

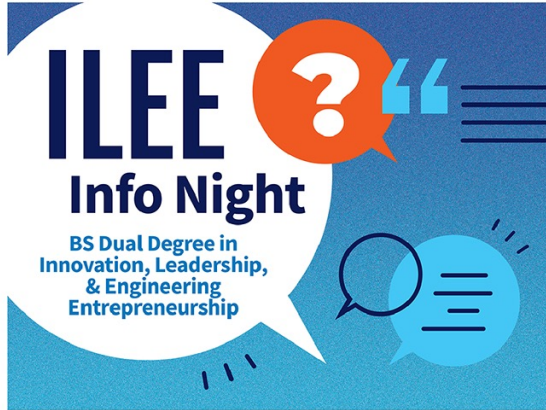
# TE 250: Week 9 Competition & Business Types

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Mark Karassek  
mkarasek@illinois.edu



# Technology Entrepreneur Center



**Tues | Oct 18 | 5-6pm**

**4100 SIDNEY LU MECHANICAL  
ENGINEERING BLDG.**

Hear from advisers & current ILEE students, ask questions, and learn how to apply. Snacks provided!

RSVP: [go.illinois.edu/ilee-info-2](https://go.illinois.edu/ilee-info-2)



## Special SocialFuse Event on Oct 19

Grainger Engineering students: Learn how you can get a \$5,000 scholarship for spending a semester in Chicago and get course credit for working on a startup with UChicago students. RSVP: [go.illinois.edu/socialfuse](https://go.illinois.edu/socialfuse)



**Thurs | Oct 27 | 5-7pm**

**50AB ILLINOIS STREET  
RESIDENCE HALLS**

Come pitch your startup ideas, network, & find teammates. Or, just sit back & check things out!

RSVP: [go.illinois.edu/socialfuse](https://go.illinois.edu/socialfuse)

## International Student Entrepreneurship Workshop



**Fri | Nov 11 | 12:30pm**

**ENTREPRENEURSHIP HUB  
1050 SIEBEL CENTER FOR DESIGN**

Come learn about policies and requirements for pursuing entrepreneurship and starting a business in the U.S. from attorney Matthew Meltzer.

RSVP: [go.illinois.edu/isew](https://go.illinois.edu/isew)





The Illinois Leadership® Center  
Follow us on Instagram @illinoisleadershipcenter



REGISTER **TODAY** FOR THE

*Lunch is provided!*

# Rolls-Royce Innovation

Saturday, December 3, 10am-4pm

I-PROGRAM

Registration closes November 14th

Focuses on skills related to innovation, creativity,  
and diversity of ideas in problem solving...



Scan to learn more!



# Agenda

- Follow up on midterm presentations
- Defining the competition
- Startup Types

# Midterm follow-up

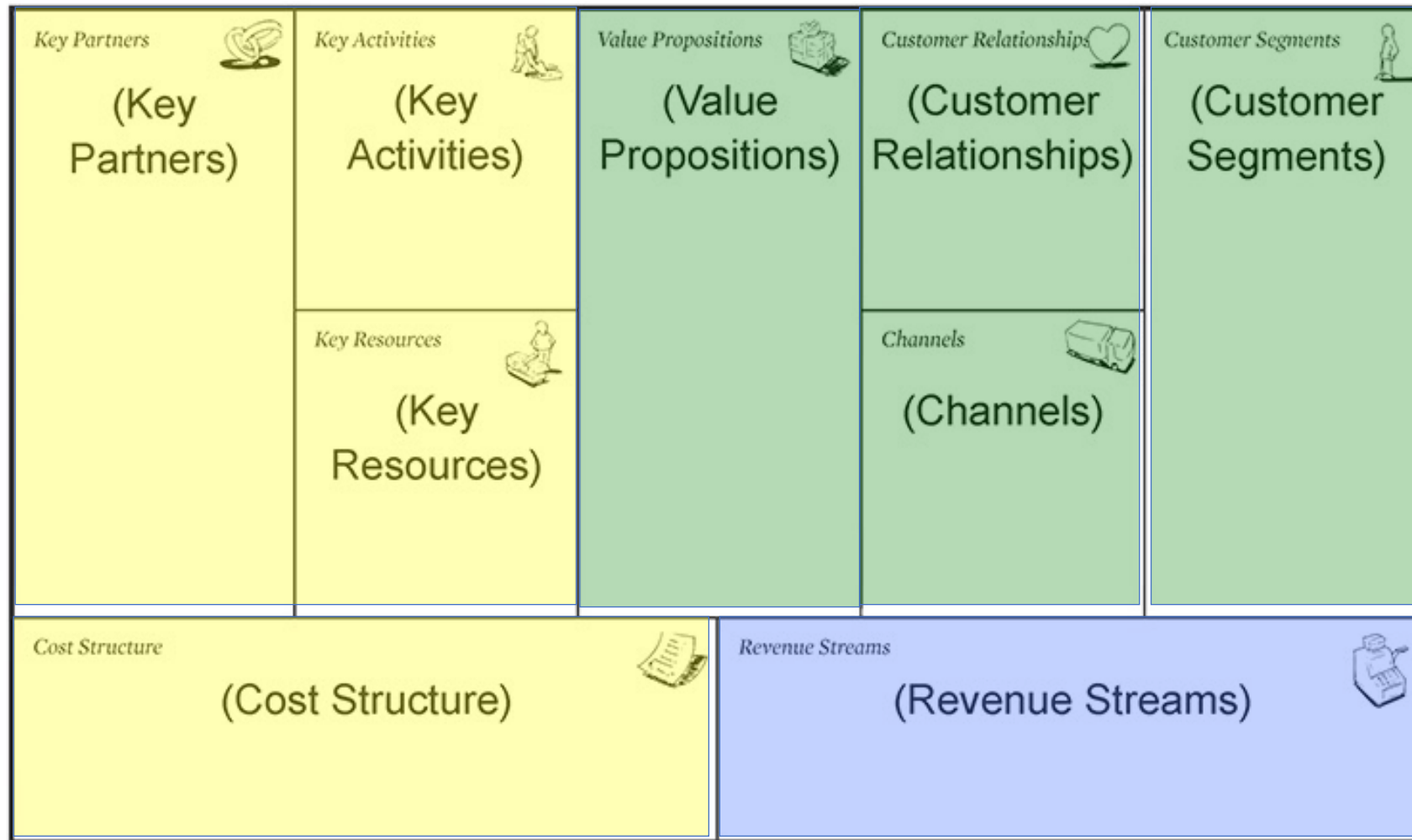
- Everybody did pretty well, but room for improvement before final pitch presentation
- Mostly good peer assessments on teams, but a few issues that teams will need to address
- Basics of presentations
  - Practice
  - Know your timing
  - Bring enthusiasm and energy
  - Know what "story" you are telling the audience
- Thinking about how you present the tools – should follow how you use the tools to support your learning

# Problem Statement Canvas

<b>CONTEXT</b> When does the problem occur? [Type here]	<b>PROBLEM</b> What is the root cause of the problem? [Type here]	<b>ALTERNATIVES</b> What do customers do now to fix the problem? [Type here]
<b>CUSTOMERS</b> Who has the problem most often? [Type here]	<b>EMOTIONAL IMPACT</b> How does the customer feel? [Type here] <b>QUANTIFIABLE IMPACT</b> What is the measurable impact? (include units) [Type here]	<b>ALTERNATIVE SHORTCOMINGS</b> What are the disadvantages of the alternatives? [Type here]

# Week 1

## Business model canvas

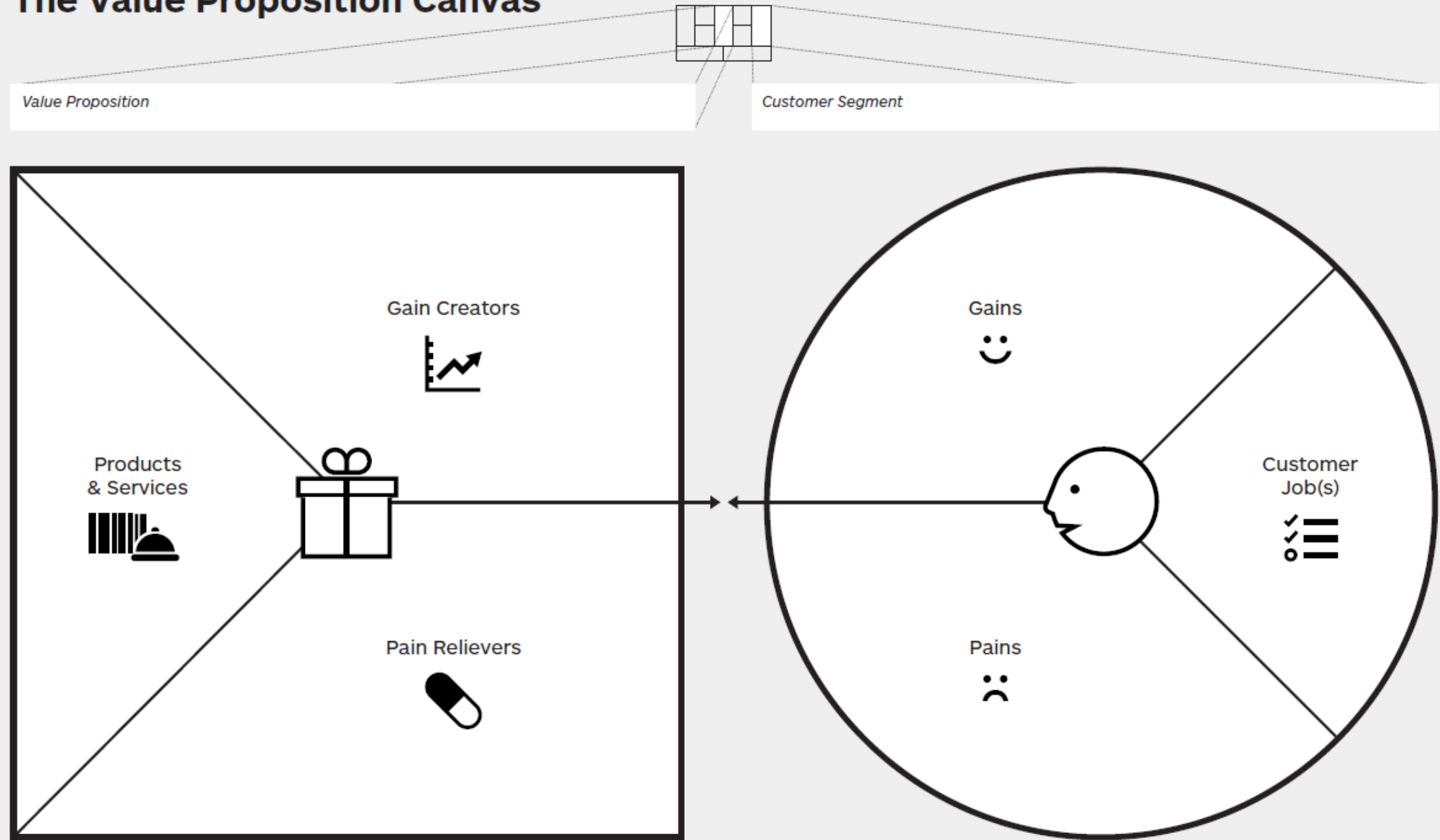


[www.businessmodelgeneration.com](http://www.businessmodelgeneration.com)

The templates here are made available on the same CC license terms as the original canvas.

This model is licensed under the Creative Commons Attribution-ShareAlike 4.0 International license. To learn more, visit [creativecommons.org/licenses/by-sa/4.0/](http://creativecommons.org/licenses/by-sa/4.0/) or a detailed license is located at the bottom of the canvas. (CC) BY SA

# The Value Proposition Canvas

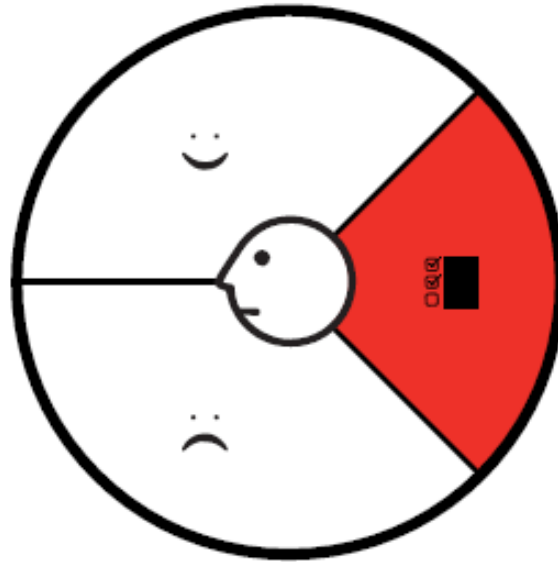




Focus on the right side first

## customer jobs\*

what customers  
are trying to get  
done in their work  
and in their lives

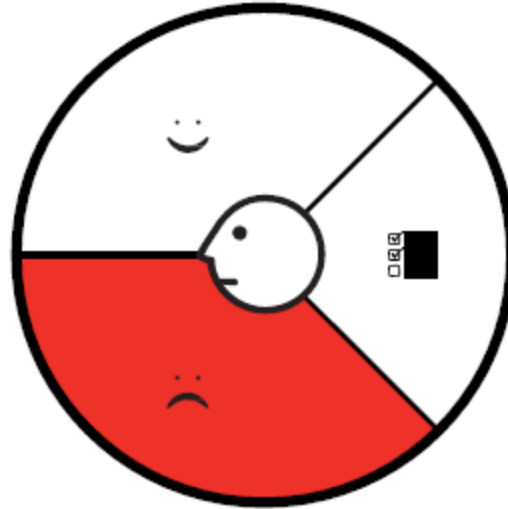


- ✓ Customer A
- ✓ Customer B
- ✓ Customer C
- ✓ Customer D

task to perform, problem to solve, needs to satisfy

## customer pains

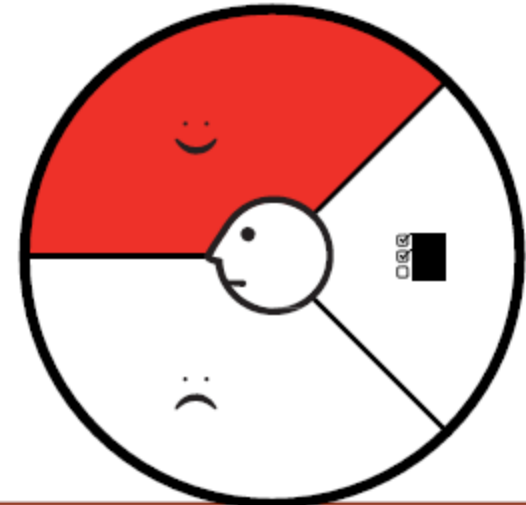
describe bad outcomes, risks, and obstacles related to customer jobs



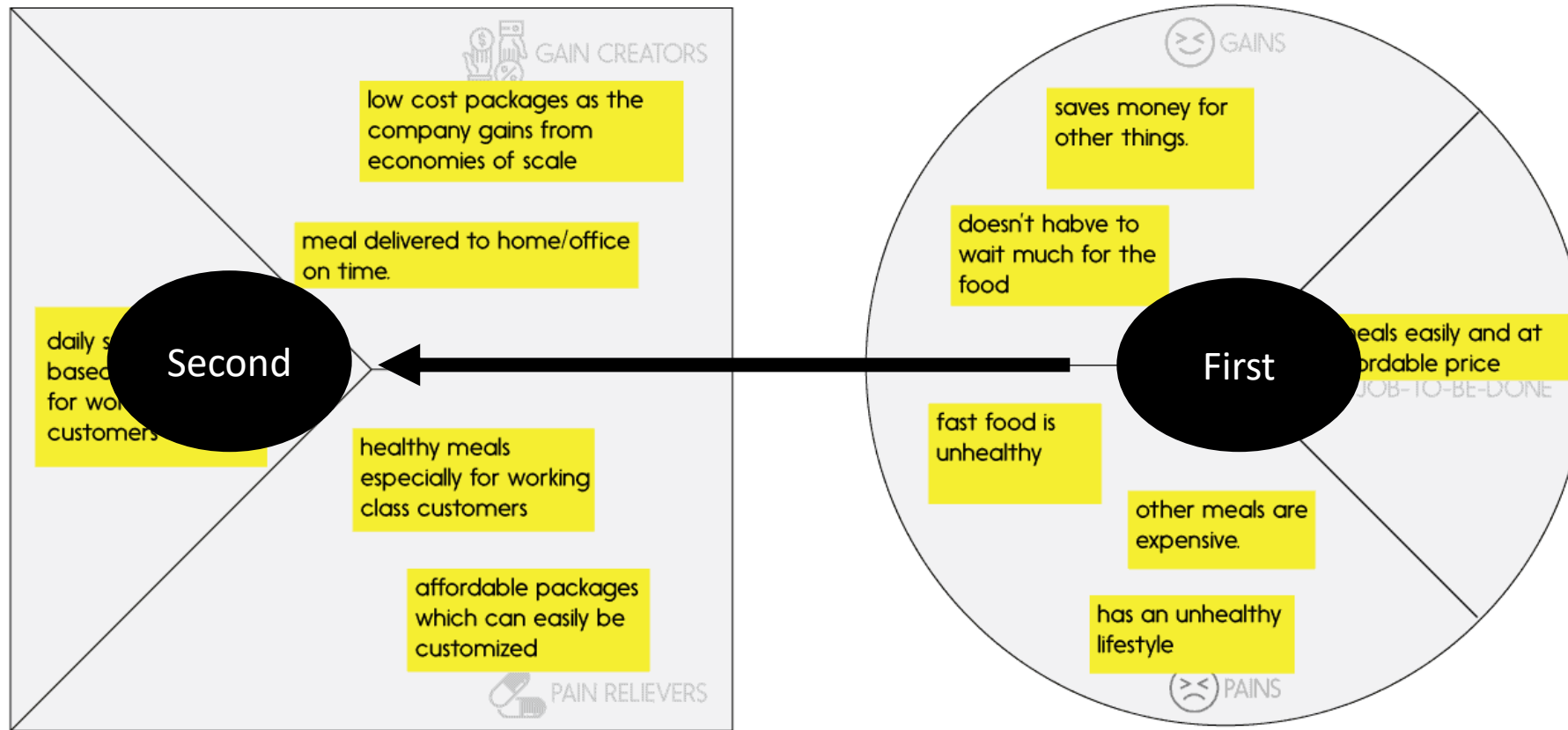
- ✓ Customer A
- ✓ Customer B
- ✓ Customer C
- ✓ Customer D

## customer gains

describe the more or less expected benefits the customers are seeking



# VALUE PROPOSITION CANVAS



Moving to the left side of the VP  
Canvas: It is time to add solution  
thinking to our problem identification



# What is Creativity?

## And what role does it play?



**Imagination → Vision → Creativity → Invention  
→ Innovation**

Imagination is the result of wanting more.

Vision is the ability to see the world the way you want it to be.

Creativity is the ability to use the imagination to develop new ideas, new things, or new solutions.

# Group Creativity Exercises

- Brainstorming Diamond
- Reverse Planning
- **Disney Creative: Dreamer/Realist/Critic**
- Walking Meeting
- Psychological Distancing / Superhero
- SCAMPER

As you complete more interviews,  
start hypothesizing solutions based  
on what you learn.

You will propose a solution in your Final Pitch  
Presentation

Sharing: What process did you use and what solutions did you submit?

# Agenda

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# Defining the competition

# Competition

Every good idea has competition. **Period.**

~~We are the only ones doing X...~~

~~Our solution is novel...~~

# Competition

**One of your biggest competitors will be  
the status quo.**

(also know as doing nothing)

There are a variety of ways to  
document the competitive  
landscape

# Our Company Competitive Analysis

Goodness

Our Company



Our Competitors

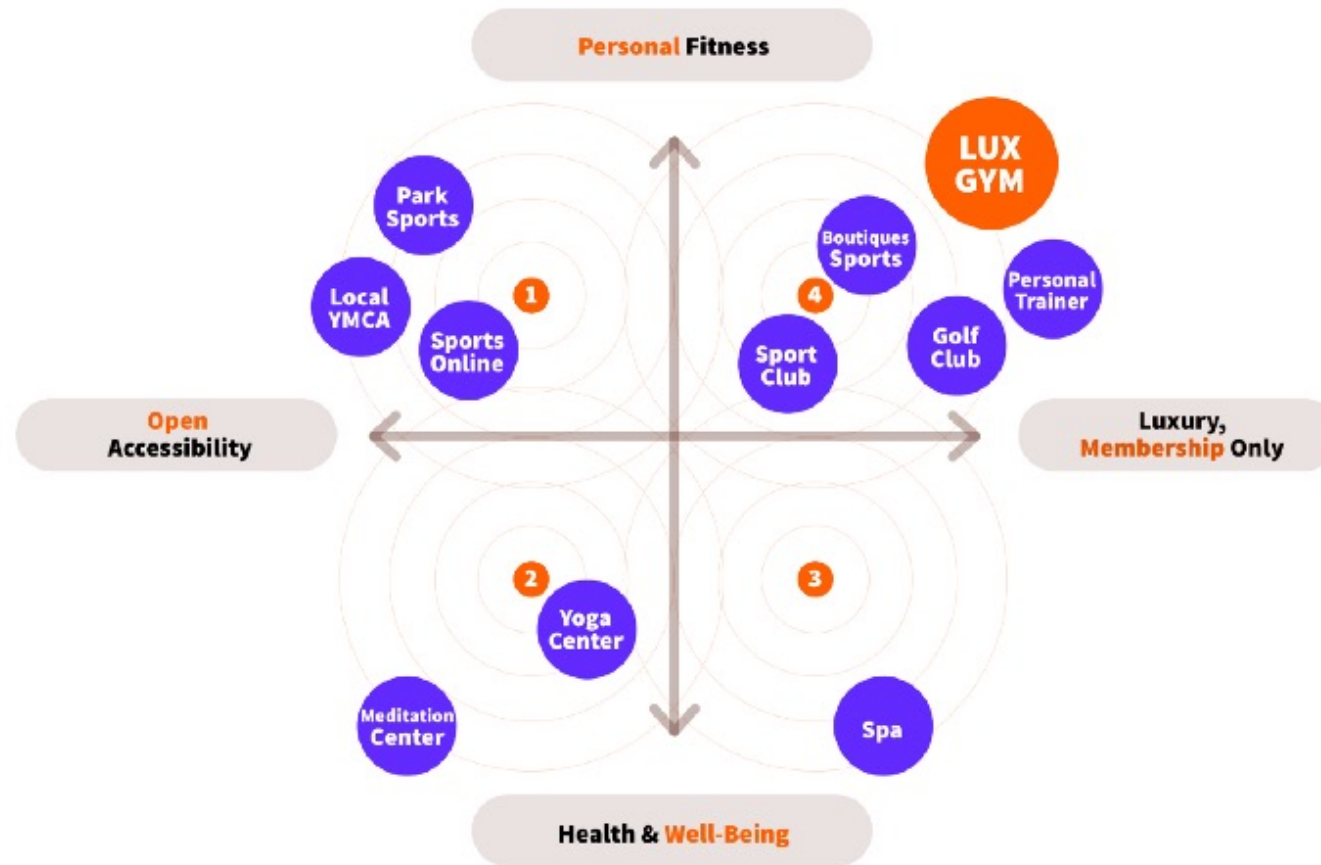


Badness

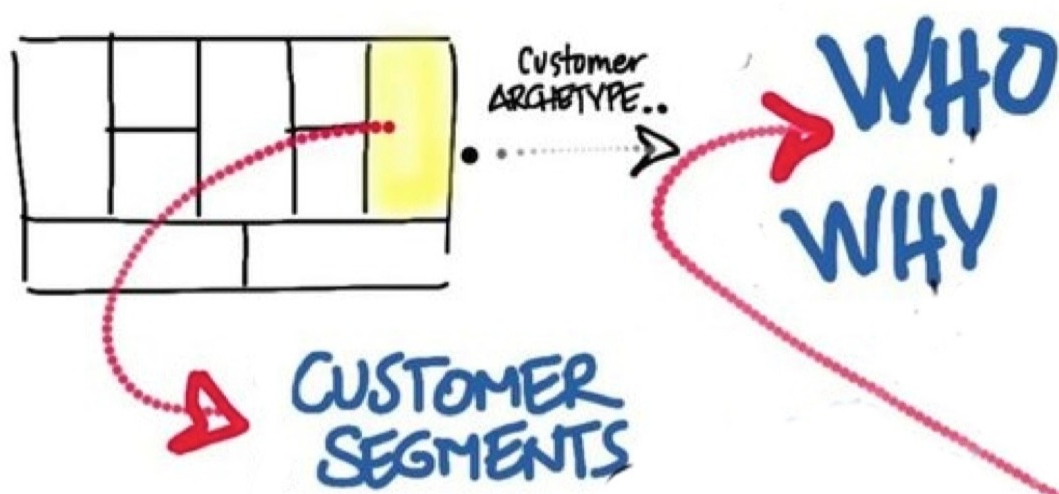
Goodness



# 4 Quadrant Chart

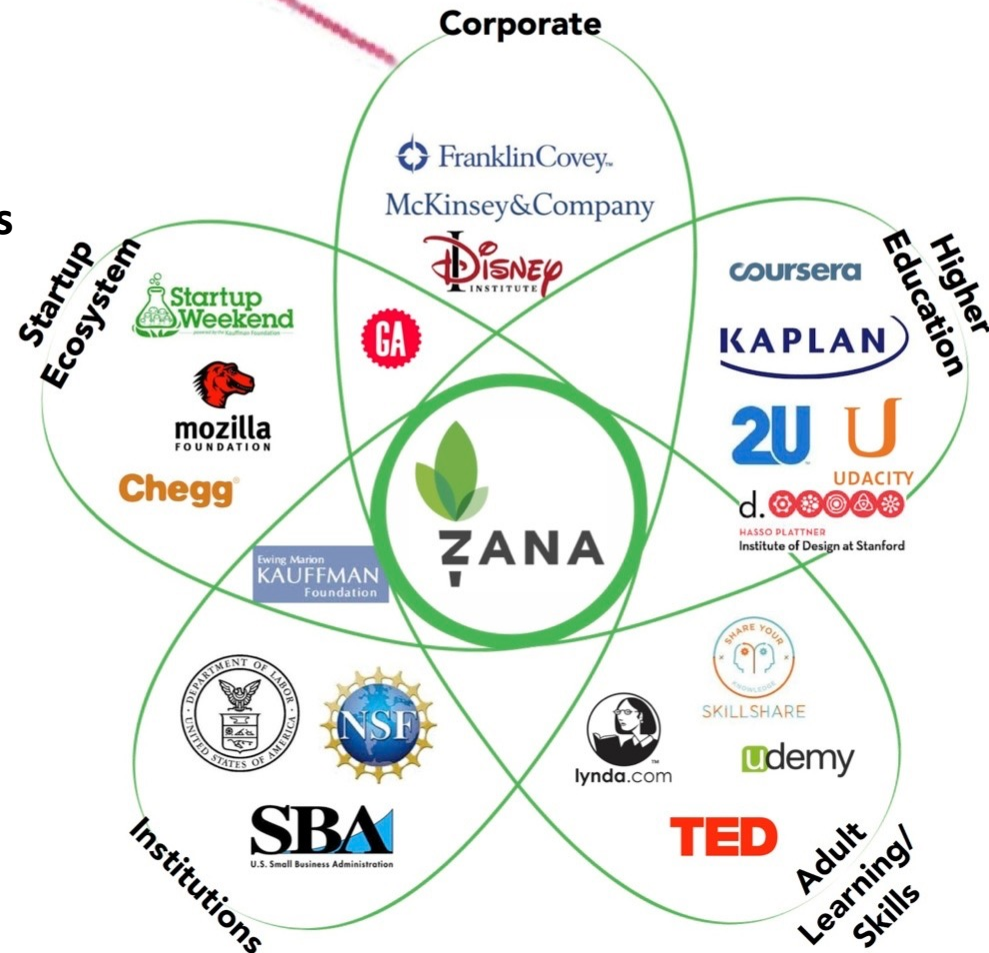


# Petal Diagram approach

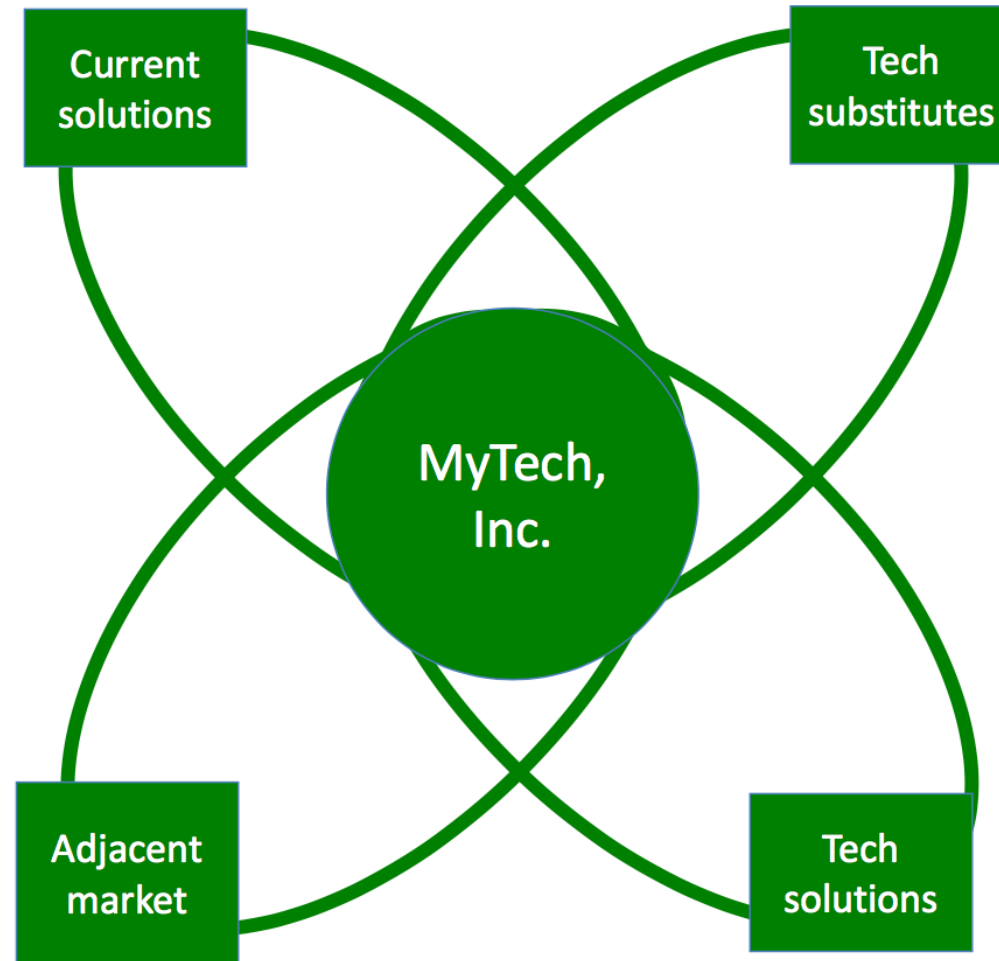


The Petal Diagram drives your business model canvas.

- X/Y competitive graphs are appropriate in an existing market
- Mapping potential competitors in new or resegmented markets requires a different view
- The competitive diagram is how you develop your first hypotheses about who your customers are

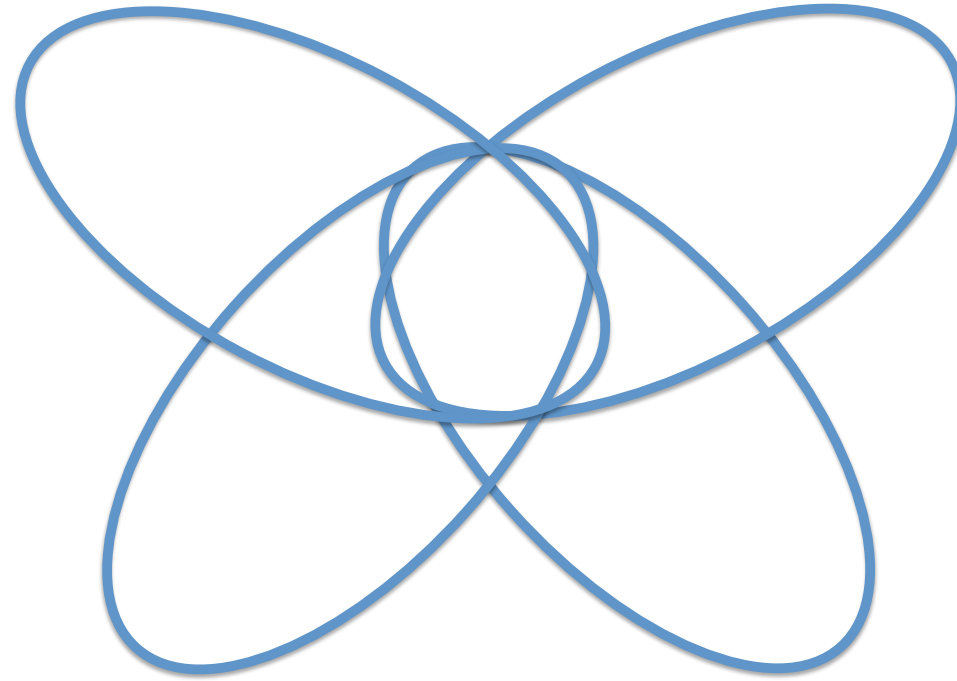


# Petal Diagram



Petal Diagram: Competitive Landscape

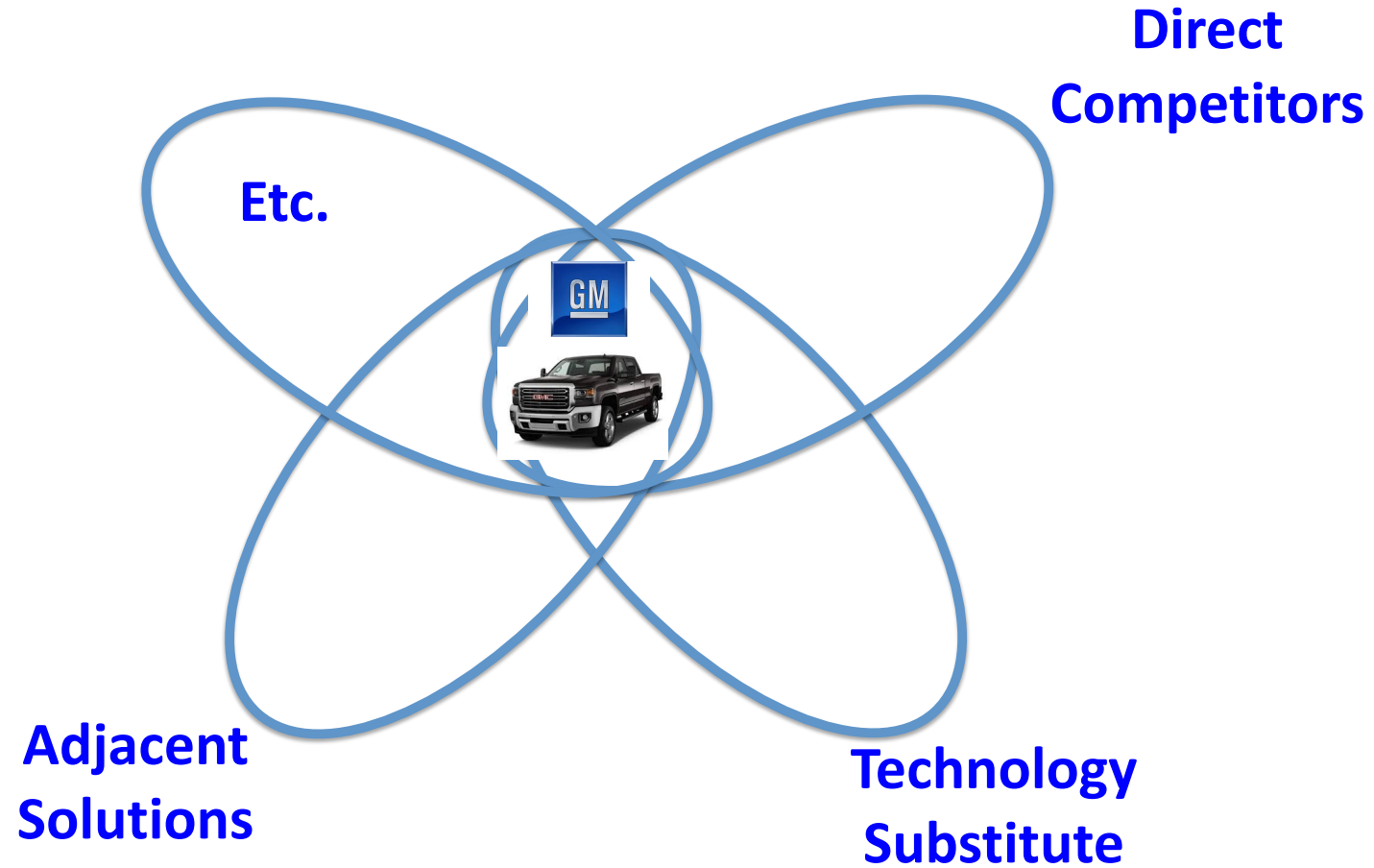
# Transportation





# Petal Diagram: Competitive Landscape

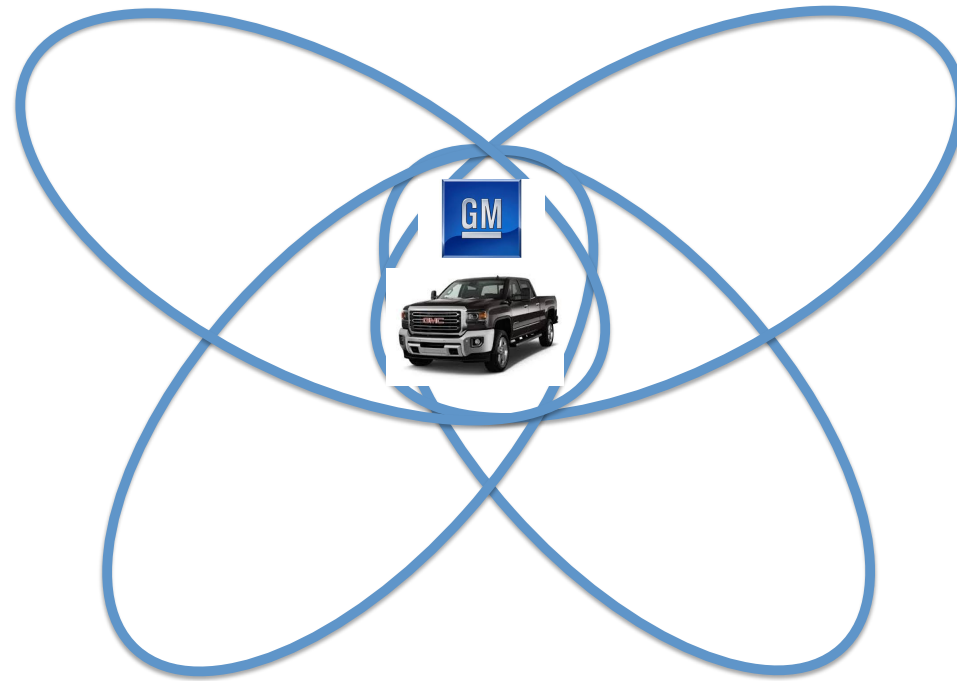
Passenger Vehicles, Light Duty Luxury Pick Up Trucks



# Petal Diagram: Competitive Landscape

## Passenger Vehicles, Light Duty Luxury Pick Up Trucks

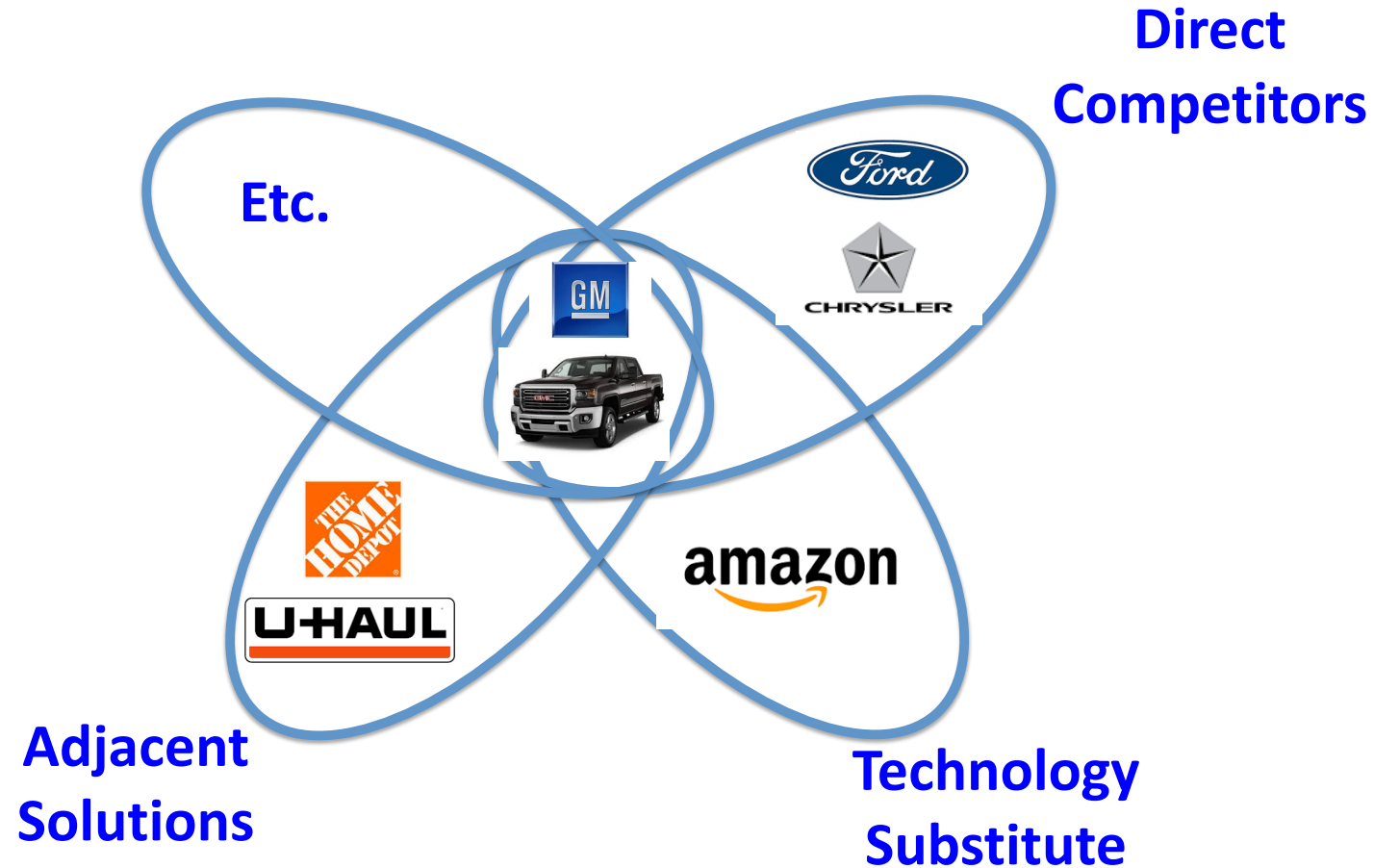
Transportation



Customer Segment: Weekend Home Renovation Warrior  
Value Proposition: "Haul stuff back from Home Depot"

# Petal Diagram: Competitive Landscape

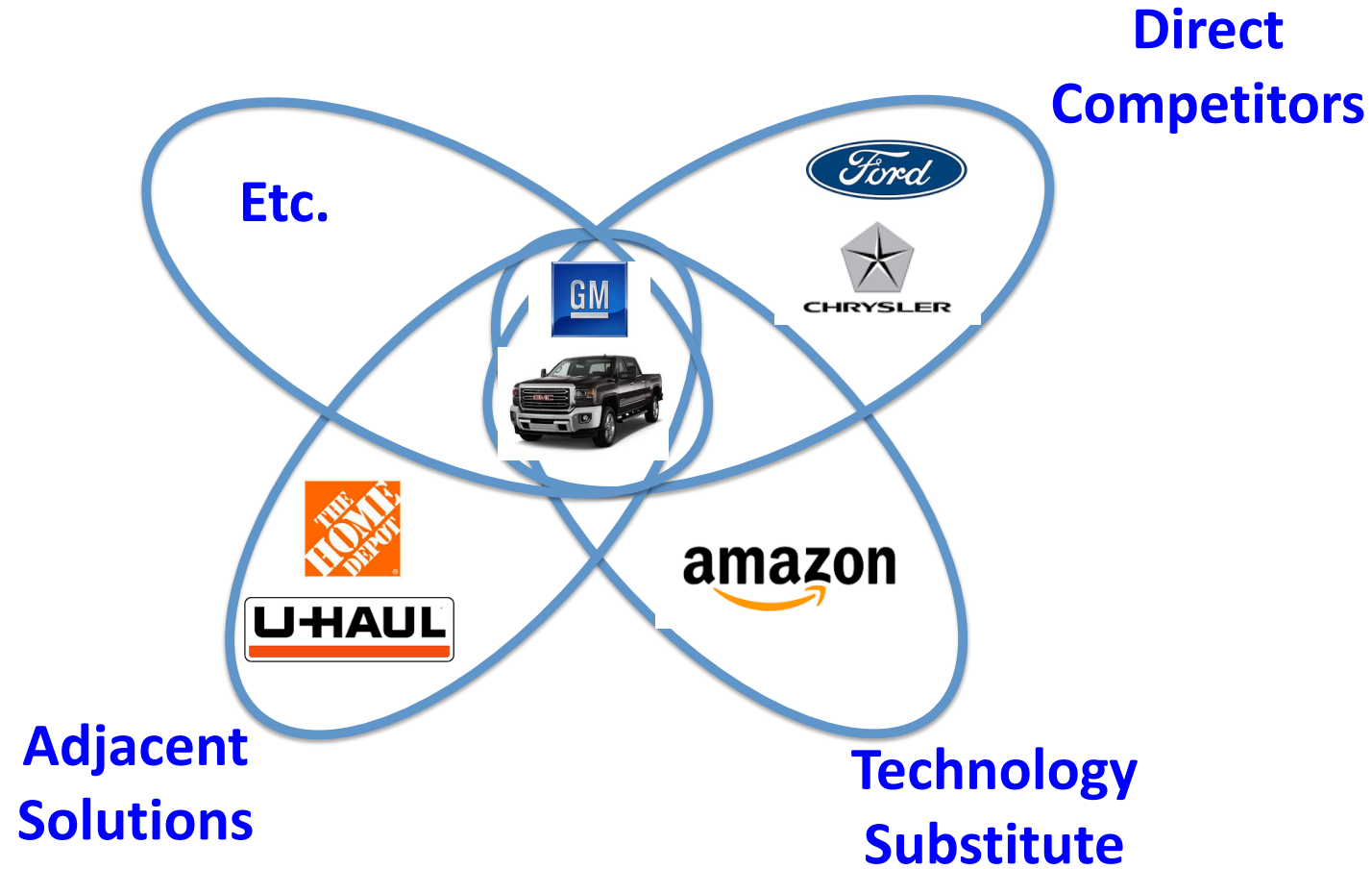
## Passenger Vehicles, Light Duty Luxury Pick Up Trucks



Value Proposition: "Haul stuff back from Home Depot"

# Petal Diagram: Competitive Landscape

## Passenger Vehicles, Light Duty Luxury Pick Up Trucks



Value Proposition: “Haul stuff back from Home Depot”

Once you identify the competitive landscape, then you need to define your position...

# SWOT Analysis



# SWOT Analysis

	Pros	Cons
Internal Factors	<b>Strengths</b> Expertise in develop./manuf. of biologic drugs. High margins, limited competition	<b>Weaknesses</b> Inability to discover novel therapeutics to avoid declines in revenue
External Factors	<b>Opportunities</b> Expand to new geographies, indications, and formulations	<b>Threats</b> Competition from follow-on biologics and pricing pressures

SWOT Analysis for Amgen

# Breakout activity

Build a pedal diagram for Shake Box

Health protein shakes from a vending machine

Targeted at busy students on college campuses with few healthy alternative for a quick meal

Competes with food trucks, fast food restaurants, vending machines, convenience stores, delivery services, food delivery, and subscription food services.





# Defining the enterprise

# Culture – six components

## 1. Vision

Articulated in mission statement

- a. defines purpose
- b. orients employee behavior

**Life  
is Good<sup>®</sup>**

***SPREADING THE POWER OF  
OPTIMISM***





## Patagonia's Mission Statement

*Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.*





**AMERICAN  
EXPRESS**



**AMERICAN EXPRESS®**

## **VALUES AND CULTURE**

### **Our Blue Box Values**

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At American Express®, we have a mission to be the world's most respected service brand. To do this, we have established a culture that supports our team members, so they can provide exceptional service to our customers.

**I ILLINOIS**



## WARBY PARKER

eyewear



Warby Parker was founded with a rebellious spirit and a lofty objective: to offer designer eyewear at a revolutionary price, while leading the way for socially-conscious businesses.



# Honest<sup>®</sup> tea



## Mission Statement

Honest Tea seeks to create and promote great-tasting, healthier, organic beverages. We strive to grow our business with the same honesty and integrity we use to craft our products, with sustainability and great taste for all.



**I** ILLINOIS





## Our vision and business idea

At IKEA our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.



# NORDSTROM

## **NORDSTROM'S COMMITMENT**

In store or online, wherever new opportunities arise, Nordstrom works relentlessly to give customers the most compelling shopping experience possible. The one constant? John W. Nordstrom's founding philosophy: offer the customer the best possible service, selection, quality and value.

# Culture

## 2. Values

Offers guidelines on behaviors & mindset  
required to achieve vision

Authenticity > Originality



## Google Code of Conduct

### Preface

"Don't be evil." Googlers generally apply those words to how we serve our users. But "Don't be evil" is much more than that. Yes, it's about providing our users unbiased access to information, focusing on their needs and giving them the best products and services that we can. But it's also about doing the right thing more generally – following the law, acting honorably and treating each other with respect.

#####

## Alphabet Code of Conduct

### Preface

Employees of Alphabet and its subsidiaries and controlled affiliates ("Alphabet") should do the right thing – follow the law, act honorably, and treat each other with respect.



### **Ten things we know to be true**

- 1.Focus on the user and all else will follow.
- 2.It's best to do one thing really, really well.
- 3.Fast is better than slow.
- 4.Democracy on the web works.
- 5.You don't need to be at your desk to need an answer.
- 6.You can make money without doing evil.
- 7.There's always more information out there.
- 8.The need for information crosses all borders.
- 9.You can be serious without a suit.
- 10.Great just isn't good enough.

# Culture

## 3. Practices

The enshrinement of values

If a company says, “people are our greatest asset,” it should be prepared to invest in employees in visible ways.



# Wegmans

2019 #3 Fortune 100  
Best Places to Work

What employees are saying:

“I truly feel that Wegmans is a company where employees can follow the American Dream. We're given endless opportunities to learn and grow. It's a place where those who seek to build a career for themselves while following their passions can do so.”

*15 applicants per job opening*  
*94% employee satisfaction*

The booming family-owned grocery chain spends more than \$50 million a year on training and development for its massive workforce, and is one of the few grocers to help defray school costs—this year it awarded \$5 million in tuition assistance. “It’s nice to work for a company that keeps giving instead of taking away,” says one employee.



# Culture

## 4. People

Must share core values → stringent recruiting

Firms with cultural alignment have 30% less turnover

Fit > Talent

# Culture

## 5. Narrative

A company's story  
...it's history  
...it's heritage  
...it's roots

Even more powerful as part of a firm's ongoing culture



# Company Museums



# Culture

## 6. Place

Seek congruency

- a. Geography – industry clusters, customs
- b. Architecture – office layout
- c. Aesthetic Design – décor





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COMPUTER FORMS

Box 1

11-3-97

MO-TECH

MO-TECH  
Technical Institute



# Why form a business?

1. Liability
2. Legacy

# Liability

- Businesses can be set up to be distinct from their owner(s)
- If set up correctly, actions taken on behalf of the biz do not expose owners to liability

# Legacy

- Businesses can evolve
- ...change hands
- ...live *forever!*

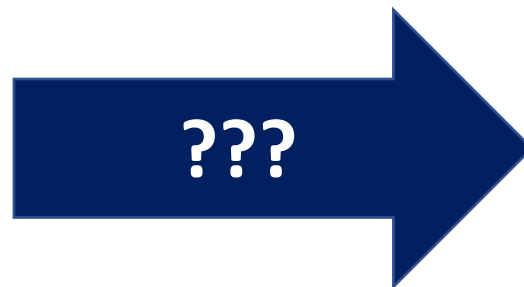


# NOKIA



**I** ILLINOIS







## Company Profile

Name	Kongo-Gumi Co.,Ltd.
Head Office	1-14-29 Shitennoji, Tennoji-ku, Osaka
Founded	578 (Asuka Era, Year 6 under Bidatsu Emperor, 30th Emperor of Japan)
Business	Design and construction of shrines and temples, restoration and repair of cultural heritage buildings.

# Additional Benefits

- Legal tax shelter
- Operational structure
- Image / Perception
- Ability to raise capital

# When is the right time to form?

- No sooner than is necessary
  - Capital
  - Award
  - IP assignment
- Upon agreement for a larger group
  - To prevent renegotiation

# Considerations

- Legal liability
- Tax implications
- Formation & admin costs
- Flexibility
- Future needs

# Entity Types

1. Sole Proprietorship
2. Partnership
  - LP, LLP, LLLP
3. Corporation (Inc., Co. or Corp.)
  - Subchapter S Corp.
  - C-Corp.
    - Not For Profit
  - Benefit Corp
4. Limited Liability Company
  - Single Member LLC
  - L3C
  - LLP, LLLP

# Entity Types

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# Not-for-profits

An organization that uses surplus revenues to further achieve its purpose or mission, instead of distributing to stakeholders

- 501(c)3 of tax code
- Organizations:
  1. Charitable
  2. Religious
  3. Educational
  4. Recreational
- Contributions are tax deductible
- Not for profit  $\neq$  Not Profitable
- *Not for profit is a tax designation, not a way of doing business*





	<b>Sole Proprietorship</b>	<b>General Partnership</b>	<b>S Corporation</b>	<b>C Corporation</b>	<b>Limited Liability Company</b>	<b>Single Member Limited Liability Company</b>
<b>Liability (Limited v. Personal)</b>	An individual carrying on a business for profit.	Association of two or more co-owners carrying on a business for profit.	Limited liability for shareholders even if they participate in management.	Limited liability for shareholders even if they participate in management.	Combines limited liability provided by a corporation with pass through partnership tax treatment.	Limited liability for owners makes it a better choice than sole proprietorship unless cost of formation or maintenance is a controlling factor.
	Unlimited personal liability for the owner.	Partners have unlimited personal liability for partnership debts.				
<b>Tax Implications</b>	Single level of income tax.	Pass through tax treatment (partnership files form 1065 but all income and expenses pass through to individual partners on Schedule K-1).	Pass through tax treatment under most circumstances but not as complete as for the LLC.	Tax at both corporate and shareholder level - this double tax can be avoided to some extent by payment of reasonable salaries to shareholders in exchange for services actually rendered.	LLC files a partnership tax return (form 1065) with all income and expenses being passed through to individual owners of the LLC on a K-1.	Disregarded entity from an income tax perspective all income and expenses are reported on the sole member's tax return and no income tax return need be filed by the LLC.
	All income and expenses reported on Schedule C of the owner's 1040.					

	<b>Sole Proprietorship</b>	<b>General Partnership</b>	<b>S Corporation</b>	<b>C Corporation</b>	<b>Limited Liability Company</b>	<b>Single Member Limited Liability Company</b>
<b>Complexity of Formation and Management</b>	Relatively simple to start.	Relatively easy to start - partnership agreement is typically entered into but is not legally required.	Formation steps include filing Articles of Incorporation with the Secretary of State, filing Sub S election with the IRS, adoption of Bylaws and, usually, adoption of a Shareholder (buy-sell) Agreement.	Formation similar to S corp except Sub S election not filed with IRS.	Formation steps include filing articles of organization with the Secretary of State, contributing an appropriate amount of capital, and adopting an operating agreement.	Formation process similar to multiple-member LLC except that the operating agreement will likely be less complex.
	If business conducted other than under the name of the sole proprietor, assumed name publication needed.	Managed by the partners or as described in the partnership agreement.		Typically required for publicly traded corporations, businesses that require venture capital, or if a broad based stock option program is utilized.	Can be managed by the members or, more often, by managers selected by the members. Can also elect officers.	In addition to circumstances where a sole proprietorship would be considered, a single-member LLC is often used by a corporation or LLC as a subsidiary to insulate the liability associated with a particular line of business.
	Managed by the sole proprietor.	Problem: Any partner can bind the partnership.			Self-employment tax treatment may be less favorable than for S corp.	

	Sole Proprietorship	General Partnership	S Corporation	C Corporation	Limited Liability Company	Single Member Limited Liability Company
<b>Capital - Effect on Ability to Raise Capital through Angel Investment, VC or IPO</b>	Any transfer of the business would be of the underlying assets as opposed to a transfer of shares in the business.	Ability to raise capital is limited since most investors would prefer to invest in an entity offering limited liability.	Limit of 100 shareholders, only one class of stock is allowed, difference in voting rights is allowed, partnerships and corporations cannot be shareholders, only U.S. citizens and residents may be shareholders.	No limits on type or number of shareholders, different classes of stock allowed (common and preferred) thus enabling different priority for return of capital.	No limitation on the number of members, no limitation on who may invest, treatment of gain on distribution of appreciated property more favorable, different classes of ownership are allowed so there is the flexibility to provide for a priority return of capital to investors.	Outside investment allowed only if converted to a multi-member LLC.
	Capital needs - addressed through loan to sole proprietor.	LLC is almost always the better choice if partnership tax treatment is the goal.	Is easier to convert S corp to C corp than it is LLC to C corp in event venture capital is sought.	If venture capital is being sought, incorporation should be in the state of Delaware.	Often used to own commercial real estate.	

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# Getting ready for Week 10

- Week 9 Team Assignment – Create a petal diagram for your TE250 startup
- Week 9 Individual Assignment – Create a petal diagram for the assigned startup
- Should be accumulating interviews and documenting them on the tracker. How are they impacting your vision for a solution?
- Topics still to be covered:
  - Week 10: Market segmentation and sizing
  - Week 11: Venture formation
  - Week 12: Intellectual Property, finance and venture investing
  - Week 13: Making a pitch
  - Week 14/15: Pitching