

# ***Writing Your Business Plan***



Planning your business startup is best accomplished by developing a detailed business plan. This plan is a path with steps and goals. It ties together your thoughts and makes you think of strengths and weaknesses. By outlining your plans and ideas in writing, you create a valuable document to show bankers, lawyers and accountants the feasibility of the business you have in mind. A sample outline can be seen in Appendix D. The typical business plan includes the following sections:

## **Summary**

The first section of your business plan is a brief summary of the product or service, market opportunities, primary business partners, projected sales and profit, and the proposed method and amount of financing. This summarizes your business idea without reading the entire document.

## **Industry and the Company**

In this section you discuss the current trends of the industry you plan to enter.

## **Product**

Describe in depth the background and progress of your business idea, and exactly what type of product or service you plan to offer. Include any product disadvantages or drawbacks. This section will give your investor a framework for the information that will follow. It is to your advantage to identify the risks and problems involved in your venture. This increases your credibility with the investor by demonstrating that you have considered the venture thoroughly. Include any potentially unfavorable trends, the possibility of sales projections falling short, larger costs than expected, etc. Also explain how you plan to minimize the threat of these risks.

## Market Strategy

### I. Research and Analysis

This section covers four areas in great detail:

- Who you believe will be your primary customers and why
- The current size of the market for your product and possible future trends
- An honest representation of your competition, their strengths and weaknesses, and the ways you plan to capture market share
- An estimate of your share of the market and the amount of sales required to meet this estimate over the next three years.

This section should present enough facts to convince the investor that your product or service has a substantial and growing market, despite the competition.

### II. Marketing Plan

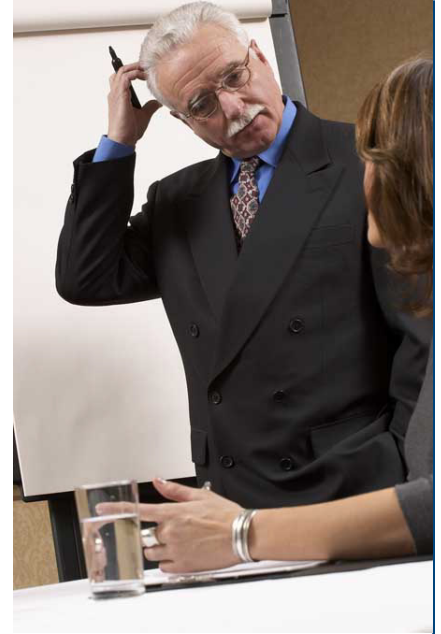
This section should build on the information in the previous one. How do you plan to reach your projected market share? To what segment will you target your initial selling effort, and which aspects of your product will you highlight? What is your pricing strategy, and how does it compare to the quality/price of those of your competitors? Will the price you charge sufficiently cover your costs? What methods will be used to sell the product? What channels and methods will be used for advertising and promotion? Be specific in convincing your investor that you have sound reasons to believe you can attract potential customers.

### Design and Development Plans

From this section, your investor will learn the current status of your product or service. What further development is required to make it market ready, and what type of technical expertise will be needed for this development? Describe plans for further development of the product after startup and any new products that may be developed. Also include the estimated costs of remaining product development.

### Manufacturing and Operations Plan

Describe the facilities, location, space, equipment and labor force that will be required for your company. Include a description of the geographic location, planned facilities, and advantages and disadvantages of both. Also describe your production plans, including breakdowns of labor, material and overhead costs. Finally, consider how well the local labor force will meet your needs and how you plan to acquire additional training for them, if necessary.



## Management Team

It is important for you to outline the strengths and weaknesses of each principal partner and to show that all bases of operation have been covered. Start by providing a table showing each key management role and the name of the individual who fills it. If some areas are to be covered by part-time specialists or consultants, include them as well. Next describe the exact duties and responsibilities of each key member and the training or experience that qualifies each to be on the management team. It is a good idea to include a complete resume for each of the key members of the management team. Include the starting salaries that each individual manager will draw as compared to their previous independent salaries, and give a breakdown of stock ownership and equity investment on the part of each individual. Finally, describe any supporting professional services that will be assisting you in your startup (i.e., bankers, lawyers, accountants).

## Overall Schedule

This section is a simple timetable showing the deadlines and milestones you will have to meet as you approach startup. Include such things as completion of design and development, ordering of products and materials, hiring of initial employees, and first sales and deliveries.

## Financial Plan

Essential in evaluating an investment opportunity, your financial plan should reflect your most realistic estimate of future operations. Include profit and loss forecasts for three to five years, cash flow projections for three to five years, and a sample balance sheet at startup and at the end of subsequent years. It is also useful to include a chart showing when the venture will break even and begin to profit. Samples of each of these are included in Appendices A-C.

## Proposed Company Offering

This final section lays out for the investor exactly what you are requesting. Based on your cash flow estimate, explain how much capital you will need, what percentage you require from the current investor, and how you will fund the rest. Also explain how you will use the money.

