

Nuts and Bolts of New Ventures

MIT - IAP (MIT 15.s21)

Business Models

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January 22nd 2014



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The Foundation of ANY Good Business:

The Business Model

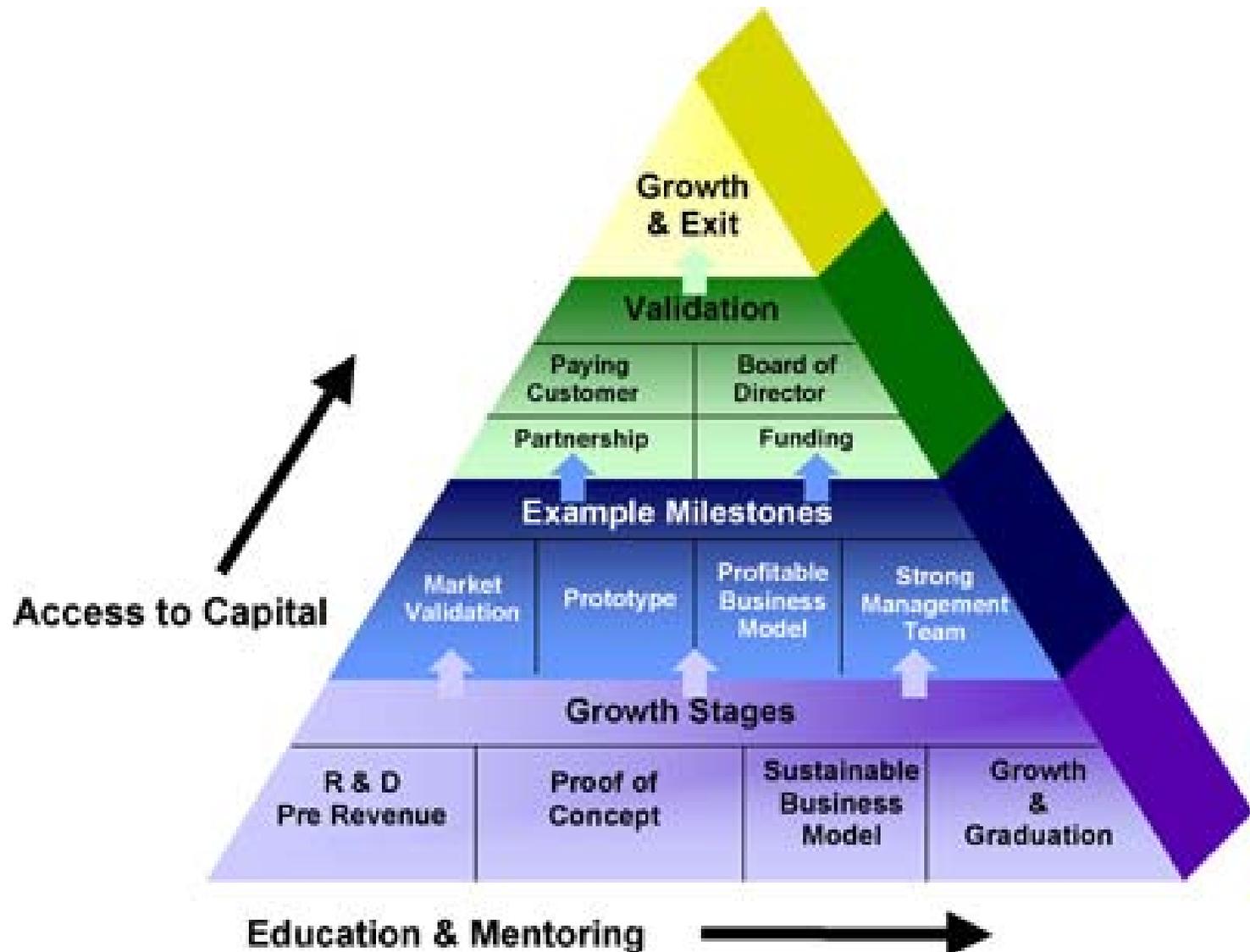
def: A method by which a firm uses its resources (cash, technology and people) to offer its customers better value than its competitors and make money doing so.

It tells who pays, how much and how often.



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From Ideas to the Market

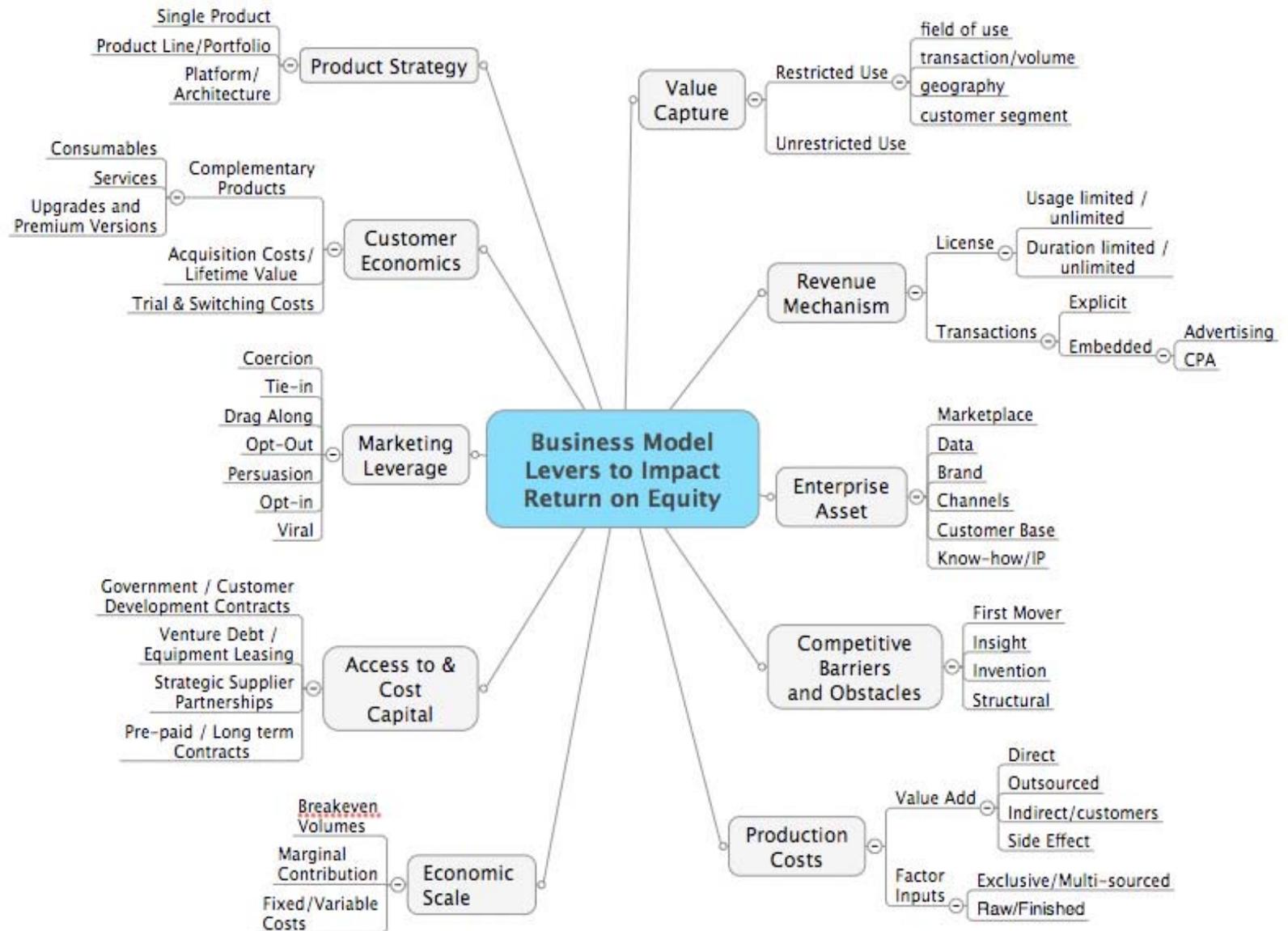


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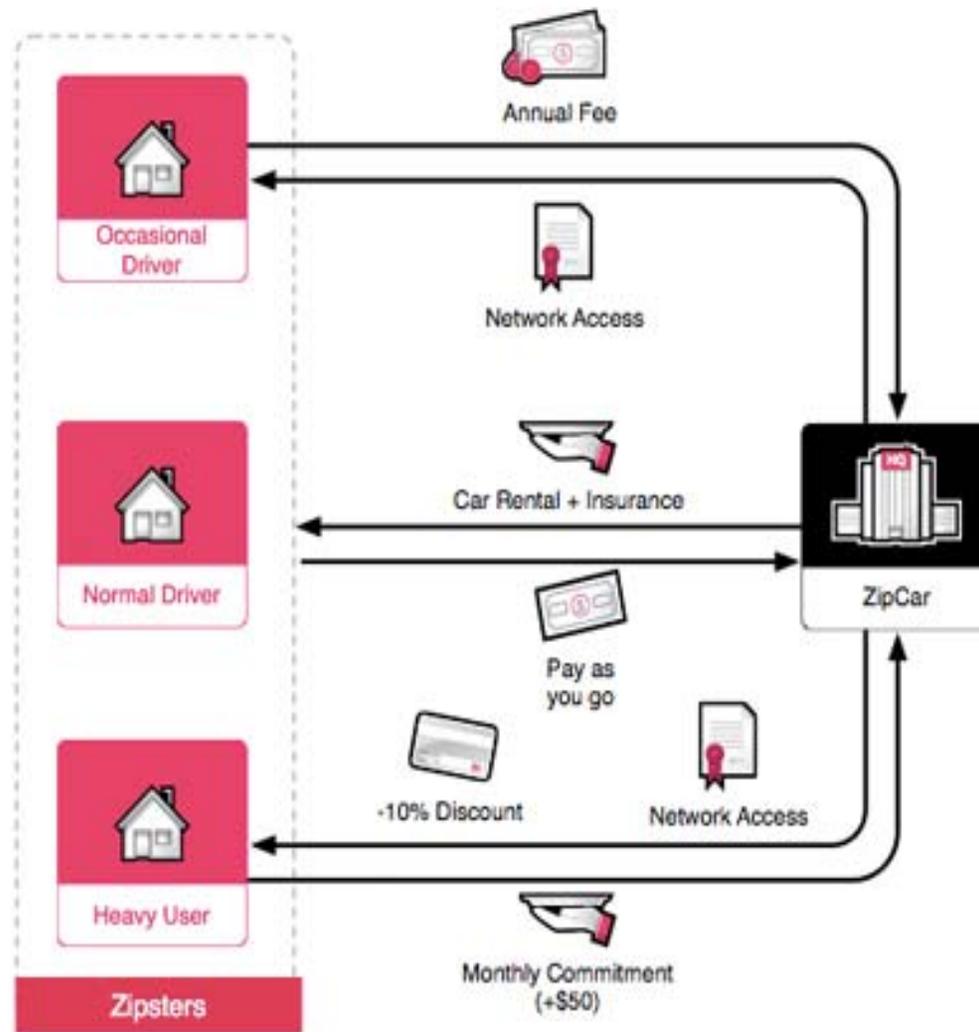
Image removed due to copyright restrictions. See: "[Success.](#)" June 18, 2012. [ATBREAK.com](#).



Highly Complex

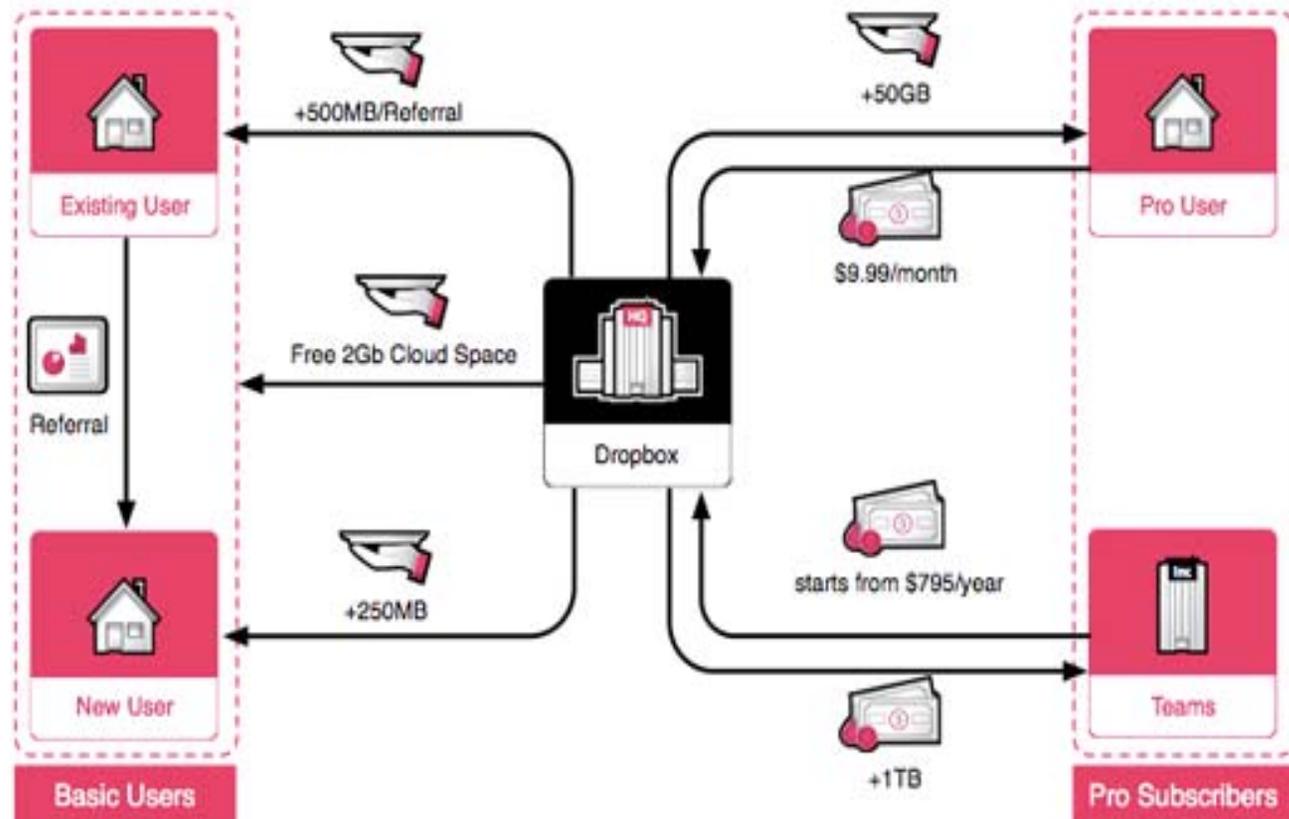


ZipCar



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DropBox



Your Business Model is NOT your Business

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



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Components of the Business Model



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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**



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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

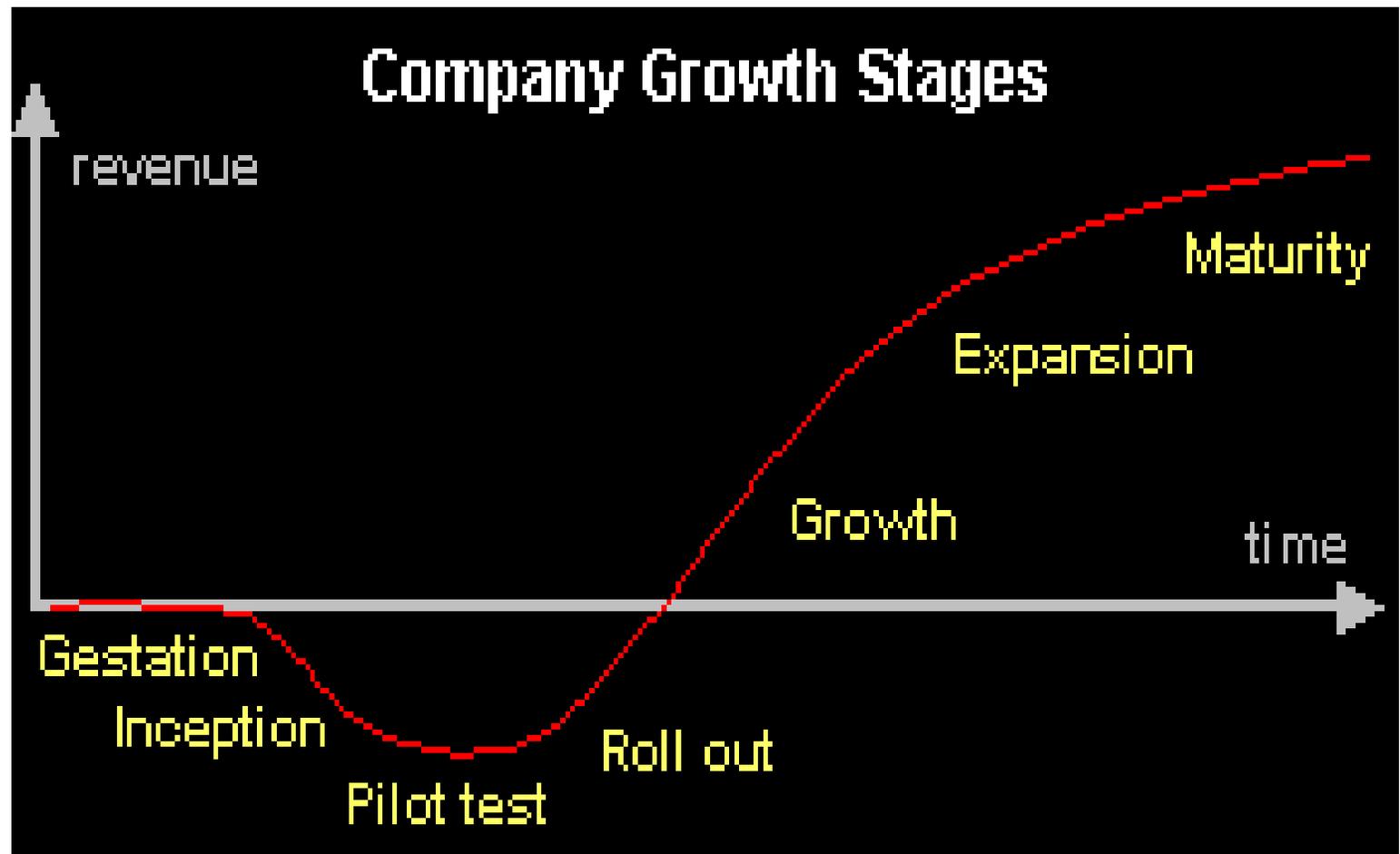
- How revenue is generated (sales, leasing, subscription, support, etc.)
- The cost structure
- Target profit margins.

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?



Where Are You on the Field



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Google Website Launched Sept 4th 1998



Google!

Search the web using Google!

10 results



Google Search

I'm feeling lucky

Index contains ~25 million pages (soon to be much bigger)

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What is Changing in your Space

Price of 1 Gb of storage:

1981 \$3000000

1987 \$500000

1990 \$100000

1994 \$10000

1997 \$100

2000 \$10

2004 \$1

2012 \$0.10



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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



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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



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Innovative Business Models

ZARATM

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

GilletteTM

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



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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



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Summary

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



Success consists of going from failure to failure without loss of enthusiasm.

~Winston Churchill



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Thank you

Richard Kivel

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Special thanks to everyone and anyone who contributed to this presentation whether they know it or not. I am grateful for their ideas, data, slides and images



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15.S21 Nuts and Bolts of Business Plans
January IAP 2014

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