

Nuts and Bolts of New Ventures

MIT – IAP (MIT 15.s21)

Business Models

Richard Kivel

kivel@mit.edu

Twitter: @Kivel1

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MIT Sloan
MANAGEMENT

The Business Model

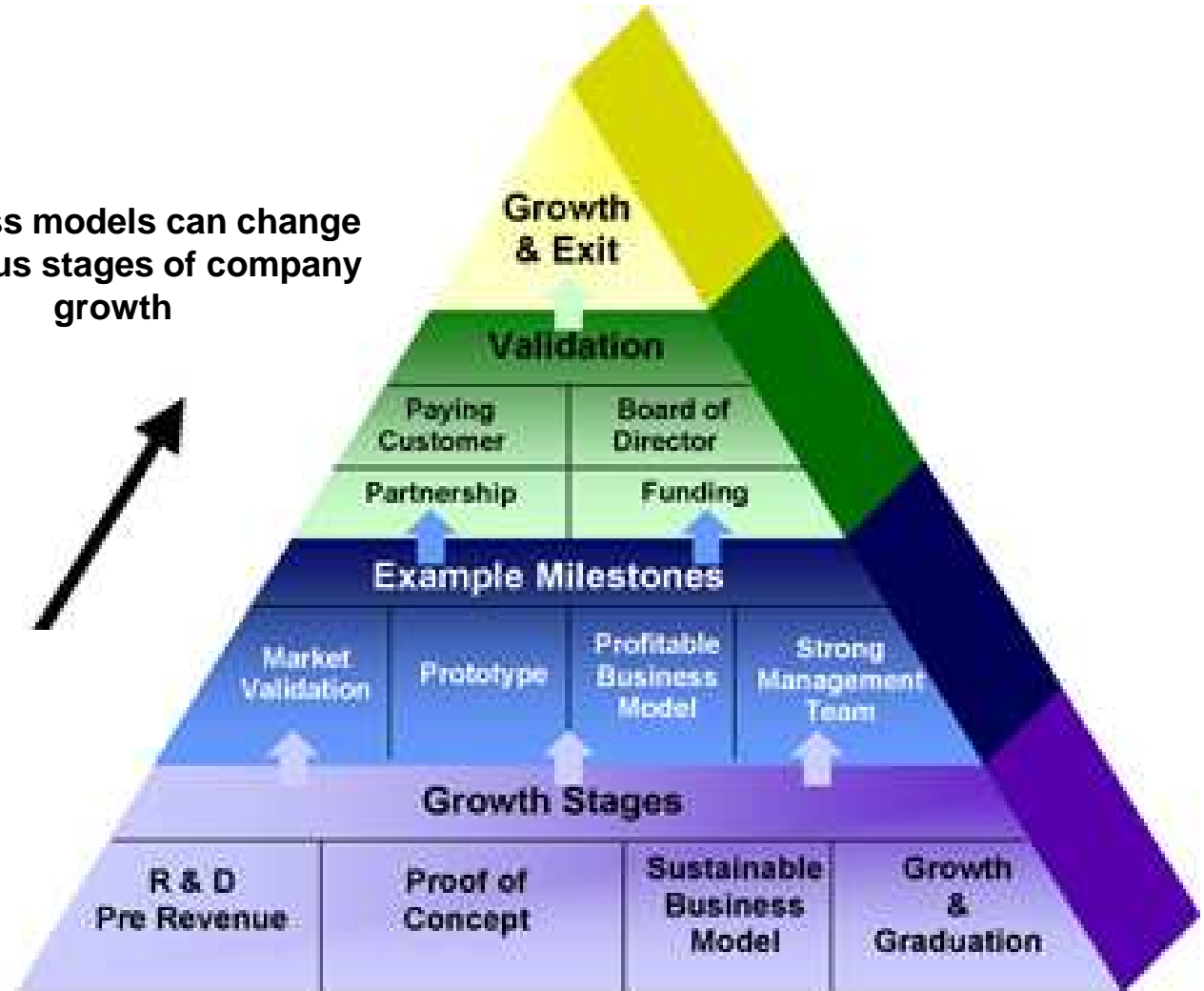
def: A method by which a firm uses its resources (cash, technology and people) to offer its customers better value than its competitors and make money doing so.

It tells who pays, how much and how often.

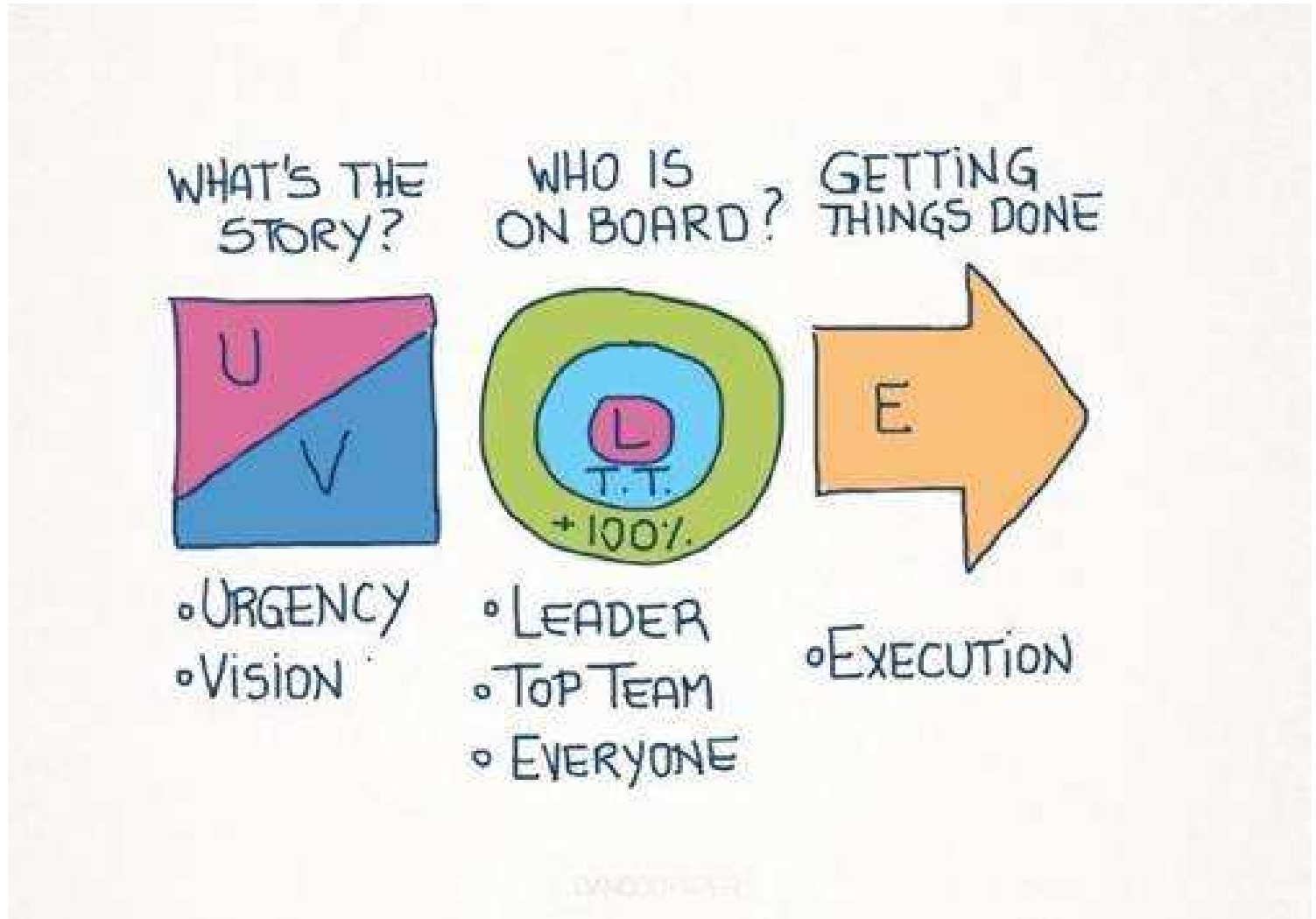


From Ideas to the Market

Business models can change at various stages of company growth



Message Simplified



Your Business Model is NOT your Business

**Business Model Innovation is critical
to developing a quality business,
attacking new markets and driving
profitability**



Old Business Model – Still working

- Apple - Dell
- Citibank - American Express
- SouthWest - Virgin Air
- Patek Philippe - Swatch
- Cuisinart – Nespresso
- Bentley – Cadillac
- Vertu – Nokia
- AT&T vs. SKYPE





GLOBAL UNICORN CLUB: 183 PRIVATE COMPANIES VALUED AT \$1B+ MARKET MAP as of 1/20/2017

E-COMMERCE/ MARKETPLACE

Africa Internet Group
airbnb
爱屋吉屋
AUTO 1 GROUP
贝贝网
Blue Apron
美团 + 大众点评
Coupang
Delivery Hero
FANATICS
返利网
FARFETCH
flipkart
GFG GLOBAL FASHION GROUP
瓜子
lianjia
houzz
酒仙网
口袋购物
mercari
蜜芽
NewDada
OfferUp
ShopClues
snapdeal
SOUQ
JUSTEAT
Thumbtack
tulia
VANCL
WARBY PARKER
微票
wish
小红书

SOCIAL

hike
kik
蘑菇街
Nextdoor
Pinterest
snapchat
sprinklr
Tango
vizio.com
zomato

INTERNET SOFTWARE & SERVICES

anaplan
AppDirect
APTTUS
AUTOMATTIC
docker
DocuSign
FANDEUEL
GitHub
glassdoor
Hootsuite
infor
MEDALLIA
MuleSoft
Pivotal
slack
SMS ASSIST
Spotify
SurveyMonkey
TEN-X
Zeta
zoom

FINTECH

51信用卡网
adyen
AVANT
拉卡拉
信而富
Credit Karma
Funding Circle
GreenSky
GUSTO
Kabbage
Klarna
Mozido
one97
PROPER
融360
SoFi
TransferWise
ZENEFITS
众安保险
stripe

CYBERSECURITY

avast!
illumio
Lookout
okta
CLOUDFLARE
TANIUM

ON-DEMAND

Bla Bla Car
Careem
instacart
滴滴
ele.me
GOJAK
GRABTAXI
中国航民
lyft
OLA
UBER

BIG DATA

actifio
cloudera
DOMO
INSIDESALES.COM
MarkLogic
mongoDB
OVH.com
Palantir
qualtrics
UPTAKE
Mu Sigma

HEALTHCARE

23andMe
BenevolentAI
CUREVAC
FLATIRON
挂号网
HUMAN LONGEVITY INC.
iCarbonX
Intarcia
Adaptive
moderna
OSCAR
NANOPORE
proteus
Zocdoc

MEDIA

BuzzFeed
STX
VICE
VOX MEDIA

HARDWARE

carbon38
datto
dji
INFINIDAT
JAWBONE
RAZER
ROYOLE
MEIZU
UBTECH
小米
掌阅科技

MOBILE SOFTWARE & SERVICES

APUS
Garena
IronSource
SHAZAM
yello mobile

REAL ESTATE

COMPASS
GLOBAL SWITCH
Mofang
UR WORK
OPENDOOR
wework

OTHER

appnexus
inmobi
PUSH
magic leap
KENDRA SCOTT
Age of Learning
iTutorGroup
mindmaze
PROMASIDOR
PLURALSIGHT
猎聘网
SPACE X
LIFE MILES
PROCORE
decolar.com
QUANERGY
ZDX
unity
CJ
Bloomenergy



New Models Changing the world

Blue Apron	\$193M	Marketplace
Buzzfeed	\$497M	Media
Cloudera	\$1B	Big Data
DraftKings	\$627.6M	Gaming
Dropbox	\$1.1B	Internet Software
23andME	\$244M	Healthcare
Airbnb	\$3.9B	E-Commerce
Uber	\$12.5B	On-demand



Components of the Business Model



Components of the Business Model

- 1. Value Proposition**
- 2. Market Segment**
- 3. Value Chain Structure**
- 4. Position in the Value Network**
- 5. Revenue Generation and Margins**
- 6. Competitive Strategy**
- 7. Stage of Development**



Value Proposition

- A description of the customer problem
- The solution that addresses the problem
- The value of this solution from the customer's perspective (price, speed, design)

Market Segment

- The target audience
- Recognizing that different market segments have different needs



Value Chain Structure

- The firm's position in the value chain
- Activities in the value chain
- How the firm will capture part of the value that it creates in the chain.

Position in the Value Network

- Identification of competitors
- Identify complementary companies and technology
- Identify network-effects that can be utilized to deliver more value to the customer.



Revenue Generation and Margins

- How revenue is generated (sales, leasing, subscription, support, etc.)
- The cost structure
- Target profit margins.

Competitive Strategy

- How will the company attempt to develop a sustainable competitive advantage?
- How will it use that advantage to improve the competitive position in the market?



Business Model Examples Case Studies



Innovative Business Models



Business model example: Amazon - Leveraging assets



Business model example: Apple - Providing convenient solutions



Business model example: Etsy - Mass customization of arts and crafts



Innovative Business Models

ZARA

Business model example: Zara – Time to Market is everything business model

Gillette

Business model example: Gillette - The razor and blade business model



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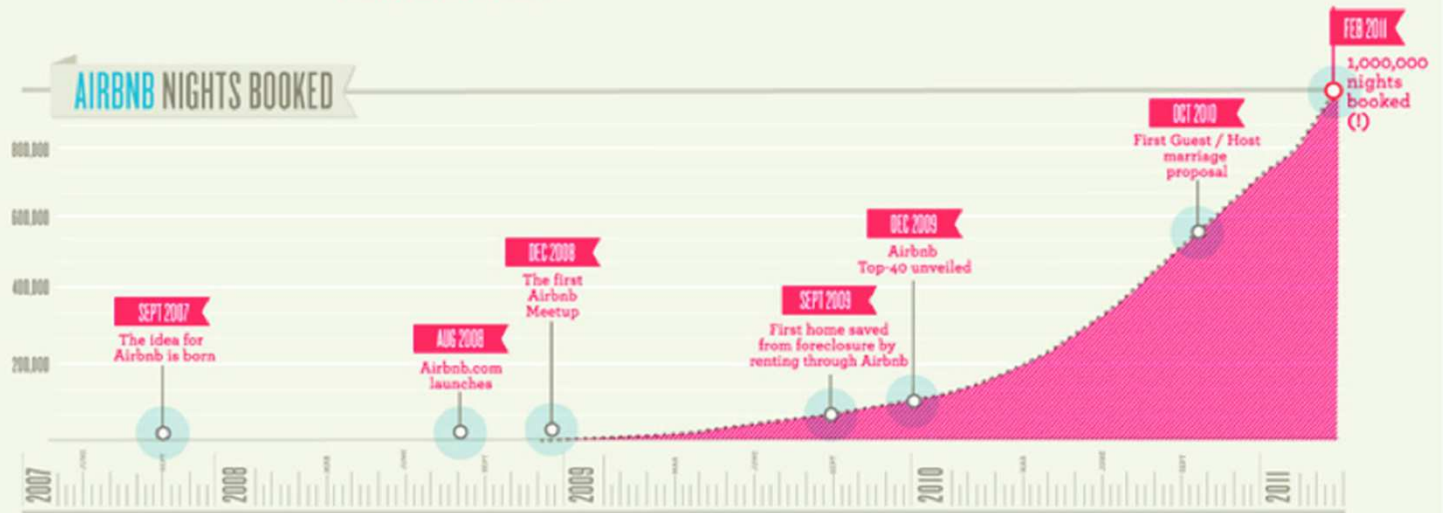


FEBRUARY 24, 2011

AIRBNB
THEN / NOW

STATISTICS CELEBRATING
1,000,000 NIGHTS BOOKED

(and 3.5 great years, in general)



LONGEST RESERVATION



NIGHTS

MOST RESERVATIONS BY ONE TRAVELER



ONLINE BOOKINGS

JAN. 2011 OVER DEC. 2010 REVENUE



% PERCENT GROWTH



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<p><u>Value Proposition</u></p> <p>Stay in unique places and meet new people for low prices.</p> <p>Rent out an extra room, share knowledge and meet travelers.</p>	<p><u>Revenue Model</u></p> <p>6-12% from the guest.</p> <p>3% from the host's rental.</p>	<p><u>Market Opportunity</u></p> <p>People who are planning to travel.</p> <p>People with an extra room they want to rent out.</p>	<p><u>Competitive Environment</u></p> <p>Major Competitors: wimdo.com, homeaway.com, 9flats.com</p> <p>& Hotel Chains around the world</p>
<p><u>Competitive Advantage</u></p> <p>"Brand" recognition and Global Presence.</p>	<p><u>Market Strategy</u></p> <p>Community based brand development and usage. Travel points for inviting friends to join the platform.</p>	<p><u>Organizational Development</u></p> <p>Core development in US and Marketing/Operations all throughout Europe, South America and the Asia-Pacific regions</p>	<p><u>Management Plan</u></p> <p>Excellent Development and Global Operations. & High Profile investments helped build brand.</p>

Travellers

Hosts



UBER

Uber: Real-Time Ridesharing



Background – Taxi Services

- More convenient than other modes of public transport when going at a specific destination
- Higher fees than other modes of public transport
 - Fixed price based on base fare, distance, time, peak hours/weekends & public holidays, advanced booking fees
- Requires a government license to be a taxi driver
- Car rented by the taxi operator
- Taxis can be hired
 - Hailing on the street
 - Waiting at specific taxi stations
 - For immediate booking by SMS, phone call, app
 - For advanced booking by phone call, apps



Value Proposition – Network Orchestrator



Value Proposition – Surge Pricing: Meeting high demand

Surge Pricing : Uber rates increase to ensure reliability when demand cannot be met
Encourage more driver to be available.

DEMAND/SUPPLY ALGORITHM

- Heat mapping to indicate where the demand is
- “God View” – real time aerial view of the movement of cars¹
- Plenty of other data analyses, such as
 - Analyzing how many times the app is open
 - Analyzing accuracy of demand prediction to refine the prediction algorithm
 - Calculating probability of accurate destinations and popular destinations²

SURGE PRICING ALGORITHM

- Automatically detects situations of high demand and low supply and adjusts price accordingly, depending on the level of shortage.



Summary

- **Value Proposition**
- **Market Segment**
- **Value Chain Structure**
- **Position in the Value Network**
- **Revenue Generation and Margins**
- **Competitive Strategy**
- **Stage of Development**



Thank you

Richard Kivel
kivel@mit.edu

Twitter: @kivel1

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