

INTRO TO ENTREPRENEURSHIP



Intro to Entrepreneurship



Section 5

Core concepts & frameworks



Lecture 24

Intro to section 5



Intro to section 5

- We're going to explain some core concepts
- Specific terms that entrepreneurs use





Lecture 25

Service vs. Product businesses

Service vs. Product businesses

- **Product** - you sell something
- **Service** - you do a task for the customer
- Examples:
 - Apple, selling iPhones = product business
 - Repairing iPhones = service business



Service vs. Product businesses

- Software as a service (saas)
- Software used to be a product business, but now they can charge you per month to use a product - it transitioned to a service business



Service vs. Product businesses

- Product businesses are easier to grow
- Service businesses can't grow without hiring more people to perform new tasks





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What is a business model?

What is a business model?

- **Business model:** The way in which you make money based off of what you are selling

Examples:

- Google: advertisement business model
 - Amazon: eCommerce model
 - New York Times: Subscription model
-
- Business models can be changed





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Old business models



Old business models

- **Retail:** Any physical store that sells a product
 - they hold inventory
 - now, they can also sell the products online
- "Brick and mortar" - physical store
- "Brick and click" - having both a physical store and an online shop

Old business models

- **Franchise:** The owner of the restaurant/shop paid for a franchise to use the name of the famous brands
- Examples: McDonald's, Subway





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New, disruptive business models

New business models

- On demand
- Uber, Lyft, Shyp, Washio, Postmates
- They use a mobile app where clients can order what they need and get it right now



New business models

- Sharing economy
 - Airbnb, Getaround
 - Companies look for people who own things and want to share them for money
 - They're generally cheaper than the normal rentals
 - "The power drill dilemma" - power drills are expensive and under-utilized → the idea of renting them out



New business models

- Crowdsourcing



- Asking people what they want to buy and then sell those things
- Teespring - people design t-shirts and they get voted
- The owners don't have to keep inventory and come up with ideas

New business models

- Freemium



- Customers can use an app for free, but they only get basic features or limited time
- If you need more, you have to pay
- Example: Evernote - it's free to use, but for more features you have to pay

New business models

- Freemium
 - If people try it first, they're much more likely to purchase it later
 - It works well when it doesn't cost you anything to give it for free
 - It's difficult with physical products, because you pay every time you make one



New business models

- Direct to consumer
- Skipping the retailers
- Example: Dell computers - you buy directly from their website, prices are lower
- Example: Warby Parker - you can try eye-glasses online, and they ship them for free so you can try them
- They add a lot of convenience





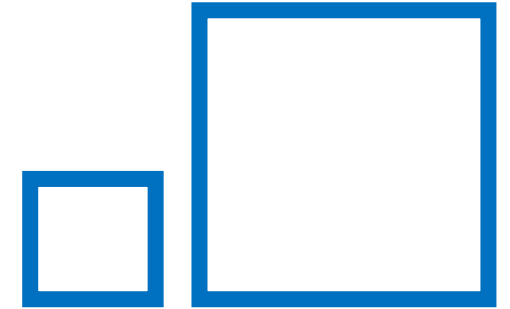
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Scalability



Scalability

- How easy is it to grow your business?
- Side businesses are not very concerned with scalability
- Lifestyle businesses: medium concern
- Startups: very concerned, they need scalability



Scalability

- If you can't scale past a certain point, that means you have a limit for your business
- Every time you grow, you have a new set of problems to deal with



Scalability

- How to know if your business idea is scalable:
Does your business have a lot of marginal cost?
- How much does it cost you to make
and deliver a product?



Scalability

Examples:

- Selling paintings: very hard to scale, you can't clone yourself to make more every day
- Medicine for a certain disease: hard to scale, there's only a fixed amount of people who need it
- Online course: easy to scale, you have minimal marginal costs

