

AAL2BUSINESS - Towards successful commercialization with systematic business development

AAL Coordinators' Day 16.4.2015

Arto Wallin, VTT











Agenda

- 1. AAL2Business support action
 - Introduction, objectives and big picture of services? (5 min)
- 2. Better commercial success with systematic business development (50 min)
- 3. Services in detail What & how & questions: (30 min)
 - Methodology workshops, (5 min)
 - Coaching services (20 min)
 - Business coaching
 - Support access to private funding –coaching & labelling of projects
 - Deployment of AAL solutions event (5 min)
- 4. Summary, questions and answers



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AAL2Business

Introduction, objectives and the overview to the services



AAL2Businesss



Experienced business professionals at your service

AAL2BUSINESS:

- Business support action for AAL projects and companies within AAL projects
- Ongoing 2014-2016
- Broad service offering: Several services offered which target different areas and phases of development
- Price of the services: Offered services are provided to you free of charge by AAL association
- Highly motivated team providing services:
 - Our goal is to help you reach the market
 - AAL market knowledge: Very familiar with the challenges AAL projects and service providers face
 - Strong business capabilities: In-depth business expertise that can be leveraged to help develop your solution and business

Funded by:



Services provided by:







VTT Technical Research Centre of Finland



VTT IS

- a not-for-profit and impartial research centre
- largest research institutions in the Scandinavia with over 3200 employees (31.12.2012)

VTT HAS:

- extensive cross-disciplinary technological and business expertise
- over 150 business researchers and developers
- outstanding know-how related to R&D for health and wellbeing sector



VTT creates business from technology for the benefit of its customers, partners and other stakeholders.

Objectives



Objectives of AAL Joint Programme:

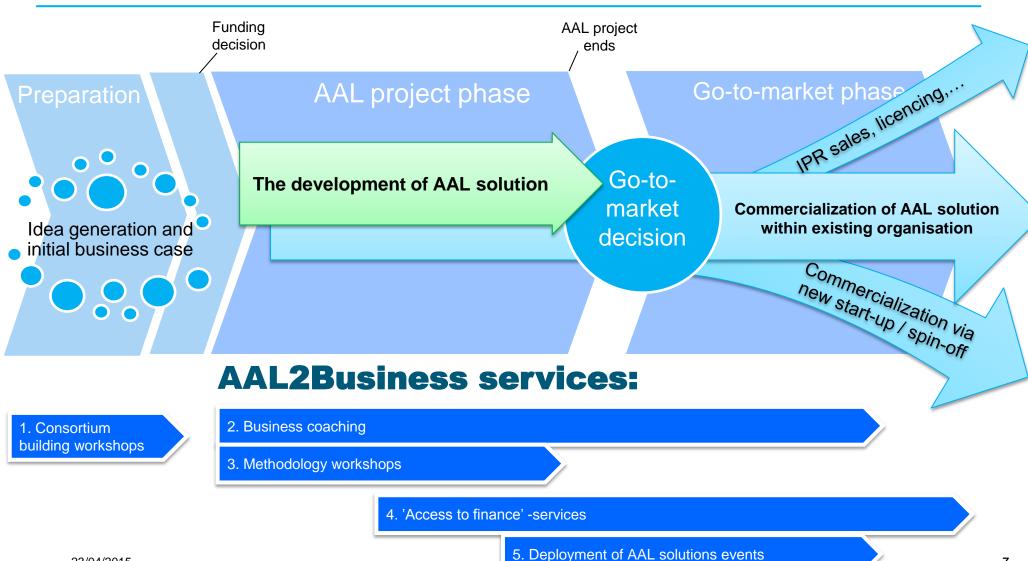
- Goal of the AAL JP is to get AAL solutions to the markets within 2-3 years after the end
 of the project
- AAL2Business support action is a mechanism to provide business development help for AAL projects during and after the project phase
- Aim of the support action is to:
 - To increase the overall success rate of getting AAL solutions to the market
 - To help each supported project/company to find a way towards successful commercialization of solutions develop under AAL JP

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AAL2Business services



Focus on providing support in different stages of project life-cycle (before, during, and after)





BETTER COMMERCIAL SUCCESS WITH SYSTEMATIC BUSINESS DEVELOPMENT





- 1. WHY business model development is crucial
- 2. WHAT is a business model
- 3. WHO has a business model
- 4. HOW to develop business models

Objective of the presentation

- Motivate projects to plan and run iterative business model development as a parallel to product development –from the beginning
- Help listeners to see project as a opportunity to search for an viable business model
- Practical guidelines how to develop the business (models) within AAL projects



1. WHY **SYSTEMATIC BUSINESS DEVELOPMENT** IS CRUCIAL



Why business model is crucial?



Business model development is companion for product/service development

"Competition today is not between different products - it's between different business models"

Gary Hamel - ranked #1 most influential business thinker in the world by the Wall Street Journal





How many product development projects are needed to produce 1 commercial successful solution

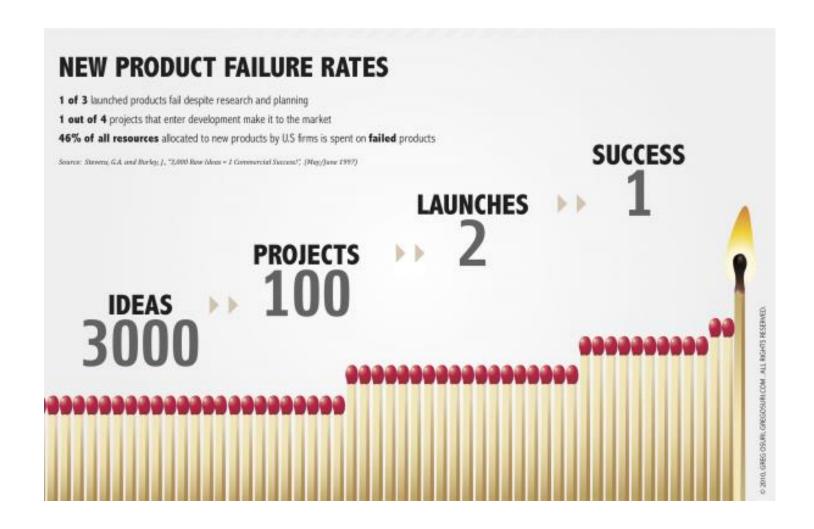




Majority of the projects fail (commercially)



1 of 100 projects leads to a commercially successful product (/service)





Can we increase the odds for success



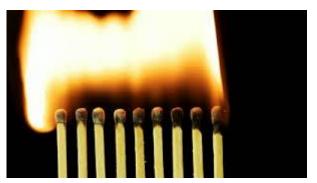


Photo: Shutterstock



Can we increase the odds for success

YES we can with continuous & systematic business model development

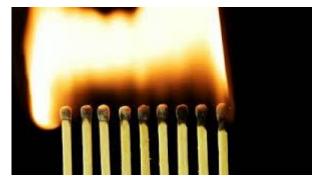


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Can we learn faster which road is likely to lead to commercial success?





Can we learn faster which road is likely to lead to commercial success?

YES we can with <u>highly iterative</u> and continuous <u>business</u> model testing!



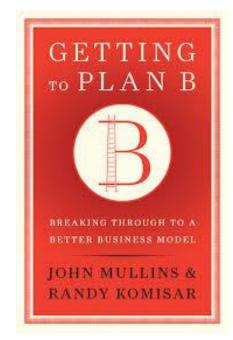


Can development in AAL project be more adaptive and (re)allocate valuable resources on those things that make the difference?



Can also AAL project be more adaptive and (re)allocate valuable resources on those things that make the difference?

YES if we change the mindset from execution of the predefined plan to the search for commercially viable business model!





"Failure is simply the opportunity to begin again, this time more intelligently" - Henry Ford









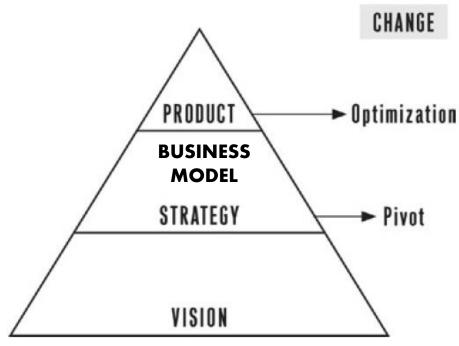






We must learn the truth about which elements of our plan [strategy & business model] are working to realize our vision and which are just crazy

- Eric Ries, 'founder' of Lean Startup movement



Picture modified from Ries, Eric (2012) Lean startup



DISCUSS: What is your project's (commercial) vision?

Timeframe: 3-5 years after the project has ended

2.WHAT IS BUSINESS MODEL



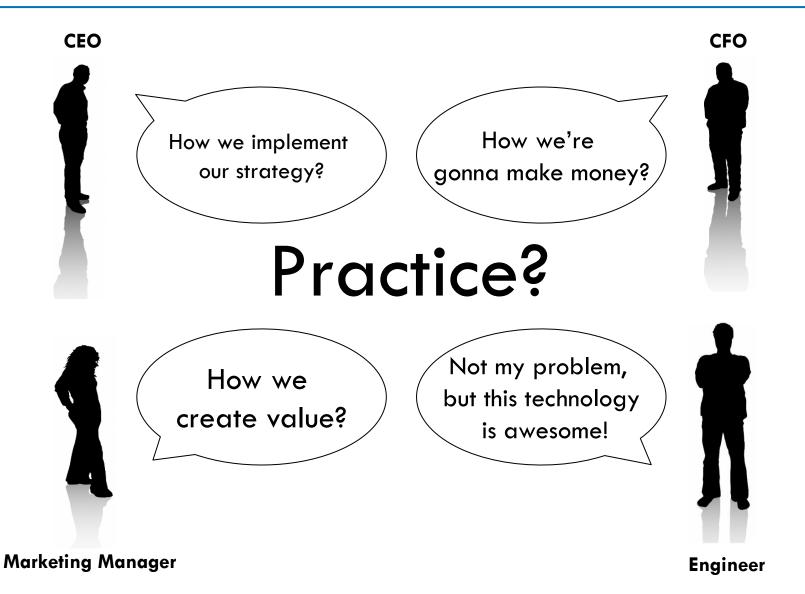
LESSON

BUSINESS MODEL IS A "COMMON LANGUAGE"

What is a business model?



Lack of common language is big problem in business development



Even business developers may not speak same language



Tools and methods that may help you in the path of commercialization?

VALIDATION BOARD

LEAN CANVAS

BLUE OCEAN STRATEGY

COMPETITOR ANALYSIS

BUSINESS MODEL STRESS TESTING

LEAN START-UP

SWOT

PROGRESS BOARD

STOF

BENCHMARKING

MCKINSEY 7S

PESTEL

CUSTOMER DEVELOPMENT

VALUE NETWORK ANALYSIS

CUSTOMER VALUE CANVAS

5-forces

BUSINESS MODELLING

BUSINESS MODEL CANVAS

STAKEHOLDER MAPPING

MARKETING PLAN

SERVICE BLUEPRINTING

BUSINESS CASE

SERVQUAL

BUSINESS PROCESS MODELLING

BUSINESS PLAN

What is a business model?



Common definition helps, but it is not enough!

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

Osterwalder et al., 2009

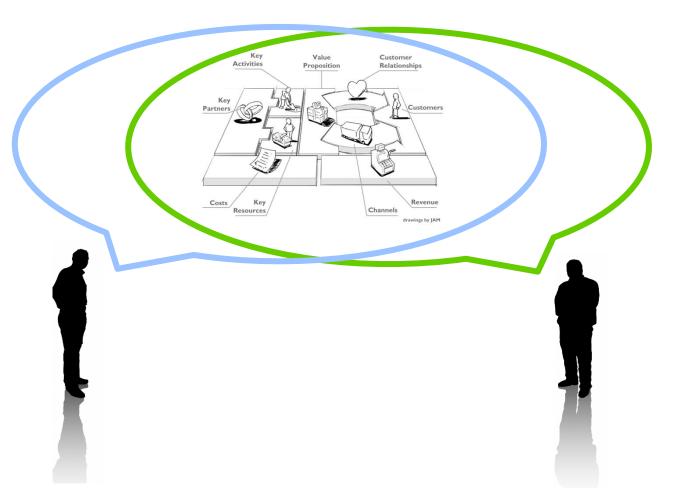


What is a business model?



Visual tool, which works as a mental model, is a solution to the problem

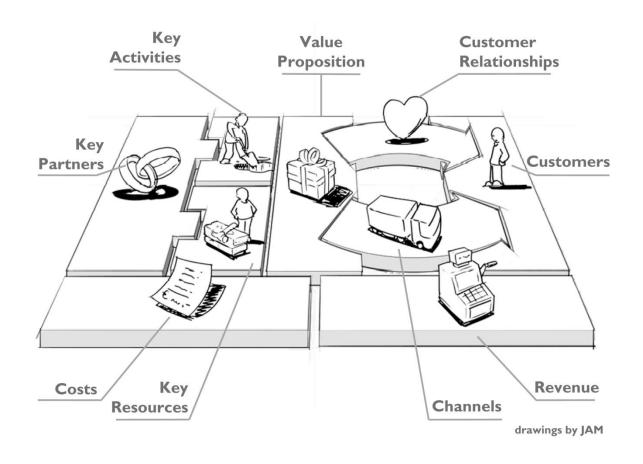
 Visual tool (business model canvas) help to discuss about very complex concept



What is a business model – the solution!



Business model canvas is a framework that helps people to describe, analyse, design and develop business models more systematically



Business model canvas explained: (Link: 2 minute Youtube video)

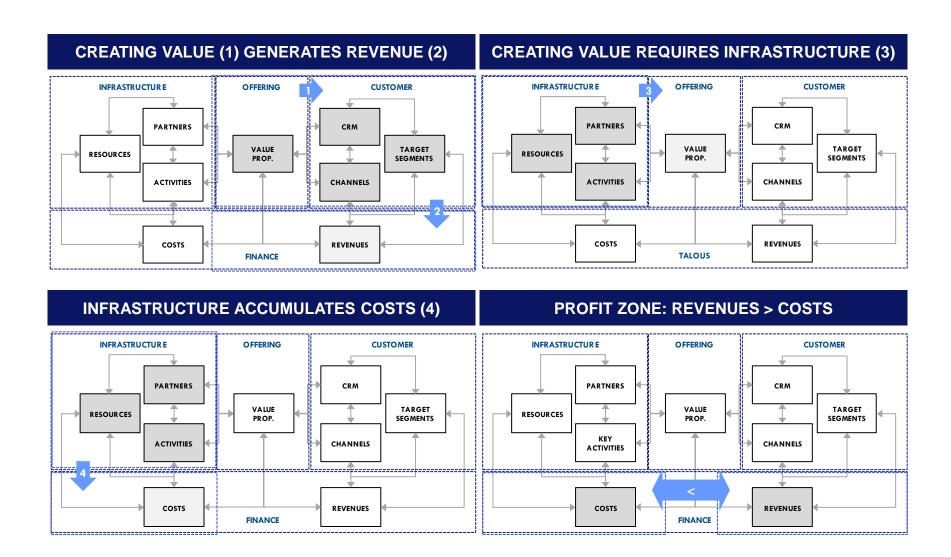
LESSON

OF THE BUSINESS MODEL

Business models: What?



The canvas helps you to describe the logic of your business



3.WHO HAS A BUSINESS MODEL



LESSON

PROJECT'S DON'T HAVE BUSINESS MODELS

Who has a business model?



Project's don't have business models, but they can help you to find one

Projects' don't have business model ...

..but a project can be a great 'platform' to

- 1) explore new business opportunities,
- 2) discover new business models and 3) validate if model works

Who has a business model?

- Each company has one or several business models
- Project is only a temporary form for development → to succeed in the real world BUSINESS MODEL NEEDS AN OWNER
- It is crucial to find stakeholder who is willing and committed to commercialize AAL solution via developing their business model

The Business Model Canvas

Designed for:

Company x

Designed by:

Iteration:

Key Partners



Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?

Key Activities



What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?

q-resource Profession Problem Salving Harfarm/Network

Value Propositions



What value do we deliver to the customer? Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?

Customer Relationships



What type of relationship 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?

Customer Segments



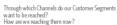
For whom are we creating value? Who are our most important customers?

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Key Resources







How are our Channels integrated? Which ones work best? Which ones are most cost-efficient?

How are we integrating them with customer routines?

Channels





Cost Structure

What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?



Revenue Streams

For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying?

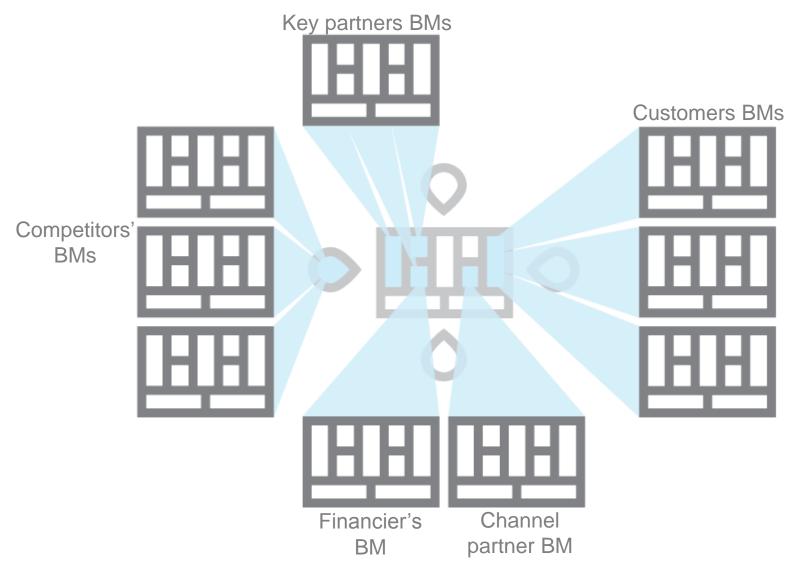
How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?



Who has a business model?



Businesses are not built, and do not operate in vacuum. Business models are linked to other BMs



IV. HOW TO **DEVELOP BUSINESS MODELS**



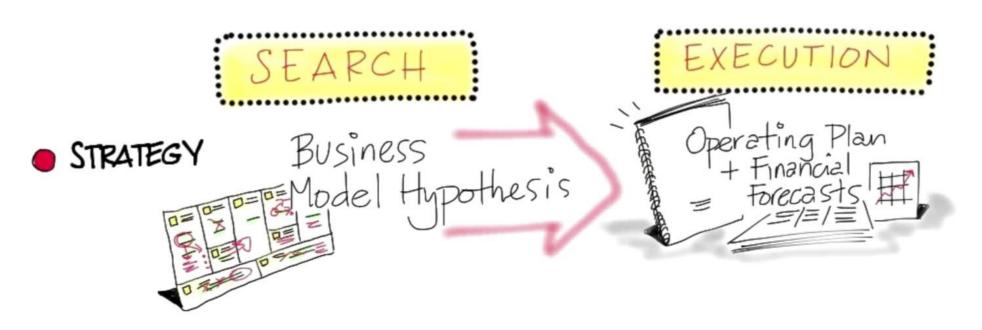
LESSON

FOCUS ON SEARCH FOR VIABLE BUSINESS MODEL

SEARCH VS EXECUTION



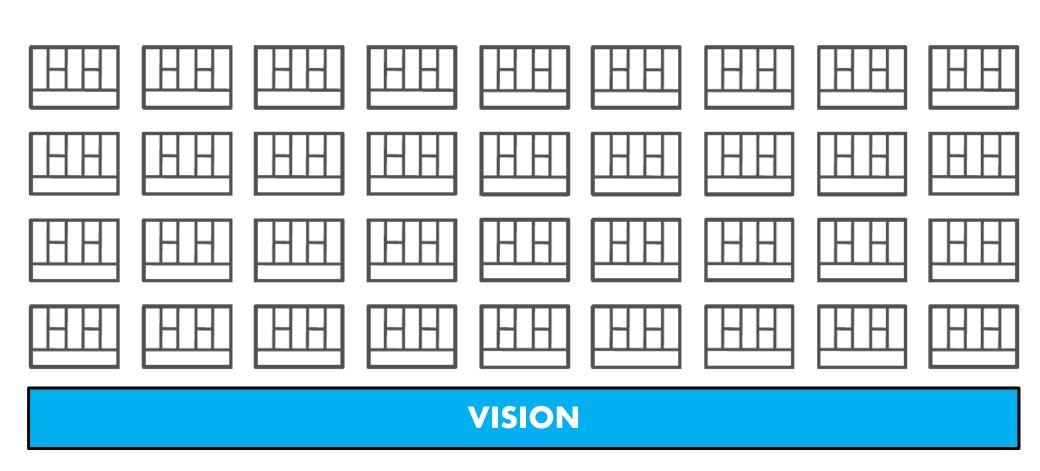
Strategy for a project under extreme uncertainty should be focused on search for a viable business model instead of execution



Vision is the foundation for business model



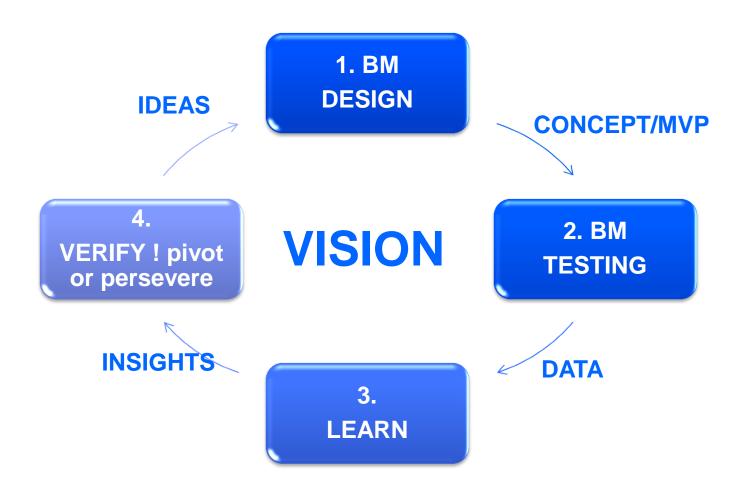
Same vision can be implemented in numerous different ways, you need to find your way



Business model development process



Business model development is continuous process along the product development



START BUSINESS MODEL DEVELOPMENT AS EARLY AS POSSIBLE TO AVOID COSTLY MISTAKES

1. DESIGNING BUSINESS MODELS

How to design business models?

Prototyping is a good way to start ideation of new business model



1. Prototyping

Goal

Creation of new ideas

Discussion on alternative business models prototypes

Outcome

Concretized *vision* of the business on the paper

How

- Use canvas as a mental framework
- Draw on whatever you find (napkin, canvas,..)



Source: Osterwalder et al. 2014 Value proposition design

How to design business models?



Business model design is a simplification of real life model, a good canvas does not mean your model will "fly"

Scale model





Real life model

"Simplification"

Too complex... Too costly to build...

Method to <u>test</u> management hypothesis on the field Realized <u>strategic</u> choices

Narrative

Processes and practices

2. TESTING THE BUSINESS MODEL

There are no facts, but only guesses, inside of your building

- Steve Blank



The Business Model Canvas

Designed by:



Guess



Value Propositions

Customer Relationships

Guess

Customer Segments

Guess

Guess

Key Activities



Guess

Guess

Channels

Guess

Cost Structure

Guess

Revenue Streams

E- 22

Guess

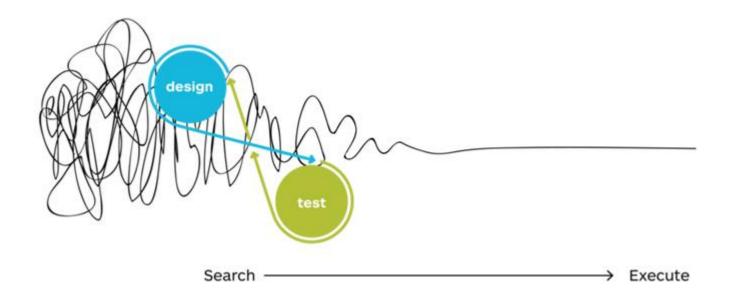


Testing the business model



Validate business model hypothesis as soon as possible in real life

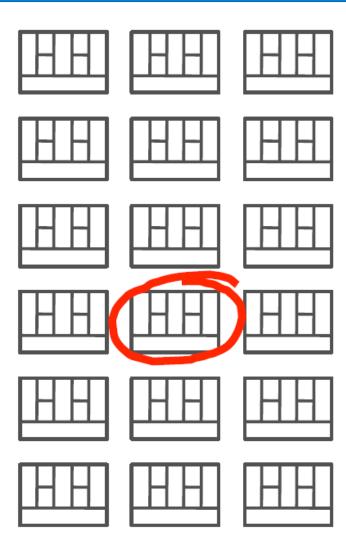
Only way to validate business model is to test it



Testing the business model



Start testing from one of the business model prototypes that seems most promising



Testing the business model



You can test core elements of the business model without building full scale solution



Minimum Viable Product



Product Vision

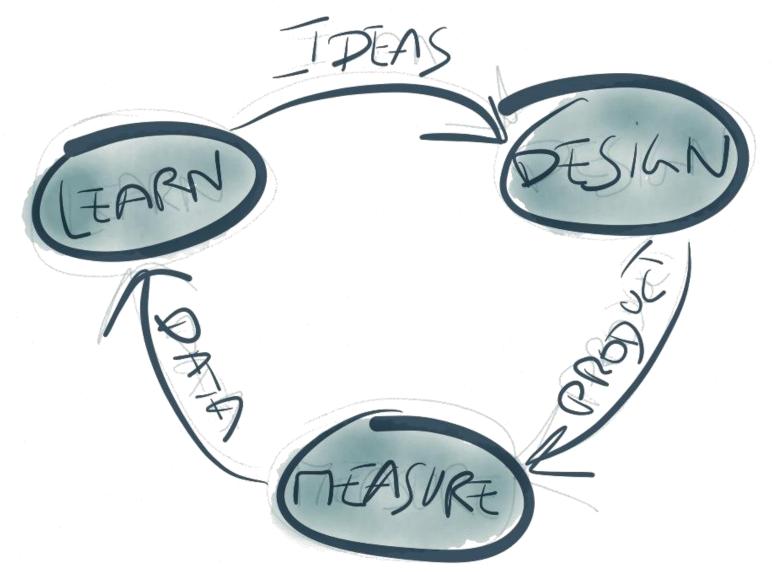
TO TEST BUSINESS MODEL HYPOTHESIS → GET OUT OF THE BUILDING

3. LEARN 4. VERIFY: ITERATE/PIVOT

Build – measure – learn loop



Learning is a main goal of the business model development



LESSON

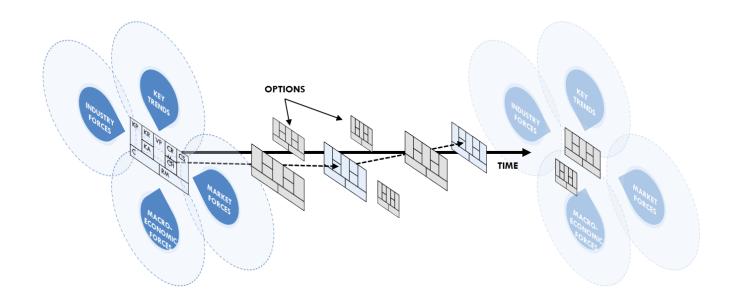
ITERATE IN FAST CYCLES

How to develop business models?



Business environment is dynamic: Your business model and project should be also

- Plan the project so that there is room for several iterations!
- Project is long, business environment changes fast → you may need to change your plans due to changes around you
- → Don't stick too tightly on initial concept, but have a courage to change it



PRESENT ENVIRONMENT

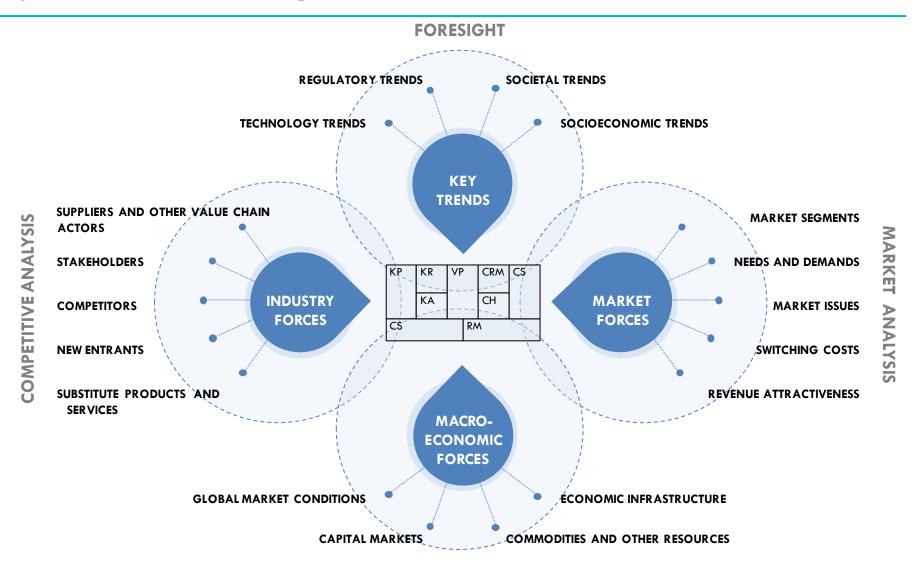
PROJECTED ENVIRONMENT

LESSON

BUSINESS MODEL IS PART OF THE BUSINESS ENVIRONMENT

Business models in the context

Pay attention to understanding the overall context of the business



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SUMMARY

Recap - How to develop business models

Key takeaways for business development in projects

- 1. Business model development requires a common language and processes
- 2. Business model development is a **continuous process requiring time**, **resources**, **management and commitment** (no "silver bullets")
- 3. Start early to avoid costly mistakes and use complementary resources to get the full picture
- 4. Development tools make the process more systematic: The **BM canvas is a good** foundation but it requires other tools to support it
- 5. From company guesses to knowledge: The customers (not just end-users) need to be actively involved. Other BM components are designed around customers.
- **6. Partners are needed** in today's market space: Complementary resources that reinforce each others business models (everyone has their own business model!)
- 7. **Technology alone is not enough**: Shift focus from technology offerings to value proposition, and from selling to serving customers
- **8. Business model is not revenue model**: Business models create, deliver and capture value not just capture.

There are no short cuts, it's hard systematic work!

QUESTIONS?



HOW WE CAN HELP YOU? AAL2BUSINESS SERVICES









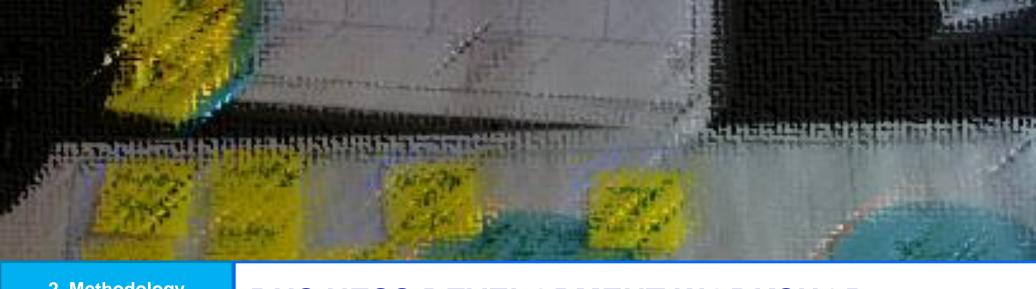
AAL2Business services



Aim is to guide and support AAL projects towards successful commercialization

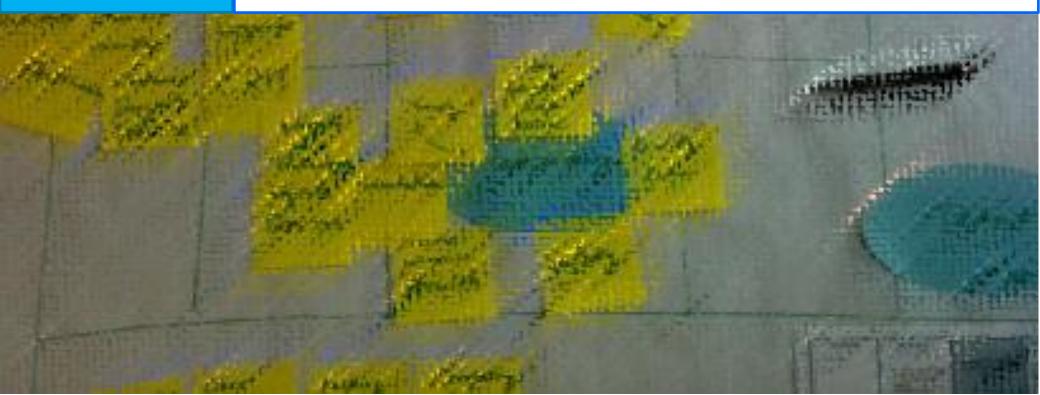
Activity	Goal/focus	Primary target group
1. Consortium building workshop	To provide help for building new consortium	Organisations planning to apply funding from new AAL calls
2. Methodology workshops	To help all project participants to learn and leverage business development methodologies	Ongoing AAL JP projects (early phase) Persons interested in learning new business development methods
3. On-demand business coaching	To give hands-on support for the projects for their specific business development needs	 Ongoing and finished AAL JP projects Individual organisation(s) within projects
4. Support access to finance	To give hands-on support for project on how to access finance	 Start-ups from AAL projects or organisations within projects Ongoing and finished projects
5. Deployment of AAL solutions event	Yearly networking and match-making event focusing on deployment of AAL solutions	 AAL projects seeking for deployers for their solutions Stakeholders interested in the deployment of AAL solutions

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2. Methodology workshops

BUSINESS DEVELOPMENT WORKSHOP



Methodology workshops:



Introduce basic business development tools that projects can utilize throughout AAL project





Strengthen business thinking

- to strengthen the business thinking of projects and involved organisations
- to help participants to understand their weaknesses and opportunities related to the goal of commercialisation



Introduce business development methodologies

- to increase understanding of the importance business modelling throughout the project
- to introduce a specific business development method in detail
- to allow participants to practice the introduced method by hands-on exercise in small groups



Networking

- to enable networking with different AAL JP projects
- new ideas and insights to form other participants to foster out-of-thebox thinking!
- to give information about the business coaching and other relevant activities

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Methodology workshops: How

WAY OF WORKING

- Bi-annually
- Invitations (open call through AAL CMU/NCPs)
- Arranged as a facilitated workshop which mix different types of organisations and projects
- Plenty of time allocated on practical hands-on demonstration (in small groups)

BASIC STRUCTURE OF WORKSHOP

- Introduction business modelling as a key method for business development
- Introduction to one specific business development tool (may vary)
- Hands-on training
- Reflection and feedback
- Networking

Some feedback from the pilot workshops:

"Thank you very much for an interesting day yesterday. I found some new inspiration to push on with getting our product to the market."

"... was invited for a trans-national AAL2business workshop on how to develop a sustainable business from AAL project results. All the participants found the one-day collaborative workshop extremely useful. Warm thanks to AAL for arranging this excellent event!"



When and how to apply

1st Workshop in **Brussels**

■ Time: Friday 17th April 9:30 – 14:30 (tomorrow)

Place: same building as this

Focus: how to apply lean principles on business development in AAL projects

2nd workshop in **Autumn**

Time: TBC

Place: TBC

Focus: TBC

Selection process:

- Targeted for those who want to learn more about business development methodologies
- Up to 25 participants/workshop
- First-in first-served (basis), however balanced number of companies, end-users, and researchers selected

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4. Support access to finance

On-demand help towards successful commercialization



COACHING SERVICE – what and to whom?



Coaching supports AAL projects to reach markets

What coaching is?

- Coaching provides support for business development and commercialization of AAL projects' results
- Each coaching session is tailored for the specific needs of the project

Where?

 Coaching sessions are organised flexibly in all AAL partner states

How much?

- Single AAL JP project can benefit from a maximum of 3 days of coaching
- Provided free of charge for the projects by AAL association (once the coaching request is approved by AAL)



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ON-DEMAND BUSINESS COACHING



AAL offers two types of coaching services that help projects to reach markets

TWO TYPES OF COACHING



BUSINESS COACHING

Focus on providing help to build strong foundation for successful business

EXAMPLE FOCUS AREAS:

- Help to understand different routes to commercialization of AAL solution
- Provides tools and methods that help you to design viable business model
- Support for crafting winning value propositions
- Guidelines for how to validate business models
- Help to analyse the impact of market forces, trends, and the 'rules of the game' to your business
- Scaling business to international markets



ACCESS TO PRIVATE INVESTMENTS – COACHING

Focus on the development of business plan and/or presentational aspects of investment readiness supported by building a foundation for becoming investment ready

EXAMPLE FOCUS AREAS:

- Understanding investment readiness: Goal is too provide background information for building investment readiness (e.g. sources of finance, understanding investor requirements)
- Business plan: To provide information on both the role of a business plan and how to write a successful one (note! Requires viable business model)
- Perfecting a pitch: To establish a foundation for giving a successful pitch and selling your AAL solution and business case to investors

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2. BUSINESS COACHING

WHY, WHAT and HOW?



ON-DEMAND BUSINESS COACHING

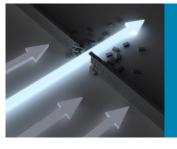


Coaching helps projects/companies on understanding market, improving business model(s), and finding strategic direction



Understand the market and scaling the business

- Focus on market forces, trends, and the 'rules of the game'
- Goal is to provide help to (e.g.):
 - utilize methods for analyzing business environment and changes in it
 - identify, communicate and seize opportunities in transforming AAL markets
 - Plan actions that turn market hypothesis into facts



Vision, strategy and renewal

- Focus on organizational strategy, strategic planning and business renewal
- Goal is to provide help for:
 - Understanding and communicating "the big picture of your (potential) business"
 - Introducing methods for analyzing and realigning strategy
 - Finding justifications for difficult strategic choices



Business model and value proposition design

- Focus on organizations business development from multiple complementary perspectives (organisation and its customer, value network, service system)
- Goal is to provide help to (e.g.):
 - Understanding customer value creation and organisations role in value cocreation within service (eco)system
 - To turn business model vision into testable hypothesis
 - Plan actions for iterative validation of BM hypothesis

ON-DEMAND BUSINESS COACHING



Target groups of coaching vary from whole consortium to individual organisation

TARGET GROUPS FOR **ON-DEMAND BUSINESS COACHING** LARGE ENTERPRISES SINGLE SME **START-UPS PROJECT CONSORTIUM**

For key persons who are

- planning to establish a new start-up, or
- · who are already running startup that builds on the solution developed under AAL JP

 Individual SME's who have clear commercialization goals for their AAL solution

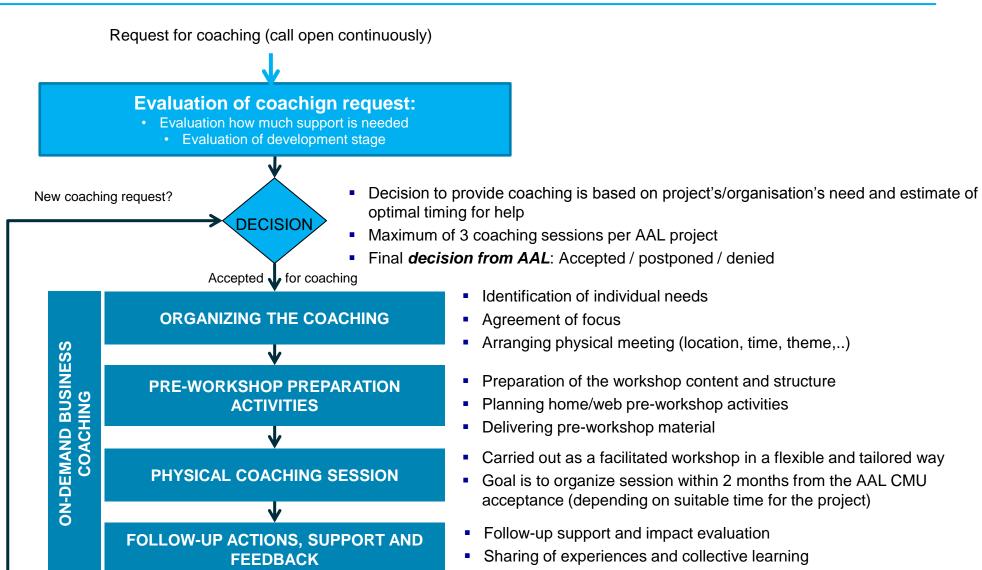
(including other partners)

- For large enterprises within the consortium who have clear commercialization objectives.
- Note! Must include other. partners to the coaching session.
- For the whole project consortium
- Objective to clarify business development plans, roles and commercialization goals → optimal timing in the beginning of the project

ON-DEMAND BUSINESS COACHING



AAL projects request the coaching by filling in the online questionnaire



Reporting



4. Support access to finance

NEED FOR HELP TO ACCESS PRIVATE FUNDING?



Focus areas in access to finance coaching



Coaching focuses on raising investment awareness and presentational aspects related to the company's investment case

PRESENTATIONAL ASPECTS

BUSINESS PLANS



- Goal: To provide information on both the role of a business plan and how to write a successful one.
- Emphasis on linking business plan to business model

PITCHING



- Goal: To establish a foundation for giving a successful pitch and selling your AAL solution and business case to investors
- Focus on both content and delivery of pitch

OTHER AREAS OF INVESTMENT READINESS



 Goal: To provide background information for building a more solid foundation for presenting (e.g. the role of different sources of finance, understanding investor requirements)





Companies who seek support for accessing private funding are suggested to go first through investment readiness review



Investment readiness review (labelling system)

- Focus on assessing the investment readiness of AAL JP projects and then providing structured feedback to both AALA and projects
- Goal: To get an external point of view on how well a project would succeed in the deal funnel and to find out which areas most need improvement

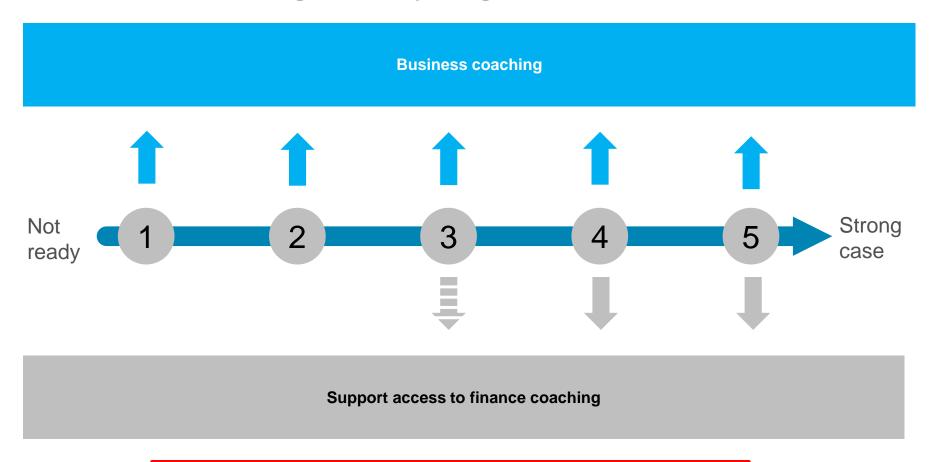
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Assessment of projects is done on a scale from 1-5: results determine which track of training is recommended

Structured feedback also given for improving case in relevant areas





Investment readiness labelling

Labeling of projects can be summed up into two measures

1) Investment attractiveness

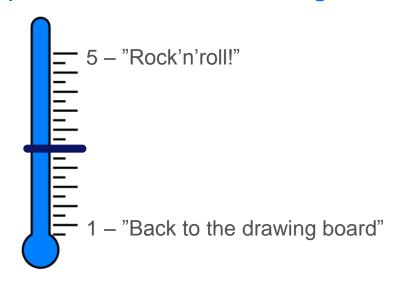




Answers the question:

"How attractive is the opportunity from an investor's standpoint"

2) Readiness to seek funding





Answers the question:

"How prepared is the project to access financing from outside investors"





Companies who seek support for accessing private funding are suggested to go first through investment readiness review



Investment readiness review (labelling system)

- Focus on assessing the investment readiness of AAL JP projects and then providing structured feedback to both AALA and projects
- Goal: To get an external point of view on how well a project would succeed in the deal funnel and to find out which areas most need improvement



Network of relevant private investors

- Focus on identifying potential investors in the field of AAL that projects seeking investments could target and informing investors of most promising AAL solutions
- Goal: To help projects find potential investors and raise investor awareness of AAL projects as potential investment targets





The attributes of investment attractiveness are broken down further into assertions to form the overall score

INVESTMENT ATTRACTIVENESS				
Opportunity	Assets		ROI potential	
	Product & service	Team	noi potential	
 Sufficient market size Attractive growth (if size small) Global market Clear customer need addressed Transformational service / product 	 Addresses customer need Clear competitive advantage Strength of technology Reasonable IP protection Homework done 	 Clear project ownership Balanced team setup Sufficient experience (including board) Motivated team Personal risk / commitment 	 Suitable investment requirement Exit opportunity identified Sufficient ROI (return on investment) 	

All assertions are scored on a scale of 1-5. The average of those scores gives the overall score for the particular investment attractiveness category

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Readiness to seek funding assesses how well the project is prepared to seek financing

READINESS TO SEEK FUNDING

Clear and concise business plan

Realistic assumptions

Sufficient facts

Compelling pitch

Additional support related to accessing private funding



Increasing awareness of both investors and AAL projects about promising opportunities



Contacting, informing and activating

- Increasing awareness of promising and motivated AAL projects about potential investors
- Increasing the awareness of potential investors of promising AAL solutions
- (Focuses on labelled projects with good reviews)

Identifying network and resources

- Potential investors and investor networks in the field of AAL
- "Event calendar" of key investment events
- Additional resources that help gain access to investors and improve investment readiness
- (Material benefits all projects)

Maintaining network activity and matchmaking

- Reminders of upcoming key events
- Guidance for creating and updating profiles for investment events and applying for meetings with investors
- Reminders and support to remain active in seeking funding





On-demand coaching services: How to get help?



Who can request coaching services?

- Coaching can be requested by an AAL JP project coordinator or by individual organisation under the project by answering the survey
- In any case project coordinator has to be always informed about applying service due to the limit of coaching sessions per consortia

How much of training services can we request?

 A maximum of 3 days on-demand training can be allocated to a single AAL JP project (total for both business coaching and supporting access to finance)

When are the training sessions held?

 Aim to deliver training sessions within 2 months of the acceptance of AAL CMU (or depending on the availability of the consortium partners)

On-demand coaching services: How to get help?





BUSINESS COACHING TRACK:

Need help in business development/commercialization of your AAL solution?

SEND REQUEST FOR BUSINESS COACHING: LINK



ACCESS TO PRIVATE INVESTMENTS – COACHING TRACK

Need help to develop business plan / presentational aspects in order to access private funds?

SEND REQUEST FOR ACCESS TO FINANCE COACHING LINK



Highly recommended by projects!

100% of projects who have received the coaching recommend it!

(Question: Would you recommend coaching for other projects? Score: 9,23 (N=32, scale 1-10)

- "The use of external consultants was very positive as the project was evaluated by a third party."
 - "Active participation of participants was amazing."
- "It was result oriented and hands on. At the end of the session there were concrete achievements and clear points to follow thru to go to the next step."
 - "Only thing I would like to change is to have the training organised earlier phase of the project"



DEPLOYMENT OF AAL SOLUTIONS:



Objectives

Strengthen market comprehension	 to provide an understanding of who the potential buyers of AAL solution are and what their motivations are likely to be to Inform the participants about the existing evidence of the impact of AAL solutions on elderly care and support for independent living
Introduce	 to introduce the participants to the features of the AAL market by clustering national markets according to similarities and reducing them to a limited number of models to familiarise the participants with innovative business models for the deployment of AAL solutions
Networking	 to provide networking opportunities between AAL project participants and stakeholders looking to deploy AAL solutions and private investors interesting in investing in AAL companies

Deployment of AAL solutions event



September 22nd 2015, Belgium, Ghent

- Open for everyone
- Targeted participants:
 - AAL-project participants
 - Deployers (end-users organizations)
 - Investors
- Matchmaking support for the event
 - B2Match (used for matchmaking and planning meetings before the event, sharing ideas, registeration, feedback)



Summary of relevant activities

Activity	Goal/focus	Primary target group
2. Methodology workshops	To help all project participants to learn and leverage business development methodologies	Persons interested in learning new business development methods (from ongoing AAL JP projects)
3. On-demand business coaching	To give hands-on support for the projects for their specific business development needs	 Ongoing and finished AAL JP projects Individual organisation(s) within projects
4. Support access to finance	To give hands-on support for project on how to access finance	 Start-ups from AAL projects or organisations within projects (ongoing and finished projects)
5. Deployment of AAL solutions event	Yearly networking and match-making event focusing on deployment of AAL solutions	 AAL projects seeking for deployers for their solutions Stakeholders interested in the deployment of AAL solutions



QUESTIONS?



PROGRAMME

AAL CMU

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