



NEW ZEALAND
TRADE & ENTERPRISE

Planning for Success

WORKBOOK

—
A do-it yourself kit for developing
your own business plan



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Planning for Success

INTRODUCTION

This guide is designed to help you complete a basic business plan that you can adapt for different purposes.

Each chapter starts with a list of objectives you need to complete to create a convincing business plan. The objectives are listed in order of importance, so you can allocate your available time and effort accordingly.

Each chapter also contains ideas, tips, resources and examples to help you complete each objective.

Your business plan represents the final product of all your reflection, market research and planning. It is your map for business success, clearly identifying where you are now, where you are going, and how you plan to get there.

You can download this workbook, a business plan template, and the tools and calculators described in this document from www.nzte.govt.nz/planningforsuccess.

CLARIFY YOUR PURPOSE

A business plan should have a specific purpose, so begin by outlining the exact aim of your plan. For example, you may want to:

- start, buy, or sell a business
- raise investment to expand
- define the strategic direction of your business and your benchmark goals
- explore a new market or the opportunities of a new product or service.

Whatever the reason, you need to keep this focus in mind as you go.

← Tip

As you work through your plan, imagine yourself presenting the information to others and how you might answer questions about the plan, such as enquiries about your financial projections.

Chapter 1: Business

Your objectives from this chapter
(in priority order)

1. Provide a brief overview of your business or business idea.
2. Outline how you will generate revenue.
3. Describe the market-segment niche you have identified.
4. Explain your core competitive advantage.
5. Describe the distribution channels you will use to reach your market.
6. List any compliance issues you need to solve (such as OSH, consents or licences) to operate.
7. Explain the business structure you have chosen.

Tip →

Keep the history of your business brief. Unless it helps to explain the current position of the business, it will be of limited interest.

Tip →

Ask a friend who knows nothing about the business to read this section. If they can't gain a clear idea of what you intend to do, rework your description

Tip →

Keep looking for new ways to generate new income streams from your business model. As technologies and markets change, more growth opportunities are emerging.

A relatively minor change in your business model could bring substantially more income. Include any possibilities that occur to you.

BUSINESS OVERVIEW

HISTORY

Explain how far you have got with your business idea or how long you have been in business, and any major events that have shaped the enterprise.

OBJECTIVES

State what you hope to achieve with the business in the short term (one to two years) and longer term (three to five years).

PRODUCTS OR SERVICES

Describe the products or services you are offering in terms that the average reader can understand. Leave a more technical description (if necessary) for an appendix.

GENERATING MONEY

The way you plan to make money (your business model) may seem obvious to you, but putting it down on paper will help you think about your business model in broader terms.

EXAMPLES

Retailer

Makes money by selling products bought from wholesalers.

Software business

Makes money by selling subscriptions to its software online.

Jet boating business

Sells seats on its boats to tourists.

KEY ACTIVITIES

These are any activity the business is engaged in for the primary purpose of making a profit. Business activities can include things like operations, marketing, production and administration.

REVENUE STREAMS

Revenue streams refer specifically to the individual methods by which money comes into your business. For most businesses, this will involve volume and unit sales, but you could also generate revenue through licensing, subscriptions or franchising.

KEY PARTNERS

Key partners are the suppliers, subcontractors or other partners who help you produce and market your products and services.

KEY RESOURCES

What are the resources critical to your success? Key resources could include specialist equipment, Intellectual Property (IP), and technology.

MARKET NICHE

It's unlikely your product or service will appeal to every consumer or to every organisation. Most successful businesses have defined their market niche. This empowers them to target their marketing to get the best value for every dollar spent.

Show that you have sharply identified your market niche so you can focus your marketing effort with minimum wastage.

EXAMPLES

Women's fashion store

Our target market for our high-end fashions is upper-income professional women in the inner city earning between \$100k and \$200k a year. We have located our store in an area with a high percentage of these customers.

Double glazing company

Our prime target market for retro-fitted double glazing is owners of houses with valuations in excess of \$750,000 within a 50km radius of our business.

CORE COMPETITIVE ADVANTAGE

Tip →

Very few businesses succeed long-term without some type of durable advantage.

A competitive advantage is something you offer or have that your competitor does not. Your competitive advantage needs to be both vivid and enduring.

If you intend opening a coffee shop in an area that already has 10 coffee shops, you will need a compelling point of difference to stand out from the others.

It's just as important to show the advantage will be enduring. Many technology start-ups originate from genuinely disruptive ideas, such as the first website that aggregated one-day deals from a range of suppliers. However, bright ideas that can't be protected can easily be copied by others. You need to show that there are barriers to prevent others from starting similar businesses. These could include patents, copyrights, registered designs, or protected branding.

You should also explain why your business idea cannot be easily copied and what steps you have taken to protect it.

Your competitive advantage/s might include (but not be limited to):

- specialised knowledge
- unique or high-quality products or services
- advanced or new technology
- innovative use of e-commerce
- speed of delivery
- responsible environmental practices
- low carbon footprint
- strategic alliances with customers
- suppliers or complementary businesses
- exclusive supply contracts.

EXAMPLES

Coffee shop

Our competitive advantages over the other coffee houses in our area include using an award-winning design firm to create a more inviting décor and atmosphere, employing a top barista, offering free Wi-Fi, providing fast, efficient service, serving only organic coffees supported by a range of in-house baked goods, and allowing customers to order via our smartphone app.

Adventure tourism

We have secured a 10-year exclusive contract to operate our jet boats on the local river. This, combined with our proximity to the local airport and resort town, our experienced staff, and the safety certification we have gained, will give us an advantage over other adventure activities in the area.

Technology product

Our product is a licensed spin-off from a university research unit, based on five years of intensive research. After accessing expert opinion, we are confident the product cannot easily be reverse engineered because an imitator would have to invest considerable time, money and effort to duplicate our algorithm. Our plans for Stage 2 and Stage 3 versions of the product are already in motion and this should keep us well ahead of competitors.

← Tip

Be careful about choosing price as a competitive advantage. Being the cheapest may seem the easiest tactic to implement, but it's often the hardest point of difference to defend. Long-term survival in business often requires higher margins.

GETTING TO CUSTOMERS

Tip →

Avoid conflicts between channels of distribution. For example, if you sell to retailers, but also decide to sell direct via your website, consider how your retailers may react.

Describe the various distribution channels you will use to reach your market. Most businesses use multiple channels. Some common examples include:

- a physical location, such as a retail store or outlet
- a website, which can include links to other sites or affiliate schemes
- employing salespeople or a network of sales agents
- wholesalers and distributors
- viral marketing tactics, such as building awareness through social media
- collaborative marketing, such as working with an established company with a large customer database, or sharing marketing promotions with other business owners
- licensing your product or service to other businesses
- franchising your business
- party-plan or other direct-channel approaches.

Briefly mention your reasons for selecting distribution channels and any research that backs up your decisions.

EXAMPLES

Retail clothing store

A good location with convenient parking is critical for our store. We used demographic information from Statistics New Zealand (www.stats.govt.nz) to locate the best suburb based on the highest number of our desired customers (middle to top income brackets). We then sought advice from real estate agents on suitable premises, and backed this up by observing people and traffic flows over two full weeks past three possible sites before making our choice. We intend to supplement the sales from our physical store with a website to generate online sales.

Adventure tourism

Our main ways of finding customers will be our website and listings on tourism website portals that link to our site. We will also display brochures in hotels, airports and regional tourism offices, and build relationships with major travel agents and travel wholesalers both here and overseas.

Online computers and accessories

Our website will be our main distribution channel, supplemented by paid ads on Google and other search engines. We will also offer a 'walk in and buy' store location to boost credibility and customer confidence.

COMPLIANCE ISSUES

The reader will want to know about any compliance issues you have investigated, solved or need to solve before you can start your business, or expand it. These could include:

- health and safety issues, such as any requirements to install or use safety equipment/clothing and eliminate or minimise hazards; the safe use and storage of dangerous chemicals and control of noxious fumes; and installation of safety signage
- special consents or local authority licences to operate. For example, the council might require a minimum number of car parks for staff and customers, or resource consent for business operations that may cause noise pollution, use dangerous chemicals, emit pollutants or harm the environment.

EXAMPLES

Home office start-up

I have clearance to operate my business from home, but we intend to move the business once it takes off, as the local council has limits on the number of people outside the immediate family who can work in a home office. We plan to move to a business hub within the first year of operation.

Paint and panel shop

We have secured suitable premises in an industrial area with permission to operate our paint and panel shop. We have taken steps to enclose the paint spray booth and installed filtered extractors and ventilators. We have also acquired the necessary safety gear, including toecap boots, leather aprons, shatterproof safety glasses and fire extinguishers.

BUSINESS STRUCTURE

Explain the business structure you have chosen for your business. The most common choices are:

- sole trader
- partnership
- limited liability company.

The key is to show that you have thought through your choice and have considered what would suit your business in the future, rather than simply choosing the easiest option of starting as a sole trader.

Learn more from the article 'Understanding Business Structures' on the www.business.govt.nz website and show that you consulted your advisers before making your decision.

Chapter 2: Strategy

Your objectives from this chapter
(in priority order)

1. Describe your specific and measurable business goals.
2. Complete a key competitor analysis including tactics to reduce their impact on your business.
3. Outline your strengths and weaknesses, and any opportunities or threats.
4. Describe the core values that will underpin your business.

Tip →

Once you have set major goals, work backwards to establish the stepping stones that will lead you to them. It's easier and more motivating to focus on this week's or this month's objectives than on a more distant goal of 12 months or longer.

BUSINESS GOALS

Your business goals provide a clear direction for the business and motivation for you and your staff.

Provide two sets of goals for your business:

1. Short-term goals for the next 12 months.
2. Longer terms goals for the next three to five years.

Markets are changing so rapidly that there is little point in crystal-ball gazing beyond five years. In some rapidly changing industries (such as technology), even three years may be a push.

Goals are only useful if they are both specific and measurable. Rather than setting an abstract goal, such as: "We intend to grow the business substantially within the next 12 months," you need to set specific figures and dates. For example: "We aim to achieve \$60,000 in turnover by 31 July, and increase this 35% to \$80,000 by 30 September."

These are benchmarks you can use to motivate your team and review as you go along.

EXAMPLES

Mediterranean food and wine delicatessen

Our goals for the next 12 months are:

- Gain resource consent for our store by 15 October.
- Finish fitting out our premises by 20 January.
- Work towards an opening date of 12 February.
- Build weekly turnover to \$4,000 by 31 March.
- Increase weekly turnover to \$7,000 a week (break-even point) by 30 September.

Business book-keeping service

Our goals for the next 12 months are:

- Use direct mail to acquire five new customers per month, starting 1 March.
- Build client database to 50 customers within 10 months (30 November).
- Bill out \$1,000 per client per month by 30 April.
- Reach our first-year revenue target of \$80,000 per month by 28 February next year.

KEY COMPETITOR ANALYSIS

Tip →

Avoid the trap of assuming you have no competitors because your product is new, unique or patent protected. If your business is successful, competitors will emerge. What's more, consumers or businesses always have other choices for spending their money.

You must know what your key competitors are up to in the way of pricing, marketing and product development. What market share do they currently have, and what share do you want to gain? Don't expect that they'll let you take market share without a fight.

You have many options for researching competitors, including searching the internet, analysing their websites, studying their catalogues and advertising tactics, visiting their stands at trade fairs, mystery shopping their business, and speaking to their suppliers and customers.

Focus on your top three competitors and identify how you will compete against their strengths and take advantage of their weaknesses.

EXAMPLES

COMPETITOR 1

Their strengths:

- Large product range
- Well established in market
- Better buying power, lower pricing

Our response:

- Greater depth in niche products
- Faster, nimbler, better tuned to 18–40-year-old market
- Bundled add-ons, free on-site installation, responsive help desk

Their weaknesses:

- Low-wage staff who lack product knowledge
- Slow in-store service
- Clunky website, hard to navigate
- Website not suited to smartphones and tablets
- Not using social media

Our response:

- Expert staff offering in-depth product knowledge
- Fast and responsive service
- Fast, new website, easy to order online
- Dedicated smartphone and tablet apps
- Social media savvy, supported by a blog

SWOT ANALYSIS

Build on the research you've done on competitors (without repeating yourself) by completing a SWOT analysis of your business. The first two elements (Strengths and Weaknesses) focus on your business; the second two (Opportunities and Threats) look outwards.

Strengths:

Consider these points:

- Do you have better products or superior service, or more product/service knowledge?
- What main customer benefits do you offer?
- How often can you sell your product or service to your customers?
- Do you have loyal customers who give you repeat business?
- Is your business well located?
- Do you have an excellent website that brings in useful sales enquiries or actual sales?
- Have you found a marketing mix that's increasing sales?

Additional points to consider:

- Accreditations, qualifications, certifications
- Business capability – experience and knowledge
- Business values
- Innovative aspects
- Location and geographical issues
- Leadership and company culture
- Marketing
- Price
- Processes and systems
- Quality control
- Reputation, presence and reach
- Resources.

Weaknesses:

All businesses have vulnerable areas.

- Do you lack market recognition, credibility and a trading track record?
- Do you have poor buying leverage compared with bigger competitors?
- Do you have strong competition from bigger or better-known businesses?
- Do you lack staff or suitably trained staff?
- Are you short of funding, capacity and resources?
- Do you lack capacity and/or capability?

Try to outline a solution for each weakness. For example, you will post credibility-boosting customer feedback as quickly as possible on your website; you are forming a buying syndicate with similar businesses to leverage lower prices; you are employing some highly skilled or experienced staff to fill knowledge gaps; and you have adopted emerging productivity and marketing technology faster than competitors.

Additional points to consider:

- Strong competitors
- Economy – local and overseas
- Environmental effects
- Fashion changes
- International influences
- IT abilities
- Legislative impacts
- Key staff
- Market demand and developments
- New markets – vertical, horizontal
- New product development
- New technologies, services, ideas
- Niche target markets
- Partnerships, agencies, distribution
- Political effects
- Technology
- Weather
- Vital contracts and partners.

Tip →

Refer back to how you defined your competitive advantage and check that you have included your point of difference. Use this opportunity to refine your input on both strengths and competitive advantage/s.

← Tip

Ask advisers and key staff to contribute to your SWOT analysis to help you identify strengths and resolve or minimise weaknesses.

Opportunities

Get help from your advisers to identify more opportunities for your business, such as:

- Expanding markets for your product or service.
- Potential export opportunities.
- Planned improvements to your website.
- A competitor is struggling or going under.

Threats

What threats does your business face? For example:

- The economic outlook is not positive.
- The possibility of running out of access to capital.
- A major competitor plans to open right next to your business.
- New road plans will cut down the present flow of foot traffic.

As with weaknesses, try to outline ways you could deal with the threats facing your business. For instance, you will build a cash buffer to carry the business through an economic downturn; you have negotiated secure lines of credit with the bank; you are negotiating a lease termination with the landlord so you can move the business to a more favourable location.

CORE VALUES

Explain to the reader the core values that underpin your business purpose, such as business ethics and integrity, treatment of staff and customers, and your responsibility toward the wider community and the environment. Make sure your core values are consistent with your strategic vision for the business.

One concise paragraph

Avoid using abstract terms such as ‘empowerment’, ‘sustainability’ or ‘capacity building’ without demonstrating how these actually apply in your business. Instead, try to explain what you intend to accomplish and the values that underpin your purpose. Do this in one concise paragraph that staff, customers, lenders and other stakeholders can quickly grasp.

Post your values

Once you are happy with the values you have defined, you can build them into a mission statement for your website, catalogues and other marketing material. Try to incorporate the major point(s) into your branding tagline, such as: ‘Others may be cheaper, but we always offer better value.’

EXAMPLE

We are committed to supplying the best value products on the market and guarantee that our expert staff will treat you with respect and professionalism. A portion of every sale goes directly to relieving poverty and hunger in our community.

← Tip

One funder insists that businesses applying for funds must express their purpose in no more than eight words. Could you summarise your core values in this way?

Chapter 3: Market

Your objectives from this chapter
(in priority order)

1. Define clear profiles of targeted customer types or market segments.
2. Show how you have confirmed actual market demand.
3. Describe your research methods in terms of market size and sustainability.
4. Outline how you intend to promote and advertise your business.
5. Describe how you have protected your branding and other intellectual property.

This chapter covers the marketing tactics that will deliver the goals you want.

CUSTOMER AND MARKET PROFILES

Understanding your customer types or market segments is critical. The deeper your understanding the better, as this will empower you to target your marketing messages, advertising and promotions more effectively.

Most businesses — especially start-ups — have limited marketing budgets. This makes it imperative to focus each marketing dollar on your targets rather than trying a scattergun approach.

If necessary, do more research on what your customers read, listen to, watch or do online, so you can reach them in the most efficient way.

If your products or services appeal to a broad range of customers or businesses, then segment them so you can tailor your messages more sharply.

EXAMPLE

A clothing business markets garments to customers of all ages, and corporate clothing to businesses and larger organisations. The owner defines three important market segments and realises each requires a different approach.

MARKET SEGMENT 1

Teenagers and young adults; aged 17–25 years.

Values

Influenced by celebrity dress and behaviour. Seldom read newspapers or view conventional TV, prefer to interact with their friends through social media on smartphones and mobile devices.

Messages

Must use their language or risk being seen as irrelevant. Buying decisions are heavily influenced by their peers, communicated through social media.

Best channels

Social media such as Facebook, Twitter and Pinterest.

MARKET SEGMENT 2

Professional adults of both genders; aged 30–55 years.

Values

Looking for top-quality, smart fashion clothing that will enhance their professional image.

Message tone

Up-to-date commentary on the cosmopolitan scene, referencing international, seasonal fashion trends.

Best promotion and advertising channels

Quality website with online shopping; glossy fashion magazines for women; metro magazines for males.

MARKET SEGMENT 3

Larger businesses and corporations, banks and franchise chains.

Values

Looking for long-lasting, quality apparel that effectively projects their corporate branding.

Message tone

Business-like, emphasis on good value and well-designed corporate apparel. Display corporate client logos for credibility.

Best channels

In-flight magazines; business magazines and newspapers; direct marketing; personal visits.

VALIDATING DEMAND

Confirming market demand is important. It's one thing to know from market research that you are entering a large and growing market; it's another to know that customers actually want your product or service — and will pay your price. You need this reassurance before you continue to invest more time or money in the business.

Hard evidence

Lenders and investors in particular will also want hard evidence that your product or service will sell. They will not be convinced by wishful thinking such as: "If just 5 percent of the total market buys our product..."

So what is hard evidence? It includes proof that you have actively knocked on doors, spoken to key influencers or buyers, and generally invested energy in proving demand.

EXAMPLES

You have:

- Made some sales already (provide brief details)
- Tested a direct-mail offer on a small segment of the market, with a 9 percent order response. From this you can estimate larger demand
- Secured advance orders or contracts
- Shown samples to the buyers of four chain stores who have confirmed they will trial the product
- Sold your product part-time at weekend markets for long enough to confirm good demand.

← Tip

If you sell consumables or can count on a high proportion of repeat sales, be sure to mention this as it adds a security factor to future revenues.

MARKET SIZE AND SUSTAINABILITY

Also show that you have done some background research to support your claims of market demand.

Market size

You need to confirm that the market is big enough to support your business. There are many ways to find the information. Here are some ideas:

- Go online to research competitor websites and other sources of market potential.
- Search the Statistics.govt.nz website for demographic data, such as where most of your ideal customer types live.
- Find equivalents to Statistics New Zealand for overseas market research.
- Contact the local Chamber of Commerce or your industry association for useful data.
- Commission a market research company or Statistics New Zealand to provide a market report.
- Get help from experienced librarians at the nearest library.

Tip →

If your business can be scaled, perhaps to overseas markets, then describe this extra potential, as it will be of particular interest to investors.

Market sustainability

Ideally, you should be entering a growing market, not a mature or declining one. If your business (such as a paint and panel shop) is restricted to New Zealand, and possibly to your local town or city, show that the market is big enough to sustain your business.

Threats

Note any threats that could affect market sustainability, such as changing technology, competitor reaction to your market entry, or economic downturns. Describe how you might cope with these threats.

For example, if you run a tourism business, you might respond to a slump in overseas tourism numbers by energetically marketing to local tourists who may not be able to afford overseas holidays either.

PROMOTION PLAN

Use the detailed customer and market segment profiling you have now outlined as a guide to completing the downloadable [12-month Marketing Budget Timeline](#).

Your choice of marketing initiatives will relate to:

- Your customer and market segment profiles.
- Events relevant to your business type, such as Mothers' Day, Easter, Christmas, school holidays, or industry-specific events such as an annual home and garden show.
- Special events such as your business launch or a rebranding event, or co-marketing with other businesses.
- How much weight you will give to traditional advertising (print, radio, TV, direct marketing) versus newer channels (online, website, social media).
- Your marketing budget.

Every business is different, so there are no hard-and-fast rules about how much to spend on marketing. A new business may need to spend more at first to make an impact on the market; an established business may find it can grow through word-of-mouth referrals with little need for extra advertising.

Remember that you can extend your marketing budget through flair and creativity, such as launching your business in some unusual way that will generate free publicity.

Keep on tracking how people find you and what advertising works. You may need to adapt your approach as new marketing tools emerge, such as the move to mobile-device marketing.

← Tip

The key to success in marketing is to measure every promotion so you can repeat what works and cease what doesn't

BRANDING AND IP PROTECTION

Briefly describe the intellectual property (IP) your business owns and show what steps you have taken to protect it.

You probably have more IP than you realise, because many IP assets, such as copyright material, are not tangible assets like cars or computers. Visit the Intellectual Property Office website (www.iponz.govt.nz) to gain a better idea of what you can or should protect.

The value of your trade mark will grow over time, so at minimum you should register your branding (including your logo and tagline or slogan) as a trade mark to prevent others copying it.

Show how you have protected your business from these common IP issues that can cause businesses to become unstuck – sometimes at considerable cost.

PROBLEM OR CONFLICT SOURCE	SOLUTION
Another business copies your brand or slogan.	Register your trade mark as soon as possible.
Others imitate your designs.	Register your designs as soon as possible.
Others copy your texts, drawings, artwork, photographs, brochures or other materials, claiming there is no indication of ownership.	Copyright is automatic but can seem 'invisible' unless you actively assert your copyright over the material.
An employee brings an idea into the business; develops an idea while working; or develops the idea both at work and at home, then leaves the company and starts a business using the idea.	Confirm that your employment agreements have specific clauses clarifying ownership and protection for any intellectual property developed in the company.
You develop valuable intellectual property in a joint venture with another business.	The partnership agreement should clearly identify who will own or jointly own any IP brought into the joint venture, or developed during the JV.
You show your invention to others before filing a patent application, opening the door to imitators.	Filing a provisional specification as soon as possible can give you up to 15 months' protection time to continue developing the invention while avoiding the large cost of a full patent application until you are sure the invention will be successful.

← Tip

Recording IP assets in an IP portfolio will show other stakeholders that you take IP protection seriously and recognise its importance to the business.

Chapter 4: Skills, people and systems

Your objectives from this chapter
(in priority order)

1. Outline your skills and experience to manage the business.
2. Show you have a well-balanced team.
3. List your advisory team members and the skills they bring.
4. Outline the business systems you'll use to manage business processes.
5. Outline the productivity software and technology you will deploy.

Tip →

If you lack business experience or qualifications then consider postponing your plans while you gain some experience by working in the industry you want to enter and taking some small business courses.

SKILLS AND EXPERIENCE

Good ideas are plentiful; people capable of executing them well are scarce. Regardless of how much money you have, or how brilliant your idea is, all is lost if you can't manage the business properly.

Explain your ability to run the business by describing both your experience and qualifications.

Describe your business track record, focusing on specific achievements that are relevant to this business plan. Possible topics could include:

- Your qualifications and management ability.
- Your money and 'sweat equity' investment in the business.
- Competitors you have dealt with.
- Business challenges you have overcome.

Also list any organisations or people that will give you direct help. If possible, include references from them that confirm their confidence in your ability.

WELL-BALANCED TEAM

If you are starting with employees, show you have gathered a well-balanced team. Detail their skills and experience, and the areas or tasks they will manage. Distinguish between full-time employees, part-time workers and subcontractors.

Few people are strong in all business areas, so explain if you intend to employ someone specifically to cover for you in a particular area. For example, accounting or marketing may not be your strong suit.

Give brief details of any training or resources you have supplied, or will be supplying, to staff to ensure they can complete their tasks and provide excellent customer service.

Explain also any plans you have to keep staff well trained, loyal and motivated.

ADVISERS

Starting and running a business can be a lonely endeavour, and feeling isolated can lead to stress and poor decision making. You will be faced with daily decisions — some in areas where your knowledge may be shaky. It's important to show that you have good advisers you can call on to help you make the right decisions.

List your advisory team members and the skills they bring. A core team would include:

- A lawyer experienced in business structures, contract law and terms of trade, and leasing or buying business premises.
- An accountant preferably experienced in your type of business, and able to give business growth advice in addition to preparing accounts for tax compliance.
- A banker familiar with small-business challenges and able to offer resources and tools in addition to standard banking products.
- A mentor, such as a more experienced or retired business person, or someone recommended by Business Mentors New Zealand (www.businessmentors.org.nz) with whom you can build a productive rapport.

Tip →

Employing part-time staff or using subcontractors can be a useful way to keep costs down until you are more certain the business can afford to employ full-timers.

List also any other experts you have identified, such as a financial adviser, an IT expert, a marketing consultant or others with specialist knowledge. If they come with recommendations from colleagues or others, mention this.

Tip →

Show how you will avoid the trap of becoming isolated in your business. Quality advisers are important because they lessen the stress of leadership and help you make wise decisions.

Business support networks

Describe the various personal, professional and business support networks to which you have access, as these will impact on your business success. Successful business people have a wide range of contacts, so show that you are making the effort to follow their example. List the organisations you have joined, such as the Chamber of Commerce, local business networks or hubs, and your trade or professional association. Chatting to people in business is worth its weight in gold.

BUSINESS SYSTEMS

Good systems are a hallmark of good businesses. They help you avoid becoming so caught up in daily tasks that you have no time for broader thinking about your business. They are also a key factor in delivering reliable and consistent customer service.

Outline any important systems you have adopted or are developing to deliver a consistent product, service or experience, such as:

- Production management
- Administrative tasks
- Order fulfilment
- Accounting systems and budgets

Customer service

Customer satisfaction is essential for securing repeat business and word-of-mouth referrals. Briefly cover how you and your team plan to deliver excellence at all customer contact points: phone, email, online responses and one-to-one discussions. For example, your plans could include developing proven sales scripts, supported by reliable order-fulfilment processes, and sending staff on sales-closing courses.

Tip →

Develop easy-to-follow operations manuals from day one. They promote consistency, speed up training, and allow staff to cover for anyone who is away sick or on leave.

Tip →

Ensure all customer-facing staff can clearly express and promote your value proposition to customers.

PRODUCTIVITY AND TECHNOLOGY

Today, all businesses — not just large organisations — have access to technology to improve their efficiency. New productivity tools are constantly emerging, and many are affordable. Outline the productivity software and technology you will deploy and show how it will help to:

- speed up business
- deliver more quickly to customers
- improve productivity
- lower costs
- improve quality and delivery.

Your list could include:

- installing more efficient production equipment
- deploying advanced inventory control systems
- using customer relationship management (CRM) software
- implementing project management software
- moving your digital assets to the cloud so they can be accessed from anywhere, anytime
- enabling remote working by your staff through smartphones and tablets
- implementing an e-commerce solution.

Technology advances

If you have assigned a staff member to research further technological advances and innovations, mention this.

← Tip

Managing your business from a smartphone or tablet is no longer a fantasy. There are apps available that let you invoice on the go, do your banking, view your accounts, respond to emails, work on business documents, and keep touch with staff and customers.

Chapter 5: Finance

Your objectives from this chapter
(in priority order)

1. Outline your business feasibility (return on investment, or ROI).
2. Complete a 12-month cash flow forecast and explain your cash flow assumptions.
3. Show how you will sustain cash flow.
4. Outline how you have priced your product/service.
5. Identify the critical KPIs for your business type that you will monitor.
6. Explain your price positioning strategy.
7. Summarise how you will fund your business plan (start-up and growth/expanding).

BUSINESS FEASIBILITY TEST

Tip →

If your business idea is simply not feasible then it's better to discover this now than to plunge ahead and lose your capital. Your time has not been wasted; the knowledge will pay off next time.

Up to this point you've focused on clearing all the hurdles to starting a business, such as market demand and sustainability, business skill and compliance issues. This final test is a feasibility test.

Use the downloadable [Break-even calculator](#) to assess the feasibility of your business project.

Once you have completed the calculations, ask yourself: Can we really sell that number of units per week or month?

- If you are manufacturing or retailing, the units would represent products sold.
- If you run a service business, the units would be billable hours.

CASH FLOW FORECAST

← Tip

Work at improving your forecasting skills. Cash flow forecasting is a prime way to show lenders and investors you have sound money-management skills.

A cash flow forecast is the prime tool you will use to predict money flows in and out of your business. It will help you predict the best time to make any required asset purchases and spot any cash flow crunches in advance, giving you time to take action or secure bridging loans.

Use the downloadable [Cash flow forecast](#) to complete your 12-month forecast.

A forecast has two parts, with one easier than the other.

The easier part is forecasting running costs (business overheads), as you can research these and get advice from an accountant experienced in your industry.

Forecasting sales is harder. If you are already in business, you can use last year's sales records, making allowances for pricing changes, predicted economic conditions and any new marketing initiatives you have planned.

If you are starting a business, forecasting becomes tougher and you will likely be asked by lenders and investors to justify your sales predictions. The work you have done to validate market demand (see Chapter 3) should provide support for your predictions. Research into competitors' sales levels as well as the average performance for your type of industry can also help to refine your forecasting.

For example, if you are starting a café, and the average café in your area turns over between \$6,000 and \$7,500 per week, this gives you a broad guide – and a target to aim for.

Sources of information include Statistics New Zealand (www.stats.govt.nz), your industry or professional association and your accountant (another good reason to choose an accountant who has similar clients in your industry).

Prepare three versions of the cash flow forecast and present them to your advisers first for their feedback and questioning:

1. The sales levels you honestly believe you can achieve (and can defend if questioned).
2. The sales levels you would like to achieve.
3. The worst-case or minimum sales levels that your business could still survive.

SUSTAINABLE CASH FLOW

Tip →

Predictable sales levels that iron out peaks and troughs in cash flows make your money-management task much easier and your business more secure.

Many businesses suffer from peaks and troughs in their cash flow, making it harder to manage outgoing payments. Cash flow fluctuations are caused by many factors, such as seasonal demand, loss of customers, one-off sales and economic downturns.

Discuss your plans to achieve predictable revenue streams in your business. For example:

- Marketing steadily, both in good times and bad, to eliminate the 'lead time' gap from less consistent marketing.
- Adapting your products or services to monthly payments rather than outright purchases.
- Including or adding consumables that will require replenishment.
- Selling warranties or service contracts based on monthly charges.

- Locking in customers through contract agreements or monthly help-desk charges.
- Developing loyalty incentives or privileges to encourage repeat sales.
- Actively pursuing a word-of-mouth referral scheme to generate new leads.
- Checking customer satisfaction levels and improving customer service.
- Setting goals with staff to increase repeat sales.

EXAMPLES

Accounting firm

To avoid lumpy revenue flows peaking around tax return dates, as with the usual accounting firm model, we will promote a monthly charge for our services. We know this will be attractive to many clients because it allows them to spread their accounting bill over 12 months. We will offer various levels of service, ranging from tax returns to a partnership programme where we will work actively with clients on building their business. The advantage for us will be more predictable cash flows.

IT service

We plan to move our important customers from billing for each call-out, to monthly fees for IT services. We will offer a basic, standard and premium version at different prices, with the premium version guaranteeing an unlimited 24/7 response for any IT issues.

We also plan extra revenues from consumables for the printers we sell, and from leasing deals on new equipment (including installation and training) with guaranteed upgrades to new technology.

PRODUCT/SERVICE PRICING

Tip →

If you can't match competitors' pricing then look for ways to strengthen your value proposition, such as by offering extras they can't or don't offer.

Describe how you have priced your product or service. Your approach could be one of these tactics, or a combination of several:

- You have carefully researched key competitors' pricing, and chosen a lower, higher or similar price to their levels.
- Your industry has a standard pricing range for the products or services you offer, and you will operate within this range.
- You have priced your product on a cost-plus-profit-margin basis, while taking into account both competitors' pricing and the market's expectations for your type of product or service.

The key point on a pricing strategy is to ensure your business can make a sustainable profit. There's no point pursuing sales if you are operating on the thinnest of margins or even at a loss. Check and double check all your costing figures with the help of your accountant to ensure you haven't left out any costs.

Be careful of undercutting competitors as a strategy to gain market share. Your customers might simply assume you are cheaper because what you offer is inferior. Show confidence in yourself and what you're selling.

MONITORING PERFORMANCE

Tip →

Monitoring carefully selected KPIs builds confidence in stakeholders such as banks, investors, and suppliers. It confirms that you are actively managing the direction of your business through regular feedback.

Key Performance Indicators (KPIs) offer critical insights into how well your business is performing. With hard facts and figures in front of you, it's much easier to manage your business and make the right business decisions.

Note in your plan which KPIs you will monitor or are already monitoring, and explain what they will tell you about the business. Get help from your accountant to identify the KPIs critical to your type of business and how to measure them.

Here's a sample of commonly used KPIs:

Financial KPIs

- **Gross Profit (GP)**
Tests your gross profit margin. If the GP percentage falls, you need to take timely action, such as looking at ways to lower input costs.
- **Net Profit (NP)**
A falling NP percentage should lead you to investigate which overhead costs are creeping up and eroding profits.
- **Current (liquidity) ratio**
Measures the ability of your business to pay short-term debts.
- **Ownership ratio**
Shows how much of the business you own, influencing both the liquidity of the business and the likelihood of getting further loans.
- **Debt collection days**
Measures the average time you take to collect money owed to the business. Shortening this time should be an important goal.

Marketing KPIs

- **Customer-retention rate**
Measures the loyalty of your customers, which keeps them buying.
- **Number of customer referrals (sales leads)**
Reflects the excellence of your products and service and marketing tactics.
- **Lead-conversion rate**
Measures how efficiently you are converting sales leads into customers.
- **Average sale per employee**
Keeps you informed of staff productivity.

Industry-specific KPIs

- **Retail**
Stock-turn rate — usually the quicker the better.
- **Service**
Billable hours per week.
- **Manufacturing**
Units produced each week.
- **Tourism B & B**
Bed-occupancy rate.

Focus on the most important

With so many KPIs to choose from, it's important to focus on those most critical to your business. Trying to measure too many KPIs seldom works because it disperses your focus and becomes too much effort. Limit yourself to the top three to five most critical to your success.

Effective KPIs should be:

- easy to measure, or they are unlikely to be monitored regularly
- closely aligned with your business goals and business success
- readily accepted by staff as important business benchmarks.

KPIs become most useful when you attach a target to them. This allows everyone to measure progress towards business goals.

POSITIONING STRATEGY

Explain your positioning strategy in the marketplace and how this is reflected in your pricing.

Will your business be:

- the price leader?
- middle of the road (good value for money)?
- aiming at the premium position?

Aligning your positioning

What values will you project? Show that your positioning is supported both by pricing and by your branding, including your chosen business name (ideally it should explain itself), your logo and slogan (tagline). Branding consistently across all media (online, website, print, signage) should be consistent.

Include full-colour examples of your branding in the business plan, or as an attachment.

You'll need to check through customer surveys that customers have positioned your business in the way you have planned. If they see it differently, you may need to rebrand or promote your desired positioning to change their perspective.

FUNDING YOUR BUSINESS

Finally, you need to explain in your plan how you will fund the business, both in the start-up and growth phases.

Start-up funding

When you have assessed your total start-up costs, return to the cash flow template you have completed. Study the bottom-line figures for each month before the break-even point to estimate how much cash you'll need as working capital to keep the business running until it becomes profitable.

Add this amount to your start-up costs' funding total and note the combined total in your business plan.

Your task is now to explain in your plan how you will fund this start-up amount.

- How much equity will you contribute from your savings?
- How much from family or friends?
- How much will you require (or have already organised) from lenders or investors?

Post start-up: growth

Finish off the funding section by explaining how you intend to achieve further growth in your business after it has passed the break-even point.

Your choices could include:

- Funding growth from profits.
- Persuading family and friends to invest more once the business model has proved itself.
- Preparing a growth plan to gain growth funding from banks or other lenders.
- Preparing the business for outside equity investment.

Tip →

If you intend to be the cheapest (price leader), you will need both high-volume sales and the ability to fight off price wars from competitors who might have deeper pockets. Few businesses succeed with this strategy.

Tip →

If you don't purposefully plan the positioning of your business, your customers will automatically position it anyway, and their perception is the one that counts.

← Tip

The most common mistake in business start-ups is underestimating costs. Add at least 25 percent as a safety measure to the final figure you come up with. The expenses may be higher, and the business may take longer to break even than predicted.

← Tip

Lenders and investors like evidence of frugality in a growing business. If you are prepared and able to take only a modest salary from the business during its growth phase, then mention this.

Tip →

Don't spend too much time on long-term objectives. Often these can be difficult to state since it's pretty hard to think about what will be happening in five years' time.

SUMMARY

Keep your summary brief in covering these three topics:

1. BUSINESS VIABILITY

Review why your business is viable, and set for growth and sustainable revenue.

2. FILL ANY GAPS

Use this final opportunity to include anything else that's not covered but that's critical to your business success.

3. MAIN POINTS

Summarise the main points of your plan:

- Explain where the business stands now. Are you still in the prototype stage, already in business or waiting for certain issues such as funding or permits to be resolved?

- Outline where you want to take your business in the next two to three years. Try to put some dates on these objectives; not having a specific timeline means that your chances of success start sliding towards zero. Remember to check that your objectives are consistent with your business values.

ATTACHMENTS

Ensure you have attached these documents to your business plan.

- [Marketing Budget Timeline](#).
- [Break-even Calculator](#).
- [Cash Flow Forecast](#).

If necessary, you can also attach a document explaining the technical nature of your product or service in more detail.

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