Innovation and Entrepreneurship:Lecture 19

Course Instructor:
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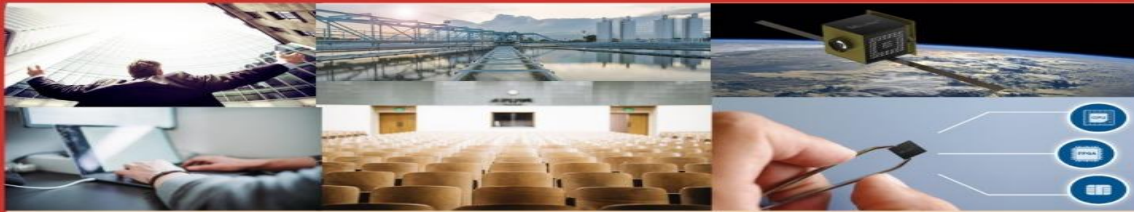
OUTLINE OF LECTURE 17

- Entrepreneurial Process and Decision Making
- Entrepreneurial Ecosystem
- Development and Exploitation of Opportunities

OUTLINE OF LECTURE 18

- Negotiation
- Effectuation and Causation

Syllabus

Course Content:

Unit I: Introduction to Entrepreneurship: Entrepreneurs; entrepreneurial personality and intentions - characteristics, traits and behavioral; entrepreneurial challenges.

Unit II: Entrepreneurial Opportunities: Opportunities. Discovery/ creation, Pattern identification and recognition for venture creation: prototype and exemplar model, reverse engineering.

Unit III: Entrepreneurial Process and Decision Making: Entrepreneurial ecosystem, Ideation, development and exploitation of opportunities; Negotiation, decision making process and approaches, Effectuation and Causation.

Unit IV: Crafting business models and Lean Start-ups: Introduction to business models; Creating value propositions-conventional industry logic, value innovation logic; customer focused innovation; building and analyzing business models; Business model canvas, Introduction to lean startups, Business Pitching.

Unit V: Organizing Business and Entrepreneurial Finance: Forms of business organizations; organizational structures; Evolution of Organisation, sources and selection of venture finance options and its managerial implications. Policy Initiatives and focus; role of institutions in promoting entrepreneurship.

OUTLINE OF LECTURE 19

- Introduction to Business Models
- Building and Analyzing Business Models
- Business Model Canvas
- Creating Value Propositions

Introduction to Business Models

- Business model innovation is an iterative and potentially circular process.

- A business model is a company's core strategy for profitably doing business.

- Models generally include information like products or services the business plans to sell, target markets, and any anticipated expenses.
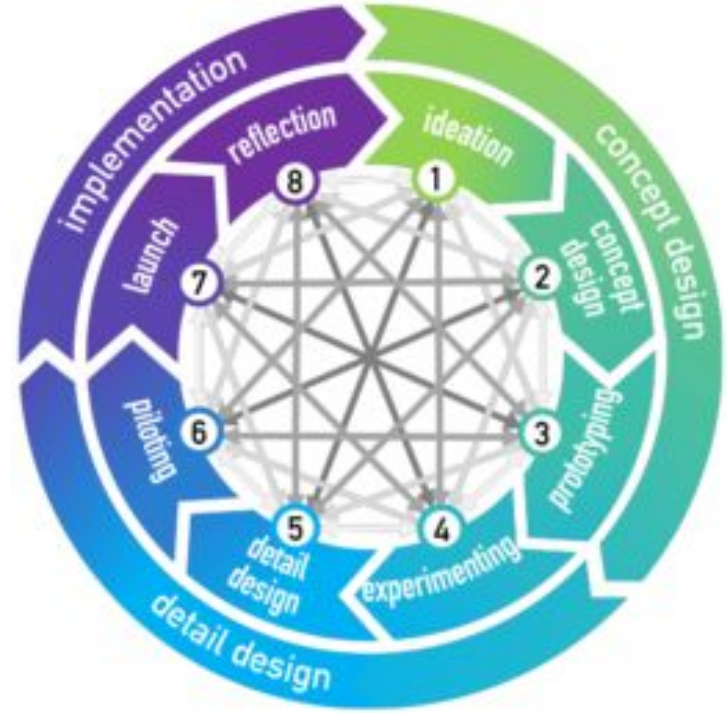
Introduction to Business Models

- The eight components of business model are ideation, concept design, prototyping, experimenting, detail design, piloting, launch and reflection.

- The two levers of a business model are pricing and costs.

- When evaluating a business model as an investor, ask whether the idea makes sense and whether the numbers add up.
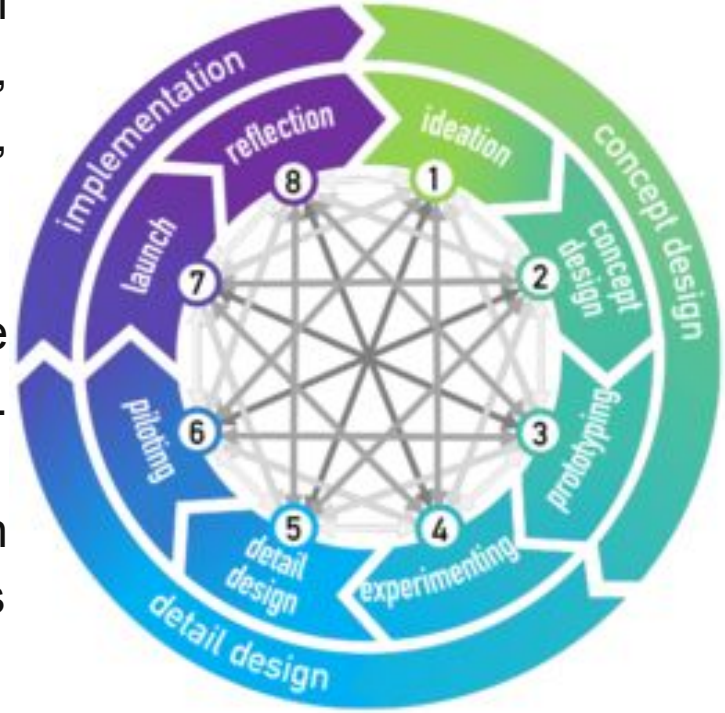
What are examples of business models?

- For instance, direct sales, franchising, advertising-based, and brick-and-mortar stores, super market, medicine stores, grocery stores.. are all **examples** of traditional **business models**.
- There are hybrid **models** as well, such as **businesses** that combine internet retail with brick-and-mortar stores or with sporting organizations.

What is a business model?

- A **business model** is a description of how your **business** intends to operate and make money.
- A business model defines how the enterprise delivers value to customers, gets them to pay for that value, and converts those payments to profit.
- But innovative **business models** go beyond this simple formula to create customer loyalty, make value in unusual ways, and define new products or services that people didn't know they needed.

What are the five business models?

- There are five basic types of business model that any for-profit business will fall into:
    - Manufacturer.
    - Distributor.
    - Retailer.
    - Franchise
    - Subscriptions

What is business model and example?

- A **business model** is a framework for how a company will create value.
- For **example**, a manufacturing company will have a very different **model** than an advertising agency.
- Even within a specific industry, **business models** vary.
- Here are a few common **business models** used by technology companies: Subscription.

How do you develop a business model?

Follow these simple steps to securing a strong business model.

1. Identify your specific Audience/Client/Users.
2. Establish **business** processes.
3. Record key **business** resources.
4. **Develop** a strong value proposition.
5. Determine key **business** partners.
6. **Create** a demand generation **strategy**.
7. Leave room for innovation.

How do you analyze a business model?

Business Model Analysis

1. Where are our revenues coming from?
2. What value is delivered to which markets?
3. What costs are involved in delivering that value?
4. Are our perceived key activities and key resources as important for gaining **revenue** as we think they are?
5. If we change our **model** in a specific way, what are the effects?

What is a Business Model Canvas?

- Business Model Canvas is nothing but a strategic business management template that can be used for documenting the business strategies of existing or an upcoming business set-up.
- This lean start-up model will assist in developing the entire operational plan of any business.
- A business model canvas will give you a detailed structure of a business plan, without any bottlenecks and give you a clear idea about the entire business operation.
- It delivers a great amount of focus, flexibility, and transparency towards your software product development and helps in acquiring market value for the same.

Creating a Business Model Canvas

- A business model canvas is made up of nine elements. All these elements work together to provide a comprehensive idea about the important driving factors of a business.
- 1. ***Customer Segments (CS)*** — Who buys my product/service? What's their response? What do they think? Feel? See? About my product/services?
- 2. ***Value Propositions (VP)*** — What factor encourages customers to buy it? What's the compelling factor in it? Why customers buy it?
- 3. ***Channels (CH)*** — How is my product promoted or sold? What are mediums through which buyers get to know about it?
- 4. ***Customer Relationships (CR)*** — How do we treat our customers during their association with us? Are they happy about our approach towards them?

Creating a Business Model Canvas

- 5. ***Revenue Streams (RS)*** — For what values are the customers actually willing to pay? What do they currently pay? What is our revenue model?
- 6. ***Key Resources (KR)*** — What are the utmost essentials for our business? What factors like, Revenue streams, customer support, etc can't be compromised upon?
- 7. ***Key Activities (KA)*** — What are the unique ways in which we make our value proposition? What are our main activities in distribution, customer support, and many other fields?
- 8. ***Key Partnerships (KP)*** — Who are our suppliers, buyers, and partners? What key recourse are we acquiring from them? How do they influence our service/product development?
- 9. ***Cost Structure (CS)*** — What's the cost structure of our product? What are our expensive resources/developmental processes? Can we increase cost with product improvement?

Value proposition

- A **value proposition** is a promise of value to be delivered, communicated, and acknowledged.

- It is also a belief from the customer about how value (benefit) will be delivered, experienced and acquired.

- A value proposition can apply to an entire organization, or parts thereof, or customer accounts, or products or services.

Value proposition

- Creating a value proposition is a part of business strategy.

- Kaplan and Norton say "Strategy is based on a differentiated customer value proposition.

- Satisfying customers is the source of sustainable value creation.

Value proposition

- Developing a value proposition is based on a review and analysis of the benefits, costs, and value that an organization can deliver to its customers, prospective customers, and other constituent groups within and outside the organization.

- It is also a positioning of value, where Value = Benefits − Cost (cost includes economic risk)