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## I. INTRODUCTION

This set of consultancy materials is prepared under a project entitled "Business has no borders", CCI Number 2007CB16IPO006; IPA Bulgaria - Serbia Cross-Border Programme 2007-2013. The project aims to cover various models and tools for consultancy of enterprises that are eager to develop their business in horizontal or vertical direction, to search for new markets for their production, to solve problems within the organization or need assistance to deal with challenges of the economic environment.

The paper is divided in five parts. The first part contains description of main chapters. These chapters contain marketing plan of the enterprise, including the description of the marketing mix. The second part presents the Porter Five Forces Model which is the most used tool for strategic evaluations and planning of the corporate world. Further is presented the Prosperity Model of the European Foundation for Quality Management describing the advantages that it gives to the business as well as the way and opportunities for applying for this prestige European award. The model also could be used for self-assessment and introduction of improvements in the enterprises' activity. The fourth part of the paper contains guidelines for business planning of enterprises working in the field of services.

The annexes contain classic examples of marketing plan and marketing mix, matrix for utilization of Porter Five Forces Model, self-assessment tools based on the Prosperity Model of EFQM as well as a Manual for preparation of business plan of enterprises operating in the field of services. The paper contains also instructions that could be used by local and regional administrations as well as by other organizations acting in the field of local economic development, analysis, elaboration of local economic development plans.

## **II. MARKETING PLAN AND MARKETING MIX**

### **2.1 *What is marketing plan?***

The marketing plan is a part of the business plan of the enterprise. It is a detailed description of activities foreseen by an enterprise in order to define: functionality and value of the products manufactured or services provided; how the information about these products/services will reach the potential customers; sales channels; post-sales service of the production/services.

For the elaboration of the marketing plan is needed enough information to be collected about the existence of similar products or services such as the certain enterprise produce/provide, present competitor companies at the target markets, used and existing sales channels. However, to elaborate an effective marketing plan it is not enough to collect or purchase information by market companies about the state of play of target market. The most important for elaboration of the plan is knowledge of so called "soft side" of matters — i.e. knowing the habits of potential customers and business practices of the competition acting at certain market. Therefore the successful marketing plan could not be elaborated only by good marketing experts but having no experience at the certain target market. It is obligatory the team to include persons experienced at the concrete market the marketing plan is elaborated for. In particular these persons could be sociologists, managers of enterprises, psychologists as well as even key public personalities at place (public actors, religious leaders, etc.). All they usually have experience and knowledge of the characteristics of potential customers and working with the competition at their market.

A well-developed marketing plan usually contains following main parts: Summary, General activity information, Evaluation of the market situation, Market segmentation, Alternative marketing strategies, Marketing strategy chosen (marketing mix), Short term and long term forecasts and Conclusion.

Guidelines for elaboration of each part of the marketing plan are provided below. The part concerning marketing mix is reviewed in details as this is the core of each marketing plan forming the basis for its successful implementation and achievement of objectives. Practical examples of elaborated marketing strategies and marketing mix of leading global enterprises are provided in the Annexes.

## **2.2    *Part I: Summary***

Although on the first place in the marketing plan, this part normally is elaborated last after finishing all other parts. This is because the part summarizes the most important from entire content of the plan. It is recommendable the summary to be maximum short (1-3 pages) as it should contain all most important items of the information provided in the next parts of the plan.

Objective of the summary is to be a short presentation of the marketing plan before the stakeholders that take decisions for investments, credits, support and other types of business cooperation having limited time and no need to enter in details of the business plan. These people usually are members of boards (investors, shareholders), members of credit councils (creditors, banks), directors of directorates and institutions (state organizations and NGOs supporting SME), which evaluate the idea or concept of the marketing plan and assign to the lower expert levels in their organizations the research of analysis and proposed activities in the detailed description of the marketing plan.

The objectives for which marketing plan is elaborated are to be indicated in the beginning of the summary. This chapter should contain also the information about the period covered by the plan (short term, medium or long term). Authors and their positions in the enterprise may be listed or their experience in preparation of plans on similar matter.

### **2.3    *Part II: General activity information***

This part briefly describes the main enterprise activities as its product lines and products/services provided are commented more detailed. Quantity of the production or number of services provided at the moment of elaboration of the plan are indicated. Quantity produced is to be compared with the enterprise capacity. Objectives of the plan for each product line are to be defined. When the enterprise would like to focus on certain product or service the objectives could be defined for certain products or services. The objectives could include certain number of sales, time needed for selling, reaching new groups of customers or sales via new channels for marketing. Also should be mentioned how objectives concerning product lines or products are complied with the goals and strategy of the company as a whole. It is needed the focus to be on maximum details concerning defined goals as at the same time objectives should be clearly comprehensive in order to be defined in quantitative terms and to be achievable. Very often when setting high goals there is a situation where in the implementation of the plan they appear to be too optimistic thus leading to discouragement of selling forces and further decrease of selling results. It is therefore necessary the goals set to be realistic and not very hard for achievement in practice.

This part draws attention also on the resources the enterprise has at its disposal such as machines and facilities, their geographic location, capacity, human resources, offices and premises where the production is sold or services are provided, financial capacity at the moment of elaboration of the plan and the moment of its implementation. A brief evaluation of compatibility of the plan with available and future planned resources of the enterprise is made.



## **2.4 Part III: Assessment of the market situation**

This section contains detailed information about how your company is located at the market, which are your customers and description of the market where your company operates. The part could be divided in following six sub-sections: analysis of enterprise, analysis of customers, analysis of competition, analysis of partners, analysis of environment (PEST analysis) and analysis of strengths and weaknesses (SWOT analysis).

### **2.4.1 Analysis of the enterprise**

This section of the marketing plan contains summarized description of the company as seen from inside. Short term and long term goals of the enterprise are indicated but they should be interrelated with the marketing objectives laid down in the plan. Information is provided about the focus of the company — on certain product range or certain product, on satisfaction of certain needs of customer groups, on growth, on enforcing the sustainability, etc. indicating how the focus corresponds / fits to the mission and vision of the organization.

Another important part of this section includes analysis of working culture in the enterprise. Mostly there are two types of culture in the enterprises: Pull (when the company has proactive and experienced staff demanding, offering and committed to introduce improvements of products and activity) and Push (when the staff is held along and not motivated to search for and create new products or more effectiveness thus following the strategies of the competitors in the branch).

Further the plan provides basic information about the strengths and weaknesses of the company as seen from inside (particularly these characteristics are described in item 2.4.6). This usually is information about the capacity, qualification and way of working of managers and staff, design of processes, respecting technologies and standards and description of fields where the company is not doing well — outdated equipment, lack of new products, low qualification of the staff, high levels of staff rotation, etc.

The section ends with evaluation of marketing share of the enterprise indicating the names of main competitors, products and history of market presence from creation of the enterprise to the moment of elaboration of the plan.

#### *2.4.2 Analysis of customers*

Analysis of customers aims to provide information about the target group of the enterprise. This section should provide information about the preliminary evaluation of potential customers, i.e. how many people could possibly purchase any of the products offered. Proposed figures should be justified with facts, for example what percent of potential customers would focus on the product offered and reasons to do this – to test it, because is cheaper, because is more user friendly, etc.

Basic demographic indicators of customers (age, social status, gender) also should be indicated. More detailed descriptions could be provided such as lifestyle, mobility of customers, seasonality of services or products used, habits of using products/services.

An important part of the analysis includes also description of exemplary leaders/personalities customers would like to imitate. Information could be provided concerning their lifestyle, behaviour and how products of the enterprise fit to this style and behaviour or to what degree they cover needs or add value to these exemplary leaders/personalities.

#### *2.4.3 Analysis of competition*

Focus should be on description of competitors as regards their market situation as well as a glimpse inside as possible. Situation of the competitors at the market includes analysis of their market position – whether they are deeply integrated in the market or are still attempting to enter it, whether their products or services cover certain segments or their purpose is to cover the entire potential customer market share. Also is indicated whether the competitors are small, new or time-tested companies, flexible or traditional market actors.

Such as in the analysis of strengths and weaknesses of your company here should be indicated strengths and weaknesses of your competitors. The analysis is based on information from public sources (trade register, statistics) as well as inside information that could be collected from former employees of relevant companies, their reports and presentations before customers and providers.

Finally, a detailed description of market shares of competitors should be provided, by types of products, types of customers, sales channels, geographical division, etc.

#### *2.4.4 Partners*

This section contains companies and personalities that are of key importance for continuing the present work. The most significant providers and companies on the sales channels of your production / services are indicated. Information is provided in what degree these key organizations or persons could be of benefit for you or could be of benefit also for your competitors. Exclusive rights for partnership or using sales channels are indicated.

This section briefly describes your subsidiaries, joint ventures related to the products/services that are subject of the plan, distributors of your production, providers of raw materials and other partnership you consider they have attitude to the successful implementation of the market plan.

#### *2.4.5 Environment – PEST analysis*

This part of the plan includes analysis of company environment – political and legal, economic, social and cultural, technological. The analysis is similar to this in the business plan but here the focus is on the marketing, i.e. analyzed are only these segments of environment that concern marketing strategy laid down and proposed features of the marketing mix.

Briefly, for example, as regards the political and legal environment analysis should be made of specific regulations or legal acts concerning the products/services of the company. Political processes are taken into account as well as whether they are in contradiction with advertisements or other publicities that are part of the promotional campaign of your company.

As regards the economic environment a research is made of the trends of development of the gross domestic product, purchasing power, inflation, creditability and other economic indicators concerning for example the pricing strategy chosen from the company.

The analysis of cultural and social environment focuses on the local social characteristics, traditions, folks, public attitudes, directly concerning the product range laid down, advertisements, company identity messages, etc.

As regards the technological environment, this section contains the types of new technologies existing at the market, are they used by the company and if not, are they accessible for it? An analysis is made whether the products/services offered are compatible with the new technologies, new sales channels, whether update is foreseen for the technologies used by the company, etc.

#### 2.4.6 *SWOT analysis*

As in this analysis, unlike the business plan, the focus is not on the entire company, but on the marketing mix foreseen in the marketing plan. Thus for example as regards the internal strengths of the company, indicated are the unique processes or unique staff that contribute for the quality of the product offered or for the low production cost achieved.

As regards the internal weaknesses of the company described are the fields and processes lacking capacity or resources for achieving the quality or prices your competitors offer their production.

Further the SWOT analysis includes information about opportunities external environment provides to your company. This could be for example nascent fashion trends, climate changes, change in the lifestyle of the target customers group.

Analysis of the external threats for the company contains information about the competitors' activities, change in the political or economic environment in the territory where you offer products, depleted resources, increasing the price of resources, etc.

## 2.5 *Part IV: Market segmentation*

Segmentation of your market means to divide the potential buyers of your products by certain characteristics so to be able precisely to measure the size of certain segment, to have an idea how this segment could be achieved (to be accessible for your marketing), how it reacts to your market messages (marketing mix that will be reviewed in details below in the paper), to be sure that the segment is constant (i.e. not to change very rapidly in time), to be a homogeneous mass of people and to be large enough to bring the profit expected by the company.

Each market has its different segments. Comprehension of the relevant target segments for your product/s/ at a market where you operate is important because this will give you opportunity to tune your marketing mix thus continuously adapting it better to the different and changing needs of each segment and sub-segment.

Segments in the marketing plan should be well analyzed and defined. The description should determine clearly and accurately the shape, composition, location and access to the segment. The basic characteristics each segment to be described with are listed below:

- Name of the segment;
- Brief description;
- What percent of total sales of the company is accomplished or is planned to be accomplished for this segment;
- What exactly this segment demands and needs;
- By what way this segment uses your product;
- Type of support this segment needs;
- Which are the best ways for advertisement and communication with this segment;
- What is the sensibility of the segment to the price level (this is determining in order to establish whether the demand of certain product is elastic or inelastic);
- Repeat the characteristics listed above for any other potential segment until your are sure that all target segments are identified.

## **2.6    *Part V: Alternative market strategies***

In this part you should describe some alternative marketing strategies that are close or directly could replace the strategy that is subject of the marketing plan.

Thus for example these could be strategies you offered or analyzed before choosing finally the strategy developed in the plan. Describe with few paragraphs the main objectives of alternative strategies, resources needed for their accomplishment and causes by which these strategies are superseded by the strategy offered in your plan.

The information provided should include concrete data about what products or product lines for example have been or are not been included in the alternative strategies, what are the differences as regards the price levels of a product or product line, what are the expected turnovers and profits.

## **2.7    *Part VI: Chosen market strategy (Marketing mix)***

Description of the marketing mix is the most important part of the marketing plan. Firstly here should be provided information about the considerations of your team to choose this strategy. Objectify why do you think this is the best strategy in short term and long term aspect.

Further your should describe the Four "P" for each product or product line. It is important that each product or product line should have its own 4P using the form below:

### **Product**

- Branding / Name of the brand;
- Foreseen product quality (whether the product is a plastic plane with price of EUR 1 or a metal plane with price of EUR 30 which has real lights and sounds);
- Scope of the product line;
- Warranties;
- Packing.

### Price

- Market price;
- Discounts;
- Package sales;
- Payment conditions;
- Leasing opportunities (if applicable).

### Place

- Distribution channels (whether you sale this product by your own, whether you transport it to the retail traders or stockrooms, etc.);
- Discounts in different types of sales channels (what types of marges you could propose to the distributors?);
- Criteria for evaluation of your distributors;
- Where you will offer the product/service;
- Logistics and supply chain.

### Promotion

- Advertisement (what types and how much per type, types of advertising channels – TV, press, Internet, etc. – you intent to use?);
- Public relations;
- Promotional programs;
- Budget, describe also the break-even point;
- Forecast results of proposed promotional programs (impact on the loyalty of customers, attraction of new customers, etc.).

## **2.8     *Part VII: Short term and Long term forecasts***

This part should include foreseen incomes and expenditures when implementing the marketing plan and break-even analysis. Two, three or more scenario could be elaborated as each scenario should indicate the operational changes that should be made in order to be accomplished. Short term and Long term forecasts as regards the necessary resources, expected incomes and profits should be described clearly.

## **2.9     *Part VIII: Conclusion***

Conclusion of the marketing plan is an extended version of the Summary. A short summary of each part of the marketing plan is made. It is necessary specific figures to be included such as foreseen expenditures, incomes, profit, etc.



### III. PORTER FIVE FORCES MODEL

Porter Five Forces Model is presented initially in 1979 by the popular market strategist Michael Porter. This model has proven its effectiveness and is the most used tool by enterprises for analysis of industries and preparation of corporate strategies. The Porter Five Powers include: Intensity of competitive rivalry, Bargaining power of suppliers, Bargaining power of customers (buyers), Threat of new entrants and Threat of substitute products or services.

The model assists the analysis of industry but also the analysis of what is the competitive position of the company. It discovers the main sources of competitive pressure and the power of each competitive force. On that basis could be foreseen types and quantities of resources and strategic moves allowing the enterprise to occupy larger market positions or to protect successfully its present.

#### ***3.1 Competition between competing vendors***

The intensity/power of competitive rivalry between competing vendors is a result of how they use without remorse tactics such as low prices, promotional gifts, enlarged customer services, longer warranties, special promotions and presentations of new products. Following factors should be taken into account having impact on the temp of competition between competing vendors.

- The rivalry intensifies when the number of competitors is increasing and when competitors get equal as regards their size and opportunities;
- The rivalry usually is stronger when the product demand is growing slowly;

- The rivalry is intensified when conditions in certain industry force competitors to use price discounts or other competition weapons in order to increase the sales quantities;
- Rivalry is stronger when for customers the price for transfer from one brand to another is low;
- Rivalry is stronger when one or more competitors are not satisfied from their market position and undertake movements to increase their presence at the expense of competitors;
- Rivalry is intensifying proportionally to the size of return as a result of strategic movement undertaken;
- Rivalry is more and more fierce when the expenditures for exiting business are larger than these for staying in business and competition;
- Rivalry becomes more uncontrollable and unpredictable when competitors are more different as regards their visions, strategic intents, objectives, strategies, resources and countries of origin;
- Rivalry is increasing when strong companies out of industry acquire weak companies from the industry and launch aggressive well funded movements in order to transform their new competitor in main market one;

### **3.2 *Market attempts of enterprises from other industries to attract customer to their own substitute-products.***

How strong is the competitive tension by substitute products depends on three factors:

- Whether there are substitute-products which have attractive prices;
- How far substitute-products are attractive as regards their quality, functionality and other similar attributes;
- The simplicity of passing of buyers to usage of substitute-products.

### ***3.3 Potential opportunity for new competitors to enter the market.***

Two classes of factors should be taken into account when assessing the seriousness of the threat from entering competitors at certain market: barriers against entry and expected reaction of enterprises concerned vs newcomers; Several types of barriers to the entry could be outlined:

- Savings from scale;
- Impossibility for access to technologies and specialized know-how;
- Expected periods as regards the learning effect and curve of experience;
- Preferences to certain brands and loyalty of customers;
- Requirements for certain resources;
- Impossibility for price decreasing regardless of the size;
- Access to distribution channels;
- Regulatory policies;
- Customs tariffs and international trade restrictions.

### ***3.4 Power of brand and density of supplies the suppliers could impact with.***

Whether suppliers in certain industry are strong or weak competition depends on:

- Market conditions of the suppliers industry;
- Significance of products they supply.

### **3.5 *Power of negotiation and density of purchases the buyers could impact with.***

Buyers could have significant position for negotiations thanks to their density as regards the purchases they do. This usually appears in cases when buyers are large and buy large amount of product of the industry. Buyers could have a great impact on negotiations under following circumstances:

- When the price for transfer to competitive brands or substitute-products is low for the buyer;
- If the number of buyers is small;
- If buyers are well informed about the products, prices and expenditures of vendors;
- If buyers are a significant risk as regards their opportunity to integrate back to the business of vendors;
- If buyers have doubts whether is necessary to buy the product.

#### IV. PROSPERITY MODEL OF THE EUROPEAN FOUNDATION FOR QUALITY MANAGEMENT

The Prosperity Model of the European Foundation for Quality Management (EFQM) is a frame of nine criteria which could be used for assessment of the level of prosperity achieved by certain organization. The model considers there are a number of approaches for achieving of sustainable prosperity in all aspects of activity. It is based on the judgment that: Excellent results as regards the Main activity, Customers, Human resources and Society are achieved by Leadership that determines the Policies and strategies and is implemented by People, Partnerships, Resources and Processes.

Giving opportunities			Results	
People	Leadership	Processes	Human resources – results	Main activity results
	Policies and strategies		Focus on customer	
	Partnerships and resources		Society – results	
Innovativeness and acquiring of knowledge				

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The arrows underline the dynamic nature of the Model. They indicate that innovations and acquiring of knowledge helps for more opportunities which leads to improved results.

##### EFQM Prosperous Business Prize

The EFQM Prosperous Business Prize is the most prestigious prosperity award in Europe. The prize is open for applications by organizations that achieved excellent results in their activity. In 2012 will be the 21<sup>st</sup> in row Prize Ceremony.

#### **4.1 EFQM Prosperity Prize winner**

EFQM Prosperous Business Prize is awarded annually to the organizations evaluated as the best in the relevant category. Winners are exclusive organizations – they are European or global role models as regards the way of work and results achieved.

#### **4.2 Winners**

Prizes for quality are awarded to such organizations that have achieved exclusive results as regards the fundamental prosperity concepts. There are special prizes for different categories organizations in following fields:

- Leadership;
- Focus on customer;
- Corporate social responsibility;
- Human resources development;
- Result orientation;
- Management by analysis of processes and facts;
- Increase of qualification, innovativeness and improvements of activity.

#### **4.3 Finalists**

Each year several finalists are nominated in each category. Finalists are organizations that are demonstrated high degree of prosperity in quality management as a fundamental process for continuous improvement of their activity.

All winners are awarded with a distinctive sign which certifies their achievement and could be laid on letterheads, business cards and advertising materials.

The EFQM Prosperous Business Prize winners and finalists are awarded at the EFQM Annual Forum which is significant scale event. The forum is implemented each year and is attended by more than 700 managers from all over Europe.

Annex 6.4 of this paper provides material which could be used from Bulgarian organizations as a reference and self-assessment tool of the organization on the base of EFQM Prosperity Model. The tool could serve as well as strategic model on which base each enterprise to select a process or field for improvement of its effectiveness.

## **V. LABORATION OF A BUSINESS PLAN IN THE FIELD OF SERVICES.**

During the last 20 years the field of service business occupies more and more larger place compared with manufacturing. This trend appears mostly in more developed countries Bulgaria belongs to. By that reason this set of materials has a separate place for guidelines for business plan elaboration in the field of services. This type of business plan differs from the manufacturing plan as the services have different characteristics that distinguish them significantly from commodities – for example services could not be stored, their quality depends on the service provider, therefore same service could have different quality depending on the employee that provides it, etc.

Business-plan in the field of services could give the key to success to the owner-manager or future owner of small enterprise in the field of service. In order to make first steps on the way to profits and success, the entrepreneur should take into account following questions:

- What is my field of business?
- What services I provide?
- Where my market is located?
- Which are my potential customers?
- Which is my competitor?
- What is my sales strategy?
- What trade methods I will apply?
- How much funds are needed my enterprise to operate?
- How I will do the job?
- What managerial control methods are necessary?
- When I should revise my plan again?
- Who I could address for assistance?



Nobody could give an answer to these questions but the owner or manager of the company. In their capacity of owner-managers decision makers should answer these questions and elaborate their business plan. The material in Annex 6.5 is a combination of text and fields where information could be entered during the work and structuring of business plan.

Time, energy and patience are needed for elaboration of good business plan. Use the pages in the Annex of this Handbook to write down your ideas and accompanying facts. Above all you should amend the plan during its implementation if needed.

Take into consideration that everything you leave out of the general scheme will bring easily to additional costs and reduction of your assets. The success of your business is jeopardized if you miss or do not take into account certain facts. Your final goal is to implement in practice your plan. This is described in more details in the end of Annex 6.5.

What is the benefit of my business?

You could think: Why should I spend time and efforts to make a business plan? What is my real benefit? If you never elaborated such plan you indeed have the right to know the possible benefits.

The business plan offers at least four benefits. You probably will discover more in the process of dealing with it. These four benefits are:

- The first and most important is that your plan guides you work. It creates the future such as you would like to be. A plan with clearly defined foals and methods for achievement allows you to make courageously your business in the stormy economic time and reach the harbor of your choice;
- The plan creates better conditions to introduce a bank officer in your nature of work. When introduced in details in your plan he/she will have better glimpse on the situation in case of need for a loan;

- The plan could be a good communication tool when you should introduce your staff, suppliers, etc. in the nature of your goals and intents;
- The plan gives you an opportunity to improve yourself as a manager. You should consider alternative conditions, opportunities and situations that could be favorable for your business. Such practice acquired for certain time period increases the capability of the manager to take rapid and correct decisions.

Why did I start this business?

Many entrepreneurs start their business attracted by the opportunity to make money and to be chiefs themselves. However, long hours of hard working and immense responsibility rapidly distract the initial luster and charm.

The profit is an award for satisfaction of your customers' needs. But it needs a hard working. Sometimes a new established enterprise needs two years before gaining first profits. So, where are the reasons to start own business?

Every owner-manager of a small enterprise has his/her personal reasons to start own business. Some are satisfied by the fact that they serve their own entourage. They are proud of creating services for their neighbors and are the only responsible for their quality. To others business gives opportunity to contribute for their own financial security.

There are so much reasons and benefits from starting own business as much are the owners of enterprises.

In order to start your business plan in the field of services, follow the Handbook in Annex 5.

## **VI ANNEXES**

- 6.1 *Sample marketing plan for launching of new service Out of Country service of Royal Bank***
- 6.2 *Sample marketing mix: The Body Shop brand marketing strategy***
- 6.3 *Analytical matrix for using the Porter Five Forces Model***
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  - 6.6.3 *Implementation of the Local Economic Development Strategy***

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