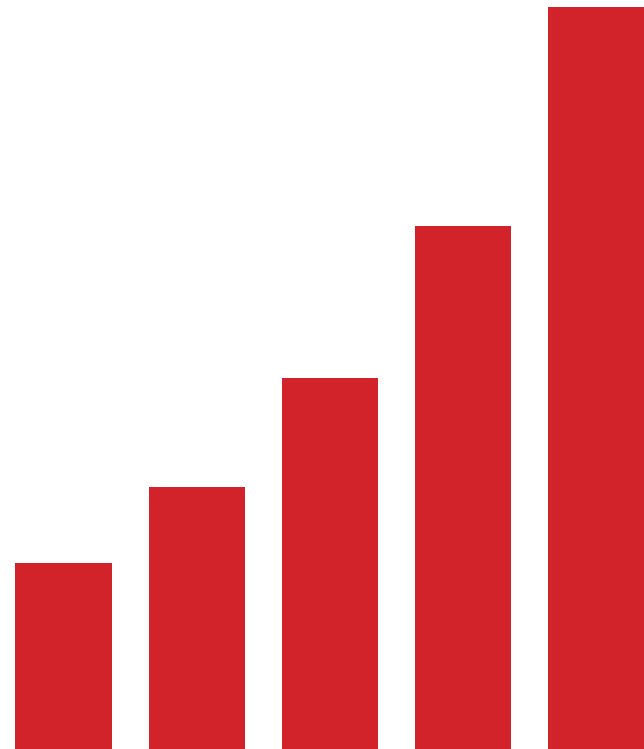




Online Accounting Software

BUSINESS PLAN GUIDE



If you're starting a business, it's tempting to jump straight in and get going. But to build a successful business you'll need more than just a good idea.

A business plan is essential. It will help you turn your idea into reality and give you the best chance of success.

You may think this is a bit of a chore or that you don't have the time to write one. And it's true that this isn't a back-of-an-envelope exercise that can be done overnight. It's the thinking behind the plan that's as important as the plan itself.

But once you have a business plan, it will become the foundation of everything you do and achieve in your business.

What is a business plan?

A business plan is a document that describes your business aims and objectives and outlines how you plan to achieve them. It explains your product or service, strategies, sales and marketing and finances.

Most people don't have any formal training in running a business. So writing a business plan is a useful way of making sure you think about all the different elements involved without missing something important. It shows you how your business will actually work.

A business plan helps you prioritise and make better business decisions when you're busy working 24/7. Many businesses fail because they don't have proper plans and procedures in place – they find out too late that their business ideas don't work in practice.

Why do you need a business plan?

Business plans come in many shapes and sizes. They can be written for a variety of reasons, so it's important to think about who it's for and what it's trying to achieve.

A business plan is usually essential if you're looking for a grant, a loan or trying to raise money in another way. It can help to convince investors, customers, suppliers and potential employees to support you.

It's also a good idea to share your business plan with people who are important in your business, like your staff.

But an effective business plan is also for you, so you know you're heading in the right direction to achieve what you set out to achieve. Think of it as a

roadmap to help you navigate along your business journey. For this reason, you need to review and update it regularly – not just stick it in a drawer and forget about it.

Benefits of a business plan

- Clearly sets out your business idea
- Defines your target audience (essential for a coherent strategy)
- Helps you estimate start-up costs, income, expenses, profit and cash flow
- Essential if you're looking to raise money for your business
- Makes you set targets and think about how you're going to achieve them
- Identifies potential problems and how to solve them
- Helps you check on progress and keeps you on track

What should I put in my business plan?

You want your business plan to present you and your business in the best, but also the most accurate light. Stick to the facts, not just what you hope will happen.

There are fairly standard component parts to a business plan, usually broken down into the following:

Important components of a business plan

1. Executive summary
2. Business description
3. Management
4. Vision and strategy
5. Products and services
6. Customers and competitors
7. Marketing and sales
8. Staff and operations
9. Finance
10. Risks

Your plan should look as professional as possible, with a cover, title page and table of contents. Plans are typically up to about 20 sides of A4 in length, but this can vary widely according to the type of business and the purpose of your plan. You might want to include additional information such as marketing literature in an appendix, but don't over-do it and take months to write hundreds of pages.

Focusing on your business plan section by section makes it more manageable.

1. Your executive summary

This is the most important part of your plan and needs to grab the attention of the person reading it. Using simple, clear language it should summarise the highlights from each section of the plan, so that by the end the reader understands what your business is about. Remember, your plan is the reader's window into your business.

At the very least, identify your target audience and tailor your business plan to them. A 'one size fits all' won't be as effective. You want the reader to feel the plan is written for them.

Essentially you need to explain the business opportunity you're trying to make the most of and show that you've thought clearly about how you're going to achieve it. This includes who your customers and competition are going to be. There should also be a financial summary.

Although it's usually the last thing to be written, the executive summary goes at the start of your business plan. It shouldn't usually be longer than two or three pages.

2. Business description

Explain the basics of your business – the type of business, who owns it, what it does, what sets it apart, the idea behind it, its products or services, its current position and where it's heading. Include the history of the company, if any and why you chose the name of the business, if relevant.

3. Management

Outline the skills and experience of yourself and any other important people in the business. Think of this as a bit like writing a short CV. You should also include any advisers, like your accountant, if you have one.

4. Vision and strategy

Where do you see the business in a year, five years and ten years' time? Think about how fast you want the business to grow and how you're going to do it. What tactics will you use to take the business forward?

A useful way to do this is to use a SWOT analysis:

- Strengths
- Weaknesses
- Opportunities
- Threats

This is a simple technique to help you work out how to run your business and maximise the opportunities, as well as identifying areas of possible weakness and how you're going to deal with them.

Every industry has its own particular measures of success – usually referred to as key performance indicators (KPIs). You can use these to show that you know what's going on in your industry. Is it stable or growing? What are the projections?

Examples of industry KPIs:

Retail	Sales per square metre
E-commerce	Standard conversion rate
Construction	Cost per square metre
Restaurants & cafés	Food cost as a percentage of sales
Transport	Percentage of on time deliveries
Beauty & personal care	Average value per chair
Motor repair	Sold hours versus available hours on the floor

You can refer to KPIs in more detail later in the plan.

What is your unique selling proposition – USP? This is often the first question that an investor will ask. A USP is what differentiates your product or service from your competitors. Are you offering the lowest cost, the highest quality or something that's one of a kind? You can't craft a vision or strategy for your business unless you have your USP defined.

Another important question that may well be asked is what's your competitive advantage? This could be that you produce something at a lower cost than your competitors or that your product or service is seen as better than your competitor's by customers.

5. Products and services

This section should describe the products or services you're going to sell, including how and where they are sourced or manufactured. Other people may be unfamiliar with your products or services, so explain everything, even if it seems obvious to you.

If you have other ideas about product or service developments in the pipeline, then say so.

6. Customers and competitors

This section describes your market – the type of customers you think will want to buy your product or service, and other businesses selling similar ones. Are your customers individuals or businesses? What does your ideal customer look like? How many potential customers are there? Is this number growing or shrinking? Are there any trends that will help your business?

You'll probably need to do some market research to work out who those customers are and where they buy from already. This can be either 'desk research', usually online, or 'field research' – asking potential customers their opinions.

Research your industry's KPI's and show that you understand them here. Don't put too many in, just the important ones. You don't want to overload the reader. You only need to demonstrate that you know what's going on in your own industry.

Think about what your competition does well, and also not so well, and how your business compares. Explain what is special or different about your product or service and why people or businesses will buy from you.

7. Marketing and sales

The essence of good marketing is to find profitable markets and to extract value from them – in other words, find plenty of customers that will buy your product or service and generate profits for your company.

Through good marketing your target customers will find out what your business does and how to find you. You need to explain what you plan to do to reach and attract your customers and how you will get them to buy from you again.

What are the benefits of your product or service to your customers? What makes you different? How do your prices compare to your competitors? How will you be promoting your product or service? Will it be word of mouth or online? How will you get your website up and running? Will you use advertising, marketing literature, direct mail or social media?

8. Staff and operations

Work out and explain how your business will operate smoothly on a daily basis. What sort of admin is needed?

If you are going to employ staff, you'll need to think about how you'll go about hiring the right people, as well as salaries, pensions, training and complying with your obligations as an employer.

It's important to show that you're aware of your legal responsibilities as a small business and an employer. You also need to think about how you'll put in place policies to help you keep and develop your staff to help your business grow.

Detail your premises and any production facilities, equipment, payment systems, and how you will use IT to help you run your business.

Who are your suppliers and how do you get your products or services to customers? How will you pay suppliers and how often? Detail your legal and insurance responsibilities – do you need a trading license or insurance for stock, for example?

9. Finance

This section summarises the financial status of your business. This is both for your benefit and to show potential lenders or investors that your business idea is financially sound.

Key tasks:

- Work out a detailed, month-by-month financial forecast for the next 12 months, including your estimated turnover, cash flow (the money coming in and out of your business) and profit or loss figures.
- Give summarised forecasts for years two and three. You may need help from an accountant for this part of the plan.
- Show your knowledge of your industry by including KPIs, with comparison to market leaders or similar sized companies.
- Calculate your break-even point – the number of sales you need to cover the cost of running the business. You need to take account of all your costs, such as staff, stock, manufacturing and marketing, as well as overheads like rent and utilities and how much tax the business will pay. Don't forget that sales can be affected by many factors, such as seasonal variations. You might also have to allow for delays between making sales and when you actually get paid for them.
- Detail your financing and banking arrangements, how much money is needed to start the business, including any you are putting in yourself, whether funding is needed and how it will be used. Don't forget to build in some contingency funds in the event of the unexpected.

10. Risks

Here you need to consider the things that could go wrong in your business and what you would do to overcome them, say if your suppliers let you down, you can't use your premises for some reason, or your staff leave.

Is your business model reliant on any essentials? In other words, is there something you absolutely can't operate without? For example, a web-based business can't operate without a functioning website. This dependency exposes the business to a risk if its service provides goes down, so it will need ways to reduce risk that risk.

There are many reasons businesses fail – lack of cash, new competition, changes in personal circumstances – so think about what your back-up plan is if it doesn't work out as planned.

And remember the golden rule that everything in business will probably take longer and cost more than you think. At the very least, be realistic.

And finally...

Run spell check as spelling errors are seen as clumsy and lazy, and may well hinder your funding efforts.

Then share your business plan with close friends, people you trust to give you honest opinions. Get their invaluable feedback and amend the plan accordingly.

Now you are best prepared to take your business plan to the next stage.

Good luck, the journey is just beginning.



Online Accounting Software

WHO WE ARE

Big Red Cloud is a leading supplier of online account's software to the SME market.

Our online account's software is simple and easy to use and takes only minutes to set up. It is designed to enable smart business people get on with doing what they do best which is to sell their products or services.

We believe in giving exceptional value by including multiple users, unlimited transactions, telephone, email, live chat support and free access for your accountant and bookkeeper, all for a low monthly fee.

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