

STEP Technology Entrepreneurship Workshop

Business Model

Kyiv Ukraine, October 13-14

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- Are you an entrepreneurial spirit?

yes _____ no _____

- Are you constantly thinking about how to create value and build new businesses, or how to improve or transform?

yes _____ no _____

- Are you trying to find innovative ways of doing business to replace old, outdated ones?

• yes _____ no _____

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A business model describes
the rationale of how an
organization creates, delivers,
and captures value

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The starting point for any good discussion, meeting, or workshop on business model innovation should be a shared understanding of what a business model actually is.

This concept can become a shared language that allows you to easily describe and manipulate business models to create new strategic alternatives. Without such a shared language it is difficult to systematically challenge assumptions about one's business model and innovate successfully.

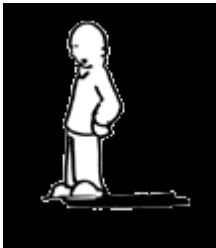
I believe a business model can best be described through basic building blocks that show the logic of how a company intends to make money. The blocks cover the four main areas of a business: customers, product and service, infrastructure, and financial viability.

The business model is like a blueprint for a strategy to be implemented through organizational structures, processes, and systems.

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what's your business model?

The Building Blocks



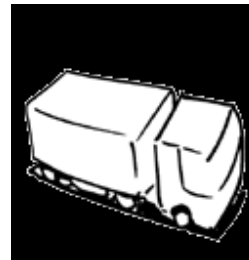
Customer Segments

An organization serves one or several Customer Segments.



Value Propositions

It seeks to solve customer problems and satisfy customer needs with value propositions.



Channels

Value propositions are delivered to customers through communication, distribution, and sales Channels.



Revenue Streams

Revenue streams result from value propositions successfully offered to customers.

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what's your business model?

The Building Blocks



Key Resources

Key resources are the assets required to offer and deliver the previously described elements...



Key Partnerships

Some activities are outsourced and some resources are acquired outside the enterprise.



Cost Structure

The business model elements result in the cost structure.

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Customer Segments

- For whom are you creating value?
- Who are your most important customers?
 - Mass Market
 - Niche Market
 - Business to Business
 - Business to Consumer
 - Business to Government

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what value do you offer to which customer segments? (**model**)

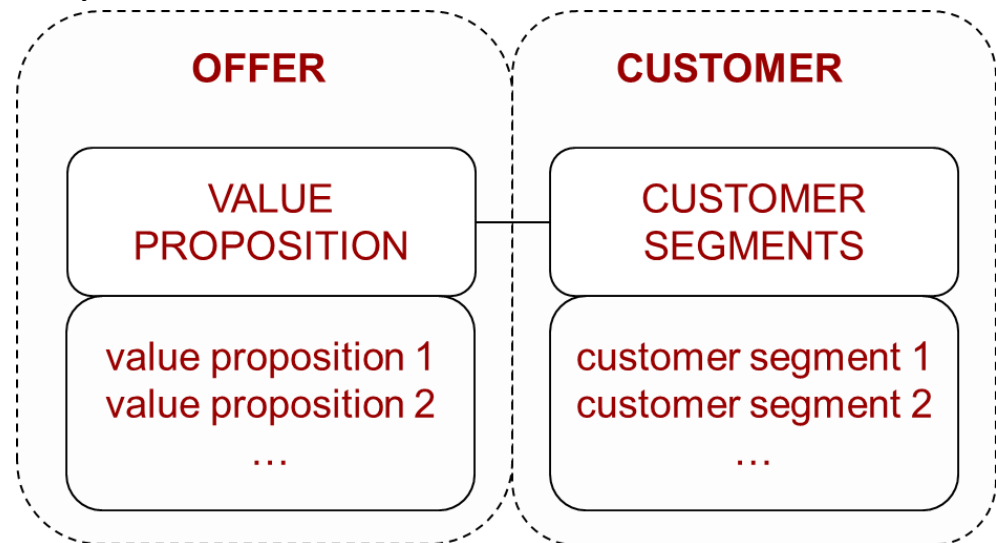
What value do you deliver to the customer?

Which one of your customer's problems are you helping to solve?

Which customer needs are you satisfying?

What bundles of products and services are you offering to each Customer Segment?

- New Solution
- Performance
- Cost of Ownership
- Customization
- Cost of Operations
- Uniqueness of Service



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working definition value proposition

- a **customer** value proposition gives an view of a company's bundle of products, services and client advice.
- it is the sum of the total benefits a customer is promised to receive in return for a payment (or other value transfer)

value proposition is not!

- Product Features

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Channels--Communication and Sales

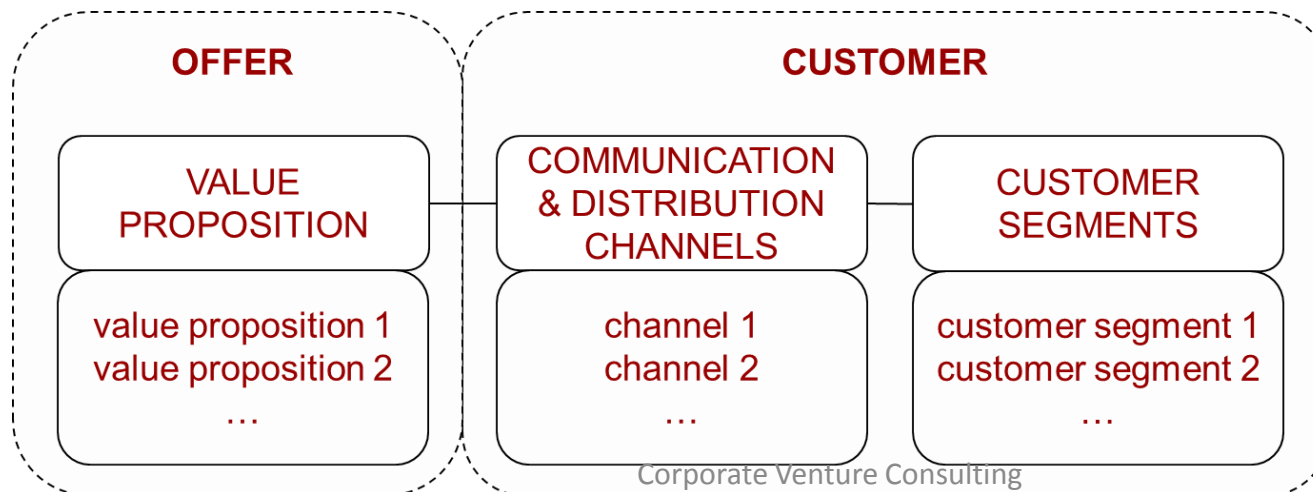
Through which Channels do your Customer Segments want to be reached?

How are you reaching them now?

How are your Channels integrated? Which ones work best?

Which ones are most cost-efficient?

How are you integrating them with customer routines/processes?



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Revenue Streams

A business model can involve three different types of Revenue Streams:

1. **Transaction revenues** resulting from one-time customer payments
2. **Recurring revenues** resulting from ongoing payments to either deliver a Value Proposition to customers
3. Or a Hybrid to provide post-purchase customer support

- For what value are our customers really willing to pay?
 - For what do they currently pay?
 - How are they currently paying?
 - How would they prefer to pay?
 - How much does each Revenue Stream contribute to overall revenues?
-
- Product sales
 - Subscription fee
 - Licensing Fee
 - Pay as you use (SaaS, Cloud)
 - Advertisement

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Key Resources

What Key Resources do your Value Propositions require?

Your Distribution Channels?

Your Customer Relationships?

Your Revenue Streams?

- Human
- Physical
- Intellectual
- Financial
- Partnership
- Outsourced

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Key Partnerships

Who are your Key Partners?

Who are your key suppliers?

Which Key Resources are you acquiring from partners?

Which Key Activities do partners perform?

- Reduction of Risk and Uncertainty
- Optimization and Economies of Scale
- Acquisition of Particular Resources and Activities

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Cost Structure

What are the most important costs inherent in your business model?

Which Key Resources are most expensive?

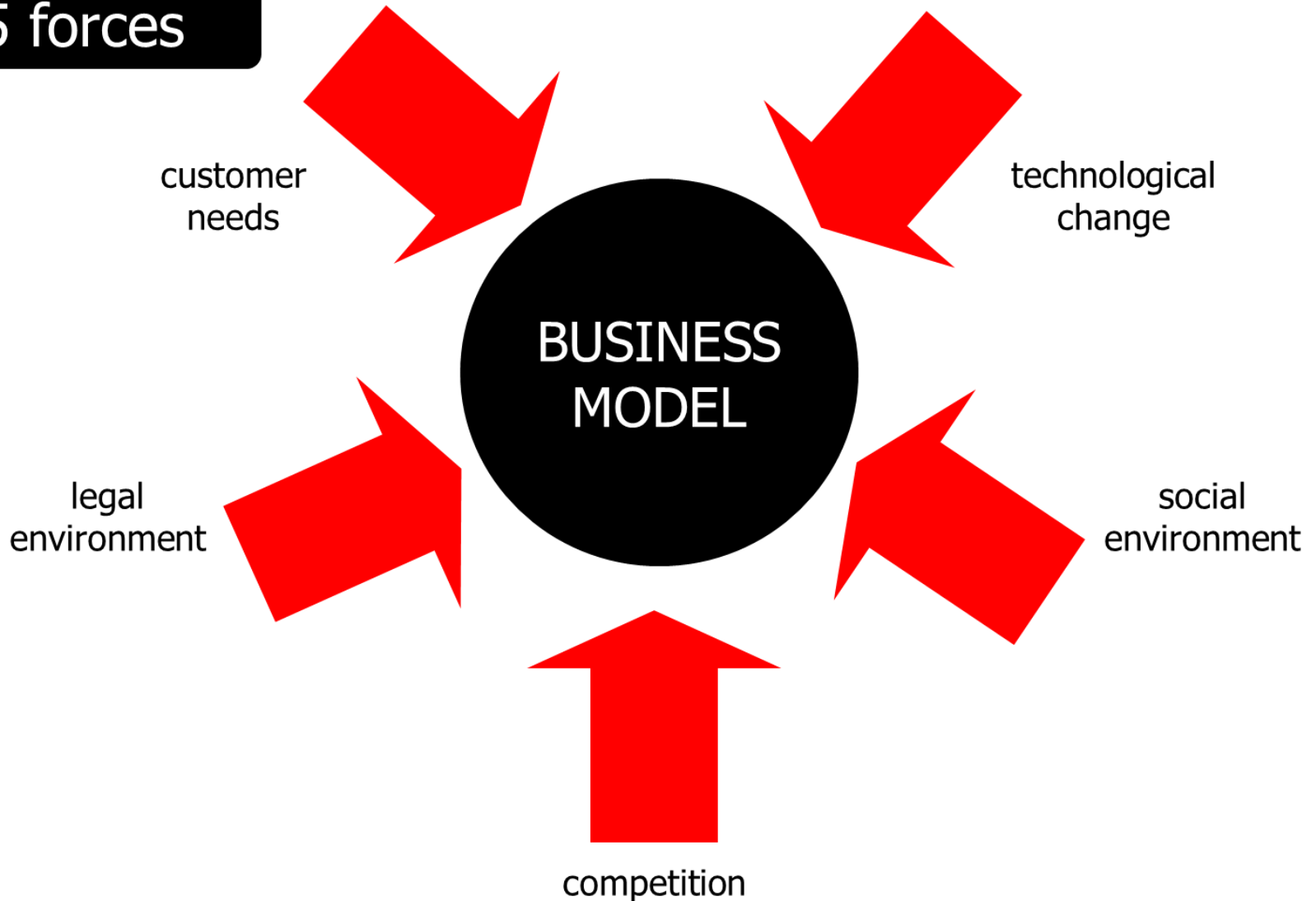
Which Key Activities are most expensive?

Most Business Models are between “Cost-Driven” and Value-Driven

- Fixed Cost
- Variable Cost
- Economies of Scale
- Economies of Scope

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5 forces



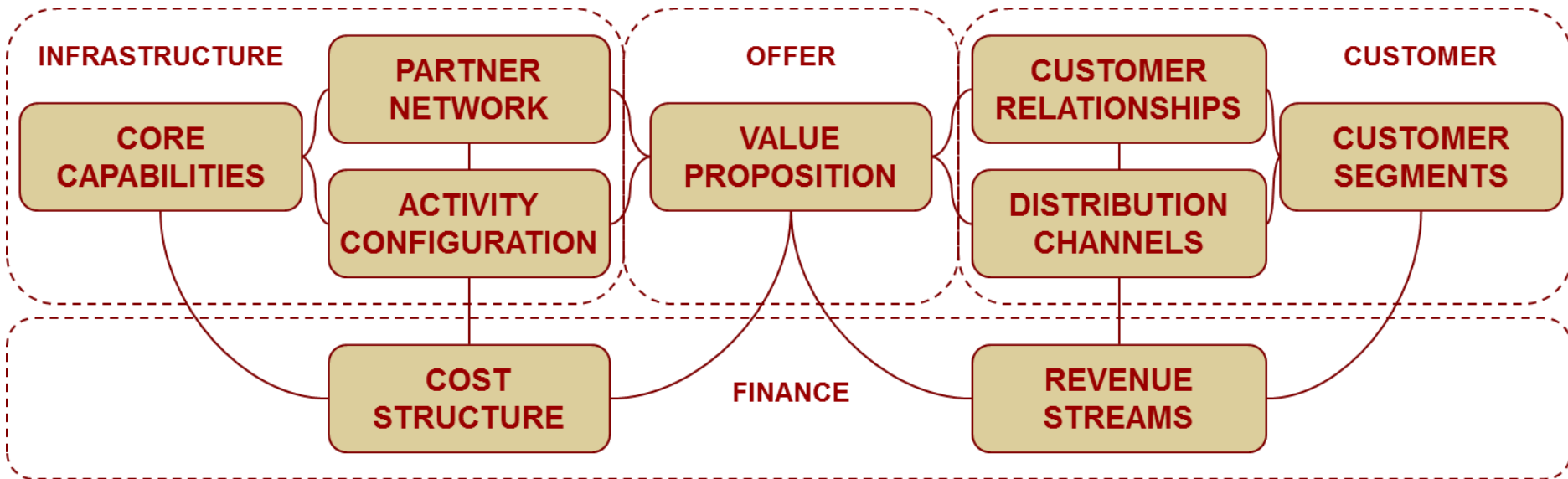
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The Business Model Work Template

Key Partners	Key Resources/ Activities	Value Proposition	Channels/ Customer Relationships	Customer Segments
Cost Structure			Revenue Stream	

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Business Model Framework

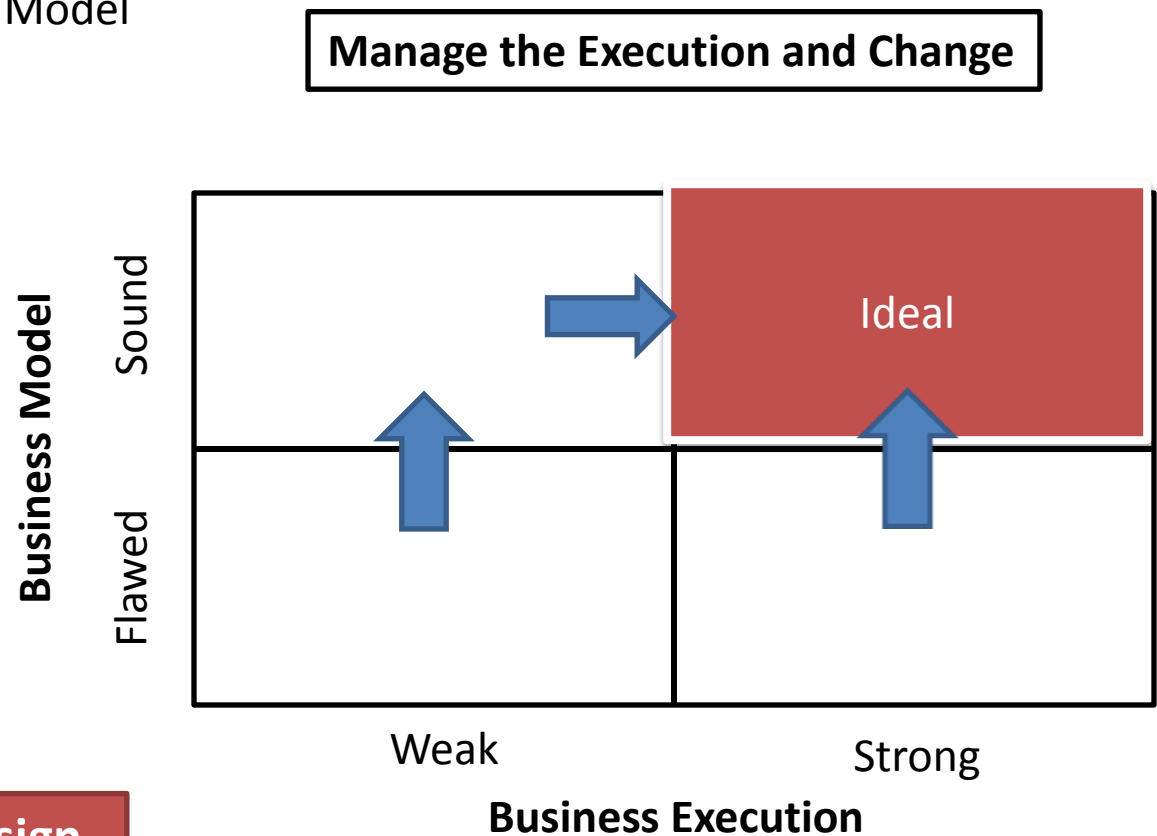


a business model describes the value an organization offers to various customers and portrays the capabilities and partners required for creating, marketing, and delivering this value and relationship capital with the goal of generating profitable and sustainable revenue streams

[Osterwalder (2004) The Business Model Ontology]

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- Plot The Business Model Template
- Put The Poster On The Wall
- Sketch Out Your Business Model
- Execute The Model
- Measure Success

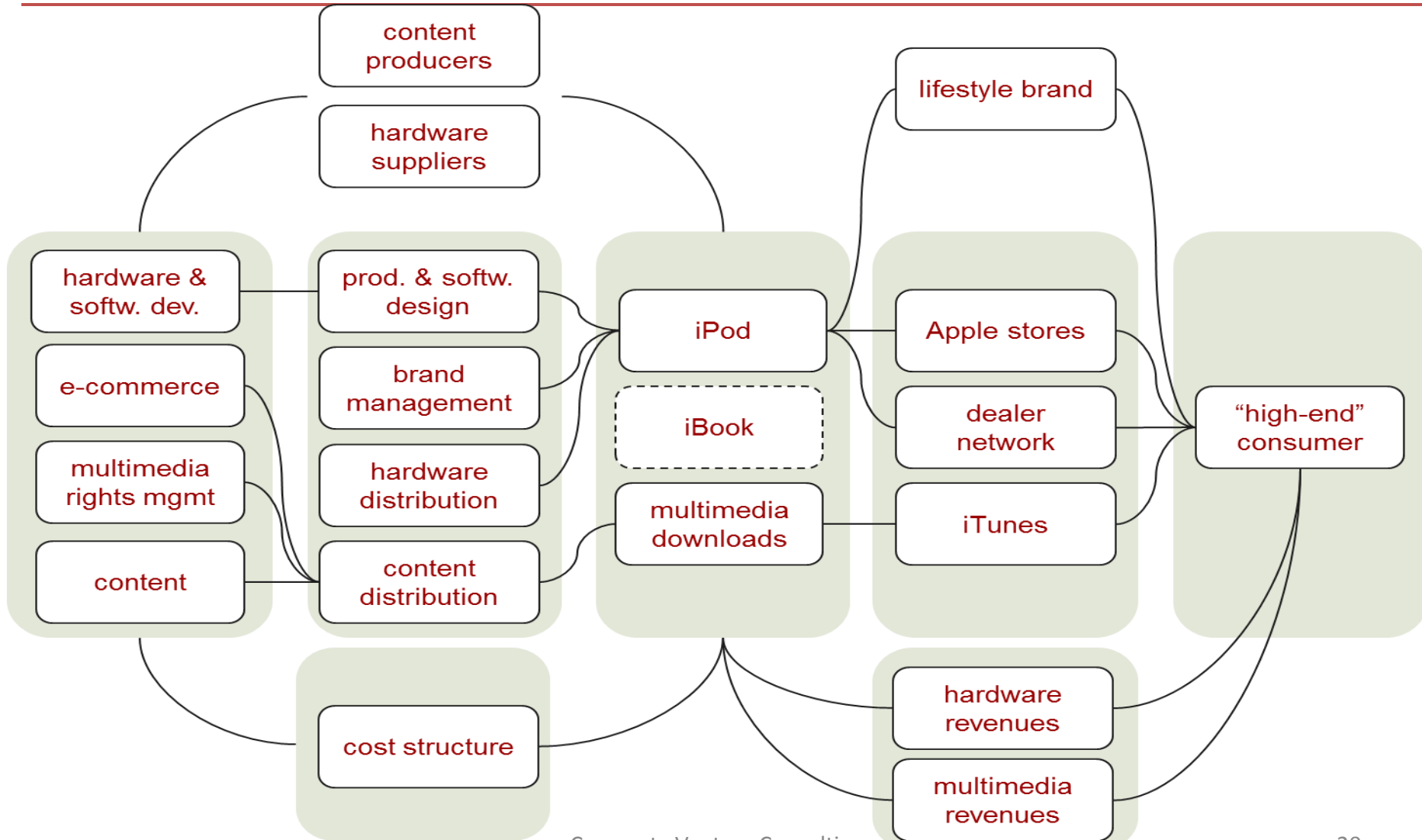


Evaluate , Learn and Redesign

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1. Apple IPOD
2. A Wireless Apps Start up Mobifusion

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In 2001 **Apple** launched its **iPod** brand of portable media player. The device works in conjunction with iTunes software that enables users to transfer music and other content between the iPod and a computer.

The software also provides a seamless connection to Apple's online store so users can purchase and download content.

This potent combination of device, software, and App store quickly disrupted the music industry and gave Apple a dominant market position. Yet Apple was not the first company to bring a portable media player to market. Competitors such as **Diamond Multimedia**, or **Creative had** their brands of portable media players, were successful until they were outpaced by Apple.

Apple iPod/iTunes Business Model How did Apple achieve such dominance? Because it competed with a **better business model**.

Apple's Value Proposition is to allow customers to easily search, buy, and enjoy digital music. On the other hand, to make this Value Proposition possible, Apple had to negotiate deals with all the major record companies to create the world's largest online music library.

The twist? Apple earns most of its **music-related revenues** from selling iPods, while using integration with the online music store to protect itself from competitors.

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Mobifusion—Mobile Value Added Services Company

Introduction: Mobile Fragmentation is a Major Challenge



Android, iPhone, BlackBerry, Java, Symbian, Windows Mobile, Palm, webOS, iDEN, BREW, Browser-based Apps and more and more – the mobile market is fragmented. Add in over 10,000 handsets all with unique characteristics from many manufacturers and you have an incredible level of fragmentation and complexity.

Mobifusion solved the mobile platform fragmentation problem.

Mobifusion reaches all operating systems, protocols, handsets and manufacturers - all 4 billion mobile phones worldwide.

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Background

Mobifusion has built proprietary, patented, automatic, and scalable mobile technologies called **m-Engines™** enabling us to deliver Value-Added Services (VAS) that reach all mobile operating systems, platforms, and cell-phones. **m-Engines™** accelerate the creation of VAS (Messaging (SMS, MMS, and USSD) Applications, downloadable Applications (Java, Symbian, Palm, BREW, Windows Mobile, Pocket PC, iPhone, Android, Blackberry, iDEN Apps), cloud-based Browser Apps (xHTML), Voice Applications, and Video Apps) across all mobile devices, Operating Systems and platforms.

Technology Advantage.

While others have tried to solve the same problem using manual porting processes, this restricts the addressable market, since manual porting is cost-prohibitive to support more than a small group of handsets, Mobifusion's patented **m-Engines™** bypasses the expensive and non-scalable manual porting processes and toolkits and scales automatically using proprietary methods and algorithms. With **m-Engines™**, Mobifusion delivers complete and high-quality Value-Added Services (VAS) to all phones and all Operating Systems, protocols, platforms or delivery mechanisms - Smartphone or Featurephone – **VAS to All Phones.**

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Business Model

Mobifusion signs content sourcing agreements with major Media companies. Exclusive Branded Content from those Media company partners is selected in collaboration with our distribution partners (e.g. Operators). Mobifusion transforms that raw content into proprietary VAS products and services (Apps, Games, and Messaging Services) which work on all platforms and deliver the right user experience to the right handset – with the correct operating system, screen size and features - customized, localized, and personalized for subscribers. Mobifusion VAS are sold to mobile consumers via operator billing for on-phone storefronts/decks, operator websites, leading online resellers, and App Stores.

Strategy: Content, Sales & Technology

Mobifusion founders bring seasoned leadership and proven expertise to the three pillars of our strategy: Media Content, Operator Channel Sales and Technology Development. Mobifusion has established competitive advantages with our exclusive supply of copyrighted Media company Content, our proven business development experience with global channels and our patented m-Engines™ technologies.

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1. Source Exclusive Content: Create long-term partnerships with top Media companies that provide exclusive mobile content, key Brand names and tactical marketing advantages. Mobifusion has signed **56** agreements with top Media companies.

To be the global market leader in delivering exclusive VAS content on all mobile devices through major mobile distribution channels.

2. Sell and Distribute Worldwide: Establish long-term partnerships with Tier 1 Operator partners worldwide that ensure Mobifusion is a preferred supplier of mobile content. Mobifusion has signed relationships with **32** Operators in the US, Canada, UK, India, Australia, and almost all the internet app stores representing access to over **250** million subscribers. With **25** new Operators in the sales pipeline, Mobifusion will have access to over **500** million subscribers in 2010. Mobifusion products have been downloaded in

3. Build Technology Leadership: Technologies to deliver content across any mobile device, all operating systems or platforms before market release of the device. Mobifusion supports **1000's** of handsets across all O.S. and Platforms.

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Financial Summary

	2008	2009 (E)	2010 (E)	2011 (E)
Sales (\$ million)	0.8	2.5	15	57
Net Income	(1.1)	0.0	2.5	7.0
Headcount	25	35	60	100

Management

Pavan Mandhani	CEO/President	20 Years in Software and Telecommunications
		COO, Mobile WebSurf; CTO, Global Center
Chris McKenney	COO/EVP	20 Years in Media and Content
		COO, PGW; CEO at Digital Pond
Kevan Anne Lyon	EVP	20 Years in Media and Publishing
		EVP at AMS
Abhishek Pandey	VP Eng	10 Years in Engineering
		Thomson Publishing