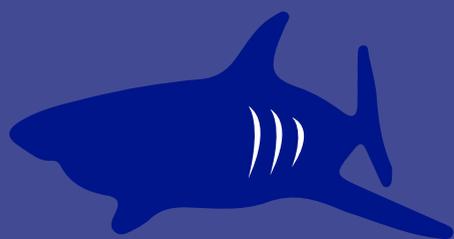
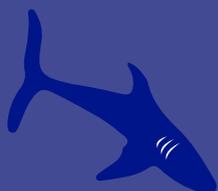
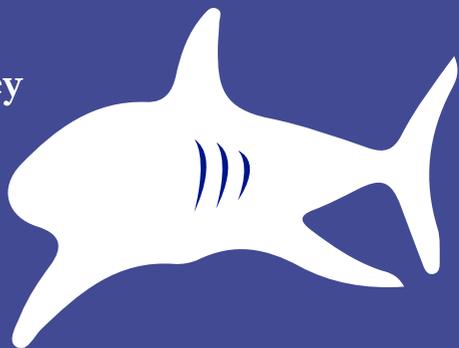
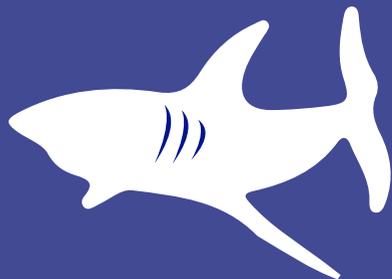


6 Real Business Models,  
New Ways of Making Money  
in the New Era



# SHARK TANK



BILL TEH

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# Chapter 1: The Origin

When we start a business, there are two major things we will focus on – revenue and the business cost. Basically, we want to know how to increase the revenue and what we can do to make it happen?

William has just started a restaurant business. On the first day of business, the restaurant only generated sales of \$1000. That night, William couldn't sleep and kept tossing in bed.

His wife asked him why. He replied, “Today, our restaurant's sales were only \$1000. If this goes on, we won't even be able to pay the rental.”

William and his wife talked about the day's business and deduced that day's \$1000 sales were generated from 20 customers. That's an average spending of \$50 per customer. If the number of customers grew to 100 per day, the sales would increase to \$5000.

## SECTION 1: The Traditional Way

Ten days later, William achieved that amount by increasing his customer flow to 100 a day. But even though the daily revenue had hit \$5000, William was still a long way to achieving his dream.





## Chapter 2: Customer Spending

Some time later, William heard his competitor was doing very well. He went to his competitor's restaurant to check it out, hoping to learn their secret. At the restaurant, owned by Andy, he noticed something special about the menu.

Written on it were phrases like “Recommended by our Chef”, “Recommended by our Boss”, or “Recommended by ...”.

All those “Recommended” dishes, like bird's nests, seafood and abalone, were expensive. William realised that even though the customer flow of Andy's restaurant was the same as his, Andy's sales were much better. William rightly concluded that Andy's customers were spending (called “spending per customer”) more than his customers.

## SECTION 1: The Traditional Way

Ahhh... William had just learned a new way to increase his sales. He excitedly rushed back to his restaurant and changed the entire menu to high-end dishes. The menu also highlighted the chef's recommendations.

To boost sales further, he told his waitresses to recommend dishes to their customers and for each dish that they successfully persuaded their customers to order, they would get a commission of \$3. With this strategy, William managed to increase his revenue without having to increase his customer flow.





## Chapter 3: Recurring Sales

Several weeks later, William went for a haircut and the hairdresser asked him whether he would like to sign up for a membership. The membership benefits included a bonus of \$300 when he topped up \$1,000 in his account. With that bonus, he wouldn't need to pay anything for his spending of \$100 in the salon that day.

“This is a good deal,” William thought.

Suddenly, a thought sparked his mind, “Why don't I implement this idea in my restaurant? This will encourage loyalty in my customers.”

Once again, William rushed back to his restaurant and quickly implemented the membership plan – every customer who signed up for the plan and kept \$1000 in their membership account would get a bonus of \$300!



## SECTION 1: The Traditional Way

Everything that William did above – increasing the customer flow, increasing the spending per customer, and increasing the recurring sales per customer – was aimed at increasing the restaurant’s revenue.

For all business owners, these measures are effective in boosting their revenue. If they double the customer flow, the spending per customer and the recurring sales per customer, the revenue will increase by 8 times! In conclusion, most business owners tap on these three measures to increase their revenue.

But before we even implement these three measures, how do we first get customers’ attention?

The answer lies in the four strategies in marketing, called the 4Ps – Product, Price, Place and Promotion.



# Chapter 13: The Product

I've given you an introduction to the traditional business. Now, we are going to explore how your business can make money in a different way.

There are eight different ways to make money for your company.

The first way to make money is called product revenue.

If your company makes money by just selling products, then the core value for product profit is low price, superb low price. The only strategy for the company to make money this way is to continuously reduce the costs.

Galanz is the largest microwave oven manufacturer in the world. Why does Galanz have such a large market share of the microwave oven?

## SECTION 2: The Modern Way

The answer: Its pricing strategy.

Galanz's price reduction strategy has become its core strategy to increase sales and also squeezed out the weakest industry players, earning Galanz the moniker "the price butcher". Galanz has continuously reduced its cost through good management.

In the past, the purpose of cost reduction was to increase profit.

But the purpose of cost reduction for Galanz is not to increase profit; it is to monopolize the market and increase its market share.

So, if your company's profits are gained through selling products, the only factor to consider is how to continuously reduce the costs so that you can reduce the price.

Most people say that companies that use the price reduction strategy have no value.

Sam Walton, the late founder of Wal-Mart and once the richest man in America, continuously lowered prices.

Wal-Mart's slogan is "Always Low Prices".





Most people know IKEA, the Swedish company that sells the cheapest furniture in the world. As a result, the owner of IKEA was once the richest man in Sweden.

A brand called Uniqlo sells the cheapest clothes in Japan. Its prices are standardized throughout the world. For the manufacturing industry, you just need to focus on two things: the best quality and the lowest price.

In summary, as long as your company makes money through product revenue, the strategy is to continuously reduce the costs.



# Chapter 21:

## The Business Model

A few years ago, a businessman told me he wanted to start a chain of 200 bakery stores in his country. He said he owned a bakery shop with a total investment of \$200,000. The return was \$800,000 a year!

When your business generates such a high return, please be careful because you will have a great tendency to become ambitious to scale up your business.

The most important thing is to understand the chain model.

McDonald's has about 38,000 stores in over 100 countries, but they only own around 5,000 of those stores. The other 30,000 plus stores only came into the picture later, but most people don't understand their real relationship with McDonald's, which is called the direct management model. This means that the stores were invested by others but directly managed and operated by McDonald's.

### SECTION 3: The Direction

Let's suppose the bakery uses this model and the businessman fixes the franchise fee at \$200,000.

Firstly, \$150,000 out of the \$200,000 franchise fee will be used to purchase the materials to start the store, so each franchise can earn him \$50,000, equivalent to 25% profit margin. If he can get 200 franchisees, he will earn \$10 million.

Secondly, those people who take up the franchise are purely investors and the shops are operated and managed by the franchisor (the businessman).

Let's say the shop generates \$250,000 sales turnover a month. This will add up to \$3 million a year. The total turnover for 200 shops a year will then be \$600 million. Franchisees will also need to pay a management fee (McDonald's fee is around 6%). It is reasonable to charge 5% for the bakery sector, hence the 5% management fee will add up to \$30 million.

Thirdly, the cost of each product comprises 40% of the sales.

Now, the cost in the past has become the income.

If a sales turnover of \$600 million is generated, \$240 million will be the cost of the raw materials (flour, eggs, honey, raisins, walnuts, fruits, etc.) In the past, \$240 million was considered as cost. All the bakery shops are



owned by other people and the businessman is now the wholesaler too. The cost of \$240 million has become his income. With a profit margin of around 20% on the raw materials, the businessman will have \$48 million.

Finally, the daily sales of the 200 shops are managed by the businessman but the payroll, shareholders' dividends, and the wholesalers' credit term can be extended to around 45 days.

A business tycoon once told me privately that the cashiers in his 200 restaurants collect the same amount of cash as a bank teller. Because of this, he could simply walk into a bank in the morning, take a loan and settle the loan in the evening. And the bank could not charge him any interest for the loan!

This is the power of cash flow!



# Chapter 35:

## The Consumer Market

There are three major markets in the business world.

The first market is called the consumer market, where money is generated by selling goods. There are three forms of the consumer market – manufacturing, wholesale and retail.

Manufacturing mainly focuses on large scale production of finished products from raw materials by using various kinds of machines, tools and processes to make profit. Wholesale involves bulk quantities through B2B (business to business) while retail involves small quantities through B2C (business to customers).

The main purpose of the consumer market is to sell goods. People make money in the consumer market through a process called product transfer, where products are transferred from one place to another place for sale. From manufacturing to retail, profit is



## SECTION 5: The Business Market

earned from the difference in prices by moving the products or goods through the various stages. There are three types of goods –

- 1) products;
- 2) services; and
- 3) intellectual properties (which refers to knowledge).

To understand the consumer market, we need to understand “fishing”. There are 20,000 “fishes” in the lake and all the fishing tools, including fishing rods and baits, are equipped with high technology devices. To excel in the consumer market, one needs to master the fishing techniques.

However, there is only one problem – there are 20,000 people fishing at the same lake, competing for the fishes!

This is the current situation of the consumer market. Business in the consumer market is getting increasingly difficult to sustain because of competition.



# Chapter 38:

## The Alibaba

Alibaba's Jack Ma has predicted five new trends in the future.

The first trend is the new retail.

In the future, traditional retail will be greatly impacted by the rise of e-commerce, hence offline entities must include e-commerce in their business. Combining online and offline (O2O) business requires the use of mobile payments and artificial intelligence. In the past, Alibaba Group acquired many entities, including Intime Department Store and SanJiang Shopping Club, and invested strategically in Suning.com. Alibaba has become the second largest shareholder of Suning as Suning had many offline physical stores.

On the other hand, Xiaomi has disclosed that on the average, each Xiaomi store will generate revenue of \$100 million, and after opening 1,000 stores, it will

generate sales of \$100 billion. As a result, the original entity's \$100 billion sales will be taken by Xiaomi. Furthermore, JD.com has announced plans to open 1,000 convenience stores every single day in China.

The second trend is called New Finance.

Jack Ma has said that developing just 20% SME companies could promote the development of 80% of the global economy. In the future, the finance industry will focus on how to facilitate the development of the 80% SME companies. The traditional finance industry will witness huge changes and certainly face challenges due to Internet finance, equality and transparency. The credit system will then be based on data that can benefit everyone and everyone will have the opportunity to get enough money as they require.

The third trend is called New Manufacturing.

Traditional manufacturing is business-to-customer (B2C), where factories produce products in advance and then advertise the products, build a sales network and sell them to consumers. Scale and standard are given high importance; however, customized, personalized and smart service will be the new trend as the manufacturing industry gradually transforms from B2C to C2B. For example, when a customer walks into a store and tries a pair of shoes, the shoes will scan the customer's feet and transmits the data to the factory, which will



then produce a pair of shoes that is customized to the customer's feet. The shoes will be delivered to the customer's house the next day.

The fourth trend is called New Technology.

In the past, every house had a generator until someone invented the power grid, and every house had a well to draw water from but today, we turn on the tap to get water. After the mobile Internet came on the scene, personal computer chips evolved into mobile chips.

The fifth and final trend is called New Resources.

Resources such as crude oil and coal were the foundation of development in every country. In the future, new energy and data will be at the core of any development. In the past, resources that people used would become useless; in the future, data from people around the globe which has been continuously used will become increasingly valuable for all companies.

1st	2nd	3rd	4th
Mechanization, water power, steam power	Mass production, assembly line, electricity	Computer and Automation	Cyber Physical Systems

