

Day 11 – Business Models II

Rajiv V. Basaiawmoit



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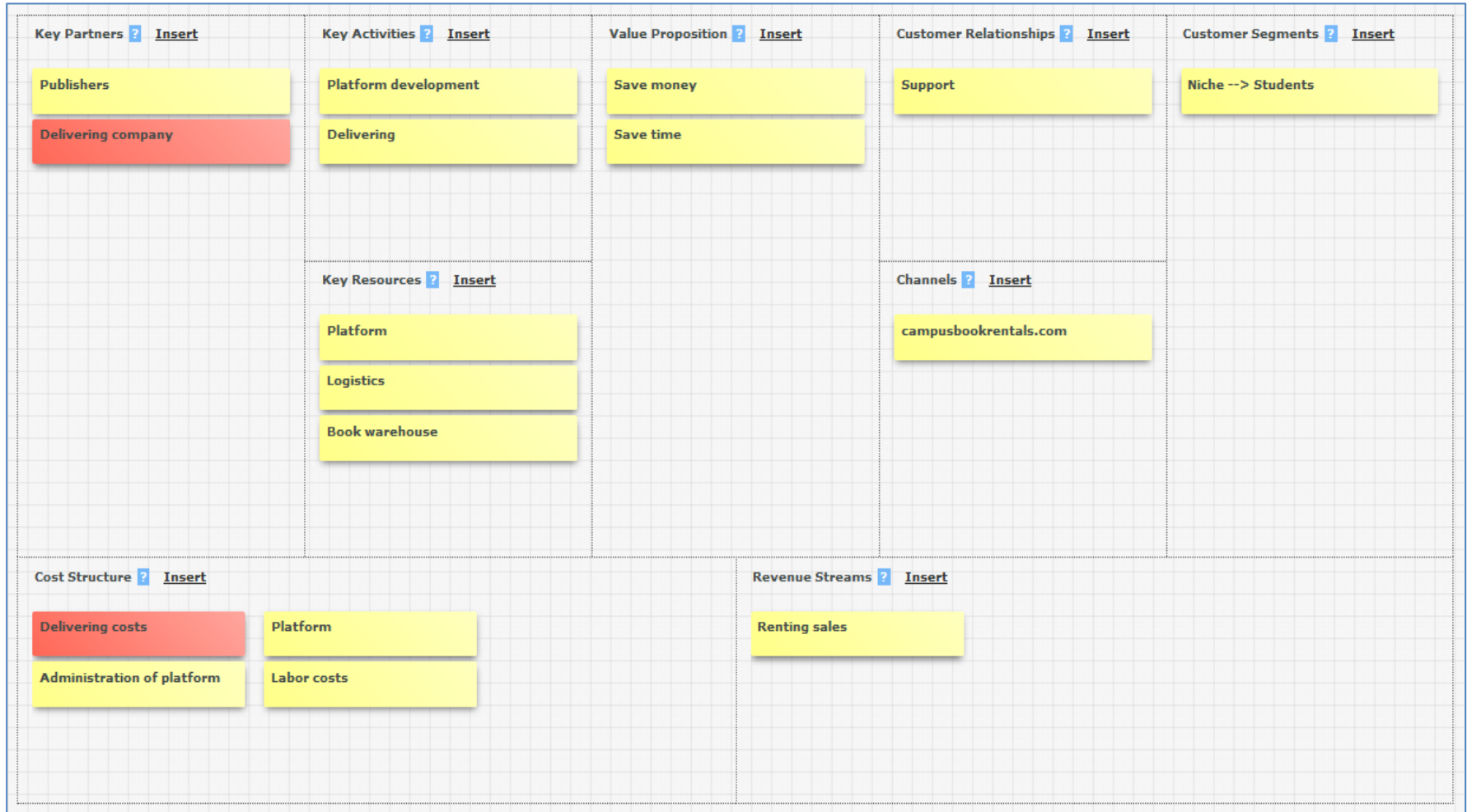


European Union
European Regional Development Fund

Investing in your future!



Some Examples....



Is CBR a great BM?

- When Was CBR founded?
 - 2010
- Does CBR still Exist?
 - Yes – growing at superspeeds
 - Yes – but growing more slowly & surely
 - No – they were too good to be true (no business reality)
 - No – they were swamped by competition

CBR Vs. Amazon Follow up

The New York Times

SMALL BUSINESS | CONVERSATIONS

Surviving Battle With Amazon, Entrepreneur Picks New Fight

By IAN MOUNT SEPT. 3, 2014

In 2007, Alan Martin was attending Webster University, pursuing a master's degree in procurement and acquisitions at a campus in Utah, when he realized he was able to sell his used textbooks for about the same price he had paid for them.

From this observation came Mr. Martin's start-up [CampusBookRentals](#). It was based in Syracuse, Utah, and it grew quickly, reaching No. 17 on [Inc. magazine's list](#) of the fastest-growing private companies, with \$21 million in revenue in 2011. People took notice, including some of the people supplying Mr. Martin with textbooks.

Mr. Martin's biggest source of textbooks was Amazon — until it decided to stop supplying him in 2010, which forced Mr. Martin to change course. He continued to rent out textbooks, but



Alan Martin, the founder and chief executive of Sidewalk, in the company's warehouse in Ogden, Utah. Jeffrey D. Alfred for The New York Times

SIDEWALK



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ABOUT US

"Our mission is to deliver significant value to students through meaningful partnerships within the college retail industry, bringing permanent positive change in the process."



COMPETITORS

| WEB SITE | RENTAL COST | SHIPPING COST | COMMENT |
|--------------------------------------|--|--|---|
| bookrenter.com (408) 454-4015 | \$37.88 for 30 days | Delivery: \$5.90; Return: free | Best price from our renters. To return book, student must print out label on Web site. |
| campusbookrentals.com (800) 545-9908 | \$52.54 for 55 days | Delivery: free; Return: free | Company supplied prepaid return mailer. Book came from third-party supplier. |
| chegg.com (888) 992-4344 | \$61.72 for 60 days (includes sales tax) | Delivery: \$6.99; Return: free | Book was heavily underlined. When we complained, Chegg sent us another one. |
| textbooks.com (877) 292-6442 | \$41.12 (includes \$76.38 "guaranteed buyback" within 90 days) | Delivery: free; Return: free (for buyback) | Our book's "guaranteed buyback" made it a good deal. But this feature isn't offered on every title. |

BM INNOVATION

Q. *How do you figure out rental prices?*

A. It's just a big math formula that says, How long do we think the book will be alive and At what point do we think we want to sell it. And then all we do is say, How much is it going to cost and How many times do we have to rent it to hit our margin over that time? A book lives on average three years.

Q. *What margin do you look for?*

A. We're about a 40 percent gross margin business. That gives us space to consume our costs and be profitable, which we've been since 2009.

Q. *What do you do for the campus stores?*

A. First, we offered them rental. We brought in touch-screen kiosks. Students could pick up a book, check out and then walk away with a rented book in hand. Which made the stores dramatically more competitive. Their prices were less than buying a used book online.



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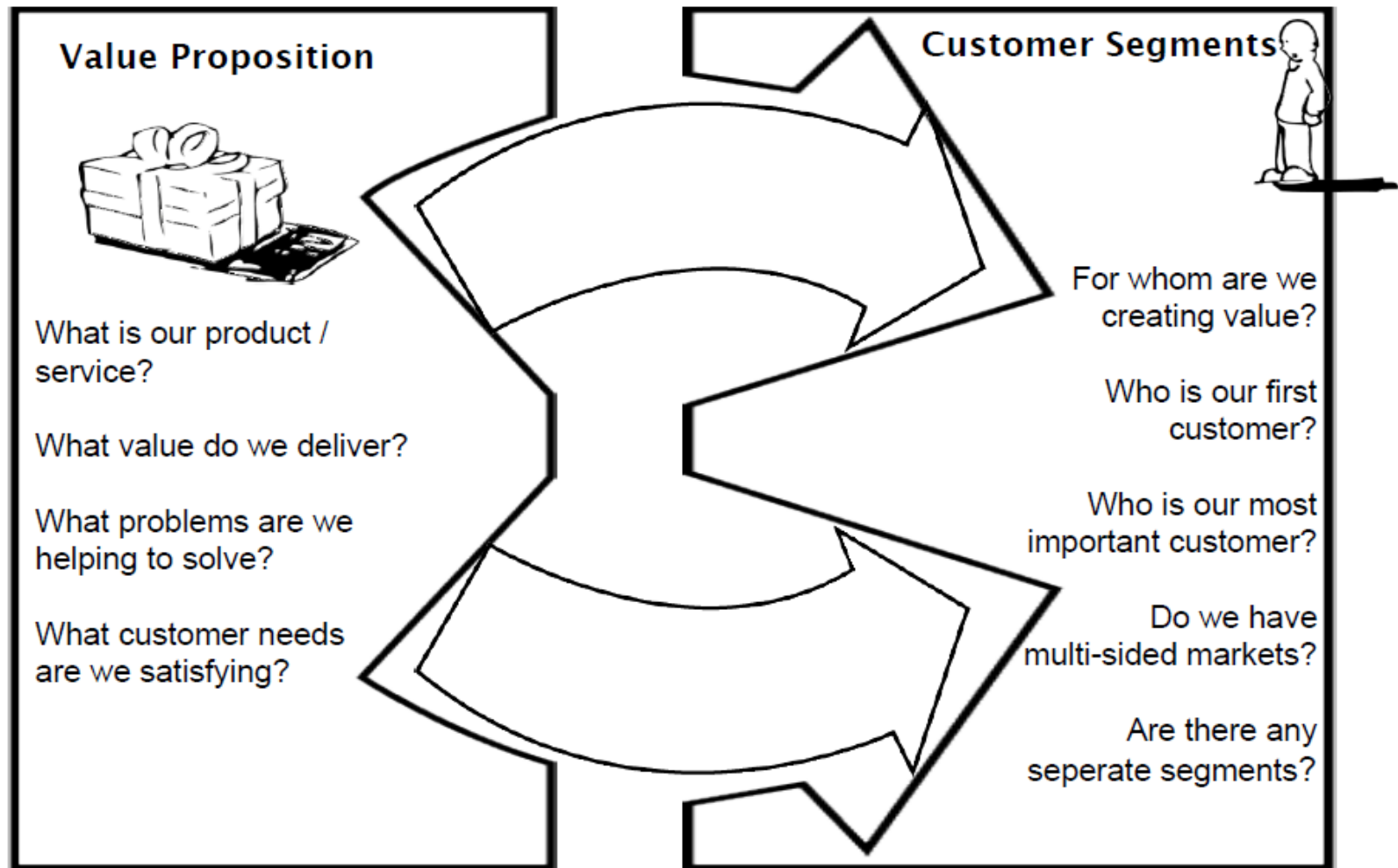
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SIDEWALK



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CBR – Ex BM

| | | | | |
|--|---|---|---|--|
| Key Partners Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform? - Non | Key Activities What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams? - Quality control - Order management | 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? - School Books - Seamless loan and delivery - key point: Saving money for school books - Saving time - Freedom to highlight and write in the books | 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? - Friendly; wanting to help you study - Making the process seamless | Customer Segments For whom are we creating value? Who are our most important customers? - Students |
| Key Resources What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? - Large library - Postal service - Seamless homepage | Channels Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines? - Homepage / webstore | | | |
| Cost Structure What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive? Postal cost New books Fixed cost: Employ(s)+rents+utilities | | 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? Overdue fees Rental revenue | | |

WE BUILD PRODUCTS THAT MAKE A DIFFERENCE TO STORES

Our products win marketshare and create upside for stores immediately. It's much more nuanced and important than just lowering price. When considering convenience, selection, service, and price, we provide products to make the store more valuable than online competition. It is this broad and thoughtful value that brings students back.



Digital

Offer students seamless access to their digital content



Pro

A complete point-of-sale solution



Marketplace

A store-to-store textbook sourcing and selling platform



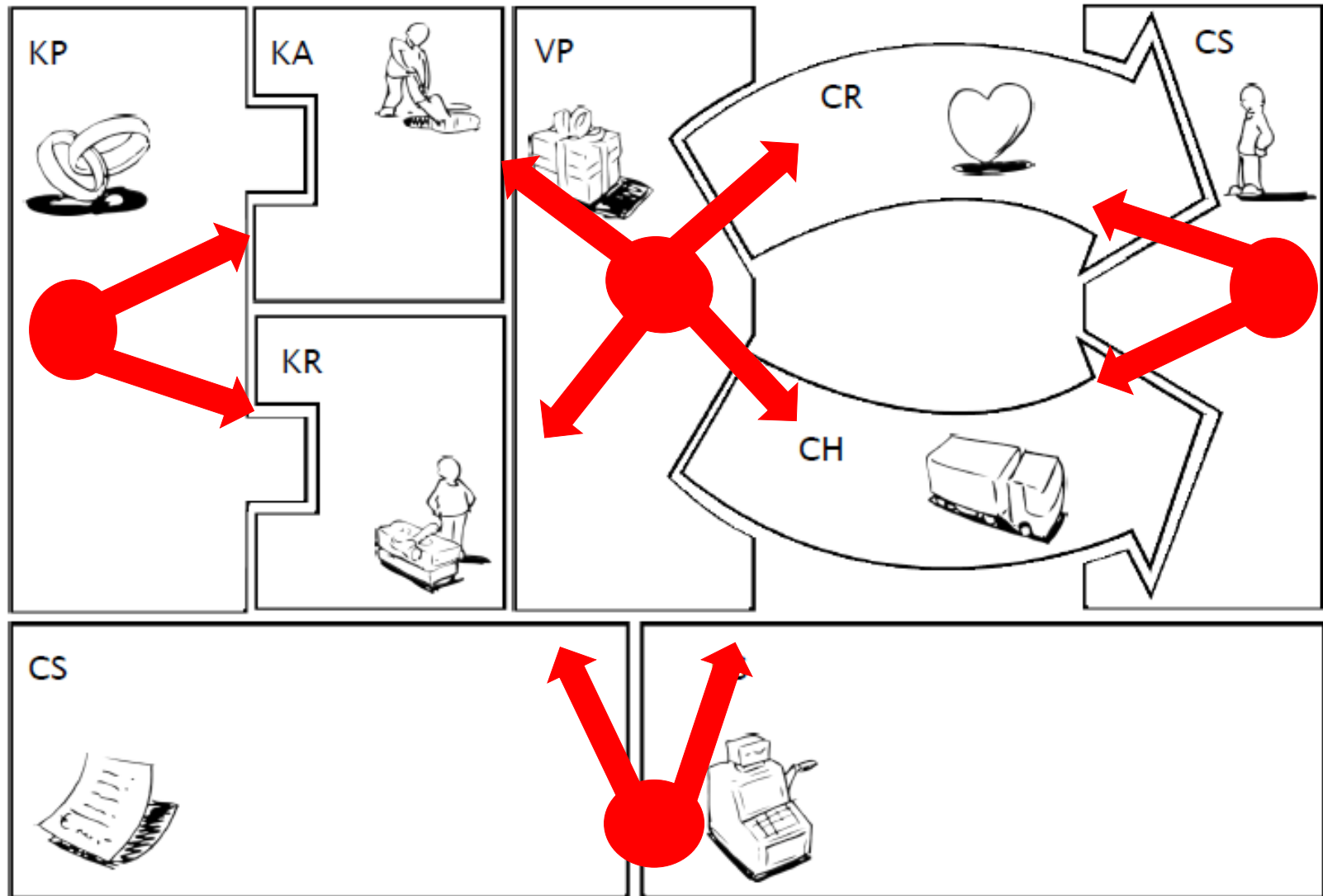
Rent

Everything you need to establish a successful rental business

The 3 E's of Dynamic Business Modelling

- EXECUTION
- EVALUATION
- EVOLUTION

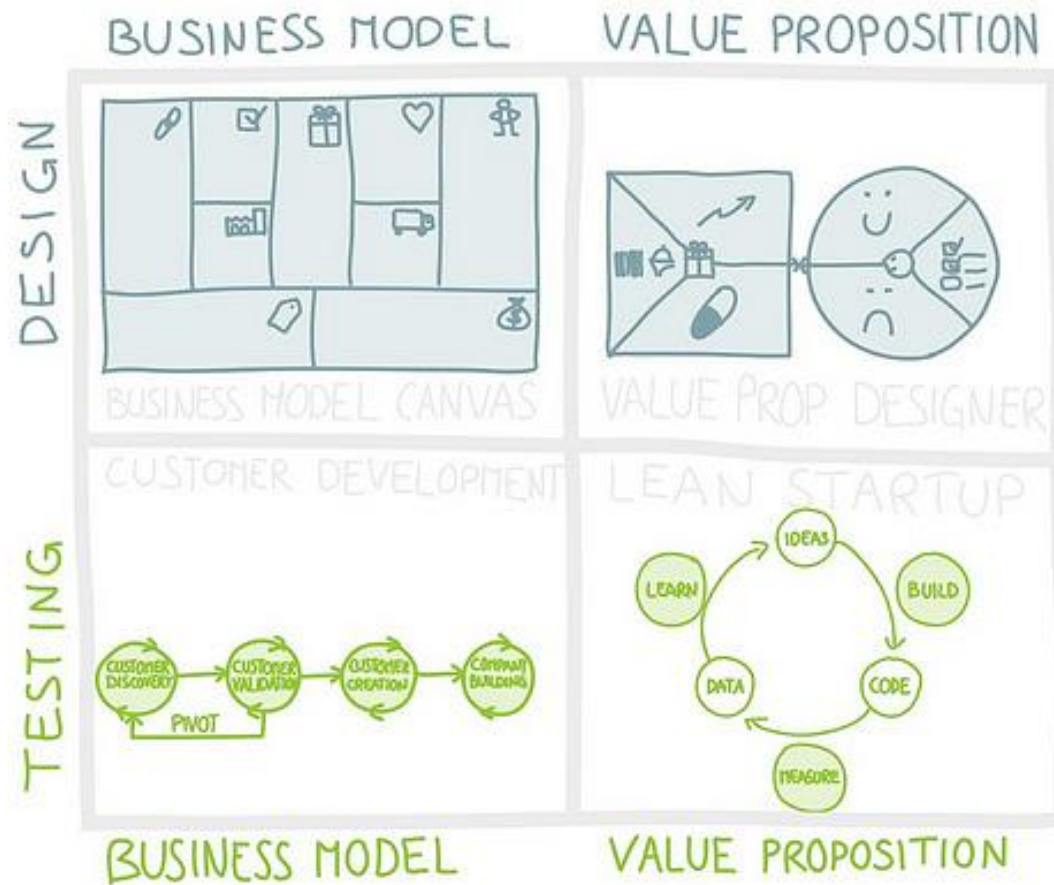
BUSINESS MODEL EPICENTERS



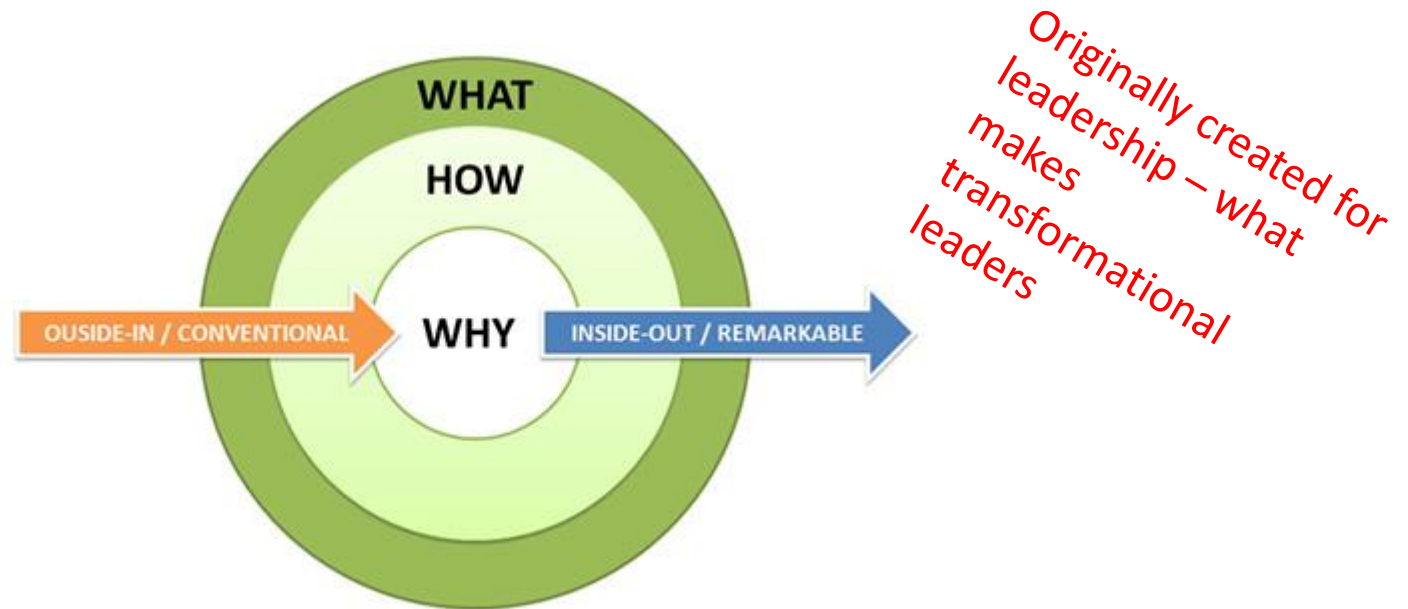
EXECUTION

- THIS IS KEY
- TURN GUESSES to FACTS
- OR TRY NEW GUESSES
- IN REALITY - Ensure what you have on there is UPDATED, RIGHT and is what you need and NOT WHAT YOU WISH YOU HAD

EXECUTING & ITERATING

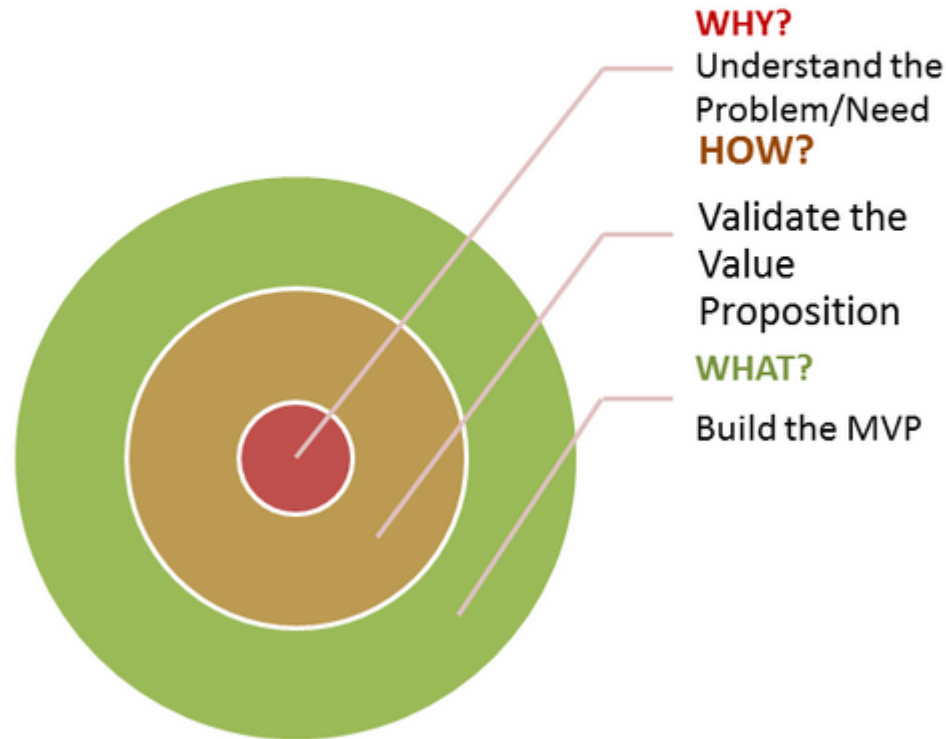


SIMON SINEK's GOLDEN CIRCLE



Simon Sinek, the Innovative leadership coach & Author of "[Start With Why](#)",

The LEAN Golden Circle, for Start- Ups in search of a **repeatable and scalable** business model



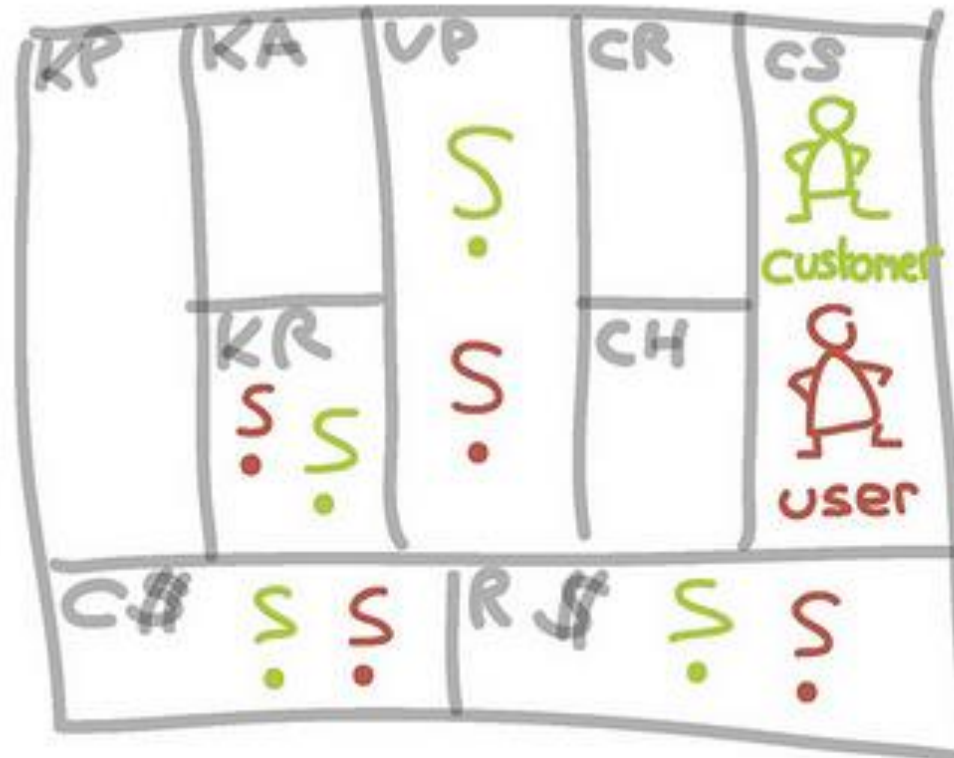
© Ana Paula Amorim, StartGlobalXXI / Lean-by-Doing, 2013

Simon Sinek's take on Entrepreneurs: <http://www.youtube.com/watch?v=oMGtnchbYMA>

EVALUATION

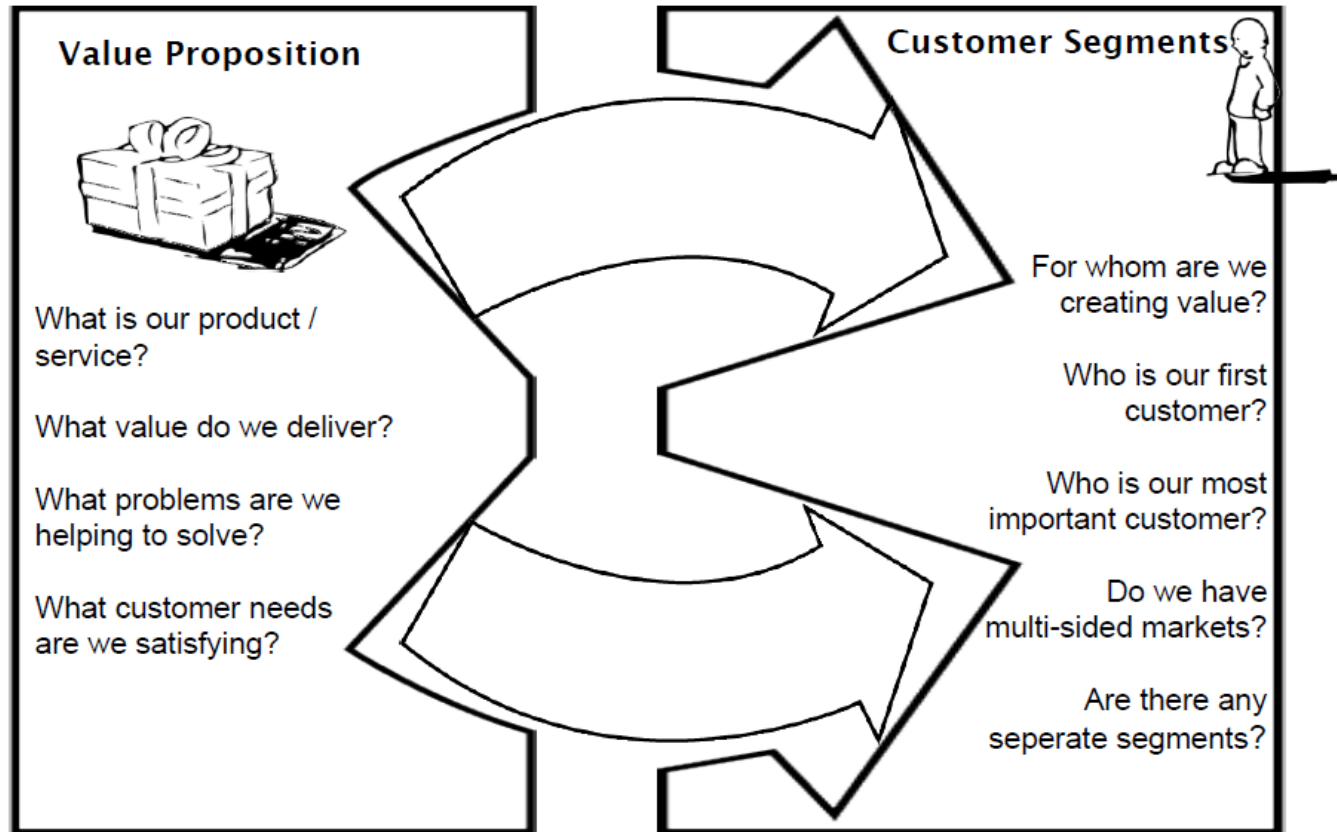
- BMs are Dynamic
- They need to be constantly evaluated and updated

Users Vs Customers



Sketches – courtesy: Osterwalder

Can I be a start-up with users but no customers?



**ALL GROUPS FOR WHICH A COMPANY CREATES VALUE
THROUGH A PRODUCT OR SERVICE ARE USERS**

CUSTOMERS ARE SIMPLY USERS WHO **PAY FOR THE
VALUE THAT IS CREATED FOR THEM **AS** R.S. FOR THE Co.**

The LONG-TAIL

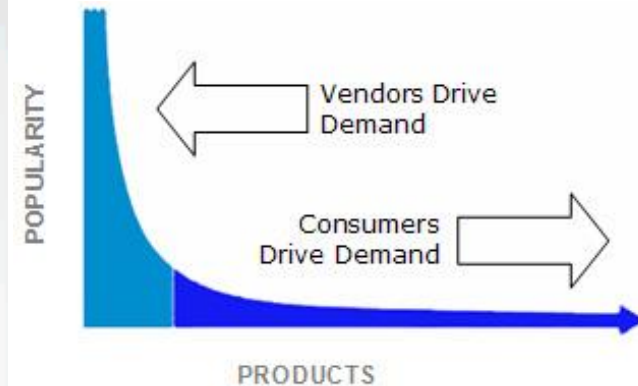
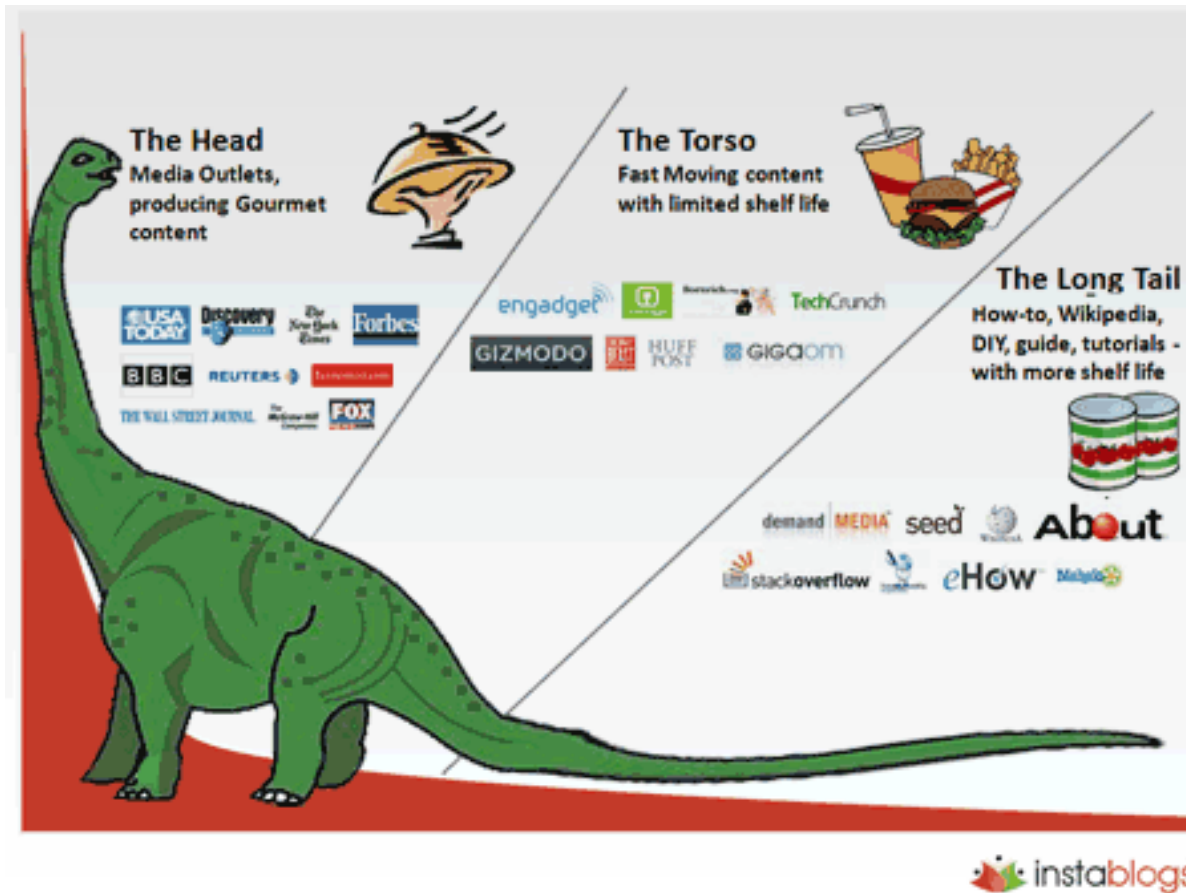


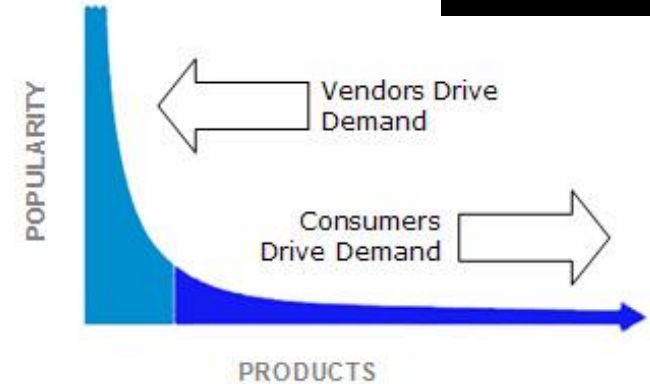
Image courtesy - <http://www.nextbigwhat.com/money-is-made-on-the-long-tail-and-not-being-in-the-long-tail-297/>

From
€69

UNIQUE VALUE PROPOSITION IN A COMPETITIVE MARKET PLACE

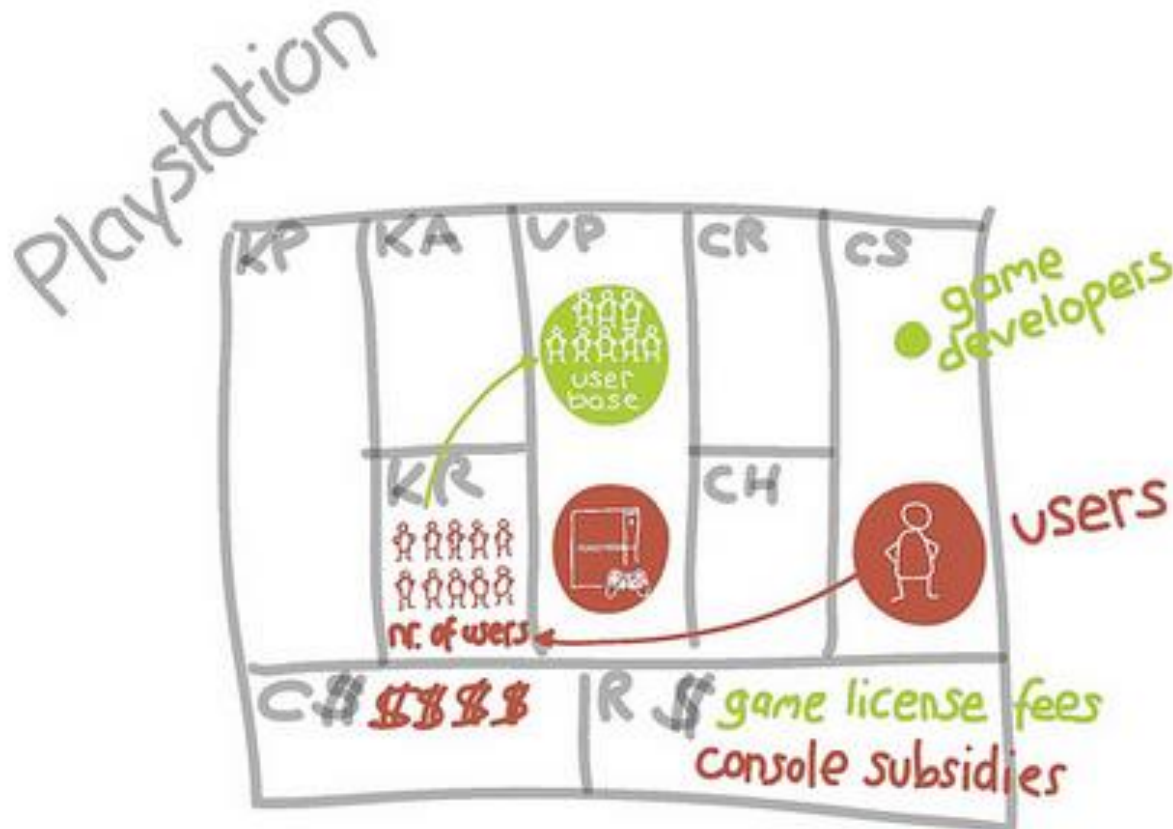


Guess -
customer segment ?
Price range?



citizenM is a new breed of hotel now in Amsterdam, Glasgow, Rotterdam, and London, and coming soon to New York, Paris and a city near you. citizenM welcomes the mobile citizens of the world- the suits, weekenders, explorers, affair-havers and fashion-grabbers looking for boutique hotel accommodation. So if you travel with an open mind, a love of free movies on demand and free WiFi, come in and take a room tour. The inspiration hungry: meet citizenMag, our lifestyle magazine. The gung ho: jump straight to reservations.

The “More” lucrative customer



Discount technology in the short-term for more longer-term benefits

SWOT - analysis



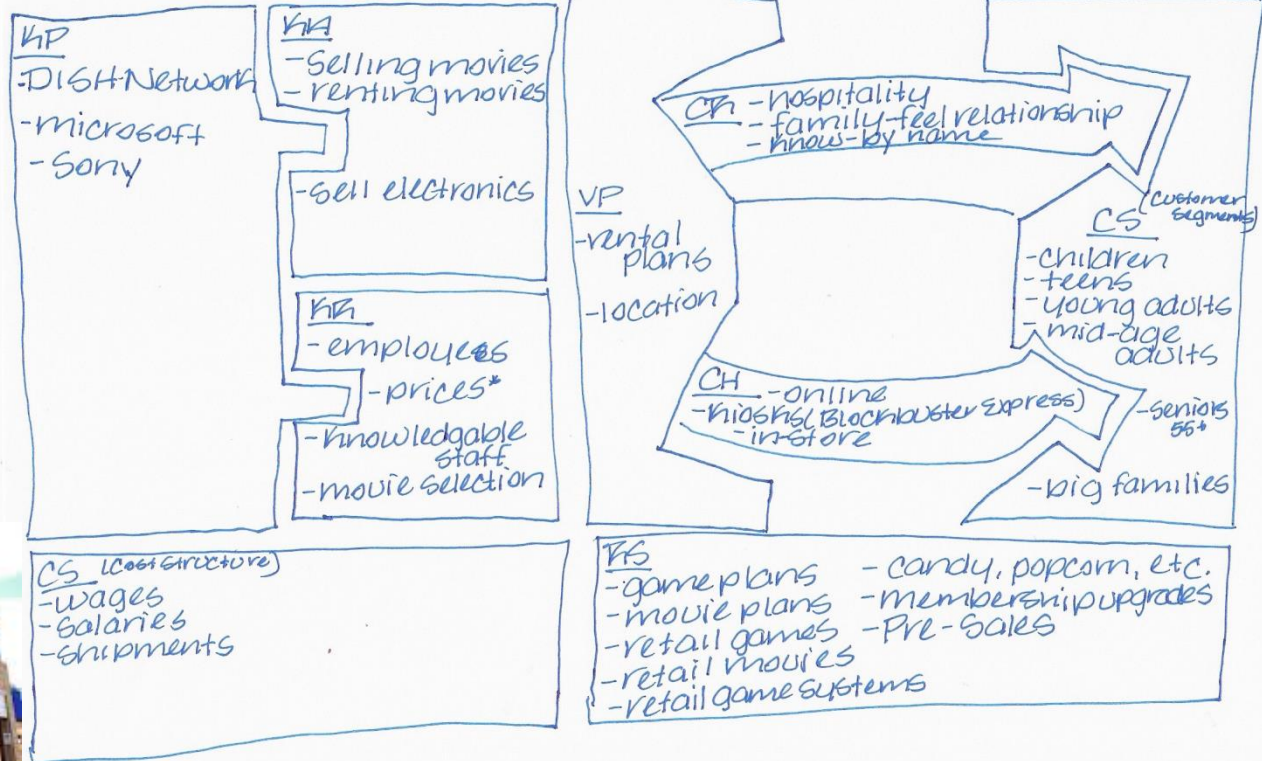
EVOLUTION

- BMs have to constantly evolve
- If they don't you can start preparing for a crash-landing...



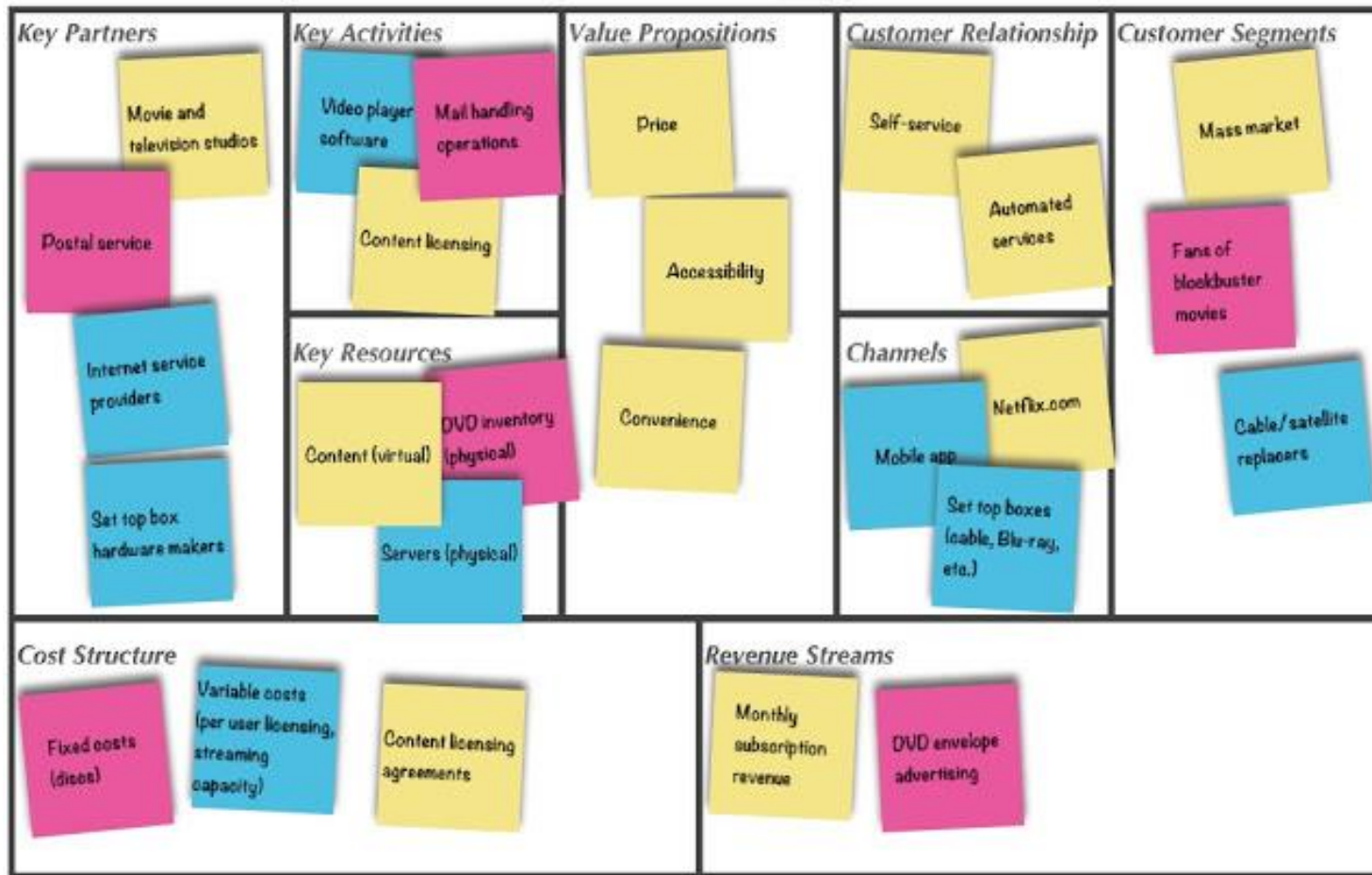
BLOCKBUSTER

Blockbuster Video



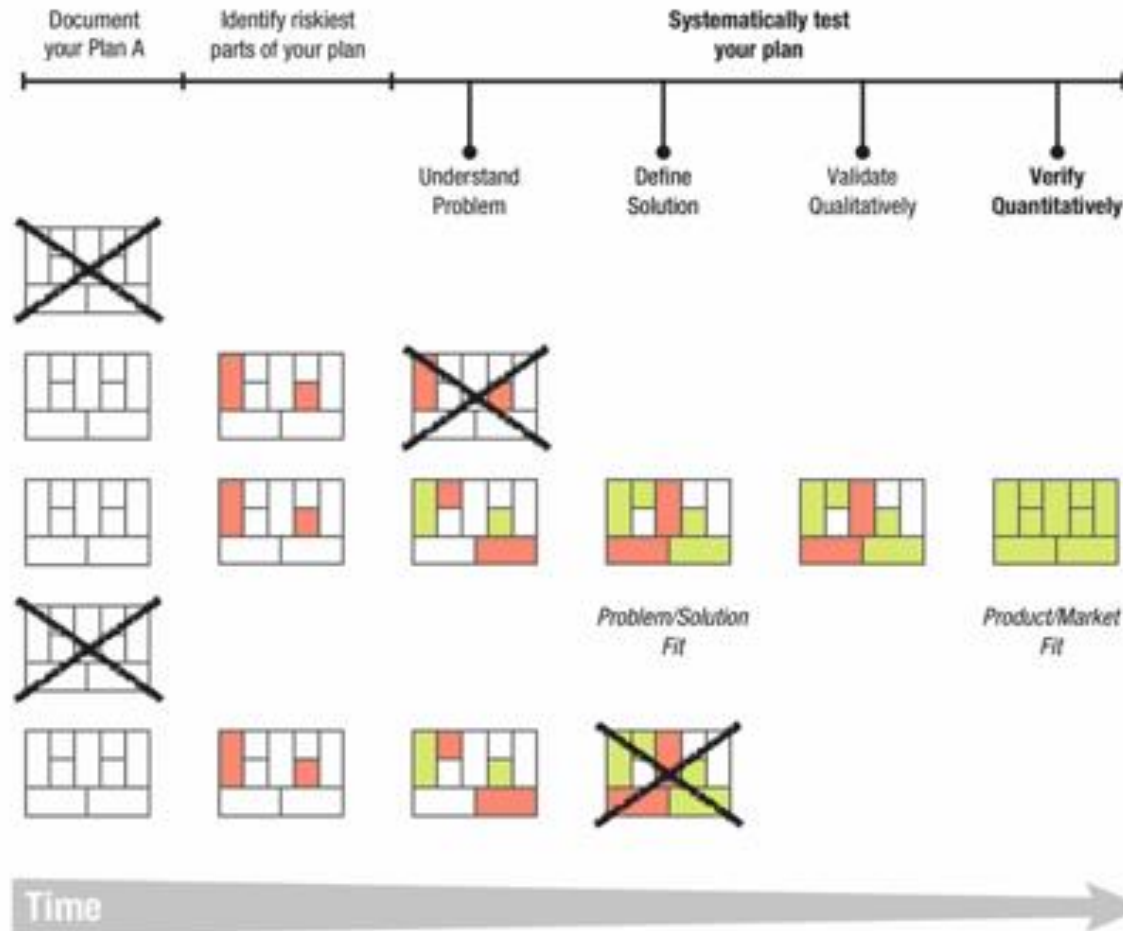
NETFLIX

Business Model Canvas: **NETFLIX**



DigitalBusinessModelGuru.com

BUSINESS MODELS CONTINUOUSLY EVOLVE



DIFFERENCEs in Customer Segments in a product that essentially does the same thing?

- POWER-BOCKS
- <http://www.discovery.com/tv-shows/other-shows/videos/time-warp-powerbock-physics.htm>
- KANGOO Jumps
- <http://www.discovery.com/tv-shows/other-shows/videos/time-warp-powerbock-physics.htm>

CUSTOMER SEGMENT?

<http://www.gizmag.com/powerbocking/12337/>

Athletes, stuntpersons...

CUSTOMER SEGMENT?

<http://www.dailymail.co.uk/news/article-2126650/Boing-The-incredible-bouncing-boots-transform--human-kangaroo.html>

Active people, Astronauts (NASA)...

EXERCISE

- What product/service do you have in mind?
- What is the value proposition?
- Propose experiments to test your value proposition
- What constitutes a pass/fail signal?
- Talk to at least 5 - 10 potential customers
- Update your model canvas with changes

NEXT WEDNESDAY - PRESENTATIONS

- Each team will give a 10 minute “Lessons Learned” presentation about their business model
 - » **Slide(s)** - Something “about” your innovation as you would approach potential stakeholders.
 - » **Slide(s)** - Business Model Canvas **Version 1** (the first draft).
 - » **Slide(s)** - So here’s what we did (how you tested your hypothesis?).
 - » **Slide(s)** - So here’s what we found (what was reality?).
 - » **Slide(s)** - Business Model Canvas **Version 2** (what has changed?).
 - » **Slide(s)** - What did you learn? – is this a viable business?
 - » **Slide(s)** – What is your major challenge?
 - » **Slide(s)** – Is this your opportunity? Why (not)?