

Crafting a Business Plan

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Do I need a business plan?

Yes! A business plan is a critical step to developing and running a business. It shows that you are serious about your venture when seeking funding, partners or suppliers and educating your employees. It is your roadmap as a manager and will keep you on track for growth. It protects you by forcing you to consider what may go wrong and how you can fix it before it is a crisis.

What exactly is a business plan?

A business plan is a detailed blueprint for your business. It describes and projects business operations and the financial impacts of your business. It is a powerful tool that helps you look into the future and plan at a time when you have more time to think and carefully consider your options.

How hard is this and how long will it take?

Crafting a business plan is much like writing a story. You will work through several sections painting a picture of all the different aspects of your business. Typically the hardest parts are where you are not personally clear on how something will work. The Center for Economic Vitality will provide you with research and reviewing services as needed to assist you in creating your business story.

Once I write this, am I done?

Not really. A business plan is never truly complete. You will want to review your business plan at least annually and more frequently in your first year of business or during times of extreme internal or external changes. Make thoughtful updates to reflect these changes. Remember – your business plan is a future looking document and your job as the owner is to always be looking at what comes next.

Are there other things I need to write?

It depends on your business but typically you will also want to create a marketing plan in addition to anything specific to your industry.

Where do I start?

Below you will find the different sections of a business plan. In each section you should address the key areas indicated as you tell the story of your business. You do not necessarily need technical sounding terms; in fact they often get in the way of the reader.

Tips of advice:

1. There is no perfect model. There are lots of ways to write business plan so you may receive conflicting advice. The best business plan is the one that will lead to your success.
2. Write in a positive present tense voice. Save your negative thoughts for the risk section. Talk about your business as if it exists today, the way it is in your mind.
3. Don't use asides such as: (the things you set off like this) or the "things" you put in quotes to yourself. They distract the reader.
4. Save your personal pronouns. A business plan is entirely about the business. Avoid I's, we's, and our's. Use your full business name in the beginning of each section and then a shortened term, such as The Business, after that.
5. Avoid acronyms. Who wants to read a FAQ PDQ about a VIP? It slows the reader down and gives them a chance to disengage.
6. Speak in your own voice. Just write. The editing process will take care of making it near perfect.
7. Spend an hour a day on this. Write one section at a time. Keep each section to under a page. Be brief and to the point.
8. Show your sources! If you get information from somewhere, let the reader know – especially numbers or statistics. Either include the source in your text or place it as a footnote.

Executive Summary

Write this section last. This is one of the most important sections to external parties. This is a one to two page summary of your business and will likely be the most read part of your business plan. Be enthusiastic. Cover each bullet point in one paragraph.

- Business concept: What do you plan to sell and why?
- Business structure: What type of business entity will you form (S-Corp, LLC, C-Corp, Sole Proprietorship)?
- Market (demand) potential: How much is spent on this product/service annually in your geographic marketing area and how much of that do you plan to capture?
- Management team: Who will fill the key roles inside the company
- Distinct competencies: What sets the business apart from its competitors?
- Required funding: How much do you need and how will you use it?
- Exit strategy: How and when will you get out of running this business?

Section 1: Organization Description

This section describes the core elements of your business and speaks to why you are in business. As you write be sure to keep yourself in the present voice – XYZ company's mission is XYZ manufactures and sells... By writing in the present you add conviction and demonstrate your commitment to being in business. Each of these bullet points should be answered in one to two sentences or short list of items.

- Why are you pursuing/doing this business?
- Summary of activity to date
- What are the business' competencies? (if desired competencies are not present, then a work plan to develop them)
- What are your product(s) and service(s)?
 - Description – What does your company do?
 - What are benefits to customers?
 - How is product/service different from what is currently available in market
- What are the keys to overall success?
- Where is the business located?
 - Describe facilities (both present and ultimately required)

Section 2: Industry Analysis

This section examines the current industry and trends which may exist. These are important to understand to project potential opportunities and challenges. Focus on the industry only, not your company.

- Is the industry or market growing, declining or changing?
- What current services are available to the target market?
- What are unmet demand indicators? (What says more companies are needed?)
- What business-to-business relationships exist?
- Are there regulatory issues (both present and potential)
 - Special licensing, bonding, permits, insurance, zoning or government regulations specific to this industry required to conduct business. Have those been adequately satisfied?
- Are more firms entering the industry? If not, what are barriers to entry?
- How do supply and distribution work?
- What are technological factors for the industry?
- How does seasonality affect the industry?
- How does the general economy influence this industry?

Section 3: Market Analysis

This section is closely related to the prior section; however, this focuses more on your target market, customers and potential customers.

- What is your geographic market?
- What is the population in your market area and what is the projected growth?
- Who are your customers? Identify their demographic characteristics, their location
- What are the trends/forecasts for your target market?
- What is the demand for your product/service?
- What is your share of the market?
 - Is it growing?

Section 4: Competition

Understanding competition is critical to demonstrate the long-term viability of your business. Competition comes from both those businesses present today and those that could enter the market in the future. Consider this section carefully and tell the reader how you would address competition. Create a table that looks something like the sample below comparing your business to 2 or 3 competitors on whatever points are relevant. Follow up the table with a discussion of future competitors

The XYZ Company faces several competitors in providing its products/services. An analysis of the market competition is contained in the following table.

	<i>Your business</i>	<i>Competitor A</i>	<i>Competitor B</i>
<i>Service Area</i>			
<i>Price</i>			
<i>Hours</i>			
<i>Others you select</i>			

- List your major competitors
 - Describe their size, location and reputations
- Compare your goods and services with theirs
 - What are their major advantages?
 - What are yours? What makes your products particularly attractive?
- What is the risk of future competitors

Section 5: Marketing

Marketing is a key element within any business. This section is not a marketing plan but rather a very brief discussion about your core marketing position. You may want to create this section in a number of different ways depending upon your business. If you had multiple product or service categories in Section 1, break this section by those categories.

In this section be as specific as possible. Use statistics and numbers and note your sources. Data from this section can be used to help you develop a marketing plan.

- Describe the pricing and quality of your product.
- What is your distribution method? (for a service-based organization this is most commonly people coming to you either in-person, phone, web or via mail but may also include other methods of taking your service to the client)
- How do you promote, advertise or sell your product/service?

- Advertising vehicles
- Trade shows, conferences, etc.
- Partnerships
- Incentives
- How are the business' products/services positioned in the market?
- Which personnel are used to promote your product/service, if not apparent?

Section 6: Operations

Operations are the day-to-day things that make your business tick. This section should take a long-term view, 3 to 5 years, by breaking down operations into the phases that you will be using to build out your company. Phases might be time periods, demand levels, manufacturing capacity, funding availability or any other logical limiter that is placed on your business.

The easiest way to present this section is to write from the customer's viewpoint. Walk the reader through the transaction from the moment contact is initiated until after the transaction is complete. Add additional information after this to further support the business operations. Some this information may be:

- Describe your product or service from your customer's point of view
 - What services are offered as part of the product (delivery, service, warranty, client support, refund offers)?
 - How are products/services delivered?
- What is the product(s) and service(s) development plan?
 - Development team
 - Development costs
 - Development risks
- What is the production method? (quality control & inventory control)
 - Inventory (How much? What is its value?)
- Who are the key suppliers (contacts, partners etc.)
 - Do they extend credit or give discounts
- What are the distribution channels (how are products moved to the customers)?
 - Who pays freight?
- Credit Policies
 - Do you offer credit? What terms? How do you check credit? Collection policies?
- What is human resource plan?
- What are operational strengths?
- Why this Location? Describe location and explain why it is appropriate
 - Is location leased or owned?

Section 7: Management and Organization

This section demonstrates that you are bringing the professional management necessary to assure long-term success. Strongly present your people and their capacity to lead your business. If you know that you will need to hire someone, present that as well and clearly define what skills and experience you will find and when. In general, this is one to two paragraphs on each **key person** plus additional information depending on entity form. This section is a lot like an "about us" section on a website.

- Who are the owners?
- Who is the management team?
 - Organizational chart (If more than 3 people in structure)
- What are key unfilled positions?
- Who is on the Board of Directors or Members of the LLC? (if needed)

- Describe key personnel (1 paragraph on each)
- What is the staffing level required for business?
- List important advisors such as attorneys, accountant, banker, insurance agent or advisory board if you have one.

Section 8: Capitalization and Structure

This will most likely be the easiest section you create. This section should discuss the legal structure of the business, financial position and exit strategy. Although, you may not be considering it, the exit strategy is an important part of your business' future.

- What is the legal form of the business? (C Corp, S Corp, LLC, partnership, proprietorship, etc.)
- What is your business' present equity position (includes committed future funding)
 - Any requirements attached to current equity or committed funding
- If in business, what is the current cash flow being generated?
- If a new business, are there any financial commitments of others?
- What is your exit strategy? (examples are: sell the business, go public, be acquired by another company, merger, buyout and existing partner, franchise, hand down, close and liquidate)

Section 9: Development and Milestones

This section is how you know when you are successful. This should be an active part of the plan that you review frequently. Start with the first year of operations by month – then do the second year by quarter. Be very specific. Establish 2 - 4 measurable goals per period. This section may be more than one page. Some examples are:

- Financing commitments
- Product/service development milestones
 - Product or Service Testing
 - Launch
 - Numbers sold or clients served
- Signing of significant contracts
- Expansion
- Additional funding
- Any other significant milestones

Section 10: Risks and Contingency Planning

The purpose of this section is to force you to identify what might go wrong as you operate your business. All the other sections focus on the positive aspects of your business or simply state facts concerning the industry you are in. Stay focused on the larger or mid-sized issues that you could encounter and quickly address how you would address the challenge. Ignore smaller issues.

The XYZ company is exposed to multiple risks in its on-going operations. These risks, and their possible responses, have been identified.

Risk: State your risk in one sentence.

Contingency: State your response in 2 to 3 sentences.

Some examples are:

- Increased competition

- Loss of key employees
- Partner failure to provide service/product
- Regulatory changes
- Overall change in operating environment

Section 11: Financial Projections

In the previous ten sections you have painted a picture of a successful business that has clear market demand in a growing industry. In this section you will show your success in numbers. You will have very little text in this section but instead tables and charts will tell your story. The core element to this section is a cash flow projection for your business, which the Center for Economic Vitality can help you create.

- The overall financial resources and strategy of the business
 - Financial resources
 - Financial strategy
- Financial statements (real and pro forma)
 - If currently in business:
 - 3+ past years financial statements (profit and loss statements)
 - projected year-end balance sheet
 - If new business:
 - Personal financial statements of all owners or major stockholders
 - Opening day financial position balance sheet
 - Cash flow projections by month for the first year, annually for years 2 and 3
 - Start-up costs and capital
 - Operations income and expenses

Appendices

Include any additional documents that support your business plan.

- Management resumes
- Supporting letters or documents

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