

H.O.#3
COMP 4911
Fall 2016

Business Analysis

Outline

- ▶ **SWOT as a tool**
- ▶ **SWOT examples**
 - ▶ Sharing economy: Airbnb and Uber
 - ▶ Building Hong Kong as the next Silicon Valley
- ▶ **Writing business plan**
 - ▶ Why do you need it?
 - ▶ Do's and don'ts
- ▶ **Business plan structure**

Startup Analysis: SWOT

▶ **S**trengths (internal)

- ▶ What competitive advantages does your organization have?
- ▶ What is the core competency of your company?
- ▶ What are the areas which your company do well? Customer loyalty? Product quality? Etc.
- ▶ Something you can change or have control on

▶ **W**eakness (internal)

- ▶ What are the areas which your company do not do well?
- ▶ What are the technical snags for your company?
- ▶ Can your software scale? Is it easy to maintain? Etc.
- ▶ Cash flow problems?
- ▶ Something you can change and have control on

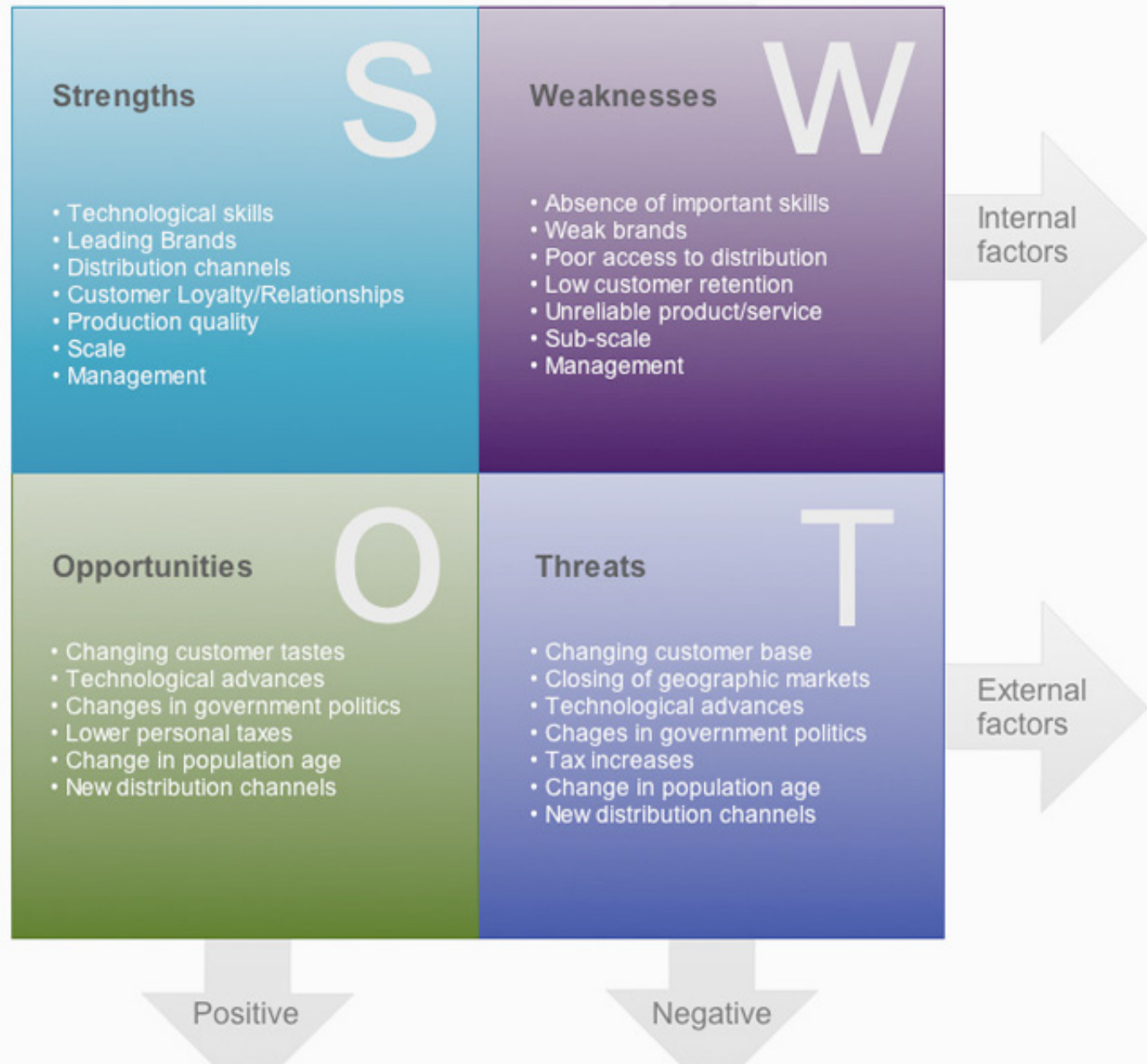
▶ **O**pportunities (external)

- ▶ What are the good opportunities emerging in your way?
- ▶ Interesting trends to be coming soon
- ▶ Change in technology and markets
- ▶ Climate: something you know but have no control or cannot change

▶ **T**hreats (external)

- ▶ Performance of the competitors
- ▶ Government policies
- ▶ Changing technological landscape create problems and challenges
- ▶ Climate: something you know but have no control or cannot change

SWOT Analysis



SWOT Application

SWOT Analysis

		<i>External</i>	
		Opportunities	Threats
<i>Internal</i>	Strengths	How do you leverage your strengths to benefit from opportunities?	How do you use your strengths to minimize the impact of threats?
	Weaknesses	How do you ensure your weaknesses will not stop you from opportunities?	How will you fix weaknesses that can make threats have a real impact?

Sharing Economy

▶ Definitions

- ▶ An aggregated mobile or web marketplace to supply freelance workers or under-utilized assets to consumers with transaction management on the platform
- ▶ The ecosystem of companies which connect consumers to independent goods and service providers using online aggregator platform

▶ Characteristics

- ▶ Platform/marketplace for connecting consumers and suppliers
- ▶ Goods or services as on-demand offerings
- ▶ Payment in the form of money or time
- ▶ Use of temporary workers/freelancers
- ▶ No ownership of goods or services by the platform

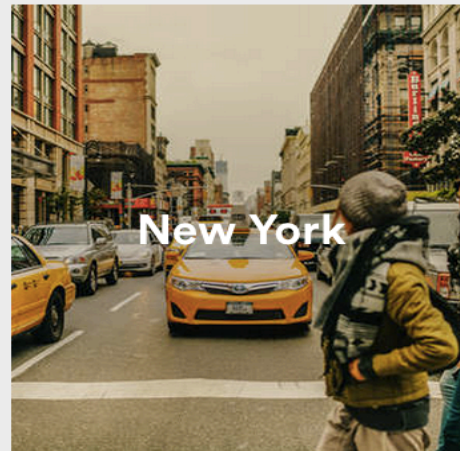
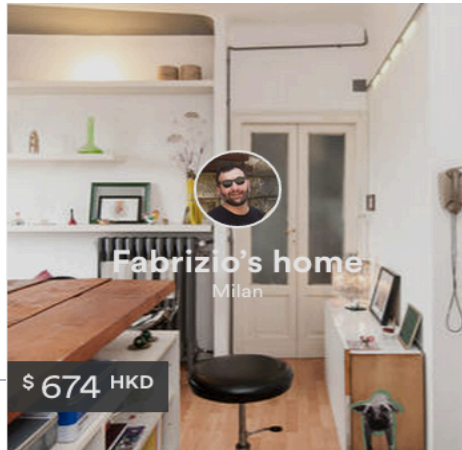
▶ Usual operations

- ▶ Transactions in a frictionless manner via an app that connects to a software platform backend
- ▶ Algorithms to match service provider with consumer needs
- ▶ Variable pay for suppliers
- ▶ Decentralized model whereby two individuals interact to buy or sell goods and services directly with each other

▶ Examples: Airbnb, Uber, upwork, etc.



Company Analysis (Apr 2014)



AirBed & Breakfast™

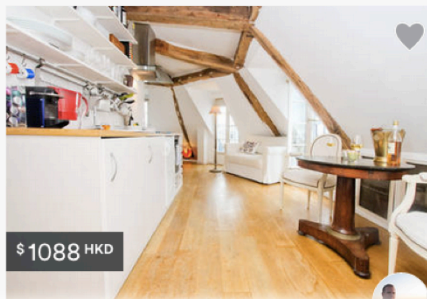
Find a place to stay.



Perfect place for you!
Private room · 3 reviews · IX Arrondissement, Paris



Lovely and Cosy Room, Père Lachaise
Private room · XI Arrondissement, Paris



1'000'000+ listings

34'000 cities

190+ countries



\$10 billion valuation

Features

- ▶ Optimized for international travellers
- ▶ Trust (social network, user reviews)
- ▶ Personalized Service / Customization

Competitive advantages

- Wide international network of travellers
- Well-networked founders
- Attract the very best talent

Costs

- Technology and cloud rentals
- Marketing
- Sales

Revenues (Business Model)

- Commission based on transaction
 - 6-12% of the transaction value
 - 3% for credit card processing



Value Propositions

Travellers



Incentives



Cheaper prices
Exotic locations
Local experience

Hosts



Incentives

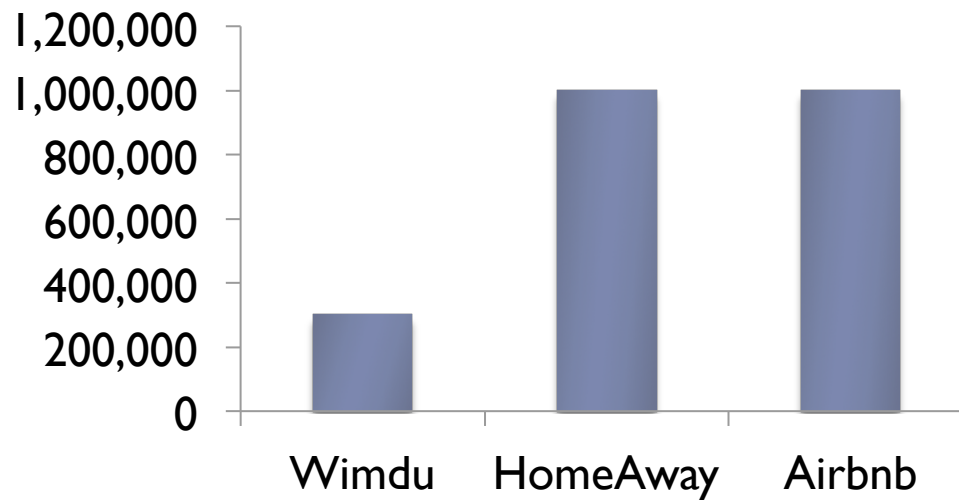


Additional income
New friendships

Competitors



Number of Listings as of 2014



Strengths

- Global reach over internet
- Large portfolio
 - 660,000 properties
 - 25 million guests
- Cool image and reputation
- Trust and verification system
- Funding abilities

Weaknesses

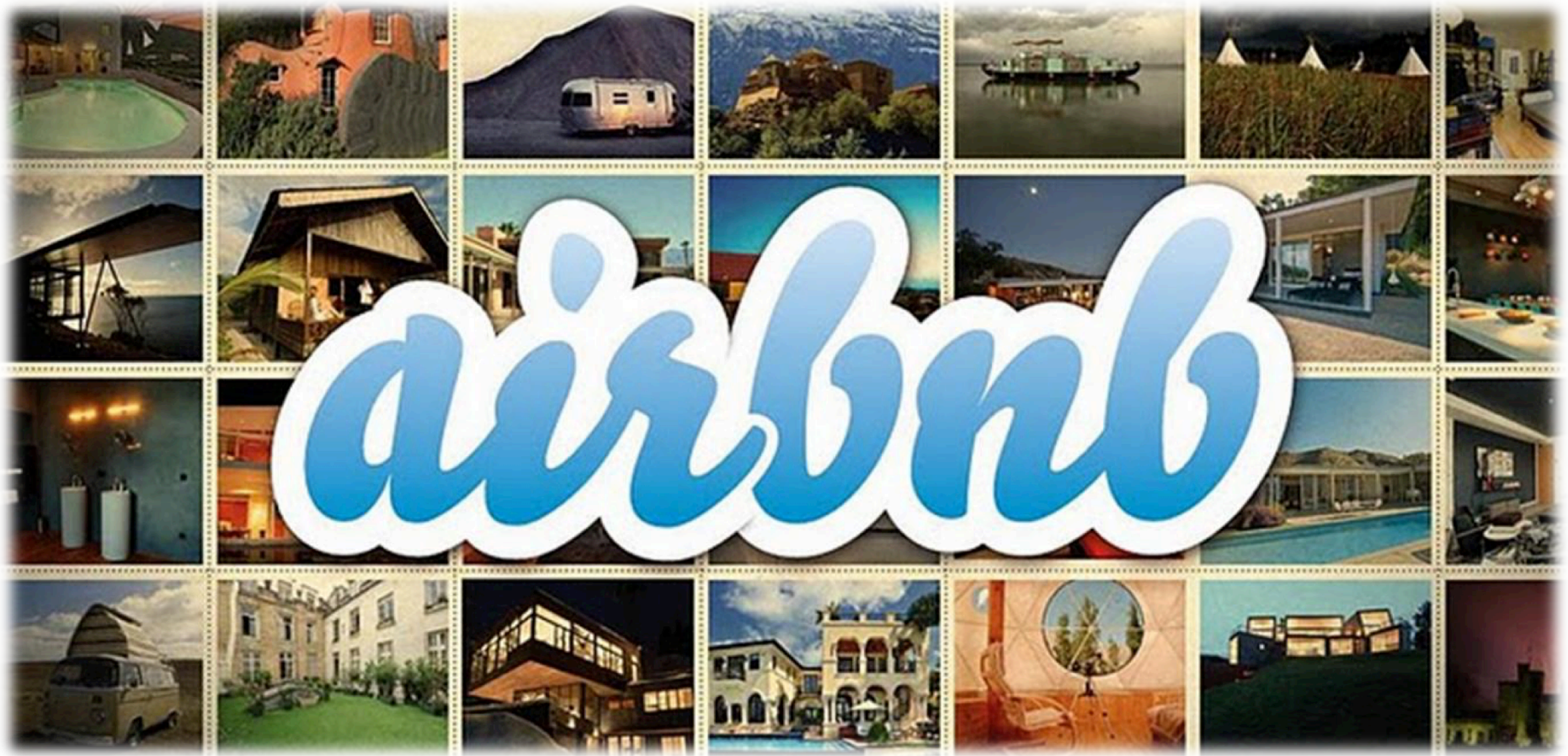
- Lack of differentiation
- Low incentives to use feedback systems

Opportunities

- Travelers are getting younger
 - Travel more frequent
 - Want cheap rates
 - More venturesome to exotic places and local apartments
- Increasing rate of mobile phone adoption

Threats

- Legal and lobbying concerns
 - Operates in legal grey zone between “less regulated private commerce” and “highly regulated public commerce”
- Increasing competition: easy to copy core business model
- Bad press due to destruction to homes and property
 - Many of them may have been suppressed by Airbnb



U B E R

Value Proposition

Convenience: Target Customer

Anytime, anywhere

- Download app and use it

Fun and easy

- Features that stand out from traditional taxi service

Key Resources

Human resource

- Drivers

Intellectual resource

- Partnership with local taxi companies




Physical resource

- Smartphones / Uber App

Financial resource

- Investors

Competitive Advantages

-  Pioneer in the market
-  Larger platform, larger network effect
-  High investment and higher valuation

Key Business Process

Rating System

- Penalties to low rating drivers
- Passenger also rated

Data Tracking

- Both drivers and customers stored data

Revenue Model

Takes a percentage out of every fare

Depends on product, normally 20%



Operating in more than 150 cities

Generating revenue from only 10 cities



Made around \$210 million in 2013

Much higher than the projected revenue \$125 million.

Cost Model

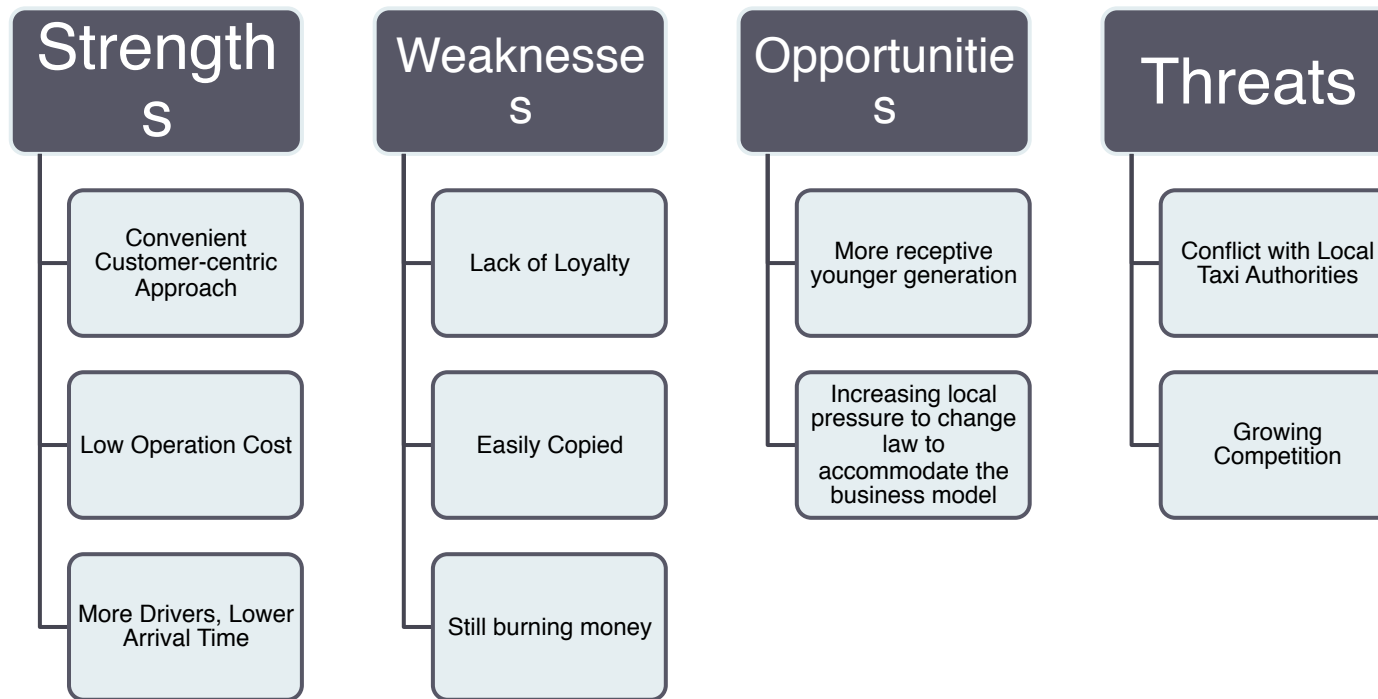
Maintaining
drivers

Promotions

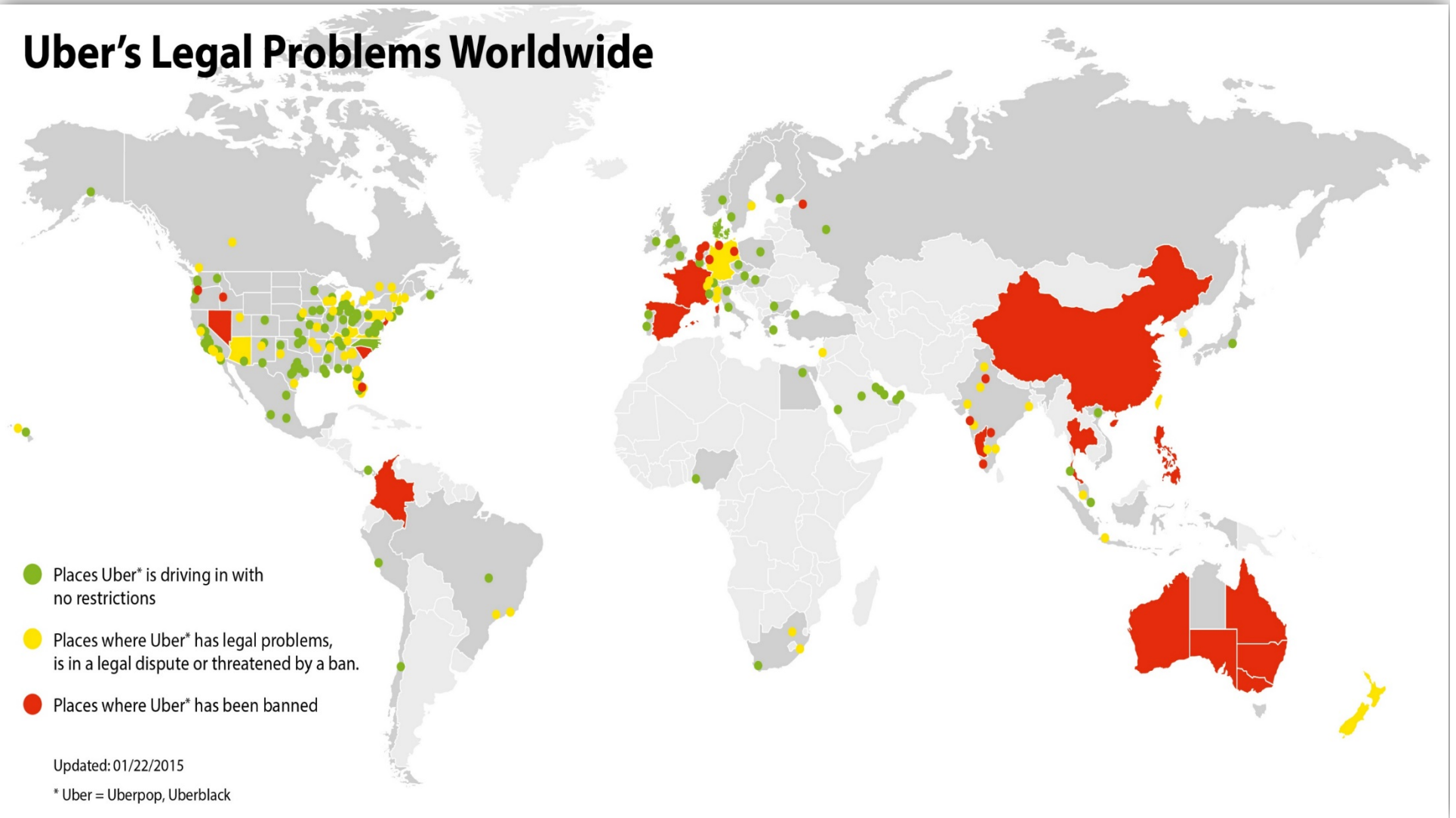
Global
expansion

R&D

SWOT Analysis



Uber's Legal Problems Worldwide





Q & A

Thank You

Business analysis

SWOT on Building Hong Kong as the Next Silicon Valley

Building a regional cluster of corporations and start-ups focusing on information technology, especially commerce-related technology and mobile development

With Industry Focus

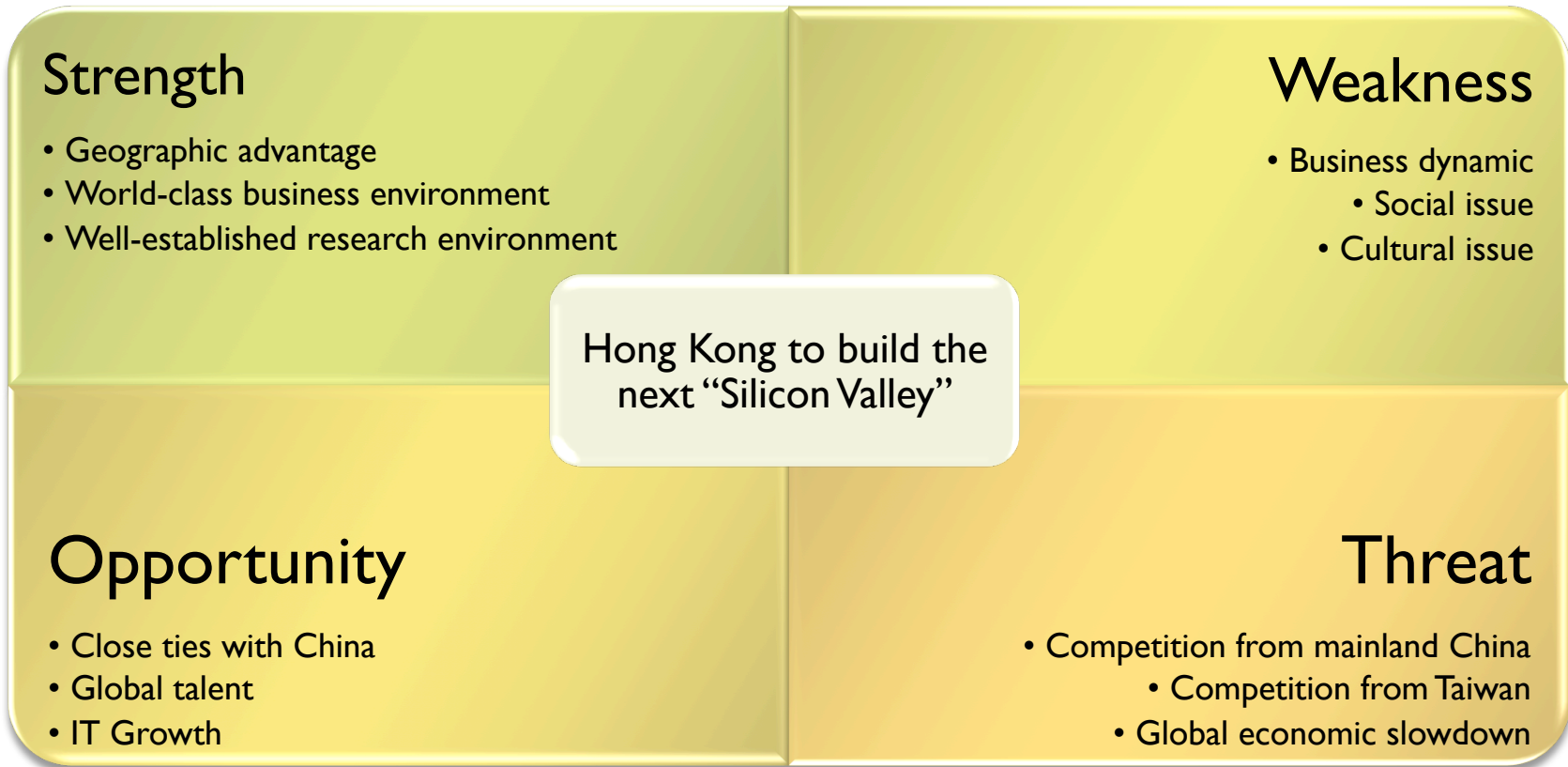
Information Technology

- Support from research & development
- E-commerce and m-commerce
- Mobile application

With Development in

1. Venture Capital
2. Technology Education
3. Infrastructure

SWOT Analysis: Hong Kong (Overview)



Hong Kong's Strengths in Developing I&T

- ▶ I&T: Innovation and Technology
- ▶ Economic and market freedom
- ▶ Enjoy relatively low rates of corruptions
 - ▶ Clean governance
- ▶ International Compatibility
 - ▶ Legal System
 - ▶ Finance
 - ▶ Cosmopolitan lifestyle and full of choices
 - ▶ Political and business stability (?)
- ▶ International Credibility
 - ▶ Intellectual property protection
 - ▶ Efficient manpower
- ▶ International Connectivity (next slide)

‘world’s freest economy’ for 21st year in a row
(Jan 29, 15)

廉潔程度失7.3分響警號

港21年蟬聯最自由經濟體



本港連續二十一年獲美國傳統基金會評為全球最自由經濟體，但與第二位的新加坡相比，兩者差距縮減至零點二分，其中本港在廉潔程度失分最多，落後新加坡十位，但仍在營商自由、貿易自由等保持優勢。

美國傳統基金會發表二〇一五年「經濟自由度指數」報告，本港以八十九點六分，連續二十一年高踞榜首，但實際得分較去年下跌零點五分。與此同時，本港的競爭對手新加坡繼續以八十九點四分排名第二，與本港的分數差距收窄至零點二分。

僅勝星洲0.2分

在十項評估因素中，本港在營商自由、貿易自由和金融自由續位居首位，基金會讚揚本港擁有高效透明規管制度、低稅率及簡單稅制。不過，本港今年在廉潔程度失分最多，得分

較去年大跌七點三分至七十五分，排名亦下跌兩位至第十五位，落後新加坡十位，而本港亦在勞工自由、政府開支等落後對手。

廉政公署表示，近期若干宗廉潔案件中，一名前任高官及多名上市公司高層被起訴及定罪，或會影響受訪者的觀感，但有關案件只屬個別案例，並不反映香港的實際廉潔情況轉差；相反，有關案件正凸顯香港反貪制度有效及重要。

政府發言人表示，歡迎基金會連續二十一年將香港評選為全球最自由的經濟體，又指近期一些較為矚目的個別案件，可能影響了大眾對香港廉潔程度的觀感，但這些只是個別情況，強調香港的貪污情況仍處於極低水平。

行政會議成員林健鋒認為，本港與第二位的新加坡得分差距收窄，反映香港須居安思危，又指過去的政治事件，以及部份議員的拉布行為，阻延立法會的工作，影響經濟發展。

■新加坡排第二。

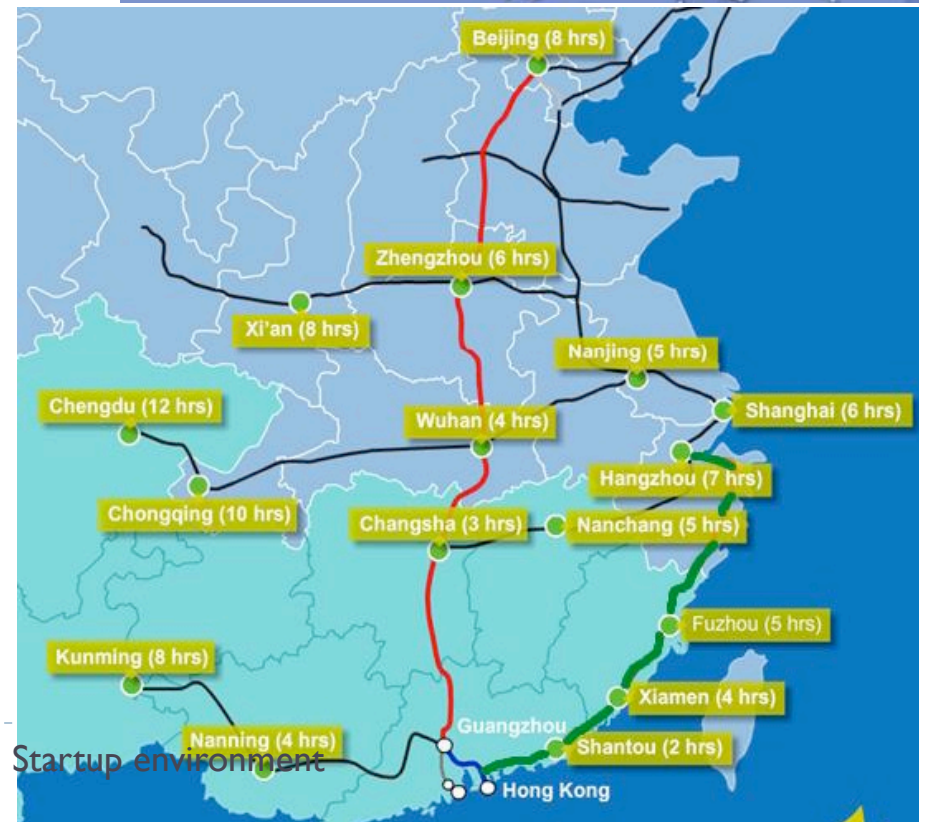


排名	國家或地區	分數	與上年比較
1	香港	89.6	-0.5
2	新加坡	89.4	-
3	紐西蘭	82.1	+0.9
4	澳洲	81.4	-0.6
5	瑞士	80.5	-1.1
14	台灣	75.1	+1.2
34	澳門	70.3	-1.0
139	中國	52.7	+0.2

■香港連續二十一年獲美國傳統基金會評為全球最自由經濟體。

International Connectivity

- ▶ Heart of Asia
 - ▶ Reaching **half** of the world's population within 5 hours of flight
 - ▶ Emerging markets and growing countries
- ▶ Doorstep of Mainland China
 - ▶ Guangzhou-Shenzhen-Hong Kong Express Rail Link, completion expected in 2018 (Shenzhen: 23 mins; Guangzhou: 48 mins; Xiamen: 4 hrs)



Strengths



World-class business environment

- Highly efficient free-market
- Low tax rate
- Mature business law framework



Well-established technology environment

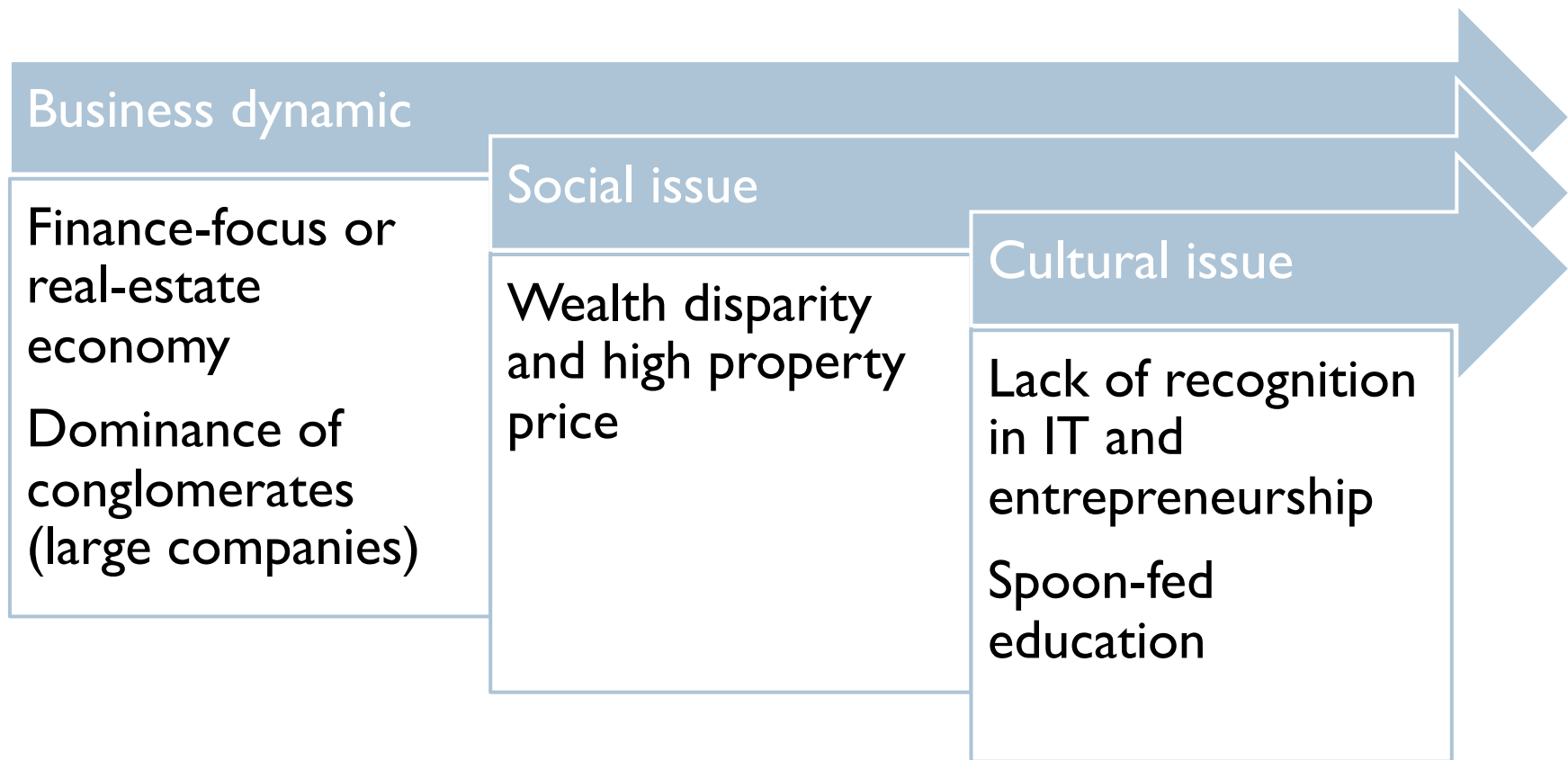
- Existing infrastructure
- University research
- Government funding to support certain tech start-ups



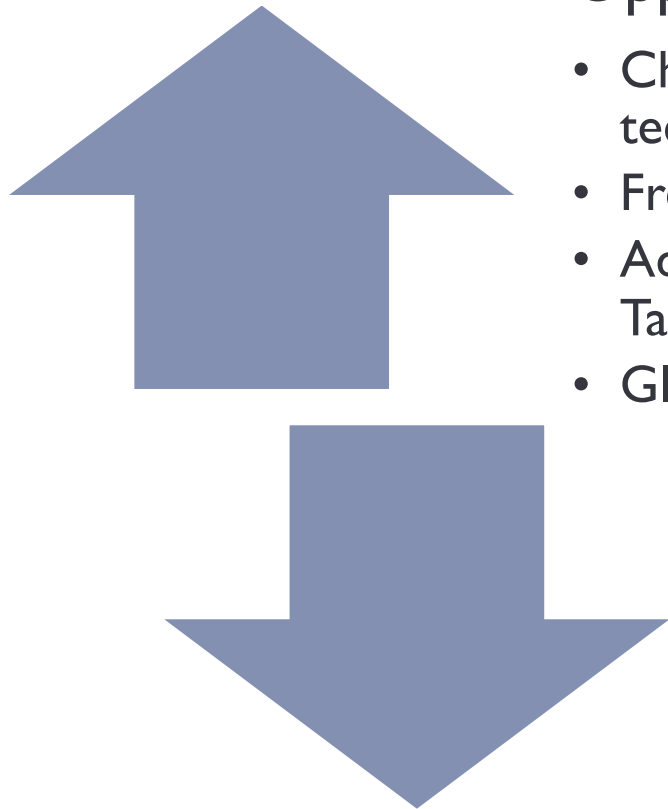
Geographic advantage and human capital

- Trade agreement with mainland China (CEPA)
- World-class university and research

Weakness



Opportunity and Threat



Opportunity

- China's 5-year plan focusing on technology
- Free trade agreement in CEPA
- Admission Scheme for Mainland Talents and Professionals (ASMTP)
- Global IT growth

Threat

- Taiwan and China's development of IT clusters
- Global economic slowdown

	Opportunities (Ties with China; Global talent; IT Growth)	Threats (Competition from mainland China; Competition from Taiwan; Global economic slowdown)
Strengths (Geographic advantage; World-class business environment; Well-established research environment)	Leverage strengths to capture opportunities (Immigration policy, education policy, railway, etc.)	Use the strengths to minimize the impacts of threats (Applied research, technology transfer policy, incentive for investment, less focus on finance, etc.)
Weaknesses (Business dynamic; Social/wealth and Cultural issues)	Ensure weaknesses not stopping you from opportunity (Infrastructure and offices for IT industry, grooming future IT talents, VC and entrepreneurship community, Science Park and industrial estates, etc.)	Fix weaknesses where threats have an impact (introducing competitions, IT awareness program, diversified economy, etc.)



Infrastructure



VC Community

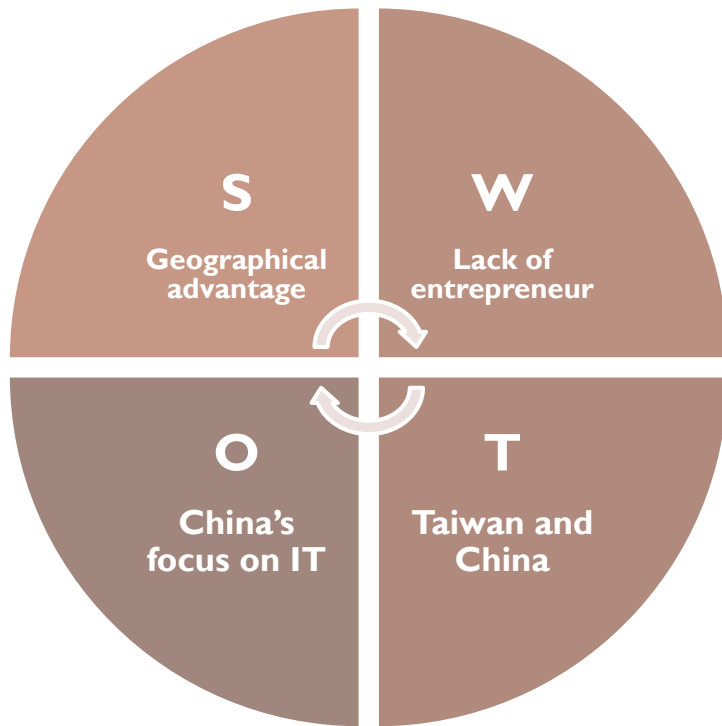


Education



Immigration

Conclusion





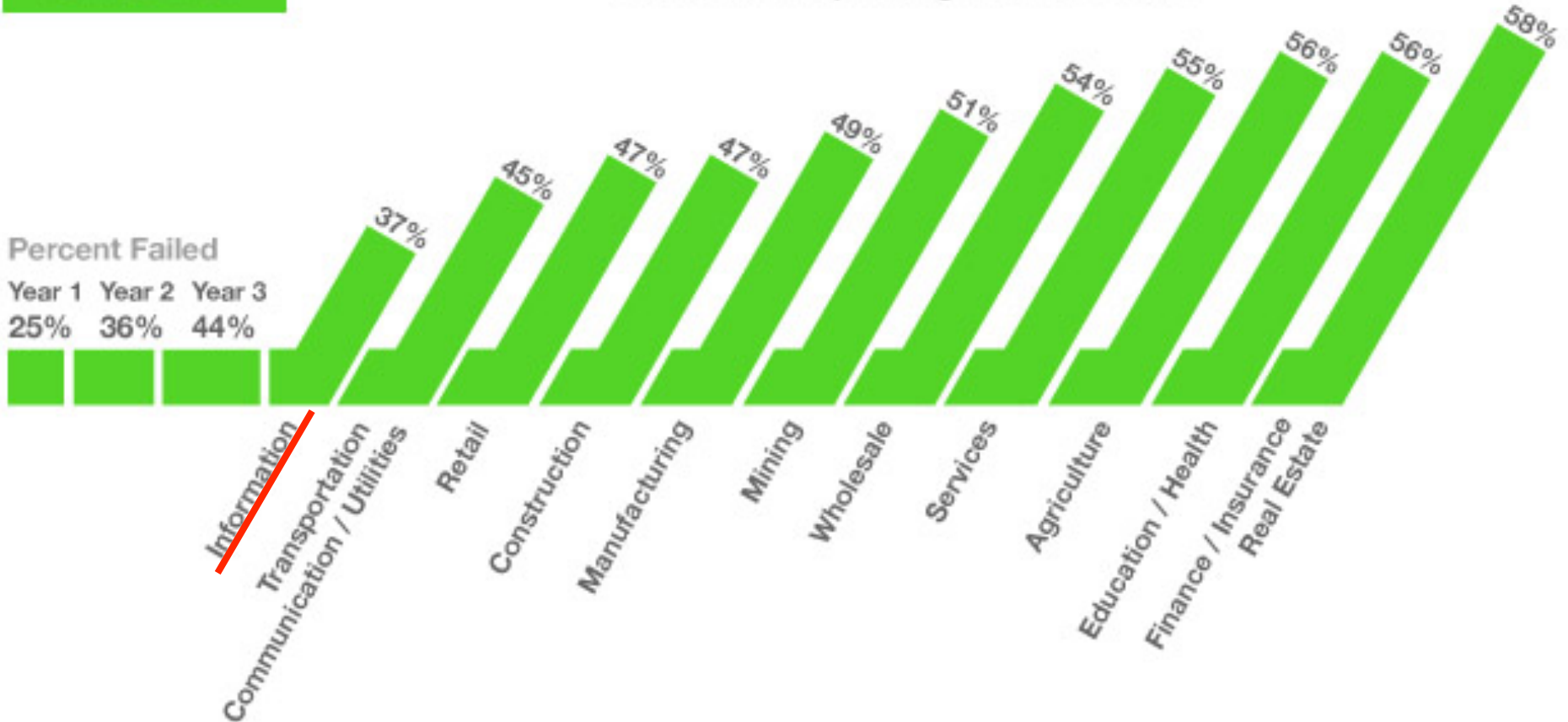
Writing a Business Plan



4-Year Survival Rate by Industry (2014)

STATISTIC BRAIN

Percent Still Operating After Four Years



<http://www.statisticbrain.com/startup-failure-by-industry/>

Why do IT startups fail more?

- ▶ Low entry barrier
- ▶ Unrealistic expectations
- ▶ Fast technology changes
- ▶ Unclear paths to revenue/profit

Earning Money from Your Business

- ▶ “If only 1% of Chinese pay me only HK\$10 every year, the business will be good enough.”
- ▶ Don’t think earning money is easy: think about how to get HK\$1 from a stranger in the street
 - ▶ And then get it repeatedly from the same person
- ▶ Getting money is difficult. Breaking even is even more difficult.
- ▶ Be realistic in your business plan
- ▶ You need a value proposition
 - ▶ A business or marketing statement that summarizes why a consumer should buy a product or use a service.
 - ▶ This statement should convince a potential consumer that one particular product or service will add more value or better solve a problem than other similar offerings.
 - ▶ Concise and appeals to the customer's strongest decision-making drivers.

Business Model

- ▶ **The first thing to consider in a startup**
 - ▶ How (Through what means) your company earns money
 - ▶ Determine the company operation
 - ▶ Determine who is paying whom
- ▶ **The most straightforward model: You build a product. People buy it by paying you**
 - ▶ E.g., Phones, computers, Windows, Oracle, etc.
- ▶ **Not everything is simple like that. There are many things out there which many people want but may be difficult for a startup to get cash out of it.**
 - ▶ You need to think hard on who would pay you and build your company around it
 - ▶ Building your company to be acquired is one business model

Some Examples on Value Propositions and Business Models

- ▶ **Intelligent Wi-Fi routing algorithm**
 - ▶ Compelling value propositions
 - ▶ Business model: Are you selling intelligent routers with router manufacturer as supplier, or selling intelligent embedded algorithms to a router manufacturer?
- ▶ **Restaurant “queue-killer” (e-queueing, or queue e-notification)**
 - ▶ Compelling value proposition to customers but may not be so for the restaurants
- ▶ **Length-based charging for buses**
 - ▶ Compelling value propositions and straight business model
 - ▶ Technologically challenging
- ▶ **Internet search**
 - ▶ Compelling value proposition for users
 - ▶ Business model is not so straightforward -- search cannot earn you money, but ad can
- ▶ **Would you pay for youtube? Whatsapp? WeChat? What should be the business model?**
- ▶ **Android/iOS apps (hardly any one is earning money)**
- ▶ **Etc.**

Some Possible Business Models

- ▶ **Product**
 - ▶ Something concrete delivered to your users or purchased by your users
 - ▶ Revenue is mainly from sales
 - ▶ E.g., PC, iPhone, tablet, Microsoft Windows, usb drive, charge-per-download app, game software, etc.
- ▶ **Solution**
 - ▶ An advanced solution or technology licensed to other companies
 - ▶ Revenue is from development, installation, upgrade or consultancy
 - ▶ E.g., software and its upgrade, setting up an IT accounting/auditing system, expert IT consulting, etc.
- ▶ **Service/Platform/Marketplace**
 - ▶ A platform providing some service, convenience or connections to users
 - ▶ Revenue is from using the platform, revenue/revenue sharing or per-click
 - ▶ E.g., google search, jobsDB, Alipay, Amazon, eBay, visa, IT training, etc.
- ▶ **In reality, your business is likely a mixture of the above**

Business plan: putting ideas down in writing

- ▶ A structured brain dump

If you can't write it down,
You don't really know it!

Telling a story

- ▶ To employees: a good venture to work for
 - ▶ Major executives, managers, software engineers, programmers, etc.

Employees want to make sure that:

- ▶ you have a brilliant **technology**
- ▶ there is a large and expanding **market**
- ▶ there is strong unfair **advantage**
- ▶ you have a capable **team** to carry out the idea
- ▶ **you can provide a rewarding experience**

Telling a story

- ▶ To employees: a good venture to work for
- ▶ To partners: a good team to work with
 - ▶ Some business entities which you will work closely with or depend on
 - ▶ Not an investor into your company, but many have mutual revenue sharing mechanism
 - ▶ E.g., Streaming software and a router/set-top box company
 - ▶ E.g., Indoor localization technology and a e-payment company for mobile ads
 - ▶ E.g., Streaming software and a content/service/cloud provider

Partners want to make sure that:

- ▶ you have a brilliant **technology**
- ▶ there is a large and expanding **market**
- ▶ there is strong unfair **advantage**
- ▶ you have a capable **team** to carry out the idea
- ▶ **you need the complementary skills that the partner possesses**

Telling a story

- ▶ To employees: a good venture to work for
- ▶ To partners: a good team to work with
- ▶ To suppliers: a good customer for the long term
 - ▶ Some companies supplying you equipment
 - ▶ May need to build manufacturing or production capacity to support you
 - ▶ May not be strategic partner, but need their support in order to run your business smoothly
 - ▶ E.g., Wi-Fi software and router manufacturers
 - ▶ E.g., iPhone and phone board manufacturers or assembler

Suppliers want to make sure that:

- ▶ you have a brilliant **technology**
- ▶ there is a large and expanding **market**
- ▶ there is strong unfair **advantage**
- ▶ you have a capable **team** to carry out the idea
- ▶ **you need the equipment/product that the supplier can provide more and more over the years**

Telling a story

- ▶ To employees: a good venture to work for
- ▶ To partners: a good team to work with
- ▶ To suppliers: a good customer for the long term
- ▶ To investors: a good risk to take
 - ▶ Put in money into your company to get some shares
 - ▶ Provide advice and open up business opportunities for you
 - ▶ “Buy in” your business ideas and become a “team” with you

Investors want to make sure that:

- ▶ you have a brilliant **technology**
- ▶ there is a large and expanding **market**
- ▶ there is strong unfair **advantage**
- ▶ You have capable **team** to carry it out (with the advice of the investor)
 - ▶ **Team 1: seed funding with fewer than 10 employees**
 - ▶ **Team 2: growing to 50 employees**
 - ▶ **Team 3: growing to 300 employees and IPO**
 - ▶ **CEO may be replaced in transitions to Teams 2 and *again* to 3**
- ▶ **you can provide an attractive exit strategy**

Telling a story

- ▶ To employees: a good venture to work for
- ▶ To partners: a good team to work with
- ▶ To suppliers: a good customer for the long term
- ▶ To investors: a good risk to take

**They all must be excited
and buy in!**

Before Writing a Business Plan: Know your customer needs

- ▶ Collect as much information as possible yourself
- ▶ Find the survey data of customer (but **don't pay** an agency to do it for you)
- ▶ Process data against own intuition

“If I had asked customers what they wanted, they would have said ‘a faster horse’.” – Henry Ford
- ▶ **Practice what you preach**; i.e., will you **buy** and **use** your own products?

Contents of a business plan

- ▶ What you plan to do (**that great idea**)
- ▶ Why you think it will work (**market research results**)
- ▶ Why you are the right person to make it work (**your unfair advantage; your track record**)
- ▶ How will you make money (**cost and price of product**)
- ▶ How much money do you need (**funding requested**)

Components of the business plan

market research results

that great idea

- ▶ Executive Summary
- ▶ Business opportunity
- ▶ Strategy
- ▶ Marketing
- ▶ Sales
- ▶ Business development
- ▶ Strategic partners
- ▶ Customer support
- ▶ Operations
- ▶ Manufacturing
- ▶ Information services

- ▶ Technology
- ▶ Intellectual property
- ▶ Management
- ▶ Facilities
- ▶ Financial plan
- ▶ Valuation and ownership

(your track record)

money issues

how you will do it

Characteristics of a business plan

- ▶ Purpose: **get the readers excited**
- ▶ Emphasis: **strategic**
- ▶ Time coverage: **3~5 years**
- ▶ Data: **Half-annual or annual numbers**

Preparing the business plan

- ▶ Begin with a presentation of ideas
- ▶ Do not rush (may take months, even years)
- ▶ Write it yourself
- ▶ Avoid spelling and grammatical errors
- ▶ Use color graphics and charts
- ▶ Total length: up to 40 pages
- ▶ Include an executive summary (up to 4 pages)

Preparation of Business Plan

- ▶ Prepare outline of business plan first
- ▶ Use the power-point presentation of the plan as basis
- ▶ Discuss with partners, close friends, advisors, etc.
- ▶ “Flight test” with trusted* individuals outside

*Signing a non-disclosure agreement (NDA) or bilateral non-disclosure agreement (BNDA) might be appropriate.

Three P's

- ▶ **P**ackaging: researching and writing
- ▶ **P**lacing: finding opportunity to meet the best investors
- ▶ **P**resenting: communicating the contents

Repeat until exit!



Business Plan Structure

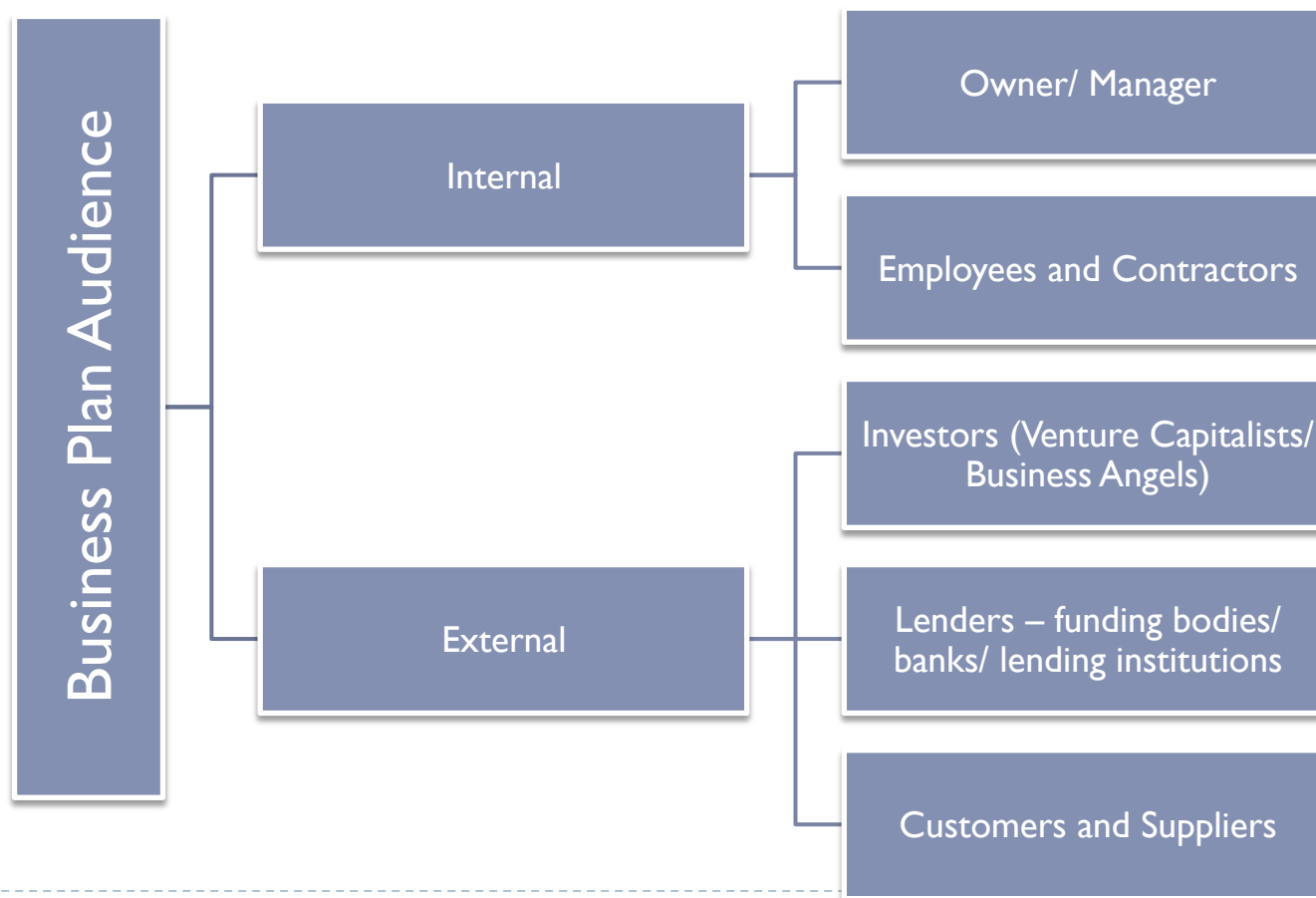


Content

- ▶ **What is a Business Plan?**
- ▶ **What is its content or structure?**
- ▶ **What makes a good Business Plan?**

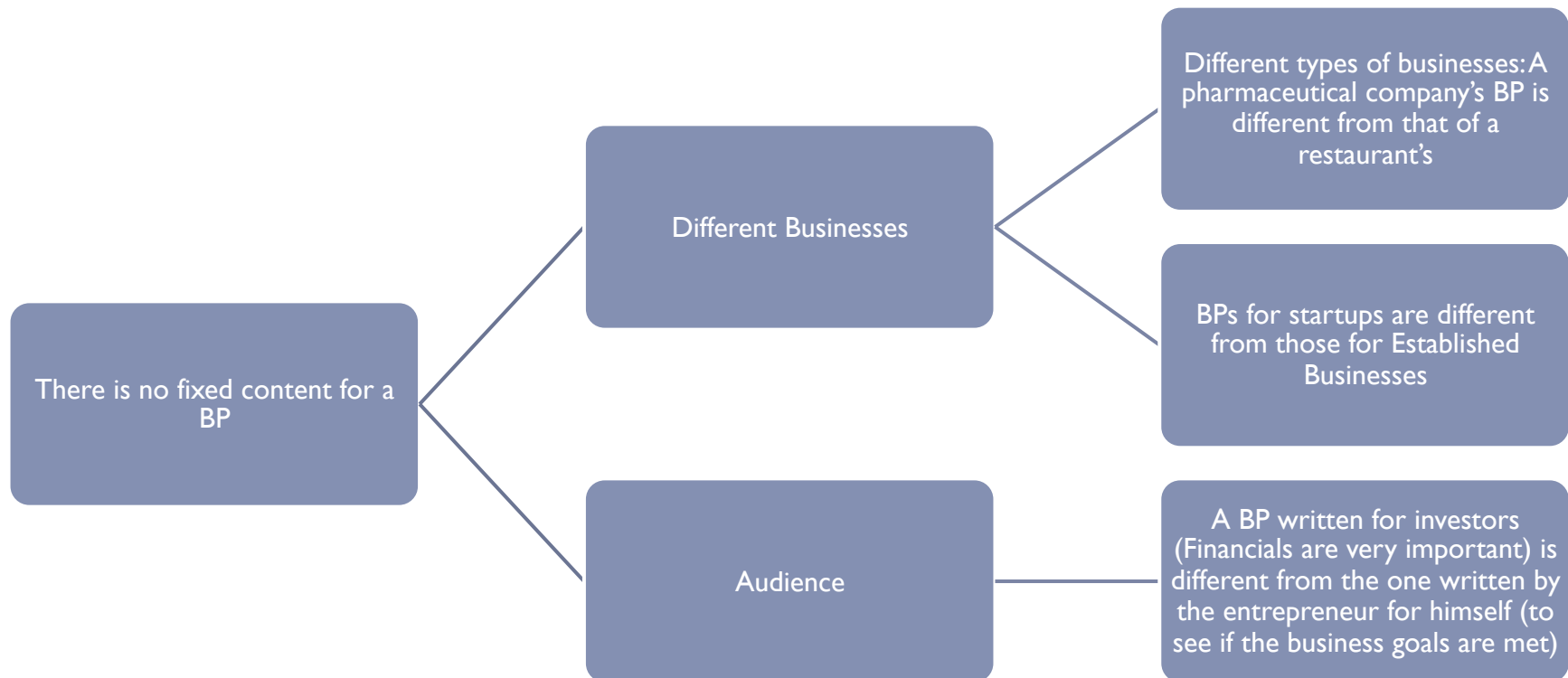
What is a Business Plan?

- ▶ A document which states a set of business goals, why they are believed attainable and how to reach them.
 - ▶ Usually 20-40 pages long
- ▶ Audience of a BP : an individual or organization that will affect or will be affected by the business.



The content or structure of a BP

- ▶ Different depending on business sectors, company stages, audience, etc.



The content or structure of a BP

But here's a typical structure (as found in Harvard Business School Press-Pocket Mentor, "Creating a Business Plan")



Executive Summary

- ▶ A summary of the BP (A short paragraph)
- ▶ **The most important part**
- ▶ The most efficient way to present the business, the opportunity and the goals for busy investors
- ▶ Investors don't bother to read the BP if they don't like the ES. (Many great BPs go to waste because the ES isn't good enough to interest investors)

Characteristics of executive summary

- ▶ The only part of the business plan that will be read by everybody
- ▶ Around 1-2 pages (4 pages max.)
- ▶ Explains **what***, **why***, and how much
- ▶ Describes core team and the **unfair advantage**
- ▶ Includes financial summary and head count over 3~5 years

Executive Summary

ES Contents

- Industry and market environment
- Special and unique Business opportunity
- Key strategies for success
- Financial potential
- Management team
- Resources or capital requested from the investors

Business Description

A paragraph to:

- ▶ Highlight the business opportunity
- ▶ Describe the products and the services offered by the business (Value propositions and business model)

An enthusiastic description tone is highly appreciated because it drives the investors to believe in your ideas and motivation

Business Environment Analysis

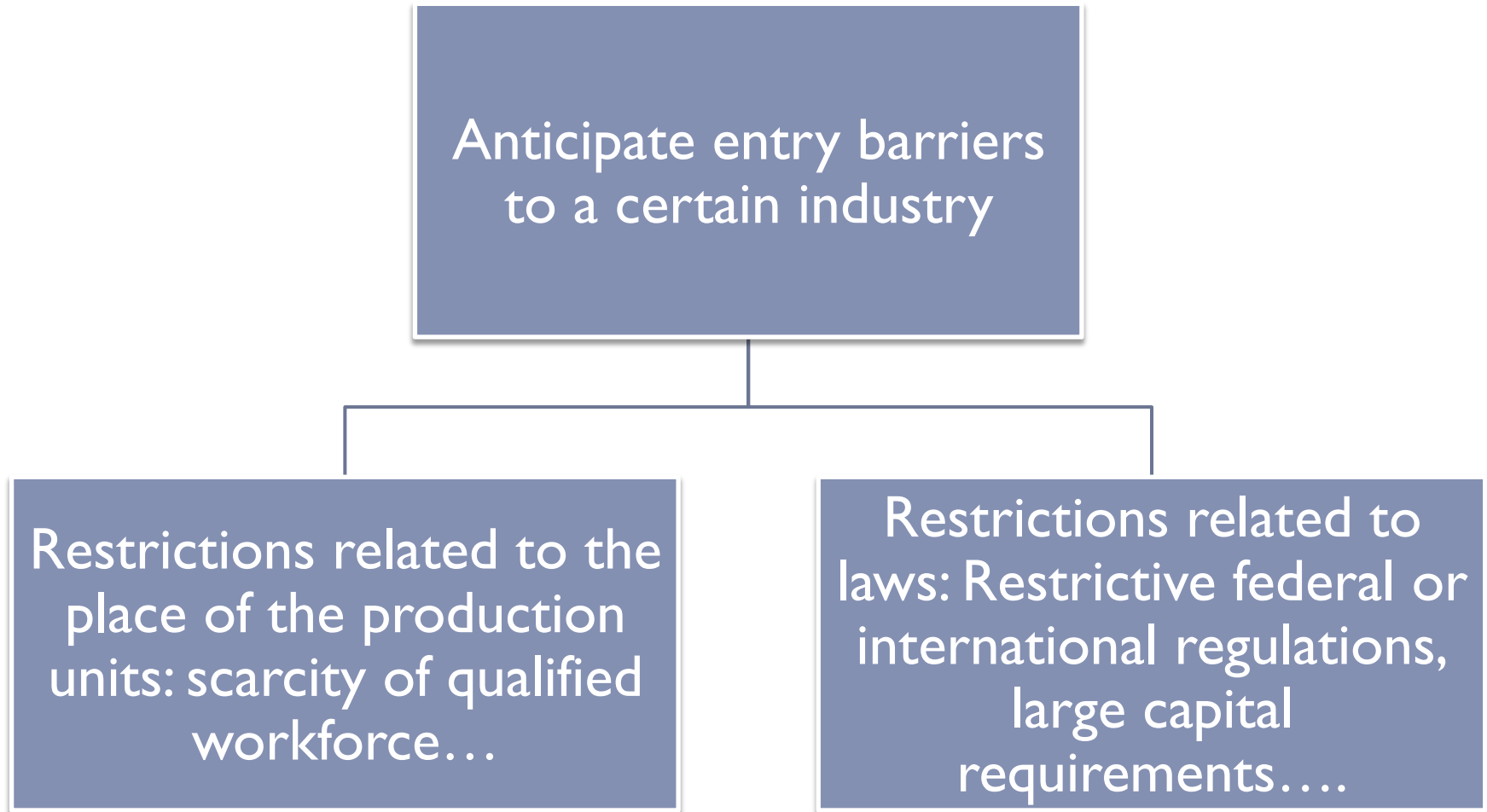
The readers of the BP should have a general idea about the Business environment you are working in:

- ▶ **The Industry:** Colleagues and competitors that offer similar products or services to a particular market
- ▶ **The Market:** The place where these products or services are sold (is determined geographically , demographically...)

Industry Background

- ▶ Define the different products or services offered by the industry, production capacity, unit sales, overall profitability, distribution channels, predicted growth rates...
- ▶ Understanding the dynamics of the industry: acquisitions, mergers, alliances, monopolies....
- ▶ Identify important trends

Industry Background: Understanding Entry Barriers




Industry Background: An Example

Indoor localization industry.

- ▶ The industry is mostly dominated by big companies like Google, Microsoft, Apple, Nokia, Aruba Networks, Qualcomm, Sony
- ▶ According to 'Grizzly Analytics', there are over 50 start ups in 2012 working on indoor technology
- ▶ There are many acquisitions in the industry: Apple acquired WiFiSlam (2013), Google did the same with Waze (2013), Aruba Networks acquired Meridian (2013)

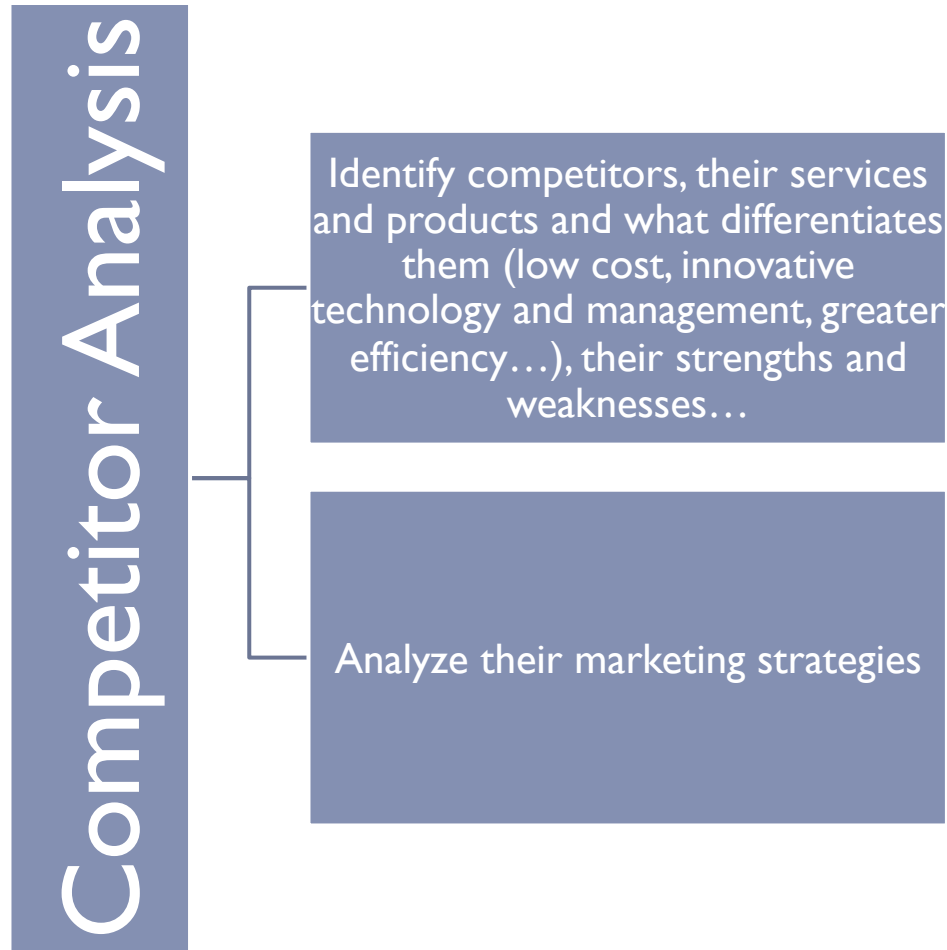
Competitor Analysis

- ▶ A competitor : Offers solutions to the same customer problem.
- ▶ Understanding competitors  reducing the risk of failure

Competitor Analysis: An Example

- ▶ Now, let's imagine a company that provides the technology to solve a certain customer problem (among others): **navigate indoors using a smartphone.**
- ▶ The industry is made of all companies that work on indoor location technology for smartphones.
- ▶ The competitors solve the same problem but they may have different approaches and solutions
 - ▶ Wi-Fi Triangulation, Wi-Fi fingerprinting, Sensor Fusion, Bluetooth 4.0, infrared, light, ...

Comparison



Competitive Analysis Table

Factor	My Business	Competitor 1	Competitor 2	Competitor 3
Products				
Price				
Quality				
Service				
Reliability				
Expertise				
Stability				
Company Reputation				
Location				
Appearance				
Employee				
Company Culture				
Advertisement				
Market Growth				

Business Strategy

- ▶ How can you outmaneuver the competition (using your **unfair advantage**)?
- ▶ Do you have a series of products in mind?
Action → Reaction (by competition) → Re-reaction (by you)
→ ...
- ▶ Do you have a back-up plan (**when things don't work out as planned**)?

Market Analysis

- ▶ Determine the size of the market and its growth rate
- ▶ Market Segmentation
 - ▶ Analyze the market from different points of view: geographic, behavioral, demographic (Age, Gender, race, income, education, occupation, religion....)
- ▶ Articulate the value proposition which is the unique set of characteristics that will attract customers and allow them to differentiate the products.

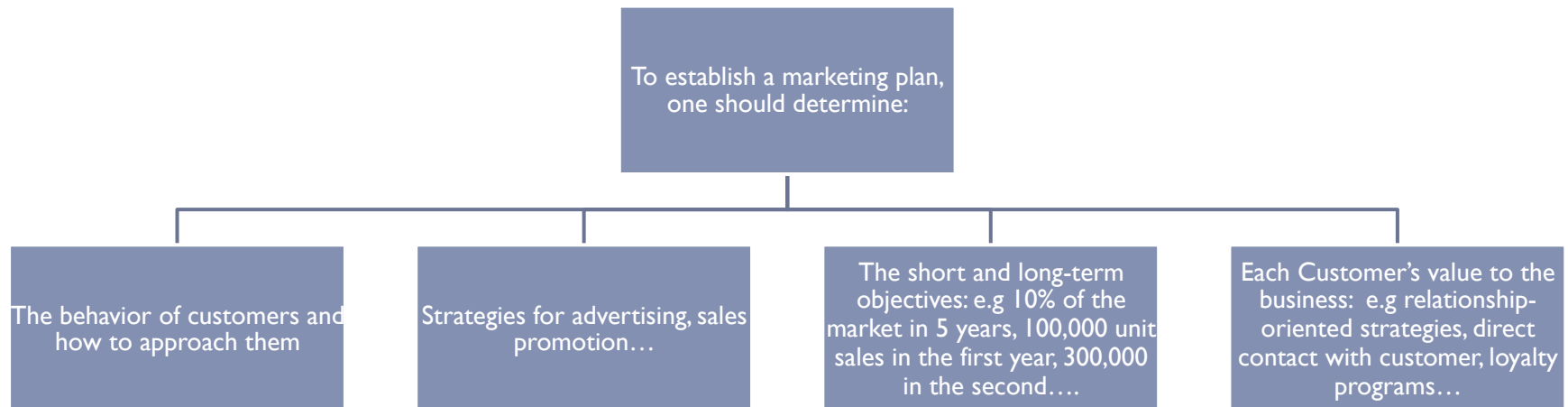
Market analysis

- ▶ Stagnant **experienced competition**
 - ▶ How would your product kick it alive?
- ▶ Growing/Emerging **increasing competition**
 - ▶ What are your competitors doing?
 - ▶ Can you do better than they do?
- ▶ New **no competition**
 - ▶ Why is no one doing it?

Market Analysis: An Example

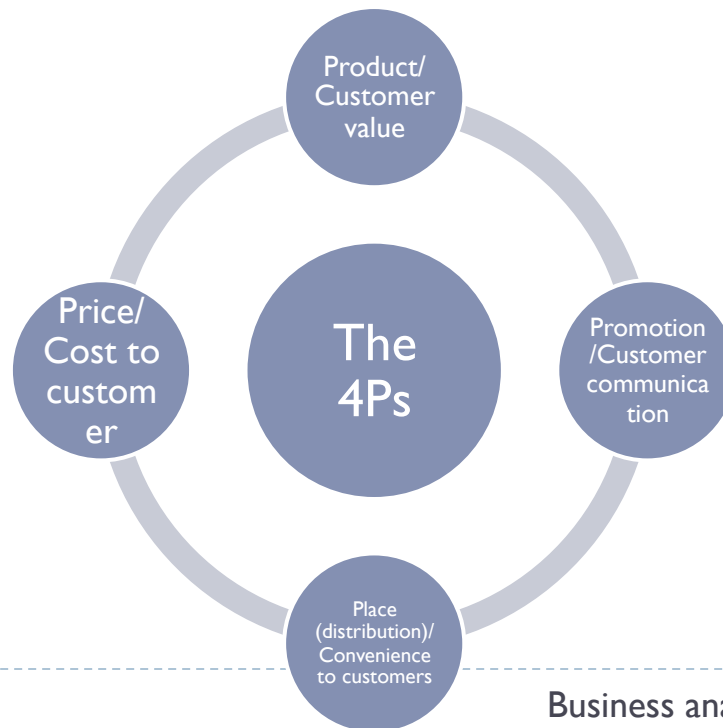
- ▶ The Global Indoor Location Market is estimated to grow from \$448.6 million in 2013 to \$2.60 billion in 2018. This represents a Compound Annual Growth Rate (CAGR) of 42.1% from 2013 to 2018. In terms of regions, North America is expected to be the biggest market in the near term, while the European region is expected to experience increased market traction in the longer term.
SOURCE: <http://finance.yahoo.com/news/indoor-location-market-worth-2-093000779.html>
- ▶ Many segmentation possibilities: geographic (North America, Europe, Asia), demographic, Smartphone operating systems (Android, iOS) , B2B market segmentation by industry (Shopping malls, airports, museums, public buildings...)

Marketing Plan



Marketing Plan: 4P's or 4C's

- ▶ Establish the Marketing Mix: The 4Ps Model
- ▶ Product/ Customer value):An item meeting the demands of customers. Depth and breadth of your product lines (think about iphones)
- ▶ Promotion/ Customer communication: Communication between the marketer and potential customers.
- ▶ Place/ Convenience to customers: Placing the product convenient for its customers
- ▶ Price/ Cost to customer: Depends on price elasticity (whatsapp vs. iPhone) and customer perceived value/image for the product (through advertising)



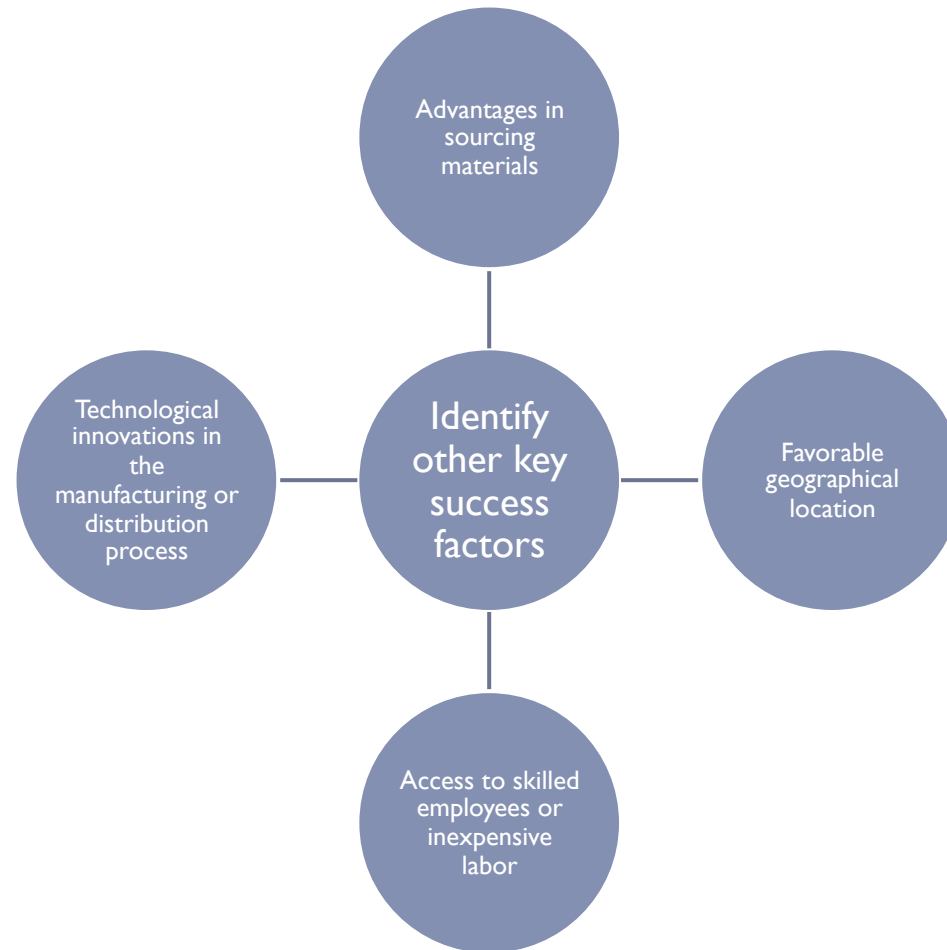
Marketing

- ▶ "Marketing is not the art of finding clever ways to dispose of what you make. It is the art of creating genuine customer value." - Philip Kotler
- ▶ "A company has only two basic functions: innovation and marketing." – Peter Drucker

Operations Plan

- ▶ **Operations: the work or place of the business**
 - ▶ The transforming of the ideas or raw materials into products or services to be sold to the customer.
 - ▶ Supply-chain management for in-time delivery
- ▶ **The Operations plan: a description of the daily operation and activities of the business to deliver products/services to customers**

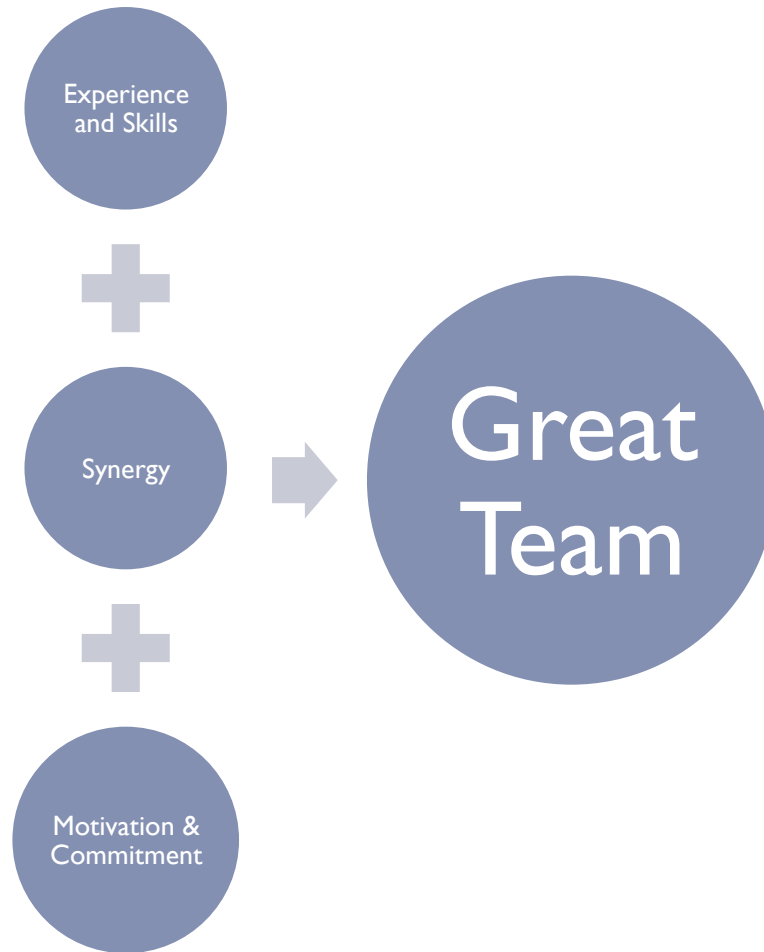
Components in Operations Plan



Management Summary

- ▶ Description of the team members' qualifications and what they will add to the business
- ▶ The team should be presented as a unit
- ▶ Investors pay critical attention to this part because the success of the company depends on the team
 - ▶ According to Martin Zwilling :“Investors ultimately bet on people, not ideas. Convince investors that your team has the chops and determination to start new businesses, and demonstrate deep knowledge in the company's specific domain.”

Management Summary



Financial Plan

- ▶ A good financial plan begins with stating the capital requirements
- ▶ Explains clearly how the money will be used
- ▶ The use of tables and charts is mandatory in order to present information easily to the reader

Financial Plan

- ▶ The **breakeven point, hurdle rate and ROI** (Return on investment) are some of the most important quantities in the financial plan
 - ▶ Hurdle rate: The minimum rate of return required to take the company to that state. In order to compensate for risk, the riskier the project, the higher the hurdle rate.
 - ▶ They tell a lot about the strength of the business and help investors assess the risk and make their decision.
- ▶ Being conservative, realistic and honest is very important. If the business is not profitable, one should try to cut down the costs and not increase the projected sales


Exit Strategies

This section is required when courting outside investors eager to know when and how they will get their money out, and what sort of return they might expect.

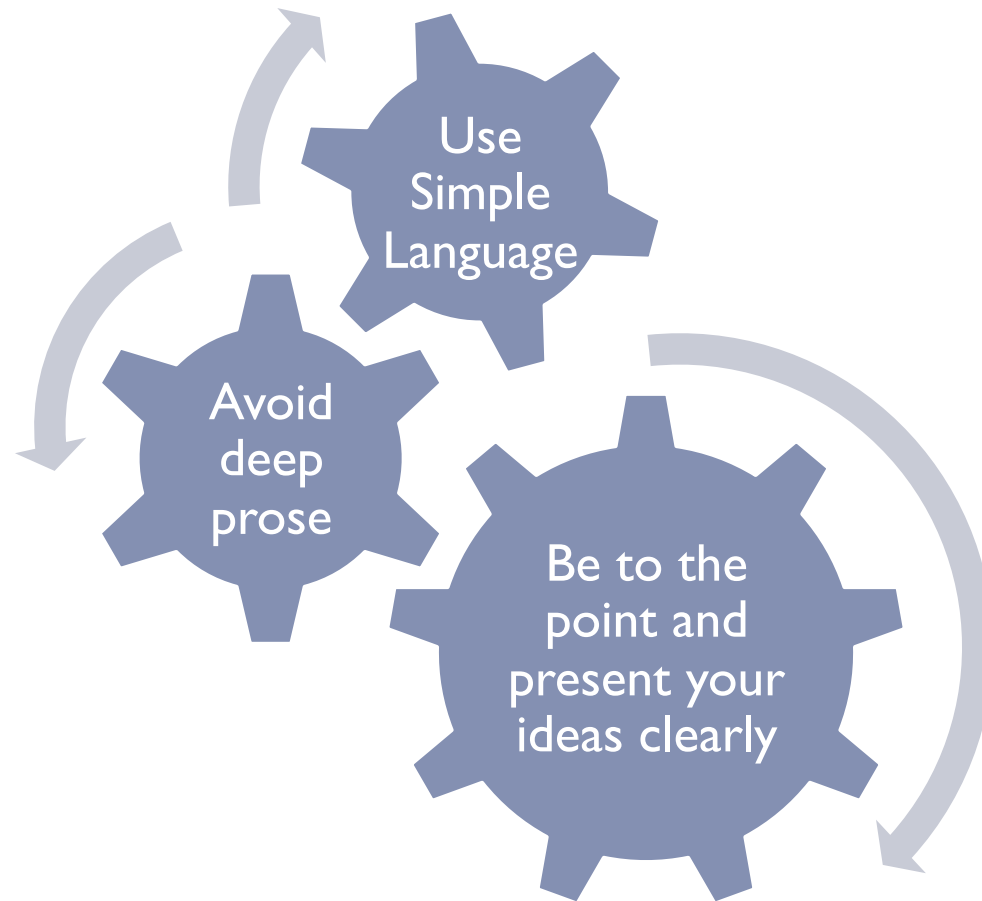
Milestones and Attachments

- ▶ Attach the details of the financial plan, the technological specifications of the production plan, and the formal résumés for each member of the management team.
- ▶ Choose milestones that can be clearly defined and easily measured — for example, “prototype development,” “installation of computer system,” “market testing completed,” or “first customer sale.”

Milestones and Attachments

- ▶ Use generic dates other than actual dates
 -  Leaves more room for the unexpected and are easier to digest by the investors.
- ▶ Develop an ambitious schedule that you can meet. This will impress investors and improve your reputation.

What makes a good Business Plan?



Do's and don'ts

- ▶ **Do:**

- ▶ Use word processor with spelling and grammar check
- ▶ Polish as much as possible

- ▶ **Don't:**

- ▶ Use fancy graphics
- ▶ Just use links to special websites without explanation

What makes a good Business Plan?

The Format:

- ✓ Use standard text fonts like New Times Roman
- ✓ Avoid small fonts: use a 10 to 12 point size font
- ✓ Use page breaks to separate sections
- ✓ Always highlight tables and separate charts from the text

What makes a good Business Plan? (Cont.)

- ▶ The executive summary and 15-second elevator pitch should be written at the beginning before all the sections are written because it forces you to *crystalize* your thinking.
- ▶ The executive summary and 15-second elevator pitch should be *rewritten* at the end after all the sections are written because it forces you to *reconsider* your thinking.
- ▶ After the BP is finished, it should get reviewed by other professionals to correct mistakes and get some guidance

- ▶ Assessed by the following:
 - ▶ market opportunity
 - ▶ the clarity in describing the business opportunity
 - ▶ product and value propositions
 - ▶ execution strategy.