

COLLINGHAM BUSINESS CLUB

... supporting local business success ...



Preparing Business Plans

This aide-memoire has been kindly provided by Andrew Barratt of First Sight Marketing

BUSINESS PLANNING

THE AUDIENCE FOR YOUR BUSINESS PLAN

Yourself:

- help you spot potential pitfalls before they happen
- structure the financial side of your business efficiently
- focus your development efforts
- measure your success

Others:

- banks
- external investors - whether this is a friend, a venture capitalist firm or a business angel
- grant providers
- anyone interested in buying your business
- potential partners

It is a living document that will need updating and changing as your business grows. Be honest, be realistic - remember the Dragon's Den.

What the bound plan/power point presentation should include

- an executive summary
- a short description of the business
- your marketing and sales
- your management team and
- your financial forecasts

THE EXECUTIVE SUMMARY

It may be the only part that will be read. The executive summary is a synopsis of the **key points** of your entire plan. It should include highlights from each section of the rest of the document - from the key features of the business opportunity through to the elements of the financial forecasts. Its purpose is to explain the basics of your business in a way that both informs and interests the reader. If, after reading the executive summary, an investor or manager understands what the business is about and is keen to know more, it has done its job. It should be concise - no longer than two pages at most - and interesting.

YOUR BUSINESS, ITS PRODUCTS AND SERVICES

Start with an overview of your business:

- when you started or intend to start trading and the progress you have made to date
- the type of business and the sector it is in

- any relevant history - for example, if you acquired the business, who owned it originally and what they achieved with it
- the current legal structure
- your vision for the future

Then describe your products or services as simply as possible, defining:

- what makes it different - USP
- what benefits it offers as distinct from features
- why customers would buy it
- how you plan to develop your products or services
- whether you hold any patents, trademarks or design rights
- the key features of your industry or sector

Avoid jargon. It's a good idea to get someone who isn't involved in the business - a friend or family member perhaps - to read this section of your plan and make sure they can understand it.

YOUR MARKETS AND COMPETITORS (MOST IMPORTANT PART!!)

You should also be able to show that your business will be able to attract customers in a growing market despite the competition.

Key areas to cover include:

- **your market** - its size, historical data about its development and key current issues - *market survey!*
- **your target customer base** - who they are and how you know they will be interested in your products or services - *market segmentation, channels and communication!*
- **your competitors** - who they are, how they work and the share of the market they hold - *benchmarking!*
- **the future** - anticipated changes in the market and how you expect your business and your competitors to react to them - *PEST!*

Marketing and sales (5 x Ps) - Positioning & Differentiation

Product, Price, Promotion, Place, and the fifth P - People:

- Your team's skills - key skills related to business plan
- The management team - who, experience, qualifications
- Your people - workforce, training, outsourcing, turnover per head, costs etc

YOUR OPERATIONS

Location

- do you have any business property?
- what are your long-term commitments to the property?
- do you own or rent it?

- what are the advantages and disadvantages of your current location?

Production facilities

- do you need your own production facilities or would it be cheaper to outsource any manufacturing processes?
- if you do have your own facilities, how modern are they?
- what is the capacity compared with existing and forecasted demand?
- will any investment be needed?

Management-information systems

- have you got established procedures for stock control, management accounts and quality control?
- can they cope with any proposed expansion?

Information technology (IT)

- IT is a key factor in most businesses, so include your strengths and weaknesses in this area.
- outline the reliability and the planned development of your systems.

FINANCIAL FORECASTS

As part of your plan you will need to reflect:

- how much capital you need if you are seeking external funding
- the security you can offer lenders
- how you plan to repay any borrowings
- sources of revenue and income
- your personal finances!

Financial planning 3 to 5 Years and assumptions

- **Cashflow statements** - your cash balance and monthly cash-flow patterns for at least the first 12 to 18 months. *Working capital, do you have enough?*
- **Profit and loss forecast** - a statement of the trading position of the business: the level of profit you expect to make, given your projected sales and the costs of providing goods and services and your overheads.
- **Sales forecast** - the amount of money you expect to raise from sales. *Murphy's Law and sensitivity analysis!*