

# **The Chinese-style Crowdfunding Business Model Case Study (1): Butler At Your Service Inc.**

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## **Summary**

Butler At Your Service Inc. was founded in September 2015 in Vancouver, BC. The company launched their mobile app, iButler, in May 2016. The company's objective is to build an information exchange platform to facilitate communication between service providers and customers. iButler is not only an information exchange platform, but also serves as a service-monitoring platform. This means customers can leave their comments and feedback for others to review.

When Butler At Your Service Inc. was founded, there were only five shareholders. After careful consideration, they decided to increase the number of shareholders through Chinese-style crowdfunding. The most important concept in Chinese-style crowdfunding is raising human and intellectual capital, followed by investment capital. The ultimate goal is to organically integrate investors, producers and consumers. With this in mind, they recruited 22 tradespeople as shareholders to Butler At Your Service Inc. These people participated in the entire mobile app development process. They offered valuable suggestions and made great contributions since they are familiar with consumer demand. In fact, their expert advice is key to the success of the company. The owner of the company believes that this type of equity participation boosts morale and creates a sense of ownership, making the company more competitive in an ever-changing market.

According to the owner of Butler At Your Service Inc., the company has a sound legal framework, which enumerates the shareholders' responsibilities, rights and obligations. Although the tradespeople have equity in the company, they do not have voting rights. The five principals of the company are the sole decision-makers. Furthermore, the company's operation is open and transparent, which effectively reduces potential conflicts of interests between shareholders.

## **Company Profile**

### **a. Brief History**

Butler At Your Service Inc. was founded in October 2015. It is an O2O (online to offline) home service provider. The company's objective for 2016 is to provide an online service to sell convenient home services and household supplies. The sale of household supplies, such as kitchen supplies, construction materials, and home decoration, will be mainly conducted through an online discount marketplace. Currently, the clientele comprises of the Chinese population in Vancouver. The company plans to tap into the local non-Chinese market, as well as markets elsewhere in the future.

### **b. Company Scale**

The company began to set up its team and develop the app in October 2015. There are currently five people at the management level. The iButler app was released on May 7<sup>th</sup> 2016. By August 19<sup>th</sup>, iButler had 2,006 registered users, 626 registered tradespeople, 1,991 transactions, and 674 feedbacks from customers and tradespeople. On average, the app gains around 20 new users every day.

### c. Competitive Advantages

Butler At Your Service Inc. currently has no competitors found within Canada. Its closest two rivals are found in the United States, Sumtech and Pool.com. However, iButler provides better built-in features than its competitors. The app features video and voice messaging system, which allows customers to convey their needs directly.

### **Interviewee Profile**

Mr. Gu Jungang is the founder and CEO of Butler At Your Service Inc. He immigrated to Canada in April 2009. He previously worked in garment manufacturing and international commerce in Mainland China. In December 2011, he had begun to venture into construction projects in Vancouver. Currently, Mr. Gu is the vice president of the Chinese Construction & Renovation Association of Canada and has garnered a good reputation within the industry.

### **Q&A**

#### **1. What's your understanding of the Chinese-style crowdfunding model?**

The business concept/model of Chinese-style crowdfunding cannot be equated with the Western-style crowdfunding. Western-style crowdfunding is a form of financing, but Chinese-style crowdfunding requires participants to share common interests and goals. It prioritizes raising human and intellectual capital, and it employs specific legal regulations to normalize individual conducts and cultivate a sense of ownership with participants.

#### **2. How did you come up with the Butler At Your Service project?**

Home renovation, repair and construction are services that require lots of workers, especially skilled ones. Lot of families, including my own, have problems looking for workers. It is difficult to find tradespeople and even more so to find those who go above and beyond. We often look in the classified section of newspapers, but it is not a reliable source. With that, we only select workers based on their advertisements, not fully knowing if they have the skills or experiences as they had promised. In addition, it is a very time-consuming process. You have to call workers individually, and some might not even pick up your calls. Even when they do pick up your call, they might live far away, and then timeliness becomes an added problem. As a result, something as simple as home repair becomes a hassle. You don't know what kind of people you might get and that's the problem! You can't find workers right away—that's another problem! Once you find a worker, they might not be able to provide timely services due to logistics: even more

problems for you! This got me thinking: there is Uber in Western countries, and there is Didi (a ride-sharing service) in China. If customers can find the nearest tradespeople as soon as they have a service request, then it would be convenient for the tradespeople to provide the service, such as home repair.

I thought of the idea when I joined the Chinese Construction & Renovation Association of Canada in 2014. I had the opportunity to get to know lots of tradespeople, including Tony, who is currently in charge of the tradespeople at Butler At Your Service Inc. When I brought up the idea with Tony, he approved and thought it was an excellent idea. Tony is a tradesperson specializing in plumbing, electricity and heating. He was often vexed by these problems as I previously mentioned. For example, due to customer requests, he may have to go to West Vancouver in the morning and Richmond by 6 pm in the evening. He was often wasting time commuting from one place to another within the Metro Vancouver area. If he could have access to all the service requests from one area, then he could provide services to customers who are close to him. This would reduce his commuting time and increase efficiency. In other words, if there is just a place where all jobs can be posted, then tradespeople would be able to pick and choose which jobs they want to respond to. For example, if a tradesperson is going to West Vancouver today, he could respond to more job requests in West Vancouver and save time on the road. I brought up my idea with the tradespeople, and they all liked it. I began to put the idea into practice and that is how it started. Butler At Your Service Inc. was officially established in September 2015.

### **3. Can you talk about the products and services that Butler at Your Service offers?**

Butler At Your Service is the Uber of home services. Uber is a platform for people to arrange transportation, and Butler At Your Service is an O2O platform for home services. Butler At Your Service features online order bidding with customer communication and rating systems. You can go to our website for more information. The promotional video on our website demonstrates how our service works. Our newest business development plan has two parts. The first part is home services; and the second part is home supplies which include building materials, household items, beddings, home decoration and kitchen supplies. We are going to create a Groupon-like e-commerce marketplace for home supplies, which sell building materials and household items. We are going to collaborate with merchants and sell their high-quality products on our online discount marketplace through competitive pricing. This would be highly attractive to merchants due to the high level of iButler users. Vancouver has a Groupon-like service for food and recreation, and we are going to build one for home services.

**Eric, CFO of Butler At Your Service Inc.:** iButler differs from other products and services e-commerce platforms. We specialize in home repair, renovation materials, and other related products and services.

### **4. How did the company utilize the Chinese-style crowdfunding model?**

Butler At Your Service Inc. was founded by us, the five shareholders. During the company's operation, we were coming up with ways to increase customer loyalty, but most of our ideas were too conventional and lacked creativity. Later, we thought of the Chinese-style crowdfunding business model, which had been suggested and promoted by Professor Zhang Jiawei, the chief architect of 1029 Cafe. We asked Professor Zhang for his advice and received his generous support and guidance. We came to understand that the main objective in Chinese-style crowdfunding is to organically integrate investors, producers and consumers.

Following this line of thinking, we decided to first mobilize tradespeople. The service providers, or tradespeople, are on one end; the customers are on the other end. We need to first reinforce the supply end in order to attract customers. Otherwise, if customers are unable to find tradespeople and good ones, through the platform, their experience would be compromised and there would be no repeat business from them. Therefore, we need to reinforce and strengthen our supply end, but how? The key is that the interests of the producers/tradespeople should be tied to company interests. The two parties must be closely aligned. Later, we came up with the idea of recruiting professional tradespeople to become equity holders. After some discussion, we reached consensus, and the plan met with the approval of tradespeople. We selected 22 tradespeople to join our team as equity holders within a month.

The selection process was open to every tradesperson who specialized in home services. We were familiar with them because we were in the same industry. Our team put lots of preparation into developing the iButler platform. We used Wechat – a popular communications app –and created two WeChat groups for tradespeople, totalling nearly 1,000 tradespeople. Afterwards, we created up to eight WeChat groups for our customers, totalling nearly 4,000 customers. These people constitute the resources in both our supply end and customer end. The app was launched on May 7th. How do we monitor the performance of the app? What are the customer feedbacks? How do we improve it? So far, we have been constantly thinking of ways to improve the app. We conducted daily phone surveys and studied customer experience to map out areas for improvements. We plan to make all the adjustments at the end of this month and launch an upgraded version of the app in order to better serve our customers.

Going back to our previous topic on the 22-tradespeople/equity holders. We wanted them to join our team to make our service platform more attractive to customers, and we hope to be able to grow together in the process. The tradespeople actively participated in the entire mobile app development process. They gave us valuable suggestions on what kinds of services tradespeople needed and what kinds of features they expected. The tradespeople were familiar with consumer demands, and they made invaluable contributions with their knowledge and experience. Their contributions significantly boosted our confidence in our mission.

Why do we call our crowdfunding model Chinese-style crowdfunding? It is because we make it our priority to raise human and intellectual capital. Professor Zhang Jiawei said that the Chinese-style crowdfunding focuses on raising human and intellectual capital

first, before raising investment capital, and eventually one will seize the market. In using the Chinese-style crowdfunding model, our main aim is to raise human and intellectual capital.

**5. What were some other business models you could have chosen? Why did you choose this model?**

(1) The conventional crowdfunding model basically allows you to seek investors. Since we do not urgently need investment capital, we did not adopt this model.

(2) Another type of crowdfunding model converts consumers, instead of producers, into equity holders. However, since we have too many users/consumers and there are many uncertainties, we did not adopt this model either.

(3) Butler At Your Service is currently focusing on improving its supply end, which is why we decided to adopt a model that converts the producers/tradespeople into equity holders. In the future, we would consider converting our consumers into equity holders as well.

**6. So far, what are the benefits this model has brought to the company?**

The Chinese-style crowdfunding model allows tradespeople to develop a sense of ownership, which increases their motivation. The tradespeople actively give feedbacks and suggestions on how to improve the app as well as provide customer feedbacks on their services. These suggestions are very helpful to the company's development.

**7. So far, what kinds of problems and challenges has this model brought to the company?**

To be honest, I got to know about crowdfunding and Chinese-style crowdfunding after I joined the 1029 Cafe team in Vancouver and met Professor Zhang Jiawei. We had talked to Professor Zhang and he was very accommodating to help start-up business owners like ourselves. We read many of his works, such as *Niche: Why the Market No Longer Favours the Mainstream* and *Rising Niche*. We had also studied some theories developed by Mr. Yang Yong, the founder of Chinese-style crowdfunding. Their ideas and theories helped us to gain a better understanding of the concepts of entrepreneurship and business models in the Internet age. Eric (CFO of Butler At Your Service Inc.) and I met through 1029 Cafe as well. As we have similar ways of thinking, we came together as a result of our common interpretation/understanding of crowdfunding. We agreed that the concept of Chinese-style crowdfunding contributed substantially to the establishment and success of Butler at Your Service. This concept inspired us to give our producers (tradespeople) equity, which made us a more cohesive and competitive team. There are more incentives for people to work harder for the advancement of the company when everyone's future prospect is tied closely to the company's success.

**8. If you could choose again, would you have chosen the same model?**

Yes, I would. The Chinese-style crowdfunding model is able to mobilize the tradespeople' resourcesfulness, and boost their motivation, which is beneficial to the company.

**9. Are you happy with how the company is doing now?**

Yes, I think it's doing great.

**10. What are the highlights of this company in your opinion?**

I think everything is perfect the way it is, because we had made sure that everything is taken care of from the very beginning, including legal documentation. We have an excellent entry and exit mechanism. The legal regulations we developed strictly outline each person's responsibilities, rights and obligations, as well as how to report issues and problems. These regulations effectively avoid potential for conflicts due to differences in opinion among shareholders. Under the law, tradespeople are limited partners and they do not have voting rights or decision making power. We made that very clear at the beginning of our shareholder recruiting process. In addition, the legal documentation clearly outlines the limited partners' responsibilities, rights and obligations. The key to successful crowdfunding is making everything open and transparent. You need to make sure that everything is clear to participants/equity holders. Legal documentation needs to be precise and meticulous; this would substantially prevent future conflict of interests. These are the most important things that we have learned from this experience.

**11. In the end, based on your experience, can you talk about the main factors that determine the success or failure of the Chinese-style crowdfunding business model?**

The main factors contributing to a successful Chinese-style crowdfunding model are an open and transparent system, enforcement of the system, and having detailed and meticulous legal documentation.