

Workshop Sustainable Energy

Building a business model

Kom verder. Saxion.

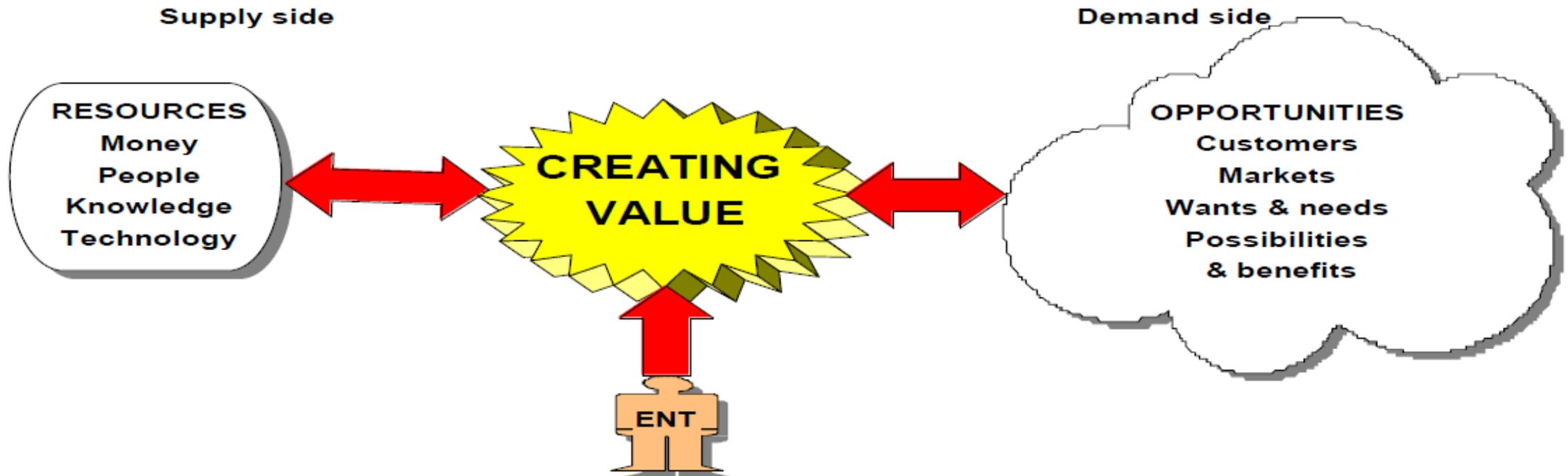
Jacques Bazen
Lecturer Entrepreneurship / International Economics



Overview of the workshop

- International entrepreneurship: Barriers
- International entrepreneurship: Building a business together!
- Business plans / Business model canvas
- Defining a useful value proposal, case study
- Your own business idea...

What is it that entrepreneurs are doing?



International business



International business: Options to go abroad

Activity type	Level of control (++ = high)	Risks (++ = low)	Amount of resources required (++ = low)
Direct export	+	-	-
Indirect export	+/-	+/-	++
Export management company	+/-	+/-	++
Piggyback exporting	-	-	++
Contract manufacturing	+/-	+/-	+
Management contracts	+/-	+	+/-
Merger / Acquisition	+	-	--
Greenfield development	++	+/-	--
Product licensing	+/-	+/-	+
Technology licensing	+/-	+/-	+
Franchising	+	+/-	+/-

Quote from a Dutch entrepreneur

“Very nice all these theoretical talks about going abroad, but you just have to do it. Point.

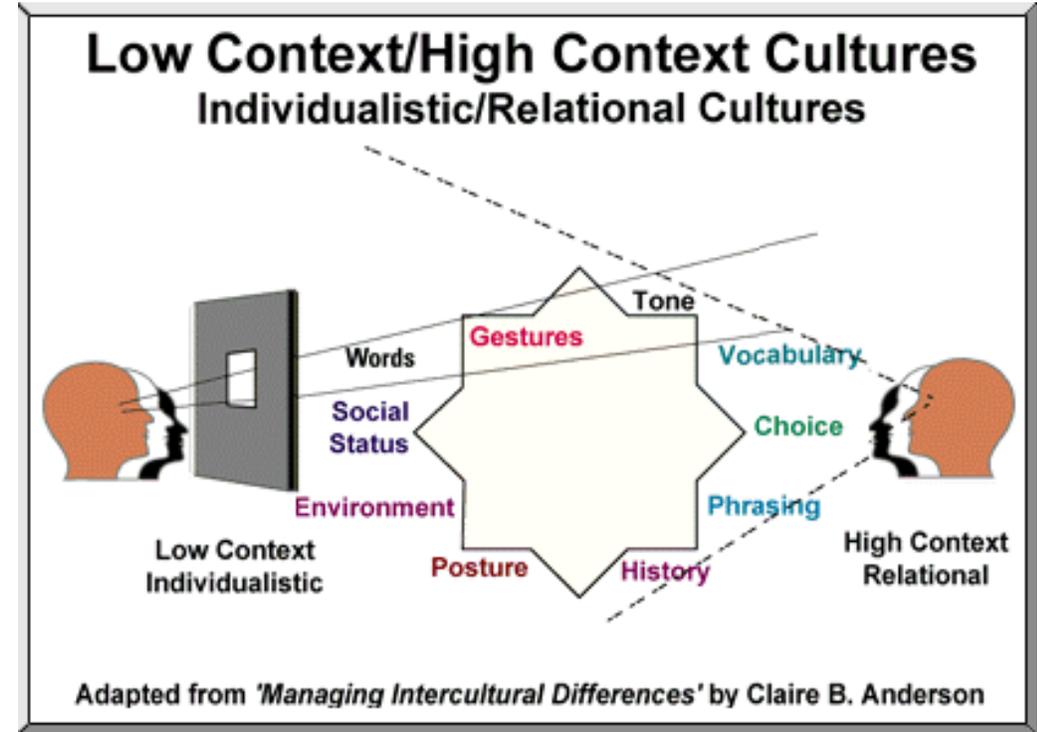
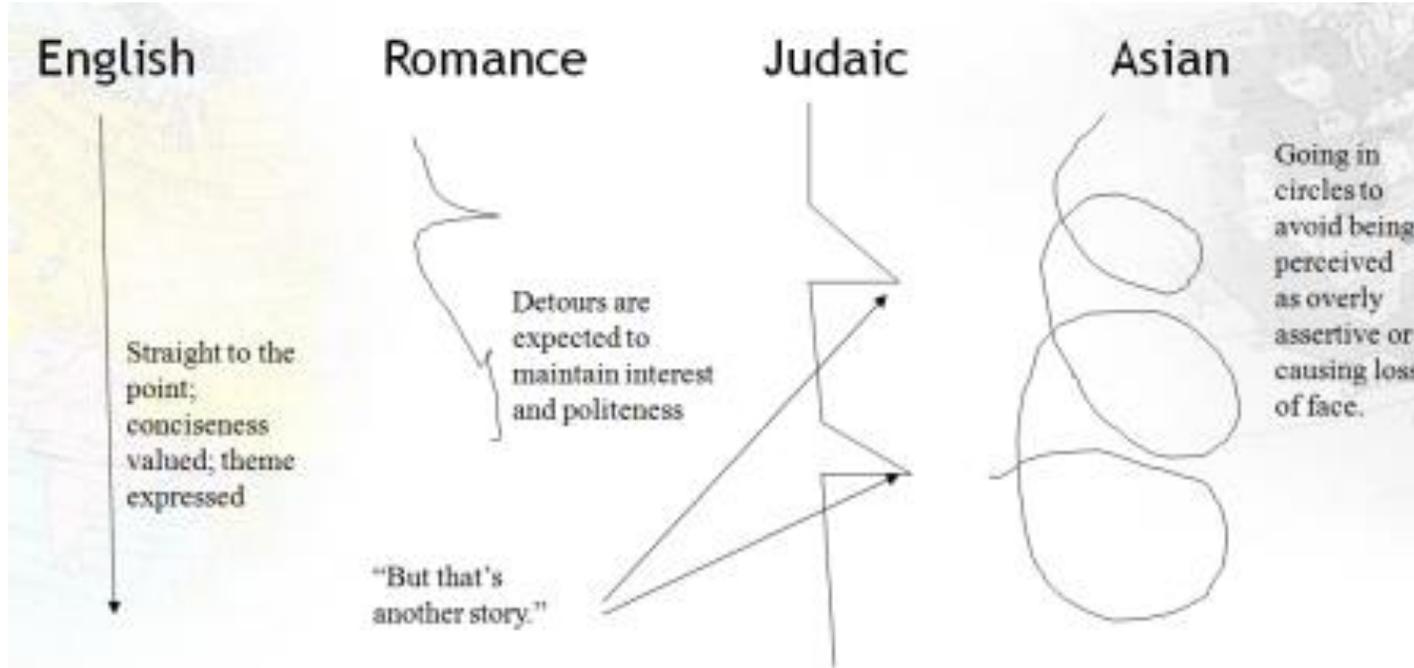
You science guys teach the students to analyze everything so much until their ability to just act decisively is dead. The only thing they see is problems. I don't need that kind of people. Why would someone need market research? Just drive around for a week in this country and you exactly know what they buy, how they behave and everything else you want to know as well”.

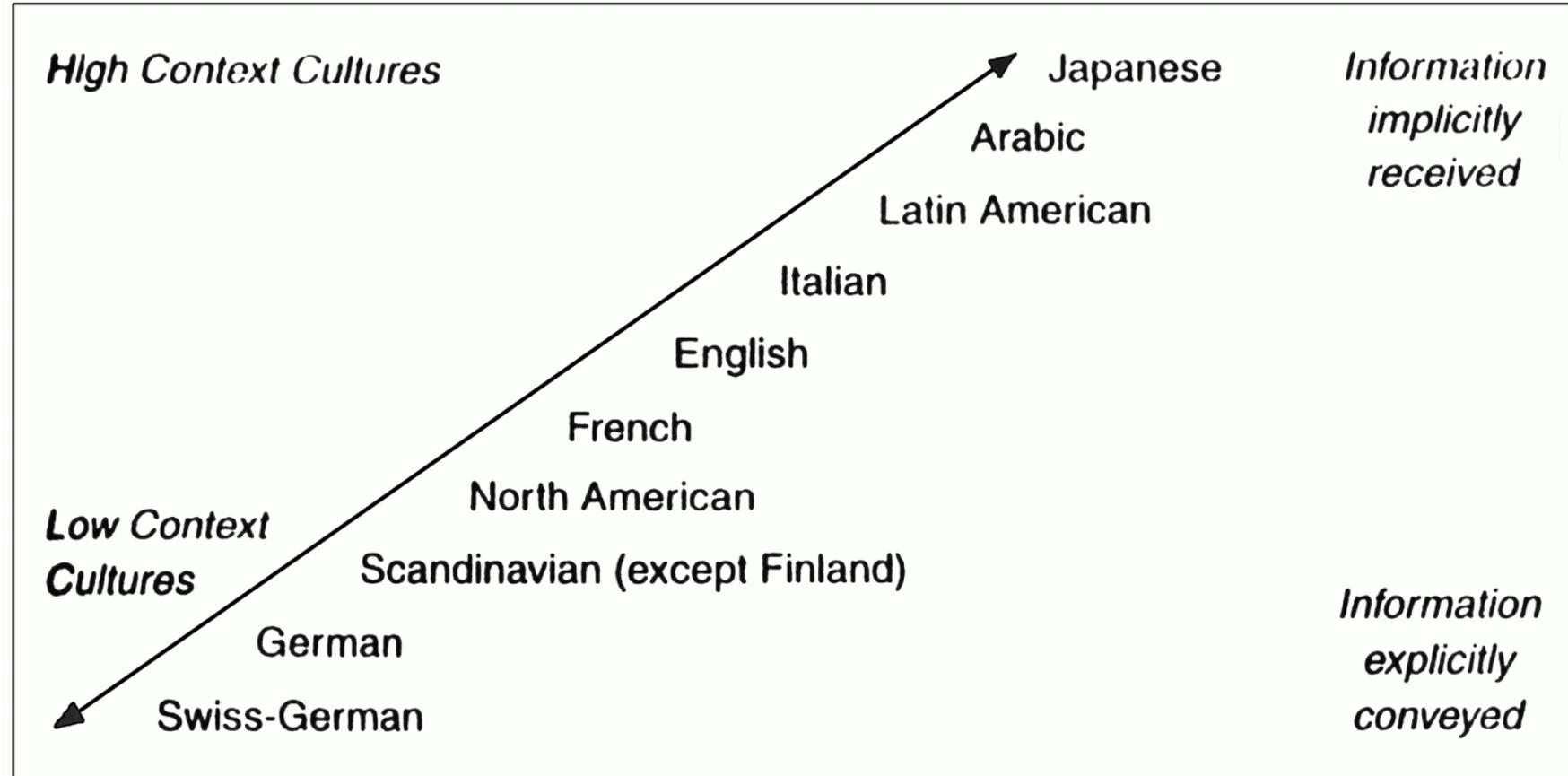
Guts vs. Analytics?



International partnerships

- Basically you are building a new organization.
- Suddenly things how you know that are working in your home country, probably do not work as you are used to.
- There is a risk that discovered solutions are sub-optimal.

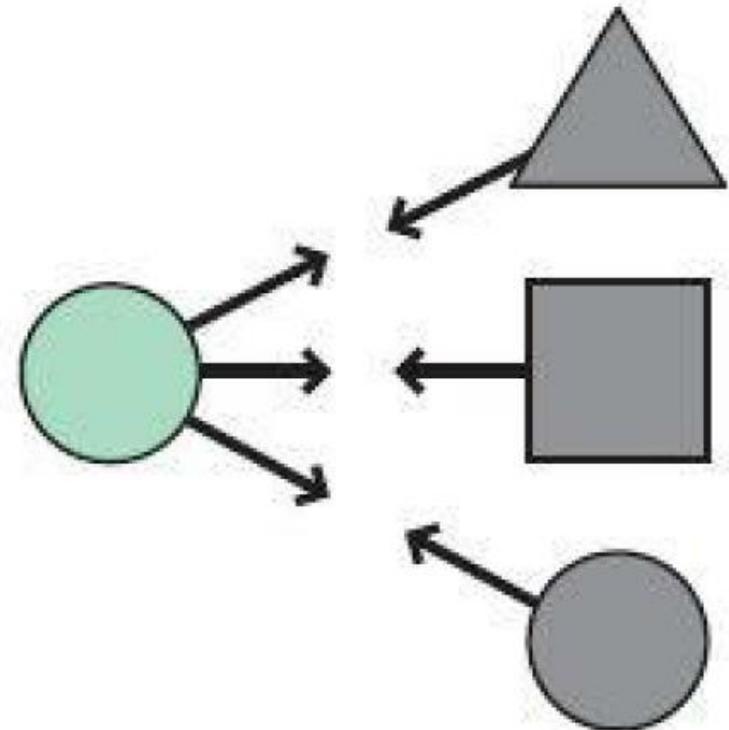




How to make normal business work

Problems with starting a business:

People with different “language” have to communicate (eg. entrepreneurs, venture capitalists, marketeers)

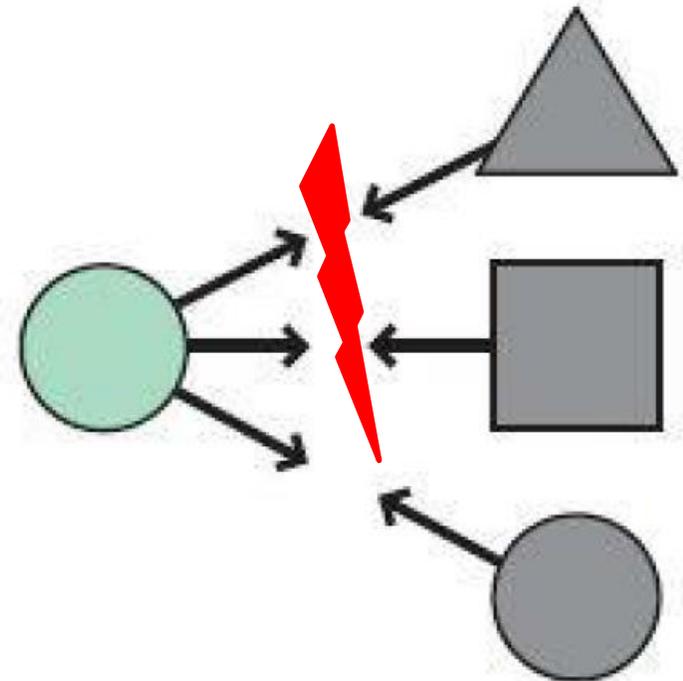


How to make business work

Extra challenge for international business:

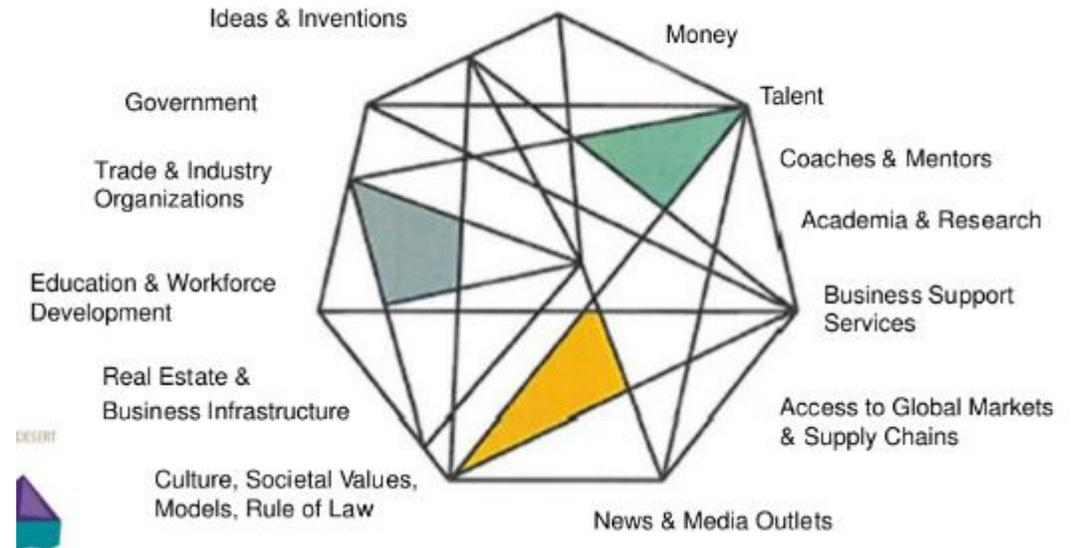
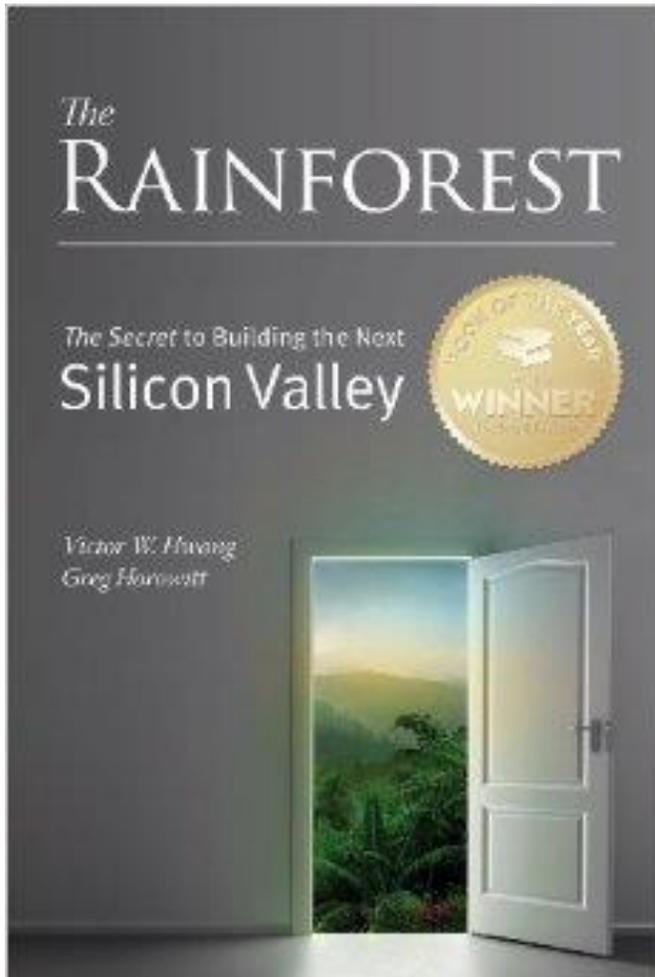
People with different language, culture and history have to communicate.

That means... different ideas and expectations at the negotiating table



“Rainforest” solution

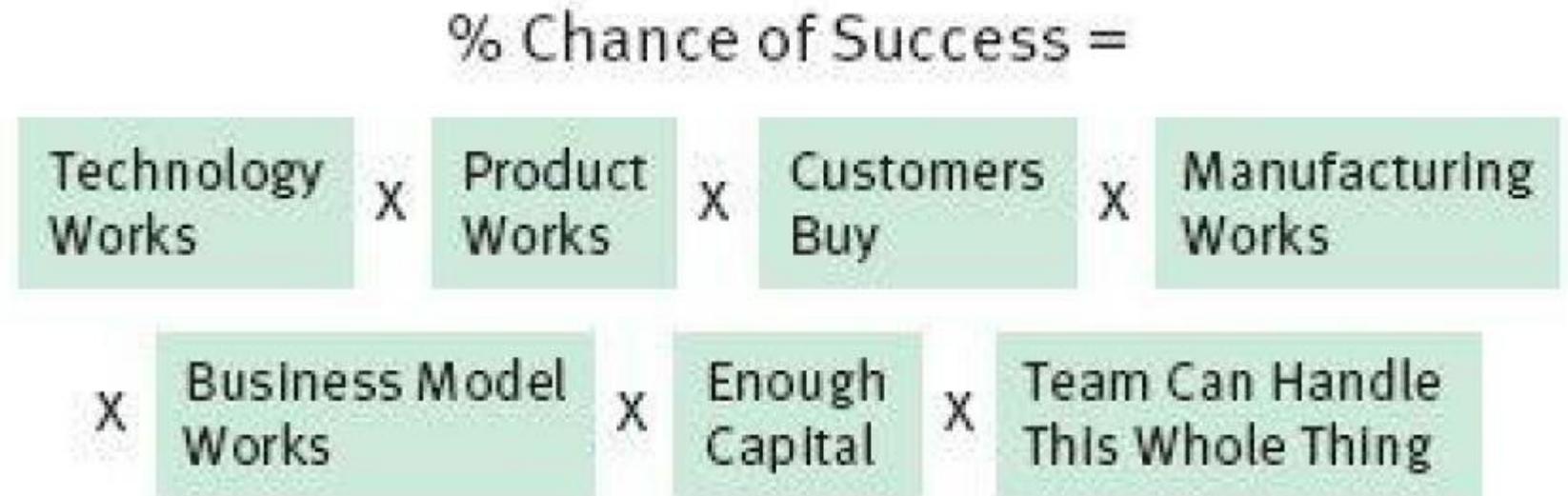
Hwang & Horowitz use the Rainforest metaphor (wild unordered jungle with a large biodiversity) to explain why some regions are successful in creating an innovative climate, while others are not



Venture Funding

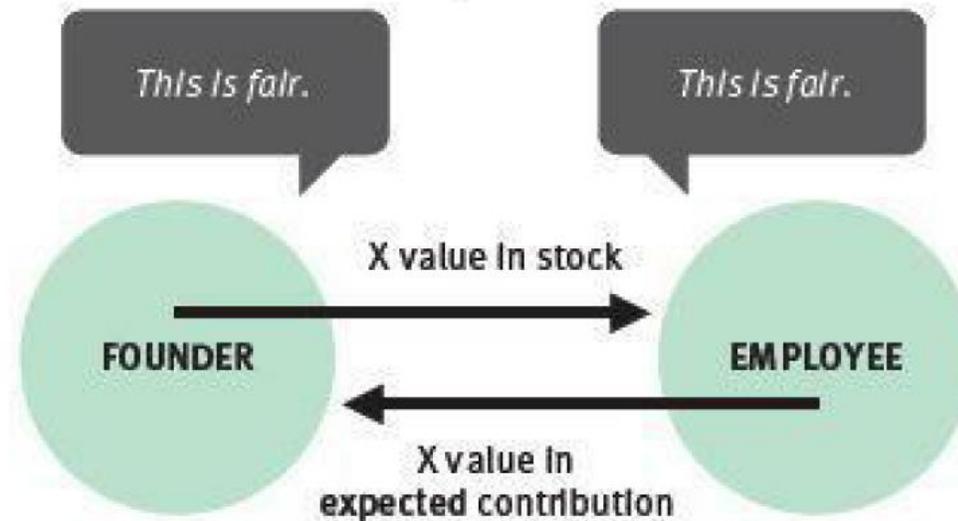
Why is it often so difficult to get sufficient funding?

What does a
Venture
Capitalist
see?

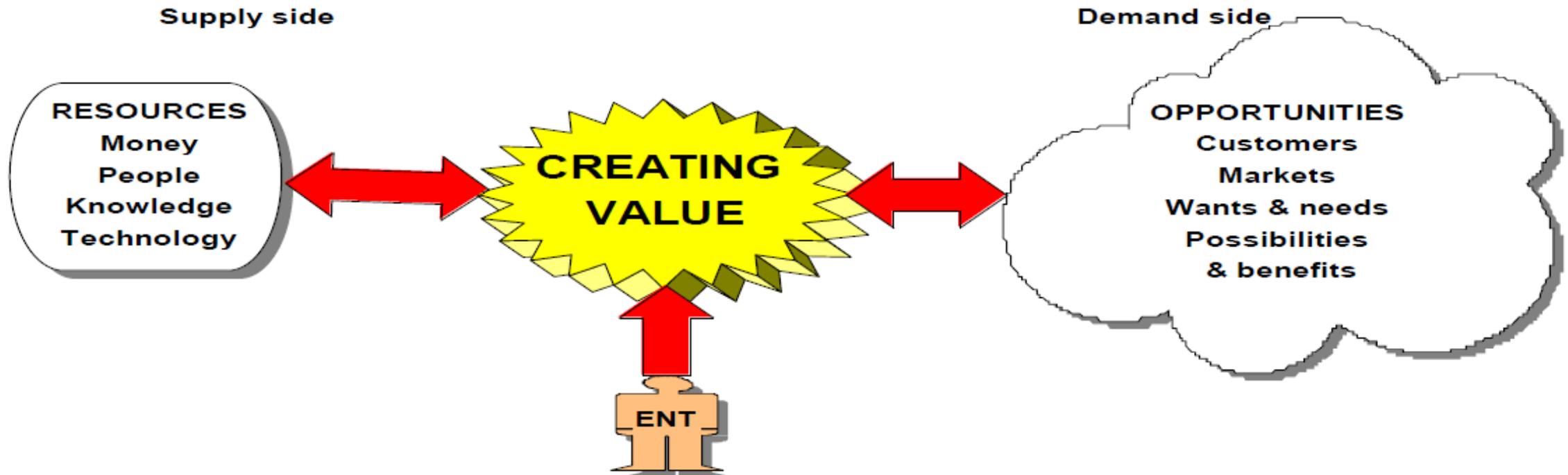


Rainforest rule

Effective funding & long term partnerships only work if there is trust among partners that the different partners are **Seeking fairness, not advantage!**



Key: Sustainable value creation for customers

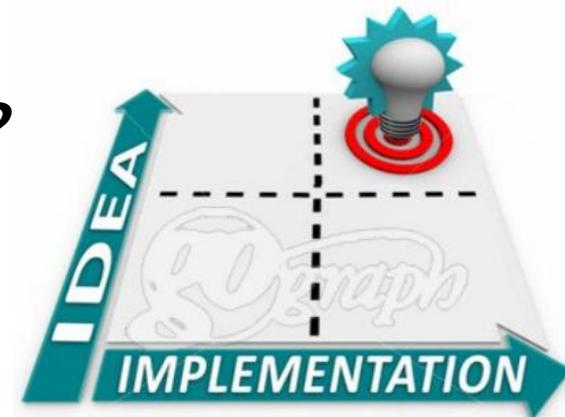


Creating value: where is my customer?

As entrepreneur you offer your customers a value proposal (a solution for their problem).

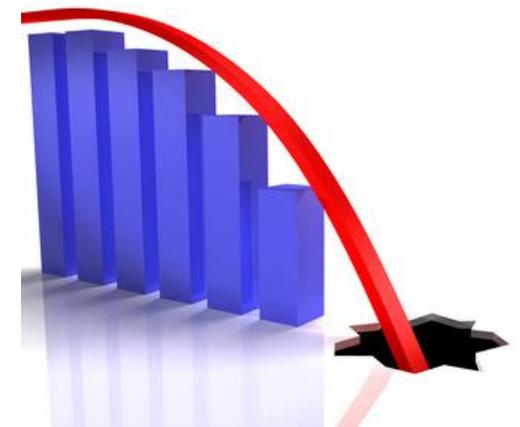
How do you know a value proposal is good?

Where / Who is my customer?



©2005 Randy Glasbergen.
www.glasbergen.com

"Now that we've celebrated our diversity, embraced a new spirit of creativity, made a fresh commitment to excellence, and given something back to the community, does anyone here remember what it is we're supposed to manufacture and sell?"



Remember when developing a business:

*Customers
care
about
their pro-
blems, not
your
solution.*



Creating value: where is my customer?

“Your mother is not your customer!”



Where / Who is my customer?

Answer to this question is to look into the customer needs and understand which needs customers have



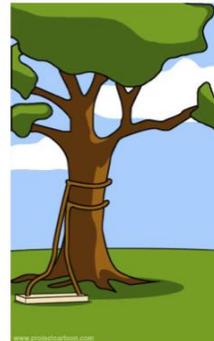
How the customer explained it



How the project leader understood it



How the analyst designed it



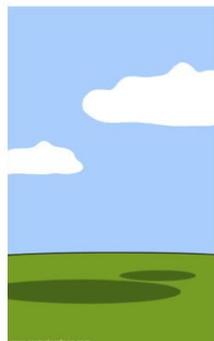
How the programmer wrote it



What the beta testers received



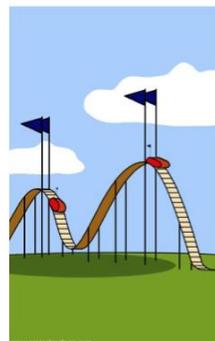
How the business consultant described it



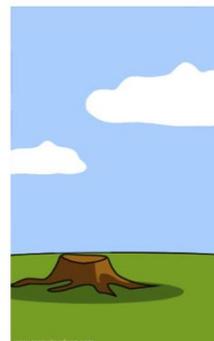
How the project was documented



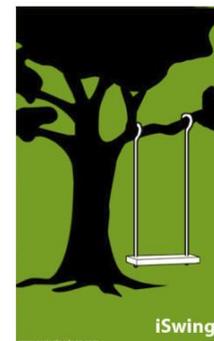
What operations installed



How the customer was billed



How it was supported



What marketing advertised



What the customer really needed



Customer needs

Example: Parents looking for a baby seat in car

- Technical:

It must be helping our baby to be transported safely (the product does the job)

- Emotional:

Buying a good baby seats makes us feel good, as loving parents (the product makes you feel good)

- Social:

We want to show others that we have the best product (how the product is seen by others)



Customer needs: positioning



I pledge to
Buckle Up for Life
TOYOTA

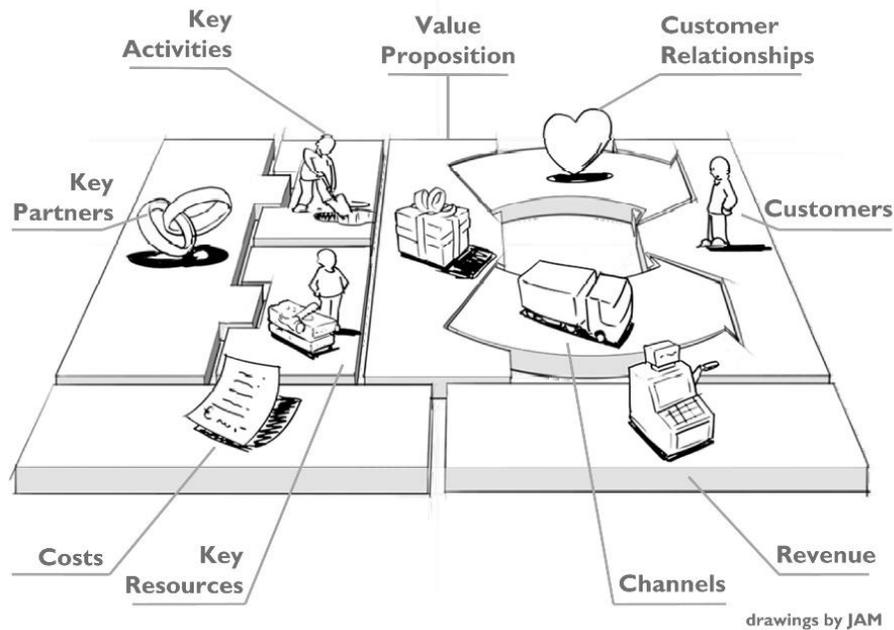


Describing a business model

How to describe a business idea as easy and clear as possible?

Idea: write it in a predefined framework of 1 A4.

Developer: Alexander Osterwalder



The Business Model Canvas

Designed for: _____

Designed by: _____

On: _____

Duration: _____

Key Partners What are our Key Partners? Who are our suppliers? Which Key Partners are we acquiring from partners? Which Key Partners do we partner with? Which Key Partners do we partner with? Which Key Partners do we partner with?	Key Activities What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?	Value Propositions What value do we deliver to the customer? Which are our customer's problems are we helping to solve? Which features of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?	Customer Relationships What type of relationships does each of our Customer Segments expect or value? Which are our most important relationships? How are they integrated with the rest of our business model? How costly are they?	Customer Segments For whom are we creating value? Who are our most important customers? Which are our most important customer segments? Which are our most important customer segments? Which are our most important customer segments?
	Key Resources What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?		Channels Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are we reaching them better? Which are our most important channels? Which are our most important channels? How are we integrating them with customer routines?	
Cost Structure What are the most important costs incurred in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive? Which Key Partners are most expensive?		Revenue Streams How are we generating revenue? For what do they pay? How are they paying for it? How much are they willing to pay? How much are they willing to pay? How much are they willing to pay?		

www.businessmodelgeneration.com

In what way copy machine producers and energy saving companies have a similar business model?



Osterwalder about his business model canvas

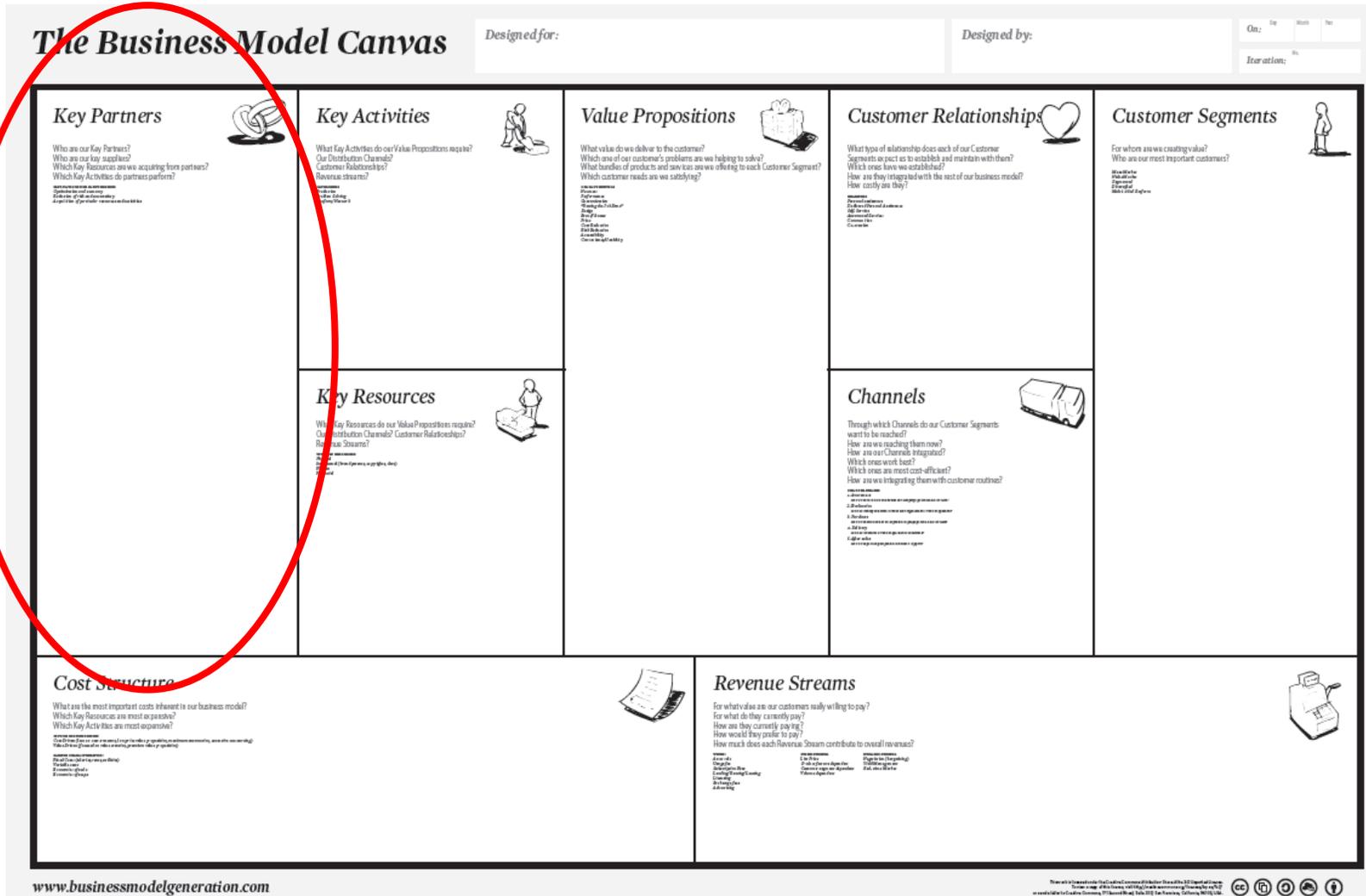
- Business models as tool to compete in business

<http://www.youtube.com/watch?v=RzkdJiax6Tw>

- The canvas is a way to show in an easy way what you do and how you work
- Because it is easy to produce, it is easy to make several canvasses and select the best.



Building a business together



Key partners:

- Technology providers: How can you help with creating a good value proposal?
- Governments: What kind of barriers can be removed / what subventions may help?



After finding an idea for a business model...

Gurley's test

- Most important question: *“How easy is it for someone else to provide the same product or service that you provide?”*
- More information on Gurley's test:
<http://bmimatters.com/2012/04/04/assessing-a-business-model-attractiveness/>
- Look through the eyes of an investor to your business



Competition

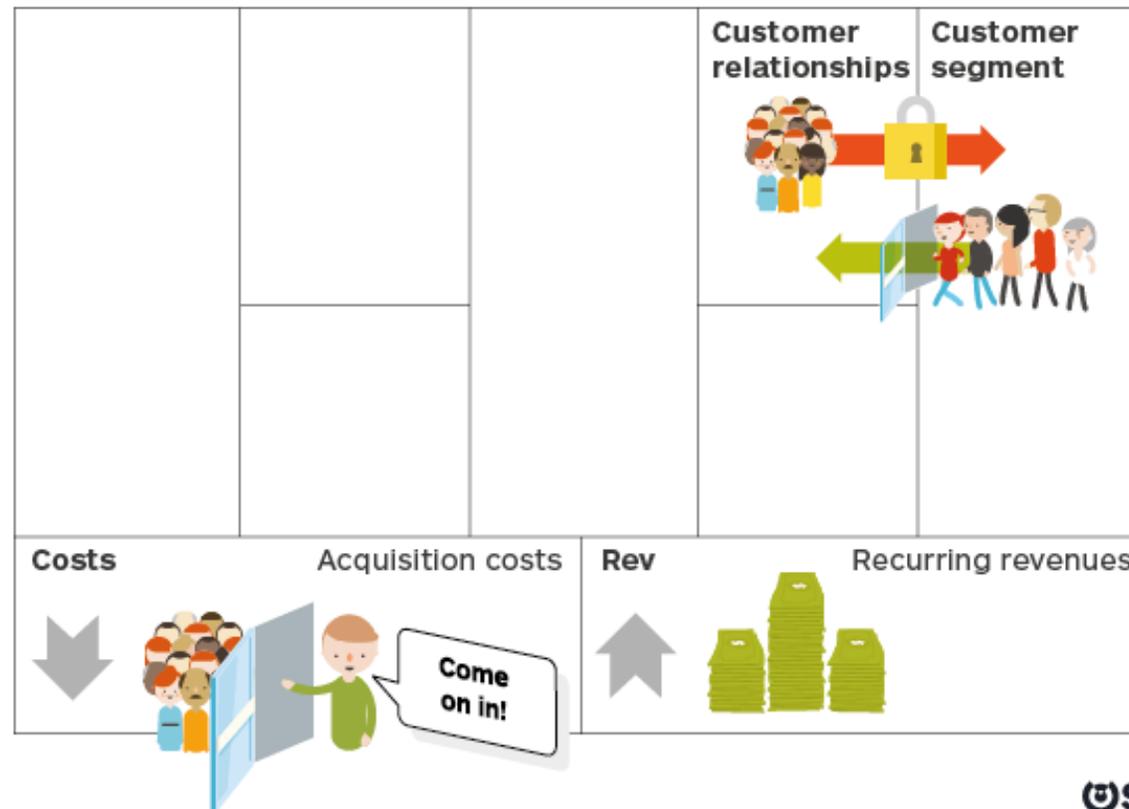
In the market you will find competitors. You have to develop your business idea in such a way that your business has a unique offer for your customers.

Parable of the printing house.



Keeping customers: lock-in

Superior business models use switching costs to lock customers in their ecosystem and earn more from them



Osterwalder: Lock-in possibilities

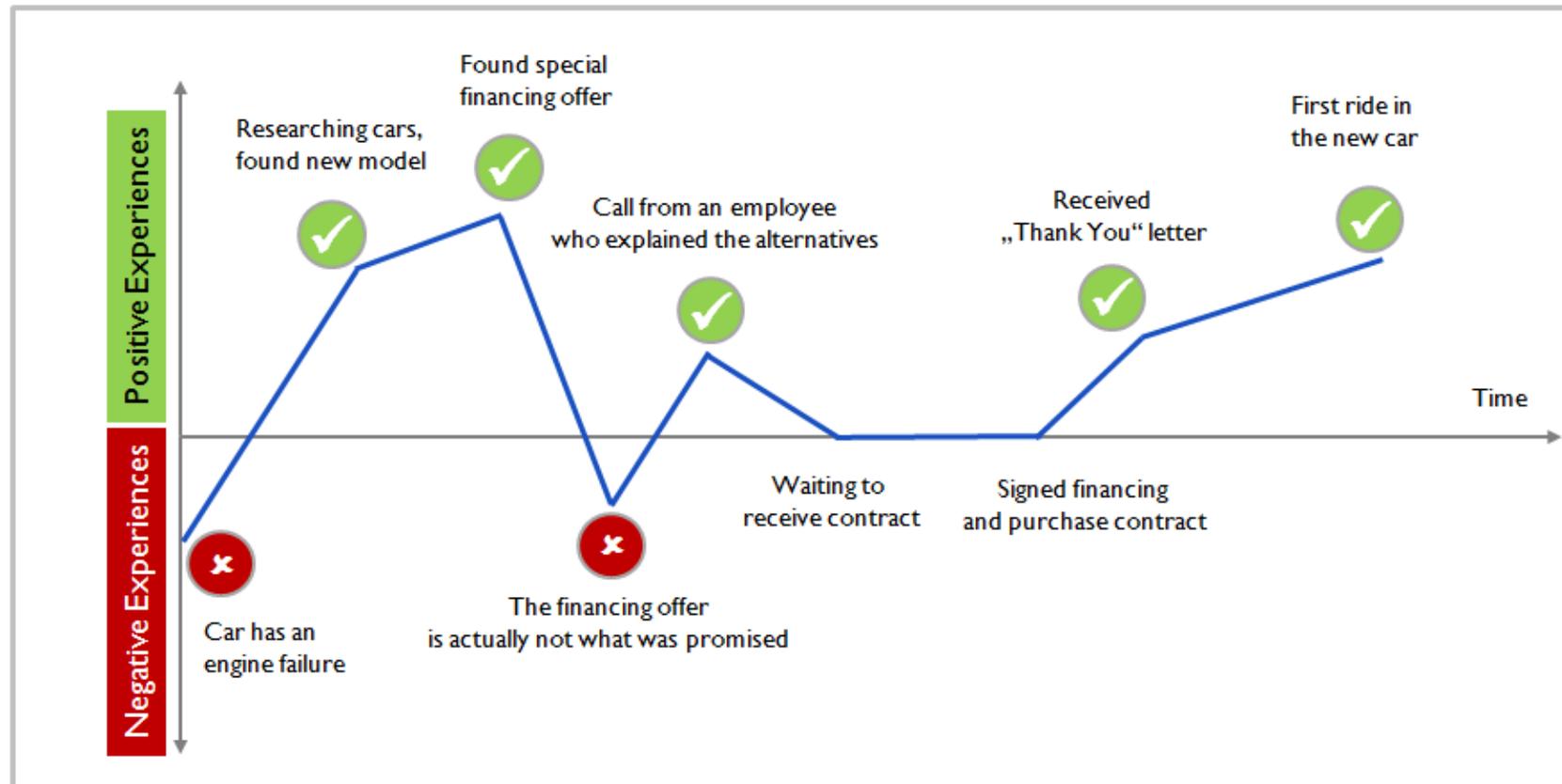
- Base Product & Consumable trap: *Nespresso, Gillette, HP, Kodak*
- Data trap: *Apple, Google Android, Spotify*
- Learning Curve trap: *Adobe*
- Industry standards trap: *Microsoft, Adobe*
- Service trap: *Rolls Royce, Hilti*
- Exit trap: *Mobile phone companies: subscriptions*

Another way of thinking about “Customer relationships”...



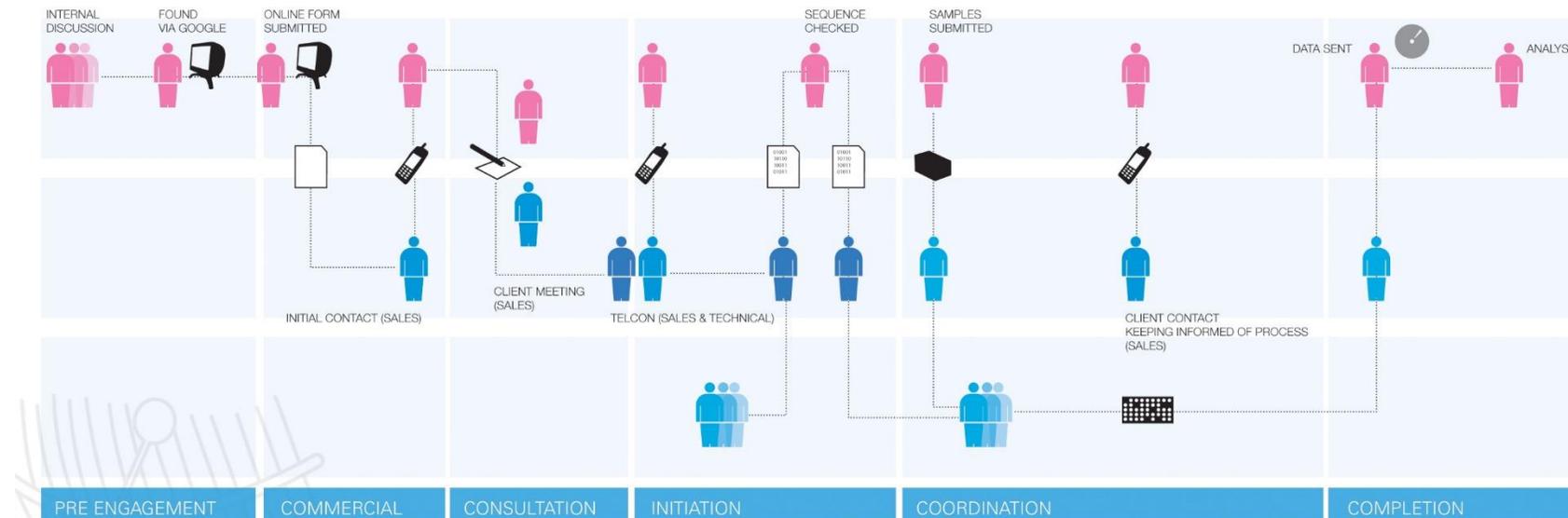
Customer journey

Customer Journey Example: Car Purchase



Customer journey

Make sure your customers will have a positive “journey”: *They will come back to you and/or promote you among others!*



Practicing with Osterwalder

Case study, about *energy saving* in Saxion university of Applied Sciences.



The Business Model Canvas Designed for: _____ Designed by: _____

Key Partners Who are our Key Partners? Who do we rely on? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform? <small>• Suppliers • Distributors • Complementors • Channels • Alliances</small>	Key Activities What Key Activities do our Value Propositions require? Our Distribution Channels? Which Key Resources are we acquiring from partners? Revenue Streams? <small>• Production • Logistics • Service • Distribution • Retail</small>	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? <small>• New products • New services • New channels • New customer relationships • New revenue streams • New cost structures</small>	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? <small>• Personalized • Self-Service • Automated • Community • Co-creation • Access to experts • Concierge • Dedicated personal assistance • Self-Service • Automated • Community • Co-creation</small>	Customer Segments For whom are we creating value? Who are our most important customers? <small>• Mass • Niche • Segments • Markets • Demographics • Psychographics • Behavioral</small>
Key Resources What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? <small>• Physical • Intellectual • Financial • Human • Social • Channels • Complementary Products and Services</small>		Channels Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How do we intend to reach them? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines? <small>• Direct • Indirect • Sales • Retail • Partners • Intermediaries • Distribution • Retail • Wholesale • Franchise • Agents • Distributors • Retailers • Suppliers • Complementary Products and Services</small>		
Cost Structure What are the most important costs inherent in our business model? Which Key Resources are most expensive? <small>• Fixed Costs • Variable Costs • Infrastructure • Personnel • Production • Distribution • Retail • Wholesale • Franchise • Agents • Distributors • Retailers • Suppliers • Complementary Products and Services</small>			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? <small>• Sales • Usage-based • Subscription • Advertising • Commission • License • Royalty • Rental • Lease • Resale • Wholesale • Franchise • Agents • Distributors • Retailers • Suppliers • Complementary Products and Services</small>	

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Testing the business model

Steve Blank:

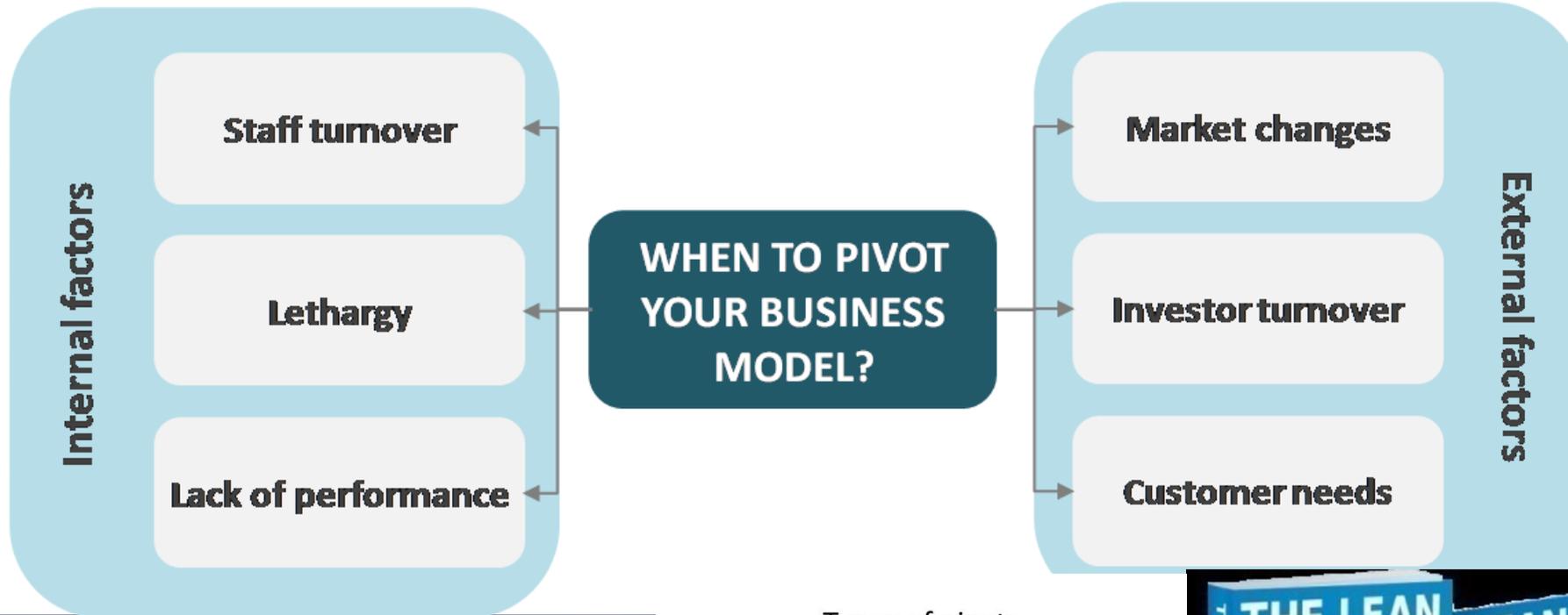
1. Get out of the building! There are no facts to be found in school or in the company itself → interview prospective customers to test your ideas
2. Make the process iterative. Adopt your product according to the ideas of your future customers. Don't go for a waterfall development... step by step improvements.



Testing the business model

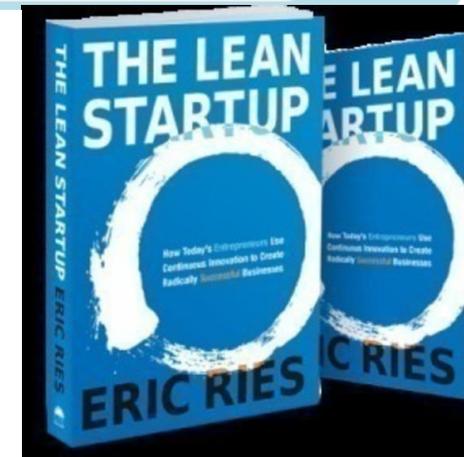
3. Failure is part of the search! Try to experiment with different things and when experiments fail, try something else.
4. Make iterations and pivots (turnarounds). A pivot is a major change in one of the boxes of the business model canvas.
5. No business plan survives the first contact with customers.

When to pivot?



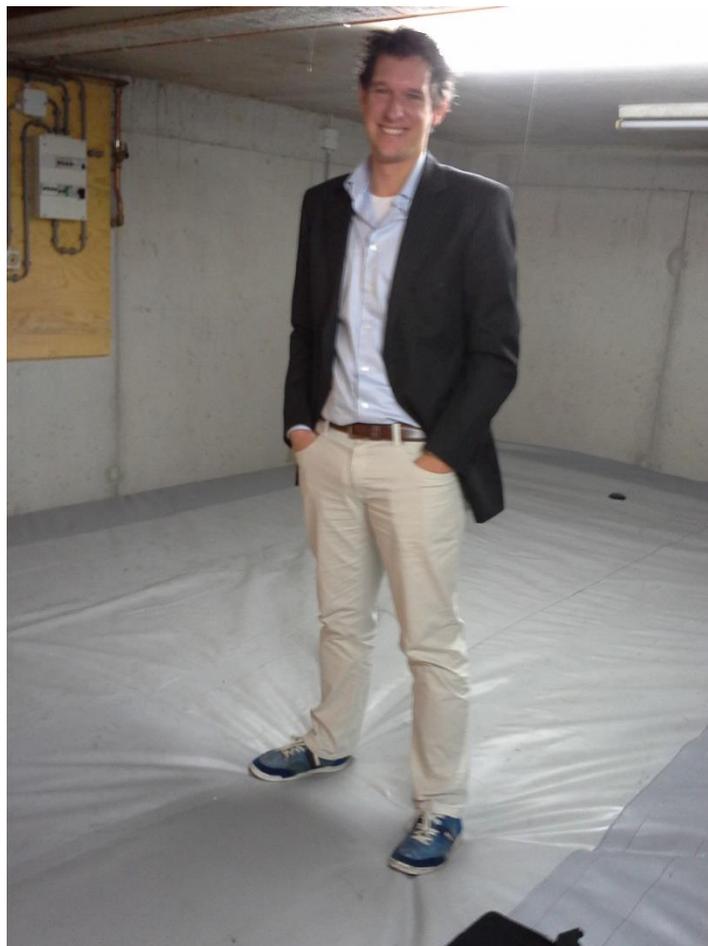
Types of pivots

- Customer need pivot: same customer segment, different need/problem
- Customer segment pivot: same problem, different segment
- Business architecture pivot: ie from enterprise to consumer
- Zoom-in feature pivot: remove features to focus on just one key feature
- Zoom-out feature pivot: add features to become more of a holistic solution
- Technology pivot: solve same problem but with different technology stack
- Channel pivot: same problem, same solution, different path to customers
- Platform pivot: open up an application to third-parties to become a platform (or vice-versa)



Kom verder. Saxion.

Meet Frank



Kom verder. Saxion.

Pivoting the business



Pivoting the business



Pivoting the business



Testing the business model

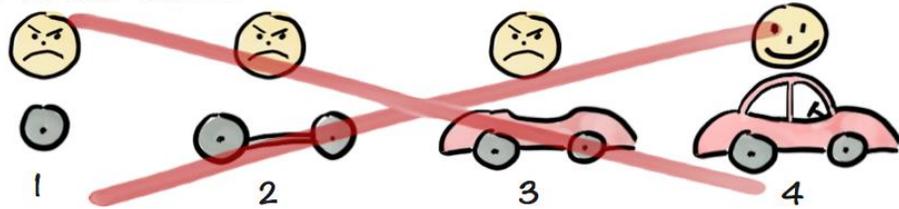
6. Design experiments to test your assumptions (hypotheses, guesses) about customer needs and behaviour. Experiments could include test websites or models of a product.
7. Think about market positioning. New market, new product? New product, existing market? Niche market entrance? These are important for sales channel selection.
8. It's all about passion



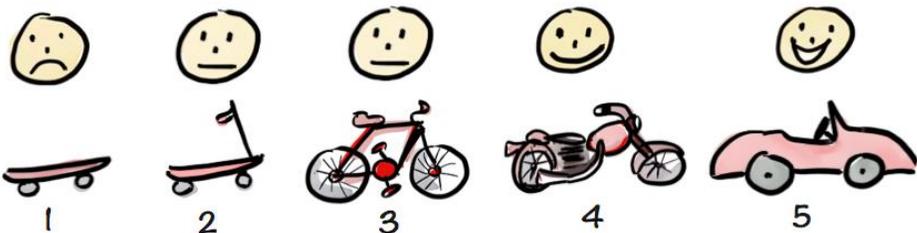
What next: Minimum Viable Product

Since a starting business is in the process of learning, it is important not to invest too much effort in the beginning stages in the design of the product.

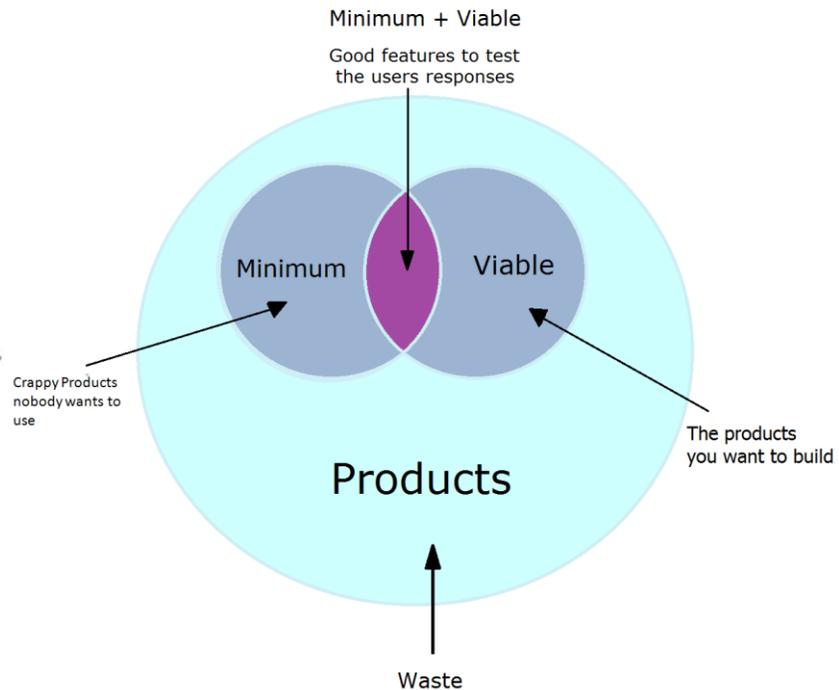
Not like this....



Like this!



by Henrik Kniberg



Minimum viable product



(minimum viable product)



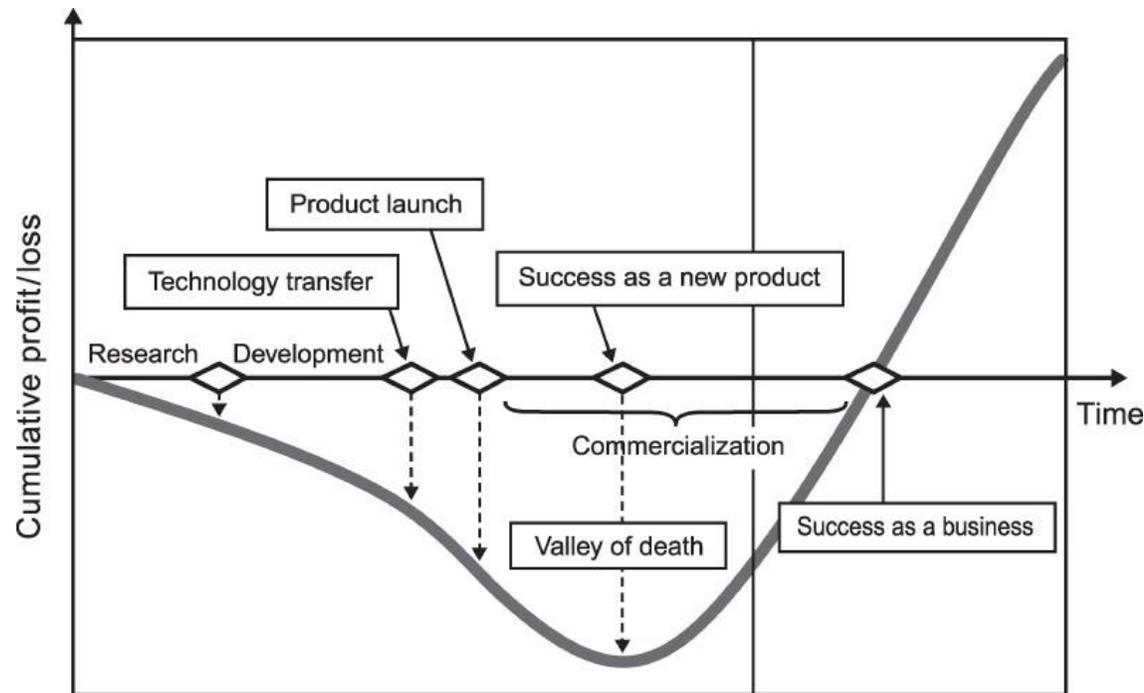
(product)



Minimum Viable Product is not the same as *Minimal Effort*!

Testing the business model

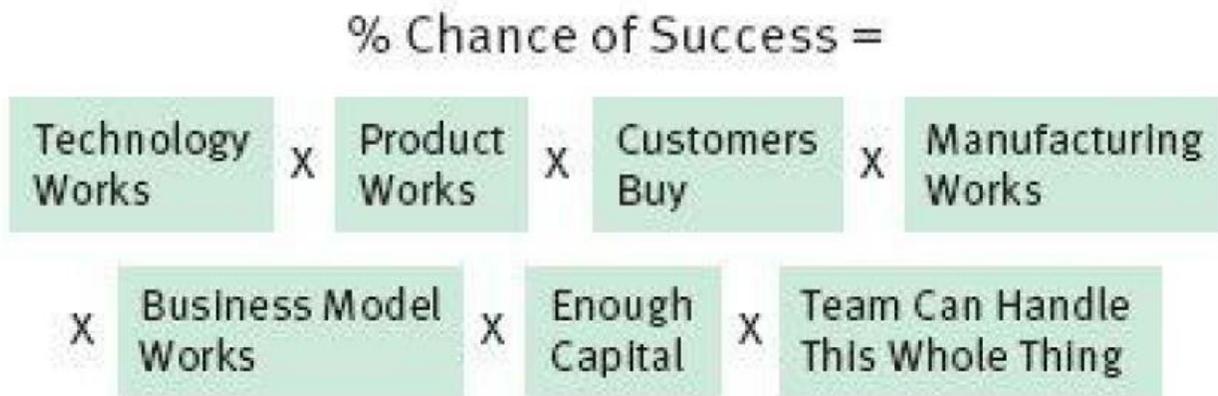
9. Think about measuring progress... Take variables like cash-burn rate, months until break even



Venture Funding

Why is it often so difficult to get sufficient funding?

What does a Venture Capitalist see?

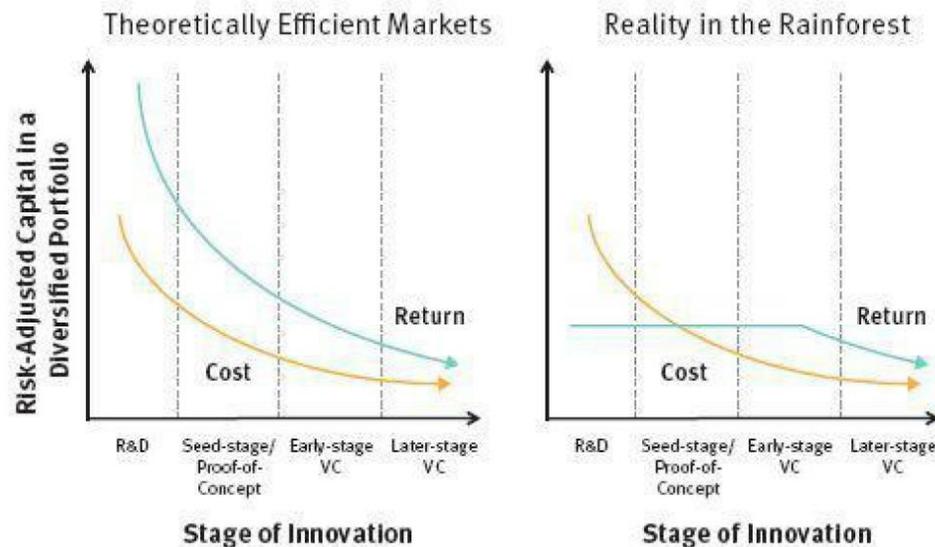


Venture funding

If it is so hard and so many risks with start-ups... why do venture capitalists invest in the first place?

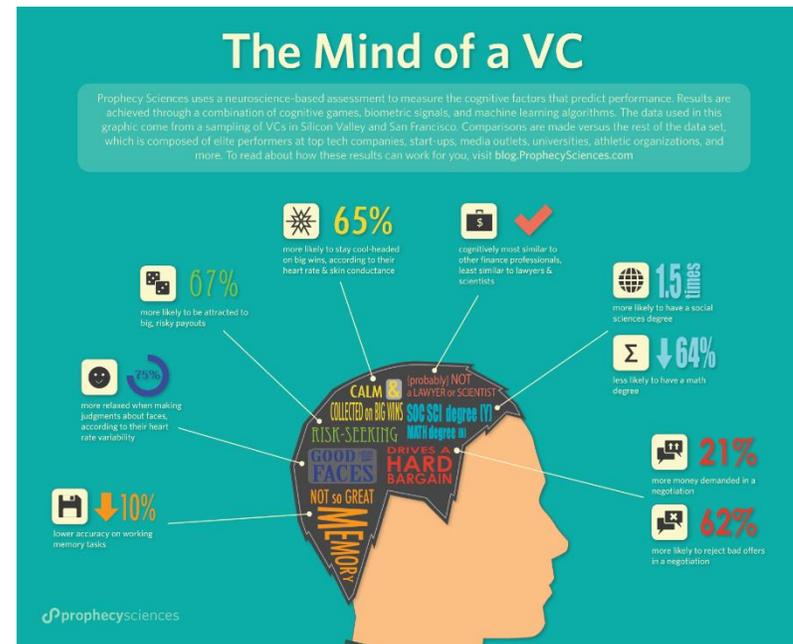
Answer:
They simply don't invest in the early stages.

Breakdown of the Risk Premium in the Continuum of Capital



Venture Funding

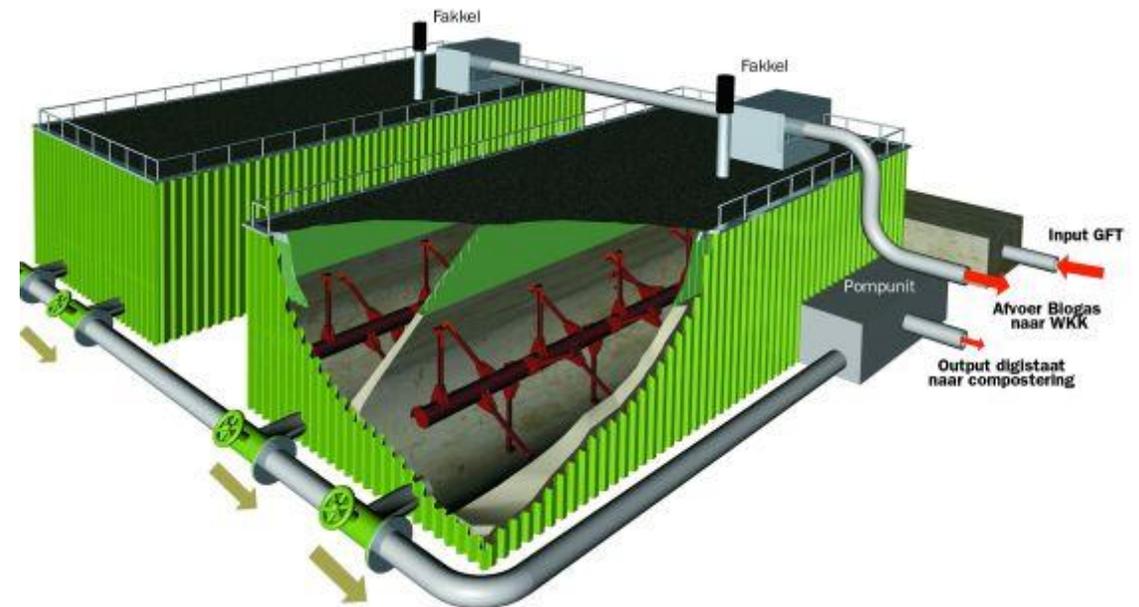
If a venture capitalist or business angel invests in a company, they are going to want something in return → Usually shares (part of the ownership of the company).



Negative aspects of venture funding

That means, the investor becomes just co-owner...
How much is ideal? If investor owns over 50%, is the entrepreneur still entrepreneur? Or employee?

Example company
“Bioburn”

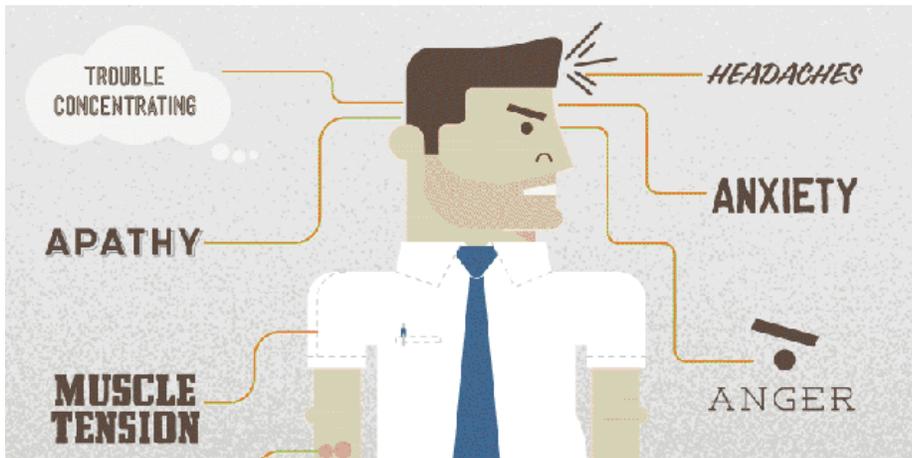


I thought you said "Venture" capital.



Testing the business model

10. Fast decision making: changes are necessary. Many startups face problems: psychological it is hard to get away from an idea that was developed by months. But sometimes it is necessary.



Stress Reduction Kit



Directions:

1. Place kit on FIRM surface.
2. Follow directions in circle of kit.
3. Repeat step 2 as necessary, or until unconscious.
4. If unconscious, cease stress reduction activity.

Testing the business model

11. Job functions in a startup are very different than in ordinary companies. Startups require people who are comfortable with situations of uncertainty, chaos and change...



Market turmoil is the best possible news for us. The more chaos and uncertainty in the marketplace, the better.

QUOTEHD.COM

David Stanton



All great changes are preceded by chaos.

© Lifehack

Testing the business model

12. Preserve cash until needed: Then spend. In other words, don't waste your money until you found a really promising idea.
13. Communicate and share learning. Make sure everyone on the team knows as much as possible: It will help finding new solutions.



Testing the business model

14. Customer development needs a “buy-in”. Every member of the team must be involved and feel responsible. The process is fluid and fast changing: *“we can’t change the features since development is underway”* is a no-no.



Measure your business...

AARRR = Acquisition, Activation, Retention, Revenue, Referral

Acquisition: describes the moment when an unconscious visitor is interested in your product/service.

Activation: when the customers who are interested in the product are having their first (positive) user experience

Retention: measuring the reuse and the involvement in the product / service

Revenue: measuring the product / service what you get paid

Referral: the number of customers who are coming back

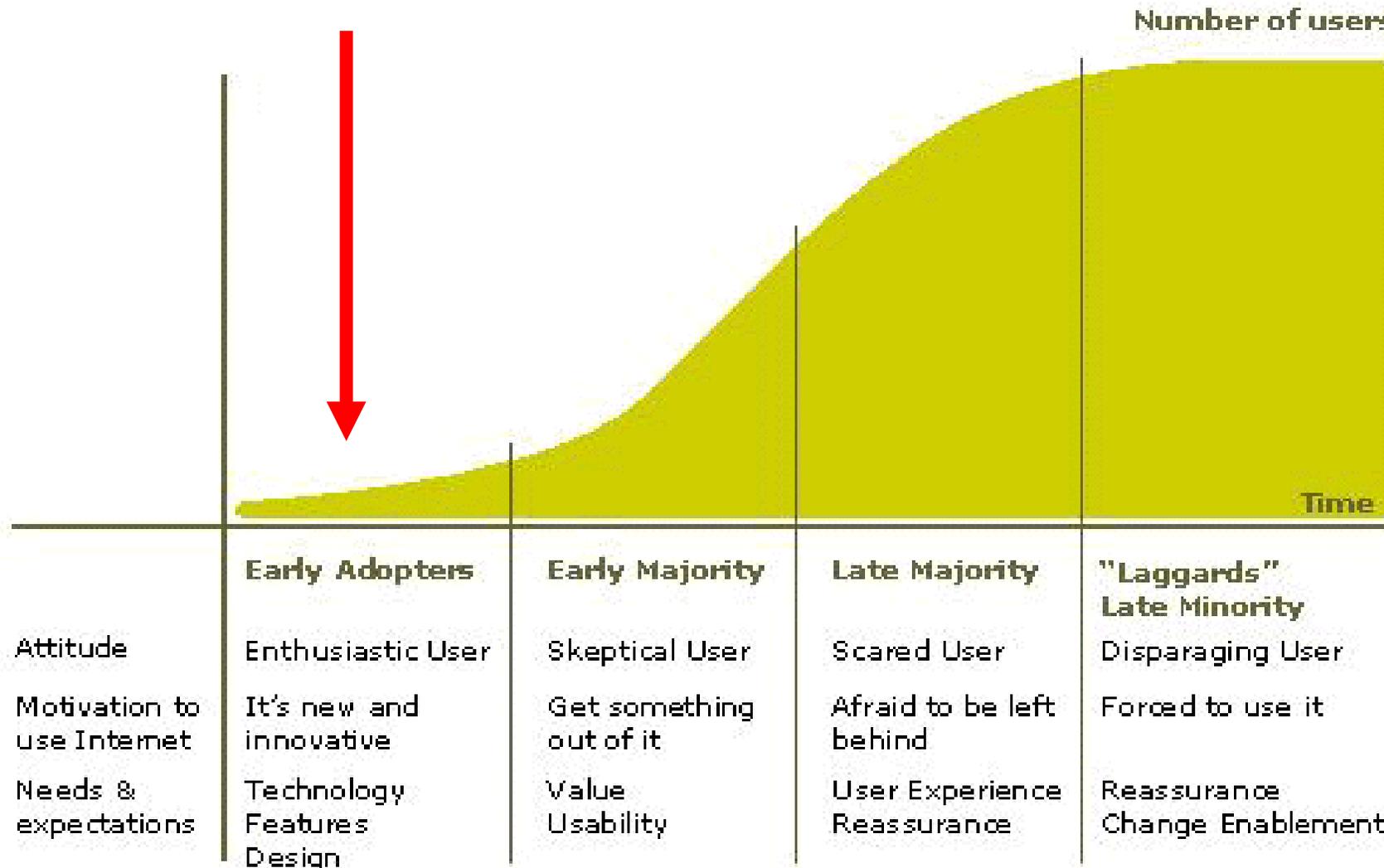


Talk to your customers

- Find a group of potentially interested people in your product / service (minimum 50) and ask them about your business idea.
- This is not a sales pitch!
- Listen if your customers feel they have problems and how they deal with it.
- In the end, ask them whether the idea you are thinking about might help them.



Who will be your first customers?



Early adopters



<http://www.inc.com/joe-gebbia/how-airbnbs-early-adopters-saved-the-company.html>



Talk to your customers

Don't ask them "would you like to have candy" type of questions... Everyone would like to have candy, so don't ask questions that nobody will say no to.

For example: *Do you also often feel thirsty while shopping in the city in the summer? Would you be interested in a good non-expensive offer of healthy fresh drinks while shopping...? I would like to start a watermelon store, do you like watermelon?*

Talk to your customers

Tips:

- Remember that people often respond politely. You need to make people feel safe and ensure it's safe to help you. Try to explain that you're looking for honest answers to create a product/service that is actually wanted.



"Do you want the correct answer or the politically correct answer?"

Talk to your customers

- Start out with behaviour, not with feedback: start with questions about the behaviour of the person in front of you, in relation to the 'problem or opportunity'. As soon as that's clear for you, you can ask for feedback.
- Ask open questions: no yes/no questions, just W-questions (Why, Where, What, how?)
- Listen, don't talk: Try to talk as little as possible and try to ask your questions as short and neutral (so don't enclose your wanted answer into the question) as possible.

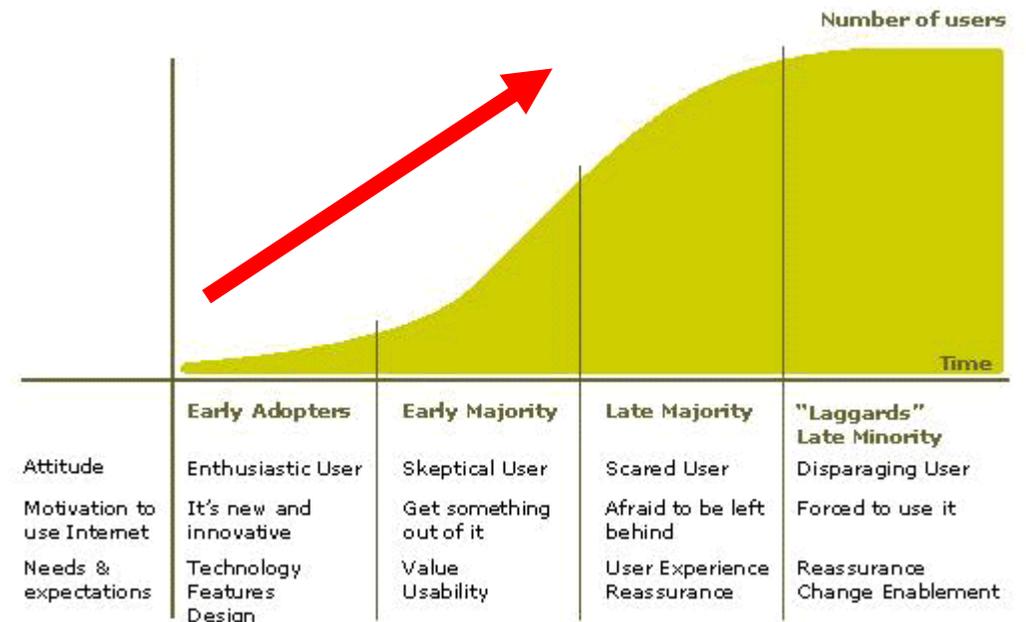
Remember when developing a business:

*Customers
care
about
their pro-
blems, not
your
solution.*



When to launch the full product?

- After testing the MVP and learning from experiments, it is time to launch the full product, not just anymore for early adopters.
- When is that time?



“Sean Ellis” test

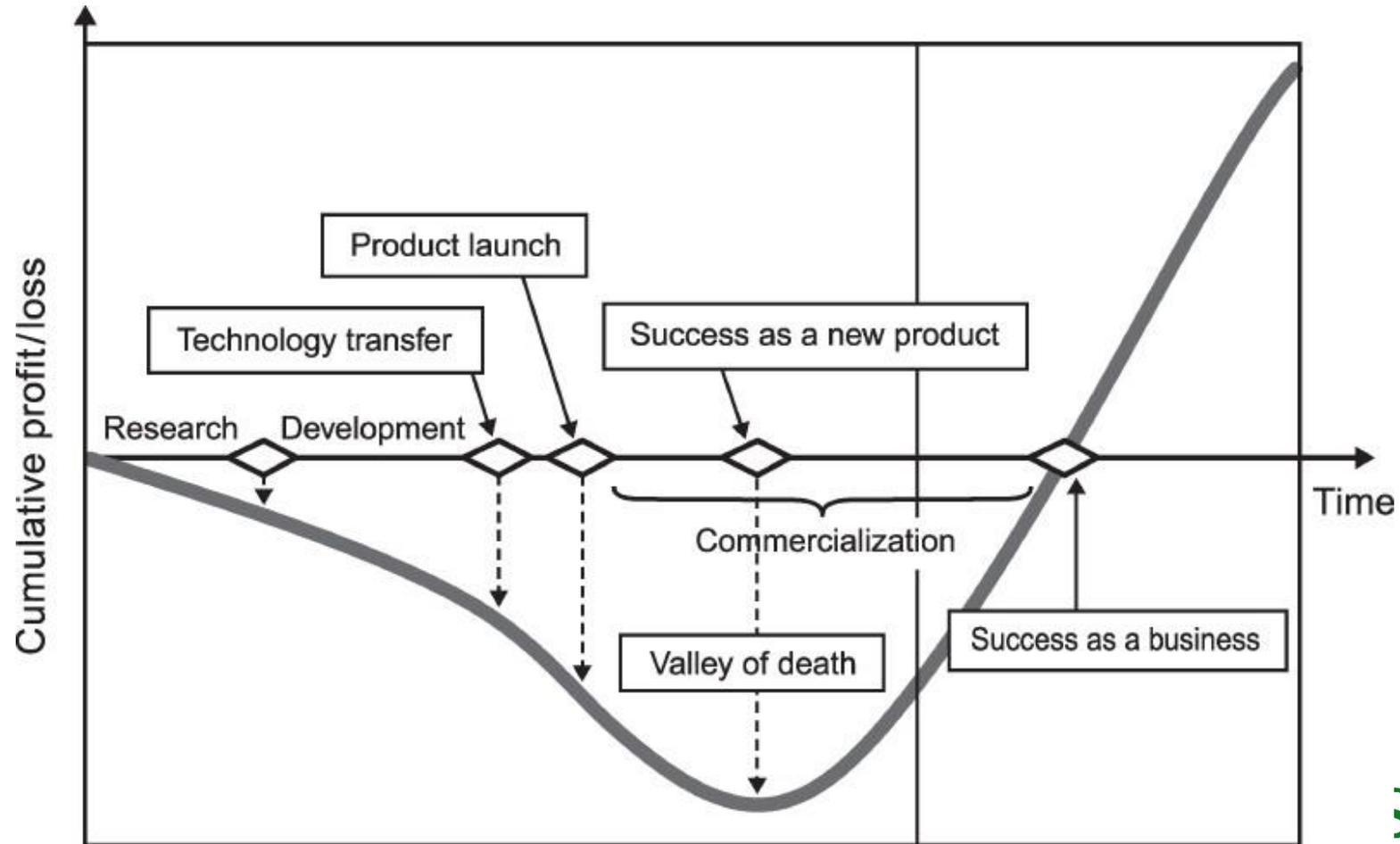
How would you feel if you could no longer use [product]?

1. Very disappointed
2. Somewhat disappointed
3. Not disappointed (it isn't really that useful)
4. N/A – I no longer use [product]

If you find that over 40% of your users are saying that they would be “*very disappointed*” without your product, there is a great chance you can build sustainable, scalable customer acquisition growth on this “*must have*” product.



Growing the business



Growing the business

- Growth strategies:
New customers vs. Existing customers,
New products vs. Existing products?

<http://www.youtube.com/watch?v=sGNDARlu11A>

- Staff growth:

<http://www.youtube.com/watch?v=j4oVe9YSfps>



Your own business model...

Practicing with Osterwalder Business Model Canvas

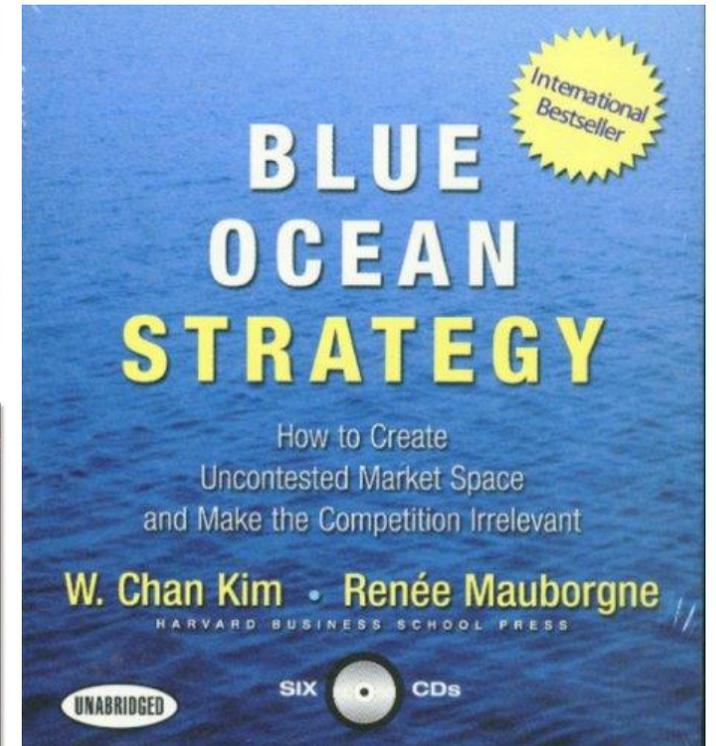


Blue ocean/Red ocean

Blue Ocean : Uncontested market space

Red Ocean : Full of competitors

Avoid Red Oceans... develop the blue ones!



Innovative culture: Blue ocean/Red ocean

The bicycle market as an ocean

Bicycle industry competes for a share of the 20% cyclists (red, with blood)



Innovative culture: Blue ocean/Red ocean



Compete in existing market space

Beat the competition

Exploit existing demand

Make the value-cost trade-off

Align the whole system of a firm's activities with its strategic choice of differentiation or low cost

"Defend Current Position"
Perspective



Create uncontested market space

Make the competition irrelevant

Create and capture new demand

Break the value-cost trade-off

Align the whole system of a firm's activities in pursuit of differentiation and low cost

"Innovate & Pursue New Opportunities"
Perspective

Blue Ocean / Red Ocean example

Read the text about Glasses Direct.co.uk

Describe for all the “Blue Ocean” criteria mentioned before in how far they managed to create a blue ocean!

The process of innovation

Golden rules of successful innovation:
(According to Microsoft)

1. It is something new.
2. I want to have it!
3. Why didn't I think about it?



Resources / Further reading

- **Saxion Startup Handbook** (2014), Berrie Coelman
(downloadable at:
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