

Writing a Business Plan

About one million new businesses are started each year in America; of those, approximately two hundred thousand will survive five years. This translates into one in five businesses making it to their fifth anniversary. This is an alarming statistic! Why in the world would only one in five businesses in the “Land of Opportunity” survive so short a period of time? There are several reasons; however, the most common happens to be the most controllable. There is no magic equation for success, but one basic rule holds true: “A business owner who fails to plan, plans to fail.”

A business plan helps entrepreneurs and business managers think through their strategies, balance their enthusiasm with facts, and recognize their limitations.

Convince yourself that proper business planning is an absolute necessity. Your business plan is the heart and soul of your operation and the most important set of documents provided by you to any lending institution or potential investor. It explains all the financing you need, and most importantly it will give your financial sources persuasive information about your venture.

Put your business plan to multiple uses. A comprehensive and realistic business plan will help you accomplish many essential objectives, including the following:

- Take charge of your entrepreneurial life. The business plan is evidence of your initiative. It shows that you have the discipline to focus your energies on an important project and understand how to achieve progress and growth, solve problems along the way, and achieve ultimate goals. The business plan is the foundation and pillars of your vision and will allow you to structure your ideas into reality.
- Lay out a master blueprint. The business plan is to the entrepreneur what a set of detailed architectural drawings is the builder. It determines the details that will be used in reaching your objectives. It shows you the logical progression of steps needed to reach your established goal.
- Communicate your master plan to members of your team. The business plan is a concrete statement of purpose which allows you to communicate to your colleagues a step-by-step agenda for reaching your goals.
- Attract money to your project. Potential suppliers of capital and other needed resources will place great value on your business plan as they determine whether or not to participate.

Name Your Business

Naming a business is a vital decision. Keep the name straightforward and descriptive. Make it as distinctive as possible. Avoid grandiose, overworked adjectives.

Your business name should be like a headline to an article. Describe who you are and what you do in your name, whenever possible. A dangerous marketing mistake is to make your prospects and potential customers guess what it is that you do.

Cover Sheet

Keep your cover sheet as simple as possible. Identify yourself, your business, and the institution or party to which you are addressing your application and include the date the plan is submitted.

Table of Contents

The table of contents will not only help your prospective lender to understand the road map you are placing before her, it will also make a statement about you: you are organized, thorough, sensitive to the needs of those you are approaching, and able to manage the “big picture.”

Executive Summary

The executive summary of the business plan captures and holds the interest of the party to whom the plan is being presented—it can make you or break you. Make sure it can be read in a few minutes. Make it sell! Keep it to within two typed pages.

The critical executive summary encapsulates the entire business plan in a few paragraphs by giving the most succinct statement possible of the nature and objectives of your business which would involve:

- Its mission
- Its unique selling advantage
- Your projections for the future (sales, costs, and profits)
- Your needs (inventory, land, building, working capital, and other resources)
- Procedures and timetable for repaying investors
- The capital you are requesting

The executive summary is a crystallization of the entire business plan in an overview format. Don't neglect this section. It will demonstrate that you can focus with clarity on your goals and state, in no-nonsense fashion, who you are, what you want, and where you are going.

General Business Section

Business Profile

It is important to remember that throughout your business plan, you must inform the reader of all major factors, positive and negative, that may have an effect on the outcome of your organization. This section should provide the reader with the concept of how your business works and why it has a unique chance to shine in the marketplace. Make sure to ask yourself the following:

- What is the precise nature of your business?
- How have you developed your products and services? Give a brief history.
- What are the economic trends? Give evidence that spending trends are favorable to the industry.
- What is the organizational detail of your business
- What are the factors that influence your business? Be sure to include local economic factors, seasonality, dependence on special vendors or suppliers.
- What are your operational procedures? (physical space requirements, machinery and equipment, raw materials, inventory and supplies)

Anticipated Challenges and Planned Responses

This section of the business plan sets forth your contingency strategies for dealing with anticipated barriers and challenges such as the competition factor (similarities and differences when compared with your business, their strengths and weaknesses, your competitive edge, your insight into how the competition will try to block your market entry and how you will respond.), the vulnerability factor (possible economic downturn, turnover of employees, seasonality of product or services), key people contingency (depth of your management team, plans for responding to loss of important personnel), and the staffing factor.

Current Situation

In the Current Situation section, you should define clearly how you have come to your current position. Provide evidence that your business will really fly. This can include a list of customers who have tentatively signed up for a service, a description of the success of a product prototype, or some other form of proof. Indicate how close you are to launching the business. What steps have been taken, and what remain to be taken

Company Objectives

In the Company Objectives section, you will develop short and long term goals. Here is where you need to formulate a vision of where you want to be in a few years. Make sure that you balance enthusiasm with realism. It is a good idea to use "checks and balances" when you visualize your company's progress. In order to achieve your goals, set a few simple objectives for each year, first through third. Your goals should be specific, measurable, and realistic and cover specific time frames. They should deal with quantitative measures such as sales and profit figures as well as more qualitative issues such as awareness and image among your target customer base.

Marketing and Operations Section

Target Market

Accurately defining your target market requires much time and effort. In structuring your market profile, make sure you have done your homework and research with great care and due diligence. Don't assume that your target exists and/or that it can be created. Define your specific market:

- State precisely who the consumers of your products or services are.
- Identify your target consumers demographically.
- Note the geographical scope of your market, including size and population.
- Include a description of your customers' motives for buying: both psychological and product benefit-related motives.
- Include a chart showing their unmet needs, indicating which needs your company will address and which you will not address.
- Identify all competitors and review their strengths and weaknesses. Review their target markets and marketing strategies.
- Consider the growth potential of your target market.
- Evaluate your ability to satisfy the market's demands
- Know how your business plan will enable you to attract new customers while keeping customers you have.

Product/Service Strategy

Describe the product/service and point out any unique features; explain why people will buy the product or service. Will your product/service be easily recognizable and understood by lending organizations? It is important to identify your product/service clearly and explain all aspects of the purchasing, manufacturing, packaging, and distribution of the product/service.

Describe the different products/services you will offer in greater detail. Discuss the depth of each product line in terms of styles, models, and sizes.

Potential lenders and investment groups will lend capital only if they have confidence that the business concept has been clearly researched, identified, calculated, and thoroughly thought out. Provide rationale for your strategy.

Operations Strategy

Manufacturers should discuss purchasing/sourcing of raw materials and components, production locations and techniques, labor issues, quality control systems, inventory control systems and cost control systems.

Retailers should identify key vendors/suppliers, inventory control systems, hiring plans and requirements for non-management employees, customer service policies.

Services should address key issues in service quality control, hiring plans and requirements for non-management personnel, customer service policies, etc.

Pricing Strategy

Describe any introductory pricing strategies such as skimming or market penetration. Will your pricing strategy be a premium/prestige price, a discount price or a competitive price? Discuss the use and timing of periodic discounts. If you are shipping to a broad geographic area, indicate if you will have geographic zone pricing or uniform pricing. Provide rationale for your strategy

Promotion Strategy

Provide a positioning statement that will be the focus of all your promotional messages. Be as specific as possible. Don't just repeat the mantra of quality, service and a low price. Some possibilities may include:

- Will it make their life more comfortable? How?
- Will it save them time or money? How?
- Will you offer more customer service than your competition? If so, how is it superior? *Be specific.*

- Will your customer's lifestyle be any different if they purchase your product/service? How?
- What are some of your competitor's weaknesses?
- How can you take these and turn them into strengths for your enterprise?

Describe your advertising plans and your efforts to generate publicity. Discuss media and timing of promotional efforts. Describe any sales promotion plans including the use of trial-generating incentives such as sampling, demonstrations, coupons, rebates, etc. Describe sales promotion efforts to encourage loyal, repeat customers such as frequent shopper programs. Discuss the use of personal selling or other direct selling techniques such as on-line sales, telemarketing, For all of these strategies and tactics, provide rationale.

Management Section

Your management team will be responsible for the success or failure of your business. The strength of your management team must be strongly stated in your business plan. An organization with a formal structure is better able to raise capital and provide leadership and thus achieve its goals.

- **Management Team.** Identify your management team, explain combined experiences, strengths, leadership abilities, and all positive characteristics.
- **Responsibilities.** List each manager separately and explain his/her various responsibilities. As you are listing responsibilities, try to determine if any are handling too much—or too little. Would some tasks be better delegated to or handled by other personnel? Be honest with yourself here. Remember you honesty in these decisions will affect the bottom line of your company.
- **Compensation.** List salary histories, proposed salaries, and other compensation for each management team member.

Financial Section

Financial Projections

Here is the heart and soul of your business plan, the point in time where your vision is quantified in terms of dollars and cents and units of time (days, weeks, months, and years). Your financial projections should be broken into monthly projections for years one and two, and annually thereafter, up to and including year five. You should include the following financial statement projections: Profit and Loss Statement, Balance Sheet, and Cash Flow Statement. Provide a breakeven analysis. The financial section should be well footnoted to explain the assumptions that went into the creation of the financials (there will always be questions on *how* the numbers were created. . . you're better off addressing them proactively).

Implementation Schedule

The Implementation Schedule portion of the business plan accomplishes the following: identifies when you expect needed financing to kick in, lists the main steps of the marketing campaign charted by date, and gives the scheduled dates of the production and delivery programs that will fulfill the obligations of sales.

Statement of Resource Needs

If you are using your business plan for the purpose of generating needed resources from lenders or investors, this section will summarize your precise needs (capital, terms, requirement date), and identify how the resources will be used.