

EXPORT TRADE TRAINING PROGRAM

Section 5

How to Develop and Use a Winning Business Plan

Workshop Objectives

- **Who are you and what are your expectations for this session.**
- **What is a business plan and why is it important?**
- **What are the components of a business plan and how do they fit together?**
- **What are 'key' points in preparing an effective plan?**
- **How can this workshop assist?**

Why Prepare a Business Plan?

- Existing business?
- New business?
- Need money?
- Need a road map?
- Need some other resource (e.g. partners)?
- Feasibility analysis?
- Others?

What Is It and Why Is It Important?

What is a “Business Plan”?

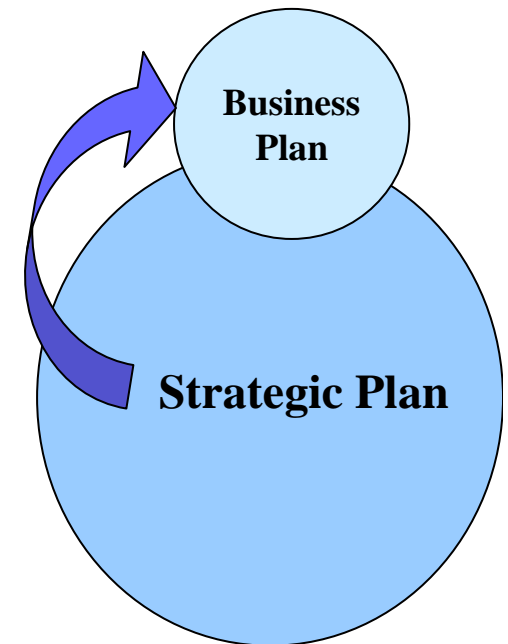
At least two meanings...

- **The *DOCUMENT* that you use to convince funding sources and others to support your business**
 - A Selling Document, used internally and externally
 - Essential for a start-up

- **The *STRATEGIC PLAN* that you use to operate and build your business**
 - May be proprietary (only used internally)
 - Essential all of the time

Different Audiences, Different Needs...

- **The *Business Plan***
 - The audience is resource providers
 - They expect:
 - Consistent, structured format
 - Professional presentation
 - Must address your audience's questions
 - How will I benefit if you are successful?
 - Do I believe you can do it?
- **The *Strategic Plan***
 - The audience is YOU
 - Format is up to you
 - Content depends on your needs



Do Strategic Plan First

Prove That You Will Create Value.

The heart and soul of any good business plan:

A business case -- an incisive analysis of a business opportunity presented in the form of a compelling argument.

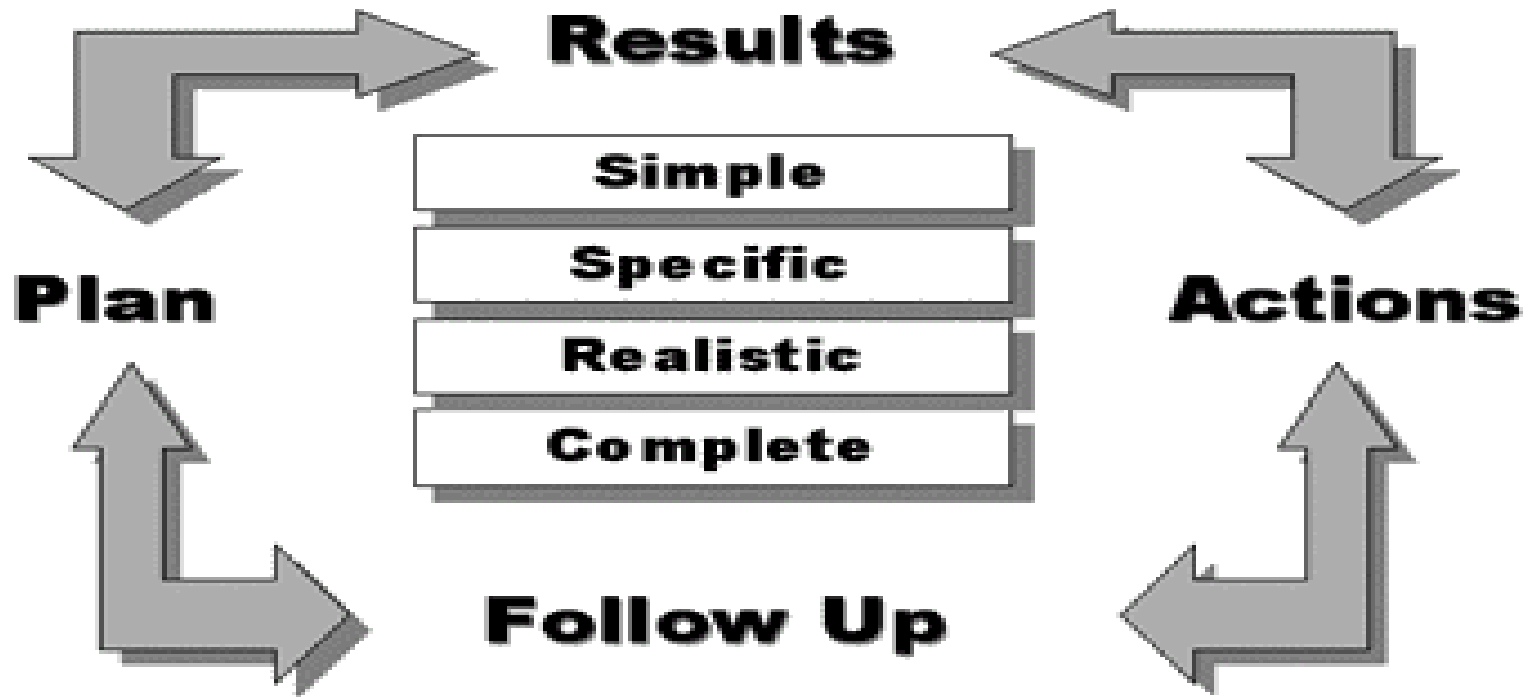
Until you have it, forget the graphics, the financials, the text...

Business Plan Implications

It's far more than writing down your plans and goals...

- **It's future-oriented**
- **It's a creative exercise**
- **It's a problem-solving exercise**
- **Outcome: Data to support your business case**

Planning is a Process, Not Just a Plan



...The Value to Planning ...

“If you don’t know where you’re going, you’ll end up somewhere else.”
Yogi Berra

- **Determine how much financing you will need**
- **A calling card for dealing with other outsiders**
- **Encourages realism**
- **Promotes creativity**
- **Forces you to identify your customers, your market, your competitors, your pricing strategy...**
- **Anticipate problems or areas on which to concentrate**

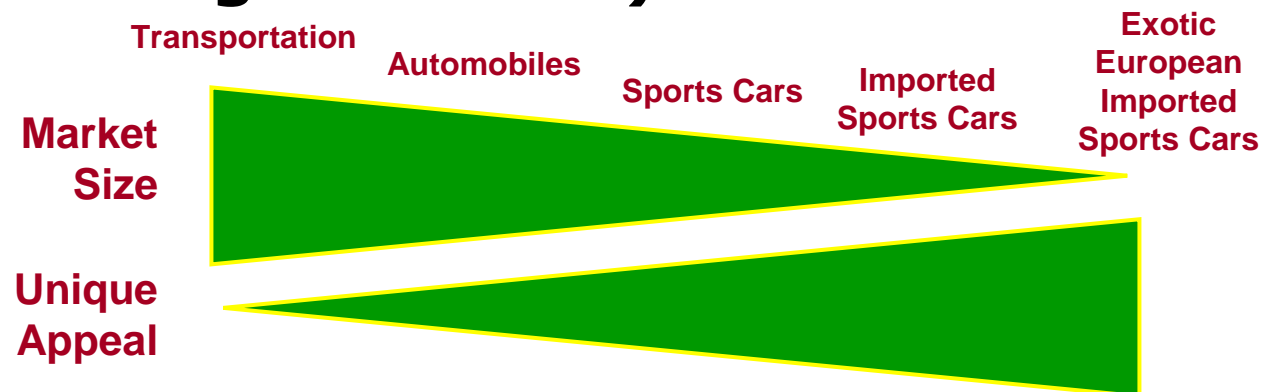
Generic Ways to Meet a Market Need

- **Low Price**
 - Generally requires scale and capital-- lots of it
 - Not practical for most small businesses
- **Targeted Need**
 - Fulfill the specific needs of a small part of the market
- **Service or Convenience**
 - Add value to an existing product or service
- **Innovation**
 - Create a new product and/or a new market

Solve an industry problem, or meet an industry need, and you have a business opportunity.

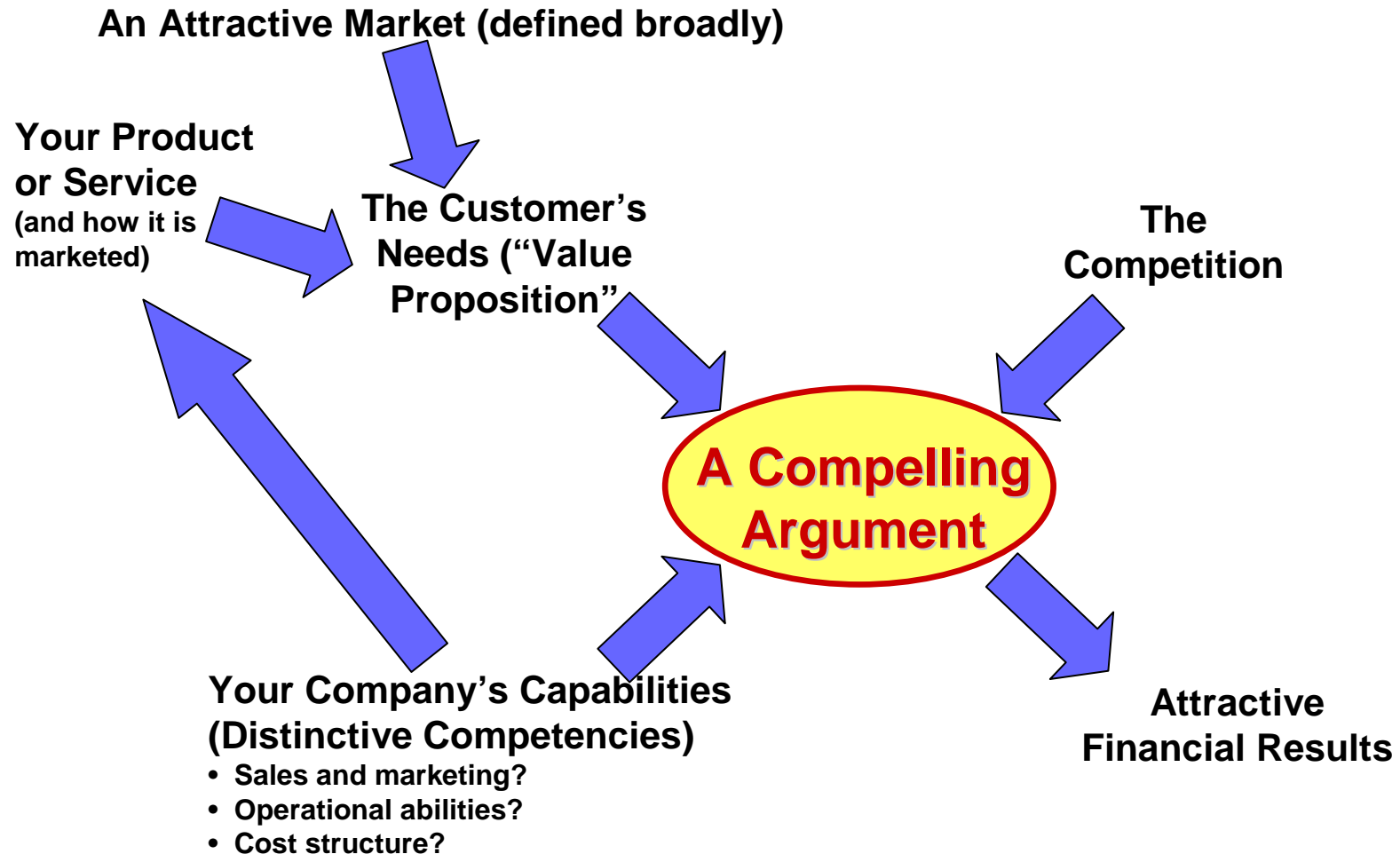
The Value Proposition

- Why would someone buy your product or service?
- Why would they choose you over another?
- The value the customer perceives
- Tradeoff between appeal and market size (market segmentation)



What Does It Take?

The Building Blocks



Recap: Key Questions

- **MARKET:** What makes this an attractive market?
- **PRODUCT:** What is your product or service? Why would someone pay good money for it?
- **CAPABILITIES:** Why should someone believe that your company is well equipped to take advantage of the opportunity?
- **COMPETITION:** How will you out-fox the competition? How will you protect your opportunity?
- **FINANCIALS:** How will this result in attractive financial returns?

Elements of a Successful Plan

- Is the plan simple? Is it easy to understand and to act on? Does it communicate its contents easily and practically?
- Is the plan specific? Are its objectives concrete and measurable? Does it include specific actions and activities, each with specific dates of completion, specific persons responsible and specific budgets?

Elements of a Successful Plan

- Is the plan complete? Does it include all the necessary elements? Requirements of a business plan vary, depending on the context. There is no guarantee, however, that the plan will work if it doesn't cover the main bases.
- Nobody reads a long-winded business plan: not bankers, bosses, nor venture capitalists

Creating The Plan: Typical Table of Contents

- **Executive Summary**
- **Business Description**
- **Market and Competition**
- **Marketing and Sales Plan**
- **Operations Plan (Production or Service Delivery)**
- **Management**
- **Financial Plan**
- **Appendix**

The Mini-Business Plan

5-10 pages

- **Executive Summary**
- **Management**
- **Marketing**
- **Financial**
- **Use of Funds**

The Mini-Business Plan Executive Summary

- **Distinguish from Competitors**
- **Distinctive Customer Value Add**
- **Compelling “Sales Pitch”**

The Mini-Business Plan Management

- **Management Expertise**
- **Related Experience**
- **Legal Entity**

The Mini-Business Plan Marketing

- **Marketing Strategy**

- **Business Niche**
 - Business to business
 - Consumer
 - Government

- **Products and Services**

The Mini-Business Plan Financial Criteria

- **Break Even during the 1st year**
- **Positive cash flow**
- **Realistic 12 month forecast**
- **Manageable critical balances**
 - Cash, receivables, payables, inventory
 - Primary reason for business failures
- **Maximum loan amount**

What Are The Tricks?

Where To Focus Your Energies

- **Research**
- **Your value proposition (your customers)**
- **Your competitors**
- **Your financial plan assumptions**
- **Your management team**
- **The “elevator test”**

Top 10 Business Model Pitfalls

- 10) Unrealistic value proposition**
- 9) Poor understanding of the market;
incorrect identification of THE customer**
- 8) Underestimating time to launch (burn
rate)**
- 7) Underestimating your customers'
"switching costs" (emotional or tangible)
and overestimating adoption rate**
- 6) Underestimating costs, especially
development and marketing costs**

Top 10 Business Model Pitfalls

- 5) **Overly narrow definition of “competition”, or underestimating the response of competitors**
- 4) **Too little attention to operations**
- 3) **Underestimating sales lead times**
- 2) **Hidden and/or inaccurate assumptions**
- 1) **Ignoring the laws of physics (faster, better, cheaper)**

Go For It.

**“Believe you can!... Believe you can't! Either way... you are correct.”
Henry Ford**