
UNIT 12 BUSINESS OPPORTUNITY IDENTIFICATION AND BUSINESS PLAN PREPARATION

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12.1 INTRODUCTION

“Winners see problems as opportunities”

If you fail to plan, you plan to fail.

An intelligent plan is the first step to success. The man who plans knows where he is going, knows what progress he is making and has a pretty good idea of when he will arrive. Planning is the open road to your destination. If you don't know where you're going, how can you expect to get there?

Basil Walsh

The above proverb is not only a motivational statement; it is a certain reality in terms of the entrepreneurial journey. An entrepreneur always chooses to travel in the road less taken. Whenever the journey is through such a road, you can avoid the confusion of the traffic (competition) and the process of reaching the destination shall be enjoyable. Choosing the right business opportunity starts with identifying a problem and pursuing to resolve the problem with your unique solution. This Unit focuses on the steps in identifying the business opportunity and Business plan preparation. Any business should have a plan – a strategic one for long-term goals and a tactical one for day-to-day operations. You need one when pitching to investors as well. They need to get a feel of your thinking and your world view.

Basically, there are two main reasons for developing a comprehensive business plan

1. A plan will be definitely useful in ensuring the successful operation of your business; and
2. If you are seeking external funds from banks, venture capitalists, or other investors, it is essential that you be able to demonstrate to them that they will be recovering their money and making a profit.

12.2 OBJECTIVES

After Studying this Unit, you would be able to

- design your ideas with a checklist of self-analysis questions;
- know the different sources from which business ideas emerge;
- analyze whether your passionate idea will work out as a successful business;
- examine how to identify business opportunities from the market;
- apply the five layered sieve for refining your business idea;
- explain the probability of running a successful business is significantly increased with a formal business plan; and
- explain ways to secure external funding must produce a formal plan;.

12.3 CHECKLIST FOR IDENTIFYING POTENTIAL BUSINESS OPPORTUNITIES

1. *Opportunities don't grow on trees.*

One of the big myths about opportunities is that they are undiscovered fruit waiting to be plucked. NO! Opportunities consist of (1.) the alignment of a market need (hunger), (2.) a personal competence (ability to reach the figs), and (3.) values or motivation (willingness to

man a 24-hour watch). So make sure that you have some unusual ability to soothe a market pain, and that you are excited about doing so.

2. *Does your business idea resolve someone's pain, discomfort, frustration, or dissatisfaction?*

The marketing concept starts with identifying the customer need, developing a product/service that resolves the issues of the customer and delivering the value proposition through integrated efforts. Today, the market is customer-centric. It is very much essential to understand the specific problems of the customer and offer a specific solution in the form of a product / service.

The unresolved problems of the customer have to be targeted like a bull's eye. The more successful you are in addressing problems, the better chance you will have at launching a new business. Many ventures are started by people looking for solutions for very specific pain or frustration. Experts suggest that you can try carrying a notepad to jot down all of the frustrations you experience during a 24-hour period — the list will be longer than your expectations. But, only 1 out of the hundreds of daily frustrations is worth consideration. For instance, women are taking up to more employment opportunities, which necessitate travel and longer hours of work, have the problem of taking care of the kids. A day care center shall be a wonderful solution to their problem.

3. *How many such people are out there?*

Problems are many. But are they potential to become your business opportunities. Every problem has to be measured in terms of the number of people suffering from it. If you pay attention, you would have noticed, a super market store stocks and displays the products which are frequently purchased by many people. When there are more buyers for your product/service, they shall share your costs and you can actually serve them at a lesser cost. In our day care centre example, you may invest money in hiring a place, creating good interiors, buy toys for the kids, appoint a care taker for a monthly salary, etc. If only 4 working mothers are available and willing to use your services, the cost will have to be shared only among the four, which shall be too expensive. If 15 – 20 such kids are enrolled, it makes a lot of difference in terms of the cost. You have to notice here that you are not going to hire more space, use more paint for decoration, pay extra salary, etc. May be you will buy more milk and snacks for the kids, which gets covered in the fee that you charge. Those fixed costs are going to remain the same. More the number of customers more are the profits and fewer additional costs.

4. *How much will they pay for it?*

Yes, your idea to start a Baby Care Centre is wonderful. You shall expect to recover the costs of operations from your customers. In a developing country like ours, the purchasing power (or) the ability to pay is a major deciding factor. It is important to analyze whether your target group of customers have money to pay for your product/services. If your cost of running the day care centre comes up to Rs.2000 per child enrolled, and you would like to charge Rs.2200 to every customer and their monthly earnings itself is Rs.5000/- then it

becomes a problem. Only those needs or wants coupled with the ability to buy becomes a demand.

5. *How quickly they could decide to buy your product or service?*

If your product/service offering is the only available option and the problem/need of the customers are compelling, then they shall instantly decide to buy your product or service. If it is quite a sunny weather, the watermelon seller empties his cart in no time. Is your product or service, a watermelon, served on a sunny terrain?

6. *The TINA factor*

TINA – There Is No Alternative. Does your product/service have a secret sauce that no other product has in this world? Does it have something which is a crowd puller? Why should people be compelled to take your product/service? Do you have it in yours?

Box 1

Real life case - 1

Uniza Tasneem, Daria System

Born and brought up in Chickmanglore, Uniza Tasneem completed management studies from Acharya Institute of Management and Sciences, Bangalore. She was selected by Kesdee Inc (an US based Company which was in to e-Learning) as a marketing executive. "Working there for an year and a half gave me an brief idea of software. The word software / Application, ERP started fascinating me."

Uniza Tasneem is the founder and director of Koramangala-headquartered Daria System, a hospital management solution enterprise.

In 2012, Tasneem started Daria System with an initial investment of Rs 5 lakh. "Our domain expertise lies in managing financials of healthcare sector mainly superspeciality & multispeciality, large & medium hospitals, nursing homes, diagnostic centers, laboratories, multispecialty clinics and pharmacies by providing customized software solutions."

ref: The Economic Times – 4th July 2013

7. *Special Resources*

Do you have a privileged access to special resources viz., skill, natural resources, money, access to customers, technology, leadership skills, execution, location, salesmanship, etc.? When you can access such key resources that can give you competitiveness, it serves as a major strength. If your well at the backyard is found to yield oil, then the fortunes of your lifetime are made.

8. *Two Convinced People to work with you*

An entrepreneur is necessarily a visionary. He/she has seen the business idea unfolding as a dream. But it is essential that they must be capable of convincing a team of people to understand and chase their dream. It is essential for you to think of those who can be convinced to work for making your dream come true.

9. *Do their skills complement yours?*

Apart from being convinced, it is equally important that they must be having skills that shall complement your skills. If you are good at marketing / product designing, are they good in finance / managing work force. As a designer, you may be creative enough to design trendy clothes, but to get the designs stitched as garments, someone should be capable of managing the workforce, and somebody should convince the customers and deliver it in the market. Do the chosen team members have such capabilities?

10. *Shared Values*

It is very crucial during the startup phase that the team members share the same value system. If there is a discord in perceiving the rights and wrongs, there is going to be a deep trouble. Many potential businesses have failed because of the lack of shared values. It is important for an entrepreneur to find out whether the team members share the same values that he/she upholds.

11. *Approval/Acceptance of the idea by the confidantes*

All of us have a set of people, whom we consult with to seek clarity in our pursuits. The business idea that an entrepreneur decides to pursue shall be discussed with such confidantes and could be put for a deliberation. The questions that they shall post shall bring more clarity to your business idea. Even if one person (and not more than three people), whose opinion you highly respect, think your idea is a bad one, it needs to be given a thought.

12. *Are the big brothers watching you?*

It is very important that a startup should have the time to settle down, learn from mistakes and redesign the business model. Attracting the attention of the mighty competitors who can deliberately kill your business by adopting massive strategies that you may not afford shall be detrimental to your business.

13. *Is there a potential customer who shall help you with honest feedback, by trying out a pilot?*

It shall be good to take a direct customer feedback. If you are a designer, you can design a garment and request a customer to use it and give a honest feedback. It shall help you to make necessary modifications and launch a perfect product. Working on customer feedback should be a continuous process, so that your products always are dynamically redesigned to suit the changing needs of the customers and will always stay relevant to them.

14. *Can you start up WITHOUT huge money?*

Look before you leap – goes the saying. It is by prudent by all means to start small and grow big. Read the case given in the box to understand how effectively you can start with

a small personal savings and scale up to a big business. You should always remember even bigger corporations like Infosys and Microsoft started in garages and dormitories.

Check Your Progress Exercise 1

Note: i) Use this space given below to answer the question.

ii) Compare your answer with the one given at the end of this Unit.

1. Write few checklist to identify business opportunity

Box 2

Real life case - 2

Sneha Roy & Sananda Misra - Toptomato.in

Toptomato.in by Sneha Roy & Sananda Misra is an online platform for ordering all household items. It's not a new concept but the founders aim to make it unique with its grocery subscription. One can subscribe for regular needs like milk, butter, etc and can specify required frequency.

TopTomato was launched in the month of September, 2012 by Sneha Roy and Sananda Misra, graduates from Indian Institute of Technology, Kharagpur, with varied experience of working in the FMCG sectors. The venture is self-funded and the seed capital was about Rs 5 lakhs.

The initial capital was used for building the website and setting up the back-end and delivery networks.

ref: The Economic Times – 4th July 2013

15. Can you keep your fixed costs low during launch?

As a corollary to the above, by starting small you can save the little available cash for doing brisk business by purchasing stock and distributing them to the right customers after some value addition. It is necessary to get back the cash that you invest in the business, with profits, in the earliest possible time frame. This will help you to breathe easy and the proportion of the profits can go into purchase of assets for the business.

16. Will your idea develop in to small incremental steps that can inexpensively generate valuable information as well as at least a little cash?

For instance, will a satisfied first client bring in more clients for your business? Will the customers bring more information about the competitors, market dynamics, etc. With your

idea getting proven at a small level, will it grow to bigger orders. From your single day care centre, will you be able to grow up into a chain of outlets.

17. Is the idea a DETRACTOR?

Many great ventures have been turned down in the initial stages. For ex., eBay, Google, Fedex, Hewlett Packard, Intel and Apple were declined funding. Entrepreneurs try doing something that either few have thought of, or many have rejected as ill-advised. So unless you have at least one major detractor, then you are probably not on to something big. If it is a wonderful thing to do, then probably a bandwagon of competitors is on the launch pad.

This checklist for opportunities, serve as a base for screening your ideas for business opportunities. After the analysis through this checklist, you may end up with some 4 – 5 ideas which are workable. You still may require a tool to refine and get on to one best idea. The following passages shall give you some such tools.

12.4 THE FIVE-LAYERED SIEVE

Apart from the above checklist, the business ideas can be filtered through a Five-layer Sieve as given below. This framework of five layers shall help to filter out the chaff and refine the worthy business idea. It also helps to address the five important dimensions of sectoral assessment, growth potential, profitability blues, financial sources and legal issues. The following five constitute the five layers of the business opportunity sieve:

1. *Researching your industry* – how can you learn more about your chosen industry and about the resources that are available to help you?
2. *Market assessment* – is there a market for your product or service? If so, how much income can you expect to derive from it?
3. *Profitability assessment* – how much will starting a new business cost you? Can you afford a lengthy “red link” period following start-up, as well as periodic lulls in cash flow? Can you afford to fail?
4. *Financial assessment* – will you be able to obtain the necessary financing for your business? If so, from where?
5. *Legal assessment* – what potential legal liabilities are you exposing yourself to by starting a new business? Are the costs of protecting yourself worth the trouble?

12.5 SOURCES OF BUSINESS ENTERPRISE IDEA

Problems are not the only source of business ideas; there are several other sources too for your business ideas. A few are given below:

Source	You may focus on...
Natural Resources which are abundant in your area	Can you commercialize them?
Existing/ Expected Enterprises in your location	Can you supply goods or services to them?

<ul style="list-style-type: none"> • Similar Business • Raw Materials • Parts and Components • Further Processing • Packing Material • By-product use • Problem-solving products • Service Needs 	
Market-Extension/ Modification of Present Work Content	Are there any existing enterprises doing so well that it would be worthwhile to do the same? Are there any products/ services for which the market demand will continue to expand?
Creative Expertise which you are gifted with	Does the present work suggest any business opportunity?

12.5.1 Industrial Development-Based Opportunities

Whenever an industry flourishes in an area, there are several related and supporting industries that emerge and prosper in the area. Their fortunes are purely dependent upon the growth of the major industry located there. You may also think of an enterprise idea like this.

- Is there any established industry in your area?
- What is the performance rate of this industry?
- Can you pursue any business ventures in your area, which could be uncommon, but very successful?
- What kind of raw materials, packing materials, components and services the local industries require?
- Are any of these procured from outside your area?
- Do any of these pose problems in terms of availability quality, delivery schedule, etc.?
- Do the local industries generate any waste or by-products? What are these used for? Who buys these?
- Are there non-local suppliers to a given industry with whom the industry is quite happy?
- Are there any new and important industries being established in your area?
- What are they likely to buy or manufacture?
- Are there any infrastructure projects coming up? What are they likely to require?

12.5.2 Ideas from the Marketplace

The market place shall have the following clues for new business opportunities:

Growth Products and Services: An entrepreneur can look for products and services which are in a growth trajectory, where the market has already picked up and only there is a shortfall in supply. A few decades back, it was the government department which manufactured the telephone equipment. When the applications for a telephone connection were increasing, the production of the equipment did not grow up. That is when there was a need for opening up the market which gave rise to many handset manufacturers with different features.

Ideas from other Markets: Every problem that exists here has been resolved elsewhere. Entrepreneurs are such individuals who identify such solutions and bring them to resolve the problems existing elsewhere. We have seen many such ideas from the architectural design of Tajmahal to the recent metro rail. Learning from the best practices elsewhere always helps to implement the ideas effectively with minor modifications to suit the context.

Export: The specifications / requirements given by the export market are sources of new ideas. For instance, many automobile companies which source their components from India, provide specifications, which gives rise to new process and business opportunities. Sometimes, delegations are sponsored to visit the export destination and learn the processes. There are several sponsorship schemes available with the MSME Ministry, Govt. of India and different export promotion councils.

12.5.3 Channel Partners / Technical Institutions as Sources of Information for New Business Ideas

The following members shall serve as sources of information for new business ideas:

- Similar-enterprise owners
- Machinery suppliers
- Raw material suppliers
- Customers
- Packing material suppliers
- Dealers
- Consultants
- Employees in similar enterprises
- Bank officials
- Regulatory-agency officials (e.g. Drug Controller office)
- Promotional agency officials (DIC)
- Associations of manufacturers, dealers, customers, raw material suppliers in relation to a given product

If you observe closely, they are channel partners, support institutions, regulatory authorities, research/academic/technical institutions, etc. They are the key informants who have clear-cut information about the possible emerging businesses.

ACTIVITY

Generate a list of business ideas, evaluate them using the checklist and the five layered sieve. How many ideas finally get qualified after the processes? If possible, do this as a classroom exercise.

12.6 MYTHS ABOUT PREPARING A BUSINESS PLAN

Many small businesses think that they do not require a business plan. They have several strange reasons to say. Some of them are listed below:

1. ***We do not need to plan.*** One of the prime reasons individuals fail to produce a business plan is that they believe that they do not have to plan. This may be attributable to the size of the firm; nonemployee firms that have no intention of seeking outside financing might sincerely believe that they have no need for a formal business plan.
2. ***I am too busy to plan.*** Anyone who has ever run a business on his or her own can understand this argument. The day-to-day demands of operating a business may make it seem that there is insufficient time to engage in any ancillary activity or prepare a business plan. Individuals who accept this argument often fail to recognize that the seemingly endless buzz of activities, such as constantly putting out fires, may be the direct result of not having thought about the future and planned for it in the first place.
3. ***Plans do not produce results.*** Small-business owners (entrepreneurs) are action- and results-oriented individuals. They want to see a tangible outcome for their efforts, and preferably they would like to see the results as soon as possible. The idea of sitting down and producing a large document based on assumptions that may not play out exactly as predicted is viewed as a futile exercise.
4. ***We are not familiar with the process of formal planning.*** This argument might initially appear to have more validity than the others. Developing a comprehensive business plan is a daunting task. It might seem difficult if not impossible for someone with no experience with the concept.

12.7 WHAT IS A BUSINESS PLAN?

Startups are born from ideas, but it is the business plan that provides form and structure to them. Business Plan is a document, which entrepreneurs share with potential investors, spells out the methods an entrepreneur will employ to grow a new business.

A business plan usually contains a definition of the product or service on offer, details of current and future earnings, or service on offer, details of current and future earnings, team profile as well as snapshots of competitors and investors.

While a startup venture can have a one page executive summary, mature companies can have business plans those run into a dozen pages. Although it is not legally binding, a good plan, like a good CV, can mean the difference between success and failure.

Importance of a Business Plan

A business plan is important as it forces an entrepreneur to distill the most important information and put it in a structured format, it helps the investor and entrepreneur look at a business the same way.

12.8 CONTENTS OF A BUSINESS PLAN

- **Introduction:** Spells out idea of the company, how it began and the way it expects to grow
- **Team:** The composition of management, the board, advisors and mentors.
- **Opportunity:** The specific problem that the startup aims to solve, the size of the market, and the expected growth.
- **Solution:** Details of the method that the startup will employ to reach the stated goals
- **Competition:** An evaluation of the strengths, weaknesses, opportunities and threats to the startup, its existing competitors, and the investors behind them.
- **Business Model:** The way in which the company will earn revenue and profits.
- **Expectations:** The money required from an investor at a specific value and non-monetary support such as mentoring and operational inputs.

12.9 SECTIONS OF A BUSINESS PLAN

Your business plan is divided into the following sections:

Sections of a Business Plan Document	
1. Business Overview	
<ul style="list-style-type: none"> • Description of the business • Major demographic, economic, social and cultural factors • Major players (suppliers, distributors, clients) Nature of the industry • Trends in the industry • Government regulations 	<ul style="list-style-type: none"> • Products & services • Pricing and distribution • Market trends • Implications or risk factors • Competitors and type of competition • Competitors' strengths and weaknesses • Competitive advantage

• Market segment	
2. Sales & Marketing Plan	
Customers Suppliers Advertising & promotion	Pricing & distribution Customer service policy
3. Operating Plan	
Business location & requirements / advantages / lease details	Equipment / technology / R&D / environmental aspects
4. Human Resources Plan	
Key employees	Policies & procedures
5. Action Plan	
Action plan & timetable	
6. Executive Summary	A brief description of the project, the financing required, and additional information that help explain the business plan
7. APPENDIX: Financial Plan	The company's financial performance, both historical and projected (can be given as an MS-Excel spreadsheet). Includes sales, cost of goods sold, expenses, income statement, balance sheet, cash flow budget, financial requirements, performance indicators, and personal status.

12.10 TAILORING A BUSINESS PLAN TO THE EXPECTATIONS OF INVESTORS

- Every business plan should be written with a particular audience in mind.
- The annual business plan should be written with a management team and for the employees who have to implement the plan.
- However, one of the prime reasons for writing a business plan is to secure investment funds for the firm. Of course, funding the business could be done by an individual using his or her own personal wealth, personal loans, or extending credit cards. Individuals also can seek investments from family and friends.
- The focus popularly is on three other possible sources of capital—banks, venture capitalists, and angel investors. It is important to understand what they look for in a business plan.

12.10.1 What do investors look for in your business plan and what kind of support they shall be interested to provide?

Type of investor	What does he look for?	What support they shall give?
Banker	<ul style="list-style-type: none"> • Banks, due to their legal complications, shall be unwilling to fund a start-up business unless the owner is willing to 	May lend to small business owners who are opening a second business provided that

	<p>pledge some form of collateral.</p> <ul style="list-style-type: none"> • Will initially focus on the financial components of that client, namely, the income statement, balance sheet, and the cash-flow statement • The bank will examine your projections with respect to known industry standards. 	they can prove a record of success and profitability.
Venture Capitalists	<ul style="list-style-type: none"> • They are not in it just to make a profit; they want to make returns that are substantially above those to be found in the market. • The financial statement, particularly the profit margin, is obviously important to venture capitalists, • They will also be looking at the quality of the management team, its experience and track record. • Other factors may include the projected growth rate of the market, the extent to which the product or the service being offered is unique, the overall size of the market, and the probability of producing a highly successful product or service. 	Funds high potential ventures with probability of very high returns.
Angel Investors	<ul style="list-style-type: none"> • they shall look for returns higher than those of the market; however, they often expect returns lower than those anticipated by venture capitalist • They may be attracted to business plans because of an innovative concept or the excitement of entering a new type of business. • Being successful small business owners, many angel investors will not only provide capital to fund the business but also bring their own expertise and experience to help the business grow. • They expect a comprehensive business plan—one that clearly specifies the future direction of the firm. • They also will look at the management team not only for its track record and experience but also their (the angel investor's) ability to work with this team. 	Apart from returns above the market, Angel investors may take a much more active role in the management of the business, asking for positions on the board of directors, taking an equity position in the firm, demanding quarterly reports, or demanding that the business not take certain actions unless it has the approval of these angel investors. These investors will take a much more hands-on approach to the operations of a firm.

12.11 SOME BASIC DOS AND DON'TS IN A BUSINESS PLAN

Dos:

Define Customer Need: Investors may be unfamiliar with the market a startup is focusing on, so explain assumptions. Try to use pictorial representations and diagrams.

Highlight Team Strengths: Communicate how many people you need and state how much they will cost.

Correlate spending with earning: In the finance plan, add milestones and projections for a maximum of two years. Founders may make the mistake of projecting revenue of Rs.100 crore, when the market is only Rs.200 crores.

Provide Clarity: If you need \$10 million, say why, how will you spend it and what returns an investor can expect.

Pay attention to details: Presentation matters, especially in contests where a team gets only 5 – 7 minutes to present a plan. Some perform a skit, others begin with startling statistics or show an interesting video.

Don'ts:

Too much detail too early: Typically startups don't have all the information that can constitute a proper plan, so keep it crisp. Some accelerators expect only a one page note with 10 points for early-stage companies.

Exaggerate the opportunity: Hype may downgrade your startup in the eyes of investors. Such plans, even when presented to multiple investors, do not draw a response.

Set over-ambitious goals: Entrepreneurs have a tendency to make their projections too optimistic. Do not put long-term milestones – 18 month to two year projections are enough.

Ignore Competition: It is vital to be aware of current and potential competitors. List all possible rivals and show how you are better are different.

Formatting errors: Business Plans must not be too detailed and unwieldy. Do not make errors – in spelling, grammar or in calculations. Jargon and acronyms should be avoided.

12.12 WHAT DO INVESTORS LIKE TO SEE IN A BUSINESS PLAN?

- ✓ A good business plan must tell an investor why the founder is the right person to execute an idea.
- ✓ It should define what the company's business, product or service is, who the team members are, the target market and its potential.
- ✓ Moreover it should offer an idea of how a start up is different from its competitors.
- ✓ It must have details on how the business will generate revenue, what has been accomplished so far and present forecasts.

12.13 WHAT INVESTORS DON'T LIKE TO SEE IN A BUSINESS PLAN?

- ✓ A top-down approach: where the entrepreneur says he is targeting a billion-dollar opportunity and that they can get 10% of it? Show us how much a customer will pay for the solution and how many customers will buy it.
- ✓ Do set long-term milestones and do not tell that you have a great product and don't know if there is a market.
- ✓ Do not tell that there is no competition. Either you have not done your research or something is wrong. Do not give too many financial details. An overview is enough.

Cool Formats for Biz Plans

Source: The Economic Times

The business plans need not be presented in a dull/boring report format. These days' startups are thinking of innovative ways of presenting their business plans.

- ✓ **Mind Map:** The plan is pictorially shown with branches leading out of a single idea. They depict various categories – customer, market and financial data
- ✓ **Mobile App:** A plan embedded within a digital app allows viewers to click on topics that they want to explore
- ✓ **Comic Strip:** Cartoons with thought bubbles can replace 'boring' text in power point presentations
- ✓ **Animation Movie:** Similar to play, an animated video can stimulate the various aspects of a business.
- ✓ **Drama / Skit:** The founders act out the concept of their business, in the form of a play, showing the problem they are trying to solve and the beneficiaries.

12.14 ELEVATOR PITCH (or) THE TWO MINUTE PITCH

The make or break decisions of life happen in a few seconds. Life turning events from birth to death happens even before you realize that it has happened. You shall probably get only two minutes to put across your business idea which you have nurtured for days and years passionately in your heart. The investors get to see hundreds of passionate people like you every day. They shall be interested to look at it only when something interesting is there for them.

Effective presentation of your business idea in a concise and convincing format is called as pitching. You may have to refine and present the exact core of your idea and hit it on the bulls eye.

The concept of elevator pitch is nothing but presenting your idea during the time an investor takes in his elevator to reach his office floor.

A TEMPLATE FOR A TWO MINUTE PITCH

Topic	Length	Time
Introduction	30 – 40 words	15 Seconds
Plan for Scaling up the business	90 – 120 words	45 seconds

Funding required	30 – 50 words	15 seconds
Questions & Answers		45 seconds
	Total	120 Seconds

5 things that 500Startups look for in a 2-minute pitch	Venues for making a 2-Minute Pitch
<ol style="list-style-type: none"> 1. What is the problem the startup is addressing? 2. What is your solution to the problem? 3. How are you going to acquire customers? 4. What is the cost of acquisition? 5. What is the life-time value of a customer? 	<ol style="list-style-type: none"> 1. At Elevator Pitch Contests 2. At Networking Events 3. During a lunch, tea-breaks 4. Through a 2-minute You Tube video 5. During his or her drive to the airport 6. By appointment at his office 7. While climbing down a staircase 8. At Accelerator Graduation days 9. In an elevator
<i>Source: The Economic Times</i>	

Types of Elevator Pitches:
The Pixar Pitch: Where the Pitch starts from a Once Upon A Time kind of story. (Eg: Toy Story). The audience can easily visualize your words and relate to them.
Emailers Pitch: Which incites curiosity in the audience and investors. Starts with a communicative tone.
Questions Pitch: Where the Pitch starts with one word or visual and ends with it too. Days later, the audience or the investor if encounters that word, will recall that start up.
Rhyme Pitch: The Pitch starts with a string rhyme which can incite wonder, greed and inspiration for the investor.
<i>(Source: Danpink.com)</i>

5 most asked questions	The key numbers for investors
<ol style="list-style-type: none"> 1. What is your revenue model? 2. How will you get customers or scale up? 3. Who is the target customer? 4. What's your plan to beat the competition? What's the USP of your company? 5. What's your vision for the business? 	<ol style="list-style-type: none"> 1. The investment asked for 2. Product / Service Pricing 3. Time to Break Even 4. The Graph of declining costs 5. The time the amount will last

DOS & DON'TS IN AN ELEVATOR PITCH

The Dos	The Don'ts	Why is it so important
The pitch should show an investor the way to at least treble their money in 3 – 4 years	Don't distract the audience with market size figures and industry growth numbers	You will need to present a pitch not only to investors, but potential cofounders, employees, media and above all customers.
Have a 40 character pitch and few key words ready if you are asked to describe your startup concisely.	If you don't get excited by your start up, neither will the investor.	A perfect pitch is the doorway to a cash pool which will increase the survival runway for your startup.
Leave a lingering story or feeling in the investor's mind which he can relate to, even days later.	Don't focus or carry heavy slideshows. That can be presented later as a printed sheet.	Even post-funding, entrepreneurs need to re-tune their pitch continuously till the time they exit the venture.
Make the investors feel the pain or needs of your target customer	Don't forget to describe your 12 – 18 months plan for which you need the money.	

As a final note of caution, the entrepreneurs need to be alert of the top four mistakes business owners make when applying for a loan

- ***Underestimating the value of personal credit:*** Bankers look at your personal credit history (credit cards, mortgage payments and personal bills) to get a sense of your track record with financial responsibilities. If a business owner hasn't shown the diligence in managing their personal credit, there is potentially a stronger likelihood that they will take the same approach to their business credit.
- ***Applying for the wrong type of loan:*** Entrepreneurs may tend to using credit intended for a short period of time for a long-term purchase, or vice versa. For example, if you buy a piece of machinery with a loan that was intended to fill a short-term need like employee payroll, then you risk being saddled with a loan that you can't get out from under.
- ***Expecting a loan without collateral or a plan to pay it back:*** A banker won't approve a loan that he doesn't think has a chance of getting paid back. So be sure to detail in your business plan how you are going to make the revenue to pay the loan back or any collateral you have to back it up. Also, be sure to explain why the loan is critical for your business.
- **Waiting too long to approach a banker:** Small business banking is about relationships. There's a much better chance bankers will lend you money when you need it, if they already know who you are and what your business is. Not only will you develop that face-to-face relationship, but you will also have the opportunity go get your business financials organized and in shape with a banker's eye in mind.

Check Your Progress Exercise 2

Note: i) Use this space given below to answer the question.

ii) Compare your answer with the one given at the end of this Unit.

1. Define Business Plan.

ACTIVITY

Prepare a business plan for an idea of your choice and present it in an innovative format suggested in the text above. Also do a two minute pitch to your tutor and get feedback. If possible, participate in a business idea contest and present your idea. You have every chance to win the prize.

12.15 SUMMING UP

Choosing the right business opportunity starts with identifying a problem and pursuing to resolve the problem with your unique solution. This Unit focused on the steps in identifying the business opportunity. You are now exposed to different sources which shall help you identify a business opportunity. Now, you need to know the technique of preparing a detailed business plan for the chosen idea. Thus, you are now exposed to the basics of a business plan, the innovative ways of presenting it to the investors, major dos and don'ts and the art of pitching. This Unit may also have explained that how important a business plan is to a business. You would have also realized how much clarity a startup would gain by preparing a meticulous business plan.

12.16 GLOSSARY

Financial Institutions: An establishment that focuses on dealing with financial transactions, such as investments, loans and deposits. Conventionally, financial institutions are composed of organizations such as banks, trust companies, insurance companies and investment dealers. Almost everyone has deal with a financial institution on a regular basis. Everything from

depositing money to taking out loans and exchange currencies must be done through financial institutions.

12.17 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1. *Special Resources*

Do you have a privileged access to special resources viz., skill, natural resources, money, access to customers, technology, leadership skills, execution, location, salesmanship, etc.? When you can access such key resources that can give you competitiveness, it serves as a major strength. If your well at the backyard is found to yield oil, then the fortunes of your lifetime are made.

Two Convinced People to work with you

An entrepreneur is necessarily a visionary. He/she has seen the business idea unfolding as a dream. But it is essential that they must be capable of convincing a team of people to understand and chase their dream. It is essential for you to think of those who can be convinced to work for making your dream come true.

Do their skills complement yours?

Apart from being convinced, it is equally important that they must be having skills that shall complement your skills. If you are good at marketing / product designing, are they good in finance / managing work force. As a designer, you may be creative enough to design trendy clothes, but to get the designs stitched as garments, someone should be capable of managing the workforce, and somebody should convince the customers and deliver it in the market. Do the chosen team members have such capabilities?

Shared Values

It is very crucial during the startup phase that the team members share the same value system. If there is a discord in perceiving the rights and wrongs, there is going to be a deep trouble. Many potential businesses have failed because of the lack of shared values. It is important for an entrepreneur to find out whether the team members share the same values that he/she upholds.

Check Your Progress Exercise 2

1. A business plan usually contains a definition of the product or service on offer, details of current and future earnings, or service on offer, team profile as well as snapshots of competitors and investors.

12.18 REFERENCES

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12.19 QUESTIONS FOR REFLECTION AND PRACTICE

1. What are the different sources from which business ideas emerge?
2. What are the steps to analyze your passionate idea to make it as a successful business?
3. How to identify business opportunities from the market?
4. Explain the five layered sieve for refining your business idea
5. What are the specific sections of a formal business plans? Explain.
6. Explain the innovative ways of presenting a business plan
7. What are the basic rules of pitching a business plan? Why is pitching important and how it has to be done?

