

Understand & Build Business Models

Fan Zhao

To help fresh graduates understand business models and prepare for future entrepreneurship

I. What is Business Model?

1. Definition: A business model describes how a company creates, delivers, and captures value.

2. Case: Uber

Does Uber make money? How?

What problem it solved?

What kind of need it meet?...

II. Why Need a Business Model

1. Clarify value proposition: help understand the value of your product or service to customers

2. Important role of BM

- ① Help you understand two key points:
 - a) Problem and solution fit
 - b) Product and market fit
- ② Predict whether your business loop is logic

II. Why Need a Business Model

2. Important Role of BM

- ③ The only product you can sell at that stage

3. Case: Netflix

Does Netflix make money? How?

What problem it solved?

What kind of need it meet?

...

III. Differences between BM and BP

- 1. Business Model:** what methods do you use to meet customer needs and solve customer pain points, and Making Money.
- 2. Business Plan:** a detailed document that includes business goals, strategies, market analysis, financial forecasts, etc.
- 3. For startups, no investor will believe your financial model and projection.**
- 4. Case:** Airbnb

IV. What does the BM cover

1. Strategic Positioning: establish an evaluation system, including Mission, Vision, Value...

2. Business Positioning:

- ① Problem and solution fit
- ② Product and market fit

3. Locate Your Position in the Value Chain

What do you really want to do?

IV. What does the BM cover

4. Business Process: basic thinking for an entrepreneur

- Sales process
- Market process
- Technology R&D process
- Supply chain process
- Financial management process
- Government policy docking process

IV. What does the BM cover

5. 9 More Questions You MUST Ask Yourself

- Value proposition: What value do you provide to customers?
- Customer segmentation: Who are your target customers?
- Channel: How do you deliver products or services?
- Customer relationship: How do you interact with customers, how to increase customers stickiness?

IV. What does the BM cover

5. 9 More Questions You MUST Ask Yourself

- Source of revenue: How do you make income?
- Key resources: What assets do you need?
- Key activities: What do you need to do to deliver the value proposition?
- Key partners: Who are your partners?
- Cost structure: What are your costs?

➤ **Case: Amazon**

IV. What does the BM cover

6. Team Analysis

Three criteria:

- ① Is there a clear strategic positioning?
- ② Are you familiar with all aspects of the value network you want to do? (connection)
- ③ Know the key factors for the success of your project (KSF)?

IV. What does the BM cover

7. Stakeholder Analysis

Very Important: It is the founder's responsibility to benefit all project participants.

At least **six stakeholders** should be considered:

➤ **External:**

- ① Customer's interests
- ② Supplier's interests

IV. What does the BM cover

7. Stakeholder Analysis

➤ □ Internal

③ Shareholder's interests

④ Executive's interests

⑤ Employee's interests

⑥ External experts and supporters' interests

8. The company's financial model and profit model

9. The company's value assessment

V. Verify your BM

- **Hard Trial and Error or Soft Trial and Error**
- **MVP**
- **Four main steps for a Project/Product**
 1. Go out of the office and find your potential customers
 2. Prove that he is your customer
 3. Enlarge your customer base
 4. Create a company

V. Verify your BM

➤ **Case: Airbnb**

➤ MVP Process

- Conduct experiments: Run tests to validate assumptions.
- Collect feedback: Collect and analyze customer feedback.
- Adjust and iterate: Adjust the business model based on test results and feedback.

V. Verify your BM

➤ Customer Insights

A deep understanding of customers' real needs, is the key to business success.

➤ Methods for Customer Insights:

1. In-depth customer interviews

Case: Slack

2. Questionnaire Survey, either online or off line

Case: Survey Monkey

3. Focus Group

Case: Procter & Gamble (P&G)

V. Verify your BM

➤ Customer Insights

4. User Experience Testing

Case: Dropbox

5. Data Analysis

Case: Amazon

6. Competitive product analysis

Case: Apple

7. Customer feedback system

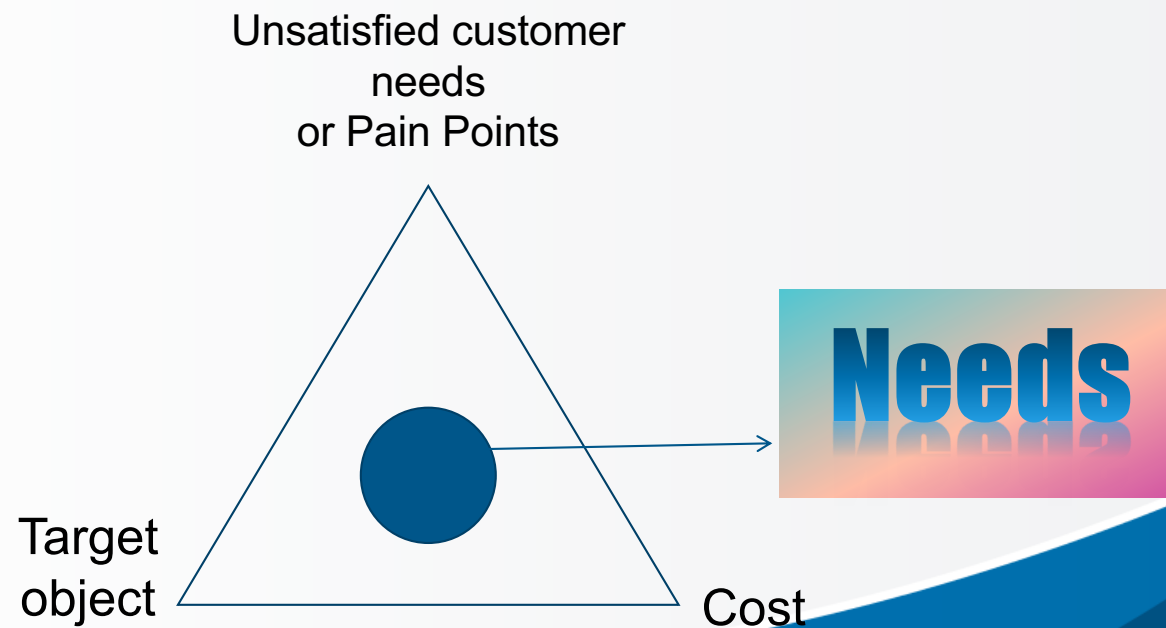
Case: Zappos

8. Empathy mapping

Case: IDEO

V. Verify your BM

➤ Customer Insights-How to Identify Real Customer Needs



VI. Key of your BM

- 1. A clear, reliable, and proven customer value proposition.**
- 2. A logical closed loop can be formed through business model analysis.**

VII. Can we Compete with the Giants

- **Follow the principle: Being different rather than better**
- **Pay attention to following markets**
 - **Market segment**
 - Example: shampoo market
 - **Niche market**
 - Example: shampoo market
 - Case: Shopify
 - Innovation: Offer unique or superior products/services.
 - Flexibility: More flexible and responsive than larger companies

VII. Can we Compete with the Giants

- **Long Tail Markets**
 - **Definition**
 - **Case: Amazon**

VIII. Are you ready for Failure

Failure is a high probability event for Entrepreneur

Case: Dyson

5127 failed prototype designs and tests before a successfully
developing the first bagless vacuum cleaner

Thank you!

Failure is the mother of success

Every failure is an opportunity to learn and grow