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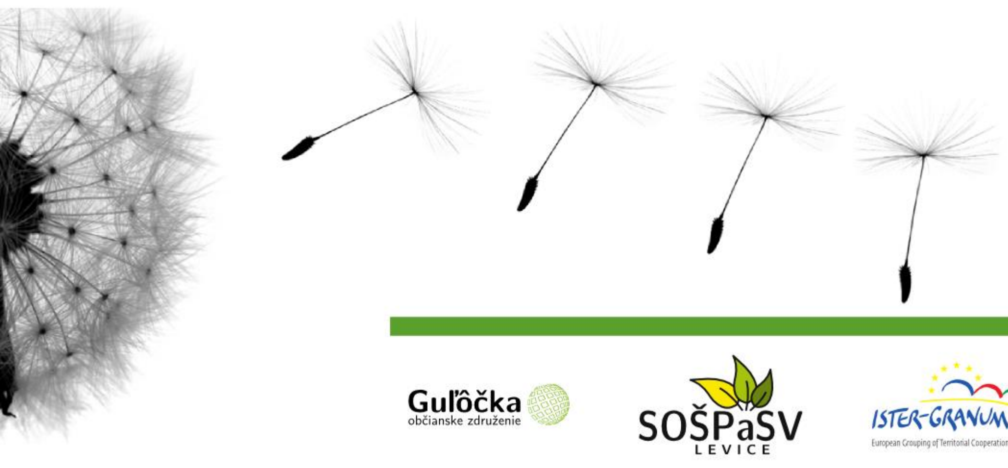
Guide

Business plan

I3 - Sprievodca pre žiakov do praxe



Business plan

Carefully developed business plan is the basis of the success of entrepreneurs and business managers, which should answer 3 questions:

- Where am I?
- Where do I want to be (where do I go)?
- How do I get there?

The answer to the 1st question is about the situation of the company at present, it requires a thorough analysis and the entrepreneur has to make an objective view of the real position of the company.

For the 2nd question, we meet the entrepreneur's intentions in the future. It builds on the current situation and sets goals for the future.

When answering the 3rd question, the entrepreneur deals with the tools, ways and means necessary to achieve the business goal.

From the perspective of species breakdown, we can distinguish between three types of business plans:

1. Establishing business plan (business plan) 2. Strategic business plan 3. Financial plan

Establising plan (business plan)

is a specific type of plan, it's to prepare itself before starting a business when the entrepreneur does not yet have data on the previous business activity that he or she could rely on.

Attention should be paid to the entrepreneur's analysis

- what do I want to do business with,
- what I want to achieve,
- by what means and methods I want to achieve it,
- what capital I have at my disposal.

Assess the skills and experience in the field of business.

The founding business plan actually has those parts as a strategic business plan, only in a much smaller and simpler scope.

Strategic business plan

is the company's internal document that focuses on what the company wants to achieve and the plan is to help achieve the goals.

The key parts of the plan are:

• market analysis,
• business environment,
• competition,
• economic trends in the area.

The plan is set up by the entrepreneur himself, in the larger companies by top management. Strategic plans are being prepared for a period of 3-5 years and an annual plan is being prepared annually.

Financial plan

from the strategic plan differs in that it is not only an internal document prepared for the need of a company but also for banks or investors if the firm wants to get a loan.

Banks are particularly interested in:
• market conditions,
• expected growth in finance,
• Profit amount,
• Return on investment.

Structure of the business plan

Homepage (general information, basic information)
Content overview (chapter and page names)
The content of the business plan (see below)

The content of the business plan

summary
In the introductory maximum of 1 to 2 pages, the reader has to briefly learn the most important data from the business plan - what the entrepreneur proposes, how it justifies and how it will be realized. When reading the "in the nutshell" of the summarized information, everyone decides whether he or she is interested in it and whether it will read it in more detail. The summary is developed as the last step.

I. Company description
First, the entrepreneur answers the question "Who Am I?". The first chapter focuses on company presentation. It details the history of the business (if any) and its current state. Indicates who, when, where, under what name the company was founded and how the business evolved. If it is a new venture, it will introduce it. Indicates the reason for its origin, mission, legal form, company owners, location, origin and size of the initial capital, and so on.

II. Description of the product or service
This section contains answers to business questions "What is a business?", "What is a product (service)?" Some people will be producing a particular type of product, others make the

provision of services or their combination. The business objectives must be clear. Consequently, goals such as:

- quality,
- "good" prices,
- a new technological approach,
- wide range,
- service,
- product features,
- advantages over the competition,
- business development, etc.

A competitive advantage can be achieved if quality certificates, results of analyzes, research, recommendations, customer satisfaction, proof of compliance with the standards requirements or positive environmental impacts are available to the products (services), etc.

III. Market analysis

Surely you have to answer the questions:

- What are the sales of products (services)?
- Why will people buy the product?
- The entrepreneur has the basis for future market research demand and already knows its potential customers and competitors.
- Market description
- The sector in which the company will operate, what are the trends of its development, traditions, and so on.

Customers - Potential, Perspective, Contemporary.
Target groups - what demographic groups they are - gender, age, education, interests, demands, buying behavior, territories, etc.

It would be great to know about customers:
market potential = number of potential customers x number of products purchased,
market share = percentage of the number of customers who will buy the product offered and not the product of competition.
competition - information about competitors in the region (domestic, foreign), who they are and where they reside, how large is their volume of performance, price, quality. As far as they are known, the strengths and weaknesses of the competition are shown, how long it has been doing in the area, how it sells and promotes its products, Products (services) are compared in terms of quality, pricing, advertising. Both the positive and the negative aspects of the company are compared with the competition, with particular emphasis on the advantages over the competition.

IV. marketing

This part of the plan is often referred to as a "game plan", the tactic or the way in which products (services) reach customers. Indicates what specific type of marketing strategy the company favors.
In relation to the marketing strategy, the marketing mix (4P) should be presented:
Product (service) - a detailed description of the range offered.
Price - Pricing method for the product (service).

Distribution - a description of how to sell the products through which distribution channel they reach customers.
Promotion - a description of the forms and means used to inform customers of the product or service.
Attachments may include sample brochures.

V. Management

Future investors, or the bank, will be interested in how they have guarantees in the quality of management. What qualifications, personal assumptions, and leadership experience have top managers? At the same time, they will be interested in whether the objectives set can be achieved in real terms, whether the implementation of the intention (qualification and staff structure) is ensured. Therefore, it is desirable to mention the organizational structure of the company, the number of employees, the way of their selection, education, their remuneration and motivation.

VI. Implementation of the business plan

In this section, it has to be shown that the described products are materially and technically secured and manufactured.
Quick description:
• the nature of the production and the premises where production will take place,
• material security, technological process, manufacturing facility,
• securing supplier-customer relationships, including suppliers, customers,
• In the case of focusing on sales services sales points, sales forms, including accompanying services, sales facilities.

VII. Financial plan

The financial plan is the last, very important part of the business plan because it is based on the substantive arguments of the previous parts. Businesses usually do this in collaboration with finance experts (accountants, auditors, etc.). There is a need for knowledge of finance, investment, pricing, wages, financial analysis, and accounting. In particular, it is advisable to put in the attachments what will support the arguments of all parts of the business plan - survey results, print articles that confirm the need for the products and services, product photos, production sites, product prospectuses, bidding, marketing proposals, and more.

Example:

Reminder: Investing is spending money to bring additional revenue. Farmers invest, for example, in storage and breeding facilities, storage capacity for crop products, gardening or modern agricultural machinery. Not only companies and the state invest, individuals can also invest

Fundamental when considering an investment is to expected yield, risk (security) and liquidity. Explain these terms:

....

....

Example:

You have 10,000, -Zl. You decide to invest in a mutual fund. His entry fee is 2%. How many Units will you buy if the current Unit Value is 1.2543?

....

. ...

After 1 year, you decide to buy your shares. Their current value is 1.3542. How much money do you get?

....

Explain the concept of investment portfolio

From the following list, add the correct terms to the statistical pointers:

acquisition cost of investment

net annual return on investment

return on investment - ROI

expresses how much the investment will bring us, that is, how many crowns of net profit will be brought to us by each crown spent on the investment

we compare the expected or required returns or return on deposits in the bank

ROI = [ZL]

payback method (payback) - Payback Method - PM

tells how long the investment will be paid out of net profit

it is a reversed ROI

it should not be longer than the lifetime of the investment

if we compare more projects, we select the one with the shortest payback time

PM = [years]

Conclusion: Investments in livestock and crop production lead to a reduction in production costs, an improvement in the quality of the products produced and an increase in the efficiency of the use of factors of production. The above static indicators are suitable for less demanding, short-term investment.

solution:

Fundamental considerations when considering an investment are expected yield, risk (security) and liquidity. Explain these terms:

expected return = profit to be earned by the investment

risk = the likelihood that the yield will be lower than the assumption

liquidity = the ability of an investment to convert quickly to available cash

Example:

You have 10,000, -Zl. You decide to invest in a mutual fund. Its entry fee is 2%. How many Units will you buy if the current Unit Value is 1.2543?

we calculated the 2% entry fee.

10000.0,02 = 200

We calculate the number of shares

9800: 1.2543 = 7813.122

We received 7813 unit certificates.

After 1 year, you decide to buy your shares. Their current value is 1.3542. How much money do you get?

Number of shares. multiply by 1 sheet

7813.1,3542 = 10580

Our investment earned us 580, -Zl per year.

Explain the concept of investment portfolio

Set of securities, investment products, mutual fund shares, and investment in commodities (precious metals, oil, etc.)

4. Add the correct terms to the algorithms of the statistical indicators:

return on investment - ROI

expresses how much the investment will bring us, that is, how many Zl of net profit will be brought to us by each Zl spent on the investment

we compare the expected or required returns or return on deposits in the bank

net annual return on investment

ROI = [ZL]

acquisition cost of investment

payback method (payback) - Payback Method - PM

tells how long the investment will be paid out of net profit

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if we compare more projects, we select the one with the shortest payback time

acquisition cost of investment
ROI = (years)
net annual return on investment

Reminder: Investments are cash expenses for the enterprise where it expects to be converted to future earnings (= cash) as a rule over a period of more than one year.

Fundamental considerations when assessing an investment are costs incurred. Explain the difference between variable and fixed costs:
....
....
....

Example:
The Agricultural Services Enterprise is considering buying a truck to secure the transport of bulk materials to agricultural businesses. Management considers the following investment options:
Load Cost
Variant A 8t 1 750 000
Vatianta B 10t 2 100 000
Performance in both variants is limited by the maximum mileage of 70,000km (maximum annual output of 600,000tkm).

Cost calculation
Variable costs Fixed costs
Variant A 9,50 CZK / km 76,000 CZK
Variant B 10,10 CZK / km 82,000 CZK
Due to the growth of fuel prices, the company anticipates an annual increase in variable costs by 20 halls (CZK 0.20). As a result of the increase in inputs, it anticipates an increase in the price charged after four years. The planned life of both variants is 8 years.
Revenue Calculation
Revenues 1st - 4th year Revenues 5th - 8th year

Variant A 1 064 000 CZK 1 176 000 CZK
Variant B 1 140 000 CZK 1 260 000 CZK

Which investment option is better for the enterprise? When deciding, consider both 8 and 70,000 km a year.
To make calculations easier, you can use the spreadsheet:

solution:

Fundamental considerations when assessing an investment are costs incurred. Explain the difference between variable and fixed costs:
Variable costs - Costs that depend on the volume of production (material consumption)
Fixed costs - Costs that do not depend on the volume of production (premium, rent)

Example:

Variant A Variant B
Year Costs Profit Profit Costs Profit Profit

1. 1064000 741000 323000 1140000 688000 452000
2. 1064000 755000 309000 1140000 700000 440000
3. 1064000 769000 295000 1140000 712000 428000
4. 1064000 783000 281000 1140000 724000 416000
5. 1176000 797000 379000 1260000 736000 524000
6. 1176000 811000 365000 1260000 748000 512000
7. 1176000 825000 351000 1260000 760000 500000
8. 1176000 839000 337000 1260000 772000 488000

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Tento projekt bol financovaný s podporou Európskej Komisie.