



Writing a Business Plan

the workbook

Why and How to Use a Business Plan

Business plans are not just for people who wish to seek financing. Your business plan will accomplish many things:

- ▶ Give you new business ideas as you write.
- ▶ Help others take your business seriously.
- ▶ Cause you to analyze the profitability and practicality of all decisions.
- ▶ Show you the viability of your business idea.
- ▶ Help you not overspend.
- ▶ Help you get funding from outside sources if you desire investments.
- ▶ Direct your analysis of competition and help you compete.

Each section of the plan is important and should be completed before you invest a substantial amount of time or money in your business. A thorough business plan will help you avoid major obstacles and will guide your decisions unlike any other document. When considering a new idea, a customer request, expansion, marketing opportunities, or any other operational items, you will have this plan to consult. Starting a business without a roadmap can hurt your chance at success. I've never heard anyone say, "I wish I hadn't wasted my time writing a business plan." I have however heard people say the opposite of that...too many times to count.

I recommend reading through your business plan at least once each month. This will help you stay on track with goals as well as remind you of objectives you've forgotten about that can fill your "free time."

Business Plan Sections

A typical business plan will include most of the sections in the following pages; however, additional sections may make your plan more specific to your industry.

You do not have to create your business plan in the order presented here. Instead, it is best to complete the section that interests you most, and then move on to the next. This will keep your motivation high and help you complete the task efficiently. A brief overview of each section is provided in the following pages.

1.0 Executive Summary

It is best to leave the executive summary as the very last piece you create because the research and writing you do for all other sections will help direct the wording and content of the executive summary. This section is normally one to two pages. It is a summary of what readers will find in your business plan. It serves as an overview of your company and communicates what makes your business special as well as what makes you likely to succeed in your chosen industry. This section should entice a reader to inspect the rest of your business plan.

1.1 Mission Statement

Remember to be brief. Please view the vision and mission statement section on page 13 of this book for more information.

1.2 Vision Statement

Please view the vision and mission statement section on page 13 of this book for more information.

1.3 Objectives

List three or more short objectives for your company in the next one to five years. This should not just be a repeat of your mission statement. Your objectives should be concise and measurable (i.e. you'll be able to

determine whether or not you met the objectives). Below are examples of objectives for a wedding venue rental company:

- ▶ To rent out the venue for at least 30% of available weekends in year one.
- ▶ To attend and sponsor at least three bridal extravaganzas or shows by the end of year one.
- ▶ To host one open house per quarter each year.
- ▶ To repay renovation loan by the end of year two.

As you can see, each goal will either be completed or not. You either rented out the venue 30% of the time or you didn't. You either hosted an open house every three months or you didn't, etc. Measureable goals are easier for you (and investors or employees) to understand and to meet. Spend at least 30 minutes thinking about the objectives that matter to your business and industry. Form achievable goals and reward yourself and your employees when you meet these goals. When you write out logical objectives in this manner, you are avoiding the pitfall of just floating along in your small business with no clear direction. Rest assured that if you have practical goals written out, you will be able to find projects or activities for you and your staff during slow times that will help you reach your overall business goals. Every month as you reread your business plan, assess whether each objective still applies and whether or not you can cross off some objectives or add new ones.

1.4 Keys to Success

List three or more keys (or crucial items) to your company's success. Choose items that are vital for growth. Set keys to success that will make your objectives from the previous section possible. Here are some keys to success for our fictional wedding venue:

- ▶ Establish a following on Facebook among Dallas, Texas brides through the use of Facebook ad campaigns so that we will have a large enough base to attract people to our open house events.
- ▶ Reduce operating costs (specifically administrative costs, utilities and advertising) so that the maximum amount can be paid toward the renovation loan, thus saving us interest payments.
- ▶ Develop eye-catching designs for our marketing materials and event booths so that we maximize our presence at any bridal shows.
- ▶ Create a following of potential brides on Pinterest and Instagram that will share and promote our images, quotes and humor in a way that will keep us on the minds of anyone planning a wedding in Dallas.

2.0 Company Summary

Give a brief overview of how your business was formed. Include historical business information if your company has been in business for some time. If you are just starting your business, give a brief description of how the idea for the business came about as well as what the company will do or provide. This section will usually be less than a page. If you're just starting out three paragraphs or less will do.

2.1 Company Advantages

Describe the distinct advantages your company has in any area you can think of:

- ▶ Operations
- ▶ Market dominance
- ▶ Employee capabilities/experience
- ▶ Technology
- ▶ Client communication or response time
- ▶ Other crucial areas

Theoretically there are many companies that offer similar products or services as your company. If you have carved out an advantage for your business in some way, it is a great idea to highlight it briefly in this section.

Early on this communicates to investors that you have an edge over your competition. This section is also important for you as the business owner because thinking through each area can help you develop advantages. You may also think of features to add to your product creation, delivery and service that provide exclusive benefits to your consumers. There are many example company advantages that you should think about:

- ▶ Can you deliver your product or service faster than a competitor because of a unique preparation or shipping method?
- ▶ Are you able to make operational decisions quickly because of your flat organization structure? As in, there are not levels upon levels of people/processes that a decision has to go through.
- ▶ Do you possess a unique process, piece of equipment, or technology that allows for faster creation or higher quality of products?
- ▶ Have you recruited other owners, managers, board members, or employees who hold distinctive skills or useful spheres of influence?
- ▶ Are you likely to dominate your market/industry because of a celebrity endorsement, brilliant ad campaign and budget, special influence or some other factor?
- ▶ Does your connectivity allow you to respond to customers within a guaranteed (short) timeframe during business hours, or even better 24 hours per day?

If you can present compelling enough advantages you may capture your investors' attention, but you may also think of benefits that your clients cannot resist. If appropriate, all the benefits you identify in this section should be communicated on your website and other marketing materials so that potential clients have something to anticipate in working with your company.

2.2 Company Culture

Give readers and potential investors a snapshot of the types of personalities your company and its owners have. Describe unique programs you have that assist employees, the community or clients. Here is the company culture section of my own business plan:

- ▶ The company holds a relaxed corporate mindset: People are more important than policies, laughter and service is more important than money, and family and peace-of-mind are more important than long work hours.
- ▶ Go Small Go team members dress casually in the office and have flexible work hours. Consultants will dress professionally, or in business casual attire depending on the situation, when meeting with clients.
- ▶ Go Small Go team members value the time and talents of others and will ask for ideas, feedback and collaboration on projects as they see fit.
- ▶ Go Small Go wishes to empower employees, clients, and partners to be successful and will continue to provide free resources to each group, as well as promote our "Ask me any business question, day or night" initiative.
- ▶ Go Small Go team members love football, and the company will therefore strive to never ask its partners to miss any games, playoff or otherwise, for work. In fact, free smiles and beer may be provided at times to Miami Dolphins or San Francisco 49ers fans.

As you can see, your company culture can be serious or lighthearted depending on your investors, your target market, and your own personality.

3.0 Ownership and Management

Describe the experience, skills and attributes of all initial owners, key management members and key board members. It is common to outline each person's ownership percent in this section. Some portions may read like a resume, and that's okay, but in general you want to highlight the skill set each individual possesses. You are trying to sell the owners' expertise areas and show your reader how fitting it is for these key people to be a part of the company.

4.0 Products and Services

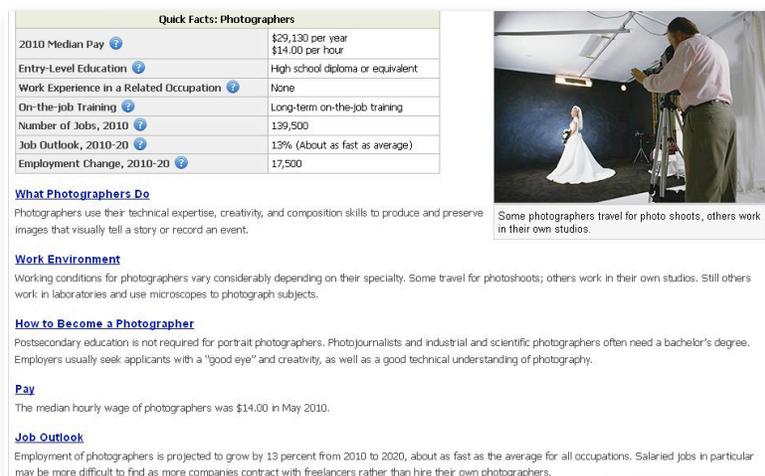
Describe the key features and benefits of each product or service you will offer (within reason). If you plan to offer too many items to list (think Amazon.com), then highlight key products or product categories and give your reader an idea of the other products or services you offer. You can plug in the details and format of the product or service worksheet you completed on page 153 in the workbook section of this book, or you can list each item separately. The formatting is up to you. Look at other examples from your industry for inspiration using bplans.com or one of the other tools in the Resources section of this chapter.

5.0 Market Analysis

Include an industry overview in this section and any key trends in your market that will possibly affect your company, or competitor companies. Your market analysis should include statistics, or key facts that readers can draw out and remember.

- ▶ Has the U.S. Bureau of Labor Statistics predicted certain growth in your industry? Check the website (bls.gov) or the Occupational Outlook Handbook (bls.gov/ooh) for details. A simple OOH search for photographers turned up the information in Figure 4.1: that “more companies contract with freelancers rather than hire their own photographers,” and that there is projected growth of 13% from 2010 to 2020. Statistics such as these may be of interest to you and your investors.
- ▶ Have any well-respected publications released articles of pertinence to your industry with facts you can quote? Search reputable newspapers, magazines and websites (government, educational, and otherwise) for relevant information.
- ▶ Are there any industry-specific journals from which you can pull applicable material?
- ▶ Have you conducted any studies, or have other organizations conducted studies that are of interest to you and your potential investors?

Figure 4.1—Photography Industry Statistics from the OOH



<http://www.bls.gov/ooh/media-and-communication/photographers.htm>

5.1 Target Markets

Identify key characteristics of your target customers and break your market into any applicable segments. Using the example of an event photographer, corporate clients have different needs and hiring patterns than people who hire you to photograph their wedding or take their actor headshots. Thus in this section you might identify two to three of your major segments and relay key information about each one. You can use the information from your ideal customer profiles (starting on page 154 of the workbook) to help explain characteristics and preferences of your consumers, but you should also employ demographic research, surveys or other information to validate your findings. Project the size of your target market and make

realistic goals as to how much of that market you can obtain. Many city websites will have demographic information available to you to start your research.

Identify and outline the key drivers of your clients' buying habits. This will be useful in the Competition Analysis section (5.3 below) so that you can show where other businesses are both meeting and falling short of consumer needs.

5.2 Sales Channels

Describe the ways in which you will get your products or services to customers. This will usually include the use of one or more of the following:

- ▶ Direct sales (face-to-face at a store, conference or other event)
- ▶ Online sales with in-person delivery to clients
- ▶ Online sales with items shipped or electronically delivered to customers
- ▶ Services performed at your business location
- ▶ Services performed at your customer's business or home
- ▶ Products sold through a distributor or wholesaler

Detail the entire process of delivering your goods to your end user. If you have any competitive advantages in your sales channels, you can list them here briefly. This will help you and your investors understand the path each product takes to land in the hands of the consumer. You will be able to spot any weaknesses in procedure as well as identify additional operational or service advantages your company presents.

5.3 Competition Analysis

Write out a practical analysis of your main competitors and their strengths and weaknesses. Also discuss the opportunities that your company has in regard to its current competition, as well as the potential threats that your competitors pose. Looking at strengths, weaknesses, opportunities and threats in this way is a type of SWOT analysis. Use the key drivers of purchasing decisions that you identify for each of your segments (in section 5.1) to show how your competitors fare in comparison to your sales plans.

It is recommended that you identify your main competitors by name and use details specific to each company. This will help you and any potential investors not only visualize your competitive advantages, but also effectively picture your company's place in the market.

6.0 Marketing and Operations Strategy

Give a general overview of your strategy and revisit any key advantages you think are relevant. Though you certainly have the option to construct a separate marketing plan (as discussed in Chapter 13) for your business, it is important to include a marketing section in your business plan, especially if you are looking for investors. This section is meant to provide a general outline of your strategy and can be imperative in helping you think through your business idea as a whole.

6.1 Marketing Plan

Discuss any traditional marketing tactics you will use. This can be anything from designing and distributing brochures or door hangers, to hosting monthly events at your store or providing special rates or promotions to clients. You can describe local/national events you plan to host and attend, or you can detail the platforms in which you plan to place advertisements. You can even assign responsibility to certain team members for specific tasks in this section of your business plan. This will give readers a picture of how your marketing plan will be executed daily.

Looking at other sample plans and doing some Internet research on effective, low-cost marketing tactics is a good idea to help inspire you for this section. Chapters 10, 11 and 12 of this book are dedicated to online and offline marketing ideas so make sure to read them for more inspiration. Also, many great books exist to help you with marketing strategies and you may even find some specific to your industry. Use a site like Amazon.com to search for books of interest to you. Try to find books with great reader reviews.

6.1.1 Web Marketing

In the Web Marketing section of your plan, outline all the efforts you plan to take with your website, blog, email list, newsletters and any ads or business listings you will place online (discussed in Chapter 11). Describe key strategies or campaigns for everything your company will do online outside of social media marketing, which is usually discussed separately due to its unique characteristics.

6.1.2 Social Media Marketing

In the Social Media Marketing section of your plan, give details on each type of social media account you plan to use, and how you plan to employ these selected profiles. You can outline the types of posts you will include in each account, how often your individual accounts will be updated, and any distinct promotions or uses of social media you are planning.

Use your space (in the Web Marketing and Social Media Marketing sections) to also craft a list of objectives and keys to success if applicable. In the same way you wrote general business objectives in section 1.3, you will want to determine some marketing objectives that are measurable as well. Develop some keys to success (similar to those in section 1.4) that will assist you in reaching your marketing objectives. Below are some example objectives for social media:

- ▶ Obtain 500 likes on Facebook within the first quarter after business launch.
- ▶ Reach 100 Twitter followers in the first two months of operation.
- ▶ Host one photo contest on Instagram each quarter.
- ▶ Promote one giveaway per month on Facebook, Twitter, Instagram, Google+, YouTube, Pinterest, the blog and our email newsletter.

6.1.3 Offline Marketing

Discuss any traditional marketing strategies you will employ. What can you do offline to promote your company? Check out Chapter 12 for ideas on traditional marketing.

6.2 Operations Plan

Define your operations plan and any milestones your company wants to reach. Discuss your methods for getting into the proper sales channels (ex: Amazon.com, local boutiques, bookstores, supermarkets, etc.) to effectively obtain your sales goals.

6.2.1 Sales Plan

Go beyond your initial marketing plan and discuss how you will obtain leads (potential clients), how you will convert those leads (to actual customers), how you will track your leads (determine how many customers are coming from each type of effort—social media, events, etc.), and how you will get repeat leads (i.e. turn your customers into repeat customers). Both free and expensive customer relations management (CRM) software exists to help you with the process of tracking and converting leads. It may be a good idea to invest some time and/or money in one of these software programs so that you can generate the kind of data you need to make informed decisions later on.

6.2.2 Milestones

Identify the critical sales goals you must reach in order to stay on track with your projected income. These goals should be measurable, realistic and easy to understand. This section will be of particular interest to investors.

6.2.3 Sales Forecast

Predict monthly sales (for one year) and yearly sales (for three to five years) both graphically (like Figure 4.2) and in a spreadsheet/table format. The information should include sales information for each product or service line. You may estimate that your venue will make \$3000 in March, but how much of it is coming from corporate event rentals and how much is coming from wedding rentals? When you make a spreadsheet you may also want to include figures on your operating expenses so investors can begin to get an idea of what your profit will be.

Figure 4.2—Sample Monthly Sales Forecast

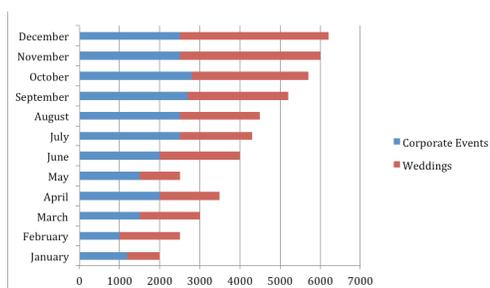


Figure 4.2 is just a sales forecast, not a profit forecast. You have to subtract all of your “cost of goods sold” and other expenses in order to arrive at a profit figure.

Remember: Profit = Sales – Expenses

7.0 Financial Data

This section will show projections for future financial statements or current budgets, including your production budget and more. There may be other industry-specific or investor-specific financial statements or projections you can develop, but the sections below describe the most common items for you to include in your business plan.

7.1 Start-up Budget

Show how much money and other capital you will need to begin your business. You can start with the table on page 152 of the workbook to begin to predict your formation and start-up expenses. It’s a good idea to form an ideal (but realistic) start-up budget for your business plan, and to also form a “bare minimum” start-up budget so that you know the absolute lowest amount of money you will need to launch successfully. You can keep this budget to yourself, and perhaps key managers, employees, or investors. Your ideal budget might include a few frills, but your bare minimum budget may require you to do a few things yourself (website, social media management, delivery) that you hoped to hire for or outsource. The bare minimum amount will help you determine if your business idea is viable once you raise all the funds you can from investors.

7.2 Production Budget

Use accurate figures to predict how much it will cost to produce your goods or perform your services each month. Also determine how much you will need to spend per product. This section of your business plan should include a spreadsheet that takes into account each major service or product and all the inputs/expenses required to make these items. You can use the product/service worksheet on page 153 and the monthly expenses exercise on page 163 of the workbook as a starting point. Your production budgets are important to you and to investors because you will be able to see how much capital is required to operate at a profitable level.

7.3 Break-even Analysis

Show how many units you will have to sell to cover your initial expenses and your monthly expenses in this section. Your break-even analysis should answer the following questions for you and your investors: How many units will the company need to sell in order to cover the initial investment or start-up capital? How many units will need to be sold each month to cover the total monthly expenses?

**Remember: The break-even point is when expenses = revenue;
as in, you have neither made a profit, nor endured a loss.
Any income past the break-even point is profit;**

any expense beyond the break-even point is a loss.

You will be able to take the per product expense figure that you developed in the last section (let's use \$10 as an example) and subtract that number from how much you will charge for your product (say \$30) in order to get a per item profit figure (\$20, which is \$30 - \$10). Once you know how much profit you will retain from each item then you can figure how many you will need to sell to recoup your initial investment ($\$5,000 \div \$20 = 250$ items) and to break even each month ($\$1000 \div \$20 = 50$ items). This process can seem daunting but I recommend you use the applicable budgeting worksheets in this book as well as guidance from the sites in the "Resources" section on the next page to help you. Bplans.com is a great place to view sample statemnts.

7.4 Financial Statements and Forecasts

Include financial statements such as a projected income statement, statement of retained earnings, balance sheet and statement of cash flows. These statements will help investors look at your potential profitability. They will also help you make sound business decisions. Please refer to the Monthly and Yearly Reports section of the next chapter (page 48) for the uses and benefits of a balance sheet and income statement, then head to gosmallgo.com/free-resources for statements you can fill out for your business. Refer to one of the sites in the Resources section below for more information on (and examples of) statements/projections such as: profit and loss, gross margin, business ratios, cash flow, and retained earnings. Bplans.com is a particularly useful resource for viewing sample financial statements.

7.5 Funding Request (optional)

If you are requesting funding from banks or other investors, use this section to detail how much money/capital you are requesting, what you will use the funds for, the terms of paying the funds back and/or the rights each investor will hold. You will likely want to seek legal help with forming the agreements or contracts between your company and private investors.

8.0 Appendix

Include expanded financial statements, example marketing collateral, pending contracts with clients or anything else that shows your potential profitability in this section. Also include items that highlight your winning brand, such as client testimonials or reviews.

8.1 Marketing Collateral

Use visual representations (or actual examples) of your company's marketing collateral such as brochures, post cards, business cards, product packaging, web design, social media design/profiles, email or physical newsletters, t-shirt design, etc.

8.2 Product Images

Show 2-D or 3-D models of your products, or pictures of you performing your services.

Resources

The U.S. Small business Administration (SBA.gov) has a wonderful business plan building tool, available at: www.sba.gov/business-plan/1. Also, bplans.com contains business plans in a variety of industries that can serve as excellent examples for you. Other free resources include the SCORE Association's multiple tools on the score.org website, as well as your city's small business development office, which may also provide business plan assistance or software. If you wish to pay a small fee for business plan software that will help you develop detailed financials and projections, consider LivePlan (liveplan.com).