

EIFN

The Business Plan (BP):
Preliminaries

What is a BP?

- ❑ The business plan is a document that identifies, describes and analyses a business opportunity
- ❑ It examines its technical, economic and financial viability and prepares all the procedures and strategies necessary to convert this business opportunity into a concrete business project

What is the BP used for?

- ❑ Encourages the promoter of the business opportunity to undertake an exhaustive **market study** to obtain the information necessary to position the project appropriately and determine its viability
- ❑ It is a **calling card** for the entrepreneur to use in order to present the project to other parties

Formal aspects of drafting a BP

- ❑ Use **intelligible language**: Be careful with the technical vocabulary!! - Make a special effort bringing the specific terminology within the reach of the target audience
- ❑ There are no set of rules for the structure of the document, but we can start by using the customary structure (explained in detail later)
- ❑ Use updated information
- ❑ Take special care of the presentational aspects of the BP: It should be carefully bound - The information should be in two volumes (vol. 1. should contain the bulk of the information, whilst vol. 2. should be reserved for annexes containing all the information that supports or confirms the trends or strategies set out in the main volume (e.g. surveys, statistics, reports, legal documents, etc.)

Preliminaries

Although we don't have much room for maneuver, we should follow a plan of action. We should ask some important questions concerning the project:

- who?
- what?
- why?
- where?
- when?
- how much?

Who

We should ask some important questions concerning the project:

- **who?**

- what?

- why?

- where?

- when?

- how much?

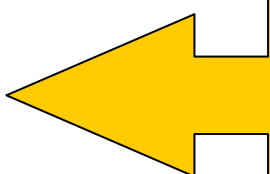
Who are the promoters
What is the name of the company?

...

What

We should ask some important questions concerning the project:

- who?
- **what?**
- why?
- where?
- when?
- how much?



What is the purpose of preparing the plan?
What are our products / services?
What markets are we seeking to penetrate
What market share do we hope to obtain
What profit margins do we estimate
are possible?
What period of time do we estimate
we need to carry out our project?
...

Why

We should ask some important questions concerning the project:

- who?
- what?
- **why?**
- where?
- when?
- how much?

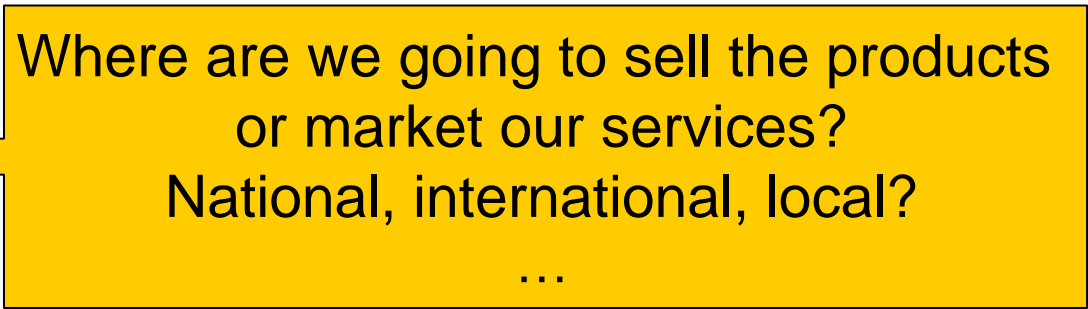
Basic aim: obtaining profits from our business
Others: Greater wellbeing

...

Where

We should ask some important questions concerning the project:

- who?
- what?
- why?
- **where?**
- when?
- how much?



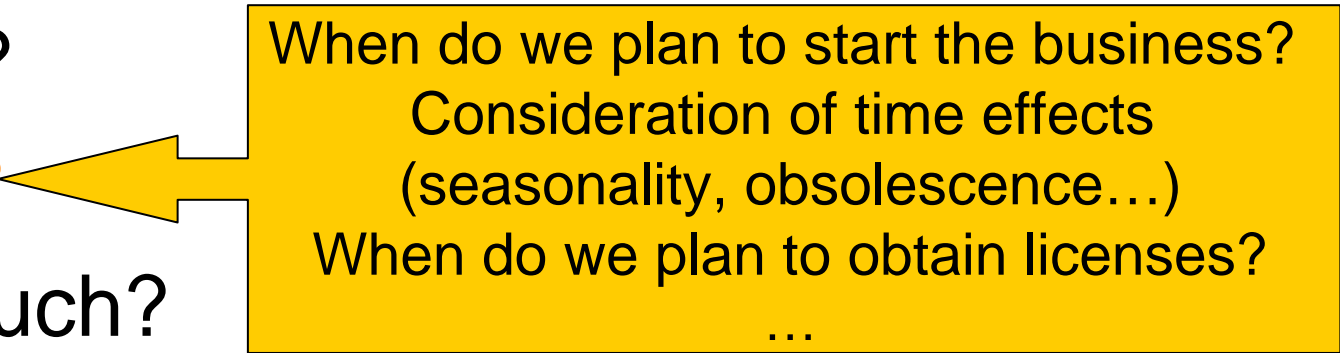
Where are we going to sell the products
or market our services?
National, international, local?

...

When

We should ask some important questions concerning the project:

- who?
- what?
- why?
- where?
- **when?**
- how much?

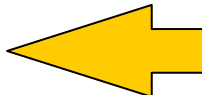


When do we plan to start the business?
Consideration of time effects
(seasonality, obsolescence...)
When do we plan to obtain licenses?
...

How much

We should ask some important questions concerning the project:

- who?
- what?
- why?
- where?
- when?
- **how much?**



The investment required
Levels of sales
Profits and losses
Dividends
...

Typical structure of a BP

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1 Introduction

2 Description of the business

3 Market study

4 Marketing Plan

5 Technical description

6 Purchasing plan

7 Organization and human resources

8 Legal structure

9 Economic-financial study

10 Risk assessment

11 Summary

12 Annexes

Typical structure of a BP

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This is a page with a list of all the contents, outlining all sections and their respective page numbers. This will make it easier for the reader to locate specific sections. Both the main contents and the annexes should have a detailed index

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Typical structure of a BP

1 Introduction

This section should give the readers a quick impression of the company and the product/service it intends to offer. The objective is to give the project credibility and corroborate the professional background of the participants

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Typical structure of a BP

2 Description of the business

This is the time for describing the company and the product /services that it offers, trying to highlight the internal competitive advantage of the firm.

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3 Market study

To know where the firm is going to compete, it is necessary to understand and analyze the market and its environment, including the customer behavior, the competitors and their products as well as the possible barriers to entry, among others.

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Typical structure of a BP

4 Marketing Plan

It sets the commercial strategies that will allow the company to obtain the turnover that will be given in the economic and financial analysis. The marketing plan describes the details of the global marketing strategy we plan to use to exploit our business opportunities and competitive advantages.

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Typical structure of a BP

5 Technical description

It should include a detailed and technical explanation about the product or service provided, and the processes of development and manufacturing

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6 Purchasing plan

In this phase, we should be able to know all the material requirements in order to produce the product/service. This section must include the list of materials needed to produce and market our product or service, their costs for warehousing, stock levels and rotation as well as a list of suppliers and their profiles.

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Typical structure of a BP

7 Organization and human resources

The goal of this section is to outline the company's policy on human resources. It should include a description of the management functions and the line management positions, a description of the key management positions with the required profiles and responsibilities.

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Typical structure of a BP

8 Legal structure

Creating a new company implies a number of administrative and legal formalities. In this section, all these have to be specified: the choice of the legal form, the tax regime, the name and legal form of the other business partners and investors, percentage of their share holding and types of shares held, duties and limitations, external advisory services.

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Typical structure of a BP

9 Economic-financial study

The financial plan is a key element of the BP. Its objective is to evaluate the economic potential of a business project and to present viable alternatives for its financing. It should provide financial statements and forecasts so as to determine the expected return on the investment and the payback periods, among others.

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10 Risk assessment

The business plan should include a description of risks and the possible consequences of any adverse circumstances that may affect the business, industry, product or the management team, together with the possible mitigants and corrective measures.

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Typical structure of a BP

11 Summary

This is the final section of the Business Plan. It briefly reiterates the main strengths, weaknesses, advantages, opportunities, threats and risks of the project.

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12 Annexes

Annex should include the information that complements the BP (i.e., regulation applicable to the sector, CVs of the promoters, etc.)

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