

The Business Plan – How To Write It

A business plan has nine key sections. Within each of the following sections there is a list of points that should be covered fully – backed up with detailed information where necessary.

Section 1 Executive Summary

This is a summary of the key points of your business plan. So, although it will be the first section of your business plan, you won't be able to complete it until after you've finished all the other sections.

The main points are:

- The products or services you provide
- The market for your products or services
- The potential for your business
- The competitive situation
- Your vision of the business in five years time
- Your cash flow and profit forecasts for the next 3 years, and any significant influences that may affect these results
- The financial resources that will be required
- What lenders/investors will be required to provide, and on what terms and conditions
- The returns investors/lenders can expect

Section 2 History of your Business

A brief overview of the background to your business. It should be around a page long – no more. If more detailed information is required, it can be put in the appendix.

- When the business was started, who started it, how it developed and who were the key people in that development
- The profits that are being generated
- The nature of your cash flow (i.e. regular or seasonal)
- Brief summary of past financial performance
- The relevance of past performance to future prospects
- Current strategy objectives, strengths, weaknesses, opportunities and threats

Section 3 Management and Key People

People are the most important asset in any business. Potential lenders or investors need to be assured that you and your key personnel have the attributes required to run and build the business successfully. Bear in mind that they will be looking for a good mix of skills across all areas of management, including financial skills. Points covered should be:

- Your past employment and business record. List your achievements, don't just provide a chronological statement
- Other key personnel you have working with you, their record and achievements
- Any weaknesses in the current management team and how you will deal with them
- An assessment of your management strengths and how you think they will assist you in achieving your plans

Section 4 Product or Service

Successful businesses don't just supply certain products or services, they satisfy customer needs. In this section you should demonstrate your understanding of customers by presenting your product/service description from their point of view i.e. by defining your customers' wants and needs and how you will meet them.

- A description of your product or service. Avoid technical words. If essential, a technical description can go in an appendix
- How your product or service is used by customers, what benefit they receive
- Why the product or service is unique or distinct – i.e. your competitive advantage – or what the opportunities are
- How you compare with your competitors in marketing terms e.g. Quality, price, after sales service
- How your product or service will be developed in the future. What new products or services are being considered, when replacements will be needed for the existing product range, what competitive products may emerge in the future
- Any patents that have been applied for

Section 5 Marketing

This section should provide an overview of the market you will be competing in, your place in it, and the elements of your “marketing mix” (i.e. the four “P’s” – product, price, place and promotion). Allow three or four pages, excluding detailed market statistics which, if available, should be included in the appendix.

- Describe the market for your product or service:
 - current size, past growth, likely future growth
 - what sector of the market you are aiming at
 - current market share and your target
 - your likely customers: are they companies or individuals? How much and how often do they buy?
 - How you research customer needs
- Describe your competitors
 - how big they are
 - their position in the market
 - how they are likely to respond to your challenge (include any market research)
- Describe your marketing strategy
 - what distribution channels you will use, (wholesalers, agents, direct), the size of your sales force
 - how you will promote your product or service i.e. sales support material and communications. Will you need to advertise?
 - What your selling message will be (for example, the benefits of your product)
 - How you will price your product, what profit margins you will apply.

Section 6 Operations

A description of how your business operates and the physical resources involved. Issues to cover include:

- Where you will be based: location, premises
- Your key suppliers
- The manufacturing facilities/processes that will be used
- The equipment you have and what extra equipment will be needed

Section 7 Financial Reports

This section should provide a through description of the finances of your operation. Detailed figures can be put in an appendix. The following information should be included:

- Summary of your accounts for the last three years (add copies of the full accounts to the appendix). Show how the balance sheet is structured, whether there are cash shortages, and whether debtors are paying on a regular and timely basis
- Summary of your cash flow forecasts
- Breakdown of fixed and variable costs, and the breakeven point for sales
- Your monthly profit and loss forecast for the next two years and, if possible, annual forecasts for up to three years beyond that
- Your monthly cash flow forecast for the next two years and, if possible, cash flow forecasts for a further three years
- Your forecast balance sheet for the next two years
- The assumptions behind your forecasts
- The principal factors which could affect your forecast figures

Section 8 Future Prospects

An overview of your plans for the future, and how you see the business developing. The points to cover include:

- Your objectives – short and long term
- The finance that will be needed: how long it will be required and what it will be used for. Include expected growth in the business and the need for finance for the longer term, not just your immediate needs
- How you will structure your financing: how much will be equity (shares) and how much loan capital
- The shareholdings you have in mind (if appropriate)
- The prospects and benefits for the investor or lender (if appropriate)

Section 9 Timing

A short outline of the key dates and lead times involved in progressing your plan. Depending on the business it may include the following:

- When you will obtain finance
- Your capital expenditure program
- Staff recruitment timetable
- Product development and testing
- When you will expect to get orders to supply your product/service and generate revenue.