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Aalto-yliopisto
Perustieteiden
korkeakoulu

Value as foundation of business

Tuotantotalous 1 / 14.9.2020

Mikko Jääskeläinen

**The nature of value,
Business models,
Competition & business
environment**

Petri Parvinen

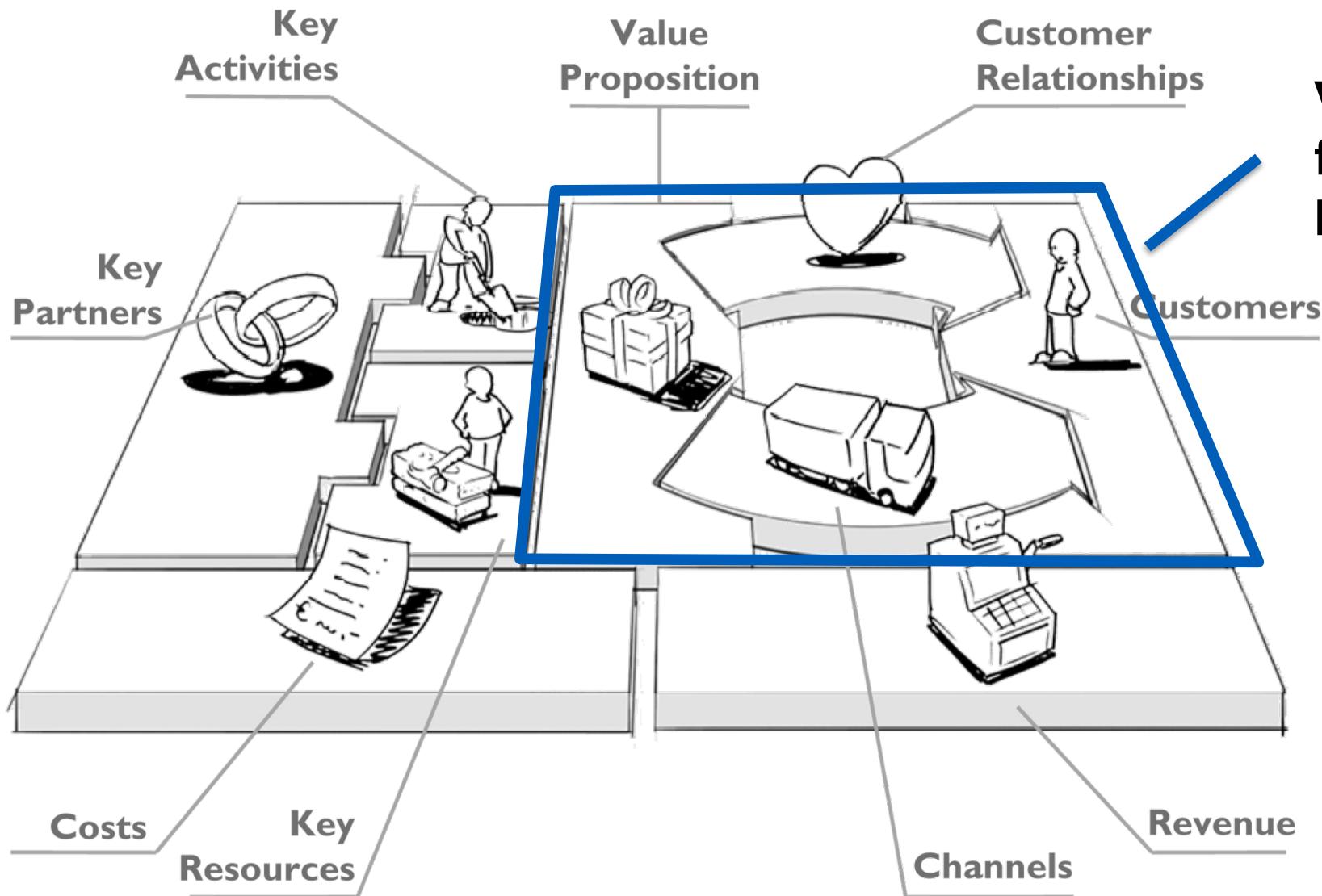
**Principles of sales and
marketing**

Understanding for business development

Why customer buys a product or service?

What companies should do and why?

Which customers a company should compete for?

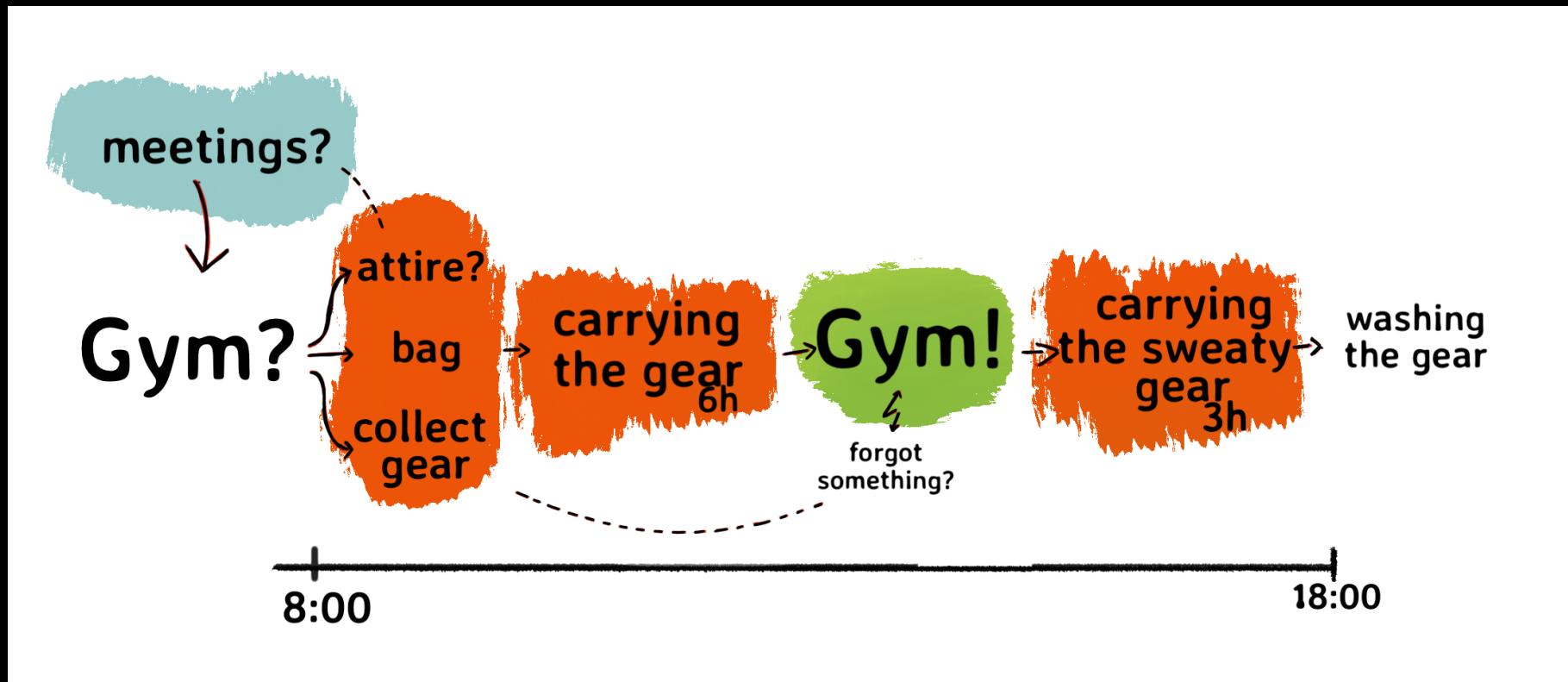


**Value as
foundation of
business**

The process of going to the gym?

Gym? → Gym!

The process of going to the gym





VS



Gyms & Fitness

(NACE) 9313 - Fitness facilities



+ 109 other
- 129 companies, 216 facilities

1. The nature of value

**What the value of a product is based
on, and what the customers are
paying for?**

Basis

What the user aims for?

- ↔ What tasks the product or services accomplishes?
- ↔ How it fits the meanings & practices of the user?
- ↔ How important they are for the customer?

Value

Social functional & esthetic value

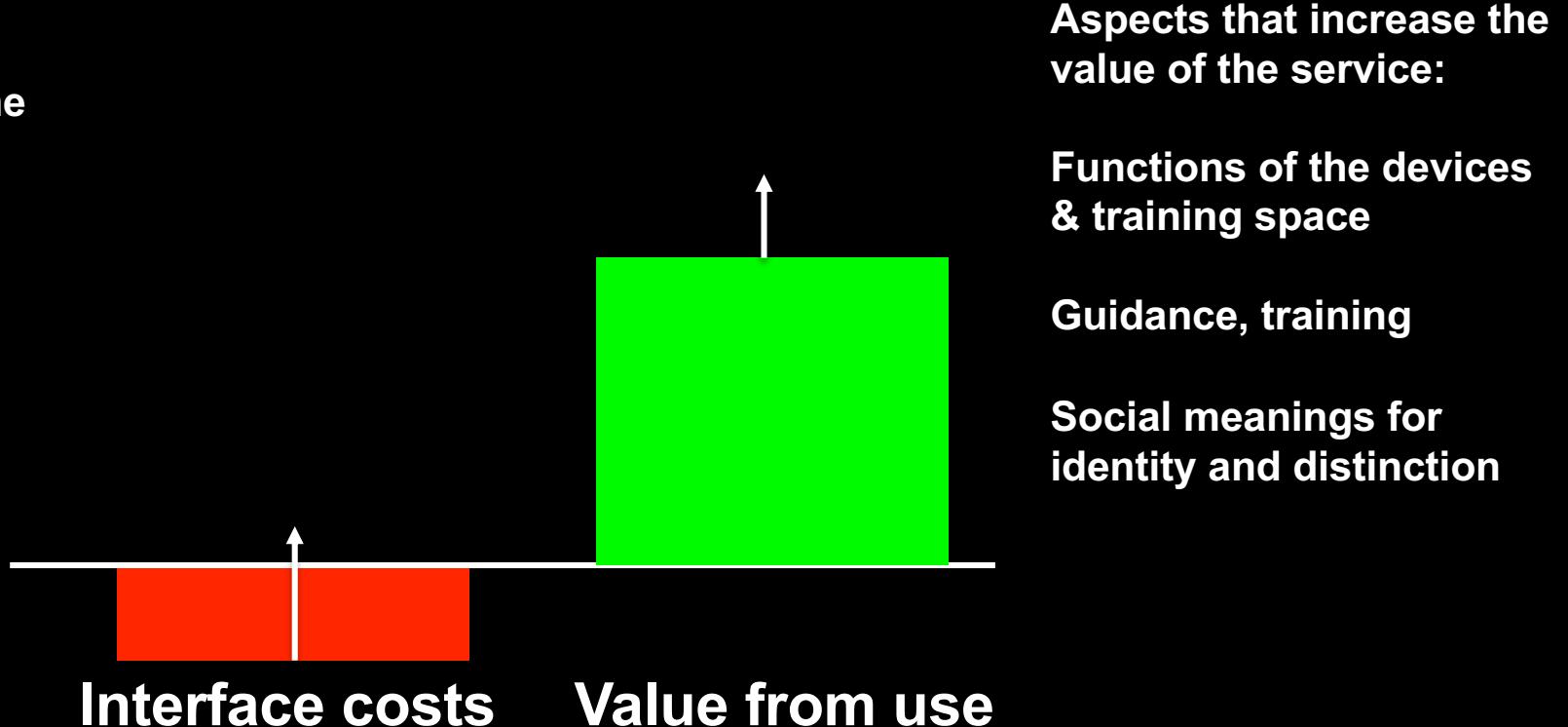
The value of service (or product) consists of its fit to the user's aims and its usability

Aspects that increase the value of usability

Care for children

Lockerroom services

Reachability, multiple locations





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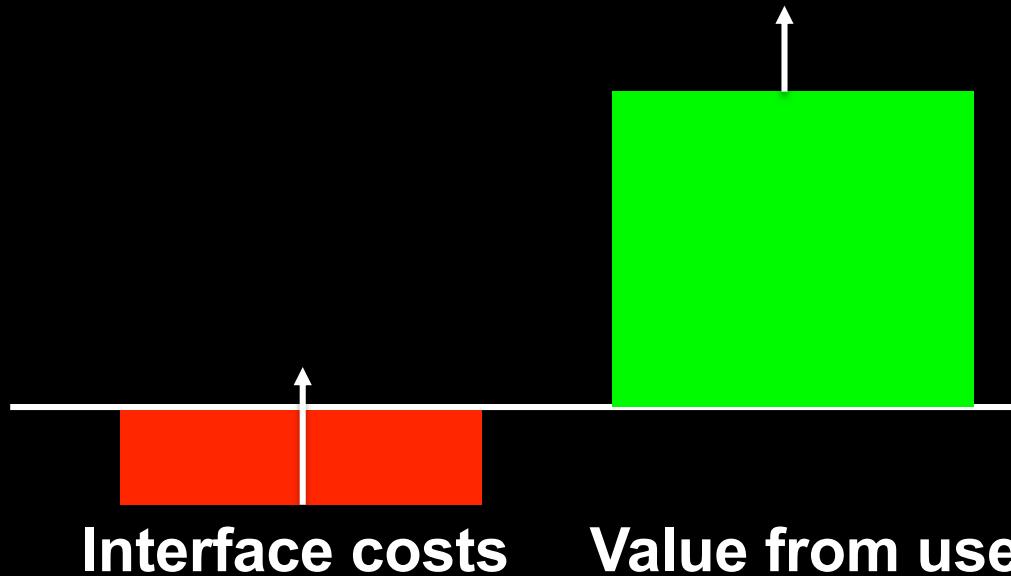
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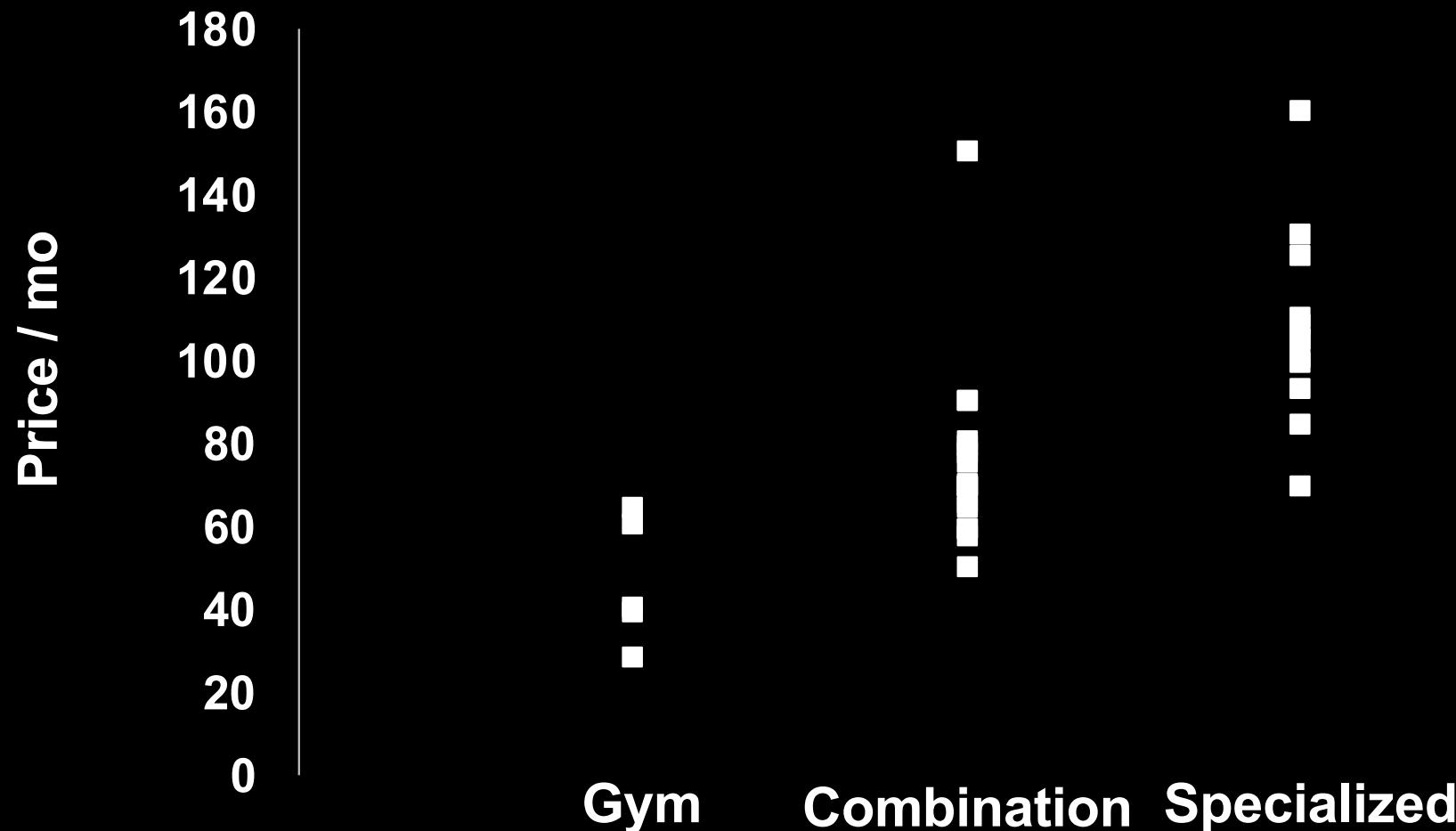
Aspects that increase the value of the service:

Functions of the devices & training space

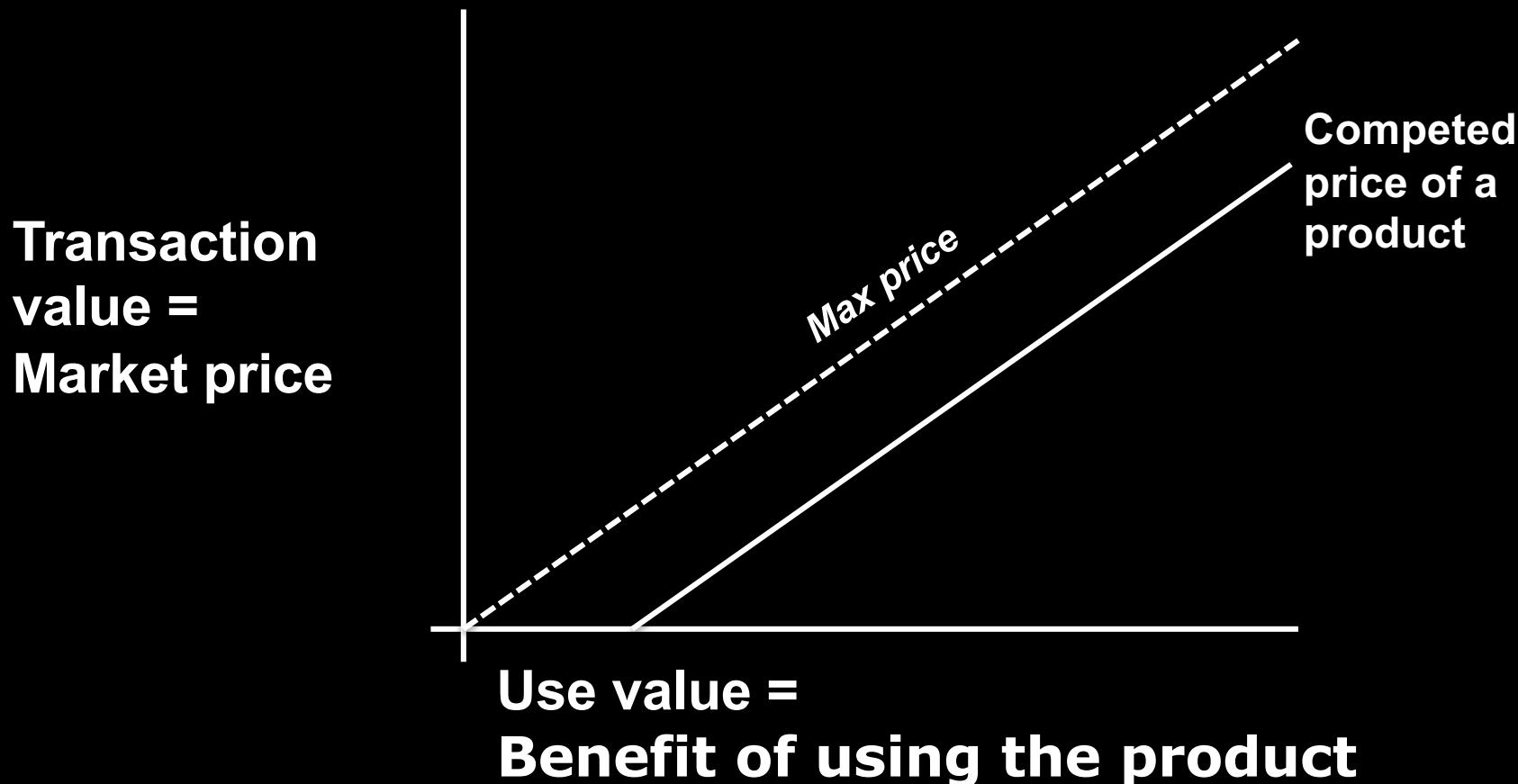
Guidance, training

Social meanings for identity and distinction

Wider offering and specialized service seems to increase the value for customer



Value is not a property of a product or service, but a property of the customers' use of the product and the transaction that it entails



Basis

What the user aims for?

- ↔ What tasks the product or services accomplishes?
- ↔ How it fits the meanings & practices of the user?
- ↔ How important they are for the customer?

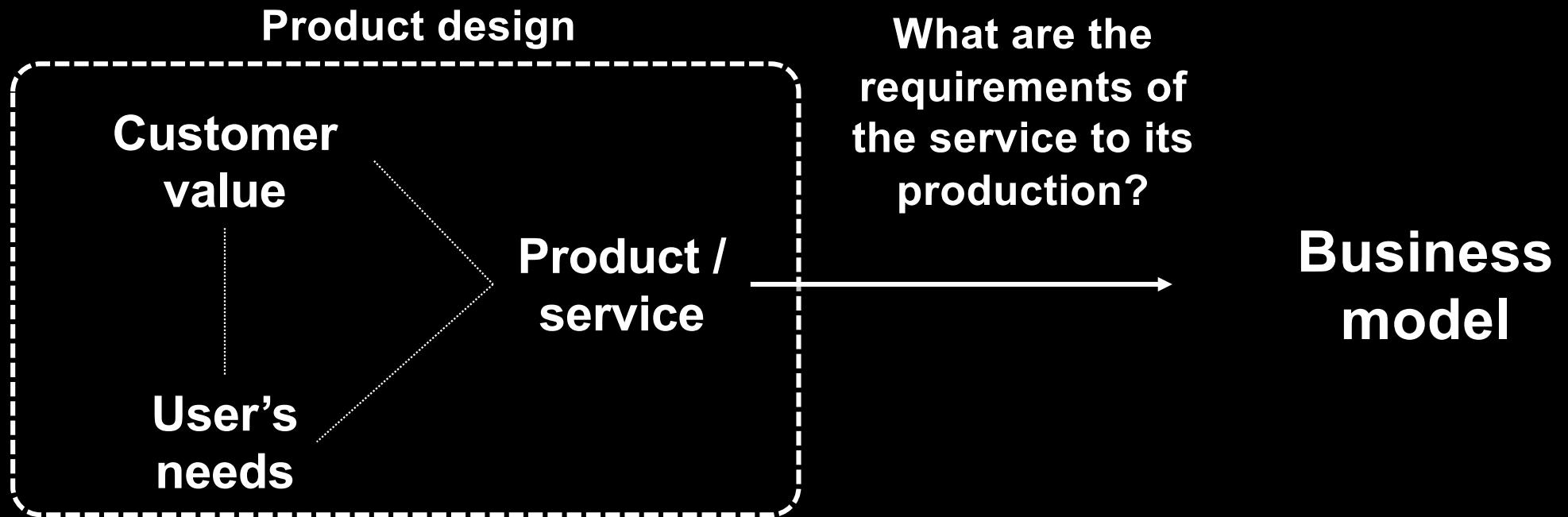
Value

Social functional & esthetic value

**The value of the product
is based on the benefits
that it enables customer
to achieve when used**

2. Business model

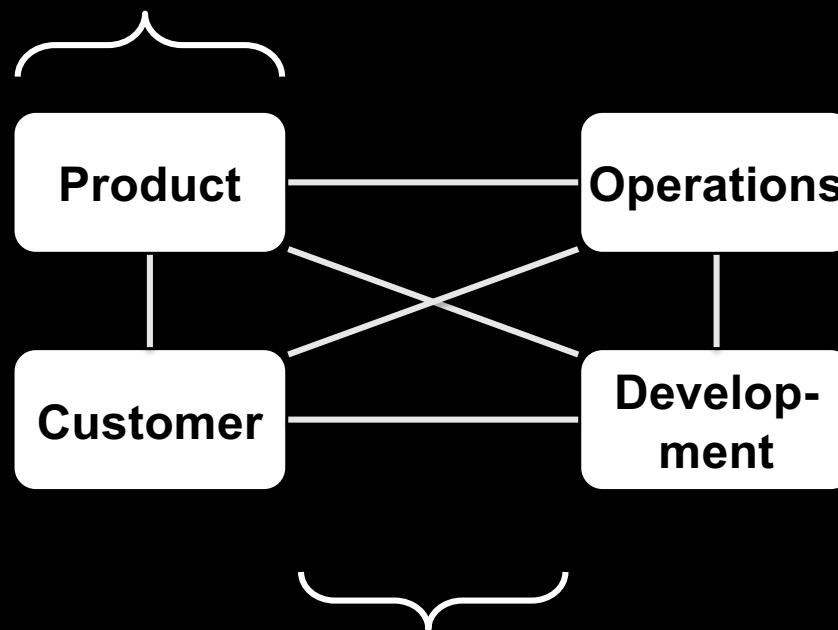
How the value a product for a customer is connected to the operations of a company?



Business model

(a framework especially for today)

1. Individual elements



2. Connections between elements

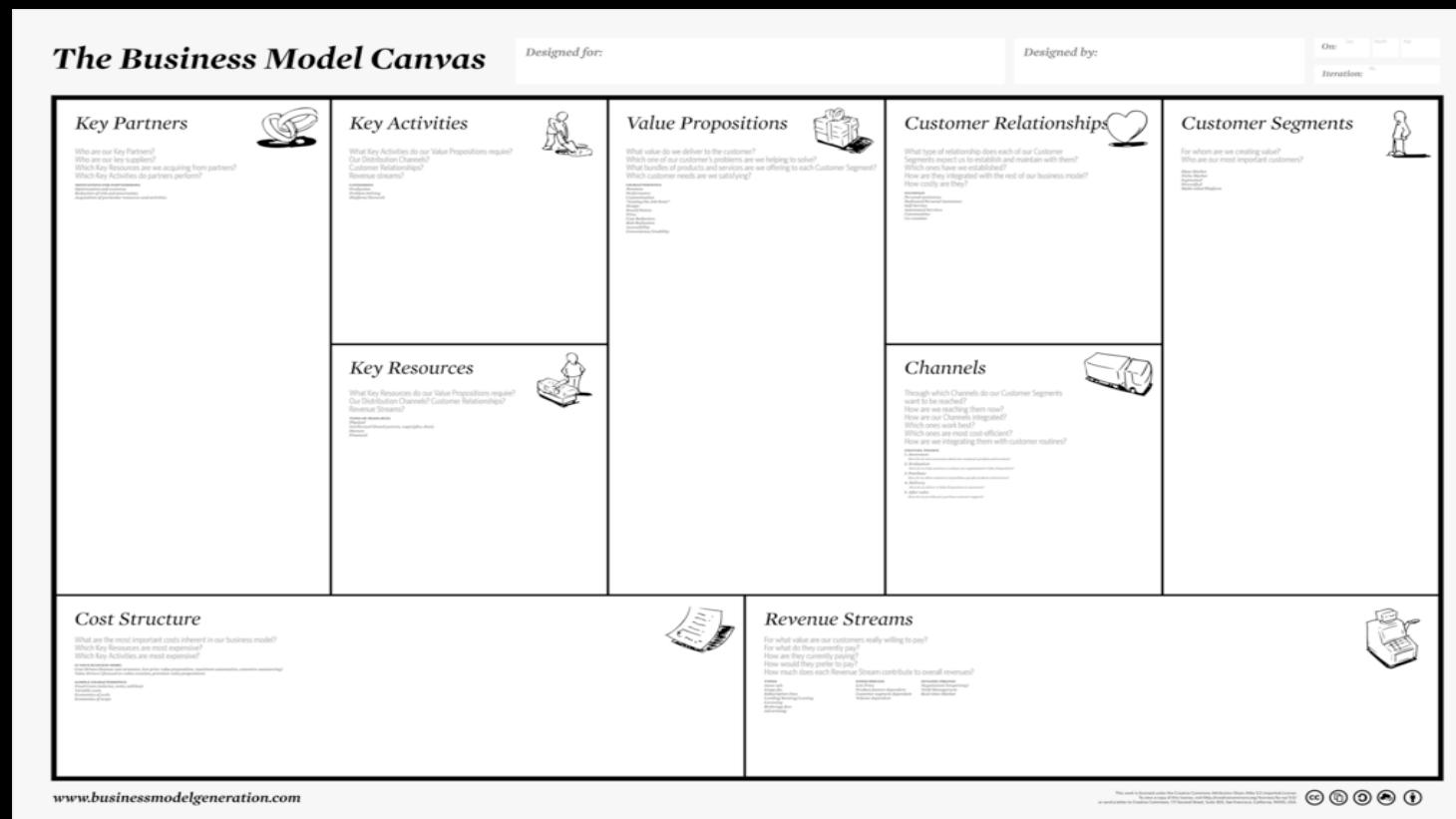
Business model

Business model = **a system of interconnected and interdependent activities that define how a company operates, how it produces value and what are its interfaces towards customers, partners, and suppliers**

Description of Business model = **Framework to describe the business model of a company, focusing especially:**
1. the most relevant activities of a firm
2. the relevant differences between firms

Business Model

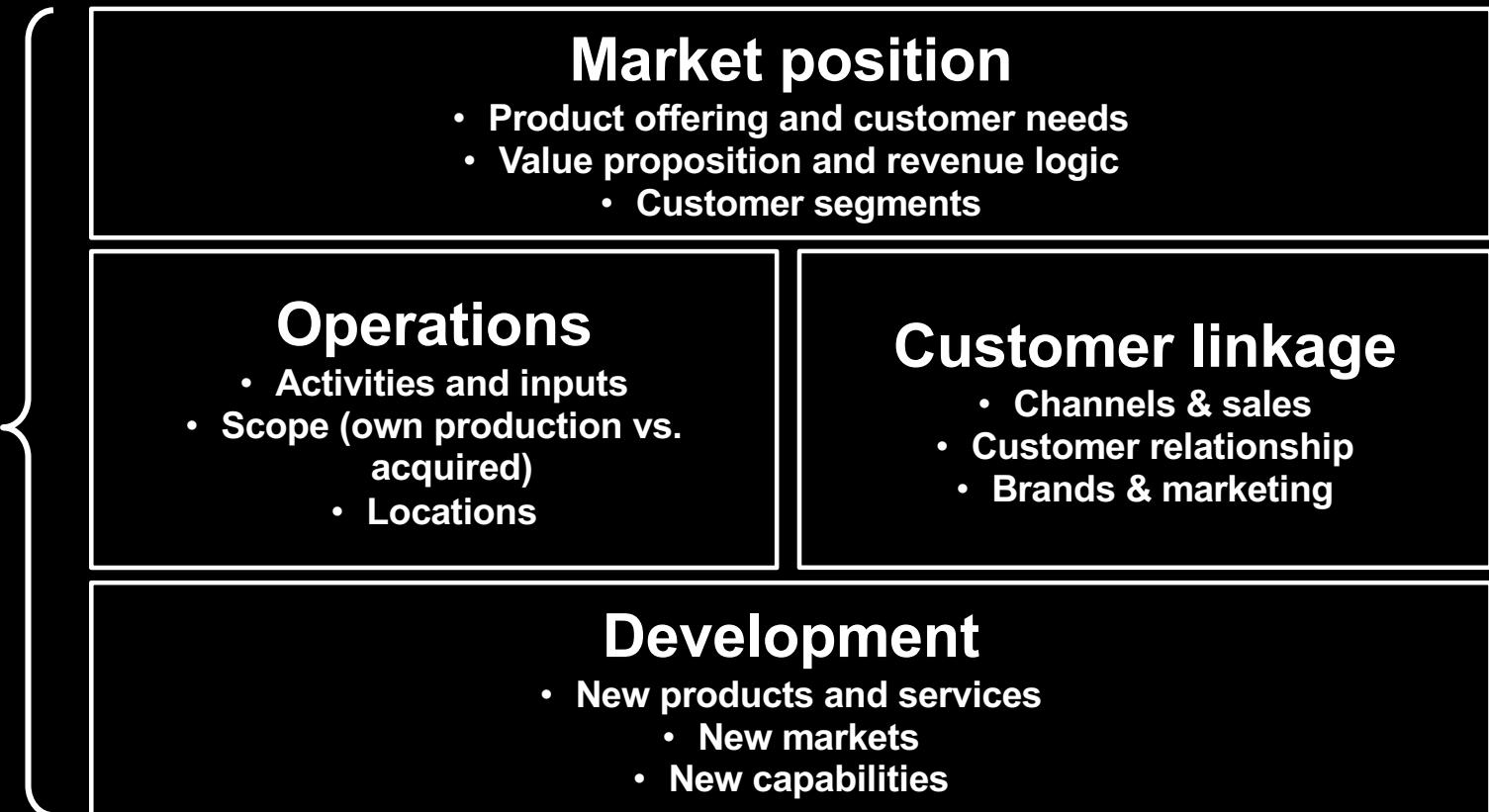
Business Model Canvas, especially for drafting a new BM and for communication



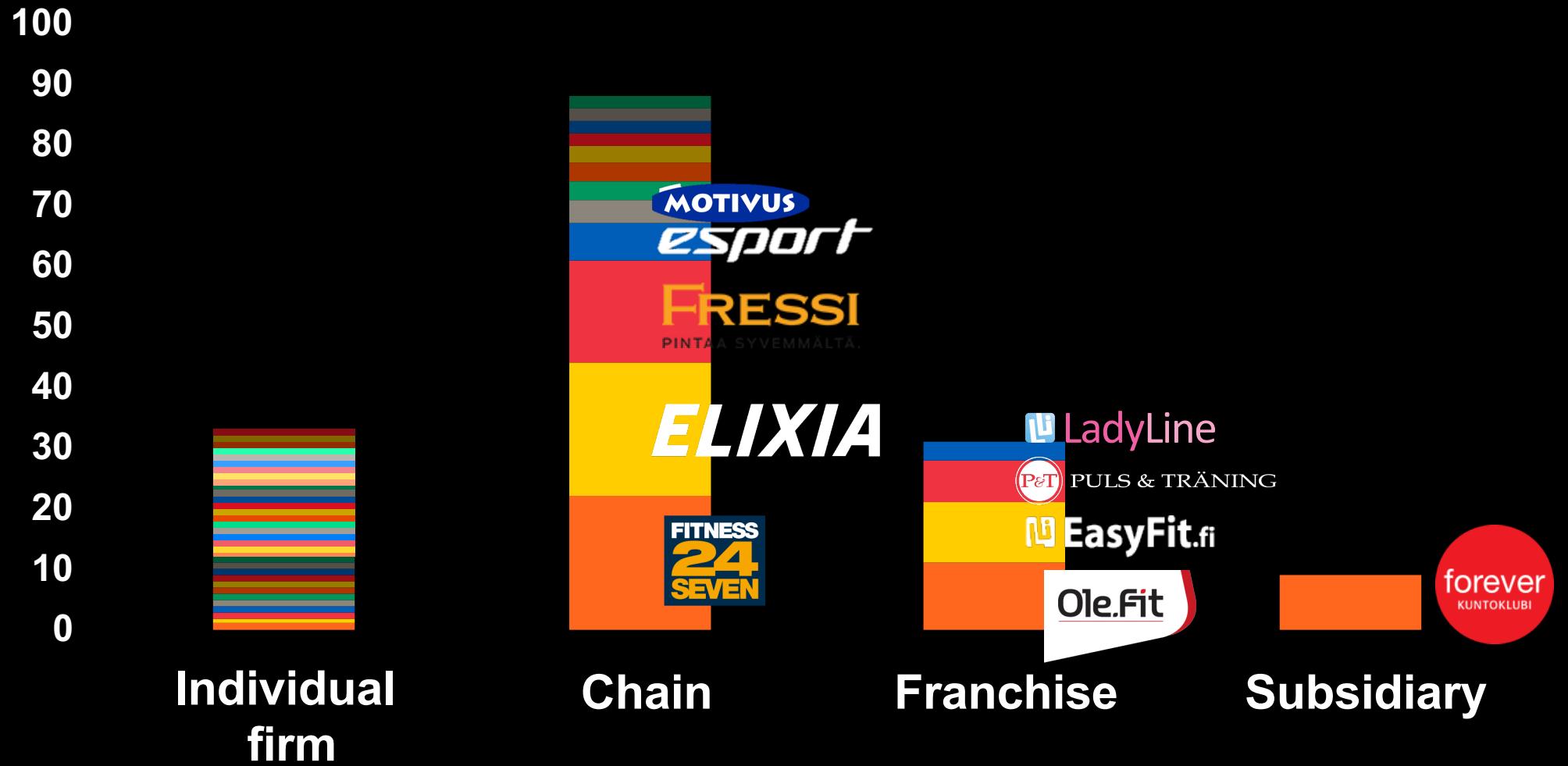
Business model

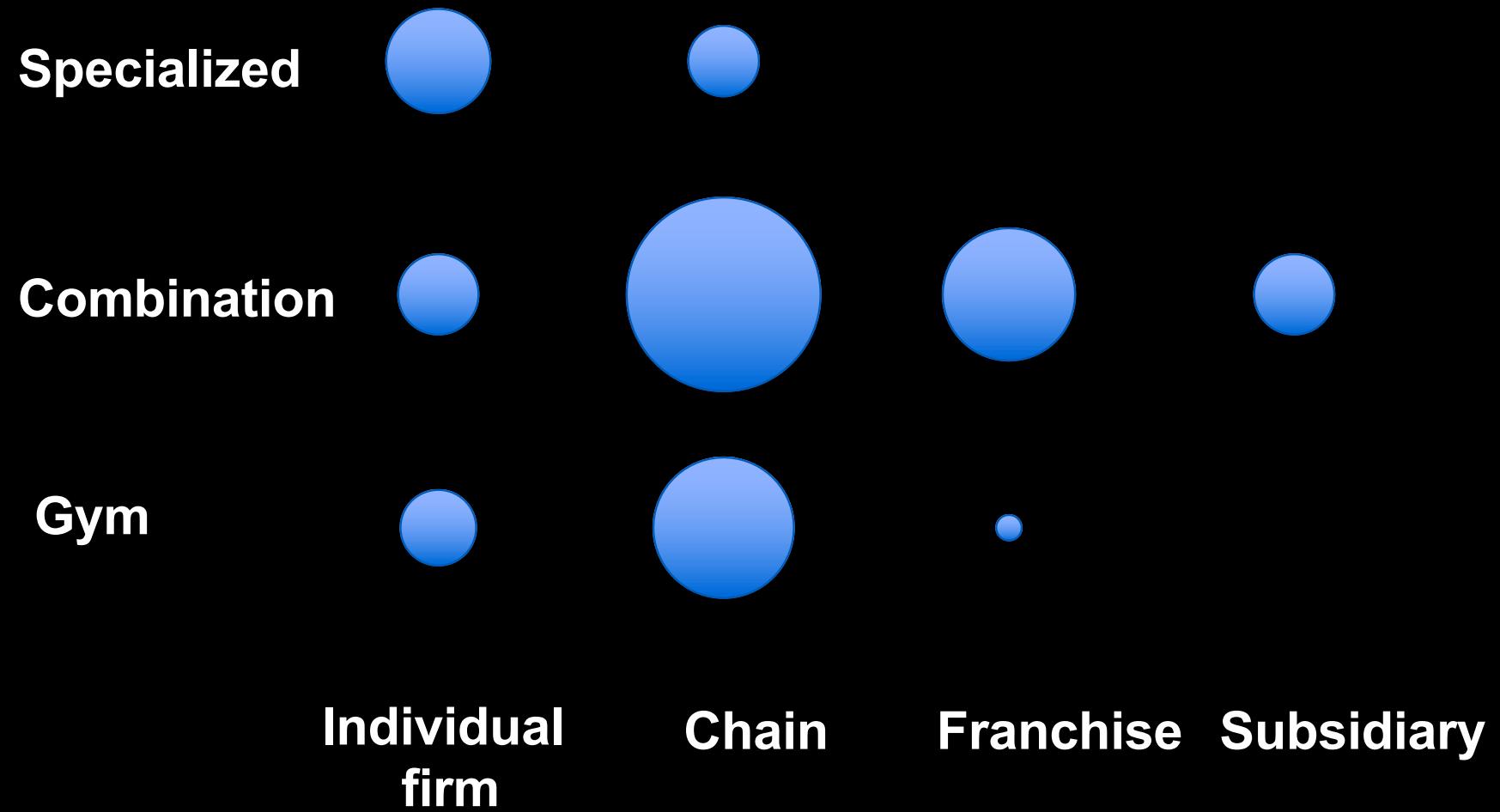
Especially for strategy

Prof. Jens Schmidt
TU-C2010 Introduction to
Strategic Management

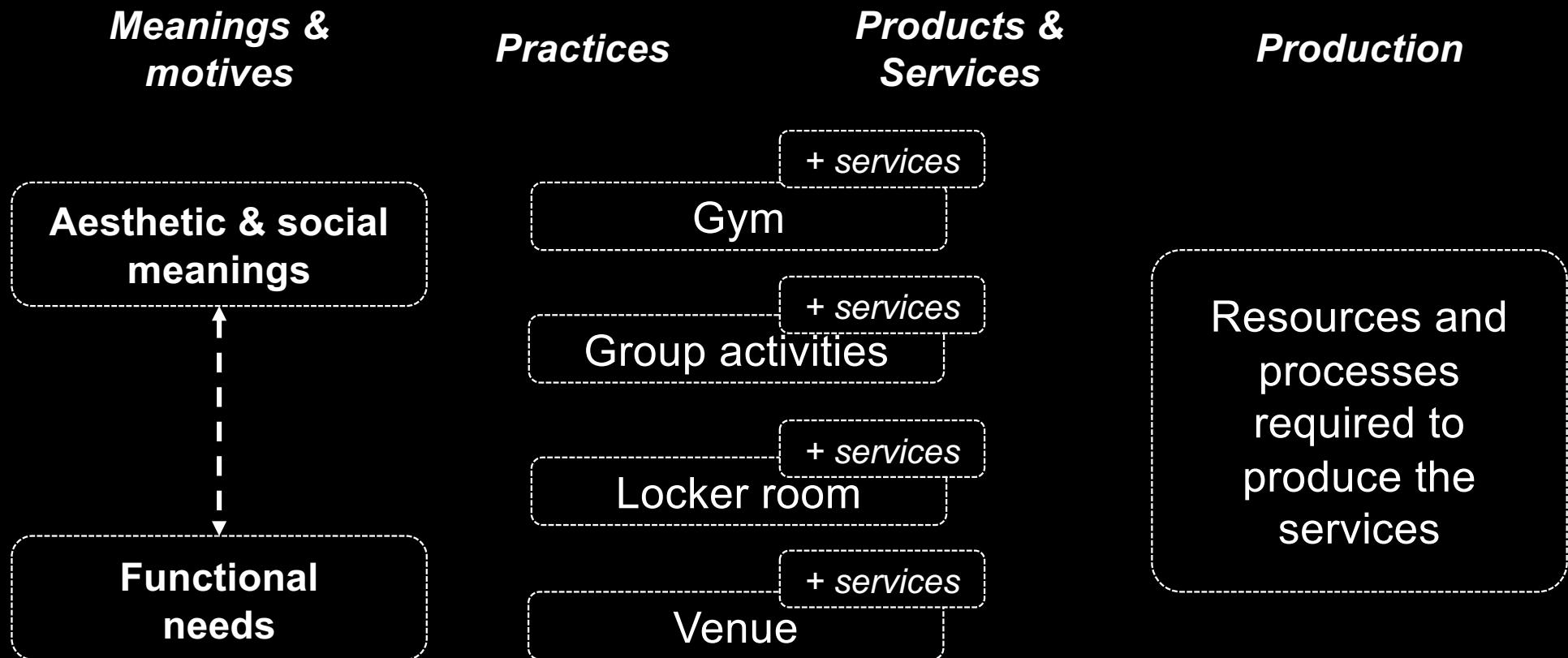


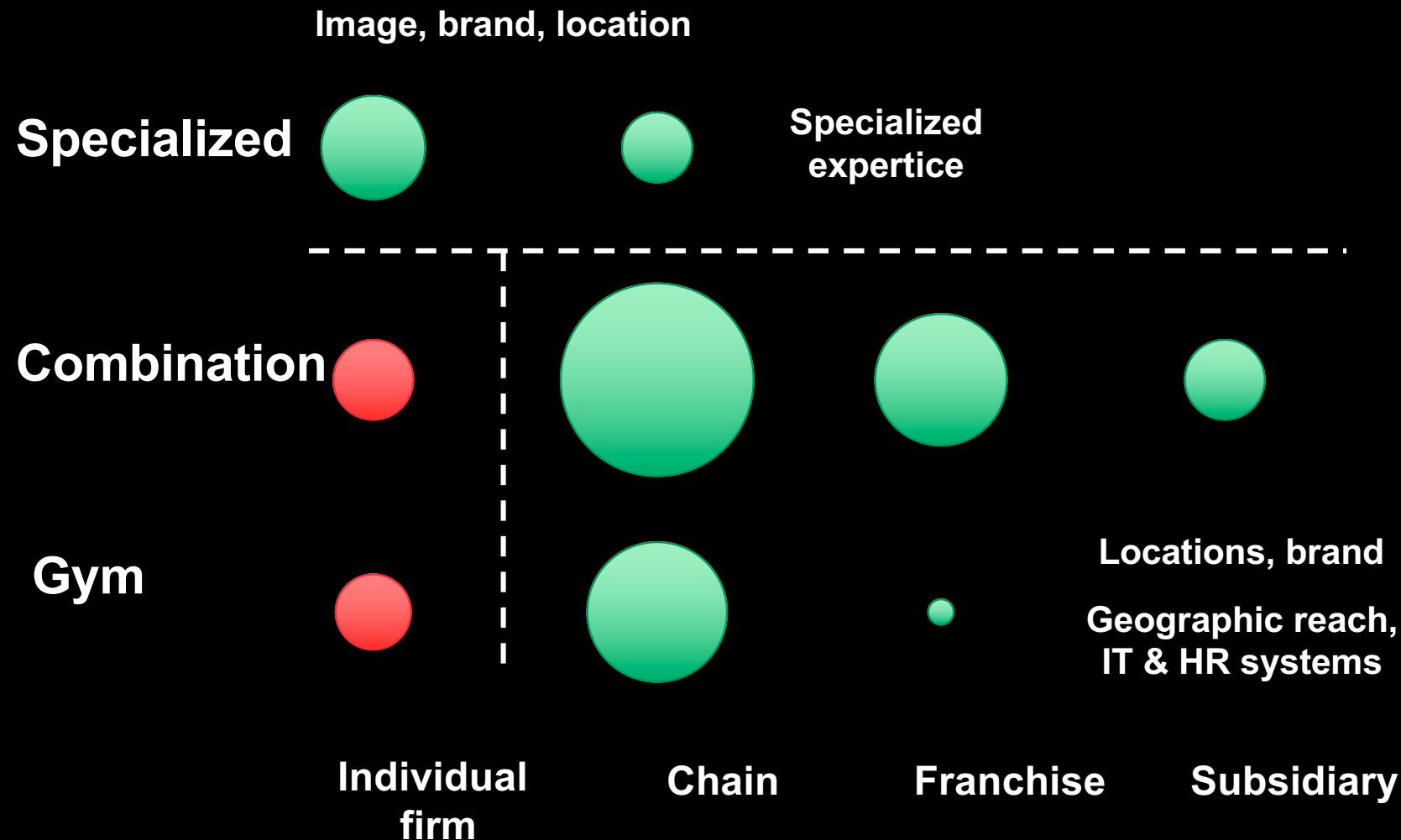
There are multiple corporate forms in fitness business

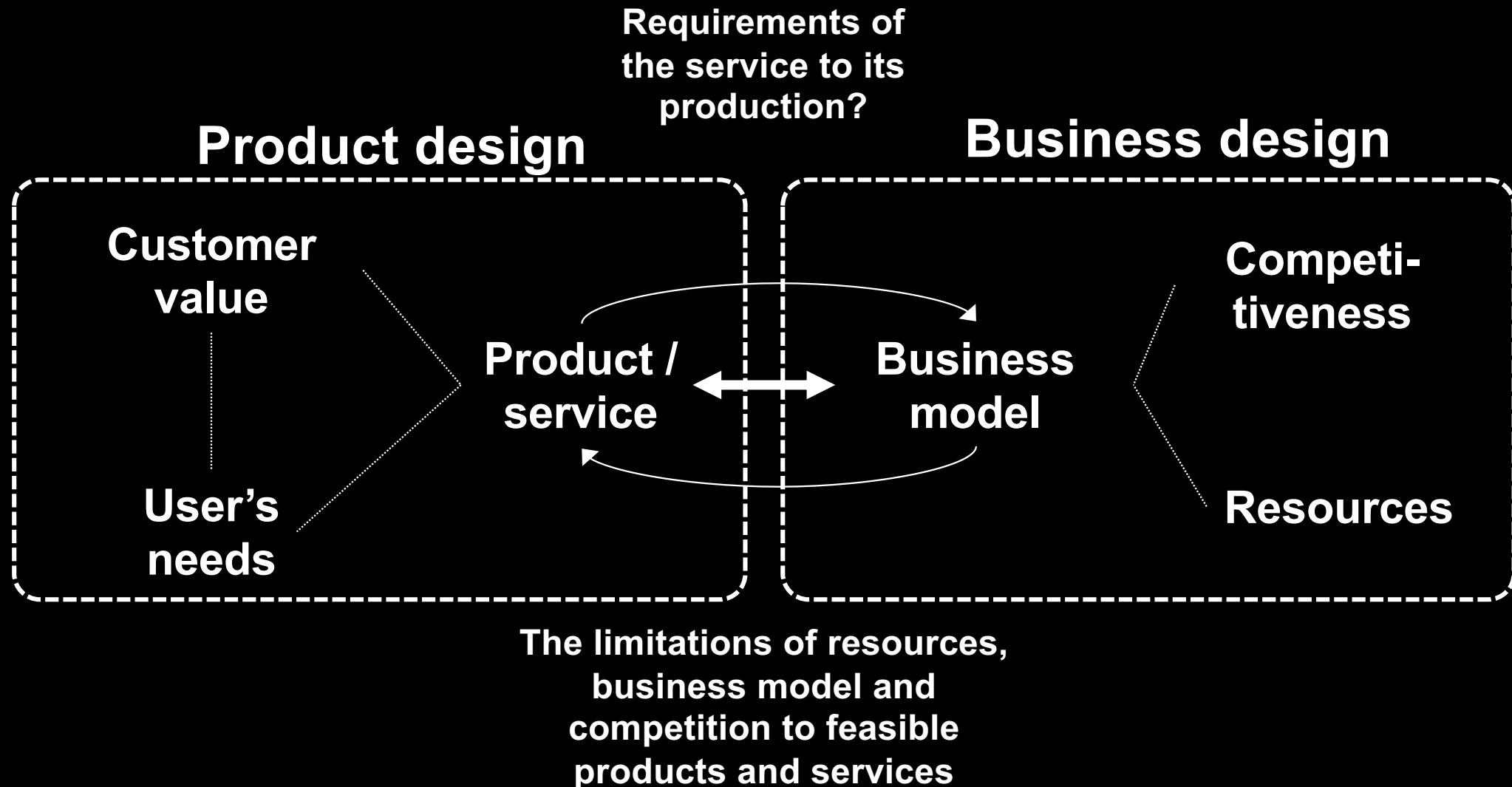




Building blocks of business model a gym





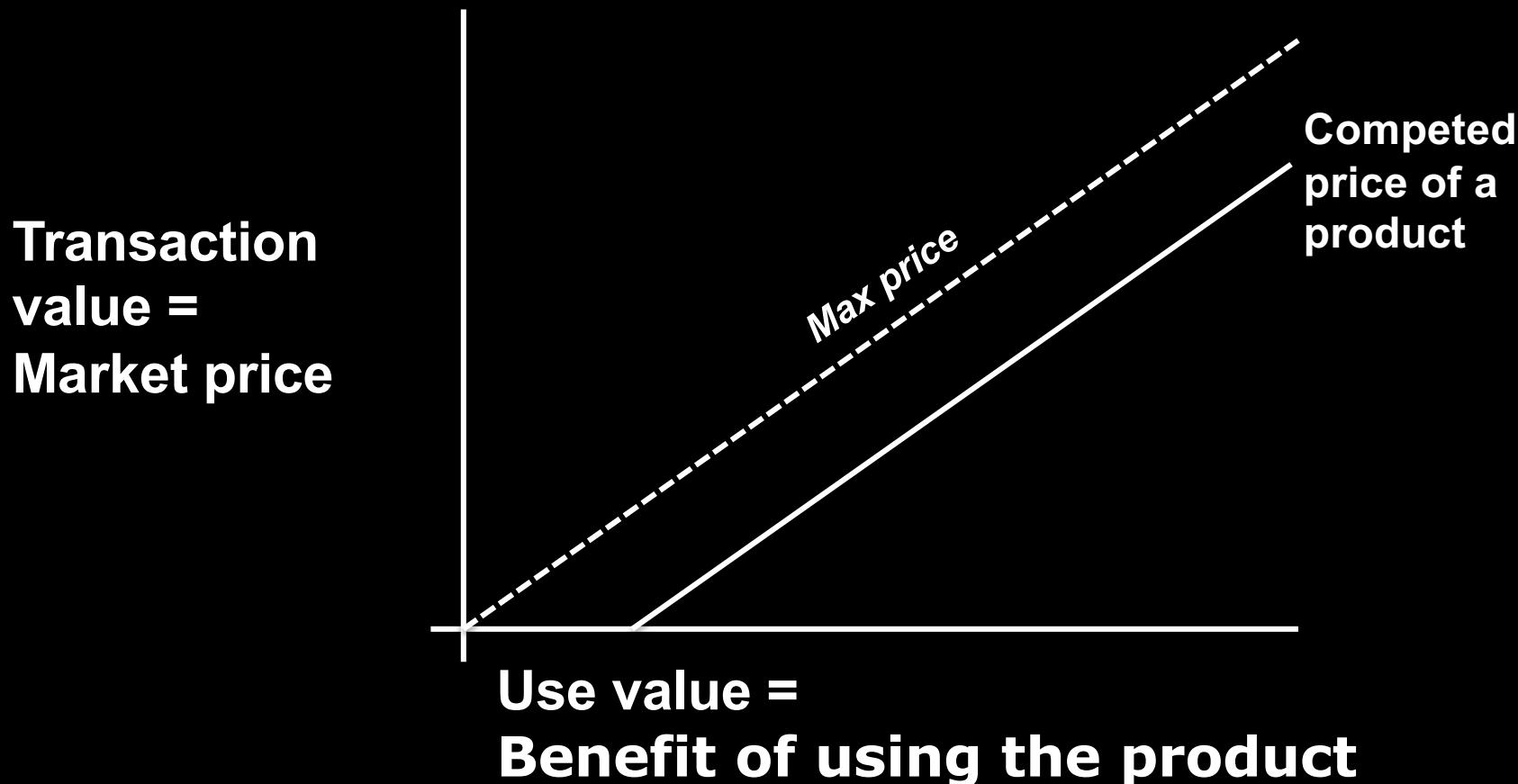


**The value that the
product offers for the
chosen customer group
defines the business
operations**

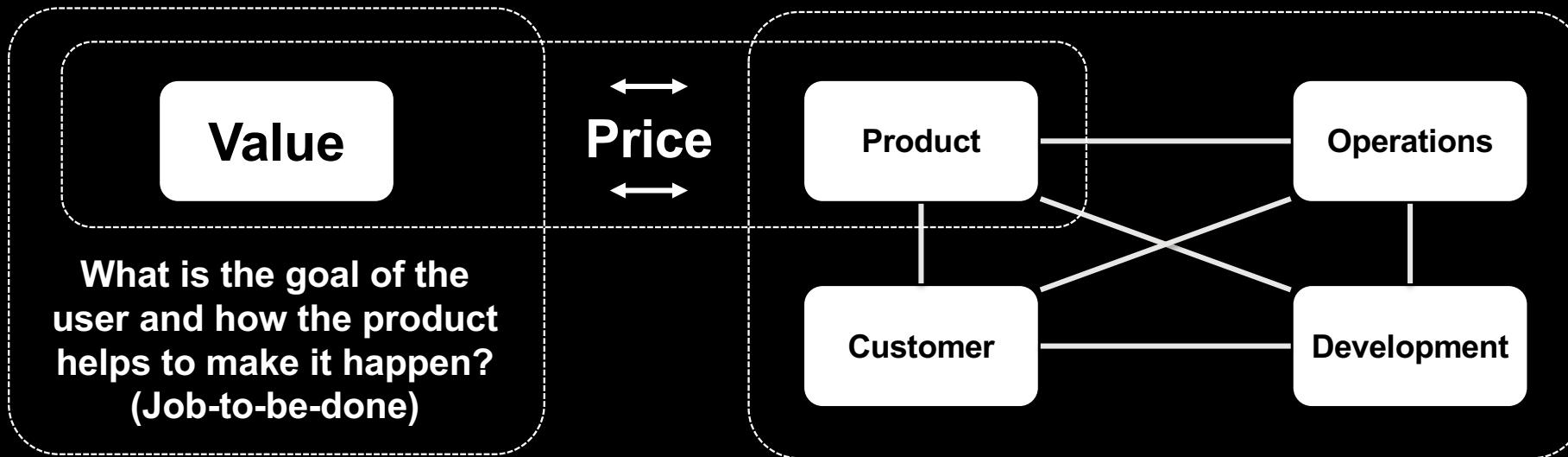
3. Business environment & competition

For which customers a company should compete?

Value is not a property of a product or service, but a property of the customers' use of the product and the transaction that it entails



Competitive Advantage

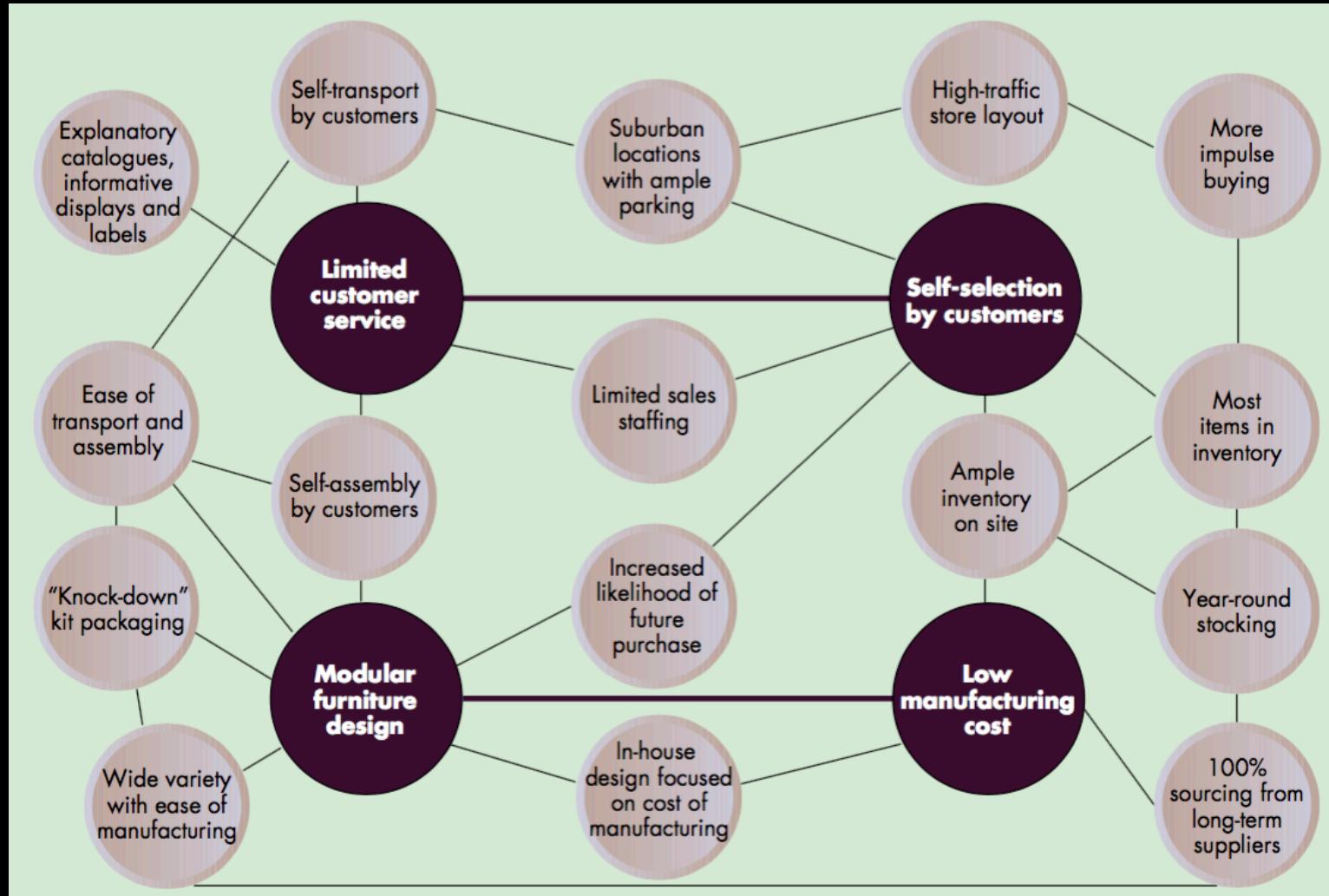


**Fit with
needs**

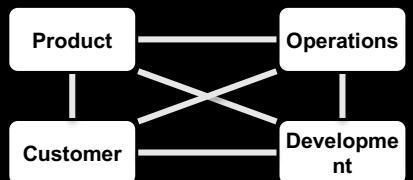
**Synergies within
operations**

**Core
resources**

Synergistic elements of IKEA

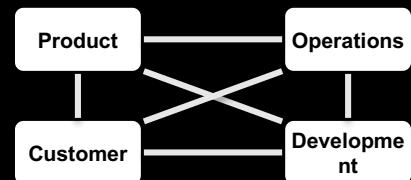


Competing business models

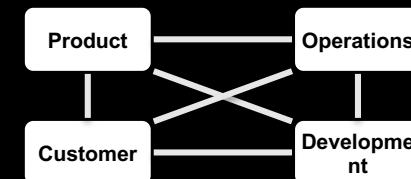


Production costs

Infeasible
BM^s



Competitive BM^s



Market price

Value for user

Competition decreases the market price for a product/service

Varying, customer specific uses → Varying, customer specific valuearvo

Intensity of competition

Porter's Five Forces

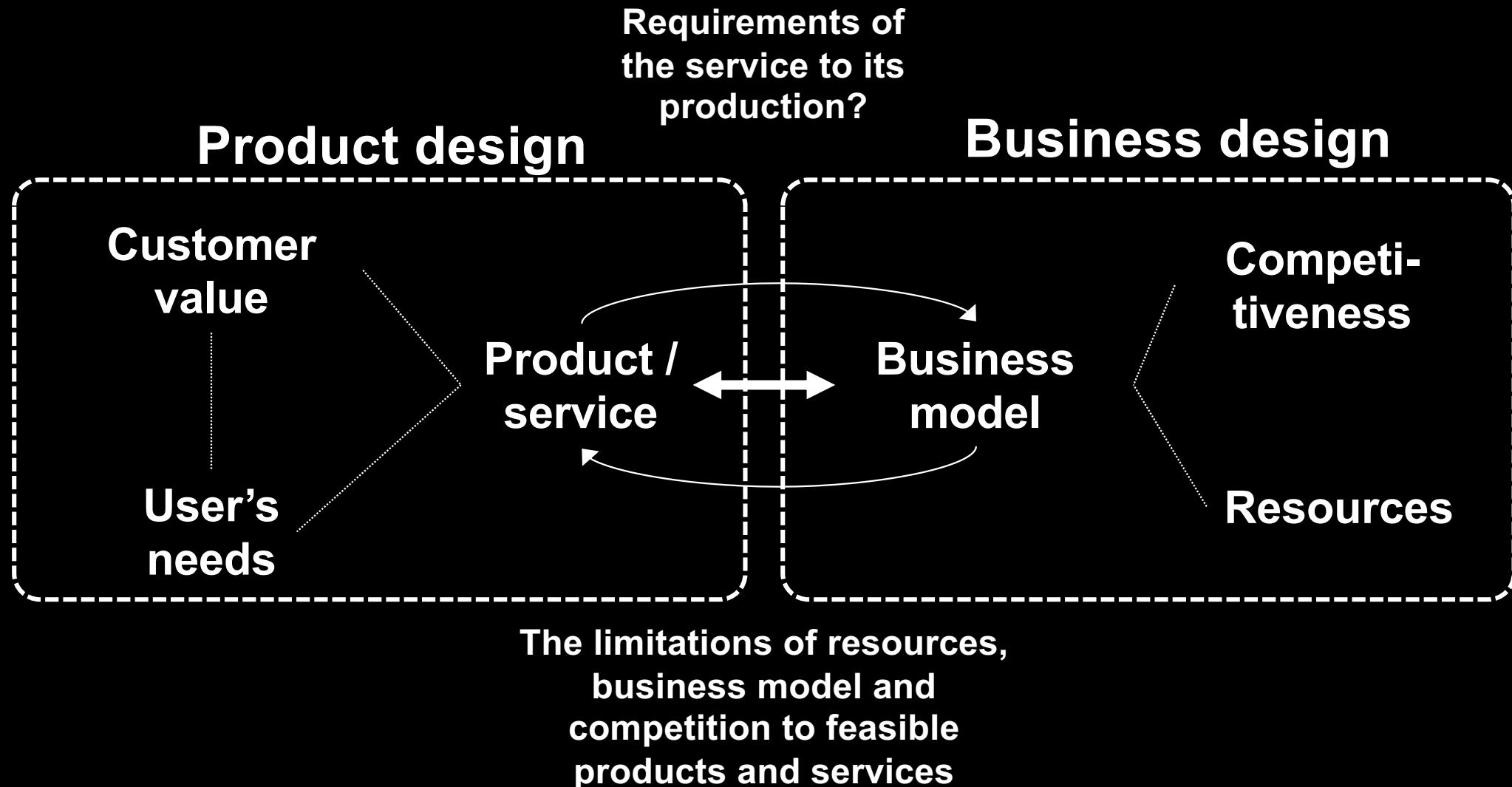
Threat of new
entrants

|

Bargaining power
of suppliers Industry Bargaining power
 Rivalry of customers

|

Threat of
substitutes



Why customer buys a product?

The value of the product is based on the benefits that it enables customer to achieve when used

What a company should produce and how?

The value that the product offers for the chosen customer group defines the efficient business operations, and thereby focus and limits of the company

For which customers a company should compete?

Resources, capabilities, and business model determines the market where the company can function efficiently