

**Business Development Plan**

# **BUSINESS PLAN FOR AN ESTABLISHED BUSINESS**

This business plan consists of a narrative and several financial spreadsheets. The narrative template is the body of the business plan and contains more than 150 suggestions for content, divided into several sections. Work through the sections in any order you like, except for the Executive Summary, which should be done last. Skip any questions that do not apply to your business. When you are finished writing your first draft, you will have a collection of small essays on the various topics of the business plan. You will then want to edit them into a flowing narrative.

The real value of doing a business plan is not having the finished product in hand; rather, the value lies in the process of research and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, to study and research when you are not sure of the facts, and to look at your ideas critically. It takes time, but avoids costly, perhaps disastrous, mistakes later.

This business plan narrative is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled Refining the Plan, found at the end of the business plan. It suggests emphasising certain areas, depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine‐tuning your plan to make an effective presentation to investors or bankers.

It pays dividends to invest your time into completing a good plan. Most of that time is spent in research and rethinking your ideas and assumptions. Finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

*E-Factor Tip:* Delete our tips once you have completed your business plan!

**[Business Name]**

**Business Plan**

**OWNERS**

**Business name:**

**Address:**

**Telephone:**

**E‐mail:**

**[Insert Logo Here]**

**TABLE OF CONTENTS**

1. Executive Summary
2. General Company Description
   1. Mission Statement
   2. Vision Statement
   3. Company Values
   4. Business Objectives
   5. Company Overview
3. Business Information
4. Products and Services
5. Marketing
   1. Market Research – The Customers
   2. Market Research – Primary and Secondary
   3. Market Research – The Competitors
6. Marketing Plan
   1. Economics
   2. Products
   3. Customers
   4. Competitors
   5. Niche
7. Market Strategy – The 7 P’s
   1. Product / Service
   2. People
   3. Price
   4. Process
   5. Physical Evidence
   6. Promotion
   7. Place
8. Sales Forecast
9. Operational Plan
   1. Operations
   2. Production
   3. Location
   4. Legal
   5. Personnel
   6. Inventory
   7. Suppliers
   8. Management and Organisation
   9. Professional and Advisory Support
10. Finance

10.1 Financial History and Analysis

10.2 Financial Plan

10.2.1 Twelve Month Profit and Loss Projection

* + 1. Three Year Profit and Loss Projection (Optional)

10.2.3 Projected Cashflow

* + 1. Projected Balance Sheet
    2. Breakeven Analysis

1. Appendices

11.1 Raising Capital

1. Refine Your Plan For The Type of Business
   1. Manufacturing
   2. Service Business
   3. High-Tech Companies
   4. Retail Business

# **EXECUTIVE SUMMARY**

*E-Factor Tip:*

Write this section last!

We suggest that you make it two pages or less and include everything that you would cover in a five‐minute interview.

Explain the fundamentals of the business: What is your product, who are your customers, who are the owners, and what do you think the future holds for your business and your industry?

Make it enthusiastic, professional, realistic, complete, and concise.

If you are applying for a loan, state clearly how much you want, how you are going to use it, and how the money will make your business more profitable, including how and when you will be able to repay.

# **GENERAL COMPANY DESCRIPTION**

*E-Factor Tip:*

Many companies have a brief mission statement, usually 1-2 sentences, explaining their reason for being and their guiding principles. If you have a mission statement, this is a good place to put it in the plan, followed by your vision, company values, company goals and objectives.

What business are you in? What do you do? Who is your target market?

Describe your industry. Is it a growth industry? What changes do you foresee in your industry, and how is your company poised to take advantage of any changes?

Add a section on company history: Years in business, previous owners, successes, failures, lessons learned, reputation in community, sales and profit history, number of employees, and events that affected success. Discuss significant past problems and how you solved and survived them.

Are you developing strategies for continued growth, increased production, diversification, or eventual sale of the business? What are your time frames for these?

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| 2.1 MISSION STATEMENT |
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| 2.2 VISION STATEMENT |
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| 2.3 COMPANY VALUES |
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| 2.4 BUSINESS OBJECTIVES |
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| 2.5 COMPANY OVERVIEW |
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# **BUSINESS INFORMATION**

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| **Name(s) of Owners, Partners or Directors** |  |
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| **State business structure -**  **Sole Trader, Partnership, Limited Partnership, Limited Company or Community Interest Company** |  |
| **Business Name** |  |
| **Business Address and Postcode** |  |
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| **Business Telephone Number** |  |
| **Business Email Address** |  |
| **Business Website Address** |  |
| **Number of Staff** |  |
| **Annual Turnover £** |  |
| **Age of Business** |  |

# **PRODUCTS AND SERVICES**

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| *E-Factor Tip:*  Describe in depth your products and services. (Technical specifications, drawings, photos, sales brochures, and other bulky items can be included in your appendices.)  What factors give you competitive advantages or disadvantages? For example, the level of quality, or trademarks, IP or a USP.  What is the pricing structure, fees for services or selling structure of your products and services? |

# **MARKETING**

## 5.1 MARKET RESEARCH – THE CUSTOMERS

*E-Factor Tip:*

You spend so much time on marketing‐related matters such as customers, competitors, pricing, promotion, and advertising, that it is natural to assume that you have little to learn. However, every business, whatever the size, can benefit from doing market research to make sure it is on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. It will be time well spent.

Who is your target market?

Other Businesses (B2B)

Both

Individual Consumers (B2C)

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| Who are your customers? Describe your typical customer |
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| Where are you customers based? |
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| Why do your customers want to purchase your products/services? |
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| How do your customers find out about the business products or services? |
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| How often do you think customers may purchase your products or services? |
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| Is your market growing or declining and why? |
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5.2 MARKET RESEARCH – PRIMARY & SECONDARY

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| *E-Factor Tip:*  There are two types of market research:   1. Primary – This is conducted through talking to potential customers, suppliers and any other relevant parties via questionnaires, interviews and focus groups etc. This will provide you with data that is specific to your business. 2. Secondary – This research is conducted through researching the market you are entering and finding out basic facts which will help your business. This can be found through government statistics (ons.gov.uk), reliable sources on the internet, published articles, books etc.   This section should outline what type of research you have carried out and the key findings from this research. |

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| Primary Research | |
| Type of Survey |  |
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| Key Findings | |
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| Secondary Research | |
| Type of Survey |  |
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| Key Findings | |
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| Additional Information |
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## 5.3 MARKET RESEARCH – THE COMPETITORS

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| *E-Factor Tip:*  Think about your competitors and the barriers to entry. What will keep potential new competitors from diluting your market?   * High capital costs * High production costs * High marketing costs * Consumer acceptance/brand recognition * Training/skills * Unique technology/patents * Shipping costs * Tariff barriers/quotas (EU Exit) |

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| --- | --- | --- | --- | --- |
| Who are your competitors?  (Name, Location, Business Size) | How do they promote their business? | How do they react to your business? | In terms of quality, price, promotion, distribution, strengths and weaknesses | |
| Advantages you have over them | Advantages they have over you |
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# **MARKETING PLAN**

6.1 ECONOMICS

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| *E-Factor Tip:*  Look at the total size of the market and the % share you have / want.  What is the demand like? What is the market trend and how has it changed over the past 3-5 years (and why)? |
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6.2 PRODUCTS

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| *E-Factor Tip:*  In the Products and Services section, you described your products and services as you see them. Now describe them from your customers’ point of view.  For each product or service, describe the most important features. What does the product do? What is special about it? For each product or service, describe its benefits. That is, what does the product do for the customer?  Note the differences between features and benefits and think about them. For example, a house gives shelter and lasts a long time; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighbourhood. You build features into your product so you can sell the benefits.  What after‐sale services are supplied? For example: delivery, warranty, service contracts, support, follow‐up, or refund policy. |
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6.3 CUSTOMERS

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| *E-Factor Tip:*  Identify your customers, their characteristics, and their geographic locations. The description will be completely different depending on whether you sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyse both the end user and the intermediary businesses to which you sell. You may have more than one customer group. Identify the most important groups. |
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6.4 COMPETITION

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| *E-Factor Tip:*  What products and companies compete with you?  List your major competitors, including their names and location.  Do they compete with you across the board, just for certain products, certain customers, or in certain locations?  Analyse each major competitor. In a few words, state how you think they stack up.  Write a short paragraph stating your competitive advantages and disadvantages. |
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6.5 NICHE

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| *E-Factor Tip:*  Now that you have systematically analysed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.  In one short paragraph, define your niche, your unique corner of the market. |
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# **MARKETING STRATEGY – THE 7P’S**

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| *E-Factor Tip:*  This section breaks down the 7P’s (as seen below), something which helps with planning, developing, and executing effective marketing strategies. By using an informed and streamlined strategy, you will be better able to gain and retain your customers and ensure that you meet and achieve your goals. It is therefore useful to fill these sections in with as much detail as possible. |

## 7.1 PRODUCT / SERVICE

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| *E-Factor Tip:*  This defines what your products/services are, including the unique selling points (USP) which will help sell your products/services. |
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## 7.2 PRICE

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| *E-Factor Tip:*  This is the price the products/services are to be sold at to your target audience. When calculating this, consider all costs involved including production, promotion, and delivery, plus the margin you require to meet your other costs and your profit. |
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## 7.3 PLACE

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| *E-Factor Tip:*  Place is the distribution point of a product and where customers expect to find it. Therefore, describe your selling platforms – such as a website, your shop, Amazon, eBay, third party retailers, etc. |
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## 7.4 PROMOTION

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| *E-Factor Tip*:  Promotion refers to the marketing techniques to be used: some promotional tools include social media, website, paid internet ads, personal Selling, email marketing, and PR. Other aspects of promotion can include samples, free gifts, incentives and competitions. |
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## 7.5 PEOPLE

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| *E-Factor Tip*:  Having the right people who work for your business is essential, therefore it is important to work out how many employees may be needed and their level of expertise for the business to be successful. |
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## 7.6 PROCESS

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| *E-Factor Tip*:  The processes involved in a product’s delivery include website user experience, delivery time, delivery methods and aftercare. Other considerations may include your environmental impact and how your processes affect buying decisions for your customers. It is important to have strict processes in place and back-up plans that take account of their expectations. |
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## 7.7 PHYSICAL EVIDENCE

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| *E-Factor Tip:*  Your marketing mix must take into consideration all the things your customer sees, hears (sometimes even smells) – in relation to your products or services. All of this must reflect your brand values and can include thank you cards, confirmation emails, product packaging, signage, and brochures. It could also include the ways your products are displayed or the way you present them across your digital assets, such as your website and social media. Focusing on an appealing and consistent overall look and feel will create a positive experience for the customer. |
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# **SALES FORECAST**

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| *E-Factor Tip:*  Now that you have described your products, services, customers, markets, and marketing plans in detail, it is time to attach some numbers to your plan. Use a sales forecast spreadsheet to prepare a month‐by‐month projection. Base the forecast on your historical sales, the marketing strategies that you have just described, your market research, and industry data.  Remember to keep notes on your research below, and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan.  Relate the forecast to your sales history, explaining the major differences between past and projected sales.  This is critical if you are going to present it to funding sources. |
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# **OPERATIONAL PLAN**

9.1 OPERATIONS

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| *E-Factor Tip:*  Explain the daily operation of the business, the location, equipment, people, processes, and surrounding environment. |
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9.2 PRODUCTION

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| *E-Factor Tip:*  How and where do you produce your products or services?  Explain your methods of:   * Production techniques machinery and costs * Quality control * Customer service * Inventory control * Product development |
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9.3 LOCATION

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| *E-Factor Tip:*  Describe the location(s) of production, sales, storage areas, and buildings.  Do you lease or own your premises?  Describe access to your buildings (walk in, parking, freeway, airport, railroad, and shipping).  What are your business hours?  If you are trying to get an expansion loan, include a drawing or layout of your proposed facility. |
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9.4 LEGAL ENVIRONMENT

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| *E-Factor Tip:*  Think about the legal aspects of the business, for example.   * Health, workplace, or environmental regulations * Special regulations covering your industry or profession * Business rates * Insurance coverage * Trademarks, copyrights, IP, or patents (pending, existing, or purchased) * Licensing and bonding requirements * Permits |
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9.5 PERSONNEL

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| *E-Factor Tip:*  List the number of employees you have and the type of labour (skilled, unskilled, professional)  Where do you find new employees? What does your recruitment process include?  Also think about.   * Quality of existing staff * Pay structure * Training methods and requirements * Additional staff required   Does the business have policies and procedures in place?  Do you have written job descriptions and contracts for employees? |
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9.6 INVENTORY

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| *E-Factor Tip:*  What kind of inventory do you keep: raw materials, supplies, finished goods?  What is the average value in stock?  What is the rate of turnover and how does it compare with industry averages?  Does the business require seasonal build-ups?  Is there a lead time for ordering stock, supplies or products? |
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9.7 SUPPLIERS

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| *E-Factor Tip:*  Note the following information about your suppliers:   * Their names and location. * Type and amount of inventory (importance of supplier). * Credit and delivery policies. * History and reliability. * Do you expect shortages or short‐term delivery problems? * Are supply costs steady or fluctuating? If fluctuating, how do you deal with changing costs? * Should you be searching out new sources of supply, or are you satisfied with present suppliers? * Credit Policies * Do you carefully monitor your payables (what you owe to suppliers) to take advantage of discounts and to keep your credit rating good? |
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9.8 MANAGEMENT AND ORGANISATION

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| *E-Factor Tip:*  Who manages the business on a day‐to‐day basis?  What experience does that person(s) bring to the business and what special or distinctive competencies?  Is there a plan for continuation of the business? If you have more than 10 employees, prepare an organisational chart showing the management hierarchy and who is responsible for key functions. |
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9.9 PROFESSIONAL AND ADVISORY SUPPORT

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| *E-Factor Tip:*  Think about support you may require as you grow.  List the following:   * Board of directors and management advisory board * Accountant * Insurance agent * Bank * Consultants * Solicitor * Mentors and key advisors |
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# **FINANCE**

10.1 FINANCIAL HISTORY AND ANALYSIS

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| *E-Factor Tip:*  A solid analysis of the past must precede any attempt to forecast the future. A financial history and ratios spreadsheet will allow you to put a great deal of financial information from other statements on a single page for ease of comprehension and analysis.  In the Appendices, put year‐end balance sheets, operating statements, and business income tax returns for the past three years, plus your most current balance sheet and operating statement.  Keep notes of your assumptions below. |
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10.2 FINANCIAL PLAN

The financial plan consists of a 12‐month profit and loss projection, a three‐year profit and loss projection (optional), a cash‐flow forecast, a projected balance sheet, and a breakeven calculation.

Together, these spreadsheets constitute a reasonable estimate of your company’s financial future. More important, however, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

10.2.1 TWELVE MONTH PROFIT AND LOSS PROJECTION

Explain the major assumptions used to estimate company income and expenses. Your sales projection should come from an annual sales forecast. Pay special attention to areas where historical performance varies markedly from your projections.

10.2.2 THREE YEAR PROFIT AND LOSS PROJECTION (OPTIONAL)

The 12‐month projection is the heart of your financial plan. However, this worksheet is for those who want to carry their forecasts beyond the first year. It is expected of those seeking venture capital. Bankers pay more attention to the 12‐month projection.

Keep notes of your key assumptions, especially about things you expect to change dramatically over the years.

10.2.3 PROJECTED CASH FLOW

The cash‐flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

Your cash flow will show you whether your working capital is adequate. Clearly if your cash on hand goes negative, you will need more. It will also show when and how much you need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from a profit and loss statement, such as:

If you make a sale in month 1, when do you actually collect the cash?

When you buy inventory or materials, do you pay in advance, upon delivery, or much later?

How will this affect cash flow?

Are some expenses payable in advance?

Are there irregular expenses, equipment purchase, or inventory build-up that should be budgeted?

And of course, depreciation does not appear at all because you never write a check for it.

10.2.4 PROJECTED BALANCE SHEET

This is an estimate of what the balance sheet will look like at the end of the 12‐month period covered in your projections.

In the business plan section related to your projected balance sheet, state the assumptions that you used for all major changes between your last historical balance sheet and the projection.

10.2.5 BREAKEVEN ANALYSIS

A breakeven analysis determines the sales volume, at a given price, that is required to recover total costs.

Expressed as a formula, breakeven is as follows.

Fixed costs

Breakeven sales =

1‐ Variable costs

(Where fixed costs are expressed in dollars, but variable costs are expressed as a percentage of total sales.)

# **APPENDICES**

Include details and studies used in your business plan, for example:

* Brochures and advertising materials
* Industry studies
* Blueprints and plans
* Maps and photos of location
* Magazine or other articles
* Detailed lists of equipment owned or to be purchased
* Copies of leases and contracts
* Letters of support from future customers
* Any other materials needed to support the assumptions in this plan
* Market research studies

* 1. RAISING CAPITAL

For Bankers:

Bankers want assurance of orderly repayment. If you intend to use this plan to present to lenders, include:

* Amount of loan.
* How you will use the funds.
* What will this accomplish (how will it make the business stronger)?
* Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate, but you may be able to negotiate a longer repayment term, which will help cash flow.
* Collateral offered, and a list of all existing liens against the collateral.

For Investors:

Investors have a different perspective from bankers. They are looking for dramatic growth, and they expect to share in the rewards. Include the following in the plan that you present to potential investors:

* Funds needed short term
* Funds needed in two to five years
* How the company will use the funds, and what this will accomplish for growth
* Estimated return on investment
* Exit strategy for investors (buyback, sale, or IPO) Percentage of ownership that you will give up to investors Milestones or conditions that you will accept
* Financial reporting that you will provide
* Involvement of investors on the board or in management

# **REFINING A PLAN FOR YOUR BUSINESS TYPE**

12.1 MANUFACTURING

* Present production levels
* Present levels of direct production costs and indirect (overhead) costs
* Gross profit margin, overall and for each product line
* Possible production efficiency increases
* Production‐capacity limits of existing physical plant
* Production capacity of expanded plant (if expansion is planned)
* Production‐capacity limits of existing equipment
* Production capacity of new equipment (if new equipment is planned)
* Prices per product line
* Purchasing and inventory management procedures
* Anticipated modifications or improvements to existing products
* New products under development or anticipated

12.2 SERVICE BUSINESS

Service businesses sell intangible products. They are usually more flexible than other types of business, but they also have higher labour costs and generally very little in fixed assets.

* Prices
* Methods used to set prices
* System of production management
* Quality control procedures
* Standard or accepted industry quality standards
* How do you measure labour productivity?
* What percentage of total available hours do you bill to customers?
* Breakeven billable hours
* Percentage of work subcontracted to other firms
* Credit, payment, and collections policies and procedures
* Strategy for keeping client base
* Strategy for attracting new clients

12.3 HIGH-TECH COMPANIES

* Economic outlook for the industry
* Does your company have information systems in place to manage rapidly changing prices, costs, and markets?
* Is your company on the cutting edge with its products and services?
* What is the status of R&D? And what is required to bring the product or service to market and to keep the company competitive?
* How does the company:
* Protect intellectual property?
* Avoid technological obsolescence?
* Supply necessary capital?
* Retain key personnel?

If your company is not yet profitable or perhaps does not yet even have sales, you must do longer‐term financial forecasts to show when profit take‐off will occur. And your assumptions must be well documented and well argued.

12.4 RETAIL BUSINESS

* Company image
* Pricing: Explain mark‐up policies. Prices should be profitable, competitive, and in accord with the company image.
* Inventory: Selection and price should be consistent with company image. Calculate your annual inventory turnover rate. Compare this to the industry average for your type of store.
* Customer service policies: These should be competitive and in accord with the company image.
* Location: Does it give the exposure you need? Is it convenient for customers? Is it consistent with company image?
* Promotion: What methods do you use and what do they cost? Do they project a consistent company image?
* Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?