# Module 5
# Extra life: Business Plan Development, Business Model Canvass, Strategic forms

## Lesson 2

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# Learning Outcomes

At the end of this module you will:

- Have an idea on how prepare a Business plan cash flow

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# Sections constituting the business plan

1. Summary of the entrepreneurial idea
2. Mission
3. Description of the offered Service/Product
4. Market Target (Customers)
5. Competitive Analysis (Market Competitors)
6. Marketing Plan
7. Swot Analysis
8. Team
9. Economic and Financial Analysis


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# 6. Marketing Plan

This section answers the following question:

**to make a business plan by deepening the guidelines that will shape our work path?**

eting strategy is the set of guidelines which the company wants nd needs to proceed to achieve the goals that have been set. fine the strategies that will guide your business choices you will ously need to consider industry and market analysis then define the so-called Marketing Mix levers:

**oduct:** not only the product/service in the physical and concrete sense, but its quality, after-sales service and warranty etc.;

**ce:** product/service sales price must take into account company costs, competitive pricing, pricing policies, discounts/sales, modalities and payment times;

**elling point:** any ways of distributing your product/service. Are ere direct sales outlets? Are there any intermediaries (e.g. a wholeseller)? Distribution is also done online and how?

**omotion:** all the advertising, communication and public relation activities making your product/service known to the market


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# 7. Swot Analysis

SWOT analysis (also known as the SWOT matrix) is a strategic planning tool used to evaluate **Strengths**, **Weaknesses**, **Opportunities** and **Threats** of a business plan or any other situation where an organisation or an individual has to make a decision to reach a goal. The analysis can cover the internal environment (analysing strengths and weaknesses) and/or the external environment of an organisation (by analysing threats and opportunities).

These are phases typically followed during the SWOT analysis:

1. It will define a desired final state (or objective)
2. It will define the main points of the SWOT analysis, which are:

- **Strengths**: the organisation attributes that are useful for achieving the goal (Internal conditions inside the organisation or within individuals participating in it);
- **Weaknesses**: the organisation attributes that are harmful for achieving the goal (Internal conditions inside the organisation or within individuals participating in it);
- **Opportunities**: external conditions that are useful for achieving the goal;
- **Risks/Threats**: external conditions that could harm performance and goal.

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# 7. Swot Analysis – SWOT Table Example

## SWOT Analysis

**Strengths**
- Technological skills
- Leading Brands
- Distribution channels
- Customer Loyalty/Relationships
- Production quality
- Scale
- Management

**Weaknesses**
- Absence of important skills
- Weak brands
- Poor access to distribution
- Low customer retention
- Unreliable product/service
- Sub-scale
- Management

Internal factors

**Opportunities**
- Changing customer tastes
- Technological advances
- Changes in government politics
- Lower personal taxes
- Change in population age
- New distribution channels

**Threats**
- Changing customer base
- Closing of geographic markets
- Technological advances
- Chages in government politics
- Tax increases
- Change in population age
- New distribution channels

External factors

Positive

Negative

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# 8. Team

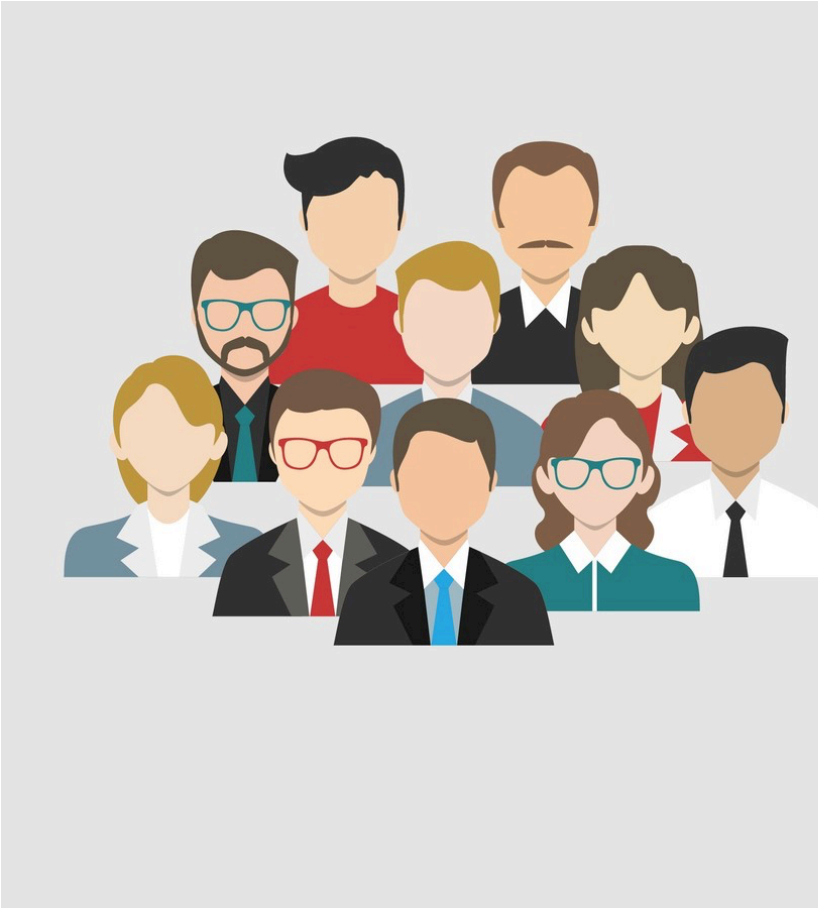
This section answers the following question:

**What skills are needed to start-up in a particular field?**

**company's expertise** (the skills of the company members) is one of the parts of the Business Plan. This is crucial for implementing a whole set of ecasts about the functions that each company' member or the staff must ve. For each company member, it is advisable to check if there are any nowledge and skills in the business sector where a company has to be launched.

**For example**, if you want to open a social enterprise in the field of sadvantaged people training, it would be crucial that, among company nbers, there are those who have worked and/or who have done studies in eld of interest. In this way, the company will be able to know, following the ple shown, how to plan a training course, how to approach the target group which the company intends to work, etc. If company members HAVEN'T GOT these skills and knowledge, the enterprise starts disadvantaged!

her necessary skill is **business management**. Those who want to start up ially may not have these skills but; it is advisable to choose between the bers, which one has these skills. Managerial skills are crucial to represent company in relations with public authorities and manage the company etc. 's crucial to have on the board a member who can handle the different situations in which the company will be faced.



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# 9. Economic and Financial Analysis

This section of the business plan answers the following key questions:
**How much does it cost to start up the business described in the business plan? Do we self-finance or do we seek funding sources? How long will it take to repay the lenders and the starting up expenses incurred? Business supplies….how will they be paid and in which ways? How and when will our customers pay?**
The **economic-financial analysis** aims to introduce the economic and financial structure of the “social start-ups” by including useful information to assess the feasibility and economic sustainability of the enterprise over time. In this section it is necessary to provide accurate information and numeric data on the economic and financial performance of the "social start-up".
The **financial and economic forecasts** should be projected up to a maximum of 3 years, period in which revenues need to be higher than expenditure. Otherwise, the “social start-up” business economic viability as well as it profitability will be doubtful; therefore, it would not make sense to continue to keep a “loss" business.
It is therefore crucial to reach the “break-even point” within the 3rd year period of business activities.
Obviously, **the economic and financial plan**, will reflect the previously carried out analysis (8 points/sections already analysed). **Economic and financial plan** will always use realistic projections. In this way, we have to demonstrate, in numerical and economic terms, how we have made certain financial forecasts and based on what values and assumptions, by taking into account that we are considered projections.

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# 9. Economic and Financial Analysis

**What should be considered to start the economic-financial analysis?**

. The **investments** needed for starting up. That is, the economic scription of the instrumental assets for the start up and their value. he **sales targets** that we expect. These is being used to determine any revenues. For the calculation of revenues, we would multiply the ber of products/services that is expected to be sold annually per the selling price. Obviously the products/services offered may be more one (see point 3 part 1). The price of product or service offered must mpetitive compared to that of the competitors. In this way, there must competitive advantage for the customer in purchasing our product or rvice instead of the one of my competitor. The **competitive edge vantage)** is dictated both by low price and by the quality/price ratio. . **Start-up management costs**. These costs are represented by ecurring expenses each year the company supports; they are for xample: utilities costs, wage and salary costs, room rental costs, nistrative costs, advertising costs and costs for purchasing materials etc.


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# 9. Economic and Financial Analysis

Only after considering all these aspects of the “social” business plan we can really evaluate the feasibility of our "social" idea. Consider not only the market (**Customers**) willing to buy our products/services but also the money (**financial resources**) we need to invest and….last but not least….always consider that the business has in place **to generate revenues** that will cover costs.

## How do we fill this information into the Business Plan?

**Schemes will help us**

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# 9. Economic and Financial Analysis - Investments

**at are the initial investments needed unch a social start-up and where do the funding come from?**

this part of the economic and financial lysis you need to describe the fudning that is in place at the start.
s can be "external" funding (Bank loans, blic/European funding - as is often the case for innovative social start-ups; undraising) or "internal" (Own funds, family funds).
we need to describe, through a table, various investment items and their costs asily identifiable market prices through estimates and/or market research).

**See the example in Table**

| *The investment plan* | | | |
|---|---|---|---|
| | ***Description*** | | **cost** |
| ***A*** | **Establishing costs:** | | |
| | Notary cost | | |
| | Start-up consultancy | | |
| | Total | | - |
| | Drafting Business Plan (out-of-pocket expenses) | € | 500,00 |
| ***B*** | **Material goods:** | | |
| *1* | Hardware | € | 4.500,00 |
| *2* | Software | € | 1.000,00 |
| *3* | Internet website | € | 1.000,00 |
| *4* | Furniture | € | 1.500,00 |
| ***C*** | **Marketing and communication** | € | 2.000,00 |
| ***D*** | **Management fees (for the first three years)** | € | 11.700,00 |
| | **Total** | **€** | **22.200,00** |

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# 9. Economic and Financial Analysis - Price

**ow do I determine the price of the products or services I would like to offer?**

ermination of the price is pivatol in the preliminary analysis of competitors acting in your reference arket, but also considering the availability of the stomers target identified in the previous analysis (see point 4 and 5 part 1 and point 6 part 2). e price must generate a sufficient revenue flow in er to ensure coverage of the sustained costs and nerate a satisfactory profit at least within the 3rd ar of business activities. So, we need to describe, ugh a table, the items relating to the unit prices of products or services we would like to offer in the current market.

**See the example in Table**

| | *Pices for every covered service area* | |
|---|---|---|
| 1 | Project planning | |
| 1 | Project planning through identification of priorities and needs, SWOT analysis, definition of the project idea using the Logical Framework methodology, support in defining the project's consortia. Drafting and applications of proposal funded by regional national, European funds.. | |
| 2 | *Management* | |
| 1 | Management of project's activities with the role of partner or sub-contractor | |
| | In Horizon 2020, Societal Challenge 5, *Climate Action, Environment, Resource Efficiency and Raw Materials* | 3 |
| | In LIFE 2014-2020 | 5 |
| 3 | *Analysis and Research* | |
| 1 | Drafting of plans, studies and researches | |
| | From scratch | 1 |
| | In revision | |
| 4 | *Training* | |
| 1 | Training activities related to regional, national, EU general approaches, policies, regulations about climate adaptation and sustainability.. | |
| 2 | Training activities related to specific aspects of project planning and management tied to climate adaptation issues | |

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# 9. Economic and Financial Analysis – Balance Sheet

**What is the Balance Sheet?**

e **Balance Sheet** defines the assets of an enterprise (in terms accounting value) in a specific period of its existence (normally every year). It is divided into two opposing sections:
**ssets**, including inventory, fixed assets, cash equivalents and edits. These are all the necessary and crucial investments for the company.
**abilities**, including capital reserves, shared capital, profit and sses for the year as well as short, medium and long-term debts.
From a financial point of view, these items represent the ompanies own resources used to finance the investments with the aim to perform the best in the bussiness.
e **Balance Sheet** and the **Profit and Loss Account / Income tatement** (see next slide) are two basic documents useful for afting the start-up financial plan. In this case however, filled into a Business Plan, they are defined as forecasts.

**See the example in Table**

| Pro Forma Balance Sheet | Year 1 | Year 2 | Year 3 |
|---|---|---|---|
| Assets | | | |
| Current Assets | | | |
| Cash | $8,025 | $8,426 | $9,058 |
| Accounts Receivable | $1,725 | $1,811 | $1,947 |
| Inventory | $49,800 | $52,290 | $56,212 |
| Other Current Assets | $975 | $1,024 | $1,101 |
| Total Current Assets | $60,525 | $63,551 | $68,318 |
| Long Term Assets | | | |
| Long Term Assets | $6,500 | $6,825 | $7,337 |
| Accumulated Depreciation | $3,975 | $4,174 | $4,487 |
| Total Long Term Assets | $14,975 | $15,724 | $16,903 |
| Total Assets | $75,500 | $79,275 | $85,221 |
| Liabilities and Capital | | | |
| Current Liabilities | | | |
| Accounts Payable | $11,552 | $12,129 | $13,039 |
| Current Borrowing | $0 | $0 | $0 |
| Other Current Liabilities | $7,550 | $7,928 | $8,522 |
| Subtotal Current Liabilities | $19,102 | $21,561 | $0 |
| Long Term Liabilities | $0 | $0 | $0 |
| Total Liabilities | $19,102 | $20,057 | $21,561 |
| Paid In / Invested Capital | $56,398 | $59,218 | $63,659 |
| Retained Earnings | | | |
| Earnings | | | |
| Total Capital | $56,398 | $59,218 | $63,659 |
| Total Liabilities and Capital | $75,500 | $79,274 | $85,220 |
| Net Worth | $56,398 | $59,218 | $63,659 |

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# 9. Economic and Financial Analysis – Income statement.

**What is the forecast income statement?**

n enterprise's income statement is based on **costs** and **evenues**. The company needs to realise its production process using the following production factors: capital, dings, equipment, vehicles, consumables, goods, human esources, lighting, electricity, water, gas, telephones, fax chines, rent, insurance, consultancy and more. Every time company acquires the productive factors needed for own ness, it sustains COSTS. Whenever an enterprise sells its luct or service, it gets REVENUES. On the contrary, **Cash ow** describes the actual cash inflows and outflows of the company, for example, the costs actually paid and the revenues actually paid by the customers.
**Income statement** are **COSTS AND REVENUES**.
**SH FLOWS** are real **MONEY INCOME** and **EXPENSES**.

**See the example in Table**

| Pro Forma Profit and Loss | Year 1 | Year 2 | Year 3 |
|---|---|---|---|
| Income | | | |
| Sales | $105,600 | $138,600 | $198,( |
| Cost of Goods Sold | ($19,200) | ($25,200) | ($36,0 |
| Gross Profit | $86,400 | $113,400 | $162,( |
| Expenses | | | |
| Accounting / Legal | $5,400 | $5,562 | $5,7 |
| Bad Debts | $4,800 | $6,300 | $9,( |
| Shrinkage | $2,880 | $3,780 | $5,4 |
| Credit Card Fees | $1,680 | $2,205 | $3,1 |
| Insurance | $400 | $408 | $4 |
| Miscellaneous | $250 | $247 | $2 |
| Payroll Taxes | $1,565 | $3,757 | $5,6 |
| Permits and Licenses | $120 | $124 | $1 |
| Rent | $45,200 | $48,800 | $51,( |
| Salaries | $0 | $0 | $10,( |
| Wages | $8,330 | $20,000 | $20,( |
| Total Expenses | $70,625 | $91,182 | $110,7 |
| Net Profit | $15,775 | $22,218 | $51,2 |

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# 9. Economic and Financial Analysis – Break-Even Point

**What is the Break-even point?**

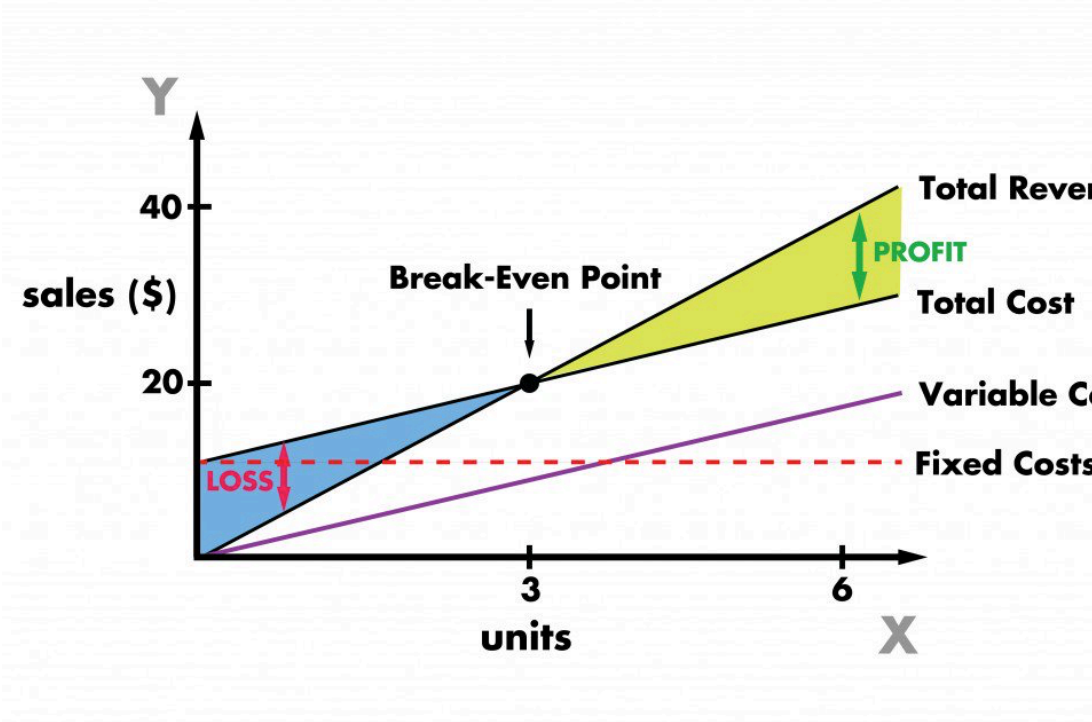
he break-even point describes the profitability of the enterprise itself.

case of the Start-up, the break-even period is the period e required to recover the initial costs incurred, calculated using the break-even analysis method.

ically, in the Business Plan it is necessary that the start- will reach the break-even point within the 3rd year of ity, otherwise the enterprise continues to be in loss and there is no convenience to continue the business.

the table an example of start-up profitability analysis.

**See the example in Table**

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# Others.....

This section answers to the following questions:
**Does your business need special permissions?**
**Does your business have to comply with specific laws/ regulations?**
In the last section of the Business Plan we refer to any laws or regulations and/or permissions that may be necessary to start the business. These can be relevant or not (depends on the type of business you want to start-up). Social enterprises are often subject to preventive authorisations by the public administration. If this is the case, you must just list them.


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