

Translating a Theory into a Business Model 1

VALUE LAB | A THEORY FOR YOUR FIRM

THEORY		ACTIONS
Beliefs Common	Core Problem	Run Experiments
	Subproblems	Shop for Investments
Contrarian or Uncommon	Causal Logic <i>(expressed as if/then statements or hypotheses)</i> IF THEN	Search for Solutions

Contrarian
Belief



Problem



Theory



Critical
Resources to
Secure



Business
Model



UX Model

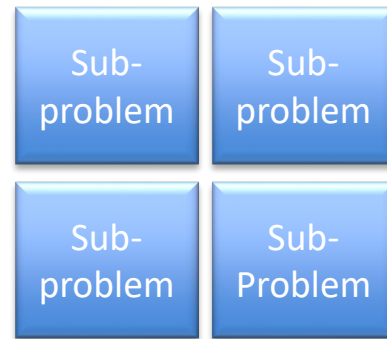


Talent Model

Financing Model

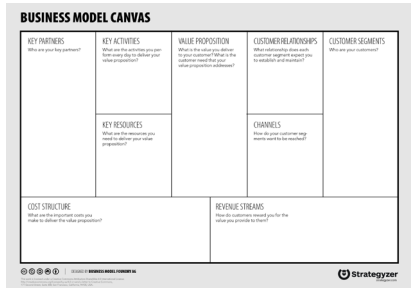
Operating
Model

Innovation
Model



Solutions to
Find

Experiments
to Run





THE OBJECT OF AN ENTREPRENEUR

Create value through collaboration with other actors and assets

Position yourself to capture some portion of the value created



Business model as the mechanism through which you create and capture value.

An overwhelming number of options



Sheet Music from www.mfiles.co.uk
Symphony No.6
 Op. 68 in F "Pastoral" - 1st movement
 Ludwig van Beethoven

Allegro ma non troppo

© Music Files Ltd www.mfiles.co.uk



Musician



Musician

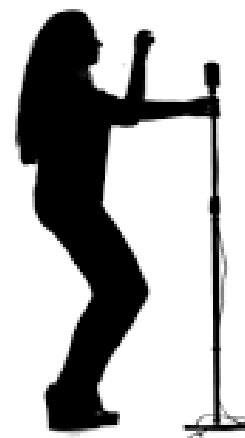


Concert Promoter

Actors Collaborate to Create Value,
and Compete to Capture It.



songwriter



Vocalist

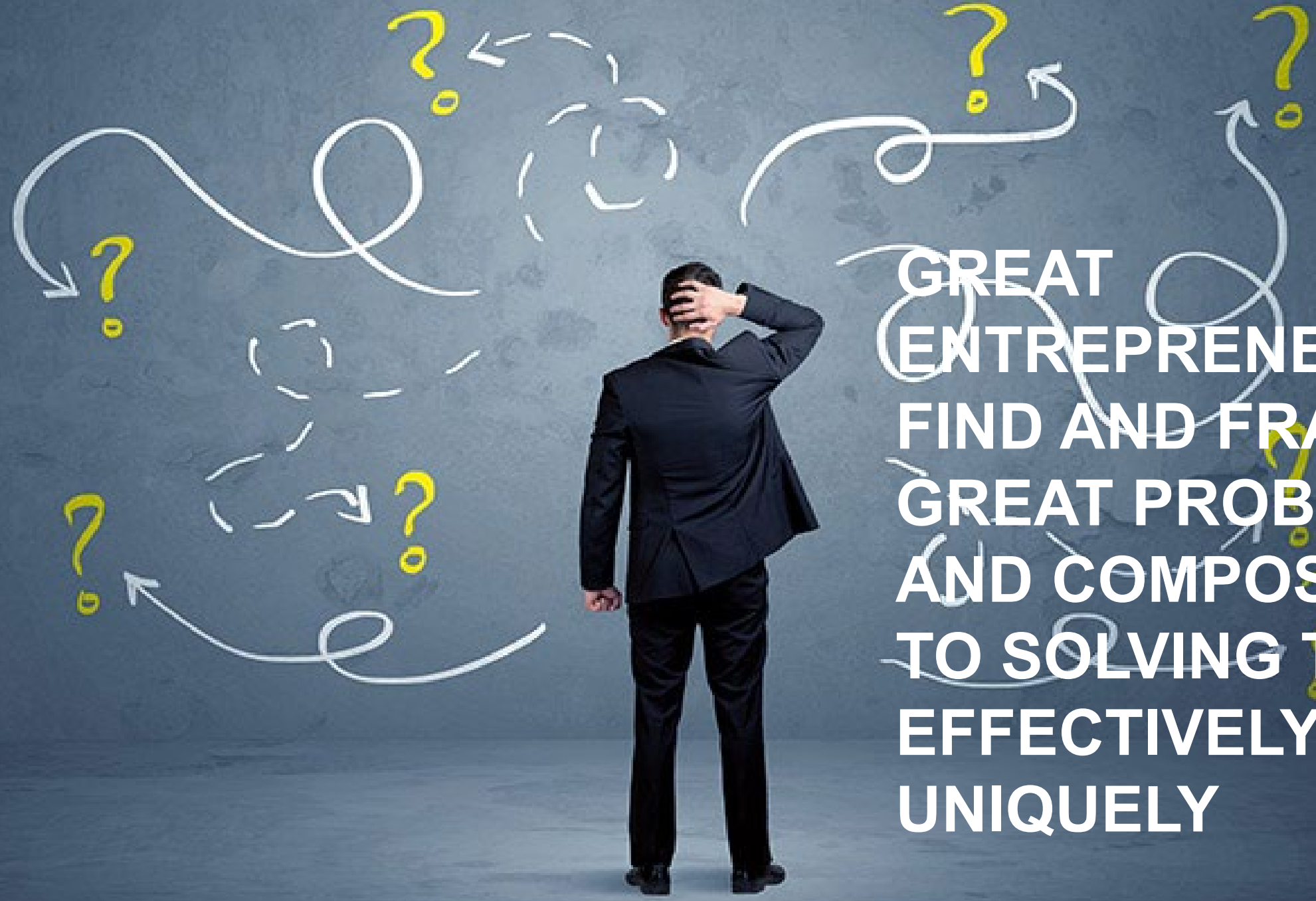


Distribution



VALUE CREATION & CAPTURE OPTIONS:

1. Be a songwriter and sell music to artists
2. Be a musician-composer, create a band, perform concerts, and sell performed music.
3. Be a conductor. Or, be a producer. Choose and interpret music.
4. Be a vocal artist and outsource songwriting.
5. Be a promoter of music – a concert promoter, or a marketer.
6. Compose a music distribution platform.



**GREAT
ENTREPRENEURS
FIND AND FRAME
GREAT PROBLEMS
AND COMPOSE A PATH
TO SOLVING THEM
EFFECTIVELY AND
UNIQUELY**

VALUE CREATION AND CAPTURE

- The introduction of value stems from solving a “problem” or (more effectively) satisfying an unmet need.

- “There is never a cab when I need it.”

Uber

- “Coffee is horrible and the purchase experience is worse”



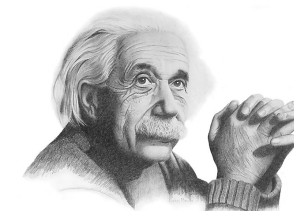
- “Retail prices in small towns are very high”

Walmart 

- “Computers are incredibly user unfriendly”



- Strategies emanate from well framed problems and from “theories” about how to solve them.



A THEORY

Belief



There is vast reservoir of personal vehicles (and drivers) which could satisfy the unmet demand for taxi service

Problem

How do we provide fast, reliable taxi service, especially at times when taxis are difficult to secure?

Theory (in words)

If we can efficiently connect drivers to riders, enable riders to feel confident in the timeliness of service, and both riders and drivers to feel safe, then we can tap this vast reservoir of personal vehicles to address unmet taxi demand.

Sub Problems

Managing Payment and Tips

Arrival uncertainty/reliability

Efficient matching system

Driving with Strangers

A THEORY

Belief

Problem

Sub Problems



How do we make personal computers that are easy to use and reliable?

Theory (in words)

Computers can be a useful product for the masses

If we can make personal computers **easy to use and reliable**, then masses of consumers will purchase and purchase at a premium price.

Clumsy, non-intuitive OS

Mismatch between screen and printed output

Integrating peripherals and new software

Reliability/system stability

UNIQUENESS—THE MOST IMPORTANT WORD IN STRATEGY

A collection of light bulbs is scattered across a dark, reflective surface. One bulb in the center is illuminated with a bright yellow glow, while all other bulbs are unlit and appear as dark, matte objects. The scene is lit from above, creating soft shadows and highlights on the bulbs and the surface they rest on.

- Your capacity to create and capture value is a direct function of the uniqueness of the value you contribute to creating.
- If you are readily replaced by a competitor, then your capacity to capture value is trivial.



Musician



Musician

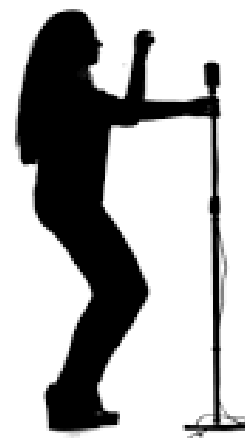


Concert Promoter

How unique is your contribution to the value created?



songwriter

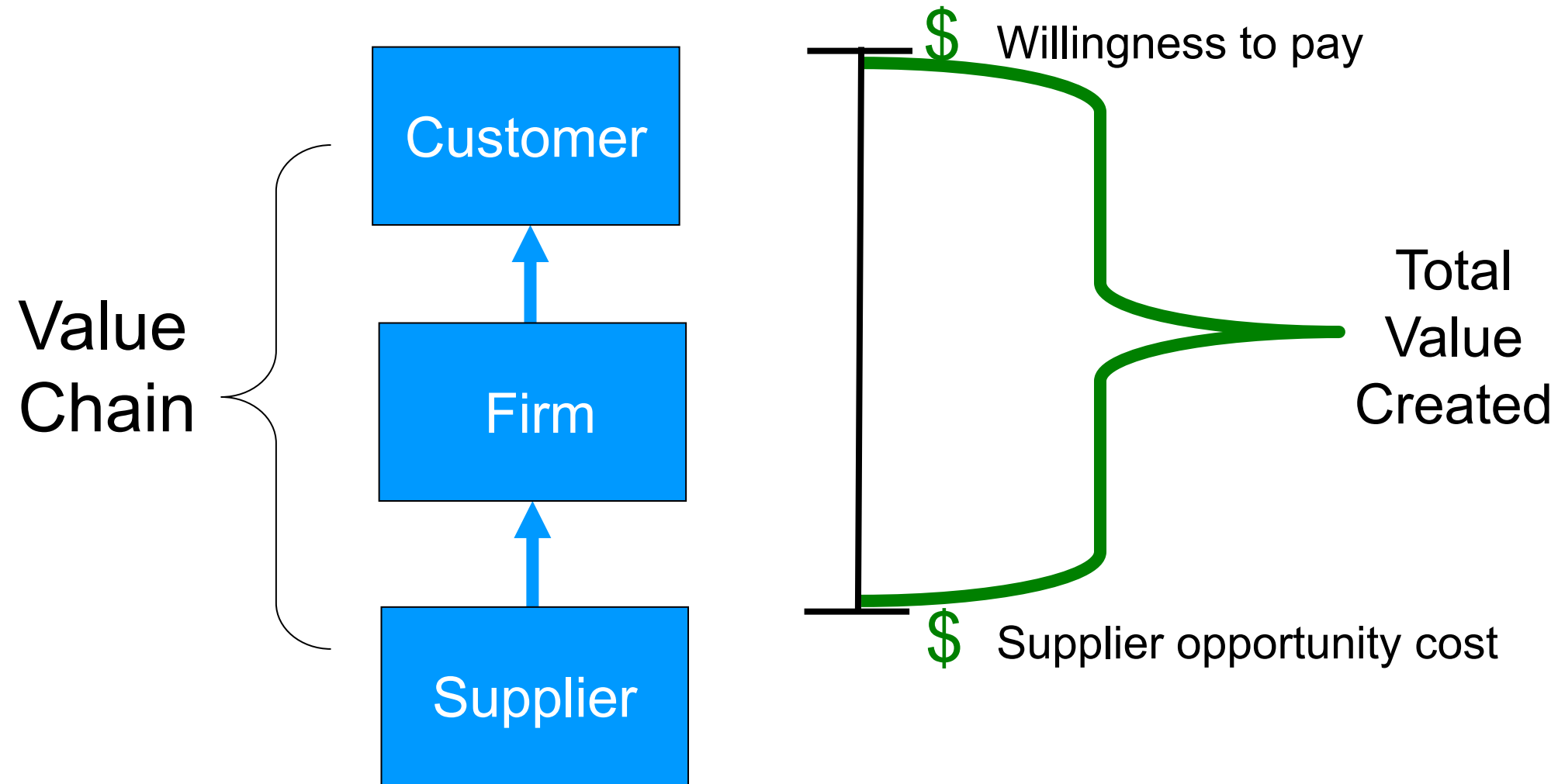


Vocalist



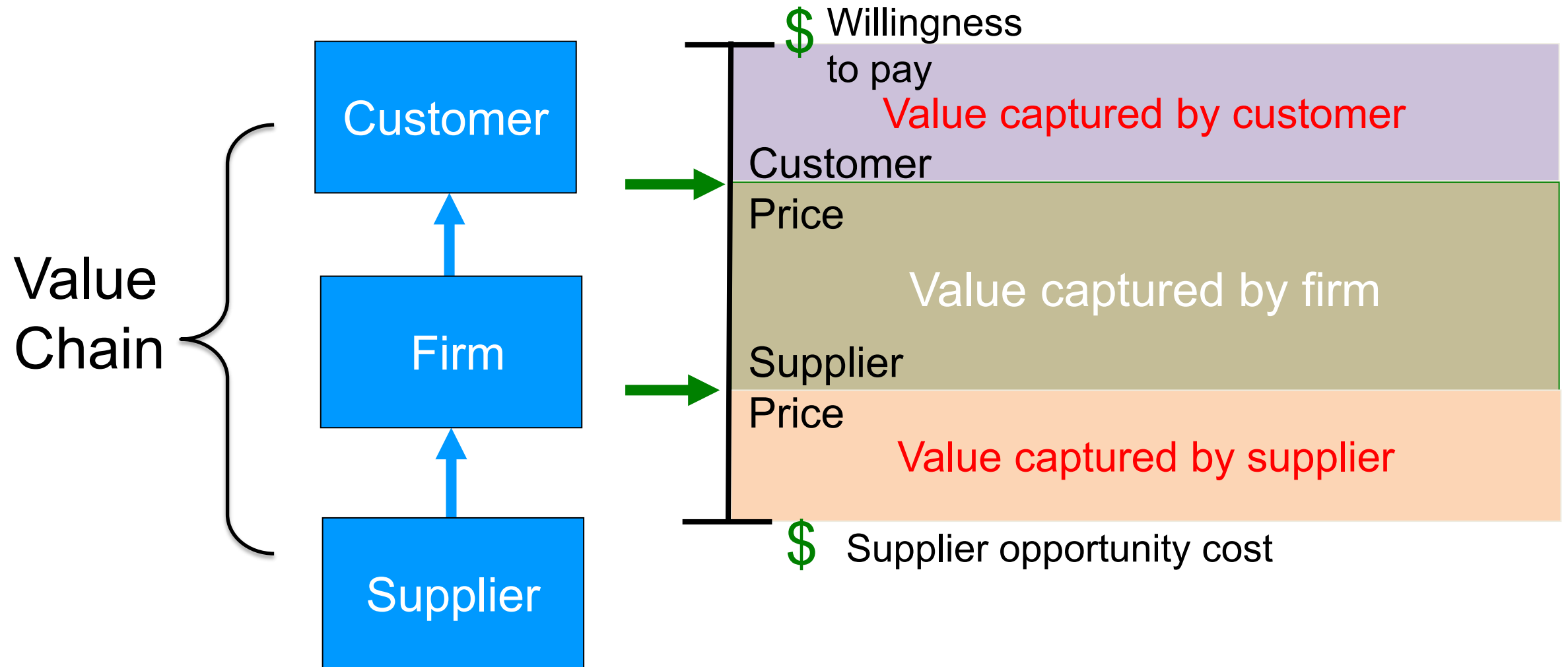
Distribution

VALUE CREATION



VALUE CAPTURE

PRICE – COST = PROFIT



Translating a Theory into a Business Model 2

AN ABUNDANCE OF CHOICES

- Customers
- Suppliers
- Team members
- Sales approach
- Distribution
- Marketing
- Compensation
- Culture
- Segments
- Channels
- Manufacturing
- Customer support

WHAT ABOUT BUSINESS MODEL CANVAS?

- Widely known
- A useful tool to gather and share your work in process
- Not generative

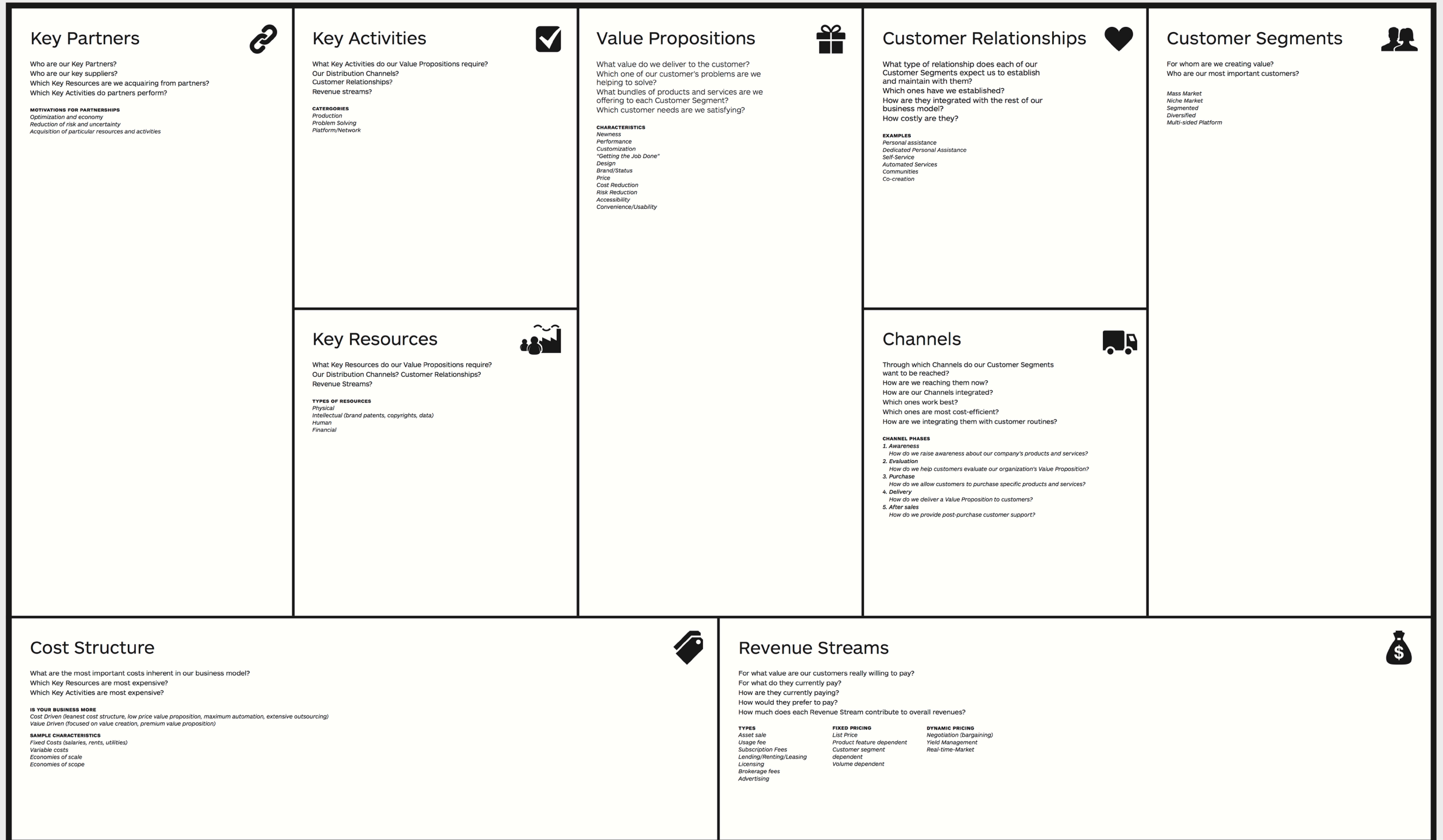
The Business Model Canvas

Designed for:

Designed by:

Date:

Version:



DESIGNED BY: Business Model Foundry AG
The makers of Business Model Generation and Strategyzer

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YOU COMPETE IN MULTIPLE ARENAS

- ✓ Talent markets
- ✓ Funds and Finance
- ✓ Share of Mind and Access to Customer
- ✓ The Efficiency Race
- ✓ Market for Ideas

YOU COMPETE IN MULTIPLE ARENAS

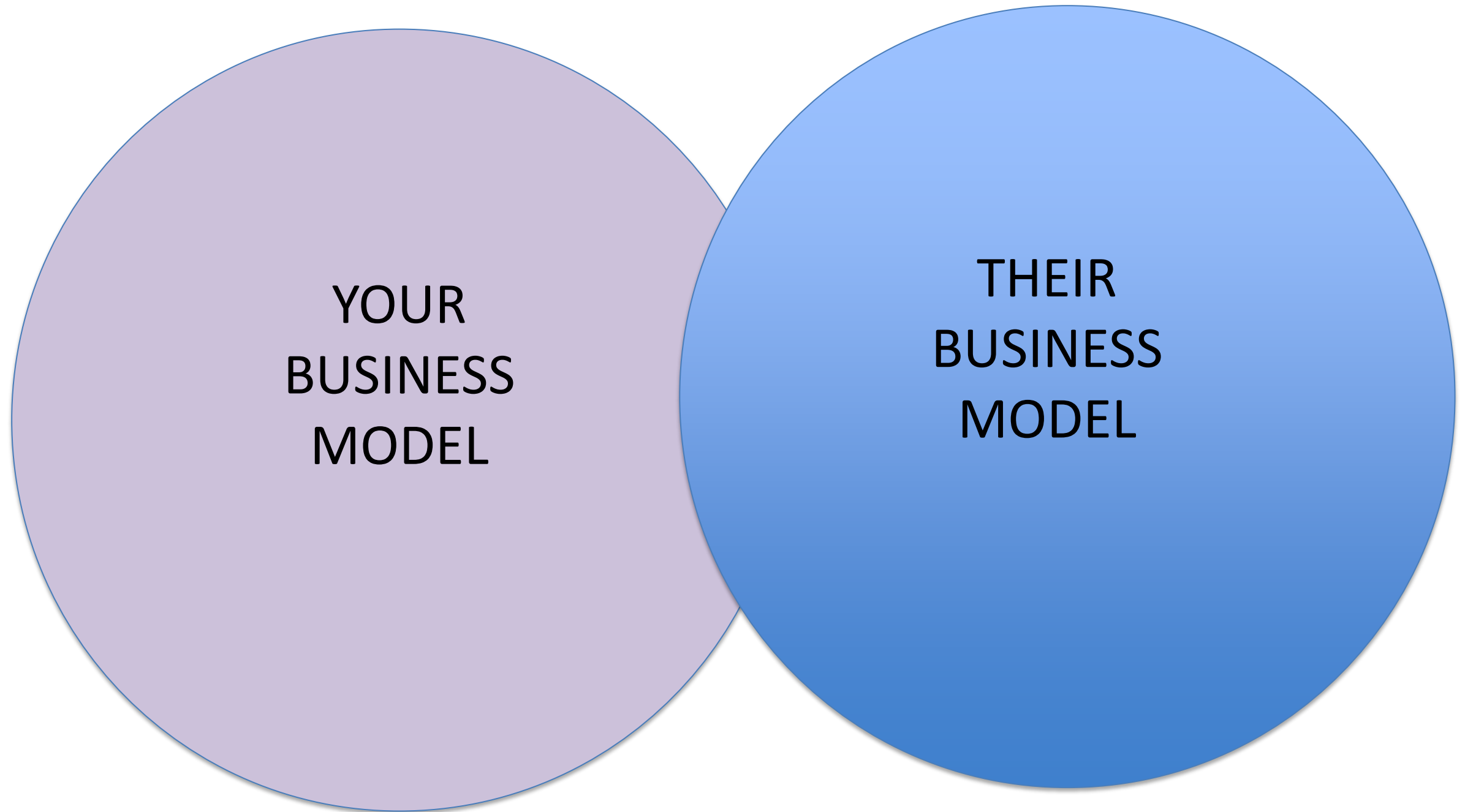
YOU

- ✓ Talent markets
- ✓ Funds and Finance
- ✓ Share of Mind and
Access to Customer
- ✓ The Efficiency Race
- ✓ Market for Ideas

THEM

- ✓ Talent markets
- ✓ Funds and Finance
- ✓ Share of Mind and
Access to Customer
- ✓ The Efficiency Race
- ✓ Market for Ideas

YOU COMPETE IN MULTIPLE ARENAS



WHAT IS YOUR OFFERING ?

Lifestyle

Product

Platform

Service

Experience

Utility

Commodity

Solution

YOU COMPETE IN MULTIPLE ARENAS

- ✓ Talent markets – TALENT MODEL
- ✓ Funds and Finances/Willing – FINANCIAL MODEL
- ✓ Share of mind and Access to Customer - UX
- ✓ The Efficiency Race – OPERATING MODEL
- ✓ Market for Ideas – INNOVATION PIPELINE

WHAT IS YOUR TALENT MODEL?

People and Skills

- Volunteers
- Contractors
- Up or Out Escalator
- Apprentice Investments
- FTE Traditional
- Retired or Semi-retired
- ?
- Experts on Call
- Gig-based
- Project Teams
- ?

WHAT IS YOUR FINANCIAL MODEL?

Revenues and Resources

- Bootstrap
- OPM (other people's \$)
- Direct Pay
- Freemium
- 3rd Party Payer
- Subscription
- Lifetime of a Customer
- ?
- Razor blades or printer ink
- Time Based
- Project Based
- Cost Plus
- ?

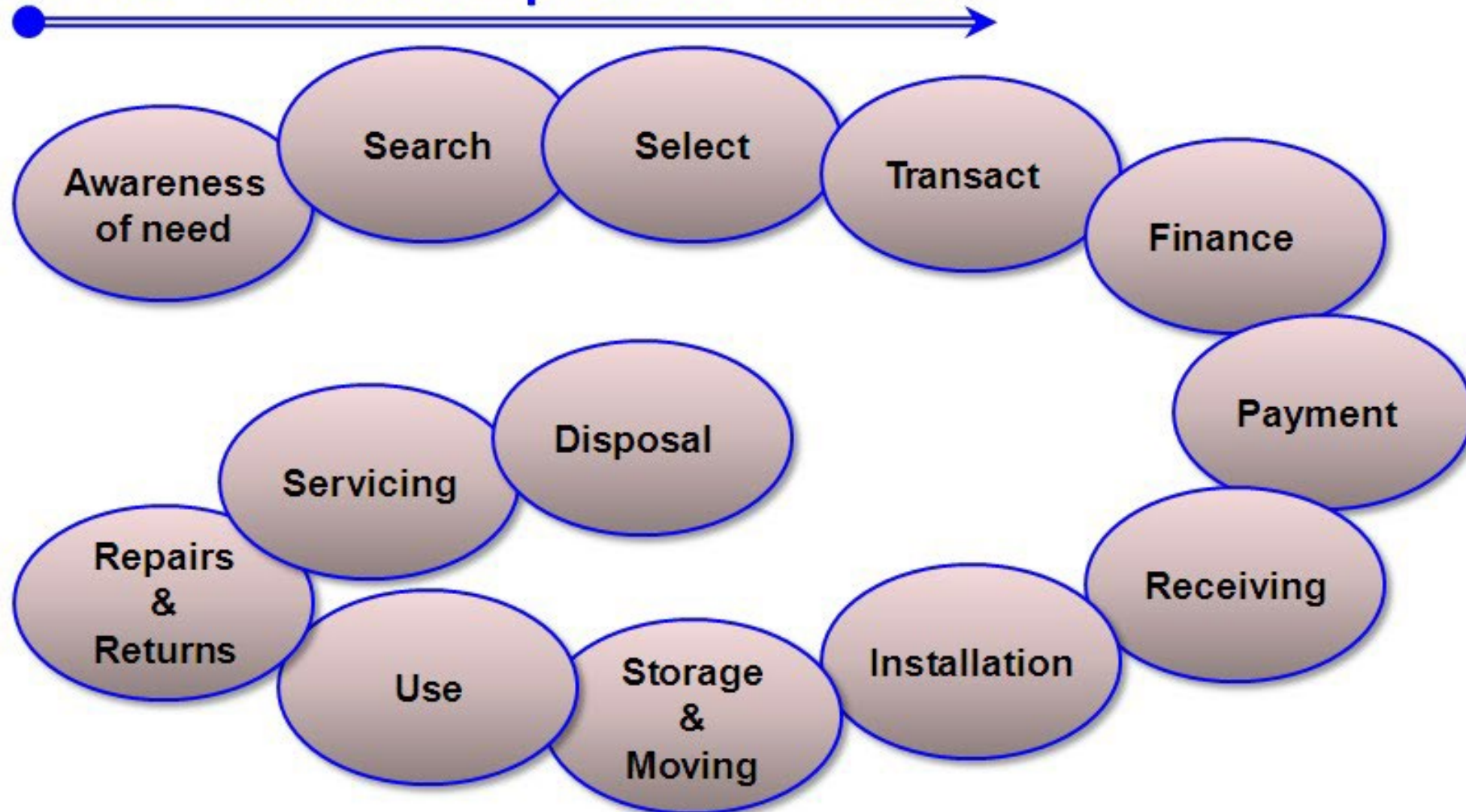
WHAT IS YOUR CUSTOMER MODEL?

Sales and UX

- Face to Face
- Digital Interface
- Digital Environment
- Drop Ship
- Relationship
- Transaction-based
- Episodic or Event Driven ?
- ?

WHAT IS VALUED...AND WHEN?

The Consumption Chain



Source: MacMillan & McGrath, 'Discover New Points of Differentiation' HBR, 1997

WHAT IS YOUR OPERATING MODEL?

Activities and Interdependence

What Inter-related activities do you engage in (or direct or exploit) to deliver your offering to your target market(s)?

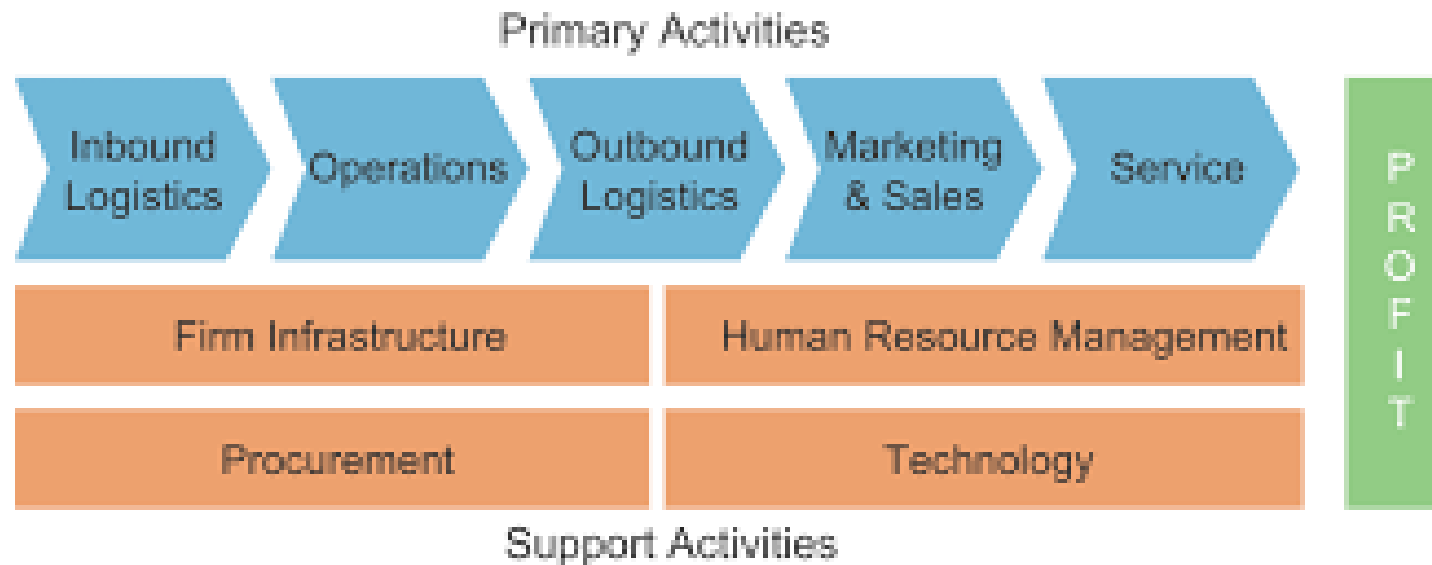
- Value Chain
- Value Constellation
- Activity Map

Value chain of the Gems and Jewellery sector



CLASSIC VALUE CHAIN

Porter's Value Chain Model



WHAT IS YOUR INNOVATION MODEL?

Options and Ideas

- Patents/R&D
- Fast Follower
- Crowd Source
- Internal Competition(s)
- Annual Budget and Project Cycles
- Portfolio of Options
- Etc...

VALUE PROPOSITION STATEMENTS

- This product is for _____ (identify customers)
- Who are dissatisfied with / have a certain problem / like (aesthetic values) / desire (x,y,z ...)
- That provides (identify the precise bundle of product features and services your product/service provides).
- And is similar to _____ (analogous/related product or service that is offered by company X, Y, Z) but differs from them because _____ . (Antilog)

VALUE PROPOSITION

A provider's specific promise to its targets of the benefits it will provide - and what it expects in return.

It answers the following questions:

- Who is your target user or customer?
- What explicit benefits do you provide to your customer?
- How much value do your customers attach to the benefits you provide?
- What perceived value do you provide to the customer better than any others?

Questions to Consider

- Are my Business Model components coherent?
- Will they solve the core problem we have identified?
- Once composed, will my business model position me to be unique relative to competitors?
- Where can I make changes to (a) increase customers' willingness to pay, (b) limit my risk, or (c) decrease costs?