

Entrepreneurship Essentials
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Lecture - 42
Business Plan – I

Welcome. This session we are going to talk about Business Plan. Let us start with a story maybe. Suppose you have identified a pin point that is farmers in India are dying because of spraying pesticides manually. Even those people who are dying they do not realize that they die because of manual spraying of pesticides.

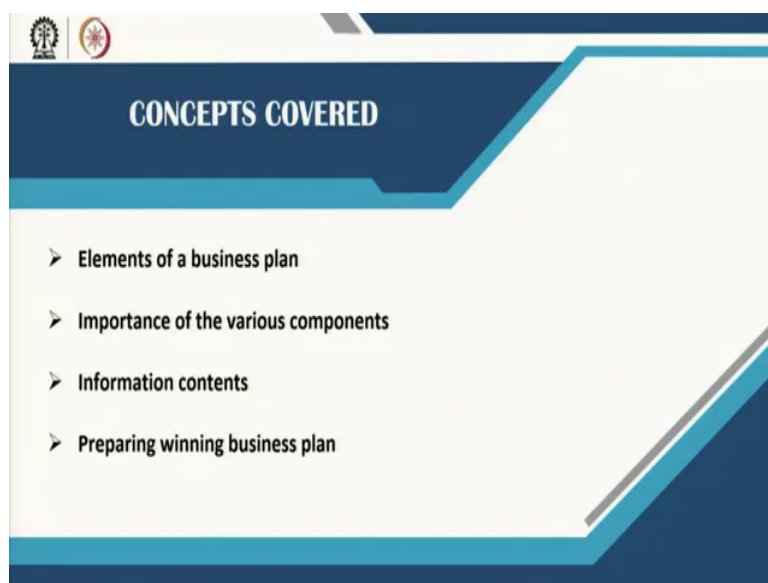
The true statistics is like this. 90 percent of death due to pesticides; a spraying of pesticides happen in developing countries even though the developing world use only 25 percent of the pesticides. It happens because here in the developing world this is done manually. Whereas, in the western countries is done through some kind of aeroplane, where they will be flying over the land and spraying that.

So, this is the pin point and you have identified that and you have actually developed you have not built, but you have assembled drone with a cylinder fitted at the bottom with pesticides. And you have tested that it actually works and then, you have your business model is like this.

You want to go on a entrepreneurship model for execution. Like in every village you want to identify an entrepreneur some educated unemployed youth, you are going to give the drone to them they are going to operate and you will have a revenue sharing of say 40, 60. 40 percent yours 60 percent theirs and gradually the drone will become theirs and at some point of time the revenue can be lower. So, that they have interests in executing the business more efficiently.

Now, you have done a pilot in a village, where farmers could immediately understand realize the benefit.

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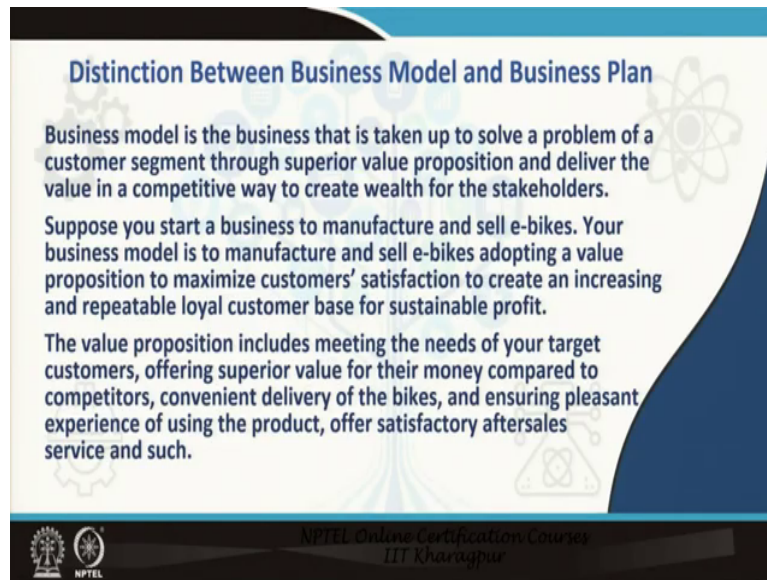


You want to you have shown them that for a spraying pesticide in a patch of land of say half acre of land or so, it requires 1 man-hour. Whereas, they do not have to really pay 1 man's 1 days wage for availing this service. And that makes it economic if there are at least 200 farmers per entrepreneur or per drone. So, it is profitable for the farmer it is healthy for the farmers. And you have reduced the risk by going through this entrepreneurial model, you do not have to go to every village and spread that. Or you do not have to really sell as it is means as drone you can you have a collaborative arrangement. So, it is kind of a collaborative consumption.

Then, you have made an arrangement with drone suppliers say from Japan and then it comes in not in a knockdown condition, but you assemble the components. In order to get advantage of lower customs duty for components rather than ready built. And you have some arrangement with an American company for operating system and the control mechanism

etcetera. So, everything is almost in place. Now, you have to buy a lot of drones for which you are here pitching before investors.

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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 start a business to manufacture and sell e-bikes. Your business model is to manufacture and sell e-bikes adopting a value proposition to maximize customers' satisfaction to create an increasing and repeatable loyal customer base for sustainable 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.

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Now, there is some introductory slides on distinction between business model business plan we have already discussed this.

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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.

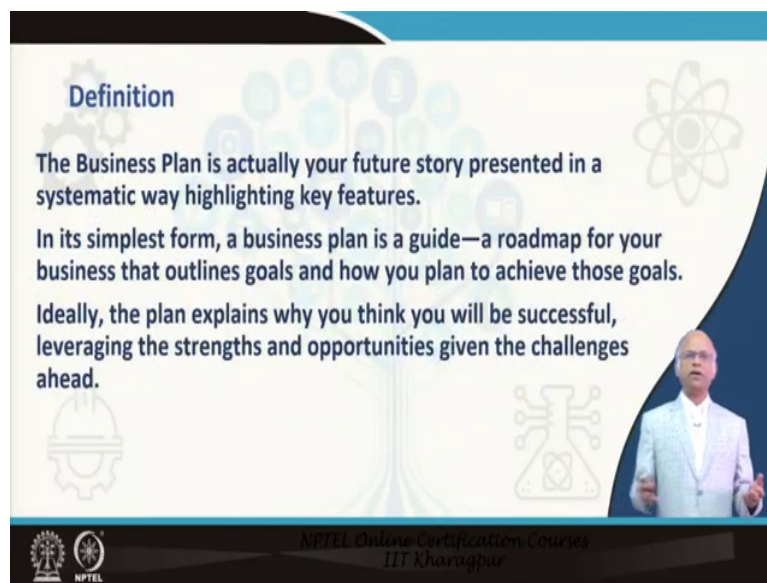
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So, I will not spend a lot of time on that. Business plan is a document that delineates the strength weakness and opportunities and threat of your business. It also explains the unique selling proposition, why you are more competitive compared to your competitors. Meaning what is your unique value proposition that gives you an edge over competitors that is your USP; that maybe product efficiency that maybe delivery, that maybe you have some unique competence core competence for which your cost of production is low something.

Now, for this drone business you have developed everything, it is a kind of a blue ocean market. A blue ocean market is where there is almost no competition of course, you do have competition here, you your competitors are the manually driven means human driven pesticide spraying mechanism wherein a person will be walking through the land and that has so, many disadvantage.

Most important disadvantage is that it takes a lot of time for a person to walk through the land. And then he may not have real trucking mechanism as to wherever he has already done and he walks through that land if he walks faster then he damages the crop. There are so, many disadvantages for manual spraying and then 1 man spent a full days of his means, he sacrificed a full days of wage for spraying a small patch of land where as he can pay 50 percent of that and earn 50 percent more by working somewhere and take your advantage.

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Definition

The Business Plan is actually your future story presented in a systematic way highlighting key features.

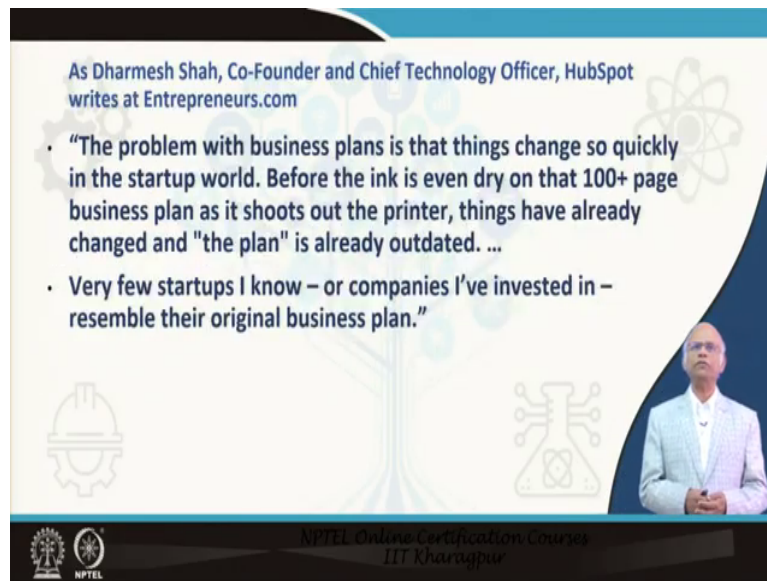
In its simplest form, a business plan is a guide—a roadmap for your business that outlines goals and how you plan to achieve those goals.

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

The slide features a speaker in a light blue suit on the right side. The background is white with blue accents and faint icons of a gear, a tree, and a chemical flask. The NPTEL logo is visible in the bottom left corner.

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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.”

The slide features a background with faint icons of a hard hat, a tree, and a circuit board. A speaker in a light blue suit is visible in the bottom right corner. The NPTEL logo and text 'NPTEL Online Certification Courses IIT Kharagpur' are at the bottom.

So, moving forward. Most people actually criticizes business plan many people say that it is not necessary it is a useless document. Like say Dharmesh Shah, he tells that he made only one business plan in his life and that was in college when he was pursuing MBA. Whatever that is business is now changing very fast; that is what is there in this quoted con[text]-quoted texts that Dharmesh wrote in entrepreneurs dot com.

Things are changing so fast, that by the time you have prepared the business plan, business plan becomes redundant because things have changed figuratively speaking not so, so much. But then we prepare a business plan today then you pitch before somebody 6 months moving forward; obviously, it will not remain relevant. So, you have to really keep track of the things that is changing and you have to continuously update your business plan.

More importantly why people say is that business plan is useless is like this. Business plan is futuristic; meaning it is kind of whatever you were going to achieve moving forward, it is not historical. So, when you say something that you are going to perform is definitely going to change moving forward. So, whatever you plan today, it may not actually become the same moving forward. So, that also makes it slightly less relevant. But then, in absence of anything else when you have to talk to somebody and you have to present a rosy picture. You have to give an impression that, if you pay me money today I am going to return my business is going to return you three x 10 x or 20 x in 5 years or 7 years. You need something you need to give them a plan, a plan of action how you are going to make money?

Most important most people are not interested in your business plan detailed plan; because they know that it is not going to remain as it is. The one question that may that they may ask you at the end, is that I am not interested in your story show me the money. I am going to put a million dollar on you today where is my 10 million moving a 5 years hence can you show me that, something like that.

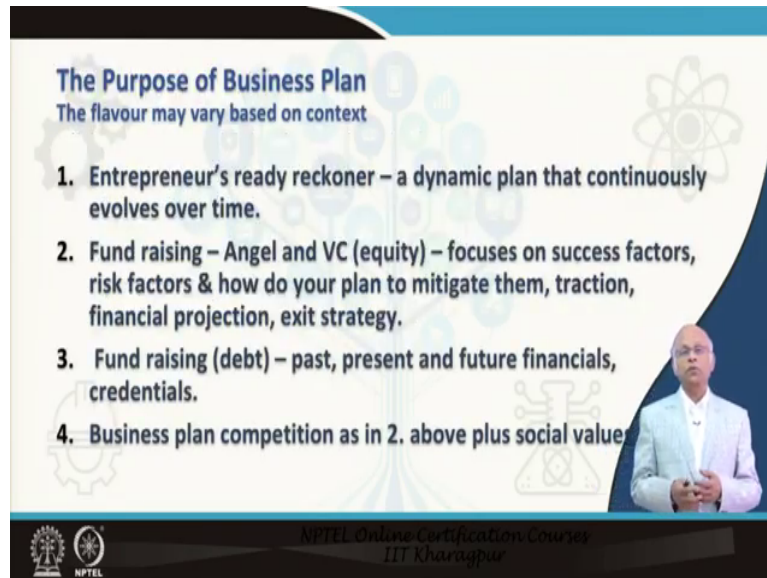
So, in a nutshell, you actually do not need a plan you need to convince people that you have really a wonderful plan of execution of a wonderful idea, with a wonderful team and you understand the market risk uncertainties and the competition. And you have a compelling plan a strategic plan to get over those uncertainties and win competition and be successful.

If you can convince that by 1 minute pitch, good enough without or with power point. 1 minute pitch is usually regarded as elevator pitch, concept is like this. Suppose you want to talk to Ratan Tata, Ratan Tata is has been investing nowadays in start up. Now, you try to set up an appointment you are not successful, then you watch him a where he does what it where he goes and what he does. You noticed that early in the morning he comes to office enters into elevator and then goes to 10th floor.

So, you identify that this is a time when he is free and nobody is bothering him. So, you enter with him in the elevator, then you say hello sir I have this business and then within a minute you make such a pitch that he becomes interested in your story. Chances are that when he will

go outside the elevator, he is going to tell you why do not you talk to my secretary and make an appointment. So, that is the purpose of elevator pitch, within the elevator you get a minute. So, within a minute you tell so, much that it that mister tata becomes interested in your story. So, that is it.

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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.
2. Fund raising – Angel and VC (equity) – focuses on success factors, risk factors & how do your plan to mitigate them, traction, financial projection, exit strategy.
3. Fund raising (debt) – past, present and future financials, credentials.
4. Business plan competition as in 2. above plus social value

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So, you have to be crafty; meaning you have to tell the things that will resonate with his interest his outlook it should be attractive to him. So, that he thinks that wow, this is a wonderful idea I would like to listen more. So, the primary thing about business plan, is to convey where do you come from means what is the background, what is the idea and why people have reason to believe that you are going to be successful.

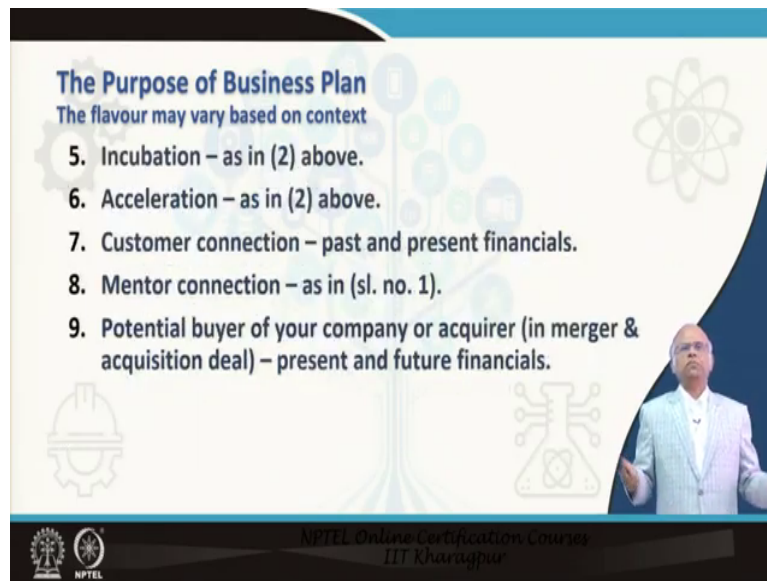
So, give the context that this is a time where when these things are happening. And we sit here right here and we offer this product or service and with this value proposition. And these

are the things that competitors provide that is. So, therefore, we have every reason to believe that customers will buy our product. And our cost structure is this our price is competitive compared to competitors.

So, you have a winning proposition, your audience would like to know only that much. Nevertheless, I have slides that shows systematically how to approach to a business plan. So, let us move forward why a business plan? There may be many reasons, but most important reason is, if you have a plan and if you can make it a one page canvas or something a dynamic document.

And you place it somewhere your entire team can read that and understand where you come from where are we headed to. So, that they become part of the whole story they have the same vision, same mission, same goal and every day you show where what we have achieved so far. So, they will be drawn in to your story and move forward together. Fund raising anybody interested who you want to be interested in investing in your company, you want to tell them a wonderful story and you want to show them the reason why they should invest in your company. They have 1000 more opportunities waiting for them to invest, why your proposition is better than 1000 others.

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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.

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Then there are business plan competition; you approach to incubator accelerator or even to customers. Sometimes you want to sell your companies.

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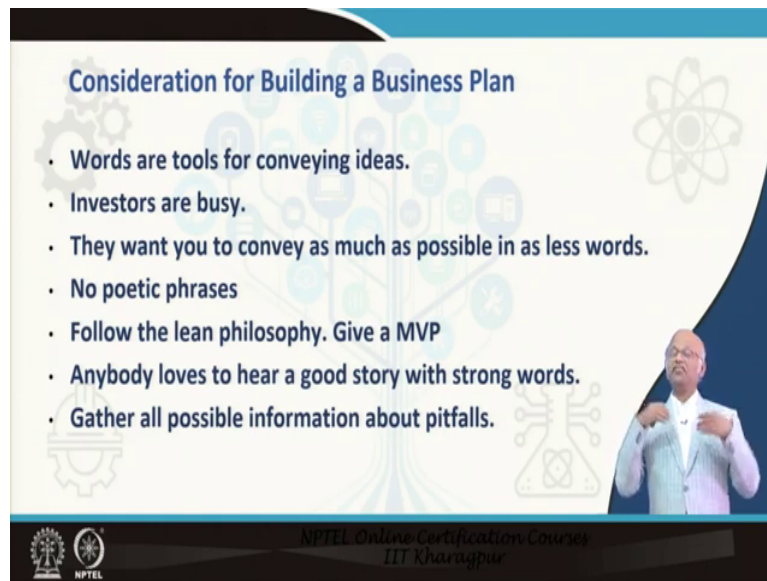
The Purpose of Business Plan
The flavour may vary based on context

- 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.

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So, potential buyers whatever is the motivation. Your audience would be interested to know how you navigate through challenges that will immerse on your way moving forward and you will emerge successful. That is the there is the whole succinct points you have to make. Your focus must be to bring to light the story of that journey how your planning to be successful.

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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 a MVP
- Anybody loves to hear a good story with strong words.
- Gather all possible information about pitfalls.

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And it should not be some imagination. It should be supported with some data to be trustworthy, you have you must have some credential, you must have achieved something. You have must have gain some traction. So, that people will start believing that ok, there are risk but risk can be averted.

So, what are to consider to achieve this? Storytelling you should know that words are the tools for conveying because, you are not going to take them to your plant or something make them part of the business process you are going to tell them. So, you have to and know that business all people are busy particularly investors, they have to listen to one thousand speeches. So, they do not have any time to really waste.

So, you have to be precise and tell them in precise words whatever will entice them into buying your story. Do not use poetic phrases follow the lean philosophy give them a

minimum viable prototype; meaning the most the least features, which are most important for them to make a decision. Anybody loves to hear good story with strong words. So, try to tell the whole thing in a story format.

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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.
- 2) **The opportunity** – what it will sell and to whom (what pain you alleviate with what efficacy: competitive advantages), how it will make money. The unique value proposition.
- 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?
- 4) **The risk and reward** – things that can go wrong and the potential gain if the team can do things right.

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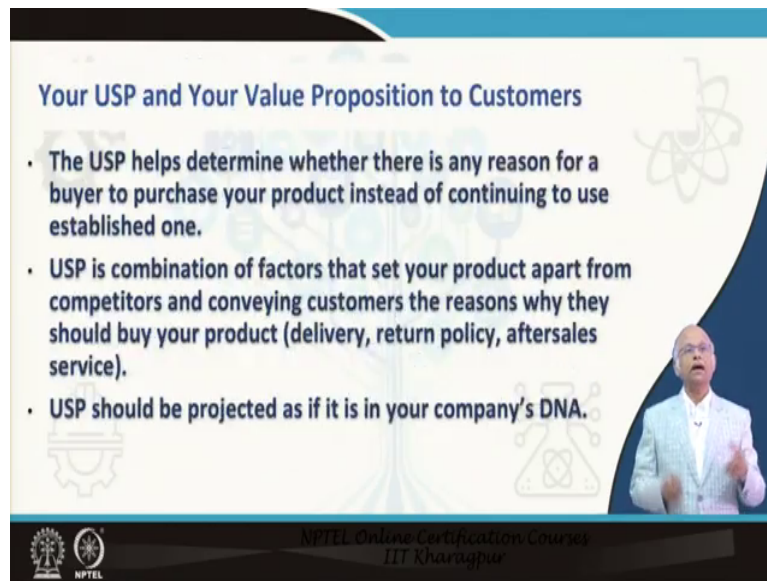
Particularly tell them about the negatives as well. The risk waiting for you, let them know that you are mindful about the risks which are waiting and you have comprehensive plan to get over those alleviate those. The factors critical too every new venture and they should receive the pride of place in a business plan are these 4. One is the people. As I said, anybody who would be willing to put money or some is taken your company, they will look for people, particularly founders and early employees. If you have mentors mention that because that also matters mentions. Mentors will handhold at times of crisis or they will give you the [FL] for achieving growth. Then there may be private directors, independent directors.

Then the opportunity what is the business model and how what kind of value superior value proposition you have created. And what is your unique selling proposition. So, that people will buy your product not competitors product. The context the big picture meaning why now, what has happened so, that everything together it makes a wonderful business sense. Bill Gross said timing is the most important factor for success of a business.

So, why is the time so, important now, and not 2 years back or 2 years moving forward why? Now, is the most important. The risk reward as I said if you try to suppress the risk thinking that this is a negative side of the business, your audience will think that you are not aware about the risk associated with your business.

So, there is every possibility that you will fail, when this risk will manifest in reality you are not prepared to handle that; because you do not know about them. So, you should rather talk about all the possible risk and how you are going to alleviate them so, that your audience understand that ok. So, you are prepared for all eventualities. And then, you tell them in numerical term that this is the money I am going to return you 5 x 10 x or whatever. So, what is the reward?

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Your USP and Your Value Proposition to Customers

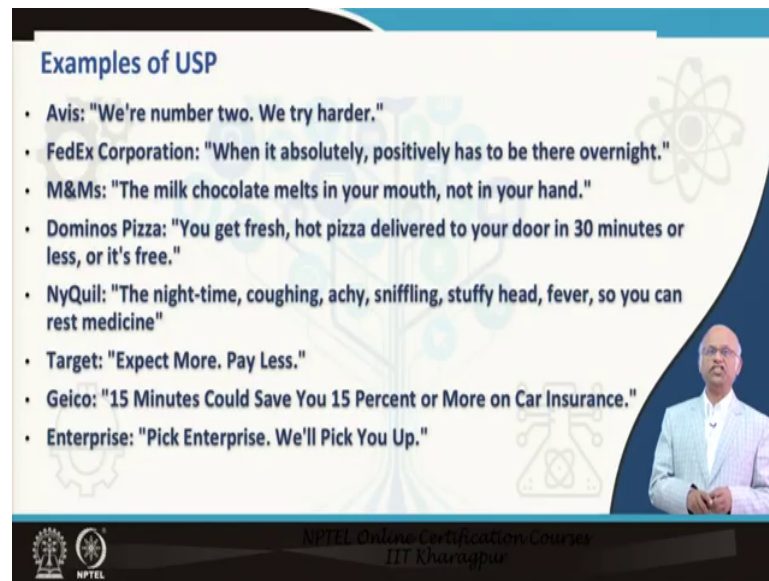
- The USP helps determine whether there is any reason for a buyer to purchase your product instead of continuing to use established one.
- USP is combination of factors that set your product apart from competitors and conveying customers the reasons why they should buy your product (delivery, return policy, aftersales service).
- USP should be projected as if it is in your company's DNA.

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So, all these 4 points are must be associated with your presentation. This is a definition of USP Unique Selling Proposition.

Why you think that you have a wonderful proposition superior proposition compared to competitors. Like is it the product quality? Is it the price that you have a handle on the cost? so, cost comes down so, you can sell at a lower price, is it the delivery, is it the return policy, is it the after sales service whatever is that this make a differentiation. And you think that this is unique and customers will have ample reason to think that this is wonderful characteristic or wonderful parameters for them to come to us.

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Examples of USP

- Avis: "We're number two. We try harder."
- FedEx Corporation: "When it absolutely, positively has to be there overnight."
- 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."
- NyQuil: "The night-time, coughing, achy, sniffing, stuffy head, fever, so you can rest medicine"
- Target: "Expect More. Pay Less."
- Geico: "15 Minutes Could Save You 15 Percent or More on Car Insurance."
- Enterprise: "Pick Enterprise. We'll Pick You Up."

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USP should be projected as if it is there in a in the company's DNA. Here is here are some examples of unique selling propositions. I will not read all of them just look at FedEx corporation, when it is absolutely positively has to be there overnight; meaning that, if you have to deliver overnight, trust nobody else, but FedEx; that is their unique selling proposition. That no matter what they are going to deliver in the next day overnight. So, likewise you may define your own unique selling proposition.

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Major Components of Business Plan

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

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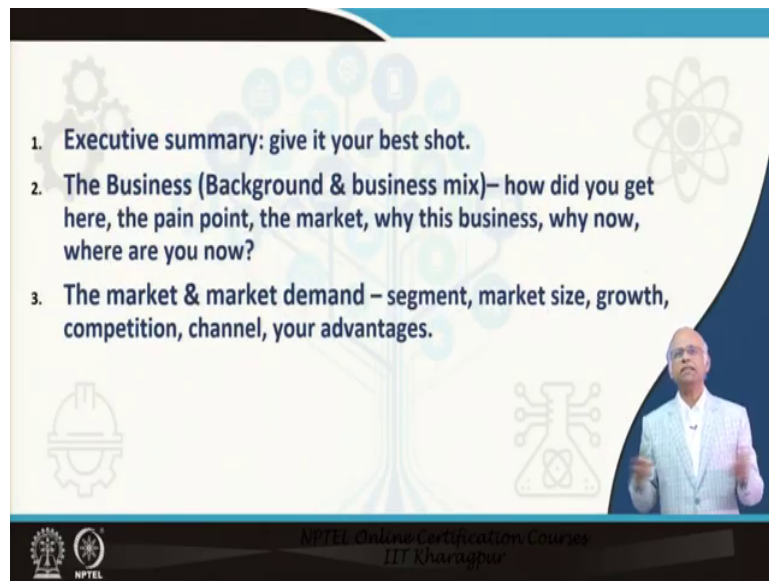
Now, the formal part of the business plan. There is a cover page most of the people say, cover page is important. Like in an interview your dress and your whole preparation like your hair style, your whatever you are wearing your cleanliness, tidiness is 50 percent of the interview. The other 50 percent is whatever you tell whatever you talk when a question is asked.

So, your dress and your other poise is 50 percent; likewise normally people regard a book with a cover page. So, when you prepare a business plan and if there is a hard copy even a soft copy, let there be a wonderfully designed cover page. Executive summary is the most important part of a business plan. Most important part I repeat because people are busy, particularly the investors are so, very busy, they do not have the time to go through 100 page of pages of business plan.

Chances are very high that they will read only the executive summary. But, if they are in if the executive summary draws their attention chances are very high that they will flip the pages and see whatever conclusion you have drawn. And then if they find that is also interesting, perhaps they will spend a lot of time to go through your entire plan. But if you fail to attract attention at the executive summary they will not even flip another page they will put it perhaps on the dustbin.

So, try to invest enormous time effort and all your creative talent to write the executive summary. Make a contents. So, after executive summary, if it is it becomes attractive to a to an audience, he or she will try to see whatever you have presented in the contents. So, he will read the contents then in the contents if there is something of interest and the page number is given they will go directly to that page number and see whatever is there. So, you are going to force them to navigate the way you want them to do, by placing it properly. Then comes detailed plan that will have many aspects we are going to discuss that conclusion some appendices executive summary.

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1. Executive summary: give it your best shot.

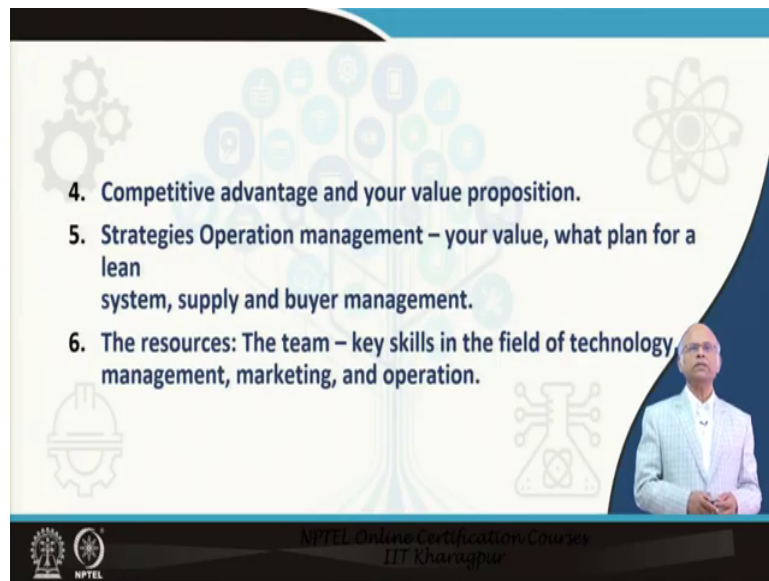
2. The Business (Background & business mix)– how did you get here, the pain point, the market, why this business, why now, where are you now?

3. The market & market demand – segment, market size, growth, competition, channel, your advantages.

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So, executive summary will talk about the entire business plan entire business model; what you are going to do, why you were going to do, why miss background and then why now, and the pin point what is the compelling necessity of this solution? Why do you think that customers require your business now? And what is the value proposition how you are going to acquire and retain customers market demand etcetera.

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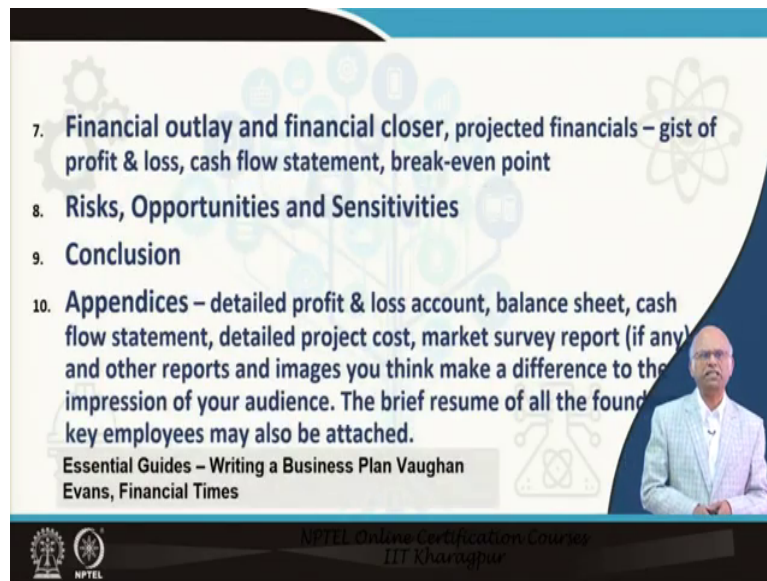
The slide features a central list of three points, a presenter in a light blue suit on the right, and several icons: gears, a tree with nodes, an atom, a hard hat, and a circuit board. The background is light blue with a dark blue curved border on the right.

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

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Then competitive advantage a strategies operating management: Lean system say what if you are planning for a lean, startup, process, supply and buyer management; the resources include the team the other natural resources or raw material.

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7. **Financial outlay and financial closer, 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 found key employees may also be attached.**

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

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Then, whatever you are doing for management of the business financial outlay. Meaning how much money you need and how much you are asking for, if you are asking for exactly what you need, that is called financial closer.

Then projected financial what your revenue model is how much money you are expecting to earn, then what amount of profit. You are going to make profit loss whatever you make a cash flow statement to show that you are not running out of cash moving forward. What is your break even when are you breaking even. Risk opportunities and sensitivities list of risk and then what is the opportunity. And with how sensitive your business is on price of your product price of raw material, interest rate, salary increase inflation; how sensitive is your business on all of that then a conclusion.

There will be appendices where containing the details that you do not want to show in the middle; because people will be kind of bored with all the details. Like detail profit loss account detail balance sheet, cash flow statement, project all those details should be saved and presented in appendices. In the main body of your business plan you should give only the gist mentioning thereby that the details are presented in appendix so and so.

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Many Templates. Fundamentally they are similar.
The Template of HBP.

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

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So, if you Google for business model something a template or something you will find hundreds of them if not thousands; all of them talk about almost the same thing. Like see it starts with a summary, then the business the background the business model per se. Market demand, competition strategy, resources financials and forecast risk opportunities and sensitivities which we discussed.

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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/>

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Here is the template that is presented by sequoia capital, sequoia is very active in India. Funding startups are Leicester's startups in particular. So, they like that you present it within 15 to 20 slides and these are the items company purpose why this company should exist, what is the problem that you are solving, what kind of solution it is, what is his strength why now, the context the market size will the market?.

Justify your existence will the market provide you sufficient growth moving forward competition. What product business model per se, then team then financials; like revenue model cost structure and then profit loss account and all that.

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Business Plan Outline - 23 Point Checklist For Success

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

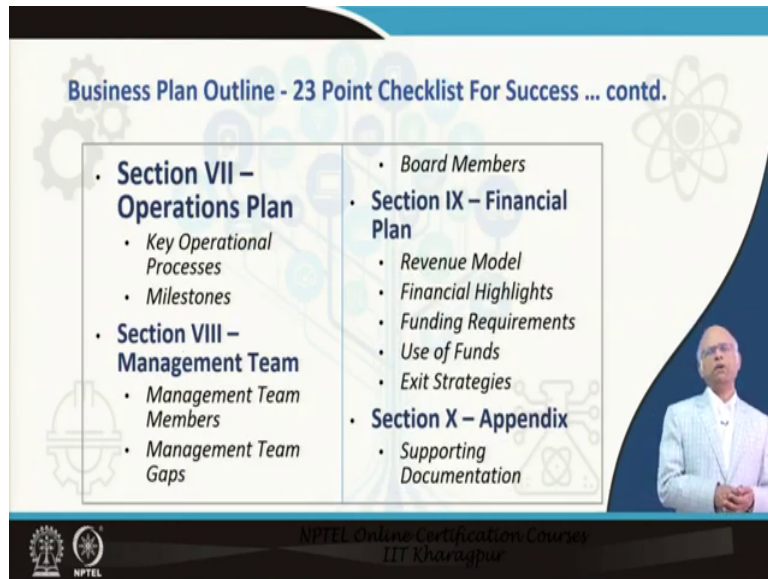
- **Section I – Executive Summary**
- **Section II – Company Overview**
- **Section III – Industry Analysis**
 - Market Overview
 - Relevant Market Size
- **Section IV – Customer Analysis**
 - Target Customers
- **Section V – Competitive Analysis**
 - Customers' Needs
 - Direct Competitors
 - Indirect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

Continued ...

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There is another template, this template has been propounded by Dave Lavinsky of Forbes. It is there in Forbes you can Google search and find. I think the reference will be at the bottom. So, this has executive summary, I like this part more than anything else. Executive summary company overview, industry analysis, where it includes a market overview, relevant market size then target customer, customer analysis, competitive analysis, which includes direct competition indirect competition etcetera then marketing plan product and service then promotion plan distribution plan it is quite big.

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The slide features a blue header with the title "Business Plan Outline - 23 Point Checklist For Success ... contd." and a decorative background of gears and a molecular structure. A central white box contains a list of sections and their sub-points. On the right side of the slide, a small inset video shows a man in a light blue suit speaking. The bottom of the slide includes the NPTEL logo and the text "NPTEL Online Certification Courses IIT Khargapur".

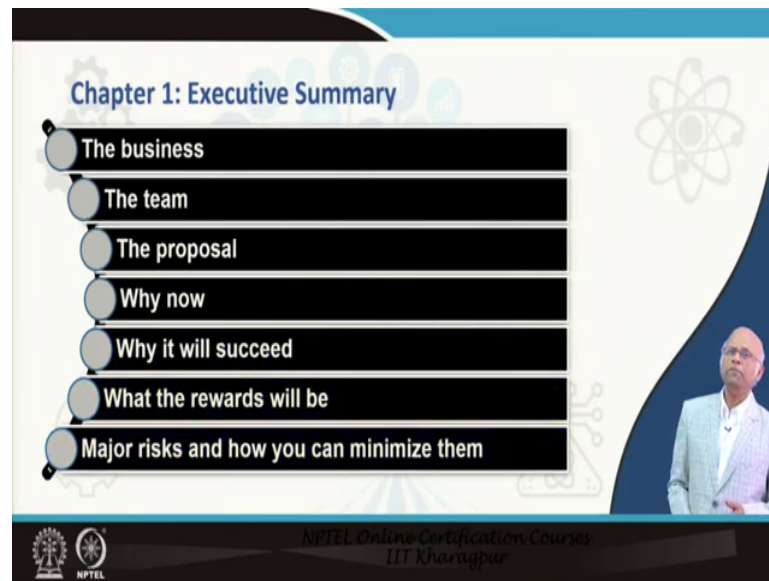
Business Plan Outline - 23 Point Checklist For Success ... contd.

- **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*

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But then I like it there are 10 sections; operations plan, management team, financial plan, including revenue model etcetera then appendix.

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So, you can see all of that you can follow any model, but look at them and you will realize that they contain almost the same thing. Now, executive summary should contain this just for your guidance, but it is not necessary that this is the only thing or this has to be there it is not necessary. The business the team the proposal why now, why it will succeed what the rewards will be major risk and how you can minimize them. Executive summary should not be pages after pages should be precisely one page with all those containing there in a succinct manner. So, that reading that becomes very easy, it is not difficult means it is not time consuming.

(Refer Slide Time: 27:43)

Chapter 1

Summary – Make 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.

Executive Summary

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(Refer Slide Time: 27:45)

Chapter 1

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*

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So, reading that one will decide whether to move forward executive summary is very important as I said. Look at the second paragraph, 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 to make; it is called by Vaughan Evans. So, look at the importance of executive summary chances are very high that only this part will be read by others.

(Refer Slide Time: 28:20)

Chapter 2: The business

- Background
- Business mix by segment

Chapter 2
The Business

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So, I will move forward. Now, the chapter 1 is executive summary, chapter 2 is the business chapter 2 of the business model. Business should contain the background and the business mix the segment, whatever your product or service you are going to provide to your customers.

(Refer Slide Time: 28:33)

Background

Chapter 2

The Business: Background

- You brief your audience on the bare essentials – what it does, for whom, why, where, with whom, with what and how it got to where it is.
- 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.

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Now, background should contain precisely. What you are targeting, what kind of solution you are providing, what the market competition is and what is your value proposition. So, that people will come to you; because it is background. So, you have to talk about where you come from. Meaning where have you started when have you started what traction you have gained and where you are now, that is your background. And what you are targeting should be at the end of the background should not be it should not be part of the background.

It should be short, sharp and punchy; meaning that you explain the pain in a manner like say farmers many of the farmers are dying 90 percent of the farmers in developing world I am sorry. 90 percent of all the death happening because of pesticides are happening in developing world; that gives a compelling reason to find a solution. And our farmers are spending invaluable time spraying pesticides, which can be done at a lower cost than what they are

incurring; another reason why people should why we should exist, so that that gives a punchy background.

(Refer Slide Time: 30:07)

The slide is titled "The items in the 'Background'" and lists five key elements. It features a background graphic of a tree with various icons (gears, a hard hat, a beaker, and a network diagram) and a presenter in a light blue suit. The slide is part of "Chapter 2: The Business: Background" from an NPTEL Online Certification Course at IIT Kharagpur.

Chapter 2

The Business: Background

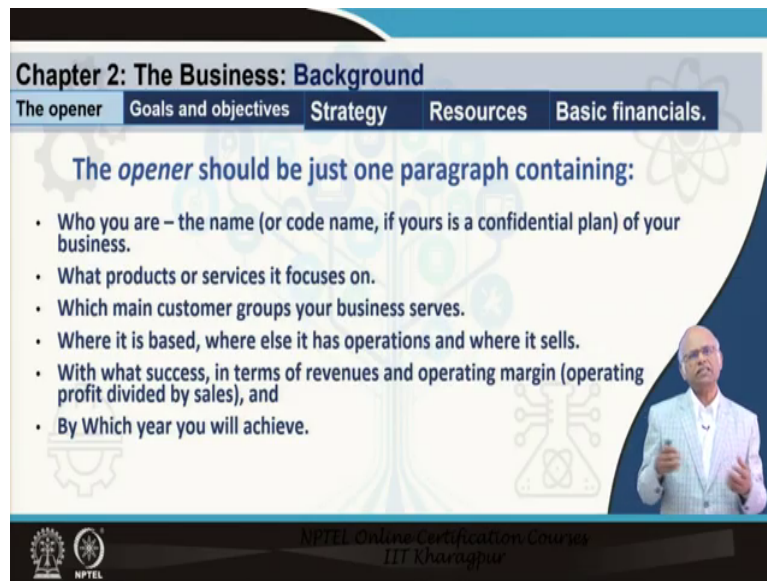
The items in the 'Background'

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

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The items in the background should be like.

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Chapter 2: The Business: Background

The opener Goals and objectives **Strategy** Resources Basic financials.

The opener should be just one paragraph containing:

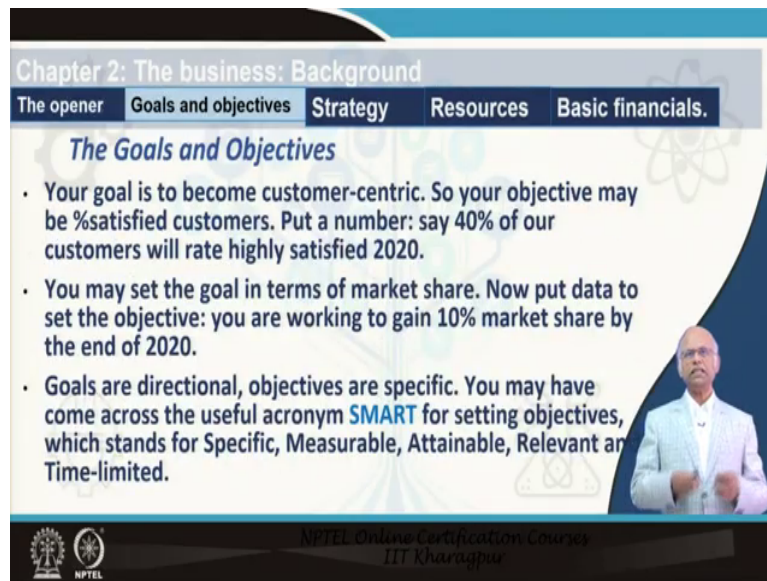
- Who you are – the name (or code name, if yours is a confidential plan) of your business.
- What products or services it focuses on.
- Which main customer groups your business serves.
- Where it is based, where else it has operations and where it sells.
- With what success, in terms of revenues and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

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One is the opener, goals, strategies, resources and the basic financials. The opener it is who you are what product or services you are focusing on. Which mean, customer group you are targeting, where it is based means at what location with what success. Meaning what kind of traction that you have achieved by which year you will achieve whatever goal you have set like.

Suppose for this drone pesticide business you might say that we have already prototyped and piloted in a village of 200 farmers and, they are happy with the performance. And villages from other villages nearby villages are actually demanding this product. So, it has been proven not just a minimum viable prototype, but a real product.

(Refer Slide Time: 31:07)



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 2020.
- 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 2020.
- 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.

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The goals and objective anything and everything that you present should be supported with numerical data rather than some kind of a subjective statement. Like many people lot of people not like that, you have to give some figure. Like say for the drone business you might say that our goals is to achieve say something like 200 villages in 2 years. Meaning reach out to and acquire or a spread this our reach to 200 villages in 2 years, which is perhaps only say not even 1 percent of the country.

So, that will give some idea about the about your aspiration ambition and the potential growth. So, you can convey that look if we can always grow fast; because our model is an entrepreneurial model it is just collaborating with new and new entrepreneur in every village and then we grow and we are assembling the drone. So, there is no limitation on our manufacturability, there is no limitation in acquiring customers.

You may set the goal in terms of market share also. If suppose you are not in drone, but in some other business and there are some players already there in the marketplace your goal should be in terms of say percentage market share. Suppose you are manufacturing e bike say e motorcycle. So, suppose the country. Now, has something like 2 lakh motorcycle a year and your target is to manufacture and sell maybe 10,000 motorcycle a year. So, your target is say 5 percent in 2 years something like that.

You can talk about the goal in terms of SMART is an acronym it says specific meaning be specific, do not say substantial or something be specific. Means with data say sales or number or market share then measurable that data should be measurable in numerical value. It should be achievable attainable and relevant and time limited in how many years you are going to achieve that.

(Refer Slide Time: 33:36)

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.

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What strategy you are going to adopt to achieve whatever you are going to achieve.

(Refer Slide Time: 33:41)

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.

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And the resources under you including the team talk about the credentials of the team. What kind of skill whether they are kind of a complementary skills and it covers all the knowledge domains that is critically necessary to run your business successfully.

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The slide is titled "Chapter 2: The business: Background" and features a navigation bar with the following items: "The opener", "Goals and objectives", "Strategy", "Resources" (which is highlighted), and "Basic financials.". The main content area contains a bulleted list under the heading "List requirements for the following resources:":

- Personnel
- Technology
- Finances
- Distribution
- Promotion
- Products
- Services

The slide also includes a small inset image of a man in a suit on the right side and logos for NPTEL and IIT Kharagpur at the bottom.

So, these are the items that can be covered personnel. Meaning manpower technology is another resource, finances meaning whatever finances you have already acquired distribution promotion product service etcetera.

(Refer Slide Time: 34:15)

The slide is titled "Chapter 2: The business: Background" and features a navigation bar with the following items: "The opener", "Goals and objectives", "Strategy", "Resources", and "Basic financials." The "Basic financials" section is highlighted. The main content includes two bullet points:

- 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 slide also includes a small image of a man in a suit on the right side and logos for NPTEL and IIT Kharagpur at the bottom.

Basic financials you just give the gist of the financials just the statement that we are going to achieve say in the next 1 year our turnover will be something like say 1 crore rupees. And in the second year is going to shoot up to 10 crore; because first year is just a trial. Second year we are going to acquire significant number of villages. And we are going to acquire something like 10 crore rupees of turnover and then moving forward perhaps we are going to achieve 50 percent growth.

(Refer Slide Time: 34:53)

The slide features a light blue background with a faint tree graphic. The title 'The business mix by segment' is in blue. Two bullet points are listed: 'Clearly define which group of people of businesses constitute your main customers.' and 'What products or services you are offering them. Which of them will critically contribute to your business success?'. A presenter in a white suit is visible in the bottom right. The slide includes a blue sidebar with 'Chapter 2', 'The Business Background', and 'Business mix by segment'. Logos for IIT Kharagpur and NPTEL are at the bottom.

Chapter 2

The Business Background

Business mix by segment

The business mix by segment

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

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Because the base is going to increase. Business mix talks about segments; for the time being if you are a startup suggestion is that most of the people smart people suggest that do not target many segments. Try to be successful in 1 product in 1 segment, then you spread gradually if you target too many products. You will remain besotted about managing them managing different distribution channel different customer. Challenges their requirement their aspirations is very difficult to build a brand with too many products.

(Refer Slide Time: 35:27)

The slide is titled "The business: Customer segment" and is part of "Chapter 2" on "The Business: Business mix by segment". It features a list of five bullet points and a small image of a presenter in the bottom right corner. The background includes faint icons of a gear, a lightbulb, and a chemical flask. The NPTEL logo and "NPTEL Online Certification Courses IIT Kharagpur" are visible at the bottom.

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.

Chapter 2
The Business: Business mix by segment

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So, focus on the on a niche segment, where people have similar kind of needs similar kind of aspiration you are targeting as exactly one pin. So, you can hone your skill better deeper and give you a better solution moving forward.

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The slide features a light blue background with a large, faint tree-like graphic in the center. The tree has a trunk and branches, with various icons (gears, a hard hat, a circuit board, and a beaker) placed around it. In the top right corner, there is a blue box with the text 'Chapter 2'. Below this, a vertical blue bar contains the text 'The Business: Business mix by segment'. The main title 'The business: Customer segment' is in a bold, dark blue font. Below the title, there are two bullet points. In the bottom right corner, there is a small inset image of a man in a light blue suit speaking. At the bottom of the slide, there are logos for IIT Kharagpur and NPTEL, and the text 'NPTEL Online Certification Courses IIT Kharagpur'.

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.

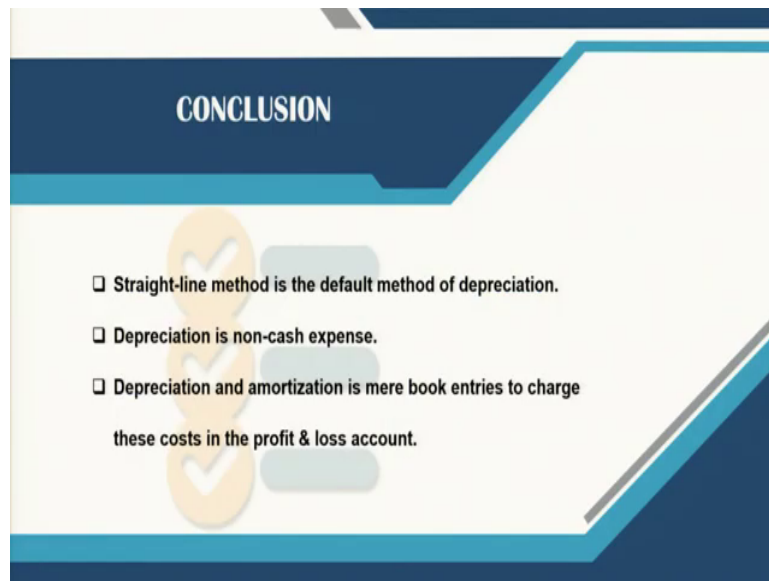
Chapter 2

The Business: Business mix by segment

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Will conclude here in this session, but will continue our discussion in the next session on business plan.

(Refer Slide Time: 35:59)



CONCLUSION

- ❑ Straight-line method is the default method of depreciation.
- ❑ Depreciation is non-cash expense.
- ❑ Depreciation and amortization is mere book entries to charge these costs in the profit & loss account.

So, do not target too many segments, target only one niche segment.

Thank you very much.