

What is a Business Plan?

A business plan is any plan that works for a business to look ahead, allocate resources, focus on key points, and prepare for problems and opportunities. Unfortunately, many people think of business plans only for starting a new business or applying for business loans. But they are also vital for running a business, whether or not the business needs new loans or new investments. Businesses need plans to optimize growth and development according to priorities.

What's a Start-up Plan?

A simple start-up plan includes a summary, mission statement, keys to success, market analysis, and break-even analysis. This kind of plan is good for deciding whether or not to proceed with a plan, to tell if there is a business worth pursuing, but it is not enough to run a business with.

Sample business plan components:

Executive Summary: Write this last. It's just a page or two of highlights.

Company Description: Legal establishment, history, start-up plans, etc.

Product or Service: Describe what you're selling. Focus on customer benefits.

Market Analysis: You need to know your market, customer needs, where they are, how to reach them, etc.

Strategy and Implementation: Be specific. Include management responsibilities with dates and budgets. Make sure you can track results.

Web Plan Summary: For e-commerce, include discussion of website, development costs, operations, sales and marketing strategies.

Management Team: Describe the organization and the key management team members.

Financial Analysis: Make sure to include at the very least your projected Profit and Loss and Cash Flow tables.

Six-step business start-up strategy:

1) Define Your Business & Vision

Defining your vision is important. It will become the driving force of your business. Here are questions that will help you clarify your vision:

Who is the customer?

What business are you in?

What do you sell (product/service)?

What is your plan for growth?

What is your primary competitive advantage?

2) Write Down Your Goals

Create a list of goals with a brief description of action items. If your business is a start up, you will want to put more effort into your short-term goals. Often a new business concept must go through a period of research and development before the outcome can be accurately predicted for longer time frames.

Create two sets of goals:

Short term: range from six to 12 months.

Long term: can be two to five years.

Explain, as specifically as possible, what you want to achieve. Start with your personal goals. Then list your business goals. Answer these questions:

As the owner of this business, what do you want to achieve?

How large or small do you want this business to be?

Do you want to include family in your business?

Staff: do you desire to provide employment, or perhaps, you have a strong opinion on not wanting to manage people.

Is there some cause that you want the business to address?

Describe the quality, quantity and/or service and customer satisfaction levels.

How would you describe your primary competitive advantage?

How do you see the business making a difference in the lives of your customers?

3) Understand Your Customer

It is not realistic to expect you can meet the needs of everyone, no business can. Choose your target market carefully. Overlook this area, and I guarantee you will be disappointed with the performance of your business. Get this right and you will be more than pleased with the results.

Needs: what unmet needs do your prospective customers have? How does your business meet those needs? It is usually something the customer does not have or a need that is not currently being met. Identify those unmet needs.

Wants: think of this as your customer's desire or wish. It can also be a deficiency.

Problems: remember people buy things to solve a specific problem. What problems does your product or service solve?

Perceptions: what are the negative and positive perceptions that customers have about you, your profession and its products or services? Identify both the negative and positive consequences. You will be able to use what you learn when you start marketing and promoting your business.

4) Learn From Your Competition

You can learn a lot about your business and customers by looking at how your competitors do business.

Here are some questions to help you learn from your competition and focus on your customer:

What do you know about your target market?

What competitors do you have?

How are competitors approaching the market?

What are the competitor's weaknesses and strengths?

How can you improve upon the competition's approach?

What are the lifestyles, demographics and psychographics of your ideal customer?

5) Financial Matters

How will you make money? What is your break-even point? How much profit potential does your business have? Take the time to invest in preparing financial projections.

These projections should take into account the collection period for your accounts receivables (outstanding customer accounts) as well as the payment terms for your suppliers. For example, you may pay your bills in 30 days, but have to wait 45-60 days to get paid from your customers.

A cash flow projection will show you how much working capital you will need during those "gaps" in your cash position.

Sample business plan outline:

1.0 Executive Summary

1.1 Objectives

1.2 Mission

1.3 Keys to Success

2.0 Company Summary

2.1 Company Ownership

2.2 Company History (for ongoing companies) or
Start-up Plan (for new companies).

2.3 Company Locations and Facilities

3.0 Products and Services

3.1 Product and Service Description

3.2 Competitive Comparison

3.3 Sales Literature

3.4 Sourcing and Fulfillment

3.5 Technology

3.6 Future Products and Services

4.0 Market Analysis Summary

4.1 Market Segmentation

4.2 Target Market Segment Strategy

4.2.1 Market Needs

4.2.2 Market Trends

4.2.3 Market Growth

4.3 Industry Analysis

4.3.1 Industry Participants

4.3.2 Distribution Patterns

4.3.3 Competition and Buying Patterns

4.3.4 Main Competitors

5.0 Strategy and Implementation Summary

5.1 Strategy Pyramids

5.2 Value Proposition

5.3 Competitive Edge

5.4 Marketing Strategy

5.4.1 Positioning Statements

5.4.2 Pricing Strategy

5.4.3 Promotion Strategy

5.4.4 Distribution Patterns

5.4.5 Marketing Programs

5.5 Sales Strategy

5.5.1 Sales Forecast

5.5.2 Sales Programs

5.6 Strategic Alliances

5.7 Milestones

6.0 Web Plan Summary

6.1 Website Marketing Strategy

6.2 Development Requirements

7.0 Management Summary

7.1 Organizational Structure

7.2 Management Team

7.3 Management Team Gaps

7.4 Personnel Plan

8.0 Financial Plan

8.1 Important Assumptions

8.2 Key Financial Indicators

8.3 Break-even Analysis

8.4 Projected Profit and Loss

8.5 Projected Cash Flow

8.6 Projected Balance Sheet

8.7 Business Ratios

8.8 Long-term Plan