YENESIS benefits from a €2.3 M grant from Iceland, Liechtenstein and Norway through the EEA and Norway Grants Fund for Youth Employment. The project aims at creating employment opportunities for NEETs in islands.
Introduction

The changing business landscape
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Customer demands are increasing

• When one company raises the bar for customers, we generally expect that others will follow its lead

• This challenge is constantly transforming the business way we do business
Brainstorm companies that raise the bar for customers and discuss what is different about them

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What we knew yesterday does not help with tomorrow
Introduction

We got comfortable in the boiling water
Introduction

Yesterday’s business models are breaking down!

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Introduction

Businesses need to be agile; ready to evolve at a moment’s notice. We need a new business mindset:

• Adaptability & flexibility

• Cross-functional expertise and communication

• Increased transparency and sharing of vision
Business modelling
The What, the Why and the How
Business model definition

“A business model describes the rationale of how an organization creates, delivers, and captures value.”

Alexander Osterwalder

“A business model is supposed to answer who your customer is, what value you can create/add for the customer and how you can do that at reasonable costs.”

Peter Drucker
Examples?

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Cost Structure

What are the most important costs inherent in our business model?
Which Key Activities are most expensive?
Which Key Resources are most expensive?

Is your Business Model
Cost driver (market, cost structure, low, price value proposition, maximum automation, extensive outsourcing)
Value driver (focusing on value creation, premium value proposition)

Sample characteristics
Added cost (business, rents, utility)
Economies of scale
Economies of scope

Revenue Streams

For what value are our customers really willing to pay?
How will they pay for it?
How will they provide their value?
How will our business model continue to evolve over time?
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- People who like listening to music
- Advertisers

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**Key Partners**
- Record labels
- Artists
- Android & iOS

**Key Activities**
- R&D
- Networking with labels & artists

**Key Resources**
- Huge library (over 30 million songs)
- Brand
- Data

**Value Propositions**
- Free music streaming (with ads and other limitations)
- Access (anywhere, anytime, any device)
- Huge library (over 30 million songs)
- Personalization (Discover weekly etc.)
- Advertise your product/service on a massive audience

**Customer Relationships**
- Automated

**Channels**
- Google play
- App store
- Spotify.com

**Customer Segments**
- People who like listening to music
- Advertisers

---

**Revenue Streams**
- FREE
- Ads

**Costs**
- Subscription fee
- Bandwidth
- Licensing fees
- Copyrights
- R&D

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**The Business Model Canvas**

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*The Business Model Canvas* by Alex Osterwalder and Yves Pigneur provides a visual, holistic approach to develop and describe business models.
In groups of 3, choose an existing innovative business and create its business model using the BMC.
Business model mechanics

The inner workings of business models
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Activity

Identify what these companies changed in terms of business models and identify the blocks of the BMC that they disrupted.
Activity

Brainstorm different “types” of business models. Try to go for as many distinct types as you can.

10 minutes
### Business model types

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Distributor</th>
<th>Agency-Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retailer</td>
<td>Franchise</td>
<td>Drop shipping</td>
</tr>
<tr>
<td>Brick-and-mortar</td>
<td>eCommerce</td>
<td>Blockchain</td>
</tr>
<tr>
<td>Bricks-and-clicks</td>
<td>Nickel-and-dime</td>
<td>Advertisement</td>
</tr>
<tr>
<td>Freemium</td>
<td>Subscription</td>
<td>High Touch</td>
</tr>
<tr>
<td>Aggregator</td>
<td>Online Marketplace</td>
<td>Crowdsourcing</td>
</tr>
<tr>
<td>Data Licensing/Selling</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Think of an existing, traditional company and try to change its existing business model somehow, so that it becomes more innovative.

20 minutes
Use the BMC to build your idea’s initial business model

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Innovating on business models

Converging innovation with business thinking
Innovating on business models

• Blindly copying best practice is dangerous
• What has worked for others, may not work for you
  → Adapt “tried & tested” models to new businesses
Innovating on business models

**Problem:** How do you generate business model ideas that are innovative?

- How do you generate wild ideas that stretch your limits?
- How do you think beyond what you already know?
- How do you take brainstorming to the next level?

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You are given €500 and a Vespa scooter. Come up with a business and map it out on the BMC!

5 minutes
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Activity

Now generate 3 more business models that are radically different to your first one!

10 minutes
Some brainstorming tips

• Be quick; rapid ideas!
• No judgements; no negatives!
• Think freely; go wild; go ridiculous!
• Go for idea volume, not quantity!
• Don’t brainstorm alone!
• Don’t be afraid to scrap ideas

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"What if" scenarios

• What if your only distribution channel was the internet?
• What if you had to give away your product/service for free?
• What if you had to work like a franchise model (e.g. McDonalds)
• What if you employed a bait and hook model?
Activity

“What if” you had to give away your product/service for free? Think of a company that does this. How do they make money?

10 minutes
“If you had to be like X” scenarios

Example: If you had to be like Netflix, what would need to change in your business model?
Activity

Create a different version of your business model based on your idea. In other words, pivot!

20 minutes
Impactful customer propositions

Do your customers really need it?
Impactful customer propositions

Customers have changed over the years

• What does today’s customer want?
• Is your value proposition relevant to them?
• Do they know what they need or are you telling them what they need?
“If I had asked people what they wanted, they would have said faster horses.”

Henry Ford
“Some people say, ‘give the customers what they want.’ But that's not my approach. Our job is to figure out what they're going to want before they do.”

Steve Jobs
BUT HOW DO WE KNOW IF THEY [WILL] NEED IT?
There are no facts inside the building, so get the hell outside.”

Steve Blank
How do you know?

- By talking to them
- By interviewing them
- By “walking in their shoes”
How to interview customers

Your interview should feel more like a discussion, exploring:

• How customers really use products/services like yours
• Their barriers to buying something
• The deeper emotions motivating them to act
Customer profiling
Do they care?
Customer profiling

• How do you visualise your customer?

• How can you conceptualise who she/he is?

You need to explore your customer’s true needs; their expectations and demands
“Jobs-to-be-done” concept

“People do not want a quarter-inch drill, they want a quarter inch hole.”

Theodore Levitt
Why do people “hire” milkshakes over other snacks while commuting?
The milkshake case

The Milkshake example comes from the research of Clay Christensen

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Jobs-to-be-done checklist

- Define your markets around the job-to-be-done
- Help customers get the job done in its entirety
- Can you help them get more jobs done?
- Design your business based on a job-to-be-done
Types of jobs

Main job to be done
- Functional aspects
- Emotional aspects
- Personal dimension
- Social dimension

Related jobs to be done
- Functional aspects
- Emotional aspects
- Personal dimension
- Social dimension

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Activity

Complete the Jobs to be Done tree diagram for the iPhone

15 minutes
The empathy map

A tool originally created by Dave Gray – this version created by xplane.com

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Activity

Design an empathy map for a fair-trade coffee company. Your customers are young, environmentally conscious adults.

20 minutes

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Greta Thurneberg

Need to make a difference

Global warming is the biggest threat

“Be the change you see in the world”

Attends Glastonbury festival yearly

Takes short courses to keep up to date

Fairness

Freedom of choice

Facebook groups

TED talks

NETFLIX documentaries

Shop small and local

Great taste

Great quality (organic)

Feels she’s giving back

Too expensive

Not convenient due to distance to buy

Attends Glastonbury festival yearly

Takes short courses to keep up to date

Great taste

Great quality (organic)

Feels she’s giving back

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Activity

Design empathy map(s) for your customer segment(s)

20 minutes

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Assumptions & tests

Will they buy it?
Assumptions

Assumptions are beliefs that we have, about:

- Our customer’s characteristics
- The desirability of our product or service
- The needs of our customers
- The market size, and more

“I believe my customer is actively looking to reduce time spent online”
Assumptions checklist

Assumptions need to be stated in a specific way

• Is it clear enough?
• Is it specific enough?
• Does it have a metric?
• Does validating it help?
If you were selling an innovative “green” fertilizer, what might your list of assumptions be?
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Test your assumptions?

• You want to reduce uncertainty and risk of failure
• Metrics are incredibly important!
• You validate or invalidate your assumption by creating and running a “test”
3 areas of customer testing

- Interest & relevance
- Willingness & ability to pay
- Preferences & priorities
Do they want it? – Interest and relevance

• Are potential customers interested in your product/service?
• Is it relevant to them?
• Are they interested enough to do something about it?
Interest and relevance tests

- Landing pages
- Tear-off ads or flyers
- Google, Facebook, Twitter, LinkedIn ads
- Printed ads, magazines, newspapers, etc.
Will they buy it? – Willingness & ability to pay

- Will potential customers buy your product/service?
- Will they pay actual money for it?
Willingness & ability to pay tests

• Fake sales
• Pre-sales (e.g. Kickstarter)
• Letters of intent/interest
Is it good enough? – Preferences & priorities

• Which features of your product/service do your customers prefer over others?
• What is of great value to them?
• What do they feel is a must-have?
• What could be omitted?

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Preferences & priorities tests

• Split A/B testing

Welcome to our website
Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat.

Click rate: 52% 72%
Minimum Viable Product (MVP)

MINIMUM
Unsuccessful products nobody wants to use

VIABLE
Final products built by big companies

Good enough for testing
Collecting “test” evidence

• Metrics are important

• Always decide the success criteria before running the test

Don’t forget: Fail quickly and cheaply!
“Assumptions → tests” checklist

1. Gather your assumptions
2. Prioritize in order of most critical to your business model
3. Decide on the type of test needed for each assumption
4. Decide on the validation/invalidation criteria & metrics
5. Run your tests and evaluate the results gathered
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**Activity**

Identify the JTBD, assumptions, tests to run, and success criteria (evidence) for each test based on your idea’s empathy map(s) and business model(s)

20 minutes
Conclusion

Wrapping up
Based on everything you have about your business model and your customers, create your final (for now) business model
Things to keep in mind when innovating

• Don’t get stuck on what you think you know
• Don’t become obsessed with your idea
• Don’t just brainstorm with yourself
• Don’t just rely on your own skills
• Don’t “love” your product
• Fail fast and cheap!

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Thank you!