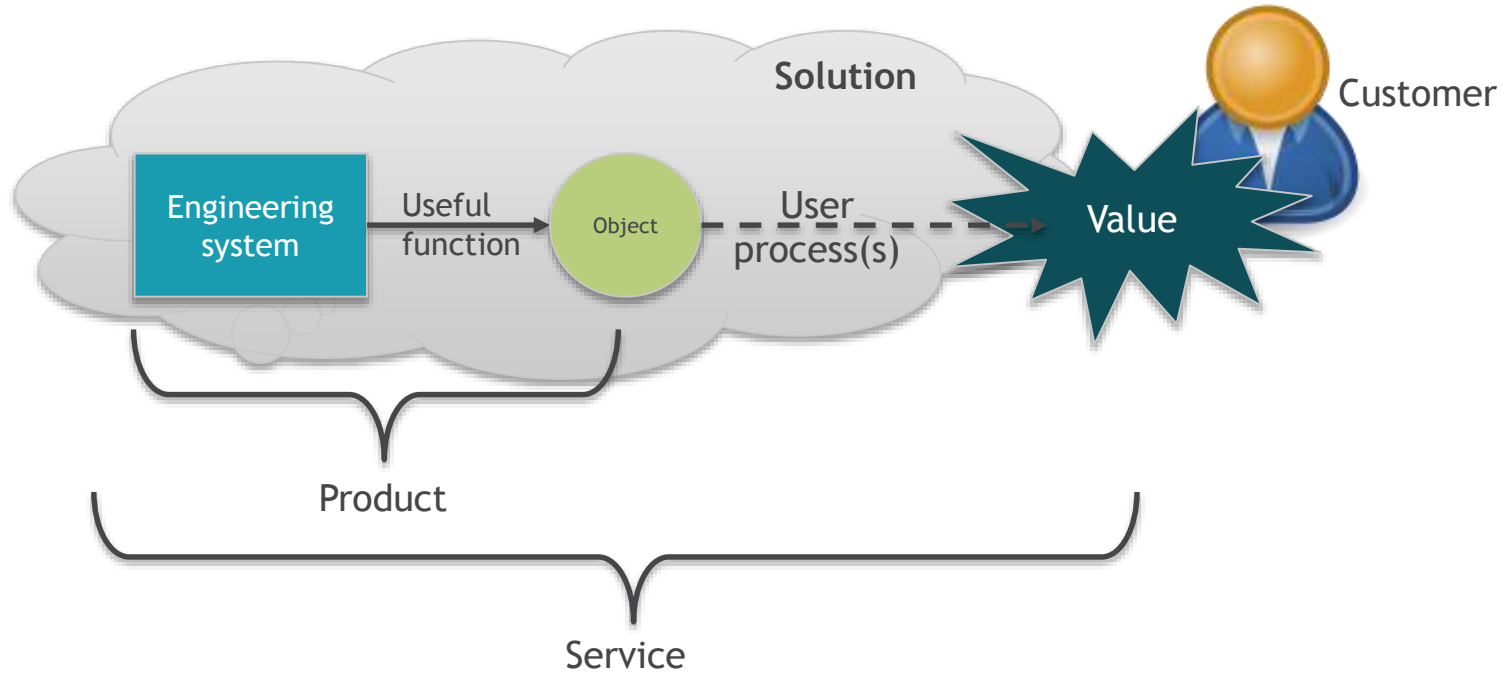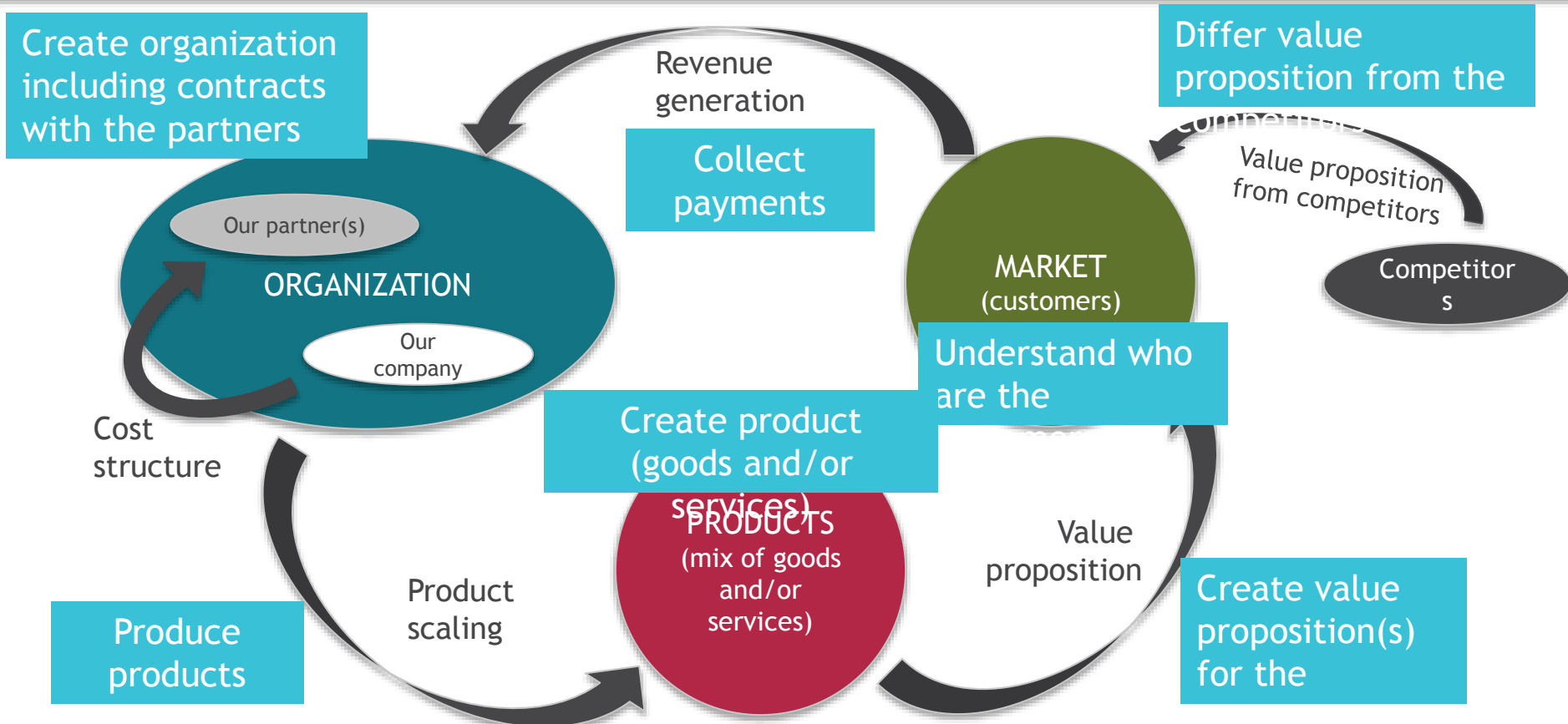# TRIZ-BASED INNOVATION SERVICE.
BUSINESS MODEL &
VALUE PROPOSITION MODEL

May, 2017
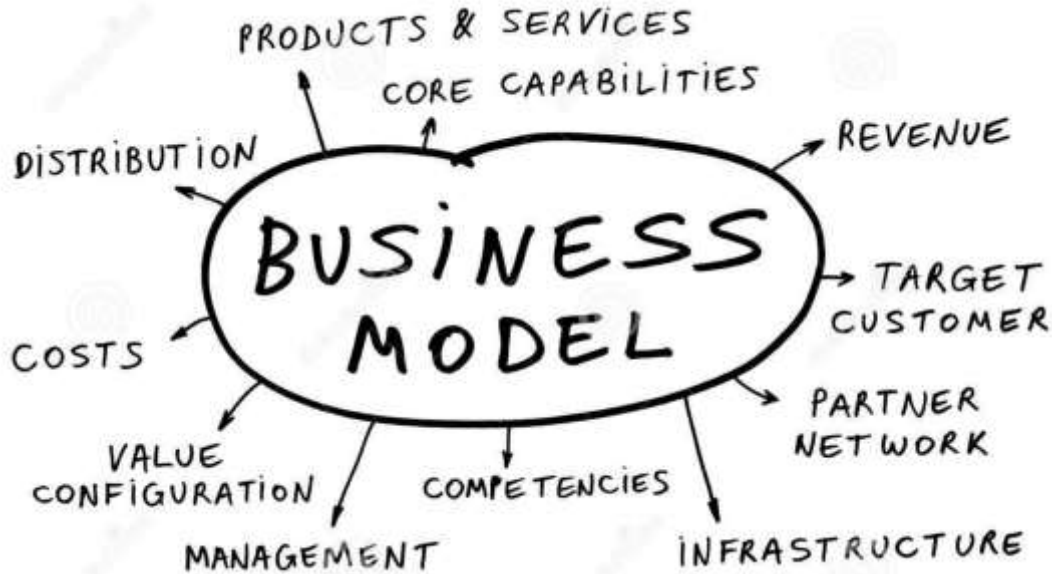
ENGINEERING SYSTEM AND SOLUTION. VALUE

BUSINESS SYSTEM STRUCTURE

Create organization including contracts with the partners

Revenue generation

Differ value proposition from the competitors

Collect payments

Value proposition from competitors

Our partner(s)

ORGANIZATION

MARKET (customers)

Competitors

Our company

Understand who are the customers

Cost structure

Create product (goods and/or services)

PRODUCTS (mix of goods and/or services)

Value proposition

Produce products

Product scaling

Create value proposition(s) for the customers

BUSINESS MODEL DEFINITION

Business model

A business model describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts.

Alexander Osterwalder.
Business Model Generation

BUSINESS MODEL CANVAS (of Alex Osterwalder)

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
• Who are our Key Partners? Who are our key suppliers? • Which Key Resources are we acquiring from partners? • Which Key Activities do partners perform?	• What Key Activities do our Value Propositions require?	• 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?	• What type of relationship does each of our Customer Segments expect us to establish and maintain with them?	• For whom are we creating value? • Who are our most important customers?
	Key Resources • What Key Resources do our Value Propositions require?		**Channels** • Through which Channels do our Customer Segments want to be reached?	

Cost Structure	Revenue Streams
• What are the most important costs inherent in our business model? • Which Key Resources are most expensive? Which Key Activities are most expensive?	• For what value are our customers really willing to pay? • For what do they currently pay? How are they currently paying?

Business model

A business model describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts.
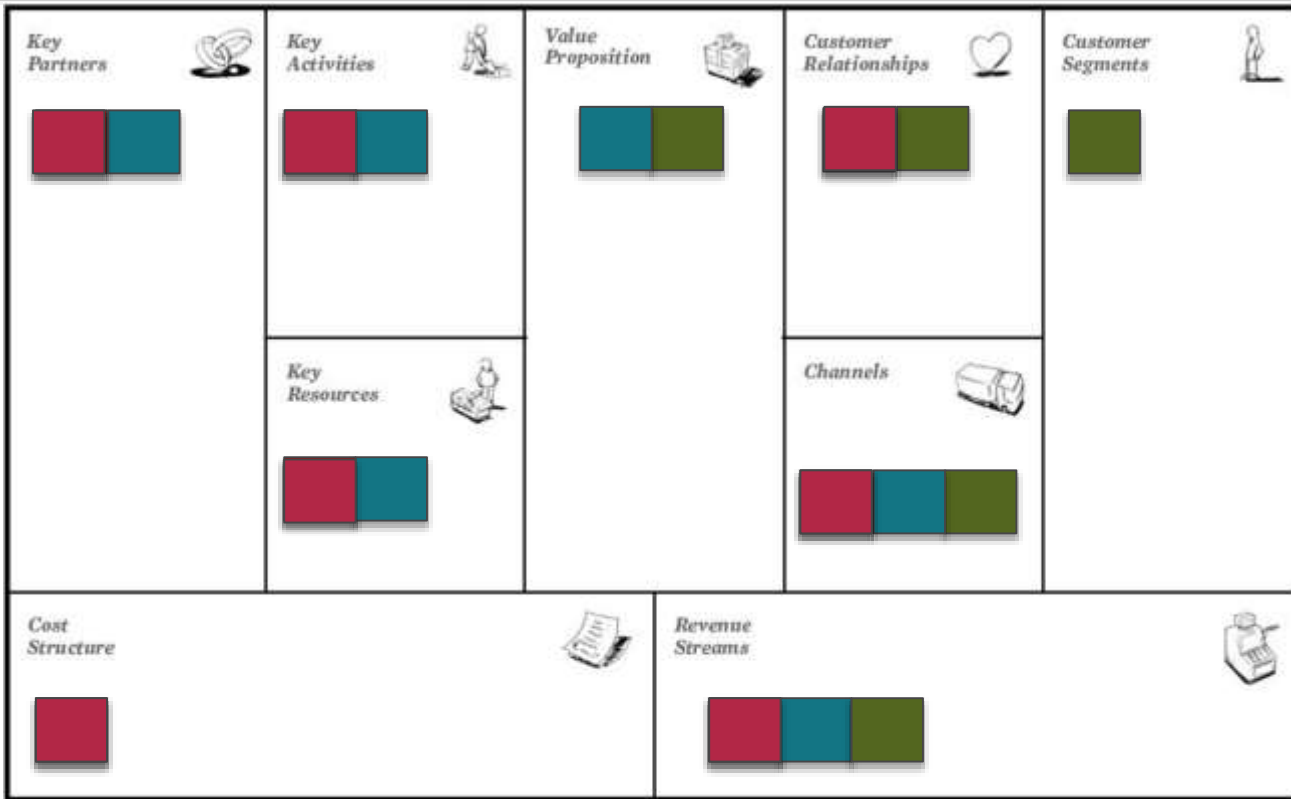
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BUSINES MODEL to BUSINES SYSTEM MODEL MAPPING

BUSINESS MODEL PATTERNS

#1. "UNBUNDLED" CORPORATION BUSINESS MODEL

Infrastructure management
- Low unit cost
- Cost focused
- Battle for scale

© John Hagel III and Marc Singer. Unbundling the corporation. Harvard Business Review, 1999

Customer relationship management
- Large shares of wallet
- Customer comes first
- Battle for scope

Product innovation
- Speed
- Employee centered
- Battle for talent

#1 EXAMPLE. PRIVAT BANKING

OTHER PRODUCT PROVIDERS

6 ADVISE / PRODUCT R&D / MARKETING / PLATFORM MANAGEMENT

5 BRAND/TRUST / PRODUCT IP / TRANSACTION PLATFORM

CUSTOM-TAILORED WEALTH MANAGE-MENT SERVICES / FINANCIAL PRODUCTS / TRANSACTION MANAGEMENT

1 INTIMATE PERSONAL RELATIONSHIP / KEY ACCOUNT MANAGEMENT

PERSONAL NETWORKS / SALES FORCE / TRANSACTION PLATFORM

2 WEALTHY INDIVIDUALS & FAMILIES / PRIVATE BANKS / PRIVATE BANKS / INDEPENDENT FINANCIAL ADVISORS

4 PLATFORM MANAGEMENT / HR: R&D / HR: PRIVATE BANKERS

3 MANAGEMENT & ADVISORY FEES / PRODUCT & PERFORMANCE FEES / TRANSACTION FEES

Relationship Business | Product Innovation Business | Infrastructure Business

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#2. THE LONG TAIL BUSINESS MODEL

✓ *Long tail business models* are about selling less of more. They focus on offering a large number of niche products, each of which sells relatively infrequently

✓ Aggregate sales of niche items can be as lucrative as the traditional model whereby a small number of bestsellers account for most revenues.

✓ Long tail business models require low inventory costs and strong platforms to make niche content readily available to interested buyers.

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#2 EXAMPLE. LEGO FACTORY

KP	KA	VP	CR	CS
Customers who build new LEGO designs and post them online become key partners generating content and value	**KA** LEGO has to provide and manage the platform and logistics that allow packaging and delivery of custom-made LEGO sets **KR** LEGO has not yet fully adapted its resources and activities, which are optimized primarily for the mass market	LEGO Factory substantially expands the scope of the off-the-shelf kit offering by giving LEGO fans the tools to build, showcase, and sell their own custom-designed kits	**CR** LEGO Factory builds a Long Tail community around customers who are truly interested in niche content and want to go beyond off-the-shelf retail kits **CH** LEGO Factory's existence depends heavily on the Web channel	Thousands of new, customer-designed kits perfectly complement LEGO's standard sets of blocks. LEGO Factory connects customers who create customized designs with other customers, thus becoming a customer matchmaking platform and increasing sales

C$ LEGO Factory leverages production and logistics costs already incurred by its traditional retail model

R$ LEGO Factory aims to generate small revenues from a large number of customer-designed items. This represents a valuable addition to traditional high-volume retail revenues
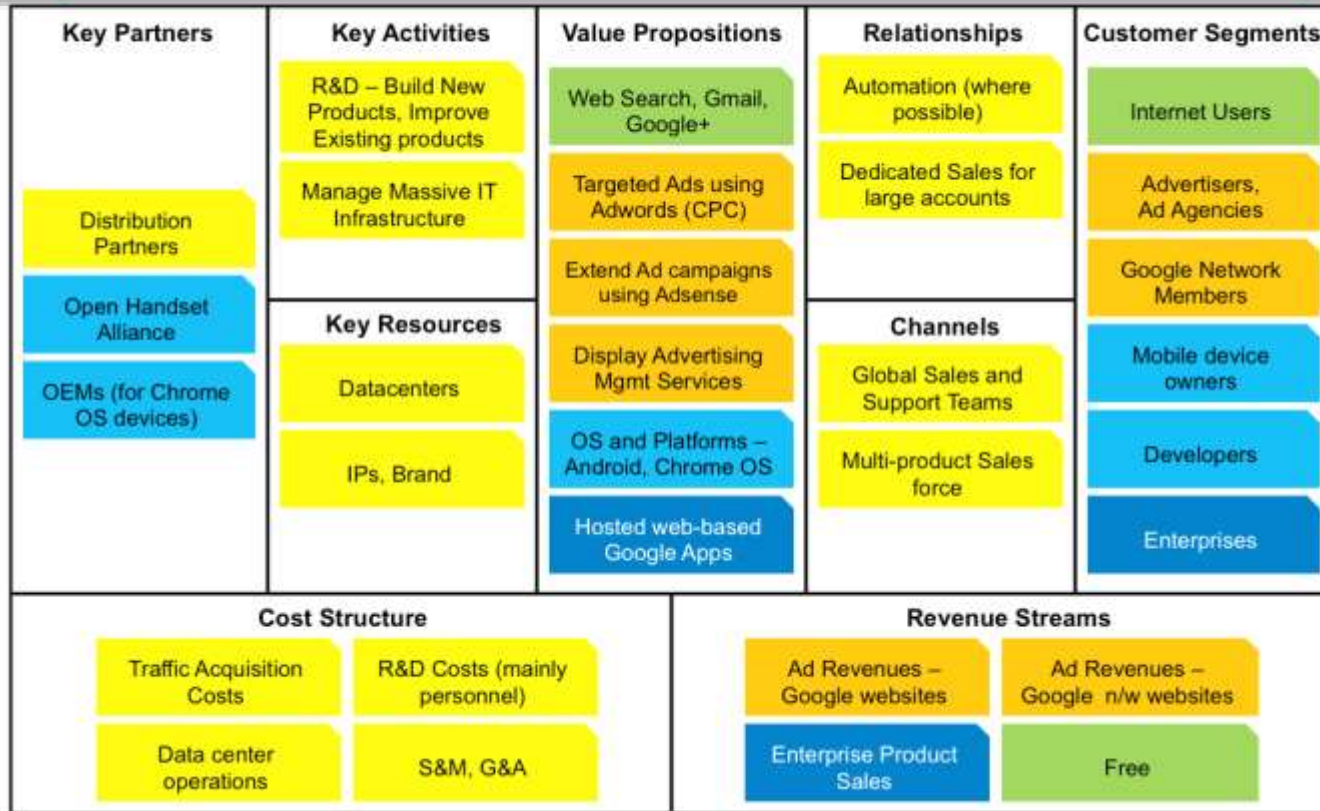
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#3. MULTI-SIDED PLATFORM BUSINESS MODEL

✓ *Multi-sided platforms* bring together two or more distinct but interdependent groups of customers.

✓ Such platforms are of value to one group of customers *only* if the other groups of customers are also present.

✓ The platform creates value by *facilitating interactions* between the different groups.

✓ A multi-side platform grows in value to the extent that it attracts more users, a phenomenon known as the *network effect*.

#3 EXAMPLE. GOOGLE BUSINESS MODEL

Key Partners	Key Activities	Value Propositions	Relationships	Customer Segments
Distribution Partners	R&D – Build New Products, Improve Existing products	Web Search, Gmail, Google+	Automation (where possible)	Internet Users
Open Handset Alliance	Manage Massive IT Infrastructure	Targeted Ads using Adwords (CPC)	Dedicated Sales for large accounts	Advertisers, Ad Agencies
OEMs (for Chrome OS devices)	**Key Resources**	Extend Ad campaigns using Adsense		Google Network Members
	Datacenters	Display Advertising Mgmt Services	**Channels**	Mobile device owners
	IPs, Brand	OS and Platforms – Android, Chrome OS	Global Sales and Support Teams	Developers
		Hosted web-based Google Apps	Multi-product Sales force	Enterprises

Cost Structure		Revenue Streams	
Traffic Acquisition Costs	R&D Costs (mainly personnel)	Ad Revenues – Google websites	Ad Revenues – Google n/w websites
Data center operations	S&M, G&A	Enterprise Product Sales	Free

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#4. FREEMIUM BUSINESS MODEL

✓ *In the free* business model *at least one* substantial Customer Segment is able to *continuously benefit* from a free-of-charge offer.

✓ *Different patterns* make the free offer possible.

✓ Non-paying customers are financed by another part of the business model or by another Customer Segment.
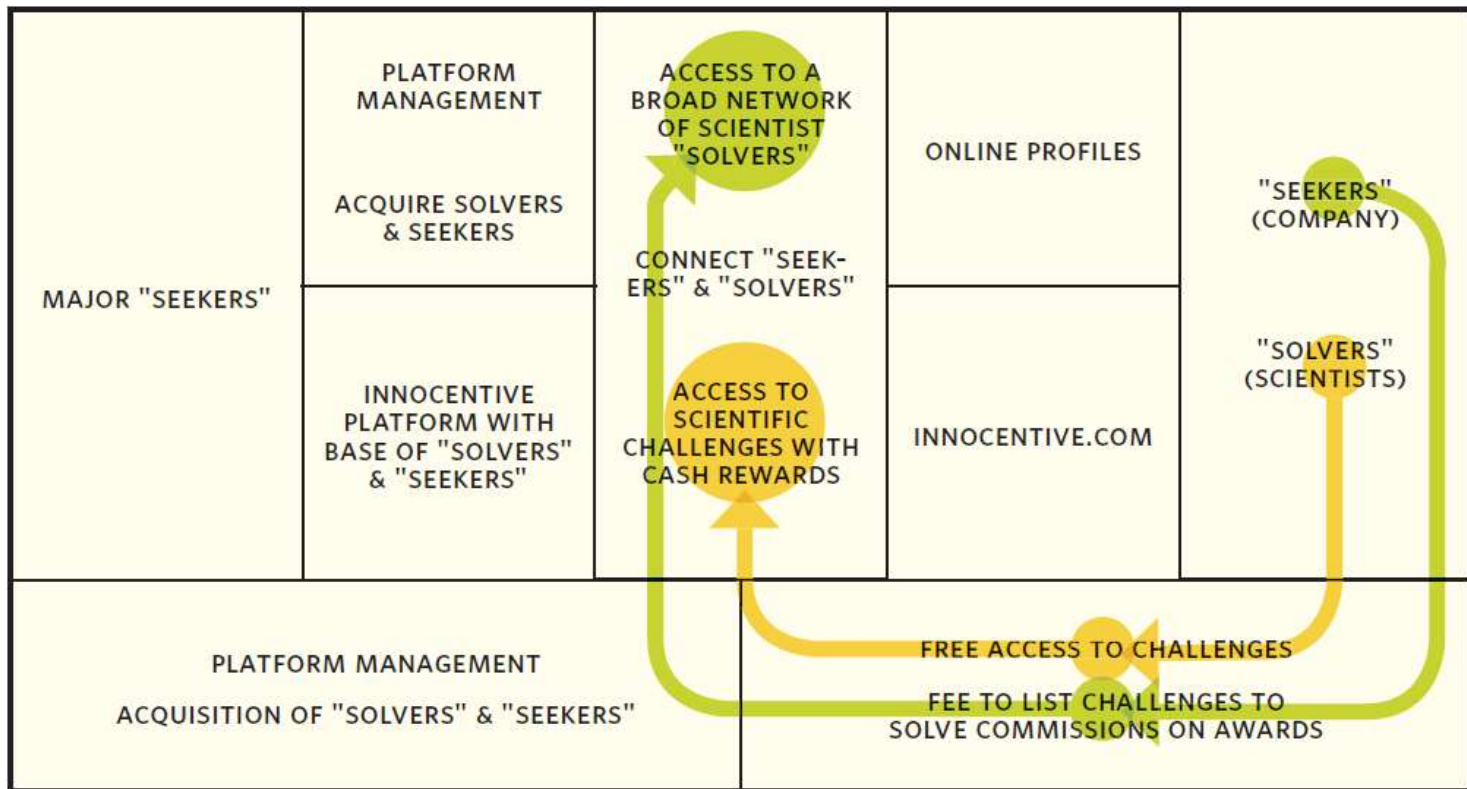
#4 EXAMPLE. FLICKR
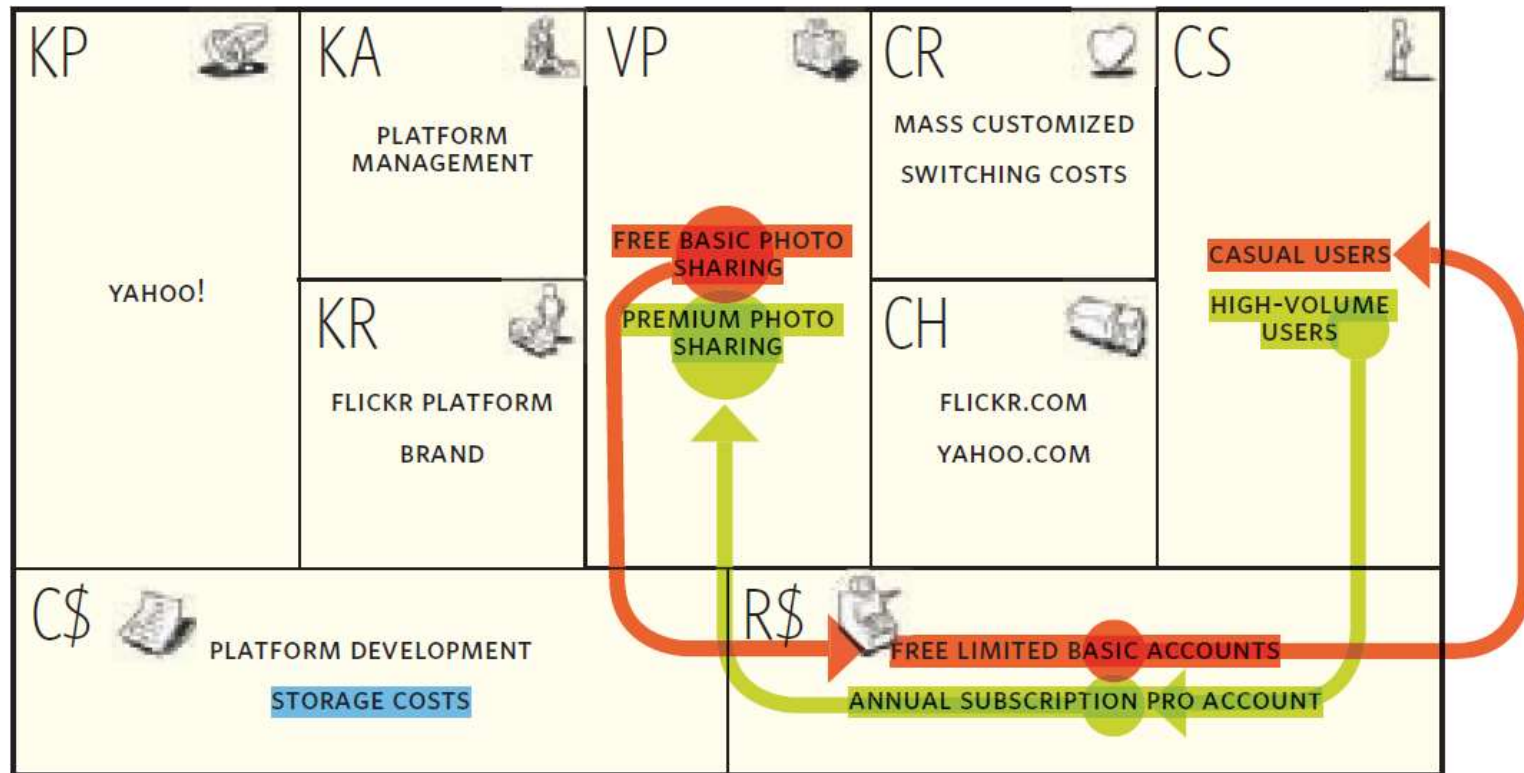
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#5. OPEN BUSINESS MODEL

✓ *Open business models* can be used by companies to create and capture value by systematically *collaborating with outside partners*.

✓ This may happen from the *"outside-in"* by exploiting external ideas within the firm, or from the *"inside-out"* by providing external parties with ideas or assets lying idle within the firm.

#5 EXAMPLE. INNOCENTIVE

	PLATFORM MANAGEMENT	ACCESS TO A BROAD NETWORK OF SCIENTIST "SOLVERS"	ONLINE PROFILES	"SEEKERS" (COMPANY)
MAJOR "SEEKERS"	ACQUIRE SOLVERS & SEEKERS	CONNECT "SEEKERS" & "SOLVERS"		
	INNOCENTIVE PLATFORM WITH BASE OF "SOLVERS" & "SEEKERS"	ACCESS TO SCIENTIFIC CHALLENGES WITH CASH REWARDS	INNOCENTIVE.COM	"SOLVERS" (SCIENTISTS)

PLATFORM MANAGEMENT

ACQUISITION OF "SOLVERS" & "SEEKERS"

FREE ACCESS TO CHALLENGES

FEE TO LIST CHALLENGES TO SOLVE COMMISSIONS ON AWARDS

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TRIZ for BUSINESS SYSTEMS.
VALUE PROPOSITION

January, 2017

ENGINEERING SYSTEM AND SOLUTION. VALUE
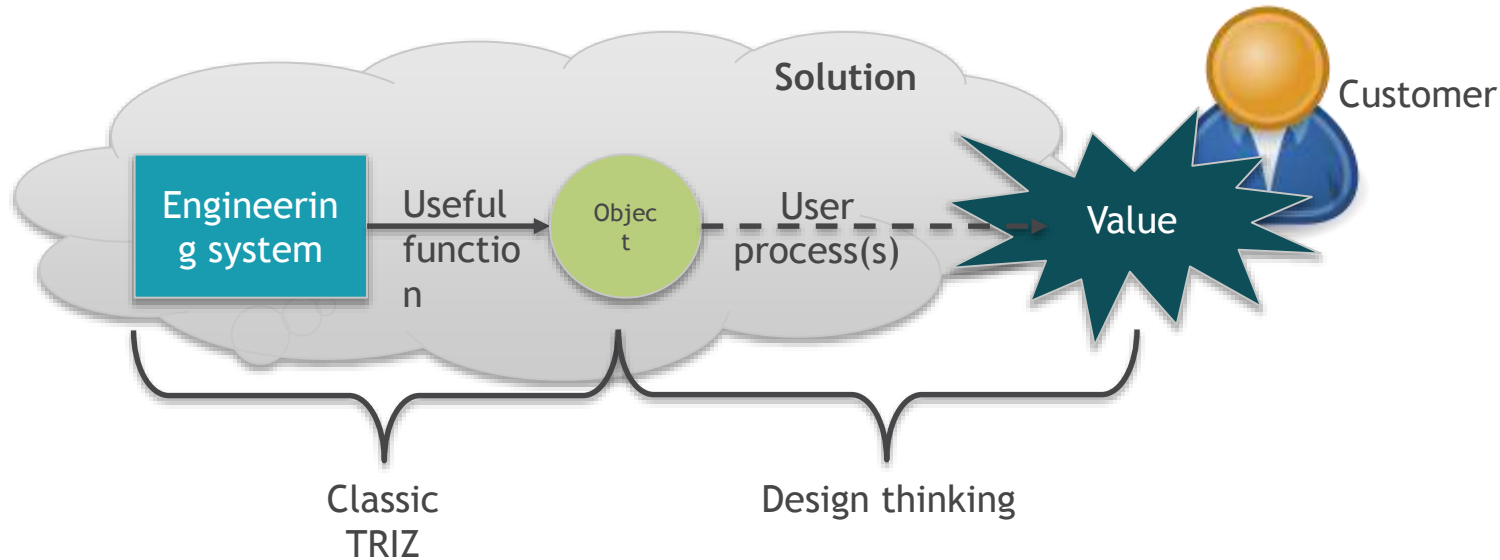
User experience (UX) is an experience related to user processes

VALUE OF THE PRODUCT (THING OR SERVICE)

Нужно ли забивать гвозди - микроскопом?

"Customers – people and companies – have "jobs" that arise regularly and need to get done. They look around for a product or service that they can "hire" to get the job done.
…
The functional, emotional, and social dimensions of the jobs that customers need to get done constitute the circumstances in which they buy."

Clayton M. Christensen. The innovator's solution

VALUE PROPOSITION CANVAS
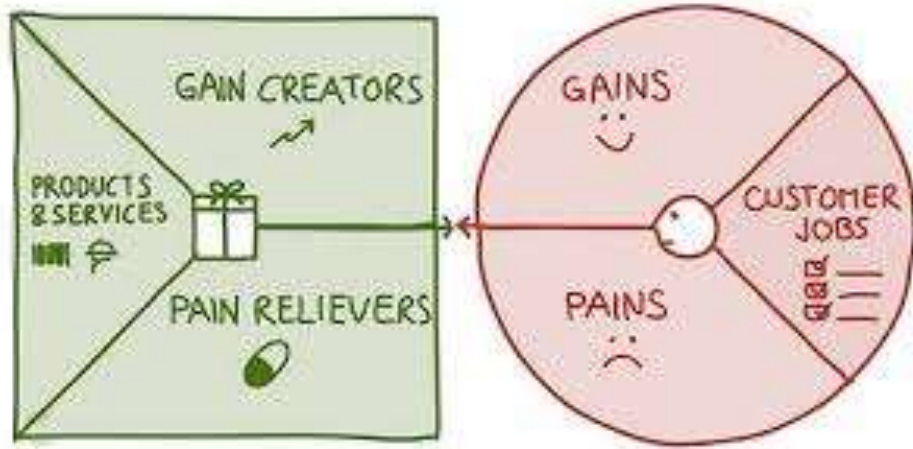
https://strategyzer.com/canvas

Book

PERSONA PROFILE & CUSTOMER JOBS
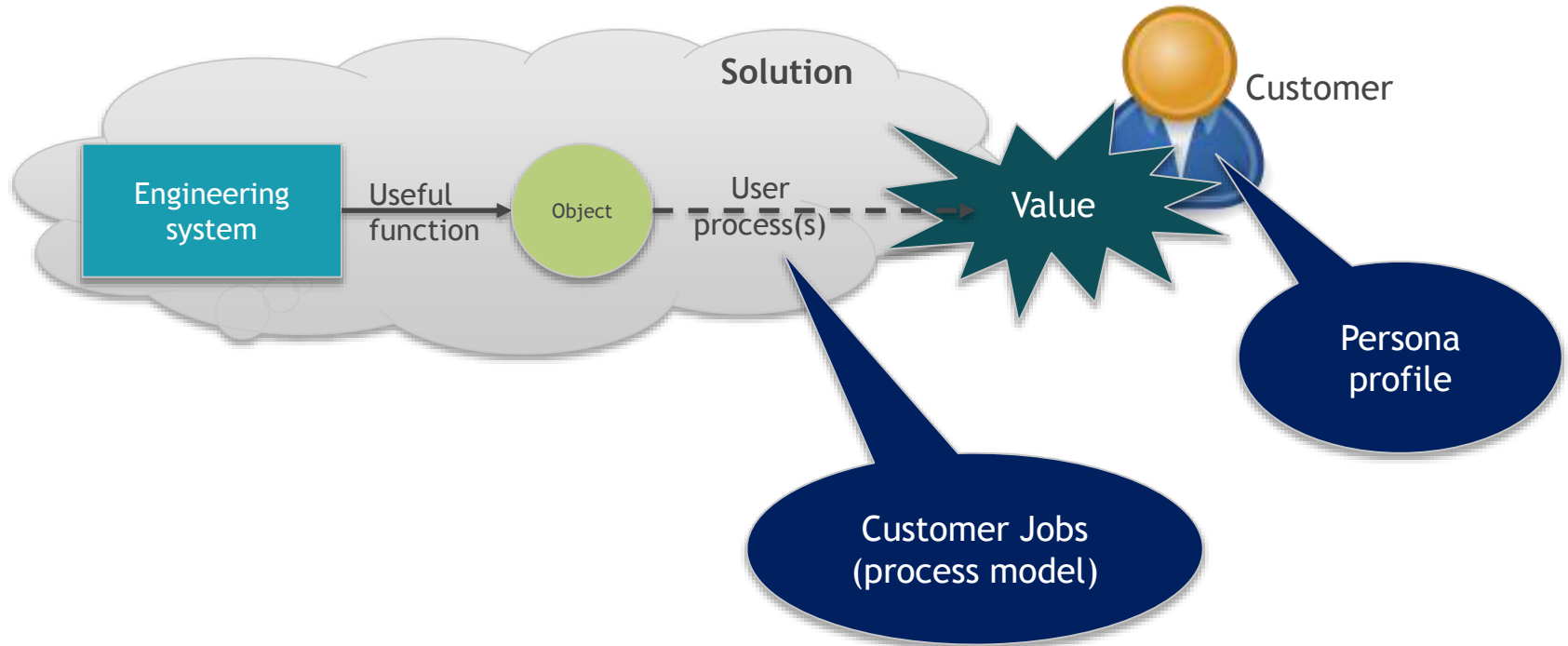
PERSONA PROFILE EXAMPLES

Persona Profile for: "BUSY MOM"

Age Range: _____

Key Responsibilities: _____

Major Concerns: _____

Key Stressors/Pain Points: _____

Key Purchase Drivers: _____

Place(s) Most Likely to Find
Information_____

Preferred Content Medium: _____

Days/Times Most Likely to Consume
Content:_____

Role in Purchase Process for Family: _____

"Mary"

Behaviors
- Has a housecleaner
- Buys take-away 3 nights/wk
- Frequently feels
  overwhelmed when she
  "forgets" something

Demographics
Working mom
34 years old
Lives in Reading, works in
London
Married, 2 kids
Household 125k/yr

Needs & Goals
- Help! Running errands,
  managing kids, keeping thir
  running
- Time for her girlfriends
- To feel like she "has it sorte
- "To clone herself"

PERSONA PROFILE. EXAMPLE

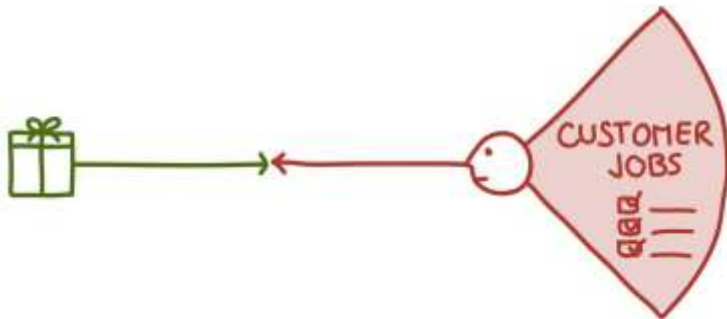|		
	Olga the Woman Buyer, woman 32 y.o.	Regularly buys cosmetics, high awareness about brands, quality, specifications of cosmetics
	Igor the Man Buyer, man 38 y.o.	Looking for a present for someone else, infrequent cosmetics buyer
	Inna the Student Buyer, young man/woman with low income	Looking for a present for a friend, has limited budget

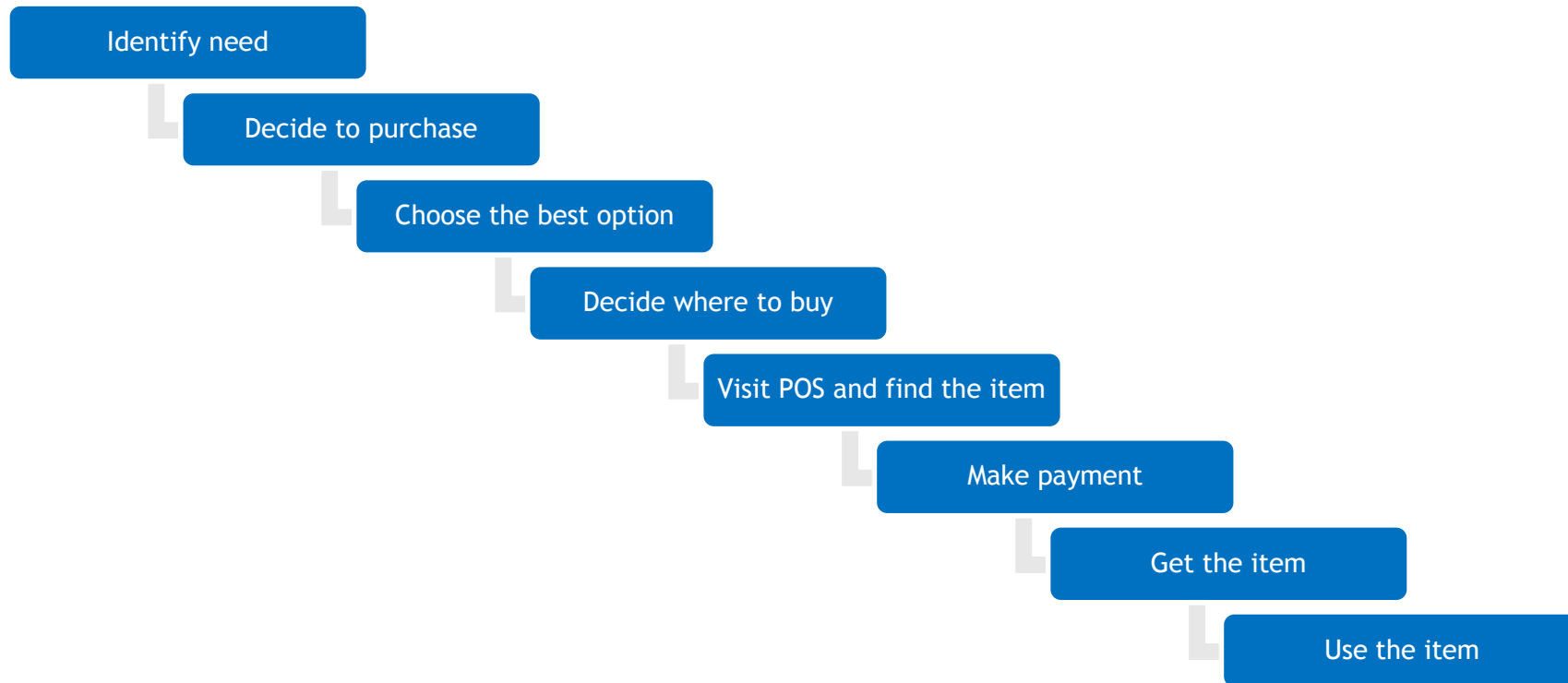Anna Panicheva, Dmitry Zdanovich. L'etoile innovation project

CUSTOMER JOBS (PROCESS)

are jobs that customer performs in his/her professional or personal life

CUSTOMER JOBS. L'ETOILE EXAMPLE

Identify need

Decide to purchase

Choose the best option

Decide where to buy

Visit POS and find the item

Make payment

Get the item

Use the item

© EPAM. Anna Panicheva, Dmitry Zdanovich. L'etoile innovation project

CUSTOMER JOBS ANALYSIS

	Mandatory or optional job?	Physical or mental job?	Does a job cause any pains?	Focus on highly value-added jobs
Customer Jobs	**Mandatory/optional**	**Physical / Metal**	**Pains?**	**Value-added**
➤ Choose the best option	Optional	Mental	doubts about the choice	
➤ Visit the POS	Mandatory	Physical		
➤ Make selection	Mandatory	Mental & physical	Insufficient selection range	YES
➤ Make payment	Mandatory	Physical		YES
➤ Get item	Mandatory	Physical	Broken glass item	YES

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CUSTOMER PAINS
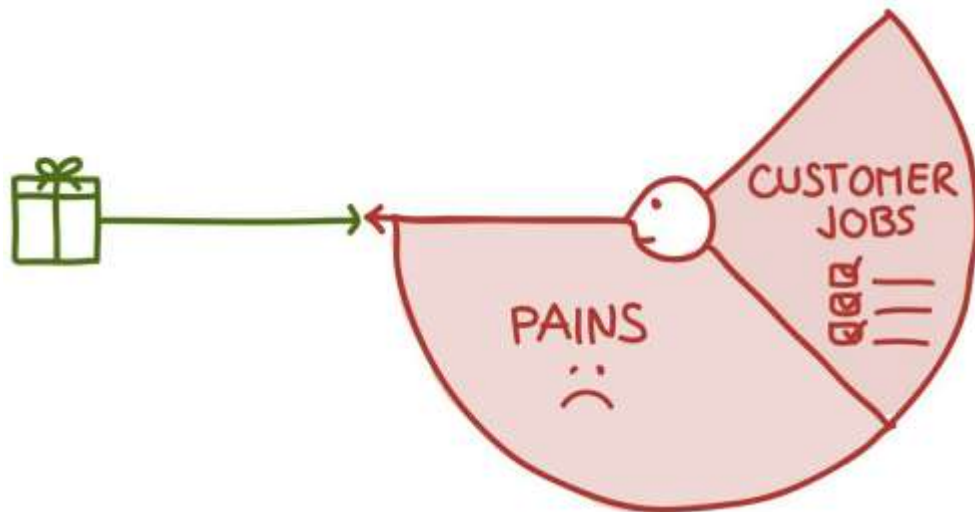
Pain

describe anything that annoys your customers before, during, and after trying to get a job done or simply prevents them from getting a job done. Pains also describe risks, that is, potential bad outcomes, related to getting a job done badly or not at all.

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PAINS. TRIGGER QUESTIONS

1. How do your customers define too costly (a lot of time, too much money, substantial efforts)?
2. What makes your customers feel bad? What are their frustrations, annoyances, or things that give them a headache?
3. What are the main difficulties and challenges your customers encounter?
4. What negative social consequences do your customers encounter or fear? Are they afraid of a loss of face, power, trust, or status?
5. What risks do your customers fear? Are they afraid of financial, social, or technical risks, or are they asking themselves what could go wrong?
6. What common mistakes do your customers make? Are they using a solution the wrong way?

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PAINS. L`ETOILE EXAMPLE

Action	PAINS
Select specific item which is the best for this customer	Lengthy selection process due to many parameters of cosmetic products
	Possibly missing some particular item in stock
	Difficult to choose a good quality product given the low available resources and limited selection
	Not appropriate settings/atmosphere (e.g. for men women-oriented shops, for women – shops where no one to talk to)
	No way to test the product before usage
	High price of high-quality goods

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CUSTOMER GAINS
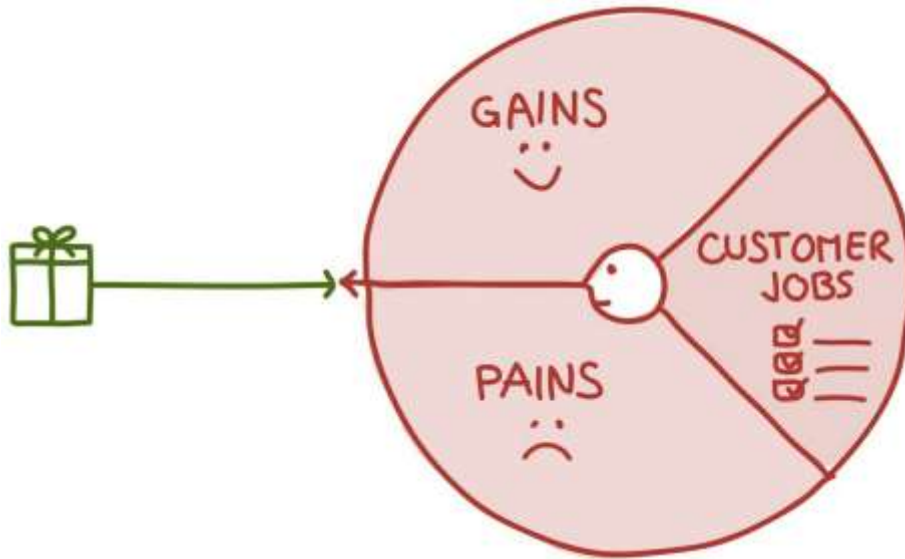
Gain

describes the outcomes and benefits your customers want. Some gains are required, expected, or desired by customers, and some would surprise them. Gains include functional utility, social gains, positive emotions, and cost savings.

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GAINS. TRIGGER QUESTIONS

1. What quality levels do they expect, and what would they wish for more or less of?
2. Which savings (in terms of time, money, and effort) would make your customers happy?
3. What would make your customers' jobs or lives easier (a flatter learning curve, more services, or lower costs of ownership)?
4. What positive social consequences do your customers desire? What increases their power or their status?
5. How do your customers measure success and failure? How do they gauge performance or cost?
6. What would increase your customers' likelihood of adopting a value proposition? Do they desire lower cost, less investment, lower risk, or better quality?

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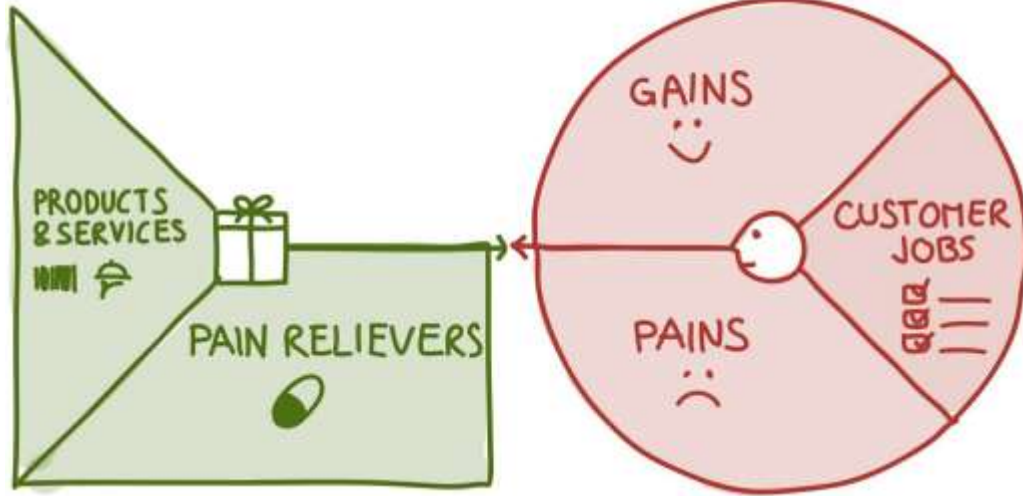
GAINS. L`ETOILE EXAMPLE

	Olga the Woman Buyer, woman 25 y.o.	Regularly buys cosmetics, high awareness about brands, quality, specifications of cosmetics

GAINS:

1. Ecstasy of purchase cosmetics
2. More attractive look
3. Meeting social standards

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PAIN RELIEVERS

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PAIN RELIEVERS

describe how exactly your products and services alleviate specific customer pains. They explicitly outline how you intend to eliminate or reduce some of the things that annoy your customers before, during, or after they are trying to complete a job or that prevent them from doing so.

PAIN RELIEVERS TRIGGER QUESTIONS

Could your product / service …

1. … produce savings? In terms of time, money, or efforts.
2. … make your customers feel better? By killing frustrations, annoyances, and other things that give customers a headache.
3. … fix under-performing solutions? By introducing new features, better performance, or enhanced quality.
4. … put an end to difficulties and challenges your customers encounter? By making things easier or eliminating obstacles.
5. … wipe out negative social consequences your customers encounter or fear? In terms of loss of face or lost power, trust, or status.
6. … eliminate risks your customers fear? In terms of financial, social, technical risks, or things that could potentially go wrong.
7. … limit or eradicate common mistakes customers make? By helping them use a solution the right way.

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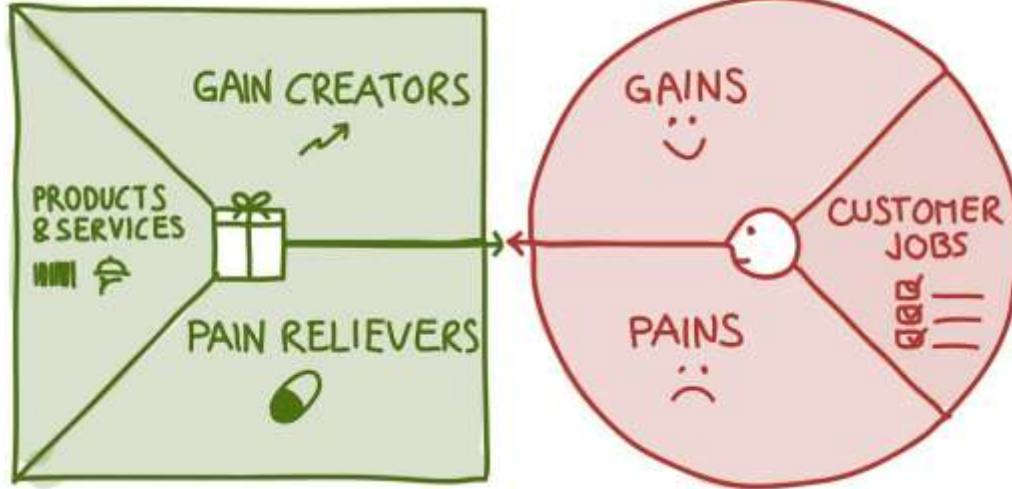
GAIN CREATORS

GAIN CREATORS

describe how your products and services create customer gains. They explicitly outline how you intend to produce outcomes and benefits that your customer expects, desires, or would be surprised by, including functional utility, social gains, positive emotions, and cost savings.

GAIN CREATORS TRIGGER QUESTIONS

Could your product / service ...

1. ... create savings that please your customers? In terms of time, money, and effort.
2. ... produce outcomes your customers expect or that exceed their expectations?
3. ... make your customers' work or life easier? Via better usability, accessibility, more services, or lower cost of ownership.
4. ... create positive social consequences? By making them look good or producing an increase in power or status.
5. ... fulfill a desire customers dream about? By helping them achieve their aspirations or getting relief from a hardship?
6. ... produce positive outcomes matching your customers' success and failure criteria? In terms of better performance or lower cost.
7. ... help make adoption easier? Through lower cost, fewer investments, lower risk, better quality, improved performance, or better design.

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GAP ANALYSIS

GAINS / PAINS	GAIN CREATORS / PAIN RELIEVERS	GAPS
Ecstasy of purchase	Buying process is easy and comfortable	No people to talk and discuss
More attractive look	High-quality products are available	<no gap>
Meeting social standards	Trending products are available	<no gap>
Lengthy selection process due to many parameters of cosmetic products	Mobile application allows customer to make selection at appropriate time	<no gap>
No way to test the product before usage	<no pain reliever>	How to provide the possibility to test cosmetic product from vending machine

Anna Panicheva, Dmitry Zdanovich. L'etoile innovation project