

Lecture 2: Competitive Advantage & Business Models

Competitive advantage

- It is what sets an organisation apart from others and provides it with a distinctive edge for meeting customer and client needs in the market places.
- How to achieve competitive advantage:
 - What we offer
 - What our competitors offer
 - What our customers want
- Businesses need to be unique and provide a comparable price e.g. having a more efficient production line
- Competitive advantage is not achieved over which product is better but rather how a business creates value e.g. is the product using sustainable raw materials

Case study: Jeff Bezos (Amazon CEO) says that he has a customer obsession rather than a competitor one, which has enabled the company to grow a culture of invent and pioneer.

Role of business models

- Businesses need to look at the industry they are in to change innovation and create competitive advantage
- Businesses need to capture value through actual information and marketing
- Those successful businesses are ones that have multiple consumer segments

Case study: British Airways is faced with many LCCs, so in an attempt to regain lost market share they have become a hybrid airline offering food/drinks mainly on long haul flights.

- Businesses must follow 3 simple steps to establish a great business model:
 - Desirability – immerse yourself (why do people want to use the product)
 - Feasibility – establish a profit formula
 - Viable – how can you resource the idea

Lecture 3: Design Thinking

A wicked problem

- A problem that can't be solved through traditional problem-solving processes
- They have innumerable causes and are tough to describe and not always have one right answer – society can't agree on a specific solution
- These problems are often socially constructed, and people view them differently e.g. climate change

Design thinking & innovation

- Using a designer's sensibility and methods to match people's needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity
- Businesses need to constantly try it, prototype it and improve it:
 - This process allows companies to refine their product
 - Puts the customer at the centre of development
- Innovation is the creation of novelty that provides economic value through the creation of new products and services
- Design thinking and innovation are both processes that never end:
 - It is not a sequential process
 - It has to be aligned with what customers want
 - Constant customer engagement
- Design thinking does not necessarily mean the cosmetics/physical aspect of the product – it can involve the intangibility and functions of a product

Case study: Pepsi has focused many efforts in the experience of drinking product e.g. they recognise that women have different tastes and physically drink it differently to men

Empathy

- This is the ability to have cognitive and emotional understanding of others' problems
- Businesses need to get into the shoes of the consumer – this enables them to understand the problem and provide a solution

Readings Summaries

Name	Authors & Year	Main Points
Reinventing Your Business Model	Johnson et al. (2008)	<ul style="list-style-type: none"> • A successful business model has three key components: <ul style="list-style-type: none"> ○ Customer value proposition – the model helps customer perform a specific job as alternative offerings do not already solve the problem ○ Profit formula – the model generate value for the company through factors like revenue model, cost structure and inventory ○ Key resources & processes – the company has people, technology, products, equipment etc. to deliver the value proposition to the targeted customers • Great business models can reshape industries and drive spectacular growth • New business models may be needed when there are ‘disruptive market innovations’ or: <ul style="list-style-type: none"> ○ Opportunity to address through disruptive innovation the needs of large groups of potential customers as existing solution are too expensive or complex ○ Opportunity to capitalise on brand-new technology to wrapping a new business model around it ○ Opportunity to bring a job-to-be-done focus where one does not yet exist ○ The need to fend off low-cost/end disrupters ○ The need to respond to shifting basis of competition
Design thinking – the skill every MBA student needs	Stigliani (2017)	<ul style="list-style-type: none"> • Design thinking are the creative strategies used by designers that can be applied to finding solutions for other issues – you need to have real empathy by putting yourself in the shoes of your customers to understand the problem • Traditional businesses processes do not typically foster empathetic engagement with customers – a human centred approach highlights problems that

		<p>may not have been known to exist and then can be used as stepping stones for innovation</p> <ul style="list-style-type: none"> • When you are listening and asking about experiences, businesses have an idea of potential solutions and then can use market research to validate an idea or prototype
<p>How Indra Nooyi Turned Design Thinking Into Strategy</p>	<p>Ignatius (2015)</p>	<ul style="list-style-type: none"> • Nooyi visited the supermarket and asked herself – not as a CEO but as a mum – what products really spoke to her • She found that the shelves just seemed more and more cluttered and had to rethink an innovation process and design experience for her consumers • Her strategy focused more beyond the packaging – redesign the experience and focusing on the functionality and attention to detail • Innovation had accounted for 9% of the company's revenue