

BUSINESS MODEL (GROUP ASSIGNMENT, 5-6 MEMBERS)

- It is the way a company organizes and manages itself to deliver useful products and/or services for customers in exchange for economic value.
- It is the conceptual structure supporting the viability of a **business**, including its purpose, its goals and its ongoing plans for achieving them.

A plan for the successful operation of a business, identifying sources of revenue, the intended customer base, products, and details of financing.

Business Model Canvas At-A-Glance

(source: www.businessmodelgeneration.com)

Key Partners Reasons for partnerships: • <i>Cost / flexibility</i> • <i>Acquisition of key resources or activities</i> • <i>Reduction of risk and uncertainty</i> • Who are key suppliers? • Who are key partners? • Which key resources will we acquire from partners? • Which key activities will partners perform for us?	Key Activities • What are the most important activities we must do well to deliver our value proposition to our chosen segment(s)? Key Resources • What are the most important resources we must own/manage directly to deliver our value proposition to our chosen segment(s)?	Value Proposition • What problem(s) are we helping our target customers solve? • What unique / differentiated value can we deliver relative to others? • What bundle of products and/or services will we need to offer? • Which customer needs are we satisfying? • <i>Performance/newness</i> • <i>Getting the job done</i> • <i>Price/cost reduction</i> • <i>Convenience/accessibility</i> • <i>Design</i> • <i>Customization</i> • <i>Risk reduction</i> • <i>Brand status</i> • <i>Other?</i>	Customer Relationships • What type of relationship do our customers expect? What will they not accept? • Which relationships are they comfortable with now? • Which are most cost effective? Channels • How do our customers want to be reached? • Which channels work best? • Which are most cost effective? • How are we integrating our various channels to optimize the customer experience AND cost?	Customer Segments • Who are our most important customers? Why? • What are the key characteristics of our target segment(s)? • What jobs are they trying to get done? What are their pains and desired gains? • Which segment(s) will we NOT target initially? Why? • Is this segment(s) viable and attractive for growth? • Are our customers and consumers the same or different?
Cost Structure • Is our business model more cost or value driven? • What are the important costs that must be incurred to deliver our value proposition well? • How we can maintain a strong variable/fixed cost ratio? • What levers can we pull to keep costs as low as possible?		Revenue Streams • For what value are our target customers willing to pay? • What do they currently pay? • How do they currently pay? How do they prefer to pay? • How does our pricing compare to alternatives or substitutes? • What is the relative contribution of our various revenue stream options?		

BUSINESS PLAN (GROUP ASSIGNMENT, 5-6 MEMBERS)

A business plan is a written document that describes a business, its objectives, its strategies, its market and its financial forecasts. It states business goals, argues why they are believed attainable and shows a plan to reach them. It is also a helpful tool to monitor the business performance to stay on track.

Main advice:

- ☞ Ensure it is feasible, be realistic!
- ☞ Be flexible, remember it is a decision-making tool
- ☞ Take an objective and honest look at the business, avoid own judgments.
- ☞ Ensure it is understandable for all the stakeholders, do not get lost in complicated reasoning
- ☞ If it is helpful, see the business plan as a collection of sub-plans, one for each business discipline (e.g.: finance, human resources management, marketing, operations, managements, etc)

1. COVER/INTRODUCTORY PAGE

- ✚ Name of the company (including logo)
- ✚ Address
- ✚ Phone number, fax, e-mail
- ✚ Chief executive's name

2. EXECUTIVE SUMMARY

It is a summary of the entire plan and should include highlights from each section of the document. It is aimed at explaining the basics of the business in a way to inform and interest the reader.

Main advice:

- ✚ Be concise! No more than one page
- ✚ It should provide a brief answer to the following core questions related to your business:
What? Where? To whom? Why?
- ✚ Do not over emphasize any information, be precise and to the point

Contents of Executive summary

- ✚ Description of the business idea (concepts)
- ✚ Short market description (industry overview, competitive advantage)
- ✚ Crucial success factors and risks

- ✚ Management team (knowledge, skills, experience ...)
- ✚ Financial goals (financial snapshot)

3. ENVIRONMENTAL AND INDUSTRY ANALYSIS

- Future outlook and trends
- Analysis of competitors
- Market segmentation

4. DESCRIPTION OF VENTURE (ENTERPRISE DESCRIPTION/ BUSINESS DESCRIPTION)

A) DESCRIPTION OF THE BUSINESS GOALS

- ☞ What is the company's main objective?
- ☞ Indicate financial goals (1st , 2nd , 3rd years)
- ☞ Specify the amount of anticipated sales revenue
- ☞ Indicate the profit margin to obtain in planning horizon

B) FORM AND LEGAL STATUS OF THE BUSINESS

☞ Company Summary

- ☞ Type of business and sector.

☐ Manufacturing ☐ Service ☐ Wholesaler ☐ Retail ☐ other

- ☞ Location

- ☞ Legal form (Form of ownership) and tax aspects.

- ☞ Brief history.

☞ Mission

- Mission statement, and corporate identity, i.e. founding characteristics of the company.

☞ Organization of the business

- ☞ Planned organization chart
- ☞ Identification of partners or principal shareholders
- ☞ Management-team background
- ☞ Roles and responsibilities of members of organization

5. ORGANIZATIONAL PLAN & MANAGEMENT SUMMARY

- ❖ Forms of business ownership, whether it's a sole proprietorship, partnership or corporation
- ❖ Quality of the management team should speak for itself because people are the key to determining success two most common problems: one-man-band syndrome, everyone from same background hard to expand if you have a plan for new product line. Successful management teams require diversity of training and expertise.
 - 1) Emphasize real-life business accomplishments

- 2) Academic accomplishments only hold value for technology businesses
- 3) Identify evidence of special knowledge and creativity
- 4) Make the most of your human resources: describe all team members in positions of authority
- 5) Describe your board of directors (if applicable)

6. DESCRIPTION OF THE BUSINESS IDEA (PRODUCT/SERVICE)

- ☞ Type of products or services to satisfy the needs,
- ☞ Comparison with the competitors' product or service.
- ☞ What makes your product/service different, i.e. unique or competitive advantage
- ☞ What benefits it offers
- ☞ Why customers would buy it from you instead of your competitors
- ☞ Potential patents, trademarks or design registrations

7. PRODUCTION/OPERATIONAL PLAN

- ☞ Manufacturing process (amount subcontracted)
- ☞ Physical plant
- ☞ Machinery and equipment
- ☞ Suppliers of raw materials and other inputs, way of procurement
- ☞ Technology in use
- ☞ Production capacity

Main advice: be simple! The reader might not be an expert of your business sector

8. MARKETING PLAN

☞ Industry, customer and competitors' analysis (overview)

- Describe your overall industry in terms of revenues, growth, and pertinent future trends.
- How strong the opportunity is?
- Market size and structure
- The competitors: Who are the major players, their strategy, and level of competition

☞ Segmentation and positioning

- Your bases for segmentation (hint: demographic, psychographic, etc)
- How you can position your product or service for your target customers?
- Who is your customer? core customer wants? Their buying preferences.

Marketing Plan Summary

1. Pricing

- ☞ How much are customers willing to pay?
- ☞ Competitors' price
- ☞ Reasons for setting my price
- ☞ Margin for discount?

2. Distribution

- ☞ Reaching the customers by selling to
 - ☐ Individuals
 - ☐ Retailers
 - ☐ Wholesalers
 - ☐ Others
- ☞ Reason for choosing this way of distribution

3. Promotion

☞ **Start-up promotion**

Description of the planned actions to inform customers about the opening of the new business (e.g. printed information, brochures, posters, newspaper articles, radio advertisements, opening ceremony, etc. Also make inquiries about the costs for the different types of promotion)

4. Place

- ☞ Description of the planned location for the business
- ☞ Reason for choosing this location

9. FINANCIAL PLAN

1. Clear planning horizon 3 to 5 years
 - Long-term planning are often mere speculation
2. Monthly terms
 - In order to identify liquidity problems during the first year, it is important to make an income-outcome comparison on a month basis.
3. Realistic planning
 - Best Case und Worst Case Scenario
 - Only integrate realistic data and assumptions

Key Financial plan decisions

- Financial requirements initial start-up capital. (How much?)
- Identification and source of finance
 - ✦ **Investment**
 - ✦ Land
 - ✦ Building
 - ✦ Equipment
 - ✦ **Working capital**
 - ✦ Months of staff costs (employee expenses)
 - ✦ Months of operational costs
- Choosing between debt and equity financing option (which one is better?)
- Convincing profitability potential of new venture (prepare pro-forma balance sheet, projection of cash flow statements)

Risk analysis

Alongside your financial forecasts it is good practice to show that you have reviewed the risks your business could be faced with, and that you have looked at contingencies to cover such risks.

Risks can include:

- ☞ Competitor action
- ☞ Commercial issues - sales, prices, deliveries
- ☞ Operations - IT, technology or production failure
- ☞ Staff - skills, availability and costs
- ☞ Force majeure

Monitoring

The obtained results need to be assessed in order to measure any possible deviation from initial forecasts, and if so, to analyze the causes of this deviation and take the appropriate corrective actions. Moreover, knowing that markets change over time, it is necessary to control and re-evaluate the realization of the business plan. If necessary, it may even be advisable to change the objectives initially set.

We suggest you clarify which crucial parameters you will follow to monitor your performance and the likely evolution of market conditions.