



HOW TO WRITE A BUSINESS PLAN?

(practical advice and useful tips)

CONTENTS

What is a business plan?.....	2
What is the purpose of your business plan?.....	2
How to use this guide?.....	3
Business plan template.....	3
Financial projections template.....	3
How to write your business plan?.....	4
Business plan writing tips.....	5
What investors look for in a business plan.....	7
What lenders look for in a business plan.....	8
Business plan design.....	9

WHAT IS A BUSINESS PLAN?

A business plan describes someone's business, their products and services, target customers, marketing plan, financial goals and how they plan to achieve them, their management team, how they plan to grow the business and other important details about their company's current operations and plans for the future.



WHAT IS THE PURPOSE OF YOUR BUSINESS PLAN?

1.

TO COMMUNICATE
YOUR VISION AND
THE MARKET
OPPORTUNITY

A business plan is the easiest and sometimes the only way to communicate your vision and the commercial opportunity to potential investors, business partners, financial institutions, landlords, regulatory bodies, immigration authorities, etc., especially when the company is still at the early stages of development and you haven't got any financial results or tangible assets to show.

2.

IT'S YOUR FIRST
REALITY CHECK

Putting your thoughts on paper, while trying to define your products or services and develop a profitable business model, will help you evaluate the potential of your business idea and understand what resources are needed to turn it into a successful business. As you research the target customers and potential competitors, you will test your ideas, adjust your approaches and discover fresh perspectives.

3.

IT'S A PLANNING
AND MANAGEMENT
TOOL

You don't need a formal business plan to launch a business but attempting to write one will help you set clear objectives for the future. When you start a business, you'll be surprised how easily you can get distracted by everyday issues and completely lose direction. A business plan will help you stay on track and remind you of your goals. It's a working document that will evolve as your business grows and market conditions change.

HOW TO USE THIS GUIDE?

This guide is to be used with our [Business plan template](#) and [Financial projections template](#), which can be downloaded from our website.

Business plan template

It will help you present your business in an organised and easy-to-read format. Investors and lenders receive hundreds of business plans and a well-structured document will help you stand out and make a good first impression. The template is divided into ten sections and a number of subsections within each of them. Within subsections you'll find many questions, tables and charts. Answer as many questions as possible, complete the tables and replace the data in the charts with your market research data. Concise answers are better than too descriptive ones just to fill up the page. Make sure every sentence says something important about your business.



After you've answered the questions, you'll have a collection of answers within each subsection. Connect the answers and turn them into paragraphs. If you're not good at writing, ask someone to help you with this step.

Financial projections template

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
Revenue from operations							
Product 1 sales							
Product 2 sales							
Product 3 sales							
Total sales revenue	0	0	0	0	0	0	0
Returns							
Net sales revenue	0	0	0	0	0	0	0
Cost of goods sold (COGS)							
Direct labour							
Direct materials							
Depreciation							
Total COGS	0	0	0	0	0	0	0
Gross profit	0	0	0	0	0	0	0
Operating expenses							
Accounting fees							
Bank charges							
Depreciation							
Electricity and gas							
Equipment hire/lease							
Income tax							

This template will help you estimate the startup costs and forecast your financial results. It consists of a few worksheets: startup costs, profit & loss, cash flow, balance sheet and break-even analysis. There are also a number of charts and ratios, which can be included in your business plan to make it easier to read.

Before entering any data into the template, read the instructions on the front sheet. Then, enter the expected revenue and expenses, using the real market data. If necessary, contact the potential suppliers to confirm prices, bulk discounts, etc. Your business plan will have no credibility if financial projections are based only on your personal assumptions and guesses.

The financial results generated by this template will be used to complete section 9 of the business plan template. Detailed financial statements, listing all revenues and expenses, can be included in the appendices.

HOW TO WRITE YOUR BUSINESS PLAN?

Using the question prompts in the business plan template and financial projections template, write your business plan in the following order:

1.DESCRIBE YOUR BUSINESS and the products and services you sell or plan to sell, (sections 2,3, 7 and 8)

2.MARKET RESEARCH and analysis of your industry, competitors and target customers (section 4). This will probably take the most of your time. See our free guide [How to conduct market research for your business?](#) if you're not sure where to look for the market data.

3.REVISIT SECTIONS 2, 3, 7 AND 8 and based on your market research findings, update / improve your products and services, target market, operations plan, etc.

4.FINANCIAL PROJECTIONS (section 9). Think about how your business will operate, and list all potential expenses and revenues in the financial projections template. It's always better to be slightly pessimistic. The financial results will be calculated for you, and you can complete the tables in section 9. If you're not sure what profit and loss or balance sheet is, see our free [Financial statements guide](#).

5.BUSINESS AND MARKETING STRATEGY (sections 5 and 6). These must be based on the market research findings and your marketing budget. If you're not sure how to develop a strategy for your business, see our free guides [How to develop a marketing strategy for your business?](#) and [Business models guide](#).

6.REVISIT FINANCIAL PROJECTIONS and, if necessary, make adjustments to reflect your business and marketing strategy.

7.FUNDING REQUIREMENT (section 10). Try to be as detailed as possible about the use of funds.

8.READ THROUGH ALL SECTIONS 2 – 10 to ensure they all make sense together. Look for any inconsistencies or contradictions.

9.EXECUTIVE SUMMARY (section 1). State clearly why someone should invest in your business, give you a loan, etc.

10.APPENDICES (detailed financial statements, technical drawings, etc.)

Before you start writing your business plan, read the rest of this guide. After you've written it, review the business plan against the writing tips below to ensure you haven't made any of the common mistakes. In case you're writing a business plan to raise funds, make sure it also meets the basic investor/lender criteria listed below.

BUSINESS PLAN WRITING TIPS

Write with specific purpose and audience in mind

Tailor the language and level of detail to the intended audience. For example, banks are primarily interested in your ability to repay the loan and want to see detailed financial projections (or historical financial data), while investors are more interested in the market size and product-market fit.

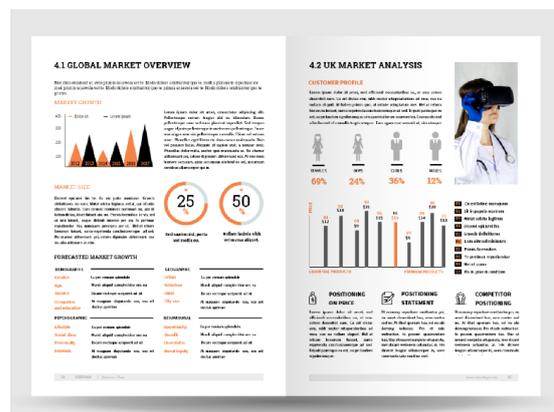
Invest time in market research

Market research is time consuming and many entrepreneurs prefer to skip it. That's a big mistake and one of the main reasons behind startup failures. To succeed in business, you must invest time in researching your target customers, their needs, other companies offering similar products, current market trends, etc.

Back up your assumptions

Your financial projections will be based on a set of assumptions, especially if you are a startup without any financial history. Backing up those assumptions is crucial if you want investors and lenders to trust your projections.

The supporting documentation can include feasibility studies, surveys, market reports, quotes, official offers, letters of intent, information about key competitors, evidence of government regulation changes, etc. Those documents (or web links) can be included in the appendices.



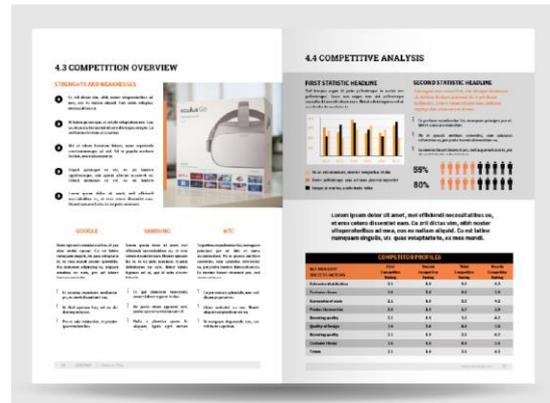
Make sure there are no inconsistencies or contradictions

Read your business plan a few times to ensure all sections make sense together. For example, the sales forecast in section 6 must match the sales revenue in the profit and loss forecast in section 9. Or, marketing expenses in the profit and loss forecast in section 9 must reflect your marketing strategy described in section 6.



Show commitment and determination

You must persuade your audience that you're determined to succeed and that you won't give up as soon as the first difficulties arise. Throughout your plan, show confidence in your business and explain why you care about it. Aim to create an emotional connection with your audience that will motivate them to support your company in achieving its goals.



Avoid using acronyms, technical terms and jargon

Write your business plan for an average person who has no the specific industry knowledge. If you have to use acronyms, provide the full names in brackets. Avoid highly technical terms and complex diagrams that your audience may not be familiar with.



Keep it short and to the point

Avoid long descriptions and focus on providing clear and concise information about your business. Unless absolutely necessary, your business plan should not exceed 30 - 35 pages, excluding the appendices. If asked to send it by email, always send it as pdf.

Keep the tone, style and voice consistent

You can write your business plan either in the first (I, we) or the third person (he, she, it, they) but don't use both. The third person would sound more professional. If you find it difficult to correct your own writing, ask a friend or family member to help you with this.

Keep it up to date

If you introduce a new product or open a new store, make sure to update your business plan. The markets are constantly changing and the market analysis section should be updated from time to time. Review your business plan regularly to ensure it's up to date, especially before you send it to a lender or investor. Don't make them feel that they're reading an old business plan.



WHAT INVESTORS LOOK FOR IN A BUSINESS PLAN



EXPERIENCED MANAGEMENT TEAM

They invest in people who either have the specific industry experience or have successfully developed companies in the past. If you neither have the industry nor entrepreneurial experience, you have to ensure your business employs people who do. The investors want evidence that your business is managed by people who have the skills to take it to the next level and who won't waste their money.



STRONG BUSINESS CASE

To attract angel investment or venture capital, you must show that there's a large growing market for your products and services, that you have a considerable competitive advantage over the current market offering and that you've developed a detailed action plan (including risk management plan) that your management team is ready to execute and achieve the company's objectives.



HIGH POTENTIAL RETURN

Although in reality it doesn't happen often, many investors hope for a return of at least 10x their investment within 5 years. Bear that in mind when explaining how their funds will be used and what return on investment they could expect. At the same time, try to be as realistic as possible.



EXIT STRATEGY

Before they make an investment, most investors want to know how and when they can expect to receive the return on their investment. Make sure that's clear in your business plan. Common exit strategies are buyback by the company founders, sale of the business or IPO (initial public offering).

WHAT LENDERS LOOK FOR IN A BUSINESS PLAN

Lenders want assurance of orderly repayment and they normally use “the 5 C’s of credit” approach when assessing loan applications. Bear those in mind when writing a business plan for a lender.



CHARACTER

It includes your credit history, education, work experience, experience in running a business, experience in that particular industry, etc. Your personal integrity and good standing are also assessed.



CAPITAL

They want to know how much you’ve invested or plan to invest in your business, or in other words, how much you would lose if the business failed. That’s how lenders measure your commitment to the success of your business. From their point of view, the higher your investment, the lower the likelihood of default. Your ability to access other financial reserves in case of unexpected emergencies or setbacks is also assessed.



COLLATERAL

A collateral could be your business or personal assets, such as real estate, vehicles, equipment, inventory, cash, etc. Most lenders aim for a collateral coverage ratio of 1 (the value of the collateral at least equals the amount of the loan principal). They will also consider any existing debt you still owe on that collateral.



CAPACITY

The lenders want to know the earning potential of your business and its capacity to repay the loan. For existing businesses, they look at historical financial statements and forecasts. For new businesses, they review the projected financial statements and how they compare to the industry averages.

The lenders need assurance that there will be sufficient cash flow and that you can realistically afford the loan. Typically, they want to see £1.25 available for every £1 of debt, to account for unexpected expenses or sudden fall in sales.



CONDITION

The current market conditions and trends (economic, political, environmental, social, and technological) are assessed by reviewing the market analysis section of your business plan and data from industry associations and government and regulatory bodies.

The lenders also want to see that you have identified and have a mitigation plan ready for any potential risks that could adversely affect your business and its ability to repay the loan.

BUSINESS PLAN DESIGN

Business plans are usually very long documents, and to keep the readers' attention, it's important to make them easy to read. After you've written your business plan try to replace some of the text images, charts, graphics, etc. Make sure to include photos of

the founders, employees, products, premises, happy customers, etc. That will make the business feel more real and increase the readers' trust in you and your company. In case you lack inspiration, see the [business plan samples](#) on our website.

We hope this guide helps you write a business plan for your company and achieve your funding and other goals. Should you need further assistance, please visit the [business plan writing services](#) page on our website or contact us at businessplans@mcboffin.com.

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