

Compiling a Business Plan

The Business Plan is designed to help you get your thoughts down on paper in a straightforward and logical way. If you are applying for funding, the information you provide will be used to prepare a word processed version. Don't worry if you run out of space on this plan – you may continue overleaf, which has been left blank for this purpose.

1. Description of the business

Describe everything about your business in as much detail as possible. Remember potential funding bodies will read what you write in this business plan and they know nothing about you or your business. For example, let's say that you are going to sell ice cream. We all know what it looks like, feels like, smells like and tastes like. Assume they do not. You have to tell them. Be as descriptive as possible and remember one sentence answers are insufficient. You have to tell them everything about you and your business in order that any question that could be asked is answered in your business plan.

Legal status - you may ultimately wish to start a limited company. However sole-trader status may be more appropriate initially.

What are the objectives of the business? - Put another way – what do you want out of this business? Look at it in three ways:

1. Immediate to short term
2. Short to medium term
3. Medium to long term

It could be that your immediate requirement is that it gives you a higher standard of living than the one you presently enjoy. After two to three years (medium term) it enables you to buy a car and a house. In about five to ten years (long term) the business will be in a position to enable it to expand. How big and far? Within the town, the area, national, Europe-wide, international? Do you want to establish the business to display the highest standards of quality and service? Over how long a period?

2. My experience and attributes

Describe all the "hands on" knowledge and relevant qualifications you have, i.e. if you were to opening a hot food take away, what do you know about that kind of business? It may be that you used to work in a Macdonalds Restaurant. Detail how long it was for and what you did. Was it for two weeks or two years, were you employed to clean and tidy up or were you involved in the food preparation, the selling, operating the till, customer care, ordering etc. Mention anything that you have done that is relevant to your business idea i.e. who was it for, how long was it for, and what did you do?

Also list here any certificates, diplomas etc. that you have achieved. You may have to prove you have undertaken specialist training in your chosen field. (Don't forget to mention that you have attended this extensive course on setting up in business for the self employed).

3. What I can give to, and hope to get from the business?

List everything you already have that is relevant to the business and put an estimated value to it. Include such things as your car, computer, software, office equipment etc. Funding bodies like to know how much you are contributing to the business.

The "survival budget" gives you a basic figure for how much you need to earn from the business. How much you would like to earn is a target you are setting yourself.

What could go wrong? Is your product or service reliant on the weather, the stock market, current trends? Is it price sensitive? It is important to think of the negatives as well as the positives and prepare contingency plans.

4. SWOT Analysis

The SWOT analysis is taking an objective view of your business. It focuses on 4 key areas:

- **STRENGTH:** What is good about your business. eg it may be the only shop that stocks a particular product.
- **WEAKNESSES;** Where you consider there is a weakness in your business, eg If you were a mobile hairdresser and became incapacitated for a period of time who would service your customers.
- **OPPORTUNITIES:** Have you identified any potential success opportunities eg you have several companies who have confirmed they will do business with you once you begin trading.
- **THREATS:** What or who could affect your business. Typically this would be your competition.
- SWOT analysis shows that you have considered the business climate in which you will be operating.

5. What needs to be done?

List items that you need to buy that are relevant to the business and the cost. Include everything, as this constitutes your start up requirement and the funding source will base its decision on your contribution towards this figure.

Is further training required? - Advice on this will be given. It may be that if your business involves a physical risk to yourself or others it would be advantageous if you did a health and safety course or that you are involved in the food industry, a food hygiene course would be appropriate. In order to gain more knowledge/experience, a Business Start-up NVQ may be advantageous.

Most businesses are governed by laws and regulations and records usually have to be kept to show you have complied. Accounting requirements, Data Protection registration, licenses, permits etc. that may be relevant to your business should be investigated as part of your research.

Do you need premises? – If you do, explain what your requirements are, such as; should they be alarmed, do they need shutters, should they be in the middle of a housing estate etc.? It may be that you intend initially starting up/running the business from home until profits allow you to move into an office, shop, lock up etc. Do you need to inform the council or obtain permission? If you have neighbours it is unlikely that you will be able to conduct an intrusive business e.g. vehicle breaking from home.

The material and supplies table requires research. Once you have established the price, can another supplier better it? Have you thought about all your requirements?

6. The Market and Competition

This is possibly the most important section of the business plan. Market research is essential – any gut feelings need to be validated. All the questions in this section require thought and action and wherever possible your conclusions should be supported by evidence. Surveys, letters of intent, price lists, print-outs from web sites are all valuable indicators. You are trying to establish whether or not you can sell to a sufficient number of customers to make your business viable. Don't fool yourself. If you realise that the business is not viable at this stage you will save yourself money and heartache in the long term. Remember – business ideas can always be modified or changed.

Customers do not always buy the cheapest product or service. During the test trading period you may have an advantage over your competitors in this respect but try to think into the future. Will you be able to sustain low prices? What will be the effect of a substantial price rise? It is far better to provide a realistically priced, quality product or service from day one. Quality is all about delighting customers. A delighted customer will return time after time and recommend you to others.

7. Business Costs

You are now starting to build a projected financial picture of your business. The Cash Flow will tell you many things - where the peaks and troughs are, when the best sales periods can be expected and highest overheads occur. It will also give you a good indication of the level of sales you will have to achieve in order to end the year in profit. An accurate cash flow projection will help you to monitor the progress of the business and indicate in good time when corrective action has to be taken. It is a vital component of the business plan and pulls all the research together. The business plan is not complete until you are happy with your Cash Flow projection.

8. Business Sales

This section looks at projected turnover. It is unlikely to be constant every month. For example, gardeners enjoy high sales in spring and summer. Autumn may be a time of medium sales and winter could be a time of low sales. If provision is made in the business plan for extra services to be provided in the winter months e.g. fence erecting, then winter turnover may remain medium.

9. Cash Flow

This will be finalised at a one to one meeting with a Business Consultant, but this draft will give you a starting point. You have already accrued all the information you need to complete this first version – all you need to do is enter the figures and use a calculator to discover whether or not you will end up with a profit at the end of the year. For the purposes of this exercise, try to anticipate your first year of unsupported trading i.e. once you have left the programme. You will probably have to adjust your figures during the test trading period of this programme to reflect your actual experiences of running the business.

Don't worry if you end up with a minus figure in this draft. It is a valuable opportunity to decide whether the sales are too conservative, the overheads are over-estimated or indeed whether the business idea needs an additional strand to make it viable. Your Business Consultant will be able to input suggestions for all three.

Good luck and enjoy building your business plan. The decision to move into the test trading period will be taken largely on the strength of your business plan so the best possible market research is required.

No business plan is set in stone. Most businesses produce a business plan every three years to reflect changes in markets, products or services, company structure etc. It is not simply a tool to help you to acquire funding, but a blueprint for your operation that will help your business grow successfully.