

M4L4. Biodiesel Business Case Revisited

Slide #1

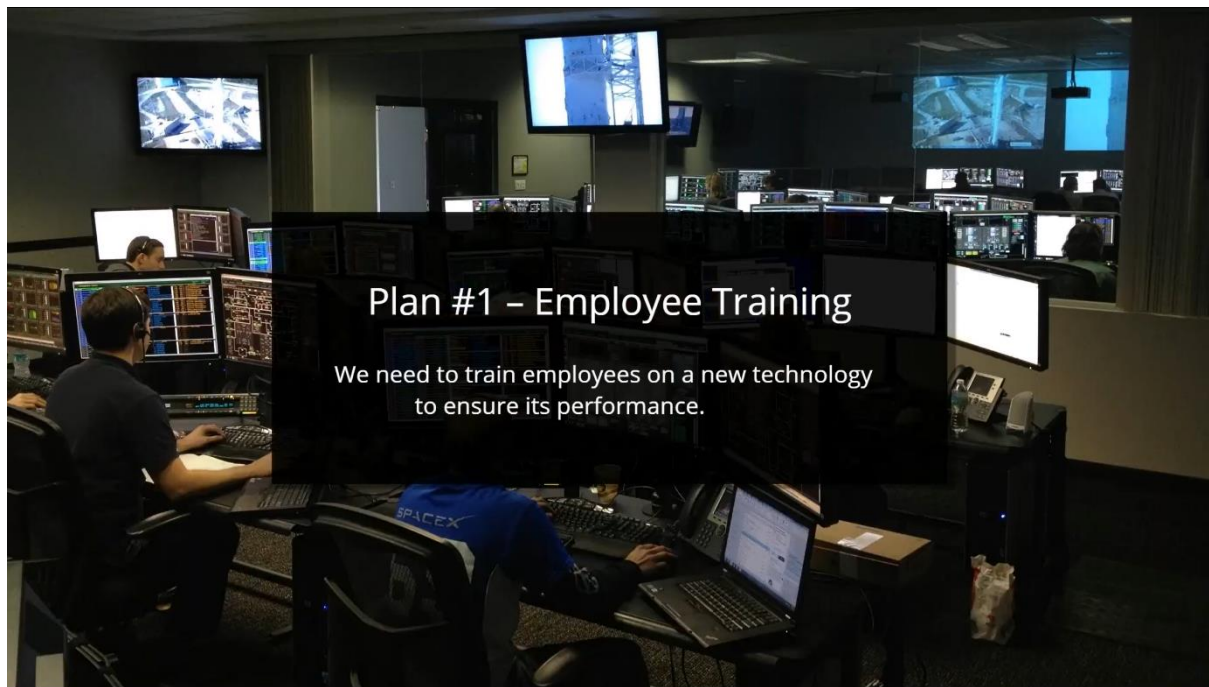


In this topic, the professor revisits the renewable energy business case by implementing the decision obtained through the application of the expected value.

Recall that using the expected value method, we decided to implement the cost leadership technology instead of using the maximum flexibility solution.

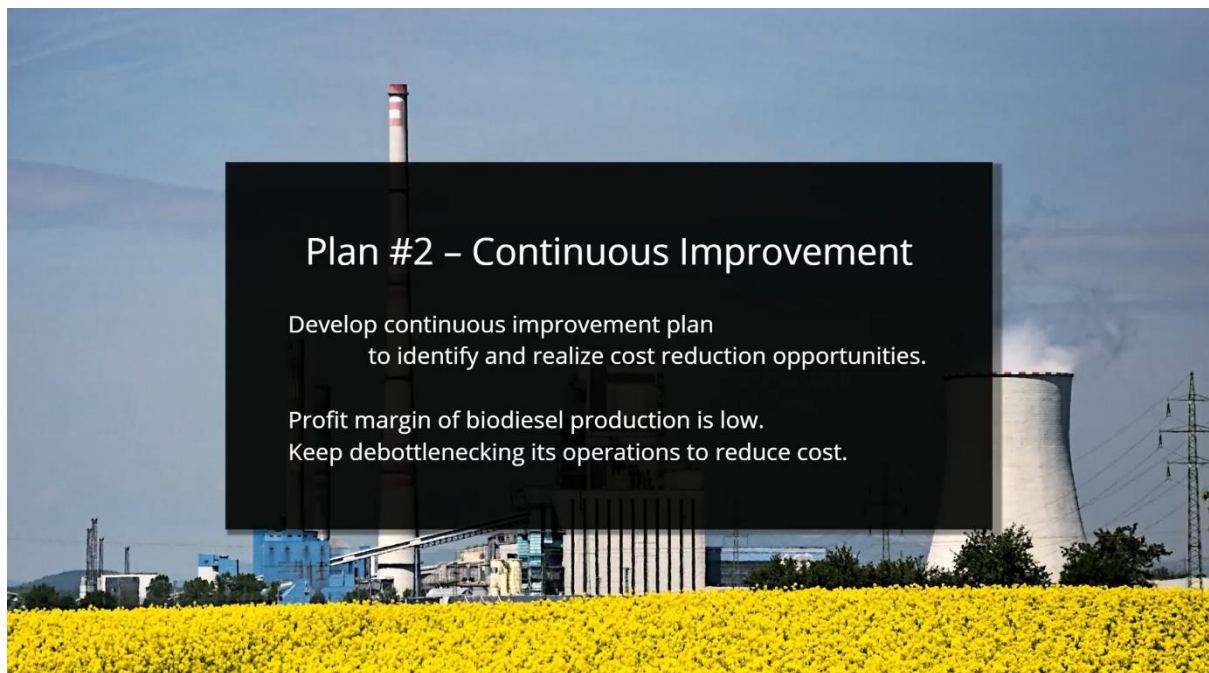
The cost leadership solution involves cutting edge innovations optimized to minimize the production cost of biodiesels.

Slide #2



First, we need to train employees on a new technology to ensure its performance.

Slide #3



Second, develop a continuous improvement plan to identify and realize cost reduction opportunities.

The profit margin of biodiesel production is low.

The business needs to keep debottlenecking its operations to reduce the cost.

Slide #4



Third is to optimize the entire value chain to further improve the profitability of the business.

For example, the company can streamline production, storage, and sales to lower the overall operation cost by implementing demand driven production optimization.

In addition, the company shall actively seek access to new global markets where diesel demand is less volatile to mitigate the risk associated with the worst-case scenario.

Supply power is significant in the renewable energy section.

The company can explore raw materials supply options to further reduce the cost of goods.

Slide #5



The fourth is closely monitor the market and adjust the products accordingly.

It takes time to switch from one product to another.

So, the analyst of the company should closely monitor the market and forecast the trend so that they can optimize the operations accordingly.

Slide #6



Plan #5 - Keep investing in R&D to strengthen competitive advantage.

- Continue investing in this type of R&D to support continuous optimization.
- Explore other renewable energy solutions based on its core platform to create business growth opportunities.

The cost leadership advantage roots in the company's capabilities of developing and deploying innovative solutions that minimize production costs.

The company shall continue investing in this type of R&D to support continuous optimization.

In addition, the company can consider exploring other renewable energy solution based on its core platform to create business growth opportunities.

Slide #7



Plan #6 - Prepare for acquisitions to improve economics of scale

- Economics of scale is a significant driver to strengthen the company's cost leadership position
- Proactively build relationships with creditors to prepare for acquisition.
- Traditional producers with less optimized technology cannot survive the downtime.
- Always be prepared for opportunities to drive growth and improve competitive advantage.

In addition to innovation, economics of scale is a significant driver to strengthen the company's cost leadership position.

The company can proactively build relationships with creditors to prepare for acquisition when the biodiesel market becomes non profitable for traditional producers.

Traditional producers with less optimized technology cannot survive the downtime.

It is the opportunity for the company to acquire others, to improve its economics of scale, and keep growing with strengthened cost leadership competitive advantage.

So always be prepared for opportunities.