

BUSINESS MODEL DESIGN TAROT

A BUSINESS MODEL INNOVATION TECHNIQUE

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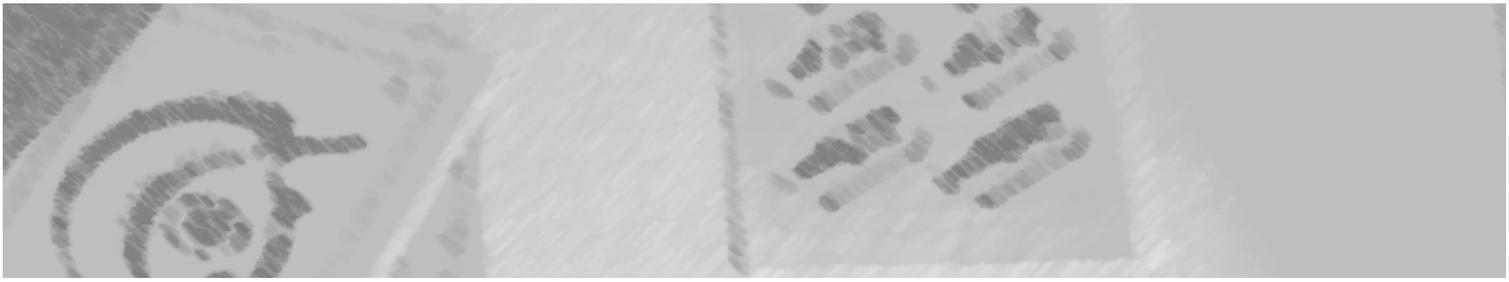
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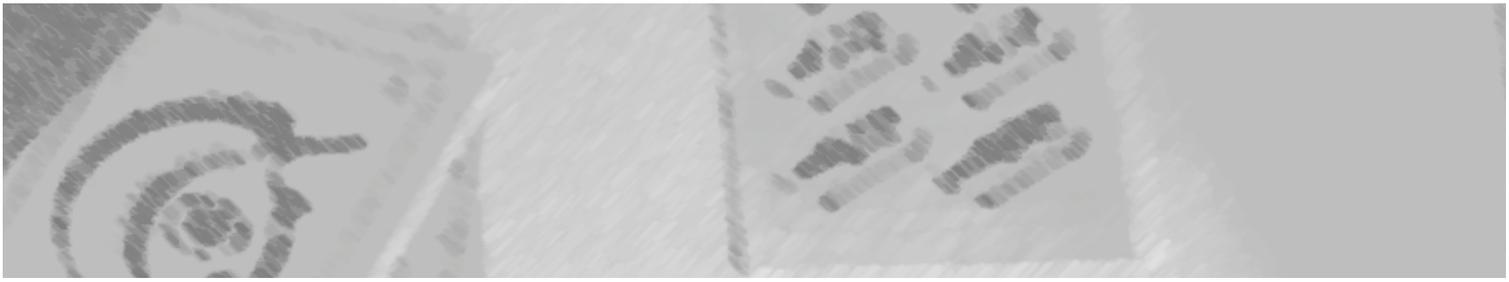
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ABSTRACT

This report documents the creation of a business model innovation technique called the Business Model Design Tarot. This action research based investigation of the business model and business model innovation is conducted from the experience design perspective with a constructive design research approach to the design process.

A business model design technique is created, The Business Model Design Tarot. This technique is based on the method of The Business Model Navigator. In addition, The Business Model Design Tarot is used to create a business model in a co-design workshop. The proceedings of the workshop are documented within.

Keywords: Business Model, Business Model Design, Business Model Innovation, Co-design technique

Dette dokument følger udviklingen af en forretningsmodelinnovationsteknik ved navn The Business Model Design Tarot . Denne Action-Research-baserede undersøgelse af forretningsmodellen og forretningsmodelinnovationsteknik er udført fra oplevelsesdesignperspektivet med et constructive design research approach til designprocessen.

En forretningsmodeldesign teknik bliver skabt; The Business Model Design Tarot. Teknikken er baseret på metoden kaldet The Business Model Navigator. Derudover bliver The Business Model Design Tarot anvendt til at skabe en forretningsmodel ved en co-design workshop. Indholdet og udfaldet af workshoppen er beskrevet i dette dokument.





AKNOWLEDGMENT

It is important to sincerely thank Sune Klok Gudiksen who has been supervising this project. It is also important to thank Lene Kirk who has been supportive of the idea of a digital design to link the street art works in Aalborg from its nascence and who has fostered the creative process along the way. Thanks are also extended to Mette Hjørth Lausen & Nicolaj Rasmussen. The three of us together make the team responsible for Street Art Hunter. I would also like to thank all of my family here in Denmark who has made it possible for me to make this country my home and has been supportive since day one.



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PREFACE

This thesis is written for the fulfillment for the Candidate of Information Technology, Experience Design at Aalborg University, Aalborg Denmark. This master's thesis is the latest development of an idea that began with a brainstorm in 2013, while working at Galleri Kirk and trying to come up with ideas for the grand opening of a citywide mural project - Out In the Open - the gallery was working on. It is built upon a two-year journey into digital design and creation, which has branched out into numerous research papers related to the design and realization of the concept - Street Art Hunter.

Initial investigations into the realization of the idea began in the spring of 2014 and the first research paper was written later in June of 2014. Then, in the winter of 2014, Mette Hjørth Lausen and I completed an internship report highlighting and documenting aspects of the design. Now Mette and I are each writing our master's theses centering on different aspects of Street Art Hunter. This combined effort making the design a reality.

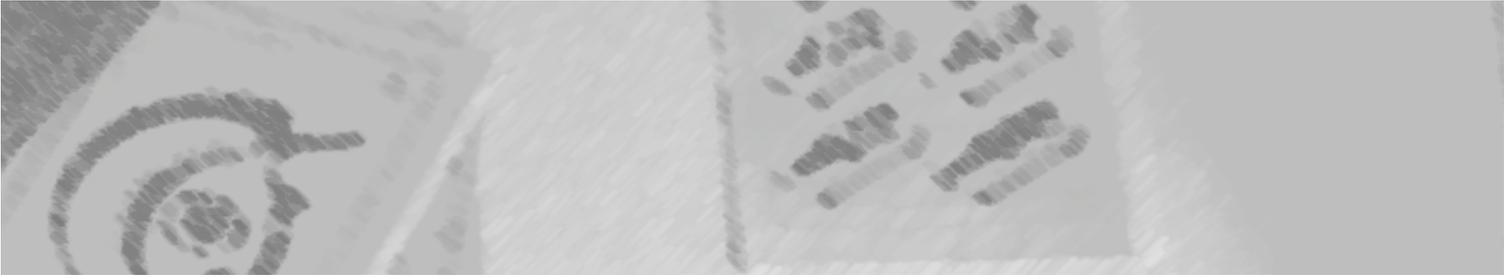
In the winter of 2014, during an internship for the 9th semester Mette Lausen (Interactive Digital Media, AAU) and I (Experience Design, AAU) collaborated to design the app. It was during this time that Nicolaj Rasmussen came in to oversee programming of the app and the possibility of making a business

with the three of us took shape.

One of the surprising aspects of this project is the interest and support coming from all directions. From the beginning, Aalborg Kommune published the plans for the project on its website (Aalborg Kommune, 2014). During the internship, Mette and I made contact with Visit Aalborg and an agreement was made that the organization would print and distribute physical copies of the design, as well as promote the app once it was finished (Visit Aalborg, 2014).

In addition to support from the local government, businesses, and organizations, there has been a surprising amount of news and media coverage concerning this project so far - with a headline in Politikken, 'Aalborg satser på street-art med digital skattejagt: Appen Street Art Hunter guider til den 26 nyetableret værker' (Politikken, 2014). In addition there have been articles in Nordjyske (Skou & Koch, 2014), Magasinet Kunst (Kristensen, 2014), and Kunst Avisen (Jensen, 2014), as well as a mention on the local nightly news (TV2Nord, 2014).







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AUTOBIOGRAPHICAL NOTE

This autobiographical information touches upon my experience and scholarly work. It helps to contextualize the findings and establish ownership of them so that they may not be misinterpreted as being neutral (Huang, 2010). It is provided because using the action research approach means that my beliefs, values, assumptions, ways of thinking, strategies and behavior take a central place of inquiry in the project (Coghlan & Brannick, 2010).

Exploring Life

I began my earliest university studies in the United States, where I studied International Business Marketing and French at Oklahoma State University. Here I gained some basic knowledge of business and marketing. After studying for some years, I withdrew from formal studies and relocated to San Diego, California. There, I was employed as a marketing assistant for a small, artistic interactive entertainment company. During this stint, in addition to working in the professional office setting as a marketing assistant and coordinator, I also travelled the US representing the company at large and luxurious events, acting as a creative facilitator and guide. This work awakened and strengthened my long-dormant creative tendency.

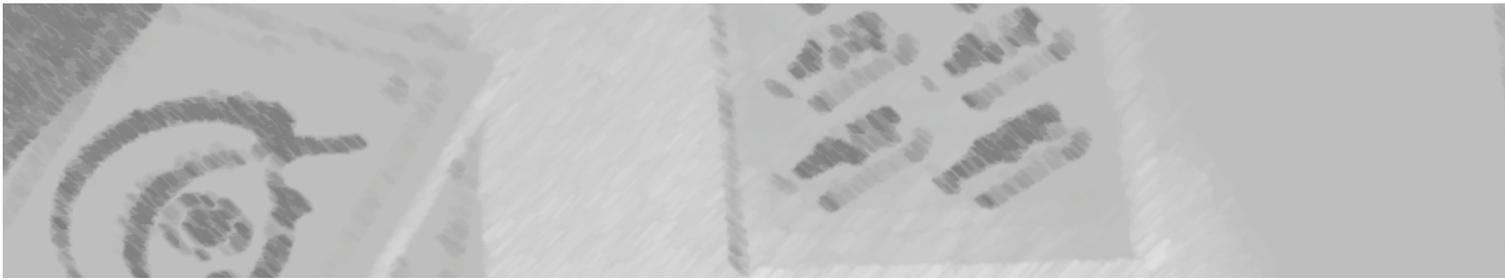
Undergraduate and Master's Work

The move to Denmark led me back to the schol-

arly life, where I decided to strengthen the creative side of myself at Aalborg University. An Art and Technology (ArT) bachelor study led to an Experience Design master's study. Early in the studies, my entrepreneurial side peeked through. Along with the creation of every concept came the slogan '...And then we sell it!' which was my way of informally assessing the business potential behind every project. Various tools and methods learned along the way, like Alexander Osterwalder's Business Model Canvas, were presented and were a starting point for vetting these ideas more thoroughly (Osterwalder & Pigneur, 2012).

With a basis in business, the interspersing of business and marketing into creativity and design is a natural course that came about throughout my studies. Over time, Experience Design has come to permeate my very understanding of everyday life and it is the ruler with which I measure everything. 'How does this make someone FEEL?' 'Does this interaction come naturally for the participant?' At ArT I embraced the idea of the embodied actor in the environment and the view that human computer interaction (HCI) is more than just the eyes and finger interacting with a screen but something that can include the whole body. Rich interactions mean that all senses contribute to an experience with the computer as an





extension of the body.

In addition, the work of PhD Interaction Design researcher Ann Morrison and her research into evaluating interaction design and HCI in open-ended interactive art environments has left an indelible impression (Morrison, 2011). Planning an experience with empathy for the user, thinking about the way a user experiences each individual step in a process, and dissecting each step with an eye on the user is influenced in part by reading Morrison's oeuvre. For planning of different types of experiences, Christian Jantzen's classification of different types of experiences is a useful reference (Jantzen, Vetner, & Bouchet, 2011).

In order to trouble shoot the user experience, I have found that Mihaly Csikszentmihalyi's theory of flow is useful for deconstructing the psychological state of the user at different points to gain an understanding or prediction of an experience (Csikszentmihalyi & Nakamura, 2009). Through this understanding and application of flow theory, it is possible to adjust and manipulate the experience

An understanding of the concept of flow, combined with the concept of the experience as described, allowed me to contribute to various projects during my studies - like an experience-based tool for improving identity of a city space, a technologically-enhanced

football for use in a corporate social responsibility project, and a worldwide platform for street art, Street Art Hunter. All of these projects at AAU Experience Design have been executed with the help of constructive design research as a tool for planning and executing projects.

Most recently, the dual edge of business and creativity has led to the need to explore the Street Art Hunter concept more in depth, in order to tease out the best business model for this concept or even to find out if a viable business can be created from the idea at all.





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INTRODUCTION

Departure

This thesis is the continuation of the previous efforts of the 9th semester project and centers on the practical issue of creating a business from an experience-oriented digital product. Specifically with the goal of discovering how to actualize the nascent company, Lemon Designs, into a profit-generating business. In this way, the project is focused on gaining vital insight into the subject in question and thereby bridge the gap between product and business, technology and entrepreneurship.

The evolution of the Street Art Hunter app into a business is an example of soft technological determinism (Elgar, 2011). Soft technological determinism is the presence of rich technological contents in even the simplest of everyday products. These so-called soft products change lives with 'smarter tools and technology-enabled practices and habits.' (Elgar, 2011). In the case of Street Art Hunter the soft product is the app itself, which provides a smart, technology-enhanced tool that facilitates an enhanced experience of the world. Within this context, Lemon Designs must exercise creativity and initiative to achieve success and it is becoming increasingly more important to do so within the bounds of scientific and technological advancements.

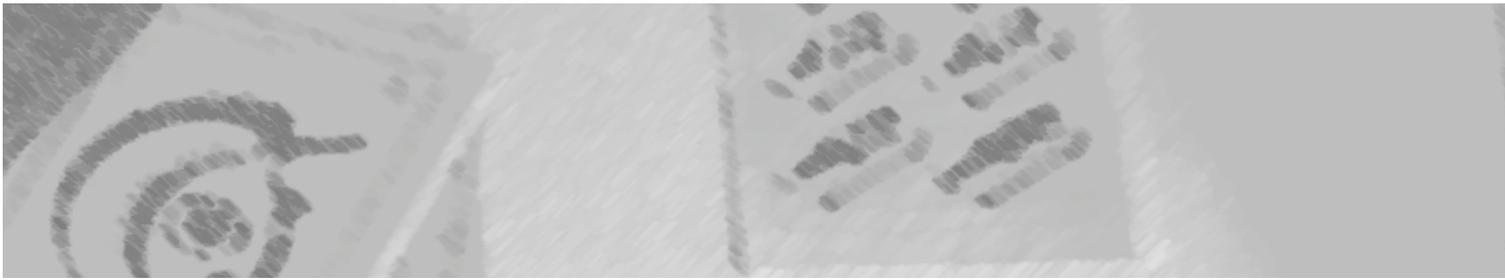
Today it is essential that entrepreneurs match ad-

vancements in technology with new customer needs and re-interpret technology for the benefit of a larger audience and average person (Elgar, 2011). Lemon Designs tasks itself with the role of the technological translator - matching technology with customer needs and then bringing the product to a broader audience. The company can gain an advantage by identifying business opportunities that are a combination of technological changes and emerging needs (Elgar, 2011).

The theoretical outset is from the previous semester project, which concluded by categorizing aspects of the design using the Peter Vistisen 3D model (Vistisen, 2014). The model is influenced by design thinking, as a methodology that centers around matching the user's needs around what is technologically feasible and what viable business strategy can be used to realize market potential (Brown, 2008). Applying the concept to the model highlighted that, among other things, in order to realize the concept more needed to be learned about the business side of the project in order to develop it further.

Using the 3D model (Vistisen, 2014) led to the discovery that what had begun as a potential opportunity (Eckhardt & Shane, 2003) had moved into the state of the wicked problem (Buchanan, 1992), or in this case a wicked business model problem. At this





point the wicked problem state was that design for the app was complete, but without programming or a business model concept decided, the air was filled with doubt about where to go next with the project. At that point, we were not prepared to start applying for funding because we did not even know how much money we needed, or what we would do with any funds should we be granted them. In this way communication of the idea was also lacking.

In order to wade through the wicked problem, the team took a divided approach to the existing problems, splitting up to each focus on an area of relevance and concern for the company. Studying each of these areas: Business Model Design and Communication. The outlook is that once the programming is complete, the business model and a clear communication plan will be outlined for the nascent company, tackling the wicked problem and continuing on the path to success.

Arrival

One of the expected consequences of this study is to devise a plan to capture economic gain for Lemon Designs with Street Art Hunter as a scalable concept. The plan for economic gain, a business model, is the combined efforts of me, Laura Reiningger as the individual designer of the technique for creating the business model, and the Cross-disciplinary team of

Lemon Designs partners. The team will create the business model/(s) in a participatory co-design workshop where the amalgamated creativity of all members is utilized through a business model design game or games. These games have the purpose of creating sketches and prototypes that convey the ideas for the appropriate business model for the design team. The knowledge generated from this inquiry will add to the business model design field. The game should be general enough that others facing similar problems will be able to use it in business endeavors - The design game is a tool for business model development. In this sense, finding the right business model for Street Art Hunter by Lemon Designs is just one piece of the puzzle.



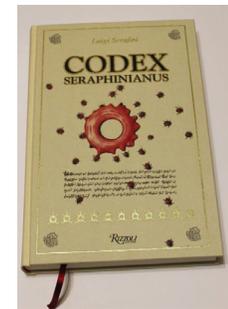
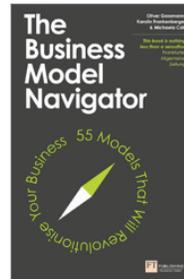
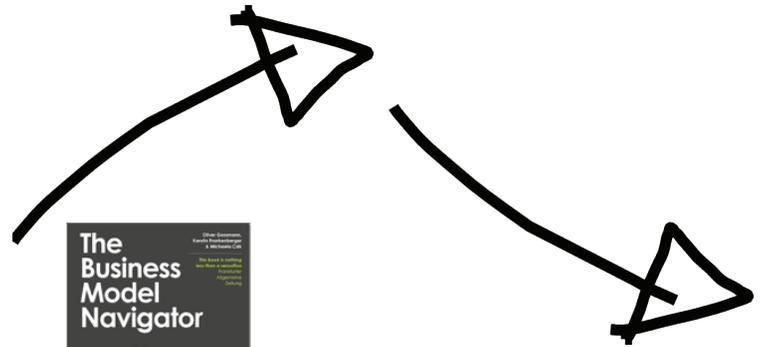


METHOD

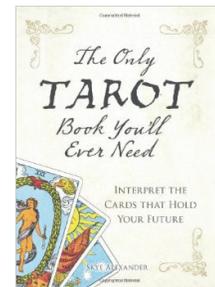
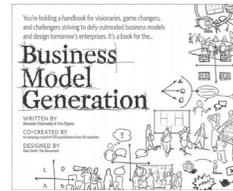
This section explains the relationship between questioning and answering; it is the explanation of the framework and sheds light on the way knowledge is incorporated, developed or modified and which techniques are adopted in this report (Coghlan & Brannick, 2010). The research objectives require a variety of research approaches, so the structure is related so that it is clear and transparent (Yin, 2009 p. 53) Further, methodology is important because it provides the concepts, which help to describe the steps and relations needed in the process of searching for and creating new knowledge (Arbnor & Bjerke, 2009, p. 3). The main purpose of the methodology and the presentation thereof is ‘to clarify how different methodologies, problem formulations, study plans, methods, techniques, and study areas make up the parts of the integrated whole.’ (Arbnor & Bjerke, 2009, p. 17). The Design Process, Subjectivity, Empirical Method, and Documentation are explained.

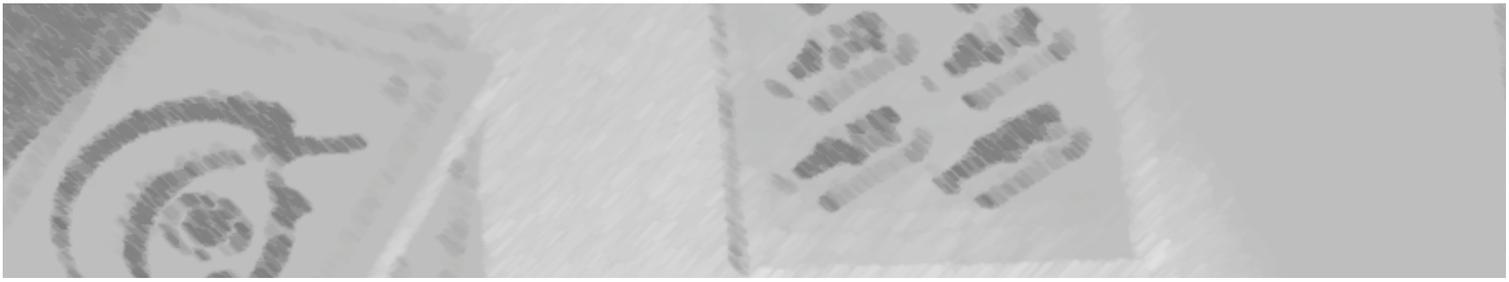
DESIGN PROCESS

The project is divided into three main phases: I Research, II Exploration, III Conceptualization. Abductive reasoning guides the process of divergence and convergence through the phases. The overall approach for steering the project is that of constructive design research since the construction of a prototype or concept is the key to constructing knowledge and



Phase I: Research





Design Process

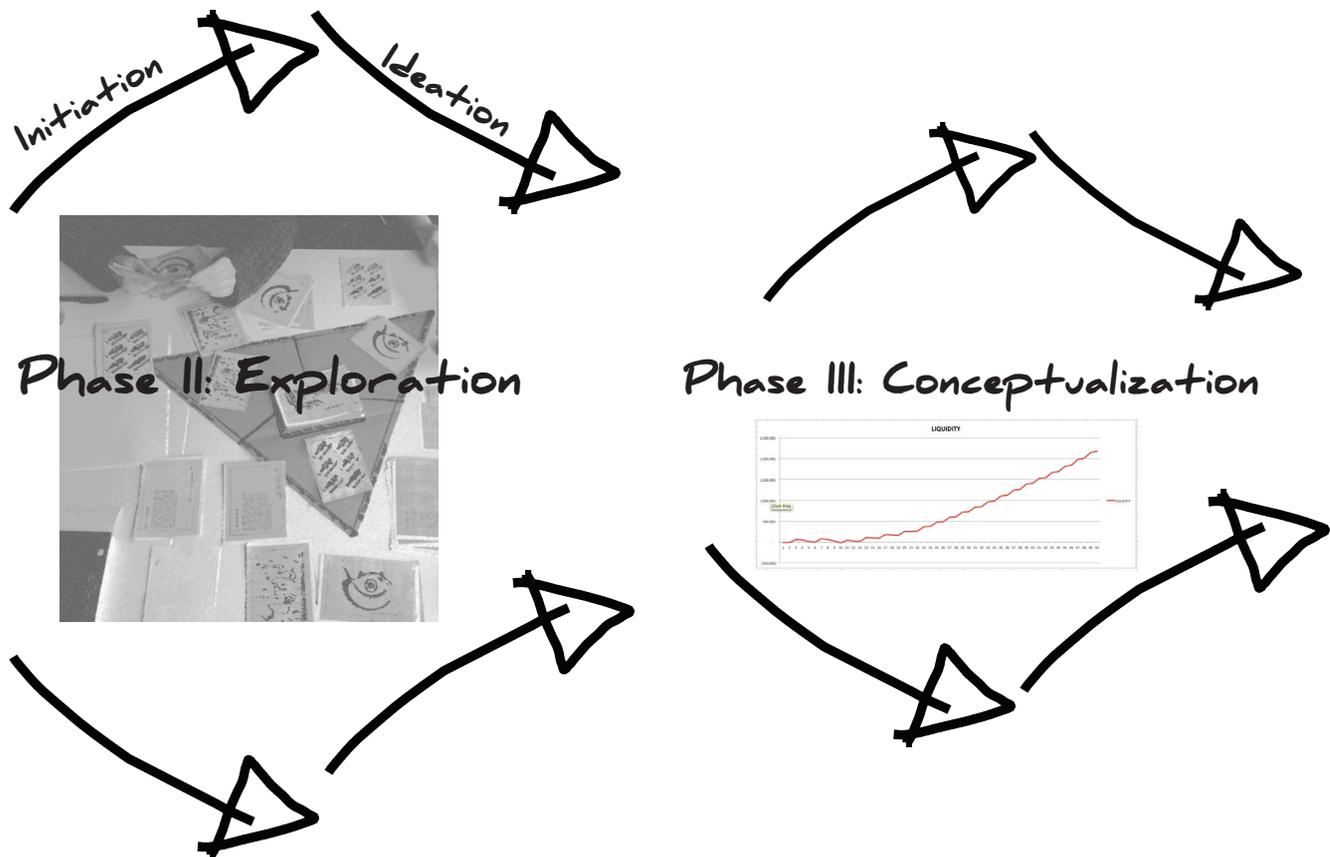


Fig. 0.01: Design Process Illustration. This illustration of the design process is based on the idea of divergent and convergent thinking (Brown, 2008). It depicts the three main phases of the process and features the main elements of these stages.



this helps to integrate design and research (Koskinen et al., 2011). The process is an intersection of interaction and industry with prototypes and sketches entering into use by participants (Koskinen et al., 2011). Constructive design research takes a pragmatic understanding of knowledge production with a focus on learning-by-doing, inspired from philosopher John Dewey (Eriksen & Bang, 2013). Design in this sense is conceived as dealing with the meeting of people and things, where people navigate with their bodies and sense of space. It is an imaginative step - seeing opportunity and problems - and evaluating necessity to create solutions. The process is illustrated in figure 0.01: *Design Process*.

My role as a researcher in this project is that of an action researcher, taking action upon the real world (Archer, 1995, p. 11) in order to shed light on the process of business modeling. This approach to the research means that it is situation specific to Street Art Hunter by Lemon Designs, while the findings can also provide material for more generalizable studies with research that is methodologically sound and complete (Archer, 1995 p.12). The action research approach with constructive design research guiding the phases, means that the research is centered on 'constructing' something and this turns the project into design-based action research because something is designed. In this case, a business model design technique and business models resulting from the technique. To find out more about the project in relation to action research cycles, see *Appendix I: Action Research*. With an eye on construction, the

design process is divided up into three main phases: *Research, Exploration, and Conceptualization*.

The first phase is *Research*. The research is carried out starting with tutelage from the Aalborg University library and then with the help of online and physical reading materials. It is guided by four main research questions, starting with forming an overall understanding of the topics and then progressing to more specific questions as knowledge is gained. The research starts out divergently and then after an initial search it is possible to converge on some main ideas (Brown, 2008). So in this phase some of the research topics are relatively abandoned in later portions of the report. For example, at the beginning of the process, effort into gaining a deeper understanding of a freemium business model was made (see *Appendix II: Freemium*). Understanding that if the report would treat all types of business models with so much consideration, then describing various business models would take over the research. So this exploration was abandoned in favor of focusing on exploring the business model and business model generation instead. Information gathered during the research phase is presented and helps to form the basis for developing a creativity technique introduced in the second phase, *Exploration*.

The *Research* phase is divided into two parts that come about as the divergent topics narrow into focus. The first part of the research phase explores the business model and business modeling.

The first question posed in the research, *What is a business model?* is answered by splicing expla-





nations from a number of theorists together to gain an understanding of the concept. One of the books, *Business Model Design and Learning: A Strategic Guide* (Spencer, 2013) builds upon the concepts set up by Alexander Osterwalder in the *Business Model Canvas* (2010), and goes further by including the customer in the design of the business model from the start. Unfortunately, this book outlines a somewhat unclear method for actually creating a business model. In addition, a host of other business model theorists are researched and an understanding the business model is established.

During this phase, it is found that Gassmann, Frankenberger, and Csik present guidelines for innovating the business model in the book, *The Business Model Navigator* (2014). *The Business Model Navigator* is an action-oriented methodology for business model innovation (Gassmann et al., 2014). This methodology has been successful in organizations, industries, and companies, allowing them to break out of the existing logic and innovate the business model (Gassmann et al., 2014). The method is clear, detailed, and builds upon previous efforts at business model innovation like the *Business Model Canvas* (Osterwalder & Pigneur, 2010).

This is a contrast to other works, like *Business Model Design and Learning: A Strategic Guide* (Spencer, 2013) which also builds upon previous research and is insightful regarding the importance of the customer in the business model, it offers no clear framework for describing an individual business model or making changes but many lists of questions to complete.

When comparing Gassmann's *Navigator* to other business model generation theory, it is the most promising as a business model innovation tool because it distinguishes itself from the crowd by providing a compendium of possible business models. The realization during the research process is that this is the key that was missing from the other business model innovation studies. It is for this reason that the second part of the research phase converges onto *The Business Model Navigator* (Gassmann et al., 2014) as a method for designing a business model. Gassmann's (2014) compendium can be utilized to facilitate lateral thinking (DeBono, 1967) by providing people with what they do not already know (Scharmer, 2007). Examining the method further reveals that it outlines the method and then presents a patchwork of suggestions for techniques to realize it.

In effect, the *Navigator* method contains the elements of a design game, like the informational cards, but there is not an actual game explained within the method. In order to fill in a perceived gap, the idea is that the method can be supplemented with a creativity technique to use in accompaniment with the method. The cards and information are reminiscent of the classic tarot card game, so this creative technique is explored to find out if it is compatible with the *Navigator* as a way to combine elements of the two and thereby create a design technique.

In theory, any of the business model methods like that presented in *Business Model Design and Learning* (Spencer, 2013) or the *Blue Ocean Strategy* (Chan Kim & Mauborgne, 2005) could have been used as





a method for creating the technique. In practice, the *Navigator* is the most relevant to use because of the detail of its method and the compendium of business models supplied in the book. In addition, it is built upon the existing strategies (see *Appendix III: Frankenberger's Presentation*). If another method were to be employed, then all of the information from the compendium of the *Navigator* would have to be sourced anyway, leading to a duplication of the *Navigator's* business model compendium, at best.

The second phase is *Exploration*. In this phase, the business model design technique (*Business Model Design Tarot*) is presented and used in combination with other techniques and methods in a workshop with the business team and the results of the workshop are shared. During this phase, divergence occurs with the creation of many business models during the course of the workshop. Then, the ideas are converged into a business plan that is introduced in the last phase, *Conceptualization*.

As this exploratory phase follows with the method presented in the *Navigator*, the steps are used for the workshop as a guideline for proceeding and various techniques are added to complete the steps. For instance, the *Business Model Canvas* (Osterwalder & Pigneur, 2010), which is touched upon in the research phase is incorporated into this phase as well. It is implemented to formalize the initial Street Art Hunter by Lemon Designs business model. The *Business Model Canvas* is relatively easy to start off with since it is already laid out into the canvas with individual blocks, but does not readily facilitate any

changes in the business model. In addition, two of the team members are already familiar with this business model design method.

This phase is divided into two parts: *Initiation* and *Ideation*, which covers the business model design workshop. In the first part of the phase, the business team forms a shared understanding of the current business model using relevant aspects of the *Canvas* and *Navigator*. The results of these two activities are presented. In addition, as an action research project, the results of the actions are connected with the real world through corroborating results with an expert. The second part of the *Exploration* phase, *Ideation*, details the design technique called *The Business Model Design Tarot*. This technique aims to facilitate non-critical, open discussion, which leads to discussions that identify problems from which possible design ideas can materialize (Koskinen et al, 2010). The results of using this technique are presented.

The workshop activities lead to the third phase, *Conceptualization*. The *Conceptualization* phase converges upon a business plan derived from the workshop results. The business plan is presented and various portions are related to the activity of study that contributed to their formation. This business plan allows the research to enter into the real world again, and is used to enter the company into the venture capital and start up business arena as a way to verify the plan itself.

SUBJECTIVITY

With the understanding that there is no such thing as objectivity, as reality is always perceived according





to our own cognitive constructed framework (Kant, 2008, p. 199), the epistemology of action research itself is subjectivist, meaning that the findings are directly influenced by the researcher (Coghlan & Brannick, 2010). The position of the action researcher is that of an active intervener, making and helping things to happen (Coghlan & Brannick, 2010 p. 17). Subjectivity and its effect on the research is based on my, as the author-designer-participant, ultimate presumptions which are difficult to change and are what the environment looks like and the actor's role in that environment on a daily basis (Arbnor & Bjerke, 2009).

These presumptions influence how problems are perceived and on how existing knowledge and techniques are viewed, in general (Arbnor & Bjerke, 2009). For instance, my field of study, Experience Design, greatly influences the ultimate presumptions surrounding research, and in turn influence results. These presumptions form the point of departure for the work and are included in the Autobiographical Note and Introduction.

EMPIRICAL METHOD

Learning occurs as a result of a heuristic process of experience, understanding, judgment, and action taking. This combination of learning through a combination of cognition, feelings, and bodily awareness means that I, as the researcher experience the process as an embodied actor acting in the world (Dourish, 2004). This means that within each stage of the action research cycle there is a cycle going on within each of these actions that consists of experiencing,

understanding, judging, and taking action (Coghlan & Brannick, 2010 p.24). This cycle can be equated with Experiential Learning as 'the process whereby knowledge is created through the transformation of experience.' With the cycle of experience, perception, cognition, and behavior this theory of learning is built upon earlier work by John Dewey and Kurt Levin (Kolb, 1984 p.38).

DOCUMENTATION

An important aspect of the action research approach is that fact be distinguished clearly from value and the story be presented in a neutral manner and based on observable behavior, being thoroughly documented with evidence to support the narrative, like with data in journals of events or video footage of the proceedings (Coghlan & Brannick, 2010). Taking this into account, the project is documented to support the narrative. Because of its importance in describing and visualizing the findings and process, documentation is included not as an appendix but in the main text and is sometimes included as figures where necessary. It consists of logs, observations, sketches, prototypes and pictures.

PROTOTYPES

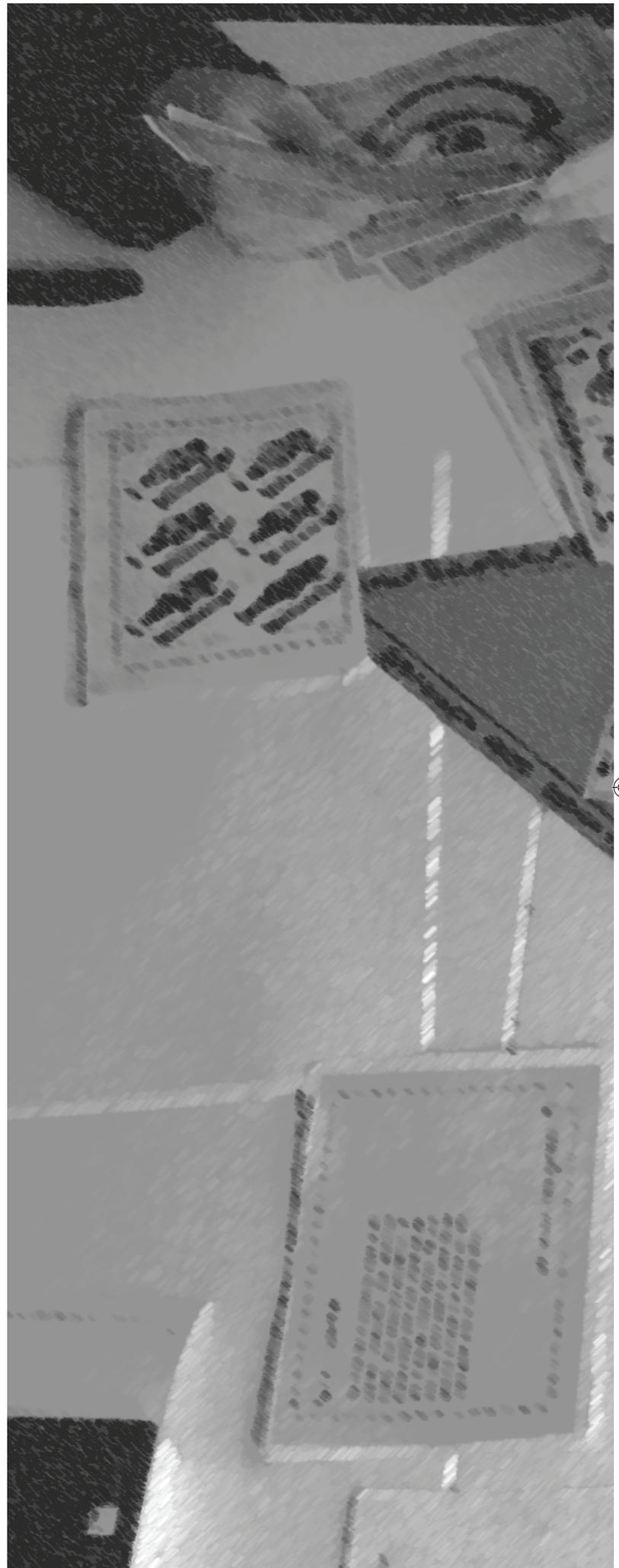
In general, the purpose of prototyping is embarked upon to find the right business model for the Street Art Hunter by Lemon Designs business team. Prototypes can vary in complexity and of business models can be as simple as a sketch on a small piece of paper, a completely thought-out concept, or even a complex spreadsheet that simulates economic mechanisms of the new business model (Osterwalder & Pigneur,





2012). Prototypes are aimed at, in this study, developing meaningful and useful new business model options.

There are two prototypes created during this project. There is the business model prototype, which is revealed in the third phase, *Conceptualization*. There is also a prototype of the designed creativity technique, which is introduced in the second phase, *Exploration*. In the first phase, *Research*, there is a perceived gap between the method of the *Business Model Navigator* (Gassmann et al., 2014) and a technique to execute the method. This is perceived as an opportunity to design a creative technique for application with the method. It is an unintended consequence of the study, as I never set out from the beginning to design a creativity technique, but a suitable business model for the business team. This technique is tested as a prototype during the second phase, *Exploration*. So, before creating a prototype of a business model, there is also a prototype of the designed creativity technique created. It is named *The Business Model Design Tarot*.







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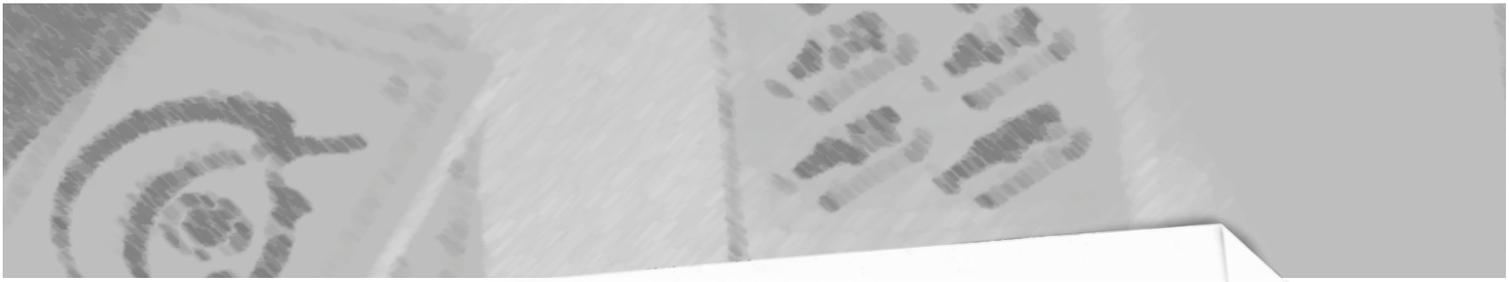
PURPOSE

The project starts out from a practical perspective, to create a business model for Street Art Hunter by Lemon Designs within the ramifications of the master's thesis for Cand. IT: Experience Design at Aalborg University. From situation-specific angle, it investigates the phenomenon of business model design. Through a designerly approach, the learning is applied to a soft technological product (Street Art Hunter by Lemon Designs).

To create a viable business model for Street Art Hunter by Lemon Designs, some objectives are outlined to start learning about and eventually designing a business model. As that is the main purpose, there is a primary list of sub-objectives outlined to arrive at the purpose (see *figure 0.02: Objectives*). These objectives are laid out at the beginning of the process and are related to the phases. As the process unfolds, it becomes clear that while this list of objectives is useful, the process takes its own path in some ways but the objectives still surprisingly predict the overall course of the study. For example, the first objective, researching the different types of business models, is quickly overwhelming and is abandoned for a couple reasons. One reason is that there are so many different types of business models and pricing schemes out there, that picking and choosing between them would mean that the design process closes off

options from the beginning by seemingly settling on one revenue model early in the process. Since this project treats the design of the business model itself as a participatory co-design process including the Lemon Designs team, the decision of rejecting a particular model is at the hands of the team. Further, the Lemon Designs team is knowledgeable in the variety and breadth of pricing schemes for digital applications, so focusing research on these kinds of topics does not presumably lead to new knowledge for the stakeholders. Results of this search appear in *Appendix II: Freemium*. Although this was not a highly influential path of research overall, it added to the base of knowledge from which to draw. This initial winnowing of the field of study results in list of research questions.





objectives:

1. Identify different types of business models that are useful for companies producing digital applications.
(Phase I: Research)
2. Identify relevant theories and methods for creating and understanding the business model.
(Phase I: Research)
3. Create a relevant business model by using existing frameworks as inspiration before going into an iterative business model design process.
(Phase II: Ideas & Exploration)
4. Present Business Plan & check viability of process
(Phase III: Conceptualization)

Fig. 0.02: Objectives. These objectives are defined at the beginning of the process and are influenced by the constructive design research method toward designing something.





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PHASE I: RESEARCH

The first phase is **Research**. This phase is made up of two parts (1 & 2) that come about as relevant topics narrow into focus. The first part of the research phase explores the business model, business modeling, and strategy. The second part of the research phase focuses onto *The Business Model Navigator* (Gassmann et al., 2014) and explores how to design a business model using this method. The exploration of this method inspires a business model design game, *The Business Model Design Tarot*, and so components of the game are researched.

RESEARCH PART 1

The first part of research opens up with some questions directed toward finding out more about the area of study. These research questions are answered by analyzing and evaluating existing literature as it relates to the needs of the study objectives. To address the questions, existing business model research is explored because before a relevant model can be created, an understanding of the concept must be gained. This understanding can be used to decide which kinds of business model design tools can be readily manipulated for the project. So the Research phase begins with a look into existing business model theory and frameworks.

Research questions

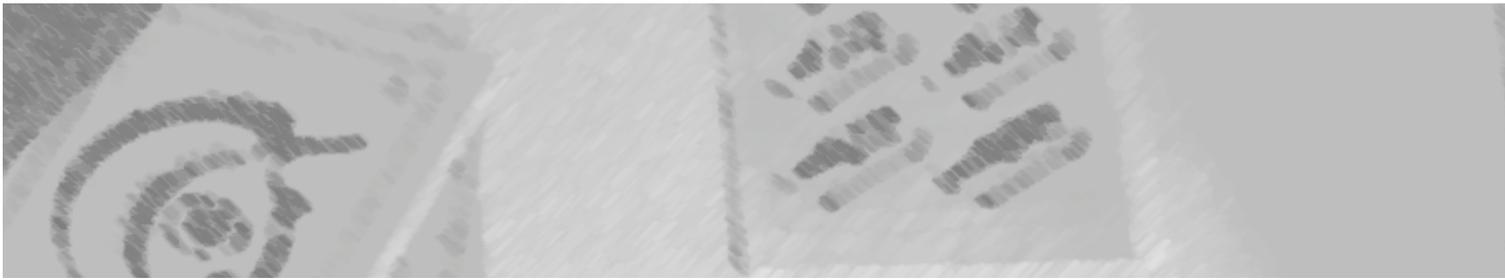
What is a business model?

How do I create a business model that is right for the business?

BUSINESS MODEL

The term is used to describe the way an entrepreneurship conducts business, like a blueprint that outlines how it organizes itself captures value (Demil & Lecocq, 2010) (Magretta, 2002) and is often a variation built upon an existing theme (Gassmann et al., 2014). Business models can be simple, clear stories that explain how a business works in straightforward manner for customers and helps get everyone involved aligned around the value the company wants to create (Magretta, 2002). But the business model can be also be an actual model with elements. When it is viewed as an actual model with individual elements, it can be used as a transformational tool that reduces complexity, increases communication and makes the idea more transmissible, allowing for identification of the elements in the system to see how they fit together (Osterwalder, Pigneur & Tucci, 2005)(Magretta, 2002). In an overall view, the business model expresses the core values of a business venture (Gassmann et al., 2014n et al., 2014, Frankenberger, & Csik, 2014), as a conceptual tool contain-





ing objects, concepts and their relationships with the objective (Osterwalder, et al., 2005). A good motive for creating a well-thought business model is that it makes it more likely that other financially motivated parties will back the business (Johnson, 2008).

The purpose of the business model is to solve problems - helping companies create, deliver and capture value in the real world (Spencer, 2013). Interestingly enough, the business model as a concept is not grounded theoretically in business or economics studies even though a well-developed business model is vital to business innovators. This is especially important for internet based companies, where an advanced understanding of the business model is necessary in order to achieve a revenue stream in a market where customers expect free basic services (Teece, 2010). Business models are often changed and revised numerous times when starting a new business (Spencer, 2011). Profits resulting from the business venture let the business leader know how well the business model is working and when profits are not as good as expected, the business model needs to be evaluated (Magretta, 2002).

What is a business model?

Condensing the idea of the business model, a broad understanding of the concept can be reached as a tool

for change and/or communication that is comprised of core business elements that form a narrative telling about a business and how it captures value. This is important to Street Art Hunter by Lemon Designs as a soft technology firm and if the business model is well developed, it can help to attract investment funds. Arriving at the right business model is an iterative process. The next step is to find out more about the elements of the business model.

BUSINESS MODEL ELEMENTS

Exploring the term, business model, leads to the understanding that it is comprised of a number of elements. The actual elements and number of them depend on the interpretation of the person writing on the topic. For instance, Johnson (2008) and Gassmann (2014) describe the business model as having four main elements while Osterwalder (2010) describes it as having nine main elements and others describe it as having three main elements. There is so much overlap, however, that one interpretation can be relatively easily compared with the other, so that they really contain the same overall ideas (see *Appendix III: Frankenberger's Presentation*). For example, many theorists assert that the customer is of central importance to the business model (Johnson, 2008)(Spencer, 2013)(Gassmann et al., 2014).





Three business model templates are illustrated: Johnson's *Customer Value Proposition* (2008), Osterwalder's *Business Model Canvas* (2010), and Gassmann *Business Model Navigator* (2014). They are figures 1.01-1.03.

Johnson (2008) outlines the business model with four main elements: Customer Value Proposition, Profit Formula, Key Resources, and Key Processes. This is represented in **figure 1.01: Customer Value Proposition**. In this representation of the business model, the customer value proposition is the starting point from which the other three elements flow. *The Business Model Canvas* (Osterwalder & Pigneur, 2010) is extensive with the nine components.

Spencer (2011) also outlines a method for creating a business model that departs from *The Business Model Canvas*. The outset of this method is from a combination of known elements and then adds additional factors that differentiate it from the *Canvas*. In this model, the customer is involved as a part of the infrastructure and definition of the offer, with the customer value proposition being the most important part of the business model foundation and the business purpose is to help customers achieve long term goals - to aid in transformation. The addition of these elements adds to confusion when trying to apply this method to a specific business and is fraught with the same problems as the *Business Model Canvas* because it does not readily facilitate lateral thinking.

The *Business Model Navigator* brings it back to the basics. According to the *Navigator*, the business model is made up of 4 dimensions: *Who, What, How,*

and *Why*. This business model defines what customers are addressed, what is available for purchase, how the product is created, and how profits are generated (Gassmann et al., 2014). *Who*, the customer, is at the center of the business model. *What*, the value proposition that the business offers the customer and defines company offerings, like products or services, and describes how the company caters to the customer's needs. *How* is the value chain, explaining how the business produces the offerings. *Why* is the profit mechanism, which describes the way the business generates profits and clarifies what makes the business model financially viable. It denotes why the business model works in a commercial setting (Gassmann et al., 2014).

Examining the three illustrations, it becomes apparent that they are in fact so similar that they can be superimposed on each other. Figure 1.04 is a depiction of the *Navigator* superimposed on the *Business Model Canvas*. (see **Figure 1.04: Frankenberger's superimposed Business Model Navigator on Business Model Canvas**).

BUSINESS MODELING

There are a number of business model design methods out there and some of these are depicted in figures 1.01-1.03. Learning to make the business model is the first step toward improvement and change for a business (Spencer, 2013) and the act of business modeling is basically applying the scientific method to business, starting with a hypothesis and then testing it in action and revising it when appropriate



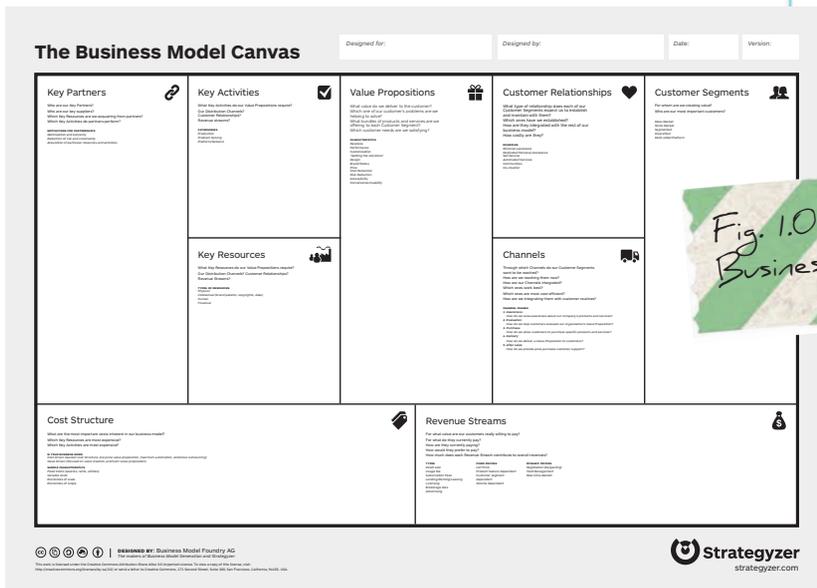
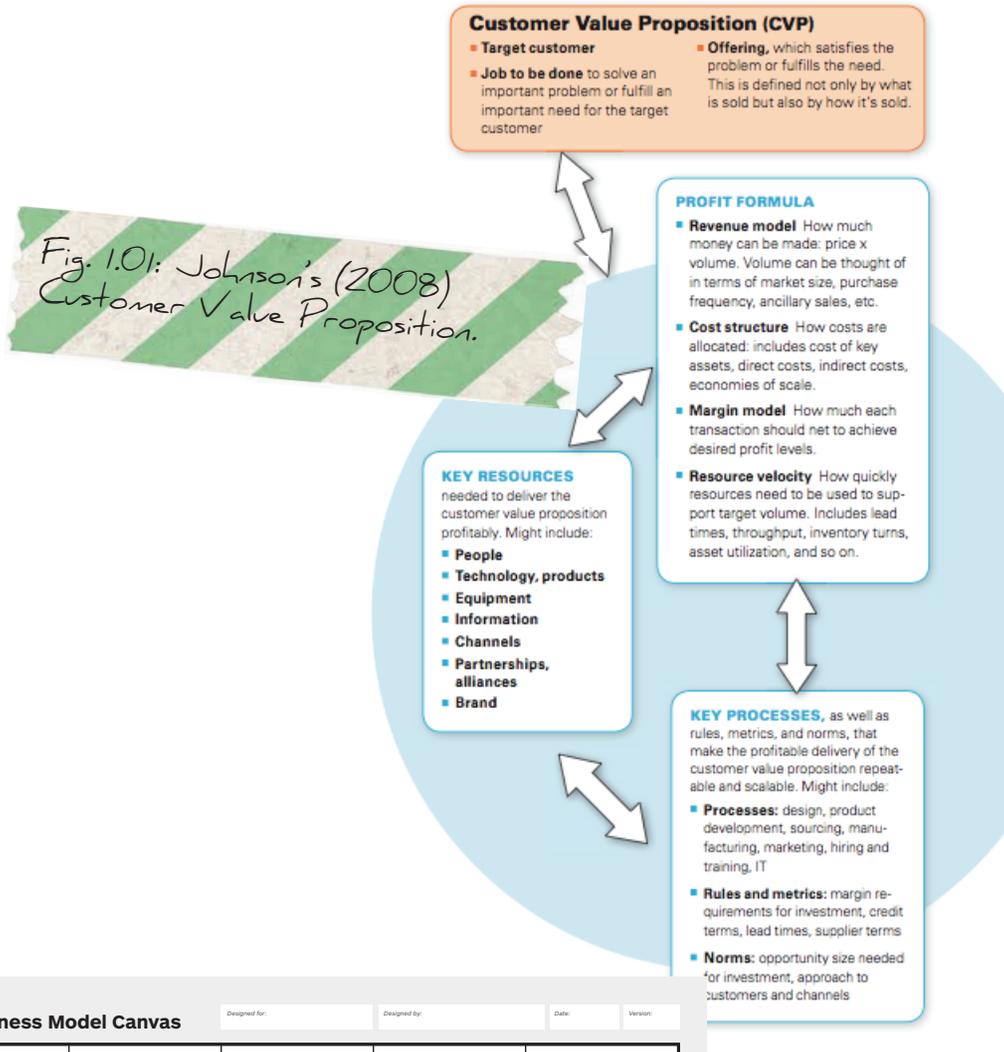
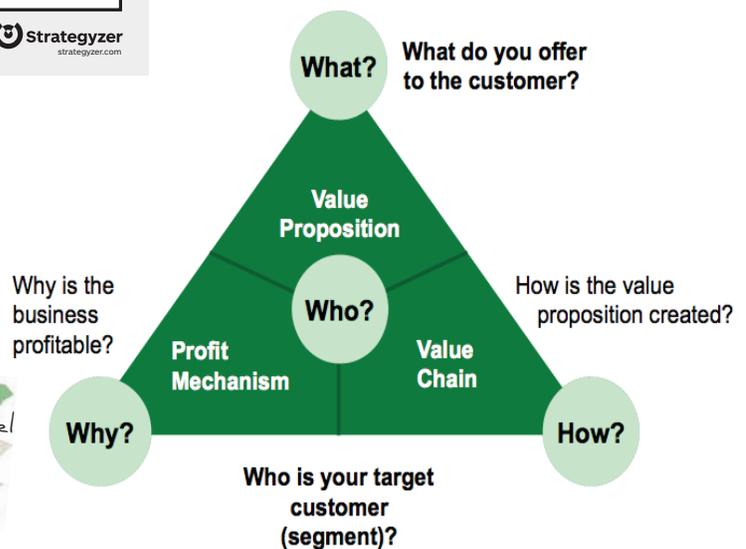


Fig. 1.03: Gassman's (2014) Business Model Navigator 'magic triangle' (from appendix III: Frankenberger's Presentation).





(Magretta, 2002). An element in the success of business modeling is, like in the design field, that iterations are key and evolve through repeated application (Dunford, Palmer, & Benveniste, 2010). It has been found that the average new business model is revised about four times on its way to becoming profitable and that profit is an early indicator that the business model is viable (Johnson, 2008).

When the business model generation methods are evaluated in relation to each other and the needs of Street Art Hunter by Lemon Designs, it is apparent the *The Business Model Navigator* is the most promising. It builds upon previous knowledge, like the *Business Model Canvas*, while it is also presented in an elegant and accessible manner. In addition, further inquiry into the method reveals it also provides a compendium of business models to start from and a well-developed framework that can be utilized as a guide for conducting a workshop.

STRATEGY

The business model is the foundation of the strategy. A business strategy takes the competition into consideration and outlines how the business outperforms the competition by doing something better and setting the business apart from the competition (Magretta, 2002). Spencer (2013) outlines the process of strategy development stages for business as three at least iterations of a business model. When the business is developing, it should focus on the core propo-

sition and find out which pieces of the business fit together for the customer in order to generate revenue for the firm. After the core values of a business are established, the business builds strategic advantage into the model. After a business has a customer base, the business can start to listen to its customer for learning and this allows the business to adapt to changes over time (Spencer, 2013 p. 5). Exploring the concept of strategy as outlined by Spencer (2013) is detailed and related to Street Art Hunter by Lemon Designs in *Appendix IV: Strategy*. The examination helps to assess the development of the business and highlights some areas for future development, helping to form the idea that a business model can set a course for the company of *Present*, *Near Future*, and *Far Future*.

How do I create a business model that is right for my business?

After researching the business model, business modeling, and strategy it is apparent that there are a plethora of business model creation methods, tools, and frameworks in existence. Many of these share similarities and are often built upon each other. Examining these leads to the conclusion that a business model can be created using one of these methods. Of the methods examined, the *Business Model Navigator* (Gassmann et al., 2014) stands out because it provides a wealth of information regarding different possible business models. In addition, the method is well documented and outlines an iterative process. This information and process can be used to create



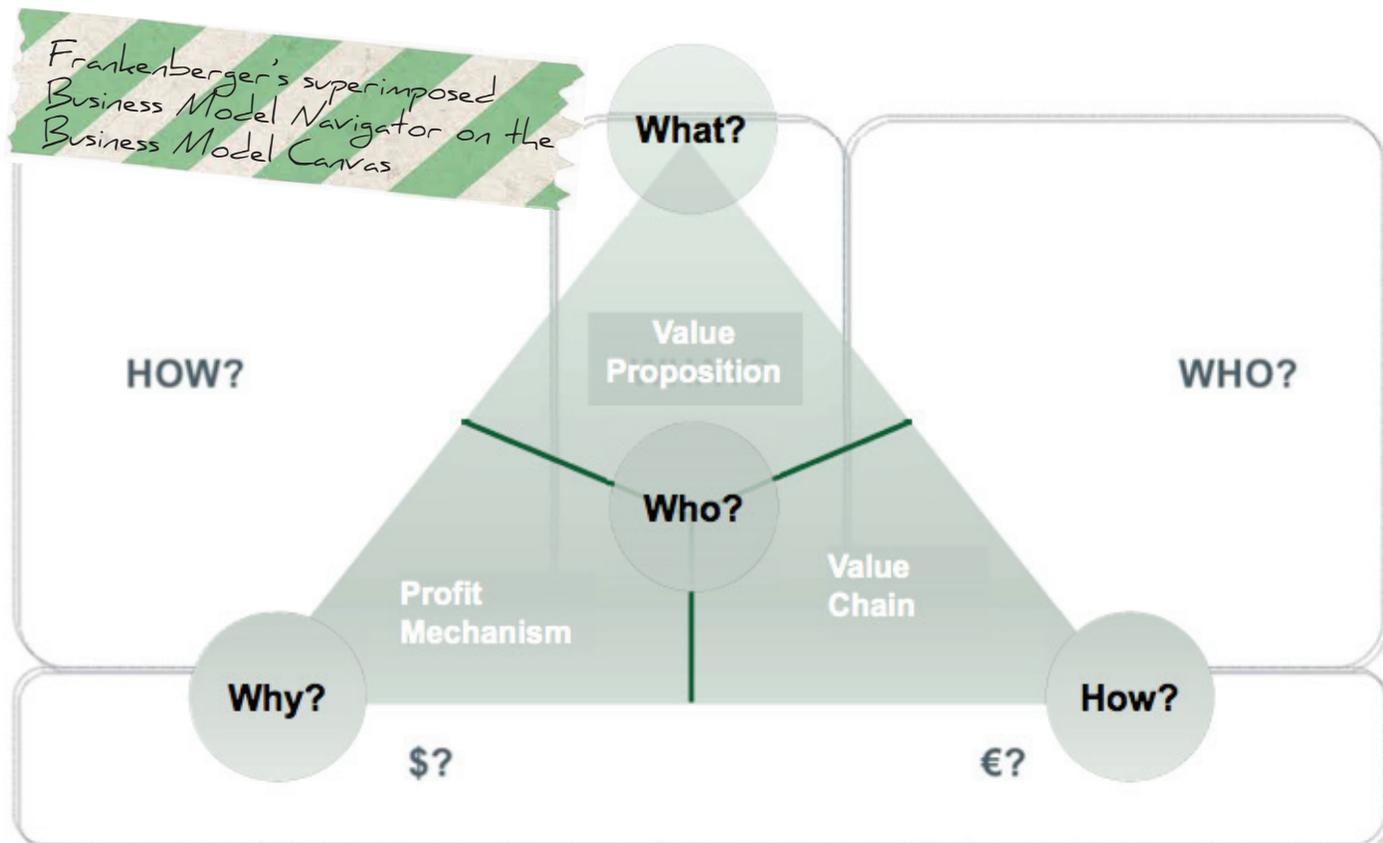


Fig. 1.04: To demonstrate the shared information of the two methods, Dr. Prof Frankenberger superimposes the Business Model Navigator 'magic triangle' on the Business Model Canvas. See Appendix III: Frankenberger's Presentation.

a business model design game, possibly in connection with the other methods and information. Once a business model is created, profit is an early indicator that the business model is suitable. A business model can lead to a strategy for a company that entails the present, near future, and far future, setting a course.

RESEARCH PART 2

The second part of the research marks a departure from the first part of research because at this point, it converges on *The Business Model Navigator* (BMN) as the main method to start with to create a design workshop. So in this part, the BMN is explored in more depth. Exploring the BMN is exciting and marks a change in the course of study because as the BMN method comes into focus, it is apparent that

the method and information can be used to create a technique for executing the method. The BMN cards with information remind me of a card-based creative technique called tarot. So the concept of tarot is explored to find out if there are some similarities that can be exploited in combination with the structure and information contained in the BMN. Exploring the tarot leads to the realization that principles from this technique can be readily combined with the BMN to form a new kind of tarot, focusing of the design of business models.

This part is guided by two main questions:

How do I make a business model with The Business Model Navigator?

Can a creative technique be designed that incorporates this method?





THE BUSINESS MODEL NAVIGATOR METHOD

The basic understanding of the business model and components is established in the first part of the research phase. At this point, *how* to make the business model takes center stage. The BMN outlines a method that can be employed in designing business models so it is investigated in order to find out which parts can be utilized for a design workshop (see Figure 1.05: 3 Stages of the Business Model Navigator).

BMN relies on creative imitation, recombination and learning from other industries (Gassmann et al., 2014). The central idea of the method is to draw inspiration from what already exists, encouraging variations on what is already out there - in other industries, markets or contexts. The idea is that innovation results from learning about and understanding the various business models and then recombining elements and transferring them to the relevant industry. Not just copying one successful model and that radical innovation in one industry is not radical to the entire business world with innovation making small leaps when moving from industry to industry (Gassmann et al., 2014).

The three basic strategies used for generating new business model ideas from the existing models is Transfer, Combine, and Leverage. Transfer is just moving a successful business model from one industry to another. The idea of Street Art Hunter becoming the Vivino of the art world can easily be recognized as a transfer strategy. Combining is transferring and combining two or more business models. When combining business models and then transfer-

ring the result to another industry, the chances are lower that the business model can be directly copied by competitors but the planning and execution are more complex and difficult (Gassmann et al., 2014).

The Business Model Navigator is divided into four main steps: Initiation, Ideation, Integration, and Implementation. In the first step, Initiation, the ecosystem is analyzed. Next, patterns are adopted in Ideation. After that, the business model is detailed in Integration. The last step is Implementation. In this step, the plan is realized and the business model is implemented (Gassmann et al., 2014).

INITIATION

The initiation step defines the common starting point and direction to head. It creates an understanding of the current business model with a detailed description including interaction with stakeholders and influencing factors. Weaknesses might be identified in this stage as unverified assumptions (Gassmann et al., 2014).

IDEATION

Ideation is the central element of the *Business Model Navigator* and this process is completed in the workshop with Lemon Designs. In a workshop setting the result is dependant on the performance of the workshop, so specific attention must be paid to the conduction of the workshop (Gassmann et al., 2014).

As many ideas as possible should be generated during the *Ideation* step, in an iterative process. In this step, discoveries from *Initiation* are interpreted and incorporated into a new business model. This step can be challenging because there are many options



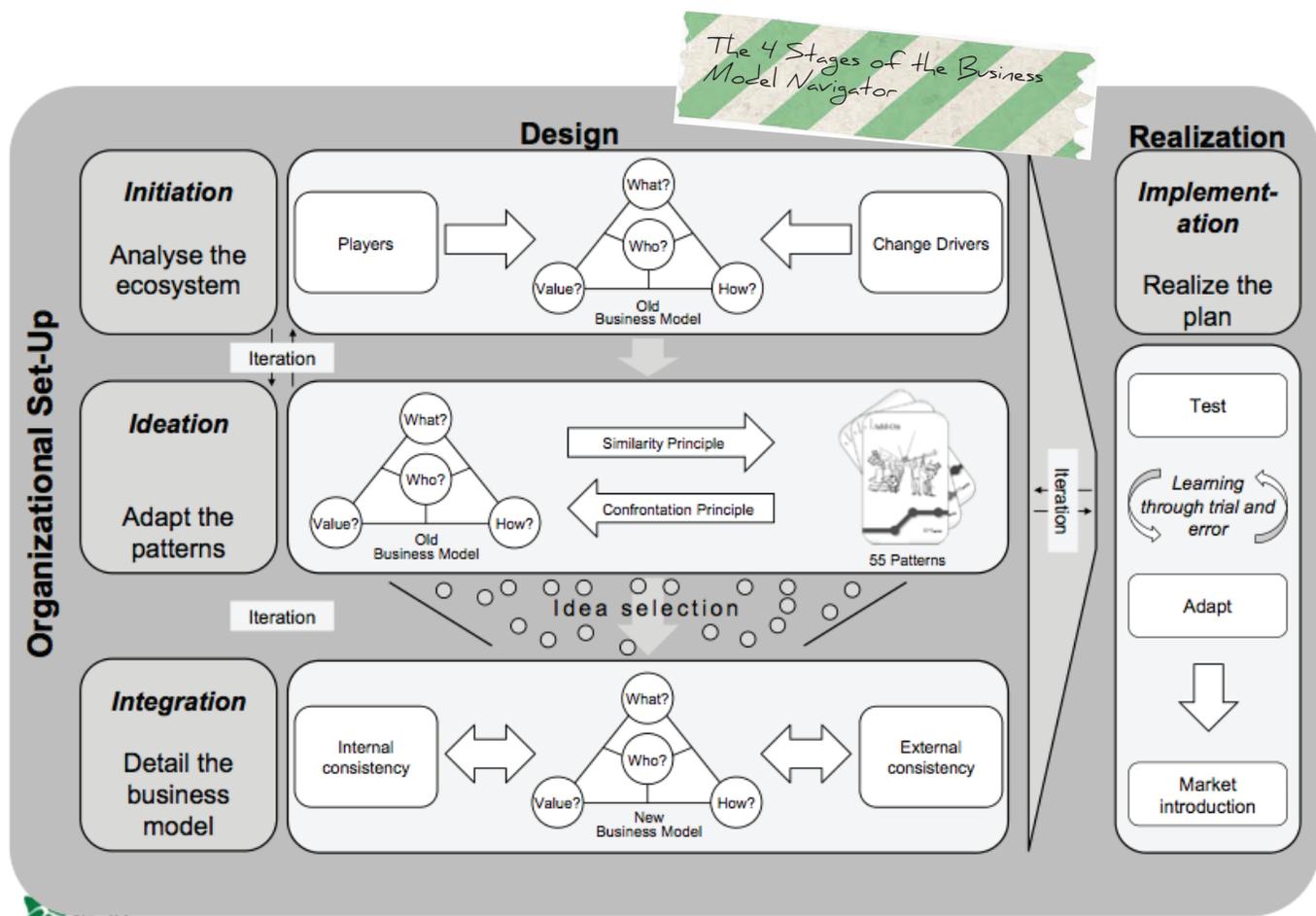


Fig. 1.05: The four stages of the Business Model Navigator method are illustrated here. This method relies on creative imitation and recombination of existing business models from other industries. Learning about other business models aids small leaps in innovation from industry to industry (from Appendix III: Frankenberger's Presentation).

to choose from. The result is something that is rarely predicted and can even be counter-intuitive (Gassmann et al., 2014).

The Business Model Navigator includes a business models card set that is used for pattern adaptation. The cards can be applied using the *similarity* or the *confrontation* principle. The similarity principle is the search for business models in related fields, while the confrontation principle deals with extremes. In this scenario, the study is in extremes and how they will impact the business model.

INTEGRATION & IMPLEMENTATION

The third and fourth steps (*Integration & Implementation*) are iterative. At these stages the new patterns are adapted into a relevant business model that is compatible with internal and external require-

ments and results in competitive advantage. Implementation is the hardest of all steps and should be carried out as a step by step process consisting of design, prototype and test. In this phase, prototypes can be presentations, detailed business plans, or pilot projects (Gassmann et al., 2014).

Of the four steps outlined in The Business Model Navigator, the first two steps (*Initiation & Ideation*) are carried out in a co-design workshop (see *Phase II: Exploration*). For the workshop with Lemon Designs, *The Business Model Canvas* and *Business Model Navigator* worksheets can be used to complete the first step, *Initiation*. *Ideation* is completed in the workshop with Lemon Designs. Since there are not any Business Model Navigator card sets available, a card set is created using the 55 business models as a



foundation. These cards replace the *Business Model Navigator* cards and are used to apply the similarity and confrontation principle as adapted for the workshop (see figs. 1.06-1.07: *Similarity & Confrontation Principles*).

Results of the third and fourth steps, *Integration* and *Implementation*, are presented in the third and final phase presented in the report (see *Phase III: Conceptualization*). This features the business plan for Street Art Hunter by Lemon Designs, which functions as a prototype and is the results of the *Integration & Implementation* steps.

For conducting the workshop, the *Business Model Navigator* sets up some useful guidelines to follow. From this explanation and pointers from Gassman (2014), an preliminary agenda for a business model development workshop is developed and is sketched. These guidelines cover two stages of workshop preparedness: 1) *Planning and Presentation* and 2) *Development*. At the *Planning & Presentation* stage, cross-functionality, preparedness for change, understanding of the problem and management of the process are paramount. At the *Development* stage, iteration and variety are key (Gassman, Frankenberger & Csik, 2014). Notes on the two stages are depicted in fig. 1.08: *Planning & Presentation* and fig. 1.09: *Development*.

From this preliminary outline of what a workshop for creating a business model will entail, the specific methods of creation can be outlined. For example, the workshop is be created for Lemon Designs. The workshop is conducted with inspiration from *Design*

Thinking, a method developed at Stanford University (d.school, 2015). Following the instructions where relevant for setting up the workshop ahead of time and ensuring that all necessary equipment, tools, etc. are ready for the workshop. *Design Thinking* suggests playing music during the times when people are working and turning it down to give instructions (d.school, 2015). Additionally, the time plan should be set out beforehand and followed for best results.

While some guidelines for gameplay are outlined for the team, in the spirit of openness, the team is not forced to use the game in a certain way and changes are made along the way to make gameplay more smooth and engaging. In addition, the team is asked to recommend changes for future use.

The heart of the workshop: a design game based on the 50 business models as outlined in the *Business Model Navigator*. I use the designed technique of the business model navigator, with the worksheets, steps, and methodology provided.

Once a creative technique has been established for finding ideas for business models, groups can test these models using rapid prototyping - possibly relying on the Osterwalder business model canvas to present results and get feedback on the results from other groups.

TAROT

The idea is to use principles inspired from the tarot card game to open the mental pathways toward creating business models, making a specific set of Tarot cards geared toward opening up the mind and crea-



Similarity Principle

Similarity Principle: 'How will adapting pattern X to my company change my business model?'

1. Define your search criteria to identify related industries.
2. Next, based on the predefined search of criteria and related industries, select patterns from the pool of 55 that are already used in the industries you have identified. Use 6-8 patterns.
3. Apply the identified patterns to your business model and develop concrete ideas for each pattern as it might work in the company and address challenges that you have recognized.
4. If the process doesn't work, do it again. Maybe expand the search criteria and include additional business models in your analysis.

Confrontation Principle

Confrontation Principle: How would *President Business Company* manage this business?

1. Quickly choose 6-8 patterns from the business model cards that are very different from the logic prevalent in your own industry. These can be chosen from intuition or at random. Discuss these briefly and choose the most interesting ones.
2. Challenge the business model with the patterns that have been selected by asking how the company on the card would handle the business. Get more than one idea per card selected.
3. If there aren't enough good ideas, do it again.

Fig. 1.06 & 1.07: Similarity & Confrontation Principles. Gassman, 2014.



tivity toward business models.

Tarot cards are a deck of playing cards imbued with symbolic illustrations that are traditionally used by mystics and occultists for divination and as a map for mental pathways. The development and use of the tarot deck has been influenced over time by the cultural and social environment - shaped by wars, religion, plague, enlightenment science, and new cultures. The first tarot deck was most likely invented in the early 15th century Italy by Duke Filippo Maria Visconti of Milan as an allegorical, secular game of skill and chance inspired by card decks from the Middle East (Farley, 2009). In 18th century France, it was adapted from a Renaissance game into a mysterious estoeric device as part of the French Occult Revival where it was linked with Hermeticism, Kabbalah, astrology. Then in 19th century England, during the Occult Revival there, the tarot was altered again by a group of magicians. Each card was bestowed a separate divinatory meaning, forming the basis for contemporary meanings. In addition, Arthur Edward Waite added illustrations to the cards to form the most popular tarot deck to this day, the Rider-Waite deck (Farley, 2009).

More recently, the concept of tarot has been adopted by the New Age Movement, which associates the deck more with self-help instead of fortune telling (Farley, 2009). This movement uses the symbolism of the tarot to get insight into events and feelings in life to find guidance in decision-making and perspective on a situation. The cards promote understanding of life, emotions and feelings and reveal the people

important in a participant's life (Farley, 2009).

Tarot readings are conducted in a calm, relaxing environment (think candles and incense) and there a number of ways to arrange and lay out the cards in spreads. When reading the cards, the participants should have the question in mind they want to address as the cards are being laid down. Tarot, like many business model design methods, also promises insight into the past, present, and future (Alexander, 2008).

Transferring the principles of tarot to the BMN, some similarities can be found. The business model navigator, the four questions 'How, Why, What, Who' and tarot decks cards have four suits. Each suit in the tarot deck consists of fourteen cards, numbering 1-10 plus four face cards (Jack, Queen, King, Ace). Each card has an icon, which represents an idea for the card and every card is meant to tell the user something, reveal something to the user. The four suits of the Tarot are represented in the *Business Model Design Tarot* as the four questions 'Who, What, How, and Why' from the *Business Model Navigator*.

Unlike tarot, where the reader is responsible for the information and leads the participant through experience, the *Business Model Design Tarot* is more collaborative. The information is provided on the cards themselves. It depends on the knowledge and imagination of the participants for results. Not just the imagination and knowledge of the reader and the tarot reading book. The information provided on the cards and aspects of the method behind the organization of the game is based on the *Business Model Navigator*.



Planning & Presentation

Planning and Presentation Stage:

1. Cross Functionality - Diverse team of insiders & outsiders with approval from the highest up. Business model innovation is a cross-functional topic.
2. Everyone On the Same Page - a. Give some examples of good business model innovation in industry. b. establish the importance of business model innovation. c. Present the business model meaning - it defines the What, Who, How and Why of a company's business.
3. Be Prepared for Change - question the established foundations, embrace the successes of others, monitor current business model for signs that it may be in danger in the future.
4. Actively managing the process - The team should be free at the beginning and given clear goals further into the process. Promote a positive understanding within the company for business model innovation. Fair & transparent change process. Develop skills lacking in the organization.

Development

Development Stage: With the group, decide on 3-5 business models that makes sense for the case at hand.

1. Keep Trying - Use the 55 business model patterns - Apply the similarity or confrontation principle to use the business model patterns in a structured way. Close patterns and test your business model with more distant patterns.
2. Haptic Cards or other methods can be used to find business model patterns
3. Don't be afraid to fail - in the early idea stage don't make any negative judgments and feel free to bring up any ideas and allow them to fail.
4. Iterations & Loops - Verify assumptions - Manage the balance between creativity and discipline. Allow for iteration like in other processes. Verify your assumptions right away.
5. You are wrong about your business case! (At the beginning) No business model survives its first contact with the customer, be prepared by upcoming changes by thinking about many different scenarios and decide upon thresholds that the business model needs to achieve in order to be successful. (verify assumptions?) It is an ongoing process and is not set in stone so it should be regularly challenged.
6. Prototyping - Helps limit risks. Rapid prototyping for quick feedback on the business model (use the Osterwalder business model canvas?) or can be a presentation, customer feedback, pilot project with 'initial' market entry, etc. Make sure to use the insight from the pilot project to re-adapt the business model and try to make failures fast and early in the process.

Fig. 1.09 & 1.09: Planning & Presentation Stages.
Gassman, 2014.





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The illustrations on the cards are inspired from the book, *Codex Seraphinianus* (Serafini, 1981).

Tarot readings often start with the random selection of a signifier. The signifier and its meaning endows the game with meaning depending upon the card itself. The signifier in the *Business Model Design Tarot* is the choice of a constant random in the play, the Who card. It is the constant random that forces participants to think outside the box, or laterally (De Bono, 1967). The incorporation of the signifier in the game is what holds the game together, providing a central element of chance (Caillois, 1958).

CODEX SERAPHINIANUS

The illustrations depicted on the *Business Model Design Tarot* cards are inspired from the images in the book, *Codex Seraphinias* (Serafini, 1981). The *Codex Seraphinius* is a book by Luigi Serafini, who created the book to induce the feeling of illiteracy in the reader (Bonanos, 2013). It is filled with drawings and a swirling cursive, untranslated text whose meaning is only known by its author, artist Luigi Serafini. According to Serafini himself:

“The book creates a feeling of illiteracy which, in turn, encourages imagination, like children seeing a book: They cannot yet read it, but they realize that it must make sense (and that it does in fact make sense to grown-ups) and imagine what its meaning must be.” (Bonanos, 2013).

Because both the images and the text are unknown to the reader, it creates the child-like feeling of opening a book for the first time. Like children open books and see images of plants and animals they have never

seen before, adults can browse the *Codex Seraphinianus*. They are confronted with the whimsical, fantastical unknown - creatures, language, plants, and systems waiting to be decoded.

The images from this book are useful as inspiration for images on the *Business Model Tarot* card and board because the technique is intended to facilitate open-mindedness of the participant while nudging the participant in a certain direction there is room for interpretation. Permission to use these images has not been granted by the author, as the cards are still in development. If the *Business Model Design Tarot* were to be released in a commercial manner, an arrangement would need to be made with the creator of the illustrations.

BUSINESS MODEL DESIGN TAROT EXPERIENCE

In the global world of today, producers out compete competitors by creating a technological innovation, by decreasing sales price and therefore increasing volume, and by delivering something ‘extra’ that the competitor does not offer (Jantzen, Vetner, & Bouchet, 2011 p.19). In the case of the *Business Model Design Tarot*, the ‘extra’ offering is an aesthetic experience layer in addition to the information and method provided by the *Business Model Navigator* (Jantzen, Vetner, & Bouchet, 2011). The experiential layer is that of the occult, divine and mystical experience honed over hundreds of years with tarot card divination experiences. The *Business Model Design Tarot* cards, like classic tarot cards, ask the participant to summon up inner creativity and apply it to a meaningful topic. While the classic tarot card game





centers on the spiritual quest and self-enlightenment, the *Business Model Design Tarot* centers on the economical quest to capture value for a firm. As the tarot has been adapted and transformed to fit the needs of civilization over the ages, the *Business Model Design Tarot* is another adaptation of this technique. It concentrates on economic enlightenment instead of personal. If the classical tarot game summons the gods of old - egyptian, christian, or astrological - the *Business Model Design Tarot* summons the god of today - money.

How do I make a business model with The Business Model Navigator?

The Business Model Navigator outlines a method for business model generation. This method can be used as a guideline for creating a business model through a co-design workshop. Following these guidelines can set up an overall program for a workshop. The *Business Model Navigator* cards are not available, so cards must be designed. This presents an opportunity to devise a creativity technique to accompany the new cards. A supplemental technique for designing the business model can be useful in addition to the BMN workshop guidelines. The BMN provides all the elements for making a design technique to execute it - like cards, information, and a method.

What kind of creative technique can be designed that incorporates this method?

A creativity technique called *The Business Model Design Tarot* can be used to supplement the *Business Model Navigator* method. The idea for the technique

is to blend the principles and technique of the tarot game with the BMN, thereby opening mental pathways of the participants toward creating business models. Making a specific set of tarot cards geared toward opening up the mind and creativity toward business models is necessary because there are no cards available. The technique is derived from the tarot, but is not exactly the same. The *Business Model Tarot* is collaborative and depends on the knowledge and imagination of the participants for results. Not just the imagination and knowledge of the reader and the tarot reading book. The information provided on the cards and aspects of the method behind the organization of the game is based on the *Business Model Navigator*. The illustrations on the cards are inspired from the book, **Codex Seraphinianus**. The cards themselves are based on the tarot cards creative technique.

END OF PHASE I: RESEARCH

Four main questions guide the research phase in a diverging and converging process. This abductive process narrows down, focusing on using *The Business Model Navigator* method as a framework for conducting a design workshop. This method is supplemented with the *Business Model Canvas* as well as a technique designed as a result of this process called *The Business Model Design Tarot*. The next phase, *Exploration*, documents the technique as it is tested for the first time in conjunction with the *Business Model Navigator* method, developing a business model.





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PHASE II: EXPLORATION

This phase documents the process of designing a business model for Street Art Hunter by Lemon Designs. It is divided into two main parts covering the *Initiation & Ideation* stages as described earlier, which are the first steps of the *Business Model Navigator* method (Gassmann et al., 2014). The parts are named accordingly. In part 1, *Initiation*, the team sketches the current business model using the *Business Model Canvas* and *Business Model Navigator* strategy worksheets. In part 2, *Ideation*, the team sketches the business model using the *Business Model Design Tarot* - a design tool based on the principles of the tarot card technique and the *Business Model Navigator*'s 50 business models information. The process arrives at versions of a business model. The business model design results are the outcome of a workshop involving the Lemon Design Group. The purpose of this workshop is the design of a future business model for Street Art Hunter by Lemon Designs.

The purpose of the workshop is to create suggestions for the business model for the case and is related to design things as 'design things are like town hall meetings: places where people gather to decide collectively where to go' (Koskinen et al., 2010, p. 125). A prototype of the design technique, *Business Model Design Tarot*, is created and tested in this phase. The

elements and guidelines are explained, and the results are shared. In addition, the *Business Model Canvas* is employed in the initial stages of the process. As the project is the work of action researcher, attempts to connect the findings and results with the real world are made (Coghlan & Brannick, 2010).

The prototype of the *Business Model Design Tarot* employed in the workshop is made from simple materials like construction paper and regular printed paper. The reason for this is just to test the first iteration of the game and find out what aspects are useful and what needs to be changed (Brown, 2008).

In *Initiation*, the team sketches the current business model using the *Business Model Canvas* and *Business Model Navigator* strategy worksheets. In the *Ideation*, the team sketches the business model using the business model design tarot cards - a design tool based on tarot and the *Business Model Navigator*.



Workshop Plan

Part I: Initiation - sketching current business model

1. Business Model Canvas

2. Business Model Navigator strategy worksheets

Part II: Ideation - business model innovation

3. Business Model Design Tarot

Fig. 201: Workshop Plan



WORKSHOP APPROACH

The design process for the workshop incorporates various theories and methods, taking from each as useful. The structure of the workshop program is based on the method presented in *The Business Model Navigator* (Gassmann et al., 2014) and the technique of the tarot card game and the information provided in the *Business Model Navigator* of the different business models (Gassman et al., 2014). The workshop plan is depicted in figure 2.01: *Workshop Plan*. As an action researcher, I participate equally with the other participants in the workshop in the co-design of the business models, while also designing and leading the workshop as a facilitator.

For the workshop, the *Business Model Design Tarot* is applied using the materials applicable: *Business Model Design Tarot* cards and board, *Business Model Navigator* strategy worksheets for logging business models as they are created, and other materials like extra pen and paper for note-making and taking. These design things help to transform the design teams' findings into something more permanent and help the team to 'sketch, analyze and clarify ideas' on the spot, which aids in persuasion and explanation of ideas to others (Koskinen et al, 2010 p. 210). For instance, every resulting business model is logged and notes are taken on a corresponding business model design worksheet. This means that they can be saved and reviewed at a later date by the team.

The creative sessions with the Lemon Designs team are set up according to the conditions outlined by Esko Kurvinen and presented by Koskinen in the

book, *Design Research through Practice*. The conditions are that the sessions should be conducted in an ordinary social setting, with naturalistic research design and methods, with openness, and in a sufficient time span (Koskinen et al, 2010). Regarding the time span, the workshop is split up into sessions that are spaced over the course of some weeks.

In order to comply with the first requirement, the workshop is conducted in a normal social setting as it is held at the regular meeting place during regular meeting hours, with the Lemon Designs team. The team are involved in the process as the creators of the experience, using naturalistic research design and methods, as creative actors who engage with each other and the design game in a way that supports their interests (Koskinen et al, 2010). The naturalistic method is that of the game.

The results of this endeavour are gathered and treated using up-to-date empirical and research methods (Koskinen et al, 2010). The research method is carefully planned according to the latest scientific research and the results from it are duly catalogued and the results are presented in fig. 2.09: *Workshop results/Future Business Models*.

A sufficient time span is allotted for the development of the business model design with the team (Koskinen et al, 2010), with the development occurring over a period of weeks in order that the team gets acquainted with the ideas and develops a shared understanding of the business model. As such, three separate sessions are spent developing the business model prototypes with the design team. The overall





time spent developing the prototypes by the team is 2 hours in the first session, 3 hours in the second session, and 1 hour in the third session for a total of 6 hours by the three team members, equalling 18 man hours on the prototyping, plus another 10 man hours devoted to establishing a business model via the **Business Model Canvas**. This means that about 28 total man-hours were spent by the team developing the business model prototypes.

The designs constructed are speculative and ‘created to provide a vision’, ‘explore new possibilities’, and find out ‘how these affect their hopes, dreams and aspirations.’ (Koskinen et al. 2011, Foreword) The results of the workshop and the prototypes are used to provoke reaction and conversation in order to make a difference for the Lemon Designs team.

PROCEDURE

A workshop with the *Business Model Design Tarot* is conducted with the partners of Lemon Designs. As the workshop is based on the action-oriented methodology of the *Business Model Navigator*, it loosely follows the steps outlined by this methodology. With the methodology of the *Business Model Navigator* (Gassmann et al., 2014) as a starting point, the procedure for the workshop is created. The workshop with Lemon Designs covers *Initiation* and *Ideation*. In the *Initiation* phase, the Lemon Designs team completes the *Business Model Canvas* and then the *Business Model Navigator* strategy worksheets. In *Ideation*, the Lemon Designs team creates new ideas for business models using the *Business Model De-*

sign Tarot. In addition, as I am one of the three members of Lemon Designs, I take a central role in the developments as a creative facilitator and guide, and also as a participant in the workshop design process. This role concords with the action research methodology, as it is common for students to use the action research paradigm as professionals who are also students (Huang, 2010).

Based on method of the *Business Model Navigator*, the three main activities of the workshop are depicted in figure 2.01: *Workshop Plan*.



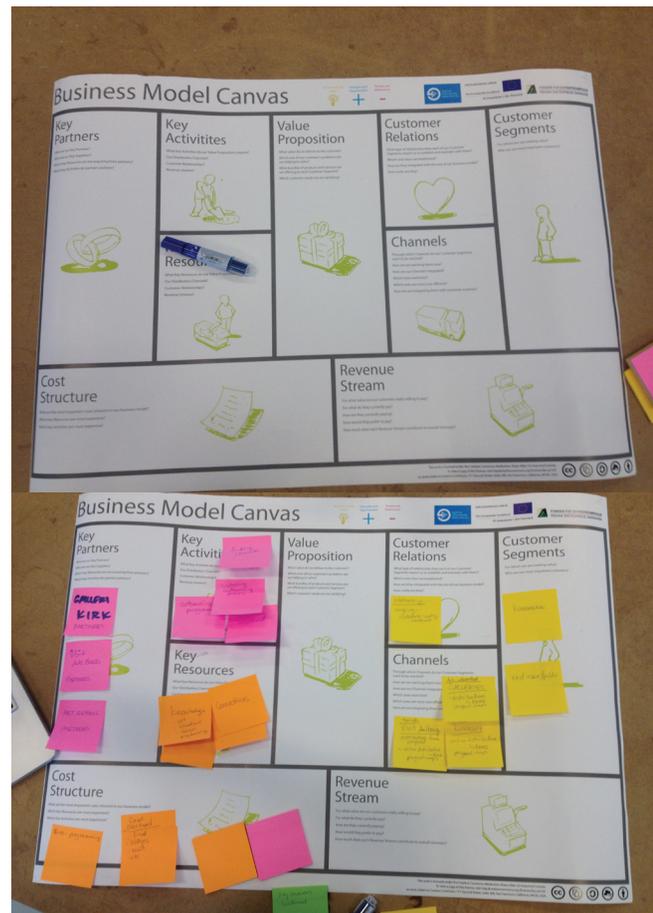


PART 1: INITIATION

The outset for the second phase, *Exploration*, is with *Initiation*. Initiation to the workshop is conducted in a few steps that occur over a span of weeks. First, the *Business Model Canvas (Initiation A)* helps to establish a shared understanding of the current business model (see figure 2.02: *Collage of Business Model Canvas Activity*). After the current business model is established, it is presented to an expert in order to get some feedback and try to verify some assumptions of the model. After these two activities, the group fills out the *Business Model Navigator* worksheets (see figure 2.03) that are suggested by the method (*Initiation B*). The entire agenda for the course of the workshop is detailed in figure 2.04: *Workshop Plan*. The plan is carefully detailed and shared in accordance with action research standards (Coghlan & Brannick, 2010).

INITIATION A: BUSINESS MODEL CANVAS

The *Business Model Canvas* is incorporated in the iteration step to help established a shared understanding of the current business model. On the canvas, the business model is described using the nine building blocks of the business model. By addressing each of these building blocks separately for the entity in question, the business model is established (Osterwalder & Pigneur, 2010). The *Business Model Canvas* is useful for explaining the current business model, linked to the freemium-model of business whereby the core product of a business offering is given away for free. Most business models are not suited for type



of business and the business model canvas allows for seeing and understanding how this type of revenue scheme makes sense (Osterwalder & Pigneur, 2012).

The Business Model Canvas is filled out in a workshop attended by two of the three design team members. Filling out the business model canvas encourages vertical results, in the way DeBono (1967) describes it as ‘digging the same hole deeper.’ This means that using the *Business Model Canvas* as a tool helps to describe the existing business model, as it is currently interpreted. View the results in figure 2.05: *Business Model Canvas results*. The *BMC*, however, does not help to envision the unknown or force the user to imagine the future or new possibilities. It shines light on the present and the current state of the subject at hand, forming a shared base of knowledge of the current situation. It does not help a



152). It is for this reason that the results of the BMC are verified with an expert (Archer, 1995). To do this, an informal interview is conducted with Nicolaj Bentsen, the founder and former owner of Initmo.dk - the largest online retailer of men's undergarments in Denmark. This company was purchased from Nicolaj Bentsen by JBS. Vivino, where Nicolaj is now working as the Chief Designer, is the #1 wine app in the world and has just celebrated 10 million downloads. It is touted by its founder, Heini Zachariassen, as the wine app for normal people. The app is meant to be the IMDB for wine and offers people the ability to 'Never Pick Another Bad Wine' (vivino.com, 2014). An informal conversation with Nicolaj Bentsen is initiated by sending an email with some questions regarding the business model for Street Art Hunter. The email and notes from the conversation can be viewed in *Appendix V: Expert Opinion*. Nicolaj, guided by his experience, relates some advantages and disadvantages of the current business model and gives some input regarding the product and pricing.

He first touches upon the advantage of the business plan. He relates that the choosing the municipality as a customer, is a good idea because it has a yearly allocated cultural budget. Many times the budget is appropriated to projects that nobody uses and buying this app, in his opinion, is a good way for the municipality to spend the allocated cultural budget on something that many more people can enjoy. The disadvantage, though, of selling the app to this customer is that the sales cycle is quite long. He advises that Lemon Designs should reach out to insiders within

each municipality to find out what time of year they appropriate the budgets in order to be able to make sales to these customers.

Nicolaj says that Lemon Designs should set its sights on selling an app to every municipality in Denmark, as a white-label solution for cultural wayfinding. This way, each Kommune can have their own customized app. He also says that it is important to name the apps with the place name so that people searching online can find it easily as well as giving some advice regarding pricing and customer relations. For instance, the product should be priced to give the customer choices, with at least three options to choose from. Further, that pricing should consist of a hefty, one-time cost that is supplemented with a low, monthly maintenance fee.

Connecting the business plan to the outside world through this discussion with Nicolaj Bentsen helps to qualify the business plan generated with the *Business Model Canvas*. From this inquiry, the team is one step closer to addressing one of the most risky assumptions: That the municipality will want to pay or pay for the Street Art Hunter app. This gives the design team confidence in the business model before moving on to the next step in designing the business model. Further, because Nicolaj has first-hand knowledge of the market, his pricing advice is essential for the next step toward qualifying the assumption that the municipality will pay the for app. This assumption will be further tested with a meeting with Art Rebels, which have asked for a quote for incorporating the app into a festival in Horsens, Denmark.



Business Model Canvas Results

Business: Lemon Designs - Cultural Way-finding Apps

Key Partners - The Key partners for Lemon Designs are identified to be Galleri Kirk, Visit Aalborg, Vivino and Art Rebels

Key Activities - The Key Activities are selling solutions, finding and managing clients, outsourcing programming, implementation of app for new customers, controlling outsourcing process, maintaining app, and maintaining customer relationships. Keeping the app up to date, communicating with clients, managing customers, selling,

Key Resources - The Key Resources are knowledge of art, street art, design, and programming - Connections. User experience knowledge.

Value Propositions - What value do we deliver to the customer? Cultural Way Finding App Which one of our customers problems are we helping to solve? Tie together existing efforts

Who is your customer? - The Kommune is the customer, we tie together existing street art or cultural efforts, the product is a free download. We offer a 'Bang for the Buck' because many people can download and experience the art with the app. which creates value for the residents

End User - we offer an experience that gives access to cultural artifacts through wayfinding and knowledge sharing. chains - 7-11- need to find 7/11

Street art movements - Savage Hobbit, etc.

Different museums who have stuff around a city.

Nature groups - for finding things out in nature

History walk - use white label solution - just a different topic that could interest different people

Corporate sponsors - appeals to stakeholders

Festivals & Events - create awareness about events - to link places together

Benefit is the same - getting a guided tour around to experience a selected group of things.

Customer Relationships

the relationship with the customer is ongoing and needs to be maintained over time because the app needs to be updated as necessary. The update might involve travelling so could prove to be costly over time. This is why a monthly maintenance fee is included in the payment.

Channels

Galleries & Museums - Art-interested. Social Media - Street-art interested. Kommune - residents - online distribution of app, free to Lemon Designs, printing of physical maps also free to Lemon Designs.

Customer Segments

Kommune - most important

Street Art Festivals - Aarhus, Aalborg, Stavanger, Horsens, global, etc.

Public - end users can be divided into segments residents, art-interested, street-art interested, tourists (Visit Aalborg appeals to this segment by printing and distributing physical maps through their channels and making the app available online

Cost Structure - costs are programming, fixed overhead - wages, rent, etc.)

Revenue Streams

Revenue streams of Street Art Hunter come from Server hosting, Monthly maintenance, and the upfront purchase cost. The team is not certain that this payment option, with a one-time large payment followed by a low monthly maintenance fee is amenable for the customer, as this assumption (that it will be okay) has not been tested.

*Fig. 2.03: Initiation Results,
Business Model Canvas*



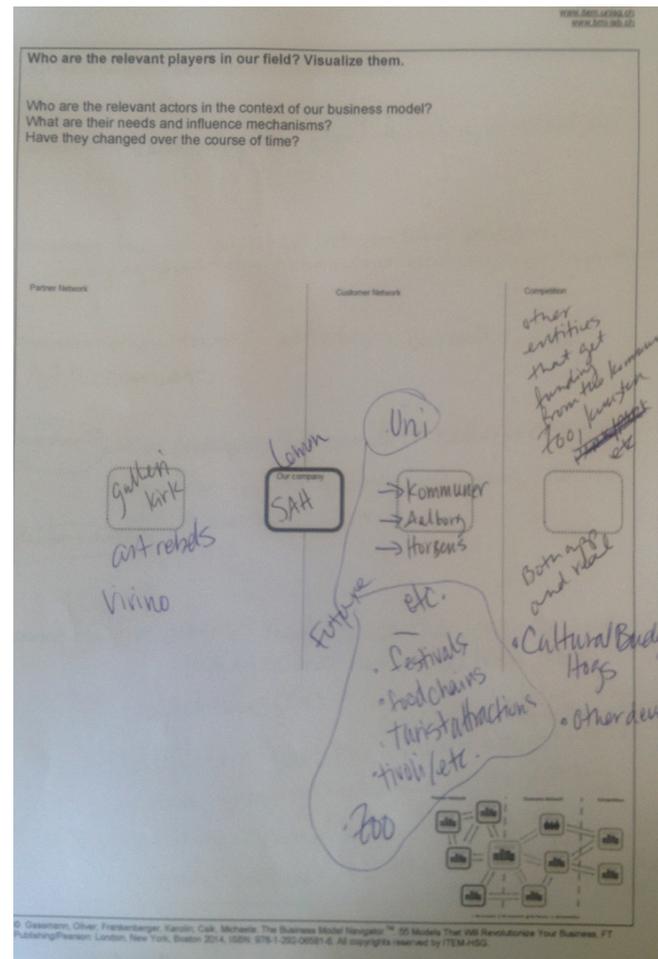
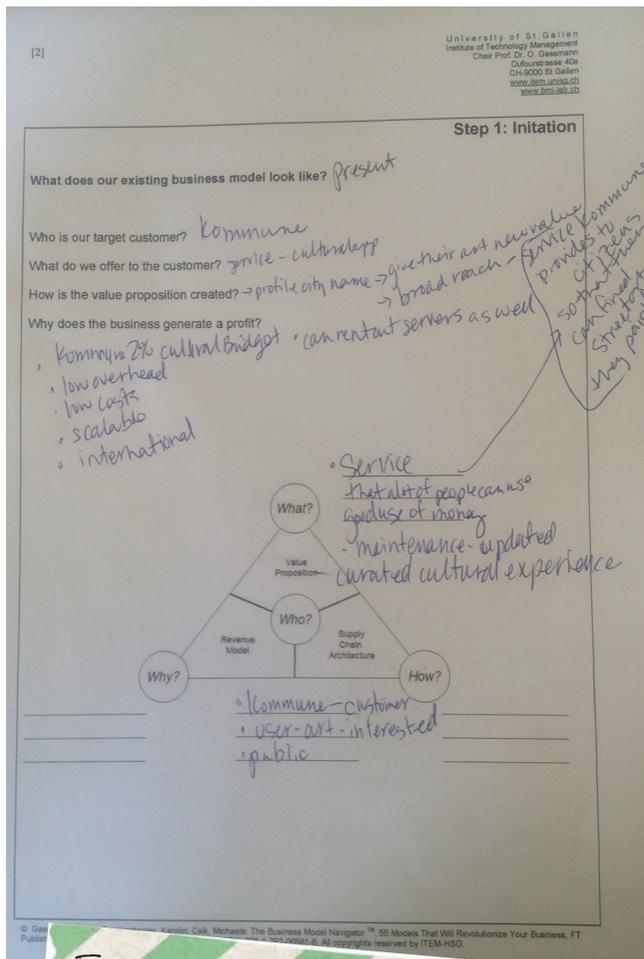


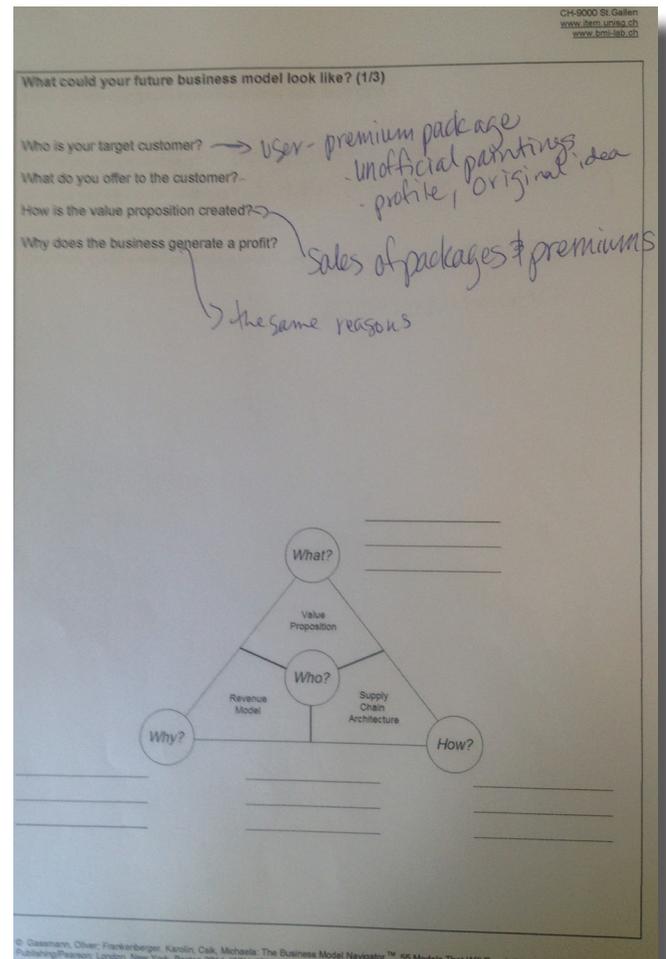
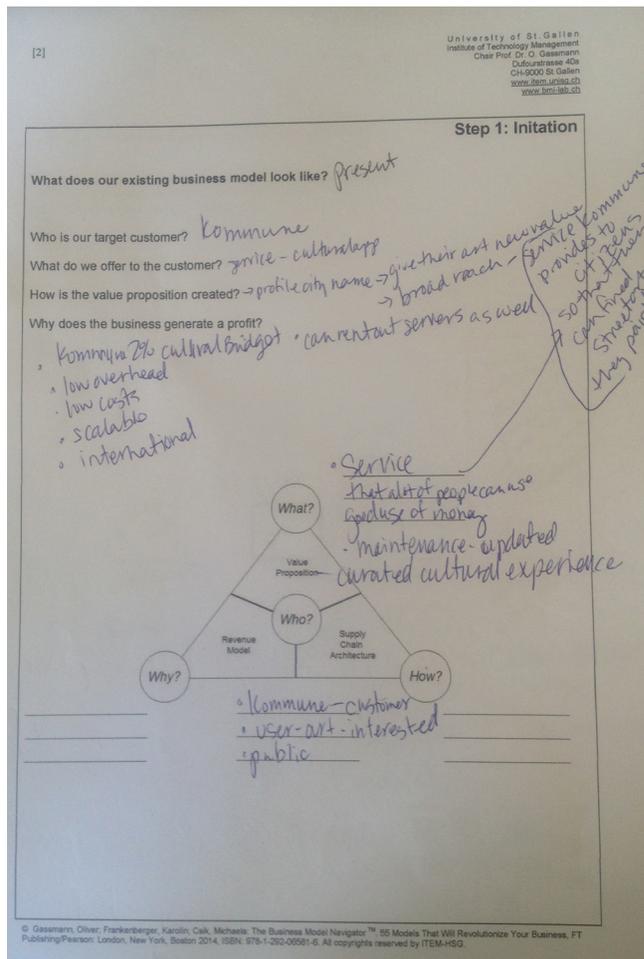
Fig. 2.04: Initiation with Business Model Navigator strategy worksheets

INITIATION B: BUSINESS MODEL NAVIGATOR STRATEGY WORKSHEETS

This second part of *Initiation* is conducted by filling out the strategy worksheets for the *Business Model Navigator* together with the Lemon Designs team. Completing the worksheets is a process that occurs during the normal group meeting time and in the regular meeting location. This is to encourage an informal, relaxed atmosphere for the design team. Since the process is lengthy and filling out the paperwork can be mentally exhausting, the worksheets are completed in one session, while the remainder of the prototyping is conducted in later sessions.

The worksheets, in conjunction with the previously executed *Business Model Canvas* (see figure 2.03: *Business Model Canvas results*) set forth an initial set of design criteria, based on accumulated team knowledge. Since the Lemon Designs team has been working on separate aspects of the project individually, completing the worksheets together helps by providing a platform for sharing the accumulated knowledge each team member has gathered in a meaningful and useful manner.

The worksheet questions, which are from the *Business Model Navigator's* strategy worksheets (Gassmann et al., 2014), are divided into the four sections that correspond to the four phases outlined by the



method: *Initiation, Ideation, Integration, and Realisation* (Gassmann et al., 2014). The exact questions and answers are available in figure 2.04: *Business Model Navigator strategy worksheets*. Completing this exercise with the design teams turns out to be an iteration of the business model itself, based on the accumulated knowledge of the group members, and results of the *BMC* and expert opinion. It can be considered a ‘control’ in the experiment because filling out the strategy worksheets is conducted without using any creativity techniques.

From this initial gathering of information, the result is the preliminary business model which includes the identification of three new possibilities of revenue streams.

This early positive result is due to the worksheets, which ask the respondents to identify the current business model and then to identify three different ways it can look in the future (see figure 2.07: *Future business models*). These three newly identified revenue streams are indicators of facilitation of lateral thinking (DeBono, 1967 p.8), but the results are still based only on what the team personally knows and not any additional information.

On the whole, the initiation step of the *Exploration* phase reveals the current state of the business model according to the team and allows for the expression of ideas and concerns to be formal-





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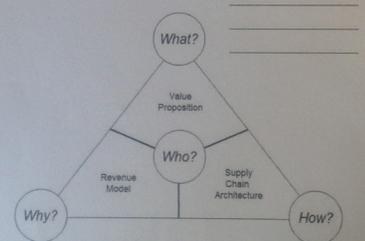
What could your future business model look like? (3/3)

Who is your target customer? → White label app

What do you offer to the customer? → app their own identity

How is the value proposition created? →

Why does the business generate a profit? → the same way
Service, maintenance



The diagram is a Business Model Navigator with 'Who?' in the center. 'What?' is at the top, 'Why?' on the left, and 'How?' on the right. 'Value Proposition' is between 'What?' and 'Who?'. 'Revenue Model' is between 'Who?' and 'Why?'. 'Supply Chain Architecture' is between 'Who?' and 'How?'.

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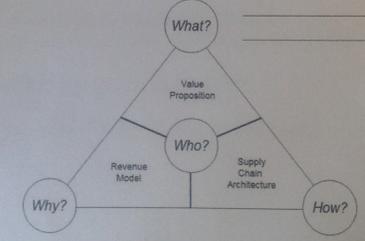
What could your future business model look like? (2/3)

Who is your target customer? → Businesses on the map / Galleries

What do you offer to the customer? → mentioned in the app Kunden etc

How is the value proposition created? → raise awareness for the company

Why does the business generate a profit? → gets money from businesses



The diagram is a Business Model Navigator with 'Who?' in the center. 'What?' is at the top, 'Why?' on the left, and 'How?' on the right. 'Value Proposition' is between 'What?' and 'Who?'. 'Revenue Model' is between 'Who?' and 'Why?'. 'Supply Chain Architecture' is between 'Who?' and 'How?'.

Fig. 2.04: Initiation with Business Model Navigator strategy worksheets

ized. In addition, there is a host of other relevant and helpful information. For instance, the team is able to identify which current partners are the most vital to the future success of the firm. And, most importantly, other than communicating and clarifying the existing business model, completing the worksheets helps the team to identify the most risky business assumption. A concept the team was not familiar with before this exercise. Although at the end of this step, there was some evidence of lateral thinking, the results of this phase are mainly of a vertical thinking (DeBono, 1967, p.8) nature because the exercises mainly formalized the existing business model.

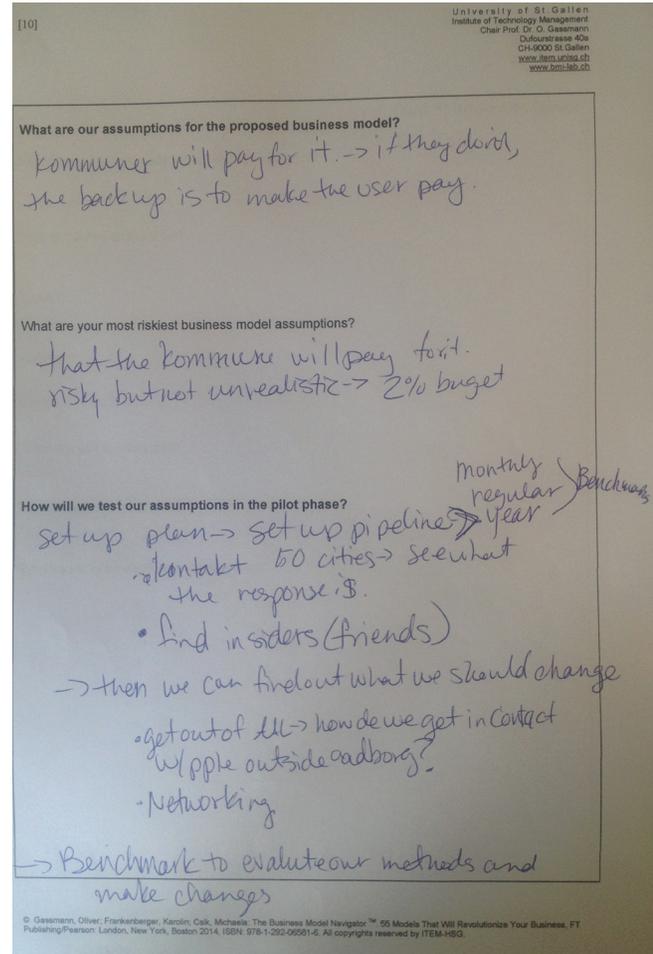
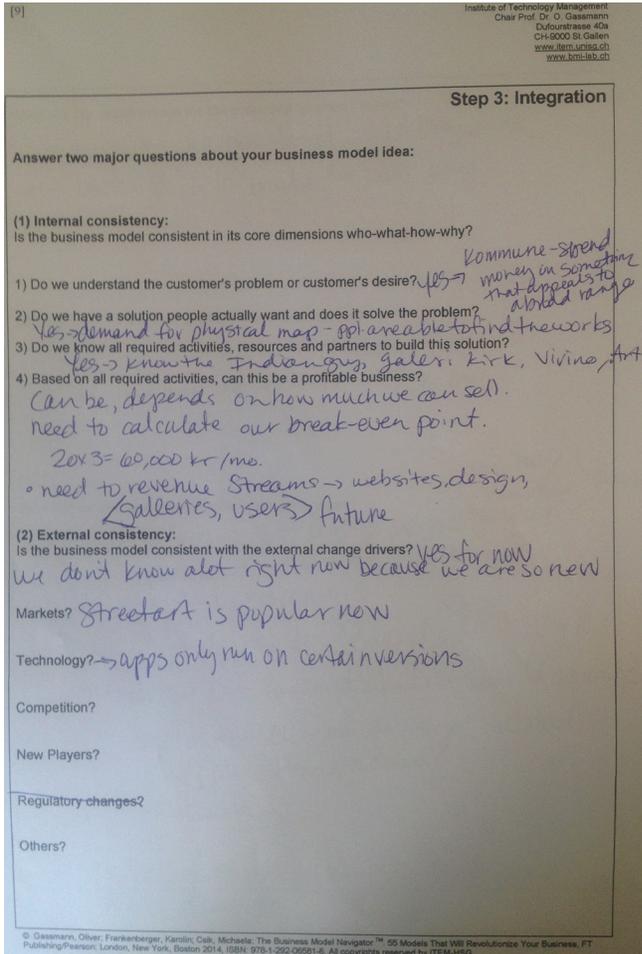
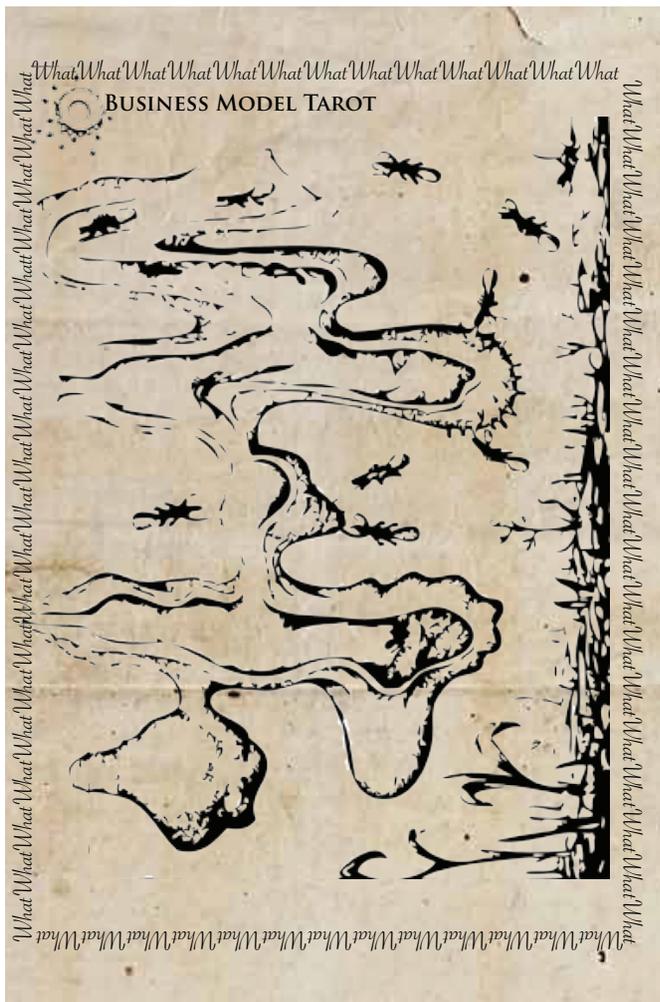


Fig. 2.04: BMN Strategy worksheet results- fig text - Worksheet Results:
Based on the completion of the St. Gallen Business Model Navigator strategy worksheets. These questions were completed by the Lemon Design team on April 9, 2015. Completing this helped the team to get all the ideas out and onto paper before going on to the next step.



PART 2: IDEATION

The next part of the *Exploration* phase is carried out by testing the prototype of the *Business Model Design Tarot* with the Lemon Designs team. This is part of the *Ideation* step of the *Business Model Navigator* (Gassmann et al., 2014). The technique is explained and the proceedings and results are discussed.

THE BUSINESS MODEL DESIGN TAROT

The *Business Model Design Tarot* exercise is tested with the Lemon Designs team. This is effectively the first time the *Business Model Design Tarot* is tested and the team works together to work out small kinks

along the way, in effect putting some finishing touches on the design of the game. The *Business Model Design Tarot* technique encourages iteration because, like in the design field, iterations of the business model are key and evolve through repeated application (Dunford, Palmer, & Benveniste, 2010). In addition, the *Business Model Design Tarot* is designed to be used again and again, as it has been found that the average new business model is usually revised many times before it is profitable (Johnson, 2008). The *Business Model Design Tarot* is designed as an exercise in imagination and helps to simulate products, interaction, and the organization (Koskinen et al., 2011). This technique can be likened to a game

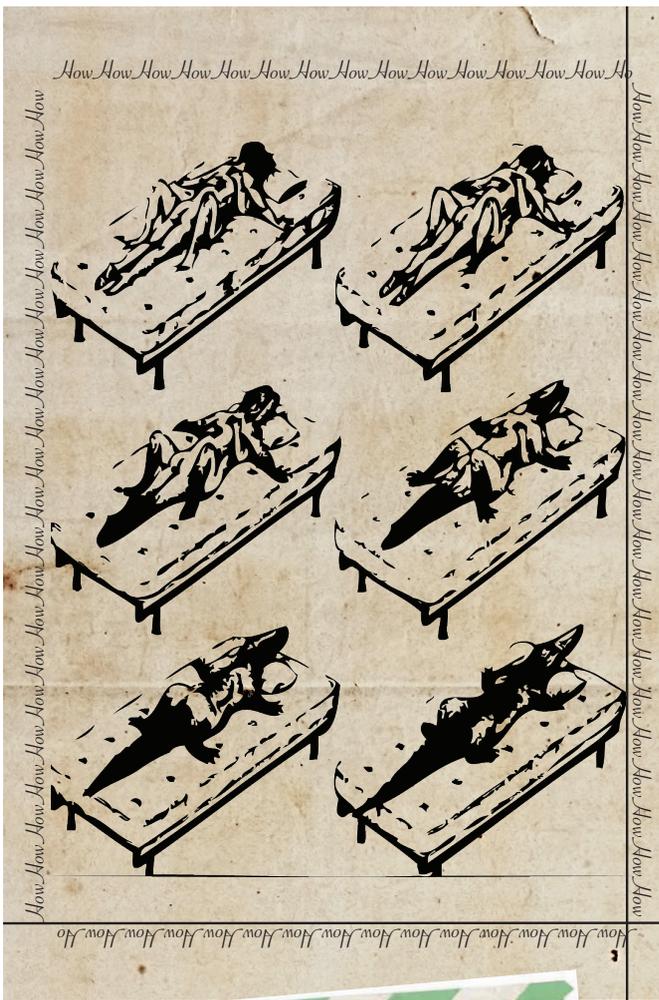


Fig. 2.05: Business Model Design Tarot card suits - Who, What, How, Why

of chance (Caillois, 1958) and is based on the information of business models presented in the *Business Model Navigator* as well as the tarot. The game play is also based on the method of the *Business Model Navigator*; as an action-oriented method that builds on the learning and successes of others by opening up innovation by imitation and creative recombination. The method has been developed so that the focus is on learning and understanding more than purely copying and is meant to help the team adapt successful patterns of business found in other industries, markets, or contexts (Gassmann et al., 2014).

While the guidelines for gameplay are outlined for the team, the team is not forced to use the game in a

certain way and changes are made along the way to make the experience more smooth and engaging. In addition, the team is asked to recommend changes as they see fit. The proceedings and results are carefully planned, timed, and recorded following with action research guidelines (Coghlan & Brannick, 2010).

INTRODUCTION AND WARM-UP

The introduction to the design exercise consists of presenting the agenda, the concept, and a quick game. The design team is familiarized with the concept of the *Business Model Design Tarot*. Since it is a combination of pre-existing elements, these elements and roles are shortly presented. The *Business Model Navigator* (also the *Business Model Canvas* as it is a





Fig. 2.06: Business Model Design Tarot - playing with cards & board

point of reference for the team members) and the tarot card game are the elements explained. To further familiarize the team with the concept of the *Business Model Design Tarot*, a short introduction to tarot is performed by doing an individual reading for each of the participants with a classic tarot card deck.

The explanation of the elements and warm up with a classic tarot reading improves understanding of the design exercise itself by making the team members familiar with the concepts. The benefit of using the tarot reading as a warm-up tool is that it is designed to open mental pathways and help people break from their normal thought pathways, a practice harmonious with the goals of a warm up (Alexander, 2008) (d.school, 2015).

The agenda is presented verbally so that participants have an understanding of the goals for the exercise and how the tasks relate to the overall business model design agenda (see figure 2.07: *Business Model Design Workshop agenda - detailed plan*). The agenda closely follows the one outlined in the *Business Model Navigator*, with some additions along the way (Gassmann et al., 2014 pp. 20-57) For example, the *Business Model Canvas* is added as part of the *Initiation* phase to help form a starting point for the group.

The concept is inspired from tarot and *The Business Model Navigator*. The cards are created in four suits as with the tarot cards. The four suits of the *Business Model Tarot* are: *Who, What, How, Why* which originate from the *Business Model Navigator's* cor-

Workshop Agenda: Business Model Design
Date: 16 April 2015
Participants: Laura Reininger (also mediator), Mette Lausen, Nicolaj Rasmussen
Time: 19.30 - 22.30

Business Model Navigator - the method this is based on, is an action-oriented methodology of creative imitation & recombination of existing business model components.

Phase 1: Initiation

2 iterations completed 9 April (Business Model Canvas) & 15 April, 2015. Filled out Business Model Navigator worksheets & Business Model Canvas. This allows us to 'get it all out' (Gassmann et al., 2014). These exercises, combined, form a base of knowledge and shared starting point for the existing business model.

WARM UP with Tarot card reading for Mette & Nicolaj with a brief explanation of Tarot & history

Phase 2: Ideation

Introduction

- Use the Business Model Design Tarot as a technique for adapting the patterns found in other industries, markets or contexts - the information and method from the Business Model Navigator.
- Builds on learning from the success of others
- Imitating business models from other industries lets us become an innovating leader in our industry
- Learning & Understanding, not just copying

Principles and procedure of the game derived from the Business Model Navigator:

Pattern Adaptation

- Successful business model innovations are sometimes counter intuitive
- The information on the cards is just enough to stimulate creativity and bring participants out of the comfort zone.
- Forces us to apply different patterns and generate new business ideas.

Procedure of game

0. Similarity principle
 - 'Stacking the deck in our favor'
 - Using the chosen 'good' cards to make the business models.
- B. Confrontation principle
 - Good to use since we do not have a specific plan
 - Like dropping an anchor far from the boat, by the time it reaches the seafloor, it finds its way back to the boat on its own.
 - Quantity over quality
 - Using the 'bad' cards to make business models by starting with the 'worst' card and working through the cards like that.
- C. Selection of Ideas - Cluster business model ideas by general concept, then make selections from each cluster.
- D. Elevator pitch - based on the NABC (Needs, approach, benefits, competition) model. Present the pitches to each other.
- E. Redesign - weakness and challenges addressed with new ideas - can be pre-existing Biz model ideas or examination of new ones.

Fig. 2.07: Business Model Design workshop agenda - detailed plan



BUSINESS MODEL DESIGN TAROT: GUIDELINES FOR PLAY

GAME ELEMENTS:

1. Business Model Design Tarot Board
2. Who, What, How, Why Cards
3. Future Business Models worksheets

HOW TO PLAY:

SET UP

1. Deal out HOW, WHAT, WHY cards evenly among players.
2. Leave the 8 WHO cards, face down, in the middle of the board.
3. Players sort through their cards, each suit into 'good' and 'bad' cards.
4. Players decide if together to play either the 'good' or 'bad' cards first.

GAME PLAY

1. Turn over a 'WHO' card.
2. Each player lays down a card from each suit onto the board. If it is 'bad', then lay down the worst card. If it is 'good', then lay down the best card.
3. Going through each suite, one by one, all players examine and discuss the cards laid out and decide which ones to include in the business model iteration.
4. Write the result into the 'future business model' worksheet. Go to the next suit, filling out the worksheet to complete the new business model.
5. Repeat steps 5-8 as necessary. 3 repetitions for 'good' and 3 for 'bad' are a good start.

VARIATIONS ON PLAY

1. Lightning Rounds - Players deal out cards evenly among suits. Each round consists of players laying down one card for each suit, without looking at it first. The business model is formed from the choice of each suit card from the players. Or, for a super lightning round, only one card is laid for each suit and that makes the business model.
2. Quick play - deal out only a set number of cards to each player instead of using the whole deck.
3. Mini-Change - To change an existing business model, at least two categories should be changed (Gassmann et al., 2014n et al., 2014n, Frankenberger & Csik, 2014). So the team should decide on whether the goal of play is for whole change (play all suits) or partial change (2 suits). Choosing less suits to play means total game time is decreased.



Fig. 2.08: Business Model Design workshop - Experiencing the technique

responding business model triangle.

During the *Business Model Design Tarot* exercise, since there are only 8 WHO cards, they are placed in the middle of the board instead of being dealt out evenly among all other players. (see figure 2.06). Like the classic tarot card game, the *Business Model Tarot* also makes use of a the significator. The *Who* cards act as the significator. This introduces an element of chance (Caillois, 1958) in the play. All suits of cards are employed in play for the greatest opportunity for change through exposure to the business models.

CHANGES TO THE BUSINESS MODEL

DESIGN TAROT

During the workshop, gameplay goes as the guide-

lines lay out and many possible business models are created, at least one for every *Who* card.

Design Changes:

Some corrections to the cards are noted, like spelling errors and additional illustrations for the cards. Importantly, we find that additional information for each suit WHO, WHAT, WHY, and HOW should be included directly on the board because the cards can be confusing. Also, to minimize confusion, each suit needs its own color in order to easily distinguish them from each other during play.

Game Play Changes:

- Need more WHO cards - addressed the problem by putting the WHO in the middle, constant chance element in game. But research into more WHO cards





GOOD #1 = 21:00 - 21:19

University of St. Gallen
Institute of Technology Management
Chair Prof. Dr. O. Gasemann
Dufourstrasse 40a
CH-9000 St. Gallen
www.itm.unisg.ch
www.bmi-lab.ch

What could your future business model look like? (1/3)

Who is your target customer?
What do you offer to the customer?
How is the value proposition created?
Why does the business generate a profit?

Version #3: Far future, 2-3 years away

WHITE LABEL APP
- can choose between "walks"
- users put in all content, we provide platform

3 years down the road

What? Value Proposition
Who? Revenue Model, Supply Chain Architecture
Why? Supermarket - offer variety to customer
How? Layer Buyer - pay for different niches
the long tail -> nichemarkets, walks, etc
self-service -> users put in their own content
firstonefree

Fig. 2.09: Business Model Design workshop - Results -

GOOD #2
21:20 - 21:33

WORKSHOP

University of St. Gallen
Institute of Technology Management
Chair Prof. Dr. O. Gasemann
Dufourstrasse 40a
CH-9000 St. Gallen
www.itm.unisg.ch
www.bmi-lab.ch

16 April 2015

* What we have now

What could your future business model look like? (1/3)

Who is your target customer?
What do you offer to the customer?
How is the value proposition created?
Why does the business generate a profit?

Version #1: What we have now

Used in Venture Capital Cup Entry form to describe value proposition & competitive advantages
used to VVC - business model

What? Value Proposition
Who? Revenue Model, Supply Chain Architecture
Why? Solution Provider - sell solution to Kommune as an
How? Hidden Revenue
Experience Selling through digitalization
Make more of it -> sell to more Kommune or companies

can be recommended.

- Cards can be confusing - players switch between end user and customer constantly and on accident. Need to think further for a solution to this problem, if there is one.

Lightning Rounds

The first phase (sorting out and choosing the cards) takes a long time because participants are reading and learning about the business models. This can be improved by using another technique before hand, like 'lightning rounds'. This works by taking the cards and completely randomly making business model with each suit by just flipping over cards for each category.

Board & Cards

Participants felt that the addition of the board makes game play visible and provides a structure to work around and helps them to keep on topic. Adding explanations to each suit on the board will help to decrease confusion at the beginning of the game. They felt that keeping the 'WHO' suit random had the result that it steered the course for the game and helped them imagine cases that they would not have chosen themselves. In addition, they reported that they were not sure if having some of the cards apply to many different suits was a positive or negative for game play.



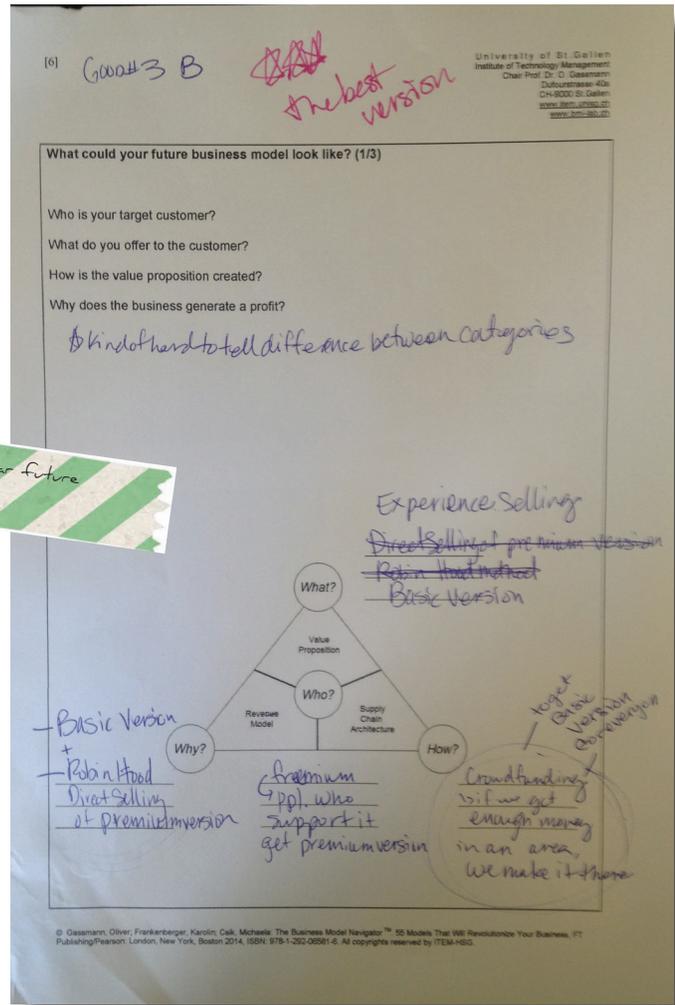
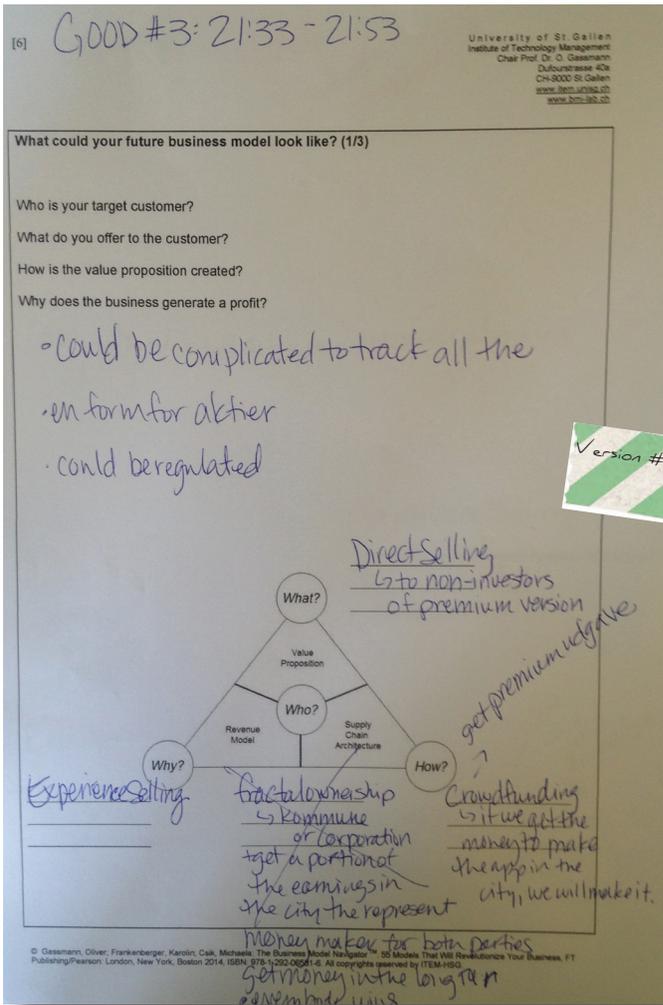


Fig. 2.09: Business Model Design Tarot Workshop Results: Using the 'Who' cards as a signifier, 8 new business models are created. These business model are then grouped into three groups: Version #1 - Present Business Model; Version #2 - Near Future, and Version #3 - Far Future (2-3 years). The business models are shown in order that they were generated in the Business Model Design technique and the groupings are noted.

A Whole New Level of Business Model

Understanding

Overall, participants agreed that even though the process takes time, they got a lot out of it. It brought them to a 'whole new level' concerning business models, opening them up to 'thinking outside the box'. They liked finding out about other ways they could make money with their business, in their own words 'a shitload of new ways to make money on our solution'.

The participants found the technique to be useful and even decided to save all the models in a file so that they could come back to them at any time in the future when they might question the business model once again.

In addition, they found it to be more useful than the *Business Model Canvas*. When comparing the experience and results of the *Business Model Canvas* to the *Business Model Design Tarot*, participants felt that the *Business Model Canvas* did not 'push them'. The *Business Model Design Tarot* experience allowed them to identify the current business model but also 'made them think outside the box.' These results are evidence of lateral thinking (DeBono, 1967).





~~extra~~ extra revenue stream

14) BAD#2 2022-2044

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What could your future business model look like? (1/3)

Who is your target customer?
What do you offer to the customer?
How is the value proposition created?
Why does the business generate a profit?

what we can do if the kommune won't pay

mon by pay

someone else pays here - can have your pic in with work in real life

not sure it would

Auction

Free share if they win the auction

Peer 2 Peer leveraging customer data

extra revenue stream

Freemium

target the box

Version #2: Near future, option in case municipalities will not pay.

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16) BAD#3-20:44-21:00

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www.bmi.unisg.ch

What could your future business model look like? (1/3)

Who is your target customer?
What do you offer to the customer?
How is the value proposition created?
Why does the business generate a profit?

Version #3: Far future, 2-3 years away

2 revenue streams

Already doing

sell them cheaply to the city

Licensing not traditional can target public & private sectors

What? Value Proposition

Who? Revenue Model Supply Chain Architecture

Why? How?

Auction

people pay money to participate to get their pic in the app

-competitive-

NO FEELS

Basic version

Self-Service: User generated content

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AALBORG UNIVERSITET

PHASE III: CONCEPTUALIZATION

The workshop activities lead to the third phase, *Conceptualization*. The *Conceptualization* phase converges upon a business plan derived from the workshop. It represents the integration of the captured knowledge into the business, which is the third step in the *Business Model Navigator* method (*Initiation, Ideation, Integration, & Implementation*) (Gasmann et al., 2014). The business plan is the second prototype created in this project - the other is the *Business Model Design Tarot* prototype. It is considered a prototype of the business model. The business plan is presented and various portions are related to the activity of study that contributed to their formation. This business plan allows the research to enter into the real world again, and is used to enter the company into the venture capital and start up business arena as a way to verify the plan itself.

The business plan is created from the workshop results and to the requirements outlined for entry into a new business competition called Venture Capital Cup. This is a competition held by a nationwide non-profit organization call Venture Cup. This organization finds budding entrepreneurs and facilitates the creation of new businesses through efforts like business start up competitions, skills training, mentoring and networking (Venture Cup, 2015).

Since the process of the workshop and learning re-

lated to the work done allows Lemon Designs to take this next step, and create a detailed and concise business plan that can be used to communicate the essence of the business further, it is an early indicator that the workshop is successful and worthwhile. The business plan as presented to the Venture Capital Cup is presented as the conceptualization of the business model design workshop. To establish a relationship between the details and design suggestions of the *Exploration* phase, references to the workshop activities that resulted in the individual insights are noted in order to capture the contributions of the activities in the larger scheme of the business plan (Eriksen & Band, 2013).



Business Plan - Street Art Hunter by Lemon Designs

Executive summary

Lemon Designs is a startup offering the experienced-based, cultural way-finding app, Street Art Hunter. Street Art Hunter is a street art portal for the world where people can find, collect, rate, and learn about street art. The app is sold via a hidden revenue model (see figure 2.06: Business Model Navigator strategy worksheets) whereby the app is licensed to street art festivals and municipalities, making the app free for the end user. The value captured is the number of users and customers on the platform and name recognition that makes it easy for people to find street art all over the world. Street art festivals are being held yearly, all over the world. The app captures it all in one platform, making it easier for users to locate the art. As there is not one major street art platform in the market now, time is of the essence for establishing a dominant presence.

Street Art Hunter is enjoyed by people of all ages – from art buffs and street art aficionados to teenagers, families, and pensioners. Marketing and promotions to these segments through strategic channels achieves recognition and buzz for the app (see figure 2.05: *Business Model Canvas Results*). Visit Aalborg, the local tourist office, has printed and distributed over 4,000 paper versions of Aalborg Street Art Hunter in the form of a branded map. Demand for these maps has far exceeded projections so far, indicating high levels of interest in the solution.

Lemon Designs has created Street Art Hunter in cooperation with Galleri Kirk as a preliminary financial backer, which is also partly funded by Aalborg Kommune. Currently, the first version of Street Art Hunter is being programmed and is set for pilot release in Aalborg Kommune in August 2015. Lemon Designs is also in talks with Horsens Kommune for a festival in the summer of 2015 as well. With proceeds from the sale of the app to Horsens Kommune, Lemon Designs hopes to program version 2 of the app, which has already been designed (see. figure XX: *Business Model Design Tarot results*).

In order to make Street Art Hunter the dominant worldwide street art portal, Lemon Designs needs start up capital. A capital infusion will give the company time to set up a customer pipeline and insulate the company from the long sales cycle associated with selling to large organizations (see *Initiation - Expert Opinion*).

Fig. 2.10: Venture Capital Cup
Entry for Lemon Designs





Product and Service

Lemon Designs offers a cultural way finding experience through the app, Street Art Hunter – a world-wide portal for street art. The primary goal of Street Art Hunter is to help people find and locate street art and learn more about it.

The app allows users to find, collect, rate, and learn about street art works. Street Art Hunter allows users find and collect artworks and murals with the digital interactive map and through curated tours. In addition, users learn about works in the library through searching by artist, city, or work.

Street Art Hunter is designed to be useful before, during and after the physical experience of seeing the artworks. For instance, before going on a street art hunt, users can browse the app for cities, artists, or tours that are of interest. They are able to get an idea of what a particular city, artist, or tour has to offer. These features allow users to plan and anticipate what is to come. During the street art hunt, Street Art Hunter guides users to works with an interactive digital map and curated tours. Checking them off in the app collects works. This allows users to save progress on and complete tours - earning titles for the user. User progress is saved so that after a hunt, explorations can be digitally revisited.

A number of the app's features are designed to strengthen the user experience at all points of interaction. For example, with the app, users have a digital street art library at their fingertips that allows easy access to information about the artworks, artists, locations, cities etc. With Street Art Hunter, extra information is key. Once an artwork is collected, the user can rate it. The ratings from all users are pooled to achieve an overall rating for an artwork or tour. This feature increases the level of responsiveness in the app, giving the user influence in the overall perception of the artworks and starting a dialog between the artist and user.

Customer Pain

Street Art festivals and projects have added countless murals to cityscapes the world over, but people don't have any reliable way to tap into this phenomenon. The artworks are often hard to find, off the beaten track, and locations are spread throughout the cities. Because of this, tourists and residents alike often rely on chance to behold these public treasures because it is too time consuming and complicated to keep track of all the urban art. When people are lucky enough to stumble upon the works, they don't have any additional information about it – like who made it (sometimes those signatures are hard to read) and when – leaving people to feel like confused outsiders.





Business Idea

Street Art Hunter is a Street Art Portal – no matter what city you go to, you will be able to use Street Art Hunter. If you are from Aalborg and go to Berlin, you can still use Street Art Hunter.

Street Art Hunter helps people find the art with an interactive map featuring all the artworks in the city. It is an urban art treasure hunt where users capture murals by photographing them and save them into the app, creating a personal gallery of art. In addition, it features curated tours of the street art in the city. The app provides information on the artists and artworks. It creates dialogue surrounding the artworks in the city by allowing users to rate and comment upon works and share progress with friends. These features, combined, form a platform for street art that can be enjoyed by the public as an urban cultural experience, parallel with going to a zoo or museum.

Value Proposition

The value is in the user base. The more users and customers there are, the more value the app has for other customers.

Street Art Hunter creates value as a solution provider that sells digitized, cultural way finding experiences to the public sector (Kommune). The Kommune, which has an allotted cultural expenditure budget (see *Initiation - Expert Opinion*), gets the opportunity to tie existing efforts together through Street Art Hunter, which facilitates a cultural experience that many people enjoy, any time of day, all year long.

There are street art festivals and projects occurring all over the world, on a yearly recurrent basis. Street Art Hunter ties together existing efforts made by these entities by creating a portal for street art. It allows their efforts to be cataloged and recognized. This is done for just a fraction of what it costs these entities to create the street art in the first place and immortalizes the effort, packaging it for public consumption.

In addition, since it is a worldwide platform, customers can gain from name recognition from city to city, country to country. This increases the chances that users can find their city and artworks it beholds.

Idea protection / Competitive Advantage

Street Art Hunter is a worldwide street art portal. Lemon Designs stays ahead of the competition through branding, key skills, and a sound product offering. In addition, as there is not another major





recognizable product out there like this, it can benefit from first-mover advantage in the marketplace.

Lemon Designs has trademark on the concept, as there was an article published in Politikken in 2014 about the app. Furthermore, there is always copyright protection on software. When programming is outsourced, programmers sign over the rights to Lemon Designs.

Market and customer

Street Art Hunter is an app that can be downloaded by anyone with a smartphone, anywhere in world, at any time. This means that the market is essentially global, with the constraint of people using smartphones and interested in social, cultural, or exploratory experiences, art, or street art.

4,000+ printed, paper Street Art Hunter maps have been distributed in Aalborg with the cooperation of Visit Aalborg and demand has far exceeded expectations. In the first run of printed maps, 4,000 copies were printed and distributed. This run was intended to last until August, when more maps were to be printed, but only 2 months later, Visit Aalborg needed to print more maps. This is positive evidence of the need for a way finding app for the street art.

In addition, an informal interview with the Visit Aalborg shop staff revealed that most people that pick up the maps are female. They normally ask for more than one map (a sign of it being a social activity) and are of a wide range of ages - teenagers to senior citizens. This does not indicate the males are not interested in the experience, but that females are more likely to go out of their way to obtain the key to the experience.

While the typical end user may be conservatively classified as females of all ages, the customer is the Kommune (see figures 2.05-2.06: *Business Model Canvas results & Business Model Navigator strategy worksheets*). The typical Kommune is a large, bureaucratic organization with a long sales cycle. Because Street Art Hunter facilitates a cultural experience, it is interesting for the public sector in Denmark, which has an allotted yearly cultural expenditure budget.

In August 2015, a pilot release is scheduled for Aalborg Kommune – in cooperation with Lemon Designs, Galleri Kirk, Visit Aalborg, and Aalborg Kommune. Currently, Lemon Designs is in talks with Horsens Kommune via intermediary Art Rebels to offer the app in conjunction with its upcoming street art festival. Right now, there is not a definitive answer from either Kommune regarding actual purchase of the app but there is high interest, some initial support, and it is an ongoing process.



Market

Assuming the Kommune's main problem is spending the allotted cultural budget on activities and projects that enrich the public, the amount of money being spent on the problem currently can be estimated, as it is known that the Kommune spends 2% of the budget on cultural projects.

For the year 2015, Aalborg Kommune's budget for culture was 374,000 DKK, dividing the culture budget by the number of residents (197,000) results in a per capita expenditure rate of a little less than 2kr per resident, per year. Horsens Kommune has a yearly cultural expenditure of 500,000 DKK. Since this is a less-populated kommune, the expenditure per resident is greater, at 8.9 kr. per resident. The two totals are averaged together for a per capita cultural expenditure of 5.45 DKK. Taking the Aalborg & Horsens average expenditure (5.45 DKK) and extrapolating the data to the whole country of Denmark results in an estimated market of over 30 million kroner in Denmark.

AVG. SUM OF KOMMUNES ANNUAL CULTURE BUDGET = SIZE OF MARKET

The market for Lemon Designs and Street Art Hunter can be estimated by figuring the amount of money the Kommune spends on street art already. In Aalborg Kommune, there has been a grant for three years toward various street art programs. Lemon Designs aims to sell the Street Art Hunter solution to all cities with urban art projects and festivals in the world. Outside of Denmark, each market is unique. It is the view of Lemon Designs that the bigger the city, the bigger the market and each new city or country needs to be evaluated to decide upon the correct strategy (see *figure XX: Business Model Design Tarot results*).

One way to estimate the demand for Street Art Hunter is through Crowdfunding (see *figure XX: Business Model Design Tarot results*). In this scenario, if Lemon Designs can get 100,000 USD through backers giving 1USD or more, this means a secured user group in the city and Street Art Hunter will be created for the city in question. In this scenario, backers of the crowdfund receive a premium version of the app. Pre-defined user group of 100,000 users before we enter the city. Voucher code with Robin Hood model means that one purchase can lead to an exponential user growth rate (see *figure XX: Business Model Design Tarot results*). Because it is a social thing, when you buy one and get one (or more) for free, it encourages social interaction between friends.

In addition to Street Art festivals and cities the framework of the app, as a cultural way finding solu-





tion, can be sold as a white-label app (see *Initiation - Expert Opinion & figure XX: Business Model Design Tarot results*). This means that the solution can also be customized and sold as, for example, a curated historical tour, beer walk, or nature walk.

A realistic number of customers for Denmark might be half of all the Kommune, because Lemon Designs offers not only Street Art Hunter but way finding, cultural way finding solutions in general. The limit of customers only depends on the server (which is virtually limitless) and the time it takes to create the app for a particular city, which is a matter of days or weeks for larger cities. While the market is large, it is limited to places with a large proportion of residents or visitors using smartphones. To begin with, Lemon Designs is exploring the Danish market. But in order to capitalize on first-mover advantage, the plan is to expand to international markets as quickly as possible (see figure XX: *Business Model Design Tarot results*).

The market's main competitive factors in consideration right now are other apps coming out with the same functions, which could take market share and become the dominant portal.

The local market appears to be stable for the foreseeable future, as the cultural expenditure budget isn't going anywhere, meaning that there will be a need to spend money on cultural experiences on the far horizon. As far a street art goes, the popularity of art forms waxes and wanes with time. This is why the basic structure of the app can be used to promote other forms of cultural activities as well (see *Initiation - Expert Opinion & figure XX: Business Model Design Tarot results*).

Industry and Competition

There are plenty of street art maps and apps available today. There are even street art apps that offer some of the same information and functions as Street Art Hunter. Even though, none of them offer a one-stop solution that encompasses many cities. Users can't go to a single app for the most up to date information on street art. The goal with Street Art Hunter is to have as many cities as possible so that a platform is formed for the users. There will be an 'Aalborg Street Art Hunter', 'Horsens Street Art Hunter', and 'Copenhagen Street Art Hunter' as well as 'Berlin Street Art Hunter' 'Los Angeles Street Art Hunter', 'Lodz Street Art Hunter'. Etc. So that when a user is planning a trip to a new place, they can check out the street art in that city using the app (see figure XX: *Business Model Design Tarot results*).

There are many street art hubs, bloggers, and enthusiasts posting pictures and locations on Facebook.



This information is haphazard and not collected in an easy-to-use format, depending on each individual to collect and collate information into something manageable. One would have to say that Google has the biggest street art hub in the world, with the application 'Google Street Art'. This application, though, is very difficult to use and navigate and not in a smartphone format at this time. It is the view of Lemon Designs that all of these 'competitors' are in fact strategic partners in the waiting for the Street Art Hunter solution.

The development of Street Art Hunter is not only the work of the Lemon Design team – Laura Reininger, Mette Lausen, and Nicolaj Rasmussen – but also our important partners we have made contact with to date – Galleri Kirk, Visit Aalborg, Aalborg Kommune, Art Rebels, Horsens Kommune, PDM International Marketing and Software Director Troels Nørgaard and Vivino Chief Designer Nicolai Bentsen – who have all added to the development and knowledge surrounding the creation and realization of this concept (see figure 2.05: *Business Model Canvas results*).

The biggest challenge now is getting the app out and as many cities in the app as possible, before others do the same in order to gain market share (see figure XX: *Business Model Design Tarot results*).

People and Organization

The Founding Team

Street Art Hunter by Lemon Designs is the product of Laura Reininger, Mette Lausen, and Nicolaj Rasmussen. Laura Reininger originally had the idea for the global street art platform. She and Mette Lausen developed the concept together during an internship at Galleri Kirk in Aalborg, Denmark. Nicolaj Rasmussen is the head of programming and coordinates and oversees programming, which is outsourced to India.

Laura Reininger – Business plan, sales, design

2015 Cand. IT, Experience Design AAU

2013 Bachelor, Art & Technology AAU

2000-2004 International Business Marketing, Oklahoma State University, USA

Mette Lausen – Promotion & Communication, sales, design

2015 Cand. IT, Interactive Digital Media AAU

2013 Bachelor, Art & Technology AAU



Nicolaj Rasmussen – Programming and Web Manager

2015 – University College Nordjylland, Dataology

Competitive advantages

Once Street Art Hunter is released, competitors can copy the concept, but they may not be prepared to copy the value Street Art Hunter offers and match it first. The key is to be the first mover in the market. Lemon Designs has connections to street artists, the art world, and insider knowledge of street art. It has a background in experience design and interactive digital media, which is instrumental in designing an enriching, interactive, transformative experience for the user. In addition, the team has knowledge of managing and outsourcing programming and web integration. As well, Lemon Design is uses knowledge of the Danish market that results in sales. The three partners work together, focused on attaining the ultimate goal of turning a profit from the product, Street Art Hunter and have devised backup business plans for the product (see figure XX: *Business Model Design Tarot results*).

Lemon Designs needs an accountant and possibly a financial partner or director. Very importantly, the company needs a business advisor that is experienced in navigating app startups, someone to act as an advisor and sounding board. In order to appeal to local markets, the intention is to make the app available in a number of languages so translators will be hired as needed. In addition, the company needs Street Art Hunters – designers, artists, art historians, journalists, etc. People with this type of background can be sourced through the network of Lemon Designs and the number of people hires depends upon the budget available. Lemon Designs will hire as many as possible in order to get as many cities in the app as quickly as possible (see figure XX: *Business Model Design Tarot results*).

Money and Feasibility

The current business model for Lemon Designs with the Street Art Hunter solution is aimed at selling the experienced-based, digital solution to individual municipalities in Denmark, using the hidden revenue strategy whereby the end user gets the app for free and a ‘hidden’ third party (municipality, corporation, or street art festival/organization) pays for the solution (see figure XX: *Business Model Design Tarot results*). This model is financially supported by a large upfront payment for the app (100,000-500,000 DKK per solution), followed by low monthly maintenance fees (1000 kr per solution) (see *Initiation - Expert Opinion*). This is the business model that is being tested in the deals with Aalborg and Horsens. This strategy is authentic to the concept of street art as being for the public and not ex-



clusionary and it is important to maintain the app free of charge for the end user (see figures 2.05-2.06, results of *Business Model Canvas & Business Model Navigator strategy worksheets*).

While this business model keeps in the spirit of street art by making the app free to the user, it can hamper the growth of the solution into the worldwide street art portal. Partially because of the long sales cycle associated with selling to a large organization. Another reason the model can be detrimental to the growth of the portal is because it is dependent upon cooperation from other parties, which takes time and effort to navigate and coordinate. These factors can lead to a competitor being able to more quickly move into the market and capture market share.

The preliminary results of testing this business model shows that it is promising with the two initial potential customers. In addition, the business model can generate an initial cash flow for the company. The cash flow generated from either of these sales will be used to create a premium version of the product, which can be sold in a number of ways (see figure XX: *Business Model Design Tarot Results*).

With the premium version, Lemon Designs can increase the chance of success in becoming the #1 street art portal for the world by minimizing the effect of the long sales cycle pervasive in selling to these customers. In effect, spring boarding into the market.

One possibility is to use crowd funding (see figure XX: *Business Model Design Tarot results*). Once a set number of supporters or amount of money is reached through this method, the app can be made for the area. The backers win because they get a copy of the premium version of the app for less money than it would be to buy the premium version after its release, since the lowest backer amount would be about 1 USD. Street Art Hunters – aka, the Lemon Designs team and others, depending on the budget, should fan out to create the app for all cities as soon as possible.

Once the app is released for a city, all users are able to obtain the basic version for free (see figure XX: *Business Model Design Tarot results*). This version is fully functional - showing users to the artworks, offering curated tours, and allowing users to achieve titles. The premium version differs from the basic version as it adds layers of interactivity customization via a social platform and personal gallery. The premium version will be available for download through a pricing strategy called 'Robin Hood.'

With the Robin Hood strategy, users can either buy the app or possibly get it for free (see figure XX: *Business Model Design Tarot results*). All purchases of the app are at least 1 for 1, meaning that the





purchase of one app makes one additional premium version free for download. More premium versions can be made available for a range of prices. The lowest purchase price of an app means that the purchaser buys one and makes one available for free download. So a purchaser can make the choice of buying one and making one available, buying one and making 2 available, buying one and making 3 available, and so on. As the number of apps purchased increases, the individual per app cost decreases. This strategy increases the number of users of the platform and still makes it possible for a proportion of premium users to get the app for free, a compromise that is still authentic to the Lemon Designs vision.

The purchaser gets the experience of giving back, a transformative experience (Pine & Gilmore, 2011) that can align with a customer's long term goal of being a charitable and giving person. Using this pricing strategy for the premium version of the app means that purchasers have a transformative experience, as that of 'givers' when they make a set number of apps available to others, free of charge. Because of the nature of this experience-based digital product, transformative experiences are facilitated through not only use of the app, but also purchase of the app. Making one feel good for paying for the app by making another feel good to get a premium version for free. All the while, Street Art Hunter facilitates the experience art and culture for the masses.

The strategy of 'giving back' is proven time and again to be successful. This is similar to Tom's shoes one-for-one cost strategy whereby a person buys one pair of shoes and makes a pair of shoes available for someone in need. The difference between this strategy and Tom's is that there are no barriers set to who can get the premium version for free since it is up to the individuals themselves who decide if they should take a free version (if available) or buy one and make one available for another person (Toms.com, 2014).

Economies of Scale and Financing

Initial funding for the basic version of Street Art Hunter is provided in cooperation with Galleri Kirk and Aalborg Kommune. Future financing avenues might be the sale of the solution to Horsens Kommune or from grants from organizations like Venture Capital Cup. Adding more cities to the app only adds the cost of labor and travel expenditures for Lemon Designs because Street Art Hunter is created with a backend that can be maintained by Lemon Designs, easily adding new cities and countries as needed.



Implementation

If Lemon Designs obtains adequate funding, then it will be able to start programming the second version of the app, the premium version. In addition, the process of adding as many cities to the map as soon as possible can begin. The speed with which this is accomplished depends upon the budget, of course.

Currently the plan is to sell the app to the municipality so that the end user experiences it free of charge, which correlates with the idea of street art being for everyone. In August 2015, a pilot of the basic version of the app will be released in Aalborg Kommune. Lemon Designs is in talks with Horsens Kommune to have the app released in the late summer there as well. Proceeds from the Horsens sale, if it goes through, will be directed toward programming of the second version of the app, which is already designed.

Lemon Designs is also in consideration for 'iværksætter pilot' and finds out if it is approved for this status by June 15. If the company is approved, it means that it will receive support, financially and otherwise for up to 40 months. Hopefully, with a combination of support as 'iværksætter pilot' and the support of grants from Venture Cup, Laura Reininger and Mette Lausen will be Street Art Hunters and fan out over the globe, adding cities to the app – making it happen.

The first and second versions of Street Art Hunter have already been designed. There is already funding for the basic version of Street Art Hunter and programming is underway now. Lemon Designs needs funding for the programming of second version of the app and money to add cities to the app (travel, etc.). In addition, it needs money to cover the cost of salaries for the three partners until the company starts to earn a profit by building a sales pipeline.

Marketing and sales

The initial demand for the app in Aalborg was created through a marketing campaign promoting the concept, which resulted in initial positive feedback and buzz via articles in various publications like Politikken, Magasinet Kunst, and Kunstavisen. Currently, Lemon Designs is selling Street Art Hunter to the public sector through networking with partners like Galleri Kirk and Art Rebels. The product is promoted to the end users through partnerships with different channels, which distribute the printed maps/information flyers (see figure 2.05: *Business Model Canvas Results*).

For instance, local tourism agencies, like Visit Aalborg, want to attract people to the city. As this experience is something that can promote the city, the tourism office has a stake in distributing the informa-



tion for Street Art Hunter through its channels – hotels, train stations, etc. Likewise, galleries and art museums have a stake in promoting art in the city, so they too distribute flyers and information about the street art to their art-interested customers. Residents of the city are reached through print and social media, as well as physical signs at the works that direct people to the app. The app attracts the street art-interested user by appealing to them through traditional and social media outlets and magazines that are relevant to this group.

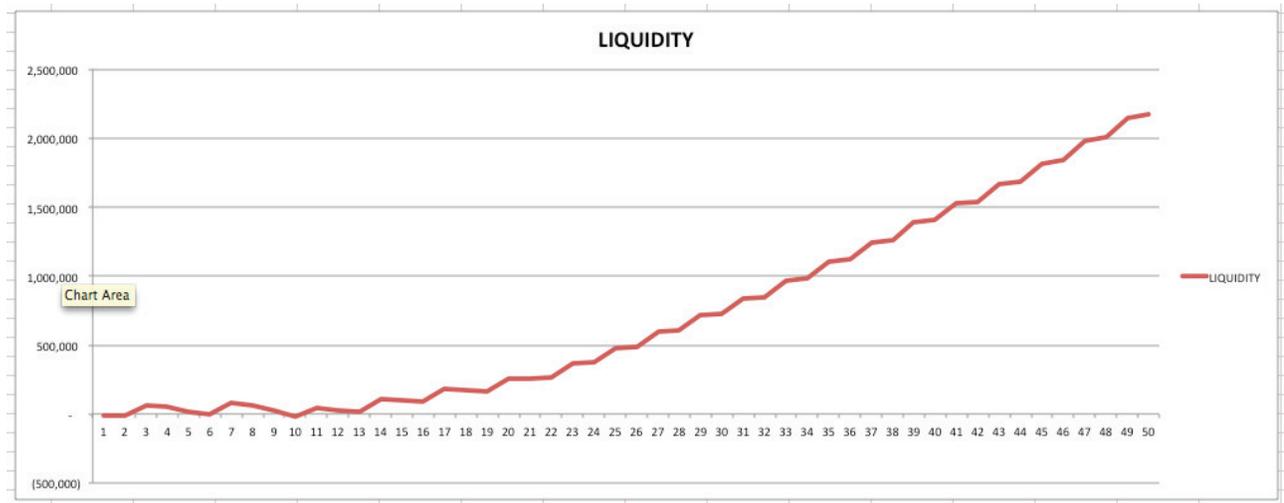
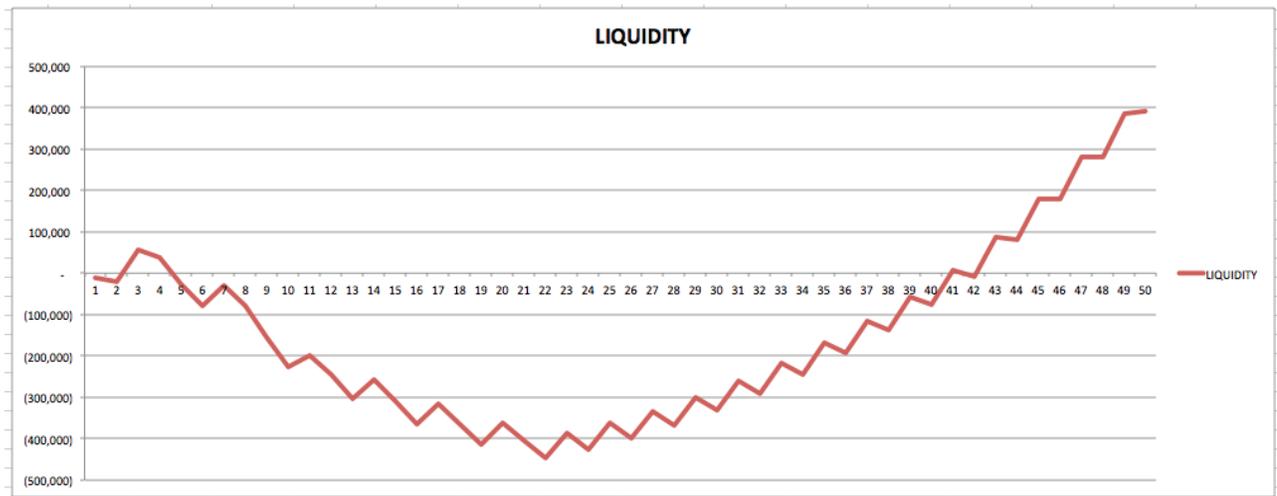
In addition, Lemon Designs intends to create initial buzz surrounding the release of the app by choosing ‘testers’ for the app based upon appeal to each of the user segments. Testers of the app are journalists, art historians, gallerists, students, tourism officials, municipal officials, etc. Street Art Hunter gets initial buzz in customer segments via various channels, tailored to appeal to the specific segment. In addition, the premium version of the app is built with a social platform that encourages in-app participation and sharing of activities on other social media platforms.

Budget

A budget for Street Art Hunter by Lemon Designs has been created. It reveals initial promise for the company, with the breakeven point projected at 42 months. This projection includes startup costs associated with programming a premium version of the app, and operating expenses like marketing expenditures and salaries. It derives the bulk of sales income by sales of the app to the public sector, supplemented with sales to the end user in other parts of the world. Sales to the public sector are predicted to slowly increase because of the long sales cycle associated with selling to these customers.

If Lemon Designs receives support via ‘*iværksætter pilot*’ status or through venture capital funds, the projections will change and the outlook will be more positive. A projection of this is created, starting with the previous chart. Then assuming the salaries for Laura Reininger and Mette Lausen will be paid through support programs, they are set to ‘0’ until month 40, when the ‘*iværksætter pilot*’ status will expire. The salary for Nicolaj Rasmussen remains constant. At month 40, Laura and Mette’s salaries are added back into expenses because the *iværksætter pilot* status expires at this point. In addition, *iværksætter pilot* status allows for offices and other amenities so the costs of these have been put on hold until month 40 as well. Overall, the projection shows that with additional funding, Street Art Hunter can break even very quickly. So really, what Lemon Designs needs is funding to support it while it sets up a customer pipeline for sales.



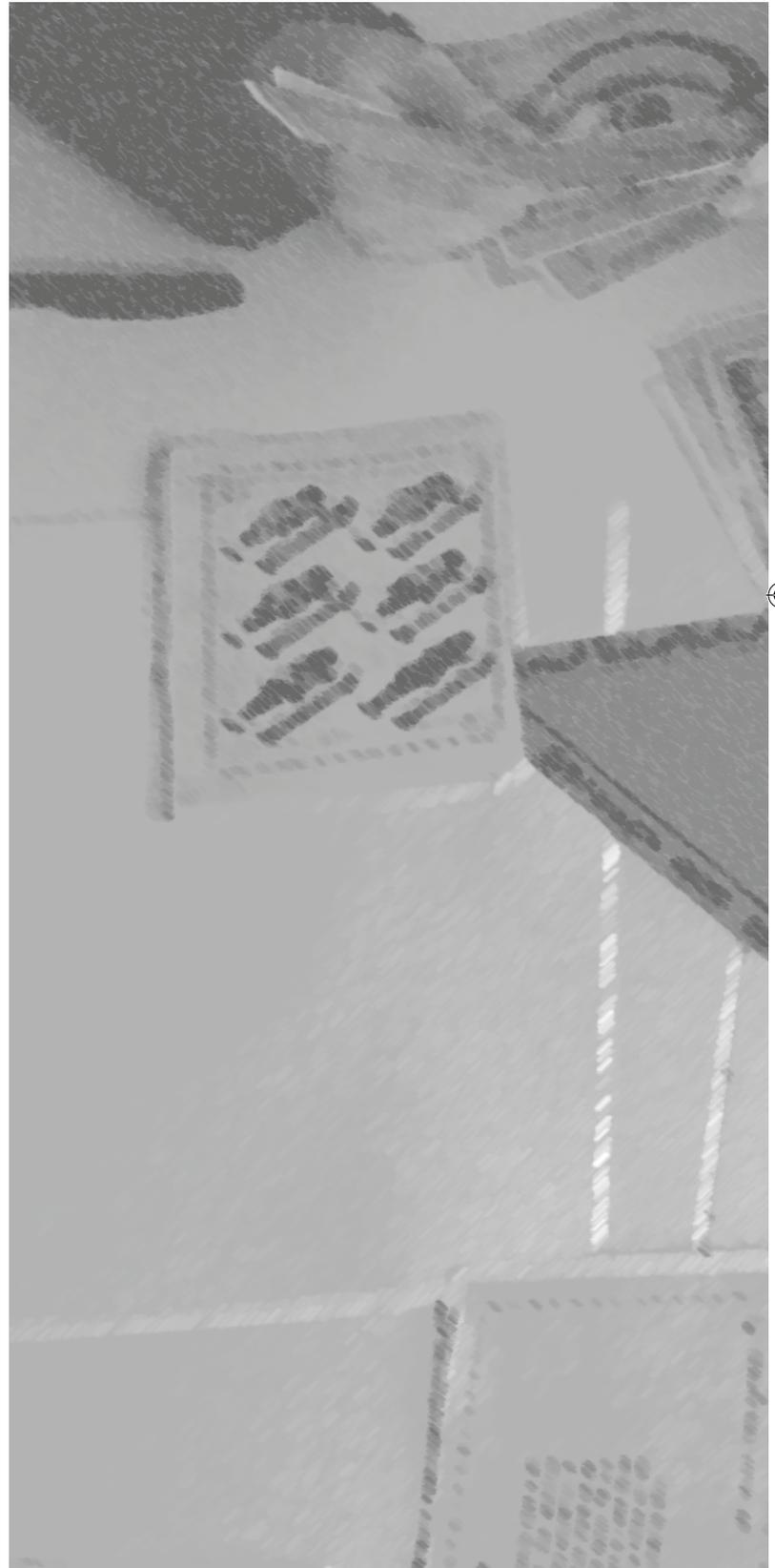




REFLECTIONS ON CONCEPTUALIZATION

Creating the business plan for Street Art Hunter by Lemon Designs allows for the description of the new business model in detail, checking for the model's congruence with internal forces. This is the beginning of the third step in the Navigator's method: *Integration*. Presenting the business plan for organizations like Venture Capital Cup or the 'iværksætter pilot' program allows Lemon Designs to check for external consistency, another part of this step. When the results of these entries are received, the company can check for external inconsistencies and then modify the business plan accordingly (Gassmann et al. 2015). The act of tracking results of the workshop activities in relation to their mentions in the business plan written for entry into the Venture Capital Cup reveals that both steps (*Initiation & Ideation*) are critical to conceptualizing the business plan for Street Art Hunter by Lemon Designs. In the initial part of the workshop, the *Business Model Canvas* (Osterwalder & Pigneur, 2010), expert opinion, and *Business Model Navigator* strategy worksheets are instrumental in defining the present business model and these results are mentioned at least 11 times in the resulting business plan. The ideation phase, with the information provided using the *Business Model Design Tarot*, is equally fruitful in mapping out future options for the business. This means that the *Business Model Design Tarot* added the same amount of results to the business plan as the other methods combined for the Street Art Hunter by Lemon Designs, making each

step equally vital in the business model design process. These results show that the *Navigator* method is very thorough for innovation of the business model. The *Business Model Design Tarot*, as an auxiliary technique, contributes to the overall results in a positive way.







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CONCLUSION

The report documents the creation of two things: The process of creating a business model for Street Art Hunter by Lemon Designs and also the happenstance creation of a technique (*The Business Model Design Tarot*) for executing the method outlined in *The Business Model Navigator*. This success of the workshop and the results is a verification of success of the technique created and method applied to the design process. These results are tested in the real world. Lemon Designs is able to apply for 'iværksætter pilot' status as well as start applying for venture capital funds. In addition, another verification of the technique (*Business Model Design Tarot*) occurs when this technique is presented and evaluated to the *Business Model Navigator* team at a cross-industry workshop in St. Gallen Switzerland. By examining the phenomenon of business model design from the perspective of an Experience Designer, a technique for business model design has been created that can be implemented by other companies in need of business model design assistance.

Research methods reflections and conclusions

The research conducted in this study, in an action research fashion (Archer, 1995 p. 11), is directed at obtaining knowledge of business models for application to Street Art Hunter by Lemon Designs. The

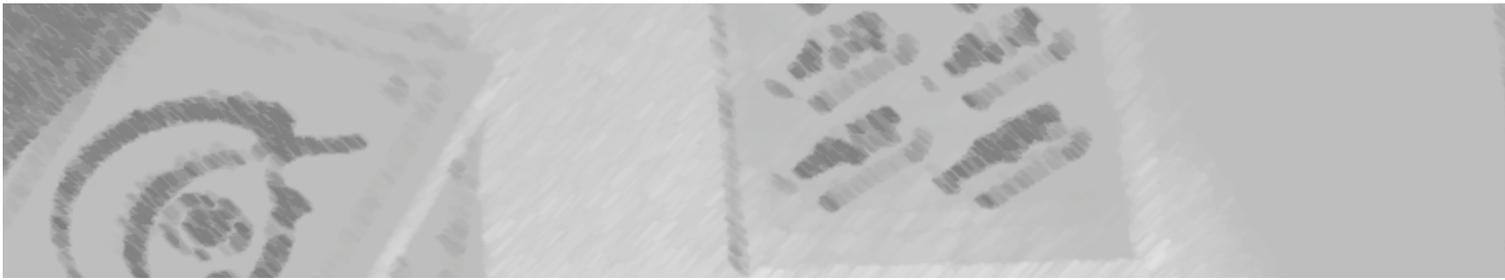
study adds to the understanding of the *Business Model Navigator* (Gassmann et al., 2014) method as well as contributing a technique, *The Business Model Design Tarot*. This method and technique are tested and evaluated in the study and the findings are recorded and reported. The project originates from a need for Street Art Hunter by Lemon designs as a company operating in the real world. As such, the research process is continually connected with outside influence throughout to check for congruency and is reported on within the document. Most recently, contact with the real world has been established through communication between the Business Model Navigator team and myself.

My role in the project, as an action researcher, means that I am able to recommend a course of action for the company based on the learning and results that occurred during the course of the investigation. Of course these are recommendations and all final decisions regarding the course of the business are made according to consensus. But I hope that these results are taken into deep consideration and can help to steer the course of the business into a future of earnings.

Process reflections and conclusions

The outcome of this process has resulted in the Lemon Designs team being able to take the next step,





designing a business plan. Effectively getting the team around the wicked problem it found itself in at the beginning of the process. This, in itself, is a satisfactory result and indicative of a satisfactory result of the mode of research (Archer, 1995 p.12).

The research portion of the report contains insight into business models, business modeling, and strategy. The business model is explained with a collection of insights from various scholars. While these descriptions of the business model help to gain an understanding of the concept, many fall short of actually outlining exactly how to create one, especially for beginners.

Fashioning a business model using these explanations leads to vertical results (DeBono, 1967) based upon what users already know and not exactly taking a journey allowing for the discovery of the unknown. The *Business Model Canvas* is a good example of this type of journey. The business model canvas promotes a deeper understanding of the current state of the business, what is already known.

There is much insight to be gained from the spectrum of business model scholars like Spencer's book - *Business Model Design and Learning*, Osterwalder's - *The Business Model Canvas*, Johnson's - *Customer Value Proposition*, and Gassmann's - *Business Model Navigator*. But researching these did not offer

a true technique for creating a business model from scratch. With no total solution, people are left to their own devices in executing these proposals.

That being established, the *Business Model Navigator* (Gassmann et al., 2014) distinguishes itself from the crowd by providing a compendium of possible business models, and using this compendium can facilitate lateral thinking (DeBono, 1967) because there is an opportunity to see the unseen (Scharmer, 2007). The reason the process is considered to be organic is because it takes a path of its own that cannot be imagined from the beginning.

Product reflections and conclusions

The influence of Experience Design has a role in each of the two products (the business plan and *Business Model Design Tarot*) produced in this process because of the influence of my educational background on the way I perceive the process, interpret findings, and create solutions. The *Business Model Design Tarot* is a by-product of the quest to design a viable business model for Street Art Hunter by Lemon Designs. It is an auxiliary transformational technique based on the *Navigator* method (Gassmann et al, 2014) that is designed to be transferrable and replicable. The *Business Model Design Tarot* facilitates a guided, knowledge-based, transformative





experience for participants. In the business plan, the result of integrating the business models produced in the design process, an experiential layer is added to the business model itself through a revenue-generation stream. This is accomplished via the pricing mechanism, which is designed to be beneficial to all parties: the buyer, the receiver, and the seller. For the buyer, a transformative experience is facilitated through both the purchase and use of the experience-based, digital solution.

Throughout the project, the goal has been to design a viable business model that can increase growth and chances for success that the business needs. The method employed along the way - *The Business Model Navigator* - help to steer the creation of a business model but is not an all-encompassing solution. The *Business Model Design Tarot* technique derived from the *Business Model Navigator* is an experience-based technique that adds an imaginative layer to the existing method outlined in the *Business Model Navigator* that facilitates the visionary change process required to step out of a comfort zone and into the unknown.

The time and effort expended formalizing and designing the business model has been fruitful for the team, with immediate tangible results. Because of the design work with the business model, the team is able to apply for funds and special status as a start up organization. In addition, the company has entered into a competition called Venture Cup Capital which gives it the possibility to win money for the startup. The work with the *Business Model Navigator* and

contact with the authors of the book, has led to an invitation to a business model design workshop in Zurich, Switzerland. The *Business Model Navigator* team is interested in learning about the *Business Model Design Tarot* and reading the findings.







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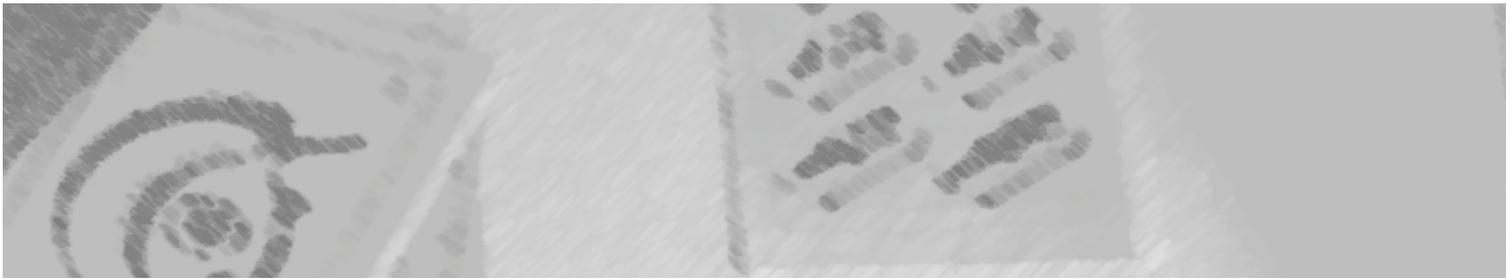
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APPENDIX I: ACTION RESEARCH

The overall approach is that of design-based action research, of designing & constructing a business model concept by taking actions and reflecting upon them, unfolding in cycles. The result is a business model design game. This type of research is often conducted in business and design more than in professional research (Archer, 1995) and operates within the realm of practical knowing and practical outcomes (Coghlan & Brannick, 2010 p. 152). As a budding entrepreneur, this mode of research is appealing because it should allow me to feel more in control of the everyday work and to be more connected with reality (Coghlan & Brannick, 2010 p.155). This dual purpose and role in the project aligns well with Action Research because as a researcher, I am tasked with same problem of developing a valuable solution to a practical problem that at the same time adds knowledge to the research community (Gustavsen 1993; Levin 1993; McKay and Marshall 2001, 2007; Susman and Evered 1978) (Mathiassen et al., 2012). In addition, as I am one of the three members of Lemon Designs, I take a central role in the developments as they come along. This makes sense, as Huang states that it is common for students to use the action research paradigm as professionals who are also students (Huang, 2010). Action research is collaborative so members of the system actively participate in the process. The outcome of the research should lead to solutions to the immediate problems, learning from the intended and unintended outcomes, and a contribution to scientific outcome and theory (Coghlan & Brannick, 2010).

Action Research

It must be knowledge directed, it must be calculated to produce new knowledge, or be intended to test, and maybe refute, existing knowledge. It must be systematically conducted. The chief questions to be addressed by the research must be unambiguously expressed. The methods of enquiry and analysis must be transparent. The data employed, and the observations made, must be fully and honestly recorded. [...] In Action Research the investigator is explicitly taking action in and on the real world in order to devise or test or shed light upon something. it is essential good practice for the Action Research investigator to make clear precisely what the intervention was,

and exactly what was the theoretical, ideological and ethical position the investigator took up in making the intervention, observations and judgements. (Archer 1995, p. 11)

Action research cycles

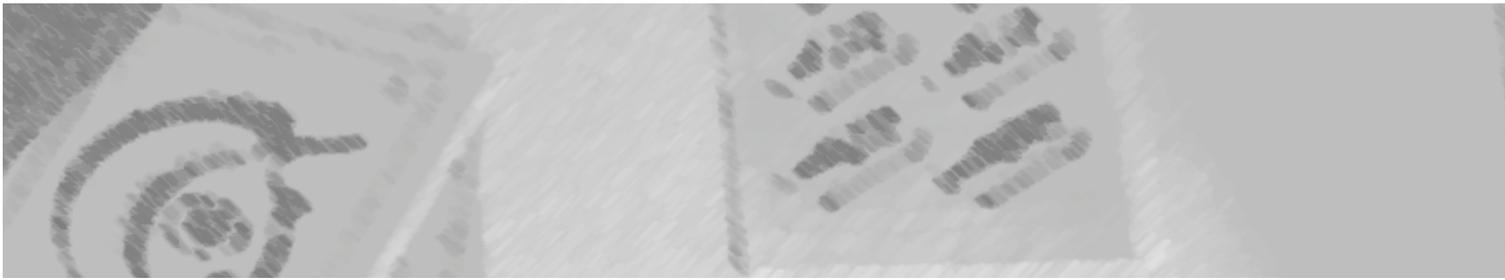
Action research is a cyclical process of consciously and deliberately (1) planning, (2) taking action and (3) evaluating the action, leading to further planning and so on, (Coghlan & Brannick, 2010) a hermeneutic spiral.

In order to attain authentic results in Action Research, it is important to be attentive to the data, intelligent in the inquiry, reasonable in making judgements, responsible in making decisions and taking action (the challenges of pre-understanding), role duality and organizational politics (Coghlan & Brannick, 2010). So for this reason, the related documentation pertaining to planning and conducting to the experiments is shared in the report in addition to the results.

The stakeholders are the partners of Lemon Design, creators of Street Art Hunter: Mette Lausen, Nicolaj Rasmussen, and I. Together, the team's issues have been roughly **constructed** using Peter Vistisen's 3D model (Vistisen, 2014) in the report: Designing Street Art Hunter - Making an App for an Internship (Lausen & Reininger, 2014). After finding the context and purpose of the project (the Research Phase) and constructing the issue **planning** (planning the workshop) action takes place (the workshop itself). This takes place over the course of the project period in a series of steps. In the **taking action** step, the plans from the previous step are implemented collaboratively in the business model design workshop.

The intended and unintended outcomes of the action are **evaluated** to find out if the original constructing was a good fit, the actions taken matched the constructing, if the action was taken in the appropriate manner, what will feed into the next cycle of constructing, planning, and action. This means that reflection on action (with theory) occur intermittently in the process and these are included in written form after each stage and finally in the conclusion. For example, during the workshop the participants routinely evaluate the





game in order to offer better solutions for future play or modify current play.

(Koskinen et al.) Researchers get engaged with the world, taking a stance against its dominant ideologies and exhibit their high definition prototypes or artefacts in a commercial way - so that visitors can try out their ideas in a real life, everyday setting. The showroom setting for design is based on art, but is not art as:

‘Art is expected to be shocking and extreme. Design needs to be closer to the everyday life, that’s where its power to disturb comes from.[...] if it remains as design ... it suggests that the everyday as we know it could be different, that things could change.’

(Anthony Dunne in Design Interactions Yearbook 2007, p. 10)

In the case of research for the purposes of practitioner activity, however, there may be circumstances where it does not matter whether the research was well done or badly done, or whether the research results turned out to be true or false, or whether the findings, were situation-specific or generalisable. It may be sufficient to demonstrate that the practitioner outcome itself is satisfactory. In such a case, professional scholars and researchers would almost certainly protest that the investigation was, at best, Option Research, and at worst, not research at all, but mere speculation or exploration. The validation of the outcome of the practitioner work itself is another matter, of course, properly dealt with by field testing, or whatever. (Archer, 1995 p.12)

Enacting Action research cycles

Coghlan & Brannick, 2010, p. 17

Select a issue or problem that you have worked on in your team (or are currently working on). What is the contest of this issue? Why is it important? What are the stakes involved?

Describe how the issue was constructed. How did you decide that an intervention was needed or wanted, what was wrong, what the causes were? How did you deal with different meanings or constructions in the team? What action was planned?

What happened when the action was implemented? What were the outcomes, both intended and unintended?

How did the team review the outcomes?

What was then constructed, planned implemented, etc.?

What is the meta learning from this exercise? Communication between members is key to getting the job on track.

a. As you look back on this, what insights do you have about the content to the issue? Did the initial constructing fit? Had you named the right issue? What have you learned about this issue in your business/organization?

b. What insights do you have about the process? How did the team work on the issue? What have you learned about how to plan, take action, and evaluate?

c. Was there any challenge to existing premises of how you thought about things, anything in the event that challenged the team to ask different question, see the issue in terms of a different category of issue or problem and so on?

Enacting Action Research Cycles

The overall process is as an opportunity for Action Research because of my personal role in the research and results, with the workshop as an exercise in Constructive Design. Action Research cycles are broadly described based on the criteria for reviewing and addressing the issues (Coghlan & Brannick, 2010. p.17). Evaluating the progress as a whole in the terms of Action Research cycles brings forth main areas of concern and problem areas.

For this case, the starting point of the research is





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...APPENDIX I: ACTION RESEARCH CONT'D

the overall issue for Lemon Designs is researching and qualifying or disqualifying the Street Art Hunter business model, researching the way the idea is promoted, and making the design into a real product through programming. These issues were identified through the previous research paper, as a conclusion of the previous research, as the next step in the process, part of a three-part plan for the next cycle of the product. The action planned was for the three members of the team to take on each section: Laura - business model development, Mette - product promotion and awareness, Nicolaj - programming completion. Deciding on a business model and finishing the programming is important to the company because it is the first product the company has created. If this product fails, then the company's reputation is at stake and the company fails as well. The third action, deciding a clear promotion strategy for the product is also important for communicating the idea to potential customers. Breaking up the tasks into three areas helps to divide the workload and allows for the team members to concentrate on their chosen own area of specialization.

After the initial internship period ended and the group was not 'forced' into working together for the sake of a university project, but just for ourselves, in a way resulted in the delay in setting up a weekly meeting time - and a delay in needed progress. An unintended result of this overall action of breaking off into specialized areas was that the team, at first, became less close and almost drifted apart - with little communication between the three members. This meant that progress on the finished product stalled as well. Morale was very low.

To address this unintended outcome, the team set up a meeting with the primary partner - Galleri Kirk - to discuss progress on the app, in effect reviewing the outcomes that had been made up to that point.

At the meeting, each team member and the primary partner gave updates on what had been taking place and voiced concerns on the status of the different aspects of the project. These concerns were then dealt with by the team as a whole, with the primary partner offering support and guidance. Although it was mostly addressing the progress of the programming as that

was the biggest problem at the time. An end-date was set forth for the launch of the app, from which the members could plan around. In addition, the partner offered some financial backing which could be used toward outsourcing some programming and getting the job done on time.

As a result of this meeting, the team implemented a recurring, set weekly meeting time to meet, discuss issues, and work on problems. During the meetings, an agenda is set and tasks/jobs are divided between the members. The members then work on the tasks during the week, until the next meeting. The result of the set weekly meeting times is that the group feels on track again and that progress is being made on the programming of the app. The infusion of financial backing into the project makes it possible to complete programming with outside help.

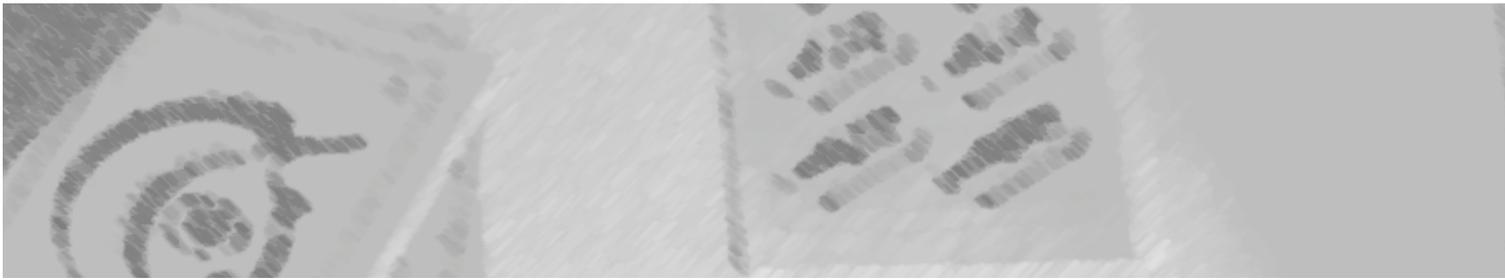
From this, we discussed and learned that we should have recognized and addressed the problem earlier to combat apathy and prevent lost time and delays. We also learned that we set up actions at each meeting, with completion dates outlined for those actions and meeting times set up for when we address and review the action through discussion.

From reviewing the actions taken by the case study members, it is clear that increasing communication and setting up a more organized agenda for members to follow boosts morale and work flow. At this midway point, it is not possible to ascertain if the initial construction of dividing out work topics fit the problem at hand or if the issues drawn were the correct ones to be addressed at the time, but it is initially positive that the members work on the area that is most interesting to them. Overall, the members have realized that a set weekly agenda with tasks helps to increase productivity and accountability to one another. In addition, it helps so that if one member is having difficulties, the other members can try to offer advice and guidance, possibly dividing out some of the tasks of the member who is overloaded.

Evaluating Action Research

Activity can be classified as action research when it fulfills a number of criteria. The activity must be directed to the acquisition of knowledge, be systematically conducted with explicit findings that





have been recorded in a transparent fashion so that the information can be found again and replicated with a similar conclusion. Furthermore, the data employed and the outcome of the investigation must be appropriately validated and be knowledge transmissible to others, and not just information (Archer, 1995).

‘I argued that practitioner activity can count as research if, and only if, it accords with the criteria of research. It must be knowledge directed, systematically conducted, unambiguously expressed. Its data and methods must be transparent and its knowledge outcome transmissible. But like all Action Research, research through practitioner action must be recognised as very probably non-objective and almost certainly situation- specific.

A research degree on the other hand, is primarily an acknowledgment of the competence of the person who conducted the research. For this reason, an examiner of a submission for a research degree is concerned much more with the soundness of the methodology than with the usefulness of the findings. Even a negative or empty result from research might still be rewarded with an academic degree if the methodology had been impeccable. This is because the identification of an empty field, or the refutation of an hypothesis, can nevertheless be a significant contribution to knowledge, and can demonstrate a satisfactory standard of research competence. Clearly, in every case of research conducted for the purpose of submitting for an academic degree, it is the quality of the research methodology that will be of paramount importance to the Examiners. Degree-worthiness is not quite the same as result-worthiness.’ (Archer, 1995 p.12)

Accordingly, the ‘Best Practice’ characteristics for design research as outlined by Nigel Cross, in the article Design Research - A disciplined approach, (1999) are used as an overall guideline in determining the course of the study and worthiness of the subject matter and direction it takes. Asking these questions along the way, to keep the path clear for me.

According to Cross, the research should be:

Purposive, based on identification of an issue or problem worthy and capable of investigation.

Inquisitive, seeking to acquire new knowledge.

Informed, conducted from awareness of previous, related research. Methodical, planned and carried out in a disciplined manner. Communicable, generating and reporting results which are testable and accessible by others.

Some Criteria for Quality in Action Research

In the article, ‘What is good Action Research?’ by Huang, seven criteria are outlined for researchers using this approach. Huang, who outlines these points, states that it is rare that any project will meet all points equally and that it is important for the researcher to be clear about the points and the limitations that may come about as a result of these choices. These seven criteria are related to and used to explain the project in order to evaluate the results of these choices.

Articulation of objectives -The extent to which authors explicitly address the objectives they believe relevant to their work and the choices they have made in meeting those.

Partnership & Participation - The extent to and means by which the project reflects or enacts participative values and concern for the relational component of research. By the extent of participation we are referring to a continuum from consultation with stakeholders to stakeholders as full co-researchers.

Contribution to Action Research Theory/practice - The extent to which the project builds on (creates explicit links with) or contributes to a wider body of practice knowledge and or theory, that contributes to the action research literature.

Methods and Process - The extent to which the action research methods and process are articulated and clarified. The written products of all the efforts (journal articles and a dissertation, respectively) clearly articulate what was done to whom so that the reader can see the choices to enhance quality that were made.

Actionability - The extent to which the project provides new ideas that guide action in response to need. In this effort the work engaged change agents, rather than merely informing them. In effect action is an intrinsic part of the participation of change agents. ‘Action Research: Systematic investigation through practical action calculated to devise or test new





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...APPENDIX I: ACTION RESEARCH CONT'D

APPENDIX II: FREEMIUM

information, ideas, forms or procedures and to produce communicable knowledge.' (Archer, 1995 p. 6)

What is Action Research?

'Action research is an approach to research which aims at both taking action and creating knowledge or theory about that action. The outcomes are both an action and a research outcome, unlike traditional research approaches which aim at creating knowledge only. Action research projects contain a story, reflection on the story and an extrapolation of useable knowledge or theory reflection on the story (Coghlan & Brannick). The story here is Street Art Hunter the app, which is explained in the sections (XX). The reflection on the story of Street Art Hunter takes place through research that should qualify or disqualify our hypothesis about the business model.

Decisions are made based on qualitative judgment (Nelson & Stolterman 2003) as is also the case in abduction (Dorst 2011)

Since the product (SAH) is electronic-based, it makes sense to look closely into e-business models as they deal with the chief concerns about apps like - how to exist with little to no revenue and how to charge for online information that people expect to be free. This type of business requires looking at new pricing mechanisms that can reveal how to generate revenue flows when the end customer is not the one who pays for the product or service.

In order that the business model design workshop take into account the desire of the group to offer a free-to-download app, the workshop activities include relevant information about freemium company and techniques.

Games can use different methods of generating revenue in a game like rapid progression advantage, currency, boosters, expansions, or even in-game advertising (). How games create revenue has an effect on the game design itself (). This is why it is important to decide and identify different ways a game will make money before the programming is complete.

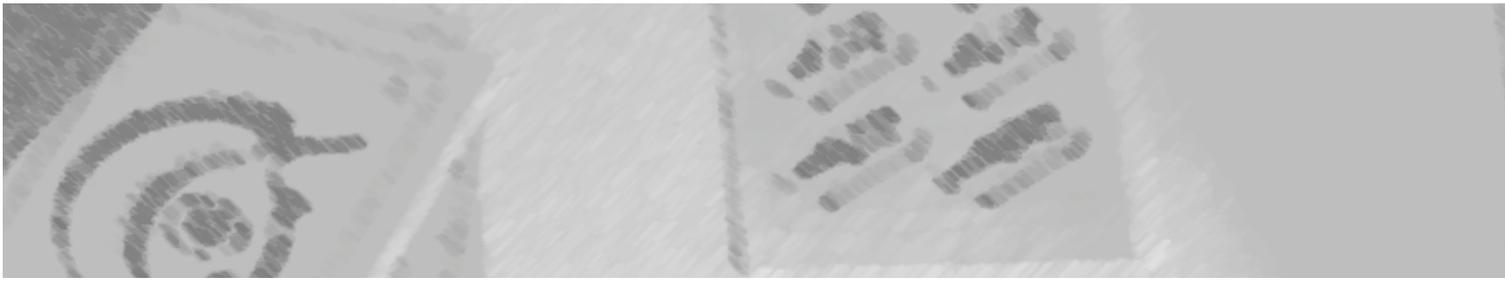
It is guided by the assumption that:

FREE APPS ARE THE MOST SUCCESSFUL AND GET THE MOST DOWNLOADS and therefore that the business model for Street Art Hunter should be that of a free to download app.

Therefore, findings are pointed toward qualifying or disqualifying this initial hypothesis. This hypothesis was arrived at based upon conjecture, therefore it is necessary to qualify or disqualify the statement to provide a more nuanced and deep understanding of the subject.

It is useful to be aware of the classic models for profit in video game design, as Street Art Hunter is comprised of gaming elements. The video game business model is most presently morphed into the free-to-play model, as are apps in general and apps that are not free to use are not successful. So the main question becomes '*Who should pay?*' In the previous semester project, the customer was split into the end user and the buyer, so that the app is 'free' to use. Some possible answers to '*Who should pay?*' have been discussed, including the public sector, namely local governments, or the project could be funded by





endowments.

In addition, this app is not just a game, but a learning experience, an embodied experience to be had in the real world, in real time. For this reason, it straddles the video game and real world, so it is also useful to investigate business models for these kinds of experiences as well... like how do zoos and museums fund themselves? So it is a blend of tourist experience and video game.

The movement toward FREE

‘Scenario 2: Ads on the subway? That’s so 20th century. By sponsoring the whole line and making trips free, the local merchants association brings grateful commuters to neighborhood shops.’ (Andersen, 2008) The movement of business to that of the FREE model has a history and is almost always associated with the business model of the Gillette razors and blades, famed for selling the razors inexpensively and profiting off the refills of the higher margin, disposable blades - called cross-subsidizing. Recently, the developments in technology mean that cross-subsidizing is no longer a necessity, giving rise to scarily-dubbed ‘freeconomics’ driven by the power of the web (Andersen, 2008).

“Free’ is one of the most powerful words in marketing’ (How About Free)

“The demand you get at a price of *zero* is many times higher than the demand you get at a very low price,” says [Kartik Hosanagar](#), a Wharton professor of operations and information management who studies pricing and technology. “Suddenly demand shoots up in a nonlinear fashion.” Josh Kopelman, a venture investor and entrepreneur who founded Half.com, has written about what he dubbed “the penny gap.” Even charging one cent for something dramatically lessens the demand [generated at] zero cents. (How About Free)

This means that products should be treated as if they are free because there is a great psychological difference ‘free’ and even the smallest amount of money (Andersen, 2008). For businesses online who use the ‘free’ concept there is money to be made, but they have to figure out to make money when giving away their product.

Online, the availability of free content has made user

demand very elastic so that customers are sensitive to any price above zero (How about Free). The giant audience online makes it possible to model businesses around the probability of future revenues, even if they do not cover the cost of the free service.

Cross-subsidies - also known as ‘bait & hook’ popularized by Gillette which sells relatively inexpensive razors which can only be used with their own more expensive blades.

The **two-sided market** business model supports itself by getting revenue from two sets of customers. One set of customers gets the product/service for free, while the other pays for the product, covering the costs of the ‘free’ group. This is like a ‘Ladies Night’ at a bar where the women get in free and the men pay.

The **Freemium** business model gives away a basic version of a product and charging for a more sophisticated version and the platform is important in this model because it makes it possible to offer a free service without large monthly costs. In this business model, about 10% or less of users pay for the upgraded service associated with the product and this is where the money is made. The freemium-model works within two parameters: 1) the average cost for supporting the free customer and 2) the number of free customers who become paying customers (Osterwilder & Pigneur, 2012). Skype is an example of the model, where 90% of the customers use the free service and 10% pay for the upgraded service. Some useful equations for calculating Income, Cost of service, and operating profit are useful for planning with the freemium model (Osterwilder & Pigneur, 2012).

‘Income = (Users x % of premium users x Price of prem service) x growth rate x churn rate

Cost of service = (Users x %free users x Cost of service to free users) + (users x %premium users x cost of premium service)

Operating Profit = Income - cost of service - fixed costs - customer acquisition costs’

Open Source - Freemium with a twist. The business bases itself on creating products from open-source code. Customers pay for a seven year support agreement with a subscription for unlimited support.





...APPENDIX II: FREEMIUM CONT'D

APPENDIX III: FRANKENBERGER'S PRESENTATION

In return, they can get as many updates of the products as come available without paying for them. The quote below emphasizes the importance of involving business model development and innovation early in the process:

"... For Frontline we didn't choose a business model before very late in the development and one of our biggest teachings from that experience was that we should have thought it in from the beginning"... "...We had almost build all the content and when we chose a free- to-play model, we couldn't go back and start reconstructing the things so that they would fit better progression-wise, and some of the mechanics and retention there is in the beginning "to ease people in.""

- Thomas Lund, CEO at Fullcontrol

How About Free? Available at: <<http://knowledge.wharton.upenn.edu/article/how-about-free-the-price-point-that-is-turning-industries-on-their-heads/>> [Accessed 12 March, 2015].

These slides are from Dr. Frankenberger's presentation during the Cross Industry workshop in St. Gallen, Switzerland May 2015. The slides most relevant to this project are shown here.



Business Model Innovation

The St. Gallen Business Model Navigator™

Prof. Dr. Karolin Frankenberger
Assistant Professor for Innovation Management at the University of St. Gallen

Prof. Dr. K. Frankenberger
Nr. 1

Karolin Frankenberger



Prof. Dr. Karolin Frankenberger

Current position

- Head of CC Business Model Innovation, ITEM-HSG
- Assistant professor HSG
- Founding partner of BMI Lab AG

Professional experience

McKinsey & Company Munich and Zurich, 2004-2011

Education

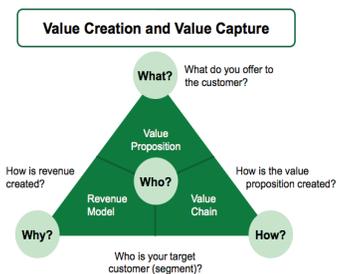
- University of St. Gallen, Institute of Management: PhD, 2001-2004
- Harvard Business School, Boston: Visiting PhD student, 2004
- University of Connecticut, Visiting PhD student, 2003
- Catholic University Eichstätt-Ingolstadt: Business Administration, 1996-2000
- Universidad Iberoamericana, Mexico City, 1998

Teaching

- Business Model Innovation, Executive MBA University of St. Gallen
- Business Model Innovation, Executive MBA RWTH Aachen
- Lecturer of various Customized In-house Executive Education Programs for corporations such as Bosch, Nestlé, PwC, ABB, and Bühler
- Business Models Innovation, Bachelor and Master class, University of St. Gallen
- Invited key notes on Business Model Innovation

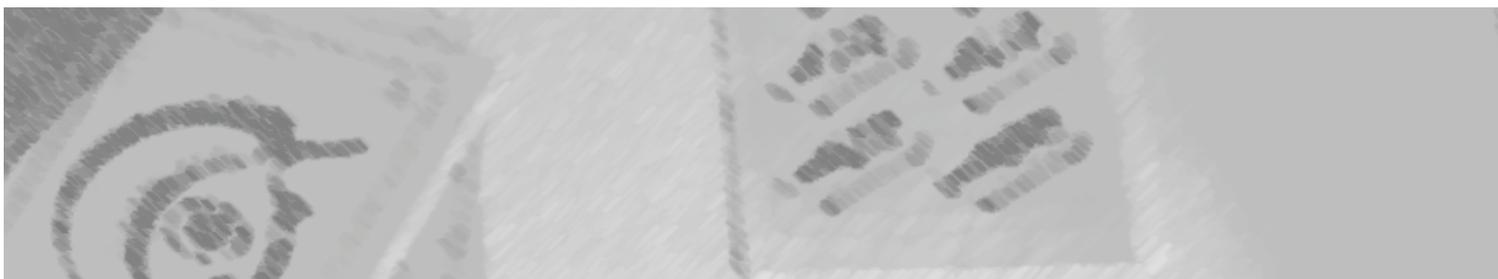
Prof. Dr. K. Frankenberger
Nr. 2

Business Model definition – The Magic Triangle

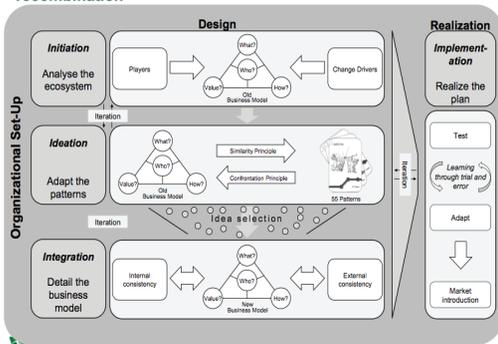


→ Business Model Innovation means changing at least two of a business model's dimensions

Prof. Dr. K. Frankenberger
Nr. 4

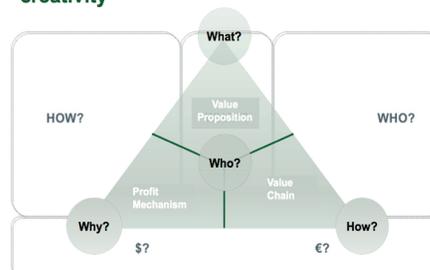


The St. Gallen Business Model Navigator™ helps to innovate the business model through creative imitation and recombination



Nr. 27

1 In fact the magic triangle consists of the 4 basic elements of the canvas – simplified to enhance creativity



Prof. Dr. K. Frankenberger
Nr. 33

Our understanding of BMI integrates two other approaches

(1) Osterwalder



(2) Kim/Mauborgne



(2) St. Gallen



Contact

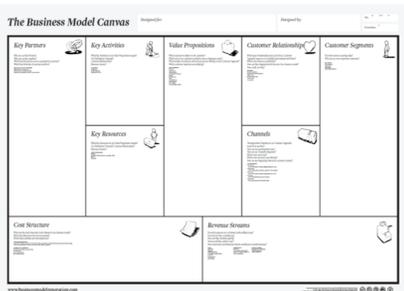
Prof. Dr. Karolin Frankenberger
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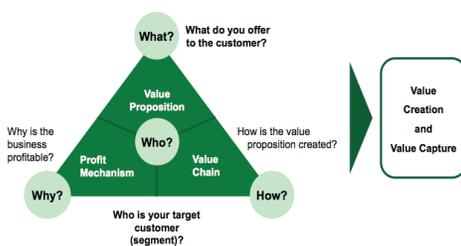
1 The Business Model Canvas helps to describe a business model



Osterwalder, Pigneur & al. 2010

Prof. Dr. K. Frankenberger
Nr. 31

1 .similar to the magic triangle



Business Model Innovation means changing at least two of a business model's dimensions

Prof. Dr. K. Frankenberger
Nr. 32

Prof. Dr. K. Frankenberger
Nr. 33



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APPENDIX IV: STRATEGY

‘An entrepreneur’s business concept is both in small and large part about the art of merging the passion - the personal inner feeling and the dream of wanting to create something - with an idea rich in points for a market that may not even exist yet. And then in concrete action the entrepreneur goes on to develop an exciting and imaginative strategy, where the personal passion/dream and the point in the business concept constantly trigger and inspire each other towards new and exciting combinations in a development complex that will create business in a market’ (Arbnor & Bjerke, 2009 p. 32 & 33)

The business model is the foundation of the strategy. A business strategy takes the competition into consideration and outlines how the business outperforms the competition by doing something better and setting the business apart from the competition (Magretta, 2002). The strategy is what sets one business apart from the competitors (who might have the same business model). Business models are often changed and revised numerous times when starting a new business and there are three levels of the business model (Spencer, 2013):

1. Foundation level business model
2. Differentiated business model
3. Adaptive business model

The first step is to establish the business model at the **foundational level**. At this level the business model does not focus on the competition, but just the core proposition of the business itself. It focuses on what the business is and is not and ensures that the pieces of the business fit together to serve a customer. This business model lens is useful for developing a business model, when the focus is on how to create value for the customer and generate revenue for the firm. This is useful for generating a theory or hypothesis about how the offering provides value to the customer. This includes a profit formula aspect so that revenues and costs are taken into account in order to earn a profit. At this level, the goal is to build a lean, logical description detailing the parts of the business and how they come together to make value for the customer and money for the business. With this understanding, this is the point the Street Art Hunter

concept has reached since it has not yet established a business model. This means that right now, the SAH team should focus on getting the business model for the business clear and specifically:

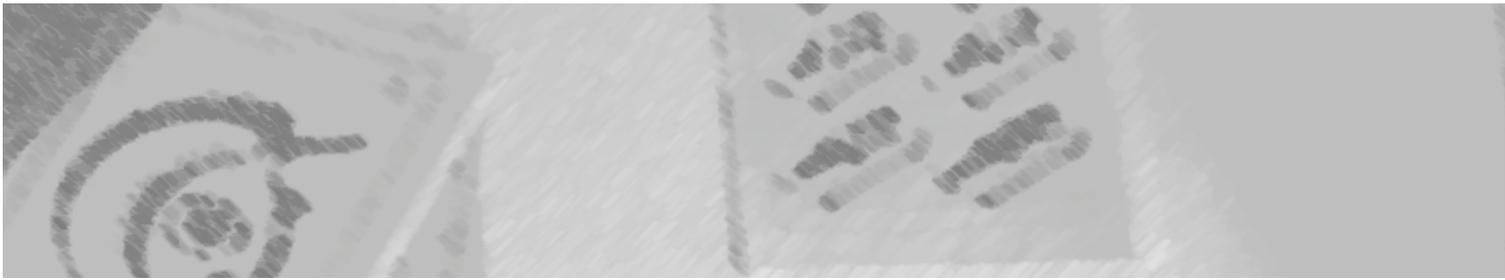
0. decide exactly how it provides value to the customer, and in this case maybe the buyer and the user separately.
 - a. create a profit formula taking revenues and costs into account to decide how to make a profit.

After a basic system is established for providing and capturing value, the **Differentiated Business Model** can be used to put the business ahead of and protect it from competitors. It entails strategic thinking in relation to customer value proposition and is used to build in some Competitive Advantage into the model. Here, the assurance needs to be reached that the product is ‘novel or better or cheaper than the competition.’ (Spencer, 2013 p. 5).

Even though the SAH concept is still at the foundational level in designing the business model, the competition was taken into consideration right from the beginning by looking into what other kinds of street art apps were out there, in that way creating differentiation right from the start. From this initial inquiry, the concept of Street Art Hunter was formed with thoughts about what was missing from the other options out there (Lausen & Reiningger, 2014).

The third lens through which to view the business model is at the **Adaptive** level. The adaptive level is appropriate when a customer base is present and the business is ready to become more complex. It incorporates the customer into the business model thinking and helps to maintain viability over time. At this level, the business sees the customer as a resource and listens to and learns from the customer. Being adaptive means that the business will be able to renew itself over time. This level is a level that the Street Art Hunter case will look at in the future, but is not ready for at the stage, so





it is not relevant at this point.

These three lenses are helpful for beginning to model a business idea. They clarify the core logic behind a company's value proposition, meaning that one can communicate how the business makes things, sells things, and how these activities generate value for the customer and firm.

Spencer outlines a method for creating a business model in the book, it is made up of a combination of known elements: Key resources, Key processes, Profit formula, and customer value proposition, which are derived from Johnson, Christensen, and Kagerman in the book *Seizing the White Space*. Spencer takes outset with these elements and then differentiates by adding additional factors: The entrepreneur/firms leader's goals, aspirations, & capabilities, The Customers, and the Relationship between the firm and the customers. This is where the Spencer model differs from the Business Model Canvas as designed by Osterwalder. In the Spencer model, the customer is involved as a part of the infrastructure and definition of the offer, with the customer value proposition being the most important part of the business model foundation. With customer value as the central focus of the business model, the business' chief purpose is thereby to help customers achieve their long term goals and purposes, their

Since the product (SAH) is electronic-based, is makes sense to look closely into e-business models as they deal with the chief concerns about apps like - how to exist with little to no revenue and how to charge for online information that people expect to be free. This type of business requires looking at new pricing mechanisms that can reveal how to generate revenue flows when the end customer is not the one who pays for the product or service.

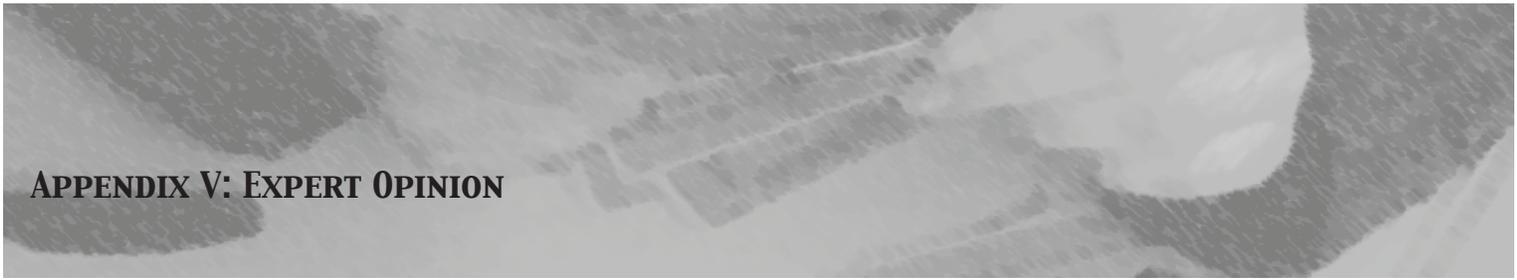
In order that the business model design workshop take into account the desire of the group to offer a free-to-download app, the workshop activities include relevant information about freemium company and techniques. Also, the Business Model Canvas and Business Model Navigator are not overly equipped with information about the customer, so customer options are added from Spencer's contributions.

And the assumption that the business model and revenue structures for apps and tourist attractions can be combined in some way to create a relevant business model for Street Art Hunter.





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APPENDIX V: EXPERT OPINION

March 8, 2015

Phone conversation with Nicolaj Bentsen, Chief Designer Vivino. The conversation is the response to an email sent and previous conversations regarding the design of the app.

Nicolaj gives his professional opinion on the business model of selling the app to the Kommune, who provide it free for the users.

UPSIDE:

Great opportunity for the Kommune to spend the allocated cultural buget – Often Kommunes are spending money on projects that nobody uses. With Street Art Hunter, they can spend a bit of the huge budget and get more people to appreciate it.

DOWNSIDE:

Long sales cylce because a county has so many things and people to sign off on something. Can be beneficial to reach out to insiders – what time of year do they decide on the budget. Then we will know what kind of arguments to use and when to get in on the deal.

Product :

White-labeled solution, but we could make the back end so that people can find the other cities if they want.

Instead of making it a product of our own, say that we have an app and they can be part of it --- consider making one app per county.

Name of the app is easy to find in relation to the name of the Kommune or place. Such as - Aalborg Cultural Explorer – so that when people search the app store they can easily find it.

Pricing:

Hefty upfront fee and low monthly maintenance. Plus a monthly maintenance fee , but we should earn our money on the upfront fee. We charge 1-2,000 kr for maintenance monthly.

Anything below 100,000 kr. Is not serious when selling to a Kommune.

200-300,000kr- includes a set number (maybe 50 pieces of art)

– make a model with 2 or 3options – just so they have more than one to choose from –

100,000 kr – 25 pieces/cultural arrangements

200,000 – 300,000 kr – for 4 times the pieces.

He says that Horsens will probably pay 250,000kr - Horsens

25,000-50,000 kr. Our app with their branding – White-labeled app – our app with their brand on it. Their experience, their logos, their colors.

Content packages – Ladder with three different packages of content

10 - €€

100 -€

300 - €

They won't take the small package because it is too cheap skate, so they will take the middle one or top one.

We take the pictures, we write everything about the art.

The models should be adjusted to the reality – if the county has 600 pieces etc.

Make some statistics showing user rate– negotiate the charge once a year , the more that use the solution the more we can charge. How many people use the app every month or quarter.

They can justify the cost with other members of the board and county.

Server

– negligibile cost. Probably like 1000 kr. Per month – Amazon EC3 – server hosting. The 1000 kr. can serve millions of users or thousands of users, depending on the architecture of the program.

The email sent to Nicolaj

Hej Nicolaj!

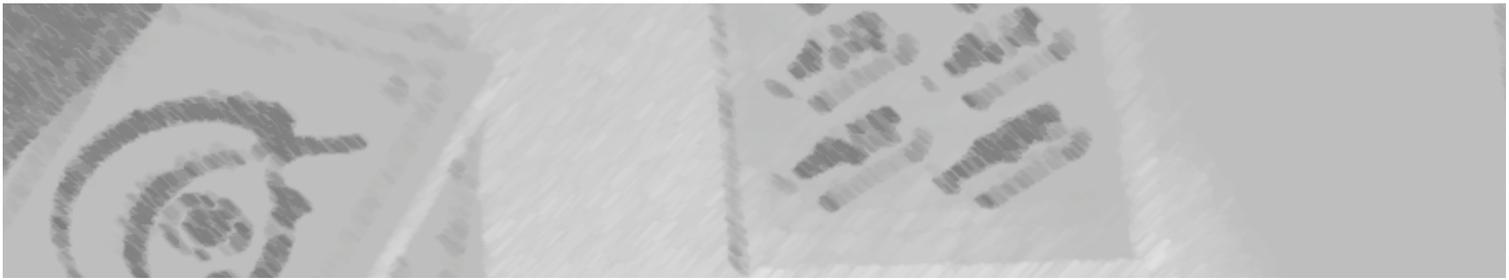
I am writing in hopes of you sharing some of your expert experience and advice with apps...

I hope that I have not bombarded you with too many questions, but you are the most qualified person I know on this topic and any advice you are willing to share with me is greatly appreciated. :)

The app we talked about last year in Zakynthos has been designed. It is called 'Street Art Hunter'. Right now, we have created it for Aalborg and it is slated to be released in August.

Another city, Horsens, has asked us for a quote about the cost for bringing it to their city. As we





created it originally for test-basis in Aalborg, we are not really sure about how much something like this would cost. Last year, when we talked about it, you said somewhere in the 500,000kr range.

The city of Horsens would be paying for a license to the Street Art Hunter app, where they would be included in the app, along with Aalborg, so the platform would contain two cities.

In case you would like a better idea about the app and its functions, here is an online prototype: <http://invis.io/ZU2JMCLH2>

Would it make sense for the city to pay something up front for development and then pay a monthly maintenance fee? Or what do you suggest?

Also, do you know anything about buying server storage space for apps and predicting the amount of users or space you will need?

I hope you, Trine, and the girls have a great Easter!



2015 - MSc. INFORMATION TECHNOLOGY, EXPERIENCE DESIGN - AAU



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