

## Introduction

Formulating a business plan is one of the most important tasks when starting up a new business. It will help you set targets, collate all your ideas, plan for the future of your enterprise, and verify that your idea for a business is realistic and workable. The business plan is an essential tool in attracting funding to get started. It is a dynamic document that should be reviewed regularly in order to monitor and measure the performance of your business.

This factsheet describes what a business plan should include, how you should go about writing one and what you will achieve by doing so. It includes hints and tips as well as sources of further information. It is aimed particularly at start up businesses that need to raise funding, but the principles stated are equally valid for established businesses looking to grow.

## The benefits of writing a business plan

The business plan is principally for you and your business partners and it can help you to:

- Bring together your ideas and research into a structured format.
- Decide whether or when your business will be commercially viable.
- Clarify your business purpose to yourself and communicate it to any partners or staff.
- Predict future scenarios and pitfalls and address them before they threaten the success of your business.
- Set out the strategy for your business, and particularly your marketing strategy.
- Set targets and objectives, including sales and financial targets, so you can monitor your business' performance on an ongoing basis.

## How to approach the plan

If you are also hoping to use your business plan to convince an investor to support your business, it is crucial to understand their agenda and address it in the plan so you can be certain of meeting their particular objectives.

You will need to read carefully any literature that the funding body you are approaching has published so you can identify their objectives and demonstrate in the business plan how you can meet them.

For example, an arts organisation that provides grant funding might have an express wish to increase the accessibility of the arts to the general public. If you can show that this target could be met by them funding a conversion of your garage into a studio, enabling you to put on exhibitions and workshops in a suburban area rather than in an imposing city centre art gallery, you could be successful in your application.

You need to make your plan stand out from the rest, so make it easy to read, comprehensive yet concise and ensure there is no contradiction. For instance, check that the figures you include in the plan for expenditure on

equipment are the same amounts as you put in your financial forecasts - all too often these just don't tie up and so the business plan loses credibility.

Identify as early as possible what your external audience wants to know about you and your business. If you state the assumptions you have made in reaching your conclusions (the market research results that led you to your calculated sales forecasts, or why you have chosen to locate your business in a particular place, for example), the investor will not be left guessing as to your intentions or think that you haven't addressed certain key issues. Be honest, clear and believable.

Remember that the plan needs to be realistic and yet convince investors that the business can be successful. This means they will want to see evidence to back up any claims you make, and the plan will need to show that (at least in the medium-term) the business will be able to support you and any borrowing requirements you may have.

## What should be included in the plan?

Every business and situation will be different, but the headings below are useful 'stepping stones' to include in any business plan and will ensure you address the most important issues that a funding body may have.

### Executive summary

This should be a brief summary of the rest of your plan and should be no more than two pages long. It is the first thing that an investor will read and so it must be well written, should excite the reader and must stand out from the many other business plans an investor or lender will receive.

There are four key ingredients that investors will be looking for in your executive summary:

- What it is that makes your business idea, product, service or approach to your market unique or original, and gives you an edge over similar businesses and products.
- What experience you and your team have in your target market, or in this line of business, that will give a funder the confidence that you are capable of making it succeed.

- How you have demonstrated, or at least illustrated, that your business is going to stack up financially, and will be viable and profitable.
- How and when the funder will get their money back, or the investor will achieve an exit with an attractive return when you eventually sell the business or buy back their shares.

You should also include in the executive summary:

- Details of the business name, its owners and address.
- Details of the products and services you are going to sell.
- A summary of your target market and competition.
- The amount of finance needed, for what purpose and over what term.
- The amount of money you are investing.

#### Table of contents

Include a table of contents listing the main sections and page numbers in the plan. If it is difficult to find key information among a mass of text that has no logical index the person assessing the business plan will be frustrated, and so less likely to consider the plan positively.

#### Aims, objectives and vision

For most people, the aim of starting up in business is to provide a degree of independence and the opportunity to generate a reasonable income. However, investors will want to know what really motivates you, so it will be important to consider the following types of question:

- Why are you going into business and what do you want out of it?
- Will the business supplement your main income or replace it?
- Are you starting the business as an investment, to sell as soon as you can?
- Will your business provide jobs for family members?

The answers to questions like these will have an impact on your business' aims, development and strategy. For example, if you are starting a business as an investment opportunity, the focus of your planning will be leading up to your exit - the sale of your business. Your strategy must therefore focus on building your business quickly and maximising its value to get the best selling price possible. Where do you want your business to be in five years? Try to visualise this so you can demonstrate how you will start to move your business towards that point.

Defining your business vision will help you identify clear and challenging objectives, and determine how you will go about achieving these goals as your venture evolves.

#### Business description and purpose

What exactly will your business do? Be as specific as possible about the type of business you are starting. If you are going to open a restaurant, for example, will it be a family restaurant serving good-quality, local food at competitive prices in a family-friendly environment? Or will it be more upmarket, serving gourmet dishes to discerning customers in an intimate setting?

How will your products and services differ from those offered by your competitors? Why should customers want to come to you and how will you differentiate your business to make it successful?

When describing your business, think of it in terms of writing a mission statement. This statement should clearly summarise the purpose of your business, and should be easily understood by you, your staff, your customers and your potential investors.

If you cannot describe your business in these specific terms, you should rethink your business idea, focusing on your business' core purpose, target audience and mission.

#### Legal status and licences

What legal status will your business have? Are you intending to be a sole trader, a partnership or a limited company? These decisions will affect your tax liability and determine when you will pay tax, and hence will have an impact on your cash flow. Investors may also be concerned about the legal status of the business and the impact on liability, and you need to be sure that you have chosen the most appropriate legal status to meet your future needs.

Do you need any licences before you can start trading? (If so, you need to show you are aware of what you need to apply for and that you have taken steps to do so.) Food businesses, childcare businesses and businesses that involve animals, among others, need to obtain licences from their local authority.

If you intend to work from home, you may need to obtain planning permission or building regulations approval, and evidence you have obtained the necessary certificates should be provided in the plan, together with details of any necessary permissions from your landlord or building society.

#### Management processes

How will you manage your business? Getting organised will make your business more efficient and ultimately enjoyable. Even if you are the only person involved, it is still worth looking at your key skills, responsibilities and management processes at this stage. You will need to consider the following key areas:

- Marketing and sales.
- Finance.
- Recruitment and HR.
- Product development.
- General management.
- Administration.

You will also need to set out how you plan to monitor your business' performance (against objectives and targets), and to co-ordinate the roles of any key staff.

#### Market situation

Where is your market located? To earn enough revenue, your business must be able to achieve a share of the market available to it. You will need to have a thorough understanding of your target market to do this, including its size and the share you can realistically achieve. The market share you hope to achieve will be influenced by:

- The overall size of the market.
- Market trends - find out what influences your target market now and how you can take advantage of this.

You also need to research the market situation in relation to your potential customers and your competitors and explain your conclusions:

Target customers - describe who your target customers are and how many of them there are, and justify your estimate of the market share you aim to get.

- Who will your target customers be now and in the next 12 months? Define the characteristics of the target groups of customers that could buy from your business. To do this, think about the types of people or businesses likely to benefit from using your product or service, and why they would use them.
- Think about the benefits your customers are looking for and then think about the features your product or service offers - do your features provide the desired benefits?
- Build up a picture of your target customers. For individuals, describe them in terms of characteristics such as age, gender, income, location, lifestyle and marital status. For businesses, use indices like location, numbers of employees, public or private sector, industry type and turnover.
- Research how many customers there are in your target group, how much they spend and how often they buy.
- Identify trends that tell you whether this group is growing or shrinking.

Competition - list your competitors and describe their products or services, and describe how your product will be different. Who are your competitors? Competitors may be in the same (direct competition) or similar

(indirect competition) business as you. The level and strength of competition in a market indicates how difficult it will be to gain enough share of that market.

However, it is not simply the number of competitors that you should be concerned about; you should also analyse the following aspects of each competitor's business:

- Their products: Do your competitors provide something you don't, or can you provide something they don't?
- Their customers: are your competitors targeting the same customer segments as your business?
- Their share of the market: how large is it, and could you take some of it?
- Their strategies for growing, marketing themselves, and pricing their products and services: can you learn from how they conduct their businesses, or can you do it better?
- Their operations and facilities: how much stock do your competitors hold? Do they offer additional benefits such as free delivery? What after-sales service do they provide?
- Their future plans: are they planning to move to new premises? What direction is their product development heading in?

Provide information about any market research you have carried out as evidence to back up your claims and business assumptions. You can include copies of surveys or other market information in the appendix to your plan. See BIF 185 An Introduction to Researching a Market for Business Start Ups for more details.

#### Marketing strategy

How many customers do you hope will buy from you, and by when? Once you have developed a clear understanding of your market in terms of size, location, groups of potential customers and their profile, competitors, trends and influencing factors, it's easier to define your overall marketing strategy clearly. Break this down into objectives and targets relating to the volume and share of the market (or market segments) you hope to achieve and when you intend to achieve them.

For example:

- Who are your initial marketing targets (specific groups or market segments)?
- What products, services or particular deals will you offer to them?
- What is your Unique Selling Proposition (USP) and how does this differentiate you from your competitors?
- Is there a specific volume, value or share of these markets that you hope to achieve?

- When do you hope to achieve these targets by?
- Why are you choosing these markets first?
- Who will you target next, for instance in six months' or a year's time?

#### Marketing plan

How will you carry out your marketing? Once you have a clear marketing strategy, you need to be clear about how you are going to make it happen. A detailed marketing plan should explain how you will go about achieving each of your marketing targets and objectives (as defined in your marketing strategy above) either by particular target segment, by type of marketing activity, or both.

Such a plan will include some or all of the following:

- The marketing methods you will use for each segment of your target market.
- The specific action you are going to take to reach each segment.
- A timescale or timetable for each marketing activity.
- The people or organisations that are going to carry it out.
- The estimated costs to undertake particular marketing activities (your marketing budget).
- How you will monitor and review progress.
- How you will handle the response to your marketing.
- If it helps, think about the four 'P's, of product, price, promotion and place.

It will also be important to identify how you will manage the overall marketing plan, including aspects such as ensuring that the entire budget is not spent too early, monitoring results, adjusting the plan and introducing new tactics as you go along. (See BIF 44 A Guide to Developing a Marketing Plan.)

#### Sales targets and objectives

What are your sales targets and how will you achieve them? Your marketing plan, when implemented, needs to be converted into perhaps the most important business goal of all: your sales revenue target.

Set out your sales forecasts in terms of:

- Sales of different product types by volume and value.
- Sales from different customer groups or territories.
- Sales from different distribution channels.

See BIF 236 How to Forecast Sales for more information.

#### Operational requirements

What do you need to turn your operational plans into action? In other words, how will you make everything happen?

Details about your operational requirements will be essential when preparing your financial forecasts, while other information will be needed for basic operational planning. Outline your plans for the following aspects of your business and estimate the respective costs involved:

- Premises - provide details of the premises and a sketch plan of the layout.
- Equipment - list what you will need to buy and show prices you have identified.
- Staff - indicate what roles you will need to fill and provide job descriptions.
- Suppliers - give details of various suppliers and the credit terms they will offer.
- Compliance - check compliance issues and show how you intend to meet the regulations regarding health and safety at work, and anything specific to your sector.
- Licensing - provide details of any licences you need to trade in your line of business.
- Insurance - ensure you have the correct cover and include details of policies.

#### Current financial requirements and financial forecasts

How much money do you need now and for what purpose? Your business plan should include a breakdown of your financial requirements, the sources of finance you have available to you and any additional finance you may need. This should include:

- The cost of starting your business.
- Your personal budget.
- Details about your own finance that you intend to invest.
- Details about any additional finance you have secured.
- A table showing what you plan to spend the finance on (provide details of each piece of equipment or service you are buying and its cost).
- A break-even analysis and timing calculation to help you understand how much of your product or service you need to sell at a given price to cover all your costs and contribute towards your profit, and when this break-even point will be reached.

- A detailed cash flow forecast that will help you to estimate how much available cash you will have in any particular month. See BIF 58 How to Forecast Cash Flow for more information.
- A profit-and-loss forecast to help you estimate when your business will start to make a profit, which will be essential to your longer term success.
- A balance sheet forecast to provide you with a snapshot of the trading position of your business, to identify what your business will owe, what it will own and how financially strong it will be at a particular point in the future.

#### Training needs

Include details of any relevant training courses you have attended and also any training needs that you or your employees have or are going to have. This will help to identify any skills gaps, and prompt you to seek information on training providers and funding needed. It will also assist in budgeting for training costs in your cash flow forecast.

#### Business risks

What could go wrong, and what will you do if the worst happens? Your plan should include an honest assessment of the risks involved in your business, as well as how you will minimise them. This is important because you need to have considered all possible outcomes so you can plan and deal with all eventualities. Investors will also want you to show that you have not just approached the project wearing 'rose-tinted spectacles' but have looked at the realities of the situation. Consider which of the following risks are relevant to your business:

- Lack of management experience (address this risk by getting advice or mentoring from your business adviser, accountant or solicitor).
- Little trading history (this will make it difficult to borrow money, so you might need to make other plans to finance the business initially).
- Economic uncertainties (if you are borrowing money and paying interest, for instance, make contingencies for interest rate increases).
- Over-reliance on key staff.
- Over-reliance on a few suppliers.
- Over-reliance on a small customer base.
- Customer bad debts leading to cash flow problems.
- Partnership difficulties.
- A sudden increase in competition.
- Security issues.

- Failure to meet your sales targets.
- Lack of resources at key stages of development.

#### PEST analysis

PEST is an acronym for political, economic, social and technological, and provides a framework for reviewing your business in the light of external factors that may affect it in the future. By remaining aware of trends and impending advances in the outside world, your business can gain a competitive edge.

By carrying out a PEST analysis you can demonstrate that you have considered the 'bigger picture' when writing your business plan. The process may inspire you by generating new ideas or alert you to forthcoming dangers to be aware of in the marketplace.

#### SWOT analysis

The strengths, weaknesses, opportunities and threats (SWOT) process helps you focus on the internal strengths and weaknesses of you, your staff, your product/service and processes. At the same time, it enables you to look at the external opportunities and threats that impact on your business, such as market and consumer trends, competitor activities, changes in technology, legislation and financial issues.

A SWOT grid, as shown below, can be completed quite quickly and provides a useful graphical addition to the plan. It will help you focus on your business strategy and the issues facing you.

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Threats</b>

#### Appendices

This should include all the documents that support the plan, for example:

- Your CV and those of your business partners and/or key employees.
- Certificates for relevant training courses.
- Copies of a lease for any business premises you will be renting.
- Market research data.
- Financial information.

The first page of the appendix should list all the documents it contains so they can be found easily by anyone reading the plan. The documents and their location in the appendix should also be referenced in the main body of the business plan. You may find it easier to index and number each document and file them in a logical order in a ring-binder file.

### Hints and tips

- Software packages are available to help 'walk you through' writing a business plan; some banks offer their own business planning software free of charge to customers who are planning to start up in business. They tend to focus on the finance side of things, however, and usually offer very little space in which to set out the written parts of your plan.
- Talk about your plan with an independent business adviser or accountant. You could also seek advice from an adviser at a local enterprise agency, through the Prince's Trust or bank.
- Remember that presentation counts - type your business plan out and use bold to emphasise headings. A front cover with your contact details clearly shown will make the plan look professional, and by using white space, illustrations and short sentences in the plan you will make the content much easier to read.

### Further information

For practical start up and small business tips, ideas, know-how and news, go to:

Website: [www.enterprisequest.com](http://www.enterprisequest.com)

To access hundreds of practical factsheets, market reports and small business guides, go to:

Website: [www.scavenger.net](http://www.scavenger.net)

- BIF 40 An Introduction to Raising Finance to Start a New Business  
 BIF 44 A Guide to Developing a Marketing Plan  
 BIF 58 How to Forecast Cash Flow  
 BIF 62 An Introduction to Financing Your Business with Private Equity  
 BIF 132 A Guide to Sources of Competitor Information  
 BIF 154 A Guide to Finding a Business Start Up Adviser  
 BIF 174 A Summary of Sources of Finance for Small Firms  
 BIF 185 An Introduction to Researching a Market for Business Start Ups  
 BIF 236 How to Forecast Sales  
 BIF 324 A Guide to Approaching Business Angels

'The Good Small Business Guide'

Kathy Rooney  
2004

Bloomsbury

'E-myth Revisited'

Michael E Gerber

1994

Harper Collins

'Business Plans'

Brian Finch

1998

Kogan Page

'How to Prepare a Business Plan (Sunday Times Business Enterprise)'

Edward Blackwell

2004

Kogan Page

'The Business Plan Workbook (Sunday Times Business Enterprise)'

Colin Barrow, Paul Barrow and Robert Brown

2001

Kogan Page

'Business Plan Pro'

Palo Alto

Website: [www.paloalto.co.uk/psuk/bp/?affiliate=enterprise](http://www.paloalto.co.uk/psuk/bp/?affiliate=enterprise)

'Business Plan Pro Premier'

Palo Alto

Website: [www.paloalto.co.uk/psuk/bp/premier.cfm?affiliate=enterprise](http://www.paloalto.co.uk/psuk/bp/premier.cfm?affiliate=enterprise)

### Disclaimer

This factsheet is presented free of charge by Barclays Bank PLC. There is no recommendation contained in this publication and it is suggested readers should consult their professional advisors before entering into a new business commitment. Barclays Bank PLC cannot accept responsibility for errors or omissions or for any expenses or losses as a result thereof.

This factsheet has been written by Cobweb Information Ltd. This factsheet should not be taken as an assurance that there is a local market for this product or service, rather it is intended as a starting point. Published under licence by Barclays Bank PLC.

© Cobweb Information Ltd, 1st Floor, Northumbria House, 5 Delta Bank Road, Metro Riverside Park, Gateshead, NE11 9DJ.