

BUSINESS PLAN FOR AN ESTABLISHED BUSINESS

A business plan is a detailed description of your business together with financial reports, past successes and failures, projections and goals for the future. The value of preparing a business plan lies in all the research you will need to do to reach the final product. In the research process, you will be forced to think about your business systematically and thoroughly, thereby reviewing your ideas critically and possibly avoiding costly mistakes in the future.

GUIDELINE FOR LAYOUT OF YOUR BUSINESS PLAN

1. Cover Page

Your cover page should contain the following information: your business name, the owner's / owners' name/s, telephone number, fax number, physical address, postal address and e-mail address, registration numbers, etc.

2. Executive Summary

This should be written last, after all your research work has been completed. It should be a summary of your business, highlighting the most important aspects.

Include:

- The type of business, e.g. retail, manufacturing, service, etc.
- Your product / service and what is unique about it.
- Who the managers of your business are.
- The funds you require and what these funds will be used for, as well as how you propose making your business more profitable.

Make sure your executive summary does not exceed two pages and is professional, clear and concise. It must sell your business / expansion idea to potential investors.

3. Table of Contents

A table of contents is essential for making your business plan easy to follow and navigate, allowing prospective investors or bankers to refer to specific sections if necessary.

4. Business Overview / General Description

- Mission – what is your business's reason for being and what are your core principles?
- Goals and objectives – clearly define your business's goals and objectives.
- Business philosophy – what is important to you and your business?
- Market – briefly state your target market as this will be covered in detail in the marketing plan section of the business plan.
- Industry – note any growth and long-term / short-term changes you may need to face and how you will deal with these challenges. Briefly list your immediate competitors.
- Strengths – what strengths do you have that will lead your business to success and what are your competitive advantages?
- Form of enterprise – state why you choose to be a sole proprietorship, partnership, close corporation or company.
- Broad Based Black Economic Empowerment – What is your BEE rating and strategy for achieving and/or maintaining compliance?
- History – describe previous successes and failures, sales and profits and any factors that contributed to success or failure in these cases.
- Long-term plans – growth strategies, production, diversification, sale of business.

5. Products or Services

- Describe your product / service in depth and state whether you want to develop new products / services and why.
- Describe your competitive advantages / innovative features.
- Briefly state your pricing, fee or leasing structures.

6. Marketing Plan

A large part of the success of your business is dependent on effective marketing. A marketing plan is a written statement of your marketing strategy and how long you estimate it will take to implement it. The marketing plan can be extremely useful to ensure that you are pitching your product correctly and that you remain focused. Extensive market research is necessary to compile a precise and concise marketing plan. Both primary and secondary research should be done, paying particular attention to areas such as statistics, numbers and your sources. Your marketing plan can also be a useful tool for preparing sales projections.

A marketing plan can be a stand-alone document, as well as part of a business plan. Refer to Form 9.12 for a guideline to writing a detailed marketing plan and Form 9.13 for an easy-to-use competitor analysis.

The full marketing plan and competitor analysis as indicated in Form 9.13 is highly recommended as a useful addition to your business plan.

It may be advisable to utilise the services of a marketing analyst or specialist to develop your marketing plan and strategy and to help you plan and budget just what you will be spending.

7. Operational Plan

The operational plan covers details concerning the daily running of your business and the operating processes.

- **Production & Technology:**
 - Production techniques and costs
 - Quality control
 - Customer service
 - Inventory control
 - Product development
- **Location** – Describe your location or the buildings you currently occupy.
 - Do you lease or own the premises?
 - Access - is it convenient for transport, suppliers and customers? Do you attract walk-in clientele?
 - Costs including rent / maintenance / utilities
 - Business hours
 - Include a drawing / layout plan if you intend to expand your premises to illustrate the new additions to the premises when you apply for an expansion loan.
- **Legalities:**
 - Licensing and bond
 - Permits
 - Health and environmental regulations
 - Regulations that apply specifically to your industry
 - Zoning / building code
 - Insurance coverage
 - Trademarks and patents - existing, purchasing or pending.

- **Personnel:**
 - Employees – how many?
 - Labour – skilled / unskilled / professional
 - Where do you find new staff?
 - Payment structure
 - Training and requirements
 - Written procedures and schedules
 - Job descriptions for all positions – these facilitate internal communication
 - Contract workers – do you use contract workers for any of your work?
- **Inventory**
 - Type - raw materials, supplies, finished product
 - Value of available stock
 - Turnover rate in comparison to the industry average
 - Seasonal build-up
 - Ordering lead-time
- **Suppliers:**
 - List your main suppliers – names and contact details, their reliability, what they supply and how much they charge
 - Credit and delivery policies
 - Do you have alternate suppliers and a back-up supplier for emergencies?
 - Do you anticipate any problems with shortages or deliveries?
 - Are supply costs steady? If not, how do you propose dealing with fluctuations?
- **Credit:**
 - Will you sell on credit? Do others in your industry do so? Is it necessary?
 - Policies on credit - how much will you allocate per customer, bearing in mind the impact this will have on your cash flow? How will you determine creditworthiness of customers? Do you anticipate handling this internally or using the services of professional credit bureaux? What will your payment terms be? Will you offer prompt payment discounts, and what will these be?
 - Extending credit will affect your pricing. The cost of borrowing money needs to be offset against the price you will charge. Calculate how much this will affect your costs.
 - List your plans to keep strict control of money tied up in credit given to customers and in dealing with slow payers by using a monthly age analysis e.g.

Total	Current	30 days	60 days	90 days	Over 90 days

- Draw up your policies to deal with slow payers, e.g. When will you call them? When will you send a letter of demand? When do you hand over to an attorney?
- Outline how you will keep strict control of money you owe suppliers and when it is due to be paid. It is a good idea to use a table, listing each supplier. This helps plan your finances better.
- Find out if your suppliers offer prompt payment discounts or payment terms. The savings can be considerable

8. Management and Organisation

- Who runs the business? What is his/her qualification / experience? Draw up a provisional plan on how you propose to cope if the key person running the organisation is lost or incapacitated?
- Create an organisational chart if you will have more than 10 employees, giving detailed position

descriptions. This will clarify the management hierarchy and everyone's specific functions in your organisation.

- Include CVs of key personnel and the owners if you are looking for loans.
- Business support - list any other support you have in the organisation, e.g. board of directors, management advisory board, attorney, accountant, insurance agent, banker, consultants, mentors and key advisors.

9. Personal Financial Statement

A personal financial statement should be included for each owner and major stockholder in your organisation. Assets and liabilities outside of the business and personal net worth must be shown as personal assets. Personal assets are often used to finance a business and bankers will therefore require this information when approving loans. The owners are generally required to personally guarantee their business loans. Include one spreadsheet per principal member detailing notes, securities, contracts, etc.

10. Financial History and Analysis

- You need to analyse the past trends and fluctuations in your business before making an accurate forecast for the future of your business. It is strongly recommended that you enlist the help of your accountant or auditor to assist you with this section.
- You will need to include information covering the past three years of your business's financial history: year-end balance sheets, operating statements and income tax returns.
- The most recent balance sheet and operating statement is also of extreme importance.
- Include a debt schedule for each note payable on your balance sheet, e.g.

To whom	Original Amount	Original Date	Present Balance	Rate of Interest	Maturity Date	Monthly Payment	Security	Current / Past Due

11. Financial Plan

Give an overview of your company for the past three to five years, including audited annual financial statements, income statements, balance sheets, debtors and creditors age analysis. Only a summary should be included in the body of the document. The complete documents must be attached with the other appendices.

Accompanying documentation required: audited annual financial statements, income statements, balance sheets, debtors and creditors age analysis.

12. Risk Assessment

- Potential for growth, profitability, capital appreciation
- How will the risk factors be addressed?
- Are the risks outweighed by the potential rewards?

13. Exit Strategies

What potential exit scenarios are there for the investors? An investor may want to divest at a certain stage. Financial institutions usually require an exit strategy, according to which their interest (or percentage shareholding) decreases with time as the loan is reduced. You may also wish to gain autonomy as the business grows. Possible scenarios include sale of the company, merger or acquisition and initial public option (IPO), which means going public.

14. Appendices

All necessary and accompanying documents, references and sources should be included. These should not be too large. They include:

- SWOT analysis (strengths, weaknesses, opportunities, threats)
- Brochures / advertising materials
- Industry studies / competitor studies
- Blueprints / plans
- Maps / photos of your location
- Magazine / newspaper articles
- Lists of equipment you intend to purchase or already own
- Leases, contracts, licences, patents, trademarks
- Letters of support from your customers
- Market research studies
- List of assets available for collateral when applying for a loan

15. Perfecting your plan

Your business plan needs to be customised to suit your unique business needs and to appeal to the people whose attention you are trying to attract. The following are some areas that should be considered when perfecting and finalising your business plan:

• **Raising Capital**

Generally you will be appealing to either bankers or investors. Bankers look for information that will assure them of regular repayment, whereas investors look for information that predicts growth and therefore profits and a share in the rewards. For the bankers, you will need to state the amount of the loan you are looking for, how the money will be used and how it will help your business. Also important are your proposed repayment terms and what collateral you are able to offer. Investors will be interested in how you intend to use your funds, both in the short term and long term, and how this will promote growth and a return on their investment. Cover exit strategies, ownership percentages, financial reports and the extent of investor involvement.

• **Business Type: Manufacturing / Service / High Technology / Retail**

Manufacturing: List your planned production levels, costs, pricing, profit margins, production / plant limitations, equipment, purchase and inventory management, new products, etc.

Service: Competitive factors, pricing and pricing strategies, product management, quality control, labour productivity, subcontracting and profits, credit and payment policies.

High Technology: Economics, information systems to be used for pricing, costing, marketing, research and development, protection of intellectual property, retaining of personnel, retaining the cutting edge and being competitive within your market.

Retail: Image, pricing, inventory, customer service policies, location (convenience and exposure) promotion and credit policies.

When your research is completed and all your figures have been compiled, you are in a position to compose your business plan and finalise it into a detailed, precise and professional document that is easily navigated and can be easily understood by prospective bankers and investors.