How to write a winning business plan

The TRAIN-IT Business Plan Guidelines provide a common outline to help you structure your business concept. In combination with the TRAIN-IT Business Plan Template you are enabled to feed information and data obtained directly into the document and thus create your business plan. With respect to your individual business case it may be necessary to adapt the structure according to your needs.

These Guidelines were developed in the project TRAIN-IT, funded by the European Commission, between 1997 and 2003 and were iteratively adapted to the requirements of technology based entrepreneurs.

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Business Plan Guidelines

1 Executive Summary

1.1 Executive Summary

This 2-4 page section summarises the overall content of your business plan. The summary appears at the beginning of the business plan, but should be written at the end of the writing process when all the information is available.

The summary provides an overview intended principally to catch the interest of prospective sources of financing. Often, the summary is all that the more sophisticated investors will read, so it must capture their attention in 20 seconds. Based on these first pages, an investor will decide either to continue reading, or to “shelve” the venture.

At the very least, the executive summary should contain a brief introduction to the following aspects of your new venture:

A description of the business and the target markets for the product or service.

- Distinguish your product or service from its competition and emphasise the need that it will fulfil.
- State if your business will compete in a large existing market or create a new one.

The competitive advantages

- Address concisely and persuasively why your venture will succeed in a competitive situation.

A description of your management team

- Emphasise the relevant experience and special skills of each key executive.
- If there are management weaknesses, cite them and discuss how and when you expect to correct them. Management quality is a critical factor in raising capital.

A summary of key financial projections for the next three to five years.

A description of the offering

- Indicate briefly the amount of equity and/or debt financing needed, how much of the company you are prepared to offer for that amount, what principal use will be made of the capital, and how the targeted investor or strategic partner will achieve his desired rate of return.
- State three concrete business goals. The extent to which they are being achieved must be easy to assess (example goal: achieve 500,000 Euro turnover in first year of operations).
Key Questions:

- What business are you in? What products/services do you provide?
- Which markets will be served? - Who are your target customers, and to what needs will your products/services respond?
- What resources will be used (financial, technological and human)? What are the short, medium and long-term strategies of the company development?
- What are the unique aspects of your product/service which differentiate it from other products/services on the market?
- What is your resulting competitive edge?
- Should the new business opportunity be exploited rapidly (in the first three years) in the production of one single product/service, or of several different products/services?


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2. The Product/Service

2.1 Detailed Definition of the Product or Service

Define in detail the product or service that you will market: i.e. characteristics, advantages, product ranges (width, depth, coherence), complementary services (warranty, after-sales service, change level of service,...), presentation, finishing, employment conditions, trademark, packaging.

Emphasise unique features (patents?), and describe how these create significant added value.

Discuss the potential for future development and expansion of the product line or service.

Key Questions:

- What are the products and services of your company? What are the technical characteristics?
- Give a detailed description of the innovation.
- What are the unique features? Describe their value to the customer.
- How coherent / related are the products / services (technological or commercial)?
- What is the planned time and financial schedule for the development and launch of the new product?

2.2 Position of the Product or Service on the Market

Define clearly the perception which the target market should have of the product or service being sold.

Product differentiation (in what way is your product/service perceived to be different to that of the competition?) is a key to the successful marketing of your product / service.

Focus on the strengths of your business and define the position you wish to occupy in the minds of your customers when they consider your business alongside your competitors.

Consider factors such as:

- Are you high, low or middle-priced?
- Are you a specialist or generalist in your field?
- How convenient are you for your customer (geographically, structurally - support, distribution, etc.)?
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Key Questions:

- Who will be the final user? - Whom is the product aimed at?
- To which needs will the product respond?
- How are these needs satisfied at the moment - by which products and in what way?
- Are similar products/services already on the market ('me too' products)?
- Are there competitive products/services based on another technology?
- What are the main criteria behind the users’ choice of product/service (technology, price)?
- How does your product/service respond to these expectations?
- What is your company’s differentiation strategy in relation to the competition?

2.3 The Technological Environment

Explain to non-specialists (e.g. investors, bankers, administrators) the position of the product in a technological framework. The ability to communicate the key technical issues with a view to market perspectives (innovations, market requirements etc.) to non-specialists in your field will greatly influence the chances of them embracing the venture.

Prepare clear but simple explanations of specialised terminology and concepts. Consider the core features of your specialist environment and describe the environment in simple terms.

What are the main technical terms relating to these products? What are their core meanings in simplified terms?

Key Questions:

- What is considered “state of the art” in your field? How is your product or service positioned (at a technological level) in relation to:
  - what already exists on the market?
  - what exists at laboratory level?
  - the long-term prospects ...?

- How should your product or service evolve in the future in order to stay competitive at a technological level?

- What competing technologies respond to the same needs?
  - at the present time
  - in the near or very near future
  - in the medium or long-term
2.4 Research and Development Work

Define the present state of development of your product or service and give details of the time frame and budget required to complete the development, testing and launching of your product or service.

Detail the expertise required to complete the development. Possible difficulties and risks should also be referred to, along with the consequences for the development budget and schedule.

Consider aspects of the future development of your product or service and detail any ongoing R&D work.

Participation of, or feedback from customers in product testing should be included.

Key Questions:

- What is the present state of development of your product(s) or service(s)?
- What is the required work of research and development and what are its main stages?
- Who are the external partners (research centres, laboratories, etc.)?
- How is this work organised in practical terms? (what will be done internally, by external partners...?)
- What are the risks associated with this development?
  - total or partial failure risk
  - risk of running over time limits
  - unexpected cost increases
  - And: what methods and measures are envisaged to limit these risks?

2.5 Protection and Issues of Intellectual Property Rights

Present the strategy of your company with respect to protection and issues of intellectual property rights (IPR).

Detail any patent, trademark, copyright or other rights you own, or are seeking. Cover any contractual rights or agreements (e.g. licensing) which give you exclusivity or ownership of IPR.

Should there be any unresolved dispute regarding rights of ownership or similar, consider the possible consequences of the outcome on the performance of your business (or the viability of your business plan).
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Key Questions:

- Does your company hold patent(s)?
- What are the terms of validity?
- What are the geographical limitations?
- Who holds the patent(s)?
- In the case of a patent which is held by an external company, what are the rights of the licensee?
- What are the clauses of the licensee contract? (exclusive rights etc.)
- What elements of the budget are linked to intellectual property rights? (cash payment (dates)/royalties, terms of payment (payments schedule)

2.6 Standards and Regulations

Summarise briefly any specific legal standards or regulations which may affect the development and commercialisation of your products or services. Consider any regional European legislative work or differences.

List the principal standards pertaining to your product/service and describe the possible implications that these standards and regulations will have on the future development and commercialisation.

Key Questions:

- Which elements of your product/service are already standardised or regulated by country or European law?
- Is there any quasi-standardisation existing which might determine your product/service features?
3 The Management

3.1 Description of the Management Team

The personal qualities and track records of the management team are critical factors in the assessment of your new venture. Investors are usually more impressed by the people behind the business idea than by the idea itself. The investor's decision for or against your business idea and concept will be influenced 80% by the personality, professional and social competence of the management team.

Potential investors are focusing mainly on the following factors:

- Has the team worked together before?
- Do the members have relevant experience?
- Do the founders know their weaknesses, and are they ready to fill these gaps?
- Are the founders clear about their future roles? Is the ownership of the company clear?
- Has the team agreed on a common goal, or are there unexpressed differences of opinion?
- Are the individual members fully committed to the undertaking?

It is essential therefore to examine your personality traits and your motivation in pursuing the venture.

The key elements of the character assessment of the entrepreneurs should be included in this chapter. Underline the ability of the respective person(s) to effectively perform their assigned management role, include details of professional career highlights.

Key Questions:

- Who are the members of your management team, and what distinguishes them (education, work experience, success, business reputation)?
- What experiences and skills useful for the realisation of your business idea does the management team possess?
- What are the strengths and weaknesses of each member of the team?
- What experience and skills does the team lack?
- What means will be used to overcome these weaknesses (training, improvement of team spirit, etc.)?
- How and with whom will the team be expanded?
- What motivates the individual members?
4 Market

4.1 Description of the Market
Describe the various market forces at work which influence the decision to purchase the product/service to be offered.

This general section of the business plan is the most challenging, and the most important one for the success of your venture.

It requires a study of the overall market environment in which the venture is to thrive - including political, legal, regulatory forces etc. - and of the specific environment; considering technical and economic developments, competitive forces etc. which are determinant.

Analysis of customer behaviour and requirements enables the segmentation of the market into groups which can be effectively targeted with the same marketing-mix.

Having established an understanding of how the target market and its segments function, one can draw-up a plan of action to describe how the market’s potential can most effectively be realised for the company. The Marketing Plan is dealt with in Chapter 5.

Key Questions:
- What, in simple terms, are the key features of the market under consideration?
- Who owns the market shares and to which extent?
- What dynamics are present and what culture exists?
- What are the regional and global issues?
- Which market segments and what extent of market growth exist?

4.2 Customers
Assess, characterise and group potential customers for your product(s) and/or service(s) to be offered.

Examine how your potential customers buy, how and by whom in the organisation purchasing decisions are made.

The most significant information which can be used in this section is that concerning existing orders, contracts, letters of commitment etc. which represent a particular commercial interest in the product/service to be offered.
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Key Questions:

- Which groups of customers can be identified for your products and services to be offered?
- What are the common, identifiable characteristics of your customer groups?
- Who are the main players in each customer group?
- Describe the typical purchasing process for each customer group: who is involved, what are the key criteria for the various participants in the process? (price, quality, timing, delivery, training, service, personal contact etc.)

4.3 Market Structure

Show a good understanding of the relationships and processes between your customers and suppliers, and identify the market forces which influence purchasing behaviour.

In describing how your market functions, consider the characteristics of your potential customers, their methods of operation, their geographic location, the major macro-economic factors influencing their behaviour (political, industrial, environmental regulations etc.) as well as the micro-economic factors of the specific market segment (technological developments, innovations and alternatives, economic situation, governmental funding etc.).

Key Questions:

- How does the market work (or the different market segments)? Describe the process which leads to the sale of your product or service.
- Who are the initiators of the sale (press, administration, professional organisations, etc.)?
- How important are they? Is the decision-maker the user? If not, what is their relationship? Is the payer the user? What are the implications?
- What distribution systems are in place in the market (to be broken down eventually by market segment)?
  o describe the structure (wholesalers, distributors, retailers), degree of integration, etc.
- What trading arrangements are in place in the market (to be broken down eventually by market segment)?
  o sales force, methods of payment, etc.
- Are there any particular regulations which could result in commercial or technical constraints?
- What are the normal credit terms used in the market (to be broken down eventually by segment and distribution channel)?
4.4 Market Segmentation
Divide your market into sub-groups or homogeneous segments which will be targeted with a different "marketing mix" i.e.

- Product (presentation, branding)
- Pricing
- Placement (Channels of Distribution), and
- Promotion (specific trade shows, symposia, journals etc.)

Segmentation is a way of "tuning" your product or service - market relationship so that the response of each market segment to your product or service is optimised.

**Key Questions:**

- How is your market segmented, i.e. what are the different homogeneous sub-markets (customer groups)?
- What criteria and what methods of segmentation have been used (demographic, geographic, socio-economic, way of life and behaviour, environment etc.). Consider not just your own market but also that of your customers. Description of each segment, i.e. size, characteristics, trends etc.

4.5 Market Potential and Development
Evaluate the overall market (existing and/or potential) - in terms of value and volume, and describe its anticipated future development.

Analyse the various market segments (and geographic regions as relevant) to quantitatively estimate (e.g. in EURO) the full extent of the potential for your product/service. Consider your anticipated share of the market. Consider the major influences affecting the growth of the market over the next five years, and the development of your own market share. A review of past market trends may be helpful.

**Key Questions:**

- What is the potential market share of your company and how will it evolve over time, in volume and/or in value?
  - per product?
  - per customer segment?
  - per geographic sector (France, EU, USA, etc.)?

- How has this evaluation been undertaken?
- What is its degree of reliability?
- What are the risks?
4.6 Competition

Provide a realistic assessment of the strength of competition in your specific market (segments).

An honest assessment should be made of the strengths and weaknesses of all companies who compete, or intend to compete, in your market.

What are the technical alternative solutions available to your future customers? Where are the fundamental elements of added value in your solution?

A good understanding and realistic assessment of the strength of your competition will considerably sharpen your own competitive edge. This understanding of competitive forces and their development is of great significance to the effectiveness of your own marketing strategy.

Key Questions:

- Are there any competitors already who market the same product/service (or a similar product/service)? Indicate their market shares, their rate of growth and/or change and any recent developments.
- In the case of a new product/service, the competition must be defined:
- How are the needs (for the new product/service) satisfied now?
- Who markets the product/service which is satisfying these needs at the moment (same questions about competition as above)?
- How might the competition react to the arrival of the new product/service on the market (trends)? Is there information available about the arrival of new competitors on the market in the near future (trends)?
- How reliable is this information? Are there new product announcements, press leaks, personal/inside information?
- How powerful is the marketing/promotion capacity of your competitor(s)?
5 The Marketing Plan

5.1 Market Study
Summarise the market study undertaken, upon which your marketing plan is based. Include details of the goals set, the assumptions made and the methodology of the market study.

Regardless of its quality, the study will have strengths and weaknesses - consider both.

Key Questions:

- What methodology was used in undertaking the market study?
- Who carried out the study, when was it undertaken, what are the limitations?
- Will the cost of the market study have to be paid by the company after it starts up?
  o A repayment schedule should be prepared if necessary.
- Is there a need for continuous monitoring of the market?

5.2 Product/Service - Market Relationship
Define the product/service - market relationship, i.e. how the product/service responds to market needs.

Consider the matching between the requirements of the customer/end-user, and the positioning of the product/service being offered.

Key Questions:

- Who will be the end-user? I.e., who is the product/service aimed at?
- What need(s) will be satisfied by the product/service?
- How is this need being satisfied at the moment, i.e. by which products/services and in what way?
- On what criteria does the user choose the product/service? How does this product/service satisfy these criteria?
- What determines the growth of the needs of your future customers?
- What are the benefits of your customers for choosing your product/service?
5.3 Market Positioning

Outline the company's strategy to achieve the desired market position for itself and its product/service. Consider how you can communicate your market position to your target markets through projection of corporate image, philosophy values, etc.

Key Questions:

- How will your company differ from your competitors?
- What public image does your company want to acquire (reputation, logo, identity)?
- Does the envisaged positioning of your company allow future international development?
- How can a global market presence be established?

5.4 Determining the Sales Price

Define your pricing strategy with which your venture will go to market. The strategy should

- get your product/service accepted on the market
- maintain and increase your market share in the presence of your competitors, resulting in profit

Justify your pricing strategy compared with that of your competition in terms of

- additional value to the customer
- cost savings through efficiency

If you maintain a low price policy, include an explanation of how you will maintain profitability (e.g. through low material or personnel costs). Consider the costs of the sales organisation - mark-ups, distribution etc., and the final price to the customer.

Key Questions:

- What are the prices which prevail on the market at the moment?
- At what cost can your customers' needs be satisfied now?
- What price trends can be observed? (price elasticity of supply, quality, etc.?)
- What was the history price-wise?
- Based on these elements, what pricing policy has your company decided to implement in the market?
  - sales price to the final customer, taking into account the profit margins of distributors,
  - the company's sales price, discounts etc.
5.5 Sales and Distribution Strategy

Outline the sales objectives of your company and the strategy it has defined to reach them.

Justify this choice of objectives based on your product/service and the market analysis undertaken up to this point.

Consider the methods that will be employed to make sales and to distribute the product or promote the service (own sales force, distributors, specialist partners from a related branch, etc.).

Describe the development of the value chain - how high are the individual margins of the various partners to be? Do these partners exist already, if not, how do you propose to find the right partners?

Key Questions:

- What are the sales targets - in quantities - product by product - if possible by market segment - by geographic sector (schedule)?
- What channels of distribution have been chosen: direct sales to the final customer, sales through network of distributors (exclusive or not) etc.? What are the sales objectives per channel of distribution?
- What export objectives and strategies have been set (EU, USA, others)?
- What specific services will be provided for customers and/or intermediaries: after-sale support, customer credits…?
- Are new developments like Electronic Commerce important to your distribution strategy?

5.6 Sales Force Management

Consider how the sales force should be managed in order to achieve the sales objectives stipulated. In the typical markets (industrial, educational, government, etc.) the importance of the relationship between sales and marketing must not be underestimated.

Customers are often highly informed about the products/services they require, and they may have a wide choice of international suppliers.

The sales force must be managed in such a way as to take these factors into consideration.

- How can personal contacts best be developed and maintained?
- Are there certain ethical issues involved (e.g. in different cultures)?
- What is the balance required of the front line sales personnel between technical insight and “aggressive” promotion?
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Key Questions:

- How will the sales force be organised within your company
  - per geographic sector, per product, per channel of distribution?
  - by sales staff, by exclusive sales representatives, salaries or not?
  - What system of payment will be used?

- Based on customer location (concentrated or spread) and projected sales volumes, how will the following be organised:
  - sales visits?
  - recording sales transactions?
  - delivery?
  - overall control procedures?

- Describe:
  - the corresponding personnel structure (including managerial staff),
  - responsibilities, cost schedule (personnel, visits, others)

- What is the ratio between fixed and variable costs?

- How to tackle or extend to mass markets if appropriate?

5.7 The Promotional Strategy

Outline the strategy that your company will implement in order to make its products/services known and develop contacts to potential customers.

Consider the (cost) effectiveness of participation in trade shows and symposia in your domain. Remember the importance of relationship marketing.

To what extent is it necessary to target a broad audience (advertisements, specialist articles in journals etc.), and to target more precisely defined potential customers (e.g. through specific mailing campaigns).

It is useful to draw up an annual schedule of the planned promotional activities under consideration of their timing and co-ordination.

Key Questions:

- What promotional activities are planned? What is the budget? A cost schedule should be prepared for:
  - advertising campaign(s)
  - participation in exhibitions, trade fairs, etc.
  - mail-shots
  - journals
  - Internet presence

- Who is responsible internally for the progress of these activities? Responsibilities, staff involved, time spent, cost evaluation?
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- What marketing communication tools will be used: advertising, company documentation, visual aids, catalogues, brand names, logos, slogans, public relations, press releases, Internet, etc.

5.8 The Marketing and Operating Budgets

Establish the operating budgets for the marketing function based on the elements outlined in previous analyses.

Having drawn up a promotional schedule, examine the associated cost schedule, including personnel-related costs in preparation (especially for trade shows and symposia).

Key Questions:

- What are the turnover objectives? A cost schedule should be prepared.
- Is any of the marketing expenditure described above considered as investment (depreciable)?
- What are the running costs associated with marketing activities?
  - internal staff costs
  - payment and commissions of the sales staff or the sales representatives
  - commercial fees (brochures, mailings, exhibitions, etc.)
- What are the normal terms of payment for the above costs?

5.9 Distribution

Describe the channels of distribution selected by your company.

Should you have a particularly large, valuable or sensitive product/service, pay attention to the sensitivity of shipping costs with regard to selling price. Especially for export business, take into consideration:

- shipping
- insurance
- credit
- collection

A distributor is visibly associated with your company. Consider the effect of the distributor’s reputation on that of your company.

Key Questions:

- What channels of distribution have been chosen? Do these channels allow you to reach all of the sales target areas?
- Does the distributor: push your product/service? Enhance your company’s reputation? Inform the customer of your product/service?
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- What sales support do you provide? (point-of-sales, material, training, telephone follow-up, motivation).
- What effect will distribution have on the production cycle?
- Do you control the distribution system?
- What costs are involved?
6 Manufacturing and Operations

6.1 The Production Process

Define how your product will be made, taking into account the factors previously discussed regarding the product and its technological characteristics.

Include consideration of:
- geographic location, low wage countries
- sub-contracting
- details of quality, production and inventory control

Consider any seasonal elements with regard to the supply/manufacturing process and describe how peaks and troughs in demand will be dealt with.

Key Questions:

- How is the production process organised? What are the different stages? Are there common elements in the production of the different products?
- How is production split between in-house production and sub-contracting?
- What is the ratio? Will this ratio change over time? (schedule)
- How will internal production be organised in terms of:
  - machinery, plant layout?
  - labour force, managerial staff, responsibilities?
- How will quality controls be organised (internally and for sub-contracted work)?
- What stock is required (a) initially and (b) during production (based on quantities produced)?
- Can this production process be compared with that of competitors? If so, what are the advantages and the disadvantages?
- List the principal standards pertaining to the product/service and describe the possible implications that these standards and regulations will have on the future development and commercialisation of your product/service.
- What are the future developments of the production process?
*6.2 Suppliers: Purchasing Policy*

Introduce your company’s suppliers and any agreements or contracts with them, and communicate your purchasing policy.

Consider any synergies with related companies which will be advantageous to your venture.

Describe your goals with regard to supply:

- Quality
- Quantities
- Timing
- Price
- Partnerships

**Key Questions:**

- Who are your company’s suppliers and subcontractors?
- Are there any existing contracts? What are the details: quantities (minimum/maximum), price, duration, level of commitment on both sides, terms of payment?
- How are relations organised between your company and its suppliers and subcontractors: length of manufacturing cycle, frequency of deliveries, etc.?
- Are there any dependencies on key suppliers?

*6.3 Manufacturing Concept*

Describe the actual product manufacturing concept within the framework of the whole production process, including cost analysis and continuous improvement. Based on this information, a unit cost price model can be derived.

**Key Questions:**

- What skills and qualifications are required for the manufacturing concept?
- What determines the cost structure?
- What will be the future methods of manufacturing including improved concepts like just in time, outsourcing, or leasing of major production equipment etc.?
6.4 The Unit Cost Price

Calculate the total unit cost of your product as a function of production volume, and thus find the manufacturing breakeven point.

A thorough calculation is required covering in detail costs related to

- raw materials
- sub-contracting
- other services
- plant/equipment
- maintenance
- running costs
- personnel

Key Questions:

- What is the purchase price of the raw materials and the cost of the sub-components (unit cost, quantity) per product?

- What is the direct cost of the machinery/equipment taking into account:
  - depreciation expenses,
  - technical depreciation (if different)
  - maintenance and servicing.

- What are the direct labour costs (unit cost, quantity) per product?

- What is the break-even point with regard to machinery/equipment costs and labour costs? What is the degree of sensitivity of the unit cost price to the above?

- What are the other direct costs?
  - packaging
  - insurance
  - transport

- Can the unit cost price be compared with that of competitors?

- What is the profit margin on the product, taking into account the projected sales price, which is based on predicted sales quantities?

- How are relations organised between your company and its suppliers and subcontractors: length of manufacturing cycle, frequency of deliveries, etc.?
6.5 The Production Budget

Establish the cost elements which make up the production budget (based on the previous analysis) including depreciation of long term investments.

Key Questions:

- What investments are necessary in production, and what are the costs involved? A cost schedule should be prepared.

- What are the operating costs linked to production? A cost schedule should be prepared:
  - raw material purchases
  - subcontracting
  - labour costs
  - other direct production costs

- What are the normal terms of payment associated with the costs outlined above?

- How could the running costs be minimised?
The Company Structure

7.1 Company Organisation
Define the style of your company structure and the different positions in your company, taking into account the various functions and objectives.

Your venture can have an organisation which is dominated by one person, by a small number of partners, or it can be led on a larger team basis. The advantages and draw backs revolve around the issue of maintenance of operational leadership versus delegation of authority. A venture can only grow so big before it becomes necessary for significant authority to be delegated, enabling the entrepreneur(s) to concentrate on the core issues of building the business.

Consider the future structure of positions and responsibilities when planning your venture.

Give a detailed description of the key personnel, including career success that demonstrates the ability to perform the assigned role.

Detail the exact responsibilities and duties of each individual.

Key Questions:

- How are the different posts and responsibilities in your company organised and defined?
  - general and strategic management
  - production
  - marketing and sales
  - research and development
  - administration and human resources

- Include the organisational chart of the company.

- Describe the human resources strategy:
  - recruiting methods and selection
  - payment policy and remuneration
  - training

7.2 Legal Structure
Define the proposed legal structure of your new company and the processes and responsibilities with regard to management of legal issues.

Consider the benefits and implications of the various legal entities possible.
Describe how and by whom issues will be dealt with, such as

- drawing up and screening of contracts
- labour laws
- risks, e.g. product liability
- insurance

Key Questions:

- What is the proposed legal structure of your company?
- Do any specific requirements have to be adhered to as regards labour law (non-competition clauses etc.)?
- With regard to supplier/customer contracts which have already been established, how were these drawn up?
- What are the potential risks facing the company and against which the company can insure itself (fire and theft, breakage, public liability...)?
- What insurance contracts are envisaged and how comprehensive are they?

7.3 Overhead Costs

Summarise general costs not already analysed in previous sections.

Consider issues such as location and building-related costs, as well as the most effective method of meeting such costs (purchasing, renting, leasing, etc.).

Key Questions:

- Where will the company be located? What premises are required? Will they be rented or purchased?
- How does the company allocate expenditure not allocated in previous budgets (own equipment used, external services, buy or lease etc.)?
- What is the total tax amount to be paid (apart from corporate tax)? (schedule)
  - local tax on business activity
  - apprenticeship tax
  - land tax and other community charges
- What is the budget for overheads, per heading (schedule)? Payment schedule?
8 Company Projections

8.1 Company Projections
Outline briefly the objectives and development of your company in the medium-term (3-5 years).

This summary section brings together the financial development and planning with the operational development and planning of your company’s R&D, production, sales and marketing activities. Again, wherever possible, concrete, measurable values should be included, although visionary aspects should be given as well.

Consideration should also be given to macro-economic developments and their effects on the growth of the business.

Key Questions:

- Describe product development - extension of the product range, new product development?
- Developments in marketing strategy - are new market sectors emerging?
- Support statements with marketing statistics where possible.
- Anticipated legal and financial development, exit?
- Describe the medium and long-term personnel strategy.
- Where will the company be in 5-10 years?

8.2 Entrepreneur’s Projections
The entrepreneur’s future and expected personal development should be honestly presented for the investors’ understanding of the entrepreneurs’ engagement.

Key Questions:

- What is your vision and anticipated development in and outside your company?
- What personal gain do you expect and how do you want to exit?

8.3 Timing and Interrelations
Describe the building up of the legal and company structures time-wise, including milestones and interrelations of actions.
Business Plan Guidelines

Key Questions:

- How long will it take to establish the legal structure, the infrastructure, and the management team?
- What will effect the anticipated scheduling?
- What are the milestones of actions?
9 Risks, Problems and Assumptions

9.1 Company
Identify and describe the potential risks in your company, i.e.

- Key positions cannot be filled
- A key member of staff, such as the head of development, joins the competitor
- The failure of the prototype delays development and the launch of your product
- The banks withdraw support

Key Questions:

- What risks can you identify that might threaten the success of your company?
- How will you deal with these risks, and how will you minimise their impact?

9.2 Environment
Identify and describe the potential risks which can arise in the environment your company is operating in, i.e.:

- You can only sell half as much as you expected
- A key supplier's factory burns down
- Shortly after the launch of your product/service, a competitor brings out a cheaper alternative product/service
- You cannot patent the technology
- Your distribution partner ends your agreement
- The market is collapsing (e.g. semiconductors)

Key Questions:

- What risks in the environment can you identify that might threaten the success of your company?
- How will you deal with these risks, and how will you minimise their impact?

9.3 Factors of Success
Describe your success factors which influence the investor's decisions. This includes any important market developments which have significant impact for success.

Key Questions:

- What success factors exist?
- What dependencies exist as well?
Business Plan Guidelines

10 Financing

The financial section of your business plan is a narrative that presents summaries of your company's financial history (if applicable), your financial projections and the assumptions they are based on, your projected capital requirements, and how the capital will be used, and your plan to repay your investors.

Before you can write your financial plan narrative, you need to generate a set of projected financial statements that reflect the goals and information you've provided in the previous sections of your business plan.

10.1 Financial projections and assumptions - worksheets

The financial projections will be performed and obtained by means of financial planning spreadsheets.

10.2 Financial Plan - Narrative

10.2.1 Assumptions

Describe the assumptions you made to develop your financial statements (your business assumptions, not the numbers you entered into the financial worksheets).

It is of advantage to provide the main assumptions in a comprehensive summary.

10.2.2 Summary/Analysis of Financial Statements

Discuss briefly the summary/analysis results for each financial statement you provide:

- sales forecast (gross margin analysis)
- profit and loss statement
- balance sheets
- break-even analysis
- cash flow statements

10.2.3 Capital Requirements

State what your capital requirements are and indicate the nature and amount of securities offered. Describe the operating requirements for the three to five years that have been projected in your financial statements.

Key Questions:

- How many steps of financing are needed?
- For what period is the finance required?
- What type, e.g. common stock, debt with warrants, is offered?
10.2.4 How funds will be used
Describe specifically how the loan and/or investment funds will be used.

Key questions:

- Is the amount of capital desired used for e.g. product design and development, capital equipment, marketing, or general working capital?

10.2.5 Exit / Payback Strategy (Investors' Return)
Define how much time you will need before you can pay back the loan or investors can convert their equity, e.g. when the 'exit' will be possible. Indicate how the investors' proposed ownership shares will result in the desired rate of return (IRR) and what the preferred exit mechanisms are, e.g. IPO (Initial public offering), outright sale, merger, MBO, etc.

Your projections should indicate that the loan/investment funds will help generate the profits and cash required for payback and exit. Discuss any significant increases in profits (cash flows that are expected as a direct result of financing), and how these increases help to pay back the funds.

Key questions:

- Are you ready to exit the venture by IPO, sale or other mechanisms in the next 5 to 8 years?
- Do you prefer to find an investor who is charging an interest rate like banks do?
- Do you want to make money by an exit or do you see the main objective of entrepreneurship in the company ownership?
- What rate of return can your investor expect?

10.2.6 Conclusion
This is the place to ask for the money/investment. Be concise, direct, professional and sincere.