

BUSINESS MODEL

BM2217



- Time Value of Money
- Revenue Generation
- Basic Pricing Strategies and Technique
- Generalization, Quiz, eLMS

Time Value of Money (TVM)

The concept that the money you have in your pocket today is worth more than the same amount if you receive it in the future because of the profit it can earn during the interim.

Future value of money formula

$$\text{Future value of money} = PV \times \left(1 + \frac{i}{n}\right)^{(n \times t)}$$

PV - present value of money

i - interest rate or other return that could be earned

t - number of years to take into consideration

n - number of compounding periods of interest per year



For example, you can receive P100,000 cash today or P50,000 per year for the next two (2) years totaling P100,000.

Assume you would invest the P100,000 cash today in stocks that pay 2% yearly, compounded monthly.

To calculate the value of the money in two (2) years, here is how it works:

$$FV = P100,000 \times (1+(0.2/12))^{(12 \times 2)}$$

$$FV = P100,000 \times 1.48691473$$

$$FV = P148,691.47$$

Future value of money formula

$$\text{Future value of money} = PV \times \left(1 + \frac{i}{n}\right)^{(n \times t)}$$



Revenue Generation

The overall process by which businesses find ways to generate income and improve profitability.

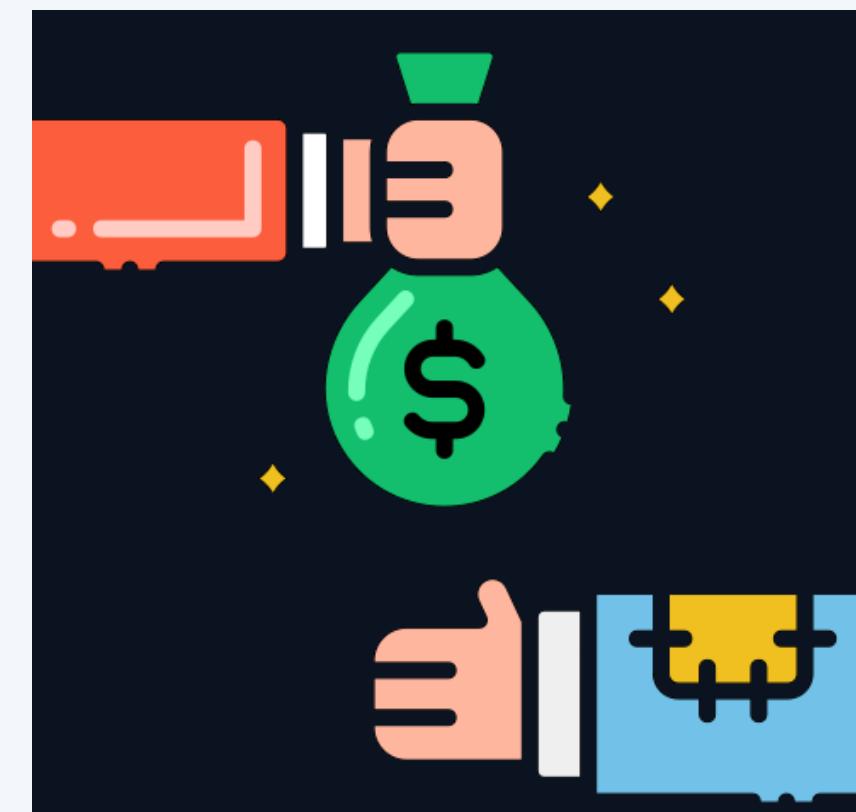
Revenue Generation



Personal Investment



Love Money



Venture Capital





Revenue Generation

4

Angels



5

Crowdfunding



6

Business Incubators





Revenue Generation

7

Grants & Subsidies



8

Loans



Basic Pricing Techniques and Strategies

Price is a crucial factor in influencing consumer choice. Pricing decisions require careful consideration of the company, market competition, brand positioning, and the target market.



Step 1:

Selecting the price objectives

Value

The word "cheap" can mean two different things.

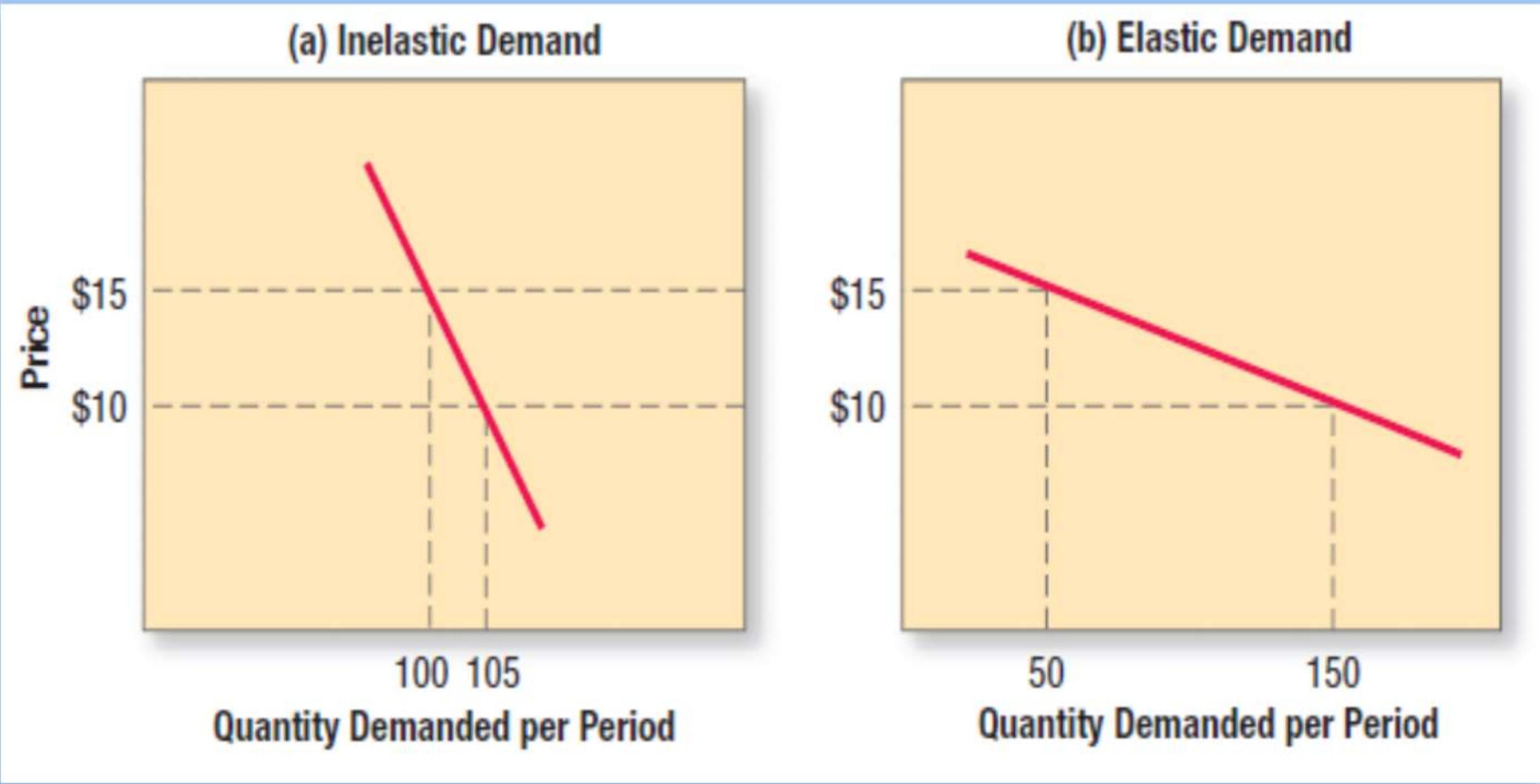
Convinces customers to buy

The ideal price is one that encourages customers to choose the product over those of rivals' similar offerings

Gives customers faith in the product

If products with higher prices show value and exclusivity, the opposite is also true.

Step 2: Determining Demand



Step 3: Estimating Cost



Fixed Costs

A company must pay monthly bills for rent, heat, interest, and salaries regardless of output

Variable Costs

A company expense that changes in proportion to how much a company produces or sells.

Total Costs

It is the sum of the fixed and variable costs for any given production level.

Step 4: Analyzing competitor's costs, prices, and offers

If the business' products or services include features not offered by the competitor, it should evaluate its value to the customer and add that value to the competitor's price.

If the competitor's offer contains features not offered by the business, it should subtract its value from its price.

Step 5: Selecting a pricing method

1

Markup Pricing

To add a standard markup to the product's cost

2

Target-return Pricing

To determine the price that yields its target rate of return on investment.

3

Perceived-value Pricing

To base the price on customer's perceived value of the brand or company

4

Value Pricing

To charge a fair price for high-quality goods that matches a good product value

Step 5: Selecting a pricing method

Everyday Low Pricing

5

To charge a continuously low price for a product over a long-time horizon

Going-rate Pricing

6

To base the price on competitors' prices rather than own demand or costs

Market-Skimming Pricing

7

To set high initial price especially on new products

Market-Penetration Pricing

8

To set low initial price to penetrate the market quickly and gain large market share

Step 5: Selecting a pricing method

Product Line Pricing

9

To price each product at a different price point

Optional-Product Pricing

10

To sell main products at a low price in order to increase sales of complimentary product

Product-Bundle Pricing

11

To combine two (2) or more products and be sold as one

International Pricing

12

To set price depending on the economic situation of one country

Step 5: Selecting a pricing method

13

Promotional Pricing

To price each product at a different price point

Special-event Pricing

Limited-time offer Pricing

Rebates / Cash-back

Step 6: Selecting the final price

The business must consider the impact of other marketing activities, business pricing policies, gain-and-risk-sharing pricing, and price impact on other parties.





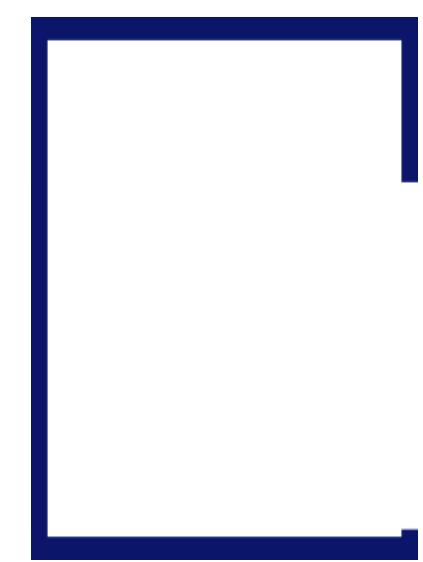
TECHNO PRENEURSHIP

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Faculty
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If you were to start the following businesses, where would you do so?

- A. Salon or barber shop
- B. Computer shop
- C. Coffee shop
- D. Electronic repair shop



WHAT IS OPERATIONS MANAGEMENT?

What is Operations Management?

Operations Management is the administration of business practices to create the highest degree of efficiency possible within an enterprise. It involves utilizing resources from people, materials, equipment, and technology.



Role of Operations Management in a Business

Responsibilities of operations management:

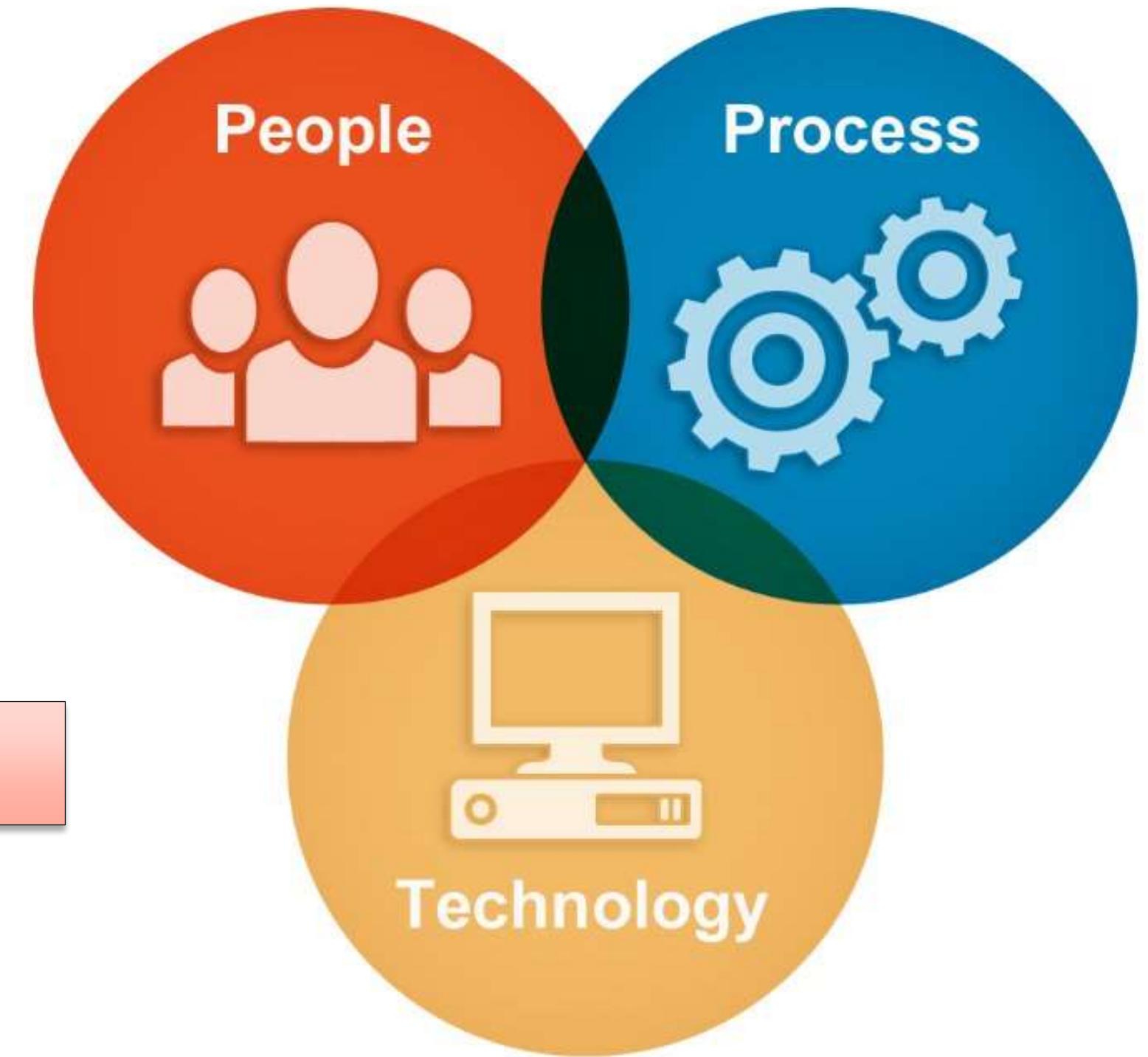
1 Capacity Planning

2 Product Design and Service Design

3 Quality Control

4 Process Improvement and Optimization

5 Supply Chain Management



Location and Major Start-Up Needs

1

Facilities Management



HARD SERVICES

Managing physical environment

FIRE SAFETY
SYSTEM

LIGHTING
SYSTEM

PREVENTIVE
MAINTENANCE

PLUMBING

HVAC

ELECTRICITY

STRUCTURAL MAINTENANCE

SOFT SERVICES

Managing people and organization



WASTE
MANAGEMENT

CLEANING
SERVICES

SPACE
PLANNING

EHS
COMPLIANCE

PEST
CONTROL

BUILDING
SECURITY

LANDSCAPING

CATERING

Location and Major Start-Up Needs

2

Facilities Location

An enterprise must take into consideration several factors when selecting a location site for its operations. Characteristic of a tangible and intangible nature:

- **Tangible factors** include delivery or freight rates, production costs, local government tax cuts, and production costs.
- **Non-tangible factors** include the location's security, quality of work, and culture.



If you were to start the following businesses, where would you do so?

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Location and Major Start-Up Needs

2

Facilities Location

Controllable Factors

1. Proximity to the market
2. Supply of materials
3. Transportation facilities
4. Infrastructure available
5. Labor wages and the laws that govern it

Non-controllable Factors

1. Government policies
2. Climate and environmental conditions
3. Supporting industries

Location and Major Start-Up Needs

3

Workplace Layout

A. *Open Office Design*

Workstations are arranged in a variety of ways, some touching each other, and others clustered in work zones of varying sizes.

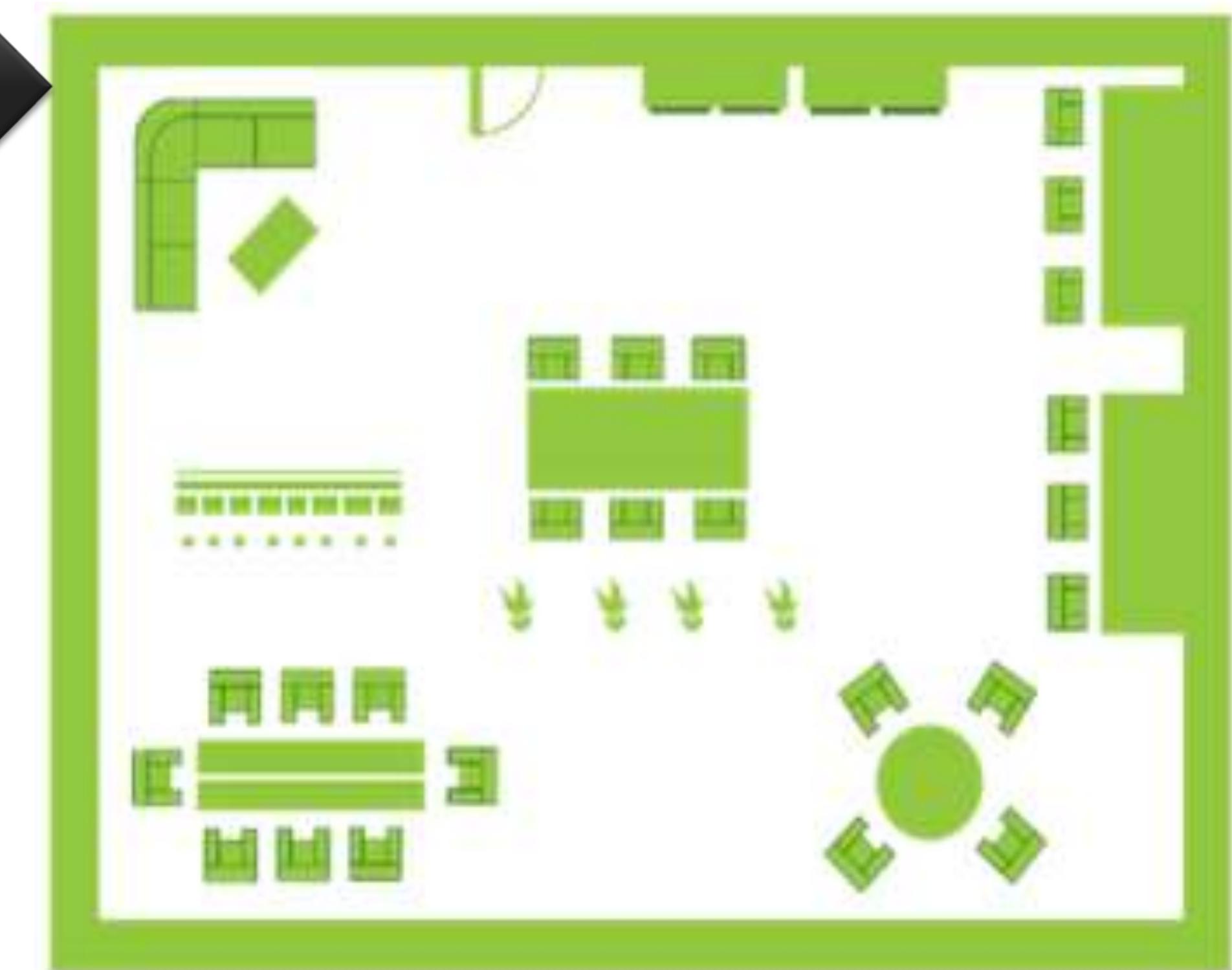


Figure 1: Open Office Design

Source: <https://www.newdayoffice.com/blog/how-to-choose-the-best-office-layout-for-your-business>

Location and Major Start-Up Needs

3

Workplace Layout

B. Cellular Office Design

The entire office space is divided into individual spaces, or cubicles, so that employees can each have their own private areas in this popular layout.

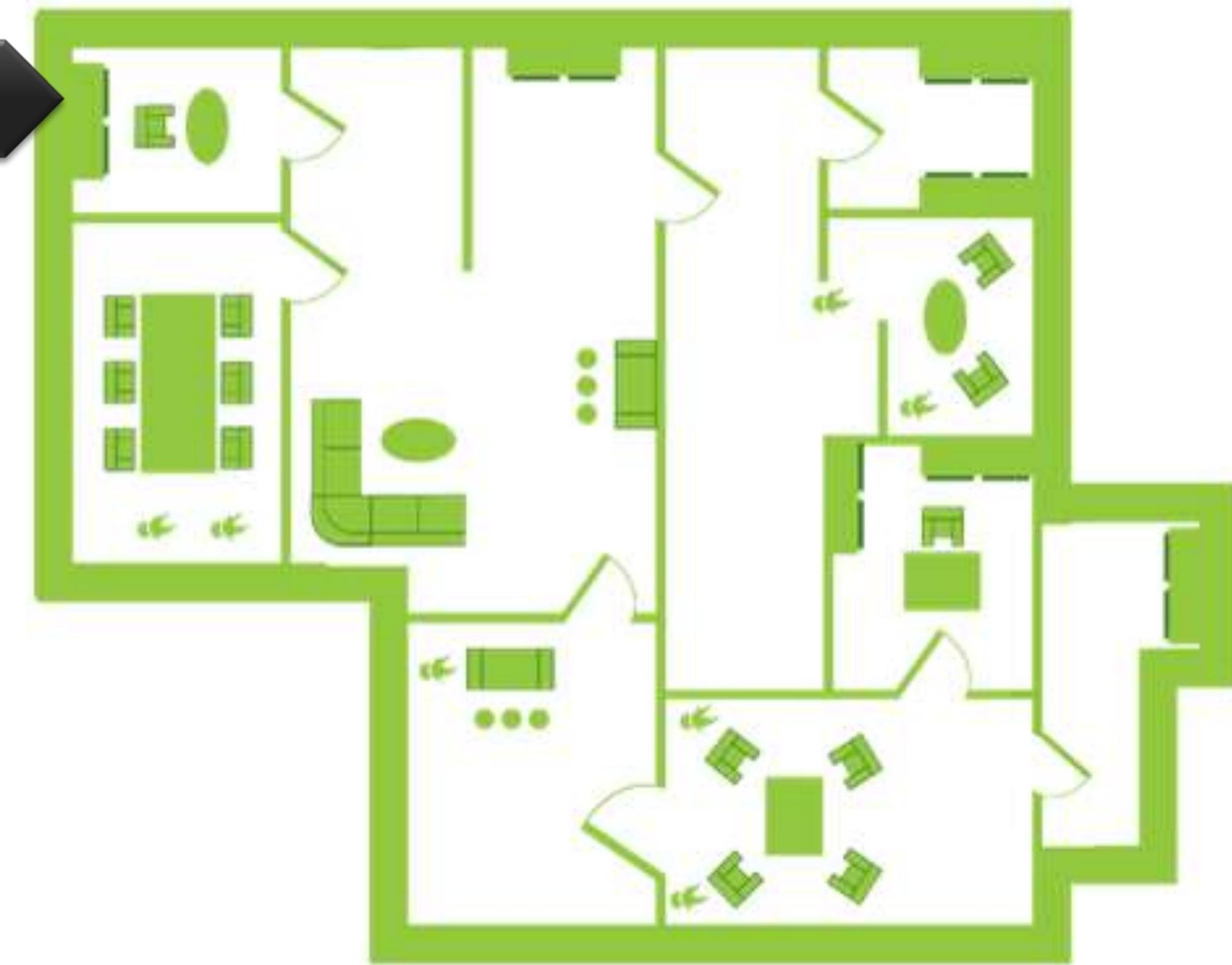


Figure 2: Cellular Office Design

Source: <https://www.newdayoffice.com/blog/how-to-choose-the-best-office-layout-for-your-business>

Location and Major Start-Up Needs

3

Workplace Layout

C. Co-Working Office Design

Co-working office plans are popular with workers without designated workspace. Desks can be assigned to workers based on their jobs.

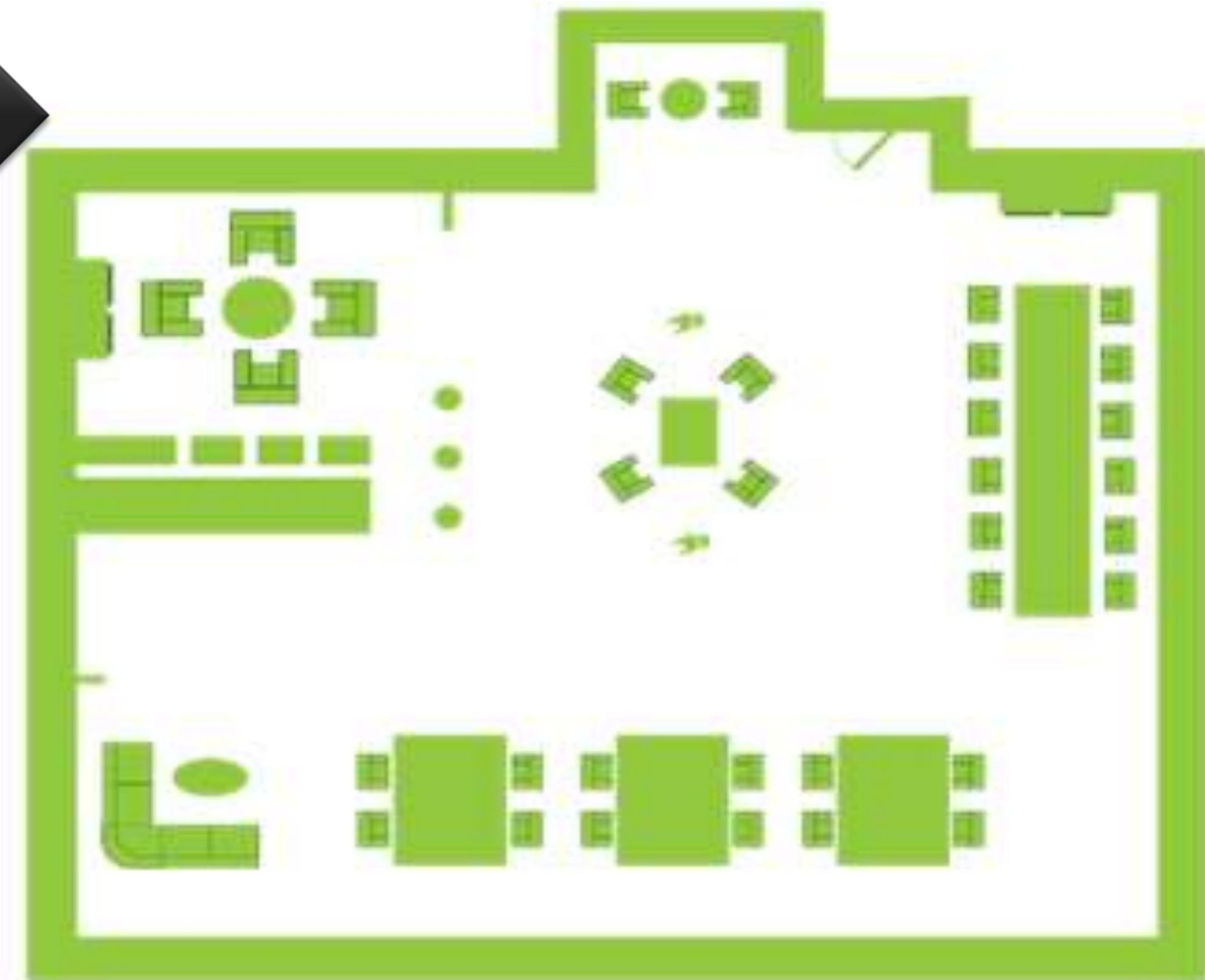


Figure 3: Co-working Office Design

Source: <https://www.newdayoffice.com/blog/how-to-choose-the-best-office-layout-for-your-business>

Location and Major Start-Up Needs

3

Workplace Layout

D. Combination Office Design.

A combination office layout might be the best choice for you if you want to incorporate open and mobile work options.

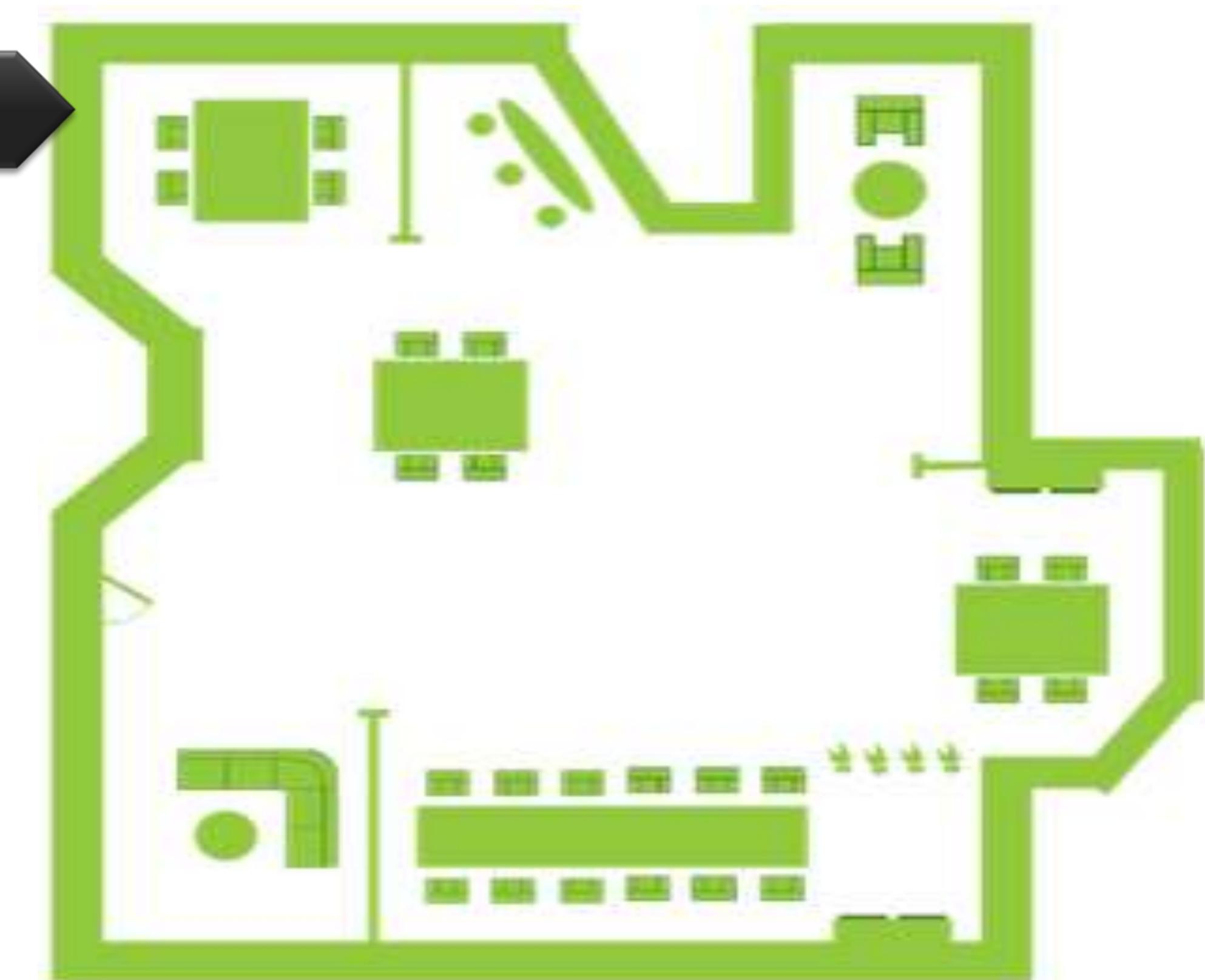


Figure 4: Combination Office Design

Source: <https://www.newdayoffice.com/blog/how-to-choose-the-best-office-layout-for-your-business>

Location and Major Start-Up Needs

4

Manufacturing Plant Layout

A. Product or line layout. Only a single type of product is created in an operating area. The product is expected to be standardized and produced in large quantities.

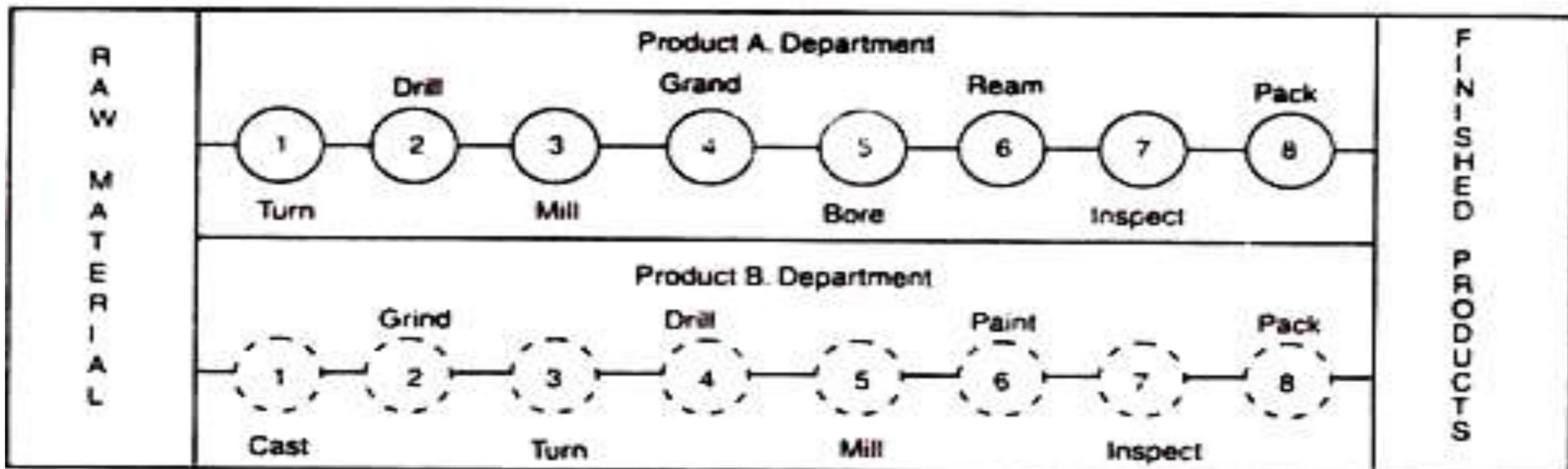


Figure 5. Product or line layout
Source: <http://www.egyankosh.ac.in>

Location and Major Start-Up Needs

4

Manufacturing Plant Layout

B. Process or functional layout. This layout is useful if there is a low production need. The machinery and equipment are positioned according to the nature or type of operations.

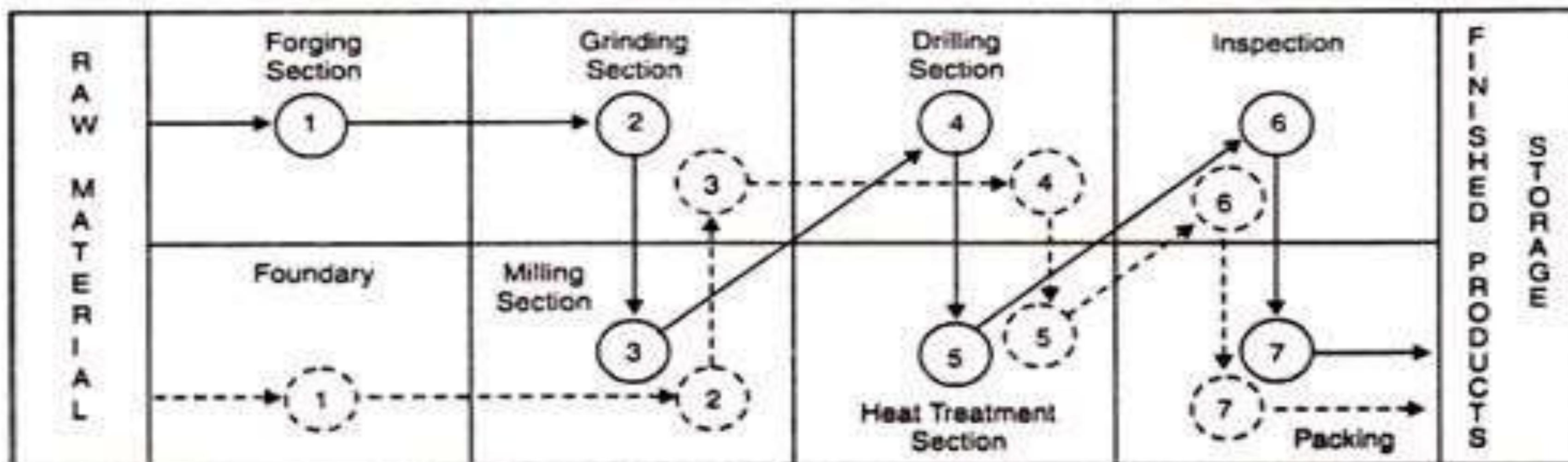


Figure 6. Process or Functional layout
Source: <http://www.egyankosh.ac.in>

Location and Major Start-Up Needs

4

Manufacturing Plant Layout

C. Fixed position layout. Raw materials, parts, accessories, machinery, even the workers are brought to the location where the products are being built.

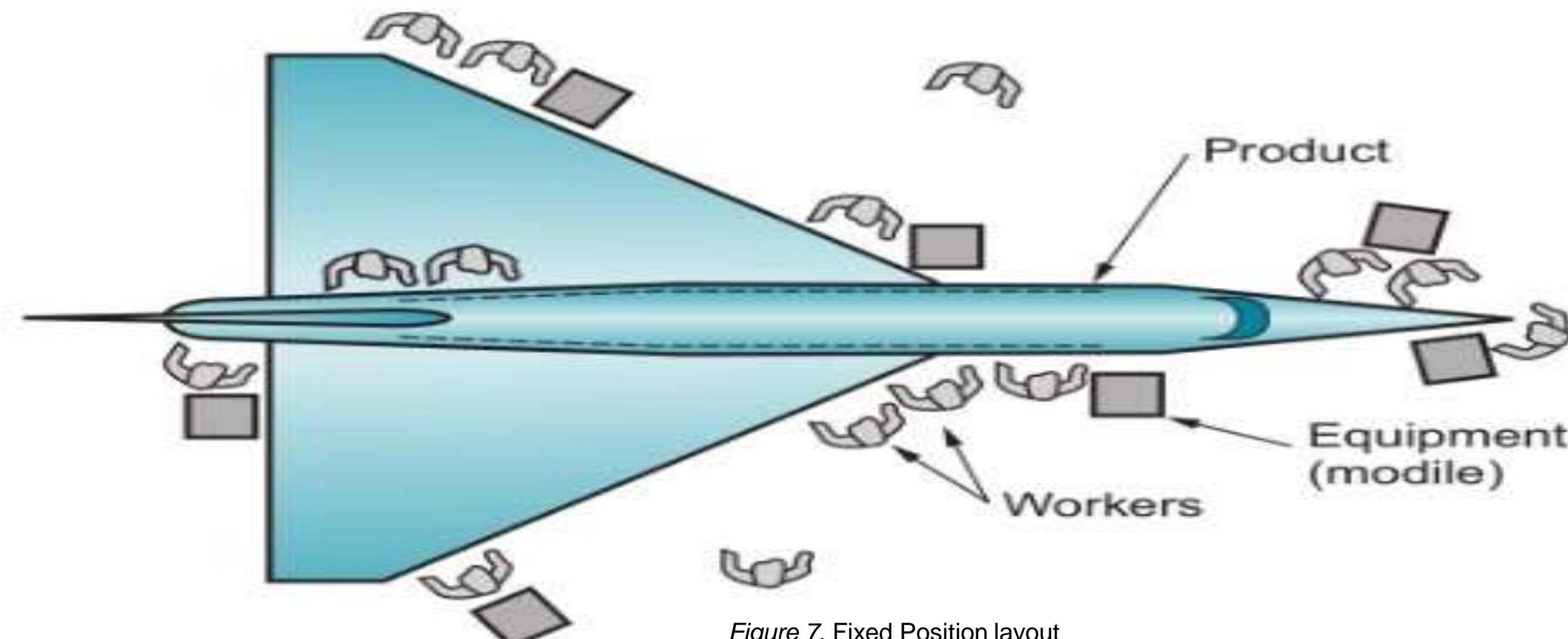


Figure 7. Fixed Position layout
Source: <http://www.egyankosh.ac.in>

Location and Major Start-Up Needs

4

Manufacturing Plant Layout

D. Combination type layout

It is a layout that utilizes a combination or a mix of other layouts. This type is possible if an item being made has different types and sizes.

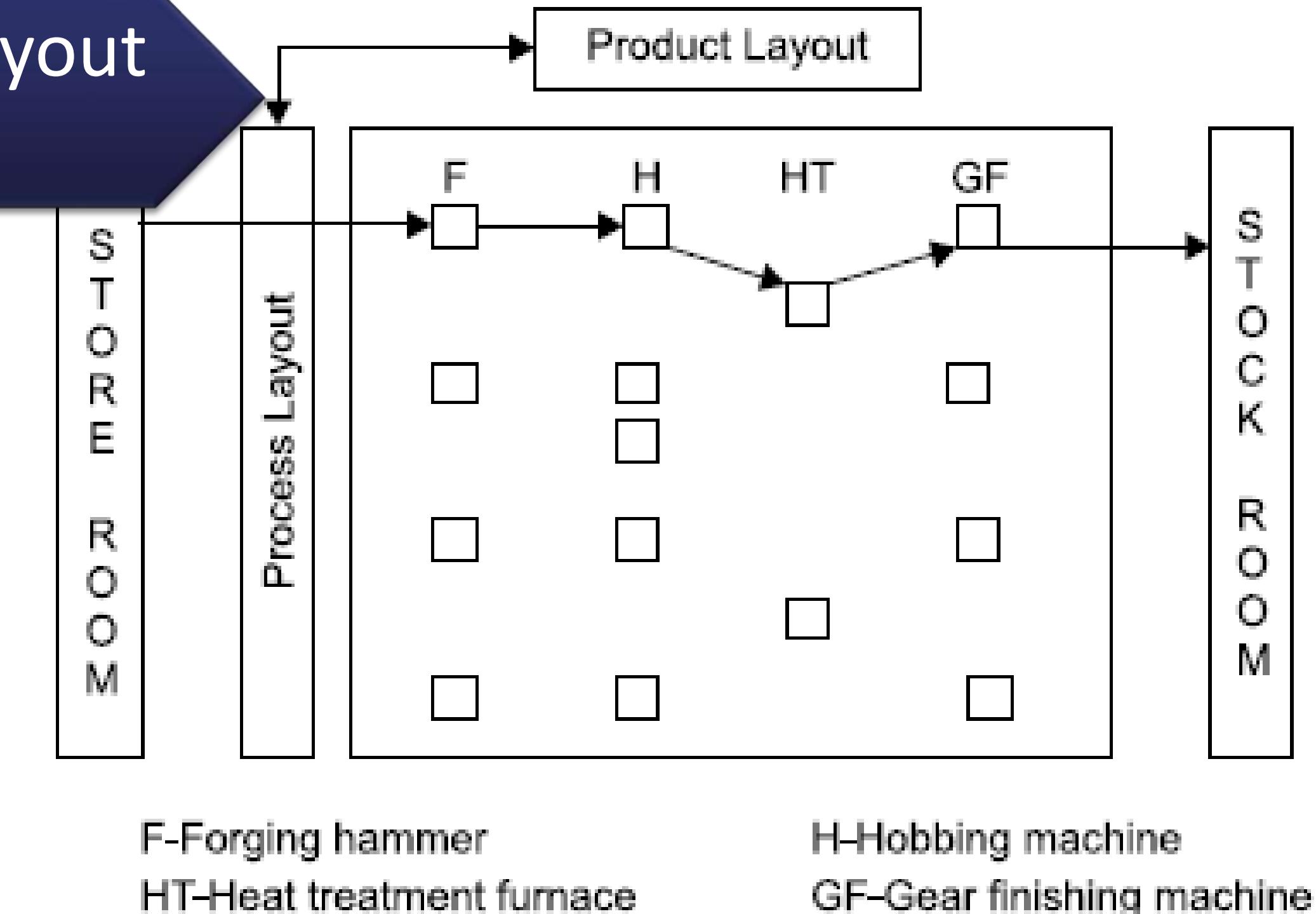


Figure 8. Combination type layout
Source: <http://www.egyankosh.ac.in>

Location and Major Start-Up Needs

5

Virtual Office

- 1 Set-up a phone system and office address
- 2 Acquire a domain name and e-mail address
- 3 Adopt the right tools and equipments
- 4 Set-up collaboration and communication tools
- 5 Establish the organizational rules and regulations





The 5s

Seiri



Sort

Remove all of
the clutter from
the work place

Seiton



Set in order

Organize in an
efficient and
ergonomic
manner.

Seison



Shine

Clean up the
entire area
removing all
dirt

Seiketsu



Standardize

Ensure
standard ways
of working for
the first three
stages.

Shitsuke



Sustain

Ensure that 5S
principles are
part of the
culture

Business Model Canvas

<u>Key Partners:-</u> <ul style="list-style-type: none">- Who are the key partners/ Suppliers or vendors?- Do we have any consulting firms?- Which key resources or capabilities do they provide?	<u>Key Activities:-</u> <ul style="list-style-type: none">- What are the key processes & tasks we need to create to deliver the value proposition?- What do we develop, sell or manage?	<u>Value Propositions:-</u> <ul style="list-style-type: none">- What is the core problem we are trying to solve?- Are there multiple problems we are trying to solve?- How the new value will be different than the current value?	<u>Customer Relationships:-</u> <ul style="list-style-type: none">- How we should keep relationship with our customer?- Which idea will fits best with each segments?	<u>Market Segments:-</u> <ul style="list-style-type: none">- Who are the primary customer for this product?- For whom we are creating the values?- Do we have any secondary customer?- What are the customer segments or user groups we have identified?
<u>Key Resources:-</u> <ul style="list-style-type: none">- Who are the key resources to deliver the key activities?- Do we have any key partners to deliver the same?	<u>Channels:-</u> <ul style="list-style-type: none">- How we should connect with your customers?- What are the most cost-efficient and reliable channels?			
<u>Cost Structures:-</u> <ul style="list-style-type: none">- What are the fixed & variable costs?- What are the main elements of operational expenses?- Do we have costs involved for CAPEX?		<u>Revenue Structures:-</u> <ul style="list-style-type: none">- What is our primary revenue model?- What are the secondary source of revenue?- Do we have subscription, service, licensing fee model?		