

**BUSINESS:** *Creating informed, discerning employees, consumers and future leaders*

## Topic 1.4.4 Business Plans

### Key Vocabulary

**Business plan** – a detailed documents setting out the marketing and financial thinking behind a proposed business

**Entrepreneur** – an individual who combines the factors of production to create a product, often taking risks

**Aims** – the long term goals of a business

**Target market** – the specific group of consumers a business is aiming to sell their product to

**Revenue** – the income from sales of the products

**Costs** – items such as rent, rates that a business must pay

**Profit** – revenue minus costs

**Cash flow forecast** – a prediction of the inflows and outflows of money the business will have each month

**Sources of finance** – places, businesses or people that a business can get money from in order to pay start-up and running costs

**Location** – the place where a business operates

**Marketing Mix** – a combination of the 4 Ps; product, price, place and promotion

### Core Knowledge

#### **Why plan?**

- To reduce risk of failure
- To encourage investors
- Forces the entrepreneur to consider all aspects of the business
- Provides something to refer to and provide direction

#### **Contents**

1. The business idea
2. Aims and Objectives of the business
3. Target market
4. Forecast revenue, costs and profit
5. Cash flow forecast
6. Sources of finance
7. Location
8. Marketing Mix

#### **Limitations**

Planning does not guarantee success

Problems can arise if the plan is not flexible and include contingency plans

### Don't be a "man on the street"

- A plan will guarantee an investment – not the case. Banks and venture capitalists are experienced and will be able to spot unrealistic forecasts
- A lot of research will need to go into a plan. An entrepreneur can not write one overnight or without extensive research



### Wider Business World

Watch Dragon's Den – who has a business plan? Are they more likely to get investors?



### Synoptic Links

**Aims and Objectives** – what is the purpose of writing these

**Marketing Mix** – need to be included

**Market research** – types that can be done and reasons why it is necessary

**Risks and rewards** – planning reduces the risk to an entrepreneur