

## 2.5 Developing the Business Model



# Values, vision & mission



- Values are core beliefs
- Mission is a statement of business purpose
- Vision is a view of what the business might become

# Mission statement template



(The company) aims to use its (competitive advantage) to achieve/maintain (aspirations) in providing (product/business scope) which offers (value proposition) to satisfy the (needs) of (customer segments).

In doing this the company will at all times strive to uphold (values).

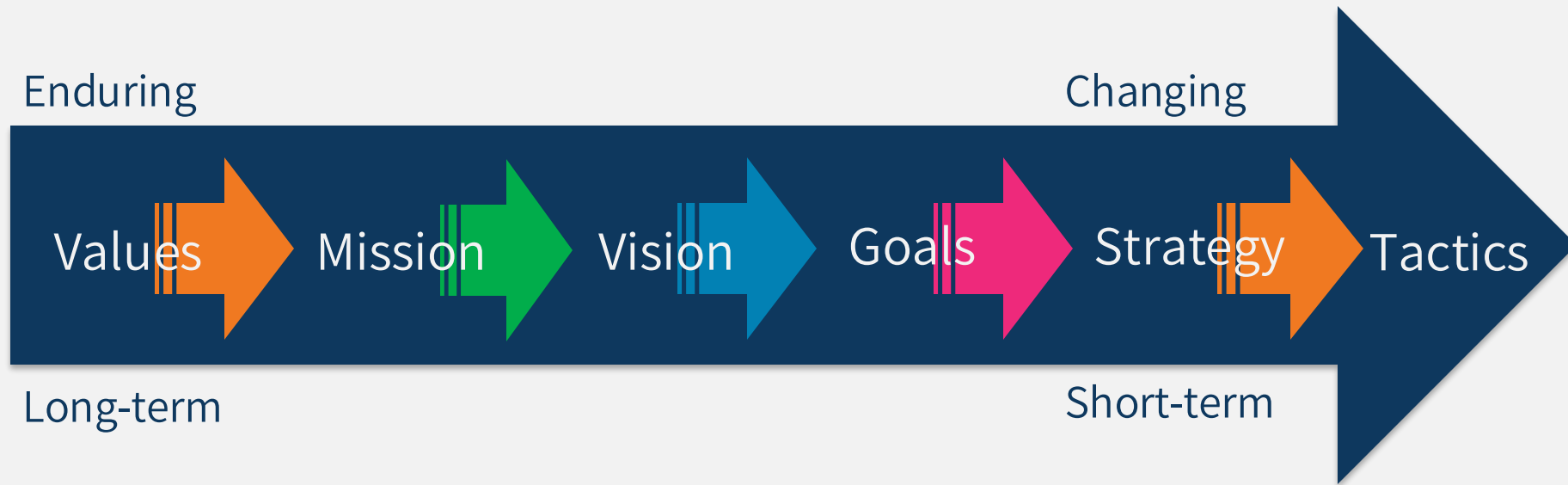
Wickham 2001

# Communicating vision

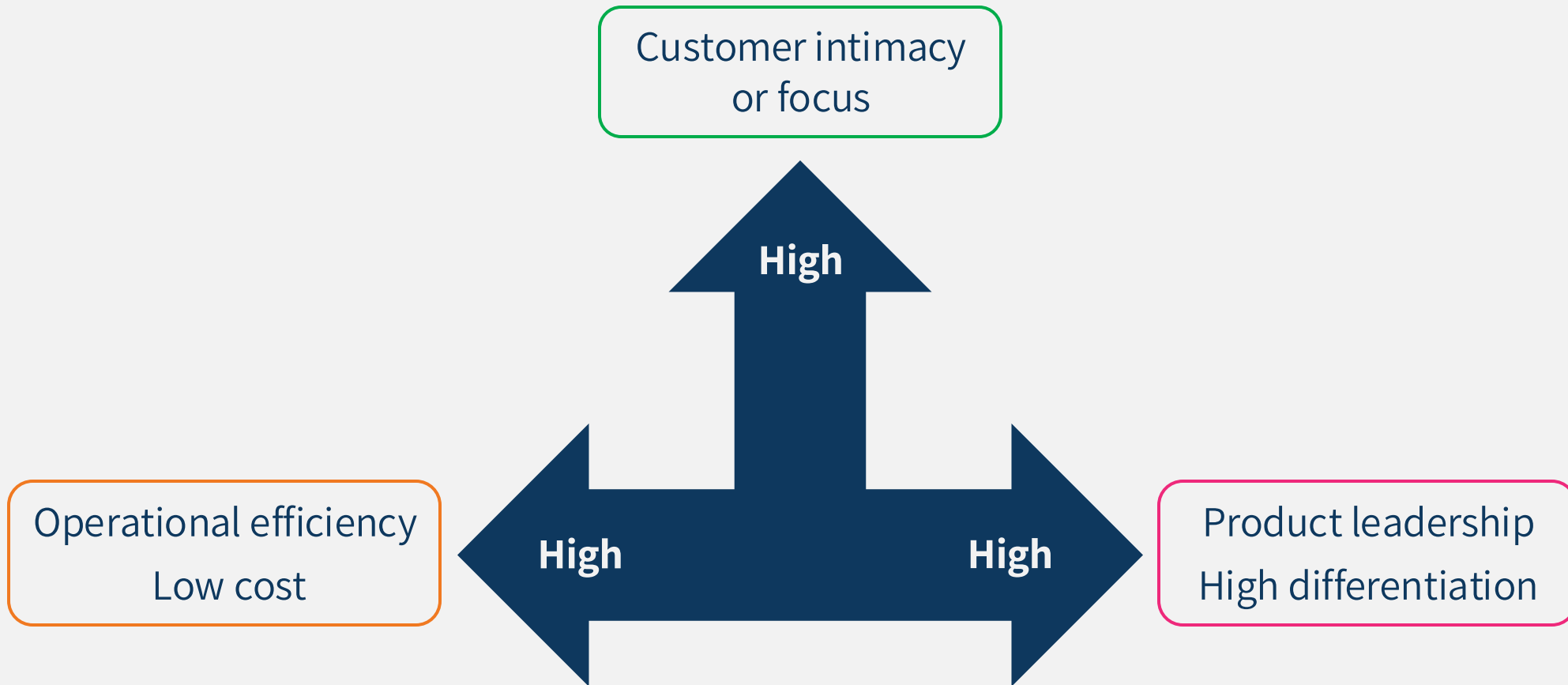


- Keep it simple
- Use metaphors, analogies & examples
- Use many different forums
- Repeat the message
- Lead by example
- Address small inconsistencies
- Listen & be listened to

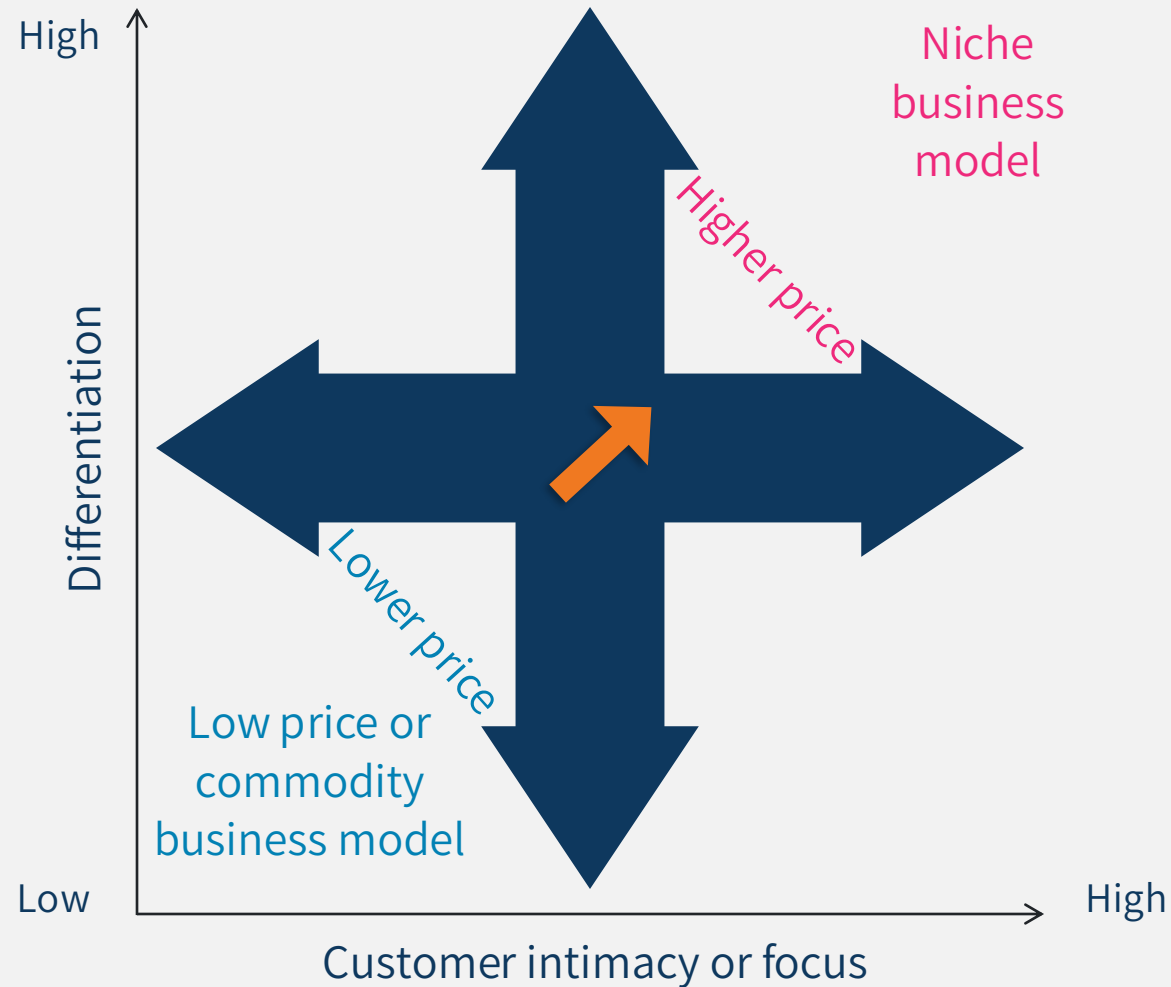
# Strategy development



# Generic business models



# Generic business models & price



# Generic strategies & business imperatives



## High differentiation

- Understand basis for differential advantage
- Build on differential advantage
- Build barriers to entry
- Build brand
- Continuous innovation
- Encourage creativity & innovation

## Customer focus

- Maintain close customer relationships
- Keep in touch with & monitor customer needs
- Maintain customer loyalty
- Maximize sales to loyal customers (economies of scope)
- Build brand

## Low price / cost

- Maintain cost leadership through economies of scale
- Continually drive down costs
- Achieve high sales volumes
- Improve efficiency
- Standardization



# Questions to ask in deciding on strategy



- For each dimension, what proportion of customers focus on it as their primary or dominant decision criterion? How important is each value discipline to each market segment?
- Which competitors provide the best value in each of these value dimensions? Who is the major competitor in each discipline?
- How does this product/service compare to the competition on each dimension?
- If it falls short of the value leaders in each dimension, how can this be remedied?

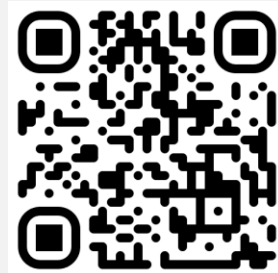


# Morgan Motor Company (1)

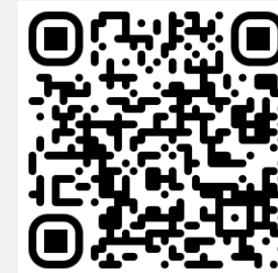


Why is this a niche business?

What are the pros and cons of this business model for Morgan?



<https://morgan-motor.com/>



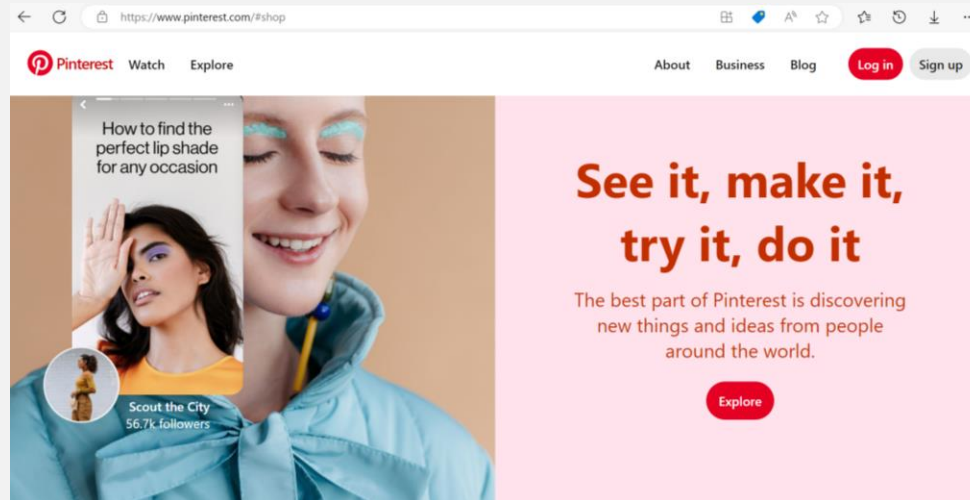
<https://www.youtube.com/watch?v=OJLcoGMPQ94>

# Internet business models



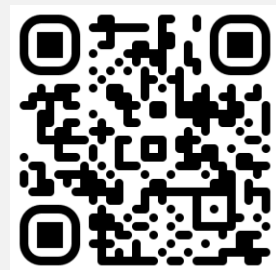
- Direct sales (Amazon)
- Bricks-&-clicks (John Lewis)
- Subscription (The Times newspaper)
- Affiliate (Amazon, eBay)
- Pay-as-you-go (smartphones)
- Freemium (Spotify)
- Auction (eBay)
- Flash sales (Groupon)
- Bait-&-hook (smartphones)
- **Advertising (YouTube, Facebook)**
- **Pay-per click (Google)**
- **Open (comparison websites)**
- **Multi-sided market**
- **Free to user + 3rd party data sale (Facebook)**

# Pinterest



Which business models would you apply to Pinterest?

The inspiration for Pinterest came from a failed idea for an app called Tote. What are the potential effects on an entrepreneur of a failure like this?



<https://www.pinterest.com/>

# Strategies to secure sustainable competitive advantage



- **Speed to market** - first-mover advantage
- **Speed of market dominance** – this gives market power, so it is generally better to dominate a small market than to be a small player in a big market
- **Strength of brand** - this is the tool that helps carve out market dominance

# Keeping strategies simple



This is a short talk by Donald Sull on the importance of keeping strategies simple



# Characteristics of attractive business models



1. Identified market need or gap
2. No or few existing competitors
3. New or growing market
4. Low funding requirement
5. Clearly identified customers & viable business model
6. Sustainable
7. High profit margins
8. Effective communications strategy
9. Not easily copied
10. Identifiable risks that can be monitored & mitigated
11. Low fixed costs
12. Controllable
13. Management skills that can be leveraged
14. Scalable
15. Financeable

# Assignments



List your values & beliefs. List your ethical, social & environmental concerns. How could these to be reflected in a start-up: its business model & its relationship with stakeholders?

Find a SME that describes itself as a niche business & analyse its business model. Do you agree that it is a niche business?



# Acknowledgments



This Material is Part of the Education Package produced within the Erasmus+ Project: ENDORSE

Project Partners:



ENDORSE Educational Material Entrepreneurship © 2024 by ENDORSE is licensed under [CC BY-SA 4.0](https://creativecommons.org/licenses/by-sa/4.0/)



Logos of Partner Institutions and Erasmus+ are excepted.