

Business plan

What to include in a business plan

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What each section means

Make a list of contents which is appropriate for your plan. Have a short summary and list the names of the business owners. Date the plan on the front page.

1 Executive Summary

Write a brief outline of your plans for the business, what you aim to do and how you will do it. Mention the product or services, business location, staff, target sales for the next year, and finances needed. If this plan is to help you get finances, state how much you need to borrow, how much you are investing and where the money is coming from.

At this point a summary of the business finances is important is your business is already up and running. New businesses should just include a forecast for the next year or two. Add comments if you need to explain growth or diminished sales.

2 History and background

Write about your training, qualifications and experience. Write about how your business started, or why you are starting it. Explain what is unique and what you are well placed to run the business. Mention if you are a new business or a franchise. List objectives so you can focus on what you want to achieve. Be as specific as possible, and make the examples measurable so you know whether you achieve them. Have short term, medium term and long term objectives - up to 12 months, 1-3 years and up to 5 years.

3 Your business offering

Describe what your business offers. How is it created, stored, delivered? What other similar items are already available. Who will buy it? What makes your offering different or better? How will you ensure a constant supply and consistent high quality? Include details of suppliers and their terms of trading, discounts and credit.

4 The market and marketing

The Market: Who will you be selling to? Explain the groups your business will provide services or products for.

Market Research: Write about what you have done to show there is a market for your business. Read about the sector in trade media and reports. Ask at your local enterprise centre or library.

Marketing Strategy: How will you reach your target audience? What will you do in the way of promotion, advertising etc? Be focused about who you are reaching out to – look at age, sex, location,

Example					
	<i>Accounts 2004</i>	<i>Accounts 2005</i>	<i>Accounts 2006</i>	<i>Year 1 Projection 2007</i>	<i>Year 2 Projection 2008</i>
<i>Sales</i>	<i>£2000</i>	<i>£3000</i>	<i>£2500</i>	<i>£4000</i>	<i>£5000</i>
<i>Cost of Sales</i>	<i>£1000</i>	<i>£1500</i>	<i>£1250</i>	<i>£2000</i>	<i>£2500</i>
<i>Gross Profit</i>	<i>£1000</i>	<i>£1500</i>	<i>£1250</i>	<i>£2000</i>	<i>£2500</i>
<i>Overheads</i>	<i>£500</i>	<i>£750</i>	<i>£625</i>	<i>£1000</i>	<i>£1225</i>
<i>NET PROFIT</i>	<i>£500</i>	<i>£750</i>	<i>£625</i>	<i>£1000</i>	<i>£1225</i>

lifestyle. Work out the costs of marketing too.

Competition: Note down about competing businesses and explain how your business will compete with them.

SWOT Analysis: Work out the Strengths and Weaknesses of your business, the Opportunities and the potential Threats. This will help you assess how your business is placed compared to competitors.

Pricing: It is vital to work out the costs of providing your products or services so you know how much to charge. Show how you have worked out your prices.

5 Premises

Choose premises carefully. Look at location, accessibility, parking. How much space do you need? In this plan details the size, costs of setting up and improving the property with quotes from builders. Note down if you own the freehold or lease, and how long the lease is. What is the rent or mortgage payment each month? Get advice before committing to a lease.

6 Capital expenditure

What equipment do you have and what will you need to purchase? Will it be new or second hand and how much will it cost? Lease or hire purchase can help spread your financial investment. Also include vehicles for business use, mileage, tax, insurance and servicing costs.

7 Management and staff

Give details of management experience and include CVs of key staff – this is essential to convince investors and banks. List the number of staff you will use, freelance or employed, rates, hours worked, training etc.

8 Legal aspects

How will you set up your business?

- If you are working alone you are a Sole Trader or Proprietor?
- If you are working with someone else you may want to set up a Partnership.
- You may want to set up a Private Limited Company, which is owned by shareholders.

A solicitor or accountant can help you decide on the right legal structure for your business. Include a copy of any legal papers at the end of this plan.

Find out if you need planning permission, trade licences or environmental health clearance. Ask your local authority for more information. Trading standards may be a good place to start.

9 Finances

Profit and Loss Forecast: This needs to include overheads, the cost of running your business, materials, equipment and depreciation.

Cash Flow Forecast: The cash flow forecast shows money coming into and leaving the business each month. This is an important part of planning and highlights where you will have bills coming in, so you can make sure you have enough money to pay them.

Sales and other forecasts: You need to create estimates of how much your business will sell, based on your market research. Other forecasts include rent, rates and salaries etc.

Break even analysis: Work out how many sales you need to be successful. This is known as break-even, where your business is making neither a profit nor a loss. Have a look at the basic example below. To do this calculation for your business, you need to know the cost of your sales, gross profits and fixed costs.

Sales	£1000
Cost of Sales	£100
Gross Profit	£900
Fixed Costs	£600

To calculate break-even, you need to work out the gross profit margin.

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit Margin (£900)} \times 100}{\text{Sales (£1000)}} = 90\%$$

$$\text{Break-even} = \frac{\text{Fixed Costs (600)}}{90\%} = \text{£666}$$

$$\text{Monthly Break even} = \frac{\text{Break-even (£666)}}{12} = \text{£55}$$

Basic budget: In the early stages what you can take from the business may be limited. Draw up a basic budget for food, bills, and work out the minimum you can live on.

Managing your finances: Stay on top of your finances, so you can monitor cashflow and prevent problems. Fill in your accounts as you go along. If anything is unclear ask a book keeper or accountant to explain. Simple computer packages can help too.

10 Emergency planning

A business plan keeps your risks to a minimum, but emergencies still happen. Have you got insurance? What is your financial safety net if clients take a long time to pay up? And what are your plans if you or key staff are ill for a prolonged time?

11 If you are buying a business

Your plan will need more information on the worth of the business if you are buying an existing business. You will also need details of exactly what you are buying. Get help from a solicitor and accountant unless you are a financial whizz.

12 Other information

You might want to also include your CV and that of all the directors, advertising and promotional literature, letters or contracts from prospective clients, more financial information and references.