

Business Plan Start Up Guide

Before beginning your business plan, make sure you can answer the following questions. You should be able to support your answers with specific data and verifiable facts. Once you have done your research, and answered the questions below, organize your data into a formal business plan format, similar to the one found on the following pages.

Define the opportunity

- What problem are you trying to solve?
- What are you doing that is unique?
- How big is the market?
- What percentage will you get?
- What will be your revenue and profit/loss for the first three years?
- How much money will it take to get to profitability?

What business are you in?

- Describe your industry, and how you fit in it
- What products and services do you offer?
- What business structure will you choose (Corp, LLC, Sole Prop)

Are you qualified?

- Where does your expertise lie?
- What is your personality type?
- What management experience do you have?
- How financially stable are you?
- What business resources do you have at your disposal?
- What licensing and/or certification requirements are there for your business?

How will you get customers?

- Who are you selling to, exactly?
- How will these people find you?
- Who else is offering similar products/services?
- Why will customers buy from you?
- How many customers will you have – and when?
- What will they buy, exactly?

How much will it cost?

- What will it cost to get started: capital investment (Building, F&F, equipment, inventory)
- What will it cost to run the business: working capital (ongoing expenses, incl. salary, professional services, insurance, taxes, and loan payments)
- What does it cost to make each sale: cost of sales/gross profit margins

Can you afford to start the business?

- How much of your own money are you planning on investing?
- How much of each product/service will you sell each month?
- Are you qualified for lender financing? (Character, capacity, cash flow, credit, collateral)
- What is your breakeven point?
- How will you pay your bills (including loan payments) until then?

Business Plan Format – Telling Your Business Story

Creating a business plan is probably the most important first step in starting a business. It is a living, breathing document that evolves as you plan your business, and continues to evolve even after you have started your business. If you are seeking financing for your business, either as a start-up or as a growing small business, your lender will require you to have a business plan.

Once you have gathered cost and market data about your business opportunity, organize it into the following format. Remember – starting a business is an exciting venture! Your business plan should convey that excitement. The Illinois Small Business Development Center at Waubensee Community College is available to help coach you through the business planning process.

Executive Summary

The Executive Summary gives the reader a big picture view of the business and the opportunity and baits the reader to learn more about it. After reading this section the reader should be able to see that an opportunity exists and should desire to know more. If you are borrowing money, briefly state how much money you are looking for, and what that money will be used for.

Company/Industry

Start by educating the reader about the industry your business belongs in, and some of the dynamics of this industry (e.g. size, trends, and characteristics).

Product/Service

Now describe the products/services your business offers. The reader should now have a clear picture of what exactly your business does, and what it doesn't do.

Market Analysis

Introduce details about your potential customers, and convince the reader that there is a need for your products/services, and that you will have enough customers to stay in business. Some key elements of success include:

Focus – you have identified a niche for yourself in the industry where there is a need (you can't be all things to all people.)

Size – you have a large enough target market to sustain an ongoing business

Definition – you understand your customer – what they want, and how much money they will spend on your products/services.

Competition – who else is offering products/services similar to yours, and how will you differentiate yourself from them.

Marketing Strategy

Now that you have identified your market, you need to identify ways that you will let them know you exist and attract them to your business.

How will customers know about you?

How do you sell your products/services?

What are some of the problems associated with selling your products/services?

How will you stand out from your competitors?

What is your pricing strategy?

Marketing strategies include things like advertising, marketing collateral, direct mail, Internet marketing, relationship marketing. Identify which marketing mechanisms you plan to use, and how much they will cost. By the end of this section, the reader must be convinced that you know how to generate business.

Operations

Now get down to some of the details of your business operations – where your business is located, what type of facilities and equipment are required, how you will deliver your products/services, what personnel are needed, and what regulations affect your business.

Management

Next you must convince the reader that you (and your management team) have the management experience necessary to do everything you just described in the plan. Do you have expertise in the industry? Do you know how to run a business? Who will do the marketing, the accounting, the selling, and the day-to-day operations? If you are missing experience in a specific area, you must identify how you will address that area. If other experts are involved, either directly or indirectly, identify them.

Financial Information

These are the numbers – in detail – that back up the plan, and vice-versa. At a minimum, you will need the following financial reports/spreadsheets:

- projected monthly sales/cost of sales (2 years)
- projected monthly cash flow statement (2 years)
- monthly income statement (2 years)
- opening day balance sheet

Identify how much money you will be investing in your own business and explain how funds will be used. Identify your breakeven point (when you start making a profit.)

If you are borrowing money, most lenders require a minimum of 20% investment of owner's equity, and will also require personal financial statements and guarantees.

APPENDIX B

OUTLINE OF A BUSINESS PLAN

A business plan is a description of your proposed or existing business and should include information on the business' products or services, markets, marketing strategies, manufacturing procedures, ownership, management structure, needs (organizational, personnel and financial) and projections. A well-prepared business plan serves two important functions. First, it is a basic management tool that helps guide the future direction of your company. Second, it is a mandatory document if you plan to seek business financing.

How much detail should your business plan contain and in what order? What will help make it effective in communicating your proposed or existing company's strengths and potential? The purpose of this section of the handbook is to help you answer such questions. Not all plans need to be alike. Some sections of this outline may be more applicable to your company than others. You should make every effort to tailor your plan to your company's specific set of circumstances.

PLAN SUMMARY

A well-written business plan summary allows prospective lenders and investors to quickly decide if they want to examine the entire plan in detail. Therefore, your objective in the plan summary is to convince them to study the plan further. Although a plan summary appears first, it should be the last part you write. The summary should briefly highlight the key elements of your business plan and include the following points:

- A brief history of your business or business concept;
- A description of your products or services with emphasis on their distinguishing features, the market needs they will meet, the market potential and assessment of the competition:
- How the products will be made, or services performed;
- An outline of your management team's experience and talent;
- A summary of your financial projections; and
- How much money you are seeking, in what form, for what purpose and how it will be repaid.

COMPANY AND INDUSTRY

The purpose of this part of the plan is to provide background information on your company, and to describe the condition and prospects of your industry. The following points should be covered:

COMPANY

- The business you are in or plan to be in, including a description of your product or services;
- The background of your business, including when it was started, current ownership, its legal structure, and highlights of its progress and prospects; and
- The principals of your business and the roles each played or will play in the firm.

INDUSTRY

- A brief discussion of your industry (e.g., restaurant, plastics, executive recruiting, etc.);
- Your view of the current status and prospects for the industry;
- Description of your principal competitors and how they are performing in terms of growth in sales, profits and market share; and
- An analysis of the effect of major economic, social, technological or regulatory trends.

PRODUCT OR SERVICE

In this section you need to thoroughly describe your product or service, along with any proprietary features and future development plans. The following information should be presented:

- Description of product or service--Describe in detail and include engineering studies, photographs and sales brochures, if needed, to help further the reader's understanding.
- Research and development--If applicable, describe the nature and extent of research and development work that must be accomplished before your product or service is placed on the market. Also indicate the time and costs involved.
- Proprietary features--Describe any patents, copyrights and any other proprietary features. Also discuss any other factors that have enabled you or could allow you to obtain an advantageous position in your industry.
- Future development--Outline any plans you may have for the extension of your product or service, or development of new or related products.

MARKET ANALYSIS

This section and the "Marketing Strategy" section are generally the most difficult parts of the business plan for an entrepreneur to develop. It is here that you show how you plan to turn your idea into a product or service that people will want to buy. Your objective is to convince lenders or investors that:

- There is a market need for your product or service;
- You understand the potential customers' or clients' needs, and your product service will meet such needs; and
- You can sell your product or service at a profit.

Included in this section should be the following information:

- Market definition--Define the target market and your niche in it by describing the potential customers, their locations, why they buy or might buy your product or service, when they buy or might buy, and that their expectations are for price, quality and service. If your company has a track record, discuss how its products or services have been received in the marketplace. It is important to discuss any negative reactions to your product or service, as well as current or planned actions to overcome such problems.