

Subject- Entrepreneurship

Topics for Today's Class (25/04/2020)

- Funding Opportunities for start-ups
- Strategies to Exploit Funding Opportunities
- Marketing Plan for Start-up
- Outlines of an Effective Marketing Plan
- Organizational Plan for Start Up Enterprise

1. Funding Opportunities for Start-ups

No business can take off without monetary support. Finance is needed to fund purchase of land, plant and machinery, equipment, construction of factory, purchasing of technology or know-how, payment of wages, purchasing of raw material and consumables and other manufacturing and administrative expenses. Broadly, the need for finance in any enterprise can be classified into following types:

- Long and medium term financing
- Short term or working capital financing
- Seed capital or marginal money
- Bridge loans and
- Risk financing

Thus, infusion of money is needed in every stage of business and perhaps every activities of business. And that is why it is quite complicated to crack the problem 'raising finance'.

At the same time, there are many creative options of financing available for starting a new business that you might not find when buying a car, home or other major consumer item. Basically, three source of financing are available for financing a new business:

- **Equity Financing:**

Equity financing basically refers to the sale of an ownership interest to raise finance for business need. The investors shares in the profits of the business, as well as nay deposition of its assets on a pro rata basis based on the percentage of the business owned. Popular equity financing options are:

- Personal savings
- Life Insurance policies
- Home equity loans
- Friends and relatives
- Venture capital
- Angel investors
- Government Grants
- Equity offering
- IPOs
- Warrants

- **Debt financing:**

Debt financing involves borrowing funds from creditors (secured or unsecured) with the stipulation of repaying the borrowed funds plus interest at a specified future time (short term or long term). Popular debts financing options are:

- Friends and relatives
- Banks and other commercial lenders (a wide variety of financial institutions including development banks like IDBI, SIDBI, IFCI, IIBI and specialized financial institutions like IVCF, ICICI Venture Capital Funds Ltd., TFCI, etc. offer financial help.
- Commercial finance companies
- State financial corporation (there are 18 SFCs in the country. Each one offers its own scheme for potential entrepreneurs).
- Bonds
- Government Programs: Government of India has launched 10,000 start-up fund in Union Budget 2014-15 to improve the start-up ecosystem in India. Added to this, there are number of policies and programs to support start-up business in India. Some of the notable are:
 - Bank of Ideas and Innovation Programme
 - Pradhan Mantri Micro Units Development and Refinance Agency Ltd. (MUDRA)
 - Start Up India Action Plan
 - The Credit Guarantee Fund Scheme
 - Market Development Assistance Scheme for MSMEs
 - Nations Equity Fund Scheme
 - Micro Finance Programme
 - Equipment Finance Scheme
 - Mahila Udyan Nidhi (MUN)
 - Single Window Scheme

- **Lease Financing:**

A lease is a method of obtaining the use of assets for the business without using debt or equity financing. It is a legal agreement between two parties that specifies the terms and conditions for the rental use of a tangible resource such as a building and equipment. Lease payments are often due annually. The agreement is usually between the company and a leasing or financing organization and not directly between the company and the organization providing the assets. When the lease ends, the asset is returned to the owner, the lease is renewed, or the asset is purchased.

2. Strategies to Exploit Funding Opportunities:

Raising financing for new business venture is one of the first hurdles that an entrepreneur may face. Many entrepreneurs commits mistake in their fundraising strategies by failing to understand the differing needs of investors or lenders. Therefore, it is important to understand what factors are important for investors/lenders in the process of financing the new business venture. Generally investors/lenders are interested about following aspects of a new business:

- Industry (type of business)

- Geography (Location business)
- Scalability (ability to keep pace of changing conditions e.g. demand technology etc.)
- Stage of business (Concept or expansion)
- Type of preferred capital structure
- Return on investment (expected)
- Liquidity
- Quantum of Risk
- Available capital under management

Thus, lenders, as a rule, are not interested in your vision for a great business. They are solely interested in risk management and the capacity of your business to repay the credit that they advance to you.

Apart from these, an entrepreneur should use the following tactics to exploit the funding opportunities and make fundraising process more effective and efficient.

- Start-ups should not be fooled by the “seed series surge”. Even if you have success finding seed investment, believing that securing future rounds of funding will be just as easy is a painfully false assumption.
- Be patient and choose only the investors who have:
 - a) The experience,
 - b) Resources and
 - c) Willingness to help in future rounds of fundraising.
- Start-ups should make certain that they raise enough seed funding to provide a comfortable operation of business.
- Start with a low target and increase the round if needed.
- Allow the market bid up your start-up.
- Start-ups should always be planning and looking to the future. Do not get distracted by the time, energy and resource consuming funding cycle. Stay focused on growing the business, achieving successes and leading your team.

3. Marketing Plan for Start-up

Most start up enterprises understand and realize the importance of a business plan, which basically outlines enterprise’s course of action to attain its objectives. One crucial element of that plan is marketing plan/strategy. Because the strategy is buried in the larger business plan, many start up owners may not give their time, efforts, research and attention it deserves, assuming that they know their customers and how to reach them. Therefore, marketing aspect of new business venture should be explored and analyzed in a broader perspective to exploit market opportunities. At its most basic, marketing plan provides a holistic overview of enterprise’s marketing strategy. It can be defined as a process of determining a clear, comprehensive approach to the creation of customers (e.g. retaining existing customers as well as generating new customer). The following elements are critical for developing a market plan:



- Brief description of products or services offered by the new business
- Marketing goals and objectives
- Define target market
- Major strength and weakness
- Major opportunities and threats
- Positioning statement
- Market analysis
- Situation analysis
- Market segmentation
- Marketing strategies and tactics (Product, Price, Promotion and Place)
- Outside factors i.e. government policies, economic, technological, cultural and demographics.
- Legal changes i.e. tax rates, standards and governmental rates.
- Marketing budget and control Centre
- Metrics and adjust

4. Outlines of an Effective Marketing Plan

A good marketing plan spells out all the tools and tactics that will be used by an entrepreneur to achieve sales. In fact, it is a plan of action what you will sell, to whom you will sell, at what price, at what place, why they (customers) should buy and all the strategies to increase customer base and boost sales. Thus, a marketing plan should be designed to meet certain criteria. Some important points that must be incorporated in an effective marketing plan are as follows:

- It should be based on facts and real/valid assumption
- Detail specific activities you indented to undertake
- Identify you target audience/customers
- Specify you market objectives
- Identify your competitors and comprehend their strategies
- Define your competitive advantage
- Situation analysis is crucial for an effective marketing plan
- Sometimes organizational restricting is needed to implement the marketing plan
- Rational allocation of resources
- Develop marketing strategies/tactics you will use to achieve your objectives
- Set your marketing budget
- Be flexible enough to allow changes/adjustments as necessary
- Fix responsibility points or Centre for each activity and
- Specify how you are going to measure success of your marketing plan.

5. Organizational Plan for Start Up Enterprise

Organizational plan describes organization's immediate and long term objectives, and details how the organization will accomplish these objectives. A comprehensive organizational plan should integrate all

Of plan including operational, financial, marketing, manpower, strategic, investment, risk and crisis management etc. thus, the scope of organizational plan is very wide.

Generally organizational plan comprises following elements:

Goals	It includes both official and operative goals. Peter Ducker has identified 8 key areas in which organisations should establish goals: <ol style="list-style-type: none">1. <i>Market Share</i>2. <i>Innovation</i>3. <i>Productivity</i>4. <i>Profitability</i>5. <i>Physical and financial resources</i>6. <i>Management performance and development</i>7. <i>Employees performance and attitude goals</i>8. <i>Social responsibility</i>
Strategies	It includes all courses of actions and benchmarks a business intends to take to accomplish organizational goals/objects. It includes the followings: <ul style="list-style-type: none">• <i>Corporate strategy</i>• <i>Business strategy</i>• <i>Functional strategy</i>• <i>Growth strategy</i>• <i>Diversification strategy</i>• <i>Vertical integration strategy</i>• <i>Technological and innovation strategy</i>• <i>Global strategy</i>• <i>Cooperative strategy</i>
Actions	It includes detailed description of the key actions to be undertaken to implement each strategy. Some of the most important are listed below: <ul style="list-style-type: none">• <i>Change management</i>• <i>Resource management</i>• <i>Communication management</i>• <i>Conflict management</i>• <i>Time management</i>

Deadlines/Timeframe	It describes the due date for completion of each action.
Resources	<p>It deals with acquisition and allocation of resource. It generally includes:</p> <ul style="list-style-type: none"> • <i>Financial resources</i> • <i>Human resources</i> • <i>Physical resources</i> • <i>Intellectual or technological resources</i> • <i>Management resources i.e. experts, advisor, consultant etc.</i>
Structure	<p>It basically deals with how power, responsibility and jobs are structured/organised within the organisation. It includes:</p> <ul style="list-style-type: none"> • <i>Division of work into activities</i> • <i>Hierarchy</i> • <i>Authority structure</i> • <i>Responsibility structure</i> • <i>Authority relationship</i> • <i>Complexity</i> • <i>Formalisation</i> • <i>Centralisation</i> • <i>Decentralisation</i>
Performance Measures	<p>It details how you will measure organisational performance. Generally following measurement tools are used to measure performance:</p> <ul style="list-style-type: none"> • <i>Benchmark</i> • <i>Standard</i> • <i>Control points</i> • <i>The Balance Scorecard</i>
Risk Management	<p>It includes the strategies/techniques to manage the risk or uncertainty. Operation plan should include the following risk management strategies:</p> <ul style="list-style-type: none"> • <i>Avoidance</i> • <i>Risk control (taking proactive steps)</i> • <i>Risk transfer</i> • <i>Spread of risk (don't put all eggs in one basket)</i> • <i>Duplication of resources (having back up facility or contingency plan)</i> • <i>Self retention</i>

Communication System	<p>It describes how the plan and strategies be communicated to have maximum benefits. A communication plan includes objectives and tools for communication, including the following:</p> <ul style="list-style-type: none">• <i>Communications objectives/goals</i>• <i>Target audience</i>• <i>Frequency of communication</i>• <i>Mode of communication</i>• <i>Resources of communication</i>• <i>Periodic print publication</i>• <i>Online communication</i>• <i>Meeting and conference materials</i>• <i>Media relations and public relations materials</i>• <i>Incoming communication</i>• <i>Corporate identify materials including logo, letterhead, envelops etc.</i>
Review of Plan	<p>As your business grows and objectives are achieved or conditions change, revise the plan. Develop the system to ensure the plan remains current and progress is monitored.</p>