STUDENTS OFFERING SUPPORT

Raising Marks. Raising Money. Raising Roofs.

Welcome to the BU121 Midterm Exam-AID!

Michael Blair, Mike Hejmej & Neelam Vyas

OUTREACH TRIPS:

Want to experience two weeks in Latin America building the education project THIS session is funding? Become part of the community, see the impact you can have, and truly experience a new culture.

NAMALDI, COSTA RICA

Trip Departure Date: May 1, 2017
Project: Accessible High School Classroom
Accommodations :

- cement structure
- running water
- flush toilets
- unlimited electricity
- less than a 5 minute walk to the main work site.

Cost: $1960 (flight included)

SOS STUDENTS OFFERING SUPPORT
Raising Marks. Raising Money. Raising Roofs.

BRISAS DE SAN LUIS, NICARAGUA

Trip Departure Date: August 16, 2017

Project: Elementary School Construction

Accommodations:

- cement structure
- running water
- flush toilets
- electricity.
- 30 minute drive away from the worksite with secure transport provided

Cost: $1150 (+ flight)

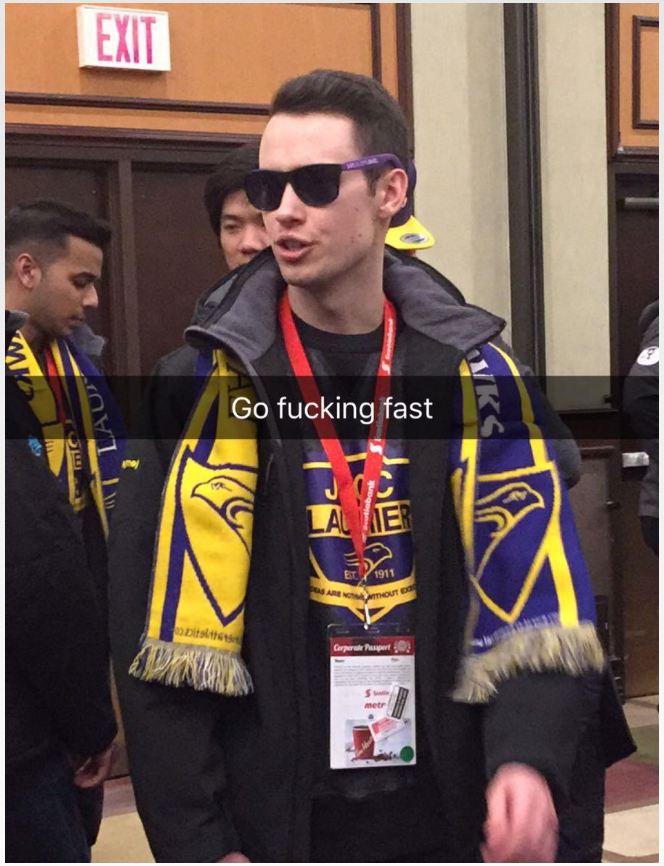
Mike Hejmej [‘hey-may’]

Program: 5th year BMath/BBA (UW/WLU)

Involvements:

- **Case Comps** - UNICC 2016 (Spain) delegate, International Business Captain, Former Entrepreneurship Captain, Former Entrepreneurship Delegate
- **Teaching Assistant -** BU111/121, MATH239, STAT371
- **LSUF** – Laurier Start-Up Fund Analyst

Career: Finance, Strategy, Management Consulting (Full time)



Hobbies: EDM producing, cooking, tennis, Imgur/Memes

Michael Blair

Program: BMath/BBA (UW/WLU) Alumnus

Involvements:

- **Case Comps** - JDCC Academic Captain, Former Strategy Captain, Former Strategy Delegate, UNICC 2016 (Spain) delegate
- **TA** - BU111/121/395/491 MATH 114/136/235/239

Career:

Future Plans: PhD (Operations/Decision Science)

STUDENTS OFFERING SUPPORT

Neelam (Neels) Vyas

Program: 5th Year BBA/BA Fin Math

Involvements:

- **Case Comps -** JDCC Strategy Delegate, JMUCC 2017 Delegate
- **TA -** BU121, MA100/101/103/110/129/170
- **Clubs -** SOS (VP of Finance), LIFA (VP of Finance)

Career:

Hobbies: Life chats, drinking London Fogs, travelling, sports

Slides & Feedback

- After the session, use your unique code to access all these slides.
- Please take the 20 seconds to leave us some comments! It helps us put on better and better sessions. (Like for your final exam…)

Agenda

- Marketing (45 mins) Mike & Neelam
- Finance Theory (35 mins) Mike

--Break—

- Finance Problems (30 mins) Blair
- Business models (20 mins) Neelam
- Business communication (20 mins) Blair

STUDENTS OFFERING SUPPORT

Raising Marks. Raising Money. Raising Roofs.

Marketing Understanding The Customer- Mike

NATIONAL SPONSORS:

HSBC

ERNST & YOUNG

Quality In Everything We Do

Marketing is more than flashy ads and hashtags - but what exactly is it?

Definition from course slides

- An integrated system of activities designed to plan, price, promote, & distribute want satisfying goods & services

What does this really mean?

- Integrated system: Decisions you make about packaging, branding, distribution etc. 4 P’s → Neelam will cover this in the next section
- Want satisfying goods & services: Problem-Solution fit – a consumer has a problem or a want, and they will pay us to give them a solution to that problem

Is just solving the problem enough?

- No – we need to provide a *unique* benefit → If the customer already has their needs/wants being met, why would they switch to us?

Core Value Proposition

5 Drivers of the Core Value Proposition (BOP-IT):

- B – **Benefit:** What is the benefit to your customer?
- O – **Outcome** (Reward): What are the net results for the company?
- P – **Perception:** How do you want to be perceived by your customer, the public, or other stakeholder?
- I – **Idea:** What does your product do for the customer?
- T – **Target:** How can you segment the various groups? How do you reach them?

The "Marketing Concept"

An all-encompassing, paragraph length definition for marketing activities:

- Identifying consumer needs and producing the goods/services that will satisfy them while generating profits.
- This involves focusing on customer wants/needs…
- Integrating all of the organization's activities to satisfy these wants/needs…
- And satisfying customer wants/needs legally and responsibly.

Competitive Advantage

- Competitive advantage is the factor or factors that make customers choose you over others.
  - Why are you better than everyone else?

THREE TYPES: (DCN)

- **Differential Competitive Advantage** - you provide something unique that is valuable to buyers beyond simply offering a low price.
- **Cost Competitive Advantage** - you can produce a product at a lower cost than all of your competitors while maintaining profit margins.
- **Niche Competitive Advantage** - you target and effectively serve a single segment of the market within a limited geographic area.

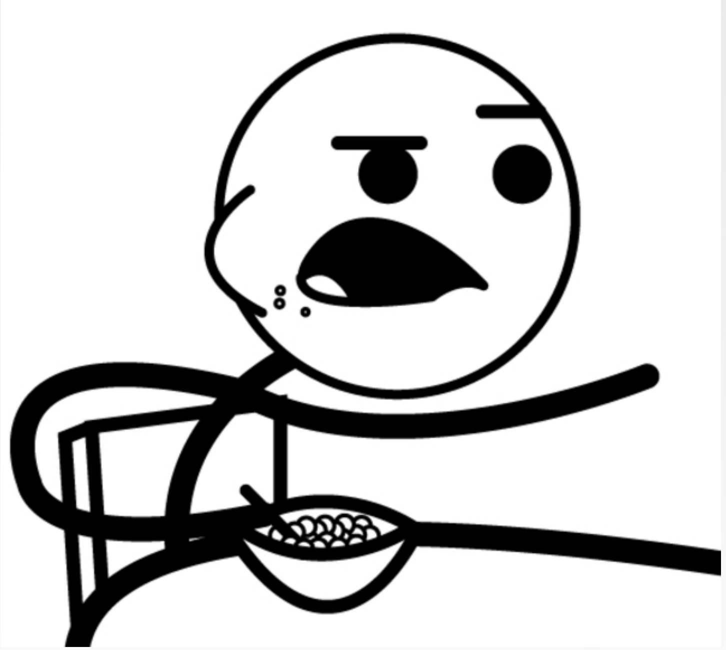
Consumer Decision Making Process

- Need recognition
- Information search
- Evaluation of alternatives
- Purchase
- Post-Purchase behaviour

Consumer Decision Making Process
Example

1. Need recognition
2. Information search
3. Evaluation of alternatives
4. Purchase
5. Post-Purchase behaviour

I need a car



Consumer Decision Making Process
Example

- Need recognition
- Information search
- Evaluation of alternatives
- Purchase
- Post-Purchase behaviour

These look like good cars that are also safe for my kids

Consumer Decision Making Process
Example

- Need recognition
- Information search
- **Evaluation of alternatives**
- Purchase
- Post-Purchase behaviour

Now I can rank these top picks in terms of my own decision criteria

ASTON MARTIN

Audi

Consumer Decision Making Process
Example

- Need recognition
- Information search
- Evaluation of alternatives
- **Purchase**
- Post-Purchase behaviour

Nailed it

STUDENTS OFFERING SUPPORT

Consumer Decision Making Process
Example

- Need recognition
- Information search
- Evaluation of alternatives
- Purchase
- Post-Purchase behaviour

My car is sick bro. But wait. Is it safe tho? What is Biden sayin?

Consumer Decision Making Process

- **Cultural**: Values, attitudes and ideas embedded in one's beliefs (culture) that influence the buying decision.
- **Social**: Likely to seek out the opinion of others when making purchase decisions
  - Reference groups
  - Opinion leaders
  - Family
- **Individual**: influenced by their own unique characteristics
  - Gender, personality, self concept
- **Psychological**: influenced by external sources as well as internal

These factors influence all 5 steps

B2C vs. B2B

1. Purchase Volume – business is in much higher volumes
2. Number of Customers – business marketers have far fewer customers
3. Location of Buyers – business customers are much more geographically concentrated
4. Direct Distribution – directly to the buyer vs using intermediaries for consumers

Get you a business that can do both
B2B vs B2C Example

B2C
People who come to our restaurant

Consumers pay

Ex: Me, Blair, You ☺

B2B
Catering orders for businesses

Business pays

Ex: Shopify, UWaterloo, Phils

PIEROGI HOUSE
EASTERN EUROPEAN EATERY

Test - B2B vs B2C

Example:

SELLS IT TO

SELLS IT TO

YOU

Test - B2B vs B2C

Is Pepsico selling B2B or B2C?

Test - B2B vs B2C

PEPSICO

pepsi. Lay's Tropicana QUAKER

Ans: B2C

(Think: "Who is the last person paying for the exact product I initially sold?")

Trends

- Social-Media & Mobile
  - Movement away from traditional advertising mediums such as TV, radio, and newspaper
- Loyalty cards:
  - Promotes repeat sales, frequency in customer traffic and allow companies to track purchase trends
- Green & Social Marketing:
  - Selling products based on the environmental or social (greater good) benefit of the product

Preferences and buying behaviour is not the same for all consumers

- Some customers will be price sensitive and will shop around for the lowest price
- Others will care about getting the best quality regardless of price
- There will still be others who don’t care about the quality → They want the brand that will make them the most popular

Key Takeaway: We can’t meet everyone’s wants and needs perfectly.
We need to pick a group to focus on → We need a target market

Three steps to defining a target market

- Segmentation
- Perceptual Mapping
- Preference Analysis

Three steps to defining a target market

Segmentation

Perceptual Mapping

Preference Analysis

Segmentation: What is it and how do we use it?

Bases for segmentation

Benefits sought	State of being	State of Mind	Product usage
• What 'job' is the customer hiring the product for?	• Geographic • Demographic	• Personality • Lifestyle	• Volume • Brand loyalty

STUDENTS OFFERING SUPPORT

Additional detail on segmentation bases

Demographics

- Age
- Gender
- Income
- Most common method, but it is not a good method to use on its own

Geographic

- Where is the market located?
- Country
- City – this could be the specific city (e.g. Waterloo) or the size of city
- Climate

Pyschographic

- AIO
- A – Activities
- I – Interests
- O – Opinions

Product usage

- Volume – does the consumer buy in large quantities or small?
- Frequency of purchase
- Are customers brand loyal? Will they try new products?

Three steps for creating market segments

Benefits sought

- Determine the different jobs the product does
- Create a segment for each job

Additional Bases

- Describe each segment with other bases
- You need to use more than just demographics!

Name the Segments

- Don't forget to do this on the exam!
- Make the name descriptive – don't worry about it being the most creative

Segmentation Example: Fast Food

Young Urban Professionals

- Benefits: Fast, healthy, new choices
- 28-35 years old, middle income (55-75k), no kids, living in major cities
- Socially active, adventurous; interests: travel & experiencing other cultures

Students on a budget

- Benefits: Low price, large portions, convenience
- 18-24, limited income sources, centred around university campuses
- Phils, keggers, SOS, studying (maybe…), want to 'fit in' with a social group

"Young-at-Heart"

- Benefits: Social atmosphere, traditional menu choices, lower prices
- 65+, income from pensions, living in suburban areas or smaller cities
- Activities: sitting with friends and talking about "the good 'ol days", comfortable with the way things were/are

Three steps to defining a target market

Segmentation → Perceptual Mapping → Preference Analysis

Creating a perceptual map

What do perceptual maps represent?

- Used to compare where competitors are/aren't in a market
- The location on the map is based on what consumers believe or think about a company/brand – where they *perceive* them

Defining your axes

- Select the two most important factors *that influence buying behaviour*
- Think about how consumers decide between choices – what are the most important comparison points?

Plotting competitors

- Using the axes, place each competitor on the map based on consumer preferences
- This is more of an art than a science → Make reasonable guesses and don't worry about the exact place

Creating a perceptual map for the fast food industry

Three steps to defining a target market

Segmentation → Perceptual Mapping → Preference Analysis

Conducting a preference analysis

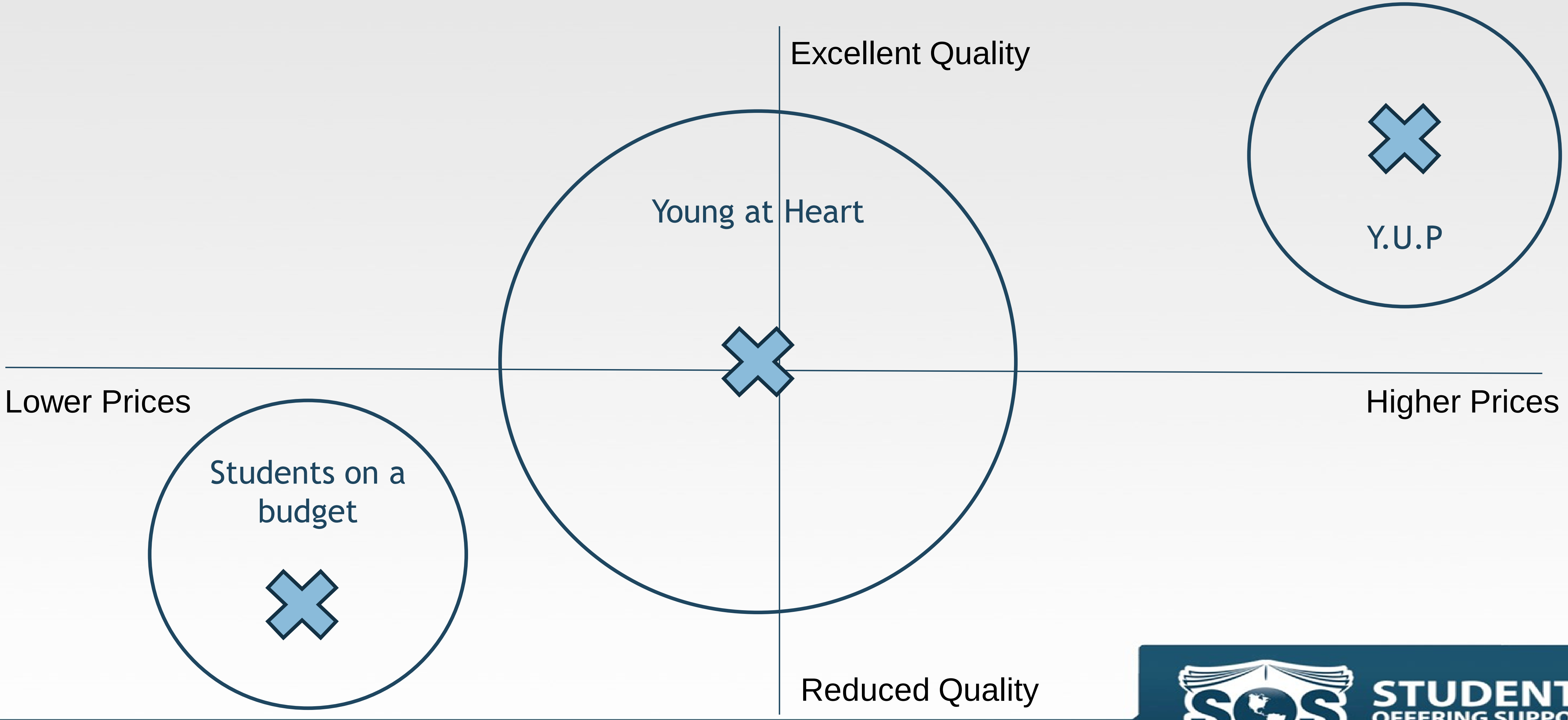
What does a preference analysis tell us?

- Used to plot where consumer segments are based on buying criteria
- Use the same axes as your perceptual map!
- The location on the map is based on where the ideal product would be for each customer group

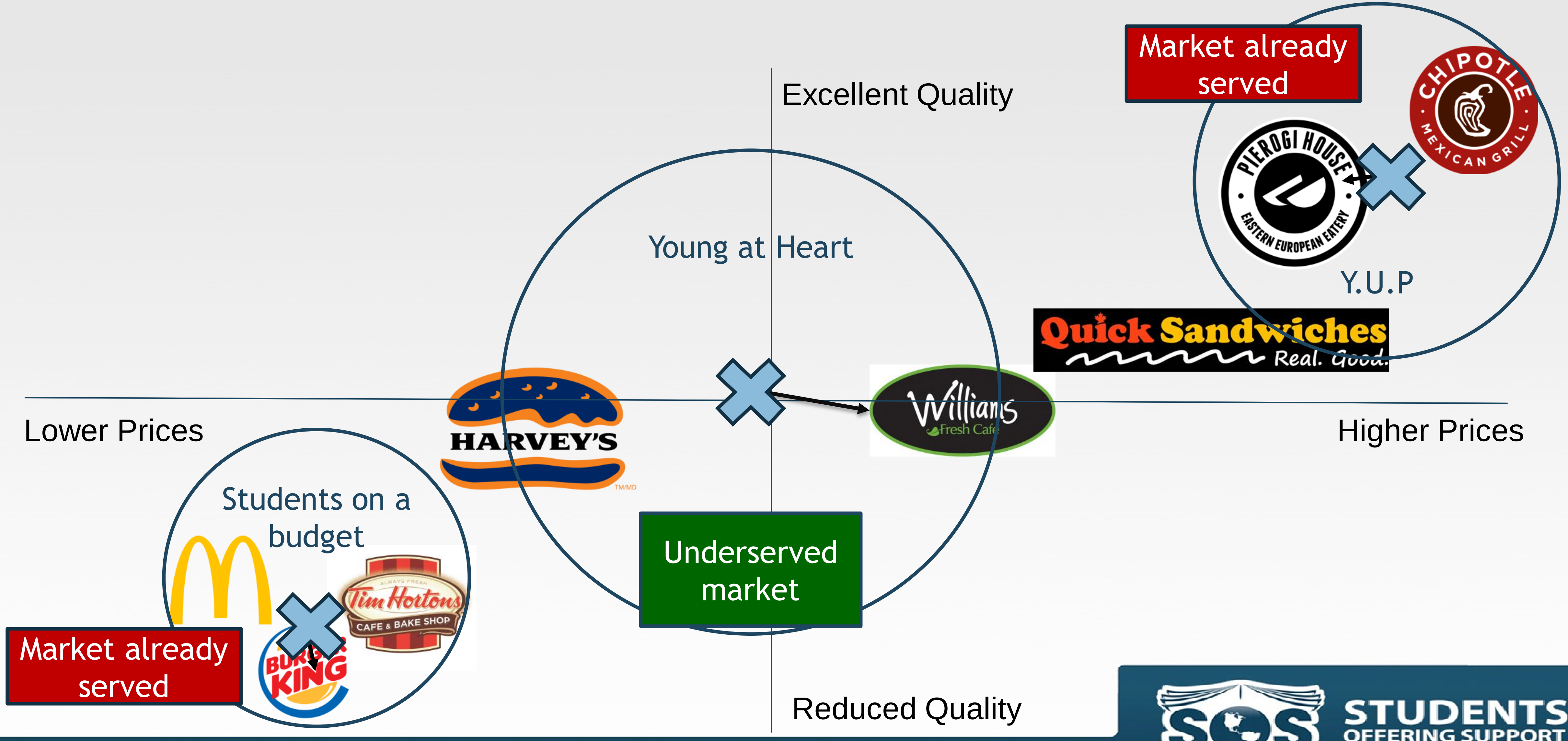
Plotting customer segments

- Using the axes, place each consumer group on the map based on their ideal product
  - Use an X to represent each group → Draw a *separate* diagram for your perceptual map!
- This is more of an art than a science → Make reasonable map based on the given information

Preference analysis for the fast food industry



Applying a preference analysis to our fast food example



STUDENTS OFFERING SUPPORT

Targeting & Positioning

Choosing a target market

- Based on the perceptual map & preference analysis select the market whose needs are not currently being met
- This will be the group whose circle has the least points in/near it
- We want to fit right into the middle of that circle → We want to have the perfect problem-solution fit

Positioning your brand within the consumers' minds

- Recall that a perceptual map is based on where customers *think* a brand is
  - Consider McDonald's → Seen as low price by many consumers, but it actually has higher prices than many competitors
- Two methods
  - Consumer: Focus on how well you meet the needs of the target market
  - Competitive: Focus on how you meet needs *compared to* other competitors

STUDENTS OFFERING SUPPORT

STUDENTS OFFERING SUPPORT

Raising Marks. Raising Money. Raising Roofs.

Marketing

Reaching the Customer

Neelam

Inform and **convince** customers to buy your unique offering!

ERNST & YOUNG
Quality In Everything We Do

Study guide says…

Chapter 4: Creating Marketing Strategies

- classifying consumer products vs. business products
- product life cycle (+ altering the speed of the cycle discussed in lectures)
- pricing objectives, markup, and strategies
- channels of distribution and marketing intermediaries, alternative channel arrangements, functions of distribution channels, and intensity of distribution
- promotion objectives and factors affecting the promotional mix
- trends

But wait! There's more…

Study guide says…

Lecture Material

- product classification – how consumers classify products and implications for strategy
- #2 Key to successful marketing – importance of value proposition
- total product concept – brand and brand insistence model
- pricing mechanisms (ways to price) and approaches to pricing (factors to consider)
- promotional elements and integrated marketing communications (IMC)
  - advertising objectives – AIDA, how to advertise successfully, laws of 'going viral', and basic principles of a contagious message
  - personal selling – combining with advertising, factors in budget decision
  - sales promotion and publicity – what they are and how to use them effectively
- direct vs. indirect channels of distribution – implications – demand backward pricing, push vs. pull promotion
- top-down and bottom-up forecasting

Major Keys (to Successful Marketing)

- #1 Key: Provide *unique* benefit
- #2 Key: **Convince** the customer that the product provides the unique benefit
  - Achieved through consistent product, price, promotion and place decisions
  - **4Ps** are integrated/consistent
  - All parts of organization must have clear idea of the **value proposition**

Our tools: The Marketing Mix (4 Ps)

- Product
  - Classifications
  - Life cycle
  - Total product concept
  - Branding
- Price
  - Objectives
  - Strategies
- Promotion
  - Advertising
  - Sales Promotion
  - Personal Selling
  - Public Relations
- Place
  - Direct vs. Indirect

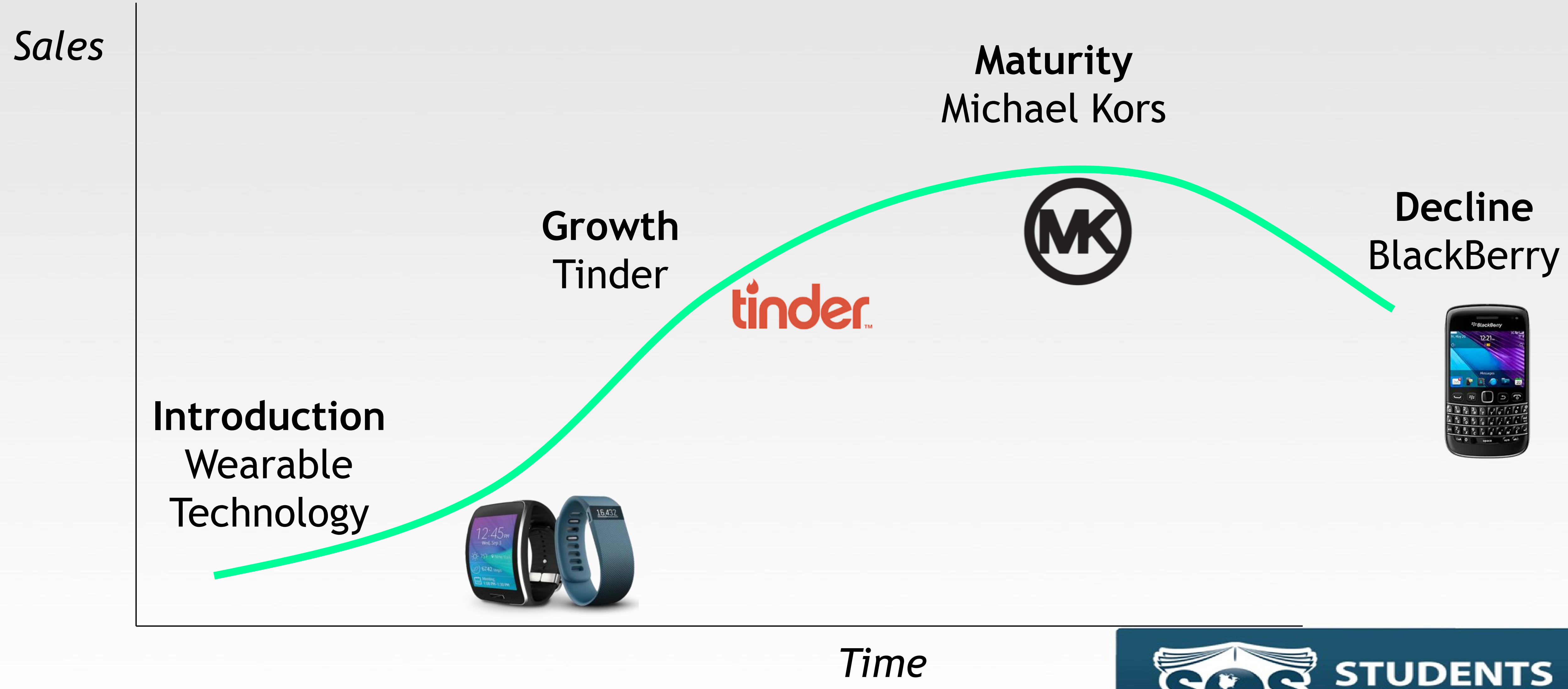
Product Classification

- Understanding the classification of our offering allows us to understand the approach consumers will take to purchase it
- Has implications for how we attempt to reach and convince these customers

Product Classification

- Convenience Good/Service (buy routinely)
  - Staple – branding, max exposure, shelf position (e.g. milk)
  - Impulse – max exposure, shelf position, point of purchase (e.g. gum, candy)
  - Emergency – near point of purchase, readily accessible (e.g. hotels right off the highway)
- Shopping Good/Service (send time shopping)
  - Homogeneous – exposure for price comparison
  - Heterogeneous – exposure near similar products
  - E.g. Car dealerships
- Specialty Good/Service (make effort to buy)
  - selective distinction for exclusivity (Rolex watch)
- Unsought Good/Service (hardly looking)
  - aggressive promo, personal selling (life Insurance)

Product Life Cycle

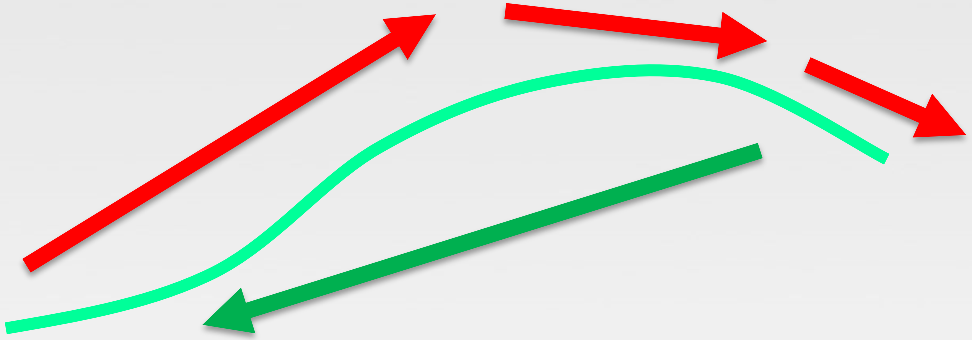


PLC

- Introduction
  - Frequent product modifications, limited distribution and heavy promotion
  - Failure rate is high
- Growth
  - Sales grow at increasing rate, profit = healthy
- Maturity
  - Product has been in market for a long time
- Decline
  - Change in consumer taste or new products have entered

PLC Variations

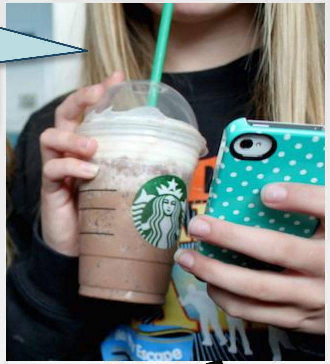
- Slow down or reverse the cycle
- How do you remain competitive?
  - Find new uses
  - Find new users
  - Find new markets (adapting the product to meet the other region's needs)



Product Adoption Curve

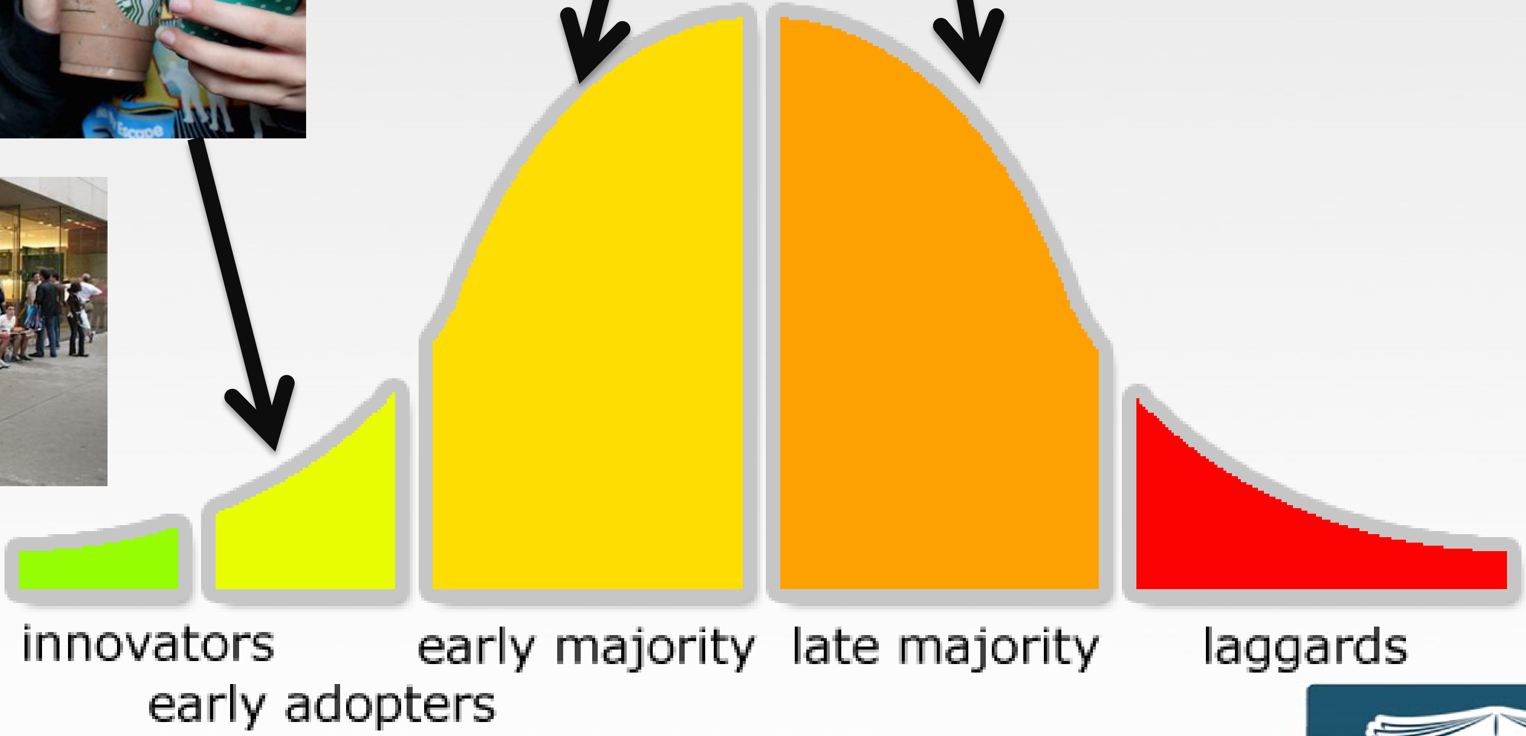
- When do customers adopt the product? → They won't all buy it at once

Follow me
on Insta



Looking for cheap
products, Need to
convince a lot

I'm so cool
to get it first



Total Product Concept

- TPC is more than the physical product or literal service
- *It's the total package of benefits* as experienced by the consumer
  - Brand: The set of perceptions in the mind of the customer
  - Package: How is the product physically presented to the customer?
  - Service: How is the product provided to the customer and supported?
  - Warranty: Is the product insured? Does that create peace of mind?
  - Delivery: The movement of product to consumer's possession?
  - Credit: Cash only sales or can we offer receivables?
  - Atmosphere: The ambience/climate of the place of sale?
  - Image, Reputation: ties in to brand/goodwill
  - Accessibility: Can I get a hold of the product easily?
  - Price: How much does the consumer have to pay for it? How does that make them feel?

Promotion

Relationship

Place

What is a Brand?

"a collection of perceptions in the mind of the consumer" → *What do they think about you?*

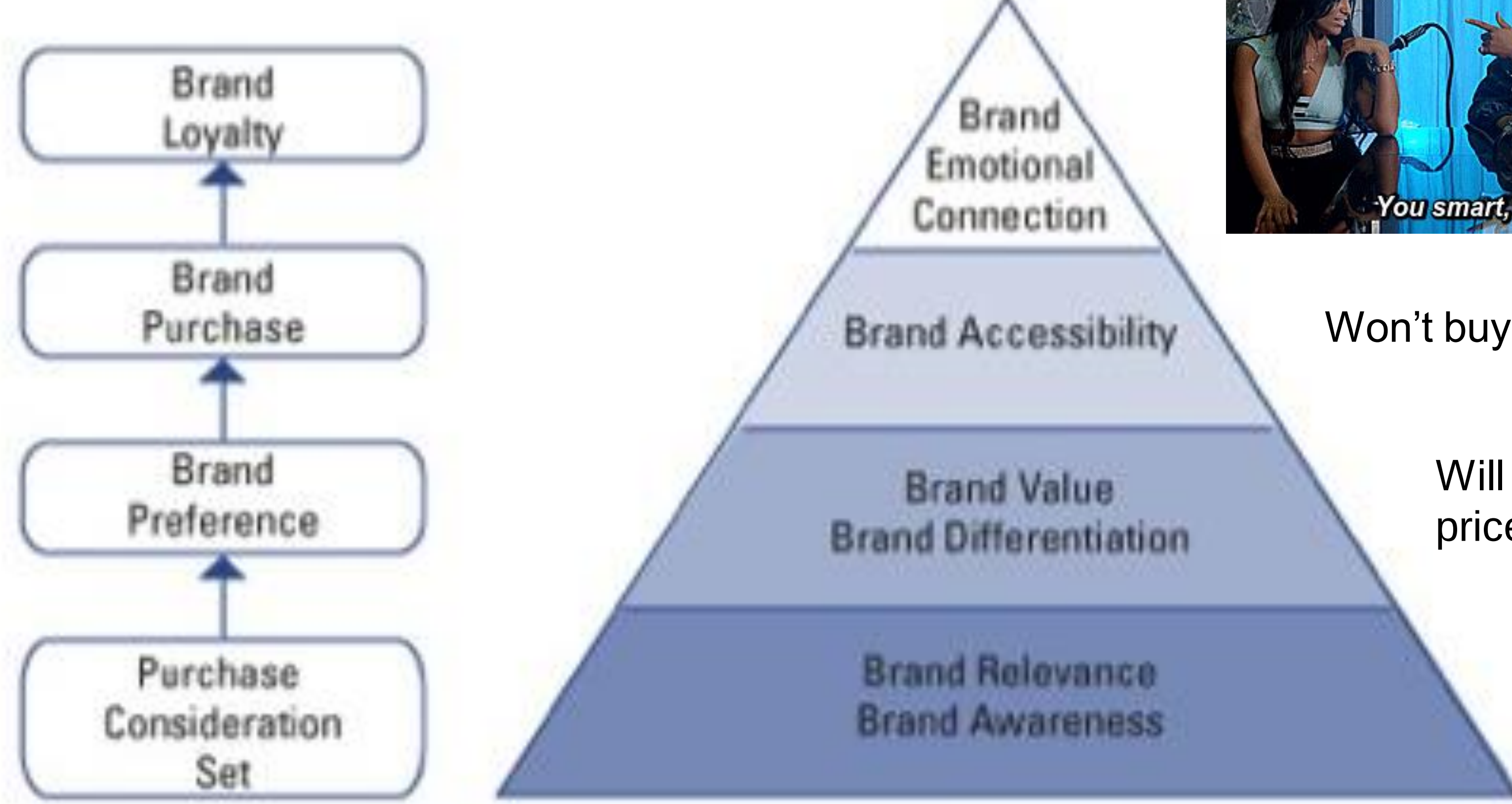
- built not only through effective communications or appealing logos – it is built through the ***total experience*** that the product offers

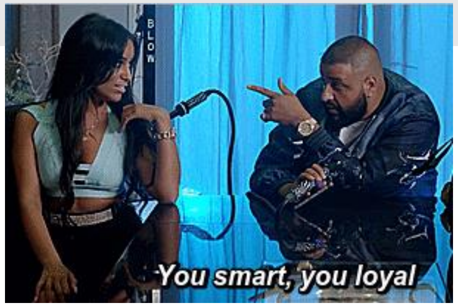
- The real value of a brand is not seen, but experienced. The recognition, the connection, the loyalty, the reputation are all intangibles that define a brand's true worth

- *Brand Name*
  - communicate Value Prop

Brand Insistence

How do the drivers move customers to loyalty?





Won't buy it unless they can get it

Will prefer if it's different and if the price matches the value

Product has to be relevant to the customer, they need to be aware of it

Lifetime Customer Value = Value of Future Purchases + Referrals – Cost of Maintaining Relationship

STUDENTS OFFERING SUPPORT

Pricing Mechanisms

Fixed “Menu” Pricing

- List price – MSRP
- Product feature dependent
- Customer segment dependent
- Volume dependent

Dynamic Pricing

- Negotiation/bargaining - *eBay*
- Yield management – *hotels, airlines*
- Real-time market – *stock market*
- Auctions – *Google Adwords*

Price

- Pricing Objectives
  1) Profit Maximization: producing a product as long as revenue from selling exceeds cost of producing it.
  2) Target return on investment (ROI): A price is set to give the company a desired level of profitability in terms of return on its money.
  3) Value Pricing: offering a target market a fair price in relevance to the quality of the good/service.

Price

Approaches *(Triple C)*

- Cost-based
  - Price is based on markup on cost of product
- Competitive-based
  - Pricing is based on gaining or defending market share
- Consumer-based
  - Pricing is based on perception of product value to consumer

** Pricing must support the Value Prop **

- All parts must tie into one plan to communicate one message to the target market
- Need to test the price to see what impact it has on customers

Pricing Strategies

- **Price Skimming:** introduce with a high initial price and lower the price over time as it moves across the PLC
- **Penetration Pricing:** selling new products at low prices in the hope of achieving a large sales volume
- **Leader Pricing:** pricing products below the normal markup or even below cost to attract customers to store

Pricing Strategies

- **Bundling:** grouping two or more related products together and pricing them as a single product
- **Odd-Even Pricing:** setting a price at an odd number to connote a bargain and at an even number to suggest quality
- **Prestige Pricing:** increasing price of a product so that consumers will perceive it as being of higher quality, status or value

Promotion

- The objectives of promotion can be:
  - **Creating Awareness, Providing information -** especially needed more common in the early stages of the PLC.
  - **Getting Consumers to Try Products -** free samples
  - **Keeping Loyal Customers -** reminding customers of the quality of the product or telling customers when a product is improved
  - **Increasing the Amount and Frequency of Use -** loyalty cards or frequent-flyer programs
  - **Identifying Target Customers -** helps find customers

Promotion Tools

- Advertising
- Personal Selling
- Sales Promotion / Discounts
- Publicity / Public Relations

All of these together are known as:

Integrated Marketing Communication tools (IMC)

- Can't have heavy discounts; takes away from prestige look
- Sales people need to be dressed well otherwise disconnect

Advertising

- Any form of *non-personal* sales presentation of a *long-term* nature that is *paid for* by an identified sponsor
  - Non personal: Done through a general medium, by the organization AS A WHOLE.
  - Long term: Advertisements are made to last over a period of time, and have long term impacts on sales.
  - Paid: Advertisements are never free!

AIDA

- Advertising follows the "AIDA" model
  - Attention/Awareness: get the attention and the ears of the potential customers. What are you talking about?
  - Interest: obtain the customer's interest in the product. Why should I care?
  - Desire: transform the interest into desire for the product. Why do I need it?
  - Action: convert the desire into action, by inviting purchase of the product. How can I get it?

A -> I -> D -> A

STUDENTS OFFERING SUPPORT


We wish you a scary Halloween!
Coca Cola
pepsi


$217
durex
$2.50

Making Your Message Viral

KEY - Communicate Brand in Way that Persuades/Leads to Sale

Ideally you want your message to go 'viral'…

- BUT don't lose sight of what makes things go viral in the first place…

Laws of 'going viral' by Jonah Berger, *Contagious*

- It's more than online – only 7% is done online
- 10 million views doesn't matter – want to turn customers loyal
- Shares are more important than views
  - Amplification Rate = number of shares / number of views
- Not just viral… Valuable Virality
  - Did it result in sales?

Personal Selling

- Involves sales representatives approaching individual customers face-to face to pitch their product/service
- More effective but more expensive
  - Because of salaries, commissions, travel expenses
- **Combine** with advertising to:
  - generate leads (Leads are potential clients' contact details)
  - decrease cost/length of sales process (the consumer already knows about the product offered)
  - reach 'inaccessibles' (people who cannot be contacted through personal selling)
  - maintain image in buyer's mind (even after pitch is made, constant reminders are present)
- factors to consider in **budgeting** decisions for personal selling
  - perceived risk of sale – financial, social, performance
  - amount of information to convey
  - degree of customizing necessary

Personal Selling

Does he look like someone who will help you make the right decision?

After he helps you, you realize there's a lot of customization available and he was a great employee

Sales Promotion

- short term <u>incentives to induce</u> purchase
  - free samples, trial period
  - cents off coupons, cash rebates
  - extra volume for same price, bonuses
  - giveaways, contests
  - premiums
  - point-of-purchase displays
- <u>support</u> personal selling and advertising
- <u>MUST COMMUNICATION VALUE PROP</u>

Public Relations & Publicity

- The linking of organizational goals with key aspects of the public interest and the development of programs designed to earn public understanding and acceptance.
  - getting the media to talk about you
  - greater impact due to perceived objectivity
    - The news comes from a neutral source – mass media, journals, personal blogs, etc.
    - Objectivity improves the chances of customer belief and desire, if it is positive news
  - must be 'newsworthy'
  - However, publicity can be negative!

Factors affecting Promotions

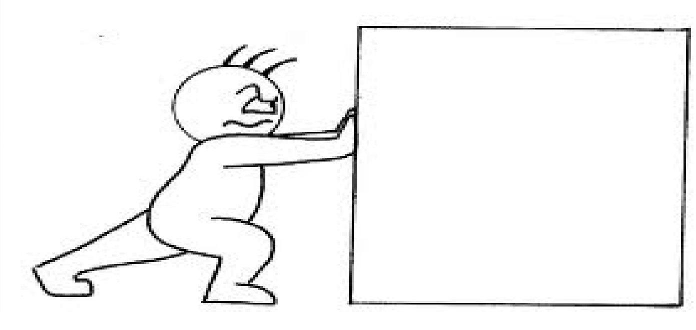
- Nature of product
- Market Characteristics
  - Scattered or highly informed customers/brand loyal consumers
  - Detailing: when salespeople stock merchandise rather than allow retail employees to do it, to get best display areas
- Available funds
- Push vs Pull
  - *Push*: promotional strategy in which a manufacturer uses aggressive personal selling and trade advertising to convince a wholesaler or retailer to carry and sell its merchandise
  - *Pull*: promotional strategy in which a manufacturer focuses on stimulating consumer demand for its product, rather than on trying to persuade wholesalers or retailers to carry the product

Place

- purchase is a function of desire and *availability*
  - logistical decisions costly, time consuming and not easily changed
  - choice of location must fit with VP
  - critical decision
    - use of marketing intermediaries / channel of distribution

Indirect sales channels

- Implications – each intermediary wants to take a ‘cut’ of the price
  - Demand Backward Pricing:
    - What are customers willing to pay? Work out costs *backwards* from this number to ensure profitability
    - Ex: Customers are willing to pay $4.99
    - **$4.99** – 1.50 – 1.00 = $2.49 to wholesaler
    - $2.49 + 1.00 + 1.50 = **$4.99** to consumer
  - Push vs. pull strategy comes up again here



STUDENTS OFFERING SUPPORT

Our tools: The Marketing Mix (4 Ps)

- Product
  - Classifications
  - Life cycle
  - Total product concept
  - Branding
- Price
  - Objectives
  - Strategies
- Promotion
  - Advertising
  - Sales Promotion
  - Personal Selling
  - Public Relations
- Place
  - Direct vs. Indirect

We are now ready to **convince** customers of our **unique** benefit! (yay finance time!)

STUDENTS OFFERING SUPPORT

Raising Marks. Raising Money. Raising Roofs.

Finance Theory

Mike

NATIONAL SPONSORS:

HSBC

ERNST & YOUNG

Quality In Everything We Do

Finance Agenda

- Finance Theory With Mike
  - 7 Principles of Entrepreneurial Finance
  - Cash vs. Profit
  - Breakeven, Leverage and Contribution
- Finance Problems With Blair
  - Problems
  - More problems
  - And then some problems

7 Principles of Entrepreneurial Finance

1. Real human, and financial capital must be ‘rented’ from owners.
2. Risk and expected reward go hand in hand.
3. While accounting is the language of business, cash is the currency.
4. New venture financing involves search, negotiation, and privacy.
5. A venture’s financial objective is to increase value.
6. It is dangerous to assume that people act against their own self-interests.
7. Venture character and reputation can be assets or liabilities.

Cash Vs. Profit:

Cash Vs. Profit:

What's the difference between cash and profit?

Here's a little story to show you the difference.

4 months ago, Drake and an Accountant borrow some money from a drug lord.

4 months later the drug lord wants his money back… now.

> Drizzy being the baller that he is always keeps some guap (cash) on hand so he pays the drug lord back.

> The accountant starts trying to explain that he "has the money" it's just in accounts receivable so it exists but he can't get it right now.

The accountant gets his kneecaps broken ☹

"If you're reading this it's too late…"

for the accountant

Cash Vs. Profit:

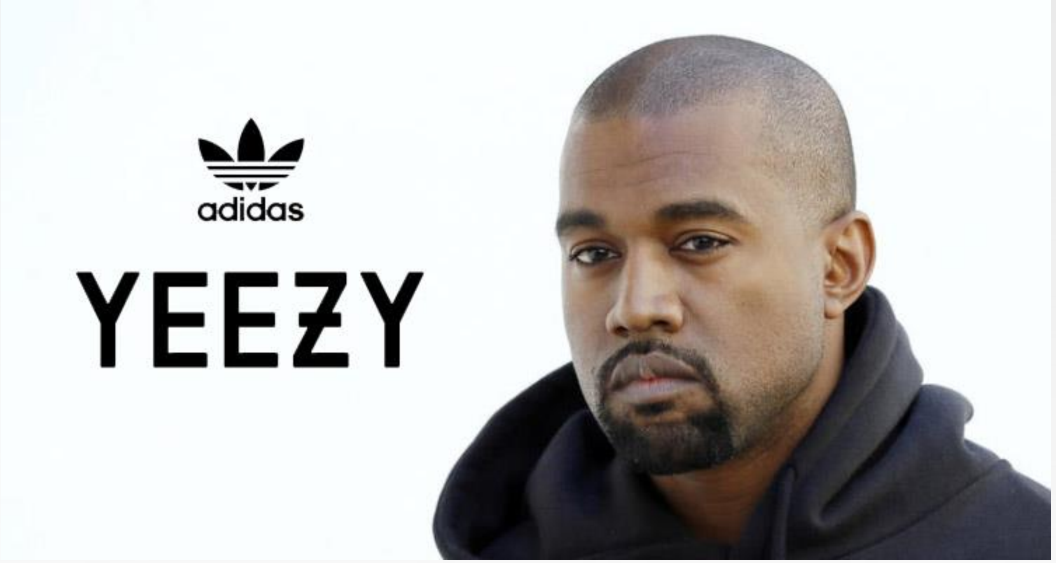
What's the difference between cash and profit?

Drug lords don't care about accounts receivable… they care about getting their money back. End of story.

#Principle 3: Accounting is the Language of Business, Cash is the Currency.

Accounting tells a long-term story, Cash tells you today's story. Cash is king.

Cash Vs. Profit
The Kayne West Principle



KANYE WEST
@kanyewest
Follow

I write this to you my brothers while still 53 million dollars in personal debt... Please pray we overcome... This is my true heart...

9:46 PM - 13 Feb 2016

16,394 35,739

KANYE WEST
@kanyewest
Follow

Yes I am personally rich and I can buy furs and houses for my family

2:02 PM - 15 Feb 2016

17,845 30,627

Cash (Stacks) vs Profit

- Can a company that is profitable go bankrupt?

(Can an accountant that "has the money" get his kneecaps smashed… Can a Yeezy that is 53mil in debt still buy furs for North West…? Hell yeah)

  – Sales Revenue – Accounts Receivable
    - If you don't collect the cash from your sales, your income statement will show profit, but you will not be able to pay off any of your debts (no cash)
  – Expenses – Accounts Payable
    - Reverse of above – You have cash on hand but you actually owe it to the bank, the mob, your parents etc.
  – Amortization
    - Not actually cash but valuation. Your house doesn't rain money when it goes up in value (unless you live in oakville?)

- Remember… Principle 3

STUDENTS OFFERING SUPPORT

Breaking Even

- Two types of cost
  - **Fixed cost (FC)**
    - Costs that are "*fairly pre-determined*"
    - Expected to remain fixed over a range of revenues for a set period of time
      - EX: Rent/Marketing/Interest/Wages
  - **Variable cost (VC)**
    - Costs that "*are linked to your level of **production***"
    - For the sake of this course, we assume production levels = sales levels
    - Cost resulting from providing a product or delivering a service therefore dependent on volume of sales
      - EX: Cost of goods sold/Commission

Breaking Even

- Two types of cost FC & VC

“Students in Dorm Style Residences like Little House can purchase a savagely over priced ‘Freedom Plan’ from the Dining Hall where they pay a sum of money and then can eat at the DH whenever they want”

“Students can also buy food from places on campus like Wilf’s using their flex dollars whenever they are hungry. They just have to be willing to wait 30-40 minutes… to order”

Which of these represents VC/FC and why?

Breaking Hearts & Breaking Even

Contribution

When you see Contribution I want you to think of the idea of Value.

How do we define value?

Value = What you get – What you give

Total contribution = Revenue – COGS (or sum of all VCs)

Breaking Hearts & Breaking Even

- Contribution
  - Revenues are not profit! They must be used to cover VC and FC
- **Contribution** = selling price per unit - VC per unit
  - Therefore it is the amount left over PER UNIT to be put towards covering FC after covering the cost of producing the goods

Breaking Hearts & Breaking Even

- EG. Sell puppies for $10 per pup but because of PETA regulations you have to feed each puppy $5 of food before you can turn it over for a profit.
  - $10 - $5 = $5
  - Therefore the contribution = $5
    - Meaning $5 per unit can go towards paying off your DogHouse (Fixed Cost)

Survival Cash Flows

- Survival Cash flow breakeven is when EBDAT=0
- If your current EBDAT > 0, you are achieving high enough sales volumes to survive -> YOU ARE BREAKING CASH EVEN
- **EBDAT**
  - Earnings Before Depreciation Amortization Taxes
  - Simply taking EBITDA and subtract **Interest**
  - **OR taking EBIT, add back Depreciation and subtract Interest**

Honestly just make sure you end with EBDAT subtract and add whatever letters you need to so that you're back at EBDAT. If they give you EB-(YMCMB) DT(ROFL)(LMAO)- then subtract YMCMB, ROFL and LMAO and add back Amortization

Breaking Even

- Contribution **<u>Margin</u>** (margin = %)
  - the % of sales price per unit that is dedicated towards covering fixed cost

$$\frac{Selling\ Price\ Per\ Unit\ - VC}{Selling\ Price\ Per\ Unit}$$

OR

$$\frac{Contribution}{Selling\ Price\ Per\ Unit}$$

Eg. Sell Kittens for $10 per unit and the cost $7 per unit to produce

- Contribution margin = (10-7)/10 = .30 = 30%

Breaking Even

- Variable cost revenue ratio (VCRR)

% of sales $ per unit placed towards covering VC

$$\frac{VC}{Selling\ Price\ Per\ Unit}$$

- Therefore **contribution margin = 1-VCRR**

EG. Selling Racoons for $10 per unit and the cost $7 per unit to produce

VCRR= $7/$10= .70 = 70%

Contribution = 1-0.7=0.3 = 30%

Contribution margin and VCRR are "inverses" in a sense -> They add to 100%

What Drives Breakeven?

- Altering contribution margins
  - Higher the contribution margin, the higher the value of each unit the lower the level of sales needed to breakeven as more $$ per unit sold goes towards coving the CFC
  - Or the lower the VCRR the lower the amount of every revenue dollar that goes to covering VC's making a higher amount go towards covering FC's and eventually earning profit. This lowers the sales needed to break even
- At a higher CM (lower VCRR) you need to produce less units to breakeven

What Drives Breakeven?

Most common example is buying a machine to replace a human.

Think about Pierogi House! We hand make pierogi – which has a high VC! What if we got a machine? VC would go down a lot but FC would increase.

Think qualitatively too… what would happen to quality?

Leverage: The SPC Card

The basic idea behind leverage is that you pay a higher fixed cost but in return you enjoy a lower VCCR.

Basically, imagine a world where people actually used their SPC cards… You pay a higher price initially ($10) to get the card but then every time you go out to eat you get a lower price (-15%) on your purchase!

Leverage cont

Seriously has anyone ever used an SPC card before…?

- A highly leveraged venture can turn a small increase in revenues into a major increase in EBDAT
- A student might leverage an SPC a company could buy better machinery
  - Costs more up front, helps more long term
  - Develop economies of scale
- Each additional unit of revenue will result in a higher EBDAT once FC are covered because VC per unit is lower
  - Therefore higher contribution

Leverage Helps us Illustrate Principle 2

Principle 2: Risk and Reward go hand in hand

"You've gotta risk it to get the biscuit"-Fired Up.

Levering up your company increases your risk.

- With higher fixed costs it's harder to break even…

But it also increases your reward

- If you do manage to break even you earn more for every unit <u>**thereafter**</u>

Survival Stage/Cash Flow Breakeven

Survival Stage

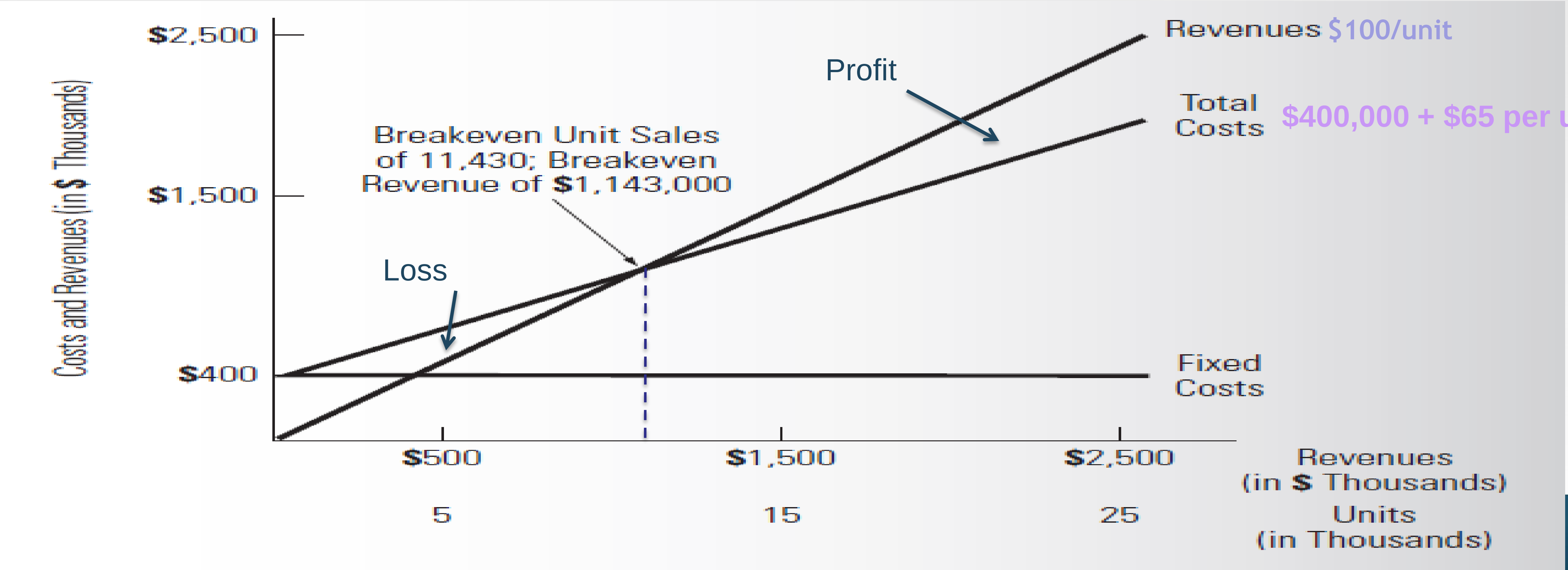
- Like the show Survivor- Lots of “challenges” and more common for a new venture to have losses. (Survivor only has 1 winner per season and even then do they really win?)
- Some new ventures show profitability during the startup stage but this is rare (Immunity Idol)

Breakeven

- The level of sales (aka Survival Revenue) necessary to cover costs.
- Can be calculated in units, dollars, time etc….

Identifying breakeven visually

- When revenue and cost line intersect
    - The point where revenues = total cost



Identifying Breakeven Mathematically

- Volume of sales where
  - Total revenue = total cost
    - Revenue= VC + Cash fixed costs(CFC)
    - Price(Units)= Variable costs(Units) + CFC
    - Units (Price – Variable Costs)= CFC
- Cash Breakeven Volume (Units)=

$$\frac{Cash\ Fixed\ Costs}{Price\ - Variable\ Cost}$$

Therefore (Since what you get - what you give = value)

$$\frac{Cash\ Fixed\ Cost}{Contribution}$$

STUDENTS OFFERING SUPPORT

Identifying Breakeven Mathematically

- Cash Breakeven Volume (Dollars)=

$$\frac{Cash\ Fixed\ Costs}{1\ -VCRR}$$

Therefore (Since what you get - what you give = value)

$$\frac{Cash\ Fixed\ Cost}{Contribution\ Margin}$$

If you're working with % deno. your answer will be in $ sales
(If you're working with $ deno. your answer will be in # units)

A Breakeven example

- CFC = $400,000
- VC = $65/unit
- Rev=$100/unit
- Contribution?
- Contribution margin?
- Breakeven volume?
- Survival revenue?

A Breakeven example

- CFC = $400,000
- VC = $65/unit
- Rev=$100/unit
- Contribution = 35 (100-65)
- Contribution margin = .35 (35/100)
- Breakeven volume = $400,000 /(100-65)= 11,430 units
- Survival revenue = $400,000 / .35 = $1,143,000
  - Could also be calculated by multiplying the unit number by the price!

Think fast!

- Fixed costs increase -> Breakeven Volume?
- Contribution Margin increase -> BEV?
- VC Increase -> BEV?
- VCRR Increase -> BEV?
- Price Per Unit Increase -> BEV?

Contribution Analysis

Contribution Analysis can help answer many questions.

- **Cost** - how does changing my degree of leverage impact my breakeven
- **Volume -** does a change to volume produce a lower breakeven (i.e. after a marketing campaign)
- **Profit -** can changing my price produce a lower breakeven amount

Contribution Analysis

Contribution Analysis can help answer many questions.

- A business might be presented with two options one that has a higher degree of leverage than the other.
- More leverage means higher fixed costs but higher contribution margin.
- How should they evaluate **if and when** to lever up their business?

Contribution Analysis Example

The Hot Dog guy on King and University (you know the one) is thinking about buying a portable grill for his hot dog stand.

Contribution Analysis Example

The Hot Dog guy on King and University (you know the one) is thinking about buying a portable grill for his hot dog stand.

He's got two options:

(1) The "*First things first I'm the Grillest*" brand costs more but he knows it'll be cheaper in the long run because it's more fuel efficient.

(2) On the other hand the "*Ouuuu Grill em*" brand has a lower up front cost but costs more on gas per hot dog.

Contribution Analysis Example

- Obviously if he plans to sell a lot of hot dogs he should go with the "First things First"
  - It's cheaper on gas per hot dog and will (with a lot of sales) eventually cover the more expensive initial price
- However, if he's not selling a lot he'd be much better off with the "Ouuu Grill em"
  - The higher variable costs per dog aren't going to be a huge deal since we're not selling many hot dogs. What matters is the low grill price

Contribution Analysis Example

So how do we know **when** the Grillest becomes a better option than the Grill em?

Also, what qualitative factors would affect his decision? Eg. If students cared about the carbon footprint of the stand.

Two Methods for Contribution Analysis

Thinking Incrementally

Decision Point is where *incremental* fixed costs are covered by *incremental* contribution

Decision Point is where fixed cost of old + variable cost of old = fixed cost of new + variable cost of new

Equating the total costs

These two "methods" do exactly the same thing!

STUDENTS OFFERING SUPPORT

Think Incrementally

- Decision Point = where ***incremental*** fixed costs are covered by the ***incremental*** contribution

- Step 1: What is the incremental total contribution?
- Step 2: Compare to incremental fixed costs
- Step 3: Are the qualitative factors that impact the decision?

Contribution Example

Blair, Neelam and Mike want to increase SOS advertising by $500. Its average price per SOS person for a session is $20 with total sales of $50,000 and COGS of $30,000. They are considering lowering SOS prices by 5% on average and giving themselves a 2 dollar commission on each product sold to increase sales and customer service. They think this will increase the number of sessions they sell on average by 65%. Would this be a good decision? Why or why not?

Contribution Example

Blair, Neelam and Mike want to increase SOS advertising by $500. Its average price per SOS person for a session is $20 with total sales of $50,000 and COGS of $30,000. They are considering lowering SOS prices by 5% on average and giving themselves a 2 dollar commission on each product sold to increase sales and customer service. They think this will increase the number of sessions they sell on average by 65%. Would this be a good decision? Why or why not?

STUDENTS OFFERING SUPPORT

Solution - Step 1

Sessions per Year: $50,000/$20/unit = **2,500 Sessions**

Avg. VC/unit: $30,000/2,500units = **$12/unit**

Normal Contribution: $20 - $12 = **$8**

At volume of 2,500 sessions → **$20,000 Total Contribution**

<u>New scenario</u>

Lower Price: $20x0.95 = **$19**
Variable Cost = 12+2 = **$14**

New Contribution: $19-14 = **$5**

Higher Volume (65%) = 2,500(1.65) = **4,125** Sessions
New contribution = 4,125 x $5 = **$20,625**

INCREMENTAL CONTRIBUTION: $20,625 – $20,000 = $625

Solution - Step 2

- They are increasing fixed costs by $500
- Total impact on profit is $125
- **SOS is better off quantitatively**

Solution - Step 3

- Are there any **qualitative factors** that would provide long-term ramifications to effect the immediate gain?

Like if word got out that Blair, Neelam, and Mike were embezzling money from a registered charity…

Or wait… do we even have enough room for more sales!?

Bonus Example (for homework)

MacLaren's wants to increase its advertising by $5,000. Its average price per product sold is $3 with total sales of $132,600 and COGS of $79,560. It is considering lowering its prices by 5% on average and giving his employees a 1 cent commission on each product sold to increase sales and customer service. It thinks this will increase the number of products it sells on average by 10%. Would this be a good decision? Why or why not?

STUDENTS OFFERING SUPPORT

Raising Marks. Raising Money. Raising Roofs.

Finance Problems - Michael

NATIONAL SPONSORS:

HSBC

Ernst & Young

Quality In Everything We Do

Contribution Analysis Examples - Assessing Risk

Net Sales			$1,142,000
Cost of Goods Sold			285,500
Gross Profit			$856,500
Sales Commissions			$171,300
Sales Salaries			77,000
Depreciation on Equipment			23,500
Promotion			6,300
Rent			90,000
EBIT			$488,400
Interest			69,000
Net Income before Taxes			$419,400
Taxes			188,730
Net Income			**$230,670**

The Situation:

- Bull TA Inc. is a company that produces custom apparel for student groups at Laurier
- The company currently produces sweatshirts and t-shirts
- They are considering offering sweatpants to their customers as well
- The company believes they can sell 100,000 units in their first year → A projected income statement for the sweatpants division is provided
- The company currently has a monopoly on the apparel market at Laurier and enjoys very positive relationships with their customers
- Should Bull TA enter the sweatpant market?

Contribution Analysis Examples - Assessing Risk

Net Sales			$1,142,000
Cost of Goods Sold			285,500
Gross Profit			$856,500
Sales Commissions			$171,300
Sales Salaries			77,000
Depreciation on Equipment			23,500
Promotion			6,300
Rent			90,000
EBIT			$488,400
Interest			69,000
Net Income before Taxes			$419,400
Taxes			188,730
Net Income			**$230,670**

Solution:

- To determine whether or not we should enter the market, we want to look at whether or not the company can breakeven
- We have two ways we can look at whether or not we are breaking even: EBDAT and the Cash Breakeven Point
- EBDAT = EBIT + Depreciation – Interest
  - EBDAT = 488,400 + 23,500 – 69,000 = 442,900
  - Since EBDAT is greater than 0, the company is breaking even on a cash basis

Contribution Analysis Examples - Assessing Risk

Net Sales			$1,142,000
Cost of Goods Sold			285,500
Gross Profit			$856,500
Sales Commissions			$171,300
Sales Salaries			77,000
Depreciation on Equipment			23,500
Promotion			6,300
Rent			90,000
EBIT			$488,400
Interest			69,000
Net Income before Taxes			$419,400
Taxes			188,730
Net Income			**$230,670**

Solution:

- Cash Breakeven = CFC / (1 – VCRR)
- VCRR = VC/Revenue
  - In this case we have two variable costs: Sales Commissions and Cost of Good Sold
  - So VCRR = (285,500 + 171,300)/1,142,000 = 40%
- CFC = 77,000 + 6,300 + 90,000 + 69,000 = 242,300
- Cash Breakeven = 242,300/(1-.40) = $403,833.33
- We are well above this point, so it makes sense quantitatively

Contribution Analysis Examples - Assessing Risk

Net Sales			$1,142,000
Cost of Goods Sold			285,500
Gross Profit			
Sales Commiss			
Sales Salaries			
Depreciation o			
Promotion			
Rent			
EBIT			
Interest			
Net Income be			
Taxes			
Net Income			**$230,670**

Solution:

- Cash Breakeven = CFC / (1 – VCRR)

osts:
d Sold

00 =

akes

Always remember to consider the qualitative impact of these decision!

STUDENTS OFFERING SUPPORT

Contribution Analysis Examples – Decision Point

The Situation:

- Bull TA has decided to produce sweatpants and it has helped them double their business in the sweatshirt market
- The company now needs to purchase new machinery to keep up with the increased demand. They are considering two machines – the *Obadose2017* and the *Eagle*
- The *Obadose2017* costs $93,000 and each sweatshirt produced on the machine would cost the company $15.32
- The *Eagle* only costs $57,500, but since it is less efficient, each sweatshirt would cost the company $18.07
- Which machine is the best if expects to sell 12,950 units at a price of $47.69? What if they only sell 11,000? Which machine should the company buy?

Contribution Analysis Examples – Strategy Changes

The Solution:

- Since we are comparing the two options, we need to consider the differences in the costs and contribution
  - This means we are going to use the incremental costs and contribution of one option compared to the other
- The incremental contribution is: Contribution_A - Contribution_B
- The incremental Fixed Cost is: CFC_A - CFC_B
  - Notice that the A and the B are in the same order in the contribution and the Fixed Costs!
  - Exam Tip: Make *A* the option with the highest fixed cost. Then, when you get to an answer, if you are producing above that amount, you should pick option A
- Incremental Contribution = (47.69 – 15.32) – (47.69 – 18.07) = $2.75/unit
- Incremental Fixed Cost = 93,000 – 57,500 = $35,500

Contribution Analysis Examples – Strategy Changes

The Solution:

- Incremental Contribution = (47.69 – 15.32) – (47.69 – 18.07) = $2.75/unit
- Incremental Fixed Cost = 93,000 – 57,500 = $35,500
- The *Indifference Point* is the point where both machines would give us the same profit → This is the point we are going to calculate
- Indifference Point = Incremental Fixed Cost / Incremental Contribution
- Indifference Point = 35,500 / 2.75 = 12,909.09 units
  - This means if we were to produce more than this many units we should buy the *Obadose2017* and if we were producing less, then we would buy the *Eagle*
- Since we are planning to produce 12,950 units we would purchase the *Obadose2017*
- What if we though that we might not meet our projections?

Contribution Analysis Examples - Finetuning

The Situation:

- Bull TA's t-shirt sales have slowed down through the winter months, and the company is considering outsourcing t-shirt production to focus on their sweatpant and sweatshirts
- Currently the t-shirts sell for $15.00 and each shirt costs the company $7.50
- Outsourcing production would reduce the cost per shirt to $2.25, but Bull TA's management team is worried about the quality and negative brand perception of outsourcing
- To combat this, the company will reduce the price of each shirt to $13.50 and has hired a new employee to help with promotions to combat the negative brand image. This will minimize the drop in sales from its current level of 6,900 units to only 6,500 units. The employee is paid a salary of $37,500
- Should the company pursue this outsourcing plan?

Contribution Analysis Examples - Finetuning

The solution:

- Old Contribution:
  - $15.00 - $7.50 = $7.50 contribution per unit
  - Currently selling 6,900 units
  - Total contribution = 6,900 x $7.500 = $51,750
- New Contribution
  - $13.50 - $2.25 = $11.25/unit
  - Only sell 6,500 units now
  - Total contribution = 6,500 x $11.25 = $73,125
- Incremental Contribution: $73,125 - $51,750 = $21,375
- Incremental Fixed Cost: $37,500
- Since the Incremental Contribution is *less* than the Incremental Fixed Cost, Bull TA would be worse off quantitatively, and should not outsource

STUDENTS OFFERING SUPPORT

Raising Marks. Raising Money. Raising Roofs.

Business Models

Neelam

NATIONAL SPONSORS:

HSBC

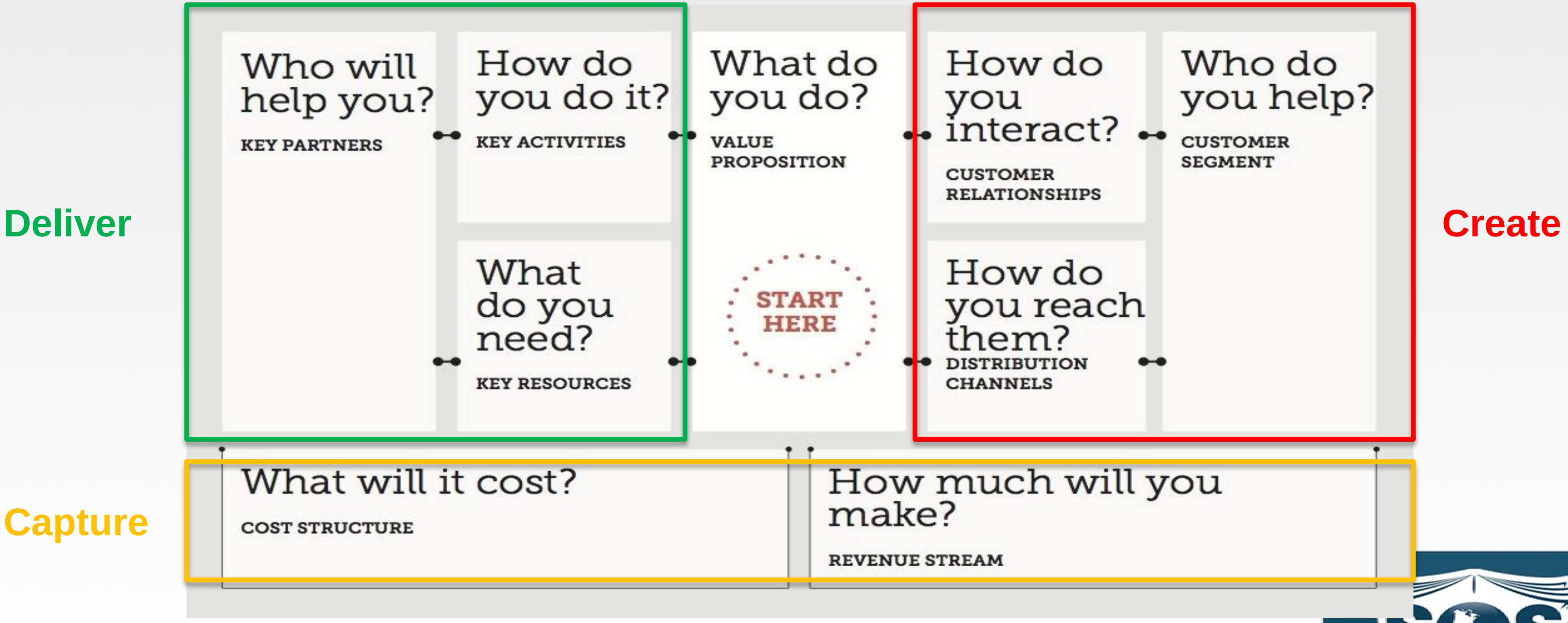
Ernst & Young
Quality In Everything We Do

Study guide says…

- What a business model is
- Why it is important to understand your business model (Lab Manual - *Why Business Models Matter)*
- How companies can have essentially the same product and different business models
- Implications of business model on operations
- Business model patterns and examples
- Value proposition design

What is a business model?

- Describes he rationale of how an org creates, delivers, and captures value.
- How you intend to make money with your idea. Turning an idea into a profitable business / sustainable not-for-profit.



When do business models fail?

- Narrative
  - Logic is flawed
  - Incorrect assumptions about the value chain
- Numbers
  - Value creation is imperfect, assumptions are wrong

Same product, different model

- How is that possible? What changes?
- **Elements of the BMC change**
- An easy change to identify is the revenue stream (rent, sell, subscribe, commission, license…)

Same service, different models

I need help preparing for the BU121 midterm! What can I do?

SOS session

- Larger group
- Comprehensive review with questions as needed
- Volunteer, not-for-profit
- Fund outreach projects
- Consistent rate: $20/3 hours for all sessions
- Multiple courses under SOS brand: relationship builds!

Individual tutor

- One-on-one
- Work only on the areas you're struggling with
- For profit
- Varied rates: $20,40,60/hour depending on the tutor
- Probably need different tutors for every course

I've got my BU121 exam prep help! Yay!

Same product, different models

I need a Macbook! Where can I get one?

Future Shop

- Mass market
- Retail model
- Spends money on stores and displays
- Asset sale
- Pay full price, then you own the computer

PRISM Resources

- Niche market (only available to SBE students)
- Funded by PRISM fees
- Rental model
- No expenses for displays: keep laptops in storage
- Free if you pay the $60 PRISM fee
- Get the laptop temporarily

I've got my Macbook! Yay!

"Patterns" and examples

Relatively new types of powerful business models include:

- Multi-sided Platform
- Long tail
- "Free"

"Patterns" and examples

- Multi-sided Platform
  - Facilitating some interaction/exchange between two or more distinct groups
  - Groups are interdependent: platform is useless unless both groups are present
  - Network effect: Grows in value if you continue to attract users
  - Ex: eBay requires buyers and sellers

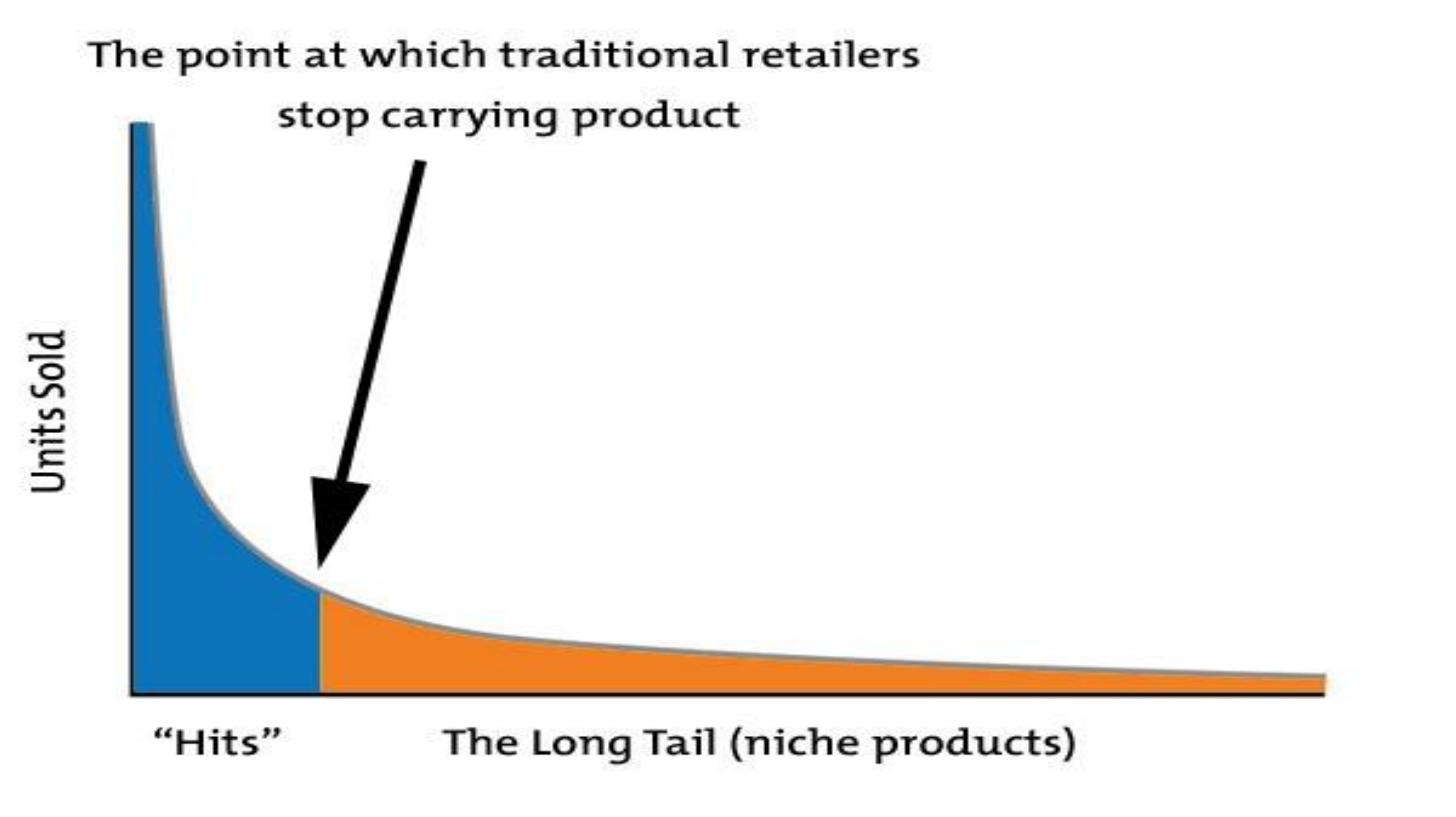
"Patterns" and examples

- Multi-sided Platform: eBay
- Long tail
  - Virtually endless selection
  - Offer a large number of niche products, selling infrequently
  - Ex: Blockbuster vs. Netflix, HMV vs. iTunes
  - Can be made possible by digital storage

"Patterns" and examples

- Multi-sided Platform: eBay
- Long tail

NETFLIX



"Patterns" and examples

- Multi-sided Platform: eBay
- Long tail: Netflix
- "Free"
  - One segment benefits from a free service, which is financed by another part of the business model

"Patterns" and examples

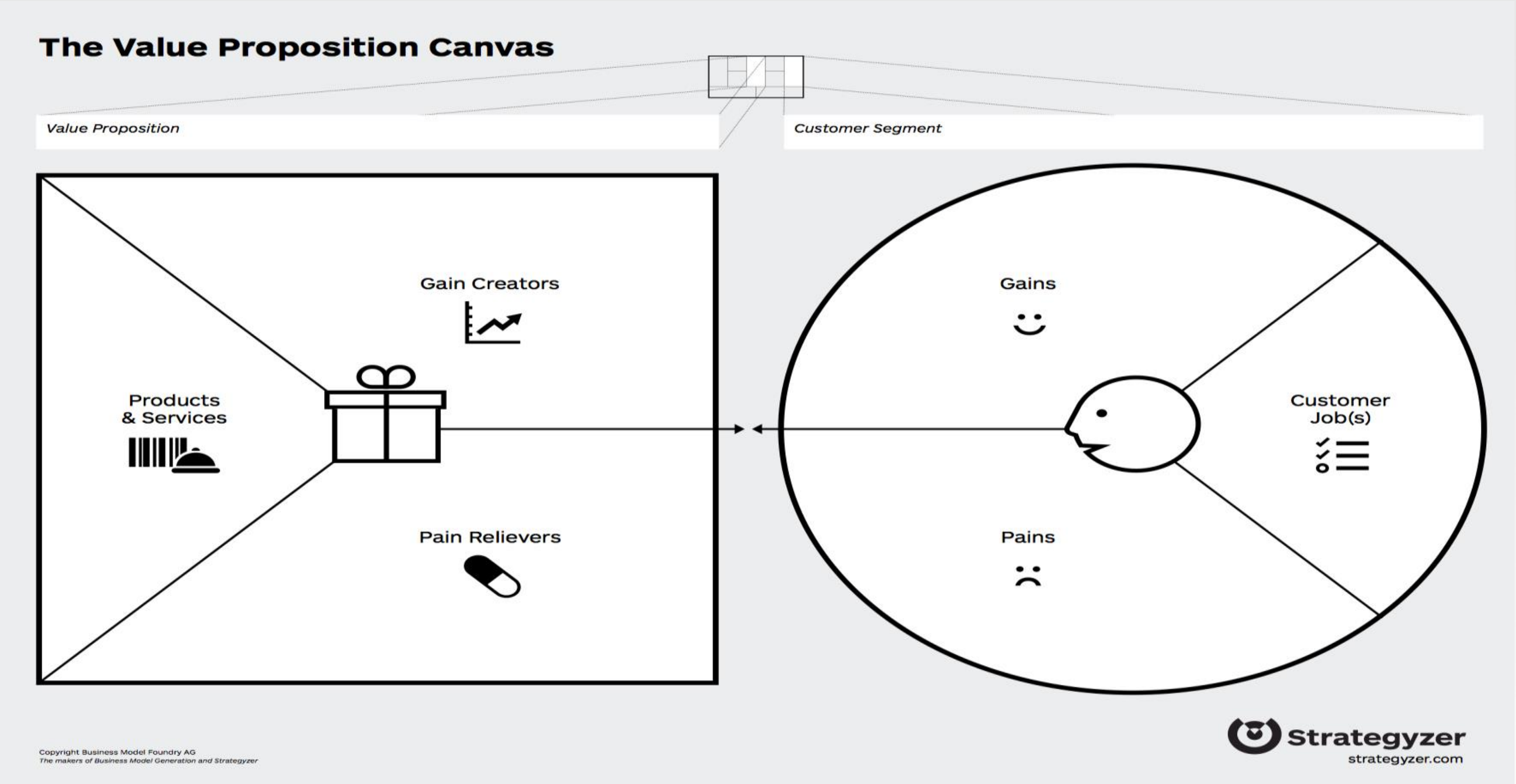
- Multi-sided Platform: eBay
- Long tail: Netflix
- "Free"
  - Different patterns make the free offer possible
    - **Advertising -** Google
    - **Freemium -** Skype
    - **Bait & Hook -** Free mobile phones (Bait) + Expensive phone plans (Hook)

"Patterns" and examples

- Multi-sided Platform: eBay for buyers and sellers
- Long tail: Netflix, iTunes offering (virtually) endless selection
- “Free”: Google; search is free, advertising is paid

Value Proposition Design

- The **set of** value proposition **benefits** that you design to attract customers **must** FIT **with the set of** customer segment **characteristics** that you assume, observe and verify in the market



STUDENTS OFFERING SUPPORT

Raising Marks. Raising Money. Raising Roofs.

Business Communication

Blair

NATIONAL SPONSORS:

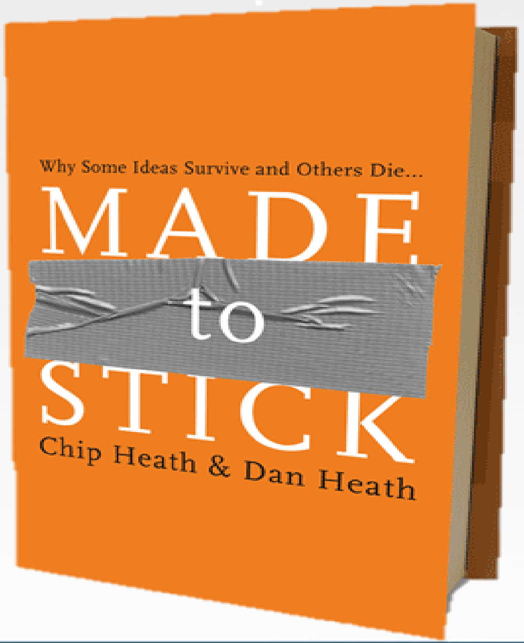
HSBC

ERNST & YOUNG
Quality In Everything We Do

Study guide says…

Lecture Material – 'Made to Stick'

- What is a sticky message?
- Implication of the 'curse of knowledge'
- 6 principles of stickiness – what they are and how to achieve them
  - Dawn (saving wildlife) integrative example



Sticky Communication

- What “Sticks”?
  - Understandable, memorable, and effective in changing thought or behaviour
  - Are concepts created interesting or made so?
    - Communication bridges the gap between concept and interest.
      - Not just the WHAT of the communication, but the HOW

You know that friend that takes the most interesting story and completely ruins it when they tell it? Chip and Dan Heath hate that friend. They want to live in a world where no one has that friend.

Sticky Communication

- The Curse of Knowledge
  - When we know something, hard to imagine not knowing it (cannot communicate ideas clearly)
  - Your vast knowledge and experience makes it hard to fathom how little someone else knows
  - You start to think that you don't need to consider the principles of sticky communication

- Sometimes if you're stuck on a math problem it's better to have your pal in second year help you out than Dr. Howe. He's almost too smart to teach you math. He has forgotten proofs you will never even begin to understand.

STUDENTS OFFERING SUPPORT

Success Model

Simplicity

- Find and communicate the core of the message
- This makes the message easy to remember
- No "plan" survives contact with the enemy

- Eg. Southwest Airlines– THE Low fare Airline or Disney's "Cast Members" vs Subway's Sandwich Artists
- Or more importantly… "Daaaaaamn Daniel"

sUccess Model

- Unexpectedness
  - Surprise the audience, create an interest.
  - Opens gaps in knowledge then fills them.
  - Violates Expectations, uncommon sense, counterintuitive

Eg- A car commercial that starts off with a happy smiling family pulling out of the driveway and they immediately get plowed over by a 16 wheeler and JK it was never a car commercial it was a traumatizing PSA about seatbelts.

If you want a new relatively unexpected example check out a video my sister sent me once when you’re on a study break https://www.youtube.com/watch?v=j91nOym5_yE

sUccess Model

- Unexpectedness
  - Surprise the audience, create an interest.
  - Opens gaps in knowledge then fills them
  - Violates Expectations, … uitive

Eg- A car commercial th… lling out of the driveway and they immediately get … r a car commercial it was a traumatizing PSA about sea…

Or more importantly every John Cena meme ever

If you want a new relatively unexpected example check out a video my sister sent me once when you're on a study break https://www.youtube.com/watch?v=j91nOym5_yE

suCcess Model

Concrete

- Keep ideas succinct and fixed – more clear
- Imagery the audience can visualize!

Eg. Movie Popcorn contains 20g of fat vs.
Movie Popcorn contains more fat than a Bacon and Egg breakfast, a Big Mac and Fries and a Steak Dinner with all the trimmings… combined.

sucCess Model

Credibility

- Use internal (Statistics, Vivid Details, Testable Credentials) as well as external (Experts, Celebrities and Anti-Authorities) credibility to make the audience believe in your statements

- Testable Credentials: Get them to try it out for themselves. Malcolm Gladwell: In the next 15 seconds write down as many things as you can think of that are white.
- Anti Authorities: A dying smoker telling you not to smoke.
  Or, a non-profit that claimed to turn homeless people into useful workers would send a car around to pick up prospective donors and employers of their clients. The trick: Their driver, unbeknown to the donors until later, was a former homeless person.

succEss Model

Emotions

- Use emotions to your advantage by appealing to the receiver's self interest, emotions or identity
- Get people to care about your message and **feel!**

Eg. Two charity campaigns one filled with stats and the other focused on a single child. The latter wins every time.

Eg. Don't mess with Texas

succeSs Model

Stories

- Use anecdotes, or real life examples to make your message into a simulation
- Contain wisdom and make people take action

1. The Challenge Plot (Rags to Riches, Willpower over Adversity) Cinderella
2. The Connection Plot (Bridging a gap, could be racial, gender, age, species) Beauty and the Beast
3. The Creativity Plot (something that makes it different/better than the rest) Frozen

Walt Disney PICTURES

STUDENTS OFFERING SUPPORT

Raising Marks. Raising Money. Raising Roofs.

THANK YOU!

Good luck on your midterm!

Visit **lauriersos.com** for more sessions and volunteer opportunities!

Please leave us feedback when prompted!