

J o e l H . J o s e p h s o n

Business Plans and Planning For  
Small and Medium Business

## Does and Don'ts of Effective Business Plans



# Introduction



J o e l H . J o s e p h s o n

Joel is an experienced consultant and analyst of SMEs having the unique experience in founding and building internationally trading companies for 20 years and in completing consulting to business for 10 years.

Joel has specialized in the analysis of numerous companies and then gone on to oversee business planning, based on his analysis. Clients have included, companies in retail, medical devices, Internet, IT and distribution.

He has specialized in helping companies define potential strategies and building financial models based on the strategies as a means to best understand the risks and rewards.

Joel has been published and quoted in professional newspapers and magazines, and has lectured at professional conferences organized by Internet.Com and De Beers.



# Clients



Magic



Euroleague



Formula Group



Maccabi TA



DiamondFloor.com



Incredimail



Ministry of Communications



Knesset Committee



Xlight



Public Works Dept.



Clifton Interiors UK



Cellcom



Against the Grain UK



Partner



Kindersite Project



Pelephone



# Introduction

Joel Josephson has been composing Business Plans for over 15 years. This presentation explains what information banks and investors require from a business plan today.

It offers entrepreneurs tips and guidance on the many aspects of obtaining finance in today's difficult markets.

Part 1. Introduction and business plan basics

Part 2. Strategies and business plan content

Part 3. The business model and financials



# Part One

## Introduction and business plan basics



# The Right Order



# Build Coherent Strategies

Before you start, ask yourselves ALL the 'What if" questions

Is the need great enough to sustain the investment?

What are the advantages in manufacturing in the Far East?

Which product lines should be focused on?

What route to market should be employed?

How much money will be needed to reach profitability?

etc....

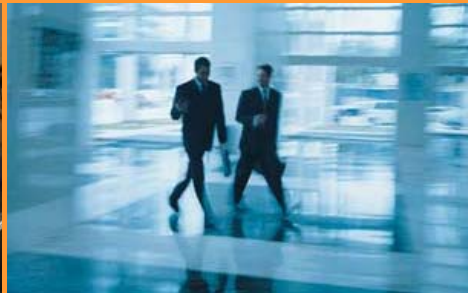


# Business Plan Overview

Tip: Banks know the risks - ensure you show how you overcome them

A good business plan answers all the financiers questions before they even ask them !

For example, an investor wants to ensure that you understand the risks in carrying out a strategy, ensure that you show the possible problems, at what stage and how you will minimize them



# The Management 1

Tip: More important than everything else combined.

Banks do not expect developing companies to come with a full team, BUT they do expect you to know who is missing and how you will fill the gaps.

For example, build an organization chart showing what you have and what you are missing



## The Management 2

Tip: Ensure that the existing managers have the experience to do the job assigned in the team

A sure way to ruin a good investment scenario is for the founders to over-rate their capabilities. It looks much better to show that you know your limitations.

For example, placing an production expert as the Director in charge of expanding into the USA



# What is a Good B.P.?

Tip: The exact order is less important than the ability for a reader to find required information.

A business plan must include all the following areas:

- Need for the product
- Product description
- Company, operational and development plans
- Market description
- Competitive landscape
- Business and marketing strategies
- The team
- Intellectual property and protection (if appropriate)
- Current status of the project and company
- Business model and financial forecasts



## Part Two

# Strategies and business plan content



# Executive Summary

Tip: Don't forget the magic word 'Summary'

An Executive Summary is exactly what it says, a summary of the business plan.

It can never be written before the full business plan is complete, in fact it's impossible, as the business plan process defines the strategies.



# A One Shot Game

Tip: Your plan is only going to be read ONCE !!!

An Executive Summary is the 'aperitif' for the business plan meal, don't try to turn it in to the entree.

To succeed it needs to be:

- Maximum 2/3 pages
- Clear, concise, organized
- Look attractive and easy to read
- Free of hyperbole - shows greater confidence



# Identifying Needs

Tip: Carefully analyze existing products/market gaps

You must identify a real need in the market that can be quantified and understood by the investors/banks.

Do not write broad descriptions, bring specific examples and facts.

For example, describe an existing solution and why it fails to answer the needs that your solution will answer.



# Building Revenues

Tip: Build revenues by product lines not single products

Sales growth must be based on the real available market size.

Target products to market sectors/niches

Show realistic growth levels based on resources available



# The Product

Tip: For every good idea that succeeded there are a 1,000 better ones that failed...

Entrepreneurs greatest mistake is to believe that if you have a great product you have a great company. All the evidence proves this wrong. The critical factor is great management and a good product.

For example, look how many times new management have turned a bad product/company in to a market leader.



# Project Plan

Tip: The project plan does NOT need to be overly detailed

An investor will not need the precise details of your development plan at the BP stage. He needs to understand that you know what you have to do and how you will do it.

For example, include a development Gant chart with milestones.

Tip: The project manager should have a full project plan complete, at the same time as the BP is ready

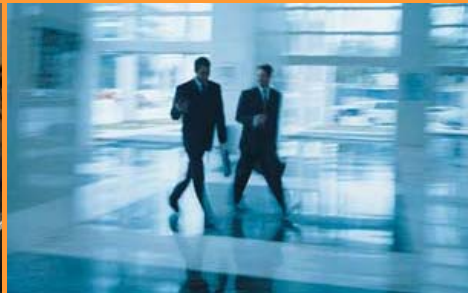


Tip: The 2nd largest cost of marketing is travel

Never under-estimate the time and cost of launching a new product on to a foreign or remote market.

Evaluate carefully all the routes to a market and be prepared to swap profitability for speed and penetration.

For example, approaching a major distributor and concluding a deal can take many months

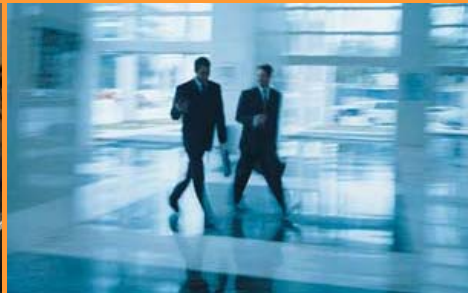


# Markets

Tip: Look at the real numbers of potential sales, not the total market in Pounds

Banks much prefer to see a focus on a single niche market that is understood in depth; than entrepreneurs that say they are going to take on the world in week one, or even Year 2.

For example: Focus on retailers in London in the beginning.



# Competitors

Tip: No competition - come on..., grow up !

Even if you just discovered fusion power, I promise the competition is only; time away. The greater your success and the better the idea, the larger the market, the faster the competition will run after you.

For example, ensure you describe the competition properly and your competitive advantages



# Part Three

## The Business Model and Financials



# Financial Forecasts 1

Tip: Be reasonable, be realistic, add 20% to the cost

In today's business climate it is imperative that your financials are bulletproof, i.e. the numbers cannot be faulted from a logical standpoint.

To ensure this paradigm be very conservative and check real prices in the market.



## Financial Forecasts 2

Tip: Investors will need to see your burn rate for the 1st 2 years in quarters.

Use real numbers researched from the market  
For example, Annual costs – Production Managers

Add over-run numbers

If appropriate complete a Sensitivity Analysis

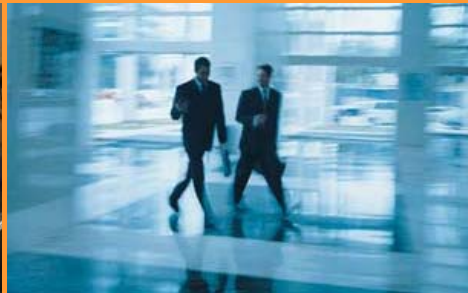


# Business Model

Tip: It's much better to include the numbers of sales to a market rather than broad percentage based penetration rates

Your business model must be based on the available market not the total market.

This means that you must focus on the narrow geographic areas and market sectors that you have described in the Market chapter.

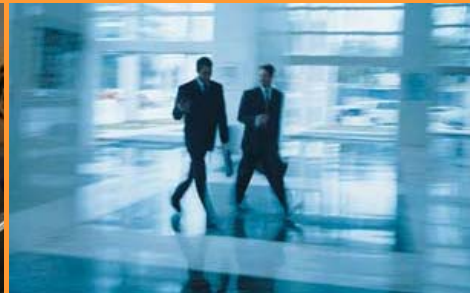


## Other Sources of Revenue

Tip: A new sale is the start of a business relationship

A new customer for a product is just the beginning of a business relationship. You have opened the door, jumped the barrier, now sink in the teeth with additional sales.

For example, a typical company can make 10% of their revenues from support, training and consulting, 20% from peripheral sales and the remaining 70% from core products.

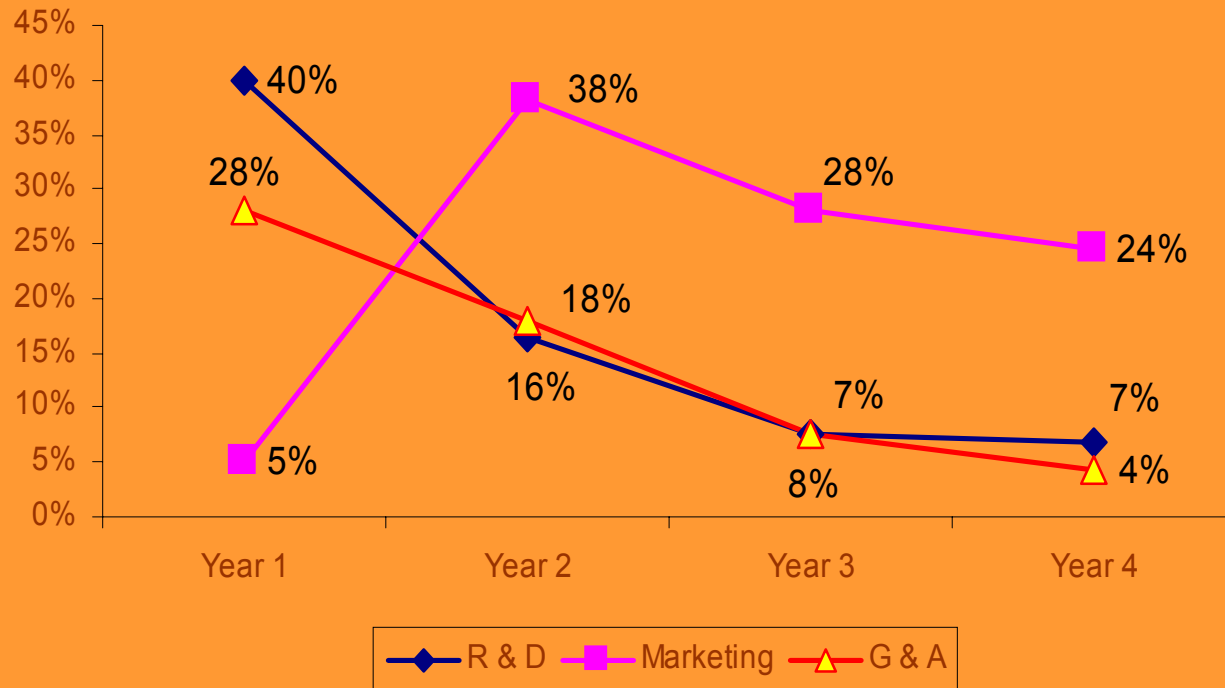


# Examples of Expenses

Tip: Research real prices in the market

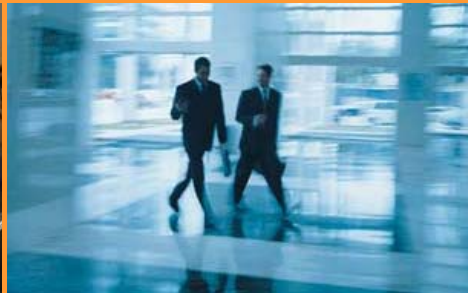
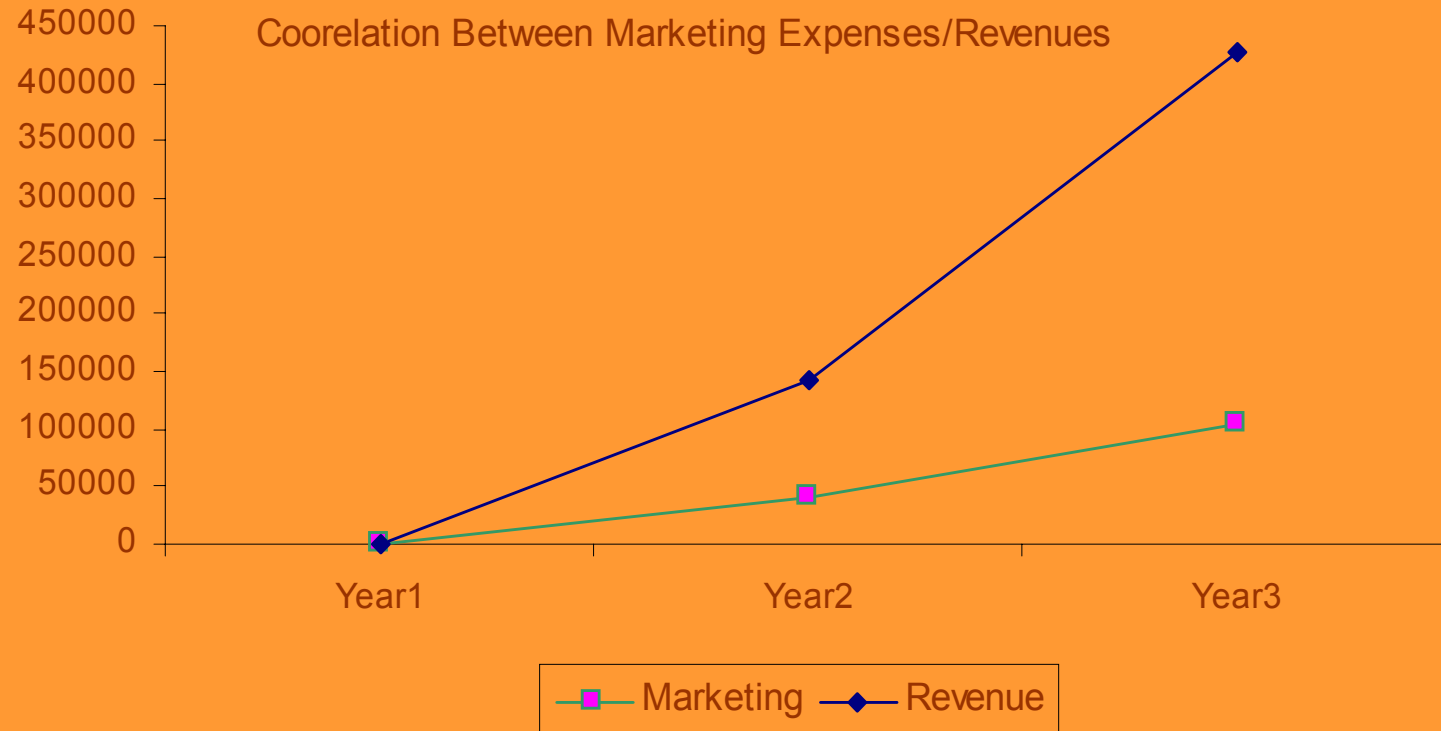
The chart shows a typical high tech company's, changes in expenses, as a percentage of revenue, as the company matures

Company Expenses as a % of Revenue Over Time



# Marketing to Revenue

Revenues will only increase if the marketing and sales expenses increase



# Contact

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