

Business model creation for IT startup ideas

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Lecture outline

- Introduction
- Business model
- Choosing the right business model for IT start-ups
- BM CANVAS
- Lean Canvas
- Business Models for Startups
- Key takeaways

Introduction

Introduction

- Why do engineers need to have some knowledge about economics and business ?
- Do you know what does it mean : dot.com Bubble ?

Introduction

- STARTUP Statistics**



FOUNDER PROFILE

82,8 % Male

84,8 % University degree

35 years when founding the business



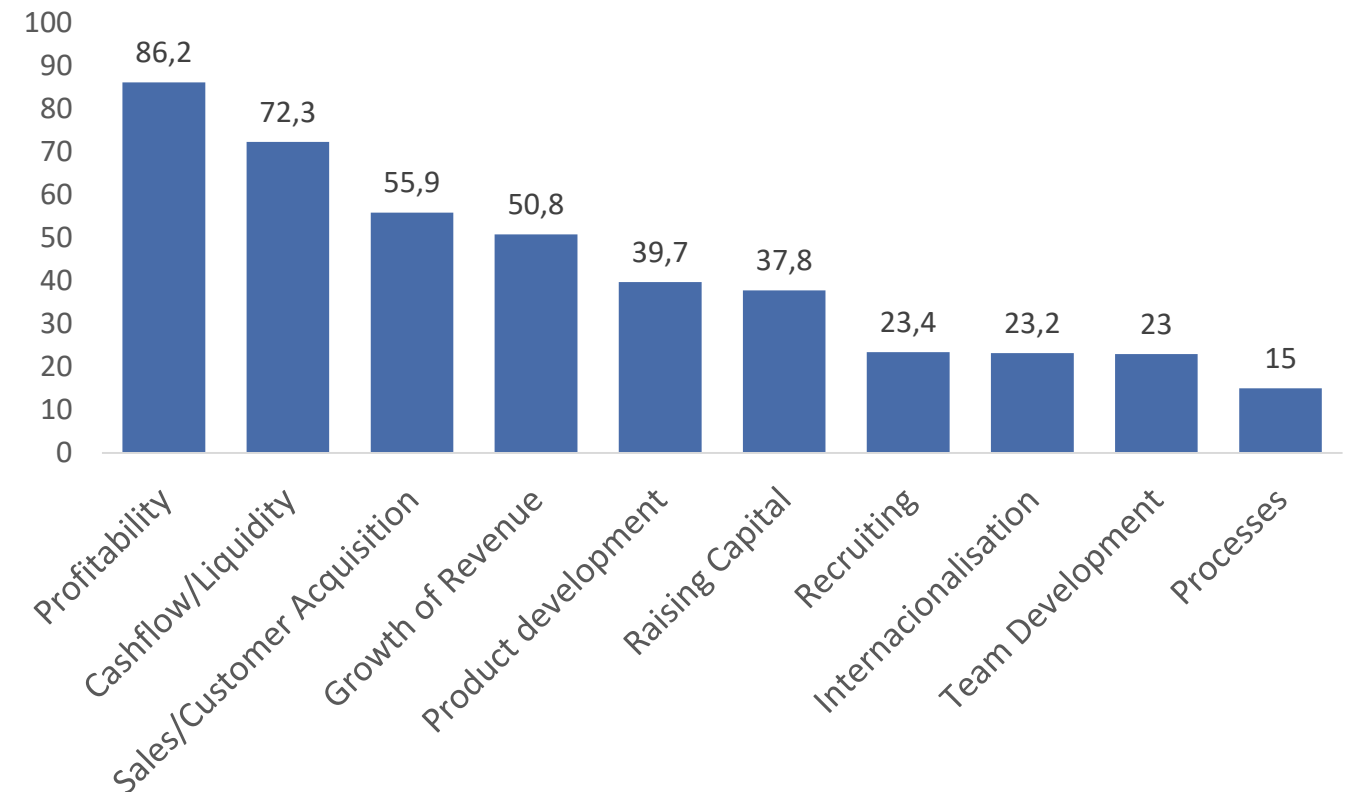
MOTIVATION TO FOUND A STARTUP

79,1 % Self-fulfilment

63,0 % Making money

62,9 % Independence

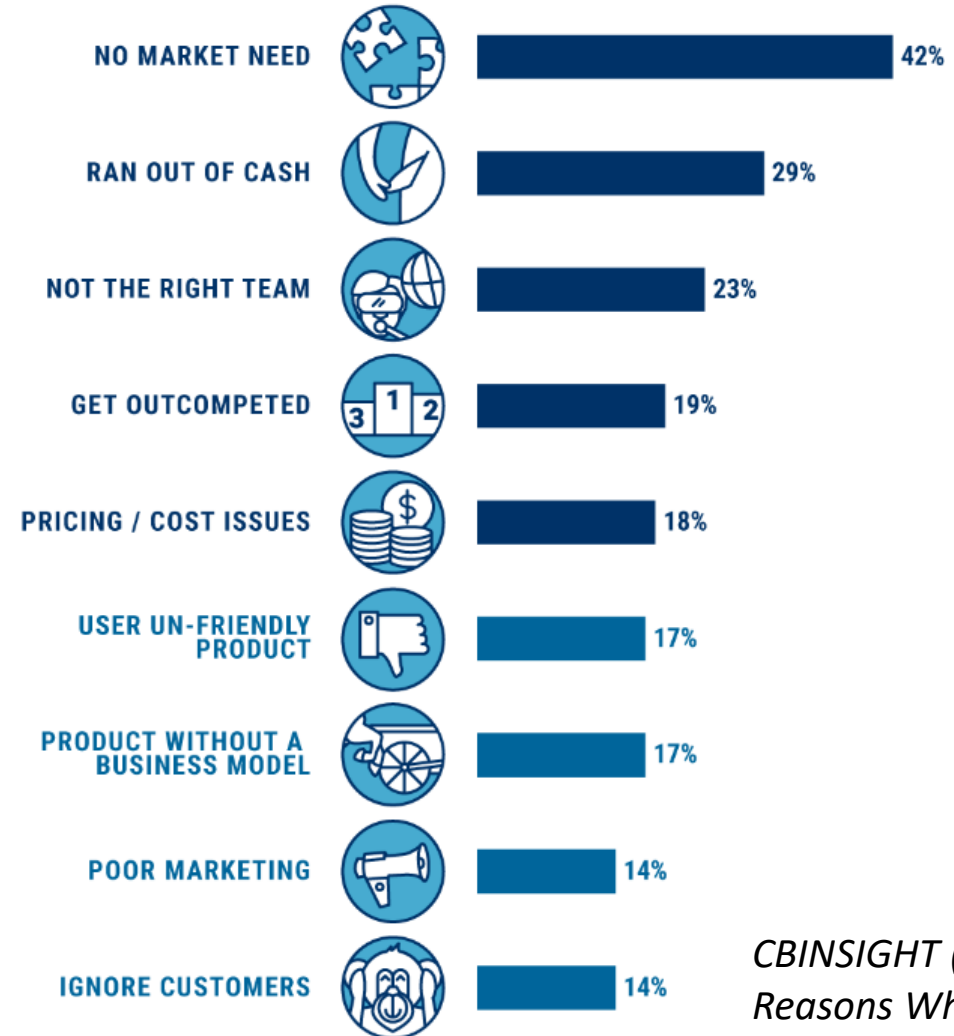
CHALLENGES FOR STARTUPS



Introduction

- **STARTUP** Statistics

BASED ON ANALYSIS OF 101 STARTUP POSTMORTEMS
Top 20 Reasons Startups Fail



CBINSIGHT (2018): Top 20 Reasons Why Startups Fail

Business Model

Business Model Definition

- Business Model defines how the **enterprise creates and delivers value to customers**, and then converts payments received to profits. (Teece ,2010)



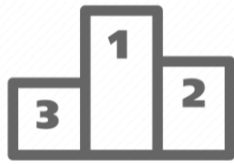
Choosing the right business model for IT startup

Choosing the right business model for IT startup

- Things to ask:



Target Market



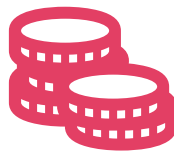
Competition



Potential Customers



Revenues Stream



Value



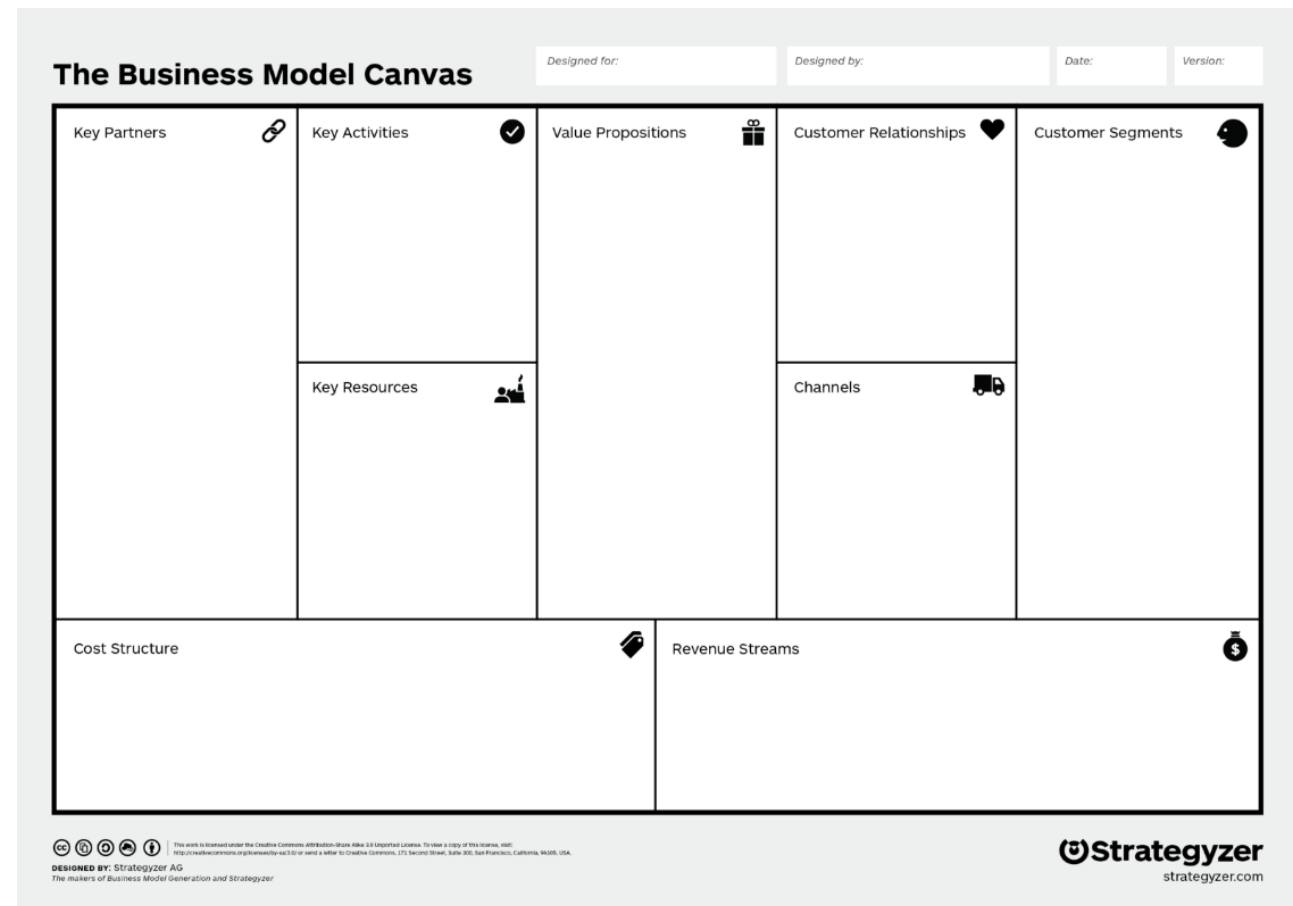
- Tools for choosing business model

- Business Model Canvas
- Lean Canvas
- Business Model Framework
- Social Business Model Canvas
- Customer exploration map
- Value Network

Business Model CANVAS

Business Model CANVAS

- CANVAS - a basic outline which groups together a collection of elements in a structured way.
- Strategic tool which is used to conceptualise new business models or to document existing ones. It helps to guide decisions about the launch of a product, a startup or a new process by illustrating the value and core activity of a company.



Business Model CANVAS

1. Customer Segments

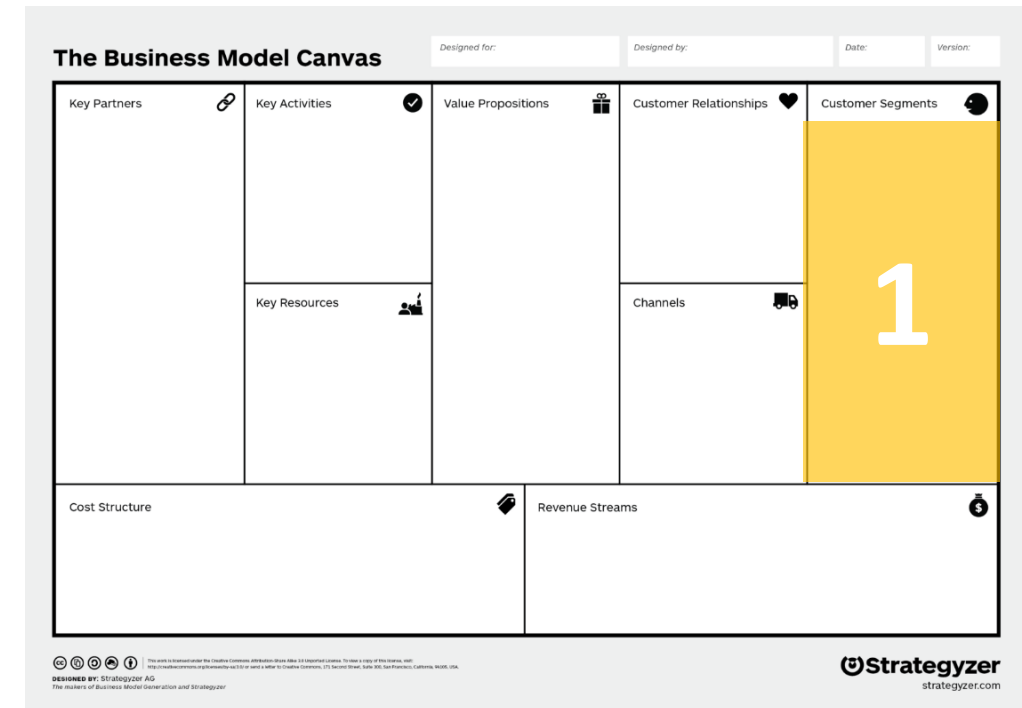
- Business is centred around your customers
- **What is a customer?**

somebody who you need to persuade and delight, because they are the person who is making a purchase decision.

- **What are their jobs, tasks and obligations, their hopes, dreams and aspirations?**

What are their core beliefs and worldviews?

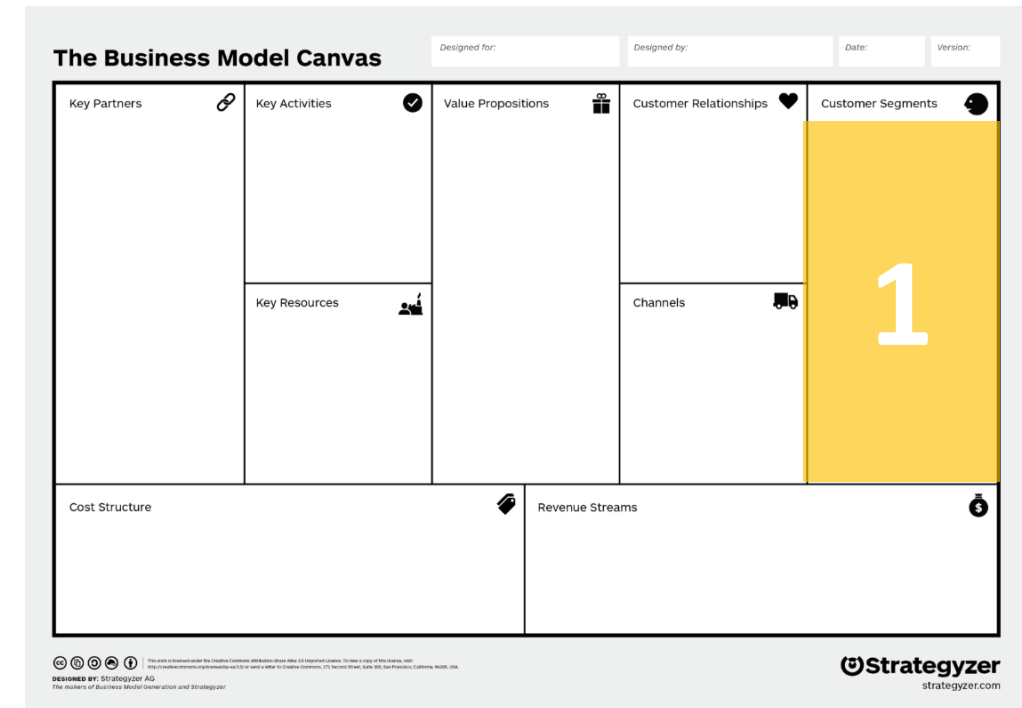
Do they have a good understanding of how they might get what they want?



Business Model CANVAS

1. Customer Segments

- **Picture of your customers**
 - Demographics (age, gender, race, wealth, maybe even occupation)
 - Geographics (location)
 - Psychographics (attitudes, preferences, worldviews and beliefs)



Business Model CANVAS

- 1. Customer Segments
 - Example of Amazon segmentation

AMAZON CONSUMER SEGMENTATION

DEMOGRAPHIC SEGMENTATION



- People with Internet access
- Age group of 25 to 50 years, as 45% of online buyers belong to the 35-49 age group
- Focusing on a younger audience

SITUATIONAL SEGMENTATION



- Convenience as a major reason for online purchases
- Interest in new categories
- New lucrative deals every day, every hour
- Low pricing as a major factor for purchasing online

PSYCHOGRAPHIC SEGMENTATION



- Customers segmented by loyalty
- Customers who like innovations and changes to the website
- Those who value customer care first
- People who click on recommended and suggested products the most

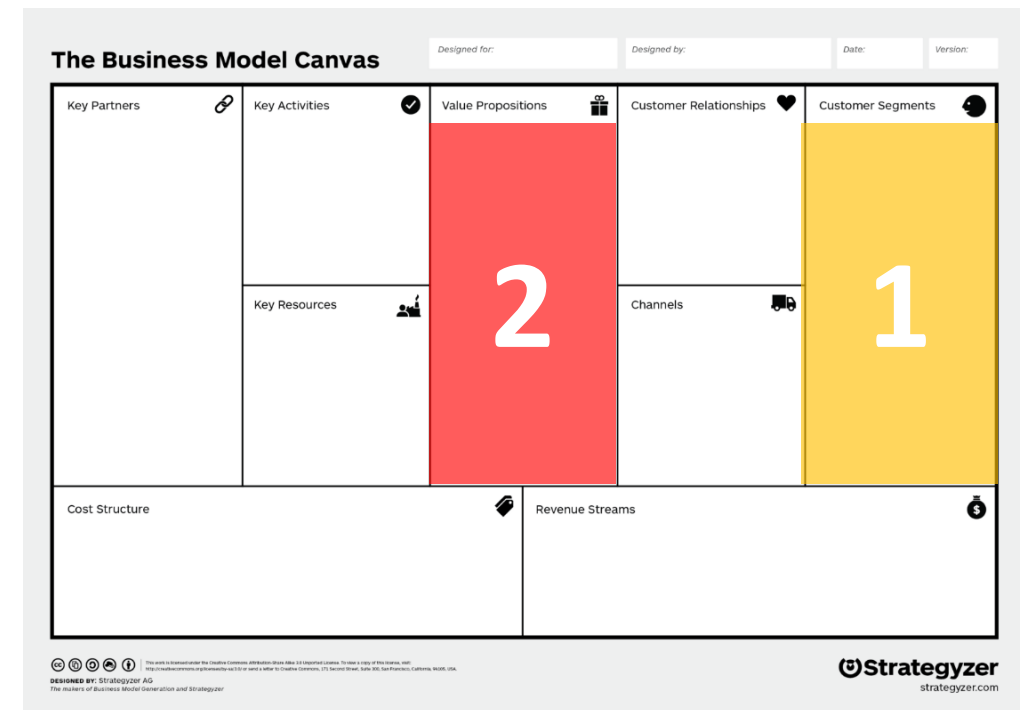
GEOGRAPHIC SEGMENTATION



- International appeal
- Digital sales over 'real-world' sales
- Focuses on developed areas
- For rural areas - smartphone use crucial

Business Model CANVAS

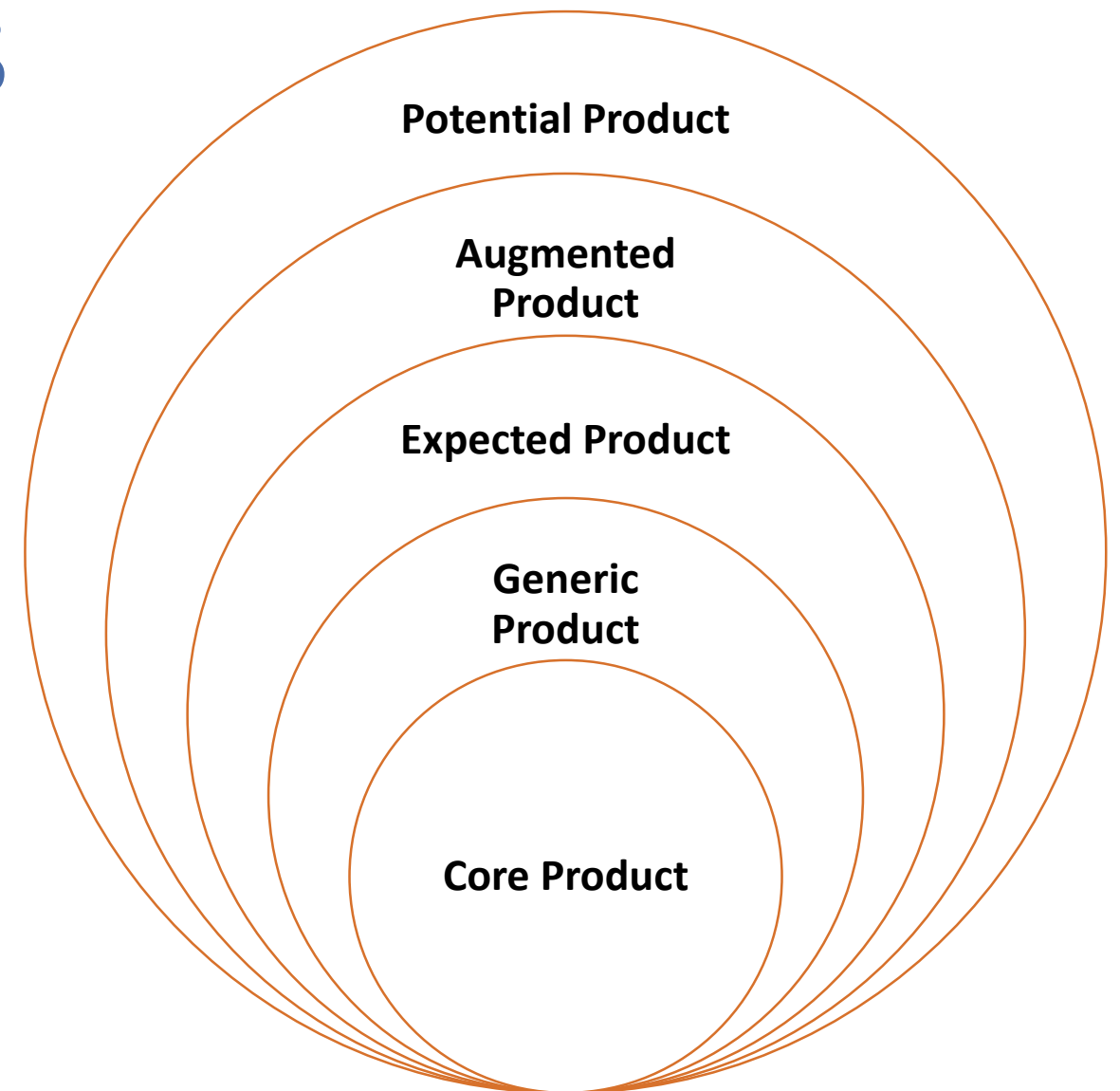
- 2. Value propositions
 - Products and services that company offers
 - Which of the needs of your customers are you trying to fulfill?
 - How do you differ from the competition?



Business Model CANVAS

2. Value propositions – Total product

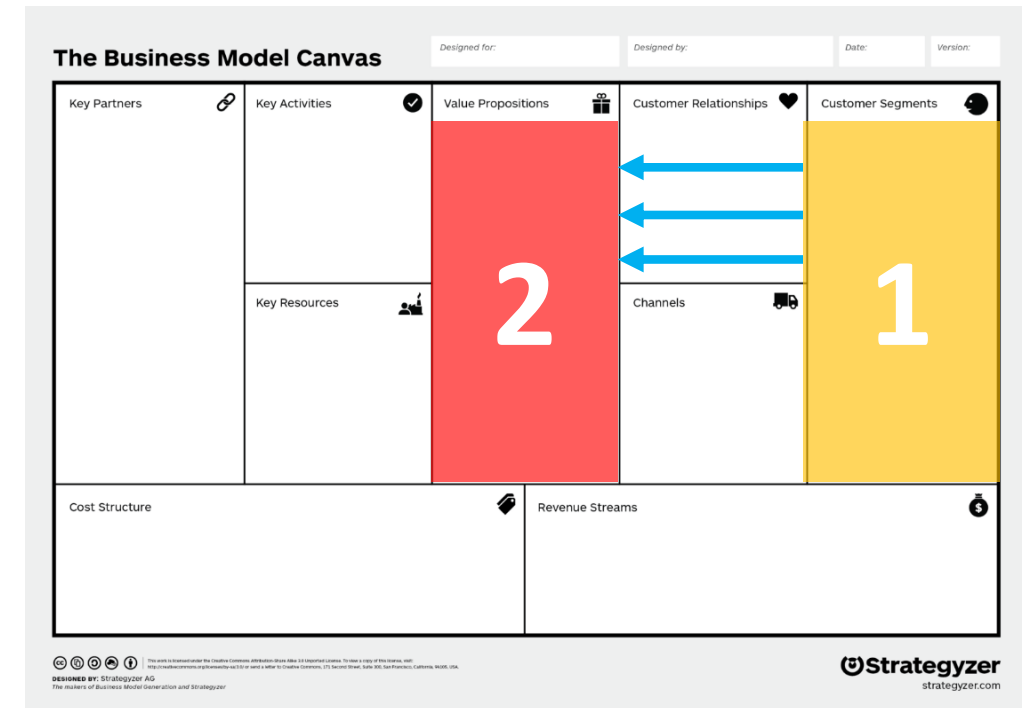
- **Core product**
purpose of the product
- **Generic product**
All qualities of the product
- **Expected product**
aspects the consumer expects to get when they purchase a product
- **Augmented product**
additional factors which sets the product apart from that of the competition
- **Potential product**
transformations that the product may undergo in the future



Business Model CANVAS

2. Value propositions

- Important relationship between Customer segments and Value propositions
- For every customer segment it is value proposition linked



Business Model CANVAS

3. Channels

- Important role for customer experience
- Find a way how customers want to be reached



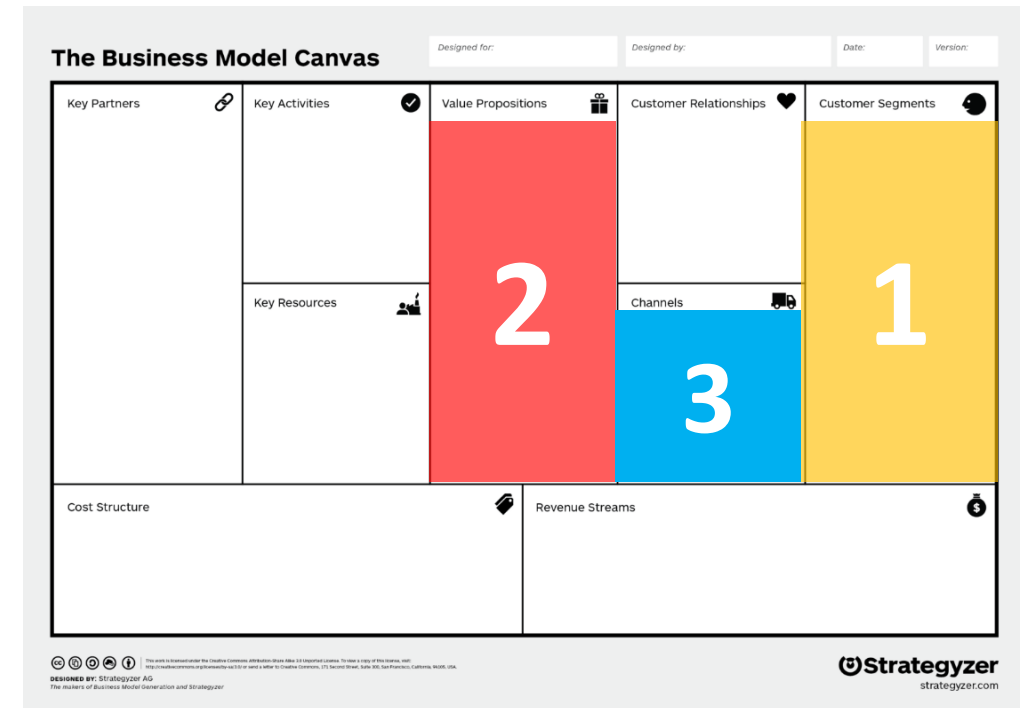
Communication



Distribution



Sales



Business Model CANVAS

- 3. Channel phases



Awareness

How and Where can we promote our products and services?



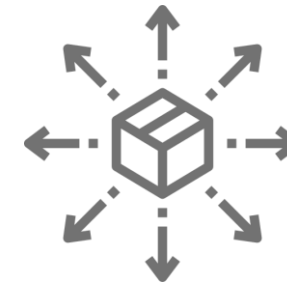
Evaluation

How can our customers evaluate our value (products or services)?



Purchase

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



Delivery

How do we deliver our products and services?



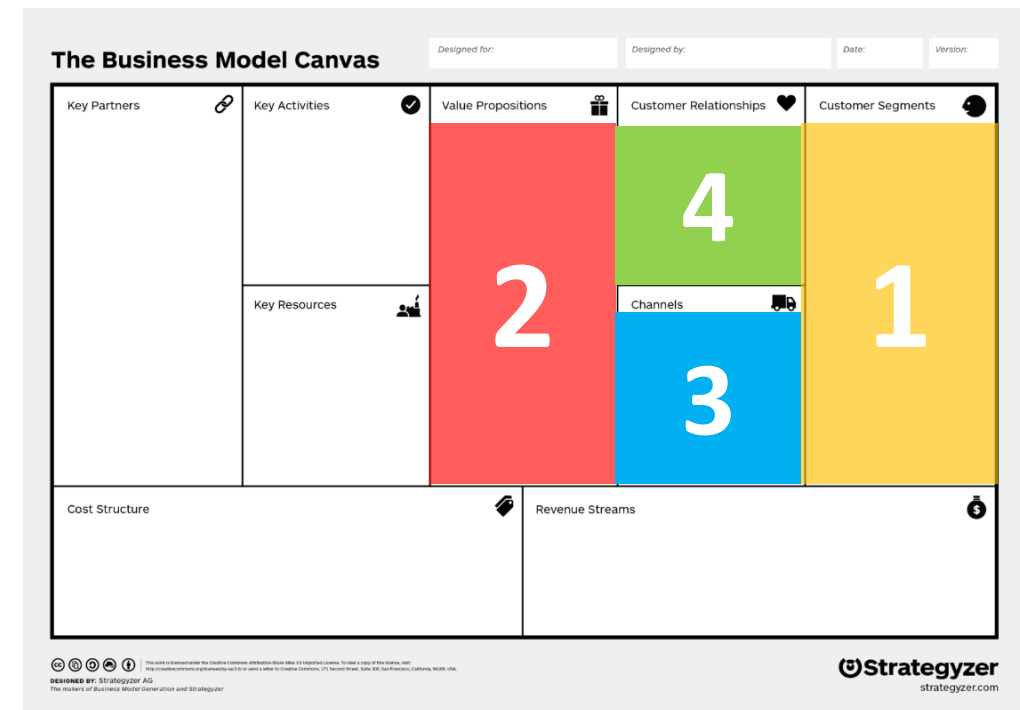
After sales

How do we provide customer services after purchase?

Business Model CANVAS

4. Customer relationships

- Connected with channels
- Focused on every customer segment
- How does the customer interact with you through the sales and product lifecycle?



Business Model CANVAS

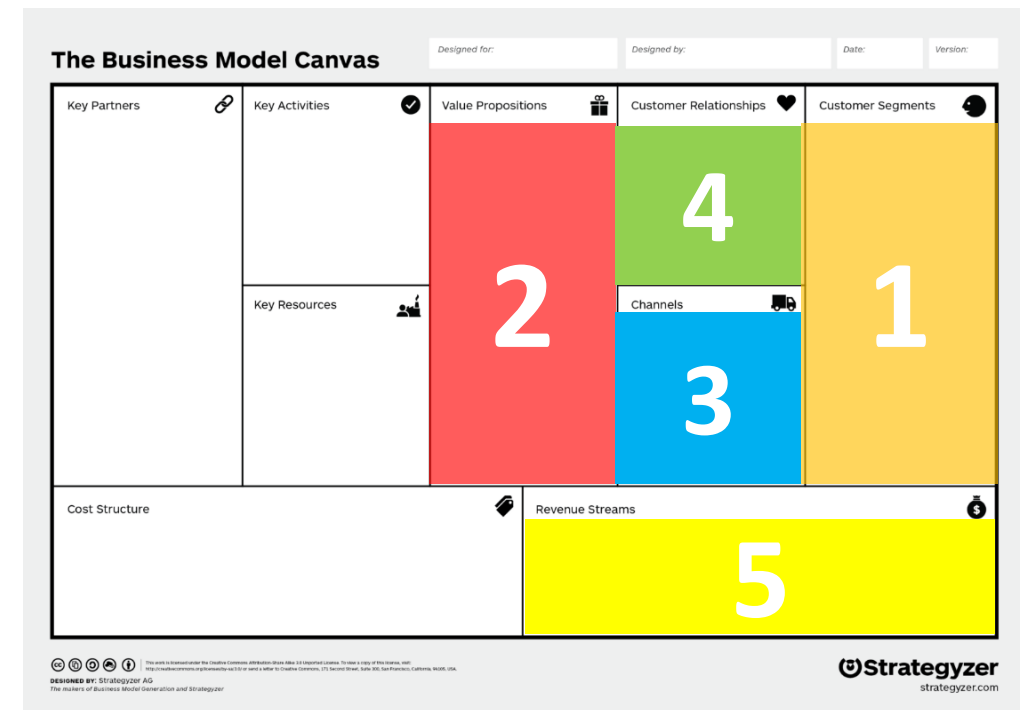
4. Customer relationships – Forms of Customer relationships

 <p>PERSONAL ASSISTANCE</p>	 <p>DEDICATED PERSONAL ASSISTANCE</p>	 <p>SELF-SERVICE</p>
 <p>AUTOMATED SERVICES</p>	 <p>COMMUNITIES</p>	 <p>CO-CREATION</p>

Business Model CANVAS

5. Revenue Streams

- Set up price of the products and services and their forms
 - Fixed pricing, dynamic pricing
 - Forms: asset sale, usage fee, subscription fees, licensing, lending, leasing, advertising
- How will the customers pay?
- What mode of payment would be best to them?
- It should be connected with customer segments



Business Model CANVAS

6. Key Resources

- What key resources are important for production of products or services?



Physical

Manufacturing facilities, buildings, vehicles, machines...



Human Employees



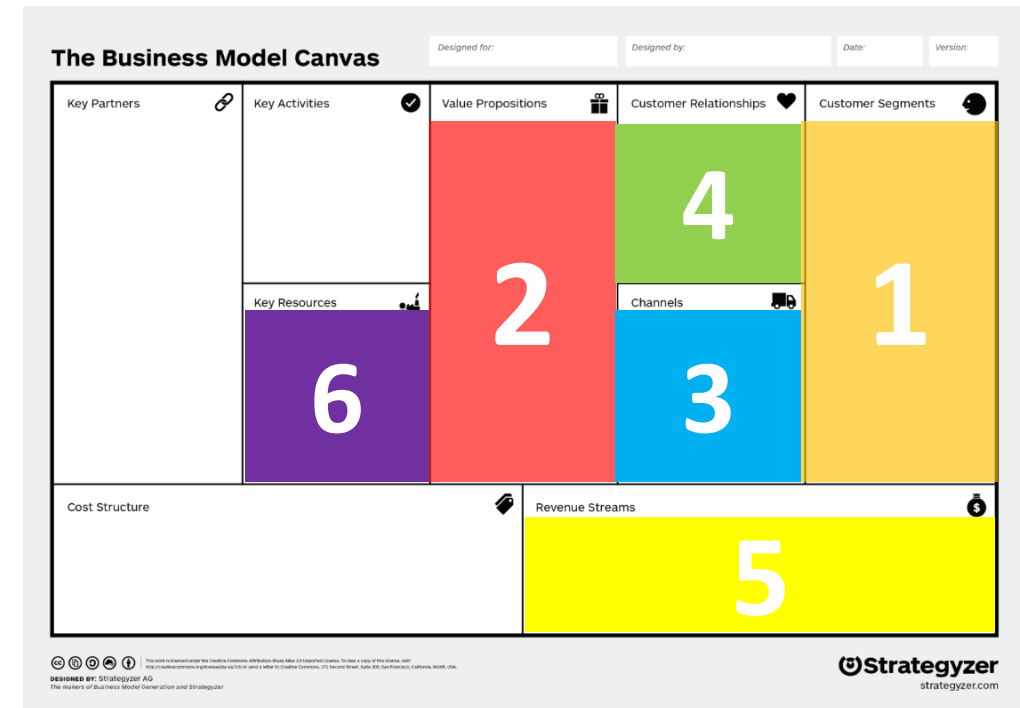
Intellectual

Brands, knowledge, partnerships, patents...



Financial

Cash, stock options...



Business Model CANVAS

7. Key Activities

- Customer value propositions are created through key activities
- Activities focused on:
 - Production of products and services
 - Distribution channels
 - Customer relationships
 - Revenue streams

- Typical activities:



Research & Development



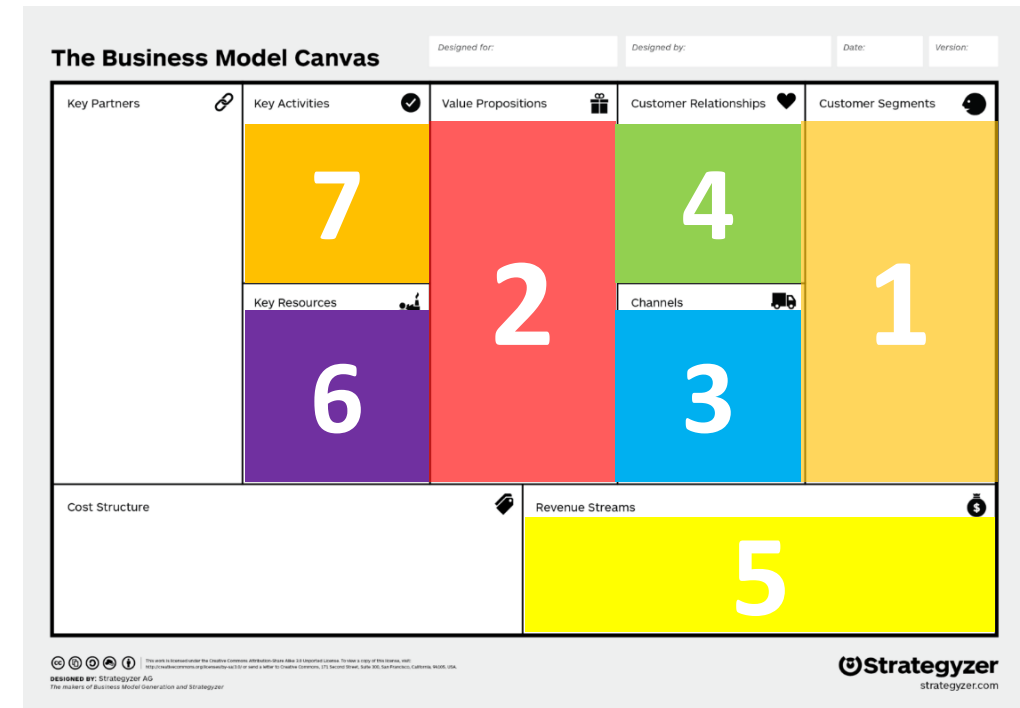
Production



Marketing



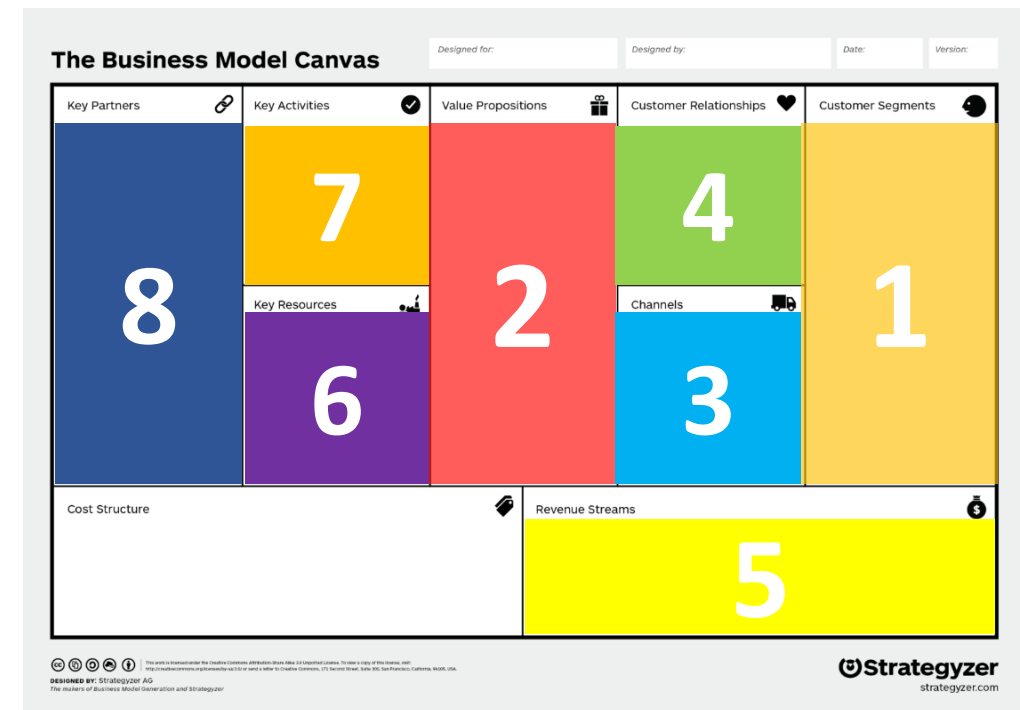
Sales & Customer Services



Business Model CANVAS

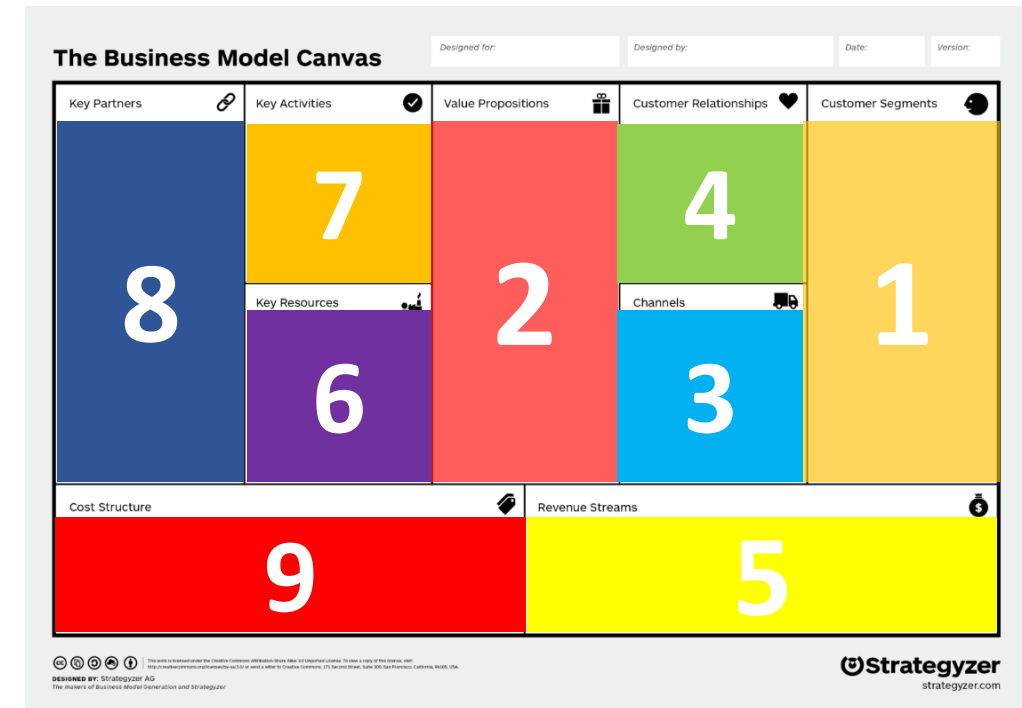
8. Key Partners

- Who are your partners and suppliers?
 - Key partners – critical partnerships to your business
- What are the motivations for the partnerships? (Value for you and them)
- Which of your suppliers and partners are sourcing your key resources?



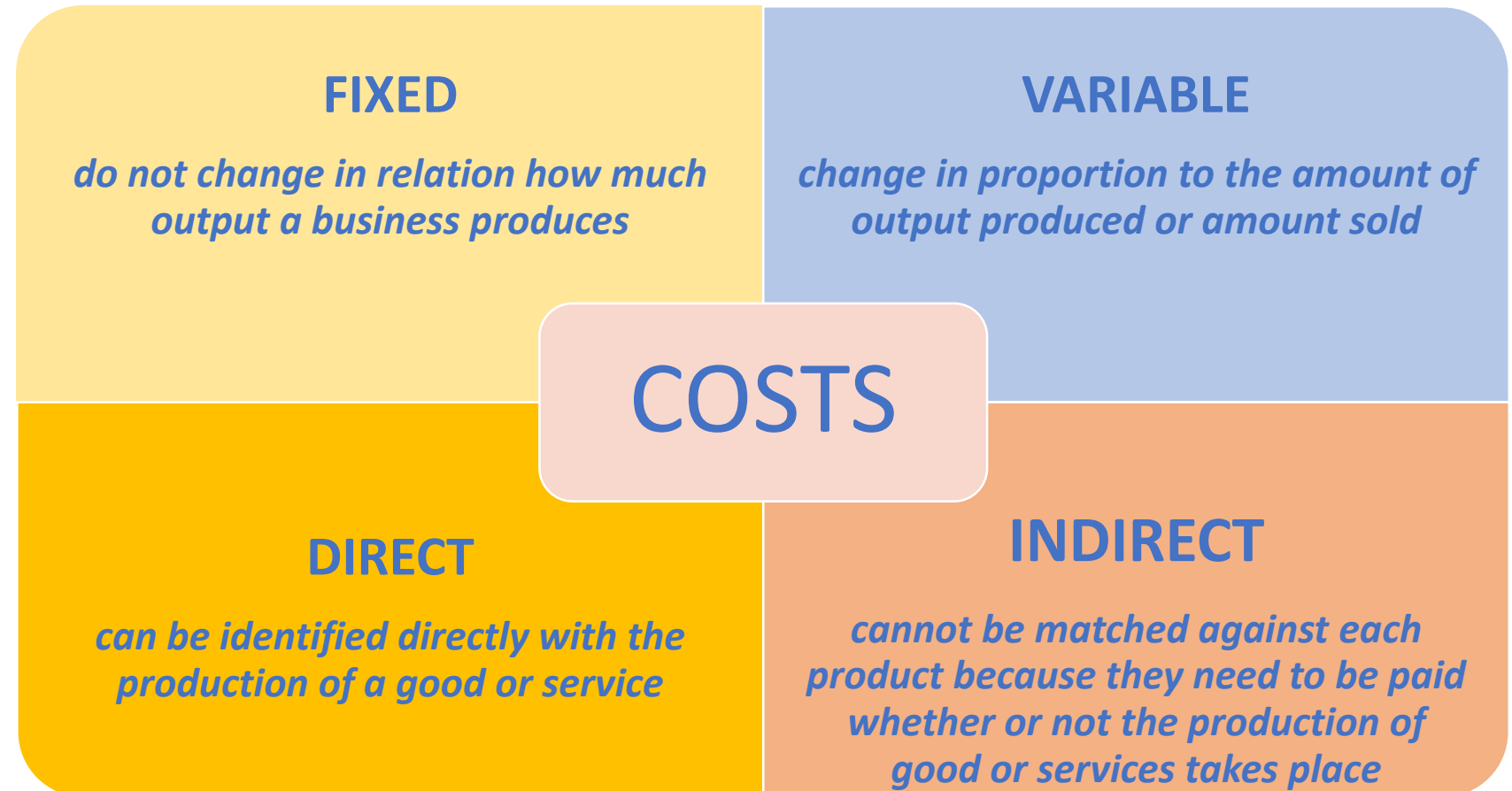
Business Model CANVAS

- 9. Cost Structure
- Which costs are connected with the idea?
- Costs incurred in implementing a business model
- Are the costs more fixed or variable, direct or indirect?



Business Model CANVAS

9. Cost Structure



The Business Model Canvas

Designed for:

Designed by:

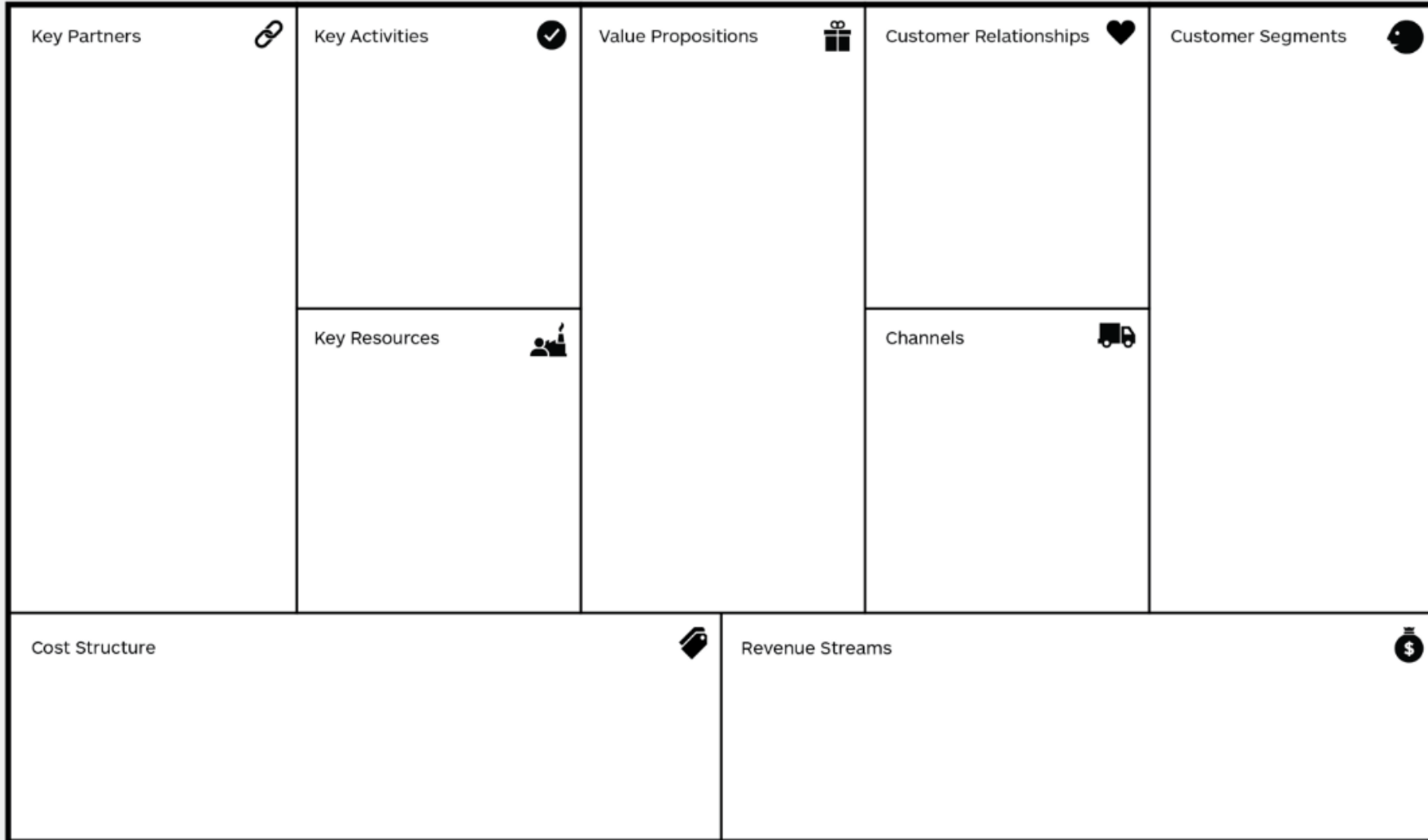
Date:

Version:



TeamSoc21
The ICT Engineer of the 21st Century

Business Model CANVAS



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Business Model CANVAS

• STRENGTHS

- Easy to apply
- Easy to understand the general structure
- A lot of additional information, resources and online tools available
- Easy to compare different business models canvas
- Helps to focus on the value proposition for the customer instead of the product and its features
- Comprehensive high-level overview

• WEAKNESS

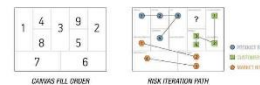
- Relations between components are not visible
- No information on growth strategy and competitive strategy
- No team or cultural elements (only within resources)
- No differentiation between customers and users
- Missing perspective for sustainability and responsibility of business

Lean Canvas Model

Lean Model Canvas

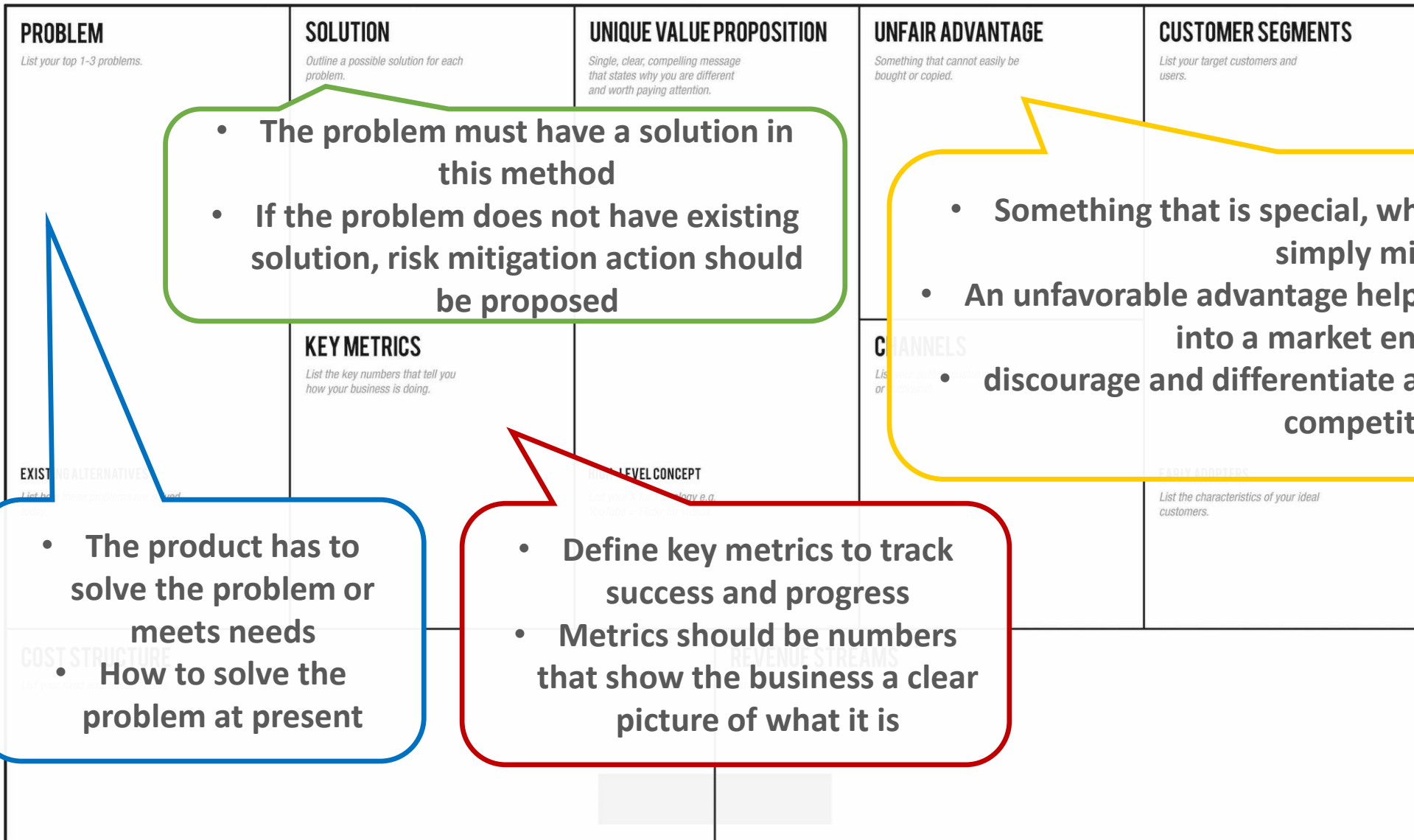
- Based on the Canvas Model
- It consists of 9 parts
- Enables the company to stimulate change dynamics
- Serves to solve the problem

PROBLEM <i>List your top 1-3 problems.</i>	SOLUTION <i>Outline a possible solution for each problem.</i>	UNIQUE VALUE PROPOSITION <i>Single, clear, compelling message that states why you are different and worth paying attention.</i>	UNFAIR ADVANTAGE <i>Something that cannot easily be bought or copied.</i>	CUSTOMER SEGMENTS <i>List your target customers and users.</i>
	KEY METRICS <i>List the key numbers that tell you how your business is doing.</i>		CHANNELS <i>List your path to customers (inbound or outbound).</i>	
EXISTING ALTERNATIVES <i>List how these problems are solved today.</i>	HIGH-LEVEL CONCEPT <i>List your X for Y analogy e.g. YouTube = Flickr for videos.</i>	REVENUE STREAMS <i>List your sources of revenue.</i>		EARLY ADOPTERS <i>List the characteristics of your ideal customers.</i>
COST STRUCTURE <i>List your fixed and variable costs.</i>				



Lean Canvas

Created by SpaAR // Online version available at www.leancanvas.com

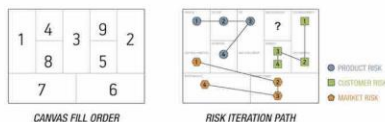


- The problem must have a solution in this method
- If the problem does not have existing solution, risk mitigation action should be proposed

- Something that is special, which competition cannot simply mimic.
- An unfavorable advantage helps to enter a new business into a market environment.
- discourage and differentiate as much as possible from competitors.

- The product has to solve the problem or meets needs
- How to solve the problem at present

- Define key metrics to track success and progress
- Metrics should be numbers that show the business a clear picture of what it is



Lean Canvas

Created by Spark59 // Online version available at www.leancanvas.com

Business Models for Startups

Business Models for IT Startups

- PRODUCT/SERVICE MODEL
- RESELLER (Affiliate Model)
- AD-BASED MODEL
- SUBSCRIPTION MODEL
- ON-DEMAN
- BROKER
- FREEMIUM

Key takeaways

Key takeaways – Technical aspect

- Disruptive ideas – disruptive technologies (Clayton Christensen – Harvard Business School) - be unique, cheap, memorable
- Good IT / Technical Knowledge
 - Continuous education
 - Checking IT trends
 - Focus on innovations / research
- Take feedback seriously
 - Cooperate (universities, research institutions)
 - Choose right co-workers

Key takeaways – Business aspect

- Deliver value to customers
 - analyse demand needs to figure out the right product for right segment (targeting)
 - watch the changing market conditions (macro, micro view of point – economic situation and predictions, competitors, market share)
 - establish business processes (identify core aspect of your business, main sources, management and their responsibilities, key business partners)
 - try to innovate after 3-4 years even your business doing well
- Check your figures (plan and control)
 - Cost models
 - Pricing strategy
 - Revenue models
 - Taxation
 - Profit Maximization Criterias

Key takeaways – Societal aspect

Maximization of the company's profit today, also means to:

- serve customers needs,
 - fulfill requirements of the employees,
 - cooperate with community (around business),
 - be environmental friendly.
- **What to keep in mind**
 - achieve sustainability - not only succeed, but sustain success into the future (try to secure present needs without compromising the future generations)
 - manage business processes to produce an overall positive impact on society (CSR – Corporate social responsibility)
 - use analysis tools (PEST analysis , SWOT analysis, BCG, benchmarking, EFQM, etc.)

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