

# Entrepreneurship Essentials



Lecture Note # 12

## Business Plan

## Concepts Covered:

- **Elements of a business plan**
- **Importance of the various components**
- **Information contents**
- **Preparing winning business plan**

## Writing a winning business plan

- a book by Vaughan Evans

<https://www.15minuteplan.ai/>

## Problem Identification, Idea generation, Screening, and Selection Phase







## MOVING AHEAD



## Prepare roadmap

01

**Try  
bootstrapping**



Try delaying fundraising as long as possible.  
Bootstrap, approach friends and relatives.  
Approach angel investors once you have a validated model.

02

**Apply for all  
government  
benefits**



DSIR – Department of Scientific & Industrial Research -PRISM  
TIFAC – SRIJAN seed money  
SIDBI – Equity funding by SIDBI Venture Capital Ltd.  
MSME – Several schemes for startup

03

**Validate  
your product**



Follow the Built-Measure-Learn cycle of the Lean Startup model.

04

**Craft go-to-  
market  
strategies**

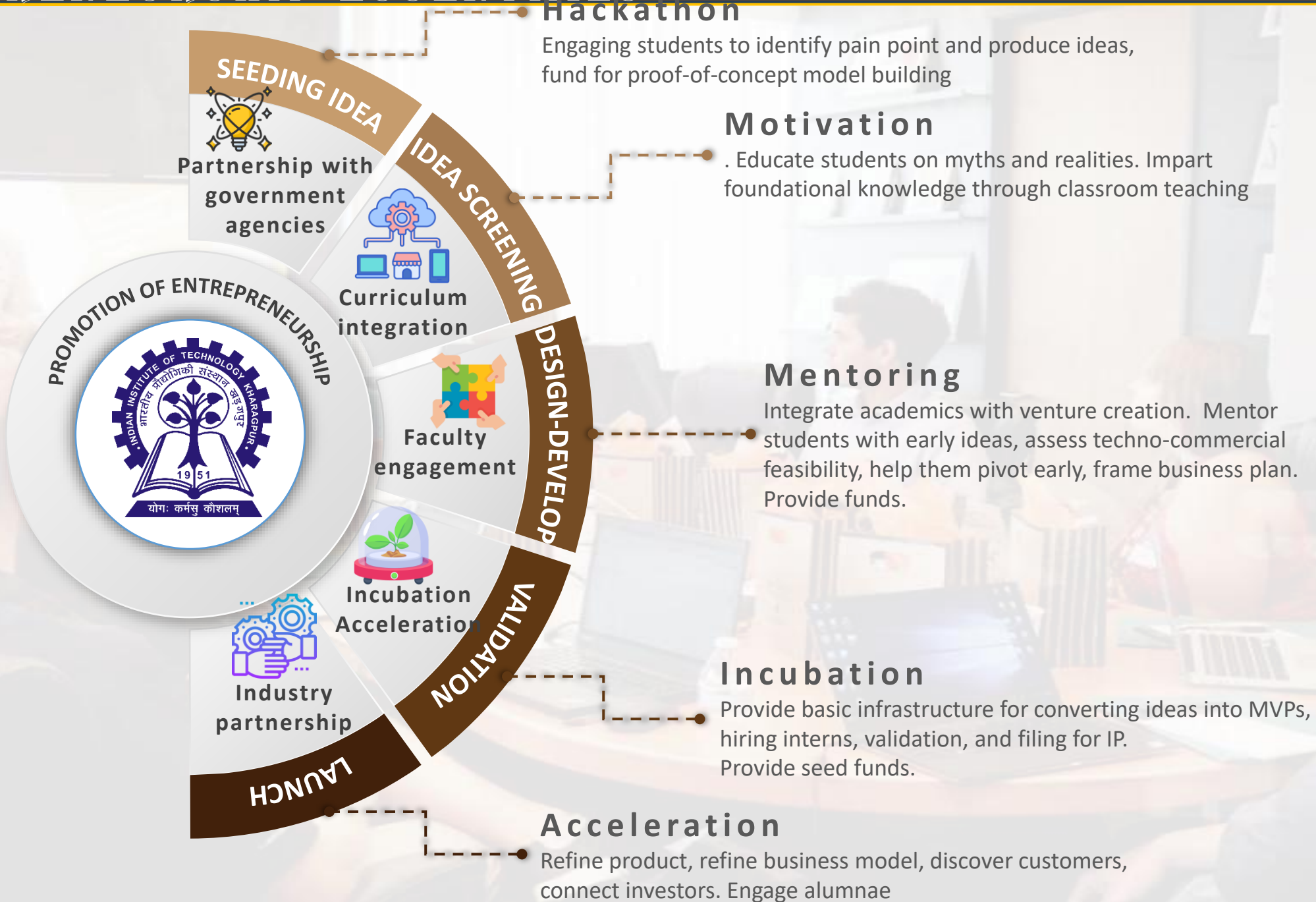


Make a preemptive plan for execution, hire required manpower, and place proper business process management in operation.

# ENTREPRENEURSHIP ESSENTIALS

| Phase                       | Activities                                | Sources of funds                             | Team and hire                                                    |
|-----------------------------|-------------------------------------------|----------------------------------------------|------------------------------------------------------------------|
| Identify pain point         | Empathize                                 | Bootstrap, Own fund                          | Optional                                                         |
| Motivation                  | Participate in idea generation events     | Bootstrap, Own funds                         | Work in team                                                     |
| Build MVP                   | Product/service innovation                | Bootstrap, friends, relatives                | Find cofounders<br>Prepare business plan                         |
| Join incubation program     | Refine product through validated learning | Angel investors                              | Hire early employees with complementary skills, register company |
| Join acceleration program   | Business model innovation                 | Angel investors                              | Market discovery<br>Network with suppliers and customers         |
| Go-to-market strategies     | Create your USP                           | Angel investors/ Early stage venture capital | Execution                                                        |
| Business process management | Business process innovation               | Venture capital                              | Make proactive plan Hire                                         |
| Growth strategies           | Customer experience innovation            | VC rounds                                    | Hire a professional CEO                                          |

## The Roles of IIT Kharagpur in Promoting Entrepreneurship



# Steps to Start a Start-up

Identify an unmet need or problem within a group, empathize, define the pain as completely as possible, and explore a compelling solution.

Assemble a well-rounded team of co-founders with complementary skills and shared vision. Conduct thorough market research before proceeding to establish the company.

Understand the target group, define the problem, ideate solutions for product-market fit, explore incubation and seed funding, and recruit tech experts to address skill gaps.

Embrace the lean startup approach: build, measure, learn, and create a go-to-market plan grounded in market understanding and marketing strategies. Join acceleration programs and connect with angel investors.



Prototype



# Build the Business

## Steps to Start a Start-up

Develop infrastructure for projected sales, estimate cash flow, stay in touch with investors for potential fundraising, and collaborate with key input suppliers.

Execute targeted marketing strategies for enhanced customer awareness. Prioritize retention and innovation to foster sustained customer growth.

Establish logistics aligned with customer preferences and forge Collaboration with distributors, dealers, mega-retailers, and e-commerce platforms.

Consistently gather customer feedback and enhance your solution to exceed their expectations.

Infrastructure

# Steps to Start a Start-up

Set realistic targets. Identify key growth indicators and allocate resources accordingly. Monitor daily sales closely and promptly address any issues that arise.

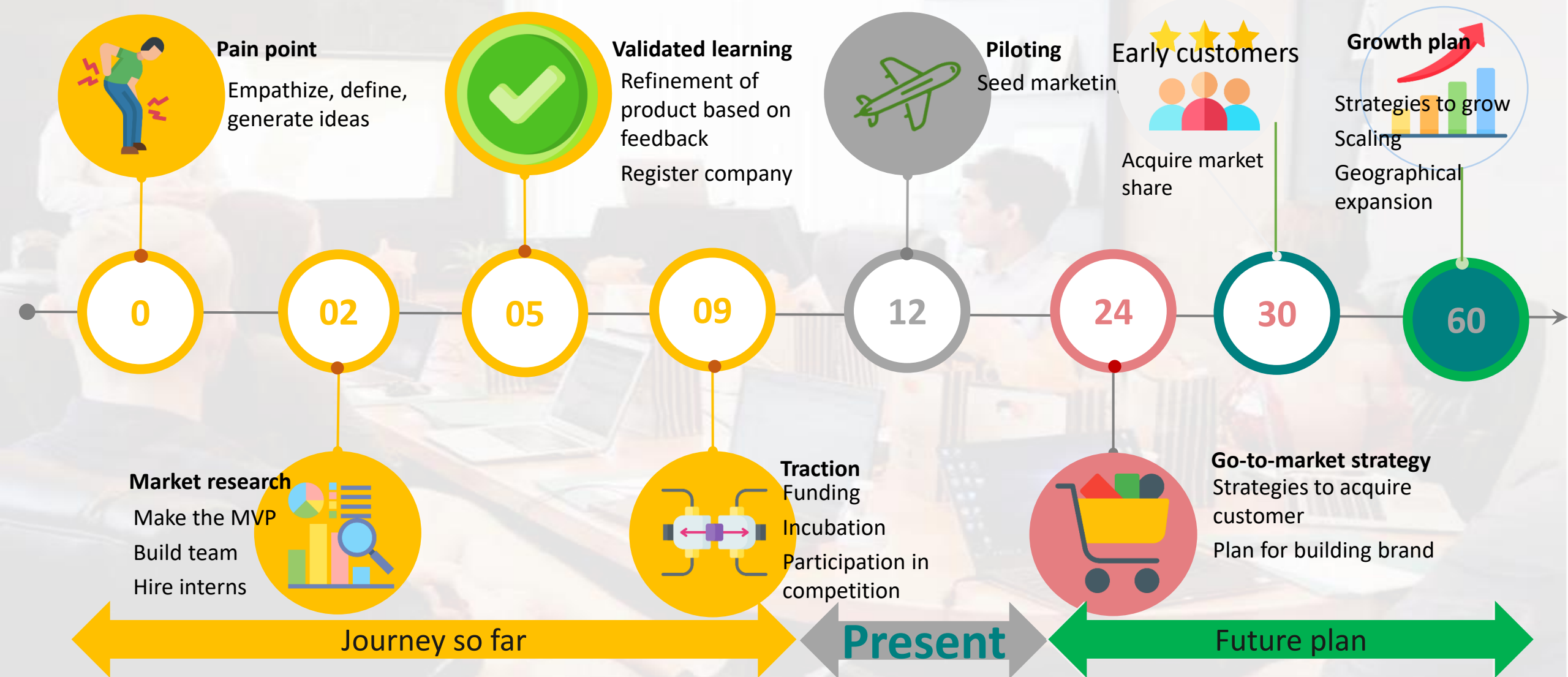
Constantly monitor competitors, proactively preempt their strategies when feasible, and respond swiftly to maintain your competitive edge.

Assess resources and invest in talent. Analyze customer feedback, address complaints, and foster a positive work environment.

Sustain product development efforts, stay ahead of competitors with new launches. Proactively forecast funding needs and secure funds proactively.

Launch

## Timeline of a Startup



**Pareto 80:20 Principle or the law of the vital few**

**In product development, marketing, manufacturing, and several other events, roughly 80% of the effects come from 20% of the causes.**

**In marketing, 80% of your sales comes from 20% of your customers.**

## **Jeff Bezos on information economy of decision making**

- **“Most decisions should probably be made with somewhere around 70% of the information you wish you had. If you wait for 90%, in most cases, you’re probably being slow...If you’re good at course correcting, being wrong may be less costly than you think, whereas being slow is going to be expensive for sure.”**



- Try generating 70% of the information and make fast decision on market and move forward.
- More information may take huge incremental time and may be overly costly, whereas may not meaningfully add to accuracy.
- The new reality: fast and steady wins the race.
- We must be able to do increasingly more with increasingly less.

Persistence and hard work with a never-say-die attitude is essential to achieve success.

Elon Musk makes the point from his own experience

“Even if your product is failing, you should stick with it if you believe [?] that your idea has what it takes to be successful.”

He provides a supplementary anecdote, stating that “Tesla almost failed”. However, Elon Musk stuck with Tesla, and on the day, Tesla was due to file **bankruptcy**, Elon Musk **miraculously** got enough investments to pay off his debts. Today, the market value of Tesla is > \$826 B in 2023 (crossed 1 2 trillion in 2021).

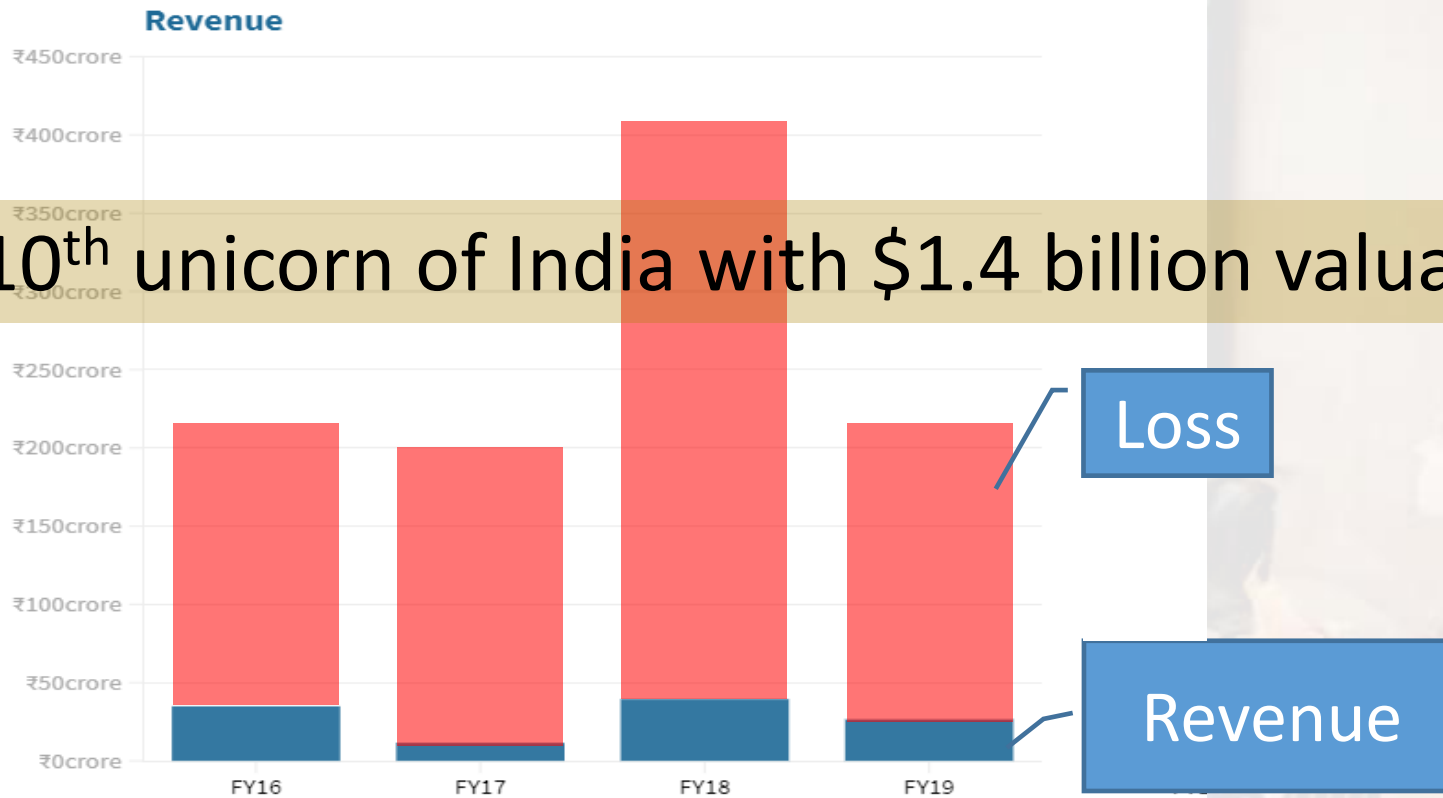
But be realistic – make sure you are not beating a dead horse.

“Only those who dare to fail greatly can ever achieve greatly.” – **Robert Kennedy**

“If my mind can conceive it and my heart can believe it, then I can achieve it.” – **Muhammad Ali**

“The successful warrior is the average man, with laser-like focus.” – **Bruce Lee**

### Hike's last declared revenue figures until 2019



Hike – the 10<sup>th</sup> unicorn of India with \$1.4 billion valuation

**Investment received: \$ 261 million +**  
Tencent, Tiger Global and Bharti SoftBank

# Growth Hacking

## How much growth is too much?

### Kavin Mittal

- Mittal took to Twitter to announce the shutting down of Hike Messenger.
- Founded in 2012
- The startup showed promise, quickly got the attention of investors — including Chinese messaging giant WeChat's parent — and was valued at 1 billion dollars within four years of launch.
- Hike in late 2016 boasted having **37 million monthly active users (MAU)** and **18 million daily active users (DAU)**.
- **Couple of bad hiring mistakes costed them dearly.**
- "We should have **adapted to the market**, we couldn't. That was the key reason. There was a period in which we went **from 150 people to 400 very fast**," he said.
- "**We had built a phenomenal culture at Hike until 150 people. But we were going too fast and when you make hiring mistakes at the top, it all comes tumbling down**," he said.



## Here is what Mittal rued:

**“Emotionally we have moved on, it’s a part of building a new company. We have seen a lot of success, we have seen some big downfalls,” he added after quoting a popular Silicon Valley adage, ‘building a business is like waking up in the morning and **eating broken glass** everyday’ – *Kavin Mittal***

**After Hike's closure, Mittal pivoted the company to focus on building the Rush Gaming Universe, a mobile gaming application.**

## Business Plan: Definition

**A Business Plan is a strategic blueprint outlining your vision for the future, systematically detailing the key components and strategies essential for achieving success.**

**In its simplest form, a business plan is a guide—a roadmap for your business that outlines goals and how you plan to achieve those goals.**

**Ideally, the plan explains why you think you will be successful, leveraging the strengths and opportunities given the challenges ahead.**

## As Dharmesh Shah, Co-Founder and Chief Technology Officer, HubSpot writes at Entrepreneurs.com

- “The problem with business plans is that things change so quickly in the startup world. Before the ink is even dry on that 100+ page business plan as it shoots out the printer, things have already changed and "the plan" is already outdated. ...
- Very few startups I know – or companies I’ve invested in – resemble their original business plan.”
- Things are changing too fast.

HubSpot is an American developer and marketer of software products for inbound marketing, sales, and customer service. HubSpot founded by Brian Halligan and Dharmesh Shah in 2006. **Current valuation: US\$ 26 B**

## The Purpose of Business Plan

The flavour may vary based on context

1. Entrepreneur's ready reckoner – a dynamic plan that continuously evolves over time: – more strategy and milestone oriented.
2. Fund raising – Angel and VC (equity) – focuses on success factors, risk factors & how do you plan to mitigate them, traction, progress in product development and validation, financial projection, exit strategy: - more traction and futuristic.
3. Fund raising (debt) – present and future financials.
4. Business plan competition as in '2.' above **plus social values.**



## The Purpose of Business Plan

The flavour may vary based on context

5. Incubation – as in (2) above.
6. Acceleration – as in (2) above.
7. Customer connection – past and present financials.
8. Mentor connection – as in (sl. no. 1).
9. Potential buyer of your company or acquirer (in merger & acquisition deal) – present and future financials, customer base, .

The myth related to business plan

Once you have an idea, the first thing you do is prepare the business plan

## The Purpose of Business Plan

The flavour may vary based on context

- Whatever is the motivation to write a business plan, your audience would be interested to know **how you navigate through challenges to emerge successful and create value.**
- Your focus must be to bring to light the story of that journey.

## Essence or Consideration for Building a Business Plan

- Words are tools for conveying ideas.
- Investors are busy.
- They want you to convey as much as possible in as less words.
- No poetic phrases
- **Follow the lean philosophy.** Give an MVP of the plan
- Anybody loves to hear a good story with strong words. Tell yours.
- Gather all possible information about pitfalls.
- Highlight the risks as much as the prospects.
- Show investors the money.

## Demonstration of a Working Model Is Very Convincing

- It's a good idea to demonstrate a working prototype, should you have one.
- Don't worry even if it is your MVP and looks shabby. It should demonstrate the value proposition.
- A working prototype is a true validation of your claims about the novelties of your product or service.

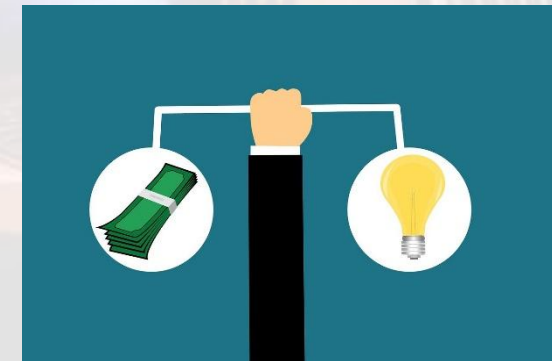


## Four Factors Critical to Every New Ventures and They Should Receive Pride of Place in Your Business Plan

- 1) **The people** – Founders, employees, mentors, directors: team chemistry, track record, complementary skills.
- 2) **The opportunity** – what you will sell and to whom (what pain you alleviate with what efficacy: competitive advantages), how you will make money. The unique value proposition. The Market Structure: the size and growth potential of the market, the competition.
- 3) **The context** – the big picture – the present business scenario with particular reference to the opportunity. The growth prospect of the market segment. Market structure. **Bill Gross** (timing as the most important factor for success)! **Victor Hugo!**

“Nothing else in the world...not all the armies...is so powerful as an idea whose time has come.”—Victor Hugo,

- 4) **The risk and reward** – things that can go wrong and the potential gain if the team can do things right.



## Highlight Your USP and Your Value Proposition to Customers

- The USP helps determine whether there is any reason for a buyers to purchase your product instead of continuing to use established ones.
- USP is a combination of factors that set your product apart (differentiator) from competitors and conveying customers the reasons why they should buy your product (delivery, return policy, aftersales service).
- USP should be projected as if it is in your company's DNA.
- Effectiveness of a USP depends on how well it resonates with the target audience and addresses their needs or pain points.

### USPs

Innovative Technology, **Cost-Effective Solutions**, Customer-Centric Approach, **Sustainability**, Agility and Flexibility, **Unique Design or Branding**, Personalization, **Social Impact**, Ease of Use, **Speed and Efficiency**

## Examples of USP

- **FedEx Corporation:** "When it absolutely, positively has to be there overnight."
- **Avis:** "We're number two. We try harder."
- **M&Ms:** "The milk chocolate melts in your mouth, not in your hand."
- **Dominos Pizza:** "You get fresh, hot pizza delivered to your door in 30 minutes or less, or it's free."
- **Vicks NyQuil UP,** "The night-time, coughing, achy, sniffing, stuffy head, fever, so you can rest medicine"
- **Bee's Wrap:** "A Simple Solution to Plastic Pollution"
- **Geico:** "15 Minutes Could Save You 15 Percent or More on Car Insurance."
- **Enterprise:** "Pick Enterprise. We'll Pick You Up."

## Broad Components of Business Plan in Most of the Templates

- i. **Cover page.** Invest in designing the cover so it stands out.
- ii. **Executive Summary**
- iii. **Contents:** it tells your audience what to expect in the report.
- iv. **The Detailed Plan (the core business model)**
- v. **Conclusion**
- vi. **Appendices**



# Major Components of Business Plan in Most of the Templates

1. Executive summary: give it your best shot.
2. The Business (Background & business mix) – how did you get here, the pain point, the market, why this business, why now, where are you now?
3. The market & market demand – segment, market size, growth, competition, channel, your advantages.



## **Major Components of Business Plan in Most of the Templates contd. ...**

- 4. Competitive advantage and your value proposition.**
- 5. Strategies, Operation management – your value, plan for a lean system, suppliers and buyers management.**
- 6. The resources: The team – key skills in the field of technology, management, marketing, and operation.**

## **Major Components of Business Plan in Most of the Templates contd. ...**

- 7. Financial outlay and financial closure, projected financials – gist of profit & loss, cash flow statement, break-even point**
- 8. Risks, Opportunities and Sensitivities**
- 9. Conclusion**
- 10. Appendices – detailed profit & loss account, balance sheet, cash flow statement, detailed project cost, market survey report (if any) and other reports and images you think make a difference to the impression of your audience. The brief resume of all the founders and key employees may also be attached.**

**Essential Guides – Writing a Business Plan Vaughan Evans, Financial Times**

## **Many Templates. Fundamentally they are similar.**

### **The Template of HBP.**

- **Summary**
- **Business**
- **Market demand**
- **Competition**
- **Strategy**
- **Resources**
- **Financials and forecast**
- **Risk, Opportunities and Sensitivities**

## Template by Sequoia Capital

“We like business plans that present a lot of information in **as few words as possible**. The following business plan format, within 15–20 slides, is all that’s needed.”

- **Company Purpose**
  - **Problem**
  - **Solution**
  - **Why now**
  - **Market size**
- **Competition**
  - **Product**
  - **Business model**
  - **Team**
  - **Financials**

<https://www.sequoiacap.com/india/article/writing-a-business-plan/>

## Business Plan Outline - 23 Point Checklist For Success

Source: Forbes, Created by **Dave Lavinsky**

- **Section I – Executive Summary**
- **Section II – Company Overview**
- **Section III – Industry Analysis**
  - *Market Overview*
  - *Relevant Market Size*
- **Section IV – Customer Analysis**
  - *Target Customers*
  - *Customers' Needs*
- **Section V – Competitive Analysis**
  - *Direct Competitors*
  - *Indirect Competitors*
  - *Competitive Advantages*
- **Section VI – Marketing Plan**
  - *Products & Services*
  - *Promotion Plan*
  - *Distribution Plan*
  - *USP*

Continued ...

[www.forbes.com](http://www.forbes.com) › [sites](#) › [davelavinsky](#)



## Business Plan Outline - 23 Point Checklist For Success ... contd.

- **Section VII – Operations Plan**

- *Key Operational Processes*
- *Milestones*

- **Section VIII – Management Team**

- *Management Team Members*
- *Management Team Gaps*
- *Board Members*

- **Section IX – Financial Plan**

- *Revenue Model*

- *Financial Highlights*

- *Funding Requirements*

- *Use of Funds*

- *Exit Strategies*

- **Section X – Appendix**

- *Supporting Documentation*

08

Key Partners



07

Key Activities

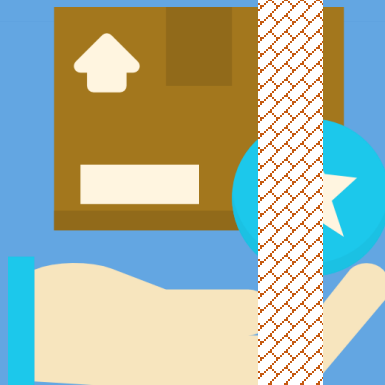


Key Resources

06

01

Value Proposition



Customer Relationship

04



03



Channel

02

Customer Segment



09

Cost Structure



05

Revenue Model



# Writing a winning business plan

The following slides are inspired by the book of Vaughan  
Evans

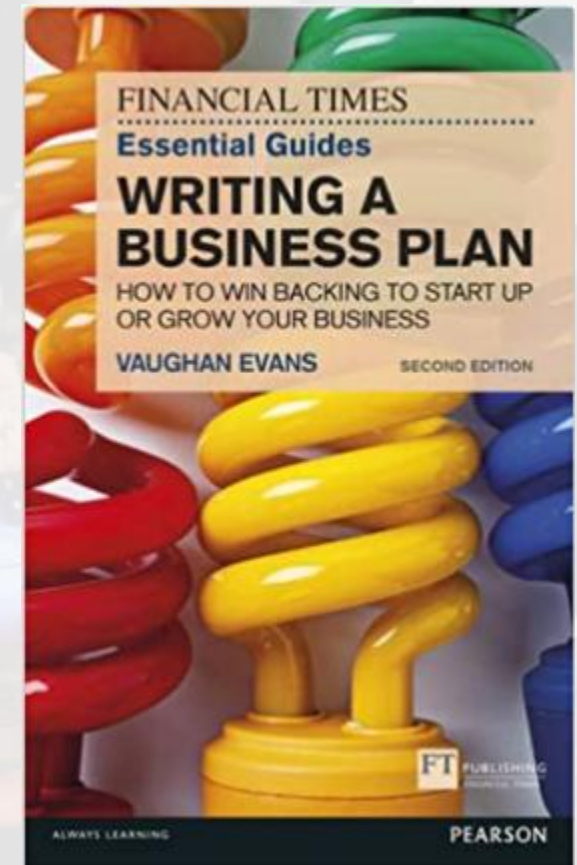
The Financial Times (Pearson)

## Essential Guide to Writing a Business Plan

How to win backing to start up or grow your business

Vaughan Evans

Second edition - 1 October 2015



The following are the book chapters explaining different chapters of a business plan

**Chapter 1: Executive Summary**

**Chapter 2: The business**

**Chapter 3: Market demand**

**Chapter 4: Competition**

**Chapter 5: Strategy**

**Chapter 6: Resources**

**Chapter 7: Financial Outlay, Financial Closer, and  
Projected Financials**

**Chapter 8: Risks, Opportunities, Rewards and  
Sensitivities**

## Chapter 1: Executive Summary



**The business**



**The team**



**The proposal**



**Why now**



**Why it will succeed**



**What the rewards will be (to the investors)**



**Major risks and how you can minimize them**



## Executive Summary

- For most readers it will be the first few pages or the only pages they read. Some senior decision-makers will read nothing else.
- *Spend time on it, nurture it, hone it and edit it remorselessly, even give it to a professional to edit. It may be the best investment you make. - Vaughan Evans*

## Summary – Makes the First Impression

- Research evidences that we create an impression about a person we meet in the first 15 seconds. If you are presenting for say 5 minutes, you create a lasting impression that is hard to shift later.
- Must be persuasive.
- Should cover all the key issues.
- Try to be detailed but brief - provide all key information in a precise way.
- Show your compelling reason for promoting the business.
- Why now?
- Make it short and interesting and keep people expecting more.

## Chapter 2: The business

- Background
- Business mix by segment

## Background

- You brief your audience on the bare essentials – what the company does, for whom, why, where, with whom, with what and how it got to where it is now.
- **Highlight the traction.** You'll briefly set out why the business is poised to enjoy a sustainable competitive advantage.
- Introduce more detail on the background to your business than you will have set out in the executive summary. Remember that your plan is to be a short, sharp, punchy document aimed at hooking your audience.
- This is where the reader is introduced to the business, where you set out clearly and concisely what makes the business tick.

## The items in the 'Background'

- The opener
- Goals and objectives
- Strategies
- Resources
- Basic financials.



## Chapter 2: The Business: Background

|            |                      |          |           |                   |
|------------|----------------------|----------|-----------|-------------------|
| The opener | Goals and objectives | Strategy | Resources | Basic financials. |
|------------|----------------------|----------|-----------|-------------------|

**The *opener* should be just one paragraph containing:**

- Who you are – the name (or code name, if yours is a confidential plan) of your business.
- What products or services it focuses on.
- Which main customer groups your business serves.
- Where it is based, where else it has operations and where it sells.
- With what success, in terms of revenues and operating margin (operating profit divided by sales), and
- By Which year you will achieve.

## Chapter 2: The business: Background

The opener

Goals and objectives

Strategy

Resources

Basic financials.

### *The Goals and Objectives*

- Your goal is to become **customer-centric**. So your objective may be %satisfied customers. Put a number: say 40% of our customers will rate highly satisfied 2024.
- You may set the goal in terms of market share. Now put data to set the objective: you are working to gain 10% market share by the end of 2025.
- Goals are directional, objectives are specific. You may have come across the useful acronym **SMART** for setting objectives, which stands for Specific, Measurable, Attainable, Relevant, and Time-limited.

## Chapter 2: The business: Background

The opener

Goals and objectives

**Strategy**

Resources

Basic financials.

### Strategy

- What strategy you adopt to build and maintain competitive advantage.
- How is your offering differentiated, unique features that customers love, technically superior, convenient purchase & delivery, hassle-free maintenance, and many more.

## Chapter 2: The business: Background

The opener

Goals and objectives

Strategy

Resources

Basic financials.

### Resources

- Highlight the key resources such as strategic location, existing infrastructure including office, access to strategic assets, technologies, IP, team and mix of skills, mentors, key employees, any arrangement with suppliers and distribution, any acquisition plan.
- Good to have an **infographics** and **timeline**.
- Write a separate paragraph on your **team** including key employees. Highlight the credentials of the team and how the skillset and experience will help in executing the business model.
- You may also mention their key responsibilities and ownership.

## Chapter 2: The business: Background

The opener

Goals and objectives

Strategy

**Resources**

Basic financials.

- List requirements and availability for the following resources:
  - Personnel
  - Technology
  - Finances
  - Distribution
  - Promotion
  - Products
  - Services



## Chapter 2: The business: Background

The opener

Goals and objectives

Strategy

Resources

**Basic financials.**

### Basic financials

- Provide a summary of key financial metrics such as sales and operating profit.
- In case no sales has been made so far, state the major expenses incurred, the source thereof and the time it required.

## The business *mix by segment*

- Clearly define which group of people or businesses constitute your main customers.
- What products or services you are offering them. Which of them will critically contribute to your business success?

## The business: *Customer segment*

- Who are the target customers (define customer persona)?
- In which way will they benefit from your offering?
- How do you offer a superior product-market-fit compared to your competitors?
- How do you target them and position your product?
- You need to mention evidence such as market research data or validation by number of users and their responses.

## The business: *Customer segment*

- Try identifying niche and creating sub-segments to offer differentiated products to target customers of specific needs (features).
- But focus on the product-segment that will make or break your business.

## Chapter 3: Market demand

- It is important that there are enough customer to buy your product at a profitable price. Else, your plan will not materialize.
- Thus, this section is one of the most important and you must make all out effort to make it as convincing as possible with real data. Do not try to suppress facts. If it is declining you must have a plan to reverse the trend.
- Market size
- Market growth
- Market demand for a start-up
- Test marketing
- Estimate your addressable and obtainable market



## Market demand

### Chapter 3

#### The market demand

- Market demand, risks and opportunities
- Market share change – give a competitive intensity of your market and your competitive position.
- That market must be of sufficient size, now and in the future, to support at least your business, not to mention your competitors.
- Your market must buy your product for you to have a business. Your market must look attractive. Else you should not pursue it.
- Your reader wants to know, before all else, who these buyers are, how much they are buying, how much they are paying, why they are buying, what has been influencing them, how those influences may change and how much they are likely to buy in the future.

## Chapter 4: Competition

- *“Competition’s a bitch – but that’s what gives us puppies.”* – Unattributed
- **Understand and respect the competition & competitive intensity.** Give competitors the space they merit in your plan. **Dismiss them and your readers will dismiss you.**
- **Your USP:** How you are going to stand out in the competition? What product features, quality, technology, service differentiator you have to beat competition.
- Porter’s five forces analysis of your business.
- Your value proposition.

## Chapter 5: Strategy

- *“ We shall either find a way or make one.”* - Hannibal
- you assess what your competitive position will be upon entering this market and how that may improve over the next three years.
- How competitive is your business in each of its main segments? What is your strategy for strengthening competitiveness in key segments? Or boosting the balance of your overall portfolio of segments? What risks may you face and what opportunities can you exploit?

## Strategy

- **Neither you exaggerate your opportunities, nor you gloss over the risks.**
- **Be realistic.**
- **Tell your strategies to beat the competition.**

## There are several ways you can try to sustain your competitive advantage

- Patent protection of key products you have innovated.
- Sustained innovation to stay ahead in product development.
- Continuous improvement of the process to reduce cost.
- Content marketing.
- Investment in branding and creating loyal customers.
- Investment in customer relationships, particularly for business-to-business ventures.



## Chapter 6: Resources

***“It’s not the size of the dog in the fight, it’s the size of the fight in the dog.”***

**– Mark Twain**

**Most investors say that they back the team.**

- In startups, investors do not look for managers. They look for visionary leaders, a person who believes wholly in the product or service, who will inspire and motivate others in the team.**

## Resources

- **Technology requirement**
- **Personnel requirement**
- **Inputs requirements – raw-materials, services, and utilities**
- **Logistic requirements – distribution, sale, delivery and aftersales services.**
- **Financial requirements**

## Resources - Personnel

- **Management** – how you will have the right team of managers, with the right experience, qualifications and skills to implement the strategy.
- **Marketing** – how you will create sufficient awareness of the firm's offering over the plan period, a crucial issue in a start-up.
- **Operations** – how you will deploy your resources to ensure that supplies, purchasing, manufacturing/service provision, R&D, distribution, sales, customer service, systems, control and compliance are sufficiently aligned to deliver the plan.

# Chapter 7: Financial Outlay, Financial Closer, and Projected Financials

| Year                                  | I | II | III |
|---------------------------------------|---|----|-----|
| Total requirement of fund             |   |    |     |
| Number of Customers/ registered users |   |    |     |
| Revenue                               |   |    |     |
| Gross profit                          |   |    |     |
| Operating profit                      |   |    |     |
| Net profit                            |   |    |     |

# Financial Outlay before commercial operation: to be given in Appendix

| Startup Expenses     | ₹ '000 |
|----------------------|--------|
| Early salary         | 100    |
| Market research      | 40     |
| Prototyping          | 500    |
| Design of logo, etc. | 30     |
| Traveling            | 25     |
| Legal expenses       | 60     |
| Trial expenses       | 200    |
| Advert. & Promo      | 100    |
| Rent                 | 60     |
| Utilities            | 20     |
| Website & hosting    | 20     |
| Internet data plan   | 10     |
| Telephone bill       | 5      |
| Insurance            | 10     |
| Consumables          | 20     |
| (Prel. & Preop.)     | 1200   |

| Assets:                |      | Funding                | ₹'000 |
|------------------------|------|------------------------|-------|
| Current assets         |      | Liabilities            |       |
| Cash                   | 50   | Accounts payable       | 100   |
| Inventory              | 500  | Other curr liabilities | 50    |
| Other current assets   | 100  | Friends & Relatives    | 500   |
| Long term assets       |      | Long-term liabilities  | 0     |
| Machinery              | 200  | Sub-total              | 650   |
| Computer               | 100  |                        |       |
| Software               | 50   | Equity                 |       |
| Interior decoration    | 10   | Owners                 | 1000  |
| Furniture & Fixure     | 50   | Investors              | 0     |
| Other long-term assets | 20   | Crowdsourcing          | 630   |
| Sub total              | 430  | Sub-total              | 1630  |
| Total expenses         | 2280 | Total funding          | 2280  |



| Assets                 | ₹ '000 | Funding                   | ₹ '000 |
|------------------------|--------|---------------------------|--------|
| Current Assets         |        | Liabilities               |        |
| Cash                   | 500    | Short-term liabilities    |        |
| Accounts receivable    | 2000   | Accounts payable          | 0      |
| Inventory              | 10,000 | Other current liabilities | 0      |
| Other current assets   | 2,500  | Friends & Relatives       | 500    |
| Sub total              | 15,000 | Long-term liabilities     | 0      |
| Long term assets       |        | Sub-total                 | 500    |
| (Prel. & Preop.)       | 1,200  |                           |        |
| Machinery              | 50,000 | Equity                    |        |
| Computer               | 1,000  | Owners                    | 2,000  |
| Software               | 2,000  | Reserves & Surplus        | 0      |
| Interior decoration    | 500    | Investors                 | 70,000 |
| Furniture & Fixture    | 300    | Crowdsourcing             | 2,500  |
| Other long-term assets | 5,000  | Sub-total                 | 74,500 |
| Sub total              | 58,800 |                           |        |
| Total Assets           | 75,000 | Total funding             | 75,000 |

## Financial Outlay and Financial Closure

This part is for the Appendix. Only the brief should be provided in the main body.

## You should present the following financial projections

- **A forecast P&L account** –the sales is framed using market research data and profit margins is determined based on competition.
- **A forecast cash flow statement** – this will indicate liquidity.
- **A forecast balance sheet** – will show that forecasts is achievable with an acceptable capital structure (the balance of debt and equity).

Present here only the gist and give the details in the Appendices.

*The actual performance may be far different and investors know it very well. But the way you prepare them shows your understanding of the business. So, prepare them diligently. Mind your assumptions.*

## Chapter 8: Risks, Opportunities, Rewards and Sensitivities

### Chapter 8

#### Risk, Opportunities and Sensitivities

*“ When written in Chinese the word ‘crisis’ is composed of two characters. One represents **danger**, and the other represents **opportunity**.” - John F. Kennedy*

**Opportunities** are hidden in **adversities**. Explain how you are transforming challenges into opportunities.

**Sensitivities** – how sensitive is the projected performance on changes of some of the critical factors such as input cost, price of the product, interest rates, customer acquisition cost, etc.

## Chapter 8: Risk, Opportunities, Rewards and Sensitivities

### Chapter 8

#### Risk, Opportunities and Sensitivities

- Having forecasted the projected financials, provide the risks that you may encounter, what are the likelihood of their manifesting, how are you preparing to alleviate them? What are the worst and the best-case scenario?
- ~~You can depict the risk in a canvas with likelihood in one axis and impact on the other.~~



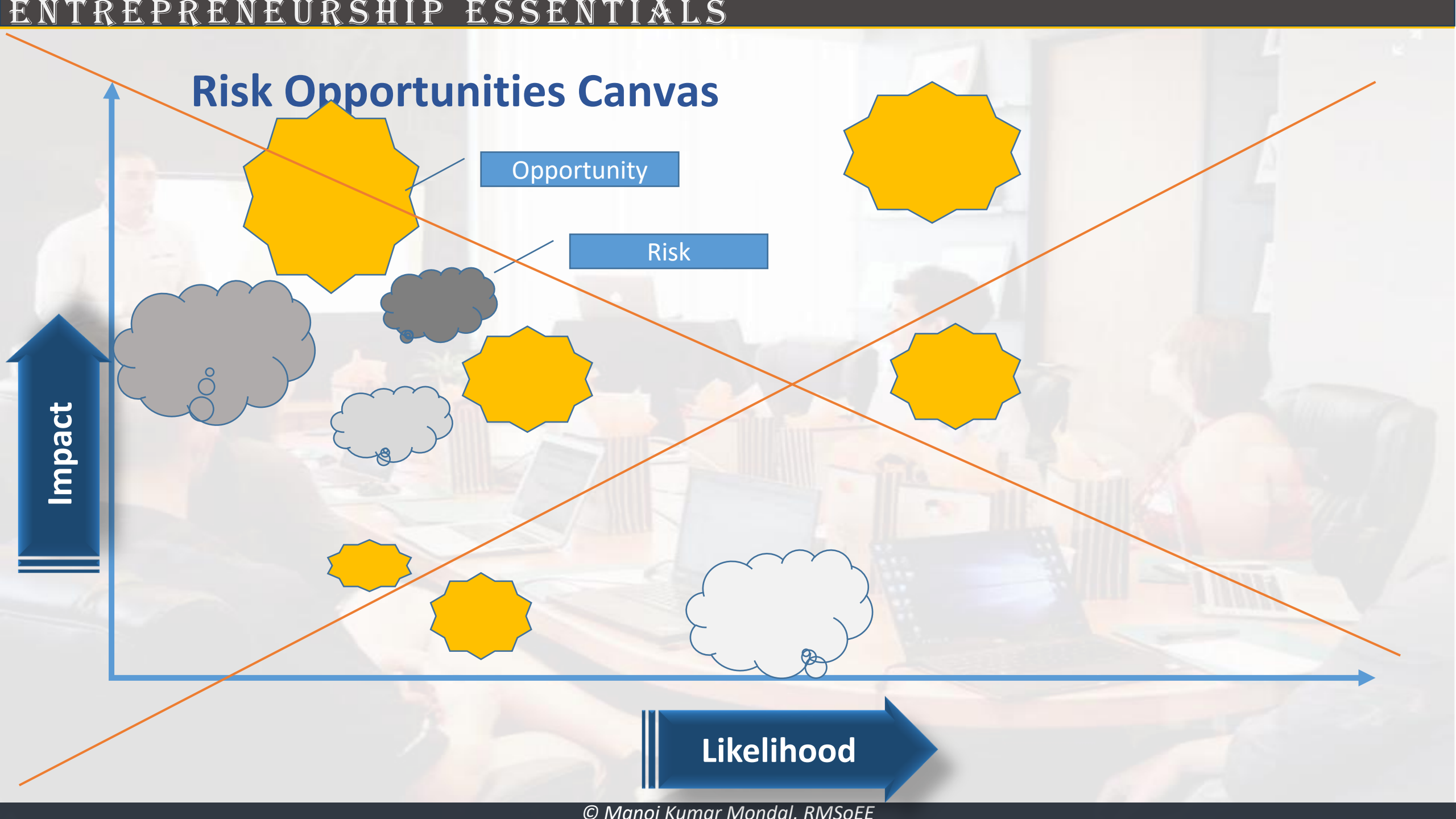
## Risk Opportunities Canvas

Impact

Opportunity

Risk

Likelihood





## Checklist on Risks and Opportunities

- Set out and weigh up the big risks and key opportunities on your way to achieving the targeted success.
- Their likelihood of occurrence
- The impact on bottom-line and cash flow if they do occur.
- Check if there is any risk that can potentially kill your business. You must have a clear and comprehensive plan to beat it.
- On balance, size and likelihood of opportunities should beat the foreseeable risks. Opportunities should outshine the risks.

## Rewards

- **Provide some estimates of the pay-off to the investors and founders.**
- **This is important if you are pitching for fund.**

## Sensitivities

- **Sensitivities is numerical estimation of how your cash flow is affected if any of the big risks manifest.**
- **Say, selling price is down by 5%, estimate the cash flow and show how your business is affected.**
- **You can actually place a value to the negative impact of some of the key risks.**
- **You can also draw attention to the upside of something going more favorable than projected.**

## **‘Conclusion’ section of the business plan**

- **The overall conclusion on why your business is worthy of backing (in which you summarize, preferably in bold, the main findings from the headlines below):**
- **Market demand prospects.** State your conclusions on what’s going to happen to market demand, by key business segment (Chapter 3 of your plan).
- **Competition.** Your conclusions on whether competition is intense and set to get tougher (Chapter 4).
- **Strategy.** Your conclusions on your firm’s competitive position and its strategy for further developing competitive advantage (Chapter 5).
- **Resources.** Your conclusions on the resources your firm will deploy to implement that strategy and meet its goals (Chapter 6).
- **Financials and forecasts.** Your conclusions on how your firm will grow revenues and operating margin over the next few years (Chapter 7).
- **Risk, opportunity and sensitivity.** Your conclusions on why opportunities before your firm outshine risks in your plan.

- Concluding remarks should be directly addressed to the audience.
- Conclusion should be some music to the ears of the audience.
- Make a one-line summary of the best part of your plan.
- Last line should talk about the value they can expect and the value to the society. “While our business will potentially do great service to the society at large, our investors may expect a 10X returns in three years.”
- Together, we can bring about great change to lives of our target customers.



## The length

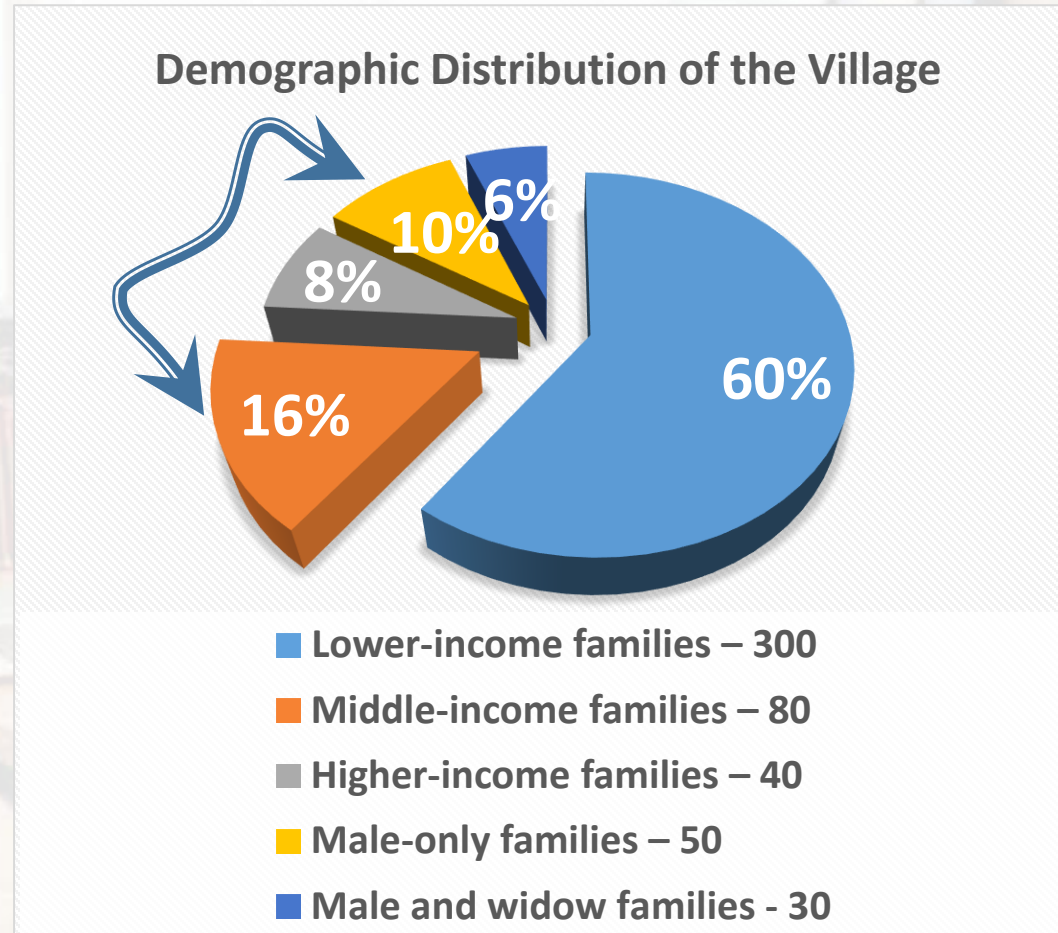
- The main document should be 25–30 pages of A4, maximum 35 pages.
- The main chapters on market demand, competition and strategy should be three–four pages each; those on resources and financials/forecasts perhaps a bit longer at four–six pages each.
- Chapters 2 and 8, should be just two pages each, while the conclusion should be a masterfully written, upbeat half a page.

## Style

- **Style matters.**
- **Use words sparingly. No word should appear unnecessary. But do not sacrifice on communicating key information.**
- **Keep sentences simple but informative and of optimal carrying capacity. Remove any sentence if absence of it does not matter.**
- **Make the most of design elements: headings, subheads, lists, and graphics. A time-constrained reader can get pretty good idea even in 15 seconds to look through.**
- **Use graphics judiciously.**

## Information in 'Text' vis-a-vis 'Graphics'

- Our market research shows that 16% of the population of 500, i.e. 80 families, can be classified as middle-income and forms our target customers.



# Should Be Able to Grab the Attention and Keep It

- Serial entrepreneur and investor Steve Blank says that 99.7% of the applications for funding are rejected and only 0.3% are accepted.
- That means that they receive & scrutinize 300 times more business plans than they eventually fund.
- Obviously, they would neither have the time nor tenacity to thoroughly scrutinize all proposals.
- Therefore, business plan should be precise but focused and should convey the winning elements in minimum words.

# Tell Your Story

*“Stories are the single most powerful weapon in a leader’s arsenal.”*

– Howard Gardner

- Do you have a compelling story?
- Story does not mean the progression of events till date.
- Story relates to your why, how and why now.
- It may have some drama, but must have a compelling motivational reason
- Companies are positioned within a **narrative**. How your audience perceives that narrative will influence how they get invested in your vision.





# **Know Your Audience and Give the Information They Need to Make Decision**

Experts say that your business plan journey should traverse the Seven Cs

C1

**Clear good plan**

C2

**Crisp**

C3

**Concise**

C4

**Consistent**

C5

**Coherent**

C6

**Credible and**

C7

**Correctness.**

## Growth Hacker Marketing

- It is possible to start a company on a shoestring budget and create product that customers will love.
- New generation companies such as Facebook, Dropbox, Airbnb, Twitter have not been spending a dime on traditional marketing.
- They do not advertise on TV, no billboards, no newspaper ad.
- They rely on a new strategy — growth hacking — to reach many more people despite modest marketing budgets.
- Growth hackers have thrown out the old playbook and replaced it with tools that are testable, trackable, and scalable.
- They believe that products and businesses should be modified repeatedly until they're primed to generate explosive reactions.

## Growth hacking

- A new marketing tool to achieve rapid growth on small budget.
- Growth hacking helps to acquire many users at a nominal cost.
- A team usually involve marketers, developers, engineers and product managers.
- The growth hacker often use **social media, viral contents, content marketing, influencers.**
- They build a **story that resonates** with customer's **emotion.**
- It must be supported by a compelling **product-market-fit** in order for retaining the satisfying customers once acquired leading to a viral loop of evangelists – a self-promotional model.

## Growth Hacking

- It reduces customer acquisition cost, help increasing margins, ease of product extension, and promote long term sustainable growth. Else, you will pour water in a leaky bucket.
- growth hacking uses iterations to rapidly test persuasive copy, email marketing, SEO and viral strategies, to increase conversion rates and achieving rapid growth of the user base.
- Techniques such as search engine optimization, website analytics, content marketing and A/B testing are used.
- Growth hacker use validated learning with the help of minimum viable product.



## Growth Hacking

- Growth appears like a magic wand: as if growth is the end (success).
- This can be one of the greatest of mistakes in startup marketing.
- The product-market-fit, positioning the product to the target customers and meeting their exact needs better than competitors, vibrant sales funnel are indispensable.
- Premature growth may ruin your business and waste your resources.
- While you celebrate the growth, you may suddenly fall over the precipice.



## How fast to grow?

Every decision that a growth hacker makes is driven by seeking measurable growth.

Vanity metrics do not indicate anything (!!!) towards a profitable and scalable business.

- Create a viral loop
- Choose the right growth engine
- Leverage everywhere including marketing, business process management, customer service, hire people wherever necessary.

## Viral Loop

- You must be able to make your customers do the advertisement of your products to their friends (word-of-mouth advertisement or referral).
- Your customer acquisition cost will be minimized and you will soon move towards profitable business.

# Growth Hack, Vanity Metrics, and Strategies

01

- Constantly review your sales funnel
- Upgrade the sales funnel to create a viral loop so customers spread your message

02

- Be cautious and do not follow vanity metrics. Check if it is leading to long-term value.
- Check the customer acquisition cost and how quickly the cost is recoverable.

03

- Define sales funnel metrics.
- Are the increasing number of foot-fall getting translated into profitable sales?

04

- Estimate possible virality effect
- Plan, execute and measure virality to achieve real growth.

05

- Update marketing plan
- Put appropriate information system to collect and process data to monitor the metrics



## Influencer Marketing

- The process of creating awareness and trust on your brand through endorsement by internet celebrity or other persona.
- It involves unique contents and paid media. Thus, it is a hybrid of traditional advertisements and content marketing using the internet.
- Influencer are usually anybody with a large fan-following and need not be an entertainment celebrity. It can be an ordinary person with YouTube channel showing particular popular knowledge. The person can endorse a particular product just by using it in his/her content. So, it becomes natural choice for the viewers to trust that brand. Thus, influencers may be product-specific.
- <https://www.nytimes.com/2019/03/01/business/media/social-media-influencers-kids.html>



## Customer Engagement

- **Customer Engagement is the emotional connection between a customer and a brand. Highly engaged customers buy more, promote more, and demonstrate more loyalty. Providing a high-quality customer experience is an important component in your customer engagement strategy.**
- **Customer engagement is an interaction between an external consumer/customer (either B2C or B2B) and an organization (company or brand) through various online or offline channels**
- **AI-powered recommendation systems are boosting engagement for Pinterest.**

## A 7-year-old boy is making \$22 million a year on YouTube reviewing toys



- Surely the envy of elementary-school kids worldwide, the YouTube star reviews new toys in videos that his family produces.

Ryan ToysReview took the No. 1 spot this year (2018) on Forbes' annual list of the highest-earning YouTube accounts, up from 8 last year.



## Hype before launch so that your customer start buzzing on social media

- A video teaser
- Give a sneak-peak
- Tell a captivating story – say you start a chain of coffee shops
- Create a hashtag (catchy) for interested people to follow the developments and invite them to retweet the hashtag.
- Be creative on a promotional schemes.
- Start a Blog
- A short video in the youtube: Video shows visuals and is effective [dollarshavingclub, dropbox)
- Influencer : Reebok with Chetan Bhagat
- Yezdi bike
- Mahindra Thar
- Apple iPhone



## Conclusion:

**Tell readers in a persuasive way everything they need to make a decision.**

**Try writing the plan yourselves involving key team members, and you will have better grip on key issues.**

**Investors are mostly concerned about cashing out. Show them how your business is poised in this regard.**

**Make your document *easy to skim* by using headings, subheads, graphics and lists.**

**Do not disparage competition. Deep understanding of competitors is as important as your value proposition. Understanding weaknesses in your business model is equally important.**

- ❑ HBR book: Entrepreneur's Handbook – Everything You Need to Know to Launch and Grow Your New Business
- ❑ Robin Bruce <https://www.forbes.com/sites/robinbruce/2017/03/17/building-your-entrepreneurial-story/#507b2a9211a9>
- ❑ Matthew Record (2010). Writing a Business Plan, HowToBooks
- ❑ Covello, J. A., & Hazelgren, B. J. (1995). Your first business plan. Sourcebooks Inc.
- ❑ McKeever, M. (2016). How to write a business plan. Nolo.
- ❑ Finch, B. (2013). How to write a business plan (Vol. 35). Kogan Page Publishers.
- ❑ Vaughan Evans (2015). Essential Guides – Writing a Business Plan, Financial Times
- ❑ Praag C. M. Van, and P. H. Versloot (2007). ***What is the value of entrepreneurship? A review of recent research***, Small Business Economics, Vol. 29, pp. 351–382
- ❑ Rajiv Shah, Zhijie Gao, Harini Mittal (2015) **Innovation, Entrepreneurship, and the Economy in the US, China, and India** – Elsevier
- ❑ Sean Ammirati (2016) **The Science of Growth: How Facebook Beat Friendster—And How Nine Other Startups Left the Rest in the Dust**, St. Martin's Press.





*Thank You*

## Distinction Between Business Model and Business Plan

**Business model is the business that is taken up to solve a problem of a customer segment through superior value proposition and deliver the value in a competitive way to create wealth for the stakeholders.**

**Suppose you want to start a business to manufacture and sell e-bikes. Your business model is to manufacture and sell e-bikes with a value proposition to maximize customers' satisfaction and create an increasing and repeatable loyal customer base for sustainable growth and profit.**

**The value proposition includes meeting the needs of your target customers, offering superior value for their money compared to competitors, convenient delivery of the bikes, and ensuring pleasant experience of using the product, offer satisfactory aftersales service and such.**

# Distinction Between Business Model and Business Plan ... cont'd.

Business plan on the other hand is a description of the business model.

**Business plan** is a document that delineates the detailed execution plan of the business model, its SWOT analysis, USP, its team, business process management, what are its strategies to be and remain competitive, how it will acquire and retain increasing number of customers, and what will be its financial performance.

Business plan also states how it plans to create value for its investors.