

ANNEX 7

GUIDE TO THE BUSINESS PLAN¹

The business plan is an essential document for a consortium. It provides a road map for the later operations by specifying the strategic vision of the group, listing the activities that members wish to undertake jointly and providing an overview of the expenses involved.

The business plan will play a large role when deciding which legal structure to adopt and determining the amount of capital to be contributed by each member in order to ensure financial viability. In addition, the business plan is crucial when applying for subsidies, as these are typically granted as a share of the expenses for the planned activities.

Writing a business plan is not a one-time activity. When the consortium is in operation, some of the main elements of the business plan should be reconsidered periodically. The budget, in particular, will have to be prepared before the beginning of each year.

A INTRODUCTION OF THE BUSINESS PLAN

The first section of the business plan should include a brief introduction of the consortium (e.g. is it a promotional or sales consortium?; Is it a single-sector or a multi-sector consortium?), the purpose of writing the business plan as well as the goals of the consortium and the time frame for accomplishing these goals.

B STRATEGIC VISION

Based on an analysis of the members' strengths, weaknesses, opportunities and threats (carried out in the context of a feasibility study), a strategic direction for the consortium should be chosen. This section indicates what the consortium's goals are and how it intends to achieve them. Possible objectives identified may include obtaining greater market share in markets already served by members, entering new markets and/or product development, e.g. by improving the quality of products or introducing a common brand.

To outline the strategic vision, members may wish to analyse the following variables:

- **Markets.** Indicate the countries and the market segments to be targeted as well as the market research to be conducted. In the early stages of a consortium, markets targeted should be limited in number and should be relatively homogenous.
- **Product range.** Indicate the range of exportable products today and the eligibility criteria for future products. International requirements and certifications to be obtained should be specified.
- **Price policy.** Indicate the price policy to be followed nationally as well as internationally. How competitive are members' products compared to those of competitors in the target markets?

¹ This annex is largely based on information provided by B.H. Labigne (UNIDO expert and promoter of export consortia in Tunisia and Morocco) as well as on a UNIDO/UNDP manual prepared by Dr. Leon V. Chico.

- **Distribution channels.** Indicate the strategy with respect to distribution channels. Elaborate and evaluate the alternatives.
- **Promotion.** Indicate the promotional strategy adopted by the consortium (exhibitions, trade fairs, publicity, lobbying, etc.).
- **Competitiveness.** Indicate and develop the means to increase member firms' competitiveness (improvements in productivity, pricing policy, etc.).

C DEFINITION OF PRIORITY ACTIVITIES AND PROVISIONAL PLAN

It is necessary to specify the priority actions to be undertaken by the consortium, the implementation methods to attain these objectives and the expected results. It must always be remembered that activities should be ambitious, but realistic. To determine what is realistic, a feasibility study should have been conducted.

The following is a list of possible activities, which an export consortium may wish to undertake. It is neither exclusive nor is it intended to suggest that consortia must undertake all of these activities. Which elements a particular consortium will include in its business plan depends on the wishes and expectations of its members. These should have been determined beforehand by means of a questionnaire and frequent discussions. Additionally, the members' prior knowledge and experience with exporting, as well as the budget available will constrain the choice of activities.

Activities related to the creation of the consortium:

- Recruitment of an Executive Director and of support staff;
- Renting of office space;
- Purchasing the equipment necessary to become operational (e.g. telephone, fax, computers).

Activities on a national level:

- Creation of a common website;
- Printing a common brochure to present the consortium and its member firms;
- Review of industry-related magazines and other publications (to raise awareness about changes in the industry and the latest technology);
- Collective participation in events;
- Lobbying activities;
- Joint press campaigns;
- Organization of workshops and training sessions;
- Joint research and development;
- Obtaining certification;
- Collective purchasing;
- Joint packaging.

Activities on the international level:

- Participation in industrial fairs and exhibitions;
- Joint missions;
- Information collection and dissemination on suppliers and potential clients;
- Market research;

- Research on possible distribution channels;
- Publicity campaigns for products from the country in question.

Once the priority activities have been identified, a provisional plan of the activities foreseen should be made. Such a plan should specify when the activities will be undertaken and what the expected results are.

D FUNDING AND PROVISIONAL BUDGET

A business plan must outline how the consortium will finance its activities and where its start-up capital will come from, i.e. equity financing from members, annual fees, fees for specific services, a commission on export sales, government grants or a combination. A provisional budget should be specified annually and should be divided into separate budget categories. It should indicate the operating costs of the consortium as well as the expenses arising from promotional activities. Operational costs include salaries of staff, expenses for office supplies, phone and fax, rent, utilities, etc. Promotional costs include all expenses related to the promotion of members' products, such as travel, printing and design of a brochure or catalogue, stand design for trade fairs and exhibitions, market studies etc. In the case of sales consortia and of those promotional consortia offering a wide range of services to their members, additional types of costs arise and should be foreseen in the budget.

A table similar to the following, completed with each of the activities specified under section C, may provide a useful overview.

Activity	Expected Cost	Share Paid by Consortium	Share Paid by Member Firms	Expected Results

E ORGANIZATIONAL STRUCTURE

Much of the success of an export consortium is due to the President, the Executive Director and the support staff. A short description of the qualifications that each key personnel must have should be included in the business plan. A short job description for each of the key personnel ought to be prepared as well. Finally, a list of names and addresses of all members should be included. Additionally, it should be specified how responsibilities are divided among the members and the consortium.

Depending on the type of consortium, it may be useful to include a simple Organization Chart.

F MAJOR RISKS AND ASSUMPTIONS

In this section, the major risks that may affect the consortium's activities should be identified. Additionally, any critical assumptions should be indicated that are used throughout the business plan and that may influence the consortium's performance if they are not correct.

The way that the consortium intends to deal with the risks identified, should they materialize, should also be explained.

G APPENDICES

This last section of the business plan is used for attaching supporting documents and other useful information. These documents give additional information, further explanation or proof of the statements or claims made in the business plan.