

# 2020 International Economics Olympiad China Finals

## Business Case

The business case is based on a real problem. The desired outcome of the business case is a coherent business plan that could ideally be readily used by a start-up in the industry to source venture capital funding. Both **on-paper solution** and **presentation** skills are important.

### Requirements for Submission

1. Participating teams may start to work on proposals once the case has released.
2. In accordance with the guidelines of previous international contest, the business plan is recommended to be no more than 10 pages (cover excluded), 1 extra page of team profile is allowed. A PowerPoint version should be provided for onsite presentation, another pdf version should also be submitted for print. Note slides after p.10 will not be printed, however, if time permits, presenting slides after p.10 will be allowed.
3. Both versions should be submitted by 24:00, Aug 6th, 2020.
4. Team/Group code must be shown on the cover.
5. School-related information (e.g. school name etc.) is prohibited in the proposal
6. Filename:

For Seniors: " Team code +Team name.pdf", " Team code +Team name.pptx".

For Juniors: "Group code.pdf" "Group code.pptx".

Please edit the slides in 16:9 scale, horizontal layout.

**Attention: Slides cannot be changed after submission.**

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## Business Case

### Introduction:

Millennial Chinese parents are willing to spend more time and efforts on cultivating the artistic attainment of their children since their early stages, which initiates the prosperity of extracurricular piano learning.

Li Fang is a current middle school student who started leaning piano 6 years ago. The experience was never fun for him, though he has got the certification of National piano level 6. Learning instrument requires persistence and long-term concentration, which could be especially challenging for young learners such as Li Fang. Due to his inability to stay focused during long periods of practices, his parents had no other option than to accompany him in completing home assignments after long hours of working, though they know little about piano. For this reason, their parent-child relationship has worsened over the years.

Li Fang is not the only child who has such experiences. Many Li Fang's classmates who also learn piano have expressed the fear of their parents and their parents' inability to provide precise feedbacks. Learning piano for both young learners and their parents could be miserable, where a third party could come in and mitigate the situation. Professional piano sparring partners who accompany young learners while practicing, with professional knowledge to offer effective feedbacks are now facing an expanding demand in the ever-evolving piano training industry.

Li Fang wishes to start a company that provides professional piano sparring partners, helping students to gain more professional feedbacks and reduce the anxiety their parents imposed on them. However, for he does not have enough business knowledge, he decided to ask for your help.

Your task is to help Li Fang in starting a company providing professional piano sparring partners to students aged from 5 to 18 in China. The start-up fund will be 1 million CNY at year 1, invested by an angel capital. Full operation starts at the September of 2020.

## Specific tasks:

Develop a business plan including the following sections:

### 1、 Market analysis

- 1 ) Define the major needs of each stakeholder in the market of piano sparring partners in China.
- 2 ) Estimate the market size ( CNY ) of piano sparring partners of China in 2020.
- 3 ) Present the reasoning process of estimation.

### 2、 Business model analysis:

- 1) Choose your business model among online mode, offline mode and online-offline mixed mode.
- 2) Provide the rationales of your choice.

### 3、 Product and service design:

- 1) Develop an insightful analysis of your target users, including customer traits, demand, etc.
- 2) Describe the firm's product's and service's key features.

### 4、 Marketing:

- 1) Describe the distribution channel and strategy in delivering your product and service.
- 2) Include detailed marketing campaign plan in advertising your product and service

### 5、 Financial model:

The firm will start with an initial funding of 1 million CNY at year 1, from Sep. 2020. Construct a 12-month financial model for the firm, including revenue, cost and profit. The model should present performance forecast of each month.

## Additional information

Additional information serves to assist you in better constructing your business plan. The data may or may not be consistent with real-world data. Information and data from other sources are available for use, however, the sources must be attached.

### *Part 1: Two roles of sparring partner in practicing piano*

There are two roles of sparring partner:

- 1) **Elementary sparring partner.** Elementary sparring partners provides technical support only (e.g. error correction/proficiency improvement). Elementary sparring partners are available for both online and offline modes.
- 2) **Senior sparring partner.** Senior sparring partners are capable of capturing the emotional experience of learners. They pay additional attention to training students' sensibility and ways to utilize it in playing. Senior sparring partners may only be available for off-line mode, for personal sensations are conveyed mainly through face-to-face interaction.

After long-term practices, at some point, the students would gain a better understanding of teachers' guidance and be enabled to solve upcoming problems by themselves, where a sparring partner is no longer needed.

### *Part 2: Increasing market of piano learning*

A report in 2016 released by Chinese Musicians Association revealed that the number of students learning piano aged from 5 to 18 had reached 30 million in China, with 10% annual growth rate. On average, each student will attend 30 main classes per year. The price of each main class is about 300 CNY. The learning cycle is generally 4 to 6 years.

Piano sparring partner classes are generally after main classes, helping students to practice main-class assignments. The market penetration rate of sparring partner among piano students is about 3% by 2020.

On average, students have three sparring partner sessions after a main class. Each sparring partner session takes one hour. The average price of off-line sparring partners is 150 CNY per hour and 75 CNY per hour for on-line sparring partners. The demand for both on-line and off-line sparring partners are identical.

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### ***Part 3 : Business model: off-line mode, on-line mode, and mixed mode***

These modes have their differing advantages and disadvantages. Offline mode's comparative advantages lie in face-to-face interpersonal interactions. However, the core disadvantages of offline mode are the constraints of time and location and high fixed costs.

On the other hand, accessibility unconstrained by time and location is the core advantage of online mode. The digital technologies in data recording and usage in improving product, service, marketing strategy, and corporate governance have empowered online mode businesses in surpassing their offline counterparts. Yet, the disadvantages of online mode are the long learning curve of technological tools for some users, and the challenge to gain customers' trust without face-to-face contacts.

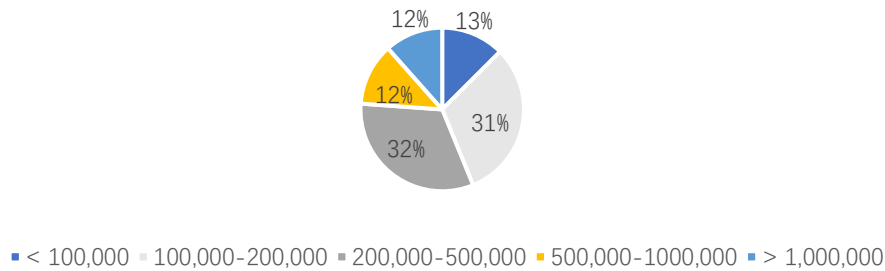
Online-To-Offline (O2O) mode aims at combining the advantages of online and offline mode in creating seamless and integrated user experience. Firms are not limited to operate under a single mode over differing stages. For instance, extensive marketing campaign could be deployed through online social medias in attracting new users, the goods and services could then be delivered offline. On the other hand, firms may also choose to employ mass offline-marketing strategies through setting up experience centers where customers could place orders directly through mobile application. Though O2O seems to be a better option, many O2O start-ups went down as such mode does not guarantee better efficiency and lower cost, and customer trust built under such mode could be more fragile.

Offline mode remains the dominating mode in the education industry, for no online technology is capable of achieving the same level of interactive experience as the traditional mode. With accelerated development of video communication technology, online educational institutions have increased drastically. Various modes of online education such as one-to-one coaching, group study and recorded broadcast have emerged. The O2O mode and its derivatives are still evolving. Some online institutions are planning offline experience and teaching centers while some offline institutions are trying to gain customers through live broadcast and short video.

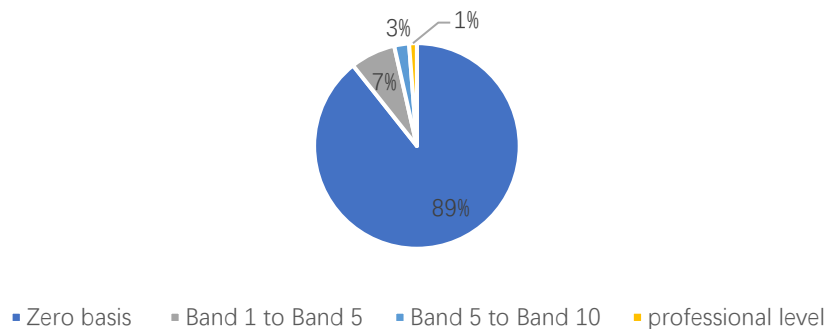
### ***Part 4: Customer analysis***

A recent authoritative survey of 10, 000 parents of piano learners aged from 5 to 18 revealed the following facts:

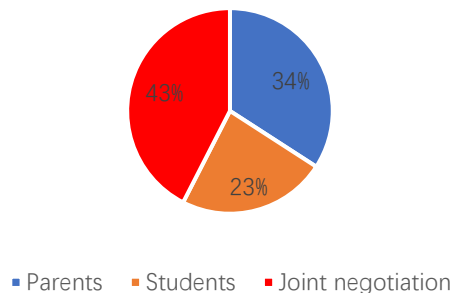
Annual household income (CNY)



Parents' levels of piano



Purchase decision maker on education product/service



### ***Part 5: Financial Modelling: supplementary information***

Winning business plans are backed by solid financial models. The following information will serve as a useful guide as you start building your financial model.

In the piano sparring partner industry, companies normally spend the first 3 months on R&D (research & development stage), testing products with seed users. No income will be generated until the 4<sup>th</sup> month.

#### **Prices & Costs:**

Offline mode: 150 CNY/hour; 2700 CNY to obtain a new customer.

Online mode: 75 CNY/hour; 1350 CNY to obtaining a new customer.