



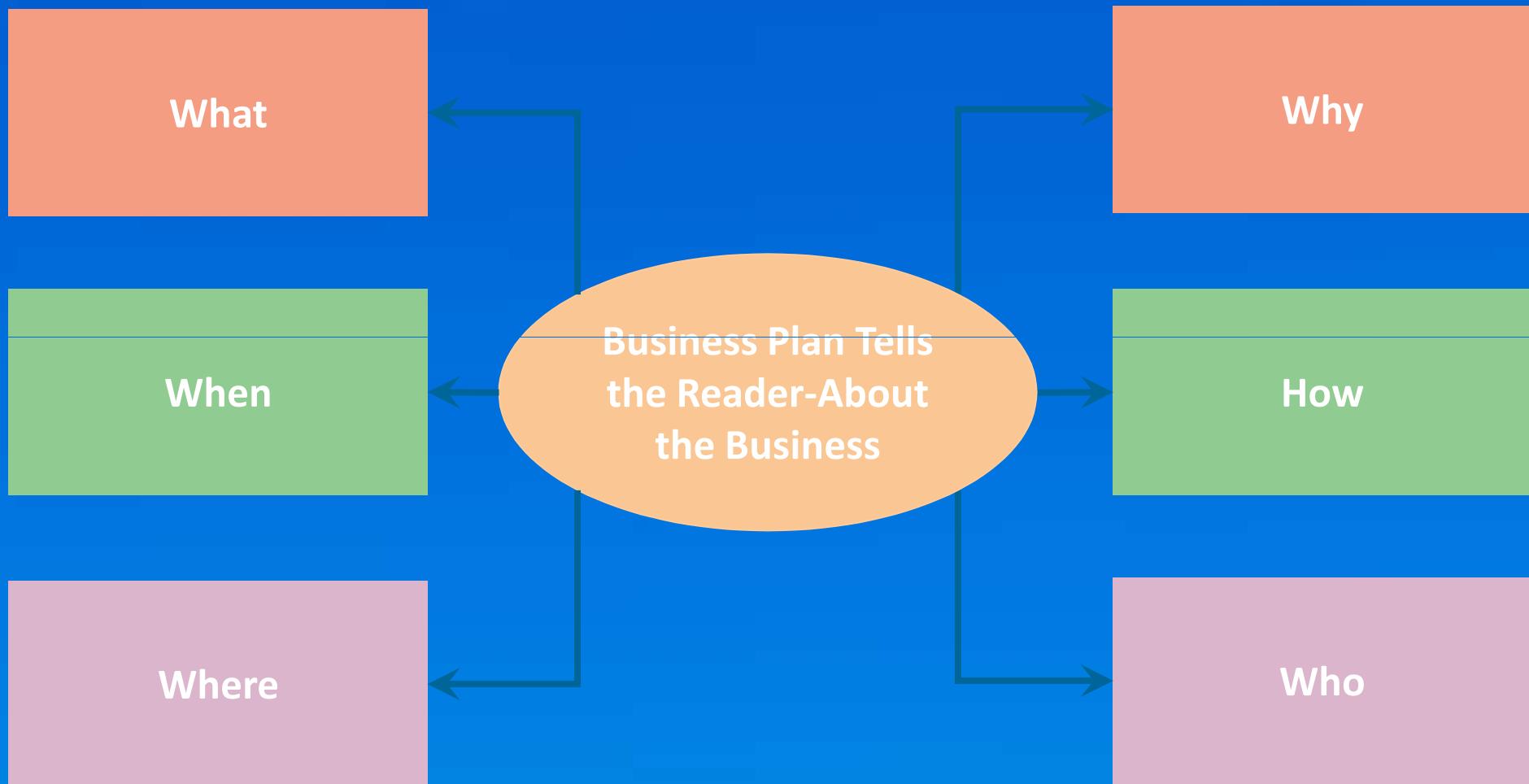
Business Plan

What is a Business Plan ?

- A written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement

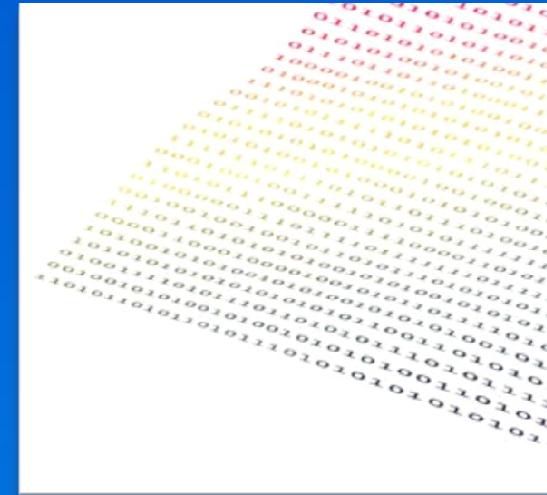


What is a Business Plan?



Remember

1. The business plan should tell a compelling story about the business, explaining who, what, when, where, how and why.
2. The plan should be focused and clear. It is not about the number of pages or style of the cover.
3. The plan should define specific business objectives and goals with general parameters to guide the organization.
4. Writing a business plan should force logic and discipline into a business.
5. A good business plan is a living document. It should be updated regularly.



Types of Plans

- Summary Plan
 - 10 pages, 3 important points
- Comprehensive Plan
 - 10-40 pages, seeking capital or alliances
- Operational Plan
 - 40+ pages, for going concerns, part of an annual process

Need for a Business Plan



WHO NEEDS A BUSINESS PLAN?

- Anyone running or thinking about running a business
- Entrepreneurs with solid business ideas
- Any current successful business
- Start-up companies
- Companies seeking financial backing
- Businesses in both pre-launch and post-launch stages
- Businesses going through periods of intense change and/or stress



Every Business Needs a Plan



WHY DEVELOP A BUSINESS PLAN?



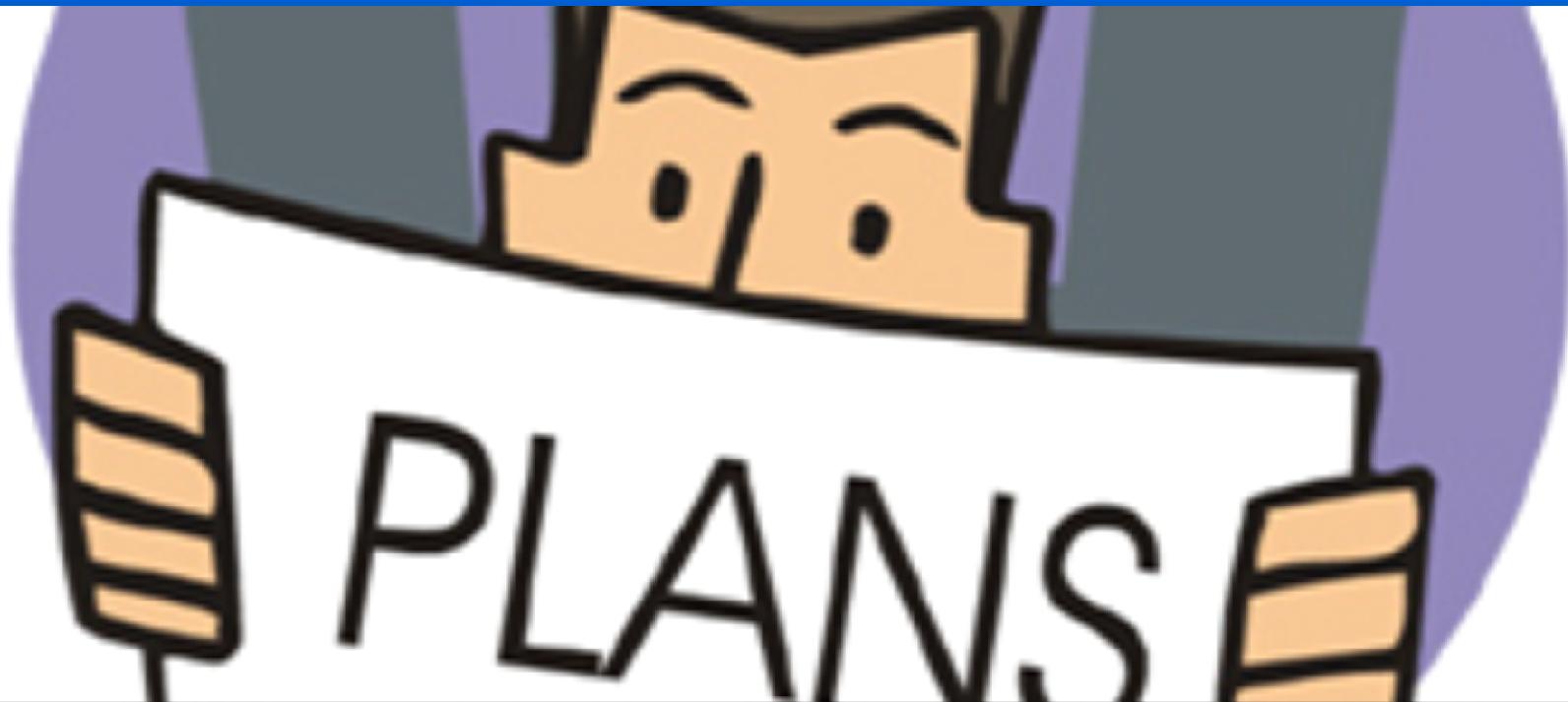
- A well developed plan provides:
 - Focus to the entrepreneur
 - Vision to management team, potential funders, suppliers and other stakeholders
- Organizes ideas and examines feasibility
- Increases the chances of success
- Helps attract key employees
- Maximizes chance of success
- Helps avoid and eliminate waste
- Risk Assumptions
- The business needs funding! – (Mostly)

A cartoon illustration of a man with dark hair and a prominent mustache, wearing a white shirt with a red bow tie and a brown jacket. He is holding a clipboard with a yellow page and a black page. He is pointing towards the text on the right side of the slide.

Your First Marketing and Sales Tool

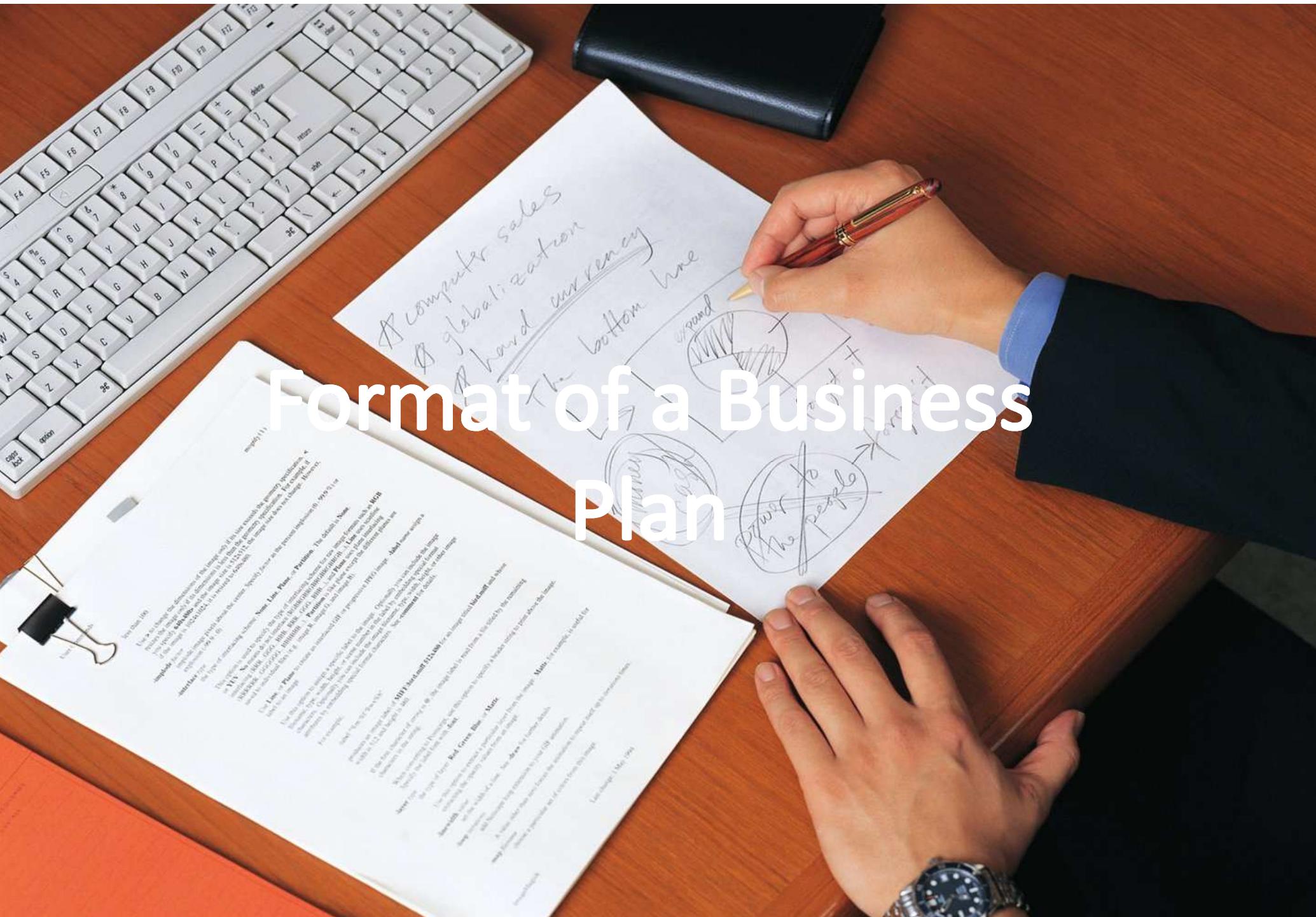
A Business Plan is:

ALWAYS REMEMBER TO...



Plan Your Work...
Then Work Your Plan

Format of a Business Plan



1. Introduction / Cover Page

Identity information

- The words “Business Plan”
- Company Name
- Company logo
- Address
- Telephone number , Fax Number
- Email Address, Web Address (URL)
- Issue date of plan



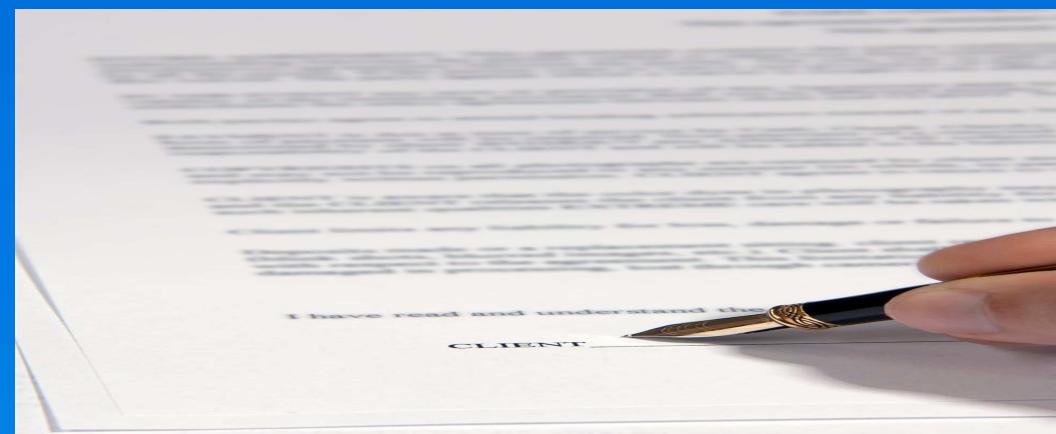
2. Table of Content

Allows the reader to turn directly to the sections desired



3. Executive Summary

- Most important part of the plan
 - Even though the topic appears first in the printed document, most business plan developers leave the writing of the executive summary until the end. This summary is the doorway to the rest of the plan. Get it right or your target readers will not go further than the executive summary.
 - Provide an enthusiastic snapshot of the company, explaining who you are, what you do and why.
- Concise explanation of
 - Brief Company Information
 - Venture objectives
 - Market prospects
 - Financial forecasts
 - Sources and uses



4. The Company

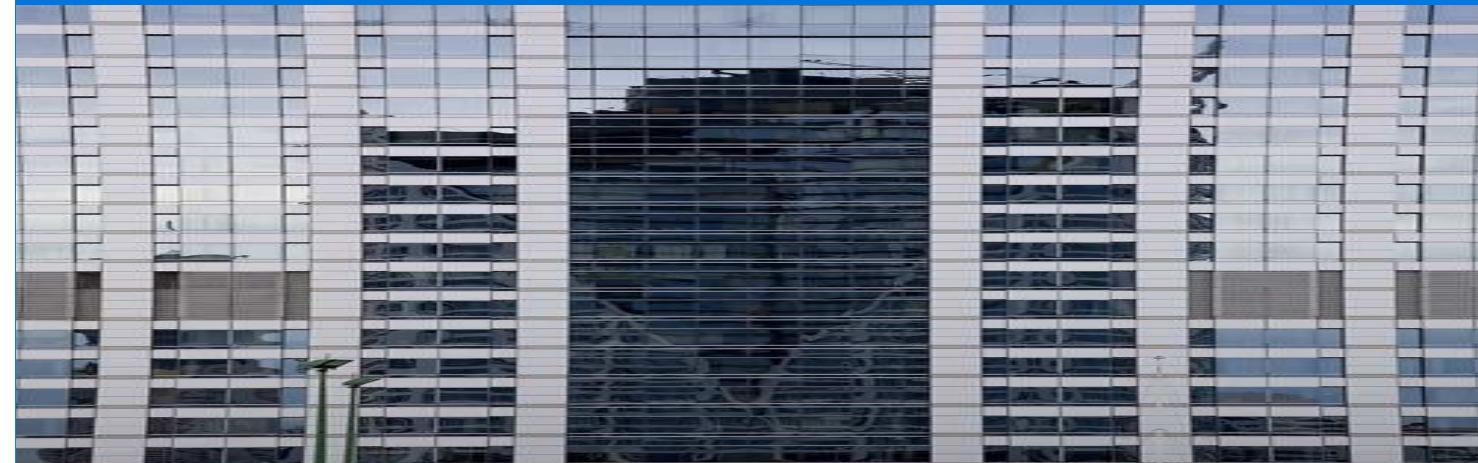
The Company

Background

Business forms (Partnership, LLP, Private Ltd, Public Ltd ..)

Reasons for establishment

- Mission Statement
 - States the purpose for existence
 - Addresses goals and priorities of the firm
- Employees, Strategic Alliances, Awards and Merits, Company Milestones



MISSION STATEMENTS

- All successful businesses, for profit, not for profit and social innovation ventures, must have a solid mission statement
- The mission statement should convey the company's purpose clearly to customers
 - Google: to organize the world's information and make it universally accessible
 - eBay: to provide a global trading platform where practically anyone can trade practically anything
 - Dell: to be the most successful computer company in the world at delivering the best customer experience in markets we serve



5. Business Description

- Brief history of the business
- Basic product or service description
- General strategy plan
 - List of planned milestones (business formation, opening date, hiring employees, reaching certain revenue goals)
- Planned strategic alliances
- New, takeover, expansion, franchise
- Work already done
- Experience in the business
- Business goals and objectives.
- List of key company principals.



Business Description (Contd...)

(for start ups)

- When will the new business opens?
- Is it a seasonal business?
- What is the learning about the Business from Outside sources?



6. Product / Services



Products and Services

Product description, product history, current research & development, proposed research & development, pricing consideration.

Product / Services Contd....

- Different from those currently on the market
- Other uses for the product
- Drawings or photos if appropriate
- Patents or trademarks
- Competitive advantage
- Potential for growth
- Manage the product or service through the product life cycle
- Expand the product line or develop related products
- Which products are Rising Stars, Steady Cash Cows
- “The Brochure Section”



7. The Market (Analysis and Strategy)

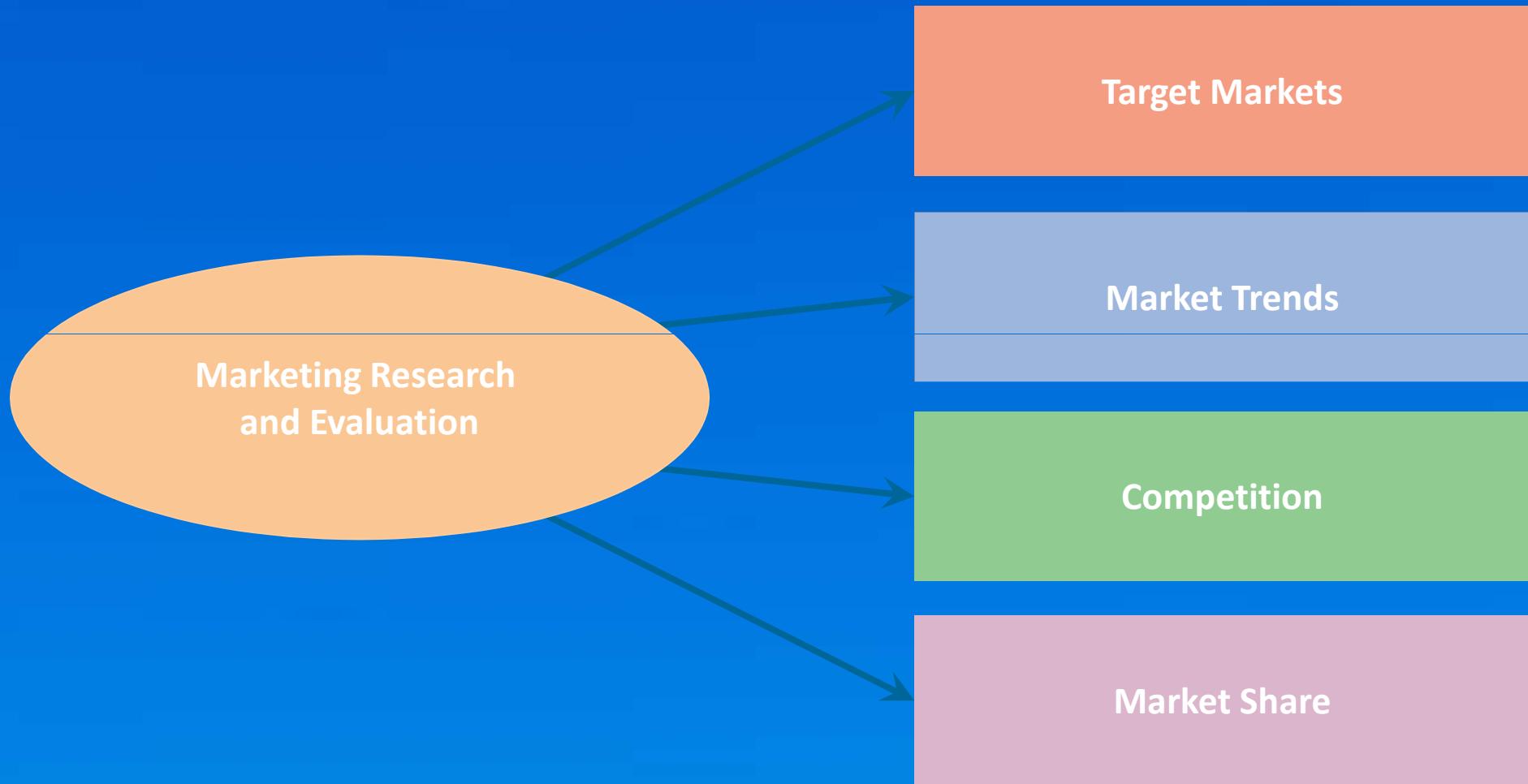
- Market Description
- Target Market
- Customer Buying Criteria
- Distribution Strategy
- Market Penetration and Sales Volume



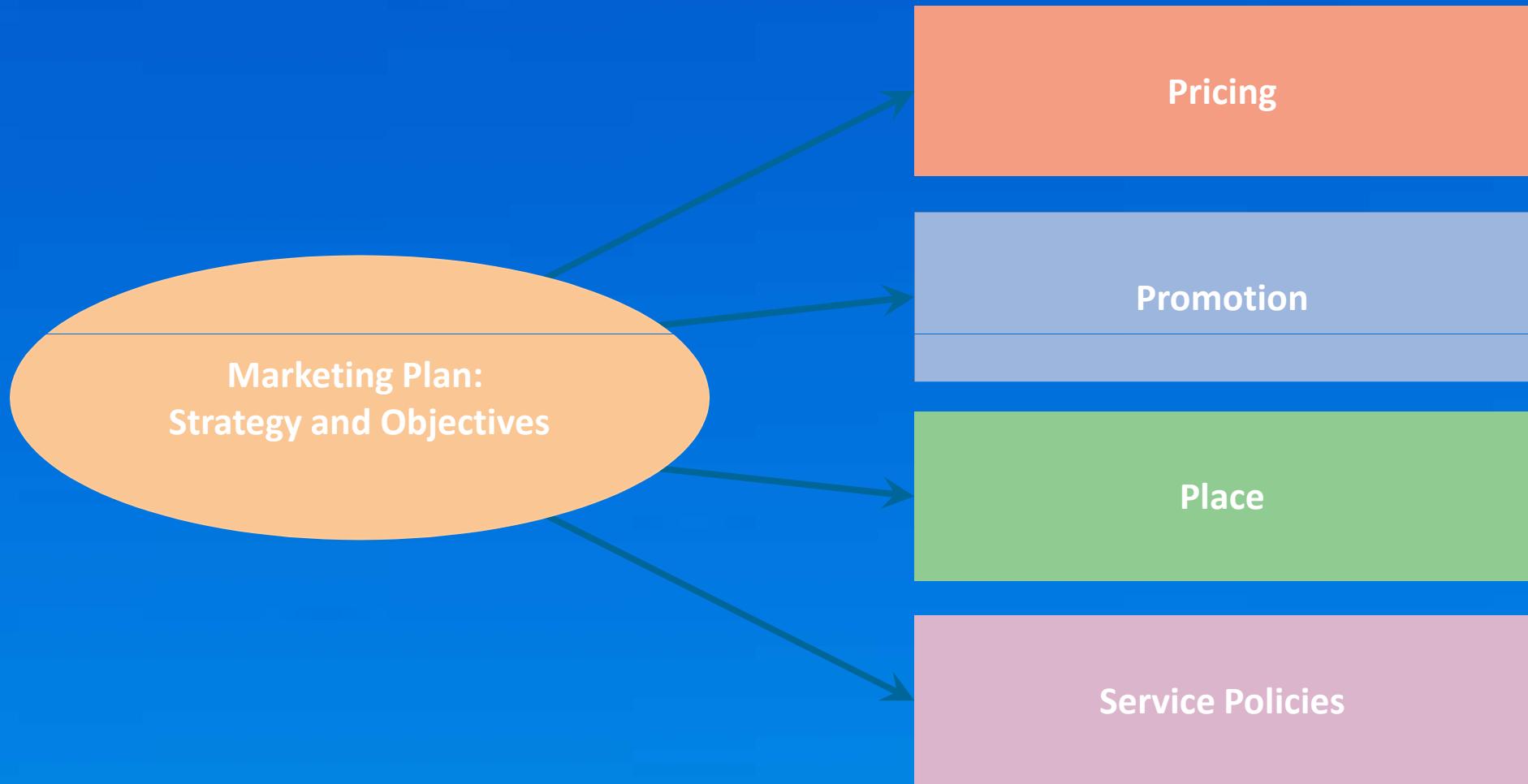
Target Market



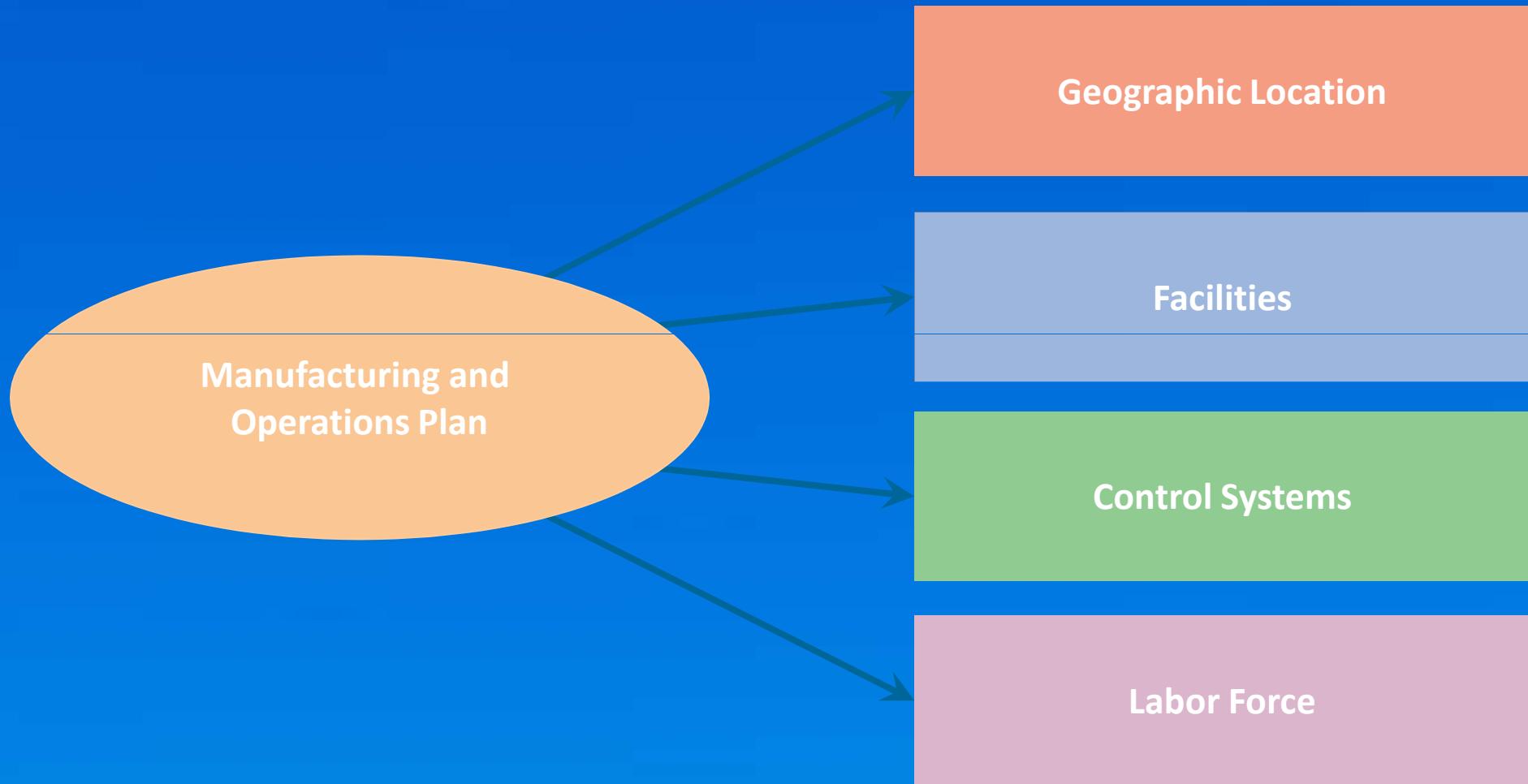
The Market



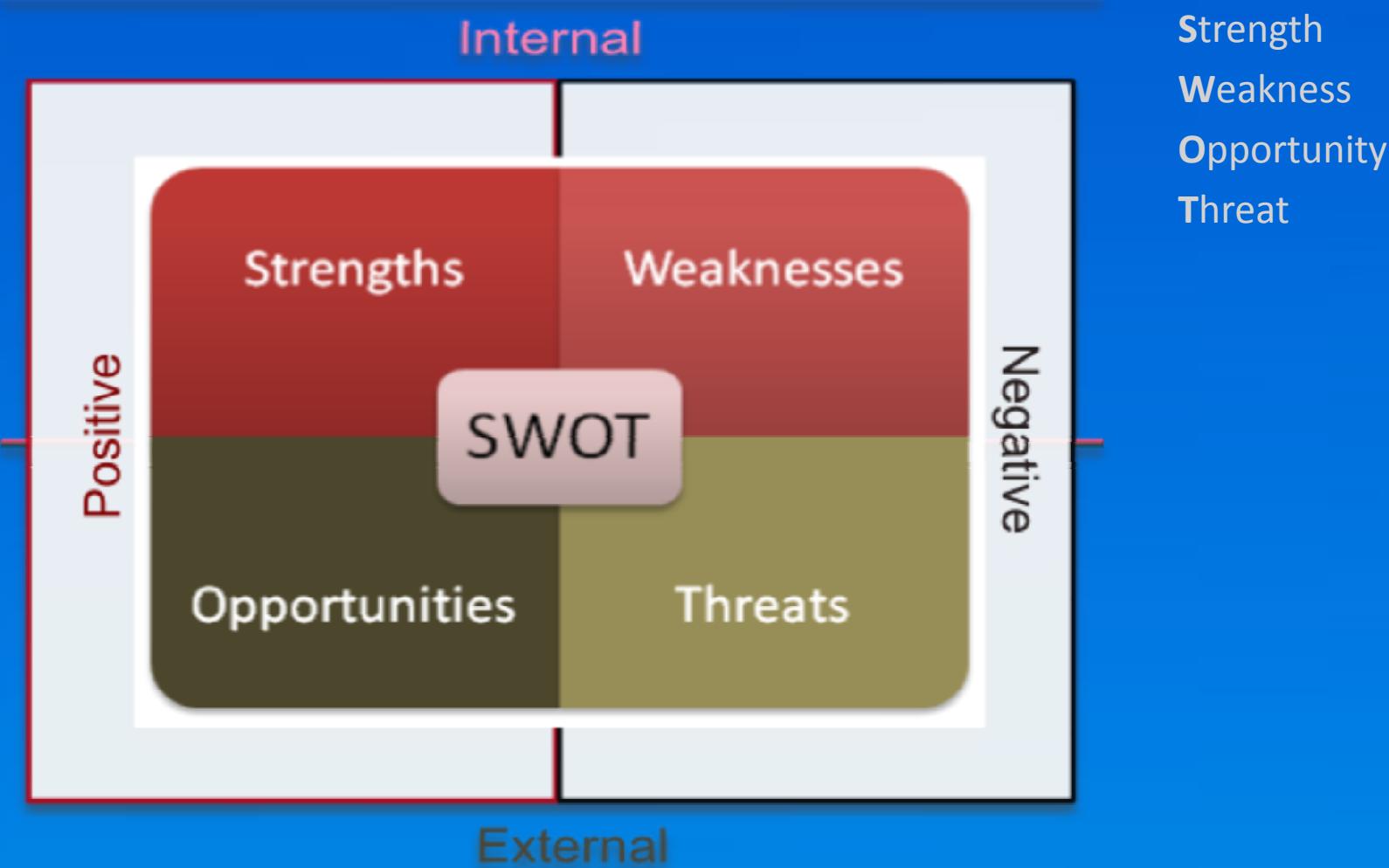
The Market



The Market



THE SWOT ANALYSIS

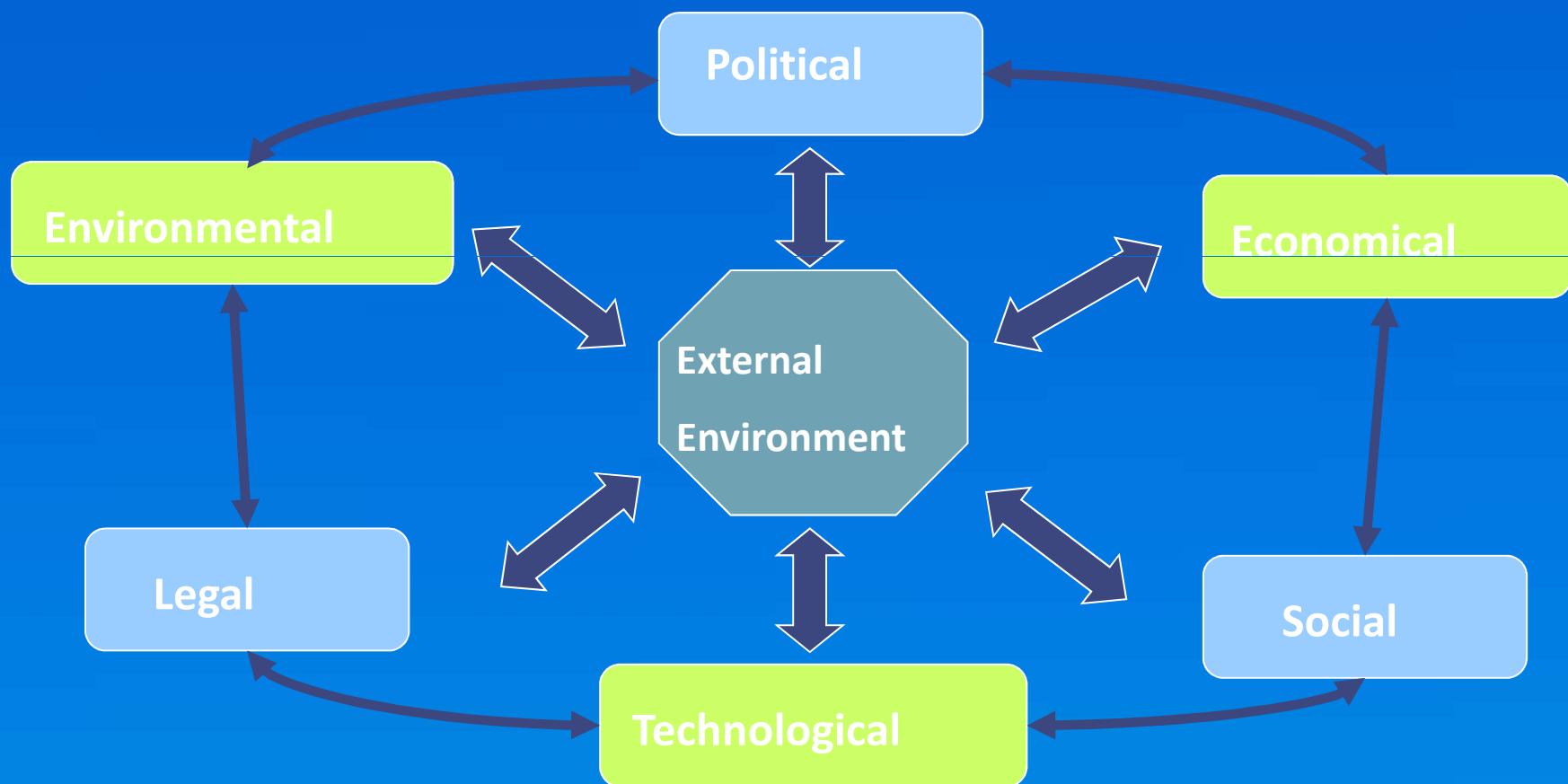


Competitive Grid

Competitor	Bobo Salon and Styling	Johnny's Hair	BEST CUTS
Offerings	Men's/women's cut/styles/color perms	Men's cuts only	Men's/ women's cut/ style/ color/ perms
Service Prices	Starts at \$38	Starts at \$50	Starts at \$30
Retail Prices	100% markup	100% markup	75% markup
Location	High traffic, highly visible	Moderate traffic, highly visible	High traffic, not visible
Expertise	20+years, up-to-date trends	15+ years, young hairstylists	13+ years, up-to-date trends
Service	Set hours, little schedule flexibility	Manager never there	Custom hours to suit clients needs
Turnover	Low	High	Sole stylist
Capacity	11 active chairs	8 active chairs	1 active chair
Client Base	Over 4000	?	Over 300

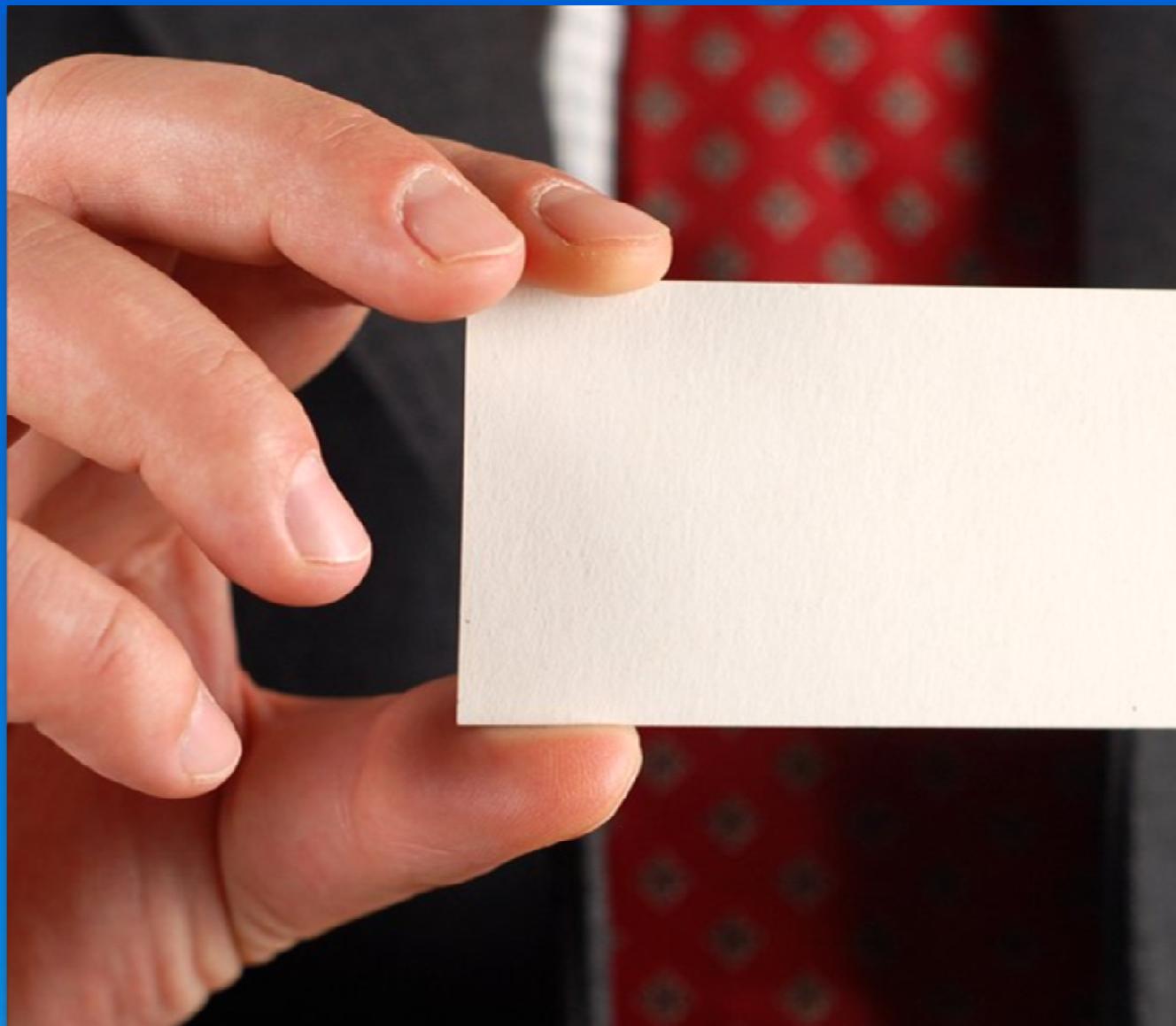
PESTLE analysis

A PESTLE analysis explores and identifies the external environment factors that surround your organisation which have an impact on the ‘business’ – what you do or want to do.



Market Analysis-Marketing Strategy

- Marketing Communications
 - Trade shows
 - Advertising
 - Press Releases
 - Conferences / Seminars
 - Internet Promotions
 - Direct Mail



8. Management

- Brief Profile of the Leadership Team with reference to Technical skills, Business skills, Experience
- Responsibilities of each member
- Compensation and benefits (case to case)
- Advisory board



MANAGEMENT

- HOW DOES YOUR (BUSINESS) EXPERIENCE HELP YOU IN THIS BUSINESS?
- WHAT RELATED WORK EXPERIENCE DO YOU HAVE?



MANAGEMENT

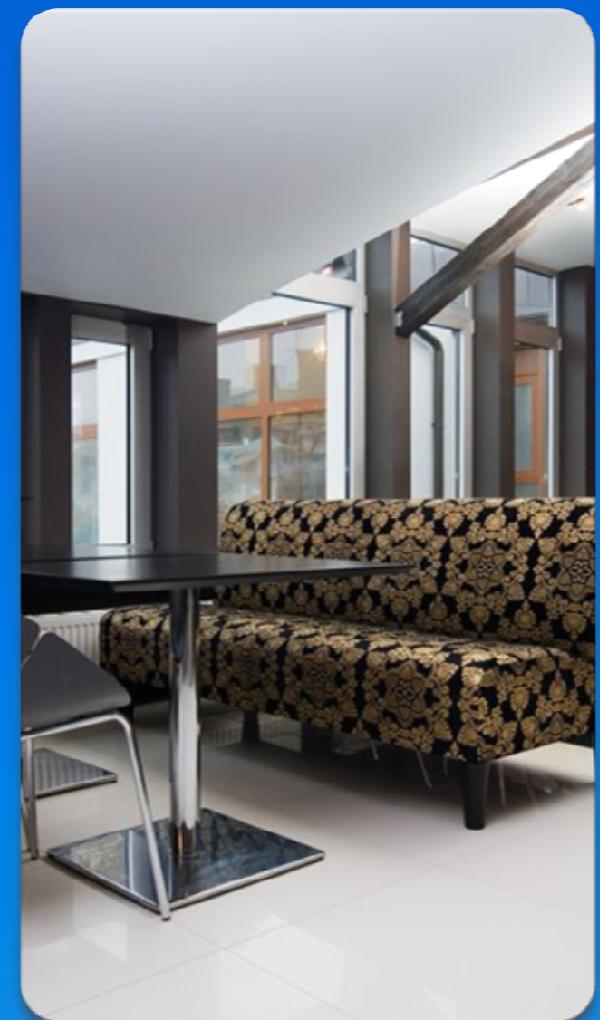
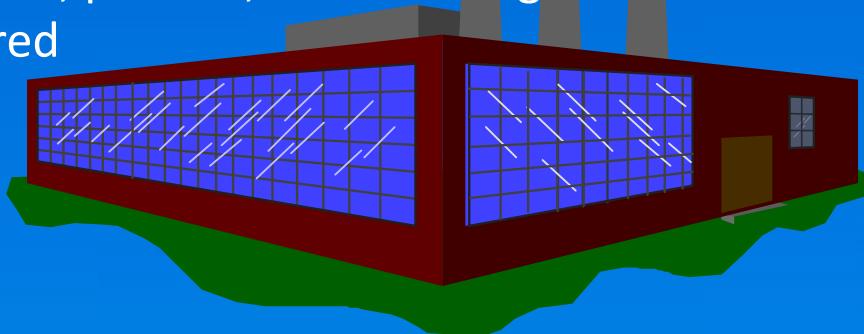
- WHAT ARE THEIR STRENGTHS AND WEAKNESSES?
- ARE THESE DUTIES CLEARLY DEFINED? HOW?
- WHAT ADDITIONAL RESOURCES ARE AVAILABLE TO YOUR BUSINESS?



9. Operations

Operations / Manufacturing/Productions

Location, facilities (*building, machinery, equipment*)
required, process, warehousing, human resources
required



Production/ Manufacturing/Operations

Logistics

- plant location, facilities needed, space requirements, capital equipment needed, labor requirements
- If applicable: purchasing policy, quality control program, inventory control system, production cost breakdown, subcontracts

Environmental and other issues

Further research and development

Regulatory and other compliance issues

What is done vs. what is TO BE done



LOCATION OF BUSINESS

- WHERE ARE YOU (OR SHOULD YOU BE) LOCATED?
- WHY IS IT A DESIRABLE AREA OR BUILDING?
- WHAT KIND OF SPACE DO YOU NEED?
- ARE ANY DEMOGRAPHICS OR OTHER MARKET SHIFTS GOING ON?



11. Financial Information



Financial Information

Previous years and current financial position dividend policy, existing contracts, other income, litigation, assignment of asset to creditors

How much money needed?



Financial Information (contd.....)

- Sources and uses of capital (initial and projected)
- For a New Business
 - Estimate of start-up costs & Working capital requirements
 - Projected balance sheet (1 year forward).
 - Projected income statement (1 year forward).
 - Projected cash flow statement (12 months forward).
- For an Existing Business
 - Balance sheets (last 3 years).
 - Income statements (last 3 years).
 - Cash flow statement (12 months).
- If Applying for a Loan (in addition to the above)
 - Current personal financial statement on each principal.
 - Tax return for prior year.

For what do you need financial assumptions?



Sales - when to begin, growth



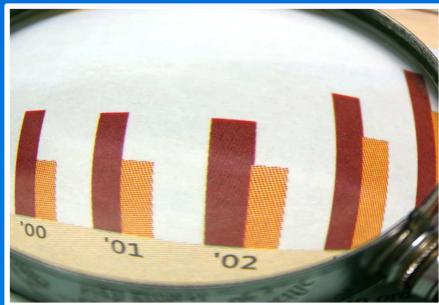
Start-up costs



fixed and variables expenses



terms on accounts receivable, payable



inventory turnover



terms of financing



initial cash position



timing of key events

Financing Your New Business

- Start up loans are very difficult to obtain
- Chances are you have to rely on the funds you can personally raise
- Grants?!



Methods of Financing

- Personal funds
- Family/ friend loans and gifts
- Angel investor
- Venture capital
- Banks
- Grants
- Personal loan
- Business loan



What are the Requirements?

- An excellent personal and business credit record
- Adequate collateral
- Cash investment: generally 20-30% of total project
- Experience in the business you are starting
- A solid business plan



- Personnel (costs prior to opening)
 - Occupancy (lease, rent, or mortgage)
 - Legal/ Professional Fees
 - Equipment
 - Supplies
 - Salary/ Wages
 - Utilities
 - Payroll Expenses
 - Internet
 - Licenses/ Permits
 - Insurance
 - Advertising/ Promotions



SOURCES & USES OF FUNDS

SOURCES OF FUNDS

INVESTMENT CAPITAL

Cash on Hand
Investment by Founder
Investment by Others
Incentives and Grants

DEBT CAPITAL

Bank Business Loan
Bank Personal Loan
SBA Guaranteed Loan
Other Loans

TOTAL

--

APPLICATION OF FUNDS

Rent & Security Deposits
Equipment/ Fixtures
Leasehold Improvements
Initial Inventory
Working Capital
Insurance
Professional Fees
Advertising
Signage
Contingency Reserve

TOTAL

--

Cash Flow Statement

- Cash Flow Statement
 - Shows:
 - Funds on hand at the beginning of a time period
 - Receipts into the business over time
 - Money flowing out of the business during the period
- Pro Forma Cash Flow Statement:
 - By month for the first year of operations
 - By quarter for the second and third years

Pro-Forma Income Statement

	Year	1	2	3
Sales				
Less: Cost of Goods Sold				
Gross Profit				
Operating Expenses				
Rent/ Mortgage				
Owner's Salary				
Other Salaries				
Payroll Taxes				
Advertising & Promotion				
Telephone				
Office Expense				
Dues and Subscriptions				
Accounting				
Insurance				
Professional Fees				
Internet				
Repairs & Maintenance				
Licenses & Permits				
Travel & Entertainment				
Legal Fees				
Bank Charges				
Miscellaneous				
Depreciation				
Amortization				
Interest				
Total Operating Expenses				
Net Profit Before Taxes				

Profit & Loss Statement

- Profit and Loss Statement
 - Shows sales revenues, expenses; net profit or loss
 - Shows an approximation of sales revenues and expenses
 - Is useful when breaking sales down by product line (or services) to determine:
 - A best-case scenario
 - A worst-case scenario
 - A most likely scenario



Break Even Analysis

Breakeven Analysis

- Shows the point at which sales and costs are equal—when a firm is neither making nor losing money.
- Reinforces financial projections by comparing them to industry averages for a chosen industry.
- Is used to compare a firm's projected financial ratios to industry averages to establish benchmarks.



Balance Sheet

Balance Sheet

- Shows assets, liabilities, and owner's equity
- Shows net worth or "capital" of the business—the difference between its assets and liabilities
- Is used to calculate key financial ratios to determine the financial health of the business:
 - Debt to equity
 - Current ratio



**Pro-Forma Balance Sheet
(Opening Day of Business)**

CURRENT ASSETS

Cash
Accounts Receivable
Inventories
Prepaid Expenses
Other Current Assets

TOTAL CURRENT ASSETS

--

FIXED ASSETS

Land
Leasehold Improvements
Equipment
Vehicles
Other Fixed Assets

Subtotal Fixed Assets

--

Less: Accumulated Depreciation

--

TOTAL FIXED ASSETS

--

TOTAL ASSETS

--

CURRENT LIABILITIES

Accounts Payable
Short-Term Debt
Accrued Expenses
Other Current Liabilities

TOTAL CURRENT LIABILITIES

--

LONG-TERM DEBT

--

OWNER'S EQUITY

Paid-In Capital
Retained Earnings

TOTAL OWNER'S EQUITY

--

TOTAL LIABILITIES & OWNER'S EQUITY

--

12. Investment Pattern



Present share capital, principal shareholders, bonds and debentures, proposed share offerings, use of proceeds, risk factors (*esp. due to changes in the future environment*)

13.Strategic Plan & Time Table

Immediate objective, intermediate objectives, long-term objectives, strategies for each, time table

(This can be included depending upon the nature, type and years of operations of the company and purpose of the B-Plan if it is an existing one)

11 (A.) Disclaimers (if legally required – or for one's own safety) A **disclaimer** is generally any statement intended to specify or delimit the scope of rights and obligations that may be exercised and enforced by parties in a legally recognized relationship. In contrast to other terms for legally operative language, the term *disclaimer* usually implies situations that involve some level of uncertainty, waiver, or risk.

14. Appendices: (Could Include Such Items As)

- Lists, specs, pictures of products, systems, software
- List of customers, suppliers, references
- Appropriate location factors, facilities or technical analysis
- Independent reports by technical expert, consultants
- Detailed resumes of founders, key managers
- Any critical regulatory, environmental or other compliance, licenses or approvals
- Sales or other financials assumptions (in brief)
- previous years' financial statements, media articles etc



Key Success Factors and Risks

- What Are the Key Success Factors?
- What Is the Company's Competitive Advantage/Customer Value Proposition?
- What Are the Most Important Risks?
 - What Happens If Things Go Right?
 - What Action Will You Take With What Probable Outcome If Key Risk Factors Go Against You?



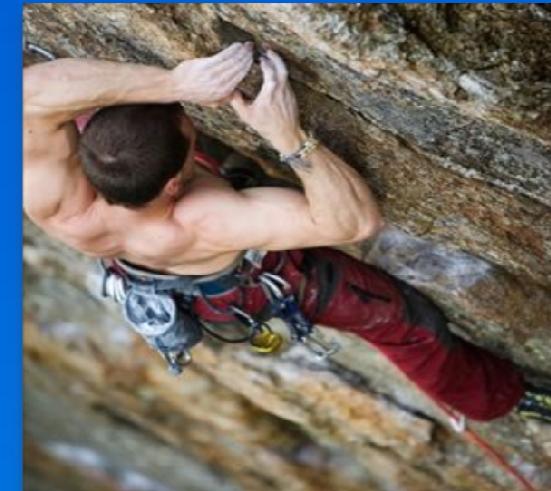
Critical Risks:



Critical Risks: Identification, Evaluation, Mitigation

- Identify major risks (7-10 is typical)
 - Look beyond the simplistic (sales fall short)
- Evaluate impact should risk occur
- Describe how the risk will be mitigated and how you will respond should it happen

Ask others what holes they see in your plan. What can go wrong ? Entrepreneurs frequently get too close to their ideas.



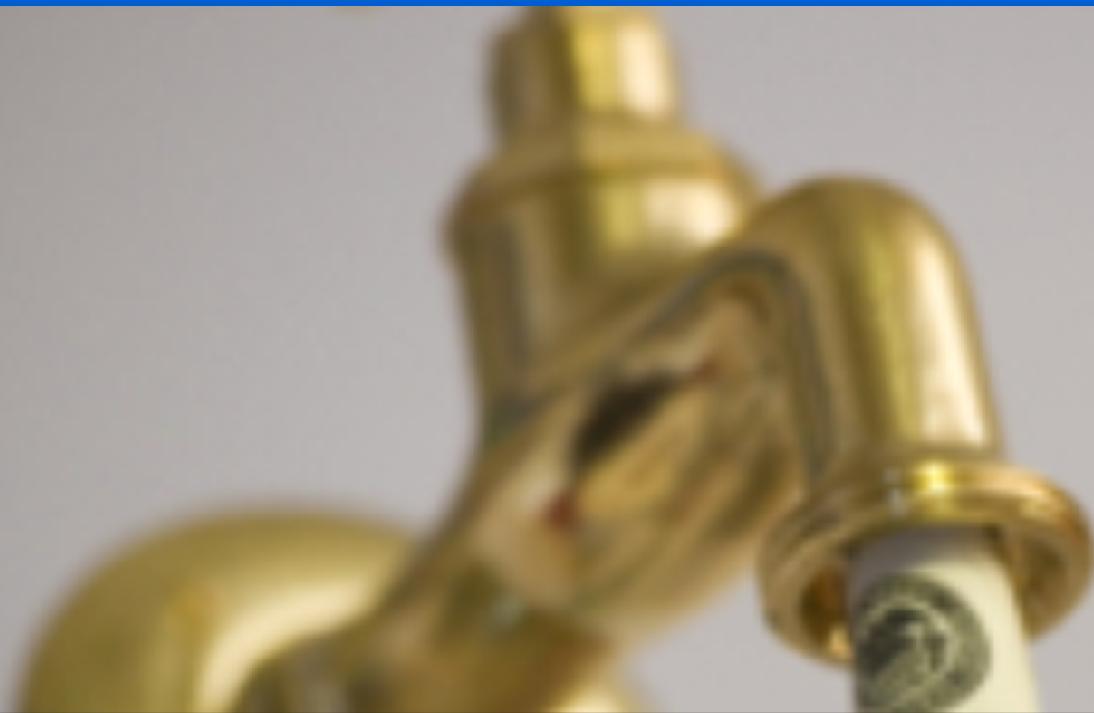
You need unbiased views here ...

BUSINESS FAILURE



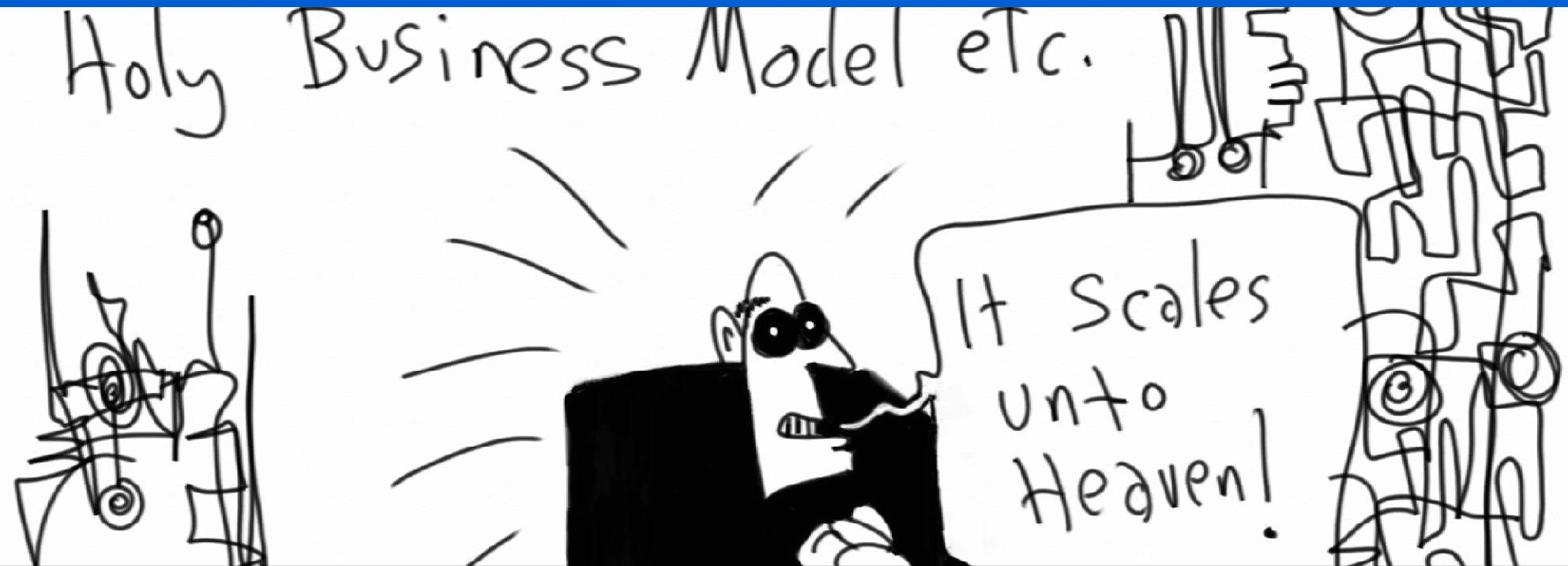
"People don't plan to fail.
They fail to plan."

THE TOP TEN REASONS FOR BUSINESS FAILURE



- #10 – Over expansion
- # 9 – Poor capital structure
- # 8 – Failure to control the controllable costs
- # 7 – Failure to prepare for volatility of uncontrollable costs
- # 6 – Add new products or divisions that reduce the profitable ones

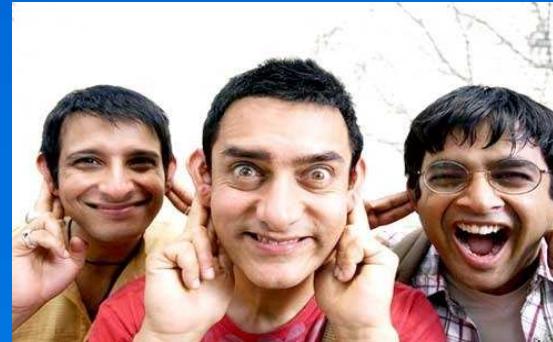
THE TOP TEN REASONS FOR BUSINESS FAILURE



- # 5 – Poor internal controls and execution
- # 4 – Poorly designed business model
- # 3 – Reliance on critical financing that dries up
- # 2 – Failure to adapt to a changing market, and . . .

THE #1 REASON FOR BUSINESS FAILURE IS...

Management in complete denial!



According to Dun & Bradstreet, 88.7% of business failures are due to management mistakes.

OTHER REASONS FOR FAILURE

- Dun & Bradstreet also claim that business failure results from
 - Lack of market awareness
 - Entrepreneur falls in love with product
 - Lack of financial responsibility and awareness
 - Lack of clear focus
 - Insufficient capital
 - Optimistic/realistic/pessimistic



- 
- Be Confident and Have a Positive Attitude
 - Be Customer Focused
 - Know the Economics of the Business
 - Know Your Elevator Pitch
 - Be Objective and Realistic About Strengths and Weaknesses
 - Demonstrate Commitment for the Long Term
 - Be Passionate: Compelling Reason to Do It Now

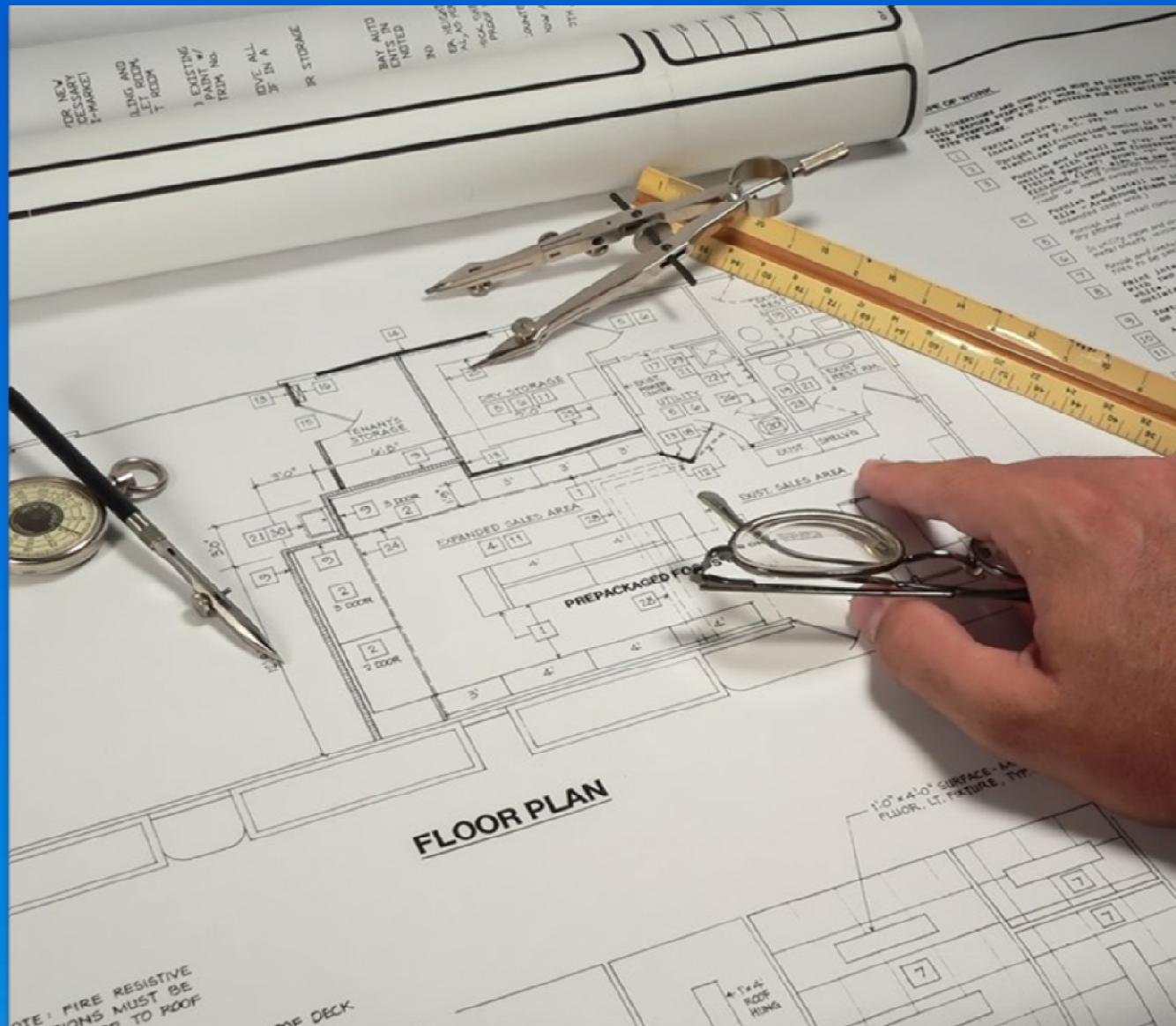
Some Don'ts

- Believing Business Plan is More Important Than Orders
- Saving Bad News for Dessert
- Unsupported Sales and Financial Projections
- Ignoring Key Challenges and Risks
- Over-emphasis on spreadsheets instead of customers
- Obsession with Day-to-Day Problems: Failure to Focus on Big Picture



The Review Process

- After the Business Plan Is Written...
 - The plan should be carefully reviewed and revised before being presented to a potential investor
 - Evaluate the plan as you think lenders and investor might do so.



Conclusions

Conclusions?

- Business Plan
 - Road Map for Converting an Opportunity into a Successful Business
- Business Planning
 - Journey, Not a Destination
- Business Planning Process
 - Helps Make Your Dream a Reality



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QUESTIONS AND DISCUSSION

