

Writing a successful Business plan by Oeshwik Ahmed

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The standard contents of a business plan includes:

- an overview
- executive summary
- general company description
- the opportunity
- industry and market
- your strategy
- the team
- a marketing plan
- operational plan
- financial plan
- an appendix.

Before you physically start writing **your business plan**, you need to spend some time doing in-depth research into your industry and market. This is important regardless of whether you have previous experience in that particular industry.

You can use the Internet, industry experts and associations, suppliers and existing competitors for the information. Your research will help you in putting the business plan together as it will give you an understanding of the dynamics and forces affecting the industry.

All sections in the business plan format are interrelated, and cannot be written in isolation. Each should be written by people who are fully aware of the contents and intricacies of the other areas of the plan so that the different sections are all integrated.

The best option is to write the plan yourself as you know your business best. Also, if you are responsible for writing the business plan, you could identify certain challenges and find solutions to them, it will also ensure that you know every single aspect of the business, which is critical when meeting with potential investors.

You may need assistance putting together the financial information if you don't have a financial background, but make sure you get an accountant to explain what all the figures mean. Although there is a fairly well accepted structure for a business plan format, there are many ways of putting it down on paper.

There are three primary parts of a business plan:

1. The Business concept,
2. The Marketplace section
3. The Financial section.

Some of the contents will have different names and be presented in a different order but almost any business plan will cover these broad areas:

Table of Contents (1 page)

Your contents page should be the very last thing you write to ensure that all the page numbers are correct. Make sure that you number your pages correctly so that a person can quickly and easily find the sections they are interested in.

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1. Business Plan Format, Section 1:

Executive Summary (2 pages)

The executive summary is probably the most critical part of the **business plan format**. Many business plan readers will read the executive summary and then decide whether to proceed further or discard the plan.

The executive summary should be written last, once all the other sections are complete. It should not exceed two pages and should eloquently summarise the most important aspects of the plan.

Key elements that should be included in the executive summary are:

- **Business concept:** A description of the business, its products and the market it will serve. You need to describe what will be sold, to whom and how it has a competitive advantage.
 - **Financial features:** The summary should highlight the important financial points like sales, profits, cash flows and return on investment.
 - **Financial requirements:** You need to be clear about the capital needed to start and expand the business, as well as how the capital will be used.
 - **Current business position:** Provide an overview of the company, its legal form of operation, when it was formed, the principal owners and key personnel.
 - **Major achievements:** Highlight any developments within the company that are essential to its success. This includes things like patents, prototypes, locations, contract that need to be in place and results from test marketing already conducted.
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2. Business Plan Format, Section 2:

General Company Description (1 – 2 pages)

The general company description section usually follows the executive summary in the started business plan format. It is used to give a high level overview of the company and the business that it engages in.

This introductory section of the plan section should include:

- Name of the company, type of legal entity, ownership, significant assets
- Mission statement of the business
- Company goals and objectives
- The main features of the industry in which you will operate
- The most important company strengths and core competencies

Avoid getting into too much detail about the business in the general company description. It is often tempting to try and cram everything about the business into this section but there are opportunities to get into the details of strategy, marketing, operations, people and finances further on in the plan.

Rather focus on the description of the industry. Is the business retail, wholesale, food service, manufacturing or service-oriented? Provide an indication of how big the industry is and why it has become so popular. You can also highlight some of the trends currently influencing the growth of the industry. Try as much as possible to prove how much opportunity there is in the industry – do so with statistics and anecdotal information.

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You should also explain the target market and how your product will be distributed to the market, as well as the support systems including advertising, promotions and customer service strategies. In the description you can include the unique features setting your product or company apart from others in the industry.

The business description should also answer the questions about how your business is going to make a profit. If you are using the plan to apply for funding, explain why the money is going to make your business more profitable.

The length of the description will depend on the complexity of your plan, if your plan isn't complicated, keep the description short by describing the industry in one paragraph, the product in another and the business in three of four paragraphs

3. Business Plan Format, Section 3:

The Opportunity, Industry & Market Description (3-4 pages)

This section of in the **standard business plan format** requires that you communicate some of the insight that you got into the industry, the market and the opportunity from the systematic research you conducted before writing the business plan.

Your research will determine your market strategies. The market analysis you do should force you to become familiar with all aspects of the market, so that the target market can be defined and your business can be positioned to garner its share of sales.

It also helps you establish pricing, distribution and promotional strategies and gives you an indication of the growth potential within the industry. Begin your market analysis by defining the market in terms of size structure, growth prospects, trends and sales potential.

- **SWOT analysis**
- **PORTERs 5 analysis**
- **PESTEL analysis**

This three analysis is used to find opportunity in the market and describe the industry conditions and the market scope for the business.

a) The Opportunity

Describe the gap that exists in the market and explain what has given rise to this gap, how it was identified and how it can be filled. Answer the following questions:

- Where is the gap in the market?
- What has given rise to this gap?
- How was this gap identified?
- How will the gap be filled?

b) The Industry

Describe the forces affecting the industry in which you will operate. These forces are covered by discussing barriers to entry, suppliers, customers, substitute products and competition. Answering the following questions will enable you to cover the critical issues in discussing the industry:

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Question 1: What are the barriers to entry in this industry?

- Consider whether any of the following exist for your company and others wanting to enter the industry: high capital costs, high production costs, high marketing costs, consumer acceptance and brand recognition, extensive training and skills, unique technology and patents, tariff barriers and quotas, legislation or regulation.
- How will you overcome the barriers to entry?

Question 2: How much power do the customers have?

- Who are the customers?
- Do they have significant power or influence over the prices they pay?
- Do they have significant choice when buying the product or service?

Question 3: How much power do the suppliers have?

- Who are the suppliers?
- Do they have significant power or influence over the prices they charge?
- Is there a limited number of suppliers?

Question 4: Are there substitute offerings for the product or service?

- What is the likelihood that customers will switch to a substitute product or service? Will you have important indirect competitors? (For example, video rental stores compete with theatres, although they are different types of businesses)

Question 5: Who are the competitors and how strong is the competitive rivalry?

- What products and companies will compete with you?
- How will your products or services compare with the competition?

Question 6: What are the major changes affecting the industry?

- Consider changes in technology, in government regulations, in the economy

c) The Market

Present your insights into the market in which you will operate. Focus on the customers for your product or service by addressing the following questions:

- What is the total size of the market?
- How fast is the market growing?
- What percentage share of the market will you have? (This is important only if you think you will be a major factor in the market.)
- What are the major trends in target market – trends in consumer preferences, demographic shifts and product development?

4. Business Plan Format, Section 4:

Strategy (1-2 pages)

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Section 5 of in this **standard business plan format** covers Strategy. You need to describe to readers how the business will compete in the chosen markets. Your positioning strategy will be affected by a number of variables related to the motivations and requirements of your target market as well as what your primary competitors are doing.

Before you position your product or service, you will need to know how your competitors are positioning themselves, the specific attributes your product has that your competitor's don't and the needs your product fills for your customers.

Once you have these questions answered in the research stages you can develop a positioning strategy and illustrate it in your business plan. The positioning statement doesn't have to be long or elaborate, as long as it points out exactly how you want customers and your competition to perceive your product.

This requires a description and explanation of the strategic choices that you have made as a business, including:

- The focus of the business: broad mass market or a specific niche?
- How the business will succeed in the market? How will you create a unique and valuable position, involving a different set of activities?
- What is unique about the business? How is the offering different from that of competitors?
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- What is the value for the customers? Describe the value proposition for the customer?

5. Business Plan Format, Section 5:

Business Model Explanation (1 page)

A business model is the profit-making engine of the business. It is central to a business's success. The business model you choose will be a strong determining point of the future the success of your business.

Your business model must include information on what your company offers in terms of products or services; what makes your offering unique; who you sell them to; and how you make your money.

The important aspects of a business model that should be presented in a consolidated framework include: The sources of revenue

- The major costs involved in generating the revenue
- The profitability of the business (revenue less costs)
- The investment required to get the business up and running (to get to scale)
- The critical success factors and assumptions for making the profit model work
- Good business model depend on three qualities, finding high-value customers, offering significant value to customers, and delivering significant margins.
- They also avoid three things that can derail a business, namely difficulties in satisfying customers, trouble maintaining market position, and problems generating funding for growth.

6. Business Plan Format, Section 6:

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Team: Management & Organisation (2 pages)

In this section of the business plan format you should provide a description of the people behind the business. It should include:

- A list the founders including their qualifications and experience
- A description of who will manage the business on a day-to-day basis. What experience do these individuals bring to the business? What special or distinctive competencies do they offer?
- An organisational chart if you have more than 10 employees, showing the management hierarchy and responsibility for key functions (including position descriptions for key employees)

In this section you will also explain the logistics, including the responsibilities of each member of the management team, the tasks assigned to each division of the company (if applicable), and the capital and expense requirements for operating the business.

Apart from the managers, you should also specify what type of support staff will be needed for the business to run efficiently.

7. Business Plan Format, Section 7:

Marketing Plan (2 – 3 pages)

The marketing plan defines all of the components of the marketing strategy. The marketing plan should draw on market research. It should disclose the important marketing decisions about:

- The product (or service) and why it is valuable to customers
- The focused and detailed description of the target market
- The positioning of the product or service – how it should be perceived by customers
- The pricing strategy with specific price points at which the product or service will be sold
- The sales and distribution channels that will be used to get the product or service to the customer
- The promotion strategy including public relations activities, specific promotions, advertising and intended viral marketing activities

Your product's pricing will play a role in the success of your business. You need to ensure that your prices cover costs and find ways of lowering your costs. Your prices should also reflect the dynamics of cost, demand, changes in the market and response to your competition.

When deciding on the distribution process of your product or service, analyse your competitors to determine the channels they are using and decide if you want to use the same or an alternative that could provide you with an advantage.

The channel you use will depend on the industry and size of the market, but some of the options available to you include direct sales, OEM (original equipment manufacturer) sales, manufacturer's representatives, wholesale distributors, brokers, retail distributors and direct mail.

Your promotion strategy should be specific including the advertising budget, creative messages for your advertisements and at least the first quarter's media schedule.

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You can also include a description of the packaging strategy and possibly even mockups of labels, trademarks or service marks. You need to come up with a publicity strategy that includes a list of media you want to approach and a schedule of planned events.

8. Business Plan Format, Section 8:

Operational Plan (2 pages)

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment. The operational plan in a standard business plan format describes how the business functions on a continuing basis, as well as the capital and expense requirements related to the operations of the business.

This section will vary depending on the nature of the business but some the more generic items that can be presented include:

- A description of the operating cycle that describes what the organisation will do to deliver its service or create and sell its product
- A description of where all the necessary skills and materials will be sourced
- What will be outsourced, what relationships are in place and how those relationships will be managed
- The cash receipts and cash payment cycle of the business

You can include a number of financial tables in the plan, including the operating expense table, the capital requirements table and the cost of goods table.

You should also highlight any potential benefits or pitfalls to the community such as new job creation, economic growth and possible effects on the environment from manufacturing and how they will be handled to conform with regulations.

9. Business Plan Format, Section 9:

Financial Plan (3 – 5 pages)

The financial plan is a reasonable estimate of your company's financial future. Include a few paragraphs on the main features in the financial plan and back this up with financial projections.

Don't include too much financial detail in the body of the business plan. If you have detailed projections and supporting calculations, place them in the appendix.

The following are the most important financial documents to include in the financial plan:

- Start-up expenses and capitalisation: a description and explanation of what it will cost to launch the business and where you expect to get this money
- 12-month profit and loss projection (month-by-month) and a three-year profit and loss projection (quarter-by-quarter)
- A 12-month cash-flow projection and a three-year cash-flow projection (quarter-by-quarter)
- A projected balance sheet at start-up and at the end of years one to three

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- A break-even calculation

Astute investors will look at the charts, table, formulae and spreadsheets in your financial section very carefully, so it is important to put sufficient effort into them. Investors will determine the odds for continued survival based on the information provided in this section.

The three most important financial statements to include in your business are the income statement, cash flow statement and balance sheet. Of these three, the income statement is the best place to start. It is a simple and straightforward report on the proposed business's cash-generating ability. It's a score card on the financial performance of your business reflecting when sales are made and when expenses are incurred.

In the business plan, the income statement should be generated on a monthly basis during the first year, quarterly for the second and annually for each year thereafter. The information included is your financial projections of income, cost of goods, gross profit margin, operating expenses, total expenses, net profit, depreciation, net profit before interest, interest, net profit before taxes, taxes and profit after taxes. After the income state, include a short note analysing the statement, emphasising key points.

The cash flow statement shows how much cash is needed to meet obligations, when it is going to be required, and where it will come from. It should show a schedule of the money coming into the business and expenses that need to be paid. The result is the profit or loss at the end of the month or year.

Profits and losses are carried over to the next column to show the cumulative amount. If you run a loss on your cash flow statement, it is a strong indicator that you will need additional cash in order to meet expenses. You will also need to analyse the cash flow statement in a short summary.

The balance sheet is generated only on an annual basis for the business plan and is basically a summary of all the preceding financial information broken down into three areas: Assets, liabilities and equity. Investors might require a personal financial statement or balance sheet instead of one that describes the business. Again, you will need to create an analysis statement for the balance sheet covering the key points.

10. Business Plan Format, Section 10:

Appendix

The appendix includes additional documents that the reader of the business plan may want to refer to.

Documents that could be included in the appendix:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies
- List of assets available as collateral for a loan
- Detailed financial calculations and projections.

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All of these sections combine to create what is hopefully an exciting and viable story of a business that is to be launched or a growth path that will take an existing business to new levels of impact and success.

There are some important things to remember when writing your business plan. You need to be as realistic as possible with all projections. The small details are important, so have the plan proof read by someone with a good command of the English language to check for any spelling or grammatical errors.