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BUSINESS PLAN

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What is a Business Plan?

A Business Plan is a formal written document that describes your core business objectives and how you plan to achieve them over a set period of time.

It is designed to help you, and more importantly, others in your team or for external lenders, to understand how you plan to generate money and make your business sustainable over the long term.

A Business Plan often includes information about your goals, strategies, marketing and sales plans and financial forecasts.

It is not something that should be done once and then put away into a drawer. It should be referred to, ideally monthly, but certainly 4 times a year and adjusted as required.

Why is a Business Plan important?

There are many great reasons why it is worth your time creating a Business Plan – even if you're not quite ready to apply for a Start-Up Loan or equity investment.

Here are just seven:

A Business Plan:

1. Provides a structured way of organising your thoughts, or your teams thoughts and clarifying your ideas.
2. Helps you set out business goals and spot any potential problems in heading towards achieving these goals.
3. Gives you a clear strategy to follow when things get busy. (and they will!)
4. Is essential for securing, formal external finance for your business *(and is certainly required if you're applying for a Loan).*

5. Allows you to measure your progress as you go along.
6. Ensures all of your team are working towards the same targets and vision.
7. Helps you plan for the future.

6 Key sections of a Business Plan:

A Business Plan can include whatever information you feel is required to best convey how you are planning to make your business sustainable and, when it comes to applying for external funding such as a Start-Up Loan.

The following core sections required are:

1. Your business and key objectives:

A brief description of your business and its core products or services.

This section also includes a clear and concise overview of the targets and goals your business is trying to achieve over a set period of time.

Sometimes these are broken down as short, mid and long-term goals, but it helps if they're **measurable** (*how will you know if you have achieved this?*) and **realistic** (*can you achieve this with the money, resources and time you have?*).

If you are applying for investment or a Start Up Loan, you will of course also need to detail how you intend to use the money if you're successful. Almost all external Loan Assessment teams will want to see that the investment or Start Up Loan that you require will support your overall business objectives.

2. Your skills and experience:

An overview of your experience specifically, as it relates to your business. If you've previously worked in a similar business, or have experience running another business, this will help provide confidence that you are in a good position to start up. Even if this is all brand new to you, think about any transferable skills you've developed, life experiences you've had or training you've completed that may be

useful. If you have knowledge gaps, identify what they are and who will be required to fill them.

3. Your target customers, market and competition:

A summary of key insights that demonstrate you have a strong understanding of your customers (*and how to identify them*), your market (*and how to position yourself within it*) and your competitors (*and how to differentiate yourself from them on factors like price, quality, brand etc*).

4. Your sales and marketing plans:

This section is all about how you are planning to attract customers. You might include information about where you'll distribute your products, what your branding and logo will be and what pricing you'll apply. Additionally, you will need to demonstrate how you will spread the word about your product/services in order to generate demand, such as using social media, exhibiting at a trade conference or investing in online advertising. This is probably THE most important part of any business plan and any business. Without marketing you will have no business, so pay particularly close attention to this section.

5. Your operational plans:

This will be different depending on your business model, but may include information on where you'll trade (like a home office or external premises), the number of staff or outsourcers you'll need to engage or employ, what their roles will be and any equipment or tools you'll need to run your business. You can also use this section to detail any processes that are important to your operations, as well as any industry, tax or legal regulations related to your specific business. It's also good to think about any risks you may face, how you will overcome them and what you will do if things don't go to plan.

6. Financials

All business plans should include a financial section, that outlines how you'll fund all of the activities you've identified and what revenue you expect to generate. Because any bank or lender will ask you to complete a separate and more detailed **Cash Flow Forecast** as part of your Loan application, you don't require too much detail on this section in your Business Plan. Rather, these two documents should be complementary.

Writing a Business Plan – 6 Top Tips:

The tips below have been prepared by qualified Business Advisers as well as a High Street Bank Loan Assessment team to help you

understand some of the key things that will strengthen your application.

1. **Demonstrate that you understand your market and customer.**

For any Loan Assessment team to feel comfortable that your business plans are viable, they will want to see that there is a market who wants and needs your product/service, that you have thought about how you'll set yourself apart from competitors and that you know how to attract your customers. Any market research you can do, like a simple online survey, looking up industry reports or interviews with potential customers will help. This is known also as your Avatar. Your main objective is to increase the number of customers of the type you want to have.

2. **Use evidence and examples to back up any statements you make.**

It's always more powerful when you can prove what you're saying with hard facts, whether it's with a strong statistic, a customer quote, examples of similar activity or other research. It doesn't have to be detailed – sometimes it will be sufficient to include a link to further information – but it will help investors or a loan assessment team feel more confident that your business plan is viable.

3. Make sure everything ties together by linking every strategy to your core objectives.

The purpose of a Business Plan is to show what your goals are and how you're going to achieve them so remember to put your objectives at the heart of your plan. For example, if one of your goals is to generate 10 new sales per month, then in your marketing section you'll need to think about how many sales each promotional channel needs to deliver in order to support this objective.

4. **Consider any risks you face and how you will overcome them.**

Every business has risks so don't shy away from clearly identifying these in your business plan. Demonstrate that you are aware of your key risks. Having a clear plan for how to reduce or overcome these risks is something that will set your business plan apart and give a

lender or loan assessment team confidence that you're ready for the challenge.

5. **Be as clear and concise as possible and avoid waffle.**

Remember, we're not looking to see every single detail about how your business will operate, rather you just need to know enough information to give partners, lenders or employees confidence that you have a clear plan in place. You might like to use bullet points, graphs, tables and subheadings to help you keep your content focused and help you avoid the temptation to go into too much detail.

6. **Presentation matters: proof read, review and format your document.**

As with most things in life, first impressions count. Use clear headings, structure your document in a clear order and check you've used consistent fonts throughout. Remember, you don't have to be a writer or a designer to prepare a professional looking document. Most importantly, double check that you haven't made any spelling or grammatical errors. It can be a good idea to have someone proof read your work for you once you're finished to pick up anything you might have missed.

A robust business plan is crucial to the success of your new business.

A well-written business plan is important when you're about to start a business. A business plan is a document that gets to the heart of what your business does, how it works and – most importantly – what makes it different and what will help it succeed.

A good business plan should:

- explain your business objectives;
- be a roadmap that can help you achieve your business objectives;

- highlight potential problems so that you can avoid them impacting on the business;
- identify opportunities and gaps in the market;
- detail shortcomings such as running out of money;
- provide information to help secure a loan or investment.

A business plan should be a living document. Rather than file it away, use it to monitor progress and keep your new business on track.

Writing your business plan

This guide will help you research and write a good business plan. It covers presentation and the audience you are writing for, the sections and information to include;

Contents:

1. **Business Plan Structure** – How to structure and order your business plan, and how long it should be.
2. **How to approach writing a business plan** – Writing for your audience and what your plan should include.
3. **Business objectives** – How to define your business goals over the short, medium and long term.
4. **Skills and experience** – How to detail your experience, and how you'll tackle any skills gaps.
5. **Target customers** – Who your customers are, and what your pricing approach is.
6. **Market and competitors** – How to analyse competitors and identify market trends.
7. **Sales and marketing** – What promotional activities you'll use to attract customers.
8. **Operational plans** – How to define staffing and premises needs.
9. **Financials** – What financial information to include, such as breakeven points and margin.

Appendix – What to put in the appendix at the back of your plan.

1. Business plan structure

It's important to get the structure right. Make sure your plan is readable, clear and easy to understand – and base your content on evidence. To see a detailed example of a business plan structure, download any **free business plan template**.

- **Length** – Keep the length to a 15-minute skim read, including only essential information. Put additional detail in the appendix for further reading.
- **Executive summary** – This appears at the beginning of the Business Plan and should be the last thing you write, summarising everything that is covered in the Business Plan. This includes the business opportunity, customer need, your business proposition and why it will be different in the market.
- **Structure** – Keep everything simple, using short paragraphs and bullet points, and include relevant graphs and tables, if appropriate. If using statistics, list the source of the information.
- **Language** – Avoid technical jargon and 'management speak', sticking to clear, concise language in plain English. Get a friend to proof read it for spelling errors and to highlight parts that aren't clear.

Some things are best left out of a good business plan. Avoid fancy graphics, needless animation and distracting sound effects. Use readable font sizes – too much small text can make your plan hard going. Having said that, infographics can be a very good way to get facts across to the reader.

2. How to approach writing a business plan

The foundation of any good business plan is research. You'll need to find out about your market, calculate revenue forecasts, and learn about target customers. A good business plan should answer crucial questions about your business.

- **Work backwards** – Start with your business goals or when you think that your business will start making money, and work back to figure out what you need to do to make your business profitable.
- **Be realistic** – Wildly ambitious business plans not based on reality Make the financials realistic, and look at worse case scenarios so you get a

view of what could go wrong and what you would need to do to put things right.

- **Be honest** – Highlight weaknesses in the market and your business, then detail how you'll address them and include that in the plan.
- **Review the plan** – Read the plan from your audience's perspective, and double-check assumptions. Are they realistic, what could go wrong, and how would you handle a problem that cropped up?

3. Business Objectives

Business objectives summarise what your business does and what it offers. It should be no longer than a few paragraphs or a single slide, providing a top-level summary of your business.

- **Define your business** – What does your business do? What services does it provide? Who will access it and how much will you charge?
- **Be specific** – Avoid generic, one-word descriptions such as 'hair dressing' or 'plumbing'. For example: Instead of simply writing "Dog grooming", a better description would be: "This is a mobile dog grooming business, delivering grooming services, nutrition and exercise advice to dog owners throughout Hertfordshire. Our fleet of dog spa vans provide tailored treatments using only organic products to your doorstep."
- **Short term objectives** – List what your business will achieve in the next year, or its first year of operation.
- **Medium – long term objectives** – What are the business goals including financial targets in the next one to two years? Use S.M.A.R.T. objectives to help set your business goals – Specific, Measurable, Achievable, Realistic and Timely – and list both financial and non-financial goals, such as the impact it will have on customers or how your brand will be viewed.

4. Skills and experience

It's important to show how your previous experience and skills make you qualified to start your business. A few lines on your experience and skills is useful here. It's a good idea to attach your CV as an appendix to the business plan for additional information too. Remember to

- List relevant experience that directly relates to the new business, along with key skills that will be helpful for your start up.
- List relevant education, courses and transferrable skills such as bookkeeping or using Microsoft Office. Explain how they're relevant.
- Be honest about skills and experience that you lack. Explain how you'll address this, such as training, hiring specialist staff or outsourcing elements of your business.

5. Target customers

Customers are the heart of any business plan. It's essential to show that you understand potential customers and know what they're looking for from your products and services.

There's a variety of ways to learn about your target customers, including online research, focus groups and surveys. This information will allow you to choose the right marketing channels to offer the ideal product at the right price.

- **Include customer demographics** – Summarise gender, age and average income or expenditure.
- **Location, location, location** – If your business is based on footfall, such as a coffee shop, or it covers a geographic area such as mobile dog grooming, detail the location of your customers. If it's an online business, your reach might be nationwide, but in again show the target demographic, i.e 18 -30 male and female
- **Addressable market** – What is the total size of the customer base that would be interested in your business. For example: The addressable market for a dog grooming business would be all dog owners in the UK that spend money to groom their pets.
- **Target market** – Within the addressable market, identify the number of customers your business can target. These are customers your business can realistically reach via marketing, and is usually constrained by location, pricing and the reach of your marketing activities.
- **Customer segmentation** – How would you describe large groups of your customers? What are their characteristics? How do they buy products similar to yours? For example: Dog owners who spend lots on grooming and pet services and are willing to pay for luxury

treatments could be labelled 'pampered owners'. By identifying customer groups, you can develop a service that meets their needs (in this case, luxury dog grooming services) at prices they're willing to pay.

- **Customer need** – Explain in a paragraph the problems faced by the customer, what solution your business will provide, and the benefits of that solution to the customer. For example: Many families living in England have children with gluten intolerance who can't eat the majority of school snacks, and there are few affordable alternatives available. This business helps parents by offering a range of gluten free, affordable school snacks with packaging that's fun for kids. This results in happy, healthy children and removes the stress parents feel when packing lunchboxes.
- **Set pricing** – What will your business charge for products and services? Show how you figured out pricing, examining costs and how much customers are willing to pay. Detail how your pricing stacks up against competitors. Is it lower or higher? Why would customers pay more? How can you afford to price it less? Remember being cheaper isn't always the best way to start a business.

6. Market and competitors

Use your business plan to examine the market that you'll be operating in. Knowing what's happening in your market, which competitors you need to monitor, and their strengths and weaknesses lets you exploit gaps in the market that will help your business succeed.

This is your chance to show that you really understand your market and ensure your business is able to respond quickly to changing market conditions.

This section should include:

- **Market overview** – Describe the general market in a few paragraphs, highlighting trends and developments that could be an opportunity. Trends include sales growth, new technology, greater efficiencies or new routes to market. Developments may include new regulation or legal requirements.

- **Market research** – Describe briefly the research you’ve carried out, such as surveys, online research, mystery shopping or attending trade shows. Please don’t carry out your research with family and friends they will always be positive
- **Competitor overview** – Who are the main competitors in your market? Write a short summary for each main competitor. You can include details such as market share, their products, pricing, how many customers that you think that they have, and their marketing activity.
- **SWOT analysis** – For each competitor and your business, conduct a SWOT analysis. This is short for Strengths, Weaknesses, Opportunities and Threats.



What are the strengths and weaknesses of your business? How will you address these? What are the future threats that could hurt your business, and where are there potential opportunities? It’s worth spending some time thinking about the SWOT analysis, and put the SWOT into the main body of the business plan – even the weaknesses!

- **Your unique differentiator** – What is different about your business compared to the competitors you’ve listed? What weaknesses does your business exploit and how will that attract customers? Explain how and why your business is different in a paragraph.
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7. Sales and marketing

How you position your products and services is critical to its success. This section of a business plan should explain how you'll reach your customers, how you'll sell to customers and your marketing goals. This section should include:

- **How you'll reach your customers** – What marketing channels will you use to reach your customers? Look at where competitors advertise or promote their business. List two or three key channels you can use, and summarise the activity and results you expect these channels to achieve.
- **Detail your sales processes** – How will you sell your products or service – for example, will take orders over the internet in a shop or provide quotes for your service personally? What are the costs involved in selling? What is the average revenue per sale that you expect?
- **What is your key message?** – Examples could be great customer service, more features or a higher-quality product. How will you communicate that message in your marketing activity?

8. Operational plans

The operational section concerns how your business will work, what staffing you'll need, where you'll operate from, and the suppliers you'll use. You'll need to explain your reasoning behind each one, as well as include details such as salaries and information about your supply chain.

This section should include:

- **Supply chain** – Good suppliers can help your business grow, while bad suppliers can create cash flow and operational difficulties. Research potential suppliers and shortlist the best. What are the risks in using them,? Create a short list of intended suppliers and the relationship you have with them.
- **Management** – Identify the key roles in your business during start up. How will you recruit to fill the roles? Create a diagram showing the management structure, and list salaries and recruitment costs. Have they made an investment in the business?
- **Staffing** – What staff do you need? What productivity do you need from staff, such as the number of customers a staff member can serve in an hour. Provide a summary of the roles, and link to details such as

salaries, working hours, activity levels and hiring costs in the appendix.

- **IT, systems and machinery** – Explain the IT and infrastructure requirements of your business, such as costs involved in buying machinery and IT platforms? How long would development take and cost? Budget for buying office equipment, and include details of information management systems, bookkeeping, stock and quality control systems.
- **Premises** – Where will your business operate from? Explain your reasoning, including any specialist facilities. If you're running a business such as a shop, explain why you've selected this location. Costs related to premises can be included in the cash flow forecast.
- **Legal and regulatory** – If applicable, identify any regulatory requirements your business must meet, such as food safety requirements if opening a restaurant.
- **Insurance** – What insurance does your business need? Detail who supplies it, what it covers and how much it costs. If you don't need insurance, explain how you would handle an operational crisis.
- **Risks** – What could stop your business operating? Where are the weak points in the supply chain? What are the contingency plans in case of IT failure? Show you have identified the risks and how you'd mitigate them.
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9. Financials

Financials underpin your business plan with hard numbers. If you're already trading, you'll be able to use historic revenue data to forecast the profit and loss of your business. If you're a start up, you'll need to explain your assumptions and show evidence your financial forecasts.

- **Show historic figures** – If you're already trading, show your business activity over the past 6 months in an 'actual' cash flow
- **Create a one-year forecast** – Show all costs the business needs to start up. Include an explanation of key assumptions such as pricing, , and the cost of equipment or machinery needed.

- **Be realistic about funding** – Identify the start up costs needed to get your business off the ground. Explain what funding your business will need, what it will be used for, and what type of funding you require. Include repayments of any loans you are intending to take out.
- **Risks and exit strategy** – What are the risks to your financial assumptions? How will you manage these risks? If it goes wrong, what is your exit strategy from the market?

10. Appendix

It's a good idea to put further detail in the appendix, and refer to it throughout the business plan. Assumptions explained in detail

- CV and details about senior managers or business owners
- Market research information, such as survey results
- Insurance and regulatory information
- Cash flow forecast