

Value as foundation of business

TU-A1300 Introduction to Industrial Engineering and Management / 11.9.2022

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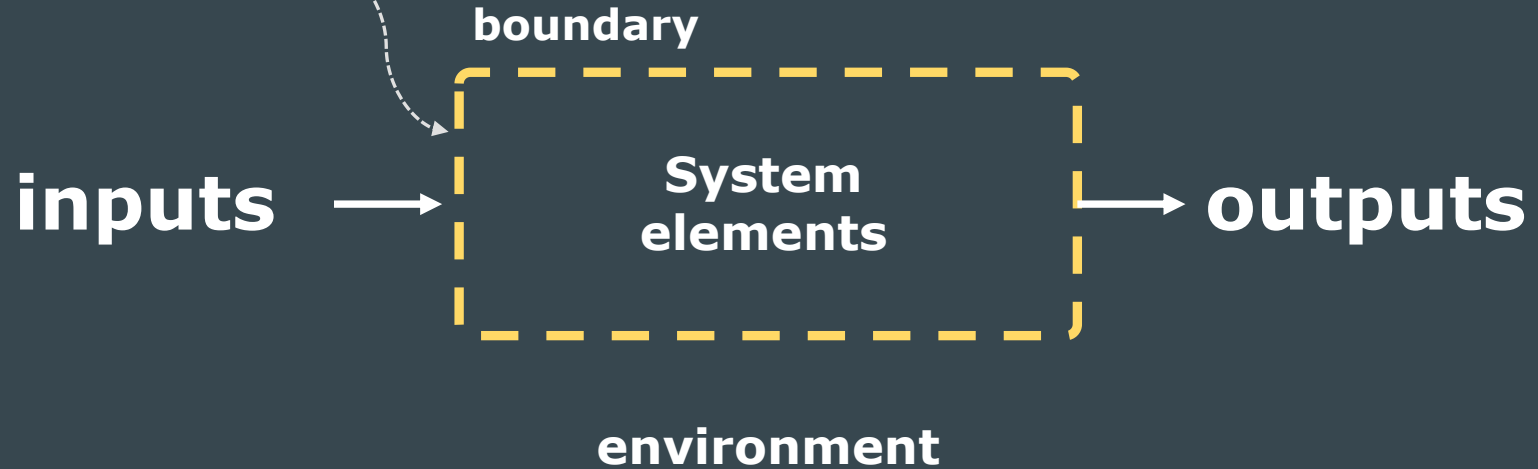
**The nature of value,
Business models,
Competition & business
environment**

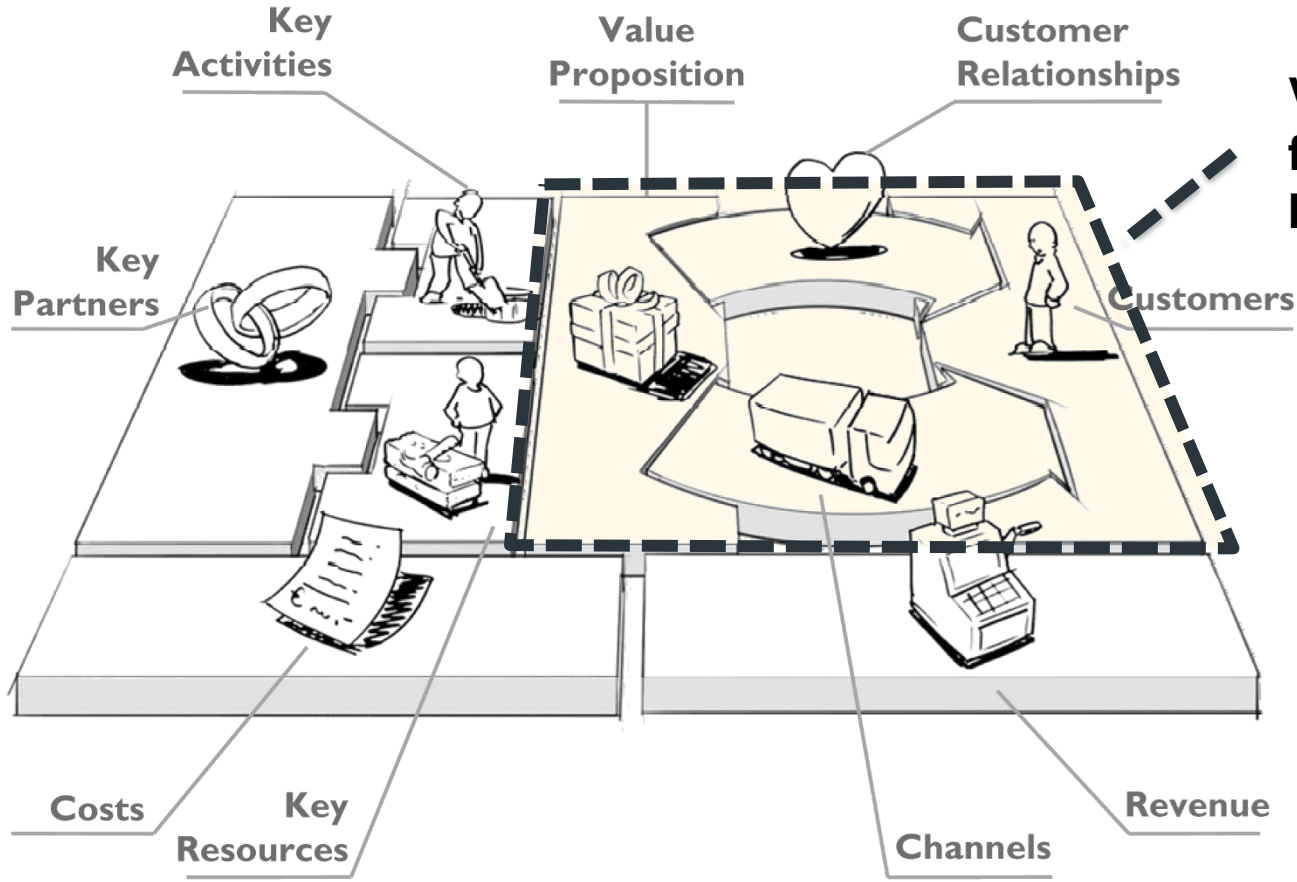
Pekka Töytäri

**Basics of sales and
marketing**

Companies as systems

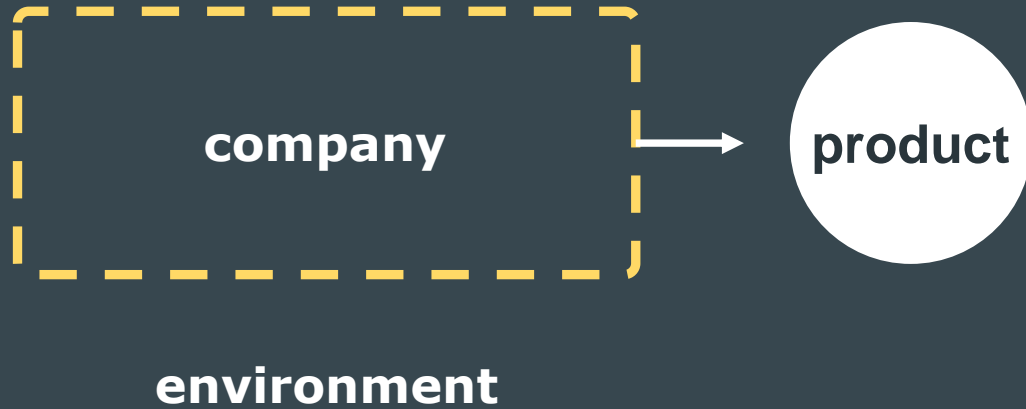
*Also "Production function"
In the previous lecture*





Value as foundation of business

Focus on outputs and environment



A product > A thing

A product



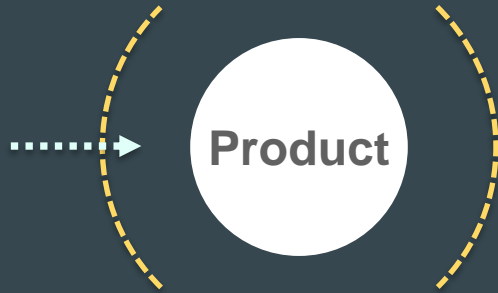
Output of a production system

Not a product



Artefact from home kitchen

**Properties related
to the business
model of the
company**



User decides what
the product is

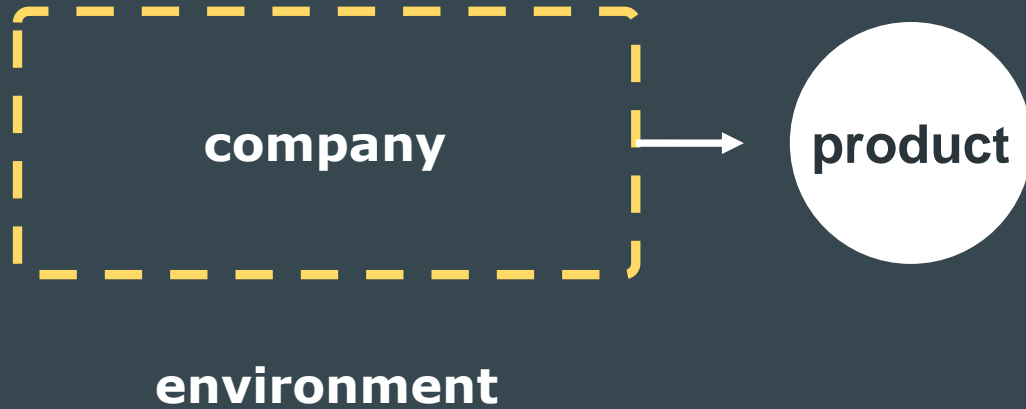


**Properties related
to the business
model of the
company**

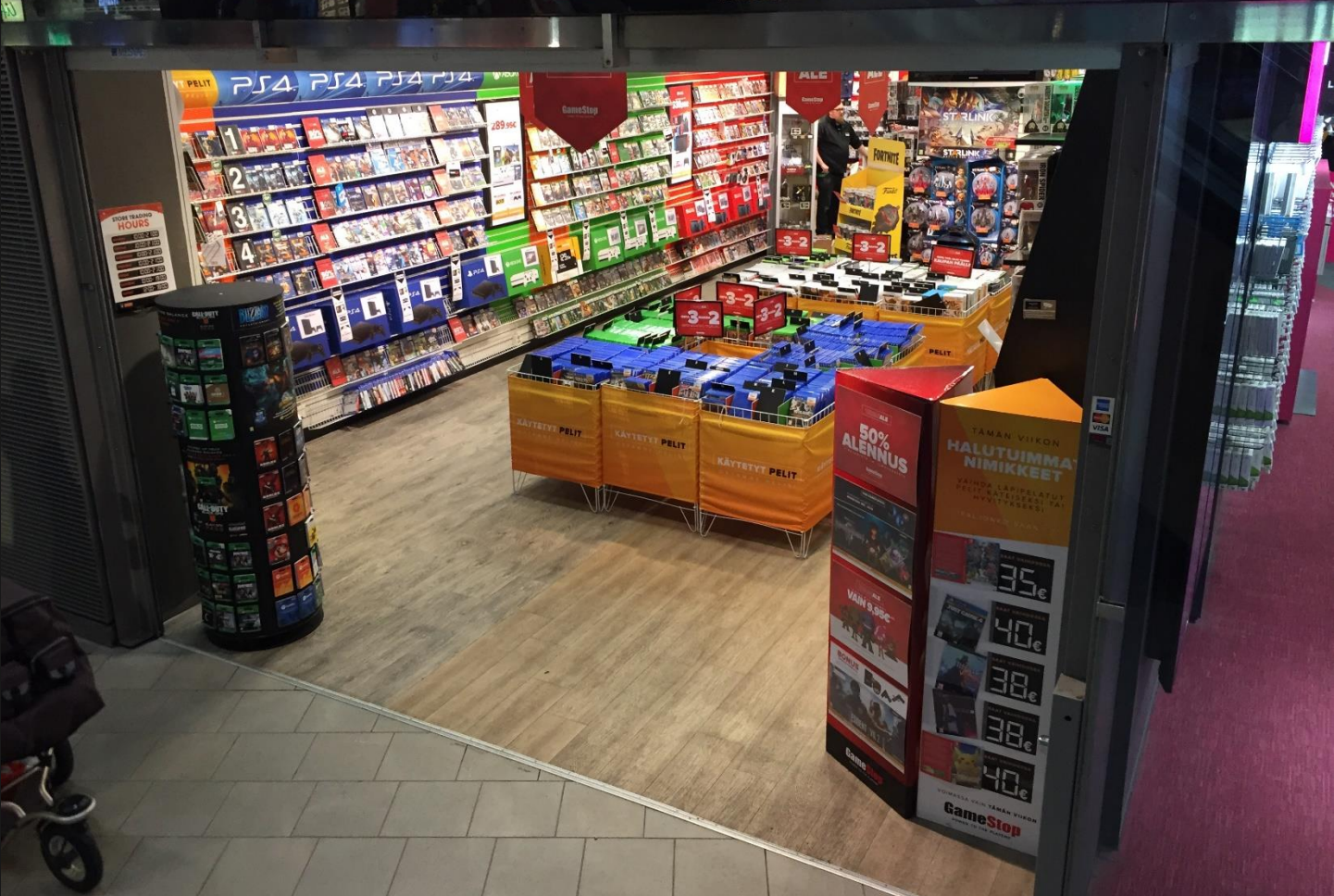


**Properties related
to the goals of
the customer**

Focus on outputs and environment



GameStop



STORE HOURS

PELIT PS4 PS4 PS4 PS4

1
2
3
4

KÄYTETYT PELIT
KÄYTETYT PELIT
KÄYTETYT PELIT

50% ALENNUS
TÄMÄN VIIKON HALUTUIMMA NIMIKKEET
JÄRJOKA LAITTEET
PELIT KÄYTETYT
KÄYTETYT PELIT
35€
40€
38€
38€
40€
GameStop
KÄYTETYT PELIT TÄMÄN VIIKON
GameStop

GameStop



KARKKI TORI

MAA 301UC 3101.

EXI
ST

SUPERHALPA
KARKKI TORI
TWIX & SNICKERS
3-PACK
200
2 PKT

Indon Omi
SUOVON LAURITSEI
KÄSIRÖYNTÖ
PÄITTELÄMÄ

TWIX & SNICKERS
3-PACK
200
2 PKT

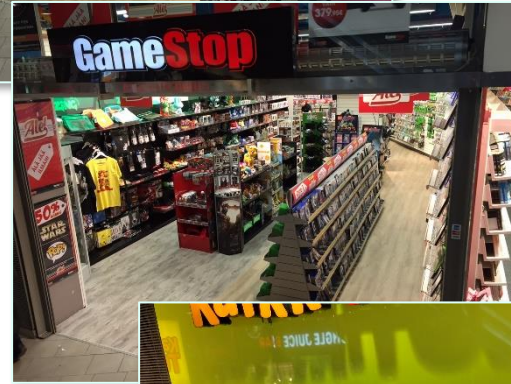
3.5

MAHDUTTA
VUOMILLA
PIENIKIN
VUO OLLA VAAH

Ma
veden

12
45

Products and companies that do not have sufficient match to customer needs and competitive productions exit the market



**Correspondence
to competition**

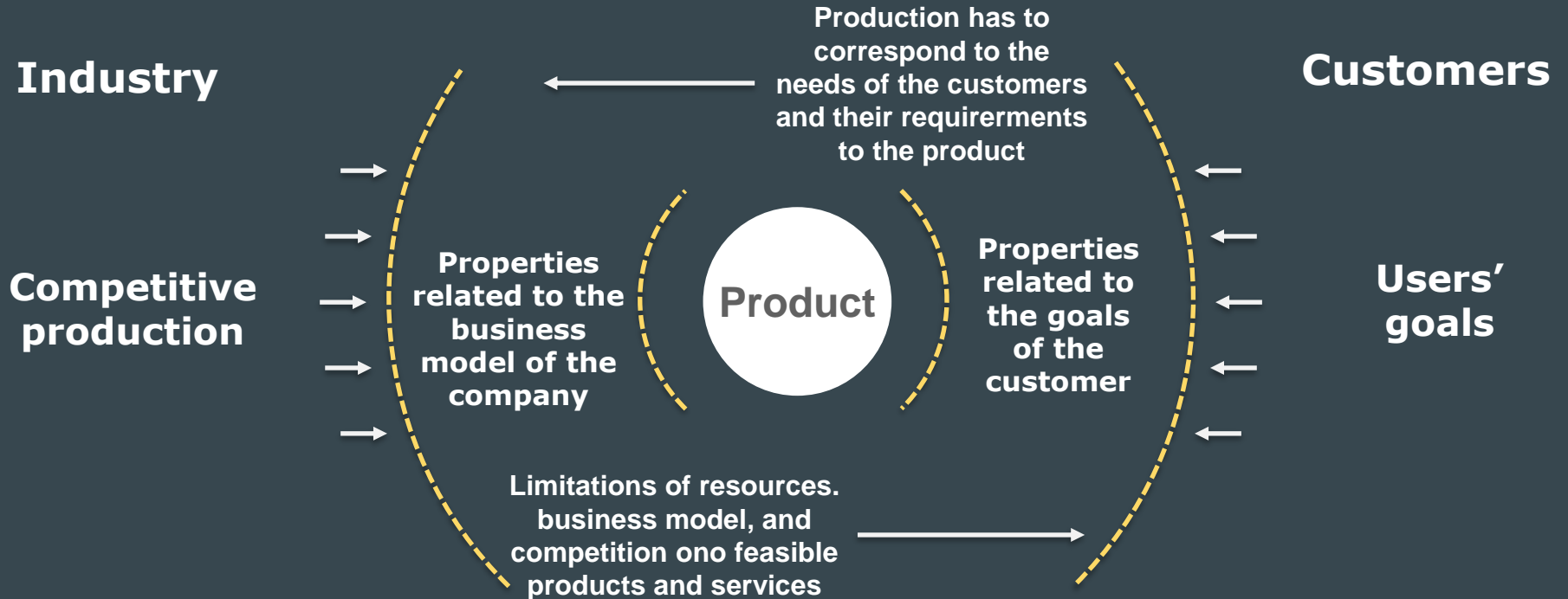
**Properties related
to the business
model of the
company**



**Correspondence
to needs**

**Properties related
to the goals of
the customer**

The main point



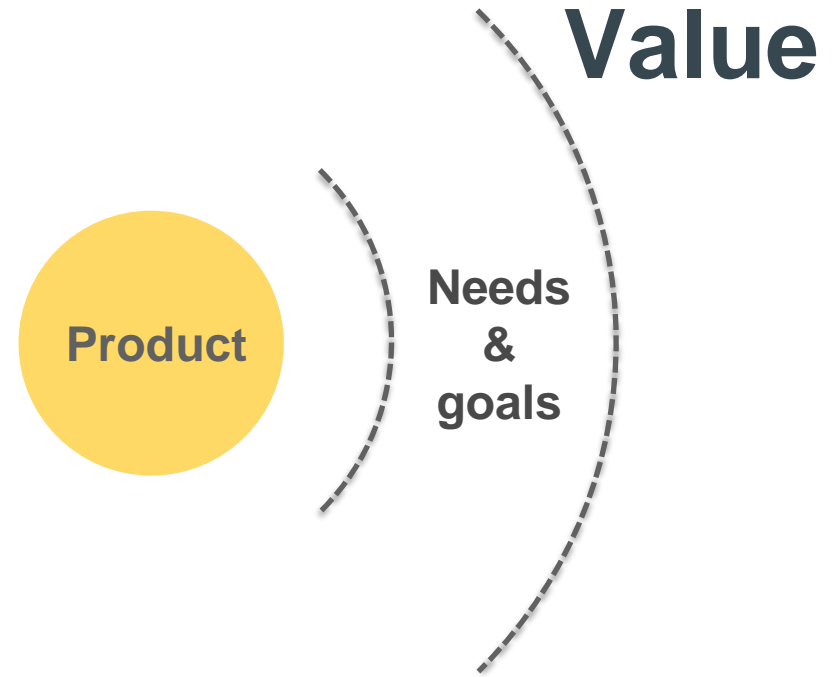
1. The nature of value

What the value of a product is based on, and what the customers are paying for?



Value?

**Value is based
on the goals &
needs of the
user**





≠



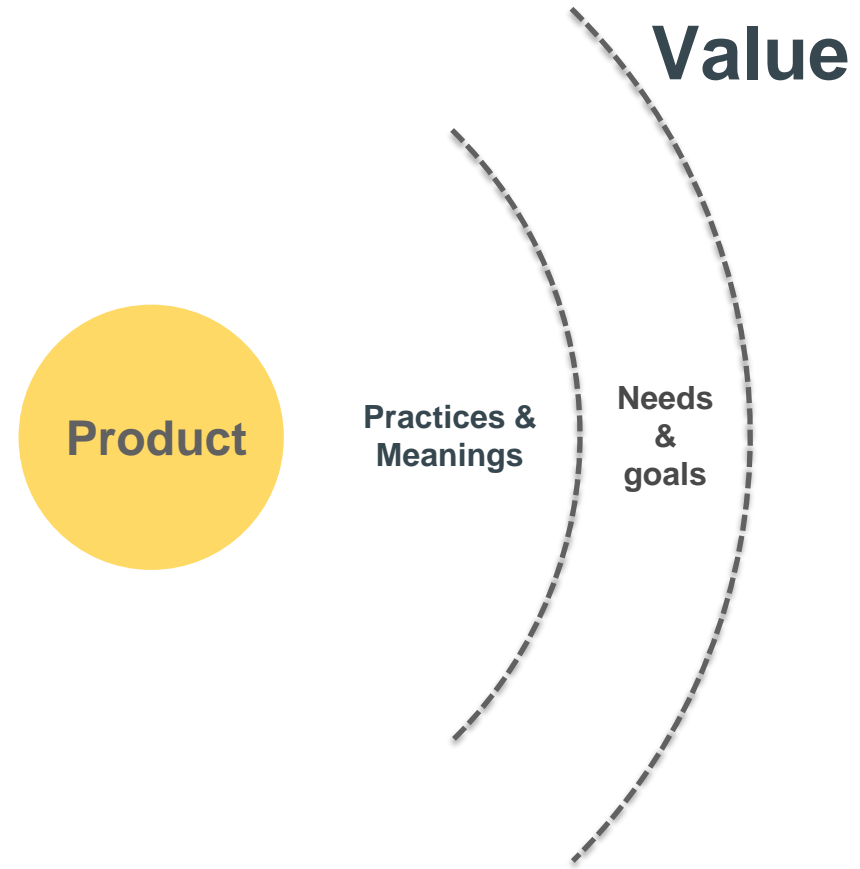
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Value is not a
property of a product
(as a thing).
It is the property of
the use



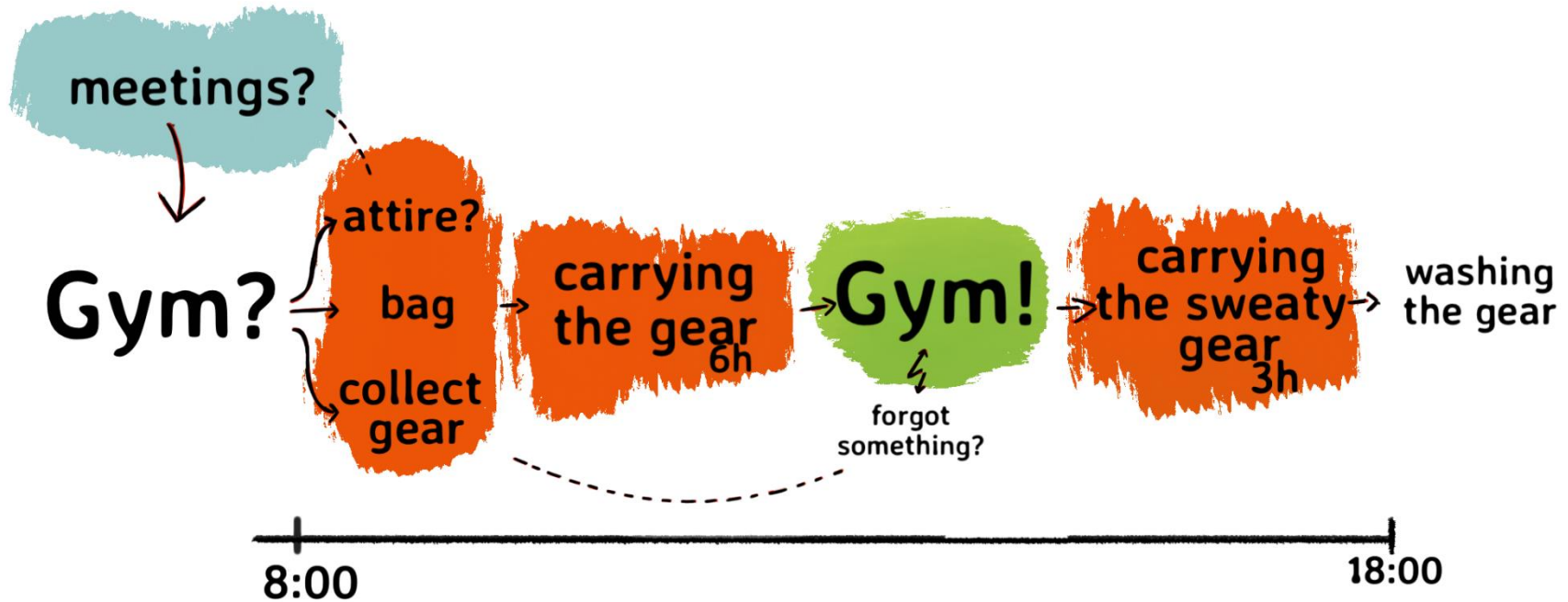
**Value depends
how well the
product fits
the meanings
& practices of
the user**



The process of
going to the gym?

Gym? → Gym!

Gym: Real-life customer process





The value of service (or product) consists of its fit to the user's aims and its usability

Aspects that decrease the cost of use

Care for children

Lockerroom services

Reachability, multiple locations

Aspects that increase the value of the service:

Functions of the devices & training space

Guidance, training

Social meanings for identity and distinction





PRIVATE GYMS AND ONLINE COACHING FOR EXECUTIVES, ENTREPRENEURS, AND PROFESSIONALS

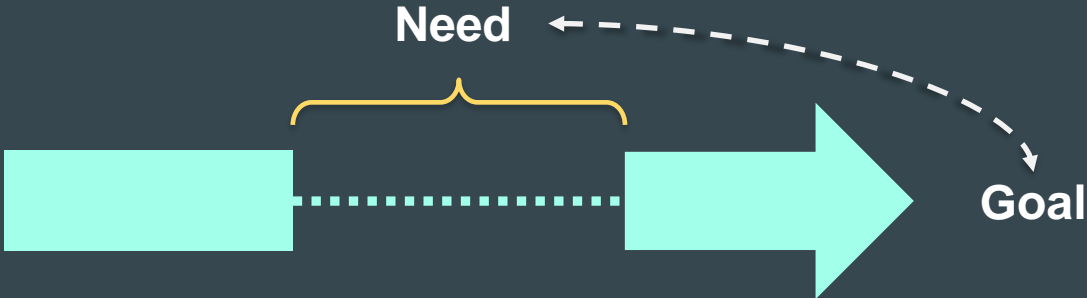
When your goal is to build the best businesses in the world, you need your energy and performance to be on point without having to think about it.

As our client you have your own coach, who individualizes everything to your needs. Your schedule, your preferences and great results.

Click the button below to book a free intro session to meet your coach and find out how the top executives and entrepreneurs train so they stay on top.

[BOOK A FREE TRIAL SESSION!](#)

**How important the goals is and
how relevant the product is for
achieving this goal?**



**How well the product matches
the need and how usable the
product is for the need?**

Product

User
interface

Service
processes

Practices &
meanings

Needs &
Goals

Value of use

Value of the product to the user is defined by its role in the pursuit of users goals

- 1. Value is not a property of a product or service, but it is the property of use and transaction**
- 2. The value of use stems from those practices and meanings to which the product relates**
- 3. Properties of the product determine its fit to the users context and relevance to goals**

2. Business model

How the value a product for a customer is connected to the operations of a company?

**Business
model**

←
What are the
requirements of the
service to its
production?



User
interface

Service
processes

Practices &
meanings

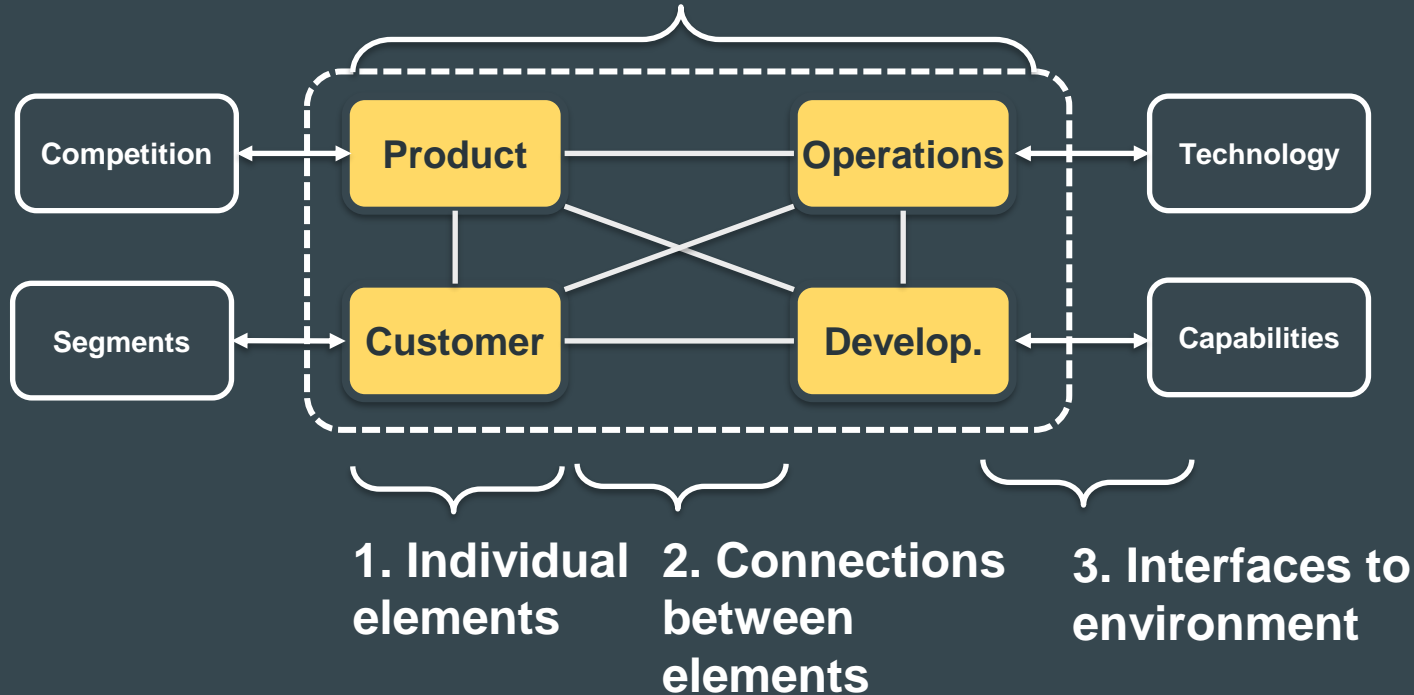
Needs &
Goals

Value of use



Business model

System of interrelated, mutually dependent elements



Business model

Business model = a system of interconnected and interdependent activities that define how a company operates, how it produces value and what are its interfaces towards customers, partners, and suppliers

Description of Business model = Framework to describe the business model of a company, focusing especially:










- 1. the most relevant activities of a firm**
- 2. the relevant differences between firms**

Business Model

Business Model Canvas, especially for drafting a new BM and for communication

The Business Model Canvas Designed for: _____ Designed by: _____

On: _____
Iteration: _____

<p>Key Partners </p> <p>Who are our Key Partners? What are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>Key Activities </p> <p>What Key Activities do our Value Propositions require? Can We Reduce Customers' Customer Relationships? Revenue Streams?</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>Value Propositions </p> <p>What value do we deliver to the customer? Which subset of our customer's problems are we helping to solve? What number of products and services are we offering to each Customer Segment? Which customer needs are we addressing?</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>Customer Relationships </p> <p>What types of relationships does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>Customer Segments </p> <p>For whom are we creating value? Who are our most important customers?</p> <p>_____</p> <p>_____</p> <p>_____</p>		
<p>Key Resources </p> <p>What Key Resources do our Value Propositions require? Can We Reduce Customers' Customer Relationships? Revenue Streams?</p> <p>_____</p> <p>_____</p> <p>_____</p>		<p>Channels </p> <p>Through which Channels do our Customer Segments expect to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer support?</p> <p>_____</p> <p>_____</p> <p>_____</p>		<p>Cost Structure </p> <p>What are the major costs we incur to deliver our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p>_____</p> <p>_____</p> <p>_____</p>		<p>Revenue Streams </p> <p>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 might the most Innovative Revenue Stream contribute to overall revenues?</p> <p>_____</p> <p>_____</p> <p>_____</p>

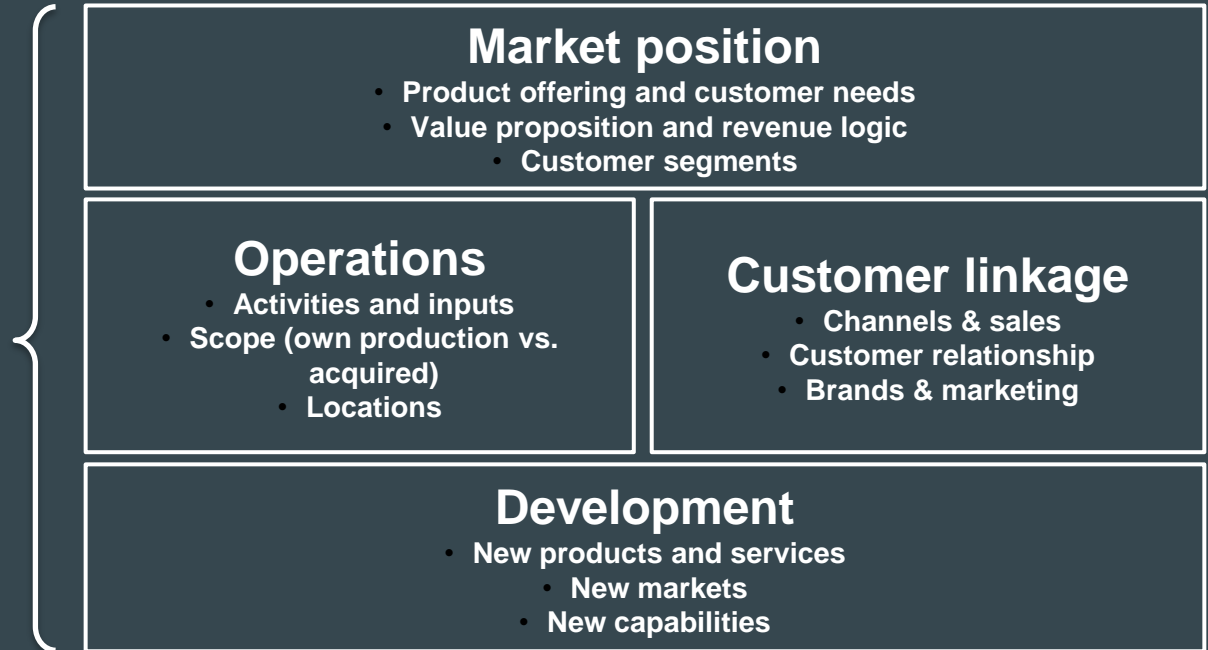
www.businessmodelgeneration.com

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Business Model

Especially for strategy

Prof. Jens Schmidt
TU-C2010 Introduction to
Strategic Management



Types of offerings in fitness business



Basic weights

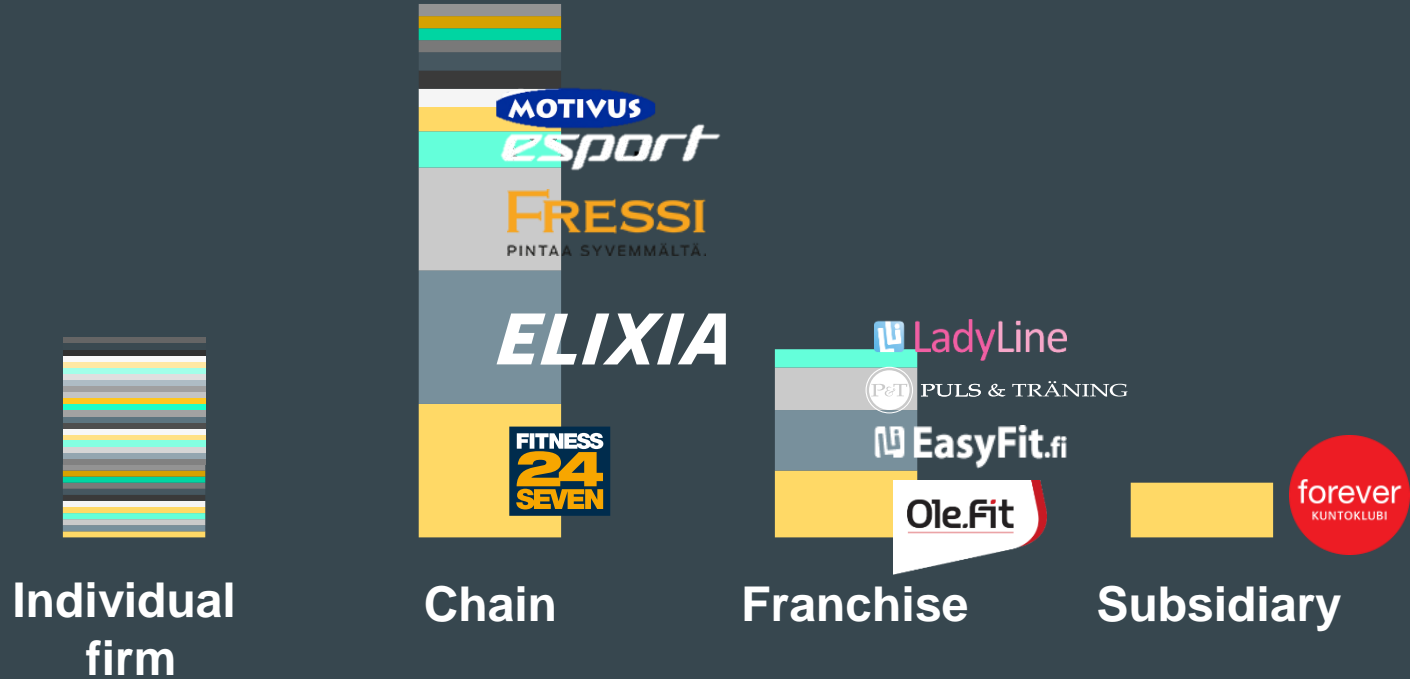


Gym + exercise groups

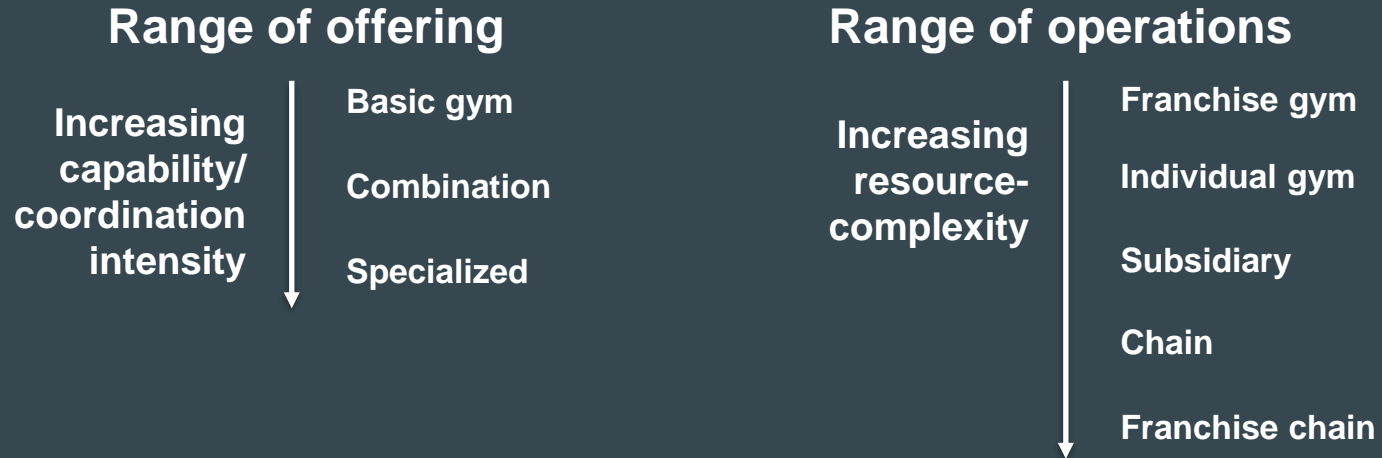


Specialized exercise

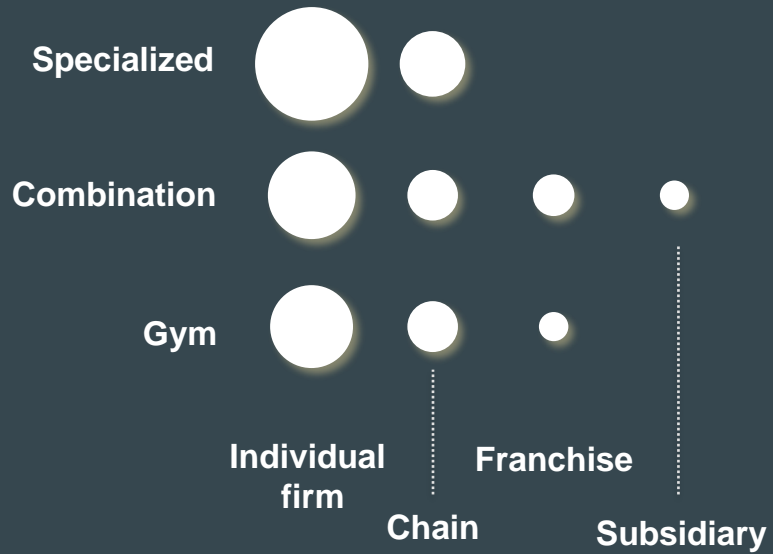
Corporate forms in fitness business



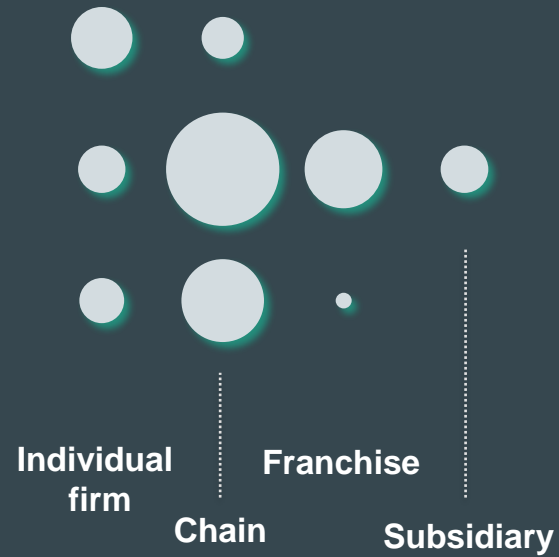
A sketch of business models in gyms



Number of firms



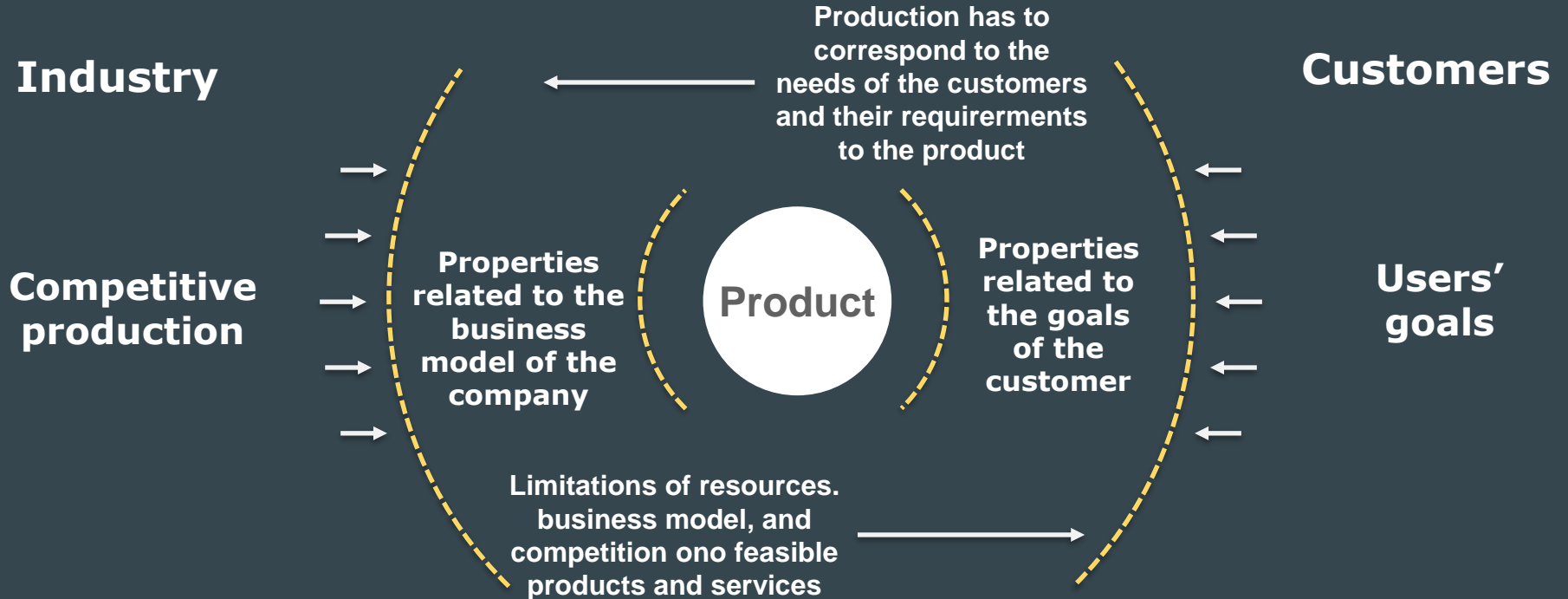
Number of locations



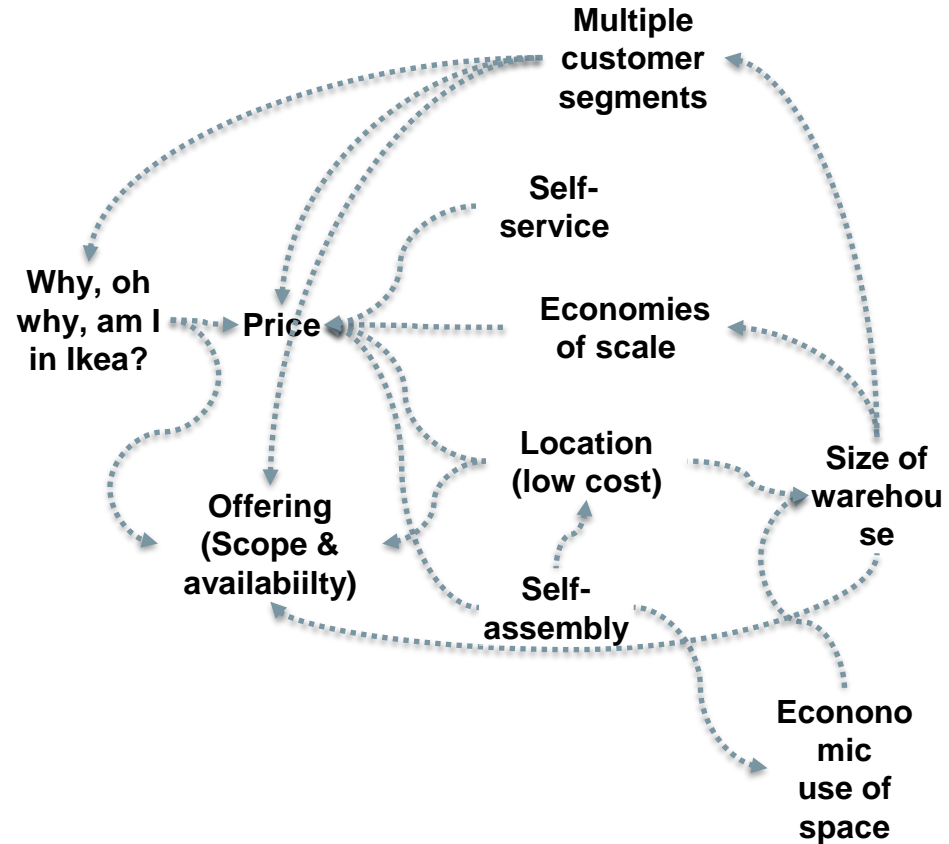
3. Business environment & competition

**For which customers a company should
compete?**

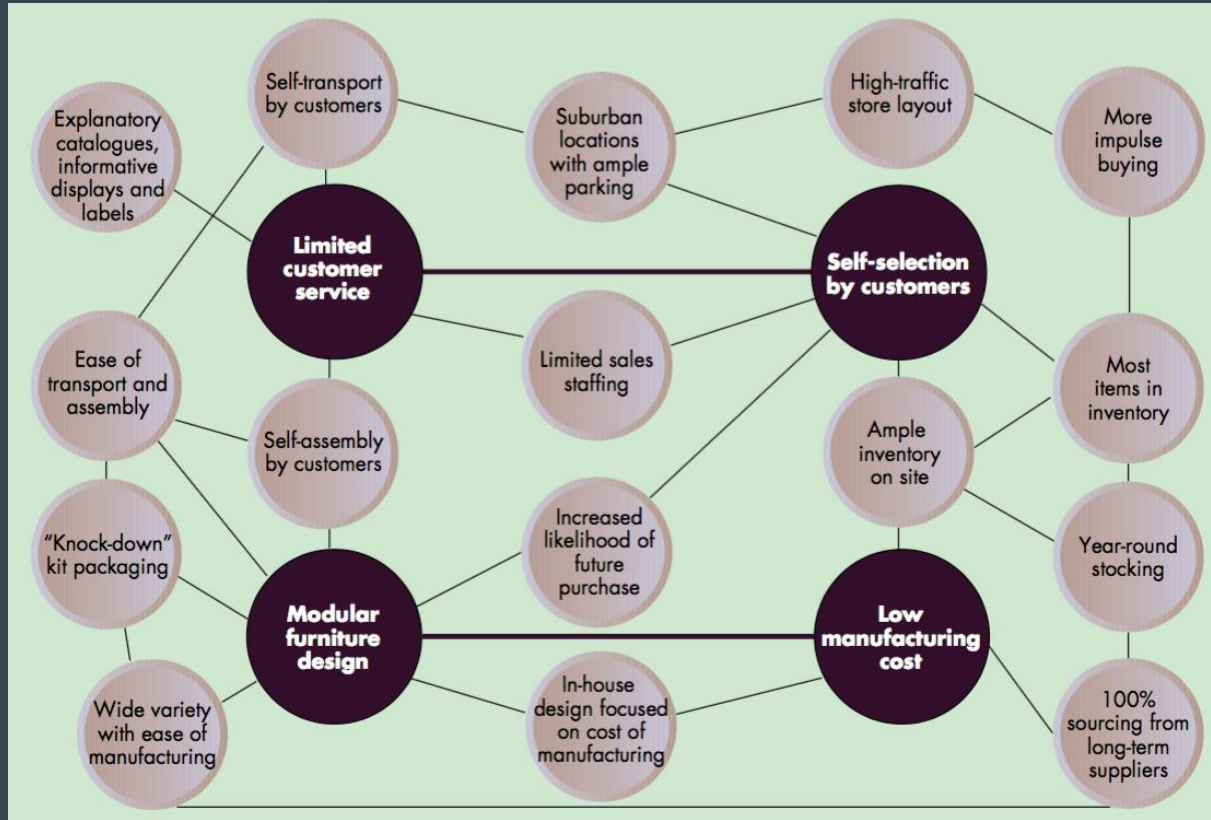
The main point

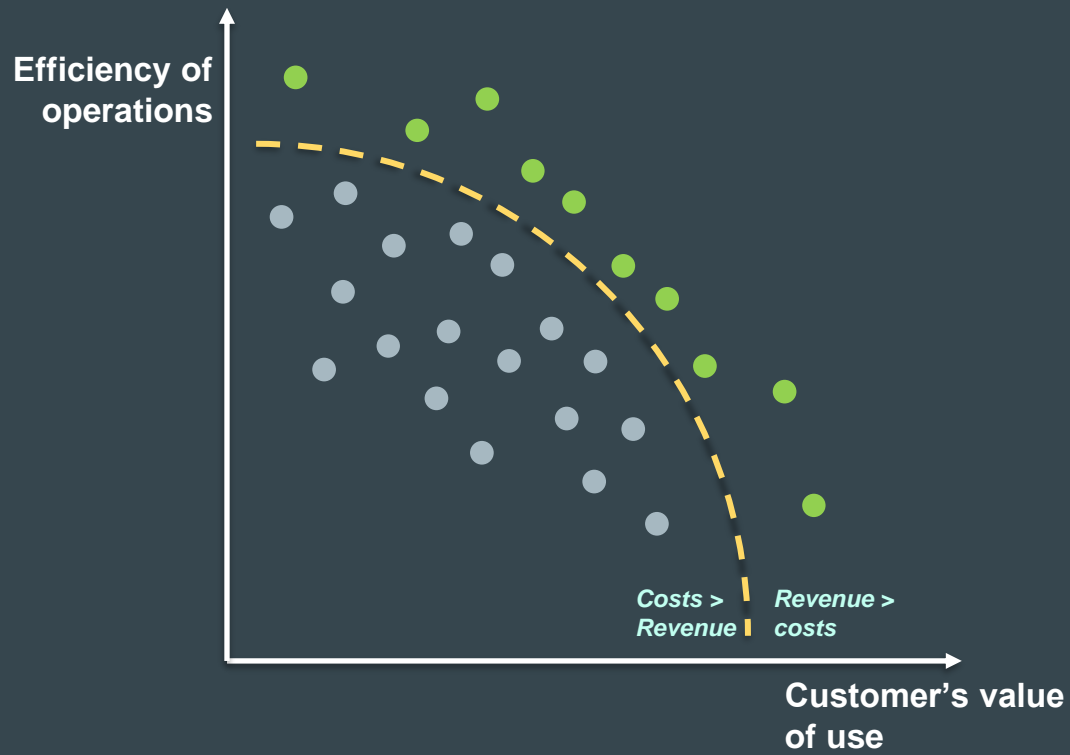


Synergistic processes are a key source of competitiveness

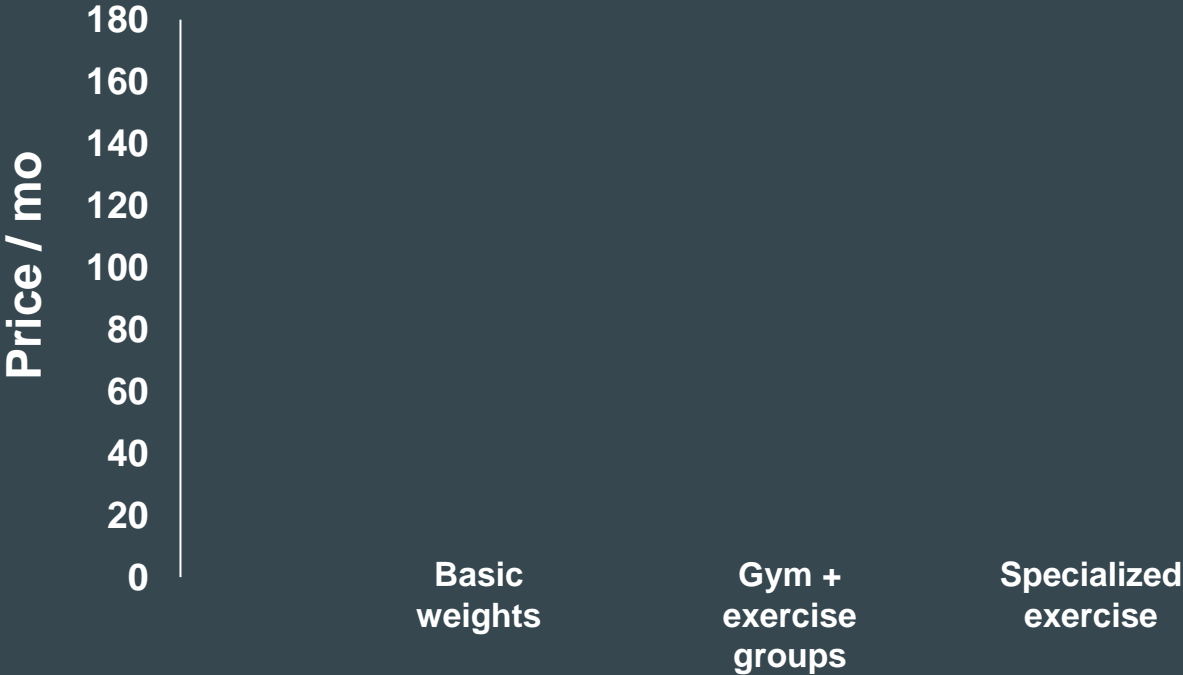


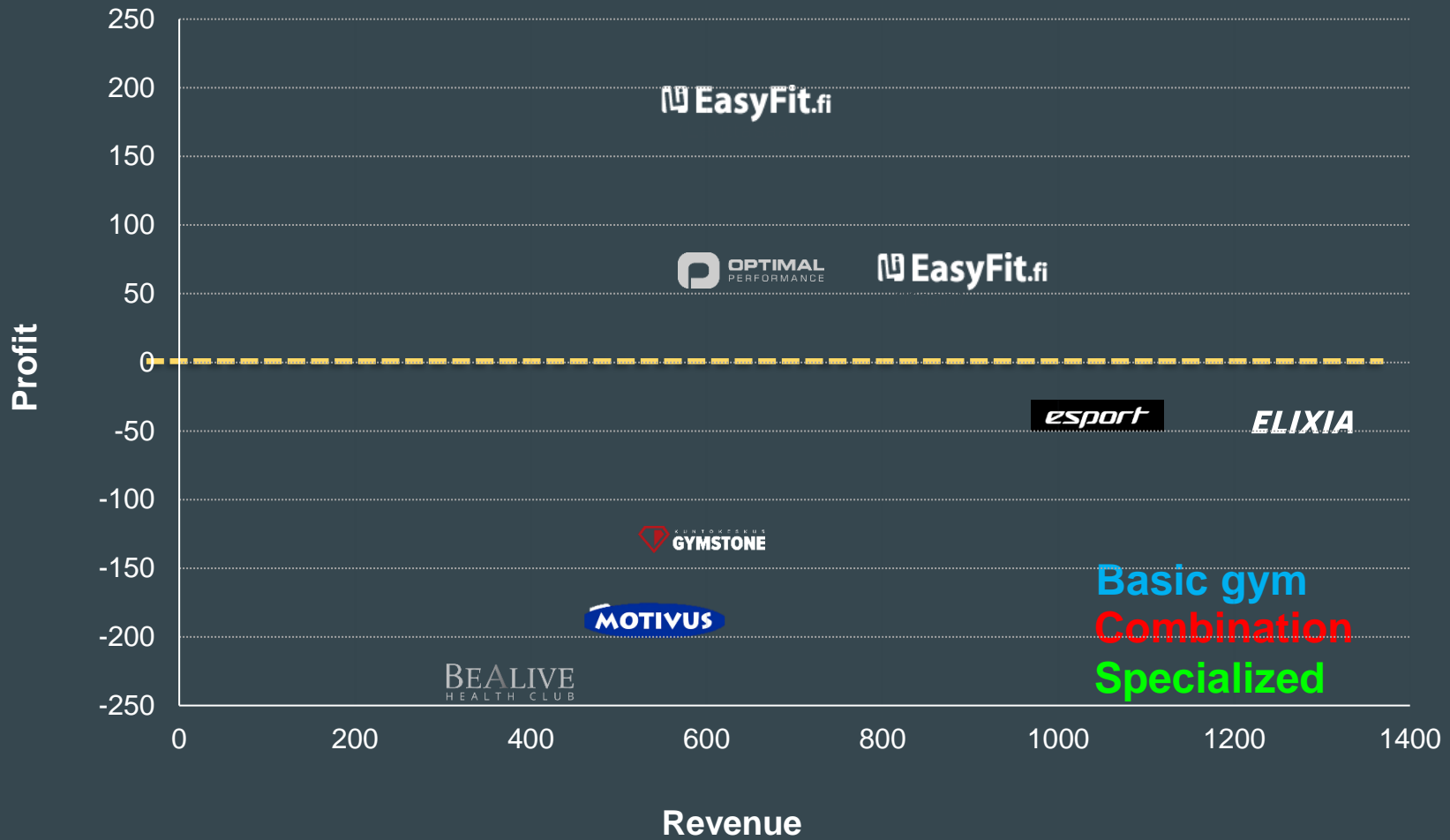
Synergistic elements of IKEA





Wider offering and specialized know-how appears to increase transaction value (and implicitly, value of use)





Specialized



Competitive factors

Image, brand, location
Specialized expertise

Combination



Gym



Competitive factors

Locations, brand
Geographic reach,
IT & HR systems

**Individual
firm**

Chain

Franchise

Subsidiary

**Business
value**

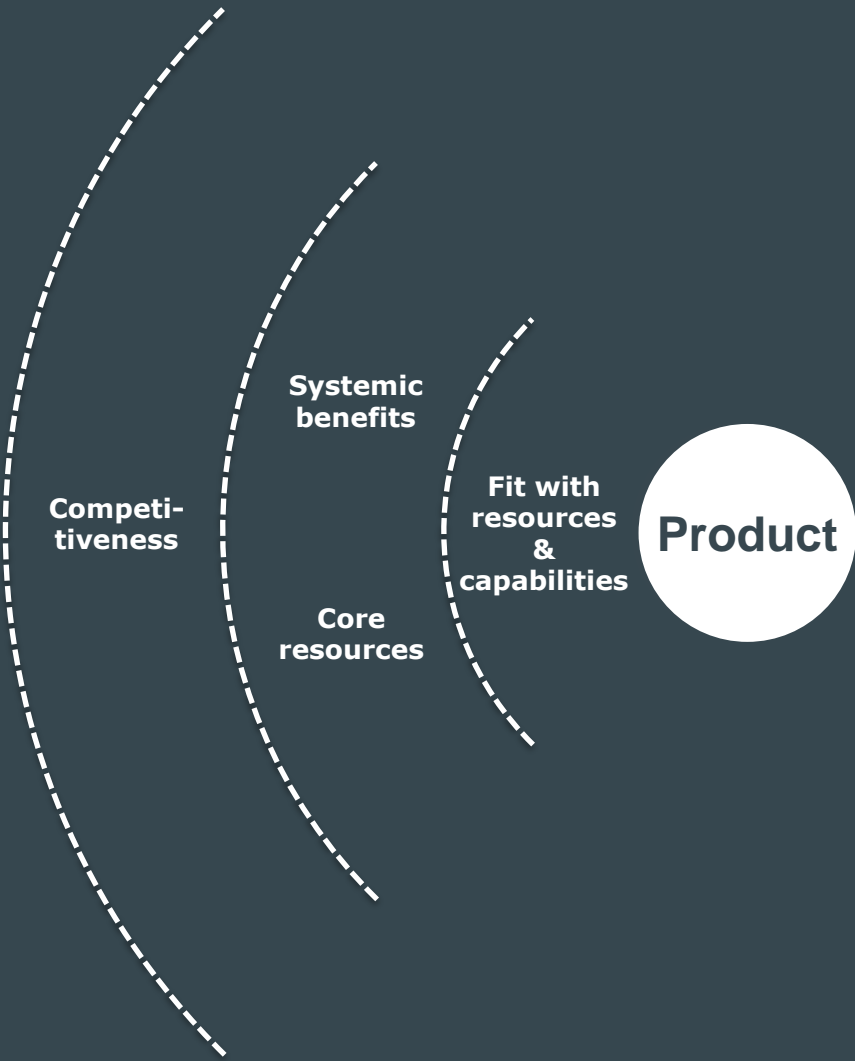
**Competi-
tiveness**

**Systemic
benefits**

**Core
resources**

**Fit with
resources
&
capabilities**

Product



**Business
value**

**Competi-
tiveness**

**Systemic
benefits**

**Core
resources**

**Fit with
resources
&
capabilities**

Product

**User
interface**

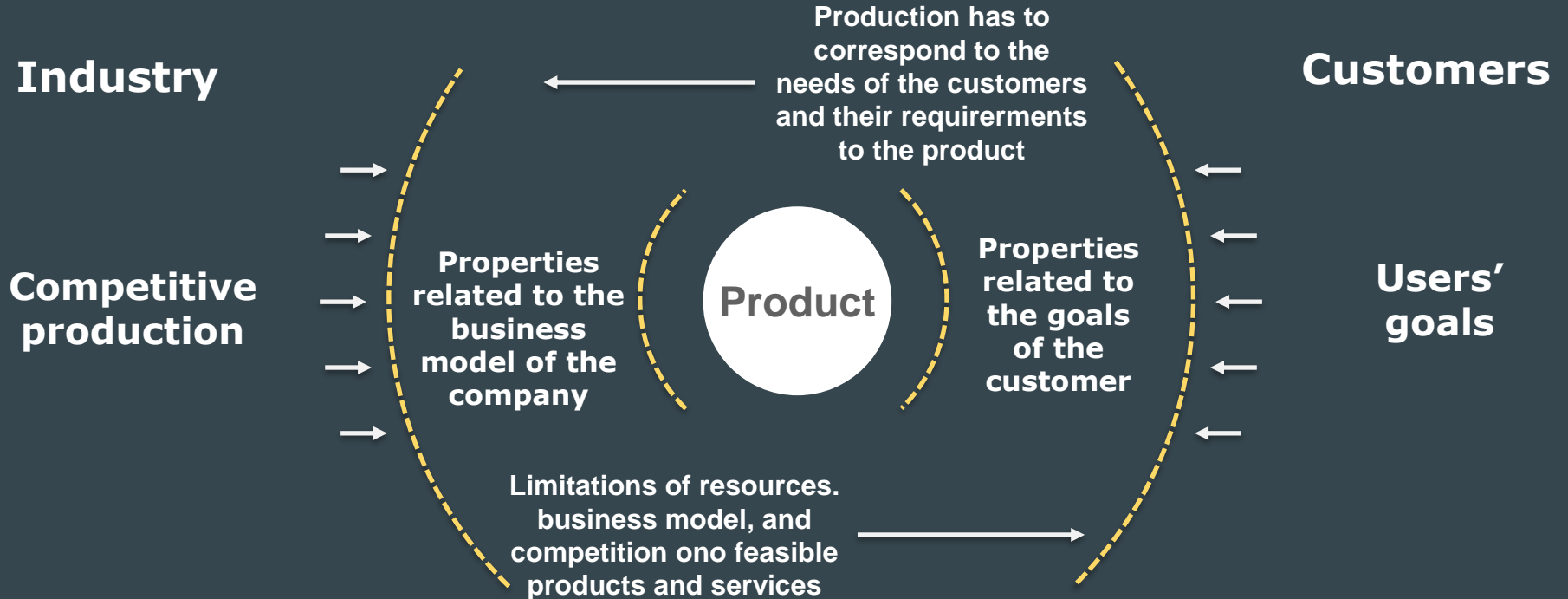
**Service
processes**

**Practices &
meanings**

**Needs &
Goals**

Value of use

The main point



Why customer buys a product?

The value of the product is based on the benefits that it enables customer to achieve when used

What a company should produce and how?

The value that the product offers for the chosen customer group defines the efficient business operations, and thereby focus and limits of the company

For which customers a company should compete?

Resources, capabilities, and business model determines the market where the company can function efficiently

And still...

Some room for imitation & innovation?

