

Illawarra Small Business Assistance

HELPFUL HINT – WHAT SORT OF BUSINESS PLAN SHOULD YOU ADOPT?

Every business should have an up-to-date business plan specifying the goals and objectives for the venture. The process is even more critically important for small business because it often lacks the staff and resources to compete on all fronts simultaneously. A well documented business plan will assist you to stay on track and keep focused. It should be a working document that is monitored, reviewed and updated regularly.

So what type of plan should you use?

Business plans come in all shapes and sizes – you will see many different templates if you search the various business links provided. Just which one you adopt will depend on the type, nature, size and extent of complexity in the business and the purpose for which you are using it.

However, as the planning process is a means of formalizing your thoughts and ideas into a framework that will provide direction for your business, ***all business plans need to address a range of key elements*** and the following approach is provided as a guide:

- Develop forecasts based on your vision and assumptions
- Set your goals and objectives in measurable terms
- Determine your legal, administrative and compliance requirements
- Identify skills and resources required including establishment costs
- Research your markets and competitors to establish demand for goods and/or services
- Develop a sales and marketing action plan
- Formulate policies and procedures
- Establish priorities, programming and scheduling
- Prepare budgets and cash flow forecasts
- Develop risk management strategies according to the planned business needs.

Whilst it is difficult to generalize, your plan should be factual and concise but at the same time it needs to have a strategic focus and be well written in a reader-friendly manner. It should convey the core aspects of your business and provide a snapshot of your future plans and strategies.

The plan document should ideally encompass the following core components:

1. THE BUSINESS STRUCTURE

- 1.1 Legal and administrative requirements
- 1.2 Trading name
- 1.3 Legal structure
- 1.4 Business location/premises

2. MARKET RESEARCH AND ANALYSIS

- 2.1 Research methods; testing; results
- 2.2 Current state of the industry
- 2.3 Market size and major trends
- 2.4 Analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT)
- 2.5 Customer profile; their motives and buying behaviour
- 2.6 Competitors

Who are your five nearest direct competitors?

How long have they been in business?

How do their products or services differ from yours ? (consider nature, range, quality, service standards, delivery, pricing policy, returns etc)

How are their businesses: Steady? Increasing? Decreasing?

What have you learned from their operations?

What have you learned from their advertising?

What are their strengths and weaknesses?

Have you identified ways that you can differentiate?

What will be their likely reaction when you commence business?

3. MARKETING PLAN

- 3.1 The product(s) or service(s)

Describe what you are selling and identify features and benefits

What are the needs & desires of your customers and how will your product or service be represented in terms of advantages for the customer?

Which products/ services are in demand;

Will a steady cash flow be generated.

What is different about the product or service your business is offering.

- 3.2 Overall marketing strategy

Who are your customers? Define your target market(s).

Are your markets growing? Steady? Declining?

Is your market share growing? Steady? Declining?

How is your market segmented?

Are your markets large enough to expand?

How will you attract, hold, increase your market share?

How will you promote your sales?

- 3.3 Pricing strategy
- 3.4 Location
 - What are your location needs.*
 - What kind of space will you need.*
 - Why is the area desirable? The building desirable?*
 - Is it easily accessible? Is public transport available? Is street lighting adequate?*
 - Are market shifts or demographic shifts occurring?*
- 3.5 Supply and distribution
- 3.6 Advertising and promotion
- 3.7 Customer relations and service support
- 3.8 Marketing budget and action plan

4. OPERATIONS PLAN

- 4.1 Plant and equipment
- 4.2 Production process
- 4.3 Staffing and organization
 - Who will be on the management team?*
 - What are their strengths/ weaknesses?*
 - What are their duties?*
 - Are these duties clearly defined?*
 - What are your current personnel needs?*
 - What are your plans for hiring and training personnel?*
 - What salaries, benefits, holidays will you offer?*
 - What benefits, if any can you afford at this point?*
- 4.4 Occupational health and safety
- 4.5 Risk management

5. FINANCIAL PLAN

Sound financial management is one of the best ways for your business to remain profitable and solvent. How well you manage the finances of your business is the cornerstone of every successful business venture. Each year thousands of potentially successful businesses fail because of poor financial management. As a business owner, you will need to identify and implement policies that will lead to and ensure that you will meet your financial obligations.

To effectively manage your finances, plan a sound, realistic budget by determining the actual amount of money needed to open your business (start-up costs) and the amount needed to keep it open (operating costs). The first step to building a sound financial plan is to devise realistic budgets and cash flow forecasts. Your start-up budget will usually include such one-time-only costs as major equipment, utility bonds, down payments, rental bonds, etc.

- 5.1 Personal financial statements
- 5.2 Supplies mix
 - In order to complete your sales mix you will need to determine the following:*
 - Products/Services to be supplied*
 - Number of items/services supplied per month*
 - Selling price for these products/services*
 - Tangible costs which can be directly related to items/services supplied*

- 5.3 Establishment costs
- 5.4 Cash flow forecast
- 5.5 Profit and loss projection
- 5.6 Balance sheet
- 5.7 Source of funds
- 5.8 Controlling the financial position of the business
- 5.9 Records for your business

It is vitally important to implement systems which will enable you to identify and track income and expense items directly related to the products/services supplied. This will greatly assist margin management and facilitate analysis as well as provide a base for forecasting profit and cashflow.

6 EXECUTIVE SUMMARY

The summary should provide the reader with an instant snapshot of the key elements of your plan and consequently is completed last. However, it will be placed at the front of your plan and only be preceded by a facing page which should detail the name, address and contact details of the business and the names of all principals.

- 6.1 Description of the Business
Emphasize unique aspects and how or why they will appeal to customers
- 6.2 Motives for Business
- 6.3 The Opportunity and Strategy
- 6.4 Business Vision, Goals and Objectives
- 6.5 The Target Market
- 6.6 Financial Assistance Required
- 6.7 Financial Summary

The following format may be appropriate:

	Year One	Year Two
Total Sales		
Cost of Goods Sold		
Gross Profit		
Operating Expenses		
Net Profit		
Capital Acquisitions		
Owners Drawings		
Total Business Cash Inflows		
Total Business Cash Outflows		
Cash on Hand at end of Period		

Dependent on the size and nature of your business other relevant sections may be appropriate. Well catalogued photographs can be most useful.

It is important that you consider not only the content of your plan but also its structure, format and presentation.

Your plan should be written in such a way that a reader without prior knowledge of your business will understand it and be motivated as to the prospects for success.

Need More Help?

We will be pleased to help you select a plan document suitable to your needs and to provide guidance with completion. However, it is important that the proprietor(s) take a “hands-on” approach to the planning process and that ownership is reflected in the finished product.

CONTACT:

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