



Creation of a Business Plan

Interreg
Greece-Italy
European Regional Development Fund



"ICON WOM-EN" - Integrating Innovation and Promoting Cluster Organization in WOMen Enterprises

Action 4.2 Educational Platform - Action 4.3. Educational Material
Implementation: PIKEI OE- PROTEA IKE

Project co-funded by the European Union, the European Regional Development Fund (ERDF) and National Funds of Greece and Italy

Introduction

This section discusses the concept, importance and structure of a business plan, market research methods and new business planning techniques.

LEARNING OBJECTIVES

This section will help the reader to understand: ● the meaning of the business plan and its importance for the viability of a business ● the way and extent of the presentation of business and market data ● the modern trends in business planning

EXPECTED RESULTS

Upon successful completion of this module, you will be able to: ● understand the meaning of business plan, ● understand key business concepts ● design a business plan for your own business or business idea

CONTENT

1. BUSINESS PLAN BENEFITS
2. BUSINESS PLAN STRUCTURE AND CONTENT
3. MARKET RESEARCH
4. MODERN BUSINESS PLANNING TOOLS

1. BUSINESS PLAN BENEFITS

What is a business plan?

It is a common practice that helps the entrepreneur-business owner to crystallize his ideas and focus his attention on the implementation of appropriate policies, which will lead to the implementation of these ideas. It is relatively simple to prepare. Every business, whether it is a small craft or a large multinational company, has the obligation to formulate and implement a business plan, in order to have a chance to achieve its goals.

The existence of a serious, complete and realistic (sustainable) business plan is a prerequisite for any business

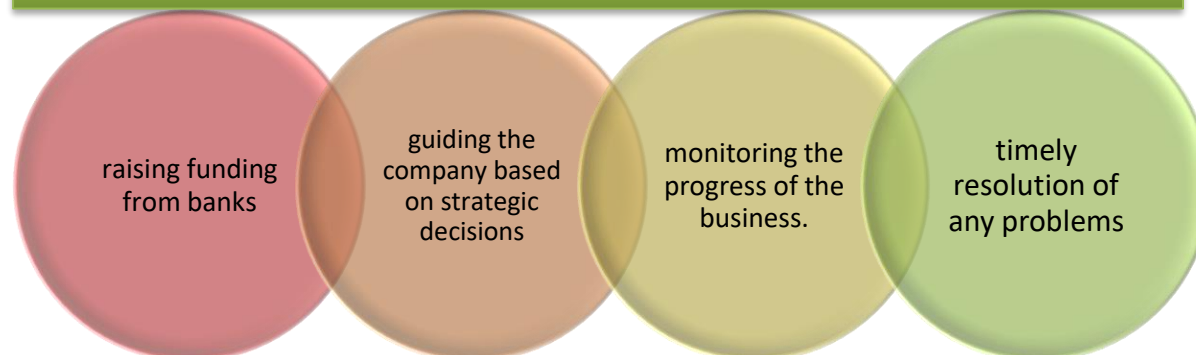
initiative.

In business as well as in life it is generally true that any course with a program is safer than the corresponding course without a program

The business plan serves:

- Decision making
- Achieving the goals
- The structure and organization of the business
- The recording and analysis of market conditions and competition
- Financial support from credit institutions and bodies

Objectives of a Business plan



2. BUSINESS PLAN STRUCTURE AND CONTENT

«CONTENT OF A BUSINESS PLAN»

I. Table of Contents

II. Business Plan Summary

III. General Description of the Company

IV. Products and Services

V. Marketing Plan

VI. Operation Plan

VII. Organization and Management

VIII. Personal Financial Statement

IX. Start-up Costs and Required Funds

X. Financial Plan

XI. Annexes

XII. Perfection of the Plan



The questions that the business plan should answer

Where is your business now?

Where would you like to see it in the future?

How do you plan to get there?

2. BUSINESS PLAN STRUCTURE AND CONTENT

II. Summary of the Business Plan

We are writing this section last. It is suggested to be 2 pages or less. Include what could be covered in a five-minute interview.

The basic elements of the proposed company are presented:

- What will be the product?
- Who will be our customers?
- Who are the owners?
- What do we think the future holds for our business and our industry?

It must be complete, comprehensive, professional and exhilarating.

If applying for a loan, clearly explain the amount needed, exactly how it will be used and how this money will make our business more profitable to pay it off.

2. BUSINESS PLAN STRUCTURE AND CONTENT

III. General Description of the Company

Vision: Many companies have a short text about their vision, usually up to 30 words or less, in which they explain why they exist and their guiding principles. If we want to make a rough plan, we can write it here and then mention the following:

Business aims and objectives: **Aims** are destinations - where we want our company to go. **Objectives** are the key to success on the road to success. *For example, one goal may be a healthy and successful company with loyal customers that is among the first in customer service. The objectives may be annual sales and some specific measures to satisfy customers*

Business attitude: What is important for us in the business: To whom will we promote our products? (Here we can make a brief

description - the most thorough description will be made in the Marketing Plan section).

We describe our industry. Is it a growing industry? What changes are foreseen to be made in this sector in the short and long term? How our company will be ready to take advantage of them.

We describe the strengths and skills of the company. What factors will contribute to the success of the company? What do we think will be our most competitive points? What will we personally offer this new company from our previous experience, our capabilities and our strengths?

Legal form of the company: Sole proprietor - Cooperative Company with share capital, Limited Liability Company (Limited Liability Company); What format is chosen?

2. BUSINESS PLAN STRUCTURE AND CONTENT

IV: Products & Services

We describe in detail our products or services (technical specifications, drawings, photos, sales forms and other lengthy issues.) What factors will give us competitive advantages or disadvantages? Examples include quality level or unique or proprietary features. What is the pricing policy (prices, fees, rental) for our products or services?

V: Σχέδιο Μάρκετινγκ

No matter how good our product

and services are, the company will only have positive results if there is effective marketing. This can be achieved by starting with careful and systematic research. It is dangerous to assume that one knows from the beginning the market one wants to conquer. Relevant **market research** must be available for confirmation. We use the business planning process as an opportunity to discover new data and to explore our entire business venture in many ways.

2. BUSINESS PLAN STRUCTURE AND CONTENT

Economic factors

Information about the industry to which our company belongs:

Market size

- Desired market share (this is only necessary if it is estimated that we will become important players in the market).
- Present demand in the target market.
- Market trends - target regarding: growth, consumer preferences, and product development.
- Growth prospect and opportunity for a business of our size.
- Barriers to entry of our company in the market. Eg High capital / cost of capital - High cost of production. High marketing costs-Consumer acceptance and brand recognition.

- Education and skills.
- Special technology and patents.
- Shipping costs. Customs duties, fees, etc.

Of course, we should also mention how to overcome these obstacles.

Environmental changes that may affect our business such as:

- Technology Change
- Legislative Changes
- Financial Changes
- Changes in the industry to which our company belongs.

As before, we should also mention how we will manage these possible changes in order to reduce the negative impact and maximize the positive one for our company.

2. BUSINESS PLAN STRUCTURE AND CONTENT

This part of our Business Plan concerns the so-called **STRATEGIC ANALYSIS**

(Example of PEST analysis for LEGO groups)

POLITICAL

- ecological/environmental issues
- current legislation home market
- future legislation
- international legislation
- regulatory bodies and processes
- government policies
- government term and change
- trading policies
- funding, grants and initiatives
- home market lobbying/pressure groups
- international pressure groups
- wars and conflicts

ECONOMIC

- home economy situation
- home economy trends
- overseas economies and trends
- general taxation issues
- taxation specific to product/services
- seasonality/weather issues
- market and trade cycles
- specific industry factors
- market routes and distribution trends
- customer/end-user drivers
- interest and exchange rates
- international trade/monetary issues

SOCIAL

- lifestyle trends
- demographics
- consumer attitudes and opinions
- media views
- law changes affecting social factors
- brand, company, technology image
- consumer buying patterns
- fashion and role models
- major events and influences
- buying access and trends
- ethnic/religious factors
- advertising and publicity
- ethical issues

TECHNOLOGICAL

- technological
- competing technology development
- research funding
- associated/dependent technologies
- replacement technology/solutions
- maturity of technology
- manufacturing maturity and capacity
- information and communications
- consumer buying mechanisms/technology
- technology legislation
- innovation potential
- technology access, licensing, patents
- intellectual property issues
- global communications
-

2. BUSINESS PLAN STRUCTURE AND CONTENT

Strategic analysis, however, also concerns the internal environment of the company. We detect the **resources** of the company, evaluate their characteristics, and thus identify our competitive strengths but also the strengths, our weaknesses, opportunities, and threats (doing the relevant SWOT Analysis)

*(Example of
SWOT analysis
for H&M brand)*

- One of the largest international fashion retailers
- Stores all around the world
 - Trendy and affordable
 - Huge variety of consumer
 - Strong brand image

- Low quality
- Lack of control over product production
- Following after trends of luxury brands



2. BUSINESS PLAN STRUCTURE AND CONTENT

Product/ Service

A list of the main products and services that will be provided is compiled. For each product or service:

☐ Its main features are described. What is so special about it?

☐ Its benefits are described. What does this product offer to the customer?

☐ Note the difference between feature and benefit.

For example, a house gives housing to some people, lasts for many years, and is made of specific materials according to a design. These are just some of the goal setting shareware that you can use. The benefits that this product provides to the customer include social status, secured housing for the family, investment with good prospects, satisfaction for owning a property, etc. In other words, a number of features and capabilities are incorporated into our products / services in order to sell the benefits.

☐ What services will be provided after the sale? e.g. warranty, delivery to the customer, technical support, service and refund policy.

Customers

The clientele we are addressing is identified, its characteristics and their socio-economic distribution (ie demographic data).

The description differs depending on whether we are going to sell to other companies or directly to the consumer. We may be targeting more than one group of consumers. We identify the groups we consider most important. Next, for each group of consumers we note what we call a demographic profile:

- Age / Gender
- Place / Geography
- Economic situation
- Social class and employment
- Education
- Other product / market related

For business clients, demographics can be:

- Type of business (industry)
- Area
- Business size
- Preference for quality, technology and price
- Other product / industry related

2. BUSINESS PLAN STRUCTURE AND CONTENT

Competition

- What products / services and companies will compete with us?
- The main competitors are listed.
- Will they be competitive at all levels or selectively in some products, customers or regions?
- Will we have significant indirect competitors? (*eg a video club competes with cinemas, although they are different types of companies*).
- How will our products or services be compared to their competitors?

Marketing Strategy

Here are the key points of the marketing strategy that we will follow.

- ✓ Promotion
- ✓ How will you communicate with customers?
- ✓ Advertising: Which advertising media will

we use, why, and how often. Why these and not others?

- ✓ Have we found low cost methods that will give the best possible result?
- ✓ We will use other methods besides paid advertising such as listing, participating in exhibitions, networking with friends or other professionals, publicity, the internet, etc.
- ✓ What is the image we want to communicate? What image do you want our customers to have for us?
- ✓ Apart from advertising, what other designs do we have for the design of our logo, business cards, letterhead, brochures, office or store interior design, etc?
- ✓ Is there a system for identifying loyal customers so that you can have regular contact with them?

2. BUSINESS PLAN STRUCTURE AND CONTENT

Promotion Budget

How much will be spent on our previous plans? Before commissioning? During operation? (These figures will be included in the business plan budget).

Pricing

We explain the method or methods based on which we determine the prices. For the majority of small businesses, the tactic of very low prices is not the right policy. It deprives the company of the necessary profit margin, customers are probably not as interested in the price as we think, and big competitors can always sell even lower. Usually it is better to compete in quality and service as well as to have moderate prices.

Does your pricing strategy match the competitive analysis? We compare our prices with those of the competition. Are they higher, lower, the same and why? How important is competitive pricing? Are the customers we target actually buying at a price? What will be our customer service policy and what will be our credit policy?

2. BUSINESS PLAN STRUCTURE AND CONTENT

Suggested Business Location

We may not yet have the exact location of the business. Now is the time to think about what we want and need as a position. Some work is done from home in the beginning (especially from start-ups).

Description of the criteria of the position from where our business will operate, as this affects the clientele. Is the location important to the customer? If so, how? Will our customers visit us? Is it suitable? Indoors? Parking? In-market? Is it "compatible" with our image? Where is the competition? It is better to be close to them or away from them?

Distribution Channels

How do we sell our products or services?

- Retail
- Direct (Internet, Mail, Directory)
- Wholesale
- With sales power

- With representatives
- By participating in calls for tender

Sales forecast

Our forecasts should be based on historical sales (if any), marketing strategies, market research we have done and your market data that we may have.

It is best practice to make two predictions:

- 1) "Better estimation", that is, what we realistically expect
- 2) "Worst case", ie a low estimate that we are sure we will achieve, no matter what may happen.

It is reminded that the research and the assumptions we made should be taken into account as the projected sales will be formed, as well as the other financial statements required in a business plan. This is very important if we are going to present our project in funding sources.

2. BUSINESS PLAN STRUCTURE AND CONTENT

VI Operation Plan

It describes the daily operation of the company, the professional space, the equipment, the staff, the procedures and the surrounding space.

Production

How and where are our products or services produced? We describe our methods on:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product-s development

Professional space

What are the characteristics of the space we need? We describe the type of professional space we will have. Required physical characteristics: I. Area II. Building type III. Urban zone IV. Electricity and other benefits

Access

Is it important that our facilities are easily

accessible to transport or suppliers? Do we need easy walking access? What are our requirements regarding parking and proximity to the highway, airports, train stations and shipping centers? We include a plan or floor plan of the proposed facility, if relevant, as it would serve a manufacturer.

Construction: Most start-ups should not invest in a construction, but if construction is planned we should include costs and specifications in our business plan.

Cost: We calculate the costs of our space, including rent as well as maintenance costs, utilities (electricity, telecommunications, etc.), insurance and the initial costs of landscaping to serve our needs. These figures should be included in our financial plan.

What will be the working hours?

2. BUSINESS PLAN STRUCTURE AND CONTENT

Bureaucratic Requirements

We describe what applies to our case for the following and how we plan to deal with them:

- Representation requirements or cooperation with third parties
- Operating license Health, workplace and environment regulations
- Special regulations that cover our industry or profession
- Requirements regarding urban areas and building conditions
- Insurance coverage
- Trademarks, Intellectual Property, Patents (pending, existing or acquired)
- Staff
- Number of employees
- Type of work (skilled, unskilled and

professionals)

- Where and how will we find the right staff?
- Quality of existing staff
- Salary structure
- Training methods and training requirements
- Who does what?
- Are there ready-made operating procedures?
- Has there been a job description for the staff? If not, some need to be prepared. They help a lot in the internal communication with the staff.
- Will some contracted staff be used for some work in addition to the permanent staff?

2. BUSINESS PLAN STRUCTURE AND CONTENT

Inventory

- ✓ What stocks will be kept: raw materials, supplies, finished products?
- ✓ Average value of inventories (ie what is our investment in inventories)?
- ✓ Turnover ratio and how does it compare to industry average prices?
- ✓ Seasonal peaks?
- ✓ Time tolerances for receiving ordered products.
- ✓ Suppliers.
- ✓ We locate our main suppliers.
- ✓ Names and addresses.
- ✓ Type and quantity of stocks that will be supplied to us.
- ✓ Policy regarding supplies with credit and delivery of products.
- ✓ History and reliability of suppliers.
- ✓ Should we have more than one supplier for the most needed items (as a backup)?
- ✓ Are shortages or problems expected for short-term deliveries?
- ✓ Are supply costs fixed or fluctuating? If they are fluctuating, how do we deal with these changes?

2. BUSINESS PLAN STRUCTURE AND CONTENT

Credit policy

Are you planning to sell on credit?

- I. Do We Really Need to Sell on Credit? Is it a common practice in our field and is it something our customers expect?
- II. If so, what will be our policy on who will receive credit and its amount?
- III. How do we check the solvency of those applying for credit for the first time?
- IV. What terms will we offer to our customers, ie how much credit will we offer them and when will they pay the debt?
- V. Will we offer a discount for timely payment? *(Tip: Do this only if it is common practice in your industry)*
- VI. Do we know what it will cost you to offer credit? Have we included costs in our prices?

2. BUSINESS PLAN STRUCTURE AND CONTENT

VII: Management and Organization

Who will run the business on a daily basis? What experience will this person bring to the business? What special and special skills? Is there a plan to continue the business if this person is lost or becomes incapacitated?

If we are going to have more than 10 employees, we are creating an organization chart that will show the hierarchy and who will be responsible for key positions.

We include job descriptions for employees in key positions. If you are looking for loans or investors, we include the CVs of the owners and employees in key positions.

Professional and Consulting Support

We refer to the following: -Board of Directors - Management Consultants (if any) - Lawyer - Accountant - Insurance Agent - Bank - Consultants - Mentors and experts (advisors).

2. BUSINESS PLAN STRUCTURE AND CONTENT

Financial Plan

The financial plan consists of the following: projected gains and losses on a 12-month basis, projected gains and losses on a four-year basis (optional), projected cash flows, projected balance sheet and break-even calculation. All these elements are a reasonable estimate of the financial future of our company. But the most important thing is that studying our financial plan we will better understand the finances of our business.

Expected Profits and Losses on a 12-month Base

Most business owners consider this element, ie the projected profits and losses on a 12-month basis, as the cornerstone of their plan. This item includes everything in numbers and we will have an idea of what it will take for the business to be profitable and successful.

Forecast sales will result from the sales forecast which forecasts sales, cost of products sold, expenses and monthly profit for one year.

The projected profits should be accompanied by a text describing the main assumptions we used to estimate the company's revenue and expenses.

Notes: We need to keep careful notes about our research and assumptions so that we can explain them later and also refer to our sources when it is time to review your plan.

2. BUSINESS PLAN STRUCTURE AND CONTENT

Expected Cash Flows

Cash flow forecasting is an advance look at the current account.

For each point we must specify when cash is expected to be collected (for sales) or when we should issue a check (for expenses).

We need to keep track of important operating items that are not necessarily part of the cash flow but allow us to keep track of the items that have a significant impact on cash flow, such as sales and stock purchases.

We should also keep track of cash payments before the start which will be recorded in the 'pre-start' column. Of course we should have already done our research on them for the start-up cost plan. Cash flow will show us if working capital is sufficient. Simply put, if the projected cash balance ever has a negative sign we will need more start-up capital.

With this plan we will also predict when and how much money we will need to borrow.

2. BUSINESS PLAN STRUCTURE AND CONTENT

Break even point

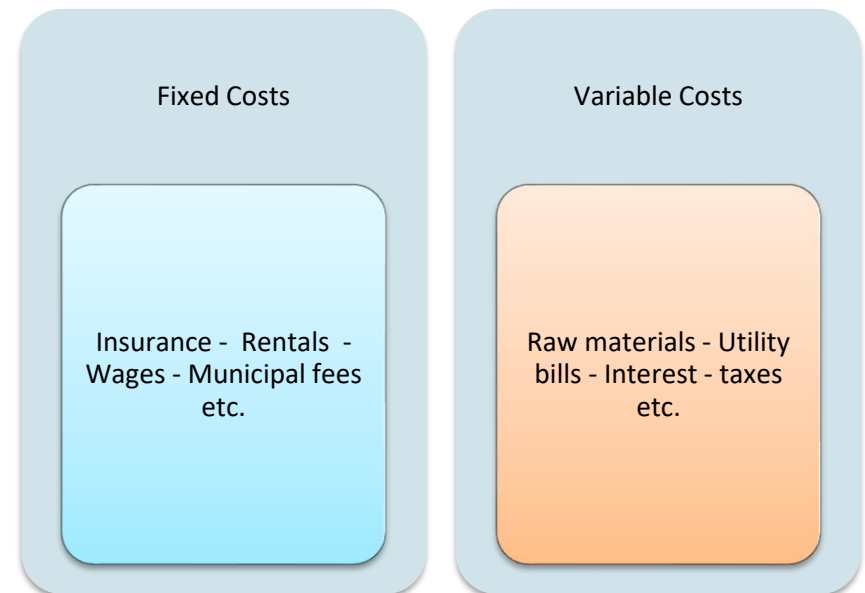
The break-even point calculation predicts the volume of sales, at a given price, required to cover all costs. In other words, it is the level of sales below which the business is loss-making and above which it is profitable.

The following mathematical formula calculates the break even point:

$$\text{Break event sales} = \frac{\text{Fixed costs}}{(1 - \text{Variable costs})}$$

(Where: fixed costs are

expressed in euros, while variable costs are expressed as a percentage of total sales.) Includes all assumptions based on which the break even point was calculated.



2. BUSINESS PLAN STRUCTURE AND CONTENT

Annexes

Συμπεριλαμβάνονται λεπτομέρειες και μελέτες που χρησιμοποιήθηκαν στο επιχειρησιακό μας σχέδιο, για παράδειγμα:

- Information leaflets and advertising material.
- Industry studies.
- Architectural and topographic plans.
- Maps and photos of the area.
- Articles in magazines or other media.
- Detailed tables of proprietary equipment or what is to be purchased.
- Copies of leases and contracts.
- Letters of support from prospective customers.
- Any other material needed to support our assumptions.
- Market research studies.
- List of assets available as collateral for a loan.

2. BUSINESS PLAN STRUCTURE AND CONTENT

To Find Funds-- For Banks

Banks want assurances that the loan will be repaid on a regular basis. If we plan to use the scheme on lenders, we must include:

- The loan amount
- How the money will be used
- What will we achieve - how will it make the business stronger?
- The requested repayment terms (repayment years).

We may not have much room to trade the interest rate but it may be possible to negotiate a longer repayment period, which will help cash flow. The asset offered as collateral and a list of existing encumbrances on the asset offered as collateral.

Think that the Business Plan that you will create will be the "compass" in your business, and it does not have to be something static.

If you want to change something you have the opportunity to do so!

WE DO NOT FORGET

Business planning is a key to success.

It is a dynamic process that means that it includes the element of constantly reviewing and adapting to rapidly changing market data.

Proper design is crucial to the success of the project. It is essential for potential financiers in our business plan

3. MARKET RESEARCH



Market Research (more generally: Marketing Research) is: the systematic collection, processing, analysis and interpretation of information related to problems and related decisions related to the business operation of marketing

Market research is based on the simple finding that: People gather information on all matters that concern them (personal, family, professional) to make better quality decisions.

The value of information is determined by: ● The ability and willingness to act on information. ● The (acceptable) accuracy of the information. ● At the level of indecision associated with lack of information. ● But also at the risk of paralysis due to the excessive availability of conflicting information.

Market research is concerned with questions that are addressed to both buyers and sellers.

Market Research

- Who your customers and potential customers are
- What do they want
- Helps you get to know your customers
- Through market research business owners ask questions from consumers and listen to their answers
- Market research can vary from a simple survey of friends and neighbors, which can be completed in one day, to detailed statistical studies of a large population over a long period of time

3. MARKET RESEARCH

Market research as a business tool in relation to the marketing mix of 4Ps

Product: Market research monitors users' attitudes toward specific products by describing or displaying them in focus groups, department stores, at home or at work.

Price: Market research, which in this case takes the form of pricing research, can explore simple questions such as: How likely are you to buy the product at that price? As more complex questions of combining quality features with corresponding pricing of the product using conjoint analysis.

Promotion: Market research can support all aspects of promoting a product from developing advertising ideas to evaluating the effectiveness of an ad.

Place: Distribution: Market research can

support the search for the most effective product path to the market.

Market research is a valuable source of Quantitative Information or Qualitative in-depth analysis.



3. MARKET RESEARCH

There are two types of market research: "primary" and "secondary".

In the case of **secondary** research one can use published information found in market profiles, professional publications, newspapers, magazines, statistical service, demographic census data, etc.

This information can be found in libraries, chambers of commerce and industry, suppliers, links and government sources, the internet, etc. The amount of information that can be found in the chamber of our area or from trade links respectively is amazing.

In the case of **primary** research we have to collect information ourselves. For example, we can use the Yellow Pages to identify potential competitors, the Directory to identify potential customers and to do quantitative and / or qualitative research to find out their preferences. A survey by a specialized market research company will cost us a lot. But there are ways that a small business owner can conduct a successful market research on their own.

In marketing planning we need to be as specific as possible - to provide statistics, indicators and other information along with the sources from which they were derived.

Primary Research

•Quantitative Measurement

- Idea / Product Evaluation Pricing Survey Evaluation of Promotional Actions Location-Distribution Research Market Segmentation Surveys Usage and Attitude studies Brand Profile / Research - Advertising Evaluation / Withdrawal Customer Satisfaction Secret Visitor Research

•Quality Measurement

- Qualitative research aims at exploring and in-depth analysis of areas about which there is not enough knowledge. Answers questions such as "Why" and "How". Methodologies applied in the case of qualitative research:
 - *Group Discussions
 - *In-depth Interviews
 - *Through Observation

Secondary Research

- Examples of data that can be used in secondary research: Internal customer satisfaction surveys Statistics collected from government sources (eg statistical service department) Customer profiles from internal components (eg from databases (CRM), from membership cards (Membership Cards)).

3. MARKET RESEARCH

Market Analysis- Competition

Why is market analysis important?

We do the market analysis in every business plan, because we show to the interested parties how big the market as a whole is, where we are better than other competitors and what economic performance we will be able to have.

It is common for new entrants to think that they have no competition, because what they (will) do is unique.

But their experienced listeners will think of two things: either that they have no idea and are immature in business or that the market they are targeting simply does not exist or is very small (common in innovative entrepreneurship, where the highest failure rates occur)

Prospective entrepreneurs, of course, always hear from other people (and unfortunately usually only from friends and relatives) "Oh, very clever idea, go ahead", but business experts are justified and based

on statistics much more cautious.

Finally, it is very important for a business plan to show competition, because it is also very communicatively correct: When you admit that competitor A has this big network and competitor B does this part very well, then it is much easier to convince at least one or two points that you are even better than the biggest competitor, so convince yourself of your own business plan.



3. MARKET RESEARCH

What are the key elements in market analysis?

1. The overall market size
2. The analysis of competitors and
3. Market trends

1. Market size

The size of the market is something that scares even the most experts. Why is it scary? Because it is a specific number that no one can be sure of and which anyway changes dynamically from day to day depending on the sales that are made. When it comes to defining big markets it is very easy to deviate. Even so, owning one is still beyond the reach of the average person.

What is market size?

Total annual sales of the product or service we are investigating.

The market can be local (eg prefecture of Kavala), it concerns a state (Greek market) or a wider market (European or world market). We also specialize in quantities and values of products that meet a specific need.

If our product is something new and special that is included in a bouquet of services offered by competitors, then we must break the whole with our estimates and find what corresponds to our field.

To investigate the size we can start from our customer section.

An **example** is that we address our product to people aged 65 and over. We find from Eurostat what percentage of Europeans over 65 and we are trying to make a reduction in the world population.

The issue is based on some reliable data from reputable sources (such as Eurostat, OECD, World Bank, etc.) to be able to draw approximate conclusions about the overall global market.

Another example:

Let's take an **example** from Uber. When Uber started, it seemed like a huge idea. But what could be the total world market? They thought then: There are one billion cars in the world. If each vehicle makes one trip a day and the trip gives Uber a US dollar, then we are talking about a total annual purchase of \$ 365 billion.

This is how the reductions are made and the numbers come out. The goal is to show anyone who evaluates the business plan that there is a significant market behind the business effort.

The business plan evaluator wants to make sure that even if the company catches 5% of the total market, then it is still worth the investment because there is a good prospect and an adequate market.

Most of the time, of course, the market must be quite specific based on the customer segments to which we address.

3. MARKET RESEARCH

2. Competition Analysis

The analysis of the competition includes two elements a) the shares that the competitors have in the market and b) a table that summarizes what each competitor offers, in which points it is good and finally in which points we are better.

Market share

Market shares result from two quality quantities, a) the quantity of products sold or b) the final sales.

Usually the most important number is the income (sales), although in some cases the quantity can be important.

Example: In smartphones, Apple's market share may be based on revenue 20%, but based on devices 5%.

This is because devices are much more expensive than others and while in the money market Apple has a 20% market share based on operating devices it is only 5%.

Competitors' analysis

A typical competition matrix includes our three or four key competitors and their performance in various areas relative to us.

These areas can be indicatively:

- The low price
- The superior quality
- Customer service
- Customization of the product according to the customer (customization)
- The unique features
- Immediate distribution
- After sales service
- Product updates

○ The educational support (tutorials) for the correct use of the products / services

This competition matrix is more detailed and should be done in cases with two or three competitors. A simpler table format can again be a horizontal or vertical axis that answers the following two questions in each column for each business:

- What do we do well that competitors do not do
- What good are competitors doing that we can't.

And this second simplified table is one of the elements that if present in the business plan, improves it and shows the evaluators a quick overview in the analysis of competition and the overall market..

3. Market trends

Finally, it is important to invest in a sector with a strong upward trend. The data from various market data that show good trends, can strengthen our arguments.

There are small elements that if we correlate them with each other and present them as an overall picture of the market, they can show that our market is upward (as a whole), so we will operate in a sector with a favorable wind behind us.










The evaluation and overall assessment of the market trend is the responsibility of the data presenter. Most of the time the one who evaluates the business plan does not have the detailed picture that the company has, so it is good that the business plan does not go into many confusing details.

On the other hand, if some detailed data is important for the overall picture of the business plan, it should be presented.

4. MODERN BUSINESS PLANNING TOOLS

Business Model Canvas Analysis

Business Model Canvas is a tool that helps capture a new or existing business model. It is essentially a visual diagram in the form of a table. The table is divided into nine building blocks, for each of which a business must make important decisions.

The Business Model Canvas		Designed for:	Designed by:	Date:	Version:
Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 	
	Key Resources 		Channels 		
Cost Structure 		Revenue Streams 			

4. MODERN BUSINESS PLANNING TOOLS

In detail:

1. Value Proposition

Value proposition is what makes the customer differentiate one business from another and what ultimately makes him choose a particular product over another.

Value proposition is the most crucial part of any business model. Every business model is built around the value proposition and all the individual sections support this final value proposition.

Some **examples** of value proposition:

More efficient operation. Energy saving lamps emit the same light (measured in lumens) with much less energy consumption. Or else, they give much more light to the same energy consumption.

Cheaper than the competition: Low cost airlines clearly say that we will give the cheapest ticket, but you will not enjoy special amenities on your trip and if you want even a glass of water, you will pay for it. Customers know it and accept it, because they have in mind the cheapest ticket.

Brand and Status: The Rolex watch shows exactly the same time as other watches, but its customers prefer it because it has built an image associated with wealth, comfort and people buy it even though it is very expensive to meet such their own needs.

Newer model. Maybe our old cell phone or car does the same job in the main functions as a new one, yet a large part of consumers want the newer one, because it is simply newer and looks nicer.

Reduced Risk: Someone sells used cars and gives a one-year warranty and also the right to return the car in the first 30 days. This removes the consumer's anxiety from the consumer's mind and builds an image of security and value guarantee for the transaction.

The consumer has this value in mind to end up buying something specific.

2. Customers Segments

80-year-old grandmothers will not get a laptop, 17-year-old teenagers are not interested in smart screens.

Businesses target a specific audience and their products to even more specific consumers. Especially in the case of startup companies or even in already established companies that are going to introduce a new product in the market, finding the right segment of customers is everything and also difficult. This is because very specific customer needs must be met in order to prefer one product over another.

Here it's worth keeping in mind that the business model is built with the goal of targeting specific consumers and not a general "selling televisions".

3. Channels

Channels mean sales channels here. They are the critical points of contact of the company with the customers.

The company can sell to the consumer directly, but it can also sell indirectly through partners. For example, soft drink companies do not have their own shops where consumers go and choose three packages and two oranges.

A company can cooperate with other partner companies and at the same time have its own network. For example, insurance companies have their own network, but they sell products both through banks and through other insurance brokerage companies.

The channels are many and the way we choose them is crucial in our overall business model. There is no right or wrong channel.

The point is for the product to reach the final consumer.

4. MODERN BUSINESS PLANNING TOOLS

4. Customer Relationships

Customer relations are all that the consumer experiences when interacting with the business. Thus, the company can let the customer self-service. It can offer service with its employee, but this service can reach the point of exclusive personal service. For example in private banking the client has a personal advisor at his disposal. A relationship can be a co-creation relationship, for example the Facebook user creating content and this draws other users to the means.

Youtube also encourages you to upload videos and make money from ads, but each video is an additional product for the platform that thus attracts even more users to the medium.

All of these issues are about building customer relationships.

5. Key Activities

The main activities do NOT include how businesses will sell more. This applies to all. The main activities exist as a subsector in the Business Model Canvas to understand each business that is different from others and where it should emphasize.

For **example**, in an airline where fuel costs are a very important factor in the final cost, a particular activity is to reduce the risk on fuel prices. A large industrial producer (eg General Electric) may have as its main activity the control of the production chain (supply chain) in order to continuously reduce its costs. The main activity of a large software company is to update the software, in order to keep up with new standards of

technology and data security. FinancialAdvisor.gr has as its main activity the solution of customer problems and one of its important issues is how the team shares the existing knowledge.

So every business has some very key areas of activity that it needs to tie in harmoniously with the other departments to build a successful business model.

6. Key Resources

The resources can be:

- Deriving from nature. For example, a quarry needs access to suitable ore.
- Material goods. For example vehicles, buildings, machines, etc.
- Copyright. A publisher gets permission from the author to publish, a technology product manufacturer may have to pay permission to use specialized patents.
- Human. A pharmaceutical company needs qualified staff to research and develop new pharmaceutical products and a design company needs creative designers.
- Financial. All businesses need financial resources, however here they need to be attached to a particular business model. For example, Mercedes has a special model that finances with its own loans the development of sales through its partners. This requires additional financial resources that are integrated into the operation of the specific business model that only concerns the development of sales in some countries.

4. MODERN BUSINESS PLANNING TOOLS

7. Key Partners

The partners or partners of a company exist, because the company can not and is not worth doing all the work alone internally (or otherwise in-house). A simple example is that if the company is not large enough, it is not worth having an exclusive legal advisor, so occasionally working with an external partner-lawyer. Also, other companies outsource the selection of staff.

There is no time and specialization for the company to receive 200 CVs, evaluate them, conduct interviews, second round of interviews, etc..

The reasons for these partnerships are clearly to optimize the result at the lowest cost.

For *example*, a smartphone manufacturer buys screen exterior glass from another manufacturer of this special material. Without this glass there is no smartphone. Well, this company is a Key Partner. On the other hand, the company from which the smartphone manufacturer supplies paper for its printers is not a Key Partner.

8. Cost Structure

In general, we can divide companies into those that operate on the basis of lower cost logic (for example, low-cost airlines) and those that operate on the basis of value logic (for example, Apple in electronics, Rolex in watches, etc. .a.).

Everyone wants to reduce their costs, but some have it more in their blood, because that is where the final value proposition to customers is based.

But other companies will look more at quality features to then pricing much more expensive than the competition.

The cost structure is related to the overall business model. For example, companies that rely on industrial production have very high fixed costs and relatively small variables. Law firms, on the other hand, have high variable costs depending on the amount of cases they undertake, because each case requires separate handling by specialized staff..

9. Revenue Streams

Revenue streams are the end result of all other actions. They can be divided into categories:

Transfer of ownership. It is the most traditional way, for example the contractor has created a house to sell it and the client acquires full ownership and can resell or even destroy his property.

Usage fees. The hotel, while providing us with accommodation, does not give it to us for ours, but charges us for the time we will stay. Generally, the more the customer uses the services, the more they are charged.

Subscriptions. The model is a bit similar to the previous one, but the difference is that you pay the subscription for a while and use as much as you want. In the gym there are no restrictions on the days you go, in an online game there are no restrictions on the hours you play and when you have pay TV you can watch as many hours as you want.

Tenancy. You rent something for a while and treat it almost as your own, only it belongs to someone else. However, the owner pays his costs, such as maintenance, taxes, etc. A typical case is the rental of a property, but also many other types of rentals (cars, equipment, wedding dresses, etc.)

Licensing. Typical here are cases using intellectual property, such as a patent. Someone wants to use a business patent and get the license by paying fees. The same thing happens in the music industry.

Brokerage. Airbnb mediates so that those interested can find accommodation and the owners can find short-term tenants. Her remuneration arises from facilitating the closing of any such small agreement. This is called brokerage.

Advertising. It's the site that sells a business to promote other businesses. All media outlets, Facebook and Google have a huge share of their ad sales revenue.

Business Model Canvas Summary:

Each business model has as its center the value proposition (value proposition) and is divided into nine sections mentioned above and into three major sections:

- ✓ customers (specific customer segments, sales channels and customer relationships)
- ✓ the operation of the business (activities, partners, resources) and
- ✓ financial (income minus expenses)

The End

How do you assess yourself?

Do the quiz that follows!