

BU121 Guide: Final Exam

Contents:

- IDEATE
 - Why it's important → What factors surround it → How it's used
- Value Proposition Design
 - Problem-Solution Fit → connecting customer side and value map → how to use
- Primary Research
 - Types of research → how to effectively research → gaining insights
- Business Models
 - "Purpose" → Infinite Game → "Just Cause" → ~~Business Model Canvas~~

IDEATE QUESTION #1

Fill in the blanks:

People don't buy _____ they buy _____ to their _____

IDEATE QUESTION #1: Answer

Fill in the blanks:

People don't buy **products**; they buy **solutions** to their **problems / emotions / better versions of themselves**

Identify

- The key is discovering a real **migraine-headache** – **needs** to be solved rather than a minor inconvenience
 - Need to provide **valuable uniqueness**
- Low chance of succeeding:
 - Easily solved, not a migraine headache
 - Niche market
 - Struggle to identify the customer (the one paying)
 - Ideas that are product enhancements rather than standalone ideas
 - And more! (Refer to BU121 slides)

Lecture Example: HiRide

HiRide is a platform that allows you to set up carpooling with other long-distance travelers with the mission of interaction between riders and drivers. Inspired by university students that would have a 2+ hour commute home on public transport or pay unreasonable amounts of money for an uber.

Identify the problem and the discovery (solution).

IDEATE QUESTION #2: Answer

- Migraine-Headache Problem identified:
 - Public transport resulted in long and boring rides home for long distance travelers; incredibly inconvenient
 - Ubers or taxis cost far too much to be sustainable on a regular basis.
 - Driving on your own would also be draining, lonely, and costly (gas money)
- Solution identified:
 - Creating a carpooling app for long distance travelers based on your interests and common routes
 - Achieves: saving time and money, having someone to talk to during a ride, reducing carbon emissions.

Enhance

- Enhancing existing ideas through an **innovation** or **twist**
- Look at all the different **stakeholders**
- Solve it like a 3-legged stool:
 1. Provide significant value to customers and beneficiaries through an effective solution
 2. Add value to anyone in the supply chain who helps you solve your customer's problem (supplier, distributor, delivery service, etc.)
 3. Make sure there is enough for yourself to benefit

Enhance Cont.

- Snapping screen
- Combine sunscreen and spray tan
- Putting them together

Anticipate

- Consider PEST factors to look for trends and new opportunities
- Create new technology and look at the impact of technology on peoples' lives
- Consider all possible uses

Lecture Example: Eversound

- Wireless headphones with transmitters initially created for 'silent discos'
- Trend in environment: elderly facing a hearing and cognitive decline
- New migraine-headache: hearing aids were not solving hearing impairments for the elderly.
- Enhancement: A wireless headphone system that allows the users to solely listen to each other through transmitters and microphones: promotes social connection within the elderly while distancing.
- Target market: Retirement / long term care homes, elderly, people with hearing impairment

Lecture Example #2: VR

- Originally made and intended for new, augmented gaming experiences
- Finding its usage in other spaces as technology continues to move forward:
- Such as: Therapy and healthcare, helping people with phobias and anxiety, helping people with autism develop social skills, etc.

Target

- Ideas are nothing without customers
- Who is your target market? What are their problems and needs?
- Why should they buy from us?

Target Cont.

- To understand your target market, you will need to conduct **primary** research and some secondary research
- Learn from social media, blogs, influencers, reviews
- Understand customer vs. user vs. influencer

Some more lecture examples

- Common trends in the environment these days:
 - Lack of commitment
 - Rental culture
 - Technology
 - Sharing culture
 - Prices
- Ideas inspired by these trends:
 - Uber: promotes ride share culture, transportation without needing to buy a car, all done through an app, targets young adults; a group that is typically more price sensitive or unable to afford their own transportation.
 - Netflix: originally created because rental debt so he created: unlimited rentals, originally targeted dvd player owners. Now has taken more advantage of technology and sharing to create an entertainment platform that allows multiple users and infinite entertainment for low price.

Lecture Example: User vs Customer

- Stethoscope:
 - User: Doctor – uses but typically doesn't pay
 - Customer: Insurance company – pays for it, they need the incentive to buy it
 - You need to think of both, you can create an incredible product for doctors (the users) but if your solution is too costly for the customers (insurance), they may not want it
- Toys:
 - User: young children
 - Customer: parents that buy toys for their children

*User, Customer, Influencer are not always different, but they can be. When they are you want to think about who the customer is (this is important for research) and you want to address enough pains for each group.

Evaluate

- Separating high quality from low quality ideas:
 - Big migraine-headache problem-solutions will ‘pull’ the customer to you, smaller problems cause you to force; ‘push’ a solution to the customer
 - Do you have enthusiasm for the idea? Does it benefit you too?
 - Is the idea unique and differentiated? Can you create any barriers to entry
 - Profit potential: market size, margins, price sensitivity
 - Are you sure there is value in the idea or is it all just you? (Gut check + Google search)
 - You will not know for sure until you conduct **primary research**
 - Preliminary idea board

Question: Entrepreneurial Success Pie

The 4 Factors are:

- _____ - the basis of your startup, and the solution for your customers problem. This is your purpose and how you will provide value.
- _____ - who your startup is meant for. These are the people that you need to develop a solution for and capture to be successful
- _____ - This is how you will carry out your solution. It requires strategizing and research on the previous two pieces of the pie.
- _____ - These are the people who help you to carry out your idea, they need to have diverse skill sets and care about the purpose too.

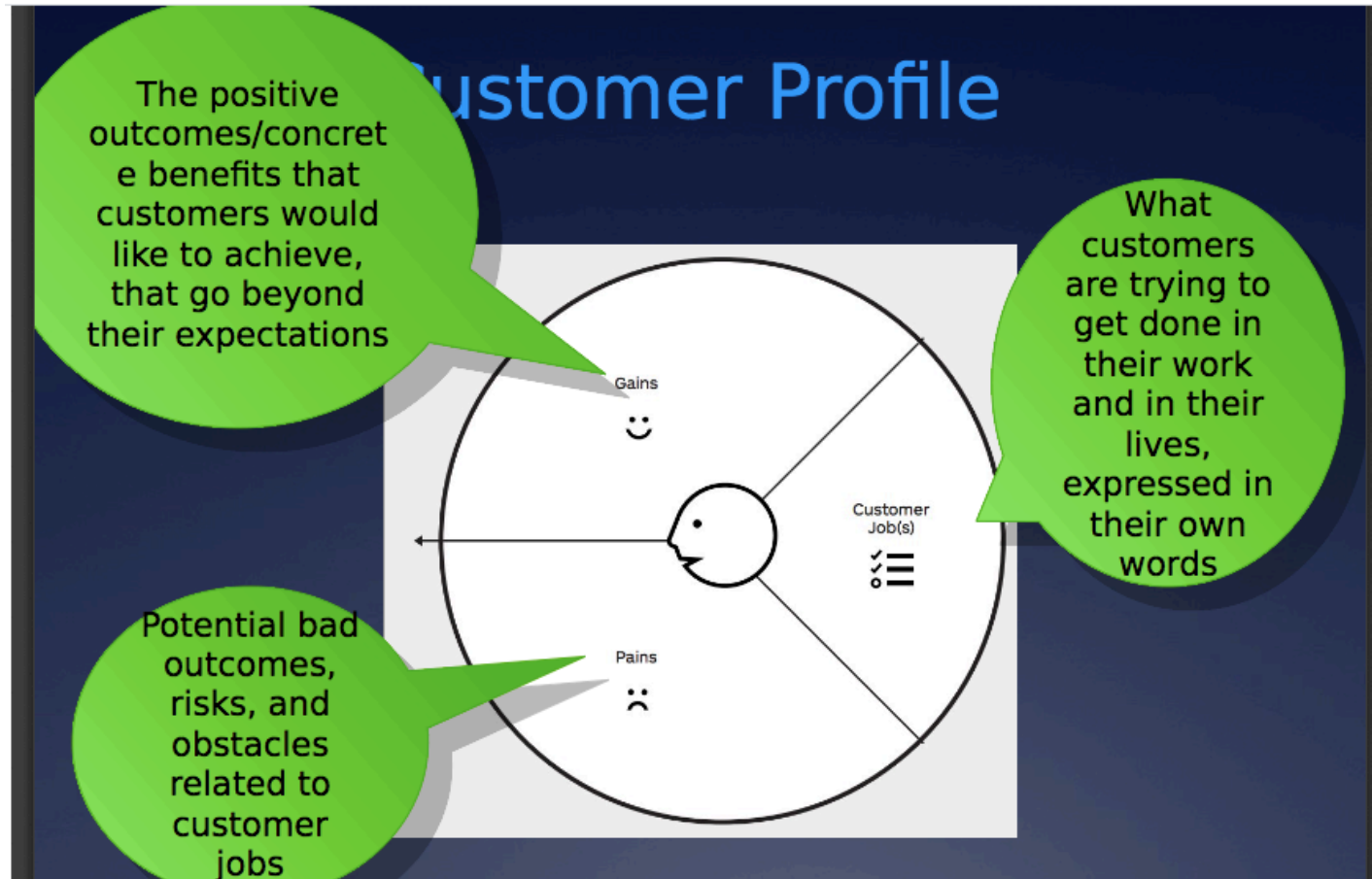
Answer: Entrepreneurial Success Pie

The 4 Factors are:

- **Idea** - the basis of your startup, and the solution for your customers problem. This is your purpose and how you will provide value.
- **Market** - who your startup is meant for. These are the people that you need to develop a solution for and capture to be successful
- **Execution** - This is how you will carry out your solution. It requires strategizing and research on the previous two pieces of the pie.
- **Team** - These are the people who help you to carry out your idea, they need to have diverse skill sets and care about the purpose too.

Value Proposition Design

Customer Profile Explained:



Customer Profile: Things to keep in mind

- Gains and Pains are **NOT** the opposite
- Gains are the value the customer will receive, they are not the **expectations** of the job
- Define the expectations bar, clarify the boundaries
- Customer jobs are the expectations, and customer jobs can be:
 - Functional: Literal job you want done
 - Social: The social expectations or value you want/expect the job to create)
 - Emotional: The emotions surrounding the job, what you feel or want to feel

Lecture Example: Gains vs Pains

- Taking your card to a restaurant to pay
- Expectation: when you pay, the card works
- Pain: The card doesn't work for whatever reason
- Gain: It works? Nope
 - Gain: You earn points with your purchase.

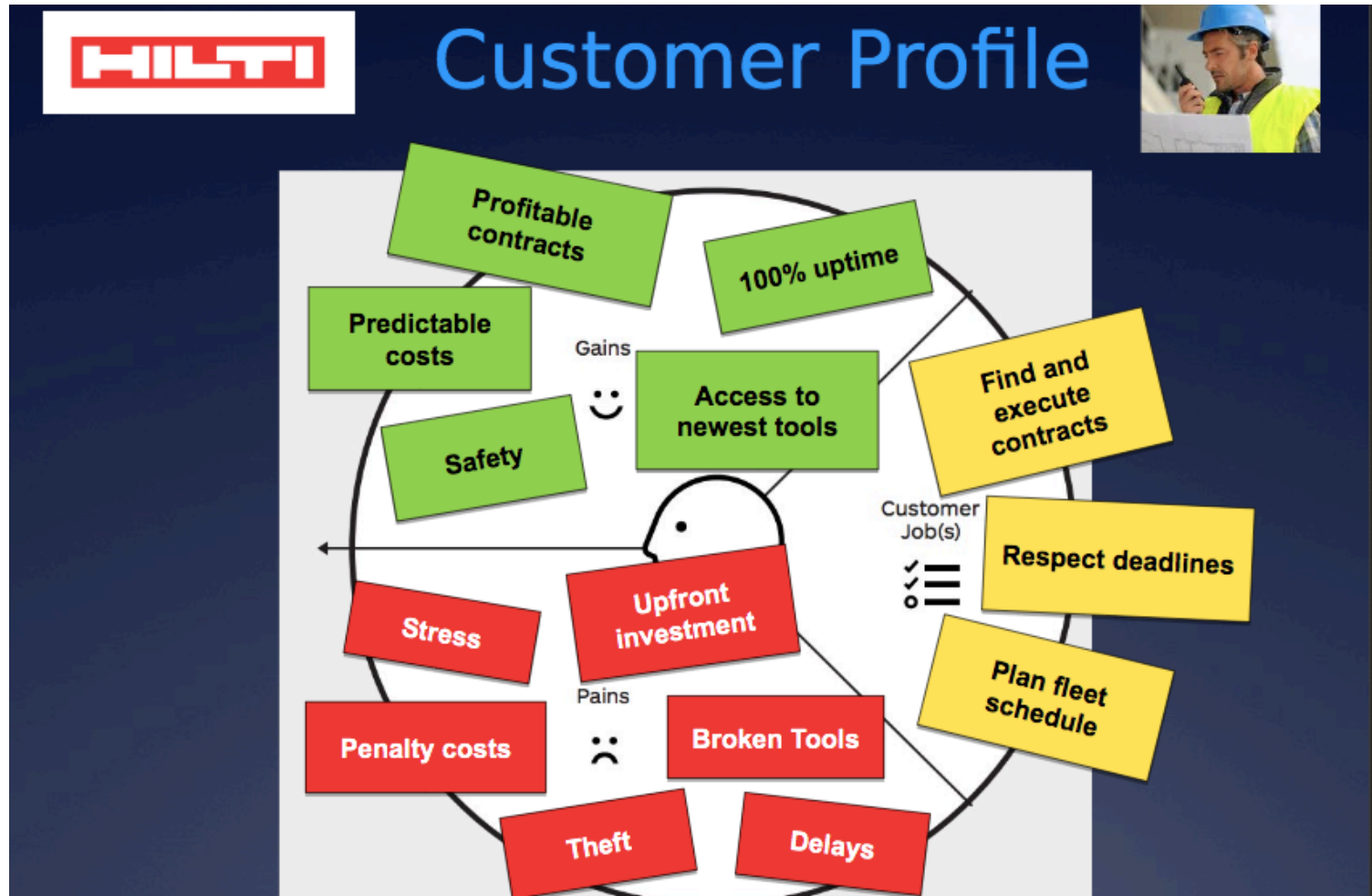
Lecture Example: Customer Profile (UBER)

- Customer jobs:
 - Functional: Facilitate transportation; travel from point A → B
 - Social: Meet up with friends, carpool to reduce pollution, hang out with your friends
 - Emotional: Feel safe due to tracking, comfortability, less pressure
- Gains:
- Pains:

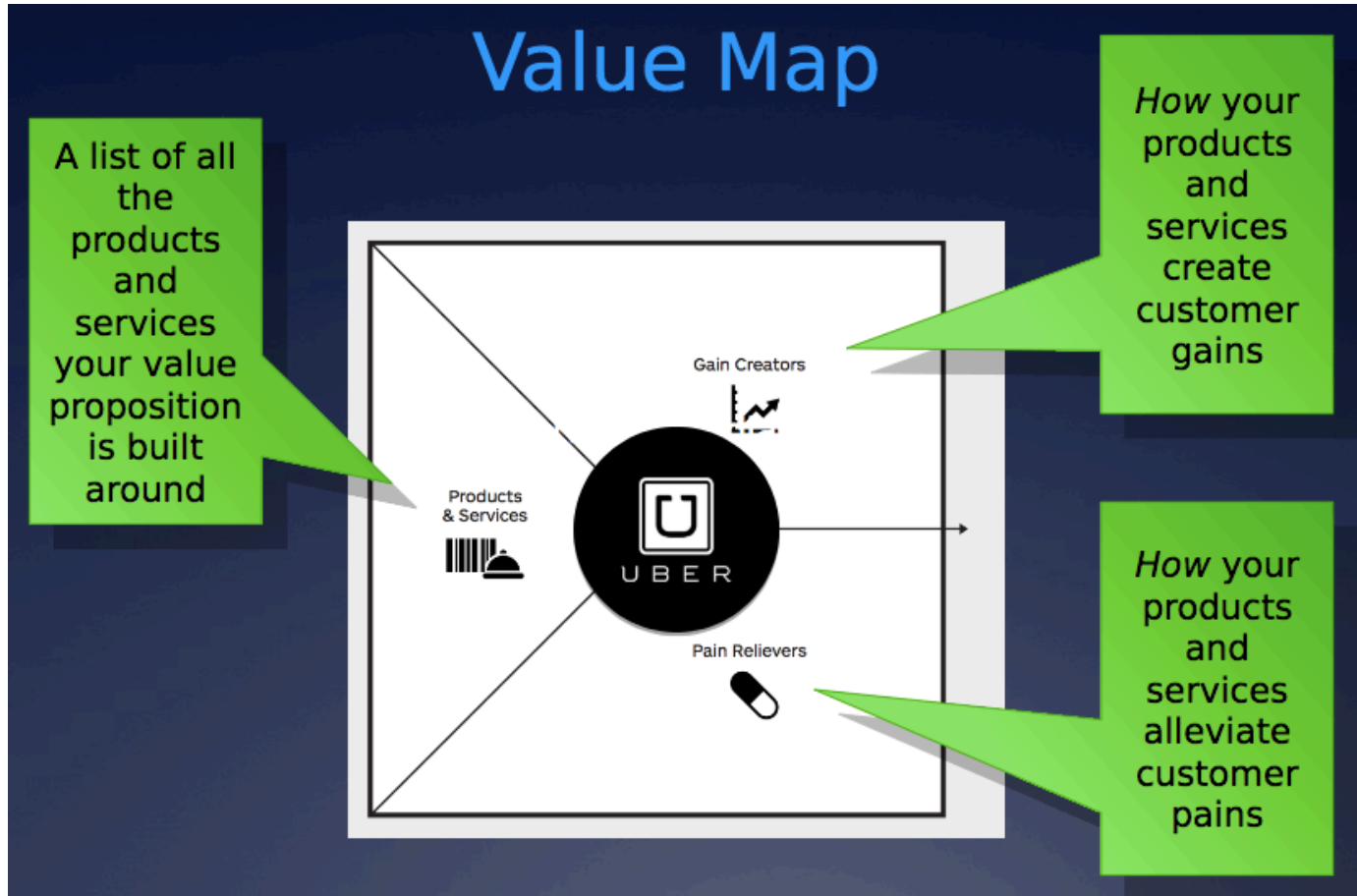
Lecture Example: Customer Profile (UBER)

- Gains:
 - You can choose the type of car you will be travelling in
 - You save money that would be spent on gas, possibly insurance
 - Because of the money saved, you can afford other things
 - Less FOMO because you can travel to gatherings at any time with the press of a button
- Pains:
 - Taxis are much more expensive
 - You don't know the person in the taxi and there's no tracking
 - At some point in time, you had to pay in cash
 - Taxis take a much longer time to arrive

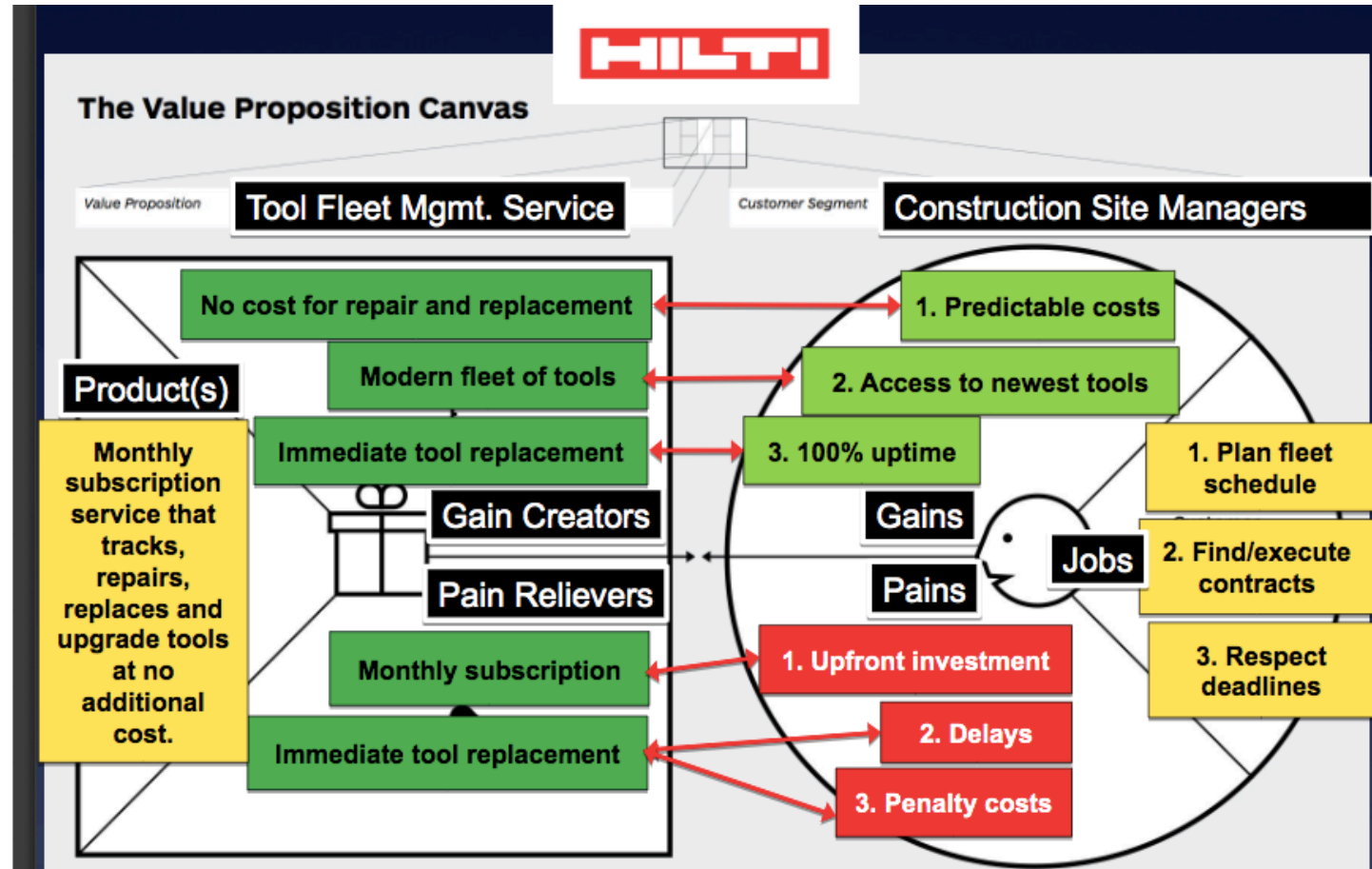
Lecture Example #2: Hilti Tools



Value Map



Connecting The Value Map



Other Points About VPD

- You will go through multiple iterations, until you conduct **primary research**, your canvas will be based on **assumptions**
- You need to create a **problem-solution fit**; that is connecting both the value map and the customer profile
 - i.e. how the gain creators create gain (provide value)
 - How the pain relievers get rid of pains associated with the job
 - How your product and its services get the job done

Primary Research

How To Conduct Primary Research

- Start with a **little** secondary research
- Do qualitative research before quantitative
- **DON'T** do surveys – you always want **open ended** questions
- Talk to the customer directly
 - The customer knows best about the problem → You want to be the best person to solve the problem

Biases and Obstacles to avoid

- Not creating a structured process or properly executing the process
- Social acceptability bias: interviewing people that won't give you honest answers
- Selection bias: people that aren't a good representation of your target market
- Confirmation bias: only taking insights that agree with your own assumptions

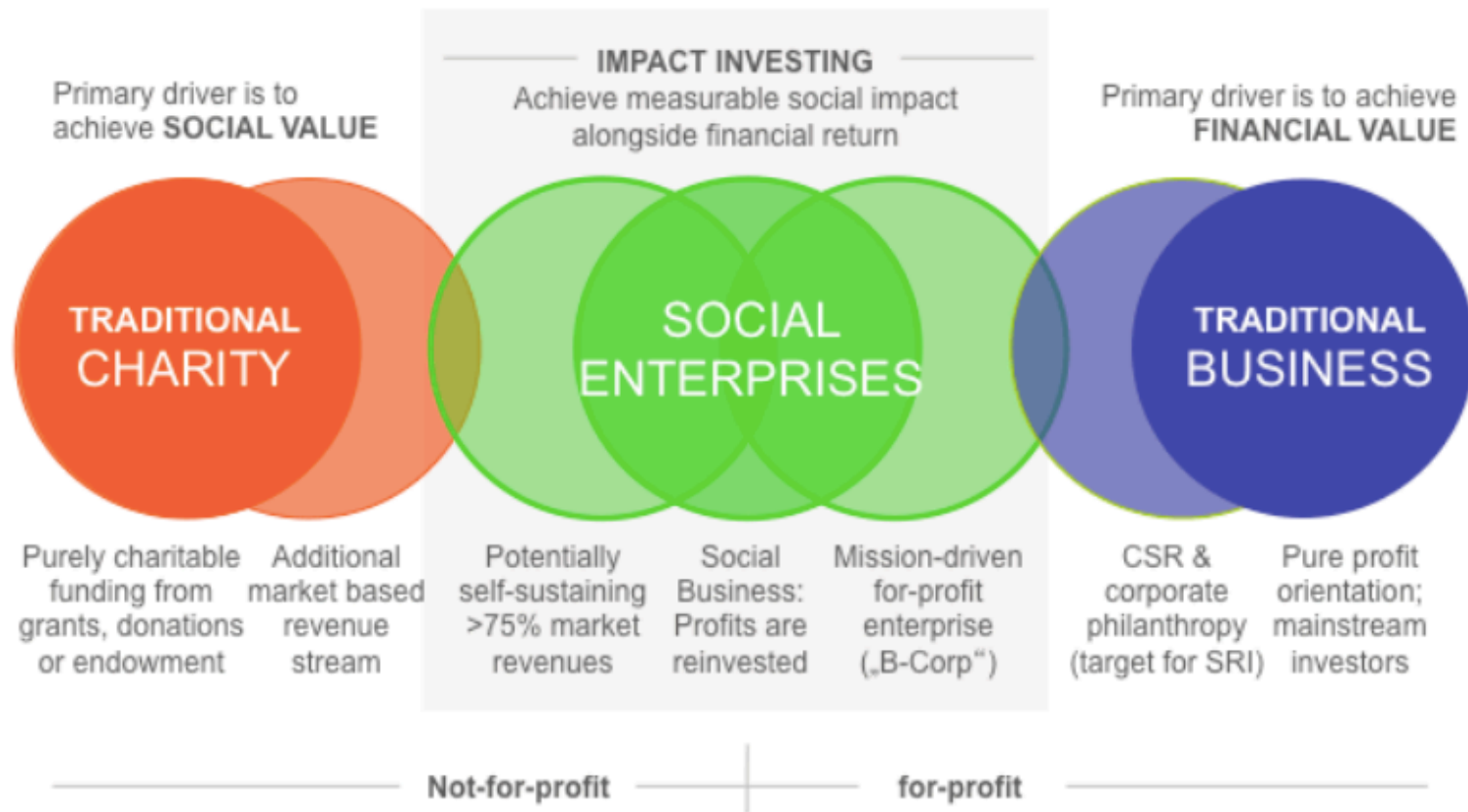
Business Models

The Significance of Purpose

- Companies with purpose achieve longevity and succeed in the short term
- Purpose is **why the organization exists, what problems it solves, and who it wants to be**
- It is how to build connections with customers and communities, why it creates a large impact
- Not all companies share this ideal, but those that do succeed
 - *Infinite game*

Different kinds of Businesses

The business model spectrum revisited



Source: Adapted from J. Kingston Venturesome, CAF Venturesome, and EVPA.

The Importance of 'The Infinite Game'

- In an infinite game there are no:
 - Winners or losers
 - Beginning, middle, or end
 - fixed rules (besides legality 😊)
- It is important because it allows you to be driven with high **purpose**
 - Once again it is important to make decisions for the infinitely long term, only short-term thinking will weaken your organization
 - Purpose, infinite game, and just cause are all connected

A 'Just Cause'

- The elements
 - Stand for, not against something
 - Be inclusive and inspiring
 - Service-Oriented
 - Idealistic
 - Resilient
- What it isn't:
 - A lofty goal with a clear end
 - CSR
 - Ambition
 - Growth

Lecture Example: Microsoft Vs. Apple

- Apple focuses its time and decisions with a **purpose**: making complex things simple, helping teachers teach, and helping students learn
- Microsoft's goal: Beat apple.

Lecture Example: Microsoft Vs. Apple

- Apple focuses its time and decisions with a **purpose**: making complex things simple, helping teachers teach, and helping students learn
 - This has no finite end; they are always focused on the future and improving themselves and the community.
- Microsoft's goal: Beat apple.
 - If you're obsessed with beating your competition instead of improving yourself, **your competition will always be ahead of you**
 - Microsoft used to have a just cause: "to empower every person and organization to **achieve more**"

Key Success Factors



Key success factors are achieved by developing purpose, infinite thinking, and a just cause

Business Models Are..

- How a company intends to make money and how it sustains itself financially
- How your idea will go from an idea to a business
- A great idea or product without a great business model just stays a great idea
 - Different companies can have the same product, but their business models will make all the difference

Lecture Example: Gillette vs Electric Shavers

- Gives away the handle but this is a relatively low profit margin
 - Instead, it keeps selling razor blades to make most of its income (Bait + Hook)
- Electric shavers
 - Make all their money up front
 - Despite selling the products for the same purposes, they both have different revenue streams

Lecture Example #2: Water Filtration

- Q water: Sells filtration systems for monthly fees to restaurants
 - Who would buy this and why?
- AquaOvo: Sells a stylish water filtration and cooler for a **one-time** fee
 - Who would buy this and why?
- Event Water Solutions: Sells a water filter for a **per event** fee to event holders
 - Who would buy this and why?


Lecture Example #2: Water Filtration

- Q water: Sells filtration systems for monthly fees to restaurants
 - Who would buy this and why?
 - Restaurants would purchase it for safety and perhaps if they wanted to charge for water
- AquaOvo: Sells a stylish water filtration and cooler for a **one-time** fee
 - Who would buy this and why?
 - This product could be used in homes – it's a prettier product that looks more appealing to individuals and as a piece in a home
- Event Water Solutions: Sells a water filter for a **per event** fee to event holders
 - Who would buy this and why?
 - Event holders would purchase this – for safety and sustainability, to save on costs by renting only when needed instead of one big purchase.

Impact of a Business Model

- It tells the story of how an organization operates
- A **subscription-based** (consumer reports) magazine vs an **ad-based** (vogue) magazine
 - One focuses on selecting **content readers want to read** and the other focuses on attracting customers that **advertisers want to sell to**
- Cinemas: Tickets are low margin, they make their money from food and refreshments
 - Problems they faced making profit include: long lines that dissuade customers
 - Fixed by: online tickets, ordering refreshments ahead of time

Why It Matters

- A successful business model tells a story; and it's better than the alternative
 - It has all the elements of a good story
 - Characters, reasonable motivations, and a plot twist!
- 
- Customers Customer Needs Innovation
- Business models can fail due to imperfect assumptions
 - Narrative test: Failure to understand customers, purpose, external environment
 - Number's test: imperfect value creation, insufficient revenue stream, costs too high to cover

Lecture Example: Traveler's Cheque

- Problem: Cash gets lost or stolen while travelling to different countries
- Alternative at the time: Bank note, however it was typically not accepted by merchants of the other countries
- Solution: Buy traveler's cheques at the bank with ID, you would show the cheque and ID to hotel and they would accept it

Question: What are the elements of this story?

Answer

- Characters: Travelers, Merchants
- Motives: Wanted a safe and viable approach to making purchases while travelling
- Plot twist: Banks made the money upfront, paid out the costs later, and the customers did not always use up the cheques or return the money resulting in more profit

Final Tips From Ace

- Think about how all these pieces connect like BU111
- All these things place heavy focus on the **customers**, you want to understand their problems, habits, solutions, and any possible alternatives
- Don't waste too much time on trivial memory things – focus on understanding
- Do the practice questions lol