

# Workshop # 2



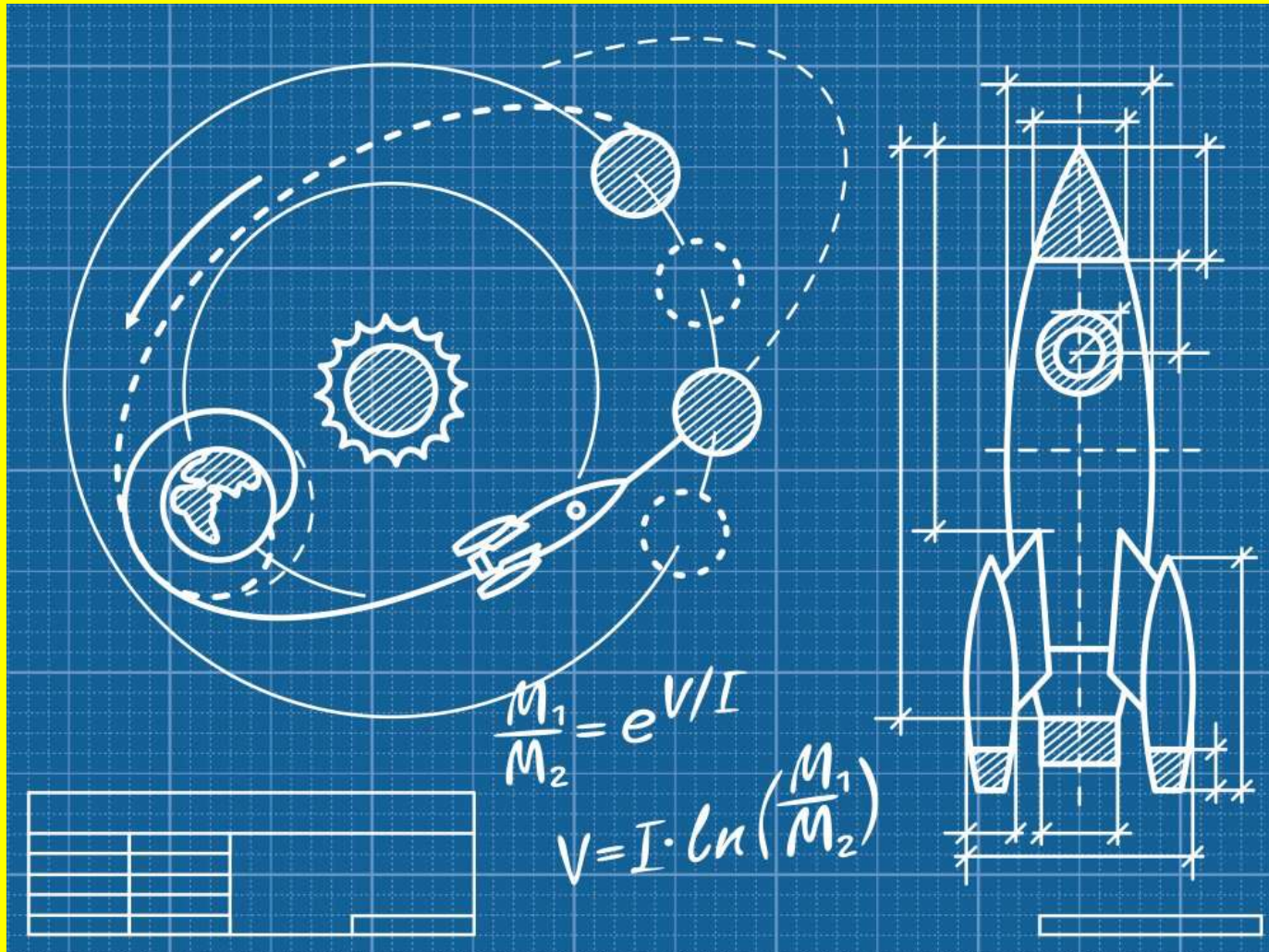
**Creating A Big Idea To  
Solve The Problem**

**YOU'VE IDENTIFIED THE PROBLEM  
YOU WANT TO SOLVE**

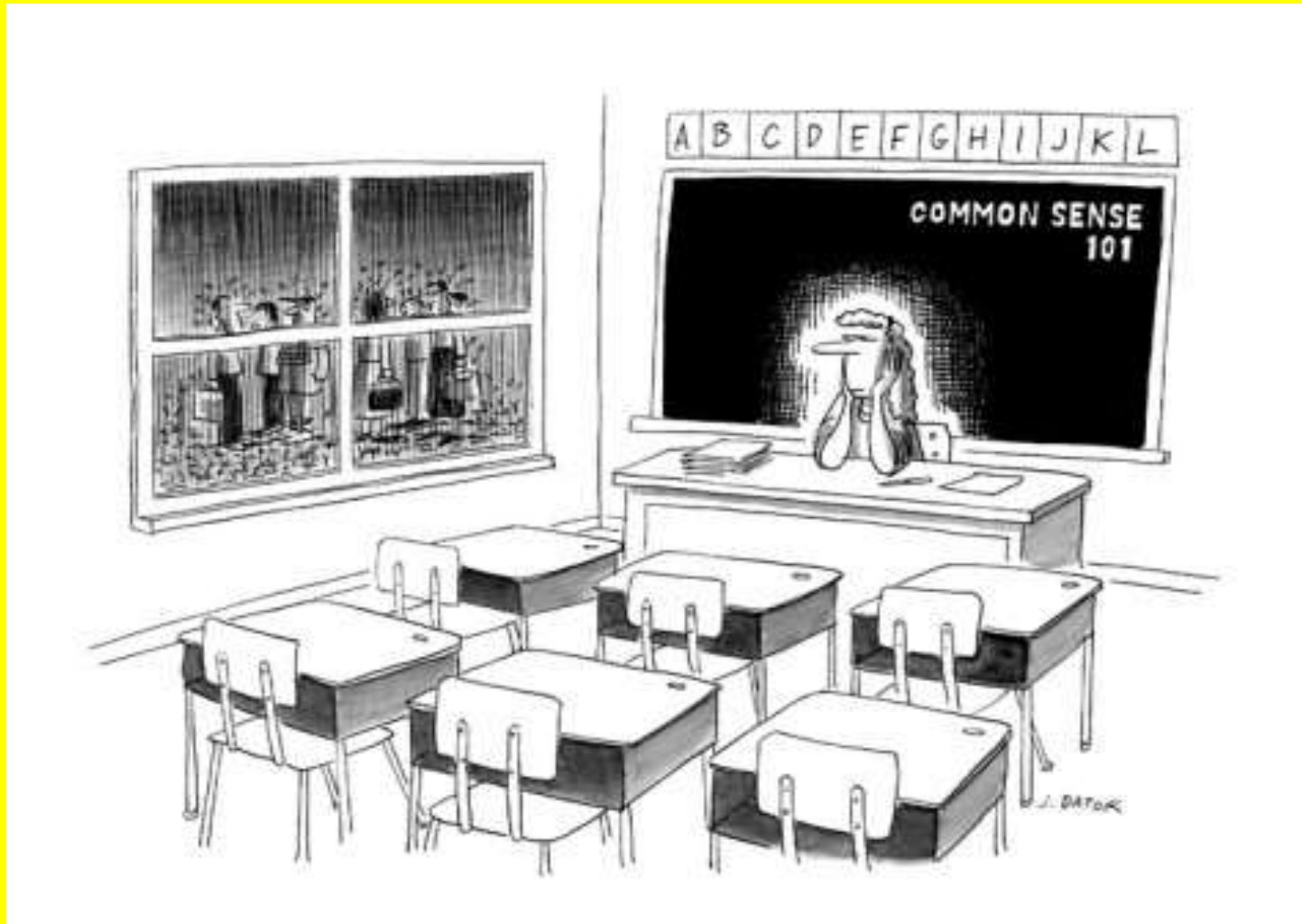


**NOW LET'S DEVELOP A SOLUTION!**

# THIS ISN'T ROCKET SCIENCE



# RELY ON YOUR COMMON SENSE

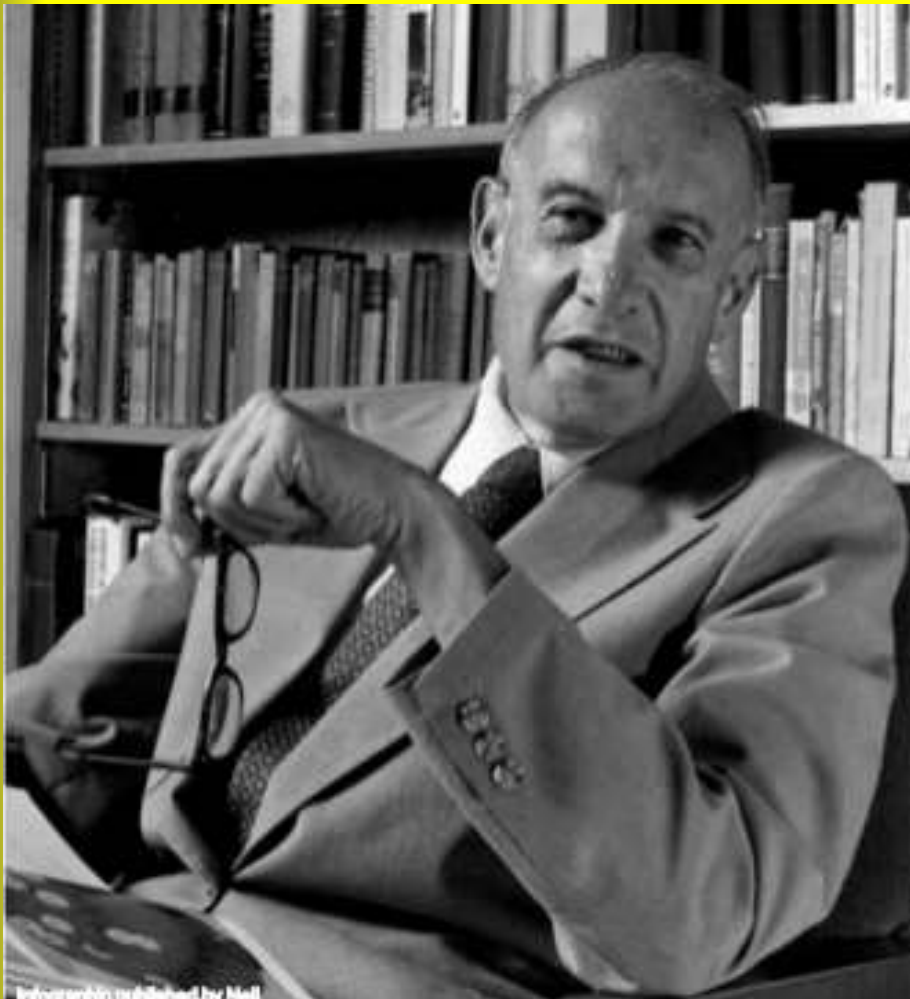






**IT ALL COMES DOWN TO  
E M P A T H Y**

**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*

Infographic published by Neil

Infographic published by Neil

# 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.

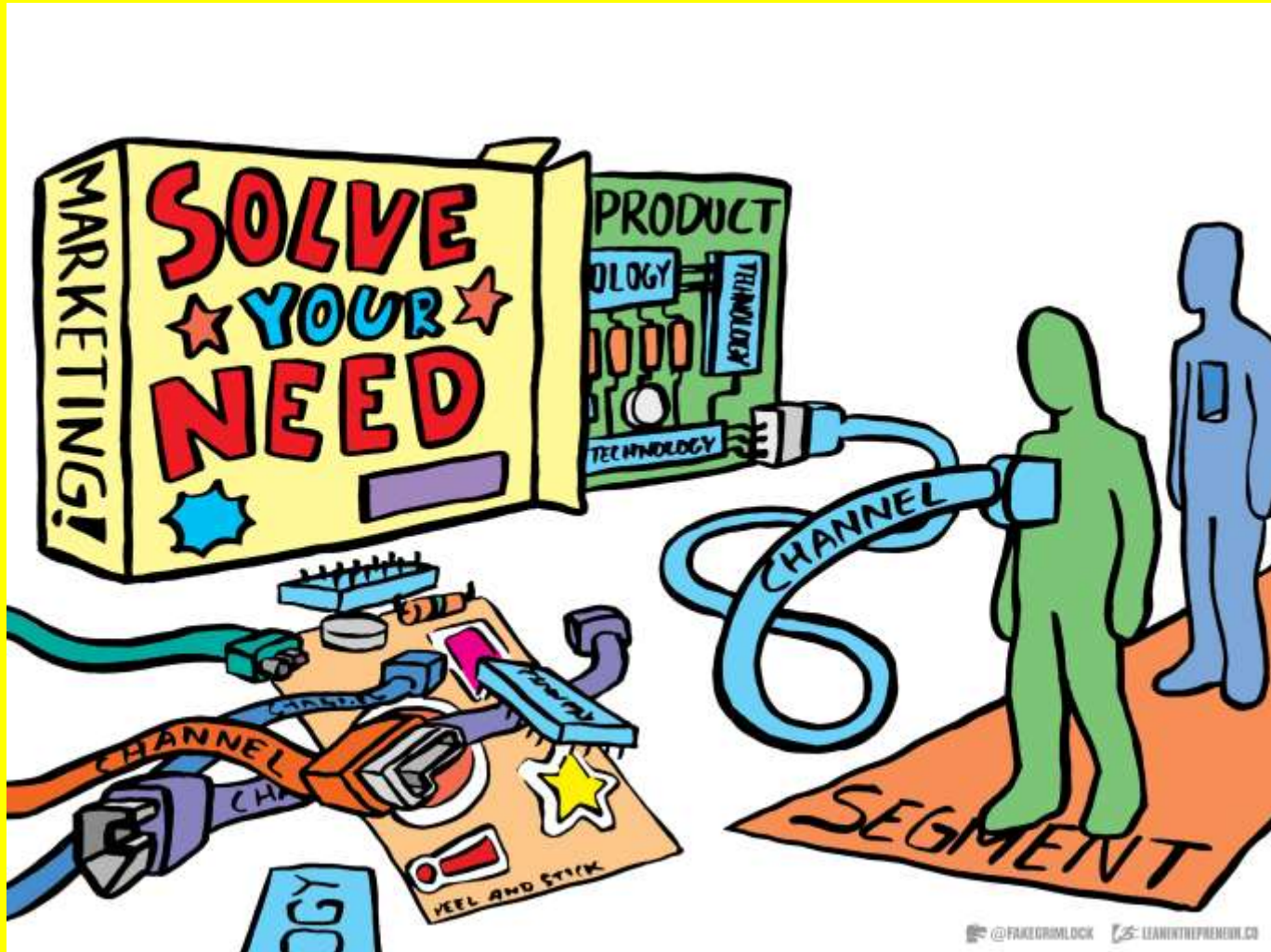
	Industry (NAICS code)	Sales % Change
1	Support Activities for Mining (2131)	44.9%
2	Other Heavy and Civil Engineering Construction (2379)	17.1%
3	Beverage Manufacturing (3121)	17.1%
4	Other Personal Services (8129)	16.5%
5	Direct Selling Establishments (4543)	16.0%
6	Building Finishing Contractors (2383)	15.5%
7	Offices of Real Estate Agents and Brokers (5312)	15.1%
8	Miscellaneous Durable Goods Merchant Wholesalers (4239)	15.0%
9	Specialized Freight Trucking (4842)	14.9%
10	Architectural, Engineering, and Related Services (5413)	13.7%

**sageworks**



Services Sectors	5-Year Growth
Real Estate, Rental & Leasing	47%
Finance & Insurance	38%
Administrative, Support & Waste	37%
Prof., Scientific & Tech. Services	35%
Arts, Entertainment & Recreation	30%
Other Services	30%
Information	29%
Health Care	21%
Transportation and Warehousing	21%
Utilities	19%
Accomodation	14%
Educational Services	11%

# What Is A Market?



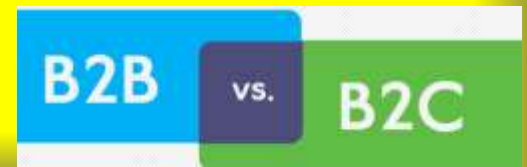
# Markets

- 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.







The diagram features two large, stylized head silhouettes facing each other. The left silhouette is green and contains the text 'B2C'. The right silhouette is blue and contains the text 'B2B'. Below each silhouette is a list of characteristics, with the B2C list enclosed in a green box and the B2B list enclosed in a blue box. The entire diagram is set against a white background with a yellow and blue gradient border.

# B2C

- Personal Use
- Fixed Price
- Single Piece

- No Bargain
- Emotionally Driven
- Consumer Marketing

# B2B

- Business Consumption
- Variable Price
- Bulk Purchase

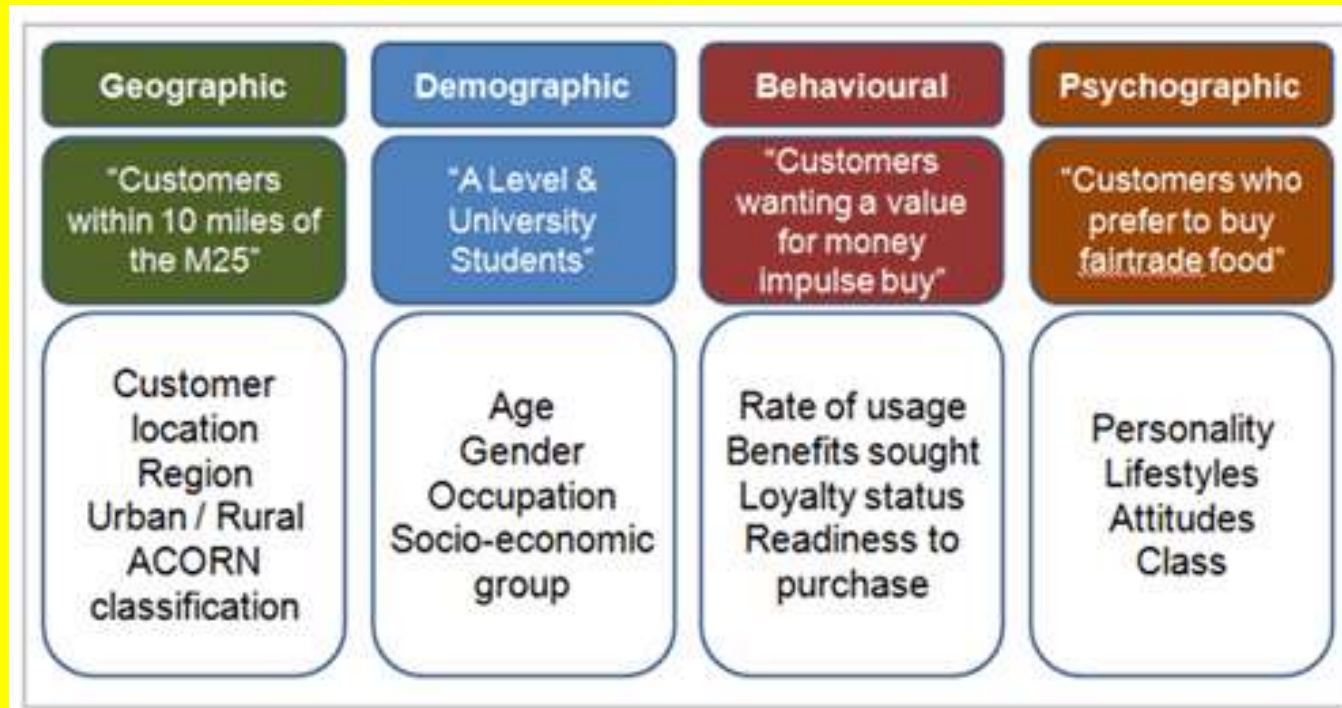
- Always Bargain
- Rationally Driven
- Business Marketing

# What Is A Market Segment?



# What Is A Market Segment?

- A category of your market that requires a different strategy.



# Different Types of Markets

- → large group of customers with similar needs.
- → small market with specific needs.
- → breaking markets into groups with different needs.
- → a variety of services to serve two or more customer segments.
- → 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

**You've Got Goals.  
We've Got Solutions.**

We're in the business of providing what your  
business needs.



# Diversified Market





# 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**



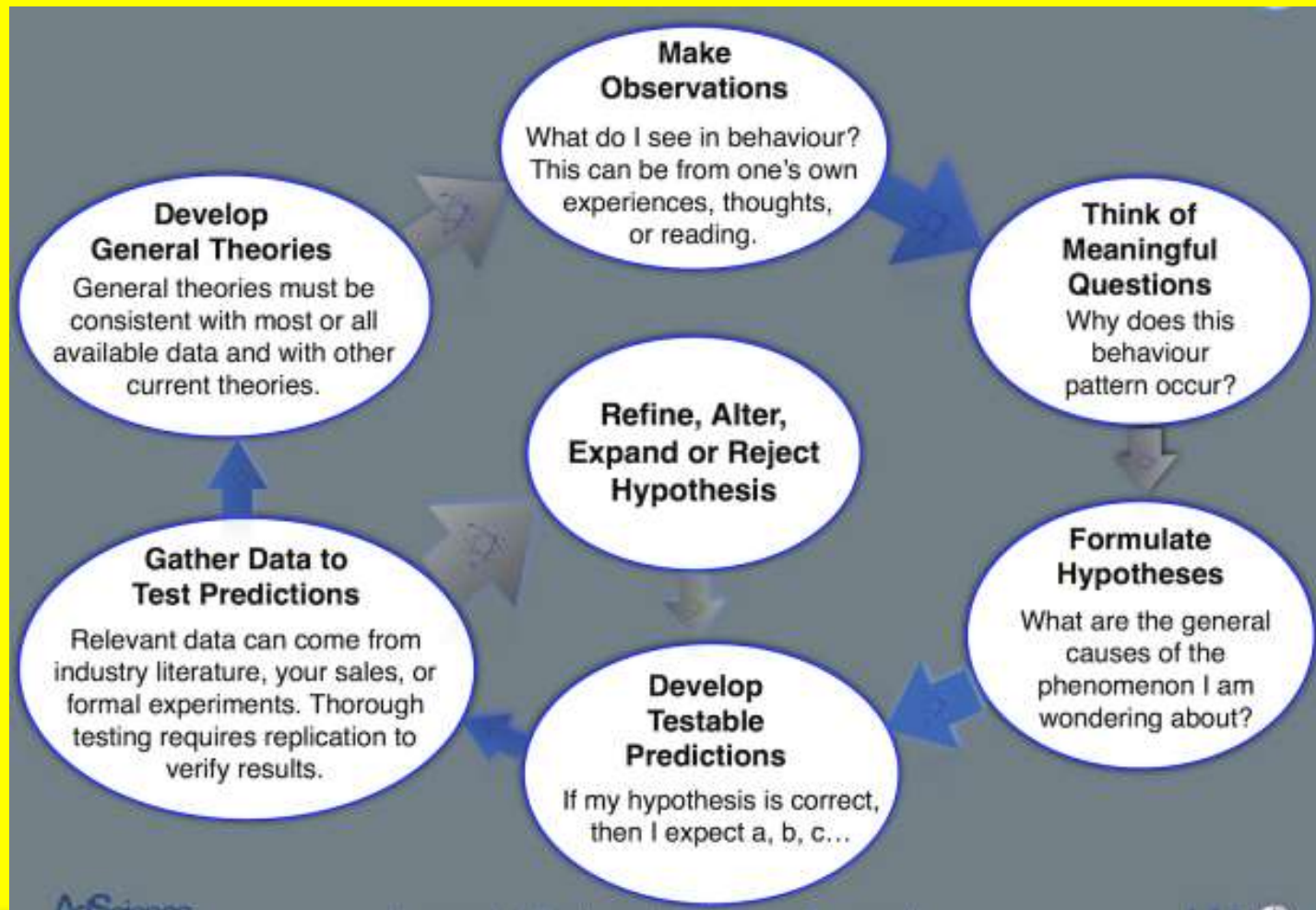


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# How Could You Make Your Lives Better



# Maybe You Want To Be More Scientific





# 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

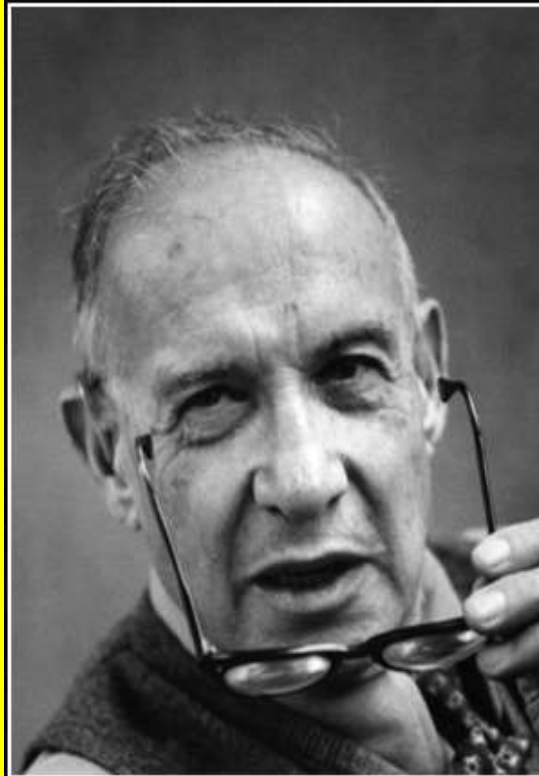




# **Solving Problems Created By Change = New Product or Service**



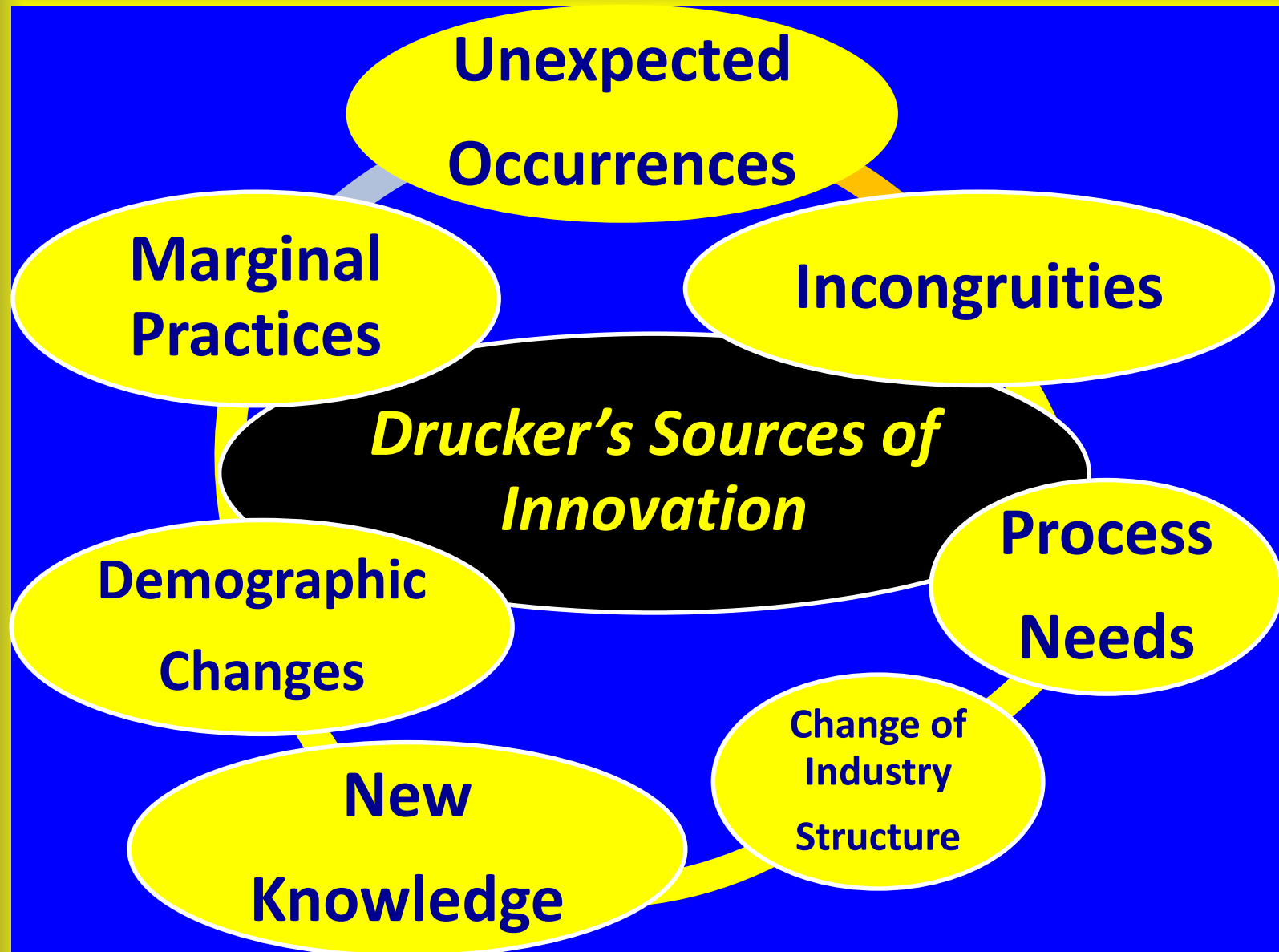
# Peter Drucker On Innovation



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* —

AZ QUOTES



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*



Google™



# Industry And Market Structure:

*New business models,*  
*distribution channels, and modes*  
*of business*

The Amazon logo, featuring the word "amazon" in a bold, black, sans-serif font. Below the text is a curved orange arrow that starts under the 'a' and ends under the 'z', pointing from left to right.The Ticketmaster logo, featuring the word "ticketmaster" in a white, lowercase, sans-serif font. To the right of the text is a small white icon of a hand holding a ticket. Below the main text, the words "verified tickets" are written in a smaller white font, preceded by a small white checkmark icon.The Dell logo, consisting of the word "DELL" in a white, bold, sans-serif font. The letter 'E' is stylized with a diagonal line through it. The logo is enclosed within a white circular border on a blue square background.

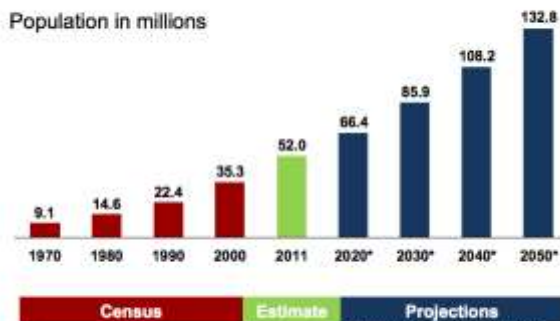
# Demographic Changes:

## Changes in groups by age, politics, religion, income, and so on.



**Hispanics: 1970 to 2050**

Population in millions

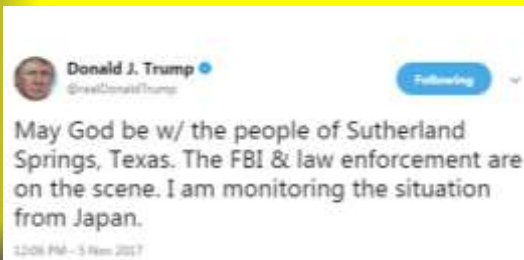


United States  
Census Bureau

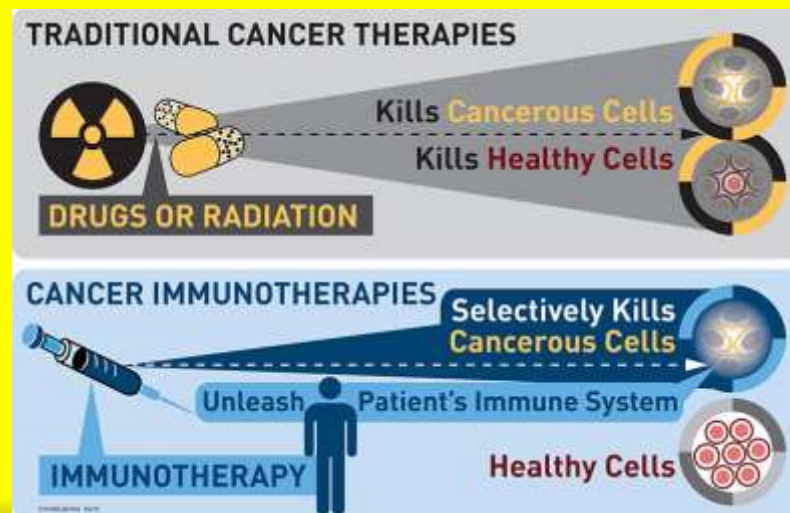
Sources: U.S. Census Bureau, 1970, 1980, 1990, and 2000 Decennial Censuses; July 1, 2011 Population Estimates; 2018 National Population Projections



**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**

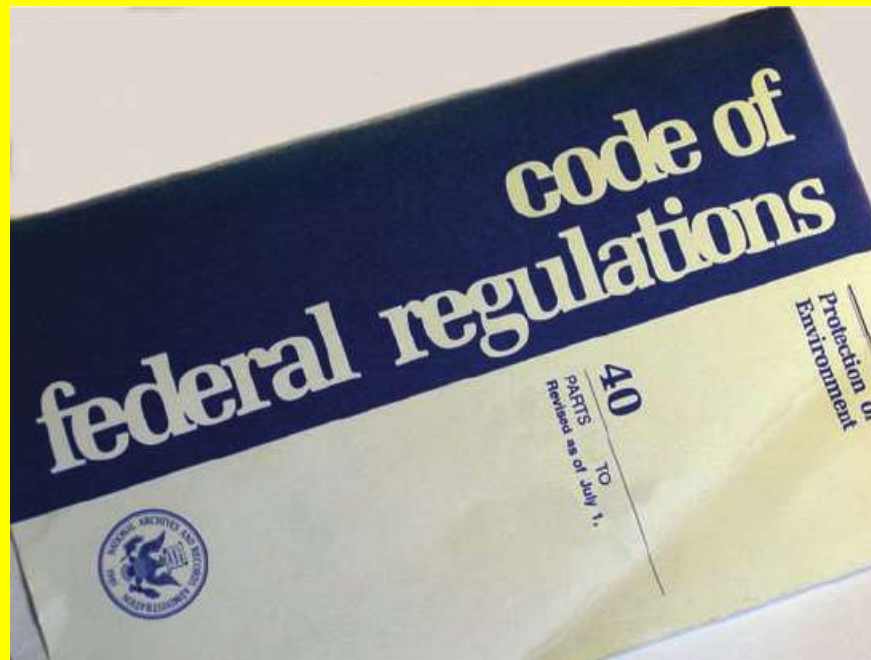
# Standards:

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?



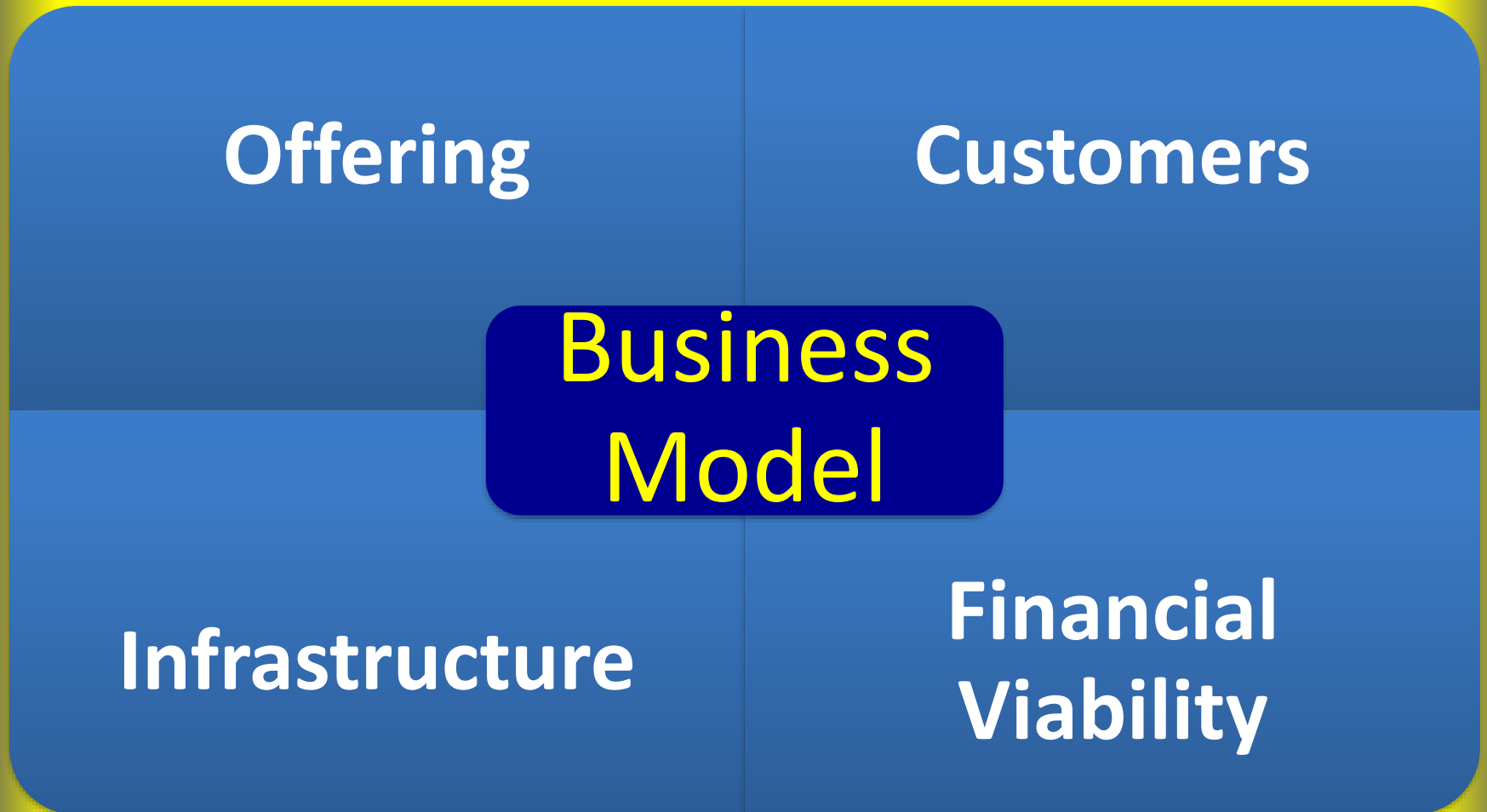
# Product / Service

- **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



# Business Model Parts

## Offering

What You Are  
Offering & Customer  
Value Proposition

## Customers

Who Are The People  
Who Will Buy

## Business Model

## Infrastructure

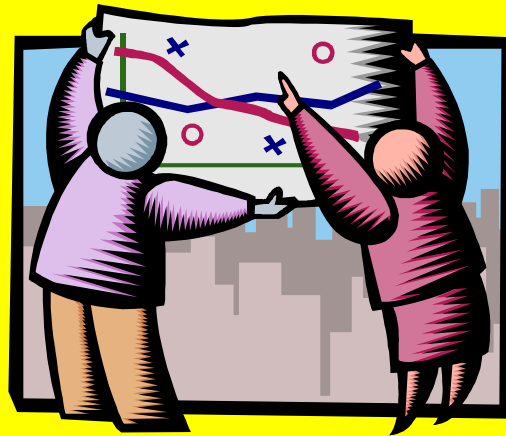
The Resources You  
Need To Produce

## 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.



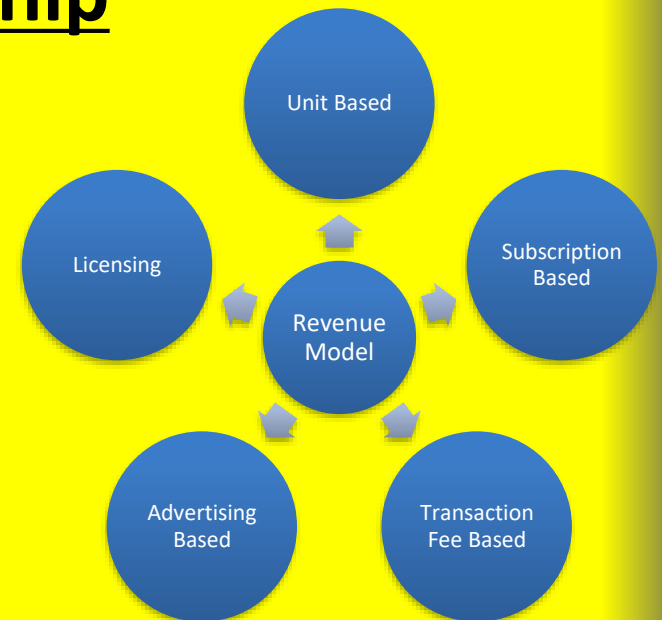
# Revenue Streams



- 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

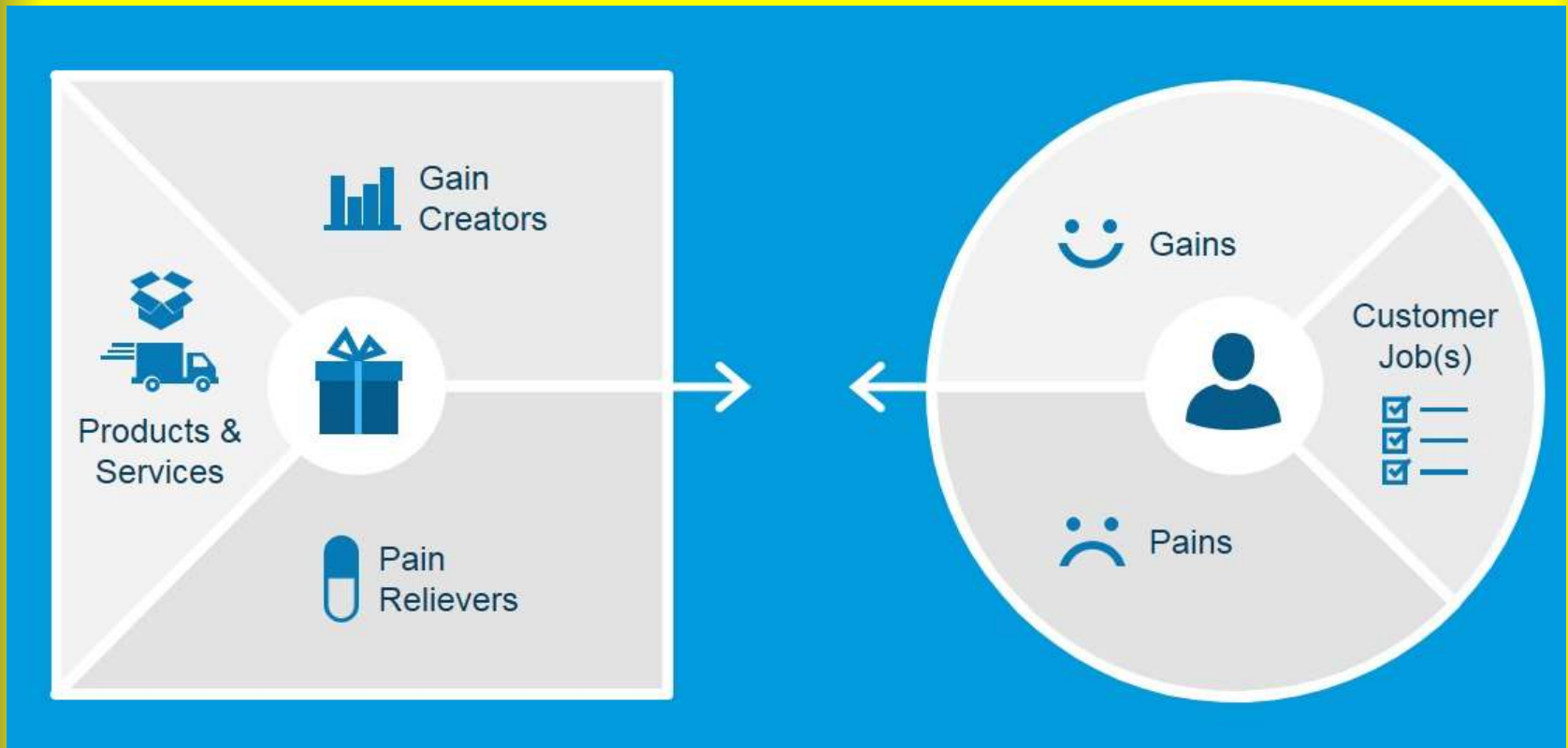




# Revenue Model Examples

- 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?



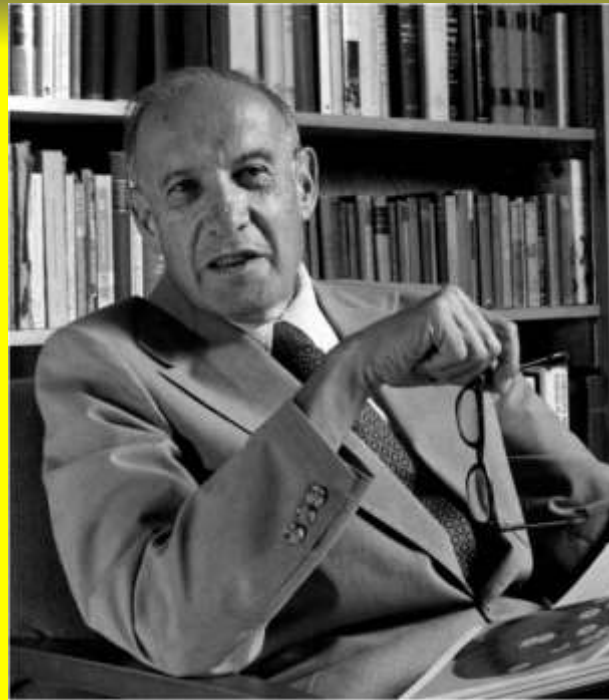


# What Is A Business Model?



# **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.**

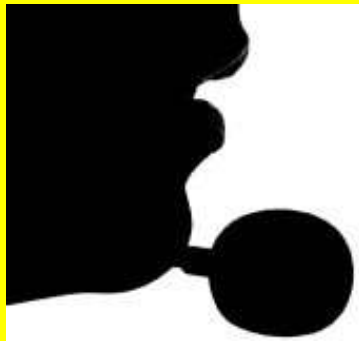


# Determine Your Business Workflow

- **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

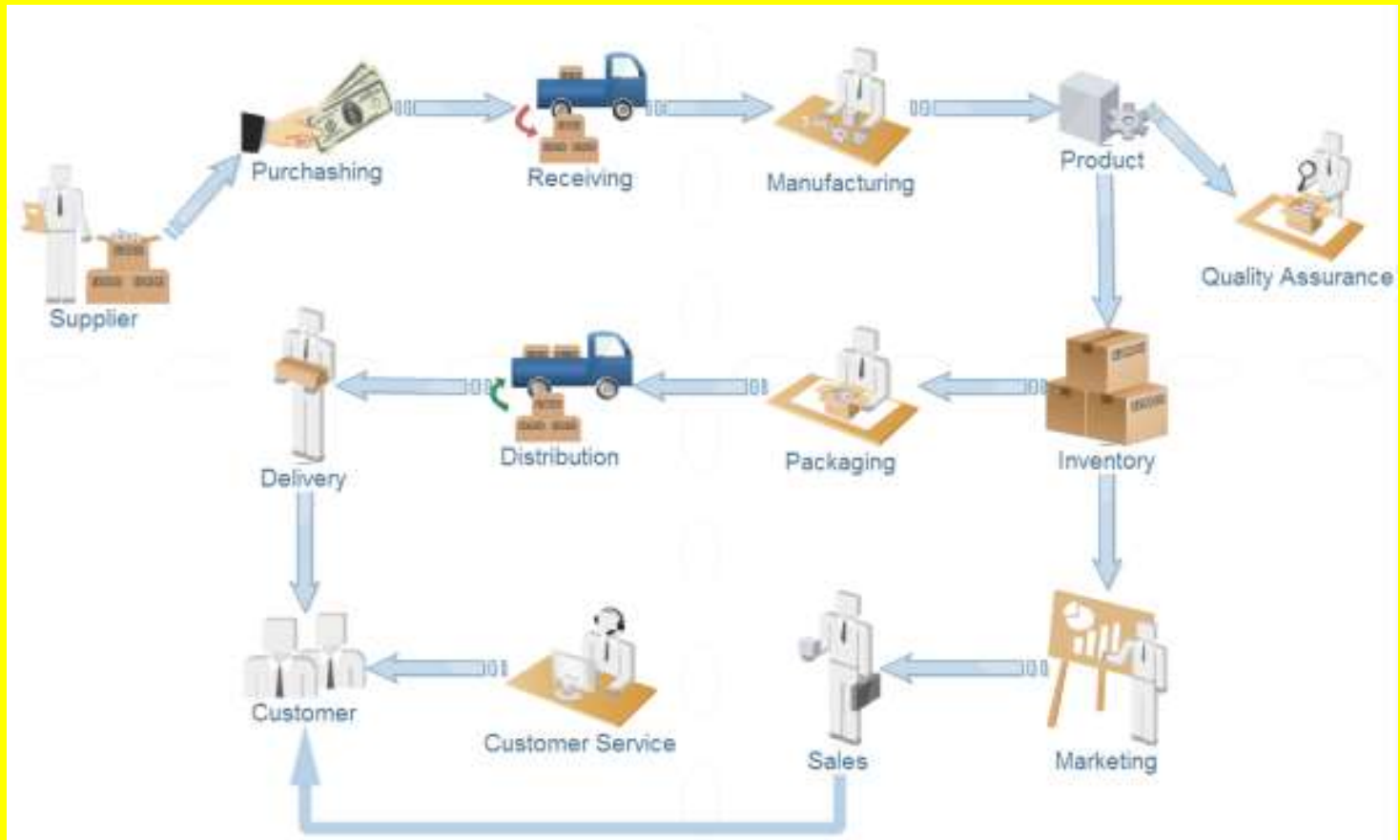
Activity  
# 3

- What do they do?
- How many people?
- Costs per employee

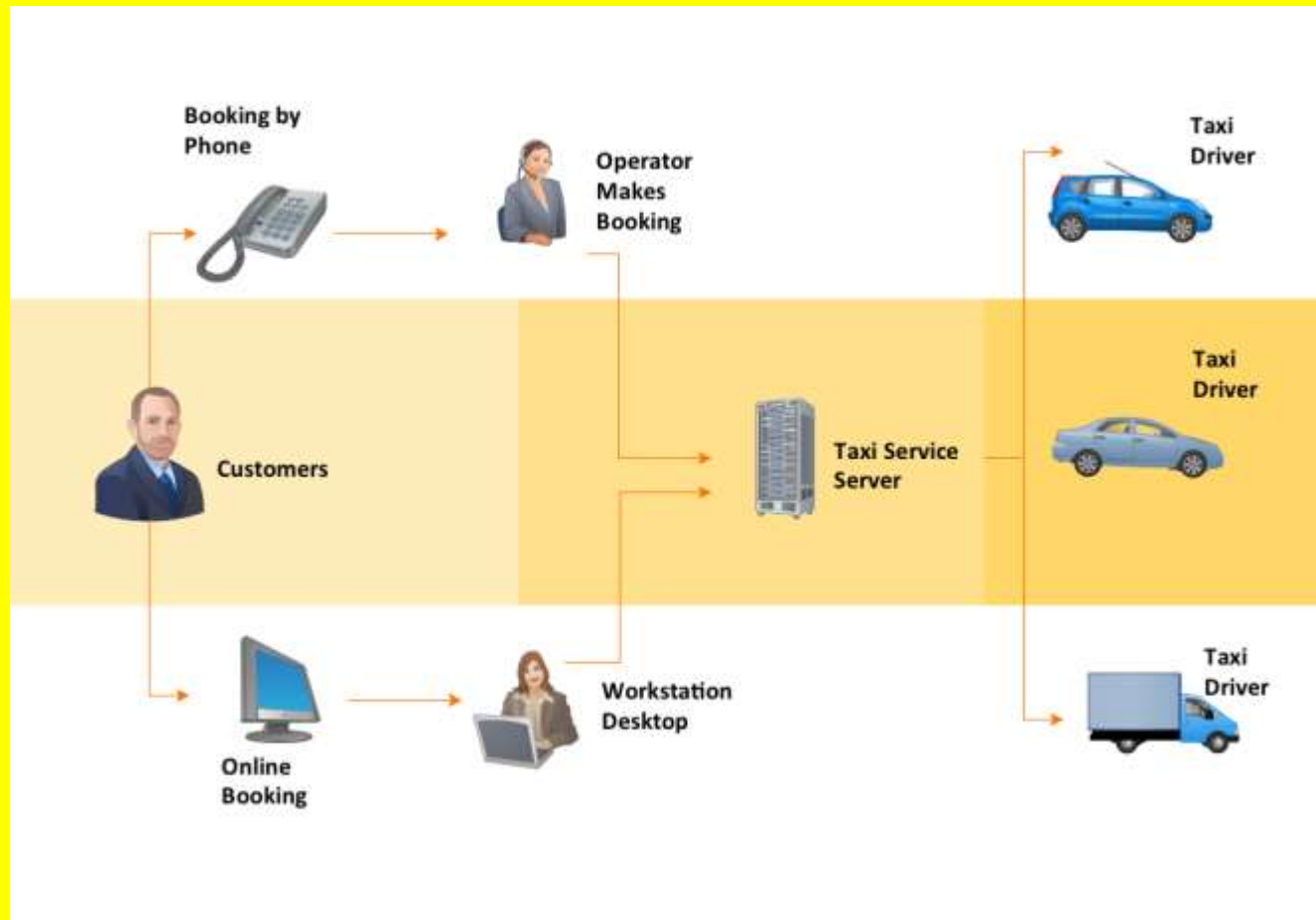




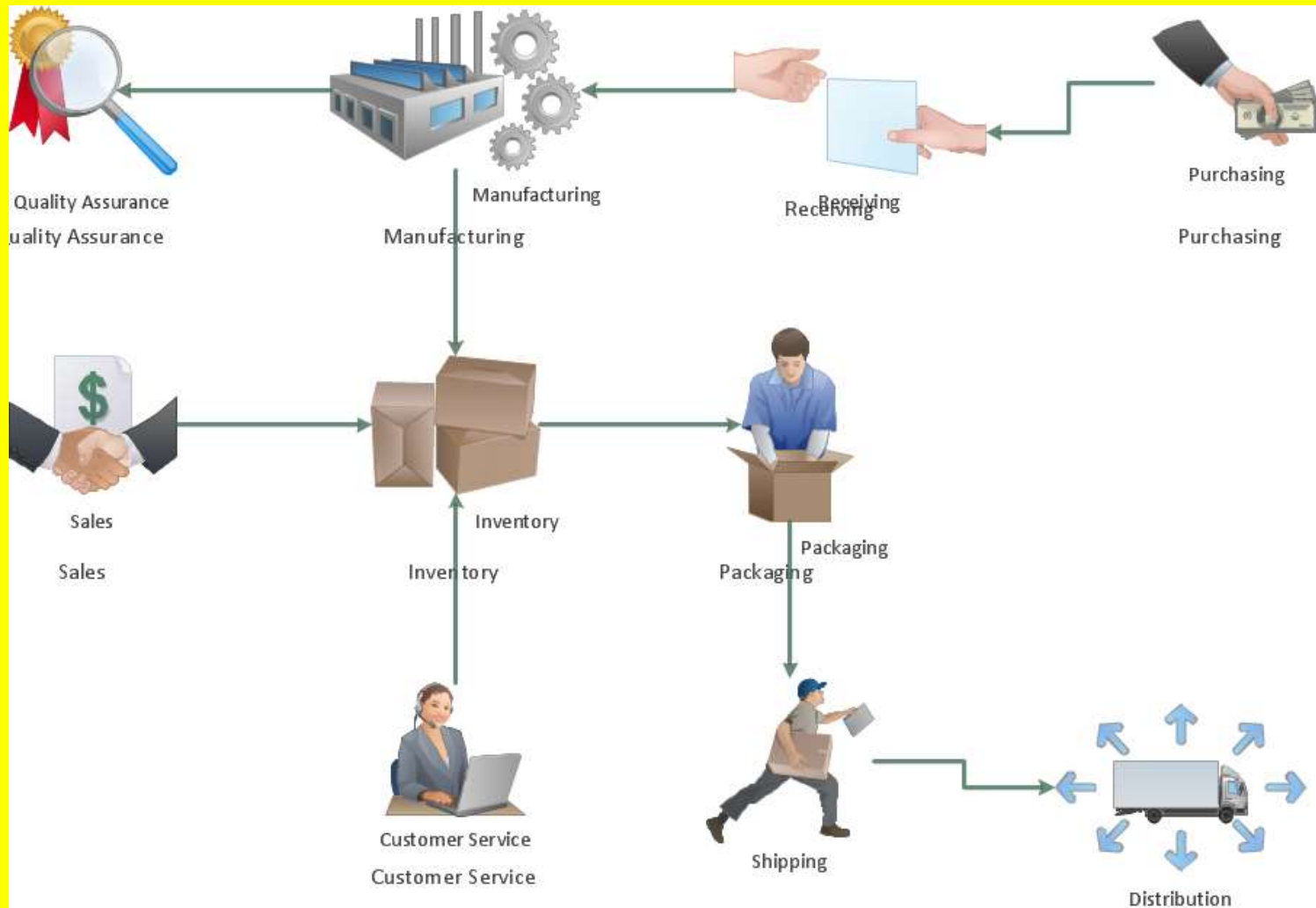
# Simple Workflow



# Taxi Business Workflow



# Manufacturing Workflow



# Online Business Workflow



# Create A *Dollarized* Workflow In Every Big Idea Pitch!

