

Business Plan

**Guidelines: For City-wide High
Schools Business Plans
Competition**

Purpose of a Business Plan

A business plan has four primary functions.

Briefly, these functions include:

- * A business plan is an action plan. By going through the discipline of thinking through all the various aspects of starting and operating a business, it helps you move into action. The process of starting a business is broken down into smaller tasks which makes the large task of starting a business seem less formidable.
- * It provides a road map for you to use once you have started the business and will keep you focused. It is also a useful tool for others involved directly or indirectly with the business to understand your vision. Remember a journey is a lot less risky when you have directions!
- * You have also been able to identify areas in which the business has particular advantages or weaknesses and the ability to determine with a reasonable degree of certainty whether or not the business is viable - before investing (and potentially losing) money.
- * The business plan is a sales tool which demonstrates to business associates - bankers, investors, customers, suppliers and others - that you have carefully considered your options and the practicalities of the proposed undertaking.

A business plan is a carefully thought-out description of where the business is now, where it wishes to be at some defined time in the future, and how it proposes to get there.

The process of starting a new business or expanding an existing one starts with an idea. This is done by identifying an opportunity in the market for your business idea or concept, the feasibility of the idea and the degree to which the idea is innovative.

Content of the Business Plan

Your business idea is the first step in starting a new business or expanding an existing idea. You are now ready to start writing the business plan which will develop your idea thoroughly for presentation.

Your business plan should give clear concise information on all-important aspects of the proposed business. This includes its start-up, operation and management, analysis of costs, sales, profitability and growth prospects. Don't waste too much ink on numbers and too little on the information that really matters to investors. Essential ingredients of your business plan are:

1. **The people or management team.** A business plan should describe each member of the team's knowledge and experience especially with respect to the product or service. The dream team that brings together all the right skills.
2. **The opportunity** or profile of the business itself- the product or service, the customer, the industry it is in, the growth potential of this industry and the competition. Remember all opportunities have potential but they also have vulnerabilities. In other words you need to know "the good, the bad and the ugly" that the business faces.
3. **The context of the business.** All businesses exist in context- the big picture - the factors that inevitably change that the entrepreneur has no control over. The macroeconomic environment including the economic activity and regulatory environment. The business plan must demonstrate an awareness of the context in which the opportunity or business operates.
4. **Risk and reward** - the future is hard to predict but you need to give investors a sense of the kind and type of risk and reward you are assuming with this new business.

Writing the Business Plan

A business plan gives clear concise information on all the important aspects of the proposed business. Each of the sections is covered in detail in this document but it is important to note a professional business plan is:

- Effective – it contains everything the investors need to know in order to finance the undertaking- nothing more and nothing less
- Structured- clear and simple structure
- Comprehensible- It is written clearly and to the point. Precise wording, no jargon, no waffle
- Brief. It does not exceed 30 pages including appendices
- User-friendly. The type at least 11 font, 1½ spacing and 2,5cm margins
- Attractive. The figures and tables are simple and easy to grasp. No graphic "special effects"

Elements of a Successful Business Plan

Table of Contents or Index (1 page)

Executive Summary (1 pages)

Company Overview (1 page)

Product or Service (1 page)

Industry, Market Place and Competitor Analysis (1 pages)

Marketing Plan (2 pages)

Operations or Business System (1 pages)

Development (1 pages)

Management Team (1 page)

Financial Projections (2 pages)

Appendices (no more than 11 pages)

Executive Summary

The executive summary is a condensed form of your business plan, which tells the reader under pressure everything they must know about your business plan. It must contain the key elements of your business plan and capture the reader's interest. Obviously you can only write it once you have completed your plan but it must be able to stand-alone and not refer to parts of the plan.

- Opportunity – what is the size of the market, the critical trends and how your business will exploit them?
- Solution- what problem is your product or service solving?
- Competitive Advantage- what is unique about your product or service and the benefits?
- Process- How is the product or service to be delivered?
- Positioning- What segment of the market are you serving and how will the customer perceive your product or service?
- Financial- Revenue for year 3 or 4 and when will you break even? How much funding do you need?

Financial Summary

Year end

	Year 1	Year 2	Year 3	Year 4
Sales				
Gross Profit				
%GP to Sales				
Expenses				
Investment Required				
Nett Asset Value				
ROI				
Payback Period				

Company Overview

- Introduction – name of the business, is it a new business or an expanding business, where is it located and how is it organized (e.g. Sole proprietorship, CC, Co-Operative, Company)
- Mission Statement – short inspirational sentence stating your product/service, the customer and your “technology”. In other words- what, for who and how!
- History and Current status –a brief outline but obviously if it is a new business this would not apply.
- Market and Product/Service- the following questions must be answered in one or two paragraphs: What market need you are fulfilling, who are the target customers, what product or service you are selling, what are you

current sales if any.

- Objectives- This should be a single paragraph stating goals for your business in terms of growth, format and what is your exit strategy (are you going to sell, go public, buy out investors etc.)

Product and Service Description

This is where you must show passion and enthusiasm for your product/service but you must also be factual! You need to describe it carefully and sell it. What is it that will make your idea irresistible to the marketplace?

Introduce this section with an evocative description of the experience of customers purchasing your product/service – evocative may not be appropriate for all products and services!

Description

- What problem does your product/service solve?
- What customer need does it meet?
- What is unique about your product/service
- Who will purchase your product/service and why?
- What are its features and benefits
- What is your pricing strategy?

Market Comparison

You need to position your product/service in the market place

- Who are your competitors?
- What are their products/services?
- How is your product/service superior and how is it different?

Protecting your idea

You need to ensure that you have sufficient protection for your idea while you are engaged in discussions.

- Patents, copyrights, trade secrets, confidentiality agreements
- Other proprietary knowledge or skills

Stage of Development

- Where is the product/service in its lifecycle?
- Is the product/service ready for the market?
- If in development, at what stage?
- What obstacles remain?

Industry Analysis

This analysis must provide a “big picture” overview of the size and scope of the industry you are in. This is the kind of information you get from DTI, Chambers of Commerce, Wesgro, Government statistical services, Library, Internet.

- How is the industry you are in, defined?
- How is the industry segmented and how are the segments defined?
- What are the current trends and important developments?
- Who are the largest most important players?
- What problems is the industry experiencing?
- What national and international events are influencing the industry?
- What are the growth forecasts?

Market Analysis

This section describes the specific market (where you are located) in which you are operating and competing within the industry you have described. You describe the larger environment of your business – you need to talk to suppliers, customers, intermediaries, wholesalers, distributors and retailers.

- Define the market you are in.
- How big is it and how fast is it growing?
- How is the marketplace segmented?
- What businesses currently serve the marketplace?
- What important trends are there in the markets which are currently not being served?

You need to understand the customers in this marketplace and answer the following questions:

- Who are the traditional customers in this market?
- What motivates buying decisions?
- What are they currently dissatisfied with in the market?
- What needs are being unmet?
- Are there groups of customers being ignored?

Competitor Analysis

- Who are the direct competitors? Who are indirect?
- How big are they and how big is their target market?
- Where are they located?
- What are the attributes of their product/service?
- What are they not doing for the customer?
- How are they priced, distributed etc.?

Customer Seeks	Competition offers	You offer
Quality		
Exclusivity (Uniqueness)		
Lower prices		
Product line (different products)		
Product service (after sales)		
Reliability		
Delivery		
Location		
Information		
Availability		
Credit cards		
Credit line		
Warranty		
Customer Advice		
Accessories		
Product knowledge		
Polite help		

Marketing Plan

The principal task of any business is to meet the needs of the customer- a marketing approach. The marketing plan is therefore one of the key elements of the business plan. You must convince investors that there is a market for your business idea.

You have already analysed the market and the competition and now you need to choose your target market and what your marketing strategy is going to be.

The Target Market

- Who are the customers or customer groups (segmentation)?
- Which customers or customer groups are particularly attractive financially?
- For these customers how can you differentiate yourself from the competition (positioning)
- What market share and what sales do you envisage achieving with these customers?

Criteria for customer segmentation helps you define the market you can reach with your product/service.

For consumer goods and services you must consider:

1. Geographic location
2. Demographics
3. Lifestyle
4. Behaviour
5. Purchasing behaviour

For industrial goods and services consider:

1. Demographic- company size, sector location
2. Operational- technology employed
3. Purchasing behaviour- central or decentralised purchasing, purchasing criteria, contract with suppliers etc.
4. Situational factors- urgency of need, order size etc.

Product/Service Positioning Strategy

How is your product/service designed to meet the needs of your target customer?

- What specific product/service design meets the needs of your customer?
- What differentiates your product/service in the target market?
- How does it differ from your competitors?
- What are the strengths and weaknesses?
- Why will customers switch?
- How quickly and effectively can your competitors respond to your business?

Pricing Strategy

The price you can ask is the price the customer is prepared to pay.

- What price can you ask and what evidence do you have that the target market will accept this price?
- What pricing strategy will you use and how does it compare with your competition?

Distribution (Place) strategy

Your product/service must actually reach the customer. Your distribution channel is determined by size of your target market and their location, whether they are companies or individuals, purchasing behaviour and the complexity of your product/service.

- How will you distribute your product/service
- What distribution channels will you use? Why?
- How will you gain access to these channels?

Promotion strategy

Your target market must be informed about the availability of your product/service.

- How will you communicate with your target market to advertise and promote your product/service? How much will it cost?
- Why will this be effective in reaching your target market?

Sales Strategy

A good sales strategy must support your promotion strategy

- How will your product/service be sold?
- Who will do the selling?
- How will you support the sales effort?

Operations or Business System

This section describes how you will run your business and deliver value to the customer. Your business system must be aligned to your marketing plan. One of the key questions in the business system is which tasks and activities a business should focus on. Your business system will determine the “competencies” you will need.

- How will you use operations or business systems to add value for customers in your target market?
- How will you win in the marketplace through cost, quality, delivery and flexibility?
- Which of these will win your orders?
- What is the advantage of your operational or business system design?
- What will be your “make or buy” decisions? Why does this make sense for your business?
- What are your business relationships- vendors, suppliers, partners, associates?
- What kind of people will you need to hire?

Your organisational structure and ongoing operations can be included in the appendices

Development

If you are starting a business, what are all the steps that you need to accomplish to get the business up and running? If you are expanding a business, what do you need to do to make it grow?

- What work remains to launch your business?
- What factors still need to be co-ordinated to make your business idea work? The important interdependencies between the activities.
- What are you doing to make this happen?
- What is the timetable for launching your product/service? Insert a timeline chart showing your schedule

Management

The team that drives a start up or growth of a business is regarded as venture capitalists as the most important attribute of the business. In this section investors must get to know your team and be convinced of its motivation and effectiveness.

- Who are the members of your management team and what distinguishes them (attach CVs as appendices)
- What unique experience and skills do they bring to the business?
- What experience and skills do they lack and how will you address this?
- How will they be compensated?

Company Structure

- What is the ownership structure of the business?
- Is there a board of directors and what will be their role
- Organisation chart (Organogram) - attach as a appendix

Financial Projections

Your business plan must answer the following questions:

- How much money do you need to start the business and over what period?
- When established, how much profit is the business likely to make?
- What are the main assumptions the forecasts are based on?

Your financial projections should extend far enough into the future to the point where the business has achieved stable operations.

Forecast the first year month by month as cash flow is critical in the early stages. The second and third years should be projected quarterly.

Financial Statements

Include pro-forma income statement, balance sheet and cash flow for the first year here and all other financial information as appendices. Break-even analysis if appropriate could be including in appendices.

The critical financial assumptions you need to include are:

- Revenue forecasts (price and volume)
- Cost of good sold (materials and labour)
- Sales and Marketing expenses
- Development expenses
- Administration expenses
- Capital Expenditure
- Working capital (account receivable, inventory, creditors)
- Funding (amount and timing of debt)
- Ratio analysis for business and the industry
- Other assumptions needed

This detail can be included in an appendix.

Determine Funding Requirements

Once you know how much capital you need for your business from the cash flow, the next decision is where it comes from. The timing of the capital also needs to be determined.

Type of Funding:

- Equity funding is appropriate for most start-ups with moderate to large cash needs. Sources are own savings, venture capital, business angels, funds from established companies for research co-operations, stock exchange through IPO.
- Debt financing is appropriate if you have an established track record or if you have small cash needs. Sources are family loans, state support schemes for job creation, mortgages, credit cards, leasing, or bank loans.
- Non-traditional financing via leases, customer advances, customer participation, or vendor participation

Business Risks

Every business is exposed to risks. There are risks in the business itself and risks can always arise in the environment the business operates in. Your business plan should contain three scenarios – the nominal case (most likely to happen), best-case scenario and worst-case scenario.

Your business plan must answer the following questions:

- What risks can you see might threaten the success of your business?
- How will you deal with these risks, and how will you minimize the impact?
- What would be the quantitative effect of the individual risks (scenarios)?
- How would the business survive worst-case scenario?

Valuation of the Business

- What is the value of your business?
- How did you calculate this value?

Offer

If you are looking for equity funding you need to answer the following questions:

- What is the structure of the deal you are offering or seeking?
- How much money do you want?
- How much of the business are you willing to give away?
- What is the planned exit strategy for investors?
- What is the anticipated return on investment for investors?

If you are looking for debt funding you need to answer the following questions:

- How much interest are you willing to pay?
- What collateral do you have for a loan?
-

Appendices

Required items:

- Financial statements- assumptions and monthly and quarterly cash flows
- Management CVs

Optional items:

- Marketing surveys
- Development timelines
- Operations layout or Business system
- Anything else that will sell your plan.



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CITY – WIDE HIGH SCHOOLS BUSINESS PLANS COMPETITION

HIGH SCHOOL PARTICIPATION FORM

_____, hereby confirms participation in the City Wide
(Name of School)

High Schools Business Plans Competition

Principal / Teacher: _____

Physical Address: _____

Region: _____
(City of Johannesburg Regions)

Tel: _____ Fax: _____

E-MAIL: _____

Signature: _____

Date: _____

School Stamp

CITY –WIDE HIGH SCHOOLS BUSINESS PLANS COMPETITION

ENTRY FORM

Business Idea: _____

Business Name: _____

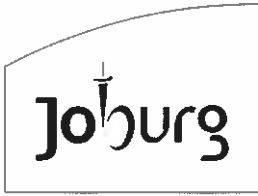
No. of Team members _____

No.	Name	Grade	Age	Gender	Contact Numbers
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					

Teacher: _____

Signature: _____

Date: _____



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CITY-WIDE HIGH SCHOOLS BUSINESS PLANS COMPETITION

Competition Dates:

1. 03 August 2010 - Competition Opens
2. 03-13 August 2010 – Confirmation of Schools Participation
3. 17 August 2010 - Submission Business Idea Entry Form
4. 18 August 2010 – Competition organizers send contact details of Mentors for technical assistance to all participating Schools
5. 31 August 2010 Business Plans Submission
6. 01-03 September- Regional Short listing
7. 06 September- Notification of Short listed candidates
8. 08 - 18 September 2010 - Mentorship and Coaching
9. 22nd September 2010 – Competition Day (Final Expo) and Award Ceremony

Competition Rules and Criteria

1. The competition is open to all 60 City of Johannesburg Students Council schools
2. Entrants must be in grade 9, 10, 11 or 12 (principal to decide participation of grade 12 learners)
3. Individual or group entrants are encouraged to enter however, groups must be comprised of not more than 25 learners failure to do so amounts to disqualification
4. Groups may be mixed, i.e. 5 learners from grade 9, 4 learner from grade 9, etc, but your group must come from the same school
5. Entrants must not be over 18 years of age
6. Schools may establish as many teams as possible and are required to work closely with the mentors for technical assistance via the contact details to be provided at a later stage
7. For competition related enquiries, kindly forward to Mr. Siboniso Ndlovu on this email address: businessplanscompetition@joburg.org.za

8. Entry Submissions can be done online at www.joburg.org.za or hand delivered at the City of Johannesburg Regional Offices, details provided below:

REGION	PHYSICAL ADDRESS
A	1 ST floor 300 15 th Road, Randjespark Half way house 1685
B	1 ST floor, ACA Krans Building, 35 Symons Street Auckland Park
C	3 rd Floor, 100 Christiaan De Wet Road, Florida Park
D	1 st Floor Jabulani Civic Theatre, Soweto
E	5 th Floor Sanpark Bulding, Sandown
F	1 st Floor CJ Cronje Bulding, Cnr Loveday and Plain Street Jhb
G	K43 Highway Road Lenasia South East Municipal complex

9. The competition is in two phases
- a) Regional Eliminations
 - b) Final Expo
10. The 5 best ideas of each region will go through to the finals, which will be judged at the Final Expo
11. No shows at either adjudication process are automatically disqualified
12. Winners of the competition receive post competition business development support from competition sponsors i.e. City of Johannesburg and Grey Hat Foundation.
13. Winning business plans are judged in accordance with the City of Johannesburg and Grey Hat Foundation prescribed rules, which allow the judges to score the business plans in terms of compliance as it relates to the guidelines provided [winning business plans are based on the highest scores obtained]
14. In reference to point 11, the incubation of ideas is based on the originality and feasibility of the idea and could come from any participant team, not necessarily the winning teams
15. The judges' decision is final and no correspondence will be entered into.