



DEPARTMENT OF BUSINESS AND MANAGEMENT

MASTER THESIS IN PLANNING AND CONTROL

HOW DO FOOD START-UP'S CREATE THEIR OWN BUSINESS MODEL?

THE CASE STUDY OF RISPARMIO SUPER

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ACADEMIC YEAR 2014-2015

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ABSTRACT

In my thesis, I addressed the characteristics of the food start-up's business model. I focused then on the case study of Risparmio Super which is an innovative Italian start-up operating in the Food Market with a good future outlook.

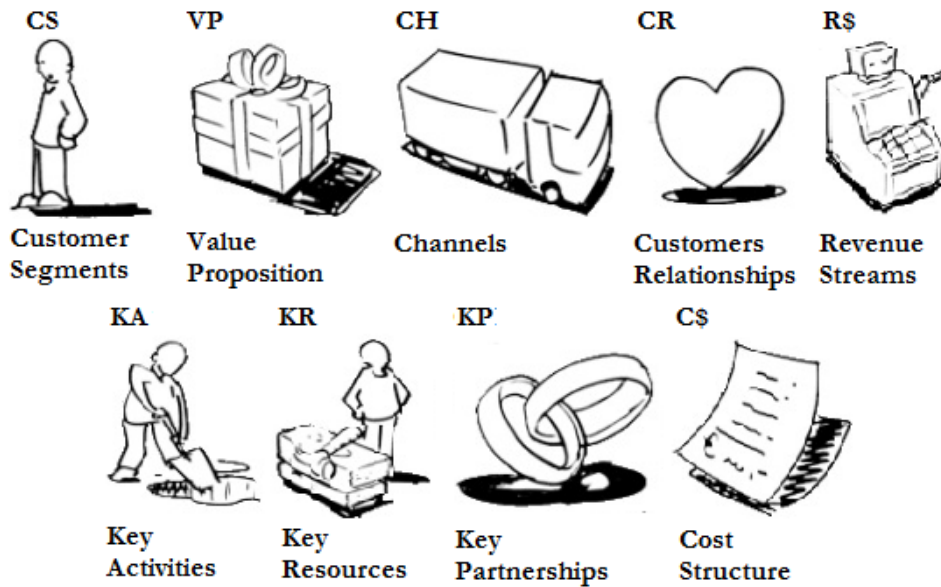
I decided to study the Food Retail Market because it's an area that I am interested in. I intend to study this field because I am intrigued as to how the previous predictions related to the food retail market were proved wrong by food start-ups.

I have chosen to analyse the case study of Risparmio Super because I have been given the opportunity to work closely with LVenture Group (an Italian Venture Capital Fund) who has Risparmio Super in their company portfolio. LVenture Group has been helping me to make contact with the CEO of Risparmio Super who is more than happy to help me with my research.

In order to find the reasons as to why these start-ups were successful I first exposed the main analysis tool of my thesis (The Business Model Canvas) and how to implement it. I will then evaluate the Food Retail Market and I will focus specifically on the food start-up.

The final aim of my thesis was to examine Risparmio Super's business model and apply the knowledge that I gained from writing the rest of my thesis to this company. By doing this I was able to suggest a potential future long term strategy and advise them how to implement their business model.

I started my thesis by describing the main analysis tool, which is the business model. Literature has provided wide plethora of interpretations and definitions of a business model and I chose to use the business model definition provided by Alex Osterward. He defines it as the rationale of how an organization creates, delivers, and captures value. The name of this definition is "Business Model Canvas" and it is made up of Nine Building Blocks.



The first building block is the Customer Segments. This is the people or the organization which a company creates value for.

In the Value Proposition segment, it describes the specific value proposition that combines products and services to create value for each customer.

The Channels describes which touch points allow companies to interact with customers and shows how to deliver value to them. Customer Relationship outlines the relationships that a company establishes with each customer segment.

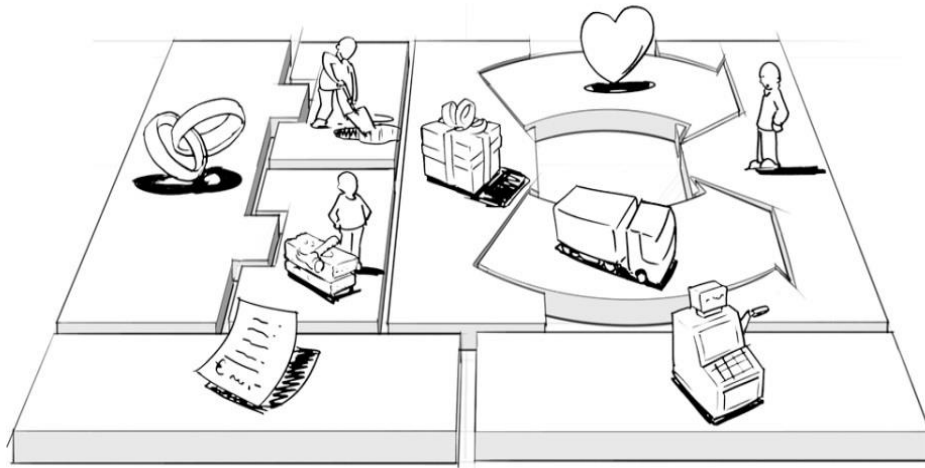
The Revenue Streams makes it clear how, and through which price mechanisms, the business model captures value.

Key Resources shows which assets are indispensable in the business model.

Key Activities shows which activities a company really needs to be able to perform well.

The Key Partners segment shows who can help the company leverage its business model, since a firm cannot own all Key Resources and perform all key activities by themselves.

Once you understand how your business model's infrastructure works then you also have an idea of its Cost Structure. The Business Model Canvas should be understood as a general framework, a shared language that facilitates discussion and allows the entrepreneur to manipulate their business models and respond in a quick way to the new incurring market threats. As a result, every business model needs to be adapted to each business.



In the second chapter, I described various business model prototypes that Osterwalder & Pigneur recognised. They named them Business Model Patterns. These authors called the following patterns the Unbundling, the Long Tail, Multi-Sided Platforms, Free and Open Innovation Business Model Patterns.

The Unbundling Business Model is a pattern constructed on three different types of businesses. Each business has different type of necessity. The company is likely to flourish if it splits into constituent businesses. This allows them to avoid disagreements amongst departments.

The Long Tail Business Model is centred on the motto: “selling less for more”. This business model pattern proved that selling a large numbers of ‘non- hit’ items can be as profitable as selling one ‘hit’ item.

The Multi-Sided Platform is a pattern that joins together two or more different groups of customers and offers to them different value propositions.

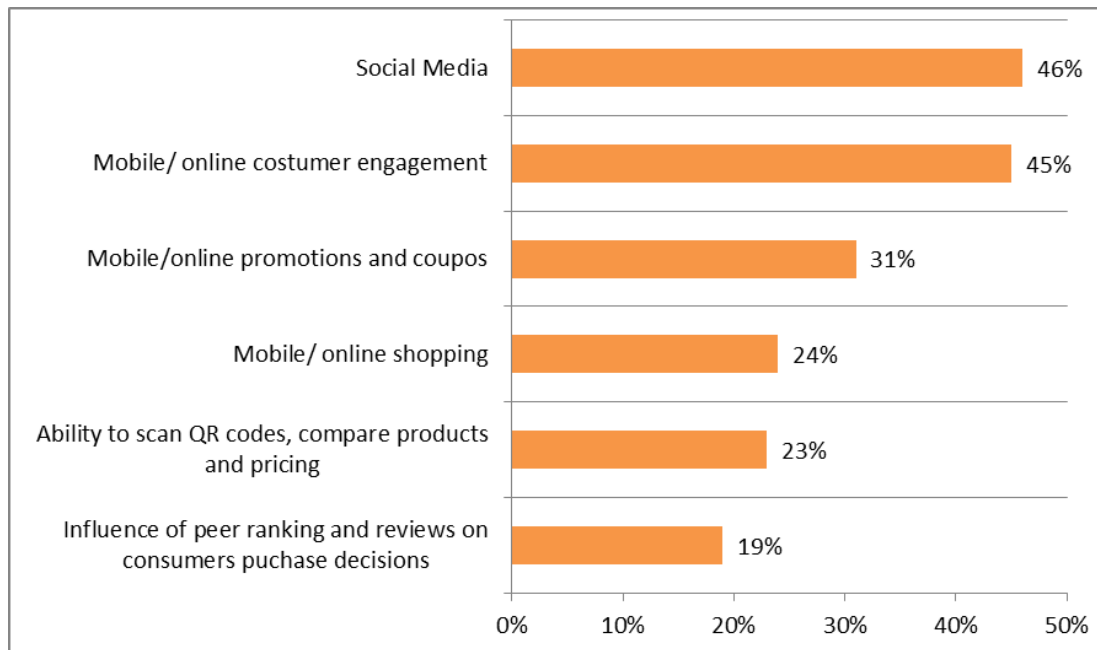
The Free Business Model depends on at least one paying customer segment, while the other segments are funded with a free of charge product or service.

The Open Business Model is a pattern that creates and delivers value by systematically working together with third parties. There are several patterns that a company can follow to design its own business model. Consequently, the business model patterns that I previously described represent an archetype of the most common business model patterns that a company may implement. Every company designs its own business model based on its specific needs.

In the third chapter, I decided to study the Food Retail Market because it’s an area that I am interested in. I wanted to study this field because I was intrigued as to how the previous predictions related to the food retail market were proved wrong by food start-

ups. The reason of the success of these new food start-ups was due to the fact that they implemented their business model using the opportunities provided by the new digital environment.

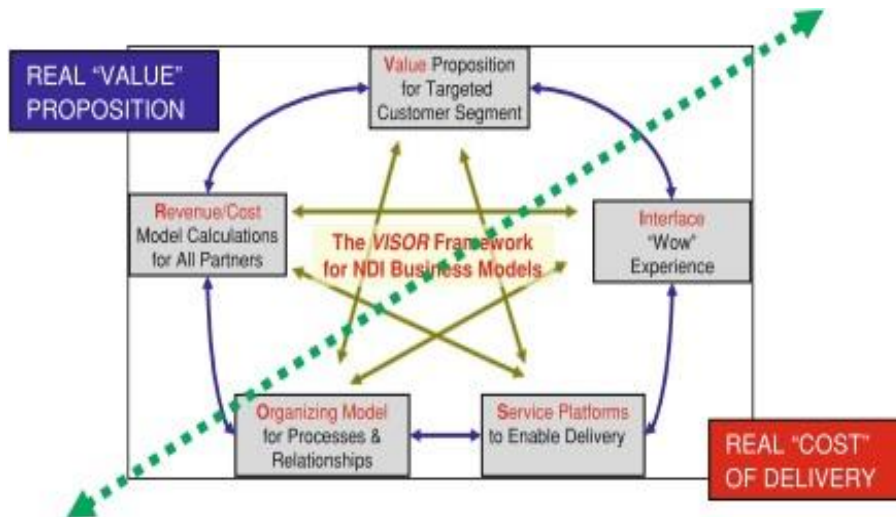
In this chapter, I evaluated survey completed by KPMG on the Food and Beverage Industry. This shows that the next change in this market will be driven by the digital channels and social media. This survey found that executives realized that technology is the main drive for the growth and increasing customer engagement. On one hand, technologies accelerate the rate of change. On the other hand, they enable companies to find new ways to do business. In addition to this, the survey discovered that almost two-thirds of food executives said that they have adopted, or plan to adopt, cloud technologies into their business strategies and operations. These executives believe that the growth of the revenues in the next few years will be driven by innovative products and by raising their market share.



Since a large number of these innovations come from food start-ups, I described their boundaries and their structure. As a consequence, the last scenario that I assessed in this chapter is how the company that operates in a digital environment implements their business model.

According to the Information Systems Design Theory the companies who work in a digital environment address the VISOR approach to craft their business model.

The following picture illustrates the VISOR Model



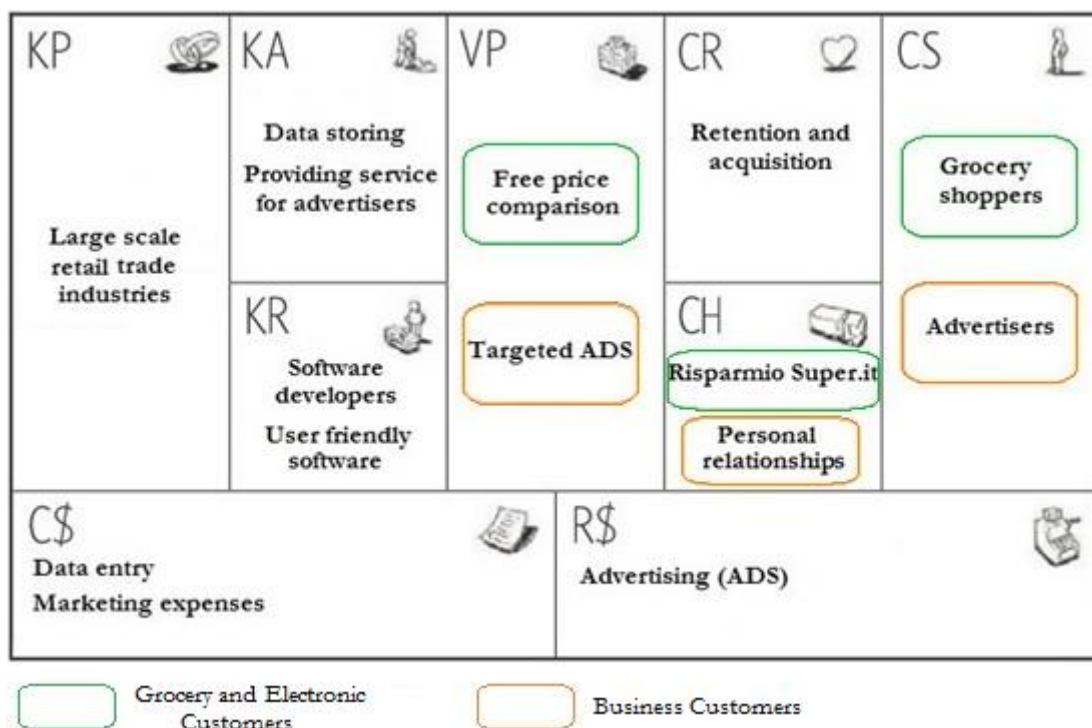
Through the VISOR Model perspective, a successful business model is able to align the respective components of the VISOR Model:

- Value Proposition – This addresses why a customer should willing to pay a premium price for the products or the services provided by a company.
- Interface – The success of delivering a value for the customer depends mainly on the user interface experience. The interface should be user friendly and should generate a positive experience.
- Service Platform – A platform is a technical architecture that allows compatible complements to use it. The IT platforms are needed to deliver products and services, as well as improve the value proposition.
- Organizing Model – This describes how an enterprise organises its process in order to effectively and efficiently deliver value to the customers. According to Allee, an organization creates value thought a complex dynamic exchange between one or more enterprise, customer supplier and community.
- Revenue Model – If the business model was settled properly then the combination of the value proposition, the way that a company delivers its value and the investment in IT platforms, should generate revenue that exceeds costs.

In my final chapter, I focused my attention on the case study of Risparmio Super. They are the first Italian website that gathers and compares supermarket online and offline product prices. With the service that they provide, they offer one solution for two issues. They help customers to save time and money. At the same time, they help large scale retail trade industries to analyse the behaviour of customers and to study the prices that their competitors set.

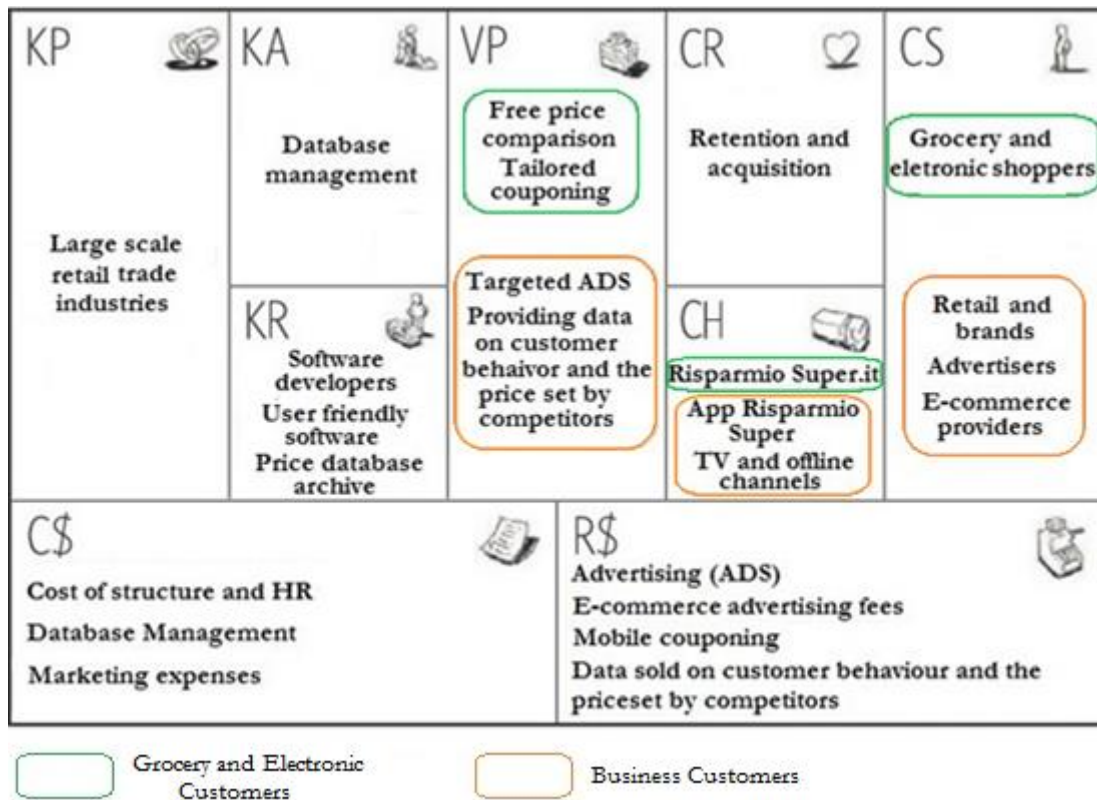
With the knowledge that I acquired from collaborating with LVenture Group and from the help and data that I was provided by Risparmio Super's CEO, I was able to study the evolution of the business model from the first formulation through to the current formulation.

The first business model formulation was centred on advertising.



Because this formulation was centred on advertising, it has resulted in two main weaknesses. These weaknesses are that the companies typically assign a limited amount of money to their budget for advertising and this amount of money is affected by the economic situation. In their current business model formulation, they have disposed of all of the weaknesses. This turns their price database archive into a competitive

advantage.



Leveraging on their database, Risparmio Super is able to profile the customer behaviour and sell this data to retailers and brands. This shift in the business model allows them to enlarge their business, obtain a new source of revenue, sign new business partnerships and attract new investment.

In the last chapter, I also evaluated the reasons as to why Risparmio Super has a competitive advantage over their competitors and I summed them up in the following table.

	Risparmio Super	My Supermarket UK	Dove Conviene	Monsieur Drive	Tu-Carrito	Nielsen
Real Time Price Compilation	✓	✓	✓	✓	✓	
Aggregation of Online Prices	✓		✓	✓	✓	✓
Aggregation of Offline Prices	✓					✓
Find Coupons and Deals	✓	✓	✓			
Tailored Coupons	✓					
Find The cheapest Shop in The Neighbourhood	✓	✓		✓	✓	
Provide Data on Customer Behaviour and The Prices Set By All Retail Companies For Each Item	✓					✓
Database Price Archive	✓					✓
Online Shopping	✓	✓				
Home Shopping Delivery Option	✗	✓				

✓ **Services Provided**

✗ **Services not provided (Planned to provide soon)**

Finally, the last area that I covered in this chapter is how Risparmio Super plans to grow according to its CEO, and my personal suggestion as to how to improve their business model in the long run, based on the example of Instacart.

The overall aim of my thesis was to examine start-ups and how they work. I wanted to use the knowledge that I learnt to produce my own suggestion as to how Risparmio Super can expand their business. I suggest that they do this by becoming the first Italian start-up to provide a home shopping delivery service, without using a warehouse to store the inventory that they intend to deliver. The main condition that is necessary for this change to be successful is that Italian shoppers change their shopping habits, so that they are more similar to that of American shoppers.

My potential improvement to Risparmio Super's business model would be successful for a number of reasons. The first reason is that home delivery services have already been successful in the USA, shown through the company Instacart. This company is successful in their home delivery service as they use independent delivery workers. This means that they have no infrastructure costs and most importantly, no warehouse expenses.

This leads us to the second strength of my long term strategy. Risparmio super are able to take advantage of the fact that they won't need to use a warehouse. This means that they don't need new capital to implement this new strategy.

The final strength that Risparmio Super would benefit from if they implemented this new idea is the fact that they already have the capabilities, the knowhow and the infrastructure to put into practice this strategy.

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