**Department of Electrical Engineering**
**Final – Assignment Spring 2020 Date: 24/06/2020**

## Course Details

**Course Title:** Entrepreneurship **Module:** **Instructor:** **Dr. Shahid Latif** **Total Marks:** 50

## Student Details

**Name:** **Fayaz Ullah** **Student ID:** **13854**

Note: Attempt all of the following questions.

| | | | |
|---|---|---|---|
| **Q1.** | | **Business Plan is heart of any new project and without a detailed plan, no business can be successful.**<br>**Describe in detail how Business Plan is written, highlighting contents of its different components with giving example for each section?** | **Marks 10**<br>**CLO 2** |
| **Q2.** | **(a)** | **Consider yourself an "Entrepreneurship" and you want to start a new business. Prepare a "Business Plan" for your new venture detailing and describing all the steps required to start this business. (Business Plan for any Product or Service).** | **Marks 10**<br>**CLO 2** |
| **Q3.** | **(a)** | **What are the three main forms of business organization, and what factors should a company's owners consider when selecting a business form?** | **Marks 5**<br>**CLO 2** |
| | **(b)** | **What are advantages and disadvantages of a business venture when operated as a partnership?** | **Marks 5**<br>**CLO 2** |
| **Q4.** | **(a)** | **Growth Strategies are based upon Knowledge of Product or Market, discuss in your words? Describe four growth strategies with giving example of each strategy.** | **Marks 10**<br>**CLO 2** |
| **Q5.** | **(a)** | **Draw a block diagram showing the Marketing System for a new business by highlighting external and internal environmental factors.** | **Marks 10**<br>**CLO 2** |

# Question No 1

**1. Executive Summary:**

Write your executive summary last. It's just a page or two that highlights the points you've made elsewhere in your business plan.

It's also the doorway to your plan—after looking over your executive summary, your target reader is either going to throw your business plan away or keep reading, so you'd better get it just right.

Summarize the problem you are solving for customers, your solution, the target market, the founding team, and financial forecast highlights. Keep things as brief as possible and entice your audience to learn more about your company.

**2. Opportunity:**

In the opportunity section of your business plan, describe the problem that you solve for your customers and the solution that you are selling.

It is always a good idea to think in terms of customer needs and customer benefits as you define your product offerings, rather than thinking of your side of the equation (how much the product or service costs, and how you deliver it to the customer).

Sometimes this part of the plan will include tables that provide more details, such as a bill of materials or detailed price lists, but more often than not this section just describes what you are selling and how your products and services fill a need for your customers.

**3. Market Analysis Summary:**

You need to know your target market—the types of customers you are looking for—and how it's changing, and your market analysis summary will help you get clear on it.

Use this business plan component to discuss your customers' needs, where your customers are, how to reach them and how to deliver your product to them.

You'll also need to know who your competitors are and how you stack up against them—why are you sure there's room for you in this market?

**4. Execution:**

Use this business plan section to outline your marketing plan, your sales plan, and the other logistics involved in actually running your business.

You'll want to cover the technology you plan on using, your business location and other facilities, special equipment you might need, and your roadmap for getting your business up and running. Finally, you'll want to outline the key metrics you'll be tracking to make sure your business is headed in the right direction.

**5. Company and Management Summary:**

The company and management section is an overview of who you are.

It should describe the organization of your business, and the key members of the management team, but it should also ground the reader with the nuts and bolts: when your company was founded, who is/are the owner(s), what state your company is registered in and where you do business, and when/if your company was incorporated.

Be sure to include summaries of your managers' backgrounds and experience—these should act like brief resumes—and describe their functions with the company. Full-length resumes should be appended to the plan.

**6. Financial plan:**

At the very least this section should include your projected sales forecast, profit and loss and cash flow statement, and balance sheet, along with a brief description of the assumptions you're making with your projections.

You may also want to include your sales forecast, business ratios, and break-even analysis. Finally, if you are raising money or taking out loans, you should highlight the money you need to launch the business.

**7. Appendix:**

An appendix to your business plan isn't a required chapter by any means, but it is a useful place to stick any charts, tables, definitions, legal notes, or other critical information that either felt too long or too out-of-place to include elsewhere in your business plan. If you have a patent or a patent-pending, or illustrations of your product, this is where you'd want to include the details.

# Question No 2

**Business Idea**
Business Commerce

**Proposed Business Name**
ARCO Commerce & Trading (Pvt) Ltd

**Proposed Business Location**
Jawad Tower, University Road, Peshawar

**Date**
24 June 2020

## *E-commerce Recipe:*

***Take brilliant idea, add strategy, add strong team, add technology; results vary significantly if order changed.***

# Table of Contents

## Executive Summary:

The handling of e-responses is one of the most serious problems currently organizations are facing. E-responses not only are expensive, time consuming, and labour intensive for organizations to process, but the potential hassles to consumers impair services and slow customer growth. As a result, pure-play organizations are at a significant disadvantage to brick-and-mortar and click-and mortar organizations that allow customers get reply instantly from the businesses. ARCO fills the role of an outsourced solution provider, as it is the first company to provide consumers with a no-hassle and cost-free method to get accurate response instantly, while saving organizations money on customer care centres.

## Background & History:

ARCO offers its clients, electronic organizations, and catalog customers, a possibility to reduce costs associated with reverse feedback and thus increase customer service and enhance customer loyalty. By providing 'no-hassle' product response or feedback facilities it will help consumers become more comfortable with the Internet and catalog shopping. Customer service and profitable growth are two major cornerstones of ARCO.

While there are risks associated with all new businesses, ARCO has identified three particular issues, unique to its model, which will improve the company's chances of success.

ARCO is a start-up company that plans to capitalize on the growing market of product responses to the pure Internet based organizations and traditional catalog customers. This market segment has been overlooked by industry players and ARCO' management has reason to believe the company will be able to rapidly capture market share. At this point, the company seeks Rs.3 million in seed funding to facilitate initial technology development and marketing activities.

## Service Description:

### Response procedure:

When the customer decides to make a response, he or she will take contact or visit ARCO location. The ARCO ROBOT will select the organization from which the product was purchased. The ROBOT will then look up the customer's call number from his or her receipt or packing slip and enter it into the RPT.

Criteria will include rules and attributes. Criteria will be set forth by each organization partner and can be customized by product type (e.g., all DVD players) or by product model (e.g., Sony DVD player model #DVP-S7700). For the convenience of organization partners, ARCO will provide a database of default criteria that may be used in original criteria from the organization. ARCO personnel will use information gathered from manufacturers to develop the default criteria database, which will then be offered to organization partners free of charge. Default criteria will be developed first for those product categories that are best suited for ARCO, followed by categories that will be allowed by, but not ideally suited for, ARCO.

Organizations will have the option of providing digital photographs of products to ROBOTS in their solutions. Product photographs will be particularly important for complex problems with which ROBOTS may not be intimately familiar (e.g., consumer electronics, computer hardware, etc.).

If a product does not meet all criteria, on-screen instructions will direct the ARCO ROBOT to refuse the response, and the RPT will automatically generate a pre-formatted letter written by the organization partner describing why the product cannot be accepted for response and inviting the customer to use an onsite telephone to call the organization's customer service line if he or she wishes to further discuss the matter. This is important for two reasons:

It will deflect anger over the failed response from the ARCO brand and ROBOT to the organization.

The ROBOT will likely not have enough information about the organization's response policy or the product being responsed to decide whether to override the standard criteria. Only the organization's customer service department will be authorized to override a response decision.

If all criteria are met, the software will instruct the ROBOT to approve the response from the organization. The software will then automatically generate and print a call label. The address on the label will be based on the product being responsed as well as the reason for its response.

A response processing fee will be charged to the organization after each response. The processing fee will average Rs.5.00, and will be charged regardless of whether or not the response was approved. Network partners will receive 50% of the response processing fee and ARCO will retain the remainder. Organization partners will be electronically debited every 30 days to pay for ARCO services. Network partners will be paid their share immediately upon collection of payments from the organization partners.

Upon receiving the response, ARCO organization partners or their designated ROBOTS will merely need to scan the label on the box to notify their computers that the problems had been received. Customer solution will have already been processed, and the inventory management system updated. It is estimated that ARCO can save organizations up to 61% on responses processing costs through its optimized handling procedure.

## Competition:

A number of companies are beginning to focus on providing responses solutions to e-tailers, but none offers a business model as compelling to consumers or as cost-effective to organizations as the ARCO model.

### Technology:

Using off-the-shelf solutions wherever possible, ARCO plans to outsource development of a robust software application that integrates ARCO' terminals into the, payment processing, and customer database systems of organization partners. This application will be hosted on a middleware server, which will be linked, through a web-based interface, to network PCs at each ARCO location. The end-user interface on the network PCs will be designed to be intuitive, user-friendly, and simple. The business logic, solutions criteria, and call address information will be housed on a central ARCO server, while the customer call records will continue to be housed on the organization partners' own systems.

### Future Services:

ARCO will maintain rapid growth by quickly expanding beyond its core business model into new markets and services. The following are services ARCO intends to offer after the core service is rolled out across domestic markets.

### Sale of Responses Data:

ARCO will collect and aggregate detailed data from thousands of responses. Over time, a sizeable database of responses will be generated, which will be used to generate individually tailored reports for sale to manufacturers, market research groups, and organizations. Detailed data analyses will highlight trends among consumers, products, and industries that can be used to make forecasting and other business decisions. For example, a manufacturer could learn which of its products are responsed most often and why. That information could then be used to modify the product specifications in call to lower its response rate and increase profitability.

Home/Office Pickup Service:

Multiple network channels will allow ARCO to meet the needs of different consumers. Some customers prefer to have their responses picked up at their homes or offices. To meet this demand ARCO plans to partner with same-day fulfillment companies. These companies currently realize poor capital utilization because their vehicles leave warehouses with full loads but come back empty. By picking up responses, they will increase revenue with little marginal cost.

## Marketing Strategies:

Consumer Marketing Strategy:

Two factors will allow ARCO to build consumer awareness of its services with less advertising than typical start-ups:

Organization partners will have every incentive to inform their customers of the ARCO service. ARCO affiliation will differentiate them in the marketplace as customers committed to customer care. Moreover, organizations will receive a higher ROI on their annual fee to the extent that more of their customers use ARCO. To this end, it is expected that organization partners will promote ARCO in their own advertising campaigns. ARCO will also develop a graphic seal for organization partners to display on their websites and in their catalogs. The electronic version of this seal will link to the ARCO website, where consumers can obtain information about the ARCO program.

Consumers wishing to response problems will likely discover ARCO on their own when they read instructions from the organization on how to response problems. Receipts or packing slips from ARCO partners will describe how to use the ARCO service and list the nearest location for each customer based on his or her ZIP code. Customers who contact the organization directly to inquire about responses likewise will be informed about the ARCOservice.

ARCO Website:

ARCO will have a website at www. ARCO.com with information on the ARCO services, procedures, benefits to consumers, links to organization partners categorized by product category, and a location finder linked to online maps. The site will be designed for easy navigation and access to company information.

Advertising Campaign:

ARCO media advertising will convey two key concepts:

It will describe the service and its benefits to consumers in call to raise customer awareness.  It will position the brand as a seal of approval that denotes convenient, hassle-free responses and high-quality customer service.

Advertisements also will contrast the positive experience of responsing products through ARCO against the potential pitfalls of responsing products through other means. Marketing campaigns will be intensified around the holiday season, when the majority of responses occur. Radio, magazines, and billboards will be emphasized over television as the preferred marketing channels in call to realize greater response on marketing investment.

## **Financial Projections:**

Initially, organization partners will incur four different fees, as summarized in the following table, and discussed in detail below.

| Charge to organization | Timing |
|---|---|
| Annual membership fee | Annually (instituted after year two) |
| Technology integration fee | At systems integration (abolished after year two) |
| Response processing fee | At responses processing |

| | |
|---|---|
| Product feedback fee | At purchases with LEARN terminal |

Annual Membership Fee:

ARCO will charge each organization partner an annual fee of Rs.250,000, approximately the cost of a single 30-second network TV commercial. The annual fee will be waived in ARCO' first two years of operation in call to acquire a critical mass of organization partners. This fee will be used to cover technology development and maintenance, liability costs, and marketing expenses. Payment of the annual fee will include:
Right to offer their customers the option of using ARCO
License to use the ARCO brand in their marketing
campaigns/materials Monthly response analysis reports.

Technology Integration Fee:

In lieu of the annual fee for the first two years, ARCO will charge organization partners a onetime Rs.60,000 technology integration fee, intended to cover the costs of integrating the organizations' databases with the ARCO system. The fee is based on estimates of labor and material costs incurred by ARCO personnel who will be on-site through the integration period. The fee will be eliminated after year two, when it will be incorporated into the annual fee.

Response Processing Fee:

The response processing fee will be incurred after each response transaction and will be based on the number of solutions criteria set forth by the organization for a given product response. A base fee of Rs.4.80 will be charged for each response handled by ARCO. The base fee will cover up to five solutions criteria, specified by the organization, which ARCO ROBOTS will ensure are met before accepting a response.

It is projected that organization partners generally will establish higher numbers of criteria for products that are more complex and thus more expensive. In this way, the fee should correlate loosely with the product's purchase price. ARCO projects that organizations will choose to pay the base rate of Rs.4.80 for 80% of products, and will choose to pay for an average of two additional criteria for the remaining 20% of products, resulting in an average fee of Rs.5.80 for the latter group. Response processing fees will rise by five percent per year, starting in year three.

Product Feedback Commissions:

ARCO will charge a product feedback commission of 10% of the purchase price for purchases made through LEARN terminals. This commission is in line with the standard 10% to 15% commission that e-tailers now pay referring websites. For the same commission, ARCO offers greater value than the average referring website, by providing customers with a computer, Internet connection, and direct link to organizations' website.

## Projected Profit and Loss:

The following table summarizes the estimated income statement of INSTANT for three years.

| Pro Forma Profit and Loss | | | |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| Services | Rs.433,246 | Rs.20,665,177 | Rs.77,836,804 |
| Gross Margin | Rs.433,246 | Rs.20,665,177 | Rs.77,836,804 |
| Gross Margin % | 100.00% | 100.00% | 100.00% |
| Payroll | Rs.1,387,992 | Rs.3,127,000 | Rs.4,608,000 |
| Services and Marketing and Other Expenses | Rs.2,199,992 | Rs.14,894,500 | Rs.16,254,500 |
| Depreciation | Rs.55,956 | Rs.72,000 | Rs.84,000 |
| Telephone | Rs.12,000 | Rs.70,000 | Rs.100,000 |

| | | | |
|---|---|---|---|
| Software and Web site development | Rs.777,000 | Rs.600,000 | Rs.800,000 |
| Office supplies and subscriptions | Rs.82,404 | Rs.350,000 | Rs.450,000 |
| Rent | Rs.34,800 | Rs.60,000 | Rs.99,600 |
| | | | |
| Equipment Rental | Rs.230,000 | Rs.2,280,000 | Rs.3,000,000 |
| Utilities | Rs.6,960 | Rs.12,000 | Rs.19,920 |
| Payroll Taxes | Rs.208,199 | Rs.469,050 | Rs.691,200 |
| | | | |
| | ------------ | ------------ | ------------ |
| Total Operating Expenses | Rs.4,995,303 | Rs.21,934,550 | Rs.26,107,220 |
| Profit Before Interest and Taxes | (Rs.4,562,057) | (Rs.1,269,373) | Rs.51,729,584 |
| Interest Expense | Rs.0 | Rs.0 | Rs.0 |
| Taxes Incurred | Rs.0 | Rs.0 | Rs.13,147,936 |
| Net Profit | (Rs.4,562,057) | (Rs.1,269,373) | Rs.38,581,648 |
| Net Profit/Services | -1053.00% | -6.14% | 49.57% |

Management Team:

**[SHER BAHADAR KHAN]** is Founder and CEO of ARCO. Much of his work centred on consumer and retail network strategies, giving him the general supply chain background necessary to start ARCO.

**[WAHEED KHAN]** is President. Most recently completed his management studies from a reputed institute with finance as specialization.

**[HIZBULLAH KHAN]** is project manager. He has worked with different teams in university in the retail and software industries as project manager.

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Management Salaries:

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| Managers | Rs.693,996 | Rs.1,563,500 | Rs.2,304,000 |
| Administrative personnel | Rs.277,596 | Rs.625,400 | Rs.921,600 |
| Technical personnel | Rs.416,400 | Rs.938,100 | Rs.1,382,400 |
| Total People | 40 | 75 | 115 |
| Total Payroll | Rs.1,387,992 | Rs.3,127,000 | Rs.4,608,000 |

## Conclusion:

It is clear from the above Business Plan that E-Commerce business will beneficial for the people of Peshawar.

# Question No 3
## Part (a)

Three forms of business organization are:
1: Partnership
2: Corporation
3: Sole Proprietor

Main Factors are:

**Tax implications:**

Based on the individual situation and goals of the business owner, what are the opportunities to minimize taxation?
Baker points out that there are many more tax options available to corporations than to proprietorships or partnerships. As mentioned before, double taxation, a common disadvantage often associated with incorporation, can be avoided with S corporation status. An S corporation, according to Baker, is available to companies with less than 70 shareholder returns; business losses can help reduce personal tax liability, particularly in the early years of a company's existence.

**Entrepreneurial Ability:**

At some point you've probably known someone with a particular knack for something (like fixing cars or baking bread) and said, "You should start your own business!" But if you are a talented cake decorator, say, does that necessarily mean you have the requisite knowledge, skills, and abilities to open and run a successful commercial or retail bakery? It's often easier said than done. Many businesses fail despite the owner's enthusiasm and/or talent, because the owner lacks the deep knowledge and expertise needed to transform an interest or hobby into a commercial enterprise. Performing an honest and accurate appraisal of one's skills, background, and entrepreneurial abilities *before* launching a business can prevent disappointment and failure later on.

**Financing:**

Few business owners start a business with lottery winnings or many years' worth of savings. Many seek funding from a bank, venture capitalist, private investor, or credit union in order to get their businesses off the ground. Lenders may be one of the greatest influences on the choice of business ownership—even more decisive than the owner's preference or ambition. Since there is risk inherent in any business venture, especially start-ups, lenders often require the business to be structured in a way that best assures the repayment of funds (whether the business makes it or not). Even businesses that have been established for a long time may be forced to change their legal structure when seeking funding to expand their operations. If an owner anticipates needing funding at any point during the life of the business, selecting a form of ownership that aligns with lender requirements from the start may be a wise decision.

# Part (b)

Partnership advantages:

- It is easy to establish (with the exception of developing a partnership agreement).
- Separate legal status gives liability protection.
- Profits are taxed only once.
- Partners may have complementary skills.

Partnership disadvantages:

- Partners are jointly and individually liable for other partners' actions.
- Profits must be shared with the partners.
- Decision making is divided.
- Business can suffer if the detailed partnership agreement is not in place.

# Question No 4
## Part (a)

Most small companies have plans to grow their business and increase sales and profits. However, there are certain methods companies must use for implementing a growth strategy. The method a company uses to expand its business is largely contingent upon its financial situation, the competition and even government regulation.

Four Strategies:
1: Market Penetration
2: Product Development
3: Market Development
4: Diversification

**Market Penetration:**

One growth strategy in business is market penetration. A small company uses a market penetration strategy when it decides to market existing products within the same market it has been using. The only way to grow using existing products and markets is to increase market share, according to small business experts. Market share is the percent of unit and dollar sales a company holds within a certain market vs. all other competitors.

For example: In markets where there is little differentiation among products, a lower price may help a company increase its share of the market.

**Product Development:**

A small company may also expand its product line or add new features to increase its sales and profits. When small companies employ a product expansion strategy, also known as product development, they continue selling within the existing market. A product expansion growth strategy often works well when technology starts to change. A small company may also be forced to add new products as older ones become outmoded.

**Market Development:**

A market expansion growth strategy, often called market development, entails selling current products in a new market. There several reasons why a company may consider a market expansion strategy. First, the competition may be such that there is no room for growth within the current market. If a business does not find new markets for its products, it cannot increase sales or profits.

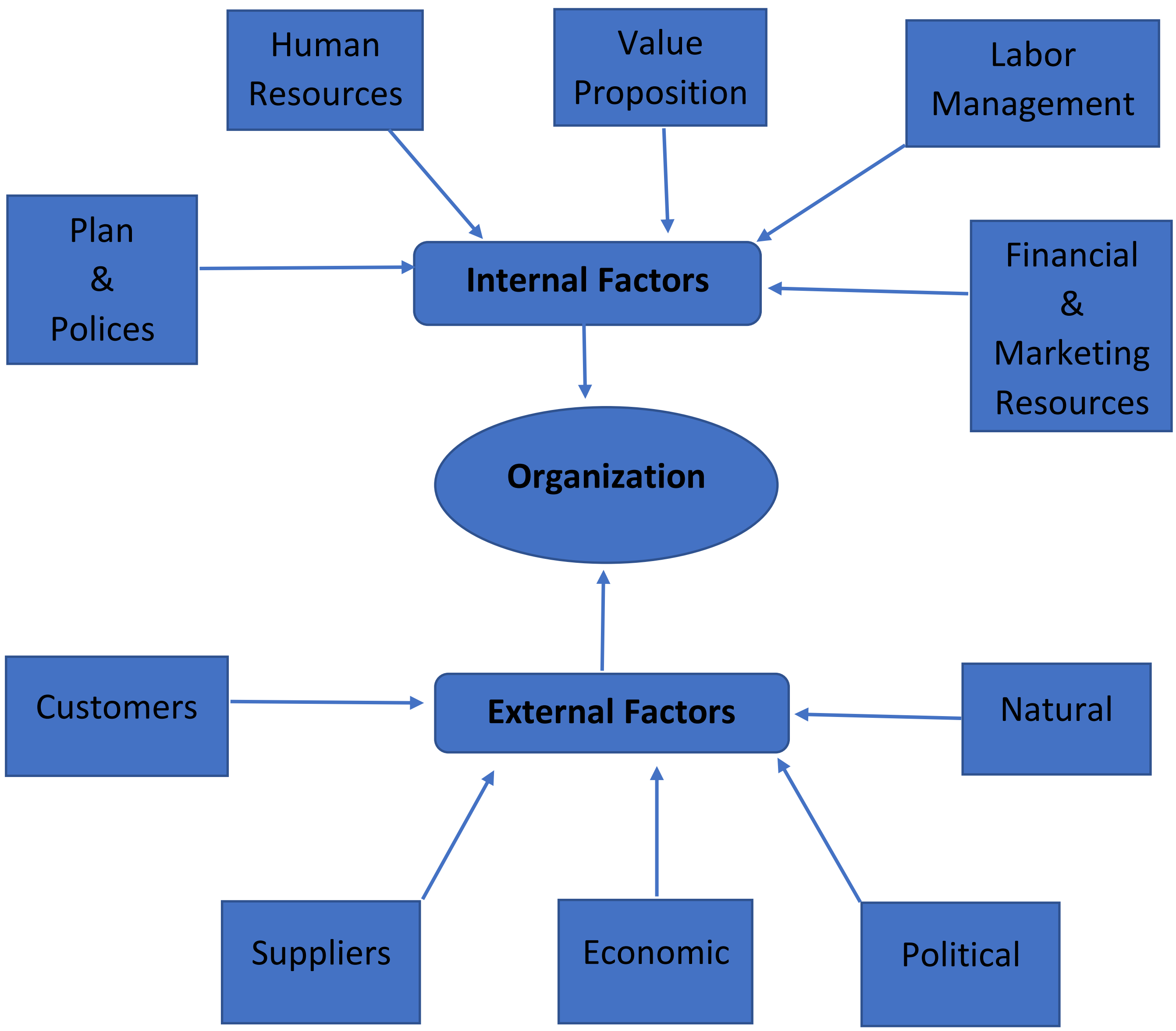
A small company may also use a market expansion strategy if it finds new uses for its product.
For example: A small soap distributor that sells to retail stores may discover that factory workers also use its product.

**Diversification:**

Growth strategies in business also include diversification, where a small company will sell new products to new markets. This type of strategy can be very risky. A small company will need to plan carefully when using a diversification growth strategy. Marketing research is essential because a company will need to determine if consumers in the new market will potentially like the new products.

# Question No 5
## Part (a)

**Block Diagram:**



## Internal Environment Factors

**Definition**

The internal factors refer to anything within the company and under the control of the company no matter whether they are tangible or intangible. These factors after being figured out are grouped into the strengths and weaknesses of the company. If one element brings positive effects to the company, it is considered as strength.

On the other hand, if a factor prevents the development of the company, it is a weakness. Within the company, there are numerous criteria need to be taken into consideration.

**Types:**

1. Plans & Policies
2. Value Proposition
3. Human Resource
4. Financial and Marketing Resources
5. Corporate Image and brand equity
6. Plant/Machinery/Equipment (or you can say Physical assets)
7. Labour Management
8. Inter-personal Relationship with employees
9. Internal Technology Resources & Dependencies
10. Organizational structure or in some cases Code of Conduct

## External Environmental Factors:

**Definition**

On the contrary to internal factors, external elements are affecting factors outside and under no control of the company. Considering the outside environment allows businessmen to take suitable adjustments to their marketing plan to make it more adaptable to the external environment.

There are numerous criteria considered as external elements. Among them, some of the most outstanding and important factors need to listed the are current economic situation, laws, surrounding infrastructure, and customer demands.

**Types:**

*Micro factors*:

1. Customers
2. Input or Suppliers
3. Competitors
4. Public
5. Marketing & Media
6. Talent

*Macro factors*:

1. Economic
2. Political/legal
3. Technology
4. Social an
5. Natural