



NEW YEAR NEW BUSINESS

Ready to embark on a new chapter and start that business you've been talking about?

You'll need a business plan first.



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Perhaps your new year's resolution was *finally* starting that business you've been talking about. You've got a great business idea. Maybe you've already registered the business, and even started initial conversations with potential suppliers.

**But what if you've never done this before?
That's where **business planning** comes in.**

You'll need to write a clear and effective business plan so that potential investors, partners and banks can understand your vision and prospects of success. In this guide, we'll walk you through everything you need to know: why business plans are important (and what you can expect to gain from making one); how to set your goals and objectives; how to create financial and marketing plans; what to analyse about your competition; and how to write an executive summary. And it isn't just for others that you need this plan – documenting your plans and goals gives you the clarity and focus to start *and grow your business*.



Business plans are your recipe for success.

Are you walking into the business world for the first time? Without a business plan, you may as well be walking in blind. No matter how simple a business idea may seem, the work involved in running a new business will be complex, so you need to prepare yourself. A business plan can help you make the process as smooth as possible - think of it as the recipe you're going to follow to construct and develop your business.

Research shows that companies that write and review their business plan regularly [grow 30% faster](#) than those without one. Writing a plan may seem complex, but it doesn't need to be pages of words and numbers. Keep it simple, effective and visually easy to follow.

An effective business plan will help you receive financial support, understand your market, define the overarching goals, objectives and expectations for your business; and help with money management.

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01

SET YOUR GOALS AND OBJECTIVES

Just like you need a final destination before you can land a plane; goals and objectives steer a new business in the right direction and help to keep an existing business on the right track. Plus, including your business goals and objectives in your business plan will give the reader confidence in you and the future of the company.

It can be difficult when starting a business (and consequently, very time-consuming) to determine what your goals are. But as the owner of the business, it's your job to outline your key goals and objectives, so you (and your employees, if you have any) know where you are headed and how you're going to get there. Set some goals. Ask yourself: where do you want the business to be one, three, and five years from now? Then, identify the objectives that will help you reach those goals. To begin with, you'll need a firm understanding of what goals and objectives are:

Goals are where you intend to go. They provide direction, motivation and a way to measure progress. Goals are what you want to achieve and when you are going to achieve them. The more specific - and realistic - the goals, the more attainable and measurable they are.

Objectives are the steps you take to achieve the goal. Objective setting is key to making sure you reach your goal within the set timeframe.

Once you've identified where you want your business to be in a year's time (and beyond), you can break down the ideas into 'SMART' goals. Setting 'SMART' goals and objectives is a great way to clearly present and explain what your goals are, and to provide measurability.

SMART goals are **SPECIFIC** (clearly defined), **MEASURABLE** (a figure or value that can be tracked), **ACHIEVABLE** (realistic), **RELEVANT** (relate to the overall business) and **TIME-SPECIFIC** (attached to a deadline to keep the business on track).

Let's take a look at that in practice: say that you have a goal to reach 1,000 new subscribers by the end of the month.

What objectives will help you to reach that goal? Some examples in the first month of starting the business might be:

- Creating new social media accounts and investing in digital advertising to increase brand awareness
- Offering a discount for the first 500 clients to create a sense of urgency, or hiring a salesperson to contact potential leads

When writing the goals and objectives section of your business plan, you should dive into as much detail as you can – the more information, the better. The reader will feel more confident about the business if you can provide clearly defined actions to achieve your goals.

Let's add objectives to the goal of growing your subscribers by 1,000:

To meet our goal of onboarding 1,000 new subscribers by the end of the month, we have hired an experienced salesperson to contact potential leads. Our marketing department will run a three-month social media campaign offering a discount to the first 500 clients and create effective brand awareness display ads.

[Lorna Jane](#), an Australian-born activewear brand, detailed their goal for 2020 as preserving the resources of our planet and contributing as little waste to landfill as possible. To ensure they meet their goal, the brand has switched to solar-powered offices and warehouses, reuse and repurpose their packaging where possible, and reduce emissions by shipping directly from manufactures to stores instead of using warehouses.

Clearly, being able to set and accomplish goals is what drives businesses forward. But remember, once your goals and objectives are set, the work isn't over. Next, you need to meet what you're setting out to achieve and that means regularly reviewing where you are, progress made, and any potential gaps that need closing – don't let your business goal post sink into the background.



02

PREPARE A FINANCIAL PLAN

Starting a business can be a huge investment for yourself, for investors, partners and for banks. Preparing a financial plan for your business can show you the costs involved, and provide you with valuable insights as to how your business will profit in the future.

If you're starting a business, you won't be able to use historical data for your first financial plan. So, it is important to remember that the financial section of your business plan will not be exact for tax purposes initially; it will be an educated guess. If, however, your business is new but somewhat established (e.g. at least a year old), you can use the past year of financial data as a reference.

What to include in your financial plan

Sales forecast

A sales forecast is exactly what it sounds like: your projection of what you expect to sell in a certain period of time. Your sales forecast is typically the most important aspect in the financial section of your business plan, especially if investors or partners are involved. You need to ensure that the sales forecast is consistent with the sales number you have generated in your profit and loss statement.

Expense budget

If you're starting a business, you're going to need an idea of how much it's going to cost to actually

get the business off the ground and continue running. This will include your fixed costs such as salary, rent, insurance and equipment needed to produce what you are selling, and your variable costs such as raw materials you need to make products, inventory, and freight.

You can check out the Australian Government's budget planner [here](#).

Cash flow statement

A cash flow statement outlines how much money your business brought in, how much money went out, and what the final balance was. Think of it as a money schedule: you know exactly when and where money is coming or going.

The cash flow statement will help you understand the difference between what your profit and loss statement reports, and what your actual cash position is.

Profit and loss statement

A profit and loss statement is essentially a visual representation of how your business made, or will make, a profit or loss over a certain period of time. Profit and loss reports are generally presented in a table that lists all of your revenue and expenditure streams. At the bottom, the report will show the total net profit or loss. For a new business, this is an important way of identifying if your business idea is financially sustainable.

Break-even analysis

A break-even analysis is a calculation of how much revenue you need to make in order to pay for your expenses. Expenses to consider in your analysis are those in your budget, such as your variable and fixed costs. From your break-even analysis, you'll be able to identify the right pricing scale for your product or service that not only covers your costs, but also allows you to set revenue targets that ensure you are

profitable. Check out Microsoft's free [break-even analysis](#) and [profit and loss](#) templates to help you get started.

Reading the financial section of a business plan is the defining moment in the reader's mind. Whether they are an investor or potential partner, the financial section is what transforms your business from an idea into dollar signs. It's what they need to make an informed decision on whether it's worth taking a chance on your idea.

So, take the time to plan your finances wisely: be realistic about what is achievable, especially in the beginning when resources and cash may be limited. This will ensure you have a solid foundation on which to build your business and keep your investors or the bank happy with their returns.

**Be realistic
about what is
achievable.**

03

ANALYSE YOUR COMPETITION

Analysing your competition should be a key component of your business plan. Developing an in-depth understanding of both your current and potential competitors is critical to ensuring your business survives and grows.

Conducting a competitor analysis can be a time-consuming exercise, so to make the process easier, start with the current businesses you will directly compete with.

For example, if you plan on opening a local bakery, you should investigate the other bakeries in your area. Go out and visit the bakeries nearby and see how the customers behave, the demographics of the customers, how the staff interact with them, the prices and even find out what suppliers they use. You can learn a lot from talking to the customers, including their favourite items, what they think about pricing and why they go there.

After seeing the competition up close, you can dig a little deeper behind the scenes. Look into their social media following: do they have a website, a Facebook profile, Twitter or Instagram? See if they have any advertising, reviews or promotional literature.

If not, you've discovered something that they are missing and can capitalise on it.

Answer the following questions about your competition:

- **What are their strengths?**

How are they unique to the market? What makes the customers come to them?

- **What are their weaknesses?**

Find out what their business is lacking and if you can fill that gap.

- **What are their objectives?**

View your industry through their eyes. Identify what they are trying to achieve.

- **What marketing strategies do they use?**

Look at their advertising, social profiles and public relations.

- **How can you entice their customers?**

What can you offer them that your competitors can't?

Next, you need to evaluate your indirect competition. Indirect competitors are businesses that offer a similar product or service to the same customer base indirectly. For instance, as far as a local bakery is concerned, indirect competition would come in the form of supermarkets, online groceries and fast food delivery services, bulk-buying from suppliers and even petrol stations. Establish why your customers may choose the other businesses over yours and the potential impact of those businesses on yours.

The final step in your analysis is to identify potential future competitors. It can be difficult to predict which competitors will enter the market and when, but there are a number of things to consider: what brought you to the market? What if someone sees your business success and follows in your footsteps, or what if one of your existing competitors expands? If you're serving your market well, others may pursue their dream of starting their own business and become your competition.

When writing your business plan, summarise your findings by answering these questions:

- **Who are my current, indirect and future competitors?**
- **What are their strengths and weaknesses?**
- **Who is their target market?**
- **What size company are they?**
- **What will happen if new competition enters the market?**

Once your analysis is complete, you can make changes to your business plan to reflect your findings. Whether it be your pricing, location or marketing strategies, by analysing your competition you can set yourself apart from other businesses.

This type of analysis shouldn't stop at the business planning stage; it should be an everyday occurrence as long as your business is active. Keeping your eye on the competition, both direct and indirect, will be an important factor in your success and longevity as a business.

04

DEVELOP A SALES AND MARKETING PLAN

The sales and marketing section of your business plan should cover the basics: it should define your target market and competition, and provide an overview of your product messaging, pricing, and other marketing strategies to maximise sales.

Marketing is not just advertising; marketing is an investment in the growth of your business. Like any other investment, money spent on marketing must generate a return. With that in mind, the aim of the Sales and Marketing chapter of your business plan is to answer the question: “How will I reach my customers?”

To answer this question, you can expand on the following:

Product

Describe the product or service offered to your customers. This should include what the product or service is, what it does, how it differs from your competitors and what benefits it provides to potential customers.

Price

Outline your pricing strategy for reaching your sales targets. How will the pricing structure look to customers, and how does it measure up with the pricing set by your competition? If your pricing is higher or lower than your competitors explain why you made this decision.

For example, it could be that you use better quality materials or ingredients, your packaging is sustainable, or another factor along those lines. When assessing the price, make sure you take into consideration the calculations covered in the financial section of your business plan. You need to ensure that fixed and variable costs are covered in your pricing, as it will allow you to see your profit margins and adjust where necessary.

HubSpot have a great break down of what to include in a pricing strategy, as well as a free [pricing strategy](#) calculator.

Distribution

If you are selling a product or service, you need to specify how your customers can purchase it. For example, will you sell online or in a physical store? If you're selling from a store, expand on how many locations are involved and how many products or services you anticipate will be sold at each location.

Another factor to include is delivery. Will your product or service need to be delivered and if so, what cost will you incur, or will you pass it on to the customer? You also need to decide if you will ship locally or globally, and whether you will include insurance or make it an optional extra. Do some research into shipping providers and find out what discounts they offer for businesses, and if you would benefit from setting up an account.

Promotion

What promotional activities are you going to use to promote your product or service to your potential customers? If you are going to advertise, where and what is the expected cost? Will you be running promotions on social

media platforms, and if so, who will be managing the accounts? Are you going to have any special offers, coupons, or incentives to get customers onboard? These ideas all need to be planned and have associated costs attached to them to ensure you stay within your budget.

Sales

You will also need to produce a sales strategy that identifies how you will sell your product or service, as well as any aftersales services you may want to provide. Define what your sales process looks like – will you have someone on the ground, or will it be purely online sales? What if people have questions prior to purchase – how will you service these inquiries?

Your sales strategy should identify what kind of product or service training is required for each stage of the buying cycle, outline any incentive programs for your sales or customer service team, and build any costs associated with these activities into your budget. Another important section to cover in your sales strategy is how you're going to generate leads and monitor progress.

The key thing to consider is how you will track the leads once identified, and ensure they are followed up for the best outcome: a sale.

You can also briefly run through the sales you are anticipating in the first year based on your budget from the financial section of your business plan. This will allow you to align your sales forecast and financial budget, so they are working together to achieve the same outcome.

Finally, include any marketing material you have developed so far, including your logo, signage, website designs, or leaflets. Make it simple for the reader of your business plan to visualise your idea and see how it will look in real life. The more you can bring your plan to life, the easier it is for investors or the bank to see your potential for success. Check out this blog from [Pipefy](#) for some great ideas for small business sales strategies that you could implement in your business.

05

WRITE AN EXECUTIVE SUMMARY

Even though your summary is generally at the start of your business plan, it is often written last. The purpose of an executive summary is to outline the company's purpose and goals. It needs to clearly define each section of your plan, so the reader is prepared for the upcoming content. Your summary is considered the most important part of your business plan: it sets it up for success.

Think of your executive summary as the trailer for a new Hollywood blockbuster. You must capture the main points and most valuable information to make the audience want to see the whole film. Save your figures and charts for the main segments of the plan.

Your summary will vary depending on your business structure. If you're a start-up, you would likely be delivering your plan to banks or investors. So, you need to present a solid case for your business idea. If you're an existing business, you may want to include your successes so far and highlight your plans for growth. A typical executive summary includes:

Mission statement

A mission statement is a summary of the objectives and key values of the company or organisation. It should clearly describe your purpose.

What do you do? Why does your business exist? Who are you as a company? For example, if your business was a bakery, your mission could be 'to provide homemade, organic and locally-sourced baked goods to the community.'

Business model

What does your company do? If you are providing a service or product, they need to be identified. Where and how is your service or product sold? Who is your target market, and how will you reach them?

Market and competition

Give a brief outline of your market research findings in relation to your industry and competitor advantages. How will your business benefit the market and customers? What is your unique selling proposition (USP) that makes you stand out from the competitors?



Financial projections

Your financial projection should cover the expected revenue for the first 1-3 years and growth rate moving forward. Provide a brief description of costs to consider, such as salaries, number of employees and job roles. Then summarise the expected customer base, how you will acquire them, and the profit they will bring.

Funding requirements

Provide a short explanation of why you need financing and how you will use it. You can save the dollar value for the detailed financial section of your business plan.

Now that you know what goes into an executive summary, you need to write one. The key thing to remember when writing your summary is to keep it short and to the point; the business plan itself will provide the detail. The

job of the executive summary is to set the tone for the reader without revealing all of the nitty gritty at once, so it is highly recommended that you keep it under two pages.

Ensure that your language is strong and positive. Avoid words like 'possible', 'might' and 'could'. It won't instil a lot of trust in the reader if your business 'might have a 25% ROI'.

Along with a confident tone, you also want to tailor the summary to your audience. If you are presenting your business plan to an investor, you should illustrate that your idea is a solid investment with a clear ROI, otherwise they will lose interest relatively quickly.

An effective business plan is crucial.

Whether you have ambitious plans for growth or simply want your new business to be sustainable, an effective business plan is absolutely crucial to your success.

But an effective business plan won't write itself. It's important to plan how you'll structure the document before gathering all of the data, brand messaging and other information you'll need to include. You'll need to carefully set your goals and objectives; create separate financial and marketing plans; be able to identify the relevant competition in your market and what their strategies mean for you; and how to write a persuasive executive summary – so that potential investors, partners and banks see the full extent of your vision.

For more information on business planning, as well as practical tips you can use right now, there are plenty of resources available on the [Cashflow Manager](#) website.

Now, it's time to get out there and build your dream business. Good luck!

