

Marketing Essentials



Chapter 35

developing a business plan

Section 35.1 The Business Plan

Section 35.2 Marketing and Financial Plans

The Business Plan



Before You Read

PREDICT What might happen if a business were established without a plan?

OBJECTIVES

- **Explain** the purpose and importance of a business plan.
- **Identify** external planning considerations.

THE MAIN IDEA

A business plan helps an entrepreneur develop goals, determine resources, and identify how the business will operate. A business plan also helps lenders decide to invest in the business.

VOCABULARY

- business plan
- business philosophy
- trading area
- buying behavior

The Business Plan

Graphic Organizer

Elements in the First Section of a Business Plan

Description and Analysis

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The Business Plan

Graphic Organizer

Elements in the First Section of a Business Plan

Description and Analysis

Type of business

Business philosophy

Product and service plan

Self-analysis

Trading area analysis

Market segment analysis

Operational plan

The Business Plan

Developing the Business Plan

Main Sections of a Business Plan

Description and Analysis

Organizational Plan

Marketing Plan

Financial Plan



business plan

A proposal that outlines a strategy to turn a business idea into a reality.

The Business Plan

Description and Analysis

Parts of the Description and Analysis Section

Type of Business

Description and Analysis

Parts of the Description and Analysis Section

Business Philosophy



business philosophy

A company's stated beliefs on how its business should be run.

The Business Plan

Description and Analysis

Parts of the Description and Analysis Section

Product and
Service Plan

The Business Plan

Description and Analysis

Parts of the Description and Analysis Section

Self-Analysis

Education and Training

Special Strengths

Plan for Personal Development

Description and Analysis

Parts of the Description and Analysis Section

Trading Area Analysis

Geographic Data

Demographic Data

Economic Data

Competitive Analysis



trading area

The geographical area from which a business draws its customers.

Description and Analysis

Parts of the Description and Analysis Section

Market Segment Analysis

Target Market

Hours of Operation

Customer Buying Behavior

Visibility

Location of the Business

Customer Safety

Competing and Complementary
Businesses

Customer Accessibility

Zoning and Other Regulations



buying behavior

The process that individuals use to decide what they will buy, where they will buy it, and from whom they will buy it.

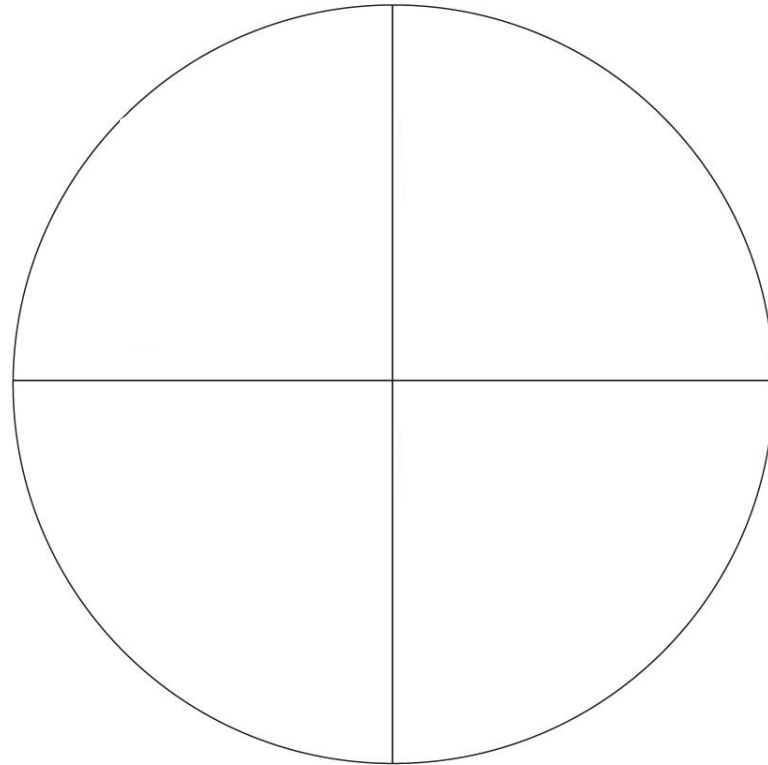
The Business Plan

Description and Analysis

Graphic
Organizer

Provide the Titles for the
Four Parts of the
Business Plan

Parts of the Business Plan



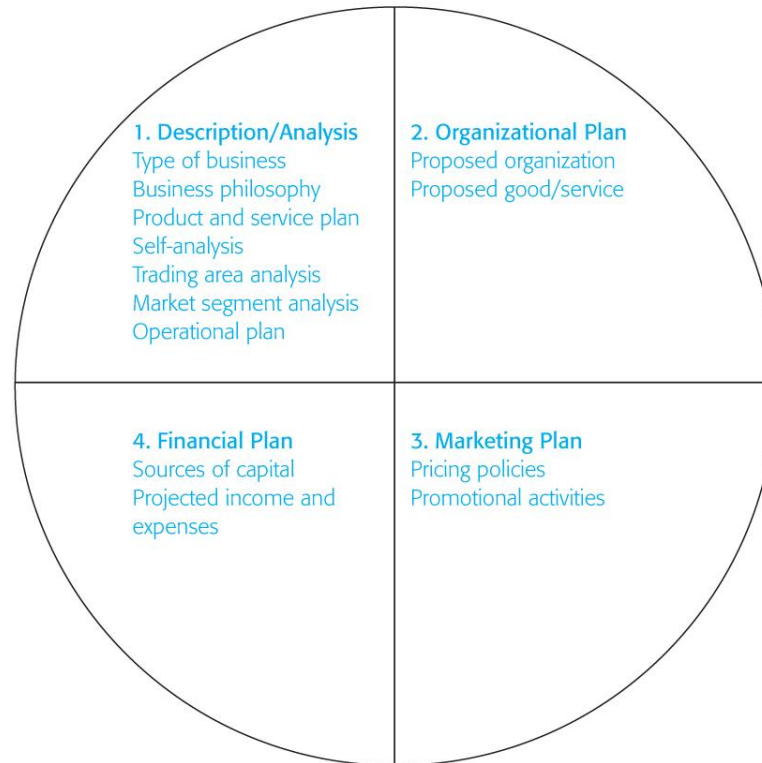
The Business Plan

Description and Analysis

Graphic Organizer

Provide the Titles for the Four Parts of the Business Plan

Parts of the Business Plan



The Business Plan

Description and Analysis

Graphic Organizer

Think of two small businesses in their community that compete with each other. Determine answers to these questions:

- How does the business differentiate itself from the competition?
- How does it keep abreast of the competition?
- What indirect competition does it face?

| | Business A: | Business B: |
|--|-------------|-------------|
| How does it differentiate itself from the competition? | | |
| How does it keep abreast of the competition? | | |
| What indirect competition does it face? | | |

The Business Plan

Description and Analysis

Graphic Organizer

Think of two small businesses in their community that compete with each other. Determine answers to these questions:

- How does the business differentiate itself from the competition?
- How does it keep abreast of the competition?
- What indirect competition does it face?

| | Business A: Sam's Grocery | Business B: Mom's Food Mart |
|--|---|--|
| How does it differentiate itself from the competition? | Tells customers they'll get the best deal in town. | Tells customers the products are chosen especially for them by a loving mom. |
| How does it keep abreast of the competition? | Reads the competition's ads in the local newspaper. | Visits the competition's store on a regular basis. |
| What indirect competition does it face? | New chain store offers online purchasing and delivery services. | New chain store offers online purchasing and delivery services. |

The Business Plan

Description and Analysis

Graphic
Organizer

Examples of Each Type of Data

| Geographic | Demographic | Economic |
|------------|-------------|----------|
| | | |

The Business Plan

Description and Analysis

Graphic Organizer

Examples of Each Type of Data

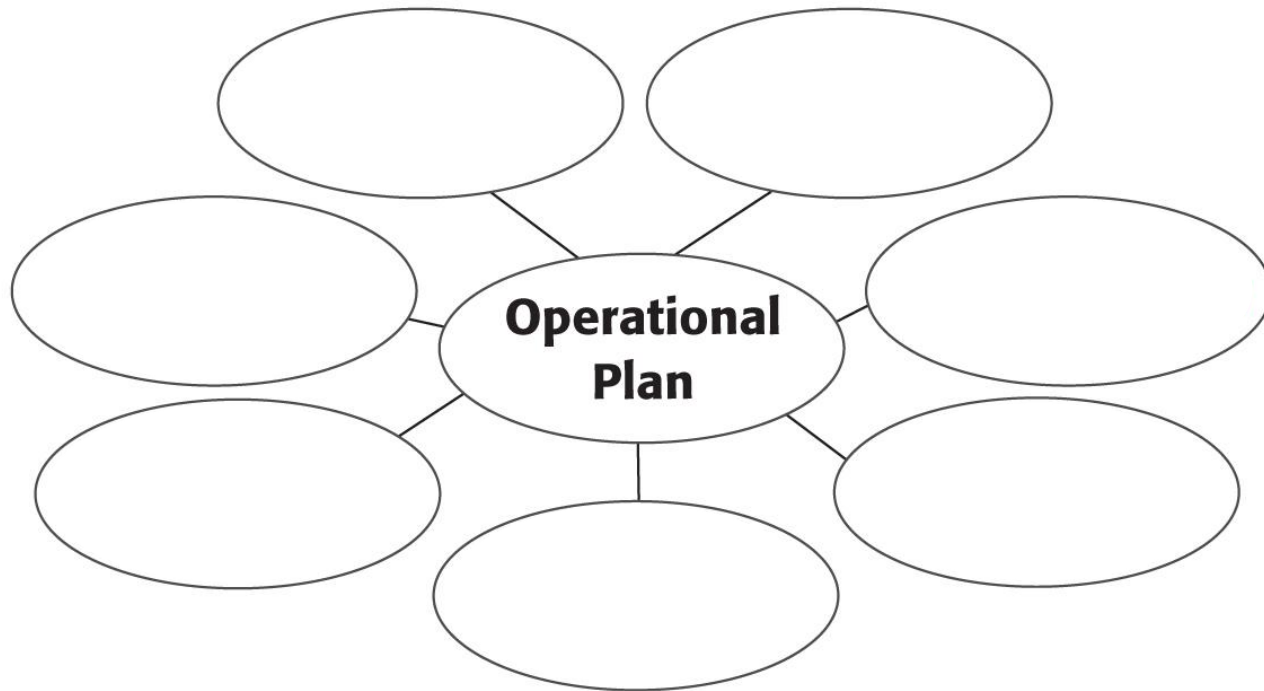
| Geographic | Demographic | Economic |
|---|--|---|
| <ul style="list-style-type: none">• Population distribution figures or how many people live in a certain area | <ul style="list-style-type: none">• Age• Gender• Marital status• Race/ethnicity | <ul style="list-style-type: none">• Business growth projections• Trends in employment• Interest rates• Economic statistics• Stock market forecasts• Governmental regulations |

The Business Plan

Description and Analysis

Graphic
Organizer

Parts of the Operational Plan



The Business Plan

Description and Analysis

Graphic Organizer

Parts of the Operational Plan



The Business Plan

Description and Analysis

Graphic
Organizer

Operational Plan for an
Athletic Shoe Business

| | |
|-------------------------------------|--|
| Location | |
| Competing Businesses | |
| Hours of Operation | |
| Visibility | |
| Customer Safety | |
| Customer Accessibility | |
| Zoning and Other Regulations | |

The Business Plan

Description and Analysis

Graphic Organizer

Operational Plan for an Athletic Shoe Business

| | |
|-------------------------------------|--|
| Location | the local mall |
| Competing Businesses | the large department stores that anchor the mall |
| Hours of Operation | 10:00 a.m. to 7:00 p.m. every day |
| Visibility | located near a sporting goods store that sells some clothing but no shoes |
| Customer Safety | good lighting in store; mounted mirrors to increase visibility of interior |
| Customer Accessibility | wide, clear aisles; wheelchair ramp to door of store; large parking area |
| Zoning and Other Regulations | mall zoned for retail sales; additional regulations written into lease |

The Business Plan



After You Read

Section 35.1

1. **List** the four major parts of a business plan.

The four major parts of a business plan are description and analysis, organizational plan, marketing plan, and financial plan.

The Business Plan



After You Read

Section 35.1

2. **Explain** why aspiring entrepreneurs should conduct a self-analysis as part of a business plan.

The self-analysis shows the entrepreneur's strengths and weaknesses. It allows him or her to plan ways to acquire the needed skills that are lacking or to improve in certain areas. Plans for continuing personal development show potential lenders and investors your intent to improve on your existing skills and abilities as a business owner.

The Business Plan



After You Read

Section 35.1

3. **Discuss** why knowledge about disposable income of potential customers is an important part of a business plan.

Disposable income is the personal income remaining from wages after all taxes are taken out. Disposable income is also known as “buying income” because this is the money consumers have to spend on the products and services offered by businesses.

Marketing and Financial Plans



Before You Read

PREDICT What do lenders want to see in the organizational, marketing, and financial sections of a business plan?

OBJECTIVES

- **Explain** a business's organizational plan.
- **Construct** a marketing plan.
- **Describe** financing sources for businesses.
- **Identify** the financial elements of a business plan.

THE MAIN IDEA

The organizational plan explains to investors how a business will function. The marketing plan explains how it will market its products. The financial plan projects its future profitability.

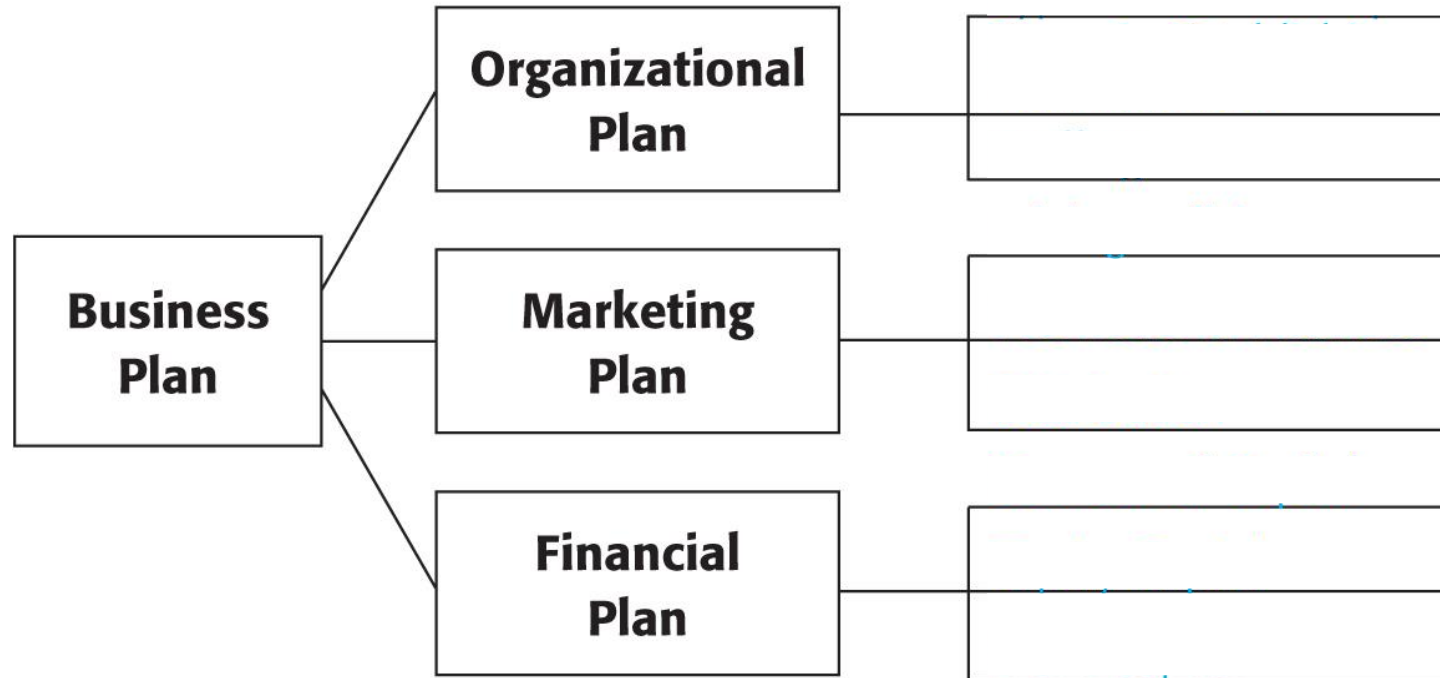
VOCABULARY

- job description
- organization chart
- equity capital
- debt capital
- collateral
- credit union

Marketing and Financial Plans

Graphic Organizer

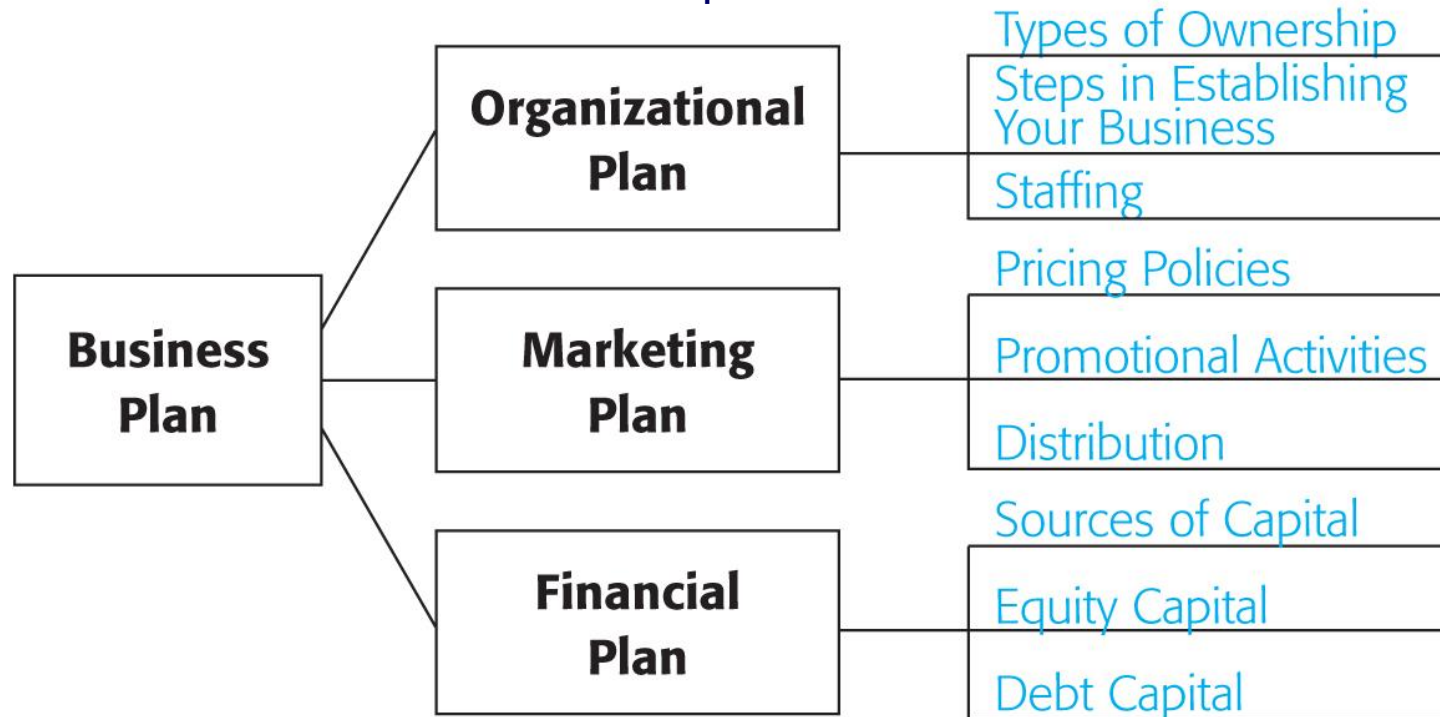
Describe the Three Business Plan Components Explained in this Section



Marketing and Financial Plans

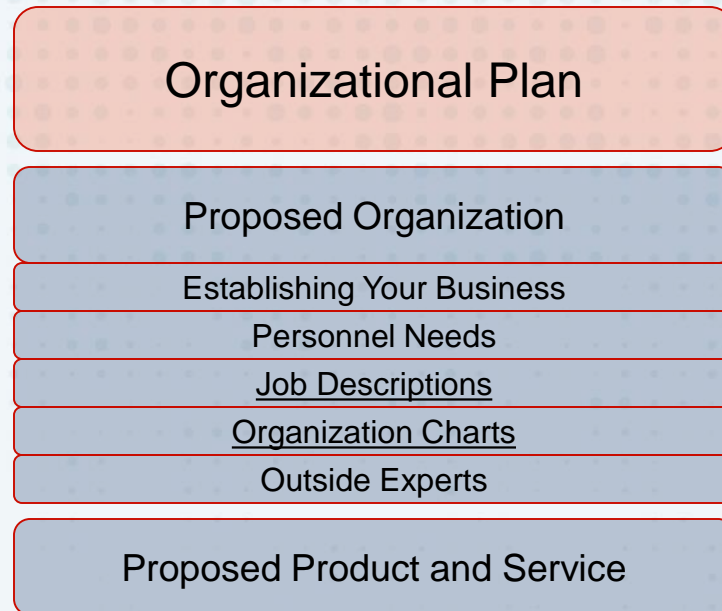
Graphic Organizer

Describe the Three Business Plan Components Explained in this Section



Marketing and Financial Plans

Organizational Plan



job description

A written statement listing the requirements of a particular job and the skills needed to fulfill those requirements.



organization chart

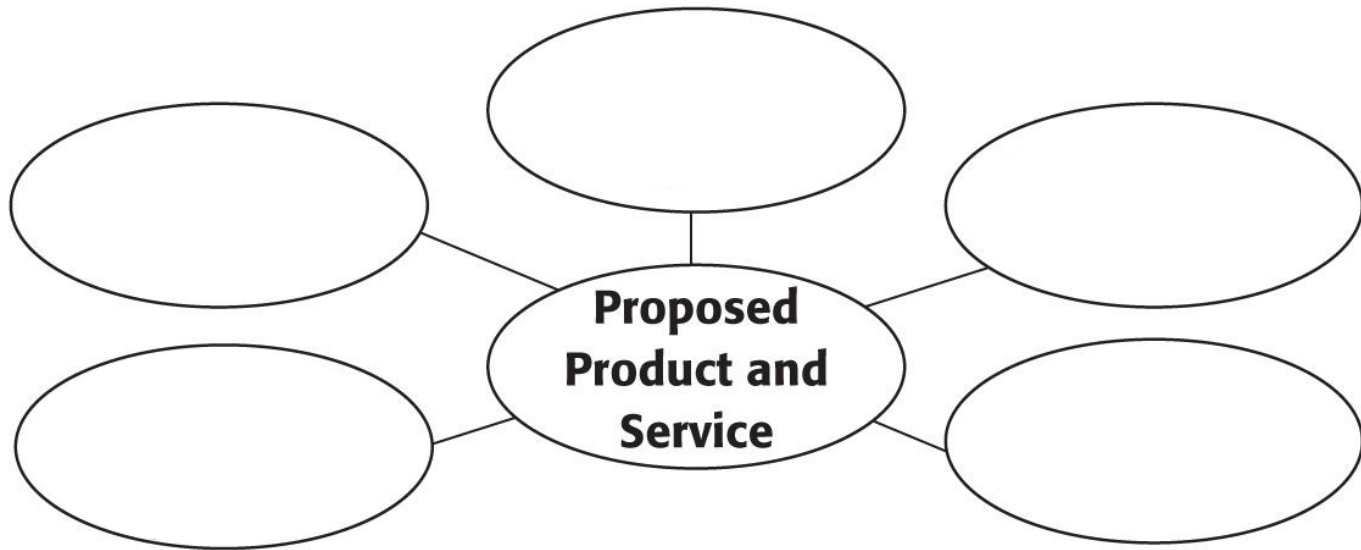
A diagram of a company's departments and jobs with lines of authority clearly shown.

Marketing and Financial Plans

Organizational Plan

Graphic
Organizer

Proposed Product and Service

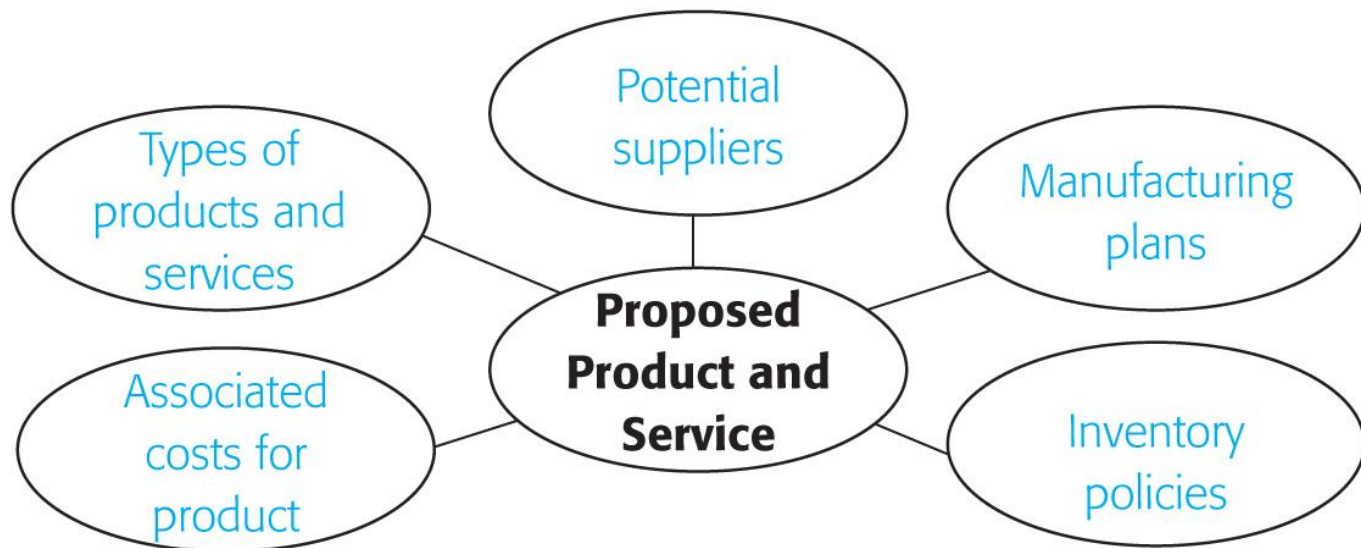


Marketing and Financial Plans

Organizational Plan

Graphic
Organizer

Proposed Product and Service



Marketing and Financial Plans

Marketing Plan

Marketing Plan

Pricing Policies

Promotional Activities

Financial Plan

Financial Plan

Equity Capital

Personal Savings

Partners

Shareholders

Debt Capital

Banks

Credit Unions

Supplier and Previous Owners

Financial Statements



equity capital

Money raised from within a company or from selling part of an owner's share.



debt capital

Borrowed funds, from sources such as banks, friends, and suppliers, that must be repaid.



credit union

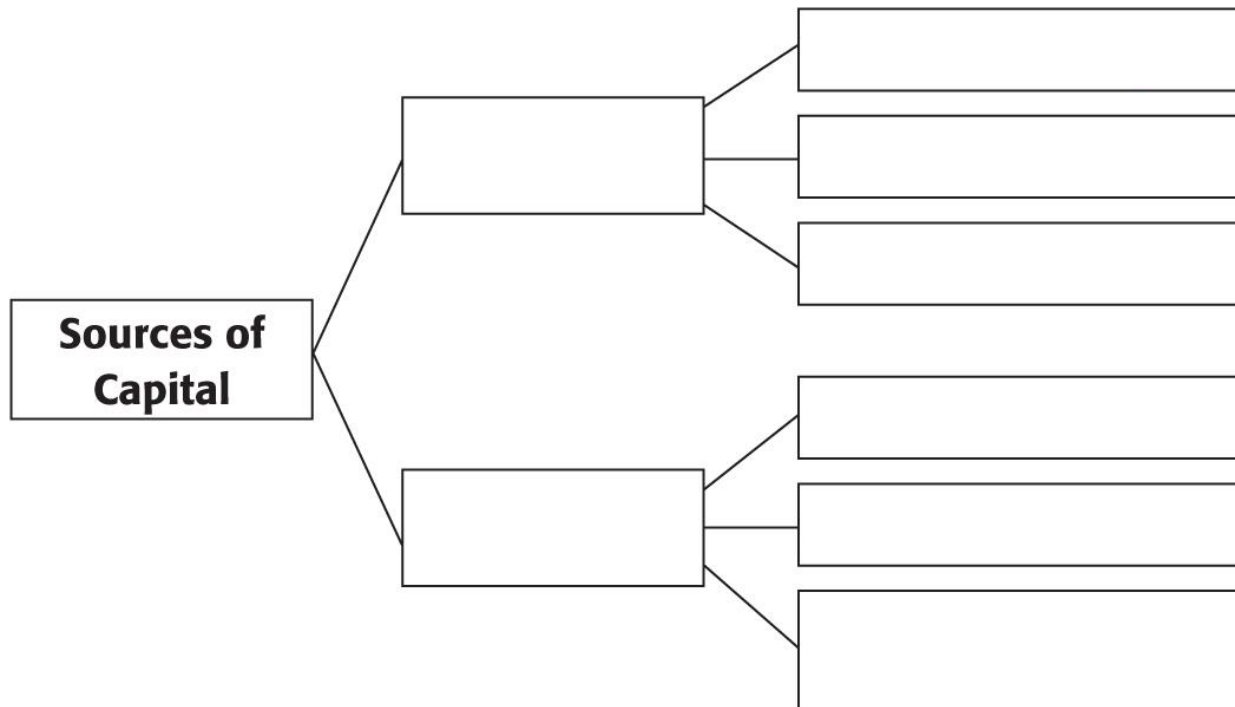
A cooperative association formed by groups of employees to serve as a financial organization and offer lower rates for the benefit of its members.

Marketing and Financial Plans

Financial Plan

Graphic
Organizer

Sources of Capital

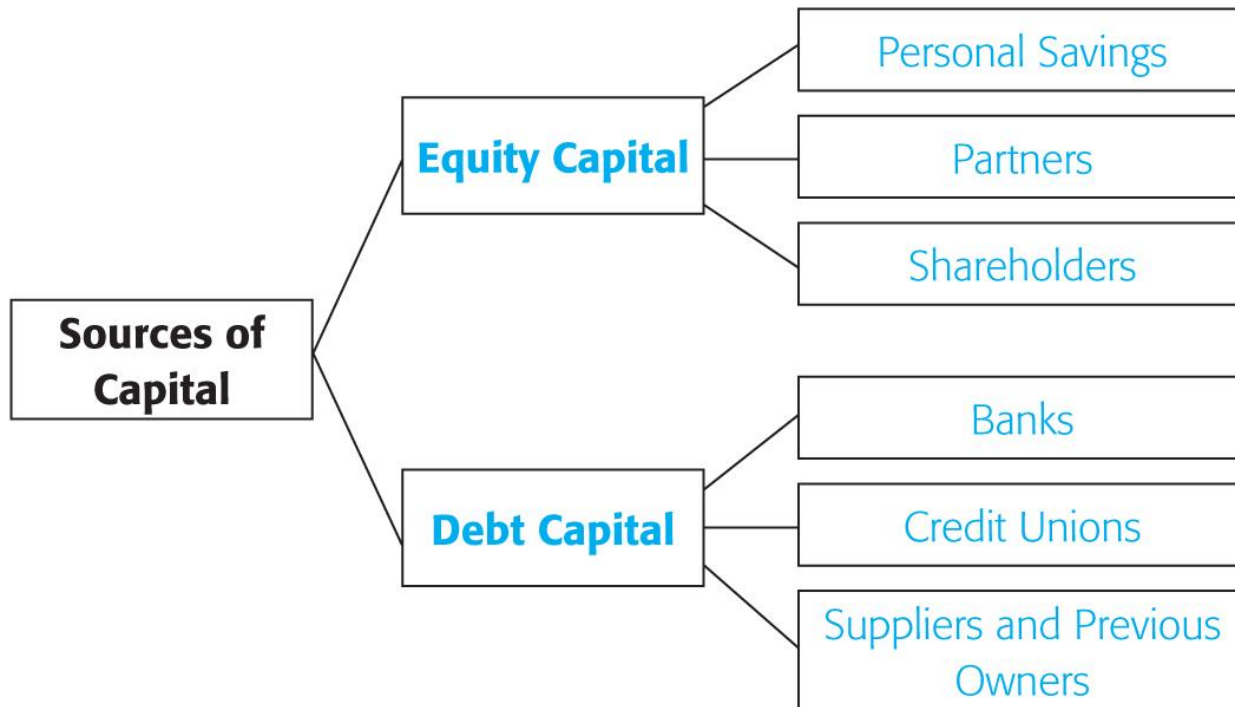


Marketing and Financial Plans

Financial Plan

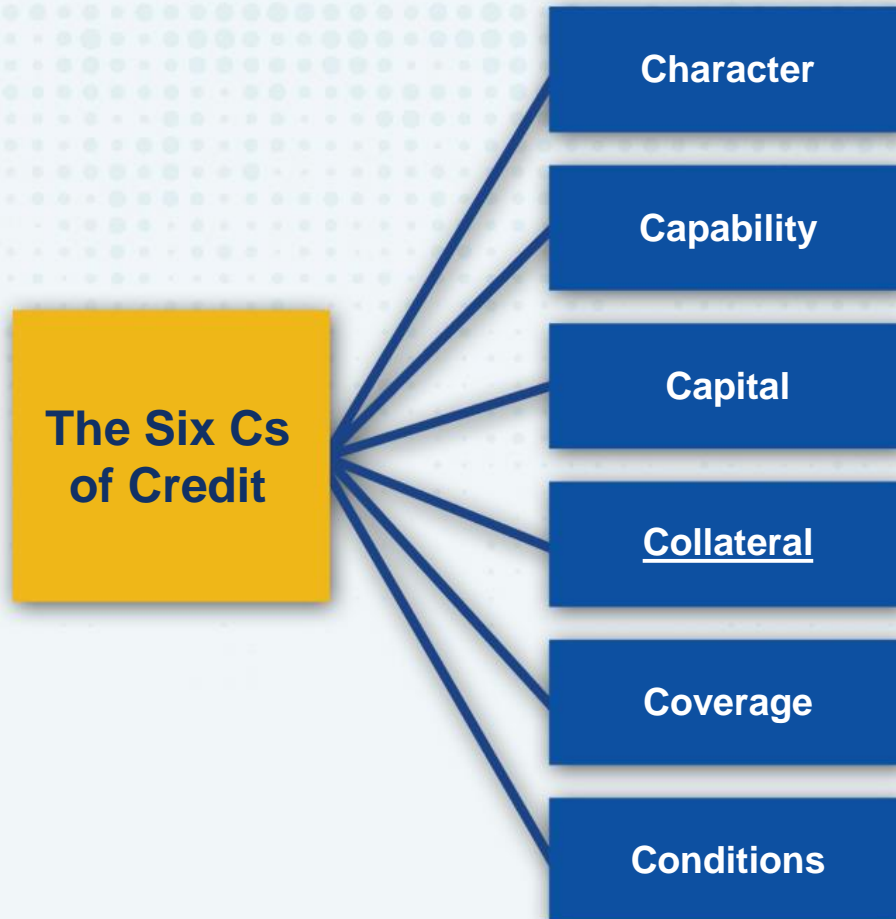
Graphic
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Sources of Capital



Marketing and Financial Plans

Financial Plan



collateral

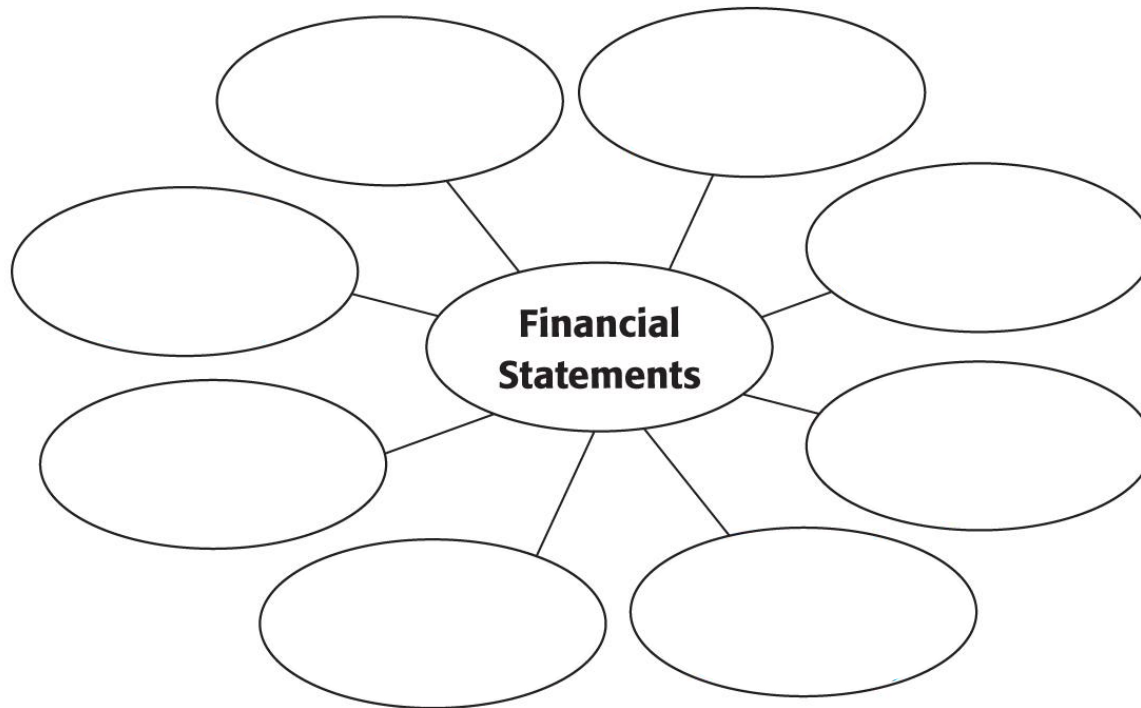
Something of value that you pledge as payment for a loan in case of default.

Marketing and Financial Plans

Financial Plan

Graphic
Organizer

Financial Statements

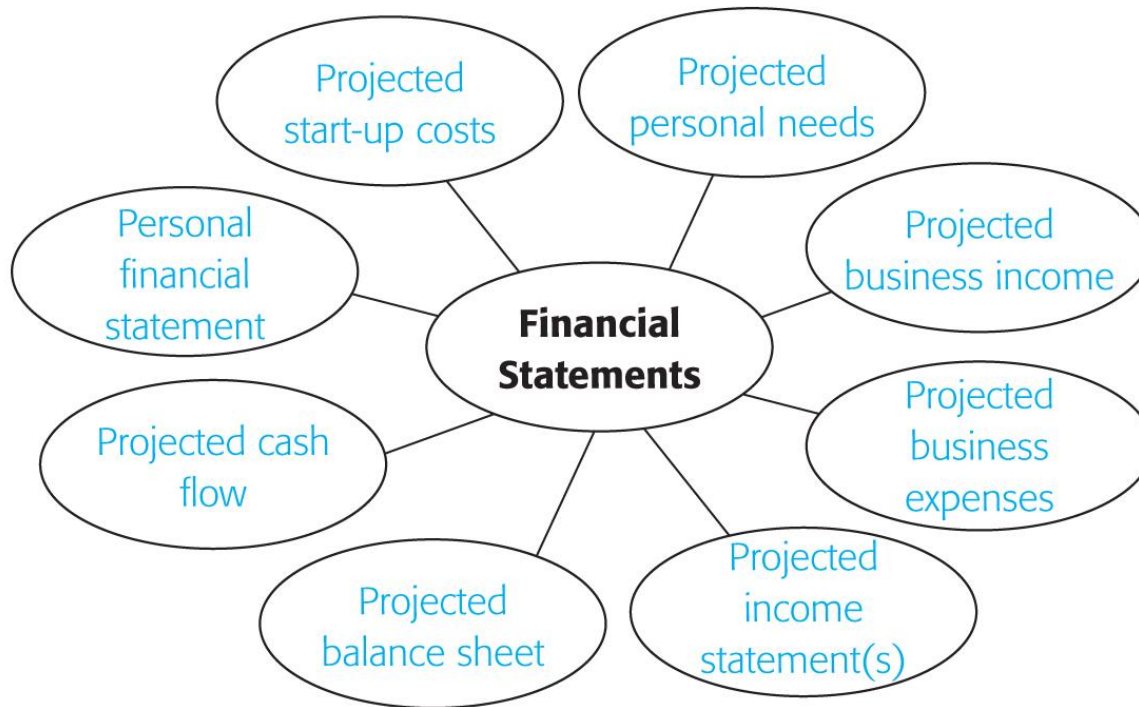


Marketing and Financial Plans

Financial Plan

Graphic Organizer

Financial Statements



Marketing and Financial Plans



After You Read

Section 35.2

1. **Identify** the three main types of ownership.

The three main types of business ownership structures are sole proprietorships, partnerships, and corporations.

Marketing and Financial Plans



After You Read

Section 35.2

2. **Explain** why personnel needs are identified in a business plan.

Potential investors and lenders need to know that the entrepreneur can identify essential jobs for the business so that it will operate efficiently and successfully.

Marketing and Financial Plans



After You Read

Section 35.2

3. Name the six Cs of credit.

The six Cs of credit include: character, capability, capital, collateral, coverage, and conditions.

Marketing Essentials



End of **Chapter 35** developing a business plan

Section 35.1 The Business Plan

Section 35.2 Marketing and Financial Plans