

## BUSINESS PLAN ESSENTIALS

Writing a business plan is THE fundamental starting point for ALL entrepreneurial efforts. It is thought to be the single most controllable factor relevant to the success or failure of any business.

While creating the Plan takes time and effort, this work has great value for an Entrepreneur. It forces you to study and research every element of your business and examine your ideas critically, avoiding costly, perhaps disastrous, mistakes later. The Plan is also an excellent organizing tool, simplifying and clarifying the goals and strategies of your new venture and serving as an operational guide for the first months and years.

A well-written Plan tells the story of your business, clearly demonstrating that there is an opportunity worth exploiting and explaining, in detail, how you intend to do this. It should be clear, concise, readable and persuasive. A good Plan will enhance your ability to attract financing and key employees.

Keep it short. Unless you are proposing a new kind of business or industry that requires lots of explanation, you can probably cover everything you need to convey in 20 to 30 pages of text, plus appendices. To great extent, the purpose of your plan determines its length. If you are seeking millions of dollars in seed capital, greater detail may be needed. If the Plan is solely for internal purposes, a more abbreviated version should be fine.

Should you be seeking funding, here are some key questions that investors and lenders will expect to be answered in your Plan. Keep them in mind when writing the Plan.

- Is there sufficient demand for your product or service? You'll need to provide evidence that there is a customer base for the product or service you want to offer. If the product exists today, provide market potential data, market share breakdown, sales history and sales projections for the product/service. If this is a new concept, you'll want to conduct some market research and present results of surveys, focus groups, or test markets.
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- Do you have a sustainable competitive advantage? Is your product or the process for manufacturing your product sufficiently may be unique to be awarded a patent that provides you with protection from "copy cats" for a maximum of seventeen years. Maybe your location is protected from allowing additional competition. Or, perhaps you provide your service in such a way that makes you the cost leader.
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- Are you being realistic? Although investors and lenders love to back businesses with high growth potential, they are also skeptical when the projections seem too good to be true. This is a flag to them that you may be overly optimistic, naive, or worse, deceitful. Make sure you can back up your projections with reliable data.

While every Plan will be different, according to the nature of the business involved, the following elements are essential.

**The Cover Sheet** - This serves as the title page of your Business Plan. It should include:

- ◆ Name, address, e-mail, and phone number of the company
- ◆ Name, title, address, phone number of the owners

- ◆ Date the Plan was prepared and the Copy Number of the Plan

**Disclaimer or Confidentiality Agreement** - This formally lets the reader know and acknowledge with a signature that what is being read is confidential and not to be disclosed to others.

### **Table of Contents**

This is the roadmap to your plan and should include a listing of the major sections, subsections, exhibits, and appendices, with page numbers.

**Executive Summary** – This is the most important part of the business plan and the most read. It is usually no more than two pages and should be written after the rest of the plan is completed .

Expend the effort to ensure that this section is articulate and succinct, while still describing the unique essence of your business. If you don't capture the reader's attention here, it is unlikely that they will read other parts of the plan. The first sentence or paragraph needs to be exciting and hook the reader, featuring the most compelling aspects of your business opportunity. For example, "the current market for products targeting senior citizens in \$50 billion and growing by 8% a year.

The executive summary is *the business plan in miniature*. It should be logical, clear, interesting -- and exciting. A reader should be able to read through it in four or five minutes and understand what makes your business tick. After reading your executive summary, a reader should be prompted to say, "So that's what those people are up to."

The Executive Summary should describe:

- The Company Objectives
  - The Company's legal form of operation
  - Products and Services to be offered
  - Overview of the industry
  - The Target Market
  - Your Competitive Advantage, including patents, location, etc.
  - Projected Growth for the Company and the Market
  - Key Management Team members
  - Funding Requirements, including a timeline, and details on how the funds will be used.
- (An example of an effective Executive Summary is attached.)

**Business Description** - **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 for it.

Clearly describe in depth the products and services the business will provide. (If applicable, reference technical specifications, drawings, or pictures of your products, which are included in the Appendices.) Use simple terms and avoid industry jargon. Include the features and benefits of the product or service -- the solution the business offers to the marketplace -- the factors that will give you competitive advantages or disadvantages -- and why you can service your chosen market better than your competition.

## Marketing Plan and Strategy

Identify your Target Market in terms of demographics, size, structure, growth prospects, trends and sales potential. Describe the part of the market on which you will focus and why. Report the market share of the market that you currently have or anticipate. Define the critical needs of your perceived or existing market. Footnote sources of information.

Explain why customers need and are willing to purchase your offerings. Discuss your pricing strategy – i.e., whether you will be a low cost provider or value-added services at a higher price --- and, why. Describe your pricing method – cost-plus, demand, competitive, or markup pricing?

Describe your Distribution Channels and your reason for selecting them.

Explain your Promotion Plan , including your budget for sales and marketing.