

NAB

Microenterprise

Loans

Minimum requirements for
business plans



Money Magazine's Best of the Best Awards 2009 judged NAB Microenterprise Loans for the second year running, the best product in the 'low income: enterprise' category.

Overview

The objective of this document is to ensure that your business plan addresses the key components necessary to successfully apply for a NAB Microenterprise Loan.

Your business plan is a critical document. It identifies what your business objectives are, sets out the thinking behind the business and shows the methods you will use to achieve these objectives. It is also used to determine your business' income and expenses.

For this reason care must be taken to pull all the details together in one cohesive document. We recommend that you type the plan using Microsoft Word so that it can be easily emailed and modified where necessary.

Remember, the volume of words used is never the judge of a good Business Plan. It is important to be concise.

BUSINESS SUMMARY

This section sets out the broad scope of the future business. It should cover only the core activities of the business to 'set the scene'.

1.1. Business Overview

What the business is all about in general terms? What industry is it in? What is the key benefit, rather than the product or service that you are going to provide?

What are the products or services, who buys them and a general statement as to where the business will be in three years and how this will be achieved.

1.2. Product or Service Features

Give a brief explanation as to what the product(s) or service(s) are and outline features that are going to give you the edge in the market place. State clearly what you are actually going to sell.

1.3. Market Analysis

Outline what market the product or service is going to be aimed at and why. What research is there to support your business expectations?

DETAILED PLAN

This section goes into the details that will make the Business Plan a 'working' and ultimately a 'control' document. It is therefore important that care is taken to get it right. It is not just a collection of words but a document that really sets out what is going to happen and can be reviewed at any time to check progress.

Remember, this Business Plan will be used for the basis of obtaining finance, so it will be critically reviewed

2.1. Market Analysis

It is essential to show that there is a sound customer base for the business. You should:

- Explain who will buy your products or services.
- Identify the targeted geographical area.
- Indicate if the market is growing or declining.
- Identify if the market is segmented, and if so, show how.
- Highlight any influences that will affect the market.

- Show how you are going to reach your customers.
- Identify any seasonal trends.
- Identify any pricing sensitivity.
- Highlight what competitive edge you may have.

Explain how you have carried out your customer and market research ie. where have you found the information?

2.2. Competition

Be very careful to identify competitive products, services or businesses. Do not “assume” that there are no competitors – look hard. Check the Yellow Pages, magazines, the internet and places you would expect competitors to advertise.

How do you compare to your competitors on pricing, product, promotion and distribution? How are you going to position your product or service against them? Develop a list that shows your features against theirs and what gives you a competitive edge. Do not ignore the negatives if there are any, as you must address them.

2.3. Marketing Strategy

A good marketing strategy is vital to the success of a business. Customers must know about the product(s) or service(s) to be willing to buy them. List in detail the key strategies and explain how they will work and dovetail together if relevant. The strategies might include:

- Pricing – how is this to be used?
- Promotion – what type, where and how often.
- Literature – what type and how used.
- Customer service – what benefits?
- Advertising – what and where and the outline cost.
- Product or service launch plan.

Show what your total marketing spend will be for the first and second year.

2.4. Product or Service Production

You should spell out how the product(s) or services(s) are to be produced and costed. For example, is there a manufacturing process or is it a bought-in item. The outline cost and price basis should be listed ie. what proportion is material, labour and overhead recovery, all related to the selling price.

If it is a service then who provides it and on what basis is the cost charged out?

2.5. SWOT Analysis: Strengths, Weaknesses, Opportunities and Threats

A SWOT analysis highlights the strengths and weaknesses within the business and identifies opportunities and threats in the external business environment. This is a very important analysis.

Strengths are those that the business can exploit.

Weaknesses are areas of the business that need to be addressed.

Opportunities show the market place areas that can be built on.

Threats are those issues that could affect the business.

Not only should you list each of the strengths, weaknesses, opportunities and threats, but you should also assess what each means to the shape, direction and tactical running of the business.

DETAILED PLAN cont.

2.6. Business Structure

There are many options as to how a new business can be structured. For example, is it going to be as a Sole Trader; a Partnership; a Limited Partnership or a Proprietary Company? Will the company trade under a business name or a company name. You should provide a clear description on the proposed ownership structure and why it is being chosen.

2.7. Management & Ownership

Describe the background of the key persons in the business and what other staff or contractors will be required. What level of remuneration is either expected or anticipated. Briefly list any issues that might be pertinent with the employment of staff.

2.8. Registration, Permits and Licences

You will need to find out and list what registration, permits or licences apply to you. For example, you may be required to register a business name or you may want to register a trademark to give you the exclusive legal right to use, license or sell your goods or services in Australia.

2.9. Key Objectives

You should list your objectives or goals for the first year of operation. It is important to separate your objectives/goals under the operating sections of your business such as Sales & Marketing, Production, Finance, etc.

They should be succinct and must be both quantifiable and measurable. For example:

Sales & Marketing:

To achieve sales in the first quarter of \$X.

To achieve sales in the second quarter of \$Y.

To achieve X% market share.

Finance:

To achieve a maximum debtor days of X.

To reduce the overdraft from \$X to \$Y.

2.10. Financial Information

There are a number of key financial items that need to be prepared to show the progress and health of the business.

2.10.1. Establishment Costs

It is vital to assess the total funds required to set up the business and cover its operating costs until it becomes profitable. These should be listed and totalled. They should be split between pre-business costs and initial costs of operating.

2.10.2. Cash Flow

This is probably the single most important control schedule that any new business needs. Irrespective of the profitability of the business it is critical to ensure that your plans don't result in you running out of cash.

The projected cash flow highlights the surpluses and shortfalls of cash. In its simplistic form it records when you actually receive cash from sales (as opposed to when you might invoice a product on payment terms) and any other cash receipts less cash payments made for, buying product, overheads, tax, etc. The Cash Flow schedule should commence right at the start of the new business set-up with a zero Bank Balance and with the initial cash investment inserted. This ensures that the true cash requirement of the business, from start-up, is tracked. Shown below is an example of a simple Cash Flow schedule that shows some of the more usual items.

2.10.3. Source of Finance

The projected cash flow will show how much money is required to set up and commence the operation of the business. You need to explain where this money is coming from and where, if necessary, future additional finance might be available, for say, expansion. This is critically important if the Business Plan is going to be used to obtain finance.

Projected Cash Flow – first year

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Opening bank balance													
Cash receipts													
Investments													
Sales income													
Bank interest													
Other income													
Cash inflow													
Total cash available													
Cash payments													
Admin. outgoings													
Marketing													
Cost of goods													
Interest expense													
Capital costs													
Tax													
Other payments													
Total payments													
Net movement													
Closing bank balance													

2.11. Action Plan

The Business Plan has got to be used to manage the business. If it is not then it is a waste of time having written it. To ensure that it does serve the purpose of guiding your business development it is important to document the specific tasks that have to be done to achieve the Objectives/Goals set.

You do this by preparing an Action Plan. This should be done in a tabular form by the operating sections of the business. The items should not be too detailed or else they become unworkable. The purpose of the Action Plan is to act as a checklist of the key actionable items and the time they have to be done by and who is to do them.

More information

Full information regarding NAB's Microenterprise Loans, including other ways to secure the loan and key documents can be found at:
nab.com.au/microenterpriseloans