

Unit 2: Business Plan for a New Venture-Introduction

- ❑ Defining the Business plan**
- ❑ Scope and Value of the Business plan**
- ❑ Writing the Business plan**
- ❑ The Marketing plan**
 - Marketing Research for a New Venture**
 - Characteristics of a Marketing plan**
 - Steps in preparing a marketing plan**

□ Meaning and Concept of Business Plan

- The term **Business Plan** is the combination of two words.
- Business is an economic activity, which is related with continuous and regular production and distribution of goods and services for satisfying human wants.
- And Plan is deciding in advance what to do, how to do, where to do and who to do this.
- So Business Plan is a project proposal.

It is guided by several questions:

Where are we now?

Where do we want to be?

How are we going to get there?

Who will help to achieve organizational goal?

What type of work we will do ?



□ Meaning and Concept of Business Plan

- A business plan is a **written statement regarding what the entrepreneur is going to do.**
- It is a **project proposal.**
- It is one of its most **important documents** for any business venture.
- It **describes the venture that entrepreneurs** will create to exploit a concept.
- It **provides road map to the future by making entrepreneurs and business owners think through their strategies,** evaluate their business's limitations and avoid a variety of mistakes.

□ Defining the Business plan

- **According to Robert D. Hisrich and Michel P. Peters**, “The business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture.”
- **According to David H. Holt**, “We define a business plan as a comprehensive set of guidelines for a new venture.”

□ Characteristics of Business Plan

- Objective
- Complete and Integrated
- Clear
- Logical and Simple
- Flexible
- unique
- Inspiring



□ Characteristics of Business Plan

- **Clear:-** It is clearly articulated & easy to understand.
- **Complete and Integrated :-** It is complete and integrate business proposal.
- **Objective:-** It clearly defined the venture's vision, mission, goal, objectives and target.
- **Logical and Simple:-** It is logical and simple to attract all party who interested to join the Venture.
- **Flexible:-**
- **Unique:-** It reflects the uniqueness about the organization to make it different.
- **Inspiring:-** It engages and inspired qualified people towards organization objectives.

□ Significance/Benefits/Merits of the Business plan

- Provide Guidelines
- Risk Management
- Communication
- Attract Investors
- Implementation
- Goal Focus
- Control
- Efficiency



□ Significance/Benefits/Merits of the Business plan

Provide Guidelines

- Business plan provides guideline **about what are the goals of business, how those goals have been intended to achieve**, and how will the business move to the definite goals.
- Even after initiating the business move to the entrepreneurs **to evaluate whether the business is going to the right direction or not**.

Risk Management:-

- Under the business plan, **all aspects of new venture are carefully analyzed**.
- This helps the entrepreneurs **to deal with risk and uncertainties** that may arise in future.

□ Significance/Benefits/Merits of the Business plan

Communication

- The completed business plan **helps entrepreneurs to communicate with many parties** such as suppliers, investors, customers, employees and other parties.

Attract Investors

- A well-prepared business plan **attracts investors to invests in new venture**. It can be used as the basis for **loan applications from banks and others lenders**. It also can be used to persuade investors that venture is a good investment.

☐ Significance/Benefits/Merits of the Business plan

Implementation

- A well-prepared business plan serves as an operational **tool for guiding the implementation of new business** venture towards success.
- It **helps to implement every plan and policies** relating to the venture and it provide guidelines to allocate the resources needed.

Goal Focus

- The completed business plan **makes entrepreneurs committed to focus on goal achievement.**
- It determines the **priority and helps to take proper business decision** to achieve the goal.

□ Significance/Benefits/Merits of the Business plan

- **Control**:- The proper business plan **establishes standards for performance as benchmarks to take corrective actions.** In this way business plan serves as a control tool.
- **Efficiency** :- The business plan **improves efficiency of new venture by minimizing waste.** It facilitates **efficient use of resources.** It **reduces cost by eliminating waste and avoiding duplication** in efforts. It helps doing the job correctly.

□ Objectives of the Business plan

- To **identify what the business plans**, who prepares it.
- To **understand the scope and value** of the business plan **to investors, lenders, employees, suppliers and customers**
- To **identify information** needs and sources for each critical section of the business plan
- To **present example and step-by-step explanation** of the business plan
- To present **helpful questions** for the entrepreneur at each **stage of the planning process**.
- To **assess** the entrepreneur's planning & managerial ability.

□ Scope of the Business plan

The scope of business plan decides in advance about every aspect of new venture.

Their major scope are:

- **Descriptions:-** Business **description** of new venture
- **Goals and Objectives :-** Goals and objectives of new venture: what is to be achieved?
- **Activities:- Functions** to be done in the new venture.
- **Time:- Timing of doing** the activities and their sequences.
- **Methods:- Techniques/Processes of doing the activities:** how to achieved them?
- **Authority and Responsibilities:-** It fixed authority and responsibility for doing each activity.
- **All types of Resources:-** Resources **needed for** doing each activities
- **Projected profits:-** It contains **projections of income, expenses and cash flow**, as well as description of **budgeting and financial control**.

□ Value of the Business plan

- **Entrepreneurs**
- **Investors**
- **Lenders**
- **Employees**
- **Suppliers**
- **Customers**



Value of the Business plan

- ☐ Entrepreneur
- ☐ Investors
- ☐ Lenders
- ☐ Suppliers
- ☐ Employees
- ☐ Customers

The business plan is valuable to the entrepreneur, potential investors, lender, suppliers or even new personnel, customer who are trying to familiarize themselves with the venture, its goals and objectives:

- It helps determine the **feasibility** of the **venture** in a designed market
- It **provides guidance** to the entrepreneur in organizing his or her planning activities.
- It describes **to investors & financial sources** all of the events that may affect the proposed venture.
- It **provides a comprehensive overview** of the entire operation.
- It serves as a tool in **helping to obtain financing and other resources**.
- **It helps** to motivate employees, influence to work together willingly.
- **It helps to develop responsibility toward customers.**



□ Writing the Business plan

Business plans contain a number of specific elements as well as certain general characteristics.

The elements may vary as per the nature of the business.

The successful business plan should include the following elements:-

- **Executive Summary**
- **Business Description**
- **Market Analysis**
- **Developing and Production Aspect**
- **Marketing Aspect**
- **Financial Aspect**
- **Organization and Management Aspect**
- **Ownership**
- **Critical Risks**
- **Summary and Conclusion**
- **Scheduling and Milestones**
- **Appendix**

□ Writing the Business plan

Executive Summary

- This is the **first section** of business plan.
- It **describes the highlights** of the business plan.
- It is a **summary (Abstract)** of the entire business plan.
- It usually **includes** the **company's mission statement** and summarizes its **competitive advantages, sales and profit projections, financial requirements, plans to repay lenders or investors** and the amount of financing requested.
- It is an important part of the plan, in that it is **designed to capture the reader's attention** and create an interest in the firm.



EXECUTIVE SUMMARY

□ Writing the Business plan

Business Description

- In this **section** existing condition of the **proposed business is described**.
- It should be **mentioned whatever** the business is of **new type or is going to be improved in the old**, whatever **competitors are going to be faced by high quality** or by aggressive promotional methods.
- The nature of the market demand should also be explained.
- The entrepreneur should give details as to whether the product is going to be produced according to established demand or new product or service is going to be produced in the unfamiliar market.
- The entrepreneur should explain about the business venture operated, what the founders have wanted to accomplish.

□ Writing the Business plan



BUSINESS DESCRIPTION

✓ NAME

✓ LOCATION

✓ GOALS

✓ ADVANTAGES

✓ STRUCTURE

✓ MISSION

✓ DESCRIPTION

□ Writing the Business plan

Market Analysis

- This section should convince the **reader or investor that the entrepreneur understands the competitive environment and the macro environment in detail.**
- A **through market analysis** serves as the basis for a **company's sales and marketing plans.**
- The analysis generally covers the company's **competition, customers, products, and market acceptance.**
- The **Competitive analysis** details the competitors strength and weaknesses.
- A **customer analysis** provides a picture of who buys and uses the company's products and services.
- This **section of the business plan highlights** how the **company's products or services satisfy** previously unfulfilled market needs.
- It also **includes evidence of market acceptance** of the **company's unique products or services.**

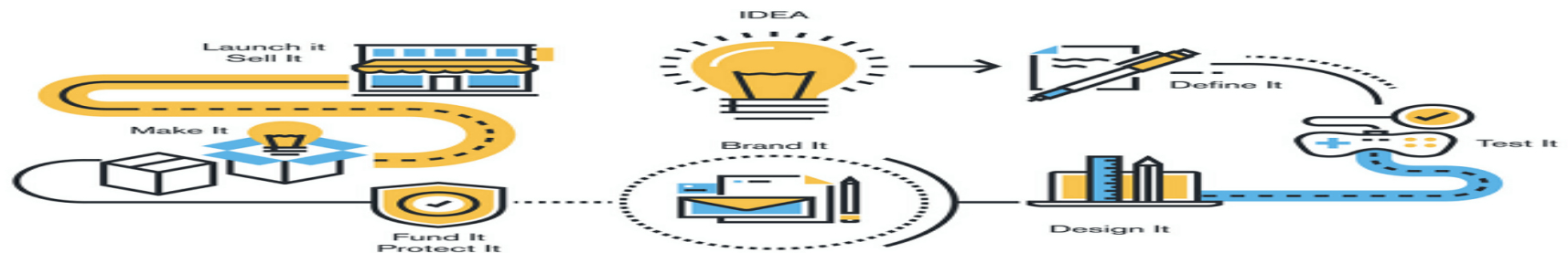
□ Writing the Business plan



□ Writing the Business plan

Developing and Production Aspect

- This section emphasizes and describes the most important elements **relating to the research, development and production** of the firm's basis product or service.
- It includes
 - Production process: Detail **how time and money are allocated** at each stage in the production process or service delivery system and also describes the difficulties and risk encountered in each stage.
 - Resources requirements: These resources include all tangible and intangible resources (financial, physical, organizational technological, and human, reputational resources).
 - Quality assurance: Discuss the quality dimensions (Product, user, process, value, satisfaction)



PRODUCT DEVELOPMENT
An Overview: From Idea To Product

□ Writing the Business plan

Marketing Aspect

- This section describes the **actual marketing strategy of the business venture.**
- This section describes how the new **venture connects with its customers.**

It includes

- **Overall concept and orientation:** This section describes the business venture's concept and marketing focus by transforming it into a statement of customer orientation.
- **Marketing strategy:** This section describes marketing research and market mix strategy.
- **Sales forecasts:** In this section, what will be the sales in first three to five years to described on the basis of data.



□ Writing the Business plan

Financial Aspect

- This section covers the **financing and cash flow requirements** implicit in other areas of the business plan.
- It contains **projections of income, expenses and cash flow**, as well as description of **budgeting and financial control**.
- Financial projections **must be supported by verifiable facts, such as sales figures or market research**.
- If the business plan is **written for investors or lenders, the amount of financing required may be included here or in a separate section**.

Financial aspects



□ Writing the Business plan

Organization and Management Aspect

- The quality of a venture's management team can be the most important aspect of a business plan.
- This section present the strengths of the venture's management team by highlighting relevant experience, achievements, and past performance.
- Key areas include management's ability to provide planning, organizational skills and leadership.
- Specific management and control systems are often described as well.



□ Writing the Business plan

Ownership

- This section contains information about the venture's ownership.
- Equity position and deal structure are also described as well.

Critical Risks

- Every new venture will be faced with some potential hazards, given the particular industry and competitive environment.
- The entrepreneur should discuss the strategy that will be employed to either prevent, minimize or respond to the risk should they occur.

Ownership

Doing what needs to be done because you expect it of yourself. Ownership springs from the intrinsic motivation of personal pride.



□ Writing the Business plan

Summary and Conclusion

- In this section, key features are briefly summarized and highlighted which noted at executive summary.
- The most important elements to include are the firm's overall strategic direction, the reasons for believing the firm will be success, a brief description of how the firm will be able to exploit its unique resources to advantage, the firm's sales and profit projections, its capital requirements, and the percentage of ownership for the founders and for investors.



□ Writing the Business plan

Scheduling and Milestones

- This section provides **key dates** pertaining to finance, marketing and production.
- It indicates when **specific financing is needed**, when **specific aspects of a particular marketing campaign will take place**, and **delivery dates based** on production schedules.

Milestone Chart					
Milestones	Oct - Dec 2010	Jan - Jun 2011	Jul - Dec 2011	Jan - Jun 2012	Jun - Dec 2012
Marketing					
<i>Advertising / Promotion</i>					
Online Local Strategy					
Online International Strategy					
Offline Local Strategy					
Implementing Pricing Strategy					
Operations					
Maintaining tax records					
Maintaining web records					
Driving its vision statement					
Management					
Revised share structure					
Obtaining new staff					
Obtaining volunteers					
Finance					
Maintain Financial records					
Critical Risks					
Following an alternative course of action					
Harvest Strategy					
Continuity of business strategy					
Identifying a successor					
Transfer of assets					

□ Writing the Business plan

Appendix

- In this section, supplementary information, such as organization charts, important ancillary calculations, patents, managerial resumes, or advertisements and articles, etc are presented.

List of possible Appendix

- A photograph or a drawing of your product (if appropriate) including title and labels if necessary. If the product or process is highly technical, and it is believed that investors will have the technical section reviewed by a consulting engineer, the entire technical section should be under separate cover.
- A photograph or drawing of your intended location and physical layout
- Sales and profitability forecasts in chart form.
- Market surveys and documentation of size and nature of market.
- Sample advertisements, brochures and telemarketing protocols.
- Sample press releases
- Price lists, catalogues and mailing lists (just titles).
- Fixed-assets acquisition schedule.

□ Writing the Business plan

APPENDIX



□ Guidelines for Preparation and Presenting of Business Plan



☐ Guidelines for Preparation and Presenting of Business Plan/Characteristics of effective business plan

- **Simple and Short**
- **Organize properly**
- **Future-oriented**
- **Focus**
- **Target market**
- **Capture interest**
- **Effective team**
- **Use of expert**
- **Critical risks**
- **Appearance of report**

Ten Characteristics of Effective Business Writing

- ☐ Readable
- ☐ Tactful
- ☐ Personal
- ☐ Positive
- ☐ Active
- ☐ Unified
- ☐ Coherent
- ☐ Clear
- ☐ Concise
- ☐ Mechanically sound

□ Guidelines for Preparation and Presenting of Business Plan

Simple and Short

- The business plan should be simple and short.
- It should explain the venture clearly and **concisely**.
- It should not exceed **50 pages**.
- It is because **potential investors, and lenders usually study only few pages.**

Organize properly

- The business plan should be organized properly in various important elements.
- The **overall neatness is essential to the effective presentation** of the business plan.

□ Guidelines for Preparation and Presenting of Business Plan

Future-oriented

- **The business plan should be future-oriented.**
- **It should be point to future opportunities.**
- **It should provide guideline about what are the goals of business, how are those goals have been intended to achieve and how will the business move to the define goal.**

Focus

- **The business plan should focus on an important and a core business opportunity.**

□ Guidelines for Preparation and Presenting of Business Plan

Target market

- The business plan **should carefully identify the target market.**

Capture interest

- The business plan **should capture interest of readers emphasizing uniqueness** of the proposed venture.
- It should be **convincing in the first page itself.**

Effective team

- Entrepreneurs **need to take considerable help from the effective team for preparation of well-formulated business plan.**
- The entrepreneur **should understand the contribution of each team member.**

□ Guidelines for Preparation and Presenting of Business Plan

Use of expert

- If the **entrepreneurs have subjective knowledge about the business, they can prepares the business plan themselves.**
- Otherwise it is **harmful to copy others.**
- In this case, **they can use expert and consultants for preparing effective business plan.**

Critical risks

- The business plan should **consists of major events and critical risks.**
- The critical risks should **be properly highlighted.**

□ Guidelines for Preparation and Presenting of Business Plan

Appearance of report

- **The format of the business plan and its physical appearance make the first impression on the reader.**
- **Deliberate care and attention are needed in preparing the plan to make this impression a positive one.**
- **The business plan should be presented as a report.**
- **Under it, typing, binding and printing should be attractive.**



☐ The Marketing plan

- **Marketing Research for a New Venture**
- **Characteristics of a Marketing plan**
- **Steps in preparing a marketing plan**

□ The Marketing plan

- The **marketing plan focuses on how the business** will market and sell its product or service.
- It deals with the **nuts and bolts** of marketing in terms of 7 Ps of marketing mix and distribution.
- The best way to describe a company's marketing plan is to start by articulating its **marketing strategy, positioning, and points of differentiation** and then talk about how **these overall aspect** of the plan will be supported by price, promotional mix and sales process and distribution strategy.
- The marketing plan establishes how the **entrepreneur will effectively compete and operate** in the marketplace.
- Marketing **planning should be an annual activity** focusing on decisions related to the marketing mix variables.

☐ Nature and Content of Marketing Plan

According to Phillip Kotler, “The marketing planning is the central instrument for directing and coordinating marketing effort.”

According to American Marketing Association,
“Marketing planning is the work of setting up objectives for marketing activity and of determining and scheduling the steps necessary to achieve such objectives.”



❑ Characteristics of a Marketing plan

- Clearly defined marketing objectives
- Simple
- Specific
- Flexible
- Best utilization of existing resources

MARKETING PLAN

Enter your sub headline here



☐ **Characteristics of a Marketing plan**

Clearly defined marketing objectives

- A good marketing plan has specific objectives that are clear to understand by all marketing personnel.

Simple

- The plan should not only be simple to understand but also easy to implement.

Specific targets and actions

- The targets given to marketing units and personnel should be specified in numbers.

❑ Characteristics of a Marketing plan

Flexible

- In view of the rapidly changing business environment and competitive actions, the plan should be flexible to **take quick actions** in the marketplace.

Best utilization of existing resources

- The marketing plan should **precisely evaluate the firm's key resources, assets and competencies** and design mechanism to use them at the optimum level.

□ Importance of a Marketing plan

- Identify emerging opportunity
- Minimize risks and uncertainty
- Face competition effectively
- Meet technological changes
- Achieve goals
- Facilities control



□ Steps in preparing a Marketing Plan

- **Step 1** Executive Summary
- **Step 2** Defining the Business Situation (SWOT)
- **Step 3** Defining Target Market
- **Step 4** Establishing Goals and Objectives
- **Step 5** Defining Marketing Strategy and Action Program
- **Step 6** Coordination of the Planning Process
- **Step 7** Designing Responsibility for Implementation
- **Step 8** Budgeting the Marketing Strategy
- **Step 9** Implementation of the Marketing Plan
- **Step 10** Monitoring Progress of Marketing Actions

□ Steps in preparing a Marketing Plan

Step 1 Executive Summary (Summary/Abstract/ highlighted)

- Plan objectives and goals
- Major thrusts
- Policies changes required
- Total expenditure to implementation the plan
- Expected results from the plan in specific terms
- Major risks involved in the implementation



EXECUTIVE SUMMARY

□ Steps in preparing a marketing plan

Step 2 Defining the Business Situation(SWOT/PESTLEG)

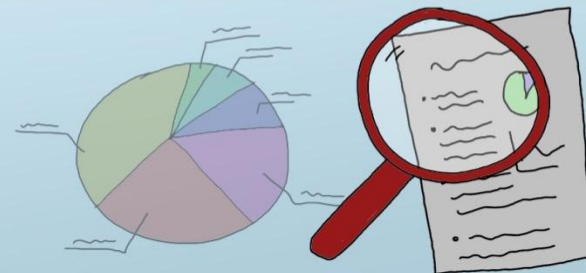
- **The** situation analysis is a review of where the company has been and considers many of the environmental factors.
- **The entrepreneur** should provide a review of past performance of the product and the company.
- Industry analysis should **include information on market size, growth rate, suppliers, new entries and economic conditions.**



LESSON SUMMARY

Situational Analysis

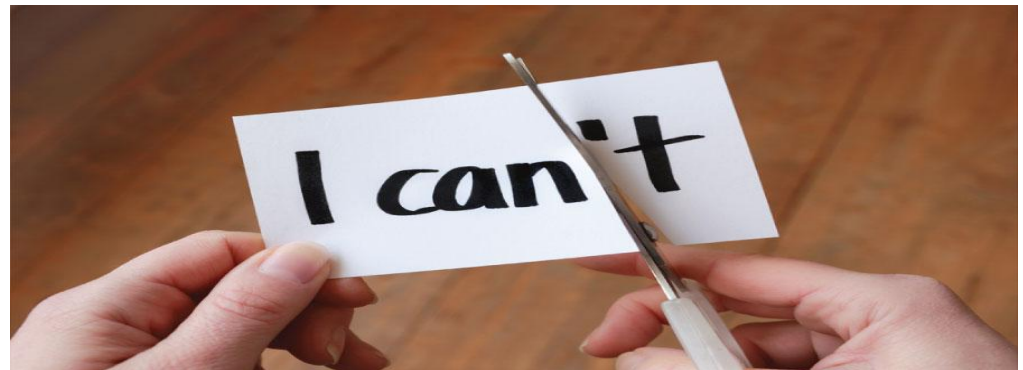
defines where you are today, in terms of your product, market, customer and competition



□ Steps in preparing a marketing plan

Step 2 Defining the Business Situation(SWOT/PESTLEG)

- It is important for the entrepreneur to **consider its strength and weaknesses & opportunity and threats.**
- Strength and weaknesses **located within** the organization and opportunity and threats located outside the organization.
- **Internal controllable but external not controllable.**
- It affect the **performance and outcomes** of marketing.
- **I can is strength.**
- **I can't is weakness.**



□ Steps in preparing a marketing plan

Step 3 Defining Target Market/opportunities and Threats

- The entrepreneur should have a good idea of **who the customer or target market will be.**
- The designed target market will usually **represent one or more segments of the entire market.**
- Market segmentation is the process of **dividing the market** into smaller homogeneous groups. **(Like geographically, demographically, behavioral and psychological).**
- **The process of segmenting is:**

Step 1 Decide what general market or industry entrepreneurs wish to pursue.

Step 2 Divide the market into smaller into groups based on characteristics or segments to target.

Step 3 Select segment or segments to target.

Step 4 Develop marketing plan integrating the parts of the marketing mix 7Ps (product, price, place, promotion, people, process, physical evidence)

Market Segmentation

```
graph TD; MS[Market Segmentation] --> G[Geographic]; MS --> D[Demographic]; MS --> P[Psychographic]; MS --> B[Behavioural]; G --> G_Factors["Countries<br/>Nations<br/>States<br/>Regions<br/>Cities<br/>Neighbourhoods"]; D --> D_Factors["Age<br/>Gender<br/>Sex<br/>Family<br/>Education<br/>Income"]; P --> P_Factors["Life Style<br/>Social Class<br/>Personality"]; B --> B_Factors["User status<br/>Usage rate<br/>Benefits sought<br/>Occasions<br/>Loyalty<br/>Attitude"];
```

Geographic

Demographic

Psychographic

Behavioural

Countries
Nations
States
Regions
Cities
Neighbourhoods

Age
Gender
Sex
Family
Education
Income

Life Style
Social Class
Personality

User status
Usage rate
Benefits sought
Occasions
Loyalty
Attitude

❑ Steps in preparing a marketing plan

Step 4 Establishing Goals and Objectives

- Before **strategy decisions** can be outlined, the entrepreneur must **establish realistic marketing goals and objectives**. These answer the question “**where do we want to go?**”
- These **goals should specify** such things as **market share, profit, sales, market penetration, pricing policy and advertising support**.
- Not all **goals and objectives** must be quantified.
- It is a **good idea to limit the number of goals to between six and eight**.

❑ Steps in preparing a marketing plan

Goals vs. Objectives

Although the terms “goals” and “objectives” are often used interchangeably, there is a difference between them:

Goals

- ▶ General
- ▶ Intangible
- ▶ Broad
- ▶ Abstract
- ▶ Strategic

Objectives

- ▶ Specific
- ▶ Measurable
- ▶ Narrow
- ▶ Concrete
- ▶ Tactical

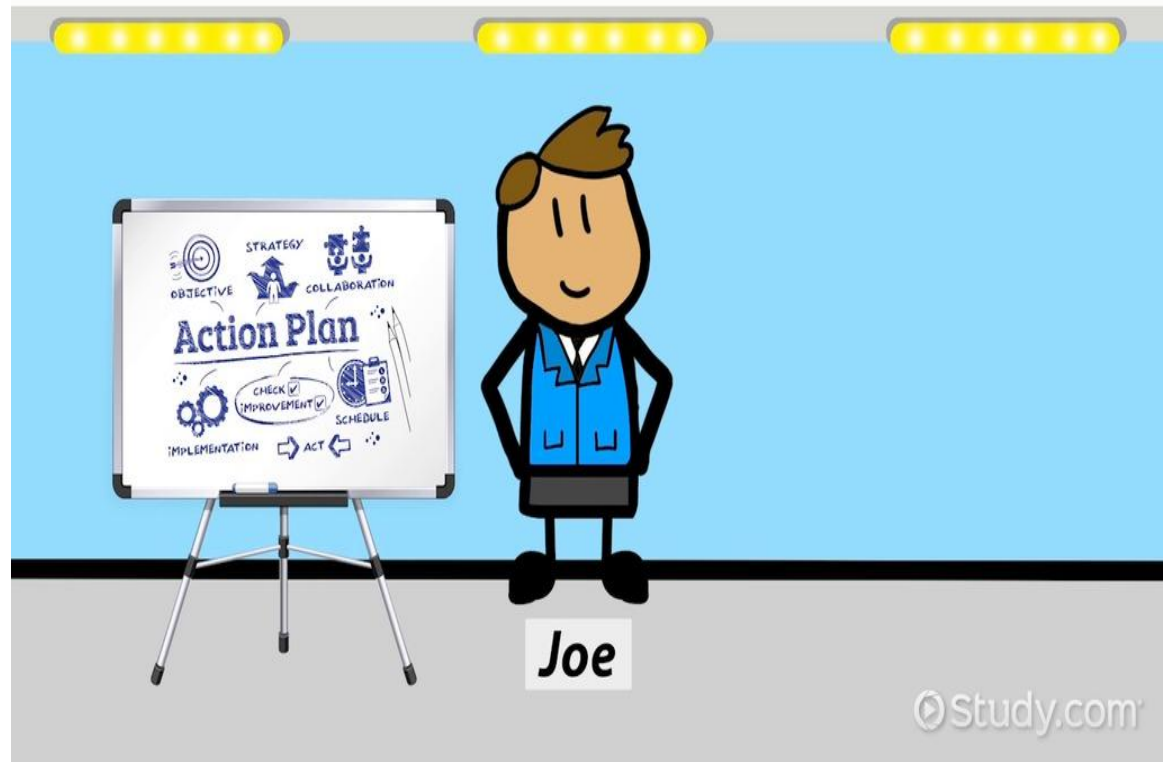
❑ Steps in preparing a marketing plan

Step 5 Defining Marketing Strategy and Action Program

Strategy and action decisions respond to the question “How do we get there?” It incorporates:

- Product or Service
- Customer Service
- Pricing
- Distribution
- Promotion

WHAT ARE MARKETING PLAN CONTROLS?



❑ Steps in preparing a marketing plan

Step 5 Defining Marketing Strategy and Action Program

Product or Service

- This includes a description of the product and may include more than the physical characteristics.
- It involves **packaging, brand name, price, warranty, image, service, features and style.**

Customer Service

- Meeting customer needs and creating loyalty involves a number of low-cost steps:
 - In writing develop a statement of customer service principles.
 - Train those employees who have direct contact with customers.
 - Establish a process for evaluating customer service.
 - Reward employees who are most effective in providing quality customer service.
 - Make regular contact with customers.
 - Invest in quality telephone equipment.
 - Meet customer expectations.

❑ Steps in preparing a marketing plan

Step 5 Defining Marketing Strategy and Action Program

Pricing

- One of the difficult decisions is determining the appropriate price for the product.
- Factors such as costs, discount, freight and markups must be considered.
- Marketing research can help determine a responsible price that consumers are willing to pay.

Distribution

- This factor provides utility or makes the product convenient to purchase when it is needed.
- This variable must be consistent with other marketing mix variables.
- Types of channel, number of intermediaries and location of members should be described.
- This entrepreneur should evaluate all possible options for distribution.

❑ Steps in preparing a marketing plan

Step 5 Defining Marketing Strategy and Action Program Promotion

- The entrepreneur needs to inform customers as to the **product's availability using advertising media** such as **print, radio, or television**.
- Larger markets can be reached using **direct mail, trade magazines, or newspapers**.



❑ Steps in preparing a marketing plan

Step 6 Coordination of the Planning Process

- The management team must coordinate the planning process.
- The entrepreneur may be the only person involved but may lack experience in preparing the plan.

Step 7 Designing Responsibility for Implementation

- The plan must implemented effectively to meet all of the desired goals and objectives.
- Someone must take the responsibility for implementation each decision made in the marketing plan.

❑ Steps in preparing a marketing plan

Step 8 Budgeting the Marketing Strategy

- Planning decisions must also consider the costs involved in the implementation of these decisions.
- This budgeting will be useful in preparing the financial plan.

Step 9 Implementation of the Marketing Plan

- The marketing plan is meant to be a commitment to a specific strategy.
- A commitment to make adjustments as needed by market conditions is also valuable.

Step 10 Monitoring Progress of Marketing Actions

- Monitoring of the plan involves tracking specific results of the marketing effort.
- What is monitored is dependent on the specific goals and objectives outlined.

Marketing Research for a New Venture

- Marketing research means search again and again at market area.
- It is very important function of marketing.
- It is related with marketing mix (7Ps)
- It is the process of gathering of information about a particular market, followed by analysis of that information.

Marketing Research for a New Venture

- **Step 1** Defining the purpose or objectives
- **Step 2** Gathering data from primary (questionnaire, focus group, observation, interviewing, networking, mailing) and secondary sources (trade magazines, articles, library, government agencies, internet, commercial data)
- **Step 3** Analyzing the data on research objectives
- **Step 4** Interpreting the Result

*Thank
you*



☐ Specimen of Actual Business Plan

The complete business plan for Del Cano Inc., is presented as follows:

The Del Cano, Inc., Business Plan

- I. BACKGROUND AND PURPOSE
- II. OBJECTIVES
- III. MARKET ANALYSIS
- IV. DEVELOPMENT AND PRODUCTION
- V. MARKETING ORIENTATION
- VI. FINANCIAL PLANS
- VII. ORGANIZATION AND MANAGEMENT
- VIII. OWNERSHIP
- IX. CRITICAL RISK AND CONTINGENCIES
- X. SUMMARY CONCLUSIONS

I will provide photocopy