“What makes a good business Plan?“

• A further seminar in 'A Practical Guide to Business Start-Up' series

By Dr. Olga Kozlova
What?

- A business plan is a written document that describes a business, its objectives, its strategies, the market it is in and its financial forecasts.

http://www.businesslink.gov.uk
Why?

**Externals**
- Business Angels/VC
- Banks
- Partners/Team
- Grant funding bodies
- Competitions
- Buyers

**For Yourself**
- To understand your opportunity
- To plan what needs to be done
- When?
- Monitor progress
When?

As soon as possible – you might not have all the information available, but the exercise will help structure your thoughts, identify gaps and help you decide whether you are ready or not.

The business plan only has value when it’s reviewed and updated regularly.
Business Plan
General Points

People are busy and have 100s of business plans on their desks every week

Short and sweet - 20 page max
Any additional information in the appendices
Punchy and to the point
Make it visual: pictures, diagrams, tables
No less than font 11 and don’t overdo it with colour
Have a table of content and clear references
Be prepared to change

No two people will agree on what is a good business plan

Have the key information
Be prepared to change the sequence, wording etc
Be ready to add additional information but also to cut things out
Be prepared to defend your claims
Take criticism on the chin
Language

People who will read your business plan most likely will not have a technical background and for sure would not be interested in the technology itself.

Use layman language
Talk about benefits to customer not technical features
And focus on how much money you (they) are going to make and how
Emphasis

It’s people not products that make a business a success

It’s better to have a team than to be a one man band

State the roles (CEO, CTO ..., non exec)

• If you are on your own show that you’ve at least identified gaps in your management team

• State what sort of person you’d like to join your team

• If you have previous commercial experience – say so.
Proof

A single purchase order is more convincing than an expensive market assessment

If you have customers – great, write about them
If you have leads to customers – say so
Any independent validation of your claims is welcome
Executive Summary

This is a micro version of the whole business plan most people will only read Executive Summary and you need to sell you business within these 2 pages

Maximum 2 pages
Catchy and exciting
Non Confidential
Written last
**Useful Tip**

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Company

Description of the background
Who you are
Where are you located
What you plan to sell
To whom
Company structure/ownership (if applicable)
Any relevant history
Product and Services

Description of what your business does and your vision

Problem
Solution current VS your offering
Unique Selling Points (USPs)
  Faster-Cheaper-Better
Intellectual property position
Stage and roadmaps of development
  Do you have a number of follow-on products in the pipeline?
Market Opportunity 1

This section is of critical importance and the most difficult to write

Show that you understand your market-
- Who is going to buy your product/service?
- How much will they pay?
- How will your sales grow from year to year?
Market Opportunity 2

**Market size**
Need to be able to estimate the total market and your market segment
Geographical – is it UK, Europe, global
Business to Business or Business to Consumer

**Market trends**
Is the market developing, growing, maturing or declining
How fast is the market growing
Is the market very busy or is there only a handful of players

**Competitors** and how are you better – good presentation as a table

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<tr>
<th>Competitor</th>
<th>Product</th>
<th>Advantages of X</th>
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Distinctly Ambitious
www.hw.ac.uk
Market Opportunity 3

Market Share and Sales

Who will be your first 6 customers?
What will be the price you charge?
How many units are you going to sell?
How quickly will you grow?
What will be your market share?
Market Opportunity 4

Market Penetration Strategy

Customers vs users
How will you access the market?
What are the barriers to entry?
Will you sell directly or through a distributor?
How will you sell internationally?
Team

Investors put money in people

- Executive team: roles
- Non-executive team
- Track record
- Gaps
- Future recruitment
Operations

What kind of facilities you need?
- Office
- Laboratory
- Equipment

Suppliers
- Raw materials, components, agreements

Manufacturing
- Are you going to manufacture yourself or subcontract?
- Does it depend on volume?

How much money will you need?
Financials

3 years financial projections

• Start very simple: what kind of income will you generate?
• Grants/Product sales/Consultancy/Investments/Loan
• What kind of costs will you have?
• Salaries/NI/premises/telephone/post/travel/equipment/consumables/marketing/stationary/consultants/IPR/legal & accountancy fees
• Cashflow – shows movement of cash in and out of your business
• Profit&Loss – shows whether the company made or lost money during a set period
• Balance sheet – summary of the financial balances of the company, showing assets, liabilities and ownership equity
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Financials

Details for the first 12 months
When will you break even?
When will you be profitable?
Realistic
To set out underlying assumptions
Predict sales – the most difficult
People will discount your sales and double your costs
Risk Assessment

List each of the uncertainties or risks and indicate how these will be addressed & reduced, particularly potential deathblows.

Will testing, approvals, clinical trials, export licenses, etc have to be undertaken/obtained?
Action Plans and Milestones

Key stages of development both commercial and technical within next 12-24 months until product Launch

Give measurable outcomes
Clear deadlines
Gantt chart is commonly used