

A GUIDE TO BUSINESS PLANS

This guide has been prepared to assist you in the preparation of your Business Plan. It contains a draft Business Plan showing an appropriate layout

Please note that the draft layout is not comprehensive and that your Business Plan may not use all the sections we have included and may well need more.

The best way to put together a business plan is to do so in conjunction with your business advisor who can guide you as to what is relevant and assist you with the financial forecasts which form an integral part of any business plan.

What is a Business Plan?

Business Plans are a tool of small business management used to:

1. Assess the feasibility of a business opportunity
2. Inform others as to the viability of such a business
3. Control the business after establishment.

What does a Business Plan Do?

Good Business Plans should:

1. Ask the right questions and show the answers
2. Explain your business idea and how it is going to work
3. Justify the numbers on your Cashflow Forecast (the numerical Business Plan)
4. Help crystallize your ideas, plans and direction

What are the contents of a Business Plan?

- | | | |
|---|----------------------------|--|
| 1 | <i>Who you are</i> | Your background, your suitability for your business |
| 2 | <i>What you are doing</i> | How you are doing it, why you are doing it |
| 3 | <i>Where you are going</i> | How you are going to get there, what you need to do it, how much will it cost, where are you going to get the money from, how are you going to pay it back |
| 4 | <i>Customers</i> | Who are they, what they want, why will they buy it from you, how much they will pay you, how will you reach them |
| 5 | <i>Problems</i> | Obstacles you have identified, how you will overcome them. |

DRAFT
BUSINESS PLAN
FOR
(show your logo)

Business Name

What name will you be using to promote your business?

Business Location

What location will you business operate from?

Ownership

Name, address and telephone number of the owner(s) of the business.

The Business

Explain in some detail what the core “reason to exist” is for your business.

Type of Business

There are 4 broad definitions of business type

Manufacturing
Retailing
Service
Agriculture

Legal Structure

Either: Sole Trader
 Partnership
 Company (legally formed)

Time Commitment

Is this a part-time or full-time business for the owners?

Regulations/By Laws and Licences

Aspects relating to licenses, qualifications or certificates giving authority to operate the business eg

Health Dept licence	Liquor Licence
Heavy Goods Drivers licence	Dangerous Goods licence
Second Hand Dealer	Motor Vehicle Dealer
Real Estate Institute	

Also occupational, safety and health issues may relate to the type of activity you are, or are intending to carry on.

Production/Service Delivery

Explain the manner in which you deliver your service or make your product. What equipment is necessary? Are the premises you have available adequate to your needs?

Materials

What are your sources of supply for things like raw materials, stock etc?

Product Uniqueness

What is it about your product or service that is special? How do you want your customers to see you?

If you had to explain to someone what your business does in one sentence, could you get across to them what is special about you? In what way is your business different or better than all your competitors?

The Market

Where are you going to be doing business? Are you confined to Nelson City? The Tasman Bay/Golden Bay region?

Market Overview and Research

Describe the current state of the industry within which you intend to operate. What research have you done that leads you to believe that an opportunity exists that you can exploit? How did you come to identify that there is a niche in the aforementioned market that you intend to fill?

Customer Profile

How much do you know about your potential customers? Why would they buy your product or service? Is it an investment, a necessity, a luxury or a fun purchase? Is your average customer:

male or female
old or young
married or single
wealthy or poor
upwardly mobile

Promotional Activity and Marketing Strategies

How are you potential customers going to find out that you are in business and that they should consider you when next looking at making a purchasing decision? Do you have a business card? Do you have a logo, corporate colour theme or some other means to help your customers to identify you?

Competition

What do you know about your competitors? What sort of premises do they operate from? How many other **very similar** businesses are there already operating in your chosen market? Do they employ staff and are they well trained? Do they offer add on services such as free delivery, discounts for cash, finance terms, free parking

Employment

Will you be employing staff? What hours will you require them to work? Have you registered with IRD as an employer? Do you understand your obligations as an employer?

Company Management

Give details of your background and experience and explain how this experience has equipped you to be able to handle the operational side of your business.

SWOT Analysis

Strengths Weaknesses Opportunities Threats

In terms of the business opportunity that you have identified, honestly describe what you consider to be the strong and weak points of your business and what opportunities and threats face it.

Under each of the headings below are listed **some** examples of what these might be:

Strengths

Personal talent and skills
Skilled workforce available
Strong reputation in the market
Quality of service
Market share
Strong financial position

Weaknesses

Facilities in need of upgrade
Outdated technology
Undercapitalised
Unstable workforce
Past planning failures
Poor customer relations

Opportunities

New and changing customer needs
Development of new products and services
Changing Government policies
Weak or no direct competition

Threats

Competitor's activity - pricing
 - special offers
 - discounting
Changing economic factors
Zoning restrictions
Shortage of materials or skilled staff
Changing economic conditions
Legal issues
New technologies

Consultancy Services

Accountant/Financial Advisor	name if you have one
Solicitors	name
Bankers	name
Other Advisers	Business name

Financial Management and Control

Relates to the book-keeping system that you will set up in order to meet your obligations regarding GST and all the other taxes that you may be required to pay.

Whatever the system you establish, it should be done in conjunction with your financial advisor so that your compliance obligations are met in a manner that is as stress free to you as possible.

Assets Contributed/Required

Imagine in your mind that it is your first day of business. Describe all the things that your business will need to have available to it on that day in order to be able to deliver the service or product that you have undertaken to provide.

Include the things that you already own and will be contributing to the business, as well as the things that you need to purchase.

Finance Available

How much of the funds required to begin your business can you contribute and how much will you need to borrow?

If you will have to borrow some of the required funds, who will lend it to you?
Do you have any major assets that can be used as security for any loan?

Insurance

Have you considered the types of insurance cover that you may need to purchase? It may include such things as: public liability (pays out should you damage the property of another)

- Burglary
- Contents
- Loss of income through sickness
- Plate Glass
- Business Interruption

Taxation

Will the business be registered for GST? If yes under what terms? Do you understand Provisional and Residual tax and how and when it is identified and paid? Do you understand the PAYE system regarding tax that is withheld from an employee's wages?

Income Identification

Your business advisor should assist you to do this, but here is a guideline;

You should be able to state what it is that your business does that generates income.

If the business is a retailing one, then income is generated by purchasing product from suppliers, adding value to your customer in various ways and adding a mark up to compensate you for your troubles.

If you are providing service then you need to calculate a rate for that service, based on either an hourly rate or a customer number basis.

If you are producing a product then you need to calculate an hourly charge out rate and apply this rate to the products that you can produce based on how long it takes to make them. Don't forget to add the cost of materials to your asking price.

Sales Forecast

Your business advisor will once again be assisting you with this part of your business plan so don't worry.

Calculate your income based on a realistic expectation of what you can achieve each week. In the initial stages adjust your expectations to take into account start up sensitivity as well as seasonality.

Breakeven Point

Your financial advisor will assist you in the preparation of this portion of your business plan. It is the most important part of any business plan as it identifies and explains the level of sales turnover required by the business in order to pay the expenses and leave you, the owner(s) of the business, with an income that will allow you to pay for your own personal living expenses.

The breakeven point should break sales down to weekly levels and identify the required number of customers required or items sold each week to meet the outgoing costs.

You should clearly understand the required sale turnover that your business has to achieve each week **before** you start the business.

The Future

Talk about your short term strategies in terms of the business and your long term goals regarding how you would like the business to be operating after say 2 years.

Signed _____ **Date:** ____/____/_____