

## **GUIDE**

# **How to Write a Business Plan**

**Step by Step instructions to help you create a winning Business Plan to raise funding, find partners, and to instrument a pathway to success.**

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# 1. Executive Summary

The executive summary provides readers and potential investors a brief yet dynamic description of the key components of the business plan. To make sure it is clear and comprehensive, it is often the last section to be written. A first-time reader should be able to read the summary by itself and know what your business is all about. The summary should stand-alone and should not refer to other parts of your business plan. The summary, between one to three pages in length, will motivate readers to continue reading the remainder of the business plan in more detail.

*The summary should include the following subsections:*

## 1.2 Business Description

Provide a brief description of your company. The opening paragraphs should introduce what you do and where. From this section, the investor must be convinced of the uniqueness of the business and gain a clear idea of the market in which the company will operate. The legal form of the business such as LLC, S-Corporation, C-Corporation, Partnership, or Proprietorship should be stated as well as the objectives of the business via a mission statement that clearly states the business' purpose and values. Include a vision statement as well as where you see the business in five to ten years.

*Be sure to answer the following questions that are usually asked by potential investors:*

- What form of business are you in?
- What type of business is it (e.g. manufacturing, consulting, reselling, services)?
- Is it a new business, a takeover, a franchise?
- What is your product or service?

*Be sure to include:*

- Mission Statement
- Values and Vision
- Industry Overview
- Company Description
- History and Current Status
- Goals and Objectives
- Critical Success Factors
- Company Ownership

## 1.3 Products and Services

This should include a very brief overview and description of your products and services, with emphasis on distinguishing features.

*Be sure to answer the following questions that are usually asked by potential investors:*

- How will the products be made, or the services performed?
- What will they do for the customers/clients?
- What is different about the product or service your business is offering? What is your product or service?
- What value do you add to your product?
- What is it that separates your company from the rest of the pack?
- Is your product or technology proprietary, patented, copyrighted?

*Be sure to include:*

- Product / Service Description
  - Existing Products
  - Description of the Products
  - Description of the Services
  - Stage of Development
- Unique Features or Proprietary Aspects
- Research and Development
- Production
  - Product - List the critical factors in the production of your product.
  - Service - List the critical factors for the delivery of service.
- New and Follow-on Products & Services
- Provide a target introduction date for the product/service.
  - Future Products
  - Market Comparison

## 1.4 The Market

Provide a brief description of the market you will be competing in. Here you will define your market, how large it is, and how much of the market share you expect to capture. It is important to reference credible sources and include the name of your source(s) of information along with a date. Indicate how you will market the products/services, and which channels will be used to deliver your products/services to your target market(s) (i.e. website, direct sales force, Value Added Resellers, channel partners, etc.).

*Be sure to answer the following questions that are usually asked by potential investors:*

- What are the key drivers, trends, and influences in the market?
- To whom do you market your products and services?
- How will you educate your customers to buy from you?

- Who is your target market?

*Be sure to include:*

- Primary market research
- Secondary market research
- Industry Analysis
- Market Analysis
- Competitor Analysis
- Barriers to Market Entry and Exit

## 1.5 The Opportunity

Describe the problem or the pain that the customer feels in order to establish that your business is really offering value to the customer. Your business will have much scope if it provides a real solution to an existing or even latent problem.

State the problem clearly. Also outline how the customer is managing to solve the problem at present.

- Are they using alternatives?
- What are those alternatives?
- Are they simply putting up with it?
- Who is your target market?

Establish how much pain there is. Higher the level of pain, and lack of solutions, more valuable and in demand your solution would become. Create and explain each of these:

- Market Segmentation Strategy
- Targeting Strategy
- Positioning Strategy
- Product/Service Strategy
- Pricing Strategy
- Distribution Channels
- Promotion and Advertising Strategy
- Sales Strategy
- Sales Forecasts

## 1.6 The Solution

The solution is your product or service! However, if you want to set apart from the competition, your solution must be different and unique.

To differentiate yourself, you need to have a very good idea of what your customers need or will need in the future. By providing an intelligent solution, you will help to solve a problem smartly. Furthermore, your products or services need to have a robust set of features. Your ability to get and retain customers will be greatly enhanced if your product is feature-rich.

If your solution is an elegant one, you will enhance the user experience. Look beyond the core product or service and anticipate how to enrich your customers' experience and the image in using your product. Remember that your customer gets an enhanced experienced not just while using product, but all the way from purchase decision to using and after service.

*The Solution section should include the following subsections:*

- Development Strategy
- Development Timeline
- Development Expenses

## 1.7 Competition

It is important to show the reader that you have investigated the competition. Identify the direct and indirect competitors, with analysis of their pricing and promotional strategies, as well as an assessment of their competitive advantage.

Based on this analysis, you can identify key obstacles for your business, the additional services you might offer, competitive challenges, as well as opportunities ahead. Briefly describe the competitive outlook and dynamics of the relevant market in which you will operate.

*Be sure to answer the following questions that are usually asked by potential investors:*

- Is your service better, faster, cheaper and if so why?
- Is your advantage a temporary "window" and are there steps you can take to protect your position?
- What have you learned from the competition? From their advertising?
- How is their business currently? Steady? Increasing? Decreasing?

You may also wish to include the following table:

**Main Competitors**

Competitor Name	Sales	Market Share	Nature/Type

## 1.8 Operations

Operations is defined as the processes used to deliver your products and services to the marketplace and can include manufacturing, transportation, logistics, travel, printing, consulting, after-sales service, and so on. This section should briefly outline how you will implement all the above and include a brief description of the organizational structure and the expense and capital requirements for operation.

*Be sure to answer the following questions that are usually asked by potential investors:*

- Are your staffing requirements on par with the rest of the industry, is your pay and benefits package appropriate?
- Have you considered the possibility of a unionized staff?
- Have you contacted suppliers and distributors and decided which you will choose?
- Do you have insurance? If so, does it provide adequate coverage?
- Have you prepared a contingency plan if some difficulties should occur?
- What facilities and equipment do you require? How much does they cost?
- What inventory will you have on hand? Where will you keep it?

*The Operations section should include the following subsections:*

- Operations Strategy
- Scope of Operations
- Ongoing Operations
- Location
- Personnel
- Production
- Operations Expenses
- Legal Environment
- Inventory
- Suppliers
- Credit Policies

## 1.9 Management Team

The quality of a company's management team is one of the best predictors of success, thus investors will look very closely at the individuals who will be managing the company. The ideal scenario is that senior managers have previously started and successfully managed companies in the same business. If your management team cannot show this kind of background, you should emphasize the previous relevant experiences of the team. Mention past experiences, education, positions held and milestones achieved.

*Be sure to answer the following questions that are usually asked by potential investors:*

- Can the management team reach the desired goals set for the business?
- What about the future needs of management, will you hire new team members?
- What if a member of your management team leaves?
- What is the chain of command?
- Why did your current management leave their previous position?
- What will be the main duties of each individual member of management?

*The Management section should include the following subsections:*

- Company & Organization Description
- Management Team, Ownership and Title
- Organizational and Management Structure and Style

- Ownership
- Professional and Advisory Support
- Board of [Advisors OR Directors]

## 1.10 Risks & Opportunity

Risks are a part of any business, especially a new one. In this section, it is important to show potential investors and loan officers you have taken into consideration the risk involved with starting or expanding your venture. Illustrate the market, pricing, product, and management risks as well as how you plan to overcome these risks.

Convey to the investor that the company and product/service truly fills an unmet need in the marketplace. Describe and quantify the opportunity and where you fit. Explain why you are in business along with the reasons why you will be able to take advantage of this opportunity.

*Be sure to answer the following questions that are usually asked by potential investors:*

- Have you considered all the possible risks involved?
- Does your business have a contingency plan for all of the risks mentioned?
- What makes this opportunity unique?
- What are the financial risks for your business? How will these risks be minimized?
- What is the worst-case scenario? How will your business handle it?

## 1.11 Financial Summary

The financial section of the business plan will help you and potential investors (or loan officers) estimate how much money will be required and how much profit and sales will be generated. This process will force you to think through the various scenarios that may arise through the course of business and the respective responses to each.

*Be sure to answer the following questions that are usually asked by potential investors:*

- Have you stated your break-even point?
- What are the potential problems you are certain your business will face and what are the solutions to these problems?
- Are the balance sheet and income statement completed for five years?

*Be sure to include:*

- Start-up / Capital Funds
- Income Statement
- Balance Sheet
- Cash Flow
- Break-Even Analysis
- Financial History and Analysis



## Income Statement Summary

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenue</b>					
Cost of Goods Sold					
<b>Gross Profit</b>					
Operating Costs					
Finance & Admin					
Sales & Marketing					
<b>Total Expenses</b>					
Income Before Tax					
Less: Income Tax					
<b>Net Income</b>					

## Balance Sheet Summary

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>					
<b>Liabilities</b>					
<b>Equity</b>					

## 1.12 Capital Requirements

Clearly state the capital needed to start or expand your business. You should have a very clear idea of how much money you will need to operate your business for the first full year. If possible, summarize how much money has been invested in the business to date and how it is being used. Describe why you need the funds and why the opportunity is exciting. Keep in mind that one of the most common causes of new business failures is undercapitalization. Investors and loan officers want to know when they will get their money back, so be sure to explain how and when they will recoup their investment or when you will repay the loan. If the loan for initial capital will be based on security instead of equity, you should also specify the source of collateral. The following tables are useful to portray the sources and uses of funds:

**Source of Funds:**

Source	Amount	Percentage
Owners' contribution		
Term loans		
New equity financing		
<b>Total</b>		

**Use of Funds:**

Category	Amount	Percentage
Sales & Marketing		
Capital Expenditures		
G & A Expenses		
Other		
<b>Total</b>		

*Also to be included are sections on:*

- Offer
- Risk/Opportunity
- Valuation of Business
- Exit Strategy
- Fund Implementation Plan for the 1st year and subsequent years
- Contingency plan
- Funding plan for Raising Capital
- Refined Plan According to Type of Business (whether service, manufacturing, IT, etc.)
- An Appendix where you should provide all the documentation that supports your business plan

## 2. Checklist

Does your Executive Summary capture the essence of your business plan?	
Does your Summary sell your distinctive competence for executing the plan?	
Does it sell your strategy for success?	
Does it stand-alone from your business plan (without reference to the business plan)?	
Is your Summary short, clear and exciting?	
Does it make the reader want to dive into the complete plan for more details?	
Do you cover all of the main elements of your plan (Business Description, Products and Services, The Market, The Opportunity, The Solution, Competition, Operations, Management Team, Risk/Opportunity, Financial Summary and Capital Requirements)?	
Have you included all documents needed to support your plan? (Product literature and brochures, Market Research Data, Surveys and Studies (if applicable), Detailed account of ongoing operations (if applicable)?)	
Do you provide support for assumptions, trends, and comparisons?	
Do you provide support for your development plan?	