

CHAPTER 2: BUSINESS MODEL.

Definition.

1. It is a way a company **creates value** for its **customers** and **captures a portion** of its value through the **price mechanism**.
2. Basically is saying: Value Proposition + Targeted Customer + Value Chain to deliver product or service
3. A Business Model is the **set of choices and the consequences that derive from them**. Ex.: Choose to be a luxury brand or a cheap brand, with the consequences of high margins or less units.

Three pillars of the Business Model.

1. **Product o service:** What is offered to the customer.
2. **Customer:** This is who gets offered the products or services.
3. **Factory:** The different components that make possible the production.

Value creation.

Definition.

The value proposition is something **beyond a product**. We sell, also the **quality, the status...** The **value chain** is the **sequence of operation** we have to form in order to **provide a service or a product**.

Characteristics.

There are 3 concept we need to know.

- **Cost:** The cost of production, marketing...
- **Price:** The price enterprise state, and customers pay.
- **Willingness to pay:** The satisfaction that you obtain when you pay it. It is extremely subjective.

Example Apple.

Willingness to pay: 1.000 € → We want it to be the highest as possible.

Real Price: 900 € → Always **below** the willingness to pay.

Cost of the iPhone: 100 €

Value created: 1.000 € - 100 € = 900 €

Consumer surplus: 1.000 € - 900 € = 100 €

Firm surplus: 900 € - 100 € = 800 €

These concepts are important.

This might be important

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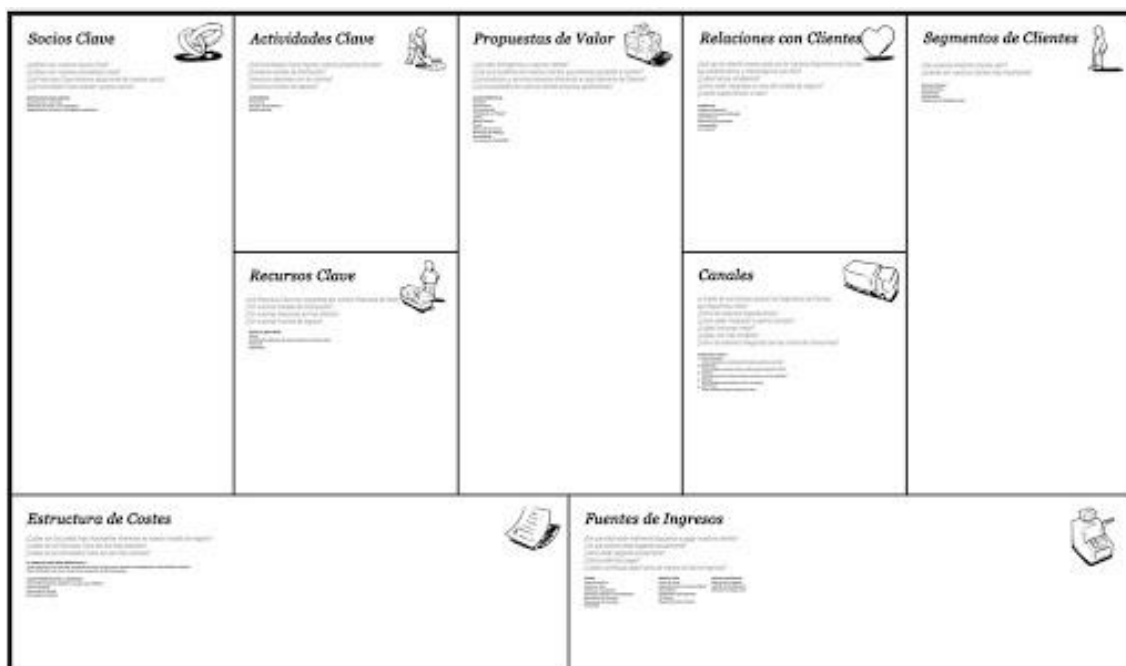
Choices.

Choices are a set of decisions which derive into **consequences** which will have an effect on the firm.

Successful firms are known by having a set of choices which derive into **virtuous cycles**. This kind of circles are defined as a set of choices which increase or diminishes the results or environment of an entity or a person.

CANVAS

It is another approach of business model. We are able to describe our business models in order to explain it, unfortunately is **static and the competition doesn't appear**.



Disruptive Innovation.

This are innovation that target a new market. They offer a **better performance** for a **lower price**.

Concepts.

- **Radical/Disruptive Innovation:** A lot of performance for a lower price. Value proposition which creates new markets.
- **Sustaining innovation:** Constant improving to existing products.

Jokes.

- What kind of car does an egg drive?
- A YOLKswagen

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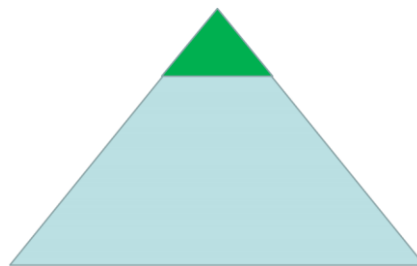
Characteristics of Disruptive Innovation.

1. **Low-end:** Sometimes it is too good for the market, they feel overwhelmed, so their solution is to offer something cheap and simpler.
 - a. **Example:** iPhone are too complicated for elderly, a simple phone only to call is enough for them.
2. **New-Market:** This are non-consumers for the existing products and the disruptive innovation turns them into consumers.
 - a. **Example:** Girls which played no games and now they play games, Nintendo.

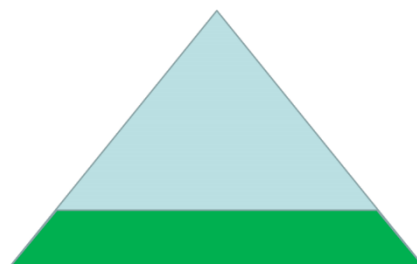
Note: Disruptive innovation provide under-perform products in respect to the existing products. Luckily, they are cheaper, simpler, smaller and more convenient to use.

Comparison.High-end sustaining innovation.

Consist on providing new product, which are better, for the most innovative market. **Ex.:** iPhones.

Low end disruptive innovation.

Commercialize more convenient products which reach a bigger amount of people. They are easier to use.

New market disruptive innovation.

This happens with the creation of a new market. Converting non-consumers to consumers.



MBC case.

A new mission statement was required for MBC.

- Integrate MBC's corporate values and inspire employees.
- **Prioritize results over effort** and make explicit the goal of maximizing profits.

Final mission statement

We make world-class metal-based powders and oxides that are used to move, shelter, and feed the world. In application, our products reduce greenhouse gas emissions, make industries more efficient, and building products more enduring. We do this for the benefit for our customers, industries, communities, and families.

Note: Nothing was said about the requirements.

How to make a mission statement.

The purpose of your activity...

Activity, type of products or services we provide. **(Be quite open)**

Geographical reach, they mean if you are local, nation or worldwide.

Goal, which is the objective that the company has. **Ex.:** Maximizing the profit.

Stakeholders, the community, customers, shareholders...

Make **explicit why is so important the existence of the company.**

We need to create a mission statement that adds value.

That is it.



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<https://youtu.be/iNiemTBGFNo>

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