

## Business Plan

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There are many different templates and formats for a Business Plan, but the basic information that is required is the same. Here is a format that covers each key area and explains a little about what needs to go into each section, from the specific viewpoint of a business plan that is aimed at raising funding, even if just a few thousand pounds overdraft from your bank manager.

If you need help with writing your business plan, send Caspia some basic details – see the list of things we will need to know and the email address to send it to on the O2 Litmus website at <http://www.o2litmus.co.uk/tools/caspia#tabs-caspia-6> and one of our experts will contact you to discuss your requirements and answer your questions.

### Cover Sheet

The cover sheet needs to provide all the necessary contact information about the business - the last thing you want to do is get prospective investors interested in your business, and then be unable to get in touch with you!

- The name of the business
- Month and year the plan is being completed
- Name and title of the chief executive officer
- Address of the company
- Company's Web site address
- Phone number; with area code
- Fax number; with area code
- E-mail address

### Table of Contents

To make your business plan easy to follow for a prospective financing source, a detailed table of contents -showing all sections and sub sections, with page numbers -is an important feature. A detailed table of contents will give readers the ability to turn to their areas of greatest interest first, whether it be the financial projections, the management team, or the market analysis of the product or service.

Listed here are the topic areas we suggest for the table of contents.  
Executive Summary

- The Company
- Strategy
- History
- Management Team
- The Market
- Product and/or Service
- Sales and Marketing/Promotion
- Applying Technology
- Business Risks
- Summary Financial and Operating Statements
- Appendix



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## Executive Summary

The executive summary should be a brief synopsis -two pages maximum -of the business concept that gives the reader a clear initial understanding of your business and its validity.

It is not an introduction, preface, or random collection of highlights. It is the business plan in miniature, and as such should be able to stand alone as an initial business description.

It helps you:

- Crystallize your thoughts
- Set priorities
- Provide the foundation of the full plan.

Once you've written this summary, it makes writing the rest of the plan much easier.

If done right, it captures readers' attention, makes them want to read more, and conveys a flavour about the rest of the plan.

## The Company

This is the section of the business plan that captures your strategy, identity, and philosophy. It is about your future, past, and present.\

### 1. Determining your strategy

Strategy is really a buzzword for your company's overall approach to producing and selling its products/services--and its goals for maximizing success. What is your "business model" -its approach to the market and sales, and how will that change?

Most important is that your strategy be believable. Thus, there needs to be consistency between what's happened in the past and your strategy for the future. If your business has grown at 10% a year for each of the past four years, and you are now projecting 50% annual growth, you must have a pretty compelling explanation of what it's doing differently to justify the change.

### 2. Describing the company's history.

Here's where you provide the background of the business, answering such questions as:

- How did you come upon the idea for the business?
- What forces have helped you succeed thus far?
- What principles do you use to run your business?
- What obstacles have you overcome to succeed?
- If you plan for expansion, how will you dedicate the funds you are seeking for financing?

Be sure you are making the most of your resources--using everyone's experience and capabilities to their fullest in your descriptions.



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### 3. Describe the management team.

A key issue for any business is whether the people running the company have what it takes to enable the company to fulfill its strategy.

Investors, in particular, look especially closely at the management team, and make judgments about its likely success by virtue of what the members of the team have accomplished in the past.

The two most common management team problems are:

The “one-man-band” syndrome. The company doesn’t really have a management team because the president won’t delegate or bring qualified senior people aboard.

Or everyone comes from same background.

Be sure you are making the most of your resources--using everyone’s experience and capabilities to their fullest in your descriptions.

### The Market

This is the most important single section of your business plan, and as such should be the longest section of the plan. Here, you will present convincing evidence that your business is likely to meet with success in the marketplace.

This section will detail the market as you see it for your business, using numbers derived from the research you have done in developing your business idea.

What you are really selling are benefits to your customers. As much as possible, try to identify as precisely as possible the benefits to the prospective buyers of your product or service and to quantify the benefits. Here are some key questions to think about that will help you.

What do you estimate the total market -in terms of total number of prospective buyers and amount of revenue -to be for your product or service in the UK? In foreign countries?

If your business can be broken down into different categories, list the total market for each of these categories.

Has the market continued to grow over the past 5 to 10 years? What support do you have for your conclusion?

You can state the growth as a percentage or in total £ volume. What do you estimate to be the potential for future growth for your business?

Are there any demographic trends that support your business concept? Have there been any shifts in the economy that will likely make your business prosper?



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Who are your target customers? List the primary target markets.

Within these primary market businesses, who is typically the decision maker about purchases from a company like yours?

Is there anything about your business concept that will change the way these decision makers will have to do business with your company?

How will you educate these people to become comfortable with your business concept? Will you use advertising? Seminars? Or some other technique?

Who are the secondary target markets for your business? Again, who makes the buying decision within these companies?

Will they be receptive to your business idea?

Who are the decision makers in the market who buy your type of product?

How might they receive what you are offering them?

How large does the potential market have to be in the location in which you set up your business?

What kind of needs will your customers have and how will you meet them?

How can your business be duplicated if this is a franchise for example?

What kind of distribution or pricing issues are critical to the success of your business?

Did your research point to this type of business more clearly than other types? How?

Who is your primary target market?

How did you arrive at this conclusion?

Are there any statistics you can use to briefly back up your assumptions and conclusions?

Who are your secondary target markets?

How did you discover these markets? Back up your conclusions.



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## Competitors

What types of profits do they experience?

What are their sales volumes?

What are their returns on investment?

Where they are located?

How many of them are profitable?

How many and what types of employees do they have?

How much sales per employee do they average?

How are they set up as a business? (sole proprietorship, partnership, corporation)

What other information about your prospective competitors might help a reader understand how these businesses work?

Include any other relevant information on major competitors that you have that gives a clear sense of how they do business and how successful they have been.

## The Product or Service

Describe your product or service in detail and in the light of the competitive and market scenario described above.

This is the fun part of most business plans, but one of the worst things you can do is announce a new product or service and then be unable to provide it on schedule. This has been a big problem for software and computer makers. Here you should answer these questions:

Will the product be produced in-house or by outsiders?

What is the rationale for this decision?

What contingencies are available if external production should flounder?

In three paragraphs or less, describe how you will produce your product or service so as to meet customer expectations for delivery.



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## Pricing

This is one of the toughest issues for any business. It's partly a function of what the market is willing to pay and partly a function of what the competition is charging. But it comes down to basic planning issues like margins vs. market share and how distinct your benefits are vs. those of the competition.

Prices aren't engraved in stone.

What do you anticipate your gross profit margins will be for your business? (A gross profit margin is the price you get for your product or service less the cost of producing it.)

What particular aspect of your business will make it unique?

Is pricing going to make your business special?

How do your expected prices stack up against the competition?

How price-sensitive is your target market?

## Ongoing service.

It's popular to offer guarantees and warranties to attract customers. It's essential that you work out exactly how you will provide after-sales service--and who will pay for it. Some companies have turned after-sales service into a separate profit center.

## Sales and Marketing/Promotion

The sales and promotion section of your plan should be different from the market section. Whereas the market section is about identifying customer prospects, the sales and promotion section is about how you go about convincing them to buy from your company.

You should have an overall sales, marketing and promotion strategy that will underlie your selling and promotion techniques. For example, you may plan to rely heavily on direct mail to generate leads for your in-house sales force, with advertising as a supplementary "brand-building" exercise. Such an overview should introduce this section of the plan.



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## What is your selling approach?

Chances are you have a selling approach that works well for your company – for example an in-house sales force, sales reps, direct mail programme, telesales teams.

At this point in the business plan, you need to explain and justify your selling approach or approaches. You should also evaluate alternative approaches to selling that you may be considering, since selling costs in all areas are rising dramatically. If you use an in-house sales force, may want to experiment with direct mail. Or if you use direct mail, you may want to get into retail outlets.

## How Will You Motivate Your Sellers?

Selling is probably the toughest business task there is.

Sales people need to be trained, supported and, above all, motivated. What are you doing in these areas and what do you plan for the future to upgrade your selling efforts?

If you plan to use new sales approaches, the matter of motivating becomes even more important, because it is difficult to know early on which approaches will work best-commissions, bonuses, prizes, increased vacation time, etc.

When you find something that works, stay with it. The best sales people should earn more than executives because successful selling is so important to business success.



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## How Will You Promote Your Product or Service?

This is in effect your sales and marketing plan.

Some basic choices here might be advertising, public relations, word of mouth, seminars and conferences or specialised marketing channels and promotions. You also need to consider online versus offline marketing and the role your website will play in any marketing strategy.

If you've been in business for a while, you may know what works best for your company.

Public relations, simplistically, tends to be more cost-effective than advertising. It's possible, using public relations, to be very small and give the impression that you are substantial, at very low cost. You can do this by writing articles for trade publications, positioning self as an expert and doing interviews.

Advertising is usually quite costly because it requires repeat insertions to really be effective; the budgets necessary for the repeat coverage are often beyond what many small businesses can afford at first.

Promotions can include giveaways, special events, and discounts for referrals.

List and discuss the alternatives that were considered before arriving at the recommended strategy. Alternatives might include discontinuing a product, re-branding, positioning as a premium or value product, etc.

## Applying Technology

This is an additional section of the business plan that has been made necessary in recent years by the growing sophistication and declining costs associated with computer technology. While this section should be brief, it should get you thinking about ways to leverage the marvels of modern technology. For example, how might you use computer software to increase your marketing effectiveness? How might technology reduce the number of people you hire? How might a loc



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## Business Risks

Every small business has risks. Your challenge in writing a business plan is to communicate those risks with the right perspective. They should thus be described accurately, but not in a scary way so as to potentially scare prospective investors.

In this section of the business plan, you will try to point out key potential business risks you face in opening or operating your small business.

Here are some questions to consider:

- If your business is a new concept, will your target market be willing to try something new?
- How will you convince them to change their current way of thinking?
- What do you plan to do if you do not meet your projections for sales or profits?
- What if your competition tries to undermine your entry into the field?
- What operating problems might occur?
- How will you deal with them?

## Finances

Here is where you present your company's financial history and projections.

While you can be creative in other parts of your business, here you should present your finances in the formal that accountant and investors are accustomed to. You will want to provide up to three years of past results, and two to three years of projections.

You should have three types of financial statements covering your history and projections:

### Cash Flow

Cash flow is really a record of cash available at different points of time. It helps highlight the differences between when a sale is made, cash comes in, and bills are paid.

### The Income Statement: Profit and Loss

This is the proverbial bottom line: revenues less expenses. For small companies, it is important to differentiate from cash flow. It's possible to run out of cash early in a quarter, even though you are heading toward profitability at the end of the quarter.

### The Balance Sheet

This is the financial statement bankers like to focus on because they believe it offers the most revealing clues about basic business health. It shows assets and liabilities. It is most useful in evaluating product businesses, where assets easily identifiable and can be appraised. It is less useful for service businesses.

