

## **ANALYZING A FINTECH/LENDTECH COMPANY THROUGH THE BUSINESS MODEL CANVAS LENS**

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### **INTRODUCTION**

ShopUp, a credit evaluation and referral platform, has established itself as a dominant player in the industry since its inception in 2016. The business model of ShopUp has been instrumental in solving multifaceted problems faced by the social-media based entrepreneurs in their bid to secure finance. Redesigning and restructuring business models to foster social innovation serves as a great tool to create value for clients (Osterwalder & Pigneur, 2011), and ShopUp with its creative approach to credit evaluation helps erase significant delays (i.e. from 18-20 percent to 3-5 percent) in loan processing for entrepreneurs (ShopUp, 2019.). Such reductions in wait times (and in costs eventually) encourage new entrepreneurs to pursue ShopUp's services.

The objective of this case is to enhance the understanding of the audience of how ShopUp and broadly the fintech industries of Bangladesh are functioning. The case provides a detailed breakdown of the business model of ShopUp and elaborates on how ShopUp creates a set of distinct value proposition for its clients from different functional domains. Furthermore, the case investigates probable reasons behind ShopUps success in being able to scale internally as well as penetrate different markets requiring different sets of unique organizational capabilities.

The business-model-canvas (Osterwalder and Pigneur, 2011) is used to provide an in-depth look into ShopUp. The business model of ShopUp is dissected into nine segments such as Customer Value Propositions, Key Activities, Key Partnerships etc. Each of the nine segments are scrutinized to assess the overall performance and long term ability of the business to create sustainable value for its owners. Bulk of the information relevant to this case have been collected from interviews of employees and senior administration of model-canvas (Osterwalder & Pigneur, 2011), several recommendations were proposed to tackle certain areas

which could do with some improvements under the current business model. Furthermore, certain recommendations related to the formation of medium- and long-term strategy was put forward to enhance sustainability of ShopUp's operations and broaden revenue streams in the future.

## **SHOPUP – A JOURNEY TOWARDS EXCELLENCE**

The cofounders of ShopUp felt that the existing methods of assessing microloans are too lengthy and costly. In response to this problem, they began the journey of ShopUp in 2016. While ShopUp doesn't provide loans itself, its algorithm facilitates micro lenders assessing loans quickly. BRAC has been a strategic partner of ShopUp in this area. The evaluation of ShopUp helps small entrepreneurs and rising startups, to get the funding from BRAC (Mouli, 2018). In addition to helping with financing, ShopUp provides various types of technical and business support to help small business-owners getting their businesses up and running. Some of their services include web-designing, digital marketing, photography, delivery services, warehouse and inventory management, cash collection etc. Along with leveraging in-house resources (e.g. employees, facilities etc.), ShopUp strategically outsource some of its operations (e.g. financing, delivery etc.) with partners (Bkash, DHL etc.).

One of the biggest challenges ShopUp faced in its initial years is establishing the idea of a creative economy through pursuing and fostering home-based businesses. In Bangladesh, people hold reservations about home-based businesses. They often refuse to acknowledge the potential home-based businesses have and consider them to be riskier ventures than they necessarily are. As ShopUp's main clients are young men and women wanting to start a home-based business, the organization has had to work on making people aware of the prospects of home-based businesses and make the soon-to-be young entrepreneurs confident about going forward with their business ideas.

In order to do so, ShopUp identified the bottlenecks (e.g. lack financing options, marketing tools, delivery systems) that prevent people from starting a home-based business and started providing their clients with services in those areas. After operating for some time ShopUp started showcasing their success stories (of their clients) which helped in attracting new clients and bring changes in people's mindsets. ShopUp currently conducts several seminars in various locations of Dhaka city on the improvement of business models sharing the business acumen. They plan to organize such seminars outside the capital city soon and scale up their operations throughout the nation. In the coming years, ShopUp plans in developing an easy to use software that eases the recordings of inventory and helps in calculating profit for the new entrepreneurs. (Gilchrist, 2018).

ShopUp has been receiving funding from renowned international organizations which gives the organization reliability in the eyes of their clients as well. The organization was the runner up of Inclusion Plus, a global competition arranged by the MetLife foundation that aims to increase access to quality, sustainable financial services in the category of financial technology, financial products and services. ShopUp received a grant of USD 25,000 as the first runner-up (Hasnat, 2018). The organization is currently being funded (\$4.9M) by Omedyar network, Flourish Venture, Gates foundation, and Surge Ahead (Crunchbase, 2019).

## **ANALYSING SHOPUP THROUGH THE BUSINESS-CANVAS-LENS**

The business-model-canvas depicts the holistic business processes in one single framework (Osterwalder & Pigneur, 2011). The business-canvas is an ideal tool to understand the strengths and competencies of the business model while identifying the areas within business processes where there are rooms for improvement. Table 1 depicts the organizational framework of ShopUp scrutinized through the lens of the business model canvas. The business processes of ShopUp have been dissected and aligned with the nine functional areas of the business model canvas- analyzing the intricate details which falls under each of the nine dimensions of the model. The canvas has been divided into three broad areas and analyzed below:

### **Value Proposition, Key Activities and Revenue Streams**

ShopUp have been able to diversify its offerings in the market because of delivering a distinct set of value propositions for its clientele through focused differentiation. Porter's focused differentiation strategy emphasizes the need to identify customer niches and develop capabilities to satisfy the unique needs of the customer segments (Tanwar, 2013). Shop Up began its journey as a credit-referral-company for social-media based micro-entrepreneurs but in a short span of time have diversified their offerings in serving focused and segmented customer bases such as providing digital marketing services (promotion and boosting) for social media based micro entrepreneurs, back end shop management for business and delivery services to customers from the premises of the merchants (ShopUp, 2019).

### **Customer Relationship, Customer Segments and Channels**

One critical factor leading to ShopUp's ability to penetrate different industries is its ability to identify pain points of different customer segments in different industries (primarily social media-oriented client groups) and design cost effective solutions to alleviate the pain points for its clientele (ShopUp, 2019). Porter highlights the importance of dissecting broad customer groups into micro segments

and focusing on enhancing capabilities to cater to these microsegments (Tanwar, 2013), and in the case of ShopUp, it has developed capabilities to cater to eloan, shop management, digital marketing and delivery service requiring diverse segments (ShopUp, 2019)

ShopUp has been effective in using Facebook as a channel to interact and develop customer loyalty. This can be evidenced by the rapid growth of business through forming meaningful relationships with customers from different industries ranging from micro entrepreneurs requiring credit evaluation to boosting posts and ads of various types of social media-based businesses. An overwhelming majority of this diverse customer base operates using social media platforms primarily through Facebook.

Shop Up has consistently engaged and developed their client base by boosting self-promotional ads through Facebook and efficiently handling existing and potential queries through diligent customer service. The Facebook promotions are averaged by thousands of likes and followers alongside with potential clients actively engage in the comment and dialogue platforms to discuss multifaceted business opportunities.

### Key Resources, Key Partners and Cost Structure

Long term sustainable competitive advantage can be sourced through focused differentiation or focused cost minimization (Porter, 1997), and focusing on enhancing internal capabilities to utilize organizational resources more efficiently can subsequently result in reduced production costs thereby allowing organizations to strengthen price competitiveness (Osterwalder & Pigneur, 2011; Porter, 1985).

Since its inception in 2016, ShopUp have focused on developing partnerships with relevant industry partners in a bid to provide greater value to its clientele. For example, the critical partnership with BRAC and the Gates Foundation allows ShopUp to keep on improving its eloan and credit evaluation offerings to social media based micro entrepreneurs. BRAC is also benefited because it does not have to deal with the pains of evaluating the creditworthiness of micro entrepreneurs. Furthermore, the strategic alliance with DHL perpetuates ShopUp's ability to seamlessly deliver products from the merchants by using DHL's operational efficiency in mitigating time lags.

*Table I: ShopUp's Business-Model-Canvas*

<b>Key Partners</b>	<b>Key Activities</b>	<b>Value Proposition</b>	<b>Customer Relationship</b>	<b>Customer Segments</b>
DHL BRAC Facebook	E-Loan; Delivery service Digital marketing Product sourcing Shop management	One stop solution for small businesses	Facebook Page Phone calls Physical visits	F-commerce entrepreneurs
	<b>Key Resources</b>		<b>Channels</b>	
	One stop solution Strategic partners		Facebook ads Website	
<b>Cost Structures</b>			<b>Revenue Streams</b>	
Delivery costs B2C costs Marketing and Branding costs			Delivery charges Platform fees for E-Loan Digital marketing fees	

## LOOKING FORWARD

The ability of ShopUp management to evaluate profitable domains and penetrate the market with a clear set of value propositions for the clients have allowed the organization to burgeon within a relatively short span of time. Furthermore, ShopUp boasts a dedicated team of hard-working individuals who not only have a tendency to deliver creative diverse solutions for their clientele but are also determined to drive the organization towards diversity in its service offerings. However, since ShopUp has been focusing on doing too many things at the same time; this might prove to be risky if not handled with immaculate execution. The future looks bright for ShopUp in the foreseeable future should they are able to maintain the performance they are exhibiting in the status quo. The organization has a clear understanding of its strengths coupled with a pragmatic understanding of the opportunities that exist within the current markets they are operating in, as well as highly profitable markets they might potentially look to enter in the foreseeable future.

## DISCUSSION QUESTIONS

- If you want to form a startup, would you like to avail services from ShopUp or creating your solutions? Why?

- Analyze Amazon Inc. using the Business Model
- Suppose you want to start a home-based business. You consult with ShopUp and access their services to implement your business. Do you feel there might be areas or bottlenecks they are not addressing yet? Or a service, if they had provided, would help your business in particular?
- What strategy could Shopup take to expedite its growth?
- Should Shopup diversify its services for potential future growth?

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