

COMMON PITFALLS WITH ENTERPRISE ALLOWANCE BUSINESS PLANS

Here are some common pitfalls and omissions when compiling and submitting business plans

No CV Provided:

- Assessment of skill set?
 1. Practical skills
 2. Financial skills
 3. Interpersonal skills

Results to Date:

- If the business has already started, there are no details of results to date, i.e. sighted evidence to prove results to date, invoices / bank statements etc.

Analysis of Target Market:

- Vague/general terms used. More detail needed relevant to the business will be required.
- Limited or no research completed to see if:
 1. Business viable
 2. Capacity available in the market, is there enough room for another competitor
 3. Risks involved
 4. Any market testing completed

Marketing strategy:

- Because the analysis of the target market is generally not completed well the marketing strategy also suffers
- Normally see a “catch all” approach, i.e.:
 - Word of mouth
 - Yellow pages
 - Pamphlet drops
- Needs to be more specific strategies to target the selected market e.g. age groups, demographics, sex, types of industry, etc.
- Should then include more direct marketing techniques i.e.
 - Cold Calling
 - Direct Calling, Emailing
- No costing analysis included in plan to cover strategy sufficiently

Competition:

- Lack of analysis
 - Who
 - What are they offering
 - Rates/pricing
 - Think outside of square regarding other competitors

Pricing strategies:

- Little work is completed on pricing strategies and what impact different strategies has on the bottom line of the business
- What end of the market are you priced at
- Is your product priced accordingly
- How are you positioned in relation to your competitors

Location – storage

- Where it is – suitable, foot traffic, accessibility
- Lease/rent agreements
- Quality of property/plant/vehicle(s)
- Requirements of location meet needs
- Approval to operate from rented premises
- Insurance cover is appropriate

Risk Management

- Appropriate insurances
- Knowledge of OSH requirements
- Regulations local/national/international
- Legal, i.e. contracts, lease agreements
- Injury – back up plans
- Mitigations are in place for any possible risks to reduce or eliminate effects

Enterprise Allowance

- Clear breakdown of capital expenditure / allowance required
- Details of clients contribution (if any)
- Has client exhausted other avenues of funding for capital purchases, ie HP, lease. Bank loans. (Remember Enterprise Allowance is a last resort funding.

Cash Flow and Budgets

- No indication if cash flow is inclusive/exclusive of GST?
- No assumptions to back up sales / expenditure figures
- Unrealistic sales & expenditure forecasts
- Expenditure not included
- Figures not adding up
- Not spread appropriately , i.e. allowing for factors like slow start up, Seasonal fluctuations, High and low sales points
- Lack of understanding of cash flow by client (Some once else has compiled with no consultation with client

- No allowance for Tax/GST
- Does not tie in with rest of business plan, i.e. what is described in the marketing strategy section does not comply with the costs in the cash flow
- Not generally completed or it does not tie in to the business plan
- Cash flows presented are only 1 year. You should be planning a number of years ahead.

SWOT analysis

- Need to show development of strategies to realise strengths and opportunities and mitigate weaknesses and threats
- Action plan developed that will compliment business plan

EXAMPLES OF SWOT ANALYSIS

STRENGTHS:

Point of difference.

New equipment.

Able to develop the business in stages which will allow for viable future expansion opportunities.

WEAKNESS:

The timeframe to establish an income stream.

Will be required to establish ourselves in the market.

Location of site may not be favourable.

OPPORTUNITIES:

Opportunity to approach an equity partner to scale up the operation with a strategic alliance.

Opportunity to apply for a Development grant.

Opportunity to increase market share.

THREATS:

Cash flow issues in relation to the time it takes to start the business.

Finding and training of good staff.

Existing competition.

Remember this is your business, your livelihood.

The more work you do towards your business plan the more likely your business is to succeed.

Leave no stone unturned, do not rush things, do not jump too far ahead of yourself but plan for the future.