GENERAL GUIDELINES FOR DEVELOPING A BUSINESS PLAN

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Introduction

A business plan is a written document that describes a business, its objectives, its strategies, its market and its financial forecasts. It states business goals, argues why they are believed attainable and shows a plan to reach them. It is also a helpful tool to monitor the business performance to stay on track.

Main advice:
- ensure it is feasible, be realistic!
- be flexible, remember it is a decision-making tool
- take an objective and honest look at the business, avoid own judgements
- ensure it is understandable for all the stakeholders, do not get lost in complicated reasoning
- if it is helpful, see the business plan as a collection of sub-plans, one for each business discipline (e.g.: finance, human resources management, marketing, operations managements, etc)

1. Executive Summary

It is a summary of the entire plan and should include highlights from each section of the document. It is aimed at explaining the basics of the business in a way to inform and interest the reader.

Main advice:
- be concise! No more than one page
- it should provide a brief answer to the following core questions related to your business: What? Where? To whom? Why?
- it is not an extended table of contents
- do not overemphasise any information, be precise and to the point

2. Business Summary

Describe the vision of the business related to the Eco-Innovation initiative.

2.1 Company Summary

- Mission statement, entrepreneurial culture and corporate identity, i.e. founding characteristics of the company
- Start-up summary, i.e. when you started or intend to start and first action plan
- Type of business and sector
- Any relevant company history and what you foresee for the future development

2.2 Management Summary

- Company legal structure
- Company organisation chart
- Human resources and company divisions involved in the project
- Project management methodology
- Personnel plan, i.e. hiring plan and related costs
2.3 Products¹ and Services

2.3.1 Products/services description

Some suggestions
- What makes your product/service different, i.e. Unique Selling Point or competitive advantage
- What benefits it offers
- Why customers would buy it from you instead of your competitors
- Potential patents, trade marks or design registrations

2.3.2 Production

Some suggestions
- Technology in use
- Sourcing (e.g. raw materials and other inputs, way of procurement)
- Production capacity

Main advice: be simple! The reader might not be an expert of your business sector

3. Market Analysis Summary

Analysis of the current situation: where are you? Analysis of both demand and supply.

3.1 Industry background

Overview of the industry and of the macroeconomic framework². Consider past and current situation, together with future trends and outline which are most relevant variables to consider. Don't forget possible barriers to enter the market!

3.2 Market Analysis

Provide an answer to the following questions: Which is your market? How do the distribution channels work, i.e. how do the customers receive your products? Which are your segments? In what position are your competitors?

3.2.1 Demand point of view

Determine qualitative and quantitative aspects of demand. Some suggestions:
- Definition of the market segments;
- Customer decision criteria;
- Situation analysis and evolution of market segments;

¹ Throughout the document, the word "products" is to intend what is your project about (e.g. technology, process, material, etc)
² P.E.S.T.E.L. analysis, i.e. six questions asking what are your political, economic, social, technologic, environmental and legal barriers?
- Typology, profile and buying behaviour of the existing segments (fulfilled or unfulfilled needs, set of values, motivation, selection criteria, suppliers, etc…);
- Changes occurred in demand;
- Competitors’ performance analysis (segment competition and market share).

3.2.2 Supply point of view

Determine qualitative and quantitative aspects of demand. Some suggestions:

- Situation of the relevant market (supply size, producers, types of products on offer, brand names, market share, chosen segments and why, how these target customers will be interested in your offer, etc…);
- Supply / current competitors (number, profile, relative importance, followed strategy, etc…);
- Supply / Potential competitors (substitute products, evolution of the sector);
- Distribution and marketing channels (existing channels, relative importance, past and future evolution).

3.2.3 Legal framework

Consider those regulations and legislations that affect your business

3.3 SWOT Analysis

- Strengths: company internal factors that are helpful to achieve the objectives;
- Weaknesses: company internal factors that are harmful to achieve the objectives;
- Opportunities: external factors out of the company’s control that are helpful to achieve the objectives;
- Threats: external factors, out of the company’s control, that are harmful to achieve the objectives.
Please see Figure 1

![SWOT Analysis Diagram]

*Figure 1 "SWOT Analysis"*

### 4. Strategy and Implementation Summary

Describe how you intend to act in the market: objectives and strategy to follow.

#### 4.1 Evaluating the value of your supply

Provide an estimation of the overall value of what you are offering to the market.

#### 4.2 Setting the objectives

Where do you want to go?

Usually, target results are related to increase the market share, the profitability, the sales volume (quantity) and to improve the image of the product as well as its relative position on the market (quality). They are also a consequence of the more general objectives of the General Management, the marketing management, the sales management, the communication management and the product management. In general terms, all these objectives have to be precise (quantifiable as much as possible), realistic and coherent.

It is a good practice to break-down the objectives by intermediate objectives, i.e. milestones. A chart might also be useful.
4.3 Elaborating a strategy – marketing mix

4.3.1 Product Policy

- Product portfolio
- Product differentiation
- Brands, models, packaging
- Development of related services
- Modification and removal of existing products
- Planning of new products

4.3.2 Price Policy

- Costs, margins, discounts
- Price setting to only one product
- Price setting to a whole line of products

4.3.3 Place Policy

- Distribution channels: How will you reach your customers? Which partners will be needed in your distribution channels?

4.3.4 Promotion and Exploitation Policy

- Sales management: How will you make your sales? Do you have a sales plan? Have you considered which sales method will be the most effective and most appropriate for your market, such as selling by phone, over the internet, face-to-face or through retail outlets? Are your proposed sales methods consistent with your marketing plan? And do you have the right skills to secure the sales you need?
- Sales promotion: How will you promote your product or service and attract new customers? Identify your sales process methods, e.g. direct marketing, advertising, PR, e-mail, e-sales, social marketing.
- Corporate image

4.4 Segmentation and positioning strategies

Inside each product-market couple, determining which strategic segment is the company addressing and provide a "cost vs added value" analysis, ideally as a positioning map (see Figure 2).
5. Financial Plan Summary

How to provide all the required financial resources?
Base your financial plan at the end of the project and two years later, but give much more details for the first 12 months' forecasts.

5.1 Assumptions

Include possible assumptions underlying your figures projection, both in terms of costs and revenues so as to clarify the thinking behind the numbers.

5.2 Sales forecast

The amount of money you expect to raise from sales

5.3 Cashflow statements

Your cash balance and monthly cashflow patterns for at least the first 12 to 18 months. The aim is to show that your business will have enough working capital to survive, so make sure you have considered the key factors such as the timing of sales and salaries. Explain also individual costs such as; overheads, wages, equipment, legal, direct costs, loans, etc.
5.4 Profits and losses forecast

A statement of the trading position of the business: the profits you expect to make, given your projected sales and the costs of providing goods and services and your overheads.

5.5 Break-even analysis

The break-even point is the time when costs equal revenues and the costs are revenues values for this parity. Break-even analysis is a useful tool to provide a dynamic view of the relationships between sales, costs and profits for different price levels.

In this section you should briefly explain what is going to happen before, during and after the break-even. A chart might also be useful (see Figure 3).

![Break-even Analysis Chart]

Figure 3 "Break-even Analysis"

5.6 Seasonality

In case your business is subjected to seasonality, explain the situation for the different phases of the cycle and provide a seasonality chart³.

5.7 Scenarios

Your forecasts should include at least one worst and one best scenario, i.e. to include subsidiary forecasts based on sales being significantly slower/smaller or faster/higher than you are actually predicting.

5.8 Risk analysis

³ The seasonality chart is a standard Cartesian chart, with time on the x-axis and sales value (quantity or revenue) on the y-axis.
Alongside your financial forecasts it is good practice to show that you have reviewed the risks your business could be faced with, and that you have looked at contingencies to cover such risks. Risks can include:
- competitor action
- commercial issues - sales, prices, deliveries
- operations - IT, technology or production failure
- staff - skills, availability and costs
- force majeure

5.9 Exit Strategy

Provide an exit strategy in case of business failure.

6. Monitoring

The obtained results need to be assessed in order to measure any possible deviation from initial forecasts, and if so, to analyse the causes of this deviation and take the appropriate corrective actions. Moreover, knowing that markets change over time, it is necessary to control and re-evaluate the realisation of the business plan. If necessary, it may even be advisable to change the objectives initially set.

We suggest you clarify which crucial parameters you will follow to monitor your performance and the likely evolution of market conditions.

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