



INNOVATION AND NEW BUSINESS MODELS


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OBJECTIVES:

This seminar's objective is to give students a basic understanding of:

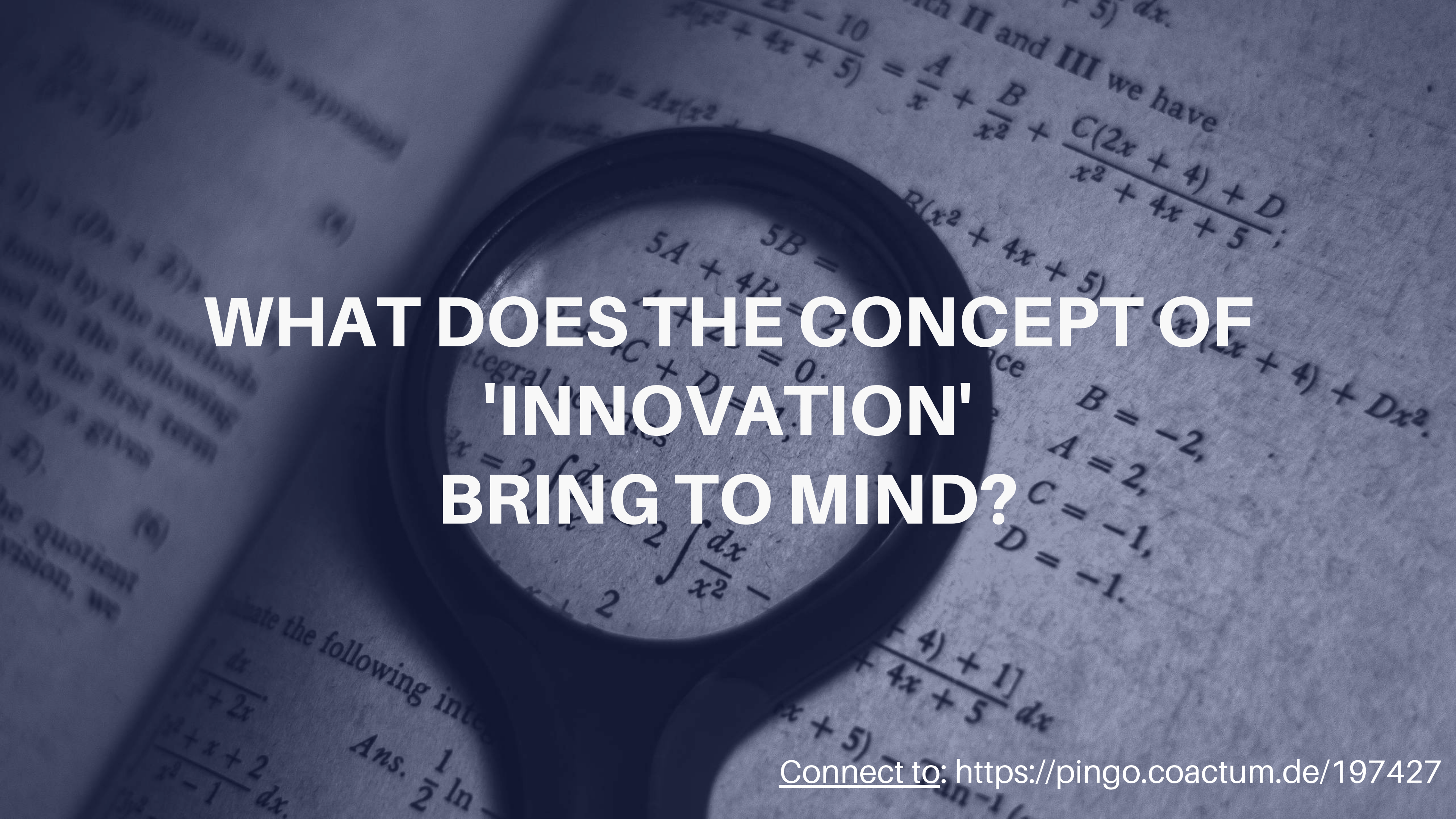
- how innovation is defined in the literature and what factors facilitate its emergence,
- how to define, design and develop business models,
- how to evaluate the robustness of business models,
- how to use the Business Model Canvas.



PART 1:
**WHAT IS
INNOVATION?**



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A magnifying glass is positioned over a document filled with mathematical equations. The text is centered in large, bold, white capital letters. The background is a dark, monochromatic image of the document, with the magnifying glass highlighting a specific area.

**WHAT DOES THE CONCEPT OF
'INNOVATION'
BRING TO MIND?**

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PART 1.1:
**THE THEORY
OF INNOVATION**



**INNOVATION
AS A RESEARCH FIELD
IS RECENT**

INNOVATION WAVES ARE ACCELERATING

Дошная работа
Лиса и зайца.
Лиса с лисатой
жили в лесу. Лиса
пошла на охоту.
отдыхал под кустом.
Лиса увидела зайца.
Она побежала за ним.
Зайцу удалось убежать
от лисы.
а у о н и е ё э я ю

б.



**TWO OF THE MOST
INFLUENTIAL INNOVATION
THEORIES**

A man in a dark suit and tie is seated at a desk, looking down at papers. The desk is cluttered with stacks of books and papers. The background shows more bookshelves. The entire image has a blue color cast. Overlaid on the center is the text 'THE CLASSICAL SCHUMPETERIAN INTERPRETATION' in white, bold, sans-serif font.

**THE CLASSICAL
SCHUMPETERIAN
INTERPRETATION**



**A THEORY OF
ECONOMIC
DEVELOPMENT**

*"A historical and irreversible change in the
method of production of things"*

Schumpeter, 1934

Small (incremental) vs. Large-scale (radical)

Source: Schumpeter, Joseph A., 1934.

The theory of economic development: An inquiry into profits, capital, credit, interest, and the business cycle, Harvard Economic Studies 46



**THE ENTREPRENEUR
AS THE AGENT OF
ECONOMIC GROWTH**



INNOVATION IS ABOUT CREATING ECONOMIC VALUE

"Innovation and economic growth are one of the same. Countries that innovate would grow wealthier, those that did not would stagnate"

Schumpeter, 1942

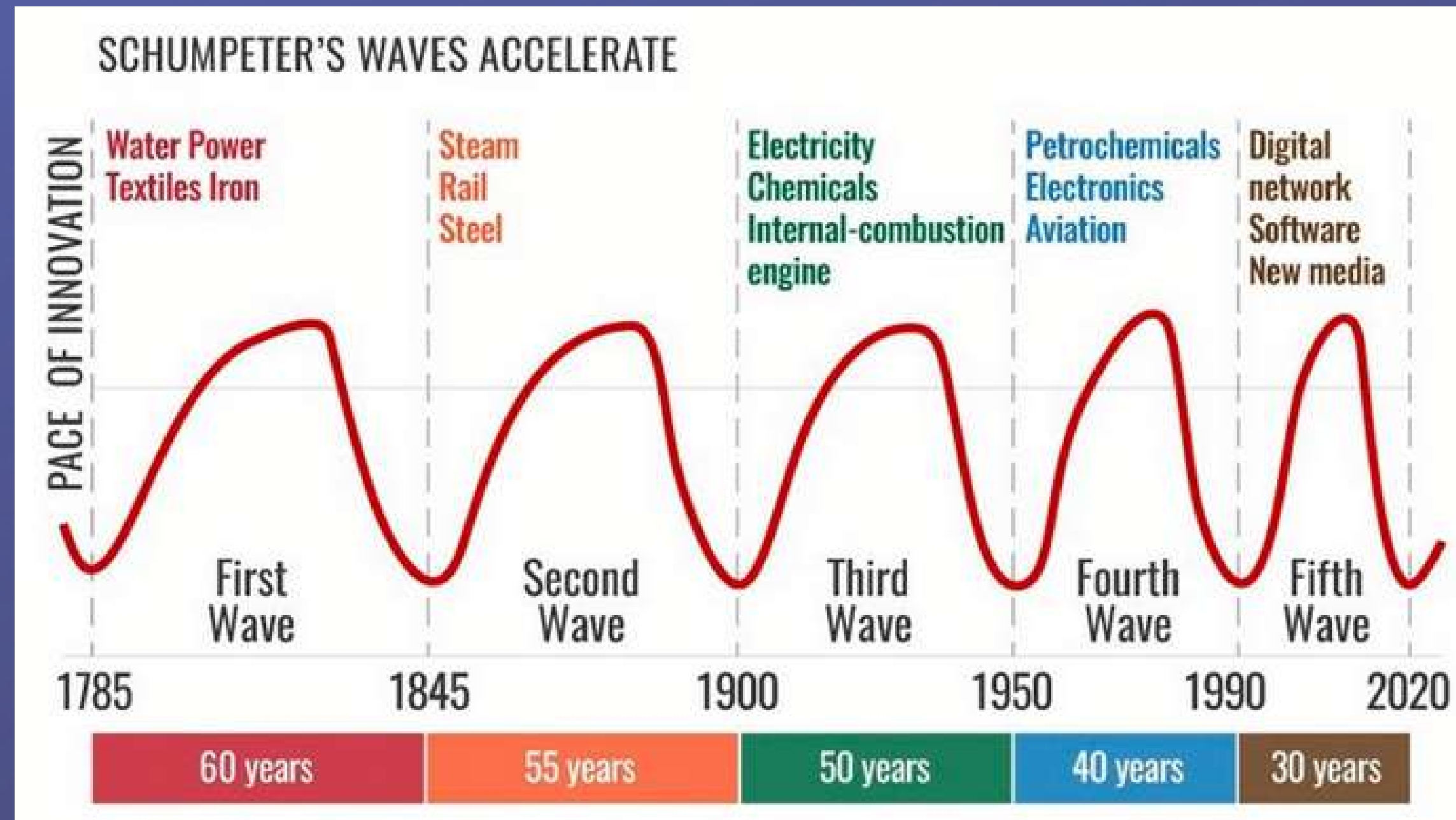


THE GALE OF CREATIVE DESTRUCTION

"Process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one."

Schumpeter, 1942

THE SCHUMPETERIAN CYCLE OF INNOVATION AND ENTREPRENEURSHIP







THE GALE OF CREATIVE DESTRUCTION: AN EXAMPLE

- Early adopters investment
- Transfer of value and efficiency gain
- Decrease in the cost of production, decrease in consumer prices, increase in demand
- Economic instability while the transfer of value occurs
- Economic growth and imitation

Number of automobiles sold in the USA:

1903: 11,235

1913: 3.6 million

1923: 20 million

Number of companies in the horse industry in the USA:

1890: 13,800

Late 1910s: 90

Jobs destroyed between 1910 and 1950:

623,000

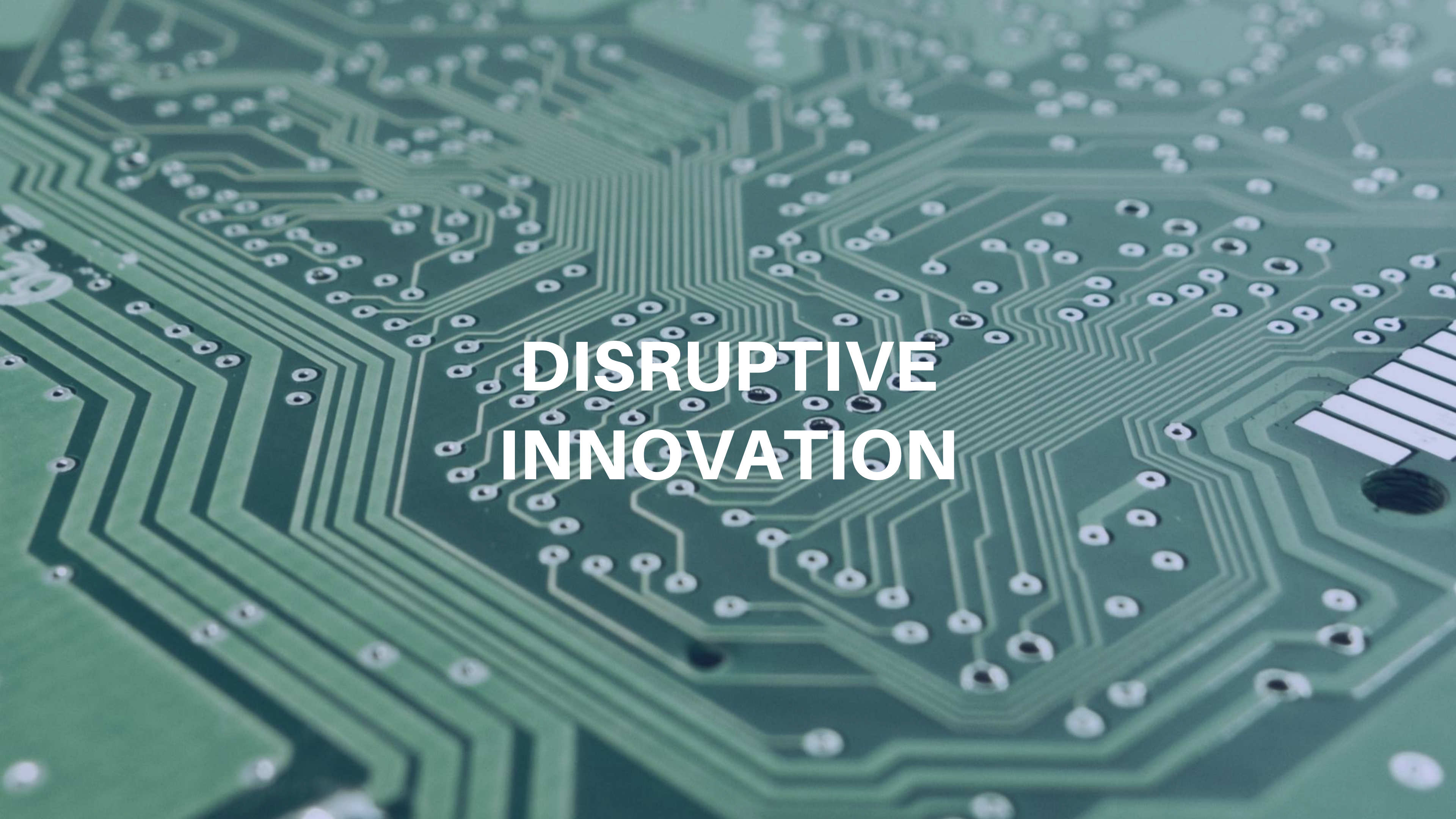
Jobs created between 1910 and 1950:

7.5 million



**WHAT INNOVATIONS WOULD YOU
ADD AFTER 2020?**

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**DISRUPTIVE
INNOVATION**



DISRUPTIVE INNOVATION

Disruptive innovation is the process in which a smaller company, usually with fewer resources, is able to challenge an established business (often called an “incumbent”) by entering at the bottom of the market and continuing to move up-market.

Christensen, 1995



ing New



to you watched Narcos



Series



NETFLIX

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- 
- Did Netflix target a market segment ignored by incumbents?
 - Did they move upmarket?
 - Did the new market replace the existing one?

A vintage-style map of San Francisco, California, featuring a grid of streets and various landmarks. The map is rendered in a classic, hand-drawn style with yellow street lines and various icons for buildings, parks, and schools. A black smartphone is placed over the map, displaying the word "uber" in white lowercase letters. The phone's wheels are visible, suggesting it is a toy or a prop. The map includes labels for streets like "Market Street", "Mission Street", "Golden Gate", and "McAllister". Landmarks such as "Lowell High School", "Golden Gate Park", and "Twin Peaks" are also depicted. The overall scene is a playful juxtaposition of modern technology and historical cartography.

uber

Connect to: <https://pingo.coactum.de/197427>




➤➤ Did Uber target a market segment ignored by incumbents?

➤➤ Did they move upmarket?

➤➤ Did the new market replace the existing one?

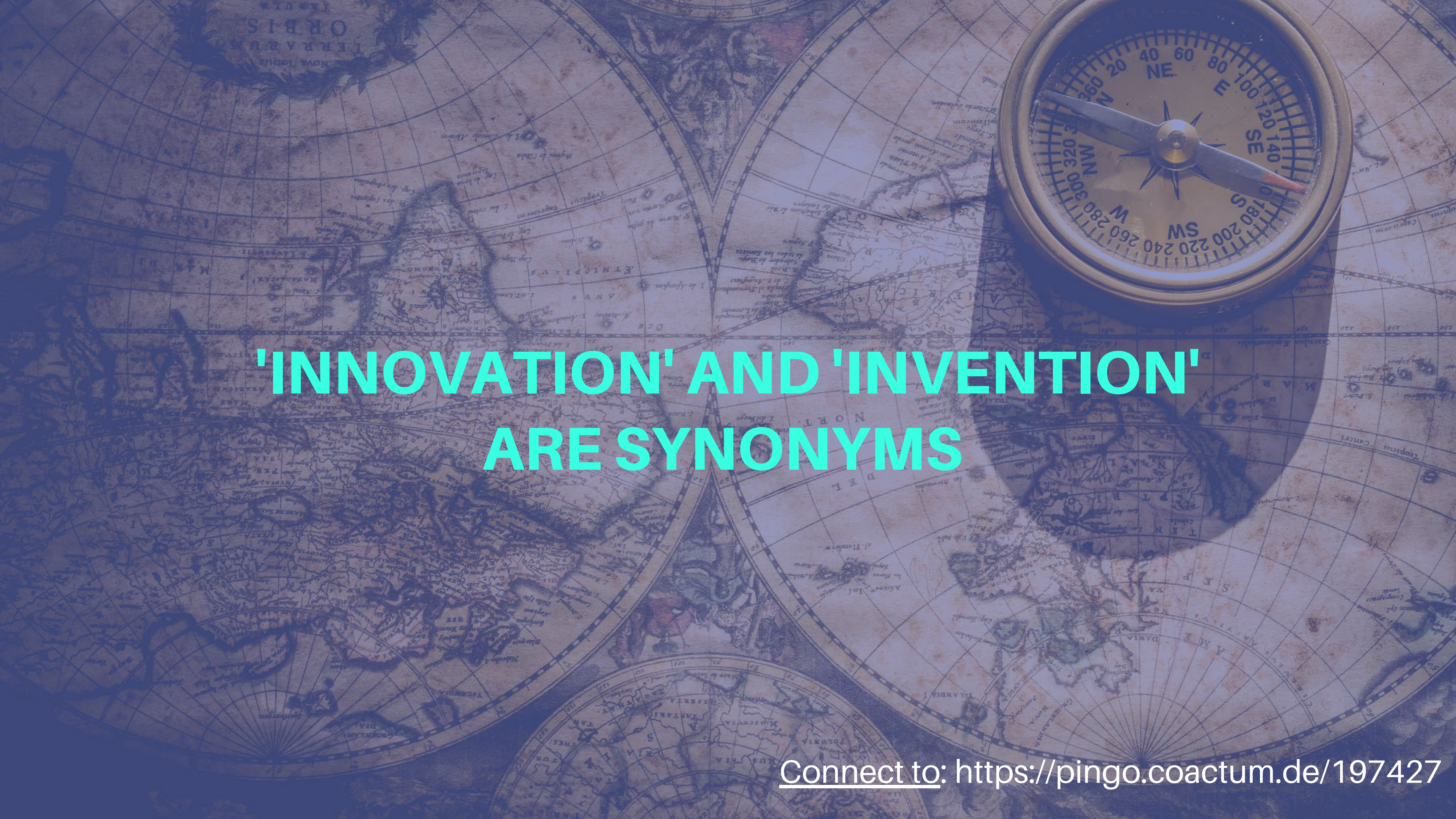
The image features three playing cards from the heart suit: the King of Hearts, the Jack of Hearts, and the Ace of Hearts, arranged in a fan-like pattern. The cards are semi-transparent, allowing the text to be seen through them. The background is a dark blue gradient with a subtle grid pattern. A red horizontal bar is located in the top right corner.

PART 1.2:
WHAT DO YOU THINK
OF THE
FOLLOWING AFFIRMATIONS?

A glowing lightbulb with a DNA double helix inside, sitting on a wooden block next to a spiral notebook. The scene is dimly lit, with the lightbulb being the primary source of light. The text is overlaid in a bright cyan color.

**INNOVATION
IS ALWAYS LINKED TO THE NOTION
OF NOVELTY**

Connect to: <https://pingo.coactum.de/197427>

A vintage world map with a compass rose overlaid on it. The map is a Mercator projection, showing the continents of North America, South America, Europe, and Africa. The compass rose is a circular instrument with a needle pointing towards the top right, indicating North. The needle is marked with 'N' for North, 'E' for East, 'S' for South, and 'W' for West. The compass rose also has degree markings around its perimeter, ranging from 0 to 360. The map is a sepia-toned historical map with various geographical labels and a grid of latitude and longitude lines.

**'INNOVATION' AND 'INVENTION'
ARE SYNONYMS**

Connect to: <https://pingo.coactum.de/197427>

INNOVATION AND INVENTION IN THE LITERATURE

AUTHOR	INNOVATION	INVENTION
Freeman, 1982	Innovation is the introduction of change via something new	An invention is the creation of a new device or process
Senge, 1990	An idea becomes an innovation only when it can be replicated on a meaningful scale at practical costs	An idea has been 'invented' when it is proven to work in the laboratory
O'Sullivan and Dooley, 2009	Innovations are more than the creation of something novel. Innovations also include the exploitation for benefit by adding value to customers.	Inventions do not need to fulfill any useful customer needs and do not need to include the exploitation of the concept in a market



**INNOVATIONS ALWAYS DELIVER
ECONOMIC VALUE**

Connect to: <https://pingo.coactum.de/197427>



**INNOVATING MEANS
DESTROYING SOMETHING
EXISTING**

Connect to: <https://pingo.coactum.de/197427>

GODIN'S CLASSIFICATION

Innovation as a process of doing something new

- Innovation as:
- Imitation
 - Invention
 - Discovery

Innovation as human abilities for creative activity

- Innovation as:
- Imagination
 - Ingenuity
 - Creativity

Innovation as change in all spheres of life

- Innovation as:
- Cultural change
 - Social change
 - Organizational change
 - Political change
 - Technological change

Innovation as commercialization of new products

Innovation as the transposition of an imitation/invention/discovery to the "business world"

Source: Godin B. (2008).

Innovation: the History of a Category // Working Paper No. 1, Project on the Intellectual History of Innovation, Montreal: INRS. 62 p.

A hand holding a glowing lightbulb in front of a blurred background of people in a meeting. The lightbulb is the central focus, emitting a warm glow. The background shows several people in business attire, some looking at a screen or document, creating a professional and collaborative atmosphere. The overall image has a blue tint.

**BEING INNOVATIVE IS
A STATE OF MIND,
IT CANNOT BE LEARNED**

Connect to: <https://pingo.coactum.de/197427>

THE DRIVERS OF INNOVATION

A paper from 2014 analysed 12 years of literature on innovation published at top conferences and found the most significant drivers of innovation to be:

PERSONAL

.....

- Personality
- Motivation
- Cognition

GROUP

.....

- Structure
- Climate
- Leadership
- Task characteristics

ORGANISATIONAL

.....

- Structure
- Culture
- Strategy
- Resources

THE DRIVERS OF INNOVATION: PERSONAL LEVEL

PERSONALITY DRIVERS

- Openness to new experience
- Autonomy
- Self-efficacy
- Internal locus of control

MOTIVATION DRIVERS

- Intrinsic motivation

COGNITION DRIVERS

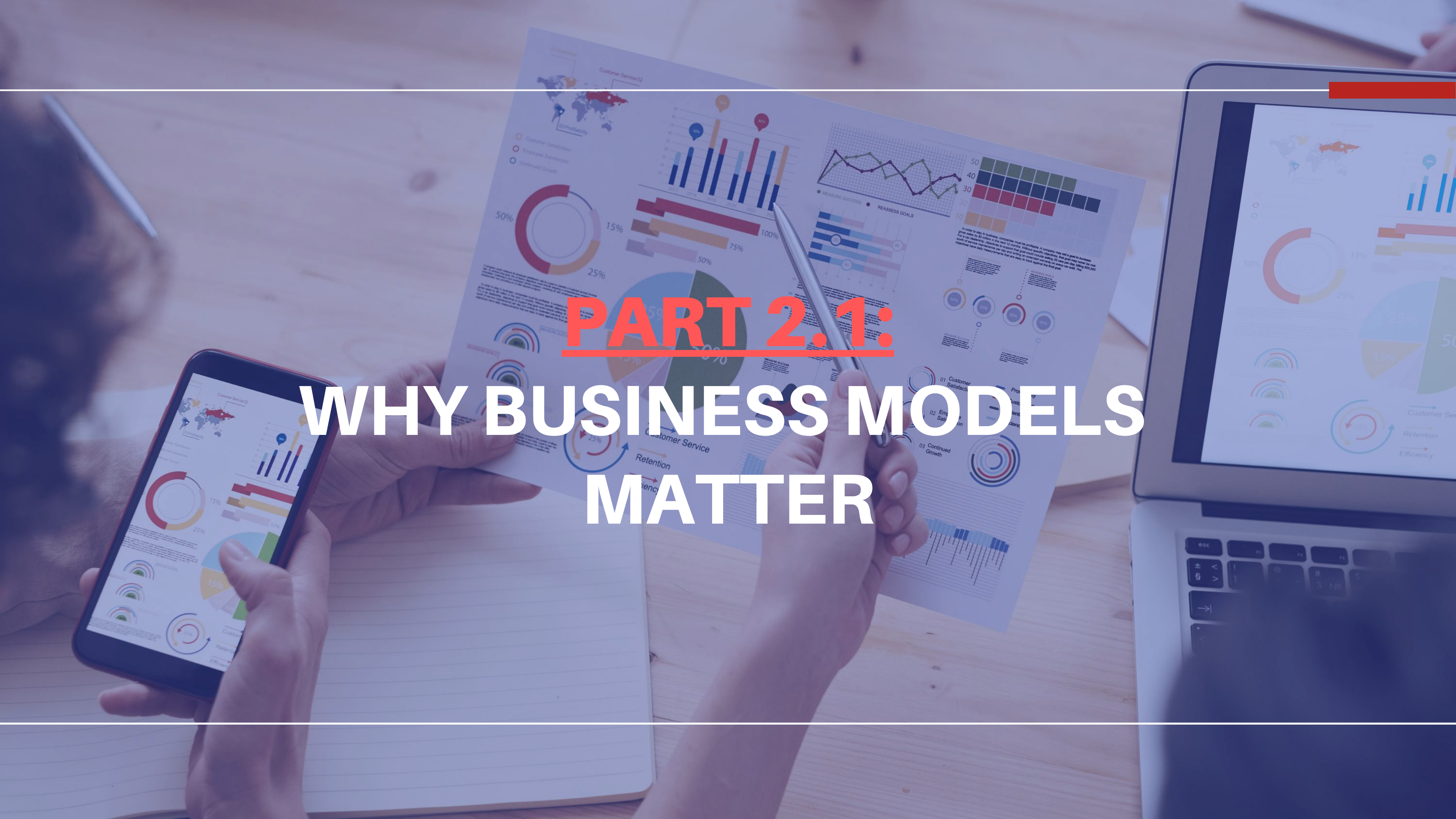
- Balance between convergent and divergent thinking



PART 2:
BUSINESS MODELS
AS A TOOL TO DESIGN A STRATEGY
AND ASSESS PERFORMANCE

PART 2.1:

WHY BUSINESS MODELS MATTER





*"Models attempt to **structure** [...] **knowledge** so that it can be **extrapolated** to future applications. Models attempt to **describe both facts and the relationships between them** to create a **dynamic representation** that can identify what the past and present mean to the future.*

*Most models do not claim to be exact representations of a real system, but rather capture **useful information** and make **predictions** better than a less structured view of that information"*

Roger Smith, 2008



X BUSINESS MODELS

“ Stories that explain how enterprises work. A good business model answers [...] age-old questions, ‘Who is the customer? And what does the customer value?’ It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?”

Joan Magretta, 2002

IN THE U.S.A, HOW MANY START-UPS FAIL WITHIN...

...5 YEARS ?

%

...10 YEARS ?

%



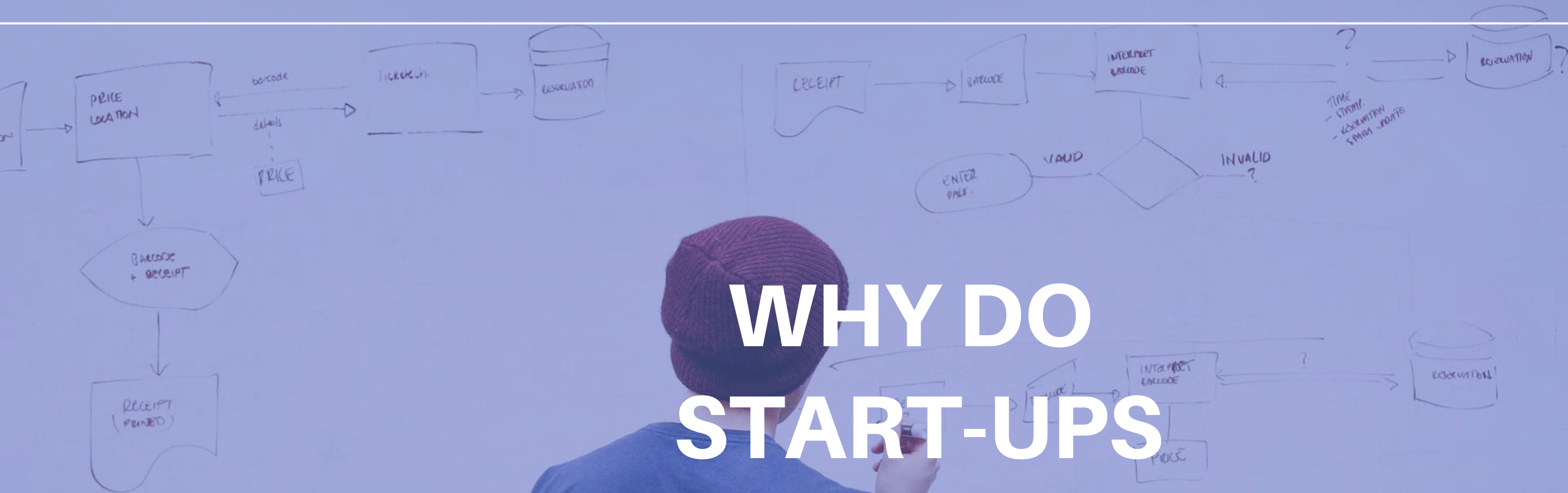
IN THE U.S.A, HOW MANY START-UPS FAIL WITHIN...

• ...5 YEARS ? •

• ~50% •

• ...10 YEARS ? •

• ~70% •



WHY DO START-UPS FAIL?



LACK OF MARKET UNDERSTANDING - 34%

Including: product without business model, mistimed product, ignoring customers, etc.



POOR MARKETING/UX - 22%

Including: product's attributes (unfriendly product), pricing, etc.



POOR TEAM/ROLE REPARTITION - 18%

Responsibilities' overlap. Diversity: mixed team with one hacker and one hustler have 2.9x more user growth



POOR FINANCING STRATEGY - 16%

Business Models should be viable and scalable. Funds should be spent intelligently



TECHNICAL, LEGAL & OPERATIONAL PROBLEMS - 10%

Resulting from a lack of expertise or a wrong market analysis

EXAMPLES OF FAILED START-UPS



Color Labs - Social Media



- Fiscal irresponsibility and high burn rate
- Poor, unproven product
- Wrong market analysis

Reasons why they failed: Ran out of cash ✓ Ignored customers ✓
Did not understand the market ✓



Beepi - Secondhand car marketplace



- Bad operation of the company, high burn rate
- Failed to deliver the promise
- Wrong understanding of customer's needs

Reasons why they failed: Ran out of cash ✓ Failed to deliver the promise ✓ Aggressive growth without business model ✓
Misunderstood customer's needs ✓

BUSINESS MODELS ARE NOT STATIC



VS

IBM



TYPES OF BUSINESS INNOVATION





PART 2.2:

**THE BUSINESS MODEL
CANVAS**

KEY PARTNERS

KEY ACTIVITIES

KEY RESOURCES

VALUE PROPOSITIONS

CUSTOMER RELATIONSHIPS

CHANNELS

CUSTOMER SEGMENT

COST STRUCTURE

REVENUE STREAMS

PROBLEM

EXISTING ALTERNATIVES

SOLUTION

KEY PARTNERS

KEY METRICS

UNIQUE VALUE PROPOSITION

HIGH LEVEL CONCEPT

UNFAIR ADVANTAGE

CHANNELS

CUSTOMER SEGMENTS & EARLY ADOPTERS

COST STRUCTURE

REVENUE STREAMS



STEP 1:

MARKET RESEARCH



PROBLEM

**EXISTING
ALTERNATIVES**

PROBLEM STATEMENT

EXISTING ALTERNATIVES

PROPOSED SOLUTION

PROPOSED SOLUTION

PROPOSED SOLUTION

**CUSTOMER
SEGMENTS &
EARLY ADOPTERS**

PROPOSED SOLUTION

PROPOSED SOLUTION



X TYPES AND PURPOSE

Market research consists in collecting information to understand if there is a need for your product and help develop your business plan

Customer-related information:

- Exploratory research: focused on finding the problem(s), usually through open-ended interviews (qualitative research).
Understand underlying reasons, opinions, and motivations
- Specific research: focused on diving into the problem(s) raised by exploratory research with smaller samples

Market-related information:

- Industry, competition, target market, products & services and operations management
- Found from public, commercial or internal sources

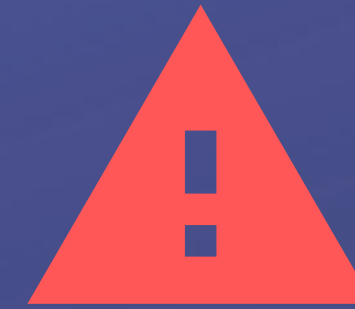
A person with their back to the camera, wearing a beige sweater, is looking at two sweaters hanging on wooden hangers. The sweater on the left is a light-colored, textured knit sweater. The sweater on the right is a light-colored, ribbed button-down sweater. The scene is set in a clothing store with a window in the background. The text "UNDERSTAND YOUR CUSTOMERS" is overlaid in the center of the image.

**UNDERSTAND
YOUR
CUSTOMERS**



ASK YOURSELF

- Who are my customers, and who are my users?
- Who/what influences their purchasing decision?
- What is the problem/need I want to solve for them?
- Am I adding value to my customers' life?
- Are there enough people who are facing this issue?
- Would they pay to solve this issue?
- How much would my customers be ready to pay?



DON'T

- "My users = My customers"
- "My customers are all identical"
- "If my product is good, someone will buy it"



DO

- Research
- If you do not know, ask someone who does
- Think of ways to create value and connection with your customers



UNDERSTAND CUSTOMER NEEDS

In marketing, a need is a user's desire for a product's or service's benefit.

A functional need is a basic need rooted in logic.

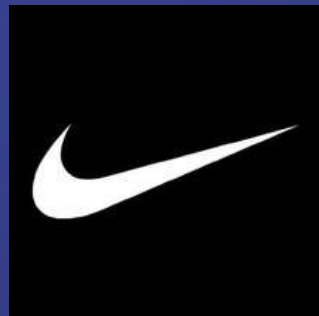
An emotional need appeals to the emotional connection to the product.

A need becomes demand when combined with an ability to buy.

THE IMPORTANCE OF EMOTIONAL BENEFITS



- ▶ **AMAZON PRIME**
Fast delivery - Power and immediate gratification



- ▶ **NIKE**
Apparel - Feeling of greatness



- ▶ **REDBULL**
Energy drink - Feeling you can achieve the impossible

MARKETING PERSONAS



**LEA
RUSSI**

"I play games with my friends in the weekend. I mostly do dungeons and quests"



**GIORGIO
FONTANA**

"I do not care about quests, I want to fight other players and world bosses to get stronger"



**FABIO
COSTA**

"I play a bit every day after work, it relaxes me. I made some friends in-game and we play together"

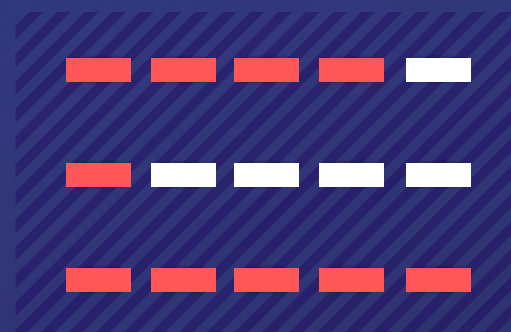
QUESTS

PVP

PVE

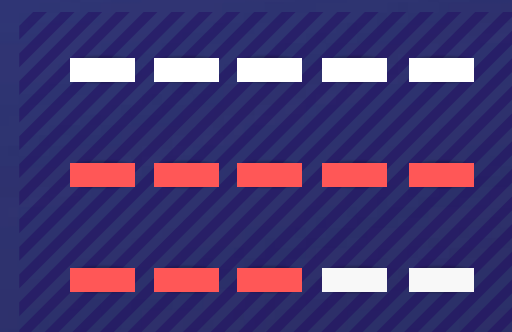
TIME SPENT

% OF PLAYERS



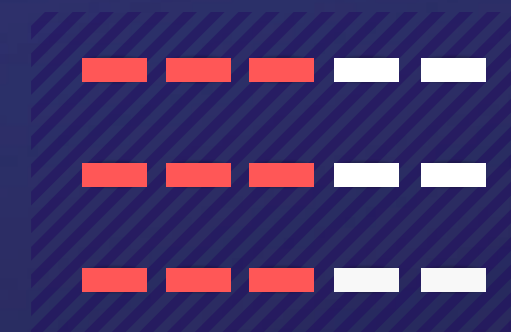
10H/week

10% of the player base



30H/week

40% of the player base



14H/week

20% of the player base

A woman with long, dark, curly hair is shown from the chest up, wearing a white t-shirt. She has a questioning or shrugging expression on her face, with her hands held out to the sides, palms up. The background consists of light-colored curtains. The entire image has a blue tint.

**DO CUSTOMERS
KNOW
WHAT THEY WANT?**

THE FIVE TYPES OF NEEDS



STATED NEEDS



"i want a car"

"i want to buy meat"

REAL NEEDS



"i need a mean of transportation with low operating costs"

"i am planning a gathering at home"

UNSTATED NEEDS



"i want a good aftersale service"

"I am hoping to impress my guests"

DELIGHT NEEDS



"i want the car to include some gift"

"the butcher gave me the best pieces"

SECRET NEEDS



"i want the car as a status symbol"

"my event was better than the one of Patrick"



UNDERSTAND YOUR MARKET

Find Your Competitive Position with a **SWOT** Analysis

A SWOT analysis is a strategic planning tool which helps specify the objectives of the business by identifying the internal and external factors that are favorable and unfavorable to achieving those objectives

▶ **Strengths**

What advantages does your company have? What do you do better than anyone else? What are your unique selling points?

▶ **Weaknesses**


What areas can you improve on? What does your company lack? What do your competitors do better than you?

▶ **Opportunities**

What changes in technology, policies, and social patterns can be a growth opportunity for the company?

▶ **Threats**

What are the obstacles to your company's growth? Who are your competitors? What changing factors can threaten your company's position?



Analyse external factors with a **PESTLE** analysis

A PESTLE analysis is a framework to analyse the key factors influencing an organisation [from the outside](#). It offers insight into the macro-economic factors impacting an organisation (newly created or existing)

▶ **Political**

Government policy, political stability, bureaucracy, corruption, foreign trade policy, funding grants & initiatives, etc.

▶ **Technological**

Infrastructure, consumer access to technology, competitor technology and development, emerging technologies, automation, research and innovation, technology incentives, etc.

▶ **Legal**

laws on: discrimination, antitrust, employment, consumer protection, copyright, patent, health and safety, tax policy, trade restrictions, environment etc.

▶ **Economic**

Economic trends, growth rates, industry growth, seasonal factors, international exchange rates, International trade, labor costs, consumer disposable income, unemployment rates, taxation, inflation, interest rates, availability of credit, monetary policies, raw material costs, etc.

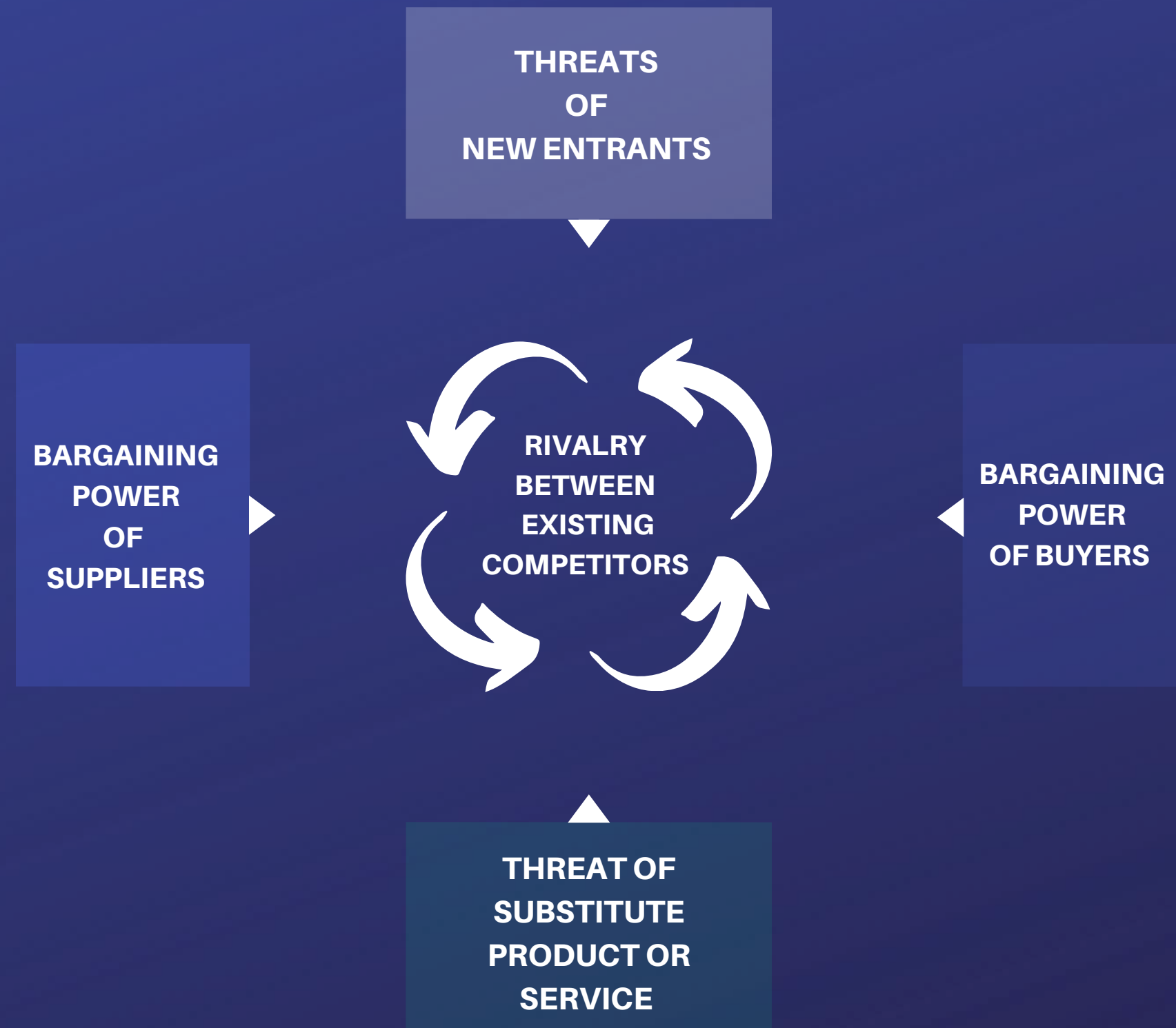
▶ **Social**

Attitudes and shared beliefs: money, customer service, imports, religion, taboos, health, work, leisure, the environment; population growth and demographics, immigration/emigration, family size/structure, lifestyle trends, etc.

▶ **Environmental**

Define your corporate strategy with the Porter's Five Forces analysis

Porter's Five Forces model can be applied to any industry or segment of the economy to understand the [level of competition](#) within the industry and enhance a company's long-term profitability



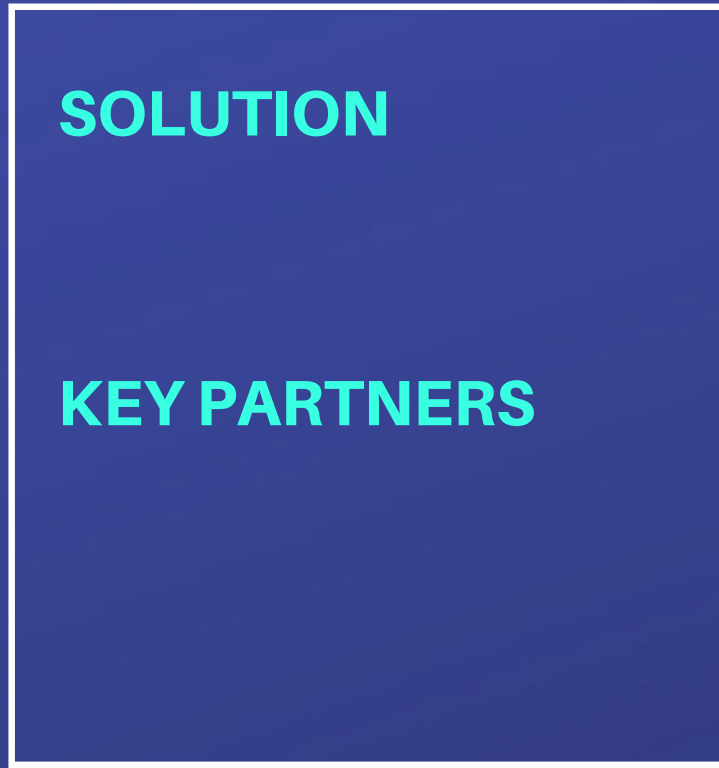


STEP 2:

DESIGN A SOLUTION

SOLUTION

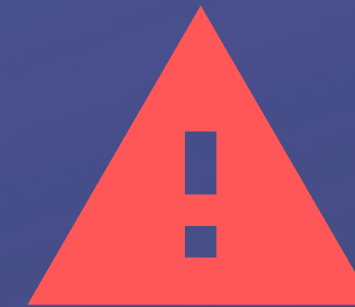
KEY PARTNERS





IMAGINE YOUR PRODUCT

- What are the main features of my product/ service?
- Are these features indispensable or optional for my customers?
- How does my initial customer and market research help me improve the product/service?
- What partners will help me deliver value to my customers?



DON'T

- Build a product or service before doing market research
- Assume no one had the same idea
- Add too many 'nice to have' features



DO

- Get advice from specialised people from the industry
- Talk to your customers
- Create a culture of feedback



DEFINE WHAT IS UNIQUE ABOUT YOUR BUSINESS MODEL

**UNIQUE VALUE
PROPOSITION**

**UNFAIR
ADVANTAGE**

**HIGH LEVEL
CONCEPT**



**"WHATEVER IS WELL-CONCEIVED
IS CLEARLY SAID"**

Nicolas Boileau-Despreaux



✖ DEFINE YOUR UNIQUE VALUE PROPOSITION

A value proposition refers to the value a company promises to deliver to customers should they choose to buy their product.

A value proposition is also a declaration of intent or a statement that introduces a company's brand to consumers by telling them what the company stands for, how it operates, and why it deserves their business.



UBER: THE SMARTEST WAY TO GET AROUND

Offering convenience while pointing out everything that is wrong with traditional taxis without explicitly saying it. Hassle-free, quick, affordable



IPHONE: THE EXPERIENCE IS THE PRODUCT

Offering a unique experience, a unique design, easy of use. Apple is not selling a phone with different features, it is selling a different experience



SLACK: BE MORE PRODUCTIVE AT WORK WITH LESS EFFORT

Offering a productivity app that can fit in any company's existing communication workflow. Promise of simplicity, finding everything in one place, anywhere, anytime, from any device. Value proposition backed by NASA Jet propulsion lab



Analogy allowing anyone who does not know your company to immediately understand what you do

X HIGH LEVEL CONCEPT



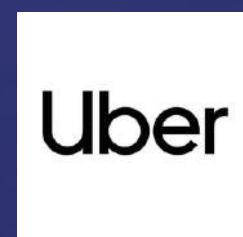
AMAZON

Earth's biggest book store



AIRBNB

Everyone can become a host



UBER

Taxis, but cheaper, easier and safer



STEP 4:
DEVISE AN ECONOMIC STRATEGY



KEY METRICS



COST STRUCTURES

REVENUE STREAMS



BALANCING COSTS & REVENUES



*Costs and revenues are business specific.
One model can work for a company and be disastrous
for another.*

Examples of costs: workforce, licensing, raw material, premises, overheads (electricity...), rental of material, taxes, duties etc.

Examples of revenue models: subscription based, ad-based, affiliate-based, transactional, freemium. etc.



MEASURING SUCCESS

Key Performance Indicators need to be:
Simple, Actionable, Relevant and Measurable.

Economic/Financial indicators: estimated breakeven point, sales, net income, net income ratio (profit/income), etc.

Marketing/Sales indicators: average customer reviews, customers referral, social media reputation, net promoter score, nb of contracts signed, etc.

Organisational/Operational indicators: employees' satisfaction, time to market, order fulfillment time etc.

A top-down view of a person's hands holding a silver pen over a desk. The desk is covered with several cutouts of question marks in various colors (white, brown, grey) and shapes (some with scalloped edges). A white lined notebook is partially visible at the bottom. The background is a dark, textured surface.

**THANK YOU
FOR
YOUR ATTENTION**