The Guide to Writing a Business Plan

Developed by the MEM Class 2006

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THE EXECUTIVE SUMMARY

MAIN POINTS TO CONSIDER

Executive Summaries are one of the most important parts of the Business Plan. They are the usually the first things that are read and analysed by most people, including potential investors.

The purpose of the Executive Summary is to provide your readers with an overview of the business plan. The Executive Summary should be no more than a page or two. It should simply summarise all sections of the Business Plan. Don't lie or exaggerate.

The Executive Summary should be the last thing that is written in the Business Plan. Its concise length and summary format will enable the reader to quickly understand what you plan to do with your business.

Tailor the executive summary of your business plan to your audience. The main target for your Business Plan may be to investors such as Banks, Angel Investors and Venture Capitalists. These people are very busy. You must capture their interest at the start so that they will continue to read your plan. Investors receive thousands of Business Plans, many of them the size of a book. They will only read a plan if the first few pages indicate that it is worthy of further exploration, which is why the Executive Summary is so important. Focus on the opportunity your business provides investors and why the opportunity is special.

The Executive Summary should tell the reader what you want. This is very important. All too often, what the business owner desires is not included. Clearly state what you're asking for in the summary. If you're looking for a loan or investment, state this. Specify the amount required and the percent of equity ownership offered in return. Make sure you include some highlights of your management team and your competitive edge.

The Executive Summary will end with a "clinching impact summary statement". This will be a sentence or two which is designed to persuade the readers of your Business Plan that your business is a winner. An example of a "clinching impact summary statement" – 'Chalk and Cheese Marketing Limited is an exciting new, low cost, high return venture that will change the face of marketing in New Zealand'.

TOPICS TO INCLUDE

The Business Plan's Executive Summary will include summaries (one to three sentences of each topic) of:

- Business Profile. This is a description of your company, including your products and/or services. State its uniqueness Your mission statement (WHAT?)
- The market, competitors and your customer (WHO'S IT FOR? WHY IS IT BETTER THAN COMPETITORS?)
- Your business's management and the people involved. Peoples abilities and ownership in the business (WHO ARE WE?)
- Financial projections, plans, sales, profitability and growth (HOW DO WE MAKE MONEY?)
- Finance Funding. Where money is required and what for. Investors opportunities. (WHERE/HOW DO WE GET MONEY?)
- Operations strategies including marketing, selling and overcoming risks and any competition. Time periods. Current development and progress (HOW DO WE DO IT? WHERE ARE WE AT?)
- A closing clinching impact statement (SEAL THE DEAL)

POINTS TO REMEMBER

- Clear and concise
- Written last, after the whole business report is completed.
- Can be altered slightly depending on the target audience intended to read it.
- Should hold the readers attention as to make them interested in finding out more and continue reading the rest of the Business plan
- If you have trouble crafting these summary sentences from scratch, review your Business Plan to get you going. One approach to writing the Executive Summary of the Business Plan is to take a summary sentence or two from each of the Business Plan sections you've already written.
- If there is any fundamental information missing from your Business Plan (such as the market size for a new product), make sure you state what it is.

DON'T FORGET

- Include the information you don't want anyone to miss. It is still a summary though.
- Make it easy for the reader to realise at first glance both your needs and capabilities.
- Keep the language strong and positive
- Never waste words in a summary.
- It must succinctly express the uniqueness and viability of your venture as to entice the reader to continue reading the whole Business Plan.

LASTLY

- Polish your Executive Summary. Read it aloud. Does it flow or does it sound choppy? Is it clear and succinct?

- Ask several knowledgeable business contacts to review your Executive Summary to test its effectiveness. Ask for suggestions of improvement.
- Put yourself in your readers' place... and read your executive summary again. Does this executive summary generate interest or excitement in the reader? If not, why?
- The Executive Summary is the doorway to the rest of the plan. It is the most important part. Get it right or your target readers will go no further.

Writing a Compelling Executive Summary

By Garage Technology Ventures

By now, you've probably already read several articles, web pages—even books—about writing the perfect executive summary. Most of them offer a wealth of well-intended suggestions about all the stuff you need to include in the executive summary. They provide a helpful list of the forty-two critical items you should cover—any entrepreneur worth his or her salt should be able to address these points in less than 100 pages—and then they tell you to be concise.

Most guides to writing an executive summary miss the key point: The job of the executive summary is to sell, not to describe.

The executive summary is often your initial face to a potential investor, so it is critically important that you create the right first impression. Contrary to the advice in articles on the topic, you do not need to explain the entire business plan in 250 words. You need to convey its essence, and its energy. You have about 30 seconds to grab an investor's interest. You want to be clear and compelling.

Forget what everyone else has been telling you. Here are the key components that should be part of your executive summary:

1. The Grab: You should lead with the most compelling statement of why you have a really big idea. This sentence (or two) sets the tone for the rest of the executive summary. Usually, this is a concise statement of the unique solution you have developed to a big problem. It should be direct and specific, not abstract and conceptual. If you can drop some impressive names in the first paragraph you should—world-class advisors, companies you are already working with, a brand name founding investor. Don't expect an investor to discover that you have two Nobel laureates on your advisory board six paragraphs later. He or she may never get that far.

2. The Problem: You need to make it clear that there is a big, important problem (current or emerging) that you are going to solve. In this context you are establishing your Value Proposition—there is enormous pain out there, and you are going to increase revenues, reduce costs, increase speed, expand reach, eliminate inefficiency, increase effectiveness, whatever. Don't confuse your statement of the problem with the size of the opportunity (see below).

3. The Solution: What specifically are you offering to whom? Software, hardware, service, combination? Use commonly used terms to state concretely what you have, or what you do, that solves the problem you've identified. Avoid acronyms and don't try

to use this opportunity to create and trademark a bunch of terms that won't mean anything to most people. You might need to clarify where you fit in the value chain or distribution channels—who do you work with in the ecosystem of your sector, and why will they be eager to work with you. If you have customers and revenues, make it clear. If not, tell the investor when you will.

4. The Opportunity: Spend a few more sentences providing the basic market segmentation, size, growth and dynamics—how many people or companies, how many dollars, how fast the growth, and what is driving the segment. You will be better off targeting a meaningful percentage of a well-defined, growing market than claiming a microscopic percentage of a huge, mature market. Don't claim you are addressing the $24 billion widget market, when you are really addressing the $85 million market for specialized arc-widgets used in the emerging wocket sector.

5. Your Competitive Advantage: No matter what you might think, you have competition. At a minimum, you compete with the current way of doing business. Most likely, there is a near competitor, or a direct competitor that is about to emerge (are you sufficiently paranoid yet??). So, understand what your real, sustainable competitive advantage is, and state it clearly. Do not try to convince investors that your only competitive asset is your "first mover advantage." Here is where you can articulate your unique benefits and advantages. Believe it or not, in most cases, you should be able to make this point in one or two sentences.

6. The Model: How specifically are you going to generate revenues, and from whom? Why is your model leverageable and scaleable? Why will it be capital efficient? What are the critical metrics on which you will be evaluated—customers, licenses, units, revenues, margin? Whatever it is, what impressive levels will you reach within three to five years?

7. The Team: Why is your team uniquely qualified to win? Don't tell us you have 48 combined years of expertise in widget development; tell us your CTO was the lead widget developer for Intel, and she was on the original IEEE standards committee for arc-widgets. Don't just regurgitate a shortened form of each founder's resume; explain why the background of each team member fits. If you can, state the names of brand name companies your team has worked for. Don't drop a name if it's an unknown name, and don't drop a name if you aren't happy to give the contact as a reference at a later date.

8. The Promise ($$): When you are pitching to investors, your fundamental promise is that you are going to make them a boatload of money. The only way you can do that is if you can achieve a level of success that far exceeds the capital required to do that. Your Summary Financial Projections should clearly show that. But if they are not believable, then all of your work is for naught. You should show five years of revenues, expenses, losses/profits, cash and headcount. It might also make sense to show a key driver, such as number of customers or units shipped.

9. The Ask: This is the amount of funding you are asking for now. This should generally be the minimum amount of equity you need to reach the next major milestone. You can always take more if investors are willing to make more available, but it is hard to take less. If you expect to be raising another round of financing later, make that clear, and state the expected amount.

You should be able to do all this in six to eight paragraphs, possibly a few more if there is a particular point that needs emphasis. You should be able to make each point in just two or three simple, clear, specific sentences.

This means your executive summary should be about two pages, maybe three. Some people say it should be one page. They're wrong. (The only reason investors ask for one page summaries is that they are usually so bad the investors just want the suffering to be over sooner.) Most investors find that there is not enough information in one page to understand and evaluate a company.

Please remember that the outline above should not be applied rigidly or religiously. There is no template that fits all companies, but make sure you touch in each key issue. You need to think through what points are most important in your particular case, what points are irrelevant, what points need emphasis, and what points require no elaboration.

Some other general points:

Do not lead with broad, sweeping statements about the market opportunity. What matters is not market size, but rather compelling pain. Investors would rather invest in a company solving a desperate problem for a small growing market, than a company providing an incremental improvement for a large established market.

Don't acronym your own name. Sun Microsystems did not build its brand by calling itself "SMI." (Of course, if you know where the name Sun came from, you understand this is an inside joke.)

Drop names, if they are real; don't drop names if they are smoke. If you have a real partnership with a brand name company, don't hide your lantern under a bushel basket. If you consulted for Cisco's HR department one week, don't say you worked for Cisco.

Avoid purple farts—adjectives that sound impressive but carry no substance. "Next generation" and "dynamic" probably don't mean anything to your readers (unless you are talking about DRAM). Everybody thinks their software is "intelligent" and "easy to-use," and everyone thinks their financial projections are "conservative." Explain your company the way you would to a friend at a cocktail party (after one drink, not five).

State your value proposition and competitive advantage in positive terms, not negative terms. It is what you can do that is important, not what others cannot do. With the one or two most obvious competitors, however, you may need to be very
explicit: "Unlike Cisco's firewall solution, our software can operate …."

Use simple sentences, not multi-tiered compound sentences.

Use analogs, as long as you are clarifying rather than hyping. You can say you are using the Google model for generating revenues, as long as you don't say you expect to be the next Google.

When you are done, go back and reread each sentence: Is it clear, concise and compelling?

Finally, one of the most important sentences you write will not even be in the executive summary—it is the sentence that introduces your company in the email that you or a friend uses to send the executive summary. Your summary might not even get read if this sentence is not well-crafted. Again, it should be specific and compelling. It should sell your company, not just describe it.

If you have any questions about writing a compelling executive summary, feel free to write Bill Reichert, Managing Director of

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Visit us at http://www.garage.com

Helping entrepreneurs build
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EXECUTIVE SUMMARY REFERENCES:

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  General Points on the fundamentals of an Executive Summary

- http://sbinfocanada.about.com/od/businessplans/a/execsummary.htm
  General Points on the fundamentals of an Executive Summary

- http://sbinfocanada.about.com/od/businessplans/a/execsumexample.htm
  An Example

- http://www.bplans.com/dp/article.cfm/196
  General Points on the fundamentals of an Executive Summary

- http://www.website101.com/Business_Plans/executive-summary-plan.html
  Dos and Don’ts of writing business plans – Executive Summary

Business Profile Tips

The Business Profile is the first opportunity you have to expand on information you have provided in the executive summary. Some people only read the business profile so it is important to include brief, concise information on all aspects of the project. This differs from an executive summary where you may be more personal and included your advice or beliefs. The Business profile should be based on fact! Remember to include information on;

- The product and any IP
  Have you applied for any patents, trademarks or do you have claim on any other intellectual property vested in the business?
- Business history, location and. Is this product in your core competencies?
  Convince the investors that the development of the product is not outside your abilities. Show them why you are capable perhaps highlighting other successes in similar areas.
- You level of commitment of the founders (financial and time)
  Show you are motivated, have you invested in the business, are you committing all of your free time.
- Relationship of the business with mentors and other forms of support. Are there any other agreements in place?
  If you are not experienced in some areas, have you identified these weaknesses, have you made enquiries or reached agreements with other companies who can help you with those areas.
- Target market and size, with any trends you hope to capitalise on.
  You do not need to justify your figures here, that is for the body of the plan. Be realistic! It is easy to turn off potential investors by including unrealistic information and predictions. Resist 'the china syndrome'
- Identification of competitors in the market, are you aware and realistic?
  Once again, it is easy to turn people away by failing to identify or acknowledge competitors. If you are confident in your product and it is a good fit to the market then you should have no reason to lie or conceal the truth.

It should include a summary of each of main aspects of the business plan but may also include additional background information on the direction and operations of the business.

Concentrate on one objective. The business profile should focus on the aims of this business, this product you are developing. It should not focus on your personal career objectives and other projects which may be attempted in future.
Role Play:
Designer: *"If you invest in this business then there are many other opportunities for you in this industry. I am also developing widget Y"*
Investor: *Before I give my investment dollars to you I will need to be certain that you will commit fully to this project.*

Objectives must be specific and measurable. They should concentrate on using hard, and not soft language as mentioned above. For example try to say *"We will sell 5000 units by 2009"* instead of *"We hope to successfully penetrate the market in the immediate short term future"*. If your objectives are specific and measurable then it shows you have done more research and are able to more accurately make predictions to the future. Or it shows that you are good at making up imaginary projections and figures; make sure you clarify this either way in the body of your report.

If you feel the inclusion of a mission statement will convey important information to the investor then it is important that it is concise, and to the point. Use hard language and not soft stuff like that taught in arts degrees. You should not need to justify why you are here, your purpose should be obvious from you product.
Example of mission statements:
Bad: *X Corp. designs, develops, assembles and markets systems for data base management. These systems integrate its proprietary operating system software with hardware supplied by major manufacturers, and are sold to small, medium and large-sized companies for a range of business applications. Its systems are distinguished by a sophisticated operating system, which permits use without trained data-processing personnel.*
Good: *Our mission is to enhance our customers' business by providing the very highest quality products and services possible. Our customer support strategy is based upon total, no-compromise customer satisfaction and we continually strive to offer a complete package of up-to-date value added solutions to meet our customers' needs. We value above all our long term customer relations.*

One important piece of background information which should be included is the status of the business relative to the product in question, has a prototype been developed, has market demand been confirmed. Such information is more important for some types of products than for others.
For Example:
Designer: *“We have developed the future in personal transportation. Using our simple device on which people simply stand, they can be transported to another location very easily. They simply lean and the antigravity drive actually levitates them to their destination”*

Investor: *“Wow, that’s amazing so have you actually built a working prototype?”*
Designer: *“No not yet but all our simulations show that it is possible and very easy, taking only 3 days of developer time”*
Investor: *“Get out”*

Market

Macroenvironment

- The Economy
    - GNP or GDP per capita
    - GNP or GDP growth
    - unemployment rate
    - inflation rate
    - consumer and investor confidence
    - currency exchange rates
    - merchandise trade balance
    - financial and political health of trading partners
    - balance of payments
    - future trends
- Government
    - political climate - amount of government activity
    - political stability and risk
    - government debt
    - budget deficit or surplus
    - corporate and personal tax rates
    - payroll taxes
    - import tariffs and quotas
    - export restrictions
    - restrictions on international financial flows
- Legal
    - minimum wage laws
    - environmental protection laws
    - worker safety laws
    - union laws
    - copyright and patent laws
    - anti- monopoly laws
    - Sunday closing laws
    - municipal licences
    - laws that favour business investment
- Technology
    - efficiency of infrastructure, including: roads, ports, airports, rolling stock, hospitals, education, healthcare, communication, etc.
    - industrial productivity
    - new manufacturing processes
    - new products and services of competitors
    - new products and services of supply chain partners
    - any new technology that could impact the company
    - cost and accessibility of electrical power
- Ecology
    - ecological concerns that affect the firms production processes
    - ecological concerns that affect customers' buying habits
    - ecological concerns that affect customers' perception of the company or product

Market Analysis

- **Market Definition**
  For a small business, they may chose to define their market in general terms, such as: Who are their customers? What are their basic characteristics?
- **Market Size**

- Two approaches: Top-down, and Bottom-up. (Top-down is likely to be an easier approach, using common sense and available market information, but the market size often tends to be over estimated because of the limitation of the company's ability to access the market. On the other hand, bottom-up approach estimates the market size by looking at what proportion of the total market you are capable of selling to.)
- Questions usually were asked are:
  - How much of your product or service might your market buy?
  - What proportion of them might be repeat customers?
  - How might your target market be affected by demographic shifts?
  - How might your target market be affected by economic events
  - How might your target market be affected by larger socioeconomic trends?
  - How might your target market be affected by government policies?

As we mentioned that company's competence and resources are often limited, they often opt to only sell to a proportion of the total market that best fits the company. The technique used to identify that submarket is called **Market segmentation.** It is the process in marketing of grouping a market into smaller subgroups. It is derived from the recognition that the total market is often made up of submarkets. These segments are homogeneous within (i.e. people in the segment are similar to each other in their attitudes about certain variables). Because of this intra-group similarity, they are likely to respond somewhat similarly to a given marketing strategy. That is, they are likely to have similar feeling and ideas about a marketing mix comprised of a given product or service, sold at a given price, distributed in a certain way, and promoted in a certain way.

Requirements for successful segmentation are:

- homogeneity within the segment
- heterogeneity between segments
- segments are measurable and identifiable
- segments are accessible and actionable
- segment is large enough to be profitable.....

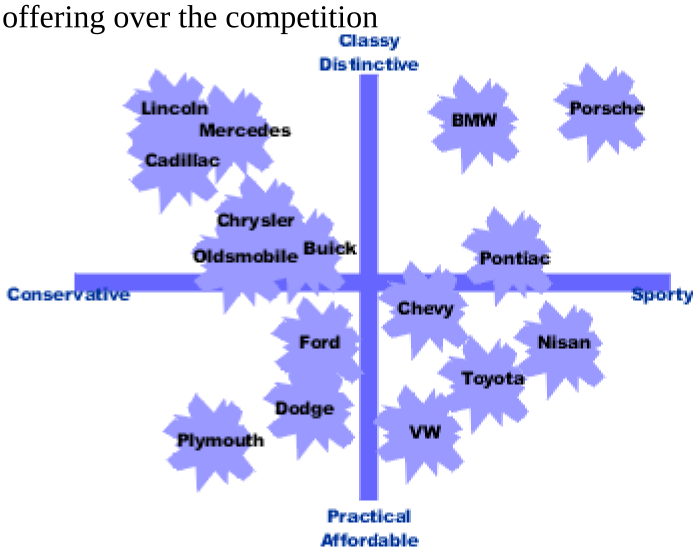
Variables for Segmentation

1. **Geographic variables**
   - region of the world or country
   - country size
   - climate
2. **Demographic variables**
   - age
   - gender
   - sexual orientation
   - family size
   - family life cycle
   - income
   - occupation
   - education
   - socioeconomic status
   - religion
   - nationality/race
3. **Psychographic variables**
   - personality
   - life style
   - value
   - attitude
4. **Behavioural variables**
   - benefit sought
   - product usage rate
   - brand loyalty
   - product end use
   - readiness-to-buy stage
   - decision making unit

Identifying the Marketing strategy

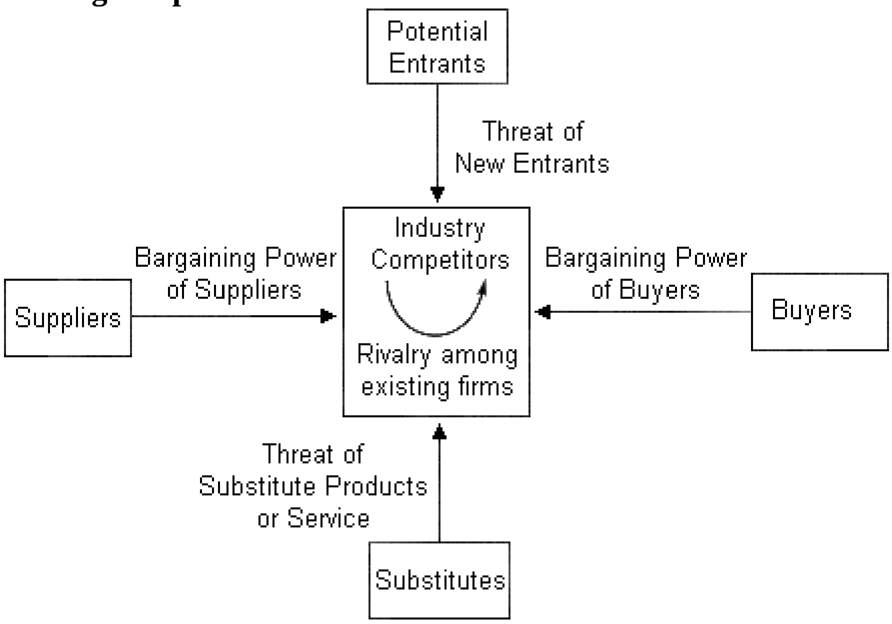
Positioning strategy: Positioning is the technique by which marketers try to create an image or identity in the minds of their target market for its product, brand, or organization. A product's position is how potential buyers see the product. Positioning is expressed relative to the position of competitors. Successful positioning strategies are usually rooted in a product's sustainable competitive advantage. The most common basis for constructing a product positioning strategy are:

- Positioning on specific product features
- Positioning on specific benefits, needs, or solutions
- Positioning on specific use categories
- Positioning on specific usage occasions
- Positioning on a reason to choose an offering over the competition
- Positioning against another product
- Positioning through product class dissociation
- Positioning by cultural symbols



Porter 5 forces Analysis

- The threat of entry of new competitors (new entrants)
- The threat of substitutes
- The bargaining power of buyers
- The bargaining power of suppliers
- The degree of rivalry between existing competitors



competition and market share
competitors' strengths and weaknesses

market trends

Consumer Analysis

- nature of the buying decision
- participants
- demographics

  - population size and distribution
  - age distribution
  - education levels
  - income levels
  - ethnic origins
  - religious affiliations
  - cultural structures

  - How old are they?
  - What gender are they?
  - Where do they live?
  - What is their family structure (number of children, extended family, etc.)?
  - What is their income?
  - What do they do for a living?
  - What is their lifestyle like?
  - How do they like to spend their spare time?
  - What motivates them?
- psychographics
- buyer motivation and expectations

loyalty segments

People/Management

1. Summary of the Management and Personnel Section
2. Basic Structure
3. Examples
4. Key Questions to Ask
5. Bibliography

1. Summary of the Management and Personnel Section

The Management and Personnel section outlines information about all the people involved in the business including owners as well as employees. The section illustrates the organizational structure of the business. It details the skills, strengths and weaknesses of each employee with more detailed descriptions required for owners, managers and the board of directors. Obvious gaps in key management functions (particularly common in start up companies) are then identified and the means of filling these gaps are stated in this section of the Business Plan. Details related to personnel management, including recruitment, motivating and retaining can also be listed in this section. Finally, direct and indirect costs caused by personnel are tabulated in the personnel plan.

2. Basic Structure:

Section X: Management Summary
- Subsection X.1: Organizational Structure
- Subsection X.2: Management Team
- Subsection X.3: Management Team Gaps
- Subsection X.4: Personnel Management
- Subsection X.5: Personnel Plan

a) Management Summary

Includes:
- An explanation of your management team, management philosophy, backgrounds, organization and functions, plus at least one table that covers your estimated personnel costs
- How many employees the company has, how many managers, and how many of the managers are founders
- Whether your organizational structure is sound. Answer questions like; are there job descriptions and logical responsibilities for all the key members? Is your team complete, or are there gaps still to be filled?
- Explanation of the gaps and weaknesses and how you intend to fill them

b) Organizational Structure

Includes:
- Details of the organizational structure of a company, usually by way of an organizational chart
- An explanation of how job descriptions work and how the main company functions are divided up

You should answer questions like: Are your organizational lines drawn clearly? Is the authority properly distributed? Do you have jobs that include responsibility without authority? Do your resources seem in line with your organizational needs?

c) Management Team

- List the most important members of the management team (owners, management team and board of directors)

Ownership Information: Names of owners, Percentage ownership, Extent of involvement with the company, Forms of ownership (ie., common stock, preferred stock, general partner, limited partner), Outstanding equity equivalents (ie., options, warrants, convertible debt) and Common stock (ie., authorized or issued).

Management Profiles: Name, Position (include brief position description along with primary duties), Primary responsibilities and authority, Education, Unique experience and skills, Prior employment, Special skills, Past track record, Industry recognition, Community involvement, Number of years with company and Compensation basis and levels (make sure these are reasonable - not too high or too low)

Board of Directors' Qualifications: Names, Positions on the board, Extent of involvement with company, Background, Historical and future contribution to the company's success

d) Management Team Gaps

- You may have obvious gaps in management, especially in start-up companies
- It is far better to define and identify a weakness than to pretend it doesn't exist
- Specify where the team is weak because of gaps in coverage of key management functions
- How will these weaknesses be corrected?
- How will the more important gaps be filled?

e) Personnel Management:

RECRUITMENT:

- Analyse and state the needs of your business
- When creating a job description, state: title of the job, employee's immediate superior, employee's sub-ordinates, conditions of employment
- State recruitment and selection processes that will be used to recruit and select the right person for the job

MOTIVATING:

- Analyse training needs of staff and state training that will be used to motivate staff
- State performance appraisal methods, including how often regular feedback should be given

RETAINING
- State briefly the correct procedures for dismissal and retirement

f) Personnel Plan

Includes:
- A personnel table to project personnel costs
- Lists direct compensation and indirect costs

Indirect costs include vacation pay, sick pay, insurance benefits, education, and of course, payroll taxes and some other costs

This personnel plan (from Quick & Dirty Auto Repair (QDAR) Service's Business Plan) shows, QDAR expects to make gradual investments in staffing as several new facilities are opened over the next ten years.

Personnel Plan			
	2001	2002	2003
Owners	$320,000	$336,000	$352,800
Managers	$135,000	$141,750	$148,838
Mechanics	$3,150,000	$3,307,511	$3,472,897
Customer Service Associates	$270,000	$283,503	$297,681
Sales & Administrative	$440,000	$462,003	$485,106
Total People	120	136	152
Total Payroll	$4,315,000	$4,530,767	$4,757,322

3. Examples

Examples of this format can be found on http://www.bplans.com/sp/businessplans.cfm

4. Key questions to ask:

Who Are These People, Anyway?

Fourteen "Personal" Questions Every Business Plan Should Answer

- ☐ Where are the founders from?
- ☐ Where have they been educated?
- ☐ Where have they worked–and for whom?
- ☐ What have they accomplished–professionally and personally–in the past?
- ☐ What is their reputation within the business community?
- ☐ What experience do they have that is directly relevant to the opportunity they are pursuing?
- ☐ What skills, abilities, and knowledge do they have?
- ☐ How realistic are they about the venture's chances for success and the tribulations it will face?
- ☐ Who else needs to be on the team?
- ☐ Are they prepared to recruit high-quality people?
- ☐ How will they respond to adversity?
- ☐ Do they have the mettle to make the inevitable hard choices that have to be made?
- ☐ How committed are they to this venture?
- ☐ What are their motivations?

5. Bibliography

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http://www.myownbusiness.org/s2/#3
http://www.myownbusiness.org/plans/sample_doc/all_product.doc
http://tenonline.org/sref/jg3.html

Finance

1. Financial Plan

The financial plan is arguably the most important part of a venture. It defines what the costs and revenues will be, and a time frame for their development. It shows "what's in it for me" and "how much will it cost me".

It is important to ensure that the financial plan is not optimistic, but instead, realistic.

The financial plan should contain a brief explanation of the following with detailed spreadsheets and charts in the appendix:

1. Income statement
2. Cash Flow Projection
3. Balance Sheet
4. Analysis
5. Important Assumptions

1.1 Income Statement

The Income Statement shows your Revenues, Expenses, and Profit for a particular period. It's a snapshot of your business that shows whether or not your business is profitable at that point in time; Revenue - Expenses = Profit/Loss.

While established businesses normally produce an Income Statement each fiscal quarter, or even once each fiscal year, for the purposes of the business plan, an Income Statement should be generated more frequently - monthly for the first year.

1.2 Cash Flow Projection

The Cash Flow Projection shows how cash is expected to flow in and out of your business. It is an important tool for cash flow management, letting you know when your expenditures are too high or when you might want to arrange short term investments to deal with a cash flow surplus. As part of your business plan, a Cash Flow Projection will give you a much better idea of how much capital investment your business idea needs.

For a bank loans officer, the Cash Flow Projection offers evidence that your business is a good credit risk and that there will be enough cash on hand to make your business a good candidate for a line of credit or short term loan.

Do not confuse a Cash Flow Projection with a Cash Flow Statement. The Cash Flow Statement shows how cash has flowed in and out of your business. In other words, it describes the cash flow that has occurred in the past. The Cash Flow Projection shows the cash that is anticipated to be generated or expended over a chosen period of time in the future. While both types of Cash Flow reports are important business decision-making tools for businesses, we are only concerned with the Cash Flow Projection in the business plan. You will want to show Cash Flow Projections for each month over a one year period as part of the Financial Plan portion of your business plan.

The Cash Flow Projection is divided into three sections. The first part details your Cash Revenues, where sales figures are estimated for each month. Remember that these are Cash Revenues; you will only enter the sales that are collectible in cash during the specific month you are dealing with.

The second part is your Cash Disbursements. Take the various expense categories from your ledger and list the cash expenditures you actually expect to pay that month for each month.

The third part of the Cash Flow Projection is the Reconciliation of Cash Revenues to Cash Disbursements. As the word "reconciliation" suggests, this section starts with an opening balance which is the carryover from the previous month's operations. The current month's Revenues are added to this balance; the current month's Disbursements are subtracted, and the adjusted cash flow balance is carried over to the next month.

1.3 Balance Sheet

The Balance Sheet is the last of the financial statements that you need to include in the Financial Plan section of the business plan. The Balance Sheet presents a picture of your business' net worth at a particular point in time. It summarizes all the financial data about your business, breaking that data into 3 categories; assets, liabilities, and equity.

For the purposes of your business plan, you'll be creating a pro forma Balance Sheet intended to summarize the information in the Income Statement and Cash Flow Projections. Normally a business prepares a Balance Sheet once a year.

1.4 Analyse the information

These may include:

1. Break Even
2. Payback Period
3. Net Present Value
4. Debt/Equity Ratio
5. Current Ratio
6. Acid Test
7. etc…

1.5 Important Assumptions

State any assumptions that have been made. This helps investors understand the financial impact when the basis of an assumption changes. These assumptions need to be justified and verifiable. Such assumptions could be:

1. Credit periods
2. Inventory system

3. Sales projections
4. etc…

2. Sales Forecasting

Sales forecasting is especially difficult when you don't have any previous sales history to guide you, as is the case when you're working on preparing cash flow projections as part of writing a business plan.

There are all sorts of ways to estimate sales revenues for the purposes of sales forecasting. One point to remember when sales forecasting, is that if you plan to work with a bank for financing, you will want to do multiple estimates so as to have more confidence in the sales forecast.

2.1 Don't Just Do One Sales Forecast

Instead of forecasting annual sales as a single figure, generate three figures: pessimistic, optimistic, and realistic. Then put the figures in by month, as depending on your business, there could be HUGE variations by month. (Some retail firms do 50 percent of their gross sales around Christmas, from the end of October to the end of December, for example, yet barely get by June through August.)

2.2 Include Expenses in Your Sales Forecasting

Now put in your expenses by month, including big purchases by season (or however you buy materials/goods). Remember, you may buy materials or inventory in say, July, for Christmas, yet not get all of your receipts until 45 days after Christmas. There can be big cash flow implications. Also, will you be buying vehicles? Capital equipment? Make sure to show depreciation expense.

In your expenses, put in an allowance for bad debts. Figure how much of your sales are by cash, how much by credit card, how much by your extending credit. Deduct say four percent or more for credit card expense for that portion sold by credit card. For payroll expenses, put in estimated tax withholding payments quarterly that must be paid to the government.

If you're going to a bank for financing, be able to answer questions such as, have you made an allowance for a reserve cash account, for your slow months, but also in case you have to quickly replace a vehicle or equipment? You say you'll charge x dollars for your product, but what happens when your competition cuts the price by 33 percent and still makes a profit?
How specifically will you grow your business? Will you be selling more to existing customers, selling existing products to new customers, selling new products to existing customers, and selling new products in order to attract new customers? They're going to want to see if you've got a real plan.

Remember that it is acceptable (and realistic) to have a negative cash flow projection for the early months of your cash flow projection period.

2.3 Sales Forecasting Summary

I guess you can see that instead of estimating one big sales figure for the year when sales forecasting, a more realistic monthly schedule of income and expenses gives you far more information on which to base decisions. That's what "keeping the books" is designed to do: give YOU information you can make good decisions on.

So in effect, you prepare three cash flow projections, where you vary the percentage of sales or other figures to arrive at three different scenarios: pessimistic, optimistic, and realistic. The pessimistic view should be the "worst case" situation; plan to have enough capital and patience to get through that scenario. If it turns out that the actual results are better than that - great!

3. Expenses and Revenues to Consider

Costs/Expenses

Accident Compensation
Accountancy
Advertising
Bad Debts
Bank Fees
Cleaning, Rubbish & Laundry
Commission
Computer Servicing
Consultant/Management Fees
Depreciation
Debt Collection Costs
Direct Labour
Entertainment
Exchange Rate Dif
Freight Recharged
Freight Expense
Fringe Benefit Tax
General Expenses
Insurance
Interest - Bank OD
Interest - Bank Loan
Interest - Hire Purchase
Interest - UOMI
Lease Plant & Equipment
Lease Vehicles
Legal Expenses
Loss on Sale
Marketing
Expo Costs
Postage
Power
Printing & Stationery
Packaging
Protective Clothing
Recruitment Fee
Rent & Rates
R & M - Office Equipment
R & M - Workshop
Salaries - Directors
Security Expenses
Subscriptions
Staff Training
Staff Welfare
Telephone & Tolls
Travel & Accommodation - NZ
Travel & Accom - Overseas
Valuation Fees
Vehicle Expenses - Repairs
Vehicle Exp - Rego & Insurance
Vehicle Expenses - Fuel & RUC
Wages – Administration

Revenues

Sales
Service
Grants
Interest Received
Depreciation Recovered

Source Funding

Where and how to get money for your business.

1. Types of Funding Available

There are various types of funding that are available for business start-ups. The best type of funding depends on the type of business you have and at what stage in the start up you are.

Family and friends are the most common source of funding for small businesses. You already have a relationship with these people. They often do not require a well developed business plan as they trust that you will work hard to ensure business success. It would be more advisable to have friends and family provide equity rather than debt. If you approach a bank with a large debt already accumulated, they will be less likely to provide funding.

The second most common source of funding is from a bank or private finance institution. The major risk with this debt funding is that your personal assets are required as security. If your business does not succeed, you risk loosing a lot.

Angel Investors often seek to invest in the early stages of a business. They are usually people who are experienced in business and are looking for opportunities to invest some spare cash. Angels usually require a significant portion of ownership of your business in return for their funding as they are taking a significant risk with their money. Venture capitalists provide a similar type of funding as angels, but they differ in that investing in other businesses is their core business. Angel Investors and Venture Capitalists will often be able to provide business expertise in addition to cash funding, which will help ensure success of your business.

Your business may qualify for a grant or some Government funding. Typically, this funding provides support for businesses in innovation and technology, or those that have the potential to contribute significantly to New Zealand's Economy. Some sources of this type of funding are:

Industry New Zealand Business Growth Service
- *Established high growth companies can apply for up to $100 000 funding*

Technology New Zealand R&D grant
- *$10 000 to $100 000 grants available to fund research and development*

Maori business development - Poutama Trust
- *Businesses that are at least 50% Maori owned can request funding for business investigations, training or growth.*

WINZ Business Enterprise Allowance and other assistance from WINZ
- *Supports eligible unemployed jobseekers start their own business.*[1]

[1] http://www.telecom.co.nz/content/0,3900,202245-201208,00.html

Finally, Corporate Investors are interested in businesses that are set up and are doing well. They are looking to take over the company and selling to corporate investors is often used as an exit strategy.

Table 1 summarises where you can get funding for your business whilst showing the main benefits and drawbacks of each type.

Table 1 Summary of Source Funding

Source	Type of finance	Benefits	Drawbacks
Family and friends	Debt or equity. Equity is more advisable	Family are easier to persuade than other people.	Probably don't have any skills to help you.
Bank loan/ Private Investment company	Debt	Do not want ownership of the business.	Risk losing your security. Interest rates may be high. Business plan needs to be well developed.
Angel Investors / Venture Capitalists	Equity	Funding without risk of losing assets. Investors can add value with their network and expertise.	Will want to have some say in your business. You will need to convince the investors you're your business will have a worthwhile return.
Grants/awards/subsidies/ govt funding		Does not create a debt. You do not have to give up any ownership of your business.	Rigid criteria – usually relates to business in innovation and technology

2. How you obtain funding

The requirements differ depending on what type of funding you are attempting to acquire for your company. Obtaining money from someone whom you know relatively well will require less preparation than would be necessary to receive a government grant or subsidy. Some businesses may not even qualify for these types of grants and subsidies.

Regardless of the type, convincing an investor that your business is a worthwhile investment is imperative. While presentation skills and saleability will be extremely beneficial to persuade investors, the business plan itself provides the roadmap to show the investor how you plan to repay the borrowings or grow the value of the business. In the case of a start-up company, the business plan becomes a proposal which defines your business, identifies your goals and serves as your company's first CV.

Investors will use your business plan to evaluate the likelihood of your business making the money to repay them. Having a well-developed business plan is pivotal in compelling investors to supply funding for your venture, regardless if you are just starting your business or you are looking to expand your already established company. The better prepared and more thought out your business plan is, the higher the chances of investors providing their funds to you.

Additionally, most investors will want to understand how their funds are going to be used to grow your business. Whether the moneys will be used to purchase equipment, lease buildings or increase working capital, you will find that investment firms will specifically look to see where their funds will be used and the timeline which will see those funds paid back.

As you can see from this information, having a well constructed business plan is essential to acquiring funding from potential investors, regardless of the type of investment you are pursuing. In many cases, it is beneficial to have multiple business plans which are similar in structure, but are tailored to each investor's different needs. While this may seem like overkill, a specific and concise business plan will attract the investors that your business is especially looking for.

3. Other Useful Information for funding

Business Incubators can help startups get funding. There are currently 15 incubators in NZ providing assistance in mainly ICT, biotechnology and creative areas. They help to connect resident companies to angel investors and venture capitalists, assist them in applying for loans, and accessing grant programmes.

Other Places that can assist you in obtaining investment for your company[2]

Investment New Zealand **www.investmentnz.govt.nz**
Find out why New Zealand is an excellent place to invest, which sectors offer exciting possibilities, and how Investment New Zealand can help and advise you.

Escalator Service **www.escalator.co.nz**
Training and deal-broking for New Zealand small and medium sized businesses seeking funds to expand, diversify or commercialise a new concept.

Attracting Investment: Key Success Factors **www.regdev.govt.nz**
From the Regional Development 2001 conference, a short explanation of how regions can benefit from Investment New Zealand's policy.

Venture Investment Fund **www.nzvif.com**
The Government established the Venture Investment Fund in 2002 to accelerate the growth of the venture capital market in New Zealand. All investors, in New Zealand or overseas, can get involved on attractive terms.

[2] Sourced from: http://www.nzte.govt.nz/QuickFindTopics/11801.aspx

Bibliography

Go to http://www.nzte.govt.nz/section/11735/11049.aspx for more info

Planning for success New Zealand Trade and Enterprise, Jan 2004, Christchruch

Operations

Operations is the process through which resource inputs are converted into useful outputs. Inputs include raw materials, capital facilities, equipment, labour, and management talent. Outputs include manufactured products, services, information, and anything else the customer values. The operations section of the business plan therefore describes the inputs, processes, procedures, and activities required to use the inputs in order to create the outputs.

The business profile section defines the product and its value proposition, whereas the operations section describes how that value is efficiently produced. It depends on the type of business but will typically deal with the internal operations and equipment necessary to produce the product or service. Areas such as location, equipment and labour all need to be addressed as well as the manufacturing and service process. The operations section may also include information about inventory requirements, quality control and insurance.

When putting together an operations plan the following questions need to be addressed:

1) What operating functions will be performed internally?
2) What plant/machinery will be required?
3) Where will the business be located?
4) How will the production sequence be organised?
5) What are the staffing requirements?
6) What are the inventory requirements and who are the suppliers?
7) How will the manufacturing process be controlled?
8) What type of insurance does the business need?
9) What are the Health and Safety policies?

When you're writing this section of the business plan, you can use the headings above as subheadings and then provide the details in paragraph format. If a topic does not apply to your particular business, leave it out. The best part is that once you've worked through this business plan section, you'll not only have a detailed operating plan to show the readers of your business plan but have a convenient list of what needs to be done next to make your business a reality [1].

1) What operating functions will be performed internally?

The first and possibly most important step in determining the operational plan is to decide what functions the business will perform internally and what will be contracted out. The more obvious component of this is the Make-or-Buy decision (whether a part should be produced by the company or purchased from another company. Factors that must be considered when making this decision include production costs, reliability, quality, dependability and available capacity. This decision will determine the organisation’s core competencies and will have a major effect on the other questions asked above.

Other considerations must also be made in this section other than those directly related to the product/service, for example, whether or not the administration, marketing and sales will be internal operations. Once again these decisions will have an impact in other areas such as staff requirements.

2) What plant/machinery will be required?

Describe the equipment necessary and how much of it you need, possibly including its cost and any financial arrangements. Will the plant/machinery need to be custom built? How long will it take to obtain, install and commission? Establish the floor-space required and any special equipment requirements e.g. hygiene and EMC factors.

3) Where will the business be located?

What type of premises are they and what is the size and location? If it's applicable, include drawings of the building, copies of lease agreements, and/or recent real estate appraisals. You need to show how much the land or buildings required for your business operations are worth, and tell why they're important to your proposed business.

The market research will often provide data to find the best position for the business in relation to the intended market. What are you selling and who are you selling it to? Retail stores prefer a busy high street but a manufacturing business favours a purpose-built factory in an industrial zone. There are many considerations you must take into account here:

- Are you close to the customers?
- Is labour readily available and at what cost?
- Do you have access to raw materials easily?
- Shipping availability – Is a port, rail-way or airport near-by?

4) How will the production sequence be organised?

This will most likely be determined by the type of products offered. Will a production line be used or will the business only do batch production (or even a mix of both)? Explain how long it takes to produce a unit, and when you'll be able to start producing your product or service. Include factors that may affect the time frame of production and how you'll deal with potential problems such as rush orders. Decide what the hours of operation will be, keeping in mind the impact on general operation and maintenance staff.

5) What are the staffing requirements?

Employees will be a key factor in the operation of the business. Asking these questions will help identify the key factors when employing staff:

5.1 How many employees will be required and what skills will they need?

Predicting the number and type of employees may seem difficult at first. A good way to start is to analyse each of the key areas of the business. These areas may include production, admin, sales and management. By considering the activities of each area you will begin to get an idea about the number of employees and the level of expertise that will be required.

It is important to consider contracting work out instead of employing people. This consideration may seem obvious for some things such as waste disposal, cleaning and security but should in fact be considered in a much wider sense. Manufacturing of specific products may be manufactured more efficiently by someone else than by you.

5.2 What will happen if we lose a key person?
Consider the "key person" concept. Is there anyone whose presence in the business is vital (other than you)? If so, it makes sense to consider what your business would do in the event that a key player is lost [2].

5.3 How will employees be located and hired to ensure quality?
Recruiting good employees is difficult, the process of hiring needs to be thought out. Will newspaper ads be purchased or will a recruiting firm be hired?

It is important to consider the state of the labour market both nationally and locally. Will you be able to recruit employees with the level of skills and expertise you require?

5.4 Is there a need for temporary staff?
In many cases, a startup business or a business taking on a new product, service, or market will experience a short-term need for a lot of help. Temporary labour may be useful to meet fluctuating demand or to cope with special projects. Having a plan to deal with short term labour shortages may be vital to the business.

6) What are the inventory requirements and who are the suppliers?
The business plan should outline how inventory levels will be managed in the business. Will large inventories be held or will a just-in-time system be implemented? This will partly depend on the supplier base and the relationship with suppliers. If suppliers are overseas, large shipments will probably be necessary to reduce shipping costs. This will also affect the lead time required to acquire materials. If suppliers are local, are they willing to make frequent, small deliveries or will they only deliver once per month?

Having sufficient goods to sell is crucial to the success of a business. The business plan needs to set out the methods used to obtain the products (if selling of ready-made products) and raw materials (if manufacturing) [3]. You should outline your relationship with suppliers and show that they are competent and financially sound.

It is useful to know how and where one's competitors obtain their materials. These competitors are probably more established for a number of years and are fully aware of which suppliers are better than others.

7) How will the manufacturing process be controlled?
It is important to decide on the level of quality you are aiming for. Are *x* defects in 1000 acceptable or unacceptable? How will you ensure your quality standards are met? Show the reader how quality will be maintained. Will you use manual inspections or automated testing? How fast will any quality problems become apparent? How will quality be measured, controlled, and improved?

8) What type of insurance does the business need?

What are the insurance needs of the business? What are the major risks and their consequences? What will happen if a key supplier goes out of business? If a key facility is destroyed, how will the business survive? Consider whether insurance available and how much it will cost.

What potential public liabilities could the business incur? Can risk be minimised through insurance? What type of insurance does your business need? Discuss the legal liability issues of your business.

9) What are the Health and Safety policies?
What are the main health and safety risks in the business? What procedures will be put in place to monitor and improve health and safety?

It may be good to get international certification (e.g. ISO accreditation) to show that health and safety is taken seriously.

References:

[1] Business operational plan, *Joseph Eby Ruin,* http://adtimes.nstp.com.my/jobstory/jan6h.htm

[2] http://www.toolkit.cch.com/text/P02_5361.asp

[3] http://www.bizplanit.com/ vplan/operational/basics.html

Delivery/Distribution

Channel Description & Consideration of trade offs

1. Selling Direct
2. Mail orders, internet, phone sales
3. Retailers – optimal locations of store, rentals, land purchasing, inside/outside malls
4. Wholesalers
5. Sales Agent

    - Cost
    - Time, Speed
    - Reliability
    - Convenience
    - Efficiency
    - Pleasant experience
    - Delivery of required quantity
    - Packaging – size, convenience, value
    - Availability – Labour, Transport

Example: HOTEL, sell rooms via travels agents, tour operators, airlines and centralized reservation system

Channel Members

Level 1. Customer and supplier
Level 2. Customer, retailer, supplier
Level 3. Customer, retailer, wholesaler, supplier

- Cost of intermediaries
- Wider distribution of product
- Lack of control with intermediaries
- Workload /tasks

Management & Channel Decisions

- Issues involved with quality of dealers
- Customer relationships, Control and contact with customer
- May have no other choice but to use the middle men
- Number of retail stores
- Business Alliances, eg with couriers
- Sales agent contracts
- LEVEL OF SALES INTENSITY
    - intensive : retail store
    - Medium-low : select on Suitable Re-sellers
    - low: 1 Re-seller in a 1 geographical area

Channel Motivation

Want to consider and make a decision about the need to provide incentives to the distribution staff e.g….

- Retail Stores: provide a larger profit margin for the retailer so he/she will promote the product/service
- Dealer: Performance and Quality incentives to increase sales
- Courier Agencies: Develop business alliances and incentives to ensure satisfactory distribution of the goods, so that the customer does not experience any hassles with delivery

Supply & Customer Relationships

Suppliers		**_Customer_**
Raw Materials	You As Distributor	Final products
Components		

Need to build on customer relationships as well as supplier relationships to ensure the manufacturing cycle operates effectively.

Controls, Minimises, Eliminates Risk

Inventory & Delivery

- Inventory size vs delivery size
    - small delivery sizes ~ low inventory levels
    - frequency & shipment size
- Security of stock pile - # of stores in case of fires, robbery etc

Need to optimise process and levels to suit both the manufacturing process and method of distribution

National & International Sales

- Contacts and sources of assistance- export contacts
- Culture Barriers- language
- Database
  - Inbound logistics , raw material
  - Outbound logistics, finished goods
  - Electronic process, stores linked by computer network, or centralized, dedicated distribution centre
  - Logging sales
  - Ensuring Delivery, data & operations, efficiency

Contingency Plans

Agreements with competitors, or suppliers

e.g. when out of stock there could be an agreement with a supplier to deliver a shipment direct to the customer, which allows you as the distributor to maintain a high level of customer service.

Remunerations: discounts

Pizza Hut, free pizza is not delivered in 30min

Pricing and Quality

Pricing Definition
Pricing is the manual or automatic process of applying prices to purchase and sales orders, based on factors such as: a fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others.

Price Outcome

- achieve the financial goals of the firm (eg.: profitability)
- fit the realities of the marketplace (will customers buy at that price?)
- support a product's positioning and be consistent with the other variables in the marketing mix:
- price is influenced by the type of distribution channel used, the type of promotions used, and the quality of the product
- price will usually need to be relatively high if manufacturing is expensive, distribution is exclusive, and the product is supported by extensive advertising and promotional campaigns
- a low price can be a viable substitute for product quality, effective promotions, or an energetic selling effort by distributors
- Pricing Considerations
- How much to charge for a product or service? While this is the way most businesses think about pricing, since it focuses on what the business sells, the real question is how much do customers value what they are buying?
- What are the pricing objectives?
- Do we use profit maximization pricing?
- How to set the price?: (cost-plus pricing, demand based or value-based pricing, rate of return pricing, or competitor indexing)
- Should there be a single price or multiple pricing?
- Should prices change in various geographical areas, referred to as zone pricing?
- Should there be quantity discounts?
- What prices are competitors charging?
- Do you use a price skimming strategy or a penetration pricing strategy?
- What image do you want the price to convey?
- Do you use psychological pricing?
- How important are customer price sensitivity and elasticity issues?
- Can real-time pricing be used?
- Is price discrimination or yield management appropriate?
- Are there legal restrictions on retail price maintenance, price collusion, or price discrimination?
- Do price points already exist for the product category?
- How flexible can we be in pricing? : The more competitive the industry, the less flexibility we have.
- The price floor is determined by production factors like costs (often only variable costs are taken into account), economies of scale, marginal cost, and degree of operating leverage

- The price ceiling is determined by demand factors like price elasticity and price points
- Are there transfer pricing considerations?
- What is the chance of getting involved in a price war?
- How visible should the price be? - Should the price be neutral? (ie.: not an important differentiating factor), should it be highly visible? (to help promote a low priced economy product, or to reinforce the prestige image of a quality product), or should it be hidden? (so as to allow marketers to generate interest in the product unhindered by price considerations).
- Are there joint product pricing considerations?
- What are the non-price costs of purchasing the product? (eg.: travel time to the store, wait time in the store, dissagreeable elements associated with the product purchase - dentist -> pain, fishmarket -> smells)
- What sort of payments should be accepted? (cash, cheque, credit card, barter)
- Price Effectiveness
- From the marketers point of view, an efficient price is a price that is very close to the maximum that customers are prepared to pay. In economic terms, it is a price that shifts most of the consumer surplus to the producer.

Effective Price
The effective price is the price the company receives after accounting for discounts, promotions, and other incentives.

Customer Factors
The major determinant of prices will be what the consumer is prepared to pay, which is in turn related to a number of other factors:

- Demand
- Benefits
- Value
- Distribution [3]

[3] http://en.wikipedia.org/wiki/Pricing

Quality

Many organizations require their suppliers to have a Quality Management System based on ISO 9001:2000. This is particularly true for exporters to organizations in developed countries. This trend is already noticeable and is on the increase in many developing countries.

- set organizational goals and objectives for the QMS,
- appoint a quality management representative,
- appoint a QMS Implementation Project Team (if and when necessary),
- decide if a QMS consultant is required to assist you with the interpretation of the requirements of ISO 9001:2000,
- plan the QMS project,
- prepare a cost estimate,
- allocate resources for the QMS Project,
- conduct a gap analysis by reviewing the existing management system's policies, procedures, work instructions and practices,
- flowchart the processes (on various organizational levels, if required),
- develop the required QMS documentation,
- interview and select a Registrar/Certification body,
- review and approve the QMS documentation,
- introduce and train all employees in "How to use your QMS",
- implement the QMS for at least three months,
- identify and train internal quality auditors,
- conduct the first series of internal audits,
- conduct a management review,
- initiate corrective and preventive actions,
- arrange for assessment by Registrar/Certification body, and
- correct the deficiencies and continue to implement and improve the QMS.[4]

[4] http://www.intracen.org/ec/isochecker/isosample.pdf

Part 2: The Marketing Plan –Pricing Strategy

Pricing Strategy

The pricing strategy portion of the marketing plan involves determining how you will price your product or service; the price you charge has to be competitive but still allow you to make a reasonable profit.

The keyword here is "reasonable"; you can charge any price you want to, but for every product or service there's a limit to how much the consumer is willing to pay. Your pricing strategy needs to take this consumer threshold into account.

The most common question small business people have about the pricing strategy section of the marketing plan is, "How do you know what price to charge?"

Basically you set your pricing through a process of calculating your costs, estimating the benefits to consumers, and comparing your products, services, and prices to others that are similar.

Set your pricing by examining how much it cost you to produce the product or service and adding a fair price for the benefits that the customer will enjoy. Examining what others are charging for similar products or services will guide you when you're figuring out what a "fair" price for such benefits would be. You may find it useful to conduct a Breakeven Analysis.

The pricing strategy you outline in your marketing plan will answer the following questions:

What is the cost of your product or service? Make sure you include all your fixed and variable costs when you're calculating this; the cost of labour and materials are obvious, but you may also need to include freight costs, administrative costs, and/or selling costs, for example.

How does the pricing of your product or service compare to the market price of similar products or services?

Explain how the pricing of your product or service is competitive. For instance, if the price you plan to charge is lower, why are you able to do this? If it's higher, why would your customer be willing to pay more? This is where the "strategy" part of the pricing strategy comes into play; will your business be more competitive if you charge more, less, or the same as your competitors and why?

What kind of ROI (Return on Investment) are you expecting with this pricing strategy, and within what time frame?[5]

[5] http://sbinfocanada.about.com/cs/businessplans/a/bizplanmarkplan_2.htm

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http://www.bplans.com/sp/businessplans.cfm
Example business plans

http://www.entrepreneur.com/article/0,4621,287355-1,00.html#exec
Good run down on how to construct a business plan. It covers each section well. Tells you how to plan your plan and much much more

http://www.nzte.govt.nz/common/files/biz-planning-for-success-2005.pdf
Developing a Business Plan

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A Business Plan checklist

Notes:

Notes