

# What details should be included in a business plan?

Depending on the size and complexity of the business, the plan should be a simple document of a few pages or a lengthy report of several volumes.

## Contents

The suggested contents of a business plan are:

- executive summary;
- history of the business;
- management and personnel;
- markets and competition;
- products;
- marketing and selling methods;
- manufacturing processes;
- historical trading performance;
- financial analysis and underlying assumptions;
- risks and rewards; and
- appendices.

## Executive summary

The objective of the executive summary is to provide a concise overview of the major points of the business plan and should be restricted to one or two pages. The summary should cover:

- the purpose of writing the business plan;
- the major elements of the business plan;
- key strategies;
- important actions to be taken;
- any investment required and how it is to be used;
- management experience and its relevance to the proposals; and
- expected returns showing the potential reward to the investor.

## History of the business

The following points should be considered for inclusion in this section:

- a brief history of the business;
- the development of the business, highlighting significant successes and their relevance to the future; the principal reasons for making the decision to pursue this new venture; and

- details on the present financing of the business, including details on shareholders or partners and any security already given to lenders.

## Management and personnel

This section is one of the most important, as the capability of management will be one of the key factors in the investor's decision as to whether or not to invest in the business. The following points should be considered for inclusion in this section in order to highlight managements' ability:

- the relationship between ownership and management;
- brief details of key managers, setting out their age, experience, expertise, past track record, achievement, contribution to the development of the company and their present roles;
- state additional management requirements for the future and how they are to be selected;
- ensure that any vacant positions or weaknesses in the management team are clearly stated along with plans to rectify them;
- if mistakes have been made in the past, state them, identifying how these have been a lesson for the future;
- set out the remuneration policies for key managers, including performance related packages and details of service contracts etc;
- give brief details of other managers and employees, setting out their roles, skills, remuneration, pension arrangements, industrial relations, union recognition and future requirements; appendices should be included setting out detailed CVs of the key managers and a detailed organisation chart, with an additional chart for say three years' time if significantly different.

## Markets and competition

This section shows the investor that the management understand and have given thought to the potential of the product, whilst giving management the opportunity of justifying the predicted market share of the product and thus justifying the forecast. The following points should be considered for inclusion in this section:

- an overall summary of your market setting out its size, growth and future prospects;
- state clearly your positions within all aspects of that market (e.g. product, territories, customers etc.);
- give statistical information substantiating your views on the market and your place within it. In certain circumstances it may be appropriate to commission a market research study to obtain relevant information;
- state clearly why you are in that market and how your prospects compare with the market generally;
- define your customers, stating who they are, where they are, why they buy and when they buy your product;
- give details of the typical order size, state who makes the decision to buy and whether tenders or contracts are entered into;
- state whether there are influences on the buying habits of your customers beyond your control;
- identify the position of key customers within their own market place and the effect of this on your business;
- identify the competition, stating who they are and where they are. Give details of how the competitors compare with your company in size and potential and the market share of each major competitor; and
- state the strengths and weaknesses of the competition and give a realistic assessment of their response to the proposals and how the proposals have taken account of this.

## Products

This section should clarify in the mind of the investor the nature of the products being sold. The following points should be considered for inclusion in this section:

- describe in basic terms the main products or services, stating what is to be sold and how the product is used
- identify the distinctive features of your major products, stating whether these problems can be overcome;
- set out recruitment and training policies;
- give details of present management information systems together with anticipated changes; and state how long each major product will last before the customer needs to replace it;

- state whether any major products are being introduced by competitors, both now and in the future;
- set out the profitability of each major product;
- set out the current stage of development of each major product (i.e. are they still at the research stage or established on the market?);
- indicate future product plans and anticipated dates of introduction
- set out research and development plans, particularly in relation to competing technologies;
- give details of products protected by patents etc;
- give details as to whether products require Government approval and whether this has been obtained, plus details of any industry standards to be met; and
- ensure that product details give credibility to your sales forecast.

## Marketing and selling methods

This section gives further credibility to any predicted increase in market share of the product whilst demonstrating that management understand the nature of selling the product in a competitive marketplace.

The following points should be considered for inclusion in this section:

- a brief introduction to the overall marketing strategy, setting out your thoughts on market share, objectives, image, territorial objectives, specialisation etc;
- details of the pricing policy and whether it is cost or demand based;
- the anticipated effect of this pricing policy on demand for the product and how market share can be increased whilst still making a profit;
- expectations of price movements within the market generally;
- details of product promotions e.g. trade shows, public relations, promotional literature etc;
- state the predicted level of expenditure on advertising and promotions and the expected benefits to be derived;
- set out how the product will be distributed, e.g. own sales force, distributors, retail, export, delivery of goods etc;
- set out the support and after sales services and any warranty arrangements that will be required;
- give details of current order book, typical order size, credit terms offered, enquiries on hand and how they relate to future sales expectations;

- if endorsements from existing or potential customers can be obtained, these should be quoted;
- ensure that plans are practical, recognising any limitations as to human resources that the new venture may entail;
- give details of your sales force, e.g. number of salesmen, location, coverage, remuneration policy, order per call, average order size etc; and
- show that you have identified the decision makers who can spend money on your products and indicate who makes the decisions within your company on who to contact and in what order.

## Manufacturing processes

In this section it must be shown that the production resources for the proposals are either in place, or details of future requirements must be given. The following points should be considered for inclusion in this section:

- a brief layman's description of the production process;
- details of your present and future facilities, e.g. property, plant, available work force etc;
- details of the present and future production capacity and expansion plans;
- state the key factors affecting production, particularly percentage yield and waste and how these are controlled and monitored;
- consider key raw materials e.g. dependence on one supplier, alternative sources lead times, makes or buy alternatives etc; and
- state any production or operating advantages which you have set out and the varying costs at different volumes of production for products still in the prototype stage, careful consideration needs to be given to the transition to volume production, identifying likely areas of delay.

## Contact



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