



# Business Plan

2006

1966



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# BUSINESS PLAN

What is a business plan?

Definition:

A BUSINESS PLAN IS A DOCUMENT WHICH EXAMINES  
THE VIABILITY OF A PARTICULAR PROJECT.





# THE PURPOSE OF A BUSINESS PLAN

- To arrange thoughts in a logical order
- To highlight a profitable opportunity
- To demonstrate the viability of the business and the potential to grow
- To analyze resource needed and ways to procure them
- To raise funds from a bank or investors
- To simulate reality and anticipate pitfalls before they occur

In short a business plan shows 'where you are' , 'where you are going ' and 'how you propose to get there'



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## VS. FEASIBILITY STUDY

- To provide an overview of the primary issues related to the business idea
- Conducted during deliberation phase of the project development cycle
- To know if the business venture is worth the time, effort and resources
- Looks at three major areas:
  - Market issues
  - Organizational / Technical Issues
  - Financial Issues





# TARGET AUDIENCE

A business plan is usually written with a target audience in mind:

- Internal
- Bank
- Investor
- Competition



# CONTENTS OF A BUSINESS PLAN

1. Executive Summary
2. Business Description
3. Industry Analysis & Trends
4. Products and Services
5. Target Market
6. Competitor's Analysis
7. Strategic Position & Risk Assessment
8. Marketing Plan & Sales Strategy
9. Operations
10. Technology Plan
11. Management and Organization
12. Development, Milestones & Exit Plan
13. The Financials
14. The Appendix





# EXECUTIVE SUMMARY

The Executive Summary is the single most important section of the business plan!

In a short space, you must let the reader know that:

- Your basic business concept makes sense
- Your business itself has been thoroughly planned
- The management is capable
- A clear-cut marketing exists
- Your business incorporates significant competitive advantages
- Your financial projections are realistic
- Investors or lenders have an excellent chance to make money





# BUSINESS DESCRIPTION

The **business description** is the section where the company conveys to the readers simple but complete information about the business.

This includes:

- Business Name
- Business Objectives
- Mission Statement
- Legal Issues



# INDUSTRY ANALYSIS & TRENDS

Knowing which sectors and industries your business may be included is the first step in this procedure. This will enable you to see how your business will be affected by the overall performance of the sectors and industries.

Factors to consider:

- Size and Growth Rate of Your Industry
- Sensitivity to Economic Cycles
- Seasonality
- Technological Change
- Regulation/Certification
- Supply and Distribution Channels
- Financial Patterns





# PRODUCTS AND SERVICES

This section must be informative enough, offering an easily understandable image without boring details. Emphasis should be placed on the difference your products/services make on the market.

- Product & Service Description
- Impact on the Market
- Positioning: Quality vs. Cost
- Sourcing Analysis
- Presentation of Technology



# TARGET MARKET

Identify the market segments (customers) you wish to reach. The definition of your target market should meet these criteria:

- **Definable:** with specific characteristics
- **Meaningful:** characteristics should relate to the decision to purchase
- **Sizeable:** large enough to sustain profit
- **Reachable:** affordably and effectively market to potential customers

..... “everybody” is not a target market!





# COMPETITOR'S ANALYSIS

Every business has competition. Honestly evaluating your competition will help you better understand how to position your business for success.

In writing this portion of your business plan, provide the:

- Description of Competition
- Market Share Distribution
- Competitive Positions
- Barriers to Entry
- Strategic Opportunities





# COMPETITOR'S ANALYSIS

It is also beneficial to analyze the **customer perception** of a business:

- Product/Service Features
- Indirect/Peripheral Costs
- Quality vs. Cost
- Durability/Maintenance
- Image/Style/Perceived Value
- Customer Relationship
- Social Consciousness





# STRATEGIC POSITION & RISK ASSESSMENT

A **strategic position** defines what you do. A well-drawn strategic position influences almost every aspect of your business, such as the development of the products or services, marketing, operations, and choice of location.

It is in this portion of the business plan where the reader finds:

- your strengths and weaknesses
- industry trends and developments
- market changes and opportunities
- competitive changes and opportunities
- changes and opportunities brought through new technologies.





# MARKETING PLAN & SALES STRATEGY

The business message is sent through your company's marketing. This message is based on the strategic position the business stakes out for itself and emphasizes particular attributes.

Marketing experts stress on the **Four P's** in influencing the customers to buy:

- **Product:** tangible aspects of the product or service itself
- **Price:** cost advantage
- **Place:** location's convenience and décor
- **Promotion:** amount and nature of the marketing activities





# OPERATIONS

The Operations Section of the business plan explains the day-to-day functions of the business. This is where the theories are translated into practice.

- Facilities (Location, Lease, Utilities/Maintenance)
- Production (Labor, Productivity, Capacity, Quality Control, Equipment, Stock Control)
- Methods in Stock Management
- Supply and Distribution
- Order Fulfillment and Customer Service
- Research and Development
- Financial Control
- Contingency Planning
- Other Operational Issues



# TECHNOLOGY PLAN

Every business needs technology. This helps in achieving higher production at a shorter time. This section will help you outline your technology needs. It will enable you to understand the scope of your technology needs and create a more realistic technology budget.

**These are some functions that may be requiring or benefitting from technology:**

Accounting, taxes, finances

Order taking and tracking

Stock control

Database

Mailing list

Internal communication

Desktop publishing/graphics

Production

Internet sales

Internet marketing/website/email

Communication with customers

Presentations

Personnel/human resource management

Order fulfillment / shipping





# MANAGEMENT AND ORGANIZATION

Many investors base their investment choices almost entirely on the strength of the people involved in the enterprise.

Their experience and personalities will have a greater impact on the long-term fortunes of the business than the product/service itself.

In writing this section in your business plan, be honest in evaluating your key employees' strengths and weaknesses.

There should also be clear organizational responsibilities and a method to motivate employees.





# DEVELOPMENT, MILESTONES & EXIT PLAN

In this part of the plan you will write about the steps that will take your business form where it is now to where you want it to be.

It is good to spell out the specific ways whereby your business can be judged and the risks involved in its activities.

Acknowledging and understanding the risks involved in any business activity is the first step to mitigate them.

The two most important parts of this section are the **Milestones List** and the **Exit Plan Description**.



# THE FINANCIALS

Numbers represent your decisions. They are neither magical nor menacing but reflect other decisions you have made previously in your business planning. Every decision lead to a number and taken together, these numbers form the basis of your financial forms. These are results of you careful planning.

## Guidelines for Preparing Your Financial Statements:

- **Be Conservative:** avoid the tendency to paint the brightest picture possible; doing so reduces your credibility
- **Don't be creative:** use the standard formats and financial terms
- **Follow the practices used in your industry**
- **Use the appropriate accounting method**
- **Be consistent:** make a decision and stick with it for all your accounts, otherwise you can't compare one year's figure to another





# THE APPENDIX

Your **plan's appendix** is the proper place to provide information that supports, confirms, and reinforces conclusions you reach in the plan.

This include information such as:

- CVs of Key Managers
- Marketing Material
- Letters of Intent/Key Contracts
- Photos / Videos (if possible)
- Technical Information





## IN SUMMARY, A GOOD BUSINESS PLAN SHOULD ANSWER THE FOLLOWING QUESTIONS:

- Who are your customers?
- How will you reach these customers?
- What is it that your customers want and how do you know this?
- How does your business provide customer wants?
- Do you know your business and how it should operate?
- Do you know your industry and the current trends in the market?
- How are you qualified to do what you want to accomplish?
- Do your assumptions make sense to someone unfamiliar with your business?
- Are your financial projections believable and do they make sense?
- How will you measure your progress financially and in other ways?
- What differentiates your business from all the others in your industry?





In the end...

... The value of a business plan does not reside in the final document itself but in the process of writing it.

