

## 2. Purposes and Functions of a Business Plan

A **business plan** is like a roadmap for your business. It explains what you want to do, how you will do it, and how you will measure success. Its main **purposes are**:

### 1. Planning & Decision-Making

- Helps you **clarify your goals**: What exactly do you want to achieve?
- Defines **milestones**: Key points to reach along the way.
- Determines **resource needs**: What people, money, or materials do you need?
- Sets **timing**: When things should happen.

### 2. Resource Mobilization / Financing

- Shows **investors or banks** how you will use their money.
- Explains how you will **repay or return investments**.
- Demonstrates **market opportunity** and potential profits.

### 3. Signaling & Legitimacy

- A business plan shows that you are **serious and competent**.
- It proves you **understand your market**.

### 4. Performance Monitoring & Control

- Sets **KPIs (Key Performance Indicators)** to measure progress.
- Defines **budgets and milestones** to control spending and track achievements.

### 5. Learning & Adaptation

- Documents your **assumptions**: what you expect to happen.
- Helps **test ideas** and adapt your business as you learn.
- Similar to **Lean Startup methods**, where you experiment and adjust rather than sticking rigidly to the original plan.

### Task1 : Understanding Purposes of a Business Plan

Case: Mini Coffee Shop Plan Sections :

- Read the mini business plan sections provided below.
- For each section, identify the correct purpose from the lesson (the purposes are listed in a mixed order). Then explain why this section serves that purpose..

### Section A – .....

- Total funding required: ~1,000,000 – 1,200,000 DZD.
- Lease & setup: 400,000 DZD
- Equipment: 400,000 DZD
- Inventory & supplies: 100,000 DZD
- Marketing: 50,000 DZD
- Staff salaries: 150,000 DZD
- Daily revenue projection: 60–100 customers × 200–400 DZD
- Monthly revenue: 360,000 – 1,200,000 DZD

**Section B – .....**

- Assume customers will pay 200–400 DZD per coffee.
- Soft opening with 30–40 customers/day to test assumptions.
- Actions if assumptions fail: introduce promotions, adjust prices, improve service, or add seasonal drinks.

**Section C – .....**

- Owner has coffee-making experience.
- Research shows demand for affordable specialty coffee.
- Location and service will differentiate the shop from competitors.

**Section D – .....**

- Launch a small coffee shop and reach 60–100 daily customers within 6 months.
- Key milestones include: lease & setup, hire staff, purchase equipment, soft opening, marketing campaign, grand opening.

**Section E – .....**

- KPIs: daily customers, daily revenue, customer satisfaction.
- Budget tracking: compare monthly expenses vs revenue.
- Review milestones monthly and adjust operations if needed.