

MODULE

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MODULE
2

LESSON 1

ENTREPRENEURSHIP

WHAT IS A BUSINESS?

A business is a team that makes and sells things or offers specific services. In your everyday life, you see and interact with business all the time. Businesses can be small, like a neighborhood store, or big, like a chain of department stores.



Definition

A business is a commercial or industrial organization that makes, buys, and sells goods or provides a service.

MODULE 2 LESSON 1

ENTREPRENEURSHIP

There are two main types of businesses: product-based companies and service-based companies:

- If you make and sell cupcakes you are a **product-based company**.
- If you mow lawns or walk dogs, you are a **service-based company**.

The main goal of a business is to make a **profit**. A business's success relies upon its ability to make more money than it spends.



MODULE 2 LESSON 1

ENTREPRENEURSHIP

Before you start your own business, ask yourself: Would you like to start a product-based or service-based company?

- Will you sell things? If so, what kind of product or products do you have in mind?

Some examples of products include:

- Baked goods (cookies, cupcakes, etc.)
- Juices (custom blends of fruits and veggies)
- Limited-edition sneakers
- T-shirts/Sweatshirts



MODULE 2 LESSON 1

ENTREPRENEURSHIP

Will you offer a paid service? If so, what kind of service or services do you have in mind?

Some examples of services include:

- Dog-walking
- Sports coaching/personal training
- Tutoring
- Babysitting
- Cleaning



GENERAL BUSINESS PLAN

Now that you know the type of business you would like to start, it's time to begin developing your business plan.

Who are your desired clients? What similar businesses in your area offer a similar product or service that could provide competition? And most importantly, have you thought of how much it will cost you to start your business?



These are the questions that every entrepreneur needs to answer before starting a business. And all those answers need to be in a well-thought-out, carefully crafted **business plan** to help you realize and keep you focused on your goal.

MODULE 2 LESSON 2

ENTREPRENEURSHIP



MODULE 2 LESSON 2

ENTREPRENEURSHIP

What is a business plan?

A **business plan** is a formal written document that outlines the goals, objectives, strategies, and operational details of a business. The main purpose of a business plan is to provide a step-by-step roadmap that reflects how you will successfully achieve your business goals.

Business plans are useful for all types of companies. From a startup to a well-established company, a business plan helps guide the direction in which the company wants to go, how it will make money, and how it will grow inside its market.



MODULE 2 LESSON 2

ENTREPRENEURSHIP

A business plan is a vital tool for entrepreneurs, business owners, and stakeholders; they rely on it to get a clear and organized overview of the business and its potential for flourishing. Your business plan can be used to secure funding, attract partners or investors, and guide the business's operations and growth.



MODULE 2 LESSON 2

ENTREPRENEURSHIP

Types of business plans

There are many types of businesses so, naturally, there are many types of business plans. For example, products-based businesses will not have the same business plan as a service-based business.

In addition, consider that some businesses, such as restaurants, provide both a service and product. Providing good food isn't enough for a restaurant to be successful; it also needs chefs to prepare the food, friendly waiters, and an appealing ambience.



MODULE 2 LESSON 2

ENTREPRENEURSHIP

- There are many types of business plans. Some common ones include:
- A **startup plan**, which is perfect for new businesses that are getting ready to launch
 - A **strategic plan**, which helps companies focus on their goals and high-level strategies to achieve key business objectives.
 - A **growth or expansion plan**, which is used by companies that are ready to branch out into other markets.
 - A **feasibility plan**, which is used when a company is preparing to introduce a new product and/or service.
 - An **operations plan**, which is a yearly plan that explains the responsibilities of each team to ensure that the company works efficiently.
 - A **one-page plan**, which is a summary of your business plan, and is mostly used to pitch the most important aspects of your business to people outside your company, like possible investors or potential partners.



MODULE 2 LESSON 2

ENTREPRENEURSHIP

Getting started with your business plan

Remember all the questions that we asked about your business? It's time to think about your answers to create your general business plan!

There are many sections in a business plan; the topics that you cover, and the length of your plan, depend upon the type of business that you are starting. It's also important to keep in mind that business plans change as businesses grow or meet challenges. While your business plan may begin as only a step-by-step guide for yourself to keep you on track, in a few months, it might be the starting point for a presentation you can use to convince a partner or an investor to join forces with you to promote growth.



Main sections in a business plan

No matter what kind of business you are starting, there are some common sections that all good business plans should have. Let's look at them!

1 *Executive Summary*

This section introduces the company and includes its mission statement along with relevant information about the company's leadership, employees, operations, and locations. Some important questions you might answer in your executive summary include:

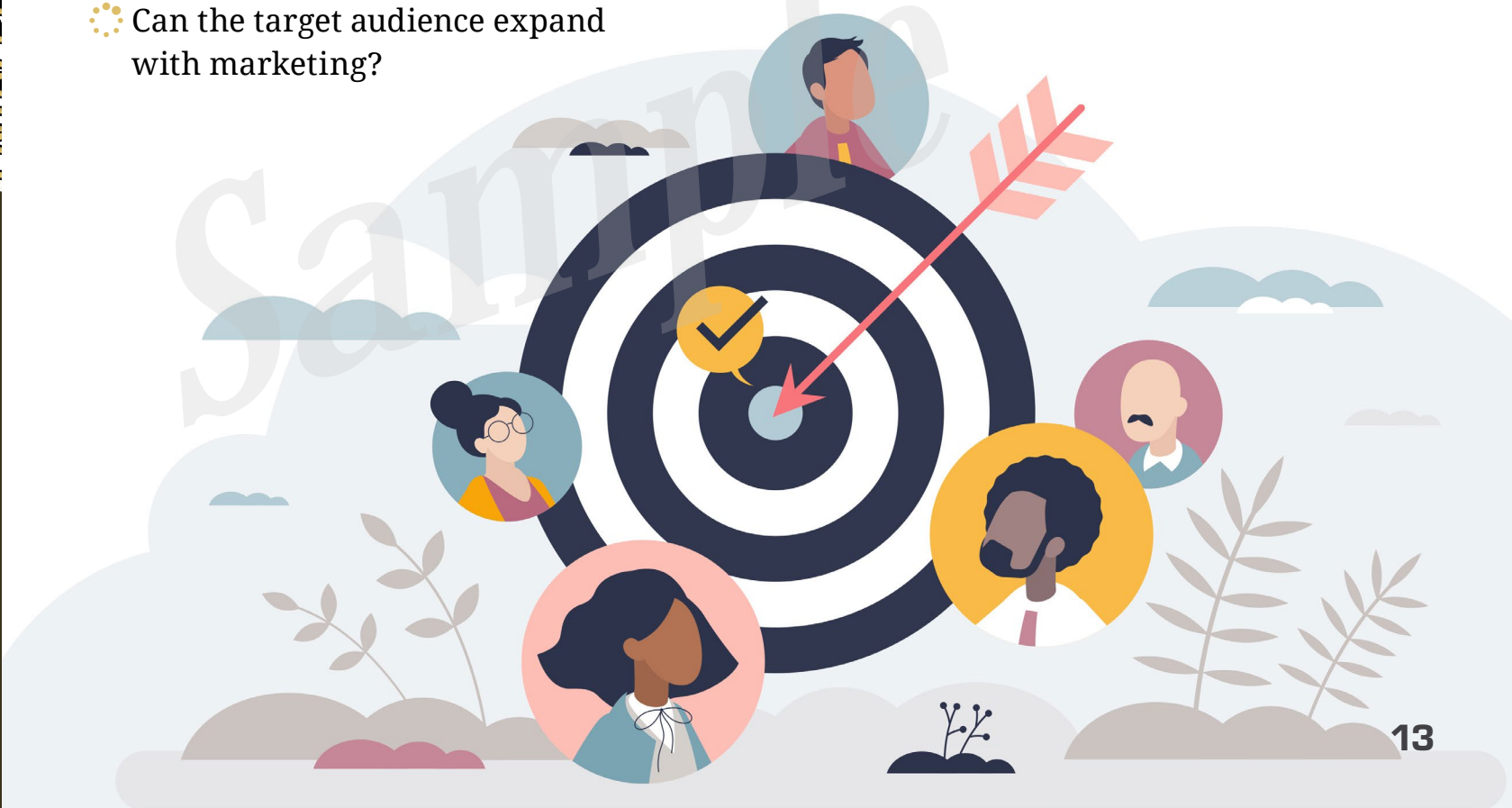
- Why are you starting this company?
- How did you come up with the idea?
- Has anyone else done this before?
- Are you solving a problem in the market?
- What makes you different?
- Why do you know this market better than anybody else?
- How many people will work for you?
- What kind of people will work for you?
- Where are you launching the company?
- Can your business work in other cities?



2 Target Audience

The target audience section of your business plan outlines who your clients are going to be and why they will use your product or service instead of those provided by other businesses. Some important questions you might answer in your target audience section include:

- Who will buy your product or service?
- Why are you creating a product or a service for them?
- Are you a potential client?
- Is the group of people who will buy your product or service large enough for your company to make money?
- Can the target audience expand with marketing?



3 Marketing Plan

A well-crafted marketing plan explains how the company plans to attract and keep customers, including any anticipated advertising and marketing campaigns, as well as distribution channels in which your product or service will be advertised. Some important questions you might answer in your marketing plan include:

- Do people already know about the product or service that you are selling, or do you need to share information additional information?
 - If you are selling cakes, people already know what a cake is. But if you are selling a brand new, calorie-free supplement that helps people build muscle, you will have to share information about what your product does and how it improves upon products that are already in the marketplace.



- ❁ Where are you going to advertise your product?
 - Not every business needs to advertise, but if you do (and can afford it), think of where it's most probable that you would reach your customers (radio, tv, online magazines, social media).
- ❁ Are you going to use social media? If so, how?
 - There are many different social media platforms and a wide variety of people who use each of them; that's why you need a careful plan to target your specific audience —that is, your potential customers.
- ❁ Are you going to partner with influencers?



4 Key Staff

The key staff section of your business plan introduces your team. Most early investments for a business are funded primarily on the founder's credibility. It's important to highlight you and your team's skills and past successes that make each team member valuable to this venture. Some important questions you might answer in your key staff section include:

- ⦿ Are you doing this alone, or do you have partners?
 - Describe why you are doing this alone or who your partners are, and why you decided to start a small business.
- ⦿ Do you have any employees? Do you plan to hire some employees soon?
 - While you may be able to manage your business's operations by yourself at the beginning of your venture, if your company grows, you may need help!



MODULE 2 LESSON 2

ENTREPRENEURSHIP

- ❁ **What is the hierarchy structure in the company?**
 - Who is the boss? Who reports to whom? Describe the roles of the people working in your company and their relation to other staff members.
- ❁ **Why you? What is your experience? Do you have any evidence of success in this field?**
 - Explain why you are passionate about this field and why you are more qualified than anyone else to enter a new product or service into the market.
- ❁ **Why will you be successful?**
 - Here is where you sell yourself to the person reading your business plan —Show your motivation and your passion!
- ❁ **Do your partners have any experience in this field?**
 - Explain why you chose the partners that you'll be working with (if any). Describe their skills and business experience that make them a valuable member of your team.



- ⦿ Do you have any previous entrepreneurial experience?
 - Entrepreneurial experience can come in many forms! Maybe you have run a successful charity fundraiser at school, or you organized a successful bake sale. Perhaps you are in the student council, or you have completed a successful accounting project at school. It's important to include any anecdotes that can highlight your personal experience and leadership capabilities.
- ⦿ Most importantly, why will you not quit when things get tough?
 - This is an excellent opportunity to highlight your personality and your entrepreneurial mindset.
 - ▶▶ Revisit **Module 1, Lesson 3** if you want to review some of these character traits.



MODULE 2 LESSON 2

ENTREPRENEURSHIP

5 *Financial Plan*

A financial plan is a roadmap for how a company plans to manage its money. It outlines how much money the business expects to earn and spend over a specific period (often over the course of a year).

Established businesses often include their financial statements, balance sheets, and other relevant financial information in the financial plan section of their business plan. However, a new business like yours will have to provide financial targets and estimates for the first few years. If you are raising money from investors, it is also important that your plan includes a valuation of your business and any funding requests you're making. After all, a company can only survive as long as it is successfully making money!



MODULE 2 LESSON 2

ENTREPRENEURSHIP

Some important questions you might answer in your financial plan section include:

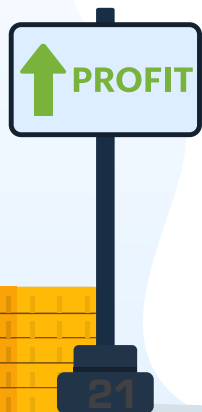
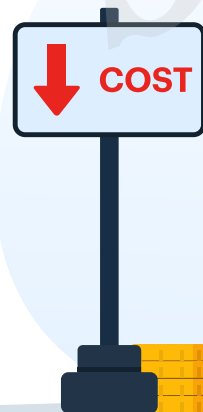
- ☼ **Revenue projection:** How much money do you expect to make from selling your products and/or services?
 - In the case of Carolina's Bakery, the revenue projection could include how much money the company expects to earn from selling cakes, cookies, and other baked goods.
- ☼ **Expense forecast:** How much are you going to spend to run your business? Include any costs you anticipate, such as rent, salaries, materials for productions, utilities, and any other expenses that you may incur.
 - For Carolina's Bakery, expenses would include rent for the storefront, ingredients for the cupcakes and cookies, electricity bills, and wages for employees.



MODULE 2 LESSON 2

ENTREPRENEURSHIP

- ☀️ **Profit and loss statements:** Do you expect your business to make a profit or incur a loss? To calculate your profit or loss, subtract your projected expenses from your projected revenue.
 - If Carolina's Bakery's revenue is \$1,000, and the expenses are \$350, her profit would be \$650 ($\$1000 - \350).
- ☀️ **Cash flow projection:** How will the money flow in and out of your business to ensure you have enough cash available to cover daily operations?
 - If Carolina's Bakery has to pay suppliers before selling the baked goods, a cash flow projection helps in planning for those expenses while waiting for income from sales.



MODULE 2 LESSON 2

ENTREPRENEURSHIP

- **Budget allocation:** How will money be distributed among the different areas of your business?
 - Carolina's Bakery may decide to allocate a certain amount for marketing to attract more customers, setting aside funds for equipment maintenance, and employee training.

MODULE 2
LESSON 2

ENTREPRENEURSHIP

Blueprint

Here is a blueprint of a business plan for Carolina's Bakery. You will see how they answer the questions outlined in this module to each section of their business plan.



Executive Summary

- Carolina's Bakery is a boutique bakery dedicated to providing high-quality, artisanal baked goods in Manhattan. Our mission is to delight customers with a diverse range of fresh and delicious pastries, bread, and cakes made with premium ingredients. With a commitment to excellence in taste and presentation, we aim to become the go-to destination for those seeking a delightful and memorable bakery experience.



MODULE 2 LESSON 2

ENTREPRENEURSHIP

Target Audience

Our primary target audience includes:

- **Local Residents:** Individuals and families seeking high-quality, freshly baked goods for daily consumption and special occasions
- **Corporate Clients:** Businesses and offices looking for catering services for meetings, events, and employee celebrations
- **Tourists:** Visitors to New York looking for a taste of local artisanal baked goods
- **Event Planners:** Individuals planning weddings, birthdays, and other special events, looking for custom-designed cakes and pastries



MODULE 2 LESSON 2

ENTREPRENEURSHIP

Marketing Plan

- **Online Presence:** Develop a user-friendly website with an online ordering system. Leverage social media platforms to showcase our products, engage with the community, and promote special offers.
- **Local Partnerships:** Collaborate with local coffee shops, restaurants, and businesses to cross-promote products. Establish partnerships with event planners for mutual referrals.
- **Loyalty Programs:** Implement a loyalty program to reward repeat customers. Offer special discounts for bulk orders and frequent purchases.



MODULE 2 LESSON 2

ENTREPRENEURSHIP

- ❁ **Seasonal Promotions:** Introduce seasonal and holiday-themed products. Run promotions and discounts leading up to holidays to attract customers.
- ❁ **Community Engagement:** Participate in local events, farmers' markets, and community fairs. Sponsor local sports teams and school events to enhance brand visibility.



Key Staff

- **Carolina Garcia, Founder & Baker:** Carolina is responsible for recipe development, quality control, and overall bakery operations. She has over 15 years of experience in the baking industry and was head baker at her previous job before starting Carolina's Bakery.
- **Emma White, Head Pastry Chef:** Emma manages the pastry kitchen, supervises baking staff, and ensures consistency in product quality.
- **Michael Cho, Sales and Marketing Manager:** Michael develops and executes marketing strategies, manages online presence, and handles customer relations.
- **Marcus Smith, Operations Manager:** Marcus oversees day-to-day operations, inventory management, and ensures smooth workflow.



Financial Plan

- **Revenue Projections:** Retail sales from the bakery, wholesale partnerships with local businesses, catering services for events, and corporate clients.
- **Expense Forecast:** An initial investment of \$24,000 for equipment purchase/setup, renovation/interior design, initial inventory/raw materials, and initial marketing/promotional expenses for the store's grand opening. This initial investment of \$24,000 will be paid off in a year with a loan with 12 monthly payments of \$2,200.00 (\$2,000 plus \$200 in interest per month). Additional expenses are employee salaries and benefits (\$10,000/month), utilities/rent/maintenance (\$4,000/month), marketing and advertising costs (\$1,000/month), and cost of goods sold (\$13,000/month).

MODULE 2 LESSON 2

ENTREPRENEURSHIP

- **Profit and Loss:** Monthly and annual revenue forecasts based on sales projections. Given that the average margins of baked goods at Carolina's Bakery are 300%, in the first year, we are estimating bringing in \$468,000 in gross revenue in our first year (\$39,000/month). Our estimated expenses are \$362,400 in our first year (\$30,200/month). The Profit and Loss forecast is a positive \$8,800/month or \$105,600 per year.



MODULE 2 LESSON 2

ENTREPRENEURSHIP

☀️ Cashflow Projection

- **Cash balance from last month:** \$6,800
- **Anticipated monthly sales:** \$39,000
- **Anticipated Monthly Expenses:** \$30,200
 - ▶▶ Initial investment loan: \$2,400
 - ▶▶ Salaries: \$10,000
 - ▶▶ Utilities, Rent, Maintenance: \$4,000
 - ▶▶ Marketing and Advertising: \$1,000
 - ▶▶ Cost of goods sold: \$13,000
- **Cash balance at end of month:** \$15,600

Using the cashflow projection, Carolina's Bakery can analyze the amount, timing, and probability of future cash needs.

MODULE 2 LESSON 2

ENTREPRENEURSHIP

☀ Budget allocations:

- **Initial investment:** equipment purchase/setup, renovation/interior design, initial inventory/raw materials, initial marketing/promotional expenses for the store's grand opening
- **Employee salaries and benefits:** full-time and part-time staff plus benefits
- **Utilities, rent, and maintenance:** fixed costs for the bakery
- **Marketing and advertising costs:** monthly promotions
- **Costs of goods sold:** flour, sugar, baking powder, baking soda, eggs, fresh fruit, chocolate, and flavorings/extracts

Carolina's Bakery will need to determine how much to spend in different categories of expenses to make the business a success.

