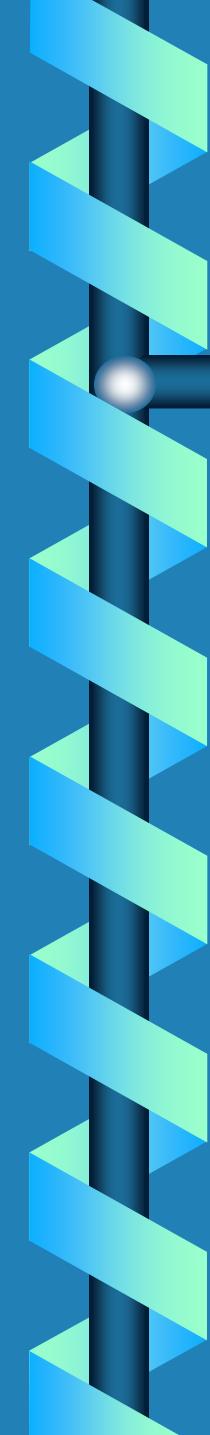


# Writing a Business Plan ... Are You Nuts?

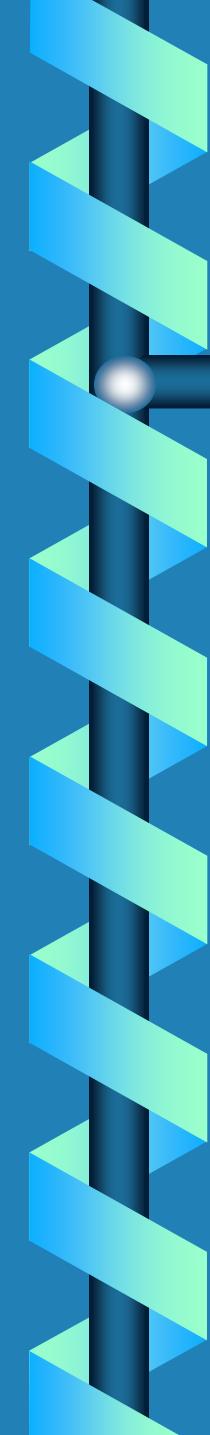
❧ Dr. Ron Cook  
❧ Professor and Chair  
❧ Dept. of Entrepreneurial Studies  
❧ Rider University



# What is a Business Plan?

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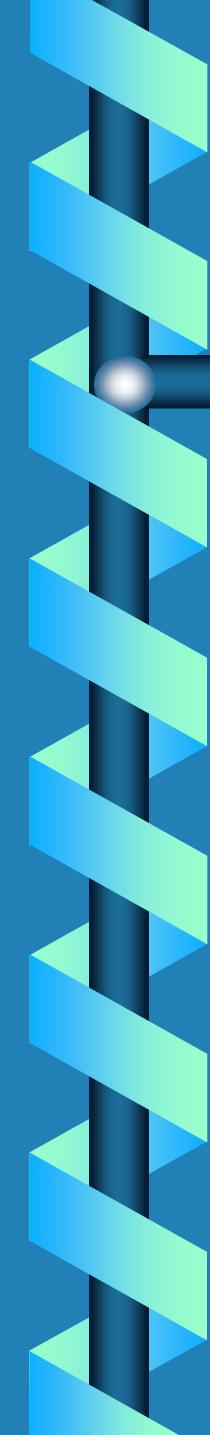
- ❑ A document that contains the basic business idea and all required considerations.
- ❑ It's the who, how, why, where, when, etc...



# **When not to bother....**

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- ❑ Inexpensive idea**
- ❑ Rapidly changing field**
- ❑ Heads I win, tails I don't lose much**
- ❑ Speed matters**
- ❑ Self financed**
- ❑ Limited growth potential**



# Reasons for a Business Plan

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- ❑ Think through the idea
- ❑ Road map
- ❑ Raising money

# **Business Plan Guidelines**

- ❑ Audience**
- ❑ Length- full plans run 30-40 pages**
- ❑ Judged on content, flow, and appearance**
- ❑ Concept, customers, cash**

# Typical Plan Outline

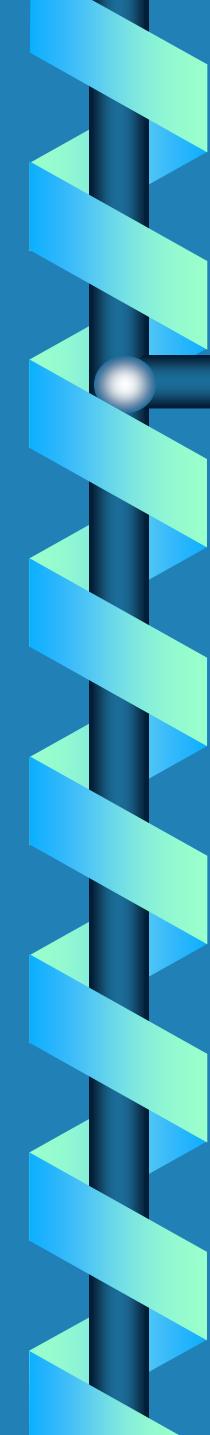
- ❑ **Executive Summary**
- ❑ **Business Description**
- ❑ **Marketing Research/Plan**
- ❑ **Operations**
- ❑ **Management**
- ❑ **Financials**
- ❑ **Appendices**



# **Executive Summary**

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- ❑ Prepared last**
- ❑ 2-3 pages that highlight key points**
- ❑ Reader uses it to decide whether to read the entire plan**
- ❑ Elevator pitch**



# **Business Description**

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- ❷ What business are you in**
- ❷ What is its mission**
- ❷ Is it a startup, expansion, purchase**
- ❷ What is the business's legal structure**
- ❷ What are your hours of operation**



# Market Research

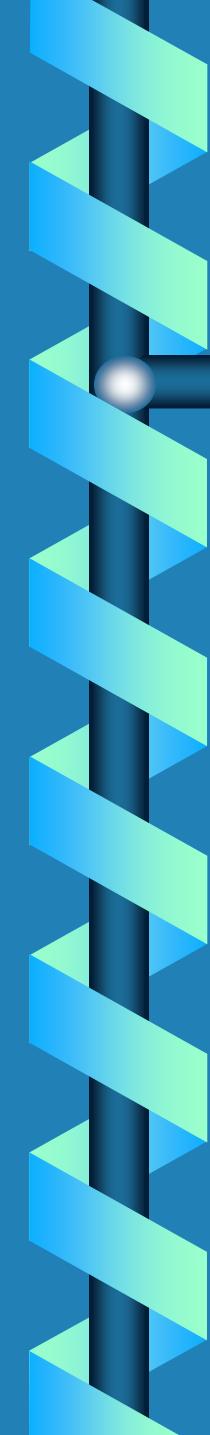
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❑ Industry Trends

❑ Demographics

❑ Competition

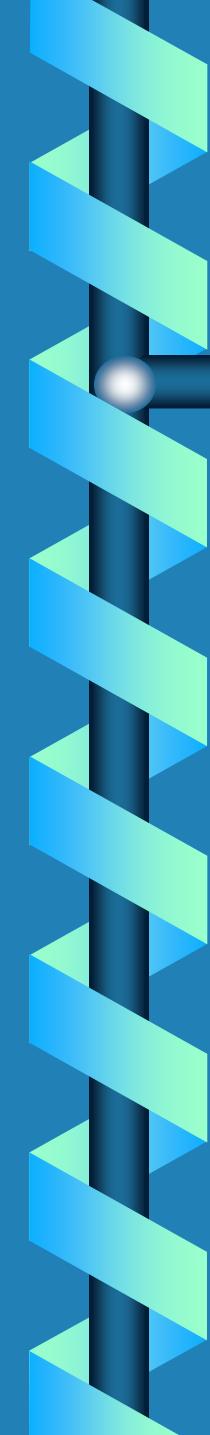
❑ Competitive Advantage



# Industry Trends

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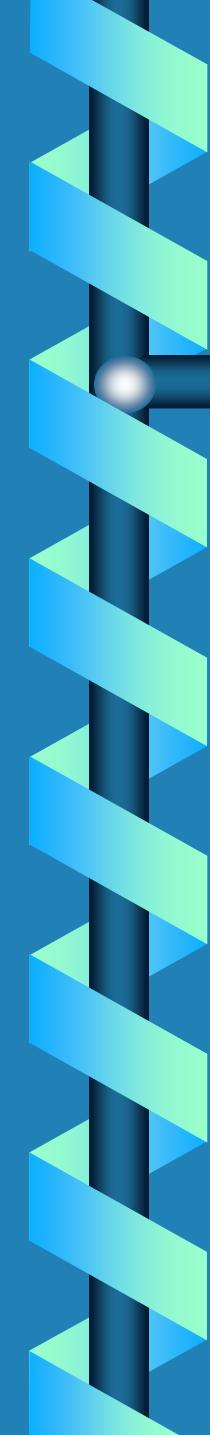
- ❑ Discuss what's going on in the industry
- ❑ Industry structure and size
- ❑ How do you make money in this business



# Demographics

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- ❑ Characteristics of customers
- ❑ How many people buying how much how often
- ❑ How did you arrive at those numbers



# Competition

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- ❑ At least the top four
- ❑ Their strengths and weaknesses
- ❑ Where would your customers spend their money if you did not exist

# Competitive Advantage

- ❧ Product/service viewed as > than competitors
- ❧ Cost advantage-- offer it for less
- ❧ Marketing advantage-- make it different
- ❧ Compete on your strengths, the competitions' weaknesses, and the market's desire

# Marketing Plan

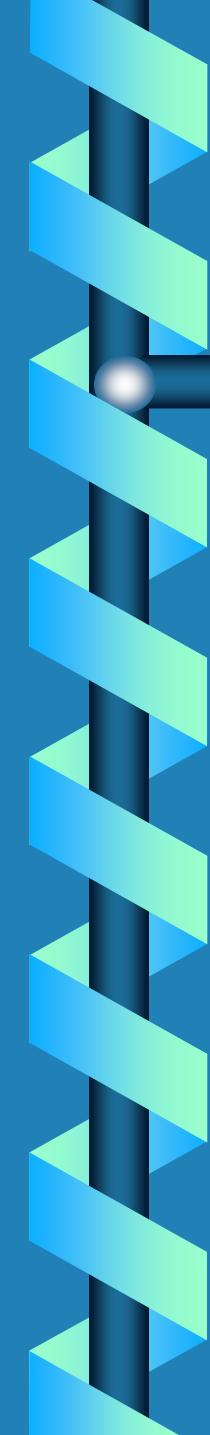
- ❑ Advertising and promotion
- ❑ Pricing
- ❑ Sales assumptions
- ❑ Sales forecast



# **Advertising & Promotion**

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- ❑ Which ones to use and why**
- ❑ Provide a budget**
- ❑ Measure effectiveness**
- ❑ How will you attract customers**



# Pricing

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- ❑ Cost considerations
- ❑ Compatible with goals and image
- ❑ Competition
- ❑ **Value = *benefits/price***



# Sales Assumptions

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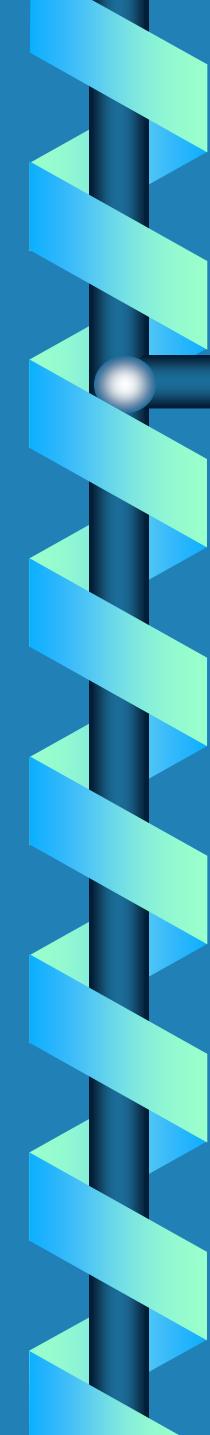
- ❑ **What is the purchase size**
- ❑ **What is the purchase frequency**
- ❑ **What is the sales cycle**
- ❑ **Explain how you built a sales forecast**



# Sales Forecast

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- ❑ Projections for 3 years
- ❑ 1st year by month
- ❑ Years 2 & 3 by quarter



# Management

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- ❑ Who does what
- ❑ Management compensation
- ❑ Resumes of managers in appendix
- ❑ Outside consultants/professional services



# Operations

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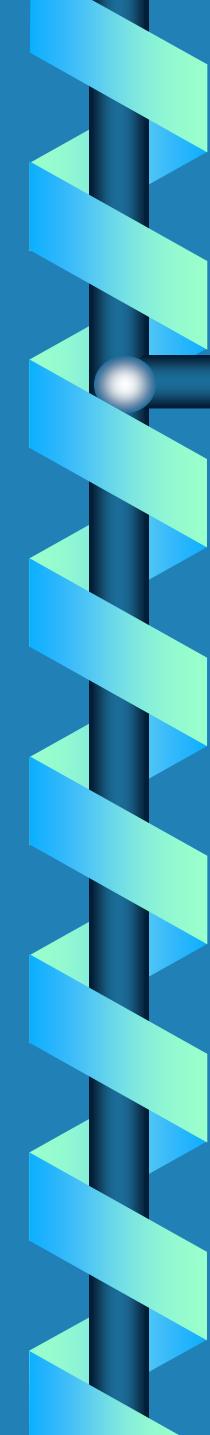
- ❑ Costs of delivering the goods/services
- ❑ Non personnel costs
- ❑ Personnel costs



# **Non Personnel Costs**

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- ❑ Location, hours of operations, and layout**
- ❑ Supplies/inventory**
- ❑ Capital equipment**
- ❑ Other costs: rent/mortgage, insurance, utilities, permits, etc...**



# **Personnel Costs**

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- ❑ Hours of employee coverage**
- ❑ Employees salaries, taxes, and perks**
- ❑ Training needs and costs**
- ❑ Shift schedule - hours of coverage needed**



# **Financial Data**

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- ❑ Cash Flow Projections**
- ❑ Income Projections**
- ❑ Balance Sheet Projections**

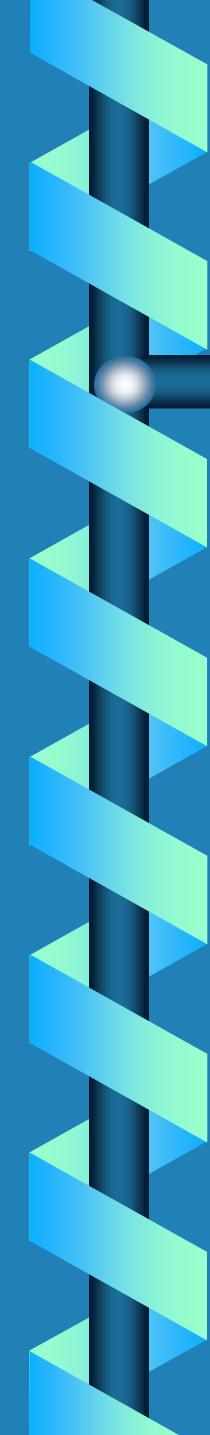
# Cash Flow Analysis

- ❧ Tracks the flow of \$ in and out of a business
- ❧ Amount needed is dictated by the firm's:
  - **growth rate**
  - **profit margins**
  - **capital intensity**



**C. F. I. M. I. T. Y. M.**

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# **“Cash Flow Happiness”**

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❑ **Consistent**

❑ **Positive**

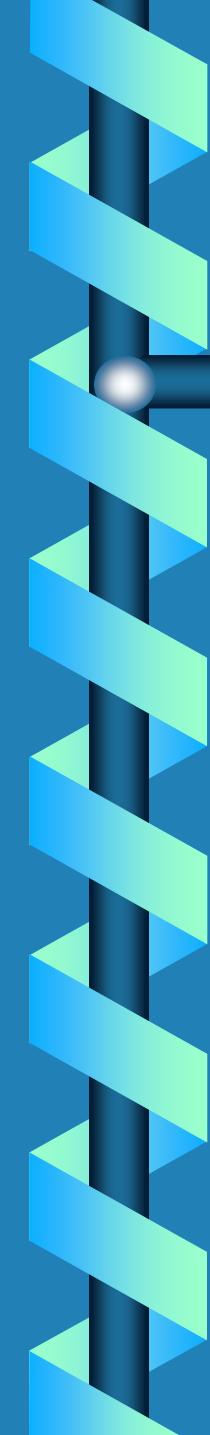
❑ **From operations**



# **Key Milestones**

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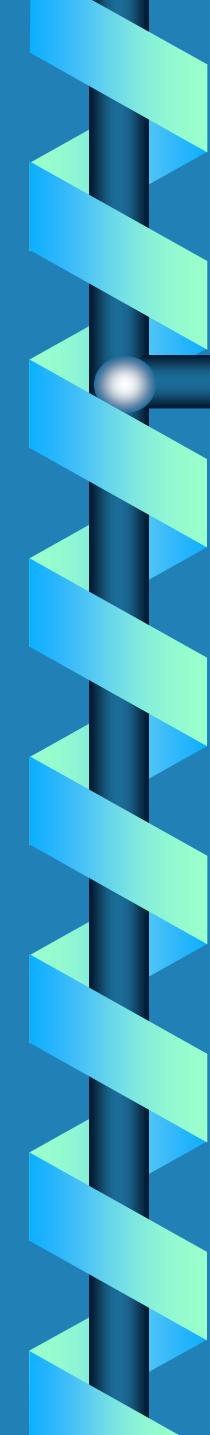
- ❑ Initial startup/expansion monies needed**
- ❑ How long before a positive, operating cash flow**
- ❑ What is the cash flow pattern over time**



# Income Statement

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- ❑ Shows financial activity over a period of time
- ❑ Also called a Profit & Loss statement
- ❑ Determines profit (income-expenses)



# Balance Sheet

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- ❑ Picture of your assets, liabilities, and equity at a specific point in time
- ❑ “BALANCE” means liabilities and equity = total assets
- ❑ Changes from time period to the next



# Appendices

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- ❑ Assumptions / unusual risks
- ❑ Supporting documents
- ❑ Management resumes
- ❑ References



# Questions?