BA291: Introduction to Business

Ajarn Marcus ศรีอนันต์

Class #2

You spoke. I listened.

What I learned

-Many of you are seniors.

-Many of you are car enthusiasts!

-Family business (observe carefully)

-Some of you are concerned about what to do after graduation and are still trying to figure out your dream job.

-Some of you are majoring/minoring in marketing/finance. Others aren't as experienced with those subjects.

-Have you studied management, HR, marketing, business ethics, finance, or operations and supply chain management?

What I learned

-You enjoyed hearing about successes and mistakes.

-You like to hear about new and real world things that aren’t in textbooks.

-How to manage your time? Priority and routine…

-You might have jobs outside of school.

-You like the BE!

-You’re polite, nice, and motivated.

***You’re going to be successful. Don’t forget about me!**

TIP OF THE DAY…

Dream job

You know what you like. Start from there…

Dream job

-Choose your career around your passion!

-Start small if you have to; get closer to it!

-Netflix and chill?

Questions?

“And like art itself, it’s one of those things many people feel they can recognize when they see it (especially a particularly clever or terrible one) but can’t quite define.”

-Michael Lewis

Attendance

The business model

Article: *What Is a Business Model?*

[HTTPS://HBR.ORG/2015/01/WHAT-IS-A-BUSINESS-MODEL](https://hbr.org/2015/01/what-is-a-business-model)

“There’s not a single business model... There are really a lot of opportunities and a lot of options and we just have to discover all of them.”

-Tim O’Reilly

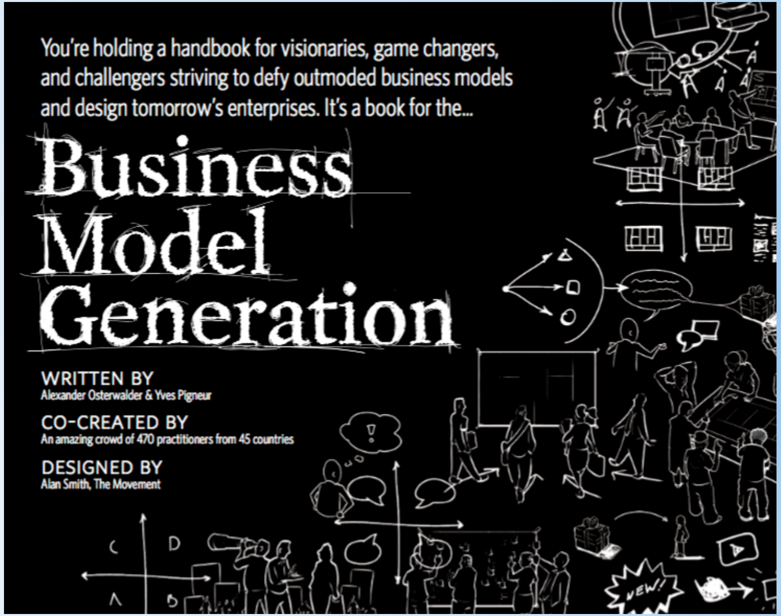
But, are they all good?

Article: ***The Worst Business Model in the World (And What You Can Learn From It)***

https://hbr.org/2009/06/wonga

Reference

Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers



Osterwalder, Alexander, and Yves Pigneur. *Business model generation: a handbook for visionaries, game changers, and challengers*. John Wiley & Sons, 2010.

*Credit to the authors for all images, text, and ideas presented in this next section

Before that…

A brief lesson on values…

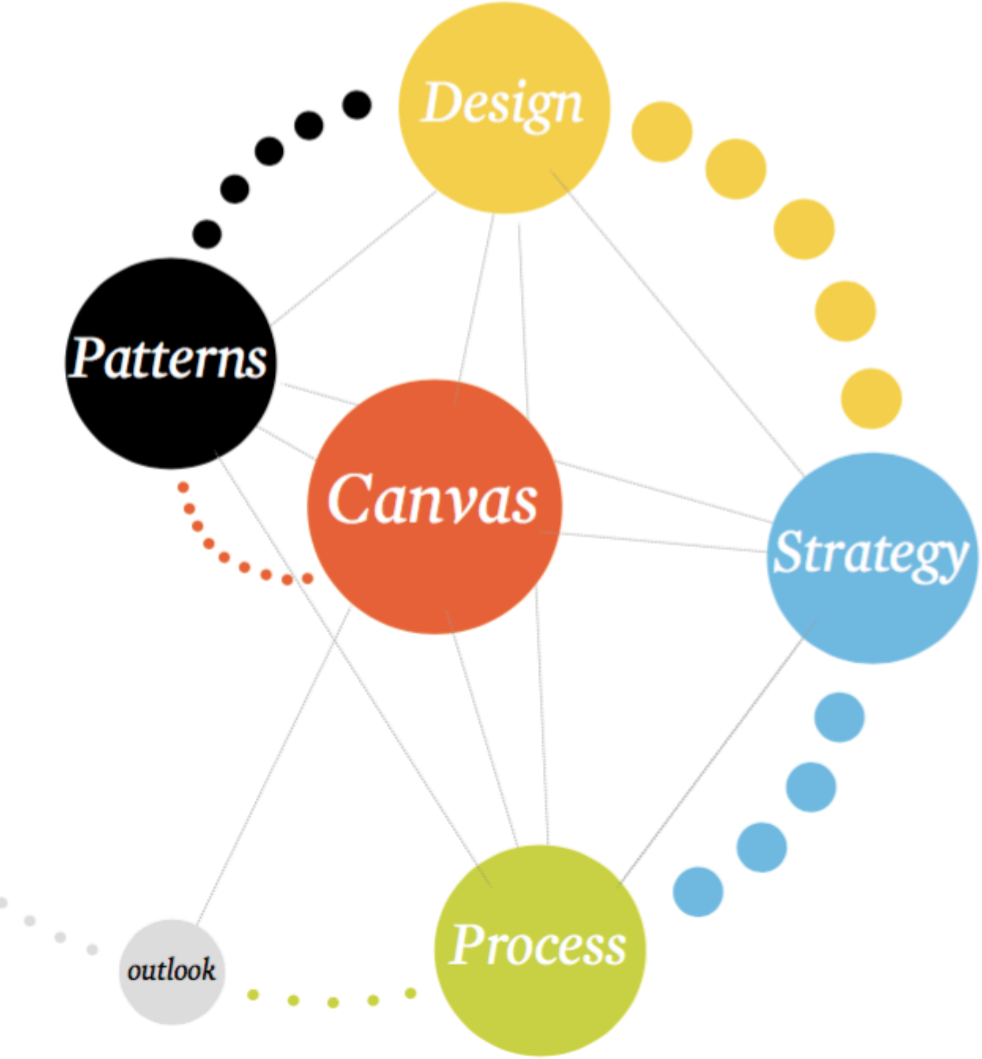
-A business model describes the rationale of how an organization creates, delivers, and captures value.

-The challenge is that the concept must be simple, relevant, and intuitively understandable, while not oversimplifying the complexities of how enterprises function.

-This concept has been applied and tested around the world and is already used in organizations such as IBM, Ericsson, Deloitte, the Public Works and Government Services of Canada, and many more.

-Co-created by 470 strategy practitioners

-Co-authored by 470 Business Model Canvas practitioners from 45 countries



-The nine blocks cover the four main areas of a business: customers, offer, infrastructure, and financial viability.

-The business model is like a blueprint for a strategy to be implemented through organizational structures, processes, and systems.

CS

1 Customer Segments

An organization serves one or several Customer Segments.

VP

2 Value Propositions

It seeks to solve customer problems and satisfy customer needs with value propositions.

CH

3 Channels

Value propositions are delivered to customers through communication, distribution, and sales Channels.

CR

4 Customer Relationships

Customer relationships are established and maintained with each Customer Segment.

R$

5 Revenue Streams

Revenue streams result from value propositions successfully offered to customers.

KR

6 Key Resources

Key resources are the assets required to offer and deliver the previously described elements...

KA

7 Key Activities

...by performing a number of Key Activities.

KP

8 Key Partnerships

Some activities are outsourced and some resources are acquired outside the enterprise.

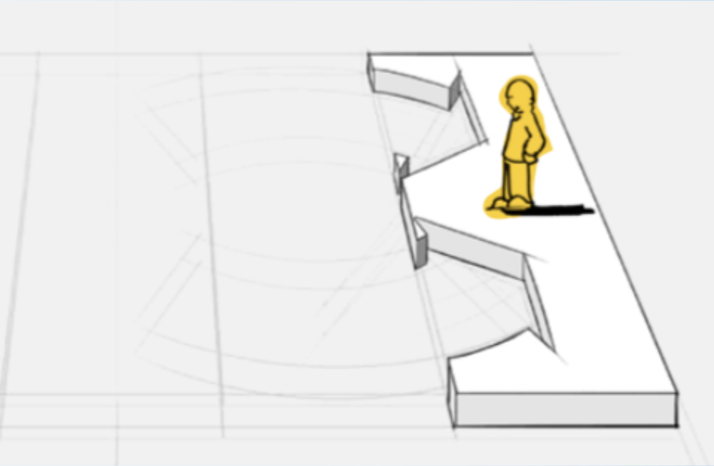
C$

9 Cost Structure

The business model elements result in the cost structure.

1. Customer Segments

-The different groups of people or organizations an enterprise aims to reach and serve



Customer Segments

-Customers are at the heart.

-In order to better satisfy customers, a company may group them into distinct segments with common needs, common behaviors, or other attributes.

-For example: What free magazines get sent to your house? Do you need to shave now that you’re 18? How about for the rest of your life?

Customer Segments

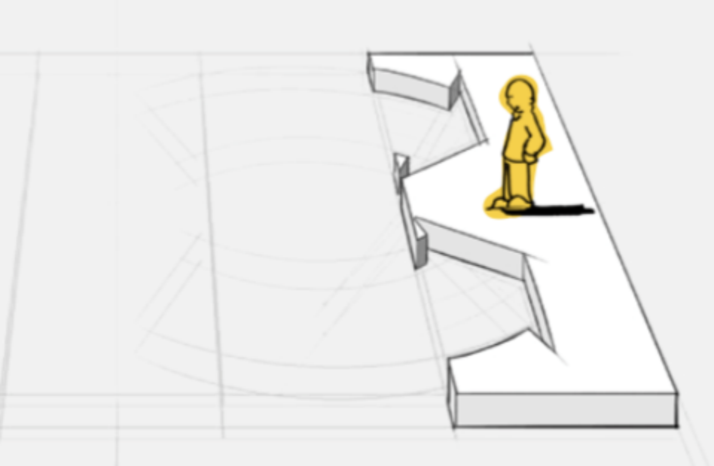
Types

-Mass market

-Niche market

-Segmented

-Diversified



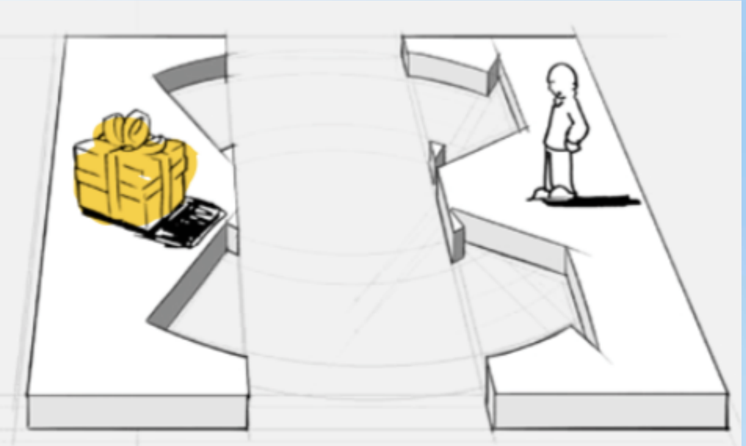
Customer Segments

Important questions to answer:

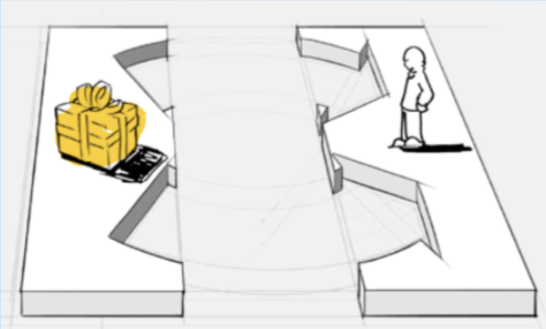
- For whom are we creating value?
- Who are our most important customers?

2. Value Propositions

-The bundle of goods and services that create value for a specific customer segment



Value Propositions



-The reason why customers turn to one company over another

-Solves a customer problem or satisfies a customer need

-Each consists of a select bundle of goods and/or services that caters to the requirements of a specific customer segment.

-Some may be innovative and represent a new or disruptive offer. Others may be similar to existing market offers, but with added features.

-And, it goes beyond just the product itself…

Ferrari

Value Propositions

Elements that can contribute to customer value creation:

-Newness

-Performance

-Customization

-"Getting the job done"

-Design

-Brand/status

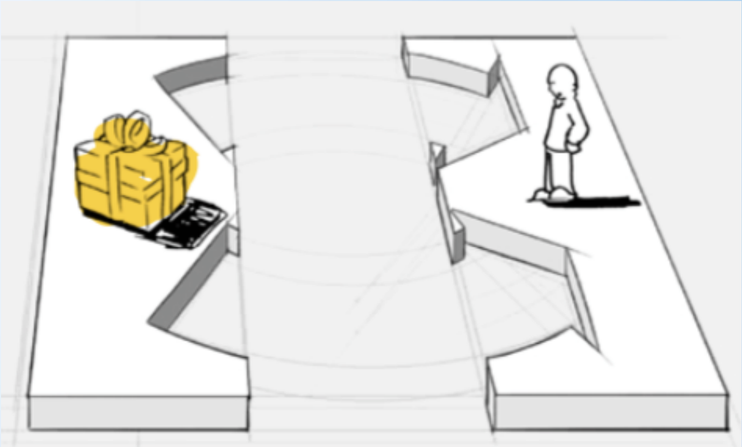
-Price

-Cost reduction

-Risk reduction

-Accessibility

-Convenience/usability



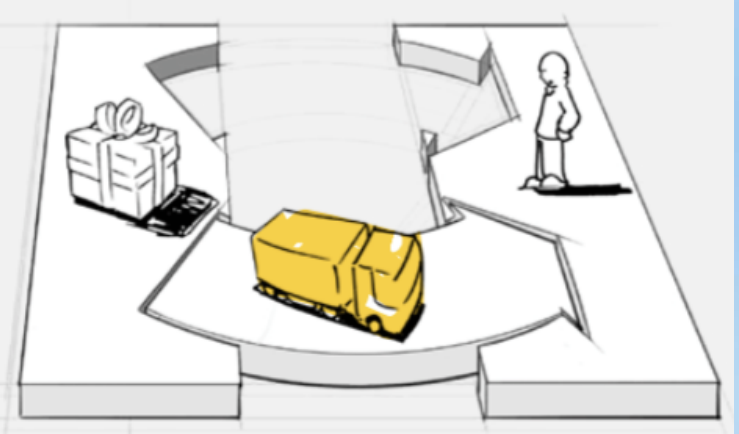
Value Propositions

Important questions to answer:

- What value do we deliver to the customer?
- Which one of our customer’s problems are we helping to solve?
- Which customer needs are we satisfying?
- What bundles of products are we offering to each customer segment?

3. Channels

-How a company communicates with and reaches its customer segments to deliver a value proposition



Channels

-Communication, distribution, and sales channels comprise a company's interface with customers.

-Channels are customer touch points that play an important role in the customer experience.

Channels

Channels serve several functions:

-Raising awareness among customers about a company's products and services

-Helping customers evaluate a company's value proposition

-Allowing customers to purchase specific goods and services

-Delivering a value proposition to customers
providing post-purchase customer support

Channels

Channel Types			Channel Phases				
Own	Direct	*Sales force*	**1. Awareness** How do we raise aware-ness about our company's products and services?	**2. Evaluation** How do we help custom-ers evaluate our organiza-tion's Value Proposition?	**3. Purchase** How do we allow custom-ers 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?
		Web sales					
	Indirect	*Own stores*					
Partner		*Partner stores*					
		Wholesaler					

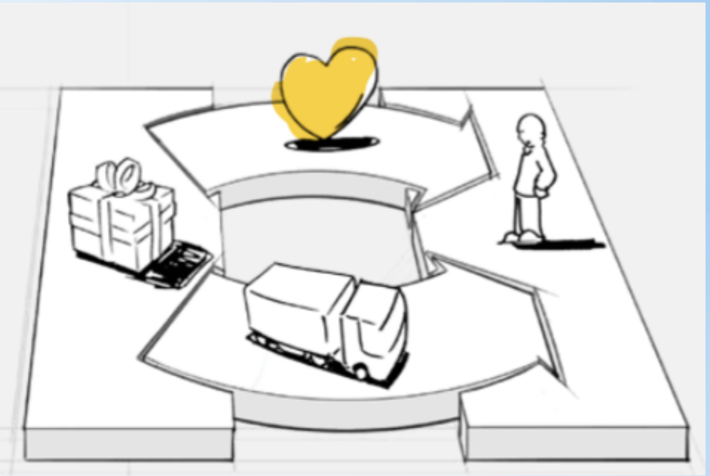
Channels

Important questions to answer:

- Through which channels do our customer segments want to be reached?
- How are we reaching them now?
- Which ones work best?
- Which ones are most cost-efficient?

<u>4. Customer Relationships</u>

-The types of relationships a company establishes with specific <u>customer segments</u>



Customer Relationships

Categories:

Personal assistance

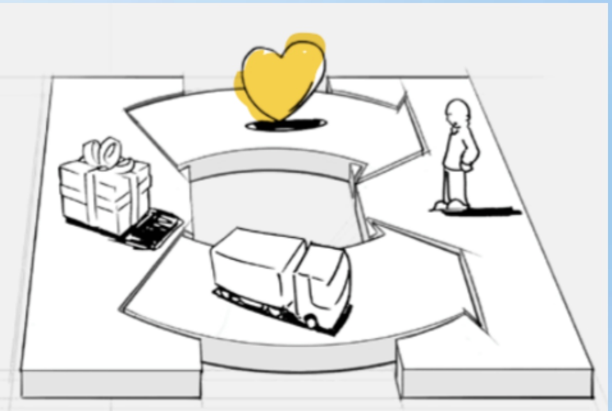
Dedicated personal assistance

Self-service

Automated services

Communities

Co-creation



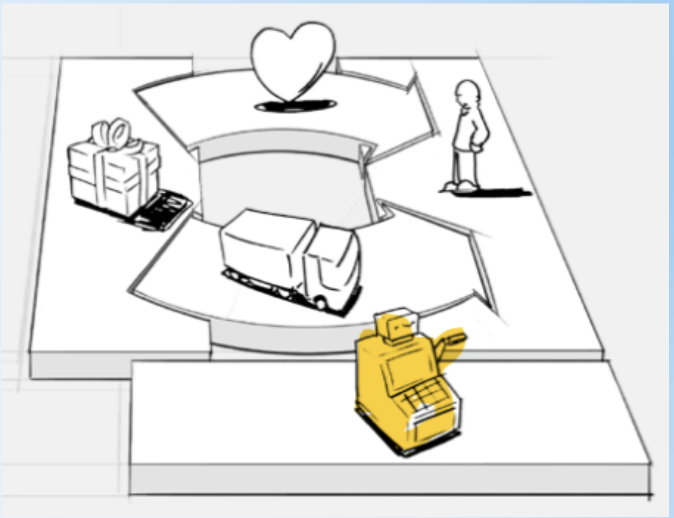
Customer Relationships

Important questions to answer:

- What type of relationship does each of our customer segments expect us to establish and maintain with them?
- Which ones have we established?
- How costly are they?

<u>5. Revenue Streams</u>

-The cash a company generates from each <u>customer segment</u> (costs must be subtracted from revenues to create earnings)



Revenue Streams

-If customers comprise the heart of a business model, revenue streams are its arteries.

A business model can involve two different types of revenue streams:

1. Transaction revenues resulting from one-time customer payments

2. Recurring revenues resulting from ongoing payments to either deliver a value proposition to customers or provide post-purchase customer support

Revenue Streams

There are several ways:

-Asset sale

-Usage fee

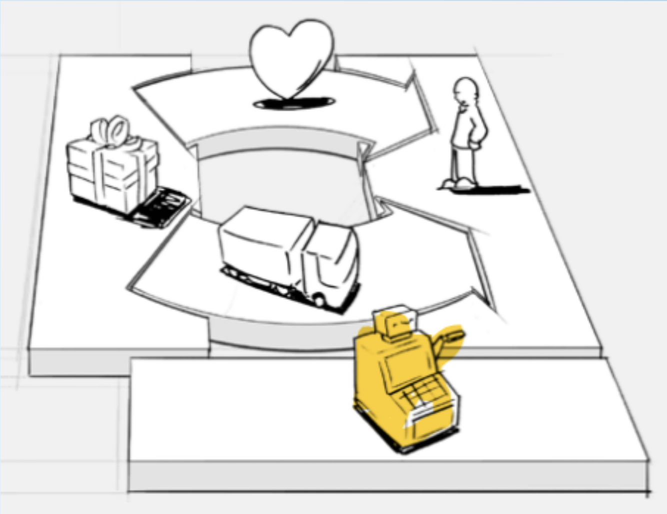
-Subscription fees

-Lending/renting/leasing

-Licensing

-Brokerage fees

-Advertising



Revenue Streams

Important questions to answer:

- 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?

6. Key Resources

-The most important assets required to make a business model work

Key Resources

-Every business model requires key resources.

-They allow an enterprise to create and offer a value proposition, reach markets, maintain relationships with customer segments, and earn revenues.

-Different key resources are needed depending on the type of business model…

Key Resources

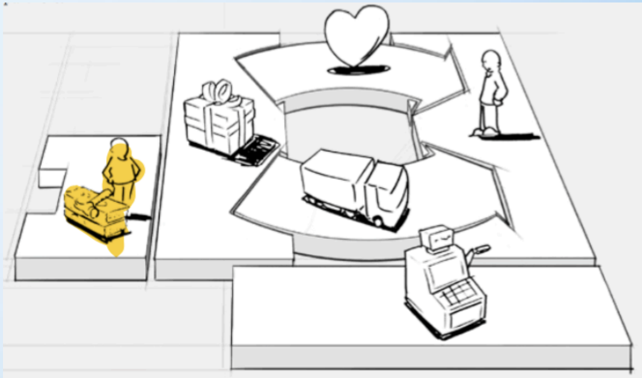
-A microchip manufacturer requires capital-intensive production facilities, whereas a microchip designer focuses more on human resources.

-Key resources can be physical, financial, intellectual, or human. Key resources can be owned or leased by the company or acquired from key partners.

Key Resources

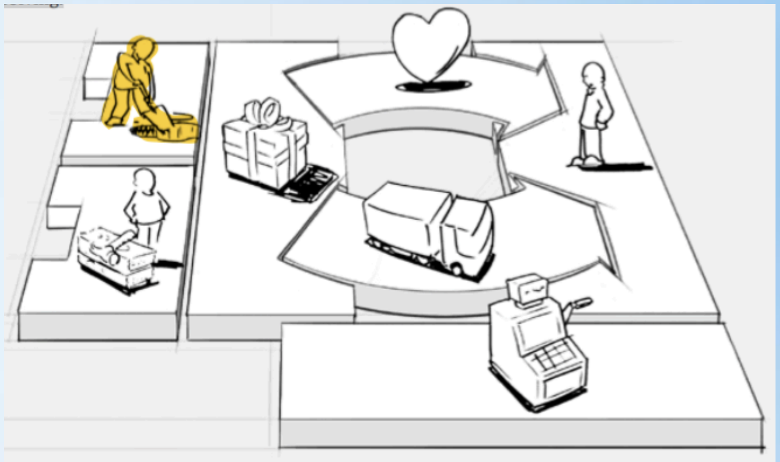
Important questions to answer:

- What key resources do our value propositions require?
- Distribution channels?
- Customer relationships?
- Revenue streams?



7. Key Activities

-The most important things a company must do
to make its business model work



Key Activities

-Required to create and offer a value proposition, reach markets, maintain customer relationships, and earn revenues

Differ depending on business model type

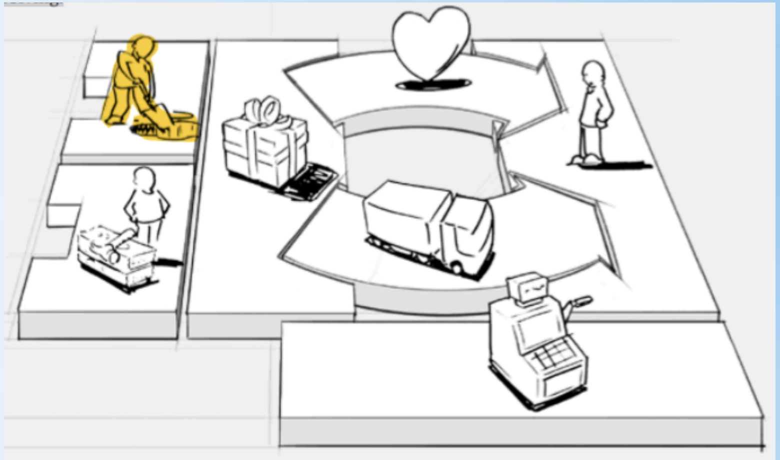
Microsoft = ?

Dell = ?

McKinsey = ?

Key Activities

Categorized:
-Production
-Problem solving
-Platform/network



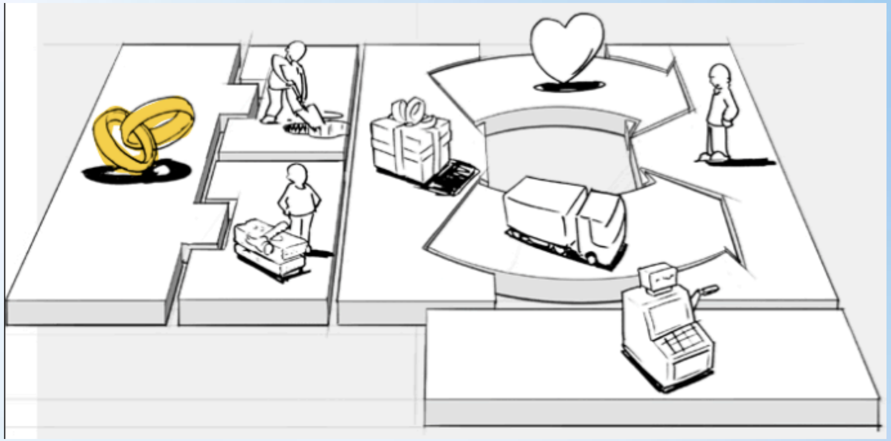
Key Activities

Important questions to answer:

- What key activities do our value propositions require?
- Distribution channels?
- Customer relationships?
- Revenue streams?

8. Key Partnerships

-The network of suppliers and partners that make the business model work



Key Partnerships

-Companies create alliances to optimize their business models, reduce risk, or acquire resources.

Four different types of partnerships:

-Strategic alliances between non-competitors
-Coopetition: strategic partnerships between competitors
-Joint ventures to develop new businesses
-Buyer-supplier relationships to assure reliable supplies

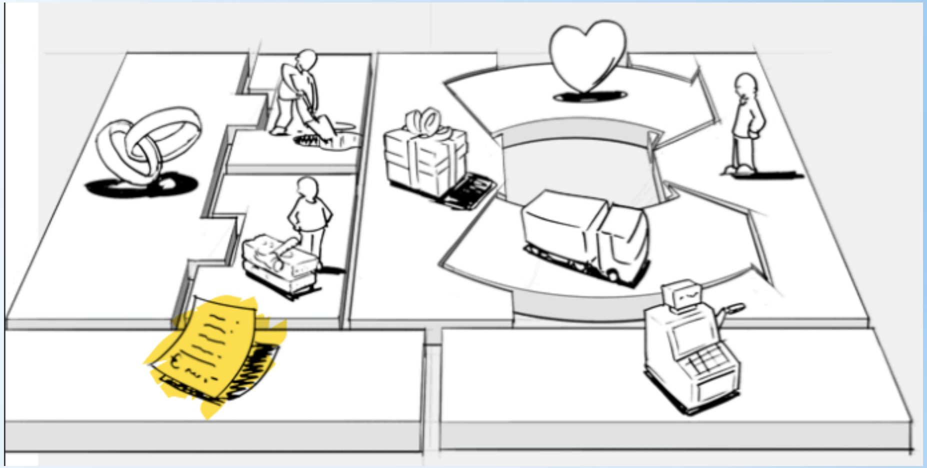
Key Partnerships

Important questions to answer:

- Who are our key partners?
- Who are our key suppliers?
- Which key resources are we acquiring from partners?
- Which key activities do partners perform?

9. Cost Structure

-All costs incurred to operate a business model



Cost Structure

-Creating and delivering value, maintaining customer relationships, and generating revenue all incur costs.

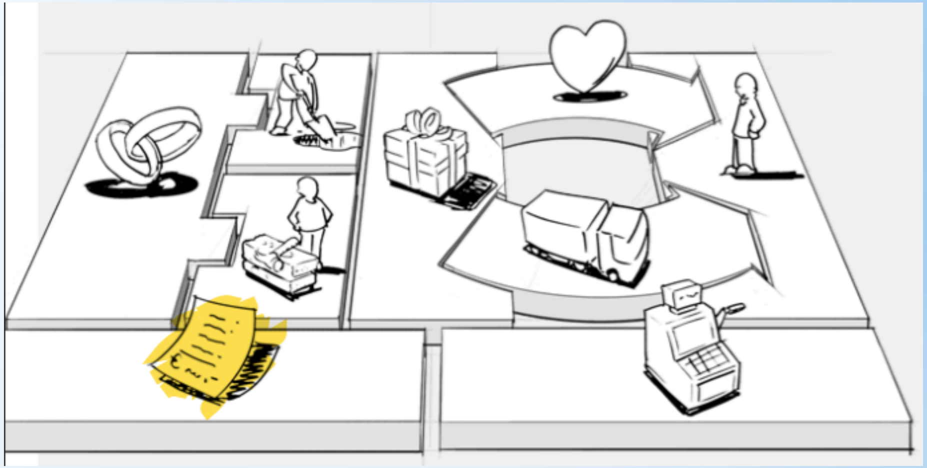
-Costs can be calculated after defining key resources, key activities, and key partnerships.

-Some business models, though, are more cost-driven than others. So-called “no frills” airlines, for instance, have built business models entirely around low cost structures.

Cost Structure

Broad classes:

1. Cost-driven
2. Value-driven



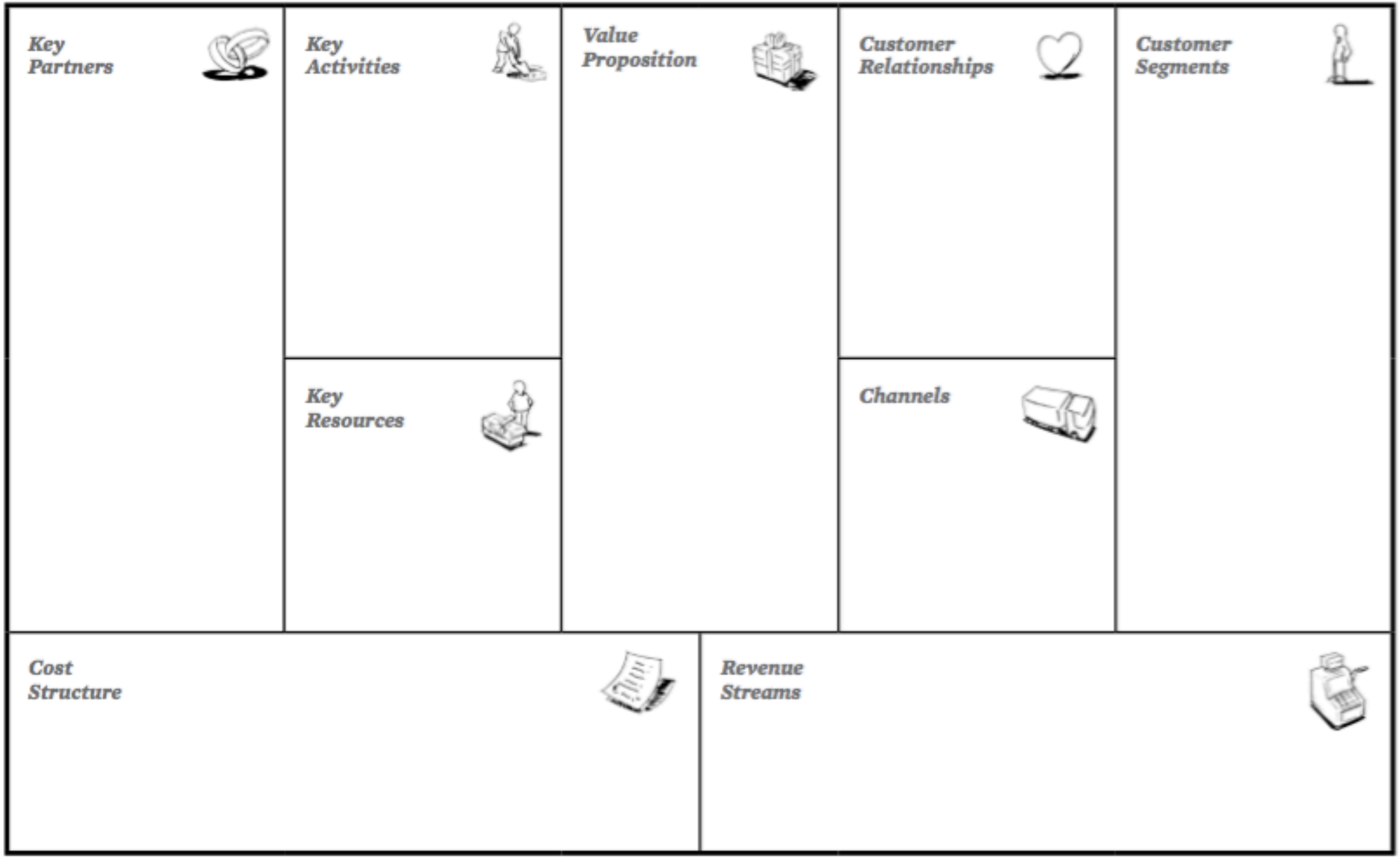
Cost Structure

Important questions to answer:

What are the most important costs inherent in our business model?

Which key resources, key activities, and key partnerships are most expensive?

The Business Model Canvas



Production and Logistics

Anything beyond content creation is outsourced to readily available service providers.

Differentiation

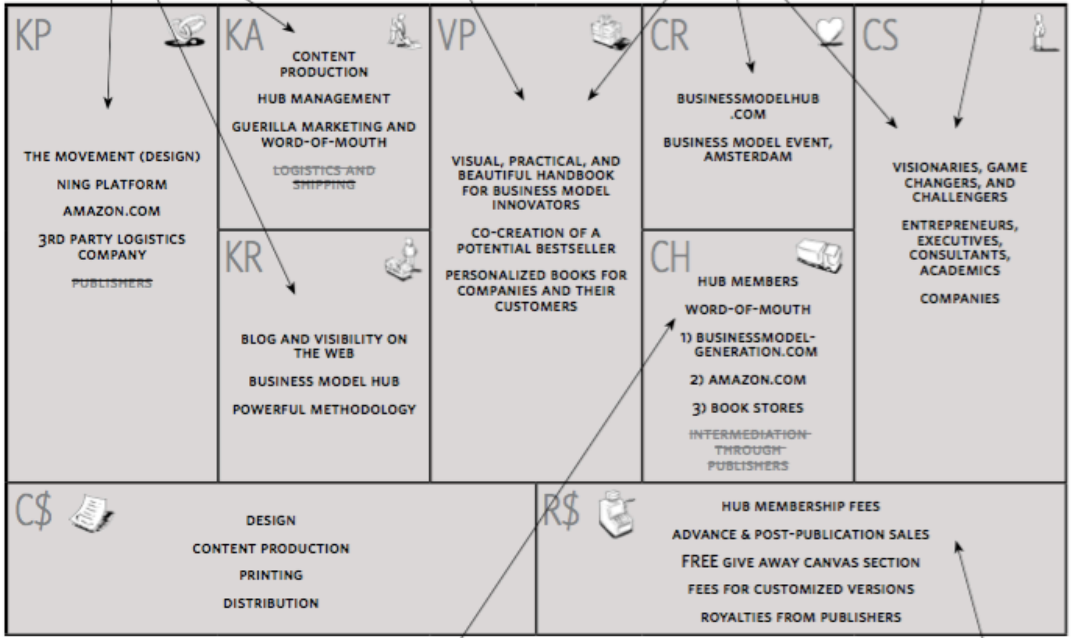
An entirely different format, business model, and story for the book makes it stand out in a crowded market.

Community

The book is co-created with practitioners from around the world who feel ownership thanks to attribution as contributing co-authors.

Buyers

Paying customers are not only readers, but co-creators and companies that want customized books for their employees and clients.



THE CANVAS OF *BUSINESS MODEL GENERATION*

Reach

A mix of direct and indirect Channels and a phased approach optimizes reach and margins. The story of the book lends itself well to viral marketing and word-of-mouth promotion.

Revenues

The book was financed through advanced sales and fees paid by co-creators. Additional revenues come from customized versions for companies and their clients.

Production and Logistics

Anything beyond content creation is outsourced to readily available service providers.

Differentiation

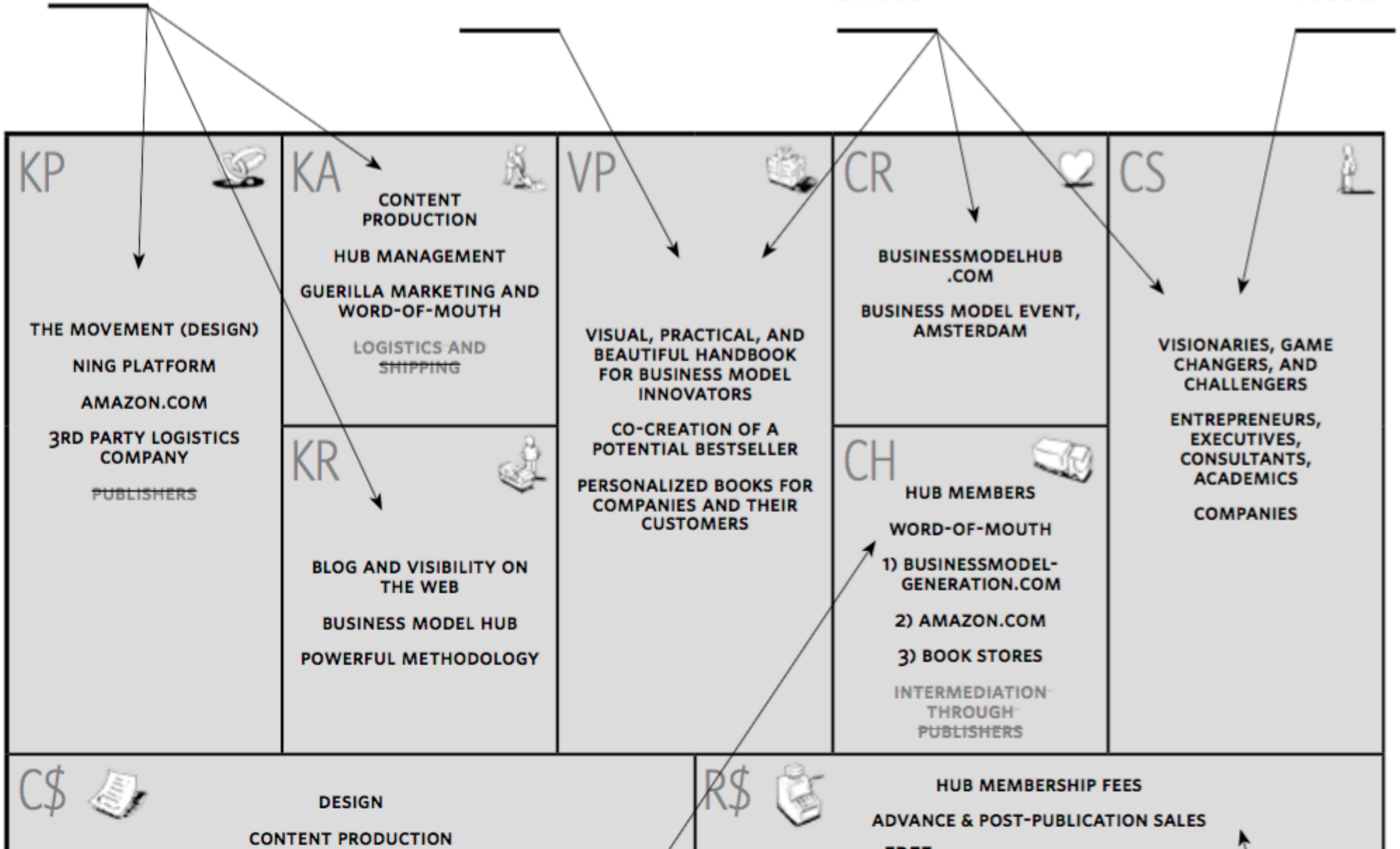
An entirely different format, business model, and story for the book makes it stand out in a crowded market.

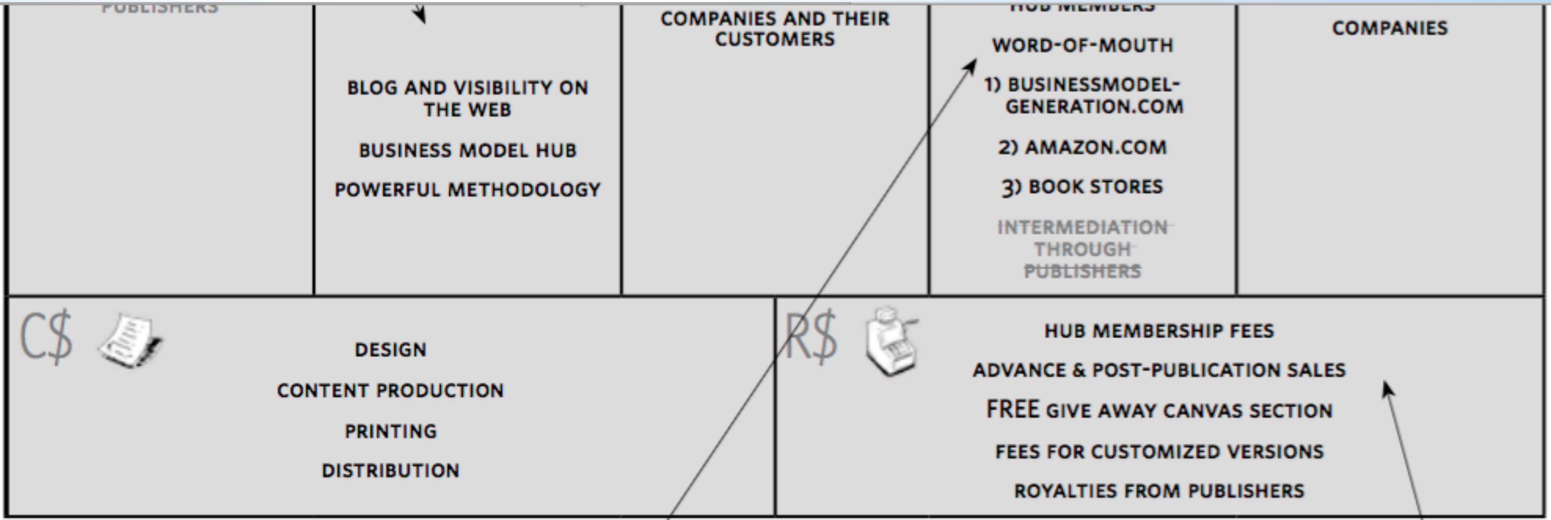
Community

The book is co-created with practitioners from around the world who feel ownership thanks to attribution as contributing co-authors.

Buyers

Paying customers are not only readers, but co-creators and companies that want customized books for their employees and clients.





THE CANVAS OF *BUSINESS MODEL GENERATION*

Reach

A mix of direct and indirect Channels and a phased approach optimizes reach and margins. The story of the book lends itself well to viral marketing and word-of-mouth promotion.

Revenues

The book was financed through advanced sales and fees paid by co-creators. Additional revenues come from customized versions for companies and their clients.

Production and Logistics

Anything beyond content creation is outsourced to readily available service providers.

Differentiation

An entirely different format, business model, and story for the book makes it stand out in a crowded market.

Community

The book is co-created with practitioners from around the world who feel ownership thanks to attribution as contributing co-authors.

Buyers

Paying customers are not only readers, but co-creators and companies that want customized books for their employees and clients.

Reach

A mix of direct and indirect Channels and a phased approach optimizes reach and margins. The story of the book lends itself well to viral marketing and word-of-mouth promotion.

Revenues

The book was financed through advanced sales and fees paid by co-creators. Additional revenues come from customized versions for companies and their clients.

Your turn!

Your favorite company...

Let’s see what you have!

Q&A!

Until next time...

Some of the information in the above slides was derived from:

Osterwalder, Alexander, and Yves Pigneur. *Business model generation: a handbook for visionaries, game changers, and challengers*. John Wiley & Sons, 2010.

https://hbr.org/2015/01/what-is-a-business-model

https://hbr.org/2009/06/wonga

The rest of the ideas, opinions, and information contained in the lessons are the instructor's own (unless otherwise specified).