

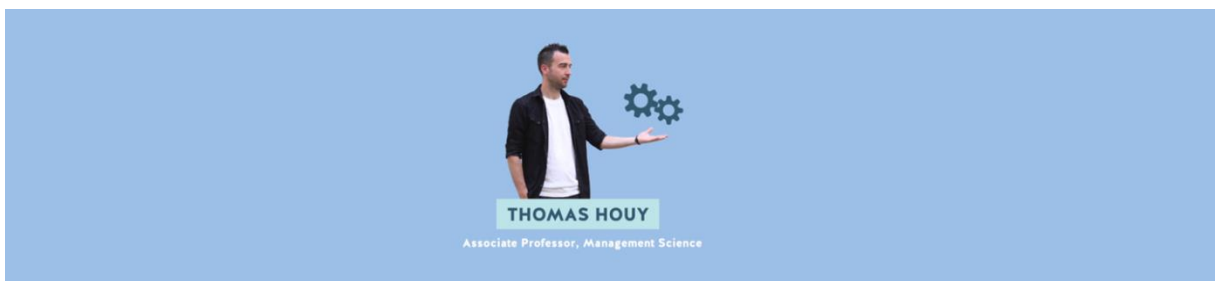


MOOC

Innovating in a Digital World

Lesson: The new entrepreneurial context

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Introduction

The start-up Booking.com is a prime example of what is happening in the entrepreneurial ecosystem.

In just a few years the company has built its value proposition solely on the internet and has managed to become a leader in the hotel industry. While this business sector has historically been characterized with large groups having heavy overhead and staff, this “new prodigy” from the digital scene, revolutionized the business using nothing else other than its website.

So how does an online company succeed in taking over an entire business sector in an incredibly short amount of time?

Although there is no easy answer to this question we have seen several phenomena's that have changed the face of online entrepreneurship.

A new paradigm for entrepreneurs

Today, Creating an Internet start-up has never been easier.

- Infrastructure costs continue to fall.
- Management solutions for businesses are available in Software as a Service (SaaS) mode.
- Companies continue to have access to venture capitalists.
- And in the case of hardware companies we can see that physical products are commoditizing.

More and more people are moving towards digital entrepreneurship and as a result, it has been increasingly threatening to all the traditional business incumbents.

For example, in France, the SNCF (the French national railway service) must deal with a growing number of start-ups whose value proposition is to offer alternative transportation solutions to anyone.

There are over a hundred such start-ups like: chauffeur services, peer to peer car sharing, or even grouped transportation services, all of which – BlablaCar who are at the top of the ranks - present genuine threats to the SNCF.

The level of protection of big companies has also weakened with the emergence of the attention mechanisms, in the heart of the Internet Economy. Internet audiences provide better protection than patents. Audience is the cornerstone on which the start-ups build their value. It's the variable that allows for firms to create strong monopolies.

Audience allows for new businesses to create a network effect. For example, many “Over The Top (OTT) “companies and major telecom corporations tried reproducing the WhatsApp instant messaging service to dislodge this start-up of its leading position in the market. These attempts have consistently failed, however, because of the start-up's enormous customer base protecting it. The only way to win over their customers was not by creating a competing service but to buy them out. And that is just what Facebook did for 22 billion dollars.

A more radical image

In their conquest, the start-ups have encouraged using a pronounced form of radicalism. Investors and start-up founders are talking more and more about the importance of the "entrepreneur-hacker".

They encourage disruption. Their self-appointed mission is to "change the world." They no longer view the barriers to entry as obstacles but as opportunities.

This form of radicalization even comes with its own terminology: the term "marketing" was replaced by "growth hacking" within the start-up world. Let's not forget that Facebook's motto has long been: "Move fast and break things." Moreover, we can see that Bitcoin and Uber have attracted a massive amount of influential investors in the Silicon Valley, reflecting a low aversion for risky projects.

Customer first

The "new entrepreneurial context," puts the customer at the centre of the game and to better understand this, let us return to Booking.com as an example.

The start-up initially offered hotels a place on its web-platform in order to increase occupancy.

In a world where customers still phoned to the hotels to know if they still had rooms, the Booking deal did not seem threatening.

However, with the trending change of online use, customers no longer communicated with hotels directly to check on room availability and status. We've all very quickly migrated over to online booking platforms in order to be a single click away to all the hotels in the region of our choice, depending on availability and price. The consequences of this change resulted in the loss of a relationship with their clients. Booking.com is now the direct line of contact for the customers. By having access to the customers, the company can control the entire value stream. While hotels had originally signed on with Booking.com as a service provider, they now find themselves as the service providers for Booking.com.

This lesson applies to all markets. All start-ups who manage to get the first contact with the customer potentially put themselves in a dominant position giving them the ability to dictate their terms to all the players in the value stream. All of this bringing a considerable upgrade in service and value to the customer. ...