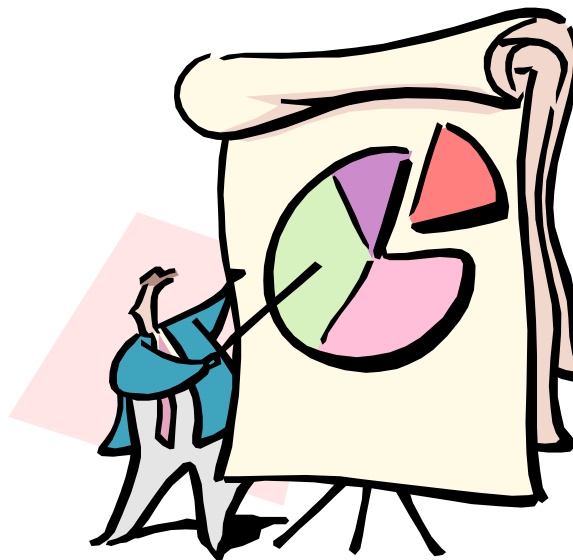


Beginners Guide to the Business Plan

Your business plan is yours, so it follows that you need to spend time thinking about it. And you need to think big – about strategy, direction, overall aims – and to think small – what you are going to spend next month on stationery. A good business plan will be both an expression of your personal aims and objectives and a financial blueprint of what you think is going to happen over the next few months.

Business plans are not easy.

You can skimp and put down a minimal amount of information but if it lacks



substance – not a lack of pages, but a lack of detail and thought – then the only person you will fool is yourself. Obviously a plan that is not intended to be read by a third party will tend to be less polished than one that you want to use to impress a potential lender, but the content should be similar.

The appendix to this guide gives a template structure for you to use as a starting point and to adapt for your own use.

Want money? Get a plan first?

When you're an entrepreneur seeking to market your business, it's not enough to have a great idea. You need to have a plan to back it up. And not just any plan will do - in most cases, you need a solid, well-developed business plan before you can raise any money.

Many sources of capital never read business plans, and those that do seldom read them cover to cover. However, this does not let entrepreneurs off the hook. In fact, the first request entrepreneurs will hear is, "Show me your business plan." So you need to make sure

that yours is up for it... and that you are up for it, because they may want you to present your case to them!

Don't just file it away!

Once you have prepared your business plan it should become part of your armoury of business tools. This document should contain in one succinct place your hopes, ideals, ideas, and forecast! In other words it should be a blueprint for the future, a roadmap showing you which way to drive the business – so don't just file it away, use it. Refer back to it, compare what actually happens with what you wanted to happen. And if things don't happen the way you wanted them to, check it out! Find out 'Why?' Were your ideas wrong or do you need to do something to

put the business back on the right track?

Contact us for a free no-obligation introductory meeting ...



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Planning is:

- Taking prudent, *calculated* risks rather than blindly reacting to events;
- Making the best use of the available resources;
- Setting a path to achieve the lifestyle you want.

All businesses plan to some extent, but this is often informal and not well defined. Plans

should always be set out in writing, however roughly, since this forces you to define your thoughts clearly.

What you need to consider for your plan is

- What information needs to be assembled
- The initial decisions to be made

- The sales and marketing options open to you.

Decide on the expertise and assistance you already have, and what additional help you will need to prepare your plan and harness your resources effectively. You may need, for instance, accountancy and marketing assistance.

The message and what to include

In the introduction I said that business plans are not easy, you frequently know what you need to say, but as you are so close to your business (or business idea), you may not know how or if your message would be put across effectively.

Plans may come in all shapes and sizes, but when you get to the meat of them, they all include the same basic parts. According to some sources of capital, who claim they read plans all the time, the following are points that will make or break a plan.

- description of the company and its business
- marketing analysis covering your market place, your marketing plan and competitors

- marketing operations
- key personnel
- the financial analysis and projections
- the executive summary

Realistic financial information is just as important. You should include:

- Sales breakdown
- Profit & loss forecast
- Balance sheet
- Cash flow forecast

Like any other business proposition, the only answer is good preparation.

It depends for whom you are writing the plan but, generally, the more information you can give regarding marketing issues and the more you can

The army has a saying about the 3 Ps.

Ps Poor Planning = P**s Poor**

Performance

So plan well!

demonstrate that you have carried out good market research, then the more confidence your plan will generate.

All these should be forecast on the basis of a three-year plan but broken down on a monthly basis especially for the first year. The most important criteria is that the business plan should be conservative but achievable. An over-optimistic plan could lead to disaster.

Define your business

Examine your business ideas critically and check these against your initial perception of the market place.

Identify the key features of your business, analyse its strengths and weaknesses. Consider opportunities open to you, and the threats you face.

What are you going to do, how are you going to do it, who are you going to do it to, how many customers do you need to do it to and at what price?

Analyse the market

The market place is the key to the success or otherwise of your business. You should review the market for your goods or services, and the competition you face.

- Use market segmentation to identify potential customers
- Use market survey methods to characterise your customers and their needs

Unfortunately, entrepreneurs seeking to grow their businesses usually spend their time chasing sales and not tracking down evidence that the opportunity they perceive is really truly there. This is unfortunate because the market analysis is actually one of the most important sections. It's where management demonstrates their understanding of the dynamics of the marketplace and their place in it. The most effective

marketing analyses draw heavily on trade literature and third party sources for authoritative confirmation of management's claims. When you think of a market analysis, think in terms of constructing an argument. That is, come up with a thesis statement and back it up with evidence.

Identify your niche

Only the largest businesses can afford to provide an overall service to all customers. Most companies have to choose between offering general services to a restricted range of customers, or offering a niche or specialist service. How can you best achieve profits?

Customers could, for instance, be restricted by geographical area, or by some classification within a wider area.

- Identify the *features* of your key goods or services

- Identify the *advantages* you have over competitors
- Identify your "USP" (i.e., "your *unique selling point*")

It is critical to make a logical break from the market analysis to the marketing operations. The former is objective and explains what drives demand. The latter, however, should explain what tactics the company will employ to translate demand into sales. To be truly effective, the operations section should be rife with planning detail. Investors want

If you do one thing really well then you will have achieved more than doing ten things really badly!

to know that management has thought through their course of action with the utmost

attention to detail. Still, even the most nit-picky plan will be further picked apart by investors with additional questions, so be prepared to answer them.

People profile

Now you can review the skills and knowledge needed to run the business which you have identified above. Then compare this list with those of the people you currently have in your business – or the people that you plan to use. If certain skills or knowledge are lacking, consider whether training would be appropriate. Do not forget that

many skills can be better bought in when required, such as accountancy and marketing. Other skills are needed constantly and so should be available in-house. These include selling and production.

The fundability of any project is directly related to the credibility and competence of the manage-

ment team. Investors who are comfortable with the credibility and competence of a company's management are more likely to provide funding. The most common mistakes companies make are putting forth a weak slate and presenting irrelevant biographical details.

By confronting problems head

People profile (continued)

on and acknowledging their weaknesses, companies can usually overcome an unbalanced or inexperienced management team. This is easier to do if job descriptions and profiles are

written in advance for the positions that will be filled once funding is obtained. It's important to give evidence to the synergies between an employee's past accomplishments and his or

her future position with the company when writing biographies. But do it concisely, and without modesty!

Prices and profits

Identify the relationship between prices and profits. Many businesses price low to maintain turnover. However, the additional profits from higher margins can often outweigh any loss of turnover due to higher prices. Decide on the impact of competitors' pricing policies.

Marketing strategy

Marketing is deciding how to reach customers, maintain market place intelligence, secure additional customers and generate further revenue.

- Define what or who your ideal customer is
- Determine how you will attract potential customers

- Design the message and the medium required to evoke a response
- Prepare staff to service customers, through training if necessary
- A separate, more detailed, marketing plan can be produced

Capital expenditure

Having now defined the business you are aiming for, you need to consider the financial resources you will need. It is easier to arrange borrowing in advance than approach your bank manager after you hit your overdraft limit!

Review the capital expenditure needs of the business, and alternative ways of meeting this expenditure while retaining adequate liquidity.

Financial forecasting

If you need help, your accountant will be pleased to prepare financial forecasts from your business plan. These will cover:

1 Sales

- Take into account current turnover
- Make full use of marketing

Financial forecasting (continued)

survey data

- Convert forecasts into targets

2 Expenditure

To estimate the expenditure that will be incurred in running the business:

- Identify and estimate fixed costs, item by item
- Calculate variable costs on the basis of projected revenues

3 Profits

From the assumptions made to date about the business, the level of anticipated profits can be forecast. However, nothing is certain in business and it is vital to apply a sensitivity analysis to the assumptions to identify which ones are critical to success. Then you can carefully plan your reactions to possible scenarios, such as:

- How will you cope if a new

competitor arrives, creating a price war?

- Could your production facilities cope with a large order? What would be the effect on your cash flow?

4 Funding Review

Review funding provisions for the business in the light of the capital and cash flow requirements.

- Identify assets and liabilities, including money owed to you and stocks held
- Draw up balance sheets based on the forecasts

Identify how much of the cash needed can be financed from profits or from trade creditors. The remainder needs to be provided either by the proprietors or by borrowings

The Bottom Line

In the end, what draws the investors is the return, which in the final analysis, is in the numbers. It's important to be aware that there are different kinds of financials required for different situations. For example, if you've applied for a £5 million loan from the bank, they're likely to want audited financial statements as well as a comprehensive business plan and are going to be looking for security as well as debt servicing. However, if you're looking for a £50,000 equity investment, then the investor will be looking for proof that

their equity is going to double or triple or better over the next 5 years and how they are going to realise that growth.

Although professionally prepared financial statements may not be required, their omission will not go unnoticed. Even if it's only in the form of a compilation, a third party endorsement lends a sense of comfort to investors because they know that they are not the only ones to have looked at the numbers.

Regardless of whether your company has no history or a very

long one, you'll need to create some projections. But how realistic do they have to be? You don't want to commit to pie in the sky, because investors will come back and hold you accountable, but you also don't want something so morbid that no one will be interested. You're best bet is to prepare two sets of projected financials, one as the best estimate, and the other as a best case scenario, provided certain conditions are met.

Wrap it Up

Now you're down to the final segment - the executive summary. Although this is a recital of all the factual information contained in the plan, it is probably the only section that the in-

vestor will actually read. It is therefore important that you be not only concise, but also persuasive. So blow your trumpet hard! This is the part of the plan that really needs to sell. If you

don't catch the investor or the bank manager with the executive summary, your plan will probably join others in that stack behind his or her desk collecting dust.

After the Plan ...

Consider the key information you need to manage the business (KPIs to the financially literate), and hence the systems which will provide this (and have you included these systems into your business plan).

Once you have written your business plan, you should compare your actual performance to the original plan – not so that you can say how good or bad your plan was, but so that you can identify how well your strat-

egy is doing and then consider what to do to improve your business.

Remember a good business plan should be a map of how to get where you are going – so by monitoring actual vs planned performance you can see how your ideas are working and then replan and reforecast in the light of the extra information you have from actually running your business.

- Plan to monitor revenues and costs
- Plan to manage cash flow
- Plan to manage people
- Plan to manage your marketing
- Plan to do more planning!

We can help you to monitor both your business and your plan by using a planning and reporting process called the One Page Plan. This is a management tool that has been developed by AVN Research.

A few last words ...

One of the biggest issues facing a number of businesses is that the person at the top does not spend enough time working on the business. They may well spend far too much time working **in** the business, but not on deciding if what is happening is appropriate and what to do to make the business more of a success. So build in time to review what has happened and to make another plan! Successful planning is a never ending process.

Work Life balance is also something that a lot of business people get wrong. Don't ignore your families or your health by working too many hours. Solve this by thinking through the business issues and planning to resolve them ... and plan to have time off with your family. Don't simply accept long hours - organise yourself or your staff to prevent a work burden from forming in the first place.

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Jonathan Vowles
Chartered Accountants

Business plan template

On the next page we have a template - or perhaps more of a contents page! A list of the sections that you might want to put

into your business plan together with a very brief note on the contents of each section. Because business plans are spe-

cific to each individual business some sections might not be as relevant to you as others.

About our services

We offer a comprehensive range of services - they really are too numerous to list out here!

But the point of our service is to provide you with information, or tools and techniques to help make your business more successful and enjoyable to run.

Our services represent a whole range of processes and options, but you can choose from a menu of services so that you make use of us in the way that you want to.

Obviously we provide a business planning service and a monthly monitoring accounting service and also other complimentary services.

Talk to us, let us join in and help you and your business ... and hopefully we can produce a business that is profitable, systemised, vibrant and doing what you want it to do!



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Business plan template

Detailed information should be given for a minimum of 12 months and there should also be a 2 – 5 year plan covering:

1. History and Background
Where the idea for the business came from and the people behind it.
2. Mission Statement and Objectives
Focus on the business, how you want the business to be seen showing both the owners objectives and the business objectives
3. Products and Services Offered
This should be a clear statement showing not only the 3rd parties involved, but also focusing on the management structure. Be specific. Describe your Unique Selling Proposition.
4. Market Analysis
This should be as detailed as possible. It should show information about:
 - Target market - size, and if it is seasonal,
 - Customers - characteristics, requirements and special customers
 - Current sales analysis – type and value (£)
 - Competitor analysis
 - Product life cycle
 - Pricing level and strategy
 - Profitability and contribution analysis of sales
 - Sales monitoring systems
 - Advertising and promotion
 - Sales and distribution arrangements
 - Strategy for developing sales
 - Strengths, Weaknesses, Opportunities, Threats (SWOT)
5. Operations and Resources Employed
This should show the key points re: management, staff, subcontractors, premises, equipment, the source of any materials, the legal structure and insurance provisions made. (It is often useful to include C.V of all key management people)
6. Financial Information
 - Sales forecast
 - Cash flow forecast
 - Profit forecast
 - Break-even calculation
 - Projected balance sheet
 - Assumptions used
 - Past accounts (if applicable)

Make sure you take into account capital expenditure, finance costs, etc and include supporting schedules if necessary. You should also show the affects to any of your assumptions.

Complete the report with an executive summary, contents page and front sheet. Consider including pictures, newspaper cuttings, graphs, prices lists, etc.