

Business Plan

A business plan is a written description of your business's future. A document that describes what you plan to do and how you plan to do it. Business plan can help perform a number of tasks for those who write and read them. They're used by investment-seeking entrepreneurs to convey their vision to potential investors. They may also be used by firms that are trying to attract key employees, prospect for new business, deal with suppliers or simply to understand how to manage their companies better.

A business plan is a document that summarizes the operational and financial objectives of a business. It is a business's road map to success with detailed plans and budgets that show how the objectives will be realized. A business plan is a guide for how a company will achieve its goals. For anyone starting a business, crafting a business plan is a vital first step. Having these concrete milestones will help track the business's success (or lack thereof). There are different business plans for different purposes, and the best business plans are living documents that respond to real-world factors as quickly as possible.

Contents of a Business Plan

A business plan should be structured in a way that it contains all the important information that investors are looking for. Here are the main sections of a business plan:

1. Title Page

The title page captures the legal information of the business, which includes the registered business name, physical address, phone number, email address, date, and the company logo.

2. Executive Summary

An executive summary is the first section of a business plan or proposal that provides a brief overview of a document and contains its main points. It is the most important section because it is the first section that investors and bankers see when they open the business plan. It provides a summary of the entire business plan. It should be written last to ensure that you don't leave any details out. It must be short and to the point, and it should capture the reader's attention. The executive summary should not exceed two pages.

- Present the company's mission.
- Describe the company's product and/or service offerings.
- Give a summary of the target market and its demographics.
- Summarize the industry competition and how the company will capture a share of the available market.
- Give a summary of the operational plan, such as inventory, office and labor, and equipment requirements.

3. Industry Overview

The industry overview section provides information about the specific industry that the business operates in. Some of the information provided in this section includes major competitors, industry trends, and estimated revenues. It also shows the company's position in the industry and how it will compete in the market against other major players.

- Describe the company's position in the industry.
- Describe the existing competition and the major players in the industry.
- Provide information about the industry that the business will operate in, estimated revenues, industry trends, government influences, as well as the demographics of the target market.

4. Market Analysis and Competition

The market analysis section details the target market for the company's product offerings. This section confirms that the company understands the market and that it has already analyzed the existing market to determine that there is adequate demand to support its proposed business model.

A business can choose to consolidate the market analysis and competition analysis into one section or present them as two separate sections.

- Define your target market, their needs, and their geographical location.
- Describe the size of the market, the units of the company's products that potential customers may buy, and the market changes that may occur due to overall economic changes.
- Give an overview of the estimated sales volume vis-à-vis what competitors sell.
- Give a plan on how the company plans to combat the existing competition to gain and retain market share.

5. Sales and Marketing Plan

The sales and marketing plan details how the company plans to sell its products to the target market. It attempts to present the business's unique selling proposition and the channels it will use to sell its goods and services. It details the company's advertising and promotion activities, pricing strategy, sales and distribution methods, and after-sales support.

- Describe the products that the company will offer for sale and its unique selling proposition.
- List the different advertising platforms that the business will use to get its message to customers.
- Describe how the business plans to price its products in a way that allows it to make a profit.
- Give details on how the company's products will be distributed to the target market and the shipping method.

6. Management Plan

The management plan provides an outline of the company's legal structure, its management team, and internal and external human resource requirements. It should list the number of employees that will be needed and the remuneration. Remuneration is any type of compensation or payment that an individual or employee receives as payment for their services or the work that they do for an organization or company.

Any external professionals, such as lawyers, valuers, architects, and consultants, that the company will need should also be included. If the company intends to use the business plan to source funding from investors, it should list the members of the executive team, as well as the members of the advisory board.

- Describe the organizational structure of the company.
- List the owners of the company and their ownership percentages.
- List the key executives, their roles, and remuneration.
- List any internal and external professionals that the company plans to hire and how they will be compensated.
- Include a list of the members of the advisory board, if available.

7. Operating Plan

The operating plan provides an overview of the company's physical requirements, such as office space, machinery, labor, supplies, and inventory. Inventory is a current asset account found on the balance sheet, consisting of all raw materials, work-in-progress, and finished goods that a. For a business that requires custom warehouses and specialized equipment, the operating plan will be more detailed, as compared to, say, a home-based consulting business. If the business plan is for a manufacturing company, it will include information on raw material requirements and the supply chain.

- Describe the location of the business, including office and warehouse requirements.
- Describe the labor requirement of the company. Outline the number of staff that the company needs, their roles, skills training needed, and employee tenures (full-time or part-time).
- Describe the manufacturing process, and the time it will take to produce one unit of a product.
- Describe the equipment and machinery requirements, and if the company will lease or purchase equipment and machinery, and the related costs that the company estimates it will incur.
- Provide a list of raw material requirements, how they will be sourced, and the main suppliers that will supply the required inputs.

8. Financial Plan

The financial plan is an important section that will often determine whether the business will obtain required financing from financial institutions, investors, or venture capitalists. It should demonstrate that the proposed business is viable and will return enough revenues to be able to meet its financial obligations. Some of the information contained in the financial plan includes a projected income statement. The Income Statement is one of a company's

core financial statements that show their profit and loss over a period of time. The profit or, balance sheet, and cash flow.

- Describe the financial projections of the company, by including the projected income statement, projected cash flow statement, and the balance sheet projection.

9. Appendices and Exhibits

The appendices and exhibits part is the last section of a business plan. It includes any additional information that banks and investors may be interested in or that adds credibility to the business. Some of the information that may be included in the appendices section includes office/building plans, detailed market research, products/services offering information, marketing brochures, and credit histories of the promoters.

- Quotes of building and machinery leases
- Proposed office and warehouse plan
- Market research and a summary of the target market
- Credit information of the owners
- List of product and/or services

Reasons why you need a business plan:

1. Feasibility of the plan:

A business plan will in reality help one to understand whether pursuing the opportunity is worth it or not without actually delving in it and ending up losing the two most essential resources of all, that is, money and time.

2. A business plan acts as a blueprint:

The business plan will provide a detailed outline of the business which will not only attract capital and help people be on the same page but will also help equalize our emotions and prevent us from making mistakes, which at the initial stages can be very harmful.

3. Helps identify potential weakness:

As the head already suggests, despite preventing us from making fatal mistakes, business plans can also locate inherent and unrealized loopholes. Further, through a business plan, one can also receive potential opinions and feedbacks.

4. Raising capital:

Having a business plan will make it easier to raise funds as it will become very easy to communicate with the investors. It will give a detailed view of the business which will not only be advantageous for the aspirer but also the investors.

5. Chances of Success:

By being able to evaluate factors such as the feasibility and the potential weaknesses, one can avoid the pitfalls thereby making a progressive step towards success. It increases the chances of success considerably.

- Set specific targets for managers – Good governance requires the setting of specific objectives/business plan followed by proper monitoring and tracking. This also makes the managers and other stakeholders accountable for their tasks and decisions.
- Displacement: It is by far the most important concept you've ever heard of in the practical business. It goes as follows: "Whatever you do is something else you don't do." A proper business plan helps the business owners' to deal with displacement.
- The decision on location and space requirements: It helps the business owners to decide whether a new place has to be rented, leased or purchased depending on the size and structure of the business.
- Business expansion: With a proper plan, any business can understand their workings and shall make necessary changes to pursue business expansion at the right time. One can regularly review assumptions, monitor progress and capture new developments to adjust them with good planning. The plan-to-actual analysis is a dashboard and the plan is controlled by adjustment.
- Growing the existing business: The business plan not only allows the owners to establish new businesses but also helps them grow them in their desired direction. Good planning for business sets milestones that you can work towards. These are key goals that you want to achieve, such as attempting to achieve a defined level of sales or opening the new facility etc. When we have visible goals that we can work towards, we work better.
- The decision on assets and liabilities: Employ your business plan to help you identify what will happen in the long run, which should be a major input to the classic make vs buy.