

L17 APSC221 - How to Write a Business Plan

What is a business plan?

25-35 pages long, that describes what a new business plans to accomplish

It helps employees of a firm operate in sync and move forward in consistency

It also makes the case for stakeholders that the firm is a good use of an investor's funds

Structure and Content

The business plan should be structured properly, and could use software packages for boilerplate templates

The plan should give clear and concise information on all the important aspects of the proposed venture, yet still long enough

Types of Business Plans

1. Summary Business Plan - 10-15 pages, best for new ventures in the early stages
2. Full Business Plan - 20-35 pages, best for new ventures in need of funding or financing
3. Operational Business Plan - 40-100 pages, primarily meant for an internal audience and for creating an operations blueprint

Elements of a Business Plan

Executive Summary

- Short overview, tl;dr for a busy reader
- Should not exceed two single-spaced pages
- It should be written last, but appears first

Industry Analysis

- Describe the industry entered in terms of size, growth rate, and sales projections
- Also include: industry structure, nature of participants, key success factors, industry trends, and long-term prospects

Company Description

- This section begins with a general description of the company

- Include: company description, company history, mission statement, products and services, current status, legal status and ownership, and key partnerships

Market Analysis

- This breaks the industry into segments and zeros in on the specific segment or target market to which the firm will try to appeal
- Include: market segmentation, target market selection, buyer behaviour, competitor analysis

Economics of the Business

- This section addresses the basic logic of how profits are earned in the business and how many units of a business's profits must be sold for the business to "break-even" and then start earning a profit
- Include: revenue drivers, profit margins, fixed and variable costs, operating leverage and its implications, start-up costs, and break-even charts and calculations
- A company may make profits as a high-margin low volume business, or a low-margin high-volume business
- Completing a sensitivity and a break-even analysis is an extremely useful exercise for any proposed or existing business

Marketing Plan

- This focuses on how the business will market and sell its product or service
- Include: overall marketing strategy, product, price, promotions, distribution, sales process or cycle, and sales tactics
- Start by articulating its strategy, positioning, and points of differentiation, then talk about how the plan will be supported with price, promotions, and distribution
- It's also important to discuss the company sales process

Design and Development Plan

- Include if the company is developing a new product or service, focusing on the status of development efforts
- Include: development status and tasks, challenges and risks, and projected development costs
- Include proprietary issues such as: patents, trademarks, copyrights, licenses, and brand names

Operations Plan

- Outlines how your business will be run and how your product or service will be produced
- Describe the business in terms of back stage and front stage
- Include: general approach to operations, business location, facilities, and equipment
- Keep this section short and crisp, as you should not provide too much detail

Management Team and Company Structure

- Team typically consists of the founder(s) and a handful of key management personnel
- Include: management team, board of directors, board of advisors, and company structure
- This section is critical and could be viewed right after the executive summary by readers to assess strength of the people starting the firm

Overall Schedule

- Schedule showing the major events required to launch the business, in format of milestones critical to the business's success
- Examples of milestones: incorporating the venture, completion of prototypes, rental of facilities, obtaining critical financing, starting production, and obtaining the first sale
- This can be very convincing to potential investors that the team is aware of what needs to take place to launch the venture

Financial Projections

- The final section presents a firm's pro forma financial projections
- Include: sources and uses of funds statement, assumptions sheet, pro forma income statements, pro forma balance sheets, pro forma cash flows, ratio analysis

Presenting the Business Plan

- Presentation should be smooth, well-rehearsed, with sharp slides
- Expect questions and feedback from investors, and try to have a good idea and preparation of what these questions might be

Slides to include in a business plan

1. Title Slide
2. Problem
3. Solution
4. Opportunity and target market
5. Technology
6. Competition

7. Marketing and sales
8. Management team
9. Financial projections
10. Current status
11. Financing sought
12. Summary