

ENGINEERING / TECHNOLOGY ENTERPRISE

Lecture 4

The Business Plan

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THE BUSINESS PLAN

The 'design specs' of your business:

Purpose: a. To help you plan for success and
b. Convince others to back you up.

Rule: Prepare a BP even if you don't require outside finance. It will help you focus.

.....

a. Plan for success:

- Define targets;
- Combine resources;
- Model your business;
- Simulate your environment.

b. Plan to convince:

- Identify the market need;
- Describe the product (or service) that will fit the need;
- Financially quantify the requirements;
- Demonstrate skills and management.

Be: Consistent, precise, positive and realistic

Business Plan Tips:

- Simple, easily understood language;
- No more than 20 pages (if you want to say more, use Appendices!);
- Good Executive Summary (2 pages);
- Financials are only part of it!;
- Must be realistic with clearly defined assumptions and targets;
- It pictures a 'reasonable' and well-quantified risk offering 'good' opportunity for financial rewards;
- Is not over-optimistic.
- Is not over-pessimistic

It might help to use a 'tested model' or a good software package.

Presentation matters: your BP, at this stage, is your only 'promotional' material

Get your 'elements' together and think!

a. Is there a real market 'need'?

- **Some needs are more obvious than others!**
- **Some needs are more important than others!**
- **Some needs are more common than others!**

b. Do I have the product?

- **Is it real or still 'on paper'?**
- **Can I measure what it takes to make it real?**
- **Will it really work? When? At what cost?**
- **Is there a future development for the product?**

c. Am I (are we) the right people?

- **Do I have what it takes to start and run?**
- **Can I make the business succeed?**
- **Can I make the business grow?**

The Components of a Business Plan:

- 1. The 'Introduction' or 'Executive Summary';**
- 2. The Business Objectives and Related Strategy;**
- 3. Principal Activities, Products and History;**
- 4. The Markets, Customers and Competition;**
- 5. Research and Development;**
- 6. The Management;**
- 7. The Basis of Operation;**
- 8. Major Resource Requirements;**
- 9. Financial Information;**
- 10. Principal Risks;**
- 11. The Long-Term Plans for the Business;**
- 12. Detailed Information.**

Headings are the same for both 'new' and/or 'existing' businesses

Business Plan Components:

1. The 'Introduction' or 'Executive Summary'

- This 2-page Summary is the **Most Important Part** of the Document;
- Give Background of Business, its Ownership etc;
- Your Product(s);
- The Market;
- Your People and Facilities;
- Past Record (for old);
- Summary of your Financial Needs;
- Key Forecasts and expected Return on Investments.

2. The Business Objectives and Related Strategy

- Set your Targets (Sales, Profitability etc);
- How and Where you Plan to Sell;
- Why would people Buy from You;
- Explain your Pricing Strategy;
- Promotion and Sales Strategy.

3. Principal Activities, Products and History

- Give your company's history, its products and services;
- Describe any new products.

Business Plan Components (cont.)

4. The Markets, Customers and Competition

- Describe Size and Trends of Market;
- Describe Long-Term Market Potential;
- Describe your Existing and Potential Customers (be precise);
- Why will they Buy Your Product?;
- Is the Demand Seasonal?;
- What is Customer's Expectation on Price, Quality and Service?.

5. Research and Development

- Describe the Current Stage of Product Development;
- Specify Costs Incurred to-date;
- Specify Extent of Further Finance Required in order to Complete Product Development.

6. The Management

- Explain How the Business Management Team is Organised;
- Describe Roles and Show how they Complement Each Other;
- Briefly describe each Key Manager, his/her Duties and Career Highlights.

Business Plan Components (cont.)

7. The Basis of Operation

- **Explain how you Plan to Operate your Business;**
- **Specify who your Suppliers are;**
- **Indicate Alternative Supply Sources;**
- **Describe the Manufacturing Processes;**
- **Clarify your Accounting Systems.**

8. Major resource requirements

- **Give Details of the Finance Required;**
- **Explain the Reasons for the Finance Requirements;**
- **Time-scale: When will the Money be Needed;**
- **State how you will Pay-back.**

9. Financial information

- **Projected Profit and Loss Statement;**
- **Cash Flow Forecast;**
- **Projected Balance Sheet;**
- **Break-Even Analysis.**

Business Plan Components (cont.)

10. Principal risks

Talk about Potential Deviation from Expectations and their Effects on the Business Plan. Perform a Sensitivity Analysis based on:

- **Deviation from Sales;**
- **Changes in Cost of Sales;**
- **Changes in the Timing of Large Expenditure;**
- **Changes in Pricing Policy;**
- **Changes in Distribution Policy'**

11. The Long-Term Plans for the Business

- **Set business objectives for the medium and long term. When and how is real financial success going to be realised?**
- **If you manage to attract investors, When will They Be Able to Realise Big Profits? and How will this Happen?**

12. Detailed information

Include Appendices with detailed information on:

- **Your business plan;**
- **Financial Assumptions;**
- **Details of Management;**
- **Product Specification and Literature.**

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Preparing a Business Plan

A business plan is primarily a management tool. It helps you to focus, in a logical and organised way, on the future growth of your company. The business plan acts as a control device against which management can measure achievement. It should be prepared whether or not you require outside finance.

In addition to its internal benefits, the business plan also serves as a vital document if you need to raise capital (described in detail in the next chapter). A well-formulated business plan will incorporate the following aspects:

An introduction to the business

This two-page summary is the most important part of the document; if it does not create the right impression on the reader, he or she will not read on through the rest of the plan, and the effort put into preparing it will be wasted.

This section should be a concise overview of the business and its products or services, including the background of the business, that is, when it was started and the highlights of its progress, as well as an outline of the key roles of management personnel, previous financing arrangements where applicable and the current ownership of the business. It should also include a statement of its projected activities and the funds required.

The business's objectives and related strategy

This section sets out more precisely the targets that the management have set for the business and the way in which they intend to reach those targets. These targets would include, for example, level of sales, profitability and how much you will take out of the business by way of remuneration.

14 Getting Started

Having set your targets, you must describe how and where you plan to sell and distribute your product or service.

You must explain why customers will buy from you and demonstrate to prospective investors that you understand how your market should be segmented, and that you have the ability to sell and deliver your product or service effectively to the correct targets.

The pricing strategy and policy for your product or service should be explained, and compared to your competition. Show how your pricing approach will enable you to:

- penetrate the market;
- maintain and increase market share in a competitive environment; and
- make a profit.

The principal activities, products and history

Before lending you money, a potential source of finance will want to know all about your product or service and the history of your business.

This section will therefore need to explain the product or service, its key features and its benefits to potential customers. It is always useful to include in the business plan brochures or leaflets about your products.

If you have plans for additional new products or services, describe these, and explain how they will meet changing market needs.

The markets, customers and competition

The purpose of this section is to convince the financier:

- that there is a demand in the market for the particular goods or services of your business;
- that you know your product and the niche that it fills in the market place; and
- that you have confidence in the product or service.

This section should also provide an analysis of existing and potential customers, the market size and trend, and any competition.

When describing the major customers you should mention:

- who they are;
- why they will buy your product or use your service as opposed to those of a competitor;
- when they buy it, whether the demand will be seasonal; and
- what their expectations are for prices, quality and service.

When describing the market size and trends, you should pay particular attention to the current and potential size of the market, and how big it will be in the longer term, ie five to ten years.

Research and development

In many businesses a large amount of funds has been spent or is required to develop a particular product. In this section you should describe the stage of development of the product, costs incurred to date, and the extent to which further finance is required to complete development, test and establish the product in the market-place.

The management

One of the key factors in whether you will reach your targets is the people involved in your enterprise. You should therefore explain how your business's management team is organised and describe each member's primary role, demonstrating how the managers' roles complement each other. Investors are looking for a team with a balance of marketing, financial management and production skills, as well as experience of the product or service you are developing.

A brief analysis of each key manager should be included in which you describe each individual's duties and responsibilities, career highlights, and significant past accomplishments that demonstrate ability for the tasks that will be required.

The basis of operation

A potential investor in your business will also want to know how you plan to operate your business, who your suppliers are and what they supply, alternative sources of supply where possible, manufacturing processes where applicable, including supply and maintenance of plant and equipment, distribution and accounting systems.

This is an opportunity to show that you are in control of the input to your business, and that you have the organisation and capacity to meet the sales targets that you have set. A business which is capable of generating a demand for its products or services must also be able to supply the demand or the door is wide open for a competitor to fill the gap.

Major resource requirements

It is to be hoped that the preceding sections of your business plan have

enthused the potential investor so that he or she feels that you have a business and a management team worth investing in. This is the time to go into greater detail on the finance required, the reasons for it and the time-scale over which the funding is required, so as to set the scene into which the detailed figures of the next section of the plan will slot into place.

Financial information

The business plan should include the following financial information:

- projected profit and loss statements;
- cash flow forecasts;
- projected balance sheets;
- break-even analysis.

Profit and loss statement

The first task of a potential entrepreneur is to prepare a projected profit and loss statement to determine that the business is actually capable of producing a profit. It must reflect your assumptions and plans, which must be stated in detailed notes.

The projected profit and loss statement (Appendix 2) can take various forms, but will usually be drawn up on a monthly basis and will include:

- sales forecasts, both by units (if appropriate) and value;
- estimates of the cost of purchasing the goods and services required, not only to meet your sales forecast but also to build up stocks of your products to service future sales;
- salary levels based on projected manpower levels and costs. Included here would be your own remuneration; and
- expenses: that is, all costs incidental to deriving income, eg rent, rates, light, heat, telephone, stationery.

It is essential not to underestimate the level of your expenses; while it may impress the potential investor initially, it will in due course lead to cash shortages in the business.

When formulating your initial business plan, you should prepare the forecast profit and loss statement for at least two years, preferably longer.

Cash flow forecast

The second step is to prepare a cash flow forecast (Appendix 3). The effective management of cash is a vital part of every business activity. The timing of receipts and payments is very important. Management must be

able to anticipate any shortfall and ensure that there are sufficient sources of finance to cover it.

A typical cash flow forecast would include the following:

- amounts receivable from customers for sales. The important element here is not when the sale is made but when the cash is expected to be received, eg 60 days later;
- amounts to be spent on materials linked to the projected purchases and stockholding requirements;
- salary payments including payment of income tax withheld from wages under the Pay As You Earn system and National Insurance contributions;
- expenses: insurance may be paid once a year, rates every month and so on;
- capital expenditure requirements should be phased into the forecast, remembering that heavy expenditure is usually required at the beginning of the project before production can begin and sales can be generated. The capabilities of the capital equipment must be considered in formulating the overall sales plan and related projected requirements and, if necessary, further capital expenditure should be phased into the cash flow forecast;
- the cash flow forecast should include interest payments on borrowed money. This can be a significant expense and should not be overlooked. Any loan repayments must also be included in the cash flow;
- Value Added Tax payments should be incorporated into this forecast as well as income tax or corporation tax payments, as appropriate.

A very careful review is required to ensure that all likely expenses are built into the budget and cash flow forecasts.

It is important to state clearly the assumptions built into your forecasts about things like inflation, interest rates and foreign currency fluctuations that you have made when preparing your forecast and projections. For example, you may assume that the rate of interest on your overdraft is 10 per cent per annum. If, subsequently, this goes up or down, you will know immediately that you may need more cash or alternatively have more than projected. The assumption would be extended to other receipts and payments, such as how quickly you will get your money from your customers and how quickly you will pay your suppliers etc.

Balance sheet

A balance sheet is like a snapshot of where you stand now. It will list your assets and your liabilities and the extent to which you have invested in the

business. It is important, when preparing budgeted profit and loss accounts and cash flows, also to project what your position will be in future periods and prepare projected balance sheets (Appendix 4). This will demonstrate to the potential investor the strengths (and weaknesses) of your business in months to come.

Break-even analysis

The preparation of the budgeted profit and loss account will enable you to determine what is your 'break-even point'. In simple terms the break-even point is where the income from your sales is equal to your expenditure on purchases, rent, rates, light and other overheads: in other words where you make neither profit nor loss. This is a very effective management tool even for those with no financial background. For example, suppose, to break even, your sales need to be £10,000 per week. Then sales of £9000 will mean you are making a loss, and sales of £11,000 a profit. In Chapter 8 we give a more detailed analysis of the calculations of the break-even point.

It is always useful to prepare a very 'rough' budget and cash flow to begin with and then start to analyse and refine each figure until you arrive at an acceptable result.

Principal risks

It is important to understand the dynamics of what makes your business tick. In order to do this you should ask yourself 'what if?' For example, what if sales are higher or lower than predicted? What if I do not collect from the debtors in 60 days? What if a major customer takes his or her orders elsewhere? By calculating the effect of these questions on your forecasts (known as *sensitivity analysis*) you will be in a better position to know what defensive action you can take if a problem arises.

The business plan should go on to describe the inherent risks to which your business is vulnerable and how you intend to monitor and control them. Your financial projections should include the sensitivity analyses mentioned above, highlighting how your profit and cash flow forecasts will be affected by, for example:

- deviations from forecast sales;
- any change in the cost of sales;
- the timing of large expenditure on capital items;
- any possible changes in the pricing policy;
- any changes in the distribution policy;

- fluctuations in interest rates;
- where the business trades outside the UK, any foreign exchange fluctuations.

The long-term plans of the business

This is an opportunity to set objectives for your business in the medium to long term, based on your forecasts and projections in the short term.

Once you have made all your plans, forecasts and projections, and when your business plan has been prepared, you have a document which identifies the level of finance you require. The next step is to determine which of the many sources of finance available is appropriate.

Detailed information

Finally you will need to include in appendices all the detailed information on your business plan. These would include the detailed budgeting schedules, assumptions, details of management, product literature etc. A suggested contents list for a business plan is given in Appendix 1.

Appendix 1

Business Plan: Suggested Contents

1. EXECUTIVE SUMMARY
2. CORPORATE OBJECTIVES
3. HISTORY
4. PRODUCTS OR SERVICES
5. MARKET AND MARKET STRATEGY
 - (a) customers;
 - (b) market size and trends;
 - (c) competition;
 - (d) estimated market share;
 - (e) market strategy.
6. RESEARCH AND DEVELOPMENT
7. MANAGEMENT
8. BASIS OF OPERATION
9. FINANCIAL INFORMATION
10. FINANCE REQUIRED AND ITS APPLICATION
11. PRINCIPAL RISKS AND PROBLEMS
12. LONGER-TERM OBJECTIVES

Appendices

- A. DETAILED PROJECTIONS
- B. ASSUMPTIONS
- C. MANAGEMENT
- D. PRODUCT LITERATURE ETC

Appendix 3 Specimen Cash Flow for the year ending....

<i>All in £000s</i>	<i>Jan</i>	<i>Feb</i>	<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug</i>	<i>Sept</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Total</i>
Receipts													
Sales													
Sundry receipts													
A													
Payments													
Purchases													
Employees' salaries and wages													
Directors' remuneration													
PAYE													
VAT													
Rent and rates													
Light, heat and power													
Repairs and renewals													
Travelling and entertaining													
Bank interest and charges													
Advertising													
General expenses													
B													
Net inflow/(outflow) (A-B)													
Balance at beginning of month													
Balance at end of month													

MONTH	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
INCOME													
Sales receipts (inc. VAT)	0	705	3173	6580	9753	11519	13160	16333	17508	17625	17625	18683	132658
TOTAL INCOME	0	705	3173	6580	9753	11515	13160	16333	17508	17625	17625	18683	132658
OUTGOINGS													
Salaries	3000	3000	3000	3000	4000	4000	4000	4600	4600	5500	5500	5500	49700
Rent, rates	1950	0	0	1950	0	0	1950	0	0	1950	0	0	7800
Purchases	0	9400	3290	3055	3713	3760	4512	4888	4935	4935	4935	5217	52640
Travel	0	400	300	300	300	300	300	300	300	300	400	300	3500
Light and heat	0	0	110	0	0	165	0	0	165	0	0	165	605
Telephone, fax	0	0	220	0	0	300	0	0	280	0	0	300	1100
Postage, stationery	200	60	95	45	100	90	75	85	90	90	70	90	1090
Marketing	0	2400	1800	2300	1700	1100	1400	1100	1000	1800	1600	1100	17300
Capital equip.	0	8000	2000	0	0	0	0	0	0	0	0	0	10000
Insurance	2000	0	0	0	0	0	0	0	0	0	0	0	2000
VAT @ 17.5%	0	0	1225	0	0	4900	0	0	7700	0	0	8400	22225
PAYE, Nat. Ins.	0	600	600	600	600	800	800	800	920	920	1100	1100	8840
TOTAL EXPENDITURE	7150	20860	9640	6300	6413	11415	7087	7173	15390	8045	8105	16672	124250
MONTHLY PROFIT	-7150	-20155	-6468	280	3340	100	6073	9160	2118	9580	9520	2011	
CUMULATIVE PROFIT	-7150	-27305	-33773	-33493	-30153	-30053	-23980	-14821	-12703	-3123	6397	8408	8408

Cash flow forecast.

RESEARCH AND DEVELOPMENT

- time taken
- cost involved
- grants for development, feasibility study
- protection of invention e.g., cost of patenting

MARKETING

- cost of market survey and strategy
- pricing strategy
- promotion and advertising

FIXED ASSETS

- premises, rental method, rates, property maintenance
- other capital costs and method of payment

FINANCIAL COSTS

- loans, interest rates (and projected future rate)
- costs of administration
- effect of inflation on purchases and sales
- professional fees
- taxes: PAYE, VAT, Corporation Tax

PURCHASES

- cost, credit arrangements and method of payment
- availability of components and discounts for quantity

PRODUCTION

- premises: rental, rates and method of payment
- staff and labour costs
- sales compared with production
- quality assurance: level of faulty products

DISTRIBUTION AND SALES

- transport costs
- sales or distribution agency arrangements and fees

CREDIT CONTROL

- method of payment
- actual length of credit time
- allowance for slow payers and bad debts
- legal costs involved in credit control
- administrative costs involved
- bank clearance times

Some factors involved in cash flow forecasting.

Appendix 4 Specimen Balance Sheets at month end...

All in £000s	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
FIXED ASSETS Freehold/leasehold property Plant and machinery, motor vehicles												
A												
CURRENT ASSETS Stock and work in progress Debtors Cash at bank and in hand												
B												
CURRENT LIABILITIES Creditors Bank overdraft												
C												
NET CURRENT ASSETS (B-C)	D											
LIABILITIES PAYABLE IN MORE THAN ONE YEAR	E											
NET ASSETS (A+D-E)	F											
Share capital/ Proprietor's undrawn profit Profit retained in the business												
Note that F=G	G											

Business Plan Template

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Business Plan Template

1.	Executive Summary.....	4
1.1.	Description of Business.....	4
1.2.	Finance Required.....	4
1.3.	Financial Projections.....	4
1.4.	Business Differentiators.....	4
1.5.	Business Credibility.....	4
2.	The Company and It's Industry.....	5
2.1.	Purpose of the Company.....	5
2.2.	Company founders and skill sets.....	5
2.3.	Competitive differentials.....	5
3.	Products and Services.....	6
3.1.	Main products, services and markets.....	6
3.2.	Distinctive qualities.....	6
3.3.	Technological capacity.....	6
3.4.	Licence/patent rights.....	6
3.5.	Future potential.....	6
4.	Markets.....	7
4.1.	Geographic spread.....	7
4.2.	Market history.....	7
4.3.	Market size.....	7
4.4.	Possibilities for growth.....	7
4.5.	Customers.....	7
4.6.	Purchasing decision makers.....	7
4.7.	Competitors.....	7
4.8.	Market segmentation.....	7
4.9.	Expected market share.....	7
5.	Marketing.....	8
5.1.	Promotion and Sales.....	8
5.2.	Measuring success.....	8
5.3.	Product benefits.....	8
5.4.	Sales expectations.....	8
5.5.	Market positioning.....	8
5.6.	Distribution channels.....	8
5.7.	Customer coverage.....	8
5.8.	Early prospects and interest.....	8
6.	Design and Development.....	9
6.1.	Product/Service development stages.....	9
6.2.	Risks in the design/development process.....	9
6.3.	Design rights and registration.....	9
7.	Manufacturing and Operations.....	10
7.1.	Business location.....	10
7.2.	Source of supplies and workforce.....	10
7.3.	Manufacturing capabilities.....	10
7.4.	Machinery/vehicles/plant.....	10
7.5.	Production process.....	10
8.	Management.....	11
8.1.	Business owners and directors.....	11
8.2.	Non-executive directors and key managers.....	11
8.3.	Planned staff numbers.....	11
8.4.	Recruitment/development/retention.....	11
8.5.	Quality systems.....	11

9.	Finance.....	12
9.1.	Financial requirements.....	12
9.2.	Detailed financial plan.....	12
9.3.	Financial highlights, risks and assumptions	12
10.	Risks and rewards.....	13
10.1.	Risks.....	13
10.2.	Rewards	13
11.	Objectives and milestones	14
11.1.	Action plans and timetable	14
11.2.	Personal objectives	14
11.3.	Business objectives.....	14
	Appendices.....	15

Section One – Executive Summary

The purpose of the executive summary is to ensure that the reader fully understands what the business proposition is about. Specifically, in terms of the unique selling points of the product or service, the size and scope of the business, its target market and how much finance is required initially, together with a plan for the next five years. It's useful to create an initial identity for the business with a logo, together with an outline of your competitive differentials. You need to show the credibility of the team putting forward the business plan.

The executive summary sits at the front of the business plan and is normally completed when you have got all of the information together, in the main body of the report.

- Brief description of business including unique selling points and its target market segment.
- How much finance is required, nature of finance and purpose?
- Highlights of financial projections for the next three to five years.
- What makes the business different from the competition?
- What gives the business credibility (track record, management team, qualifications, etc)?

1. Executive Summary

1.1. Description of Business

1.2. Finance Required

1.3. Financial Projections

1.4. Business Differentiators

1.5. Business Credibility

Section Two – The Company and its Industry

This section sets out the values of the founders, the business and the key players so that their core competencies can be clearly seen and the achievements of the business and its market place can be anticipated.

Information related to the industry per se can be found through secondary research from articles or publications such as Keynote.

- Purpose of the company (mission and objectives)
- A brief description of the founders and their skills, roles and any past successes relevant to the business.
- Discussion of the industry in the context of your business and your competitive differentials. *“Use your logo and outline your competitive edge”.*

2. The Company and It's Industry

2.1. Purpose of the Company

2.2. Company founders and skill sets

2.3. Competitive differentials

Section Three – Products/Services

This section will describe the main products and services, the distinctive qualities, the level of technological capacity, the need for any licenses or intellectual property rights and for future potential.

- A simple description of the main products, services, markets and their application.
- Distinctive qualities or uniqueness of product/service e.g. Low production costs, superior technology, reaction speed, easy to use, quality etc.
- Current technological capacity and further requirements such as replacement products, emergence of competitive technologies and any new research and development findings.
- Licence/patent rights
- Future potential – avoid comparing products being released in the future with those on the market presently.

3. Products and Services

3.1. Main products, services and markets

3.2. Distinctive qualities

3.3. Technological capacity

3.4. Licence/patent rights

3.5. Future potential

Section Four – Markets

The purpose of this section is to understand how the business operates within the competitive market place. It will show where it is situated, the market size and possibilities for growth, customers, competitors and the market share that the business aims to achieve.

- Geographically where is your market?
- What has the market been like in the past?
- What is the market size?
- What are the possibilities for growth?
- Who are your customers?
- Who makes the purchasing decision in each segment?
- Who are your competitors? – What are their strengths and weaknesses, competitive advantages, market shares, future dangers towards your company?
- Any information regarding segmentation of the market and the characteristics of those segments e.g. which segments are to be penetrated, their size and the current and future market positions (regional, national or international).
- What market share do you estimate your business will achieve?

4. Markets

4.1. Geographic spread

4.2. Market history

4.3. Market size

4.4. Possibilities for growth

4.5. Customers

4.6. Purchasing decision makers

4.7. Competitors

4.8. Market segmentation

4.9. Expected market share

Section Five – Marketing

The purpose of this section is to show how the company proposes to market its products or services. It needs to show why that particular method of marketing has been chosen, how you know that you are going to be successful and what it will cost. You need to show a clear understanding of your product in relation to the marketplace, the price you intend to sell for, how it will be made available to the market and an outline promotional plan.

- How do you intend to promote and sell your products and services and what will it cost?
- Why do you think the methods you choose to promote and sell your product/service are appropriate for your particular market and how will you measure success?
- What are the benefits of your products?
- How many do you expect to sell? Over what time period? Account for seasonality?
- What is your position in the market place in relation to the competition?
- Pricing policy
- What will the distribution channels be?
- What will the coverage of customers be?
- What is the type and extent of the interest shown by prospective customers?

5. Marketing

5.1. Promotion and Sales

5.2. Measuring success

5.3. Product benefits

5.4. Sales expectations

5.5. Market positioning

5.6. Distribution channels

5.7. Customer coverage

5.8. Early prospects and interest

Section Six – Design & Development

If your product is new and under development you need to consider design and whether any difficulties are likely to arise in terms of development for the market place.

- What will be the stages of development for the product/service?
- Can you foresee any difficulties and risks in designing/ developing the product/service?
- What steps have been taken/ will be taken to secure design rights/registration designs etc?

6. Design and Development

6.1. Product/Service development stages

6.2. Risks in the design/development process

6.3. Design rights and registration

Section Seven – Manufacturing & Operations

You need to convince investors that you fully understand how the business operates and to show whether it's more appropriate to assemble rather than to make. You should make the most cost effective and suitable choice, in terms of the way you intend to run your business. Identify key players in the market in terms of suppliers, how the supply chain works, whether there are any material supply problems, whether alternative sources of supply exist and indicate your selection criteria for sub-contractors and operating overseas. It is always useful to work your way through the manufacturing and operating systems to make certain that the key points below are being picked up. It is a good idea to put together a detailed operational plan of all the activities to be carried out in a 24hrs period to use as a guide to answer the following questions.

- Where do you intend to locate the business and why? - In the short term? – In the long term? Where will it be? What will it be like? How much will it cost? What insurance will you need? Do you need a licence?
- Sources of supply of key materials or work force.
- What significant dependence is there on key material?
- What are the prospective alternative sources of supply and any projected costs?
- What are the manufacturing capabilities that have you analysed (in house, using sub-contractors etc)?
- What machinery/vehicles do you require?
 - Are these to be bought or leased and on what terms?
 - How long is their lifespan?
 - What selection criteria for subcontractors have you chosen?
- What is the feasibility of offshore manufacturing such as the Far East?
- What is the nature of the production process – machinery and other critical components

7. Manufacturing and Operations

7.1. Business location

7.2. Source of supplies and workforce

7.3. Manufacturing capabilities

7.4. Machinery/vehicles/plant

7.5. Production process

Section Eight – Management

Investors are particularly interested in the skills, motivation and ability of the management team and the owners. They need to know the background of the individuals concerned, their experiences, their skills, their knowledge. The selection process for new employees, particularly key members of staff together with the way that the business is going to be structured is equally important. Identify any gaps within the management team and demonstrate how those gaps are going to be plugged.

- Who are the business owners/ directors?
- What degree of control do the managers hold?
- What are the experiences and roles of any non-executive directors and key managers? (CVs should be included as an appendix).
- What is the summary of planned staff numbers? (Broken down by key functions).
- What future recruitment plans are there?
- What are the strategies to develop and retain the current workforce?
- Are their plans for the implementation of any quality benchmark systems e.g., IIP etc.

8. Management

8.1. Business owners and directors

8.2. Non-executive directors and key managers

8.3. Planned staff numbers

8.4. Recruitment/development/retention

8.5. Quality systems

Section Nine – Finance

The finance section is written after all of the other sections, because it is simply translating your plan into monetary terms. What funds are required and when? What's going to be the profitability for the firm? What risks are likely to happen? What levels of control are going to be exercised over the business in terms of gross profit margins, return on capital employed, sales figures, sales growth?

You need to know elements such as the break-even analysis in terms of what the fixed costs are, what the variable costs are and, when it comes to ascertaining cash flow, undertake a sensitivity analysis. A sensitivity analysis reflects the most optimistic situation within the company and the most pessimistic, enabling you to determine that your cash requirements satisfy the most optimistic and the most pessimistic scenarios.

Financial Requirements

- What funds are required and when?
- What are the terms of the deal? E.g. interest rates, repayment period, guarantees, type of finance, and source.
- What is the anticipated gearing?
- What is the exit route for investors?

Detailed Financial Plan

- Profit and loss account
- Contribution and breakeven analysis
- Cash flow analysis
- Sensitivity analysis
- Balance sheets

Financial Highlights, Risks and Assumptions

- Highlight the financial plan - sales, profit, return on capital, net worth
- Comment on the financial plan
- What are the risks and how will they be tackled?

9. Finance

9.1. Financial requirements

9.2. Detailed financial plan

9.3. Financial highlights, risks and assumptions

Section Ten – Risks and Rewards

What if? What would happen if this or that happened and what would you do? What are the risks and how does the management intend to minimise those? Equally, what are the likely rewards or returns? Perhaps in 5 years time the business may be floated on the stock market?

- Risks: How does the management intend to minimise these?
- Rewards: If the projected forecast materialises, what is the worth of the company?

10. Risks and rewards

10.1. Risks

10.2. Rewards