

Copenhagen, April 2012

Innovation in Business Design: Creating Value in the Economic Ecosystem

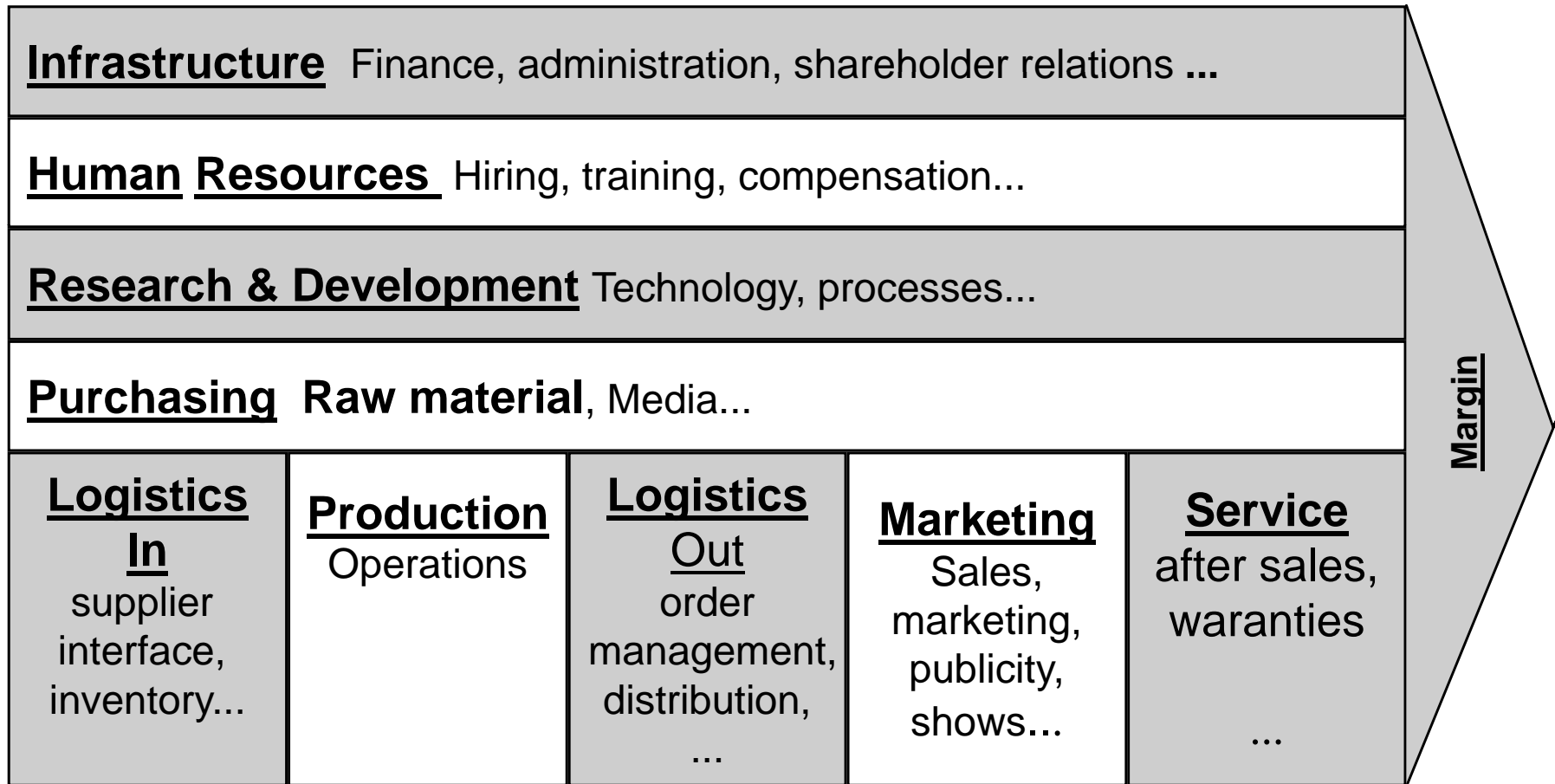
Maggie Gorse

Consultant & Professor

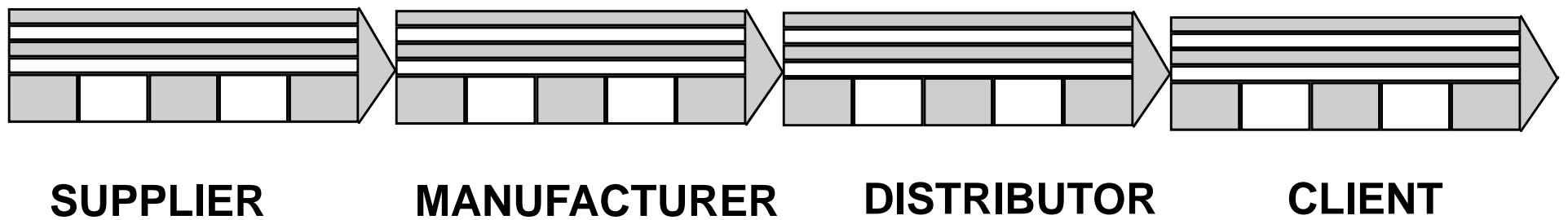


Tsunami Change in Business Models & the Role of Capital

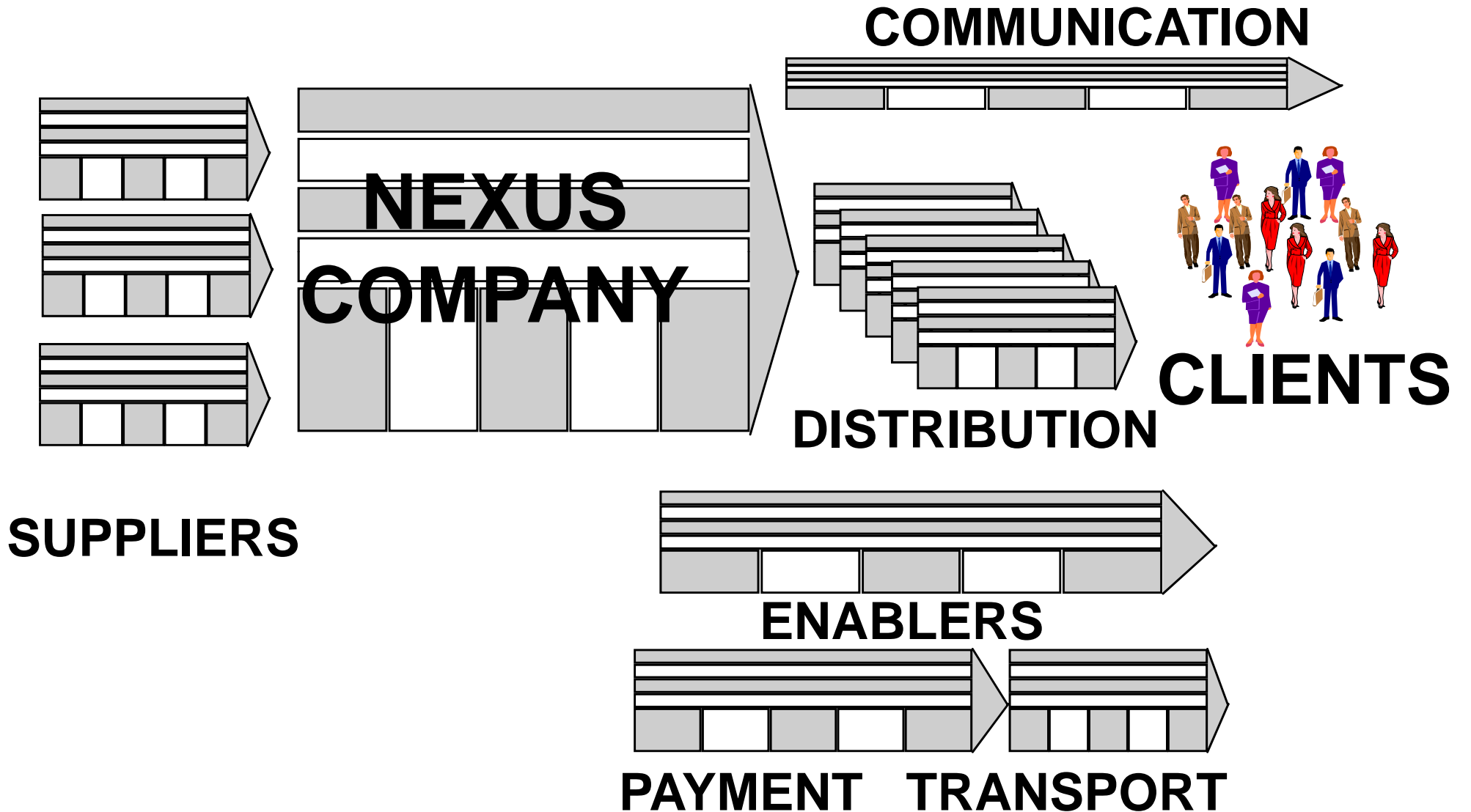
The Value Chain



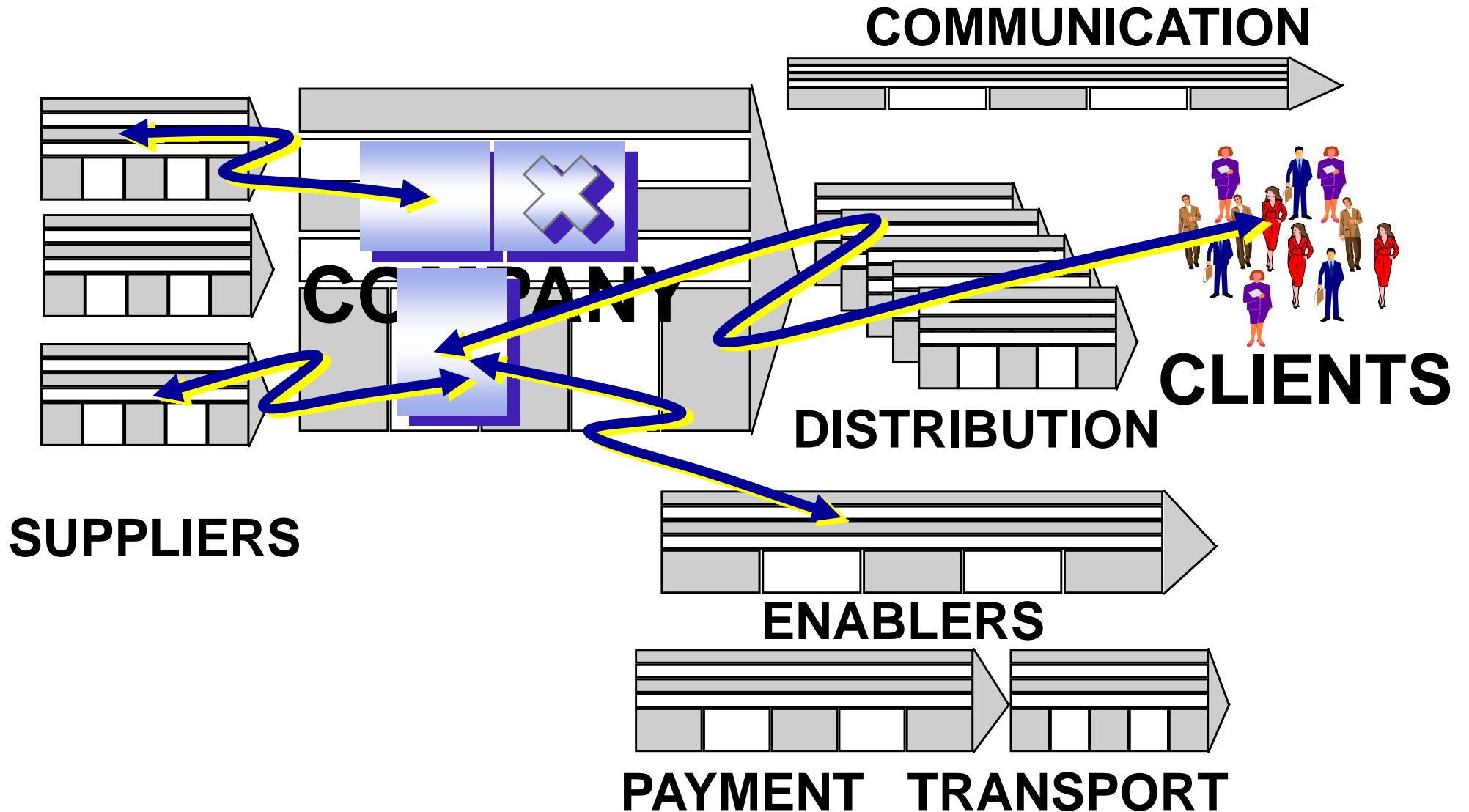
A Chain of Value Chains



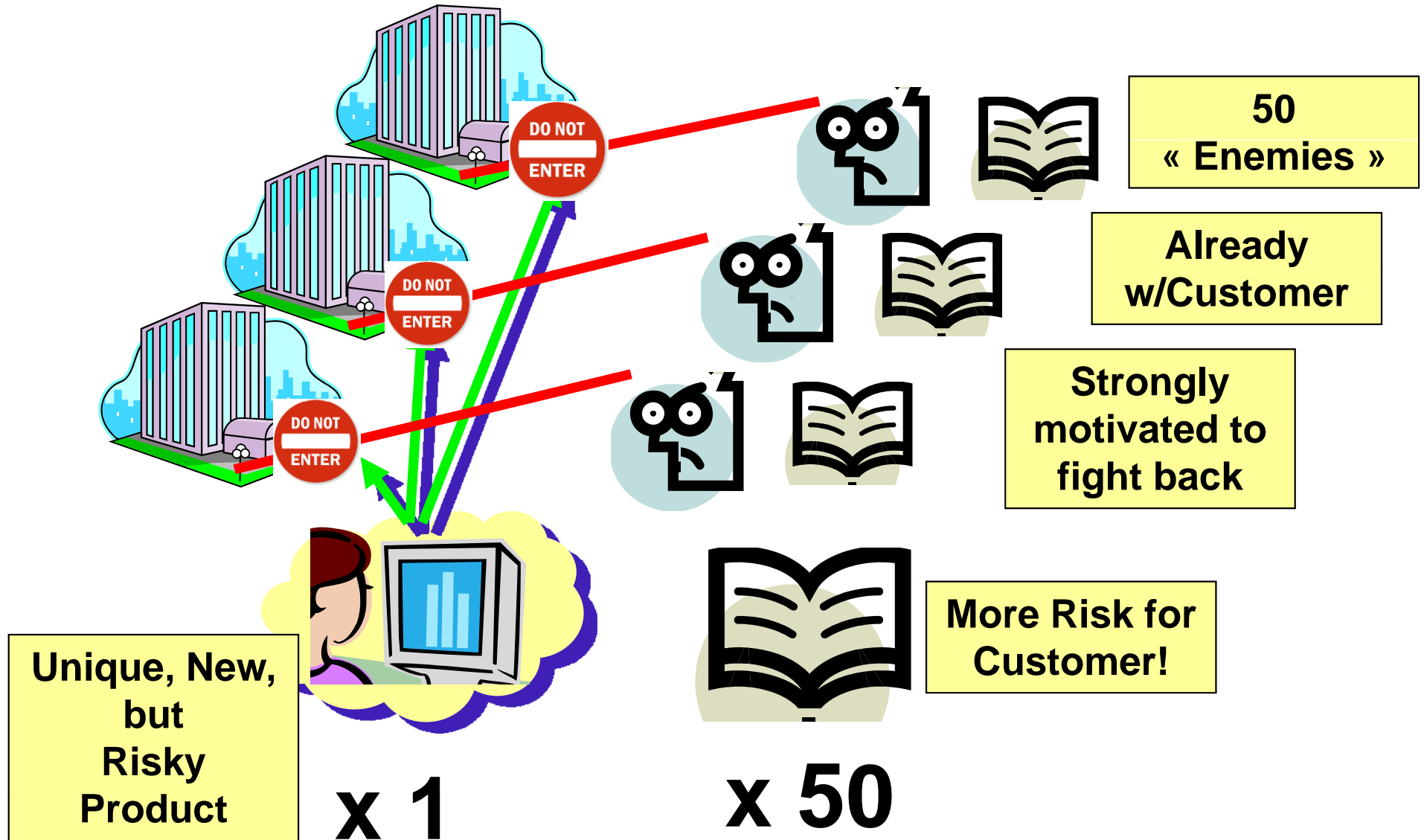
The Economic Eco-System



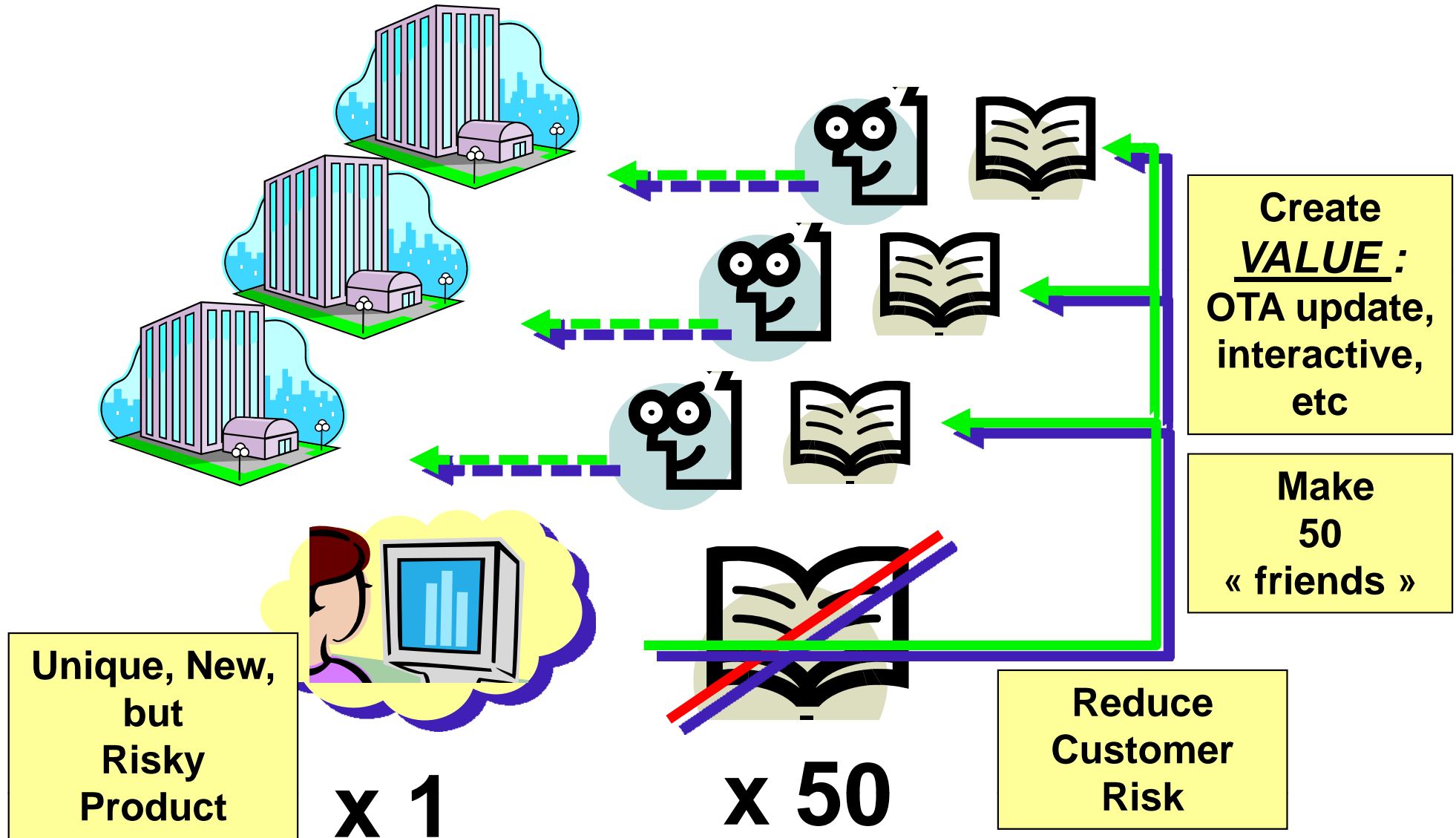
From Value Chain To Value Constellation



Reaching your Market, Risk & Value



Reaching your Market, Risk & Value



Site Traffic and Value

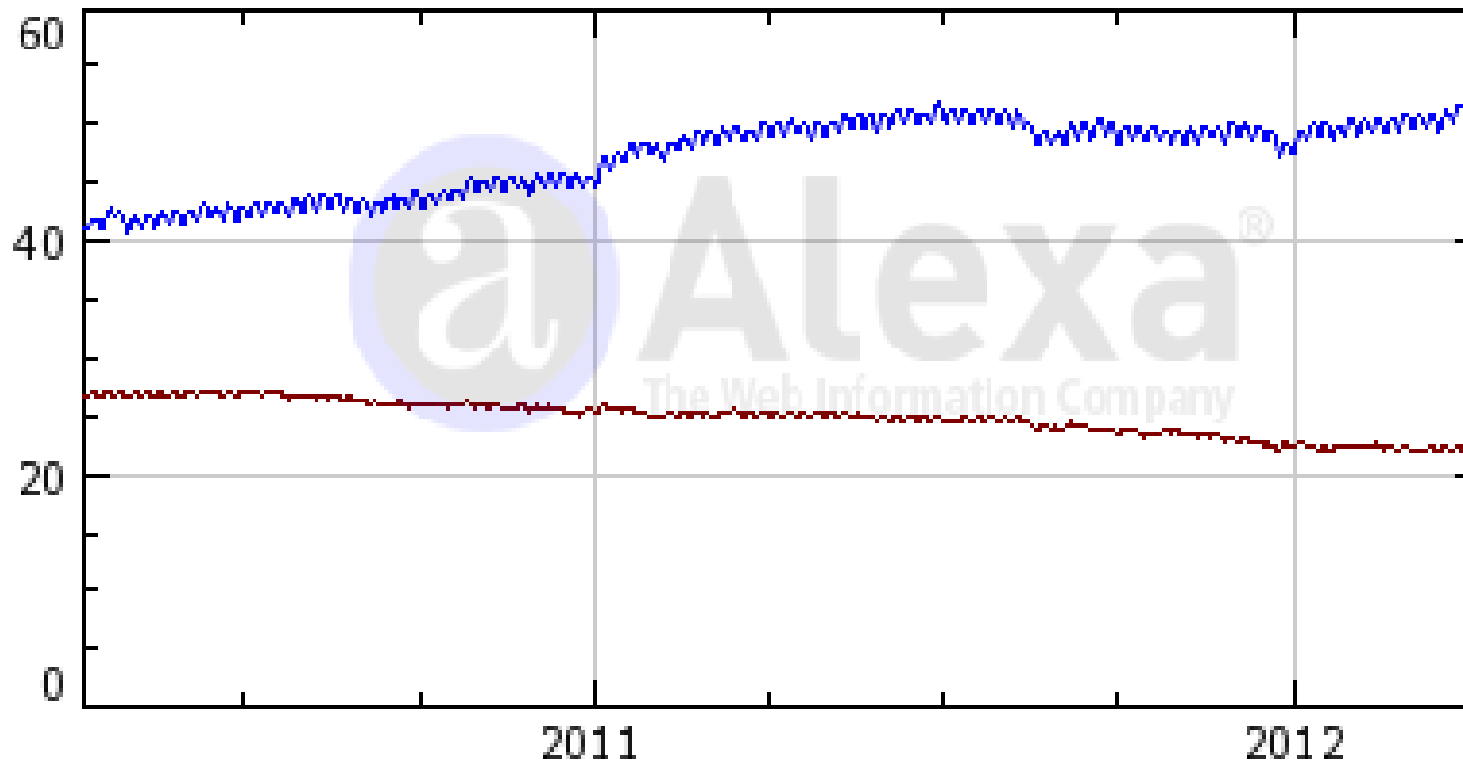
Number of daily visitors per million
Internet users+

Daily Reach (percent)

google.com

yahoo.com

Market
Capitalization*

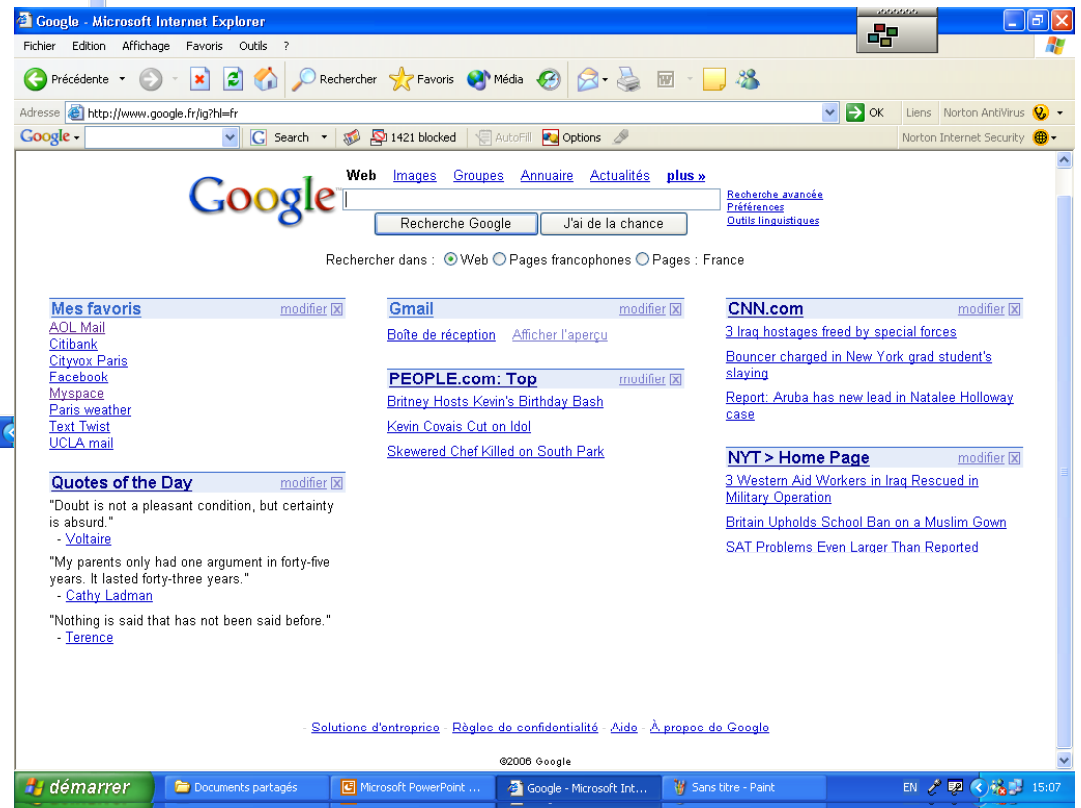
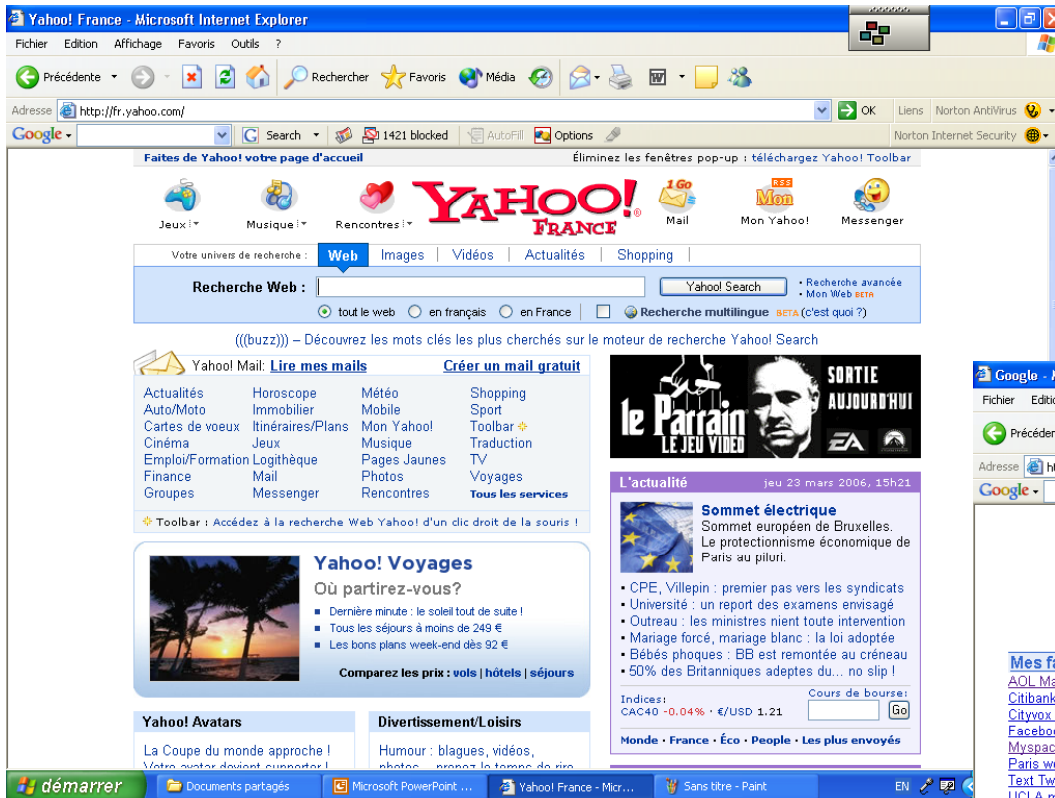


\$206 B
Google

\$18 B
Yahoo

The User and Network Value

Yahoo chooses information for you, at great expense...



Google does nothing... or lets you be the editor

Google: The Audience Ranks Relevance

PageRank is Google's link analysis algorithm that measures the probability that a page will be relevant to user's query :

Based on the correlation between the amount of links towards a page and their relevance

It accounts for the notoriety of the sites that link to the page in question

PageRank's simplified formula is : $PR(u) = \sum_{v \in B_u} \frac{PR(v)}{L(v)}$

(A page's (u) PR is the sum of all PRs of pages linking to u (v), divided by the respective number of outbound links contained in pages v)

Google¹ claims that PageRank is one of its search engine's main competitive advantage :

A « champion of democracy »

The search engine's « cornerstone »

A tool unlikely to be tampered with

Google: Monetizing the Network

Automated Auctions

Like the Stock Market:

Auctions give prices that dynamically reflect market conditions

Pay AFTER Success:

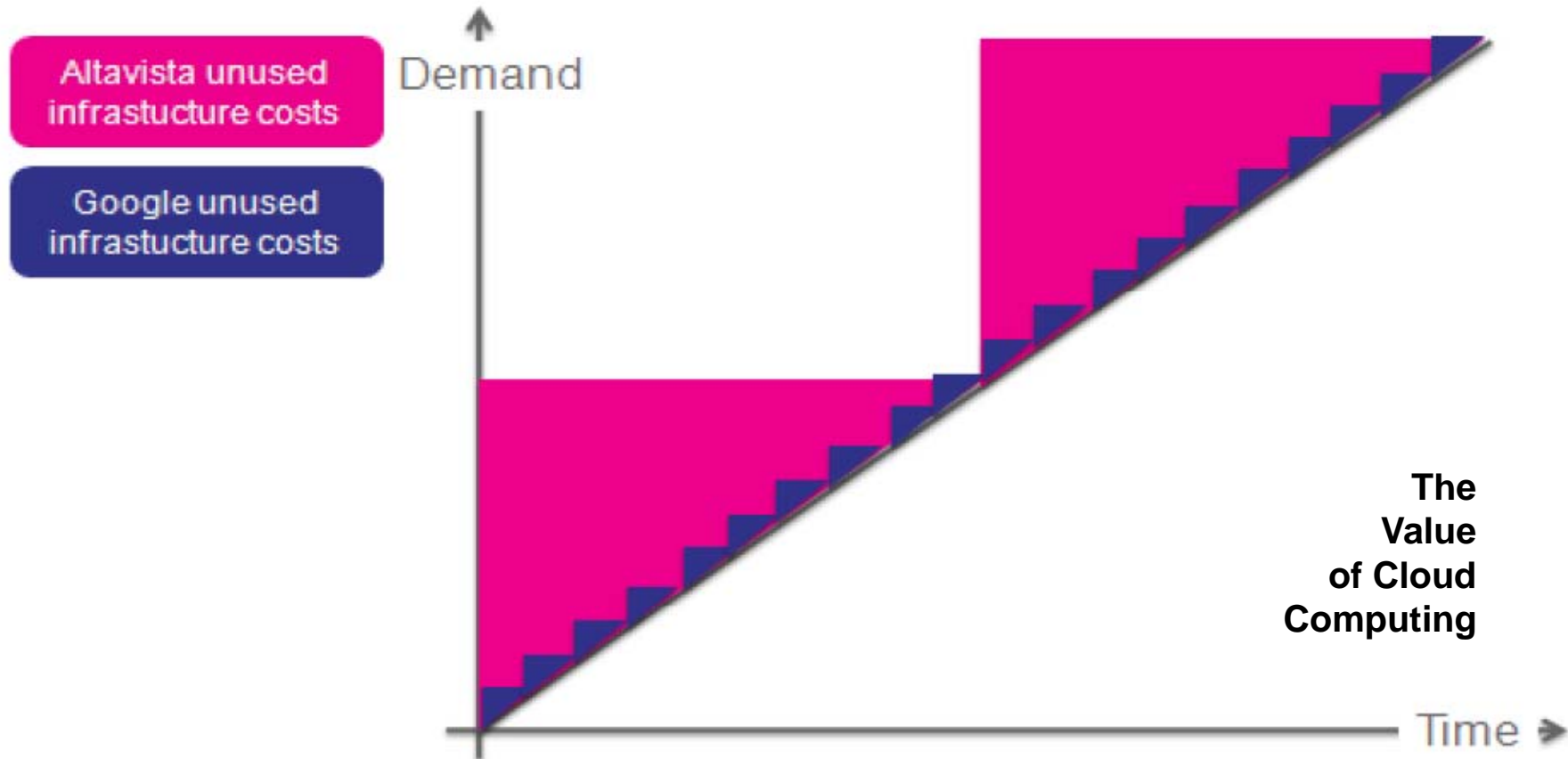
Bid price per click, with maximum budget

Process Entirely Automated:

Supply & Demand matched by automatic bidding system

The
Value
is Clear

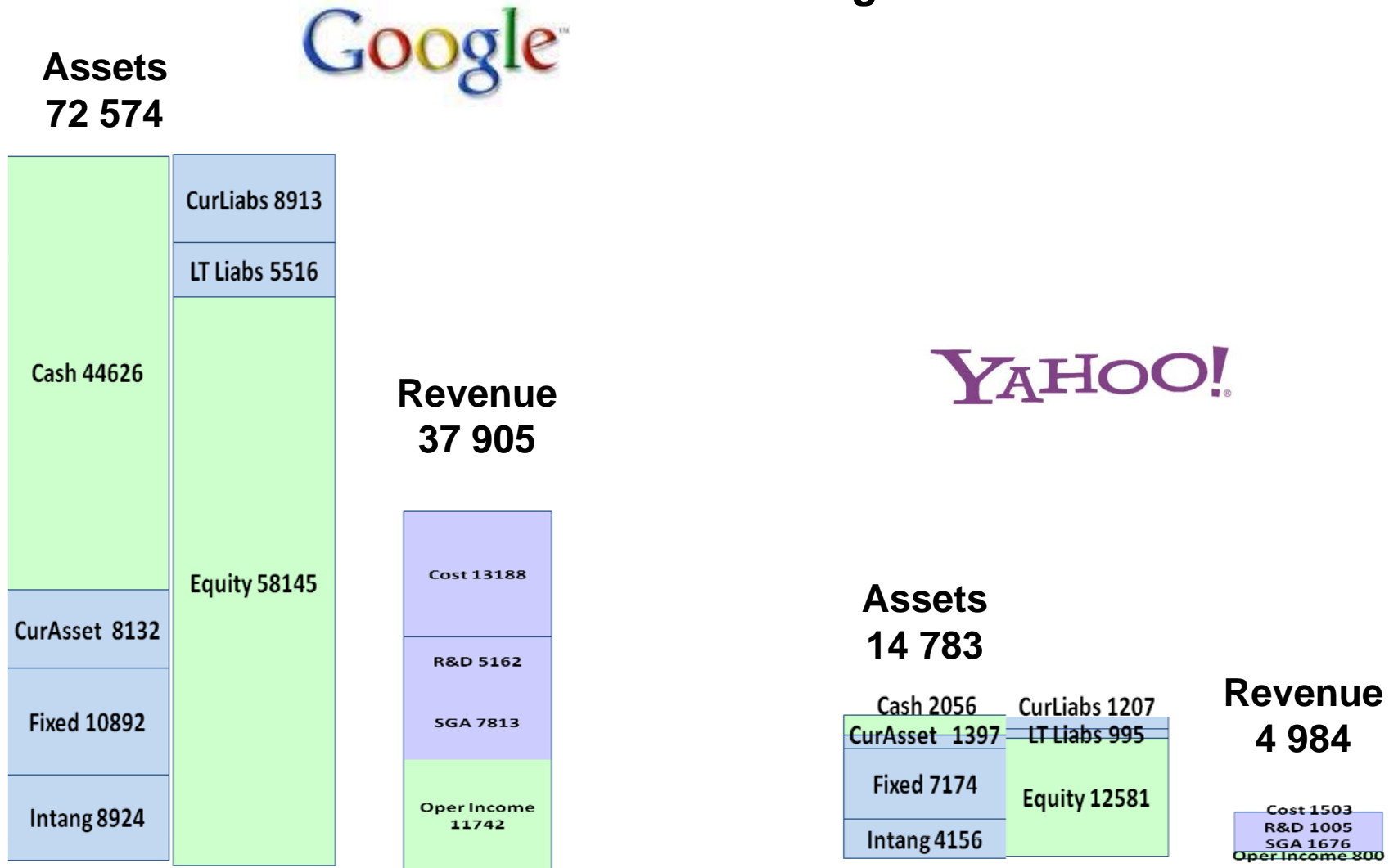
New Economics: « Matching » Not Investing



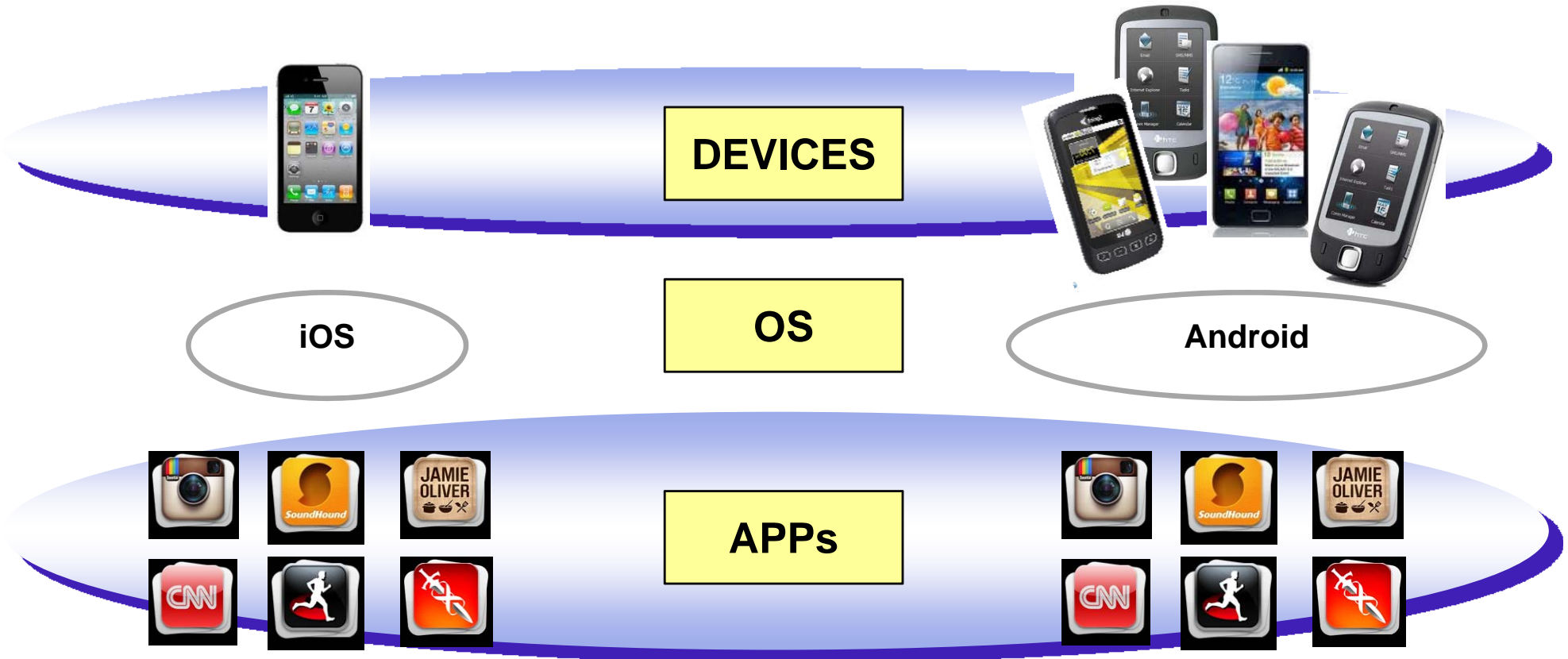
Google cost-optimization in a scalable architecture

Doing Less Creates More Value?

Google versus Yahoo 2011 Results



Apple's Business Model



NUMBER OF DEVICES ON THE MARKET THAT RUN APPLE'S iOS:

5*

* iPhone 3GS, iPhone 4, iPad, iPad 2, iPod touch.

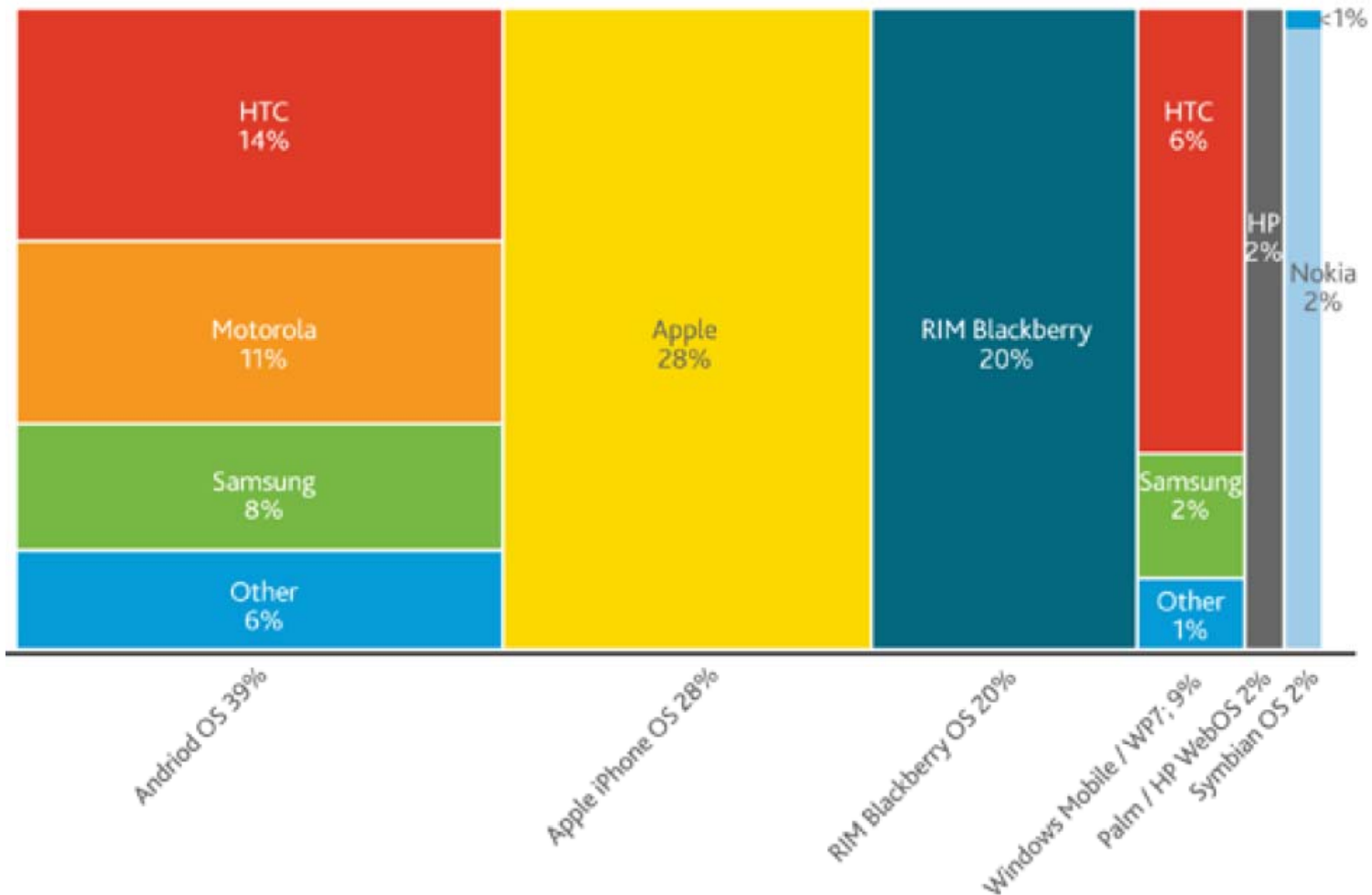
NUMBER OF DEVICES ON THE MARKET THAT RUN ON ANDROID OS:

170

Apple's Business Model

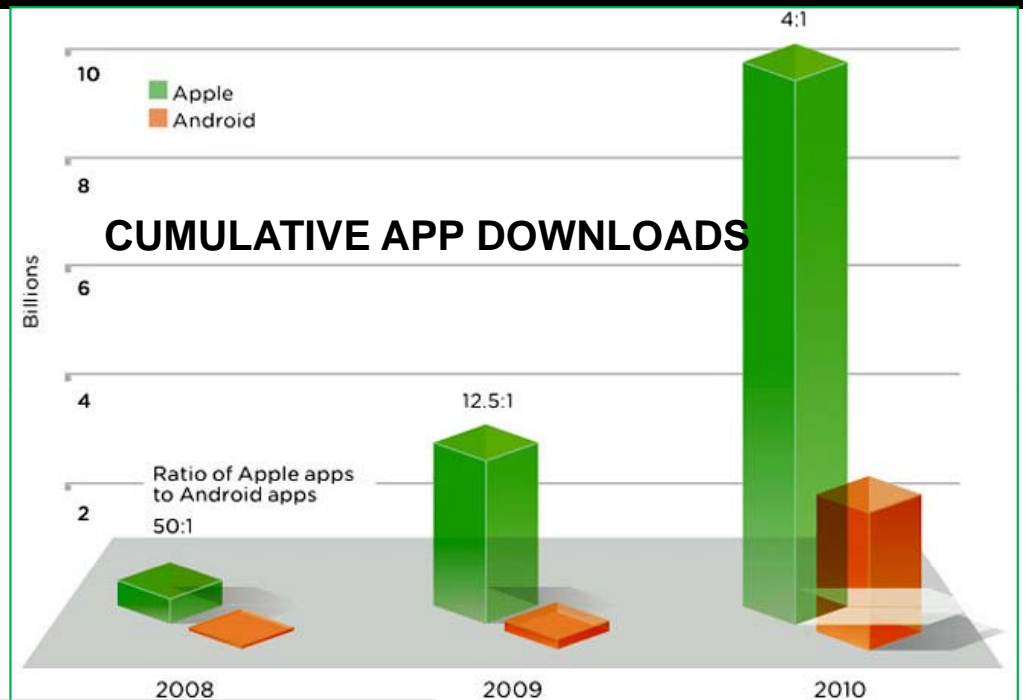
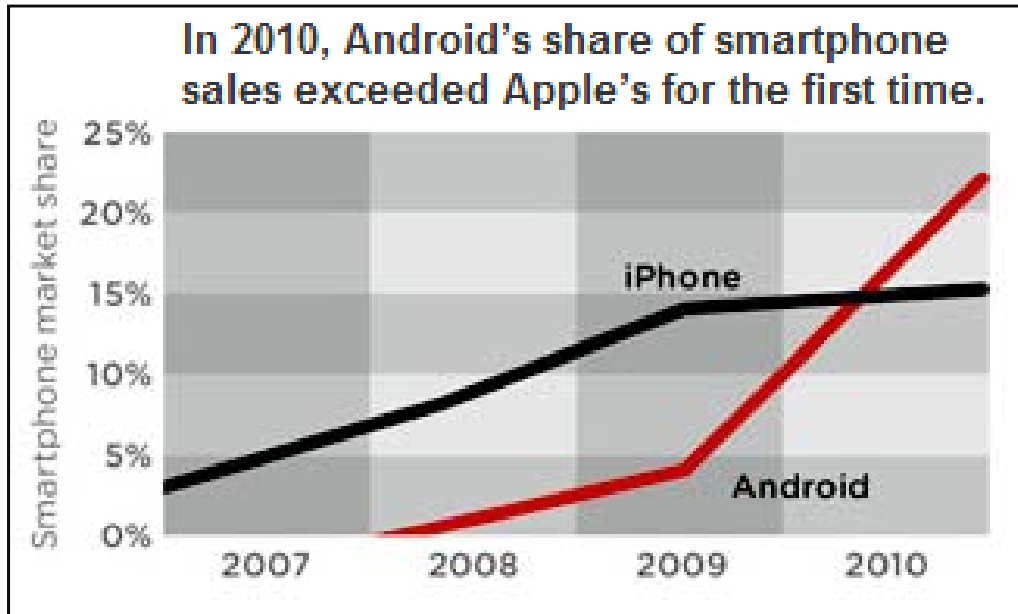
Manufacturer operating system share-smartphones

Q2 '11; postpaid mobile subscribers, n=20,202



Source: <http://www.wired.com/gadgetlab/2011/07/android-ios-platform-share/>
Data refers to USA end 2nd quarter 2011

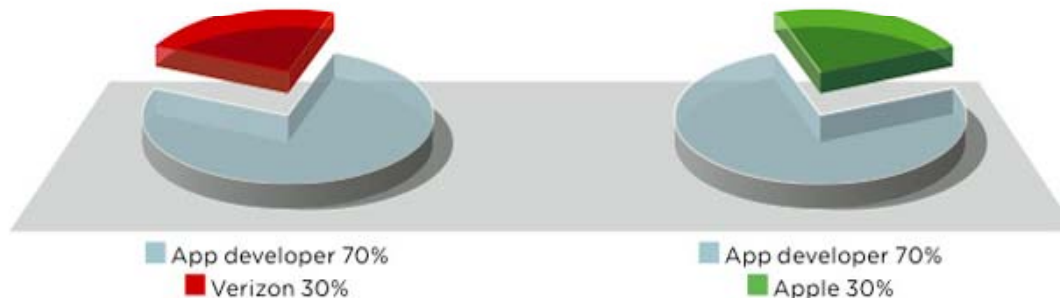
Apple's Business Model



In its deal with Verizon, Android agreed to give the carrier 30 percent of app sales (minus credit card processing fees). Apple keeps that cut for itself.

REVENUE DISTRIBUTION, ANDROID MARKET

REVENUE DISTRIBUTION, iTUNES APP STORE



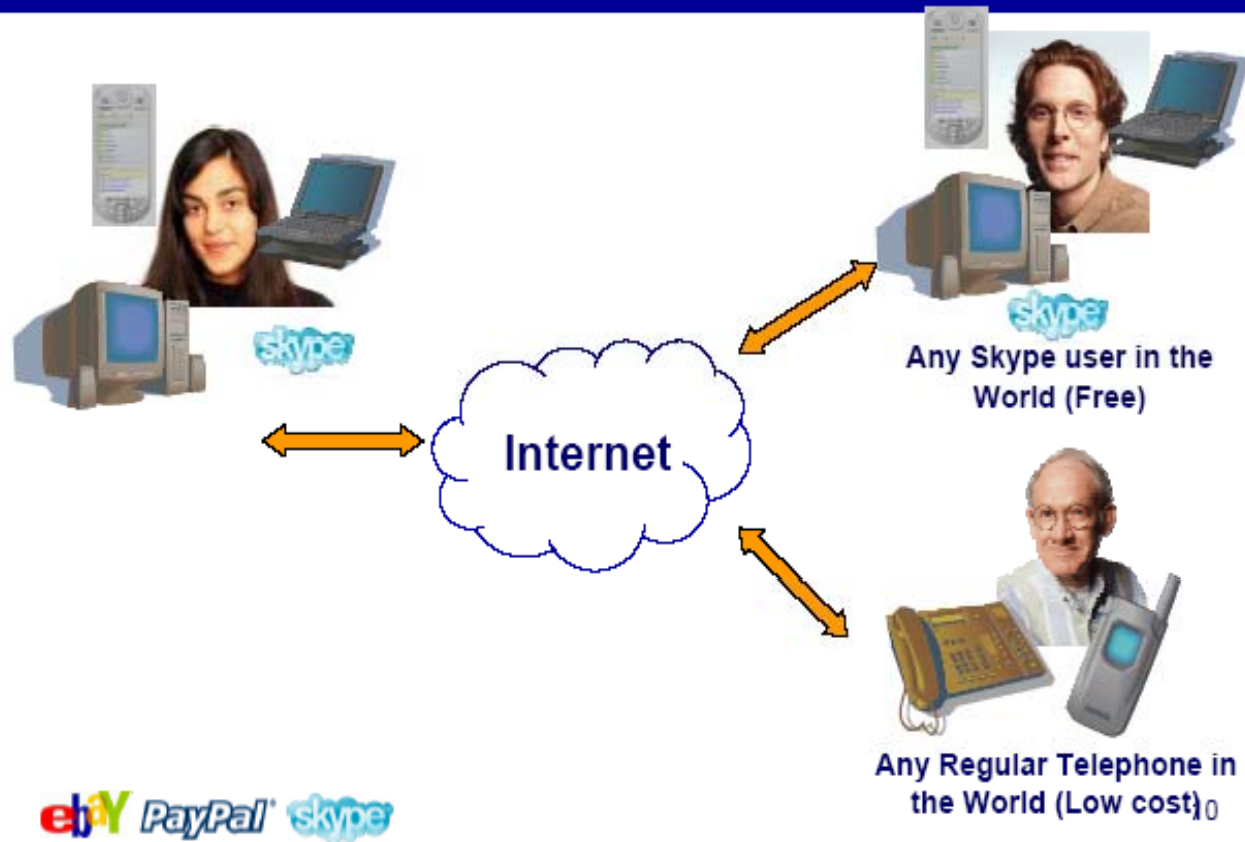
Source:
http://www.wired.com/magazine/2011/04/mf_android/all/1

The Profit Equation at Hypo Telecom

Revenue	100		
Interconx	15	} Cost of Delivering the Service	Network Operations
Tech Opex	8		
Other Direct	6		
A & R gross	17	} Cost of Getting the Customer	<u>A&R and CRM</u>
Commissions	3		
Opex Mktg	9		
G&A	4		
EBITDA	38		

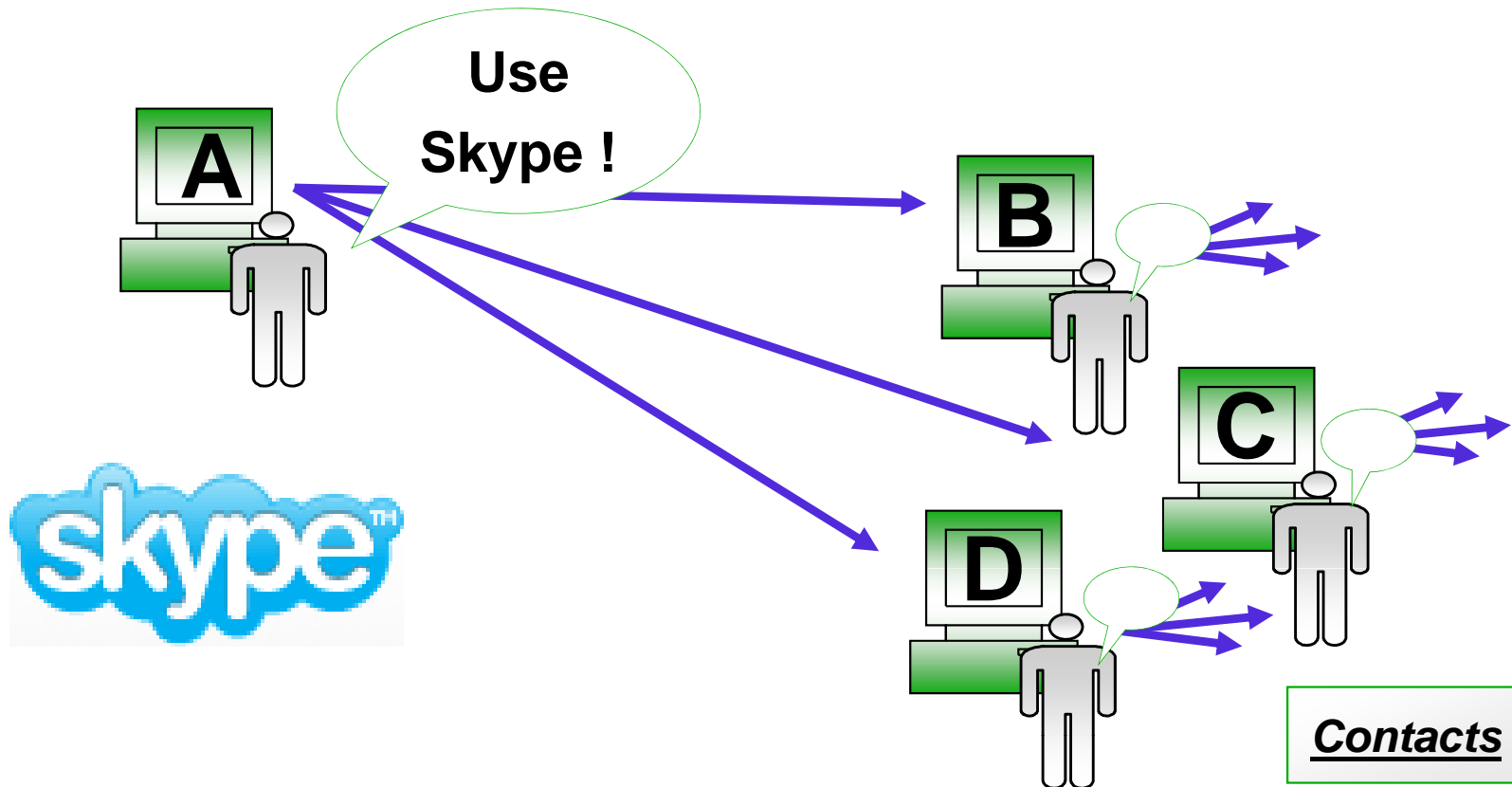
The Customer in our Value Chain

Simply powerful



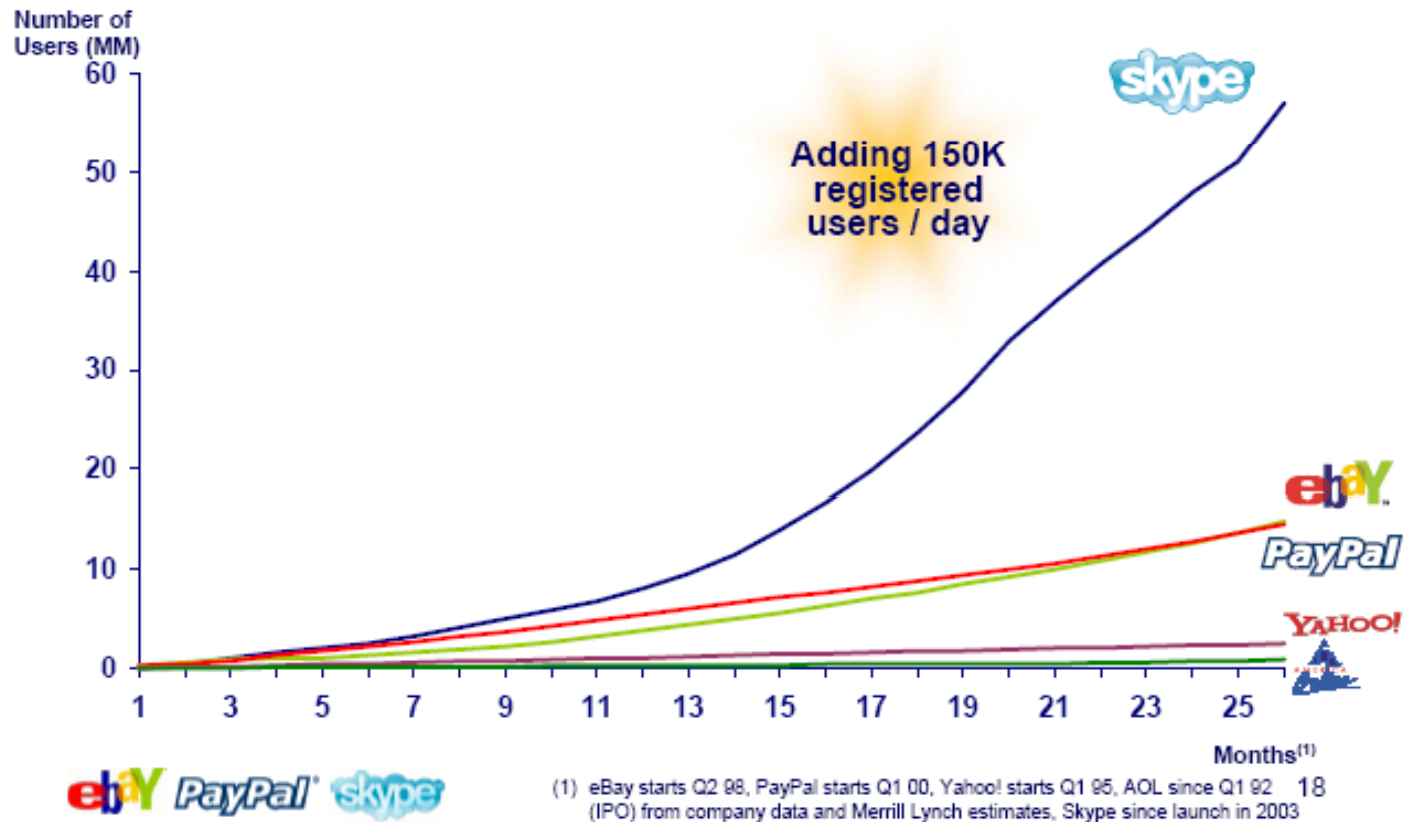
Ecosystem Value: Viral Marketing

**Viral Marketing:
Create a Network by
*Exploiting the networks of your clients***



Skype Viral Marketing

Historic success



Designing Low OPEX, No Capex

POTS 100	Skype2Skype	Skype2POTS 10
Interconx 15		Interconx
Tech Opex 8		Free - VOIP
Other Direct 6	R&D	R&D
A & R gross 17		Free - Customer Financed
Commissions 3		
Opex Mktg 9		
G&A 4	G&A	G&A
EBITDA 38		EBIT

Market Value 2012... from Capital to Eco-System

“New Economy” Companies vs. “Old Economy” Companies

Market Capitalisation April 2012

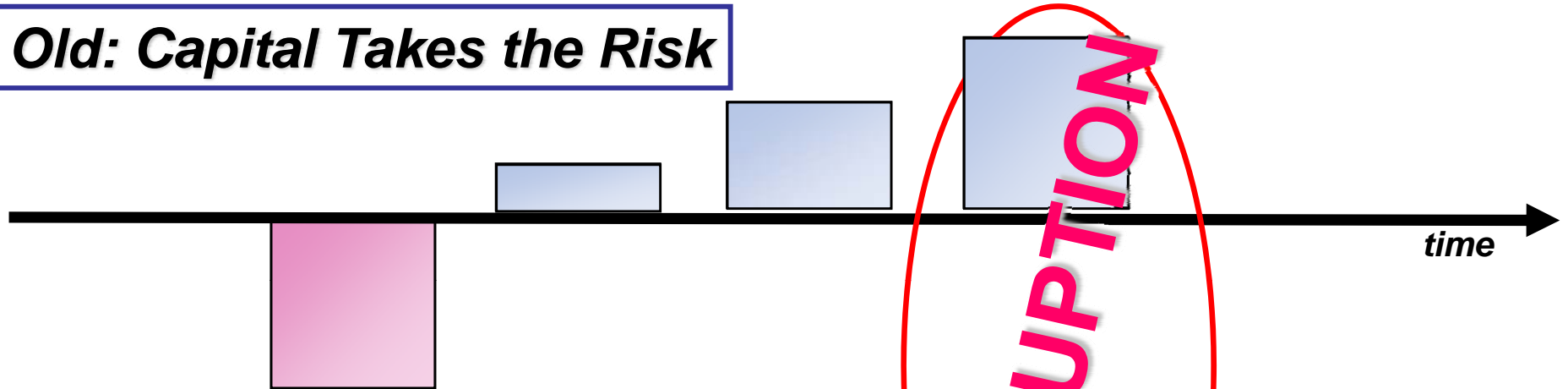
Financial Figures for fiscal 2011 in Millions of Dollars, Employees in thousands

		Revenue	Net Income	Market Cap*	Total Assets	Employees
Old Economy	Ford	136 264	20 213	45 300	178 348	164
	McDonald's	27 006	5 503	99 670	32 990	1 500
	IBM	106 916	15 855	235 630	116 433	433
	General Electric	150 211	11 644	202 410	717 242	301
	Total	420 397	53 215	583 010	1 045 013	2 398
New Economy	Yahoo	4 984	1 063	18 350	14 783	14
	eBay	11 651	3 229	45 780	27 320	28
	Google	37 905	9 737	205 840	72 574	32
	Microsoft	69 943	23 150	262 630	108 704	90
	Total	124 483	37 179	532 600	223 381	164

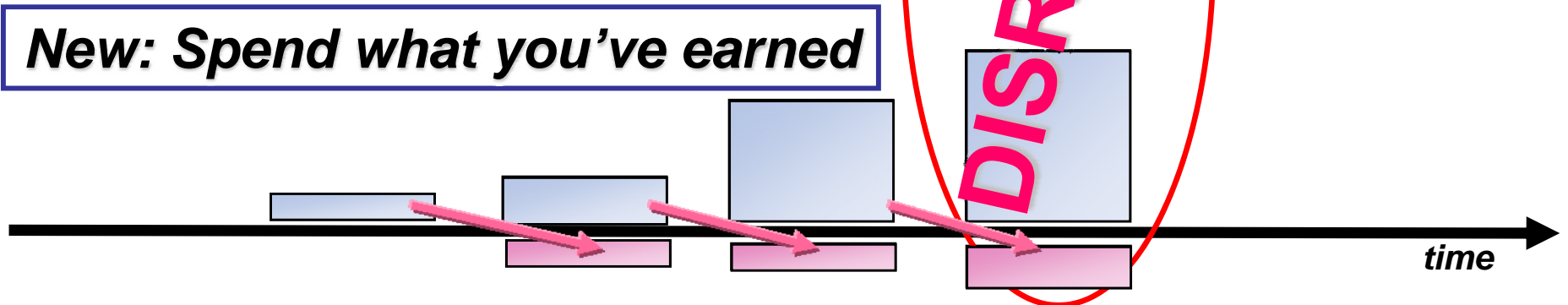
Sources: Financials from companies' 2011 annual reports & 10K; market cap from finance.yahoo.com 5/04/12;
Employees figures from pr, wolphram alpha & annual reports

« Scalability » Economics: Capital does not Pay

Old: Capital Takes the Risk

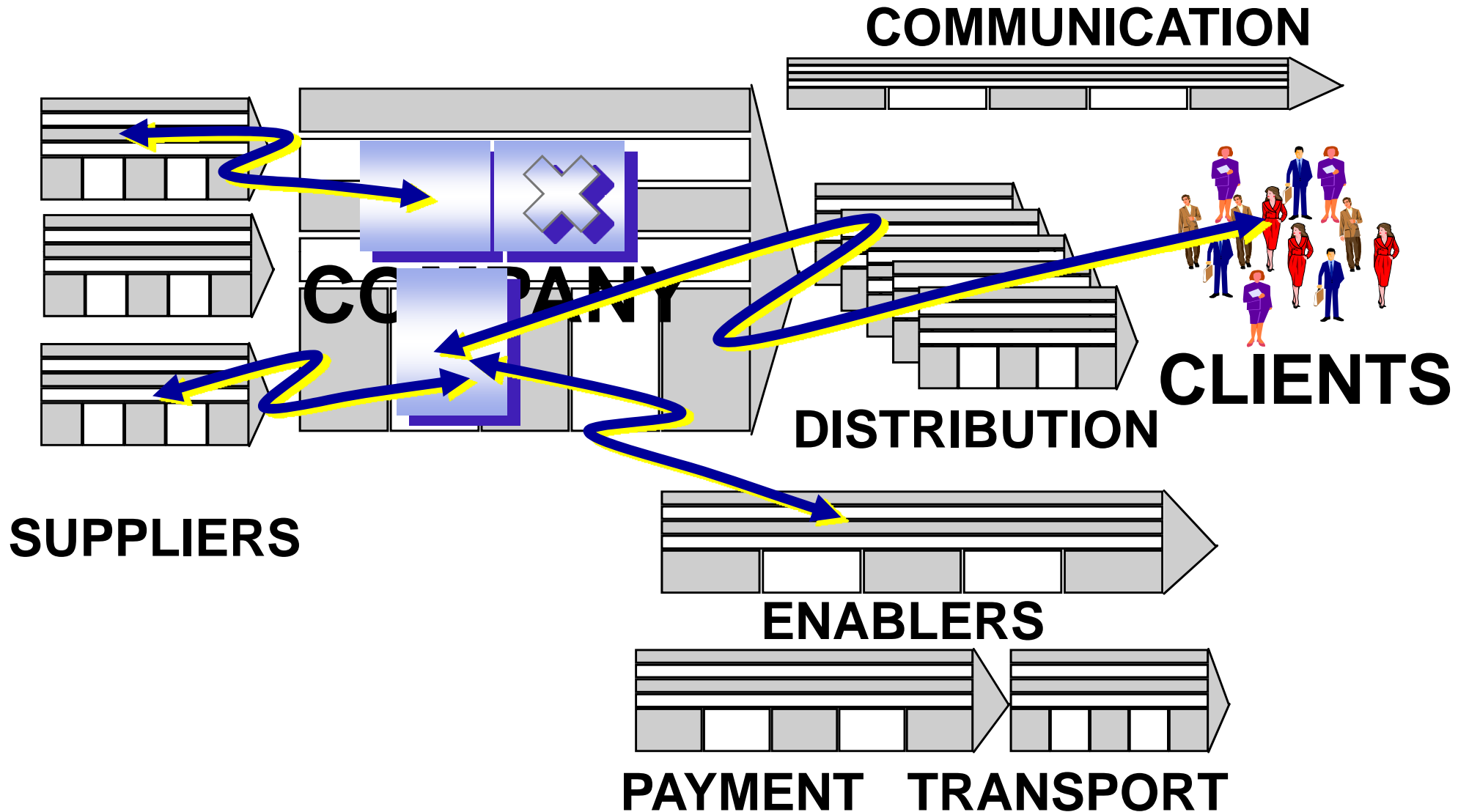


New: Spend what you've earned



**Disruption is an Opportunity Cost,
not Value Destruction**

From Value Chain To Value Constellation



Where's the Value?