The Business Plan

A well-drawn up business plan should have the following qualities:

* It should look neat, clean and attractive
* It should have all the necessary information, but not be unnecessarily wordy
* The information should be clear and easy to read
* The information should be well organized and logically presented
* The information must be supported by facts and evidence as far as possible.

Your business plan states your business objectives. It is an important document because banks and financial institutions will want to read it before agreeing to give you a loan.

It also helps as a reference document for yourself as an entrepreneur because it gets you to clarify your thoughts regarding your business objectives, and gives you a reference guide to keep you on track with your future plans. Drawing up a business plan is not a quick and easy process – it takes a lot of time, research, and planning. But with a good business plan you have a much better chance of getting a loan and of succeeding in your business.

The Components of a Business Plan

The Cover Page

Design a smart-looking, professional cover page with the second page giving the contents of your business plan. It is important for your cover page and your whole business plan to show how serious you are about starting your own business.

Your cover page must have:

* The Name of the Business
* The Entrepreneur's Name
* The Company Name
* The Logo or Emblem of your Business

1. Executive Summary

This is always completed last as it is an overview of our whole plan.

Your summary should be short, clear and focus on the main points of your business plan. It should make the reader want to continue to read the rest of the document and should explain the following:

* The reason for your financial request.
* How much money you need?
* How you will use the money?
* How you will repay the loan?

2. Business Profile

This involves giving a full description of your business. In this description, you need to include information about:

The type of ownership (sole trader, partnership, corporation, etc.). How many people you will employ, the type of training they will need, their salaries or wages that will be paid.

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| Any legal requirements like licensing and permits. Do you need the government to check your kitchen and see it is healthy? Do you need the government to check your business if you sell medicine? | What type of business ownership do you want? For example will you be a sole trader? A partnership with your friend? A corporation? |
| A general description of the services you want to provide or products you want to sell or manufacture. | What your long-term goals are for your business (where do you see your business 5 years from now) |
| Reasons why your business will be successful. | Anything that makes your business unique and different from other businesses. This is the competitive advantage that you might have over other companies. |

3. Management Plan

An organizational structure (this shows the positions of people in the business, for example, a managing director, an operations manager, an administration manager, a secretary). It could include a organizational chart.

Planning is one of the most important skills of any manager. Drawing up job descriptions, goals, objectives, and timeframes is all part of planning and will ensure that everyone in the business know exactly what do.

Organizational skills are also important to any business. Once the plan is in place the actual work needs to be done. Organizing a business means that the correct structure must be put into place in order for the plans to happen.

It is always a good idea to have everything in writing, from the planning stage. This serves as guidance and easy reference. A visual organization chart will help everybody to understand the lines of communication and see an overall picture of the different functions within the business.

Here is an example of a visual organizational chart for the city of Waukee. As you see the most important people are at the top and then you can trace who is responsible for each department by following the lines down.

4. Marketing Plan

Your marketing plan should include the following:

* A description of your target market and customer profile
* Sales forecasts for your first year of your business
* A description of your potential competitors, their marketing strategies, and how they can influence the success of your business
* SWOT Analysis

Target market includes all the potential buyers of a product or service. These are the customers who have a need for your product or service and who can afford to buy the product.

A customer profile allows you to have a clear picture of the customer and will include aspects such as age, gender, income group, occupation and culture.

Market Share is the percentage of total sales that a business can claim in a specific area, whether the area is the immediate community (like Hong Kong), regionally (like Southern China), nationally (like China), or globally (like the whole world) is know as market share. You must look at similar product to yours to determine the market share. So when looking at all running shoes what percentage of the market share do you think Nike has? This could be different in each of the markets above.

Competitor Analysis is a detailed examination of the competition which includes the quality and price of the products and services you will face in the market place. In addition you can include strategies that you can put in place that might improve your businesses position.

Market research is the research that is done to find out about your potential market. It includes finding out who is buying this type of product or service, how much of this type of product or service is being sold and whether there is a need for your specific product or service. Generally, market research can be obtained from two sources, primary and secondary sources. Primary sources include all those people that you interview, speak to, and observe. The information obtained in such a way, comes directly from the potential customer. Secondary sources include information obtained from all the other place, except potential customers/ They could include facts and figure from the library, the local chamber of commerce, the internet, or local businesses.

Popular types of market research are:

* Observations – going to a shopping mall and observing customers and see how they behave and what they buy.
* Focus Groups – To form a sample group of people to discuss certain questions specific to the product.
* Questionnaires – This method involves getting people to fill in the answers to questions about the product or service.
* Interviews – Interviews could be conducted over the telephone or in person and asking a few quick questions or getting them to participate in a formal meeting/tasting/testing of a product or service.

A SWOT analysis is an examination of the strengths and weaknesses of your product or services and a careful study of the opportunities and threats which face your proposed business. It will enable you to make upfront plans to counter the

weaknesses and threats while concentrating on those areas that your business is strong. It can also help identify possible opportunities that might arise for your business.

5. Production Plan

Where you make your product and from what materials is important to your plan. You will need to identify specific equipment, locations and suppliers for making your product.

Your production plan should include:

Location is important to your business. You will need to ask questions such as, how big will your business be? You will need to look for a premises or the place where you work. Think about your customers and how you will meet their needs. Will you need separate facilities to make and sell your product? Where is the best place for each and why?

Equipment are the items that allow you to run your business. They can be big or small. They could help build your products or sell them. You will need supplies that you will buy more frequently.

Suppliers are the people who sell you your equipment, supplies and other materials. You don't want to rush out and buy the first piece of equipment you see advertised. You must compare prices and make sure that you get value for money. Different way to find suppliers are the internet, trade magazines, friends, or local directories.

6. Financial Plan

The financial plan of your business is very important and needs time and attention. This will be the main focus of every money lender before they make decisions about granting a loan.

Things to consider including are:

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| Start up costs. | A calculation of your cost price, selling price, and break-even point |
| Financing that you need from the banks or financial institutions. | A detailed income statement for your projections for the first year. It should show the monthly income and expenses you expect to have. |
| How you plan to pay back the money that you want to borrow. |  |

One of the most important goals of a business is to make money. If there are too many cost, there will not be a profit. There may even be a loss. A business needs to cover all costs and make a profit if it is going to survive.

Costing refers to calculating exactly how much your product or service costs to produce. These costs must include all costs, not only the actual manufacturing costs, but also costs like rent, electricity, and wages.

Pricing means to work out how much to charge for the product or service so that a profit is made, yet at the same time the price is in line with the competition and what customers are prepared to pay.

Break even is the point where all the costs of your product or service is covered by the sales. Once you are at break even, you know that you have made back all the money that you have spent and that all income now becomes profit.

Hidden costs are the costs which are not immediately obvious or even unforeseen, hidden costs will include breakages and repairs that were not expected.