

Business Plan

Comprehensive Plan:

- I. Executive Summary
 Strategic Objective
 SWOT
 Organization Type and reasoning
- II. Marketing Plan
 Competitor Assessment
 Customers' Needs, Priorities, Location
 Product Strategy
 Pricing Strategy
 Promotion and Advertising Strategy
 Place/Distribution Strategy
- III. Operations Plan
 Production/Operations core process
 Production/Operations facility requirements
 Supply Chain and Inventory plan (for physical materials and products)
 General computer needs, e.g., web-site, core business applications...
- IV. HR Plan
 Company structure
 Positions needed
 Recruitment and Hiring needs
 Training needs/approach
 Performance approach and compensation
- V. Finance Plan
 Start-up funds needed
 Sources of existing start-up funds available
 Other sources for start-up funds and amounts sought
 Projection of sales & detailed expenses per mo (incl: debt payments) for 1st yr

PART I: INTRODUCTION (CHAPTERS 1, 2, 6, 7, &14)

Executive Summary

Prepare this section last.

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the proposed business: What will your product be? Who will your customers be? Who are the owners? What do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise.

Strategic Objective

Company Goals and Objectives: Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

SWOT Analysis

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

Organization Type and reasoning

What business will you be in? What will you do?

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?

Mission Statement: Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:

Business Philosophy: What is important to you in business?

To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the *Marketing Plan* section).

Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?

PART II: MARKETING PLAN (CHAPTERS 11, 12, &13)

Market research - Why?

No matter how good your product and your service, the venture cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you're on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well spent.

Question to consider:

- What is the total size of your market?
- Current demand in target market.
- Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
 - High capital costs
 - High production costs
 - High marketing costs
 - Consumer acceptance and brand recognition
 - Training and skills
 - Unique technology and patents
 - Unions
 - Shipping costs
 - Tariff barriers and quotas
- And of course, how will you overcome the barriers?
- How could the following affect your company?
 - Change in technology
 - Change in government regulations
 - Change in the economy
 - Change in your industry

Competitor Assessment

What products and companies will compete with you?

List your major competitors:

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.)

How will your products or services compare with the competition?

Use the **Competitive Analysis** table below to compare your company with your two most important competitors. In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.

In the column labeled **Me**, state how you honestly think you will stack up in customers' minds. Then check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses.

Try to be very honest here. Better yet, get some disinterested strangers to assess you. This can be a real eye-opener. And remember that you cannot be all things to all people. In fact, trying to be causes many business failures because efforts become scattered and diluted. You want an honest assessment of your firm's strong and weak points.

Now analyze each major competitor. In a few words, state how you think they compare.

In the final column, estimate the importance of each competitive factor to the customer. 1 = critical; 5 = not very important.

Table 1: Competitive Analysis

FACTOR	Me	Strength	Weakness	Competitor A	Competitor B	Importance to Customer
Products						
Price						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Company Reputation						
Location						
Appearance						
Sales Method						
Credit Policies						
Advertising						
Image						

Now, write a short paragraph stating your competitive advantages and disadvantages.

Customers' Needs, Priorities, Location

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class and occupation
- Education
- Other (specific to your industry)
- Other (specific to your industry)

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm
- Quality, technology, and price preferences
- Other (specific to your industry)
- Other (specific to your industry)

Describe your target market

Identify the location of your target market

Identify the needs and priorities of your target market

Proposed Location

Probably you do not have a precise location picked out yet. This is the time to think about what you want and need in a location. Many startups run successfully from home for a while.

You will describe your physical needs later, in the *Operational Plan* section. Here, analyze your location criteria as they will affect your customers.

Is your location important to your customers? If yes, how?

If customers come to your place of business:

Is it convenient? Parking? Interior spaces? Not out of the way?

Is it consistent with your image?

Is it what customers want and expect?

Where is the competition located? Is it better for you to be near them (like car dealers or fast-food restaurants) or distant (like convenience-food stores)?

Product Strategy

Describe in depth your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in *Appendices*).

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

What are the pricing, fee, or leasing structures of your products or services?

Pricing Strategy

Explain your method or methods of setting prices. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can under price you anyway. Usually you will do better to have average prices and compete on quality and service.

Does your pricing strategy fit with what was revealed in your competitive analysis?

Compare your prices with those of the competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?

What will be your customer service and credit policies?

Promotion and Advertising Strategy

How will you get the word out to customers?

Advertising: What media, why, and how often? Why this mix and not some other?

Have you identified low-cost methods to get the most out of your promotional budget?

Will you use methods other than paid advertising, such as trade shows, catalogs, dealer incentives, word of mouth (how will you stimulate it?), and network of friends or professionals?

What image do you want to project? How do you want customers to see you?

In addition to advertising, what plans do you have for graphic image support? This includes things like logo design, cards and letterhead, brochures, signage, and interior design (if customers come to your place of business).

Should you have a system to identify repeat customers and then systematically contact them?

How much will you spend on the items listed above?

Before startup? (These numbers will go into your startup budget.)

Ongoing? (These numbers will go into your operating plan budget.)

Place/Distribution Strategy

How do you sell your products or services?

Retail

Direct (mail order, Web, catalog)

Wholesale

Your own sales force

Agents

Independent representatives

Bid on contracts

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

PART III: OPERATIONS PLAN (CHAPTERS 16&17)

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

Production/Operations core process

How and where are your products or services produced?

Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

Production/Operations facility requirements

What qualities do you need in a location? Describe the type of location you'll have.

Physical requirements:

- Amount of space
- Type of building
- Zoning
- Power and other utilities

Access:

Is it important that your location be convenient to transportation or to suppliers?

Do you need easy walk-in access?

What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centers?

Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.

Construction? Most new companies should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.

Cost: Estimate your occupation expenses, including rent, but also including maintenance, utilities, insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your financial plan.

What will be your business hours?

Supply Chain and Inventory plan (for physical materials and products)

Describe the following (if applicable):

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

Inventory

- What kind of inventory will you keep: raw materials, supplies, finished goods?
- Average value in stock (i.e., what is your inventory investment)?
- Seasonal buildups?

General computer needs, e.g., web-site, core business applications...

PART IV: HR PLAN (Chapters: 14&15)

Company structure

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

Create an organizational chart showing the management hierarchy and who is responsible for key functions.

For certain functions, will you use contract workers in addition to employees?

List the following (if applicable):

- Board of directors
- Management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultant or consultants
- Mentors and key advisors

Positions needed

- Number of employees
- Type of labor (skilled, unskilled, and professional)

Have you drafted job descriptions for employees? If not, take time to write some.

Recruitment and Hiring needs

- Where and how will you find the right employees? (ads, craigslist, friends, family)

Training needs/approach

- Training methods and requirements
- Who does which tasks?

Performance approach and compensation

- Pay structure

PART V: FINANCE (Chapters: 8&9)

Start-up funds needed

You will have many expenses before you even begin operating your business. It's important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.

Even with the best of research, however, opening a new business has a way of costing more than you anticipate. There are two ways to make allowances for surprise expenses. The first is to add a little "padding" to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the approach we recommend.

We recommend a rule of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.

Possible startup costs:

- Equipment
- Legal Costs
- Website Design
- Business Cards
- Initial Advertising/Marketing
- Vans

Sources of existing start-up funds available

Include personal financial statements for each owner and major stockholder, showing assets and liabilities held outside the business and personal net worth. Owners will often have to draw on personal assets to finance the business, and these statements will show what is available. Bankers and investors usually want this information as well.

Other sources for start-up funds and amounts sought

Possible expenses:

- Salaries/Wages/Benefits
- Advertising/Marketing
- Gas
- Electricity
- Office Rental
- Bank Repayments

Projection of sales & detailed expenses

Many business owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful. Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it's time to revise your plan.

Break-Even Analysis

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it's the sales level that is the dividing line between operating at a loss and operating at a profit.

Expressed as a formula, break-even is:

$$\text{Breakeven Sales} = \frac{\text{Fixed Costs}}{1 - \text{Variable Costs}}$$

(Where fixed costs are expressed in dollars, but variable costs are expressed as a percent of total sales.)
Include all assumptions upon which your break-even calculation is based.

- Market research studies