

The Guide to Reading a Business Plan

Developed by the MEM Class of 2007



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Executive Summary

When presented with a business plan, the executive summary is often the first thing you would look at.

As you read over the first sentence it should grab your attention and throw you into the world of the business idea. The first paragraph should also make it clear what the business does. If some impressive names are also used in this first paragraph e.g. world class advisors or associated companies you will know the executive summary is well on the way to giving a good overview of the plan.

Reading the rest of the executive summary should provide you with a problem the business is facing and the solution to the problem that the company is offering. It should further state the opportunity the business creates and what competitive advantage it has over its competitors in the market. You should look for these areas and make sure they have a good understanding of what the business does and why they could be successful.

Furthermore, the executive summary should relate their activities to you, the investor, and a summary of realistic financial projections should be displayed. These are very important and care should be taken to familiarise yourself with these.

Make sure you understand how the business makes their money and what they plan to do with the invested money. It is vital that the financial projections are realistic and not overly optimistic; make sure you are happy that the company has thought about their future cash flow and profits and that they are reasonable and satisfactory.

The executive summary should leave you interested in learning more about the company and entice you to read on. If at this stage you are not interested in finding more about the company and the opportunities they present to you, close the report and file accordingly.

Key pieces of information to look for are:

- Does the summary capture your interest from the start?
- Does the summary include short and concise information on
 - The Business profile
 - The market
 - The people and management structure
 - Finance
 - Operations
 - Pricing and Quality
- Does the summary entice you to learn more about the company?
- Has acknowledgment been made for any missing information?

Business profile

Business profiles should be based on credible factual information using hard language; their objectives should be specific and measurable – not too general. The business profile should be a summary of each of the main aspects of the business plan.

Key pieces of information to look for are:

Background

History

- A brief description of the company to date
- How long have they been in business?
- If the business is in start-up stage, what is the business background of the team/individual?
- What are the major events that have shaped the enterprise?
- How has the business reached its current position?
- Is the product or service within the core competencies of the company?

Objectives

- Some statement of what the business is trying to achieve in the short-term (one or two years) and in the long-term (up to five years).
- Is there a clear focus on aims of the business and strategy?
- Are objectives specific and measurable? (May help to indicate level of research undertaken)
- Is a timeline of dates for achieving objectives provided?
- A quality general mission statement?

Products and IP

- Products and services that will be provided to the public must be described clearly.
- Is the product/service description easily understandable to you or to someone with no experience in the industry?
- Is the status of business relative to the product described? e.g. Prototype stage, and/or market demand confirmed.

A clear product or service definition may indicate whether the business plan is well researched and well thought out.

Many business ideas are simply developments of existing business ideas. Ideas that are completely new or innovative may be able to be protected legally.

- Have any patents, trademarks or claims been made related to this product or service?
- Are details of claims on IP vested in the business described?

Location

Depending on the nature of the business, the physical location may be very important with regards to local market characteristics and demographics, and accessibility for consumers (especially in the retail sector).

Check that the following aspects are described:

- Is the location (address) of the business stated?
- Is the business easily accessible? (consider parking, road networks, public transport)
- What is the impact of the location on the business?

Business management and advisors

- Does the business have a good support network? (This may include personal, professional and business support networks, such as accountants, lawyers and specialists)
- Are details of subcontracted parties provided?

Business environment

This sets out the network that surrounds and supports your business' central functions.

Market size

- Has the size of the market been clearly stated?
- Has any research been done to confirm speculation?
- (Not essential but good if it is there)

Target market

- Has the most common customer been described?
- Has the target market been defined and understood?

Industry characteristics

- Has it been explained what makes the industry unique?

Trends

- Have important trends in your business area been identified?

Environmental efficiency

- Has product/service efficiency been considered?
- What are the effects on the environment, if any?

Competition

- Has the competition been identified?
- Have the biggest threats been analysed and a plan to combat explained?
- Have they considered indirect competition? (competing for the disposable dollar)

E-commerce

- Has the impact of e-commerce been considered and how will it be used for web-site presence, and communication?

Relevant business achievements

- Is the status of the business relative to the product or service clearly described?
- Has the market demand been verified?
- Is there any indication of the amount of money invested already?
- Any important milestones met to date? (Possible list)
- Technological advancements or innovations indicated?

Other topics that may impact on your business

- Have any other important factors been talked about or potential questions answered with regard to things like:
 - legal regulations
 - GST issues
 - Insurance policies
 - Licenses/Consents
 - Compliance Issues (standards etc)

Market Analysis

“The absolute fundamental aim of marketing is to make money out of satisfying customers.” – John Egan.

Market places are diverse and continuously changing entities and, unsurprisingly, effective market analysis is an essential part of staying afloat in such transformative environment.

Key pieces of information to look for are:

Strategic and tactical Planning

Planning structures should exist to help meet unforeseen changes in the market, as well as short and long term business goals. There should also be a business strategy which aims to create an image, or identity, in the minds of the intended target product market. Ask the following:

- Have they considered long term/wider upcoming issues?
- Does their strategy make for a sustainable competitive advantage?
- Are they charging a reasonable price in relation to the market concerned?

Threats

New unaffordable technologies and competition diversification, with regards to new entrants and current players, as well as new regulations or any other potential threat to the business, should be registered. Ask the following:

- Have potential threats been identified?
- Are the threats credible enough?
- Have they conducted a ‘Porter 5 forces’ threat analysis, or some similar technique, to contextualise potential threats?

Opportunities

There should be an initiative for expansion and improvement - elements which add excitement and drive to a business. The following may be indicators of companies who have thought about opportunity in their market analysis:

- Have they investigated the potential for export?
- Have they investigated the potential to sell in other markets?
- Have they investigated the potential for improvement?
- Have they investigated the potential for joint ventures?
- Have they investigated the potential for expansion and diversification?
- Have they investigated the potential for franchising?

Trends

There should be an awareness of what is happening locally and internationally in related market. Ask the following:

- Will the trend introduced by this venture last given changing technology and buying behaviour?
- Have they conducted a P.E.S.T (analysis of political, economic, social and technological environments), or some similar technique, to contextualise and recognise changing trends which may affect their business?

Market Definition and Customer base

- Who are the customers and what are their basic characteristics?
- Do their customer's income levels lend credit to the product's affordability?
- Have they referenced a legitimate customer demographic?
- Do they know what is happening to their customer base and how it is going to change?
- Do they plan to instigate, or continue, regular market research to ensure they know who their customers of the moment are?
- Have they received or compiled any customer feedback?

Market Size – Adapt a Top-Down approach

- Have they used either top-down or bottom-up techniques to analyze the market size and their ability to access that market?
- Have they identified submarkets which will best fit their own venture?
- If so, are these submarkets homogeneous, measurable and identifiable, accessible and actionable and large enough to be profitable?
- Is the quantity of intended sales adequate?
- Will the target market be affected by govt policies, demographic shifts?

Competitive advantage

The venture needs to have something superior to other existing products to establish its firm place in the existing highly competitive market, even though if it's through the quality of the product.

- Have they got a key advantage?
- Are they making the best use of e-commerce to spread the awareness?
- Have they got a reasonable plan to deliver the product on time?
- Are they observing and analyzing their competitors?

People and Management

Organizational Structure

A flowchart that represents the company's hierarchy can be expected in this section. The investor should know the type of organizational structure use; whether it is pyramid or matrix, etc. If there is a clear well defined structure, the company has a clear vision of where they want it to be in the future and the people they will need to get to that stage.

Positions

- CEO – Check if they have leadership, communication, decision making ability, and are a good administrator
- CFO – Check they have the skills to manage, raise money and have a total grasp of financial concepts
- COO – Check they have manufacturing management, inventory and quality control skills.
- CTO – Check they have ability to manage applied research, development and engineering, plus good knowledge of the technology.
- Sales Manager – Check they have ability to close deals and strong interpersonal, negotiation and communication skills.

Check if major positions have been identified and people with appropriate skills/experience have been allocated to those roles. If there are open positions or one person is covering more than one position, the company shall have a clear vision of how to recruit the necessary people and in what future stage.

Who is on the board?

- Is there a board and who is on that board?
- Does the board consist of founders, investors or experienced business advisors?
- Is the board strong diverse and balanced?
- Does it function independently?
- Is it able to devote suitable time to the company?

Founder

- Is the founder the right person to stay as CEO and would a new CEO be a risk profile for the investor?
- The founder's attitude shall be that the company's success is more important than his personal goals.
- There is a correlation between the success of a business and the quality of the CEO
- A founder who commits himself to the company

Finance

In terms of the need of a potential investor, the finance section of a Business Plan is arguably the most important section of the plan. The financial statements are created by compiling all of the elements of the business and expressing them in monetary terms.

But Why is This Needed?

The financial section is required to provide sound evidence that the concepts and ideas the business is based around, are sufficient to generate investor returns in the short and long term – after all, it is the ability of a business to generate a cash flow that will determine its success. An appropriately prepared financial section will also give investors confidence that the business owners have a sound grasp of the financial aspects of their business.

How is This Done?

An effective financial section will display how and when revenue is gained and expenses accumulated and how cash is used by the business in a transparent and credible way. The financial section uses the following three key documents to depict the impacts of profitability, liquidity and growth over a given time period.

- Income Statement and Forecast
- Cash Flow Statement and Forecast
- Balance Sheet and Forecast

What Should I Look Out For?

It is important to note that many business plans state that the presented financial projections are conservative; however this should often be taken with a grain of salt. Remember that no business owner will show their company failing and forecasts are generally highly optimistic. It could be useful to complete a few quick calculations to gauge the levels of growth displayed in such forecasts. If a company provides revenue and client increases over a number of years, roughly determine the level of growth that must be achieved each week, or even every day to understand the feasibility of what they are trying to achieve. This will be a useful way of gauging the figures and getting a clear perspective of the company's predictions. It is also often useful to complete a few quick calculations on the financial statements through the use of financial ratio analysis. These will give you a good basis for comparison between a group of similar businesses.

Key pieces of information to look for are:

Inclusions/Exclusions

- Is a Financial plan included?
- Does the financial plan include the following statements:
- Income Forecast
- Cash Flow Forecast
- Balance Sheet Forecast
- Are previous years financial statements included (the past is often a useful tool to gauge the future)?
- Are there appropriate notes included to explain the assumptions used in the financial statements?
- Does the financial section show “What’s In It for Me – The Investor”?
- Is there a clear time frame identified?
- Are all relevant revenues and expenses included?
- Is the income statement shown monthly?
- Has a sales forecast been included for the period until exit strategy?
- Has pessimistic, optimistic and realistic sales forecasts been included (remember, as an investor it would be interesting to know what the best and worst case scenarios could bring)?

Credibility

- Is the financial plan realistic and not optimistic?
- Are revenues, expenses and profit clearly shown?
- Is the financial projection reliable and credible?
- Are the financial projections feasible (not showing hockey stick growth)?
- Is there consistency between the financial statements?
- Is there consistency between the financial forecasts and the business/marketing plan?

Source Funding

The source funding section of a business plan is very important, as the usual motive for writing a business plan is to seek further funding and any investor worth their salt is going to look very carefully at how prior investment has been sourced and expended. There are several types of funding available to businesses and the best type of funding depends heavily on the type of business and the goals of that entity.

Key pieces of information to look for are:

Past/Present Investment

- Who were the past/current investors?
- What are the investor's motivations/interests in investing in the business?
- What are their core competencies that have added value to the business?
- How much funding have they received so far?
- How much debt and equity finance does the business have?
- How much has been financed by the founders?
- What are the service costs of any debt finance?
- What has been done with their funding so far?
- What have they returned so far for their funding? Total retained earnings to date?
- Have any investors have exited? What were their reasons?

Future Investment

- What core competencies (Areas of expertise or background etc) in investors is the business specifically looking for?
- Is the pre-money valuation reliable and accurate?
- What is the total number of shares and what kind of shares are they?
- How much and what type of new finance is requested?
- Does this reflect how much finance is actually needed?
- How is the new funding going to be used to grow the business?
- How long will the funding last the business?
- Will more funding be needed?
- What percentage of equity (if any) is represented by this new finance?
- Is the company looking for sweat equity as well as hard cash?
- How and when will the investor get a return on their investment?
- Have risks/worst case scenarios been clearly identified?
- Are there any laws that favour local/foreign business investment?
- Has an exit strategy been identified?

Operations

The operations vicinity is where inputs are turned into useful outputs. Subsequently a complete operations section of a business plan should include mention of raw materials utilised, processes, activities and procedures to create a template for the transfer of the product or service to market. Effectively it is the systems behind the product which ensure its success. These systems shall be determined by the type of product or service on offer. For example a web based technological product will not need mention of raw materials and inventory capabilities, and in addition an industrial type product would not require customer service templates to be identified.

If the operations section is successful it will inform the reader of how the company will effectively and efficiently produce a product. In addition several crucial points should be made mention of in the business plan.

Key pieces of information to look for are:

Does the plan determine which operations will be internal and which will be outsourced?

Some functions of operations will be carried out by the business and some will be outsourced. By allocating operations businesses can ensure cost effectiveness, reliability, a more technically skilled method and sufficient available capacity. In the case of goods it is common to have parts or the entire product outsourced to China for example. For services, some businesses may contract out stages of their service provided. Businesses need a balance between internal operations and outsourcing to achieve the most cost-effective combination.

- What are the business's core competencies?
- Are internal operations clearly defined, justified and in line with the core competencies of the business?
- Are outsourced operations clearly defined and justified?

Does the plan make mention of short and long term staffing requirements? (Major Point)

Staffing is the key to success of any company. For a business plan to be considered, it must address the staffing requirements. Whereas the people/management section identifies key staff, founders etc., the operations should address how the future staffing requirements will be met, the needs of these staff, the skills they will require etc. A good business plan will take the following points into account;

- Are the skill bases and numbers required in each key area of the business identified?
- What strategies are being put in place for loss of key staff member?
- Is there a set resolution plan for a dispute between founders?
- How will employees be found, attracted and trained to meet staffing needs?
- Is there a need for temporary staff?
- How will leadership be assigned to lower levels of the business?

Where will the business be located?

Businesses will require several locations to conduct their operations. For a goods business there will be the location of building/plant and strategic location of sales point to reach customers. For a services business they may not require a large building/plant but focus on strategically located sales points. For both goods and services businesses they may also have a virtual location (website, phone book) where customers can find them.

Location of business is crucial when attempting to effectively reach customers and therefore a detailed description of chosen sales point locations will make investors confident that business will be capable of reaching customers. Location of building/plant is important because the selected location can reduce rental costs as well as transportation/distribution costs depending on location chosen.

- What location has the business chosen to reach customers?
- Why is this location the most effective for reaching customers?
- What location has the business chosen for building/plant?
- Why is this location the most effective for meeting requirements?
- What are the financial implications of locations chosen?

Does the plan make mention of plant/machinery required?

Plant and machinery can make up a large portion of initial investment required and therefore cost, financial agreements and requirements need to be described. A company with a unique product or an innovation may need custom machinery to be built. Not only does a business need machinery but they require a building/plant and floor space for installation of machinery. The building/plant will be used for production, storage, inventory, offices and machinery.

- What plant/machinery is required and why is it the most effective option?
- What financial agreements for machinery have been arranged?
- What financial agreements for plant have been arranged?
- What building/plant facilities have been proposed and can it accommodate the machinery?

What are the inventory requirements and who are the suppliers? (Major Point)

Inventory management is critical to the success of a business. For a plan to be viable, some effort must be made to explain the firms' inventory strategy, critical suppliers and supply chains. Even better if the firm has recognised its' competitor suppliers and has approached them for information and potential supplier relationships. For a business start-up this large scale inventory management may seem to be some time away, but planning and forecasting at the early stage will show sound thought processes through the manufacturing chain. It must be noted that this section is not particularly relevant to service based propositions. Here the key questions that should be addressed are;

- Does the plan identify methods to maintain inventory levels, i.e. Just in Time?
- Does the plan identify key suppliers and the relationships required, or established with them?
- Are actual inventory requirements specified, and is a short plan for inventory developed?
- Do the relationships expressed with suppliers seem sound, and are the suppliers willing to work with the company?

Is the production sequence effectively organised (if applicable)?

For a production business it is essential to have a clear idea of the type of production to be used, length of production process and the timeframe for when research, development and prototype stage is complete and production can be started. In the production sequence the staffing numbers, plant machinery will need to be taken into consideration to determine if it is feasible. Another consideration of production sequence is capacity and what level the business plans to be running at. If the business is running at full capacity then it will struggle to cope with large orders. At any capacity the business needs to have a strategy to deal with potential problems, malfunctions or breakdowns.

- Does the business plan outline the production process?
- Do staffing numbers, plant and machinery match the requirements of the proposed production sequence?
- What capacity does the business plan to run at and is this in line with estimated sales?

How will the manufacturing process be controlled? (Key Point)

The manufacturing process is a critical region of a successful business. Controlling it results in high quality products which are reliable. Thus an effective business plan will make mention of the Quality Assurance procedures, defect testing regimes and other quality standards. Again this section is predominantly aimed at the manufacturing based ventures, but theories could be applied to service industries as well. Below are minor points that should be included;

- Has the company identified a defect testing regime to ensure quality standard of finished goods?
- Has the company identified a standard that must be met by the testing?
- Has the document identified how the company will check these standards are being met?

What are the Health and Safety Policies? (Key Point)

Health and Safety recognition is vital for the majority of firms today. Ensure the safety of staff and work sites is particularly important with current legislation, and no firm is particularly sheltered from the laws. As such, some mentioned should be made of the companies Health and Safety policies in the business plan. Again this is more prevalent for manufacturing companies and those providing physical based services. The points below are minor in the whole context of the business plan, but recognition of them will always add to the document;

- Are the main Health and Safety risks in the company included?
- Has the company identified procedures to monitor and improve Health and Safety?

What type of insurance does the business need? (Key Point)

The insurance of the business should also be recognised as a key aspect in the formulation of the business plan. Investors want to know that the company will be protected for any mishaps, or wrongdoings. In addition there should be some recognition of the insurance of property, plant and equipment, so that the company won't go under as a result of an accident. Below are some minor points which should be considered;

- Does the document identify the insurance needs of the business?
- Is the company protecting itself against wrongdoings, and/or negligence cases?
- Will the companies' assets be insured in the event of a fire or similar, and will they be able to continue operation in the interim?
- Do they address what would happen if a key supplier went out of business?

Delivery and distribution

The business plan needs to outline how the company intends to distribute their products and/or services. The channels of distribution should be clearly stated. The company needs to describe how the product reaches the customer, who is involved in the process of delivery, how the process is managed, if the company is selling directly or not, and what the motivation is for distribution staff.

The company should discuss the advantages of their chosen method of distribution and why it is the most appropriate for their product. Look for insight into how this particular product should reach its customers in the way most suitable for them, and whether it is feasible for the business. Important factors such as time, speed, packaging, transport should have been analysed. An important consideration is how much it will cost, including labour involved, for the product to reach the buyer.

Is the distribution channel described?

This is a major consideration in any business, and the success of the product or service cannot even be estimated until it is determined how people will be exposed to the business. Even if specific costs and other factors are not mentioned, the type of distribution channel will give an indication of the cost and complexity involved in reaching customers.

- Advantages and disadvantages of their chosen distribution channel.
- Are the major issues involved in distributing the product in this way are discussed?
- Does the chosen channel fit with the core competencies of the business? e.g. need for outsourcing
- Is the extent of the company's current involvement and commitment to their chosen channel explained?
- Are the necessary measures in place for sales and administration needs?

People involved

Depending on the level of the distribution channel, there may be many intermediaries involved in the distribution and supply process. More people can relate to higher costs, as well as a more complex process to manage.

- Have they identified key people in the delivery process.
- Is there a clear distinction between people inside the business and external players?
- Have they discussed the importance of each channel member and their role within the distribution chain?
- What are the levels of responsibility of each person, and has the allocation of tasks been discussed.

Management and control of distribution channel

The plan needs to discuss how the quality of their distribution channels is ensured. The business should have also addressed how deep they intend to penetrate the market, for example how many retail stores/wholesalers/agents will be required. The specific nature of the distribution channel should reflect the direction in which the business plans to move, and how the business will manage the process.

- Is the chosen channel effective (e.g. location, accessibility to customers)?
- Are there steps being taken to establish customer relationships?
- Does the business commit to ongoing customer support?
- Do they have any strategies for consolidating relationships with businesses involved in distribution and supply?
- Has the business plan shown that their method of delivery is cost-effective? (e.g. retaining acceptable margins)
- Are responsibilities of insurance with regards to delivery (customer or supplier) defined?

Motivation of external players

If elements of the distribution are outsourced, which is likely, it is important that those responsible for bringing the product to the customer are sufficiently motivated to maximise sales of the company's product. It is important that this is addressed in the business plan.

- Does the business plan address the need to motivate intermediaries?
- Are there sufficient incentives for distributors and suppliers?
- Do the intermediaries share a common goal with the business to ensure motivation?

National and International sales

The scope of the distribution channel will determine how widespread the product is exposed to customers. When products become internationally available, consideration must be given to differences in markets between countries, and well as the increasing complexity of delivery and distribution when sales become extensive.

- If product is to be exported, are the necessary contacts established?
- Are the logistics of delivery and distribution well thought out?
- Are any culture barriers addressed?

Pricing

One of four major elements of the marketing mix is price. Pricing is an important strategic issue because it is related to product/service positioning. Furthermore pricing affects other marketing mix elements such as product features, channel decisions, and promotion.

Key pieces of information to look for are:

What pricing method has the company used?

There is no “one right way” for a company to calculate their pricing. Four common techniques are:

- Target return pricing – Prices are set to achieve a target return-on-investment (ROI).
- Cost-plus pricing - Prices set by production costs, including both cost of goods and fixed costs at a current volume, plus a certain profit margin.
- Value-based pricing - Price are based on the value the product/service creates for the customer. This is usually the most profitable form of pricing.
- Psychological pricing - Ultimately, you must take into consideration the consumer's perception of your price, figuring things like:

How has the company positioned themselves against there competitors?

Positioning is how a company positions themselves in terms of their competition. If the company wants to signal high quality, they will probably be priced higher than most of their competitors. If they want to be the “low-cost leader”, they must be priced lower their competitors.

Are prices “fair”?

There is a limit to what consumers perceive as a "fair" price. If the price is above this limit, consumers will simply not purchase the item/service. Ensure the price charged by the company is fair. It is also important to ensure that the price is above the cost of the main commodity, otherwise no profits will be made and the business will not be successful.

Are costs high enough to cover reasonable variations in sales volumes?

If sales vary from forecasts, can the company still remain profitable? Ideally companies shall be able to be off by a factor of 2 and still be profitable.

Have company employees figured in their living costs?

Many founders of start ups do not factor in a large enough salary for themselves. Make sure the have factored in enough of a profit for them to live sustainably, you don't want the company members to starve to death.

Quality

The overall quality of a product/service can be improved through the use of a Quality Management System.

Key pieces of information to look for are:

Quality Manager

Ensure a Quality manager is established to run the quality management system that has been adopted.

Organizational Structure

Ensure that a suitable organizational structure (Chain-of-Command) exists. This is essential for the Quality Management Systems Program to function efficiently and effectively.

Quality Management System

The company should detail the development and implementation of a Quality Management Systems program. The following points should be reviewed:

- Quality policy
- Quality objectives
- Process control requirements
- Quality procedures
- Availability of resources
- Customer, statutory and regulatory requirements
- Training
- Assessment
- Initial quality assessment
- Adoption of an International Standard for quality management from the following
 - ISO 9001:
An internationally recognised quality standard for business management mainly used for companies exporting from developing countries to developed countries.
 - ISO 14001:
An internationally recognised certificate which evaluates the ability of an organisation to manage its environmental responsibilities.
 - ISO 27001:
An internationally recognised certificate the ability of an organisation to securely manage its information and data.

Checklist

1. What is the Business Model/Strategic Plan?

How will the business be organised? How will the business make money? Check that the following three strategic planning questions are answered:

- Where are they now?
- Where do they want to be?
- How do they plan on getting there?

2. Business Structure

Check that the business structure and the governance of the business have been described. Has the team that will manage the company been described? Do you feel convinced as the reader that they will be successful in managing this business?

3. What is the Product or Technology?

If the business is producing a differentiated product, what are its attributes and how does it differ from competing products? If they are producing a commodity, how are they producing it cheaper than their competitors? If their business concept focuses on processing or manufacturing, check that they describe the technology used in converting the raw materials into a final product. Is the technology cutting-edge or traditional? Is it experimental or proven? Can competitors adopt the technology?

4. Has the Market and Competition been researched?

Check that they explain who their customers are and why their product will sell to them. Have they quantified their market, sales, production, and cost data? Ensure they are specific in their details. Have they researched and described their competitors and how they differ from them? Have they explained why customers will buy their product over those from their competitors? Have they discussed any competitive advantages that they may have over their competitors?

5. What is the Promotion and Distribution Plan?

Have they described their promotion plan? How will their customers learn about the unique aspects of their product? Have they explained how they will convince users to buy their product? Have they described the channels they will use to get their product to their customers? Have they explained how their product will be positioned for best exposure to their customers?

6. The Business Financing, Project Revenue, Costs and Returns

Have they explained how much equity is needed and how they will attract investors? Are credit sources in place? What is their predicted financial projection or outcome? How accurate are the economic assumptions made in the previous sections of the plan? The accuracy of the numbers coming out of the financial projection is based on the accuracy of the numbers going into the projection. You may want to project returns under best-case and worst-case scenarios of price, production and sales. Will profits be distributed to shareholders or kept within the business for expansion? Explain how investors can exit the business if they invest. Are there specific exit strategies outlined for investors? What is the expected liquidity of equity shares?

7. Executive Summary

Have they included an Executive Summary of their plan, an overview of why their business concept will be successful?