

UBC Social Ecological Economic Development Studies (SEEDS) Student Report

Melt Collective: Proposing Sustainable Phone Cases as a Recurring Source of Revenue

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University of British Columbia

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A STRATEGY PREPARED FOR MELT COLLECTIVE

TEAM 1

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EXECUTIVE SUMMARY:

ABOUT THE CLIENT:

Melt Collective describe itself as a new multidisciplinary group based at UBC. They intend to create a localized-recycling process for plastic goods on campus, by re-creating sustainable products, made from primarily recycled materials. Currently, Melt Collective is looking to mind a sustainable business model with potential to scale. Melt Collective is currently facing several challenges:

CURRENT SITUATION

MELT Collective's vision is aligned with both Vancouver (Green Vancouver 2020) and UBC (Zero-waste plan). This is a great opportunity to capture the growing demand and interest of sustainability within the market. By using the SWOT analysis, we found out Melt Collective is currently facing the following challenges:

1. The type of product they want to produce is undetermined. We need to look into products that can be made of recycled plastic.
2. Lack of funds as it is a start-up. We need to explore funding opportunities for the project.
3. Lack of brand awareness. As it is a start-up, they have a weak social media presence and overall low awareness.

After using the SWOT analysis, as well as the Blue Ocean Strategy tools, our team has the following three recommendations:

PARTNERSHIP WITH UBC

We identified the opportunity for recurring revenue streams by involving UBC Imagine Day, which involves all faculties, over 9000 new students and over 1000 new faculty and student volunteers. Imagine Day also consists of a lot of giveaways, the main one being your faculty pad folio. We believe this partnership will be a win-win strategy. Producing sustainable pad folios for Imagine Day, Melt collective can benefit from the positive publicity and increase our brand awareness. At the same time, this will help UBC reach its goal of being a zero waste campus.

STAPLE PRODUCT

We decided to make phone cases as the staple product. This product aligns with our target segment of people who are tech savvy, sustainable and educated people. Besides that, our team conducted a survey to find out the demand for such goods in UBC and found out that 85% of people in our target market owned phone cases and 61% were open to purchasing sustainably sourced cases as long as they were fairly priced. We believe phone cases are a big market for Melt Collective and can generate revenue in the long run.

EXPERIMENTAL PRODUCTION LINE

According to our SWOT analysis, product expansion is an opportunity for Melt Collective. By constantly introducing the seasonal products, we can provide our customer with good variety of choices. At the same time, we can test the customer's interest and produce more of what is popular. This can cope with the problem of unknown demand.

RISKS AND TIMELINE

We would like to implement each of the recommendation in the last quarter of 2017. Before the implementation we also listed the top three risks that can occur. These are the following:

1. Overestimating demand for phone cases
2. The risk of failure with regards to our partnership with UBC
3. The risk of low-scale of production in the long run.

We believe we can mitigate these risks by preparing the alternative products by putting our efforts on R&D to diversify the risks. Additionally, partnering up with other organizations is another solution.

GOALS AND CONCLUSION

Our goals are to have a staple line, with the production of the phone cases, a recurring source of revenue, through our partnerships with UBC faculties and a strong R&D to keep innovating the products that we are making.

We believe that by having three different lines, we are diversifying risks and focusing on ways to innovate.

MELT COLLECTIVE



Team 1

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INTRO

Melt Collective is a new multidisciplinary group based at UBC(1). Melt Collective intends to create a localized-recycling process for plastic goods on campus, by re-creating sustainable products, made from primarily recycled materials. Melt Collective is motivated to change the narrative around waste through community engagement - to transfer “waste” into valuable resource from which utility and even beauty can be created. They currently have five core team members as well as around 35 volunteers and have recently finalized the work place in the NEST. Our goal for this project is to find the most suitable business model for Melt Collective with the potential to scale and to be profitable in the long-run.

EXECUTIVE SUMMARY

Problem

To find a suitable business model with potential to scale specifically noting the most economically and sustainably viable products to produce

Challenges

Undetermined Product Type

Lack of Funds

Lack of Brand Awareness

Solution

Partnership

Staple Product

Experimental Product Line

Impact

Explore and attract customer's interest, increase revenue stream and enhance brand awareness

INTRO | ANALYSIS | RECOMMENDATIONS | IMPLEMENTATION

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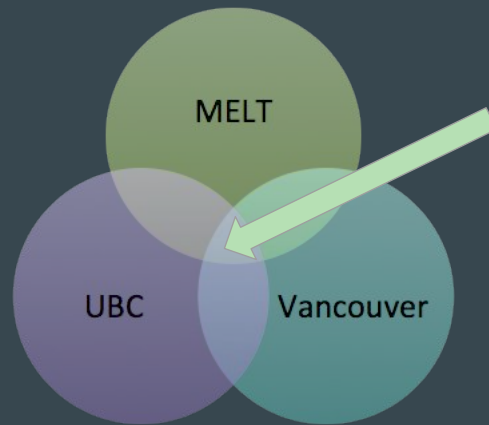
EXECUTIVE SUMMARY

Please refer to executive summary in the beginning of the document.

Sources:

<http://www.meltcollective.com/>

VISION



SUSTAINABILITY

INTRO | ANALYSIS | RECOMMENDATIONS | IMPLEMENTATION

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ANALYSIS: VISION

Looking at Vancouver's vision and strategy for continued improvement of its city, Melt Collective falls in line with what their expectations are. The City of Vancouver has three overarching areas of focus namely zero carbon, zero waste, and healthy ecosystems. This is further divided into 10 goals that Vancouver has set for their green initiative wherein 2 goals lie directly with what Melt Collective is trying to address. Melt Collective wants to support the zero waste goal by recycling plastics to be used to sell to customers. Green Vancouver 2020 is to reduce waste diverted into landfills which is the major impact that Melt Collective can have especially if they can expand their business in the future to cover not just UBC wastes but wastes from the rest of Vancouver.

Melt Collective can also assist in helping Vancouver with its green economy goal by being an additional green business to further push Vancouver as a mecca of green enterprise and sustainable growth. They can do this by adopting a circular economy in the vein of a cradle-to-cradle business model. This alignment with Vancouver's goals will help them with regards to their future and provides them with plenty of opportunities going forward as the rest of Vancouver transitions to this. The Netherlands has taken a leading stance toward the idea of a "circular city", whereby 8 cities in the country have already joined the circular city deal and are transitioning towards the circular economy.

MELT Collective's vision is also at par with UBC's plan of being a zero waste campus. Currently, UBC diverts 67% of waste from landfills, however their goals are to increase overall diversion rates to 80% by 2020. Currently, 11% of the materials are plastic, which is the materials that UBC provides MELT collective so they can make their products. Keeping this in mind, MELT's vision is very well aligned with both Vancouver and UBC, giving the company a great opportunity to capture the growing demand and interest of sustainability.

Source: <http://vancouver.ca/green-vancouver/greenest-city-goals-targets.aspx>

BLUE OCEAN STRATEGY: ERRC

ELIMINATE	RAISE
<ul style="list-style-type: none">- Waste- Cradle-to-grave model	<ul style="list-style-type: none">- Environmental awareness- High quality/long-lasting products
REDUCE	CREATE
<ul style="list-style-type: none">- Low quality plastic products- Carbon footprint	<ul style="list-style-type: none">- Sustainable plastic products- Buy-back process for old plastic products and provide lifetime warranty

ANALYSIS: BLUE OCEAN STRATEGY: ERRC

In analyzing the opportunities available for Melt Collective, our team identified an opportunity to innovate in the retail industry with their products. In doing so, we utilized an ERRC Grid to pinpoint Melt Collective strategic advantages compared to companies involved in making plastic products. Many plastic products create waste and are never fully recycled in a linear economy. This has tremendous long lasting impacts on the environment that we feel is a strength that Melt Collective can leverage among their competitors. In a study done by Trucost, the environmental cost of consumer plastic products amounted to \$139 billion. The recycling of plastic products at the end of their life cycle presents a potential \$7.89 billion savings in terms of environmental cost. Melt Collective can use existing technology to effectively eliminate cradle-to-grave models and create a production loop for their processes. Furthermore, this stance allows them to focus on raising the standards of the products they produce to be of high quality and durability while reducing their overall carbon footprint. In a world, as shown in our analysis of Vancouver and the Netherlands, where sustainability is gaining more and more traction, it is important to have this as their primary point of differentiation in an industry filled with waste producers. Additionally, Melt Collective can create new value by outputting sustainable products that can be bought back and reused in a circular system to minimize their impact on the environment while also reducing their costs of production. This makes Melt Collective's current situation advantageous compared to the rest of the plastic industry that they decide to enter in.

Source: <https://plastics.americanchemistry.com/Plastics-and-Sustainability.pdf>

SWOT ANALYSIS

Strength	Threats
<ul style="list-style-type: none"> - UBC support - Contribution to zero waste program - Free inputs 	<ul style="list-style-type: none"> - Lack of experience - Lack of funds - Low social media exposure - Low scale production - Unknown demand
Opportunities	Weaknesses
<ul style="list-style-type: none"> - Product expansion - Partnerships - E-commerce - UBC workshops - Equipment upgrade 	<ul style="list-style-type: none"> - Non-green plastic producer - Potential competition due to the low cost of entry - Perception of plastic goods - low quality

ANALYSIS: SWOT ANALYSIS

Melt Collective's core strengths are products being fully sustainable and the support from UBC. Leveraging their strengths, we outlined variety of opportunities that Melt Collective can undertake, including creating long-term partnerships with companies and initiatives to supply plastic products with them on a consistent basis. Another opportunity is to utilize the experience from creating pendants and other accessories develop one or few staple / classic products for which Melt Collective will be known for. Additionally, they also have an opportunity to experiment with different seasonal product, by making them in limited edition and testing the market throughout the year due to uncertain demand at the moment. Successful experimental products can then become Melt's staple product. These opportunities can be supported via pop-up shops around Vancouver (UBC, Kitsilano, Granville Island, Gastown) and sold via retail outlets or e-commerce. Melt Collective also has an opportunity to create e-commerce website to avoid retail markups.

Melt Collective is UBC based startup, with support from UBC, looking to create sustainable products made mostly out plastic. Given that they have already made accessories (pendants), which is highly feasible product and the feedback from Melt Collective team about creating various mold is viable, we believe it would be best for Melt Collective to focus on accessories as their staple good.

TARGET MARKET



UBC



Kitsilano



Point Grey

Characteristics

- UBC and Kitsilano
 - Young city dwellers
 - Spend income mostly on self
 - Value sustainability
 - Not as concerned about brands
- Point Grey
 - Tech savvy individuals
 - High disposable income
 - Progressive
 - Early adopters

Conclusions

- Likely to use e-commerce



- Likely to buy locally



- Overlapping values



ANALYSIS: TARGET MARKET

Our team wanted to focus on a few sample populations to demonstrate who we are targeting. The three areas we considered for our target market are UBC, Kitsilano, and Point Grey. Both UBC and Kitsilano people are typically young city dwellers who are less affluent living near universities. Upon further analysis, these people spend most of their paycheck on themselves and value sustainably sourced products and are very progressive. They are independent and are about ethical consumerism, community involvement, and brand genuineness which we feel captures the type of company Melt Collective will be. Additionally, these people are not as concerned about brands and are willing to pay for no-name brands that fit in with their values.

The third area we examined is Point Grey. These individuals are very similar to those living in UBC and Kitsilano. They are primarily composed of tech savvy singles. Slightly more affluent than those UBC and Kitsilano, these people have high disposable income and pursue technology and the digital world. They tend to be early adopters when it comes to new ideas or products. This complements Melt Collective in terms of being able to sell their goods at a slightly higher price point while maintaining their sustainability advantage.

Both groups of people are likely to be using e-commerce to make their purchases and to buy locally from smaller businesses making them a suitable target demographic for Melt Collective to pursue. Their values greatly overlap with those of Melt Collective and are also relatively close to where they will be based at. These are the type of people that we believe Melt Collective should be looking to sell and market their goods to at least at the beginning while they focus on educating consumers on the value of their products.

Sources: <http://www.environicsanalytics.ca/prizm5>
<https://www.superdemographics.com/>

TECH ACCESSORIES

FEASIBLE PRODUCTS



FULLY Plastic

Target Market: Tech Savvy, Sustainable and Educated people.



**\$436
MILLION on
cases**



**50%
Iphone owners
have multiple
cases**

INTRO | **ANALYSIS** | RECOMMENDATIONS | IMPLEMENTATION

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ANALYSIS: TECH ACCESSORIES

Initially, we listed the products that are mostly made out of plastic. We narrowed down the list to the following products, which were considered “feasible” by MELT collective: containers, furniture pieces, skateboards, lamps, jewelry accessories, kids stuff (Toys - watches) and tech Accessory (iPhone & Macbook cover / case). We further broke this down into products that were considered small, medium and large items. According to the Melt Collective team, these are the throughput rates of each type of item:

- Small items: 100-180 per hour (phone cases) , Medium items: 0-30 per day (skateboards), Large items: Less than 5 per day (chairs)

Considering our target market of tech savvy, sustainable, and educated people we believe that Melt Collective should focus on tech accessories specifically. We decided to focus on phone cases.

Secondary Research - Phone Accessory Industry

We chose phone cases after analyzing the market of phone accessories. According to the NPD study, nearly 50% of iPhone owners have owned multiple cases during the lifespan of their device. This is a great opportunity as it is not a one time purchase, therefore you can be innovative in your designs, so people keep wanting to buy the new accessories. The phone accessory market was the highest growing market, at around 69%. Kevin Faro, co-founder of case maker Mot, about 65% of sales are to iPhone users, 30% to Samsung owners, and 5% to the rest. Bloomberg reported that consumers spent more than \$436 million on mobile-phone cases in the 12 months ending in August in 2011, a jump of 33% from the previous year. These facts show how the accessory market is booming.

Sources: <https://www.npd.com/wps/portal/npd/us/news/press-releases/>

<https://www.theguardian.com/money/2014/dec/23/mobile-phone-accessory-boom-tough-call-case-makers>

<https://www.bloomberg.com/news/articles/2011-10-13/the-shadowy-world-of-iphone-cases>

PRIMARY RESEARCH



70%
Iphone
Users

180



51%
<\$20

40%
\$20-50



61% would
consider a
sustainable
case



54% change their
case when it
breaks



60%
Owned
Iphone
cases

INTRO | **ANALYSIS** | RECOMMENDATIONS | IMPLEMENTATION

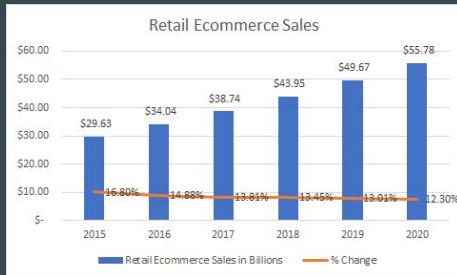
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ANALYSIS: PRIMARY RESEARCH - PHONE CASES

Our team conducted a survey of 180 participants within UBC. Over 85% were within the ages of 18-24, 54.4% were females, 45 were males. Most of the participants were UBC students, either local (48.4%) or international (45.3%). These were the key highlights that we found:

1. 70% of students were I-Phone owners and the remaining owned Androids.
2. 60% of the participants owned phone cases, while only 25% said yes for both laptop and Iphone.
3. 53.5% of participants said they change their cases, when it breaks and 18.1% said that they change it once a year.
4. 51.3% said that they would be willing to pay under \$20, however, 39.7% said they would be willing to pay \$20-\$50.
5. 61% of participants said that they would definitely consider a sustainable case.

CANADIAN RETAIL STATISTICS



Total Retail Sales in 2015:

\$513.38 Billion

Total Retail Sales in 2020:

\$559.08 Billion

Trends in Retail:

- Stagnant Retail Growth (~1.7% per year)
- Continued growth of ecommerce (Avg: 14.04%)
- Over 70% of internet users within ages 18 - 54 have bought at least 1 item online
- If prices are equal, consumers are more likely to purchase locally over big retailers

INTRO | **ANALYSIS** | RECOMMENDATIONS | IMPLEMENTATION

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ANALYSIS: CANADIAN RETAIL STRATEGIES

When it comes to the how of selling products, we considered retail and the advantages present in that space. Brick-and-mortar retail stores still maintain the advantage when it comes to retail sales, but there is an increasing growth in e-commerce. Total retail sales are growing at merely 1.7% per year while there is a projected continued double-digit growth rate (Avg. 14.04% per year) for e-commerce until 2020 based on eMarketer August 2016 report and is slowly creeping up on the traditional way of selling. It is currently expected to take up 10% of total retail sales by 2020 (2017). Both digital buyer and shopper penetration has improved across the board for all age groups specifically with the younger generation such as Millennials and Gen Xers with upwards of 70% of individuals having made at least 1 purchase in the last year online (Appendix). This trend is only expected to grow as the advantages of e-commerce become more apparent with newer technologies and innovations. With the advent of these occurring, large retailers have resorted to using omnichannel methods to keep up. This means combining the traditional brick-and-mortar experience with e-commerce and social commerce and integrating concepts such as pop-up stores and click-and-collect to maintain their advantage.

Further analyzing this ongoing trend of e-commerce, we wanted to highlight the attitudes of online shoppers in Canada when it comes to buying their goods. Many would actually prefer to buy local goods over large retailer goods online when the circumstances are equal or close to equal with a whopping 85% of people willing to buy local if prices were equal. In the digital space, large retailers do not have an inherent advantage over smaller businesses which greatly benefits Melt Collective in being able to have a successful launch of their business. This gives the industry a significantly lower barrier to entry even after considering costs as retail e-commerce also does not have to worry about rent and other overhead costs to selling their products.

Sources: <http://totalaccess.emarketer.com/>

RETAIL VS E-COMMERCE

	RETAIL	E-COMMERCE
PROS	<ul style="list-style-type: none"> - Display / exposure - Proximity - No shipping costs - Ability to try / feel product 	<ul style="list-style-type: none"> - Best price - Convenience - Saves time - Better selection - No geographical limit
CONS	<ul style="list-style-type: none"> - Retail markup - Store needs to be aligned with Melt's vision - Brand dilution 	<ul style="list-style-type: none"> - Lack of display / exposure - Shipping cost - Delivery time - Not able to physically try / feel the product

ANALYSIS: POTENTIAL SOLUTIONS: RETAIL VS E-COMMERCE

Regarding the sale of a product there is a crucial choice to make, whether to sell via retail, e-commerce, or both. The major downside of retail is the markup requested by retail outlets, which would result in a higher price of Melt Collective products. Given that Melt Collective already uses manually recycled plastic, which is more expensive than plastic made of oil (commodity level) even further increases the price. This means that choosing retail will make Melt Collective products even less affordable, assuming the law of supply and demand for a regular good, which states that as price goes up demand decreases. Granted, Melt Collective's differentiation point is not the price, but the fact that the products are made from fully recycled materials, the supply and demand theory still applies. Therefore, it is best to keep price as low as possible given Melt Collective's processes.

At the same time, using e-commerce will allow Melt Collective to reach more people, given that the main source of marketing will be social media and word of mouth. It would be effective to only use e-commerce because Melt Collective would be able to keep price lower and at the same time provide a wider variety of design selections for their customers. Storing inventory can be costly, especially for Melt Collective because of having limited space available. Just using e-commerce would allow them to minimize necessary inventory and produce items after they were ordered.

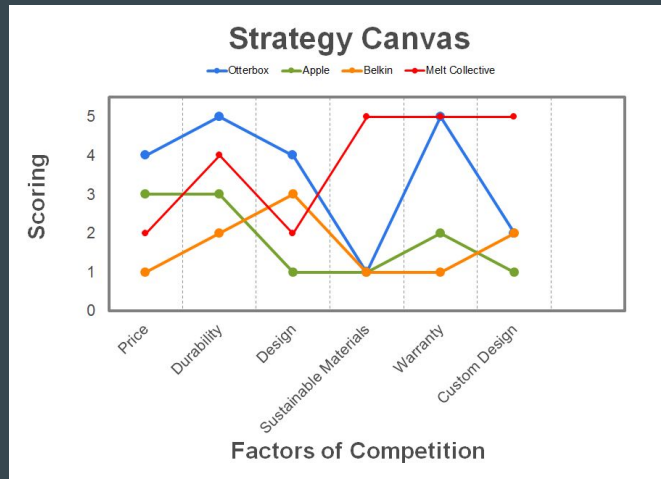
STRATEGY CANVAS: PHONE CASES

Otterbox

Apple

Melt Collective

Belkin



ANALYSIS: STRATEGY CANVAS - PHONE CASES

Competition is fierce in the phone case industry; however, there is still a way to differentiate Melt Collective's product and compete with existing players in the industry. The biggest differentiation points for Melt Collective would be having fully sustainable and made to last for long-term (extended warranty) products. Additionally, we would prioritize design customization to create point of difference when comparing to other cases with simply few colours to choose from.

STAPLE PRODUCT



Student Market



Tech-savvy individuals



Phone Cases

INTRO | ANALYSIS | **RECOMMENDATIONS** | IMPLEMENTATION

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RECOMMENDATION: STAPLE PRODUCT

We recommend creating a staple product line. One of our initial concerns was the products they could make currently with the technology that they have. Based on the SWOT, their strengths and opportunities led us to the production of tech accessories as their staple product line going forward. The fact that they currently only have labor and overhead costs and that they are targeting students or tech savvy customers made sense for us to push forward tech accessories while also crafting a niche of being sustainable in an industry where that is of least importance. Accessories are products that they can easily make now. The people targeted are also generally sustainably minded which only helped make this recommendation easier for us to consider.

After considering the expected percentage of smartphone case users we gathered from Mota, we wanted to also understand the demand for these tech accessories in the target market that we are considering. Thus, our team created a survey to find out the demand for such goods in UBC. Our findings proved that 85% of people in our target market owned phone cases and 61% were open to purchasing sustainably sourced cases as long as they were fairly priced. This fit in with our hypothesis and gave us a better reason to have this as our staple product line for the foreseeable future until we were able to have more financial leverage to produce more goods and expand our product line.

Another unique strategy for the phone cases would be to create a point of differentiation versus Melt Collective's competitors through the addition of a feature called the "forever" case where customers are guaranteed a case for any phone that they purchase with the exact same design should they choose to upgrade or replace their current phone. It is taking it one step further from a traditional lifetime warranty provided by some case companies.

PARTNERSHIPS



9000



INTRO | ANALYSIS | **RECOMMENDATIONS** | IMPLEMENTATION

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RECOMMENDATION: PARTNERSHIP

For our first recommendation, we will be focusing on long-term partnership with UBC, with the goals of generating repeated revenues. As Melt Collective is a UBC-based start-up, we believe it is highly important to leverage the partnership with the university. Melt Collective's goals are to help UBC become a sustainable, zero-waste campus. According to the Zero Waste Action plan, UBC goals are to collect unwanted products and materials and treat them as resources, which can be used again, resulting in virtually, zero waste. Melt Collective's efforts and core business values are about re-using plastic from UBC's waste. Therefore, we identified the opportunity for recurring revenue when looking at the biggest UBC event, which is UBC Imagine Day. It involves all ten faculties and over 9000 new incoming students. Imagine Day also consists of padfolios as a giveaway. Therefore, we decided to reach out to the Engagement & Academic Advisor of Sauder, Cassie Giplin. Cassie informed us that Sauder currently orders 1000 padfolios at \$15/unit, through their current supplier Boulevard Advertising for the Imagine Day. According to Cassie, Sauder is "open to reviewing options for all of our purchases for sustainability purposes." (Check Appendix C).

Our recommendation for Melt Collective is to be the "official" UBC supplier for the Imagine Day. Padfolio's are a "medium" sized object, made out of mainly plastic and a metal clip (which we would source locally). We suggest starting out by making a sample padfolio and approaching all faculties at UBC, showing them the benefits of the product. By helping out with the biggest UBC event, Melt collective can highly benefit from the positive publicity and word-of-mouth and help UBC reach its goal of being a zero waste campus. Additionally, this will become a repeated revenue source, given that orders are placed every year and through every faculty in UBC. Sauder has already shown positive response and we believe that other faculties will do so as well. We strongly believe that once MELT is successful with this project, the company can then invest in more equipment and start looking into other schools within Vancouver.

Sources: <https://sustain.ubc.ca/sites/sustain.ubc.ca/files/uploads/CampusSustainability/>
<https://students.ubc.ca/new-to-ubc/orientations/imagine-ubc>

EXPERIMENTAL PRODUCT LINE

Test out feasible products:

Introduce products during holidays



INTRO | ANALYSIS | **RECOMMENDATIONS** | IMPLEMENTATION

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RECOMMENDATION: EXPERIMENTAL PRODUCT LINE

We want to introduce different sustainable products during each season to explore our customers' interests in certain type of sustainable products. According to our second recommendation, we will put phone cases into Melt Collective's staple production line. However, we will not only rely on single one product line, since there might be potential competitions due to the increasing trend of product with sustainability. According to the search of Gibbs & Soell, 72% of adults have an interest in learning about company sustainability initiatives. It is suggested that green products will continue to capture greater and greater market share(1). It is risky to rely on one product to compete with new entries, with limited return customers - the reason that most of customers only buy one type of product one time.

Products expansion is an opportunity for Melt Collective. By constantly introducing the seasonal products, we believe we can provide our customer with good variety of choices to diversity risks, which will be one of Melt's strength when competing with firms who introduce green products to their customers. Additionally, it is an experiment to test the popularity of the new products, because the demand for sustainable products is unknown. If we find the high demand from our customers for our seasonal products, Melt Collective may switch them to the "classic product line", which will be continuously introduced. We had a chance to ask the team of Melt Collective the most feasible products they would like to produce. These products can be introduced in a seasonal basis. As for the time for launching, we would like to choose the day of each popular festivals or events and have the big sales at the same day.

Source: <https://www.solarcity.com/sites/default/files/reports/reports-consumer-trends-in-sustainability.pdf>

SHORT TERM

	2017		2018			
	Q3	Q4	Q1	Q2	Q3	Q4
Experimental Product R&D						
Case Sales						
Social Media Marketing						
AMS Nest Workshop Set-up						
Launch Workshop						
Padfolio Sample / Approach faculties						
Case Sales Evaluation						
Padfolio production						
Case designs development						
Production / Workshop space in Kits						
Equipment purchase & expansion						

IMPLEMENTATION: SHORT TERM

For Melt Collective to successfully implement their staple product launch, our team suggests adopting a preorder model. This model will allow them to build up hype and spread the word about their product specifically during UBC's offseason. It also helps with estimating the demand and limiting production early on. In a study by F. Zhang and C. Li on Advance Demand Information, Price Discrimination, and Preorder Strategies (2013), preordering benefits sellers in that it helps them gauge market demand based on pre-order sales which is important for industries where demand is uncertain. This advanced demand information improves a firm's decision making when faced with uncertain demand. This will result in increasing product availability in the regular selling period. Melt Collective currently has no storage space so keeping high inventory is not an option, and it could backfire if demand is grossly overstated. The idea is for them to only produce as an order comes along and preordering is one way to do that. An additional point is that shipping will not be free at least initially. This means consumers would prefer to drop by the workshop to pickup their orders online.

Also, in the summer of 2017, the team will set-up the workshop for September launch to make sure that students at the AMS Nest will be able to walk by and discover Melt Collective's products and processes or recycling plastics. Phone case will begin in September as all of the students will be coming back from the summer break. As Melt Collective will begin selling cases, it is unlikely that the production will be at capacity and therefore the equipment and Melt Collective team will be available to experiment making various product in limited edition to test the market. In quarter 4 of 2017 would be ideal time to reach out to various faculties as they would be renewing their budgets and contracts by the end of 2017. In 2018 Melt Collective will evaluate the phone case sales and begin planning and executing the production of padfolios. Based on the evaluation results, more designs will follow. By the end of 2018 Melt should establish a new production / workshop facility in Kitsilano and purchase additional equipment to expand funded by phone case sales and padfolio partnerships.

Source: <http://apps.olin.wustl.edu/faculty/zhang/zhang-journal/preorder.pdf>

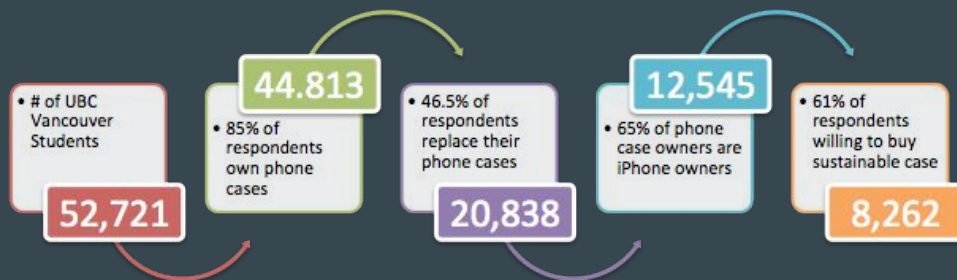
LONG TERM

	2017		2018				2019				2020				2021			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sustainable Business																		
Workshop in Kits & Point Grey																		
Display workshops at the malls																		
Educational Workshops																		

IMPLEMENTATION: LONG TERM

In the long-term, we believe that MELT will shift towards becoming a lifestyle brand. MELT has extremely strong values of reducing waste in the community, which we want to leverage. We want to further expand the idea of the workshops, and go into Kitsilano as well as the different shopping malls to increase awareness and visibility. We believe that in the long-term, MELT Collective will have its own interactive retail store. A creative space where individuals can go and see the process of recycling plastic and moulding it into new products. We want to increase interest and have people come to stores, donate their plastic waste materials and watch that waste become a resource. It is also important to have an educational purpose surrounding it, as people need to understand the value of what the company is doing. We want to host educational classes in the retail space, where we invite guest lecturers as well.

FINANCIALS: R&D



FINANCIALS: R&D

In order to project the annual demand of iPhone cases in the UBC market, we extrapolated the data from the total # of students and plotted our primary and secondary research to make the assumptions to get to 8,262. 85% of survey respondents owned phone cases and 46.5% of them replaced them on a regular basis. Among the remaining people, a phone case company had 65% of sales coming from iPhone users which resembled our own survey data at 69%. Out of these individuals, 61% of our survey respondents would be willing to buy sustainable cases which led us to our final number of 8,262 as the demand that we can cater to. We think that we can capture this entire market share because there are no other players in this industry.

Source: <http://www.ubc.ca/about/facts.html>

FINANCIALS: PHONE CASES

Price: **\$30-40**
Unit cost: **\$19.2**

Projected demand:
8262 units

Annual Profit:
Min = \$65,270
Max = \$130,540

Phone Case	8262 units per year
Capacity	100 units per day
DM	0
DL	39657.6 per day
Rent	30000 per year
Designer	41000 per year
Website Maintenance	48000 per year
Total Cost (annual)	158657.6
Base Unit Cost	19.20
*Direct Labour	\$480 per day
	\$12 per hour
	5 employees
	8 work hours per day

FINANCIALS: PHONE CASES

The financial projections above are for the time period when Melt Collective would be able to sustainably operate as a business, meaning that they will have to pay for labour, staff, and rent. This is projected to start in September 2018 after one year of phone case sales, R&D product tests, and secured UBC Partnerships. Until then, the actual rent is subsidized by AMS and direct labour will be existing members of Melt Collective: 5 core team members and 35 casual members.

Melt Collective's capacity of producing small items is 100 - 180 small items per day, assuming full 8 hour day. Phone case is a small item and we will use a conservative throughput of 100 phone cases per day. Since Melt Collective collects plastic waste from UBC at no cost, we will keep Direct Material (DM) cost equal to 0. We assumed wages to be slightly above the minimum wage at \$12/hr with 8 hour days and 5 employees needed to operate Melt Collective existing assets at full capacity. Additionally, rent for 1100 square feet studio in 68 East 1st avenue is \$2500, which amounts to \$30,000 per year. Since the phone cases are the main / staple good for Melt Collective it is assumed that they will be produced all year round.

In the first year we project to sell 50% of estimated demand, 4131 phone cases, due to time required to penetrate the UBC market and other unexpected complications. Therefore we expect to earn \$65,270 profit from the phone case sales in the first year. Please note that unit cost calculation does not include the core five Melt Collective members. Initially, we assume they would either use profits earned to reinvest back into the company or split it among themselves. In 2018-2019, as Melt Collective get some recognition at UBC, we expect to sell all 8262 phone cases demanded.

Sources: http://www.payscale.com/research/CA/Job=Graphic_Designer/Salary
http://www.payscale.com/research/CA/Job=Web_Designer/Salary
https://spacelist.ca/p/bc/vancouver/68_e_1st_ave/ground_floor

FINANCIALS: PADFOLIO PARTNERSHIPS

Price: \$15
Unit cost: \$10.8

Projected sales:
1000 - 9000 units

Annual Profit:
Min = \$4,200
Max= \$37,800

Padfolio	
Capacity	60 units per day*
Projected Sales	1000
DM	1390 metal clip cost multiplied by number of units
DL	8000 direct labour based on production days necessary
Rent	1404.49438 rent based on production days necessary
Total Cost	10794.4944
Unit cost	10.79

*assumption based on padfolios being smaller than skateboards both in size and materials needed to make it
According to the Melt Collective team, these are the throughput rates of each type of item:

Small items: 100-180 per hour (phone cases)
Medium items: 0-30 per day (skateboards)

FINANCIALS: PADFOLIO PARTNERSHIPS

Melt Collective's capacity of producing medium sized items is 0-30 per day, for example penny skateboard. However, given that padfolios are bigger than Melt Collective's small item, but considerably smaller than Penny skateboard, we assume that Melt Collective will be able to produce approximately 60 padfolios per day.

For Padfolios, the Direct Material cost is a metal clip, which we estimated to cost 1.39 per piece based on Canadian Tire's price on similar metal clip (in terms of size and material). Direct Labour remains the same. Only portion of rent will be paid through padfolios because they will only be produced once a year and will vary on the amount of days of production needed, based on quantity of 1000 to 9000 padfolios.

Unit cost is \$10.8 and UBC faculties buy their padfolios at \$15, therefore with projected sales of 1000-9000 units the minimum profit will be \$4200, but is likely to grow over the years and be maximum of \$37,000 just based on portfolio sales.

Sources:

<http://www.canadiantire.ca/en/pdp/loft-curtain-rod-bracket-nickel-0467364p.html#spc>

METRICS AND RISKS



Increased Profit



Product Sales



Website Traffic/
Customer Visit

Risk	Likelihood	Impact	Mitigation
Overestimation of Phone Case Demand	Medium	High	Preorders and diversified production through R&D and UBC partnership
Failure of UBC Partnership	Low	Medium	Secure additional partnerships with other organizations
Low-scale of Production	Low	High	Focus on R&D of new products

INTRO | ANALYSIS | RECOMMENDATIONS | **IMPLEMENTATION**

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METRICS AND RISKS

Based on our recommendations, we chose to focus on three metrics: Firstly, increased profit from the sales for goods within UBC will measure the performance in our partnership with UBC. Because the goal of the partnership is to generate repeated revenues. Secondly, the number of sales at Melt Collective. We will look at the sales for both staple and seasonal product line. We consider the staple product line to be successful if the actual sales of phone cases is higher than our expectation, which is 8000. We also measure the success of seasonal product by looking at the popularity of each product to make a decision on if Melt Collective would like to switch product to the “classic product line”, which will be continuously introduced. Third is the, Melt Collective website traffic and customer visit over time to reveal insights into brand awareness. Our strategy such as building the partnership with UBC and setting up Melt Collective’s workshop and pop-up shop are somewhat for the purpose of increasing brand awareness. By obtaining the number of people who typed “Melt Collective” into their address bar and measuring the number of people who actually come and visit the Melt Collective’s shop in NEST, These will present us a clue of how to enhance in brand awareness.

There are three risks that we have identified with our recommendations. First, the biggest risk is overestimating demand for phone cases. The demand might be considerably lower than we had projected. This can be mitigated in a few ways. Our preorder strategy helps us better gauge demand by utilizing advanced demand information. Diversifying production also allows Melt Collective ways to recoup losses from excess supply in two ways. Our R&D strategy into other products lets the company make other goods that might be more popular in the long run. Additionally, the company can financially sustain themselves by creating products through their partnership with UBC. Second, the risk of failure with regards to our partnership with UBC is also a concern. This can be mitigated by securing other partnerships with other organizations (schools, local stores, etc.) Last, the risk of low-scale of production is a long-term risk. This can be mitigated by focusing specifically on R&D to help boost future production by getting demand from different sources and constantly innovating in terms of products that are sold.

APPENDIX A: RETAIL STATS

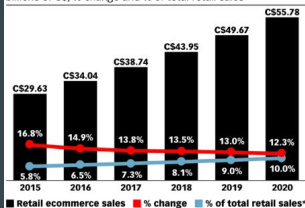
Total Retail and Retail Ecommerce* Sales in Canada, 2015-2020

billions of C\$ and % change

	2015	2016	2017	2018	2019	2020
Total retail sales	\$513.38	\$522.62	\$531.51	\$540.54	\$549.73	\$559.08
—% change	1.7%	1.8%	1.7%	1.7%	1.7%	1.7%
Retail ecommerce sales*	\$29.63	\$34.04	\$38.74	\$43.95	\$49.67	\$55.78
—% change	16.8%	14.9%	13.8%	13.5%	13.0%	12.3%

Retail Ecommerce Sales in Canada, 2015-2020

billions of C\$, % change and % of total retail sales



Digital Buyer Penetration in Canada, by Age, 2014-2020

	2014	2015	2016	2017	2018	2019	2020
Digital buyer penetration (% of internet users in each group)							
14-17	55.0%	56.7%	58.1%	59.1%	60.0%	60.3%	60.9%
18-24	72.1%	73.3%	75.2%	75.8%	77.7%	78.0%	78.2%
25-34	70.5%	71.7%	73.0%	73.7%	73.9%	75.0%	75.8%
35-44	74.3%	75.5%	76.7%	77.0%	78.5%	79.2%	80.7%
45-54	72.5%	74.7%	76.0%	76.5%	78.2%	80.4%	80.9%
55-64	66.5%	68.2%	69.5%	71.1%	72.7%	75.3%	77.2%
65+	55.5%	56.3%	57.1%	58.1%	59.0%	60.0%	61.7%
Total	67.8%	68.8%	70.2%	70.3%	71.3%	72.1%	72.5%

Local Businesses* vs. Large Retailers Where Internet Users in Canada Are More Likely to Purchase Products/Services, by Price Difference, Aug 2016

% of respondents

Local business and large retailer are equal in price



Source: <http://totalaccess.emarketer.com/>

APPENDIX B: SWOT ANALYSIS

Strength	Threats
<ul style="list-style-type: none"> -UBC support -Passionate team -Contribution to zero waste program -Inputs are free -Low cost of production (initially) - Easy to create fully plastic products 	<ul style="list-style-type: none"> -Lack of experience <ul style="list-style-type: none"> - production - business exposure -Lack of funds -(city of Vancouver 2020) -Brand new company -Low social media exposure -Low scale production -Expensive products -Uncertain supply(half of plastic is not usable) -Unknown demand
Opportunities	Weaknesses
<ul style="list-style-type: none"> -Product expansion (staple product) -Seasonal product trials -First mover advantage -Partnership with non-profit, local green companies, retail stores -E-commerce -Pop-up shop -UBC workshop - Equipment upgrade - Getting plastic outside of UBC 	<ul style="list-style-type: none"> -Non-green plastic producer(cheap plastic products) - Potential competition due to the low cost of entry - Perception of plastic goods - Uncertain demand

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SWOT

Melt Collective's core strengths are products being fully sustainable and the support from UBC. Leveraging their strengths, we outlined variety of opportunities that Melt Collective can undertake, including creating long-term partnerships with companies and initiatives to supply plastic products with them on a consistent basis. Another opportunity is to utilize the experience from creating pendants and other accessories develop one or few staple / classic products for which Melt Collective will be known for. Additionally, they also have an opportunity to experiment with different seasonal product, by making them in limited edition and testing the market throughout the year due to uncertain demand at the moment. Successful experimental products can then become Melt's staple product. These opportunities can be supported via pop-up shops around Vancouver (UBC, Kitsilano, Granville Island, Gastown) and sold via retail outlets or e-commerce. Melt Collective also has an opportunity to create e-commerce website to avoid retail markups.

Melt Collective is UBC based startup, with support from UBC, looking to create sustainable products made mostly out plastic. Given that they have already made accessories (pendants), which is highly feasible product and the feedback from Melt Collective team about creating various mold is viable, we believe it would be best for Melt Collective to focus on accessories as their staple good.

APPENDIX C : EMAIL FROM SAUDER

Hi Palak,

Sorry for the delay.

For Imagine Day, we give out a padfolio to all new students (first year and transfer), and will be looking to give out a smaller notebook to returning students who attend the Beyond Imagine event for upper-years.

Padfolios – 1000 ordered, roughly \$15/unit

Small notebooks – 200 ordered, roughly \$5/unit

Our current supplier is Boulevard Adverting, who are based out of Richmond.

And we've placed our orders for this year, based on our existing positive relationship with Boulevard so we aren't currently sourcing alternatives for these pieces. But generally speaking we are open to reviewing options for all of our purchases for sustainability purposes. The biggest factor there is ensuring adequate lead time, particularly if a change would mean a significant increase to our budgets, as annual budget requests are submitted in the fall each year for the fiscal year that runs April-March.

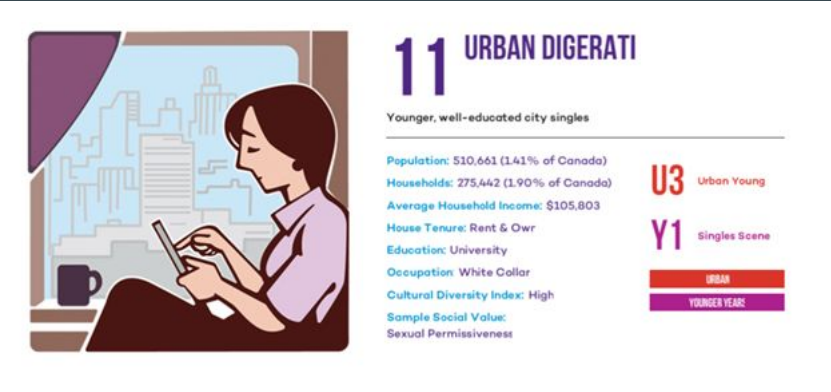
Hope this helps your group!
Cassie

APPENDIX D : UBC & KITS DEMOGRAPHICS



Source: <http://www.environicsanalytics.ca/prizm5>

APPENDIX E : POINT GREY DEMOGRAPHICS



Source: <http://www.environicsanalytics.ca/prizm5>

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