



A GUIDE TO DEVELOPING A BUSINESS PLAN



PLANNING YOUR BUSINESS

Starting a business or becoming self-employed is a very rewarding experience but there are also great risks and pressures associated with it.

Having a good viable idea is a start but to make it succeed careful planning is the key

Failing to prepare is preparing to fail!

Research has shown that approximately 70% of new businesses will fail their first year if they have not undertaken any planning. The figure is reduced to 30% with planning

Therefore it makes sense to give time and attention to planning your business.

Planning your business involves developing a business plan

WHAT IS A BUSINESS PLAN?

- A written document that contains a complete description of the business and its intended activities for at least one year
- It explains **WHAT** the business will do, **HOW** it will do it and **WHO** it will do it with.

WHY IS A BUSINESS PLAN NEEDED?

- **A workbook for your business**
A good business plan works as a source of reference for you. It enables you to clarify your objectives, set goals and budgets and then monitor your progress.
- **A 'Passport' to funding applications**
If you wish to raise any form of funding for your business you will be asked for a business plan as the main part of the application.

CONTENTS OF A BUSINESS PLAN: THE HEADINGS

These are the headings used in this guide-book. Each heading is explained as you go through the book. Every business is different and each heading will require a different amount of information

SUMMARY

INDEX

INTRODUCTION

The Business –(product or service)
Aims and Objectives
Background
Trading status
Trading address
Professional support

OPERATIONS

Key people
Operations cycle
Purchasing and stock control
Credit control

MARKET RESEARCH

The general market
Customer research
Competitor research
SWOT analysis

MARKETING

Unique selling points
Pricing policy
Promotion
Longer term plans

LEGAL ASPECTS

FINANCIAL STATEMENTS

Start up costs and resources
Cash flow forecast
Profit and loss statement
Balance sheet
A recent set of accounts may be needed for existing businesses

APPENDICES

Curriculum Vitae
Letters of intent where applicable
Confirmation of loan or grant funding- where applicable
References -where applicable

SUMMARY

A summary as its title suggests, is all the information contained in the business plan summarized in to one – two (max) pages. So it can't be written until the plan has been finished.

A summary is usually written on a separate page(s) to the rest of the business plan.

The purpose of a summary is to provide the reader with an overview of the whole plan. This means that the reader is well briefed about your business before going through the detail in each section. A summary is of most use for longer business plans.

Writing a good summary is not always easy and a poor summary can give the reader an inaccurate first impression of your plan. No summary is better than a bad one.

It is not always necessary to include a summary for smaller business plans. Ask your business adviser whether they think your plan needs to have a summary.

Remember a summary is always written last.

INTRODUCTION

The Business

Here you simply explain your business idea in your own words. Describe the product or service your business will offer. Do not include rafts of technical detail. If you feel it's needed then include it in the appendices.

Aims and Objectives

Explain why you want to start your own business and what you hope to achieve. Try to give yourself time-scales for any achievements.

Background

Briefly describe your background outlining any skills and experience relevant to your business idea

Don't forget to include skills you may have learnt in every day life such as organisational and budgeting skills developed in running a home.

Your curriculum vitae must be included in the appendices.

Trading status

Choose between:

Sole trader, Partnership, Limited company, or other type of status.

If you are not sure you can discuss this with your business adviser.

Trading address

What is the address of your business.

Professional support

Give the names and addresses any individuals and/or agencies that are to/will provide professional support for the business.

— Business Adviser

— Insurance Broker

— Business Bank Manager

— Solicitor/Legal Adviser

— Accountant

— Trade Association(s)

Tips for this section

THINGS TO CONSIDER WHEN LOOKING FOR BUSINESS PREMISES:

Are you going to need premises or will you work from home?

How important is the location- this will be more important to some businesses such as retail where passing trade can be a major factor.

If so you will need to research the location as part of your market research and explain (in the market research section) why it is suitable for your business.

CHECKLIST OF SOME THINGS TO DO WHEN YOU HAVE FOUND PREMISES

- Do you need to apply for planning permission to change the use of the building?
- Do you need to make any alterations to the building and if so how long will this take?
- What is the rent, if you are renting and how often is it payable?
- Does the landlord require a deposit to hold as security?
- What are the business rates and water rates (these are not usually included with the rent unless specified)?
- Try to find out approximately what the heating and lighting bills have been although these may vary depending on the types of businesses that have previously occupied the premises.
- Are the premises suitable secure for your business?
- Check the terms of the lease- do not sign the lease until you understand and agree with everything in it. If in doubt seek legal advice. Ask you business adviser about the *Lawyers for business scheme..*

OPERATIONS

Key People

If you have partners in the business what will each of your roles be?

Do you need to employ any staff? *If yes, how will you employ them- full time, part time, and sub contract?*

Explain what each member of staff's job will be.

If you will need to recruit new people in the near future what skills and qualifications will you look for in them?

If you are recruiting staff, explain the procedure and time-scale for recruitment from advertisement to the new person(s) being in the post.

Operations Cycle

This is an 'Idiots guide' to your business.

Simply explain how the business is going to work by describing the process....

From:- When a customer for your product/ service first gets in contact with you.....

To: - The time when that same satisfied customer settles the bill after you have issued the invoice.

Credit Control

Explain what methods of payment you will be accepting.

Will you be giving your customers credit or will it be strictly payment on delivery?

If you are giving your customers credit, explain how will you minimise late payments and bad debts.

Purchasing and Stock Control

Who are your suppliers and what terms have you with them i.e. will they give you any credit or is it strictly cash/cheque on delivery?

How long does it take from ordering stock to delivery?

Is there a minimum order or can you buy as little as possible?

How much stock do you need to hold on your premises?

Tips for this section:

You will have difficulty obtaining financial backing from anywhere, unless you can:

A: Show with confidence that you understand the structure of your market.

B: Have a clear idea of where your business will be positioned compared to the competition.

There are two types of research & you should use a combination of both types. These are outlined below:

1. PRIMARY or FIELD RESEARCH (GO FO!) (Go off and find out for yourself)

Proactive: research you engage in yourself.

Such as:

- spying on competitors
- carrying out your own surveys
- listening to focus groups (interviewing groups)
- interviewing people
- piloting i.e advertising to gauge interest
- attending trade fairs

2. SECONDARY

Reactive: using research already available.

Such as:

- Fact sheets (BOP's) available from your business adviser
- Mintel reports available in the library
- Keynote surveys available in the library
- trade magazines
- trade associations
- internet
- directories
- Census

MARKET RESEARCH

The General Market

You need some idea of market size in order to work out how much you can realistically expect to sell.

Customer Research

Who are your likely customers? Industrial /consumer, tourists, families, teenagers, home- owners etc. How they buy etc.

State the number of potential customers who have promised you work. (*include their letters of intent in the appendices*)

Competitor Research

Identify who your competitors are and their strengths and weaknesses and how they will affect you business.

Research competitors: product/ service ranges, prices, delivery arrangements, minimum orders, their advertising and promotional techniques, customer care etc. Also try to research the volume of customers they have.

SWOT Analysis

Strengths

Describe the major advantages of the business proposal

Weaknesses: -or needs!

Describe what you perceive as the weakest aspects of the business proposal and what steps you could take to strengthen its position.

*Strengths and weaknesses are **internal**, meaning they relate to you and your business*

Opportunities

Given what you know about the market you plan to do business in, what opportunities might become available in the near future?

Threats

What do you consider to be the major threats to your business proposals' survival and how do you hope to overcome them?

*Opportunities and threats are **external** meaning they are changes that happen outside of your business that may influence your business. They can be categorised into four areas known as **STEP analysis** -**S**ocial, **T**echnological, **E**conomic/environmental & **P**olitical,*

Tips for this section:

Marketing is all about: IDENTIFYING, ANTICIPATING and SATISFYING CUSTOMERS NEEDS profitably

Advertising (promotion) is just one part of marketing.

**Marketing involves four parts known as the four P's
It is about ensuring:**

Product –that your product or service satisfies your customers' needs by matching their needs with the products FEATURES & BENEFITS. Remember that initially potential customers will be more interested in how your product or service will BENEFIT them,

Price- the right price-remember, being the cheapest is not always best sometimes very low prices can give the impression of low quality.

Place –that your product or service is available in a suitable place for your customers and through the right channels

Promotion- you promote yourself effectively. A tip is to remember AIDA (below) This is the way that psychologists have said are the stages we go through from exposure to promotion. So it's important that you ensure that you first and foremost gain your targets attention:

Attention:

This is often achieved by highlighting the benefits of your product/service



Interest:

Once you have their interest you can then describe some of the features of your product/service



Desire:



Action:

MARKETING

Unique Selling Point

From your research –What do you offer that is better than or different to your competitors? What is unique about your product/service?

To put it bluntly: *'Why do you think that people will choose your business rather than other similar ones?'*

It could be something simple like later opening hours or. Whatever it is communicate it. This will form your message in your promotional strategy.

Price

Explain how you are going to price your product/service compared to your competitors. Are you intending to undercut them and be cheaper, stay similar or be more expensive?

It is a good idea to include any price lists or brochure you have in the appendices.

Note that obviously you need to ensure that you cover costs and make a profit and so this needs to be taken in to account, however, costing and break even are dealt with in the Finance Section of the business plan.

Promotion

How are you going to let your potential customer know about your product/service? Your promotional message should carry your unique selling point.

Longer term plans

Describe any plans/ideas you may have in the longer term to develop or add to you business.

Tips for this section:

For your business plan you need to be concerned with the legalities of your specific business.

Information is available through your Business Opportunity Profile (BOP) fact sheet available from your business adviser. Your business adviser can also point you in the right direction for your legal research.

However, there are several general areas that don't need to go in to your business plan but you need to ensure that you comply with them:

Here is a list below of **some** of the general areas you will need to be aware of and comply with:

- **Business names act-** If trading under a name other than that of the owner, you must display the name and address of the owners of your premises and on stationery.
- **Registering with National Insurance /and Inland Revenue**
- **Keeping records of your business transactions** –there are laws on what records you should keep and for how long
- **VAT registration rules**
- **Health and Safety**
- **Employing staff:** There are raft of employment legislation. You should always seek guidance and advice before employing people, to ensure that you comply with the law.

The Dti produce a useful leaflet called –'Setting up in Business' a Guide to regulatory requirements.

LEGAL ASPECTS

What legislation and regulations local, national, European and international do you need to comply with to operate the business?

How much does it cost to comply and how long does it take to make sure you will operate within the law and how do you remain aware of any changes that might affect you business?

THE FINANCIAL SECTION

The main tip for this section is DON'T PANIC OR BE PUT OFF!

Your Business Advisor can give you all the help you need on this part of the plan.

START UP COSTS

CAPITAL ITEMS <i>ie. operational equipment, office equipment, fixtures, fittings, furniture, fire safety equipment, vehicles etc.</i>			
Details of item	Have already Value £ <i>(column A)</i>	Need To buy Cost £ <i>(Column B)</i>	TOTAL Costs & values £ <i>(total columns A +B)</i>
Sub total £ (add up each column)	Total A	Total B	SUB total C (a+B)

STOCK (also called purchases)

These are items you will buy to sell i.e. sweets if you are opening a sweet shop. Or raw materials such as fabric if for example you are a curtain maker.

Details of items	Have already Value £ <i>(Column D)</i>	Need To buy Cost £ <i>(Column E)</i>	TOTAL Costs and values £ <i>(Column F)</i>

Total stock	Total D	Total E	Sub Total F (D+E)

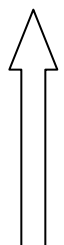
REVENUE EXPENSES

These are all the Intangible business expenses & resources you will need to have in place before the business starts trading.

Details		Need To buy Cost £ (Column G)
Rental deposit		
Initial rent payments		
Telephone connection		
Advertising, stationery and postage		
Insurance		
Sundries		
Professional and legal fees		
Drawings- money you may need to survive on for the first few months.		
Bank charges (loan or overdraft set up fee)		
Subscriptions		
Staff wages		
Other		
Total revenue Expenses		Sub total G
TOTAL START UP COSTS		Sub totals C+F+G

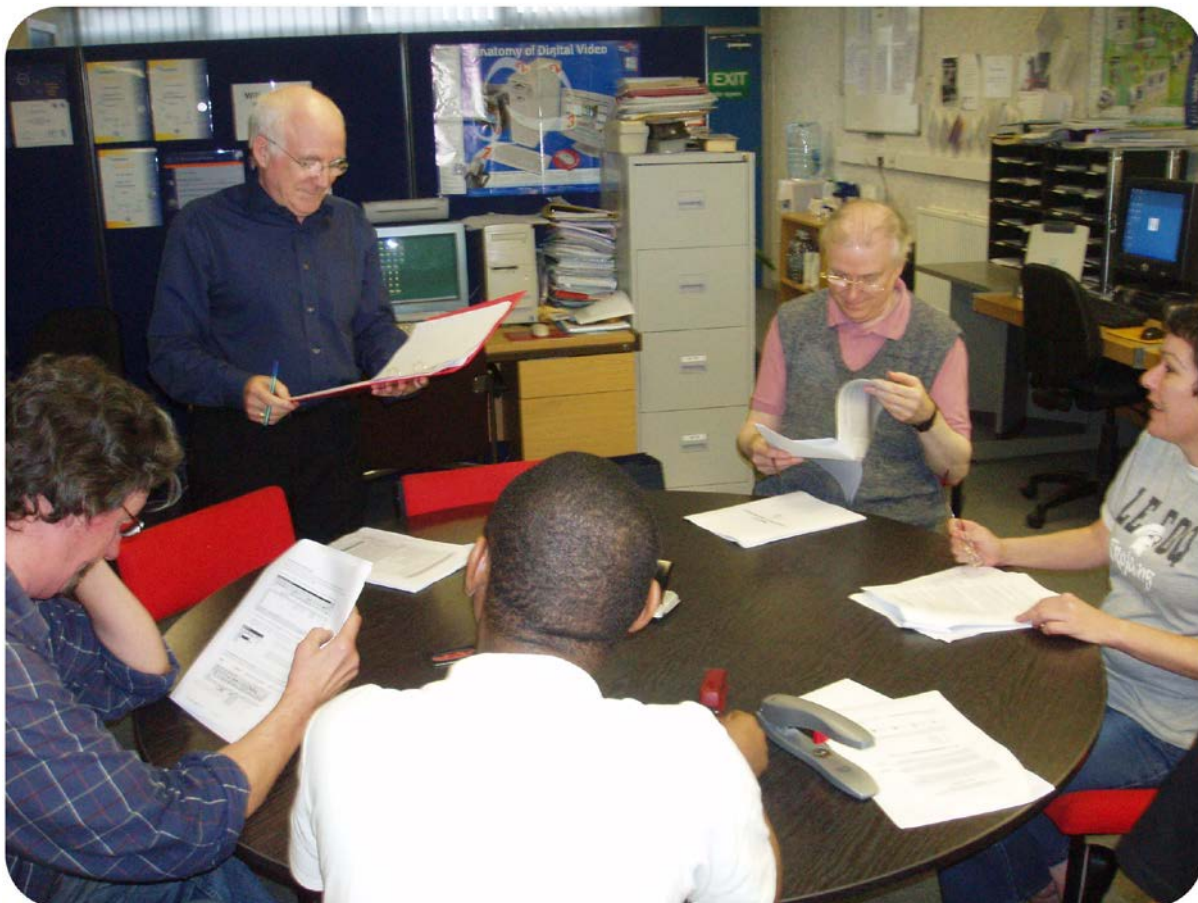
How do you hope to finance this?

	£
Own or family funds	
Own equipment <i>i.e. vehicle you may already have and are introducing to the business</i>	Sub total A
Own stock you already have	Sub total D



Grants (please say what they are)	
Loans (please say where from)	
TOTAL	

These figures should be the same



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