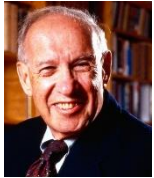


Two-minute read # 18 – Business Plan

“When everything seems to be going against you, remember that the airplane takes off against the wind and not with it.” – **Henry Ford**



“Entrepreneurship is neither a science nor an art. It is a practice.” – **Peter Drucker**

A BUSINESS MODEL conveys the idea of a business proposition, what pain it aims to solve, how it proposes to create and deliver values to alleviate it, how it plans to acquire and retain customers, and how it will create values for all stakeholders.

A BUSINESS PLAN is a document, either written or in the form of a presentation deck, that delineates the detailed execution plan of the business model, its SWOT analysis, USP, its team, business process management, the strategies to be and remain competitive, strategies to acquire and retain an increasing number of customers, and its present/projected financial performance. A business plan also states how it plans to create value for its investors.

Suppose you want to start a business to manufacture and sell e-bikes. Your business model is to manufacture and sell e-bikes with a value proposition to maximize customers’ satisfaction and create an increasing and repeatable loyal customer base for sustainable growth and profit.

The Business Plan is your future story presented in a systematic way highlighting key features so that the consumers of the plan may get a fair picture of how you plan to ensure the success of the venture. A business plan, thus, is a guide or a roadmap for your business that outlines goals and how you plan to achieve those goals. The plan explains the reasons why you think the business will be successful in leveraging the strengths and opportunities given the challenges ahead.

You identify, or more accurately, innovate a business model to solve a pain of a group of people or businesses in a competitive and profitable way.

A business plan is used as the entrepreneur’s ready reckoner and is regularly updated based on developments. It is prepared for pitching the business model for fundraising from angels, VCs, banks, business plan competition, the selection process for incubation, acceleration, mentor connection, and for pitching to sell the company.

While there is no fixed list of components, the following are important elements that a template for a business plan must have.

Chapter 1: Executive Summary

Chapter 2: The business

Chapter 3: Market demand

Chapter 4: Competition

Chapter 5: Strategy

Chapter 6: Resources

Chapter 7: Financial Outlay, Financial Closer, and Projected Financials

Chapter 8: Risks, Opportunities, Rewards and Sensitivities

Executive Summary: Spend time on it, nurture it, hone it and edit it remorselessly, even give it to a professional to edit. It may be the best investment you make. - Vaughan Evans

The executive summary is the most important component of your business plan since most of your audience is likely to read only this section. They may flip through other pages/slides if they become overly interested after reading the information in the summary. One should provide all the information that explains why the business will be successful in the most possible concise manner without losing any pertinent points. Ideally, it should be persuasive, should contain all key issues including a brief description of the business, the team, the proposal, why now, why it will succeed, what the rewards will be there, major risks, and how you can minimize them. You set out precisely and crisply why your business will be successful [If you find it difficult or are not fully convinced, you should revisit your business model].

Chapter 2: Background

You may begin with a crispy vision and mission statement.

The Background section is an introduction to your business model and you briefly explain what the company does, for whom, why, where, with whom, with what, and how it got to where it is now. Highlight the traction gained so far. Briefly bring to light the strategies and advantages that will imbue in the business to derive competitive advantages. Keep the entire document precise, sharp, and powerful to attract the attention of your audience to the right elements. To place it systematically, you have subsections such as:

The opener – who you are, where are your business operation, what product or services you are offering, the customer segment, and how you define your success.

goals and objectives – you may like to express your goals in terms of customers acquisition that can be achieved by ensuring customer satisfaction. One should demonstrate the understanding that ‘customer is the king’. So, you may show targets such as 40% of our customers would rate us 4 stars or 50% repeat customer while you project a certain market share or number of customer or turnover.

Strategies - What strategy do you adopt to build and maintain competitive advantage and acquire and retain an increasing number of customers and generate profit.

Resources – Every business requires resources of various kinds such as technology, IP, the team with complementary skills, mentors, suppliers, distributors, networking with people that matter, and access to sources of key inputs.

Team – investors’ major investment consideration is the team since a great team can always make a great business model. Highlight the credentials of all the members and what values they bring to the success of the business. Experience in marketing, product development, launch, finance, human resources can be underlined.

Basic financials – mention the key metrics such as sales & operating profit for the last and the next couple of years, the number of customers acquired, repeat customers, investment made, and sources thereof.

Business mix – in case you have multiple products, it is important to mention the market segments you are catering to and the market structures.

Chapter 3: Market demand

One of the key features of entrepreneurial ventures is high growth (others being vision-driven, innovation-driven). One should produce a product demanded by an increasing number of people and the market size must be adequate to achieve growth. The relevant information in this regard is market size, historical and potential growth, the TAM, SAM, and SOM.

Chapter 4: Competition

Demonstrate that you know your competitors well, their SWATs and competitive advantages and how you are using innovation to move and remain ahead.

Chapter 5: Strategies

You now elaborate your strategies. Report the strengths and weaknesses of your competitors and how you plan to create value to enjoy competitive advantages. You highlight your unique selling proposition, your SWOT to achieve what you aim to. You should show in no uncertain terms that you have a clear knowledge of the competition. Do not hide their strengths and artificially blow up their weaknesses. Your audience has a firm grip on the market information and any exaggeration will go against you. It is better to show that you know your adversaries and to present what you plan to do to surmount them.

Chapter 6: Resources

One of the primary resources is the team members and their specific strengths, complementarity of skills, their credentials. Most of the investors impute major value on the team. Other critical resources include technologies, key personnel (in product development, marketing, operations, and financial management, customer service, analytics), primary inputs logistics, financial requirements.

Chapter 7: Financial Outlay, Financial Closer, and Projected Financials

The financial outlay shows the requirement of funds for acquiring and maintaining various long-term and short-term assets. You have to state how you plan to arrange all the required funds. Once the required funds are tied up, it is known as financial closer. Prepare the detailed profit & loss statement, balance sheet, and cash flow statement for the previous periods and for at least the next five years to show the prospect of the business in terms of liquidity and solvency. However, all the detailed estimates should be attached as annexures and only the brief overview should be presented here.

Chapter 8: Risks, Opportunities, Rewards, and Sensitivities

Every big opportunity is associated with huge risks (else every Tom, Dick, and Harry would chase it in no time). Explain the pain you are aiming to ameliorate the challenges on your way, and your comprehensive plan to emerge victoriously. Your investors are more interested in the potential pay-off from investment in your business. So, give them some idea in the numerical term.

The market is subjected to vagaries from various forces and many businesses go down during the downcycles. Is your business poised to withstand such market fluctuations? You can estimate the change in financial performance with respect to volatile parameters by a reasonable extent. Such metrics provide comfort or otherwise to your audience.

Conclusion

It looks nice to have a Conclusion section, where you can summarise the prospect of your startup, the potential reward for the investors, environmental and social value creation by your company.

How is your offering differentiated, unique features that customers love, technically superior, convenient purchase & delivery, hassle-free maintenance, and many more?

You may prepare a business plan for your own consumption. You do that for you and your team to have a clear and current view of your plan, execution, and requirements so that all are on the same page. The business plans for external consumption are presented to entities such as investors, financial institutions, incubation, acceleration, merger or acquisition, BP competition, recruitment presentation, etc.