

How to Write a Business Plan

Text File

Slide 1 How to Write a Business Plan

Welcome to SBA's online training course, How to Write a Business a Business Plan.

This course is a product of the agency's Small Business Training Network and is championed by the Office of Entrepreneurial Development.

Slide 2 Introduction

This is a self-paced training program designed to provide an overview of business planning. The course is easy to follow and the subject matter is indexed for quick reference and easy access. It will take about 30 minutes to complete the training program. Additional time will be needed to review included resource materials and to complete the suggested next steps at the end of the course. The "next steps" outlined at the conclusion of this course are probably the most important part of this training program. The reason ---- they will help you apply what you have learned and engage you in the business planning process. When you complete the course, you will have the option of receiving a printed Certificate of Completion from the SBA.

Slide 3 Course Objectives

The course has three key objectives:

- Explain the importance of business planning;
- Define and describe the components of a business plan; and,
- Provide access to sample plans and resources that can help you develop a very good business plan.

Slide 4 Course Outline

There are eight topic sections within this course. Each section covers a different aspect of business planning. However, woven together they tell a story that will help you understand why planning is important and, most importantly, how to prepare a winning business plan.

Slide 5 Course Outline (Cont.)

You will notice a button in the top right section of each slide that says Course Outline. Clicking on that button will bring you to this page – which will give you quick access to any section of the course. Let's get started.....

Slide 6 Why Planning is Important

Planning is important...

Suppose you lived in New Hampshire and wanted to drive to Texas, would you use a map? Of course you would.

Starting or running a business without proper planning is like taking a 2000 mile trip, without a map. Planning will help shape your destination and provide the best road to get you there.

Slide 7 Why Planning is Important

Planning gives you a blueprint to follow.

It is a communications tool for investors, suppliers, employees and others interested in your business. If you don't plan for the success of your business, you will likely fail. It is that simple.

Slide 8 Why Planning is Important

Before you begin writing your business plan, consider four core questions:

- 1. What service or product does your business provide and what needs does it fill?*
- 2. Who are the potential customers for your product or service and why will they purchase it from you?*
- 3. How will you reach your potential customers? And,*
- 4. Where will you get the financial resources to start your business.*

Slide 9 The Big Picture

A good business plan is a compelling storyboard about your business.

It explains:

Who you are; why you're in business; what you do; how you do it; where you operate; how you will generate profits; who your customers are; and, why your business is important.

Slide 10 Snapshot of a Business Plan

A typical business plan includes the following components:

- Table of Contents
- Executive Summary
- Business Description & Vision
- Definition of the Market
- Description of Products and Services
- Organization & Management
- Marketing and Sales Strategy
- Financial Management
- Appendices

Each of these components is explained in detail within this section of the course. Review these components carefully. Together, they represent your business plan. Also, available to assist you in a later section of this course, is a business plan template. The template follows the outline in this course and includes automated financial statements.

Slide 11 Table of Contents

The first section of your business plan is the table of contents. It lists key sections within the plan. Importantly, it assists the reader in finding specific topics and areas of interest in your plan. It also brings organization and structure to the document.

Slide 12 Executive Summary

Some would argue that the Executive Summary is the most important section of the business plan. Although it is typically the first section reviewed by a reader, it should be written last – after the details of your plan have been flushed out. The Executive Summary should provide an enthusiastic snapshot of your company, explaining who you are, what you do and why. It should be less than 2 pages in length and easy to read. After reviewing this section, the reader should have a good basic understanding about your company, but most importantly, want to learn more about your business.

Slide 13 Business Description & Vision

The Business Description & Vision component of the plan is pretty basic. It describes the business. In this section, you should include a crisp mission statement; a focused statement about the company's vision; specific business goals and objectives for a prescribed time-period; and, background information about the company. You should also identify the key principals or owners of the business.

The mission and vision statements set the tone for your business and are very important. They are further described in the next two slides. However, before we move on to the mission statement, a couple of quick notes.

First, your business goals and objectives should be specific and attainable. Remember, goals that are not specific will probably not be achieved. Specificity regarding the details of your goals and objectives is very important.

Second, the history of the company should be just that. It should describe when and why the business was started and who the founders are. It should also explain how the company has evolved.

Now, let's take a look at the mission statement.

Slide 14 Business Description & Vision

The mission statement is a brief statement about who the company is and what it stands for. Some companies use the mission statement as a marketing slogan. However, the real intent of a mission statement should be to succinctly describe the purpose of the business. For example: Google's mission statement is: *"Organize the world's information and make it universally accessible and useful."*

Starbuck's mission statement is: *"Establish Starbucks as the premier purveyor of the finest coffee in the world, while maintaining our uncompromising principles while we grow."*

Don't just write down a mission statement..... Think about it, get input from others and carefully develop a statement that is an expression of your business.

Slide 15 Business Description & Vision

The company's vision statement is about the future. It is a statement that outlines what a company wants to be.

Simply put, a company's vision statement should be a memorable and engaging expression of hope and inspiration. It should guide the mission and business plan of the company. A business without a vision is a company that is focused on the past.

Slide 16 Definition of the Market

Defining your market is an important part of the business plan. Let's face it, before you can sell something, you have to know who might buy it. The first step in defining your market should be to describe the industry you operate in, as well as the potential or prospects for your business within that industry. Your industry knowledge as well as the prospects for your business should be clearly illustrated in the plan. For instance, if you are a retail store selling bicycles, describe the general outlook for bicycle sales, as well as your potential for capturing a growing segment of the bicycle market. The second step should be to describe your customers' needs, including information about the degree to which those needs are (or are not) currently being met. Again, if you are selling bicycles, explain why customers will buy your products. Specifically, what needs are you satisfying with your products.

Slide 17 Definition of the Market

The third step in this section of your plan is to identify your target market and profile your customers. You can do this by answering several questions:

- Who are your current or prospective customers?
- What do they buy and why?
- And, what market segments or groups are more likely to buy your products?

A market segment or targeted group of customers is a grouping of people sharing one or more characteristics that cause them to have similar product needs.

Market segmentation or target marketing is the process of dividing a market into distinct segments that behave the same way or have similar needs. Because each segment is somewhat similar in their needs and attitudes, they will likely respond similarly to a specific marketing strategy. This is an important point and we will discuss marketing to targeted groups later on in this course. However, it is critical that you understand the value of defining your market.

When identifying characteristics of your target market you should also determine the size of your potential market. You can determine the size of your market by examining the number of potential customers in a particular area; reviewing the geographic area they live in; analyzing prior annualized sales and considering market growth.

If you don't know who your customers are, you can't develop a strategy to reach them. And, if you can't reach them, you will likely not be effective in selling your products and services.

Slide 18 Description of Products

This component of the business plan is the easiest to complete. However, don't let the simplicity fool you.

In this section you will identify and describe all of the products and services your business sells or provides. You should also explain how the items you sell are priced. In addition, and perhaps most importantly, this section should explain how your products and services are competitive.

The real value this section brings to the plan is providing the reader with a crystal clear understanding of why you are in business, what you sell and how you compete. Keep this section focused, easy to follow and emphasize your competitiveness. It is easy to list your products. But, it is far more worthwhile to explain how you are competitive.

Finally, if you have pictures or brochures describing your products, reference them in this section and include them in the appendix of the business plan.

Slide 19 Organization & Management

The organization and management section of the plan is pretty straight forward. The first part of this section should describe how the company is organized.

Specifically, it should explain the legal form of ownership. That is..., are you organized as a proprietorship, partnership or corporation and why. It should also describe the leadership of your company and include an organization chart, if you have one.

In this section, you should also explain how things get done in the company. You should describe the processes that support what your company does. For instance, how are your sales generated or products developed or services provided?

In addition, this section should describe what licenses and/or permits your company operates with or needs. It is also an opportunity to highlight special operating achievements and/or certifications your company has. For instance your business may have specific security clearances or be quality certified as an ISO 9000 firm.

Brag about things that make you special or qualified in special areas.

Lastly, this section of the plan should include a brief bio description on each key manager within the company.

Slide 20 Marketing and Sales Strategy

Earlier in this course we talked about “defining the market.” In this component of the business plan, Marketing and Sales Strategy, we will discuss reaching customers. Marketing is defined as the activities associated with researching prospective customers and selling products and services.

In simple terms, marketing activities and strategies result in making products available that satisfy customers while making profits for the companies that offer those products.

It all begins with research. To create an effective marketing strategy, you need to find answers to a number of questions. Questions like:

Who are my customers and potential customers? -- What kind of people are they? --

Where do they live? -- Can and will they buy? -- Am I offering the kinds of goods or services they want at the best place, at the best time, and in the right amounts? --

Are my prices consistent with what buyers view as the product's value? -- How does my business compare with my competitors?

Marketing research is not a perfect science. It deals with people and their constantly changing feelings and behaviors, which are influenced by countless subjective factors. To conduct marketing research you must gather facts and opinions in an orderly, objective way to find out what people want to buy, not just what you want to sell them.

Slide 21 Marketing and Sales Strategy

A good marketing strategy identifies customer groups in which a business can better serve than its competitors. It also tailors product offerings, prices, distribution, promotional efforts, and services toward those identified segments. Ideally, the strategy will address unmet customer needs that offer adequate potential profitability. A good strategy helps a business focus on the target markets it can serve best.

Central to any successful marketing strategy is an understanding of your customers and their needs. The ability to satisfy your customers' needs better than your competitors are able to can help you build customer loyalty and increase sales. However, both customer needs and the business environment in

which you operate are constantly changing. Your marketing strategy needs to consider what changes are taking place, and the opportunities and threats that are emerging.

A marketing strategy will also help you assess how successful you are at meeting your customers' needs, as well as how successful your competitors are. It may also help you identify new markets that you can successfully target.

Slide 22 Marketing and Sales Strategy

A successful marketing strategy will typically mix the 4Ps – price, promotion, products and place – to reflect the wants and desires of consumers in the target market. Remember, trying to convince people to buy something they don't want is extremely expensive and seldom successful. A good marketing strategy will be based on solid research, formal and informal, to determine what customers want and what they will pay for.

The 4Ps of marketing are price, promotion, products and place.

- The product aspects of marketing deal with the specifications of the actual goods or services, and how it relates to the end-user's needs and wants.
- Pricing refers to the process of setting a price for a product, including discounts.
- Promotion includes advertising, sales promotion, and publicity, and refers to the various methods of promoting the product, brand, or company.
- Place refers to how the product gets to the customer. Specifically, it refers to the channel by which a product or services is sold or distributed.

These four elements are often referred to as the marketing mix.

Slide 23 Financial Management

The financial management component of the plan should include financial statements and forecasts for the business. This important section will explain your revenue projections, how much money you have and need, and when and how the business expects to make a profit. It will also reveal what your marketing and operational processes and plans will cost.

The financial structure of your business is its foundation. A foundation that is generally described in three financial statements: the balance statement, income statement and cash flow statement. Many people are intimidated by financial statements, but you shouldn't be.

The financial performance of any business is measured by the interrelationships among six essential elements. These elements compose the financial statements noted above and are: revenue, expenses, profits (or losses), assets, liabilities and net worth. A business will prosper or fail based on the owner's effectiveness in planning and controlling these components.

The accounting statements that illustrate and measure these financial statements are the balance sheet and income statement. The cash flow statement is a monthly spread and simplistic variation of the income statement.

Slide 24 Financial Management

The balance sheet represents the basic accounting equation: assets minus liabilities, equals net worth. A balance sheet is made up of assets (items of value), liabilities (debts) and net worth (equity or the difference between a company's assets and liabilities). The balance sheet provides a measure of a business's value at a particular point in time. It is considered a snapshot in time.

[Click here to view an automated Balance Sheet Template.](#) Use the template to compose a balance sheet for your business.

Slide 25 Financial Management

The income statement is a measure of how a business has performed over a specific period of time, usually six months or one year. It measures all income less all expenses to arrive at the amount of profit or loss generated by the business for the period.

The income statement is also called a profit and loss statement or an income and expense statement. [Click here to view an automated Income Statement Template.](#) Use the template to compose an income statement for your business.

Slide 26 Financial Management

A cash flow statement is used to monitor and project incoming and outgoing cash, typically on a monthly basis. It helps you determine how much cash your business has on hand at any point in time. If your business has a negative cash position, it means that at a given point in time you have more money going out than coming in and you will probably not be able to pay your bills.

The cash flow statement is a valuable tool to monitor and project the financial performance of your company.

[Click here to view an automated Cash Flow Statement Template.](#) Use the template to compose a projected cash flow statement for your business.

Slide 27 Financial Management

OK.....So now you know what financial statements are and how important they are.

Financial statements are an integral component of the business plan.

If you are a new business, the Financial Management component of your plan should include your estimated start-up costs, a projected balance sheet, a projected income statement and a projected cash flow statement for twelve months. All statements should be projected one year forward.

Use the automated templates previously referenced and seek outside guidance if you need assistance.

Slide 28 Financial Management

If you are an existing business, you should include current and prior balance sheets and income statements, ideally for the last three years if available. You should also include a current twelve month cash flow statement that is projected for at least several months forward.

Slide 29 Financial Management

If you are submitting your business plan to a bank because you are applying for a loan, you should also include a current personal financial statement on each company principal and a copy of your business or individual Federal Tax return for the prior year.

Slide 30 Financial Management

Well prepared and accurate financial statements are critical components of the business plan. Use the automated templates to help you.

Slide 31 Appendices

The last component of your plan is the appendix. This section should help define your business and highlight your accomplishments by including brochures, resumes, pictures and other important information. Use this section to add color and depth to your plan.

Slide 32 Sample Business Plans

OK..... So we have reviewed the components of the business plan and we've discussed the importance of planning. All good stuff...

Now, let's see how it all fits together. Sometimes the best way to learn how to do something is to look at examples.

After you have completed this course, come back to this section and click on the hyperlink to review sample business plans. You can learn a lot by examining examples.

Slide 33 Business Plan Template

To help you build a successful business plan, a business plan template is included in this course. The template will prompt you through the various components of the business plan with questions, guidance and tips. The template is best used after you have reviewed this course and looked at sample business plans. It is a tool designed to put action into your thoughts.

Slide 34 Next Steps

Now that you have completed the course, take the next steps. Put what you have learned into action. This is the most important part of this course.

Step 1) Prepare a draft business plan. Doing it is the only way you will learn. It doesn't have to be perfect, long or complete. Prepare the parts of the plan that you can.

Step 2) Discuss your draft plan and any questions you have with a business mentor, coach, academic advisor, SBA representative or other seasoned business advisor.

Step 3) Use the information you receive to prepare a more finished product. Remember, the business plan is a living document. It is a work in progress. Refine it, improve it and use it as the blueprint to your success.

Slide 35 Additional Assistance

The SBA offers many resources to assist you. Use these resources to help build a successful business.

- There are more than 1,000 Small Business Development Center locations around. SBDC's provide management assistance to current and prospective small business owners.
- SCORE is a powerful source of free and confidential small business advice to help build your business. More than 10,000 SCORE volunteers are available around the country to share their wisdom and lessons learned in business.

- Women's Business Centers assist women in achieving their dreams and improve their communities by helping them start and run successful businesses, Some 90 WBCs are located around the country.
- SBA has over 60 district offices located throughout the country to help you start and grow your business.
- And finally, the Small Business Training Network is a virtual campus. Click on these resources to learn more and access their assistance.

Slide 36 Other Resources

These additional and more specific resources can help you find demographic information about your market and provide more detailed information about marketing and advertising. Knowledge is power. Use these resources to help you.

Slide 37 Have a Question?

Don't be shy.....

This course has covered a great deal of material. And, there is much to learn and understand about preparing a business plan. If you have questions about preparing a business plan or another business issue, contact SBA or one of our resource partners. We will help you. Use the 800 number or referenced hyperlinks to contact us directly.

Slide 38 Course Completion Certificate

CONGRATULATIONS ON COMPLETING THIS COURSE.
WE HOPE IT WAS HELPFUL AND PROVIDED A GOOD WORKING
KNOWLEDGE OF NEW TECHNOLOGIES CAN BENEFIT SMALL BUSINESSES.
YOU EARNED A CERTIFICATE OF COMPLETION FROM THE SBA.
THANK YOU FOR PARTICIPATING IN THIS COURSE. WE WISH YOU THE VERY BEST IN THE FUTURE. CLICK
THE PRINT BUTTON TO RECEIVE YOUR CERTIFICATE.