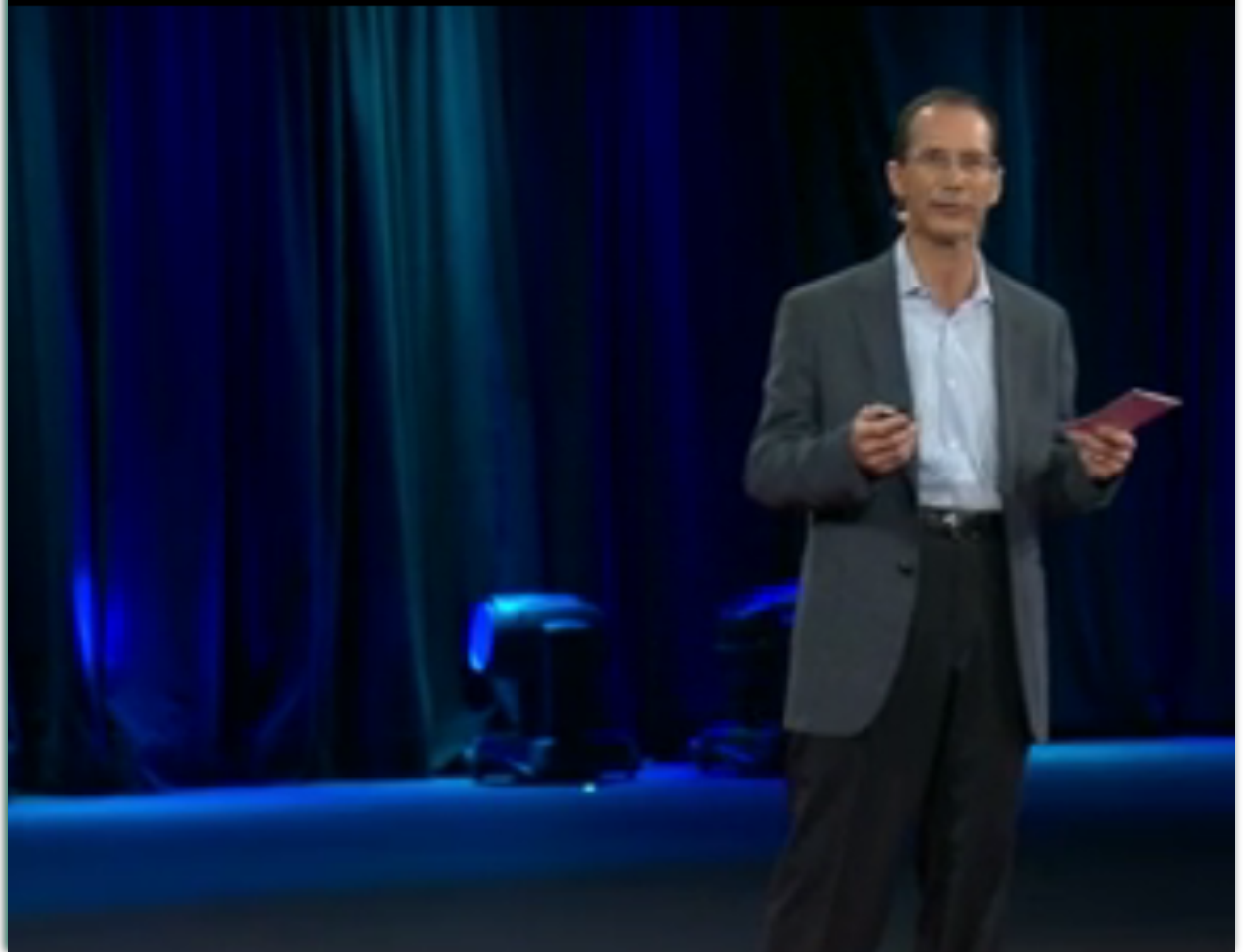
“I have this technology”

“I have seen this technology”

“I see the major, transformative global forces...”

https://www.youtube.com/watch?v=mGY_9sFg2qM

TED Ideas worth spreading

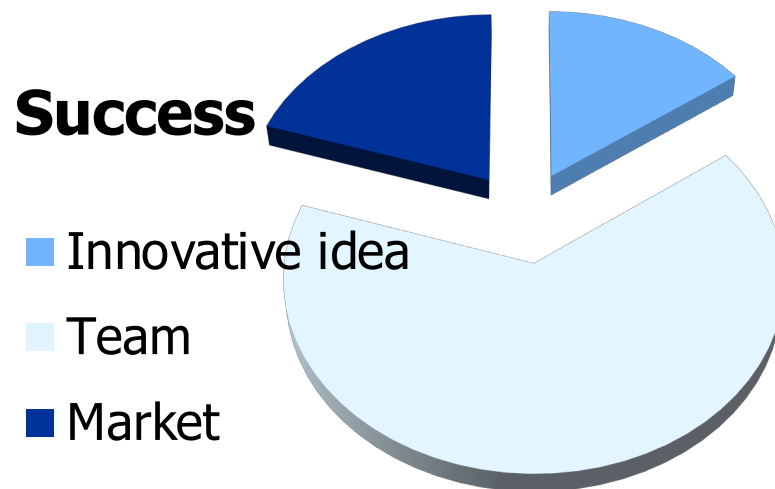


Ideas

Bill Gross founded IdeaLab, an incubator of new inventions, ideas and businesses

I used to think that the idea was everything.

Are ideas important?



- Yes, a good idea increases
 - Your ability to recruit & motivate people
 - Your ability to focus on execution
 - Credibility in the longer term with customers & others
- Yes, a bad idea makes your efforts much less effective
- No, your idea will change
 - The concept of pivoting

How will you generate ideas?

- Research
 - Get articles, insights about the space the sector the industry
- Brainstorm
 - Gather groups to discuss
- Evaluate
 - Understand market, competition, margins, e.t.c.
 - Spend time to rank your ideas

Some ideas fail...

- Oxygen Holdings was an internet incubator company which invested in entrepreneurial students with the aim of nurturing university start-ups
 - It was co-founded by Emma Edelson (26) with the backing of her father a Manchester United Director
 - When it came to market in February 2000 its share price rose by 2,775 per cent on its first day of trading. At its peak the company was valued at £240 million
 - Much of the hype surrounding the company was connected to the high profile directors and individuals such as Matthew Freud and Elisabeth Murdoch who were appointed to the board
 - However the incubator firm provided little expertise or support to the small number of firms it identified as suitable investment vehicles
 - The day after Oxygen floated on the market the share price crashed by 95 per cent

Dr Patricia Lewis

while others...

Scenario #1

- You are Thomas Edison!
- You just invented a long-lasting, practical electric light bulb.
- You want to build a business

What would you do?

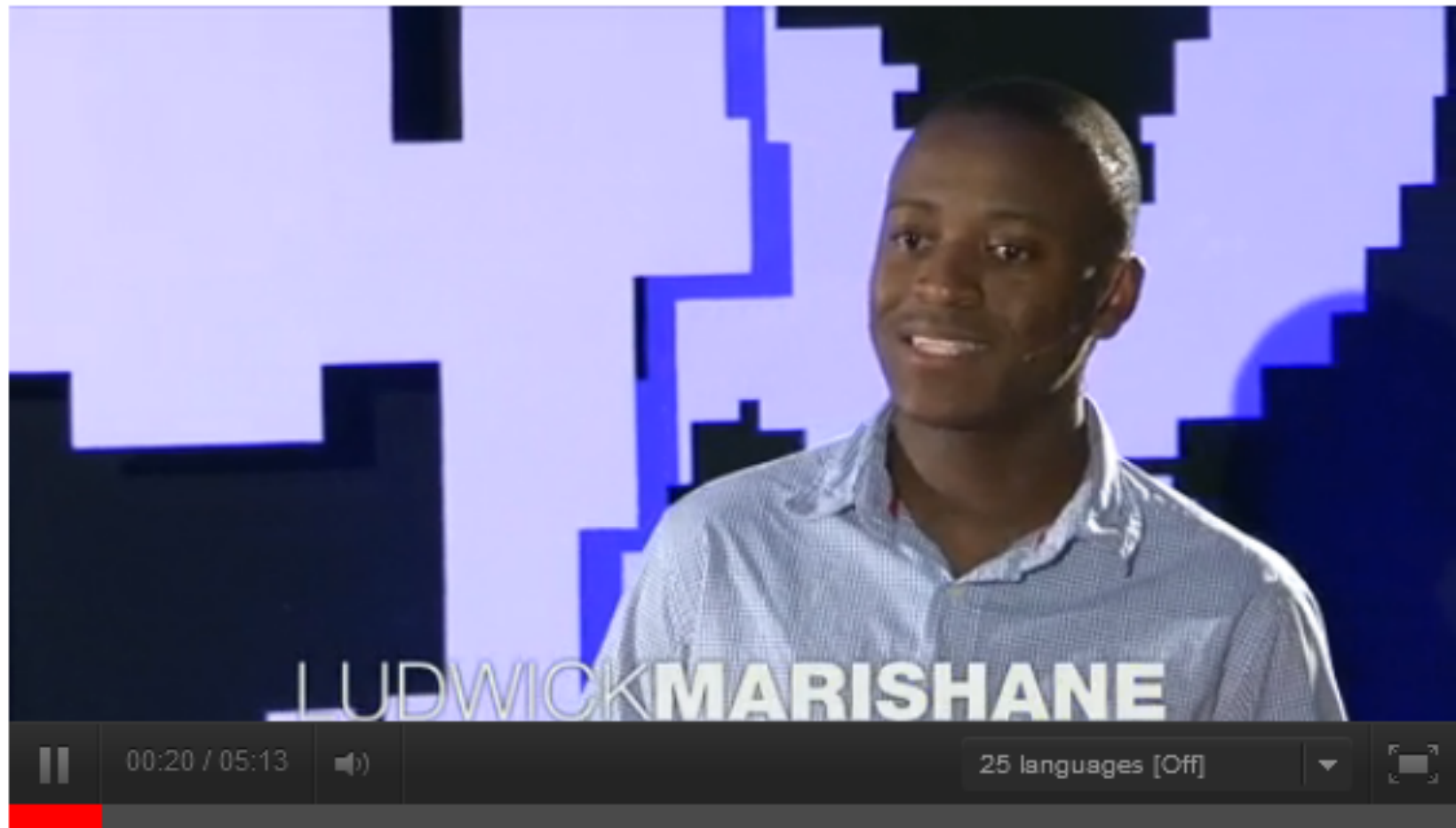
Scenario #2

- You are Ludwick Marishane!
- You just invented the dry bath!
- You want to build a business

What would you do?

Ludwick Marishane: A bath without water

FILMED MAY 2012 • POSTED DEC 2012 • TED@Johannesburg



http://www.ted.com/talks/ludwick_marishane_a_bath_without_water.html

Is an idea all you need?

- What are you trying to accomplish? What is the problem? How are you going to solve it?
- How will you turn your idea into products/ services?
- Do you “see” the customers? Go out and talk to them. Are they interested in your solution?
- Market size? Competition?
- How will you make money from it?
- Are there sufficient resources?
- Do you have the capabilities to bring the idea into the market?
- Can you sketch out your business model?

What is the business model?

Business model \neq Business Form/Legal structure

Business model \neq Business plan

Business model comes 1st

Business plan comes 2nd

What is the business model?

- The business model shows how a firm uses its resources to offer its customers higher value than the competitors and how it makes money from that
 - what is the value proposition, to whom it is offered, who pays, how, how often;
- Business models examples:
 - brick & mortar, click & mortar, click and click
 - direct to consumers/ businesses, intermediaries, partners, franchising, e.t.c.

A TEST!
lhavemoved.com



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ihavemoved Limited (IHM)

- IHM is an international change of address notification company
- Founded by a team of four young people
 - two Greeks, an Australian and a half Italian Half Englishman
- Idea generated: “I have a problem”
- Established in London in 1999
 - expanded to Germany in 2000
- Germany subsidiary bought by Deutsche Post AG in 2003
- IHM was sold to Royal Mail Plc in 2003

What is the business model?

- There is no standard business model
 - no fixed and quick rules that prescribe how firms in a particular industry should compete.
- A firm's business model takes it beyond its own boundaries
 - firms must almost always partner with others to make their business models work.

<http://www.youtube.com/watch?v=665HxNQppFQ>

Ryanair's Business Model



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Ryanair's business model is very
simple:
it offers the lowest fares possible
to fare-conscious customers

Raynair's Business model: How

- Use of secondary airports
 - not to the major "hub" airports in Europe, but instead to secondary airports which are often located some distance away from major city centres
- Rapid turnaround
 - turnaround of its aircraft in 25 minutes
 - facilitated by the lower traffic at secondary airports
 - keeping the planes in the air 30% longer than the typical carrier
- Point-to-point routing
 - no connection with other flights
 - Reducing costs associated with passenger and baggage transfer

Raynair's Business model: How

- Service
 - no free snacks or drinks
 - third-party caterers paying Ryanair a flat per-flight fee
 - passengers are charged for checked baggage
 - rigid no-refund ticket policy
 - "no shows" almost pay fees and taxes
- Aircraft
 - single aircraft family, Boeing 737
 - simplifying the maintenance process
 - ordering aircrafts without "extras"
 - window blinds, reclining seats, headrests, seat pockets
- Fuel
 - policy of not applying fuel surcharges
 - fuel requirements typically hedged for 12 to 18 months

What is the business model?

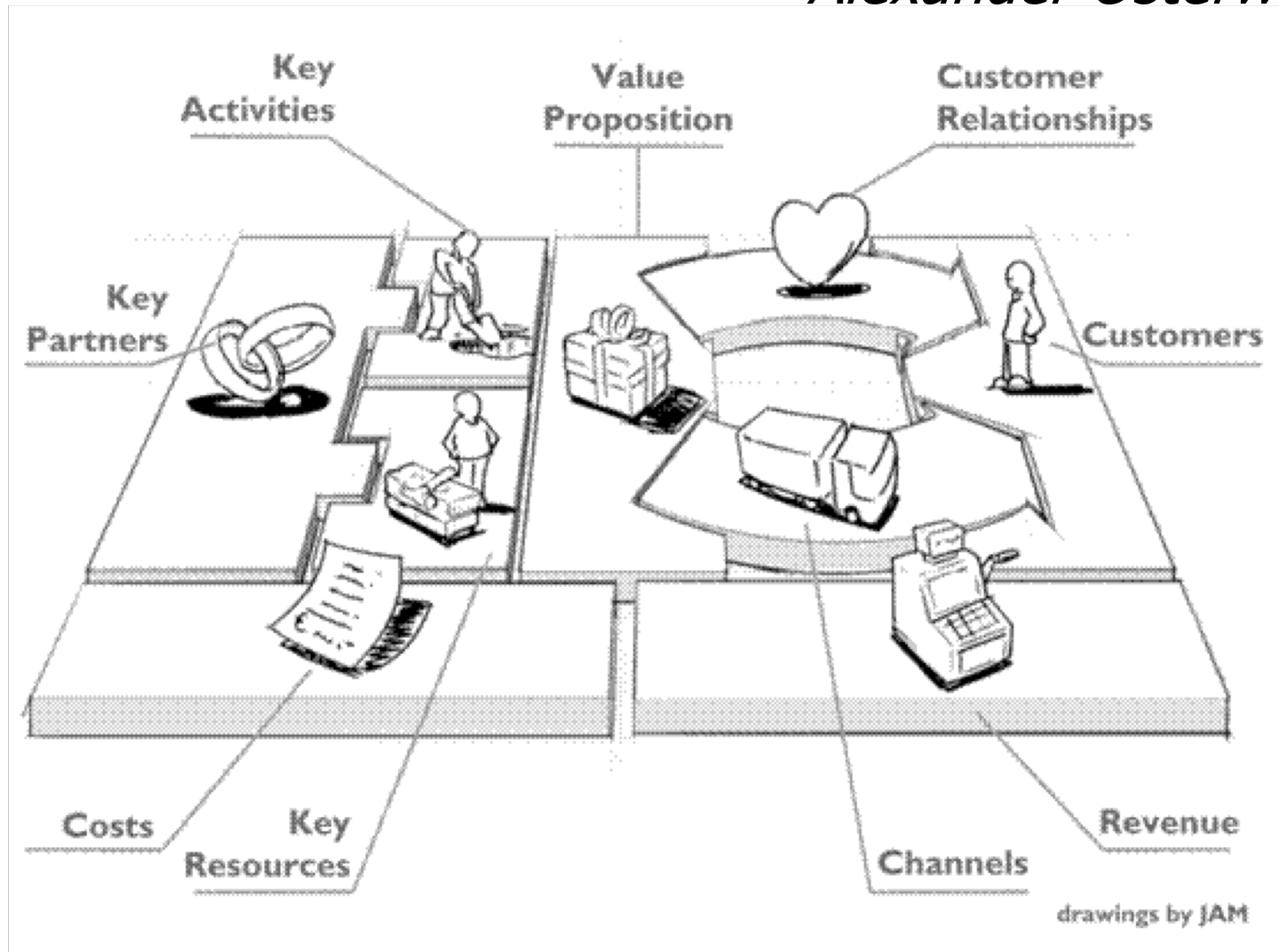
- A quick way to assess sustainability
- If the model doesn't generate revenues...

...STOP!!!

- A way to break down complex business ideas into clearer parts

The business model canvas

Alexander Osterwalder



Business models for success

http://www.youtube.com/watch?v=41q_zn8jMaE





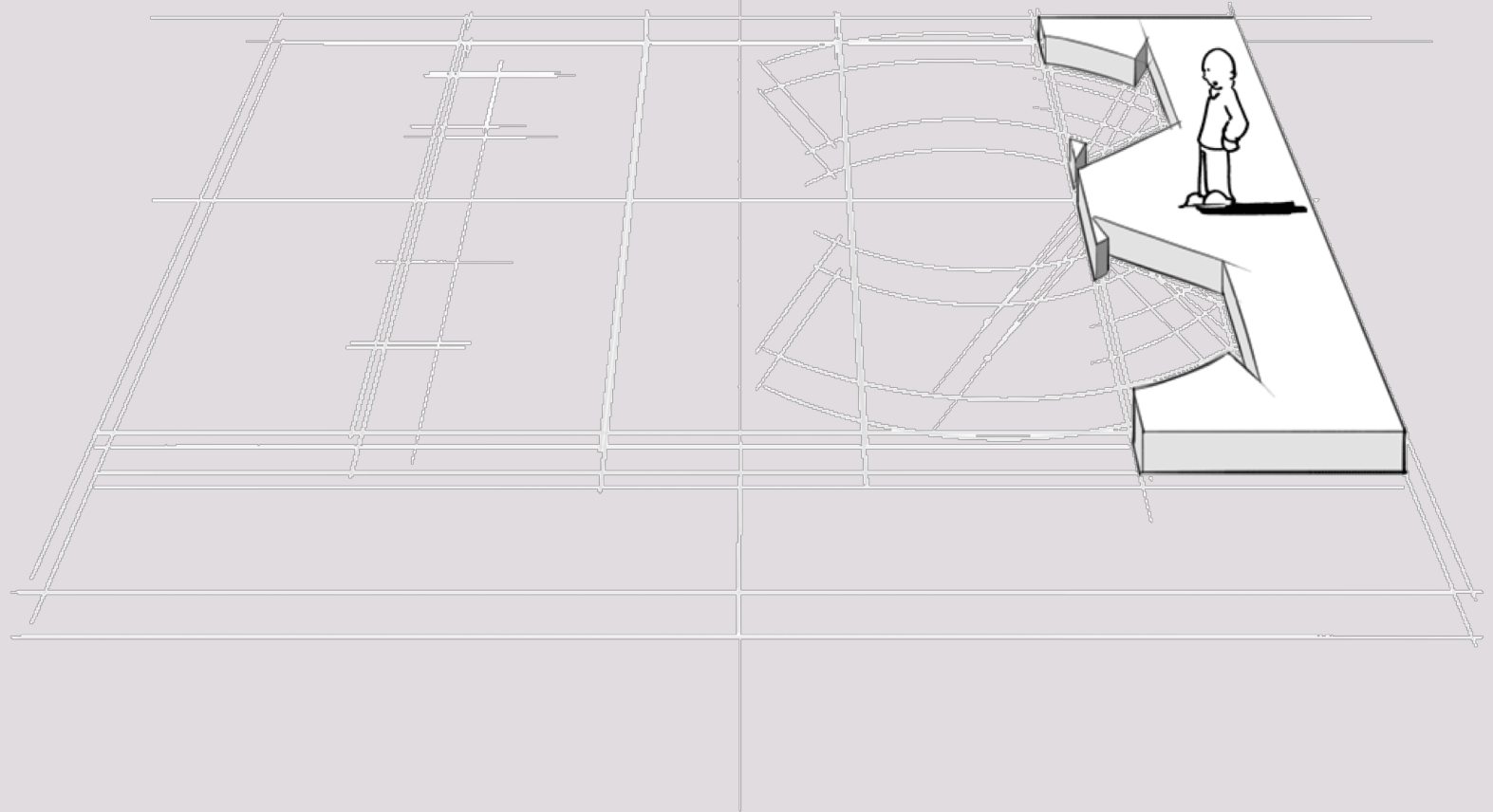
*by the undercover
business model guru
Dr. Alex Osterwalder*

Business Model Innovation **Examples** Series: Issue 1

Google

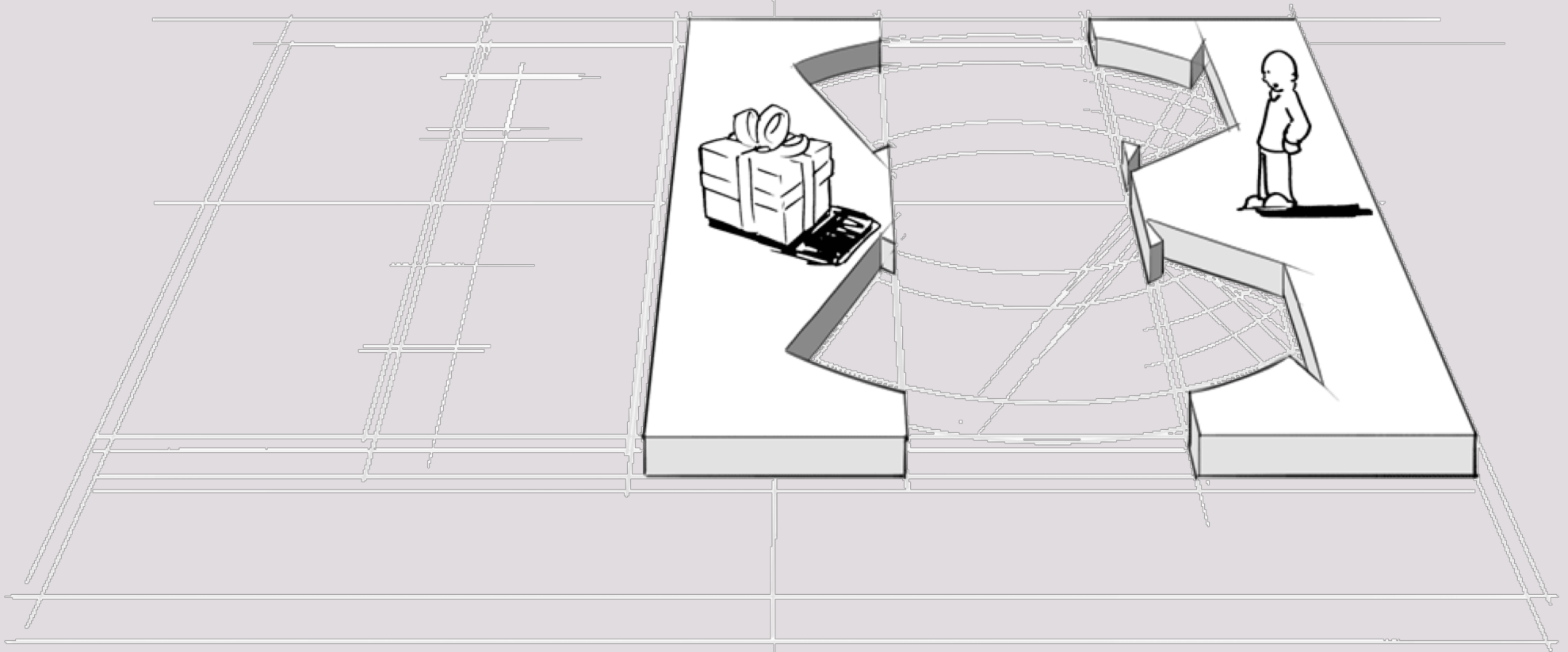
Book Search

CUSTOMER SEGMENTS



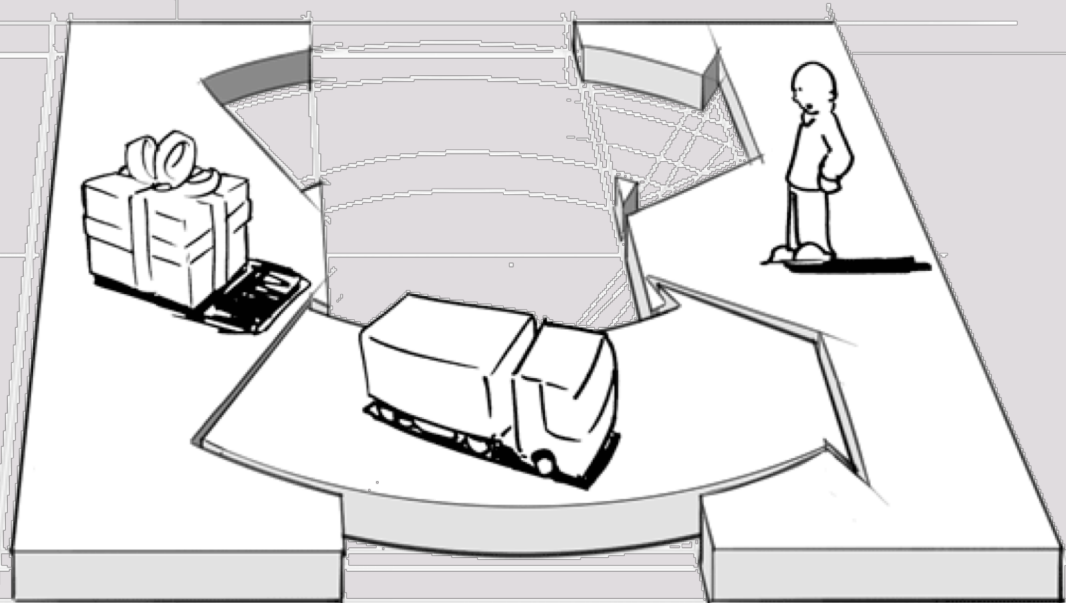
which customers and users are you serving?
which jobs do they really want to get done?

VALUE PROPOSITIONS



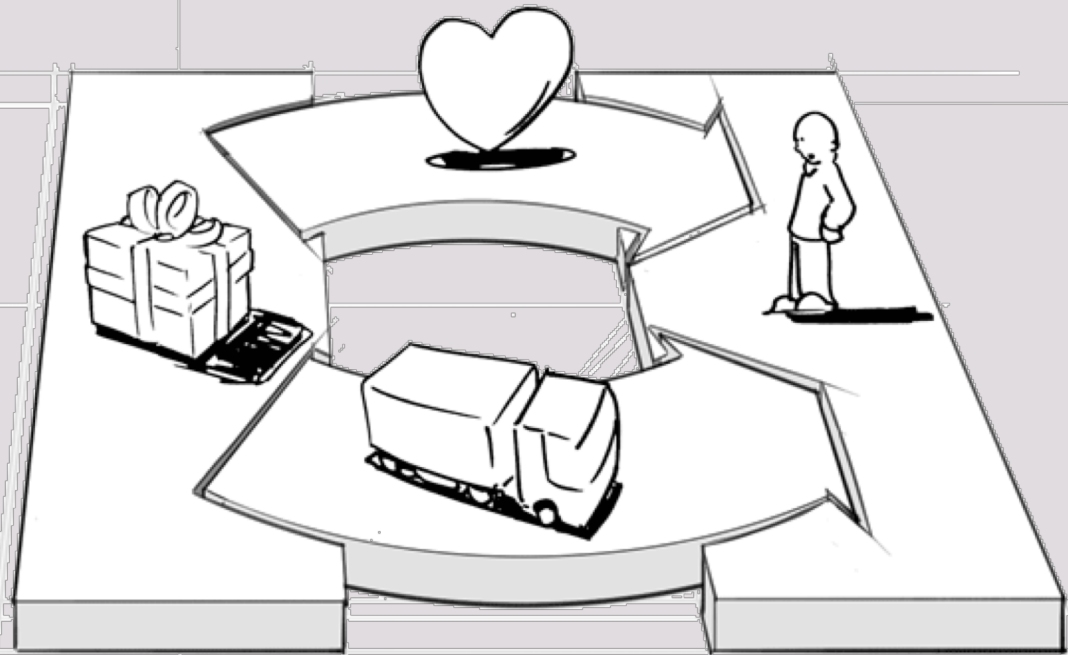
what are you offering them? what is that
getting done for them? do they care?

CHANNELS



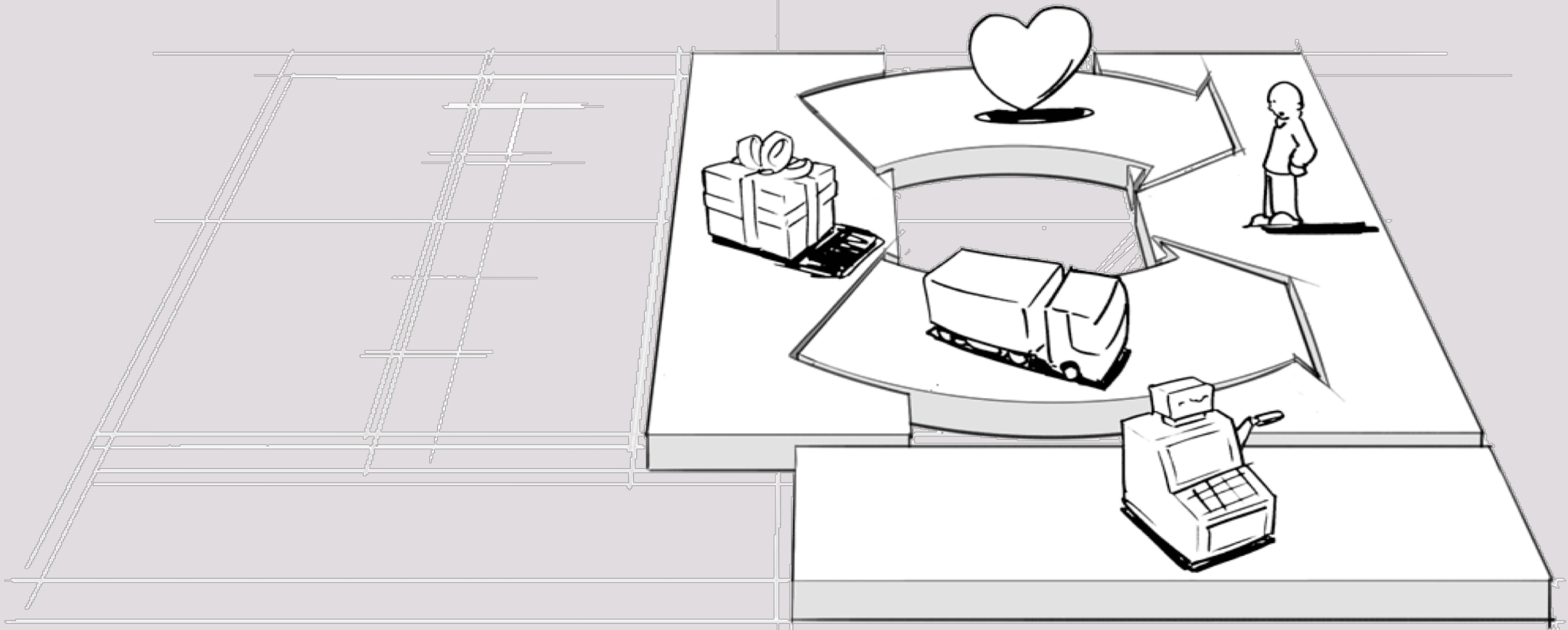
how does each customer segment want to be reached? through which interaction points?

CUSTOMER RELATIONSHIPS



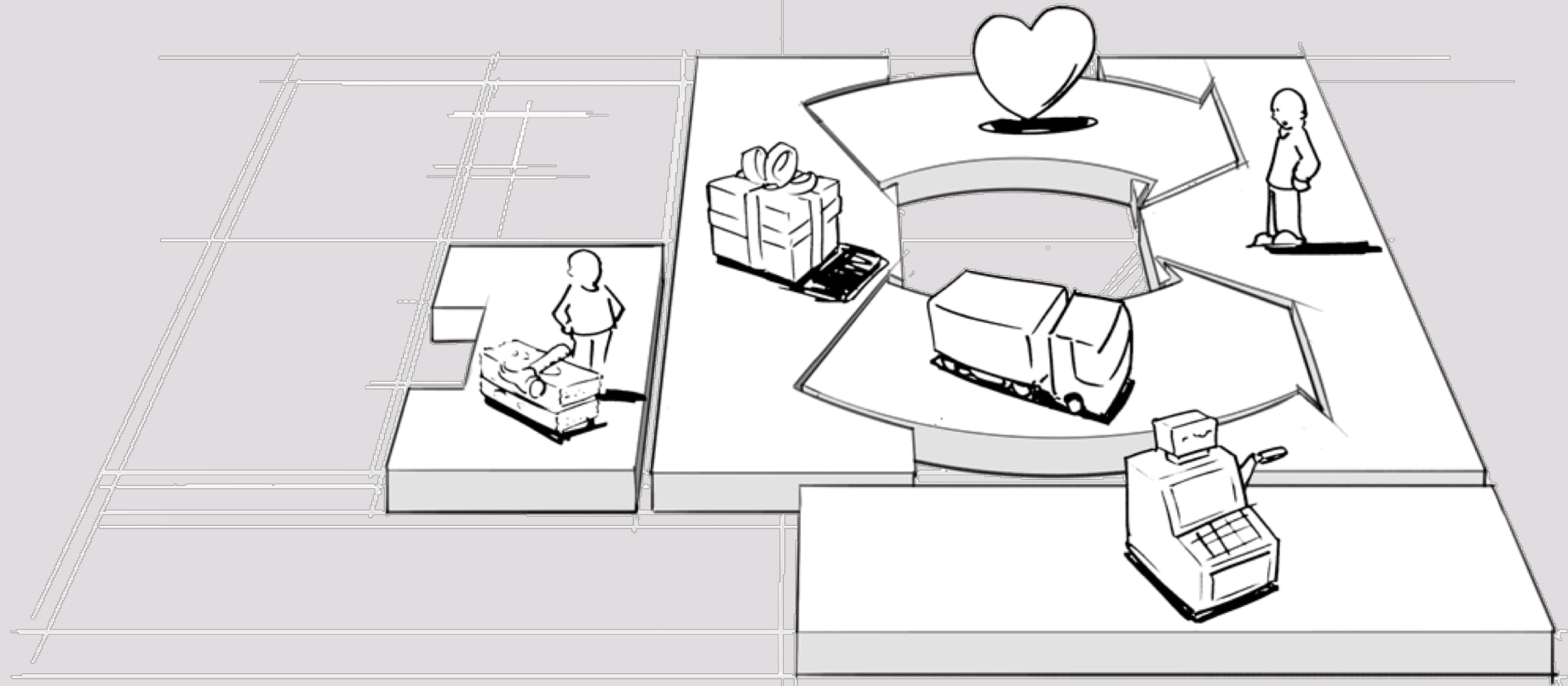
what relationships are you establishing with each segment? personal? automated? acquisitive? retentive?

REVENUE STREAMS



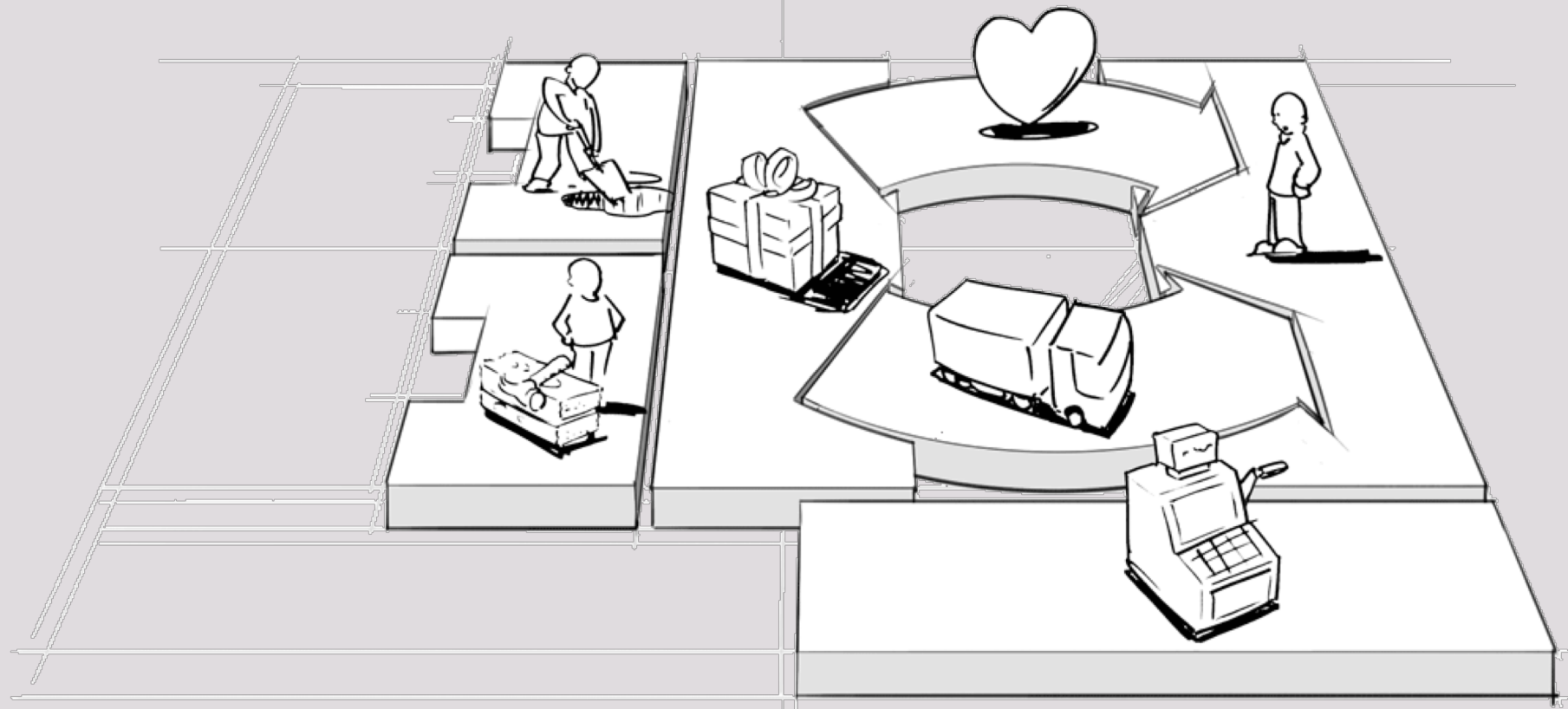
what are customers really willing to pay for? how?
are you generating transactional or recurring revenues?

KEY RESOURCES



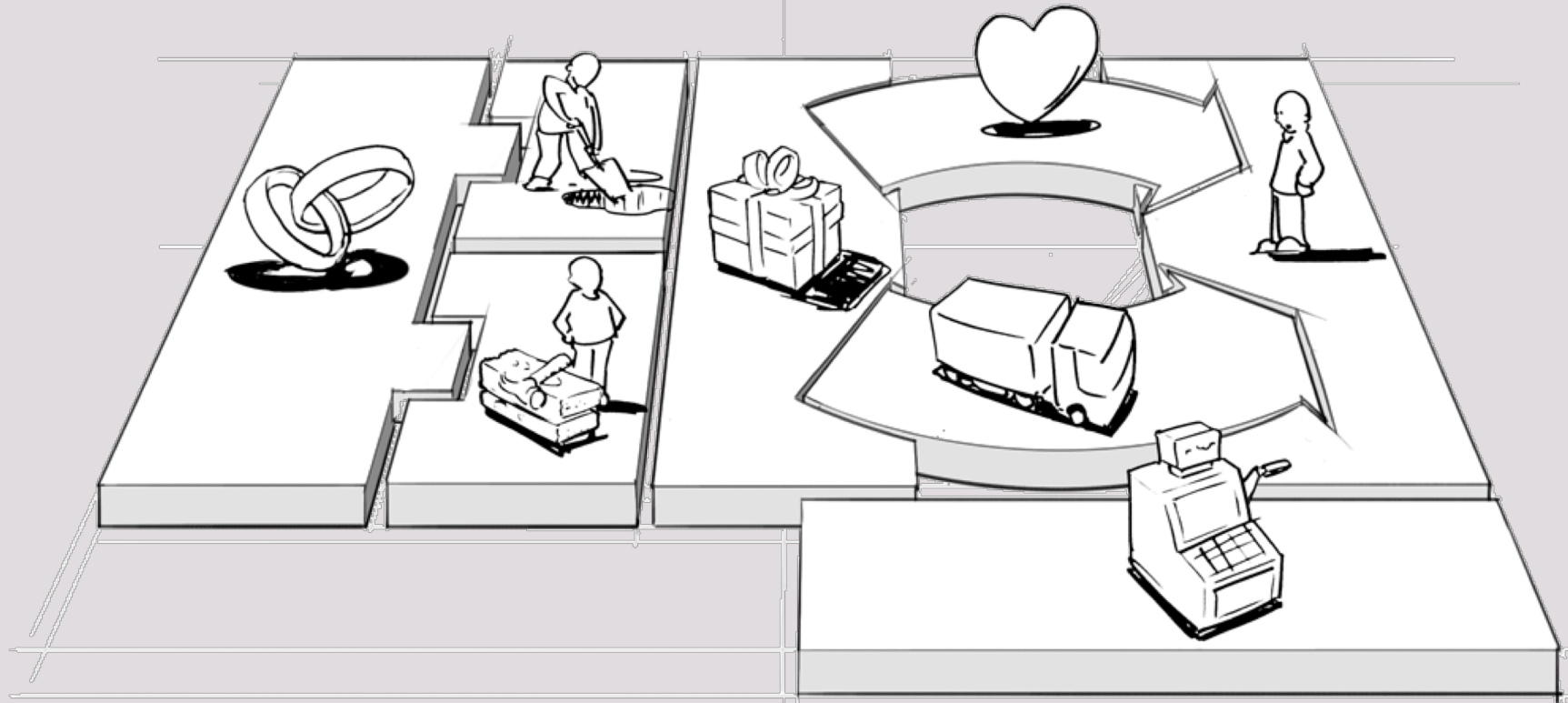
which resources underpin your business model?
which assets are essential?

KEY ACTIVITIES



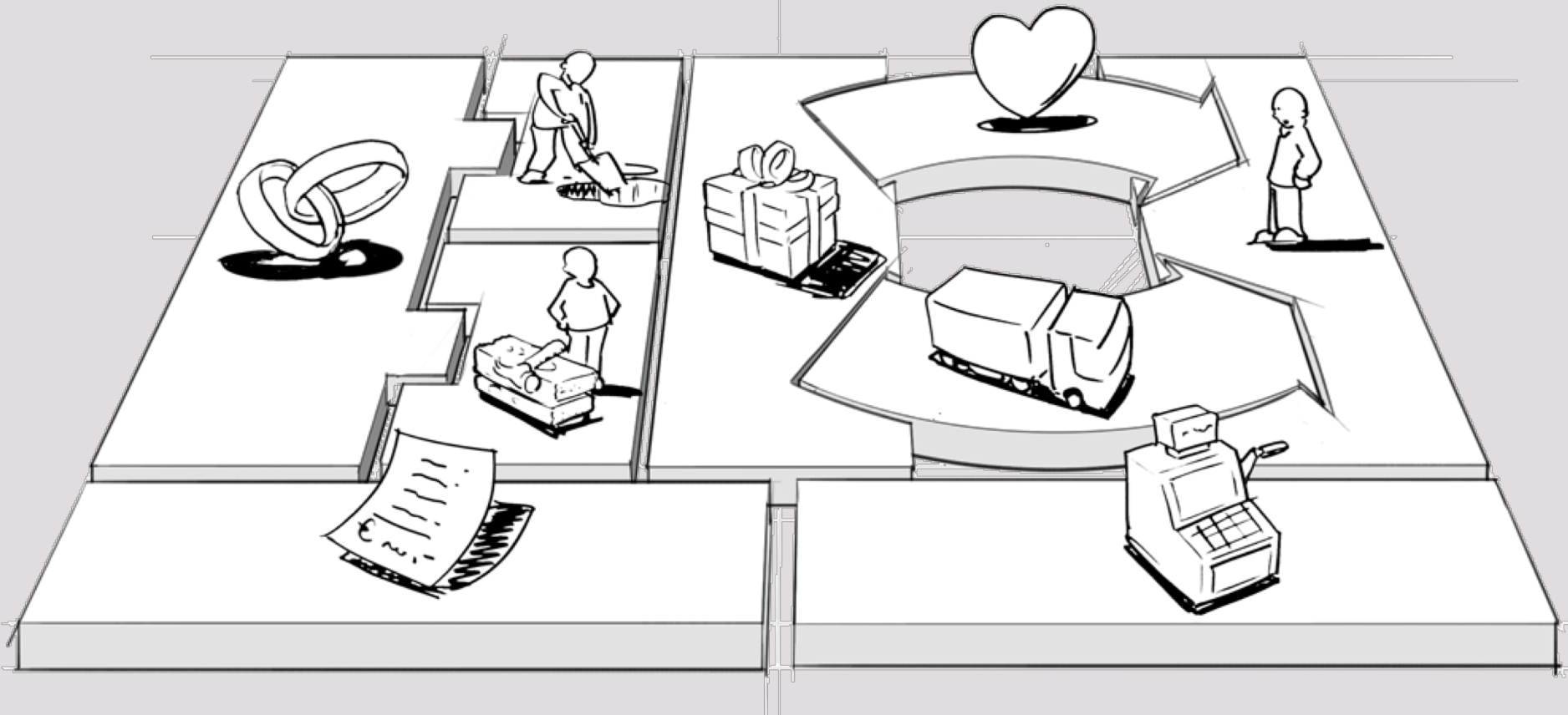
which activities do you need to perform well in
your business model? what is crucial?

KEY PARTNERS



which partners and suppliers leverage your model?
who do you need to rely on?

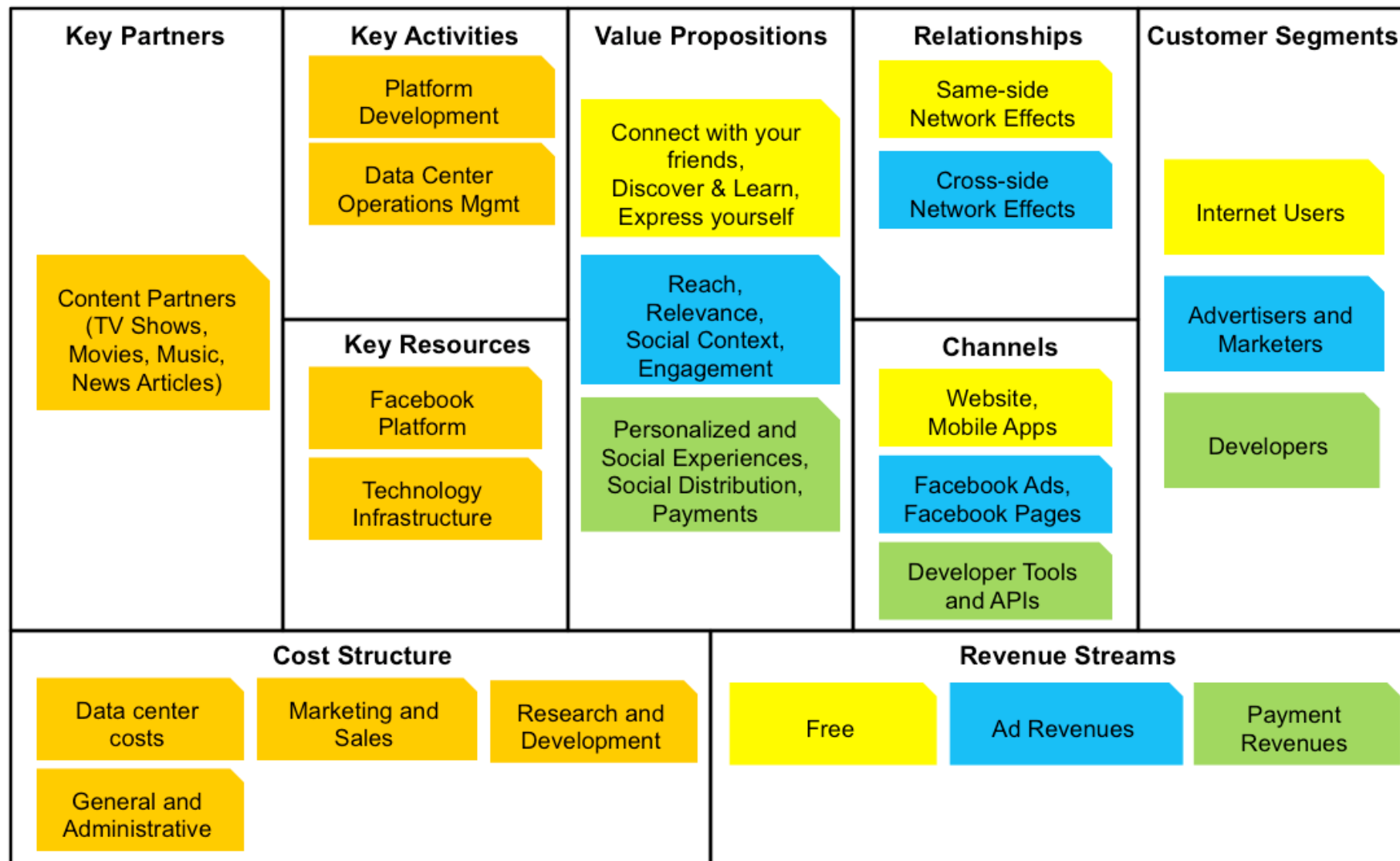
COST STRUCTURE



what is the resulting cost structure?
which key elements drive your costs?

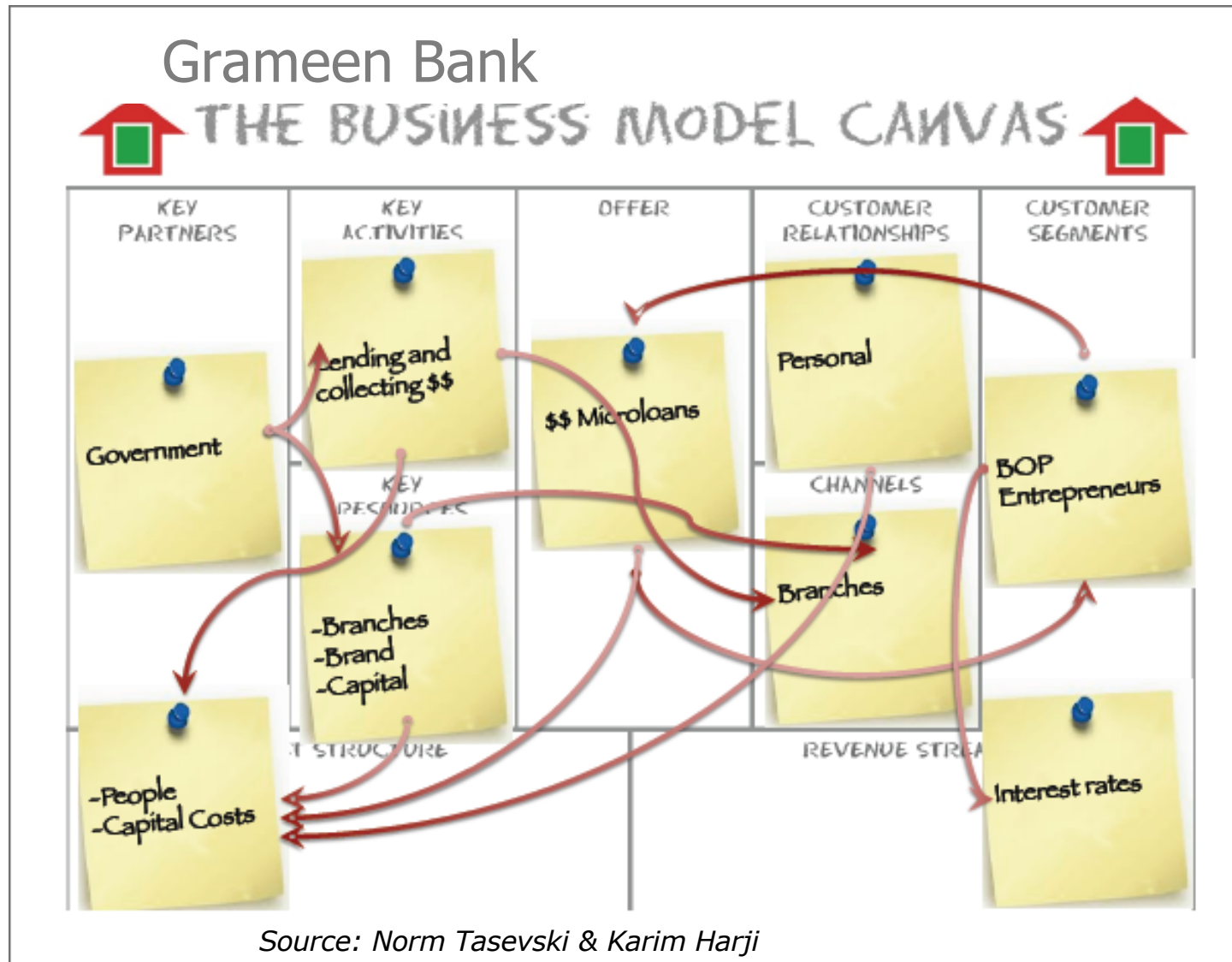
So,
what is the business model of
Facebook?

Facebook – World's leading Social Networking Site (SNS)



www.businessmodelgeneration.com

Remember social enterprises!



Group activity

The case of:



1. *What is the business models of «Κλίμαξ plus»?*
2. *What is the innovation of «Κλίμαξ plus»?*

Another perspective: The social business model canvas



Key Resources <i>What resources will you need to run your activities? People, finance, access?</i>	Key Activities <i>What programme and non-programme activities will your organisation be carrying out?</i>	Type of Intervention <i>What is the format of your intervention? Is it a workshop? A service? A product?</i>	Segments Beneficiary	Value Proposition Social Value Proposition <hr/> Impact Measures
Partners + Key Stakeholders <i>Who are the essential groups you will need to involve to deliver your programme? Do you need special access or permissions?</i>		Channels <i>How are you reaching your beneficiaries and customers?</i>	Customer <i>Who are the people or organisations who will pay to address this issue?</i>	<hr/> <i>How will you show that you are creating social impact?</i> <hr/> Customer Value Proposition <i>What do your customers want to get out of this initiative?</i>
Cost Structure <i>What are your biggest expenditure areas? How do they change as you scale up?</i>		Surplus <i>Where do you plan to invest your profits?</i>	Revenue <i>Break down your revenue sources by %</i>	

Inspired by The Business Model Canvas

Top influential business models !



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Successful business models!

- Priceline: Name Your Price
- Groupon: One Day, One Deal
- Dell : Just In Time
- Amazon.com: Growth First
- Microsoft: Software First
- Apple and Google: Lifestyle Takeover
- Walmart: The Everything Store
- Paypal: The P2P Revolution
- McDonald's Corporation: The Modern Franchise
- InVenture - Creating financial opportunities for low-income entrepreneurs
- Mosaic - Crowdfunding platform for solar energy projects
- One Acre Fund - Investing in small one acre farms to alleviate poverty
- Kiva.org
- Aravind Eye Care System

Yet several business models fail !



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Business models that failed

- Kozmo.com
- copainsd'avant.com
- 2xfoisMoins Cher.com
- Spanair
- Cuisines Vogica
- Eastman Kodak Company
- Bic Perfumes
- Peanuts4Peanuts

Why?

- Kozmo.com
 - high costs for small amounts of revenues
- copainsd'avant.com
 - customers segments not buying a paid service, emerging competition
- 2xfoisMoins Cher.com
 - marketing costs reduction, decreasing traffic, emerging competition
- Spanair
 - Increase in fuel costs, competition, decrease in value offered
- Cuisines Vogica
 - failure of key partners
- Eastman Kodak Company
 - camera becomes a consumer good for mass market, digital revolution, rigidity
- Bic Perfumes
 - mistake in distribution channel selection, inappropriate value proposition
- Peanuts4peanuts
 - costs that exceed the revenues

Why do business models fail?

- Misalignment between value proposition and customer segments
- Costs that exceed the revenues generated
- Environmental constraints not integrated within the design of the business model
- Business model not properly executed
- Inability to change

www.elton-pickford.com

Thank you for your attention

Contacts :

Irini Voudouris, ivoudour@aub.gr

Erifili Chatzopoulou, erifili@aub.gr

Manos Sofikitis, msofikitis@aub.gr

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