Write a Business Plan

Learn how to write an effective, bankable business plan.

Executive Summary

In two pages, you have to describe what you want to achieve, how you are going to achieve it and how you are going to fund your plans. It is the first impression you give of your company and a critical summary.

Marketing and sales projections

In two to three pages, you must describe the market, why any competitors are not answering the needs of customers, how you are going to meet those needs, how you are going to price your goods and services and how you are going to reach your identified market.

Management team and SWOT analysis

Provide the profiles of yourself and the key members of your team and outline how your combined experience is relevant to the new venture. The financial and time commitment of the management team is important. A SWOT (Strength, Weakness, Opportunity, Threat) analysis is a good tool for showcasing the potential of a business, while also outlining any risks.

Financial model

Your Financial Plan will include a summary of your main assumptions, a projected income statement for five years ahead and the sources and uses of funds showing where the money will come from and how it is going to be spent. Detailed calculations should be in the annex. The conclusion should focus on what you are asking for: a loan, an equity injection? What amount and under what terms? Why you consider it to be a safe investment? Again, any details should be in an appendix.

Define your pricing strategy

This document aims to give entrepreneurs some hints to define your pricing strategy

Competitive advantage

Identify clearly your strengths compared to the competition. Your business model has to be designed around your competitive advantage. Determine your price and your marketing strategy based on this competitive advantage.

Price strategy and production cost

Carefully establish your pricing strategy by taking into account both your target market and your production costs. Develop a strategy that will allow you to sell enough of your products/services to be profitable while satisfying the expectations of your customer. Your production costs will determine the minimum price you can set.

There are multiple price strategies:

Strategies	Characteristic
Premium Pricing	Establish a price higher than the competitors. It has to be justified by a strong competitive advantage that allows you to offer a unique product
Penetration Pricing	Designed to capture market share by entering the market with a low price compare to competition to attract new buyers and then move to a higher market price.
Economy Pricing	Refers to a low cost approach. Focus on keeping prices as low as you can to attract a very price sensitive segment
Price Skimming	If you have a significant competitive advantage you can enter the market with high price to gain maximum revenue before competition comes in the market

SWOT Analysis

A SWOT analysis is about defining the Strengths, Weaknesses, Opportunities and Threats of your business. This is a great tool to identify a businesses' situation regarding its market. This tool should be regarded as a useful brainstorming that will help you define an efficient and consistent business' strategy.

Internal and external analysis

The main benefit of the SWOT analysis is that it allows you to bring together in one document, both internal and external factors that can affect your business. Internal aspects are represented by your strengths and weaknesses while external factors are the threats and opportunities.

Be realistic and impartial

When using a SWOT analysis, be realistic about the strengths and weaknesses of your organization. Distinguish between where your organization is today, and where it could be in the future. Be specific and avoid gray areas.

Maintaining competitive advantage while working on weaknesses

A SWOT analysis will help you identify areas of your business that are performing well. These areas are your best assets you must build your business on. These factors can be considered as a competitive advantage and should be used to grow your business.

On the other hand, weaknesses are the factors that put your business at a disadvantage compared to others. Conducting a SWOT analysis can help you identify these characteristics and minimize their impact or improve them before they become a problem.

Be realistic about the weaknesses of your business so you can deal with them adequately.

Strategic decisions

Eventually, a SWOT analysis will help you make strategic decisions. Once you have the business' big picture you can make smart moves. Seizing opportunities that you have identified within your market can be one of them. Conducting a SWOT analysis will help you understand the internal factors that will allow you to seize an opportunity.

SWOT Template

CRITERIA EXAMPLES Advantages of proposition? Competitive advantages? Resources, Assets, People? Innovative aspects? Location and geographical? Price, value, quality?	STRENGHTS	WEAKNESSES	CRITERIA EXAMPLES Disadvantages of proposition? Lack of competitive strenght? Reputation precence and reach? Own known vulnerabilities? Time scales, deandlines and pressures?
CRITERIA EXAMPLES Market developments? Competitors' vulnerabilities? Industry or lifestyle trends? Partnerships, agencies, distribution? Seasonal, weather, fashion influence?	OPPORTUNITIES	THREAT	CRITERIA EXAMPLES Political effects? Legislative effects? Environmental effects? Market demand? New technologies, services, ideas?

SWOT Sample

SCM clothes manufacture

SCM Clothing is a family start-up business that specializes in the fabrication of men's apparel and that is established in Port Louis. The company will penetrate the clothing sector with high-quality clothes. Before to elaborate a Marketing Plan, the SCM Clothing team has analysed the business capacity to succeed thanks to the SWOT tool.

The team had come up with key factors for SCM Clothing business organized as above:

Strengths:

- We have high quality product

- We offer innovative products
- Our partnership with a national retailer is a key source of sales and will increase awareness toward our brand
- Our designer's team shows great creativity skills while understanding customers' expectations

Weaknesses:

- Our products are expensive in comparison to the competition
- We have a limited budget for promotion
- We are too much dependent on our designer's team

Opportunities:

- The local demand tends to desire fashionable clothes
- We can outsource the production to reduce manufacturing cost
- Casual formats become the rule as companies' dress codes are more flexible and the population is ageing

Threats:

- A increasing part of the local demand tend to want low-priced clothes
- A highly intensive competition due to the apparition of numerous manufacturers and retailers over the past years
- We have to avoid being too much dependent on our national retailer partner
- An extremely hot weather can limit our product range

The Financial Plan

The Financial Plan is a key part of your business plan. Its purpose is to forecast future revenues, expenses and the funding required to set up and develop the company. It includes the assumptions behind your project and three accounting documents: the balance sheet, the income statement and the cash flow statement.

A guide to managing your business

The purpose of the plan is to show the profitability of your venture and its financial requirements for the foreseeable future, in general three to five years. The most important element is to evaluate carefully how much cash is required for the business to run. No more cash, no more business! The cash requirements are not only to finance the expenses, fixed or variable, but also to finance investments and the working capital. Working capital is the amount of cash needed to finance your inventory and your clients, in case they do not pay upfront, minus the credit terms you will be able to negotiate from your suppliers. It is important to update the plan with the most recent results or assumptions. Comparing the actual results with the forecasted ones will allow you to adjust your plan and take action accordingly.

The reference document for raising funds

Any bank, lender or investor will require a financial plan before committing any money to your business. Lenders want to understand how and when your business is going to be profitable and when you will be able to give them their money back! Investors will use it to evaluate the attractiveness and growth potential of your business.

Be realistic and do not get caught up in too many details

Be realistic about your assumptions! On one hand, overestimating your business will cause you to lose credibility in front of investors or banks. They have some comparable data and ratios in mind, so do not try to fool them. On the other hand, being too pessimistic (this isn't usually in an entrepreneur's DNA!) will not make your project attractive. You should be able to justify every single assumption. You need to get some help to do the financial modeling if you have never done it before. Finally, do not get caught up in too many details: show only the important assumptions and numbers.

Show visuals

Keep in mind that graphs, tables and other visuals are often more effective methods of highlighting key ideas and figures than just using text. Your visuals will allow you to create an interaction with your audience during oral presentations and will simplify the readability of your document.