

Business Plan Guideline

A formal business plan can be invaluable. It will be needed for obtaining financing and it can serve as a guide for the policies. You will articulate the strategies and tactics needed for running your business, the plan can be shared with potential key employees and it can serve as a key document when you sell your business. The process of preparing it will force you to focus on the issues that are essential for the success of your business.

To prepare your plan, you may want to initially organize it in a three-ring binder with each of the numbered items as separate sections. Your business plan should be a “living document” that is reviewed often and modified as needed. Using a binder will enable you to easily make changes. You can always print the current plan for formal presentations.

1. Title Page

The title page should include the name and address of the business, the owners of the business, contact information (person, phone number and email address). You should also include your logo, if you have one. You may also want to include the date it was originally prepared and note the date of any changes.

2. Executive Summary

A succinct summary of the plan should run no more than one page and less than a page if possible. The summary should give the reader insights into:

- What your business does.
- Who your customers are.
- What your competitive advantage is.
- The financial dynamics of your business.
- Any capital requirements, if it is being used to help secure financing.
- A short history of the business, including major developments and the key employees.

While this sounds like a lot to summarize in less than a page, here is one sentence that covers the first, second and part of the sixth items above. *ABC Bicycle, Inc. was formed by John Smith, the current majority shareholder, in 1994 to manufacture high-end mountain bicycles for sale to specialty bicycle retailers in the Rocky Mountain region.*

3. Table of Contents

The Table of Contents deserves a full page and a separate section because it will be the reader’s guide to the plan. For each section, include a one sentence description of what is included.

4. Business Description

Describe your business in a way so the reader will understand how your business fits into its industry and fits into the market place. This includes an overview of the industry and major

competitors. Industry trends should be supported with references to authoritative sources such as government publications or industry analysis from professional research firms.

You should also include information on the legal structure of your business with details on ownership, the principal employees and your directors, if you have a Board of Directors.

The business description should include information on your products or services. Be sure to describe how your products or services compare to those of your competitors. Any unique competitive advantages should be spelled out in detail. The reader of the plan will ultimately make decisions (financing, employment, purchasing) based on their perception of the potential for the success of your business. Be sure to give them all the information they need to arrive at a fully informed conclusion.

5. Marketing Strategies

No matter how good your products or services are, someone has to buy them. This section will include a great deal of information and the results of your research and your thinking.

- **The Market** – Include information on your market in terms of overall size, any geographic constraints, pricing constraints, growth trends of the market and how your estimates on what share of that market you can secure.
- **Positioning** – How you intend to have customers and potential customers view your products or services compared to those of competitors is critical. Generally, you must convert the features of your products or services into perceived benefits for the customer. Then, you must have a convincing argument for why your products or services are superior to those of your competitors. Often it comes down to a quantifiable differentiation by the unique nature, quality or pricing of your product or service. In other cases, it may be through a level of service offered to customers.
- **Pricing** – Setting your prices can be one of the most important factors in determining the ultimate success of your business. The description your pricing strategy must not only include the financial aspects (making sure your prices cover your costs), but also include how you are using your pricing to compete. Include your intention to use short-term and long-term pricing strategies to accomplish your goals – gain share, maximize current profits or maximize the long-term value of your business.
- **Distribution** – How are your products or services sold and who does the selling to the ultimate user? Do you sell directly to consumers, sell to retailers or use manufacturer's representatives? Include details on any distribution agreement you may have in place.
- **Promotion** – How do you inform potential customers about your products or services? Include descriptions of your advertising and public relations efforts as well as information on any direct mail or sales promotions you may use.

This is a good place to include copies of brochures, advertisements and company literature you may use.

6. Competitive Analysis

You as well as the reader of your business plan must understand where your business fits in your industry. Not only should you identify your competitors, you should identify their strengths and weaknesses and how your business can take advantage of their weaknesses and

compete against their strengths. Detailing why competitors are successful or unsuccessful demonstrates that you understand your market and provides insights into how to copy their successes and avoid their failures.

It may make sense to include a table with your comments on each competitor's products, pricing and service like this:

Competitor	Product	Pricing	Service
ABC	Very high quality with unique attributes.	Very expensive.	Multiple locations with highly knowledgeable personnel.
XXX	Generic with little ability to customize.	Least expensive.	Sales through the Internet with poor customer service.
ZZZ	Generally, medium quality, but with flexibility to upgrade or downgrade to customers' desires.	Middle of the road pricing, but flexibility to customize can result in high or low prices.	Very capable service personnel, but with limited locations and availability.
My Company	Unique features are highly desirable to certain customers.	Expensive, but perception of quality is accepted by customers.	Highly trained and enthusiastic personnel are available in limited locations. Quality telephone support is available during business hours.

7. Development Plans

This section describes your plans for growth of your business. How will you develop new products, new markets and the organizational capabilities to grow into a larger, more profitable business? If the purpose of your business plan is to help secure financing, this section is where you can justify the need for the financing and describe how it will be used.

If your market analysis has identified the opportunity to expand your product offering, describe the new products you intend to develop, including the costs of development and your goals for accessing the potential market. If you intend to enter new geographic or customer markets, include as much specific information as possible on your plans for developing those markets.

The other critical issue to include in this section is to describe how your organization can and will grow. Specifically, discuss how you will supplement your management, marketing and selling capabilities. Identify job functions that need to be filled or need to be strengthened.

The readers of your business plan need comfort that the business can function efficiently and grow. They also need comfort that the human resources needed for that functioning and growing are in place or can be in place as needed.

8. Operations

This section includes information on exactly how your business functions from physical, marketing and human resources points of view.

Include descriptions of your locations, work flow, product development, order processing and shipping.

To describe your marketing and selling, you may want to organize it around the definition of marketing – identifying and understanding the needs potential customers, positioning your products or services as solutions to those needs and then facilitating the purchase decision and fulfillment of that purchase.

In most, if not all, businesses, the ability to attract, retain and motivate employees is critical. Include information on your hiring, employee evaluation and compensation practices. Describe any employee benefit programs you have such as formal insurance and retirement plans and any other perks you offer employees.

9. Management Plan

How are decisions made and who makes them? An organization chart can present a formal look at the management process, but also include descriptions of how the flow of information takes place among decision makers. Do the structural and informal relationships among senior management result in key information being available and considered as decisions are made?

For many businesses, especially new ones, the lack of a management succession plan is a serious weakness. If your business has one, be sure to describe it. If you do not have a plan in place, create and implement one. It is essential that the business can continue to function and grow if a key manager leaves, dies or is no longer able to function effectively.

10. Key Personnel

Readers of the business plan will want to make sure that the people running the business are capable. The information on key employees should include their current functions, their history with the company and their professional backgrounds. Depending on the size and nature of your company, the number of individuals included will vary. At a minimum, include information on the CEO, operational managers, marketing and financial executives, major shareholders and members of the Board of Directors.

You should also include information on any employment contracts you may have with these people.

11. Financial Information

This section should include historic and projected results. Audited (or unaudited) balance sheets and income statements for the past two or three years should be included. Projections of income and cash flow for the current year and at least one additional year should also be included.

Depending on the nature of your business, you may also want to include detailed information on accounts receivable, inventory, fixed assets and investments.

12. Other Items

Your business plan should include a complete picture of your business and enable readers to fully understand the nature of your business and make informed decisions. Make sure they have everything they need.

Other items you may want to include:

Information on important patents or proprietary processes you may have.

Information on contracts or relationships with major customers.

Information on contracts or relationships with key vendors.

Details on other important contracts or leases.

Details on any current or threatened litigation.

If you are using your business plan as part of a request for financing, you may also want to include information on your personal finances such as tax returns or personal financial statements.

Closing Comments

The process of preparing a business plan can be exhaustive. Gathering the information, organizing it into a logical and understandable form and then creating a document will take time and effort. If your business plan is helpful in obtaining needed financing, attracting a key employee or ultimately selling your business, it will have been worth the effort.

By making your business plan a *living document* that is constantly updated and used as a guide for making operational decisions, it will be an invaluable and integral tool for running your business more effectively and more profitably.