

Creating a Business

Lecture Title: Opportunities Part 2



Lecturer: Angelito Sciberras

Date: 14 October 2023

Undergraduate Diploma in
Business Administration

Previous Session

- Opportunities
- Approaches to Identifying Opportunities
- Solving a Problem
- SCAMPER



Question 01

What is SCAMPER in the context of idea generation and problem-solving?

- a) A market analysis technique used to assess customer preferences.
- b) A financial forecasting model for business expansion.
- c) A creative thinking method for generating innovative ideas.
- d) A risk assessment tool for project management.



Question 02

In the context of SCAMPER, what does the 'P' stand for?

- a) Ponder
- b) Propose
- c) Perceive
- d) Put to another use



Question 03

How does the 'R' in SCAMPER contribute to adapting an existing product?

- a) Reassemble
- b) Remove
- c) Rearrange
- d) Restructure



Question 04

In the context of business, opportunities refer to:

- a) External factors that hinder business growth
- b) Potential chances for development or advancement
- c) Negative circumstances affecting market trends
- d) Barriers preventing successful business operations



Question 05

Which term best describes the generation of new ideas or concepts?

- a) By ignoring the problem and focusing on other areas
- b) By blaming external factors for the problem
- c) By identifying unmet needs and creating a new product or service
- d) By accepting the problem without seeking resolution

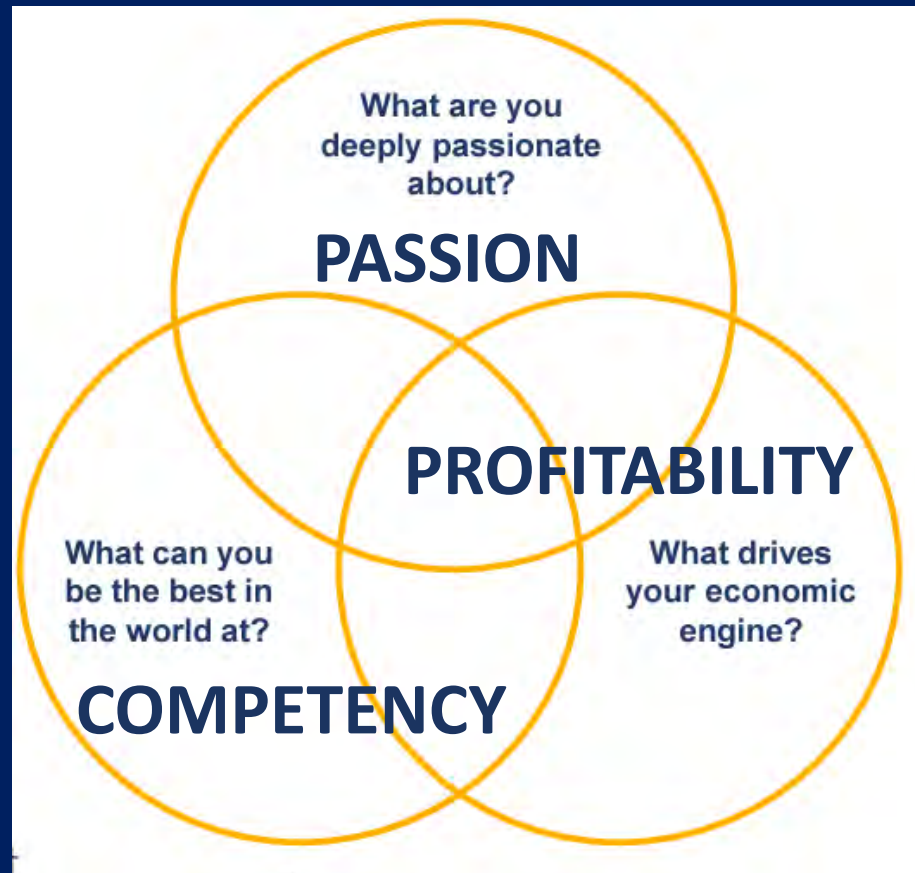


Practical Approaches to Opportunity Identification



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.

Talent/Skills

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



“You’ve got to do what
you love”

- Steve Jobs
12 June 2005



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.”

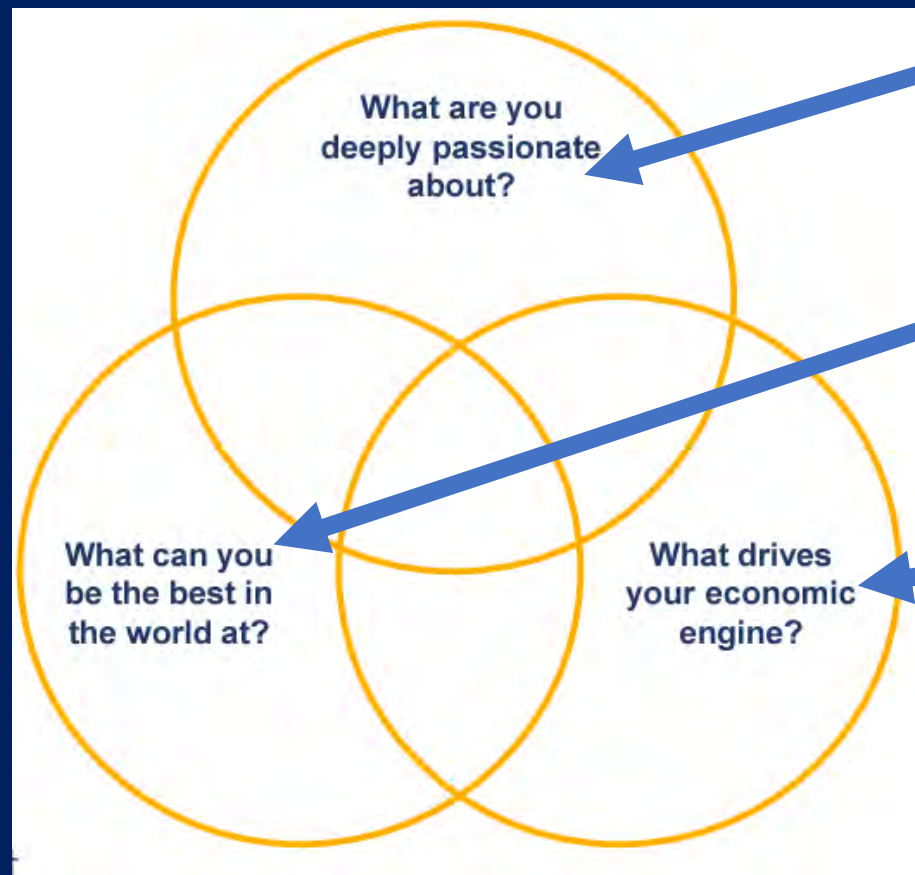
- “What is truly important is what counts.” “Time is limited so do not waste it living someone else's life.” “Do not be trapped by dogma which is living which is living with the results of other people's thinking”

“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.”

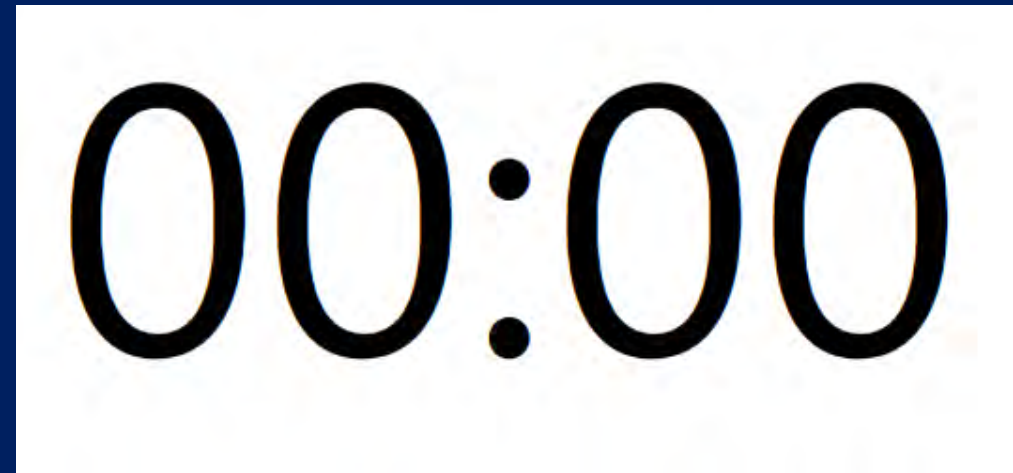
- “Have the courage to follow your heart and intuition. They somehow truly know what you want to become”.

- his emphasis on excellence in products and design, and Apple's success in producing products that people are willing to pay a premium for



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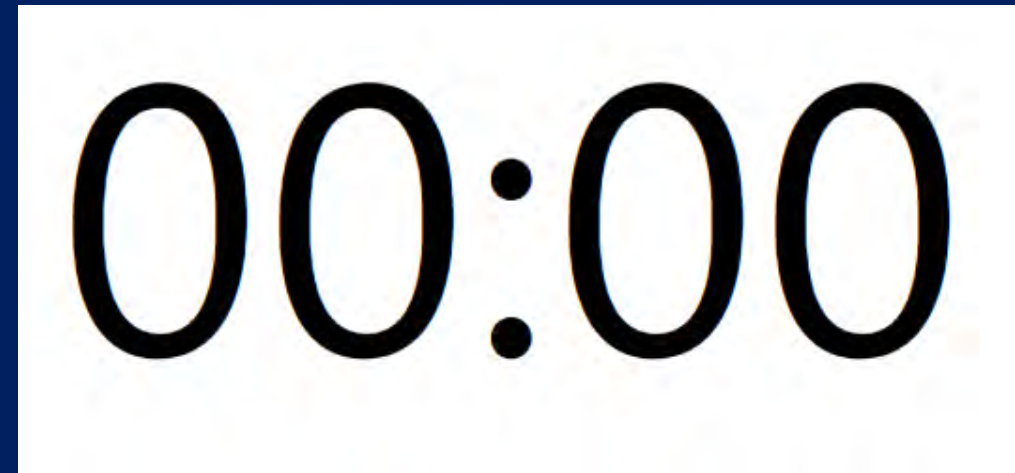
List your passions



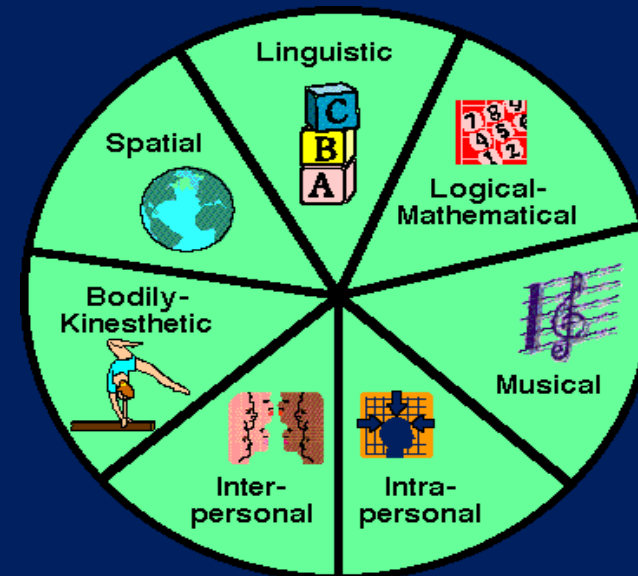
- Passions are what you love and enjoy and will tend to be things that you are good at.



List your strengths

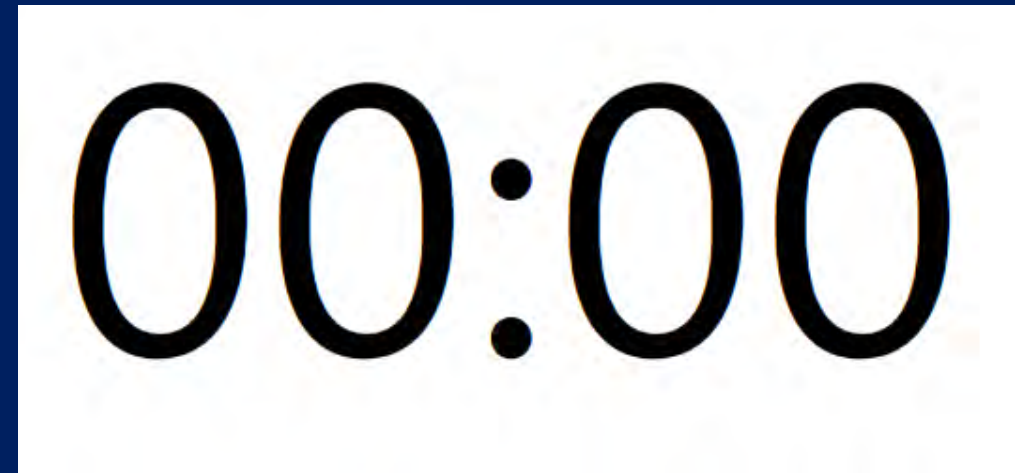


- Strengths are your preferred working styles, including the way you prefer to connect with people
- Refer to your MI test scores



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



Look for profitable combinations...



Look for profitable combinations...

00:00



- Cross-fertilise with those of others...

Look for profitable combinations...



Practical Approaches to Opportunity Identification



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00:00



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Creating a Business

Lecture Title: Business Model

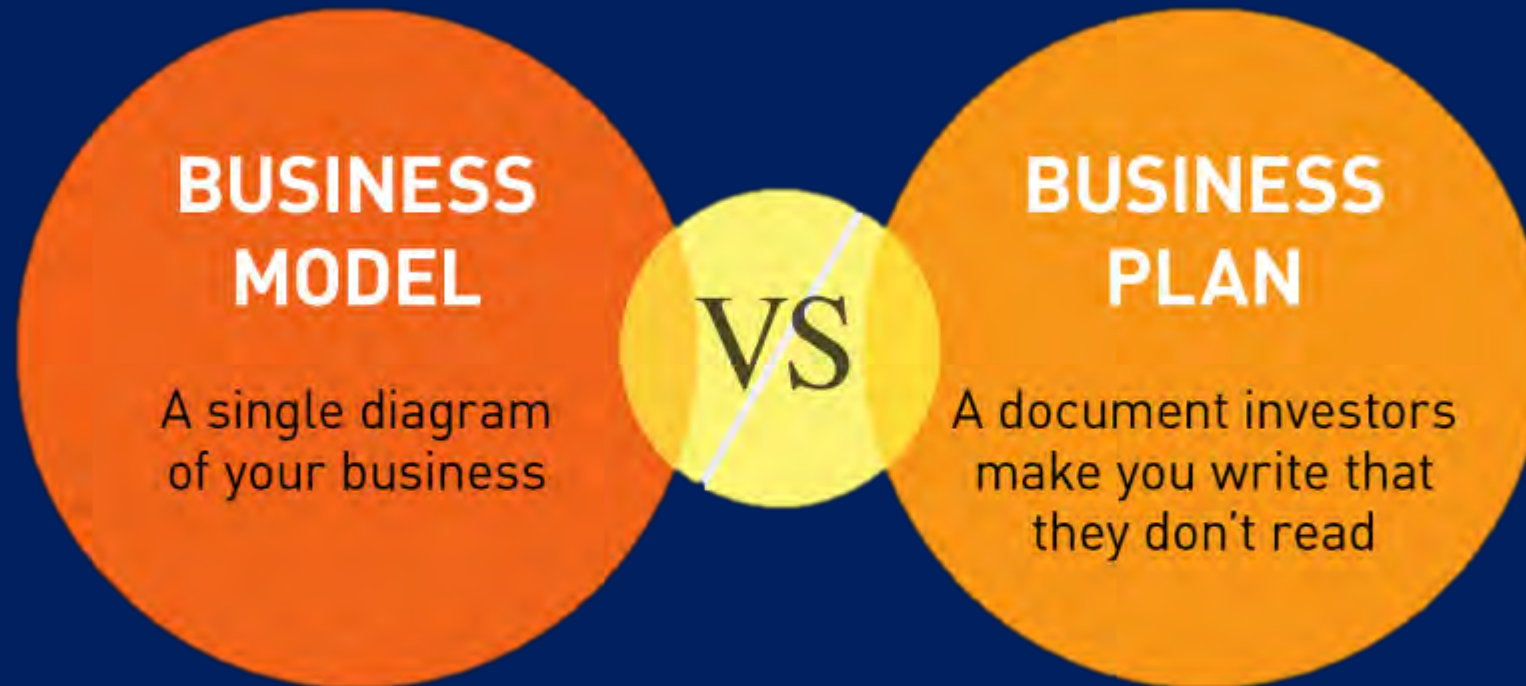


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Business Model vs Business Plan

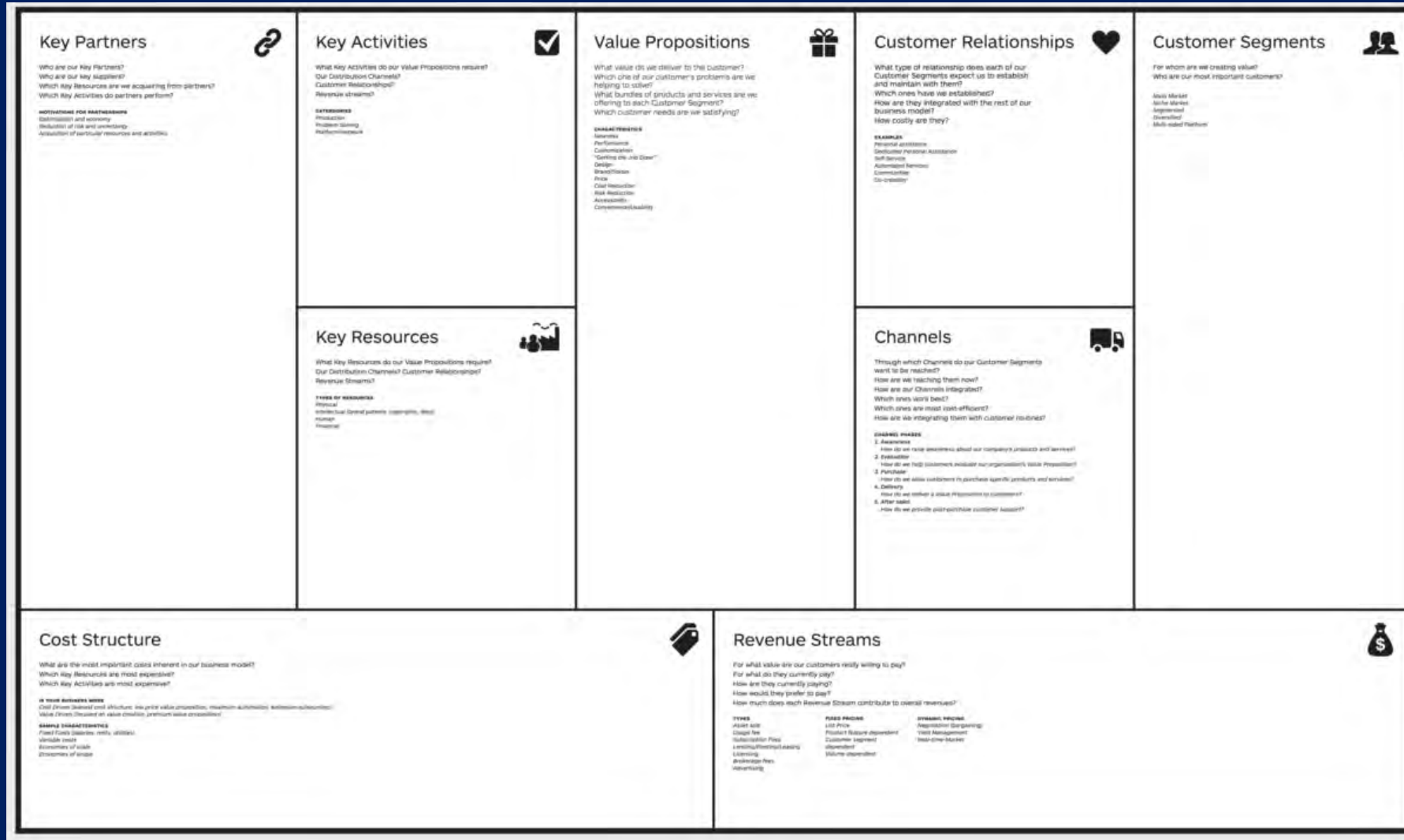


Business Model Canvass

- 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





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
in Attard

Cylinder Gas Explosion Triggers
Massive Fire on The Road
Block

Current Affairs Local News
Gas explosion in St Paul's Bay
30/07/2019
A 63 year old man wa
that the incident took

No one injured in Zebbug gas cylinder explosion

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



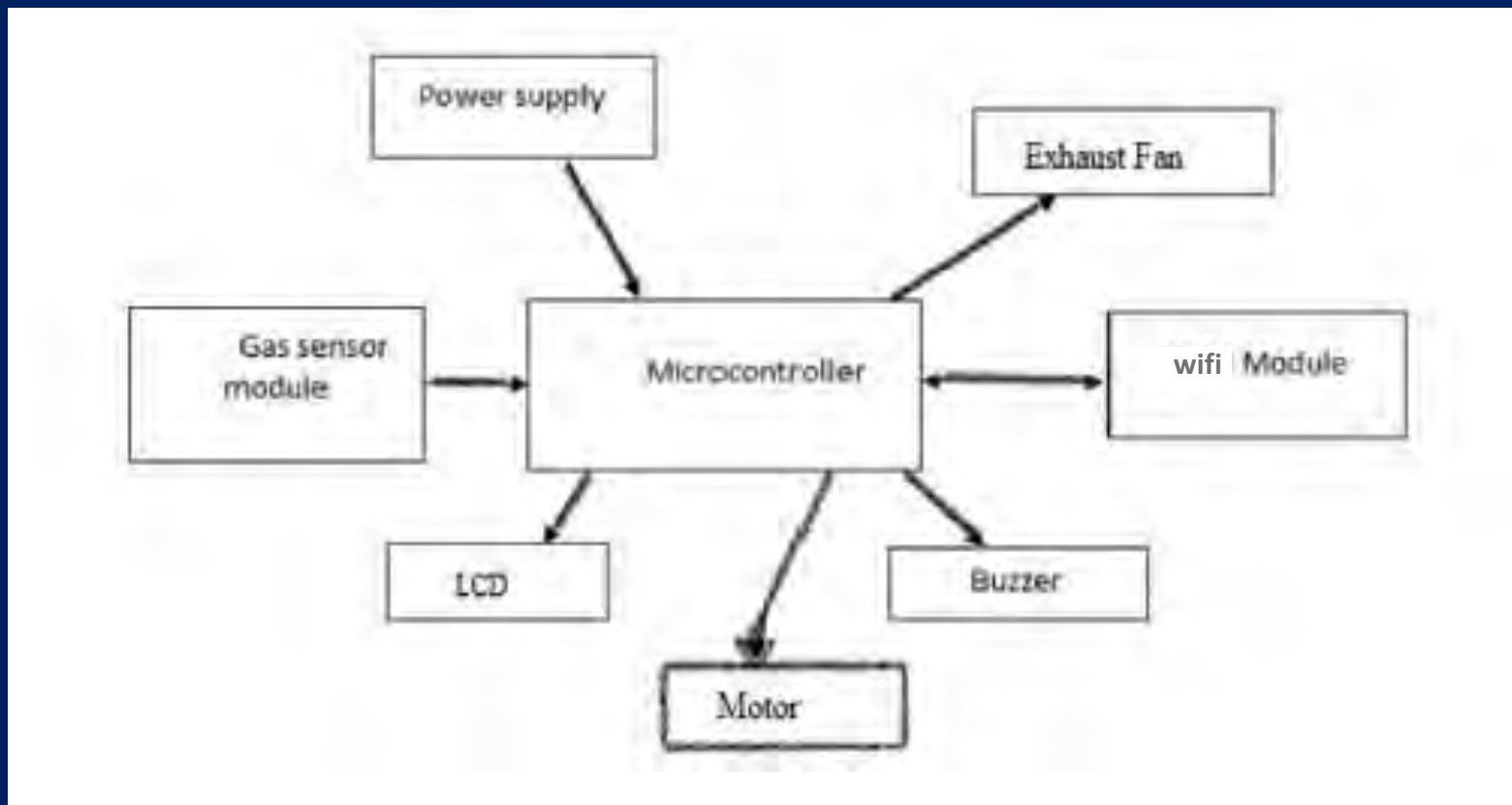
NEWS
gas cylinder

By David
June 12, 20
Share:



THE SOLUTION





PRODUCT



LPG leak detector

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



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 parameters can 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



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 long term 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



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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 device
Multiple devices in different households



- **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



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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**



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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?



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Customer Segments

This BMC section requires research!

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



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Customer Segments

1

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)



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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**.



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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?



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Customer Relationships

1

Retailers

- Stock replenishment
- Special Offers to encourage promotion of products

2

End Clients

- **Direct communication:**
 - Application
 - Website
- **Acquiring clients:**
 - Advertising
- **Keeping Clients:**
 - Updates
 - Excellent Aftersales Service
- **Growing Client Base:**
 - Testimonials
 - New product advertisement



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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



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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**



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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?



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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.



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Channels

1

Partner Channels

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

2

Own Channels

- Our Salesforce (that will accomplish the acquisition of the Partner Channels)
- Digital Media:
 - Website
 - Social Media
 - Google Adverts
 - Advertorials
 - The Application



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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



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Key Activities - ASK

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



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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



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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)



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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?



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Key Resources

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

- **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.



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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?



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Key Partnerships

- **The Design Company**
- **Application Development Company**
- **Production Company**
- **Packaging Company**
- **International Transport Companies**
- **Local Gas Distributes**
 - Liquigas
 - Multigas



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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)



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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?



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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



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

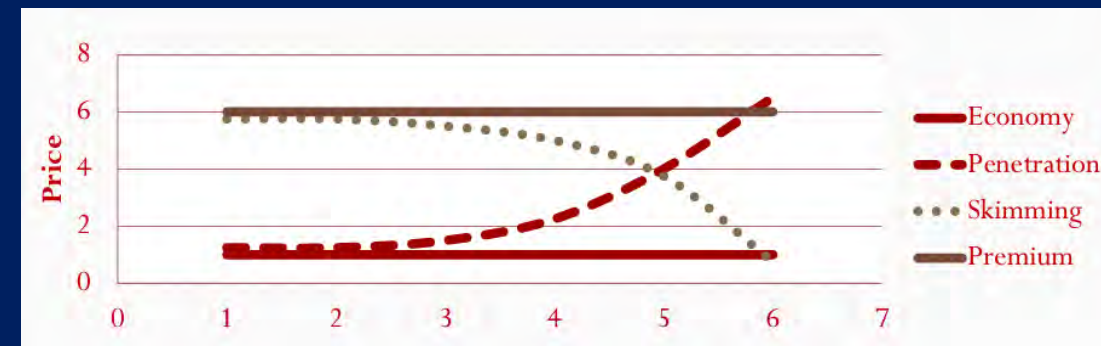
Revenue Streams - Revenue Models

- **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*



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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!**



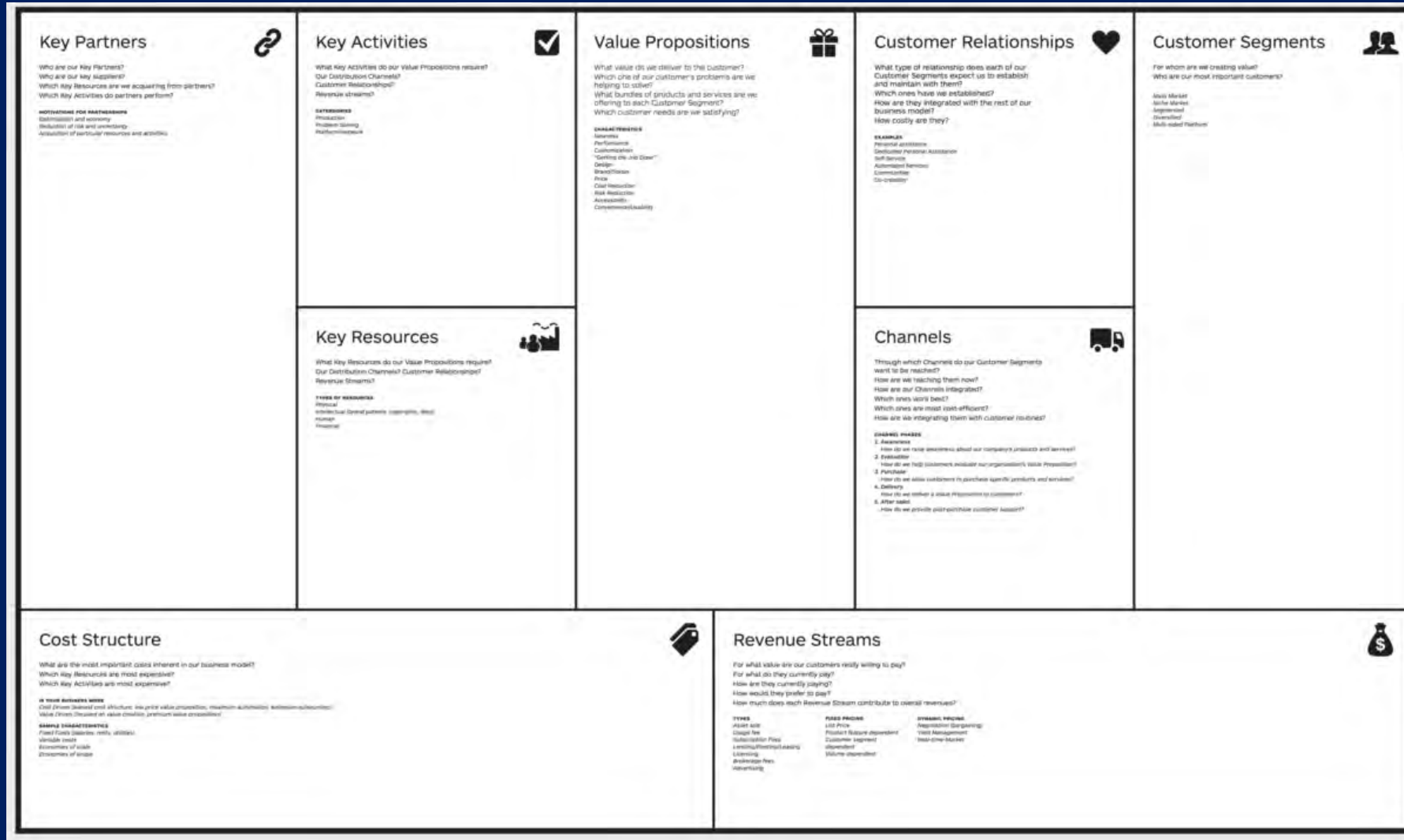
THE BUSINESS MODEL CANVAS

Revenue Streams

- One time fee according to list price of chosen model
- Multiple units if customer is satisfied (different devices)
- Future potential of
 - In-app purchases
 - Advertising through app



Business Model Canvass



Is your Idea an Opportunity?

Business Model Canvas

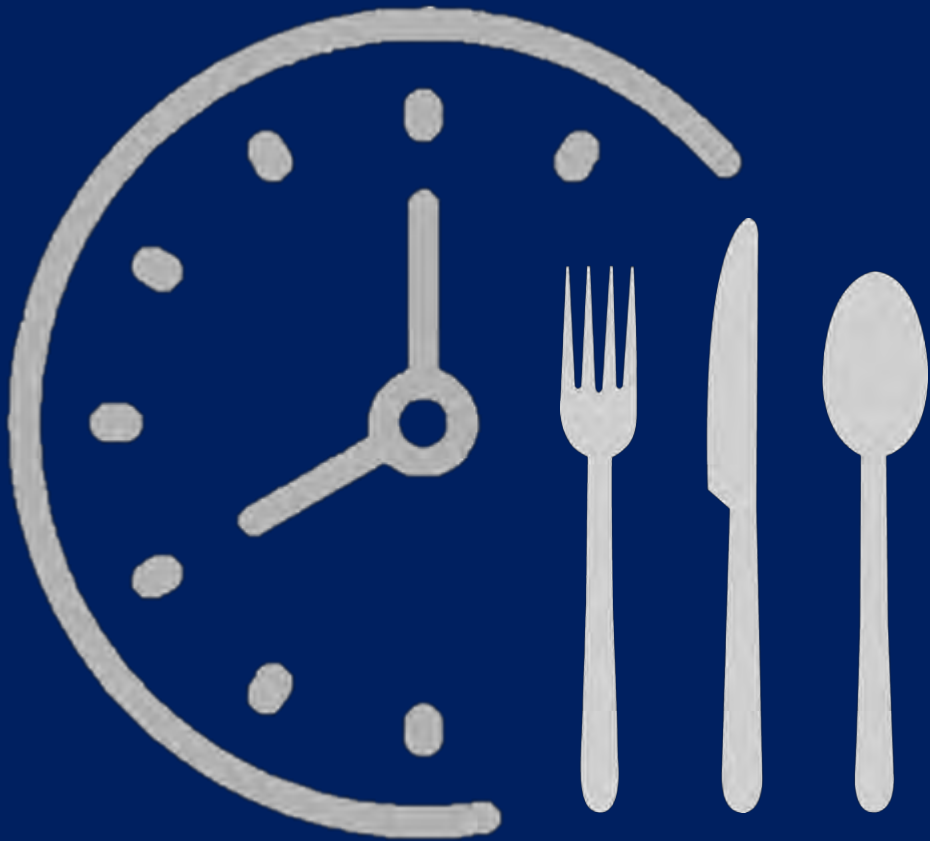
- Do all the nine blocks of your canvas fit together in a balanced, harmonious manner to create a feasible and sustainable business model?
- You may sometimes need to experiment with different options for each block . Iteration is key!





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50:34



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Apply the BMC to your Product/Service?



A screenshot of a software interface for a breaktime timer. At the top, there are four large black arches. Below them are four buttons: "Start", "Stop", "Reset", and "type:". To the right of the "Reset" button are two input fields: "mins: 60" and "secs: 0". Below the "Start" button is a dropdown menu with "None" selected. At the bottom, there is a red clock icon followed by the text "Breaktime for PowerPoint by Flow Simulation Ltd." and a checkbox labeled "Pin controls when stopped" which is checked.

15:00



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The Business Model Canvas





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Creating a Business

Lecture Title: Business Model



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