

# Choosing a Business Model

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## Why Me?

- Director of Entrepreneurship for SFU
- Expert Business Coach
- Founder and Marketing Director of a high tech startup: Lungfish Dive Systems
- Tech/Science geek/champion

# Getting to know you

- Who is in the room?
- Sectors
- Stages
- Problems to be solved

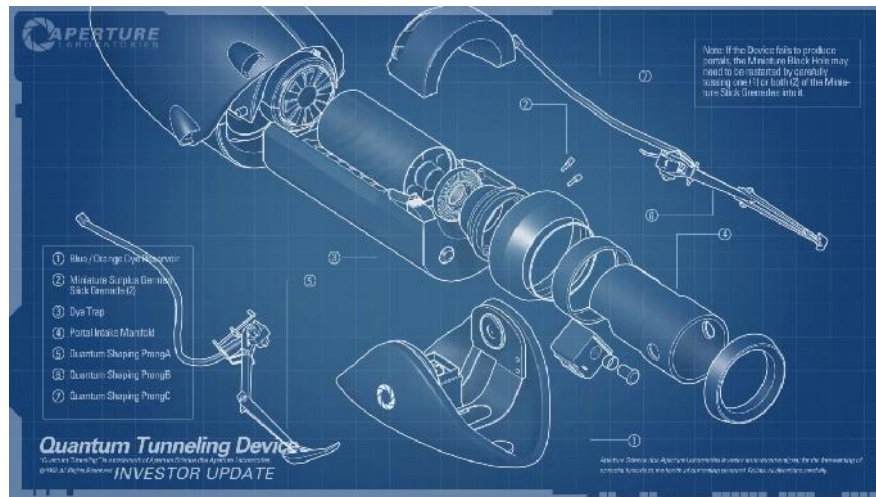
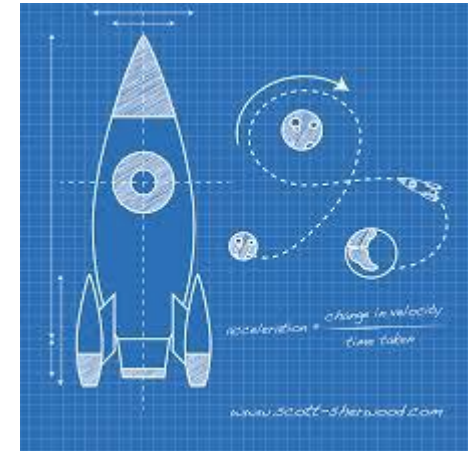


# What are we doing?

- Talking types of technology/innovation strategy
- Relating it to business models (and business model canvases)
- Going through examples
- Working on your own business model canvas and alternatives
- In a nutshell, making you bullet proof

# What is a business model?

## The blue print of your strategy





## Things to consider

- How fast do you have to move to get ahead?
- What does the competitive/collaborative environment look like?
- What is your value proposition based on (ex. Data plays)?
- What options do you have for getting (and keeping) a competitive advantage?

# Ways to Compete

Orientation

Investment

	Collaborate	Compete
Control	IP	Architecture
Execution	Value Chain	Disruption

# IP-Focused Strategy

- Protect your investment through Intellectual Property (IP)
- Let someone else commercialize it





# IP-Focused Strategy

- Protect your investment through Intellectual Property (IP)
- Let someone else commercialize it

What does that mean for your business model?

- Value Proposition: Rare and valuable IP (solves a real problem)
- Key Resources
  - IP
  - high investment in IP/patents etc. (and the people that come with it)
  - high investment in R&D and researchers (may be rare)
  - Low investment in manufacturing or downstream processes
- Costs: All of the above
- Revenue: Licensing revenue, royalties
- Key Partners: Research Organizations, Licensees
- Customers: Licensees
- Channels: White Papers, Youtube videos, if you're university, might be University Industry Liaison Office (UILO) and relationships

## IP-Focused Strategy

Example: ARM (Cambridge)

In iPhone



## Strategic Considerations

- Who is your first partner?
  - Not always the biggest fish!

“So they said to us, ‘We’ve got this core. It must be useful to people for something. We don’t really know how you might want to use it but we’re prepared to work with you to understand it...It was a teacher-student thing” - *Design Manager at GEC Plessy (Ferriani, 2007)*

# Value Chain Strategy

- Make yourself a supplier to someone else
- Make them dependent on you

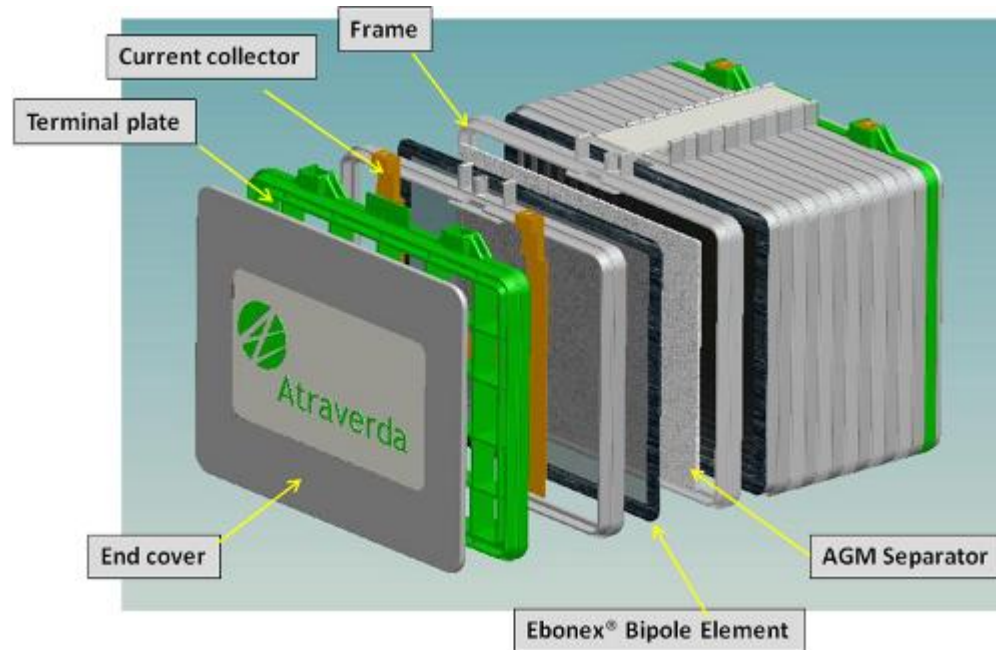


# Value Chain Strategy

What does that mean for your business model?

- Value Proposition: Ease and speed for partner
- Key Resources:
  - Low investment in IP/patents etc., perhaps build brand
  - Investment in service-minded and networked people
  - Finance might be corporate (or VC)
  - Capital...depends
- Costs: High in people, perhaps prototyping and co-development
- Revenues: Sale of component
- Customer: Few and Strategic
- Customer relationships: One to one (co-development)
- Channels: Networks, in-person
- Partners:
  - Customer and partner might be the same
  - Possibly manufacturing partners (for quick iterations)

# Example



Atraverda: Ceramic Lead Acid Battery



## Strategic Considerations

- Good relationships are PIVOTAL: It's easier to work WITH you!
- Strive for 'plug and play'

“Ebonex are now commencing discussions with major OEMs and battery manufacturers, providing sample batches for test and evaluation. We believe that the Atraverda battery has the potential, due to the fewer components and simpler design to become more cost effective to make than conventional lead acid batteries.”

– *Atraverda.com/manufacturing*

# Architecture Strategy

- Invest in IP
- Control the evolution of your market



# Architecture Business Model

Value Proposition: Value is in the platform

- Key Resources & Costs:
  - Invest heavily in IP
  - Invest in integration
  - Funding could be internal or corporate
  - Invest in partnership development
  - Invest in marketing, i.e. platform of choice

Revenue: Product versions/pipeline and extensions

- Customers: Many, large market
- Customer relationships: market control
- Key Partners: Many

# Example

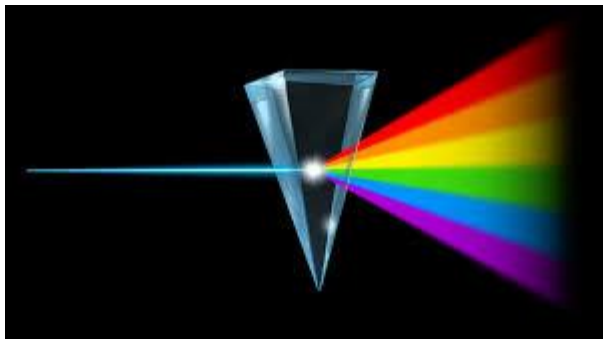


“Like Walmart, Microsoft’s performance is linked to its vast network of business partners” – *Iansiti & Levien, The Keystone Advantage, pg. 3*

# Considerations

- Relies on dominance and clout
- Why would anyone follow you?
- How much money and/or power do you have?
- Do have an ability to paint and share a big vision?
- Is anyone dependent on you?
- If not, who is your ecosystem dependent on? Ex. Materials Firms

## Bonus Tool Suggestion: Leadership Prism!\*



Player	Benefit	Cost	Surplus
A	10	4	6
B	6	4	2
C	3	5	-2
D	8	9	-1

# Disruption Strategy

- Speed is your friend
- Keep ahead of competition (and their IP)





# Disruption Business Model

- Value proposition: Big jump in performance
- Key Resources & costs:
  - Less investment in traditional IP
  - Substantial investment in demand
  - Investment in development and marketing
  - Suited to equity funding
- Revenue: By product, perhaps freemium or free trial....
- Key partners: Marketing partners
- Channels: social media, partner channels
- Customers: Large market with lots of customers
- Customer relationships: One to many

# Example



# Considerations

- Performance and execution are key

“Dropbox is among the simplest and most elegant **cloud storage and file-syncing services**. It gives you access to your files from nearly anywhere. You can install Dropbox on virtually any computer or mobile device you own, and dozens of other apps support integration with Dropbox, too.”

– Review, PCMag.com

- Beware! Execute poorly and/or don't set up barriers to entry and you lose your advantage.
- Need to keep abreast of customer needs (i.e. Canadian servers)

## Exercise

- Choose the type strategy that seems to make the most sense, given what you know about your customers, competition and strategy, start your business model canvas!

# Sharing

- Explain to the person beside you



## Now that you've done that

- Scrap it, pick another!
- What would your venture (and canvas) look like if you did that?



# Sharing

- Explain to the person beside you



## Example: Lungfish

- Currently: Mostly disruption
- Could do: IP



***LUNGFISH***

Started that way....times change...

## Not always straight forward

- Be prepared to answer the question: What is going to keep anyone from copying you? (Usually resources)
- Investors like IP...

# In Summary

Orientation

Investment

	Collaborate	Compete
Control	IP	Architecture
Execution	Value Chain	Disruption

## Think carefully...

- What are you competing on?
- Which resources do you have?
- Where should your money be going?
- How fast do you have to move?
- How easy would this be to copy?
- What do potential partners value?

## Parting advice: Be Bullet-proof

It's just as important to know  
***why you are not doing  
what you are not doing***, as  
to know why you are doing  
what you are doing

*Thank you!*

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think. engage. change.

