CREDIT SUISSE

Get started with a well structured business plan? Why not.

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Content

Foreword

The economic environment is now more challenging than ever.

The removal of trade barriers, the relocation of production operations to low-wage countries, and structural changes are just some of the developments that are proceeding at an ever faster pace and posing growing challenges for many companies. But such changes also present opportunities. This is demonstrated not least by the 10,000 companies that are founded in Switzerland each year.

Successfully managing a company in a turbulent environment requires management not only to be willing to adapt, but also to have a clear vision about its goals and the necessary tools to achieve those goals. An ideal tool for recording these goals is the business plan. It documents the direction that management wants to take, and defines a binding and uniform frame of reference for the management team. It allows investors and lenders to make a quick and in-depth assessment of the business venture. So it is hardly surprising that the business plan is a central planning document for management. Preparing such a business plan and determining the future shape of the company helps you carry out your business idea and lays the foundation for your business success.

This guide shows what a business plan is, what purpose it serves, how it is structured, and how to go about preparing your own business plan. We are deliberately not providing you with a loose collection of checklists. The business plan should be an individual and personal document, not a one-size-fits-all solution with right and wrong answers. The business plan is not created in one single effort, but is instead an iterative learning process, in which different versions are reviewed and then rejected. This work requires the full commitment from the management. The involvement of external professionals can be useful for gathering information, ensuring that individual queries are handled systematically, and for preparing documentation. Conceptual work, however, should not be delegated to third parties. Finally, the business plan should show how you want to lead the business in the future. The result of this work will be a valuable tool for managing your company. We wish you much success!

Introduction

A business plan shows your company's future growth opportunities.

You use it to formulate the company's goals and show the measures you will take to achieve these goals.

A business plan is especially useful if the company is about to take an important step in its development, whether this is the founding of a business, the introduction of a new product, expansion abroad, the acquisition of another company, or the creation of a succession plan. In these and similar cases, it is crucial to show, with the help of a business plan, that there is an opportunity for future success. This requires a precise market assessment and planning of the company's activities.

Writing a business plan compels management to clearly present its plans and goals. The business plan also allows management to show prospective business partners or future members of management the opportunities and risks of the proposed business strategy. It creates transparency regarding the solutions for meeting real customer needs and thus promotes trust in your company. Together with good management, it forms the basis for long-term above-average returns for the company. The business plan is therefore important as an acquisition and negotiating document.

Goals of a business plan

A business plan:

- reviews a project or a business idea and shows its feasibility;
- provides the basis for decision-making for future business partners;
- helps present business ideas effectively.

From its founding until it reaches maturity, a company constantly faces new situations.

In these cases, companies are often dependent on the support of partners.

Whether it's a request for financing, a mandate for sales negotiations, or corporate consulting, the business plan is an important document when dealing with prospective business partners. With a financing request, especially equity financing, the business plan is usually a prerequisite for evaluating your business idea. Investors who provide your company with a considerable amount of capital and are therefore willing to bear a portion of the entrepreneurial risk have to be given comprehensive information. This need has to be taken into account.

Intended use of a business plan

Looking for investors/strengthening the equity capital base
In order to implement future-oriented strategies, your company is looking for new shareholders. These investors always ask for a business plan. They use it to review the projects in terms of the business idea and market opportunities.

Mergers, acquisitions, succession planning, and the sale of companies
If you plan to sell your company, the business plan will help you present your company in a transparent manner. Potential buyers will take a closer look at those companies that they believe are healthy and that can be integrated successfully. Conversely, when purchasing a company, you demonstrate a policy of openness to the management team of the potential acquisition by letting them have a look at your own company.

Request for credit or lease financing
Most banks today are no longer satisfied with historical balance sheets and income statements when making credit decisions. Instead, they now increasingly focus on a company's economic prospects. While banks do not always require a business plan, this document helps present your company or your project quickly, comprehensively, and in a simple manner. A business plan is essential when establishing a new company.

A business plan can be used for many other purposes, such as acquiring new customers, attracting new management, succession planning, etc.

A well-structured business plan makes it easier for the reader to get started.

The structure, form, and content of the business plan go a long way toward determining the prospects for your project. Therefore, give your business plan an interesting and varied structure. Be creative! If the recipient of your business plan is foreign or if the document is needed for decision-making processes abroad, it may make sense to write it in English.

Before you turn to the individual sections, you should first note some basic rules on content and form when writing a business plan.

Basic rules on content

- Keep your business plan short, precise, and clear. The use of technical expressions should be reduced to the minimum necessary or explained in a footnote. The business plan should not be more than 20 to 30 pages long.
- Make a clear distinction in your statements between facts and plans. Always address negative topics, as well. Justify your assumptions about the future. If you use third-party sources, quote them with information about their origin.
- A business plan should not be artificially inflated, but should instead focus on what is important. Additional and background information should therefore be included in an appendix. Corresponding references to the appendix are made in the body of the text.
- Abide by the rule “Don’t make me think” when you are writing – write as concisely as possible, but always in a manner that ensures the reader will not be left with any unanswered questions.

Basic rules about form

- Avoid a “loose-leaf” book. The business plan should be bound or stapled.
- Provide the name, address, and telephone number of the company and the name of the main person responsible on the title page. If you want to distribute the business plan to various investors, it is a good idea to number and personalize the individual copies.
- Do not forget to include a table of contents, which should be divided by individual sections. Use page numbers. This will enable readers to find information that interests them more quickly.
- Attachments, such as balance sheets and analyses, the résumés of members of management, newspaper articles, prospectuses for the company or products, letters from customers/suppliers, etc. are best included in the appendix.
- Practical structure: In practice, the format included in the checklist (see the end of this guide) and in the following section “Format and contents of the business plan” have proven to be effective.

Structure of the business plan

Management summary
This section is the business plan in abbreviated form. A reader should be able to read it in five minutes and then say, “Aha, that’s how your company works, and what you want from us.” Limit this section to a maximum of two pages.

Company and corporate strategy
The business plan must provide background information about the company or the initial situation. It provides a historical look at the development until now, the milestones that have been achieved, and changes during the course of business. This section also provides information about your company’s strengths and weaknesses. The strategy is the basis for the business plan, which must correspond with the strategy in all respects. You should therefore explain, briefly and in simple words, what strategy you are following with your company.

Products/services
Explain the existing and planned market services. What is special and particularly attractive about them? Emphasize in particular all points that you consider to be crucial.

Market/customers
No entrepreneur can get by without precise knowledge of the market and the needs of their customers. In this section, create a market overview and analyze your own market position. Indicate where you see yourself in the market in the future and how you will respond to new trends.

Competition
This topic is so important that it is best to give it its own section. Using a competition analysis, the strengths and weaknesses of your company are compared against those of your toughest potential competitors. Even if you say that your company is unique and has no direct competition, it is important to explain this.

Marketing
In this section, you convince the reader that you have clear marketing plans. How do you assess purchasing behavior today and in the future? What is your price policy? What advertising methods do you want to use to effectively support the sale of your products and services?

Production/delivery/procurement
In this section, you describe the current and future production facilities and the technologies that will be used. Note which semi-finished products or services you will provide yourself and which you will obtain on the market. Name the key suppliers and show the trends on the raw materials markets from which you will source your raw materials.

Research and development
Readers will want to know where you get your expertise in the developments and trends in your sector, and how you will ensure that you have a strategic advantage compared to your competitors over the long term. They will be interested in how you respond to change, what development projects are already under way, and which ones are planned. Show how you protect your products and brands.

Location/administration
Location: Where is your company headquartered? Are there other locations? What advantages/disadvantages and development opportunities do the selected locations offer? Administration: Your corporate activities also have to function in the administrative area. Show how you plan to organize the administrative area.

Information technology
The importance of information technology for companies has grown – in terms of both the production of their goods and services and their market presence. It is important to show which applications are crucial for you in the implementation of your corporate strategy. How will you ensure that your infrastructure is available and up to date in the long term?

Management/management tools/organization
Management: In this section, present your company's management team, including their names, education, and functions. If your company has an advisory board or a network of experts, the members and their professional experience should also be listed. Do you have written management principles? How are your salary policy and the development of your staff structured? These points should also be presented. Management tools: In this section, describe how you develop your goals, how you review whether they have been achieved, and how you inform management and the board of directors about the company's performance. Also provide information about the structure and role of risk management. Organization: What is your operational and organizational structure?

Risk analysis
Risks can threaten the success of your business idea. In this section, you analyze the internal and external risks and assess them. You also indicate potential courses of action.

Finances/financial planning/financing plan
In this section, you provide information about your current financial situation and explain important developments. Under financial planning, you show where the necessary funding comes from and how it is to be used to ensure the realization of your planned goals. In this way, you identify your financing needs and create a financing concept.

Format and contents of the business plan

The management summary is the most important section, as it should grab the reader's interest.

The management summary presents your company and upcoming projects to future business partners.

Logically structured, and written in an interesting and captivating manner, it explains the key aspects of your business proposal in a maximum of two pages. It should take the reader no more than five minutes to learn about your company's activities and projects and about the support you expect from future business partners.

There is more than one way to write a business plan. Opinions differ as to how and when the summary should be written. We would like to present one method here that has been proven effective. Formulate questions on the key aspects of your project at the beginning of the task using the business plan's structural outline. This may include, for example, the following questions:

Questions about the project

What is our business idea?
In what area does the company operate and what are the market services?
How do we want to sell the market services?
How great is the market growth potential?
Who are the managers? What experience do they have?
Why do we believe we will be successful?
How great is the financing requirement? What do we need additional capital for? On what terms (premium, voting rights, options, etc.) are we prepared to cede votes and capital?

Then answer these questions in simple, short sentences. Only include the most important points in the summary. Do not write solely on matters about which you are enthusiastic, but also include questions that might interest future partners.

The initial version of the management summary will serve as a basis for the detailed plan. After completing all of the sections of the business plan, revise the summary, taking account of new understandings. Make reference in the revised summary to the corresponding sections of your business plan.

Purpose of the management summary
The management summary is intended to allow entrepreneurs to formulate their thoughts in a concise manner.
The management summary is the business plan in abbreviated form. It contains the most important statements and key figures about the project.

It grabs the reader's interest and imagination.
Investors will form an idea of your business proposal on the basis of this information. You demonstrate to the reader your full commitment and substantiate your confidence in the success of the project.

Present the business proposal in an attractive manner so that investors will want to read the rest of the business plan.
Investors often do not have enough time to study every project thoroughly. So they often make an initial decision after reading this section.

Company – Presenting the initial situation clearly creates transparency.

In this section, you describe the development of the company from its founding to its current form. You explain the structures and describe the business environment. Depending on the level of development and the company's financing environment, the initial situation may be different and may require somewhat different information.

General

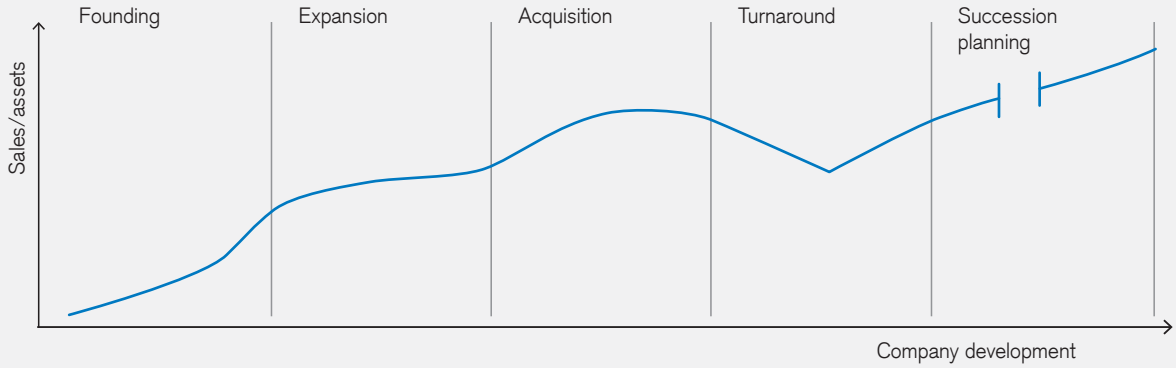
History

When was the company founded and what was the original business goal?
Who were the founders and what was their contribution to the company's success?
How has the company performed? Has the strategy changed? If so, why was it changed?
What have been your company's greatest successes and failures?

Current situation

What is the company's legal structure, and what companies does it have financial and personal ties with?
What is the shareholder structure? Are there shareholder agreements?
Facts and figures (development of the key figures) to date – sales, profits, development of cash flow, number of employees, number of facilities or points of sale, etc.
What are the current company's strengths and weaknesses?

Figure 1: Background information based on the financing environment



Phase-specific statements in the business plan

Start-up financing

What is your business idea?
What experience do you have in this business area?
Why has no one else implemented this idea before?
What makes you capable of realizing this idea?
Have you spoken with business people in this area before? What did you learn from this?

Founding

Expansion financing

Why do you think this development step is necessary?
What strategic goals are you pursuing by expanding your business activities?
How did the capital structure develop, and what is your forecast for the planned capital structure?
Why can't you finance this development step on your own?

Expansion

Acquisition financing

What is the corporate history of the company being acquired?
Why are the current owners selling?
How did the offer price come about?
What are the strategic goals of the integration?
What do you see as the synergies?
If the company has run into difficulties, how will your management operate the company more profitably?

Acquisition

Turnaround financing

What is the background situation, and what are the problems?
Why were these problems not recognized early on?
What restructuring measures are planned (organization, management, marketing, etc.)?
How does management plan to operate the company more profitably in the future?

Turnaround

Succession financing

Why is the current owner planning to sell?
What companies are being bought and what options are still available?
What qualifies the current management team to take this step?
What support does management expect from the current owner?
Which financing partners are you looking to work with?

Succession planning

Corporate strategy – Show that you are actively planning your future.

Your vision and strategy form the basis of your business plan. The vision embodies how your company will look in the future. It is your guide to the future. The path to your vision shows you your strategy by allowing you to formulate specific strategic goals.

Many companies invest resources and financial means into projects that allow them to achieve greater market share. They try as hard as they can to challenge their competitors for market share because they believe this is the only way they can grow. This approach is called market penetration. Indeed, for years it was thought that corporate strategies mainly achieved one thing: securing a greater portion of existing demand. No wonder this type of strategy is permeated by countless military terms. But this approach also means that margins shrink, markets become more fragmented, and competition more destructive. By focusing on price discounts and battles for market share, companies no longer dedicate themselves to their primary task, which is to create new markets through innovation. But that is exactly where the focus should be.

Picture the market universe as a vast realm divided into different parts. One part represents the industries that already exist. The familiar rules of competition and competitive strategy apply to them. Each company has to "fish" in this market, which becomes more and more difficult. But there is another part – the one that consists of the sectors and markets that do not yet exist. It may still be a long way off, but it is highly profitable. Redevelop and create your own new market. This is called market development.

Vision
Developing a mission statement is one way to share your vision with others. Focus on answering the following questions:

Whom does your company serve?

Where do we see the company in ten years?

What do we do?

Why do we do it?

How do we do it?

What success do we anticipate?

Reading tip
Business Model Generation:
A Handbook for Visionaries, Game Changers, and Challengers
Authors: Alexander Osterwalder and Yves Pigneur
ISBN-13: 978-0470876411
strategyzer.com

Blue Ocean Strategy:
How to Create Uncontested Market Space and Make Competition Irrelevant
Authors: W. Chan Kim and Renée Mauborgne
ISBN-13: 978-1591396192

Figure 2: SWOT analysis

Company analysis

Strengths	Weaknesses
Causes of past success?	What weaknesses are there?
The company's strengths for the future?	What product has particularly weak sales?
Which synergy effects can be better utilized?	etc.
etc.	

Market environment analysis

Opportunities	Threats
What new business opportunities are there?	What threats are there with regard to the overall economic situation and market trends?
What trends are emerging?	What is the competition doing?
etc.	Are legal conditions changing?
	Is a technological change threatening the market position?
	etc.

SWOT analysis
The risk analysis has to be reconciled with the company's strategy. There are many tools that are used in strategic management. One proven technique is the SWOT analysis. It allows companies to create a profile of their competitive situation, taking account of their own strengths/weaknesses and the opportunities/threats posed by the environment.

Company analysis
The company analysis looks inward. It indicates the company's current strengths and weaknesses. Here, the following considerations are important:

- Satisfaction of customers, staff, and shareholders
- Financial results
- Technological expertise
- Company management
- Quality of employees
- Marketing, production, procurement

Environment analysis
Opportunities in the business environment should be taken advantage of to ensure a company's long-term existence. On the other hand, there are various factors that can threaten a company's future position. A PESTLE analysis is a helpful tool for approaching the environment analysis in a systematic manner. "PESTLE" stands for political, economic, social, technological, legal, and ecology. It thus considers your environment from the following standpoints:

- Politics (stability, legal certainty, etc.)
- Economy (markets, competition, overall economy, etc.)
- Society (changes in the social arena, demographics, etc.)
- Technology (technical progress and developments, etc.)
- Law (regulations, barriers to trade, embargoes, etc.)
- Ecology (value and impact of the environment, national and international environmental regulations, etc.)

A SWOT analysis is only complete when it includes a conclusion. This comprises a brief summary of the key points and shows why the strengths and opportunities are viewed more positively despite weaknesses and risks.

Strategy

With the help of the strategy, you define how you want to be successful over the long term. Here, you describe your goals, define the key measures, and show how you want to reach your goals. Answering the following questions is key to developing the strategy:

What is unique about what your company does?
Who are its key competitors?
How do you want to appear on the market?
What are the biggest challenges for the successful implementation of your business idea?
What opportunities and risks do you face and how do you want to respond to them?

The right products and services available to meet the needs of your customers today and tomorrow.

The development of products and services tailored to meet customer needs and the professional marketing of these products and services are now among the greatest challenges for a company. So you should describe your market services in detail in the business plan.

Products and services

What products and services do we offer?

What do they look like in detail?

What benefits do they give customers?

Products and portfolio

How do you position your products and services on the market?

What price segment of the market are you in?

What quality standards do you offer? Are these certified?

What additional benefits (service, maintenance, or training) do you offer?

Status in the product life cycle

What phase of the product life cycle are your products and services in?

- Launch
- Growth
- Saturation
- Maturity
- Decline

Benefits of our products and services for satisfying customer needs

An analysis of customer needs and the customer benefits of your market service will help you recognize how your offering is meeting demand. All too often the services and products that are offered have no market, or there is too little demand in a special market segment.

Do you know the needs of your customers – including future customers?

How do you intend to meet these needs?

The following graphic (page 22) shows, in a very simplified form, the market services of a recruitment firm in terms of customer benefits and customer needs.

Reading tip

Value Proposition Design:
How to Create Products and Services Customers Want
Authors: Alexander Osterwalder, Yves Pigneur et al.
ISBN-13: 978-1118968055
strategyzer.com

Figure 3: Market services / customer needs using the example of a recruitment firm

Our market services (products, services)	What customer benefits do we provide?	Do these benefits meet a clear customer need?
Procurement of sales staff (permanent and temporary)	Filling staffing gaps	Dried-up labor market hinders company development
Targeted search requests on the basis of a mandate	Optimal staffing through targeted searches	Avoiding costly hiring mistakes
Human resources management consulting	Optimal employee performance, employee promotion, employee satisfaction	Employees are a company's most important capital. Human resources management at SMEs is not highly developed.
Career consulting	Optimal utilization of potential	Discreet and professional placement for job seekers
Business plan attachments ▪ Company brochure ▪ Mission statement ▪ Fee structure ▪ General Terms and Conditions ▪ Plans, etc.	**Business plan attachments** ▪ References ▪ Examples of agreements that have been concluded ▪ Cost-benefit considerations, etc.	**Business plan attachments** ▪ Extracts from market studies (e.g. from magazines, publicly accessible statistics) ▪ Statement of orders on hand ▪ Customer requests, etc.

Good market knowledge is essential for a successful company.

No company can succeed without knowledge of the market – individuals and organizations, existing or potential buyers. In-depth market studies and the information gleaned from them will help you bring your business idea to successful fruition. So the market analysis is an important basis for decision-making. Show your investors that you are familiar with the market, understand it, and know exactly what position you want to have on it.

Provide the reader of your business plan with an overview broken down into the following points:

Market overview

Is there an attractive market for your products and services?

What is the structure of the market, and how large are the sub-markets?

What is the customer structure in these markets?

What are the buying habits and buying motives in these markets (quality, environment, price, innovation consciousness)?

What are the market gaps (needs that are not met or are poorly met)?

What are the market mechanisms in your sector (dependence on walk-in customers, customer loyalty at competitors, etc.)?

What barriers to entry for the introduction of the new product have to be overcome, and how do you think you will do this?

Your own market position

What are your sales/profits, with which market services?

What do you estimate the growth rates will be in your target markets over the next five years?

What market services (products, services, ancillary and additional services) will be sold by your company in which markets (target customer groups, consumer groups, distribution channels, geographic markets, etc.)?

What is your share in these markets?

Success factors and future development

What are the success factors in this market (e.g. service, advice, quality, price), and why exactly are these the success factors?

What are your specific success factors and how will you expand these in the future?

What trends do you see, and how will you address them (fashion trends, substitution, environment, demographic changes, etc.)?

How does the market respond to your products and services, and what response do you expect in the future?

How do you rate the opportunities/risks for future success?

The market overview can also be presented using a Porter's five forces analysis (page 22):

- Threat of new entrants
- Bargaining power of suppliers
- Bargaining power of customers (buyers)
- Threat of substitute products
- Competitive rivalry.

Customers

What is your customer structure, and how will it change?

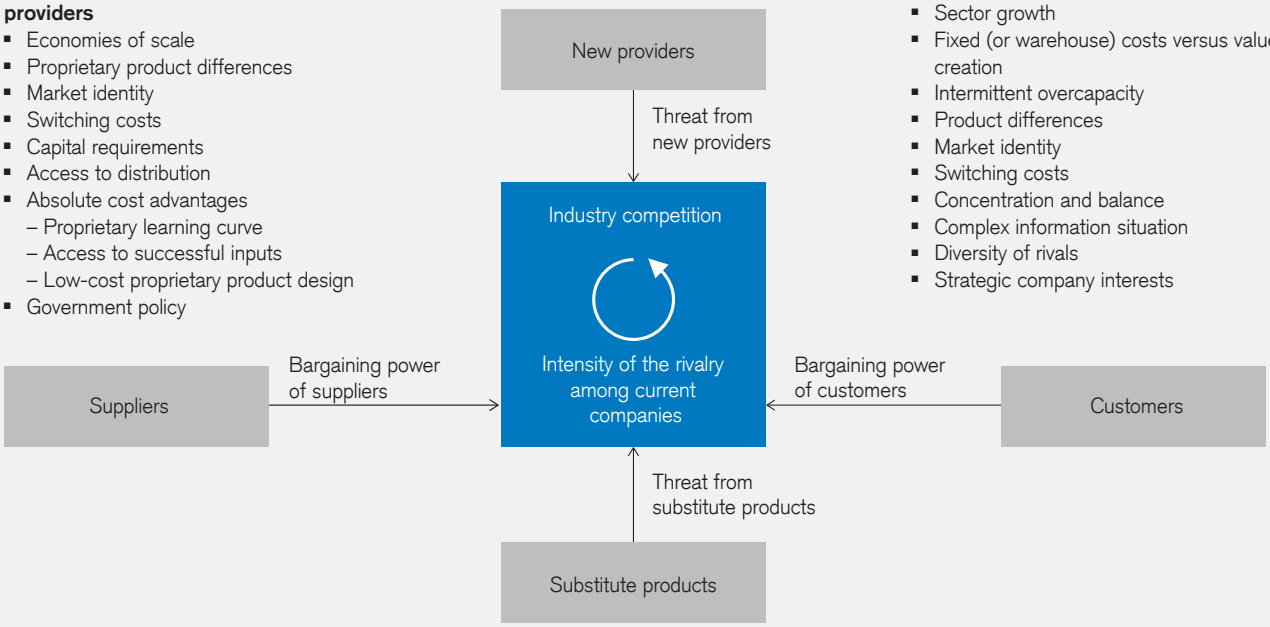
Are there cluster risks (customers who account for more than 15% of sales)?

What special risks and opportunities are there on the customer side?

Figure 4: The five competitive forces

Determinants of the threat from new providers
- Economies of scale
- Proprietary product differences
- Market identity
- Switching costs
- Capital requirements
- Access to distribution
- Absolute cost advantages
  – Proprietary learning curve
  – Access to successful inputs
  – Low-cost proprietary product design
- Government policy

Determinants of rivalry
- Sector growth
- Fixed (or warehouse) costs versus value creation
- Intermittent overcapacity
- Product differences
- Market identity
- Switching costs
- Concentration and balance
- Complex information situation
- Diversity of rivals
- Strategic company interests



Determinants of supplier power
- Differentiation of inputs
- Switching costs of suppliers and companies in the sector
- Supplier concentration
- Importance of order volume for suppliers
- Costs relative to total purchases in the industry
- Impact of inputs on costs or differentiation
- Threat of forward integration compared to the threat of backward integration by companies in the industry

Determinants of the threat of substitute products
- Relative price performance of substitute products
- Switching costs
- Customer inclination to substitutes

Determinants of customer power

Bargaining power
- Customer concentration versus company concentration
- Customer volume
- Conversion costs for customers compared to those for companies
- Level of customer information
- Capacity for backward integration
- Substitute products
- Staying power

Price sensitivity
- Price/total sales
- Product differences
- Market identity
- Impact on quality and performance
- Customer gains
- Decision-makers' incentives

Source: In Accordance with Porter (1997), Competitive Strategies/Campus Verlag

Smart companies always find a way to obtain in-depth market understanding.

Tips for market research

- Do not rely solely on your own opinion and the views of your closest business partners – have your own conversations, or have independent third parties conduct conversations, with customers, end users, suppliers, competitors, and experts. Prepare for the conversations using a checklist, and document them.
- The most cost-effective sources for initial market information are: the internet, specialist periodicals, trade fairs, industry and economic associations, directories, reference works, press reports, the Federal Statistical Office, and economic development agencies (e.g. SECO or KTI).
- When assessing market volume and potential, use familiar sources of information, extrapolate the information using well-founded assumptions, and work with scenarios.
- Examine your market assessments from various angles and see whether the different methods lead to the same results.
- Make sure that the assessment of the future demand for your products is clear. Include in the appendix items such as surveys of buyer intentions (including correspondence), notes on the assessments from sales staff, and expert opinions.
- What are the trends in your industry, and how have you researched them?

Remember

The market analyses in business plans are often superficial and vague. The demand for new products is often viewed as assured. However, studies on innovation show that product launches fail mainly as a result of a lack of market acceptance and overestimated market potential. The often heard remark that there is no published data on the relevant special market or that market research institutions cost too much is not valid – entrepreneurs with lots of ideas will always find a way to obtain in-depth market understanding. If there is no quantitative information available, qualitative information can also provide the necessary information. Provide an overview in the business plan of your market research activities, and document your analyses.

Competition often comes from places you least expect it.

A competition analysis allows you to compare the strengths and weaknesses of your toughest potential competitors. The toughest actual competitor is the one who snatches the most orders or customers from you. The toughest potential competitor is the one who may do so in the future.

Remember that there is always a competitor. Even if you develop an innovative product or service idea today, there will be a competitor who can also meet this need. But it usually takes some time before it comes up with the idea or can adapt its structures correspondingly. This is your opportunity. Take advantage of it!

At the same time, this competition is also a kind of sword of Damocles, because what will you do if it catches up with your offering? By no later than Section 2.8 ("Research and development"), you must have found the answer to the question of how you will proceed in such cases.

Rival companies

Name, location, activity, poss. number of employees
Target markets (which markets do they operate in?)
Market position (sales, market share, profitability)
Sales force, location of branches, warehouses, distribution organization
Competitive advantages/disadvantages
Identifiable strategies and possible competitive responses

Rival products

Product range (breadth, depth, in line with needs)
Product qualities (reliability, design, longevity, function, etc.)
Additional services (application advice, service, guarantee, etc.)
Price, payment terms

Of interest for the competition analysis are:

- Five toughest competitors (to whom we constantly lose customers or orders)
- The five toughest potential customers in our industry in the future
- The competitors who pose the greatest potential threat in the future with new solutions (they generally come from other industries)
- Information about rival products
- Need for action to secure and expand your own company's market position

Remember

The competition analysis should not be limited to domestic companies or companies you are familiar with. The strongest competition often comes from places you least expect it. Large companies are often slow to act. However, in threatening situations they can quickly defend their market position by mobilizing significant resources. As with the market assessment, it is possible to learn more about the competition through conversations with customers, suppliers, experts, and association officials. Attending a major industry trade fair will often help, as well. You should also request prospectuses and quotes from the competition.

Monitor the competition closely and put yourself in your customers' situation.

Marketing means many things, such as dealing with markets, and involves any activity that promotes sales. In the marketing strategy – which is derived from the corporate vision, from the mission statement, and from the corporate goals – you describe how your corporate planning and activities are geared towards the market. You do not need to take a scientific approach to your marketing strategy. Close observation of the markets and the ability to put yourself in your customers' place will provide you with valuable information. Focus on your customers and their needs.

Marketing deals with two questions in particular:

- What is the benefit for the customer?
- What is the benefit for the company?

Market-driven planning
Your goal is to structure and offer your products and services in a customer-focused manner. This is where marketing comes into play, enabling you to develop and market successful products and services. In addition, it will help you position your company in the market correctly and respond to market opportunities that arise. You document the results of market-driven planning in the marketing plan, which answers the following questions:

- How can your company meet customer needs through suitable products or services? What features does your market service have to include in order for you to sell these products or services successfully? Does your offering provide a solution that meets market needs in terms of products, design, packaging, additional services, etc.?
- What market conditions (customers, competition) are you confronted with? Do you set yourself apart from the competition because your product or service is different (better, cheaper) than your competitors' products or services?
- What price do you consider to be appropriate for your market service? What price are your customers prepared to pay?
- How do you want to reach your customers with your offering (distribution/sales)? Make the product quickly and easily accessible to customers. Complicated and indirect paths are not the way to motivate customers to buy.
- Where do you want to offer customers your product, and how will it get there? Correspondingly, you must select a location for the offering and ensure logistical availability (distribution).
- How will customers learn about the advantages of your product or service (advertising/communication)? Only through a positive image of your offering and your company will you be able to form a trusting and lasting relationship.
- How and in what form will you allow customers to have a say in designing your products or services? If you engage in regular and active dialog with current and potential customers, the likelihood that you will produce products that are appreciated, in demand, and purchased in the free market will rise. In addition, this will have the positive side-effect that satisfied customers will not only become repeat purchasers, but also that they will become brand ambassadors for you and actively recommend your product.

You know the way – now convince your investors.

Marketing strategy
After your marketing goals have been set, you now develop a long-term overall plan, a guiding idea for the development of marketing measures. This is your marketing strategy. Remember that a marketing strategy must always be consistent with the company's goals, vision, and mission statement.

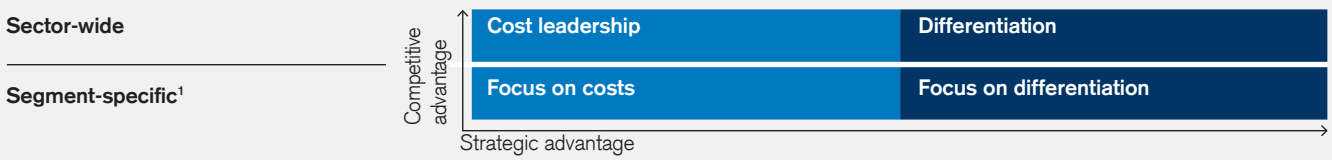
Strategy principles
In a competitive strategy, you outline the measures that will allow you to expand a competitive advantage for your company. Generally speaking, there are as many competitive strategies as there are companies. However, according to Porter, they can be divided into three or four categories:

- Cost leadership
  This competitive strategy is based on your company assuming the role of cost leader in your sector and requires your company to actually have the cheapest cost structure.
- Differentiation
  If your company has a unique product or service advantage (unique selling proposition, or USP), you can consider a differentiation strategy. However, this strategy is only successful if the costs of the differentiation are compensated by the product's added value.
- Focus
  Focus means concentration on a certain market niche. Thus, the market is not viewed as a whole; instead, a certain customer group, product line, or geographic area is deliberately selected and made the corresponding focus. Focus can be divided into two types:
  – Focus on costs: Cost leader in a market niche
  – Focus on differentiation: Differentiation strategy in a market niche

Remember

There are many possible marketing strategy focuses. So it is important to draw the right conclusions from the analysis of the situation. This requires accurate data analysis, especially with respect to customers and competition. Creativity is then required for the subsequent planning and implementation.

Figure 5: Generic strategies



1 By customer group, product program, and/or geographic focus
Source: Porter (1997), Competitive Strategy, Campus Verlag

Give a clear picture of your company's value chain.

Following the development of ideas and strategies as well as the analysis of the environment and your own situation, now go one step further – from concept to reality. This is because before you can sell your products and services on the market, you first have to produce them. Provide the reader of your business plan with a clear idea of the value chain. Always keep your description simple so laypeople can also understand what you have written.

Following are some of the key aspects that you should address in your business plan:

Production resources

- What production facilities will you use and what does your infrastructure look like?
- How many people do you employ in production and what level of training do they have?
- What is your inventory policy, and how is compliance with it controlled?

Production technology

- What production methods will be used (production process, production steps and levels, lead and delivery times)?
- What special expertise do you have?
- Are there dependencies with individual key people?
- How will you assure quality, and how will you control it?
- What future technical developments do you anticipate in your company (cost and productivity improvements, etc.)?

Capacities and bottlenecks

- What production capacities do you have?
- How do you bridge short-term lack of capacity?
- What future investments for maintaining and expanding capacity will you be required to make?

Key suppliers

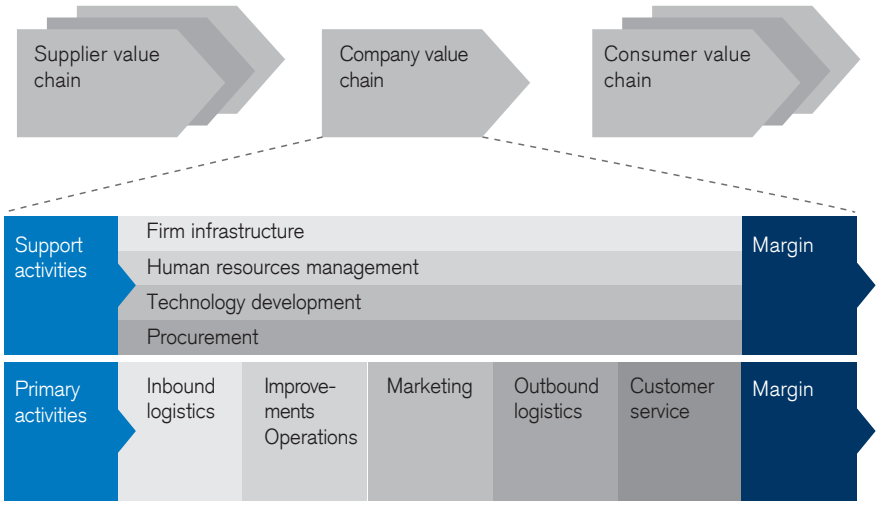
- Who are your key suppliers?
- How long are the delivery times?
- How do you ensure the quality of the purchased products?
- What agreements do you have with suppliers (e.g. purchase agreements)?

Raw materials markets

- What are the delivery times?
- What raw materials do you depend on?
- Where do you obtain these raw materials?
- Who are your most important raw material suppliers?
- How do you hedge against the fluctuating prices of raw materials?

The value of a product or service lies not only in the product or service itself, but in individual cases is also composed of many different components that occur in the individual "stages of the value creation." These various stages of value creation represent the value chain, which, according to Michael Porter, can be depicted as follows.

Figure 6: The value chain



Source: Porter (1986), Competitive Advantage: Creating and Sustaining Superior Performance, Campus Verlag

Prepare your company for the future.

The goal of research and development is to acquire new knowledge; it therefore represents an investment in your future. One of the difficulties is combining basic research and technology development in a profitable manner. Here, the international network is becoming increasingly important.

Failing to keep pace with technological developments is often the same as coming to a standstill. This can cause difficulties for individual companies and even entire industries. So you should show how you will gain knowledge and develop abilities to find practical solutions for specific problems (milestone management).

Sources of expertise

How do you find out about changes in your industry with respect to:
- Products/services?
- Market and price trends?
- Technology?
- Human resources development?

What networks or advisory committees do you maintain and how do you use them?
- What added value do they offer?
- Why are they important for your company?
- What credentials do they bring with them?

Innovation policy

How do you deal with changes?

Who is responsible for the development of your
- Products and services?
- Technology?
- Employees?

Whom do you enter into partnerships with (other companies, research institutes, universities, think tanks, etc.)?

Ongoing development projects

What development projects do you currently have in the works?

What stage of development are they at?

What benefits do you expect from these projects?

When will they be realized?

How much money do you need until completion?

Planned development projects

What development projects do you have planned?

What benefits do these developments offer?

How will these developments be financed?

When will they be realized?

Product and trademark protection

Do you have your own trademarks?

How and where are they protected?

How do you protect your products against misuse by competitors?

Financing research and development projects
If you need financing for your research and development work, it is a good idea to include a schedule that provides information about the key development steps and milestones of your project. You should also create a budget for research and development costs.

Indicate the potential risks of your development projects in your business plan:

- What weaknesses need to be taken care of?
- Are there other technologies or products that may compete with your research work? When will these developments be ready for the market?

Remember

Financial partners rarely invest in a company with only one product or one technology. So you should show the options for expanding your product to a product line, or the acquisition of potential business activities by your company (e.g. the sale of complementary products from a foreign supplier in your country, or a corresponding service offering, such as training). New technologies need to be explained. Most investors are not scientists. Describe the development in simple terms and list all technical information, as well as the results of expert reports, in the appendix, so that experts who are called in can carry out their own assessments and reviews without having to make inquiries. For investors, it is also important to know which domestic and foreign laws and regulations might affect the production or sale of your products. So you should explain which measures will be necessary for the successful sale of your products in the respective countries and how you will comply with any regulations.

The right location depends on your company's special features.

Objective criteria will help make the decision about the right location easier. In making this decision, you must consider both hard and soft factors. Hard factors include the place of operation (property, premises) and its surroundings and catchment area. Soft factors include quality of life, cultural and leisure opportunities, which have an impact on the motivation to work and the availability of employees.

Do you have photos of current locations or virtual plans of new locations? Include these in the appendix of your business plan. The combination of text and images will make a longer-lasting impression on your readers.

Company domicile

Where is your company headquartered? Where does it have other legal addresses?

Are the operating facilities rented, or are they your own property?

Location advantages and disadvantages with respect to:
- Customer proximity
- Suppliers
- Transport connections
- Political conditions
- Labor market, availability of qualified employees
- Cost structure
- Wage structure
- Economic development programs

Taxes

What is the annual tax burden at the location?

What does the tax planning look like?

Is there tax relief for economic development?

Expansion and development opportunities

What expansion opportunities does the current choice of location offer your company?

Are additional locations planned?

What criteria do you use in searching for a location, and how do you weight them?

Administration

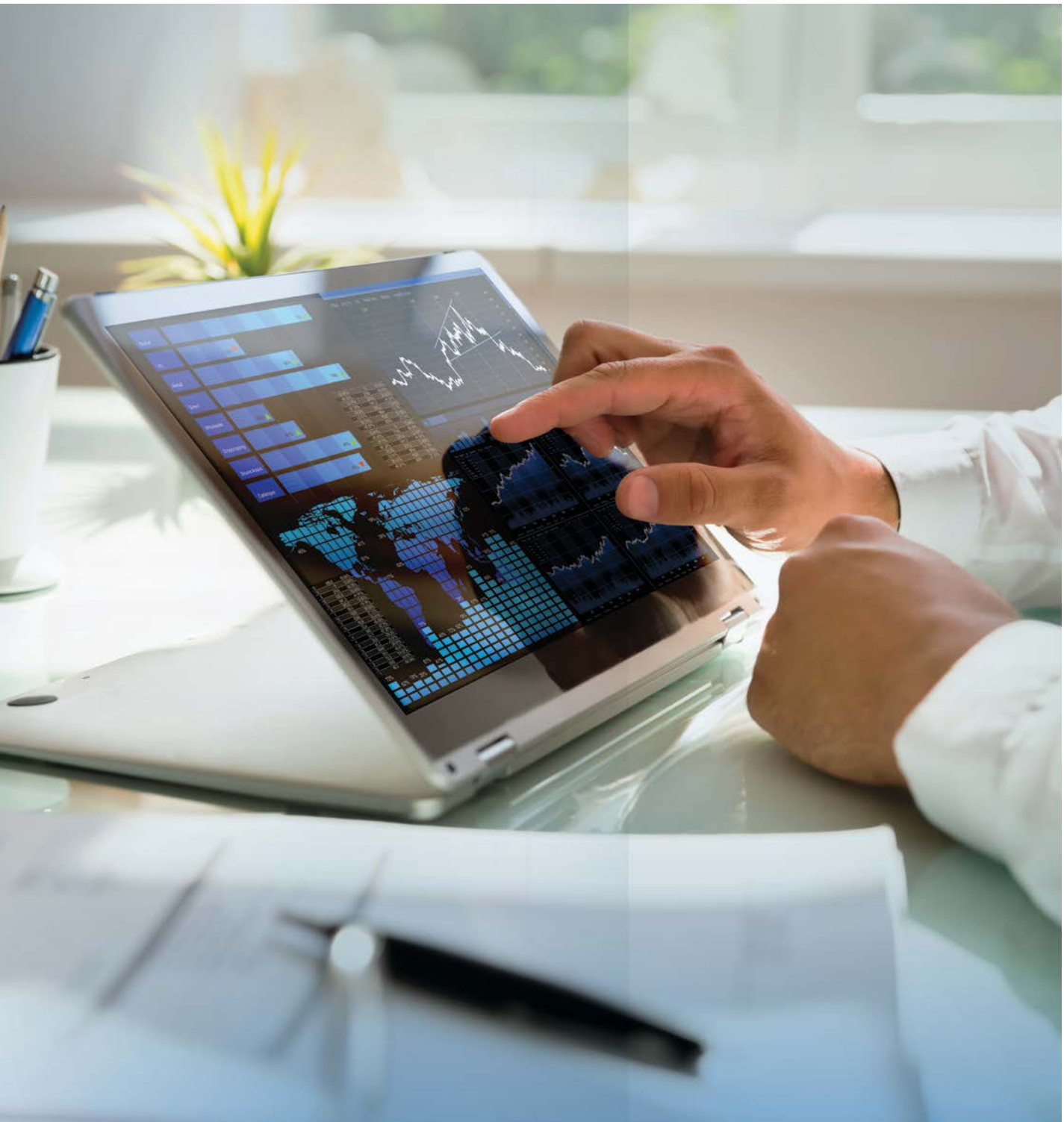
How is your administrative area structured? What services are available?

How is your accounting organized?

What resources and office capacities are available?

What is the ratio of production and sales-oriented employees to administrative employees?

Save time during your daily work and increase efficiency.



ICT conserves your resources and helps you make the right decisions.

A full view of your company is essential in a competitive market environment. With the use of IT, you can gather and display relevant information from various sources of data within your company at the push of a button. The immediate availability of key information and the increased transparency create a solid basis for making decisions.

In an era of IT-supported processes, the automatic management and monitoring of procedures, equipment, and facilities has become an important success factor. Networked, computer-supported production processes shorten processing times, thus reducing costs and increasing competitiveness.

In your business plan, explain how you will use ICT to your advantage at your company. Remember that those reading the business plan are usually not ICT specialists. Also remember to describe the situation in a clear and factual manner, not getting lost in the details.

ICT strategy

- What ICT applications are crucial for the implementation of your business strategy?
- Do new technologies offer the opportunity for you to gain an edge on your competitors (e.g. internet technologies such as Web 2.0)?
- What resources and skills do you have or need in order to use ICT?
- From whom do you buy ICT services?

Hardware and software

- What key ICT applications/systems do you use?
- Do your applications and systems meet your current and future needs?

Communication

- What tools and technologies do you use to communicate with your customers, suppliers, banks, etc.?
- How do you structure your company's internet presence, products, and services?
- How do you use new tools and technologies (e.g. VoIP)?

ICT investments

- How much have you invested in your ICT over the last three years?
- What are your ICT costs? How do they compare with your competitors?
- What is your ICT investment plan for the next two to three years?
- What key information projects will be realized in the short to medium term?
- How do you ensure that your systems will remain at a high level in the future as well?

Security

- Do your employees have suitable knowledge and experience for working confidently with ICT applications?
- How dependent is your company on functioning ICT (production, delivery, and procurement, etc.)?
- Do you have an ICT security plan (data security, data protection, protection against viruses/hackers, etc.)?

Good managers set in motion, adjust, and rely on teamwork.

Management tools will help ensure that you achieve your goals. Your organization should provide room for creativity.

Planning, organizing, coordinating, and controlling are just some of the responsibilities that managers have. Management also means constantly reviewing whether, in view of changing markets, the company is still following the right strategy. So successful managers monitor the performance of their company using defined target values and respond to any deviations.

Investors focus heavily on the management skills and capabilities of the management team. Of course, the business idea has to be promising, but only a management team that is deemed to be competent will ultimately be able to implement it successfully.

Investors place great weight on the experience, abilities, and integrity of management. So you should thoroughly review the résumés of your management team before seeking financing. It is therefore little wonder that this section of the business plan is often the first one that is read.

Introduce your management team, explain your management principles, and describe your personnel and salary policy and the training and development opportunities you would like to invest in.

If your company benefits from external networks, an advisory council, or a business angel, this form of support should also be discussed and explained in detail here. Given that no one is perfect and able to carry out all activities equally well, you can involve people from outside the company for certain functions. It is more a sign of the ability to make a realistic assessment, if weaknesses are disclosed to the reader in a transparent manner and solutions for resolving them are presented.

Management team

List the functions, names, and education of your management team (include photos).

Include the backgrounds of your management team with respect to:

- Schooling and higher education
- Previous professional experience and qualifications
- Work experience in a special area
- Previous management experience
- Special skills
- Previous major successes
- Sector-specific experience and customer relationships

Are there any management vacancies? Why? How and when will these be filled?

Management principles

Are there written management principles with respect to:

- Management style?
- Staff management and promotion?
- Planning, planning tools?
- Structures?

Human resources marketing

Are there tools for staff planning?

How are staff recruited?

What tools do you use for choosing staff?

Salary policy

What is your salary policy?

Do you plan to introduce profit-sharing models (bonuses, dividends, stock, or option programs)?

Who will be able to participate in profit-sharing programs?

Training and development

What promotion and development measures do you plan to introduce for your employees?

How will the benefits of training and development be monitored?

What are the costs and benefits of staff promotion measures?

Remember

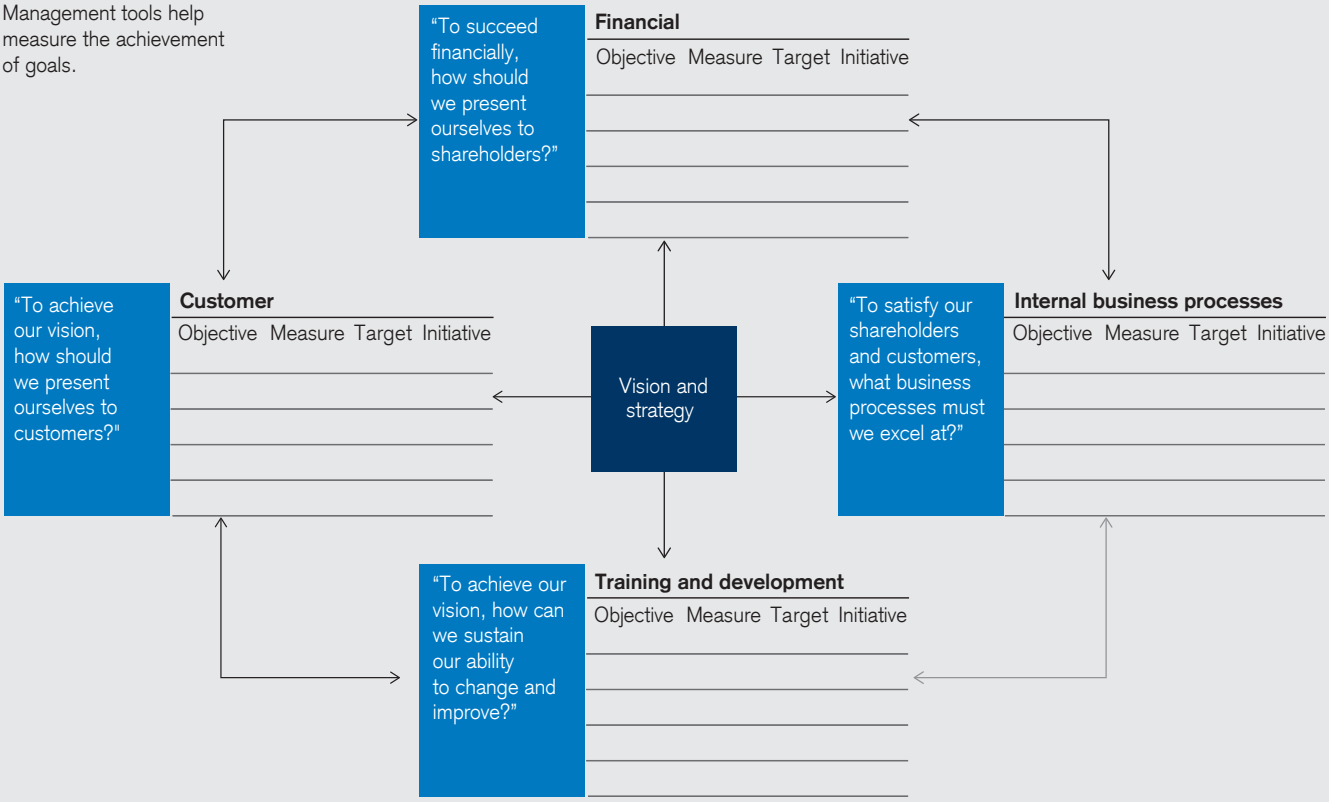
Friends or colleagues often decide to strike out on their own and found a company together. If the entire management team of a high-tech company comprises merely engineers, for example, there will be no one on the team with an understanding of finance and marketing issues. So you should always remember to have a balanced management team.

Indicate any gaps within your management team. By disclosing such gaps, you will demonstrate to future financial backers that you have dealt with the requirements and issues of corporate organization and management in detail.

Also indicate the composition of the future board of directors. Are there people from the fields of industry, finance, politics, etc. who will act as expert advisors to the company? This will give investors a feeling of added security.

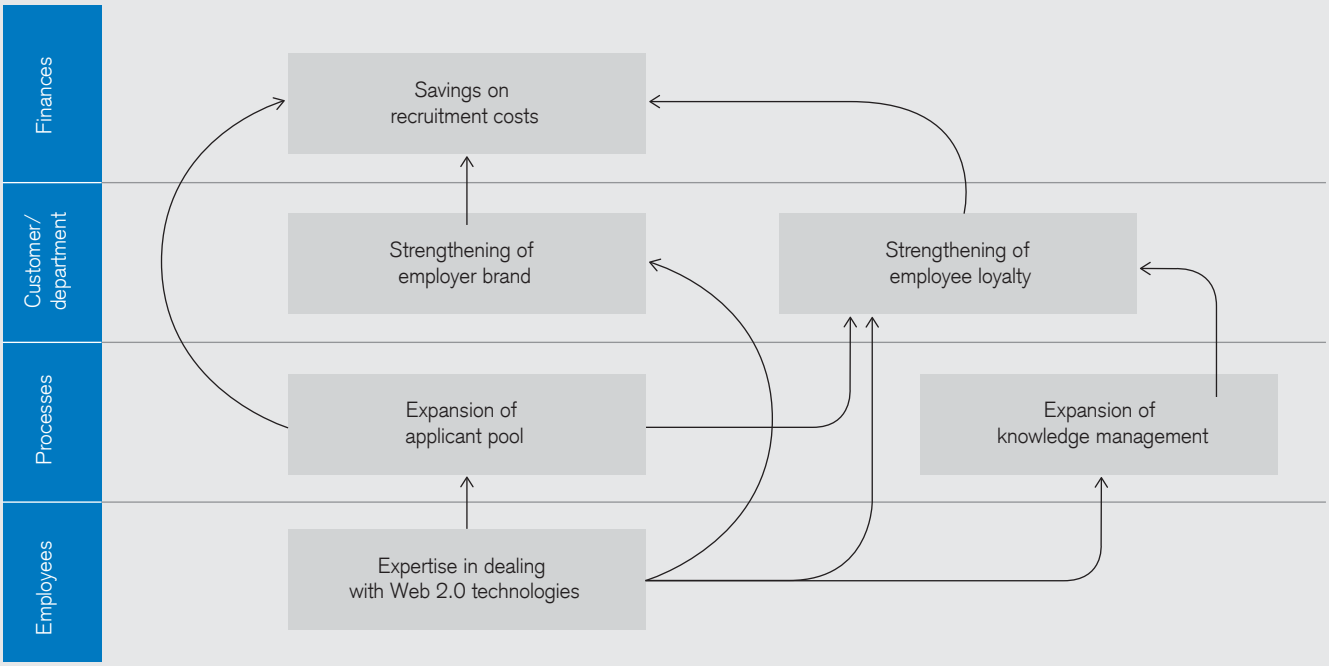
In some cases, the question arises as to the support a company would like to receive from its investors with respect to management functions, or the extent to which it is prepared to transfer such functions to others. Also of interest are the relationships your company has with external advisors (attorneys, fiduciaries, advertising agencies, banks, corporate advisors, business angels, advisory committees).

Figure 7: Management tools in the BSC model



Source Kaplan & Norton (1997)

Figure 8: Example of the cause-effect relationship in the BSC model



Companies develop visions or strategies and set goals for themselves.

However, they often fail when it comes to implementing and monitoring them. Without timely management tools, there is a risk that deviations may not be discovered or that they will be discovered too late, which can in turn cause serious problems for a company. The systematic use of management tools will provide you with an overview of the company's performance and give you valuable time for responding appropriately to change.

There are numerous management tools, systems, and methods. Every company must decide for itself which tools it wants to use and in what form.

The **B**alanced **S**core**c**ard (BSC) has become a popular management tool. It helps companies to focus on their goals, taking account of the different perspectives, such as finances, customers, processes, and employees. The BSC helps measure goals, and define measures for realizing them. It shows the connections between cause and effect of financial and other indicators.

Strategic management tools

- How did you develop your strategy?
- How do you monitor the achievement of strategic goals?
- How do you respond to deviations?
- What KPIs (key performance indicators) do you monitor?

Operational management tools

- What annual plans do you prepare?
- How often are target-actual comparisons made?
- How do you respond to deviations?
- What other operational management tools do you use?

Management information system (MIS)

- How and at what intervals is the company's management (executive board, board of directors) informed of the company's performance?
- How are decision-making powers organized?
- Do you plan to make MIS improvements?

Risk management

- How is risk management organized?
- Are there risks that could seriously endanger the company?
- What risks do you insure yourself against?
- What other measures do you use to minimize these risks?

Staff controlling

- What goals do you agree upon with your staff?
- How are these goals defined and monitored?
- How do you respond to deviations?

Good organization provides room for creativity.

A structured organization is an important prerequisite for a well-functioning company and forms the basis for making business decisions. You will motivate employees to think and act in an entrepreneurial manner through the clear allocation of duties, authority, and responsibilities, a lean administrative organization, and streamlined processes.

Operational and organizational structure

What is your operational and organizational structure (it's a good idea to include it in a graphic)?

What are your organizational strengths/weaknesses?

Do you plan to make improvements to your organizational structure?

Recognizing risks is the first step toward managing them.

Assessing business risks is crucial for debt financing and, in particular, equity financing. The entrepreneur, investors, and lenders deliberately take on risk because risk tolerance is the prerequisite for all business activities. Explain the uncertainties and risks of the project described in the business plan, and show how you will manage them.

Be objective in the assessment of the risks. Sooner or later, investors and lenders will ask you about them. It will be easier for you to gain the trust of investors and lenders if you openly provide information.

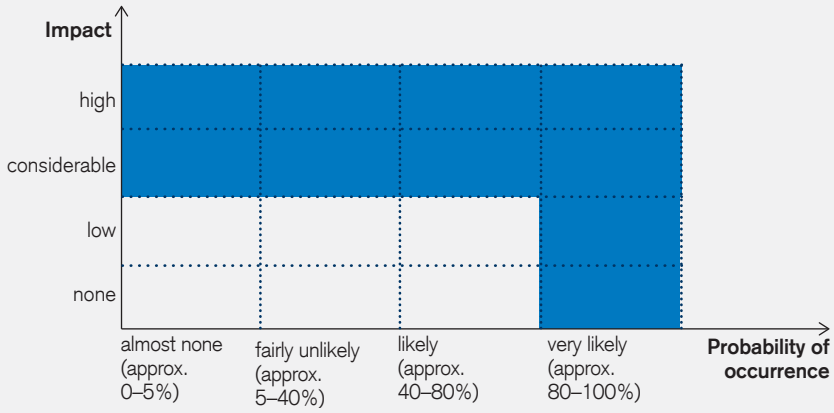
Risk analysis

The risk analysis can be divided into three phases:

- **Risk identification**
  This phase involves recognizing risks and areas of conflict.
- **Risk assessment**
  This phase looks at the probability of a risk occurring and the potential damage of the risk.
- **Risk management**
  This involves dealing with risks, defining measures for limiting or avoiding them, and monitoring the success of these measures.

Figure 9: Risk analysis

Figure 10: The risk matrix



In risk management, risks that are detected are generally presented in a matrix. A distinction is made between "probability of occurrence" and "impact" or "scope."

Business risks

Strategic risks
- What risks are expected from the markets as a result of new providers or changed customer needs or behavior?
- Is there a risk of a hostile takeover (M&A) by one of your competitors?
- Are management's skills sufficient?
- etc.

Market risks
- How has the company prepared for changes in interest rates?
- How can currency fluctuations be utilized and risks minimized?
- How has the company prepared for inflation or deflation?
- etc.

Financial risks
- Is there sufficient liquidity at the right time?
- Can the necessary investments be carried out?
- Are the financial investments and resources being used optimally?
- How does the company protect itself against bad debt losses?
- etc.

Operational risks

- Are there product liability risks for the company?
- How has the company prepared for the loss of employees and managers as a result of accident and illness?
- How has the company prepared for damage as a result of fire?
- What environmental damage can be expected as a result of the company's activities, and how can it be prevented?
- What are the risks of business interruptions due to strikes or adverse circumstances?
- etc.

Obtaining the necessary financial resources and the balanced use of these resources will be crucial for the success of your project.

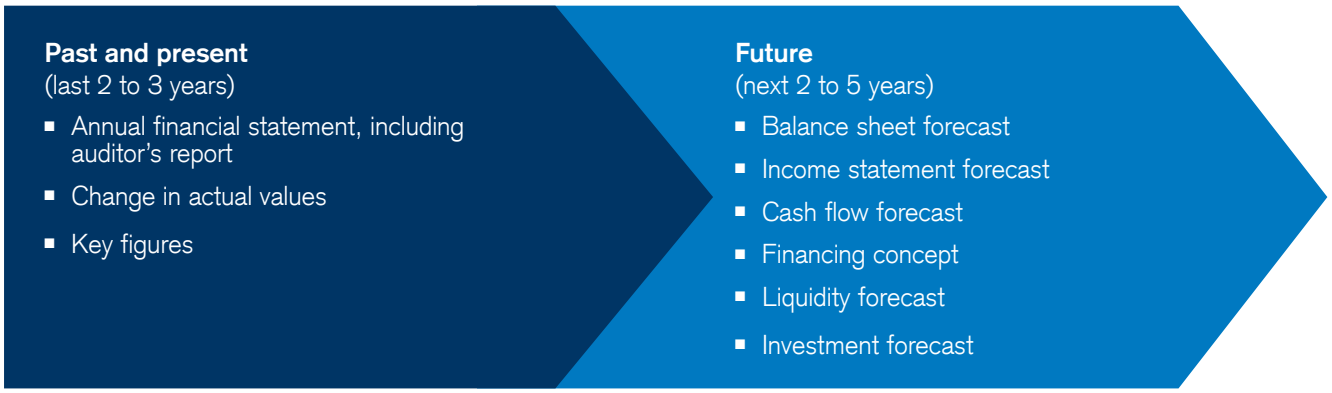
Corporate financing is a key management task. The greater the range of options for raising capital, the higher the demands are on the company's management team for determining the right form and finding a balanced mix of financing.

In the business plan, you have to convince investors and banks that you have the necessary business acumen to be able to put together a careful, objective, and plausible financial plan as well as a solid financing concept.

When preparing the financial data, avoid providing mountains of figures; try to work with different (worst-case and best-case) scenarios. Explain the key figures, and supplement reports with charts.

Financial planning
The main goal of financial planning is to explain how the financial situation of the company will develop if all goals are met as planned.

Financial planning tools
The following overview presents all of the tools for financial planning and explains what conclusions can be derived from them.



Long-term financial planning tools

Tools	What are investors interested in?
Balance sheet forecast	▪ Current and future financial situation
Income statement forecast	▪ Future income situation
Cash flow forecast	▪ Investment and financing activities (such as from the investment forecast) ▪ Development of future free cash flow ▪ Long-term financing requirement

Tools for short-term financial planning

Tools	What are investors interested in?
Budgeted liquidity statement	▪ Ability to meet payment obligations at any time ▪ Short-term financing requirement
Detailed planning[1]	▪ How financial goals will be realized

1 Detailed planning will not be discussed in more depth.

Process for developing the financing concept

It is a good idea to start with long-term financial planning, which comprises a balance sheet forecast, an income statement forecast, and a cash flow forecast. Then, if necessary, you can supplement the long-term view with short-term financial planning, which comprises a liquidity budget and other detailed analyses for the current year. The annual budget is suitable for this purpose. However, it is important to note that all calculations, whether of a long- or short-term nature, are interdependent and they should be prepared with this mutual dependence in mind. A balance sheet forecast, for example, is based on existing income statement forecasts and cash flow forecasts. Likewise, budgeting cash and cash equivalents requires the existence of a number of long-term plans (e.g. the investment plan, production plan, etc.).

Notes on long-term financial planning

The financing need for the next three to five years can be determined using the cash flow forecast. Now, a concept has to be prepared in which you show how you will meet the capital requirement that has been determined. Use your business flexibility when reviewing all financing options.

- How much of the capital requirement do you want to provide yourself, including capital from friends and family?
- What forms of debt financing do you want to use?
- What collateral can you offer?
- How will the debt capital accrue interest and be repaid (manageability)?
- What alternatives do you have to the financing concept presented? Factoring and leasing can increase liquidity flexibility, while venture capital, business angels, and government research funds can make getting started easier.

Remember to always consider the tax implications involved in financing. This is particularly important for acquisitions and management buyouts (MBOs).

Additional information on financial planning and a practical Excel template can be found at credit-suisse.com/businesseasy.

Notes on the financing concept

Your future financing partner does not expect to find a complete financing concept in the business plan. It is sufficient to justify the results of the financial planning and have an outline concept. You generally work out the detailed financial planning with your bank on the basis of your analyses. This gives your partner the room to prepare the right financing mix for you.

Example of a financing mix:

	Year 1	Year 2	Year 3	Year 4
Capital requirements	300	500	750	1,550
Financing				
Operating loans	50	150	250	450
Investment loans	100	200	300	600
Equity capital				
▪ Meier	100	100	50	250
▪ Huber	50	50		100
Loan from company X			150	150
Total	300	500	750	1,550

(amounts in CHF 1,000)

Debt capacity – how much debt is manageable?
Banks and other investors are mainly interested in what level of debt a company can manage. This figure is called debt capacity. To put it in somewhat simple terms, it is the freely available cash flow that you either distribute as profit or use as reserves for expanding the company. The free cash flow should be enough to cover the interest on operating debts for five to eight years and (theoretically) to pay these debts off. As a result, the debt capacity method is increasingly being used by companies to organize their capital structure.

What are the benefits of using debt capacity?

Benefits for companies:
- Financing potential can be assessed, taking account of the lender's view
- The capital structure is based on the company's risk profile
- Support in assessing and thus ensuring that future investments can be financed

Benefits for investors and lenders:
- Integrated view of the entire company (hard and soft factors) as part of the credit analysis
- Debt level based on the borrower's ability to pay the principal and interest on the debt capital

Remember

Investors and lenders welcome it when key people are also involved financially to a significant extent. For negotiating purposes, therefore, it may be a good idea to indicate what you think the composition of the company's capital will look like in the future. It is also useful to indicate previous financing. By presenting the previous financing requirement and how it was met, you are showing the prior commitment of key people and financial institutions.

List of graphics

Business Plan Checklist

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	▪ Business plan in abbreviated form	▪ Business idea, corporate strategy, market services, corporate team, financing requirement, role of financial partner
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	▪ History ▪ Current situation ▪ Additional background information based on financing environment	▪ Founders, date of founding, company development, successes ▪ Legal and ownership structure, key figures ▪ Startup, expansion, acquisition, and turnaround financing as well as succession planning
Page 18	**Products/services**	
	▪ Market services	▪ Detailed description of the market services, customer benefits, customer needs, and advantages and disadvantages of rival products
Page 20	**Market/customers**	
	▪ Market overview ▪ Own market position ▪ Market assessment/market research	▪ Market analysis, customer structure, buyer motivation ▪ Sub-markets, target customer groups, sales channels ▪ Market trends, barriers to entry, estimated growth rates of sub-markets
Page 25	**Competition**	
	▪ Rival companies ▪ Rival products	▪ Name, location, target markets, strengths, and weaknesses ▪ Range, features, additional services
Page 26	**Marketing**	
	▪ Market segmentation ▪ Market cultivation ▪ Service structure ▪ Sales target	▪ Target markets, customer groups ▪ Sales, product PR, advertising, sales promotion, distribution ▪ Range, product, service, price policy ▪ Budgeted sales volumes per sub-market in the next five years, target market shares in the respective sub-markets
Page 28	**Production/delivery/procurement**	
	▪ Production ▪ Manufacturing ▪ Procurement	▪ Internal production, external production ▪ Processes, procedures, and quality controls ▪ Purchase of goods and materials, sourcing of supplies, and ensuring their availability
Page 30	**Research and development**	
	▪ Pipeline/ongoing development projects	▪ Milestone management
Page 32	**Location/administration**	
	▪ Location ▪ Administration	▪ Business domicile and locations, advantages and disadvantages of the selected locations ▪ Administrative structure, organization of accounting, office capacities
Page 34	**Information and communication technology (ICT)**	
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Page 36	**Management/management tools/ organization**	
	▪ Corporate team ▪ Résumé for each member ▪ Advisory council (academic or business angel)	▪ Members, responsibilities, remuneration, special abilities ▪ Education, training, professional experience, previous successes ▪ Résumé, specialist competencies, and benefits for the company
Page 42	**Risk analysis**	
	▪ Internal business risks ▪ External business risks ▪ Operational risks	▪ Management, production, marketing, finances, staff ▪ Economic, environmental, legal, and social aspects ▪ Product liability, liability
Page 44	**Finances**	
	▪ Short-term and long-term financial planning ▪ Financing plan	▪ Determine the financing needs with the help of the balance sheet forecast, the income statement forecast, and the cash flow statement forecast ▪ Liquidity plan ▪ Coverage of financing needs through the addition of new capital and the source of the new capital

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