

# XYZ Company Limited

Business Plan

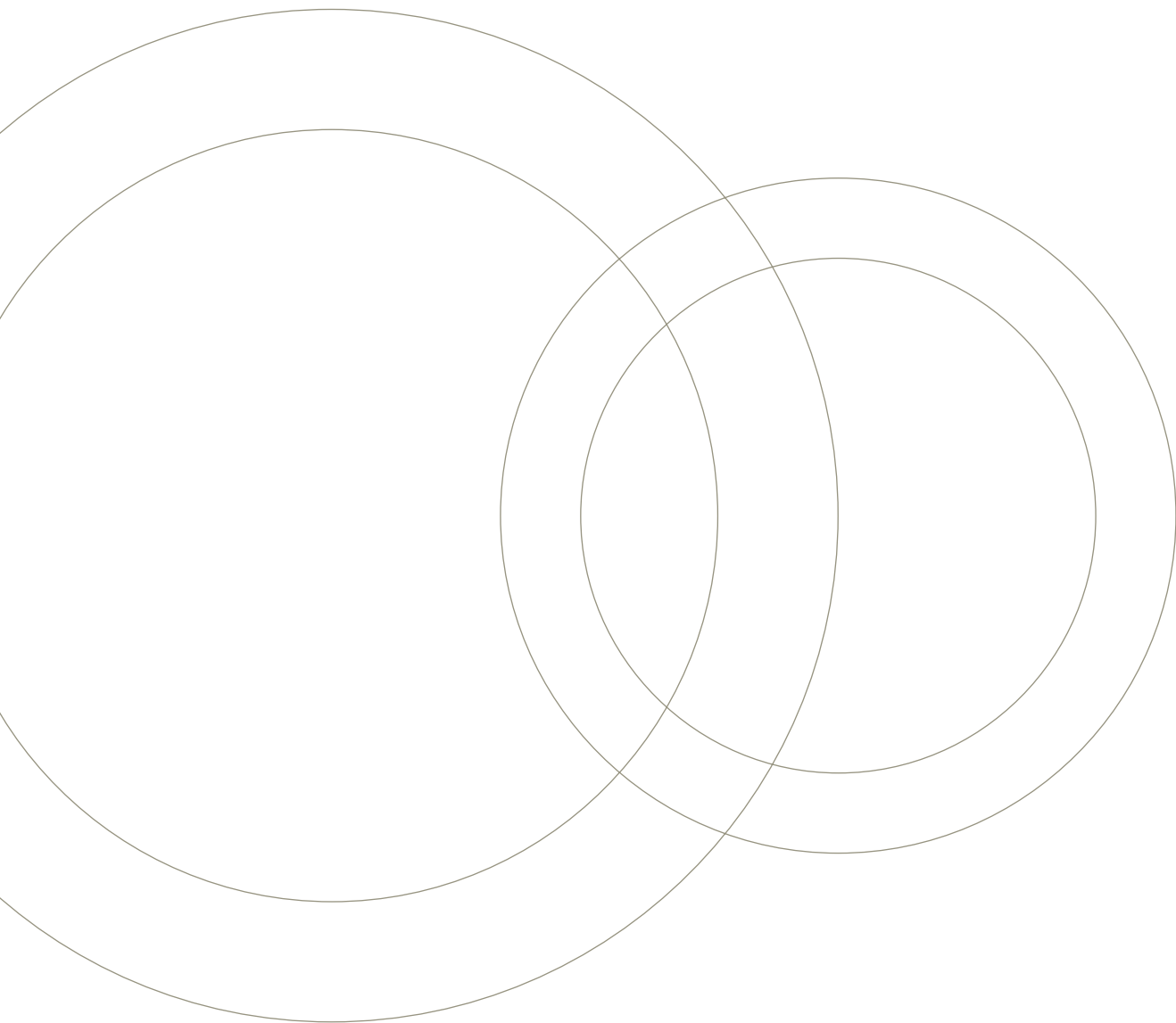
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# Executive Summary

The Executive Summary is the most important part of the Business Plan. Many people will only read this. The summary in itself will not secure an investor or financier, however, it can lose them.

<b>Quality</b>	The quality of the summary must therefore be outstanding and you should pay particular attention to it. Obtain critical feedback from others on your drafts.
<b>Stand-Alone</b>	It is also used as a stand-alone document when introducing the concept to others, so it must be able to capture interest and entice the reader to take the next step and request more information – and secure a meeting.
<b>Style</b>	It should be direct and organised as a series of bulleted paragraphs, each deals with one key area. The less 'waffle' the better.
<b>Length</b>	Ideally one page, and certainly not more than two pages.
<b>Content</b>	<p>It needs to:</p> <ul style="list-style-type: none"><li>• Introduce the concept in terms of what area it is concerned with, what it is trying to do, and list the key individuals involved.</li><li>• Describe the stage the project/concept has reached, particularly in terms of the 'readiness for market' of its products/services, and outline any intellectual property, such as patents and/or trademarks that may support the products/services.</li><li>• Highlight the main market characteristics, including size and growth, and specify the market opportunity that you are addressing.</li><li>• State the central competitive advantages of your products/services, and how distinct they are from the competition and in what way, and how these are important to customers.</li><li>• Summarise the objectives of the company in the short- and long-term, and quantify these with specific numbers. Outline the key strategies you will use to achieve them.</li><li>• Include any 'evidence of success'. This may be trade reviews, sales or partnership agreements, working prototypes, market testing etc which help to make the project/concept more tangible to the reader and raises confidence.</li><li>• State your finance requirements in detail.</li><li>• Highlight any other key issues that should be noted.</li></ul>

## Introduction to the Business and its Management

- Introduce the business and what it does/will do.
- Describe concisely what the concept is and its progression to the present situation.
- Explain who is involved, what their positions are and what relevant experience and qualifications they have.
- State what stage the business is at now. Highlight briefly the most salient features of the company's products and services – their competitive advantage.
- Explain any 'evidence of success' you may have – from existing customers, industry recognition etc. Outline any other factors that have increased the likelihood of success.
- Outline any skills gaps you still need to fill, and how you intend to do so. If you do not recognise the skills gaps the investors/financiers may feel your plans are unrealistic.
- List your Business Advisors/Consultants. If necessary with a brief description highlighting relevance.
- Do you have any major alliances with other organisations? If so, how do they add value/contribute to the business in outline terms. What is the basic nature of the relationship?
- What is your organisational structure? (Include an organisational chart, if appropriate).
- Outline where you want to go from here – what do you want to achieve? What are the company's main aims and objectives – quantify these. What are the next key stages and milestones?

## Products and Services

- Describe your company's products/services in clear and simple terms.
- What consumer need is being satisfied by these products/services that is not being satisfied at present?
- Explain any performance advantages/value advantages over rival products/services.
- List any other unique features.
- Intellectual property – are any patents or trademarks involved or required?
- Price and pricing strategy – what price will your products sell at and what is the pricing strategy behind this decision? How does this compare with rivals?
- State the costs of production and distribution, and also the resulting margins on sales.
- Describe any wholesaler or retailer margins involved, and how these compare with rivals.
- Communicate any further planned products/development and when you expect them to reach market/bear fruit.

Include any background information relevant to the products or services.

## The Market

This section should describe the market you are operating in – generally and specifically in terms of which sectors you will be targeting, what the size is of each sector, and what the main current products being offered to that sector are.

- Market overview.
- Market size and segmentation. What is the size of the market and how can this be segmented or grouped into sectors? Which segments or sectors will you specifically be targeting?
- Market growth trends.
- Other key market characteristics.
- Main competitors/products currently targeting these segments.

This section overlaps with the next section on Competitive Business Strategy and you may choose to combine them.

## Competitive Business Strategy

### Competitive market strategy

How is the company going to compete in the market? Will it compete on price, service, quality, convenience, new features and benefits, by targeting a very specific area of the market (niche), etc? Is this difference really important to the target customer/buyer?

To demonstrate that you have analysed your competitive environment, you should show a summary including, an assessment of the competitive landscape and then a general SWOT analysis.

- 1. Analysis of Industry**
  - Rivalry amongst existing players – how intense is this and how strong are they? How profitable are the companies in the market – do they make good margins, good turnover etc? What are their strengths and weaknesses?
  - Location analysis and/or site feasibility – why is the location a desirable site?
- 2. SWOT Analysis**

This is a summary of your company's internal strengths and weaknesses, and the external opportunities and threats it faces in the market and its competitive environment.

Include any background information relevant to the site selection and/or strategic location of the business.

## Marketing Plan

This section should explain the major marketing activities that the company plans to undertake.

- What is the core strategy for marketing your products/services?
- How are your target customers going to be made aware of your products/services? What mediums of communication will be used to reach your target consumer?
- Will there be any marketing effort aimed at any intermediaries you may have – such as wholesalers?
- Will you make use of PR (Public/Press Relations) in your marketing effort?
- State how much this will cost and break down the costs between categories.

Explain what you expect the marketing effort to achieve and how you plan to monitor and control the effort to ensure it is effective.

## Sales and Distribution

This section explains the strategy, structures and processes you will use to sell your product/services to customers, and intermediaries, and how you will physically deliver the product/services to them.

- Explain how you are going to make the product/service available to customers. How are you going to make it convenient and accessible for your customers to buy your products/services?
- If you need a Sales Force, how will you develop this?
- Where will your products be warehoused? How will your products physically reach your customers? Will you employ a warehousing and distribution company?
- Will you own the stock?
- When and how will customer invoicing be done?

## Production Strategy and Structures

This section will explain what strategy you have adopted for production and describe the structures that will be involved and their state of readiness. The level of detail will depend on the stage of the business.

- Describe where production will take place.
- Describe the physical production processes.
- If you are using your own production facility, describe what the fixed costs of the facility will be and differentiate these from the variable costs of production (eg materials).
- Describe any quality assurance procedures you have in place.
- State the production 'lead time' – how long it takes to make a product from scratch, including the time taken from ordering of any components etc.
- Explain what policies you have towards stockholding and component re-ordering – this is important to ensure continuity of supply, but also to ensure that stock does not consume too much working capital – and that sufficient capital to fund stock has been planned for.

State what your production capacity will be – how many products can you make per month or per year?

## Financing Requirements and Deal Structure

This section should explain to investors/financiers:

- How much money you need to execute the plan. What is the set-up cost?
- What do you expect the sources of this money to be, eg own contribution, other investors, bank finance or a mixture?
- Specifically how will that money be used?
- Details behind any banking facility or other forms of finance you expect.
- How and when will this be re-paid?

## Key Financial Data and Financial Projections

All potential investors/financiers will expect to see a set of financial statements and illustrative projections for the project.

**Cash Flow Projection** This is a statement of your cash position and the sources and uses of cash going forward. Cash management is probably the most important aspect of financial management as the company becomes established and grows.

**Profit and Loss Projection** This is a statement of the company's trading activities.

**Balance Sheet Projection** This is a statement of the company's Assets and Liabilities, starting with the current position.

Investors/financiers like to see a schedule of the cash balance for the first 24 months on a monthly basis, to illustrate to them that cash management has been carefully thought out and the rate at which the business consumes cash.

The projections should be in the way of full statements for the next 2 years, with an indication of the headline figures for revenues and profit.

The statements should be accompanied by 'notes' covering the assumptions under which they have been constructed, including:

- The assumptions behind the sales forecasts, perhaps related to market share or sales per store, etc. What logic has been used to arrive at this figure?
- Assumptions behind costs, including the costs of production, offices, staffing, etc, and how these are constructed.
- Any policies adopted, such as on the depreciation of assets, the number of days credit given to customers, the period of time taken to pay your creditors, etc.
- The details behind any loan or other overdraft facilities and expected interest rates.
- Other major budgets, including marketing, legal fees, accounting fees, etc.

The figures should demonstrate to the investor/financier that you understand the major financial implications of your Business Plan, that the assumptions are reasonable, and that you have not been over optimistic.

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