

PREPARING A BUSINESS PLAN

By Peter Coyne, Peter Coyne & Co., Galway

Investors will only invest in a business if they can clearly see a way to make profit. One well-prepared document is essential to introduce a business idea to bankers, investors, state agencies and business support groups: a business plan. The financial element of the business plan is fundamental. The other key areas are details of the promoters; how the company is to be managed; how production is to be organised and controlled; and a sales and marketing analysis.

The plan should anticipate the questions anyone considering risking their money in a business should ask. It should detail the promoters' backgrounds, management skills and technical expertise. Any areas of management that are not within the experience of the promoters should be addressed as to how the gap will be filled, such as by an accountant or marketing consultant.

It should explain what the product or service being offered is, detailing how it differs from what is currently on the market, or, if it is a totally new concept, why it will appeal to people at all. Competitors should be listed and briefly described, with an emphasis on where the opening is for the new business. The pricing policy is also vital, both for competitive reasons and for the way it will affect the financial projections.

The legal aspects of the product or service must be explained. If it is based on an existing product all the legal requirements regarding copyright and patents must have been checked out. If the product must comply with standards or Directives and requires certification, these issues and costs must be included.

Financial projections are the backbone of the business plan and these are based around the expected sales income from the product or service and the expected costs of production, including overheads.

The results of marketing surveys will describe the likely customers as well as details of principal competitors and the share of the market the new company is likely to achieve. Plans for selling, distribution and promotion of the product should be fully costed.

Plans should indicate where production is likely to be sited and what processes will be used. The supply and terms for raw material, the equipment needed and the availability of trained staff are important factors, even plans for quality control.

The plan must show how much it will cost to establish the business and how the money is to be raised. An important aspect, one that every prospect investor will want to know first, is how much the promoters themselves will be risking, who else is likely to invest, and whether there are to be a lot of borrowings.

The business plan will make clear how much money is going to be needed until the business starts to make a profit. At best, this figure can only be an estimate and should always err on the high side. Starting the business with a commitment for less than may be needed could spell disaster.

The plan should look professional. It does not need to be very long – a short and to-the-point document is more likely to be read.

CHECKLIST FOR WRITING A BUSINESS PLAN

- The objectives of the business
- The people directly involved and their business record
- The product or service and the proposed price
- The market size and potential (who are the customers, are they growing in number)
- Major competitors, their prices, strengths weaknesses
- Expected turnover in the first year
- Results of market survey
- Premises, plant and machinery
- Major suppliers
- Method of Production
- Level of sales required to break even in the first year
- Assets available as security (including the promoter's own investment in the project)
- Comprehensive financial projections
- The size of the investment or loan needed and what it is for (e.g. working capital, purchase of premises, research and development)