



Nottingham University
Business School

UNITED KINGDOM · CHINA · MALAYSIA

Haydn Green Institute
for Innovation and
Entrepreneurship

Ingenuity19

Nottingham's Innovation Event

**Introduction to
Business Plans**

Professor David Park

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My Experience Relevant to Today

- ~20 years experience creating and growing start-ups (companies, CICs, CIOs)
- I have . . .
 - Successfully pitched for \$M to start a company
 - Led a team that took a novel idea from University lab and successfully took it to market and secured a \$multi-M licensing deal with a FTSE100 company
 - Read a lot of business plans and heard a lot of pitches

I am assuming that . . .

Everyone watching is thinking about starting a
business or charity
or
you're wondering how you could make a difference
in your community
or
you've got an idea or a dream and you want to “*do something*” and you want to know how you could go
about making a start

Intro to Business Plans is first because ...

- Identify the key issues
- Prioritise actions or areas for further analysis
- Persuade others
- Reduce risks
- Increase the chances of success

True *whatever* your business, charity or location

This video is targeted at those who have never produced a business plan before

I will explore what should be *in* a typical business plan and introduce some free, easy to understand, tools and processes that will help you think through the key questions and topics.

There'll be links to various materials you can download as we go

What does a Business Plan say?

- It's an easy to understand story (*with supporting evidence*):
 - Who you are
 - What you want to do
 - Why you are doing it
 - How you will do it (and how long it will take)
 - Your competitors and potential partners
 - How much it will cost
 - How much any investors might make
 - Risks (and mitigations)

(ie what sort of things might be in a business pitch / presentation!)

- The Problem
- Your Solution / Product
- Your Strategy
- Your Team
(incl Board / Advisory Board)
- Competitor & Market Analysis
- Does your product work?
Any results so far?
Customer Feedback?
- IP (strategy, risks, opportunities)
- Where you are now
- The Future Plan (2 – 5 years)
- Risks / SWOT / PESTLE / ...
- Cash flow / Financials
What will you do with investment?
- Equity Strategy
(who owns what, when)
- Potential Exits / Rewards

Please bear in mind ...

- There are lots of issues / questions to explore
- It will require many iterations / take lots of time
- Often no easy answers
- The more “real” data you can get to support your assumptions & statements the better
- It’s better to work with others

Your Business Plan *will* need to evolve over time . . .

- Company growth
- Change in ownership
- A Wide variety of External Factors
 - Economic downturn / upturn
 - Change in competition
 - New or changing Regulations / legislation
 - Pro-active response to PR
(positive or negative)
 - ???



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Helpful Tools

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“The Definitive Business Plan”

Richard Stutely

ISBN: 0273761145

Important caveats

- Working through the following questions and tools *will* increase your level of knowledge about many key aspects of your chosen business area
- It *may* clearly highlight potential problems or opportunities (but this can't be guaranteed)
- It is not possible to guarantee success but . . .

Identify your current Business Priorities:

- Business survival?
- Maximising profit?
- Return to shareholders?
- Growth (Jobs? Sales?)
- Market share?
- Value to the community?
- ???

Various 'Standard' techniques and questions can help you produce a credible Business Plan:

- SWOT
- PESTLE
- Business Model Canvas (lots of versions)
- Win²

NB There are lots of other tools, books, lists, etc.

Try some out and identify which mix works for you.



- How can we use our strengths to:
 - Take advantage of the opportunities identified?
 - Overcome the identified threats?
- What do we need to do to remove or reduce the identified weaknesses in order to
 - Take advantage of the opportunities?
 - Overcome the identified threats?

Critically analyse the Cost vs the potential Reward

Review and update over time



Political



Economic



Societal

PESTLE



Environmental



Legal



Technological









The Business Model Canvas

Designed for:

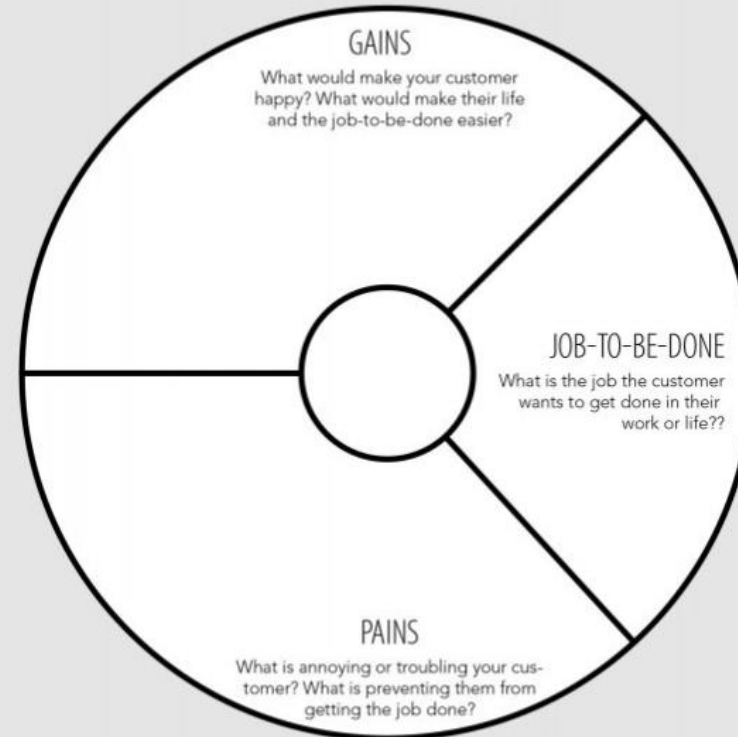
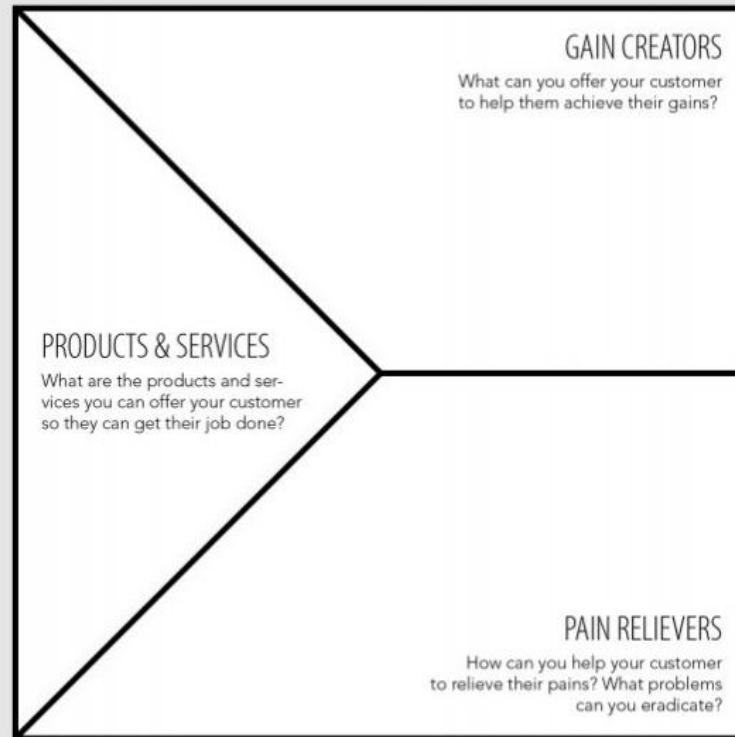
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Date:

Version:

<p>Key Partners </p> <p>Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from partners? Which key activities do partners perform?</p> <p>Key Partnerships</p> <p>Cooperation and resource sharing Distribution and uncertainty Allocation of particular resources and activities</p>	<p>Key Activities </p> <p>What key activities do our value propositions require? Our distribution channels? Customer relationships? Revenue creation?</p> <p>Key Resources </p> <p>What key resources do our value propositions require? Our distribution channels? Customer relationships? Revenue creation?</p> <p>Key Resources</p> <p>Physical Intellectual Human Financial</p>	<p>Value Propositions </p> <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p>Value Propositions</p> <p>Performance Customization "Getting the Job Done" Design Brand/Status Price Risk Reduction Accessibility Convenience/Quality</p>	<p>Customer Relationships </p> <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</p> <p>Customer Relationships</p> <p>Personal Assistant Dedicated Personal Assistant Self-Service Automated Services Communities Co-creation</p>	<p>Customer Segments </p> <p>For whom are we creating value? Who are our most important customers?</p> <p>Customer Segments</p> <p>Mass Market Niche Market Segmented Diversified Multi-sided Platform</p>
<p>Cost Structure </p> <p>What are the most important costs inherent in our business model? Which key resources are most expensive? Which key activities are most expensive?</p> <p>Cost Structure</p> <p>Cost of Goods Sold (variable costs) Distribution (variable costs) Packaging (variable costs) Production (variable costs) Transportation (variable costs) Marketing (variable costs) Customer Support (variable costs) Research and Development (fixed costs) Infrastructure (fixed costs) Personnel (fixed costs) Overhead (fixed costs) Rent (fixed costs) Utilities (fixed costs) Insurance (fixed costs) Legal (fixed costs) Accounting (fixed costs) Office (fixed costs) Equipment (fixed costs) Debt (fixed costs) Equity (fixed costs)</p>		<p>Revenue Streams </p> <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay?</p> <p>Revenue Streams</p> <p>Transaction Fees Subscription Fees Licensing Advertising Sales Rental Usage Fees Performance Fees Referral Fees Commission Royalties Advertising Sales Rental Usage Fees Performance Fees Referral Fees Commission Royalties Advertising</p>		

VALUE PROPOSITION CANVAS

















BUSINESS PLAN CANVAS

Name of Business:

Date:

Version:

<p>Key Partners/Suppliers </p> <p><i>Who are your key partners and/or suppliers? Which key resources are you acquiring from your partners and/or suppliers? Which key activities do partners or suppliers perform?</i></p> <p><i>Some activities may need to be outsourced (eg. accountants). Make a list of your key partners and key activities in your business.</i></p>	<p>Key Activities </p> <p><i>Actual tasks and actions required to create and deliver the elements in the business such as making, selling and supplying the business. Always study the market to stay ahead of the game!</i></p> <p><i>Categories of Key Activities:</i> Production Problem Solving Performance network</p>	<p>Unique Selling Points </p> <p><i>Does your product/service meet a need in the current market? Will there be pressure for it to become a market leader? Is it safe? Does it perform well? Does it look good? Is it convenient? Is it economical? Is it durable?</i></p>	<p>Customer Relationships </p> <p><i>Establish and maintain different kinds of relationships with customers. Your business must clarify the purpose of customer relationships; do you want to get new customers? Keep old customers or gain even more revenue from existing customers.</i></p> <p><i>Type of Customer Segments:</i> Mass markets Niche markets Segmented Diversified Multi-sided platform</p>	<p>Channels </p> <p><i>How will goods and services be delivered? Through which channels do your customers, beneficiaries, partners and providers want to be reached? Which channels are most effective? Remember you need to deliver value to your customers. Think about awareness/evaluation/purchase/delivery after Sales</i></p> <p><i>Channel Types:</i> Sales force Web sales Own stores Partner stores Wholesaler</p>
<p>Key Resources </p> <p><i>What key resources does your value proposition require? What are your distribution channels? What are your customer relationships? What are your revenue streams?</i></p> <p><i>Types of Resources:</i> Physical Intellectual (brand, patents, copyright, data) Human Financial</p>		<p>Value Properties </p> <p><i>Which one of the customers' problems are you helping to solve? Solving customer problems or satisfying customer needs. What value do you want to offer to your customers?</i></p> <p><i>Characteristics:</i> Newness Performance Customisation Design Brand status Price Cost Reduction Accessibility Convenience/visibility</p>	<p>Revenue Streams </p> <p><i>What are your customers willing to pay? What do they currently pay? And for what? What is your revenue model? What are your pricing tactics? How would your customers prefer to pay?</i></p> <p><i>Fixed pricing</i> List price Product feature dependent Customer segment dependent Volume dependent</p>	
<p>Cost Structure </p> <p><i>What are the most important costs inherent to your business? Which key resources are most expensive? Which key activities are most expensive?</i></p> <p><i>Is your business more:</i> Cost driven (cheapest cost structure, low price value proposition, maximum automation, extensive outsourcing) Value driven (focused on value creation, premium value proposition)</p> <p><i>Direct cost to the customer for goods/services. Also consider: income/expenses/budget or profit/sales/gross margin or margin/ break even and salary costs</i></p>	<p>Social Impact </p> <p><i>What social impact does your business have? Does your business have any negative impact? If so, what steps will you take to overcome this?</i></p> <p><i>Staff/employee time/training, information retention, influence of resources to acquire any entrepreneurs in the environment Possible external consultants</i></p>		<p>Environmental Impact </p> <p><i>What environmental impact does your business have? Does your business have any negative impact? If so, what steps will you take to overcome this?</i></p> <p><i>Reduced operational risks (reduced occupational hazards, increased emergency relations, improved reputation, improved access to finance)</i></p>	

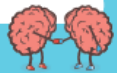


SIMPLY DO IDEAS

THE CONCEPT CANVAS


2 CUSTOMERS

- What is the size of the market?
- Who are your customers (e.g. age, gender & lifestyle)?
- How will you get your customers?




3 COMPETITORS

- Who are your competitors?
- What do your competitors do well and not so well?
- Why will people choose you ahead of your competitors?




1 CONCEPT

- What is the idea? What does it do?
- What problem does it solve or need does it meet?




4 COMPATIBILITY

- PASSION** - How much do you love the thought of running your own business? /10
- RESILIENCE** - How well do you think you stick to tasks when things get tough? /10
- COMMUNICATION** - How confident are you at communicating your ideas? /10
- PLANNING** - How well do you believe you plan and keep on top of things? /10
- NETWORK** - How much support do you feel you will get from your network (e.g. family, friends)? /10




5 CONTENTS

- What are the necessary ingredients of the idea?
- What things will you need to do to make the idea happen?



IN


- How will your idea make money?
Think about it from the customer's perspective.
- What initial funding do you think you might need?



CASH

OUT

- What are the things you will need to spend money on to make the idea happen?
This is linked to the 'Contents' section as they are both linked together.



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- Win2 is a series of useful questions to assess:
 - Evidence of market attractiveness and awareness of competition
 - Identifying potential failure points
 - Potential finance issues
 - The personnel experience required and any gaps
 - etc

NB Even if an idea ‘passes’ there is no guarantee of success
(but do note any areas for further investigation / development work).

Impact Upon Society

What is the effect upon people's welfare?

Does it meet current laws and regulations?

What are the safety implications of using or abusing this innovation?

What will be the impact upon the environment of this innovation in use or when obsolete?

Market Attractiveness

What are the size and dynamics of the potential market?

How does it compare with the competition?

Barriers to Acceptance

What are the key barriers to acceptance and can they be overcome?

Feasibility of Concept

Can it be made?

Will it work?

Will it pay for itself?

www.winsquared.co.uk

Experience & Strategy

What are the necessary Marketing, Financial, Technical, Management and Production skills and are they in place?

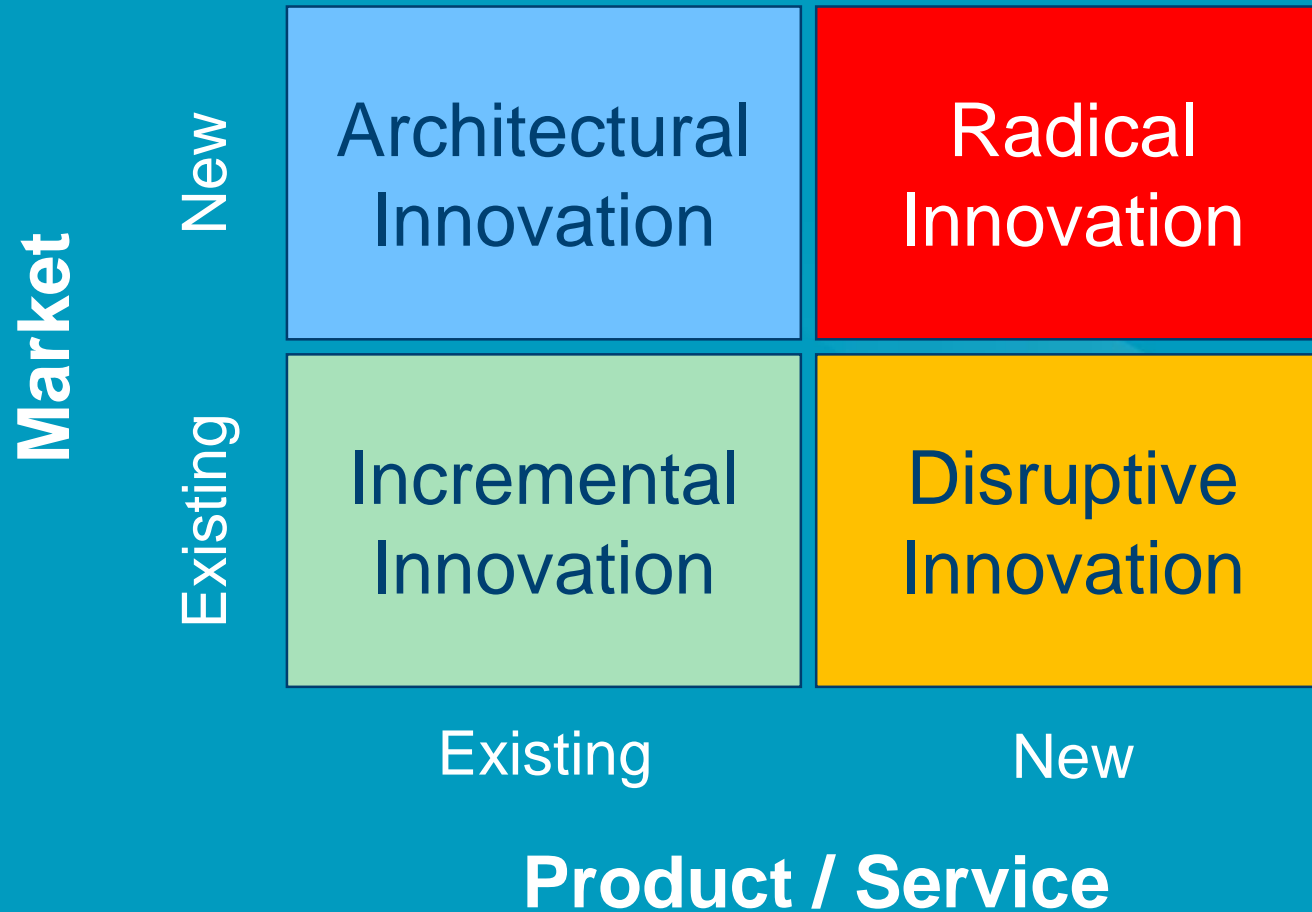
Is a new venture appropriate?

Is a partnership strategy appropriate?

How will the innovation be distributed?

How about the issue of novelty?

Think about the degree of novelty of your idea / approach / strategy





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In Conclusion

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Key Questions / Decisions

Part-time side-line vs all consuming start-up?

Identify your Business Priorities

- Gaining initial sales / income?
- Demonstrating “Value” to the community?
- Maximising profit or market share?
- ???

Choose the appropriate legal vehicle

There are lots of free tools and techniques to help you better understand your potential business idea

You can use these to help you get the information you need to create a credible business plan

You should use more than one tool, and your ideas *will* need to iterate / change as you evolve your thinking (based on what you discover)

This process will take time and works best if you collaborate with others

In other videos we will explore some more of the key aspects of basic business planning and development including:

- Knowing your customer and competition
- Generating a cash flow forecast and identifying potential investors
- Understanding different types of Intellectual Property
- Some of the really important legal aspects related to starting and running a business, social enterprise or charity

Suggested “homework”

Produce a ~100 word overview of the business idea / opportunity

Complete an initial analysis using the Business Model Canvas and Win2 Questions

Identify key gaps / areas of uncertainty / topics for further work or analysis

Thank you very much for watching
and
good luck as you begin to work through the
various stages of developing your own Business
Plan