Business Plan for a Startup Business

The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

This business plan is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled Refining the Plan, found at the end. It suggests emphasizing certain areas depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine-tuning your plan to make an effective presentation to investors or bankers. If this is why you’re creating your plan, pay particular attention to your writing style. You will be judged by the quality and appearance of your work as well as by your ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions. But then, that’s the value of the process. So make time to do the job properly. Those who do never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

The Business Planning Process and the Written Business Plan.

The process of business planning is to think methodically about all aspects of building a new business, including: determining the compatibility of farming professionally with personal values and goals; analysis of personal resources (e.g., skills, funding, and support network); market analysis and market planning; ﬁnancial analysis; farming/production plan to match known market and marketing plan; and time management planning.

GENERAL COMPANY DESCRIPTION

It is very important to know the kind of business you want to establish like;

What business will you be in? What will you do?

Mission Statement: Many companies have a brief mission statement,explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:

Company Goals and Objectives: Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

Business Philosophy: What is important to you in business?

To whom will you market your products?

Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?

SETTING UP FINANCES

I will need to decide on my business structure either a sole proprietorship, an LLC or something else. which i have decided to run a sole proprietorship business. And by doing that I need to contact an accountant to provide me information specific to my business. Because financial analysis plays a vital role in setting up finances and it is explained below;

Financial analysis: Capital needs analysis (Deﬁne how much equipment you truly need. List it out and get prices on both new and used equipment). Start-up cash ﬂow analysis (Deﬁne accurately when will you have to purchase supplies and equipment).This should correspond exactly to your farm plan price supplies from different sources. Also cash ﬂow analysis may deﬁne when you will start to generate revenue and what your selling costs and ongoing operational costs will be. Revenue estimates will depend on your preliminary marketing plan as well as your estimates of yields and prices, selling costs include transportation, selling supplies such as bags and boxes, and possibly sales help. Farm records which is needed in expenses (i.e that would be used up once the crop is harvested). This is unlike the expenses of buying a piece of equipment that will last many years, which would be listed under capital individual Operating Expenses are entered under the Operating Expenditures.

Net Cash Flow from Operations: This is the critical line, cash From Borrowing – if you are negative after operations, you will need to borrow or fund your business from personal monies. Allowing personal savings ﬁgures are included to encourage good saving habits. (You could have a section here instead showing your personal checking account). All business transactions should go through the business checking account and open a new checking account to be used exclusively for business transactions. The beginning balance in this example is zero (see: “Checking”/ “Beginning Cash in Ckg”/ Jan.). The cash (N1200) is transferred in from the savings account (see: “Business Checking”/ “Contribution to (From) Savings”/ Jan.)

The section under the Business Checking account summarizes the cash ﬂow activity of each month. Actual hard currency cash income should be deposited in and withdrawn from the business checking account on petty cash (cash you keep on hand) should not be substantial enough to change basic cash ﬂow planning. There is no beneﬁt to hiding cash “under the table” in your start-up years as you will want to show a taxable proﬁt so that you will have the option of applying for credit to help ﬁnance the development of your operation. Operating income generated from the sale of produce, operating expenditures and all of the direct expenses associated with the growing of crops for eventual sale. Operating expenditures like manures and important chemicals are termed on the period of your checking account to run negative is not an option. Note: In any month when you see an automatic calculation of a negative amount in your checking account, you need to manually put in the amount of cash you need to borrow to keep your checking account balance above zero.

Capital Expenditures: The purchase of equipment is considered a capital expenditure as it beneﬁts the business over many years.for example inputs such as; soil amendments, it does not get used up within the crop year. Be careful not to skew your cash ﬂow from operations by putting equipment purchases in with operating expenses.

Debt Reduction: This is also in a category by itself, since it is neither operational nor capital. You will need to make payments on your debts according to the terms of the loan (e.g., an equipment loan may require monthly payments, whereas your family may let you pay nothing for the ﬁrst six months, and then make monthly payments thereafter). Paying debt is critical so that you do not ruin your credit. Enter the amount of debt you need to pay each month according to the terms of the loan. (Again, be careful not to skew your cash ﬂow from operations by putting debt service in with operating expenses).

In terms of marekting, for example, to develop a reputation as a supplier of quality hanging baskets and bedding plants and to effectively penetrate the market in the 1st year of operation by offering products not supplied by other growers in the area. The goal is to expand the marketplace by expanding the variety of products available to the gardening public. Sales of bedding plants will extend within a market radius of 20 kilometers and populations of 20,000 with a total of 25,000 sq. ft. of greenhouse space supplying this market. A target of 20% of the business is expected to be sales to landscaping firms with the 80% balance as retail sales to private residents and local business.

Development phase of a Business Plan

The Start-up phase if possible, but realistically they will happen organically, out of need as the business matures and you should stay on your mid-term list of things to do which may be a helpful in your daily records. Identify strategies to avoid or mitigate such risks which may occur in the business and suggesting was find solution to every problem. Plan on some setbacks occurring, if you are serious about staying in business you will have some strategy for mitigating setbacks when things go wrong (different plans to tackle each situation happening in your business. Also planning for developing infrastructure such as infrastructure development plan; as your business grows it becomes more important to have efﬁcient systems for recordkeeping, internal communication, managing human resources, etc. Recordkeeping systems as it may imply any system you develop to get you through the ﬁrst few years will need to be reviewed for efﬁciency and accuracy and updated and expanded as the business grows. Internal communication and decision-making processes plays a vital role as more people are added this need will make itself known and more business ideas comes in. Recruiting, training, and retaining assistance makes it moreeasy and get the job done much easier. When employees become a valuable resource, it makes sense to invest in them through salary increases, beneﬁts, housing, and supplemental training. Also setting employee objectives is one of the most important actions after your business plan has been completed is to use it as a basis for setting the objectives of units and individuals in your firm. The objective of your sales manager is to achieve the sales volumes set in the plan. The production manager has to meet the quality standards and production rates anticipated. The development staff have, among other things, to meet the schedules planned for bringing into production the new product. These individual objectives should be fixed in writing and the results of the work should be monitored and assessed periodically. These should form the basis for the financial compensation of the employee. Monitoring the process and the systematic implementation of your plan is a very important factor for the success of your business. Action plans, monitoring systems and constant feedback should be integrated to ensure successful implementation of the plan and achievement of its objectives. Participation in this process can have a profound effect on the way your team members view their role in the enterprise, and can have an immediate impact on their performance and also check on your workers to see if the are up to standard.

PRODUCT AND SERVICES

In this aspect you need to provide a description of your product in detail, but in terms understandable to persons who are not experts in the field. Explain how it looks, what it does, how it works, how long it lasts, what variations and options are available, etc. There should be a particular focus on how the product or service will be used. Where appropriate, include photographs, diagrams, sketches, general product specifications, engineering studies and sales brochures. Go into as much detail as necessary for the reader to have a clear understanding of what you are selling.

Another issue to discuss is whether you expect to sell items on a one-time or infrequent basis, or whether repeat sales or after-sales services are an important part of your business. For example, if you are opening a food supermarket you are going to count on the same customers returning on a regular basis. If you are selling cars you expect that repairs and routine maintenance will make a considerable contribution to your business. But if you are a civil contractor specializing in the installation of roof insulation, you are probably not going to provide the same service to the same client within a short period of time. A similar issue to discuss is how long the product or service will last and whether you intend to upgrade or replace the product or service at some point in the future. Some business are interested in product updates or after-sales service almost as much as in selling the initial product or even more (software providers, elevator suppliers, etc.).

You are meant to describe any research and development activities that are required before you launch your product. Describe the current stage of your product or service development and give a clear indication of the effort/cost involved and the time required for completion. Be realistic about the effort and the time it will take to develop it. These points are often underestimated, and this leads to serious financial difficulties before the product is ready to be sold and bring in cash. Therefore, readers of your plan, especially potential investors, will scrutinize your development plan to determine whether you have taken into consideration all issues that could lead to delays or cost overruns.

Describe the plans for future development of the product, as well as any plans for development of new or related products in the light of changing market needs.

Each product has a life cycle. The first phase of the cycle is development and during this phase the firm has to invest to develop a concept, design the product and the process for producing it, build and test the prototype, set up the manufacturing line, etc. Then comes the phase of selling the product. Sooner or later the product will reach maturity, it will become obsolete and will have to be abandoned. The income in such a cycle is shown graphically

Typical examples of products with limited life cycles are cars, personal computers and fashion articles. Almost every year suppliers put new models of such products on the market. Many companies start working on the development of a new product as soon as the previous product enters in the market, or even before.

Optimum timing of different product cycles is very important for the overall success of a company. Being too quick or too slow in starting the development of a new product, or in introducing it into the market, may result in a serious gap in cash flow or/and affect the overall profitability of a business. Therefore, it is important that your business plan deals with the timing of the cycles of the future generations of products. Your financial projections will then show how this timing affects the overall cash flow and profitability of your business.

COST OF PRODUCTION

Costing: By estimating the cost of production and the directly connected overheads you set up the basis for developing your pricing policy and for preparing the financial plan of your business. The cost of your business is composed of four basic components that need to be briefly discussed in your business plan. These are explained below.

• Cost of product development. This budget may include the costs of any fundamental research, product development and design work as well as the costs of producing and testing a prototype. Be sure to include labour, materials, consulting fees, certification costs and the costs of professionals such as attorneys. Development costs are relevant not only for companies making products. Service businesses also incur costs in developing their services. Consulting companies, for example, incur costs in developing methodologies and tools, training their staff and preparing documentation.Design and development costs expected in the future are often underestimated. Also, the real costs of past development work are often neglected and not fully included in the price of a product. When planning costs, also provide a contingency plan for what will happen to costs if problems such as delays, a failure to meet industry standards and mistakes occur. Such problems are common. In many cases regulations allow for the costs of developing a product or a service to be entered on the asset side of the balance sheet. In such a case those costs can be treated as any other investment of the company (for example, the purchase of machinery and equipment) and thus be depreciated over a period of time. The depreciation period is dependent on the life cycle of the product developed as well as on the tax regulations.

• Cost of goods. For a manufacturing company, the cost of goods is the cost incurred in the production of the products. In such a case, the costs included are those for materials, labour and overheads related specifically to product manufacturing. You can work out the average "cost of goods" for each product by adding all related costs mentioned above and dividing by the number of products produced. This unit cost will be a useful indicator in developing your pricing policy and assessing your competitiveness. For a retail or wholesale business, the cost of goods includes the purchase of inventory and associated costs such as transportation and insurance. When working out the costs of your goods, be alert in identifying any measure that can lower your costs.

• Operating expenses. To establish the total of your operating expenses, you add up all the expenses incurred in running your business. Expense categories include marketing, sales and overheads. Overheads include fixed administrative expenses such as management and secretariat, which remain constant regardless of how much business your company does. Overheads also include variable expenses, such as travel expenses, equipment leases, supply of electricity and office material supplies.

• Depreciation and interest on capital. This includes the depreciation of the equipment and infrastructure that are required in order to operate your business. As mentioned earlier, part or the whole of the development costs (depending on the stance of the tax authorities) can be entered on the asset side of the balance sheet and then depreciated over a period of time.

• Value. The value that your product brings to your clients is the primary factor determining the price they are ready to pay. Suppose you are selling a specific electronic component to a supplier of complete systems. This component part would be of great value to your client if it forms a crucial part for the operation of the entire system and if his/her business is a profitable one.

WORK PLACE

Your business operations can be performed in an efficient and effective way only if you have the appropriate production facilities, storage space and office infrastructure. As your lender or investor is certainly aware of this requirement, you are advised to briefly describe in your business plan your premises and their suitability for your business. Particular issues to be addressed are set out below.

• Licences. Can the premises be utilized for the planned business? Is any application to the local authorities necessary in order to change the use for which the premises were previously licensed? Will you make any structural alterations? If so, a permit may be required. Did you apply for it? Have you received it? (Never underestimate the time required to obtain a permit. The lender or investor will carefully check any permit required. They may be aware of cases in which - with or without a good reason - the procedure for obtaining permits have been very slow. In some cases permits were in the end not granted at all. Particularly critical are greenfield construction projects.)

• Layout. Are the layout and the architectural design appropriate to performing the daily operations in an efficient way? (Optimum flow of personnel and materials, short transport distances, adequate storage capacity, appropriate working environment, etc.)

• Representation. Does the appearance of the premises match the type of your business and the image you like to give to it? (For example, if you are running a specialized law practice and you are planning to charge your clients the upper-level rates of the market, you may need to have representative offices in the centre of the city. In such a case, getting elegant furniture, acquiring paintings and sculptures, setting up spacious and representative reception and meeting rooms. Will be an advantage to the development of your business.

THE SELLING METHODOLOGY

In marketing you are concerned with a lot of thing e.g

1. Assessing the demand for your product;

2. Establishing ways of communicating its attractiveness to your clients.

The selling section of your business plan has to demonstrate that you are well organized with regard to managing the selling process.

3. Selling responsibility:Who will sell your products, and have they been professionally trained to sell? Who will define, coordinate, monitor and control the overall sales effort? Who will bear the overall responsibility for the sales?

4.Selling channels: Will you be selling directly to your clients? Will you be using sales representatives, distributors or agents? If you will be using third parties for selling, describe the benefits of using them. What special advantages do they bring to the business? (Lobbying connections, established sales and distribution networks access to valuable clients, market knowledge, etc.)

5.Selling methods: What selling methods will you apply? For example, telephone selling, cold calling/direct client visits, mailings, shops, advertisements and mail ordering, participation in fairs/exhibitions.

6.Targets: What sales volume and activity targets, such as visits per day, have you set for each salesperson or selling method?

7. Selling aids: What selling aids, such as leaflets, brochures, videos, CDs and technical back-up material, will you provide to the sellers? Include also details of in-house sales support such as technical service.

8. Training: How do you plan to train the salespersons? How do you plan to transfer the necessary knowledge of the product to them and enhance their selling skills? (Internal or external training, types of courses, duration, on-the- job training programmes, etc.)

9.Arguments: What hesitation and resistance do you expect from possible clients? How do you consider encountering them? What arguments would defend your position? What are the unique selling points your salespeople have to emphasize?

10. Client decisions: Who exactly makes the buying decision, and what other people can influence that decision? How can you approach them? (If you sell office material to companies, you know that the procurement officer is the right person to approach. But if you are an auditor and you want to acquire the financial audit, the Chief Financial Officer is your contact person. If you want to sell PC hardware and software, you cannot by pass the Chief Information Officer.)

11.Selling process time: How much time elapses between your clients becoming aware of your product or service and their decision to buy it, and finally pay.

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