

BUSINESS PLANNING



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What is a Business Plan?

- Formal written document.
- Describes the short & long term goals.
- Describes how the goals will be achieved.
- Details & evaluates critical issues for success

The Purpose of a Business Plan

Four Main Aims:

- To establish the viability of the project.
- To act as a selling document to potential investors.
- To convince grant aiding authorities and financial institutions to assist the project.
- To develop a business strategy for the Enterprise.

Contents of a Business Plan

Typical Table of Contents

- I Overview and Executive Summary
- II Promoter or Company Background
- III The Product/Service
- IV The Market and Marketing Strategy
- V Manufacturing and Operations
- VI Finance

Appendix

The Promoter/Company Background

- Contact details - name, address & telephone number.
- Brief outline of promoters previous career experience and present position/occupation.
- The Management team - outline each individual's role in business.
- Other relevant details - origin of idea, objectives, motivations.
- Detail special advisers: accountants, solicitors, non-exec directors.
- Important section from investors/bankers point of view.

Company Background

- History of company to date – outline successes & milestones achieved.

- Include details:

When established

Location

Company legal Structure

Ownership/Shareholder details

Product Range

Markets Serviced

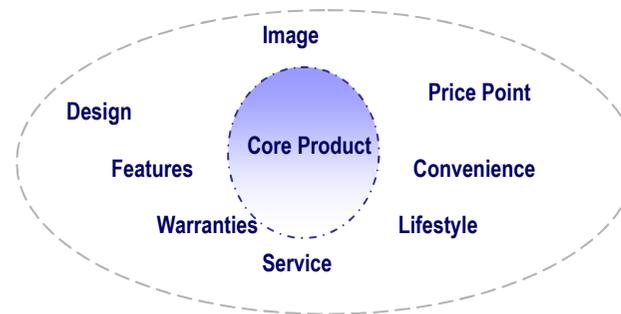
Key Clients

Main achievements

(e.g. products/markets/turnover/profits)

The Product/Service

- Describe the physical product or service – what it is / how it works - use drawings, if necessary.
- Outline key benefits and distinctive qualities of the product – why is it a “must have” product?



- What is the USP (unique selling proposition)?
- Intellectual property? - can the product be patented?
- Outline phases of development and product development plans.
- Can the product range be expanded?

The Product/Service

Defining the USP:

- What's unique about the product versus competitor products?
- Which features are the most important to the buyer?
- Which elements are not easily imitated?
- Can the unique features be communicated and understood by the buyer?
- Can a memorable message be created about these USPs?
- What marketing channels can be used to engage the buyer?

Overview of the Market

Summary of Detailed Primary & Secondary Research Findings

Market Environment

Demographics
Size,
Main Companies,
Trends,
Distinct Niches,
Seasonality,
Customer Profile
& Needs
Promotion,
Distribution
Pricing


Sources

Forecasts

Market?

Growth
Stagnant
or Decline?


Sources

External Influences

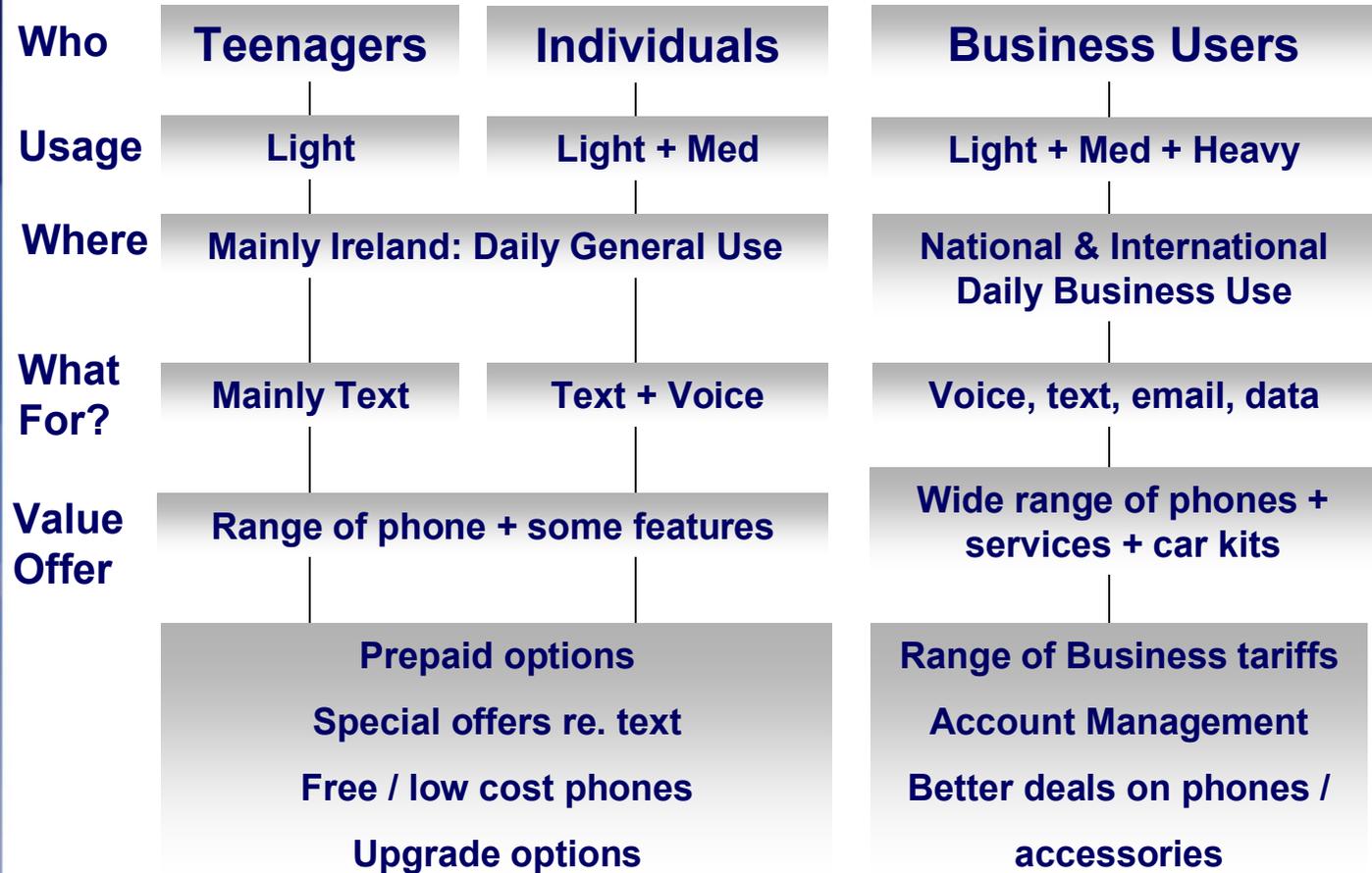
Legislative
or Economic


Sources

The Target Market

- Analyse & describe the target market segments in terms of:
 - What is the size of the target market?
 - Who are your customers? (M/F, age, income, etc.)
 - Where are they located - are they accessible?
 - How often do they buy or use the product?
 - What key issues are important to them when they evaluate a purchasing decision? (service?, price?, quality?, branding?, value for money?, convenience, image?)
 - How long does it take to make the decision?
- Sustainable Competitive Advantage:
 - Describe how customer needs will be met by your product.
- Can a repeat sales cycle be established?
- Analyse barriers to entry?
- Competitor SWOT analysis.

Customer Profiling: Mobile Phone Market



Marketing Objectives

- Detail key marketing objectives:

examples:

- sales in units in year 1
 - subsequent increases in years 2 & 3
 - % of customer complaints (as a measure of customer satisfaction)
 - time period to achieve break-even
 - % net profit based on the above.
 - new product launches.
- Remember these must be quantifiable and achievable.

The Marketing Strategy

(1 Year Marketing Plan)

Product

Outline:
Product Policy in terms of
USP
Quality & Features
Key Customer Requirements:
(Service, guarantees, quality
etc.)

Pricing

Outline:
Pricing Policy
Discounts
Credit Terms
etc.

Advertising

Outline:
Advertising Budget
What media/methods?
What Message?
How Often?
What Cost?
What P.R.?
What results you
are looking for?
Monitoring Effectiveness?

The Marketing Strategy cont'd

Sales	Distribution	Customer Care
<p>Outline: Sales Process Who will carry out sales? Targets for customer visits, & phone calls etc. Use of Point of Sale Material? Monitoring Sales Process? (Who & How?) Rate of Sales calls converted to orders?</p>	<p>Outline: Where? - Reg/Nat How ? - own or contract Cost per unit? Effectiveness?</p>	<p>Discuss: How will you support customers? Who will carry out the customer service tasks? Monitoring effectiveness?</p>

Manufacturing(Service) & Operations

- **Location:** state manufacturing or service location and suitability.
- **Premises:** type of premises required & cost.
- **Process:** describe day to day production or service operations.
- **Equipment:** list/cost equipment and fixtures & fittings required.
- **Human Resources:** outline & cost current & future employment requirements - numbers & skills.
- **Training:** detail & cost training requirements.
- **Flow-chart:** of project timescale & key milestones.

Finance

Capital Requirements & Source of Funds

- State Capital requirements for project
- Detail how the project will be funded (i.e. promoter's funds, bank loans, grant aid, third party investors)
- State what the above funds will be used for (e.g. equipment, buildings, staff, R&D, working capital, etc.)
- Detail if additional funds will be required and when.

Finance Cont'd

Revenue Assumptions

- sales projections
- percentage increases in sales in years 2 & 3
- depreciation of fixed assets
- additional capital investment in years 2 & 3
- debtor/ creditor days
- other relevant details specific to project (loan terms etc.)

Detailed Projections

- Prepare Cashflow, Trading Profit & Loss Account and Balance Sheet projections for first three years of trading.

Finance Cont'd

Risk Analysis & Sensitivity Analysis

- What are the key risks associated with the development of the business

e.g. access to sufficient finance, slower time to market, product obsolescence, slow market acceptance /demand, other external factors.
- What contingency plans are in place to counteract each risk.
- Sensitivity Analysis - what happens if some of the key variables change:

e.g, under performance in sales, increases in costs.

Executive Summary

- Describe the product, the idea and key deliverables of the product.
- Describe the unique selling proposition – the value added.
- Intellectual Property – current position, if applicable.
- Revenue model – how does the business generate revenues & profits.
- Phases of development – timescale to the market.
- Marketing & Sales issues – overview of market, outline target market needs and how business meets those, key elements of marketing strategy.
- Strategic Alliances & Partnering Arrangements.

Executive Summary cont'd

- Detail key members of management team.
- List & put a timeframe on key milestones to be achieved.
(e.g time to develop product, time to close first 4 orders, etc.)
- Summarise key risks & contingency plans.
- Detail initial investment required and state what it will be used for.
- Summary of financial projections.

Appendices

- Technical data & illustrations.
- Consultants reports on products and markets.
- Order and enquiry status.
- Letters of support.
- Audited accounts (for existing company's).
- Detailed C.V.'s.

Tips for a Good Business Plan

- It should look professional.
- It should have clearly marked sections – make it easy for the reader.
- Control its distribution.
- Obtain objective assessment before distribution.
- Plan ahead - raising finance takes a long time.
- Send the plan in advance to Bank's etc.
- Build a positive presentation.
- Be prepared for questions.

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