

OUR PHILOSOPHY: Grow our client's business first. It is only through our client's success that we succeed.

BANYAN CONSULTING

BUSINESS GUIDE

Creating a Business Plan

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1. Why Do I Need a Business Plan?

While the main reason most people prepare a business plan is to raise finance, your business plan should be more than a tool for raising capital. Your business plan should be a way of assessing the viability of your business venture and a blueprint for your business's future.

The steps presented here are intended to form the groundwork for the planning process. If you are going to use this plan to raise finance, it is a good idea to get professional help from us, particularly with things like Profit and Loss Statements and projected Balance Sheets.

You will find that going through these worksheets first will save you both time and money in preparing your final submission. It will also help you in assessing the feasibility of your project.

1.1 The Purpose of Planning

Imagine if you engaged a builder to build a house for you and he turned up at your block of land and started unloading bricks and building materials and then turned around to you and said, "OK, where do you want the house?"

You wouldn't be very impressed, would you? Naturally, before he started building, you would want to see a plan. Just like building a house, your business needs a detailed plan.

1.2 What Are the Benefits?

Every business can benefit from the preparation of a carefully written plan. There are two main purposes for writing that plan:

- To serve as a guide during the lifetime of the business. It is the blueprint of your business and will provide you with the tools for analysis and change.
- A business plan is usually required by a lender if you are planning to seek a loan. It will provide potential lenders with detailed information on all aspects of your company's past and current operations and provide future projections.

1.3 Preparing a Business Plan to Raise Capital

If your business venture is going to require finance, for instance a bank loan or an overdraft facility, you must prepare a detailed business plan. Generally, banks and financial institutions will not even consider lending money without one. The more detail and accuracy you can project in your plan, the more chance it will have of being successful.

Raising finance for your business should not be a traumatic experience. If you do your homework properly and are thoroughly prepared, you should be able to approach your financier with a sound business proposition that will be considered worthwhile for both parties. Remember, financial institutions make healthy profits from lending money on sensible business propositions.

In the case of a business loan, financiers will be looking at your ability to service the loan and your net asset backing. They will also want to see some form of repayment plan for the loan as well.

Your security takes the form of bricks and mortar (or other easily realisable assets) and they will usually require a mortgage or some form of charge over your assets to cover them in the event of your failure to meet your commitments.

It must be remembered that small business failure rates are extremely high and banks and other financial institutions are usually very cautious in their approach to lending in this area. Banks do not like the idea of 'selling you up', so even if you have the asset backing, if the business plan and the people behind it do not look sound, there is no guarantee your application will be successful. They will usually reject your application in your own self-interest.

2. What Does a Business Plan Contain?

The following provides an outline of the material that should be included in your business plan. Your final plan may vary according to your needs or because of the individual requirements of your lender. To assist you with the actual preparation of a business plan, please refer to our Business Plan Template.

2.1 Cover Sheet

This serves as the title page of your business plan. It should contain the following:

- Name, address, and phone number of the business.
- Name, title, address, phone number of owners/ company officers.
- Month and year your plan was prepared.
- Name of preparer.
- Version number of the plan.

2.2 Executive Summary or Statement of Purpose

This is the overall summary and includes your business plan objectives. Make sure to use the key words (who, what, where, when, why, how, and how much) to briefly tell the reader about the following:

- What your business will do (also who, what, where and when).
- What your objectives are.
- If you need financing, why you need it, how much you need and how you intend to repay the loan or benefit the investor.
- Why you will be successful.

Note: Do not write the executive summary (statement of purpose) until you have completed your business plan. It is a summary and reflects the contents of the finished plan.

2.3 Table of Contents

This is a quick reference to the major topics covered in the plan.

2.4 Organisational Plan

This section should include a "summary description of your business" statement followed by information on the "administrative" side of your company.

A. Summary description of the business

In a paragraph or two give a broad overview of the nature of your business, telling when and why the business was started. Then complete the summary by briefly addressing:

- Mission – projecting short and long-term goals.
- Business model – describe your business model and why it is unique to your industry.
- Strategy – give an overview of the strategy, focusing on short and long-term objectives.
- Strategic relationships – tell about any existing strategic relationships.
- SWOT Analysis – strengths, weaknesses, opportunities and threats that your business will face, both internal and external.

B. Products or services

- If you are a manufacturer and/or wholesale distributor of products – describe your products. Tell briefly about your manufacturing process and include information on suppliers and availability of materials.
- If you are a retailer and/or an e-tailer – describe the products you sell. Include information about your sources and handling of inventory and fulfilment.
- If you provide a service – describe what service you provide, how it is provided and why it is unique. Also list any future products or services you plan to provide.

C. Intellectual property

- Address copyrights, trademarks, and patents
- Provide supporting documents such as registrations, photos, diagrams, etc.

D. Location

- Describe your projected or current location.
- Project costs associated with the location.
- Include legal agreements, utilities forecasts, etc. in supporting documents.

Note: If location is important to marketing, cover location in the marketing plan.

E. Legal structure

- Describe your legal structure and why it is advantageous for your business.
- List owners and/or company officers describing their strengths (include resumes).

F. Management

- List the people who are (or will be) running the business.
- Describe their responsibilities and abilities.
- Provide projected salaries.
- Include resumes in supporting documents.

G. Personnel

- Provide details of who will be doing the work.
- Explain why they are qualified for their role.
- List what their salaries and responsibilities will be.
- Project future needs for adding employees.

H. Accounting and legal

- **Accounting:** Provide details of the accounting system you will use, and who will do your record keeping. If you have a plan to help you use your records in analysing your business, provide the details of this. Also provide details of your tax accountant, and who would be responsible for periodic financial statement analysis.
- **Legal:** Provide details of who you will retain as your solicitors.

I. Insurance

- List the types of insurance will you need.
- Provide the cost of each type and who will be the provider.

J. Security

- Describe your security measures in terms of inventory control, property protection and theft of information.

2.5 The Marketing Plan

The marketing plan defines all of the components of your marketing strategy. You should address the details of your market analysis, sales, advertising, and public relations campaigns. The plan should also integrate traditional (offline) programs with new media (online) strategies. You should include:

A. Overview and goals of your marketing strategy

B. Market analysis

- Target market – identify with demographics, psychographics, and niche market specifics.
- Competition – describe major competitors, assessing their strengths and weaknesses.
- Market trends – identify industry trends and customer trends.
- Market research – describe methods of research, database analysis, and a summary of results.

C. Marketing strategy

- General description – budget percentage allocations between online and offline with expected ROIs (Return on Investment).
- Method of sales and distribution – stores, offices, kiosks, catalogues, direct mail, website.
- Packaging – quality considerations and packaging.
- Pricing – price strategy and competitive position.
- Branding.
- Database marketing – personalisation.
- Sales strategies – direct sales, direct mail, email, affiliate, reciprocal, and viral marketing.
- Sales incentives/promotions – samples, coupons, online promo, add-ons, rebates, etc.
- Advertising strategies – traditional, web/new media, long-term sponsorships.
- Public relations – online presence, events, press releases, interviews.
- Networking – memberships and leadership positions.

D. Customer service

- Description of customer service activities.
- Expected outcomes of achieving excellence.

E. Implementation of marketing strategy

- In-house responsibilities.
- Out-sourced functions (advertising, public relations, marketing firms, ad networks, etc.).

F. Assessment of marketing effectiveness

- To be used by existing businesses after making periodic evaluations.

2.6 Financial Documents

This section of the business plan is the quantitative interpretation of everything you stated in the organisational and marketing plans. Do not do this part of your plan until you have finished those two sections.

Financial documents are the records used to show past, current, and projected finances. The following are the major documents you will need to include in your business plan. The work is much easier if they are done in the order presented because they build on each other, utilising information from the ones previously developed.

A. Summary of financial needs

- Only needed if you are seeking finance. You will need to provide details about why you are applying for finance, and how much capital you need.

B. How loan funds will be applied

- Only needed if you are seeking finance. You should tell how you intend to use the loan funds, and back up your statement with supporting data.

C. Pro forma cashflow statement (budget)

- This document **projects** what your business plan means in terms of dollars. It shows cash inflow and outflow over a period of time and is used for internal planning. It is of prime interest to the lender and shows how you intend to repay your loan. Cash flow statements show both **how much** and **when** cash must flow in and out of your business.

D. Three-year income projection

- A projected income and expense statement should show projections for your business for the next three years. Use the revenue and expense totals from the projected cashflow statement for the 1st year's figures and project for the next two years according to expected economic and industry trends.

E. Projected balance sheet

- You should project/estimate your business's assets, liabilities, and the net worth of your business at the end of next financial year.

F. Break-even analysis

The break-even point is the point at which a business's expenses exactly match the sales or service volume. It can be expressed in:

- Total dollars or revenue exactly offset by total expenses, or
- Total units of production (cost of which exactly equals the income derived by their sales).

This analysis can be done either mathematically or graphically. Revenue and expense figures are drawn from the three-year income projection.

Note: *The following (G-J) are Actual Performance (Historical) Statements. They reflect the activities of your business in the past.*

If your business is new and has not yet begun operations the financial section will end here and you will add a personal financial history.

If your business is an established business you will include the following actual performance statements:

G. Profit And loss statement (income statement)

This will show your business's financial activity over a period of time (monthly, quarterly or annually). It is a moving picture showing what has happened in your business and is an excellent tool for assessing your business.

H. Balance sheet (statement of financial position)

The balance sheet shows the financial position of the business a fixed date. It is a picture of your business's financial condition at a particular moment and will show you whether your financial position is strong or weak. It is usually prepared at the end of an accounting period, and will contain details of assets, liabilities and net worth.

I. Financial statement analysis

In this section you will use your profit and loss statements and balance sheets to develop a study of relationships and comparisons of:

- Items in a single year's financial statement,
- Comparative financial statements for a period of time, or
- Your statements with those of other businesses.

Measures are expressed as ratios or percentages that can be used to compare your business with industry standards.

If you are seeking finance from a lender or investor, ratio analysis as compared to industry standards will be especially critical in determining whether or not the loan or venture funds are justified.

- Liquidity analysis – working capital, current ratio, quick ratio
- Profitability analysis – gross profit margin, net profit margin, return on total assets
- Leverage analysis – debt ratio, debt to equity
- Measures of investment – return on equity, earnings per share, price earnings ratio, dividend yield

J. Business financial history

This is a summary of financial information about your business from its inception to the present. The business financial history and loan application are frequently one and the same. If you have completed the rest of the financial section, you should have all of the information you need to transfer to this document.

2.7 Supporting Documents

This section of your plan will contain all of the records that back up the statements and decisions made in the three main parts of your business plan. The most common supporting documents are:

A. Personal resumes

Include resumes for owners and management. A resume should be a one-page document and include: work history, educational background, professional affiliations and honours, and a focus on special skills relating to the person's role in the business.

B. Owners' financial statements

Provide a statement of personal assets and liabilities. If you are a new business owner, this will be part of your financial section.

C. Credit reports

Include some business and personal reports from suppliers or wholesalers, credit bureaus, and banks.

D. Copies of leases, mortgages, purchase agreements, etc.

All agreements currently in force between your business and a leasing agency, a mortgage company or other agency.

E. Letters of reference

Attach some letters recommending you as a reputable and reliable business person, worthy of being considered a good risk. Supply both business and personal references.

F. Contracts

Include all business contracts, both completed and currently in force.

G. Other legal documents

Include all legal papers pertaining to your legal structure, proprietary rights, insurance, limited partnership agreements, shipping contracts, etc.

H. Miscellaneous documents

Include all other documents which have been referred to, but not included in the main body of the plan, for example, location plans, demographics, competition analysis, advertising rate sheets, cost analysis, etc.

3. Putting Your Plan Together

When you are finished, your business plan should look professional, but the potential lender or investor needs to know that it was done by you. A business plan will be the best indicator that can be used to judge your potential for success. It should be no more than 30 to 40 pages in length, excluding supporting documents.

If you are seeking a lender or investor, include only the supporting documents that will be of immediate

interest to the person examining your plan. Keep the others with your own copy where they will be available on short notice.

The business plan may be supplied as a printed document, or as an electronic file. If printed documents are required, do not give out too many copies at once, and keep track of each copy. If you are turned down by a lender or investor, be sure to retrieve your business plan.

4. Keep Your Business Plan Up-To-Date

Your plan will be beneficial only if you update it frequently to reflect what is happening within your business. Measure your projections against what actually happens in your business. Use the results

to analyse the effectiveness of your operation. You can then implement changes that will give you a competitive edge and make your business more profitable.

CAN WE HELP YOU?

If you have any feedback on any of our services or if there is any way we can assist you further, please contact us at reception@banyanconsulting.com.au or call **02 9968 4644** to book an appointment.

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