



## DEVELOPING A BUSINESS PLAN

A business plan helps you design and lay out your business and gives you a map to follow in growing your business. Business planning is the process through which you research, learn about, analyze, and understand your business and your goals.

### A. What is the purpose of a Business Plan?

1. Reduces risk by forcing evaluation of:
  - Market demand for product or service.
  - Strategies (*business structure, marketing, and distribution*).
  - Competition.
  - Finance.
2. Business planning is a means to managing change.

### B. When is a Business Plan not necessary?

When you can afford to fail....

### C. When is a Business Plan required or very strongly recommended?

1. Bank or other funding source is involved (*required*).
2. Major suppliers may require a plan.
3. Leasing companies may require a plan before they will lease to you.
4. When Risk exists: (*for example*):
  - When leaving current employment.
  - When undertaking debt (*from any source including personal finances*).
  - When the market is uncertain because of:
    - a. New products or services.
    - b. Product or services new to a particular geographic area.
    - c. Questions about market size and its ability to support business.
    - d. Questions about market acceptance.

### D. Benefits of writing a Business Plan:

1. Exposes risk and opportunities.
2. Increases knowledge of:
  - Customers' needs.
  - Competitors' strengths and weaknesses.
3. Places focus on a marketing position (*competitive advantage*).
4. Provides bankers (or other investors) with a professional and acceptable format

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- for presenting evidence supporting a business start-up.
5. Serves as an internal planning tool.
  6. Breaks the business into small, understandable pieces rather than one complex "idea" that's very difficult to examine and evaluate.
  7. Creates a time-line for business evolution.
  8. Identifies resource conflicts:
    - Strategies that can be afforded with available resources.
  9. Supplies a method for developing logical financial projections.
  10. Provides an action plan to measure implementation.

#### **Business Plan Basics – (Before you Begin)**

- Must be written by the entrepreneur – it is your vision. If you cannot clearly communicate that vision, it needs refinement.
- Length may vary substantially from 5 pages to 55 pages, depending on the complexity of products, services, competition, employees, ownership, special marketing challenges, or financial projections.
- Typical misconception among many prospective entrepreneurs is that there is no other way to evaluate the business concept other than just jumping in and seeing what happens. Business plans allow the entrepreneur to make some assumptions based on market research, and test drive the business on paper.

**Remember: SBDC counselors will assist you in developing your plan, including critiquing, helping locate specific information, and making financial projections.**

## WRITING A BUSINESS PLAN

The following format will assist you in developing a typical business plan for presentation to potential investors/bankers. Following this process, the business concept will become further refined. This is only a guide. Your business may suggest additional areas be discussed or others left out. The key is to be able to answer yes to the question: Does the finished business plan tell a convincing story?

Keep in mind that within the business plan, the overlying theme is to present:

- Observations and facts about the entrepreneur's skills, the market's unmet needs (demand), market trends, and the competition (strengths and weaknesses).
- Strategies that will allow the business to deliver reasonable and affordable solutions given the resources of the business.
- Evidence supporting observations regarding the market, leading to sales and expense projections.

## THE BUSINESS PLAN

I. EXECUTIVE SUMMARY - *This area is completed last...skip to section II.*

**A. PURPOSE:** A concise summary of your plan. The primary objective is to gather interest within a short amount of reading time (a few minutes maximum) so as to encourage reading of the entire plan.

**B. TYPICAL AREAS DISCUSSED:**

1. Describe the business in detail (*be specific & clear*).
2. What products and services will be offered?
3. Describe primary markets. (*Where will the business be located – geographically – and describe who are your customers*)
4. What differentiates you from the competition?
5. Describe key personnel. (*Owners, managers and principals with more than a 20% investment in the business*).

II. COMPANY DESCRIPTION --- **BEGIN TO WRITE THE PLAN HERE**

**A. PURPOSE:** Provide a clear description of the business you plan to create or purchase.

**B. TYPICAL AREAS DISCUSSED:**

1. Business stage: (*Start-up, existing business or business purchase*).
2. Location or area the business will serve.
3. Owners and their backgrounds (*why are these owners the best choice to own and operate this business*).

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5. Company structure: (*Corporation, LLC, Sole Proprietorship, and Partnership*).
6. Company goals.

### III. PRODUCTS AND/OR SERVICES

**A. PURPOSE:** Describe the products and/or services and the unique benefits of your product or service. (*Be specific*).

**B. TYPICAL AREAS DISCUSSED:**

1. What is (are) the product(s) or service(s) you will sell? What need does it satisfy?
2. What unique benefits do the products or services offer?
3. Is it ready for market?

### IV. MARKET OBSERVATIONS (*Define the Target Market*)

**A. PURPOSE:** Provide a description of unmet market needs (demand) and evidence supporting those observations.

**B. TYPICAL AREAS DISCUSSED:**

1. **Customer Profile (Consumer Market)** - define customers in terms of:
  - a. **Geographic Profile**
    - City or counties.
    - Radius around a city.
    - Tri-state area.
    - National or international.
  - b. **Demographic Profile**
    - Income.
    - Education.
    - Age.
    - Gender.
    - Activities or lifestyles (*i.e. Corvette owners, mountain climbers*).
  - How will the customer know about you and your business?
  - What is the best way to communicate with your customers?
2. **Customer Profile (Business Market)**
  - a. Type of Business Customer.
  - b. Size of Business Customers; Sales Volume, Number of Employees, etc.
  - c. Business Marketing Associations.
    1. For Your Potential Business Market.

2. For Your Specific Type of Business.

- How will the business customer know about you and your business?
- What is the best way to communicate with your business customers?

**C. MARKET SIZE:** Given the above two profiles, how many potential customers make up your customer market?

**D. TRENDS:**

1. Will the market change over time? (*is it growing, stable or decreasing?*)
2. What are the trends for this industry?
  - a. You need to list sources and dates of all research.

**E. COMPETITION:** Identify, describe, and evaluate competitors.

1. How are customers currently obtaining this product or service?
2. What are your competitors' strengths and weaknesses?
3. If direct competitors do not seem to exist, how are potential customers solving their needs for the product or service?

**F. COMPETITIVE ADVANTAGE:**

1. How will your products or services compare to the competition? What "advantage" will draw customers to buy your products or services? Typical examples include:
  - a. Best selection or exclusive brands.
  - b. Financing.
  - c. Quality.
  - d. Better service.
  - e. Unique atmosphere.
  - f. Extensive knowledge.
  - g. Location.
  - h. Price.
  - i. Less waiting time.
  - j. Delivery.
  - k. Warranties and guarantees.

2. What type of customer is likely to value your competitive advantage(s)?

**G. Describe pricing in comparison to competitors (both direct and indirect).**

*(People tend to be creatures of habit and need some incentive to change from the way they are used to buying the products or services they want. Therefore, your business will have to offer them something that is different (a competitive advantage) from what your competitors are offering, and most*

*importantly, you must be able to successfully communicate this difference to those specific types of people who are most likely to buy your products or services.*)

## V. PROMOTIONAL PLAN

**A. PURPOSE:** Describe the method by which your products and services will be sold to customers.

**B. TYPICAL AREAS DISCUSSED:**

1. Who will be responsible for selling the products or services?
2. What methods will be used to make customers aware of competitive advantages?
  - a. Advertising (what media, how often, what will it cost).
  - b. Tradeshows (where, when, cost).
  - c. Industry catalogs.
  - d. Dealers.
  - e. Manufacturers reps.
  - f. Door to door.
  - g. Alliances with other businesses or groups.
  - h. Direct mail.
3. Does your business face seasonality of sales (*high and low sales periods*)?
4. Customer base:
  - a. If start-up, do you have a potential customer list?
  - b. If business purchase, have you been introduced to major customers? Are they willing to give you an opportunity to prove yourself? Can you document this? Will the seller sign a non-compete agreement?

## VI. OPERATIONS

**A. PURPOSE:** Describe how the business will operate.

**B. TYPICAL AREAS DISCUSSED:**

1. Facility - purchased or rented? Why? What are the purchase or lease terms?
2. Zoning Requirements? Signage zoning requirements?
3. Suppliers - Why have certain suppliers been chosen? Have back-up suppliers been identified?
4. Key personnel- roles, responsibilities, experience.
  - a. Labor availability and specialized skills required.
  - b. Wage and Benefit packages.
5. Identify advisors, accountant, attorney and insurance provider. (*Contact professionals only when your business plan is completed*)

## VII. FINANCIAL DATA

**A. PURPOSE:** Provide an explanation of the cash flow projections

**B. TYPICAL AREAS DISCUSSED:**

1. What basis did you use to create your revenue (budget and time frame).
2. Prepare a 36 month cash flow projection based on the market information gathered in this plan. (*SBDC will assist in preparing cash flows*).

## VIII. APPENDICES

**A. PURPOSE:** Used to provide supportive documentation.

**B. TYPICAL AREAS:**

1. Management team biographies, vitas, resumes.
2. Press releases and publicity pieces.
3. Press releases and publicity pieces.
4. Manufacturing processes or flow charts.
5. Letters of recommendation.
6. Purchase orders or letters of intent to purchase products and/or services.
7. Personal financial statement.