

Summer 2023

Accelerated Innovation & Entrepreneurship Bootcamp

Session 5 Market Dynamics

Asma'a Al-Kayalli



The Business Model

The rational by which a company **creates, delivers** and **captures** value.



The Business Model Canvas

Designed for:

Facebook

Designed by:

On: Day Month Year

Iteration: No.

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?

REASONING FOR PARTNERSHIPS:
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities



What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

EXAMPLES:
Production
Problem Solving
Platform Network

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?

CHARACTERISTICS:
Novelty
Performance
Customization
"Getting the Job Done"
Design
Brand Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

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?

EXAMPLES:
Personal assistance
Individual Personal Assistance
Self-Servicing
Automated Services
Communities
Co-creation

Customer Segments



For whom are we creating value?
Who are our most important customers?

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Key Resources



What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

TYPES OF RESOURCES:
Physical
Intellectual (brand patents, copyrights, data)
Human
Financial

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?

CHANNEL PRIORITIES:
1. **Acquisition**
How do we reach customers about our company's products and services?
2. **Evangelism**
How do we help customers evaluate our organization's value proposition?
3. **Purchase**
How do our customers acquire our products and services?
4. **Delivery**
How do we deliver a value proposition to customers?
5. **After sales**
How do we provide post-purchase customer support?

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?

BY TYPE OF BUSINESS MODEL:
Cost Structure (based on structure, low-price value proposition, mainstream automation, extensive outsourcing)
Value Drivers (based on value creation, premium value proposition)

EXAMPLES OF COST STRUCTURES:
Fixed Costs (salaries, rent, utilities)
Variable Costs
Economies of scale
Economies of scope

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?

TYPES:
Asset sale
Usage Fee
Subscription Fee
Licensing/Renting/Lending
Licensing
Referral Fee
Advertising

REVENUE MODELS:
List Price
Product Feature dependent
Customer segment dependent
Volume dependent

REVENUE METRICS:
Negotiation/ bargaining
Yield Management
Real-time Market

Value Propositions



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CHARACTERISTICS

Newness

Performance

Customization

"Getting the Job Done"

Design

Brand/Status

Price

Cost Reduction

Risk Reduction

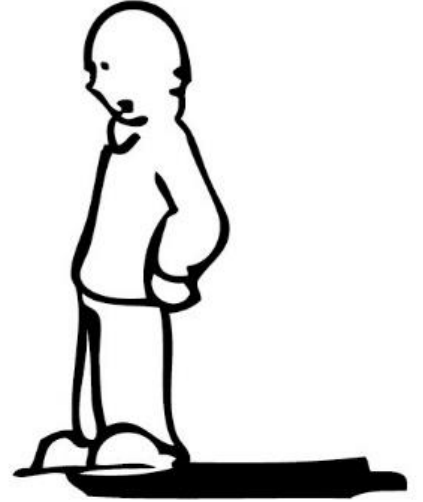
Accessibility

Convenience/Usability

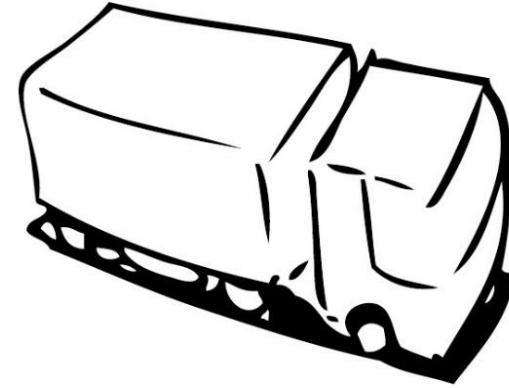
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CHANNEL PHASES:

1. Awareness

How do we raise awareness about our company's products and services?

2. Evaluation

How do we help customers evaluate our organization's Value Proposition?

3. Purchase

How do we allow customers to purchase specific products and services?

4. Delivery

How do we deliver a Value Proposition to customers?

5. After sales

How do we provide post-purchase customer support?

Customer Relationships



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EXAMPLES

Personal assistance

Dedicated Personal Assistance

Self-Service

Automated Services

Communities

Co-creation

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TYPES:

Asset sale

Usage fee

Subscription Fees

Lending/Renting/Leasing

Licensing

Brokerage fees

Advertising

FIXED PRICING

List Price

Product feature dependent

Customer segment dependent

Volume dependent

DYNAMIC PRICING

Negotiation(bargaining)

Yield Management

Real-time-Market

Key Activities

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

CATEGORIES

Production

Problem Solving

Platform/Network



Key Resources

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Which Key Resources are we acquiring from partners?

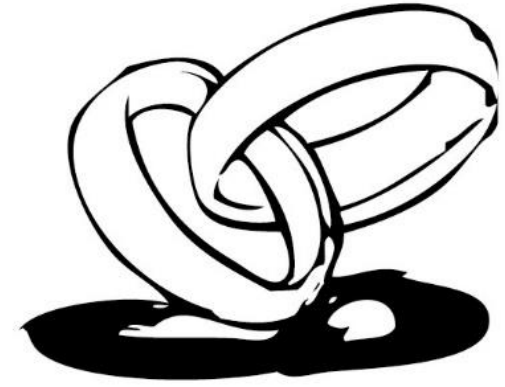
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IS YOUR BUSINESS MORE:

Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)

Value Driven (focused on value creation, premium value proposition)

SAMPLE CHARACTERISTICS:

Fixed Costs (salaries, rents, utilities)

Variable costs

Economies of scale

Economies of scope

The Business Model Canvas

Designed for:

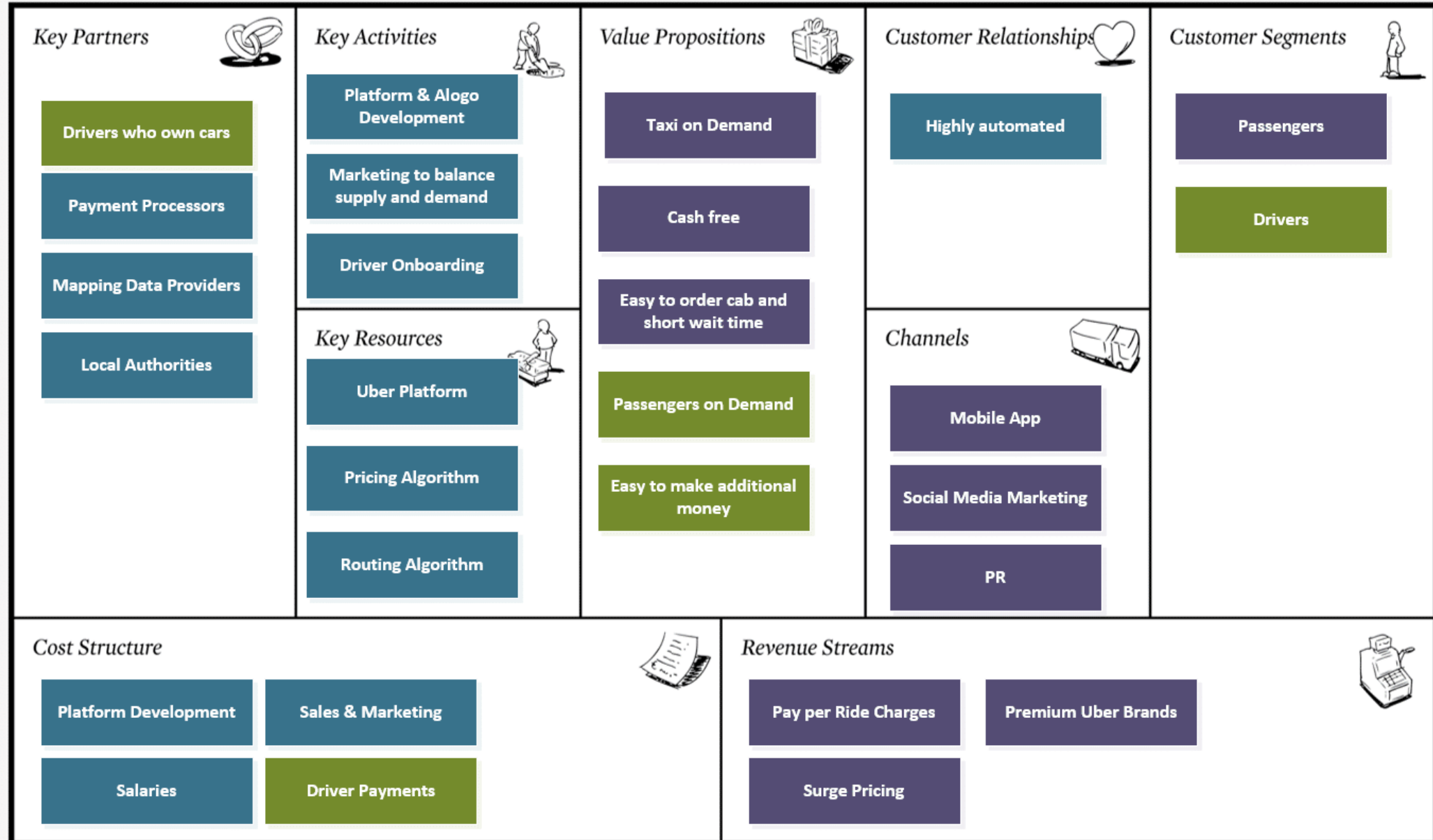
Uber

Designed by:

Denis Oakley

On: 27 1 2016

Iteration: 1.0



The Business Model Canvas

Designed for:

Facebook

Designed by:

On: Day Month Year

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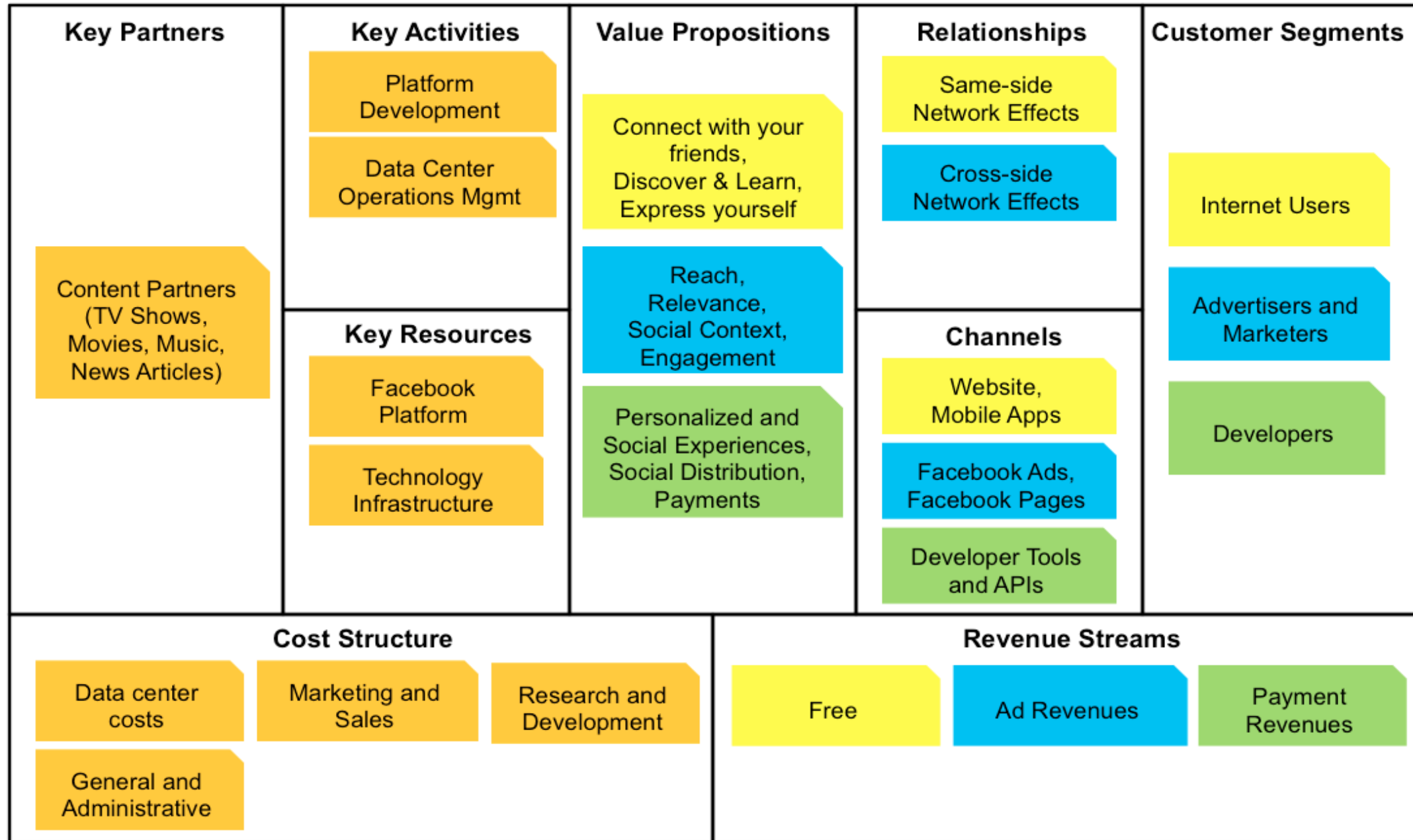
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Real-time Market

Facebook – World's leading Social Networking Site (SNS)



Case Studies

- Jamalon
- Repzo
- Taqetna
- Hello World Kids

Answer the following questions

- Who are the most important targeted customers?
- What value do the business deliver to the customer?
- Which one of the customer's problems are they helping to solve?
- What are the main revenue streams?
- What are the key resources required to build the business?

What is an industry?

Is a group of companies which produce similar goods and/or services, share the same primary business activities.



“Which industries will benefit most from the upcoming economic environment?”

Industry Groups

AGRICULTURE

STEEL

HEALTH CARE

RETAIL

AUTOMOBILES

PHARMACEUTICAL

FINANCIAL SERVICES

HOTEL & TOURISM

TELECOM

UTILITIES

PAPER & PRINTING

BANKING

INFRASTRUCTURE

OIL & GAS

EXPLORATION

What is Industry Analysis?

- An industry analysis is a business function completed by business owners and other individuals to assess the current business environment.
- Is the study of a specific market for which a company currently sells its products; or plans to enter in the near future.

What is Industry Analysis?

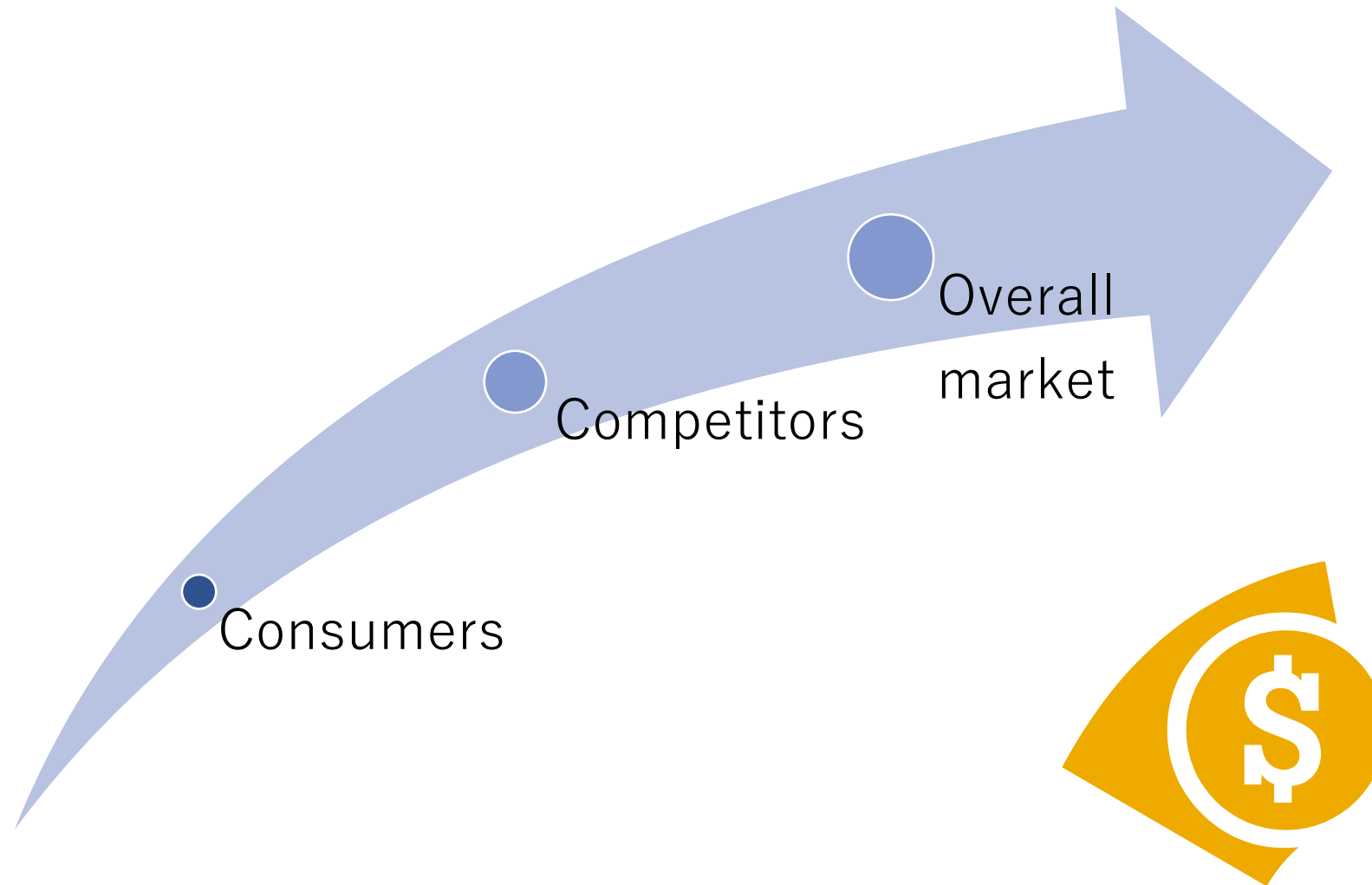
Economic Drivers

The diagram consists of three horizontal rows. Each row features a colored rounded rectangle on the left and a light gray rectangle on the right. The first row has an orange rounded rectangle with the text 'Economic Drivers'. The second row has a gray rounded rectangle with the text 'Trends'. The third row has a yellow rounded rectangle with the text 'Opportunities & Risks'. All rounded rectangles have a slight 3D effect with a shadow on the bottom right.

Trends

Opportunities & Risks

What is Industry Analysis?



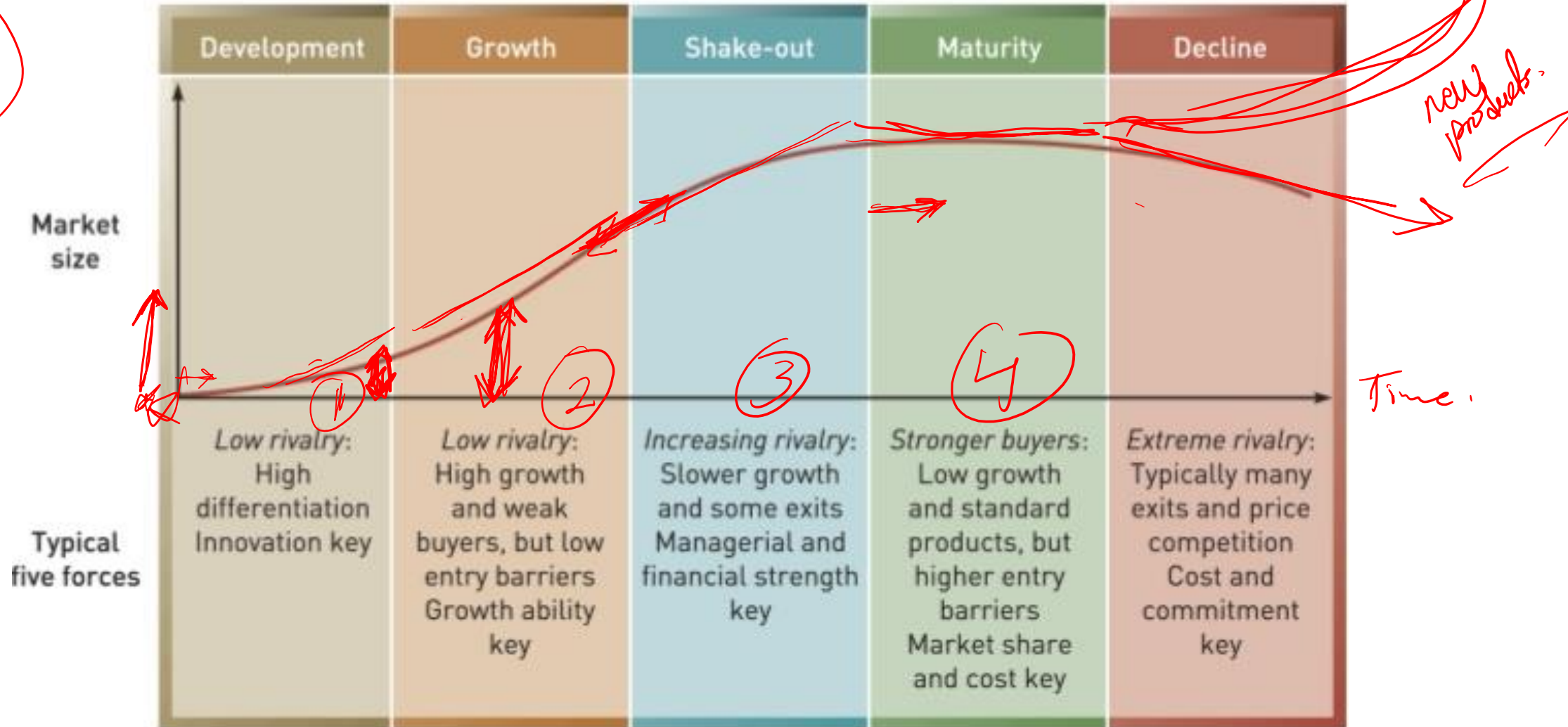
Why?

- 1- It allows business owners to estimate how much profit they can generate from business operations.
- 2- Business owners also assess the number of competitors currently selling consumer goods or services in their industry. High levels of competition often create lower than desired profits.

Why?

- 3- Provide business owners with specific knowledge regarding the economic marketplace.
- 4- Business owners may discover a market niche not currently being met by other companies.
- 5- Business owners can also conduct consumer surveys to learn about new goods or services that could have high demand in the marketplace.

Industry Life Cycle



Demand Analysis

- Is the study of how buyers and sellers interact to determine transaction prices and quantities.
- Demand, in economics, is the willingness and ability of consumers to purchase a given amount of a good or service at a given price in a specific time.
- Supply is the willingness of sellers to offer a given quantity of a good or service for a given price. Later, study on the theory of the firm will yield the supply curve.

Growth Rate

- Is a measure of economic growth from one period to another in percentage terms.
- In practice, it is a measure of the rate of change that a nation's gross domestic product (GDP) goes through from one year to another.
- <https://data.worldbank.org/indicator/SP.POP.GROW>

<http://dosweb.dos.gov.jo/ar/> دائرة الإحصاءات العامة:

<https://scholar.google.com/>

Market Definition

- Space where buyers & sellers meet to exchange
- The general environment in which the business operates.



Market Types

- Existing
- New
- Re-segmented
- Cloned



Market Types

- Red Ocean
- Blue Ocean



Market Size

- The number of individuals in a certain market who are potential buyers and/or sellers of a product or service. Companies are interested in knowing the market size before launching a new product or service in an area.



Market size metrics

- TAM: TAM stands for total addressable market

refers to the total market demand for a product or a service. It allows potential investors to estimate the maximum amount of revenue a business can possibly generate by selling a service or a product in a specific market.

TAM

- There are 2 main methods that can be used to calculate TAM – top-down and bottom-up approaches.
- **Top-down approach** uses industry research from such companies like Forrester, Gartner, and others which can be obtained from open sources to get estimates of the population that comprises the target market. Then you should logically apply geographic, demographic, and economic assumptions to eliminate irrelevant segments and narrow down the large segment to specific market segment.

- **Bottom-up** approach is more reliable because it lies on primary market research. You should count the total number of customers in a market by adding up the number of customers that each company in this market has and multiply that number by the average annual customer revenue in this market.
- TAM reflects the full market potential but realistically, no company can ever capture 100% of the total available market.

Example

You've determined that 1,800 grocery stores might invest in your software, which costs US\$30,000. If 100 percent of these stores purchase the software, this is a return of US\$54 million.

Your organization has already estimated that it will have to invest at least US\$7 million to develop, test, and market the new software. This investment is only 13 percent of potential annual revenues, so the risk is low, even if the response isn't as positive as predicted. Your organization therefore decides to move forward with the development of new software.

Serviceable Addressable Market (SAM)

- is the part of the total addressable market that can be actually reached. SAM can be defined as the total sales volume of a particular product (or service) that can be sold by all vendors on the market within a specific territory that your company is able to service. Usually there is already some competition in there that will help you root your estimations in something real. It's the portion of TAM you will target.



SOM

- **SOM** or Serviceable Obtainable Market is the portion of SAM that you can capture.
- A percentage of total sales volume in a market captured by a brand, product, or company.



TAM



Total Addressable Market

How big is the largest possible market?

SAM



Serviceable Available Market

What proportion of that market fits you?

SOM



Serviceable Obtainable Market

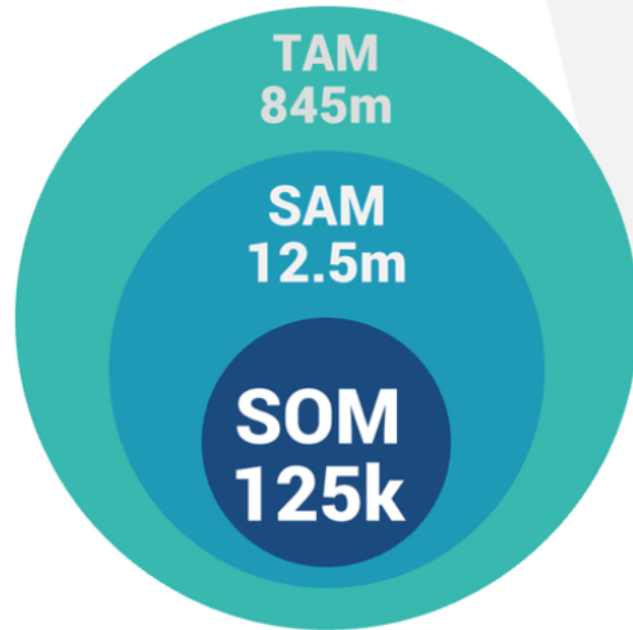
What proportion of that market can you reach?

Example

- Let's say you are starting a fast food chain. Your TAM would be the worldwide fast food restaurant market. Potentially, if you were present in every country and had no competition you would generate TAM as revenues.
- Let's be more realistic. You are starting your restaurant chain in two cities where the demand for fast food can be estimated based on: the population, their food habits, and the revenues generated by fast food restaurants in other cities having similar demographics.
- That is your Serviceable Available Market: the demand for you type of products within your reach. In other words if you were the only fast food in town you would generate revenues of SAM.
- Most likely you will attract fast food aficionados living or working close to your restaurants and a fraction of the people located further away that are willing to give your chain a try for the sake of fast food diversity. This is your SOM.

Example

- Let's say you are a tech startup launching new CRM software.
- Your TAM will be the total CRM software market worldwide. Any person that interacts with customers could buy your new product. But if your CRM software is only in English and you are targeting tech companies with sales teams, your SAM will be people from sales and customer services of tech companies worldwide that use the English language for their business.
- Your SOM will be a realistic market share that your company can capture in the first 2 or 3 years after launch. This part of analysis is harder to calculate because you should take into account the features of your CRM software and customers' needs.



OF USERS

Total Available Market (TAM) – 60m corporations with

600m Excel users across
60m corporations

225m Cloud
CRM users

20m Cloud
Accounting users

Serviceable Available Market (SAM) – 600k corps with

1% of Excel users
(6m in Target
Segments)

2% of CRM users
(4.5m in Sales Mgmt
and Bus Dev Roles)

10% of Accounting
users (2m in mostly
CXO roles)

Serviceable Obtainable Market (SOM) – 6-10k corps

1% of users in SAM which fit our target groups and regions