

Czech University of Life Sciences Prague

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Diploma Thesis

Startup Business Plan Evaluation

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- Blank, S. and Dorf, B. (2012) The startup owner's manual. Vol. 1: The step-by-step guide for building a great company. United States: K & S Ranch Consulting.
- Kotler, P. and Keller, K.L. (2015) Marketing management. United Kingdom: Pearson Education.
- Maurya, A. (2012) Running lean: Iterate from plan A to a plan that works. 2nd edn. United States: O'Reilly Media, Inc, USA.
- Osterwalder, A. (2010) Business model generation: A handbook for visionaries, game Changers, and challengers (portable version). Amsterdam: Alexander Osterwalder & Yves Pigneur.
- Ries, E. (2011) The lean startup: How today's entrepreneurs use continuous innovation to create radically successful businesses. New York: Books on Tape.

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Declaration

I declare that I have worked on my diploma thesis titled "Startup Business Plan Evaluation" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 11th April 2016

Amit Singh

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Vyhodnocení Startup Podnikatelský plán

Souhrn

Cílem této práce je napsat a vyhodnocovat obchodní plán pro start up recyklačního podniku, který bude působit v průmyslové oblasti Gurgaon, Indie. Aby bylo možné analyzovat potenciál a proveditelnost tohoto obchodního nápadu odhadnout finanční výkazy podniku.

První část studie je přehled literatury obchodních modelů a podnikatelského záměru, že se skládá ze čtyř částí. První tři část se zabývá tématy, jako je Lean nastartovat přístupu, plátno obchodní model, štíhlé modelu plátno a závěrečná část je o tom, jak napsat podnikatelský plán.

Druhá polovina studií je praktické využití podnikatelského plánu pro zjednodušení zakládání podnikání. Podnikatelský plán je postaven na zahájení podnikání recyklační v Indii. Cílem této části je ověřit podnikatelský záměr a obchodní modely analýzou trhu, jak vytvořit efektivní obchodní strategii a zhodnotit jeho realizovatelnost v daných podmínkách

Klíčová slova: Uvedení do provozu, podnikání, podnikatel, rizikové podnikání, analýza, plan, recyklace, plast.

Startup Business Plan Evaluation

Summary

The goal of this thesis is to write and evaluate a business plan for a start up recycling business which will operate in industrial region of Gurgaon, India. To analyse the potential and feasibility of this business idea and estimate the financial statements of the business.

The first part of the studies is the literature review of the business models and business plan, it consist of four parts. The first three part deals with the topics such as Lean start up approach, business canvas model, lean canvas model and the final part is about how to write a business plan.

The second half of the studies is the practical use of the business plan for the ease of starting the business. The business plan is built on starting a recycling business in India. The aim of this part is to verify the business plan and the business models by analysing the market, how to form a effective business strategy and to evaluate its feasibility in the given conditions

Keywords: Startup, business, entrepreneur, venture, analysis, plan, recycling, plastic

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1 INTRODUCTION

Start-up is one of the most talked about and heard topic these days. Everyone wants to be an entrepreneur and wants to own at least a small business. Though there are many types of start-ups depending on the reason why people come forward to own and run the business. The author of the thesis also come up with a plan to own a small recycling business in outer region of Delhi. As India is one of the fastest growing economy in the world this sound positive but it come at a cost of problems with waste management. More growth leads to more consumption by the citizens which generate more waste. Out of all the waste, plastic waste is the most threatening one right now and there is an urgent need to tackle it. The Supreme Court of India said “We are sitting on a plastic bomb.” Delhi being the metro politic city generate the most plastic out of all. There are no formal methods in existence till now to tackle the problem and the plastic recycling industry belongs to an informal sector which is running on the sake of its own. There is an urgent need that responsible people take their time and energy to entry the industry and tackle the problem. This will not only generate more employment but will lead to a better environment for all.

A plan for a recycling business is prepared as a subject of this diploma thesis. A business plan is important not only for the owner but also for all the stakeholders who are connected to the business. A detailed discussion about the business plan from various author has been done and a suitable business plan is prepared for the plastic recycling business. The business plan is evaluated from the very step of generating the idea about the business, name and nature of the business. Type of financing and type of ownership of the business. The business plan also contains the information about the industry, problems within the industry and manufacturing process for operating the business. A projected financial plan is also a part of the plan which include projected balance sheet, income statement and ratio analysis. Before preparing the business plan few tools of strategic management such as PESTLE analysis, porter’s five force analysis and swot analysis were used to analyse the external environment in which the business will operate.

2 OBJECTIVE OF THE THESIS AND METHODOLOGY

2.1 OBJECTIVE

The aim of the master thesis is to evaluate business plan of selected small business for a small plastic recycling company in India and to answer the following questions:

How to make a good business plan?

Which kind of plastic to recycle?

Will it be a profitable business?

Are there any government restrictions?

Will recycling plastic be a sustainable business?

Why to recycle plastic in India?

2.2 METHODOLOGY

The first part of the thesis deals with the theoretical part of literature review which contains the discussion on the definition of start-up by various authors and types of startup. The second part of the theory observes different business models given by different authors. Different business models include Lean startup, business canvas model, lean canvas and the last part is about how to write a business plan.

The practical part of the thesis evaluates the business plan of a small plastic recycling business in India. This evaluation is done with the help of PESTLE analysis, Porter's five force analysis, SWOT analysis and the financial analysis.

3 LITERATURE REVIEW

3.1 DEFINITION OF START UP

As stated by Steve Blank the author of the book "The startup owners manual" the definition of start-up as "An organization formed to search for a repeatable and scalable business model." (Blank, 2012) the author claims that once someone starts a business the first aim is to find the way to sustain in the current environment and if it is able to sustain then it can afford to expand and grow larger. Another definition by Investopedia stating that "A company that

is in the first stage of its operations. These companies are often initially bank rolled by their entrepreneurial founders as they attempt to capitalize on developing a product or service for which they believe there is a demand. Due to limited revenue or high costs, most of these small scale operations are not sustainable in the long term without additional funding from venture capitalists.” (Investopedia.com, 2007) This definition is somehow similar to the one given by Blank but it is more elaborated but here the issue about the funding of the start-up is also given importance. The cofounder and CEO of Warby Parker made a statement stating “A start-up is a company working to solve a problem where the solution is not obvious and success is not guaranteed.” (Blumenthal, 2013) Here the role of start-up is clearly explained and it is also stated that merely by owning a start-up does not give you success, here it is not mentioned if the start-up has the aim to sustain the competition, to scale its operation or in which stage it is operating. Eric Ries the author of “The lean start up” defines start-up as “A human institution designed to create new products and services under conditions of extreme uncertainty.” (Ries, 2011, p.8) it brings here that the start-up tries hard to bring up a solution to the problem where the conditions are very uncertain. This somehow means that start-ups lead by an example to others. One more CEO and cofounder of Backupify claims about start-up as “Something that is a new product or a new market, with less than 50 people, with the intention of growing quickly to scale.” (May, 2013) like other definitions about start-up above he states the same as the start-up can be a new product or a new market with the aim to scale as quick as possible though his statement is more similar to the one given by Steve Blank.

Out of all these definitions the one that makes close relation to my thesis is the one given by Steve Blank “An organization formed to search for a repeatable and scalable business model.” (Blank, 2012).

3.2 TYPES OF START UP

There are many types of start-up given the nature of business and the reason for existence of the start-up in the market. There are six types of start-up explained by Steve Blank and the other author Robert D. Hisrich also explain the three start-ups. The discussion about the similarities and the difference has been done below

There are many types of start-up but to name few:

LIFE STYLE STARTUPS – WORK TO LIVE THEIR PASSION

“Lifestyle entrepreneurs are like surfers, teaching surfing lessons to pay the bills so they can surf some more.” (Blank, 2012) life style entrepreneurs make their love their work, instead of working for someone else they work for themselves and they make this passion as a source for them to earn livelihood. Similarly a teacher starts his own personal tuition centre to teach kinds rather than teaching in some school. To sum up life style start up come into picture because of the passion for the particular activity. (Blank, 2012)

The Robert D. Hisrich on the other hand states that life style business are owned by private individuals and do not achieve so much growth. The reasons behind are the nature of the business, the objectives set by the entrepreneur and the limited money devoted to the research and development. (Hisrich, 1994)

Conclusion

The authors here bring in the similarity that the life style start up are owned by the individuals however Robert D. Hisrich does no state anything about the relation of the work to the individuals if they start something new or take up their hobby as way to earn money.

SMALL BUSINESS START UPS-WORK TO FEED THE FAMILY

The need to work for a small scale entrepreneur is as much as any large scale entrepreneur. They people working in this kind of start-up are basically the members of family and relatives. Usually they are not making profits. A lot of small scale business when started are not structured to grow big. The ideology is to have their own business and have enough for the family. The capital that is used is their personal savings, the money loaned from the family relatives and the banks. “ Small-business entrepreneurs don’t become billionaires and don’t make many appearances on magazine covers.”(Blank, 2012) the small business entrepreneur are the major representative of the entrepreneur community than entrepreneur in other categories. (Blank, 2012)

SCALABLE START UP-BORN TO BE BIG

The business that are started not just to feed the family but to have a bigger goal , a mission and policies to enter the world market and keep growing are called scalable business. To name a few that are on the worlds map now are Google, Facebook, Skype and Twitter. From the start the founders of these had a belief that their idea would change the world. Not like the small scale business entrepreneurs, the interest does not lie in just earning a livelihood instead the vision is to make equity that will be traded publicly and generate multimillion dollar. To fund this kind of business model there is a need of risk capital and hence they attract the investor who are willing to take such huge risks. They focus to look for a continuous and scalable business model and when they have it they require even more of this investment from the risk taking investor for faster growth and development. (Blank, 2012)

This high potential venture as describe by Robert D Hisrich are the start-up that receives a lot of investment interest and publicity. They may start up as a small business but their growth is really fast.as per the growth and revenue generating capacity these kind of start-up go soon public or are bought by the larger company. (Hisrich, 1994)

Conclusion

Steve blank states that the scalable start up are born with the belief that they will grow globally, similarly Hisrich also states that these start up receive lot of interest and publicity and the grow rapidly, But on the part of investment Hisrich states about going public to raise the fund whereas Black mention that only high risk taking investors lead to the success of these kind of start-up.

BUYABLE START UP-ACQUISITION TARGETS

This kind of business can we related with the web business and the mobile application .and the cost of developing them has significantly fallen in the recent years. These types of start-up usually get away the stage from where they need help of the venture capital or angel funding to fund their idea. In some case they are able to build billion dollar business but“The lack of traditional venture-capital investors (and nosebleed valuations) takes away the pressure of the “swing for the fences” liquidity goals.” (Blank, 2012)These type of business

are sold to the big company for millions. So in the end the initial investor end up make only millions rather the billions. (Blank, 2012)

SOCIAL START UPS-TO MAKE A DFFERENCE

Social start up are started with the ambition to make the world a better place. The entrepreneur of these start up share the same ambition, passion as of the other start up. These companies are not like the scalable business which aims to create profit for the founder and to capture market share these kind of star ups can be a non-profit, for profit or hybrid. (Blank, 2012)

LARGE COMPANY START UP- INNOVATE OR EVAPORATE

The companies have a limited life cycles. At the current time this cycle is getting even shorter as the need to constantly innovate in the dynamic business environment is increasing rapidly. This points to the fact that the leans start up methodology are not meant only for the scalable and buyable start up. The traditional method of increasing the companies efficiency by cutting down the cost and improving the existing business model is all that is required. As the companies need to understand the ever changing nature of external environment and the need to deal with it through continuous innovation. This may be a completely new structure within the organisation or to bring in the organisation a completely new skill. The may be further extended by forming a new subsidiary company. (Blank, 2012)

The foundation company also emerge as a result of research and development and sometime form a new industry itself. These this type of start-up usually do not go public rather attract the interest of the private investors. (Hisrich, 1994)

Conclusion

The authors talks about the rapidly changing environment that is so important for survival but this innovation also leads to forming a new subsidiary in the form of a start-up as mentioned by Blank. the difference in the view point occur that Hisrich states about the emerging of the start-up from research and development on the other hand blank states about the innovation with the company leads to a start-up in the form of subsidiary.

CONCLUSION

The start-up that will be discussed in the practical part later in the study will be a combination of a social and the small business start-up which has the aim to have a scalable business.

3.3 LEAN START UP APPROACH

“Success is not delivering a feature; success is learning how to solve the customer’s problem.” (Ries, 2011, p.66)

Ries calls this process of learning through experiments “validated learning”. “It is a rigorous method for demonstrating progress when one is embedded in the soil of extreme uncertainty in which start-ups grow. It is the principal antidote to the lethal problem of achieving failure: successfully executing a plan that leads nowhere.” (Ries, 2011, p.38)

Thus, validated learning needs to be flexible and based on empirical data from real customers and real experiments. Validated learning is part of the so called “Build-Measure-Learn feedback loop introduced by Ries. (Ries, 2011) It starts with building a product, then comes the testing of the product with customers and measuring the impact followed by learning what works and finally deciding whether to pivot the product or persevere. (Ries, 2011)

BUILDING THE PRODUCT

Minimum viable product (MVP) represents the first part of the “Build-Measure-Learn”. “The MVP is that version of the product that enables a full turn of the Build-Measure-Learn loop with a minimum amount of effort and the least amount of development time. The minimum viable product lacks many features that may prove essential later on.” (Ries, 2011, p.77)

It means minimum viable product let the companies to begin with the learning process quickly so that they become more efficient with their product development. According to this it is preferable to create a MVP with small group as the communication is simpler, the cost is also reduced. It might be some time hard to decide which qualities need to be there into the MVP. Most of the times entrepreneurs get it wrong by overcomplicating the minimum viable product. Hence Ries says, ‘that when a company is not sure about which qualities it need to add to the MVP, then it is better to keep it simple. As a lot of characteristics which are designed by engineers and designers does not make any significant impression on the consumers buying behaviour. Similarly Maurya proposed that the characteristics of product should not be pushed as a lot of characteristics tend to reduce the unique value proposition. “Simple products are simple to understand.” (Maurya, 2012, p.145). Hence the importance

should be given to improve the current characteristics rather than coming up with a new one. Entrepreneur should be aware of the fact that the early users of the MVP are the early adopters which are the people who are not looking for the unique product and are ready to buy and use MVP which is without any of those new characteristics. The challenges faced by the MVP is that it is often not a success for the start-up and this lead to demoralise and take away the confidence of the entrepreneur as well as the employees. Hence in order to be strong and keep going ahead such assumption should be already made. “You have to commit to a locked-in agreement – ahead of time – that no matter what comes of testing the MVP, you will not give up hope.” (Ries, 2011, p.112). It should always be kept in mind that the MVP is only try and test the market which will help the company to come up stronger, well prepared with a long lasting product and more effective and efficient technology..

MEASURING THE PERFORMANCE OF THE PRODUCT

At this phase it is to be checked if the product that we produced adds value to the customers and is it helping the company to grow. A lot of measures are there and can be used to evaluate this but important is which one we should choose. Ries makes us aware about the differentiation between the actionable metrics and vanity metrics. Vanity metrics are often misleading data which shows the great numbers and tend to excite the company owners but it does not have any significant contribution or relation to company's growth. These kind of data include registered users, downloads and page views. For example the mobile applications have a millions of download but in reality there are only few active users, these downloads gives a company a false picture of success. So there is a need of value hypothesis that needs to be done by the company to know if its product really delivering any value to the customers. “The value hypothesis tries to find out if the product really delivers the appropriate value to customers when they start using it. The growth hypothesis tests how new customers will discover a product or service” (Ries, 2011, p.60). The growth hypothesis purpose is to find how the product or services will be discovered by the new customers. It also tests how the product or services will leads its way from early adopters to the mass adoption in the market. So an experiment should be conducted and the impact should be measured appropriately on the customers. Without worrying about what results we got, we should focus on learning from that stage and be prepared for the coming future. (Ries, 2011)

LEARNING

The reason for which start ups come into picture is because it want to convert the idea into a product and then see how the consumer respond , then learn from it to decide whether to pivot or preserve. All successful start-up should priorities to speed up that feedback loop. The biggest destroyer of the creative potential is when the companies preserve when they should not. Whereas pivot is an important part of Lean Start up approach. “It is a special kind of structured change designed to test a new fundamental hypothesis about the product, business model, and engine of growth.” (Ries, 2011, p.178) there are different type of pivots which are as follows:

ZOOM-IN PIVOT

In zoom-in pivot that was considered before as a one of the feature of the product becomes a whole product itself.

ZOOM-OUT PIVOT

This is opposite of zoom-in pivot here the single feature is not enough to support the product. Here what was earlier considered as the product end up being one of the features of the product .

CUSTOMER SEGMENT PIVOT

In this pivot the company realises that the product is solving problem one segment of the customer but the are not the type of customer segment which they originally planned to serve.

CUSTOMER NEED PIVOT

After the learning process the start up get to know the customer better then they realise the problem that they are trying to solve is not the real problem of the customer . During the process they find out other related problem which can also be solved by their team. (Ries, 2011)

BUSINESS ARCHITECTURE PIVOT

Business architecture pivot sates that there are two possibilities here: low margin, high volume or high margin, low volume. The high margin low volume is usually associated with

business to business and low margin, high volume is associated with the consumer market. But during the learning process the companies switch between these two. (Ries, 2011)

GROWTH ENGINE PIVOT

This pivot basically says about three different engines of growth which are viral, sticky and paid growth. This pivot dictates on how the value should be captured in order to seek faster and more profitable growth. To define the engines viral refers to when the popularity of the product spread among the people rapidly very quick, sticky means when the people are loyal to the product and they continue to use the product without switching to other. The paid form of growth engine include all type of advertising and when operating on this type of growth engine then the focus should be on getting back what you spent on the advertisement and also make profits that these profit and be reinvested and growth can be accelerated. (Ries, 2011)

TECHNOLOGY PIVOT

Company use the technology pivot when they want to achieve the same goal by using entirely different technology. This pivot is usually used by the established companies believing that the different technology will provide them better price and performance as compared to what they have right now. (Ries, 2011)

CHANNEL PIVOT

Channel pivot refers to the distribution channel that is the method used by the company to bring the product to the customer. When the company feels that instead of the traditional channel that they have been using should be replaced by the new one in order to be more effective then the channel pivot is in progress. (Ries, 2011)

Maurya also claims that there is a learning process which is done by testing the unique value proposition, he states that the best way to learn is to guess and you don't have to get it perfect the good idea is to test the product as soon as possible and learn. (Maurya, 2012)

CONCLUSION

The lean approach starts with developing a minimum viable product in most effective and efficient way. Then the performance of the product is measured using one of the matrix and decision is made on the value and growth hypothesis. Then a decision is made on whether to preserve or pivot the strategy in order to continue and grow the business in the long run.

3.4 CANVAS BUSINESS MODEL

DEFINITION

A business model describes the rationale of how an organization creates, delivers, and captures value.” (Osterwalder, 2010 p. 14)

“A business model can best be described through nine basic building blocks that show the logic of how a company intends to make money. The nine blocks cover the four main areas of a business: customers, offer, infrastructure, and financial viability.”(Osterwalder, 2010 p. 15)

DESCRIPTION OF THE NINE BUILDING BLOCKS

CUSTOMER SEGMENT

This is where the canvas business model begin. “Customer comprise the heart of any business model” (Osterwalder, 2010, p.16) taking care of the customers satisfaction is the key to the success of the business and in order to facilitate that the company divides the customers into differ segment with similar needs ,similar behaviour and other behaviour. Here the company decides to which segment they will deliver their goods. This segmentation is done on the basis of mass market, niche market segmented , diversified.(Osterwalder, 2010)

Ash Maurya author of the book “Running Lean” for his version of lean canvas states that for the start ups the product delivery to the customer segment is not the issue rather it need to find the customer segment by testing the product. (Maurya, 2012)

VALUE PROPOSITIONS

Value proposition describes what customer purpose is solved by a particular product. Different values that attract the consumer are price, risk reduction, cost reduction, design, brand, accessibility and convenience. Based on these factor customer decides their preference between different companies.(Osterwalder,2010)

Similarly, the purpose of the value proposition is to have an effective impression on the customer so that it is appealing to them and easily understood. With unique value proposition it is quicker and easier to spread the idea. (Maurya, 2012)

CHANNEL

The third part of the canvas is the channel .It explains which method company uses to communicate with its customer and how it delivers value to different customer segments. A better channel enhances the customer experience.(Osterwalder, 2010)

The selected channels affect all the decision on marketing. The organisations pricing, sales and advertising are all affected by it. So it is better to use multi-channel as different types of goods require different channel and every channel targets different segment of the customers. (Kotler, 2015)

Maurya also explains the importance of choosing the channel and states that failing to choose the right channel leads to failure of most start up. (Maurya, 2012)

CUSTOMER RELATION SHIP

The company tries to develop a relationship with the customer and this relationship varies from personal to automate. The reasons for developing customer relationship can be customer acquisition, customer retention, or boosting sales. Few tools to use customer relationship are self – services, automated services, dedicated personal services and communities.(Osterwalder, 2010)

This part of the canvas is not explained in the lean canvas by Maurya as he states that the start-up are still testing the product to decide their customer segment so its too early for them to build customer relation. (Maurya, 2012)

REVENUE STREAMS

Revenue stream represents the money that the company earns from its customers. These revenue streams have different pricing methods which includes fixed list price, bargaining, auctioning, market dependent, volume dependent or yield management. Different ways to generate revenue are assets sale, usage fee, subscription fees, lending, licensing and brokerage fees. Pricing mechanism can play a major role in differentiating the amount of revenue generated fixed and dynamic pricing are the two important form pricing mechanism. (Osterwalder, 2010)

On the other hand Ash Maurya describe pricing for the MVP of the start-ups and he says that the pricing should not be kept low in order to attract the customer as MVP is not just what you want to sell but it bring solution for the customers problem. Here the author is specific about the pricing of the product of start- ups. (Maurya, 2012)

KEY RESOURCE

In order to make a business model work the most important assets that are required are called the key resources. With the help of these resource the company is able to develop and offer the value proposition. These resources also help the enterprise to maintain relationship with the customer segments and earn money. Requirement of the key resources depend on the type of business model. Different types of key resource are physical, financial, intellectual and human. In order to acquire these key resources the company may own it or it can be leased or taken from its key partners. (Osterwalder, 2010)

KEY ACTIVITIES

After key resources the seventh part of the canvas business model is key activities. It tells about the key activities that the company must perform to make its business model work. The key activities of the company differ and are dependent on the business model type. The key activities are divided into following categories: production, problem solving and network or platform. (Osterwalder, 2010)

KEY PARTNERSHIPS

Key partnership comprises of network of suppliers and partners that helps the business model to work. Partnerships are created by the companies to develop their business model, lower the risk or to acquire resources. (Osterwalder, 2010)

COST STRUCTURE

Whatever cost is incurred to run the business is covered under cost structure. "Creating and delivering value, maintain customer relationship and generating revenue all incur costs" (Osterwalder, 2010 p40). It is easier to calculate these costs once the key resources, key partnerships and key activities are defined. "It can be useful to distinguish between two broad classes of business model cost structures: Cost –driven and Value driven." (Osterwalder, 2010 p41) Cost driven business model gives more importance to keep the cost as low as

possible whereas value driven companies do not focus on the cost part but rather focus on creating the value .“ Premium value proposition and high degree of personalised service usually characterize value driven business models.” (Osterwalder, 2010 p41)

The author here has clearly mentioned the points that need to be taken care during cost structure. The cost of build-up and bring the minimum viable product to the customer and also the fixed and variable cost needs to be calculated. (Maurya, 2012)

CANVAS BUSINESS MODEL PATTERN

Canvas business model explains about five business model pattern. It begins with unbundling business model. Unbundling business model concept assumes that there are only three types of business model which differ from each other. That is customer relationship, product innovation and infrastructure business . the unbundling concept states “ideally these three business should be in separate entities to avoid conflicts or undesirable trade-offs.”

(Osterwalder, 2010 p. 57) The next business model is long tail business model. It says “selling less to more. They focus on offering a large number of niche products, each of which sells relatively infrequently.” (Osterwalder, 2010 p. 67) The third business model pattern of the canvas is the multi sided platform. The role of this platform is to provide a common stage for connecting with each other to a lot of interdependent customers. Few examples of multi sided platform are goggle search engine, facebook social media. Free is the next business model pattern. The customer segment here can take the advantage of the free service. These services are funded by those who are paying. Normally the number of paying customer is less than ten percent. Example of such service is Skype. “At last we can recognize an open business model pattern when a company creates value by systematically cooperating with outside partners.” (Osterwalder, 2010)there are two forms of the collaboration one is “outside-in” which exploits the external ideas inside the firm and the other is “inside-out” here the external parties are provided with the ideas and assets which are unused in the firm. (Osterwalder, 2010)

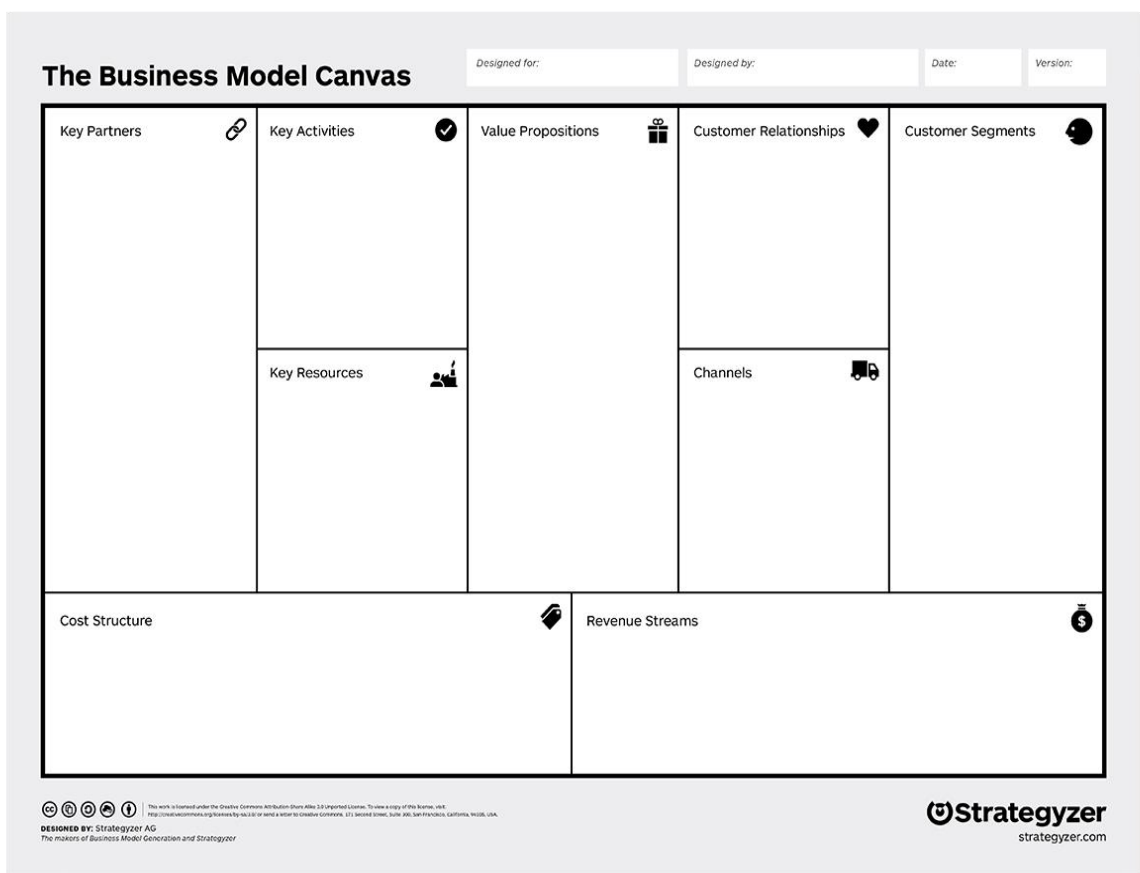


Figure 1 business model canvas

Source: www.businessmodelgeneration.com

3.5 LEAN CANVAS

“Lean canvas is a business model hypotheses testing and validation.”(Maurya 2012) It helps to document business model, measure progress and communicate learning with internal and external stake holders. Lean canvas is the adaption of Alexander Osterwalder’s business model canvas which is described in his book; “Business model Generation.”

The advantages of the lean canvas are that its fast, concise and portable.

FAST

It takes few weeks or even months to create the whole business plan which is built mostly by the guesses which are not even tested and hence it is kind of waste. It does not take long to outline the business model on the canvas.

CONCISE

The canvas makes you focus on the important area and help to get the point. “You have 30 seconds to grab the attention of an investor over a metaphorical elevator ride, and 8 seconds to grab the attention of a customer on your landing page.”(Maurya 2012) It is faster to convey the idea to the investor with the help of canvas and have a clear picture of the idea that you want to present.

PORTABLE

With canvas the business model is put up just on a single page which is much more comfortable to share with others, hence it will be read by a lot of people and also be updated more frequently.

Ash Maurya describe the process of drawing the lean canvas step by step which starts by stating the problems, its solution, unique value proposition and unfair advantage of the particular customer segment.

TOP THREE PROBLEMS

The first step is to list top 3 problems for the type of customer you are working with and an effort should be made to find the alternate option for the given problems and noted down in the canvas.

CUSTOMER SEGMENT

The next task is to point out the possible early adopters. As the problem is known so you need to be precise about differentiating the characteristics of the prototype customer, which will help in the development of the MVP.

UNIQUE VALUE PROPOSITION

The third parts is about the unique value proposition. “Dead-centre in the Lean Canvas is a box for your Unique Value Proposition (UVP). This is one of the most important boxes on the canvas and also the hardest to get right.”(Maurya, 2012) the characteristics of the UVA is that it needs to be different and the difference should matter. “The good news is you don’t have to get this perfect right away. Like everything on the canvas you start with a best guess and then iterate from there.” As it is so difficult to get it correct it is a good idea to test it as soon as possible. To come with few examples as “BMW means performance, Audi stands for design and Mercedes for prestige.” The work of the unique value proposition is to appeal to the customers and should be easily understood by them. One more useful thing that can be done is the creation of high concept pitch. “A high-concept pitch usually builds on other familiar concepts to quickly get an idea across and make it easily spreadable.”(Maurya, 2012)

SOLUTION

The forth part of the canvas is the solution. It’s the time to document the possible solution for the top 3 problems mention before. A list of the alternative should be made and if the problem is not a totally new then there must be possible solutions already existing. “As all you have are untested hypotheses, don’t get carried away with fully defining a solution just yet.”(Maurya, 2012) make a note of the top features that will lead to unique value proposition.

CHANNEL

Channel holds the next place on the canvas. “Failing to build a significant path to customers is among the top reasons why start up fails.”(Maurya, 2012) in the beginning the aim of the start up is to learn and not to expand. Hence it is fine to choose any channel that will get you to the potential customer. But if the business model that we made is aimed to work on large number of customers the channel may not scale beyond the initial stage and it might let you

be stuck there hence stopping growth. So it is sensible to think about a channel that can grow from the beginning. Different kind of channels includes direct vs. automated, inbound vs outbound and direct vs. indirect. To explain direct vs. automated: during the learning process the most effective channel is the direct selling as it helps to have a face to face interaction with the customer. Inbound vs. outbound: “inbound channels use “pull messaging” to let customer find you organically, while out bound channels rely on “push messaging” to reach customers.”(Maurya, 2012)

REVENUE STREAMS AND COST STRUCTURE

The bottom two boxes of the canvas are titled as “Revenue streams” and “Cost structure”. Their function is to model the viability of the business. Instead of thinking about the tree or five year forecasts, the focus should be on the ground up approach.

Revenues streams

Many start up make a choice to differ the “pricing question” as they do not think that their product is ready. The MVP must not be considered as the synonymous of the words like half baked or buggy products. The MVP is there to deal with not only the top problems the customers have recognised but also the ones that are worth to solve. Many of us have a mind set of setting a lowering signup friction while launching a new product. we want that customers should say by making it easier for him. We hope that we will earn privilege in business over the time by delivering the value, hence we take chance on our product. By making it easier for the customer we delay its validation about the risk side of the business. “I believe that if you intend to charge for your product, you should charge from day one.”(Maurya, 2012)

Cost structure

Few of the question should be taken care of in the cost structure:

- “What will it cost you to interview 30 to 50 customers?”
 - “What will it cost you to build and launch your MVP?”
 - “What will you ongoing burn rate look like in terms of both fixed and variable costs?”
- (Maurya, 2012)

A breakeven point is to be calculated by using the revenue streams and the cost structure. It should be estimated about how much time, money and effort is needed to get there.

KEY METRICS

There are key numbers that can be used to measure all the business on how they are performing. “These numbers are key for both measuring progress and identifying hot spots in your customer lifecycle.”(Maurya, 2012)

Few of the key metrics are as follows:

Acquisition

It is a point when the unaware customer shows his or her interest in the product or service that you are offering.

Activation

The time when the aware customer uses or experience the product for the first time.

Retention

When the customer starts using and be engaged in the product on repeated basis that is called retention.

Revenue

Revenue is measure when the interested part pays for the product that he or she is interested in.

Referral

The advanced form of acquisition channel is called referral when a customer who is happy about the product or service that he or she use and will now refer it to the other potential customers.

UNFAIR ADVANTAGE

The unfair advantage is the most difficult part of the canvas to fill. The mistake made by most of the new entrepreneur is that they list things like passion, like of code, or feature as the competitive advantages which are actually not. Sometime in the business model the word “first- mover” is also cited as the advantage. On the other hand the companies like Toyota, Apple, Facebook, Microsoft, Ford were not the first movers. The first movers generally turns out to be a disadvantage as making a new way for yourself if not an easy task. Some of the

examples of the unfair advantage are as follows: Insider information, personal authority, large network effects, community, existing customers, SEO rankings and dream team.

Unfair advantage can at time leads to give out value that can create a difference over time.

“You may have to leave this box blank when you first start out, but it’s here to make you reall think about how you can/will make yourself different and make your difference matter.”(Maurya, 2012)

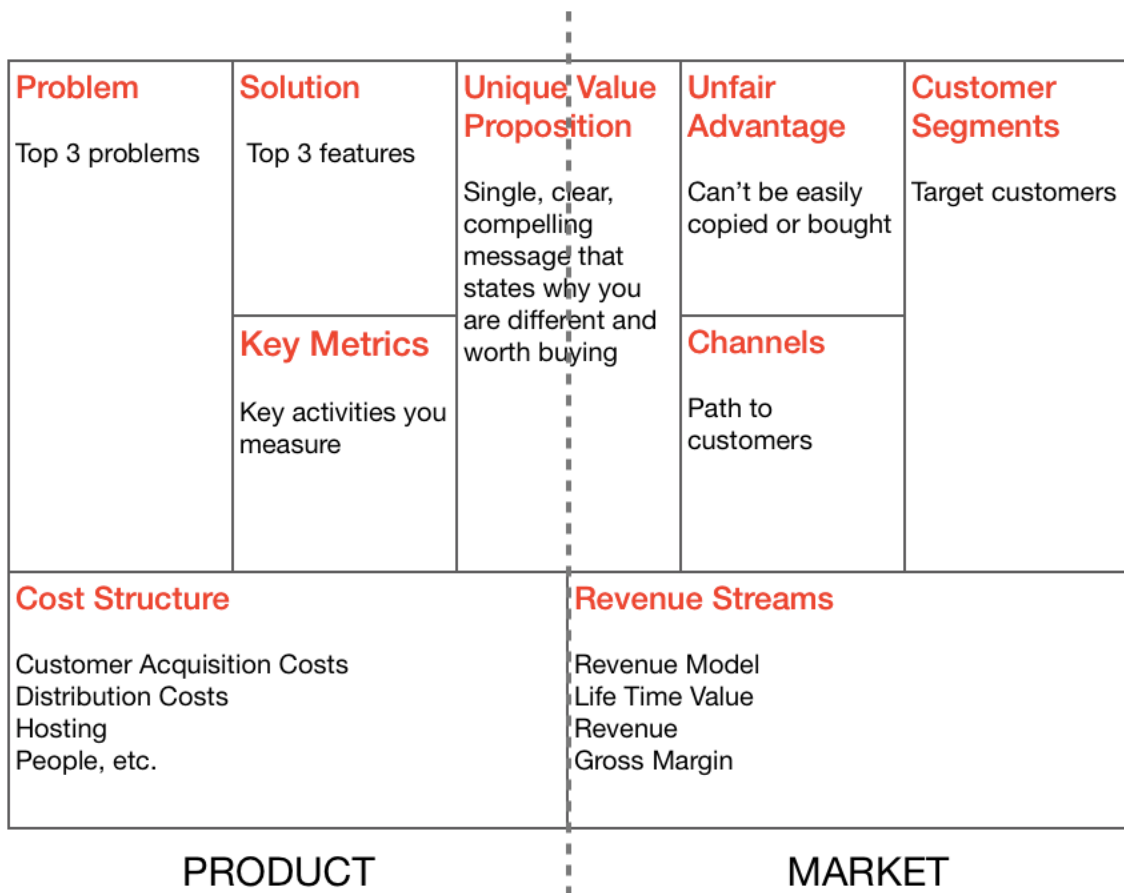


Figure 2 lean canvas model

Source: <http://productlabs.co/lean-canvas-model-biznesowy-na-kartce>

3.6 STARTING A NEW VENTURE AND DEVELOPING THE BUSINESS

This has been explained by the Robert D. Hisrich and Michael P. Peters. It tells about the possible sources of the idea about the business and the how to develop and use the business plan, things that should be taken care of while making a financial plan and organisational plan. Since the practical part is associated with developing and evaluating business plan for small manufacturing unit so it will be explained in detail.

SOURCES OF NEW IDEAS

When the idea about the business is generated there can be a lot of actual sources of ideas, few of the usual and important ones are customers, existing companies research and development and distribution channels.

Consumers

When the entrepreneur takes due care and closely observe the customer and gives him the opportunity to express their views. At times this turns out to be a main source of generating idea for a business.

Existing Companies

A careful observation of the products and services that are offered by the other companies in formal or informal way unleash many methods to improve what the entrepreneur are offering now and as a result it may lead to development of the new venture.

Research and Development

A lot of new idea come from the research and development of the entrepreneur and these research can be both formal and informal but the more formal is the research and development there are more chances to produce a successful product.

Distribution Channel

The distribution channels partners proves to an good source of new ideas as they are more aware of the market and its need. They have usually recommendation or the ideas about a new product. They can also be helpful in other parts of the business such as marketing.

METHODS FOR GENERATING NEW IDEAS

The methods to generate the new ideas are given below:

Brainstorming

A group of people get together to discuss and generate new ideas but most of the ideas that are generated by this method have no value and base for development in the future and out of all the discussion there are only one or two valuable ideas. The brainstorming should be done in a relaxed and enjoyable mood and it should not look like a work place. Few things that need to be careful while brainstorming are there should be no criticism, wide ideas should be encouraged and a lot of ideas should be discussed as it increases the chance of a valuable idea. (Hisrich, 1994)

Another author called Angela Ackerman states that while brainstorming you should do all by yourself and think about the future goals what will make you reach there and write them down and even the smaller goals should be given the importance. (Ackerman, 2012)

Focused groups

In this method there is a detailed discussion on the topic by the leading group of people, who instead of asking normal questions there is a complete focus on the new product area. Focused groups are considered as an excellent way to screen the ideas and concepts at the initial stage.

Big Dream Approach

The entrepreneur looks into a problem in any environment and presents a solution and comes up with a new idea for a business. This is thinking big. All the possible outcomes are analysed and recorded. This process is required to be followed till the idea is groomed into a workable format. (Hisrich, 1994)

3.6.1 DEVELOPING AND USING A BUSINESS PLAN

The business plan is of great importance for the entrepreneur, potential investors and also for any new person who is reviewing the company. Its importance lies to the people because of the following reasons:"

“It helps in the viability of the venture in a designated market.”

“It provides guidelines to the entrepreneur in the organizing his or her planning activities.”

“it serves as an important tool in helping to obtain finance.” (Hisrich, 1994)

INFORMATION NEEDS

The entrepreneur must do a study about the usefulness of the business concept before spending time and energy on making a business plan to know if there are hurdles or restriction to its success. The focus of the information should be on the area such as production, finance, and marketing. The entrepreneur is expected to define the goals and the objectives of the new business before the feasibility study is done. (Hisrich, 1994)

MARKET INFORMATION

The information about the market is the key element that is required by the entrepreneur to know the potential of the market for his or her product. The secondary sources and the own developed market research study can be done to determine the size of the market. Since in most of the new venture there is a limited availability of the finance the entrepreneur should prefer to use the secondary sources before attempting to use any primary source for research study.

To know the potential of the market the entrepreneur should take into consideration information from trade association, government reports and published studies. (Hisrich, 1994)

OPERATION INFORMATION

The operational information needs may be achieved by contacting directly with the appropriate source. The information will be needed by the entrepreneur on the following:

MANUFACTURING OPERATION

Which kind of machine and the assembly operation will be used need to be recognised also if these operation will be subcontracted and if yes then by whom.

RAW MATERIALS

The kind of raw material that will be needed for the production, the names of the supplier, their address and the cost at which they will be procured should be determined.

EQUIPMENT

The list should be made of the equipment that will be needed for the operation and it should be evaluated if it will be purchased or leased.

LABOUR SKILLS

The numbers of the work personnel that will be needed and the skills that they must have in order to work in the company, the amount of pay that will be given to them and from where and how the entrepreneur can hire this workforce. (Hisrich, 1994)

SPACE

The overall space that will be required needs to be determined and if the entrepreneur will own it or will it be leased.

OVERHEAD

Overhead includes the things that are required to help the manufacturing process such as supplies utilities, salaries and tools needs to be mentioned.

All this information will be incorporated in the business plan directly. (Hisrich, 1994)

Conclusion

The operational plan discussed here will be used by the author in the practical part and it will be one of the most important step for the start of the business.

FINANCIAL INFORMATION NEEDS

Even before the business plan is prepared, the entrepreneur must evaluate how profitable will be the new venture. This evaluation will provide the guidelines to the potential investors about the scope and profitability of the business, the amount of money that will be required to launch the business and fulfil the short term financial requirement, the possible ways to obtain this finance. The usual financial information that must be obtained to ascertain the usefulness of the new venture are the expected income statement of the first three 3 years,

cash flow statement of the 3 years and also the balance sheet statement of the same number of years. (Hisrich, 1994)

The need to make the financial statements is to have a road map of how much money the business will need, who will finance this and how it will be used for the success of the business. (Barringer, 2009)

3.6.2 WRITING A BUSINESS PLAN

1. INTRODUCTORY PAGE

- The first thing in the introductory page is the name and the address of the company
- The name of the entrepreneur and telephone number.
- Few lines that describe the company and the nature of its business.
- How much finance will be needed. In case of venture capitalists they form their own structure in their own way.

This page tells about the basic concept that the entrepreneur is trying to develop. This page makes it easy for the potential investor as it gives the first impression and the investor does not have to read the whole business plan. (Hisrich, 1994)

2. EXECUTIVE SUMMARY

This part of the business plan is made after the whole plan is drawn and noted down. The executive summary should be about three to four pages and it should be strong enough to create the desire in the potential investors to invest in the venture. This investor usually decides on its basis if there is a need to read the whole business plan. So the key things that should be highlighted in the executive summary are the nature of the business, financing requirement, potential market, and support as to why the plan will be a success. (Hisrich, 1994)

Similarly it is common that first the investors first ask for the executive summary and if they are convinced later they ask for the full business plan, the executive

theory provides the readers with a quick insight of the new venture. The executive summary should be written once the writing of business plan is done.(Barringer, 2009)

3. INDUSTRY ANALYSIS

- The entrepreneur should have a careful look at the future outlook and the trend that's will and have been in the industry. this is important factor for the investors as they will like to know in which industry will the entrepreneur will be competing.The competitor analysis is also important and the entrepreneur should identify these competitors about the strengths and possible weakness. It should also be evaluated as how these competitors can impact the success of the new venture.During the market segmentation the target will be to know our customer. Being a new venture its effective to target one or few segments. (Hisrich, 1994)

There should be a detailed information about the past few years performance and the trend that will be expected in the coming years. Barringer also mentioned that the study of the industry trend is really important as it sets the stage for the new business idea. (Barringer, 2009)

Few of the question that should be asked doing the industrial analysis are:

“What are total industry sales for the past five years?”

“What is anticipated growth in the industry?”

“Who are the nearest competitors?” (Hisrich, 2009, p.134)

4. DESCRIPTION OF THE VENTURE

The points that are important while describing the venture according to Hisrich are:

- The kind of product or services we offer
- The size of our business
- What all equipments and kind of personnel the venture has.
- From what king of background the entrepreneur come.
- Is the building leased or owned by the entrepreneur.

- Where the building is located and is that right location or it.
- The reasons for coming into this kind of business.(Hisrich, 1994)

As stated by Hisrich that there should be complete information about the organisation in the companies discription .Daft also state that the description of the organisation conveys the message of what the organisation is willing to achieve, to the presernt and future employees,investores, customers and suppliers. (Daft, 2010)

5. PRODUCTION PLAN

Production plan is important if the new venture is involved in manufacturing. The production plan should define the whole manufacturing process. It is to be described if the manufacturing is carried out by the entrepreneur as a whole or in parts.

Description of the plant and machinery used to handle the manufacturing process, raw material, name of the supplier, address, cost of manufacturing and if there will be requirement of the future capital equipments. Few of the question that are asked while making production plan: (Hisrich, 1994)

What are the raw material that are required for manufacturing?

“What will be the layout of the production process?”

“What are the cost of manufacturing the product?”

To conclude the author provides the compelete detail about the check list of the manufacturing process.

6. MARKETING PLAN

Marketing plans hold an important place in the place in the business as it explains how will the products or the service be distributed, how will they be price and promoted. the marketing plan is usually made for every year and monitored on weekly or monthly basis. It should be framed with lot of care so that the strategy that has been made can be effectively applied. Marketing plan helps the firms to integrate the marketing process as to efficient utilize the efforts to achieve the goal of the business but “ it will not provide a crystal ball which will enable management to predict the future with extreme precision.” (Hisrich, 1994)

Developing a market plan is about identifying and meeting human and social needs, the whole purpose behind marketing is to meet the needs profitably. (Kotler,2015)

ORGANISATIONAL PLAN

The organisational plan describes the ownership structure in the new venture if it is proprietorship, partnership or corporation.

This also provides the potential investors about the information that who controls the organisation and what is the role of the other members in organisation in decision making. Few of the question that should be taken care of while designing the organisation plan are:

“What is the form of ownership of the organisation?”

“If a partnership, who are the partner and what are the terms of agreement?”

“If incorporated, who are the principal share holders and how much stock do they own?”

“Who are the members of the board of directors?”

“What are the roles and responsibilities of each member of the management team?”

(Hisrich, 1994)

ASSESSMENT OF RISK

When the new” venture want to enter any particular industry it is exposed to the existing competition. The entrepreneur must evaluate these potential risk and be ready with a appropriate strategy to over come it. “Major risk for a new venture could result from competitors reaction weaknesses in the marketing, production, or management team.” Even when there are no risk it is important for the organisation to discuss on why there are no risk. When the entrepreneur already have a plan to deal with any of these risk if they occur in the future, these plans informs the potential investor on how sensitive is the entrepreneur towards the risk. So the three thing that need to be taken care of are the weakness of the business, updating the old technology with the new one and having the contingency plans. (Hisrich,1994)

The risk assesment done by Edward D. Hess raise few pints that need to be taken care these are that you are a small business so what is the reason customer will depend on you? May be you have not enough employees so how will the quick service be delivered, also your product may not provide a better solution as compared to the alresdy existing one. (Hess, 2008)

All the risk mention by the author should be taken into consideration and nothing should be taken for granted.

FINANCIAL PLAN

The financial plan for the new venture is the forecasted income statement where there is an estimation of the future revenues and the cost. It also includes estimated sales, cost of goods sold, the general expenses and the administration expenses. This forecast is made for the next three years.

The next type of information need in financial plan is the cash flow statement. Here the data recorded is about the movement and the requirement of the cash in the organisation. It should be taken care that in the beginning of the business the sales are scattered and the receipt are spread out so it is better to loan of short term capital in order to pay few fixed expenses such as salaries and things required.

Forecasted balance sheet is also important to forecast the position of the organisation after certain period of time. It give the estimation about the assets, liabilities and the equity of the organisation, the investment of the owner or any retained earnings. (Hisrich,1994)

CONCLUSION

After evaluating all the business models, the author will take a stand on using a combination of the disscussions and conclusion done throughout the whole study of business plans and business models.

3.7 METHODS OF STRATEGIC MANAGEMENT

3.7.1 PORTER 5 FORCES MODEL

The five forces are directly related to how the firms compete with each other in the industry.

The Porters five forces are

- The threat of new entrants into the industry
- The bargaining power of the customers

- The bargaining power of the suppliers
- The intensity of the rival firms within the industry
- The potential for the substitute product or service

Every industry competitive environment can be analysed through interrelationship of these five forces.

For better performing the managers should have the skill to identify and analyse the porters five forces which determine the structure of competitiveness in their industry.

The five forces helps the managers to measure their organisations strengths, weaknesses, and the upcoming opportunities.

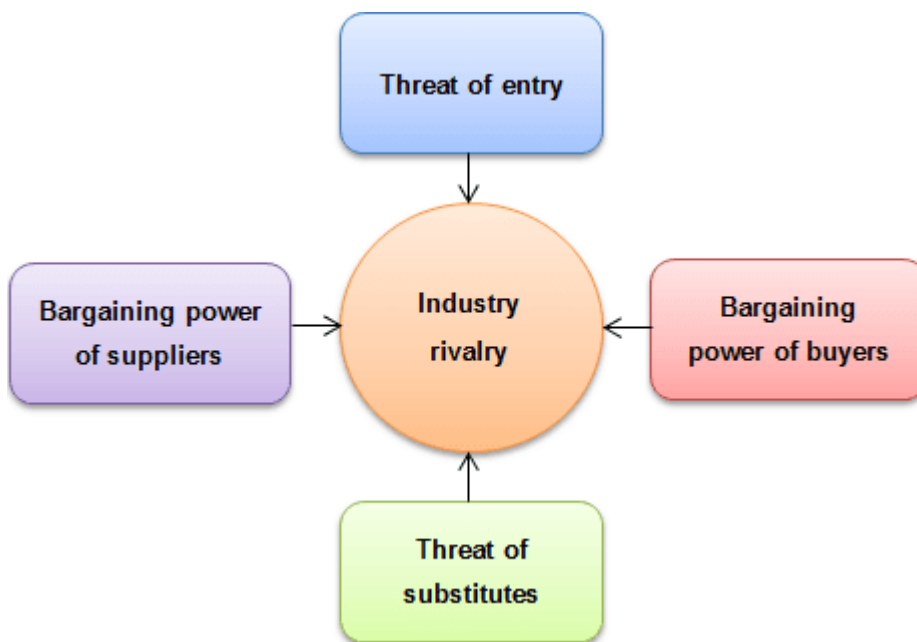


Figure 3 Porter five forces

Source: <https://www.strategicmanagementinsight.com/tools/porters-five-forces.html>

To describe the five forces :

THE THREAT OF NEW ENTRANTS

Common barriers to entry are

Capital requirements : When the capital required to enter an industry is high then it acts as a barrier and lets the firms already existing increase their profit.

Economies of scale : When the already existing large firms are having economies of scale that is producing high volume of goods at lower cost than the small firms. This discourages the entry of the new firms.

Switching costs: the buyers have to face a psychological or the financial cost to switch between firms and when this cost is high the buyers do not prefer to change.

BARGAINING POWER OF THE BUYERS

The buyer can sometimes force the firm to give lower price or a better service. This happens when :

Buyer knowledge : a better aware buyer with knowledge and information about the product can evaluate the options and grows its bargaining power. Then competitors' ability to charge premium price decreases.

Purchase size : buyer who are buying small quantity have less incentive to put pressure on the supplier to reduce price. Firms have less ability to charge premium price when the buyer buys a large amount of goods as a small change in price will have a big impact.

Concentration of buyers : When the buyers are more concentrated then their bargaining power increases as they get a better deal on price and services.

Buyer entry into the industry : when the buyer enters into the industry from where they are buying right now they can put strong pressure on the suppliers to reduce price and the process is known as backward integration.

BARGAINING POWER OF SUPPLIER

The suppliers can dictate the terms of bargaining in the industry when:

Product crucial to buyers : when the suppliers is giving crucial goods to the buyers the thier bargaining power is possibly high.

Products with high switching costs: when the buyer of the product have to bear the high price to switch between suppliers, then suppliers have the high bargaining power.

Suppliers ability to enter the buying industry : The buyers are unwilling to bargain to reduce price becaue they fear that suppliers may enter the industry. This method is called forward integration.

THE NATURE OF RIVALRY IN THE INDUSTRY

The nature of rivalry states the attractiveness and profitability of the industry.

Industry leaders : the leaders of the industry can can discourage the fight with price by being an initiator.

Number of competitors : When the niumber of competitors are high then the profitability of the industry is low.

Fixed cost : The rivals with high fixed cost tend to utilize the full capacity and hence produce to much, then reduce the price to sell it. This leads to fall of profitability of thr industry.

THREATS OF THE SUBTITUTE

The profitability of the industry will be affected by the substitute if:

The substitute product is performing the functions of the industry's product at a decreased cost.

It give the same value without increasing the cost.(SOURCE, YEAR)

CONCLUSION

The five forces that are given in Porter's five force model influence the profitability of the industry. They also assess the nature of the competition and describe the industry. These five force are interrelated to determine the attractiveness of the industry.

3.7.2 PESTLE ANALYSIS

The PESTLE analysis stands for Political, Economic, Social, Technology, Legal and Environmental analysis

PESTLE analysis is used by the managers to monitor the external environment that can affect the firm or an organisation. The outcome of this analysis helps to figure out the strengths and weaknesses.

Political

Political factors indicate the impact of government on the economy. As the rule are applied by the government and according to which the firms have to operate. These rules and regulations include the policies and the law that government provides. The better rule of tax incentives for small business can significantly give rise to the start of new small business. The points that should be checked here are : a) new laws, b) new regulation, c) government stability wars, d) current administrative policies

Economic

Economic changes have a great impact on the way the organisation behave and perform. A positive economic growth will allow organisation to satisfy its customers, suppliers and employees. The factors that need to be monitored and predicted are

- Economic growth: which include customer demand, and the cost of factors used for production like labour cost.
- Interest rates: the cost that will incur to raise the capital in the organisation
- Inflation: It also include interest rates, cost of factors used for productions and Positive or negative thinking stakeholders.

Social

The social factor also called sociocultural factor. It comprises of the people and the individual that consist a share the views in that part of the geographical place. The social factors consists of age of the population, pollution, health awareness, disposal of toxic and non toxic wastes. These factors should be analysed and they are important because properly assessing the social environment will let the organisation avoid the restrictive laws which will hamper its growth.

Technology

Technology means the knowledge of the humans and the manner in which they are made and delivered. Technology change can bring up entirely new products or the process. The prediction of the technology change is difficult but possible. New innovation, a dominant design and radical innovation are the three characteristics of innovation that assist firms to make plan to keep a eye on technological change.

Legal

Legal factors are the one like customer rights and the laws, labelling of product and product safety, health and safety law. The organisation must be aware what is legal and what is not in order to successfully run it.

Environmental

The environmental factor include, lack of resources, carbon limits set by the government, pollution problems that the organisation can face these days. There is a demand from the consumers these days that they expect the organisation to be as ethical as possible and do good to environment and humans.

CONSLUSION

All the elements of the external environment discussed above should be evaluated before any firms wants to entre any industry. These help to find the strengths, weakness, opportunities and the threats of the firm and the industry.

4 PRACTICAL PART

4.1 PESTLE ANALYSIS

POLITICAL FACTORS

- The government of India launched 'Stand up India' which will promote entrepreneurship in India among scheduled caste and women. This movement also provides loan from approximately 15000\$ to 100000\$.
- 'Make in India' also launched by the government of India which make easy for the start of business as it simplified the regulatory environments.

- Launch of 'Start up' movement by the government which make its possible of the new business to register in one day through mobile application.
- India has a political stability with the current government.

ECONOMIC FACTORS

- The economy of India will grow at 7.5 % in the year 2016 and 2017. There is a positive growth of GDP.
- Among the emerging G20 markets which includes Turkey and China. India will have the benefits of low commodity prices.
- The 7th pay commission will have the increase of 23.55% in the public sector salaries which will contribute to strong consumption growth.
- The inflation is expect not to affect much because of favourable demographics and strengthening investment, basically in FDI.

SOCIAL FACTOR

- There has been recent debate going in the country whether India is a tolerant or an intolerant country as there have been few attacks on the writer and the scholars.
- The spending of the people have increased as the economic growth lead to increased salaries.
- There have been recent public movement such as India against corruption and this has made society more aware about their rights

TECHNOLOGY FACTOR

As India is one of the fastest growing economy and technology has played a huge role in it. India economy has moved far from a slow developing to a global leader as a result of the world class technology.

Launch of 'Digital India' programme by government of India to transform India into a digital country has change the way people do their work.

LEGAL FACTORS

Since the introduction of the RTI act 2005 in which the citizen is empowered with the Right to Information Act. It gives transparency and accountability in all the departments.

Right against exploitation is against all forms of forced labour, traffic of human beings and child labour

Recently the new consumer protection act has been approved by the cabinet of India that replaces the 29 year old law.

ENVIRONMENTAL FACTORS

Concern of the environment by the customer and changed the way the industries function, the consumers expect that the product the purchase are manufacture ethical. This has given rise to the corporate social responsibility also called CSR.

The concern about the global warming and problems with the waste and toxic waste management have led the government to change the act and let the industries strictly follow the regulations.

Conclusion

After the analysis of the external environment in which the business is going to operate the condition looks surprisingly favourable. The major reason is because of the favourable government policies that has given the entrepreneur and stable and welcoming environment to come and start the business.

4.2 PORTER FIVE FORCE ANALYSIS

THE NATURE OF RIVALRY IN THE INDUSTRY

Though there are many registered plastic recycling units in the region across Delhi and Gurgaon but there are only few big player such as Hikon, Almetab industries and few more but analysing the potential of the industry it is still underutilised. As most of the plastic recycling industries in the region are the start-up which depend on the rag pikers to fulfil the

demand of the raw material. This industrial sector in India is still of informal nature. There is quick entry and quick exit from the industry.

Conclusion

There are many plastic recycling units in the industry who run the business but the competition is still not high due to the informal nature of the industry.

THREAT OF NEW ENTRANTS

As we discussed above that there is quick entry and quick exit of the new firms entering the industry because of in formal nature of the industry and unable to collect high grade plastic waste raw material. Usually the new entrants are the start up business and the recycling business here does not require a huge amount of capital as the work is more labour intensive an require relatively unskilled labour.

Conclusion

There many start up coming into the business but due to lack of proper channel to procure the material for recycling are unsuccessful and the place left to be covered in the industry is so big. Until the government comes and take it over or a there is some formal channel developed by any private organisation until then there is no real threat.

THREAT OF THE SUBSTITUTE

The threat of the substitute is from the there virgin polyester buyer as they think that the polyester made from the recycled plastic bottle is not of the same quality also there is threat from they the biodegradable plastic that is coming into the market these days as more people will use it then less availability of raw material.

Conclusion

The threat of the substitute that is the virgin polyester can be reduce by producing high grade polyester staple fibre which will also give high grade polyester. The need is to protect the waste plastic raw material from being contaminated before they are brought to the recycling sight.

BARGAINING POWER OF THE BUYER

The bargaining power of the this industry in Delhi depends on the quality of the recycled polyester staple fibre if the quality is high then you can charge premium because there are not many suppliers of high grade recycled polyester staple fibre. The normal price of the staple fibre ranges from 1.20 \$ to 1.80\$ but if the quality is high then the price might go up to 2.80\$.

Conclusion

Bargaining power of the low quality polyester fibre is high as there are many suppliers providing the same but when it comes to high quality staple fiber the bargaining power of the buyer is low

BARGAINING POWER OF THE SUPPLIER

Here the suppliers for the firm are the local plastic collectors. Now as most of the firms are still unable to develop their own channel for collecting plastic waste so there are only few collectors collecting. These few plastic collector centre can exercise their power till the firms have their own waste plastic collection system.

Conclusion

There is a high bargaining power of the waste plastic supplier as there number are few and the demand of the recycler for the raw material is high.

After the porter analysis it is certain the industry sector in which the recycling business is place is quite informal and there are no clear data available which can prove that the industry stands at certain place now but one thing is clear that the environment for the industry need to be made more formal so that things are done more effectively and more efficiently and raising the standard of the industry.

Keeping all these factor in mind the Singh is King Recyclers will enter the industry and work to change the face of the industry. With this a projected business plan is made further is the practical part by the author

4.3 BUSINESS PLAN

4.3.1 INTRODUCTORY PAGE

Name of the company:

Sing Is King Recyclers

Address:

Industrial Area of Gurgaon

Nature of Business:

We deal with waste plastic and recycle it to produce Polyethylene terephthalate Staple Fibre.

Financing Method

Out of the total money in the business 60% will be self-financed and 40% will be taken as loan from the bank.

Basic description of the Business

IT is a plastic recycling company which recycle waste plastic bottles to manufacture POLYESTER STAPLE FIBER . The company is a start-up which is born initially with the urge to protect environment but even from a business point of view there is a huge potential in this industry which is still under exploited

The product of our company is raw material for making polyester which is POLYESTER STAPLE FABIRE.

Distribution channels

Our distribution channel is basically indirect distribution. Where in order to procure the raw material we have our own collection system(which include contract with the local restaurants schools and offices which will provide us plastic will and we will also charge them for collection). Next for the temporary basis we are also buying or raw material from the plastic waste collectors warehouse. Our target is to reduce this purchase in the near future and widen and strengthen our own collection system.

CONSUMERS

Our consumers are the companies which make the Polyester cloth out of our POLYESTER STAPLE FIBER.

GOAL

Our goal is to maximise the plastic recycling by increasing our capacity per day and cutting our cost by reducing this purchase of raw material from plastic waste warehouse collectors in the near future rather widen and strengthen our own collection system. Therefore prevent the plastic waste from being end up into the landfills

4.3.2 INDUSTRY ANALYSIS IN INDIA

Plastic has taken an important place in the life of all the individuals everyday life. The production of plastic crossed 150 million tons per year globally. In India the amount of plastic consumption every year is around 8 million tons. (2008)

After the use of plastic when it is discarded this is known as plastic waste. Around 70% of the plastic packaging is estimated to be converted into plastic waste in a very short time. The whole country generate around 5.6 million tons of plastic waste every year which means 15342 tons per day.

The recycling in India is to be carried out as per the Indian standard: IS 14534:1998. The recyclers must make sure that the recycling plants are in accordance to the Indian standard: IS 14534:1998 which is titled as Guideline lines of plastic and in compliance with the rules under the environment (protection) act. 1986, which is amended from time to time.

India is one of the fastest growing economies in the world. Apart from the positive effects economic growth also have some negative impact, as on the environment. As the consumption in the country increases it leads to generate more waste. Thus leading to challenges with the waste management and environmental pollution. Out of all the waste non-biodegradable waste is one of the most harmful waste to tackle with and plastic waste comes in to this category.

Like many developing countries India still does not have a proper system of recycling or even gather plastic waste. As a result this plastic ends up being disposed in the river or in the landfill which is not a long term solution. In India this industry has a huge potential and is still unexploited neither by private or public sector. It is seen as a huge opportunity by the entrepreneurs but the industry is still in early development period.

Indian recycling industry recycles around 3.6 million tons every year (the economics times 6 august 2015)

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4.3.2.1 PROBLEMS OF THE PLASTIC RECYCLING

Plastic is a easy to manufacture and consumer like it but this convenience come at a certain cost. Plastic is manufactured with the help of petroleum and in the process of production, consumption and disposal of the product from petrol it leads to global warming and lots of problems to environment and human health.

Plastics are made up of a complex chemical compound with many different varieties and hence it is more cumbersome to recycle it as compared to material which include glass, aluminium and paper.

If plastic needs to be recycled then there is a need to collect, sort it separately according to the type of plastic, kept clean and then sent to recycler who are looking forward with the intent and available capacity to turn it into a new product. Bottles are the usual plastic materials that are recycled.

Most bottles that are made of polyethylene (PET) resin code 1 and high density polyethylene (HDPE with code 2 are the one which are recycled. The other plastic with SPI code of 3 to 7 are not recycled in most programs and hence most of it finally ends up to b buried in landfills.

Most of the products made out of plastic are not fit for recycling procedure as they are not designed to be recycled. Hence for the recyclers it is not only extremely difficult to have a recycling system in place but to recycle every possible kind of plastic seems a task which is expensive and inefficient.

To begin the process of recycling the responsibility lies in the hand of the consumers. To make a cost effective procedure it is important to collect the plastic in a cost effective way and properly sorted. Looking at the current situation the plastic bottles are the ones that possess a condition that make the recycling look feasible and the reason why the recyclers have been kept away from recycling the other type of plastic is because of the following reason

EXPENSIVE COLLECTION –the collection of the recyclable plastic in the developing countries is not as cost effective as there is no official collection system and hence the recyclable material even if it reaches the recycler is either contaminated or not of good standard.

EXTENSIVE SORTING IS REQUIRED – In spite of the fact there are only 7 resin codes there are thousand different types of plastic. Which include different combinations of dyes and other things which are added to the resins to have the preferred colour and texture.

These changes while manufacturing the plastic cause variation in the melting point of the plastic belonging to the same resin code. Hence there is an extreme care required while sorting the plastic.

LACK OF INCENTIVE TO USE RECYCLED PLASTIC BY MANUFACTURE– to make products from recycled plastic there must be manufacturers who are ready to buy and use the plastic which is recycled to make new products. For some of the manufacturers it turns out to be a cheap and easy way to make new plastic products out of the virgin plastic. There are also no incentives for them to use recycled plastic the market for the plastic other than with the SPI code of 1 and 2 they are unstable and extremely difficult.

4.3.2.2 DIFFERENT KINDS OF PLASTIC

There are different kinds of plastic and they all are used in different ways. In 1988 the Society of Plastics Industry (SPI) built a recognition criteria to help the consumers and the recycle plastics to properly use, recycle and dispose according to the chemical make up of the plastic.

These days there is a code or the identification number called SPI code which is given by the manufacturer to each plastic product.

SPI code also plays an important role while recycling plastic as it is easier to separate different kinds of plastic to recycle and have high standard recycling products.

THE SPI CODES ARE AS FOLLOWS:

- 1- The plastics that are marked with the SPI code 1 are made of polyethylene terephthalate. It is also known as PETE or PET. This is the most commonly used plastic as household items like beverage bottles, medicine jars, peanut butter jars etc.
- 2- SPI code 2 is for plastic made of high density polyethylene or HDPE. The products made from HDPE are very safe and they do not leave any chemicals into the food or drinks. It is also one of the most commonly recycled plastics.
- 3- The third kind of plastic which is labelled with SPI code of 3 is made from polyvinyl chloride also known as PVC. This kind of plastic is not often recycled and is harmful if swallowed through the mouth. It is used to manufacture things like pipes and tiles. If recycled then PVC is utilized to make industrial grade items and flooring.
- 4- SPI code of 4 is assigned to the plastic made from low density polyethylene LDPE. This is the plastic that is durable and flexible, it is also considered safe for the food storage. The products that are made from this kind of plastic are sandwich bags, squeezable bottles and grocery bags, after recycling LDPE it is used to make garbage cans and some kind of furniture.
- 5- SPI code 5 is used for plastic made from polypropylene or PP. The plastic with this SPI code is strong and normally handles high temperature. It is used to make things like Tupperware, syrup bottles and plastic bottle caps are usually made out of PP.
- 6- There are plastics labelled with the SPI Code of 6 which states that the plastic is made from polystyrene (PS) also known as Styrofoam. It can be recycled but not with so much efficiency as it takes too much energy to recycle it. It is used to make disposable tea cups, boxes for food, packaging foam. After recycling such plastic can be used to make products like insulators, rulers etc.

- 7- All other kinds of plastic other than the six that are listed above have SPI code 7 polycarbonate is one that is mostly linked to this category. It is a low cost and it can be molded into things which are clear, glassy and also used to make things like cutlery. The recycling rate of this kind of plastic is very low because it is difficult to recycle it. The food container made from it are considered not so safe as they can leach a chemical called styrene which is toxin to brain and nervous system.

4.3.3 DESCRIPTION OF THE VENTURE

The Singh and King recyclers is a sole proprietorship to start with and we work as a recycling as well as manufacturing unit. We manufacture recycles PET staple fibre. Our product is manufactured through recycling of the plastic bottles made from PET polyethylene terephthalate type of plastic.

The company is located in the industrial region of Gurgaon, Haryana. The reason to choose this place is simple as in Delhi there are lot of restriction and paper work as well as high state taxes as compared to Haryana also Gurgaon provide us easy transport as there is a very smooth connection of the roads which saves our time and money (fuel consumption).

Talking about myself, I am 24 years old student of business administration, who completed his bachelor from Delhi University and is taking his Master from the prestigious Czech University of Life Science, Prague. I was born in a family where my father served in Indian Air Force and mother as the manager of the house.

The plant that will be located in Gurgaon will be leased of the few years in the beginning on the basis of short term contract and latter may be bought according to the situation. The venture will need ten unskilled and three skilled labour.

The machinery will be purchased instead of leasing as leasing turns out to be costly as compared to purchasing.

The reason to go into business is the urge to follow my long term dream as a kid to do something for the environment as the environment is suffering from so many kinds of pollution these days and with this recycling venture it will be my first step to fulfil my dream.

I also realised living in India about the lack of proper waste management system and proper recycling system, so the scope of recycling business in India is huge and this industry is still underdeveloped and I see this as a very big opportunity to enter it and capture it.

4.3.4 PRODUCTION PLAN (OPERATIONAL PLAN)

The plant for recycling will be located in NCR region of DELHI called Gurgaon.

COLLECTION

The operational plan will start with collection of the waste plastic bottles. This will include collection from the local plastic collectors as well as from the company's own collection network.

SHREDDING

Once collected these big piles of plastic goes for shredding where the bottles are broken down into small pieces because as when we throw bottle we leave some liquid behind in the bottle and shredding helps to get rid off this liquid so that it does not affect the quality of recycling.

SORTING

These shredded bottles then head for sorting where the clear plastic is separated from the colored plastic by the workers.

BATH 1

Since most of the plastic bottles have colored caps which need to be removed. So the bottles are given a bath and the colored caps are made from different material so they remain floating and the workers remove them from the top.

BATH 2

To remove the labels there is a separate bath for the stickers in a acidic soda which is very effective for removing labels.

SPINNING AND DRYING

Once these baths are done what is left is the clear plastic flakes but this pile of clear plastic flakes is wet so the next step is to send them for drying in the drier where they are spun to remove the excess water

MELTING

After drying the plastic flakes these are sent through a rotating screw where they are heated to melt in liquid form.

EXTRUSION

After melting the plastic flakes the liquid plastic is forced through an extruder which creates long strands of plastic which are collected at the bottom.

These threads are combined and stretched together while being heated this will help to bond them together strongly hence giving a high grade Polyester staple fiber.

4.3.4.1 OPERATIONAL STRUCTURE

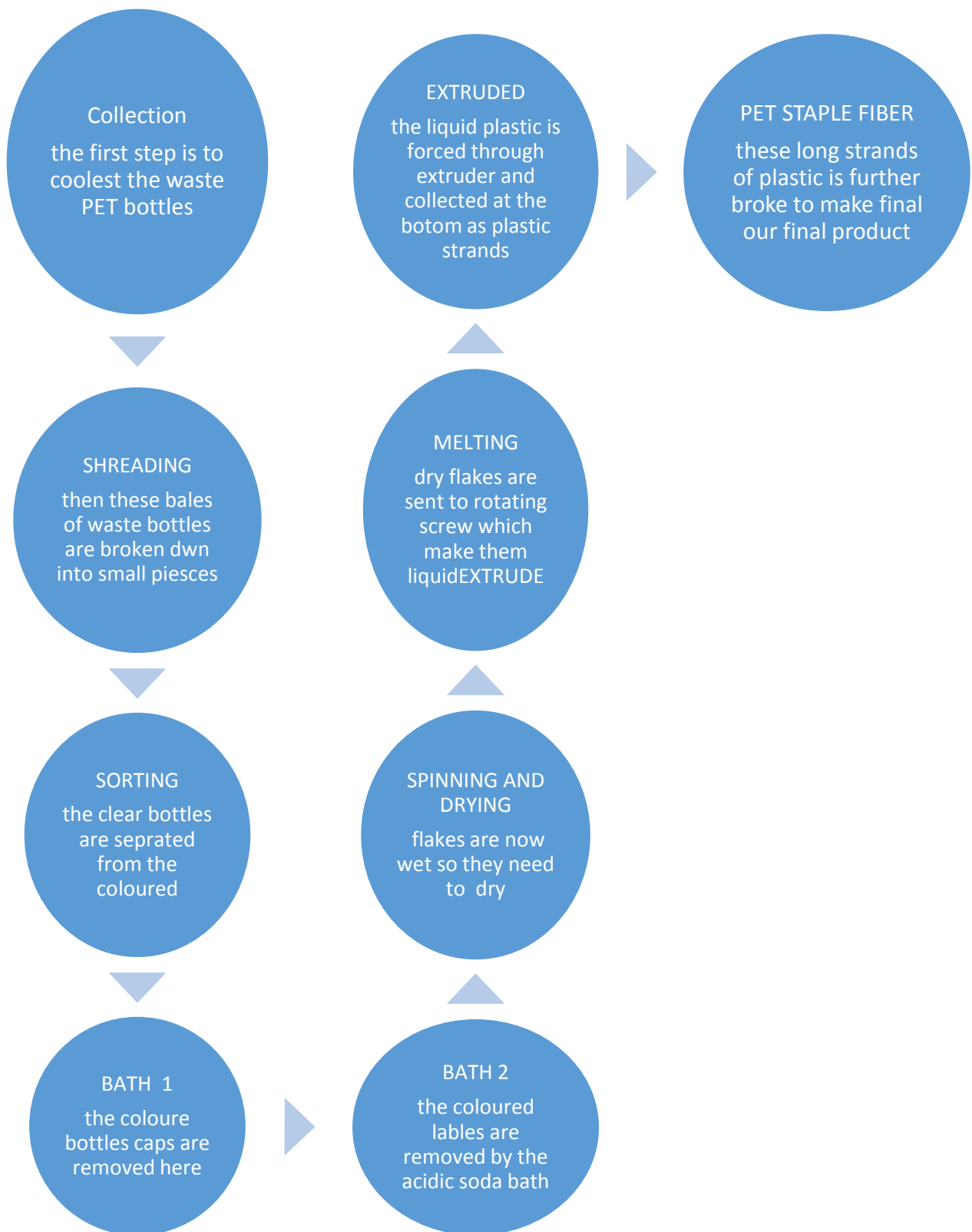


Figure 4 operating process Source: Author

The raw material that will be need for recycling and manufacturing will be the waste PET plastic bottles the cost of 1 kilograms of waste plastic bottles is around 0.45 \$ to 0.60\$.

4.3.5 FINANCIAL PLAN

The financial plan is divided into two stages and each stage have sub parts.

The first is early stage and the second is the expansion or development stage.

Early Stage Financing

Seed capital

This is the initial expense for the start up which contribute a small amount and are done to prove the concept and to finance the feasibility studies.

Start- up

The start up expenses is done for the product development, initial marketing and developing relations. At this point of time there are no sales. This funding is to help the company start its operation.

Expansion and Development Financing

Second Stage

There is a requirement of the working capital requirement for the initial phase of the business to grow but the profitability of the organisation is yet to clear.

Third Stage

The organisation moves into growth stage with the gradual increase in sales, this can be at breakeven point or more that is achieving profits.

Fourth Stage

After the initial growth may be prepare the organisation to grow further by converting it into a limited liability company or going to investors to fund the business.

The Financial Plan is more Explain with the help of the projected Financial statements which is referred in the appendix 1:

To explain the financial statements:

4.3.5.1 BALANCE SHEET

The initial capital with what the recycling business will be started is 100,000 \$ this will be contributed 60% by the owner and the rest 40% will be contributed by the loan from the family member at the interest rate at 5% which will be repaid in next ten years at flexible instalments. This money will be used in the first year to buy the machinery for 25,000\$, furniture for 3,000\$, vehicle which is a truck for 10,000\$ and a computer for 1,000\$. The spending was also done on to procure the raw material for 12,000\$, to pay advance for short term investment in building for 12,000\$ and the rest of the amount was kept in the bank and as a cash. The liability side of the first year show on the account payable of 1000\$. And a minor profit of 1000\$.

Moving to the second year of operation there is no significant change apart from the increased in fixed asset from furniture of 500\$ as the operation was growing, introduction of the receivables for 8000\$ due to the credit sales made, also there are some changes in cash and bank balance. On the liability and equity side there was profit shown for 11,000\$, increase in account payable and decrease in the loan for 2000\$ as it was paid back.

On the basis of the growth expected in the second year, the third year balance sheet was projected and there was minimal change in the fixed assets of 600\$, and increase of account receivable of 2000\$ as compared to the previous year the material also increase by 4000\$ as a result of increased capacity. The equity and liability shows that reserves has been created for 5000\$ and the profit have increased by 12,100\$, account payables stands at 10,000\$ and the loan payment of 8000\$ has been made.

(APPENDIX -1)

4.3.5.2. INCOME STATEMENT

The Income statement of the Singh is King Recyclers for the first year show the sales of 20,000\$ and the gross profit for the first year is 8000\$, operating and administrative expense account to be 580\$ the depreciation is not taken into account here for the case of simplicity of the calculation the interest on the loan is 2000\$ at the rate of 5% which give earning before tax to be 5,420\$ and after tax the net earnings for the first year comes out to be 4,336\$.

The second year the gross profit is almost same but there is bit increase in the operating and administrative expenses which accounts to be 690\$ the interest expense has been decrease as compared to the previous year as the loan payment was made there is a slight decrease in the net earnings this year because of increase in the office and administrative expensive and the net earning stand out to be 4,328\$.

The third year projection gives boost to the sales and the gross profit reaches 12,000\$ so as the other operating and non-operating expenses which ultimately give the net earning of 7,362\$. (APPENDIX-2)

Conclusion

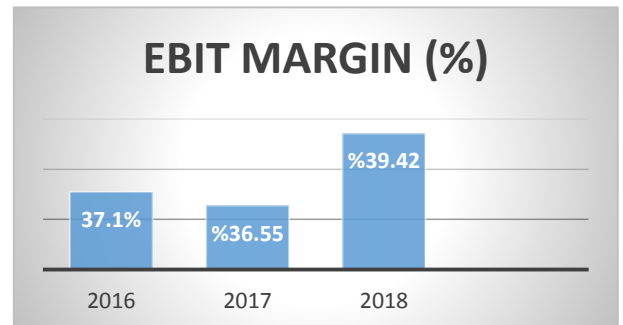
The numbers are not so high as one can expect the business to earn out of the whole year but as compared to the small amount of money invested this is the reasonable profit that can be considered and a positive start to give the owner boost to increase the capacity and follow the dream.

4.3.5.3 RATIO ANALYSIS PROFITABILITY RATIOS

1. EBIT MARGIN

$$(EBIT/ \text{Net Sales}) \times 100$$

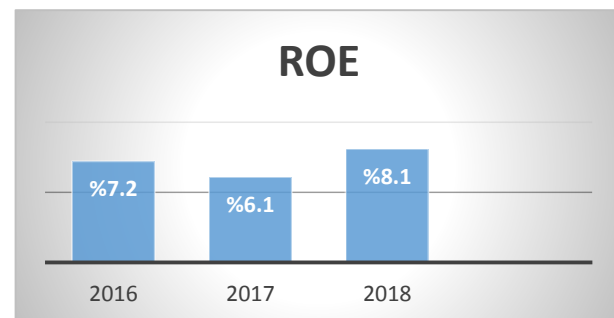
2016	37.1
2017	36.55
2018	39.42



2. Return Of Equity (ROE)

$$(\text{Net Earnings}/ \text{Equity}) \times 100$$

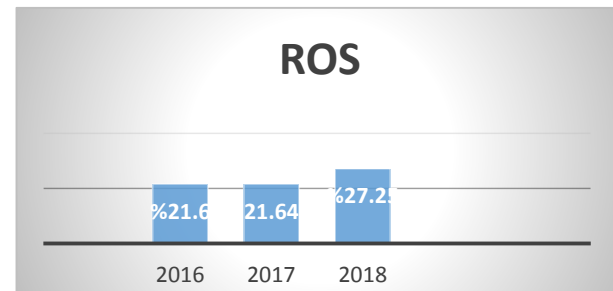
2016	7.22
2017	6.09
2018	8.11



3. Return Of Sales (ROS)

(Net Earnings/Net sales)*100

2016	21.68
2017	21.64
2018	27.25



Note: Since entire numbers are projected. All profitability ratios demonstrate that this company is significantly Profitable and it has continues improvements by the year.

As the business is a start-up so the main focus was to evaluate if it will be profitable or not. Since the numbers are in favour it will be good idea to capture this opportunity for the author's start-up.

4.3.6 MANAGAEMENT PLAN

Ownership Structure

The organisation will be registered the name Singh is King recyclers. The capital in the business will constitute as 60% by the owner that is Amit Singh and the 40% will be take as loan from the Family friend at 5% interest rate.

The form of ownership will be Sole Proprietorship and the reasons for choosing it are:

Ownership

It has individual ownership.

Liability of the owners

Liability of the business is liable on the individual owner.

Costs of starting the business

Cost of starting the business is not so much rather than paying the fees for filling the trade name.

Continuity of the business

Death leads to dissolve the business.

Transfer of interest

The sole proprietor has the complete freedom to transfer whatever part of the business or even sell it.

Capital Requirement

The capital for the business in this type of ownership is either raised by loan or by the contribution of the owner.

Management Control

Management is controlled by the owners and they have the call on the decision and can respond immediately.

Distribution of Profit and Losses

On the issue of profit or losses the owners are responsible for them and they bear these losses and enjoy the profits.

Attracting future investors

In terms of attracting future investors for raising capital in the business then it depend on the capacity of the owner and also on the success of the business.

4.3.6.1 MANAGEMENT STRUCTURE

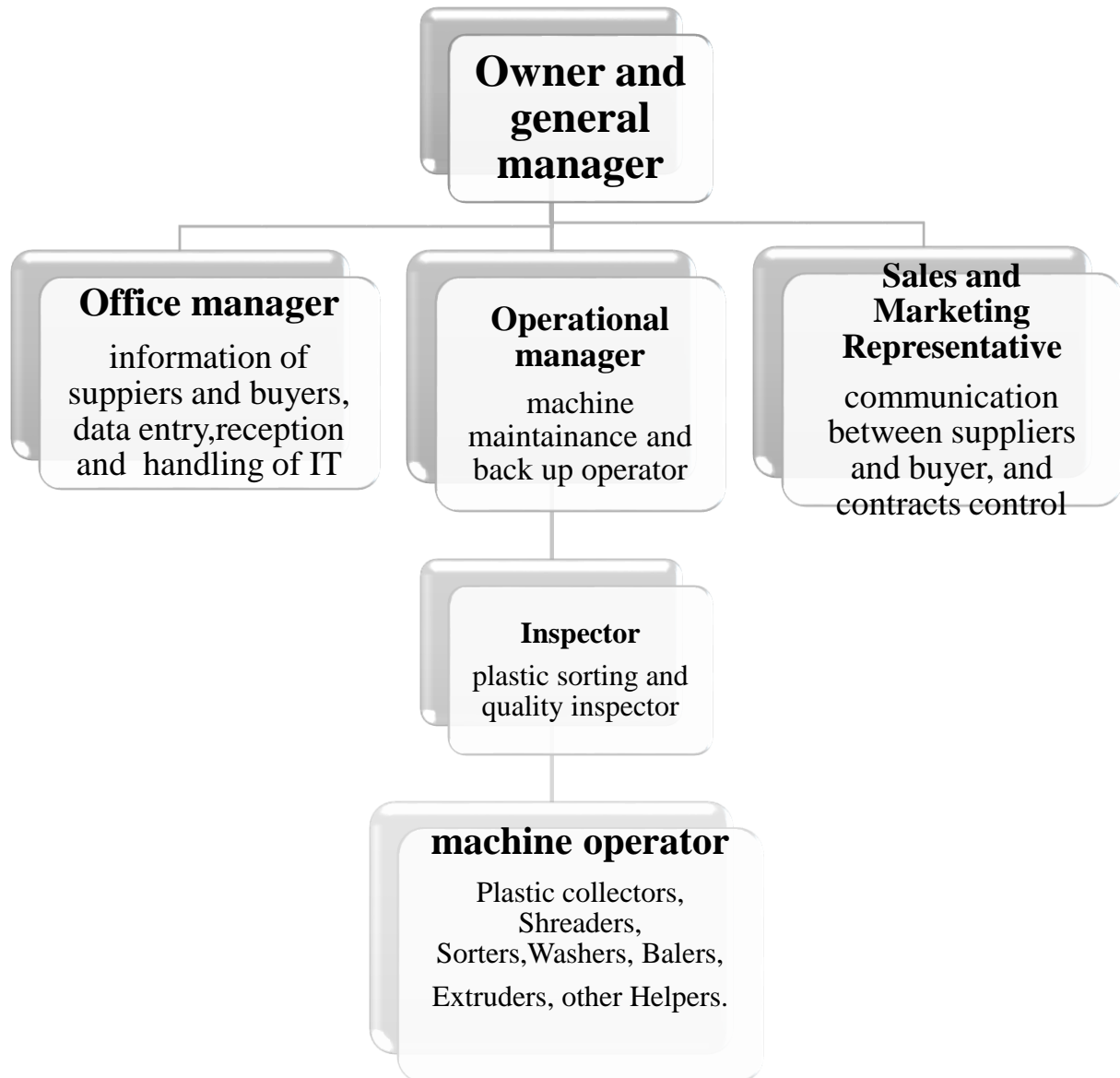


Figure 5 management structure

Source: Author

4.3.7 SWOT ANALYSIS OF THE START UP IN INDIA

The SWOT analysis tell us about the internal environment from the Strengths and weakness of the business and also about the threats and opportunities of the business in the external environment

STRENGTHS

- Huge demand of the recycled plastic polyester
- Recent government support to star up
- High grade polyester fiber production
- High tech machine

WEAKNESS

- Recycling limited to plastic bottles
- Dependent on local collectors for raw material (ie. Waste plastic bottles)
- As we are new in the business we lack experience in the industry

OPPORTUNITIES

- there are very few competitors
- Unexploited industry.
- There is unsatisfied demand of the product
- Recent government movement (example sawach bharat which means clean India) supports our work.

THREATS

- Government take over recycling into its own hand.
- Lack of raw material for recycling
- Increased price of raw material

The SWOT analysis bring out the positive picture of doing plastic recycling business in India but also warns about the weakness and the threats involve along the journey.

5 CONCLUSION

The purpose of the study and research done in the thesis is to evaluate the start-up business plans and later to evaluate the business plan of the selected small business that is a plastic recycling business in India. The objective question of the theoretical part was “how to make a good business plan.” The first part of the thesis starts with the theoretical part with the definition of start-up and types of start-up given by various authors. These have been discussed and the most relevant definition given by Steve Blank “An organization formed to search for a repeatable and scalable business model” has been chosen for the thesis and the type of start-up that will suit the authors practical part has been chosen as a combination of social, small business and a scalable start-up.

The second part of the theoretical part deals with the evaluating different business models given by various authors. These business models have been discussed according to their similarities and dissimilarities. The view of the author have been compared and according based on that a suitable business plan has been prepared for the plastic recycling business.

The third part of the theory is the study of the tools of strategic management such as PESTLE and Porter’s five force analysis which evaluate the external environment in which the business is going to operate.

The practical part of the thesis was prepared in relation to what was discussed in the theoretical part. The aim of the practical part was to evaluate the business plan for the selected plastic recycling business in the outer region of Delhi in India. The important question that were addressed are “why to recycle plastic in India? Will it be a profitable business? Will plastic recycling be a sustainable business? Are there any government restriction? Which kind of plastic to recycle?”

The reason for starting the plastic recycling business in India is because of the immense amount of scope in the industry which is still unexploited and the findings from the PESTLE analysis about the favourable external environment and increased ease of doing business for the start-up and small business in India. The favourable economic factors in India which include rise in gross domestic production and lower commodity prices in India. There have been a technological revolution in India which makes it easier for the business doing people to get their government approval work done faster, thanks to e-governance.

The Porter five force analysis show that how unattractive is the industry because of being an informal sector and there is a huge potential to grow. Although there are many entries and exits, the threat of entry is nullified with no big share of profit is taken away because of large share of market still left to be discovered. The bargaining power of the buyer depend on the quality of polyester staple fibre provided. The rivalry is factor is also missing because of being an informal sector as small rivalry does not affect the new comer. From the results of the PESTLE and Porter's five force the SWOT analysis was derived and the strengths comes out to be the huge market for recycled plastic polyester, since we are a start up so recent government support to start-up, the business will provide the high grade recycled polyester which has high price in the market. The weakness are that the business is limited to recycling of only PET plastic bottles, and being new in the industry. But the scope of opportunities is high as it is an unexploited industry, very few competitors and recent government movement of "swach bharat" which means clean India also support our cause. The threats of government take of recycling plastic and lack of raw material for recycling are not so real but have their own significance. The final analysis of financial statements which include balance sheet which give the detail of the assets, equity and liability. The income statement which project the first year earning of 4,336\$ and for the second year 4,328\$ and for the final projection year as 7,632\$. Though the numbers are not so high if capered to the net earnings in the whole year but the financial plan was made on the projection basis for the next there years but in reality it might be scaled down to six months, 3 months or even to a month as per the situation.

The topic chosen for the thesis was interesting for the author. Himself being an environmental friendly person and concerned about the growing pollution in the environment. With this thesis got a chance to evaluate the real possibility of doing social good as well as converting it into a business opportunity.

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7 APPENDIX-1

Singh is King Recyclers PROJECTED BALANCE SHEET

2016-2018

	ASSETS		
	2016	2017	2018
LONG TERM			
Machinery	\$25,000	25000	25000
furniture	\$3,000	3500	4000
vehicles	\$10,000	10000	10000
computer	\$1,000	1000	1100
Total Long Term			
Asset	\$39,000	39500	40100
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SHORT TERM			
A/c receiv.	\$0	8000	10000
Inventory			
material	\$12,000	12000	16000
Product	\$20,000	20000	28000
short term investment	\$12,000	12000	12000
cash	\$5,000	2500	3000
bank	\$14,000	20000	25000
Total Short Term	\$	\$	\$
Asset	63,000.00	74,500.00	94,000.00
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	\$	\$	\$
TOTAL ASSET	102,000.00	114,000.00	134,100.00
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EQUITY & LIABILITY			

	2016	2017	2018
EQUITY			
Own Shares Hold	\$60,000	\$60,000	\$60,000
Reserves	\$0	\$0	\$5,000
Profit from Current Y.	\$1,000	\$11,000	\$23,100
Profit from Prev. Year	\$0	\$0	\$6,000
	\$	\$	\$
Total Equity	60,000.00	71,000.00	94,100.00
Liabilities			
Account Payables	\$1,000	\$5,000	\$10,000
Employees	\$0		
Long-term loan	\$40,000	\$38,000	\$30,000
	\$	\$	\$
Total Liabilities	42,000.00	43,000.00	40,000.00
TOTAL EQUITY +	\$		
LIABILITY	102,000.00	\$114,000.00	\$134,100.00

7.1 APPENDIX-2

SINGH IS KING RECYCLERS Projected estimated income statement 2016-2018

Revenue	2016	2017	2018
Sales	\$ 20,000	\$ 20,000	\$ 28,000
Cost of Good Sold	\$ 12,000	\$ 12,000	\$ 16,000
Gross Profit	\$ 8,000	\$ 8,000	\$ 12,000
Operating expenses	\$ 500.00	\$ 600.00	\$ 850.00
Administrative expenses	\$ 80.00	\$ 90.00	\$ 110.00
EBITD	\$ 7,420	\$ 7,310	\$ 11,040

Depreciation	\$	-	\$	-	\$	-
EBIT	\$	7,420	\$	7,310	\$	11,040
Interest (%5)	\$	2,000	\$	1,900	\$	1,500
EBT	\$	5,420	\$	5,410	\$	9,540
Tax (%20)	\$	1,084	\$	1,082	\$	1,908
Net earnings	\$	4,336	\$	4,328	\$	7,632