

A Guide to Writing a  
Business Plan

by



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## What is a Business Plan?

A business plan is your plan of how your business is going to develop.

It shows -:

The business objectives

How your business is organised

The people who are involved in your business

What you intend to produce or provide and how

Who your customers are, and what they need

Who your competitors are and what is the strength of the competition

How you will promote and advertise your services

How you will price your service

Where you will purchase your supplies

Your equipment needs

Your premises requirements

The financial resources you need

What your plans are for the future

Any risks you might face and how you will prepare for them

In summary, it is a complete plan of how your business will operate. It is important to emphasise all the time that it is a your **plan** of your business.

## Why do I need a Business Plan?

A business plan is needed because it enables you to focus on the way in which you see your business developing. It enables you to make sure that you have considered all the options. You will therefore be more confident of the choices you have made. It also ensures that you have evaluated all the risks and therefore helps you decide whether or not to set up in business.

Business plans give crucial information to potential sponsors or lenders, enabling them to assess the prospects for your business. Organisations will always insist on seeing a business plan before they provide you with a loan or grant.

Finally, a business plan enables you to evaluate the progress of your business so that you can determine whether it is performing as well as you expected.

## **How do I write a Business Plan?**

You will write your business plan by building it up in sections. These sections are:

- Aims of the business
- Organisation
- Personnel
- Product or Service
- Production
- Customers
- Market Information
- Advertising and Promotion
- Costing
- Pricing
- Suppliers
- Equipment
- Premises
- Finances
- Risks and future plans

## **How will ELECT help?**

It is *your* business and it is important that the plan reflects your aims and aspirations and that you fully understand the opportunities and risks involved. Your Business Plan will be most likely to reflect your objectives if it is written by yourself with the help and assistance of ELECT.

ELECT's Business Advisers will discuss and agree with you the tasks that need to be undertaken through the various stages. We will give advice on all aspects of business planning, including where to get information. We will review progress and help to prepare cash flows and profit /loss accounts.

If additional help is required, we will put you in touch with other agencies or organisations that may be able to assist you. Examples of these could include Banks, Local Authority departments and grant giving bodies. ELECT staff have built up good contacts with other agencies which we use for the benefits of clients.

The client engagement Terms and Conditions provided to you outlines the service, and values that you can expect from us at ELECT. Appointments can be arranged at ELECT's offices, the client's premises or any other suitable venue.

The staff at ELECT are experienced at helping people achieve their aims in all types of businesses. We aim to build up your confidence in yourself and in your business.

# **The Business Plan**

## **Section 1: Aims of Business**

This section of a business plan explains in a short paragraph what your business is all about i.e. what your business will be providing, to whom, when, how, why and who is involved. It enables the reader to see at a glance what your business is aiming to achieve. This section sets the scene, with the rest of the document filling in the details.

## **Section 2: Organisation**

In this section you will set out the structure and organisation of your business.

There may be several choices facing you and you will need to decide whether you want to be a sole trader, a partnership, a limited company, a workers co-operative, a community business or a voluntary organisation. The aims of the business and the objectives of the people involved will very much determine the way the organisation is constituted.

Secondly, in this section, you will need to outline the internal structure of your organisation, what functions the people in your organisation will undertake, and how the different roles fit together. If there are a number of people in your organisation, an organisation chart will help.

## **Section 3: Personnel**

This section gives an introduction to the key people involved in your business.

It should be broken down into a brief curriculum vitae (C.V.) for those involved.

The C.V. should include:

- (i) Name, address and date of birth
- (ii) Work experience
- (iii) Education and training
- (iv) Business Experience
- (v) Skills
- (vi) Other relevant experience

Remember in this section the purpose of a C.V. is to show the reader that the personnel have the necessary skills to run effectively your particular business. Include all relevant information but do not include anything that is irrelevant. N.B. you will not include the same information in your C.V. for your business plan as you would if you were applying for a job.

Indicate in this section if there are any training requirements that need to be addressed for the benefit of the business, and how they will be met.

## **Section 4: Details of Your Product or Service**

In this section you will need to describe the details of the product or service you are providing.

To help you do this it will help to ask yourself the following questions.

- What is your product or service called?
- What are its characteristics?
- What does it do?
- What goes into it?
- What is the price?
- When do people pay?
- Where do they buy it?
- Is it delivered?
- Is it patented?
- Is it licensed?
- Is it sold under license?
- Is a service or maintenance back up provided?
- Is there any other relevant information?

## **Section 5: Production**

In a business plan you need to show how you will produce your product or deliver your service. You will need to describe the processes that your products go through and what order the activities will take place. Other matters to be described are the level of activity and what implications this may have for how you lay out your premises. You therefore need to consider the staff resources you need and the skills they require.

Equipment will probably be required. This may include machinery, tools, computers, telephones, fax machines and vehicles. You need to be aware of how much of this equipment you need, when you need it and whether it is essential or desirable.

## **Section 6: Customers**

Your potential customers are crucial to the success of your business, so it is important that you know as much as possible about them.

Your customers may be old, young or middle-aged. They may be male or female, married or single, they may have heavy financial commitments or may have a lot of spare cash. Fashion or practicality could be their primary considerations. Customers could have their own personal transport or they could rely on public transport. They may have busy lives or lots of leisure time.

All these factors and many more will affect their purchasing behaviour and you will need to understand as much as possible about your customers if you are to persuade them to part with their money.

## **Section 7: Market Information**

In this section you will describe the market in which you are operating, in particular you will be looking at the size and nature of the market. You need to consider who your customers are, who your competitors are and what market research you have undertaken.

In looking at the size of the market you need to find out how big the market is, particularly in the area in which you will be providing your product or service. This will give an indication of how much of that market you need to capture if your business is to be profitable.

Sources of information that will help with your market research include: -

- Business Library
- Yellow Pages
- Local/Regional papers
- Thompson Directory
- Trade magazines
- Market reports
- Questionnaires
- MTEC
- Visits

## **Section 8: Advertising & Promotion.**

If your customers are to be aware that your product or service exists then you need to promote and advertise your product or service.

Options to achieve this can include:

- Advertising in local papers
- Flyers
- Promotion events
- Attendance at exhibitions
- Window advertisements
- Mail shots
- Cold calling
- Telephone Sales
- Advertising trade papers
- Yellow pages
- Thompson directory
- Brochures and pamphlets
- Word of mouth

Your business will need to have a balance of some of these activities in order to make your customers aware of your products and encourage them to buy. The methods you use will depend on your product, who your customers are, their purchasing behaviour and the methods used by your competitors. The costs of each activity and the respective benefits that you will get, will also be a significant factor.

## **Section 9: Costing**

The product you are making or the service you are providing will have a cost to you. You need to quantify what this will be.

To do this you should consider:

- The cost of materials going into your product
- Any wasted materials
- The time taken to create the product
- The cost of running your machinery during production
- The cost of your deliveries
- The cost of your overheads

(N.B. overheads include items such as rent/rates, electricity, water and telephone charges)

## **Section 10: Pricing**

One of the major reasons customers may buy your product will be your price. The price you charge will need to take into account a number of factors that you have considered above. The costs of production and the prices of competitors will obviously be central considerations.

In determining your price the quality of your product will need to be taken into consideration, together with the image you want to portray of your product and your company. The amount of personal service you give will be a factor as will any credit or payment terms that are relevant.

These and many other issues will need to be considered when you determine your pricing policy. Remember also that the price you charge will affect your profitability and the level of business you will need to undertake in order to break even.

## **Section 11: Suppliers**

The materials you need to produce your product or provide your service will need to be acquired, and there will be a need to identify potential suppliers. In order to make a comparison of the suppliers you will need to be aware of the quality and range of supplies, availability, price, delivery arrangements, capacity and the availability of credit or deferred payment. Once you have assessed the competing suppliers you will be able to make an informed choice. It may be that your business should have two or more suppliers for each item to ensure that you do not become over reliant on a single supplier. However, cost considerations may make this impractical.

## **Section 12: Equipment**

Your business is likely to require the acquisition of some equipment. You will need to identify your equipment needs carefully. Some of the equipment may be expensive, such as vehicles, computers or machinery. You will want to make sure that the equipment you purchase is adequate for your needs.

There may be many options for acquiring the equipment, different models and specifications. These need to be evaluated. You need to assess how much they will cost and what purchasing options are available (e.g. outright purchase, leasing or renting).

You will also have to determine when you will need the equipment. For example, some you may need when you start your business and some you may only need later.

## **Section 13: Premises**

Premises can be an expensive element of any business. It is important that you consider carefully what you require from your premises; otherwise you may make a costly mistake.

You need to consider: -

- Whether your customers will visit your premises
- Level of car parking required
- Whether deliveries will be made to your premises
- What sort of planning permission you will need
- Whether you need to be on a bus route
- Whether you need to be in the town centre
- Availability of Services, Gas, Electricity, Water, Refuse.
- Cost of rents, rates, insurance
- Heating requirements
- Lighting needs
- Power needs
- Size
- Space for expansion
- Security of tenure
- Terms of purchase or lease
- Type of building
- Any grants available
- Accessibility

It may be that your business can be run from your own home, especially in the early days. If you do decide to operate from home, you should check your insurance cover carefully.

## **Section 14: Your finances**

You will need to show the cash flow and the projected profit and loss account.

A cash flow is a projection of your income and expenditure over a certain period, usually twelve months. A cash flow does not tell you whether your business is profitable or not, but it does tell you how much money you will have access to at different points in the period.

A profit and loss account is there to tell you whether you are trading at a profit or at a loss. It will also show you what level of turnover you need to have in order to break even.

Sample cash flows and profit and loss accounts will be provided by ELECT, these will help you to understand how they look. ELECT is able to enter your own financial figures on our computer packages to make it easier for you to produce these documents.

Within the cash flow and profit/loss accounts, you will need to identify any grants or loans that you have received or applied for, together with repayment details.

## **Section 15: Risks**

At the end of your business plan you should highlight any risks that your business may face. This could include sickness, new competition arriving on the market or new products being developed. You should outline in your plan how you intend to react to these situations.

## **Section 16: Future plans**

It is also advisable to describe your plans for the future, whether expanding production, opening new outlets or diversifying into new markets. This will help you to focus your mind on your long-term objectives.

## SURVIVAL BUDGET

survival budget

ITEM	Amount
What amount of money do you and your dependants need to 'exist' (State whether weekly or monthly)	
Rent or mortgage payments	
Mortgage endowment	
Water rates	
Council tax	
Gas	
Electricity	
Telephone	
House and personal insurance inc. life cover	
Housekeeping (food, cleaning materials etc.)	
TV licence	
Travel costs including to and from the business	
Car tax, MOT Insurance and maintenance	
Outstanding credit agreements	
Clothes(self and family)	
Entertainment	
Alcohol and tobacco	
Other items	
National Insurance (class 2 self employed) £2.10 per week	
<b>Total</b>	



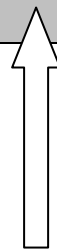
REVENUE EXPENSES

*These are all the intangible business expenses & resources you will need to have in place before the business starts trading.*

Details	
	<b>Need To buy Cost £</b> (Column G)
Rental deposit	
Initial rent payments	
Telephone connection	
Advertising, stationery and postage	
Insurance	
Sundries	
Professional and legal fees	
Drawings- money you may need to survive on for the first few months.	
Bank charges (loan or overdraft set up fee)	
Subscriptions	
Staff wages	
Other	
Total revenue Expenses	Sub total G
<u>TOTAL START UP COSTS</u>	Sub totals C+F+G

**How do you hope to finance this? £**

<b>Own or family funds</b>	
<b>Own equipment <i>i.e. vehicle you may already have and are introducing to the business</i></b>	Sub total A
<b>Own stock you already have</b>	Sub total D
<b>Grants (please say what they are)</b>	
<b>Loans (please say where from)</b>	
<b>TOTAL</b>	



These figures should be the same



# Curriculum Vitae

Fill in the following which will form the basis of your CV that must be attached to your business plan.

It does not matter if you have no qualifications or work history as you can ignore those sections and fill in the skills section instead.

Your business adviser will go through this with you.

## Personal Details

Name
Address
Post code
TEL
Date of birth

## Qualifications

Date	School/ college, and/or awarding body	Qualification gained or course completed

## Work History

Date:	Employer name & address	Job title and duties

## Skills

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