



Preparing a Business Plan

After working through this chapter you should be able to:

- Understand the need to produce and work to a business plan
- Gather the information and background detail needed for the plan
- Write up and present an effective business plan
- Work to the plan making the necessary adjustments needed.

INTRODUCTION

It is useful to prepare a business plan for your business. For independent business in freehold, tenanted, leased or franchised businesses, a business plan is essential. Even managed units in chain organizations can benefit from producing a business plan. Business plans assist managers to plan the direction of the business, compare performance with the plan, and take corrective action.

- Preparing a business plan allows you to think about the mission and key objectives of the business, and the actions needed to achieve the objectives.
- Identify the information needed to understand the customers and competition.
- Develop a competitive business strategy for the business.
- Plan all the activities needed to make the strategy work.
- Forecast the results of the plan to overcome difficulties.
- Keep track of the business and take corrective action where needed.

Preparing a business plan helps managers to understand the business and the planning process. It is this process that is important to the manager's role as a manager and owner, because the hospitality sector is fast moving and dynamic and a plan provides a sense of direction and purpose. It enables managers to make changes and amendments as circumstances unfold. The business plan shows how the business will contribute to overall goals and objectives of the organization.

DESCRIBING THE BUSINESS

The business planning process starts with a clear description of the business, the management and team and core business activities.

Mission statement, objectives and actions

The mission statement and objectives are important because they help to give everyone in the business focus and a sense of purpose. Also they help all to consider problems and difficulties to be overcome [Figure 9.1](#).

Mission statements

In large organizations, these will be provided by the organization, managers need to understand the statement and encourage team members to understand their contribution to achieving the mission. A good mission statement provides an organization with focus, and helps to concentrate managers and employees on the key activities, and to avoid trying to do too many things. In particular the mission statement should cover the following points:

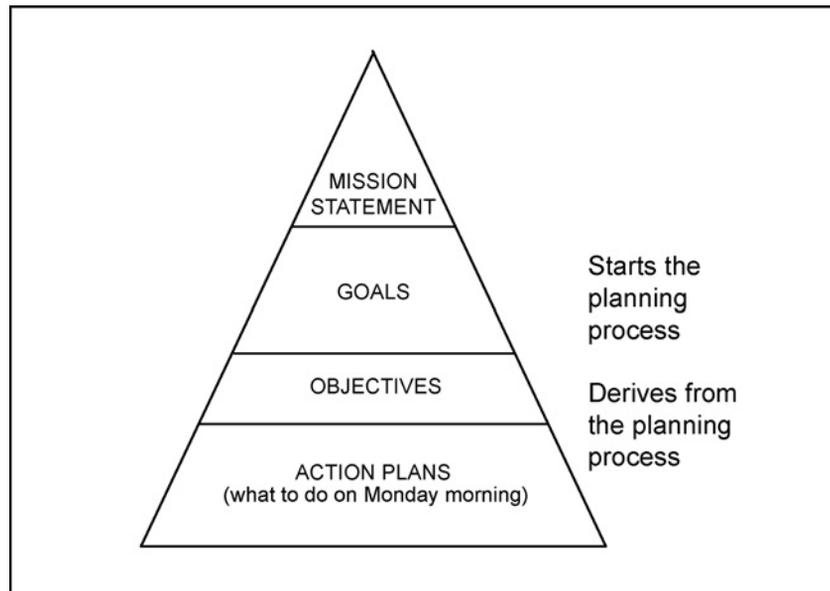


FIGURE 9.1 *The pyramid of goals.*

- What business is this and what is its purpose?
- What needs to be achieved over the next 1–3 years?
- How will this be achieved – what are the core values and standards?

Mission statements should not be too bland, nor should it be so general that is difficult to know what business the organization is in.

Objectives

Objectives are the specific objectives to be achieved over the next 3 years. They have to be written in specific and measurable terms. For example,

1. Increase sales by 20 per cent over three years
2. Reduce employee turnover by 10 per cent each year
3. Increase customer satisfaction scores by 5 per cent within 1 year

By defining the key objectives the plan is providing a set of targets so that are more likely to achieve the overall purpose of the business. They provide a measurable set of pointers that guide actions over the forthcoming period.

Tasks

Tasks are the specific activities that you need to undertake to achieve the objectives set. They are the ‘how’ statements that will make the objectives happen. For example,

1. Identify complementary customer occasions, so as to attract new customers to the business.
2. Target businesses who might undertake joint products with my products and services.
3. Direct promotional material and special offers to customer who use the business in quiet periods.

Actions

In this case the plan is showing what needs to be done and when, what will happen on Monday morning, thinking ahead to the various actions needed and when. For example,

1. Survey existing customers and potential customers.
2. Visit all competitor units in the area.
3. In August start recruitment and training of staff needed for the Christmas season.

The identification of objectives, tasks and actions are the most important because they are useful in helping to achieve the overall mission as set by the organization.

Key point 9.1

Defining core aims and objectives, tasks to be completed and actions needed to complete them is an essential tool of business planning.

DESCRIPTION OF THE PRODUCTS AND SERVICES

Even in situations where a person is managing a hospitality organization it is worthwhile focusing on one of the key products and services that you are supplying to customers. Hospitality and tourism operations often involve the sale of a mixture of food and beverage items. These need to be analyzed:

- by meal types – say between set meals and snacks,
- between types of drinks – alcoholic and soft drinks,
- through other income streams – say from machines or accommodation, and
- where accommodation is also offered for sale, the analysis should also include room sales and types.

Table 9.1 provides a framework which can be used to note the range of products and services being supplied. It may also be used to identify potential gaps and opportunities that could be added as part of the business development.

Increasingly, the analysis should also consider the primary customer occasions the business is servicing, and identify potential complementary occasions that might be tapped as a source of sales growth.

Customer occasion show that customers come to the business for one of a number of reasons even the same customer may visit the business with different occasions and service needs. Also flowing from this analysis of the customer occasions at the core of the business, it is also necessary to list the key critical success factors which customer regards as core to success. These need to be a key focus of the business because they will impact upon the

TABLE 9.1 Product and service analysis

Product/service	Description	% of sales

customers' evaluation of the success. The business plan helps to focus on these.

- Analysis of product sales mix variations through different parts of the day can be helpful
- Analysis of customer occasions associated with different time periods can also be helpful to identify opportunities

Key point 9.2

A thorough analysis of products and services supplied in total and in different time periods helps focus the business plan on opportunities and potential actions.

THE MANAGER AND TEAM

A careful consideration of the experience, training and development and skills available within both the management team and the employees is a valuable starting point to considering the skill needs of the unit. Clearly the plan can help you:

- identify potential strengths in the team;
- highlight key skills and experiences that can be used for projects and special initiatives;
- focus on skill shortages and development needs for the future;
- progression plan employees' and managers' career development.

An organization chart showing both job roles and named job holders clarifies the relationships and identifies potential career progression, and developmental needs. Increasingly, hospitality and tourism businesses are concerned with availability of key staff at all levels. Clearly, the right management team skills and experiences, capable of running and developing a multi-million pound business are vital. In addition, the inability to attract, recruit, and train employees is further compounded in many organizations by high levels of staff turnover that often represents a key weakness and substantial additional cost to the business. A clear commitment to build a strong team and increasing staff retention needs to be a key part of the overall policies and objectives as well as the analysis of the team.

1. Explain the thinking behind the company's mission statement and show how the team will work to achieve the mission.
2. List the objectives for the business:
 - (a) long term,

(b) short term

3. List the tasks and actions needed to take to achieve the objectives.
4. Describe products and service as if to a new employee.
5. How do these goods and services differ from competitors?
6. Are there possible complementary occasions through which it is possible to attract new customers?
7. What relevant skills and talents are available with the team?
8. What are the shortages of skills and talents? How will the team plan to fill the gaps?
9. What are current levels of staff retention and staff turnover?
10. What are the current levels of financial performance – cost levels, sales growth, profit levels, etc., and targets for the future?

Key point 9.3

The team at both frontline and management levels is crucial to business success. Employing the right people, developing their skills, and ensuring motivated performance are all essential.

MARKET RESEARCH

Many branded hospitality and tourism operators commission research on the brand, customers, competitors and markets on national and international levels. Entrepreneurs in large and small firms need to understand these issues as they relate to the particular business and community in which it is located.

An important element of the manager's task, therefore,

- should involve thinking about the core customer needs the business is servicing,
- the types of customer who are attracted to the business,
- the activities of competitors and,
- the general conduct of the market in which the business operates.

An ongoing analysis of these issues helps keep the plan in focus and to react to any changes that come up. Thus the unforeseen opening of a competitor unit or the closure of a major local employer may have adverse impacts to which the business needs to react.

CUSTOMERS

The focus advanced in this text suggests that each business represents a series of tangible and intangible benefits in products and services to customers. These can be best understood through an analysis of the ‘occasions’ that customers visit the establishment.

The key starting point of the plan is to consider the various customer needs which are being serviced through the business, and the factors that are critical for success. Furthermore this planning process needs to be further developed by an analysis of the customers themselves [Table 9.2](#).

Reflective practice

1. In a business known to you conduct some research on a sample of customers.
2. Identify the occasions being serviced by the organization at different times.

These matters need careful consideration because over recent decades hospitality and tourism businesses have emerged round changes in the population and their spending power. Here are just a few examples.

- More women working and having careers interrupted by having children, not stopped by them
- More two income households

TABLE 9.2 Customer segmentation through demographics

Socio-economic group	How do customers comprise the key socio-economic groups? Issues to do with income, status and employment can have important consequences, particularly when building up a picture of key employers for whom the business’ customers work.
Life cycle position	A description of the life cycle position(s) of key customer also helps you to analyse the number of potential customers in your locality and their needs and concerns from businesses like yours.
Gender	The mixture of male and female customers has a number of consequences for the product and services you offer. Healthy eating options on the menu, the provision of non-smoking areas, and security are issues that may be important issues where a substantial number of customers are women.
Geographical	What kinds of area do customers mostly live in? What housing types and locations are there other similar areas that might yield customers? What developments are there in these areas that might impact on your business?
Life style	Are there issues about environmental awareness, health consciousness, or appeals that can be made to those concerned with material rewards? In some units, a series of healthy options might attract customers to use the unit more frequently.
Personality	What personality types mostly dominate the customer base? Are there additional opportunities to attract similar customers or a different sort of customer at different times?

- More single households.
- More elderly people living longer and with higher incomes
- General increases in people eating out
- More people concerned about healthy eating

These changes have resulted in some additional opportunities, for example, retired customers can be attracted to use restaurants and bars during the late afternoon and early evening through price offers of special offers. More women with independent income mean that more women are looking to be able to eat and drink on their own, or with other women like themselves. More health consciousness and growth in vegetarianism mean that most menu offers have to include vegetarian and healthy eating options.

Key customer occasions and critical success factors

The following briefly outlines the key customer occasions appropriate to examples of hospitality and tourism operations in general. The list provided was not exhaustive and specific businesses may well be meeting other customer needs that result in them visiting the restaurant, bar or hotel that is not included here.

Employing the concept of customer occasions as a way of thinking about customers and their needs allows a focus which recognises that the same customer may use the same business for different reasons or occasions. Each occasion represents a specific use with different customer expectations of a successful service encounter. There are therefore, different critical success factors which service deliverers need to understand, and deliver, if the customer is to leave in a satisfied state of mind.

The business plan needs to list the core customer occasions and the potential complementary occasions that might *yield more customers*.

Refuel
Can't be bothered to cook
Family outing
Special Meal Out
Out on the Town
Staying Away

In addition, your business plan needs to list the critical success factors that are at the heart of customer expectations of a successful visit to the business.

Key point 9.4

A thorough understanding of customers through demographic analysis and occasionally through different time periods enables the business plan to be focused on customer needs through the identification of potential opportunities.

COMPETITORS

Research on local competitors is an important source of information on which to plan the business activities. Many hospitality and tourism markets are dominated by ‘me too brands and businesses’. That is, offers that are aiming at similar market segments and offering to satisfy similar customer needs on similar customer occasions. Business planners need to know their current strengths and weakness so that they can

- learn from their strengths, and
- attack their weaknesses.

Remember, there are both immediate and second order competitors for the customers’ spend. Initially, it is important to concentrate on the immediate, first order competitors, but planners need also to think about the other competitors who are also meeting similar customer needs to the same customer base as the business is working with. The business may well have its own features in relation to customers that will add to following list of key concerns.

TABLE 9.3 Competitor analysis

Factor	Competitor	Own unit
Visibility and access		
Menu and range		
Service style		
Additional offers		
Facilities		
Seating		
Opening hours		
Pricing and special offers		
General cleanliness		
Promotional activities		
Estimated sales revenue		
Average check size or transaction value		
Internal competitor audit		

The important point is that the issue under investigation needs to be relevant to the business and the customer needs it is aiming to serve [Table 9.3](#).

When drawing up the business plan planners need to have an honest accurate picture of the strengths and weaknesses of competitors and this should then inform development of the plan. Where is it possible to build genuine competitive advantage? What actions and targets are required to gain the competitive edge needed.

Flowing from the initial research, there is a need to be constantly tracking competitors. Planners must explore issues beyond the immediate customers, goods and services offered. Usually businesses are competing in the same labour markets, and in the same local environment, so there may also be a need to explore wage rates and incomes, and their links with local employers, schools, local government, planning offices, etc.

THE LOCAL ENVIRONMENT

The business plan now must consider the local environment because these provide a context of opportunities and threats that will impact on the business. Contacts with relevant government authorities can help to identify some useful data about the economic, political, social and legal environment. Again these items flow from a thorough marketing analysis, but here are some issues which might be considered:

- Local population demographic profile – trends and changes.
- General level of economic activity – employment – incomes – changes and future trends.
- Local offices or factories – major employers that may impact on the business – either closing or expanding.
- Any planned traffic changes or other planning decisions that might impact.
- The general approach of the planning authorities about this type of business.

The key is scanning the future for potential impacts on the business. Do they potentially generate more customers or fewer? As Wellington once said, ‘The value of recognisance is knowing what is over the hill’. In fast moving hospitality and tourism businesses you have to be aware of changes before they occur. By this scanning planners will be in a better situation to benefit from increased customer, or best suited to deal with problems.

1. What is the geographical area from which customers are likely to be drawn? Consider numbers locations, housing stock, etc.

2. What are the customer needs expressed in customer occasions that will be the businesses core customers? Identify potential customer occasions.
3. Consider the critical success factors for each of these customer groups, and differences between groups.
4. Are the markets from which business aims to draw increasing, or declining?
5. Are there potential changes in customer tastes, or habits that might either increase or reduce sales?
6. List the competitors with whom the business will directly compete.
7. List competitor opportunities to satisfy the same customer needs.
8. Highlight the strengths and weaknesses of their approach to serve these customers.
9. Match these with the businesses strengths and weaknesses compare these with customers.
10. Describe the local economic and social context in which the business is located.
11. Identify local firms who might be used to form alliances with the business.
12. Identify the key threats and opportunities posed by the local environment.

Key point 9.5

Effective business plans take account of both competitor activity and environmental factors on local, national and international levels. They shape the environment in which the individual business operators.

COMPETITIVE BUSINESS STRATEGY

Planners are now in a position to formulate a competitive business strategy that will help plan tactics and actions over the short, medium and long term. Planners need to think about the short term as actions within the next year, medium term as over one but under two years and long term as three years plus. In some contexts, the business strategy in terms of the overall direction of the business will be decided and shaped at senior levels. Broadly, there are three types of strategy that organizations follow, these are briefly described below.

Overall cost leadership usually large firms who can take advantage of reduced costs through economies of scale. The size of the business allows the firm to work on reduced costs due to lower production and distribution costs,

greater purchasing power with supplier, reduced advertising and selling costs. In addition to provide a Uniformity Dominant service, McDonald's Restaurants also follow a policy that has much in common with price leadership.

Differentiation, through quality, good design and image, that creates brand loyalty and a willingness to pay a price premium. In some cases, the 'label' is the key benefit to the customer. TGI Friday Restaurants are in part attempting to gain competitive advantage in this way.

Focus, here a company focuses a particular market segment on a narrow market segment that is too specialized to attract competitors. By specializing in such a way, the firm makes the market its own. In some cases, being the only supplier of a particular service to a local market can have elements of this, though in many cases the entry barriers for hospitality and tourism firms are too low to make it a realistic national strategy.

The overall business strategy brings together the various elements of the mission and objectives, market research, and marketing strategies, the market place, and the marketing mix leading to an overall plan shown. The service marketing mix needs to be stated in the business plan, and where the appropriate plan needs to give local flavour that will help interpret the action required.

Pricing

As shown earlier in the chapter, pricing is one of the elements of the marketing mix. Here are a few key pointers to pricing.

- The selling price shapes customer perceptions – higher prices can communicate a perception of higher quality.
- Price is associated with concept of value, but customers use the perceptions of the benefits to assess with the price paid represents good value.
- Many competitive markets are price sensitive, and small changes in price can result in large changes in customer demand.
- It is possible to adopt approaches where prices are held constant but bonus offers and the promotional mix increase sales.

The business plan needs a clear statement about the pricing strategy of the brand and how you will use this in local campaigns.

Advertising and promotion

Business planners need to communicate with local market, both customers and would-be customers. Advertising is paid for messages in the form of say local press advertising, whilst promotions are those activities that will help generate sales.

The marketing plan needs to consider how sales will be promoted through an array of different activities. Here are some examples that might be considered.

- Local newspapers and ‘free sheets’ are often effective that they reach target markets and are increasingly able to tailor their messages to specific localities. These are the most effective when tied to an ‘editorial’ piece say round a story about the business it is of local interest.
- Leaflets dropped through door ways or sent by post to target post code areas are also useful in that these can direct messages to the people most likely to use the establishment.
- Links with complementary firms – cinemas, theatres and other leisure venues can provide joint offers – say pre-theatre dinners, or price off vouchers to attract them to the business.

The business plan needs to show how planners will promote the business over the period.

- What are the aims and objectives?
- How much is it worth?
- Which methods will be used?
- What benefits are expected?
- How will check the results?

Place

The business plan needs to consider the nature of the premises, these provide sources of tangible and intangible benefits to customers. Issues such as the approach and appearance externally, the signage from various approaches, the cleanliness, visibility to the inside, external décor, the provision of smoking areas, car parking facilities may all be issues that are benefits or limitations.

Internally, the overall atmosphere, cleanliness, décor, music, toilet provision, the availability of children’s play areas etc., are also issues that need to be considered, because they may require capital expenditure to meet changed customer expectations.

Often it is said that location is the key to success in hospitality and tourism businesses, but difficulties can be overcome with the right attention to service, customer expectations and promotional activity.

The business plan should include an analysis of the facilities so that these can be analyzed and actions taken relating to the strengths and weaknesses they pose for meeting and exceeding customer expectations.

1. What are the key cost elements that the business has to incur to make an operating profit?
2. What is the overall price strategy?
3. How do prices compare with competitors?
4. Are there differences amongst customers in their price sensitivity?
5. What are your key objectives for advertising and promotional activities?
6. What methods are being used to achieve the objectives and why?
7. How will the results be monitored and evaluated?
8. Are premises adequate for future needs?
9. What development work is needed and why?

Operations

Operations are the name given to the activities required to make the strategy happen. In hospitality and tourism operations, these activities cover the production and service of food and drink, and in some cases accommodation. The business plan needs to show in detail how products and service will be supplied to customers.

1. It is useful to start with an indication of what the business is selling in broad terms, though an appendix could include the full product range.
2. From this it is necessary to indicate the opening hours of the business and the sales mix at different times of day.
3. Provide an organizational plan that shows the organization of the business and indicates the key job roles required to produce the goods and services. This will indicate the management posts involved and broad statements of responsibilities. Again, the appendix can be used to provide job descriptions (showing duties and responsibilities) and person specifications (showing skills and qualities) needed for each job title, where these are important for the plan.
4. The plan will also indicate how the individuals will be managed, rewarded and motivated. Issues to do with group and team work in the

management of particular customer groups and customer occasions. In other words, how will the critical success factors be managed?

5. Following from this the plan should indicate the businesses approach to customer complaint handling and the responsibilities for dealing with customer satisfaction.
6. The business plan needs to consider the management of materials and cash involved in the operation.
7. In most hospitality and tourism operations there are strict legal responsibilities associated with food hygiene, health and safety, licensing, and other responsibilities to customers and staff. The plan should show how these matters are handled and managed.

The operational plan lays down a blueprint of the key issues that are priorities for the delivery of a successful business which is likely to deliver satisfied customers and employees.

Key point 9.6

The business plan needs to clearly demonstrate the means by which it will operate and deliver customer satisfaction and achieve the mission.

FORECASTING RESULTS

The business plan was described earlier in the chapter as a map, and the ultimate aim of a business offering hospitality and tourism products is to deliver a profitable operation which will make a positive contribution to the owner's financial performance.

Sales forecasts

The sales forecast is arguably the most important set of figures to arise from the planning process. The sales forecasts help to establish the targets that you will use through the year and establish a set of business profit and loss accounts that will indicate profits or losses.

- Estimates of sales from various income streams – meals – non-alcoholic and alcoholic beverages – machines and accommodation, etc., will need to be, above all else, based on sound reasoning. Previous trading experience will be necessary to build a reasonable estimate of likely sales patterns, even in a new business. In many cases, however, the team will be managing a business that has been trading for some time.

The following points provide a check list of issues to bear in mind when calculating and justifying the sales forecasts.

- How big is the market, bearing in mind the customer profile the business will be wanting to attract and the local population within the catchment area. Is the overall market growing or shrinking and at what rate? Avoid unsubstantiated statements - the team need to be convinced that the targets are achievable.
- How many customers are there who are likely to buy from the business and how much do they spend on average per visit? Are there seasonal variations or variations between customer types? Hospitality and tourism traders can get some information about the area, customer types, traffic flows, footfalls, etc from both the local authority and from research organizations.
- The desired income approach is appropriate for these operations and the aim is to achieve the forecast. By a thorough analysis of potential sales there is a chance to make adjustments if sales slip for some reason.
- Are the product life cycle issues to consider? Some hospitality and tourism businesses, pubs for example, are working in markets where customer visits are in decline, though there are growing opportunities through the provision of restaurant services.

How long a period should your sales forecasts cover? In fast moving retail markets it would be unusual to plan more than three years ahead and most will operate a twelve months cycle.

Operating profit statement

The operating profits statement sets out to match income with expenditure over the appropriate time period of the business plan. It is the way profit and loss can be calculated for the period.

Sales income

This shows the total budget sales income for each month over the year. The figure will include the total income from all the unit's revenue earning activities – sales of meals, snacks, alcoholic and non alcoholic drinks, machines, accommodation etc., by each month as they are likely to occur. That is, the plan must consider potential variations month by month. Traditionally, hospitality and tourism operations in the UK experience low sales in January after peaks in December.

Cost of sales

To show a trading profit is necessary to deduct the costs of the materials purchased to produce the goods sold. Thus the cost of all the food, drinks, and other materials directly used to produce the goods sold are deducted from the sales revenue. The trading profit is the balance after costs of the materials directly used to generate sales revenue have been deducted. Usually these costs could represent an average and be calculated as a percentage, though there may be major differences between the profitability of different income streams and products.

Labour costs

Again these relate to the costs of producing the products and services associated with the sales revenue generated. Thus the total direct labour costs of kitchen, bar, restaurant, and accommodation are calculated as a means of arriving at a gross profits. That is the surplus after the costs directly associated with generating the sales revenue has been taken into account. Again the costs of labour can be calculated as a percentage, though there are differences between departments and section depending on the labour intensity and the use of supplies that require different amounts of handling by staff.

Table 9.4 shows an example from an extract of accounts for hospitality retail operation such as yours.

The gross profit shows how much income will be generated after the immediate costs of producing the products and services sold. However, these

TABLE 9.4 Extract from gross profit budget for Mr Bean Restaurant – Chelmsford

YEAR XXX	Chelmsford
Sales (£)	
Food	900 000
Beverages	50 000
	950 000
Cost of sales (£)	
Food	225 000
Beverages	20 000
Total	245 000
Trading profit (£)	705 000
Staff wages (hourly paid) (£)	175 000
Gross profit	530 000

TABLE 9.5 Extract from gross profit budget for Mr Bean Restaurant – Chelmsford

Year	Nottingham
Sales (£)	
Food	900 000
Beverages	50 000
Cost of sales (£)	
Food	225 000
Beverages	20 000
Total	245 000
Trading profit (£)	705 000
Staff wages (hourly paid) (£)	175 000
Gross profit	530 000
Lease and local tax	90 000
Electricity and gas	20 000
Management and admin	54 000
Promotional activity	48 000
Maintenance	36 000
Other consumable	36 000
Depreciation	30 000
Restaurant profit contribution	216 000

are not the only expenses. Managers' salaries and other administration costs, as well as rents, rates, lighting and electricity, unit based advertising, staff uniforms, and other expenses will need to be taken into account to show the profit contribution that your unit makes to the overall business.

Table 9.5 shows an example from the same organization, but shows how the operation profit can be calculated.

Clearly, a branded hospitality and tourism business is different from an independent business because it is unusual for these organizations to produce unit specific balance sheets. However, each business will be considered as a business investment and the return on capital employed might be an issue that company's accounts might want to consider.

Key point 9.6

Forecasts of business outputs and achievements need to be as sensible and realistic as possible. It is important to avoid overly optimistic or overly pessimistic predictions.

WRITING UP, PRESENTING AND WORKING WITH THE BUSINESS PLAN

The business plan is both a document to be presented to colleagues – showing how the team plan to manage the business; it is also a document that the team will use through the year, to work from and to assess progress. The business plan, therefore, needs to be presented in a professional manner, and be capable of easy access.

Presentation of the written document

The business plan needs to conform to professional standards in the way it is written and presented.

- A simple business folder with a spiral binding will be sufficient.
- It must be word processed (typed).
- The layout should be much closer to a report than a memo or essay.
- The page layout should use wide margins, and be pleasing on the eye, and it should be printed on single sides of A4 paper.
- It should paginated.
- Obviously tables, figures and graphs aid understanding and are a quick way of communicating information, though these should also be explained and discussed in the text.

Remember, the appendix should be used to provide useful background information, all information that is essential to the plan must be included in the main body of the text.

Layout and content

There is no formally accepted business plan format, and a business plan for a unit that is part of a multi-unit organization has to be different from a plan of an independent business. The balance sheet section and the justifications, that an independent business is required to include, are not needed in a document for these purposes.

The front cover of the document should clearly state the name of the business and the date of the business plan. It is important that it is clear that this is the latest version of the plan.

The second sheet behind the front cover should be an executive summary and will include:

1. The current trading position of the restaurant, past successes and the general appraisal of performance over recent years.

2. The products and services currently being sold and the units ranking compared with competitors.
3. The customers and the potential customer base in the area, and the reasons why they use the unit.
4. The unit's aims and objectives, in the short term, and the strategies to be employed in achieving them.
5. A summary of forecasts, sales and profits.

The table of contents

The table of contents are valuable because they help the reader work round the document and focus on the issues of immediate concern. The team will be using this document so they need to be able to turn to the sections that are of interest at a specific time. It is helpful, for example, for the document to be paginated and for the contents page to indicate page numbers where the various headings can be found.

There are a number of ways of numbering pages and sections. It is the most appropriate to use a system that gives every section a new number and sub-sections are broken down to decimal points.

Though there are likely to be variations between different businesses, the following is an example to work from and that might be useful as basis for designing your own document.

Here's an example

Sample table of contents

Section

Executive summary

The Business and Management

1.1 History and overview of progress to date

1.2 Current mission

1.3 Objectives and actions needed

1.4 The team

The Products and Services

2.1 Products and services

2.2 Current sales mix

Market and Competition

3.1 Description of customers

3.2 Customer occasions, needs and benefits

3.3 Market segments

3.4 Market size in the area

- 3.5 Location of customers and flows
- 3.6 Market projects over the period
- 3.7 Competition

Competitive Business Strategy

- 4.1 Pricing policy
- 4.2 Promotional plans
- 4.3 Premises
- 4.4 Competitor responses

Operations

- 5.1 Critical success factors
- 5.2 Quality management and control
- 5.3 Organization structure
- 5.4 Employee management and motivation

Forecasts and results

- 6.1 Sales forecasts
- 6.2 Operational budget
- 6.3 Business objectives and actions plans

The writing of the plan may have to go through several stages, at least a first draft that the team will need to show and discuss with colleagues, and a second draft that will be the final document. It is important that the final draft is clear and well written, free from spelling and grammatical errors. The document has to be both detailed enough to show that you have thought through the issues and records your thinking at the time, but the document must not be overly long. So part of the editing process is to ensure that the information that is needed is in the document and that you have not over written parts.

WORKING WITH THE BUSINESS PLAN

The business plan should be used throughout the year to monitor and keep track of progress. The assumptions and calculations built into the plan should make sense to the team of the time so they need to think critically about the how they will use the plan to guide trading performance.

Sales analysis – hourly, daily, weekly and monthly sales audits can keep track of issues such as the sales mix, sales of most profitable lines, average transaction values, numbers of transactions, party sizes, irregular flows in the times customer use the business, etc.

Promotional plans and activities – impacts of particular offers, bonuses, national and local initiatives that were more, or less, successful.

Customers – who are regular users and what is the level of customer retention; their location and reasons for coming to the business; demographic profiles; complaints and comments of satisfaction, customer focus groups, mystery customer reports.

Employees – staff retention and labour turnover, staff satisfaction surveys, costs of training, benefits from training and developments, sales analysis and up-selling opportunities, labour costs and investment in human capital.

Competitor activities – making records of their initiatives that impact negatively on sales, and how they respond to the team's initiatives.

Cost control and profitability – ensuring that the team keep control of the costs of the materials and labour need for the production of goods and services, is essential in developing the basis for profitable performance.

CONCLUSION

The business plan provides the team with a detailed map of how the business will develop and will undertake its activities. It is essentially a tactical account of the business and the issues that need to be managed for it to meet the business commitment to customer satisfaction, sales and profitability growth, continued success in the community in which it is located.

Though there are no hard and fast rules about how this type of business plan should be presented it is important that the team undertake the research necessary and undertake the activities suggested in this chapter in as thorough a manner as possible. The more the team invests in making rational decisions based on a sound understanding of the most relevant information the more likely that the plan will form a sound basis for arriving at the desired objectives.

The business plan, is above all else a working document designed to assist the team to plan with sense and realism, and through which to monitor performance against desired objectives. Regular use of the document and comparing performance against predicted performance is an essential feature of how the document should be used. In some cases, adjustments to the plan need to be made to the plan in the light of events which have happened.