



Factsheet: How to Write a Business Plan?

What is a business plan?

A business plan is a document that provides researched information about your business, its market, operational details and finances, including sales projections and marketing information. A business plan consists of a series of individual plans, which together make up a vision and strategy for your existing company or your company-to-be.

The most useful and used business plan is no more than 8 pages long. More extensive business plans for existing businesses could have up to 25 pages, with additional detail in the appendix. If you are starting up in business you might prefer to write a short business plan, which can be developed while you are setting up in business.

Most people will only write a business plan when they are thinking about setting up a business or need money from a bank or funding body. However, the ideal business plan should be like a road map; you define your destination and the business plan acts as your route plan for getting there, helping you to negotiate the unpredictable road blocks, stoppages and hazards along the way. Every year you should revise your business plan, evaluate and amend your objectives, and prepare financial forecasts. Planning is an ongoing activity.

Most people have a business plan in their heads when setting up. The value of committing it to paper emerges when you are monitoring your progress, need to prioritise and make quick or strategic decisions, get the best out of your time, and need to raise funds. Writing a business plan will help you understand where you are now, where you are going, how you will get there, what it will cost, how much help you need and what you will get out of it.

Why do you want to write a business plan?

There are many valid reasons to write a business plan:

- A written business plan will help you to put your ideas into action and can act as a regular check (or stick!) that you are achieving what you set out to do.
- A business plan makes you think more strategically, it allows you to take a distance from your day-to-day work and to create a vision for the future and objectives.
- A business plan can become an operations manual that covers all aspects of the business and can therefore be used for guidance in day-to-day decision-making.
- A written business plan can convince others such as a bank or funder that your idea is viable, and to demonstrate that you know and understand your business and the market the business will operate in.
- Writing a business plan will minimize the risk of setting up in business, because research make you understand the risks involved better, you have to think carefully about every aspect of the business and explain the reasoning behind the decisions, so you can anticipate potential problem areas and prevent major disasters. Writing a business plan will make you feel more confident, and that confidence may just rub off on others!

Gathering information

Preparing your business plan starts with gathering information on which you will base your decisions about strategy and objectives. This information will come from both inside and outside your organisation or business.

Never get someone else to write your business plan for you. The business plan needs to convey enthusiasm and energy, which is unlikely to be achieved if the plan is written on your behalf by your accountant or other professional advisers.

Proper research is essential, and can take weeks, possibly months to complete. However, it will help you to test the viability of your idea and will help remove many of the doubts you may have before you have to make important decisions about your future livelihood.

You can do very practical market research by showing potential clients your products or examples of your services. Ask them what they think of your product or service, if they would buy it, how much they would want to spend, where they would expect it to be sold, ...
You can do a questionnaire to collate more formal information.

Research doesn't always involve potential clients. You could interview people who are already working in similar organisations or markets, and ask their advice about all aspects of your business plan. You could try and get a temporary job or (voluntary) work placement in a similar organisation or market that you want to develop to learn more.

Market research about the creative or cultural sector you are interested in can be done via trade magazines, websites, organisations, exhibitions and events. Many art sectors have specialist organisations with websites, newsletters and libraries.

The content and structure of your business plan

Cover

Front page with your company or project name, your name and contact details, month and year when written, year to which forecasts relates to.

Introduction

Summary of the business plan is only really needed when the business plan is longer than 10 pages.

Short introduction of yourself and a brief description of your work and business. Explain the purpose of the business plan and highlight key aspects.

Vision - What do you want to achieve in the next 5-10 years?

Describe in no more than 100 words what you want to do, how you are going to do it, who your main target client groups and markets will be, and why you want to do this.

This is where you really sell your idea for a project or business.

Objectives

Business objectives are statements about what you want individual parts of the business to achieve. Once you have your objectives, you can determine your strategy and go about setting tactics through the development of a detailed action plan.

When setting objectives make sure they are SMART; specific to your business, measurable so that you can check against them afterwards, ambitious but achievable, realistic, time-bound so within a specific time frame.

Your plan should have in total 8 – 10 objectives covering the following areas:

- Products and/or services
- Marketing
- Finance
- Organisation & People
- Equipment & Location

Examples of SMART objectives are:

- To double my turnover from £3,000 in 2003 to £6,000 in 2004.
- To get 2 exhibitions in East London galleries in 2004.
- To organise the launch party, which will be attended by 150 friends, 80 potential clients and 10 journalists.
- To employ a student for a work placement for six weeks in the summer.
- To save 5% of my turnover in a stakeholder pension.

Action plans

The objectives will explain what you want to achieve, the action plan will give the detail of how you are going to achieve them, who will do what, how much it will cost and when the tasks need to be complete. Again the action plans should be SMART. These detailed plans can be a major tool in monitoring your progress.

You will probably have to develop all plans simultaneously as they are strongly interrelated and influence each other. Do not treat each part of the plan as a separate entity, they will overlap to show how your business will operate overall. Action plans to take into account:

Product/Services plan

- Describe your product range, individual products and/or services in more detail. Include also services you might want to provide such as teaching, workshops, writing articles. You can include small images of products. Use plain English and avoid too much technical language, your bank manager needs to understand it!
- What makes your range of products and/or services different? What are the advantages? What are their unique features in comparison to your competition?
- What prices are you going to charge for the various products and services? Are there any discounts?
- Why are you adding or amending products or services to your existing range? Are there new production techniques or new trends?

Marketing plan

- Describe your target markets, market segments and/or specific clients; i.e. UK or overseas, London, high-end market or mass market, young professionals, department stores, galleries, ... Give details of clients. Give an indication of how many potential clients there are. Show with the help of your market research that you have got clients and who they are.
- Do you know what your potential clients want? When do they want it? Where do they want it?
- Explain your distribution channel or how you are going to sell; i.e. direct to end customer via your studio, mail order, e-commerce, agents, distributors, trade fairs, ...
- How are you going to reach your clients? What promotional activities are you undertaking? I.e. press release, post cards, invitation to event, business cards, cold calling, networking, ... Include examples of your graphic identity, press cuttings.
- The price you charge for your products and/or services, discounts you will give, retail price and/or trade prices, ...
- Who are your competitors? What are your strengths and weaknesses in comparison with them? What makes you different and unique?
- Who are your suppliers? How can you improve your relationship with them? How can you decrease costs?

Finance

- Explain how the prices you want to charge relate to your costs.
- Forecast of income and expenditure. Include additional income from fulltime or part-time jobs and your living expenses. If you are writing the business plan to obtain a grant or loan it might be better to do a two-year forecast.

- Cash flow: an estimate of the future movement of cash into and out of the business bank accounts as a result of receipts and payments of money.
- Describe how the business will be financed; salary income, sales, savings, grants, loans, ...
- Explain seasonal fluctuations, i.e. sales at the end of the year for Christmas
- If you are writing a business plan to raise money make it very clear in the introduction how much money you need, for what, and who else is going to contribute financially.
- Don't be put off by the financial aspects. Make sure that you really understand all the financial elements of the plan, you will be asked about them while discussing your plan with funders and bank managers.

Organisation and People

- Describe the legal structure of your business: sole trader, partnership, limited company, ...
- CV of main people in your business. Focus on your strengths and transferable skills, and include highlights and success in your career such as awards, press, grants, ...
- Organizational chart, which shows the size of your business, the job titles and where people fit in the hierarchy.
- Do you use part-time assistance or occasional employees? If you employ people than describe their jobs, including tasks and responsibilities.
- Are you planning to expand?
- What are the gaps in your training? What about your employees?

Equipment and Location

- Do you need any new equipment, materials, and space to set up your business? Estimates costs, prioritise what you need to buy and include them in your forecasts.
- What is your location? Where are you going to be based? What are the strengths, weaknesses, or features of your location or space? If you haven't decided on a new location yet, what would the ideal situation be?
- How are your relationships within the local community that you are working in? Have you got clients, suppliers, and employees locally?

Presentation

The presentation of your business plan should be attractive, professional and reflect you and your business. Don't forget that people who can support you will make decisions about the viability of your business idea on the basis of this document.

Show that you work in the creative industries; yours doesn't need to look the same as a business plan for an accountant or law firm. Include good photographs of your products or events, as well as any press coverage and promotional material. Use interesting layouts and graphs.

Further information

- CIDA provides regular business planning sessions for creative individuals and organisations in Hackney, Newham and Tower Hamlets. If you would like to get more information contact CIDA www.cida.co.uk
- The website of Business Link for London provides plenty of useful information about setting up or running a business, including how to write a business plan. www.businesslink4london.com
- The website of Artist Newsletter provides lots of advice and support if you are a subscriber www.a-n.co.uk
- The website of IBIS associates, a business support organisation, provides a lot of information and tools for improving your business plan. www.ibisassoc.co.uk
- Many business start up books deal with financial planning and business accounting.
- Most high street banks provide business-planning information for free. Have a look at their websites or contact a branch. Contact your own bank as well as some competitors.