

THE ODU ENTREPRENEURIAL CENTER

BUSINESS PLAN HELPER

Thanks to Dennis Ackerman for developing this guide.

The following business plan outline is presented to assist business people and students in developing written business descriptions and continual status reviews. If you answer the given questions, and include the sections as outlined, you will be well on your way to a useful and presentable written plan.

I. BUSINESS PLAN - OVERVIEW

The purpose of a written business plan is twofold:

- A. It is the preferred mode of communication between those businesses that need capital and those that have capital.
- B. It can be a useful Management Tool
 - 1. The procedure forces logic and discipline into the business
 - 2. The plan establishes concrete objectives and goals, with general parameters to guide the organization.
 - 3. It provides a basis for communicating the company's message
 - Internally to owners Internally to employees
 - Externally to investors, advisors, or customers

A well written business plan is dynamic and is:

- C. An art as well as a science
- D. A map of where the company is currently situated, where it plans to go , and the most effective method of reaching the stated destination.
- E. Updated - This is a "Living" document

II. KEY INITIAL QUESTIONS

- *Why are you writing the business plan?*
- *Who will be the primary reader of the plan?*
- *What is the readers' expectation?*
- *Who will have to agree to the objectives and goals of the plan?*
- *What do the key people in the project want to be when they grow up?*
- *What is the industry "system" your entity will be operating within and can you draw a picture of this industry system?*
- *What past experience does the management team possess that indicates the future plans will succeed?*
- *How will you separate your plan/entity from any others in the industry?*
 - Why are your ideas or products/services unique?*
 - How will you protect your ideas?*
- *What are the strengths of the management team individually and as a group? What are the weaknesses?*
- *If you are planning to create a 10 million dollar product/service, has anyone on your team had any past experience in taking any concept from 0 to 10 million dollars?*
- *What are you willing to give up to attract investors?*
 - How will the investors be protected?*
 - How will you be protected from investors?*

Once you have answered these basic questions, preparing an outline, or a feasibility study, or an abbreviated plan is the next step, depending on your specific needs. All three of these options provide a quick planning overview with the major opportunities and obstacles identified. It is important at each stage of planning process to stop and review the entire project to see if it is still feasible. It is easy to lose sight of the "forest" due to the concentration on individual "trees".

III. CREATE AN OUTLINE, FEASIBILITY STUDY, OR ABBREVIATED PLAN

Most people start with the Market Analysis and the Financial Analysis to have a qualitative and quantitative foundation.

1. Purpose of the Plan

State the primary vision for the plan/entity and include a mission statement if possible.

2. Key Personnel

Most investors look at the management team for its expertise in a given business or market. Who are key personnel in your company and what unique or special prior success and skills do they bring to the team? Do you have marketing, sales, financial, technical and strategic management skills on the team?

3. Market Analysis - Characteristics, Scope

What has caused the market for your products or services to exist? How big is the market in \$ sales, population, units consumed, etc.? What are the key barriers to entry into the market? What are the important industry trends? What are the important variables in the industry distribution system?

4. Market and Sales Strategy

What specific practices will you employ in competing within your business' market? What is your comparative advantage? Will you offer more services for a premium price or fewer services for a lower price? How will your potential customers learn about your product? When will the sale actually occur - who will conduct the sale?

5. Products or Services Offered

Describe your company's products in terms of what the customer buys - not necessarily what you produce. For example: "My business provides access subscriptions to the Internet" - not, "My business connects computers to the Internet".

6. Financial Data

Include highlights of your financial data. Start with a simple monthly cash flow projection for the next 24-36 months of cash collected and spent. Any serious investor will want to know what to expect in return for any financial contribution to the company. Highlight the expectation in the summary.

IV. ORGANIZATION OF A FULL WRITTEN PLAN

Expand on your outline, feasibility plan, or abbreviated plan from the last section. A narrative of 15-20 pages should be the maximum if you want busy people to read the body of the plan.

A. Table of Contents

B. Executive Summary - 2-3 Pages

The Executive Summary should be prepared at the completion of the body of the plan. Gather information for each of the following elements throughout the planning process. Many professionals assign certain parts of the plan to respective department leaders. However, one person should coordinate all of the information and then prepare the Executive Summary. That single coordinator provides style continuity and acts as the "glue" that keeps the plan together.

C. Background

If the company is very new, background descriptions can include information about the

industry, the key personnel, or the unique strength of the newly formed venture.

1. Company Description - past and present
2. Distinctive Skills, Uniqueness, Protection

D. Market Analysis

A complete review and analysis of the market conditions, behavior, and trends is an essential part of a good marketing plan. Many new companies have indications about market conditions, but very little evidence to support the intuition. Evidence to support each of the following sections is the key to a thorough market analysis.

1. Industry Description, Scope and Trends
Target or priority market trends, segment, niche, size, etc. Is this industry in the early growth or the late mature phase.
2. Major Customer Profile
List the most important potential and current customers. Characterize the profile by age, education, income, or by corporate profile.
3. Problems, Obstacles and Opportunities
Don't gloss over obstacles in the business plan. Present them in their proper perspective. Make sure that legal and liability issues are clearly defined.
4. Market Research - General and Specific
Include recent findings and important data as well as interpretation of this information. Use census data, surveys, trade associations, etc. If you are unfamiliar with the industry, talk to experts to establish benchmarks for further research.
5. Competition - Strengths and Weaknesses
Present your competition from the perspective of the customer. What strength does the marketplace view the competition as having?

E. Market Strategy

A good market strategy is dynamic and your plan should include contingencies for change. Include the following in your strategy.

1. Specific growth strategy for at least 3-5 years
2. Distribution system
3. Advertising - Institutional and Product Specific
4. Specific Sales Strategies - personnel, compensation, sales calls, closing ratios, average sales/communications
5. Predominant Sales Techniques. Describe the methods your company will use in its sales strategies. Will you be telemarketing, making direct sales presentations, using a distributor or sales agent, etc.?

F. Product and/or Services - Specific

Include a description of what jobs or problems your product or service eliminates for the customer. Pictures and illustrations are helpful.

1. Benefits - Customer Needs Satisfied
Show evidence of the need as well as the satisfaction.
2. Present Stage - Idea, Prototype, Small Sales, etc.
If your product is not market ready, show steps necessary to take it from its current status.
3. Life Cycle
How long will your product or service be suitable for the market?
4. Intellectual Property - Patents, Trade Secrets, Copyrights, Trademarks, etc.
Any properties owned or in application should be included. Describe the unique marketability of the intellectual property for the business.

G. Operations

Operational plans should describe how the product or service will be produced. If unique abilities are a key part of the product - their production should be described in detail here.

1. Key Personnel - allocation of their resources, major strengths
2. Production and/or service delivery - capacity techniques, cost factors, logistics, quality control, economies of scale.
3. Supplies needed
4. Legal Structure
5. Stockholders, Board of Directors
6. Organization Chart
7. Future Human Resource Requirements

H. Financial - 5-10 pages, including assumptions

The financial description of the plan should present a fiscal picture of the market strategy and operational plans. Include complete assumptions for every category. Effective assumption should not be your own opinion unless you are a recognized expert.

1. Funding Requirements - amount, type, term, etc.
2. Use of Funds
3. Pay-out to investors - timing, return on investment, exit strategy for investors
4. Past and Present Financials - 3 years
 - Cash flow
 - Profit and Loss Statement
 - Balance Sheet
5. Future Projections - 3 years
 - Cash flow, 1st and 2nd years should be monthly
 - P&L
 - Balance Sheet
6. Explanation and documentation or source of assumptions in projections

I. Appendices - usually 20-30 additional pages maximum

Use the appendices for the following extra information, making reference to them in the body of the plan.

1. Key Managers Resumes
2. Pictures
3. Professional Reference (Letters of recommendation)
4. Published information
5. Contracts and Agreements
6. Media, Articles