

Preparing A Business Plan

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The Business Plan

Whether it's a start-up company, an expansion of an existing firm, a spin-off from a parent corporation, or even a project within a company's marketing or new products department, every business needs a guide to navigate successfully through its own unique competitive environment.

Preparing a business plan is:

- Part of the process of preparing for a business
- An intensely focused activity

Preparing a business plan is an activity that requires honest thinking about:

- Your business concept
- The business opportunity
- The competitive landscape
- The keys to success
- The people who will be involved



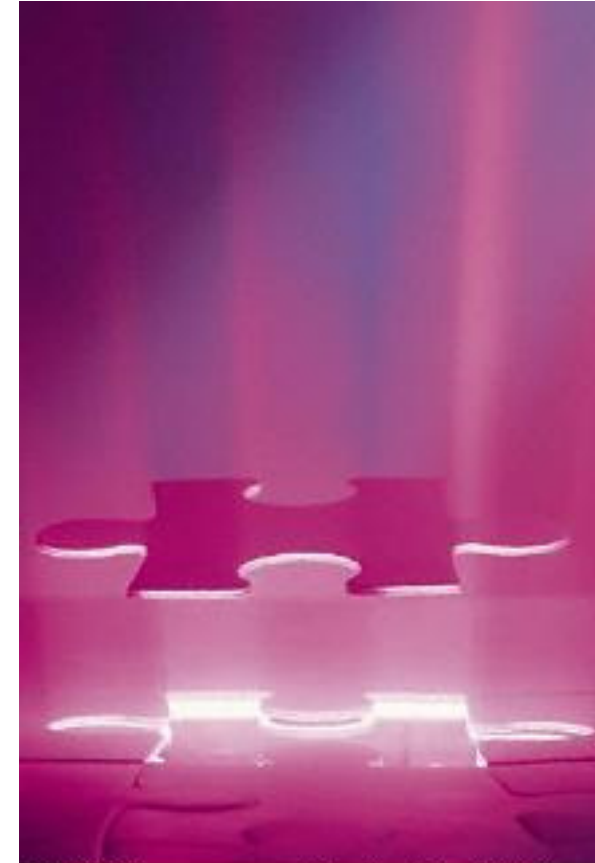
Getting Started

- ✚ **Define your purpose for constructing the business**
- ✚ **Define your business plan audience**
 - Who are your readers?
 - What do they need to know?
 - What do you want from them?
- ✚ **Determine your information needs**
 - Research
- ✚ **Information Sources**
 - Chamber of Commerce
 - ED
 - Internet
 - Industry Publications
 - Competitors



The Structure of the Business Plan

- ④ Cover page & table of contents
- ④ Executive summary
- ④ Business description
- ④ Business environment analysis
- ④ Industry background
- ④ Competitive analysis
- ④ Market analysis
- ④ Marketing plan
- ④ Operations plan
- ④ Management summary
- ④ Financial plan
- ④ Attachments & milestones



The Executive Summary

As succinctly as possible, the executive summary should describe the following:

- ✦ The industry & market environment
- ✦ The special & unique business opportunity
- ✦ The key strategies for success
- ✦ The financial potential
- ✦ The management team
- ✦ The resources or capital being requested

The formal Executive Summary

✦ The executive Summary is a formal statement presenting the company facts.

The mission Statement

✦ It should express the opportunity & business philosophy in one brief sentence.



The Business Description

The purposes of the business description are to:

- ① Express clearly your own understanding of the business concept
- ① Share your enthusiasm for the venture
- ① Meet the expectations of the reader by providing a realistic picture of the business venture

The Business Description should include information on:

- ① What the history of the concept or the business is
- ① What markets the business will serve
- ① What kind of business it is
- ① What the product of service is
- ① Why people will use it
- ① What the financial status is



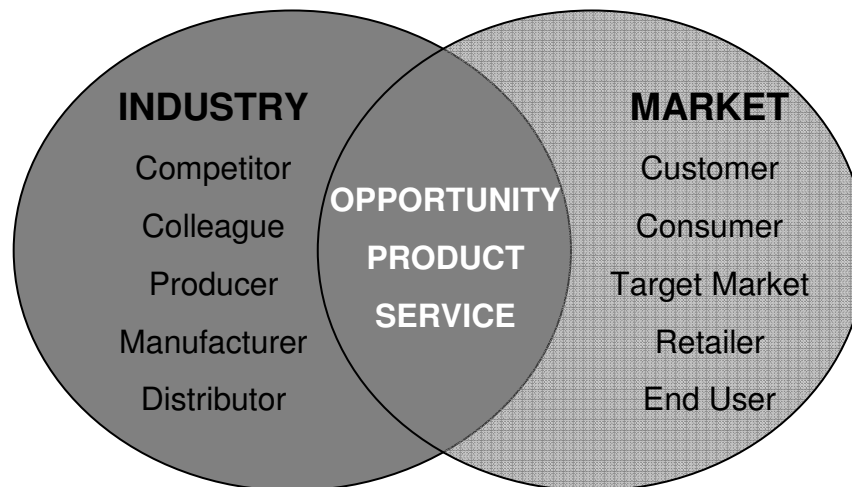
The Business Environment Analysis

The purpose of the business environment analysis is to show the reader what the business opportunity is in this industry & market.

The result of the analysis will:

- Provide you with a thorough understanding of the business environment
- Guide you in developing an effective marketing plan
- Persuade the readers of your business plan of the realistic potential of your business venture.

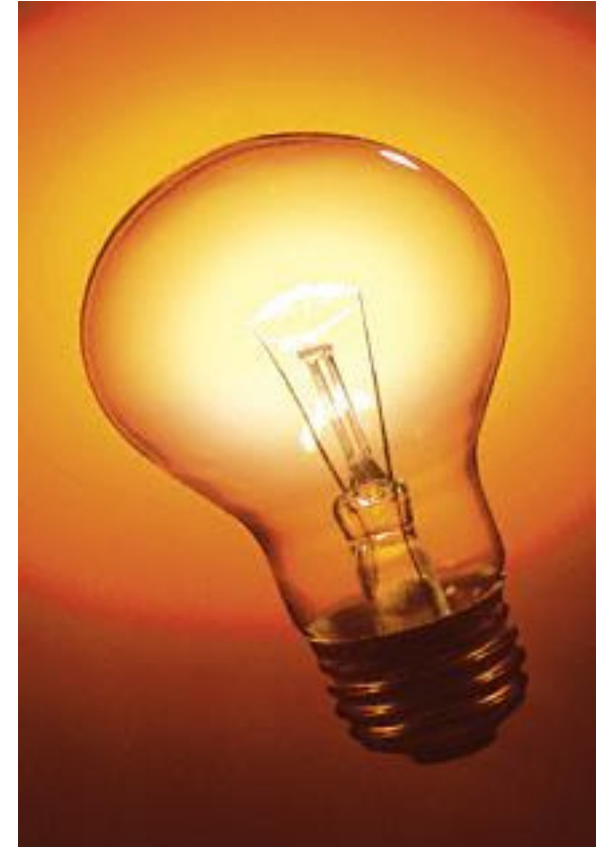
Venn Diagram for Preparing a Business Plan



The Business Environment Analysis

The key questions to be considered in the business environment analysis are the following:

- What is the industry? - *Characteristics*
- Who are your competitors within that industry?
- What is the market? – *geographically or demographically*
- Who are your customers within that market?



The industry Background

The industry background provides your reader with information to understand the shape, size, trends, and key features of the industry, and to understand how your product or service will fit into the industry. The important questions that this section must answer:

- **What are the products or service produced by the industry?**
- **What are the size and shape of the industry?**
- **What are the industry trends?**
- **What are the barriers to entry for this industry?**



The Competitive Analysis

Readers of your business plan will want to know who the direct & potential competitors of your business venture are because they represent a threat to the success of your venture. Understanding who and what your competitors are can reduce the risk of the failure of your business. Questions your readers may ask are:

■ Who are the competitors?

- Market share / marketing strategy / key success factors

■ What differentiates your product or service from the competitors products & services?

■ How much of a threat are your competitors to your venture?

- Do they enjoy strong brand recognition of their products?
- Will they aggressively block entrance of a new rival?



The Market Analysis

In this section, focus on your target market, that group of people who will choose to purchase & continue to purchase your products & services because you solve a problem or meet a need for them.

Your reader will be interested in the site of opportunity; therefore, you should include the following information:

- An indication of how large the market is & how fast it is growing.
- A definition of your target market.
- An explanation of why customers in the target market will purchase your product or service.



The Marketing Plan

The marketing plan describes how you intend to sell your product or service, how you will motivate the customer to buy. The purpose of developing and including the marketing plan in the business plan is twofold:

- The process of designing a coherent marketing plan that is an integral part of the overall business plan will help you and your team pretest ideas, explore options, and determine effective strategies for the company's success.
- The result of a well - conceived & coherent marketing plan will convince your business plan reader of your own competency

The marketing plan as a **road map**

A well – conceived & coherent marketing plan is a road map for introducing your product or service to your target market & inducing the customers within that market to purchase and use your product or service. The plan should reflect the mission and basic business philosophy of the company. It should also incorporate and use the results of your market research.



Developing the Marketing Plan

Begin the process of developing your marketing plan by looking at the key factors that affect the marketing of your product or service.

- ✿ Concentrate on the opportunity – *the customer problem that your product or service is solving.*
- ✿ Review your marketing objectives – *at what level of sales will you reach breakeven point? When do you anticipate reaching that point? How long will it take to reach the next sales milestone?*
- ✿ Focus on the buying behavior of the customer – *when, where, why and how do they buy this product or service? What needs are being fulfilled for the? What factors are important to the consumer in choosing this type of product or service?*
- ✿ Determine the value of each customer to your business – *Weighing the cost to acquire a customer with the long-term value of that customer helps you decide on the appropriate marketing strategies to use.*



Develop your mix of marketing strategies

Your marketing strategies determine the way you position your product in the market relative to your competitors' products. The strategies or marketing mix, will be the most effective combination of the classic four P's of marketing

- ◆ **Product/service.** Make sure that your product or service is consistent with both your company philosophy & the target market needs
- ◆ **Price.** At what price point will you offer your product or service? You will have a range of prices available determined by costs & expected contribution margins, but within that range, price adjustments can occur in response to consumer demand
- ◆ **Place.** How the product will be transported from the plant to the end user. What channels of distribution will be used? How will the product be merchandised?
- ◆ **Promotion.** Promotion involves creating consumer awareness of the product.



The Operations Plan

The operations plan gives an overview of the flow of the daily activities of the business and the strategies that support them. The primary purpose of the operations plan section is to show that you are focused on the critical operating factors that will make the business a success

Identify the key success factors for your business

- The breakeven point
- Advantages in sourcing materials
- Technological innovations in the manufacturing or distribution process
- A favorable geographical location
- Access to skilled employees or inexpensive labor
- An effective pricing strategy



The Management Summary

You & your team are the glue that brings the pieces together into a finely formed, dynamic unit.

Describe each member of the management team

- Where have they worked?
- What have they accomplished?
- What is their reputation in the business community?
- Are they realistic about the business's chances for success?
- What knowledge, skills and special abilities do they bring to the business?
- How committed are they to this venture?
- What are the motivations of each member of the team?



The Management Summary

Describe the team as a whole unit. Show how this is the right team to manage the risks and to capitalize on the opportunities by

- ✘ Affirming the team's strengths.**
- ✘ Acknowledging & addressing the team's perceived weaknesses.**
- ✘ Expressing the team's management philosophy.**



The Financial Plan

The financial plan is a critical section of your business plan because it translates all the other parts of the business into anticipated financial results.

Developing the financial plan

- ① The capital requirements of the business. How much do you need to raise, how much do you expect from them, and how do you intend to use the money
- ② Financial projections. Highlight & explain the importance of the significant figures from the pro forma income statements over a period of 3 to 5 years
- ③ Assumptions. State your assumptions about the estimated industry & market growth rates. Then give your assumptions about the internal variables of the business



The Financial Plan

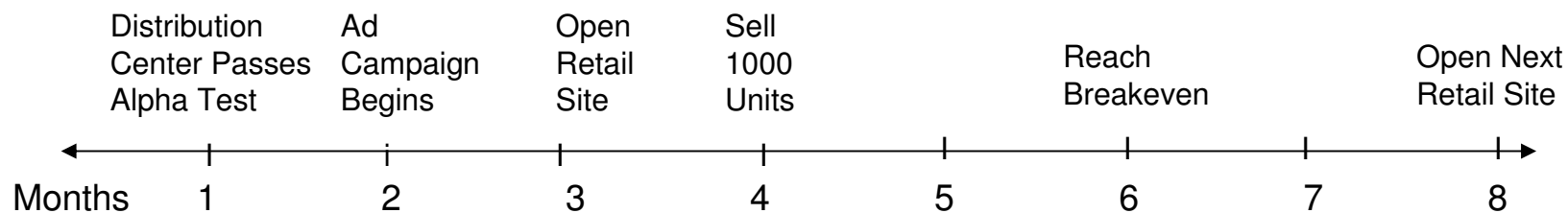
- Breakeven analysis for sales. The reader of the business plan would want to know when & at what level of sales the breakeven point will occur
- Probability of risk/reward. Your readers will want to know your assessment of the level of risk. They want to know how you plan to avoid the risk of failure & how you plan to increase the chances for success.
- Financial returns. The expected financial returns – whether the return on investment (ROI) or the internal rate of return (IRR) – is what the investor wants to see



Attachments & Milestones

Attachments come at the end of the business plan and serve a useful purpose of providing additional information for the reader without weighing down the body of the plan. Here you can include details of the financial plan, technological specifications of the production plan and the formal resumes for each member of the management team.

You can also include a milestones plan that lists the major events in the business's development. This serves to give your reader a perspective o the timeline for creating a successful business



Tips to Grow Your Business



Tips to Grow Your Business

- Never compromise on quality
- Keep your business plans simple and easy to follow
- Regularly check that you are on track to achieve your goals
- Meet frequently with business advisors to get advice
- Keep learning by attending business seminars and reading books

Tips to Grow Your Business

- Develop a habit of regularly meeting with successful entrepreneurs
- Learn to delegate
- Learn to outsource
- Learn to network
- Spend 70% of your time on marketing and selling
- Look after your existing customers but don't stop looking for new ones

Tips to Grow Your Business

- Employ the best possible people
- Listen to your customers and employees
- Travel as often as possible. Some of your best ideas come to you when you're travelling
- Develop a good relationship with your suppliers and bankers
- Know your monthly break-even

Tips to Grow Your Business

- Monitor your profit margins – go for profit rather than sales, but watch the cash flow
- Learn to focus
- Monitor your expenses
- If you have a great business name trademark it
- Don't do your own administration and get a good accountant
- Don't undercharge for your products or services
- Return all phone calls and emails

Tips to Grow Your Business

- The more you give the more you get – so donate time and money
- Work harder than your competitors but make time for your friends and family
- Make it easy for people to do business with you
- Don't forget to say please and thank you
- Remember the customer is the most important part of your business

**NEVER GIVE UP-
PERSEVERE
UNTIL YOU
SUCCEED**

Questions?

Thank You!