

What Is A Business Plan?

As an entrepreneur, you need to make a record of your business idea in order to know how to carry on with it. A common document that displays how you want to carry out your production, marketing, financial and operational plan in order to achieve your goals is the business plan.

A business plan is a document that details out how a business, a new one in particular, plans to achieve its goals. It gives a formal statement on how business goals are to be attained and the plans you need to carry in order to reach them.

What is a Business Plan for an Entrepreneur?

To entrepreneurs, a business plan expresses their vision, and describes the various strategies and operations needed to attain the goals of the proposed venture. The business plan has details on the nature of the business (products and services), marketing strategy, financial background including the various costs or expenses, sales and projected profits that are expected to be made.

How to Write a Business Plan for a Small Business

A business plan could be seen as a road-map to success for a business. It projects a 3-5 years plan and steps a business needs to take in order to grow revenue. To write a business plan for a small business, you need to have the following:

Executive Summary: This is a snapshot or summary of your business plan. It gives a summary of your business profile and goals to be attained.

Company Description: It portrays what your business does, what makes you different from others and those who are going to buy your products or services (market).

Market Analysis: Here, you need to present the research on your business industry, competitors and markets.

Organization & Management: Businesses are structured differently. You have to present the best management structure and organization of your business.

Service or Product: Every business has a product or service to sell. What is your business going to sell? What benefits are customers expecting? What is your product's life-cycle? You need to tell the story about your product or service.

Marketing & Sales: What is your marketing plan for your business? Which marketing strategies will you use? You need to give information on how you plan to market your product or service.

Funding Request: Business plans are also used for seeking funds. If you plan to seek for external funding, it will be necessary for you to get the right information to include in your business plan.

Financial Projections: Small businesses that plan to get funding need to provide financial projections in their business plan to back up their request. This is very important for entrepreneurs and if they don't know how to do it, they need to look for an expert to help.

Appendix: This is optional but useful. It includes extra informations like licenses, permits, leases and resumes.

Executive Summary

How To Write A One-Page Business Plan

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Investors Will Love a One-Page Business Plan

investors abhor reading long business plans. They don't have a lot for time for that. A single page business plan will easily give them a snap-shot of your business idea quickly. It is quite an awesome idea to summarize your business plan to be as short and yet explicit as possible. Trimming down needless words will communicate your business idea more clearly.

The one-page business plan should contain just the critical information that you will need to define your business' strategy. You can call it a business model or one-page executive summary if you wish, but know that it is the same thing.

Characteristics of a One-Page Business Plan

- Describe problem faced by your customers
- Provide a solution to the problem (it could be a product or service)
- How you plan to make money with the solution (Business model)
- Who are your customers and how many do you think are available (Target market)
- What do you have that your competitors don't have (Competitive advantage)
- Who are those to manage the business (Management team)
- Give a financial summary
- The amount of funding that you will require for the business to be run

[Download a One-Page Business Plan Template](#)

Your plan's content in this case is the most important thing and not the design. Most of the time, entrepreneurs spend time on graphical displays and presentation of their plans when the content (what you are saying) and how you are saying it is what really matters.

It's not like I am saying you should pay less attention on presentation. What I am saying is that you should focus more on the content since it is what is most important.

The First Communication with Investors

It should be noted that the first communication with an investor in a business plan is the executive summary which you can call a one-page business plan if it fits on just one page. Investors use it to understand your skills on communication and also your ability to have a critical thinking about your business.

Tip: Spend more time on this part of your business plan

You can checkout the first post in this series, [What You Need To Obtain A Small Business Loan](#).

Financial Plan Development

Every entrepreneur need to develop a financial plan for his or her business idea. Financial plans help entrepreneurs to:

- Have an idea of how much they need to put into their business project
- How much money they might make
- How much they will need to produce in order to make what they have forecast

This help them to know the level of difficulty in starting a business and also to know if it makes sense going in for it.

Financial plans are just estimates that used for forecasting a business' success or failure. Before venturing into a business idea, entrepreneurs need to have an idea on the cost of producing a unit of output or service. They need to figure out what they will be charging for the product or service that has been created.

Why Is Financial Planning Important To Entrepreneurs?

Making a financial plan is one of the last things in a business plan. A financial plan includes:

- At least a 3-5 years profit or loss statement
- A cash flow statement
- A balance sheet (optional)

A financial plan establishes the financial goals of a business. Below are some reasons why entrepreneurs need a financial plan for their business:

It Helps to Determine the Feasibility of the Business

At the creation of a business, many have it in mind that it will be a success. After creation, many find that success doesn't come like this. It is necessary for entrepreneurs to create a business plan including a financial plan. A financial plan could be seen as a feasibility study of what it takes for the business to be successful. The financial plan will clarify many things:

- If resources are out of reach
- If the market is unstable

With a financial plan, you can know if the price you plan to charge is higher than what your competitors are charging. On the other hand, your price might be good, but the cost of production or provision of the service may be too high and difficult for you to make a profit.

Requirements for Financing Forecast

One of the main problems entrepreneurs face is getting finance. You need money when you plan to start a business. The financial plan helps the entrepreneur to know how much is needed to start and when. If your finance is limited, you could begin at a smaller scale with what you have. Having a financial plan will help you identify where you could have a shortfall. With that known, you will have to adjust the revenue and expense projections in order to

avoid such shortfalls. Or, you can try other methods of getting funds such as loans or your own savings.

Apply for Funding

Entrepreneurs who request for funding from investors or lenders will need a business plan that includes a financial plan. The financial plan contains projections and assumptions behind the forecasts. If your financial plan looks unrealistic, you should not be expecting any investment or loan. This is a very common mistake entrepreneurs make – giving an unrealistic financial plan. The financial plan also helps you to identify the type of financing that would be appropriate for your business idea.

Why You Need A Financial Plan For Your Business

Financial planning is very necessary for a business' success. Without a financial plan, your business is more likely going to fail - it will be difficult for you to know if your business is profitable or not. Financial plans help entrepreneurs to:

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Additional Reading: [How To Write A One-Page Business Plan](#)

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Market Identification

Identify Target Markets

Entrepreneurs put in long hours to come out with a killer product or service. That is just part of the work to be done. After putting in such long hours, you need to introduce the product or service to the people you are offering to. Many may think it is relatively simple as they can develop general advertising to the public. That is still good, but if you identify target markets, it will be of help more. It can help you to maximize your return on investment (ROI).

Why is it Necessary for an Entrepreneur to Define a Target Market?

It is necessary for you to define a target market when planning to market or advertise your business. The question in the lips of every entrepreneur is "how do I determine my target market?"

The first question an entrepreneur needs to ask when defining a target market for a new business is "Who is my perfect customer? If you can't answer that question honestly, then you need to go back and figure it out first.

When we talk of marketing a product, it's not like just going in and expecting that you might be lucky to pick one or two. No, it won't work that way when you are in business. You will be targeting all but none.

Entrepreneurs give solutions to problems. They first of all need to identify the problems before getting solutions which they have to market. What they need to do is take a look at the people they are offering a solution to and see the perfect segment that would need their product or service.

You need to know the exact customers that will be demanding your product or service. They call it demographics and it is part of the research you need to carry on before starting your business. Your business will not be starting on a good footing if you don't know who you are going to sell or talk about your product or service.

Once you know who you are going after to purchase your product or service, then you will need to design a plan on how you will market it to them. This will help

them to know who you are, what you are offering and then come to buy your service or product.

Offering what you are selling to the general public will make you lose about half of your target market just because it won't apply to them. Entrepreneurs are supposed to target the people they are after and then it would be easier for them to reach them. If that is done, they won't need to invest a lot into marketing in order to get the desired results. This will make them more focused and more effective in their marketing strategies. The return on your marketing investment would be greater.

Marketing Your Business

Every entrepreneur wants to sell an idea which has been developed into either a product or a service. They want their product or service to be out so everyone can see how great it is. It may look simple, but it is harder than you can think.

Marketing Strategy

Getting a marketing strategy stems from a good market analysis. This lets the entrepreneur to be familiar with the various aspects of the market in order for them to define or choose a target market. Market analysis also helps the entrepreneur to establish a price for their product, methods of distribution, strategies for promotion, etc. It also provides for indicators of the growth

potential within the sector. This will let the entrepreneur develop estimates for the business' future.

Market Analysis

Market analysis begins by defining the market in terms of structure, size, trends, sales potential, and growth prospects. Aggregated sales made by competitors will provide the entrepreneur with an estimate of the total potential market. Let's take the case of beverages where the total market potential will be the total sales of all beverages from competitors in Cameroon.

Market Targeting

Entrepreneurs need to have a target market where they could aim their marketing efforts and of course their products or services towards. The first element of a marketing strategy is a well-defined target market. For a product to succeed in the market, the marketing mix strategy (Product, Price, Promotion & Place) have to be determined. A target market is a group of people who are likely to purchase a product or service. It consists of customers that share the same or similar characteristics. It can be segmented into location, age, lifestyle and income level. The process is called market segmentation.

Market Segmentation

This occurs when the entrepreneur divides a business market which consists of both existing and potential customers into consumer sub-groups (segments) based on shared characteristics. Shared characteristics could be common interests, common needs, similar lifestyle and demographic profiles. The goal

of market segmentation is to identify high yield segments or segments that are more profitable and have growth potential.

Market Share Projection

Market share projection is subjective. It is not only based on the market analysis but also on highly competitive distribution, promotional strategies and pricing. Even with a large number of consumers for your products in the market, you would have to make sure the product reach them through your distribution network at a price that is competitive enough. In addition to that, you have to let them know that it is available and also know the sales point. The pricing, promotional and distribution goals determines the extent to which an entrepreneur will be able to get a market share.

Any strategy you use to position your product comes as a result of customer and competition analysis. You need to look at the following:

- How your competitors have positioned themselves in the marketing?
- What characteristics does your product or service have that your competitors do not?
- What are the needs of your customers that your product fulfills?
- Do you have anything unique about your product's place of origin?

Once these questions are answered based on the research you carry in the market, then you can develop a positioning strategy and include in your business plan.

Your Product's Pricing

The price you place on your product will have a direct effect on how successful your business could be. To do this, you have to make sure you:

- Cover all costs
- Lower costs in order to lower sales price
- Prices should take into consideration cost dynamics, market changes, demand and the response to competition.
- Prices must reflect and preserve the order in the market
- Adjust prices accordingly with product longevity, utility and maintenance

Product Distribution

Distribution is the entire process of taking the product out from the factory or production house to the end user. Your distribution network depends on the industry and market size. You can analyze the channels your competitors are using and determine if you would want to use the same or try an alternative that will give you a strategic advantage.

Promotion Plan

You have to develop a promotion plan immediately you have a distribution strategy in place. It is a detailed strategy used to expand your business or marketing for a specific product or service. For this to be achieved, you can use every marketing tool in your communication efforts. Marketing tools include:

- Advertising
- Packaging
- Public Relations
- Personal sales
- Sales promotions and others.

Marketing is a very crucial aspect in the success of a business. This doesn't mean you have to spend a chunk of your capital into marketing. Knowledgeable entrepreneurs can find other methods that will help them increase the visibility of their business, product or service and bring in customer traffic without necessarily spending anything.

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