



Business Planning Guide

INTRODUCTION

BACKGROUND

Planning for the future is essential to success. Good management is about knowing the day-to-day trading position of a business while achieving long-term strategies.

THE PURPOSE OF BUSINESS PLANNING

Business Planning will help you to identify your customers, market area, pricing strategy and the competitive factors affecting your business. By completing a Business Plan, you will discover your competitive advantage, new opportunities and any deficiencies in your existing business.

THE BUSINESS PLAN FORMAT

This Business Planning Workbook has been designed to provide an action learning opportunity for the small business operator. Key issues are set out in a step-by-step manner that allows for research and completion.

It concentrates on the practical elements of running a business and demonstrates that all sections of the Business Plan are interrelated.

The benefits of this planning, however, will not be realised until the Business Plan is implemented and monitored.

In order to keep track of the steps involved in writing a business plan, the following checklist has been included to assist the process.

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NOTE:

Easy Plan is designed as a workbook to assist in the preparation of a Business Plan. The format includes the major items that should be considered.

THE COMPONENTS OF THE BUSINESS PLAN

EXECUTIVE SUMMARY

This section emphasises the key points of your Business Plan and convinces your reader to read the whole plan. It is the single most important part of the document and should be prepared last - after the other sections are completed. This is the summary of the information contained in those sections.

1.0 BUSINESS PROFILE

The purpose of this section is to introduce the reader to your business. It should contain sufficient background information so the reader can obtain a working knowledge of the business.

OBJECTIVES

The objectives of the Business Profile are:

- Know and understand the business you are in.
- Describe the history and achievements of the business.
- Develop a mission statement for your business.
- Assess the strengths, weaknesses, opportunities and threats of the business.
- Set business objectives and goals.
- Business Plan - purpose and outcome.

2.0 PRODUCT/SERVICE AND MARKET ANALYSIS

The purpose of this section is to conduct a detailed analysis of your products/services, and to plan for future products/services with respect to their uniqueness or difference to competitors.

The market prospects, opportunities and characteristics, critical to the survival and growth of the business, are also analysed.

OBJECTIVES

The objectives for the product/service and market analysis component of the Business Plan are:

- Determine the market or need for the products/services.
- Know and understand the future trends in the industry.
- Ensure the needs of potential customers have been correctly interpreted and are designed to meet those needs.

3.0 THE MARKETING PLAN

This component of the Business Plan initially identifies the firm's position in relation to the market. Having established this, it is possible to evaluate the effectiveness of existing marketing programs in the light of current market conditions.

Based on this information it will then be possible to set directions for the future by taking into account the changing circumstances in the marketplace, the varying demands of customers and the preferred future direction for the business itself.

OBJECTIVES

The objectives for the marketing component of the Business Plan are:

- Define and understand your market.
- Know the selling techniques best suited to your business.
- Analyse the impact of major competitors on the business.
- Identify opportunities in the marketplace.
- Apply market research and current trading to set future sales expansion programs.
- Develop a suitable reporting system for marketing activities and results.
- Identify training programs to develop the marketing skills of your personnel.

4.0 THE OPERATING PLAN

The starting point is to assess performance levels of current production. This allows the business to be evaluated in relation to other firms within the same industry. It will then be possible to identify ways to improve productivity, and identify major competitive factors and opportunities for the future direction of the business.

It is essential that this section is also completed by those involved in service industries.

OBJECTIVES

The objectives for the operating component of the Business Plan are:

- Know the current performance levels in your business.
- Understand the activities of your competitors.
- Review production/service delivery processes.
- Maintain advantages in the marketplace.
- Recognise the skills of staff for improving the production/service delivery process.
- Develop efficiencies on costs and production/service delivery inputs.
- Know which production and control systems are best suited to your business.
- Implement suitable reporting systems.
- Identify suitable training programs to develop skills of personnel.
- Set targets (well defined, specific, measurable, time phased, and realistic).

5.0 THE MANAGEMENT AND PERSONNEL PLAN

This section involves the most important resource of your business. The selection, management and motivation of staff are essential to the efficiency and profitability of every business. It is a major cost component and usually has the greatest impact on the financial results of trading.

OBJECTIVES

The objectives for the personnel component of the Business Plan are:

- Evaluate effective time management functions.

- Review current personnel levels, functions and policies.
- Implement a method to appraise performance.
- Identify opportunities for external and on-the-job training.
- Know your legal obligations to staff.
- Know the skills and abilities of staff in order to maximise your performance and staff satisfaction.

6.0 LEGAL MATTERS

The purpose of this section is to deal in a practical way with some of the legal concerns of small business operators. The list has been compiled under the major sections of your business plan. It is not intended to be an exhaustive list and operators should access professional legal expertise and opinion on certain matters.

8.0 THE ACTION PLAN

The major components of the Business Plan have now been outlined.

In order for these plans to become a reality, a sequence of events must be initiated. Actions have to be coordinated and placed into a timeframe (eg availability of funds, market conditions, negotiated positions).

Draw from the action items identified in your Business Plan to complete the Action Plan schedules. This section can be separated and used in day-to-day management and updated at regular intervals. At all times it should focus on the key objectives previously identified.

Regular contact should be maintained with professional advisors to review the outcomes of this Action Plan. Contingency Plans may be required to address risk factors.

EXECUTIVE SUMMARY

Background and description of the business:

Current business/economic position and future outlook:

Marketing Plan

An assessment of the market potential, market share and competition:

Marketing strategies for next year:

Market size and market share by segment:

Next Year 1: _____

Next Year 2: _____

Operational Plan

Product/service and production uniqueness and differentiation:

The management team (experience, talent, and strengths):

Financial Plan

Projected financial results for the year _____

Sales: _____

Profit: _____

Gross Profit %: _____

Capital required for the business:

Amount contributed by principal(s): \$ _____

Additional funds required: \$ _____

Total Funds: \$ _____

Funds to be used for:

Other comments:

1.0 BUSINESS PROFILE

1.1 BUSINESS DESCRIPTION

Describe briefly the legal structure of the business (eg, sole trader, partnerships, and Pty Ltd company):

Location (advantages/disadvantages):

Describe briefly your business in terms of:

a) Products/services

b) Target markets and customer types

Describe any achievements or milestones to date.

1.2 BUSINESS MISSION STATEMENT

This innovative and motivating statement should:

- be a simple, precise statement that identifies why you are in business; give the business a purpose and a difference; and
- define the purpose of the business along three dimensions
 - (i) Customer Groups - who is to be served and satisfied
 - (ii) Customer Needs - what is to be satisfied
 - (iii) Technologies/Services - how are customer needs to be satisfied

Example: A company providing business planning services may have a mission statement that says:

“ABC Biz Plan Services aims to provide small businesses with high quality business planning advice that optimises their business performance.”

Our Business Mission Statement is:

1.3 INDUSTRY KNOWLEDGE AND EXPERIENCE/SKILLS OF KEY PERSONNEL:

(Total Staff = _____)

NAME	POSITION	KNOWLEDGE/EXPERIENCE

1.4 SITUATION ANALYSIS

External Factors - Work through the following list and assess which factors could result in an opportunity or threat to your business. Note whether the factors will have little influence (rating 1) on the activity of your business or whether they will have a major effect (rating 10).

EXTERNAL ENVIRONMENT	OPPORTUNITY	THREAT	INFLUENCE (1-10)
Economy:			
Stage of the economic cycle			
Current interest rate			
Average disposable income			
Competitors:			
Your main competitors product/service			
Their pricing policies			
Their performance - sales, growth, market share, profit, cash flow			
Their customer base			
Technology:			
Innovations in the manufacturing process			
Technological developments in the product (eg substitute products)			
Social Patterns:			
The population make-up (eg age, education, family structure)			
The status of women			
Percentage of work to leisure time			
The standard of living			
Environmental/Legal:			
Current environmental issues (eg population, green movement, energy costs)			
Changes in legislation			
Physical Factors:			
Climatic conditions			
Infrastructure - transport, communications and services			
Other Factors:			

Internal Factors (Your Business)

The following is a self-assessment of your business. The result should lead to a clear identification of your strengths and weaknesses. Work through the list and indicate which factors are strengths and weaknesses and assess whether they are key factors of your business (10 indicates an extremely important factor of your business).

INTERNAL ENVIRONMENT	STRENGTH	WEAKNESS	FACTOR (1-10)
Sales and Performance:			
A comparison of your pricing policies to industry practices			
Meeting of customer needs and wants			
Your sales level compared to capacity			
Your market share			
The current sales trend of your market			
The profit level of the business			
Your marketing plan and budget			
Personnel:			
The experience and expertise of your staff			
Training provided to your staff			
Utilisation of staff capacity			
Staff motivation and satisfaction			
Regular staff meetings			
Utilisation of professional business advisors			
Physical Resources:			
Are your buildings adequate (facilities, size, access)?			
Is your machinery/equipment effective/ (up to date, fully utilised)?			
Financial Resources/Matters:			
Do you have an effective purchasing system/ (credit, stock control, availability)?			
Is your cash flow adequate for growth?			
Do you have access to further funds?			
Does management have access to timely and useful financial information?			
Are key financial indicators of the industry and your business analysed regularly?			
Do you have a strong debt collection system?			
Potential:			
What is your potential for growth or improvement (sales, profit, market share, competitive position)?			
OTHER FACTORS:			

“SWOT” ANALYSIS

List down your strengths, weaknesses, opportunities and threats in the columns indicated. Beside those entries list the strategy or strategies you propose to address each entry.

Strategy	Strength	Weakness	Strategy

Strategy	Opportunities	Threat	Strategy

1.6 BUSINESS OBJECTIVES

The Situation and SWOT Analysis would have given you a clear indication of the market you currently serve, the opportunities to enter into new segments and areas of your business that require improvement.

The next stage is to set some clear objectives to give the business a direction for the future. Objectives should be:

- Clear and concise.
- Realistic/achievable.
- Consistent with the mission statement.
- Measurable and quantifiable.
- Set in a particular time frame.

List major objectives for your business under the following suggested headings, noting how they will be achieved:

- Objectives for sales/profitability and any other financial goal:

- Objectives for market positioning (the position you want to occupy in the marketplace):

- Objectives for innovation (eg. equipment/technology update, quality control systems):

- Other Objectives:

2.0 PRODUCT/SERVICE & MARKET ANALYSIS

2.1 PRODUCT/SERVICE

Describe your product/service in terms of key features and benefits to a potential user, its limitations, and the basis of the cost and sale price.

Example: The features of a motor vehicle could be leather seats – the benefits to the customer are comfort/prestige.

Features: _____

Benefits: _____

Limitations: _____

Cost & Sale Price: _____

Are there any substitutes for your product(s)/service(s)?

2.2 INDUSTRY DESCRIPTION AND OUTLOOK

Describe the industry you are in (including the present structure, size in terms of \$ and volume, and how old it is).

Describe any major trends affecting the industry in the past and the future.

What are the chief characteristics of the market (eg competitive nature, government involvement)?

2.3 ANALYSIS OF MARKET DEMAND FOR PRODUCT/SERVICE

What market research methods will be/have been used (ABS, customer survey, industry information)?

The results of market research conducted are as follows:

Benefits (if any) of test marketing the products/services:

Methods/results of test marketing (if applicable) are as follows: (eg, for packaging, guarantees, price elasticity)

2.4 CONCLUSION

Key points to take into account for development of strategies:

3.2 COMPETITIVE ANALYSIS

List of Competitors:

COMPANY NAME	SIZE	SALES MIX (Product/ Service)	YEARS IN BUSINESS	REPUTATIO N RATING (1-10)

In what areas does your business have a competitive advantage (management, personnel, service, marketing, pricing, delivery, credit policy)? Can your advantage be sustained?

In what areas does your business lack a competitive advantage? Can this be corrected?

Can competitors easily diversify into your market?

FACTOR	YES/NO	REASON WHY
Technology		
Cost of Entry		
Unique Product/Service		
Knowledge & Skills		

3.3 SALES ANALYSIS & FORECASTS

Identify and define your major targeted market segments. What are your current and proposed market shares and total sales \$ and volume (units) for the next 2 years?

SEGMENT (eg, by area, product, store, customer type, distribution method)	CURRENT			NEXT YEAR 1			NEXT YEAR 2		
	TOTAL \$	VOL (UNITS)	% MARKET SHARE	TOTAL \$	VOL (UNITS)	% MARKET SHARE	TOTAL \$	VOL (UNITS)	% MARKET SHARE
TOTAL SALES \$	\$			\$			\$		

How do you plan to maintain/increase your market share over the next 2 years (ie your Marketing Plan concept)?

Other analysis of sales:

Sales can be analysed to assist in monitoring and controlling your business. Select the most appropriate basis for your business and provide projections for your future sales.

By sales personnel: _____

By full time equivalent employee (ie total hours labour to be shown as equivalent full time employees): _____

By client/customer: _____

By % of chargeable hours to available hours: _____

3.4 SELLING AND DISTRIBUTION METHODS

The selling and distribution plans for the business are:

Method (eg, direct marketing/telephone/mail order/retail): _____

Documentation (customer records): _____

After sales service and warranties: _____

List of people/organisations involved in networking the business (franchising, buying groups, cooperative advertising, social, and professional and industry groups, allied services/products, suppliers):

NAME	PHONE	TYPE OF BUSINESS	RELATIONSHIP

3.5 PRICING (DISCOUNTING) STRATEGY

What is the basis of your existing/future pricing (discounting) policy?

Is it possible to increase prices by offering added value?

3.6 ADVERTISING AND PROMOTION

Advertising and Promotions Scheduling

How will your advertising/promotion focus on your competitive advantage/target market?

Packaging - comment on your strategy for packaging (image, positioning, attractiveness, labelling, selling features, cost effectiveness, travel and handling):

Signage requirements/opportunities:

Literature and stationery requirements/opportunities:

3.7 CONCLUSIONS

Major advantages in the Marketing Plan: _____

Main strategies developed: _____

Items identified for the Action Plan: _____

4.0 THE OPERATING PLAN

4.1 CURRENT PERFORMANCE

As a performance measure, rate these operational features relative to major competitors and the industry average.

Operational Feature	Rating out of 10		Notes - Methods for Improvement
	Current	Expected (In next 6 months)	
Cost			
Quality			
Wastage			
Flexibility			
Skill Levels			
Dependability			
Scheduling			
Downtime			
Safety			
Service			
Technology			
Innovation			

4.2 COMPETITIVE ADVANTAGE - PRODUCTION

In what ways is the production of your product/service unique, providing a distinct advantage over competitors?

How can these advantages be sustained?

4.3 LIST OF MAJOR SUPPLIERS

NAME	PRODUCT/ SERVICE	VOLUME PURCHASED	TRADING TERMS	ALTERNATE SUPPLIERS

4.4 INVENTORY

Purchasing: (usage trends, monitoring of supplier - price, quality and delivery, alternative suppliers, knowledge of new materials, emergencies)

Storage: (capacity, access, regulations, safety, and security handling equipment, product deterioration)

Inventory Control System: _____

4.5 THE OPERATING PROCESS

It is necessary to demonstrate how the product/service is produced. Indicate how it complies or varies with industry standards. From this information a realistic production plan and production control system can be worked out.

Detail	Current	Meets Industry Standard	Planned	Meets Industry Standard
Plant/Office Capacity				
Scheduling (operation, sequences & timing)				
Equipment/ Tooling Requirements				
Layout of business premises				
Material Requirements				
Location				
Distribution				
Quality Controls				
Staff levels				
Skill levels				
Purchasing lead times				

4.6 CONCLUSION

Have procedures/operation manuals been prepared? _____

Major advantages in the operations strategy: _____

Items identified for the Action Plan: _____

5.0 THE MANAGEMENT & PERSONNEL PLAN

5.1 MANAGEMENT ISSUES AND KEY PERSONNEL

Supporting Business Advisors, including contact details, are:

Accountant: _____

Solicitor: _____

Bankers: _____

Trade Association: _____

Consultants: _____

Insurance Company: _____

Other: _____

Have job descriptions (outline of duties) and job specifications (education, experience and personal qualities required) been prepared for ALL personnel (including management staff)?

5.2 STAFF DETAILS

Detail the total number of staff employed in the different categories, and wage expense.

	NUMBER OF STAFF			WAGES \$		
	Current Year	Next Year 1	Next Year 2	Current Year	Next Year 1	Next Year 2
Administration						
Sales/Marketing						
Management						
Production						
Secretarial						
TOTAL						

5.3 TRAINING

Current and required qualifications/skill levels of staff are rated 1-10 as follows:

	ACTUAL (1-10)	PROJECTED (1-10)
Administration		
Accounting/ Bookkeeping		
Computer		
Legal Matters		
Marketing/ Sales		
Management		
Personnel		
Production		
Research/ Technology		
Secretarial		
Strategic Planning		
Other		

The following external training programs will be attended over the next 12 months:

Staff Member	Training Course Details	Date	Duration	Cost

Structured on-the-job training will be conducted over the next 12 months as follows:

Staff Member	Training Course Details	Date	Duration	Cost

5.4 CONCLUSIONS

Major advantages offered by personnel and policy:

Items identified for the Action Plan:

6.0 LEGAL MATTERS

6.1 BUSINESS PROFILE

CONTRACTS, LICENCES AND AGREEMENTS

Indicate those areas currently affecting your business and note action required on them in the future.

	KEY ISSUE Yes/No	CURRENT STATUS
Business Purchase/Sale		
Franchise		
Plant & Equipment Purchase/ Maintenance		
Advertising Contracts		
Ownership - Business Name		
- Product Name		
- Assets		
- Intellectual Property		
Distribution Rights		
Purchase/Supply Contracts		
Service Contracts		
Loan Documentation		
Agreements with Customers and Contractors		
Cooperative Agreements with other businesses		

INSURANCE

Detail the insurance for your business - including items and sums insured, premium paid and the frequency of the review of your insurance needs.

6.2 OPERATIONS LEASES

If your business operates from leased premises, are you familiar with all the terms and conditions in relation to:

	YES/NO
Lease Terms and Conditions	
Rent payment provisions (advance, review, formula)	
Term options and expiry dates	
Assignment or transfer of lease	
Permitted use and restriction	
Location/Zoning/Real Property Description	
Relocation or demolition clause	
Body Corporate details	
Outgoings	
Responsibility for repairs and maintenance	
Trading hour requirements	
Government and Town Planning Regulations	

6.3 PERSONNEL

Are you aware of your responsibilities in the following areas?

	YES/NO	Follow Up Required
Termination of employment		
Industrial disputes		
Workplace Health & Safety		
Sex discrimination		
Human rights & equal employment opportunity		
Parental leave		
Negligence		
Holiday & long service leave		
Employment Contracts		
Industry Awards		

6.4 FINANCIAL

Detail your credit policy and how often it is reviewed. Are you fully protected by the stated terms and conditions of sale?

Are you aware of the effect of your legal structure on your personal liability and assets?

TAXATION AND OTHER LEVIES/CHARGES

Are you aware of your legal responsibilities regarding?

	YES/NO	Follow Up Required
Paying various taxes		
Keeping statutory records and receipts		
Employee superannuation		
Desk audits (Australian Taxation Office)		

6.5 CONCLUSIONS

Points to be raised with legal advisor: _____

Items identified for the Action Plan: _____

7.0 THE ACTION PLAN

The major components of the Business Plan have now been completed.

In order for these plans to become a reality, a sequence of events must be initiated. Actions have to be coordinated and placed into a timeframe (eg availability of funds, market conditions, negotiated positions). Draw from the action items identified in your Business Plan to complete the following Action Plan schedules. This section can be separated and used in day-to-day management and updated at regular intervals. At all times it should focus on the key objectives previously identified.

Regular contact should be maintained with professional advisors to review the outcomes of this Action Plan.

APPENDICES

The appendix of your Business Plan will contain copies of relevant documentation which will improve the reader's appreciation of your business and its goals. Accordingly, the appendices should be attractive, readable, and understandable and easily located by clear cross-referencing with the main body of the Business Plan. Material could include:

BUSINESS PROFILE

Checklist

- References from customers and suppliers
- Copies of business agreement/business name
- Awards, details of significant milestones

PRODUCT/SERVICE & MARKET ANALYSIS

- Patents, trademarks and copyrights
- Photos of products, equipment and facilities

MARKETING PLAN

- Marketing material including brochures, advertisements
- Market research reports
- Media releases, features, and articles

OPERATING PLAN

- Quality control and procedures manuals

HUMAN RESOURCES PLAN

- Resumes of key people, references
- Organisation chart
- Training certificates, Degrees

LEGAL MATTERS

- Partnership agreements, Company Memorandum and Articles of Association
- Employment Contracts
- Lease and loan documents
- Service agreements