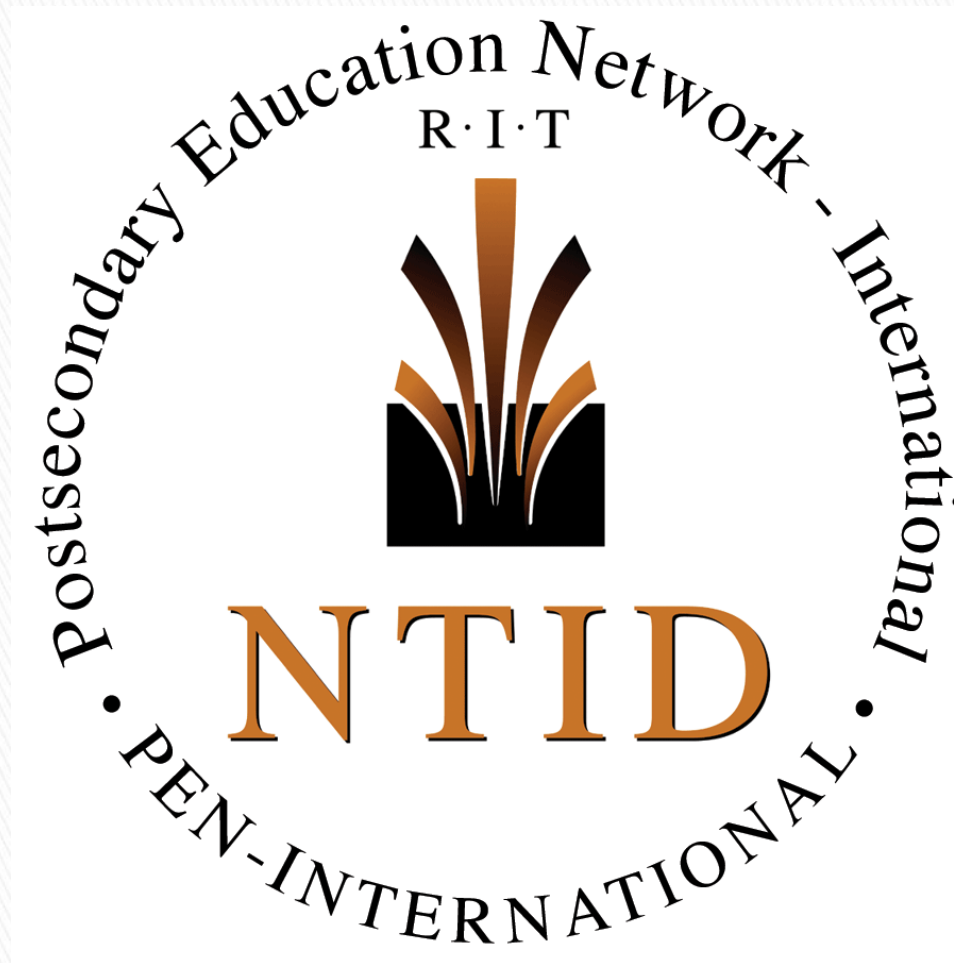


Developing a Business Plan

Workshop by PEN–International for
CSB–Philippines





NTID/PEN-International-CSB Philippines

Developing a Business Plan
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Developing a Business Plan

- ▶ Developing a Business Plan


Learn why every business owner should have a business plan.

Find out how to create and use a business plan.

Apply your business plan for business success!




Developing a Business Plan

- ▶ Concepts to discuss:
 - Background on Business Planning
 - What goes on in a Business Plan?
 - Writing a Business Plan
 - Using your Business Plan
- 

Background on Business Planning

Some Fun Facts:

- ▶ Check “Business Plan” through Google.com and you will get 56,700,000 entries.
 - ▶ In the U.S., there are 300 million people and 25 million businesses, 1 business for every 12 people.
 - ▶ In Philippines, 83 million people and how many businesses?
- 

Background on Business Planning

The real value of doing a business plan is not having the plan; rather, the value lies in the process of research and thinking about your business in a systematic way.

The act of planning helps you to think things through thoroughly, to study and research when you are not sure of the facts, and to look at your ideas carefully.

It takes time, but avoids costly, perhaps disastrous, mistakes later.

(SCORE – Business Plan for an Established Business)



Background on Business Planning



Business Planning only begins with a plan.

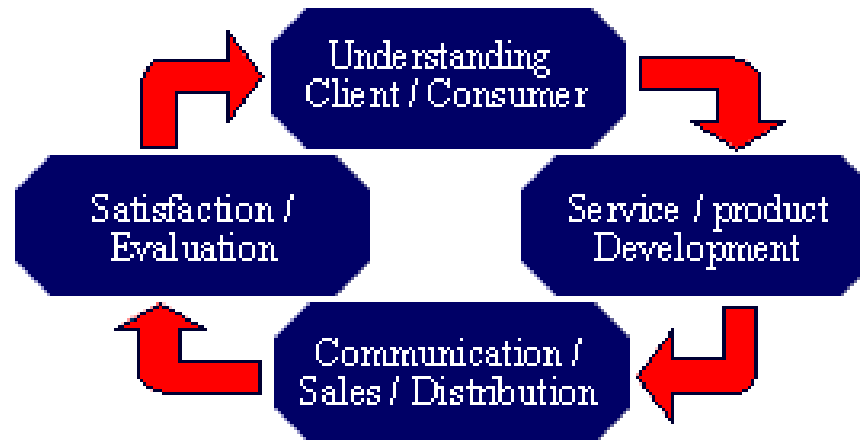
It continues with:

- ▶ Analysis
- ▶ Adjustments
- ▶ Implementation
- ▶ Awareness
- ▶ Monitoring
- ▶ Reporting

What Goes On In a Business Plan?

According to the Small Business Administration (SBA)

A business plan is a tool with three basic purposes:
communication, management, and planning.



What Goes On In a Business Plan?

Communication

- Used to attract capital, partners, employees and to show a realistic view of the business, it's problems and potential.

Management

- Helps you track, monitor and evaluate your progress. Use the plan to establish time-lines and gauge progress.

Planning

- A guide through different obstacles and for yourself and employees to understand where the business is going.

What Goes On In a Business Plan?

Business Plans are individually designed for each business. They are written to fit the needs and demands of the business itself.

- ▶ Here are three different businesses, let's talk about how their business plans may be different?



What Goes On In a Business Plan?

Every business plan should contain these basic elements:

- **Description**

Otherwise known as the **Executive Summary**, the beginning of a business plan should provide an explanation about all the qualities that will make this business successful.

You want to talk about the 4 W's of product or service:

What – product or service features?

When – clients buy it? One time a year, everyday?

Where – they buy it? Online, in-person or via mail?


Why – the product or service and how it compares to others?

What Goes On In a Business Plan?

Every business plan should contain these basic elements:

- **Marketing**

The Marketing section of the business plan should show what you know about your business. You will need to do the following:


- Describe the market conditions, trends and current size
 - Identify your target market – who are those customers?
 - Explain how you will capture your market share – how many clients? How much will they spend? Why will they buy your product/service?
 - Describe the media used to reach your audience
 - Provide a competitive analysis between your business and others
- 

What Goes On In a Business Plan?

Every business plan should contain these basic elements:

- **Finance**

The financial section of your business plan should show the following:

- How much will it cost to start-up the business?
 - What are the on-going costs: fixed and variable?
 - What does it take to make a profit?
- 


What Goes On In a Business Plan?

Every business plan should contain these basic elements:

- **Management**

Management refers to the people running the company. It can be one person or several individuals. The key is showing how the manager contributes to the company.

You should show the Management's:

- Skills
 - Experience
 - Background/Networks
- 

Writing a Business Plan: Description

Describing what your business does is very important. You need to show exactly what you do for your customers.

Are you selling a service? A product? A mix of the two?



Writing a Business Plan: Description

What will your business offer?

How will it be different from competitors?



Writing a Business Plan:

Description

Think about what sets your business apart from others.

Many people start businesses because they feel that they can offer a better product or service than others. The description is most important in showing that you have passion and understand your business.



Writing a Business Plan: Description

Example: Maria's Fashions for Young Adults

Maria's FYG is aimed at the 18–30 year old age demographic in Manila, Philippines. The product is fashionable clothing for each season, Fall/Winter & Spring/Summer. Maria's FYG will be priced affordably compared to other brands, but each clothing item will be made in limited supply.

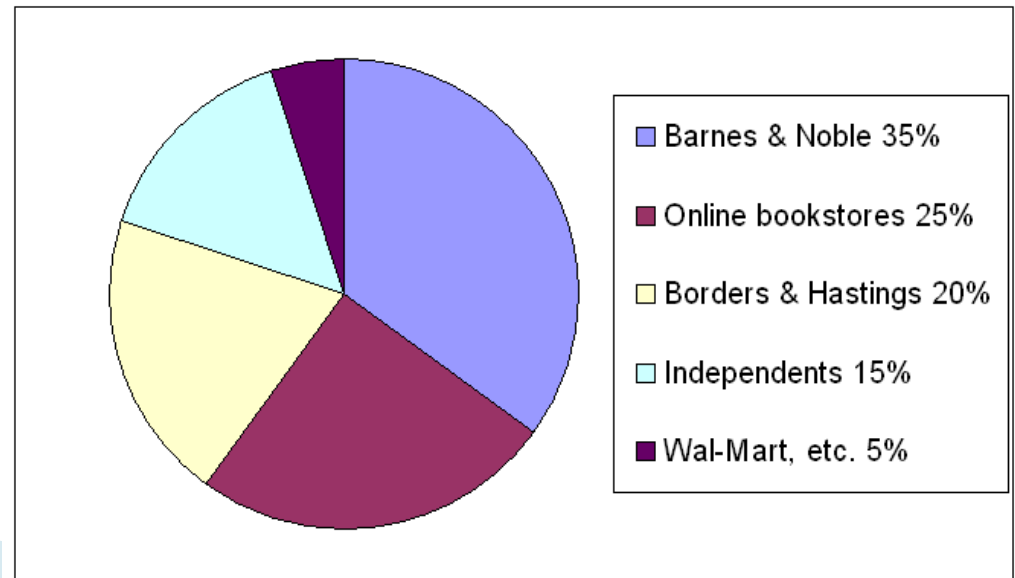
Writing a Business Plan: Marketing

- ▶ Marketing begins with the 4P's
 - **Product**
 - What are you selling? How it is different from competitors? What makes this better than others?
 - **Price**
 - How are you determining price? Cheaper than others? More expensive? Determine how your product compares price-wise.
 - **Place**
 - Where will people buy your product? Where else can you sell your product?
 - **People**
 - Who will buy your product? Why this group of people? How will they know about your product?

Writing a Business Plan: Marketing

- ▶ Capturing Your Market Share
 - Determine how big is your market?
 - How much will you be able to sell?


Good example of market share in the book-store industry. See how you should compare to others.



Writing a Business Plan: Marketing

- ▶ Media

Media is the most important way to get your product or service out to people. How will you use Media? Different ways include:

- ▶ Internet
 - ▶ Print Advertising
 - ▶ Personal advertising/Word of Mouth
 - ▶ Partnerships with other vendors
- 

Writing a Business Plan: Marketing

- ▶ **Competitive Analysis**
 - Market Need Assessment is useful tool for showing how you compare to competitors
 - SWOT Analysis – Strengths, Weaknesses, Opportunities and Threats
 - Helps you pinpoint your own SWOT when comparing to other competitors. This is very important to show that you understand what Weaknesses and Threats face your business as well as the Strengths and Opportunities.

Writing a Business Plan: Marketing

Example: Maria's Fashions for Young Adults

Maria's FYG appeals to the 18–30 crowd because of the colorful clothing choices and they are considered to be 'Trendy'. These clothes can be found at Maria's website and several stores which are popular with this audience.

The nearest competitor is another store in Manila, however their products are expensive and limited in selection. Maria's FYG will have more choices, with limited supplies, and lower prices.

Media will include website advertising, promotions in the college newspapers and brochures at the popular hangout places for college students.

Writing a Business Plan: Finance

- ▶ How much will it cost to start-up the business?

You need to show what is needed to start the business. Many people have started businesses with almost nothing to spending millions. However much you spend does not matter.

What matters is making good use of the funds needed to start a business. Show that you are making wise use of all the dollars available to you.



Writing a Business Plan: Finance

- ▶ What are the on-going costs: fixed and variable?
- ▶ Once you've started your business, you will have two sets of costs
 - ▶ Fixed – cannot be changed such as website, store rental, equipment, insurance, registration and license fees, if any
 - ▶ Variable – costs that change with the volume of business such as materials, labor and consumption items like electricity, utilities, phone charges, etc.

You need to show that you are able to control costs. The number one enemy of a business is uncontrollable costs!

Writing a Business Plan: Finance

- ▶ What does it take to make a profit?

A profit is the sum of expenses and revenue, with a positive difference. A loss is simply a negative difference.

You need to show what is required to make a profit, whether it is selling one item a day or selling a mix of items every day or per month.



Writing a Business Plan: Finance

Example: Maria's Fashions for Young Adults

Start-up costs for establishing a website, inventory of clothing products and several promotions would be \$3,000. The business will operate at a low cost structure due to Internet sales and partnering with select vendors. The breakeven point for first year of business will be \$7,000 which accounts for all start-up costs and variable costs needed to produce clothing inventory.


To produce a profit, Maria's FYG will need to generate \$10,000 in sales during 2009.

Writing a Business Plan: Management

- ▶ Who is the founder of this business?
 - Why set up this business?
 - Will he/she be an active or passive owner?
 - What are his/her qualifications?

Even if you have no experience or qualifications, you should have a story about why you are best qualified to run this business.

Writing a Business Plan: Management

- ▶ Managing for the future
 - Are you prepared to grow your company?
 - If your business were to double today, what would you do to handle the increased business?
 - You need to show that you have given some thought to how you would handle a growing business. Who would you bring to your management team? What skills are you looking for?
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Writing a Business Plan: Management

Example: Maria's Fashions for Young Adults

Maria is the owner of Maria's FYG. Her experience with clothing comes from working for several clothing companies, making custom clothing for friends and family and working with different manufacturers.

Her experience in the fashion industry and constant contact with young college students gives her an advantage over other competitors in finding out what trends are popular in Manila fashion. Maria has also assembled a team to help promote her business with clothing companies, advertisers and select customers.

Using Your Business Plan

- ▶ Plan Your Business

You have started a business plan in order to find out what needs to be done to make your business successful. This shows others and yourself that you are serious about putting in the hard work needed to make this business successful.

When you go through the business planning process, you should be finding out more and more about what your business requires to compete with others.

Thorough planning is no guarantee of success, but it gives you a much better chance!




Using Your Business Plan

- ▶ Obtain Funding Needed to Start Your Business

Now you have a business plan that clearly shows your vision, how you will attract customers, what your product/service costs and how it compares to others.

You can use this to seek funding. With a business plan in hand, you show others that you have done your research and preparation.

By seeking funding, you can also get feedback from others on your business plan. This is very valuable in making needed adjustments.



Using Your Business Plan

- ▶ Starting Your Business

Now that you've started your business, your Business Plan is the tool you use to monitor your projections and to change accordingly as needed.


Keep in mind, your business is full of assumptions. You need to revise your business plan as needed.

Using Your Business Plan

- ▶ Operating Your Business

Operating your business gives you a clear picture of what is working and what is not working. Change your business plan accordingly.


You should be using your business plan to develop new products, improve your current operations and to look at new ideas to grow your business.



Conclusion

A Business Plan is an important step in setting up a business. Having done this gets you halfway there, the other half is getting the funding needed and providing a product or service the customers really want.

The key to successful business planning is listening to your customers, paying careful attention to competitors and responding to the marketplace as it changes.



Conclusion

Planning your business is hard work that will pay off once it is up and running. Your business plan will provide the pieces of the puzzle called “Success”!



Sources

Small Business Administration website

www.sba.org