

# GEE

## Finoinces

### The role of financial management

- **Monitoring and evaluation:**
  - The company's strategy should lead to positive financial results for the shareholders.
- **Support:**
  - Only with a robust financial structure according to the defined strategy can the company succeed.

### The objective of financial management

- Maximize firm value;
- Ensure the company has a robust financial structure and cash, so it can pursue its global strategy.

### Accounting

- The information system that provides support to financial management;
- Notations that give an account of the financial facts and financial position of the company.
- **Relevance** - deve conseguir influenciar decisões;
- **Reliability** - não deve ter erros e/ou bias;
- **Comparability** - deve ser possível comparar financial reports de diferentes períodos;
- **Understandability** - devem ser expressos da forma mais clara possível;
- **Materiality** - é material se a omission or misstatement poder influenciar decisoes económicas.

### Balance sheet

Expresses the financial position of a company at a given date.

- $\text{Equity} = \text{Assets} - \text{Liabilities};$
- $\text{Assets} = \text{Equity} + \text{Liabilities};$

### Assets

### Equity

### Liabilities

### Financial transactions

- **Permutative financial facts:**

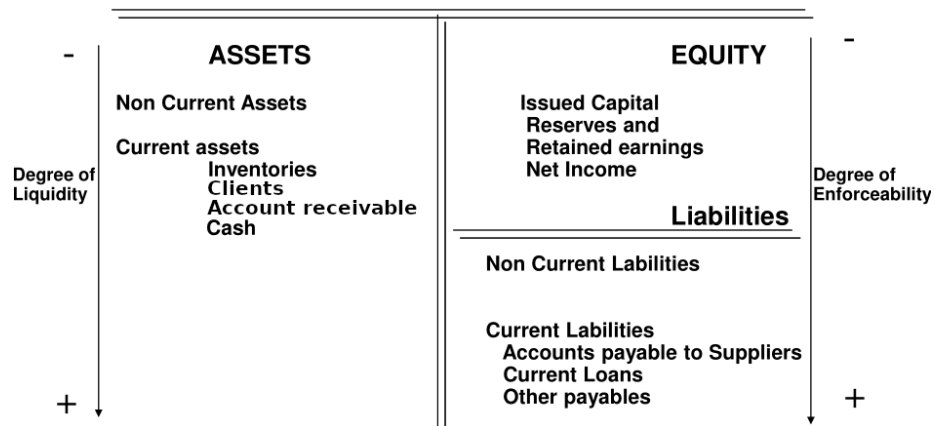


Figure 1: balance\_sheet

#### Non-current assets

Property, plant and equipment  
Investments in associates – equity method  
Investments in financial assets  
Intangible assets

Total non-current assets

#### Current assets

Inventories  
Biological assets  
Accounts receivables (from clients)  
Suppliers advances  
Financial claims on owners of the company  
Current tax assets  
Other receivables  
Cash and bank balances

Total current assets

Total assets

Figure 2: BC\_assets

#### Equity

Issued capital  
Share premium  
Legal reserves  
Retained earnings – other reserves  
Net income of the year  
Non-controlling (minority) interests

Total equity

Figure 3: BC\_equity

Non-current liabilities	
Long-term debt	
Provisions	
	Total non-current liabilities
Current liabilities	
Accounts payable (to suppliers)	
Customers advances	
Current tax liabilities	
Financial liabilities to owners of the company	
Short-term debt	
Other payables	
	Total current liabilities
	Total liabilities
	Total equity and liabilities

Figure 4: BC\_liabilities

- Changes the composition of the company's patrimony;
- Doesn't change the value of the patrimony.
- **Modifying financial facts:**
  - Changes the composition of the company's patrimony;
  - Changes the value of the patrimony.

### Income statement

Shows the results (profits or losses) in a certain financial period (**between 2 balance sheets**).

- Assesses the economic performance in the period;
- By **nature** - nature of the expenses and revenues (operating, financial, current);
- By **function** - classifies expenses according to their function as part of the cost of sales, distribution, or administration.

### Revenues

- **Revenues** - arises in the course of ordinary activities of an enterprise;
- **Gains** - represent other items that meet the definition of income and may, or may not, arise in the course of ordinary activities of an enterprise.

Fundamentalmente, não são diferentes porque ambos representam increase in economic benefits.

### Expenses

Decreases in economic benefits during accounting period.

- **Expenditures** - arise in the course of ordinary activities of the company and usually take the form of an outflow or depletion of assets such as cash and cash equivalents, inventories, and fixed assets;
- **Losses** - represent other items that meet the definition of expenses and may, or may not, arise in the course of the ordinary activities of the company.

They are both **expenses**.

### Income statement by nature

#### Account

Set of financial items expressed in units of value. Main features:

- **Homogeneity** - must contain only elements that conform to the common characteristic that defines it;
- **Completeness** - must include all elements who enjoy the common feature set for it.
- **Principle of double entry** -  $\sum debit\_movements = \sum credit\_movements$

### Financial flows

- **Financial** - operations carried out by the company with external entities. Related to the remuneration of factors and good and services sold (expenses and revenue);
- **Economic or Productive** - linked to the transformation and incorporation into the production process of various materials, labor, etc. until reaching the final good/service (costs and yields);
- **Cash Flow** - cash inflows and outflows of the company (receipts and payments).

### Depreciation and amortization

#### Cash flow statement

Detailed historical information about what were the receipts and payments of a company during a specific period of time => **demonstrates the company's ability to generate cash.**

### Financial analysis

- Study of organization's overall financial performance;
  - **Objective** - assessment of the economic and financial evolution of the company and its ability to generate profits and pay its Liabilities.
1. Understand the macro and industry context;
  2. Systematize the information:

- Sales +
- Cost of goods sold -
- Suppliers and external services -
- Employee expenses -
- Other operating income +
- Other operating expenses -
- EBITDA =
- Depreciation and amortization expenses -
- EBIT =
- Financial income +
- Financial expenses -
- Earnings before taxes =
- 
- Income Taxes +/-
- Net Income =

Lia Patrício | Ma

Figure 5: income\_statement\_nature

debit	Account title	Credit

Figure 6: account

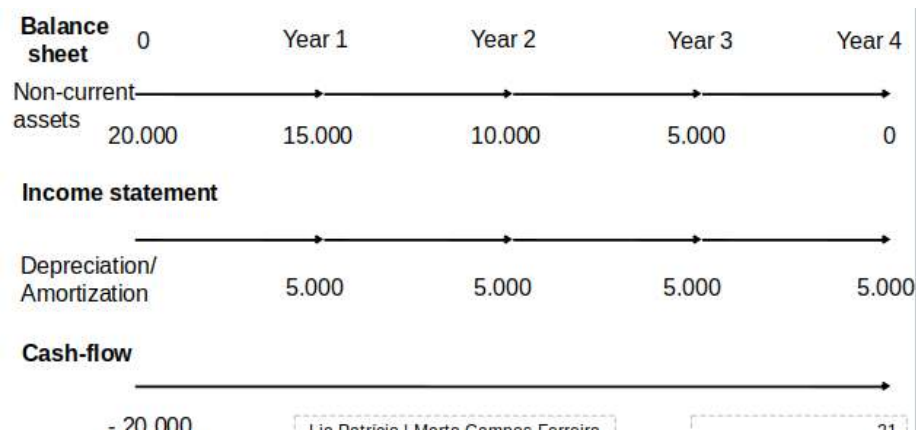


Figure 7: deprec\_amort

- Economic component - capability to generate profits, operational capability of the company (income statement);
  - Financial component - capability to respond to pay its liabilities (balance sheet and cash-flow statement).
3. Structural, evolution and ratio analysis: liquidity, financial stability, etc...

### Analysis of return

- **Return on sales or production:**
  - Net earnings / sales or net income / production
  - **>0 - good; 5 to 10% - excellent.**
- **Return on assets (ROA):**
  - $ROA = \text{net earnings} / \text{total assets}$
  - **$\geq 5\%$  - good; 20% - great.**
- **Return on equity (ROE):**
  - $ROE = \text{net earnings} / \text{equity}$
  - **15 to 20%.**

### Measuring efficiency

- **Asset turnover:**
  - $\text{Asset turnover} = \text{sales or production} / \text{total assets}$
  - **higher is better.**
- **Avg. inventory period:**
  - $(\text{Inventory} / \text{cost of goods sold}) * 365$
  - **lower is better.**
- **Avg. collection period:**
  - $(\text{accounts receivables} / \text{sales}) * 365$
  - **lower is better.**

- **Avg. payment period:**
  - $(\text{accounts payable} / \text{purchases}) * 365$
  - **it depends:**
    - \* lower may signal opportunities of reinvestment of capital being lost;
    - \* higher might show inadequate cash flows.

### Measuring liquidity - short-term

- **Current ratio:**
  - $\text{current assets} / \text{current liabilities}$
  - $\geq 1$  significa que a empresa consegue pagar dinheiro loaned/account payable;
  - Se for muito alto, pode indicar que a empresa está a deixar muito dinheiro de lado em vez de o investir.
- **Quick (acid-test) ratio:**
  - $(\text{cash} + \text{marketable securities} + \text{receivables}) / \text{current liabilities}$
  - $\geq 1$  (short term assets dão para cobrir as current liabilities);
- **Cash ratio:**
  - $(\text{cash} + \text{marketable securities}) / \text{current liabilities}$
  - Similar ao acid;
  - Medida conservadora.
- **Working capital = current assets - current liabilities**
  - $> 1$  indica que empresa consegue fund its current operations and investments;
  - lower values may indicate risk of distress.

### Measuring liquidity - long-term

- **Equity to assets ratio:**
  - $\text{equity} / \text{total assets}$
  - **higher is better.**
  - 75% means company has financed 75% of its assets with shareholder equity;
  - meaning that only 25% is funded by debt;
  - If company liquidated all of its assets to pay off its debt, the shareholders would retain 75% of the company's financial resources.
- **Debt to equity:**
  - $\text{debt} / \text{equity}$
  - **High  $\Rightarrow$  high risk;**
  - Used to gauge to what extent a company is taking on debt as means to leverage its assets.
- **Coverage of fixed investments:**
  - $(\text{equity} + \text{long-term debt}) / \text{fixed assets}$
- **Interest coverage:**
  - $\text{EBIT} / \text{interest}$

- $\leq 1.5$  - **not so good**;
- Ability to meet interest expenses may be questionable;
- Used to ensure how well a firm can pay the interest due on outstanding debt.

## Marketing

### Os 7 P's of marketing mix

- Product - variety, quality, design, etc...
  - Price - list price, discounts, credit, etc...
  - Promotion - sales promotions, advertising, sales force, etc...
  - Place - channels, coverage, stock availability, etc...
  - Physical evidence - service environment, sound, sight, etc...
  - Process - service blueprint, process design, self-service technologies, etc...
  - People - participants, staff, customers to customers, etc...
- 
- **Product/service/solution** - which solutions will be offered by the company, and which will be the product development strategy. How is the product positioned in the face of competitors;
  - **Price** - an important decision that should support the company's strategy:
    - **Penetration strategy** - price is used as a strategy to increase sales;
    - **Price is not used as a marketing tool** - price is the same as the competitors. Other elements of the marketing mix make the difference;
    - **Premium price** - price is purposefully high to convey the quality and distinctiveness of the product.
  - **Promotion** - integrated communication plan to promote the company and its products to current and potential customers:
    - Involve explicar os atributos e como eles satisfazem as necessidades dos customers.
  - **Distribution** - sales e distribution comprise all interactions com final customer, wholesalers, and retailers;
  - **People in services** - médico no hospital tem muito impacto na qualidade do serviço prestado;
  - **Physical evidence** - style and visual env where the service is provided (e.g. hotel);

## Segmentation

- Customers are all different;
- Para corresponder às necessidades do client, é important identificar **market segments**:
  - Identificar grupos de customers, diferentes de outros grupos, com preferências similares.



- Para set efetivo:
  - measurable - medir tamanho, poder de compra, etc. . .
  - substantial - large and profitable enough;
  - accessible - can be reached;
  - differentiable - customers devem estar dispostos a pagar por uma oferta distinta;
  - actionable - company deve conseguir satisfazer.

## Levels of segmentation

### Mass marketing

- Desenvolvimento de um único **marketing mix**;
- É comunicado a todos os customers num global market;
- Least cost production paradigm: e.g. Fort T.

### Segment marketing

- Development of solutions adapted to the specific needs of the different market segments;

### Niche marketing

- Adaptation of the company's offering to a **small segment of customers** with specific needs and preferences;
- **Niche** - narrow customer group seeking a distinctive mix of benefits or values;
- **The long tail** - o advento da internet tornou niche marketing muito mais

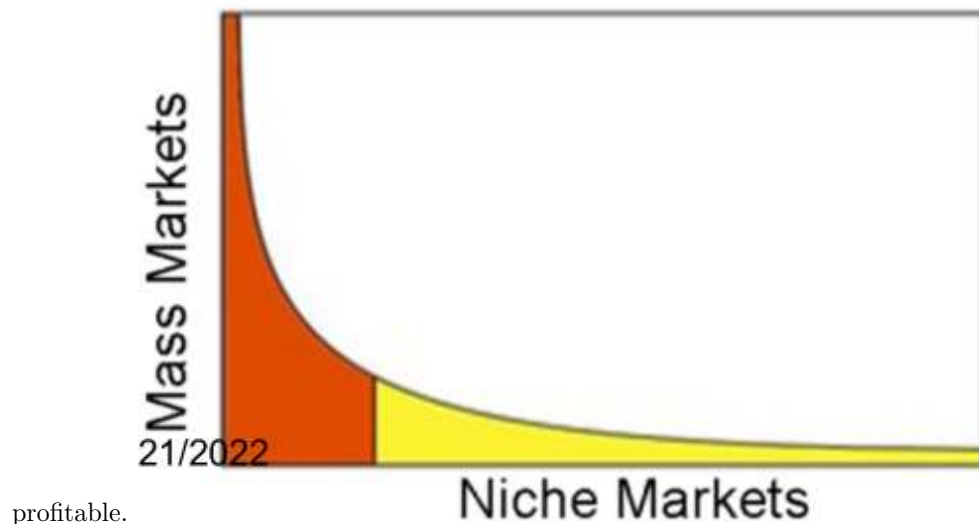




Figure 8: customer\_archetypes

### Marketing one-to-one

- Adaptation of the company's offering to the individual customer preferences;
- Exemplo de mercados tradicionais, como por exemplo sapateiros;
- Com as novas tecnologias, isto também é possível com **mass customization**: tipo com as empresas que deixam customizar as partes dos PCs.

### Segmentation variables

- **Geographic segmentation** - adaptar ao local de venda (Expresso no McDonalds em Portugal);
- **Socio-demographic segmentation** - idade, gender, income, professional status, education;
- **Psychographic segmentation** - traços de personalidade, lifestyle, valores, opiniões, etc. . .
- **Behavioral segmentation** - knowledge, attitude toward, use of, and response to a product, etc. . .

### Selecting target markets

Tendo em conta a attractiveness dos segments, e os objetivos e os recursos da empresa, podem definir-se várias estratégias.

- **Single-segment concentration** - A empresa concentra-se em servir um segment particularmente bem:
  - Vantagens: especialização e conhecimento profundo do segment;
  - Desvantagens: dependencia num único segment;
  - Exemplo: banco BIG.
- **Selective specialization** - A empresa seleciona um grupo de segments, cada um atraente e apropriado:
  - Vantagens: risk diversification;
  - Desvantagens: effort dispersion.
  - Exemplo: Sonae.
- **Product/service specialization** - A empresa especializa-se num produto que é vendido a diferentes market segments:
  - Vantagens: pode usar imagem/reputação em vários mercados;
  - Desvantagens: o produto pode ser suplantado por uma tecnologia completamente nova/diferente;
  - Exemplo: Amorim.
- **Market specialization** - A empresa concentra-se em servir muitas necessidades de um segmento em particular:
  - Vantagens: ganho de reputação com o segment;
  - Desvantagens: risco de redução/desaparecer do segment;
  - Exemplo: Vista Alegre, Atlantis.
- **Full market coverage** - A empresa tenta servir todos os segments em todas as suas necessidades:

	M1	M2	M3
P1			
P2			
P3			

Figure 9: single\_seg

	M1	M2	M3
P1			
P2			
P3			

Figure 10: selective\_speci

	M1	M2	M3
P1			
P2			
P3			

Figure 11: prod\_speci

- Vantagens: broad market coverage, satisfying a wide range of customer needs;
- Desvantagens: high costs;
- Exemplo: Financial conglomerates.

## Positioning

- É o ato de desenhar a oferta e imagem da empresa de modo a ocupar um lugar distinto na mente do target market;
- Reflete a estratégia e vantagens competitivas da empresa:
  - Uma oferta valorizada pelos customers;
  - É unique e diferente da competição;
  - **Difícil de imitar.**
- **Category membership** - as ofertas de mercado com as quais a marca compete (funcionam como substitutos próximos);
- **Point of difference** - attributes or expected benefits that are strongly associated with the offering, com valor para o customer, e que **não estão na oferta da competição.**
- **Point of parity** - attributes que não são necessariamente únicos para a oferta da empresa:
  - **Category points of parity** - consumers view them as essential for a brand to be credible in a certain product (exemplo: 4-star hotel);
  - **Competitive points of parity** - associations designed to negate competitors' points of difference.

## Strategic management

- **Strategy** - pattern of action or a plan that integrates the major objectives, policies, and actions of an organization into a coherent whole;
- **Competitive advantage** - ability of a firm to outperform its rivals:
  - Valuable and rare;
  - Costly to imitate by competitors;
  - Allows to earn above-average returns.

## Mission statement (mission+objectives definition)

- The **mission statement** of a firm focuses on its present business purpose;
- “who we are and what we do”;
- Current product/service offerings;
- Customer needs being served;
- Technological and business capabilities.

## External environment

- **External environment** - Todas as forças/fatores externos que têm impacto nas estratégias da empresa;

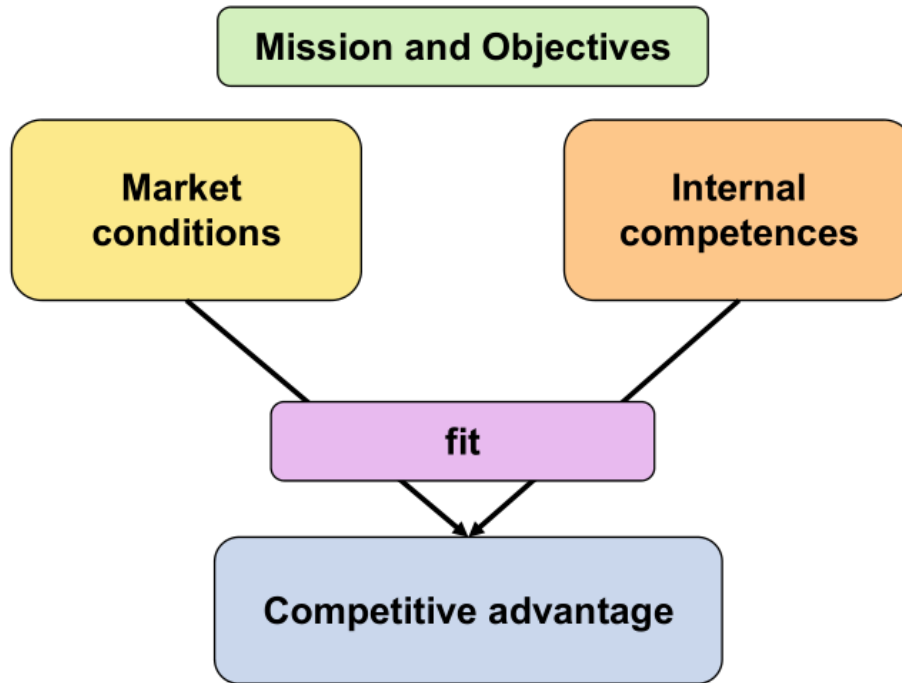


Figure 12: competitive\_advantage

		external environment	
		Opportunities	Threats
internal environment	Strengths	Opportunities for the firm	Threats neutralization
	Weaknesses	Opportunities for the market but NOT for the firm	Areas that require attention

Figure 13: swot



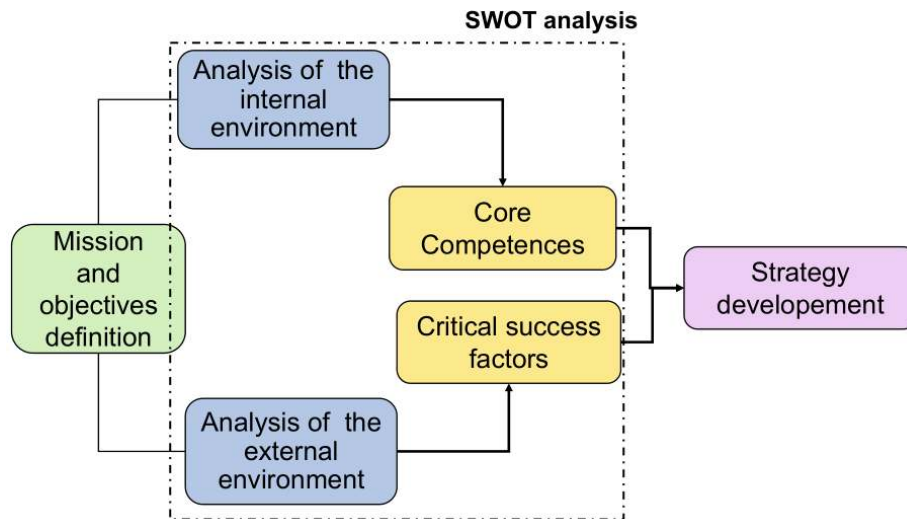


Figure 14: business\_strategy

- **Environmental change:**
  - Afetam as escolhas e estratégias da empresa;
  - Criam oportunidade para que a empresa use as suas core competencies to achieve its vision;
  - Criam ameaças com o potencial de prevenir uma empresa de ter sucesso com as suas core competencies.
- Managers must **scan the external env** para:
  - Identificar developments externos importantes;
  - Assess impact and influence;
  - Adaptar a direção+strategy conforme for necessário.

## PESTEL

- Political - government policies and trends that affect the macro env:
  - gov instability/stability
  - decisions and policy priorities
- Economic:
  - distribution of income and purchasing power
  - changing patterns of household expenditure
- Social:
  - Demographic growth
  - Changing age structure of the population
  - Changes in family structure
  - Level of schooling
  - Increasing diversity
- Technology:

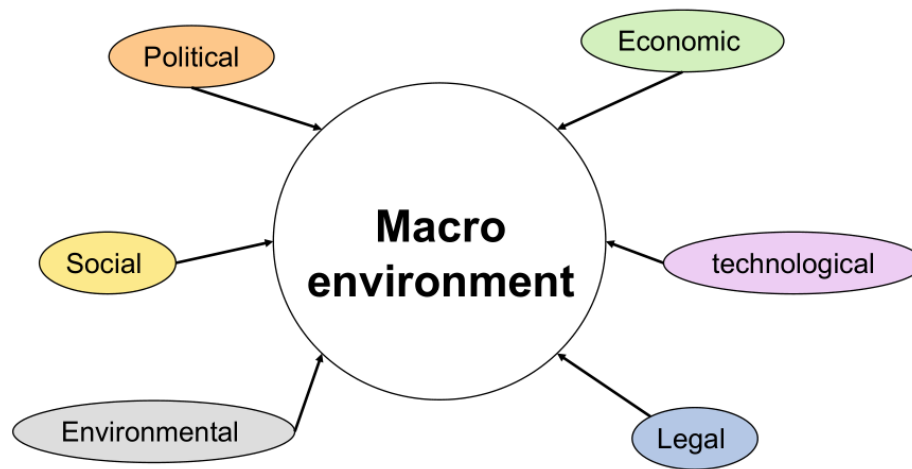


Figure 15: pestel

- The revolution in information technologies
- The speed of tech change
- Environmental:
  - Growing concern with environment issues
  - The limitation of natural resources
  - Pollution issues
- Legal:
  - National and Community legislation
  - Regulation of market

### Industry analysis

- **Industry analysis** - set of companies that offer products that are close substitutes;
- **Industry env** - tem um impacto mais direto na estratégia da empresa:
  - Empresa influencia e é influenciada pelas outras na industria;
  - É um set the fatores influenciam a empresa diretamente + ações competitivas e respostas.

### Porter's Five Forces of competition

- Power of suppliers - aumenta quando:
  - Há poucos suppliers e estes são grandes;
  - Não há substitutos;
  - Goods são criticos para o buyer;
  - Switching costs altos;
  - Suppliers dão threat de integrar mais deep na industria dos buyers;
  - **Exemplo:** oil industry.

- Power of buyers - aumenta quando:
  - Buyers are large e poucos;
  - The sale of product é uma parte significativa dos annual revenues;
  - Buyers could easily switch to another product;
  - Buyers pose threat to integrate backward into the sellers' industry;
  - **Exemplo:** large retail chains.
- Threat of new entrants - barriers that block new entrants:
  - Economies of scale;
  - Large capital requirements;
  - Product differentiation;
  - High switching cost;
  - Patentes, etc. . .
  - **Exemplo:** pulp and paper industry.
- Product substitutes - threat aumenta quando:
  - Buyers face few switching costs;
  - The substitute product's price is lower;
  - Substitute product's quality and performance are equal to or greater than the existing product;
  - **Exemplo:** glass container industry.
- Intensity of rivalry - cut-throat competition is more likely to occur when:
  - There are numerous or equally balanced competitors;
  - Industry growth slows or declines;
  - There are high fixed costs or high storage costs;
  - Lack of differentiation;
  - Low switching costs;
  - **Exemplo:** glass container industry.
- **Competitive advantage** - is the company's ability to get superior performance to its rivals in a sustained way.

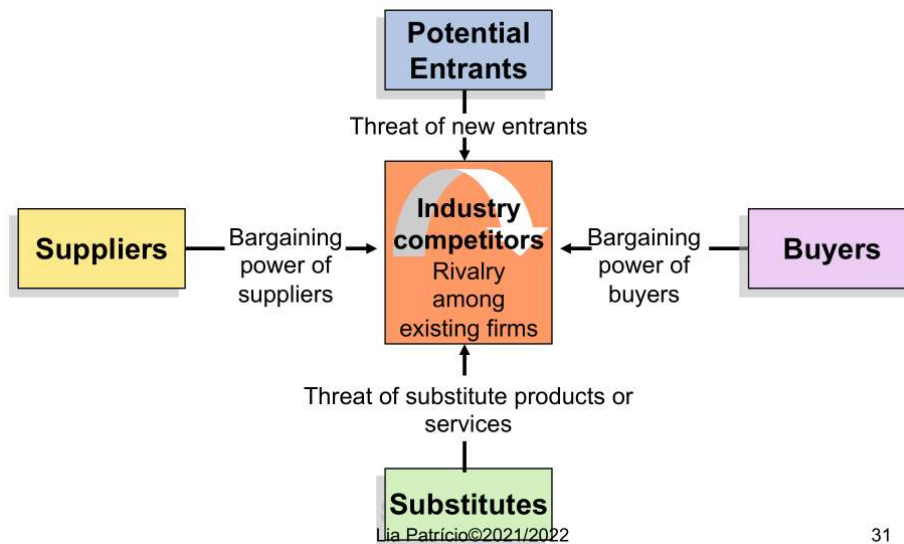
## Operations

- **Operations** - activities and tasks. Usualmente implicito que as tasks são planned e coordinated, and involve different people.

## Complementary views

- **The resource view** - focused on assets (balance sheet);
- **The process view** - focused on tasks (using assets to generate results);
- **The competencies view** - focused on characterizing what the operation can and cannot do.

- 
- **Competitive strategy** - select industry and choose product attributes on which to compete;
  - **Operations strategy** - focus on enabling the execution of the competitive strategy.



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Figure 16: five\_forces

- 
- **Operations management** - focus on appropriately utilizing given assets and processes:
    - about immediate, specific issues;
    - focus on appropriately utilizing given assets and processes.
  - **Operations strategy** - focus on developing assets and configuring processes:
    - about future, general issues;
    - focus on developing assets and configuring processes.

#### The resource view

- Organization is considered as a set of real assets:
  - tangible + human - “do” the work;
  - intangible - embody “know-how” to do the work.
- This perspective is useful to decide the amounts and types of resources the operation needs;

#### The process view

- Purpose of resources is to work and generate value;
- Highlights how resources perform activities and add value;
- **Processes:**
  - structure, recurrent activities that transform inputs into outputs;

## The Resource view

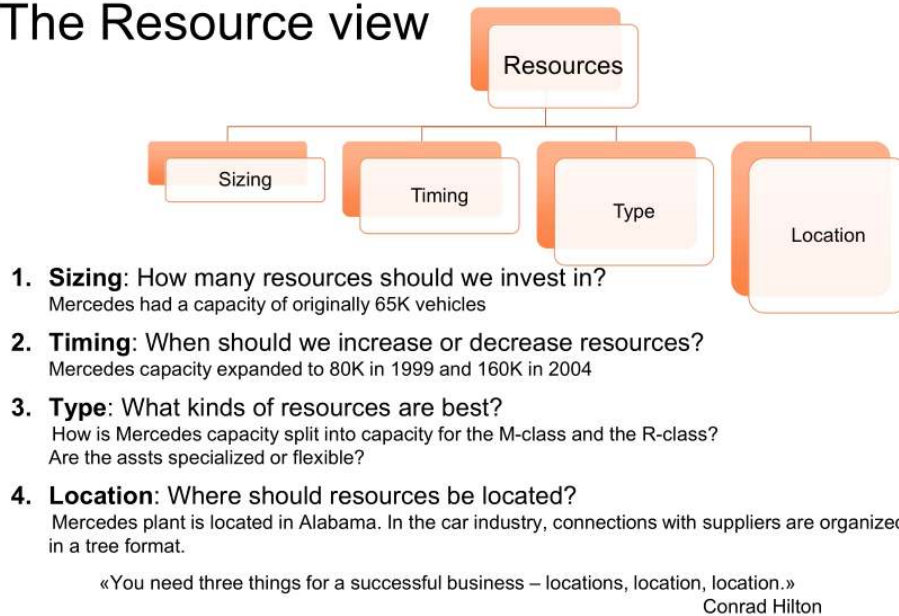


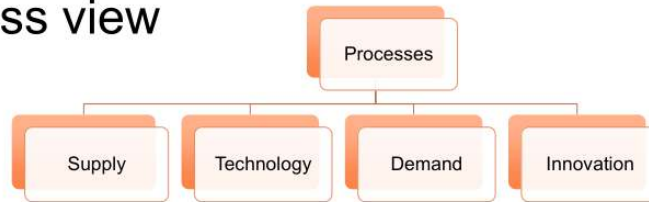
Figure 17: resources\_view

- Detailed tasks: billing a customer, implementing and engineering change order;
- Aggregate tasks: new product development, customer service.

## The competencies view

- A third factor: **values**
    - Standards by which employees set priorities;
    - As organizations become more complex, consistent values are powerful mechanisms for employees to make independent but consistent decisions about priorities.
  - Competencies:
    - What the organization's resources, processes, and values allow to do (its abilities);
    - Determine the set of outputs, products, and services that the operation will be particularly good at providing;
- 
- **Where competencies reside changes over time:**
    - They start in **resources**;
    - Gradually migrate to **processes**;
    - Eventually reside in **values**.

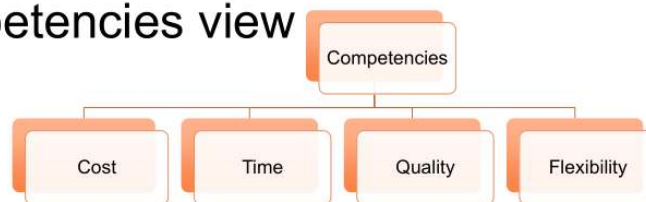
## The Process view



1. **Supply:** When to outsource and how to manage suppliers?  
Mercedes owns engine plants, but outsources seat manufacturing
2. **Technology:** Which technologies do our processes need?
  - **Coordination and information:** Mercedes has centralized coordination for componentes/parts
  - **Product:** Is M-class designed in modules or as a single integral system?
  - **Process:** Processes organized by activity or by product-line?
  - **Transportation:** Which componentes are transported by truck, train, ship, airplane?
3. **Demand:** How do we match demand to available supply?  
Mercedes systematically undesrestimated demand of M-class.
4. **Innovation:** How and when do we improve and innovate?  
7 years after introducing M-class, Mercedes introduced R-class, and, in 2014, C-class.

Figure 18: process\_view

## The Competencies view



1. **Cost:** What is the total cost of operating?  
For Mercedes, the cost is not particularly important, since it does not operate in commodities markets or as a low margin business.
2. **Time:** What is the total time needed to transform inputs into outputs (lead time)?  
For Mercedes, time is moderately important
3. **Quality:** What is the ability to deliver quality products?  
For Mercedes, quality is essential – and it is a key differentiator in luxury and high precision businesses.
4. **Flexibility:** What is the operation' flexibility to change inputs, activities, volumes, or outputs?  
Concerning M-class, Mercedes would benefits from volumes flexibility (at a capacity expansion level), once demand is not easily estimated

Figure 19: competencies\_view

## Principle of alignment

Operations strategy should develop resources and configure processes such that the resulting competencies are aligned with the competitive position that the firm seeks over time.



Figure 20: principle\_of\_alignment

It may be relevant to answer these questions in different order:

- In order to satisfy a new customer need, the firm may need to build new competencies, processes, and resources;
- Those processes and resources may later be used to invent new products and services that may drive, if not create, new markets.

## Entrepreneurship

### Company vs Startup

- **Company** - a business organization which sells a product/service in exchange for revenue and profit;
- **Startup** - a temporary organization designed to **search** for a **repeatable and scalable business model**. A startup **aims to become a company**.
- ~~Startups are a smaller version of a Large company;~~
- **Startups search. Companies execute.**
- Entrepreneurship begins with the **search** for a **business model**;
- **Experiential learning** to validate hypothesis about business model (and identify patterns).

### Strategic learning and Experimentation

- **Hypothesis** - “guesses” about different aspects of the business model (BMC);
- **Customer development process** - turning “guesses” into facts;

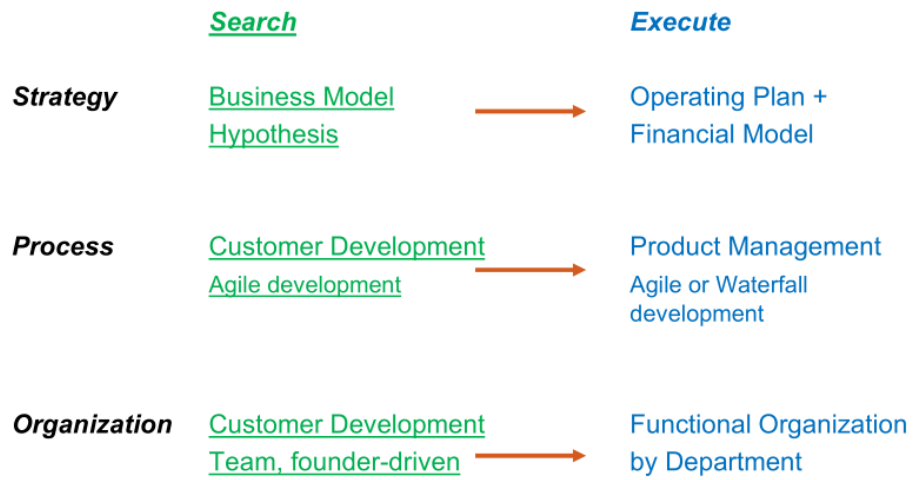


Figure 21: search\_vs\_execute

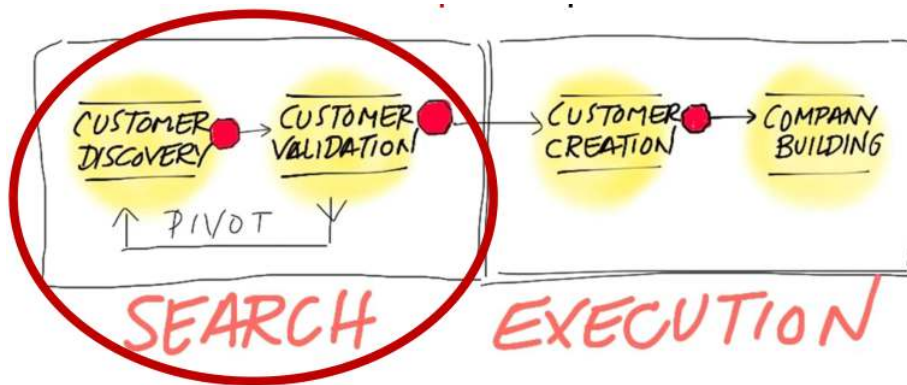


Figure 22: customer\_dev\_proc



## Customer discovery

1. State hypothesis -> draw BMC;
  2. Test the problem -> get out of the building and test understanding of customer problem/need;
  3. Test the solution -> build prototype and test product-market fit;
  4. Verify or pivot BMC.
- **Pivot:**
    - Are possible results of hypothesis testing and experimentation (hypothesis testing involves failure);
    - Is a substantive change to one or more components of the BMC (iterations are minor changes);
    - In a pivot, dismiss hypotheses that do not match reality (but save the knowledge built).

## Customer validation

1. Get ready to sell -> acquire customers + prepare distribution channels + build MVP;
2. Get out of the building -> “test sell” to early evangelists;
3. Develop positioning -> corporate and product positioning;
4. Verify the BMC -> pivot or proceed (repeatable and scalable?).

## Business models

- How do we **create value**?
- How do we **deliver value** to customers?
- How do we **capture the value** delivered?

## Product-Market Fit

The **Value Propositions** + the **Customer Segments**.

## Customer Segments

- **Customer Archetype:**
  - Who is the customer?
  - How does the customer buy?
  - What matters to the customer?
  - Who influences the customer? (influencer, recommender, decision maker, economic buyer, saboteur)
  - Market type
- **Job-to-be-done:**
  - What jobs are getting done?
  - What basic needs are you helping your customer satisfy?
  - What are (not) customer needs?

## Business Model Canvas

Key Partners  <i>Who are the key partners and suppliers needed to make the business model work?</i>	Key Activities <i>What are the most important activities to make the business model work?</i> Key Resources <i>What are the most important assets to make the business model work?</i>	Value Propositions  <i>What are we building and for whom?</i>	Customer Relationships <i>How do we get, keep and grow customers?</i> Channels <i>How does the product get to customers?</i>	Customer Segments  <i>Who are our customers?</i>  <i>Why would they buy?</i>
Cost Structure  <i>What are the costs to operate the business model?</i>		Revenue Streams  <i>How does the company make money from each customer segment?</i>		

Figure 23: bmc

	Existing	Resegmented	New
<b>Customers</b>	Known	Possibly known	Unknown
<b>Needs</b>	Performance	Better fit (niche or low cost)	Transformational improvement
<b>Competitors</b>	Many	Many if wrong, few if right	None
<b>Risks</b>	Lack of ecosystem (branding, sales, distribution)	Market and product redefinition	Education cycle

Figure 24: market\_type

- \* A customer need is a description of the benefits that customers want;
- \* It is different from a product feature: a description of how that need gets satisfied;
- \* To succeed at new product introduction, companies need to understand customer needs;
- \* Customers want movies available without having to go to a store vs customers can order movies from the comfort of their homes.
- What causes customers to buy a solution?
  - \* Customers have “jobs” that arise regularly and need to get done;
  - \* They look for what they can “hire” to get the job done **effectively**, **conveniently**, and **inexpensively**.
- **Customer workflow:**
  - What is the context in which the job arises?
  - How will the solution going to be purchased and used?
  - Draw a day in the life of the customer.
- **Current solutions:**
  - How is the job currently done?
  - What are the pros & cons of each alternative?

## Value Propositions

- **Solution:**
  - What are you actually selling?
  - Focus on the customer;
  - MVP:
    - \* The minimum set of features needed to learn from early adopters (early evangelists);
    - \* Solves a core problem for customer;
    - \* “low fidelity” solution to get feedback from customer;
    - \* Later transformed into “high fidelity” solution when understanding about the problem is confirmed.
- **Unique Feature:**
  - What advantages set you apart from competition?
  - How protectable are they?
- **Key Benefits:**
  - How does the customer benefit from the unique features of the solution?
  - What core and additional services are part of your value proposition?

## Connecting to customers

### Customer Relationships + Channels + Revenue Streams.

- **Channels:**
  - Types of channel used:
    - \* Direct/Indirect(/Licensing)

- \* Virtual/Physical
- \* Structure - Direct/Indirect
- \* Coverage - Intensive (well known and branded products)/Selective (significant sales effort or strategic partnership required)
- Channel partners:
  - \* Who are your channel partners? (-> **Key Partners**)
  - \* How and why are they interested in partnering?
- Channel flow diagram;
- Channel economics (-> Costs + Revenue Streams):

## Channels

### • Channel economics

- Direct sales



- Indirect sales



Figure 25: channel\_economics

### • Customer Relationships:

- Strategy for Get/Keep/Grow customers:
  - \* How to get/keep/grow customer?
  - \* What key metrics/indicators to use?
- Customer Acquisition Cost (CAC) (-> Costs)
- Customer Lifetime Value (LTV) (-> Revenue Streams)

### • Revenue Streams:

- Revenue model/Pricing model:
  - \* Direct sales; Licensing; Subscriptions; “Razor-blade” model; Leasing.
- Payment flow;
- Define and Size target market;
- Sales projections (market model):
  - \* **top-down** - quick estimation of how attractive the market is. Forecasts are projected as yearly revenues;

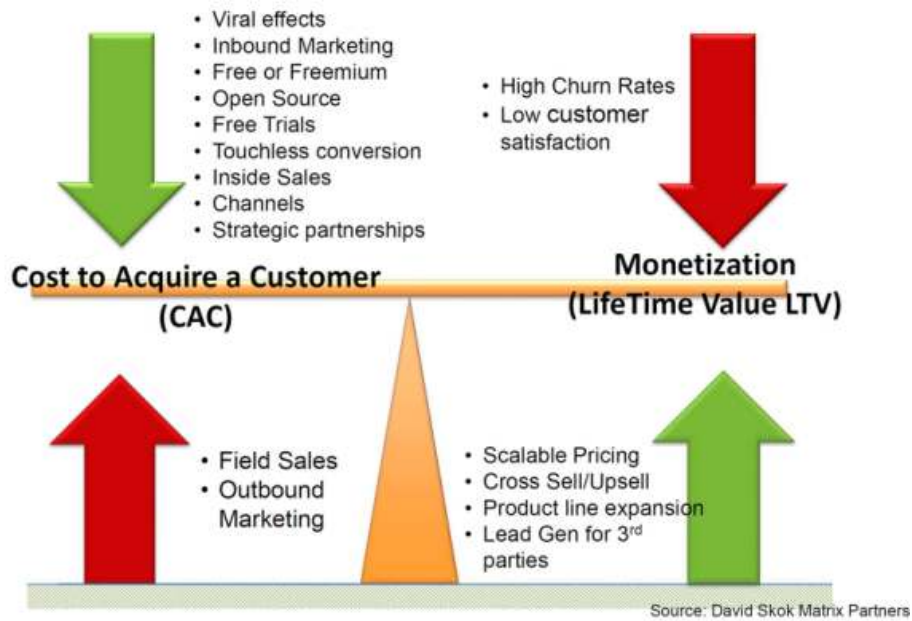


Figure 26: cac\_ltv

- \* 10% of a million-person market = 100 000 customers;
- \* **bottom-up** - focus on individual sales first. Define fundamental unit of the business and sale cycle.
- \* 1000 customers/month 1st year => 3000/month 3rd year.

## Operations

**Key Partners + Key Activities + Key Resources + Cost Structure.**

- **Key Partners:**
  - What partners are needed
  - Reasons for partnering
  - Risks and Costs
- **Key Resources & Key Activities:**
  - Most important resources;
  - Most important activities;
- **Cost Structure:**
  - Operating plan to build the business;
  - Costs associated to the operating plan;