

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA– SEMESTER –I–EXAMINATION – WINTER-2023

Subject Code:2519404

Date: 17-01-2024

Subject Name: Business Models & Unit Economics

Time:10:30 AM TO 01:30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

Q. No.	Question Text and Description	Marks
Q.1	Definitions / terms / explanations / short questions based on concepts of theory/practical (any six) a) Revenue Streams b) Value Proposition c) Customer Churn Rate d) Customer Acquisition Cost (CAC) e) Life Time Value (LTV) f) Unit Economics g) Competitive Advantage	18
Q.2	(a) Define Business Model. Identify different types of business models that can be used for a startup in 'Fintech Industry'	07
	(b) Define Business Model Canvas (BMC). For your proposed startup, explain the different components of BMC.	07
OR		
	(b) Define validation of a Business Model. Explain the mechanism to validate your proposed startup.	07
Q.3	(a) Under what circumstances is Predictive LTV and Flexible LTV used in a startup?	07
	(b) Define Flexible LTV. Identify the value of flexible LTV for following data: (i) Average gross margin per customer life span: Rs. 1000 (ii) Discount Rate: 10% (iii)No. of customers in the first month: 500 (iv)No. of customers in the sixth month: 600 (v) No. of new customers added during 6 months: 200	07
OR		
Q.3	(a) Explain how unit economic can be important to your startups with examples.	07
	(b) Define Predictive LTV. Identify the value of Predictive LTV for following data: (i) Average gross margin: 0.5	07

(ii) Total revenue generated in 5 months: Rs. 1,00,000/-

(iii) Total number of transactions in 5 months:500

(iv)No. of customers in the first month: 500

(v)No. of customers in the fifth month: 400

- Q.4 (a)** Identify the probable reasons for the failure of startup with examples. **07**
(b) How can Business Model Canvas lead to gaining competitive advantage for your startup? **07**

OR

- Q.4 (a)** What is Business Model Innovation? Explain different paths to Business Model Innovation for a startup. **07**
(b) Why Business Model Innovation is important? Explain the process for Business Model Innovation for your startup. **07**

Q.5 Read the case on Cement Sales given overleaf and answer the questions given below.

- (a)** Which shop sells more? Why? **05**
(b) Identify with reasons the BMC components used by shop B. **05**

OR

- Q.5 (a)** Which shop sells least? Why? **05**
(b) Identify with reasons the BMC components used by shop C. **05**

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Case on Cement Sales

We have three businesses located at three different locations on the same street selling cement. All three do retail; that is you can buy even just 1 bag from them, all three are on the street directly, all three are semi-educated men, all three have stands to keep cement of about the same size and seem to buy from the same supplier. Having bought from all three at different and various instances, all three usually sell at about the same price and all three have about 2-3 people at every point in time running the shop. Note that all three businesses are profitable but one is more profitable than the other and that is the question of the Business Model canvas (BMC). Let us call them SHOP A, SHOP B and SHOP C. In analogy;

SHOP A.

When you get to this shop, they welcome you in anticipation, like you came to buy everything on ground, negotiate price with you, exchange your requested quantity for your cash (the business is cash only in this shop) and bid you farewell. Note that this has been the trend here for each time I have been there.

SHOP B.

When you get here, they also greet you with great enthusiasm and state clearly to you that they usually sell in bulk quantity and let you know how good that is for you as you will get discounts and free delivery. If you decide to leave as you are not that category of customer then they call you back and deal like SHOP A. But at some time, I engaged the lady in shop B in a conversation asking why this 'bulk' business, when you can just sell and move on? She said that the effort to sell one bag is same for 100 bags and so is the logistics but the returns are not same because selling at that quantity gives her income from the seller and manufacturer but based on the location that kind of sales is very slow and killing the business and she does not want to move so just switches to the model of SHOP A whenever the opportunity arises. She usually ends up doing more sales than shop A because of her dual customer segments (retail and wholesale) and she has slowly made a name for her place in the locality that if you need to buy your cement in bulk, she is the go to dealer, but as a residential area, not many people buy there in bulk on a regular basis. She accepts cash and bank transfers as modes of payment and offers delivery.

SHOP C.

In this shop, once you get there, they also welcome you very pleasantly and immediately tells you how happy they are to have you stating how important your business is to them. They ask you what you want to buy and go ahead to offer free consultancy based on what you asked for, that is, if it's a bag of cement, they ask why and confirms if it will be enough for what you want to do. If you don't need as much as a bag, they will actually offer to sell only half a bag to you. If it seems you don't know the exact quantity you need, they will offer to send a technical person with you to go to your site to confirm exactly what you need and ensure you are buying the right thing for the right purpose. In addition, they state that they offer many other related products like sand, gravel, interlocking blocks and all with free delivery at a certain quantity of orders and the technicians/experts to do the job for you in case you need that too. Also, they take payments in cash, cheques and POS. Sales in cheque is delivered once the cheque clears. On leaving, they collect your contact details promising to keep in touch (which they do) and that you don't need to come back for your next order, reason is because they give you their card that you can call and they will deliver to your location anywhere in the country and at any quantity.
