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**Fachhochschule des
Mittelstands (FHM)**



MOVIDIS – Lecture: Company Founding 4/5 (SS 2022)

Organizational Information



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Nr.	date	time
1	16.02.2022	3 pm – 4:30 pm
2	16.03.2022	3 pm – 4:30 pm
3	13.04.2022	3 pm – 4:30 pm
4	11.05.2022	6 pm – 7:30 pm
5	01.06.2022	6 pm – 7:30 pm

Beside those live-sessions we can arrange individual sessions (if you want):

MS-Teams-Link:

https://teams.microsoft.com/l/meetup-join/19:meeting_NmM0ZjFmNGYtMGlxOS00MzQzLWE0ZTEtMTVhMmQ2Mjl4NWQz@thread.v2/0?context={%22Tid%22:%225bf0da95-0f18-4542-9d8d-44c524396b7f%22,%22Oid%22:%22707784c7-d4a3-46e4-b470-856728c77c6f%22}

Prof. Dr. Ralf Brüning
bruening@fh-mittelstand.de
Skype: [bruening-1](#)

Review: business plan



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Adjusted scope recommendation:

Contents:

- | | |
|---------------------------------------|-------------------|
| 1. Executive summary | approx: 1 page |
| 2. Product or service idea | approx: 3 pages |
| 3. Founding team | approx: 0,5 pages |
| 4. Industry and market | approx: 4 pages |
| 5. Marketing planning | approx: 3 pages |
| 6. Business system and organization | approx: 4 pages |
| 7. chances and risks | approx: 1 page |
| 8. Financial planning (3-5 year plan) | approx: 4 pages |

-> Questions about the overview content-chapters???

2. Exercise



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The Elevator Pitch

Task:

- Convince a potential investor – **or your customer target groups** - of your business idea within a very short time (about 30 seconds)! think carefully about what is important and use the FHM elevator ... ;-)

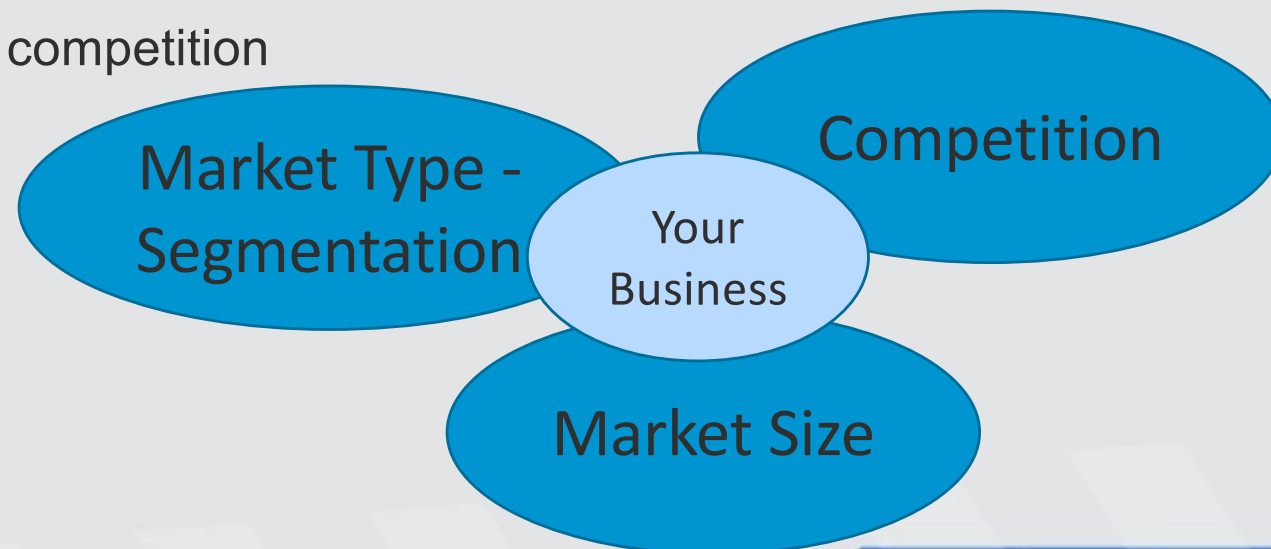
Structure / Chapters:

- **CHAPTER 1:** Introduction: basics of entrepreneurship & business planning
- **CHAPTER 2:** Business idea, business- and revenue model / management (Modules 1-3)
- **CHAPTER 3:** Market research, Marketing concept & sales forecast (Modules 4-6)
- **CHAPTER 4:** Cost planning & accounting, calculation & pricing (Modules 7-10)
- **CHAPTER 5:** Financial planning & risk-management (Modules 11-14)

3. review: Market Research

Industry and Market:

1. **Market Type:** Desired market segments and target groups
2. **Market Size:** Comprehensive analysis regarding market potential, market volume and market growth
3. **Competition:** Structure, existing and potential competitors, positioning compared to the competition



3. **review:** Marketing Concept

Marketing Concept

= A detailed plan describing how a product or service will be marketed.

- **strategic** (long-term) marketing planning
 - regarding detailed market segmentation, competitive strategy, product positioning

- **operational** (short-term) marketing planning
 - regarding implementation of the strategies,
 - coordination of the marketing mix instruments (4 P's)

3. review: Marketing Concept

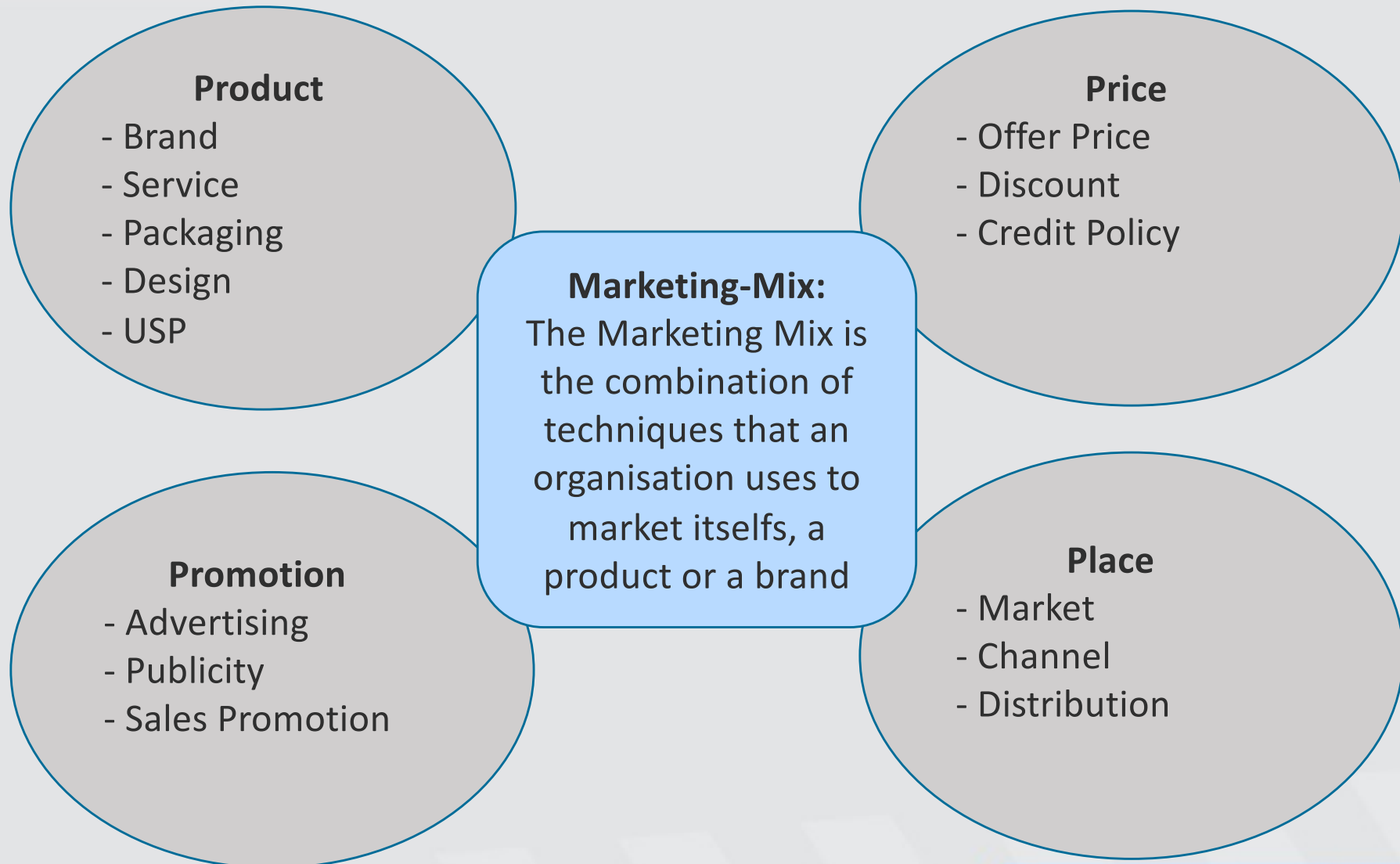


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Key question: What is the best way to sell your products and services ?

1. What is the **USP** of your business idea ?
 2. Who is your **typical customer** and what are his **needs** ?
 3. What marketing **strategy** are you pursuing ?
 4. How do you design your **Marketing Mix** ? (4P`s: Product, **Price**, Place and Promotion – these 4 points must be considered for your business idea!)
- > What is your **marketing concept** ?

3. review: Marketing Concept



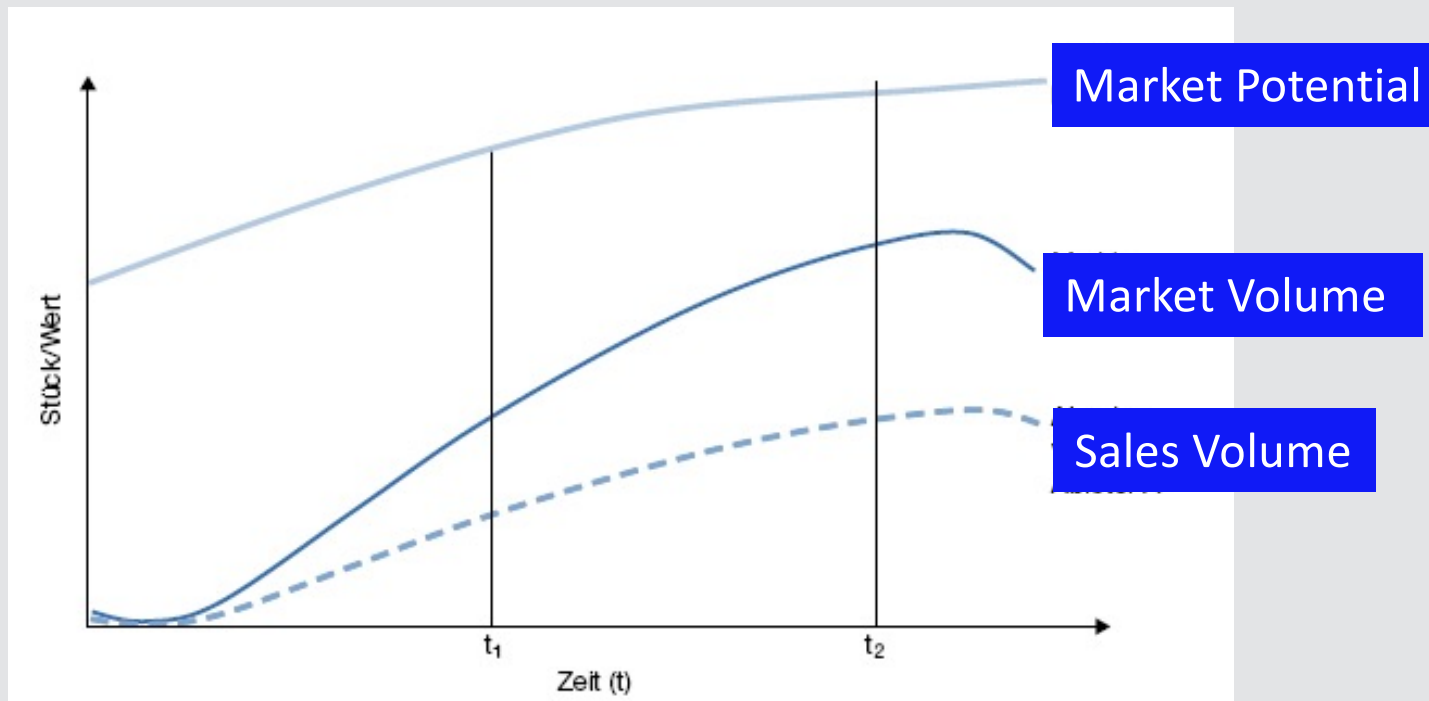
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4 Cost planning & accounting, calculation & pricing



Key parameters for the quantitative description of the relevant market:



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Market potential: important key figure for assessing the attractiveness of the business idea:

-> Amount of potential customers x required amount (per year, in sales or sales units)

Example: Marketing Consulting for regional SMEs

Number of regional SMEs

x estimated need for advice (per year in hours)

x average hourly rate for marketing consulting

= **estimated market potential** (of the target group per year)

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Own (estimated) sales potential:

-> Amount of potential customers x required amount (per year, in sales or sales units) that **can basically be served by me**

Example: Marketing Consulting for regional SMEs

Number of regional SMEs

- Long-term customers bound by the competition

x estimated need for advice (per year in hours)

x average hourly rate for marketing consulting

= **estimated sales potential** (of the target group per year)

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Use cases: Estimation of market potential / market volume

Show a plausible course of action how you could:

- determine the **market potential / market volume** for **baby diapers** in your country!
- determine the **market potential / market volume** for **your business idea**!

Then discuss procedures (and results)!

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Key Questions for your sales forecast:

- How many services / products can you sell per hour, per day, per week, per month, etc. in three (or five) years?
- Is the forecast sales realizable?
- Define the capacity utilization!
- Calculate sales based on the sales forecast!
- Explain why sales are realistic and achievable!
- How high is the risk? Create best and worst cases!

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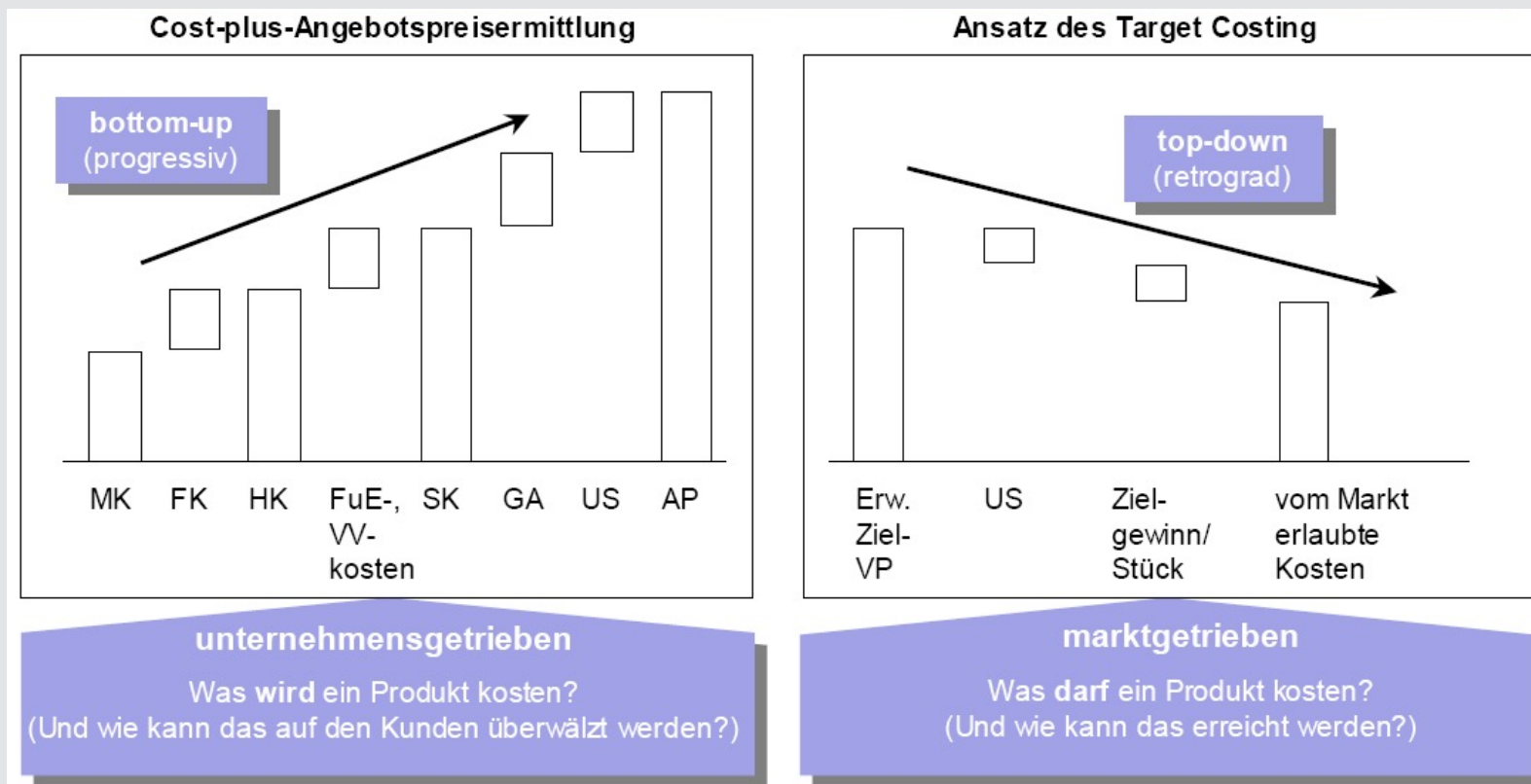
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Pricing policy: pricing options

- Cost-oriented
- Competitive-oriented
- Customer-oriented

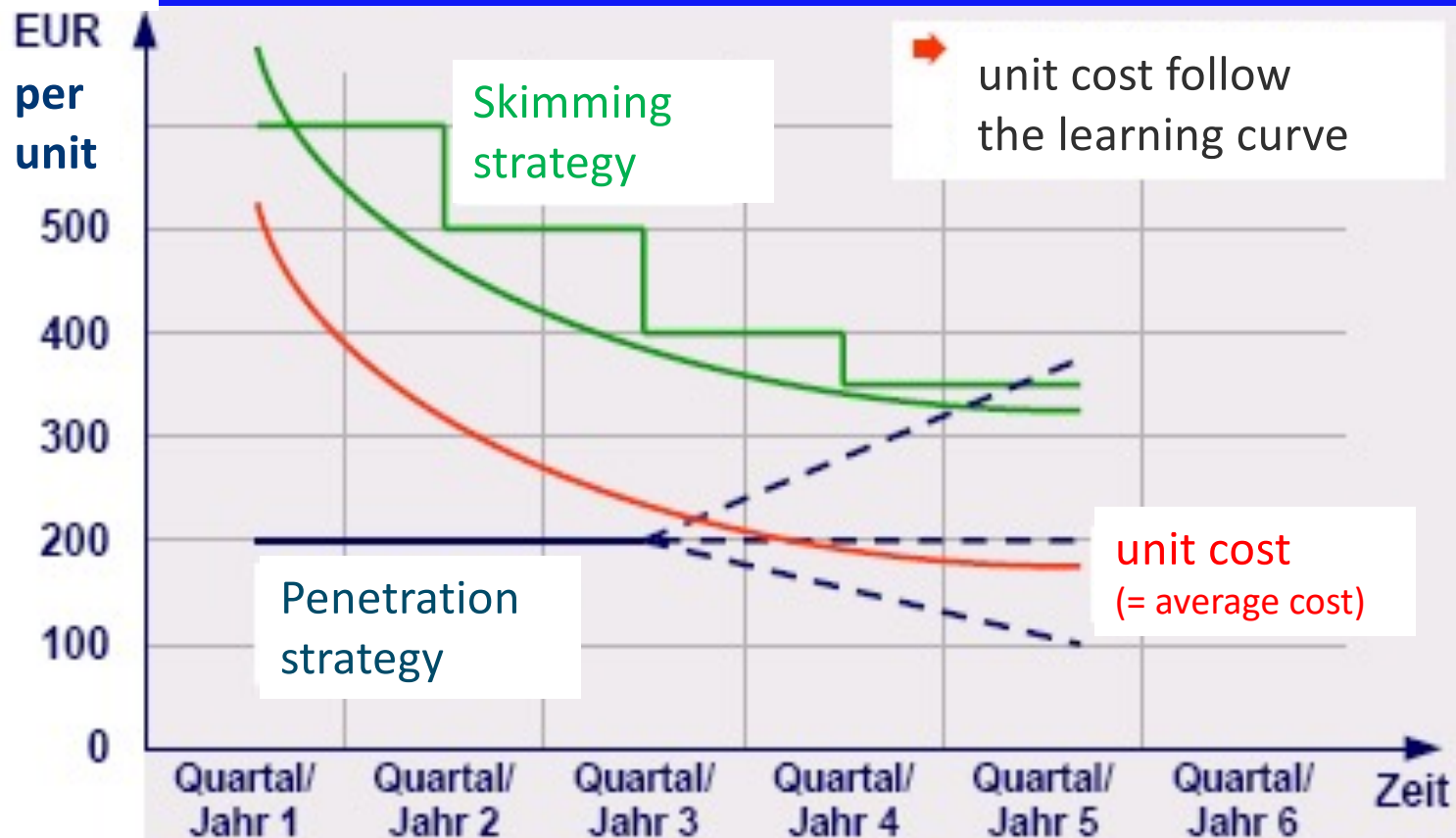
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Cost-Plus Approach vs. Target Costing



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Dynamic Pricing



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Contribution Margin

Aim: unit contribution margin as a decision rule

Unit contribution margin (ucm) = price (p) – variable costs (c_v)

$$\text{ucm} = p - c_v$$

Total contribution margin (CM) to determine the company's profit:

$$\text{ucm} * x = \text{CM} > C_f$$

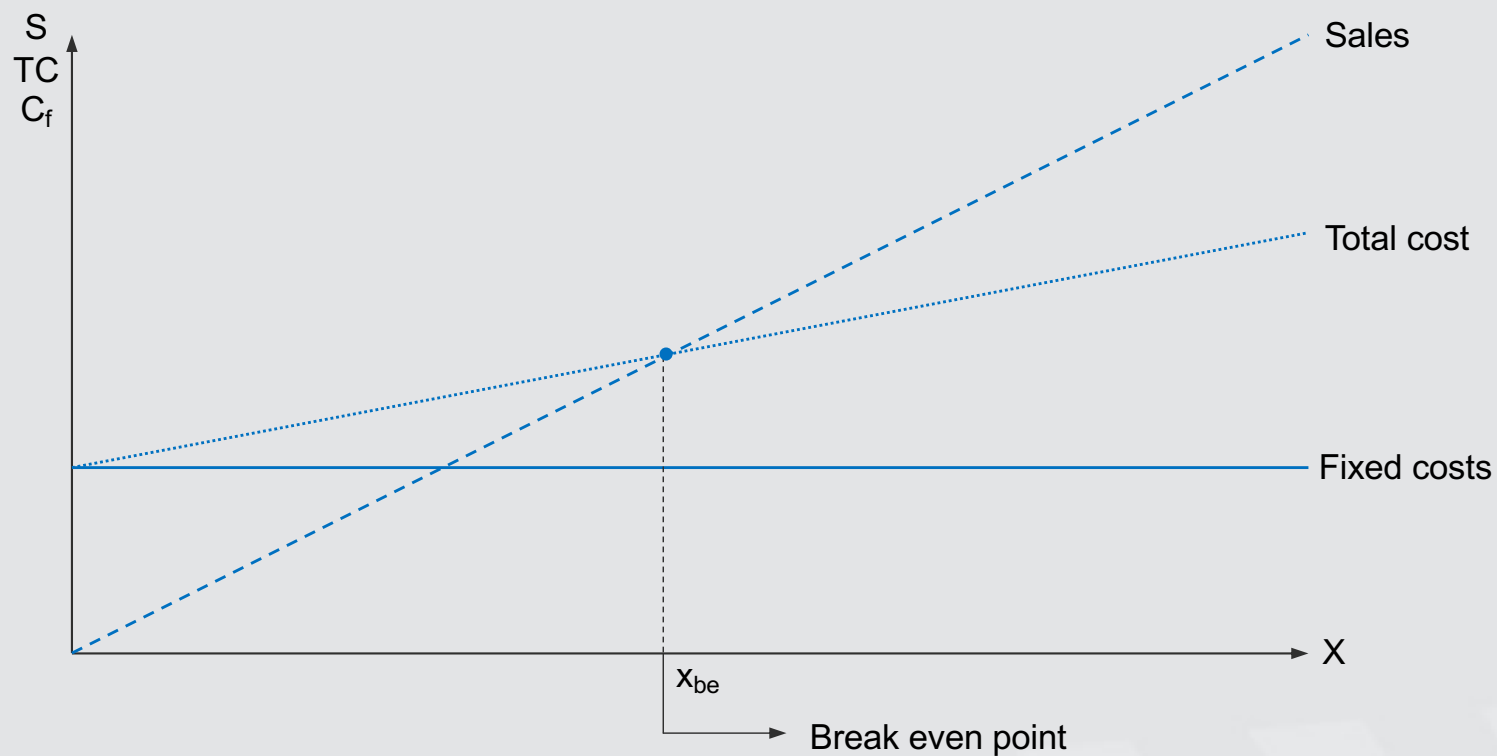
(C_f = fixed costs)

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Break-Even-Point:

$$X_{be} = \frac{C_f}{p - c_v} = \frac{C_f}{ucm}$$



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Contribution margin calculation / break-even calculation (example): A

Mr. Brath runs a sausage stand on Rudolfplatz in Cologne and only sells brat (h) sausages (!) there. The price of a sausage is € 2.50, which he purchases for € 1.00 (= variable costs). However, all sausage sales still have to cover the fixed costs, such as rent, staff, stand fees, etc., which amount to € 5,000 per month.

- a) How high is the unit contribution margin?
- b) How many sausages does Mr. Brath have to sell per month to get into the profit zone?

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Contribution margin calculation / break-even calculation (example): A

a) How high is the unit contribution margin?

$$ucm = p - c_v$$

$$ucm = 2,50 - 1,00 = 1,50 \text{ Euro}$$

b) How many sausages does Mr. Brath have to sell per month to get into the profit zone?

$$X_{be} = \frac{C_f}{p - c_v} = \frac{C_f}{ucm}$$

$$x_{be} = 5.000 / 1,50 = 3.334$$

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Contribution margin calculation / break-even calculation (example): B

Mr. Brath now realizes that his price of € 2.50 is not competitive and he hardly sells anything. So he lowers his price to € 2 and can finally sell a lot more sausages.

- a) How low can he set his price in principle?
- b) What happens if he only reaches the minimum sales from A?
- c) What are the basic options open to Mr. Brath?
- d) Think about sensible options for price differentiation!

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Contribution margin calculation / break-even calculation (example): B

a) How low can he set his price in principle?

$$ucm = p - c_v \geq 0$$

-> $p \geq 1$ Euro (all variable costs are covered)

b) What happens if he only reaches the minimum sales from A (= 3.334 units)

$$\begin{aligned} \text{Profit} &= \text{Sales} - \text{total cost} \\ &= 3.334 \times 2 - (3.334 \times 1 + 5.000) \\ &= 6.668 - 8.334 \\ &= -1.666 \text{ (loss)} \end{aligned}$$

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Exercise:

How are your approaches to pricing, cost planning and quantity planning?

Important information for your exam:



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Deadline for the (latest) delivery of your business plan:

31. of July 2022

via E-Mail to

ralf.bruening@fh-mittelstand.de

AND at the same time to:

pruefung@fh-mittelstand.de



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