

**Entrepreneurship and IP strategy**  
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**Lecture No. 34**  
**Success Story and Business Model of a Few Start - Ups**

A very warm welcome in the fourth module of week 7 of the course, Entrepreneurship and IP Strategy titled “Success story and business model of a few start-ups”. Now, a few examples Apple, google, Genentech, Microsoft, Amazon, Airbnb, Twitter, Facebook all these are start-ups and now these are like blossom like giant companies. Now, we have seen a few details about Google, in a Google case study in first week and in earlier course roadmap for patent creation we have shared with you, case study of a Genentech. So, you can, if you want you can go through that Genentech case study.

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Now, if we try to understand what is like a business model? Probably we have gone through the details about a business model. Major steps we try to follow when we are talking about business model, this major steps are like a, we find a scalable way to acquire customers and then once we understand and we acquire that customers we try to monetize that particular thing.

A few important points probably we will consider when as a business model are like key partners, key activities, value propositions, customer relationship, then the customer segments, key resources, channels, revenue models, then the cost. In the revenue model you may think of an add based revenue model then subscription based revenue model or direct

sale or a channel sale anything kind of that you can think about a revenue model. So, these are the few points probably everybody see when they are talking about a business model. Now, here if we elaborate further that a few business models if we try to understand details about that.

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Now, if we elaborate further then we can think of a business models like marketplace, then there is a sponsorship, franchisee, then the disintermediation and then the pre-order. There are few others but we will concentrate only of this 5. Now a little bit details about that 5 things we will try to understand. When we are talking about a market place. The example like Amazon or Airbnb, if you consider, this is a good kind of businesses which are based on that marketplace kind of a business model.

Now, what exactly happened in a marketplace business model? It is defined as a business that charges a transaction fee via a platform for a buyer and a seller. So, buyer and a seller, a platform is created, a virtual platform is created generally and then the buyer and seller will come and they will have their transaction whatever that business activities will be there that will be there virtually. So, this is what the marketplace.

Next is a sponsorship. The best example we can take a YouTube or a Gmail. We never bother yes sometimes we get irritated with the advertisements when it comes in the YouTube and all that thing, but we accept that because we whatever we want to like explore through using this YouTube or a Gmail, probably that value addition is much more and as that value addition is much more we will like little bit fine with the kind of advertisement and that is what the

sponsorship business model is there where what the money is like from sponsors and we that users we need not to pay anything to that particular channel where we are getting the information or where we are using that particular services offered by that organization so this is what the sponsorship is.

Then the franchisee. When we are talking about a franchisee here what the thing is happening that royalties are paid to the owner and then the owner will like use, means pass the information to the license, it is like the person or the individual, the franchisee you are taking that right and then the franchisee will followed the follow the guidelines which are given by that owner. And McDonald we can consider a best example of that thing or any fast food chain you consider they are following that franchising model.

Then the disintermediation. Here what the thing is happening that the cut out the middleman kind of a scenario and we are very well aware about a dell model that organization is giving services like without any middle kind of means that middleman is not there kind of a scenario is there and as the services directly from the dell, probably or because of that reason the customer will receive best service but in a what we can say a very inexpensive way that service will be availed by the customer. Tesla is also following that kind of model.

And then the pre-order kind of a business model is that where it is like a business that sells products before it is made or delivered. It is like a, Tesla is like best example of that. They announce the production of that particular new automobile car or any kind of truck or whatever it may be and pre order kind of a scenario is there that is a one of the models which may be followed.

So, if we see that business models and if we try to relate it with the intellectual property. Please understand if we are talking about a franchisee, trade secret is coming into the picture along with probably trademark that is a brand like brand building is everywhere, so trademark is playing important role in any of the case obviously. And if we say the pre-order, obviously that goodwill that trademark volume and then probably the technology when they are talking about a Tesla the technology and therefore patent is playing an important role.

When we are talking about cut out the middleman and disintermediation is there, yes again the technology probably will help you to serve the customer and that way it will be helping. Then the if we are talking about a franchisee as I have already told you, the trademark and that trade secret is know how that is playing an important role. When we are talking about a

sponsorship and if we take an example of a Gmail or a YouTube, at the backend whatever the organization is happening or at the backend whatever the processes are happening that probably will require a software and yes software is patentable in USA and that that will be the IP which is involved there.

And when we are talking about a marketplace for example Amazon or Airbnb, if you take examples like this, patent is playing important role because whatever amazon services are there they are like efficiently happening because of yes the development in the technology, warehouse management is there, so or Airbnb that platform creation is there. So, that software development is definitely involved and along with the technology is also involved and therefore that patent is playing important role in this business.

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Now, moving further if we try to understand like one by one if we try to get a few examples. We will take first example of Amazon everybody is aware about Jeff and in 1994 he started this company, a start-up. It is a, it was started with an online bookstore kind of activity and obviously bootstrapping is done an initial capital is from his parents. In 1995, Amazon raised a series of kind of activities and then he has raised kind of a 8 million dollars, he has raised, that funding is raised.

In 1997, it is become like it went public and it raised additional capital. So, probably you know the history of or how that Jeff has started this start-up and how it is grown that probably you are very well aware about. Now, if we want to concentrate on that particular business model, points we have seen that these are the points. So, we will see one by one that in

Amazon what exactly, how this business model is working. So, if you see the key partners in the Amazon, the key partners in business of this Amazon business model these are if we see the key partners the key partners are merchandise, suppliers, delivery providers, it hardware suppliers, these are the like key partners.

If you are talking about a key activities, these key activities are like an inventory management, technology and R and D definitely involved because they have to manage that R and D and they have to evolve that logistics and that kind of activities there and yes Amazon is giving that cloud services also, so that technology is also involved there definitely. Value proposition if we talk about Amazon it is an online retail kind of activity. The again Amazon is now very active like it is started with that a book kind of a selling and yes the content publishing web platform Amazon is the best platform and yes that platform is given.

So, online retailing, then content publishing and then the web services because it is now giving you a cloud kind of Amazon cloud is available. Book publishing best platform people are adopting or more comfortable are with Amazon and yes online retail probably everybody from who is watching this video probably you have done one or the other shopping on Amazon. If you see the customer relationships personalized recommendations are there and you know that how you are getting the recommendations on your Amazon.

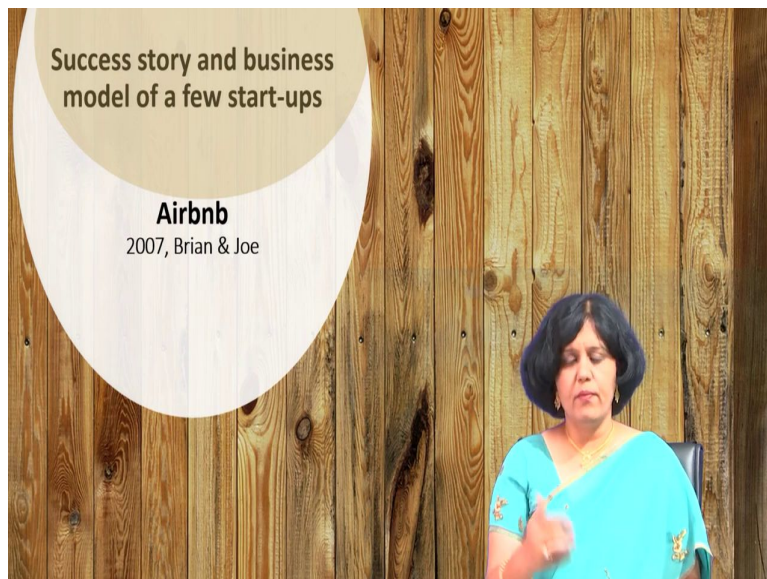
Then the customer segment is like a global customer segment is there then third party sellers are there, content creators are there and channels you are very well aware about that channels that is a mobile and website is there. Revenue model is like a retail product sell margin, yes that is the revenue model and what is the investment or what is the cost to do the organization like IT infrastructure is important thing, marketing cost is there. Yes they have very good advertisements and they are creating or reaching to the people through advertisements. Then the product inventory cost is there definitely, then the technology and content cost is there. So, if we put that business model, these are the points you have we have to consider.

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And now what we will do? we will watch one advertisement of Amazon here and you will understand how exactly that Amazon probably everybody knows about Amazon working but like this advertisement, you will enjoy this advertisement how it is working globally actually please watch this video. [Music]. So, it is little we can say emotional kind of video this is okay.

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Now the next is like a Airbnb. This I probably some of you probably have availed services of Airbnb. This company was started accidentally actually in 2007 and the reason for start of this business or this Airbnb services is like a schoolmates, like a former schoolmates, Brian and Joe they visited San Francisco and they could not able to get a rental I mean they could

not able to afford, there was a offerings but they could not able to afford that particular rent and in the San Francisco.

So, what they have done? they have thought about a Airbnb kind of a model at means that was like a point where they thought about this kind of a business model and then later that Nathan joined in 2008 and then Nathan and these two like classmates, that schoolmates, Brian and Joe they have started Airbnb services and we know that it is very effective and very useful and like a value for kind of a customer kind of services are there given by the Airbnb. And they are also raised, like in 2017 they have raised up to 1 billion dollar that kind of a funding they have raised.

So, you can imagine that the company which is started somewhere in like a thought about it in somewhere in 2007 down the line in like 10 years 2017 they have raised 1 billion kind of dollar funding for Airbnb. And yes means if any international traveller is there, Airbnb is like a very good option because you get a local kind of you can mix with a local people means if you availing Airbnb services you are getting a like you are going there in that country and you are living with a local people and you can get the idea how exactly the lifestyle is there in that particular country and that is a like a main kind of advantage along with, yes cost is a affordability is definitely the another advantage is that.

Now, if we try to put the business model on that kind of a modern business model canvas, key partners here in Airbnb are like a bloggers and photographers and insurance companies, because property is involved here. So, majorly these are the key partners especially if you talk about bloggers or photographers these are the travellers who are traveling the world and they are taking photographs and they are writing about their visit to different countries. Mainly these are like key partners you can say when we are talking about Airbnb.

What are the key activities here when we are talking about Airbnb? They are building and holding the host network and that building that host network is a, we can say that yes definitely it is a very strong. If you visit Airbnb site it is a wonderful site. It is kind like giving you several options when you try to think of option in any country or probably you are getting a many options and all options probably are very affordable kind of thing.

The important thing is a host and a traveller that matching how they have to make sure that host and traveller who is visiting that particular part of the world they should get like intermingle or they should interact with each other before that visit and so that they can get

the idea about a small idea or background about the both means both of them get the idea about each other. So, that is a key activity which is made by a like they have to manage that particular thing.

Then the value proposition if you see its host is earning is by renting we are very well aware about a renting or a lease kind of thing. Property you are renting it and you are getting money. Here the renting is for a very small period, generally it is very small period and that kind of a renting is there. So, host earned by renting and traveller get a like as I have mentioned homestay kind of experience and yes affordability is another probably we can say that it is a secondary sometimes but that home stay kind of experience you can get with Airbnb.

Then the customer relationships if we are talking, yes, supporting team is there, then they have to do the professional presentation when we they have to acquire the property and all that thing. So, whenever you will visit the Airbnb you can see the presentations of that particular property which you are looking for. They it is nicely presented and most of the times my personal experience is like that yes, always it is like whatever presented is a true that is my experience actually.

So, and then the customer services like means when you are talking about a customer relationship yes, customer service is like a very important and yes there are if you see their site and the details, it is a perfectly managed actually. Then the customer segment is like price conscious customers yes, these are the one then the host who is giving his property and travelling that local experience if you want to see Airbnb is a best option we can say.

Then the key resources of this organization if you want to see. It is like a community of home providers then the travellers and yes they are creating a brand means that they are creating that yes Airbnb or staying with that Airbnb host probably you are like getting that experience local experience it is a safe kind of that kind of a brand building is there. Channel, yes, mobile app is a one and the website and it is pretty well managed website is there.

Revenue model is obviously a commission home and commission rental from both the sides. They are getting the commission and what the cost for them is like a platform design and then the brand value building these are these are the two what we can say the main things where they want to focus and invest. So, this is about the Airbnb.



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Now the next is like a Zara. Probably you have come across one or the other kind of the accessory that is of Zara, a very well-known fashion brand kind of, it is a Spanish brand and it is a largest international fashion company. 1975 it is started, a Spanish pronunciation is there I try to make it that Amancio and Rosalia they have started this Zara in 1975. If you try to understand the business model. The key partners yes shopping centres, suppliers and manufacturers and fashion magazines are the key partners when we are talking about Zara.

Key activities if you see store management, brand management, then the design and manufacturing this is a like a key activity there. If you see the value proposition fast trend following fashion and generally they are at a prime locations and that is what we can say the brand building is there. Then the customer relations yes purchase advice and then the exchange of goods so that customer will be that retention will be there so they are like giving that kind of a facility.

If you see the customer segment yes young fashion conscious women is a main customer segment of Zara. Key resources if you see that yes factory brand and human resource is a key resource and the channels that mobile apps is there, web store is there, bloggers are there, retail stores are there and revenue model directly the sale is the revenue model there. And a cost to the organization is like operation of a retail store that is in expensive space places. So that is a major kind of, cost kind of investment is there, production, distributions marketing all things are there.

So, when we are talking about Zara this is the scenario. So, we have seen the 3 examples like Amazon, Airbnb and Zara and we have just followed the business model a key points which are there in the business model. If you see Zara and if you want to relate it with IP fashion industry as we have said that it is like an industrial design is like a major like we are making a major role in like this fashion industry.

So, when we say paper and that publishing and a film industry we know that copyright is like a major. Similarly, when we are talking about a fashion industry yes industrial design is playing an important role. So, in Zara that is a very important. When you are talking about Amazon and Airbnb as I we have seen earlier that is a technology they are creating platform and then Amazon has started giving the services like a cloud, Amazon cloud is available.

So, there they are entered into that web services and then the content kind of a platform for a content creator they have created and therefore yes technology is a prime kind of a focus of Amazon. So, patent is playing important role there and that will give them the competitive advantage. Zara, that industrial design will give the competitive advantage. Airbnb, again the platform they are creating and that brand building so trademark is giving them more what we can say comparatively to other IPs that brand like the trademark which is there that will be given that will give them the in Zara also trademark is important. So, that that is giving them the major what you can say mileage in the market.

Now, so we can say that means these the points which we have seen is like this. That key partners, key activities, value proposition, customer relationship, customer segments then the key resources then the channels and then the costs and then the revenue model also. So, these are the points which are there in the business model. So 3 cases, that 3 examples and then we have seen the little bit background about the business model and these are the key points of the business model.

I guess these 3 examples and the business model canvas means these are the points in business model canvas. Probably, this will give you idea that how you can plan your start-up activity and you can think about these points when we are you when you are planning for your entrepreneurial activity and probably this will help you and these 3 case or cases whatever we have just seen a little bit information about that will motivate you to plan your activity and we hope that you will like enter into entrepreneurship activity very actively and be successful in that particular thing. So, we are coming to the end of this session see you in the next session. Thank you.