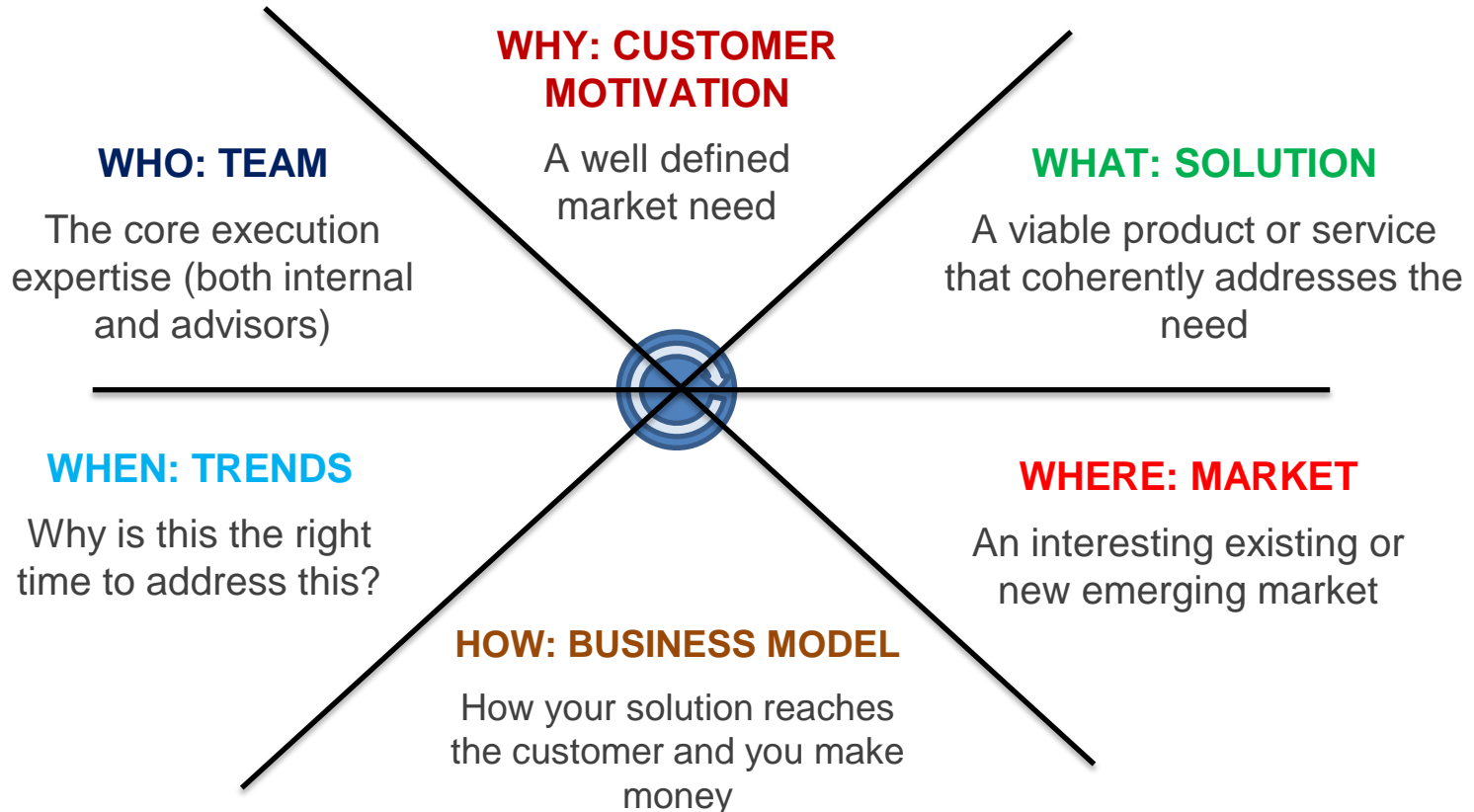


# Business Plan

# The Business Definition

- The offer—*what* will the business offer the customers?
- Target market—*who* will it serve?
- Production and delivery capability—*how* will it provide the products and services it sells?



## Opportunity Assessment Framework

# Types of Business/Business Model

- **Manufacturing**—makes tangible products and sells them through distributors or directly
- **Wholesale**—buys in bulk from manufacturers and sells smaller quantities to retailers
- **Retail**—sells individual items to consumers
- **Service**—sells expertise/entertainment and/or time and resources to consumers

## Business Model

- How a business competes, uses its resources, structures its relationships, interfaces with customers, **and creates value** to sustain itself on the basis of the profits it generates
- The term “business model” is used to include the key activities that define how a firm **competes in the marketplace**

# How Business Models Emerge

## The Value Chain



The business model is the logic that will allow a venture to:

- Capture the market opportunity;**
- Mitigate risks;**
- Identify the required resource set; and**
- Create value for investors and founders.**

Entrepreneurs look at the value chain of a product or a service to **pinpoint** where the value chain can be made more effective or to spot where additional **“value”** can be added

This type of analysis may focus on:

- A single **primary activity** such as marketing and sales

- The **interface** between one stage of the value chain and another, such as the interface between operations and outgoing logistics

- One of the **support activities**, such as human resource management

# Mission, Vision, Culture

- **Mission** : concise communication of strategy with business definition and competitive advantage
- **Vision** : overall view of what the team wants the organization to become
- **Culture** : environment including risk tolerance and innovation, orientation with respect to people, teams and outcomes, attention to detail, and communication norms

- What is the nature/mission of new venture?
- Why is it a good idea?
- What are the founder's goals?
- How much will it cost?



# Redefining Mobility in India

**Integrate city transportation for customers and driver partners onto a mobile technology platform**



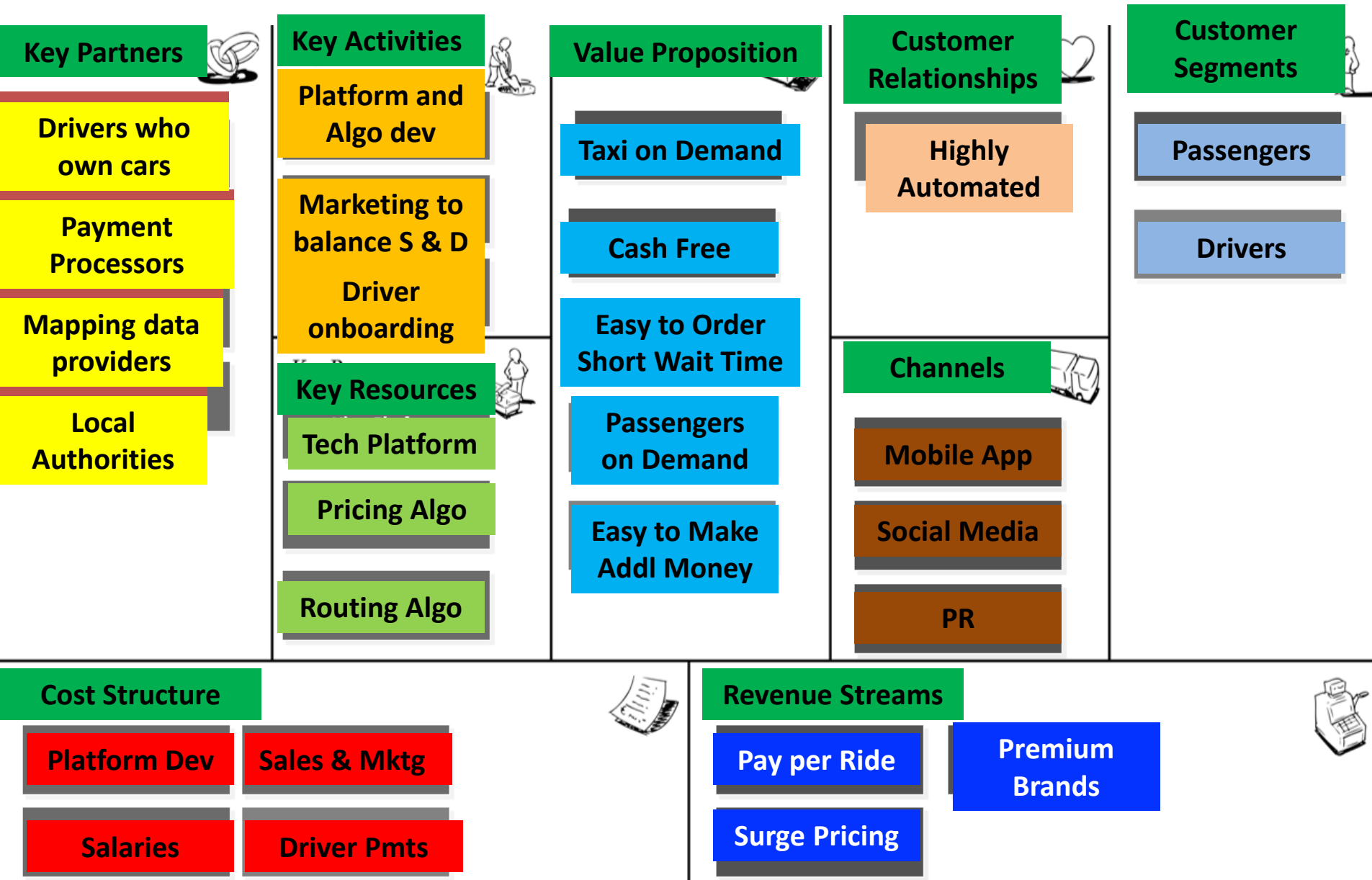
**Ensure convenient, transparent and quick service fulfilment using technology to make transportation hassle free for everyone**



**Empowered hundreds of thousands of driver-partners as entrepreneurs, by building an ecosystem encompassing financing institutions, car manufacturers, service providers etc. for drivers to grow professionally and personally as well as a consistent earning opportunity for them on the Ola platform.**



# On Demand, Real-Time Taxi Service



# Elements of a Business Plan

- A document that sets out the basic idea underlying a business and related start-up considerations
  - Identifies the nature and context of the business opportunity
  - Presents the entrepreneur's approach to exploiting the opportunity
  - Identifies factors affecting the venture's success
  - Serves as the entrepreneur's tool for raising capital

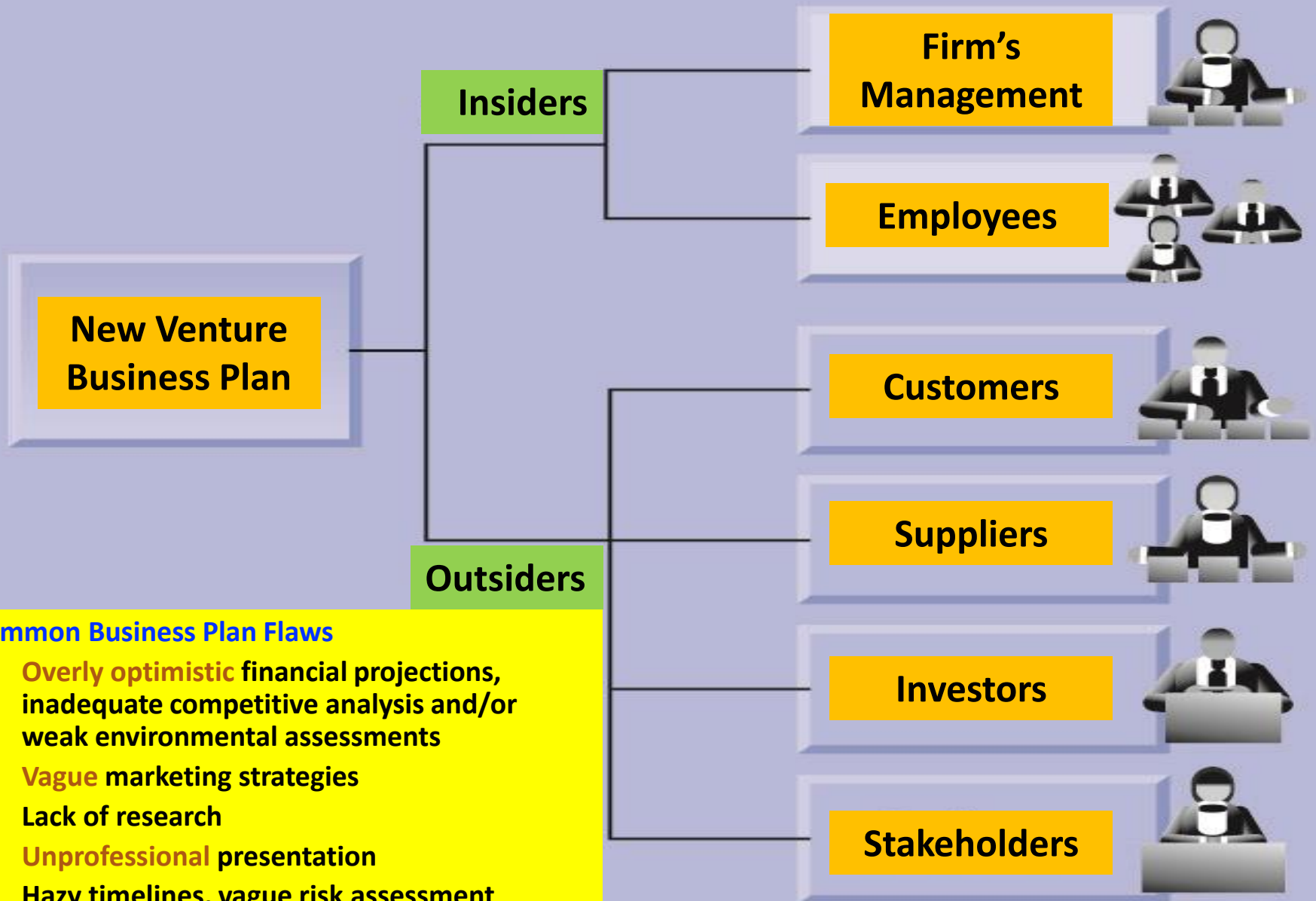
**Writing a business plan is an ongoing process, not just the means to an end product or outcome**



# Primary Functions of a Business Plan

- To provide a clearly articulated statement of **goals and strategies** for internal use
  - Imposes discipline on the entrepreneur and management team
- To serve as a **selling document** to be shared with outsiders
  - Provides a credible overview for prospective customers, suppliers, and investors
  - Helps secure favourable credit terms from suppliers
  - Opens approaches to sources of financing

# Users of Business Plans



## Common Business Plan Flaws

- **Overly optimistic** financial projections, inadequate competitive analysis and/or weak environmental assessments
- **Vague** marketing strategies
- Lack of research
- **Unprofessional** presentation
- Hazy timelines, vague risk assessment

# Business Plan Overview

- Title Page
- Table of Contents
- Executive Summary
- Mission Statement and Goals
- Company Overview
- Products and/or Services Plan
- Marketing Plan
- Operating Plan
- Financial Plan
- Management Plan

## Appendix of Supporting Documents

**Resumes; Detailed financial projections; Product specifications, photos; Advertising & promotion samples; Contracts; Other supportive materials**

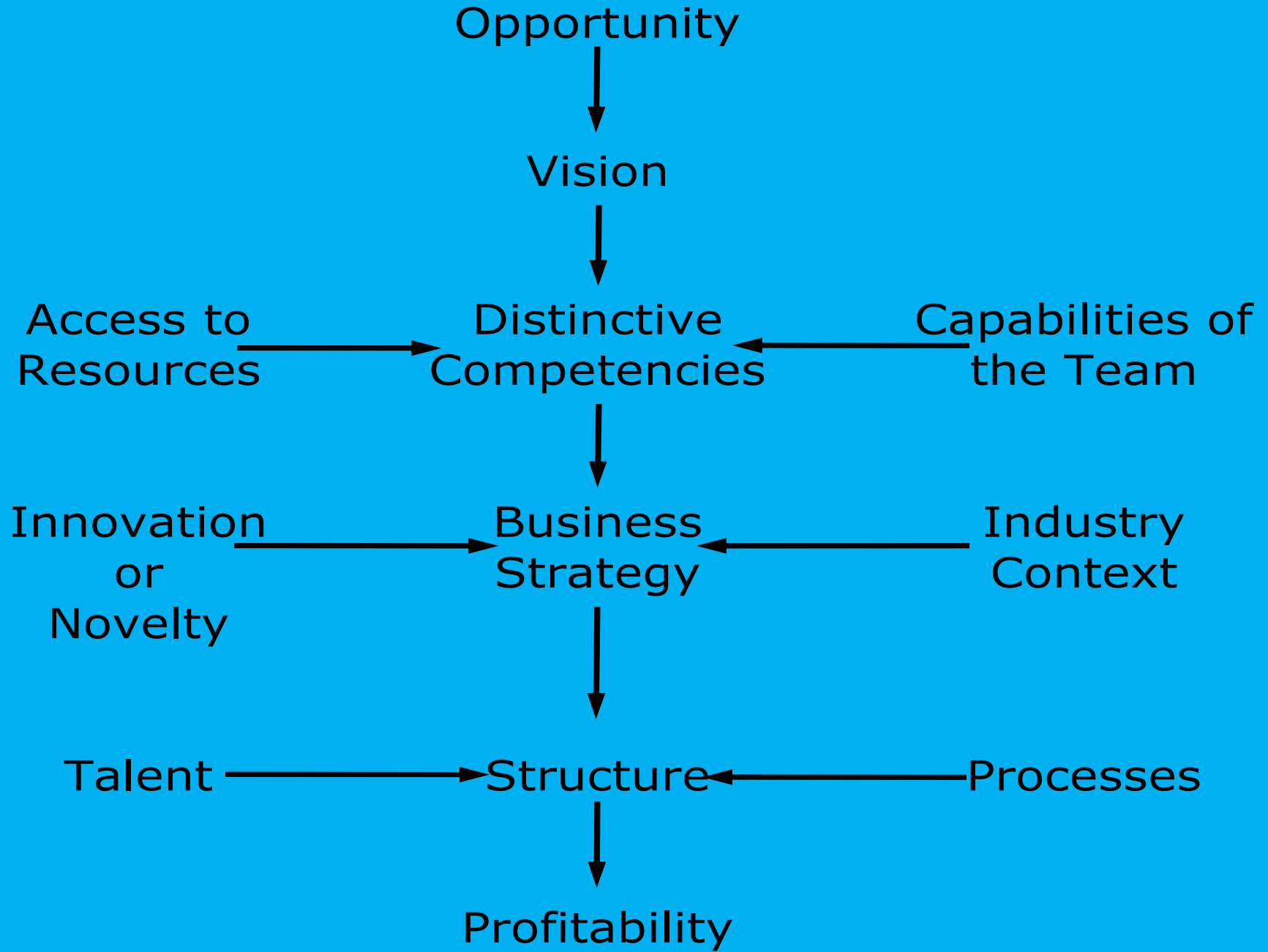
# Specialized Plans within the Business Plan

- **Products and/or Services Plan**
  - Describes the product and/or service to be provided and explains its merits
- **Marketing Plan**
  - Describes the user benefits of the product or service and the type of market that exists
- **Management Plan**
  - Describes the new firm's organizational structure and the backgrounds of its key players
- **Operating Plan**
  - Offers information on how the product will be produced or a service provided, including descriptions of the new firm's facilities, labour, raw materials, and processing requirements
- **Financial Plan**
  - Provides an account of the new firm's financial needs and sources of financing and a projection of its revenues, costs, and profits
    - Pro forma statements—Reports that project a firm's financial condition

# Research to Support the Plan

- Both primary and secondary research must be carried out by the writer of the business plan
- Secondary Research
  - secondary published sources
  - books, published reports, newspaper, journal articles, statistics databases, and Internet sites
- Primary Research
  - derived directly from people
  - experts in the field, professionals such as lawyers and accountants, industry contacts such as trade association representatives or suppliers and potential customers

# Building A New Business



# The Problem/Opportunity/Need

- Define the problem or need in the market
- Describe how significant or prevalent the problem may be
- If appropriate, describe why now is the right time for a solution
- Provide a “**problem**” **scenario** that provides a basis for your company’s product or service

# The Solution

- Clearly and succinctly describe the company's product or service that will address the problem
- Illustrate the company's solution with graphics, pictures or videos as necessary (keep this very simple)
- Provide brief list of features, benefits and advantages
  - What is the value proposition for the customer (How well will the product or service solve the problem)?
    - Cost savings, convenience, reliability, etc. (be specific)
- Describe "barriers to entry" created by your product (e.g., patents)

Features	Benefits



# Milestones Management

- Making financing decisions contingent upon completion of specific events (not dates) to make Go, No Go or Redirection decisions
- Avoid costly mistiming errors
- Revaluation of the entire venture
- Disciplining to a specific achievement

## Illustration:

- Completion of product development
- Completion of a prototype machine that costs no more than \_\_\_\_\_; with direct cost of \_\_\_\_\_;
- which can produce \_\_\_\_\_ items per day;
- Meets regulatory requirements and can be operated by \_\_\_\_\_ .

# Typical Milestones

- Formulation of the basic idea for the new venture
- Completion of prototype
- Raising seed capital
- Conducting pilot operations
- Market testing
- Start-up of operations
- Bellwether sale
- First competitive action
- First redesign
- First significant price change

# Stage-wise Requirements of Funds

<u>Stage</u>	<u>Milestone = Expected Outcome</u>
Seed	Formulation of initial team
Series A	Product development completed
Series B	Product test and customer acceptance proven
Series C	Launch product into market

# Common Gaps in Business Plan

- Solutions or technologies looking for a problem
- Unclear or incomplete business model and value proposition
- Incomplete competitor analysis and marketing plan
- Inadequate description of the uncertainties and risks
- Gaps in capabilities required of the team
- Inadequate description of **revenue and profit drivers**
- Limited or no description of the **metrics of the business**
- Lack of focus and a sound mission
- Too many top-down assumptions such as “**we will get 1 % of market share**”
- Limited confirmation of **customer demand or pain**

# **The Ten Topics that a Venture Capitalist Cares About**

- **Problem/opportunity**
- **Your solution**
- **Business model**
- **Underlying magic/technology**
- **Marketing and sales**
- **Competition**
- **Team**
- **Projections and milestones**
- **Status and timeline**
- **Summary and call to action**

# What VCs look for

## Mindset

- Staying power
- Ability to handle risk
- Verbal ability
- Detail orientation
- Compatible personality

- Market assessment is initial focus
- Customer market validation next
- Team references and resumes critical

## Past Experience

- Market knowledge
- Track record
- Leadership

### Secondary:

- Financials and assumptions
- Corporate structure and legal docs
- Patent applications

Show that you have “skin in the game”

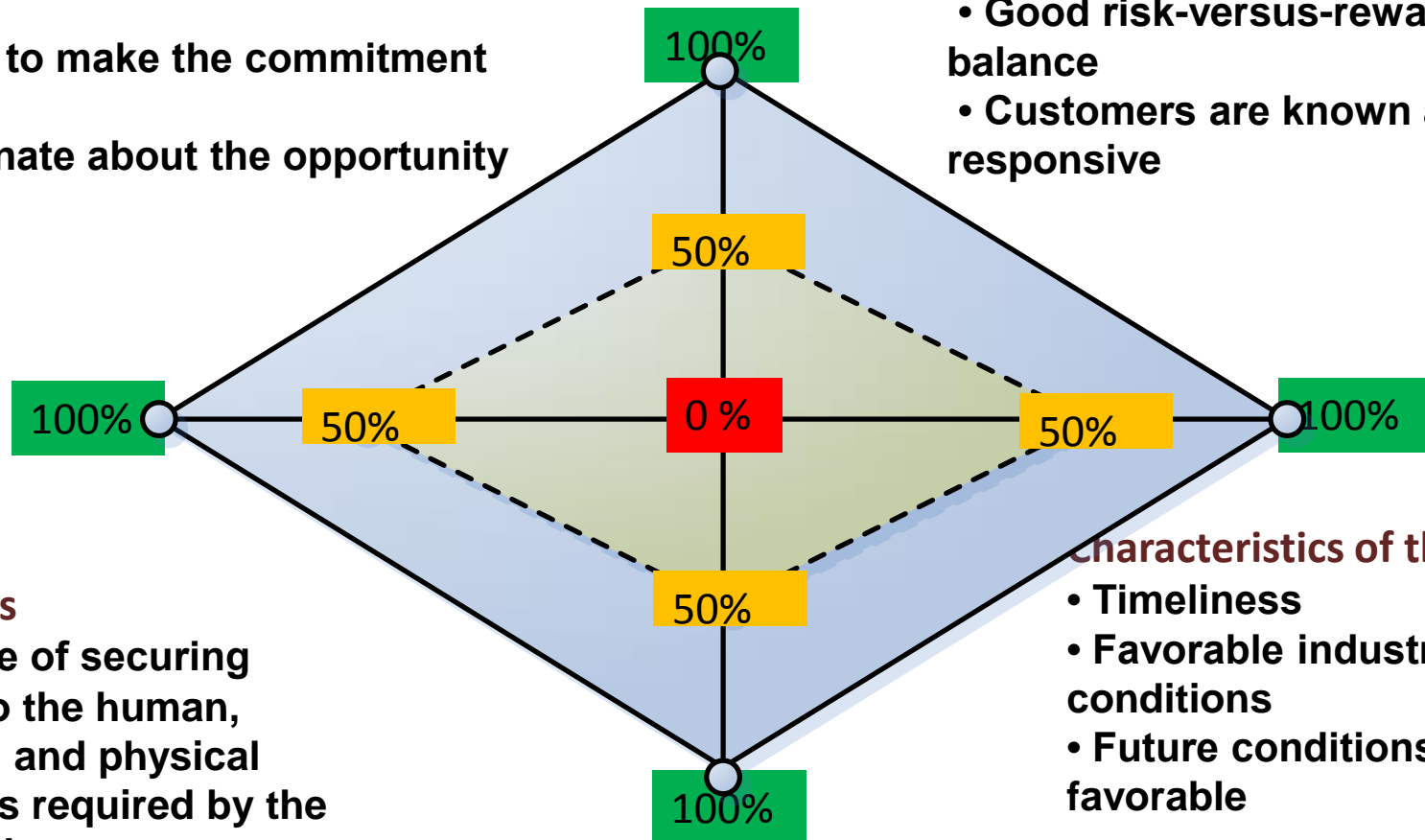
# Opportunity Potential

## Characteristics of Entrepreneurial Teams

- Positive attitudes towards independence, achievement, and innovation
- Acceptance of risk and demanding work effort
- Capabilities matching the needs of the venture
- Willing to make the commitment required
- Passionate about the opportunity

## Characteristics of the Opportunity

- Novelty of the product
- Potential for sustainable long-term success
- Potential for good return on investment
- Potential for a growing market
- Good risk-versus-reward balance
- Customers are known and responsive



## Resources

- Capable of securing access to the human, financial, and physical resources required by the opportunity

## Characteristics of the Context

- Timeliness
- Favorable industry conditions
- Future conditions appear favorable

# **A Sample Ten-Slide Presentation**

- **Company name, presenter name, contact information**
- **Description of the problem: the need and the market**
- **Solution: the product and its key benefits**
- **Business model and profitability**
- **Competition and strategy**
- **Technology and related processes**
- **Marketing and sales plans**
- **Leadership team and prior experience**
- **Financial projections summary**
- **Current status and funds required**

**10/20/30 Rule**

**10 : Slides  
20 : Minutes  
30 : Font**



# Final Assignment

# Customer Interaction

- Spell out your idea
- Describe the pain of the customer (or the customer's customer)
- Outline how the customer addresses the issue today
- List the customers you have contacted
- Summarize the responses to your queries
- List out specific areas which need to be addressed
- Describe the options you considered to meet their requirements

# Your Solution

- Demonstrate your value proposition to make the customer's life better
- Show where your product physically sits
- Provide use cases

## Positioning Statement

- What are you developing?
- For Whom?
- What Value are you bringing?
- Benefits in practical terms:
  - In Use
  - In Cost

Problem-  
Solution  
Fit

**TAGLINE**

- For (target customer)
- Who (statement of need of opportunity)
- That (statement of benefit)
- Differentiation
- Unlike (primary competitive alternative)
- Our Product (Statement of Primary differentiation)

# Product

- Product line-up (form factor, functionality, features, intellectual property)
- Roadmap: Definition and architecture
  - Development and Operations Plan
- Highlight specific values being offered to the customer

**Looks Like:**

**Feels Like:**

**Works Like:**

## Product Market Fit

Five Values offered to a customer

1. Product: Performance, quality, features, brand, selection, search, easy to use, safe
2. Price: Fair, visible, consistent and reasonable
3. Access: Convenient, location, nearby, at hand, easy to find, in a reasonable time
4. Service: Ordering, delivery, return, check out
5. Experience: Emotional, respect, ambience, fun, intimacy, relationships, community

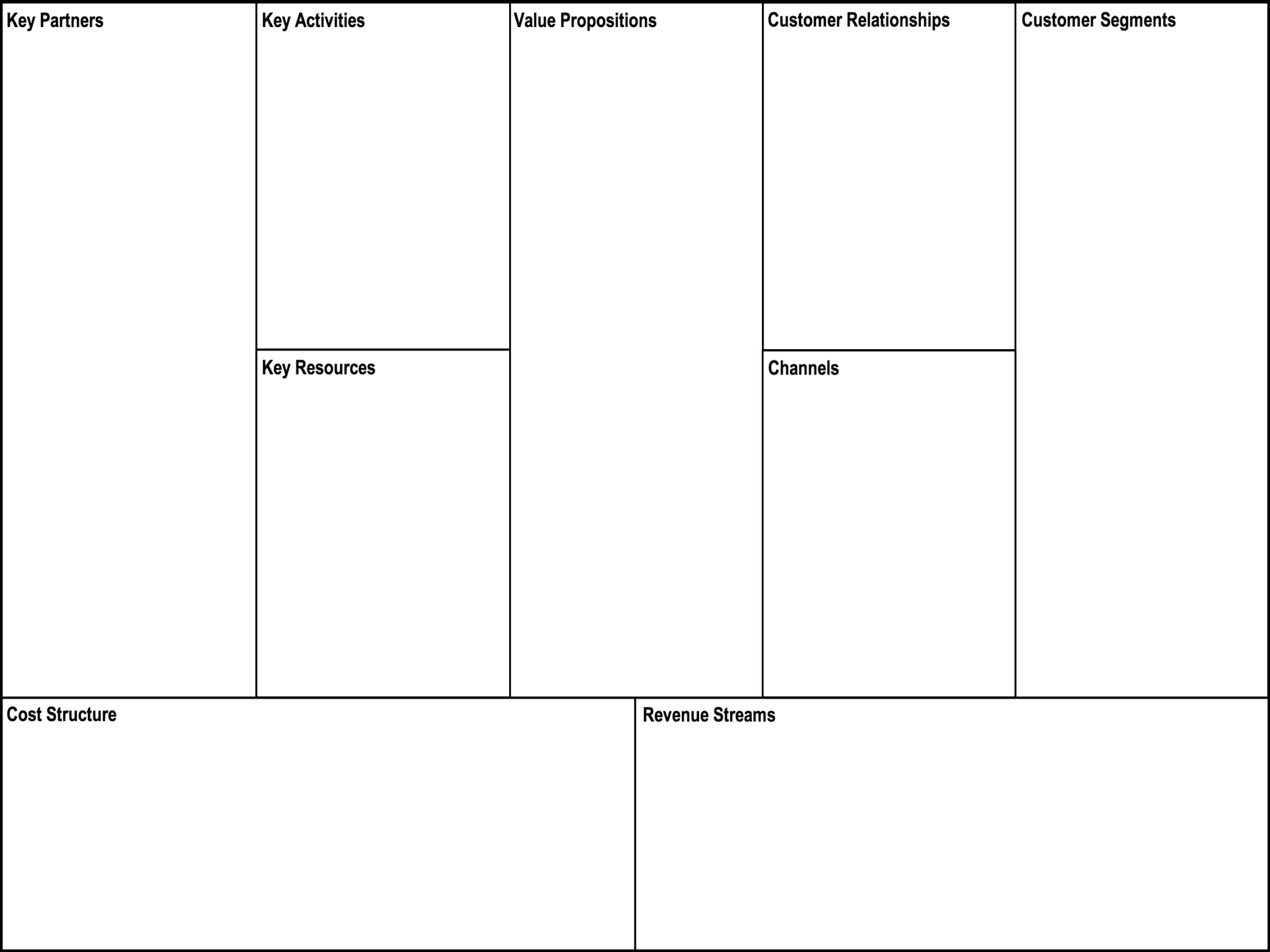
# Customer Validation

- Customer response for the final product/solution

Features	Benefits

- Expected customer profile and size
- Expected time to launch
- Expected revenue

**Thank You**



### 1. Problem:

Find 3 main problems you are addressing

### 2. Customer segment:

Identify who has the problem, define target customers and users

Early Adopters: find a small niche that is having the biggest problem, the ones that suffer the most (early adopters)

Existing Alternatives: Find out how they (Early Adopters) are solving the problem now

### 3. Unique Value Propositions (UVP):

Define your UVP based on the today's alternative, what makes your product more efficient, a single and compelling sentence that makes everybody understand why you are far better (your features need to be compelling to the customers' needs, other ways are irrelevant to clients).

The UVP may be:

- Quantitative- price and efficiency
- Qualitative- overall customer experience and outcome

The UVP MUST be stated in terms of Benefits, not product features

### 4. Solution:

Outline the main features of your solution. When your features are similar of the ones of the competitors, this is an equality. What matters are the points of difference! What you do, that the others do not do and is what matters to the clients.

### 5. Unfair Advantage:

What is it that gives you an advantage in front of the competition? Something that can't be easily copied or bought.

### 6. Channels:

How will you reach your customers.

### 7. Cost structure:

Which will be the main costs when the solution is ready for the market (e.g. customer acquisition costs, distribution costs, hosting, people etc).

### 8. Key Metrics:

Key activities you will measure to track the success (e.g. units sold, users registered, retaining users, paying customers, number of complaints ...)

### 9. Revenue Streams:

Which will be the main revenue streams when the solution is ready for the market (e.g. direct sales, licensing, pay per use, etc)