



INNOVATIVE ENTREPRENEURSHIP



Business Planning



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This factsheet explains what a Business Plan is and what it can be used for. It also outlines the format of a typical Business Plan.

WHAT IS A BUSINESS PLAN?

A business plan is a written description of your business's future and a document that outlines a plan for your short-term and long-term goals. It details where you are at now, where you want to get to and how you are going to get there.

DOES MY BUSINESS NEED A BUSINESS PLAN?

A business plan is not compulsory for any business but can be a vital component for any new business start-up that involves a high element of risk and can help minimise the risk of early business failure. It can be the fundamental tool in assisting you to determine whether your business will succeed or not. You may also need a business plan to help you secure a loan from a bank, when applying for a grant or support from government programmes.

WHAT IS THE FORMAT OF A BUSINESS PLAN?

There is no universal template for a business plan, however a sample can be found within this Enterprise Mall. Most business plans will have the following sections;

Objectives and Mission

The business plan for any start up should aim to convince you that your idea for a business is not just a dream, but can be a viable reality. Entrepreneurs are by nature positive, confident, and can-do people. So, you need to plan, set goals, and above all, know your business plan. Below are some of the questions you need to answer in a business plan.

- What makes your company's product or service different from all the rest in the market?
- What resources do you need to run your business?
- Who will benefit from your business?





Market Analysis

You should have a clear idea of the type of people who will buy your product or service. The more you know about your competitive market, the better the results will be. You will need to complete real and proper research, ask experts, read industry papers, financial reports and news, so that you can have the best possible base to decide. Below are some of the things that you should add in your market analysis task.

- Is there a viable market for the product or service you want to sell?
- Does your ideal customer live in a certain type of area?
- Are you limiting your reach geographically, demographically or in any other way?
- Will only wealthy people be able to afford it?

Once you can figure out the answers to these questions, you will have a clear understanding and in-depth knowledge of all aspects of the market.

Start-up Costs

A business plan isn't complete without a review of start-up costs. Once you have completed the market analysis and objectives for your business, the next step is to explain your start-up costs. For estimating these costs, it is better to be conservative, as generally everything will cost more than you expect.

Competition

In this section of the business plan, you should aim to distinguish your business from the competition, and persuade the reader that your company will be able to compete successfully. An analysis of your direct and indirect competitors, with an assessment of their competitive advantage and how to overcome any entry barriers in your chosen market, is the best way of understanding the competition of your products and services. It is important to consider the following questions before writing about this section.

- Who is your competition?
- Where are your main competitors based?
- What is their differentiation strategy?
- What are their strengths and weaknesses?
- How much do they charge for a similar product or service?

Products and Services

In this section you should define and explain your products and services in order to understand the needs of your potential clients. Once you have identified them, think about the motivation your client would have to buy your offered products and services.





It is critical that you understand your company's value proposition / unique selling point – what distinguishes it from competitors. You should expand upon your products and services, including features and benefits, competitive advantages, and if marketing a product, how and where your products will be produced.

Management and Operations

The management and operational sections should explain how the business functions on a continuing basis. It will highlight the logistics of the company such as the tasks assigned to each employee within the company. Many business start-ups are operated by one person –i.e. the owner. If this is the case a CV of the owner should be included.

Marketing

Once you objectively evaluate your missions, capital needs, competition, products, services, management, and operational plans, the next step is to figure out the best marketing channels. One or two pages of your business plan should cover a basic marketing plan.

Consider the following to include in your business plan, under the marketing section;

- How large or small will your promotional budget be?
- What type of advertisements or promotions will you use?
- Will you create a logo and use it on cards, letterhead, websites, and others?
- How often will you use paid promotions?
- What other non-paid advertisements will you use? For example, will you use social media or professional networks?

Financials

The financial section of your business plan should include a sales forecast, cash flow statement, balance sheet, and a profit and loss statement. This part of the business plan can often be the most daunting for entrepreneurs, however there is various support and guidance available to assist you e.g. Kobigem, Chamber of Industry/Commerce/Shopkeepers and Artisans, private consultancies and accountants.

Sales Forecast

As a start-up business, you do not have past results to review, which can make forecasting sales difficult. It can be done, though, if you have a good understanding of the market you are entering and industry trends as a whole. Sales forecasts based on a solid understanding of industry and market trends will show potential investors that you've done your homework and your forecast is more than just guesswork.

In practical terms, your forecast should be broken down by monthly sales with entries showing which units are being sold, their price points, and how many you expect to sell.





Cash Flow Statement

As with your sales forecast, cash flow statements for a start-up require doing some homework since you do not have historical data to use as a reference. This statement, in short, breaks down how much cash is coming into your business on a monthly basis vs. how much is going out.

Keep in mind that revenue often will trail sales, depending on the type of business you are operating. For example, if you have contracts with clients, they may not be paying for items they purchase until the month following delivery. Some clients may carry balances 60 or 90 days beyond delivery. You need to account for this lag when calculating exactly when you expect to see your revenue.

Profit and Loss Statement

Your Profit and Loss statement should take the information from your sales projections, expenses budget, and cash flow statement to project how much you expect in profits or losses through the three years included in your business plan.

Balance Sheet

You provide a breakdown of all your assets and liabilities in the Balances Sheet. Many of these assets and liabilities are items that go beyond monthly sales and expenses. For example, any property, equipment, or unsold stock you own is an asset with a value that can be assigned to it. The same goes for outstanding invoices owed to you that have not been paid. Even though you don't have the cash in hand, you can count those invoices as assets. The amount you owe on a business loan or the amount you owe others on invoices you've not paid would count as liabilities. The balance is the difference between the value of everything you own vs. the value of everything you owe.

It is important to remember that no two business plans are ever the same and much of the information is estimations, based on market research. No matter how comprehensive a business plan is or is not, by working your way through the above sections and processes it will help you gain a better understanding in what will be the key success factors for your business. It is also important to understand a business plan may in fact put you off starting up in business. This is especially the case when financial projections are poor, showing an inability to cover costs and generate a profit.

