

2019

Business Plan

AN INVESTMENT ON THE WAY
SONIYA

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PREFACE

It is important for every business entity to have a proper business plan to provide right direction. It is very important to get success in a business. A proper business plan gives a snapshot of your business. It includes executive summary, description, market analysis, organizational structure, product description, marketing strategy, funding requirement and financial projections. Before proceeding for business plan, proper research must be conducted.

For proper business planning you must be aware about your company, product, and competition in market. A business plan is nothing but a written document which describes the nature of the business activities, the sales & marketing strategy and financial background as well as projected profit and loss statement. Business Plan is a road map which gives directions to the business entity on the basis of which business can plan its future and can avoid the roadblocks. Business plan must be clear and concise.

This book will not even give you idea of drawing up a business plan but it will also motivate to give directions to your idea. With this, you will be able to find suitable business strategy for your company. This will enable you to get success within the market and also within the global market.



TABLE OF CONTENTS

I.	Necessity of Business Plan
II.	Business Plan Making Process
III.	Executive Summary
IV.	Business Idea and Strategic Goal
V.	Organizational Structure
VI.	Product Description
VII.	Market Analysis
VIII.	Research & Development
IX.	Marketing Strategy
X.	Financial Analysis
XI.	Investor Analysis
XII.	Performance Indicators

NECESSITY OF BUSINESS PLAN

A business plan is very important strategic tool for every business



entity as it provides right direction to carry out business activities. It is not only important for business owners but it also helps in achieving short term as well as long term object.

We know that many entrepreneurs feel unnecessary to have a proper business plan but we don't agree on this! In our opinion, it is always preferable to have a strategic plan to make your business idea work. It is completely useless to have a very good business idea if you don't have a written down plan for its execution.

It is extremely valuable to have good business plan if you want to raise funds. Business Plan must be easy and clear to read and understand.

There are various reasons of having a Business Plan; some of them are as follows:

TO RAISE FUNDS FOR THE BUSINESS

Before lending money, investors ask for a written business plan as mere description of your business is not enough. You also have to ensure that you have a proper business plan that demonstrates the success in long run.

TO ATTRACT INVESTORS

A solid business plan is necessary if you want to attract venture capitalists or angle investors. Before making any investment commitment by the investors in a company, they ask for a written business plan. On the basis of which investors take decision. Investors would like to conduct extensive background checks and competitive analysis of business plan to check whether the business plan depicts the same which is written.

MUTUAL UNDERSTANDING WITHIN THE INTERNAL MANAGEMENT

It is important to maintain the mutual understanding among the management of the company. For this, the engagement of



management in the company is defined under business plan.

A well drafted business plan clarifies where you have been and where you are going. It must be reviewed on regular basis in order to show direction and commitment to the employees, clients

and investors. The primary objective of business plan is to determine the financial needs of the business.

BUSINESS PLAN MAKING PROCESS

Creation of the business plan depends upon various factors such as type of business entity, structure of the business as well as size of the business entity. Drafting of business plan requires detailed analysis by the finance experts.

You need to make sure that your business plan must include the key points such as Executive summary, business model, marketing strategies, competitive analysis, technology & product plan, operations and management plans, revenue plan, financial projections, business valuation, investment offerings etc. For this, you need to consult business plan consultant. These consultants play a significant role in inviting investors to invest in the

business and ensure that the company is following the business plan. They make the goal and vision of the company transparent to the members.

Business Plan Consultants will coordinate with the management of the company in contributing to the preparation of business plan:

The Chief Executive Officer – To supervise the business planning process;

The Marketing & Sales Manager - To understand the demand of the market, growth potential, competitor analysis and client requirements;

The Production Manager – To understand the lead time of production of



new products & technology as well as raw material requirement;

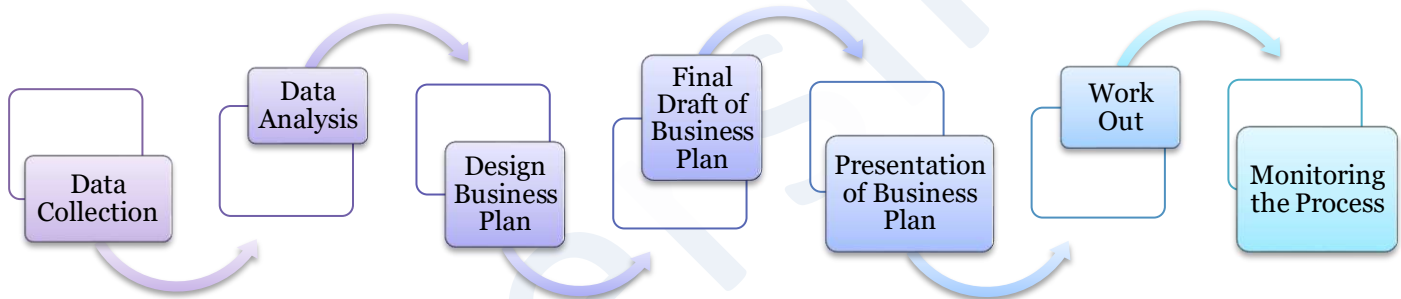
The Financial Manager – To understand the financial requirements of the company;

STEPS INVOLVED IN BUSINESS PLANNING PROCESS

Preparing a business plan is not a onetime task. It should be reviewed &

modified every year by the management of the company as it is an integral part of any business. It needs continuous checks by comparing the actual result from the planned figures.

Here are the following steps involved under Business Planning Process:



In case of change in key assumptions, the business plan must be modified accordingly. Benefits of business planning depend upon various factors such as implementation, action taken and by updating the plan time to time.

FACTORS AFFECTING BUSINESS PLAN

The structure of the business plan depends upon various factors:

- ❖ Main Object of the Business Plan

- ❖ Stage of the Business
- ❖ Size of the Business
- ❖ Business industry
- ❖ Financial Situation
- ❖ Production Techniques
- ❖ Sales Tactics
- ❖ Employee Policies

In case of business plan of multinational companies, following are the considerations:



- ❖ Promotional Strategy Globally
- ❖ Expansion Strategy
(Merger/Acquisition)
- ❖ Prediction of long term trends
- ❖ Long term product development
- ❖ Government Relations

KEY POINTS OF BUSINESS PLAN

A business plan contains information in such a manner that the reader gets to know exactly what the business is all about and its engagement after reading it.

BUSINESS DESCRIPTION

This head will give short description of the business outlook, future plans, market dependency, present scenario, trend, possible change in trend and its impact on the business, induction of any new product or such other development.

POTENTIAL COMPETITION

In order to stay competitive it is important to know about your competitors. Therefore, it is important to analysis the strength and weakness of competitors, and finding the loophole in

it and looking for potential of development in it.

COMPETITIVE STRATEGIES USUALLY FALL INTO THESE FIVE AREAS:

- a. Product
- b. Distribution
- c. Pricing
- d. Promotion
- e. Advertising

MARKET STRATEGIES

Market strategy is a very important part of the business plan. The main aim is to create a development budget that will enable the company to reach its goals.

FINANCIAL GOALS

Financial Goals can be framed on short term and long term goals basis. Proper financial planning is necessary as the most vital reason to run a business is nothing but to run the business profitably.

PROMOTION PLAN



The promotion strategy shall include every marketing tool utilized in the communication effort. This may includes Advertising, Packaging, Public relation, Sales promotion, Personal sales etc.

BUDGETING

The cash-flow statement is one of the most critical information tool in business which helps in reaching out to the fact that how much cash will be needed to run the business? and survive in the market? and from where the company will be able to manage safely.

DESIGN & DEVELOPMENT PLAN

The product's designs, chart its development within the context of production, marketing and the company itself, and create a development budget that will enable the company to reach its goals.

OPERATIONS & MANAGEMENT PLAN

It shall include the details of the logistics of the organization which shall include various responsibilities of the

management team, the tasks assigned to every division within the company.

For business planning, high quality data is required. In this way, entire business plan will be operated in an efficient manner. Following information will be required for proper business planning:

COMPANY DESCRIPTION

- a. Name of the Company
- b. Form of Company
- c. Location of the Company
- d. Incorporation Date
- e. Shareholder Details
- f. Employee Details
- g. Details of the Subsidiary Companies
- h. Key Financial Data

ORGANIZATIONAL STRUCTURE

- a. Organization Chart
- b. Details of Promoters & Directors
- c. Key responsibilities of the management team



d. Compensation details

PRODUCTION

- a. Location of the Production
- b. Details of the workers
- c. Manufacturing Process
- d. Details of the warehouse
- e. List of launched products

PRODUCTS & SERVICES

- a. Product descriptions and technical specifications
- b. Advertising and promotion tools
- c. Pricing schedules
- d. Competitive advantages
- e. Details of Trademarks & Patents and their terms of use
- f. Regulations and industrial standards

MARKET ANALYSIS

- a. Market Size
- b. Demand Analysis
- c. Customer Satisfaction Surveys
- d. Competitor Analysis
- e. Strategies of Competitors

SALES FORECAST

- a. Structure of the Sales Department
- b. Product Information
- c. Expected Revenue
- d. Expected Cost
- e. Profit Margins
- f. Marketing Tools

Finance

- a. Financial Planning
- b. Required Investments
- c. Credit Requirement

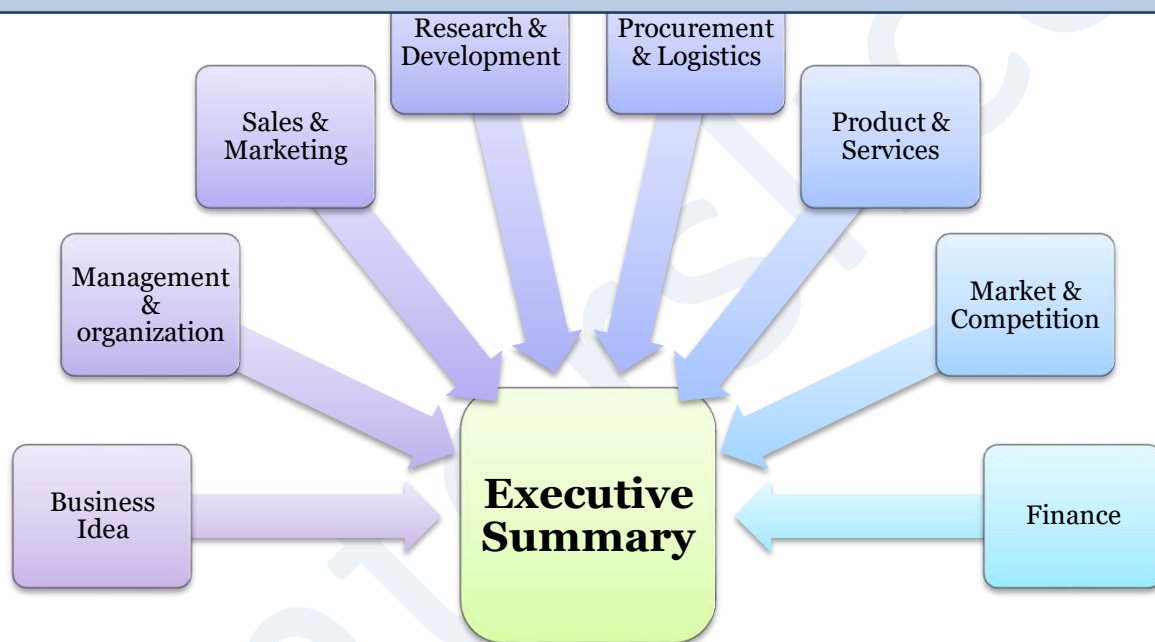
EXECUTIVE SUMMARY

The executive summary of your business plan describes your business plan in a very concise form. It provides overview of the business in short. Investors & bankers receive many business plans on a daily basis therefore they read executive summary for a



quick check. If the executive summary sounds promising only then the reader will read further.

The executive summary is described in the beginning of the business plan. It should be precisely structured and convincing.



BUSINESS IDEA AND STRATEGIC GOAL



Business idea should be defined in detail in business plan. For this, you can take help of well known entrepreneurs or consultants. You can change the business idea on a later stage due to change in the taste of customers or due to change in the technology.



BUSINESS IDEA PRODUCT &
SERVICES + MARKET & CUSTOMERS

Things to be considered while finalizing business idea:

- a. Type of Business
- b. Reason Behind
- c. Advantages you offer
- d. How it is different from your competitors?
- e. Targeted Customers
- f. Product Manufacturing
- g. Expected Profit & Growth

However, targeted customers will only pay the price if it is up to their

expectations. You need to make proper planning of resource utilization and costing. A strategy is derived from the business model. A company's strategy helps in developing strategic goal. A well defined business idea and strategic goal helps investors in taking decision as they want to know why they should invest in the business?

Strategic goal are the target which businesses wants to achieve. Such as:

- a. Profit
- b. Growth
- c. Revenue
- d. Market Share
- e. Targeted Customers
- f. Products & Services
- g. Design of the Product
- h. Production Capacity
- i. Investments

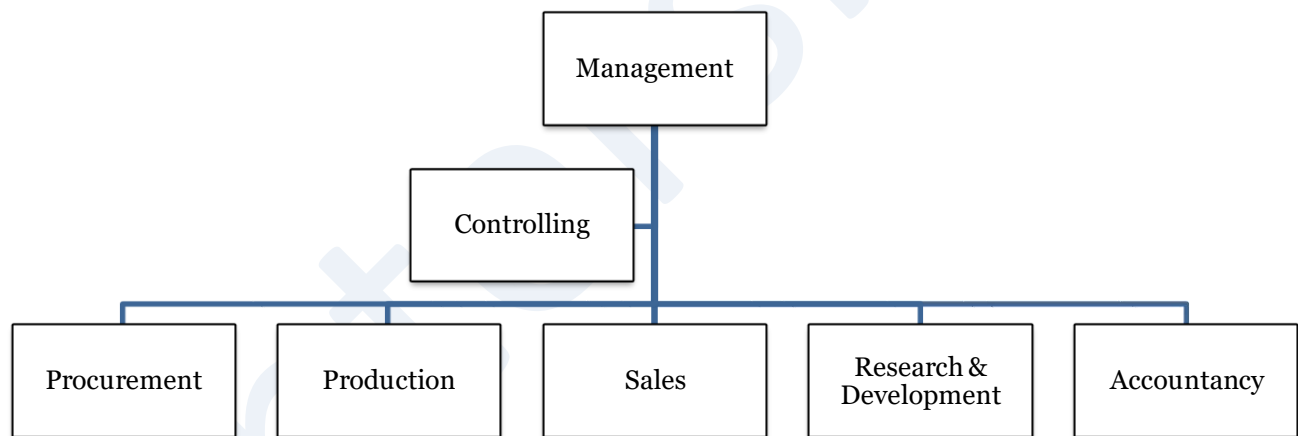


ORGANIZATIONAL STRUCTURE



An organization structure is prepared on the basis of the business model. It is prepared according to the tasks/ activities and responsibilities assigned to the different business units.

BASIC STRUCTURE OF AN ORGANIZATIONAL STRUCTURE



Cost Analysis

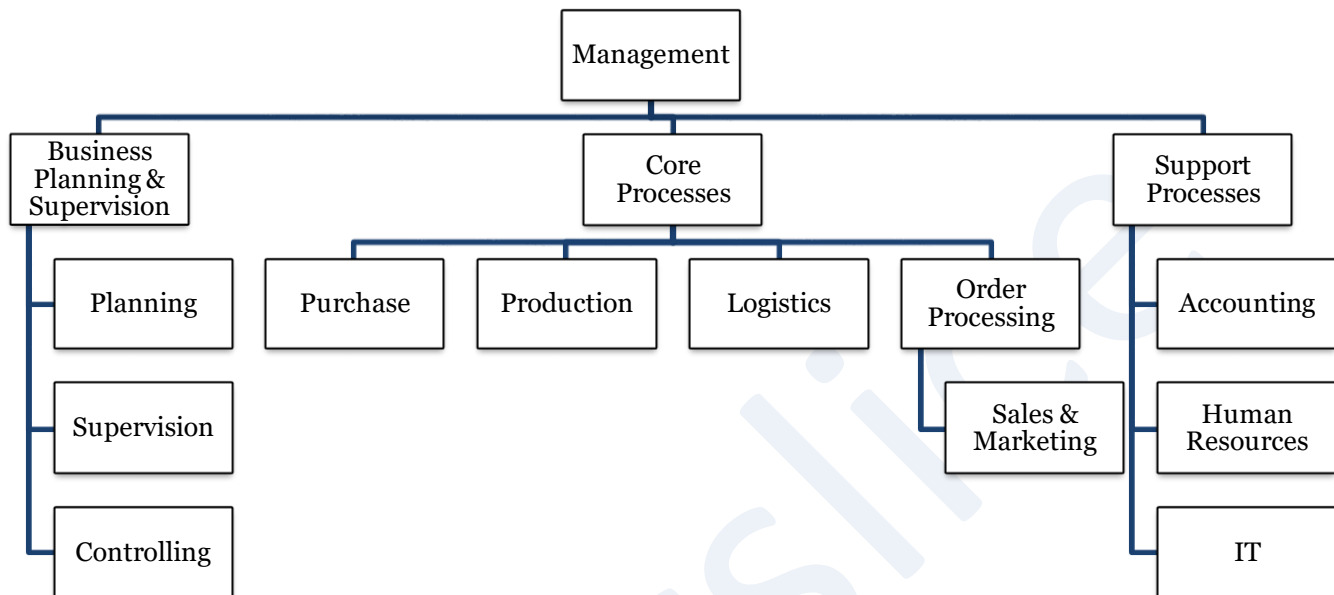
Month

	No. of Employees	Gross Salary Per Employee	Personnel Cost
Management			



Production**Sales****R&D****Accounting****Controlling****Total**

PROCESS ORIENTED ORGANIZATIONAL STRUCTURE



PRODUCT DESCRIPTION

Product description is very important feature of business plan. In product description, one need to give details of manufacturing and processing methods. Customers buy products on the basis of their needs therefore one need to take decision regarding the suitable product as per their need.

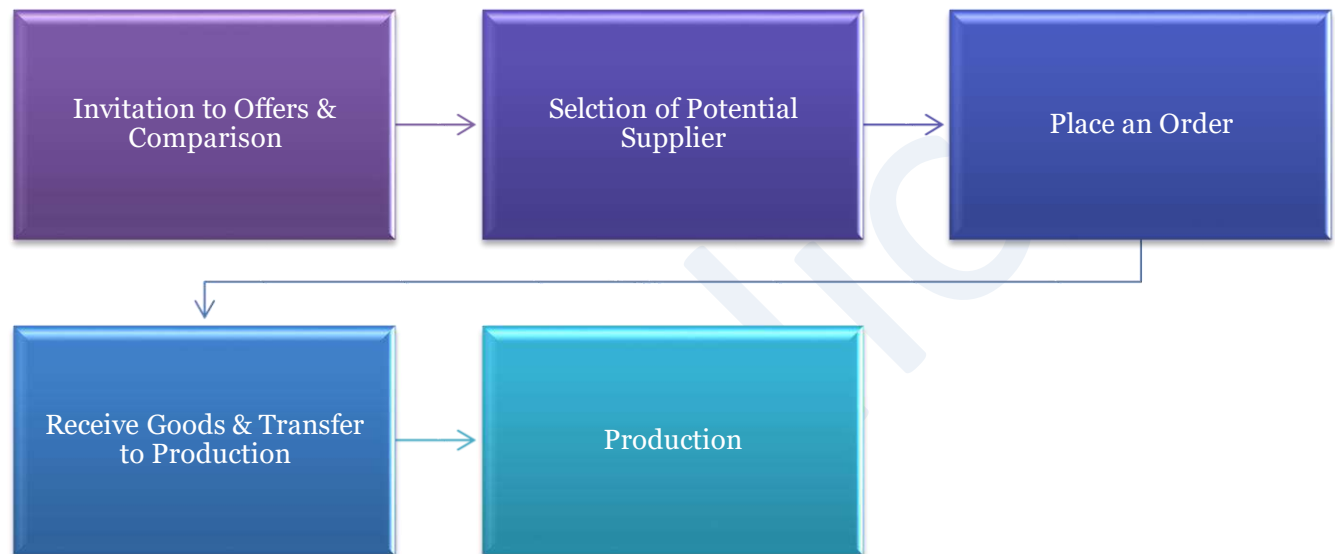
Product description must describe the following:

- Features & Characteristics of Product
- Unique Selling Propositions of Product
- Advantage of product over the product of others
- Opportunities & Risk Involved
- Strength & Weakness of Product

DESIGNING OF PRODUCT



A proper roadmap should be developed in order to describe features of the product.



MARKET ANALYSIS

The first step is to analyze the relevant market as well as size of the market. To determine the relevant market one can obtain data from the market research & investigation. It is also very important to get to know about the market. For analyzing market growth, sales & revenue forecast is done for the next three (3) to five (5) years. However, market growth depends upon various factors such as current trends & fashion. While there are some other factors also which affect market growth such as social demographical, economical, and technological as well as environmental. A successful market strategy is



required to be developed to sustain in the market. For this, you first need to understand the market share of competitors in market.

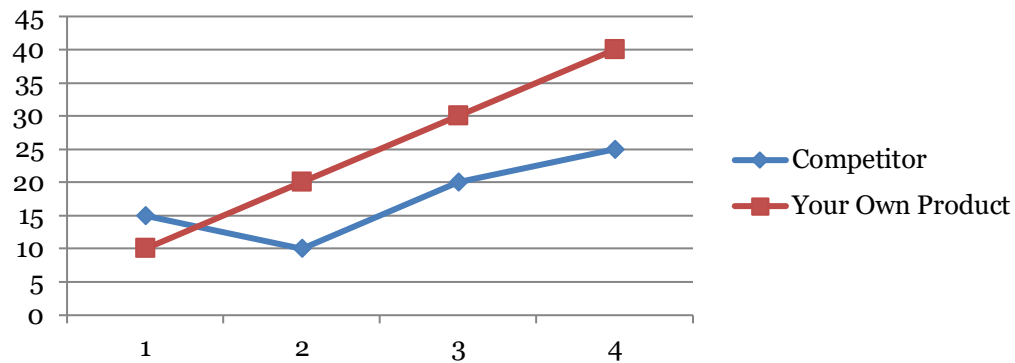
For determining the competitive strength in a specific market, below mentioned formula is used:

$$\text{RELATIVE MARKET SHARE} = \text{OWN MARKET SHARE} / \text{MARKET SHARE OF THE COMPETITOR}$$

At the time of market analysis, following things are considered:

- a. Target Market
- b. Size of the Target Market
- c. Growth of the Target Market
- d. Technological Competence
- e. Demographic changes influence the market





RESEARCH & DEVELOPMENT

The business depends upon continuous innovation and development. Businesses adopt different research & development strategy.

Every business need to research on the following:

- a. Market Trends
- b. Market Price
- c. Product Differentiation
- d. Licenses Required to carry out the business
- e. Strategic Alliance

In business plan, there should be a research & development plan for at least three (3) to five (5) years summarizing the objective, activities and risk involved. Additionally, time should be scheduled and cost should be estimated.



ESSENTIAL DATA FOR PLANNING

Information	Year	
	Current Year	Previous Year
Personal Cost		
External Cost		
Employees		
Ongoing Project		
Employee Utilization		
Market launches		
Total Cost for Development		

MARKETING STRATEGY

Marketing strategy defines the market share you wish to achieve in the market. Following need to be considered to formulate the marketing strategy:

- a. Advertisement
- b. Competitive Orientation
- c. Customer Loyalty
- d. Customer Profitability
- e. Acquisition of new customers



This section of business plan is going to cover the strategy of attracting customers to buy products or services. It will cover the Unique Selling Proposition, Pricing Strategy, Sales & Distribution Plan and Advertising Plan. This process involves research & promotion. This is essential to get your potential customers. A proper marketing plan enhances the sales.

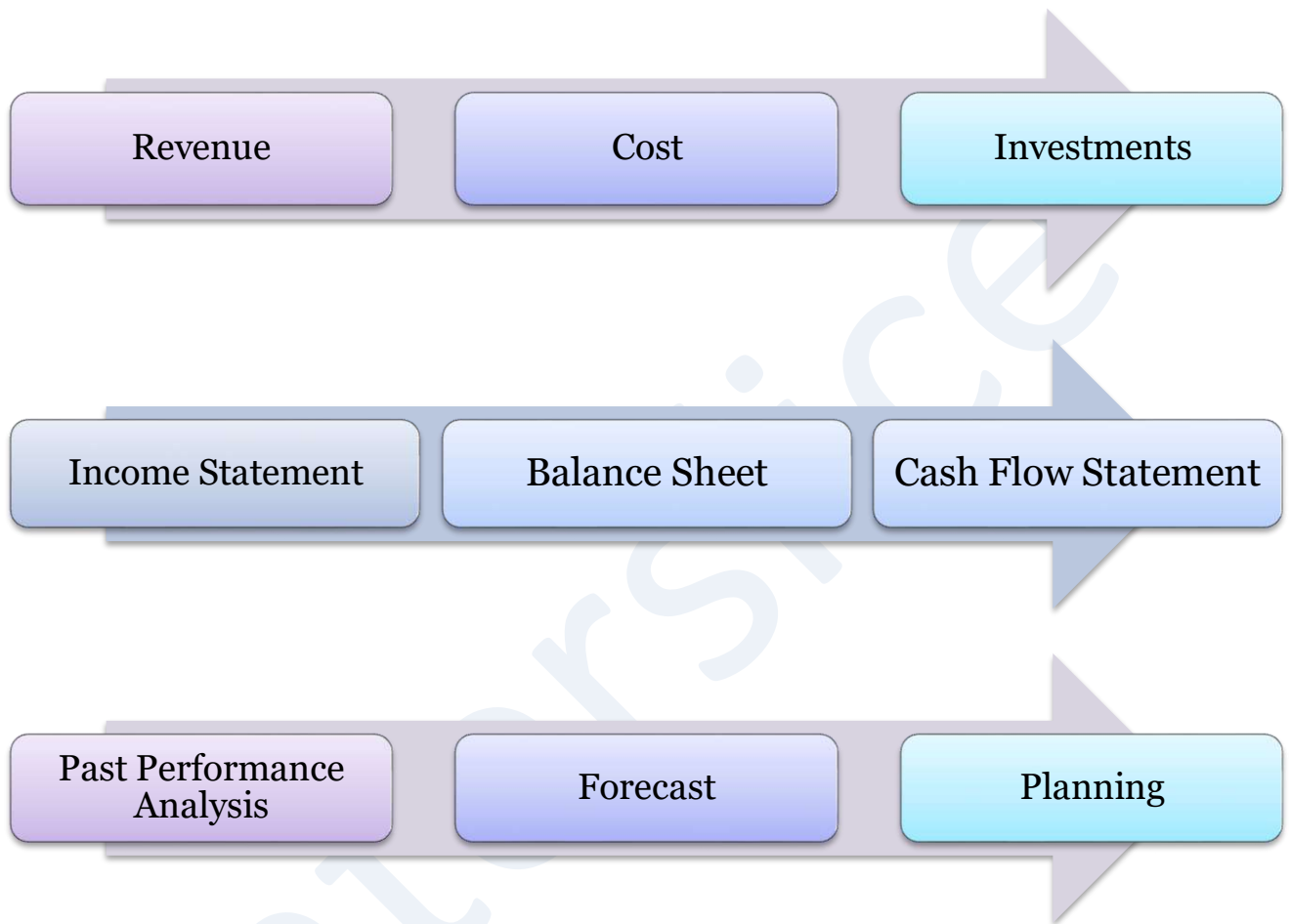
FINANCIAL ANALYSIS

This section of business will forecast the finance for your business. This will estimate the operating cost as well as future growth. For this, one needs to consult an expert professional like a qualified chartered accountant. Followings are the inclusions in the financial analysis section of your business plan:

- a. Balance Sheet: Anticipated financials such as assets, liabilities & equity
- b. Cash Flow Analysis: Anticipated cash inflow & outflow
- c. Profit and Loss Analysis: Income Statement
- d. Break-Even Analysis

This section can be very challenging, it either be a deal maker or deal breaker. It has to be ensure that this section should be consistent with the assumptions made in other sections of business plan. If you don't have a financial background then this section can be very complicated for you. At the time writing this section, accounting rules & principles must be followed.





INVESTOR ANALYSIS

This is one of the most important segments of the business plan. It gives reason to make investment in the business. Investment depends upon various factors such as projected sales, profit & loss, cash flow, balance sheet etc. There are different types of investments in the business such as:

- a. Material Investment
- b. Immaterial Investment
- c. Financial Investment



- d. Expansion Investment
- e. Modernizing Investment
- f. Replacement Investment

Time of investment is very crucial. One needs to consider the following before making investment:

- a. Payback Period
- b. Risk Involved
- c. Tax Effects

Investors look after the scenarios under which you will deal with the potential risks. For this sensitivity & risk analysis is necessary.



PERFORMANCE INDICATORS

For the evaluation of financial position of the business, investors determine numerous key figures.

Following key figures helps in analyzing the financial position:



- ❖ $\text{Equity Ratio} = \text{Total Equity} / \text{Total Assets} * 100$
 - ❖ $\text{Debt Ratio} = \text{Total Debt} / \text{Total Assets} * 100$
 - ❖ $\text{Total Assets Turnover} = \text{Sales} / \text{Total Assets}$
 - ❖ $\text{Receivable Turnover} = \text{Total Trade Receivable} / \text{Sales} * 360$
 - ❖ $\text{Equity to Assets Ratio} = \text{Total Equity} + \text{Long Term Borrowings} / \text{Assets} * 100$
 - ❖ $\text{Return on Sales} = \text{Net Income} / \text{Sales} * 100$
 - ❖ $\text{Return on Equity} = \text{Net Income} / \text{Average Total Equity} * 100$
-

