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January 14, 2021

Steps to Writing a Business Plan

Jamaica Business Development Corporation (JBDC)

A business plan is a formal written document containing the goals of a business, the methods for attaining those goals, and the time frame for the achievement of the goals.

What must be included, in the order they should appear:

1. Executive Summary: This is a summary of the entire plan and is usually written after the rest of the plan is completed.

2. History of the Business: Give a brief account of the activities of the business throughout its existence. If the business is just starting it should explain where the idea came from, or why you are starting this business. If the business is restarting you should explain why it was closed previously and what you have learnt from that experience.

3. Mission Statement: Your Mission Statement explains the philosophy reason for your business' existence. It should capture your commitment to customers, environment and to staff. Your Mission Statement should serve as a guide to your business' development.

Example: To provide our customers with business development and consultancy services that will enable them to compete forcefully within a competitive market while at the same time providing quality and efficient service.

4. Goals and Objectives: State the goals and objectives. The goals are futuristic targets that are specific and measurable and the objectives are the methodologies to achieving these goals.

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What must be included, in the order they should appear:

5. Keys to Success: These are areas that you believe will contribute significantly to the success of your business. Also, identify at least one unique way to create a competitive advantage to strengthen your chances of success.

Example: The Key to Success for John's Training and Consultancy is Product Development - the need to continuously develop new products and improve on those that are known to the public. Our unique selling proposition is to use the latest technology to deliver our services.

6. SWOT Analysis: A summary of the company's Strengths, Weaknesses, Opportunities and Threats (SWOT). This helps to take an in-depth look at both the factors affecting your business internally and those affecting it externally.

7. Industry Analysis: This section helps you to analyse the industry to which you belong. The analysis should take into account a description of trends within the industry.

8. Product/ Service Description: This is where you describe the product and services you will be offering to your customers.

MARKET ANALYSIS: Analysis of your target market and competitors.
9. Target Market: Identify the target market or segment of the market that you will be targeting.

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What must be included, in the order they should appear:

10. Customer Profile: This is where you give details about your customers. It should include their demographic situation, income level, etc.

11. Competition: Make a list of your major competitors and conduct an analysis of their strengths and weaknesses. Their strengths may include their range of products, while their weaknesses may include poor customer service or high prices.

MARKETING STRATEGY: Explain the strategies you will employ to create a market presence.

12. Promotions/ Advertisement: Devise a cost-effective method to reach your target market.

13. Pricing Strategy: Perhaps the most important variable is the pricing strategy you will employ. If your prices are too high then it may be out of reach of your target market and if they are too low it may give the impression that your services/products are below standards.

14. Distribution: Your methods of distribution may include direct selling, outsourcing or e-commerce.

OPERATIONS: Put into perspective how your business will function on a day-to-day basis.

15. Location: Give a brief description of where you will be located. You should list the advantages of your location.

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What must be included, in order as they should appear:

16. Technology: Identify the types of technology you will be utilizing within your business. These include software applications and hardware.

17. Capacity: Make a projection of the amount of products/ services you will produce or supply on a given day, week or month. This would be based on your staff complement, equipment, capacity and workspace.

18. Procurement: Outline the source of your equipment and supplies and also the arrangement to be made for their retention.

19. Strategic Alliances: This would include networking for your business' success. Make a listing of all major businesses and agencies that will add to the success of your business.

20. Operating Methods: Give a brief description of how the business will operate. Example: Credit arrangements, opening hours, discount policy etc.

ORGANIZATION: Outline how your business will be organized.

21. Ownership structure: Identify who will own the business, what type of business it will operate as and who it will be registered with.

22. Management Team: Make a list of your management team, their qualifications and their responsibilities.

FINANCIALS

23. Break Even Analysis: Calculate the amount of sales you will need to make to break even (i.e. not making a profit or loss).

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What must be included, in the order they should appear:

FINANCIALS (cont'd)

Notes:

- **Cash Inflow:** Indicates the avenues from which money will come into the business.
- **Cash Outflow:** Indicates how money will leave the business or flow out of the business.
- **Opening Balance:** The monies brought over from a previous month to the new month. This is the same amount of last month's Closing Balance.
- **Closing Balance:** The difference between the money that flows into the business and the monies paid out.

Sales Forecast: Make vital assumptions based on realistic projections and calculations. Estimate the amount of sales you will be making on a monthly basis.

Start-up cost: Calculate the total amount needed to start your venture. Include the cost for all raw materials and labour.

Sources of funding may either be: ***Loans*** (given by a bank or friend with repayment terms and in most cases, with interest), ***Grants*** (money given without repayment terms or interest), or ***Equity*** (money that you or your business partner will be putting into the business).

PRICING STRATEGY

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As an entrepreneur, you have invested significantly in your company with the expectation of creating a successful business entity. The main determinant of your company's success is its net profit. This break-down looks mainly at the difference between the cost of goods/services as well as the costs incurred to ensure business continuity and sales.

In order to maximize the return on your investment, it is extremely important to ensure that the company's management team properly assesses its pricing strategy. The selected pricing structure should ensure that you are recovering tangible and intangible investments to the business and earning a desired rate of return.

While you may already have a pricing strategy in place, it is prudent to occasionally review if the current strategy is producing the desired result. There is no set review time frame, however, the management team may choose to conduct a review if there are changes in any of the following situations:

- **Profit margins**
- **Industry requirements**
- **Governmental policies**
- **Market share size**
- **Industry price point**
- **Product cost**
- **Product availability**

PRICING STRATEGY
JMMB Group

Utilizing Your Price for Data Analysis

In addition to providing a financial return, your price point provides valuable business analysis data. The price at which you are able to successfully sell your product/service is an indication of how you and your customers view your product/service.

If you are comfortable implementing prices at the top of the price range, it means that you are confident that you are offering value for money. Even more encouraging, is if your customers have accepted your price point. This is an indication that they agree with your value proposition.

The appropriate pricing strategy will ensure both the business owner and the customer feels valued.

Pricing Considerations

There are multiple factors a company must consider when determining the price of their goods/services. JMMB's SME Unit supports business owners by hosting educational workshops, so that they can grow and increase revenue. At JMMB's online Business Planning Exercise on July 14, 2020, points and information were shared to be considered when determining a pricing strategy. Here are some of those pointers for you to also consider:

- Market condition competitors price
- Fixed cost variable cost
- Operational fees restocking cost
- Capital required for expansion replacement cost for fixed assets
- Distribution cost & labour cost
- Customer ability to pay debt service cost

PRICING STRATEGY
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Pricing Strategy

As defined by "My Accounting Course", a pricing strategy is the tactic that a company uses to increase sales and maximize profits by selling their goods and services for appropriate prices. The strategy selected should be based on the company's objective. For example, is the company seeking to defend an existing market from new entrants, to increase market share within a market or to enter a new market?

Two commonly used strategies that you may consider are:

Captive pricing

This strategy is ideal for situations where there is a core product and a supportive/accessory product. When utilizing this strategy, the core product is priced reasonably to attract the customer. The company will, however, earn significant revenue from the cumulative price of the accessory product. The accessory product may be slightly more expensive than the core product, but is essential for the core product to function.

This ensures that customers will continue to purchase the accessory product. For this strategy to be successful, the accessory product must be more expensive than the core product, however, companies should ensure that they do not over price the accessory product as the customer may choose to find an alternative. A perfect example of this is a printer and printer ink or a coffee machine and coffee pods.

PRICING STRATEGY
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Economy Pricing

Economy pricing is ideal for companies who offer products that attract large sale volumes. These are usually items that consumers use on a daily basis such as soap, bread or toilet paper.

The key to this strategy is to use a low profit margin per item. While the profit per item may seem insignificant, the cumulative revenue from the volume sold will result in the desired overall profit.

Other strategies that may be considered are:

- Cost plus price
- Value price
- Price skimming/creaming
- Penetration pricing

Resources

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How To Write a Business Plan To Start Your Own Business

- https://www.youtube.com/watch?v=Fqch5OrUPvA

Entrepreneurship Series - Business Plan Writing 101

- https://www.youtube.com/watch?v=zlrb_X6fYZ0

Write your business plan

- https://www.sba.gov/business-guide/plan-your-business/write-your-business-plan

How To Write a Business Plan That Will Captivate Investors

- https://www.entrepreneur.com/article/281416

Resources

How to Write a Business Outline Plan Step By Step

- https://www.thebalancesmb.com/business-plan-outline-2947032

How to Write a Business Plan for Your Startup

- https://www.quicksprout.com/how-to-write-a-business-plan-for-your-startup/

The Ultimate Guide to Pricing Strategies

https://blog.hubspot.com/sales/pricing-strategy

6 PRICING STRATEGIES TO ESTABLISH YOUR MARKET POSITIONING

- https://www.newbreedmarketing.com/blog/pricing-strategies-to-establish-your-market-positioning

Choose a pricing strategy

- https://www.marketingdonut.co.uk/market-research/benchmarking/choose-a-pricing-strategy

Pricing Strategy An Introduction

- https://www.youtube.com/watch?v=mmm0ccYPliU

7 Pricing Strategies - How To Price A Product

- https://www.youtube.com/watch?v=qutavZTkFeY

How Products Are Priced - The Psychology Of Pricing

- https://www.youtube.com/watch?v=KYqvqScg_j8