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# HOW TO PREPARE A FIRST CLASS BUSINESS PLAN

[www.nuvem9.co.uk](http://www.nuvem9.co.uk)

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## Nuvm9

Nuvm9 was founded by Niall McGinnity. Niall spent 10 years as Group Head of Finance for a Group of Ticketing Technology Companies in which multiple lines of funding were secured to fund international expansion and product development. He then co-founded a new technology Company in 2010 that secured over £3million in funding. Since 2013, Niall has led Nuvm9, a financial consultancy specialising in working with the SME sector. Nuvm9 specialises in creating clear financial strategies for small businesses via:

- Real time access to accounts via cloud accounting systems
- Online forecasting and budgeting tools
- Clear financial dashboards to measure progress against plans
- Creating business plans and forecasts to support applications for funding.

Niall has been directly responsible for raising over £10m of funding for his and his client's businesses. He has written this guide to help new businesses understand the key concept of business planning and pass on tips for how to use a solid plan to grow and secure funding. You can find out more information at [www.nuvm9.co.uk](http://www.nuvm9.co.uk).

## Why write a plan

Firstly, for you. A carefully constructed business plan will allow you to assess:

- What your products and prices are
- How you will find and sell to customers
- The overheads needed to support your business
- The cash requirements to support your growth

If you invest time to devise your strategy and turn it into a business plan, and then measure progress against the plan, your chances of success will greatly succeed. Statistic: " Entrepreneurs who write formal plans are 16% more likely to achieve viability than the otherwise identical nonplanning entrepreneurs -

<https://hbr.org/2017/07/research-writing-a-business-plan-makes-your-startup-more-likely-to-succeed>

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Of course a business plan is equally as important for external stakeholders.

- Banks
- Lenders
- Investors

One of the major reasons for failing to secure funding is an **INADEQUATE BUSINESS PLAN and POORLY CONCEIVED FINANCIAL ASSUMPTIONS** . This drains investor confidence and you will lose the opportunity to take ANY negotiations further. Most new businesses will FAIL to raise the funds they need to be able to take their product to market and/or to deploy their marketing plan. They will run out of money and they will never reach their full potential.

## The Purpose of a Business Plan for funders and lenders

The business plan is your selling tool for your business:

- It builds the picture of your business from the start through to how you plan to grow and develop and ultimately how it is going to make money
- Investors will want to see this to help them decide if there is opportunity for them to be involved (invest, partner etc ...)
- It needs to be a clearly written document that sells you and the business so that the recipient will want to move to the next stage
- You need it for yourself to formalise the plan you have to grow your company
- It is an important document that will let others know you are serious about growing your business and that you have formulated a plan on how you will do that

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## Contents

There are a number of key sections to a complete business plan. The sections will vary from company to company but as a guide the following areas need to be covered:

1. Executive Summary
2. Company & Background
3. Introduce the Team
4. Progress to Date
5. Market Analysis
6. Competitor Analysis & USP
7. Marketing & Growth Strategy
8. Future Developments
9. Financials (Any Revenue to date & Projections)
10. Investment Proposition / Lending Requirements
11. Appendices: detail of certain sections - for example:
  - a. tech development roadmap
  - b. team structure
  - c. Full financial projections (P&L, cashflow & Balance sheet)

**Key Note:** Every business plan should be an original document that is bespoke to the company, its needs and to whom it is being delivered. Templates are a useful guide and a good starting point if you are stuck on how to start. Feel free to use your own headings, sub sections to make it different. Template business plans will not stand out as they look too generic!

## Company & Background

This section will introduce the company and very clearly explain what the company does. I.e. what services it provides or what products it sells. Keep everything clear - Don't boggle the reader with complicated tech talk, buzzwords and jargon - tell them simply what it is, what it is called and what it does! The subsequent sections can deliver more detail on the team, progress and products etc. This is a simple introduction section to enable the reader to understand the Company.

This section will also clearly state the legal status of the business (i.e. are you operating as a sole trader, or as a limited company). Also cover what the current shareholders are (if any) and what the capital structure is i.e. who owns what shareholding?

## The Team

This section is extremely important to understand exactly what skills you have in the business, and what new skills will need to be brought in. Firstly, assess the current team. Provide an overview of the founders/senior executive team/directors including their position in the company and a brief background on their relevant experience to this business.

If you are lucky enough to be in the position to have employees, give a high level overview of how many employees there are and the area of the business that they contribute to. I would also use this as an opportunity to mention any advisers you have on board e.g. Any Non-Executive Directors, Advisors, Consultants etc.

If the team is straight forward, have a brief bio of the key team members, with a photo. If the team is larger, consider including a team structure section as an Appendix as this will avoid breaking up the flow of the core documents. Secondly, when assessing and building your plan, you need to consider the people that are going to lead this company to success?

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- How will the products be developed,
- Who will sell and market the products
- What after sales staff are needed to account manage customers
- What core admin functions will be required e.g. Accounts

These roles will be extremely important in delivering the strategy. Reviewing requirements here will allow you to have a more robust and realistic set of financial forecasts later in the document. Lenders and investors will invest in the people and the idea. This section is critical to an external funder so ensure that your team's key skills and experiences are clearly visible.

## Progress to Date

Progress is vital for a number of reasons:

- Is the product you are developing progressing and are beta versions available?
- Are you building up customers / users and are they providing feedback & key learnings?
- Are you generating revenues and are there metrics that can be reviewed to prove the concept of your strategy?

Whatever stage you are at you will have made some level of progress. This is critical for you to learn from and ensure that the subsequent plan and strategy builds on the initial steps your business has taken. For an external lender or funder, clearly state any milestones reached, achievements made including customers/sales to date and the ongoing sales pipeline. You can also let the reader know how you have funded growth to date, whether that be by personal or prior external investment, loans or grants. What a funder is looking for is evidence that will support their decision to invest or loan money - i.e. is this business gaining traction based on metrics gained to date.

Nuvm9 recommend a timeline chart to accompany this section. It's a clear, visible way to show key milestones on product development and market progress without filling the page up with words.

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## Market Analysis

To grow your business you will need to have a very good understanding of your target customer and target market. Most importantly, you will need to develop a clear plan to approach and target that market with the easiest, fastest and most cost effective marketing and sales strategy.

Firstly, identify the existing opportunity within the market. Why is your product or service going to address this? For example:

- You will provide a new innovative solution that addresses a clear gap in the market (e.g. advancements in Artificial Intelligence or Biometrics to create an entirely new niche)
- You will provide a product that improves existing tools within that market (e.g. Google didn't invent online search, it just grabbed the market with the best product available)
- You will provide a product that is cheaper than current products due to technology improvements (e.g. Netflix delivers TV & Video entertainment online and improved video chains that required people to physically travel to shops, Uber allows in app ordering and payment of taxis)

Demonstrating you understand your market is super important. Private investors tend to invest in markets they know and understand. VCs are more likely to stretch beyond the markets they know and will look further afield – this is your opportunity to outline the market, give some strong insight and convince them why it is a good upcoming & developing market to be entering.

Give an overview of the total market size – who operates in this market, what size is the market (if you can, give the geographical breakdown of this market. Outline the geographical areas that are most relevant to you and your company for the next 3-5 years). Market size is essential to understand the potential of a company.

Then provide the same information for your target market i.e. The subset of the whole market that you are going to target directly to generate your sales. It's good practice to avoid stating things like you will dominate the whole UK

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market by year 3 – you likely won't so make realistic statements, based on analysis and ambitious but achievable targets and less on the desire to achieve world domination. Finally, but very importantly, indicate if you have carried out any market validation – this is best from key market influencers and/or target or existing customers. Good Market Validation from people who understand the market or will use the product will provide support and demand for what you are doing.

## Competitor Analysis & USP

A common mistake we see is that a business proclaims to have no competitors believing this strengthens the value of the opportunity. Our advice is that, actually, this undermines the opportunity. Believing there are no other solutions that you are competing with is naive. Yes, they may not be good solutions, they may not have all the bells and whistles that your solution provides – but they are offering a solution and therefore they form part of the competition.

Further, if you genuinely do not have any competitors then perhaps it's a sign that there is no market demand – then you may have created a solution to a problem that doesn't exist! It's good to have competitors – they provide validation to the existence of the market demand, benchmarks and opportunity for you to outline what they do, and why you do it better! Don't be afraid to list them ... Naming them gives the reader opportunity to research them and see what they offer. They can then make their own judgement on how you are improving things.

Our recommendation is to prepare a chart listing your product against the competitors and highlighting key USPs that the competitor product lacks. This is an easy way to visible see the opportunity you are aiming to capitalise on. Don't leave the reader unable to separate you from the competition!

## Marketing and Growth Strategy

2 common errors we see in growth strategy:

- "Build it and they will come"
- "We will go viral"

These are now strategies. They are dreams for a new business. The reality is that customers will not flock to your product. You will need to drive them. You need to develop a strategy to how you are going to market it and how you will sell and at what your price structure will be.

This is one of the most important parts of a successful plan and should assess the cost of acquiring new customers (marketing and advertising costs and effort) and the logistics of funneling prospects from initial interest through to sales and eventually product advocacy. In addition, you must consider the overall brand and tone of voice you will be speaking in. Think of the brands you know and purchase. Some are playful and jokey, whereas others are serious.

There is a reason for that and its all about how best to influence their customer, and set apart from competitors in the same space. Customers used to see new products spradically on TV, papers and roadside billboards, but now get it via social media feeds, email marketing and within smartphone apps. There is a lot of noise within which you are competing so a clear strategy of who you will target, via what marketing channel and using what clear and consistent presence will be required.

The final area of a good go to market strategy is to develop the correct metrics with which to determine success. If you can, for example, consistently attract a customer for a £10 Customer Acquisition Cost to buy a digital product of £20 that is a success. You make profit on the original sale and you have acquired a customer to upsell new products. If, however, that CAC rose beyond £20 you have a choice - is it worth progressing with that channel of sale, take a loss on initial sale and make profit on the upselling, or do you change channel. For more information on this area we highly

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recommend Traction by Gabriel Weinberg and Justin Mares  
( <http://tractionbook.com/> )

Nuvm9 have an e-book specifically dealing with SaaS metrics  
( <http://www.nuvm9.co.uk/9metrics> ).

We also specialise in creating business performance dashboards specifically for giving fast access to growth strategy metrics.

## Future Developments

We find this is a useful section to draw attention to bridge the product, competitor and marketing section, with the financial section that follows. Giving a clear context to the ongoing journey can be a valuable pre-empt for the forecasted spend and cashburn that may follow.

We would recommend you provide some detail on where the company intends to go:

1. Team: This is the opportunity to outline recruitment needs and how this then delivers the growth strategy in each key business function
2. Sales & Marketing: how do you intend to expand the marketing efforts across marketing channels and/or geographically to grow the business, what does this mean for advertising budgets and staffing
3. Product Development: What do you see as the key requirements to build the existing products and/or bring new additional products to market later in the strategy

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## Financials

This is the most important section of the business plan and requires the deepest level of thought, research and preparation. Building a plan on incorrect or invalid financial assumptions can lead to disastrous conversations with lenders or investors, but could also mean planned cash runways are much less than anticipated.

Preparing financial forecasts is a complete guide in itself. This section is an overview of our tips on deliver the best and most robust financial plan with which you can start to place reliance. If you would like further information on this area we strongly recommend you make an enquiry for a free consultation via our contact page.

<https://www.nuvem9.co.uk/contact>

Tips:

1. It is virtually impossible to prepare accurate, meaningful financial forecasts without first considering your overall business strategy. This section is therefore best completed AFTER you have assessed the business model, go to market and competitor positioning. It is only then that your projections can start to make sense.
2. The forecasts are a numerical representation of the assumptions you are making on how to scale your business, earn / grow revenues and what costs are required to take on. It is therefore advisable to:
  - a. Carefully think through assumptions
  - b. Use valid metrics in the business model (preferably coming from market validation)
  - c. Ensure the cost base is appropriate and consistent with the revenues earned
3. Adopt a bottom up approach: Build your metrics from base units as opposed to saying you'll take x% of a theoretical market size. This is much more credible, attainable and accurate

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Example:

There are 2 Billion smart phones in world by 2017

We have an app that costs £1

We want to sell our app to 0.1% of the Market

Our Year 1 revenues are £2million (!!!)

Versus:

We have a SaaS product that costs £25 pm

We believe our marketing budget can drive an audience of 10,000 users a month by end of year 1

We believe 1% of these will sign-up for our free service (1,000 users)

We believe 10% of these will convert to the paid service by end of Year 1 (100 users)

Our annual recurring revenue at end of Year 1 will be 12 mths x 100 users x £25 pm = £30,000

4. Also consider:

a. CAPACITY: for a business manufacturing or selling tangible goods do they have a limit on sales (e.g. stock levels, warehouse capacity, units produced with existing staff and machinery etc)

b. SALES CYCLE: For your business how quickly can you sell – a sales cycle can vary from seconds on a site to a period of months for an offline B2B distribution strategy. For the latter the working capital investment is more pronounced i.e. the costs must be paid months before the sales payoff matures, if at all.

c. REPEAT SALES: If you have a subscription model you are effectively selling over and over again each month with minimal input versus a business selling tangible goods that must invest in reselling to existing customers

d. DIRECT SALES COSTS: Remember that there is always a direct cost to selling each item. For manufacturers and retailers this will be the cost to make or purchase the item to be sold. On a SaaS businesses it may be the commission paid to an affiliate distribution partner, Paypal, Stripe or credit card charges paid on each transaction etc. These costs may also vary over time based on different volumes so ensure this is built into the model

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5. Overheads: Build up existing overheads in great detail to justify WHY costs are increasing. This allows the business plan to be read in conjunction with growing costs and sensitivities to be ran on bringing forward or delaying specific items

- a. e.g. line by line for each staff salary addition
- b. Splitting advertising budget into digital spend, offline spend etc
- c. Increasing rent for expanding / additional premises
- d. Ensure all overheads needed to support the business strategy are assessed – don't get caught out

forgetting to include support function, essential systems such as accounts, legal and professional cover i.e. ALWAYS include Contingencies – these are catch all items to cover the unforeseen – without them the overheads will almost certainly be underestimated – no-one can predict the future! The recommended outputs for the financial section of a business plan should be (based on a A 3 year minimum and 5 year maximum timespan):

1. Month by Month schedules for Profit & Loss, Balance Sheet and Cashflow
2. One summary Annual Schedule (showing cash position at year end)
3. Use of Funds Schedule
4. Bottom up approach
5. Detailed Revenue and Overhead Analyses
6. Clear Assumptions

Don't present every page of a complicated model. The main business plan should include a 6 line table showing the value per year of:

1. Revenues
2. Gross Margin
3. Operating Expenses
4. EBITDA
5. Cash at Bank at year end

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The Appendices should include a month by month 5 year Profit & Loss, Cashflow and a Balance Sheet at end of each year, plus a single page covering the assumptions in more detail. All other sheets should be retained for due diligence stage

## Investment Proposition

If you intend to send your plan to a lender or investor, you will include this final section to let your audience know how much investment you are looking for. This should include the type of investment e.g. Equity (and if so what pre-money valuation are you proposing), debt, convertible loan notes etc.

Outline what you plan to do with it and what it will achieve. Now is a good time to highlight the main milestones in your tech/product roadmap that you will be able to reach with the investment monies. Include a chart with the area of spend and the breakdown. Visuals will help paint a picture.

If it is a loan instrument you are seeking it is worth clearly referencing the affordability supported by your cashflow forecasts and indicating what security you are prepared to offer against the loan (business and personal).

## Executive Summary

Whilst this section is the first in the document it should be written last. It needs to be intriguing and capture attention, especially as most external readers may choose not to continue with the document if the Executive Summary fails to impress.

Our advice is to pull the key salient detail of each section from the main body of the report that, when combined, tell the story of your business and strategy quickly and coherently. Use some of the more eye-grabbing material from the main report – headliners, milestones ... Something that will generate enough interest to make them read the rest of the document and invite a wider conversation. Make sure the details also match – if you change any of the financials, milestones etc ... Make sure the same changes are then reflected in the Exec Summary.

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## Conclusion

We hope you have found this guide useful. Further, we hope that you can see that Nuvem9 has an extensive understanding of how to create a solid business plan and how to communicate this to vital funders.

As a thank you for reading the document we are offering a free 30-minute consultation to you. This will allow you to ask direct questions to assist your business planning preparation and/or discuss and review an existing plan. We would welcome you to make an appointment via either the contact form on our website ( <https://www.nuvem9.co.uk/contact/> ) or directly booking a slot on our calendar