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

- **Strengths (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

- **Weakness (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

- **Opportunities (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

- **Threats (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

Strengths
- Technological skills
- Leading Brands
- Distribution channels
- Customer Loyalty/Relationships
- Production quality
- Scale
- Management

Weaknesses
- Absence of important skills
- Weak brands
- Poor access to distribution
- Low customer retention
- Unreliable product/service
- Sub-scale
- Management

Opportunities
- Changing customer tastes
- Technological advances
- Changes in government politics
- Lower personal taxes
- Change in population age
- New distribution channels

Threats
- Changing customer base
- Closing of geographic markets
- Technological advances
- Changes in government politics
- Tax increases
- Change in population age
- New distribution channels

Internal factors
Positive
External factors
Negative
SWOT Application

SWOT Analysis

<table>
<thead>
<tr>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengths</td>
<td>Opportunities</td>
</tr>
<tr>
<td>Weaknesses</td>
<td>How do you leverage your strengths to benefit from opportunities?</td>
</tr>
<tr>
<td></td>
<td>How do you ensure your weaknesses will not stop you from opportunities?</td>
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</tbody>
</table>
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.
AirBed & Breakfast

Find a place to stay.

1'000'000+ listings
34'000 cities
190+ countries

$10 billion valuation

Business analysis
<table>
<thead>
<tr>
<th>Features</th>
<th>Competitive advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Optimized for international travellers</td>
<td>• Wide international network of travellers</td>
</tr>
<tr>
<td>• Trust (social network, user reviews)</td>
<td>• Well-networked founders</td>
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<td>• Personalized Service / Customization</td>
<td>• Attract the very best talent</td>
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<td></td>
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<tr>
<td>Costs</td>
<td>Revenues (Business Model)</td>
</tr>
<tr>
<td>• Technology and cloud rentals</td>
<td>• Commission based on transaction</td>
</tr>
<tr>
<td>• Marketing</td>
<td>– 6-12% of the transaction value</td>
</tr>
<tr>
<td>• Sales</td>
<td>– 3% for credit card processing</td>
</tr>
</tbody>
</table>

Business analysis
Value Propositions

Travellers

- Incentives
  - Cheaper prices
  - Exotic locations
  - Local experience

Hosts

- Incentives
  - Additional income
  - New friendships
Competitors

Number of Listings as of 2014

<table>
<thead>
<tr>
<th>Company</th>
<th>Listings</th>
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<tbody>
<tr>
<td>Wimdu</td>
<td>200,000</td>
</tr>
<tr>
<td>HomeAway</td>
<td>400,000</td>
</tr>
<tr>
<td>Airbnb</td>
<td>600,000</td>
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<tr>
<td>Strengths</td>
<td>Weaknesses</td>
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<tr>
<td>-----------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Global reach over internet</td>
<td>Lack of differentiation</td>
</tr>
<tr>
<td>Large portfolio</td>
<td>Low incentives to use feedback systems</td>
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<tr>
<td>- 660,000 properties</td>
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<tr>
<td>- 25 million guests</td>
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<tr>
<td>Cool image and reputation</td>
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<tr>
<td>Trust and verification system</td>
<td></td>
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<tr>
<td>Funding abilities</td>
<td></td>
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<tr>
<td>Opportunities</td>
<td>Threats</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------</td>
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<tr>
<td>Travelers are getting younger</td>
<td>Legal and lobbying concerns</td>
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<tr>
<td>- Travel more frequent</td>
<td>- Operates in legal grey zone between “less regulated private commerce” and “highly</td>
</tr>
<tr>
<td>- Want cheap rates</td>
<td>regulated public commerce”</td>
</tr>
<tr>
<td>- More venturesome to exotic places and local apartments</td>
<td>- Increasing competition: easy to copy core business model</td>
</tr>
<tr>
<td>Increasing rate of mobile phone adoption</td>
<td>- Bad press due to destruction to homes and property</td>
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<td></td>
<td>- Many of them may have been suppressed by Airbnb</td>
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</tbody>
</table>
Business analysis
Value Proposition

Convenience: Target Customer

Anytime, anywhere
- Download app and use it

Fun and easy
- Features that standout 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**

**Strengths**
- Convenient Customer-centric Approach
- Low Operation Cost
- More Drivers, Lower Arrival Time

**Weaknesses**
- Lack of Loyalty
- Easily Copied
- Still burning money

**Opportunities**
- More receptive younger generation
- Increasing local pressure to change law to accommodate the business model

**Threats**
- Conflict with Local Taxi Authorities
- Growing Competition
Uber’s Legal Problems Worldwide

- Places Uber* is driving in with no restrictions
- Places where Uber* has legal problems, is in a legal dispute or threatened by a ban.
- Places where Uber* has been banned

Updated: 01/22/2015

* Uber = Uberpop, Uberblack
Q & A

Thank You
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)

Strength
- Geographic advantage
- World-class business environment
- Well-established research environment

Weakness
- Business dynamic
- Social issue
- Cultural issue

Opportunity
- Close ties with China
- Global talent
- IT Growth

Threat
- Competition from mainland China
  - Competition from Taiwan
  - Global economic slowdown
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)
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

Business dynamic
- Finance-focus or real-estate economy
- Dominance of conglomerates (large companies)

Social issue
- Wealth disparity and high property price

Cultural issue
- Lack of recognition in IT and entrepreneurship
- Spoon-fed education
Opportunity and Threat

Opportunity
- China’s 5-year plan focusing on technology
- Free trade agreement in CEPA
- Admission Scheme for Mainland Talents and Professionals (ASMTOP)
- 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.) |
Conclusion

- **S**: Geographical advantage
- **W**: Lack of entrepreneur
- **O**: China’s focus on IT
- **T**: Taiwan and China

- **Infrastructure**
- **VC Community**
- **Education**
- **Immigration**

Business analysis
Writing a Business Plan
4-Year Survival Rate by Industry (2014)

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.
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:

- 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

That great idea

Market research results

How you will do it

(Your track record)

Money issues
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

- **Packaging**: researching and writing
- **Placing**: finding opportunity to meet the best investors
- **Presenting**: 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.

- There is no fixed content for a BP

- Different Businesses
  - Different types of businesses: A pharmaceutical company's BP is different from that of a restaurant's
  - BPs for startups are different from those for Established Businesses

- Audience
  - A BP written for investors (Financials are very important) is different from the one written by the entrepreneur for himself (to see if the business goals are met)
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”)

1. Executive Summary
   - 2.1 Business Description
   - 2.2 Business Environment analysis
   - 2.3 Industry background
   - 2.4 Competitor analysis
   - 2.5 Market analysis
   - 2.6 Marketing plan
   - 2.7 Operations plan
   - 2.8 Management summary
   - 2.9 Financial plan

3. Attachments and milestones
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

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

- Anticipate entry barriers to a certain industry
  - Restrictions related to the place of the production units: scarcity of qualified workforce...
  - Restrictions related to laws: Restrictive federal or international regulations, large capital requirements....
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

Competitor Analysis

- Identify competitors, their services and products and what differentiates them (low cost, innovative technology and management, greater efficiency…), their strengths and weaknesses…

- Analyze their marketing strategies
## Competitive Analysis Table

<table>
<thead>
<tr>
<th>Factor</th>
<th>My Business</th>
<th>Competitor 1</th>
<th>Competitor 2</th>
<th>Competitor 3</th>
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</thead>
<tbody>
<tr>
<td>Products</td>
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<td>Price</td>
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<td>Reliability</td>
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<td>Market Growth</td>
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</table>
Business Strategy

- How can you outmaneuver the competition (using your unfair advantage)?
- Do you have a series of products in mind?
  - Action $\rightarrow$ Reaction (by competition) $\rightarrow$ Re-reaction (by you)
  - $\rightarrow$ ...
- 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...)

Business analysis
To establish a marketing plan, one should determine:

- The behavior of customers and how to approach them
- Strategies for advertising, sales promotion...
- The short and long-term objectives: e.g., 10% of the market in 5 years, 100,000 units sales in the first year, 300,000 in the second....
- Each Customer’s value to the business: e.g., relationship-oriented strategies, direct contact with customer, loyalty programs...
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

Identify other key success factors

Advantages in sourcing materials

Technological innovations in the manufacturing or distribution process

Favorable geographical location

Access to skilled employees or inexpensive labor
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

Experience and Skills + Synergy + Motivation & Commitment → Great Team
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?

- Be to the point and present your ideas clearly.
- Avoid deep prose.
- Use simple language.

Business analysis
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.