

HOW TO WRITE A BUSINESS PLAN

The prospect of writing a business plan can be daunting but it is not a difficult process - and a good business plan focuses the mind as well as helping to secure finance and support. The business plan will clarify your business idea, define your long-term objectives and help you measure your progress. It provides a blueprint for running the business and a series of benchmarks to check your progress against. It is also vital for convincing your bank - and possibly key customers and suppliers- to support you.

Here's a rundown of what information to include and how to present your financial forecasts, taken from advice provided by The National Enterprise Network.

1. Executive summary

This outlines your business proposal. Best written last, it should go on the first page of the business plan. It will be read by people unfamiliar with your business, so it is advisable to avoid jargon. It highlights the most important points and should sum up six areas.

- Your product or service and its advantages.
- Your opportunity in the market.
- Your management team.
- Your track record to date.
- Financial projections.
- Funding requirements and expected returns.

When deciding whether to back a start-up, bank managers and investors often make provisional judgements based on the executive summary. The main body of the business plan is then read to confirm the initial decision. You can also include appendices at the back of the plan for further detailed information to support the main text.

2. The Business

This section should explain the background to your business idea, explain, in plain English, what your product or service is and its strengths and benefits; and also explain any key features of the industry you will be working in (eg special regulations, effective cartels or major changes in technology).

3. Markets and competitors

This section should cover the market you plan to target, customers already lined up and sales already achieved; plus an analysis of your competitors. Unless there is a viable market and you know how you are going to beat the competition, your business will be vulnerable. You must show you have done the market research needed to justify what you say in the plan.

4. Sales and marketing

This section is crucial and will often give a good indication of the business' chances of success. This is where you explain how you will reach the market and show how your price, quality, response time and after-sales service will compare with competitors. Most businesses need more than one product, more than one type of customer and more than one distribution channel. Look at each in turn. Examine your likely sales, gross profit margins and costs.

Identify where you expect to make your profits and where there may be scope to increase either margins or sales.

Services and intangible products (eg computer software) are more difficult to market. Start-ups in these areas must pay special attention to marketing in their business plans.

5. Management

People reading the business plan need to be given an idea of why they should have faith in the management of your start-up; so you'll need to outline the management skills within your team and demonstrate your commitment to the business. Banks and any other potential investors will want to be sure you are committed to the business. Show how much time and money each of the management team will contribute, and what your salaries and benefits will be.

6. Operations

A business plan needs to explain what facilities the business will have and how it will deliver the product or service to the customer, covering location, facilities and employee roles.

7. Financial forecasts

Your financial forecasts translate what you have already said about your business into numbers.

- A realistic sales forecast forms the basis for all your other figures. Sales forecasts produced for start-up businesses are often over-optimistic.

- Your cashflow forecast shows how much money you expect to be flowing into and out of your bank account and when. You must show that your business will have access to enough money to survive.
- Your profit and loss (P&L) forecast gives a clear indication of how the business will move forward. Summarise the annual P&L forecast for each of the first two or three years of trading.
- If you are launching a larger start-up, you will also need projected balance sheets. These will show you the financial state of your business on day one and at year end, perhaps for the first two or three years.

8. Financial requirements

The cashflow forecast will show how much finance the business needs. Your assessment of the risks will determine whether or not you need to arrange contingency financing.

You will need to state how much finance you will want, when and in what form and also what the finance will be used for.

Above all you will need to demonstrate that you will be able to afford it.

9. Assessing the risks

Look at the business plan and isolate areas where something could go wrong (eg if your main supplier closes down) and decide how you would respond.

10. Appendices

Detailed financial forecasts (monthly sales, monthly cashflow, P&L) should usually be put in an appendix. Include a detailed list of assumptions. For example, the profit margin on each product, debtor collection period, creditor payment period, stock turn, interest and exchange rates, equipment purchases.

Here, you may also want to give other relevant information eg. Detailed CVs of key personnel (essential if you are seeking outside funding), market research data, product literature or technical specs, names of target customers etc. A list of external data sources used in your research will add credibility to the information.

11. Presentation

The more solid information you can gather for your own use, the better the business plan will be. But a banker or other outsider will not have time to read through all the details.

- Keep your business plan short - most business plans are too long. Focus on what the reader needs to know.
- Make it professional - put a cover on the business plan and give it a title.
- Include a contents page.

Finally – test it. Re-read it yourself and show the plan to friends and expert advisers and ask them for comments. Ultimately, ask yourself: Would reading your plan give an outsider a good feel for your business and a grasp of the key issues?

You can read the complete article and find other business planning advice (including business plan templates) at www.gov.uk/write-business-plan

And don't worry if all this sounds overwhelming on a first read. JETS can help put you in touch with business advisors in your area to help you with your business plan and book training for you in key business skills. Contact us now for further details.