

Writing a Business Plan ... Are You Nuts?

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What is a Business Plan?

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

When not to bother....

- ∞ **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

Ω **Think through the idea**

Ω **Road map**

Ω **Raising money**

Business Plan Guidelines

Ω **Audience**

Ω **Length- full plans run 30-40 pages**

Ω **Judged on content, flow, and appearance**

Ω **Concept, customers, cash**

Typical Plan Outline

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

Executive Summary

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

Business Description

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



Market Research

∞ **Industry Trends**

∞ **Demographics**

∞ **Competition**

∞ **Competitive Advantage**



Industry Trends

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



Demographics

Ω **Characteristics of customers**

Ω **How many people buying how much how often**

Ω **How did you arrive at those numbers**



Competition

Ω **At least the top four**

Ω **Their strengths and weaknesses**

Ω **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

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

Pricing

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



Sales Assumptions

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



Sales Forecast

∞ **Projections for 3 years**

∞ **1st year by month**

∞ **Years 2 & 3 by quarter**



Management

∞ **Who does what**

∞ **Management compensation**

∞ **Resumes of managers in appendix**

∞ **Outside consultants/professional services**



Operations

∞ **Costs of delivering the goods/services**

∞ **Non personnel costs**

∞ **Personnel costs**

Non Personnel Costs

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

Personnel Costs

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



Financial Data

∞ **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.



“Cash Flow Happiness”

∞ **Consistent**

∞ **Positive**

∞ **From operations**



Key Milestones

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

Income Statement

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

Balance Sheet

- ⌚ **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

- ∞ **Assumptions / unusual risks**
- ∞ **Supporting documents**
- ∞ **Management resumes**
- ∞ **References**



Questions?