

# Business Plan Overview

## **Table of Contents**

Always update the Table of Contents LAST - before printing.

## **The Executive Summary**

While appearing first, this section of the business plan is written last. It summarizes the key elements of the entire business plan. ***Include the mission statement.***

## **The Industry**

An overview of the industry sector that your business will be a part of, including industry trends, major players in the industry, and estimated industry sales. This section of the business plan will also include a summary of your business' place within the industry.

## **Market Analysis**

An examination of the primary target market for your product or service, including geographic location, demographics, your target market's needs and how these needs are currently being met. Be sure to include your online strategy and Social Media Plan.

## **Competitive Analysis**

An investigation of your direct and indirect competitors, with an assessment of their competitive advantages and an analysis of how you will overcome any entry barriers to your chosen market.

## **Marketing Plan**

A detailed explanation of your sales strategy, pricing plan, proposed advertising and promotion activities, and benefits of your products and/or services.

## **Management Plan**

An outline of your business' legal structure and management resources, including your internal management team, external management resources, and human resource needs.

## **Operating Plan**

A description of your business' physical location, facilities and equipment, kinds of employees needed, inventory requirements and suppliers, and any other applicable operating details, such as a description of the manufacturing process.

## **Financial Plan**

Include your detailed financial statements, both historic and projected, a financial statement analysis, a description of your funding requirements, and your investors' projected return on investment.

## **Appendices and Exhibits**

Any additional information that will help establish the credibility of your business idea, such as marketing studies, photographs of your products, and/or contracts or other legal agreements pertinent to your business.

# Business Plan Writing Guide

## Industry Section

The Industry section is best organized as two parts: an overview of the industry and a summary of your business' position within the industry.

Before writing this section, use these questions to focus your research:

### Industry Overview

- What is the size of your industry?
- What sectors does this industry include?
- Who are the major players in this industry?
- What are the markets and customers for this industry?
- What are the industry's estimated sales this year? Last year? The prior year?
- What national/economic trends have affected this industry and how?
- What national/economic trends might affect it in the future and how?
- What is the long-term outlook for this industry?

### Position in the Industry

- What products or services will your business sell?
- What is your USP - Unique Selling Proposition? (What is it about your business that makes it unique and sets it apart from competitors?)
- What are the barriers to entry in your industry?
- How will you overcome these barriers?
- Who are your competitors?
- What is the market share of your competitors?
- What is your business' competitive advantage?
- What is your target market?
- How are you protecting your product or process (i.e. patents, copyrights, trademarks, and/or franchise rights that you either hold or plan to acquire)?

Once you have all this information, you'll write this section in the form of several short paragraphs. (Remember, each of these paragraphs is a summary, not a detailed point-by-point explanation.) Use appropriate headings for each paragraph.

## Market Analysis Section

The Market Analysis section is a thorough examination of your target market, those people to whom you intend to sell your products or services.

The first step is to define your target market. Even if you intend to sell a service only in your own town, you're not selling that service to everyone who lives there. You need to know exactly what these people like or need, and how many of them there are.

Then you need to make some projections about them, in terms of how much of your products or service they might buy, and how they might be affected by trends and policies.

As always when you're writing a business plan, research is the key. Before writing the Market Analysis section, use these general questions to start your research:

### **Target Market**

- How old are they?
- What gender are they?
- Where do they live?
- What is their family structure (number of children, extended family, etc.)?
- What is their income?
- What do they do for a living?
- What is their lifestyle like?
- How do they like to spend their spare time?
- What motivates them?
- What is the size of your target market?

But don't stop there.

To define your target market, you need to ask the specific questions that are directly related to your products or services. For instance, if you plan to sell computer-related services, you need to know things such as how many computers your prospective customer owns. If you plan on selling garden furniture and accessories, you need to know what kinds of garden furniture or accessories your potential customers have bought in the past, and how often.

### **Projections about the Target Market**

- What proportion of your target market has used a product similar to yours before?
- How much of your product or service might your target market buy? (Estimate this in gross sales and/or in units of product/service sold.)
- What proportion of your target market might be repeat customers?
- How might your target market be affected by demographic shifts?
- How might your target market be affected by economic events (e.g. a local mill closing or a big-box retailer opening locally)?
- How might your target market be affected by larger socioeconomic trends?
- How might your target market be affected by government policies (e.g. new bylaws or changes in taxes)?

### **Writing the Market Analysis Section of the Business Plan**

Once you have all this information, you'll write the Market Analysis in the form of several short paragraphs. Use appropriate headings for each paragraph. If you have several target markets, you may want to number each.

Remember to properly cite your sources of information within the body of your Market Analysis as you write it. You and other readers of your business plan will need to know the sources of the statistics or opinions that you've gathered from others.

## **Preparing the Competitive Analysis Section**

The competitive analysis section can be the most difficult section to compile when writing a business plan. Before you can analyze your competitors, you have to investigate them.

The first step of preparing your competitive analysis is to determine who your competitors are. This isn't the hard part. If you're planning to start a small business that's going to operate locally, you can identify your competitors just by driving around or looking in the local phone book. The main question for you will be one of range; if your business plan is centered around the idea of opening a bakery, how far will customers be willing to drive to get fresh buns or bread?

However, it may be that your local business will have also have non-local competitors. If I'm selling office supplies, for instance, I may also have to compete with big-box retailers within a driving distance of several hours, mail order companies, and companies that offer office supplies online.

Make sure that you identify all your possible competitors at this stage.

Secondly, you need to gather the information about your competition that you need for the competitive analysis. This can be the hard part. While you can always approach your competitors directly, they may or may not be willing to tell you what you need to know to put together this section of your business plan.

You need to know:

- What markets or market segments your competitors serve;
- What benefits your competition offers;
- Why customers buy from them;
- And as much as possible about their products and/or services, pricing, and promotion.

### **Gathering Information about Competitors**

A visit is still the most obvious starting point - either to the bricks and mortar store, or to the company's Web site. You can learn a lot about your competitor's products and services, pricing, and even promotion strategies by visiting their business site, and may even be able to deduce quite a bit about the benefits your competitor offers. Go there, once or several times, and look around. Watch how customers are treated. Check out the prices. You can also learn a fair bit about your competitors from talking to their customers and/or clients - if you know who they are. With a bricks and mortar local competitor, you might be able to find out about the reasons customers buy from them by canvassing friends and acquaintances locally.

Other good "live" sources of information about competitors include a company's vendors or suppliers, and a company's employees. They may or may not be willing to talk to you, but it's worth seeking them out and asking. And watch for trade shows that your competitors may be attending. Businesses are there to disseminate information about and sell their products or services; attending and visiting their booths may be an excellent way to find out about your competitors.

You'll also want to search for the publicly available information about your competitors. Newspapers, magazines, and online publications may all have information about the company you're investigating for your competitive analysis. Press releases may be particularly useful.

## **Writing the Competitive Analysis Section**

### **Analyzing the Competition**

The competitive analysis section of the business plan is not just a list of information about your competitors. It's the analysis of the information that's important.

Study the information you've gathered about each of your competitors and ask yourself this primary question:

#### ***How are you going to compete with that company?***

For many small businesses, ***the key to competing successfully is to identify a market niche*** where they can capture a specific target market whose needs are not being met.

Is there a particular segment of the market that your competition has overlooked?

For example, if you hope to start a book store, and your competitor sells all kinds of books to all kinds of people, might you be able to specialize in children's books, or educational books and supplies?

Is there a service that customers or clients want that your competitor does not supply? What if you want to start a business offering computer repairs and you discover that none of the other computer repair businesses in town offer home service? Computer owners may have a desire for in-home repair services that you could meet.

The goal of your competitive analysis is to identify and expand upon your competitive advantage - the benefits that your proposed business can offer the customer or client that your competition can't or won't supply.

### **Writing the Competitive Analysis Section**

When you're writing the business plan, you'll write the competitive analysis section in the form of several paragraphs.

You may wish to give each paragraph a separate heading.

The first paragraph will outline the competitive environment, telling your readers who your proposed business' competitors are, how much of the market they control, and any other relevant details about the competition.

The second and following paragraphs will detail your competitive advantage, explaining why and how your company will be able to compete with these competitors and establish yourself as a successful business.

Remember; you don't have to go into exhaustive detail here, but you do need to persuade the reader of your business plan that you are knowledgeable about the competition and that you have a clear, definitive plan that will enable your new business to successfully compete.

## **Marketing Plan Section**

The Marketing Plan section explains how you're going to get your customers to buy your products and/or services. The marketing plan, then, will include sections detailing:

- Products and/or Services and your Unique Selling Proposition
- Pricing Strategy and Sales/Distribution Plan
- Advertising and Promotions Plan
- Online strategy and Social Media Plan

The easiest way to develop your marketing plan is to work through each of these sections, referring to the market research you completed when you were writing the previous sections of the business plan.

(Note that if you are developing a marketing plan on its own, rather than as part of a business plan, the marketing plan will also need to include a Target Market and a Competitive Analysis section.)

### **Products and/or Services**

This part of the marketing plan focuses on the uniqueness of your product or service, and how the customer will benefit from using the products or services you're offering. Use these questions to write a paragraph summarizing these aspects for your marketing plan:

*What are the features of your product or service?*

Describe the physical attributes of your product or service, and any other relevant features, such as what it does, or how your product or service differs from competitive products or services.

*How will your product or service benefit the customer?*

Remember that benefits can be intangible as well as tangible; for instance, if you're

selling a cleaning product, your customers will benefit by having a cleaner house, but they may also benefit by enjoying better health. Brainstorm as many benefits as possible to begin with, and then choose to emphasize the benefits that your targeted customers will most appreciate in your marketing plan.

*What is it that sets your product or service apart from all the rest?* In other words, what is your Unique Selling Proposition, the message you want your customers to receive about your product or service that is the heart of your marketing plan? The marketing plan is all about communicating this central message to your customers.

## **Marketing Plan - Advertising & Promotion Plan**

### **Advertising and Promotion Section**

Essentially, the Advertising and Promotion section of the marketing plan describes how you are going to deliver your *Unique Selling Proposition* to your prospective customers. While there are literally thousands of different promotion avenues available to you, what distinguishes a successful Advertising and Promotion Plan from an unsuccessful one is focus - and that's what your Unique Selling Proposition provides.

Think first of the message that you want to send to your targeted audience. Then look at these promotion possibilities and decide which to emphasize in your marketing plan:

**Advertising** - The best approach to advertising is to think of it in terms of media and which media will be most effective in reaching your target market. Then you can make decisions about how much of your annual advertising budget you are going to spend on each medium.

What percentage of your annual advertising budget will you invest in each of the following, and how/what/when:

- the Internet
- television
- radio
- newspapers
- magazines
- telephone books/directories
- billboards
- bench/bus/subway ads
- direct mail
- cooperative advertising with wholesalers, retailers or other businesses?

Include not only the cost of the advertising but your projections about how much business the advertising will bring in.

**Sales Promotion** - If it's appropriate to your business, you may want to incorporate sales promotion activities into your advertising and promotion plan, such as:

- offering free samples
- coupons
- point of purchase displays
- product demonstrations

**Marketing Materials** - Every business will include some of these in their promotion plans. The most common marketing material is the business card, but brochures, pamphlets and service sheets are also common.

**Publicity** - Another avenue of promotion that every business should use. Describe how you plan to generate publicity. While press releases spring to mind, that's only one way to get people spreading the word about your business. Consider:

- product launches
- special events, including community involvement
- writing articles
- getting and using testimonials

**Web Site** - If your business has or will have a Web site, describe how your Web site fits into your advertising and promotion plan.

**Online** – Include details of your online strategy, as well as your Social Media Plan. Give specifics about GOALS, activity, monitoring, measuring, and reporting.

**Tradeshows** - Tradeshows can be incredibly effective promotion and sales opportunities - if you pick the right ones and go equipped to put your promotion plan into action.

### **Other Promotion Activities**

Your promotion activities are truly limited only by your imagination. If you plan to teach a course, sponsor a community event, or conduct an email campaign, you'll want to include it in your advertising and promotion plan. Remember, sporadic unconnected attempts to promote your product or service are bound to fail; your goal is to plan and carry out a sequence of focused promotion activities that will communicate with your potential customers.

While small businesses often have miniscule (or non-existent) promotion budgets, that doesn't mean that small businesses can't design and implement effective promotion plans.

No business is too small to have a marketing plan. After all, no business is too small for customers or clients. And if you have these, you need to communicate with them about your products and/or services.

## Management Plan Section

The Management Plan section describes your management team and staff and how your business ownership is structured. People reading your business plan will be looking to see not only who's on your management team but how the skills of your management and staff will contribute to the bottom line.

A convenient way to organize the Management Plan section of your business plan is to break it into sections detailing:

- Ownership Structure
- Internal Management Team
- External Management Resources
- Human Resources Needs

**The Ownership Structure** section describes the legal structure of your business. It may be a single sentence if your business is a sole proprietorship. If your business is a partnership or a corporation, it may be longer; you want to be sure you explain who holds what percentage of ownership in the company.

**The Internal Management Team** section will describe the main business management categories relevant to your business, identify who's going to have responsibility for that category, and profile that person's skills.

The basic business categories of Sales and Marketing, Administration and Production work for many small businesses. You may find that your company needs additional management categories such as Research and Development and/or Human Resources.

It's not necessary to have a different person in charge of each business management category you decide to use in your company; some key management people may fill more than one role. Identify the key management people in your business and explain what functions each team member will fill.

This is your management team outline. You may wish to present this as an organizational chart in your business plan, although list format is fine. Along with this outline, the management plan will include complete resumes of each member of your management team (including you), and an explanation of how each person's skills will contribute to your business' success.

Follow this with an explanation of how your management team will be compensated. What salary and benefits will management team members have? Describe any profit-sharing plans that may apply.

If there are any contracts that relate directly to your management team members, such as work contracts or non-competition agreements, you should include them in an Appendix to your business plan.

## External Management Resources

In addition to your internal management team, those reading your business plan will be extremely interested in knowing how you intend to use External Management Resources. Think of External Management Resources as your internal management team's backup. They give your business management plan credibility and an additional pool of expertise.

While External Management Resources are often overlooked when writing a business plan, (and running a business), using External Management Resources effectively can make the difference between management success and failure.

There are two main sources of External Management Resources you should utilize and describe in this section:

- Professional Services
- Advisory Board

In the **Professional Services section** of your business plan's **Management Plan**, list and describe all those external professional advisors that your business will use, such as accountants, bankers, lawyers, IT consultants, business consultants, and/or business coaches.

These professionals provide a "web" of advice and support outside your internal management team that can be invaluable in making management decisions.

It is a smart move to set up an **Advisory Board** for your business as soon as possible. An Advisory Board is like a management think tank; the members of your Advisory Board will provide you with additional advice to run your business profitably and well. If you choose your board members carefully, they can also provide expertise that your internal management team lacks.

When selecting people to serve on your Advisory Board, you obviously want people who have a genuine interest in seeing your business do well and have the experience and expertise to provide good advice. Recently retired executives or managers, other successful entrepreneurs, and/or vendors would be good choices. You will not want to include anyone on your Advisory Board who may have a conflict of interest, such as lawyers, accountants, customers (or a direct competitor). An Advisory Board of just two or three people can be a powerful management tool for a small business.

Describe who is on your Advisory Board. List their names, titles, experience and expertise and explaining how each member will contribute to helping you run a profitable business.

If you are writing a business plan in preparation for starting a business, and don't yet have an Advisory Board, be sure to include this section anyway. Describing your plans for setting up an Advisory Board and the types of positions/people you will approach.

Having an Advisory Board, or planning to have one, shows those reading your business

plan that you have the foresight to seek advice and make your management team as strong as possible - an important consideration when most businesses fail because of mismanagement of one type or another.

The last issue you need to address in the Management Plan section is your business' human resources needs.

## **Human Resources Needs**

The trick to writing about your business' human resources needs in the management plan section is to be able to describe your human resources needs specifically. To write something such as, "We'll need more people once we get up and running" will impress no one.

Begin with the bottom line. How many employees will your business need and what will it cost you? This is what will be of most interest to the people reading your business plan.

First, consider how your business' human resources needs can best be met. Will it be best for your business to have employees or should you operate with contract workers or freelancers? Do you need full-time or part-time staff?

Outline your staffing requirements in this section of your business plan, including a description of the specific skills that the people working for you will have to have. When you're writing about staff training, you'll want to include as many specifics as possible. What specific training will your staff undergo? What ongoing training opportunities will you provide your employees?

Even if your plan for your business is to start as a solo act, you need to include this section on Human Resources Needs to demonstrate that you've thought about the staffing your business may require as it grows and that your business has (or will have) human resources policies in place. Business plans are about the future, and how your business is going to succeed.

## **Operating Plan Section**

The Operating Plan section describes the physical necessities of your business' operation, such as your business' physical location, facilities and equipment. Depending on what kind of business you'll be operating, it may also include information about inventory requirements and suppliers, and a description of the manufacturing process.

Staying focused on the bottom line will help you organize this part of the business plan. Think of the operating plan as an outline of the capital and expense requirements your business will need to operate from day to day. You need to do two things for your readers in the operating section: show what you've done so far to get your business off the ground (and that you know what else needs to be done) and demonstrate that you

understand the manufacturing or delivery process of producing your products and/or services.

The rest of the development stage part of the operating plan will be divided into subsections such as "Industry Association Membership", "Suppliers" and "Quality Control".

## Financial Plan Section

The Financial Plan section determines whether or not your business idea is viable, and is a key component in determining whether or not your plan is going to be able to attract any investment.

Basically, the Financial Plan section consists of three financial statements, the income statement, the cash flow projection and the balance sheet and a brief explanation/analysis of these three statements. Include:

- Historical Financial Performance – include the previous 3-5 years, if available
- Explain any significant factors that impacted your historical financial performance
- Create detailed financial projections for 3-5 years
- Discuss the operating factors behind the financial projections
- Calculate the proposed return to investors after their investment
- Explain the structure of the investment

## Executive Summary

AFTER you finish writing the plan, highlight or bold key sentences throughout the entire plan. Compile them into two pages of cohesive text that give a concise overview of the plan. This will be your Executive Summary. Spend significant time tightening this section, as many times readers never read beyond these two pages. **Arguably, this is the most important section you will write.** DON'T scrimp on the time you spend making this section compelling to the reader. *Include the mission statement.*

## Feedback

After writing the plan and Executive Summary, have business friends and/or colleagues read the Executive Summary section first, to gauge its effectiveness. Carefully consider their feedback and incorporate their suggestions and answers to their questions in order to clarify the Executive Summary section and/or any section in the plan.

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### About the Author:

[Lisa Chapman](#) helps company leaders define, plan and achieve their goals, both online and offline. After 25+ years as an entrepreneur, she is now a business and marketing consultant, business planning consultant and social media consultant. Online, she works with clients to establish and enhance their online brand, attract their target market, engage them in meaningful social media conversations, and convert online traffic into revenues. Email: Lisa (at) LisaChapman (dot) com.

Her book, *The WebPowered Entrepreneur - A Step-by-Step Guide* is available at:

- Amazon.com: <http://bit.ly/AmazonTheWebPoweredEntrepreneur>
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