TE 250: Week 9
Competition &
Business Types

Mark Karassek
mkarasek@illinois.edu
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

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

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

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

Learn about these events and more at tec.illinois.edu
REGISTER TODAY FOR THE

Rolls-Royce Innovation

Saturday, December 3, 10am-4pm
Registration closes November 14th

Lunch is provided!

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

<table>
<thead>
<tr>
<th>CONTEXT</th>
<th>PROBLEM</th>
<th>ALTERNATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>When does the problem occur?</td>
<td>What is the root cause of the problem?</td>
<td>What do customers do now to fix the problem?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CUSTOMERS</th>
<th>EMOTIONAL IMPACT</th>
<th>ALTERNATIVE SHORTCOMINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who has the problem most often?</td>
<td>How does the customer feel?</td>
<td>What are the disadvantages of the alternatives?</td>
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<table>
<thead>
<tr>
<th>QUANTIFIABLE IMPACT</th>
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<tr>
<td>What is the measurable impact? (include units)</td>
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[Type here]
Week 1
Business model canvas
Focus on the right side first
customer jobs*

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

-task to perform, problem to solve, needs to satisfy

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

**First**
- saves money for other things.
- doesn’t have to wait much for the food.
- eats easily and at an affordable price.
- fast food is unhealthy.
- other meals are expensive.
- has an unhealthy lifestyle.

**Second**
- low cost packages as the company gains from economies of scale.
- meal delivered to home/office on time.
- healthy meals especially for working class customers.
- affordable packages which can easily be customized.

**Pain Relievers**
- daily stress based on meal for working customers.

**Gains**
- daily savings based on meal for working customers.
- meals easily and at an affordable price.
- fast food is unhealthy.
- other meals are expensive.
- has an unhealthy lifestyle.

**Gain Creators**
- low cost packages as the company gains from economies of scale.
- meal delivered to home/office on time.
- healthy meals especially for working class customers.
- affordable packages which can easily be customized.
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

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

https://bootcamp.uxdesign.cc/how-to-develop-a-4-quadrant-competitive-business-matrix-cbm-in-ux-research-a5f4e9eb6380e
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

Direct Competitors
Adjacent Solutions
Technology Substitute
Etc.
Petal Diagram: Competitive Landscape
Passenger Vehicles, Light Duty Luxury Pick Up Trucks

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

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>things you do well to set you apart from competitors, such as state of the art technology</td>
<td>areas in which you need to improve, such as lack of funding for promotion</td>
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<table>
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<tr>
<th>Opportunities</th>
<th>Threats</th>
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</thead>
<tbody>
<tr>
<td>factors that can benefit your business, such as a competitor closing or favorable regulations</td>
<td>factors that can hurt your business, such as a competitor entering the market or a price increase from your supplier</td>
</tr>
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</table>

<table>
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<tr>
<th>How Maximize?</th>
<th>How Reduce?</th>
</tr>
</thead>
</table>
SWOT Analysis

**Strengths**
Expertise in develop./manuf. of biologic drugs. High margins, limited competition

**Opportunities**
Expand to new geographies, indications, and formulations

**Weaknesses**
Inability to discover novel therapeutics to avoid declines in revenue

**Threats**
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
Patagonia’s Mission Statement

Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.
Our Blue Box Values

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.
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.
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.
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.
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
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!
## Company Profile

<table>
<thead>
<tr>
<th>Name</th>
<th>Kongo-Gumi Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office</td>
<td>1-14-29 Shitennoji, Tennoji-ku, Osaka</td>
</tr>
<tr>
<td>Founded</td>
<td>578 (Asuka Era, Year 6 under Bidatsu Emperor, 30th Emperor of Japan)</td>
</tr>
<tr>
<td>Business</td>
<td>Design and construction of shrines and temples, restoration and repair of cultural heritage buildings.</td>
</tr>
</tbody>
</table>
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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   • LLP, LLLP
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 ≠ Not Profitable

➢ Not for profit is a tax designation, not a way of doing business
<table>
<thead>
<tr>
<th></th>
<th>Sole Proprietorship</th>
<th>General Partnership</th>
<th>S Corporation</th>
<th>C Corporation</th>
<th>Limited Liability Company</th>
<th>Single Member Limited Liability Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liability</strong></td>
<td>An individual carrying on a business for profit.</td>
<td>Association of two or more co-owners carrying on a business for profit.</td>
<td>Limited liability for shareholders even if they participate in management.</td>
<td>Limited liability provided by a corporation with pass through partnership tax treatment.</td>
<td>Limited liability for owners makes it a better choice than sole proprietorship unless cost of formation or maintenance is a controlling factor.</td>
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<tr>
<td><strong>Unlimited personal liability for the owner.</strong></td>
<td>Partners have unlimited personal liability for partnership debts.</td>
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<tr>
<td><strong>Tax Implications</strong></td>
<td>Single level of income tax.</td>
<td>Pass through tax treatment (partnership files form 1065 but all income and expenses pass through to individual partners on Schedule K-1).</td>
<td>Pass through tax treatment under most circumstances but not as complete as for the LLC.</td>
<td>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.</td>
<td>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.</td>
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<td></td>
<td>All income and expenses reported on Schedule C of the owner’s 1040.</td>
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<tr>
<td>Complexity of Formation and Management</td>
<td>Sole Proprietorship</td>
<td>General Partnership</td>
<td>S Corporation</td>
<td>C Corporation</td>
<td>Limited Liability Company</td>
<td>Single Member Limited Liability Company</td>
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<tr>
<td>Relatively simple to start.</td>
<td></td>
<td>Relatively easy to start - partnership agreement is typically entered into but is not legally required.</td>
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</tr>
<tr>
<td>If business conducted other than under the name of the sole proprietor, assumed name publication needed.</td>
<td>Managed by the partners or as described in the partnership agreement.</td>
<td></td>
<td></td>
<td></td>
<td>Formation steps include filing Articles of Incorporation with the Secretary of State, filing Sub S election with IRS.</td>
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</tr>
<tr>
<td>Managed by the sole proprietor.</td>
<td>Problem: Any partner can bind the partnership.</td>
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<tr>
<td></td>
<td></td>
<td>Formation similar to S corp except Sub S election not filed with IRS.</td>
<td></td>
<td></td>
<td>Formation process similar to multiple-member LLC except that the operating agreement will likely be less complex.</td>
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<td>Can be managed by the members or, more often, by managers selected by the members.</td>
<td>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.</td>
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<tr>
<td>Capital - Effect on Ability to Raise Capital through Angel Investment, VC or IPO</td>
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<tr>
<td><strong>Sole Proprietorship</strong></td>
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<tr>
<td>Any transfer of the business would be of the underlying assets as opposed to a transfer of shares in the business.</td>
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<tr>
<td><strong>General Partnership</strong></td>
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<tr>
<td>Ability to raise capital is limited since most investors would prefer to invest in an entity offering limited liability.</td>
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<tr>
<td><strong>S Corporation</strong></td>
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<tr>
<td>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.</td>
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<tr>
<td><strong>C Corporation</strong></td>
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<td></td>
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<tr>
<td>No limits on type or number of shareholders, different classes of stock allowed (common and preferred) thus enabling different priority for return of capital.</td>
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<tr>
<td><strong>Limited Liability Company</strong></td>
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<tr>
<td>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.</td>
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<tr>
<td><strong>Single Member Limited Liability Company</strong></td>
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<tr>
<td>Outside investment allowed only if converted to a multi-member LLC.</td>
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<tr>
<td><strong>Capital needs - addressed through loan to sole proprietor.</strong></td>
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<tr>
<td>LLC is almost always the better choice if partnership tax treatment is the goal.</td>
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<tr>
<td><strong>Is easier to convert S corp to C corp than it is LLC to C corp in event venture capital is sought.</strong></td>
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<tr>
<td><strong>If venture capital is being sought, incorporation should be in the state of Delaware.</strong></td>
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<tr>
<td><strong>Often used to own commercial real estate.</strong></td>
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</tbody>
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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