### Creating a Business

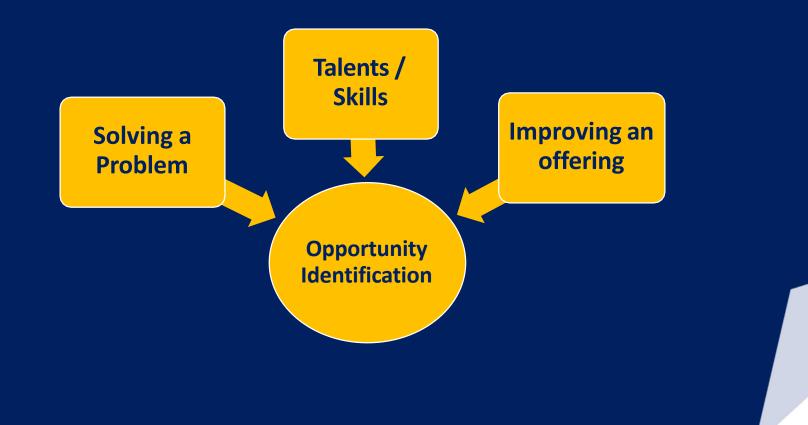
### Lecture Title: Opportunities Part 2

Lecturer: Angelito Sciberras Date: 22 October 2022

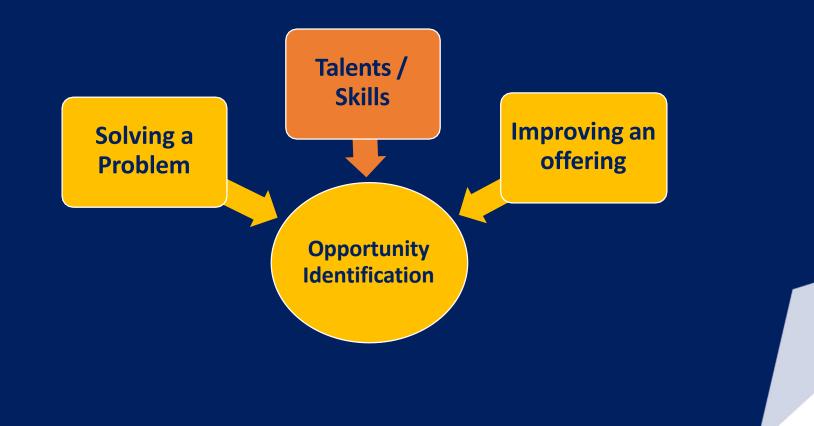


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# Practical Approaches to Opportunity Identification



# Practical Approaches to Opportunity Identification



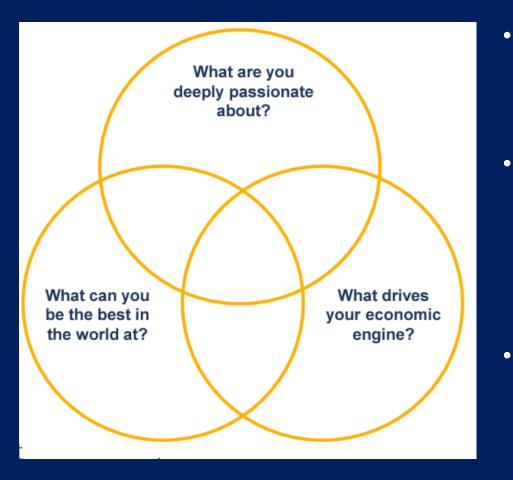
# Talent/Skills

# Do you have the **opportunity** to use your **talents** and pursue your **passions**?



# Talent/Skills

### Hedgehog Model



- The Hedgehog Model is a corporate leadership concept outlined in Jim Collins' 2001 book called Good to Great.
- The idea stems from an ancient Greek poem in which a cunning fox tries and continually fails to eat a hedgehog who is always able to escape at the last moment by rolling into a ball.
- Collins describes how companies who are more like the hedgehog are more likely to succeed, because they focus on one thing and do that one thing well.



### "You've got to do what you love"

### - Steve Jobs 12 June2005



# You've got to do what you love

 Dropped out of college - no interest in classes and only attended those he liked. Calligraphy class what makes great typography - no practical application in life - 10 years later used in first Macintosh.

"You can't connect the dots looking forward, you can only connect them looking backward."

• "Follow your love and loss" - he got fired from the company he started - he loved what he did - started over and created Pixar and Apple bought Next which he created.

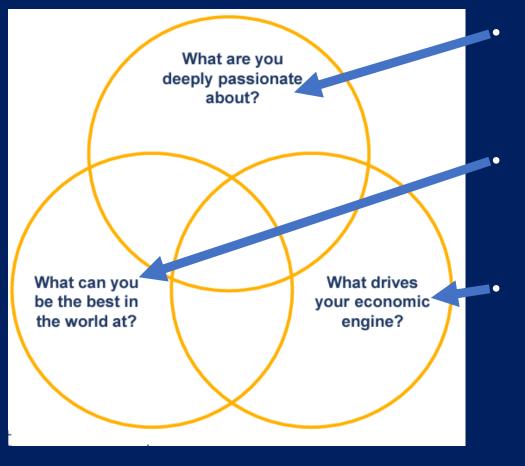
"The only thing that kept me going was that I loved what I did."

 "What is truly important is what counts." "Time is limited so do not waste it living someone else's life." "Do not be trapped by dogma which is living which is living with the results of other people's thinking"

"Have the courage to follow your heart and intuition. They somehow truly know what you want to become".

# You've got to do what you love

### Hedgehog Model

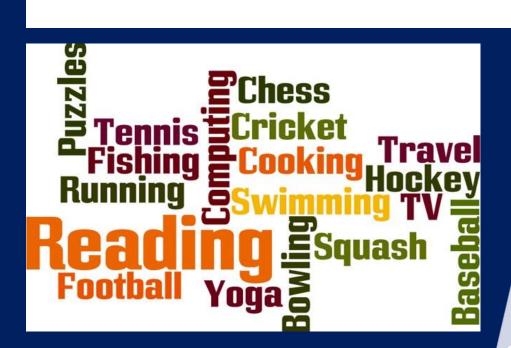


"The only thing that kept me going was that I loved what I did."

- "Have the courage to follow your heart and intuition. They somehow truly know what you want to become".
- "You can't connect the dots looking forward, you can only connect them looking backward."

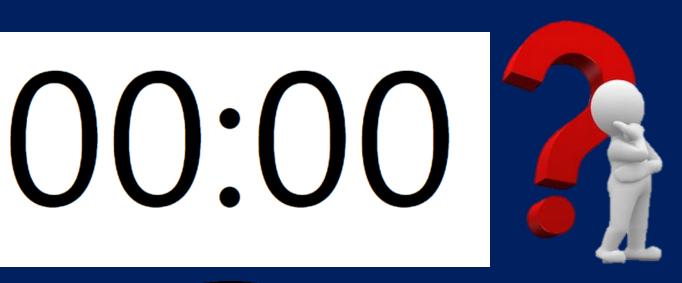
### List your passions

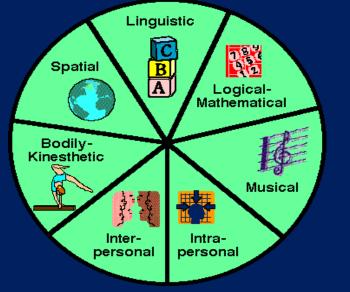
Passions are what you
 love and enjoy, and will
 tend to be things that
 you are good at.



# List your strengths

- Strengths are your preferred working styles, including the way you prefer to connect with people
- Refer to your MI test scores





### Look for profitable combinations...

- Look for combinations which could work to produce an offering that people want or need, in a way that you can provide it enjoyably
  - Combine your
    passions and your
    strengths





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### Look for profitable combinations...



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### Look for profitable combinations...



# 00:00

Cross-fertilise with those of others...





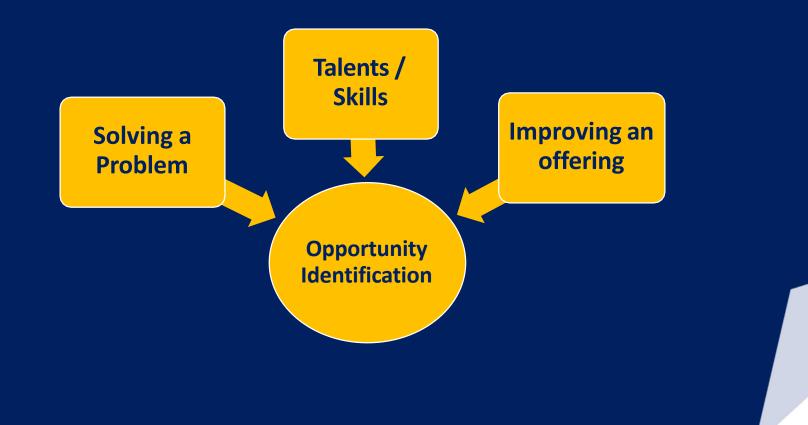
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### Look for profitable combinations...



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# Practical Approaches to Opportunity Identification



# Solving a Problem

It is too hot to walk, or stay outdoors, in Malta during summer because of the scortching sun...





# Solving a Problem

It is too hot to walk, or stay outdoors, in Malta during summer because of the scortching sun...

Users complained that batteries were running out fast...



# Improving a Product

S	С	A	Μ	P	E	R
Substitute	Combine	Adapt	Modify	Put to Another Use	Eliminate	Reverse
Metal body with resin to make it lighter	A number together to form a tuk tuk train	Skis to go on water	Open air and with music	Food delivery service	The combustion engine	Make the custmers pedal





# Talent/Skills

# Do you have the **opportunity** to use your **talents** and pursue your **passions**?







### Creating a Business

### Lecture Title: Opportunities Part 2

Lecturer: Angelito Sciberras Date: 22 October 2022



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### Creating a Business

### Lecture Title: Business Model

Lecturer: Angelito Sciberras Date: 22 October 2022



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### Business Model vs Business Plan

### BUSINESS MODEL

A single diagram of your business

### BUSINESS PLAN

A document investors make you write that they don't read



### **Business Model Canvass**

- proposed in 2005 by Alexander Osterwalder.
- nine "building blocks" of the business model design template.
- new canvases for specific niches have appeared.



### Business Model Canvass

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Cost Structure    Image: Cost of the end of the out business model?      With the Buscherse are most expensive?    Image: Cost of the end of the en			Revenue Stream for what wake are our customers real for what do they currently pays? How would they prefer to pay? How would stream prefer to any stream pre	y willing to pay? I contribute to overall revenues? New Yester Control of the second New Revenues The Second Se	ۿ

### STANFORD TECHNOLOGY VENTURES PROGRAM

# Alexander Osterwalder Entrepreneur & Author

January 25, 2012

### In Practice

# The Company



### The Product

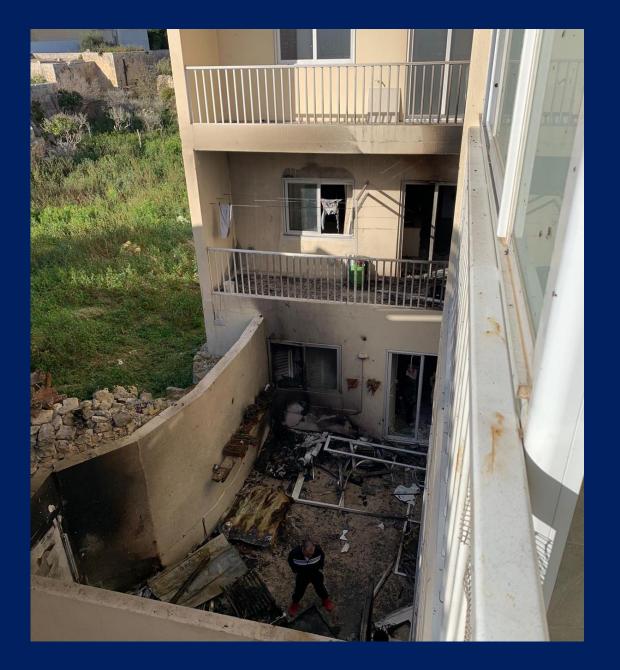


### THE PROBLEM









### The safety of your home and/or establishment when storing gas cylinders



Updated: Explosion of gas cylinder causes damage, leads to evacuation Undergraduate Diploma in **Business Administration** Current Affairs Local New Gas explosion in St Paul's Bay in Attard Cylinder Gas Explosion Triggers A 63 year old man wa that the incident too Massive Fi maltatoday BUSINESS ARCHIVES Rainme O COMMENT VIDEO SPORTS From Mar World **Court & Police** Interview Budget 2020 Data & Survey The Skinny Xtra News / Court & Police Block NEWS ~ No one injured in Zebbug gas cylinder explosion By David June 12, 20

The incident happened in Triq iz-Zebbuga l-Bajda at around 2:15 pm share:



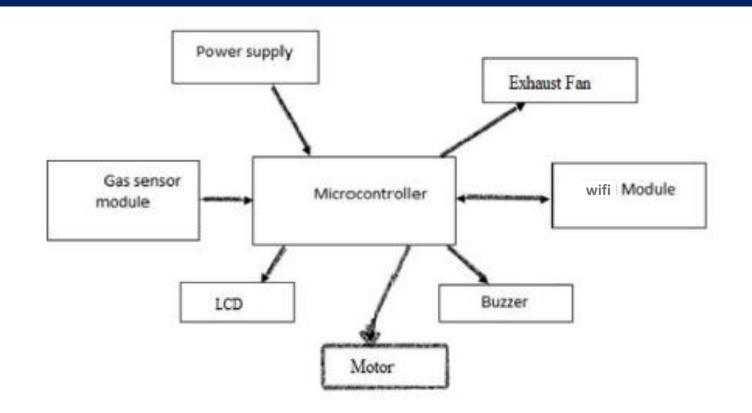


gas cylind

### THE SOLUTION







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LPG leak detector Send an alarm via wifi to the app that leak has been detected

### PRODUCT





### Cylinder gas level indicator

Indicates level of LPG remaining in cylinder (eventual development to book cylinder via app) Wifi enabled

Connects to wifi to send notifications on smart phone (eventual development wifi extender)



#### App Based

All parameterscan be read on a smart phone





### **Different Options**

- Indoor (no wifi)
- Outdoor (Wifi enabled) weather resistant
- Indoor (Wifi enabled) can be used outdoor if protected



# The Application

- Receives notifications from the device
- Connects end user (client) to Company
- Serves as a communication (marketing) tool between company and end user
- Permits a third-party notifications
- Eventual developments
  - Automated booking of cylinders
  - Potential marketing platform

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# THE BUSINESS MODEL CANVASS



# THE BUSINESS MODEL CANVAS

### Value Propositions

- The reason why customers would be interested in buying your product
- A product / service must be something to buy that the market is willing

 It should be designed to provide a solution to a customer problem fill some sort of market need , (present or future) ; and, for longt erm business viability, it should do so better than alternative or competing solutions



### THE BUSINESS MODEL CANVAS

- Market Research module 4
- PESTEL Analysis today week
  - Political, Economic, Social, Technological, Environmental and Legal
- SWOT Analysis next session
  - Strength, Weaknesses, Opportunities and Threats



# THE BUSINESS MODEL CANVAS

### Value Propositions - ASK

Why would people be interested in parting with their cash in exchange for your product?

- Which market / customer problems are you helping to solve?
- Which customer needs satisfying?
- What solution are you offering
- What other alternatives are there currently?
- What value do you deliver to the customer that they cannot get elsewhere?

# THE BUSINESS MODEL CANVAS

### Value Propositions

- Innovation:
  - Unlike any other existing product on the Market
- Convenience:
  - Notifications no physical checking required Standard Battery Works with any smart devise Multiple devices in different useholds

#### Safety:

Avoidance of accidents Investment in safety - Peace of Mind

- Customisation: Choice of functionality Different alert options
- Added Features:
  WIFI extender option
  - **Pricing:** Different pricing tiers

### THE BUSINESS MODEL CANVAS

### **Customer Segments**

- Customers are at the heart of any business concept
- No business can survive for long without (profitable) customers

 The different groups of people or organisations an enterprise aims to reach and serve, so as to solve their problems / satisfy their needs

## THE BUSINESS MODEL CANVAS

### Customer Segments - ASK

- Who is/are your target customer/s?
- Who would be interested in purchasing your product?

Do you aim to serve just one or more than one customer segment?



### THE BUSINESS MODEL CANVAS

**Customer Segments** 

This BMC section requires research!

The better you understand your customers and the market, the faster your business will grow!



# THE BUSINESS MODEL CANVAS

### **Customer Segments**



#### End clients

- Residents in Maltese homes
- Establishment/ restaurant owners

2

#### **Direct Clients**

- **Ironmongeries**
- White goods shops
- Gas distributors
- Supermarkets
- The Government

(endorsement by the Civil Protection Department)





### THE BUSINESS MODEL CANVAS

### **Customer Relationships**

- Customer relationships describe the types of relationships which you establish with specific customer segments
- Relationships can range from loyal to atomistic , personal to automated

- Relationships may be affected by competition (both actual and potential) and trends
- So you need to carry out a competitor analysis (and consequent SWOT analysis) and consider the trends emerging from the PESTEL analysis.



# THE BUSINESS MODEL CANVAS

### Customer Relationships - ASK

- What type of relationship do you need to have with your customers?
- How can you create "sticky" relationships with your customers?

- Who are your most important competitors? What customer relationships do they have?
- What are the trends in customer relationships?
- How can you / your product and overall offering be better than competition in the current context?



# THE BUSINESS MODEL CANVAS

### **Customer Relationships**



#### Retailers

- Stock replenishment
- Special Offers to encourage promotion of products



#### **End Clients**

- Direct communication: Application Website
- Acquiring clients:
  Advertising
- Keeping Clients:
  - Updates
  - Excellent Aftersales Service
- Growing Client Base:

Testimonials

New product adve







# THE BUSINESS MODEL CANVAS

### Channels

 The Channels block describes how you communicate with and your customer segments to deliver your product

- There are 5 distinct channel phases:
  - Awareness
  - Evaluation
  - Purchase
  - Delivery
  - After Sales



### THE BUSINESS MODEL CANVAS

### **Channels: Promotion**

- Promotion is about communicating with customers to create awareness, shape evaluation and foster after reassurance
- There are various ways in which effective advertising campaigns can be carried out without spending too much money

The key is CREATIVITY



# THE BUSINESS MODEL CANVAS

### Channels: Promotion - ASK

- Mass media?
- Traditional vs. online?
- Word of mouth? Multi-level marketing?
- Targeted advertising?
- Before and after- sale customer support and servicing?

- Which would work best?
- Which would be most cost effective?



# THE BUSINESS MODEL CANVAS

### **Channels: Distribution**

- Distribution refers to:
  - The means by which the product reaches the consumer
  - The place from where the product can be bought

- Distribution can be
  - Direct: you being directly involved in selling your products, e.g. from your own physical shop or from a fair, online shop, door-to-door, etc.
  - Indirect: through intermediaries e.g. wholesalers, retailers, etc

# THE BUSINESS MODEL CANVAS

### Channels



#### Partner Channels

- Retailers
- The Government
- Gas distributers (advert on gas cylinders)



#### Own Channels

- Our Salesforce (that will accomplish the acquisition of the Partner Channels)
- **Digital Media:**

Website Social Media Google Adverts Advertorials The Application



# THE BUSINESS MODEL CANVAS

### Key Activities

 The key activities are the most important things that you must do to develop, make and sell your product

- These may include:
  - Sourcing of facilities, equipment and materials, services
  - Recruiting staff
  - Coordinating tasks and activities
- R&D, Production , Promotion Selling, Delivery



### THE BUSINESS MODEL CANVAS

### Key Activities - ASK

What key activities are required to make your product? What key activities are required to take your product to market?



# THE BUSINESS MODEL CANVAS



### Key Activities

- Design of Smart Metre
- Design and development of application
- Manufacturing
- Packaging & Instructions
- Marketing

- **Problem Solving** Training Studying Metrics Improvements
- Website development and Updating
- Updates to Application





# THE BUSINESS MODEL CANVAS

### Key Resources

 Key resources are the most important assets required to develop, make and sell a product

- Resources may be:
  - Tangible (physical objects that can be "dropped on your foot")
  - Intangible (know-how, IP, knowledge, skills, reputation, brand, etc)



# THE BUSINESS MODEL CANVAS

### Key Resources - ASK

- What resources (e.g. facilities, equipment, human resources) do you need to make and sell your product?
- Re Human resources:
  - How many people are required?
  - What skills and qualifications they should possess?

- Which of these resources do you have? core team of company (at least the founders!)
- How do they add value?

- Which of these resources do you need to obtain?
- Can you think of ways in which you could obtain them?

# THE BUSINESS MODEL CANVAS

### Key Resources

- Product Patent Intellectual Property Rights
- Human Resources
- Credit Lines
- Physical Resources
  - Store
  - Vehicle

SAFE LIVING Financial Resources Design investment Prototype Creation Manufacturing Transport to Malta



# THE BUSINESS MODEL CANVAS

### **Key Partnerships**

- Companies forge partnerships for many reasons, including to acquire resources, or reduce risk optimise business model
- Key partnerships refer to the network of suppliers and partners that are required to develop, make and sell a product

 They can provide the resources that the company does or can not have internally.



# THE BUSINESS MODEL CANVAS

### Key Partnerships - ASK

What key relationships do you need to build to make and sell your product?

- Who are your key suppliers?
- Which key resources are you acquiring from partners?
- Which key activities do partners perform?
- How dependent are you on your relationships?
- How stable are these relationships?

# THE BUSINESS MODEL CANVAS

### Key Partnerships

- The Design Company
- Application Development Company
- Production Company
- Packaging Company
- International Transport Companies

**Local Gas Distributes** Liquigas Multigas



# THE BUSINESS MODEL CANVAS

### Cost Structure

- The cost structure describes all costs incurred to develop, make and sell a product
- Costs can be calculated once you have defined your key activities, resources needed key and key partnerships

- Costs can be:
  - Fixed: remain the same regardless of the number of products being made (e.g., salaries, rent, equipment, etc.)
  - Variable: vary proportionally with the number of products being made (e.g., raw materials)

# THE BUSINESS MODEL CANVAS

### Cost Structure - ASK

- What are the most important costs (fixed and variable) in your business model?
- Which key resources are most expensive?
- Which key activities are most expensive?

- How can you minimise costs?
- Would this lead to inferior quality?
- If so, is this a trade-off you are willing to make?



# THE BUSINESS MODEL CANVAS

### Cost Structure

- Patenting
- Production
- Packaging
- Transport to Malta
- Application Design & Development

- Research & Development
- Storage
- Vehicle costs
- Salaries
- Warranty costs
- Marketing costs
- Interest on Loans
- Website costs



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# THE BUSINESS MODEL CANVAS

### **Revenue Streams**

The revenue streams
 represent the cash which
 you must generate from
 each customer segment to
 create a profitable (or at
 least a sustainable) business

- There are various ways/models to generate revenue streams, including one time product/service sales, usage fees, subscription fees, etc.
- The choice of revenue stream would depend on the nature of your product /service and business model



# THE BUSINESS MODEL CANVAS

### **Revenue Streams - Revenue Models**

- Paid products/services:
  - Single purchase model
  - Subscription model
  - Pay-per-use model
  - License fees
  - Add-ons/In-app purchases

- Broker/Matchmaking:
  - Commission based model
  - Auction model
- Free products/services for user:
  - Freemium model
  - Barter of the products/services
  - Pay what you want
  - Tip jar/donation



# THE BUSINESS MODEL CANVAS

### **Revenue Streams - Revenue Models**

- Third Party payers options:
  - Ads based model
  - Get-one-give one model
  - Donors
  - Insurers

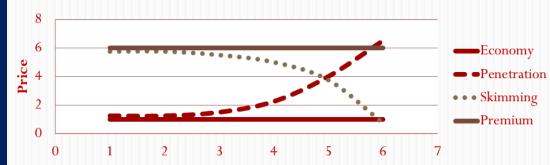
- Other mixed models:
  - Razor and blade model
  - Open source model
  - Crowdfunding



### THE BUSINESS MODEL CANVAS

### **Revenue Streams - four major pricing strategies**





# THE BUSINESS MODEL CANVAS

### **Revenue Streams - ASK**

- What are your customers paying for? (a single item, an ongoing service, etc.)
- Which pricing strategy is appropriate for your circumstances?
- How much are customers willing to pay?

- Will this cover your costs?
- How does it compare to your competitors' prices?

# This BMC section requires research!

ACADEMY Version

# THE BUSINESS MODEL CANVAS

### **Revenue Streams**

- One time fee according to list price of chosen model
- Future potential of
  - In-app purchases
  - Advertising through app

Multiple units if customer is satisfied (different devices)





# Business Model Canvass

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# Is your Idea an Opportunity?

### **Business Model Canvas**

Do all the nine blocks of your canvas fit together in a balanced, harmonious manner to create a feasible and sustainable business model?  You may sometimes need to experiment with different options for each block . Iteration is key!









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# Apply the BMC to your Product/Service?









# The Business Idea

Idea vs Opportunity







# Creating a Business

# Lecture Title: Business Model

Lecturer: Angelito Sciberras Date: 22 October 2022



Undergraduate Diploma in Business Administration