PRODUCT MANAGEMENT

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UNIVERSITY COMPLUTENSE OF MADRID

INSTRUCTOR

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TO SCHEDULE MEETINGS PLEASE SEND ME AN EMAIL

LEARNING GOALS

THIS IS AN INTRODUCTORY COURSE TO PRODUCT MANAGEMENT

THE MAIN LEARNING GOALS OF THE COURSE ARE:

UNDERSTANDING THE FIT STRATEGY-PRODUCT

DESIGNING VALUABLE PRODUCTS

PRODUCING OR DELIVERING GOODS AND SERVICES

PRODUCT LAUNCH PLAN

LESSON 1

PRODUCT MANAGERS NEED TO DIFFERENTIATE BETWEEN VALUE CREATION AND VALUE CAPTURE

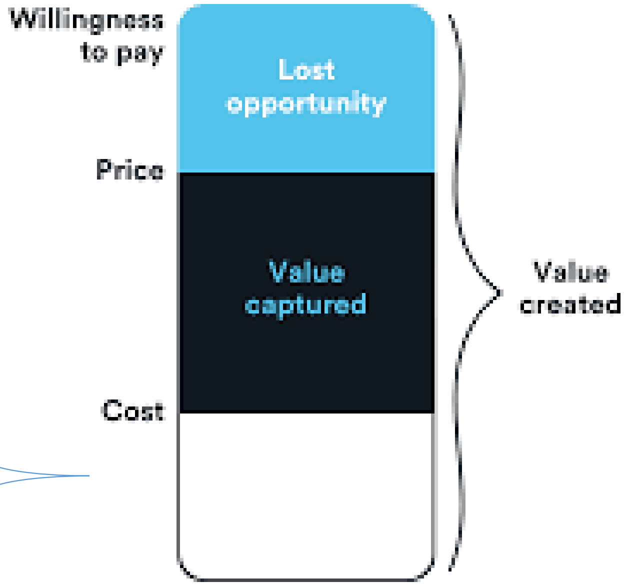
€ 15k

In vitro Molecule

$ 10M

Patent & Toxicity Testing

$ 250M/year?



INPUTS
1. LABOR
2. CAPITAL:
    1. FINANCIAL CAPITAL
    2. MANAGEMENT
    3. DIGITAL CAPITAL (ROUTINES & PROCESSES COMPLEMENTARY WITH INFORMATION TECHNOLOGY)
    4. ASSETS (INFRASTRUCTURE, MACHINES, PREMISES,…)
3. MATERIALS
4. DATA
5. CUSTOMERS

THE STRONGER MY CO-SPECIALIZED ASSETS, THE HIGHER MY VALUE CAPTURE:
1. BRAND
2. ACCESS TO MARKET (DISTRIBUTION CHANNELS)
3. INTELLECTUAL PROPERTY RIGHTS

VALUE CREATION

VALUE CREATION IS A PROCESS WHERE FIRMS EMPLOY LABOUR AND CAPITAL TO TRANSFORM MATERIALS, DATA OR CUSTOMERS INTO PRODUCTS (GOODS OR SERVICES) THAT PRODUCE UTILITY (VALUE) TO THE CUSTOMERS.

CAPITAL REFERS TO INFRASTRUCTURE, MACHINES, FACILITIES, FINANCIAL RESOURCES, MANAGERIAL CAPABILITIES AND DIGITAL CAPITAL (ROUTINES THAT COMPLEMENT INFORMATION TECHNOLOGIES)

VALUE CREATION

We define value creation as the perceived benefit to the customer.

This is in line with the microeconomic concept of the utility of a company’s offering for its customers, whether it enhances the quality of life for a final consumer or increases the profitability of corporate customers.

If a product or service is failing to do so, obviously there is no point in bringing it to the market after all.

VALUE CAPTURE

Value capture implies transforming value creation into profits.

The pricing and cost structures will have to accommodate sufficient value capturing.

If the value created is not sufficiently captured, there is no long-term viability of the product.

Firms can increase value capture by any of the following COSPECIALIZED ASSETS:

- Securing Intellectual Property Rights
- Access to market (i.e. Distribution Channels)
- Developing a Strong Brand

LESSON 2

PRODUCT MANAGERS NEED TO UNDERSTAND THEIR MAIN RESPONSIBILITIES IN THE FIRM

- Competencies of a Product Manager:
  - Customer interviews and user testing
  - Running design sprints
  - Prioritization and roadmap planning
  - Resource Allocation
  - Performing Market Assessments
  - Business to Technical Requirements
  - Pricing and Revenue model
  - Defining Success Metrics

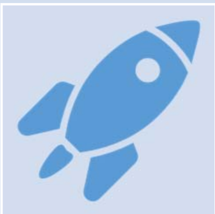
Role of Product Manager depends on the maturity of the firm.

In Startups:

PM focuses on Discovery-Definition/Planning/Development-Launch…but also Pricing, Marketing Support, and Sales.

PM is involved in the definition of the company strategy…but PM has little support, no mentorship or best practices to guide.

PM typically faces tight budgets unknown markets.



In Mature Companies:

The PM focuses on Discovery-Definition and Launch. Planning is given by corporate operations.

PM may follow Best practices and standards and must face a known market.

PM decisions are mainly tactical or operational not strategic.

Types of Product Management Roles:

- Data Product Manager(Responsible for providing data driven insights throughout the product lifecycle).
- Growth PM (Responsible for retention of existing customers and entering new customer segments).
- Technical PM (Responsible for connecting engineering with market demands. Technical PM focuses on product feasibility).

LESSON 3

PRODUCT MANAGERS NEED TO UNDERSTAND HOW THEIR PRODUCT FITS INTO FIRM´S STRATEGY

Following Michael Porter´s contributions on competitive strategies, Product Competitive Strategies are:

Low Cost:providing maximum value as defined by your customer with effective use of resources.

Differentiation: providing unique value propositions.

LOW COST PRODUCT STRATEGY

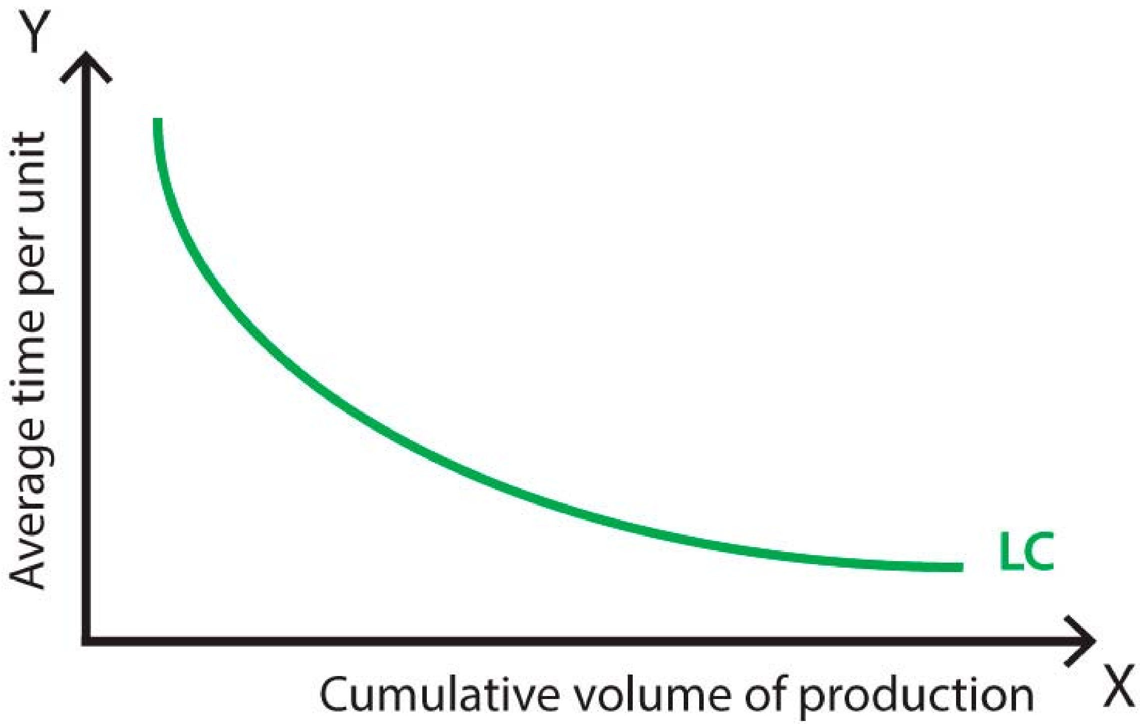
$

Low Cost strategies include lower costs for raw materials, labor, inventory, production, transportation of goods, and any other product costs. The trick, of course, is to find the right balance on the "time, cost, quality triangle" to meet customers' expectations.

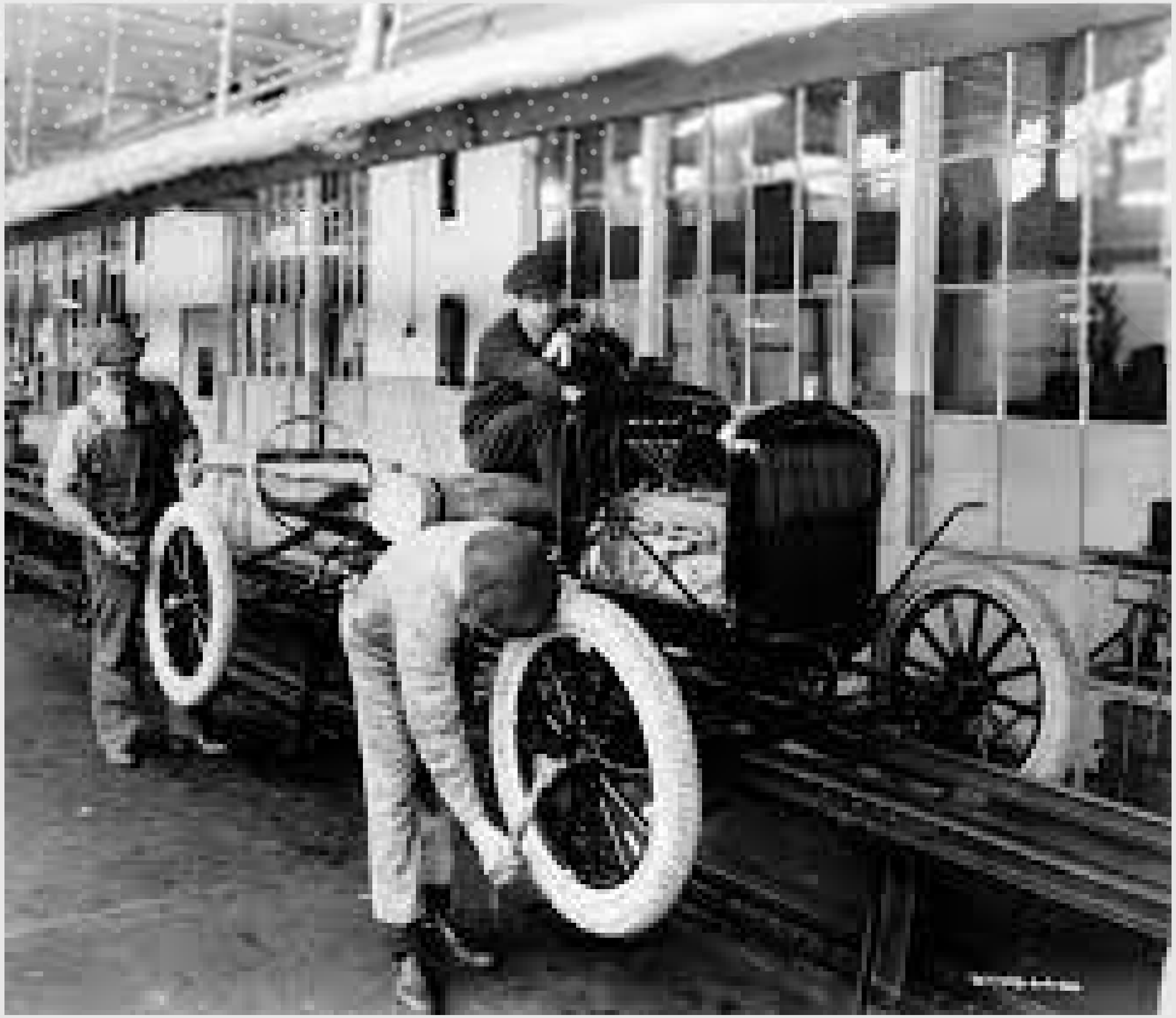
Low Cost Strategy will be based on:

- Task Specialisation to foster Learning Effects and promote Automation (substitution of labor by machines).
- Standardization of components to foster component interchangeability, learning effects and economies of scale.

Low cost strategies are based on learning effect: The average production time per unit diminishes with additional units of cumulative production. Specialization increases efficiency through learning effects, which will lead to economies of scale

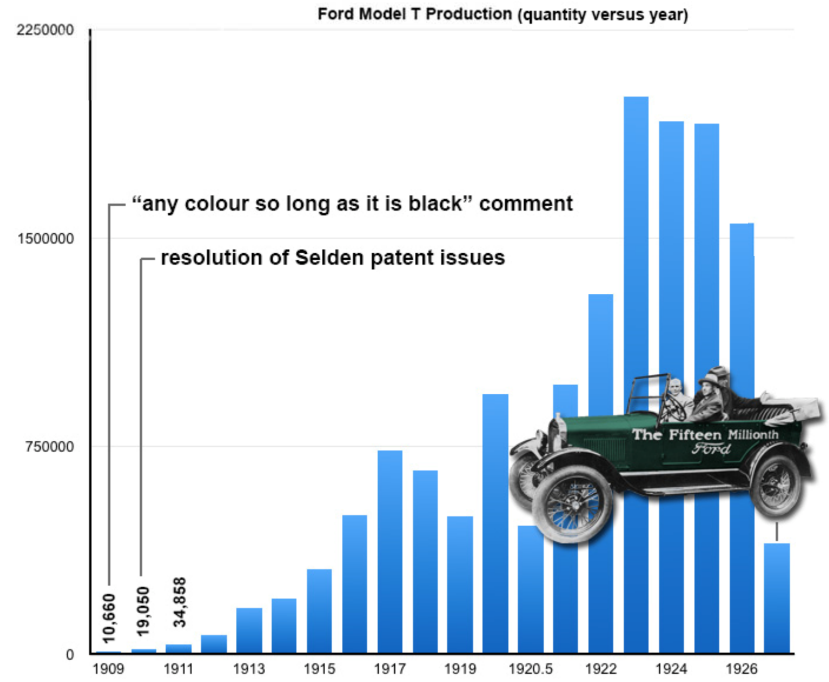


Henry Ford introduced the conveyor system to the ASSEMBLY LINE (invented by Ransom Olds for the Oldsmobile Curved Dash model. The plant produced at 20 units per day) where men stood still and materials moved. The reduction of movement increased the time on tasks by workers, driving to further specialization and learning effects



Cost Strategy at Ford: The Ford T story

- Ford was one of the first companies to understand the relevance of the Learning Effect on the competitive strategy. The company implemented several initiatives in the production strategy of the Ford T to reinforce the Learning Effect (Reducing the number of factory hours required to produce each car):
  - Minimizing changes to the Model T platform. Many components of the chassis were the same for every body style
  - Minimizing the number of body colors.
  - Setting aggressive target prices then finding ways to achieve those prices
  - Producing cars with standard parts in factories all over the world
  - Every Ford worker was assigned a specific, repetitive task. For instance, one person would just put on the right-front wheel and someone else would install the right-front door. Ford was able to produce cars, using employees who had relatively limited skills (and therefore low wages).

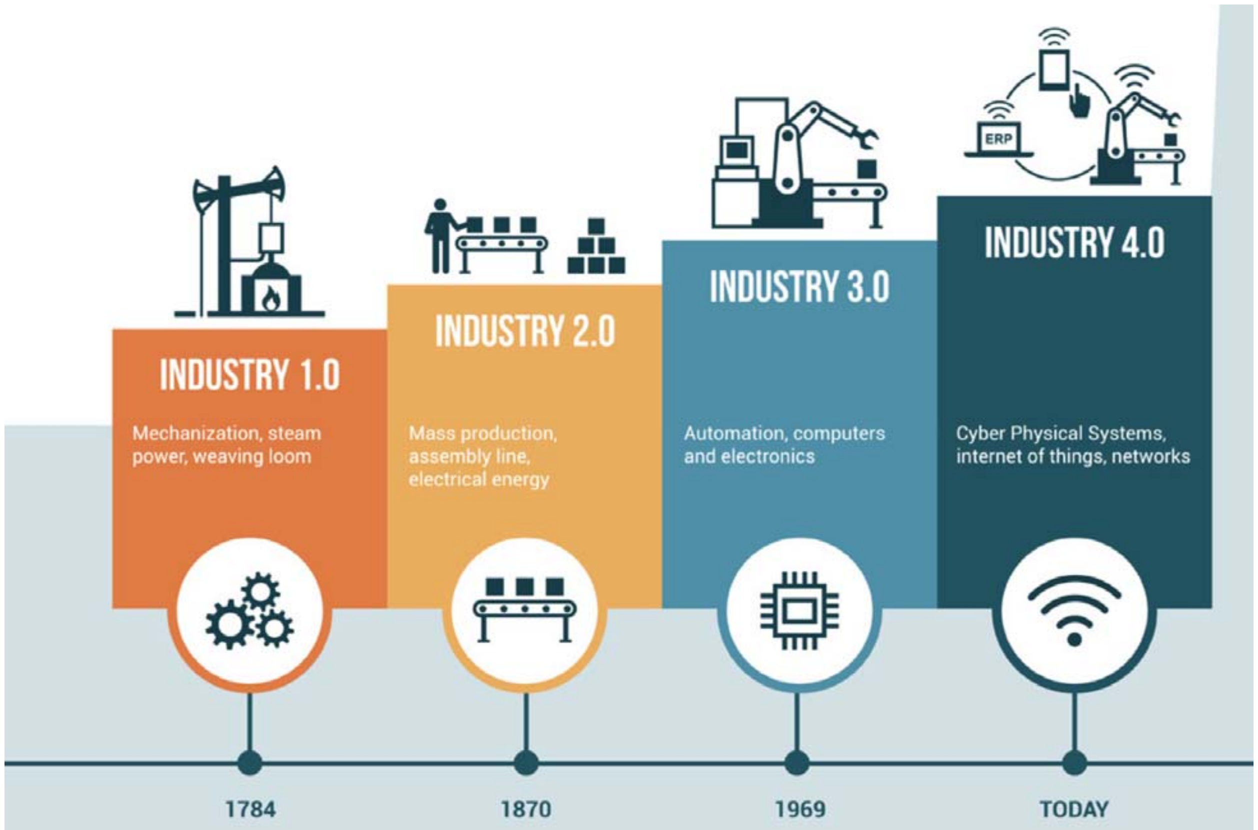


Ford Model T production numbers derived from http://www.mtfca.com/encyclo/fdprod.htm
Worldwide production except for Canada.

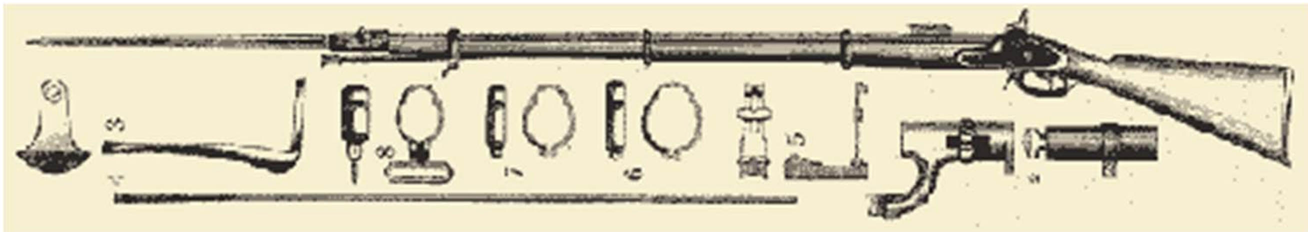
Model T production ended 25 May 1927. 15 million were produced.
The 1920.5 data discontinuity reflects the transition from a fiscal year to a calendar year.
The Model A was launched at the end of the 1927.

Ford´s division of labour was not a new concept: Adam Smith (1776) already suggested that labor-task SPECIALIZATION is one of the main differences between artisanal and industrial production in the nascent era of Mass Production.

Task specialization allows mechanization and the substitution of human power by machine power, that may result in economies of scale



Eli Whitney (1800) is the first producer to STANDARDIZE the components of a product (Rifles), allowing interchangeability which drives to learning effects and consequently economies of scale in the components and economies of scope in final products.



Economies of Scale

- **Economies of Scale** occur when the production costs on a per-unit basis decline as the output increases, resulting in cost savings and higher profit margins
- Companies can incur either two types of costs over the course of their operations:
- **Fixed Costs →** Fixed costs remain relatively constant regardless of the production volume (e.g. purchase of machinery and equipment, factory build, office rent, product design/development)
- **Variable Costs →** In contrast, variable costs are tied directly to the good/service provided and thus fluctuate proportionally in line with each additional unit produced (e.g. raw materials, labor).
- Example of Economies of Scale: Variable cost = 1$ per unit. Fixed Cost = 10,000 $

Output Level	Total Fixed Cost	Total Variable Costs	Total Cost	Total Unit Cost
1000 units	10,000 $	1000 * 1 = 1,000 $	11,000 $	11,000 $ / 1000 units = 11 $ / unit
5000 units	10,000 $	5000 * 1 = 5,000 $	15,000 $	15,000 $ / 5000 units = 3 $ / unit

Differentiation Strategy:Product or Process Design

The firm might be unique in creating value propositions through product design, or in delivering value propositions through process design.

Differentiation would be sustainable over the long term through:

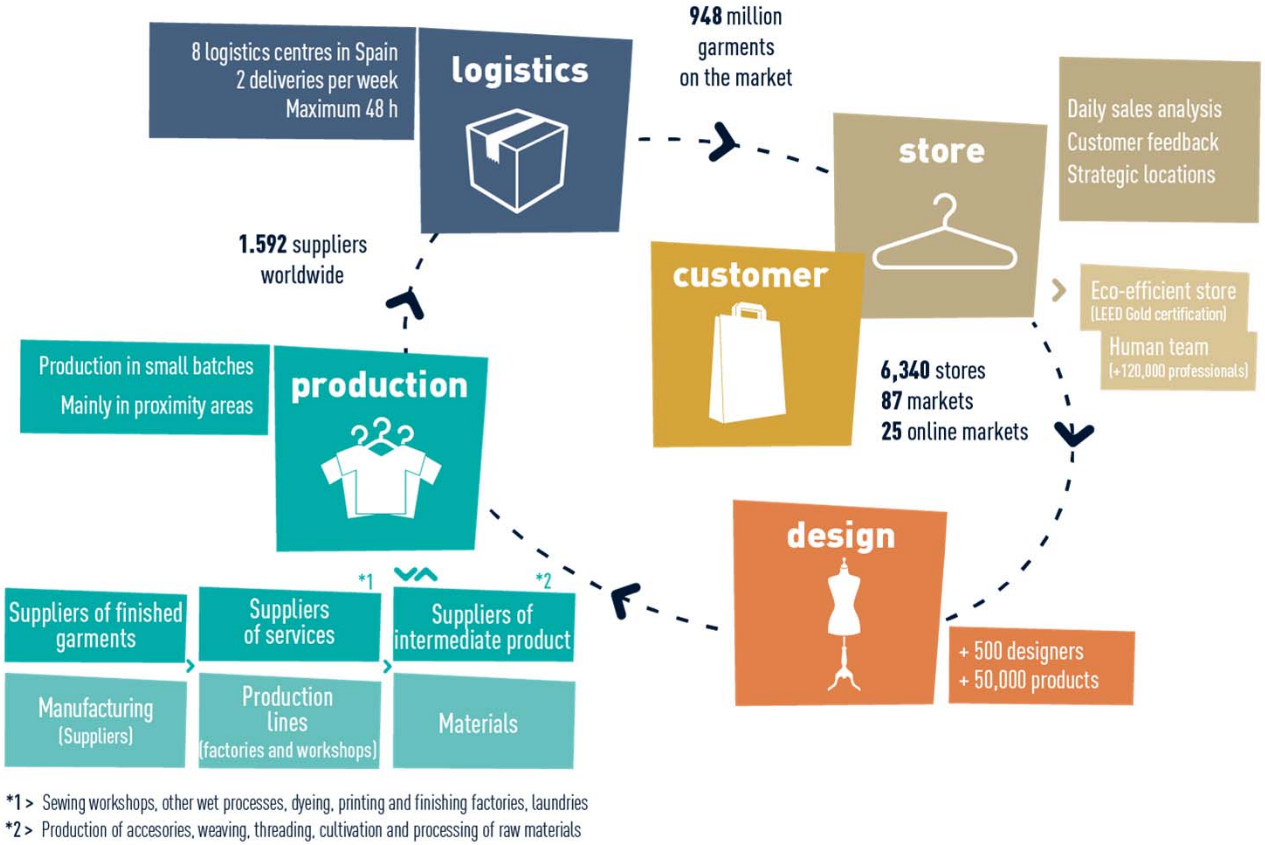
- Exclusive access to unique resources (i.e. excellent engineers, a strong brand, or a mining concession)
- Exclusive knowledge protected by Intellectual Property Right Protection mechanisms (either through patents such in pharmaceuticals or secrecy such in the case of Coca Cola formula)
- Specific processes to explore new opportunities (sensing)
- Specific processes to exploit new opportunities even if the firm did not find them (seizing).

Differentiation Strategy: Response

- Response: Timely, flexible and reliable product development and delivery.
    - Flexible response: Developing an operations process that allows the firm to produce goods and services easily customizable to fit ever-changing customers 'demand: flexibility could refer to the capability of either changing volumes of production or changing product functionalities.
    - Reliable scheduling: Minimizing time delays in deliveries.
    - Agility: Minimizing time required to create value to the customer.

Response Strategy

- INDITEX IS A GREAT EXAMPLE OF FLEXIBLE RESPONSE STRATEGY THROUGH SUPPLY CHAIN MANAGEMENT. INDITEX MINIZES THE TAKT TIME (Takt time is a calculation of the available production time divided by customer demand), WHICH IS THE TARGET TIME FOR THE PRODUCTION SCHEDULE. DEMAND FORECAST IS ESSENTIAL FOR THE EFFICIENCY OF THIS RESPONSE STRATEGY.



Response Strategy

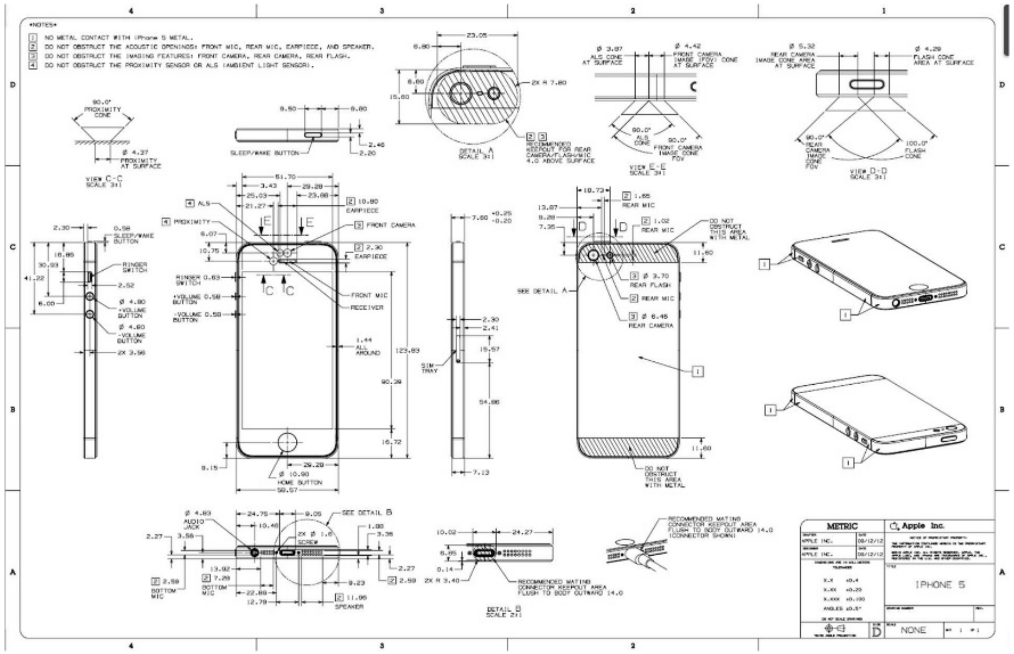
- RYANAIR IS A GREAT EXAMPLE OF RELIABLE SCHEDULING STRATEGY THROUGH OPERATIONS OPTIMIZATION. REQUIRES MINIMIZING IDLE AND WAITING TIMES IN THE PRODUCTION PROCESS

Response Strategy

- BURGER KING IS A GREAT EXAMPLE OF QUICKNESS STRATEGY THROUGH PROCESS DESIGN. QUICK STRATEGY REQUIRES STANDARD PRODUCTS AND PROCESSES.

Differentiation Strategies: Product Design

- APPLE IS A GREAT EXAMPLE OF DIFFERENTIATION STRATEGY EXCELLING IN CREATING VALUE PROPOSITIONS THROUGH DESIGN CAPABILITIES



Differentiation Strategies: Process Design

- TOYOTA IS A GREAT EXAMPLE OF DIFFERENTIATION STRATEGY EXCELLING IN DELIVERING VALUE PROPOSITIONS THROUGH MANUFACTURING PROCESS CAPABILITIES. JUST-IN TIME: DIFFERENTIATION IMPLIES THE ADOPTION OF PULL PRODUCTION SYSTEM BASED ON ACTUAL DEMAND AND NOT DEMAND FORECASTS OF PUSH PRODUCTION PROCESSES, AND QUALITY BY DESIGN INSTEAD OF QUALITY CONTROLS.

Decision	Impact	Goods	Services
Product Design	Defines much of the transformation process: cost, quality, human resources	Tangible	Intangible (combination of attributes). Stronger information asymmetries (Seller know better the real quality of the product than the buyer). The stronger asymmetries the more relevant the brand strategy
Quality	Meeting customer expectations	Objective	Subjective (Heterogeneity) and inconsistent over time
Process and capacity design	Commit to specific technology, quality, human resources (HR), maintenance: Capex and Opex	Customer not involved	Customer involved (Simultaneous production and consumption): Low productivity and difficult automation
Location	Define market and costs	Near resources	Near market (No distribution channels)
Layout	Influenced by input and output flows, technology and inventory levels	Efficiency focussed	Efficiency and value focussed
HR design	Quality of work life, skills required, costs	Efficiency, Standard Tasks,	Interaction with the customer, standard
Supply chain management	What to be made and purchased. Quality, delivery, innovation and costs	Critical	Not so relevant

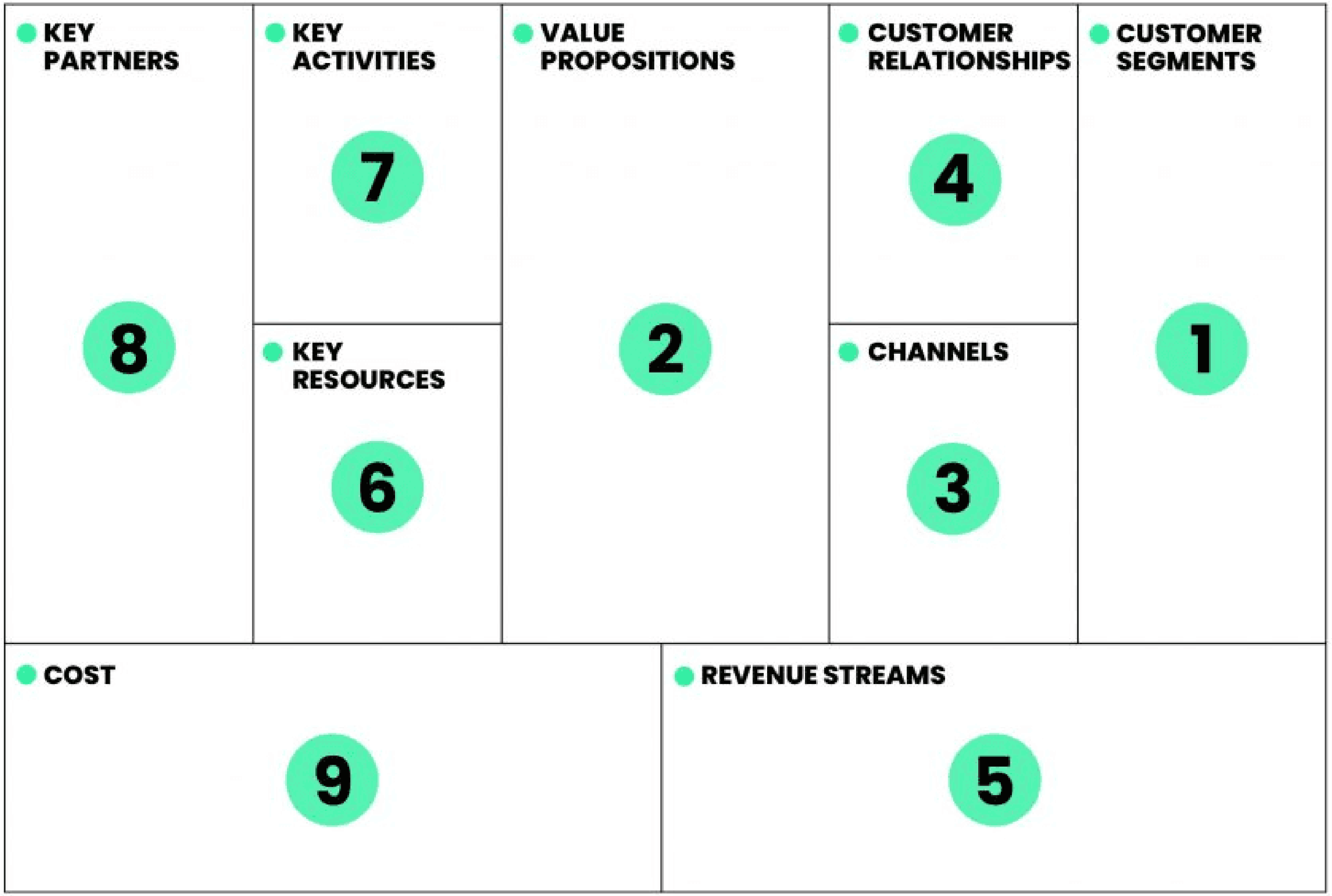
Differences between Goods and Services in Product Strategy

Decision	Impact	Goods	Services
Inventory	Optimization depends on customer satisfaction, suppliers, production schedules, HR	Raw materials, work in progress, finished goods	Cannot be stored, demand options and stronger impact of capacity decisions
Scheduling	Must be feasible and efficient. Will influence HR and facilities	Levelling of production	On demand scheduling
Maintenance	Reliability and stability levels must be defined	Preventive at production site	Reactive at customer´s site

LESSON 4

PRODUCT MANAGERS NEED TO UNDERSTAND HOW THEIR PRODUCT FITS INTO FIRM´S BUSINESS MODEL

BUSINESS MODEL CANVAS



1. Customer Segments: Who are my customers?

- We need to define who are my potential customers? What do they do? And why would they buy your product or service?
- A great exercise to define your customer segments is to brainstorm and create your company's buyer personas.
- Buyer personas are fictional depictions of an ideal or hypothetical client. Typically, when brainstorming a buyer persona you'd want to define certain characteristics (age, demographic, gender, income, industry, pain points, goals, etc.)

1. Customer Segments: Zara product shoes

In the case of Zara product shoes, there are three distinct customer segments to whom they offer different products.

- **Men**
- **Women**
- **Children**

The shoes created for each of these customer segments are not trans-consumable. That is to say, a woman's shoe is highly unlikely to be worn by a 7-year-old child.

1. Customer Segments (Advance)

Segment size: Evaluate both the current size of the segment and its future growth potential. Understanding these dynamics helps in forecasting demand and making informed decisions.

Segment potential: Assess the pain points of the segment and their willingness to pay. This insight helps identify the value your offering can provide and ensures it aligns with customer needs.

Accessibility: Consider the accessibility of the segment from a business perspective. Analyze how easily your company can reach and serve this group effectively.

Competitive focus: Identify which segments your competitors are targeting. This knowledge aids in differentiating your offering and finding unique opportunities in less saturated markets.

2. Value Proposition: What are the needs of my customers?

- The second phase is about figuring out your company’s **value propositions**, and importantly, your **UVP** (unique value proposition). The “what” that makes customers turn to you, over your competitors? Which of their problems are you best at solving?
- The Unique Value Proposition answers questions such as:
  - Which specific customer pain point is your product trying to solve?
  - What job is your product helping customers get done?
  - How does your product eliminate customer pain points?

2. Value Proposition at Zara Shoes

- Zara’s principal value propositions are fairly clear. They offer various ranges of stylish men’s, women’s, and children’s shoes at an affordable price.
  - **Fast fashion:** Zara adds new shoes and designs to its collections every 2-3 weeks, both in its stores and online. It keeps the brand updated, fresh, and modern while maintaining its all-important medium price point
  - **Great eCommerce experience:** Once you enter Zara’s online store you’re presented with a clean, easy-to-navigate, and high-end feel. The customer segments are visible on the left navigation bar with a search tab to further aid customers with their online experience.
  - **Localized stores:** You can find a store in nearly all major retail locations (shopping malls, retail outlets, airports, etc.) meaning accessibility is not an issue for the majority of consumers.
  - **Flagship stores:** Zara demonstrates its aesthetic evolution to customers through its flagship stores. For instance, Hudson Yards, New York City flagship is a great example of this. Customers shop around its vivid, minimalist layout offering them an experience aligned with the brand's deeper, eco-friendly values.

2. Value Proposition (Advance)

Identify which persona you are targeting with the Value Proposition Canvas. Start with the right side of the canvas: the customer profile, which dives deeper into the customer's needs.

A. Customer jobs:These are the tasks or needs your customer is trying to fulfill. They can be:

Functional: Practical tasks (e.g., mowing the lawn).

Social: How customers want to be seen (e.g., being a good parent).

Emotional: Feelings customers strive for (e.g., feeling valued or safe).

B. Pains These are frustrations customers face when doing their tasks. What annoys them?

Unwanted outcomes: Things that don't work well.

Obstacles: Barriers making tasks harder.

Risks: Things that might go wrong.

C. Gains. These are the benefits customers seek that make tasks easier. Gains are not just the opposite of pains but include:

Required gains: Necessary benefits.

Expected gains: What customers take for granted.

Desired gains: Benefits customers would love to have.

Unexpected gains: Surprises that exceed expectations.

D. Prioritize customer jobs, pains, and gains. Rank the customer jobs, pains, and gains based on relevance. Next, assess which benefits your offer can provide. Use the value map for this.

3. Channels: Where my customers Will know about my product and where are they going to buy it?

- We need to think about the channels that customers want to use to communicate with your firm as well as how they'll receive your goods or services.
- Channels:
  - Direct off-line: i.e. Firm´s Shops
  - Direct on-line: i.e. Firm´s Online Shops
  - Indirect off-line: third party shops (i.e. El Corte Inglés).
  - Indirect on-line: third party online shops (i.e. Amazon)

3. Channels Zara

- Zara customers have 3 primary channels to learn about their shoes:
  - **Direct sales** through their stores
  - **Online** websites (both app and website)
  - **Social media**
- While Zara communicates through their mobile app, their predominant channel is social media.
- Zara invests less than 0.5% of its sales revenue into advertising?
- Customer queries are not only dealt with quickly, but recommended re-works are sent back to HQ, forwarded onto in-house designers who then apply the feedback to future collections.
- This customer-first approach through fluid communication channels has saved them thousands of dollars in marketing, strengthened their brand, and created a loyal customer base.

3. Off-line Direct Channels (Advance)

1. Direct channels – Offline. Direct channels involve direct communication and sales to customers without intermediaries. The communications are offline

- **Physical stores**: Customers visit a store in person to purchase products or services. This allows for face-to-face interactions and personalized service.
- **Company-owned kiosks**: Temporary or permanent small booths where customers can directly buy products. These are usually located in high-traffic areas like malls or events.
- **Pop-up shops**: Temporary retail spaces that appear for a short time. These shops create a sense of urgency and excitement, attracting customers to make immediate purchases.
- **Direct mail**: Sending promotional materials or offers directly to customers through physical mail. This helps to build brand awareness and create a personal connection.
- **Telemarketing**: Calling customers directly to promote products or services. This allows businesses to explain their offerings in detail and address any questions.
- **Door-to-door sales**: Sales representatives visit customers at their homes to present and sell products. This allows for personal interaction and demonstrations.
- **Workshops and seminars**: Offering in-person educational sessions or demonstrations that showcase products or services, giving customers the opportunity to engage directly.

3. On-line Direct Channels (Advance)

2. Direct channels – Online: Direct online channels involve direct online communication and sales to customers. Examples include:

- **E-commerce website**: A company's own website where customers can browse products, make purchases, and manage their accounts directly online.
- **Social media sales**: Selling products through social media platforms by posting product links, running ads, or using integrated shopping features like Instagram Shopping.
- **Email marketing**: Sending personalized promotional emails directly to customers, including product recommendations, discounts, and new arrivals with links to purchase online.
- **Mobile apps**: Offering a dedicated mobile app where customers can easily browse and buy products directly from their smartphones.
- **Live chat sales**: Engaging with customers via live chat on a company's website or app to answer questions and guide them through the purchasing process.
- **Webinars**: Hosting live or recorded online seminars where products or services are demonstrated, allowing customers to make purchases directly through links provided during the event.
- **AI Agents**. An AI sales agent prevents you from engaging in monotonous or grueling activities associated with prospecting and closing deals. It automates time-consuming activities, enabling you to focus on more demanding ones

3. Offline Indirect Channels (Advance)

- Indirect offline channels use third-party intermediaries to distribute products or services to customers. Examples include:
- **Retailers**: Third-party stores that sell a company’s products alongside other brands, offering customers the convenience of purchasing from a variety of options.
- **Distributors**: Companies that buy products in bulk and sell them to retailers or other intermediaries, helping to expand the reach of products to different markets.
- **Wholesalers**: Intermediaries that purchase products in large quantities from manufacturers and sell them to retailers at a lower price, facilitating the distribution process.
- **Dealers**: Specialized businesses that sell products on behalf of manufacturers, often focused on a specific industry like automobiles or electronics.
- **Franchisees**: Independent business owners who operate under a larger brand’s name, selling the brand’s products or services while following the company’s guidelines.

3. Online Indirect Channels (Advance)

- Indirect online channels rely on third-party intermediaries to market and distribute products or services to customers through digital platforms. Examples include:
- **Online marketplaces**: Platforms like Amazon or eBay where various sellers list their products, allowing customers to browse and purchase from multiple brands in one place.
- **Affiliate programs**: Websites or influencers that promote products from other companies and earn a commission on sales generated through their referral links.
- **Social media influencers**: Individuals with a large online following who promote products to their audience, directing potential customers to purchase through external links.
- **Online advertising networks**: Companies that place ads for products on various websites, driving traffic to the seller's site without directly handling sales themselves.
- **E-commerce aggregators**: Websites that compile products from multiple retailers, allowing customers to compare prices and features before making a purchase.
- **Comparison shopping sites**: Platforms that allow customers to compare prices and features from various online retailers, helping them find the best deal before purchasing.
- **Subscription box services**: Companies that curate and distribute products from multiple brands into a single subscription box, delivering them to customers while handling logistics and marketing.
- **Drop shipping services**: E-commerce businesses that sell products from suppliers without holding inventory, relying on suppliers to fulfill orders directly to customers.
- **Product review websites and Influencers**: Sites that provide reviews and recommendations for various products, linking customers to retailers where they can purchase those items.

4. Customer Relationship: How to retain our existing customers?

- We need to think about how to **build**, **nurture,** and **grow** relationships with our customers.
- Relationship management can be automated and transactional like online newsletters and automated customized push communications. Or, it could be at the complete opposite end of the scale and require a more personal relationship you'd typically have with a bank or local shops.

4. Customer Relationship

- Zara's relationship lies somewhere in the middle of transactional and personal:
  - **Salesperson** at store
  - **Brand** through social media
- Customers have the initial transactional touchpoint at the store or online, something relatively impersonal and for many the only interaction they'll have with the brand.
- Zara encourages customers to continue to interact with the brand through social media platforms. Zara communicates with posts, images, and collections uploaded to social media.
- Zara seeks the natural growth of **brand ambassadors** and **communities**.

4. Customer Relationship (Advance)

- **1. Transactional: quick and efficient sales.** This relationship type focuses on simple, one-time purchases. It’s ideal for transactions that require minimal engagement.
- **2. Automated: revolutionizing customer relationships at scale .**Automated relationships leverage technology to provide personalized experiences at scale, minimizing human intervention.
- **3. Self-service: let the customer do the work.** Self-service relationships empower customers to manage their interactions independently, reducing operational costs.
- **4. Personal assistance: building loyalty through support.** This approach involves providing expert advice and support, which is effective for premium products.
- **5. Co-creation: craft solutions together.**Co-creation involves working with customers to develop products or services, leveraging their creativity.
- **6. Community: strengthening bonds through shared interests.**Creating a community fosters a sense of belonging among customers, enhancing engagement through shared interests.

4. Customer Relationship (Advance)

- **7: Fans: harnessing loyalty .** This type cultivates passionate brand ambassadors who promote your brand voluntarily.
- **8. Personal relationship: personalized service.**Personal relationships focus on offering tailored services to high-value customers.
- **9. Long-term: sustained engagement for predictable revenue.**This approach focuses on maintaining consistent interaction with customers to ensure ongoing satisfaction and predictable revenue.
- **10. Switching costs: retaining customers through commitment.**Switching costs involve creating barriers that make it difficult for customers to switch to competitors.
- **11. Direct: full control, but less scalable.** Direct relationships involve a direct connection with customers, providing full control over interactions.
- **12. Indirect: leveraging networks and reach customers through third parties.**Indirect relationships utilize established networks to reach a broader market.

5. Revenue Stream: How do we make money?

- The revenue stream reflects your plan to capture value.
- What are your revenue streams? Is it going to be a transactional, **direct sales strategy**? Are you going to consider a **freemium mode**l, where you give a portion of your product or service away for free with the idea of converting later on down the line?
- If you’re a Software as a Service such as Salesforce or Strava, then it’s likely that a licensing or subscription revenue model will be more appropriate.
- At Zara, it's extremely simple. They make their money by selling clothes and accessories either at a store or online.

5.Revenue Stream

1. Transactional revenue. Transactional revenue is generated from one-time payments for a product or service. This type of revenue occurs when customers pay upfront, and there is no ongoing financial commitment from them. It is typically associated with businesses that sell physical products or one-off services.

2. Recurring revenue. Recurring revenue is generated from ongoing payments made periodically. It provides businesses with a more predictable and stable income stream, which is valuable for long-term financial planning. This model often includes subscription services, leases, or maintenance contracts.

5.Revenue Stream (Advance)

- Pay per use: Charging customers based on the use of a service, such as mobile data plans, parking fees, or utilities.
- Broker: Charging customers a fee for facilitating transactions between buyers and sellers, such as real estate agents or online marketplaces like Airbnb.
- Flat Rate: Charging customers a fixed fee for unlimited access to a service over a specific period, such as monthly an all-inclusive holiday, a gym memberships or streaming services like Netflix.
- Credits: Selling virtual currency or credits that customers can use to purchase products or services within a platform, such as gaming platforms or online marketplaces.
- Add-ons: Offering additional features or services for an extra fee on top of a base product, such as premium support or extended warranties for electronics.
- Subscription: Charging customers a recurring fee for continuous access to a product or service, such as monthly subscription boxes or software-as-a-service (SaaS) platforms like Microsoft 365.

6. Key Resources: What are the assets required to create and capture value?

- The **key resources** are all things you need to have, or the assets required to create that value for customers.
- Main resources are:
  - **Intellectual property** (brand, patents, trademarks, copyrights, proprietary knowledge, customer data. etc.)
  - **Physical assets** (factories, offices, machines, infrastructure, inventory, delivery vans, etc.)
  - **Finance** (Cash reserves, investment capital).
  - **Human capital** (Leadership skills, Technical Skills, R&D Skills, Sales and Marketing Skills).

6. Key Resources

- Main Resources at Zara:
- A large, **interconnected network** of physical stores
- A **strong brand**
- Logistics and supply chain **infrastructure**
- Stock is vital for both online and offline customers.
- Finally, an **efficient logistics process** within Zara is critical, especially when you consider the complexities involved with such a large-scale operation.
- They will require the necessary technology to analyze data on inventory, storage, materials, production, and packaging, with the staff to execute each of these stages and manage the delivery of the final products.

7. Key Activities: Which processes/ routines make my product different?

- **Operations activities**: These are activities related to the creation of products. For example, a bakery focuses on baking goods, ensuring quality and consistency in production.
- **Problem-solving activities**: This involves activities that solve specific customer problems. A consultancy firm, for instance, engages in research and analysis to offer tailored solutions to clients.
- **Platform/network activities**: These activities are focused on maintaining and enhancing platforms or networks. For example, social media companies continuously improve their platforms to keep users engaged and attract advertisers.
- **Marketing and sales activities**: Activities aimed at promoting products and acquiring customers fall into this category. For instance, an e-commerce store might focus on digital marketing campaigns and social media outreach.
- **Customer support activities**: These activities ensure customer satisfaction and support. For example, a software company invests in customer service to assist users in resolving issues promptly.

7. Key Activities

- Zara’s shoe key activities would be:
- **Design:** Provide stylish shoes at an affordable price. Their collections need to be constantly updated to follow the latest fashion trends at the time.
- **Manufacturing:** Mix of own- and third-party factories.
- **Retail process** (point of sale and 3rd party management) and stock management: minimum stock management and sophisticated data collection
- **Distribution channel** / logistics: Fast renewal of product lines implies coordination of several suppliers at a global level.

8.Key Partners: Which key resources need to be sourced outside the firm?

1. Strategic alliances. Strategic alliances are partnerships between companies, often within the same industry, that work together for mutual benefit. These partnerships allow both parties to share resources, knowledge, and expertise to achieve common goals. By collaborating, companies can innovate faster and create better products or services.

2. Joint ventures. In a joint venture, two or more companies collaborate to create a new business entity. This type of partnership enables companies to enter new markets, share risks, or leverage each partner’s unique strengths. Joint ventures allow companies to expand their reach and capabilities that they could not achieve alone.

8. Key Partners: Which key resources need to be sourced outside the firm?

3. Co-opetition. Co-opetition is a strategy where companies that are usually competitors work together for mutual benefit. This approach allows firms to share resources, reduce costs, and innovate more effectively while still competing in the market. Co-opetition can lead to new opportunities and increased market presence for both parties.

4. Buyer-supplier relationships. Buyer-supplier relationships are crucial for ensuring a stable supply of goods or services. Companies often negotiate long-term agreements with key suppliers to maintain consistency and avoid unexpected costs. These partnerships help businesses plan better and ensure high-quality products.

8. Key Partners

- At Zara key partners are
  - Suppliers and logistics operators (Lean Fashion activities),
  - R&D Centers (increasing the proportion of recycable ítems to 100%),
  - Tech Providers (data management).
  - Shoe Manufacturers (codesign of specific product lines)

9. Cost Structure: What is the cost of the resources and activities of the business model?

1. Fixed costs. These are costs that remain constant regardless of the volume of goods or services produced. Fixed costs provide stability but require careful management to ensure they do not overwhelm the business, especially in the early stages. Examples of fixed costs are:

- Rental of offices, factories, cars, trucks etc.
- Salaries of payroll staff
- Insurance include rent, salaries, and insurance.
- Subscriptions, such as monthly costs for streaming services, telephone subscriptions or magazines.
- Depreciation, the cost of writing off assets such as equipment, vehicles or buildings.

9. Cost Structure: What is the cost of the resources and activities of the business model?

2. Variable costs. Unlike fixed costs, variable costs fluctuate with production levels or sales activity. These are often more flexible and easier to manage in response to market conditions. Efficient management of variable costs can provide a business with agility, enabling it to scale up or down based on demand. Examples of variable costs are:

- Raw materials or supplies: the costs of materials used in production.
- Production costs: the direct expenses incurred in producing the product.
- Temporary labor costs: the expenses for hourly-paid workers.
- Shipping and transportation costs: the costs to deliver the product to the customer through various channels.
- Energy and utilities: the costs for electricity, water, and gas, which vary based on usage or production volume.
- Hiring external freelancers