

# Global Entrepreneurship

## Launch your startup

Week 8 Business Model

... Clip 1 Understanding of Business Model concept



Chapter  
**1**

# Understanding of Business Model concept



# Business Model

...a company's **LOGIC** for creating value

...**the WAY** it operates and how it creates value for its stakeholders.

...**ESSENCE** of the process.



# Business Model =

# Blueprint of business

# Why it matters

**First, business activities are shaped by business model.**

# On-Demand Food Delivery, are they all same?

## On-Demand Food Delivery, are they all same?



- Connect restaurants and customers
- Commission-based
- Restaurants pay for service fee

## On-Demand Food Delivery, are they all same?



- GrubHub, founded from two Chicago engineers in 2004.
- Seamless, founded from NY lawyers in 1999.
- Two companies merged together in 2013.
- Just Eat Takeaway(Europe) acquired GrubHub+Seamless for \$7.3B in 2021

## On-Demand Food Delivery, are they all same?





## On-Demand Food Delivery, are they all same?



- Connect high-end restaurants (no delivery service) and customers
- Customers pay for service fee and delivery fee
- Similar to Uber, it uses contract employees

## On-Demand Food Delivery, are they all same?



- Square acquired Caviar for \$100M in 2014.
- DoorDash acquired Caviar from Square for \$410M in 2019.

## On-Demand Food Delivery, are they all same?

The logo for Sprig, featuring the word "sprig" in a green, cursive, handwritten-style font.

- It has its own kitchens
- Customers pay for delivery fee
- Hired W-2 employees for delivery

**In 2017 Closed down**

# On-Demand Food Delivery, are they all same?

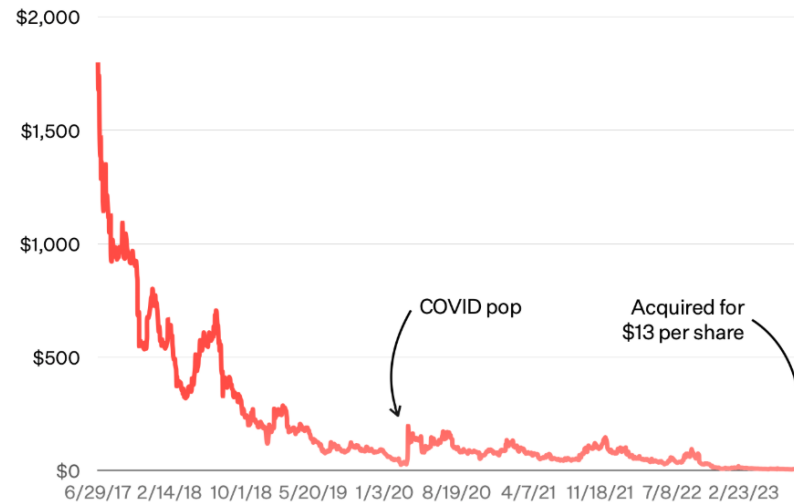


- DIY meal-kit
- Subscription-based
- Price depends on how many servings per meal and how many meals per week.
  - e.g. 2 serving per meal + 4 meals per week  
→ \$107

# On-Demand Food Delivery, are they all same?



- Became Unicorn (<\$1B) in 2015
- IPO in 2017 at NYSE



# On-Demand Food Delivery, are they all same?



- Wonder Group acquired Blue Apron for \$103M in 2023



**Second, business model allows us to revise our initial business idea, which helps turn it into reliable business.**

**This is because business model is the answers for many critical questions**

## Business model is the answer for

**Who is the **customer**?**

**What does the customer **value**?**

**How do we **make money** in this business?**

**What is the underlying economic logic that explains how we can deliver value to customers at an **appropriate cost**?**

## Business model is the answer for

**Who is the **customer**?**

**What does the customer **value**?**

**How do we **make money** in this business?**

**What is the underlying economic logic that explains how we can deliver value to customers at an **appropriate cost**?**

**Third, having a innovative business model itself is one of competitive advantages.**

***“Introducing a better business model into an existing market is the definition of a disruptive innovation”*** - Andrea Ovans (2015, HBR)

**Innovative Business Models have killed old business models**

## Business Models in Video Rental Market

# Business Models in Video Rental Market

## Mom-and-Pop stores



- High rental fees and late fees



# Business Models in Video Rental Market

## Mom-and-Pop stores



- High rental fees and late fees

# Business Models in Video Rental Market

**Membership Model**

**Blockbuster from 1980s**



- 9,000 stores network
- VHS purchasing power

# Business Models in Video Rental Market

Subscription Model + Mailing

Netflix from 1998



# Business Models in Video Rental Market

## Subscription Model + Mailing

## Netflix from 1998

- Business Model patent, Return-Envelope patent





# Business Models in Video Rental Market

## Netflix 1998



## Business Models in Video Rental Market

### Netflix 2004

The screenshot shows the Netflix website from 2004. The top navigation bar is red with the Netflix logo and text: "The #1 Online DVD Rental Service with over 2,000,000 members!". Links for "Buy / Redeem Gift" and "Member Sign In" are on the right. Below this is a grey navigation bar with links: "Welcome", "How It Works", "Browse Selection", and "Sign Up Now". A green banner below that promotes "Netflix Gift Subscriptions" with the text "One Gift, 30,000 DVDs!" and a "BUY" button. The main content area features a large image of a smiling couple sitting on a couch, watching TV. Overlaid on the left side of this image is the text: "NETFLIX is the best way to rent movies." followed by "Rent all the DVDs you want for \$17.99 a month — NO LATE FEES!". Below this is a "Sign Up Now!" button with a red play icon. At the bottom left, there is a list of bullet points: "• Over 30,000 Titles - Classics to New Releases.", "• Free Shipping Both Ways.", "• No Driving. No Lines. No Hassles.", and "• Always have up to 3 DVDs at home."

NETFLIX The #1 Online DVD Rental Service with over 2,000,000 members! Buy / Redeem Gift | Member Sign In

Welcome | How It Works | Browse Selection | Sign Up Now

Netflix Gift Subscriptions One Gift, 30,000 DVDs! BUY

**NETFLIX**  
is the **best** way  
to rent movies.

Rent all the DVDs you want for  
\$17.99 a month — **NO LATE FEES!**

Sign Up Now! ▶

- Over 30,000 Titles - Classics to New Releases.
- Free Shipping Both Ways.
- No Driving. No Lines. No Hassles.
- Always have up to 3 DVDs at home.



# Business Models in Video Rental Market

## Netflix 2010

**NETFLIX** Member Sign In

**Start Your 1 Month Free Trial** | **How It Works** | **Browse Selection** | **1 Month Free Trial Info**

**Instantly watch as many movies as you want! For only \$7<sup>99</sup> a month.**

- ✓ Streaming instantly over the Internet to your PC, Mac & TV
- ✓ Only \$2 more a month to get unlimited DVDs by mail
- ✓ Cancel anytime

Questions? 1-866-636-3076 24 hours a day

*Chosen as one of Oprah's Favorite Things® 2010*

**Start Your 1 Month Free Trial**  
Free trial offer details.

Email

Confirm Email

Password

Confirm Password

**1 MONTH FREE TRIAL**

Secure Server  
We value your privacy. Netflix will not sell or rent your email address to third parties.

**TV episodes & movies instantly over the Internet!**

Connect devices like these to your Netflix account to **watch instantly on your TV.**

Wii PS3 XBOX 360

**PLUS**

Watch instantly on your computer too!

**Want more?**  
Get unlimited DVDs by mail for only \$2 more a month.

**Broader Selection**

Get a broader selection of TV episodes & movies on DVD

# Business Models in Video Rental Market

On-demand streaming

Netflix, Amazon, Hulu



## Summary

**1 Business model is a blue print of business**

**2 BM matters because...**

- it shapes business activities
- it makes our initial business idea more reliable
- it gives competitive advantage

# Global Entrepreneurship

## Launch your startup

Week 8 Business Model

... Clip 2 Real-world examples





Chapter  
**2**

# Real-world examples



# Examples of Business Model

## Leasing/Rental



# Examples of Business Model

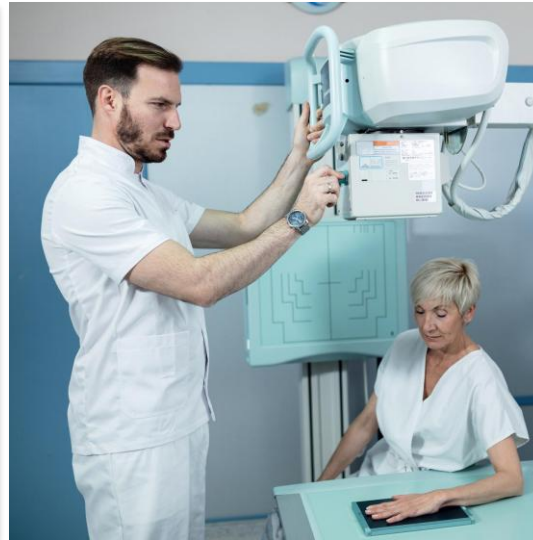
## Leasing/Rental



- it could be rented in 1965 for \$25 a month, but would cost \$27,500 to buy

# Examples of Business Model

## Leasing/Rental





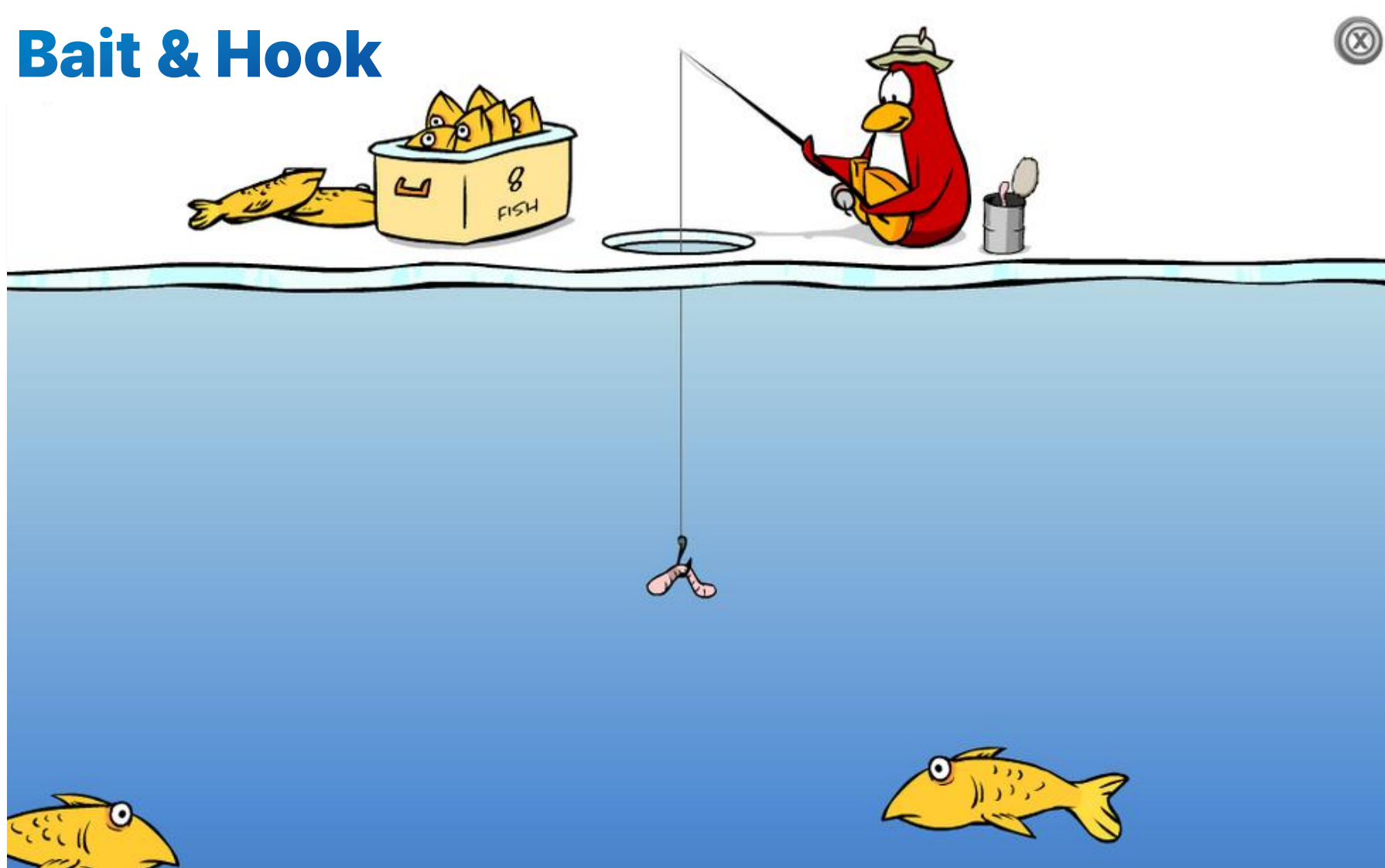
# Examples of Business Model

## Leasing/Rental



# Examples of Business Model

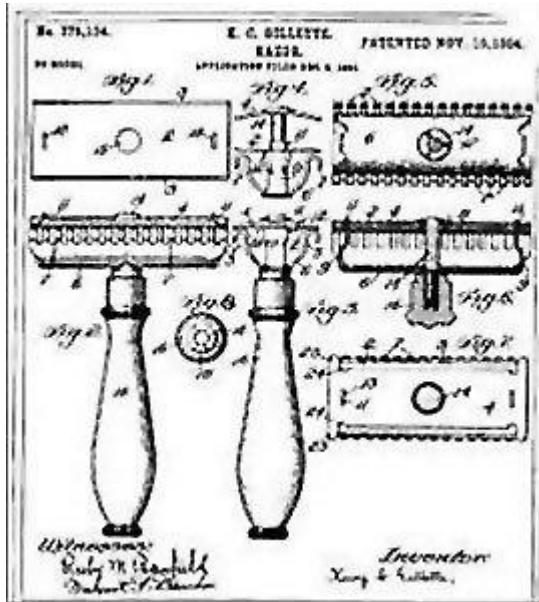
## Bait & Hook





# Examples of Business Model

## Bait & Hook



**Give 'em the razor;  
sell 'em the blades**

# Bait & Hook



## Gillette Mach3 Cartridges 15 Count Package by Gillette

~~\$36.84~~ **\$33.74** (\$2.25/counts) Prime  
Order in the next **19 hours** and get it by Friday, Feb 21.

**\$32.05** (\$2.14/counts) **Subscribe & Save**  
Save more with monthly Subscribe & Save deliveries.

★★★★☆ (584)

FREE Shipping on orders over \$35

**Product Features**

... razor blades for glide and ... disposable (vs. Gillette 2-bladed ...

**Health & Personal Care:** [See all 169 items](#)



## Gillette Fusion Proglide Razor with Cartridge by Gillette

~~\$7.99~~ **\$6.64** (\$664.00/100 g) Add-on item

Add it to a qualifying order within **19 hours** to get it by Friday, Feb 21

★★★★☆ (1,113)

FREE Shipping on orders over \$35 and **1 more promotion**

**Product Features**

... finer edges (first four blades vs. Fusion) and our advanced low ...

**Health & Personal Care:** [See all 169 items](#)



## Gillette Fusion Power Men's Razor Blade Refills 8 Count by Gillette

~~\$32.54~~ **\$28.99** (\$3.62/count) Prime  
Order in the next **17 hours** and get it by Friday, Feb 21.

**\$27.54** (\$3.44/count) **Subscribe & Save**  
Save more with monthly Subscribe & Save deliveries.

★★★★☆ (263)

FREE Shipping on orders over \$35

**Product Features**

... 3 blades Box of eight replacement cartridges for the Gillette Fusion ...

**Health & Personal Care:** [See all 169 items](#)



## Gillette Fusion Proglide Silvertouch Manual Men's Razor With 2 Razor Blade Refills, 1 Count by Gillette

~~\$42.25~~ **\$10.39** Prime  
Order in the next **18 hours** and get it by Friday, Feb 21.

**More Buying Choices**  
**\$10.39** new (2 offers)

★★★★☆ (77)

FREE Shipping on orders over \$35 and **1 more promotion**

**Product Features**

... finer edges (first four blades vs. Fusion) and our advanced low ...

**Health & Personal Care:** [See all 169 items](#)

# Examples of Business Model

## Bait & Hook



**John  
Rockefeller**



**Standard Oil Refinery in Cleveland, Ohio, 1897**

# Examples of Business Model

## Bait & Hook





# Examples of Business Model

## Bait & Hook



# Examples of Business Model

## Bait & Hook



Source [brotherdmit.com](http://brotherdmit.com)  
[camerasafrica.com](http://camerasafrica.com)  
[photographylife.com](http://photographylife.com)



# Examples of Business Model

## Bait & Hook



# Examples of Business Model

## Bait & Hook



# Subscription



**DOLLAR  
SHAVE  
CLUB®**

**4x CARTRIDGES  
1x HANDLE  
1x RAZOR COVER**

# Examples of Business Model

## Subscription





# Examples of Business Model

## Subscription

### BUSINESS

## Billion Dollar Shave Club: Unilever buys razor subscription service



by **James Vincent**

Source Unilever (BusinessWire)

Jul 20, 2016, 9:01 PM GMT+9



0 Comments





# Examples of Business Model

## Subscription



- 263 million paid **subscribers** (4Q, 2024)
- 675 million total users (1Q 2025)

# Subscription

Executive Membership Best Value & Exclusive Benefits	Gold Star Membership Everyday Value	Executive Membership Best Value & Exclusive Benefits	Business Membership Business Value
 <p><b>\$130/yr</b> Plus applicable sales tax</p> <p><a href="#">Start Saving &amp; Earning</a></p> <ul style="list-style-type: none"> <li>✓ Annual 2% Reward</li> <li>✓ Costco Services Discounts</li> <li>✓ Shop Online and in Warehouses</li> <li>✓ Includes 2 Membership Cards</li> <li>✓ 100% Satisfaction Guarantee</li> </ul>	 <p><b>\$65/yr</b> Plus applicable sales tax</p> <p><a href="#">Start Saving</a></p> <ul style="list-style-type: none"> <li>✗ Annual 2% Reward</li> <li>✗ Costco Services Discounts</li> <li>✓ Shop Online and in Warehouses</li> <li>✓ Includes 2 Membership Cards</li> <li>✓ 100% Satisfaction Guarantee</li> </ul>	 <p><b>\$130/yr</b> Plus applicable sales tax</p> <p><a href="#">Start Saving &amp; Earning</a></p> <ul style="list-style-type: none"> <li>✓ Annual 2% Reward</li> <li>✓ Costco Services Discounts</li> <li>✓ Shop Online and in Warehouses</li> <li>✓ Purchase for Resale</li> <li>✓ Includes 2 Membership Cards</li> <li>✓ Add Additional People (\$65 each)</li> <li>✓ 100% Satisfaction Guarantee</li> </ul>	 <p><b>\$65/yr</b> Plus applicable sales tax</p> <p><a href="#">Start Saving</a></p> <ul style="list-style-type: none"> <li>✗ Annual 2% Reward</li> <li>✗ Costco Services Discounts</li> <li>✓ Shop Online and in Warehouses</li> <li>✓ Purchase for Resale</li> <li>✓ Includes 2 Membership Cards</li> <li>✓ Add Additional People (\$65 each)</li> <li>✓ 100% Satisfaction Guarantee</li> </ul>

# Examples of Business Model

## Subscription

### Choose Your Box

Select from two customizable box options.



#### Birchbox Monthly

Freshly Picked Beauty

- 📅 Delivered Every Month
- ✓ 6 Products (1 full-size included in every box)
- ✓ Customize Every Box

Starting At

**\$22** /Per Box

Choose This Box



#### Birchbox Signature

Elevated Discoveries

- 📅 Delivery Every Other Month
- ✓ 4 Full-size products (Up to \$175 value)
- ✓ Customize every box

Starting At

**\$44** /Per Box

Choose This Box



# Examples of Business Model

## Subscription



Choose dog size.

Tell us how big your dog's bark is. We've got goodies for every dog size.



Choose plan.

1, 6, or 12 month plans available. Cancel any time. Free shipping.



Get BarkBox.

BarkBoxes are shipped on the 15th of each month. Get excited.

# Examples of Business Model


## Home Try-On

WARBY PARKER


Home Try-On Eyeglasses Sunglasses Contacts Accessories Eye exams Find a store

Sign in


### How Home Try-On works



**Pick 5 pairs**  
Choose from bestselling frames in customer-favorite colors. Shipping is free both ways :-)



**Try 'em out for 5 days**  
Ask your friends, ask your family—have a try-on party! (The frames come with non-prescription lenses.)



**Order your favorite**  
Send back the box with a preprinted return label and order the winning frame.


# Home Try-On

WARBY PARKER


Home Try-On Eyeglasses Sunglasses Contacts Accessories Eye exams Find a store

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# Examples of Business Model

## Home Try-On





## Examples of Business Model

### Home Try-On

Nordstrom paying \$350 million for Chicago's Trunk Club



Trunk Club stylist Adri Cgirda helps customer Kevin Wright during the "Valentine's Day Gifting Event" at the Luxury Garage Sale store on the north side of Chicago, Monday, Feb. 10, 2014. (Alex Garcia / Chicago Tribune)

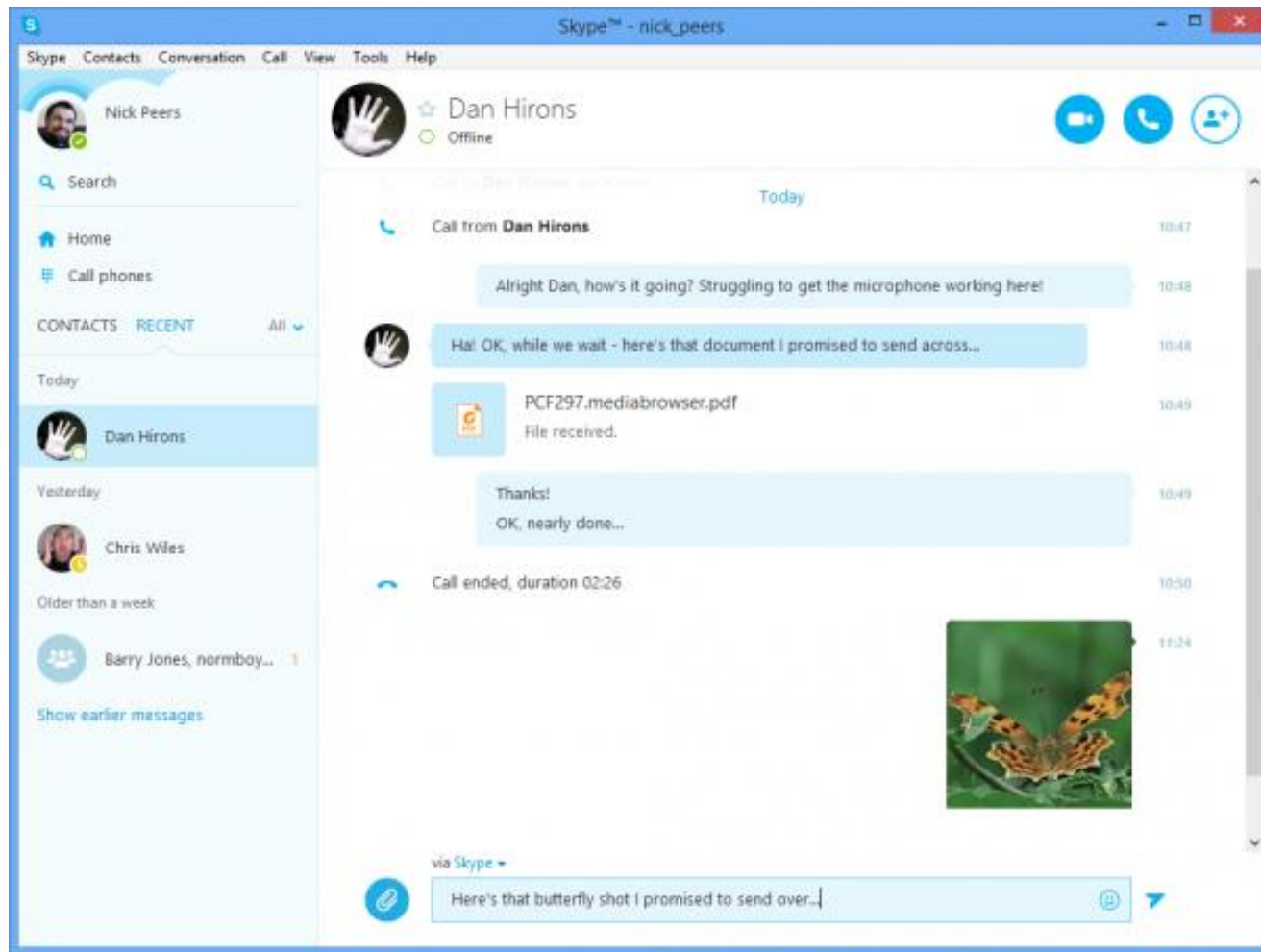
## Freemium



## Freemium

# Examples of Business Model

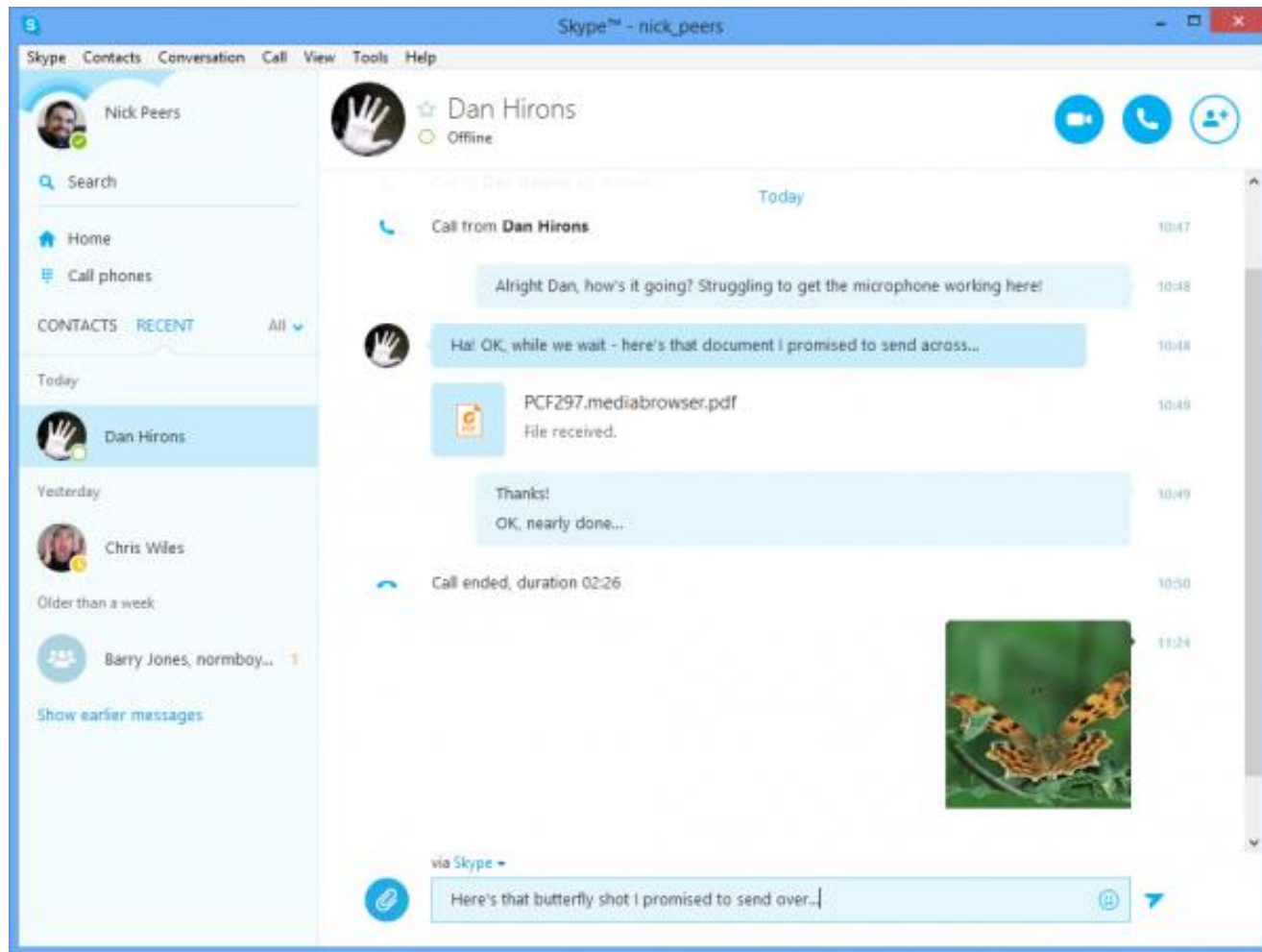
## Freemium





# Examples of Business Model

## Freemium



# Examples of Business Model

## Freemium



# Examples of Business Model

## Advertising

**FREE METRO** **NOW WE are 10** 16.03.2009

**It's our tenth birthday! Relive the memories of the past decade in our 12-page souvenir edition**

Top front pages \* Page 3s \* Critics' choices \* Sport P27-38

**Metro tenth birthday special**



'Happy tenth birthday to Metro! The paper has gone from strength to strength over the past ten years. So many millions of people enjoy reading Metro every day throughout the country, including ourselves in Downing Street. Very many congratulations to everyone working on Metro and best wishes for the future.'

Prime minister  
Gordon Brown



### A new low for Lindsay



Lindsay Lohan looks sorry for wear as she leaves Jack Nicholson's house after a busy session. The 22-year-old, who has a warrant out for her arrest, left his Hollywood home and walked straight into a row with her ex-girlfriend Savannah Rossini, 24. *see how: Full story page 10*

## 'Let off' for drink sales to children

**More** shopkeepers are escaping prosecution for selling alcohol to children, forcing new figures show. The number caught breaking the law on serving underage customers rose by a third from 2004 to 2007. But prosecutions have fallen sharply because far more are being given £50 fixed notices – described by critics as little more than a ‘slap on the wrist’.

It comes as other figures show thousands of children are being admitted to hospital every year with mental disorders linked to alcohol misuse. Since 2005, London Boroughs have twice promised to put tough on those selling drink to children.

As many as 800,000 under-16s have bought alcohol in shops, pubs and bars in the past year, it is estimated. However, in 2006/07, the last year for which figures are available, the number of licences taken to mean for breaking the law fell by 42 per cent from 1,199 to 695. Between 2004 and 2007, the number given fixed notices rose by 74 per cent.

These figures show that government promises to crack down on under-age drinking are completely empty, said Don Foster, culture spokesman for the Liberal Democrats, who obtained the figures. The Metropolitan Police Prosecution said a shopkeeper could £50 could make his money back by selling just a few cases of lager.

Chairman Peter Smith said: ‘If you allow strong alcohol in the wrong hands it can lead to all sorts of problems such as violence, other crimes and anti-social behaviour’.

Other figures reveal that 1,643 under-16s were taken to hospital with mental health problems linked to alcohol last year.

Another 5,223 children aged between 14 and 17 were admitted. The British Retail Consortium said shopkeepers were increasingly complaining people to show proof of age.

A spokesman said: ‘The problem of under-16s buying alcohol from shops is being reduced’.

Yesterday, ministers shied away from a call by chief medical officer Sir Liam Donaldson to impose minimum prices on drink.

Work and pensions secretary James Purnell said the government did not ‘want to provide the targets for the sake of the ministry’.

By John Hoggins  
and Fred Astwell

5,000 Aer Lingus flights to give away – Page 46



# Advertising

[Google Search](#)[I'm Feeling Lucky](#)

# Examples of Business Model

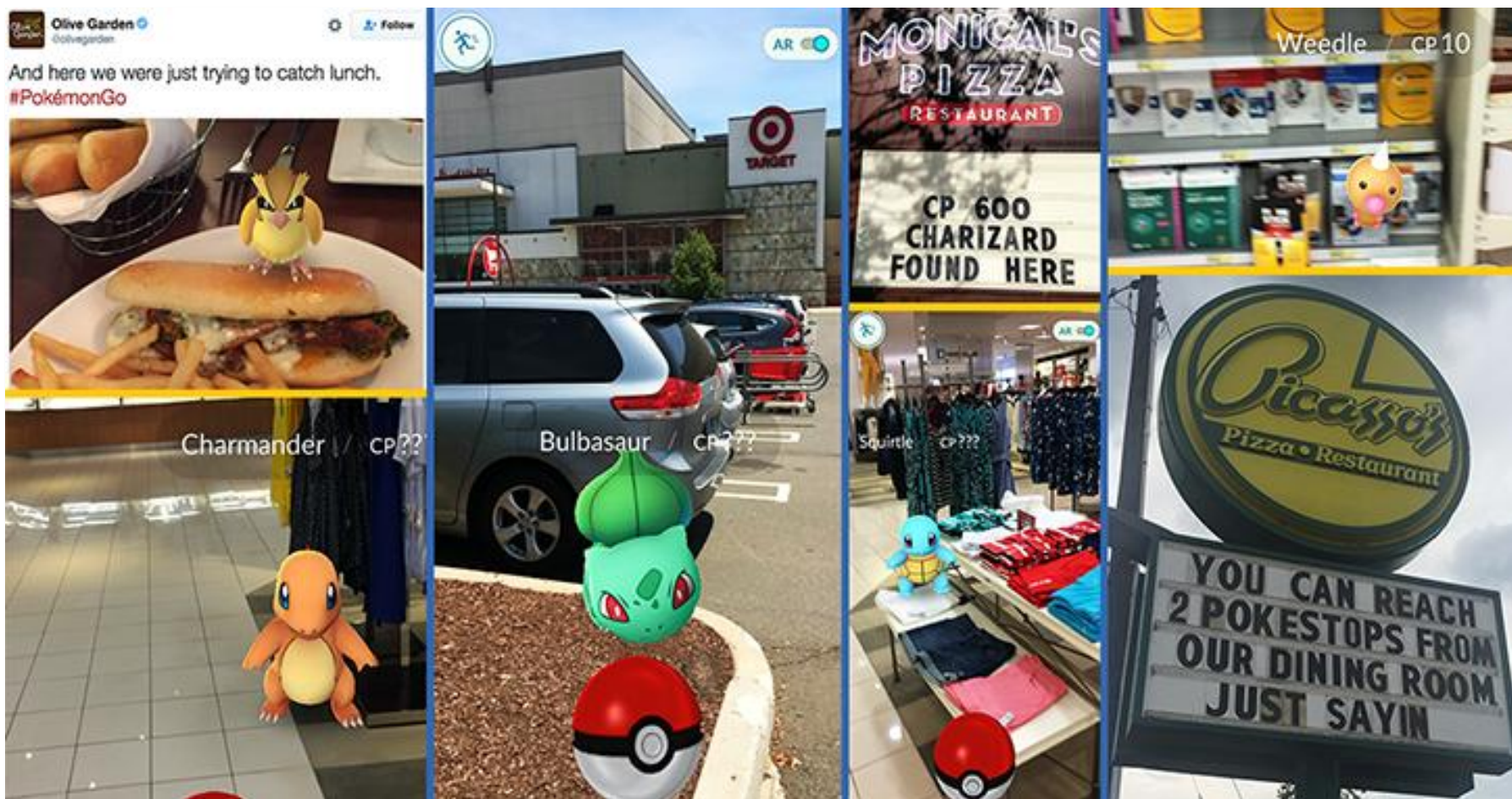
## Advertising





# Examples of Business Model

## Advertising



# Multi-Sided Platform



## Multi-Sided Platform

# Examples of Business Model: Multi-sided platform

## Commission based





# Examples of Business Model: Multi-sided platform

## Commission based

**craigslist**

post to classifieds  
my account

search craigslist

for sale >

event calendar

S	M	T	W	T	F	S
16	17	18	19	20	21	22
23	24	25	26	27	28	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15

help, faq, abuse, legal  
avoid scams & fraud  
personal safety tips  
terms of use **new**  
privacy policy **updated**  
system status

about craigslist  
**craigslist is hiring in sf**  
craigslist open source  
craigslist blog  
best-of-craigslist  
craigslist TV  
"craigslist joe"  
craig connects

**chico**

**community**

activities lost+found  
artists musicians  
childcare local news  
general politics  
groups rideshare  
pets volunteers  
events classes

**personals**

strictly platonic  
women seek women  
women seeking men  
men seeking women  
men seeking men  
misc romance  
casual encounters  
missed connections  
rants and raves

**discussion forums**

adopt	haiku	philos
apple	health	photo
arts	help	p.o.c.
atheist	history	politics
autos	housing	psych
beauty	jobs	queer
bikes	jokes	recover
celebs	kink	religion
comp	legal	romance
crafts	linux	science
diet	m4m	spirit
divorce	manners	sports
dying	marriage	tax
eco	media	travel
educ	money	tv
feedbk	motocy	vegan
film	music	w4w

**housing**

apts / housing  
rooms / shared  
sublets / temporary  
housing wanted  
housing swap  
vacation rentals  
parking / storage  
office / commercial  
real estate for sale

**for sale**

antiques	appliances
baby+kid	arts+crafts
barter	atv/utv/sno
bikes	auto parts
boats	beauty+hlth
books	cars+trucks
business	cds/dvd/vhs
computer	cell phones
free	clothes+acc
furniture	collectibles
general	electronics
household	farm+garden
jewelry	garage sale
materials	heavy equip
rvs+camp	motorcycles
sporting	music instr
tickets	photo+video
tools	toys+games
wanted	video gaming

**services**

beauty	automotive
creative	farm+garden
computer	household

**jobs**

accounting+finance  
admin / office  
arch / engineering  
art / media / design  
biotech / science  
business / mgmt  
customer service  
education  
food / bev / hosp  
general labor  
government  
human resources  
internet engineers  
legal / paralegal  
manufacturing  
marketing / pr / ad  
medical / health  
nonprofit sector  
real estate  
retail / wholesale  
sales / biz dev  
salon / spa / fitness  
security  
skilled trade / craft  
software / qa / dba  
systems / network  
technical support  
transport  
tv / film / video  
web / info design  
writing / editing  
[ETC]  
[ part-time ]

**gigs**

**nearby cl**

bakersfield  
bend  
chico  
corvallis  
elko  
eugene  
fresno  
gold country  
hanford  
humboldt  
klamath falls  
medford  
mendocino co  
merced  
modesto  
monterey  
oregon coast  
redding  
reno  
roseburg  
sacramento  
salem  
san luis obispo  
santa maria  
sf bay area  
siskiyou co  
stockton  
susanville  
visalia-tulare  
yuba-sutter

**us cities**

**us states**

**canada**

**cl worldwide**

# Examples of Business Model: Multi-sided platform

## Commission based





# Examples of Business Model: Multi-sided platform

## Commission based



## Examples of Business Model: Multi-sided platform

### Commission based





## Examples of Business Model: Multi-sided platform

### Commission based



# Examples of Business Model: Multi-sided platform

## Uberization



# Examples of Business Model: Multi-sided platform

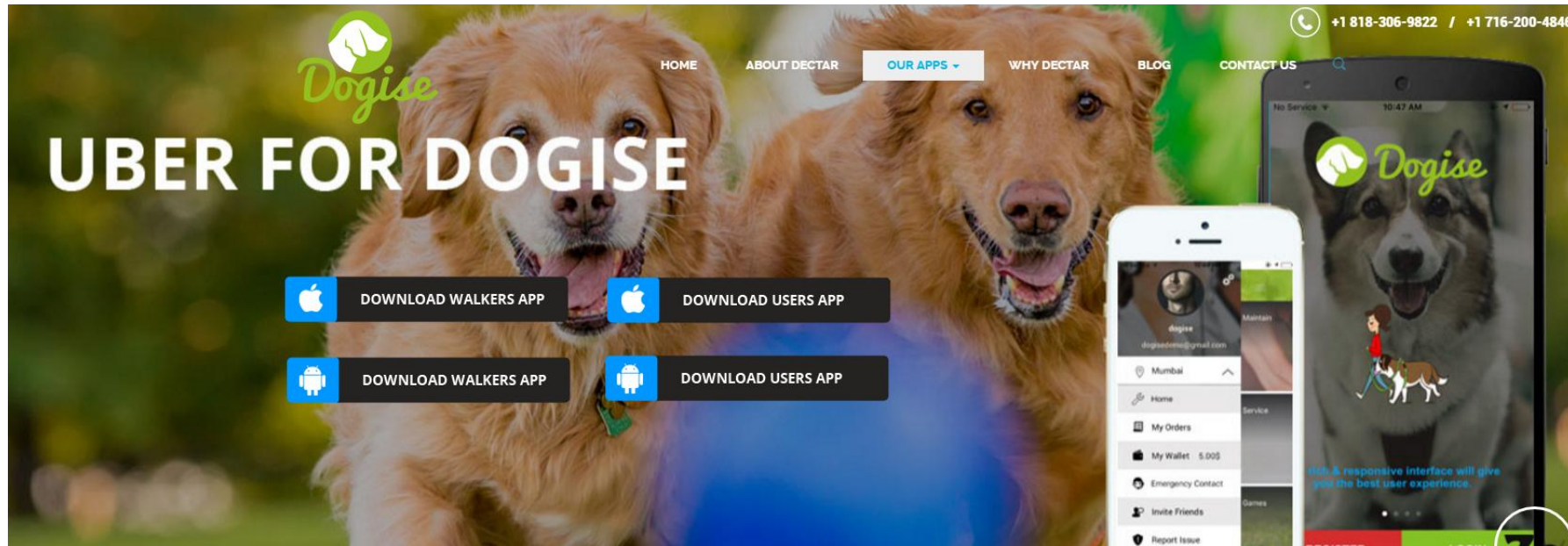
## Uberization





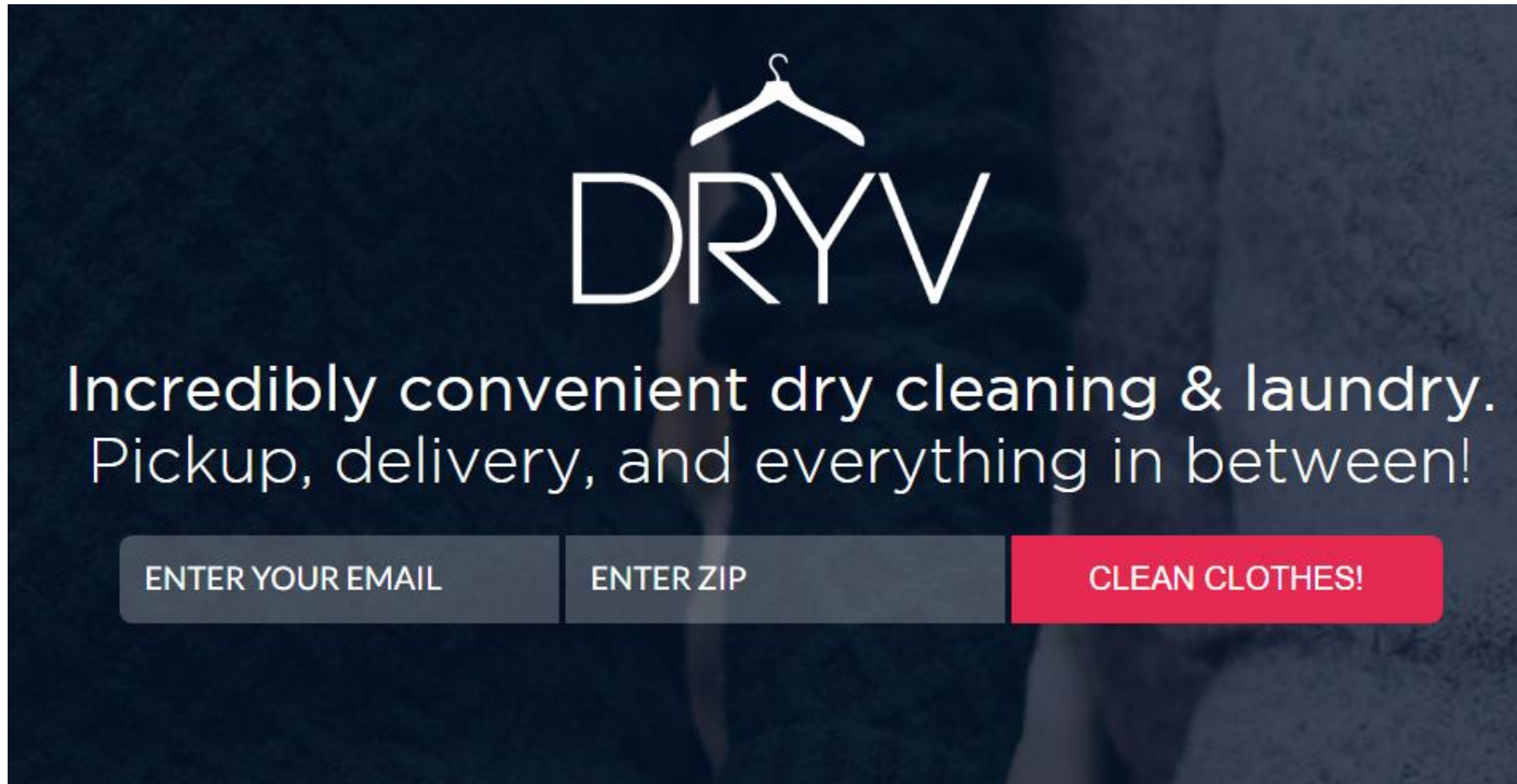
# Examples of Business Model: Multi-sided platform

## Uberization



## Examples of Business Model: Multi-sided platform

### Uberization



# Examples of Business Model: Multi-sided platform

## Uberization

**GREENPAL**  
Connecting you with the perfect lawn pro.

1-866-798-4485 Sign In

### Lawn mowing made easy

- ✓ Local rated lawn care services compete for your lawn
- ✓ Get competitive pricing with no hassle
- ✓ Book next day lawn care without calling around

**GET MY FREE BIDS**

No Credit Card needed to get your free quotes

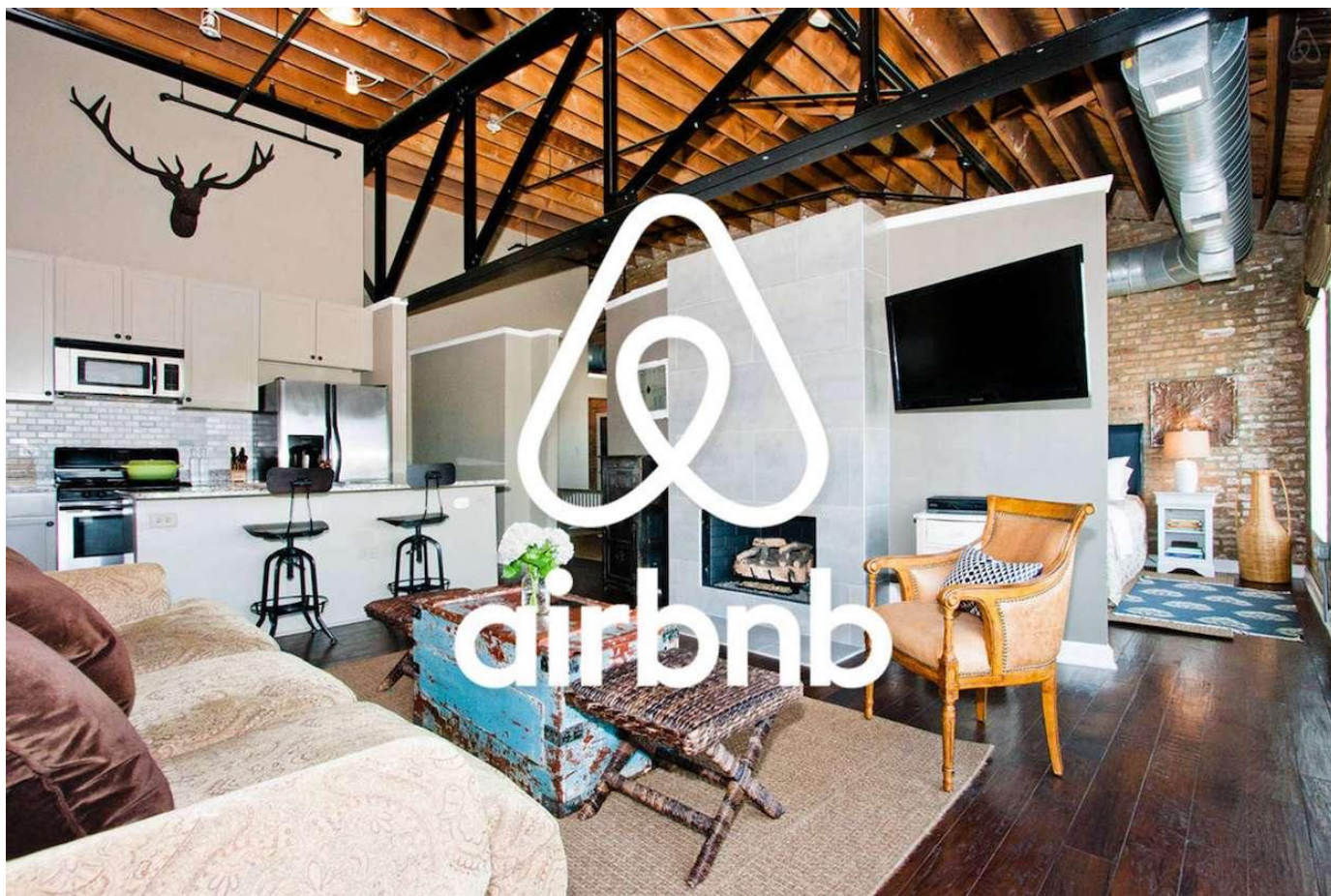
**GARY**

The image is a screenshot of the GREENPAL website. It features a blue background with a cartoon illustration of a man named Gary, wearing a light blue shirt, khaki pants, and a tan cap, holding a clipboard. The text on the page includes the company name 'GREENPAL' with the tagline 'Connecting you with the perfect lawn pro.', a phone number '1-866-798-4485', and a 'Sign In' button. The main headline is 'Lawn mowing made easy'. Below it are three bullet points with green checkmarks: 'Local rated lawn care services compete for your lawn', 'Get competitive pricing with no hassle', and 'Book next day lawn care without calling around'. A large orange button says 'GET MY FREE BIDS'. At the bottom, it says 'No Credit Card needed to get your free quotes'. The cartoon character's name 'GARY' is visible on his shirt.



# Examples of Business Model: Multi-sided platform

## Airbnb Type



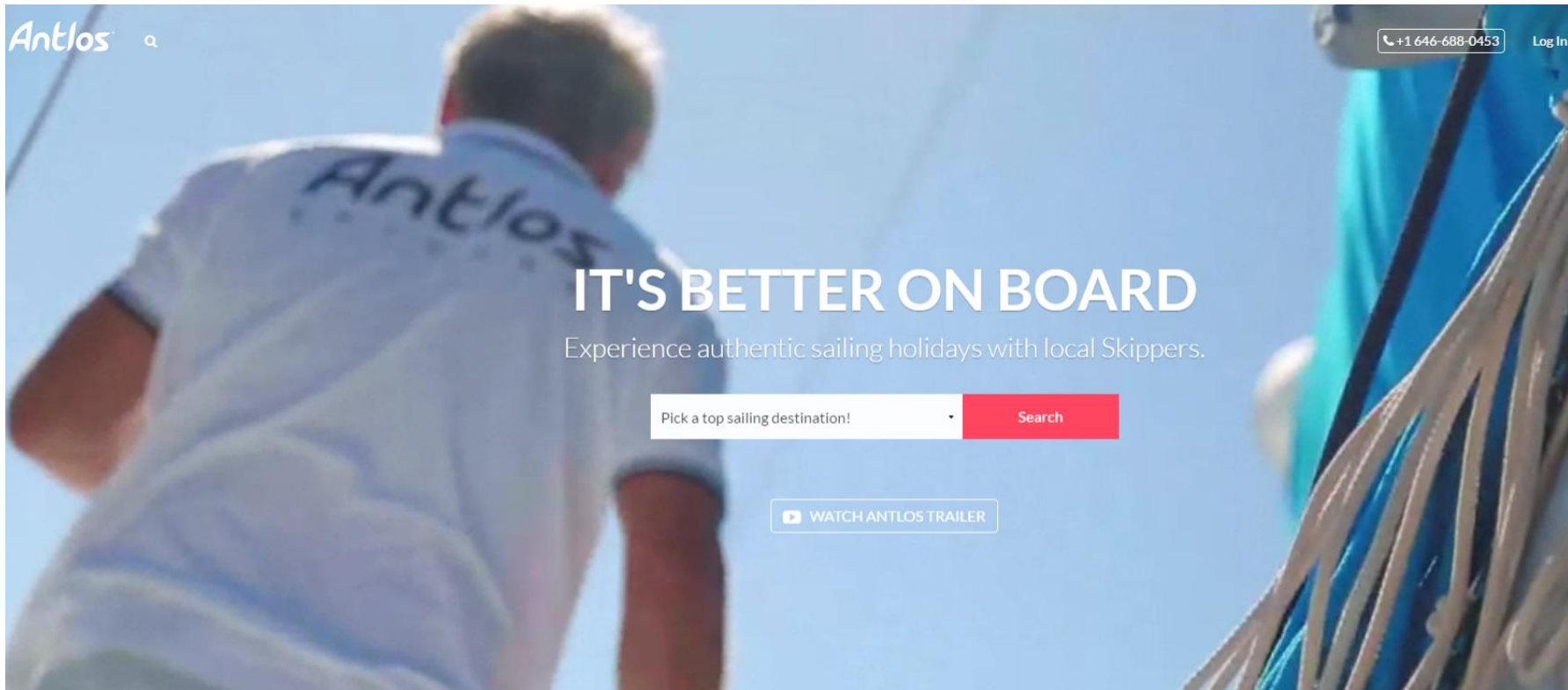
## Airbnb Type





# Examples of Business Model: Multi-sided platform

## Airbnb Type



# Examples of Business Model

## Summary

1 **Leasing**

2 **Bait & Hook**

3 **Subscription**

# Global Entrepreneurship

## Launch your startup

Week 8 Business Model

••• Clip 3 Practice: Lemonade Stand & BM Canvas



Chapter  
**3**

# **Practice: Lemonade Stand & BM Canvas**





# Practice: Lemonade Stand





# Practice: Lemonade Stand



# Practice: Lemonade Stand

**Sales Model****Crowded area**

# Practice: Lemonade Stand

**Sales Model****Delivery Service**

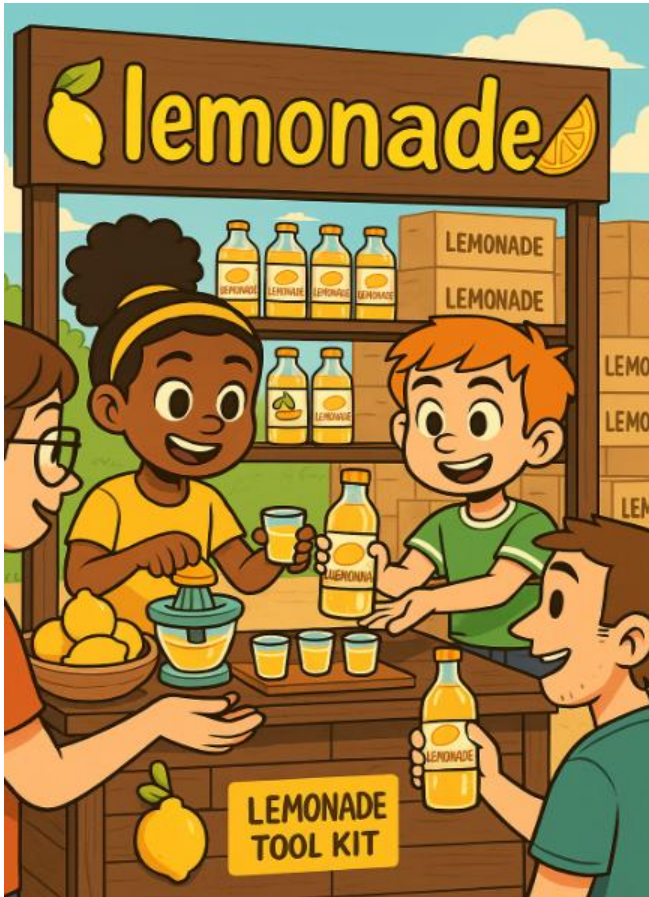


# Practice: Lemonade Stand

Subscription

Monthly charge



**Bait & Hook****Free sample + Selling Bottle**



# Practice: Lemonade Stand

## Bait & Hook

## Free Lemonade + Selling the Hour of Chair



**Bait & Hook****Free Lemonade  
+ Selling Lemonade Stand Tool Kit**

## Practice: Lemonade Stand

**Freemium****Free Lemonade  
+ Premium Iced Lemonade**

## Advertising

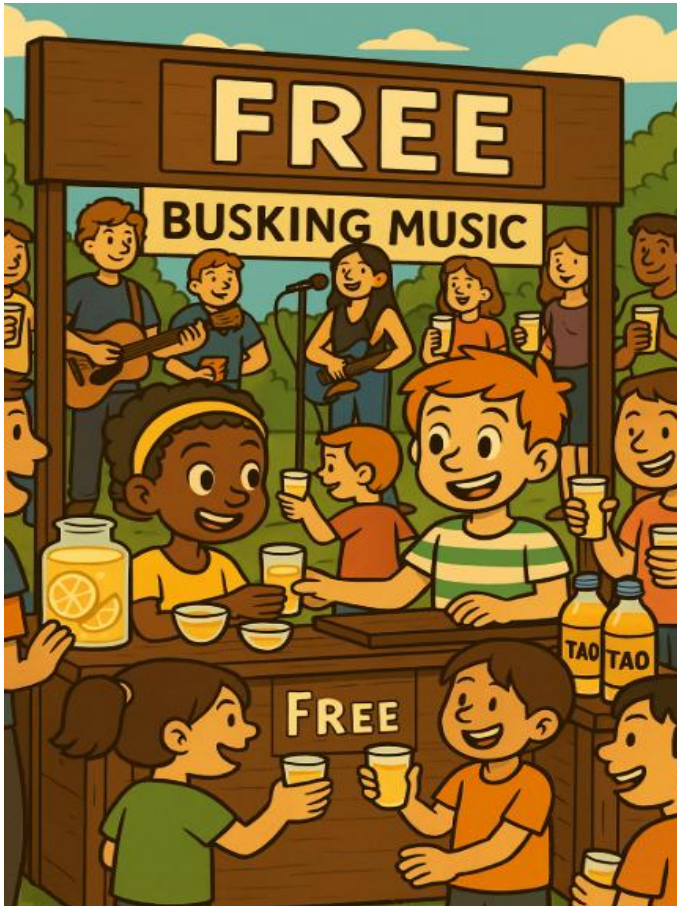
**Free Lemonade**  
**+ get the money from music band**





## Advertising

**Free Lemonade**  
**+ get the money from music band**





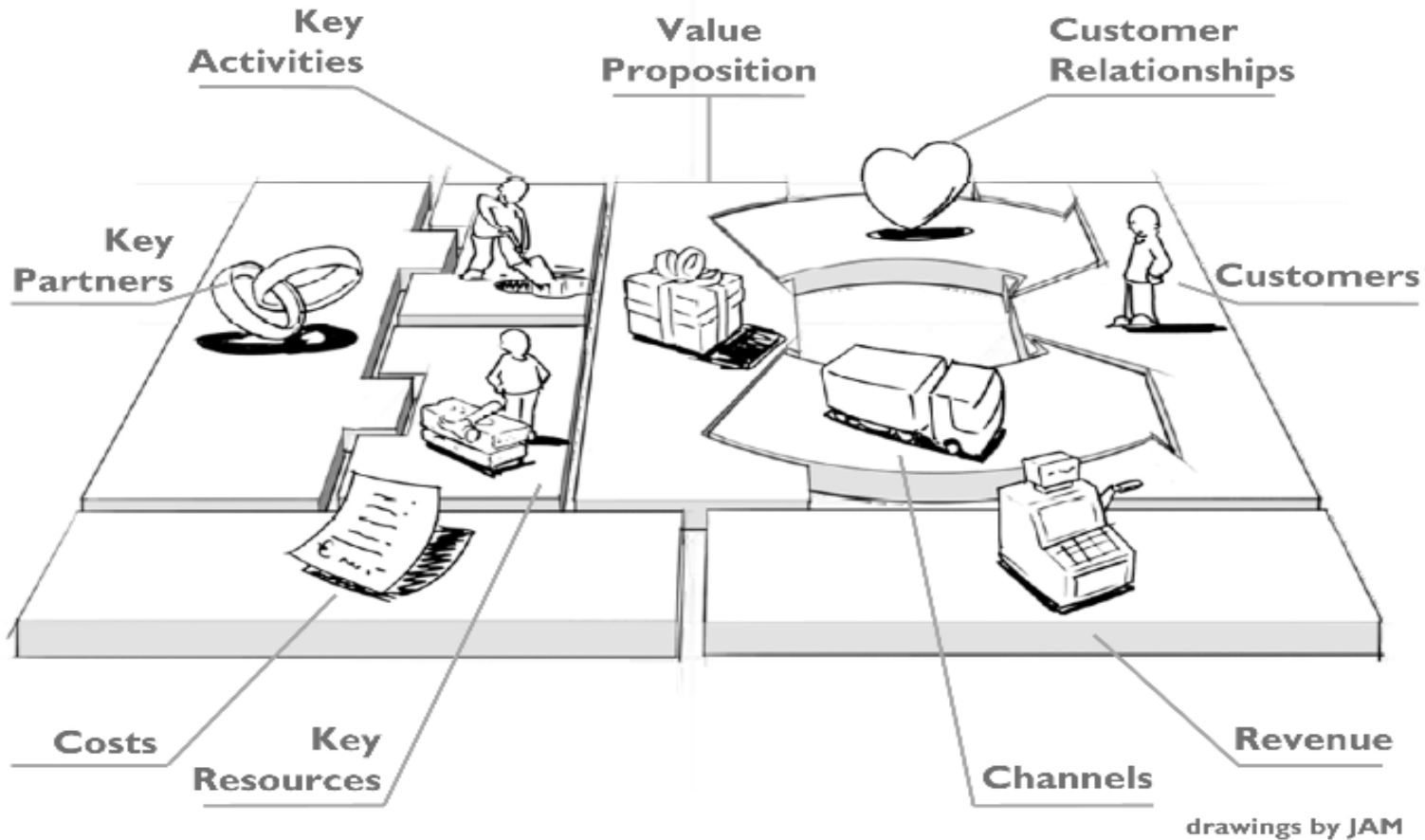
## Practice: Lemonade Stand

Two sided  
Platform

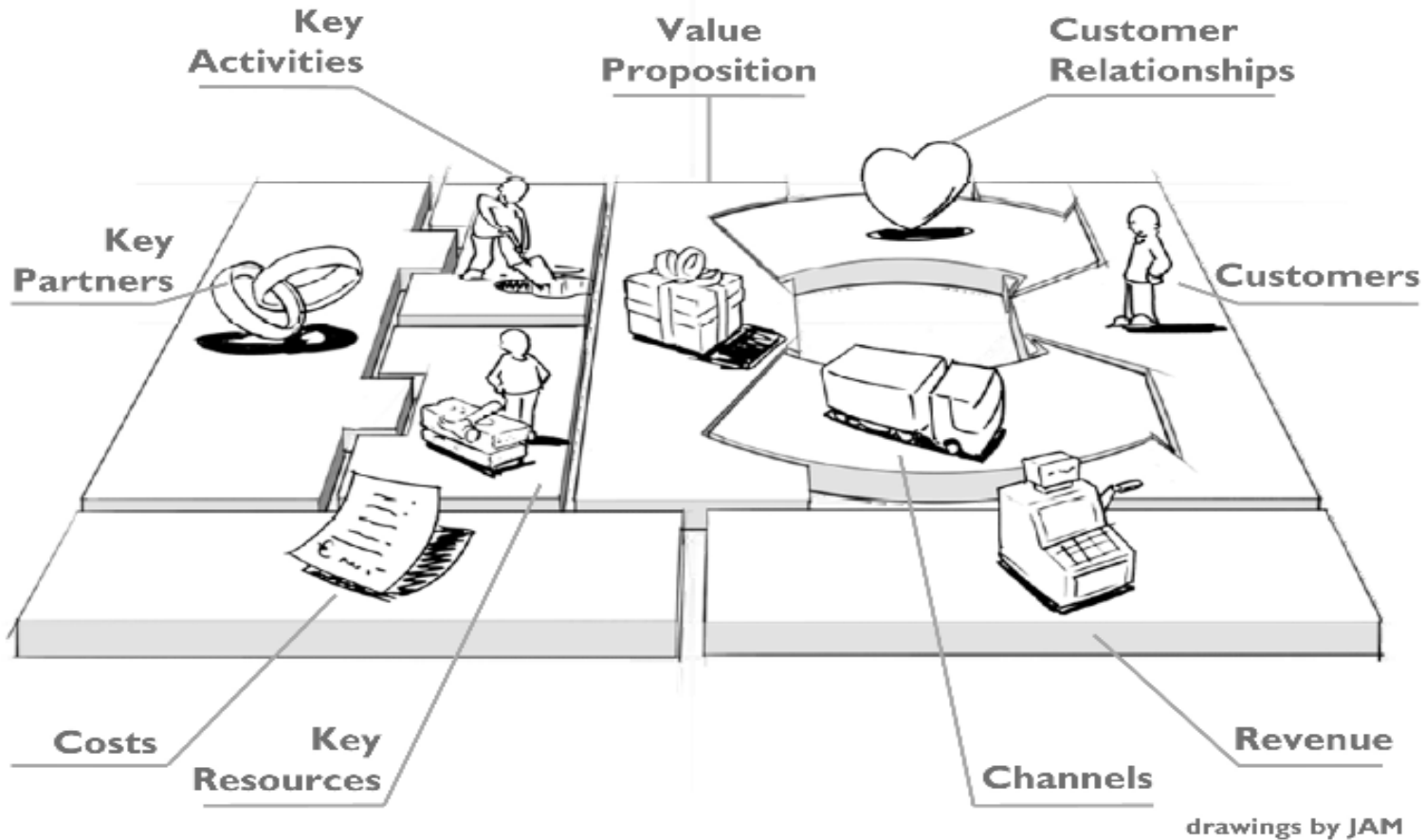
Free Lemonade  
+ charge those who participate in blind date



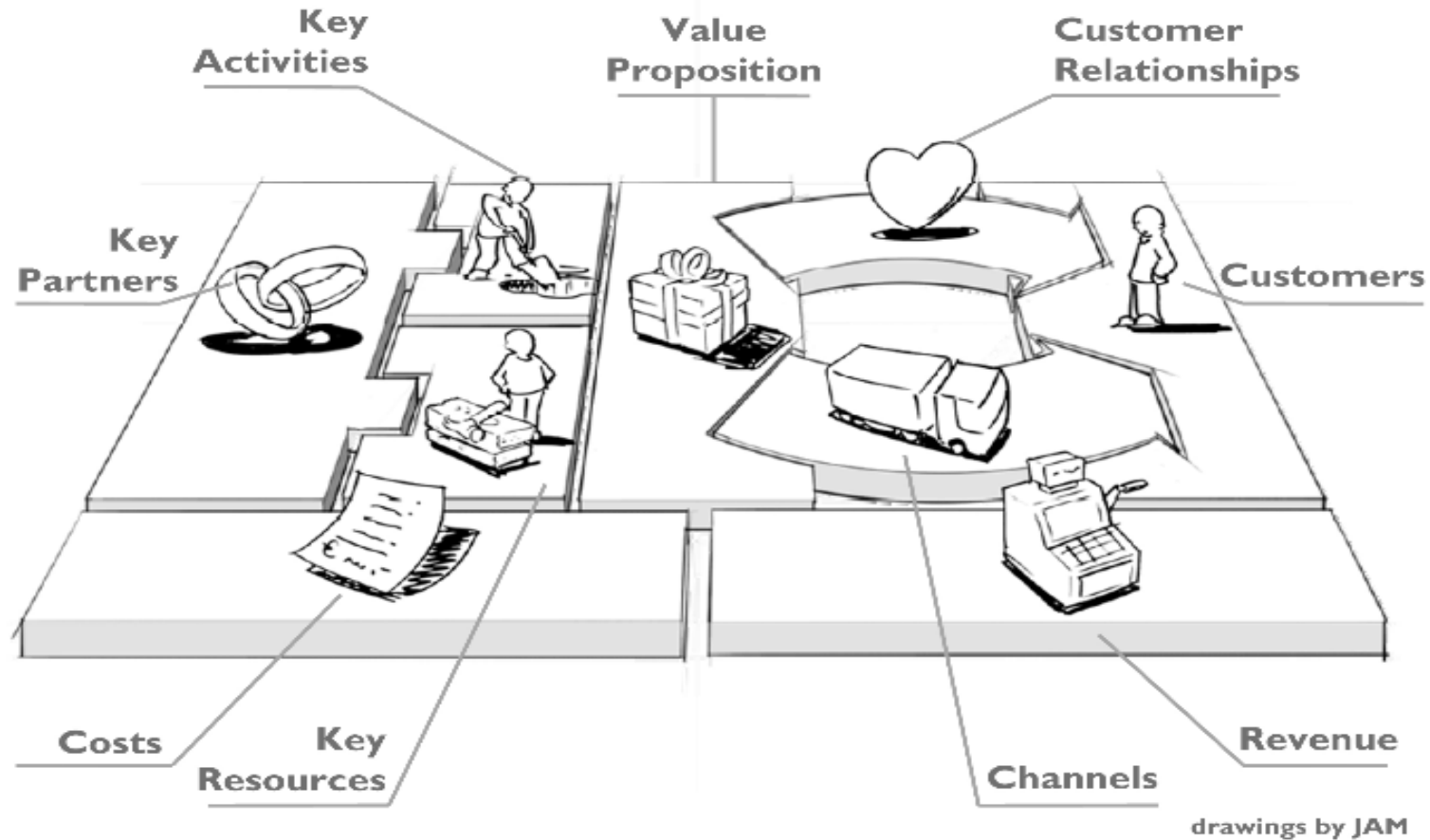
# Practice: Business Model Canvas



# Practice: Business Model Canvas

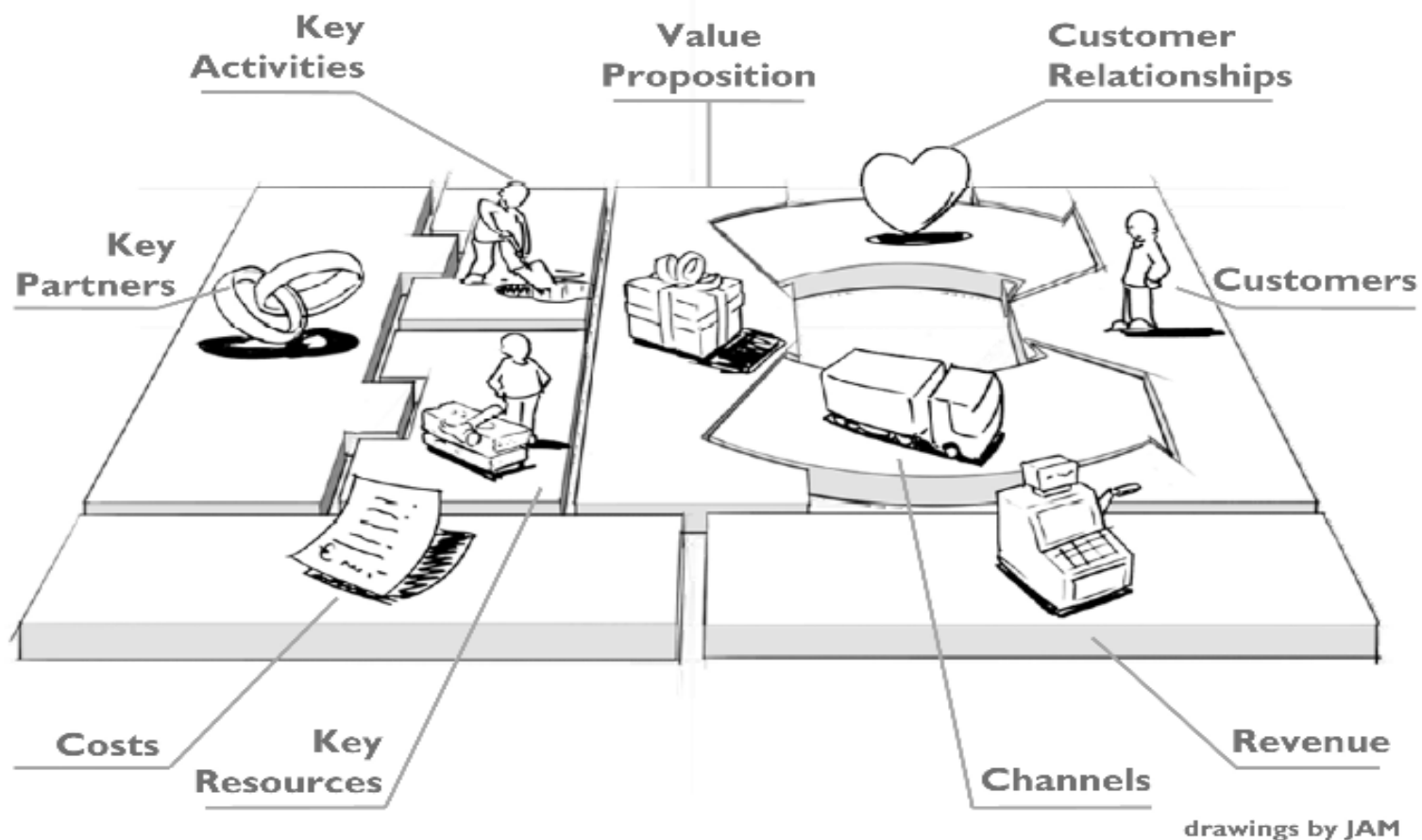


# Practice: Business Model Canvas

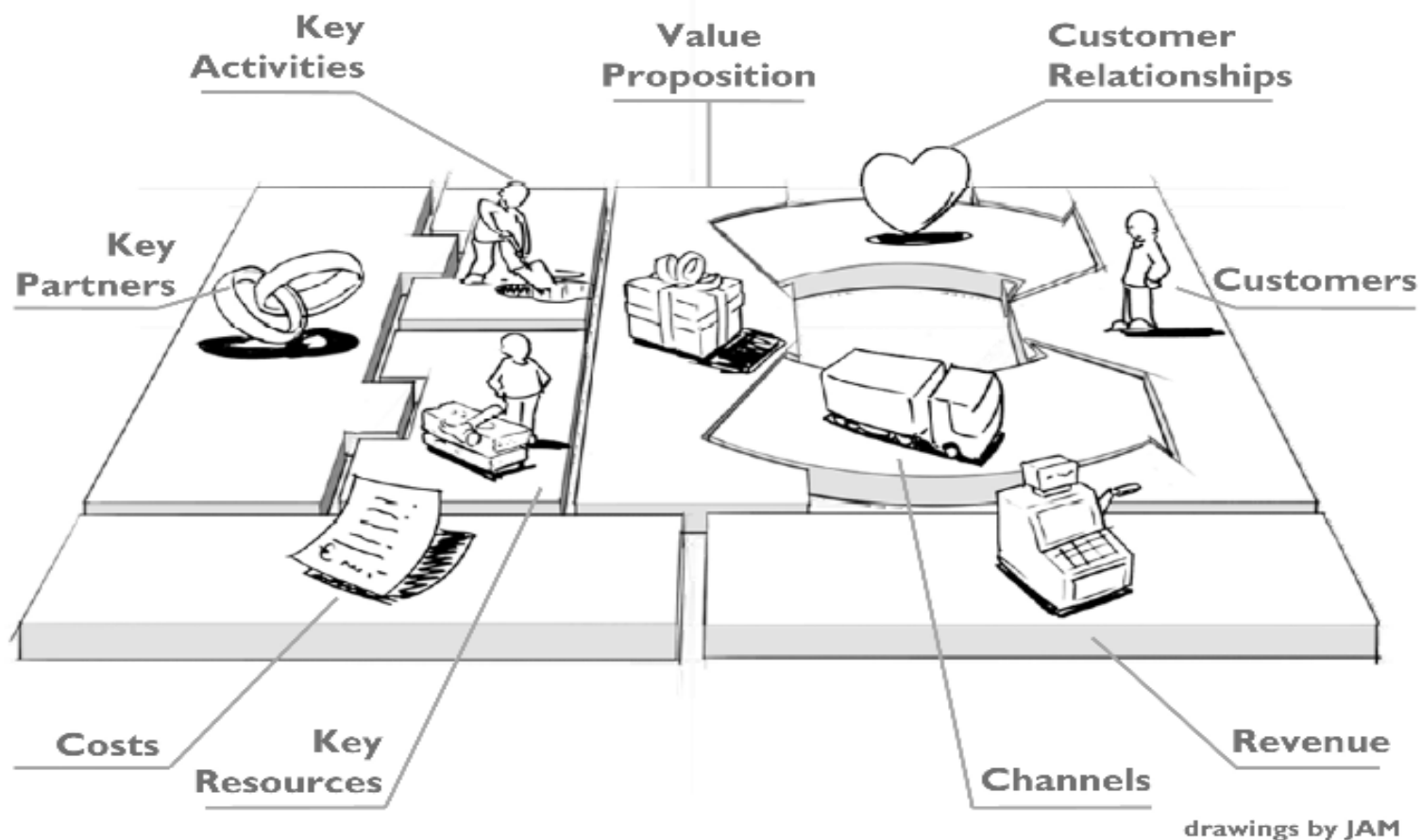




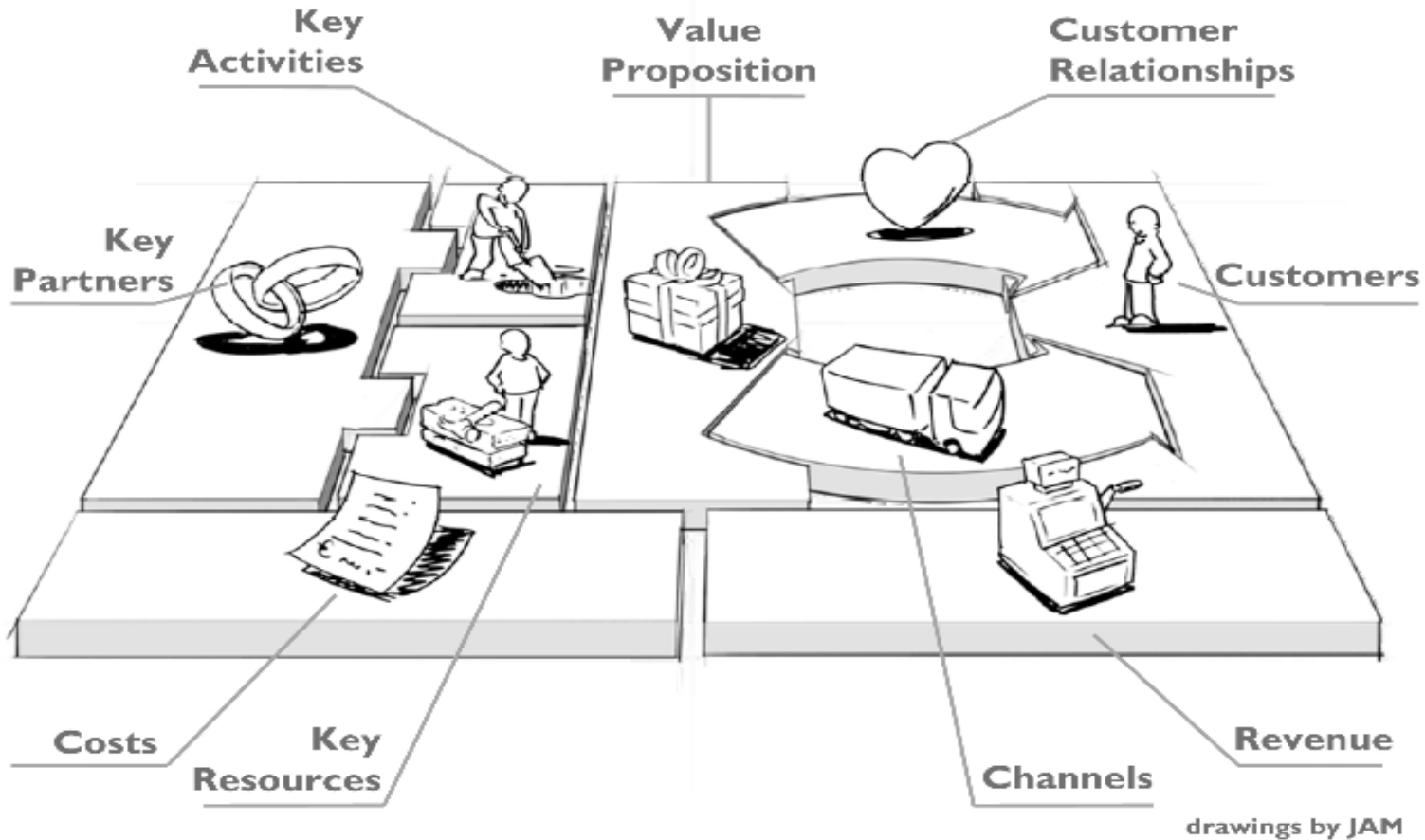
# Practice: Business Model Canvas



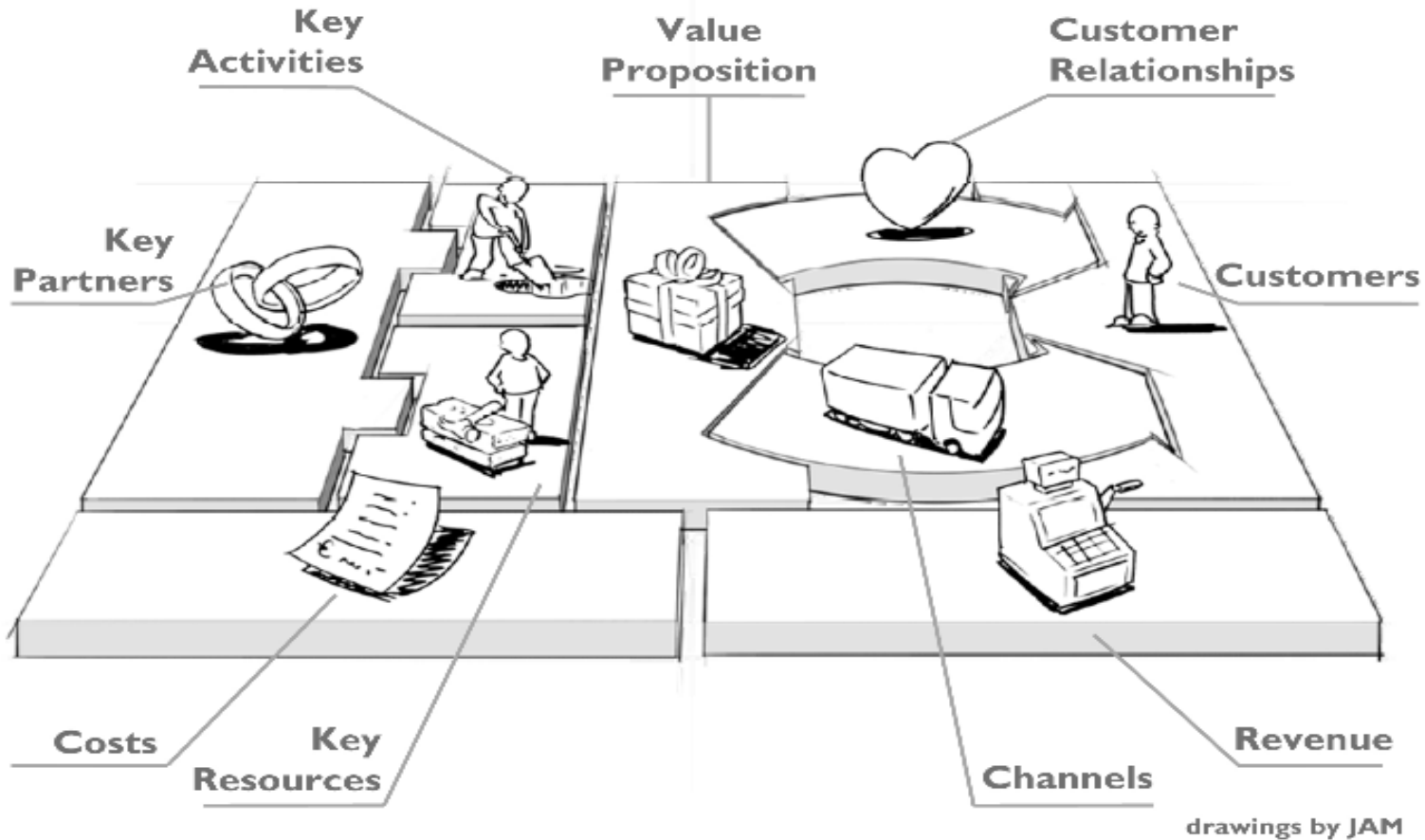
# Practice: Business Model Canvas



# Practice: Business Model Canvas

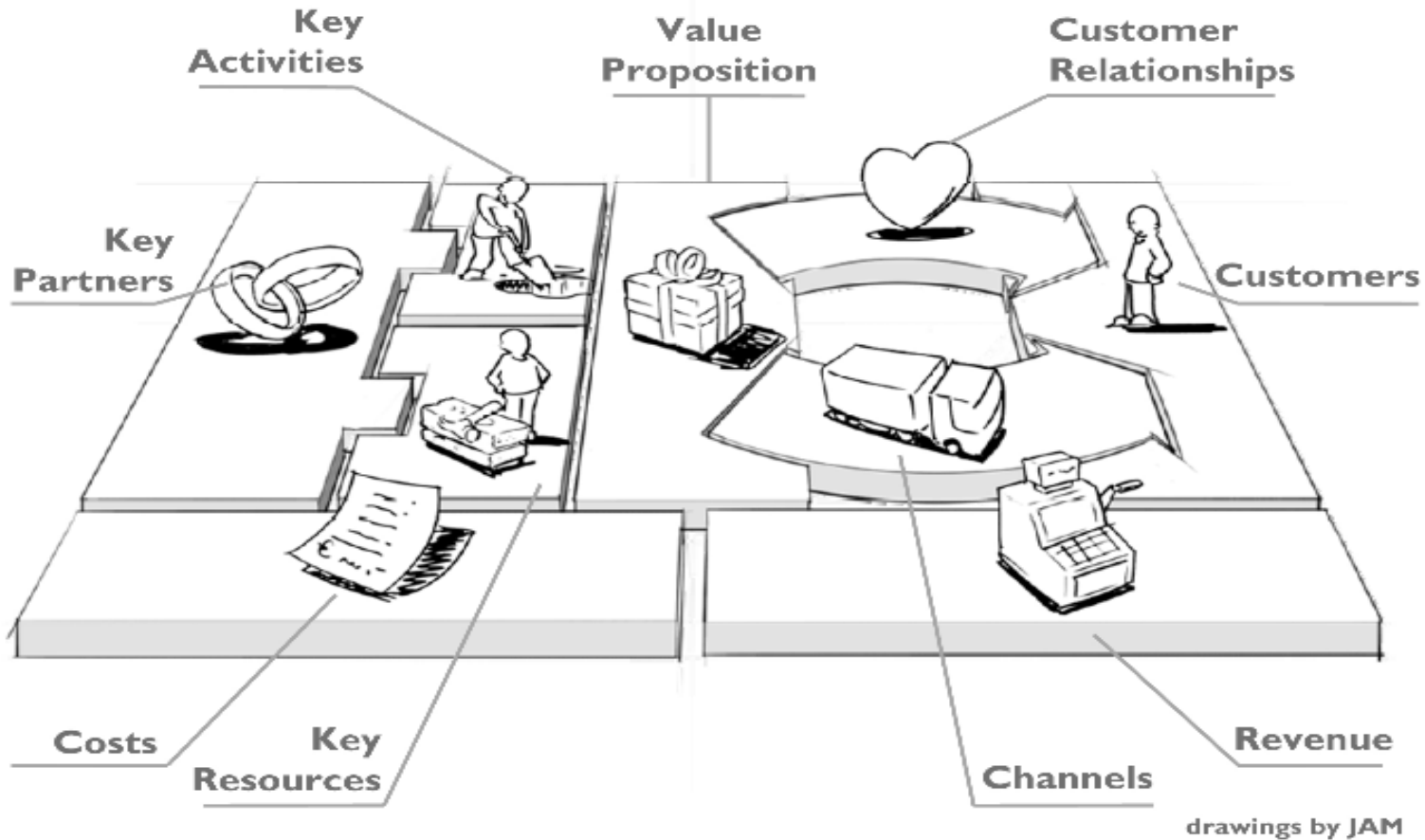


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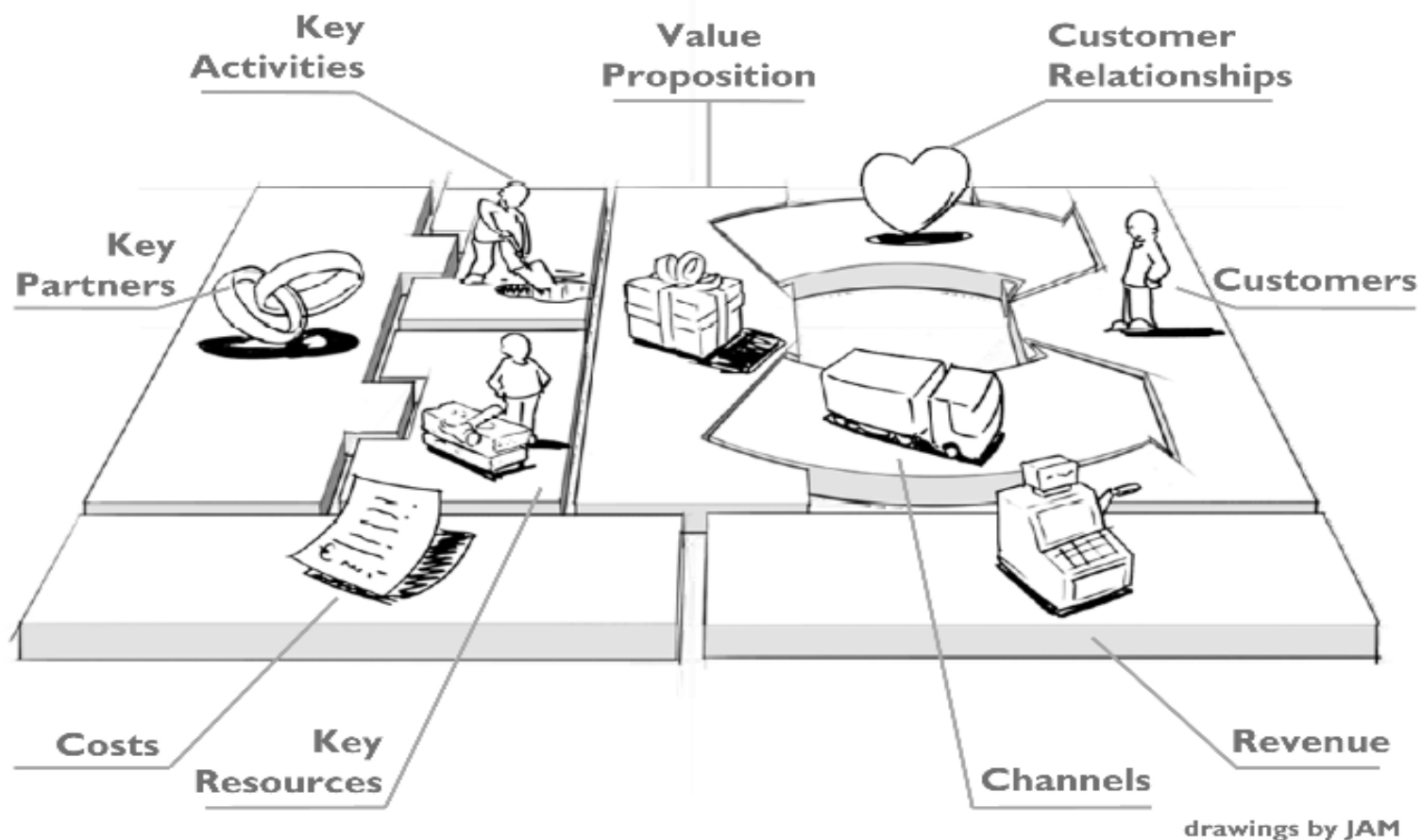




# Practice: Business Model Canvas



# Practice: Business Model Canvas



# Case: Zipcar



join



reserve



unlock



drive

# Case: Zipcar

## founders



**Antje Danielson**

Ph.D. in Geology from Free  
University, Berlin



**Robin Chase**

MIT MBA

## Car Sharing Concepts

- Car clubs or car co-ops
- An alternative to full car ownership.
- pay-by-use rates based on the driving time or mileage.



## Car Sharing History

- It began in Europe in 1987, Zurich, Switzerland.
- In 2010, there were 500,000 members in Europe.
- Germany, UK, and Switzerland held 75% of members.
- Europe had 200 car sharing organizations, 12,000 cars available to members.

**Zipcar****Consumer Problems**

- Expensive car ownership for those use less than 6,000 miles per year

**Exhibit 1** Economics of Individual Car Ownership

Monthly Expenditures	Monthly Costs
Vehicle depreciation/Lease	\$270
Insurance	99
Parking	125
Gas	45
Maintenance	36
Total	\$575

Source: Casewriter analysis based upon company data.

**Zipcar****Consumer Problems**

- There is big hole in the market for
  - » Short-term
  - » On-demand private car access

**Zipcar****Market Situation**

- Although it is growing in Europe (30% annually), U.S. market is not touched in 1999.
- In 1999, 66 Million Americans lived in the top 20 metropolitan area, 20 million used public transportation to get to work.

**Zipcar****Competition in North America**

- 🌐 Canada - CommunAuto, in Quebec & Montreal
- 🌐 U.S.
  - » Car-sharing Inc, in Portland
  - » Flexcar, in Seattle



**Zipcar****Developing Business Plan**

- Easy to use, freedom to travel, and hassle free ownership for urbanites.
- Primary emphasis was “**Convenience**” and “**Cost savings**”
- Key concerns were “**Technology**” and “**Price structure**”

**Zipcar****Developing Price Structure****Initial Price Structure**

- » \$25 nonrefundable application fee
- » \$300 fully refundable security deposit
- » \$300 annual subscription fee
- » \$1.5 per hour and \$0.4 per mile.

**Zipcar****Developing Price Structure****Revised** Price Structure

- » \$25 nonrefundable application fee
- » \$300 fully refundable security deposit
- » \$300 annual subscription fee → **\$75** annual fee
- » \$1.5 per hour and \$0.4 per mile. → between **\$4.5** to **\$7.0**,  
or **\$44 per day**

# Case: Zipcar

## Zipcar

## Finalizing Financial plan

	Assumption (per unit)	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>Revenues</b>						
Trips/member/month	4					
miles/trip	22					
hours/trip	4					
Beginning Members		0	440	856	908	1180
Attrition	0.15	0	66	128.4	136.2	177
Ending Members		440	856	908	1180	1196
New Members		440	482	180.4	408.2	193
Avg # of Members		220	648	882	1,044	1,188
Application fee (per new member)	25	11,000	12,050	4,510	10,205	4,825
Annual fees (per avg member)	75	16,500	48,600	66,150	78,300	89,100
Per mile charge	0.4	92,928	273,715	372,557	440,986	501,811
Per hour charge	5.5	232,320	684,288	931,392	1,102,464	1,254,528
Security Deposits (avg. balance)	300	66,000	194,400	264,600	313,200	356,400
Interest income (on avg. sec. dep. balance)	4%	2,640	7,776	10,584	12,528	14,256
Total Revenue		355,368	1,026,429	1,385,193	1,644,483	1,864,520
<b>Costs</b>						
<u>Variable Costs / Car</u>						
Beginning Cars		0	24	48	50	66
Ending Cars		24	48	50	66	66
Avg # of Cars		12	36	49	58	66
Lease Cost (car/year)	4,400	52,800	158,400	215,600	255,200	290,400
Access equip. (car/year)	500	6,000	18,000	24,500	29,000	33,000
Fuel (car/year)	1,080	12,960	38,880	52,920	62,640	71,280
Insurance (car/year)	1,700	20,400	61,200	83,300	98,600	112,200
Maintenance (car/year)	400	4,800	14,400	19,600	23,200	26,400
Parking (car/year)	600	7,200	21,600	29,400	34,800	39,600
Total Variable Costs		104,160	312,480	425,320	503,440	572,880

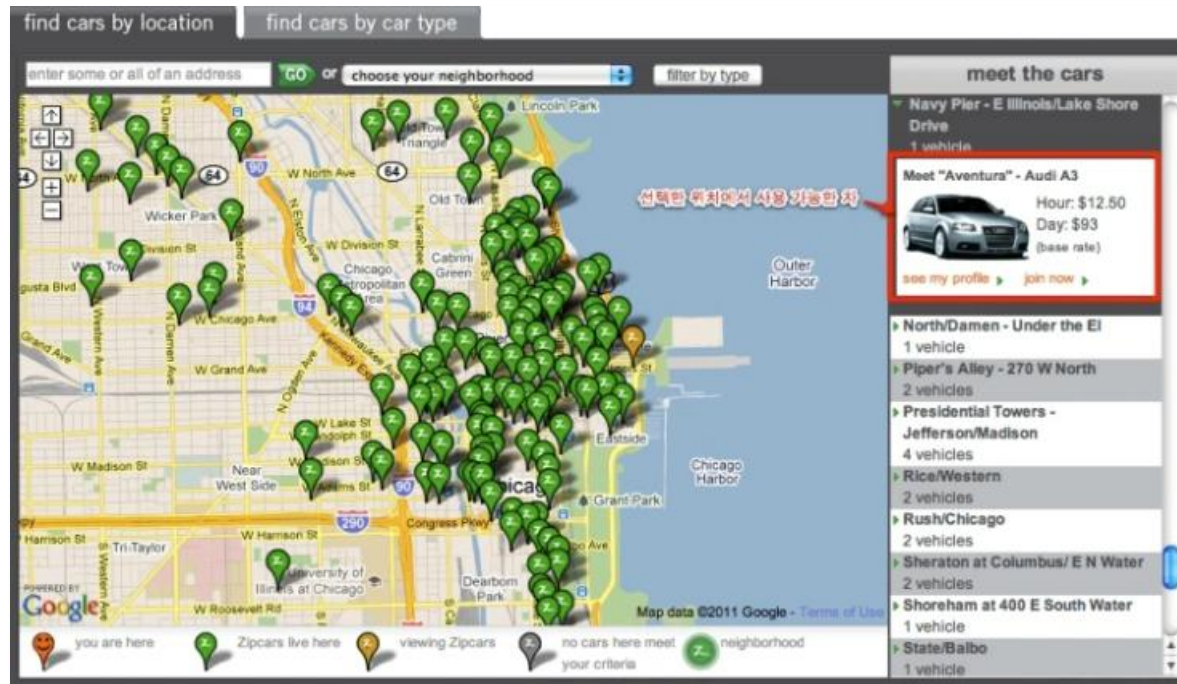
Harvard Business Case: Zipcar: Refining the Business Model

# Case: Zipcar

## Zipcar

## Set Up

### Creating Website





# Zipcar

## Set Up

### Contracting Local parking lot



# Zipcar

## Marketing

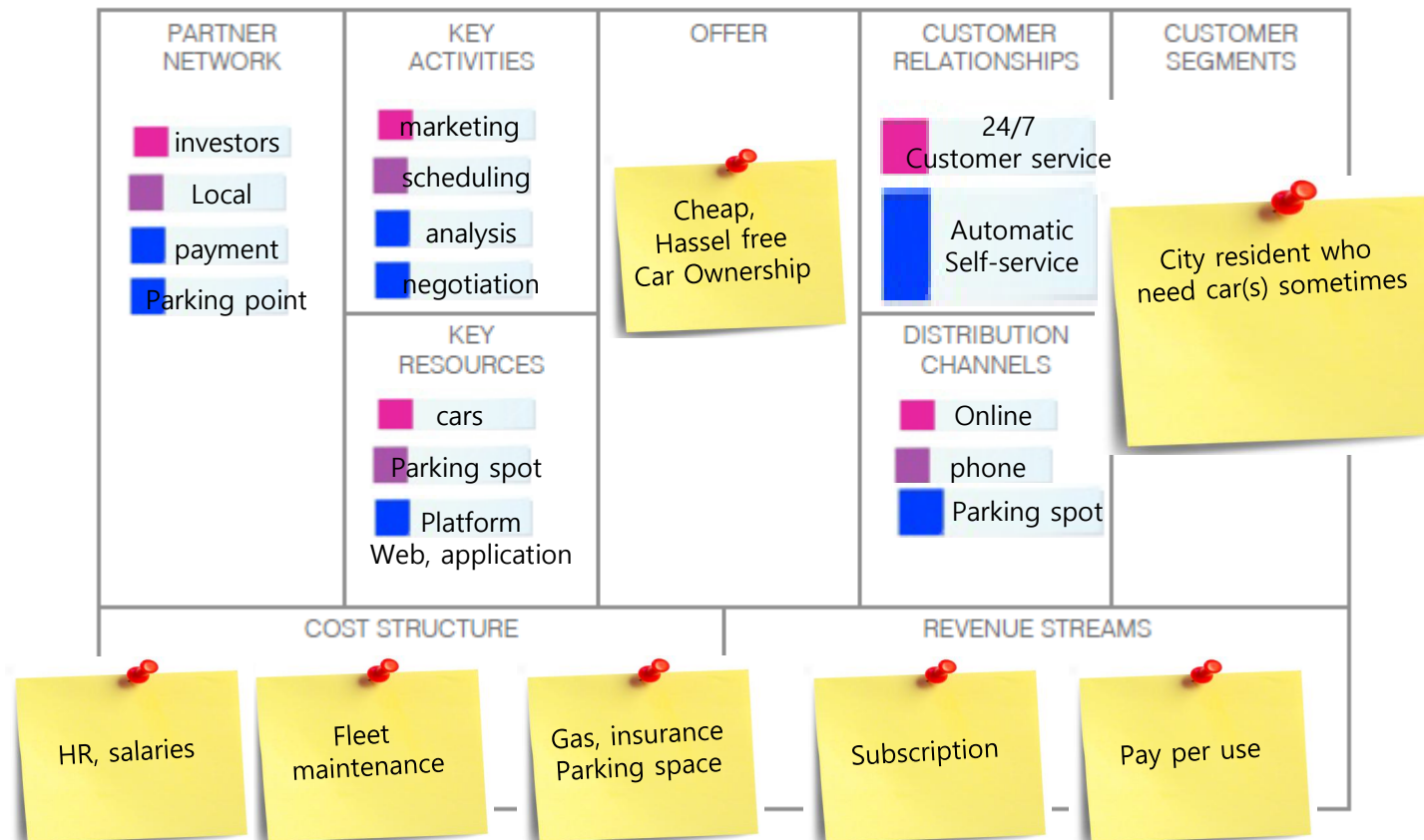
- Making logo
- Distributing postcards
- Speaking to local community
- Attracting attention from public



**Zipcar****how zipcar works**

**Case: Zipcar**

# The business model canvas



## Summary

- 1 In January 2013, Avis bought Zipcar for \$491 Million**
- 2 Danielson is the Administrative Director at Institute of the Environment of Tuft University**
- 3 Chase is the CEO of Buzzcar in France.**