

THE BUSINESS PLAN - ROAD MAP TO SUCCESS

Are you interested in starting a business? Creating a Business Plan is one of the most important steps you will take because the Plan serves as your road map for the early years of your business. The Business Plan generally projects 3-5 years ahead and outlines the route a company intends to take to reach its yearly milestones. A well thought out Plan also helps you to step-back and think objectively about the key elements of your business venture and informs your decision-making on a regular basis.

The body of the Business Plan can be divided into four distinct sections: 1) the description of the business, 2) the Marketing Plan, 3) the Management Plan and 4) the Financial Management Plan. The following pages provide information regarding the contents of a Business Plan, poses questions for you to consider in regard to your business, and provides a guide to the information that you will need to develop your Business Plan.

The Small Business Administration's Business Plan Tool provides you with a step-by-step guide to help you get started. Not only can you save your Plan as a PDF file, you can also update it at any time, making it a living Plan to which you can often refer.

We encourage you to visit the Small Business Administration's website (www.sba.gov) to learn more about Business Plans and to get started writing your Plan. Additionally, SCORE (www.ventura.score.org) and the Small Business Development Center (SBDC) have workshops to help you develop your Business Plan.

THE BUSINESS PLAN - DESCRIPTION OF THE BUSINESS

In this section, provide a detailed description of your business. An excellent question to ask yourself is: "What business am I in?" In answering this question include your products, market and services as well as a thorough description of what makes your business unique. Remember, however, that as you develop your Business Plan, you may have to modify or revise your initial answers.

The business description section is divided into three primary sections. Section 1 describes your business; Section 2 describes the product or service you will be offering; and Section 3 discusses the location of your business and why this location is desirable (if you have a franchise, some franchisors assist in site selection).

1. Business Description

When describing your business, you should explain:

- Legalities - Business Form: proprietorship, partnership, or corporation. What licenses or permits will you need.
- Business type: merchandizing, manufacturing, or service.
- What your product or service is.
- Is it a new independent business, a takeover, an expansion, or a franchise?
- Why will your business be profitable? What are the growth opportunities?
- When will your business be open (days, hours)?
- What you have learned about your kind of business from outside sources (trade suppliers, bankers, other franchise owners, franchisor, publications).

A cover sheet goes before the description. It includes the name, address and telephone number of the business and the names of all principals. In the description of your business, describe the unique aspects and how or why they will appeal to consumers. Emphasize any special features that you feel will appeal to customers and explain how and why these features are appealing.

The description of your business should clearly identify goals and objectives and it should clarify why you are, or why you want to be, in business.

2. Product/Service

Try to describe the benefits of your goods and services from your customers' perspective. Successful business owners know or at least have an idea of what their customers want or expect from them. This type of anticipation can be helpful in building customer satisfaction and loyalty. And, it certainly is a good strategy for beating the competition or retaining your competitiveness.

Questions to ask include:

- What are you selling?
- How will your product or service benefit the customer?
- Which products/services are in demand; if there will be a steady flow of cash.
- What is different about the product or service your business is offering.

3. The Location

The location of your business can play a decisive role in its success or failure. Your location should be built around your customers, it should be accessible and it should provide a sense of security. Consider these questions when addressing this section of your Business Plan:

- What are your location needs?
- What kind of space will you need?
- Why is the area desirable?
- Is the building desirable?
- What type of signage is available?
- How much parking is available?
- What businesses are your co-tenants?
- Is your business compatible with adjacent businesses?
- How far away is your direct competition?
- Is it easily accessible?
- Is public transportation nearby?
- Are market shifts or demographic shifts occurring?

THE BUSINESS PLAN - THE MARKETING PLAN

Marketing plays a vital role in successful business ventures. How well you market your business may ultimately determine your degree of success or failure. The key element of a successful marketing plan is to know your customers -- their likes, dislikes, expectations. By identifying these factors, you can develop a marketing strategy that will allow you to arouse and fulfill their needs.

Identify your customers by their age, gender, income and educational level, and residence. At first, target only those customers who are more likely to purchase your product or service. As your customer base expands, you may need to consider modifying the marketing plan to include other customers.

Develop a marketing plan for your business by thinking about the answers to the questions below. Potential franchise owners should consult with the marketing strategy of the franchisor. Your marketing plan should be included in your Business Plan and contain answers to the following questions:

- Who are your customers? Define your target market(s).
- Are your markets growing? Steady? Declining?
- Is your market share growing? Steady? Declining?
- If a franchise, how is your market segmented?
- Are your markets large enough to expand?
- How will you attract, hold, and increase your market share?
- If a franchise, will the franchisor provide assistance with marketing?
- How will you promote your sales?
- What pricing strategy have you devised?

1. Competition

Competition is a way of life. We compete for jobs, promotions, and scholarships to institutes of higher learning, in sports -- and in almost every aspect of our lives. Nations compete for the consumer in the global marketplace, as do individual business owners. Advances in technology can send the profit margins of a successful business into a tailspin causing them to plummet overnight or within a few hours. When considering these and other factors, we can conclude that business is a highly competitive, volatile arena. Because of this volatility and competitiveness, it is important to know your competitors.

Questions like these can help you assess your competitive advantage:

- Who are your five nearest direct competitors?
- Who are your indirect competitors?
- How healthy are your competitors: Is business steady? Increasing? Decreasing?
- What have you learned from your competitors' operations?
- What have you learned from your competitors' advertising?

- What are your competitors' strengths and weaknesses?
- How does your competitors' product or service differ from yours?

Start a file on each of your competitors. Keep manila envelopes of their advertising and promotional materials and their pricing strategy techniques. Review these files periodically, determining when and how often they advertise, sponsor promotions, and offer sales. Study the copy used in the advertising and promotional materials, and their sales strategy. For example, is their ad copy short? Descriptive? Catchy? How much do they reduce prices for sales? Using this technique can help you to understand your competitors better and how they operate their businesses.

2. Pricing and Sales

Pricing strategy is another marketing technique you can use to improve your overall competitiveness. Get a feel for the pricing strategy your competitors are using. That way you can determine if your prices are in line with competitors in your market area and if they are in line with industry averages.

Some of the pricing strategies are:

- Retail cost and pricing
- Competitive position
- Pricing below competition
- Pricing above competition
- Price lining
- Multiple pricing
- Service costs and pricing (for service businesses only)
 - Service components
 - Material costs
 - Labor costs
 - Overhead costs

The key to success is to have a well-planned strategy, to establish your policies, and to constantly monitor prices and operating costs to ensure profits. Even in a franchise where the franchisor provides operational procedures and materials, it is a good policy to keep abreast of the changes in the marketplace because these changes can affect your competitiveness and profit margins.

3. Advertising and Public Relations

How you advertise and promote your goods and services may make or break your business. Having a good product or service and not advertising and promoting it is like not having a business at all. Many business owners operate under the mistaken concept that the business will promote itself, and channel money that should be used for advertising and promotions to other areas of the business. Advertising and promotions, however, is the lifeline of a business and should be treated as such.

Devise a plan that uses advertising and networking as a means to promote your business. Develop short, descriptive copy (text material) that clearly identifies your goods or services, its location and price. Use catchy phrases to arouse the interest of your readers, listeners, or viewers. Determine how you will use the Internet, social media, paid media, and non-paid media in your advertising strategy.

In the case of a franchise, the franchisor may provide advertising and promotional materials as part of the franchise package. However, you may need approval of the franchisor to use any materials that you and your staff develop. Whether or not this is the case, as a courtesy, allow the franchisor the opportunity to review, comment on and, if required, approve these materials before using them. Make sure the advertisements you create are consistent with the image the franchisor is trying to project. Remember the more care and attention you devote to your marketing program, the more successful your business will be.

THE BUSINESS PLAN - THE MANAGEMENT PLAN

Managing a business requires more than just the desire to be your own boss. It demands dedication, persistence, the ability to make decisions, and the ability to manage both employees and finances. Your management plan, along with your marketing and financial management plans, sets the foundation for and facilitates the success of your business.

Like plants and equipment, people are resources -- they are the most valuable assets to a business. You will soon discover that employees and staff will play an important role in the total operation of your business. Consequently, it's imperative that you know what skills you possess and those you lack since you will have to hire personnel to supply the skills that you lack or to complement the skills that you have. Additionally, it is imperative that you know how to manage and treat your employees. Make them a part of the team. Keep them informed of, and get their feedback regarding, changes. Employees oftentimes have excellent ideas that can lead to new market areas, innovations to existing products or services, new product lines, or services that can improve your overall competitiveness.

Your management plan should answer questions such as:

- How does your background and business experience help you in this business?
- What are your weaknesses and how can you compensate for them?
- Who will be on the management team?
- What are their strengths and weaknesses?
- What are their duties?
- Are these duties clearly defined?
- If a franchise, what type of assistance can you expect from the franchisor?
- Will the franchisor's assistance be ongoing?
- What are your current personnel needs?
- What are your plans for hiring and training personnel?
- What salaries, benefits, vacations, and holidays will you offer?
- If a franchise, are salaries, benefits, vacations, and holidays covered in the management package the franchisor will provide?
- What benefits, if any, can you afford?

If a franchise, the operating procedures, manuals, and materials devised by the franchisor should be included in this section of the Business Plan. Study these documents carefully when writing your Business Plan, and be sure to incorporate this material. The franchisor should assist you with managing your franchise. Take advantage of their expertise and develop a management plan that will ensure the success for your franchise and satisfy the needs and expectations of employees, as well as the franchisor.

THE BUSINESS PLAN - THE FINANCIAL MANAGEMENT PLAN

Sound financial management is one of the best ways for your business to remain profitable and solvent. How well you manage the finances of your business is the cornerstone of every successful business venture. Each year thousands of potentially successful businesses fail because of poor financial management. As a business owner, you will need to identify and implement policies that will lead to and ensure that you will meet your financial obligations.

To effectively manage your finances, plan a sound, realistic budget by determining the actual amount of money needed to open your business (start-up costs) and the amount needed to keep it open (operating costs). The first step to building a sound financial plan is to devise a start-up budget. Your start-up budget will usually include such one-time-only costs as major equipment, utility deposits, down payments, etc.

The start-up budget should allow for these expenses:

- Personnel (costs prior to opening)
- Legal/professional fees
- Occupancy
- Licenses and permits
- Equipment
- Insurance
- Supplies
- Advertising and promotions
- Salaries and wages
- Accounting
- Income
- Utilities
- Payroll expenses

An operating budget is prepared when you are actually ready to open for business. The operating budget will reflect your priorities in terms of how you spend your money, the expenses you will incur, and how you will meet those expenses. Your operating budget also should include money to cover the first three to six months of operation. It should allow for the following expenses:

- Personnel
- Insurance
- Rent
- Depreciation
- Loan payments
- Advertising and promotions
- Legal and accounting

- Miscellaneous expenses
- Supplies
- Payroll expenses
- Salaries and wages
- Utilities
- Dues and subscriptions/fees
- Taxes
- Repairs and maintenance

The financial section of your Business Plan should include any loan applications you've filed, capital equipment and supply list, balance sheet, break-even analysis, pro-forma income projections (profit and loss statement), and pro-forma cash flow. The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years.

The accounting system and the inventory control system that you will be using are generally addressed in this section of the Business Plan also. If a franchise, the franchisor may stipulate in the franchise contract the type of accounting and inventory systems you may use. If this is the case, the franchisor should have a system ready and you will be required to adopt this system. Whether you develop the accounting and inventory systems yourself, have an outside financial advisor develop the systems, or the franchisor provides these systems, you will need to acquire a thorough understanding of each segment and how it operates. Your financial advisor can assist you in developing this section of your Business Plan.

The following questions should help you determine the amount of start-up capital you will need to purchase and open a franchise.

- How much money do you have?
- How much money will you need to purchase the franchise?
- How much money will you need for start-up?
- How much money will you need to stay in business?

Other questions that you will need to consider are:

- What type of accounting system will your use? Is it a single entry or dual entry system?
- What are your sales goals and profit goals for the coming year? If a franchise, will the franchisor set your sales and profit goals? Or, will he or she expect you to reach and retain a certain sales level and profit margin?
- What financial projections will you need to include in your Business Plan?
- What kind of inventory control system will you use?

Your plan should include an explanation of all projections. Unless you are thoroughly familiar with financial statements, get help from an accountant or financial advisor in preparing your cash flow, income statements, and balance sheet. Your aim is not to become a financial wizard, but to

understand the financial tools well enough to gain their benefits.