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## Starter Pointments For A Startup

A successful company starts with a strong “Why”: a reason for being. A “Why” alone is not enough. It needs to connect to the consumer in a direct and resonant way.

One of the most important things a company should emphasize on is the importance of the product or the service that would fulfil the job the consumers hire it for. The second point to note is to avoid the pain the consumers normally suffer wrt that job and also to capture the gains for the consumer.

The following are some of the pointers which could come in handy during the initiation of a company:

1. Customer segmentation: Based on sociographics , demographics or geographics , we could look into defining attributes like common culture or common behaviours within the population. This kind of classification based on relevant differences helps in giving sustainable profits.
2. Channels through which the product or service reaches the consumer: It is quite important to have a rough idea of distribution and sales during the initial stages of business and decide on the kind of salesforce that would be used
3. Consumer relationships: Establishment, maintenance and growth of relationship with the consumer can be everything from after-market support to marketing and direct sales. It is about how the relationship is being fed.
4. Revenue streams: If we're successful in building 1, 2 and 3, we can combine them to generate sales which is called revenue in business terms.
5. Key resources: They include the physical raw materials, intellectual resources like patents, property rights etc and financial resources (money through sales) which will fund the physical and intellectual resource requirements.
6. Key activities: The key activities for any business would include maximizing their network and invest in R & D activities to keep improvising the product.
7. Key partners: Apart from the partnership with whom the business should form, so that their revenue and marketing improves, the partnership with Government regulations is also a major consideration.
8. Cost structure: The key activities, key partners and key resources determine the cost structure. For product based businesses, R & D is the major resource invested upon where as, for service based businesses, payroll for employees is the major investment.

For everything a business controls internally, there is a swirling mass of external forces that it

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can't control, but needs to be aware of, to anticipate, to mitigate and to capitalize on! We will use two main tools to identify and analyze this external environment: Porter's 5 forces and PEST. This analysis is what we call "Horizon Scanning".

Horizon scanning helps in the visualisation of where exactly our business is heading at. Hence horizon scanning considers the political, economical, social and technological aspects of the business along with the competitors; whether they're smallscale or largescale, whether they're friendly or hostile, etc

Michael Porter developed a model in 1979 and companies still use it to evaluate an industry, to come up with objectives and strategies to take advantage of key factors and trends – what Porter calls 'forces'.

He names four main forces that act as inputs:

**Buyer Power:** looks at factors such as the number of buyers, if buyers are price sensitive and how concentrated their buying power is.

**Supplier Power:** concerned with how much leverage a supplier has in the industry. This force is concerned with questions such as: how unique is the supplier's good or service and how easy is it to move your business to another supplier?

**Threats of Substitutes:** Sometimes, consumers may look for substitutes to the product and they might go for it (ex: RedBull instead of coffee) or not (ex: Louis Vuitton handbags – counterfeits not chosen).

**Threat of New Entries:** This force looks at how easy it is for a new player to enter the industry and take some of the market. It includes asking questions like – what are the barriers to entry? Is there a lot of capital required to start the business? Is there government regulation that shapes the market?

Leading to the fifth force: **Competitive Rivalry:** This force is the resultant of all the above forces combined.

PEST is one of the simplest and most effective tools for this macro-environmental analysis. It looks at the political, economic, social and technological trends that affect our market, our customers, our suppliers, our partners and our overall industry. This is to make sure we're capitalizing on opportunities and adjusting course to potential risks.

Rita McGrath steps in for the big players when it comes to disruption. She gives us a framework that focuses on how companies develop their competitive advantage. She breaks it up into five phases:

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1. Launch
  2. Development
  3. Exploitation
  4. Reconfiguration
  5. Disengagement

Such graphs for many products and processes going on in a company will be formed and will constitute a portfolio.

So we look at our own portfolio of products or services such that we always have a buffer against new entrants and go towards continued profits.

Accounting is about identifying, recording and presenting information; it is the forward scout in your business operations, surveying the landscape, and taking stock of your own position, so you know where you stand, what your weaknesses are, and where you should be allocating your resources.

We generally break down accounting into two main fields:

1. Financial Accounting: for external stakeholders like banks and shareholders who wish to have a look at the company's assets, liabilities and performance. Hence the calculations will be uniformly provided by the company to them.
2. Managerial Accounting: for internal decision makers like managers and other analysts who require tailor made, non uniform calculations of finance.

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