Reference Sheet – IT22546166 / IT4050

INNOVATION MANAGEMENT

When applying for a patent, two aspects must be shown:

1. **Novelty** – the invention must be original and not previously disclosed.
2. **Usefulness / applicability** – it must solve a real problem or offer practical value.

***Architectural innovation** rearranges how components of an existing product or system work together without changing core design principles. It creates new value by modifying the structure.

*Innovation Management Techniques (IMT)

Tool	Definition	Example
Knowledge Management (KM)	Systematic process of creating, sharing, using, and managing organizational knowledge.	**Technologies**: Groupware, Content Mgt/Document Mgt systems, eLearning systems
Intellectual Property Rights (IPR)	Legal rights protecting inventions, designs, or creative works.	**Strategic use of IPR:** Sell, License, Collaborate, Donate
Customer Relationship Management (CRM)	System for managing interactions with customers using data and analytics.	Coca-Cola uses CRM data to create new product.
Business Intelligence (BI)	Analytical tools for interpreting business data to support strategic decisions.	**Technologies:** Reporting, data mining, process mining, benchmarking, text mining
Brainstorming	Group creativity technique for generating many ideas quickly.	**Rules**:Go for quantity,withhold criticism,welcome wild ideas, combine & improve ideas
Mind Mapping	Visual diagram connecting ideas around a central concept.	Startups use mind maps to connect customer pains, gains, and product ideas.
Prototyping	Building early models or mock-ups of a product to test functionality.	Developers create clickable app prototypes before full coding.
Quality Function Deployment (QFD)	Converts customer requirements into design specifications using a structured matrix.	Automakers use QFD to translate safety requirements into engineering specs.
Business Simulation	Use of interactive models or games to mimic real business environments.	Managers use *SimVenture* to practice startup decision-making.

DESIGN THINKING PROCESS

Purpose: Human-centered, iterative, problem-solving approach.

1. **Empathize** – understand the user
2. **Define** – identify the core problem
3. **Ideate** – generate solutions
4. **Prototype** – build a model
5. **Test** – evaluate with users

***Innovation Sweet Spot** is the point where **Desirability, Feasibility,** and **Viability** overlap.

- **Desirability** – *Human Value*
    - Focuses on customer needs and expectations.
    - Key question: "Do people want this?"
    - Tools: Empathy maps, interviews, user journey mapping.
- **Feasibility** – *Technical Capability*
- Determines whether the solution can be built with available technology, skills, resources.
- Key question: "Can we make this work?"
- **Viability** – *Business Sustainability*
    - Ensures the solution is financially and operationally sustainable.
    - Key question: "Can we make money or value from this?"
    - Tools: Business Model Canvas, cost–benefit analysis.

The new product development process

1. Idea generation
2. Idea screening
3. Concept development and testing
4. Marketing strategy and business analysis
5. Product development
6. Test marketing
7. Product launch

DYNAMICS OF IDEATION & CREATIVITY

***Ideation** is the process of generating, developing, and communicating new ideas
- Expressed verbally, graphically, or written

***Creativity** is a phenomenon whereby something new and somehow valuable is formed.

5 stage of creativity process – Preparation, Incubation, illumination, Evaluation, implementation

Creative Idea Generation Techniques

(1) Role Playing - Acting out scenarios to understand user experiences.
(2) Active Search - Actively hunting for a specific solution.
(3) Attribute Listing - Break product into parts → recombine for new ideas.
(4) Brainstorming - Generate many ideas quickly; focus on quantity.
(5) Critique - Receive feedback to refine ideas.
(6) Collaboration - Work together to improve and generate ideas.
(7) Documenting - Write ideas down (physical/electronic).
(8) Expert Opinion - Consult domain experts for insights.
(9) Empathy / User Research - Observe real users to understand pains, needs.
(10) Storyboarding -Visual stories to represent research insights.

How to Enhance Creativity

- Provide creativity training
- Provide support/resources
- Reward creativity
- Model creative behavior
- Expect creativity
- Tolerate failure
- Encourage curiosity
- View problems as opportunities

Barriers to Creativity

Cognitive Barriers

- Searching for **one right answer**
- Focusing too much on **logic**
- Blindly **following rules**
- Being **overly practical**

Personal Barriers

- Becoming **over-specialized**
- Avoiding ambiguity
- Fear of **looking foolish**
- Fear of **mistakes/failure**
- Believing "**I'm not creative**"

The Process: Turning an idea into an opportunity

1.Strategic Fit - To have an opportunity, you need to have something that the market wants. Or the market needs to want what you have.
2. Business Plan - You need to have a business plan to convert an idea into an opportunity.
3. Team - To deliver on an opportunity a team is needed.
4. Leadership - Guide your team effectively.
5. Resources - Resources are needed to turn your idea into an opportunity.

NEW PRODUCT DEVELOPMENT PROCESS

*Product can be **tangible** or **intangible** *Key drivers of customer needs: **Cost, Time, Quality**
*NPD Requires understanding of:

- Customer needs & wants
- Competitor environment
- Market behavior

*Key drivers of customer needs: **Cost, Time, Quality**

House of Quality (HoQ) – Quality Function Deployment (QFD)

- A **conceptual map** connecting customer needs → engineering solutions.
- Originated in **1972, Mitsubishi Kobe shipyard**.
- Used for products & services in Japanese manufacturing (electronics, clothing, machinery,).

Used Main Purpose -

- Brings the **voice of the customer** into design decisions.
- Improves **cross-functional communication** (marketing, engineering, manufacturing).

Engineering Characteristics (EC)

- Measurable product features that influence customer attributes.
- Should be **objective and quantifiable**.

Stage-Gate Product Development Process

A structured process where development proceeds through **stages**, separated by **gates**.
Improves project discipline, efficiency, and success rate.
Stages - Each stage:

- Collects specific information.
- Reduces **technical uncertainty** and **economic risk**.
- Helps decide whether the project should move forward.

Gates = review / decision (Go / Kill / Hold / Recycle).

ENTREPRENEUR AND ENTREPRENEURSHIP

(Howard Stevenson):
Entrepreneurship is the pursuit of opportunity beyond resources controlled.

*Opportunity: can be novel in 4 ways:

1. innovative product
2. new business model
3. better/cheaper version of existing product
4. existing product for new customers

Risks faced by Entrepreneurs

1. **Demand Risk** – customers may not adopt the solution.
2. **Technology Risk** – technical breakthroughs needed may fail.
3. **Execution Risk** – difficulty building the team & operations.
4. **Financing Risk** – inability to secure external capital.

Characteristics of an Entrepreneur

1. **Action-oriented & motivated**, willing to take risks.
2. **Determined & committed**, creative, results-focused.
3. Takes responsibility enthusiastically.
4. **Self-confident**, sets self-goals, responds to market needs.
5. **Thinkers + doers**, **planners + workers**.
6. Can **foresee the future**, persuasive, financially aware, precise.
7. Depends on **imagination, intelligence, and strong purpose**.

Skills Needed to Be an Innovative Entrepreneur

1. Basic Financial Skills
2. Networking
3. Accepting & Acting on Feedback
4. Pattern Recognition - Identify trends in: market data, user behavior, cash flow patterns, seasonal sales trends
5. Strategic Thinking - Analytical skill, Problem solving, Communication, Planning & management
6. Negotiation
7. Growth Mindset

BUSINESS MODEL - describes the rational of how an organization creates, delivers, and captures value.

8.Key Partners	**7.Key Activities**	**2.Value Proposition**	**4.Customer Relationships**	**1.Customer Segments**
Suppliers, alliances, experts, logistics, government, Hosts	*Main operations:* ***sourcing, production, marketing, platform management***	** main value offered to customers,*	***(personal support, automated service, self-service, online customer support, community engagement)***	*Target customer, groups, personas*
	6.Key Resources *business needs* ***(staff, machines, money, buildings, brand, community)***	** what problem you solve,* ** what benefit you give*	**3.Channels** ***(online, offline, shops, websites, apps, community events)***	
9.Cost Structure ***operations, salaries, marketing, transport, rent, legal & regulatory cost, IT system maintenance***		**5.Revenue Streams** *How money is earned* ***(sales, fees, subscription)***		

VALUE PROPOSITION CANVAS - This tool helps you understand your customer and make sure your product fits their needs.

Value Map

Product & Services = *Two-way review system*

Gain Creators - *fast rides, cheap price, personalized recommendation, extra income for hosts, flexible options*

Pain Relievers -*Verified profiles, increase safety, Saves customer time, transparent pricing, hosts earn money easily*

Customer Profile

Gains *expected benefits* **(Affordable pricing, Fast service, variety options, cost savings)**

Pains - ***Long waiting times, safety & trust concern, Hidden fee, Fear of scams [online platforms]***

Customer jobs - **Pay bills, Use modern apps**

it focuses on: Understanding the customer, creating a product based on customer needs, comparing your product with customer needs, finding product-market fit, avoiding products nobody wants.
Designing products based on deep understanding of customer behaviours, pains, and needs, ensuring the customer remains at the centre of decisions. (Customer-centric Design)

LEAN CANVAS is a one-page business plan created to help startups quickly understand, test their business idea.

2.Problem	**4.Solution**	**3.Unique Value Proposition**	**5.Unfair Advantages**	**1.Customer Segments**
top three problems your customers face, *This helps you focus on real needs.*	*explain how your product solves each problem you listed.*	*why your product is special and why customers should choose it.* ***"Fresh organic produce delivered directly from farmers at fair prices."***	*What do you have that others cannot copy easily?* ***Strong community trust, Exclusive partnership, a patent***	*Target customer, groups, personas*
	8.Key Metrics *important numbers you track to understand your business performance.* ***(no of users, retention rate, monthly revenue.)***		**9.Channels** *How product reaches customers* ***(online, offline, shops, websites, apps)***	
7.Cost Structure *Major costs:* ***operations, salaries, marketing, transport, rent***		**6.Revenue Streams** *How money is earned* ***(sales, fees, subscription)***		

Why Lean Canvas?

Because startups:

- don't have time for long plans
- need to test quickly
- work in uncertainty
- must adjust fast

Lean Canvas helps you:

✓ Identify your idea's weaknesses early
✓ Validate (or change) your assumptions
✓ Avoid wasting money
✓ Build something customers actually want

CUSTOMER FACTORY MODEL

The main goal of every business is to make "Happy Customers."
It sees the business like a factory; Customers go through 5 steps:

1. **Acquisition** → They discover your product
2. **Activation** → They try it and get first value
3. **Retention** → They stay and use it again
4. **Revenue** → They pay
5. **Referral** → They tell others

TRACTION MODELING evidence that your business is growing.

Traction model helps you:
Identify which channels bring customers, Set growth targets, Track early signals of success, Avoid guessing
Examples of traction channels: Ads, Social media, Email marketing,Partnerships
Purpose:

✓ Show investors that your idea is working
✓ Choose the best channel for growth
✓ Avoid wasting time on unproductive marketing

FINANCIAL PLANNING AND CASH MANAGEMENT

Financial planning is the task of determining how a business will afford to achieve its strategic goals and objectives. Financial planning is essential for business success. Helps set financial targets - The business can decide financial goals and reward staff when goals are met.

It helps the entrepreneur understand:

- The amount of funds and when they are coming into the organization.
- Where funds are going and how much cash is available.
- The future financial position - Will the business earn profit? Will it grow? Will it survive?
- How financial obligations will be met - Paying suppliers, paying rent, paying loans on time.
- Ensures consistency in the business plan - It checks whether the business goals are actually financially possible.

Common mistake among business owners:

Many business owners fail due to no proper financial planning

- They don't collect or analyze financial data
- They run the business blindly without a plan

What is Accounting?

Accounting is known as the language of business because it tells us the financial story of a business.
It involves **recording, classifying, summarizing,** and **interpreting** financial information from business activities.

Entity Concept -A business is treated as a **separate person** from the owner. This means business money ≠ owner's personal money. Its financial affairs are recorded separately.
This concept applies to all organizations:

- Profit-making businesses (shops, companies, factories)
- Non-profit organizations (charities, clubs, NGOs)

Final Accounts of a Company - business prepares three major final reports:

1. **Profit & Loss Account (P&L)**
2. **Balance Sheet**
3. **Cash Flow Statement**

These help owners and investors make decisions.

The P&L Account shows **Income & Expenses** over a given period of time. The final figure will show if the business has made a profit or loss.
Prepared on Accrual Basis
This means: Income is recorded when earned (not when cash received)
Expenses are recorded when incurred (not when cash paid)

***Important Parts of the Profit & Loss Account**

1. **Income (Turnover)** = Total sales made by the business.
2. **Cost of Sales** = The direct cost of making or buying the product. Example: Raw materials, direct labor.
3. **Gross Profit** = Income – Cost of Sales
4. **Operating Expenses** = Costs needed to run the business daily, like: Salaries, Rent, Marketing
5. **Net Profit** =Once all the expenses are taken off the gross profit, you are left with the Net Profit.
It is the actual profit of a business. Gross Profit – Operating Expenses

Balance Sheet

A Balance Sheet shows the financial position of a business at one moment in time. It shows what a company owns & owes and how much shareholders have invested.

It helps executives, investors, analysts, and regulators to understand the **financial** health of a company.

It shows whether the business is:

- Strong or weak
- Able to pay its debts
- Growing or shrinking
- Overloaded with loans

It tells you three things:

1. **Assets**(What the business owns) – cash, bank balances, Machines
2. **Liabilities**(What the business owes) – Vendor payments, bank loans
3. **Equity**(Owner's value in the business) - Owner's investment

Types of Items on a Balance Sheet

✓ Short-term (current) assets – cash, inventory
✓ Long-term (fixed) assets – property, machinery
✓ Short-term liabilities – Accounts payable, Wages payable
✓ Long-term liabilities - Bank loans

Cash Flow Statement

is a financial statement that summarizes the amount of cash and cash equivalents entering and leaving a company.

The cash flow statement complements the balance sheet and income statement and is a mandatory part of a company's financial reports.
*The **two methods of calculating cash flow** are the **direct method** and the **indirect method.**
*The main components of the cash flow statement are **cash from operating activities**, **cash from investing activities**, and **cash from financing activities.**

A cash flow statement is a valuable measure of strength, profitability, and the long-term future outlook for a company.
By studying the cash flow statement, an investor can get a clear picture of how much cash a company generates and gain a solid understanding of the financial well-being of a company.
*A cash flow statement shows:

- How much cash comes into the business – from sales, loans, investments
- How much cash goes out of the business – for salaries, bills, loans

Why Cash Flow Statement is Important

- Shows if a company has enough cash to survive
- Helps understand the strength and profitability
- Helps investors see the true financial health
- Helps predict future cash flow & budgeting

What is Budgeting?

A budget is a **future financial plan**. It shows how much **money you expect to earn (revenue)**
and how much **money you expect to spend (expenses)** over a certain period (usually 1 year).
The budget depicts the future financial standing of the organization since it gives a picture of sales, production, expenses, machineries & cash flows that are probable in the future.
This early intimation helps organizations understand & mitigate the probable losses or risks to arise in future.

Why do businesses create budgets?

1. To estimate future income and expenses :A budget helps predict sales, costs, profit
2. To avoid future risks or losses - Since the budget shows what may happen in the future,
businesses can prepare early and prevent problems.
3. To create discipline in the organization - A budget helps everyone stick to: A spending limit, Performance targets, Efficiency standards

What a Budget Shows

Expected sales, Expected production, Expected expenses, Future cash flows

Proforma Financial Plan

A Proforma Financial Plan is a set of future financial statements made using assumptions or predictions.
It shows what a company's financial results might look like in the future.
It is used for:

- **Business planning**
- **Investment proposals**
- **Loan applications**
- Budget creation

Why do businesses use Proforma Financial Plans?

To show expected future results - Companies create "what-if" financial statements based on:

Estimated sales
Expected costs
Future market conditions

To help investors or lenders see future performance
Problem - Proforma statements rely on **assumptions**, which might be wrong later.

Types of Proforma Financial Statements

1. **Proforma Income Statement** – (Shows the **future profit or loss** of the business.)

indicate the profitability of a business. This is done by taking the difference between revenue, or sales and expenses, or the costs involved in doing business.
Revenue is calculated based on events that could increase or decrease sales.
When creating your pro forma income statement, it's important to use realistic assumptions to estimate your revenue projections.
*It includes: Estimated revenue, Estimated expenses

2. **Proforma Balance Sheet** – (Shows the **future financial position** of the business.)

shows a company's financial position and it's made up of assets, liabilities and equity.
When creating a pro forma balance sheet, you might consider if any assets will be purchased, any investments will be sold, or any debt will be paid.
In the business lending world, lenders will look at a company's pro forma balance sheet to determine the debt-to-equity ratio for additional lending. If it's too high, borrowing may not be available.

3. **Proforma Cash Flow Statement – (Forecasts future cash inflows and outflows.)**

determines when there might be a shortage of cash, help to determine whether cutting expenditures or taking on a loan could help. It could also help determine if a surplus of cash is projected.
Proforma CFSs cover short-, medium- and long-term time periods.
*The short-term method projects cash flow over several future weeks and is considered highly accurate. It takes into account cash payments for existing accounts payable and cash receipts from invoices that are outstanding.
*Pro forma cash flow for the medium-term refers to estimating revenues for items that haven't been billed as well as expenses needed to support the revenue.
*Though not considered very accurate, the long-term method takes into account budgeted revenues, which are translated into cash receipts. It also considers expenses, which equate to payments
*It helps identify: If the business will run short of cash, If a loan is needed

Managing Cash

◦ Profit is the difference between a company's total revenue and total expenses
◦ Cash is the money that is free and readily available to use
◦ Cash flow measure a company's liquidity and its ability to pay its bills

Why Cash Management Is Important - Cash management tells How much cash a company has, How well it can pay bills, Whether it can survive daily operations. This is called liquidity.
A **"cash map"** that shows the amount of cash required and the timing of a firm's cash receipts and cash disbursements over time

Steps in Managing Cash

1. Determine a minimum cash balance - The least amount of cash the business must always keep.
2. Forecast sales - Predict future sales revenue.
3. Forecast cash receipts - Estimate how much cash will come in from customers.
4. Forecast cash disbursements - Estimate how much cash will go out (salaries, bills, rent, materials).
5. Estimate end-of-month cash balance

Benefits of Managing Cash

- ✓ Always have enough money to run the business.
- ✓ Reduce unnecessary cash outflows.
- ✓ Use available cash efficiently.
- ✓ Get benefits like cash discounts.
- ✓ Manage seasonal business needs.

BUSINESS PLAN

A Business Plan is a written document that defines the goals of your business and describes how you will attain those goals.
A Business Plan is worth your considerable investment of time, effort, and energy.
A Business Plan sets objectives, defines budgets, engages partners, and anticipates problems before they occur.
Business Plans are critical for the success of a company.
It explains what the business will do, how, and why it will succeed.
It communicates the venture to stakeholders, especially investors.

Who writes the business plan?

"Entrepreneurs develop business plans because they understand the vision, model, and strategy best."

- Researchers with unique ideas
- new startups with limited money
- Small industries wanting to grow

The Business Plan: Two Essential Functions "A business plan acts as both a management tool for the entrepreneur and a communication tool for investors."

1. Internal (Entrepreneurial) Function

- Helps the entrepreneur refine the opportunity
- Tests assumptions
- Identifies risks
- Guides operations and resource allocation

2. External (Marketing) Function

- Communicates the venture to outsiders
- Used to attract investors, bankers, lenders
- Builds credibility and trust

three areas an investor will investigate before investing money in a start-up.

1. Market and Customer Demand -Investors analyze whether there is a real market need and sufficient customer demand. This is important because strong demand reduces the risk of failure and increases the likelihood of business growth.
2. Competitive Advantage -They examine how the startup differentiates itself from competitors. A strong competitive advantage means the business can survive in the market and attract customers even when competition increases.
3. Financial Viability -Investors study financial projections such as revenue, profitability, and cash flow. They want to confirm the business can generate returns and sustain itself. Good financial potential indicates that the investor can recover their investment and earn profit.

A Plan Must Pass Three Tests

"My plan passed the reality test by providing evidence of customer need, the competitive test by showing a sustainable advantage, and the value test through realistic financial projections demonstrating investor returns."

1. Reality Test

This test checks whether the business idea is practical and workable in the real world.
It examines:

- **Customer Need:** Is there proven demand for the product or service?
- **Feasibility:** Can the product/service actually be produced and delivered?
- **Market Evidence:** Data, customer feedback, pilot results, or surveys proving people will buy.

Why it matters:
Investors want to know the idea is not just theoretical. it must solve a real problem and customers must be willing to pay.

2. Competitive Test

This test evaluates whether the business can survive and win in the competitive environment.
It examines:

- **Competition:** Who are the competitors and how strong are they?
- **Differentiation:** What makes your solution better or unique?
- **Competitive Advantage:** Cost advantage, innovation, quality, brand, intellectual property, etc.
- **Market Entry Strategy:** How you will position yourself and capture market share.

Why it matters:
A strong market with many competitors requires a clear reason why customers will choose your product.

3. Value Test

This test examines whether the business will generate sufficient financial return for investors.
It evaluates:

- **Profitability:** Will the business make money?
- **Cash Flow:** Ability to maintain positive cash cycles.
- **Return on Investment (ROI):** How much investors can earn from funding the venture.
- **Scalability:** Potential for growth and expansion.

Why it matters:
Investors want ventures that can grow and produce strong financial returns

How you justified that your business plan will pass those three tests?

To justify that my business plan passes the three tests, I first addressed the reality test by presenting market research, customer analysis, and clear evidence of demand in the Marketing Plan and Industry Profile, proving that the idea is practical. The competitive test was met by including a detailed competitor analysis and highlighting our unique selling proposition within the Marketing Strategy and Business Strategy sections, showing how we can compete effectively. Finally, the value test was satisfied through financial projections such as the income statement, cash flow forecast, and break-even analysis in the Financial Plan, demonstrating the business's profitability and its ability to provide investor returns.

Reasons to Build a Business Plan

1. **Clarifies Vision and Strategy -** Helps the entrepreneur clearly define the business idea, long-term goals, and how they will be achieved.
2. **Reduces Risk and Uncertainty -** Through planning, assumptions become clearer and potential problems can be addressed early.
3. **Helps Secure Funding -** Investors and lenders require a business plan to evaluate the opportunity, financial feasibility, and growth potential.
4. **Guides Operations and Decision Making -** Acts as a roadmap for managing day-to-day activities, allocating resources, and aligning the team.
5. **Helps Track Progress and Performance -** Provides measurable targets and milestones for evaluating growth and outcomes.

Key Elements of a Business Plan

1. **Packaging** - How your plan looks
2. **Executive Summary** - A short overview of the entire business plan.
3. **Vision / Mission Statements** - Vision**:** What you want the business to become in the future**.** Mission: What the business does and why it exists.
4. **Company History** - Background information about the company
5. **Business and Industry Profile** - What industry you are in
6. **Business Model** - Explains how the company creates, delivers, and captures value.
7. **Business Strategy** - Your plan for growing and competing in the market.
8. **Description of Products/Services** - What you are selling and why people will want it.
9. **Marketing Strategy** - How you will promote and sell your product.
10. **Competitor Analysis** - Identify your competitors and explain how you are better.
11. **Description of Management Team**
12. **Plan of Operation-** Explains how the business will run day-to-day, including production, processes, logistics, and delivery methods.
13. **Projected Financial Statements-** Provides future financial forecasts such as income statements, cash flows, and balance sheets to show expected profitability.
14. **Loan/Investment Proposal-** Specifies the funding required, how it will be used, and the expected return or benefits for investors or lenders.

Guidelines for a Business Plan

- You must create your own plan
- Lenders want more than numbers - Investors want to see your financial projections, but they care even more about how you will achieve those numbers (your strategy).
- Show how you are different from competitors - Explain what makes your business special. Avoid doing the same thing as everyone else ("me too" trap).
- Identify your target market - Clearly state who your customers are and give proof that they really need or want your product/service.
- Your plan must show that the business will make money - Maybe not immediately, but eventually your idea should be profitable.
- Use spreadsheets for financial forecasts - Use tools like Excel to create clean, clear financial tables and predictions.
- Always include cash flow projections - Cash flow = money coming in and going out. This is very important for investors.
- Keep your plan short and clear
- Always be honest - Never fake numbers or hide information.

MARKETING PLAN AND OPERATIONAL PLAN

FOUR Ps and FOUR Cs (Core Marketing Concepts)

Four Ps (Marketing Mix – Company View):

1. **Product** – What you sell (features, quality, branding).
2. **Price** – How much you charge, pricing strategy.
3. **Place** – Where/how the product reaches customers (distribution).
4. **Promotion** – How you communicate with customers (advertising, social media,).

Four Cs (Customer View):

1. **Customer Solution** – How the product solves the customer's problem.
2. **Customer Cost** – Total cost to the customer (not just price).
3. **Convenience** – How easily customers can buy/use the product.
4. **Communication** – Two-way interaction with customers (not one-way promotion).

"4 Ps + 4 Cs help promote an essential product by ensuring the product solves a real need (Solution), is affordable (Cost), is easy to access (Convenience), and is clearly explained to customers (Communication)."

Fundamental Concepts of Marketing

1. Value Creation - Creating something useful, desirable, or unique for customers.
2. Communicate the Value - Using promotion, branding, & messaging to show why the product matters.
3. Deliver the Value - Ensuring customers actually receive the promised benefits through operations, distribution, and service.

MARKETING PLAN

A **marketing plan** describes how the company will attract, reach, & keep customers. It includes market analysis, customer understanding, competitive analysis, positioning, pricing, and promotional strategy.

1. Market and Industry Analysis (Economics)
This part describes the business environment in which your company will operate. It includes the size of the market, the demand for your product, and trends such as changing customer preferences or technology shifts. It also identifies the **barriers to entry**, like high capital costs or strong competitors, and explains how the business plans to overcome them. Understanding the market helps determine whether the business idea is realistic and sustainable.

2. Product Explanation (Features & Benefits)
Focus is on explaining the product or service **from the customer's point of view**.
Features are what the product *has* (e.g., material, design, functions).
Benefits are what the product *does* for the customer (e.g., comfort, convenience, saving time).
This section also includes details on after-sales support such as warranties, guarantees, customer service, or delivery options. A strong product explanation helps customers understand why your product is better and why they should buy it.

3. Customer Analysis
The marketing plan clearly identifies **who your customers are**. It explains their age, gender, income level, lifestyle, location, and buying behavior. If the product is sold to businesses, it identifies the industry, company size, and needs.
A **customer persona** is often used to make the target customer more realistic almost like describing a real person who would buy the product. Understanding the customer ensures the business develops the right product, sells it in the right place, and uses the right promotional methods.

4. Competitor Analysis
This section explains who your competitors are, what products they offer, and how they perform in key areas such as price, quality, reliability, and brand reputation. A competitive matrix is often used to compare your company with competitors. Once the comparison is done, the business describes its **competitive advantage** the specific reasons why customers should prefer your business over others. Understanding competition helps position the product effectively in the market.

5. Identifying the Niche
After studying the market, customers, and competitors, the company defines its **niche**, the unique position the business occupies in the market. This is the specific target segment the company will focus on, and the special value it will offer them. A clear niche helps the company avoid trying to serve everyone and instead serve the right customers better.

6. Marketing Strategy
The marketing strategy explains *how* the business will attract and retain customers. It includes positioning, product messaging, branding, and the promotional mix. The strategy must clearly align with the business's niche and strengths.

7. Promotion Plan
This section explains how the business will communicate with customers. It includes advertising (online, print, TV, etc.), social media promotions, influencer partnerships, trade shows, referral programs, and brand-building activities. It also describes the company's brand image. how the business wants customers to see it. Promotion helps customers become aware of the product and motivates them to take action.

8. Marketing Channels
Marketing channels are the methods used to reach customers. The plan explains how each channel will be used and why those channels are suitable for the target audience. This ensures maximum visibility and customer engagement.

- **Social Media:** Essential for **startups** because it allows reaching a large and targeted audience, helping attract potential customers.
- **Search Engines:** Provide **long-term** organic traffic to websites and apps, making them a major revenue source for digital businesses.
- **Email Marketing:** A proven and **effective** method used for promotion and retargeting existing or interested customers.
- **Advertising:** Important for **building brand awareness** & reaching the target audience with the right message.
- **Affiliates & Referrals:**
  - **Affiliates:** Other businesses promote your product to earn commission.
  - **Referrals:** Satisfied customers recommend your product to friends and family.

9. Pricing Strategy
The pricing strategy explains how the company sets prices and why. It compares prices with competitors and identifies whether the business will compete on low price, average price, or premium price. This section also explains customer credit policies and pricing flexibility. Pricing must match the market's expectations and the company's positioning.

10. Proposed Location
This describes what type of location the business needs and why. It examines customer convenience, parking, accessibility, and visibility. The location must match the business's image and support its marketing goals (e.g., easy customer access, proximity to suppliers, or benefit from being near competitors).

11. Distribution Channels
Distribution channels describe how the product will reach customers—whether through retail, online stores, wholesalers, agents, or the company's own sales team. A good distribution plan ensures the product is available at the right place and time.

12. Sales Forecast
A sales forecast estimates how many units the business expects to sell each month and at what price. It is prepared using a **Sales Forecast Spreadsheet**, which shows **month-by-month sales** projections. Businesses often create two versions: a **best-guess forecast** (most realistic) & a **worst-case forecast** (minimum expected). Keeping notes of all assumptions used while preparing the spreadsheet is important for presenting the plan to investors or funding sources.

OPERATIONAL PLAN

The **Operational Plan** explains how the business will run on a daily basis. It focuses on the internal systems, production process, staffing, facilities, legal requirements, and overall workflow. This plan ensures that the company can actually deliver the value promised in the marketing plan.

1. Production Process
The production section explains how and where the products or services are created.
Explain your methods of: Production techniques & costs, Quality control, Customer service, Inventory control, Product development (R&D)

2. Location Requirements
Here, the business describes the type of location it needs. This includes building size, layout, zoning regulations, power requirements, and access to transportation or suppliers. If construction is needed, the plan explains the cost and timeline. The location must support both customer needs and operational needs.

3. Legal Environment
This includes all legal and regulatory requirements the business must comply with.
These are Licenses and permits, Health and safety regulations, Environmental standards, Zoning rules, Trademarks, copyrights, patents.
This ensures the business operates legally and avoids penalties.

4. Personnel Plan (Human Resources)
This section describes the workforce needed for the business how many employees, what skills they require, how they will be hired, trained, and managed.
It also explains pay structures, job roles, organizational charts, and whether the business will use contractors. A strong personnel plan ensures the business has the right people with the right skills.

5. Inventory Management
The plan explains the types of inventory the business will keep raw materials, supplies, finished goods and how much it will store. It discusses turnover rates, seasonal fluctuations, and suppliers' lead times. Effective inventory management reduces costs and avoids shortages.

6. Supplier Management
Key suppliers are identified, along with their reliability, delivery schedules, pricing, and credit terms. Backup suppliers may be selected to avoid disruptions. Understanding suppliers ensures a stable flow of materials.

7. Credit Policies
This explains whether the business will offer credit to customers and under what terms.
It includes: Credit limits, Payment terms, Methods for checking creditworthiness, Use of discounts.
Clear credit policies help manage cash flow and reduce financial risk.

8. Accounts Receivable & Payable Management
The business outlines procedures for managing money owed to the business (receivables) and money the business owes others (payables).
Receivables are monitored through ageing reports, and steps are taken to handle slow payments.
Payables are managed to maintain good supplier relationships while protecting cash flow.

9. Management & Organizational Structure
This part lists the leadership team, their experience, and the organizational hierarchy. It includes management roles, reporting relationships, advisory board members, and external experts like lawyers or accountants. Strong governance builds investor confidence and ensures smooth operations.

Cash is needed for daily operations, paying suppliers, wages, and bills. It maintains liquidity and ensures the business can function even when profits exist but cash inflow is delayed.
Inventor's Bias is the tendency of entrepreneurs to overvalue their own ideas and assume they are good, useful, or successful without objective evidence or customer validation.

How can the Value Proposition Canvas remove biases?

VPC forces teams to map real customer jobs, pains, and gains. It compares these with the product's pain relievers and gain creators. This structure requires evidence from research, reducing assumptions and aligning the solution with actual needs.

Key components of financial plan:

***Cash flow planning – ensure liquidity for daily operations**
***Budgeting – forecast revenue & expenses for disciplined grow**
***Financial statement – profit & loss, balance sheet, cash flow viability & support investor decisions.**