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Pharmacy · Data · AI · Healthcare

BP503T · B.Pharm Theory Notes

Innovation and Startup Ecosystem

Unit IV — Business Models and Startup Operations

Semester V · 6 Hours

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Chapter 4 — Business Models and Startup Operations

Unit IV — Business Models and Startup Operations

4.1 Learning Objectives

After studying this chapter, you will be able to:

1. Explain the 9 building blocks of the Business Model Canvas (BMC).
2. Develop a BMC for a new pharmacy venture.
3. Design a value proposition.
4. Compare legal structures: sole proprietorship, partnership, private limited company.
5. Explain IPR: patents, trademarks, copyrights.
6. Describe startup funding stages: bootstrapping, angel investors, venture capital.
7. Explain the importance of the founding team and mentors.

4.2 Key Definitions

- **Business model:** The plan describing how a company creates, delivers, and captures value — simply, how it earns money.
- **Business Model Canvas (BMC):** A one-page visual chart with 9 boxes that describes the whole business.
- **Value proposition:** The clear reason why a customer should choose YOUR product — what problem you solve and why you are better.
- **Intellectual Property Rights (IPR):** Legal rights over creations of the mind — inventions, brand names, creative works.
- **Bootstrapping:** Starting and growing a business using your own money, without outside investors.
- **Angel investor:** A wealthy individual who invests personal money in early startups.
- **Venture capital (VC):** A company that invests large pooled money in startups with high growth potential, in return for ownership share.

4.3 Terminology Table

Term	Simple meaning
Business model	How the company earns money
BMC	One-page 9-box business plan
Value proposition	Why customers should choose you
Patent	Legal protection for a new invention (20 years in India)
Trademark	Legal protection for brand name/logo

Term	Simple meaning
Copyright	Legal protection for creative works (books, software, music)
Equity	Ownership share in the company
Founding team	The first 2–4 people who start the company together
Due diligence	Investor's deep checking of the startup before investing

4.4 Business Model Canvas — The 9 Building Blocks

TECHNICAL CONCEPT

The BMC fits the entire business logic on one page so founders, teams, and investors see everything at a glance.

The 9 blocks (describe as a 3×3 grid for drawing):

#	Block	Simple meaning	Pharmacy startup example
1	Customer Segments	WHO are your customers?	Chronic-disease patients in Tier-2 cities
2	Value Propositions	WHY should they choose you?	Genuine medicines delivered in 2 hours + free pharmacist call
3	Channels	HOW do you reach them?	Mobile app, WhatsApp, phone
4	Customer Relationships	HOW do you keep them?	Refill reminders, loyalty discounts
5	Revenue Streams	HOW does money come in?	Medicine margins, delivery fees, subscription plans
6	Key Resources	WHAT do you need?	Pharmacist licence, delivery staff, app, medicine stock
7	Key Activities	WHAT do you do daily?	Order processing, delivery, counselling
8	Key Partnerships	WHO helps you?	Wholesalers, diagnostic labs, doctors
9	Cost Structure	WHERE does money go out?	Salaries, rent, app maintenance, delivery fuel

4.4.1 Developing a BMC for a New Venture

STEPS

(1) Start with Customer Segments and Value Propositions — these are the heart. (2) Fill Channels, Relationships, Revenue. (3) Then Resources, Activities, Partnerships, Costs. (4) Check: does revenue exceed cost? If not, redesign.

4.4.2 Value Proposition Design

A good value proposition answers three questions in one or two lines:

1. Which customer? 2. Which problem? 3. Why better than alternatives?

- Weak: "We sell medicines online." (Everyone does.)
- Strong: "For busy working parents in Pune, we deliver genuine paediatric medicines within 90 minutes, verified by a qualified pharmacist on call."
- Test it: read it to 10 customers — if most say "I need this," it works.

INFOGRAPHIC CONCEPT

"The 9-Box Business" — a 3×3 grid with icons: people (customers), gift (value), truck (channels), heart (relationships), rupee (revenue), toolbox (resources), gears (activities), handshake (partnerships), wallet (costs).

4.5 Legal and Financial Aspects

4.5.1 Legal Structures

Feature	Sole Proprietorship	Partnership	Private Limited Company
Owners	One person	Two or more partners	Shareholders (2–200)
Registration	Very simple	Partnership deed	Formal company registration (MCA)
Liability	Unlimited — personal assets at risk	Shared as per deed	Limited — only company assets at risk
Best for	Small medical shop	Two pharmacists opening a store together	A startup planning to raise investor money
Example	A single-owner retail pharmacy	Two friends running a wholesale distributorship	An online pharmacy startup

KEY TAKEAWAY

Investors almost always require a private limited company, because liability is limited and ownership shares are clear.

4.5.2 Intellectual Property Rights (IPR)

Right	Protects	Example	Duration (India, generally)
Patent	A new invention (product or process)	A new drug-delivery device	20 years
Trademark	Brand name, logo, tagline	Your pharmacy brand name and logo	10 years, renewable forever
Copyright	Creative works	Your app's content, training manuals, jingles	Lifetime of author + 60 years

PHARMACY RELEVANCE

A new herbal formulation process can be patented; your startup's name and logo must be trademarked early (before someone else takes it); your training videos are automatically copyrighted.

COMMON CONFUSION

Patent protects the INVENTION (how it works); trademark protects the BRAND (name/logo). A medicine's formula may be patented, while its brand name (e.g., Crocin) is trademarked — two different rights.

4.5.3 Startup Funding

Stages of money:

1. **Bootstrapping:** Using your own savings and early profits. Full control, but slow growth. Example: starting a pharmacy with family savings.
2. **Angel investors:** Wealthy individuals invest ₹10 lakh–₹2 crore in very early startups, also giving guidance. They take a small ownership share.
3. **Venture capital (VC):** Professional firms invest crores in startups that show fast growth. They take a bigger share and a board seat, and expect the company to grow very big or get acquired/listed.

Flowchart (describe for drawing): IDEA (own savings → bootstrapping) → MVP works (angel investor) → Fast growth (venture capital) → Big success (IPO/acquisition). At each stage, the founder's ownership percentage reduces — this is normal.

ANALOGY

Funding stages are like school classes — you must pass each class (prove results) to enter the next.

4.5.4 Practical Aspect

Participation in IPR awareness programs or startup funding sessions: Government and colleges regularly conduct free IPR workshops (learn how to file a trademark/patent) and funding guidance sessions (how to pitch to investors). Attend at least one of each during this course.

4.6 Team Building and Mentorship

4.6.1 Importance of the Founding Team

INVESTOR INSIGHT

"We invest in the TEAM, not just the idea." Why?

One person cannot do everything: you need different skills — pharmacy knowledge, technology, sales, finance.

A 2–4 person founding team covers the 9 BMC blocks better than one person.

Teams survive tough times; lonely founders quit faster.

4.6.2 Roles and Responsibilities

Role	Handles	Example person
CEO (Chief Executive)	Overall direction, fundraising	The pharmacist founder with the vision
CTO (Technology)	App/website/product building	An engineering friend
COO (Operations)	Daily running: orders, delivery, staff	A management-skilled partner
CFO/Finance	Money, accounts, legal	A commerce-background partner (can be part-time early on)

RULE

Choose co-founders for SKILLS you lack and VALUES you share — not just friendship.

4.6.3 Value of Mentors and Advisors

- Mentors have already made the mistakes you are about to make — they save you years.
- They open doors: introduce you to investors, suppliers, and customers.
- How to get one: college incubation centres, alumni networks, startup events; approach with a clear, short ask ("Can I take 20 minutes of your guidance on my pharmacy delivery idea?").

4.7 Key Points

1. BMC = 9 boxes on one page describing the whole business.
2. Start BMC with customers and value proposition.
3. Value proposition: which customer, which problem, why better — in 1–2 lines.
4. Legal structures: sole proprietorship (simple, unlimited liability), partnership (deed), private limited (investor-ready, limited liability).
5. IPR: patent (invention), trademark (brand), copyright (creative work).
6. Funding ladder: bootstrapping → angel investors → venture capital.
7. Founding team of 2–4 with complementary skills; mentors save years of mistakes.

4.8 Common Confusions

- **Confusion:** "A business plan and BMC are the same." **Clarification:** A business plan is a long document; BMC is its one-page visual summary.
- **Confusion:** "Patent and trademark are the same." **Clarification:** Patent = invention; trademark = brand name/logo.
- **Confusion:** "Funding means free money." **Clarification:** Investors take ownership share and expect big returns.

4.9 Common Mistakes

1. Filling the BMC starting from "key resources" instead of customers.

2. Writing a vague value proposition ("best quality, low price") that any competitor can claim.
3. Choosing co-founders only because they are friends, ignoring skill gaps.
4. Delaying trademark registration until a dispute arises.

4.10 Mnemonic

BMC 9 blocks — "CVCRR-RAKC": Customer segments, Value propositions, Channels, Relationships, Revenue, Resources, Activities, partnerships (Key), Costs. (Say: "See Vee Cee R R — Rack.")

Funding ladder — "BAV": Bootstrapping, Angels, Venture capital.

IPR — "PTC": Patent, Trademark, Copyright.

4.11 Exam Summary (One-Page Revision)

- Business model = how the company earns money; BMC = 9-box one-page version.
- 9 blocks: customers, value proposition, channels, relationships, revenue, resources, activities, partnerships, costs.
- Value proposition: which customer + which problem + why better, in 1–2 lines.
- Legal: sole proprietorship (one owner, unlimited liability), partnership (deed), private limited (limited liability, investor-ready).
- IPR: patent (invention, 20 yrs), trademark (brand, renewable), copyright (creative work).
- Funding: bootstrapping (own money) → angels (early individuals) → VC (big growth money); ownership dilutes at each stage.
- Team: 2–4 founders, complementary skills (CEO/CTO/COO/finance); mentors guide and open doors.
- Practical: attend IPR awareness and startup funding sessions.

4.12 One-Minute Revision

ONE-MINUTE REVISION

BMC: 9 boxes, start with CUSTOMER + VALUE. Value prop = who, what pain, why better. Legal: sole/partnership/Pvt Ltd — investors want Pvt Ltd. IPR: PTC (invention/brand/creative). Money ladder: BAV. Team beats idea; mentors beat mistakes.

4.13 Exam Questions

Short answer:

1. What is a Business Model Canvas?
2. Define value proposition.
3. Distinguish between patent and trademark.
4. What is bootstrapping?
5. Why is a founding team better than a single founder?

Long answer:

1. Explain the 9 building blocks of the Business Model Canvas with a pharmacy startup example.
2. Compare sole proprietorship, partnership, and private limited company as legal structures for a startup.
3. Explain patents, trademarks, and copyrights with examples relevant to pharmacy.
4. Describe the stages of startup funding with merits and limitations of each.
5. Discuss the importance of team building and mentorship in a startup.

MCQs:

1. The heart of the BMC is:

a) Cost structure and revenue b) Customer segments and value propositions c) Key partnerships d) Key resources

Answer: b

2. Which IPR protects a brand logo?

a) Patent b) Copyright c) Trademark d) Design registration only

Answer: c

3. Limited liability is a feature of:

a) Sole proprietorship b) Partnership c) Private limited company d) All of these

Answer: c

4. Angel investors typically invest:

a) After IPO b) In very early-stage startups c) Only in foreign companies d) Without taking any share

Answer: b

5. A strong value proposition must answer:

a) Only the price b) Which customer, which problem, why better c) Only the technology used d) The founder's qualification

Answer: b

Viva questions:

1. Draw the 9 BMC blocks from memory and name them.
2. Your startup name is taken by someone else — which IPR step did you miss?
3. Why do investors prefer private limited companies?

Application-based:

1. Create a BMC for "generic medicine home delivery in your district."
2. You and two friends are starting a herbal products brand. Which legal structure will you choose and why? Who will be CEO, CTO, COO?

4.14 References

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