

Chapter three

Developing Business Plan

• Learning Objectives

- Define a business plan
- Determine the content of a business plan
- Recognize the elements included in the business plan
- Understand the purpose behind the preparation of a business plan

Concept of Business Plan

- **What is the purpose of planning?**
- A business plan is the written document that details the proposed venture.
- It is a written document prepared by entrepreneur that describes all the **relevant external and internal elements** and strategies involved in starting a new venture.
- Every aspect of a venture needs to be described the project, marketing, research and development, manufacturing, management, critical risks, financing and milestones
- **Thus, business plan is the entrepreneurs' road map for a successful enterprise.**

Benefits of Business Plan

- planning is deciding on resources and activities for future action for the entrepreneur
- The business plan quantifies objectives; provide measurable benchmarks for comparing forecasts with actual results
- **For financial resources**
- business plan provides a communication tool for outside financial resources

Developing an Effective Business Plan

- **Who should write the plan?**
- The business plan should be prepared by the entrepreneur
- **Who Reads the Plan?**
- The second question in the preparation of business plan is about to whom the plan is developed
- It is important to understand the audience for whom the business plan is written.
- The business plan may be read by employees, investors, bankers, venture capitalists, suppliers, customers, advisors lawyers and consultants

Developing an Effective Business Plan

- there are probably three perspectives or viewpoints that should be considered in preparing the plan
 - High technology or creativity: Focuses on who develops the venture or plan
 - Customers-about marketability of venture or market driven: Focuses on who will buy the product or use the service
 - Investors – financial sources :Focuses on who will be the sponsor or the financial source for the new venture or plan

Elements of Business Plan

- Detailed business plan usually has basic sections which show complete business plan outline

A)Executive Summary

- summary segment should briefly touch on the venture itself, the market opportunities, the financial needs and projections, and any special research or technology associated with the venture

B) Business Description

- **What aspects should be described in business plan?**
- The name of the venture should be identified
- The industry background should be presented
- The new venture should be thoroughly described
- The potential advantages the new venture possesses over the completion should be discussed at length

Elements of Business Plan...

C) Marketing Plan

- entrepreneur must convince investors that a market exists

D) Research, Design and Development

- ❖ design and development in regard to cost, time and special testing should be covered in this segment

E) Operations Plan

- ❖ This segment always should begin by describing the location of the new venture

F) Management Plan

- ❖ This segment identifies the key personnel, their positions and responsibilities and the career experiences that qualify them for particular roles

Elements of Business Plan...

- Thus, investors can understand about each of the following critical factors that have been presented
- Organizational structure
- Management team and critical personnel
- Experience and technical capabilities of the personnel
- Ownership structure and compensation agreements
- Board of directors and outside consultants and advisors.

Elements of Business Plan...

G) Critical Risk Assessment

- ❖ This is concerned with the **identification of potential risks** such as effect of unfavorable trends in the industry

H) Financial Segment

- The three basic financial statements need to be presented. These are:
 - **The pro forma balance sheet**: what the financial condition of the venture will be at a particular point in time
 - **The income statement**: the projected operating results based on profit and loss
 - **The cash flow statement**: need for and timing of additional financing

Elements of Business Plan...

I) Milestone Schedule

time table for the various activities to be accomplished

J) Appendix

- ❖ This is the final section or segment of the business plan, which is not mandatory,
- ❖ but it allows for additional documentation that is not appropriate in the main parts of the plan.

Diagrams, blueprints, financial data, management team members, and any Bibliographical information that supports the other segments of the plan are all examples of materials to be included in the appendix segment.

Why is business planning important?

- Business planning helps define and guide:
- An agreed route for your business
- Your key objectives for the next three to five years and how they will be achieved
- Directions and timelines in which to achieve your goals
- Your day-to-day operations and decisions
- **A business plan can also be used as a benchmark to measure your progress towards achieving your goals**
- Your business plan is a living document that grows and changes over your business's lifespan so revision **is important**

Why Some Business Plans Fail?

- A poorly prepared business plan can be blamed on one or more of the following factors as stated by Histich and Peters (2008)
- Setting unreasonable and immeasurable goals
- Lack of commitment to the business from the entrepreneur side
- Lack of experience in business plan
- Lack of sense of potential threats or weaknesses to the business
- No customer need was established for the proposed product/service

- There are a lot of factors to consider before you start your own business

1, Personal qualities

- Be devoted about what you do
- Make personal/lifestyle sacrifices for your business, You need to put in a lot of hard work to get your business from the drawing board to reality
- Manage risk and uncertainty
- Be patient but persistent

2. Skills, You need the following skills to run your business

- **Market research skills** to understand the market you're entering, such customer preferences, and the actions of your competitors
- **Money management skills** to forecast when you expect your business to break even, understand your financial position at any point, and assess the financial

Getting ready to start up business...

- **Marketing and sales skills**, to promote your products or services effectively and reach your break-even target sales as soon as possible.
- **People skills**, to help you manage and motivate your staff and deal with customers.
- **Negotiating skills** to ensure you're able to strike the best deal when dealing with suppliers or other contracts
- Try to develop skills in these areas over the long term

- **3.Self-assessment,** Answer the following questions to see if you're ready to start your own business
- Do you have experience in the industry you're considering entering?
- Are you prepared to undergo training to develop the skills you need?
- Do you enjoy making, and being responsible for, your own decisions?
- Are you prepared to lower your standard of living until your business starts to make a profit?
- Do you have sufficient savings or an alternative income to live off during the start-up period?
- Do your family understand the impact starting a new business?
- Are you prepared to take the risk of losing the money you invest in your business?
- Are you prepared to employ staff and delegate responsibilities to them or use the services of a professional?

❖ **If you answered “no” to many of these questions, it might**

- end

• **Chapter Four: Product and Service Concept**

• **Learning Objectives**

- To differentiate between product and services
- To describe the steps involved in new product development
- To describe the methods used to differentiate products from other competitors
- To understand the nature of patents, copyrights and trade mark
- To discuss about product life cycle

Discussion points

- What is the difference b/n goods and services ?

What is the difference between goods and services?

- **Meaning of a Product**

- A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organizations and ideas.
- **Goods** are **physical objects**. They are **tangible** and can be seen, touched, tested or felt, even before actual purchase.
- ☐ **Services** are anything or benefit that one party can offer to another that is essentially **intangible** and does not result in the ownership of anything

▪ **Types of New Products**

- New to the firm
- New to the market
- New to both
- Minor modifications of existing products
- Completely innovative

New product Planning and Development...

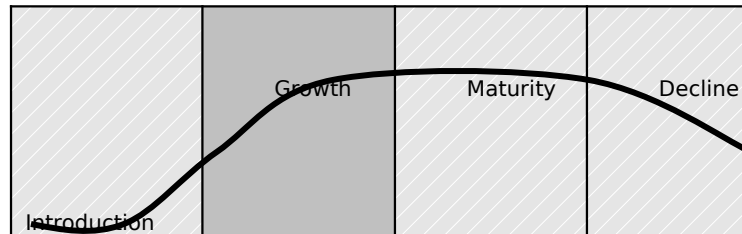
- A firm can obtain a new product in two ways:
- Through acquisition: by buying a whole company, a patent, or a license to produce someone else's product.
- Through new product development: by the company's own research and development effort.
- Why do so many new products fail?
- The market size have been overestimated
- The actual product was not designed well
- It was incorrectly positioned in the market (Priced too high or advertised poorly)
- The cost of product development is higher than expected
- Competitors fight back harder than expected

The steps of product planning and development process

- **Idea generation**
- **Idea screening**
- **Concept Development**
- **Market Strategy Development**
- **Business Analysis**
- **Product development**
- **Test Marketing**
- **Commercialization**

Product Life Cycle

- There are four stages that products pass through: introduction, growth maturity and decline as shown in figure



Introduction: a new product is launched

Growth :secure a high market share ,losing current benefits (profits), which will be compensated by the long run

Maturity : Large number of competitors have entered market, Available products exceed customer demand, Sales increase levels out into a plateau reaching its highest peak, Reduction in prices may occur in this stage.

Decline Stage: Sales show downward trends, Profits decline, in some cases actually becoming negative, It necessitates product differentiation, Totally new product may have to be introduced

- ❖ How do you differentiate one product with other similar product
- **Brand:** A brand is essentially a seller's promise to consistently deliver a specific set of features, benefits, and services to the buyers
- **Advantage :** makes it easier for the seller to process orders and track down problems
- **Packaging :** consists of all activities of designing and producing the container
- It physically protect the products from

Product Identification...

- **Labeling:** product that carries information about the product and the seller.
- **Product Protection : through** intellectual property
- It is any idea which gives a trade advantage or proprietary information
- There are three forms of intellectual property
 - Patents: A patent is a grant of a property right by the government to an inventor
- copy write: intellectual property is protected for the life of the origination
- trade mark registration. includes any word, name, symbol.