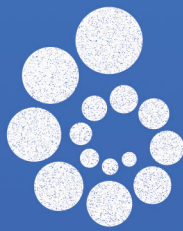


**HOW TO WRITE A
BUSINESS**

PLAN

FOR PACIFIC ISLANDS BUSINESSES



Pacific Islands
Trade & Invest

All Pacific Island businesses need an effective business plan to outline the strategy and actions required to take it to where you want it to be.

Remember to contact us for assistance at any time!

WHY WRITE ONE?

A business plan sets out your strategy for the future. It can support an application for finance or grants, or it could just be a way for you to set the path you need to take to get your small business from where it is now, to where you want it to be.

Writing your plan will save you both time and effort, and possibly money.

PREPARING

Keep your plan as short as possible, too much detail can make the plan hard to use. Focus on the information the reader needs to know. Leave the finer detail for operational or marketing plans or attach information such as technical details of a product in an appendix.

MAKE IT A TEAM EFFORT

Involve your workers in the planning process to gain both their insights and their buy-in to the plan. This will help you build a successful, committed team. Planning together will also identify priorities that provide useful benchmarks to measure performance.

DON'T GO OVERBOARD

Keep your business plan realistic. For example, unrealistic sales forecasts could lead to increased overheads followed by a damaging cash flow crisis and drastic cost cutting. It could also damage your credibility, because lenders and other interested parties will quickly see through optimistic plans that ignore weaknesses or threats.

BE PROFESSIONAL

Even if your plan is intended for internal use only, write and present it as if it's aimed at an outsider. Put a cover on the plan and include a contents page, with page and section numbering. Start with an executive summary of the key points and purpose of the plan. Use charts if relevant, and include business or product literature as an appendix. Get the plan proofread for clarity, spelling and grammar mistakes, and then show the plan to friends and business advisers for comments on how to improve it.

DESCRIBE YOUR BUSINESS

Start with a brief history of the business. When did it start trading and what progress has it made to date? Who owned the business originally? What is the current ownership structure? Describe your product or service without using technical jargon. If necessary, you can offer the technical detail for people who want to know more in an appendix to the plan. In general, what makes your product or service different? What benefits does it offer? What are its disadvantages? How do you plan to develop the business?

WHO WILL YOU SELL TO?

Define the market in which you sell and then focus on the segments of the market in which you compete. How large is each market segment? What is your market share? What are the important trends, such as market growth or changing tastes and the reasons behind the trend? What are the key drivers affecting each important market segment?

YOUR CUSTOMERS

Describe the nature and distribution of your existing customers. Give a typical customer profile for each market segment you target, for example, 'importers of mass organic VCO', or 'boutique retailer'. Are you heavily reliant on sales to a few large customers? If so, how do you plan to diversify your sales?

YOUR COMPETITORS

Define your principal competition. What are the advantages and disadvantages of their products and services compared with yours? Cover issues such as price, quality and distribution. Then explain why customers will buy your product or service instead (your competitive advantage). Be careful of criticising or underestimating competitors.

POSITIONING

Explain how you position your product or service in the market place. For example:

- High quality and high price?
- Good value and durable?
- A specialist product with a particular feature?

What unique selling features does your product have and which of these features will you concentrate on?

PRICING POLICY

What is your pricing policy? Explain how price sensitive your products or services are. Look at each product or market segment in turn. Identify where you make your profits and where there is scope to increase margins or sales. Explain how you set your pricing accordingly.

PROMOTION

How do you promote your product or service? Each market segment will have one or two optimum methods, direct marketing, advertising etc. If you're considering using a new promotion method start on a small scale to test if it works.

DISTRIBUTION CHANNELS

What channels do you use or plan to use, to reach your end user? Compare your current channels with the alternatives and note the distribution channels used by your competitors. If they are using some channels, such as the internet, more effectively than your business, outline any plans you may have to match them.

SALES METHODS

Analyse the cost efficiency of each of your selling methods, for example, telesales, a direct sales force, through an agent, or over the internet. If you have a direct sales force, include all the hidden costs, such as management time.

MANAGEMENT AND PERSONNEL

Set out the structure and key skills of your management team and key staff. Identify any skill shortages, such as IT skills, and your plans to cover these. Explain your recruitment and training plan, including timescales and costs. Analyse your workforce in terms of total numbers and by department. Compare the efficiency ratios with competitors or with similar industries. Useful figures might be sales, average salaries, employee retention rates and measures of productivity. Be realistic about the commitment and motivation of the workforce and spell out any plans to improve or maintain motivation. Consider how you would survive the loss of a key worker.

OPERATIONS

Analyse the capacity and efficiency of your operations and your planned improvements. Do you own or lease your premises? What are the advantages and disadvantages of the present location? Should the business expand or move?

Explain how you organise production and what equipment you use. How modern is the equipment and what is the capacity of your current facilities compared with existing and forecast demand?

INFORMATION SYSTEMS

Give an overview of the management information systems you have in place, such as databases, networks, servers, and accounting reports and processes. Are your systems reliable and can they cope with any proposed expansion? Also identify any quality or regulatory standards that the business must conform to, including environmental standards.

FINANCIAL PERFORMANCE

Your financial forecasts translate your planned strategy and tactics into numbers. Set out the historical financial information on your business for the last three to five years. Break total sales figures down into component parts. For example, show sales of different types of product or to different types of customers and show the gross margin for each component of sales.

Highlight any major capital expenditure made in the period and provide both an up-to-date balance sheet and profit and loss account. Explain the reasons for movements in profitability, working capital and cash flow and compare them with industry norms.

FINANCIAL FORECASTS

Provide forecasts for the next three years. These should reflect the complexity of your business. A small business may need only a profit and loss statement, and sales and cash flow statements. A more complex asset based business, or one with complex working capital requirements, will need balance sheet forecasts as well. Use the same format as for the historical information, to aid comparisons. Clearly state the assumptions behind your forecasts. These should tie in with statements in the rest of the plan. For example, if the plan states that the market is becoming more competitive, then profit margins will probably be falling. Look at the overall trends of the historical and forecast numbers. Are they believable? Do the forecasts make allowance for possible problems and delays? If you're raising finance, use the cash flow forecast to predict your cash requirements. Add a contingency element to the funding requirement shown in the forecast (usually 10% to 20%). Consider what the mid-month peaks might be and include the likely interest or dividend costs of any new finance.

SWOT ANALYSIS

Consider including a one-page analysis of Strengths, Weaknesses, Opportunities and Threats in your business plan, for example:

- Strengths might include brand name, quality of product, or management.
- Weaknesses might be lack of finance or dependency on a few customers.
- Opportunities might be increasing demand or a competitor going bust.
- Threats might be a downturn in the economy or a new competitor.

Be honest about your weaknesses and the threats you face. Spell out mitigating circumstances and the actions you're taking.

DRIVING FORWARD

Make sure your business plan covers the critical issues that will make readers understand how you intend to drive your small business forward. Highlight the key ingredients of your future success and how you will strengthen your position in the market. Then establish your overall business aims - where you realistically intend to be in three years' time. Next, decide on half a dozen objectives, each of which will make a significant difference to the future of your business. Define clear targets and timelines for these so that you know exactly what you want to achieve, and by when.

Many businesses think in terms of:

- Income - more sales, better margins.
- Customers - new customers, higher levels of customer satisfaction.
- Products - improving existing products, launching new ones.
- Human resources - recruiting new employees, developing new skills.

The next stage is to work out how you will reach these targets, by considering each aspect of your business in turn and creating a step-by-step action plan for it.

UPDATING THE PLAN

Finally, recognise that economies, markets and your business itself keep changing - sometimes favourably, sometimes unfavourably. This means you need to review your plan at least once a year. How well have you done? Have you met the benchmarks in the plan? Revising and updating your plan will keep it relevant as a roadmap for your business.

For more information or assistance with business planning please contact us:

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