

Unit 5 Developing a business proposal

PO1.1

Objectives are statements of specific outcomes that are to be achieved

Mission The overall purpose of the business

Vision The overall aspiration of the business

Aims or goals General statements of what business intends to achieve

Objective More precise & detailed statements of the aims / goals



KEY FEATURES OF TARGET MARKETS

- A target market is made up of individuals with similar characteristics and therefore similar attitudes and priorities
- These include:
 - Benefits looked for in a product
 - Importance of brand, prestige, reputation
 - Ethical considerations
 - Basic or advanced functionality
 - Augmented features
 - Relative importance of aesthetics, function and cost
 - Willingness to pay
 - Price of the product
 - Sensitivity to changes in price
 - Method of payment e.g. lump sum, instalments
 - Preferred channel of distribution
 - Attitude to e-commerce
 - Importance of convenience as affected by life style
 - Where you live e.g. range of options available

• Target market – who is the product aimed at?

- Businesses (B2B)
- Consumers (B2C)

• Target market segments – what are the characteristics of the segment the products are aimed at?

- Low cost
- High end



Business Risk



Financial Risk

Definition

The inability of a company to generate enough revenue to cover operating expenses.

The inability of a company to generate enough cash flows to meet the debt commitments.

What Is It All About?

Business risk is operational.

Financial risk related to debt payments.

What Is the Duration?

Such a risk is prevalent as long as the organisation operates.

Financial risk is prevalent till the equity financing increases.

Is It Avoidable?

Business risk cannot be avoided.

Financial risk can be avoided, provided the firm does not take any debt.

How to Handle It?

Business risk can be systematised by reducing the cost of production and operation.

Financial risk can be handled by reducing debt financing and increasing equity financing.

How To Measure It?

Business risk can be measured by the variability in EBIT (Earnings Before Interest and Taxes)

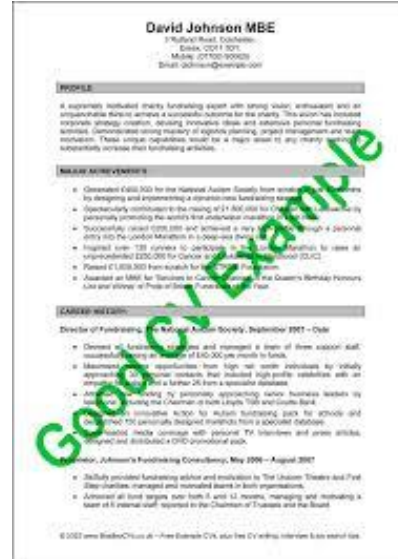
Financial risk can be measured by the financial leverage multiplier.

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PO1.2



Physical Resources



Financial Resources



Customer value proposition; a marketing statement that presents the customer with a promise of all the benefits they can expect when buying a particular good or service

The Physical Resources

- At the heart of an operations plan are the physical resources required to establish your venture. While you are all writing plans for different businesses there are many common resources. You need to devise a detailed list of all the resources required, which are properly costed and supported by research. Include the list in the business plan and place your research in another appendix.
- You only need to include in your list and research the costs that are relevant to your business.
- NB: These are physical resources and not costs like advertising.

Human Resources

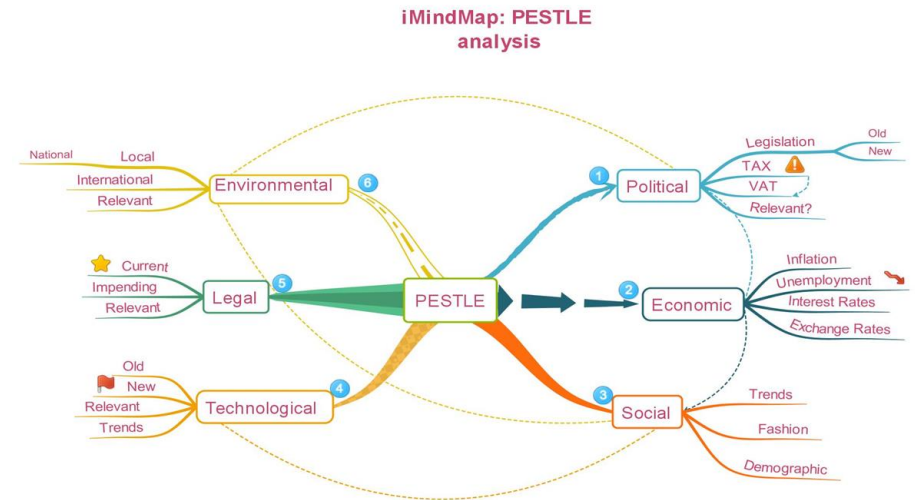
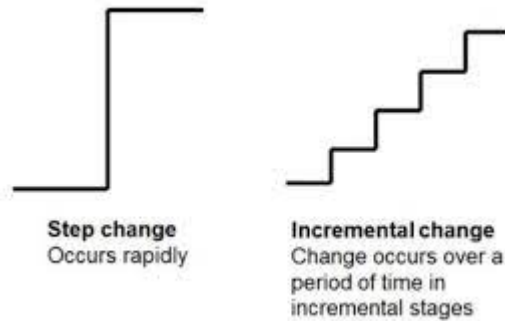
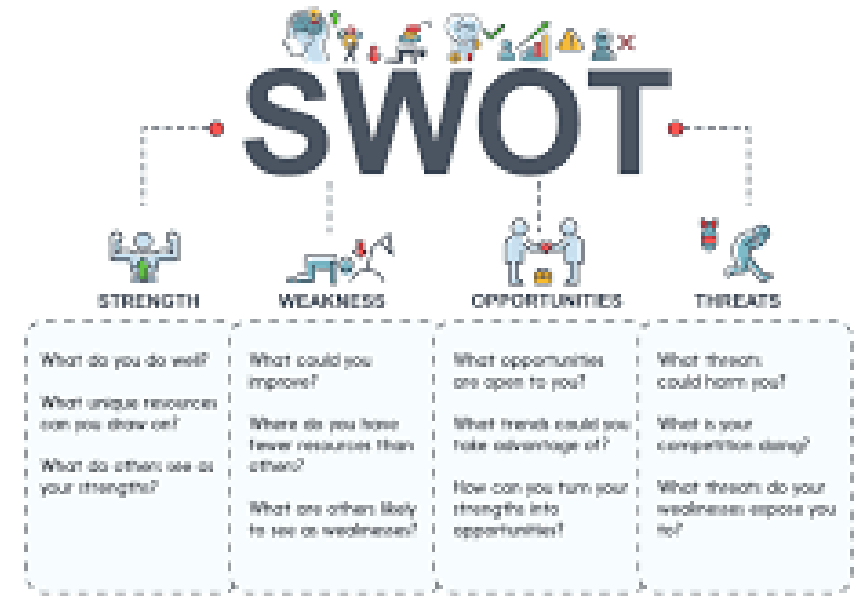
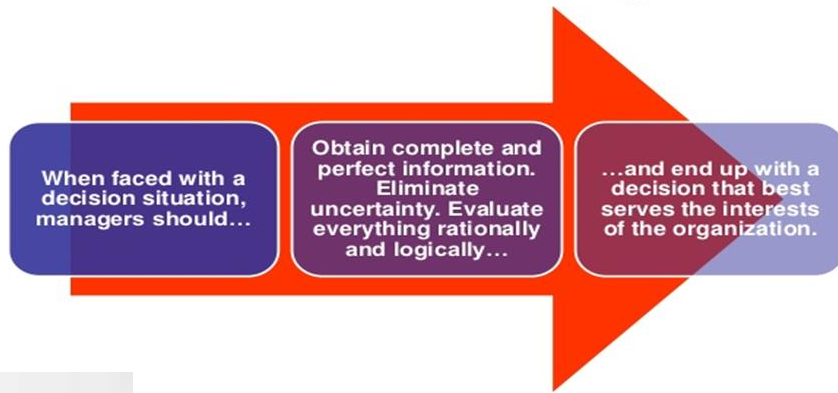


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PO1.3



The Classical Model of Decision Making



Competitive advantage; feature of a business that allows it to perform more successfully than others in the market.

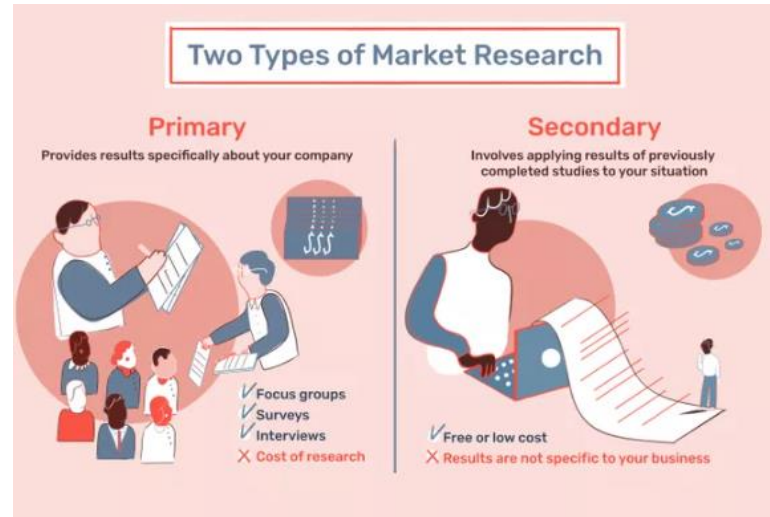
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PO2.1

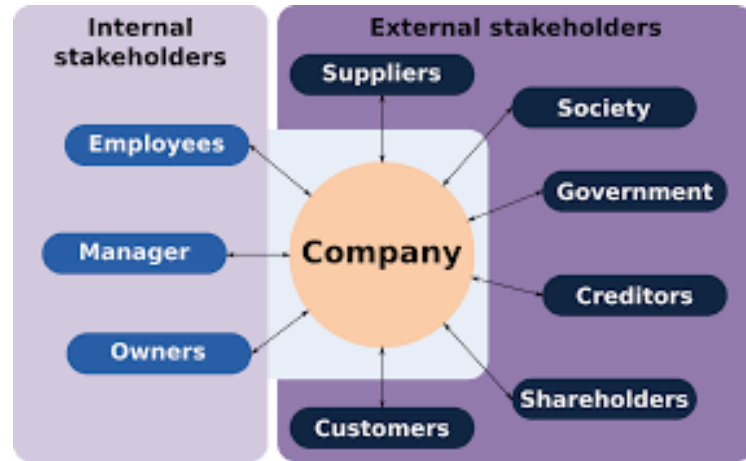
Trading month	April	May	June	July	Aug	Sept.	TOTAL
Cash inflows							
Sales	850	1280	2530	2870	3250	4250	15030
Total cash inflow: A	850	1280	2530	2870	3250	4250	15030
Cash outflows							
Utilities	360	380	260	280	399	260	1939
Wages	800	800	800	800	800	800	4800
Rent	520	520	520	520	520	520	3120
Professional fees	850	0	0	650	0	250	1750
Van	120	120	120	120	120	120	720
Marketing	800	300	300	450	300	100	2200
Total cash outflow: B	3450	2120	2000	2770	2139	2050	14529
Cash summaries							
Net inflow: A - B	-2600	-840	530	100	1111	2200	501
Capital	4000	0	0	0	0	0	4000
Opening balance	0	1400	560	1090	1190	2301	
Gross closing balance	1400	560	1090	1190	2301	4501	4501



A business organisation is an individual or group of people that collaborate to achieve certain commercial goals. Some business organisations are formed to earn income for owners. Other business organisations, called non-profits, are formed for public purposes. These businesses often raise money and utilise other resources to provide or support public programs



<http://smallbusiness.chron.com/meaning-business-organization-41925.html>



<https://www.entrepreneur.com/article/241080>

Format Of A Research Proposal

Research Proposal is Anywhere Between 2500-4000 Words



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PO2.2



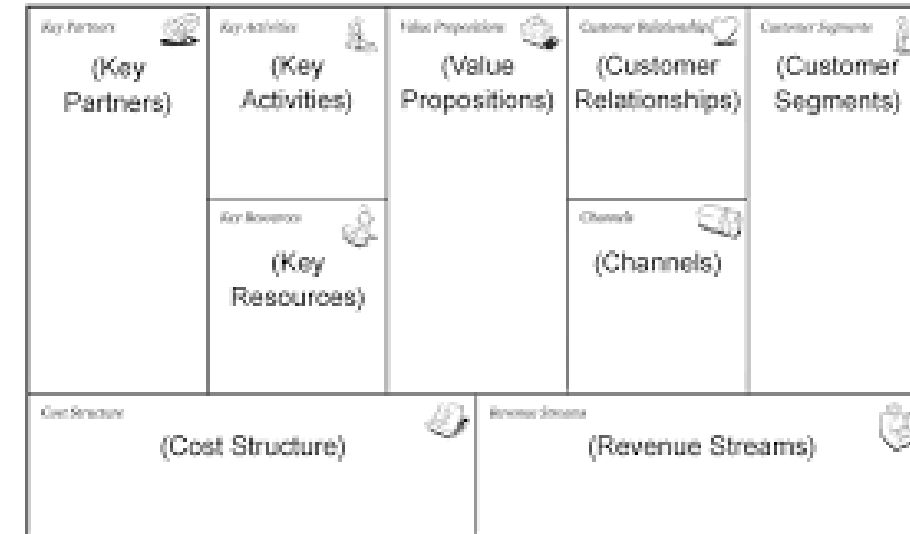
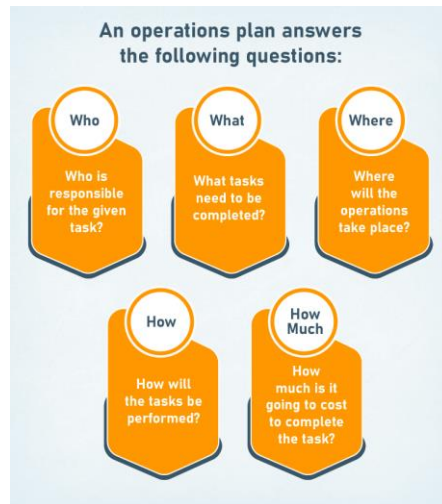
Trading Profit and Loss Account Format

Net sales	100,000	Trading
Net purchases	46,000	
Beginning inventory	8,000	
Ending inventory	- 9,000	
Cost of goods sold	45,000	Profit and loss
Gross profit	55,000	
Expenses	48,000	
Other income	5,000	
Net profit	12,000	

Financial Plan Example

	2008	2009	2010	2011
Users	--	100K	500K	1M
Revenues				
Net Revenue	\$0	\$1,000	\$5,000	\$15,000
Operating Cost				
Research & Development	\$2,000	\$2,500	\$3,000	\$4,000
Sales & Marketing	\$1,000	\$2,000	\$4,000	\$7,000
General & Administrative	\$1,000	\$1,500	\$2,000	\$3,000
Other (Business Specific)				
Total Cost	\$4,000	\$6,000	\$9,000	\$14,000
Net Income				
Net Income	(\$4,000)	(\$4,000)	(\$4,000)	\$1,000
Fund Raising				
Total Investment	\$8,000		\$12,000	

Business Plans



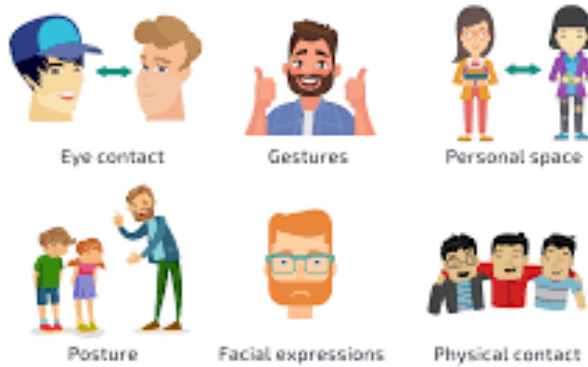
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PO3.1 & PO3.2

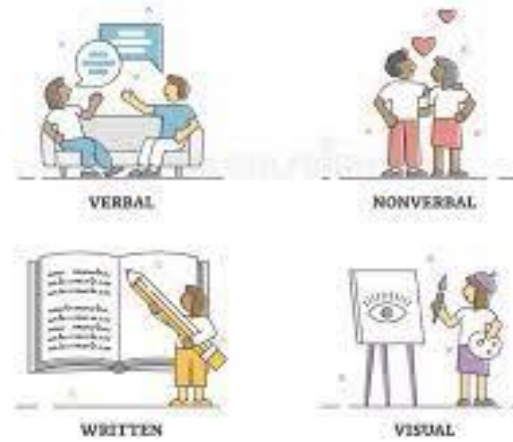
COMMUNICATION STRATEGIES

Aspects of non-verbal communication

These aspects vary across cultures. Awareness of the cultural norms in your context will help you communicate more effectively.



TYPES OF COMMUNICATION



- The questions asked will be specific to your business proposal and funding provider
- Examples may include:
 - Human resources
 - How many staff will you need?
 - What leadership skills do you have? What experience in business?
 - How will you motivate employees?
 - Financial
 - How will you use the finance if "I" invest?
 - Forecast revenue, costs, gross profit, operating profit in year 1
 - Projected profit going forward year 2 and 5

- The questions asked will be specific to your business proposal and funding provider
- Examples may include:
 - Marketing
 - What is the size of your target market?
 - How will you differentiate your products from your competitors?
 - How will you meet customer needs?
 - What is your sales forecast for year 1? What is this based on? How realistic is this?
 - What marketing activities will you undertake?
 - Operations
 - How will you maintain quality?
 - How will you fulfil orders?
 - How much stock will you hold?
 - How will products be produced?

Essential Public Speaking Skills

Use both verbal and nonverbal strategies to effectively communicate with your audience.



Verbal

Unleash the power of your voice to effectively communicate.

Record yourself and ask a friend for feedback. Incorporate these qualities:

- **Proper Loudness**
Make your voice have appropriate power, intensity and projection.
- **Good Voice Quality**
Avoid being breathy, strident, harsh, or nasally.
- **Correct Pronunciation**
Pay attention to your sound production, rhythm and cadence.
- **Be Articulate**
Form distinct sounds so every word is clear and deliberate.
- **Sensible Rate**
Align speed to the speeches purpose: fast if exciting, slow for sad and ≈160 words/minute if informative.
- **Be Expressive**
Emphasize each phrase with the right pitch, pace, pause and power.
- **Dynamic Energy**
Amplify and intensify points to show passion and compassion for the people it affects.



Nonverbal

Leverage body language to communicate beyond words.

Rehearse in a mirror or record yourself. Look for these qualities in your body language:

- **Engaging Eye Contact**
Avoid staring down your audience or reading directly from your notes.
- **Natural Gestures**
Use supportive hand gestures but don't force anything.
- **Facially Aware**
Make natural and deliberate facial expressions.
- **Purposeful Movement**
Be intentional with every move, shift, pace and hair and clothing adjustments.
- **Professional Appearance**
Be inspection-ready and represent your organization appropriately.

Remember, the impression you make on your audience is:



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PO4.1

Business Contingency Plan

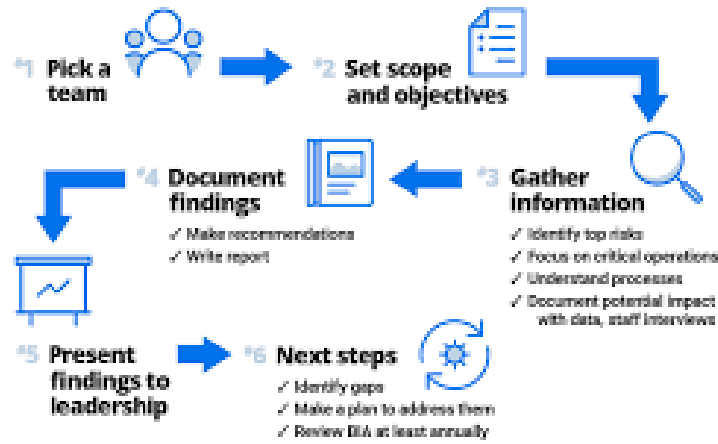
- 1 Identifies the risk scenario
- 2 Outlines the risk probability
- 3 Explains how you're prepared for the scenario
- 4 Details the strategic response if the incident occurs

Contingency Plan

Contingency Plans are 'what if' scenarios based on specific events, which establish the 'play book' to follow should that event (and assumed impacts) come to pass.

Project Portfolio Management Glossary by |exo

Key Steps in Business Impact Analysis



1. Production (weather, disease/pests, field loss, spoilage)
2. Price/Market (reduced premiums, high input prices, etc.)
3. Casualty (fire, weather and theft)
4. Technology (performance failure, obsolete machinery)
5. Relationship (landlord, lender, supplier and buyer)
6. Legal/Regulatory (non-compliance with regulations contract rules or other laws)
7. Human (underperforming managers, injured employees)

Strategy

- Strategy is the intent
- Determines what needs to be done and why
- Involves intentional and focused high-level thinking that defines the direction to take
- Aligned with the goals, objectives
- Requires focus on defining the future
- It is difficult to change, though entirely possible
- Needs outward perspective
- Typically formed by leaders within the organisation
- Primary focus is on effectiveness, doing the right thing
- Difficult to measure and evaluate
- Strategic planning does not include execution details
- Strategy is intangible

Tactics

- Tactics is putting intent to action
- Determines how it must be done
- Involves concrete actions and steps to implementation inline with the direction
- Aligned with the strategy
- Requires day-to-day execution
- It is very easy to change
- Needs inward view
- Typically defined and executed by managers
- Primary focus is on efficiency, doing it right with less resources, time and money
- Easy to evaluate through well-defined metrics
- Tactical plans includes timelines and implementation
- Tactics are tangible



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PO4.2



- You will need to consider possible modifications to your proposal in relation to:
 - Marketing plan
 - Operations plan
 - Human resources plan
- Could they be made more convincing and 'bullet proof'?
- You will also need to address the financial plan in as much as the proposed changes to the above plans modify the cash flow forecast and projected income statement
- If you are suggesting additional funding, this **must** be supported by evidence from funding providers