

# What is A Business Plan and How to write it?

## Your business Starts With An Idea ... A Very Unique Idea

We all have bright ideas every now and then - some of us more than others. What will make an entrepreneur outstanding is an idea that is much more than the ordinary. To determine this, you have to ask yourself questions like:



- what needs will your product or service fulfill?
- what group of people (called 'market') are you targeting ?
- are you the first one to come up with this idea, and if not, what are you going to do differently from everyone else? How will you ensure that your product or service stands out and gets attention?
- what areas are your competitors good in, what areas are they ignoring, and how can you take advantage of this?

## RESEARCH WILL SET YOU STRAIGHT

Research plays an important part in determining where potential opportunities are, and how you can best develop a plan to have a successful product or service. That's the general idea.

## **NOW TO THAT BUSINESS PLAN**

When you've gotten your bright business idea clear in your head and you're ready to make your first formal step, a business plan becomes necessary. A business plan is a document that clearly explains in detail:

- i. what the idea is that you have for your business
- ii. the aims or goals that you are trying to achieve, and
- iii. how you intend to do so

So, let's take a look at the specifics of a business plan.

Think of the business plan as a road map which shows where you expect your business to go and gives directions on how to get there. It should include everything about your business, so that you will always have something to guide your actions and it will also assist you in approaching sponsors, investors, loan companies etc.

Here are some considerations for your business plan.

### **THE EXECUTIVE SUMMARY**

Your executive summary can be considered your explanation of what your business is, where you are at now, where you plan to take it and why it will be successful. If you will need money to start your business, the executive summary is also a good place to grab the interest of possible investors. It should play up the strengths of your business and have specifically:

Should explain what your business is going to accomplish in no less than two sentences, no more than a paragraph.

**Company information:** Should give details of when the business is started, who started it, contact details for all founders and what positions they will hold in the business. This section should also tell the projected number of employees, as well as where the business itself will be located (office address, contact information).

**Products/Services:** Briefly describe the products or services you provide.

**Financial Information:** State everything about your current financial status and carefully map out all the financial needs (present and future) of your business.

**Summarise Future Plans:** Explain where you want to take your business.

## **COMPANY DESCRIPTION**

This section describes how your business will be run, paying specific attention to:

- the nature of the business, the needs that it will try to satisfy, and how exactly it intends to do this
- the specific consumers, organisations or businesses that your company will serve
- the things that will give your business the edge (competitive advantage) over others, such as location, expert personnel, efficient operations, or ability to bring value to your customers

## **MARKET ANALYSIS**

Have you done research on your target audience, and how the market you want to establish your business in works? The market analysis is where you document these findings and show that you are knowledgeable about and aware of the industry you want to do business in. It should include:

**Industry Description and Outlook:** Describe the industry's size, history, trends, and main customer target groups.

**Information About Your Target Market:** Make sure the size of your target group is realistic and manageable. Get to know your target market's distinguishing characteristics (i.e., critical needs, demographics and purchasing trends), and find out how much of this market you can reasonably expect to gain.

**Pricing:** Describe how you will determine the pricing of your product or service, how much or how little money you expect to make (called your gross margin targets), and any discounts you plan to use.

**Competitive Analysis:** Here, you must pay careful attention to other businesses that are doing anything similar to you. What is their market share? What are their



strengths and weaknesses? How will they impact your success (positively or negatively)? What other obstacles or barriers are there to your success (technological change, cost, manpower)?

**Regulatory Restrictions:** Consider the national and international regulations governing the industry you want to set up your business in. How much will it cost for certification? How long will it take? How will this affect your business positively or negatively?

## **ORGANISATION AND MANAGEMENT**

The organisational structure of your business comes into focus here. You must identify the ownership structure of the company, who will make up your managerial team and board of directors. You should answer questions like, who does what? What qualifications do they have? Give a description of each division and its function. Ensure that (i) organisational structure, and (ii) ownership information along legal lines are clearly explained in detail.

## **SERVICE OR PRODUCT LINE**

Here's where you get to talk about your product or service, and explain why you think it will be successful. What needs are you meeting? How is your product better than your competitors'? How will your product change or develop in the future?

## **MARKETING AND SALES**

Marketing is the process of winning over customers, and customers are the lifeblood of any business. In this section, the first thing you want to do is define your marketing strategy. There are common steps you can follow which will help

you think through the direction and tactics you would like to use to drive sales and sustain customer loyalty.

An overall marketing strategy should include four different areas: a market penetration strategy (how you're going to break into your market); a growth strategy (the strategy for building your business both after you've broken in); a channels of distribution strategy (which looks at choices for distribution channels, sales, distributors, or retailers); and a communication strategy (how you're going to reach customers, usually a combination of the following tactics works the best: promotions, advertising, public relations, personal selling, and printed materials such as brochures, catalogs, flyers, etc.)

After you have developed a comprehensive marketing strategy, you can then define your sales strategy, which covers how you plan to actually sell your product.

## **FUNDING REQUESTS**

If you will need money from outside sources (called 'funding'), you should use this section to describe in detail exactly what you will need. Include your current funding requirement, any future funding needs for the next five years, and how you intend to use the money you receive. Also include the time period that your request will cover, the type of funding you would like to have (e.g., equity, debt), and the terms that you would like to have applied.

**Financial projections:** In this section, you should include what you expect your company to be able to do within the next five years. Make sure that your projections match your funding requests; creditors will be on the lookout for inconsistencies. It's much better if you catch mistakes before they do. And since pictures speak louder than words, you may also want to add graphs to make the information more visually appealing.