Business model and innovation proposal

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IntroductiontoBusiness Model and Innovation

First I will give a definition of a business model. A business model defines " how an organisation earns money". Therefore you could also define a business model as the " architecture of revenue".

How an organisation earns its money depends upon the followings:

1. The customer value proposition– the market segment and market position, with other words: a. who are its customers b. what does it offer to these customers c. how it distinguishes itself from its competitors.
2. The revenue model
3. Itsown value chain– indicating how the cost structure is arranged.
4. Its core competencies and key assetson which the value proposition is based and upon which the sustainability of its competitive advantage is based. In addition to this, the business model must also include how it increases these competences and assets and how they are protected against imitation.
5. The place in thesupply value chainandrole in the business ecosystem. This includes how to co-operate with which partners.

In short, the business model encompasses the essentials of the entire market approach. Research has indicated that the business model determines whether one will earn money with an invention. The relation between a new technology and business model can be best expressed as follows. A technology per se does not have any value. It only gets value when it is translated into a customer value proposition. Only part of this created value for the customer can be appropriated by the organisation. The business model determines how much economic value is created and appropriated by the company (Henry Chessbrough, Open Business Models, 2006).

In fact the business model contains all the elements that transform an invention into an innovation. Business Model Innovation can therefore take place on all 5 aspects of a business model as explained above. However, it is often when one changes one part of the business model one also has to change other parts to make it coherent. For example changing the revenue model has its effect on the customer value proposition and an effect on the relationships with partners and therefore on the role and position in the business ecosystem.

The Company – uFlavors

The company I will be analyse on is uFlavor. uFlavor is an US beverage company founded on the idea that every person is unique, that every individual has different tastes and different needs. Where other beverage companies make drinks aimed at satisfying the largest number of customers across the broadest demographics, uFlavor only makes drinks for one person (this is the business model). You. You choose your own flavors, your own sweeteners, your own acids, your own functional ingredients, your colour it yourself and you create your own label.

From the start (2011) the company hopes to connect and introduce a new way of thinking about flavoured drinks. The founders (Altman and Mitchell) of uFlavor believe that there should be a unique flavored beverage for every person, place and occasion, and that flavor experience shouldn't be limited to what's on your local grocer's shelves. So, uFlavor is creating a new category in the beverage industry that they call " user-generated refreshment."

After a year and a half of engineering, the uFlavor team has a working prototype of a machine that can create an almost infinite amount of flavored drinks. The technology can create and bottle flavors on the fly, and even create custom beverage labels. The beta machine, also called uFlavor. The partners of the company are planning to put their vending machine into full production by summer 2013. This is the technology innovation created by the company.

In the meantime, uFlavor has launched an online marketplace, where visitors can order one of four flavors created by beta users and creates their own label for it. Within six months, visitors to uFlavor. com will be able to customise their own flavors, which other users can purchase, or they can keep simply order their own creations and keep them private.

How my research will add value to the company

My research will most focus on the obstacles that uFlavors will face to. Even the company's idea is extremely new and clever, and is the perfect example of a store focusing on each customer's experience independently, but helping it take off may be difficult.

Regarding to Coke and Pepsi has 42% and 29% of the market share in the US respectively and essentially acts as a duopoly. For start-ups, the environment is extremely competitive. Industry trends show the best way to succeed is to own a patent and get acquired by Coke or Pepsi, or at the very least sell a minority stake to one of them for access to their massive distribution centers. Examples of this are endless. The popular Vitamin Water is now a part of Coke's product line, and O. N. E. Coconut Water, the trendy new beverage on the market has just been partially acquired by Pepsi. That quintessential example of a beverage start-up exemplifies the largest problem for companies trying to break through the duopoly and become a player in the industry. Many entrepreneurs, who are often more interested and involved in the science of what makes a good drink, do not consider distribution a major factor when they start marketing their invention. Often manufacturing out of their own homes, start-ups that desire to control their own value chain lack the resources to get their products into stores and out in front of customers.

While it is difficult to enter the beverage market and stay independent, companies have not quit trying. Back to uFlavor, will it be able to break through the ceiling and create success independently? Will it sell-out to the big players or will it just crash-and-burn by itself? Using Everett Rogers' success factors of compatibility, complexity, trialability, and observability, it is seems like a long shot.

Bibilography

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