Nuts and Bolts of New Ventures
MIT – IAP (MIT 15.s21)

Business Models

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Simple Goal

- `information`
- `knowledge`
- `Wisdom`
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.
Highly Complex
From Ideas to the Market

Business models can change at various stages of company growth
DropBox
Your Business Model is NOT your Business

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

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

The P2P Revolution: Etsy, Kickstarter, Paypal, Craigslist

Just In Time: Dell

One Day, One Deal: Woot, Groupon, LivingSocial, Moolala

Name Your Price: Priceline
Summary

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

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