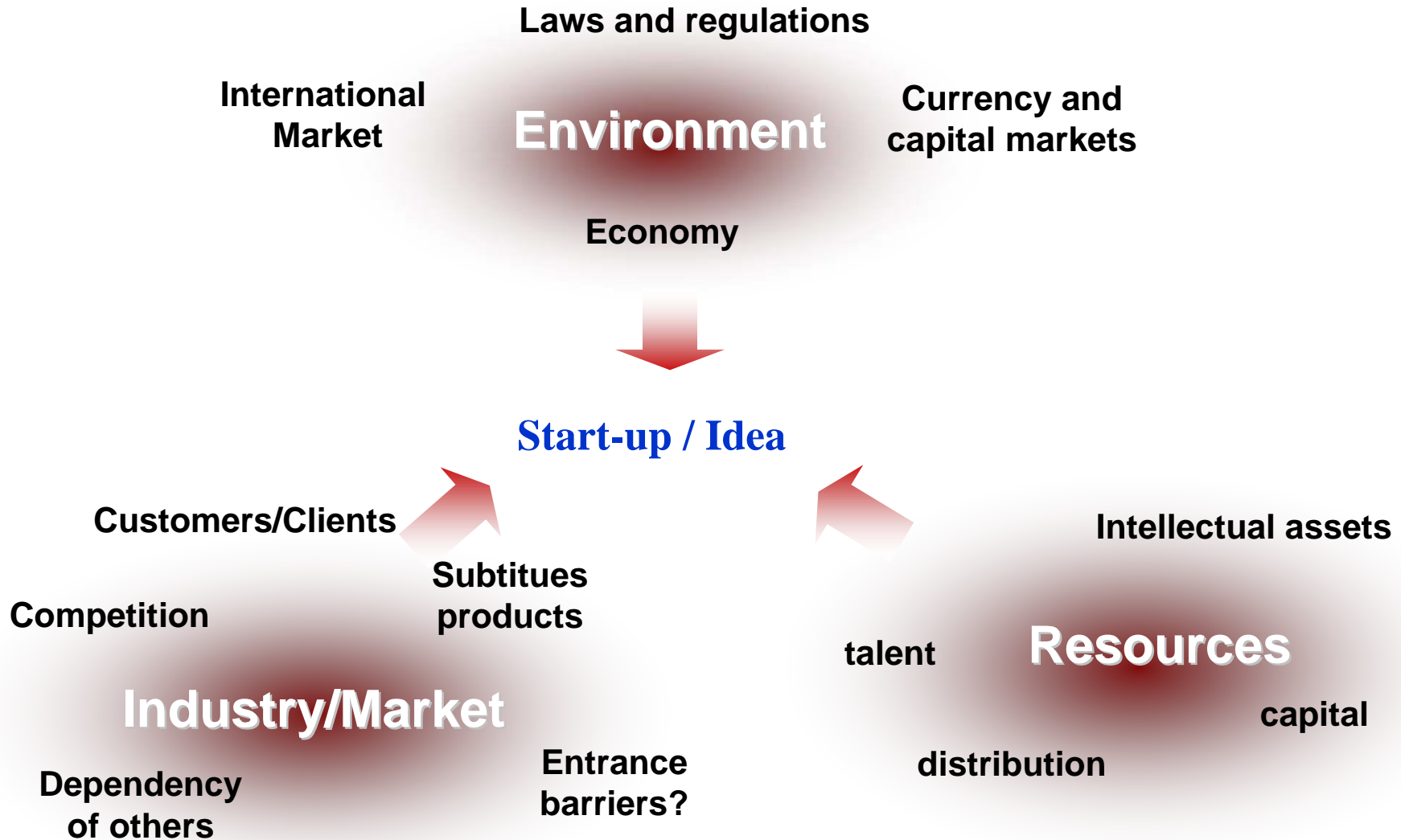




Innovative business models

Success Factors



Apple recently passed Google as the **most valuable brand in the world**. It's extraordinary to think that the world's top brand has a product portfolio that could fit on a small table.

Of course that's part of the reason why Apple is so successful — its relentless focus on creating a small number of simple and elegant products.

<http://blogs.forbes.com/carminnegallo/2011/05/16/steve-jobs-get-rid-of-the-crappy-stuff/>

“Do you have any advice?” Parker asked Jobs. “Well, just one thing,” said Jobs. “Nike makes some of the best products in the world. Products that you lust after. But you also make a lot of crap. Just get rid of the crappy stuff and focus on the good stuff.” Parker said Jobs paused and Parker filled the quiet with a chuckle. But Jobs didn't laugh. He was serious. “He was absolutely right,” said Parker. “We had to edit.”

Parker used the word 'edit' not in a design sense but in the context of making business decisions. Editing also leads to great product designs and effective communications. According to Steve Jobs, **“People think focus means saying yes to the thing you've got to focus on. But that's not what it means at all. It means saying no to the hundred other good ideas that there are.** You have to pick carefully. I'm actually as proud of the things we haven't done as the things I have done. **Innovation is saying 'no' to 1,000 things.”**

Who has New Ideas

- Customers
- Research and Development
- Competition
- Universities
- Consultants
- External Inventors
- Anybody paying attention to what happens

Entrepreneurship
Intrapreneurship

Reason for New Ideas

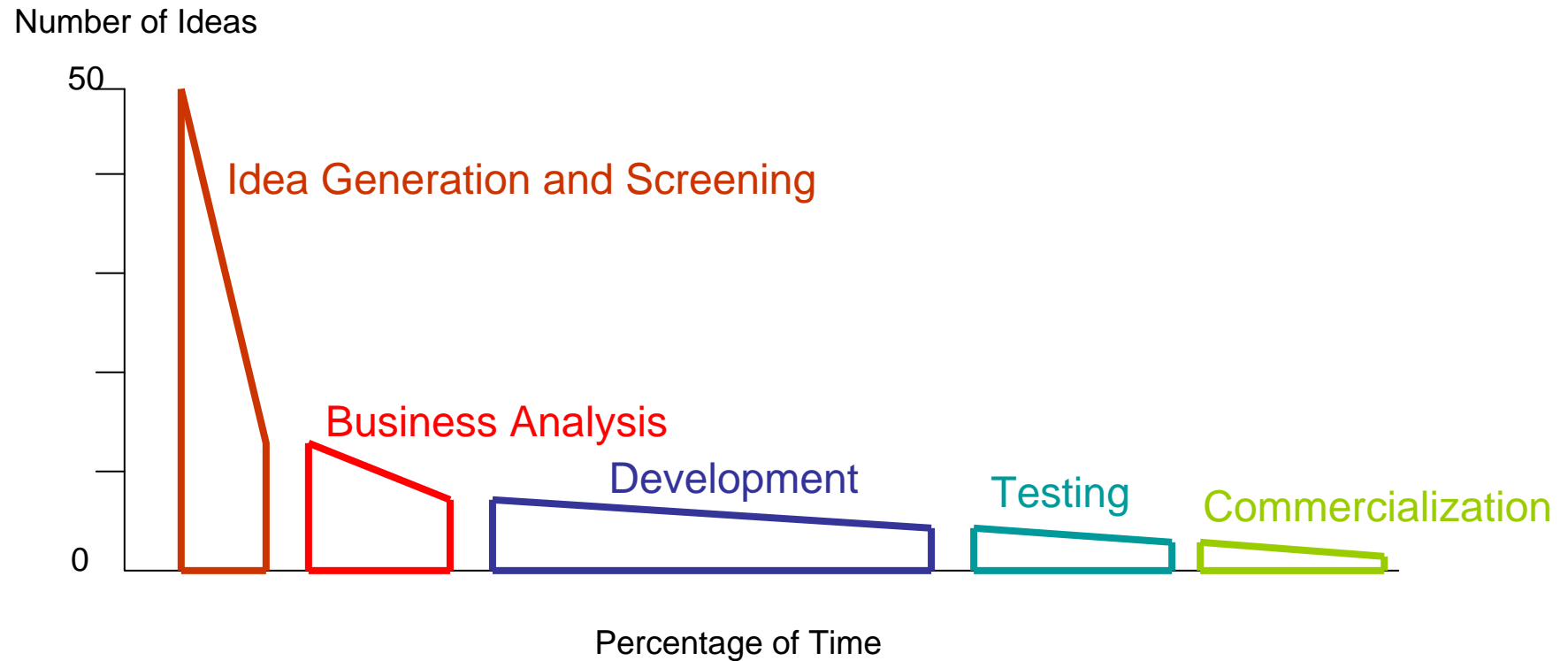
- Customer complaint
- In-house Research and Development
- Market Observation
- Crisis / Problem
- Resource Scarcity
- Rise of Cost
- Environmental change

We all want to be innovators, to introduce a product that revolutionizes an industry. But history shows that product pioneers often get left in the dust.

80 % of new products fail.

This is the challenge in Innovation and Product Development in today's Economy

Mortality of New Product Ideas



Source: Booz, Allen & Hamilton, Inc.



Source: Stevens, G.A. and Burley, J., "3,000 Raw Ideas = 1 Commercial Success!", (May/June 1997) *Research Technology Management*, Vol. 40, #3, pp. 16-27.

Lets remember ...

Remember the Palm Pilot from 1997? The PJB-100 from 1998? Apple killed and improved both products.

Some of the failures paved the way for better products. Others, like the 1898 Lohner-Porsche Mixte-Hybrid, were just way ahead of their time.

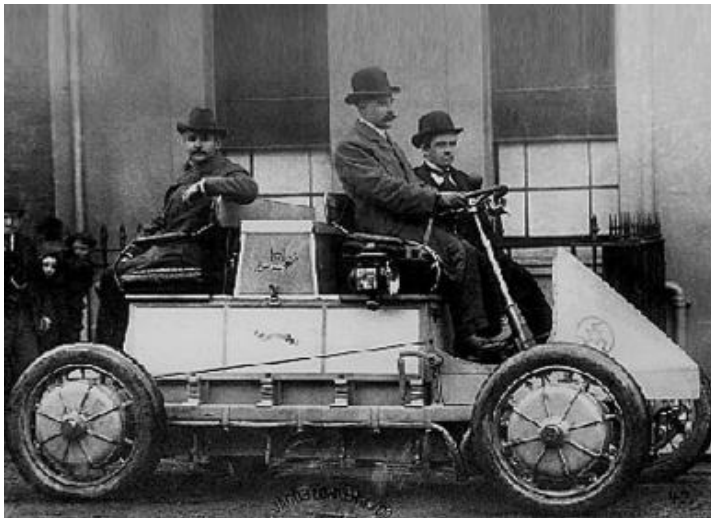


Image: wiki commons

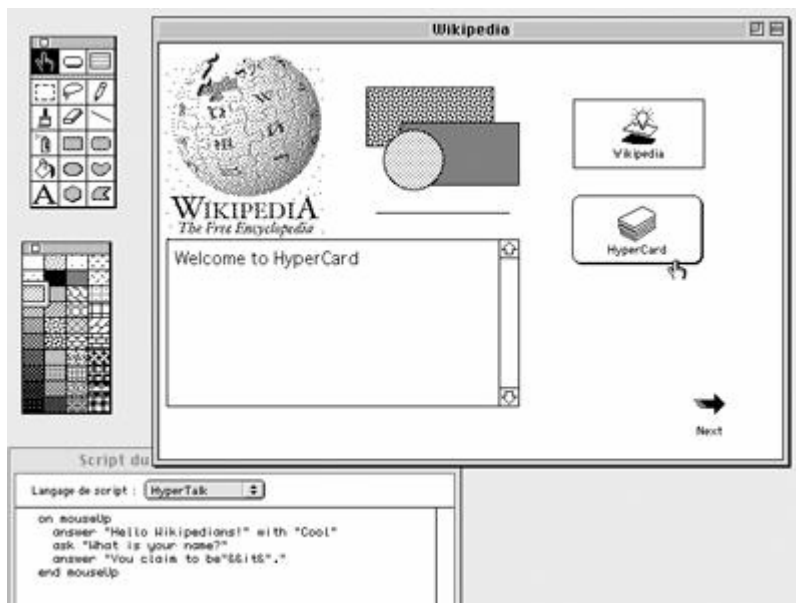
Ferdinand Porsche designed a hybrid car in 1898

18-year-old genius Ferdinand Porsche designed the **1898 Lohner-Porsche Mixte-Hybrid** for the Lohner Coach company.

Unfortunately its lead-acid batteries weighed more than a Prius, and the automobile maxed out at 60 miles per hour. Lohner canceled production after selling only 300 in eight years.

Apple invented the contemporary PDA in 1993

The **Apple Newton** was a primitive PDA (personal digital assistant) that came out in 1993. Apple killed it in 1998. The device was a huge commercial failure, but you can see the germs of ideas that grew into the contemporary smart phone. It was a personal planner with note taking and handwriting recognition capabilities. Common complaints were that it was too large and too expensive, although a small community of people still use their Apple Newtons to this day. This is a distant but clear relative of the iPhone.



Apple let users build local "websites" in 1987 well before the World Wide Web existed

Hypercard didn't necessarily fail, but it was well ahead of its time for 1987.

It was a piece of software that let users put information on "cards" and click around to different cards by way of "buttons." In a way, it let users create a tiny internet that lived on their own computers. Robert Caillau drew upon extensive Hypercard experience while collaborating with Tim Berners-Lee to create the World Wide Web.

Image: Wikipedia

Xerox invented the graphical user interface years before Apple and Microsoft made it the standard

Image: DigiBarn

In 1981, the **Xerox Star** made waves by introducing a computer with a mouse, Ethernet networking, and a graphic user interface with icons and folders. It was quietly phased out around 1988.

Apple and Xerox quickly re-appropriated the idea of the GUI, implemented their own ideas, and took them to the market. The Star couldn't hold up with its prohibitive cost and required accessories, which could easily total \$50,000.



Compaq designed the first hard drive-based music player in 1998

In 1998, the **PJB-100** was the first hard-drive based personal music player, beating the iPod to market by three years.

Several variations and attempts to improve on the form came out soon after, such as the Archos Jukebox and the Creative NOMAD. While the iPod shook things up with more capacity and smaller size, this is the device that laid the foundation.

Image: DAP Review

You could order groceries online in 1999...

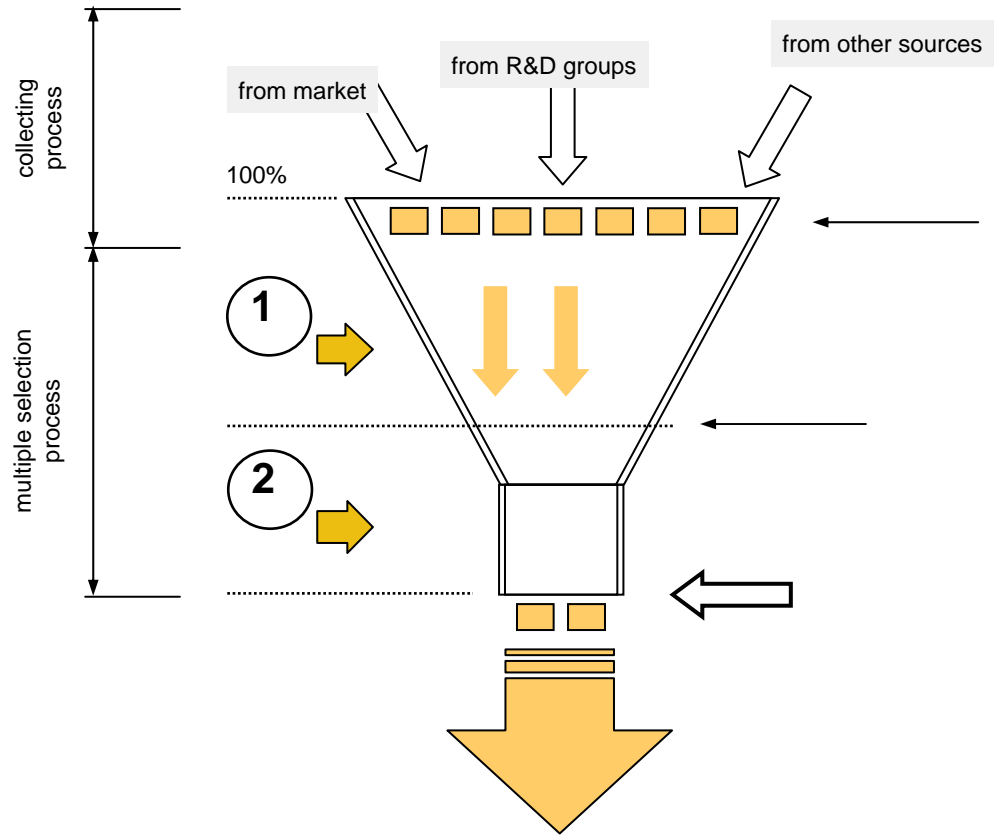


Brilliant Startups Failed Because they were ahead of their time

The best technology or product does not mean that it will be a success.

Why do new products fail?

- fail to offer unique benefit
- not what customer really wants
- underestimate market potential / competition
- costs have changed
- rush to market without well developed marketing plan
- move too slowly
- move too early



... that means

marketing and product development have to
work together closely to

ensure that **energy and resources are**
focused on those ideas that have the best
chance to succeed on the market

... but

there are also so many **free services** on
the web

... so where do these people make their
profit?

... is it that

A

People buy drills that make holes fast and accurate.

B

People actually buy holes. The speed at which the holes are drilled, the accuracy of the holes, or the drill's ability to drill more holes are benefits that can be dollarized

... or is it that

**there are possibilities to make money in
different ways?**

Markets and Marketing

- Understand marketing's role in strategic planning
- Understand the collaboration with other departments required to be successful.
- Understand the effects of this context for innovation and product development.
- Understand the terms, tools and concepts they use.

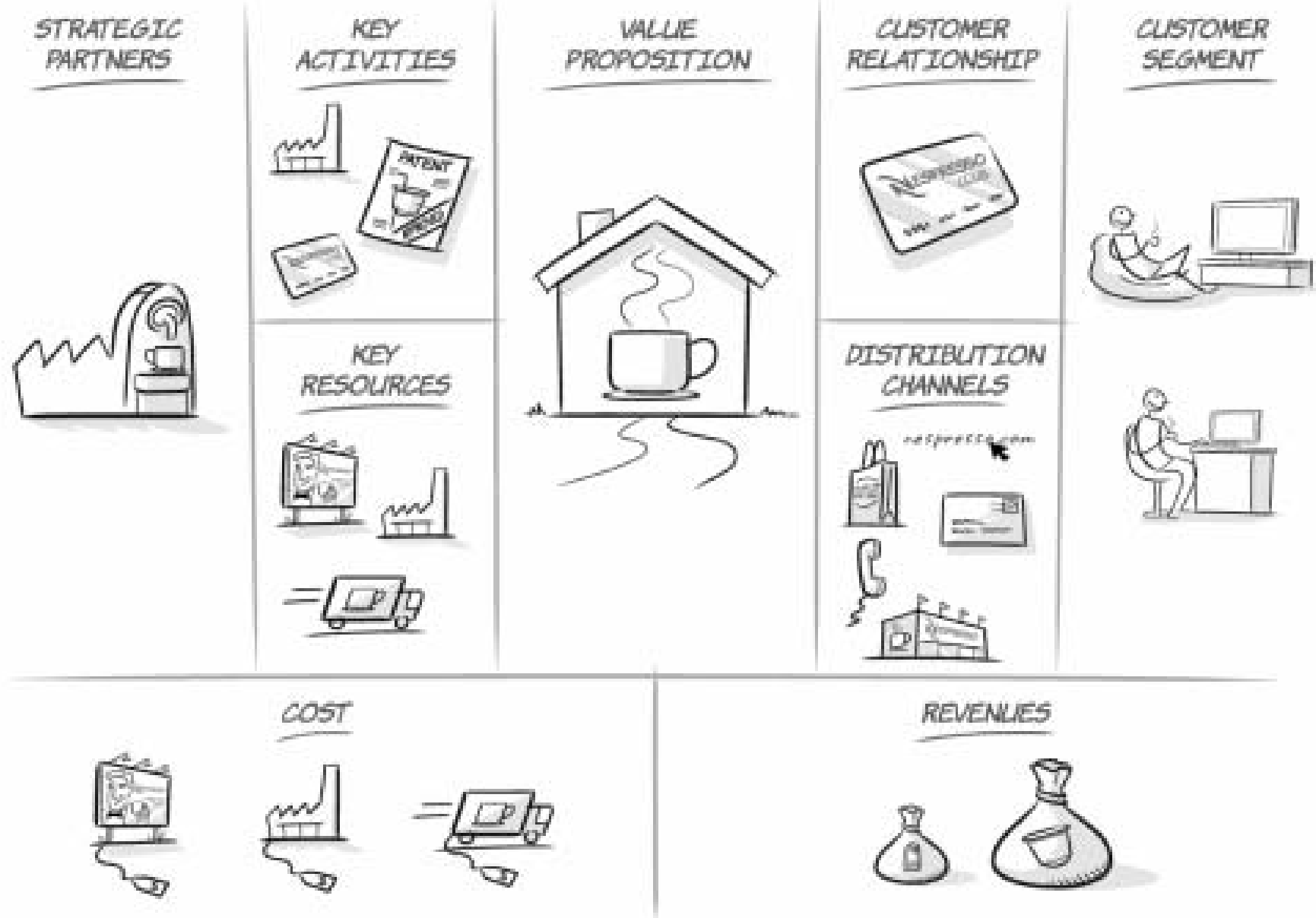
A **business model** describes the rationale of how an organization creates, delivers, and captures value (economic, social, or other forms of value). The process of business model design is part of business strategy.

A marketing plan

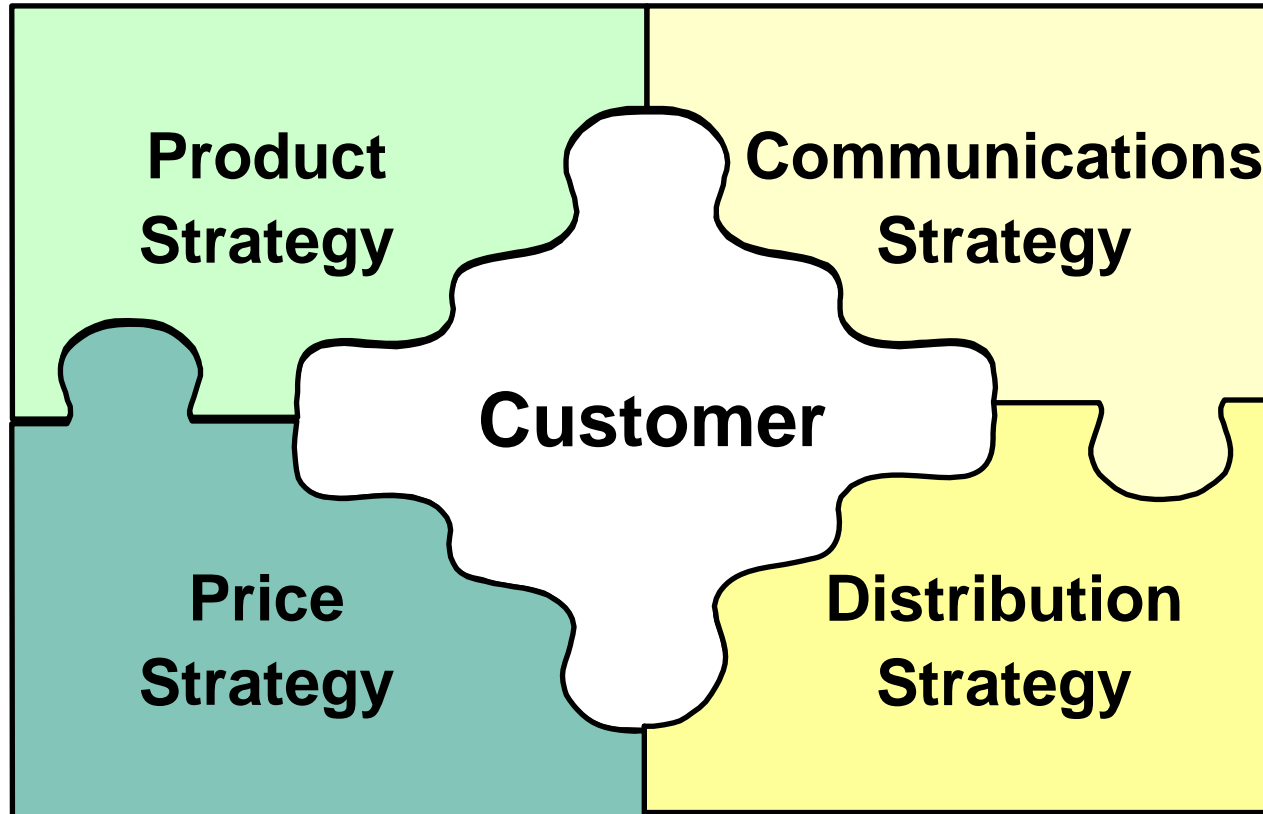
The written form the vision to the mission to the goals to the corporate objectives of the organization and down to the individual action plans for each department of your company.

A business plan

Presents your organization to you investors or lenders so that they can decided whether to invest or not



Marketing Plan



Business Plan

A well structured business plan contains:

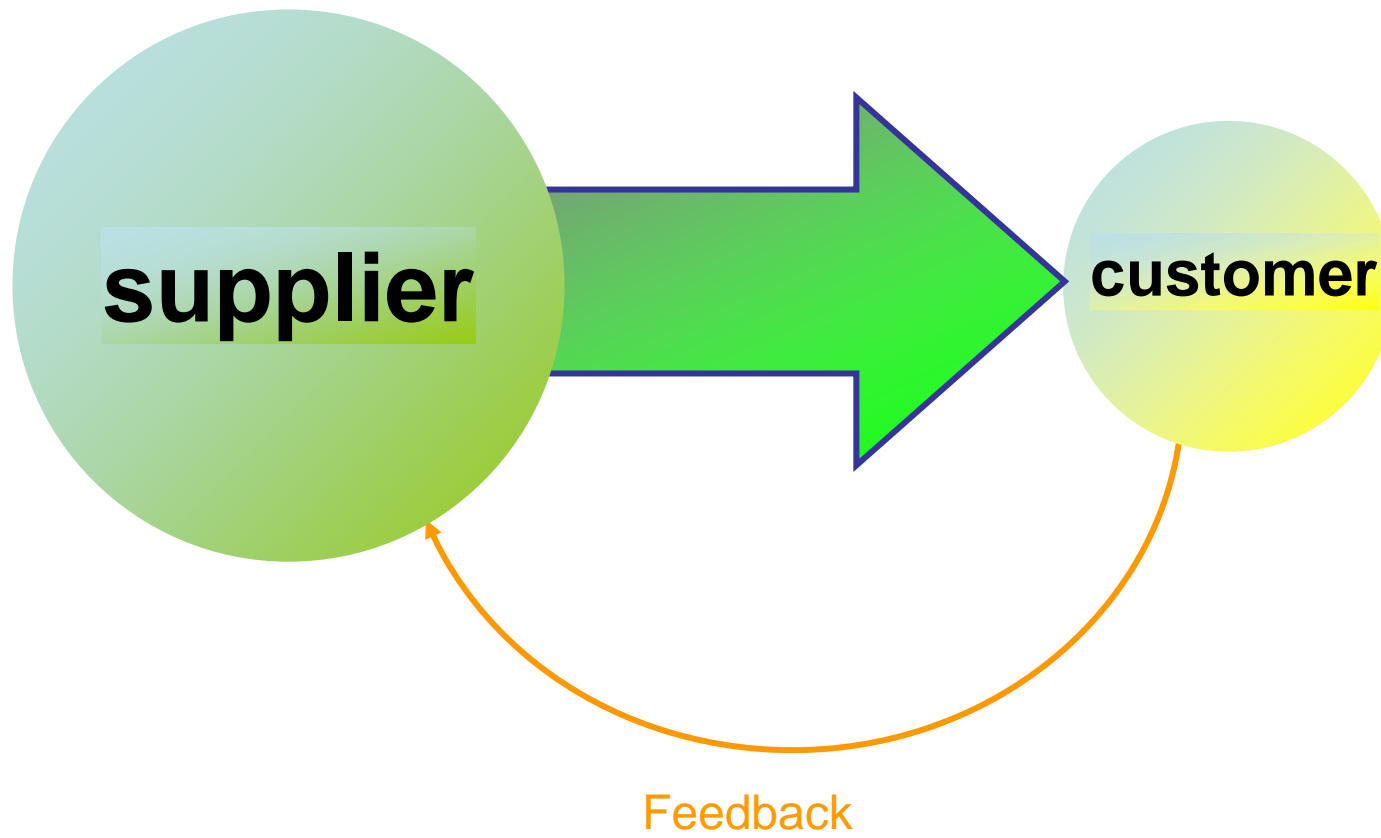
- Company goals and strategy
- Business idea and concept
- Customer benefit
- Products and services
- Industry and market, competition and customers
- Marketing and distribution
- Organisation and management
- Necessary resources and investment
- SWOT
- Detailed financial plan



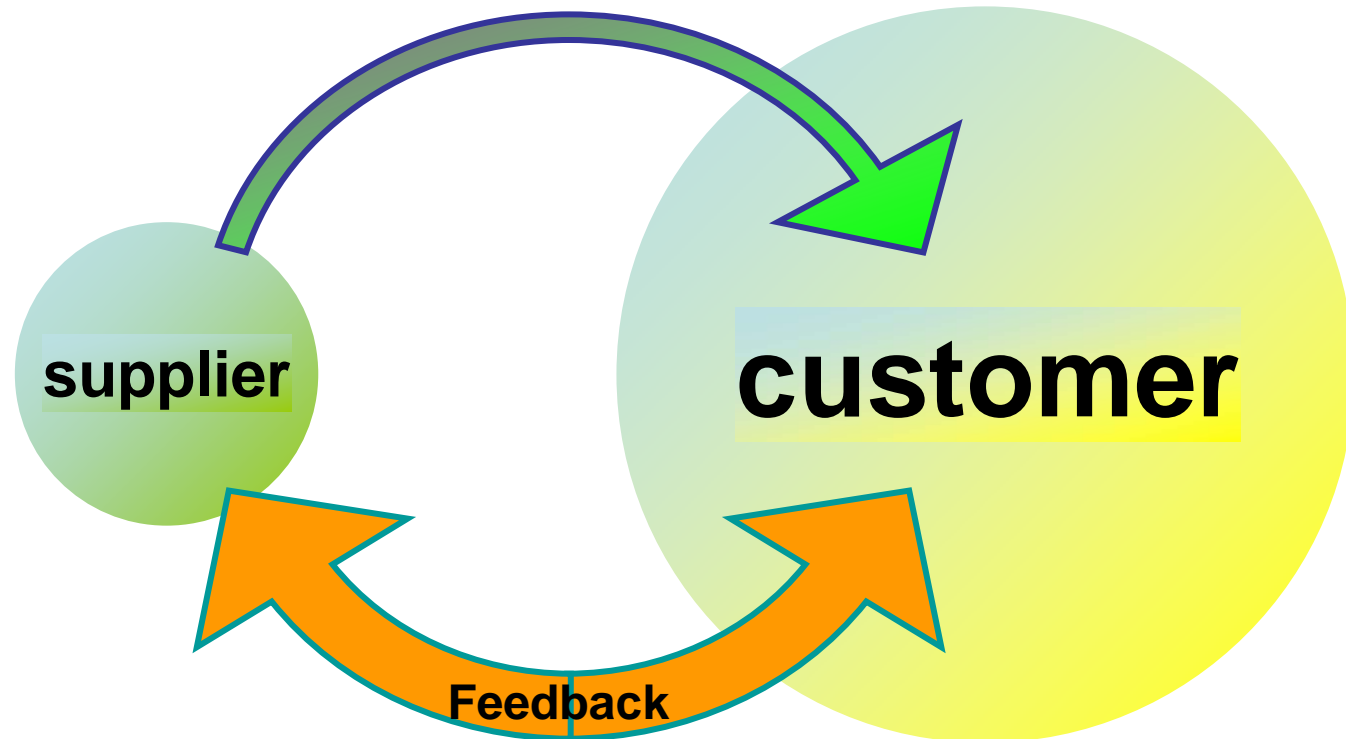
Business Model

- A **business model** describes the rationale of how an organization creates, delivers, and captures value (economic, social, or other forms of value).
- The process of business model design is part of business strategy.
- Business models are used to describe and classify businesses (in an entrepreneurial setting), but also by managers inside companies to explore possibilities for future development.

The Past



Today



Knowledge Channel

Exchange of information and knowledge, bi-directional, in real time ...

Before the sale, during the sale, after the sale ...

Face to face, at a distance, across the internet ...

Bait and hook business model

(also referred as "razor and blades business model" or the "tied products business model")

Offering a basic product at a very low cost or at a loss (the "bait") and charging compensatory recurring amounts for refills or associated products or services (the "hook").

- Examples
 - razor and blades
 - cell phones and air time;
 - computer printers and ink cartridge refills

Bricks and clicks business model

Business model where both offline (*bricks*) and online (*clicks*) presences are existing.

Example is when a chain of stores allows the user to order products online, but lets them pick up their order at a local store.

Collective business models

- Business organization or association typically composed of relatively large numbers of businesses, tradespersons or professionals in the same or related fields of endeavor, which pools resources, shares information or provides other benefits for their members.

Cutting out the middleman model

- The removal of intermediaries in a supply chain
- Instead of going through traditional distribution channels, which had some type of intermediate (such as a distributor, wholesaler, broker, or agent), companies may now deal with every customer directly mainly via the Internet.

Franchising

- is the practice of using another firm's successful business model. For the franchisor, the franchise is an alternative to building 'chain stores' to *distribute* goods and avoid investment and liability over a chain. The franchisor's success is the success of the franchisees.

Freemium business model

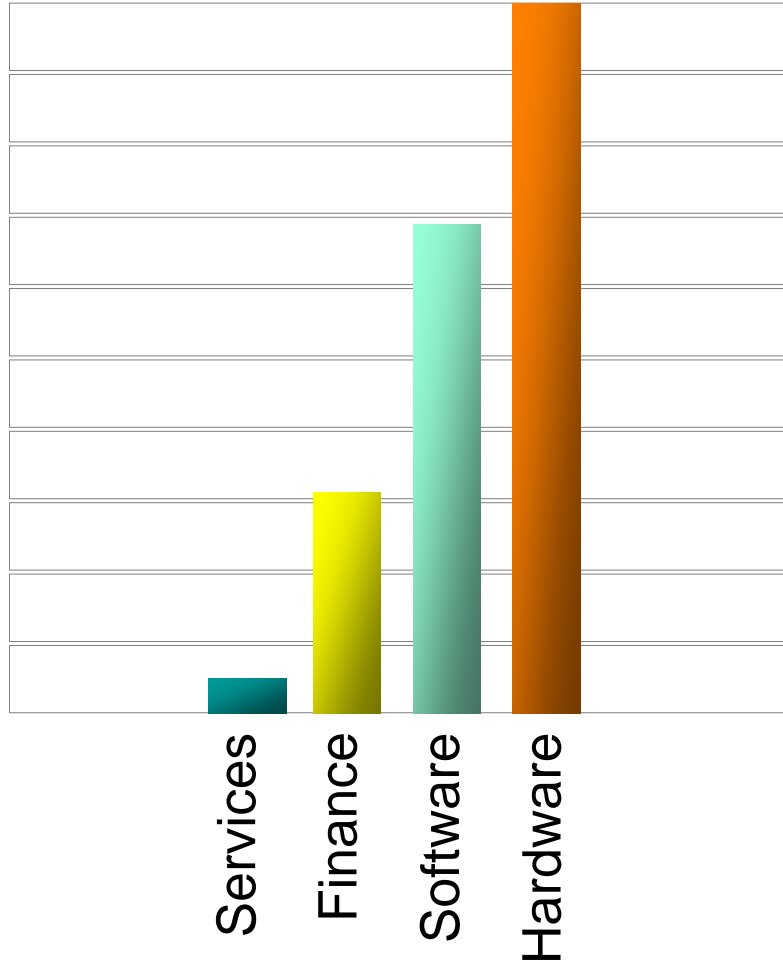
- Offering basic Web services or a basic downloadable digital product for free, while charging a premium for advanced or special features

Web 2.0 Effects

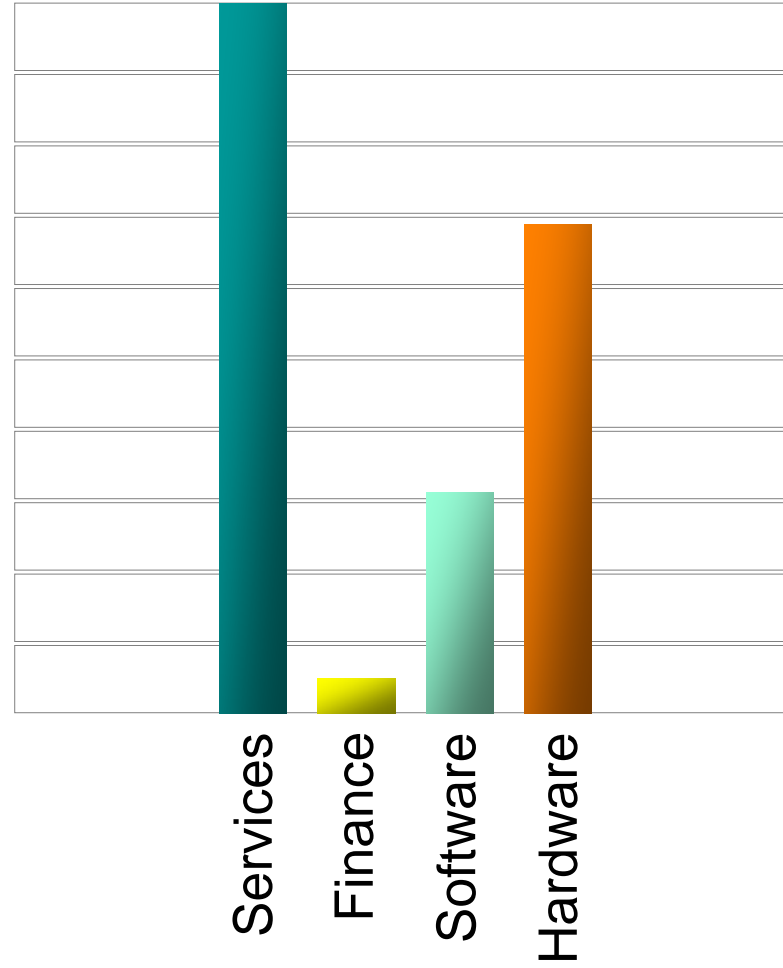
- collective intelligence
 - network effects
 - user generated content
 - the possibility of self-improving systems.
-
- not just the technology effect but also the networking effect.
 - Example: Amazon building a large and thriving community of companies that re-use Amazon's On Demand commerce services.

IBM Business Model

1990



2004



Marketing plays a key role in the
strategic planning process.



The Marketing Process

Key Elements

- *Analyzing marketing opportunities*
 - *Selecting target markets*
 - *Developing the marketing mix*
 - *Managing the marketing effort*
- The strategic planning and business portfolio analysis processes help to identify and evaluate marketing opportunities.
 - The purpose of the marketing process is to help the firm plan how to capitalize on these opportunities.

The Marketing Process

Key Elements

- *Analyzing marketing opportunities*
 - *Selecting target markets*
 - *Developing the marketing mix*
 - *Managing the marketing effort*
- The segmentation process divides the total market into *market segments*.
 - *Target marketing* determines which segment(s) are pursued.
 - The *market positioning* for the product is then determined.

The Marketing Process

Key Elements

- *Analyzing marketing opportunities*
 - *Selecting target markets*
 - *Developing the marketing mix*
 - *Managing the marketing effort*
- Competitor analysis guides competitive marketing strategy development.
 - Strategy leads to tactics by way of the marketing mix:
 - The “Four Ps” – product, price, place, promotion (seller viewpoint)
 - The “Four Cs” – customer solution, cost, convenience, and communication (customer viewpoint)

The Marketing Process

Key Elements

- *Analyzing marketing opportunities*
 - *Selecting target markets*
 - *Developing the marketing mix*
 - *Managing the marketing effort*
- Marketing analysis
 - Provides information helpful in planning, implementation, and control
 - Marketing planning
 - Strategies and tactics
 - Marketing implementation
 - Turns plans into action
 - Marketing control
 - Operating control
 - Strategic control
 - Marketing audit

Marketing Mix: 4Ps

Product - what is your product, quality - do it better.

Price - do it cheaper or provide better value.

Placement - Distribution — make it easy to get, to get fixed, or to get more of.

Promotion - how do buyers know where to buy and be motivated to purchase your product.



Product

Features are "descriptions" of a product or service (e.g., green color, pear-shaped, inexpensive, fast, slow, etc.)

Benefits are the "advantages" you receive from using the product or service (e.g., feel better, look beautiful, more endurance, etc.)

Promotion

Who Is Your Target Buyer?

niche marketing— identifying the heavy users of your product so you can direct your marketing efforts more precisely to those users

segmenting the market— dividing the existing market up into sections or segments that may become new niches for your business

Identifying Your Competitors

What's Your Positioning Message?

Price

process of setting a price for a product, including discounts.

The price need not be monetary - it can simply be what is exchanged for the product or service, e.g. time, or attention.

The price does not necessarily have to do with the costs of the product or service.

Placement

What's Your Distribution Strategy?

Distribution decisions have significant implications for:

- product margins and profits
- marketing budgets
- final retail pricing
- sales management practices

Distribution channels: retail, wholesale, direct mail, telemarketing, cybermarketing, sales force

Marketing of services ?

7Ps

People: Any person coming into contact with customers can have an impact on overall satisfaction.

Process: This is the process(es) involved in providing a service and the behaviour of people, which can be crucial to customer satisfaction.

Physical evidence: Unlike a product, a service cannot be experienced before it is delivered, which makes it intangible. A potential customer perceives greater risk when deciding whether to use a service.

How to ...

**know if it is a winning business idea
when you see it**

Modell by BC Group

WHAT MAKES A NEW IDEA A COMMERCIAL SUCCESS