

**NELSON MANDELA**  
UNIVERSITY  
**Business School**

# **SA CULTURAL OBSERVATORY PESP PROJECT**

**BUSINESS PLAN FEEDBACK**

# THE ASSESSORS

Professor Margaret Cullen

Michael de Lange

Lynn Child

Glenton de Kock

Dr Sasha Boucher

Edem Folie

Thobile Adeleke

Dr John Burger

Dr Ricardo Dames

# THE VALUE OF ARTS AND CULTURE TO SOCIETY

- ▶ They illuminate our inner lives and enrich our emotional world and sense of heritage
- ▶ Arts and culture have an impact on our lives in complex, subtle and interrelated ways. Each benefit relates to a cluster of other benefits (Sir Peter Bazalgette).
- ▶ Important contributor to the economy
- ▶ Has an impact on health and well being
- ▶ Offers employment opportunities
- ▶ Serve as a force for social change

# WORLD ECONOMIC FORUM

- ▶ The importance of art and culture is manifested in:
- ▶ Redefining story telling
- ▶ Transforming communities
- ▶ Building a more inclusive world
- ▶ Changing stereotypes
- ▶ Giving a voice to the voiceless

# ARTPRENEURS

- ▶ “People who pursue their social mission through artistic means and create models that are innovative, scalable and measurable”.

# WHAT DID WE ASSESS?

## Assessment Criteria

Strength of Product / Service / Idea

Thoroughness, accuracy and depth of environmental / industry analysis

Thoroughness, accuracy and depth of competitor analysis

Opportunity recognition

Marketing plan (product, price, promotion, place)

Operational aspects (HR, location, facilities, production – running the business)

Opportunities for growth

Money making characteristics of the business

The story line – is it convincing? Can it work?

Overall evaluation

# SUMMARY OF HIGHLIGHTS

# HIGHLIGHTS: Overview

The biggest highlight was the candidates who had :

- ▶ Talent
- ▶ Passion
- ▶ A desire to make a difference
- ▶ Purpose

Students should continue to work closely with the mentors in order to further develop their business plans based on the suggestions/recommendations provided.

# HIGHLIGHTS: Strength of Product/Service Idea

- ▶ Students should understand that their talents and skills are unique and that a market exists for these ideas.
- ▶ The majority of the ideas/concepts were innovative, clear and strong throughout the plans.
- ▶ A desire exists within the students to turn passion and talent into viable businesses.
- ▶ Some of the business plans product/service offerings were aligned to community involvement, inclusion, upliftment and job creation, which was excellent.

# HIGHLIGHTS: Strength of Product/Service Idea

- ▶ Many of the plans focused on socio-economic issues.
- ▶ A stand-out plan belonged to an industrial theatre group who are using their talent to work with mining companies in the area of conflict resolution (Cebo Lwakhe Trading Enterprise.)
- ▶ The students who had an idea only, but no experience, do require, as mentioned earlier, a good mentor to help them develop their ideas/services.

# HIGHLIGHTS: Environmental / Industry Analysis

- ▶ It is important to acknowledge that any business needs this part of the business plan as it provides insights into how the business may or may not grow.
- ▶ Students showed a good understanding of their industry, their environment and who their potential customers and partners are. Some examples:
  - Identifying that a particular product/service offering is currently not available in the local area and that the target market have to travel far to access this product or service.
  - Identifying the need for accredited SETA training to upskill people in their community and thus improving their access to job opportunities.

# HIGHLIGHTS: Environmental / Industry Analysis

- ▶ Overall this was one of the most thorough and best presented section of the business plans.
- ▶ Students understood what is expected of an industry analysis and the purpose of conducting this type of research.
- ▶ Detailed SWOT Analyses were presented more often than not and it was very professionally done.

Table 4: Product SWOT Analysis TWERLY™

<b>Strengths:</b> <ul style="list-style-type: none"> <li>• Renewable “clean” energy – zero carbon emissions</li> <li>• Dual source of energy, wind and solar in a ratio of 60:40</li> <li>• Low operation and maintenance expenses</li> <li>• No energy costs associated with the TWERLY™</li> </ul>	<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>• High initial capital investment</li> <li>• Component costs still relatively expensive for renewable energy products</li> </ul>
<b>Opportunities:</b> <ul style="list-style-type: none"> <li>• Source of advertising and publicity</li> <li>• Electricity price increases from Eskom</li> <li>• Growing need for products like the TWERLY™, as Eskom struggles to fund Capex plans</li> </ul>	<b>Threats:</b> <ul style="list-style-type: none"> <li>• No funding mechanisms or lack of investment for smaller scale renewables</li> <li>• Municipal resistance and bureaucracy</li> <li>• Cheaper competitors</li> </ul>

Table 3: Renewable Energy Market SWOT Analysis

<b>Strengths:</b> <ul style="list-style-type: none"> <li>• Substantial internal market with a population of 52 million people</li> <li>• Relatively good infrastructure</li> <li>• Cost advantage over the long term when compared to Eskom’s retail price (Approx. R 1.71)</li> </ul>	<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>• High initial capital investment in the renewable energy market</li> <li>• Shortage of skilled labour</li> <li>• Low rate of commercialisation of innovations</li> <li>• Lack of awareness of the potential benefits of renewable energy sources</li> </ul>
<b>Opportunities:</b> <ul style="list-style-type: none"> <li>• Manufacture of renewable energy technology in South Africa</li> <li>• Price increases from Eskom</li> <li>• Load shedding from Eskom</li> <li>• Job creation thereby promoting economic growth</li> <li>• Stable economic and growth indicators</li> <li>• Contribution to sustainable development</li> <li>• Growing need for renewable energy sources like the TWERLY™, as Eskom struggles to fund Capex plans</li> <li>• Reduced reliance on fossil fuels</li> <li>• Shortage of electricity</li> </ul>	<b>Threats:</b> <ul style="list-style-type: none"> <li>• Low economies of scale – renewable energy initially expensive</li> <li>• Shrinking worldwide photovoltaic (PV) market</li> <li>• Increased crime rate</li> </ul>

# HIGHLIGHTS: Competitor Analysis

- ▶ Some students thrived on the competitor analysis. Very detailed, well presented analysis was conducted detailing the following:
  - Who the competitors are?
  - Where they are located?
  - Are they direct or indirect?
  - How their product/service offering compare?
  - Their pricing strategy?
  - How their own product/service offering is differentiated in order to gain a competitive advantage.
  - Students who conducted a thorough competitor analysis were able to show their unique selling proposition and how their product or service will set them apart from their competitors.

# HIGHLIGHTS: Opportunity Recognition

- ▶ Students need to be guided on how important this is for growth of a business. This is a key means of validating the viability of the business idea.
- ▶ The majority have the vision to notice a gap or potential space in the market.
- ▶ The opportunities identified were resourceful and spoke to identifying a problem and then finding a proposed solution to that problem.
- ▶ The opportunity recognition also came through as a golden thread in most cases whilst conducting the industry/environmental and competitor analysis.

# HIGHLIGHTS: Opportunity Recognition

- ▶ Students who had a strong product/service idea could recognise that their talent could help them generate an income for themselves and recognised the need to groom raw talent of other artists to help them generate an income for themselves and for the artist as well.

# HIGHLIGHTS: Marketing Plan

- ▶ There were some business plans that had very detailed advertising and promotion strategies utilising innovative social media advertising to reach maximum exposure of the target market.
- ▶ The use of social media marketing tools was an excellent idea to keep costs to a minimum yet still maximising the reach and their message.
- ▶ The use of this medium allowed for a more direct and targeted message to be relayed.
- ▶ Furthermore, there were some good ideas in terms of partnerships and collaboration with a strong sense of community support.
- ▶ A few candidates presented ideas as to how to market the product. Although it was very general, a more specific approach in order to reach the customer group would be helpful.

# HIGHLIGHTS: Access to Markets

- ▶ Students who were able to clearly show how their product/service will gain access to markets. Students who scored high also had good marketing plans that would complement potential customers ability to access their product/service.
- ▶ Customer segmentation, looking into the role of profiling the customer in terms of the demographics and population size of the target market in order to measure potential ‘foot traffic”, was good.
- ▶ This section needed to relate to the financials, which in most cases did not, but it was a good start.
- ▶ The use of a Business Model Canvas would have been helpful.

# HIGHLIGHTS: Financials

- ▶ Some of the business plans presented detailed financials which included the following key items:
  - Funding request and source of funding (Grants, Donations, Equity, Debt etc.)
  - Detailed Income Statement, Balance Sheet & Cash Flow Statement (monthly and annually)
  - Sales Forecast
  - Break-even Analysis
  - Ratio Analysis
  - Product cost behaviour and cost classification (FC, VC, CM and CM Ratio)
  - Production budget

# HIGHLIGHTS: Operational Aspects

- ▶ The basic structures were presented.
- ▶ A number of female owned businesses showed innovation and agility in terms of production and operations.
- ▶ Most business plans assessed were that of a Sole Proprietor and hence the operational aspects in terms of personnel plan, management structure and facilities etc. were relatively straightforward.
- ▶ Business that were to be registered as NPO's or NGO's included aspects such as an oversight committee or external independent management committee to oversee operations and other strategic aspects which was a highlight in terms of good corporate governance and sound ethical practices.

# HIGHLIGHTS: Opportunities for Growth

- ▶ This is very much dependent on securing funding and/or maintaining annuity type of income to grow the business over the long term.
- ▶ There were a lot of very similar business plans that could benefit from collaboration or sharing of thoughts through the so called “shared economy”.
- ▶ Some candidates are well positioned to grow.
- ▶ Some have the potential to export.

# HIGHLIGHTS: Money Making Characteristics of Business

- ▶ Goes hand in hand with growth opportunities and for the most part there were quite a few business plans that diversified not only the product offering but also their revenue streams.
- ▶ This diversification of products and/or service offering is crucial when looking at long-term money making capabilities.
- ▶ Pricing strategies were also implemented in terms of promotions and discounts to attract customers and ultimately to increase sales.
- ▶ The African identity and originality of the artists.
- ▶ Their potential to produce products that showcase our country.

# HIGHLIGHTS: Story line

- ▶ The story lines for the most part were excellent and didn't require much convincing and most had a heart-warming pitch.
- ▶ The inclusion of socio-economic aspects within the story line was a big highlight especially in small rural communities within the provinces. They were very genuinely community focussed and socially oriented.
- ▶ Great desire to back youth and beat the scourge of unemployment and keep them on a sound footing.
- ▶ Made it clear that in some of the areas for culture and heritage projects - financial support is a necessity.

# HIGHLIGHTS: Story line

- ▶ Opened the door for further discussions and initiatives to help make members of this economic sector commercially viable.
- ▶ It is important to have some insights into who the person or people are behind the idea/service.
- ▶ Great pride in cultural heritage and keeping traditions, crafts and so on alive and to encourage youth to get involved in its preservation!

# HIGHLIGHTS: GENERAL

- ▶ The students that made an effort to work with the template provided did well.
- ▶ Some students have good ideas/service offerings, but do require further guidance in order to get these to market.
- ▶ Great to see the potential pool of talented artists and the opportunities available for them to earn an income for themselves and their businesses.
- ▶ Inclusion of the business model canvass was a highlight.
- ▶ Inclusion of an exit strategy was good.

# HIGHLIGHTS: GENERAL

- ▶ Existing and already established businesses was very encouraging to see.

Table 1: TWERLY™ STREET LIGHTS (PTY) Ltd – Business Model

<p><b>Key Partners</b></p> <ul style="list-style-type: none"> <li>• Buyer – supplier relationship to assure reliable supplies</li> <li>• Distribution partners</li> <li>• NMMU as a BBBEE partner</li> </ul>	<p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>• Manufacturing of TWERLY™ street lights</li> <li>• Promoting a sustainable 'green' environment</li> <li>• Creating employment opportunities and skills development</li> </ul> <p><b>Key Resources</b></p> <ul style="list-style-type: none"> <li>• Skilled staff, management, engineers and technical professionals</li> <li>• Infrastructure platform</li> <li>• Intellectual capital</li> </ul>	<p><b>Value Proposition</b></p> <ul style="list-style-type: none"> <li>• Creating &amp; providing the necessity of light and basic needs of lighting up the streets of the community</li> <li>• Enhancing the lives of the community</li> <li>• Help reduce crime</li> <li>• Promoting a renewable <b>DUAL</b> energy harvesting system which utilises solar and wind to generate power for the street light (Competitive advantage)</li> <li>• Reliable and cost effective form of street lights</li> <li>• Providing a cheaper form of energy over the long term in comparison to electricity charges</li> <li>• Creating sustainable jobs</li> <li>• Skills development and training</li> </ul>	<p><b>Customer Relationships</b></p> <ul style="list-style-type: none"> <li>• Mass customised.</li> </ul> <p><b>Distribution Channels</b></p> <ul style="list-style-type: none"> <li>• Direct selling to end-user through sales and marketing</li> <li>• Website</li> <li>• Government bids and tenders</li> </ul>	<p><b>Customer Segments</b></p> <ul style="list-style-type: none"> <li>• New &amp; existing residential &amp; commercial development projects in the Eastern Cape</li> <li>• Replacement projects</li> <li>• Schools and universities</li> <li>• Golf Estates new &amp; existing</li> <li>• Private game reserves</li> </ul>
<p><b>Cost Structure</b></p> <ul style="list-style-type: none"> <li>• Combination of a cost-driven and value-driven cost structure</li> <li>• Minimise costs where possible through lean manufacturing and transfer the value back to the end-user through affordable prices and high quality street lights that are reliable</li> <li>• Economies of scale</li> </ul>		<p><b>Revenue Streams</b></p> <ul style="list-style-type: none"> <li>• Transaction revenue resulting from the one-time customer payment for the TWERLY™</li> <li>• Advertising revenue stream for branding etc.</li> </ul>		

# HIGHLIGHTS: GENERAL

- ▶ Some great women-owned initiatives.
- ▶ Some put a lot of effort into compilation – irrespective of merit of the document.
- ▶ Astounded by the aspirations to go global, international, and so on.

# SUMMARY OF WHAT NEEDS TO BE IMPROVED

# TO IMPROVE: Strength of Product/Service Idea

- ▶ Concept Notes need to be developed for students.
- ▶ It would be easier to have the concept developed into a paragraph or one pager and presented before commencing with completion of a basic business plan.
- ▶ Some candidates struggled to understand how their art form could be seen as a product.
- ▶ Many battled to adequately describe a specific product or service offering.
- ▶ Many candidates tried to offer products and services in areas where they had no expertise.
- ▶ Many candidates attempted to offer an unrealistically diverse number of services .

# TO IMPROVE: Strength of Product/Service Idea

- ▶ The candidates need to understand that the strength of the idea must be based in market acceptance and expertise- not because they think it is a good idea

# TO IMPROVE: Strength of Product/Service Idea

- ▶ Paint a strong picture for the reader to see proposal through their lenses.
- ▶ Ideas have legs and can often succeed

# TO IMPROVE: Strength of Product/Service Idea

- ▶ More detailed description and expansion regarding the products and services should be provided:
  - The suite/packaging of products/services.
- ▶ To interview group of potential customers or pilot product/service in order to present and test a reasonable value proposition.

# TO IMPROVE: Strength of Product/Service Idea

- ▶ The Product/Service must be a solution to a need or a services already in demand
- ▶ The idea must be in response to a needs or demand which was confirmed by the execution of a needs analysis
- ▶ Concept of value proposition could be strengthened for participants to understand what customer problems they were solving

# TO IMPROVE: Strength of Product/Service Idea

- ▶ The strength of the ideas were very good overall.
- ▶ The areas that required improvement was not the actual idea or need identified as they were very original and innovative, but rather the lack of how to? In other words how to take an idea and implement it via a well drafted business plan into a viable and sustainable business over the long term.
- ▶ The recommendations over the next few slides will try to illustrate the “How to?” How to take an idea from conception to hopefully market saturation.

# TO IMPROVE: Strength of Product/Service Idea

- ▶ Dedicate time to thinking about how your talent as an artist can help you generate an income for yourself.
- ▶ Registered NPOs need to think about what products and services they can introduce to help bring income into their organisation.
- ▶ Less can be more. A focused product or service idea has more potential to be successful than a business wanting to sell many different products/services.

# TO IMPROVE: Environmental / Industry Analysis

- ▶ Daily awareness of the changes in a community or the news feeds which may or may not impact our daily lives is a basic way of demonstrating to students how important an Environmental/Industry analysis is.
- ▶ Reading the newspaper, the entertainment section or business section may assist students.
- ▶ Help candidates overcome language barriers.
- ▶ Help candidates who have no access to technology.
- ▶ Assist with interpretation of information - downloading an answer from an unrelated business plan is not providing an answer to the question.

# TO IMPROVE: Environmental / Industry Analysis

- ▶ Source wider avenues of information

# TO IMPROVE: Environmental / Industry Analysis

- ▶ Environmental analysis is critical as it widens the understanding of what is happening in the industry both nationally and internationally. It will guide their thinking in terms of new trends- in other words what's happening. This is particularly important because of the influence of technology.
- ▶ Ask – what's going on in the world?

# TO IMPROVE: Environmental / Industry Analysis

- ▶ To focus on developing a thorough and detailed SWOT analysis according to the convention:
  - Candidates should highlight all strengths/weaknesses etc.
  - For example, some candidates exclude core strengths that their business has acquired, such as the unique partnerships.
- ▶ I suggest that the candidate also includes an industry analysis to support an understanding of their market position in the identified industry.
  - Apply dimensions, such as, the power of suppliers and the threat of competitors in your industry analysis.

# TO IMPROVE: Environmental / Industry Analysis

- ▶ What is driving the industry:
  - Some basic (even desktop) research is necessary
  - Is this industry growing, stagnant or in recession
  - Conduct a general analysis, then focus on the regions of interest to your business
  - What competition exist, specifically where you would be competing
  - Use secondary research to gain insight into the industry

# TO IMPROVE: Environmental / Industry Analysis

- ▶ Overall, the industry and environmental analysis was one of the better sections/areas. Most students did a good job and performed a SWOT analysis which was good.
- ▶ To add more value, a more in-depth analysis could be performed by introducing a PESTLE analysis (in addition to the SWOT analysis).
- ▶ The industry analysis allows you to benchmark yourselves to determine your niche within the industry.
- ▶ In addition to industry SWOT analysis, a more specific product or service SWOT would also be very beneficial.

# TO IMPROVE: Environmental / Industry Analysis

- ▶ Take time to assess what is taking place in your industry and where you live. Answer the following questions:
  - What are the current trends in your industry?
  - Is your target market willing to pay for your product or service?
  - How much do other companies or organisations charge for a similar product or service?
  - What are the challenges facing your industry?

# TO IMPROVE : Competitor Analysis

- ▶ A greater understanding of who is doing what within an industry will guide how the proposed business can position its products/services.
- ▶ A basic “Google” search, an informal discussion within the community can provide basic information from the consumer.
- ▶ High level industry analysis may be difficult for students, however basic research and reading can aid this in future.
- ▶ Very few candidates actually knew who their competitors are.
- ▶ Many chose one competitor to examine.

# TO IMPROVE : Competitor Analysis

- ▶ Going into business is like going to 'battle'- who will you be competing with and are you better than them? What makes you better?

# TO IMPROVE : Competitor Analysis

- ▶ This is a very important section. Analysing your competitors will help you recognise a gap in the market that your product/service can fill. Take time to analyse your competitors. Answer the following questions:
  - What are your competitors doing right?
  - What makes your competitors successful?
  - What are your competitors doing wrong?
  - How will you set yourself apart from your competitors?
  - Why should your target market buy your product/service and not your competitors' product or service?

# TO IMPROVE : Competitor Analysis

- ▶ Drill down into how they can differentiate and keep their focus narrow enough to succeed.
- ▶ Often want to do too many things for too many audiences.
- ▶ End up diluting efforts

# TO IMPROVE : Competitor Analysis

- ▶ In several instances, business plans expected or reduced emphasis on the power of competition
  - It would helpful to increase the level of detail in order to understand where a market niche could be.
  - Candidates should consider, that if the same product/service does not exist in the same form currently there is a gap for a competitor to solve that problem.

# TO IMPROVE : Competitor Analysis

- ▶ Create an excel spreadsheet or comparative table for this exercise
- ▶ Identify the competitors and the areas where they compete in
- ▶ Identify what they offer against the services you offer and do a table of comparison.
- ▶ Create a rating spreadsheet i.e. from 1 to 5 and score each competitor, including yourself to determine your competitiveness i.e. Product quality, customer service, price, location, etc.
- ▶ Based on the results, determine your value proposition

# TO IMPROVE : Competitor Analysis

- ▶ There were quite a few business plans that did not have a competitive analysis. This is vital section in order to position your idea or proposed business in the market.
- ▶ Performing a Porters Five Forces analysis is vital to determine your competitive position in the market, barriers to entry, if any, who your competitors are? What is your competitive advantage? How does your product/service, pricing structure compare?
- ▶ In other words identify your competitors in terms of your offering.

Table 5: Competitor Analysis – Galaxy Solar Streetlight

<b>Market Share</b>	Currently the Galaxy has no market share within our target market.
<b>Strengths</b>	The Galaxy is retailing at a lower price than the TWERLY™.
<b>Weaknesses</b>	The Galaxy is one dimensional; it only provides light from one source. Therefore the reliability of the Galaxy is questionable.
<b>Importance of our target market</b>	This is a moderate to strong force.
<b>Barriers to entry</b>	Currently there are no barriers to entry. Once funding is secured, production can take place. Weak Force
<b>Window of opportunity</b>	It is essential to take the TWERLY™ to market as soon as possible and with the announced price hikes from Eskom; the TWERLY™ comes at a time when renewable sustainable energy creation is a necessity and not a luxury as it has been classified in the past.

Table 9: Comparison between Eskom streetlights versus TWERLY™

Type of Luminaire	80W Mercury Vapour Streetlight	TWERLY™ 48W
<b>Lamp Type</b>	80W Mercury Vapour	48W LEDlume
<b>CRI – Colour rendering index</b>	CRI 40 - 60	CRI > 70
<b>Energy usage per day</b>	800 W	0 W
<b>Energy usage per year in kWh</b>	292 kWh	0 kWh
<b>Saving in kWh over 5 years</b>	0 kWh	1460 kWh

# TO IMPROVE : Opportunity Recognition

- ▶ Identifying problems is easy, finding the solution can be challenging at times.
- ▶ Students need assistance in how you can identify opportunities.
- ▶ Some candidates created opportunities based on unrealistic expectations.
- ▶ For example: 'Be bigger than Beyonce' with very little singing experience.
- ▶ The opportunities were sometimes more like a 'wish' than a reality.

# TO IMPROVE : Opportunity Recognition

- ▶ Generally well done – stay focused and avoid trying to broaden scope of operation beyond what is realistic and feasible with resources available.

# TO IMPROVE : Opportunity Recognition

- ▶ Opportunity is what businesses are based on- NOT ideas. Opportunity is determined by:
  - Strength of product as determined by the consumers
  - Timing
  - Novelty
  - Uniqueness
  - Superiority

# TO IMPROVE : Opportunity Recognition

- ▶ Be bold in your business plan and answer the following questions:
  - What opportunity your business is capturing?
  - Why is your business capturing this opportunity?

# TO IMPROVE : Opportunity Recognition

- ▶ Companies should consider the following:
  - Sustainability of their business and whether it attract potential competition?
  - Is there an unmet need by the target customer group?
  - Is there a need trend or local environment change that provide an opportunity?
  - Does the customer group have high transaction costs for a service that the business can reduce?

# TO IMPROVE : Opportunity Recognition

- Why are you in business?
- Identify the opportunities that you think are in the sector and if it is really an opportunity that you can pursue.
- More articulation required so we move from necessity entrepreneurs to opportunistic entrepreneurs

# TO IMPROVE : Opportunity Recognition

- ▶ Linked to the industry analysis, identifying a need or solution to a problem is vital in the long-term to determine financial viability and sustainability.
- ▶ Developing a strategic group map is a useful tool to determine how your proposed business is positioned and whether the opportunity recognised is sustainable.
- ▶ The strategic group map can be used to differentiate your idea or product.

# TO IMPROVE : Marketing Plan

- ▶ The impact of social media platforms.
- ▶ How consumers are changing buying habits means that marketing approaches need to change as well.
- ▶ Many candidates did not or could not define their target market.
- ▶ Candidates should understand that they need to offer something of tangible value in order to market it.
- ▶ Candidates are seeking multiple outcomes from limited activity.
- ▶ No strategic thinking.
- ▶ Lack of ICT skills is the biggest barrier.

# TO IMPROVE : Marketing Plan

- ▶ Most of the marketing plans were very generic and seemed to be copied and pasted from other resources (e.g. the internet). A funder will immediately be able to see this, so try to think about a marketing plan for your specific product or service.
- ▶ Think about product, price, promotion, place according to your specific product or service.

# TO IMPROVE : Marketing Plan

- ▶ Use real, concrete and pragmatic content.
- ▶ Avoid using templates and just dropping in vague statements.
- ▶ Keep feet on ground and don't try to sound clever
- ▶ Keep within your means and stay grounded

# TO IMPROVE : Marketing Plan

- ▶ Marketing plans must be specific and must address the 4 p's. Generic statements do not guide marketing.

# TO IMPROVE : Marketing Plan

- ▶ More specific approaches to reach the customer group would be helpful.
  - Every customer group has its own channels and approach.
  - Choosing appropriate marketing instruments - the team should carefully analyse their target market/customer group and how they inform themselves.
  - Reduce the number of marketing channels as it increases cost and effort.
  - Use the three best fitting channels that really reaches the customers, otherwise there is a waste of resources.

# TO IMPROVE : Marketing Plan

- ▶ Provide clear pricing structures. Also consider:
  - If the value proposition of the product/service is quality and there is no direct competitor, it is not necessary to start with a low price.
  - Higher prices perceived as high service quality, even if the customers cannot access it at the beginning.
  - Other pricing considerations for candidate:
    - Comment to one candidate: How much would a ticket to a performance cost? How many guests can see the performance at once.

# TO IMPROVE : Marketing Plan

- Refer to the template as the guideline to the plan
- Refer the saying, “Walk the talk” If you cannot implement the plan, the plan is not realistic
- Be practical in your approach.
- The marketing plan determines the feasibility of the business and informs the production, the HR and the finance departments
- Need to define the marketing P’s (Product, Price, Promotion & Place).
- The reference to the marketing P’s was too general from a theory point of view.

# TO IMPROVE : Marketing Plan

- Application of the marketing P's is what was needed by:
  - Identification of your target market
  - Developing a promotions and advertising strategy and budget to target your customers/market. The promotions and advertising strategy will be crucial to gain an advantage over competitors
  - Look into innovative digital and social media strategies as a cost-effective solution to expensive print media or radio advertisements. Do you get a return on investment for print media in today's time? This will need to be evaluated on a case-by-case basis
  - Diversification of products and services that can lead to the creation of multiple revenue streams
  - Breakdown of your pricing and cost structure for your product and/or service
  - In some cases, the development of a price list was missing

# TO IMPROVE : Access to Markets

- ▶ Building a market requires clear communication as well as an understanding how to reach the identified market.
- ▶ Students need to understand the difference between marketing and the access to the market.
- ▶ Within this programme, this distinction was at times not clearly demonstrated.
- ▶ Language was a barrier in this question. Many candidates understood 'the market' to be a physical place and talked about transport difficulties.
- ▶ Lack of knowledge in the ICT arena which means no access to any online opportunities.

# TO IMPROVE : Access to Markets

- ▶ Give more thought to how your business will access markets.
- ▶ Will you have a website so that people can buy your product or service from anywhere in the country or any where in the world?
- ▶ How are people going to find your product or service?
- ▶ Will your customer have to travel to you to get your product or service or can they get it online?
- ▶ Will you need to travel to your customer?
- ▶ How will your customer be able to pay for your product/service? Will you have a credit card/debit card machine? If your service is online can they pay using their credit card or PayPal?

# TO IMPROVE : Access to Markets

- ▶ The candidate must indicate how they are going to get the product to the market.

# TO IMPROVE : Access to Markets

- ▶ Most will cope at local or current levels. Some far too ambitious and want to conquer the globe
- ▶ Small can be good and very profitable
- ▶ Depends on how they position and differentiate themselves
- ▶ Many competitors in fabric, garment, craft and cultural type activities
- ▶ Musicians also see themselves as global stars! Need a wake up call!

# TO IMPROVE : Access to Markets

- ▶ Candidates showcase market accessibility, it is recommended that this be used more intensively.
- ▶ Candidates in the industry have the opportunity to promote market access by tapping into technology.
  - ▶ For instance, the use of social media platforms.

# TO IMPROVE : Access to Markets

- ▶ The section will determine which channels to use for the marketing efforts and is very important to the business plan
- ▶ Understand your clients, where they are and how to connect the products/services to the clients
- ▶ Only then can the access to the markets be determined

# TO IMPROVE : Access to Markets

- ▶ Define your market through a market segmentation exercise and show how you can translate it into potential revenue streams.
- ▶ Segment your target market in terms population size and demographics in the area and nationally if applicable.
- ▶ You need to ascertain how big your market is and the relative ease of access to this market and then illustrate how to access your target market utilising your marketing plan and strategy.

# TO IMPROVE : Financials

- ▶ A basic income and expense items list needs to be provided.
- ▶ A basic cost estimate of what things cost on average will aid the students.
- ▶ Real average cost of items with the clear distinction of business cost vs private cost needs to be provided.
- ▶ Have a basic understanding of income and expense will guide on what the estimated cost to start the business may be.
- ▶ In reality, asking most of these candidates for financials was not realistic.
- ▶ Most of the candidates cannot forecast income or earnings.

# TO IMPROVE : Financials

- ▶ The financial validate the viability of the business. The numbers must make sense.

# TO IMPROVE : Financials

- ▶ Needs a lot of thinking and work.
- ▶ All students struggled in this area.
- ▶ Basic addition, subtraction, multiplication and division was a challenge.
- ▶ Students might need basic financial management training.
- ▶ Tips:
  - Really take some time to think about all your businesses expenses. -Right down to cost of electricity and water even if you are working from home.
  - Once you have worked out your expenses you will gain a better understanding of how much you need to run your business.
  - Do financial forecast of your business for at least three years.

# TO IMPROVE : Financials

- ▶ Most of the candidates cannot forecast income or earnings.
- ▶ In most cases the financials were non existent. This does not mean that the candidates were not aware of their costing structures but they do not have the knowledge or tools to structure them in an accepted format.

# TO IMPROVE : Financials

- ▶ Get help from people who understand the documents needed in a plan
- ▶ Ensure calculations are accurate – a major fault
- ▶ Be realistic in values
- ▶ Show breakdowns of values and avoid 'global' amounts e.g.: furniture R500 000; Equipment R256 000.
- ▶ Need to delineate fully AND justify amounts

# TO IMPROVE : Financials

- ▶ Business plans mentioned the investment need, but made no assumption of the service and the amount of satisfied customers in order to generate revenue.
  - It would help the team to figure out how many customers can be served at full capacity.
- ▶ Pilot testing their target market to evaluate what the customers see as a good offer is recommended.
  - This would validate some assumptions made in the business plan.
  - For example, I indicated to one candidate that a “small art or musical performance as a testcase would validate some assumptions made in the business plan”.

# TO IMPROVE : Financials

- ▶ The section of the business plan has been largely omitted, yet very important especially for applications for loans or funding
- ▶ It is important to note that this is the last section to be completed for the business plan, but before the executive summary
- ▶ This section requires basic understanding of the difference between income and expenses, or cash coming in and cash going out.
- ▶ Every section mentioned in the business plan may contribute to either income or expense and you should know the difference

# TO IMPROVE : Financials

- ▶ Of all the sections in the business plans assessed, the financials section seems to be the area which requires the most work.
- ▶ The financial section on average was more often 80% blank, incomplete or insufficient data was provided.
- ▶ The financial section is arguably the most important section of a business plan that requires the most amount of time and work yet I found that this was the section with the least amount of time and work allocated to it.

# TO IMPROVE : Financials

- ▶ Depending on the type and nature of the proposed business, the financial section should contain the following elements at the very least and be as accurate as possible:
  - Income Statement, Balance Sheet & Cash Flow Statement (Monthly and Annually)
  - Best and Worst Case Scenario Planning
  - The financial ask? How much funding and the source of funding which includes ROI or NPV and payback period
  - Forecasted figures up to 3 - 5 years in the future
  - Pricing structure highlighting product or service profitability (VC, FC, Contribution margin etc.)
  - Break-even analysis
  - Resource allocation of greater than 50% is a problem!

# TO IMPROVE : Financials

**Table 7: TWERLY™ Pricing Structure**

<b><u>Pricing Structure:</u></b>	
<b>Cost to manufacture 1 unit:</b>	
<b>Direct Materials</b>	<b>R 24 904.88</b>
PV Panel	R 1 525.91
Pivot & Swivel x 1	R 350.00
Battery Housing x 1 (Steel box)	R 1 674.42
Battery x 2 (R1 323.43 each)	R 2 646.86
Base plate x 1	R 100.00
Control circuitry	R 999.48
LED Module (Street Light)	R 4236.47
Fasteners – Steel clamps x 5	R 1 250.00
Generator x 1	R 4 300.00
Main shaft x 1	R 250.00
Dividers x 5	R 500.00
Buckets x 4	R 1 000.00
Mounting structure x 1	R 550.00
Anti-theft spikes x 1	R 650.00
Light pole x 1	R 3 562.50
Light pole securing rods and base plate	R 650.00
Cement block	R 300.00
Powder coating	R 359.24
<b>Direct Labour</b>	<b>R 1 500.00</b>
<b>Manufacturing Overheads</b>	<b>R 1 322.40</b>
<b>Total Cost to Manufacture</b>	<b>R 27 727.28</b>
<b>Gross Margin</b>	<b>21%</b>
<b>Selling Price per unit (excluding VAT)</b>	<b>R 35 000.00</b>

# TO IMPROVE : Financials

Table 13: Start-up Funding

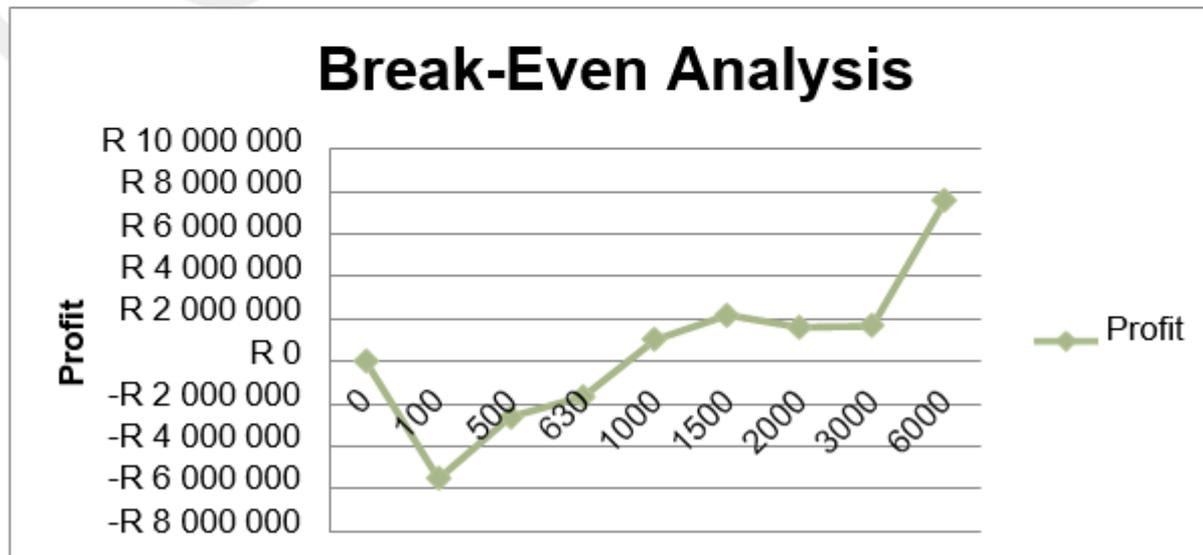
<i>Start-up Funding</i>	
<b>Total Funding Required</b>	<b>R 5 000 000</b>
<b>Assets</b>	
Non-Current Assets from Start-up	R 3 000 000
Cash Balance on Starting Date	R 2 000 000
<b>Total Assets</b>	<b>R 5 000 000</b>
<b>Liabilities and Capital</b>	
Liabilities	
Current Borrowing	R 0
Long-term Liabilities	R 5 000 000
<b>Total Liabilities</b>	<b>R 5 000 000</b>
<b>Capital</b>	<b>R 0</b>
<b>Total Capital</b>	<b>R 0</b>
<b>Total Capital and Liabilities</b>	<b>R 5 000 000</b>
<b>Total Funding</b>	<b>R 5 000 000</b>

# TO IMPROVE : Financials

Table 14: Break-even Analysis

Break-even Analysis	
Break-even point in units	856 units for 2013
Break-even point in rands	R 29 946 307
Contribution Margin Ratio	21%
Estimated Fixed Cost	R 6 222 603

Figure 9: Break-Even Analysis



# TO IMPROVE : Operational Aspects

- ▶ An Entrepreneurial type of structure needs to be considered.
- ▶ How start-up deal with a focus on getting the business started and less about the structure.
- ▶ More people to do things, than considering the title of the job.
- ▶ Candidates like actors, musicians, artists, poets and dancers need very simple systems in place to take care of bookings and customers. They were often unsure how to respond.
- ▶ Issues like HR, facilities and production did not apply to most of the candidates.

# TO IMPROVE : Operational Aspects

- ▶ The candidates need to show that they understand how the business will run and the associated costs.

# TO IMPROVE : Operational Aspects

- ▶ Students struggled in this area.
- ▶ Tips:
  - Think about the human resources required for your business and how much they will be paid. People should not work for free or for wages which cannot cover their basic needs.
  - Give careful thought to the running costs of your business: for example: cost of equipment, rental space, production costs, marketing costs, insurance, electricity, water, refreshments, telephone/cell phone, Wi-Fi, travel.

# TO IMPROVE : Operational Aspects

- ▶ List key functions required, and the manpower required to operate the business. This was missing in most of the submissions.
- ▶ Many submissions indicated a Board and top heavy structures, which indicates that they did not understand the operational aspects.
- ▶ The key was to identify, what resources are required and if they were permanent or temp –in this case, most of the resources would be on an ad hoc basis.

# TO IMPROVE : Operational Aspects

- ▶ Generally small operations – well thought through
- ▶ Some plans highly ambitious and create massive plans with many fancy posts – that are totally unrealistic
- ▶ See operations through eyes of investor and justify the modus operandi proposed
- ▶ Avoid too much multi-tasking – can dilute success

# TO IMPROVE : Operational Aspects

- ▶ It is advised to keep headcount at minimum in the start-up phase:
  - Increase the staff gradually with growing success of the company. Is it at the moment necessary to buy a location?
  - Reducing certain HR functions at the early stage should be considered as this would reflect in the income statement for wages/salaries.
  
- ▶ At the beginning it should be sufficient to rent and adapt/relook in further stages once the required amount of space is known.

# TO IMPROVE : Operational Aspects

- ▶ Organogram that speaks to:
  - Resource planning (resource allocation)
  - Type of structure (matrix etc.)
  - Capacity
- ▶ Operational model missing.
- ▶ Too many students used a generic business plan template which included a very generic “Organogram” that did not speak to your actual business idea.

# TO IMPROVE : Opportunities for Growth

- ▶ Problems to be solved in our community and within an industry will aid the understanding of where growth may occur.
- ▶ In many cases, candidates created unrealistic success stories to meet the requirements of the exercise.
- ▶ In reality, without guidance, assistance and funding, many artists have limited opportunity to grow.

# TO IMPROVE : Opportunities for Growth

- ▶ Financial projections can help in showcasing the opportunity for growth. You can have a good product/service idea but financial projections will allow potential funders and investors to make a fair assessment of your business's opportunity for growth.

# TO IMPROVE : Opportunities for Growth

- ▶ How will you scale the business? Have you identified avenues and ways to do this?

# TO IMPROVE : Opportunities for Growth

- ▶ Think through differentiation possibilities
- ▶ Practice more niche marketing thinking
- ▶ Look for small gaps first, get your foot in, build brand and credibility
- ▶ Think more short than long term

# TO IMPROVE : Opportunities for Growth

- ▶ Some thinking required for this section:
  - Brainstorm where the opportunities are for the business
  - Are these opportunities viable and can it work?
  - May also be a good platform to introduce market differentiation or product diversification?
  - What additional services can be offered to grow the business? And by how much?  
What is a realistic %?

# TO IMPROVE : Opportunities for Growth

- ▶ Candidates should consider applying strategic objectives using SMART criteria.
- ▶ SMART objectives can justify an expansion strategy.
- ▶ Candidates should consider the following as a way to inform themselves of what they are offering.
  - Whether there is an unmet need by the target market.
  - Need trends/local environment changes that provide opportunities.
  - Transaction costs of customer group that the business can reduce.

# TO IMPROVE : Opportunities for Growth

- ▶ Growth strategy - In other words can this business be scaled and if so how?
- ▶ Diversification of your revenue streams and service offering for growth and sustainability. You can't rely solely on one revenue stream.
- ▶ You need to reflect this in your financial section with projections or forecasts, at least 3 – 5 years. More often than not the entertainment and hospitality industries are very competitive and a niche industry in South Africa.
- ▶ The ability to scale your business is crucial as the statistics in South Africa are that 50% off all new hospitality businesses fail in their first year and the remaining 50% fail in their second year.
- ▶ Investigate mergers and/or acquisitions

# TO IMPROVE : Money Making Characteristics of Business

- ▶ Students need to be assisted in understanding that the business is there to make money.
- ▶ Therefore the service/idea needs some thought on how sustained income can be generated.
- ▶ Apart from a small number of candidates, most are working for just enough money to survive – if they are working at all.
- ▶ Guidance with pricing and channels to more consistent markets are essential.
- ▶ Many candidates need help in understanding the money making characteristics of their talent.

# TO IMPROVE : Money Making Characteristics of Business

- ▶ The business must make money/income even if it is a not for profit. The money making characteristics must be sustainable.

# TO IMPROVE : Money Making Characteristics of Business

- ▶ Students struggled to articulate exactly how their business was going to make money.
- ▶ Tip: good product or service ideas are simple, clear and straight forward as long as the opportunity and gap in the market has been identified. The clearer the product/service idea the easier it is to identify how the business will make money.

# TO IMPROVE : Money Making Characteristics of Business

- ▶ This goes hand in hand with growth opportunities and you have to ask yourselves the following key questions:
  - Can this business be scaled up?
  - Do you have the capacity?
  - Detailing your revenue streams, cost structure and key activities etc. in a business model canvass as a snap shot picture of your business to ascertain the money making characteristics
  - Do your financials accurately depict the money making characteristics

# TO IMPROVE : Money Making Characteristics of Business

- ▶ Needs to be worked at.
  - Link with financial understanding and documentation involves
  - Vague descriptions of 'profitability' and financial success given in most cases.
  - Often highly exaggerated.
  - Stay grounded
  - Use real numbers

# TO IMPROVE : Money Making Characteristics of Business

- ▶ This section required knowledge on profit motive or not for profit motive
- ▶ Most of the business plans assessed were not for profit in nature

# TO IMPROVE : Money Making Characteristics of Business

- ▶ Pricing structures should be included and clearly defined.
  - It is difficult to assess if the price structure is fitting to the customer expectation as well as if it can be the base of a sustainable business model.
- ▶ A detailed and well designed marketing plan, focused on the 4Ps can support the money making potential of the business.
- ▶ The cashflow statement and operational expenses should be indicated in the financial projections.
  - Lenders require this to determine their risk.

# TO IMPROVE : Story Line

- ▶ The elevator pitch – telling/selling the idea between two floors of a building with less words is a skill that needs to be offered.
- ▶ This, with the Concept note requires work before the business plan is attempted.
- ▶ Some of the issues in this exercise are of little or no relevance to the candidates.
- ▶ We cannot expect every artist to be a business – or even think like a business. We CAN help them to be more entrepreneurial and professional in their approach.
- ▶ We need to make ICT an important focus. Without basic computer skills, many candidates cannot understand or take advantage of online information and opportunities.

# TO IMPROVE : Story Line

- ▶ There has to be golden thread- the business must make sense.

# TO IMPROVE : Story Line

- ▶ Majority had real and credible ideas – was touched by sincere desire to serve community and youngsters and create employment
- ▶ Authenticity and genuineness radiated through narratives
- ▶ Most need genuine support and have hearts on right place
- ▶ Place more focus on this in text and pull at the hearts, minds and pockets of donors, funders or backers.

# TO IMPROVE : Story Line

- ▶ Perhaps a shorter narrative covering the following:
  - How long they have been in business
  - Their core focus and experience
  - Projects that they have done previously
  - Any other success stories that add value

# TO IMPROVE : Story Line

- ▶ We should be looking at other government departments for support - like the DTI. There are people with talent and skill who could be exporting products. They need finance and management. They will struggle on their own.
- ▶ We need to value and validate many of the artists who cannot offer a commercial contribution. There are great community initiatives that deserve funding. Some of them require very little but have the potential to make a positive contribution to their communities.
- ▶ In some cases it was hard to discern whether the plan reflected reality or was copied from a template for a money-making enterprise.

# TO IMPROVE : Story Line

- ▶ Candidate includes the financial projection section of the document. This should include a cashflow statement by month, income statement and balance sheet it will give a good indication of the money-making potential of the business. The candidate is encouraged to include this as it is an important for potential lenders.
- ▶ Pricing structure: should not under-price their services.

# TO IMPROVE : Story Line

- ▶ As mentioned, the story lines were generally good but there was a disconnect between the story lines and the business plans. In general I think the students struggled to articulate their story line throughout the business plan.
- ▶ As most students used business plan templates sourced online, they became too generic and the “story” got lost in this generic template.
- ▶ Although business plan templates can be useful as a guide they should be just that, “a guide”.
- ▶ Don’t lose the uniqueness of your idea or story.

# TO IMPROVE : General

- ▶ Concept Notes that allows the idea/service to be developed with some assistance will aid the process of business development.
- ▶ Basic concepts that demonstrates how an idea/service moves from the business plan into reality needs some consideration.
- ▶ At times the words require action.
- ▶ This action needs to be demonstrated and then the business plan development can commence.

# TO IMPROVE : General

- ▶ Recommendation: Additional basic financial management training for all students to improve their chances of running a successful business and to mitigate financial losses during the start-up phase of their businesses.
- ▶ General Comment: Some business plans were identical.

# TO IMPROVE : General

- ▶ The business plan must have a specific purpose, this was not clear with all the plans
- ▶ Funding requirements were not indicated in the executive summary and in most instances not clearly stated in the business plans
- ▶ BP guidelines NOT followed as per the template.
- ▶ The template was all inclusive and relevant for very large businesses, a less complex template is suggested

# TO IMPROVE : General

- ▶ Overall neatness and presentation of the business plans were not at a satisfactory level. Remember this is a professional document submitted to proposed investors, donors, banks, government etc. This is an easy fix however:
  - ▶ Be consistent in the use of font type and size
  - ▶ Line spacing
  - ▶ Justify your paragraphs
  - ▶ Use spellcheck

# TO IMPROVE : General

- ▶ Stay away from templates if you not going to complete them 100% as it creates the impression that the business plan is incomplete and messy which in turn will speak to the integrity and validity of the data presented in the business plan.
- ▶ Some business plans were only 2 pages. Quality over quantity however, 2 pages is not sufficient.
- ▶ There were a few businesses that proposed to be registered as a close corporation but it is no longer possible in South Africa to register a CC.
- ▶ Make use of illustrations such as images and graphs.

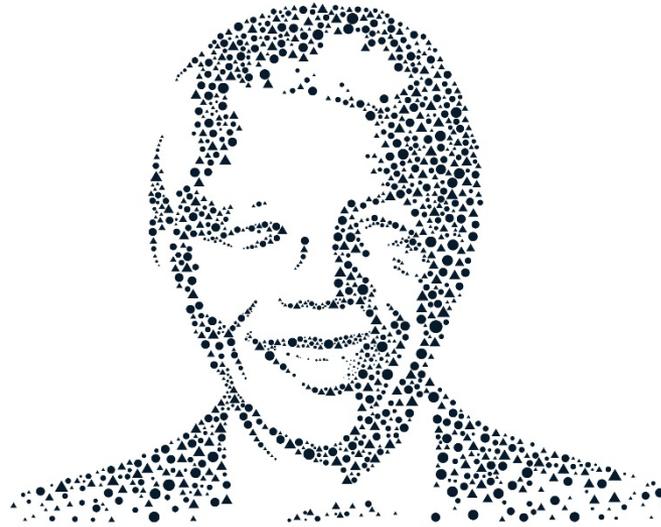
# TO IMPROVE : General

- ▶ Success factors lie in the details and a thorough understanding of the customer group and customer expectations.
- ▶ Candidates should work to improve and especially test in some formats if the target customers can be attracted with the current service idea.

# TO IMPROVE : General

Been an edifying process.

Wish all entrants success for themselves, for the contributions they can make to their communities and the country as a whole.



“Education is the most powerful weapon which you can  
use to change the world”

*Nelson Mandela (1918 – 2013)*



[www.leadersfortomorrow.co.za](http://www.leadersfortomorrow.co.za)

**THE END**

*THANK YOU*