



Art Life Entrepreneurship 1

Aalto
Ventures
Program

Fall 2022

Session 3 Risks & Constraints

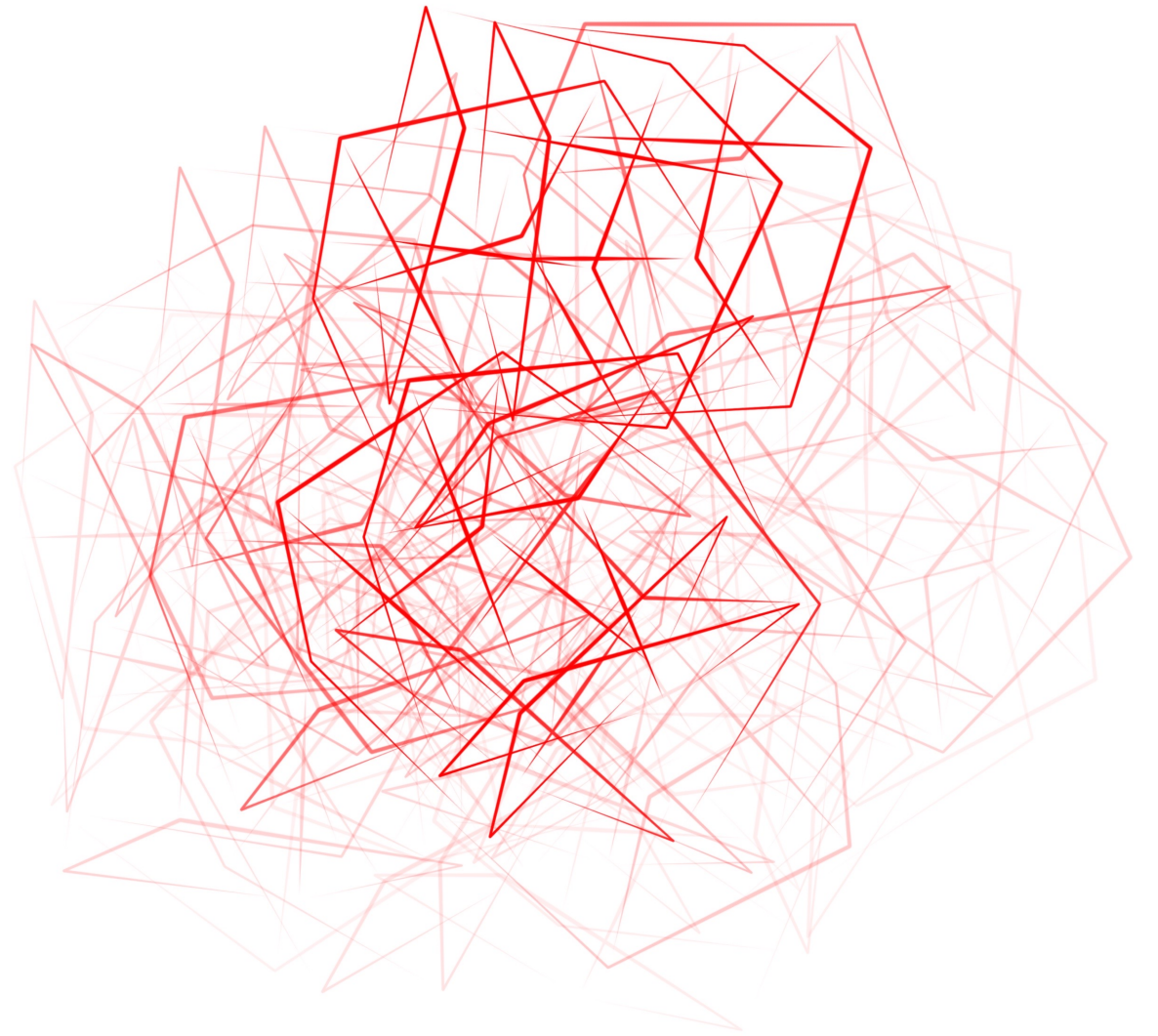
What can be controlled? How to manage risks?





Discussion 20 minutes

- Form groups of 4 (per row)
- Share in the group your findings from the ecosystem visit
- Choose one **MUST VISIT PLACE**
- Be prepared to present and explain why

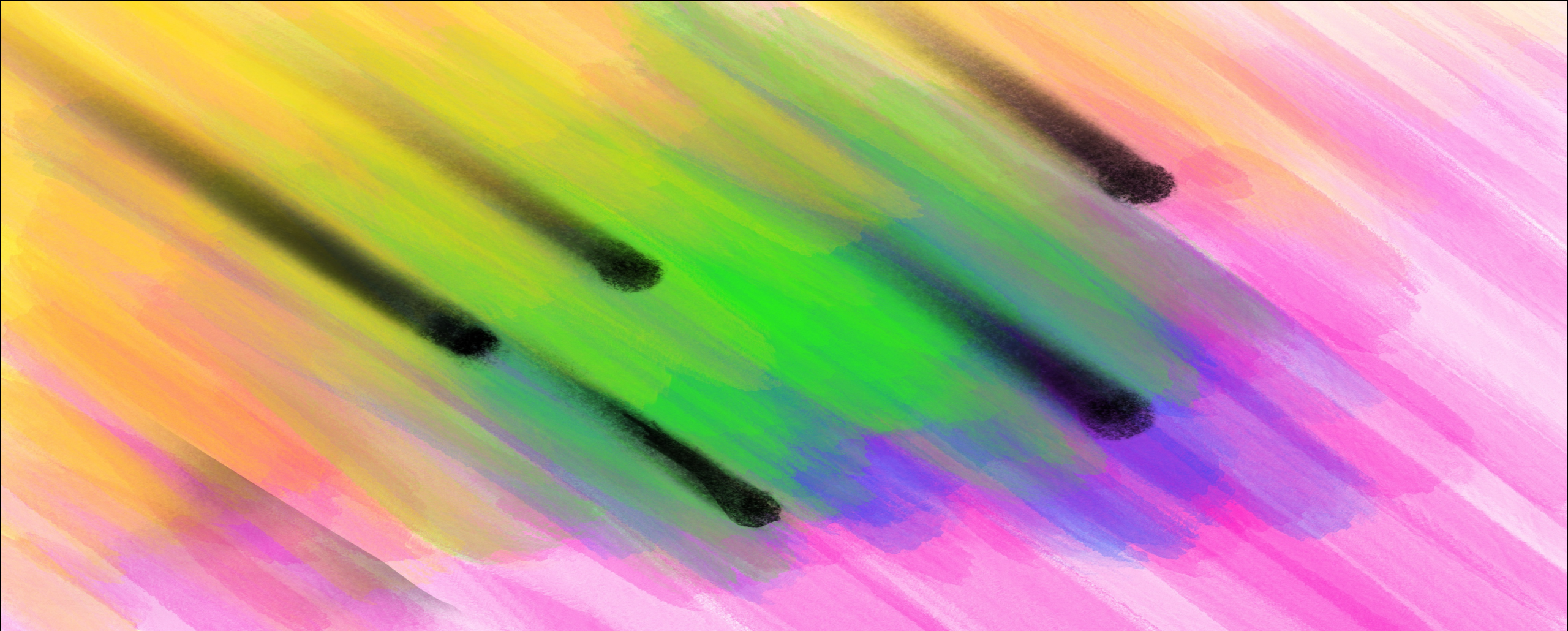


Break 10 mins

+

survey





Finance Part 1

Let's start with a small experiment

Think of a project that..

..you have done for someone else

..is not a school or work project for an employer

Preferably something you liked to do.

Answer 9 questions about the project

1. Who did you do the project for? What did the recipient need?
 - **A couple that needed music entertainment for their wedding**
2. What did the recipient get from you?
 - **2 hours of dancing music for the party**
3. How did you find each other and agree on what you would do?
 - **The bride saw a music video on IG and contacted me with a DM**
4. Will you do something together in the future?
 - **Yes, will be playing at an event put on at the grooms company**
5. What specifically did you do to complete the project?
 - **Asked about music taste, planned a playlist, set up gear, played, cleaned up**
6. Did you co-operate with someone to get the project done?
 - **Yes, I borrowed some sound gear from a friend**
7. Did you need equipment or some other stuff to complete the project?
 - **Yes, sound gear and notes to a couple of songs that were not familiar to me**
8. How much of your own time and money did you spend on the project?
 - **About 2 hours preparing and 5 hours at the wedding**
9. Did you benefit some way from the project?
 - **Yes, I got a nice meal at the reception and 200€ to cover out-of-pocket costs**

Download this excel sheet

- <https://www.dropbox.com/s/7ds6u5rgkmqkejo/My%20project.xlsx?dl=0>

My project

Did you co-operate with someone to get the project done	What specifically did you do to complete the project?	What did the recipient get from you?	Will you do something together in the future?	Who did you do the project for? What did the recipient need (help with)?
6	5	2	4	
	Did you need equipment or some other stuff to complete the project?		How did you find each other and agree on what you would do?	
	7		3	
How much of your own time and money did you spend on the project?		Did you benefit in some way from the project (money or otherwise)?		
8		9		

EXERCISE 1 – describe your project

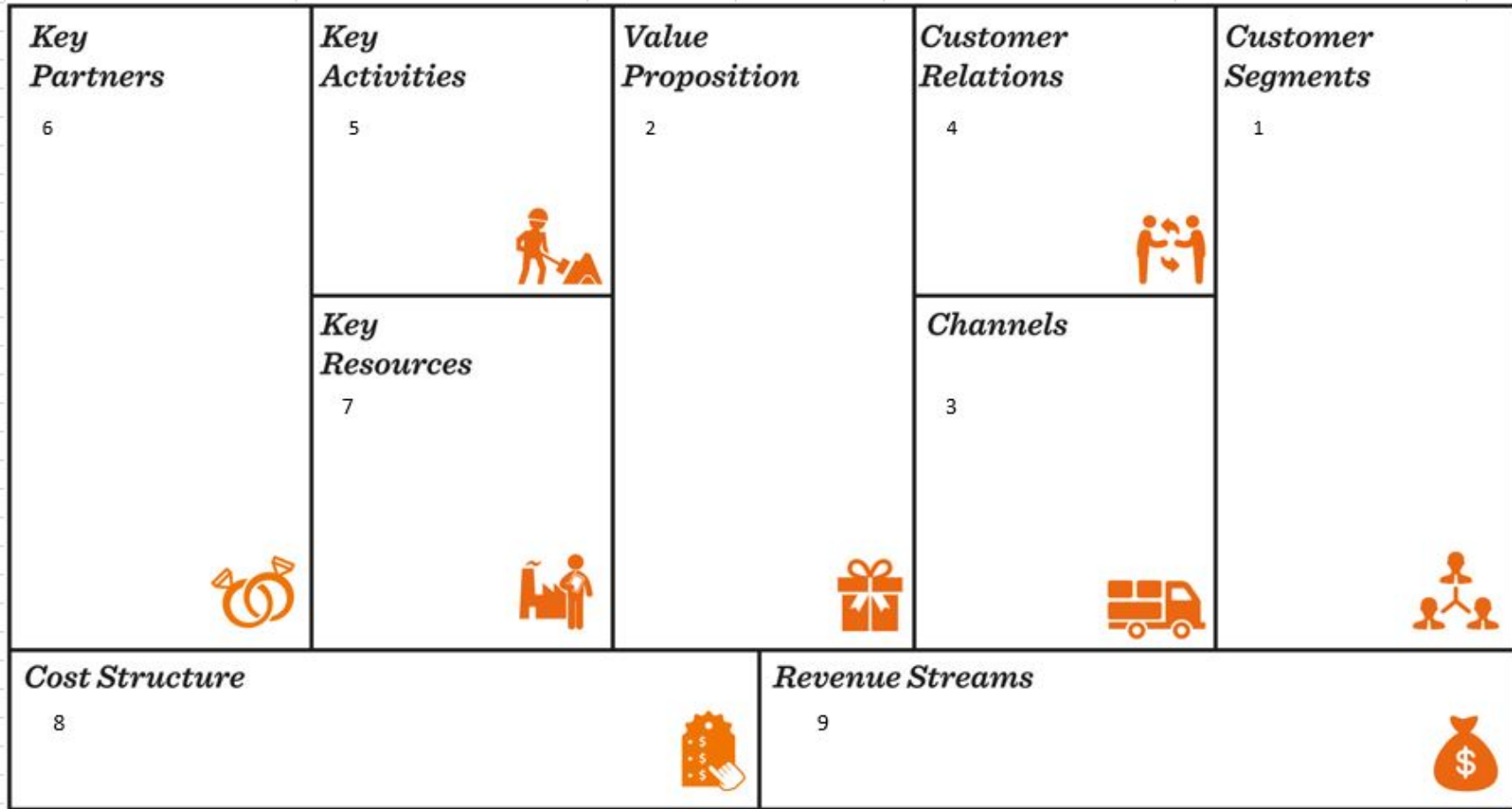
Take one of the Excel sheets and answer
the 9 questions!

Personal exercise, let's see if
10 minutes is enough
(don't do rocket science)



1. Who did you do the project for? What did the recipient need?
2. What did the recipient get from you?
3. How did you find each other and agree on what you would do?
4. Will you do something together in the future?
5. What specifically did you do to complete the project?
6. Did you co-operate with someone to get the project done?
7. Did you need equipment or some other stuff to complete the project?
8. How much of your own time and money did you spend on the project?
9. Did you benefit some way from the project?

Congratulations, you just created a
Business model



**AALTO
VENTURES
PROGRAM**

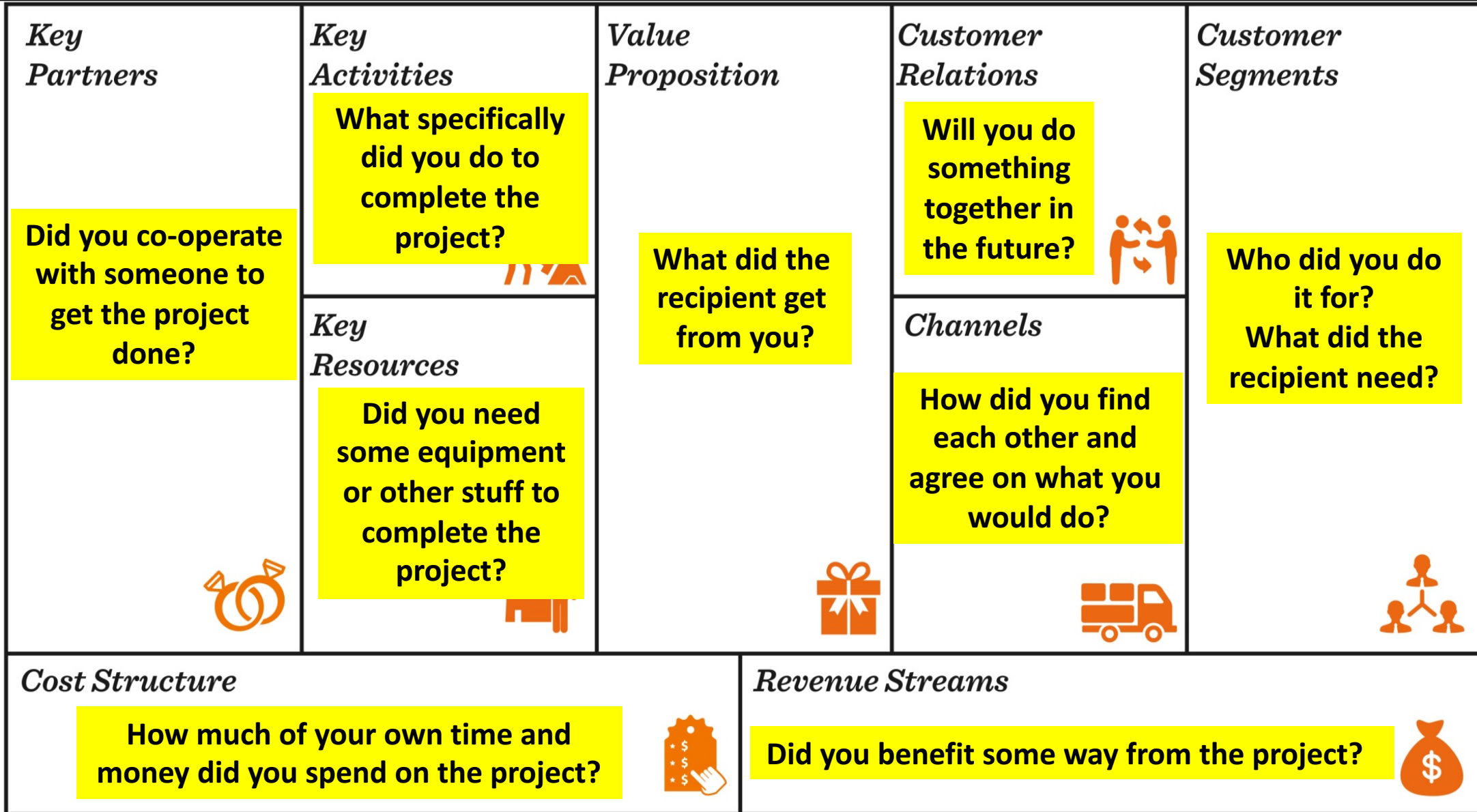


DESIGNED BY: Strategyzer AG

My project

BMC





Different types of business models

- Hobby (you are the customer)
- Volunteer work (you finance it yourself)
- Charity (you finance it for someone else)
- Entrepreneurial stuff ->

Entrepreneurial business model?

- 1) Being able to do the same kind of project repeatedly (indefinitely)
- 2) Goal of eventually getting enough financing (revenue) from customers to fulfil point 1)

Being an entrepreneur or entrepreneurial

=

Looking for projects with a business model
that fulfils criteria 1) and 2)

Now, let's look at a business!

- For this exercise, think about your niche
- In the excel sheet, take into use the last sheet (My business)
- Let's make a business model for your niche
- Answer the (now slightly reformulated questions about your business in the chosen niche)
- First do a personal round, then discuss
 - Total time 30 minutes



Value Proposition Design

Value Proposition Design helps you tackle a core challenge of every business — creating compelling products and services customers want to buy.

Order your copy now!

Amazon.com

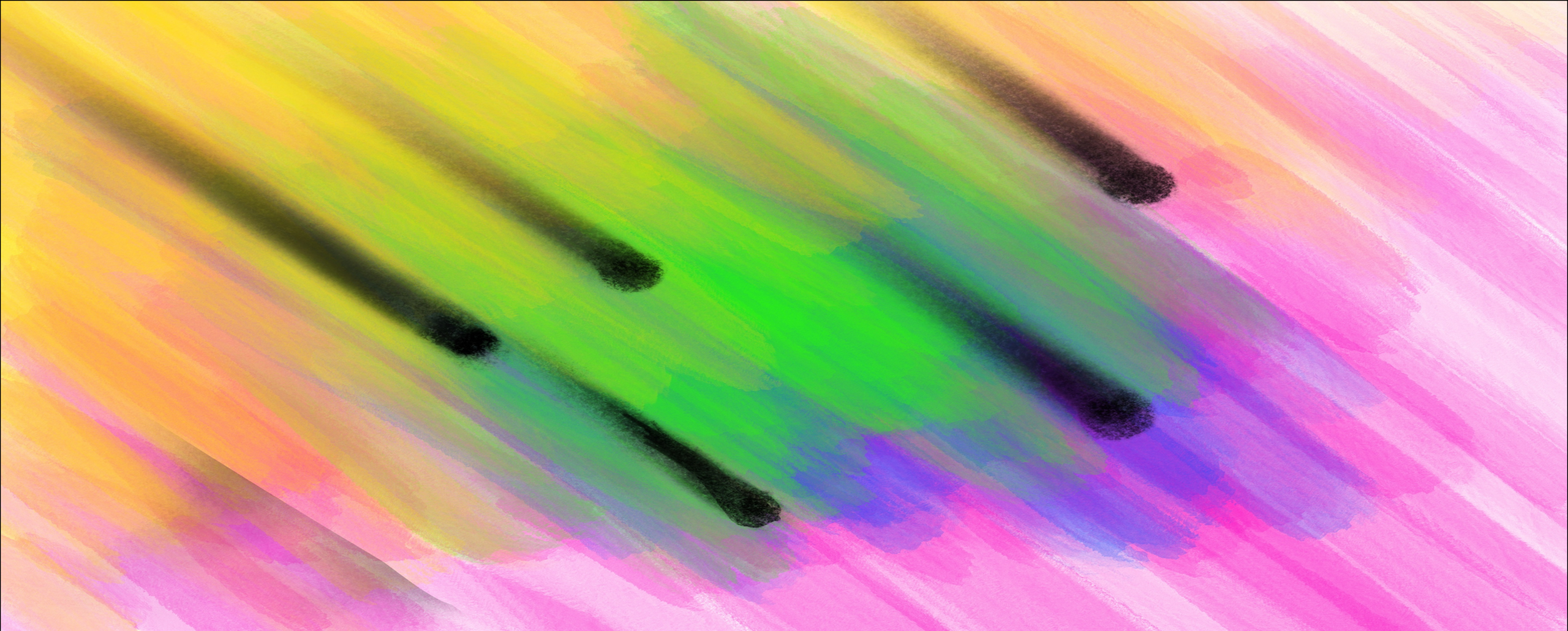
Barnes & Noble

Porchlight

<https://www.strategyzer.com/books/value-proposition-design>

Break 10 mins





Finance, part 2

Revenue basics

Revenue model

What are your sources for revenue

Revenue

How much money you actually got

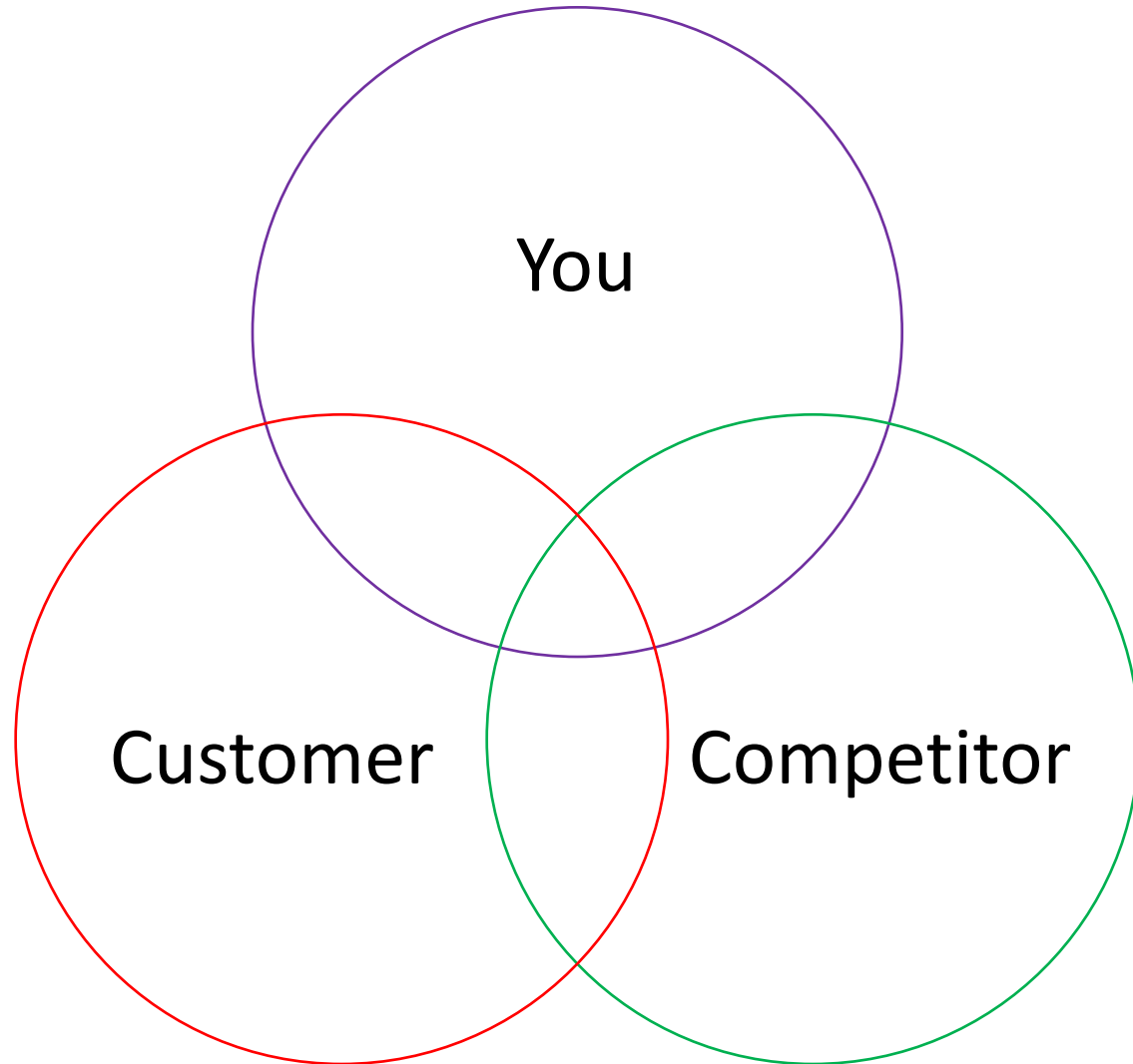
Pricing model

How you set the price (dynamically)

Price

How much a specific customer pays

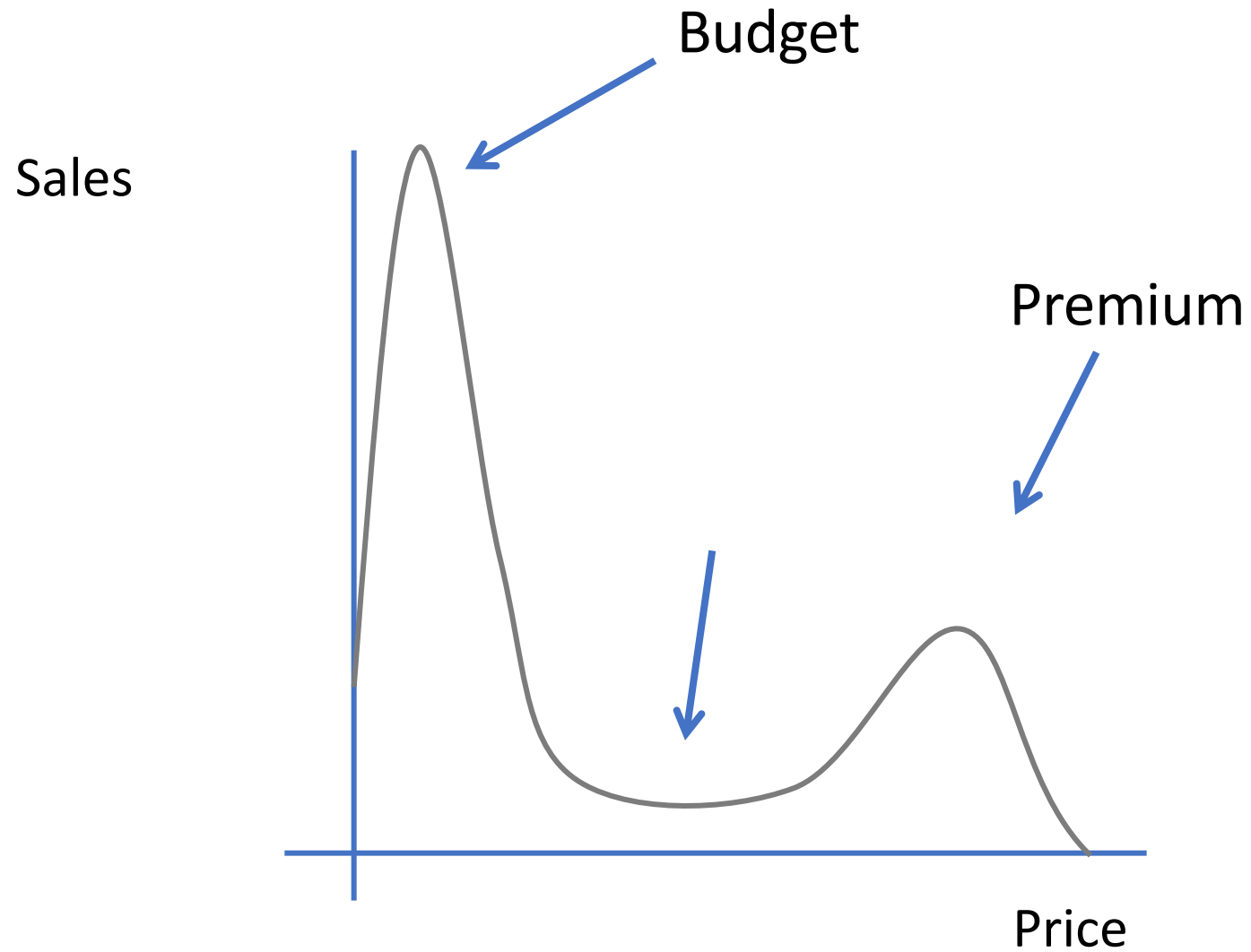
Pricing environment



Company-centric: Cost-based pricing

- Starting point: What are the production costs
- $\text{Price} = \text{cost} + \text{profit}$
- The worst pricing model
- Lower bound for all prices (long term)

Price polarization



Customer centric: Value-based pricing

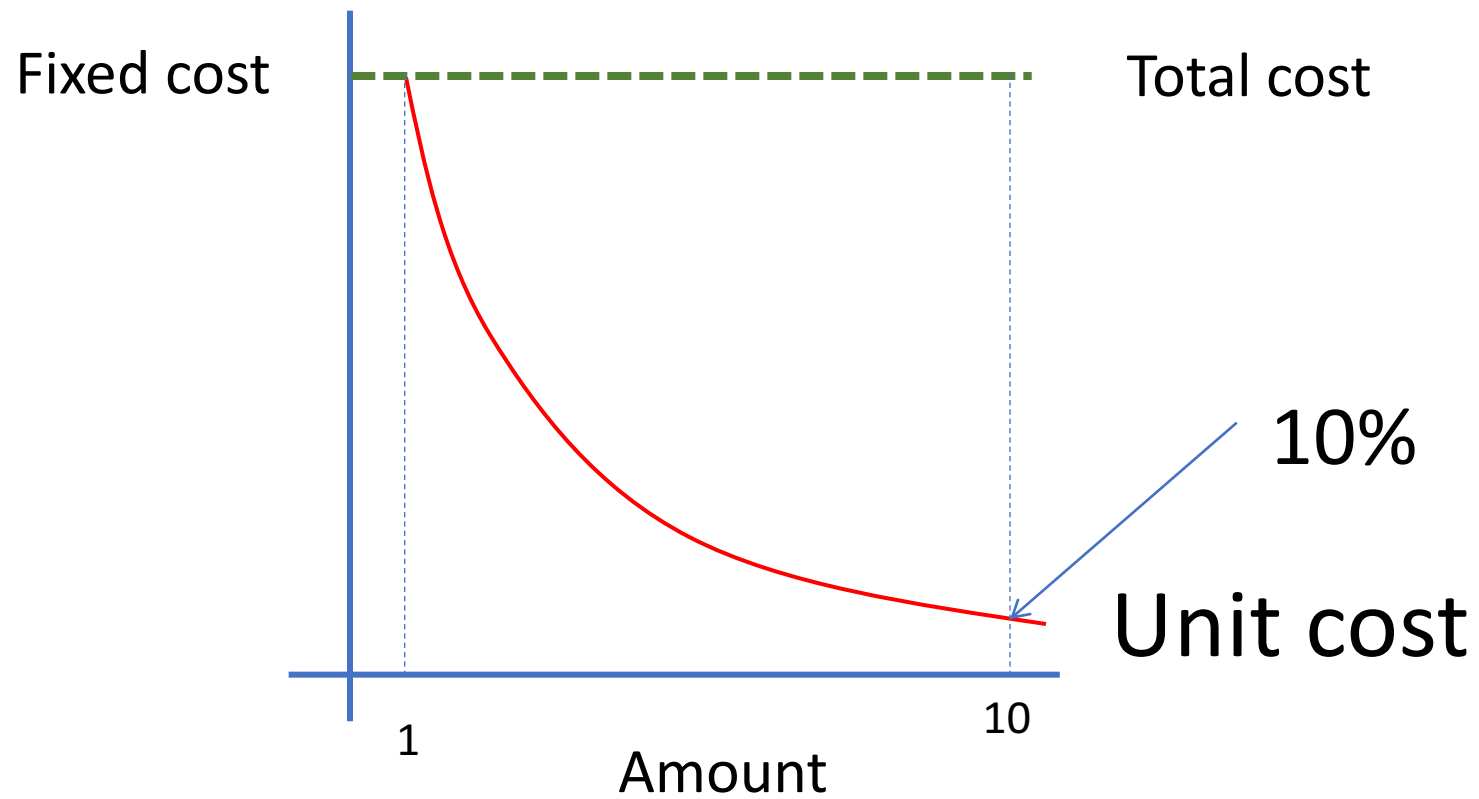
- Starting point: How valuable is our service for our customer?
- Price \sim value
- Challenge: How to understand what customer values?
- Holy grail of pricing

Cost basics

Cost structure

- Fixed cost
 - Same regardless of how much produced
- Variable cost
 - Costs related to production
- Total Cost
 - Fixed costs + (production * variable cost)

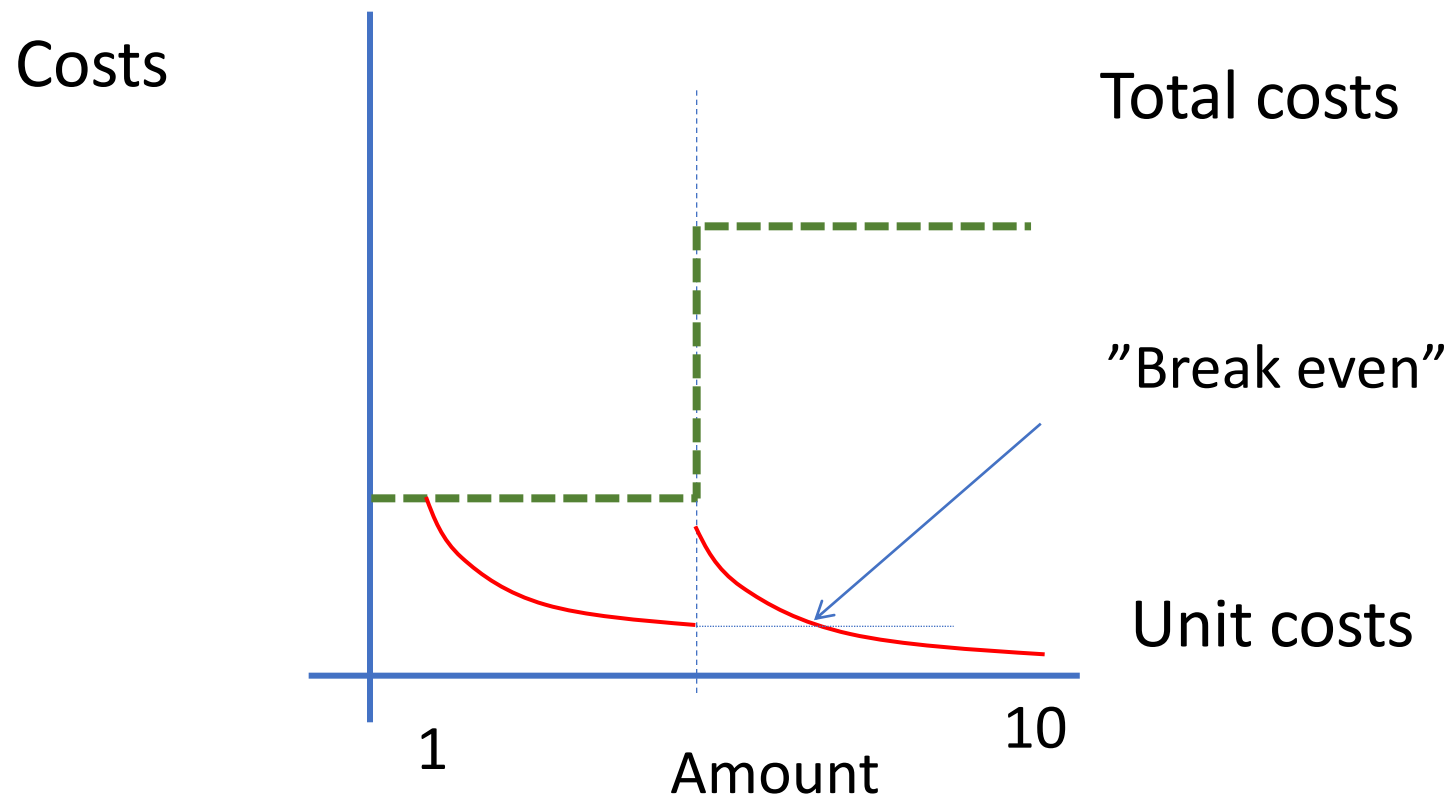
Fixed cost vs unit costs



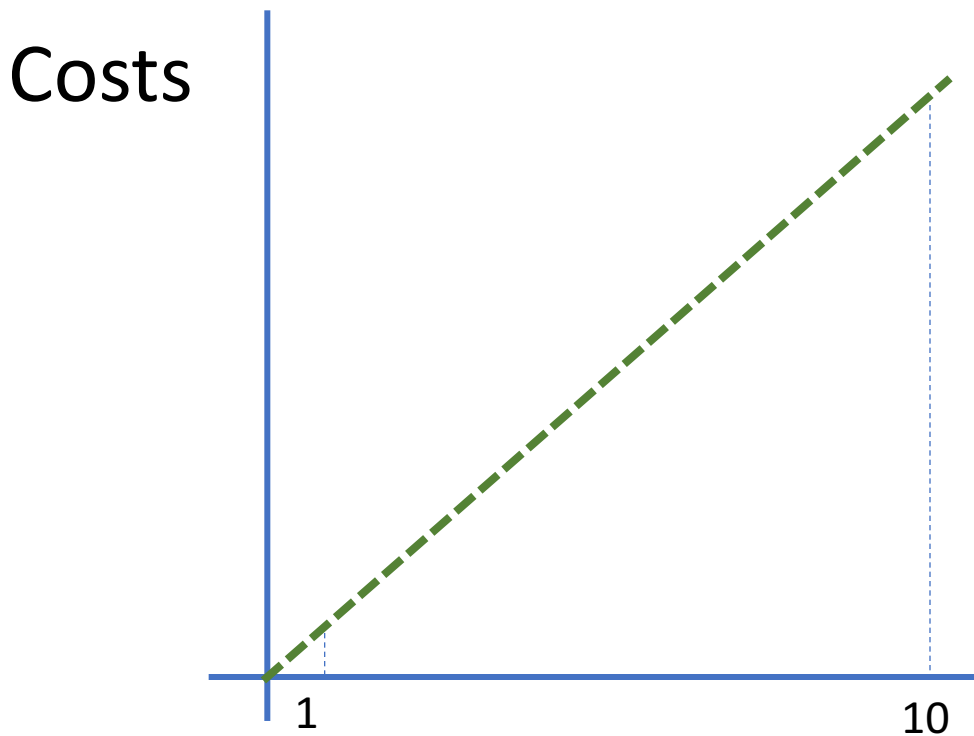
Fixed costs in practice

- Unit cost go down as nr of units go up -> economies of scale
- Fixed costs are based on planned production volume
- If production/sales goals are not met, actual unit costs go up

Fixed costs



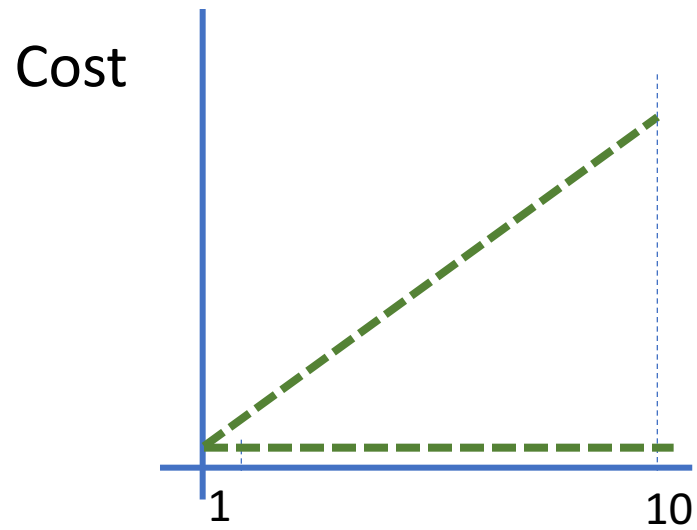
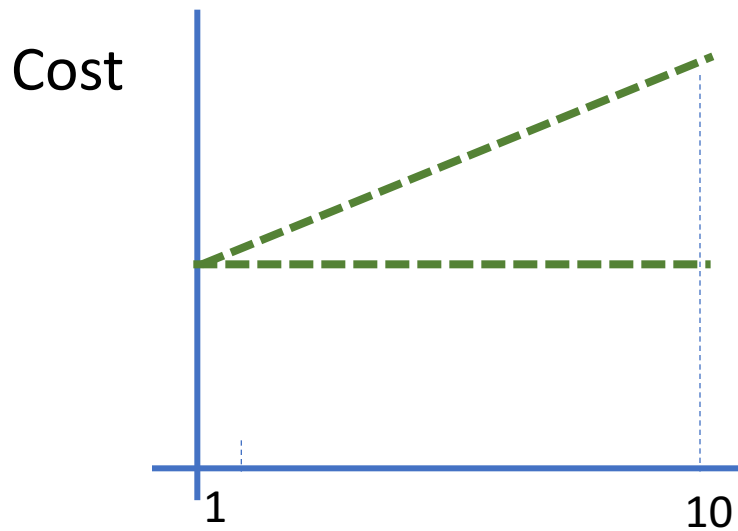
Variable costs



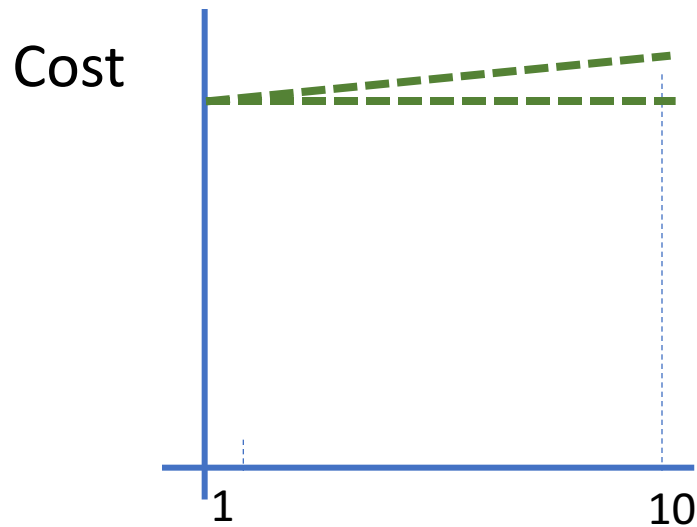
In practice

- Variable costs increase as a function of production
- Unit costs can vary depending on volume
 - Volume discounts (-)
 - Overtime (+)
- Rarely big stepwise increase

Risk?



Pricing?



Download this excel sheet

<https://www.dropbox.com/s/yxwwsnvel9d5gc1/Reverse%20income%20statement%20-%20download.xlsx?dl=0>

Team exercise – artist known as X

Cost factor	
Services/year	800 €
Rent/month	400 €
Monthly overhead hours	30 h
Materials	150 €
Hours of work	20 h

Plan a business for artist X

- Take one niche from your team
- Assume the numbers given in the table OR if you have good reason to change them use more realistic numbers
- Otherwise, feel free to set salary, profit, price etc targets
- 2 columns gives you easy “what if” comparisons

The main take-aways

- Price yourself correctly
 - Fixed price vs hourly rate
- When starting out, try to use variable cost products and services rather than incurring fixed costs!
- Cash is king, always know how much cash you have vs liabilities (invoices)

Break 10 mins





**Sustainable ways
of working**

Well being & Entrepreneurship



精力善用

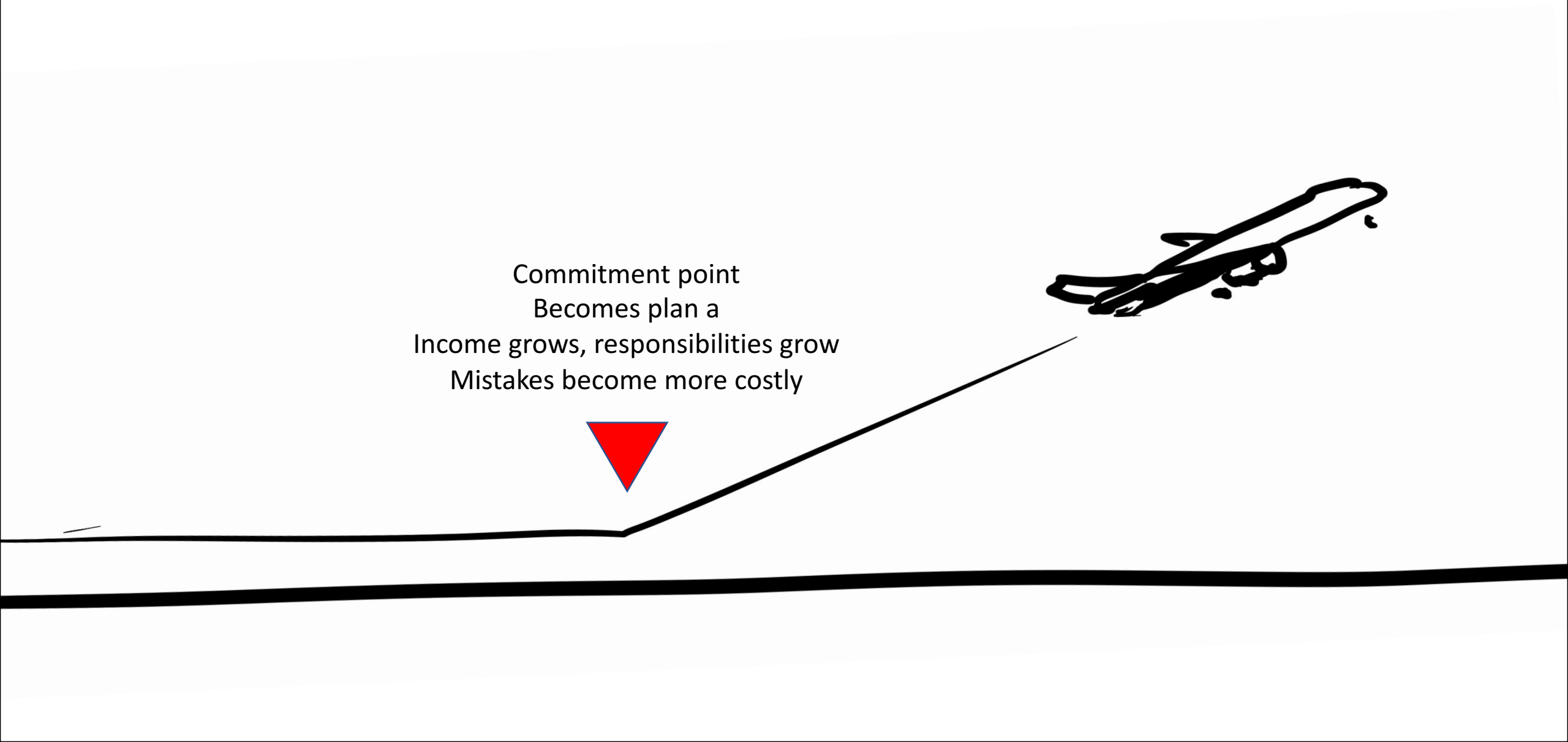
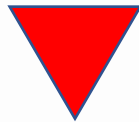
Maximum efficiency,
minimum effort

Focus your physical and mental
energy to where you get the best
results

Jigoro Kano



Commitment point
Becomes plan a
Income grows, responsibilities grow
Mistakes become more costly



Groupwork

**Critical decision
making moment
15 mins**

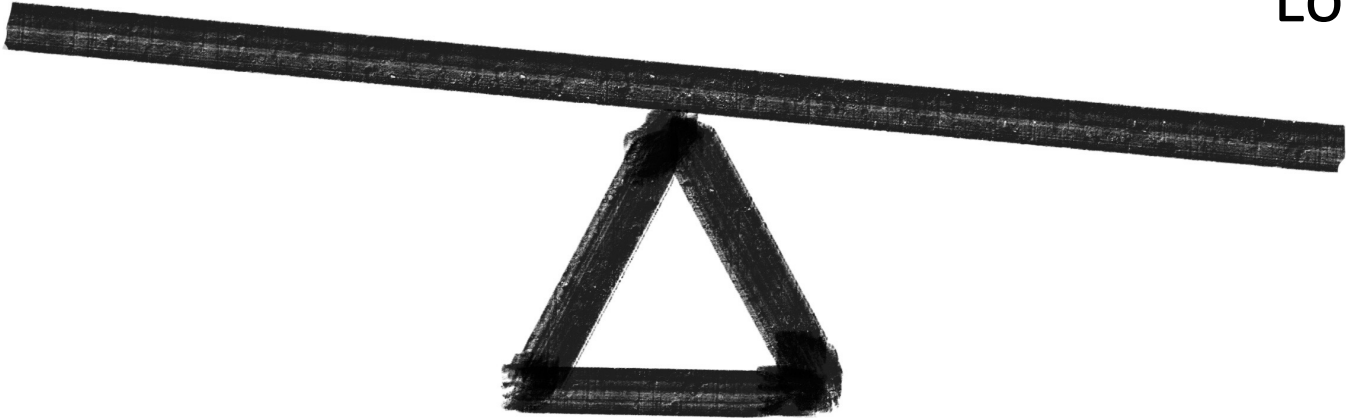
Miro Course Board

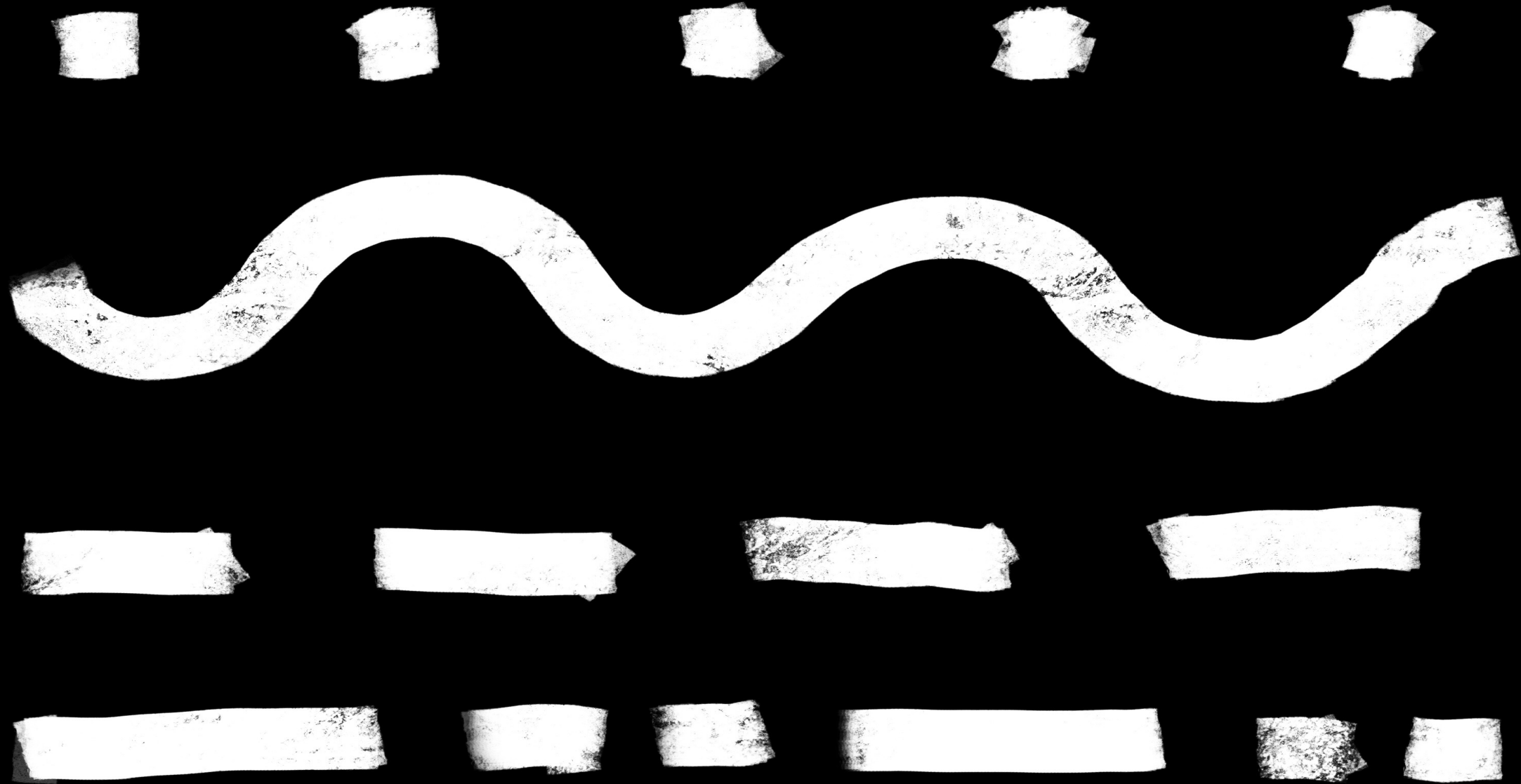
Discuss in groups and identify critical moments in entrepreneurs life when concious or unconscious decisions about well being are being made.

Come up with top 3 tips to prepare for each moment you have identified.

Recovery

Load



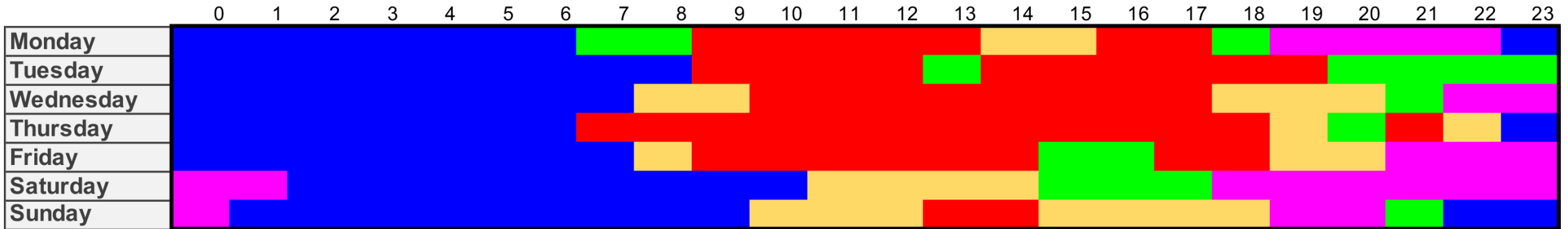


Where does my time go?

GOOD LIFE ENGINE

Where does my time go?

avp.aalto.fi



Legend:	
Sleep	1
Work	2
Exercise	3
Recovery/play	4
Social	5

Link to the course board

https://miro.com/app/board/uXjVPKCYtfw=?share_link_id=557131434353

Password: alefall22

Role Model Interview

Look at the wheel and think which area you would like to develop the most
Find a role model/idol/person that inspires you in that area.

Note that the customer spoke is reserved for the customer interview.

Book and interview with that person.

Interview deadline

Tuesday 22.11 at 12.00



Customer Interview

Interview a potential customer
(for your niche)

Build an understanding on what the customer is needing and how can the entrepreneur/artist help the customer?

Interview deadline

Tuesday 15.11 at 12.00

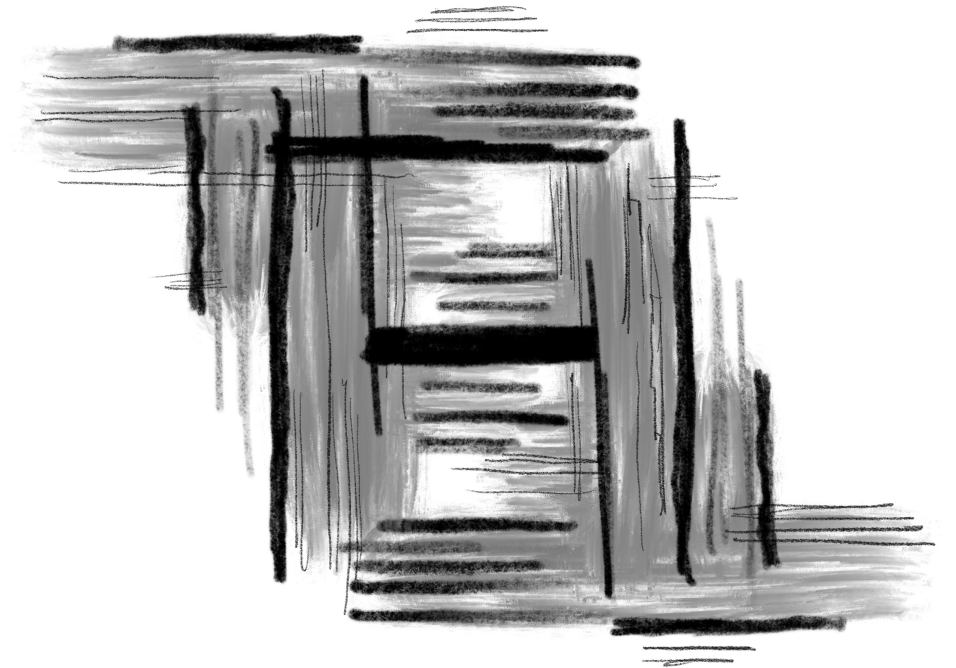


Final submission

Video 3mins

+

Poster (or any other exhibition deliverable)



Answer the following questions:

"What advice would I give to my fellow student who wants to become an entrepreneur in my field? What is my opportunity recommendation?"

Weekly exercise DL 15.11

Finish the customer interview

+

Fill the "Where does my time go" sheet

+

Update the business model exercises for your niche