

Guide to Writing a Killer Business Plan

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Purpose of this book

I will guess that while sitting down with all these great ideas swimming around in your head about how you are going to create the next great product or service you couldn't wait to tell someone about your business. But when it came time to actually ask for money from someone or actually lay out how you will execute, there was a hard realization that you needed a business plan.

But you can't write just any business plan. A Killer Business Plan.

One that even your strongest detractors will read and say "this could work" and those whose wallets you are trying to pry free of investment capital ask "where do I sign?". This book is written for you.

After writing many business plans, many for businesses that never launched and a few that did launch and were eventually sold, I felt compelled to share my experiences and advice to save you from the rocky process of getting started so you can just start writing.

While this is not an end-all book on business plans, I hope that this helps you frame your plan so you can get started and put together something that is relevant for what you are trying to accomplish.

There are many other resources out there which I have mentioned at the end of this book so I invite you to use this book along with those resources to build your killer business plan and be the success I know you can be.

I don't need to wish you luck. Just get started, get out there and crush it.



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Section 1: Framing the Plan

Part 1: The Art of Starting

Before we dive deep into the how and what of a business plan, this first part of an ongoing series is focused on the why of starting a business and doing your homework and preparation properly. You might have heard of the book “Art of the Start” by Guy Kawasaki. It is a great primer on getting ready to write the plan and the process of writing and getting the pitch ready for investors.

Business plans traditionally take about three months to write. It depends on how complex it is, how many people are involved, who or how many have to make final decisions and so on. Where many business series get functional on sections (which we eventually will), none of them challenge you with the basic questions that must be absolutely answered before you write even the title page. You’d be surprised how people stop because they set out in the wrong direction and once they got into it they realized that everything was wasted and they lost direction and focus. Eventually they lost desire and drive which ultimately turns the business plan into a paper weight – for other paper.

So as you walk down this road with me on the path to business plan nirvana, ask yourself and your team the following questions:

- What are you going to sell?
- Who are you selling to?
- Why do they want to buy it?
- What is the motivating factor?
- How are you going to name your business?

If you don’t have the answers right off the top of your head that’s ok. Just get a pen and paper or some dry-erase markers and a white board and get to work.

Part 2: Writing the Right Plan

I wrote my first business plan when I was 24 years old. ***It was 150 pages long. That’s right, 150 pages.*** 150 pages full of dreams, diagrams, fairy dust, spreadsheets and rainbows that told everyone how I was going to master the universe and drive a van around and install home networks and repair computers at people’s homes. Kinda sounds like Geek Squad or Geeks on Call right? Yep, except I wrote it in 1994. I used it as a thesis in a business class and was told I was crazy and that the overhead on the business was going to kill it. I felt like the



guy who had the idea for FedEx but no way to capitalize on it. Flash forward 10 years and those services became common place.

I had 15 copies in my trunk and that helped weigh the car down when I drove my Miata in the snow. Still, the business plan ended up having other uses:

- ***Paper weight for other paper***
- ***Kindling when I sat and read “A Christmas Carol”***
- ***Material for creating tons of the most insane paper airplane designs***

MOST IMPORTANTLY...I learned a hard lesson about being too ahead of the market. Most importantly, what I learned is that **you need to write the right plan for the right audience.**

Here are the three basic types of business plans:

Business Plan Type #1 – Business Plan for You

Essentially a data dump with headings, this is the one that gathers your thoughts and gives you peace of mind if you are a “J” on the Myers Briggs. I always think that these should be written first because it is essentially a knowledge dump and since there is no audience but you, there are no limitations.

Page Range: **NONE**

Business Plan Type #2 – Business Plan for Internal Strategy and Operations

This type of plan is the “roadmap plan”. Think of this as providing your company and board with a look inside your brain and the brains of your management team. This type of plan is about alignment and communication of vision. It goes into deeper depth of product roadmaps, long term operations and greater performance planning. This means that the products and services section along with the competitive and operations sections will go a level deeper.

Page Range: **About 60 pages but it depends on the maturity of the business so it could be longer.**

Business Plan Type #3 – Business Plan for Investors and Raising Capital

This plan is what I call the “money plan” and many VC’s will say that they don’t read them, most see the value in them and all say that the exercise is necessary and important to address any issues that may arise in due diligence. Just because investors may not read them doesn’t mean you don’t have to do them. While for more experienced investors an



executive summary is good enough, you can bet that those on the the committee who need to be convinced to approve the investment will want to read it and the associates at the firm will be reviewing it in detail and putting their “quant jock” hats to run the numbers to see if something weird pops up. Granted, this type of business plan is half sales pitch/half business strategy and it must communicate that not only is there a market for your products/services but that there is a HUGE need for your product, it is scalable with the right investment, you have an A-team to execute and that you will be able to exit for a large amount that will see a double digit return on their investment.

Page Range: **About 15-30 pages depending on how developed the business is and how complex the product/service offering is that you are providing.**

Part 3: Framing a Successful Business Plan

In Part 2 we talked about selecting the right type of plan to fit your needs. Now that you have decided that, let’s get into the general structure of a business plan. While the outline structure I may propose works, there are many different ways to skin the cat. Here are a few examples...

Example Outline #1 – SBA Example Business Plan Outline

The Small Business Administration is focused on helping you sell the plan to a bank and get an SBA loan. They take a three section approach:

- **Cover sheet**
- **Statement of purpose**
- **Table of contents**
- **Part I – The Business**
- **Part II -Financial Data**
- **Part III – Supporting Documents**

Example Outline #2 – Business-Plan.com Consulting Firm

This is from Business-Plan.com and is from the book “Anatomy of a Business Plan & Automate Your Business Plan”:

- **Cover sheet**
- **Executive Summary**
- **Table of Contents**
- **Part I: The Organizational Plan**
- **Part II: The Marketing Plan**
- **Part III: Financial Documents**



- **Part IV: Supporting Documents**

Source: <http://www.business-plan.com/outline.html>

Example Outline #3 – BPlans.com (Business Plan Pro) Example

Business Plan Pro is the go-to program, if you are looking to have software help you with the heavy lifting. This can be good in some ways but can really make you look amateurish if you are not careful. They use many wizards to gather information and this is the rough outline they produce:

- **Cover sheet**
- **Table of Contents**
- **Executive Summary:** Write this last. It's just a page or two of highlights.
- **Company Description:** Legal establishment, history, start-up plans, etc.
- **Product or Service:** Describe what you're selling. Focus on customer benefits.
- **Market Analysis:** You need to know your market, customer needs, where they are, how to reach them, etc.
- **Strategy and Implementation:** Be specific. Include management responsibilities with dates and budgets. Make sure you can track results.
- **Web Plan Summary:** For e-commerce, include discussion of website, development costs, operations, sales and marketing strategies.
- **Management Team:** Describe the organization and the key management team members.
- **Financial Analysis:** Make sure to include at the very least your projected Profit and Loss and Cash Flow tables.

Source: <http://articles.bplans.com/writing-a-business-plan/A-Standard-Business-Plan-Outline>

Part 4: Crafting a Killer Executive Summary

- Everyone who begins the journey of writing a business plan usually learns about the Executive Summary section early on in the process. An Executive Summary is usually 1-2 pages long and the goal is to summarize the entire business plan into something digestible by new readers and those (read: investors) who want to get to the bottom line (i.e. what do you do, how much do you need, why are you different and who the heck is behind this business) and quickly decide if they want to take the time and read the business plan itself.
- This might sound depressing because of all the hard work you put into the whole plan and that you want the world to know how cool your idea/business is.



- Look at this as a good thing. Would you really want people who are tire kickers or sort of interested to waste your time and read the plan only to say no? I thought that might be your answer.

When is the best time to write the Executive Summary? There are many schools of thought on when to write the Executive Summary, either write it first, write it along the way or write it at the end.

I take a little bit different of an approach in that you should take a try and write it at the beginning and then re-write it again at the end. There are two reasons for this:

Reason #1 – Writing it at the beginning can focus you and force you to answer questions in the shortest way possible. This is an interesting and valuable exercise for many because they work to answer many of the hard questions and because it forces you to get in the habit of getting to the point.

Reason #2 – Writing it at the end is great because you will revisit what you wrote and either be on track with only a little tuning required or most likely will roll your eyes and see how far off you were and really have a much easier time tuning the summary up to make it truly a killer Executive Summary.

What are the overall components of the Executive Summary? Let me preface that depending on who your audience is and what your strengths are will dictate the order of things. Generally, you need to write 2-3 sentences MAX on each of the following sections:

- Company description of what you are doing
- Problem and opportunity
- Your products and/or services that address the problem and take advantage of the opportunity
- Money You Need and What it will be used for (this is if the summary is targeted at investors)
- The market and your customer
- The Competition and Your Differentiators (how you will kick the competitor's butt)
- Your current Marketing and Sales (if you have them)
- Your Management Team (If they are an A-Grade team this might be further up)
- Current Business Operations (if you are an existing business)
- 3-5 Year financial projections and plans (How much have you made, how much will you make and if you are looking for investment, how you will use it) – This includes a small table of numbers in addition to the 2-3 sentences

What makes a Killer Executive Summary that stands out from other businesses? There are many well written Executive Summaries out there that have never been funded or missed the market or for whatever reason never got off the ground. But what makes an Executive Summary “Killer”? Here are the first three of six key things to make it “killer”:

#1 - BE focused and clearly state what you do - Too many businesses, especially startups try and “boil the ocean” making you look like you are all over the place and will not be able to execute successfully.

#2 - BE a business that solves a problem and not be solution in search of one – You might have an awesome “widget” but if people don’t need it or companies can live without it, why are you starting a business?

#3 - BE strong and positive with your language – This is not a time to be passive. From potential investors looking to give you money to those people willing to join the team, people must know that you “are” going to execute, not “may” or “might” do something.

#4 - DON’T cut and paste – Read the sections and extract the best and write a new concise section

#5 - DON’T use Jargon – Most industries have acronyms or buzz words that are neat and catchy. One or two that make a point are fine but if your engineer is writing the business plan, don’t get all geeky on the solution. Remember, the Executive Summary is about telling someone the time, not how the watch works. The business plan will have plenty of places for that type of content.

#6 - Write an “Executive Summary” of the Executive Summary – Most people have very short attention spans and once you are done the Executive Summary you should try and compose a 2-3 sentence summary at the top that gets all the critical elements in so that people really want to read the rest and get excited about reading the entire business plan.

Part 5: Company Overview

Many times with a business plan it is good to have a 1-2 page section on the basics of the company. I call this the “Company Overview” and this format is good in some cases to answer what your company does and the problems it is fixing.

The “Company Overview” section is also a great place to discuss vision and overall goals. Think of it like a birds-eye view of the company as it currently exists and where you envision it to be in the future. This is almost a quasi executive summary because you are trying to tie a number of elements into a picture that people understand and see where you are coming from.

What are the Components of the Corporate Overview?



- **Company Description** – This is a paragraph or two that is the core message and history of the company and if people read only this they should get what you are trying to do.
- **Mission** – What are the guiding vision points for this company? Provide X, Support Y
- **Goals and Objectives** - This is the place for major milestones including revenue, customers and other important metrics.
- **Structure** – This is for legal and tax structure plus owners/stockholders
- **Core Competencies** - This is to close up the section with powerful value propositions and differentiators that will go into more depth in the sales and marketing section. Right now it is about showing that you have the resources and wherewithal to build the business.
- **Company History** – This is where you get to tell a bit of a story.
- **Company Highlights** – If you have been around for a while and have some great accomplishments this is a wonderful place to highlight it and demonstrate the track record of the business.

Where Should You Put the Corporate Overview?

It depends. Writing the plan has many components and it really depends on what you are trying to accomplish with the business and what stage the company is in. My rule of thumb is that you should put it in the middle after the problem and solutions are addressed. How long the company has been around and what it has accomplished should determine how far up the overview should move.

Section 2: Problem, Opportunity and Solution

Part 6: Identify the Problem and the Market

The core reason your business exists is to provide a product and/or service to the marketplace that solves a problem and/or meets a need. Many market analysis questions should be answered in the beginning to uncover if you actually have something that people want to buy.

Basic things you must try and answer with the problem/market analysis:

- Do you have a market?
- Is there a viable niche that makes sense to focus on first?
- Does your product or service fill a need or solve a problem?
- Can you appeal to cross-segments within your market by highlighting different aspects of your product?
- How should you price your product or service?
- Who are your potential customers? What are the various customer profiles?



- How will you deliver your product to the customer?

Once those questions are answered you need to tell the story of the problem that exists and how there is a market.

Writing the Problem/Market Analysis Section

The Market Analysis can be broken down into four sub-sections:

- **Market Overview** – Describe the market you are in or the market you are planning to enter: product coverage area, environment, additional product area if necessary and potential customers.
- **Market Background** – This provides historical data (i.e., market size, demographics, psychographics), needs and trends; buying patterns; preferences and market growth.
- **Market Challenges** – Here is where you analyze data and focus on the unique issues that create the challenges and problems you see could be solved.
- **Market Opportunity** – This is where you used data in the previous section to explore the problems and expose the opportunities that exist to discuss the opportunities to be solved.

IMPORTANT NOTE: 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. It is important that they see that the basis for your analysis comes from well-known sources.

Where does it go in the business plan?

- This is usually the first section because it sets up the problem and discusses the market in order to set you up for the following section which discusses the solution in-depth. You could also have this go after the Product and Services/Solution section if you structure the Solution section as an "Opportunity" section with the Problem and Solution that leads naturally to explaining the market and how the revenue model is proven and will scale.
- If you are a more established business, this will usually be right after the "Corporate Overview" because you will be demonstrating how you are performing with your current products and services in the market analysis you have researched.

Part 7: Reveal the Opportunity

When you start a business you are trying to meet a market need with a certain solution. That solution is what comprises your Products and Services section.



This section covers what you provide to customers and how you deliver it. It is the reason you are in business. There is something here you decided would revolutionize a market, fill a need that has been desperately looking for a solution or provide something that rides a hot trend. In most cases you will want to answer in an summary format what your company is providing and why it is so different. This should catch the reader's attention and make them want to read the detail supporting your intro paragraph.

After you have caught their attention and told them how and why your offerings are so great/revolutionary/needed, you need to include the following things:

- **Product Offerings** – This describes your products in more details and should communicate why you are unique. If you are not providing a physical product (i.e. widget, web site) then go right to the next part.
- **Service Offerings** – This covers the services you offer and really needs to communicate how you are going to stand out because services are not as tangible. If you are providing products this is where you discuss services that support the product and complimentary services that will increase your revenue potential.
- **Pricing and Revenue Strategy** – After you have discussed what you are offering you should discuss how you are pricing everything and how you are going to go about making money with these product and service offerings. With revenues, you need to discuss costs and margin at a high level.
- **Goals and Objectives** – This is the place for major milestones including your pricing and revenue strategy, customers and other important metrics.
- **Methods and Differentiation** – Here is where you really need to show how you will stand out against competitors and differentiate your company as a whole with its products and services. *This should also include patent and copyright information.*
- **Relationships and Partnerships** – This section is to build on your offerings and demonstrate your success and reach with important vendor relationships and partnerships/joint ventures you have established to increase your revenue potential. You might also want to include customers and important case example to demonstrate the success your offerings have already achieved.

A note on Technical Jargon from AllBusiness.com

While you do not want to appear condescending, do not assume that everyone reading your business plan is familiar with the terminology for your industry. Therefore, you need to examine your description from an objective perspective and ask yourself:

- *Am I being too technical?*
- *Am I assuming readers will have too great a knowledge base?*
- *Am I using terms that are unfamiliar to anyone outside of the industry?*
- *Am I using “buzzwords”?*



- *Do I adequately describe the primary function and benefit(s) of the product or service?*

If I am introducing a new product or concept, am I including a comparative reference point? (For example, the new seats at the spa will resemble airline seats.)

One of the best ways to evaluate your products and services section is to simply ask other people to read the section and explain in their own words their understanding of the products or services you sell and their benefits. Clarity is the key.

Explaining your products and services in layman's terms will allow you to reach out to a wide range of investors, including those who know little about your industry but can spot a potentially profitable business. In sharing your business plan with your employees, clarity in this section allows everyone to have a clear understanding of the business and its products and services.

Shari Waters at About.com has an additional recommendation on length and depth: "Keep this section to just a few pages. The products and services section is not intended to list each and every product, but to give an overview of the product lines and the associated research. Do your homework. If the products are original, include all legal aspects such as patents or copyrights and include photos or other visual aids."

Section 3: Your Team vs. Their Team

Part 8: Build a Team that Executes

There is a well known investing slogan, "Fund an A-Grade team with a B-Grade idea over a B-Grade Team with an A-Grade idea". Did you get that tongue twister?

I am not talking pedigree or a minimum number of years of experience but it is the results that make the team. You want people that can execute because even the best new concept or existing plan will fail if executed poorly.

The Management Team section of the business plan must prove to other parties like potential management hires, the bank or investors on why the key company personnel are "eminently qualified" to execute on the business model.

The A-Grade Team can always execute and adjust along the way to make the company successful, not so much with the B-Grade team. This become a major element in differentiating why your team wins and why others, just suck.

***So, do you have an A-Grade or B-Grade management team?
Know the answer to this before you dive in and start writing.***



The makeup of the management section

The basics are key management team members, Board of Directors, Board of Advisors and any outside consultant. BizPlanIt sums it up well:

Specific Team Members

Construct a narrative description for each team member, clarifying his or her background and intended contribution. This should include:

- **Title of this position**
- **Duties and responsibilities of this position** – what will they be doing, which functions will they be overseeing, who do they supervise, who do they report to, etc.
- **Previous industry and related experience** – should be those that relate directly to this new position. Who have they worked for, what were they doing, for how long did they do it, etc.
- **Previous Successes** - what did they accomplish, what successful teams or projects did they spearhead, did they grow a company or a division, were they responsible for a turnaround or some new breakthrough idea.
- **Education** - Keep educational descriptions brief

Sources: <http://www.bizplanit.com/vplan/management/basics.html>

What is the makeup of the management section (cont'd)

Board of Directors

Briefly describe who is on your Board and what role they play within your company. Briefly list the names, backgrounds, and contributions that will be made by each board member.

Board of Advisors

Your board of advisors should consist of individuals with valuable industry expertise and insight, and they help and consult with you on your business. A solid and experienced board of advisors goes a long way towards building credibility in the eyes of investors. Briefly list the names, backgrounds, and contributions that will be made by each of your board members.

Consultants

The last part of your management section should include a brief mention of the outside consultants you will work with as your company grows. A typical list of consultants would include accountants, attorneys, bankers, insurance agents, and experts such as technology advisors, web developers, and payroll specialists, for example.

Founders

Explain the background of the founder(s) of the company at some length. However, limit this background information to under 1-2 a page. Stick to the facts on all your management



team bios, making it evident why each person is experienced, why they hold their position and the benefits they provide your company.

Growthink also recommends “Depending upon the stage of the company, key functional areas may be missing from the team. This is acceptable provided that the plan clearly defines the roles that these individuals will play and identifies the key characteristics of the individuals that will be hired. However, it is generally not favorable if personnel are missing for ultra-critical roles. For example, a plan that is fundamentally a marketing play should not seek financing without a stellar marketing team.”

Side question – Are you writing the business plan to raise money?

Many investors base their entire investment decision on the management team behind a venture. Investors expect a well-rounded team of professionals with experience in every function critical to the business. Your management section should clearly demonstrate who each person is, why he or she is on your team, and what each person will do.

According to Growthink, “Depending upon the stage of the company, key functional areas may be missing from the team. This is acceptable provided that the plan clearly defines the roles that these individuals will play and identifies the key characteristics of the individuals that will be hired. However, it is generally not favorable if personnel are missing for ultra-critical roles. For example, a plan that is fundamentally a marketing play should not seek financing without a stellar marketing team.”

Final Thoughts – Building the A-Grade Team increases your chances of success

Many people have walked down the path of starting a business and writing the plan only to run into the wall of attracting a team that is as passionate as you are and dedicated to seeing it succeed. When I mentioned an A-Grade team earlier in this section I focused on execution. This type of team greatly improves your chances of success.

Part 9: Crush your Competition

You have been living and breathing this thing called your business for some time now. You have been writing for a while and there are so many ideas and details swimming around in your head. Now you have to think hard about how you measure up against the competition. The competitive analysis section covers how you are differentiating yourself by describing the competition and why you will stand out from them and beat them in the long run.

Get a few things answered first

Before you get started on this section you need to have the following questions answered:

- 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.

You can learn these things by gathering information on your competitors.

So how do you do that? Dumpster dive.

Competitor Dumpster Diving

There is an old term from computer hackers called “dumpster diving”. The concept was to dive into the dumpsters to get printouts or old manuals in the hope of finding phone numbers, user manuals, passwords, computer programs and anything else that might help you hack into a system.

About.com Canada has some excellent advice on gathering information on your 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.

Source: <http://sbinfocanada.about.com/cs/businessplans/a/bizplancompanal.htm>

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.

Once you’ve compiled the information about your competitors, you’re ready to analyze it. Tips and instructions for analyzing the competition are on the following page.



Source: <http://sbinfocanada.about.com/cs/businessplans/a/bizplancompanal.htm>

Breaking it all down

There are a few key sections of the competitive landscape in a business plan.

The first is Competitive Analysis Summary. The point of this section is to give some one reading this without diving into the details the top points and reasons that your company is different and beats the competition. Hopefully, this section will be compelling and interesting enough that people will read into it more. Most likely, people will not read to deep into the competition but it is there for review when necessary and is an exercise you must complete.

The second is Competitive Analysis Matrix. This can be done in table format with the main competitive areas and companies on different axis. Many times people will spin the diagram so your company has all the boxes checked. Don't do this. Be honest and recognize the 800lb gorilla. Don't fear them, understand how to beat them.

Once you are done the summary you must go into more details regarding competitive advantages and competitive disadvantages. Hopefully, the advantages will out weigh the disadvantages.

Competitive Advantages are the ways that you stand out from the competition. Examples could be the following:

- Integrated Payment Processing for Credit Cards and Checks/Wire Transfers
- Streamlined marketing systems that integrates popular third party data
- High performance reporting and business intelligence analysis capabilities
- Ability to market in real time
- Providing a branded and personalized portal interface for X
- Building a patented technology to be licensed and integrated with major technology platforms and portals
- Flexible foundation technology designed to expand into other types of alternative services
- Providing an outsourced call center to assist companies with customer service requests and after hours client management
- Ability to leap frog our competitors who have designed their systems on an outdated business model

Competitive Disadvantages are the threats and adversity you must overcome from the competition. Examples could be the following:



- Segment is extremely fragmented making any type of scale difficult
- Our market penetration is shallow at this point
- Our track record and reputation in the industry is unknown
- Product Development in proof of concept phase behind one competitor
- Larger competitors could invest lots of money to compete very quickly

Last on in this section is the best way to wrap it up. These are the **Barriers to Entry** that will make you a real threat to the competition. Examples could be the following:

- Low cost offering of superior technology to lock in a provider network
- Patentable technologies for license to other providers
- Personnel with deep industry knowledge and extensive contacts
- Current customer inertia from our current network
- Existing relationships with vendors and providers
- Deep network of partners and managers

Additional Thoughts on Competition:

While this is a critical section that makes you test your business before you start and might make you change a few things for the better, this should not be an incredibly long section.

James Joyce already wrote Ulysses, so we don't need 200 pages on the competition. Keep that in your research files. However, 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.

Section 4: Marketing, Sales and Operations

Part 10: Overall Marketing Plan

The Marketing Plan section explains how you're going to get your customers to buy your products and/or services. It is separated into four distinct areas and they are:

Market Profile and Approach

Market Profile is the discussion of the types of customers in your initial markets. This sets the stage for how and why you will market to them in various ways. You should talk about how many potential customers exist that you could sell to. You should discuss how big the market potential is and how much of that you think you can capture. Be sure to be able to back up your numbers and not say things like "1% of a \$1 billion market". That won't work and no one will take it seriously.



Market Penetration Strategy

How you will use your unique value or selling propositions to create a compelling story that sells your customer on your business. The whole point is to discuss how fast and how deep you can get in there and market to acquire new customers.

Market Growth Strategy

Once you enter the market, you need to grow our current and future opportunities. This includes both retaining and acquiring customers through various growth strategies. These growth strategies can include expanding product and service offerings, expanding into new verticals or even expansion through new locations or franchising.

Market Communication Strategy

As you continue executing your marketing strategy, you will need a solid communications strategy that includes public relations, product marketing, creating tactical selling tools and an online marketing strategy.

Part 11: Overall Sales Strategy

What is marketing without sales? In Part 10 we talked about the marketing plan which lays all the ground work so that sales can close and the business may grow. But sales is the place where people must execute. Many say sales is marketing with actually asking for the close. I disagree and while they are closely intertwined the skills and goals are completely different. Marketing strategy deals with broader markets but the sales strategy focuses on the individual.

Sales Strategy is separated into four major areas in the Sales and Marketing section. The first two are:

Direct Sales Force Strategy

This is about demonstrating how a direct sales channel is internal and is focused on signing new customers. The advantages to this approach allow a company to focus resources like account managers and bonus them based on achievable and measurable goals. The disadvantage is the overhead entailed with managing a direct sales force and waiting for them to produce. One approach to this strategy is to find more experienced sales managers who have sold in a respective industry and for entry level sales people to be trained and molded to sell your product(s). You also need to discuss compensation which includes possibly a base salary and a bonus based on performance. You should show growth numbers and plans to leverage that increase in staff.

Indirect Sales Channel Strategy

Related to the “Direct” approach is the Indirect Sales Channel Strategy. This is really focused on the various sales channels you can leverage to increase your sales success. For example,



this could be resellers, franchise partners and licensed partners. You will want to discuss the type of partners, how many and the regions you will leverage and the growth strategy attached to the revenues you expect these indirect channels will produce.

As we said on the last page, marketing strategy deals with broader markets but the sales strategy focuses on the individual.

Sales Strategy is separated into four major areas in the Sales and Marketing section. The second two are:

Sales Prospecting Strategy

Once you have defined your sales channels it will be time to craft the proper processes to do prospecting. This Sales Prospecting Strategy will be supported by a direct sales force, indirect sales channels and supported by direct mail, web advertising, and search engine placement. To build our sales prospects to a quality level, one strategy is to offer free access or use to the first group of clients (10 or 100) that sign with you. You should identify how you will create these lists of prospects. Sources include membership directories, trade show lists, Hoovers and even D&B.

Sales Campaign Strategy

Finally, you will connect the dots of how you will utilize your direct sales force, indirect channels and prospecting processes to run campaigns that are effective and meet the numbers set in the financial projections. This Sales Campaign Strategy is designed to layout a clear direction in which to maximize all resources at your disposal with clear campaign ideas, messages and target markets/customer groups.

ADDITIONAL THOUGHT: As you write these subsections always keep in mind how sales leverages markets and supports the long term goals of the company.

Part 12: Scaling to Win with the Operations Plan

“The Best-Laid plans of Mice and Men Often Go Awry” is a great statement that sums up that no matter how carefully a project is planned, something may still go wrong with it. This is because humans are involved and to build out a business you need people to operate it. You also need a solid operations plan from which they can execute.

The Operations section of a business plan usually comes before the Financial Plan, but after the Management section. The purpose of the Operations Plan is to describe the where's and how's of your business, meaning where you will locate the business (along with any physical necessities) and how you will produce products or services for your clients.

To write an operations plan, you'll need to answer the following questions:



- How will your product be made (for product-based businesses) or how will you serve your customers? Can you describe the process from start to finish?
- What regulations and organizations are in place to monitor your industry? How do you plan on staying up to date? Are you a member or plan on becoming one?
- Who are your suppliers? How do you receive products/services from these organizations? How long will it take? How much will it cost? Do you have backups in place?
- What quality-control measures will you implement, if any?
- Getting the Business Operational

Content of the Operations Plan* Business location

- Operating facilities and equipment
- Production and operating procedures
- Purchasing procedures
- Inventory management procedures
- Quality control procedures
- Customer service procedures
- Organization structure
- Management plan
- Establishing a Web Presence
- Web site hosts
- Web site development
- Selecting a domain name

Your next step in writing an operations plan is taking the list above, determining what you've already done, and what still needs to be done in order to get your business up and running. Write these points out in full, explaining to someone who doesn't know your industry just what it all entails. Then, take the questions you answered in the first section of your operations plan, and answer them at length as well.

It might take separate sections to list the risks associated with your business, as well as your quality control measures and supply procedures. If you are a service business it might only take several pages to flesh out this section of the operations plan. However, if you are a manufacturer or producer of hard goods you may have dozens of pages along with flow charts and appendixes.

One Last Note: About Day-to-Day Processes

- Since this is the most detailed I thought would help you detail the day-to-day operations. To do so, make sure you list the following items (where applicable to your business):



- General, such as the hours and days your business will be open;
- Buildings, including layouts, engineering drawings and lease agreements. Essentially, anything to do with the physical space your business will inhabit;
- Equipment, such as what you'll need to get, what you already have available, and how much it will all cost;
- Special requirements specific to your business that are operational in nature, such as ventilation or parking;
- Any and all materials needed to produce your products or services;
- Production, including the length of time needed to create each product;
- A description of your inventory plans; and
- The costs involved with all aspects of the operational processes.
- Most business plans take several pages to flesh out this section of the operations plan, but manufacturers and producers may have dozens of pages along with flow charts and appendixes.

Section 5: Financials in Plain English

Why Explain Financials in Plain English ?

The previous parts of this guide focused on the written sections and as we reach the back of the plan, the critically important financial statement section comes into view. However, the view doesn't look so clear because to many it looks like a dense cloud of numbers and characters that only a "quant-jock" could understand.

Granted, many who will review the financial statements are spreadsheet junkies or "quant-jocks" who live and breath numbers. In fact, if they get their hands on a business plan, they usually jump to the end of the plan to read this part just like those who read the end of a mystery the outcome of the story and to find out who did it .

So this is why someone like myself who has started a few business, has an accounting degree that while not practicing, uses it every day and loves to write might be uniquely qualified to bring you ***Business Plan Financials in Plain English.***

So what is the best one to start with? Easy.

*The one that shows you how much money a company earned and all the money a company spent during a certain time frame – **The Income Statement.***

Part 13: Business Plan Financials in Plain English – The Income Statement

Plain English Definition of the Income Statement



A company's income statement is a record of the money it made and spent for a given time frame, usually a quarter or year. It shows all of the money a company made (revenues) and all of the money a company spent (expenses) during this time frame. It also accounts for the effects of some basic accounting principles such as depreciation.

Plain English Components of the Income Statement

To keep on the plain English format we have set, we need to tread carefully into the definitions of terms you see on the income statement. We will do our best and not go anywhere near equations. If you would like to geek out and dive a little deeper, I would invite you to go here. With that disclaimer said, let's dive into the kiddies side of the financial statement pool.

Gross profit on sales (also called gross margin) is the difference between all the revenue the company earns and the sales of its products minus the cost of what it took to produce the. They also call this "top line revenues".

Operating income is how much a company makes from its core business after it has deducted its cost of goods sold and its general operating expenses. Operating income does not include interest expenses or income generated outside the normal activities of the company (e.g. investment income).

Earnings before interest and taxes (EBIT) is a term that investors love to ask you because it includes the combination of operating and non-operating income but excludes interest expenses and income tax expenses.

Net earnings or net income is basically the bottom line. If it is positive, you are "in the black for the year. If it is negative, you are "in the red". This is the profit your company makes after all of its income and all of its expenses are taken into consideration. Positive net income is usually the typical benchmark of success. You might also be asking how a company can have negative net income and still be considered ok. This has to do with cash flow, assets and its growth projections that will be explained in other posts.

Plain English Explanation of Why People Need to Review the Income Statement

The income statement is important for investors because *it's the basic measuring stick of profitability*. A company with little or no income has little or no money to pass on to its investors in the form of dividends.

You can identify where the company spends much of its income and compare that to similar companies. If the company continually makes substantial profits, it indicates to bondholders that it is a stable company. If a company continues to record losses for a sustained period, it could go bankrupt.



In such a case, both bond and stock investors could lose some or all of their investment. On the other hand, a company that realizes large profits will have more money to pass on to its investors.

Part 14: Business Plan Financials in Plain English – The Balance Sheet

Now we get to dive into a portion that is just as important but a little more complex. ***This is the one that is the report of a company's possessions, debts and capital invested – The balance sheet.***

Plain English Definition of the Balance Sheet

- The Balance Sheet is one of the most important financial statements of a company. It may be presented quarterly, semiannually or monthly. Think of a balance sheet like a snapshot of the company at a moment in time.
- **There are two sides to the Balance Sheet – the left and the right.**
- The left side provides information on what the company owns (its assets).
- The right side has two parts: what it owes (its liabilities), and the value of the business to its stockholders (the shareholders' equity).
- ***They call this a Balance Sheet because the left must equal the right or “be in balance”.***

Plain English Components of the Balance Sheet

I could go crazy on the types of assets, liabilities and owner equity on a balance sheet, but I won't because I care too much about your sanity. However, if your inner accountant is calling to you, I would invite you to go here. With that disclaimer said, I am going to do my best to stay at a high level, talk in plain English and make sense of this stuff.

Assets are what you have to make stuff. Assets can be buildings and machinery. They can be patents or copyrights that provide financial advantages for their holder. **You need to know that there are two major categories – Current Assets and Long Term Assets.** Current assets are those assets that are usually converted to cash within one year. They usually include cash, accounts receivable and inventory. Long-term assets are, you guessed it, converted to cash past one year. They include fixed assets (e.g. buildings, equipment), depreciation and intangible assets (e.g. patents and copyrights).

Liabilities are what a company owes to outside parties. **Liabilities are generally broken down into two major categories – current liabilities and long-term liabilities.** Current liabilities are those obligations that are usually paid within the year, such as accounts payable, interest on



long-term debts, taxes payable, and dividends payable. Long-term liabilities concern those liability of a period greater than one year. It usually refers to loans a company takes out.

Owners or Shareholders Equity is a very fancy way of showing **the value of a business to its owners after all of its obligations have been met.** Owners equity generally reflects the amount of capital the owners invested plus any profits that the company generates that are subsequently reinvested in the company. This reinvested income is called retained earnings.

Plain English Explanation of Why People Need to Review the Balance Sheet

People want to review the balance sheet to examine if the firm can meet its financial obligations, if it has taken on too much debt, what assets it has bought with the money it has and how much, if any, has been invested in the company.

The balance sheet provides a person with insight into a firm's future performance. The income statement is about how well or badly we have done and the balance sheet is snapshot that looks toward the future.

Part 15: Business Plan Financials in Plain English – The Cash Flow Statement

The cash flow statement reports the cash generated and used during the time interval specified in its heading. The period of time that the statement covers is chosen by the company. For example, the heading may state "For the Three Months Ended December 31, 2007" or "The Fiscal Year Ended September 30, 2008". For many, looking at a cash flow statement it looks a bit weird but it provides a different, yet critically important view of the business.

How is this different than the Income Statement stuff you just talked about in a previous section?

Think of the income statement as a view of revenues booked and expenses accrued. Which means that it is not an accurate picture of how much cash is really on hand. That is where the cash flow statement provides this view of the business.

Investopedia puts it the best:

"The cash flow statement differs from these other financial statements because it acts as a kind of corporate checkbook that reconciles the other two statements. Simply put, the cash flow statement records the company's cash transactions (the inflows and outflows) during the given period. It shows whether all those lovely revenues booked on the income statement have actually been collected.



At the same time, however, remember that the cash flow does not necessarily show all the company's expenses: not all expenses the company accrues have to be paid right away. So even though the company may have incurred liabilities it must eventually pay, expenses are not recorded as a cash outflow until they are paid (see the section "What Cash Flow Doesn't Tell Us" below)."

Source: <http://www.investopedia.com/articles/01/110701.asp?viewed=1>

So how can some one have negative net income on their income statement and still be in business?

This is where the cash flow statement comes in. Because the income statement is prepared under the accrual basis of accounting, the revenues reported may not have been collected (translation: you book the business but you haven't gotten the money yet). Similarly, the expenses reported on the income statement might not have been paid.

This is why you leverage the balance sheet which we just covered in part 14. You could review the balance sheet changes to determine the facts, but the cash flow statement already has integrated all that information. As a result, savvy business people and investors utilize this important financial statement.

Four Sections of the Cash Flow Statement (Section 1)

SECTION 1: Operating Activities

Converts the items reported on the income statement from the accrual (you book the sale but you might not have the money yet) basis of accounting and includes the following:

- Cash receipts from sales or for the performance of services
- Payroll and other payments to employees
- Payments to suppliers and contractors
- Rent payments
- Payments for utilities
- Tax payments

SECTION 2: Investing Activities

Investing activities include capital expenditures – disbursements that are not charged to expense but rather are capitalized as assets on the balance sheet. Investing activities also include investments (other than cash equivalents as indicated below) that are not part of your normal line of business. These cash flows could include:



- Purchases of property, plant and equipment
- Proceeds from the sale of property, plant and equipment
- Purchases of stock or other securities (other than cash equivalents)
- Proceeds from the sale or redemption of investments

SECTION 3: Financing activities

Financing activities include cash flows relating to the business's debt or equity financing:

- Proceeds from loans, notes, and other debt instruments
- Installment payments on loans or other repayment of debts
- Cash received from the issuance of stock or equity in the business
- Dividend payments, purchases of treasury stock, or returns of capital

SECTION 4: Supplemental information

Reports the exchange of significant items that did not involve cash and reports the amount of income taxes paid and interest paid.

Two Ways that a Cash Flow Statement is Generated

There are two methods for preparing the cash flow statement – the direct method and the indirect method. Both methods yield the same result, but different procedures are used to generate the cash flow statement.

If you want a great accounting lesson that is not in plain English but extremely good, this site has a page on the Direct Method and the Indirect Method:

- **Direct Method:** <http://www.googobits.com/articles/p2-932-how-to-prepare-a-cash-flow-statement.html>
- **InDirect Method:** <http://www.googobits.com/articles/p3-932-how-to-prepare-a-cash-flow-statement.html>

Final Thoughts on the Cash Flow Statement

- Cash fuels a business, but there are certain things that the cash flow statement doesn't shed light on. It doesn't tell the whole profitability story, and the cash flow statement doesn't do a very good job of indicating the overall financial well-being of the company. It indicates what the company is doing with its cash and where cash is being generated, but it does not account for liabilities and assets, which are recorded on the balance sheet. Furthermore accounts receivable and accounts payable, each of which can be very large for a company, are also not reflected in the cash flow statement.



- The bottom line is that the cash flow statement is a compressed version of the company's checkbook that includes a few other items that affect cash and you should use the income statement and the balance sheet together to provide a clear multi-dimensional view of the business. Hopefully, with these last three sections of the business plan series that the financial section will make more sense to you.

That's a Wrap!

Well, this concludes our 15-part series on writing a business plan. We hope you have learned new things and relearned things forgotten long ago. The following pages include extra resource for this Guide to Writing a Killer Marketing.

We hope you have enjoyed this series and visit GrowSmartBusiness.com for more great content to help you grow your business.

Additional Resources

Small Business Administration

<http://www.sba.gov>

SCORE

<http://score.org>

Microsoft Small Business Center

<http://www.microsoft.com/smallbusiness/hub.aspx>

Microsoft Startup Center

<http://www.microsoft.com/smallbusiness/startup-toolkit/default.aspx>

How to Write an Executive Summary

http://www.ehow.com/how_16566_write-executive-summary.html

Writing a Business Plan

<http://www.sba.gov/smallbusinessplanner/index.html>

<http://www.planware.org/businessplan.htm>

http://www.inc.com/guides/write_biz_plan/

Raising Money for Your Business

<http://www.entrepreneur.com/howto/raisemoney/index.html>



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Steve has been actively writing about small business and innovation since the late 90s on how small business could leverage the Web and stellar customer experiences to innovate their business and compete with the largest of competitors. He was among the early thought leaders on the intersection of user experience, customer service and innovation.

Steve currently is Managing Principal of AppSolve. In its 10th year, AppSolve specializes in user experience design, enterprise web development and online community management. Through AppSolve, he works with Network Solutions to manage its online small business community. Prior to that he was founder and CEO of Slipstream Air, a software provider to the private air travel industry. It was sold in 2008 to JIT Airline Resources, which rebranded as Slipstream Aviation Software. Steve has also held key leadership positions at Global Network Solutions, OnSite Technologies, IKON, USConnect, Ryland and Wells Fargo.

He has published several e-books on Small Business Management, User Experience, Online Marketing and Innovation. Currently, he is working on his first book, "101 Rules for Entrepreneurs" slated for a Spring 2010 release.

He holds a Bachelor of Science in Business from University of Baltimore and on a personal note he is a great airplane pilot, a horribly slow 5K runner, a fairly talented musician and a budding concert photographer. He currently resides in Columbia, MD, USA.

