Short Answer Questions

For the short-answer, please write directly on the exam. Attach extra sheets or write on the back of any of the pages but clearly indicate that you have done so. Based on the readings and/or discussion in lecture, please answer the following questions.

Lectures

1. Define the "Environment Map" in a few sentences. Why does the environment map matter to an entrepreneur? The map consists of four forces/categories. What are the four forces/categories? Briefly (in a few sentences) define each of the four. Cite an example of each of the four categories and explain each example (8 points).

Industry Forces
We can illustrate w/ Porter's Five Forces
Substitutes, Suppliers, Buyers, Potential Entrants, Complements.

Prostitution is now legal + acceptable.

Key Trends describe the cultural trends & practices upon which your innovation will (or will not) thrive

Key Trends

Industry Forces

BMC

Market Forces
- Market Segment Shift
- Market Raising Standards

Market Forces describe the shift in the power dynamic of everything in the market.
E.g. Customer Segment demand for performance or Market Size

Substitutes, Competition Suppliers Buyers Bargaining Power.

Macro Economic Force

Macro Economics
Shift in the global economy. E.g. if Trump declared Putin an ally & Europe embargoes the U.S.

Russia & U.S (Putin/Trump) now allies.

⊘ The environment map determines the strategy and approach you take w/ your Business Model Canvas (BMC). It will determine the viability of your value proposition and each aspect of your BMC.
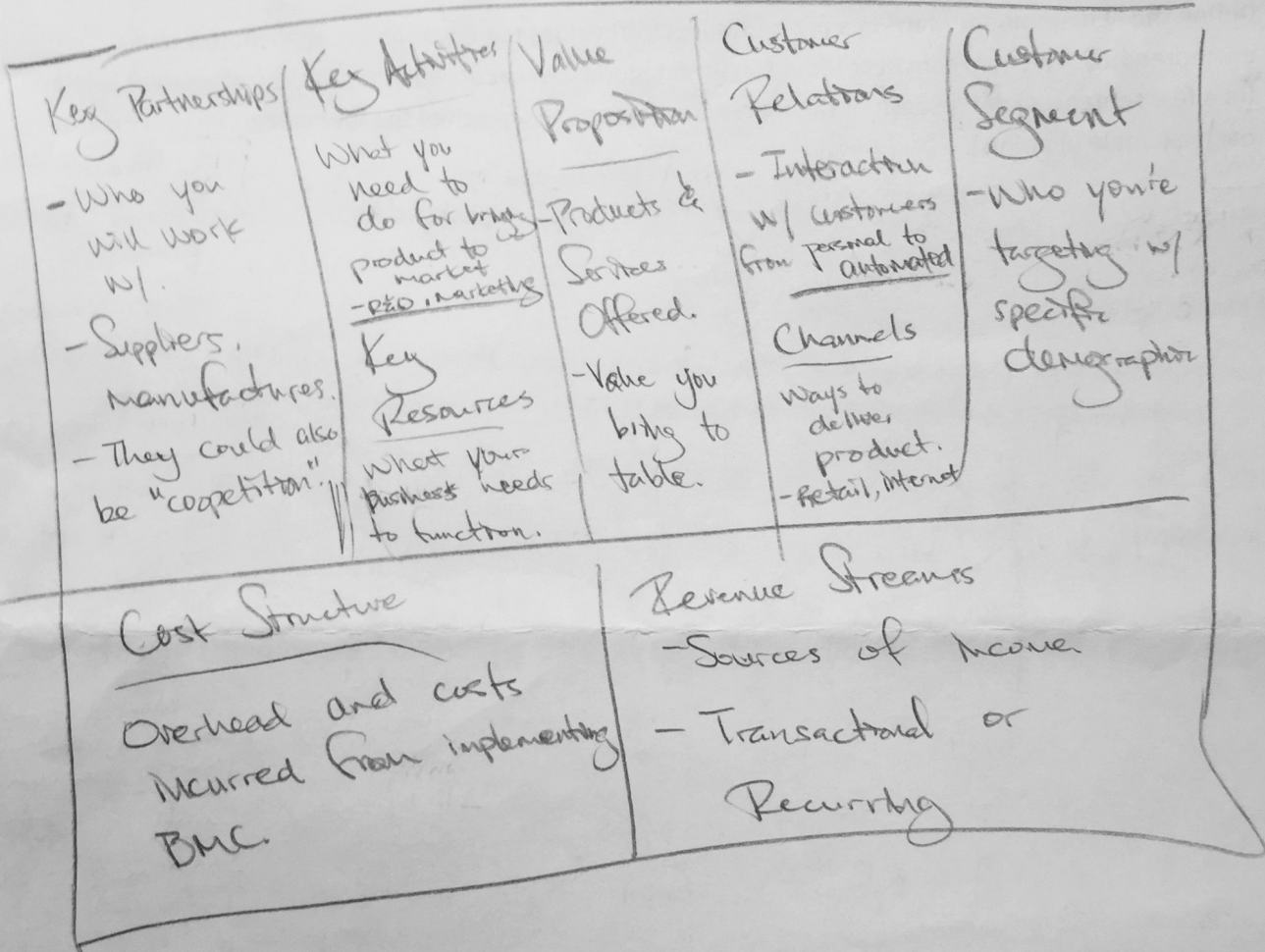
M6

2. The "Business Model Canvas" consists of nine basic building blocks. Sketch the canvas and <u>label each of the nine blocks</u>. For each labeled block, describe it in a sentence or two. (9 points).

Ⓠ

Key Partnerships	Key Activities	Value Proposition	Customer Relations	Customer Segment
- Who you will work w/. - Suppliers, manufactures. - They could also be "coopetition".	What you need to do for bring product to market - R&D, Marketing **Key Resources** What your business needs to function.	- Products & Services Offered. - Value you bring to table.	- Interaction w/ customers from personal to automated **Channels** Ways to deliver product. - Retail, Internet	- Who you're targeting w/ specific demographic

Cost Structure	Revenue Streams
Overhead and costs incurred from implementing BMC.	- Sources of income - Transactional or Recurring

3. Fill in all the elements for the Customer Relationship Funnel, for a Physical Product as shown below (6 points):
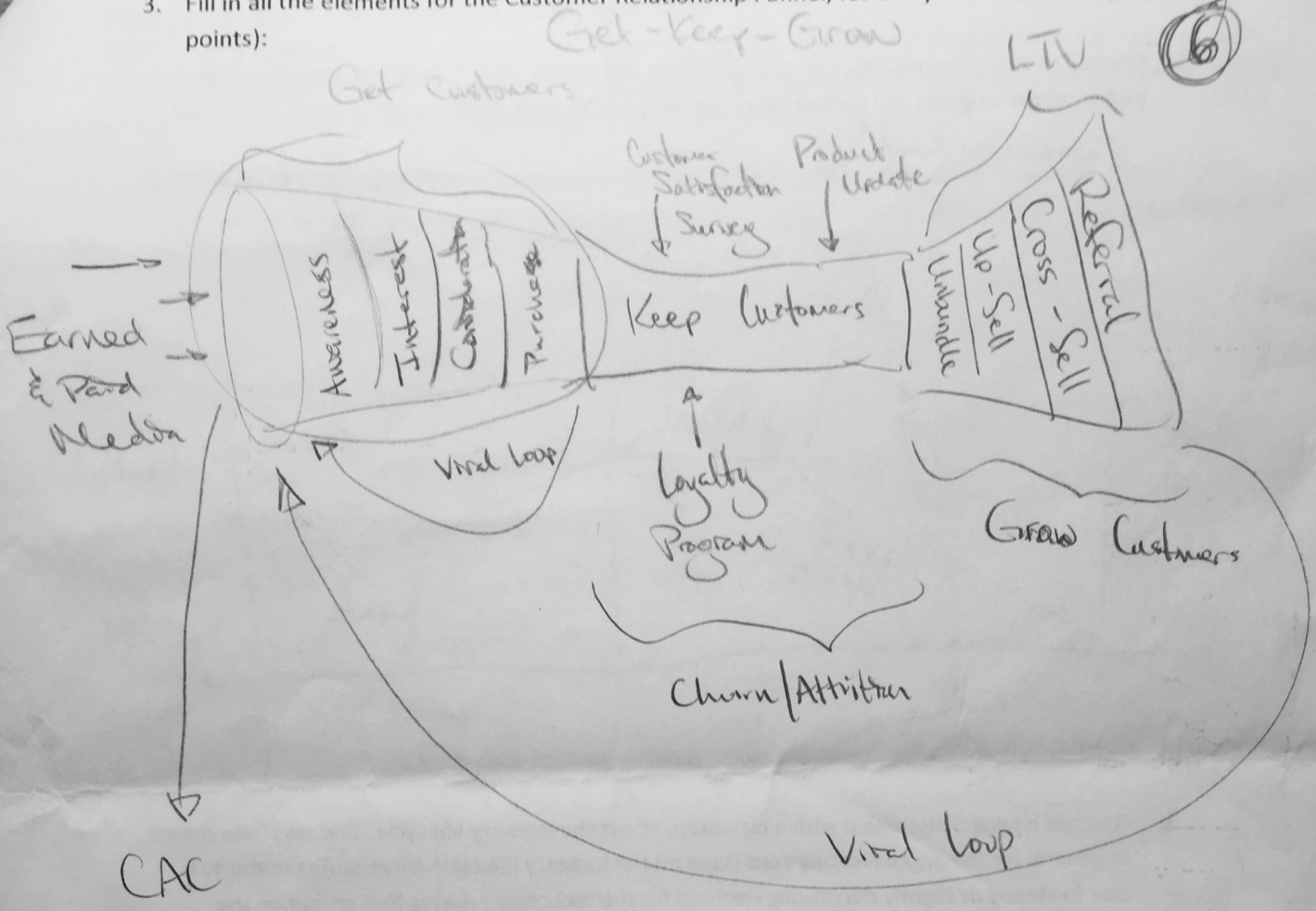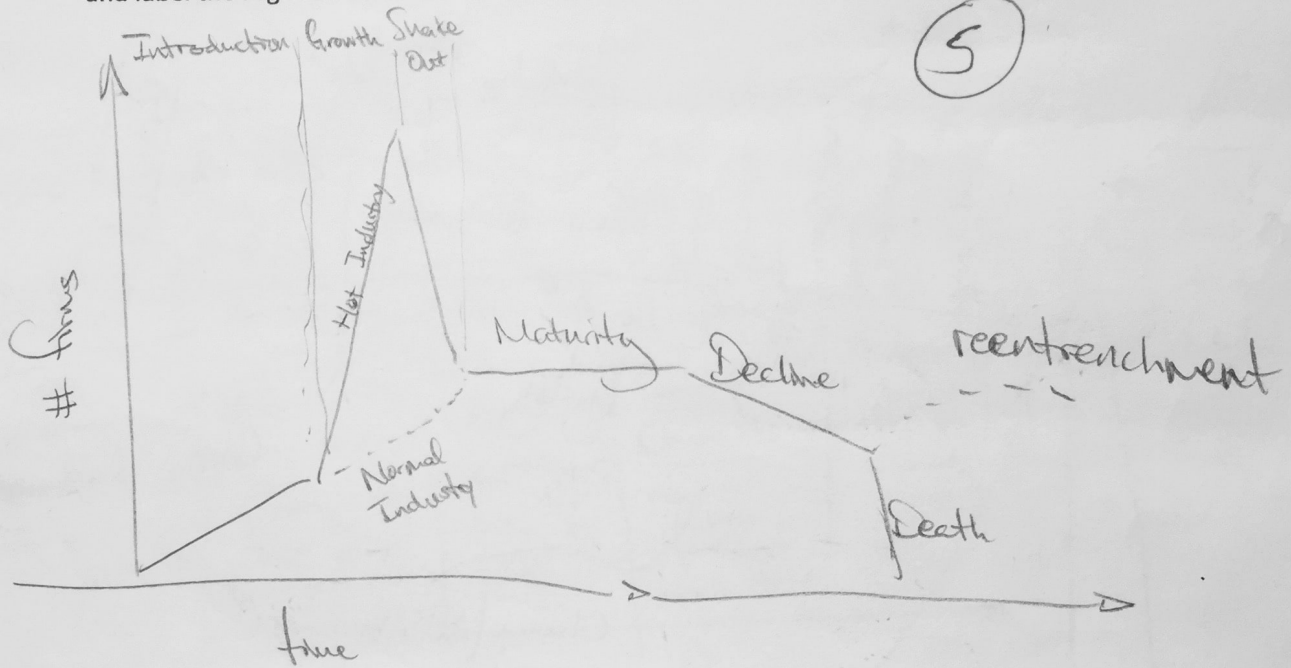

4. For the above Customer Relationship Funnel, list which elements correspond to the Customer Acquisition Costs and which elements correspond to the Life Time Value? (4 points) ③

The CAC is associated w/ Awareness, Interests, Consideration, Purchase & by extension the Keep Customers (even though that part of the funnel represents Churn/attrition).

The LTV is everything from unbundling to Referral.

5. Industry Life Cycle.

   a. Please "sketch" the industry life cycle (for "hot industries" like the early automotive industry) and label the regions. Be sure to label the "x" and "y" axes of the graph as well. (5 points)

⑤

Introduction Growth Shake Out

firms

Hot Industry

Normal Industry

Maturity Decline

reentrenchment

Death

time

   b. You are having a discussion with a classmate about the industry life cycle. She says "the reason in general for the approximately zero slope on the industry life cycle curve during maturity is due to steady or slightly decreasing demand for the technology during that period on the curve." Is your classmate right (yes/no)? Explain your answer (5 points).

⓪

✗ Yes, b/c if the demand is steady or changing minimally then there wont be a fluctuation in #firms ✗ If demand had been declining then firms would start dying out b/c no customers. If demand increasing then more firms created to address growing demand.

Value Proposition Design & Business Model Generation

The following questions are based on the text <u>Value Proposition Design</u> by Professor Alex Osterwalder et. al. You also read selected chapters from the book <u>Business Model Generation</u>, by Osterwalder & Pigneur. Please answer these questions using the information found in the texts.

6. Sketch and label the "Value Proposition Canvas" (hint: the "circle" and the "square"). After labeling each, please provide a few sentences describing each of the label quadrants / "pie" sections. (10 points)
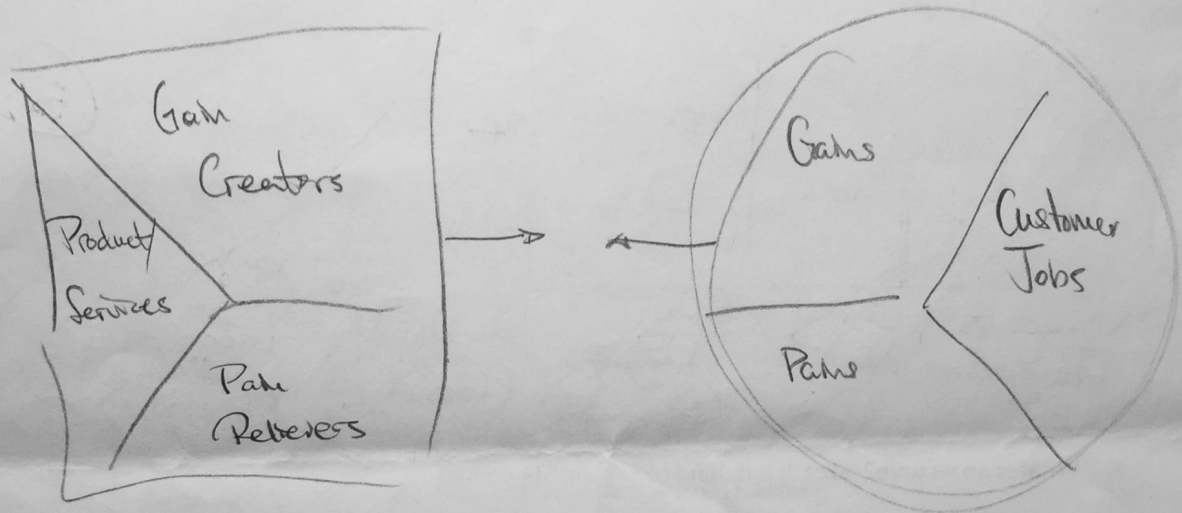
Gain Creators are what the product/service can offer.

Pain Relievers are what the value proposition does to eliminate customer pain points.

The product/services is what your value proposition seeks to deliver.

Customer Jobs is the activities and tasks that a customer needs to accomplish and do.

Pains are points of frustration. Anything that they do that is not efficient or could be improved upon.

Gains are potential sources of relief and what customers would like to see in improvements to their current workflow.

Diffusion of Innovation Model & Crossing the Chasm

7. As discussed in lecture, in 1962 the sociologist Everett Roger's proposed the "Diffusion of Innovation Model." This model is also referred to as the "Technology Adoption Life Cycle Model." It breaks down the market into five "segments" and can be visualized as a labeled curve. Please draw the curve and label (3 points).

③

5% — Visionaries / Tech Enthusiasts
~10% — Early Adoptors
34% — Early Majority (Pragmatics)
34% — Late Majority (Conservatives)
17% — Laggards (Skeptics)

8. What is an s-curve? Sketch if helpful to explain. (3 points)

③

Cumulative Adoptees (y-axis)
Visionaries
Early Majority
Late Majority
Laggards
time

S-curve is another form of Tech Adoption Life Cycle M...
Could be thought of as integral of above graph

9. As discussed in class, Geoffrey Moore proposed a marketing theory known as "Crossing the Chasm" in 1991. Sketch and label Moore's crossing the chasm figure (5 points).

(4)

Mainstream Market

Chasm

Early Market

Tech Enthusiast
Visionaries
(pragatists)

Early
Adopters

Early
Majority

Late
Majority
Conservatives

Laggards.
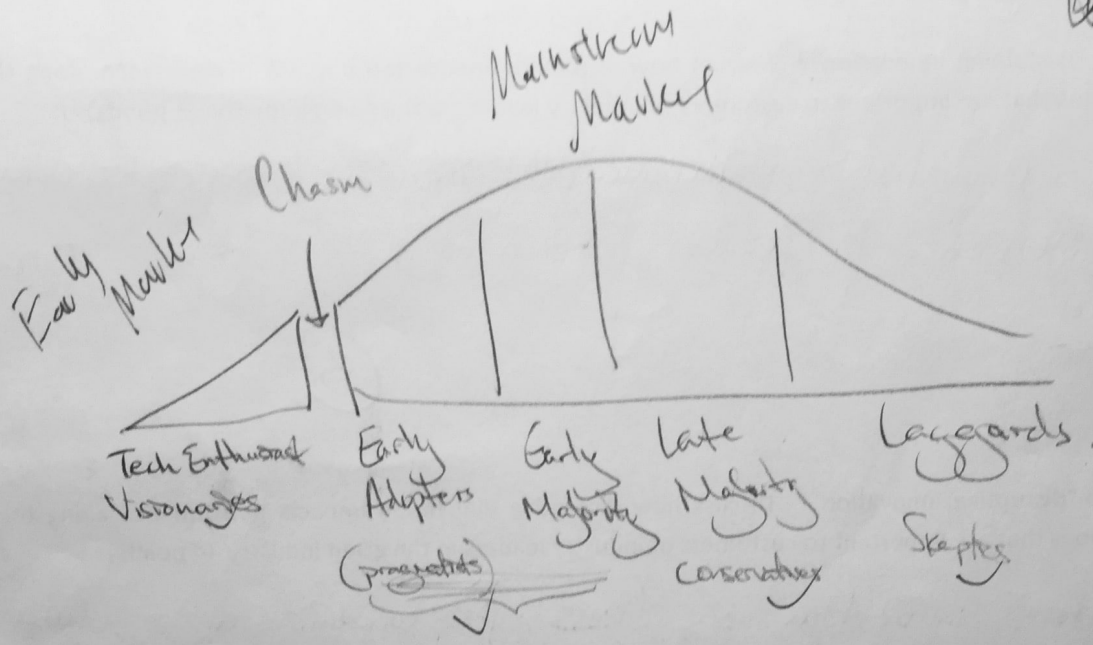
Skeptics

Avoid skeptics

10. What did he propose as the "solution" to crossing the chasm? (3 points)

The chasm described the divide between what those that came after and before were looking for in a product.

The visionaries sought to leverage the disruptive tech to bring about a new paradigm to reality. So, they don't need a complete product.

However, those adopters following the chasm want a full 100% solution to their pains in the product. So, you need to offer a panacea to their issues. So, Moore suggested a different marketing strategy to customers depending on which side of chasm you're on

niche market and provide full solution

(3)

Your Name: _____Jeff Ohu_____

Disruptive Innovation

In their 1995 HBR article Joseph Bower and Clayton Christensen discuss disruptive technologies. Please answer the questions below based on that article.

11. What is "sustaining innovation"? Discuss how sustaining innovation impacts performance along the dimensions that are important to customers of industry leaders in the given industry. (3 points)

Sustaining innovation is incrementally improving/raising standards along dimensions & product attributes that customers currently care about.
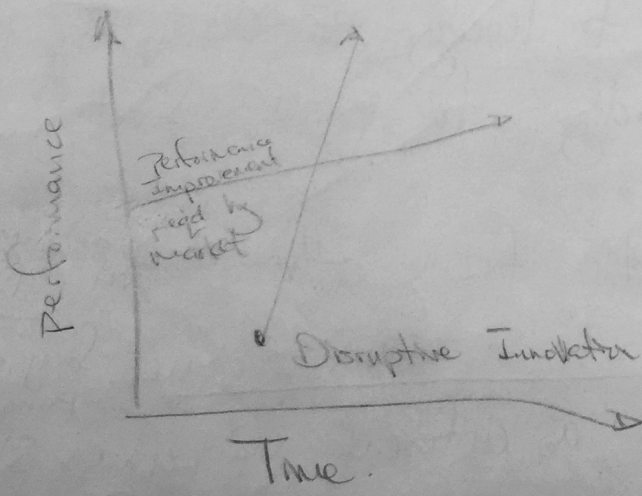
③

12. What is "disruptive innovation"? Discuss how disruptive innovation impacts performance along the dimensions that are important to customers of industry leaders in the given industry. (4 points)

Disruptive Innovation sacrifices performance along dimensions that customers currently care about in favor of attributes and features that they will later come to value.

④

[exam continues on next page]

Disruptive Tech has potential

Performance improvement read by market

Disruptive Innovation

Performance

Time.