Market Analysis and Business Plan

The Market Analysis is a part of the Business Plan
That is where it all begins…

Why do we need a business plan?

» Describe goals internally, externally
» Answer all kinds of questions
» Different target audience
» Dynamic document
» Helps in the decision-making process

Writing a business plan, makes you think through the business idea thoroughly.

Target groups

» Investors
» Customers
» Suppliers
» Potential board members, key persons
» Control document for management, staff
» Bank, Auditor, Partners, Distributor

Note! Usually different versions

The decision process

» First an emotional decision…
» …then “Cognitive motivation”

» Nano robots that clean blood vessels
» Car tires that never wear out
» Powder that eliminates contaminations and salt from water
» Activated nano particles that eliminates virus
» Bacteria that produce snow

» The Elevator Pitch
The elevator pitch

- Limited amount of time
- Seize the opportunity when it comes
- Create interest
- Communicate the essentials
- Give an easy-to-remember summary

Communicating what?

- Business ideas
  - Customers
  - Investors
- Applying for funds
- Making a scientific speech
- Applying for a job
- …

The Elevator Pitch

**Hook**

The Hook - Create interest:
- "Are you having trouble hearing? You are not alone."
- "More than two thousand ideas have been patented for new mousetraps and only two are really used."
- Tell a story

**Core**

The Core - your Value Proposition

**Close**

The Close - What is the request?
- A new meeting?
- Funding?
- Additional partners?
- A reference to another person?
- …?

NABC

**Important Need**
- What problem do we solve?
- Define the playing ground, state of the art
- Provide facts, scientific background

**Our unique Approach**
- How do we solve the problem?
- What is our approach for addressing the need

**Benefit per cost**
- What is the user benefit?
- What is the superior customer value?
- How does it compare to the cost?

**Competition and alternatives**
- Who are the competitors?
- What alternatives are available?
- Now ? In the future?
Pitfalls

- Do not concentrate on the approach
  - nAbs
  - NaHC
- Do not just say “faster”, “cheaper”, “better”
  - Be specific and quantitative
  - If you don’t know, guess - take a “SWAG”
- Do not forget the Close
  - What do you want to achieve? Next step?
- Faste, faste, faste ...

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The Business Model Canvas (the BMC)

Part 1

MARKET ANALYSIS

A. The Market
B. The Customers
C. The Competitors
D. The Market strategies
A. The Market

1. The Present situation
2. The Future
3. Trends

A1 Market – The Present situation

» Description
  - Consumer clients / Business clients
  - Conservative/Dynamic
  - Size, potential growth
  - Segments, Target groups, Localization
  - Delimitation of the market
  - Other properties

» The positioning
  - Present situation
  - Target positioning

A2 Market – The Future

» Maturity
» Market share, forecasts
» Threats?
  - How to overcome?
» Specific opportunities, potentials
» Factors that influences the development

A3 Market – trends

» Fashion trends
» Seasonal dependence
» Market dependence
  - Boom, recession, ...
» Other visible trends
  - Advantages
  - Disadvantages

B Customers

1. Customers, general
2. Most important customer(s)
3. Customer benefit

B1 Customers, general

- Where are the customers?
- How many?
- How dependent is the company of (a) certain customer(s)?
- Customer’s decision process
- Capability to pay
- Price sensitivity, purchase amount
- How to tie the customer to the company?
  » Contract, subscription, updates
B2 Most important customer(s)

- Which customers are the most important?
- Few customers, how to handle the risk?
- How is the customer dependent on the Company?
- Describe the sales process

B3 Customer benefit

- What need do we satisfy? ("Important problem")
- How are we better than the competitors?
- How do we get feedback from the customers?
- What alternatives does the customer have?

C The Competitors

1. Who are the competitors?
2. Competing products, offers
3. Rights, patents, licenses
4. Reactions from the competitors when the product is launched

C1 Who are the competitors?

1. Who are the main competitors?
- Owners
- Turnover, Sales volume, profitability, debts
- Weaknesses, previous mistakes
- Distribution channels
- Price, offer, service

C2 Competing products

- Offer
- Product function
- Reliability, durability
- Environmental impact, sustainability
- Design
- Delivery reliability
- Service
- Price
- Financing (leasing, interest free purchase)

C3 Rights, patents, licenses

- Trademarks
- Registered design
- Copyright
- Patent
- Licenses
- Goodwill
- Reputation

No patent is stronger than the one who defends it
C4 Reactions at product launch

» Prepare for counter action
» Price reduction
» Suppliers
» (Counter-)Market campaigns

D The Market strategies

1. Business model
2. Pricing
3. Sales
4. Distribution
5. Service
6. Marketing

D1 Business model, examples

» Printers, color cartridges
» Elevators
» Cellular phones
» TetraPak
» ECOS, heater process control
» Leasing
» Christer Ericsson fixation belt

» 24kr*135%=32,40 cp. 175kr -> 167,25

D2 Pricing

» Market price
» Penetration pricing
  – (Low price for vast spreading)
  – Example: Media Markt?
» Skimming pricing
  – (High price at start for high gross margin)
  – Example: Apple, Cars, Hi-Tech
» Difficult to increase price significantly
  – (Easy to decrease discount)

D3 Sales

» Build global sales organization (expensive)
» Whole sale dealer, Agents, Retailers
» Web shop, Mail-order
» Segmentation
  – Geographic division
  – Customer type
  – Submarket
» Exclusive contract
  – combine with minimum quantities

D4 Distribution

» Retailer
» Agents
» Franchising
» Whole sale dealer
» Shops (owned by the company)
» Employed salespersons
» Web shop, mail order
» Call center
Margins, retailer

<table>
<thead>
<tr>
<th>Category</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicine</td>
<td>33%</td>
</tr>
<tr>
<td>Textile fabrics</td>
<td>50%</td>
</tr>
<tr>
<td>Sports equipment</td>
<td>30-40%</td>
</tr>
<tr>
<td>New cars</td>
<td>10-16%</td>
</tr>
<tr>
<td>Cellular phones</td>
<td>10-20% (previously 50%)</td>
</tr>
<tr>
<td>Supermarket (groceries)</td>
<td>25-30%</td>
</tr>
</tbody>
</table>

Margins, wholesale

<table>
<thead>
<tr>
<th>Category</th>
<th>Margin</th>
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<tbody>
<tr>
<td>Medicine</td>
<td>9%</td>
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<tr>
<td>Groceries and beverages</td>
<td>5%</td>
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</tbody>
</table>

Margins, manufacturer

<table>
<thead>
<tr>
<th>Category</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicine</td>
<td>58%</td>
</tr>
<tr>
<td>Computers (PC)</td>
<td>10-15%</td>
</tr>
<tr>
<td>Apple (previously)</td>
<td>50%</td>
</tr>
<tr>
<td>Computers (servers)</td>
<td>20-25%</td>
</tr>
</tbody>
</table>

D5 Service

- Service level important for re-purchase frequency
- Who makes the service
  - Supplier
  - Retailer
  - The Company
- Quality of service
- Post market

D6 Marketing

- Conventional Advertisement
  - Papers, periodical, radio, TV, The Internet
- Direct marketing
  - Direct mail, telephone sales, The Internet
- Media
  - Editorial articles, press releases, directed information
- Exhibitions and fares
- Customer visits
The Business Plan

Shaping

Disposition

Contents

The business shall attract investors

» Truthful
» Vigorous
» Comprehensible
» Tangible
» Fact supported
» Well edited

Disposition

Summary
1. Business Concept
2. Management
3. Products
4. Market Plan
5. Organization
6. Owners
7. Production
8. Economic overview
9. Realization
Supplements

Vision
1. Business Idea
2. Background
3. Business model
   Extended BMC
4. Value proposition
5. Customer Segment
   Distr./Relation/Revenue
6. Key Activities
7. Key Resources
8. Key Partners
9. Cost Structure
10. Competitors
11. Trends
12. Team & org
13. Implementation
14. Profitability & Finance
15. Risk analysis

Focus

» Idea, Appetizer, the Elevator pitch
» Customer benefit
» Management
» Exit
Supplements
1. Income statement
2. Balance sheet
3. Liquidity Plan
4. Finance
5. Technical descriptions

Literature
- Så skriver du en vinnande affärsplan – en praktisk handledning
- How to succeed in Sales and Marketing – Advice for start-up companies – www.connectsverige.se

BMC
Business Model Generation: A handbook for Visionaries, Game Changers, and Challengers.
Alexander Osterwalder and Yves Pigneur.
John Wiley & Sons

Venture Cup
Affärsplan FTW
Jesper Forslund
Lean Publishing 2014

English version
- How to write a...
Available at www.connectsverige.se

That’s it!

more questions ...?