**Module 3: Entrepreneurial Planning & Entrepreneurial Marketing**

Structure of the Unit

1. Understand the forms of business organization
2. Understand the meaning and format of business plan
3. Understand various plans within a business plan namely
   1. Production plan
   2. Human resources plan
   3. Operational plan
   4. Financial plan
   5. Marketing plan
4. Enlist the various formalities required for starting a business
5. Understand the concept of Goal setting
6. Understand the marketing strategy and 4P’s of marketing
7. Understand Sales strategies
8. Understand the concept of Promotion
9. Understand the meaning of negotiation
10. Understand the importance of customer, employee and vendor management
11. Reasons for business failure

Work is essentially the basis of all human life. All of us are engaged with some kind of activity in order to earn our living and satisfy our recurring needs and wants. Activity, a symbol of human life may broadly be categorized into:

a) **Economic Activities:**Any activityundertaken to earn money is called economic such as production, distribution and/or consumption of goods and services.

b) **Non-Economic activities:**Any activity done out of love, care, affection, self-satisfaction, emotions, sympathy, patriotism etc. but not for moneyis known as non-economic.

**Types of Economic Activities**

Economic activities can be classified in three broad categories:

Profession

Employment

Business

Activities inspired mainly by economic consideration are classified in 3 (three)main categories:

1) **Manufacturing**:

It refers to the process of production of goods and commoditiesto be used for sale using labour and machines, tools etc. during which raw materials are transformed into finished goods on a large scale. The finished products maybe used for producing more goods, or sold to wholesalers, who in turn sell them to retailers, who then sell them to end users, that is, the consumers.

2) **Service**:

It refers to a type of economic activity that is intangible (not concrete), cannot be stored and does not result in ownership. A service is consumed at the point of sale. Examples of services include the transfer of goods, such as the postal service–delivering mail, and the use of expertise or experience, such as a person visiting a dentist.

Service sector includes commercial firms engaged in banking, communication, transport, insurance, warehousing etc. In the recent years, the role of service sector in Indian economy has been growing faster than agriculture and industry.

3) **Trading**:

The trade of goods and services that happened among the most primitive humans has evolved noticeably over time. Trading is;

• the activity or process of buying, selling, or exchanging goods or services

• the amount of things or services that are bought and sold : the money made by buying and selling things or services

• the act of exchanging one thing for another

All economic activities related to production and distribution of goods and services undertaken for financial gains can be considered as business. It is a continuous economic activity with the aim to earn profit by producing, buying and selling of goods and services. An activity can be named as business, irrespective of size, nature, scale or ownership, if it shows the following characteristics:

1) Entrepreneur's presence: If it involves someperson to take initiative for establishing a business and undertake the risk associated with it.

2) Economic activity: All those activities related to the production and/or distribution of goods and services, which have an economic motive.

3) Production or procurement of goods and services: Any business which either produces or procures goods and services with an objective of offering them to consumers.

4) Sale or exchange of goods and services: A business always involves sale, exchange or transfer of goods and/or services for satisfaction of human needs against a price/ value. Goods/services purchased or produced for personal/self-consumption are not a part of business.

5) Regularity: One time transaction or dealing in goods and services cannot be considered as business, even if it involves profit/ loss. Business must be done regularly.

6) Utility creation: Business activities must result in creation of utilities i.e.

* + - * 1. Form utility – Changing the form of raw material into finished product.
        2. Place utility – Transporting goods from the place of production to the place of consumption.
        3. Time utility – Process of storing the goods when not required to supplying them when required.

7) Profit earning: Profit is the reward for doing a business activity; business cannot survive for long without earning profits.

8) Uncertainty of return: There is no guarantee for the return of either principal amount or profit in a business.

9) Element of risk: Business involves risk/ uncertainty. Actual business situation may be affected by various uncontrollable external factors which may have favourable or unfavourable impact on business.

**Forms of enterprises**

From the point of view of ownership and management, business enterprises may be broadly classified under three categories.

1. **Private sector enterprises:** The enterprises owned, controlled, and managed by private individuals, with the main objective of earning profit come under this category. These include:
   * + 1. Sole-proprietorship
       2. Partnership
       3. Joint Hindu family business
       4. Co-operative
       5. Company

2) **Public sector enterprises:** Business enterprises owned, controlled and operated by public authorities, with welfare as the primary goal and profit as the secondary goal, come under this category.

Either the whole or most of the investment in these undertakings is done by the Government(s) such as:

1. Departmental undertaking
2. Public corporations
3. Government companies

3) **Joint sector enterprises:** As the name suggests, joint sector is a form of partnership between the private sector and government where management is generally in the hands of private sector, and enough representation on Board of Directors by the Government. The resources in such enterprises are mostly borne equally.

Thus, one of the first decisions that an entrepreneur will have to make for his new venture is how the business should be structured.

From the entrepreneur's point of view, the most commonly chosen forms for starting a new venture are:

* Sole proprietorship
* Partnership
* Company

**To start an enterprise in India**

The idea of forming a company is conceived either by a person or by a group of persons known as promoters. The promoters are the ones who:**Legal formalities to be complied by the entrepreneur:**

Before commencing a business, an entrepreneur must take care of the following:

1. Obtain PAN number from Income Tax Department

Permanent Account Number (PAN) is a ten-digit alphanumeric number, issued by the Income Tax Department.It is mandatory to quote PAN in all documents pertaining to financial transactions.

2. Open a current account

Current account is meant for businessmen who have higher number of regular transactions with the bank. It allows you to deposit and withdraw money as and when required. In India, you can open a current account with a minimum sum of Rs. 5000.

Basic common documentation

* Proof of Identity: PAN Card, Voter Id Card, Passport, Driving License
* Proof of Address: Latest Telephone Bill or Electricity Bill

3. Register your company (Pvt. Ltd/Public limited Company)

The following steps are involved in incorporating a private or public company in India

1. Name of the business entity

2. Register for e-filing at MCA (Ministry of Corporate Affairs) portal

3. Apply for Director Identification Number (DIN)

4. Obtain Digital Signature Certificate (DSC)

5. Register DSC at MCA website

6. Apply for approval of the name of the company

7. Formulate Memorandum of Association

8. Formulate Articles of Association

9. Verify, stamp and sign Articles of Association

10. Verify the various forms required for incorporation of the company

4. Register for GST (If applicable)

Any person who engages in economic activity including trade and commerce is treated as taxable person. ‘Person’ here includes individuals, HUF, company, firm, LLP, an AOP/BOI, any corporation or Government company, body corporate incorporated under laws of foreign country, co-operative society, local authority, government, trust, artificial juridical person.

**Who can be registered under GST?**

[GST registration](https://cleartax.in/s/gst-registration/) is mandatory for-

* Any business whose turnover in a financial year exceeds Rs 20 lakhs (Rs 10 lakhs for North Eastern and hill states).
* Every person who is registered under an earlier law (i.e., Excise, VAT, Service Tax etc.)  needs to register under GST, too.
* When a business which is registered has been transferred to someone/demerged, the transferee shall take registration with effect from the date of transfer.
* Anyone who drives inter-state supply of goods
* Casual taxable person
* Non-Resident taxable person
* Agents of a supplier
* Input service distributor
* E-commerce operator or aggregator
* Person who supplies via e-commerce aggregator
* Person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered taxable person

5. File entrepreneurship memorandum at DIC (optional)

Although not mandatory, you may file part I of entrepreneurs memorandum to the district industries centre. This may be necessary for claiming certain incentives / subsidies and for certain formalities at the state level.

6. Apply for TAN

TAN or tax deduction and collection account number is a 10 digit alpha numeric number required to be obtained by all persons who are responsible for deducting or collecting tax. It is compulsory to quote TAN in TDS/TCS return (including any e-TDS/TCS return), any TDS/TCS payment challan and TDS/TCS certificates.

Who must apply for TAN?

All those persons who are required to deduct tax at source or collect tax at source on behalf of Income Tax Department are required to apply for and obtain TAN.

7. Permissions required at the construction stage

Following permissions are required to be obtained from the government:

• Application for plot/shed, offer letter, payment of earnest money deposit

• Allotment of plot/shed, payment of balance occupancy price, taking over possession thereof

• Application for issuance of NOC/SSI registration

• Execution of lease agreement

• Application for grant of connection for construction water

• Application for grant of connection for construction power

Post construction clearances

• Building completion/drainage completion/tree plantation certificate

• Permission for mortgage

• NOC from Pollution Control Board

• Final fire clearance

• NOC from environment department

• Industrial safety permit

• Sanction of permanent power

• Sanction of permanent water and sewerage connection

8. Employee's Provident Fund (EPF)

Applicable for establishments employing 20 or more persons and engaged in industry.

9. Employee's State Insurance (ESI) scheme

The Act is applicable to non-seasonal factories employing 10 or more persons.

The scheme has been extended to shops, hotels, restaurants, cinemas including preview theatres, road-motor transport undertakings and newspaper establishments employing 20 or more persons.

**What is a business plan?**

The business plan is a comprehensively written down document prepared by the entrepreneur describing formally all the relevant external and internal elements involved in starting a new venture.

It's a formal statement of a set of business goals, the reasons they are believed attainable and the plan for reaching those goals along with the background information about the organization or/and team attempting to reach those goals.

Thus, a business plan is a comprehensive project report which not only encompasses the entire range of activities which are being planned in the business, but also:

a) helps to understand the feasibility and viability of the proposed venture,

b) facilitates in assessing and making provisions for the bottlenecks in the progress and implementation of the idea,

c) discusses the potential for success of the project along with the risk factors involved.

Business plans are decision-making tools:

Thus, the content and the format of the business plan is such which is able to represent all these aspects of the business planning process.

Who should write the plan?

A business plan represents all aspects of the business planning process declaring vision and strategy alongside sub-plans to cover:

• Marketing

• Finance

• Operations

• Human resources

• Legal compliance

• Intellectual property rights, etc.

As such preparing a business plan draws on a wide range of knowledge from many different business disciplines, requiring, the entrepreneur to consult with many other expert professional sources in its preparation like:

i) Lawyers,

ii) Accountants,

iii) Marketing consultants,

iv) Engineers

v) Internet sites

vi) Officially appointed or/and set-up Banks, Specialized financial institutions or Agencies to promote entrepreneurship

vii) Friends, relatives, mentors etc.

Though the business plan should be prepared by the entrepreneur, to determine whether to hire a consultant or to make use of other resources, the entrepreneur can make an objective assessment of his her own skills, to determine where is he/she lacking and needs assistance.

Importance of the business plan

The business plan is valuable to the entrepreneur, potential investors, venture capitalists, banks, financial institutions, new personnel's suppliers, customers, advisors and others who are trying to familiarize themselves with the venture, its goals, and objectives. The business plan –

a) helps in determining the viability of the venture in a designated market

b) helps in providing guidance to the entrepreneur in organizing his/her planning activities as such:

i) identifying the resources required

ii) enabling obtaining of licenses if required etc.

iii) working out with legal requirements as desired by the government.

c) helps in satisfying the concerns, queries, and issues of each group of people interested in the venture.

d) provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenarios and plan ways to avoid obstacles.

e) though not desirable, at times, business plan helps to realize the obstacles which cannot be avoided or overcome, suggesting to terminate the venture while still on paper without investing further time and money.

f) as the investors/lenders focus on the four Cs of credit : character, cash flow, collateral and equity contribution, it is the business plan which reflects the entrepreneur's credit history, the ability to meet debt and interest payments, and the amount of personal equity invested thus serving as an important tool in funds procurement.

Hence, a business plan gives adequate clarity to the entrepreneur, investor(s) and the government of:

• What an entrepreneur is doing

• Why he/she is doing it

• How he/she will do that

It's well said that "writing a good business plan can't guarantee success, but it can go a long way toward reducing the odds of failure."

**Formats of a business plan:**

The depth and detail in the business plan depends on the size and scope of the proposed new venture. There is no fixed content for a business plan as it varies according to the entrepreneur's goals and audience (i.e. who are being targeted).

Thus, it is common for especially start-ups to have three or four formats as follows for the same business plan.

i) Elevator pitch: It is a three minute summary of the business plan's executive summary. This is often used as a teaser to awaken the interest of potential funders, customers, or strategic partners.

ii) A pitch deck with oral narrative : A hopeful, entertaining slide show and oral narrative that is meant to trigger discussion and interest potential investors in reading the written presentation, i.e. the executive summary and a few key graphs showing financial trends and key decision making benchmark.

iii) A written presentation for external stakeholders: A detailed, well written, and pleasingly formatted plan targeted at external stakeholders.

iv) An internal operational plan: A detailed plan describing planning details that are needed by management but may not be of interest to external stakeholders.

Depending upon the entrepreneur's experience, knowledge and purpose, generally a business plan outlines sequentially following components or parts:

I. **Introductory profile /general introduction**

This is the title or cover page that provides a brief summary of business plan's contents. The information of general nature contained in the introductory profile includes:

II. **Description of venture/business venture**

This section of the business plan generally begins with the "mission statement" by the entrepreneur describing the size, scope and nature of the enterprise.

What the entrepreneur hopes to accomplish with that business, along with a clear description about the following key elements is covered under project description.

a) Site: Location of enterprise, owned or leasehold land, industrial area, no objection certificate from the Municipal Authorities if required, needs to be determined.

b) Physical infrastructure: Availability of the following items of infrastructure should be mentioned in the business plan.

i) Raw material: Whether indigenous or imported, sources of supply etc.

ii) Labour: Type of labour required, provision for their training, number of manpower required etc.

iii) Utilities: These include: power, fuel, water, gas, electricity, etc. Business plan needs to clearly state: (a) type of utilities required, (b) load sanctioned (c) sources and quality of water used quantum of coal, coke, oil etc. required and the suppliers of the same.

iv) Pollution control: The sewage system, and the sewage treatment plant, water harvesting system, arrangement for dumping and disposing of the other types of waste or emission all need to be discussed in the plan.

v) Transport and communication system: Requirements for transportation and communication facilities, modes and means opted for, bottlenecks etc. are duly covered in by the business plan.

vi) Machinery and equipment: A complete list of items of machinery and equipments required indicating their size, capacity, type, cost and sources of their supply should be disclosed.

vii) Production process: A mention of the process involved in production, the installed licensed capacity of the plant, the technology to be used, whether available locally or imported, shifts involved, needs to be present in the business plan.

The target of this section of the plan is to save the entrepreneur from a potential disaster of time and cost later on. Here in the entrepreneur is able to assess and evaluate whether idea is feasible or not.

III. **Production Plan**

Production, the most important activity of an enterprise, because it is here that transformation of raw material into finished product takes place with the help of energy, capital, manpower and machinery.

Being highly complex and tedious, the manufacturing operation needs to be well planned. No doubt it will be nature of venture which will decide the magnitude of importance and disclosure required under the production plan. Most likely there are three situations before the venture viz.

a) No manufacturing involved: If the new venture does not include any manufacturing function, say it’s a trading firm or a service provider, then this section will stand eliminated from the plan.

b) Partial manufacturing: If some or all the manufacturing process is to be subcontracted or outsourced, then the production plan should describe:

* + - * Name and location of subcontractor(s)
      * Reasons for their selection
      * Cost and time involved
      * Any contracts that have been completed etc.

In such cases, a clear mention of what entrepreneur intends to do himself and what he plans to get it done from outside is required.

c) Complete Manufacturing: If the manufacturing is to be carried out in whole by the entrepreneur, he/she will need to describe:

* + - * the physical plant layout,
      * the machinery and equipment required to perform the manufacturing operations,
      * raw materials and suppliers names, addresses, terms and conditions,
      * cost of manufacturing
      * any future capital equipment required etc.

According to Alford and Beathy, the objective of a production plan is "Picturising ahead every step in a long series of separate operations, each step to be taken in the right place of the right degree, and at the right time and each operation to be done at maximum efficiency".

Hence, a production plan helps to plan the work in such a manner that one can clearly form an idea about:

a) Production schedule and/or budget

b) Machinery, equipment requirement

c) Manufacturing method and process involved

d) Plant layout

e) Time, motion and work study

f) Manpower requirement

g) Inventory requirement

To be clear, you may ask yourself the following questions:

1. Will you be responsible for all or part of the manufacturing operation?

2. If some manufacturing is subcontracted, who will be the subcontractors? (Give names and address)

3. Selection criteria for these subcontractors

4. Costs of the subcontracted manufacturing?

5. What will be the layout of the production process? (Mention steps)

6. What equipment and raw material will be needed for manufacturing?

7. Have you identified the suppliers of new materials and the appropriate costs?

9. What are the costs of manufacturing the product?

10. What are the future capital equipment needs of the venture?

If a retail operation or service:

1. From whom will merchandise be purchased?

2. How will the inventory control system operate?

3. What are the storage needs of the venture and how will they be promoted?

4. How will the goods flow to the customer?

5. What are the steps involved in a business transaction?

6. What are the technology utilization requirements to service customers effectively?

**IV. Operational plan**

An operation plan is a blue print prepared in advance of actual operations. It consists of the following steps:

i) Ensuing orderly flow of materials in the manufacturing process from the beginning (raw state) to the end (the finished products)

ii) Facilitating continuous production, lesser work-in-progress and minimization of wastage.

iii) Co–ordinating the work of engineering, purchasing, production, selling and inventory management.

iv) Describing the flow of goods / services from production point to the consumers.

v) Introducing a proper system of quality control

vi) Undertaking the best and most economic production policies and methods.

The operational plan broadly aims to organize the movement of material, performance of machines and operations of labour into a defined direction. It helps in co–ordinating for the required manufacturing results in terms of:

a) Quantity

b) Quality

c) Time

d) Place and

e) Cost

Elements of operational plan:

1) Routing: Process of determining exact route or path a product/ service has to follow right from raw material till its transformation into finished product.

2) Scheduling: Fixing time, day, date when each operation is to be started and completed.

3) Dispatching: Process of initiating production according tothe prior production plan is called as dispatching.

4) Follow-Up: An after-work evaluation and appraisal of work performed is called follow-up. A properly planned follow-up processhelps in identifying errors and defects in the work.

5) Inspection: The process of ensuringthe quality of product/service through comparing materials, product or performance with established standards.

6) Shipping: The process of transportation of a product through which it reaches its actual destination.

Operation plan is greatly affected by:

* + - * + Nature of venture
        + Type of product/service
        + Scale of operation, and
        + Technology involved

**V.** **Organizational plan**

All kinds of businesses fall into one of the four basic categories:

a) Manufacturing – a business that makes a tangible product.

b) Wholesale – a business that buys products in bulk from the manufacturers to be sold in smaller lot to retailers.

c) Retail – a business that sells directly to the final consumer for final satisfaction.

d) Service – a business that sells intangible such as time or expertise.

The organizational plan is that part of the business plan that describes the proposed venture's form of ownership.

Each type of business differs significantly in terms of:

* + - 1. Commencement procedures
      2. Legal constraints
      3. Financial requirement
      4. Accounting methods
      5. Marketing and promotional strategies
      6. Risk and liability

VI. **Financial plan**

Finance is one of the most important conditions to establish an enterprise. Availability of finance helps the entrepreneur to bring together men, material, machines and methods to produce goods/services.

**Financial plan gives a clear picture of:**

* How much funds are required?
* Where will funds come from?
* How are they disbursed?
* The amount of cash available
* General financial well-being of the new venture

As timely availability of funds in right volume is essential to entrepreneurial success, the entrepreneur should develop a sound financial plan discussing:

a) Financial requirements

b) Sources of raising funds

c) Exact assessment of the revenue, cost, profits, stock of inventory, loans etc.

Financial plan is a projection of key financial data about the potential investment commitment required for the new venture, and its economic feasibility.

**Components of financial plan**

Major financial items that should be included in the financial plan are:

A) Proforma investment decisions:

This part of financial plan relates to how the enterprise's funds are invested in different assets so that the enterprise is able to earn the highest possible returns on investment. An estimate of various components of capital nature i.e. fixed assets and of working capital should be clearly mentioned in this part of business plan.

The entrepreneur should clearly mention investment required in for the following:

* 1. Land and building
  2. Machinery and plant
  3. Installation cost
  4. Preliminary expenses
  5. Margin for working capital
  6. Expenses on research and development
  7. Investment in short-term assets viz. raw material, level of cash, etc.

Inadequate funds or excess funds both have the capacity to severely damage the financial position of a business. Hence, these decisions must be taken with extreme care.

B) Proforma financing decisions

This includes all the projected sources of funds available to the venture to raise finance from. Typically, funds are either self-owned or borrowed from outsiders

The entrepreneur's job is to ensure the selection of the best overall mix of financing for the enterprise so that the cost of capital and the financial risk is minimized; and return on investment and profitability is maximized.

C) Proforma income statement

The proforma income statement is the projected net profit calculated from projected revenue minus projected costs and expenses. Basically, it summarizes all the profit data during the first year of operations of the new enterprises.

In preparing the proforma income statement, 'sales by month' must be calculated first, making use of forecasting techniques as the basis.

D) Proforma cash flow

Profit and cash flow are different, when we deduct the expenses from sales, we get the profit and when we subtract cash payments from cash receipts, the figure is the cash flow. Proforma cash flow shows the projected cash available with the enterprise as a result of deducting projected cash disbursements from projected cash accumulations.

E) Proforma balance sheet

Proforma balance sheet helps the enterprise to know the state of the business at the end of its opening year. A summary of the projected assets, liabilities and net worth of the enterprise is depicted through this document.

F) Break–even point

Every company aims to maximise its profits. The Breakeven point is that level of volume of production at which firm neither makes a profit nor a loss. The total revenue will be same as that to the total cost of a firm, at the given level of capacity.

Thus, calculating BEP is quite useful and vital for the entrepreneur as it helps in assessing:

* + 1. The minimum level of output to be produced.
    2. The effect of change in quantity of output upon the profits.
    3. The selling price of the product.
    4. The profitable options in line of production.

Thus, the break-even analysis will enable the entrepreneur in determining how many units must be sold or how much sales volume must be achieved in order to break–even. It helps to point out the volume of sales needed to make-up the total variable and fixed expenses by the new enterprise.

G) Economic and social variables

In view of the social responsibility of business, the abatement costs, i.e. the cost of controlling the environmental damage should also be mentioned in the plan. It is always advisable to mention in the business plan, the socio-economic benefits expected to acquire from the proposed investment like:

1) Employment generation

2) Import substitution

3) Export promotion

4) Local resource utilization

5) Development of the area

Wherever, it is not possible to quantify the expected benefits, they should be analyzed and their importance emphasized.

**VII. Manpower planning**

Every organisation comes into existence when a number of persons join hands. All these people work to achieve the organizational goals set by the entrepreneur. Human resource is of paramount importance for the success of any organisation.

An organisation's performance and resulting productivity are directly proportional to the quantity and quality of its manpower. Thus, the best assurance that the enterprise will flourish, requires the entrepreneur to properly plan out for a rich and continuous supply of qualified personnel. In order to build up loyal, efficient and dedicated personnel, entrepreneur needs to pay adequate and proper attention to human resource planning.

This planning is a process by which an entrepreneur ensures that he/she has the right number of people, and the right kind of people with appropriate skills, at the right place and the right time to do work for which they are economically most suitable.

Manpower planning thus helps to assess:

1) What kind of people are required?

To carry on its work, each organisation needs personnel with the necessary qualifications, skills, knowledge, experience and aptitude for work.

2) How many people are required?

This question deals with the quantity of personnel the enterprise needs. The number of people required for various positions throughout the enterprise can be based on the following:

* + - 1. The total work to be done.
      2. How much work can an average person do in a specified period of time.
      3. Level of absenteeism expected.
      4. Rate of labour turnover.
      5. The present number of employees.
      6. The future plans for expansion and diversification.

3) How to procure personnel?

An entrepreneur must clearly know the strategies, methods, policies, rules and regulations pertaining to recruitment, selection and training of personnels.

**VIII. Marketing plan**

The marketing plan describes the market conditions and strategies related to:

a) Distribution of products/ services,

b) Pricing

c) Promotion

This outlines the guidelines regarding the marketing objectives, strategies and activities which must be followed by the new enterprise. The marketing plan aims to establishthe manner in which an entrepreneur will complete and operate in the market place by providing answers to three basic questions:

1) Where have we been?

• History of the market place

• Marketing strengths and weaknesses of the new venture

• Market opportunities and threats

2) Where do we want to go?

Focuses on the marketing objectives and goals of the enterprise in the next one year

3) How do we get there?

This includes a discussion onspecific marketing strategy, timeline and personnel responsible for monitoring of activities

Preferably, an annual marketing plan must be prepared by the entrepreneur in order to work well with the changing business environment and make suitable changes.

Facts Needed for Market Planning

• Who are the users, where are they located, how much do they buy, from whom do they buy, and why?

• How have promotion and advertising been employed and which approach has been most effective?

• What are the pricing changes in the market, who has initiated these changes, and why?

• What are the market's attitudes concerning competitive products?

• What channels of distribution supply consumers, and how do they function?

• Who are the competitors, where are they located, and what advantages/ disadvantages do they have?

• What marketing techniques are used by the most successful competitors and by the least successful?

• What are the overall objectives of the company for the next year and five years hence?

• What are the company's strengths and weaknesses?

• What are one's production capabilities by product?

**Steps in preparing the marketing plan**

A marketing plan is considered as a critical tool to gauge the future success of the new venture by potential investors. Hence, it should be a comprehensive and detailed document. Following steps must be involved in preparing a marketing plan:

1) Business situation analysis including personal profile of the entrepreneur

2) Identify the target market

3) Conduct SWOT analysis which includes an analysis ofStrengths/ Weaknesses/ Opportunities/ Threats of the enterprise.

4) Establish goals

5) Define marketing strategy: The marketing strategy and action plan comprise of decisions pertaining to the following 4 P’s:

a) Product b) Price c) Promotion d) Place

6) Implementation and monitoring of the plan

**IX. Assessment of risk**

In a business plan, entrepreneur must identify possible hazards and develop alternative strategies to prevent or minimize or respond to the risk.

**X. Appendix**

Any backup material that is not necessary in the text of the document may be included in Appendix such as:

a) Letters from customers, distributors etc.

b) Any primary or secondary research data

c) Copies of contracts, agreements or any price lists if received.

**ENTERPRISE MARKETING**

**Goal of an Enterprise**

The most important goal of an enterprise is to make profit. This may not only be in terms of money but also goodwill, good customer relations etc.

Goal setting refers to establishing both short term and long term objectives for a enterprise which may also include quantifiable methods and timelines.

**Importance of Goal setting**

1. To ensure the appropriate performance
2. To ensure clarity of vision and purpose; alignment to the organisational goals; and higher possibility of achieving the goals
3. To become proactive in achieving the goals

**Rules for goal setting:**

**1) Set relevant goals:** A goal has to be profitable in some manner. It must have a clear benefit to the specific business.

**2) Set goals that are actionable:** Do not choose vague goals. Ensure that your goals can be performed and evaluated. Goals without action plans are just pretty words

**3) Set achievable goals:** The goals should not be so high that you are disappointed if they are not achieved; and the goals should be not so low, that you do not get enough satisfaction after achieving them**.**

**S.M.A.R.T. Goals**



**Marketing Strategy of an Enterprise**

Marketing strategy of your enterprise must include all basic and long-term activities in the marketing field which contributes to the goals of the enterprise. It also includes formulation, evaluation and selection of market-oriented strategies to achieve these goals. A marketing strategy is made up of many strategies for growth as well as interrelated components called the marketing mix.

In simple words, marketing mix refers to a set of actions, or tactics, that an enterprise uses to promote its brand or product in the market.

**Components of marketing mix**

In a classic marketing mix, there are 4 Ps which tells us about the major elements of any marketing process. These are – Price, Product, Promotion and Place. Today, the marketing mix may include many other Ps like Packaging, Positioning, People and even Politics as important mix elements.

1. **Product**: This refers to the thing actually being sold. The product must be sufficiently good; otherwise the other elements may not work very well.

While selecting a product or service, ask yourself the following:

Development of the product mix is a key element of marketing strategy. A product mix must discuss the following components:

1. Branding

2. Logo and tagline

3. Labelling

4. Packaging

1. **Branding**

If all the products were sold by general names, it would be very difficult for sellers to distinguish their products from that of competitors. That is why, a distinct brand name is given to the products, which helps to identify and distinguish their products from that of the competitors.

**Brand**

Brand refers to denote a name, term, sign, symbol, design or combination of them to identify the products of one enterprise, and differentiate them from those of the competitors.

**Brand has three components:**

**Qualities of a good brand**

A good brand name should be unique so that it can stand out amongst the competing names. In short, a good brand name must be:

a) Short, simple and easy to pronounce

b) Noticeable, easy to recognize and remember

c) Pleasant and impressive

d) Not negative, offensive or vulgar

e) Adaptable to packaging, labelling requirements, to different advertising media and languages.

f) Linked to the product/ service, symbolically eye catching

g) Capable of being registered and protected legally

**Various types of brands**

**b. Logos and tag lines**

To stand out among the competitors, an entrepreneur needs to create a distinct identity to his own brand.. For this, they make use of:

* **Logo**

Logo is an identifying symbol for a product or business. It can be any distinctive design, mark, sign which is associated with the entrepreneur's product or service.

A logo is a graphic mark or sign used by enterprises, organisations and even individuals to promote instant public recognition. Logos are either purely graphic (symbols/icons) or are composed of the name of the organisation (a logotype or word mark).

**Purpose**

* + 1. Provide a unique identity to the product
    2. Act as the main graphical representation of brand
    3. Provides essential information about a company that allows customers to relate with the enterprise's core brand
    4. Acts as means for advertising and other marketing materials.
    5. Act as the key visual component of an enterprise's overall brand identity
* **Tagline**

Taglines are basically simple but powerful messages that help to communicate an enterprise's goals, mission, distinct qualities etc. It is basically a small amount of text which is designed with a dramatic effect in order to give a distinct identity to the product/ service. They can come in the form of:

Questions

Statements

Exclamations

**c. Labelling**

Labelling refers to the display of information about a product on its container, packaging, or the product itself.

**d. Packaging**

Packaging refers to the process of designing and producing suitable packages for the product. It also means designing a system of preparing goods for transport, warehousing, sale and end use.

**Activity**

Create your own product or service. Give it a Brand name, Logo and Tagline.Discuss with your partner the reasons for choosing these.

**2. Price**

Price refers to the monetary value of a product. It depends on various factors such as cost of production, target audience, supply - demand and other direct and indirect factors. There can be several types of pricing strategies depending upon the overall business plan.Some methods of pricing are as follows:

1. Cost-plus pricing:

It is the most common technique of pricing wherein total cost of a product includes the cost of producing the product plus some profit.

Cost-plus pricing is typically based on a manufacturing estimate.

In principle, estimates are made of the resources required (For example, materials, labour and equipment), the cost of those resources and the time for which they will be used. From these factors, an estimate of the costs of carrying out a manufacturing process is made.

Advantages of cost plus pricing

1. An entrepreneur would be able to know the exact profit they would earn as he/ she will only have to add the amount of expenditure incurred on making a product and desired profit margin.

2. It is the simplest method to decide the price for a product.

3. It is easier to evaluate the reasons for increase in expenses and corrective action can be taken immediately

Disadvantages of cost plus pricing

1. This method does not take into account the future demand for a product

2. It does not take into account the competitors actions and their effect on pricing of the product.

3. The cost estimation may not always be accurate as there is an element of personal bias while deciding the profit margin.

2. Penetration pricing

Penetration pricing is a pricing strategy where the product is sold at a lower price than the final market price in order to attract new customers. It is most commonly used with a marketing objective of increasing market share or sales volume, and not to make profit in the short term. The prices are raised later once the desired market share is gained.

The advantages of penetration pricing are:

• This may help you to achieve high market rates quickly. This can take the competitors by surprise, not giving them time to react.

• This can create goodwill among the early users. More business can be created by word of mouth.

• It creates cost control and cost reduction pressures from the start, leading to greater efficiency.

• It discourages the entry of competitors. Low prices act as a barrier to entry

• This may create enthusiasm and support for the product

Disadvantages or penetrating price method:

• This may create long–term price expectations for the product and image preconceptions for the brand and company.

• Low profit margins may not be sustainable long enough for the strategy to be effective.

3. **Creaming or skimming**

Under this strategy, goods are sold at higher prices so that fewer sales are needed to break even. This is used to compensatefor the cost of investment of the original research into the product.

This strategy is used only for a limited duration to recover most of the investment made to build the product. However, to gain market share, a seller must use other pricing tactics such as economy or penetration.

Advantages of skimming price

1. This helps enterprise in recovering the research and development costs.

2. If the company caters to consumers who are quality conscious rather than price conscious, then this type of strategy can work in a great way for a company.

Disadvantages of skimming price

1. This strategy will not work if there are competitors as they may introduce same products at lower price.

2. It is not a practical option if there are strict legal and government regulations regarding consumer rights

3. It may not work if the enterprise adopts the same strategy every time. The consumers would simply wait for a few months and buy the product at lower price.

4. Variable price method

Variable pricing is a marketing approach that sets different rates for different customers for the same goods or services. This may be used while purchasing large volumes of goods or services.

For example, the street vendors who sell various types of small goods often use this strategy. It may lead to negotiation of the sale price to reach a price that is acceptable to both the buyer and the seller.

Real life examples:

1. Difference in order size by the customers

The soft drink bottle of 200 ml of a company is placed at Rs. 8, while a 2000 ml/2 litre bottle is placed at ` 55.

2. Difference in the anticipated business from different customers

The school fee for the second child and other siblings are charged at a lower rate by the schools.

3. Difference in the bargaining power of the customer

The prices of unbranded/assembled items of computers are charged differently depending upon the awareness and bargaining power of the customers.

4. Difference in the ability of the consumers to pay

Different price is charged by the public distribution shops run by the government for wheat, rice and other variety of food items depending on the income groups.

Advantage

An entrepreneur may use this strategy to sell those goods or services that may not have sold as per the anticipated plan so that they may be able to at least earn back the original cost of the products.

Disadvantage

This strategy may put off those customers who paid full price for a product once they find out that another customer has bought the same product at a lower price.

**3. Place**

Place refers to the point of sale. Every enterprise must focus on catching the eye of the final consumer and choose the right location accordingly. A good distribution or 'place' strategy focuses on selecting a location which is easily accessible to the end users.

Place mix (distribution)

A channel of distribution consists of producers, consumers or users and the various middlemen like wholesalers, selling agents and retailers (dealers) who intervene between the producers and consumers. This channel helps to bridge the gap between the point of production and the point of consumption thereby creating time, place and possession utilities.

A channel of distribution consists of three types of flows:

These channels of distribution are broadly divided into four types:

• Producer-customer



1. Simplest and shortest channel in which no middlemen is involved
2. Fast and economical channel of distribution
3. Big firms adopt this channel to cut distribution costs and to sell industrial products of high value
4. Small producers and producers of perishable commodities also sell directly to local consumers

• Producer-retailer-customer



Suitable for distribution of consumer durables and products of high value

• Producer-wholesaler-retailer-customer



1. This is the most common and traditional channel of distribution.
2. Suitable for the producers who have limited finance, narrow product line and need expert services and promotional support of wholesalers
3. Mostly used for the products with widely scattered market

• Producer-agent-wholesaler-retailer-customer



Suitable for wider distribution of various industrial products

While selecting a distribution channel, you should compare the costs, sales volume and profits expected from alternative channels of distribution and take into account the following factors:

I) **Considerations related to product**

* + - * + Unit value of the product
        + Standardised or customised product
        + Perishability
        + Technical nature

II) **Considerations related to market**

* + - * + Number of buyers
        + Types of buyers: General & Industrial
        + Buying habits
        + Buying quantity
        + Size of market

III) **Considerations related to manufacturer/enterprise**

* + - * + Goodwill
        + Desire to control the channel of distribution
        + Financial strength

IV) **Considerations related to government**

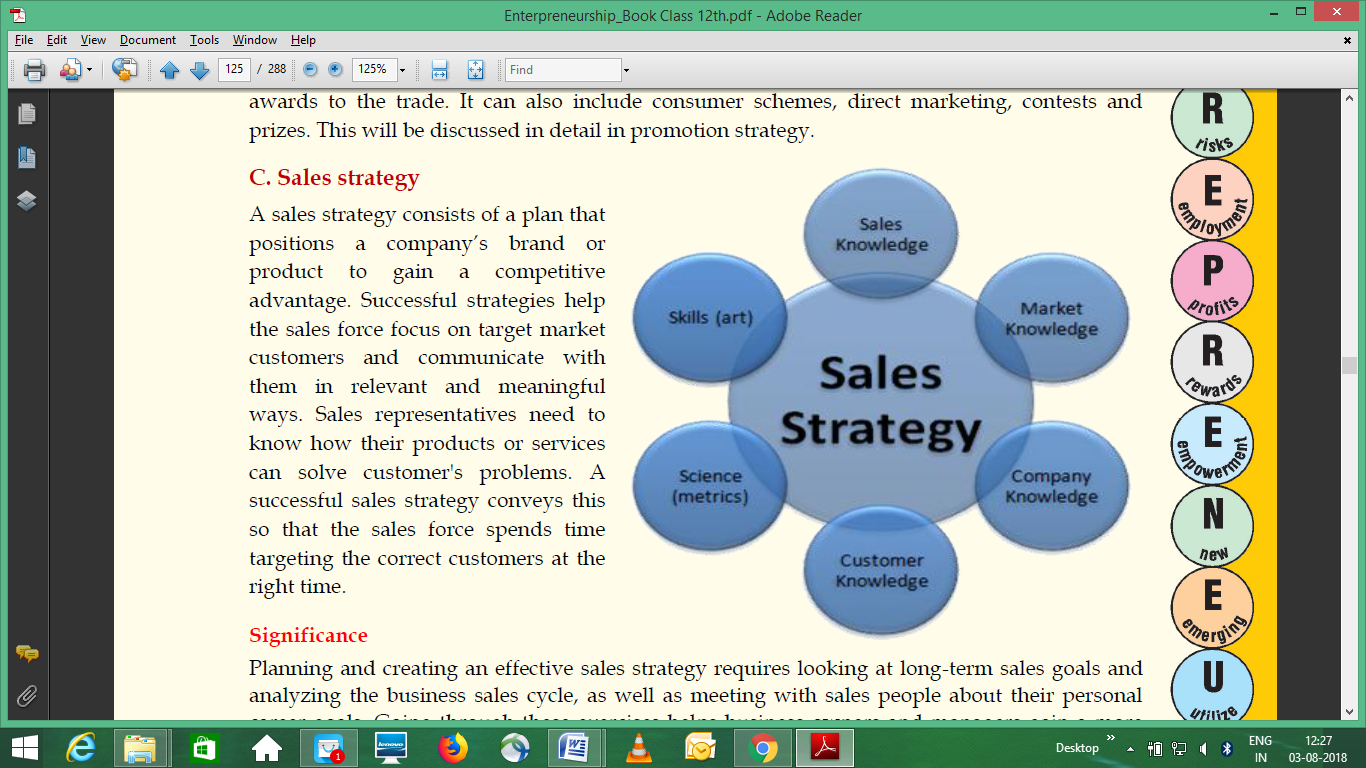
Considerations related to the government also affect the selection of channel of distribution. For example, only a license holder can sell medicines in the market according to the law of the government.

V) **Others**

* + - * + Cost
        + Availability
        + Possibilities of sales

**Activity**

Pick any two rival companies (For example, Colgate and Pepsodent). Discuss their marketing and promotional strategies in your group

**SALES STRATEGY**

Sales strategies help the entrepreneur to focus on target market customers and communicate with them in relevant and meaningful ways. Sales representatives must know how their products or services can solve a customer's problems. A successful sales strategy is one wherein the sales force spends time targeting the correct customers at the right time.

**Importance of Sales Strategy**

Planning and creating an effective sales strategy requires looking at long-term sales goals and analyzing the business sales cycle, as well as meeting with sales people about their personal career goals.

After creating the long-term sales strategy based on long-term goals, sales managers should create monthly and weekly sales strategies based on the long-term strategy. This allows for short-term performance measurement of the sales team.

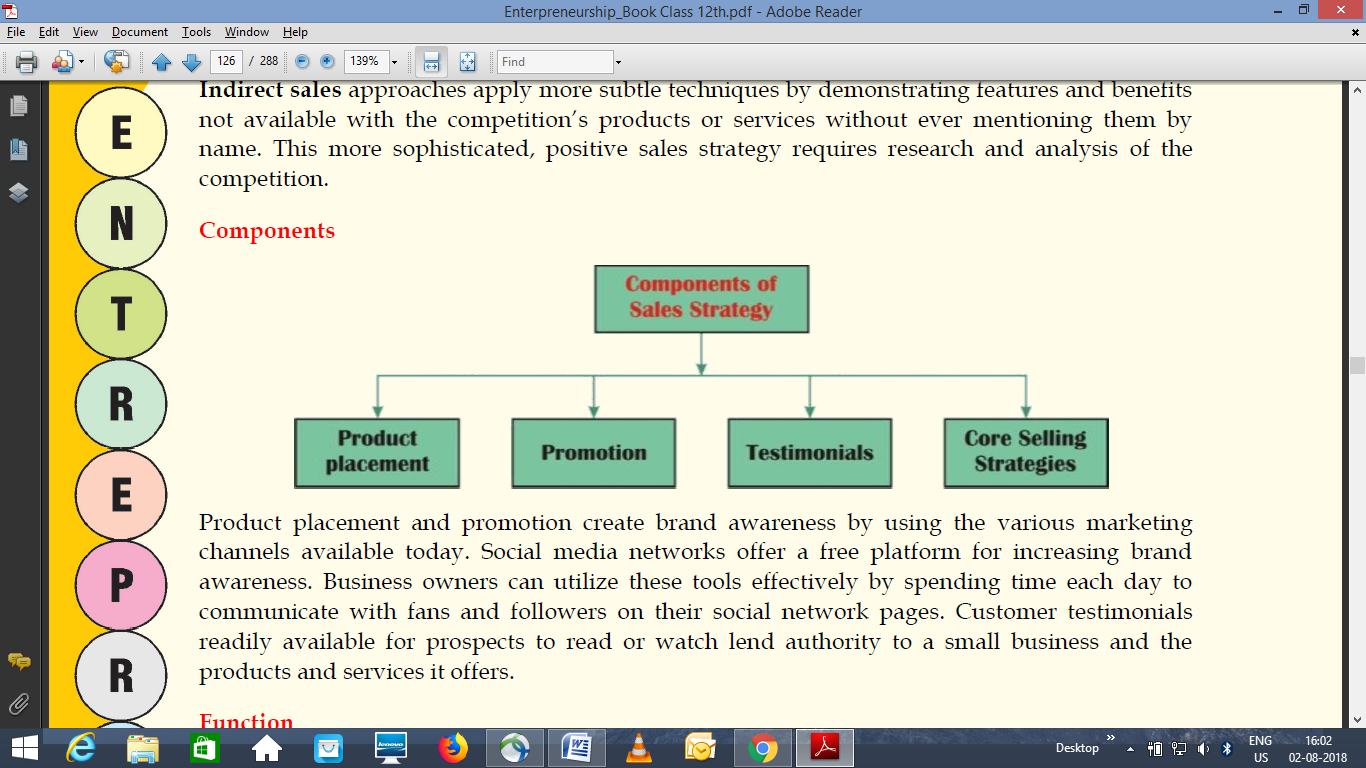
**Types**

You can employ one of two basic types of sales strategies:

Direct sales strategy: Sales people try to sell a product by direct comparison with a competitor’s product.

Indirect sales strategy: More subtle; focuses more on a demonstrating features and benefits not available with the competition’s products/ services without mentioning the competitors.

**Components**

****

**Function**

Regardless of whether a business uses a direct or indirect sales strategy, or a combination of the two, sales managers need to work with sales people on techniques. New customer acquisition and customer retention require two approaches. A sales strategy lays out the steps and methods necessary for customers in different stages. Potential customers need communication that introduces the brand and product or service in ways that show how it can solve his or her problems. Current customers require more personal communication about new features or benefits to keep them engaged. Promotions and referral discounts work to motivate current customers to spend their money and to spread the word to others.

**Considerations while creating an effective sales strategy**

1. Market knowledge
2. Awareness of competitor activities
3. Awareness of current trends
4. Detailed business analysis

**PROMOTION STRATEGY**

Promotion is the method to spread the word about the product or service to customers, stakeholders and the broader public.

There are various approaches a company can use to promote its products viz.,

1. **Above-the-line:**

* Uses mass media methods
* Focus on advertising to a large audience
* Includes conventional media like print, online, television and cinema advertising
* May not work for everyone as customers have different tastes and needs
* Usually very expensive

2. **Below-the-line**

* Specific, memorable activities focused on targeted groups of consumers
* Purpose of these activities is to develop the brand by creating awareness and building a brand profile, which includes:
  + sponsorship
  + sales promotions
  + public relations
  + personal selling
  + direct marketing

3. **Through-the-line**

Mixture of both the above techniques

Once you have identified the target market, you need to think of the best way to reach potential customers. Most enterprises make use of a mix of advertising, personal selling, referrals, sales promotion and public relations to promote their products or services.

1. Advertising

Advertising is a paid form of communication through which a potential customer is persuaded to choose your product or service over that of a competitor. It aims to build a positive image of your product/ service in the eyes of target market.

**Objectives**

The objective of advertising is to increase profit by increasing sales. Advertising aims to:

• Make business and product name familiar to the public

• Create goodwill and build a favourable image

• Educate and inform the public

• Offer specific products or services

• Attract customers to find out more about your product or service

**Commonly used media**

• Stationary

• Window display or office front

• Press advertising

• Radio

• Television

• Direct mail

• Outdoor

• Ambient (Ex. Advertising on the back of shopping receipts/ toilet doors at the cinema/ projecting onto buildings/ advertising inside lifts/ distributing branded cups)

• Cinema

• Point of sale

• **Online**

The options for online advertising continue to grow rapidly. They include advertising on your website, advertising on other websites, creating links to your website from other websites, publishing blogs, offering online product games, social networks and forums.

This is explained in detail in section below:

**Business using Technology**

As a business owner, you’re likely overwhelmed with numerous responsibilities each and every day. Whether it is sales, accounting or just managing the day-to-day operations, keeping up with the continual flow of work can be exhausting. Due to this constant time crunch, one aspect of a business that often gets pushed to the side is marketing.

Since your time is already in high demand, it is important to focus your marketing efforts where they can make the biggest impact -- the digital space. While it may not be feasible to try to compete in every aspect of the digital landscape, efforts should be focused on a few key areas where a small business can still gain advantage over its larger competitors.

If your digital marketing strategy isn’t optimized for mobile platforms, then you are probably missing the mark with a lot of customers. To stay competitive, your strategy should include the following, at the bare minimum:

* **Geotargeting**: Facebook offers the ability to serve targeted, hyperlocal mobile ads to your customer demographic. The best part of this service is that ad delivery is based on their location. Since consumers are consistently using mobile devices, this offers a unique way to reach potential customers in specific geographic areas who otherwise might not have known your business.
* **Video Content**: Did you know that the average amount of video content watched on YouTube globally is 3.25 billion hours each month? That is an incredible amount of video and should provide some insight as to why this content format should be a priority for your business. Creating engaging video content for platforms like YouTube, Facebook and Instagram can help you effectively reach customers while building brand awareness.

When creating videos, it’s important to consider how and where you will be posting them. For example, up until recently, it was widely accepted that videos should be shot horizontally. However, with the rising popularity of the “story” feature on platforms like Facebook and Instagram, vertically shot videos have become more the norm to fit these formats.

A common problem among small business owners is a lack of understanding of whether their marketing efforts are effective. To avoid this, make sure you are gaining valuable insights by measuring key metrics with Facebook and Instagram analytical tools. Then, learn to adjust your efforts accordingly to be effective. You may not have the time or resources to explore every digital marketing strategy, but at a minimum, make the time to place your digital marketing focus on these key areas to compete as a small business in the digital space.

* **Responsive Website Design:** First and foremost, your website should be designed so that it is fully functional on mobile devices, which means using a responsive design. As smart phones are becoming a primary access device for web browsing worldwide, it is important that you are offering a seamless user experience between both mobile and desktop users. Responsive web design is one of the best methods to achieve this.
* **Domain Name:**A Domain name is your digital identity to show yourself apart from the crowd in digital era.

The most successful businesses use the same set of words and images in all customer touchpoints – on their website, in their emails and order confirmations, on their signs, etc. This is branding at its simplest. And the digital pieces of your brand all spring from your domain name. Entrepreneurs can purchase **.in** domains at subsidized rates through Diginame.in portal.

Diginame.in is Common Service Centre’s premier platform to provide web-presence solutions to the enterprises. CSC makes it easy and affordable to get the domain you want in a fast and seamless manner.

**Need for Digital Marketing for Small Business**

Small business owners need to make certain that their marketing strategy evolves with the times or else they will be left behind. As the world around us is getting digitized, every business needs to become tech savvy so that they do not fall behind the competitors and lose a lot of potential business.

Many small to medium businesses avoid going digital due to lack of knowledge or understanding of the steps which needs to be taken to combine their online and offline presence. As more consumers choose to buy and research online rather than in physical stores, businesses today cannot ignore going digital especially if they want to compete and build a future for their brand.

### Why Your Business Needs Digital Marketing?

1. **Profitability: Specific**digital marketing strategies can be set up for your business depending upon business goals, budget and expenditure on promotion etc. Using Internet is a much cheaper way to get noticed as compared to traditional means of promotion.
2. **Visibility:** Digital marketing is the difference between being found online and being invisible to online consumers. **By using options of Internet advertising, you have more opportunities to get noticed.**
3. **Accessibility: Digital marketing enables your product/ business to become more accessible to the prospective consumer. Online businesses can be viewed on mobile phones, desktops, laptops and even mobile phones, making them easier to access and use.**
4. **Competitors:** Digital marketing is a good way to follow your competitors and market in general and noticethe popularityof your business yourself so that necessary steps can be taken to improve your product/ service. Digital strategy is also a better way to show your enterprise’s individuality and brand value.

**Activity**

Write down and discuss various mediums of Advertisements. Discuss which one medium will be the best for:

* A VLE
* A tea stall
* A new product

2. **Personal selling**

It refers to selling products personally in the form of conversation with one or more prospective customers.

3. **Sales promotion**

Sales promotion relates to short–term incentives or activities that encourage the purchase or sale of a product or service.

**Types of sales promotion activities:**

**Consumer promotions**such as point of purchase display material; In-store demonstrations, samplings; Competitions, coupons, games; On-pack offers, multi-packs and bonuses; Loyalty reward programmes

**Business promotions**such as Seminars and workshops; Conference presentations; Trade show displays; Telemarketing and direct mail campaigns; Newsletters; Event sponsorship

**Trade promotions**such as Reward incentives; Competitions; Corporate entertainment; Bonus stock

**Sales force promotions**such asCommissions; Sales competitions with prizes or awards

4. **Public relations**

It refers to building good relationships with the stakeholders of the business by obtaining favourable publicity, building a good corporate image and handling or heading off unfavourable rumours, stories and events.

By maintaining good public relations, you can generate positive word of mouth and referrals from satisfied customers.

**NEGOTIATION**

Negotiation is a process where two or more parties with different needs and goals discuss an issue to find a mutually acceptable solution. In business, negotiation skills are important in both informal day-to-day interactions and formal transactions such as negotiating conditions of sale, lease, service delivery, and other legal contracts.

Good negotiations will contribute significantly to the success of your enterprise because they:

• help in building better relationships

• deliver long-term, quality solutions

• help in avoiding future problems and conflicts

**CUSTOMER RELATIONSHIP MANAGEMENT (CRM)**

CRM includes all the elements of your enterprise’s interaction with the customers, whether it is sales or service-related. It is the process of carefully managing detailed information about individual customers in order to manage loyalty.

CRM is a strategy that enables businesses to:

* understand the customer
* retain customers through better customer experience
* attract new customers
* increase profitability
* decrease customer management costs

**How CRM is used today**

Customer relationship management solutions may help you to customize products, services, programs, messages and media as per each of your valued customer. It helps the enterprises to provide excellent real-time customer service through effective use of individual customer information.

**Benefits of CRM**

* All your business data is stored and accessed from a single location.
* In-depth knowledge of all customer information
* Knowledge of needs and wants of customers and the general market

**EMPLOYEE MANAGEMENT**

Employee relationship management is a process that you may use to manage all interactions with employees effectively in order to achieve the goals of the organisation. Even in a small enterprise, it is essential to build and nurture a team of people. An entrepreneur must build effective relationship with the team and all the team members must be aligned to the enterprise’s goal.

Factors which lead to effective employee relationship are listed below:

1. **Identification of objectives:** It is important to define which areas of the relationship will be managed. Common measures of the effectiveness of these relationships include time to hire, turnover and employee satisfaction.

2. **Determining employee needs:** You mayneed to find out directly from employees about their specific needs as needs vary greatly depending on employee characteristics such as age, gender, type of job being performedetc

3. **Balancing work and life needs:** A good entrepreneur must take steps to ensure that the employee's work-life needs are well balanced.

4. **Open and honest communication:** All communication within a team must be regular and honest as this will lead to strong relationships, increased loyalty and productivity among employees.

5. **Measuring and monitoring results:** Adequate attention needs to be paid to employees so as to check for signs of discontent. Their responses must be measured regularly.

6. **Relationships are interpersonal:** You must havea clear understanding of employees' needs along with a desire to meet those needs.

H. **VENDOR MANAGEMENT**

Once you set up an enterprise, you would need to select the right vendors for getting the raw materials from. Vendors are those individuals or businesses that supply goods or services to other individuals or businesses.

Vendor management basically means the process of finding, qualifying and doing business with vendors. It also includes researching vendors, negotiating contracts, obtaining quotes, evaluating their performance, creating and updating vendor files, and ensuring that payments are made properly.

**Criteria for selection of vendor:**

* Pricing
* Capabilities
* Turn-around time
* Quality of work
* Company reputation

**Ensure the following:**

* Request for pricing
* Check references
* Research the company through online resources
* Check the potential vendor’s financial stability, insurance, certifications etc.

**Reasons for Business failure**

When an Enterprise fails to make profit or bring in sufficient revenue to cover the initial expenditure, it may be considered as a failure and may have to close down. Even a profitable business can fail if it does not generate adequate cash flow to meet expenses.

The 12 main causes that lead to failure of an enterprise are mentioned below:

1.**Lack of experience:** Every enterprise must take care of the environment in which it operates. Lack of experience in the relevant industry may lead to poor organization of the enterprise and its resources.

2. **Inadequate financing**: Although money is the most important resource in any enterprise, sometimes enterprises fail not due to unavailability of funds, but the lack of planning for funding to support opportunities for growth. You must plan in advance and have sufficient awareness about costs involved in raising capital, alternative sources in case of rejection from financiers and similar constraints.

**3. Lack of adequate cash flow:** You must learn some basic accounting and be able to at least make cash flow projections in terms of how much cash will come in and how much can go out each month.

**4. Poor business planning:** Make a good business plan before starting the business which must cover your major aim, cost structure, external influences and strengths and weaknesses of a business.

**5. Management incompetence:** An inexperienced or incompetent management can kill your business. Choose a management that is able to implement changes in day to day operations.

**6. Ignoring the competition:** Never ignore your competitors Customers will only stay loyal as long as you are offering better products, services, or prices.

**7. Unworkable goals:** Try to set realistic goals which are attainable even after taking risks in to consideration.

**8. Diminished customer base:** Your customer base may be small due to competition, but you need to keep working on your strategies to diversify the customer base. Be flexible enough to adapt to new trends and ideas so that you can survive in the business.

**9. Uncontrolled growth:** An entrepreneur must also be prepared for unexpected gains and the resultant growth. You must be prepared to handle the increase in demand and profit. Try to build a professional management team, flexible organization, and proper systems and controls.

**10. Inappropriate location:** Selection of the right location is the key to success of any enterprise. A poor location may kill even the best planned business so decide a location for your enterprise wisely.

**11. Poor system of control:** Controls must be set in place to measure the quality and quantity of production. Financial controls are needed to measure the overall financial performance of the enterprise. Absence of a good control system may lead to decreased standards, poor measurement of performance, and inadequate comparison of performance against standards.

**12. Lack of entrepreneurial skills:** During the initial years, you may not have the required skills to run a new business. It is advisable to make detailed plans about all aspects of the enterprise and take calculated risks only.