

Concept Statement Guidelines

EXCERPT FROM ENTREPRENEURSHIP, BY DR. ALAN L. CARSRUD AND MALIN E. BRÄNNBACK. GREENWOOD PUBLISHING.



DEVELOPING THE CONCEPT

Developing a concept it is necessary to first clarify what the business is, that is, what the purpose is. According to one of the most influential thinkers in management, Peter Drucker, the purpose of a business is to create a customer. Drucker claimed this in 1954, half a century ago! Yet, this seems to be one of the hardest truths in business to get across. In other words, it is not profit, innovation, or total quality management. It is to create a customer. Profitability is a necessary requirement, but not the purpose. With no customers, there will be no need to produce products, so no profit and no problems with creating shareholder value because there is NOTHING.

So how does the firm create a customer? Drucker answers, “through marketing and innovation.” When writing a business plan, what really takes place is a formalization process of the business concept of how to create a customer. The business concept is the business model that proves it is possible to create a market with effective demand, that there are customers willing to pay. A viable business model requires a sound revenue model, with one objective- to be profitable. Again, according to Drucker, profit is the test of the validity of the business model or the concept. More importantly, profit is a condition of survival, the cost of the future, the cost of staying in business.

Business plans are not only written for founders and venture capitalists. Actually, we think it is first and foremost a tool for the entrepreneur as a means to clarify to himself or herself what the business is, should be, and will be. It is an analysis, organizing, and communication tool. Writing a business plan is a process that justifies the venture; it is a feasibility study and a blue print. The business plan and the process of developing the business concept should provide answers to the following questions:

- What is the business of your firm?
- What is your business really?
- What will your business become?
- What is your firm trying to accomplish?
- Do you know how you are doing and where you are going?

Developing a concept and ultimately a business plan for activating the concept is like imagining the venture five years ahead into the future. But it is an imagination process that is based on facts rather than pink dreams. While the concept statement, which is short and concise, is the key part in a business plan it is also the key for the entire venture. If the concept statement is blurry it is highly likely that the entire idea is equally fuzzy. The plan is a formalization of your imagination exercise-the five-year future vision. What is it? What should it be? How will you get there? Good questions to ask are

- What customer needs, wants, and fears are presently going unaddressed?
- Will requirements of present customers change?
- What new end-user applications are likely to emerge?
- What new technologies will be used to meet unmet needs of customer groups?
- What will competitors do and what difference will that make?
- What customer needs and customer groups should the organization be getting in position to serve?

But there are more questions to be asked in the process of concept development. What should be created? What could be created by this firm? Is this firm capable of implementing the creation? It is possible to envision the concept and the firm in this development process one year, three years, and five years ahead? While this is not the concept statement, it is an image of the mental activities involved in the process of developing the concept statement. The result should be a concept expressed in no more than four sentences in nontechnical language. That is, Tell me what it is you are trying to do and why would anyone give you money for it.

The difference between a concept statement and a mission statement is very small. The significant difference is perhaps that a concept statement tells people what a venture is like before it exists.

For the benefit of the reader we have created a question checklist. Our experience from teaching entrepreneurship and helping to write business plans have taught us that writing a business plan is as much a scientific process as it is an artistic one. We claim that there is no single way to write a plan but there are a lot of ways to do it wrong. Therefore, these questions are beneficial. They will help the entrepreneur and the management team create a common understanding of what should be done and what they want to do.

The checklist of questions is for each section of the plan. It is not a fill-in-the-blanks exercise. Some questions may be relevant for the venture and some may not be. It is for the entrepreneur to determine which they are. Since it is important that the business plan is written by the entrepreneur and not a consultant or somebody else, these questions are here to help in that process. Think of the answers to the questions as a set of statements.

The Concept Checklist or the Elevator Pitch

1. Define the important and distinct functions of the product/service.
Domino's distinct feature was its delivery, not its pizza.
2. What are the unique or proprietary aspects of the product/service?
Are there patents, formula, brand name, copyright, trademark, and the like?
3. Describe any innovative technology involved with the product/service.
What is new or different (e.g. eclectic toothbrush, unique organizational structure, new production techniques).
4. Describe the position the concept plays in the industry.
Manufacturing, distributor/wholesaler, retailer, and so on.
5. Who is the intended customer or customer group?
Who will pay for the products or services?
Who makes the decision?
Who will use the products or services?
6. What benefits will be delivered to the customer?
What problems are you solving for your customer? (e.g., people buy 1/4" holes, not 1/4" drill bits).
7. How will the product/service be sold to the customer?
Retail stores, direct sales, manufacturers representatives, telemarketing, distributors, franchising, Internet, strategic alliance.
8. Who will make the product or design the service?
Subcontractor, in-house, home-base contractors; outsourced; and others.
9. How will the customer know you exist?
How will they become aware of you?

All of this may sound very easy, but it is not. The trick is doing it in one paragraph containing no more than four sentences. Get some paper and try to do this for the business! From years of work and research we have found it will take approximately thirty versions to get it down to something that is easily understood by others. The value of this exercise is that once it has been done it is

easy to respond to someone in, for example, an elevator when they ask what your business is about or what you do- the elevator pitch.

CONCEPT STATEMENT EXERCISE

Consider this somewhat lengthy concept statement:

La Mexican Topical Café is interested in developing land on Sapphire Drive in Weston, Florida. Our business concept is a High End Mexican Restaurant. The design will create a dining experience that can be reproduced in a franchise format. Familiar Mexican fare will be presented in a gourmet adaptation. We will bring an elegant overtone to the party atmosphere generally associated with a Mexican Restaurant. Beyond the gourmet appeal, trends in dieting (Atkins, South Beach). This is to serve the dieter who wants to tap the market of folks who would like to drink but are constrained by a diet, this "on a diet" menu will include "low-to-no-carb" alcoholic beverages like "Bacardi and no-carb Coke" or drinks made with Splenda instead of sugar.

Rewrite this concept and shorten it so that it is more exciting or appealing to readers. Are all details in here necessary?