

Business Plan – 21MS2007

20MS2007 – BUSINESS PLAN

Course Code	20MS2007
Course Title	Business Plan
Credit	3:0:0
Semester	4
Year	II Year
Branch	Computer Engineering
Pre-requisite	-NA-

Details	Course Instructor
Name of Faculty Member	Dr. Esther Daniel
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Batch allotted	10
Consultation Timings	4.00 pm - 4.40 pm (Mon and Tue)



Learning Objectives

The objective of the course is to equip the students to

1. Develop a commercial outlook
2. Relate to practical aspects of starting a company

Know the success and failures of different entrepreneurs



**Learnin
g
Objectiv
e**

After finishing the course, the students will be able to:

- 1. Understand the nuts and bolts of preparing a business plan.**
- 2. Remember and implement the business/management skills.**
- 3. Understand evaluate the content of and business plan in detail.**
- 4. Identify the tools and techniques involved in Business plan process.**
- 5. Analyse the competitive structure and strategy development.**
- 6. Launch a new venture company or start one an established organization.**



Course Outcome



Module 1 Introduction (Hours 6)

- Business Plan Definition
- Concept of Business Plan
- Purpose-Executive Summary
- Provide a glance at different profiles-Market
- Technical, Financial and Social Profiles of a Business units to be established-Vision and Mission Statement.

MODUL E I

SYLLABUS

Business Plan



Definition of Business Plan

“The term business plan means the development of a written document that spells out like a **roadmap** and tells you where you are, where you want to be, and how you want to get there.”

Kaplan



Icebreaker



Lesson 1 - 20MS2007 - Business Plan



- Indian billionaire businesswoman
- founder and CEO of the beauty and lifestyle retail company

- Falguni Sanjay Nayar





- E-commerce (E-commerce shopping)
- The Gurgaon-based startup LimeRoad was founded in 2012







- is an Indian multinational restaurant aggregator and food delivery company.

- Deepinder Goyal and Pankaj Chaddah



Concept of Business Plan

- Include **details** such as the **name of your company**, a **brief description of your products or services**, who **your target market** is and what your primary business objectives are,
- An **effective business plan** convinces the readers that the new business is exciting and need support.
- It should **clearly demonstrates** the **cost and benefit** analysis.
- It should answer **3Ws and 1 H** regarding your business in advance.

What type of business you are going to start ?

How you are going to start ?

When you are going to start ?

Where you are going to start ? And so on.

Scope of Business Plan

- The scope of a business plan **refers to the target reader** of the plan.
- The readers may be
 - **employees,**
 - **investors,**
 - **bankers,**
 - **advisors and**
 - **consultants.**
- Each of these group read the plan for different purpose.
- Hence, the entrepreneur should attempt to satisfy all of their concerns.
- The employees are the **internal** parties and the investors and other stakeholders are **external parties.**

Think and Share

- ☐ Would you like to start a business?
- ☐ If yes, what sort of business would you like to start? When? Where? How?
- ☐ What kind of challenges do you foresee in starting a business?
- ☐ If No... Why do you think business is not a good career option?
- ☐ What would be your preferred career option?



Meaning / Definition of Business Plan

- A business plan is a written statement that describes and analyzes your business and gives detailed projections about its future. A business plan also covers the financial aspects of starting or expanding your business—how much money you need and how you'll pay it back
- *A business plan is a written narrative that describes what a new business intends to accomplish and how it intends to accomplish it (Hall et al., 2008).*
- It is like a detailed blueprint of the proposed business unit to be established by an entrepreneur.

IMPORTANCE OF BUSINESS PLAN

1. It helps determine the viability of the venture in a target market.
2. It guides the entrepreneur in starting the enterprise and understanding possible issues that may arise
3. It serves as a guide to investors and thereby helps in obtaining finance.
4. A clear business plan articulates the vision and goals of the founders.
5. A business plan communicates to all stakeholders. They can judge the venture's future on the basis of the business plan.

Purpose of the business plan

- It helps the founding team to look at every key aspect of future business systematically.
- It helps the founding team to compare actual operation of the business to the forecasts contained in the plans. This will help the team to take steps to overcome the problem. (Hall et al., 2008; Barringer & Ireland, 2010)
- A means to communicate objectives and merits of the business organization to stakeholders
- Helps in designing policy documents of business
- It helps in routine management of business organization

Types of Business Plan

- Business plans can be basically of **two types**:
- **Formal Business Plan:** A detailed document mainly prepared for the purpose of ensuring outside finance for the business.
- **Informal Business Plan:** A rough plan which may contain hand-written notes helping the owners in the daily functioning of a business and planning for expansions.

The process to be followed to write a business



A great way to approach the task is to gather all existing information and go through a gap analysis to establish what information is missing.



Gather All of the Information

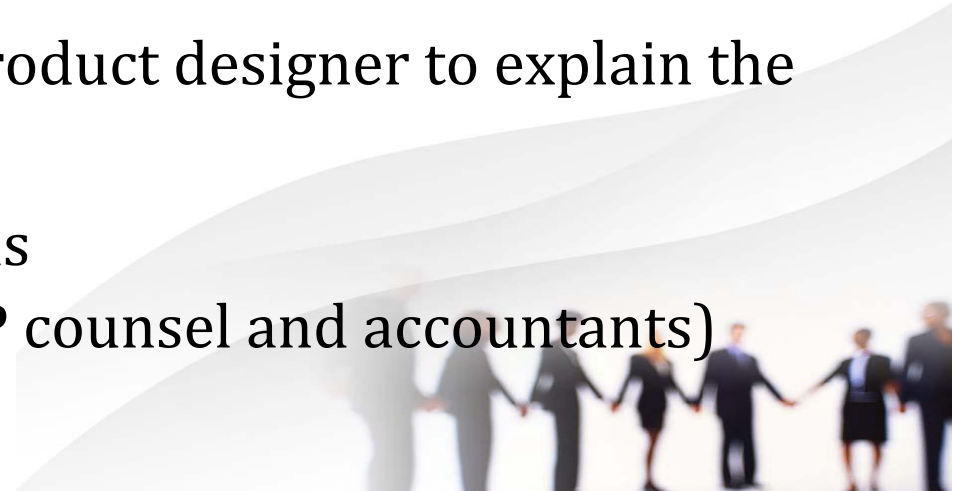
- ❑ The first step is to determine
 - ❑ what information do you have and
 - ❑ what information do you need to pull together.
- ❑ The following list includes most of the information you will need to create a business plan:
 - ❑ Entrepreneur Series workbooks (Market Strategy Development, HR Management, and Business Planning and Financing Management)
 - ❑ Mission statement or positioning statement
 - ❑ Other previously created sections of the business plan
 - ❑ Industry market research reports.
 - ❑ Market size, penetration strategy, and goals (from Marketing workbook).
 - ❑ Price information for products and/or services
 - ❑ Research on competitors (from Market Strategy Development workbooks).



Gather All of the Information

❑ The following list includes most of the information you will need to create a business plan:

- ❑ Copies of patent documents.
- ❑ List of clients including nature of engagement.
- ❑ List of strategic partners.
- ❑ Logo (hard copy and electronic).
- ❑ Capitalization table
- ❑ Financing to date by principals and investors
- ❑ Financial model
- ❑ Technology white papers (a paper written by a lead product designer to explain the philosophy and operation of a product)
- ❑ Names and biographies of key employees and positions
- ❑ Names of service providers (including legal counsel, IP counsel and accountants)
- ❑ Names and biographies of directors and advisors.



Team Business Planning Workshop

- ❑ Although one person should write the document, **the management team should think through and strategize the various components** of the business plan.
- ❑ Hold a **half-day to a one-day workshop to brainstorm** and pull together the various sections of the business plan.
- ❑ **Consider holding the session offsite** so that the group is not distracted by day-to-day work-related issues.



Writing the Business Plan

- ❑ After the group-planning workshop, **the person leading the writing of the plan should have all of the required information** to pull together a compelling document.
- ❑ Ideally, **the CEO of the company should write the business plan.**
- ❑ The business plan **should describe** the specifics of your **company's operations** and sell potential investors on your business.
- ❑ Investors see many plans each week so think about how you can make your **business plan stand out.**



Guidelines to follow when writing your business plan

- ☐ Print the following information at the top or bottom of every page:
 - ☐ Date of current version of business plan.
- ☐ The statement “Draft: For discussion purposes only”.
- ☐ The words “Company confidential”.
- ☐ Write concise and specific sentences and paragraphs.
- ☐ Highlight important points using bold or italic type.
- ☐ Break up the text with bulleted lists, tables, charts and bulleted lists.
- ☐ Add images and color where appropriate.
- ☐ Include sales and marketing literature with the document.
- ☐ Insert customer testimonials.
- ☐ Provide newspaper and trade journal articles or reviews of your technology
- ☐ Products or services.



Major components of Business Plan

- It contains the details about complete profile of the business like vision and mission statement of business enterprise, market profile, technical profile, financial profile, social profile, and feasibility report. It is like detailed project report facilitating independent feasibility test of the proposed business idea
- A business plan should contain the following:
 - ◆ Executive Summary
 - ◆ Vision and Mission Statement
 - ◆ Market Profile
 - ◆ Technical Profile
 - ◆ Financial Profile
 - ◆ Social Profile
 - ◆ Feasibility Report

Why is an Executive Summary important?

- An executive summary is a **short overview** of the entire business plan.
- It provides information about the new venture's distinctive nature.
- Often **investors** ask for a copy of the executive summary and will request for a copy of full business plan only when executive summary is satisfactorily convincing (Barringer & Ireland, 2010).

Executive Summary

- This needs to attract the reader's interest. The executive summary should cover the following items:
 1. Name of the business, Type of business
 2. Products / services – a short description of what you will be dealing in your business
 3. Who will be your customers, which will be your market (area of operation)
 4. How do you plan to enter the market?
 5. What is the initial finance required? How will you get this? What is the profit made in one year?
 6. What factors will make your business to be successful?

Probably the best way to begin defining it is to explain what it isn't.

The executive summary is not an abstract of the business plan.

1. The executive summary is **not an abstract** of the business plan.

2. The executive summary is **not an introduction** to the business plan.

4. The executive summary is **not a random collection of highlights**.

5. Rather, the *executive summary is the business plan in miniature.*



- The executive summary **should stand alone**, almost as a kind of business plan within the business plan.
- It **should be logical, clear, interesting - and exciting**.

The executive summary should:

- Provide a clear, concise and compelling summary of the business .
- Outline unique advantages for achieving success .
- Demonstrate why the business concept will work .
- Simply and clearly demonstrate management's objectives .
- Incorporate powerful key sentences from other parts of the plan .



- Be written in a positive and confident tone .
- Be brief - able to be read in less than 5 minutes .
- Stand alone as a type of "mini" business plan within the business plan.

Executive Summary: Mistakes to Avoid

- Lacking a specific focus .
- Too long and wordy, and failing to get to the point.
- Trying to be all inclusive (it should be a powerful summary).
- Failing to demonstrate a special or unique opportunity .
- Failing to outline the terms of the investment sought.
- Failing to generate enthusiasm in the reader.



Suggestions to combat these problems:

- Limit the executive summary to no more than one page. This is a good exercise for any entrepreneur.
Warren Buffet, one of the most successful investors of our age once said “If you can not convey the business concept to eight-year-old in a few minutes, then it is not a good concept”
- Focus on the opportunity being presented to the investor and explain why it is worthy of his or her attention.
- Make certain that the opinions and claims in the executive summary are fully supported in the other sections of the business plan, but do not repeat the details in the Executive Summary.



- Attempt to use **only concrete facts and figures** that explain the business concept, market niche and financial projections, but omit details.
- Include the specifics of the investment and projected return, but, again, leave the details for later.
- Keep the reader in mind - why are they reading the plan and what response/action does your client hope to generate?
The executive summary should have a purpose.



Title + Executive Summary: *suggested 1 page* •
Team name • Team member names • Your business
name and location+LOGO • Product name • The
products and/or services offered

The executive summary should cover the following items: • *Name of the business, Type of business (sole trader, partnership) • Products/services – a short description of what you will be dealing with in your business • Who will be your customers, where is your area of operation? • How do you plan to enter the market? • What is the initial finance required? How will you get this? • What factors will make your business to be successful?*

Business Concept / Idea & Approach

1. A brief description of the business idea.
2. How did you come up with this idea? Is it because of an existing problem, market gap; unfulfilled customer need or quality issue?
3. Are you building on the already existing businesses or is it new?
 - Describe the approach
 - **Observing Trends**
 - What trends gave you the idea?
 - What existing products do you see as not meeting the customer needs?

Business Concept / Idea

- **Finding gaps in market place**
 - What market gap have you identified as an opportunity for your business?
 - How would your business fill the gap?
- **Problem solving**
 - What is the problem that you have identified?
 - Have you conducted any market research to support your claims?
 - Give the major findings of your research.

Vision & Mission

What is your vision statement?

- (Your Vision statement should describe where you want your company to be in the next few years and how do you see your company in future)
- What is your mission statement?
- (Your mission statement should describe the purpose of your company – why you want to start it and what is the direction you would like to follow to achieve your goals)

(we would be seeing this in detail)



Market Analysis

- ❖ Market Research focusing on demand, why your business to be successful.
- ❖ Opportunity for your business in the specified location
- ❖ How your business will address the recent market trends
- ❖ Growth potential for your business
 - **Analysis of the Market** gives a summary of the existing customers, market size, competitive landscape and probable growth of the market.

Product / Service description

- This contains a detailed description of the range of products and / or services offered.
- What is unique about your product/service in comparison with other similar products?
- If you are offering a similar product and / or service available in the market, indicate what improvements and enhancements you have made / What is the USP?
- How will your product / service benefit the customers?
- How will your customers view your products/services? Do they see it as a necessity or a luxury?

Customers & Competitors

- Describe your customers in terms of their age, gender, lifestyle, interests, and geographic location.
- Indicate how you see your customer spending pattern influencing your products and / or services
- **Identify the potential competitors.** How would you plan dealing with competition? Analyse their
 - Market share,
 - Relationship with customers,
 - Advertising plan,
 - Price,
 - Distribution,
 - Product/service features,
 - Financial strength/cost position, and
 - Length of time in business.

Marketing Strategy

- This section explains the marketing strategy of the products and/ services and its implementation
- Marketing plans usually address four areas: product offered, price charged, distribution system, and promotional efforts. How are you going to market your product and/or service?
- Describe your strategy in terms a) Price and b) Advertising (TV, newspaper, radio, hoardings) & Promotion (offers, discounts, promotion literature, road shows)
- What is the price technique that you will use? Explain why you are using it. (cost, competitor, customer)

Operating Plan & Legal Issues

- The operating portion of the plan deals specifically with the internal organizational structure, operations, and equipment you will need to operate your venture. Think in terms of ownership and management, resources, staffing etc

Legal issues –

- What would be the nature of your business? (Is it sole trader, partnership, franchise etc.)?
- What would be your (self) position in the business?
- What would be the contribution from other partners (if applicable)?
- What sort of approvals do you need for your business?

Financial Plan

- **Financial Projections:** This section consists of financial statements such as balance sheets, income statements, cash-flow statements and funding request
- Describe the current financial status and present forecasts of future financial statements. If you are using the business plan to seek financing, cover the type and amount of financing planned (and its repayment terms) as well as the potential return on investment.

Mission Statement

- A mission statement defines why a company exists and what it aspires to become.
- A mission statement focuses more on the business objectives and how to reach them.
- A mission statement should also define the company's corporate strategy and is generally a couple of sentences in length.

Importance of Mission Statement

- It helps in motivating employees
- It inspires the customers to purchase the product or use the service
- It helps the company in strategic planning
- It helps the organization in setting and practicing its values
- It helps the company to understand *why* the business exists

Key Elements / Components of Mission Statement

1. **Customers** - Who are your customers? How do you benefit them?
2. **Products or services**. What are the main products or services that you offer? Their uniqueness?
3. **Strategy or Function**: What is the *strategy or function*?
4. **Market** : In which geographical markets do you operate?

Few other components-

- **Technology**. What is the firm's basic technology?
- **Philosophy**. What are the basic beliefs, values and philosophies that guide an organization?
- **Self-concept**. What are the firm's strengths, competencies or competitive advantages?

Apple Inc.'s Mission Statement

- Apple's corporate mission is *“to bring the best personal computing products and support to students, educators, designers, scientists, engineers, businesspersons and consumers in over 140 countries around the world.”*
- TASK –
- Find examples of Mission statement of different companies and identify the elements

Vision Statement

- The vision is about how that same company sees itself in the long-term.

What is a Vision?

A VISION is

“where the stakeholders would like to see the company in the future”.

It needs to be -

- ☐ Futuristic
- ☐ Show organization's commitment



The key elements of a Vision statement

- Does the VISION state what the company **aims** at ? (What does it want **to be**? / **Where** does it want to see it in **future**?)
- By what **means** does it want to achieve its aims?
- What unmet **need** does the company wish to **satisfy**?
- **Example - Apple Inc.'s Vision Statement**
- Apple Inc.'s corporate vision is *“to make the best products on earth, and to leave the world better than we found it.”*

Difference between a Vision statement and a Mission statement

- **A mission statement** describes your goals and values. It needs to state what you do, who you serve, and what makes your brand unique.
- **A vision statement** explains your company's objectives for the future. It should state where you are today, what goals or vision you have for the business, and how you plan to reach those milestones.

Mission and Vision statement should be

1. Inspiring and Challenging
It needs to be vivid and an energizing image of what you want to create for people. What is your dream?
2. Motivating and Memorable
What notable and emotionally connecting future direction do you want to keep reaching and pushing toward?
3. Purpose-driven
What is the larger sense of purpose you are striving to obtain? Are you building a cathedral or are you laying stones?
4. Unique
Can you substitute your strategic vision statement for others inside or outside your industry? If you can, your unique value proposition needs some more work.

Task

- **Imagine that you are starting a business.**
- **Frame the Mission and Vision statement for the same.**