



## Preparing your Business Plan

### Planning is:

- Taking prudent, *calculated* risks rather than blindly reacting to events
- Making the best use of available resources
- Setting a path to achieve the lifestyle you want

All businesses plan to some extent, but the planning is often informal and ill defined. You should always set out your plans in writing, however roughly, because this forces you to define your ideas clearly.

### Planning to plan

Consider:

- What information you need to assemble
- The initial decisions to be made
- The sales and marketing options open to you

### Enlisting support

Assess the expertise and assistance you already have, and decide what additional help you will need to prepare your plan and harness your resources effectively. For example, you might need accountancy, information technology/internet or marketing assistance.

### Define your business

Examine your business ideas critically and check these against your initial perception of the marketplace. Identify the key features of your business.

- Analyse its strengths and weaknesses
- Consider opportunities open to you, and the challenges you face

### Scanning the market

The marketplace is the key to the success of your business. You should review the market for your goods or services, and the competition you face.

- Use market segmentation to identify potential customers
- Use market survey methods to characterise your customers and their needs

### Identify your niche

Only the largest businesses can afford to provide an overall service to all customers. Most companies have to choose between offering general services to a restricted range of customers, or offering a niche or specialist service. How can you best achieve profits?

You could, for example, restrict customers by geographical area, or by some other classification within a wider area.

- Identify the *features* of your key goods or services
- Identify the *advantages* you have over competitors
- Identify your 'USP' (your *unique selling proposition*)

### People profile

Now you can review the skills and knowledge needed to run the business. Compare this list with the abilities of the people currently working for you.

If certain skills or knowledge are lacking, consider whether training would be appropriate. Remember, it is often better to buy in certain skills such as accountancy and marketing as and when they are needed. Other skills, such as selling and production, are needed constantly and so should be available in-house.

## Prices and profits

Identify the relationship between prices and profits. Most businesses price low to maintain turnover, but the additional profits from higher margins can often outweigh any loss of turnover.

Decide on the impact of competitors' pricing policies.

## Marketing strategy

Marketing is deciding how best to reach customers, maintain marketplace intelligence, secure additional customers, and generate further business.

- Determine how you will attract potential customers
- Design the message and the medium required to evoke a response
- Prepare staff to deliver outstanding customer service, through training if necessary
- Perhaps prepare a separate, more detailed, marketing plan

## Capital expenditure and liquidity

Having defined the business you are aiming for, you now need to consider the financial resources you will require. It is easier to arrange borrowing in advance rather than approach your bank manager when you have exceeded your overdraft limit!

Review the capital expenditure needs of the business and alternative ways of meeting this expenditure while retaining adequate liquidity.

## Financial forecasting

We will be pleased to put together financial forecasts from your business plan. These will cover:

### Sales Revenue

- Taking into account current turnover and any potential increase
- Making full use of marketing survey data
- Converting forecasts into targets

### Expenditure

To estimate the expenditure that will be incurred in running the business, we will:

- Identify and estimate fixed costs item by item
- Calculate variable costs on the basis of projected revenues

### Profits

We will forecast the level of anticipated profits from the assumptions made to date about the business. Because nothing is certain in business, it is vital to apply a sensitivity analysis to the assumptions to identify which ones are critical to success. Then you can carefully plan your reactions to possible scenarios, such as:

- How will you respond if a competitor starts a price war?
- Could your production facilities cope with a large order? What would be the effect on your cashflow?

### Funding Review

We will review funding provisions for the business in the light of the capital and cashflow requirements. The review will include:

- Identifying assets and liabilities, including money owed to you and stocks held
- Drawing up balance sheets based on the forecasts
- Identifying how much of the cash needed can be financed from profits or trade creditors. The remainder needs to be provided either by the proprietors or by borrowing(s)

## Once the plan has been prepared

### Management Information

To achieve the best results, you will need to monitor your performance against the plan. This will give you early warning for when you should reconsider your actions in response to market developments.

Consider the key information you need to manage the business, and hence the systems that will provide this:

- Plan to monitor revenues and costs

- Plan to manage cashflow
- Plan to manage people

### Updating the plan

You will need to decide when the plan should be updated and how this should be done:

- Short-term problems may require immediate revisions
- The year end review of results will help in amending the plan
- Do not neglect to review the marketplace from time to time

### This is a never-ending process.

Businesses evolve and so should your plan. Plans should be designed to enable you to forecast the future, to help you stay ahead of the game and to assist you in realising your full potential.

### How can we help?

Do contact us if you would like further help or advice on this subject.

#### *Disclaimer:*

*The content of this document is intended for general guidance only and, where relevant, represents our understanding of current law and HM Revenue and Customs practice. Action should not be taken without seeking professional advice. No responsibility for loss by any person acting or refraining from action as a result of the material in this document can be accepted and we cannot assume legal liability for any errors or omissions this document may contain.*