European Institute of Innovation, Entrepreneurship and Technology

Fundamentals of Business Economics

The Entrepreneurial Role, Value Creation, and Business Model Evolution

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Executive Summary

This report examines how entrepreneurs identify opportunities, combine scarce resources and create value through business model innovation. It applies economic theories of entrepreneurship to a proposed start-up, TripNest, a digital marketplace connecting visitors with locally operated cultural, food and nature-based experiences. The report explains opportunity recognition, innovation, uncertainty-bearing and the role of competition. It then analyses the main components of a viable business model: customer segments, value proposition, channels, customer relationships, revenue streams, key resources, activities, partners and cost structure. Examples including Airbnb and platform-based businesses illustrate how new configurations can reshape established markets, while also creating regulatory and social challenges. The proposed strategy uses an asset-light operating model, verified local suppliers, digital distribution and a commission-based revenue stream. A staged launch, customer validation, cash discipline and measurable service standards are recommended to build market share without committing excessive fixed capital.

Introduction

Entrepreneurship is an economic process through which individuals recognise opportunities, organise resources and introduce products, services or methods that may create new value. Entrepreneurs do more than establish companies: they make decisions under uncertainty, coordinate labour and capital, and test whether customers are willing to pay for a proposed solution. Their contribution can include innovation, employment, productivity improvement and stronger competition. However, a promising idea is not automatically a viable business. It must solve a meaningful customer problem, generate sufficient revenue, control costs and adapt when competitors or customer preferences change.

This report addresses Option 2 of the Fundamentals of Business Economics assessment. It first reviews economic perspectives on entrepreneurship and opportunity detection. It then evaluates business model design and disruptive examples before developing a practical start-up plan. TripNest is used as an illustrative business case rather than a claim about an existing company. The proposed venture would operate in a European city and offer bookable experiences delivered by independent local providers. Its purpose is to make authentic activities easier to discover while giving small providers access to customers and digital distribution.

Economic Theories, Opportunity Detection and Value Creation

Several economic perspectives explain why entrepreneurs matter. Schumpeter (1934) describes the entrepreneur as an innovator who introduces new combinations, such as a new product, production method, market or organisational form. Innovation can disrupt established routines and create temporary competitive advantage. In tourism, an entrepreneur might combine local guides, digital booking and themed itineraries into a service that is more convenient than arranging each activity separately. The advantage is not necessarily a completely new invention; it may come from combining existing resources in a more useful way.

Kirzner (1973) emphasises entrepreneurial alertness: noticing unmet needs, price differences or overlooked opportunities. A founder may observe that independent guides offer excellent experiences but lack marketing reach, while visitors struggle to assess quality and availability. TripNest would connect these two groups. The opportunity is credible only if interviews and tests confirm that both sides experience the problem and will use the platform. Customer discovery therefore reduces the risk of building a product based only on the founder's assumptions.

Knight (1921) distinguishes measurable risk from uncertainty that cannot be reliably assigned probabilities. New ventures face uncertain demand, supplier participation, regulation and competitor responses. Entrepreneurs bear this uncertainty and make decisions using incomplete information. Small experiments, staged investment and flexible contracts can limit exposure. The entrepreneur's role is consequently both creative and managerial: formulate a hypothesis, mobilise resources, test the market and revise the model when evidence changes.

Value creation occurs when the benefits perceived by customers exceed the price and other costs of obtaining a service. For TripNest, value could include convenient comparison, trusted reviews, secure booking, clear cancellation terms and access to experiences that are difficult to find independently. Providers may gain incremental demand, payment processing and visibility. The platform creates economic value if the combined benefits exceed the costs of operating it and if enough value can be captured to sustain the business. A marketplace must serve both sides: visitors need attractive choice and providers need profitable bookings. Weak participation on either side can undermine the network.

Opportunity assessment should test desirability, feasibility and viability. Desirability asks whether a sufficiently large customer group wants the service. Feasibility considers whether the team can build and operate it with available skills and technology. Viability asks whether revenue can cover operating costs and the cost of growth. A simple market-sizing exercise should distinguish the total potential market from the reachable segment and the share realistically obtainable during the first year. Interviews, landing-page tests and pilot bookings provide stronger evidence than broad claims about tourism growth.

Business Model Structure and Critical Components

A business model explains how an organisation creates, delivers and captures value. The Business Model Canvas provides a useful structure (Osterwalder & Pigneur, 2010). For TripNest, the customer segments are independent travellers, couples and small groups seeking locally distinctive activities, alongside small experience providers. The value proposition for visitors is convenient discovery and trusted booking; for providers it is access to demand without having to build a complete online sales operation.

Channels would include a mobile-friendly website, search visibility, social media, email and referrals from accommodation partners. Customer relationships would combine self-service booking with responsive support before and during an experience. Key activities include supplier onboarding, quality checks, platform maintenance, digital marketing, payment administration and customer service. Key resources include the booking platform, brand, customer data handled lawfully, supplier relationships and a small team with product, marketing and operations skills. Key partners include local guides, museums, food businesses, payment providers, insurance providers and accommodation operators.

The initial revenue model would be a commission on completed bookings. For illustration, if the average booking value is €60 and the platform commission is 18%, gross platform revenue is €10.80 per booking before payment fees, refunds, support and marketing. A transparent commission allows providers to understand the cost of distribution. The business should avoid relying on hidden charges because they can reduce trust and conversion. Later revenue options could include promoted listings or packages, but these should not compromise the quality or neutrality of recommendations.

The cost structure contains variable and fixed costs. Variable costs include payment processing, booking-related customer support, refunds and promotional incentives. Fixed or semi-fixed costs include software development, hosting, insurance, legal advice, accounting and core salaries. An asset-light platform avoids owning vehicles or venues, reducing capital requirements, but it does not eliminate operating risk. Technology failures, cyber-security incidents, supplier misconduct and reputational damage can be costly. Unit economics should therefore be measured from the beginning. Contribution per booking equals commission revenue less variable booking costs. Customer acquisition cost should be compared with the contribution expected over the customer's lifetime, not just the first transaction.

Core competencies are capabilities that are difficult for competitors to copy and that contribute strongly to customer value. TripNest should focus on supplier curation, reliable service, local knowledge and an efficient digital booking experience rather than trying to own every part of the tourism supply chain. A defensible advantage may develop from trusted provider relationships, consistent quality data and repeat customer relationships. These assets take time to build and must be supported by service standards.

Disruptive Entrepreneurs and Business Model Examples

Airbnb illustrates how a platform can reorganise an established market. Rather than building a conventional hotel estate, it enabled hosts to offer accommodation and gave guests a searchable booking interface, reviews and payment tools. Its model connected previously fragmented supply with global demand. The example demonstrates the power of reducing search and transaction costs and using digital networks to scale. It also shows that disruption can produce external effects, including pressure on housing availability, neighbourhood concerns and regulatory

responses. A successful business model must therefore consider social legitimacy and compliance as well as growth.

Uber provides another example of platform coordination in transport. Its app matches passengers and drivers, uses digital payments and provides rating mechanisms. The model changed customer expectations around booking convenience and real-time information. At the same time, disputes about worker status, safety, congestion and local transport rules show that platform efficiency does not remove the need for responsible governance. These examples should not be copied mechanically: TripNest operates in a different market and should learn from the underlying principles of matching, trust and convenience.

The lesson is that business model innovation often changes the way value is organised and captured rather than simply introducing a new physical product. Digital platforms can lower search costs and coordinate dispersed suppliers, but network effects are not automatic. They depend on enough high-quality supply, sufficient demand, trust, usability and fair incentives. If a platform grows too quickly without quality control, negative reviews and cancellations can damage both sides of the market.

Strategic Plan for TripNest

The strategic objective for the first 12 months is to validate a focused marketplace, reach positive contribution per booking and establish a repeatable supplier-acquisition process. The launch should begin in one city and a limited number of categories, such as guided neighbourhood walks, food experiences and small cultural workshops. A narrow launch makes it easier to inspect quality and understand customer behaviour than launching across multiple countries and activity types.

During months one to three, the founders should conduct structured interviews with at least 30 potential customers and 20 providers. The team should test willingness to pay, preferred booking times, cancellation expectations and the commission providers can accept. A basic website or prototype should be used to collect expressions of interest and test booking flow. The founders should set explicit decision criteria: proceed only if a minimum number of providers sign pilot agreements and a meaningful proportion of tested customers attempt to book.

During months four to six, TripNest should run a controlled pilot with a small supplier group. The platform should record conversion rate, booking completion, cancellation rate, customer acquisition cost, average booking value, contribution per booking, review scores and provider retention. Weekly reviews should identify friction in search, payment and fulfilment. Customer complaints should be classified by cause and used to improve supplier standards and platform design.

During months seven to twelve, the company can expand only if the pilot demonstrates repeatable demand and positive contribution. Partnerships with hostels, independent hotels and visitor information services can provide lower-cost referrals. Search content should focus on useful local information rather than generic advertising. Referral incentives should be tested against their cost. The company should maintain a cash forecast and avoid hiring ahead of proven demand. A small contingency reserve is important because tourism demand can be seasonal.

Resource allocation should follow strategic priorities. The founders should retain control of supplier quality, customer experience and product decisions. Commodity tasks such as payment processing and cloud hosting can be purchased from established providers. Legal advice should be obtained on consumer protection, data protection, tax, insurance and relevant tourism

licensing. Providers should have written terms covering service descriptions, safety responsibilities, cancellations, payment timing and complaint handling.

Risk management should include supplier verification, clear customer terms, secure payment handling, backup procedures and incident escalation. The company should monitor seasonality and avoid assuming that high-season demand will continue throughout the year. A balanced scorecard can connect financial results with customer, process and learning measures (Kaplan & Norton, 1992). Financial measures include contribution margin and cash runway; customer measures include satisfaction and repeat bookings; process measures include fulfilment and cancellation rates; learning measures include new supplier quality and improvements implemented.

Findings, Discussion and Business Implications

The analysis finds that entrepreneurial success depends on more than opportunity recognition. It requires a business model that links customer value to revenue capture and an operating system capable of delivering the promised service. Economic theories explain different parts of this process: Schumpeter highlights innovation, Kirzner highlights alertness to overlooked opportunities, and Knight explains uncertainty-bearing. Together, they suggest that entrepreneurs need creativity, market awareness and disciplined judgement.

TripNest's main strategic choice is to remain focused and asset-light during validation. This reduces initial capital requirements and allows the founders to learn before expanding. However, the model depends on trust and consistent supplier performance. The platform must not treat providers as interchangeable listings. Training, verification and fair commercial terms can improve service quality and reduce cancellations. The business should also consider the wider

effects of tourism activity and avoid promoting experiences that damage local communities or the environment.

The principal managerial implication is that growth should be conditional on evidence. A large number of website visits is not sufficient if visitors do not book or if each booking loses money. Likewise, a high commission rate may increase revenue per transaction but discourage good providers. Management should monitor the entire value chain and make trade-offs transparently. The venture should pursue sustainable market share rather than growth at any cost.

Conclusion and Recommendations

Entrepreneurs create economic value by identifying unmet needs, combining resources and developing models that make useful exchanges possible. Viable business models align customer segments, value propositions, channels, relationships, activities, resources, partners, revenue and costs. Platform examples such as Airbnb and Uber demonstrate the potential of new configurations while highlighting the importance of regulation and social responsibility.

It is recommended that TripNest: (1) launch in one city and a narrow set of experience categories; (2) validate demand and provider willingness before major technology spending; (3) use a transparent commission model and measure contribution per booking; (4) make supplier verification, safety and customer support core capabilities; (5) expand only when repeat demand and unit economics are demonstrated; and (6) maintain cash reserves and a balanced performance dashboard. This staged approach gives the start-up a realistic opportunity to use scarce resources efficiently and win a defensible position in its chosen market.

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Appendices

Appendix A: Illustrative start-up dashboard

Measure | Initial management target | Review frequency

Pilot providers onboarded | 15–20 verified providers | Weekly

Booking completion rate | Establish baseline; improve monthly | Weekly

Contribution per booking | Positive after variable costs | Monthly

Customer rating | Monitor average and complaint themes | Monthly

Cash runway | Maintain a prudent operating reserve | Monthly

These are proposed management targets, not observed results.