

GUIDELINES FOR WRITING A VIABLE BUSINESS PLAN



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EXECUTIVE SUMMARY

Your executive summary, which can also serve as your cover letter, gives a brief explanation of the contents of your business plan in about one or two pages. The executive summary should include:

- Owner's name and credentials
- Products and/or services that your business plans to offer
- Target market that you plan to reach
- Competition for business
- Amount of money needed to start your business
- Terms of how any loan will be repaid
- Length of time it will take to repay any loans incurred

If you have company stationary, it is nice to put your executive summary on it. If not, be sure to include your contact information in the header. Since this is the first part of the document that any lender will review before making a decision to lend you any money for starting your business, the opening paragraph should list the business owner's name and any experience that you have in the line of business that you are pursuing and the purpose of requesting a loan.

The next paragraph should briefly mention your markets and your customers. Be sure to include key facts about your competition.

In the next paragraph, mention how much money you would like to finance and the terms (how many years) you anticipate needing to pay back the loan. List the sources of income that will be used for repaying the loan.

Also, be sure to include how much you are investing in the business yourself and where that money will come from. This is usually collateral, which may include both business and personal assets. (If you don't believe in your business plan enough to have some "skin in the game," how will you be able to convince others to do so?)

In the last paragraph of this section of your business plan, tell the lender the primary contact and be sure to give contact information, including phone number and an e-mail address.

Be sure to include all signatures and typed names at the closing of your executive summary. Before you give this letter or any other portion of the business plan to anyone else to review, be sure to check for errors. (You may want to get someone else to look over it for clarity and correctness.)

MISSION STATEMENT

The mission statement briefly explains what your business is all about. It should only be a few sentences, but is important enough to be featured within your business plan. Add the mission statement to the end of your executive summary.

Example:

The mission of this document is to provide a guideline for writing an effective and efficient business plan. It clearly outlines all pertinent information that needs to be included.

COMPANY BACKGROUND

When describing your business, the first thing you need to concentrate on is its structure. By structure, we mean the type of operation you will have – i.e. service, wholesale, retail, food service, manufacturing, etc.

In addition to structure, legal form should be given. Note whether the business will be a sole proprietorship, a partnership, or a corporation; who its principals are; and, what each of them will bring to the business.

The company background should detail your company's history. This part will vary, depending on how developed your business is. The history of a startup is obviously quite different, and much briefer, than that for an existing company.

Here are a few points that you should be sure to include in this section:

- The origin of the idea for the business
- Your progress to date
- Problems you've faced so far
- Short-term growth plans

For a new business you might want also to include some personal history and business background. Some points to include in this section:

- Your educational history
- Other companies for which you've worked
- Previous businesses you've started
- Your technical skills
- Your areas of expertise in your industry segment
- Your areas of weakness or inexperience and how you plan to compensate for them
- Any relevant professional clubs or associations to which you belong

Overall, this section of your business plan should only be about a page or two long and it should give an interested investor a better idea of who you are and how this business idea came about. Again, keep it concise and avoid extraneous personal information.

PRODUCT/SERVICE DESCRIPTION

The product description usually begins with a short description of the products or services you plan to offer. Under the products/services section of your business plan you should include the following information:

- **Details of products or services:** List each product and/or service your business currently offers, or plans to offer. For each product or service you list, provide a description and unit price amount.
- **Market position:** Detail where your products and/or services fit in the market and whether they are high-end, competitive, or a low-cost alternative to the products and services that are offered by your competitors.
- **Unique selling position:** Detail how your products or services will succeed in the market where others may have failed. Be sure to include what gives your products or services an “edge.”
- **Anticipated demand:** List each product and/or service your business currently offers, or plans to offer. For each product or service you list, provide a description and unit price amount.
- **Pricing Strategy:** If you have a particular pricing strategy, provide the details on how your strategy will work and your reasons for choosing this strategy over other alternatives. To help you develop your pricing strategy, you could refer to your customer research, market position, anticipated demand, and costs/expenses to get an idea. Whatever strategy you use when setting your price, you will also need to be sure that you adhere to any relevant fair trading legislation or codes of conduct that might apply.
- **Value to Customer:** Explain how your customers view your products and/or services. Are they seen as a necessity, a luxury, or something in between? This will definitely have an impact on your projected sales volume. (Note: Necessities are less negatively impacted in a “down market” than luxury items tend to be.)

- **Growth Potential:** Detail the anticipated percentage of growth your products and/or services for the future and explain what you expect will drive this growth. To help you determine this growth potential, you could refer to your research to get an idea of any industry or regional growth that could affect your business in a positive way. (Also, consider those areas that might have a negative impact on the future growth potential of your business.)

MARKETING PLAN

The marketing portion of a business plan addresses four main topics, (the 4 Ps):

- **Product:** What are the goods or services that your business will offer? How are these products better/different than your competition? Why will people buy it and why will they buy versus your competition?
- **Price:** How much can/will you charge? How do you balance sales volume and price to maximize income?
- **Promotion:** How will your product or service be positioned in the marketplace? Will your product carry a premium image with a price to match? Will it be an inexpensive, no-frills alternative to similar offerings from other businesses? What type of marketing/advertising will you use? What types of marketing strategies will you implement? Where/how will you advertise? How will the product be packaged?
- **Place:** Which sales channels will you use? Will you sell by telephone or will your product be carried in stores? What is the most economical way to reach your target audience? Will you travel to your customers or will they come to you?

The marketing plan of your business plan should be anywhere from 2-6 pages in length, and will address the following areas of concern:

- **Market analysis,** which assesses the market environment in which you will compete, identifies your competitors and analyzes their strengths and weaknesses, and identifies and quantifies your target market. Topics of concern in the market analysis include the existence and type of competitors, the characteristics of your target customers, market size, distribution costs, trends in your industry and in the market in general. Much of the information that will be included in the market analysis will be derived directly from a SWOT analysis that lists your strengths, weaknesses, threats, and opportunities in the market place and it sets the stage for presenting your marketing strategy. That strategy sets forth your plan for successfully competing in your selected market.

- **Marketing strategy**, which explains how you will differentiate your business from your competitors' businesses and what approach you will take to get customers to buy from you. This portion of your business plan presents the approach you plan to take to provide products and/or services to your customers. It explains what you are going to do to get your customers to buy in the desired quantities. Someone who reads your market strategy should come away with a "big picture" view of how your business will present itself to the market segment in which you will compete. You should assess both the merits and the risks of your enterprise in the marketing strategy.
- **Marketing and sales plans**, which specify the nature and timing of promotional and other advertising activities that will support specific sales targets. This explains how you will reach your targeted customers and how you will effectively market your product or service to those customers. For example, the marketing plan specifies the types of advertising you will use and the timing of those advertisements. In essence, the marketing plan takes the marketing strategy that you developed to a tactical level. It sets forth the specific steps you will take to sell your product or service and provides a timetable for those actions to occur.

COMPETITOR ANALYSIS

The competitor analysis portion of your business plan is a statement of the business strategy and how it relates to competition. The purpose of this section is to determine the strengths and the weaknesses of the competitors within your market, strategies that will allow you with a distinct advantage, barriers that can be developed in order to prevent competitors from entering your market, and any weaknesses that can be exploited with the product development cycle.

So, now that you understand what a competitor analysis is, what are the benefits?

- It can assist management with developing marketing strategies.
- It can identify opportunities in the market that are under-served.
- It can help you take advantage of competitors' weaknesses to grow market share.
- It can allow you to make better informed decisions and ensure that you create sustainable, competitive advantages.
- It can help you to forecast the future.

The first step in a competitor analysis is to identify the current and potential competition. There are essentially two ways of doing this. The first is to look at the market from the customer's viewpoint and group all of your competitors by the degree to which they contend for the buyer's dollar. The second method is to group competition according to their various competitive strategies so you can understand what motivates them. Once you have grouped your competitors, you can start to analyze their strategies and identify the areas where they are most vulnerable. This can be done with a careful examination of their strengths and weaknesses. These can be determined by the presence or lack of key assets and skills needed to compete in the market. In theory, the performance of a company within a market is directly related to its possession of key assets and skills. This analysis will help reveal a good idea of what assets and skills you too will need to succeed within the given market.

In doing a competitor analysis, you will also be able to determine your own competitive advantage. ***Do you know what your competitive advantage is?*** If not, it is most important to learn. A competitive advantage is defined simply as something that makes you different from your competitors. It is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies paying a higher price.

Who is your target market? Your primary target market is the group of customers that you service/will service the most. Identify who those customers are and then do some research on your competitors to see who their target market is. (A good place to start might be their website.)

SWOT ANALYSIS

The SWOT analysis is to help you develop a strong business strategy by making sure you have considered all of your own business's **Strengths**, **Weaknesses**, **Opportunities**, and **Threats**. A SWOT Analysis is an organized list of these components of your business, so you are better able to keep a pulse on them at all times.

Strengths and weaknesses are internal to the company. (Think: reputation, patents, location, etc.) You can change them over time, but that will require some work on your part. ***Opportunities and threats are external to your company.*** (Think: suppliers, competitors, prices, etc.) They are present in the market and are currently happening. You cannot change them over time.

Existing businesses should use a SWOT analysis to assess a changing environment and to respond proactively.

New businesses should use a SWOT analysis as part of their planning process. There is no “one size fits all” plan for your business, but thinking about your new business in terms of its unique “SWOTs” will put you on the right track from the start.

This table may help you in conducting your own SWOT analysis:

	Opportunities (external, positive)	Threats (external, negative)
Strengths (internal, positive)	<p>Strength-Opportunity strategies</p> <p>Which of the company's strengths can be used to maximize the opportunities you identified?</p>	<p>Strength-Threats strategies</p> <p>How can you use the company's strengths to minimize the threats you identified?</p>
Weaknesses (internal, negative)	<p>Weakness-Opportunity strategies</p> <p>What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?</p>	<p>Weakness-Threats strategies</p> <p>How can you minimize the company's weaknesses to avoid the threats you identified?</p>

OPERATIONS

Include the following information in this section of the business plan (as applicable):

- **Production process:** Detail the process involved in producing your products or services. This process will vary depending on your business. Cover any manufacturing processes, the people involved, any third parties involved, and details on how you deliver the product/service to your customers.
- **Suppliers:** List your main suppliers and detail what they supply to your business. Explain how you will maintain a good relationship with them.
- **Plant and equipment:** List your current plant and equipment purchases. These can include vehicles, computer equipment, phones, and fax machines. For each item include a description of the plant or equipment (make and model if applicable), purchase date, purchase price, and running costs. If you have not purchased all of your equipment yet, you can include a separate table and include an expected purchase date.
- **Inventory:** List your current inventory items. For each item include:
 - Brief description of the inventory item (including make/model, name or reference number)
 - Unit price
 - Quantity you have in stock
 - Total cost or value of the inventory item (Calculate unit price multiplied by quantity. If you have substantial inventory, you may want to include a full inventory list at the end of your business plan.)
- **Technology (Software):** List the technology you require to run your business. For example: website, point of sale software, or accounting package. For each technology solution, detail the main purpose, and the estimated cost of each. For more clarity you may also wish to give a brief description of hardware including servers, specialized technology, and computer equipment required.
- **Operating hours:** List your normal trading hours. Detail your expected peak operating times and which times you expect to be more profitable. Also include if and how this will change over different seasons and how your hours of operation will accommodate these changes.
- **Communication channels:** Explain how your customers can get in contact with you. These channels can include: telephone (landline/mobile), post box, shopfront, email, fax, internet blog, or social media channel.
- **Payment types accepted:** List which payment types you will accept. For example cash, credit, check, gift cards, Paypal, etc.
- **Credit policy:** Detail the terms of your credit policy for customers/suppliers. Include the length of your credit period, and your collection strategies/procedures. Also detail what credit your business receives and the terms that apply.
- **Warranties and refund:** If you manufacture certain goods, detail your warranty terms and your refund/exchange policy for these goods.

- **Quality control:** Describe your quality control process. Detail any checks or balances you have in place to ensure the product or service you offer is produced to the same standard of quality. Also list the steps you take to meet product safety standards.
- **Memberships and affiliations:** Provide details of any business memberships or affiliations, such as with an industry association or club.

FINANCIAL PLANNING

A business plan is all conceptual, until you start filling in the numbers and terms. But, a business plan is nothing at all if you can't justify your business with good figures on the bottom line. Therefore, this section is one of the most essential components of the plan, especially if you hope to win over investors or obtain a loan from the bank. Even if you don't need to secure financing for your business, compiling a financial forecast will help you to successfully steer your business.

Understand first that the financial section of a business plan is not the same thing as accounting, although many of the projections that are included – i.e. profit and loss, balance sheet, and cash flow – look similar to accounting statements. While accounting gives a historical prospective, business planning is a forward-looking view. In other words, it's not reporting for tax purposes, it an elaborate, educated guess.

The purpose of the financial section of a business plan is two-fold. #1) You are going to need it if you are seeking investment from anyone: a bank, venture capitalists, angel investors, or even family members. They want to see the numbers that indicate your business will grow and be successful. They will also want to know that there is an exit strategy in place for them on the horizon, during which they can make a profit. Any bank or other lender, will also want to see these numbers to help validate that you will be able to repay your loan. #2) The financial analysis will contain data not only necessary for you to know for financing your business now, but also what will be needed for future growth, and an estimation of your operating expenses.

This section should include the following, and should be based on estimates for new businesses, or on recent data for established businesses.

- **Balance Sheet:** This sheet should include your assumed and anticipated business financials, including assets, liabilities, and equity.
- **Cash Flow Analysis:** An overview of the cash you anticipate will be coming into your business based on sales forecasts, minus the anticipated cash expenses of running the business.
- **Profit and Loss Analysis:** This is your income statement that subtracts the costs of the business from the earning over a specific period of time, typically for one quarter (3 months).

- **Break-Even Analysis:** This analysis demonstrates the point where the cost of doing business is fully covered by sales.
- **Personal Expense Forecast:** This outlines the expenses of your team (i.e. training, certification, travel, uniforms, etc.)

The financial analysis section of your business plan may be the most challenging for you to complete, but it may very well also be the “deal-maker” or the “deal-breaker” for you getting any money for your business, so do it well! Consult a professional, if necessary, to help you understand the process better. Use visuals or graphs, as they may be helpful to present information more logically, and be sure to check your math.

Sample Balance Sheet: (Should extend this sheet to include entire year)

ASSETS	START	JAN	FEB	MAR	APR	MAY	JUNE
Current Assets							
Cash Balance	\$ 55	15	21	7	15	93	53
Accts Receivable	395	371	474	576	644	803	791
Inventory	251	332	444	545	701	878	647
Other	25	25	25	25	25	25	25
Sub-Total	\$ 726	743	964	1,153	1,385	1,799	1,516
Capital Assets	\$ 350	375	375	390	390	440	440
Depreciation	50	51	52	53	54	55	56
Sub-Total	\$ 300	324	323	337	336	385	384
TOTAL ASSETS	\$ 1,026	1,067	1,287	1,490	1,721	2,184	1,900
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ 224	268	371	431	564	704	517
Current Notes	90	90	190	220	320	320	220
Other Expenses	15	15	15	15	15	15	15
Long-Term Liabilities	285	282	279	376	373	370	367
TOTAL LIABILITIES	\$ 614	655	855	1,042	1,272	1,409	1,119
CAPITAL							
Paid in Capital	\$ 500	500	525	525	525	825	825
Retained Earnings	(163)	(88)	(88)	(88)	(88)	(88)	(88)
Earnings	\$ 75	0	(5)	11	12	38	44

TOTAL CAPITAL	\$ 412	412	432	448	449	775	781
TOTAL CAPITAL & LIABILITIES	\$ 1,026	1,067	1,287	1,490	1,721	2,184	1,900

TIMELINE

Your start-up timeline lists all the tasks needed to get your business operating and to continue business for the first two years, at least. In part, it includes your research of the direction your business is going to go and projections for sales, but it also includes an accurate picture of where your business is **RIGHT NOW**. The temptation when developing your timeline is to offer the most optimistic picture possible, not necessarily the most realistic. Your timeline needs to adequately reflect your capacity to accomplish it. Your timeline may include the following (but, all may not apply to your business):

- **Legal procedures:** filing papers of incorporation, partnership, etc.
- **Finding office or manufacturing space**
- **Expectations for research and development**
- **Product development**
- **Getting all necessary licenses and permits**
- **Purchase and/or lease of equipment**
- **Hiring of personnel**
- **Purchase of materials**
- **Start date for marketing activities**
- **Opening date for business**

Another element to consider in the timeline of your business plan is a contingency plan. What is your “Plan B” if things do not go according to plan and at what point do you start to execute that plan? Here are some things to consider:

- **What if you don’t reach your sales targets?**
- **What will you do if you can’t find financing through your selected lenders?**
- **What if interest rates increase?**
- **What will you do if some major event (i.e. fire, flood, earthquake) interrupts your cash flow?**
- **What will you do if a “key” employee quits?**

Your completed business plan should continue to evolve and change with time, lessons learned, etc. This document is meant to be a current representation of your business. Take time annually to update the information and re-evaluate your business to ensure you are prepared for success.