2.9

Using Skills for Business

The Business Plan

Learning Outcome Notes

LO 2.9 – Develop a simple business plan for a new or existing product or service

CHAPTER QUESTIONS

By the end of this learning outcome you should be able to answer the following questions

1. Outline the purpose of a Business Plan and identify the main headings in a business plan
2. Complete a business plan for a new or existing product or service
3. Explain what SMART means
4. Explain the different forms of a business
5. Define the term Franchise and given the advantages and disadvantage of it
6. Carry out a SWOT analysis on a company of your choice

THE BUSINESS PLAN

Business Plan — Def This is a plan given to a financial institution when a business is looking for a loan

A bank will look for a business plan because it will show them the following

1. The history of the business
2. Where the business gets their income from
3. What the business does
4. Will they be able to pay the loan back

The main purpose of a business plan includes the following

1. The bank will require it when the business sis applying for a loan
2. It helps to identify the business goals and strategies
3. It can provide important data to the business stakeholders use as investors
4. It can be used as a measure to see it the business is achieving its objective and if changed are needed

PLANNING

When setting plan the business should make them SMART. This stand for

S – Specific	The goal should be clear
M – Measurable	You must know when the goal has been achieved
A – Achievable	The business must be able to reach the goal
R – Relevant	The goal must be worthwhile for the business
T – Times	There must be a target date for the goal to be achieved

SWOT ANALYSIS

SWOT Analysis	Def This identifies the Strengths, Weakness, Opportunities and Treats of a Business

Strengths and Weakness are internal and the business shas control over them. They are positive Factors

Opportunities and treats are external, and the Business does not have control over them. They Are negative factors

Strengths	may include a recognised Brand and Quality product
Weakness	may include staff and price
Opportunities	Expanding into other markets
Treats	Competition

A BUSINESS PLAN

Business Plan	Def This is a written document explaining what the business does, how they do it and where they are going. It set out the objectives, strategies, target markets and financial forecasts.

The following are the headings in a business plan

1. <u>Background of the business</u>

The background of the business section provides an overview of the company's history, its mission, and its vision.

(i) It outlines the reasons for starting the business, the industry it operates in, and any unique aspects or competitive advantages it possesses.

(ii) This section sets the stage for the rest of the business plan, giving readers a context for understanding the company's goals and objectives.

2. <u>The business team.</u>

The business team section introduces the key individuals involved in the business, including the owners, managers, and any other important team members.

(i) It highlights their relevant skills, experiences, and roles within the company.

(ii) This section aims to demonstrate that the team has the necessary expertise and capabilities to successfully run the business.

(iii) It may also include an organisational chart to visualize the team's structure and hierarchy.

3. <u>Market and Marketing</u>

The market and marketing section analyses the target market for the business.

(i) It includes a market analysis, which examines the size, trends, and characteristics of the target market.

(ii) It also outlines the business's marketing strategies, including product, pricing, place, and promotion plans.

(iii) This section aims to show that the business has identified its target customers and has a clear understanding of how to reach and serve them effectively.

4. <u>Production</u>

The production section describes how the business will produce its products or deliver its services.

(i) It outlines the production process (Job, Batch and Mass), including the necessary equipment, facilities, and raw materials.

(ii) This section may also include information about the supplier’s business intends to work with.

(iii) The production section aims to demonstrate that the business has a viable and efficient process for delivering its offerings.

1. Job production

This is making something customised. It's when you create one product at a time, focusing on the specific needs of the customer.

2. Batch production

This is making a group of similar products together. It is about producing a certain number of items together before moving on to the next batch. (Baker making different types of bread)

3. Mass production

This is when you make a large number of identical products - like a factory assembly line. Mass production is about making a lot of the same product. For example the same type of Pizza

5. Costing and Finance

The costing and finance section focuses on the financial aspects of the business.

(i) It includes a detailed breakdown of the costs involved in running the business, such as production costs, overhead expenses, and marketing expenses.

(ii) It also outlines the expected revenue streams and projected financial statements, including profit and loss statements and cash flow forecasts.

(iii) This section aims to show that the business has a realistic understanding of its financial needs and potential profitability.

6. Structure of the business

The structure of the business section describes the legal structure and organizational form of the business.

(i) It may include information on whether the business is a sole trader, partnership, or limited liability company.

(ii) This section also outlines the ownership and management structure, including any board of directors or advisory board.

(iii) The structure of the business section aims to provide clarity on how the business is legally and operationally organised.

TYPES OF ORGANISATIONS

Sole trader — Def This is a business that is owned and operated by a single individual. The owner has complete control over the business and make all the decisions. They also have unlimited liability

Unlimited Liability — Def This is when a sole trader is personally liable for any debts or losses incurred by the business and can lose their personal asset such as their house or car to repay a debt.

Partnerships — Def This is a business that involve two or more individuals who share the ownership, responsibilities, and profits of the business.

Partnerships can be general partnerships, where all partners have equal responsibility, or limited partnerships, where there is at least one general partner who assumes unlimited liability and one or more limited partners with limited liability.

Private limited company Def This type of company is also known as an LTD, is a separate legal entity owned by shareholders.

It offers limited liability protection, meaning the shareholders' personal assets are not at risk if the company faces financial difficulties. Private limited companies have more legal requirements and are subject to greater regulation compared to sole-traders or partnerships. They can also issue shares and raise capital through investments.

Franchise Def This is a legal relationship between the owner of a brand, product or business (known as the franchisor) and an individual or group (known as the franchisee) who is granted the right to operate a business using the franchisor's established logo, name, products and support.

<u>Advantages of a franchise</u>

1. Established Brand and Reputation: Franchisees benefit from operating under a well-known and recognised brand, which can attract customers and provide a competitive edge.
2. Support and Training: Franchisors offer training programs and ongoing support to franchisees. This can include guidance on operations and marketing. This can be helpful for individuals who are new to business ownership.
3. Proven Business Model: Franchises often come with a tried-and-tested business model, which reduces the risk associated with starting a business from scratch. Franchisees can benefit from the experience and knowledge of the franchisor.
4. Economies of Scale: Franchisees can take advantage of the collective purchasing power of the entire franchise network, allowing them to access better deals on supplies, equipment, and inventory.

<u>Disadvantages of a franchise</u>

1. Cost and Fees: Franchise agreements usually require the payment of upfront fees, ongoing royalties, and other financial obligations to the franchisor. These costs can significantly impact the franchisee's profitability.

2. Lack of Control: Franchisees must adhere to the rules, guidelines, and standards set by the franchisor, which can limit their ability to make independent business decisions. This lack of control may not suit individuals who prefer autonomy.
3. Limited Flexibility: Franchisees often have to operate within strict operational procedures, limiting their ability to customize or adapt the business to local market conditions or personal preferences.
4. Potential for Disputes: Conflicts may arise between franchisees and franchisors regarding issues such as territorial rights, marketing strategies, or contract disputes. Resolving these disputes can be time-consuming and costly.

Examples of franchise include Subway, Insomnia and Camile Thai.

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Past Exam Questions and Answers

NOTE – Very Important

It is very important when answering exams question that you use the following steps -

1. That you know the information for the learning outcome
2. That you understand the information form the learning outcome
3. That you can apply the information form the learning outcome to the question
4. Be able to give at least two full sentences for your answer (Fill up the space)

Questions are changing from rote learning to applying the knowledge to the question

QUESTIONS

2019 - Paper – Question 11

State two reasons why a business should prepare a business plan

1.
2.

SUGGESTED SOLUTIONS

2019 - Paper – Question 11

State two reasons why a business should prepare a business plan

1. **When applying for a loan** - The bank will require it when the business is applying for a loan
this will give the bank an oversight to the business objective, how they are going to achieve
them and how the business will be financed
2. **Control Mechanism** - It can be used as a measure to see it the business is achieving its
Objectives. It they are not being achieve it given the business an opportunity to make
Changes so they can be achieved