



Software Product Management

Business plan

BITS Pilani

Nandagopal Govindan

Contents



- Purpose of business plan
 - Contents of a business plan
 - What investors look for
 - Example: Airbnb pitch
-

Purpose



- The business plan is a tool to think through different aspects of our business, identify issues and remedial measures.
- It is also used to secure finance from Venture capitalists.

Contents of a business plan: Typical



- Executive summary
 - Product & its value
 - Market size
 - Competition
 - Marketing strategy
 - Operational plan
 - People strength
 - Financial forecasts
 - Key risks & mitigation plan
 - Conclusion
- Appendices
-

Product & its value



- Product-Market-fit
 - Customer segment
 - Problem / Under-served need
 - Solution / Value proposition
- Goal (SMART)
Example:
 - To be the most children-centric provider of online stories in the next 5 years
 - Achieve a C-Sat rating of 4.5 / 5 in 5 years

Market size



- Available market and addressable market (people to whom you can reach out to and serve)
- Example:
 - Instrument to help throat cancer patients to speak after their throat surgery.
 - 30,000 patients a year are diagnosed with cancer of the larynx in India



Dr. Vishal Rao

(<https://www.bbc.com/news/business-41969801>
<https://www.thebetterindia.com/41251/dr-vishal-rao-affordable-voice-prosthesis/>

What is the market size for

- a) Online children stories
- b) Online library of BE student books
- c) Product recommendation & consulting business

Competition



- Who are the competitors
 - Their revenue
 - Their Growth
 - Their Strategy – main focus of their strategy, pricing policy, sales pitch
-

Who are the competitors who impact the addressable market?

- a) Online children stories
- b) Online library of BE student books
- c) Product recommendation & consulting business

Marketing strategy



Different aspects of marketing strategy:

- Create awareness about the product (Ex. Press release, SEO)
 - Create a set of high profile reference customers (Ex. Kissflow)
 - Differentiate on quality, simplicity, price, service
-

What would be your marketing strategy for:

- a) Online children stories
- b) Online library of BE student books
- c) Product recommendation & consulting business

Operational plan



- Product development plan
 - Release milestones
 - Service and support plan
-

What is your release plan for

- a) Online children stories
- b) Online library of BE student books
- c) Product recommendation & consulting business

What is your customer support & service plan for

- a) Online children stories
- b) Online library of BE student books
- c) Product recommendation & consulting business

People strength



- Experience of Management staff
 - Management experience
 - Domain knowledge
 - Experience of Technical staff
 - Experience of Marketing staff
-

What type of skills & resources do you need to develop this product?

- a) Online children stories
- b) Online library of BE student books
- c) Product recommendation & consulting business

Financial forecast



- Sales forecast
 - Break-even analysis
 - Profit & loss projections
 - Cash flow projections
 - Balance sheet forecast
-

Sales forecast



Year	# of customers	Revenue (\$)
2021	1,000	10 Million
2022	3,000	30 Million
2023	10,000	100 Million

Break-Even Analysis



Example of break even



Exercise in Break even



What costs will we be incurring each year in developing and marketing this product?

- a) Online children stories
 - b) Online library of BE student books
 - c) Product recommendation & consulting business
-

What revenues can we expect each year from this product?

- a) Online children stories
- b) Online library of BE student books
- c) Product recommendation & consulting business

-
- When will be reach break-even?

Profit & Loss statement



Sales revenue
 less direct costs (labour, tools)
Gross profit
Gross margin (%)
 less depreciation
 less other overheads
Operating profit
Operating margin (%)
 plus other income
EBIT (Earning before income & Tax)
 less interest
PBT (Profit before tax)
 less tax
PAT (Profit after tax, aka Net profit)
Net margin (%)

Gives an idea about the revenue, expenses and profit or loss for a period.

Cash flow statement

Cash flowing in	Cash flowing out
<ul style="list-style-type: none">• Receipt of cash from sales (may be delayed due to payment terms)• Loans• Equity proceeds (sale of equity)	<ul style="list-style-type: none">• Rent & infrastructure expenses• Salaries• Repayment of loan• Purchase of equipment

Tells whether there is enough cash coming in to meet the expenses

Balance sheet example

lead

TEDDY FAB INC. BALANCE SHEET December 31, 2100

ASSETS

Current assets

Cash and cash equivalents	\$ 100,000
Accounts receivable	20,000
Inventory	15,000
Prepaid expense	4,000
Investments	10,000
Total current assets	149,000

Property and equipment

Land	24,300
Buildings and improvements	250,000
Equipment	50,000
Less accumulated depreciation	(5,000)

Other assets

Intangible assets	4,000
Less accumulated amortization	(200)

Total assets **\$ 472,100**

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accounts payable	\$ 30,000
Notes payable	10,000
Accrued expenses	5,000
Deferred revenue	2,000
Total current liabilities	47,000

Long-term debt 200,000

Total liabilities **247,000**

Shareholders' Equity

Common stock	10,000
Additional paid-in capital	20,000
Retained earnings	197,100
Treasury stock	(2,000)

Total liabilities and shareholders' equity **\$ 472,100**

Talks about assets, liabilities and equity on a specific date

Risks and mitigation plan



What risks do you see in this product business?

- a) Online children stories
 - b) Online library of BE student books
 - c) Product recommendation & consulting business
-

Risks and mitigation plan



How do you plan to address these risks?

- a) Online children stories
 - b) Online library of BE student books
 - c) Product recommendation & consulting business
-

Risks & mitigation plan



Example

#	Risk	Impact	Probability	Score	Mitigation plan
1	Competition may come up with a similar product	High (9)	Low (2)	18	a) Keep a close watch on the market b) Differentiate by addressing needs of a subset of the market
2	We may need more number of iterations to prove MVP	Medium (5)	Medium (5)	25	a) Study the market deeper b) Identify 5-6 customers to work closely during MVP testing phase c) Create rough working models to save on time

What investors look for in the business plan



- Is there real value in the product?
 - Is there a good growth potential?
 - Does the team have the ability to deliver?
 - Is the plan good enough?
 - Are the financial projections realistic?
-

Example Business plan: AirBnB



AirBnB pitch

- What are the strengths of this business plan?
 - How can this plan be improved?
-

Appendix

