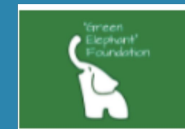




A business plan



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What is a business plan?

A business plan is a formal written document containing the goals of a business, the methods for attaining those goals, and the time-frame for the achievement of the goals.

Why write a business plan?

1. Writing a business plan helps you think about what you are doing!

- The plan sets out your strategy and action plan for the next one to three years, or sometimes longer.
- As part of the process you set concrete objectives and plan how you will achieve them.
- Writing a business plan helps you focus and develop your ideas. Priorities are identified. Non-priorities are dropped, saving precious time.
- Putting the plan in writing makes it easier to spot any gaps where you have more to do.
- Once written, the plan is a benchmark for the performance of the business.
- By involving your employees in the complete planning process, you continue to build up a successful, committed team.



Why write a business plan?

2. You may need a plan to explain your business to other people.

- A business plan is essential if you are raising finance from a bank or outside investors.
- A good plan can help you attract new senior management, or business partners such as distributors and agents.
- You should tailor your plan to the target audience. For example, you may want the plan to 'sell' the business to your bank manager or investors.
- Ask the intended recipient if there are any specific issues they want the plan to address or a template you should follow.



How to write a business plan



Keep the plan short

- Focus on what the reader needs to know.
- Cut out any waffle.
- Make sure there are no spelling mistakes.
- Detailed business plans are often quickly shelved, because they are difficult to use on an ongoing basis.



How to write a business plan

Include any detailed information you need in an appendix

For example, you might want:

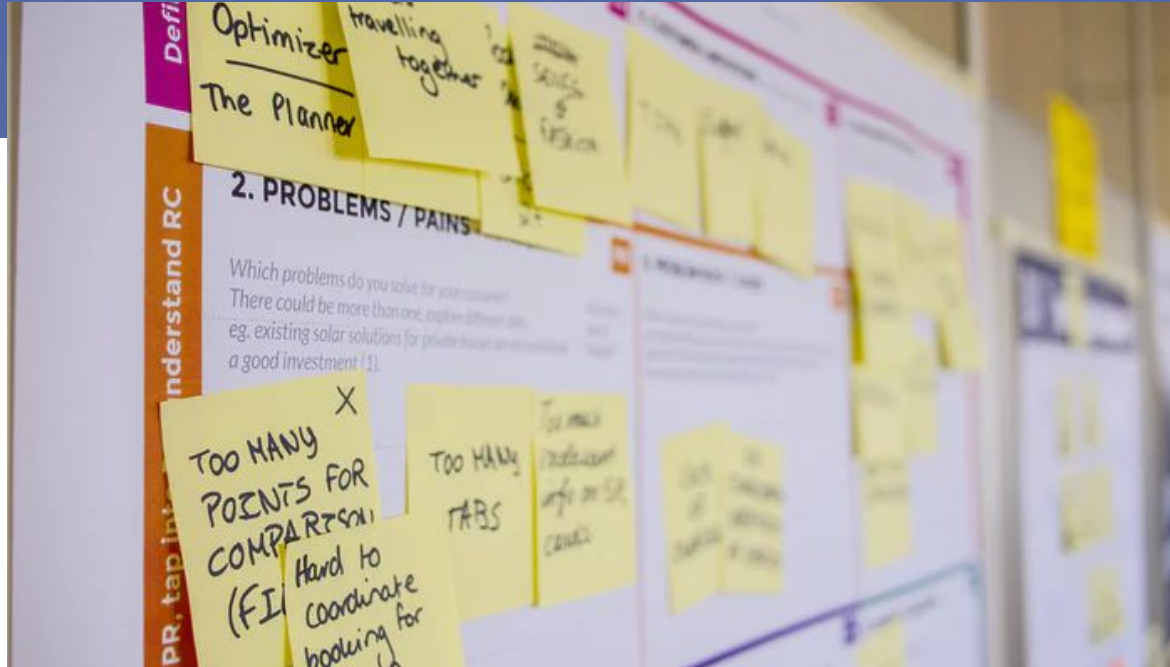
- detailed financial forecasts and assumptions market research data that backs up what you say
- CVs of key personnel (essential if you are seeking outside funding)
- product literature or technical specifications



How to write a business plan

Make the plan professional

- Put a cover on it.
- Include a contents page, with page and section numbering.
- Start with an executive summary. This summarises the key points, starting with the purpose of the business plan.
- Use charts, if helpful.



How to write a business plan

Base your business plan on reality, or it may be counterproductive

- Be realistic, even if you are selling the business to a third party. Financiers, business partners and employees will see through over-optimistic plans that ignore weaknesses or threats. Management credibility can be damaged.



Steps

1. Write an executive summary
2. Describe your company
3. State your business goals
4. Describe your products and services
5. Do your market research
6. Outline your marketing and sales plan
7. Perform a business financial analysis
8. Make financial projections
9. Add additional information to an appendix



1. Write an executive summary

- This is the first page of your business plan.
- It should include a mission statement, a brief description of the products or services offered, and a broad summary of your financial growth plans.
- Though the executive summary is the first thing your investors will read, it can be easier to write it last. That way, you can highlight information you've identified while writing other sections that go into more detail.



2. Describe your company

Your company description should contain information like:

- Your business's registered name.
- Address of your business location.
- Names of key people in the business. Make sure to highlight unique skills or technical expertise among members of your team.
- Your company description should also define your business structure — such as a sole proprietorship, partnership or corporation — and include the percent ownership that each owner has and the extent of each owner's involvement in the company.
- Lastly, it should cover the history of your company and the nature of your business now. This prepares the reader to learn about your goals in the next section.



3. State your business goals

- An objective statement. This section spells out exactly what you'd like to accomplish, both in the near term and over the long term.
- If you're looking for a business loan or outside investment, you can use this section to explain why you have a clear need for the funds, how the financing will help your business grow, and how you plan to achieve your growth targets. The key is to provide a clear explanation of the opportunity presented and how the loan or investment will grow your company.
- For example, if your business is launching a second product line, you might explain how the loan will help your company launch the new product and how much you think sales will increase over the next three years as a result.



4. Describe your products and services

- In this section, go into detail about the products or services you offer or plan to offer.

You should include the following:

- An explanation of how your product or service works.
- The pricing model for your product or service.
- The typical customers you serve.
- Your supply chain and order fulfilment strategy.
- Your sales strategy.
- Your distribution strategy.
- You can also discuss current or pending trademarks and patents associated with your product or service



5. Do your market research

- Lenders and investors will want to know what sets your product apart from your competition.
- In your market analysis section, explain who your competitors are. Discuss what they do well, and point out what you can do better. If you're serving a different or underserved market, explain that.



6. Outline your marketing and sales plan

Here, you can address how you plan to persuade customers to buy your products or services, or how you will develop customer loyalty that will lead to repeat business.

Where do you position your product or service in the market?

- Is it high quality and high price?
- Is it marketed as a specialist product due to a particular feature?
- What unique benefits do you offer customers? For example, product reliability or customer service.
- Which of these benefits are you going to concentrate on?

6. Outline your marketing and sales plan

What sales channels do you use to reach your target customers?

- For example, do you sell directly to the customer, or through retailers or agents? Do you sell online?
- Compare your current channels with the alternatives. Note the distribution channels used by your competitors.
- Look at the positive and negative trends in your chosen distribution channels.



7. Perform a business financial analysis

- If you're a start-up, you may not have much information on your business financials yet. However, if you're an existing business, you'll want to include income or profit-and-loss statements, a balance sheet that lists your assets and debts, and a cash flow statement that shows how cash comes into and goes out of the company.

You may also include metrics such as:

- **Net profit margin:** the percentage of revenue you keep as net income.
- **Current ratio:** the measurement of your liquidity and ability to repay debts.
- **Accounts receivable turnover ratio:** a measurement of how frequently you collect on receivables per year.
- This is a great place to include charts and graphs that make it easy for those reading your plan to understand the financial health of your business.



8. Make financial projections

- This is a critical part of your business plan if you're seeking financing or investors. It outlines how your business will generate enough profit to repay the loan or how you will earn a decent return for investors.
- Here, you'll provide your business's monthly or quarterly sales, expenses and profit estimates over at least a three-year period — with the future numbers assuming you've obtained a new loan.
- Accuracy is key, so carefully analyze your past financial statements before giving projections. Your goals may be aggressive, but they should also be realistic.

A rustic wooden sign with the words "THANK YOU." painted in bright yellow on a corrugated metal wall. The sign is made of two pieces of weathered wood and is mounted on a wall of corrugated metal. The wall has two rectangular openings, possibly for windows or doors, which are also made of corrugated metal. The scene is set outdoors, with a concrete surface in the foreground and some grass visible at the base of the wall.

THANK YOU.

Reference

Startup donut, 2021, accessed 26 August 2021,

<https://www.startupdonut.co.uk/business-planning/write-a-business-plan/essential-guide-to-writing-a-business-plan>

<https://www.nerdwallet.com/article/small-business/business-plan>