Workshop # 2

Creating A Big Idea To Solve The Problem
YOU’VE IDENTIFIED THE PROBLEM YOU WANT TO SOLVE

NOW LET’S DEVELOP A SOLUTION!
THIS ISN’T ROCKET SCIENCE

\[ \frac{M_1}{M_2} = e^{V/I} \]

\[ V = I \cdot \ln \left( \frac{M_1}{M_2} \right) \]
RELY ON YOUR COMMON SENSE
IT ALL COMES DOWN TO EMPATHY

ARE YOU ABLE TO PUT YOURSELF IN THE OTHER PERSON'S SHOES?
“The purpose of a business is to create a customer.”

– Dr. Peter F. Drucker
Companies ...

- Find Customers & Solve Their Problems.
- Design Products & Services.
- Sell Products & Services.
- Manufacture Products or Deliver Services.
- Companies Ship Products.
- Companies Collect Payment.
- Companies Pay Salaries, Expenses & Taxes.
- Keep What’s Left Over.
Take A Markets First Approach

### The 10 Fastest-Growing Industries in the U.S.

<table>
<thead>
<tr>
<th>Industry (NAICS code)</th>
<th>Sales % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Support Activities for Mining (2131)</td>
<td>44.9%</td>
</tr>
<tr>
<td>2. Other Heavy and Civil Engineering Construction (2379)</td>
<td>17.1%</td>
</tr>
<tr>
<td>3. Beverage Manufacturing (3121)</td>
<td>17.1%</td>
</tr>
<tr>
<td>4. Other Personal Services (8129)</td>
<td>16.5%</td>
</tr>
<tr>
<td>5. Direct Selling Establishments (4543)</td>
<td>16.0%</td>
</tr>
<tr>
<td>6. Building Finishing Contractors (2383)</td>
<td>15.5%</td>
</tr>
<tr>
<td>7. Offices of Real Estate Agents and Brokers (5312)</td>
<td>15.1%</td>
</tr>
<tr>
<td>8. Miscellaneous Durable Goods Merchant Wholesalers (4239)</td>
<td>15.0%</td>
</tr>
<tr>
<td>9. Specialized Freight Trucking (4842)</td>
<td>14.9%</td>
</tr>
<tr>
<td>10. Architectural, Engineering, and Related Services (5413)</td>
<td>13.7%</td>
</tr>
<tr>
<td>Services Sectors</td>
<td>5-Year Growth</td>
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<tr>
<td>------------------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Real Estate, Rental &amp; Leasing</td>
<td>47%</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>38%</td>
</tr>
<tr>
<td>Administrative, Support &amp; Waste</td>
<td>37%</td>
</tr>
<tr>
<td>Prof., Scientific &amp; Tech. Services</td>
<td>35%</td>
</tr>
<tr>
<td>Arts, Entertainment &amp; Recreation</td>
<td>30%</td>
</tr>
<tr>
<td>Other Services</td>
<td>30%</td>
</tr>
<tr>
<td>Information</td>
<td>29%</td>
</tr>
<tr>
<td>Health Care</td>
<td>21%</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>21%</td>
</tr>
<tr>
<td>Utilities</td>
<td>19%</td>
</tr>
<tr>
<td>Accommodation</td>
<td>14%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>11%</td>
</tr>
</tbody>
</table>
What Is A Market?
Markets

- A market is a group of individuals and organizations, or both, that need products in a given category and that have the ability and willingness, and authority to purchase them.
Market Groups

• Consumer Markets
  – Purchasers and/or household members who intend to consume or benefit from the purchased products and who do not buy products to make profit.

• Business-to-Business Markets
  – Purchasers of specific kinds of products for use in making other products for resale or for day-to-day operations.
B2C

- Personal Use
- Fixed Price
- Single Piece
- No Bargain
- Emotionally Driven
- Consumer Marketing

B2B

- Business Consumption
- Variable Price
- Bulk Purchase
- Always Bargain
- Rationally Driven
- Business Marketing
What Is A Market Segment?
What Is A Market Segment?

• A category of your market that requires a different strategy.
Different Types of Markets

- Mass Market ➔ large group of customers with similar needs.
- Niche Market ➔ small market with specific needs.
- Segmented Market ➔ breaking markets into groups with different needs.
- Diversified Market ➔ a variety of services to serve two or more customer segments.
- Multisided Market ➔ two segments that are linked but are independent of one and other.
Mass Market
Major Consumer Goods Companies
Niche Market
Global Photographer Booking
Segmented Market
Banking For Small
Diversified Market

Amazon EC2

Amazon RDS

AWS Direct Connect

Amazon EBS

Amazon S3

Elastic Load Balancing

Amazon Route 53

Amazon VPC

Elastic IP
Target Market

• A group of individuals or organizations, or both, for which a firm develops and maintains a marketing mix suitable for the specific needs and preferences of the group.

• Managers attempt to determine whether the organization has the resources to produce a marketing mix that meets the needs of the particular target market.
Look For Problems First
Then Find Solutions Second
Solutions To

RELEVANT Problems
Look For Everyday Annoyances and Solve The Problems
Look For Things In Society You Want To Change
How Could You Make Your Lives Better

Help and no help baskets
Avocado colour chart
Tie that cleans mobiles
Chair with bag holder
Skateboard lock
Lift buttons for feet
Maybe You Want To Be More Scientific

Make Observations
What do I see in behaviour? This can be from one’s own experiences, thoughts, or reading.

Think of Meaningful Questions
Why does this behaviour pattern occur?

Refine, Alter, Expand or Reject Hypothesis

Develop General Theories
General theories must be consistent with most or all available data and with other current theories.

Gather Data to Test Predictions
Relevant data can come from industry literature, your sales, or formal experiments. Thorough testing requires replication to verify results.

Develop Testable Predictions
If my hypothesis is correct, then I expect a, b, c…

Formulate Hypotheses
What are the general causes of the phenomenon I am wondering about?
Observe, Discover and Solve

• Observe A Problem
  – Primary and Secondary Research
• Something You Want To Change
• Solve The Problem With A Product or Service
  – Problem/Solution Set
  – Make or Save Money
Change = Problems
Solving Problems Created By Change = New Product or Service
Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service.

— Peter Drucker —
Drucker’s Sources of Innovation

- Unexpected Occurrences
- Incongruities
- New Knowledge
- Demographic Changes
- Marginal Practices
- Change of Industry Structure
- Process Needs
Unexpected Occurrences: *Unexpected successes or failures; outside events.*
Incongruities:
A gap between reality and common belief; aspects that do not fit together
Process Needs:

A bottleneck in a critical process
Industry And Market Structure:

New business models, distribution channels, and modes of business
Demographic Changes: 
Changes in groups by age, politics, religion, income, and so on.
Changes In Mood or Perception:
Change in the way people see the world (for example 9/11 terrorism), of fashion, convention, and so on.
New Knowledge: Application of new knowledge, often involving scientific advances and convergence of different areas.
Marginal Practices:

Fringe Practices that may resolve persistent breakdowns in current central practices
Discontinuities

• Sudden or Abrupt Changes In A Well Established Market.
  – The Internet For Retail Sales, Music, News, Etc.
  – The Affordable Care Act For Health Care
Discontinuities Also Drive Innovation

Standards  Regulations

Discontinuity

Distribution  Technology
Standards:
A technical standard is an established norm or requirement in regard to technical systems, such as a formal document that establishes uniform engineering or technical criteria, methods, processes and practices.
Regulations:
A rule or directive made and maintained by an authority
Distribution

the action or process of supplying goods to stores and other businesses that sell to consumers.
Technology: the application of scientific knowledge for practical purposes, especially in industry
The Process

1. Identify the issues.
2. Understand everyone's interests.
3. List the possible solutions (options)
4. Evaluate the options.
5. Select an option or options.
6. Document the agreement(s).
7. Agree on contingencies, monitoring, and evaluation.
Ideas For Finding Product Solution Ideas
Apply your skills to an entirely new field.

• Think about your skills and whether they might be useful in a new area, suggests Bill Fischer, professor of innovation management.
Example

- Consider, for example, JMC Soundboard, a Switzerland-based company that builds high-end loudspeakers.
- Applying his experience building guitars using the same resonance spruce to create a loudspeakers.
Find a category lacking recent innovations.

• When coming up with ideas, identify markets that haven't had many recent innovations.
Example

• Information labels of drugs. Spinformation is a label consisting of two layers—a top layer that rotates with open panels through which you can see, and a bottom label that you can read by spinning the top layer over it.

- Full 360° Graphics
- Larger Print
- Perfect for Cross Promotion
- Visual Dosing
- Contests/Games
- And More!
Make a cheaper version of an existing product.

- Companies often get their start by offering customers an existing product at a lower price.

If Kirkland sells it, buy it from them.
Example

- Warby Parker sells prescription glasses, which are typically priced at $300 or more, for $95. Since its launch, it has grown to 100 employees.
Talk to shoppers.

• To come up with an idea that meets people's needs, there's no better way than by talking to shoppers.
Play the mix and match game.

• Go to Walmart, Costco or Sam’s Club.
• Combine two products across the aisle from each other into one.
Market Opportunity

• Define Your Market: What business/space you are in
• Total Market Size: Dollar Size, Your Place/Niche
• Customers: Clearly define exactly who you serve
• Macro Trends & Insights.
The Problem & Current Solutions

• Define the real problem/need you’re solving, and for who.
• Who else is already doing this, and how are they going about it and what are they not getting right or doing wrong?
Product / Service

- What is your Revenue Model and how many Revenue Streams will you have.
- Tell me the story of your customer and how customers use/value your product or service.
Business Model Parts

- Offering
- Customers
- Infrastructure
- Financial Viability
Business Model Parts

**Offering**
What You Are Offering & Customer Value Proposition

**Customers**
Who Are The People Who Will Buy

**Infrastructure**
The Resources You Need To Produce

**Financial Viability**
Price Less Cost To Deliver
Business Model

• A business model is a summation of the core business decisions and trade-offs employed by a company to earn a profit.
Revenue Streams

What Are The Different Sources of Revenue?

- **Single Stream ➔ One Product or Service**
  - My Pillow

- **Multiple Stream ➔ More Than One Source**
  - Starbucks Sells Coffee, Food, Ground Coffee, Cups

- **Interdependent ➔ Sell One To Get Another**
  - Value Added Re-Seller of Computers To Get Service Work

- **Loss Leaders ➔ Sell Product At A Loss To Sell Another**
  - Razor and Blade Model
Revenue Models

• What Are The Different Revenue Models?
  – Subscriptions or Membership
  – Volume or Unit Based
  – Advertising Based
  – Licensing or Syndication
  – Transaction Fee
Revenue Model Examples

- Different Revenue Models
  - Subscriptions or Membership
    • Netflix
  - Volume or Unit Based
    • Restaurant, Clothes or Beauty Parlor
  - Advertising Based
    • Facebook, Newspapers or Magazine
  - Licensing or Syndication
    • Coca-Cola or iTunes
  - Transaction Fee
    • Fidelity or You ATM
What Is A Value Proposition?
What Is A Value Proposition?

• The value generated for the customer and how this value is then captured by the business in the form of profit.

• Must:
  – Offer better value than the competition.
  – Measurable in monetary terms.
  – Be Sustainable.

• Different from environmental sustainability.
Develop A Business Case

• How Will You Add Value To Your Customer?
• How Will You Make Them Money?
• How Will You Save Them Money?
• Quantify Savings Over 1 Year.
• How Do You Communicate That Savings?
Must Think About Competition

• Where do you exist in the larger overall Market Space?
• What are your Advantages?
• How is your place in the market unique to you, and the right one for your company growth and customers?
• Who are the competitors, why have they succeeded, and how do you truly differentiate from them?
What Is A Business Model?
What Is A Business Model?

• A conceptual framework that describes how a company creates, delivers and extracts value.

• It includes:
  – Network of activities and resources to create a sustainable and scalable business that delivers value.
    • Fulfilling unmet needs.
    • Delivering existing products.
    • Serving customers in a new market.
"A business model is nothing else than a representation of how an organization makes (or intends to make) money."

*Peter Drucker*
Form Follows Function

• Every Company Is Different.
• Map Out Typical Daily Activities Based On Your Business.
• Break Them Down Into Job Types.
• Search On Internet
  – Typical Salaries In Your Industry For Each Job.
  – Startups Pay Less.
Determine Your Business Workflow

• Determine Steps You Need To Take To Service Your Customer.
• Count The Number of Jobs.
• Estimate Salaries and Benefits For Each Person In The Workflow
Construct Your Workflow

Activity #1
- What do they do?
- How many people?
- Costs per employee

Activity #2
- What do they do?
- How many people?
- Costs per employee

Activity #3
- What do they do?
- How many people?
- Costs per employee
Simple Workflow
Taxi Business Workflow

1. Booking by Phone
   - Customer calls to book a taxi.
   - Operator makes booking.

2. Online Booking
   - Customer makes booking online.
   - Workstation desktop.

3. Taxi Service Server
   - Server processes the booking.

4. Taxi Driver
   - Taxi driver assigned for the booking.

5. Taxi
   - Taxi ready for the ride.

6. Taxi Driver
   - Taxi driver picks up the customer.

7. Taxi Driver
   - Taxi driver delivers the customer to the destination.

8. Taxi Driver
   - Taxi driver returns to the base for the next booking.
Manufacturing Workflow
Online Business Workflow

1. Order placed by user
2. Credit card is charged
3. Order form filled out
4. Order is completed
5. Email sent to customer and merchant
6. Shipment sent to customer
7. Shipping carrier picks up shipment
8. Sent to warehouse for fulfillment
9. Pay with Escrow
10. VISA

Diagram:
- User sits at a desk with a computer.
- User clicks on a shopping cart.
- Credit card is charged.
- Order form is filled out.
- Email is sent to customer and merchant.
- Shipment is sent to customer.
- Shipping carrier picks up shipment.
- Sent to warehouse for fulfillment.
- Order is completed.
- Pay with Escrow.
- VISA.
Create A *Dollarized* Workflow In Every Big Idea Pitch!