

## DEVELOPING YOUR BUSINESS PLAN

A Business Plan is your guide to your business. It organizes, on paper, your thoughts about: why you are in business, who are your customers and competitors, what your strengths and weaknesses are, and what your plans are for the future. Some businesses don't have a business plan, but those that do are in a better position to succeed. In preparing your business plan, keep in mind that you are putting it together for your business and you. This is your tool for planning as well as measuring your performance, so include as many hard facts in it as you can to help you measure goals and time lines.

A business plan is also your sales pitch to lenders or suppliers from which you wish to borrow money. It will tell them the complete story about your business as briefly as possible. Business plans show potential lenders and suppliers that you have thought about the basics of business in general, and about the specifics of your own business. It also shows them that you plan for the future.

The outline format below provides the headings that you can use. Your plan should be concise, factual, and easy to read. The finished product should have a separate paragraph or list for each aspect of your plan, with a heading that identifies the subject you are discussing. The following pages examine each of the items in the outline more thoroughly, and will provide you with step-by-step guidelines for developing your plan.

- I. Name of firm
- II. Owner or Owner-To-Be
- III. Information on the Business
  - A. Type of Business – Product or Service
  - B. History
  - C. Location
  - D. Personnel
  - E. Economic/Accounting
  - F. Inventory, Supplies, Suppliers, and Equipment
  - G. Legal
  - H. Future Plans
- IV. Market Analysis
  - A. Customers (Your Market)
  - B. Competition
  - C. Competitive Advantages & Disadvantages
  - D. Projections
- V. Market Strategy
  - A. Sales Strategy
  - B. Promotion Strategy
- VI. Management
- VII. Financial
  - A. Sources And Uses
  - B. Income And Expense Projections

## WRITING THE PLAN

### I. Name of Firm

Legal name of your business.

### II. Owner or Owner-To -Be

State owner(s) name, as well as the legal form of the business (Sole Proprietorship, Partnership, Corporation) and the percentages of the business each person owns.

### III. Information on the Business

#### A. Type of Business -- Product or Service

What is your product or service? State the general and specific nature of the business. For example, if you are opening a bakery, the general nature is food, while the specific is a bakery.

State the type of business -- retail, wholesale, manufacturing, service, construction, or other.

Describe your products and/or services. State who buys the product/service, and who the final users are. Go into this only briefly here, as you will be discussing your customers very thoroughly under Market Analysis.

Describe how the product/service is or will be sold to customers -- walk-in stores, sales representatives, mail order catalogs, telephone orders, etc.

Comment on the quality of the product/service you offer.

#### B. History

If the business is new, say so. If it is already existing, discuss the age of the business, the prior owners, how it was acquired by you and how long you have owned it (if you do own it already). Discuss the image and reputation of the business, the number of employees, last year's sales volume and profit, and any significant events that have affected the firm's development.

#### C. Location

Give the address of the business and describe the area and the building itself. State the size (square footage) of the business facility.

State whether the building/facilities are rented, leased, or owned. If rented or leased, state from whom and under what conditions (term of the lease).

Describe the type of access to the building -- major roads, freeways, walking, parking, etc.

Is the location a good one, which is convenient to customers?

D. Personnel

List the following information both currently and for the future: number of employees; type of labor (skilled/unskilled); how you have recruited employees in the past and plan to do so in the future. Discuss any patterns that exist in your hiring and/or layoffs (due to weather, seasonal demand, etc.). Comment on the quality of your workforce.

E. Economic/Accounting

What is the cost of your product or service? State how prices are or will be determined, and by whom.

F. Inventory, Supplies, Suppliers, and Equipment

Describe what inventory, raw materials, and/or supplies the business uses, both now and for future activities. Who will be your suppliers? How easy or difficult is it to get the necessary supplies? If it is difficult, how do you deal with potential or actual shortages?

List the equipment used by the firm and comment on its condition. If the equipment has been appraised, include the value.

G. Legal

State the legal form of the business (Sole Proprietorship, Partnership, or Corporation) and its status -- has the business been formed yet, or is it in the process of formation?

List licensing requirements for your business (type of license and source of licensing) and status of licensing -- not yet applied, applied and pending, obtained.

List zoning requirements and the status of the business in relation to those requirements. Are you verified as in conformance? Is a variance required -- has one been requested/granted? Is the area being rezoned? Have you complied with the building codes?

List insurance requirements for your business, the source of those requirements, and whether or not you have obtained the necessary insurance. If not, what is the status?

List any health code requirements, and state whether or not you have complied with them. If not, what is the status?

Describe any other laws and regulations that affect the business.

Describe your lease or rental agreement, emphasizing any legal conditions.

Trademarks, patents, licenses, and copyrights, should be checked for legality.

#### H. Future Plans

Discuss your plans for the future of your business. Do you intend to maintain operations at the current level? Expand? Diversify? Sell the business?

### IV. Market Analysis

#### A. Customers (Your Market)

What is your market, or who are your customers (wholesalers, retailers, consumers, government, etc.)? Why does this market need your product/service? Is your product/service a fad or a continuing need? Is this a new field affected by technology, or an old field which is affected or will be affected by technology.

List the characteristics of your average customers: age, location (market area), average income, sex, lifestyle (family, single), working, or other important information. The more you understand about your market, the more you will understand their needs and desires, thus the more you can sell.

What do customers like and dislike about your product/services of your business? Estimate the size of the market in terms of the number of customers.

#### B. Competition

Discuss your competition. List the number of competitors, the types of firms, locations, how long they have been in existence, their reputations and size (both in terms of sales and number of customers).

List your major competitors and discuss the features offered by their size, age, market share, the quality of their products, and the marketing strategy each follows (i.e., what is the nature of their promotion or sales strategy).

Estimate how much of your type of product/service will be provided by all the competition in the next year.

#### C. Competitive Advantages and Disadvantages

Discuss how your product/service meets market needs, and how you compare with the competition in terms of product features, location, distribution, price, or other features.

Compare your estimates of the market's demand and the competitions' supply. Does the competition meet the demand? Exceed the demand? Fail to meet the demand?

The relationship of supply and demand will affect your marketing and sales strategy. High demand with low supply usually means less price for the product. Low demand with a high supply indicates a very competitive situation, and the need for extensive promotion/marketing.

D. Projections

Give your projections in terms of the number of customers, items sold, contracts obtained, etc.

**V. Market Strategy**

A. Sales Strategy

Present your marketing strategy -- in other words, tell exactly how you will get the edge on your competition and will get customers. This is your action plan to get business.

Your product/service will sell because one or more of the following is attractive: the product features themselves, pricing (high, medium, low), the distribution system works well and is convenient, or your advertising (promotion) is successful.

B. Promotion Strategy

Describe how you plan to promote your product/service. What type of promotion will you utilize -- word-of-mouth, advertising, direct mail, personal contacts, through sponsoring events, or other means.

If you plan to advertise, state what media you will use: radio, television, newspaper, magazines, telephone book yellow pages, or other. Discuss why you believe this method to be effective.

Discuss the content of your promotion or advertising. How will you inform the market as to what your product/service is -- how will you describe it? Why is it attractive? How and what will you say about your business, address, business hours, and phone number. What type of image do you want your advertising to project, and why?

When you are designing your advertising, remember that you are selling to satisfy someone's need so refer back to your market analysis to examine and evaluate that need.

**VI. Management**

Why have you chosen this type of business? For key management personnel, including yourself, include resumes. State why you feel you can run this business. Describe prior experience that qualifies you (and any other management) to run

this type of business. State how much time (you and/or others) will devote to running the business.

Discuss other contacts who may assist you in your business.

## **VII. Financial**

### **A. Sources and Uses**

State where the money to pay for the project will come from (sources) and how it will be used (uses). The most common uses are equipment, leasehold improvements, inventory, and working capital.

### **B. Income and Expense Projections**

For both existing and new businesses, fill out an Income & Expense Projection spreadsheets showing anticipated monthly income & expenses for three years. This is an important tool to determine the amount of sales needed to cover expenses, to keep track on cash flow, and to help in making business planning decisions for the future.