

## Why have a business plan?

Business planning is vital to any business throughout its existence, not just at the outset. Having an up-to-date business plan is essential because it:

- provides an internal operating plan for your business based on its mission and goals
- sets out to potential investors what you are about and where you are going if they are considering funding your business
- will maximise your chances of success by introducing an ongoing business-planning cycle
- brings key people from the business together to assess, plan and communicate goals

There are many and varied reasons as to why any business should invest the time and energy into business planning. The most common reason is to obtain financial support from lenders or venture capitalists to operate or expand the business. In other circumstances where a business is experiencing trading difficulties, business planning is essential. Business planning is also a highly worthwhile process for any business undergoing significant change, for example developing new products, new markets or relocating into new premises. A business plan is also a prerequisite in applying for competitive government grants to assist with export development and R&D

## Benefits of planning

Planning increases the likely success of any business venture because it helps to:

- Focus owners/managers' attention on longer-term business goals and direction
- Identify areas of internal strengths and weaknesses
- Identify possible threats and constraints on the business
- Identify and objectively assess business opportunities
- Pinpoint needs and resources you might otherwise overlook
- Discover waste in the use of assets and resources
- Communicate strategies to key stakeholders including employees and gain their commitment to your plan
- Benchmark your business performance against others of your size
- Secure appropriate funding to underpin growth, and
- Define possible contingency plans to address foreseeable problems.

## A standard business plan includes:

<ul style="list-style-type: none"> <li>• An Executive Summary</li> <li>• Your Business Idea</li> <li>• Your Goals for the Business</li> <li>• Licenses or Permits Required</li> <li>• Your Skills and Expertise, and Your Management Team</li> <li>• The Service or Product You Plan to Offer</li> <li>• Market Analysis/Research:</li> <li>• A Strategy to Market Your Product or Service</li> <li>• Financial Projections</li> <li>• Action Plan/Strategy</li> </ul>	<p>(Alternative)</p> <ul style="list-style-type: none"> <li>• Executive Summary</li> <li>• Product/Service Offered</li> <li>• Market Analysis/Research</li> <li>• Marketing Plan</li> <li>• Operating Plan</li> <li>• Management/Personnel Plan</li> <li>• Legal Matters</li> <li>• Finance Plan</li> <li>• Action Plan</li> </ul>
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**A SIMPLE BUSINESS PLAN TEMPLATE**

**1. The Executive Summary:** highlights the key points of your business plan and includes a business profile, goals, and summaries of the other components of the plan.

***It is the most important part of the plan, one page only, and is best prepared last.***

Banks and lending institutions look closely at your business plan when they decide whether to lend you money. Ditto any investor you may approach. Even when you are not seeking finance for your business a business plan is like a road map to guide the development of your business, and contains the main criteria you, any partners and/or staff will use to determine success.

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**2. Your Business Idea**

Give a clear explanation of the origins of your idea for your business concept, why you think it will be successful, and how you plan to start the business. If you plan to buy a business or a franchise, explain the main features that make it an attractive proposition for you. If you have already been in business for sometime explain the history of your business. Include a description of the Service(s) and/or Product(s) you plan to offer and sell? What type of business is it – retail, wholesale, industrial, etc. Where will your business be located? What is your competitive advantage (also called your unique selling proposition or USP)?

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**3. Market Analysis/Research: The Potential Market for Your Service or Product**

*You need to know your market, your customer needs, where they are, and how you will reach them.*

You must convince others including lenders and employees that your target market is relatively large and growing. You must do **market research** for this section of your business plan. Describe what you know about this industry. Who will be your primary customers? Describe your target market(s) in some detail. For a locally based business, determine the demand for your product or service within a specified geographic radius. Check out your competitors through Yellow pages, local newspapers etc. A report from a professional research company can be costly but there are ways to access this data without the big costs. The SBC North West Metro has access to IBIS World Reports; contact us to find out if there is one for your industry that you can read. You can also try your local library or the *State Library of WA* ([www.lis.wa.gov.au](http://www.lis.wa.gov.au)) and any professional bodies representing your industry or customer group. You may also be able to get basic information from the Web and its many search engines and directories.

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**A SIMPLE BUSINESS PLAN TEMPLATE**

**7. Marketing Plan**

**7.1 Your Marketing Edge**

A key aspect of the business plan is a discussion of how your product or service will be different from others currently available. Describe what you are selling or the service you are providing, and focus on customer benefits. It is important that you can identify the benefits that your potential customers actually they want; not just what you believe they want. Discuss your competitors in depth. What will be your competitive edge? (*eg Fresh Organic Coffee, Quality Service and a prime location for passers-by*)

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**7.2 A Strategy to Market Your Product or Service**

How do you plan to tell the world you are open for business? Will you rely exclusively on word of mouth, brochures and letter-box drops? Usually, this is not a good plan unless you already have established a reputation in your industry. Will you advertise in print (local newspapers, trade magazine, West Australian, Yellow pages?), Radio/TV, or on the Internet? Where do your Competitors advertise? Will you use online marketing tools to get your company listed on search engines and advertised on other websites? Be sure to include how much money you plan to spend on marketing. *Make a free appointment with one of the SBC North West Metro representatives to discuss how to put together an interactive marketing plan.*

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**8. Financial Projections and Bookkeeping**

*What do you know about doing a Cash Flow Projection, about Profit and Loss Statements, Balance Sheets, Trading Statements and what they can tell you?*

Include in this section a summary of your financial forecasts for 3-5 years, with the spreadsheets you used to reach your projections. Show your projected cash-flow, balance sheets, profit and loss and income statements.

*What are your Start-Up Costs, your Working Capital requirements?*

This section is where you tell prospective lenders or investors how much money you want to cover your start-up and operating costs, and give you an income for the first few months (your working capital). It will also explain the security you have to offer the bank and the plan to repay their money. If you are approaching an investor you will also include return on investment ratios. The assumptions that you make in this section can make or break your company's success. If you are unfamiliar with this kind of financial modelling, seek help from an Accountant or attend one of the SBC North West Metro's financial workshops. It is definitely worth the money.

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**9. Action Plan/Strategy and Implementation:**

What do you need to find out and do before starting your business? What must you not lose sight of in the first year of your business? Be specific about management responsibilities with dates and budget.

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**10. An Exit Strategy**

This is one of the most important aspects of a good business plan. Many small-business owners look to sell their company as part of an exit strategy. You might pass the reins to someone else or take the company public. You can base your exit strategy on a monetary figure, revenue growth, the market's reception to your idea, or an agreement between the top people. *Whatever you decide, you need to develop a plan for you and your investors to recover investments.*

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**HINTS & TIPS**

- Tip One: **Plan** - you should never be too busy to plan! It is the basis of business.
- Tip Two: **Monitor your financial position** – it's your money and business, watch it like a hawk.
- Tip Three: **Understand** the relationships between price, volume and cost.
- Tip Four: **Manage Your Cash Flows** - Profit Vs Cash (cash is king, profitable businesses can go bust).
- Tip Five: **Growth** - be aware that growing/diversifying your business too fast thereby outstripping cash flow/resources can be a trap!
- Tip Six: **Borrow Properly/Wisely** - seek professional advice if in doubt.
- Tip Seven: **Transition/Succession Plan** – plan your exit strategy, decisions as to who/what need grooming to replace you and carry on your vision/your baby.

**Business Plan Do's and Don'ts**

**Do's**

- Use business planning templates to be sure you cover everything – you can purchase a CD-rom from the SBDC Bookshop which includes the Excel spreadsheets for your financial forecasting – call 131 BIZ.
- Remember to regularly update your business plan. Targets will change and strategies must be adapted as they do.
- Make it easy to read.
- Refer to it for action plans - a business plan should be a living document and not left on the shelf.
- Contact the SBC North West Metro for assistance – call 9300 1418 to make a free appointment.

**Don'ts**

- Don't make unrealistic assumptions.
- Don't underestimate the difficulties in growing a business.
- Don't underestimate competitors.
- Don't be afraid to ask for help.