

# How to Develop and Write a Business Plan

## By Austin K. Pryor, SCORE Counselor, Norwalk, CT Chapter 41

### Introduction

A Business Plan represents written documentation of the vital issues necessary to convince investors that a particular opportunity is worthy of investment. It also provides the business owner a detailed guide on operating issues. Developing such a document requires a systematic process so that critical issues are identified and addressed. ***This outline represent s a checklist of most of the possible issues. Select those which are important to your situation—at least half the questions just may not apply. You be the judge.***

**Flexibility** is needed in the **application** of this outline. Your response to the issues can range all the way from “not applicable,” to a single sentence, to a page or more. The time required can range from 5 minutes for thought, to a phone call, to several days worth of effort.

Early on a business plan’s fundamentals are almost always based on available data (secondary research). Later on , with critical issues, you may add in data obtained from primary (original) research. Eventually, all business plans should include the experience of a small number of customer contacts, tests or uses.

The financials at first will be simple and the “softness” of the information clearly communicated. As you gain real life experience with the business, however, you will want to “harden” those numbers significantly. Keep returning to them to test their validity.

### A Suggested Structure For The Business Plan

While all such reports should start with an “Executive Summary,” followed by the opening statement of the Product/Service/Business Concept, the order for the other topics can vary by project. The right order of topics for your particular opportunity depends on how best you feel you can communicate the vital issues for the success of the project. Major headings might include:

- Executive Summary
- Product/Service Description and Business Concept
- The Market
- Competition
- Fit with Your Personal Experience and Skills
- Entry Strategy
- On-going Operations, Technology and Engineering
- Growth and Expansion Strategy
- Exit Strategy
- Regulatory and Legal Issues
- Resource Requirements
- Financial Projections
- Near Term Action Recommended

### Executive Summary

With rare exception, the Executive Summary should be no longer than one page. It should contain a good description of the product/service concept, but in other respects should summarize the key issues extremely concisely. If appropriate use “bullet” points (•) rather than sentences and paragraphs—your key points will stand a better chance of being understood and remembered.

This can be the most important part of the report— many busy readers may form their basic conclusion from this page and never get past the Executive Summary.

### Body Of The Business Plan

Following are detailed chapter headings for your Business Plan as well as a list of possible questions and issues that may need addressing. There is set of questions for a BIP and a separate set for the Business Plan. Naturally there is considerable overlap.

As a start, you will probably want to review each item and check off the appropriate boxes pertaining to relevance and where there appear to be significant gaps in information that you will have to address. Many will require only a moment’s thought and be addressed in a single sentence. Check Box Descriptions:

**OK**   
Information Adequate

**MS**   
More Study Needed

**NA**   
Not Applicable

### **Product/Service Description and Business Concept**

This section is to give the reader a clear view of what business you are proposing to get into, what its product or service will look like, and how the business generally fits into commercial picture. It answers the question, "What is this all about?"

- |   |  |
|---|--|
| 1. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/>  | • Describe the product or service (P/S) in general terms.  |
| 2. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/>  | • Identify the industry you are in.  |
| 3. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/>  | • List customer need(s) or requirement(s) you are trying to satisfy.   |
| 4. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/>  | • Explain why these need(s) or requirement(s) exist.   |
| 5. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/>  | • Does the company have the resources to develop, market, sell and deliver the (P/S)? If not, can such resources be easily acquired?   |
| 6. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/>  | • Describe how you will communicate the P/S and its advantages to the potential customers. Will it be perceived as "state-of -the-art" and/or "easy-to-use"?   |
| 7. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/>  | • Describe what significant differential advantage the P/S has relative to competition or other existing means of satisfying market needs using: <ul style="list-style-type: none"> <li>- technical advantages,</li> <li>- positioning or</li> <li>- segmentation and "niching"</li> </ul> |
| 8. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/>  | • Describe how you will sustain these advantages over time either through proprietary technology or other significant barriers to competitive entry.   |
| 9. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/>  | • Describe your market experience to date <ul style="list-style-type: none"> <li>- nature and extent of contact with prospective customers</li> <li>- reaction to proposed new product/service</li> </ul>  |
| 10. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • Describe any spin-off/add-on opportunities you feel are possible: <ul style="list-style-type: none"> <li>- related to your own business</li> <li>- that could share your facilities or distribution channels</li> </ul>  |

### **The Market**

This section is to give the reader a clear view of the market opportunity for the P/S. It answers the question, "What is the nature, size and life span of this opportunity?"

- |   |   |
|---|---|
| 11. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • Estimate the market potential for this P/S. <ul style="list-style-type: none"> <li>- by specific geography – how measured?</li> <li>- estimated growth rate– how measured?</li> </ul> |
| 12. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • What is the probable range of market share attainable, given the competitive status and customer demand?  |
| 13. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • Describe the range of profitable revenue potential based on reasonable market penetration factors (market share).   |
| 14. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • Describe how your advantages and resources allow for significant profitability.   |
| 15. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • How dynamic is this market? Is it growing rapidly? Is it flat? Is it declining?   |
| 16. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • What is the probable life cycle of the new P/S?   |
| 17. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • How will you enter the market on a time scale that makes sense relative to the life cycle? Describe how you can meet the "window of opportunity."                                     |
| 18. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • Describe related possible future P/S offerings that can expand the market potential and/or extend the life cycle.   |
| 19. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • Are there unusual opportunities for additional differentiation through technology, positioning or segmentation?   |
| 20. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • How easy is it to enter this market?  |
| 21. OK <input type="checkbox"/> MS <input type="checkbox"/> NA <input type="checkbox"/> | • <b>Most important:</b> Describe the reaction or sales response from customer(s) contact, interviews and any field tests or trials conducted.  |

**Competition**

The purpose of this section is to give the reader comfort that the business is in touch with reality; that it understands the barriers to success and has a plan to overcome them. It answers the questions, "Can this business survive in the market that now exists? Can it survive in the market that its success may create?" Keep in mind that, in the absence of obvious competition, "the way things are done now" can be formidable "competition."

22. OK  MS  NA  • If there are competitors, tell how many there are and how large and entrenched they are in the target market and P/S opportunity area.
23. OK  MS  NA  • Describe how direct competition operates:  
- estimated market share  
- strengths and weaknesses  
- their advertising and promotion  
- their possible/likely response to your market entry.
24. OK  MS  NA  • Describe possible indirect competition  
- businesses who might/could compete after you enter the market  
- related businesses whose cooperation or tolerance you need
25. OK  MS  NA  • Describe the key points of differentiation of your P/S vs. competition  
what's different - features-, benefits and advantages.
26. OK  MS  NA  • Can you develop even greater perceived or real beneficial differentiation?
27. OK  MS  NA  • Are there any competitive or alternative means of satisfying the market need?
28. OK  MS  NA  • Can you be price competitive with either direct competition or alternative means of satisfying the need?

**Fit with Your Experience and Skills**

This section should give the reader a sense of how you can make this business succeed. It answers the question, "What do you offer this business venture?"

29. OK  MS  NA  • Describe how the P/S leverages your experience and skills
30. OK  MS  NA  • Describe what the other people on your team bring to the new venture .

**Fit with Existing Businesses, Competence and Assets**

If you are expanding an existing business, then this section should give the reader a sense of how the current business can help this new business succeed. It answers the question, "What do we have to offer this new venture?" This section also identifies any negative impact the business will have on existing products and services. It answers the question, "If this business succeeds, will it hurt us somewhere else?"

31. OK  MS  NA  • Describe how the P/S leverages the unique Strategic Excellence and Core Competencies of the current business.
32. OK  MS  NA  • Describe how it leverages or complements existing:  
- assets  
- sales and distribution channels  
- skills and human resources  
- service and installation channels  
- products  
- customer base  
- technology  
- other company entities
33. OK  MS  NA  • If there is no leverage on any of the above items, and such capabilities are critical to P/S success, describe how you propose to acquire or develop them.
34. OK  MS  NA  • What is the potential, significance and impact for this P/S to erode an existing company offering? Is this competitively inevitable anyway?

**Entry Strategy**

This section should give the reader a clear view of how you propose to get the business started. It answers the questions, "What do we have to do to be in the marketplace? How are we going to get our initial paying customers?"

35. OK  MS  NA
- When the product/service is ready to be sold, describe how you will introduce it to the marketplace:
    - in the fastest way possible
    - at the lowest risk, should it not succeed
    - at the lowest cost, consistent with speed and effectiveness
    - to preempt competition and gain targeted initial market share quickly
36. OK  MS  NA
- Describe your marketing, advertising and promotional strategies for this crucial period:
    - Product positioning statements and validation testing
    - Where and how do your prospects hear about your product?
    - What they will hear? When.? "The message?"
    - How you will achieve the communication objectives – by market segment of arousing awareness – interest – need/want.

**Which of the following will you use during the introductory phase?  
For those used, how will the sub-issues be addressed:**

37. OK  MS  NA
- Advertising?
    - print, radio and/or TV
    - geographic targets
    - frequency
    - pre-testing program
    - competitive advertising - nature of
38. OK  MS  NA
- Direct Mail Communications?
    - lists - where will you get
    - fulfillment resources
    - response rates expected
    - how leads will be handled
39. OK  MS  NA
- Telephone Marketing – who – training required?
40. OK  MS  NA
- Promotional Events?
    - trade shows
    - seminars/workshops
41. OK  MS  NA
- Publicity and Public Relations?
    - news releases
    - articles
    - speeches
    - industry associations - participating in
42. OK  MS  NA
- Sales promotions (incentives to motivate customers or sales channels)?
43. OK  MS  NA
- On which customers within which target segments will you focus?

**On-going Operations, Technology and Engineering**

This section gives the reader a sense of the technical and operating feasibility of your business. It answers the question, "Can this be done?"

**Technology Issues:**

44. OK  MS  NA
- Describe the functional technical requirements of the P/S.
45. OK  MS  NA
- Is the needed technology readily available:
    - internally?
    - from a potential vendor or alliance partner?

**Sales Channels and  
Customer Contact:**

46. OK  MS  NA  • Describe who will sell the product/service; how will the process differ from the present method of operation.
47. OK  MS  NA  • If the existing sales force is to be used, then what training, financial incentives and support will they require?
48. OK  MS  NA  • **If a new sales force must be recruited and organized, then address the following issues:**
- Who: background, experience, skills, how recruited?
  - Compensation?
    - salary/commission ratio; commission rate
    - other incentives, recognition, contests
  - Sales training - product knowledge and selling skills?
  - Territories – size and nature; degree of territorial exclusivity
  - expense policy
  - productivity-calls per day-repeat orders
  - Sales management
  - Potential role of brokers, manufacturer's reps, distributors

**Provisioning and  
Administration:**

49. OK  MS  NA  • Describe any inventory management requirements for this product and, if this is a new service, any infrastructure requirements needed.
50. OK  MS  NA  • Describe how the service will be billed .
51. OK  MS  NA  • Describe any special purchasing or vendor relationship requirements needed.

**Distribution Channels:**

52. OK  MS  NA  • Describe where the product will be available to the customer.
53. OK  MS  NA  • How does it get there?
54. OK  MS  NA  • Describe where the inventory is stored.
  - how much - and its support cost
  - turn-over cycles per year
  - delivery times for customer needs; lead times for inventory re supply.
  - can it be dropped shipped by the supplier to save money, especially at first?

**Installation and  
Maintenance:**

55. OK  MS  NA  • Describe whether the service can be supported by existing operations support facilities or will modified or new support systems be required.
56. OK  MS  NA  • Is new test equipment or training required to install or repair this system?

**Growth and Expansion Strategy**

This section should give the reader a clear view of how you propose to sustain the business. It answers the question, “What do we have to do to grow and remain viable in this market?”

57. OK  MS  NA  • Once in the market, describe how you plan to grow the opportunity and bring it rapidly to profitable status with acceptable market share.
58. OK  MS  NA  • Are there any spin-off or related opportunities that can be introduced later to further grow the opportunity? If so, how might this be accomplished?
59. OK  MS  NA  • Which customers and segments will you depend on for sustained growth?
60. OK  MS  NA  • How will you expand geographically—if, where, when?

**What advertising, marketing, and promotional approaches will you use to sustain market share over the long haul after initial introduction:**

61. OK  MS  NA  • Advertising?  
 - print ,radio and/or TV  
 - geographic targets  
 - frequency
62. OK  MS  NA  • Direct Mail Communications?
63. OK  MS  NA  • Telephone Marketing?
64. OK  MS  NA  • Promotional Events?  
 - trade shows  
 - seminars/workshops
65. OK  MS  NA  • Publicity and Public Relations?  
 - news releases  
 - articles  
 - speeches  
 - industry associations - participating in
66. OK  MS  NA  • Sales promotions?
67. OK  MS  NA  • What will change from the "entry strategy" quantitatively? qualitatively?
68. OK  MS  NA  • How will you support growth for the long term:  
 - operationally?  
 - financially?  
 - human resources?

**Exit Strategy**

This is to give the reader comfort that risk is under control. It answers the question, "If we are wrong, if something we hadn't counted on comes up and we need to get out of the business, how do we do it without "losing our shirt" or damaging our reputation?"

69. OK  MS  NA  • Describe how you will minimize losses:  
 - unsold inventory & purchased equipment  
 - facilities established  
 - people hired.
70. OK  MS  NA  • Describe how possible damage to company image and reputation can be minimized.

**Regulatory and Legal Issues**

This section answers the question, "Will the regulatory authorities let us do this?"

71. OK  MS  NA  • Is it legally feasible? Can we legally offer the P/S?
72. OK  MS  NA  • Is it regulated or non-regulated?
73. OK  MS  NA  • If regulated are there any regulatory restrictions? Can we surmount these and, if so, is the opportunity potential worth the effort?
74. OK  MS  NA  • What is the regulatory/government attitude toward this type of P/S?

**Resource Requirements (human, operating, technical)**

This section gives the reader an understanding of what resources will be required to launch and sustain this business. It answers the question, "What will be our investment in resources and where will we get them?"

75. OK  MS  NA  • What human resources will be required near term? Eventually?
76. OK  MS  NA  • Who is/will be involved in this business; their relevant background & expertise?

77. OK  MS  NA  • What other operating resources will be required for the entry and growth strategies and on what time scale?
78. OK  MS  NA  • What technical resources will be needed and when?
79. OK  MS  NA  • Are there specific skill set requirements necessary to successfully develop, launch, and maintain this P/S?

#### **Financial Projections**

This section is to demonstrate a clear view of the financial feasibility of the business. It answers the questions: "When will we start making money on this venture? How much will we make if we meet projections, If we don't meet projections?" "When and how will we be able to pay off any loans required?"

#### **Pricing:**

80. OK  MS  NA  • Competitive
81. OK  MS  NA  • Yours - rationale
82. OK  MS  NA  • Price/demand issues
83. OK  MS  NA  • Changes planned over time
84. OK  MS  NA  • Likely competitive response—is a "price war" possible? Can you tolerate?

#### **Sales Forecasts:**

85. OK  MS  NA  • Estimate what you expect (hope) to sell—rationale
86. OK  MS  NA  • Growth rate—rationale
87. OK  MS  NA  • Worst case scenario
88. OK  MS  NA  • Competitive or similar histories
89. OK  MS  NA  • Market share goals—rationale

#### **Financial Statements: (projected over two to three years)**

90. OK  MS  NA  • What significant capital assets will be needed? When? At what cost?
91. OK  MS  NA  • Sales forecasts
92. OK  MS  NA  • Operating expenses and all costs in detail
93. OK  MS  NA  • Estimated profit expectations
94. OK  MS  NA  • Cash flow projections

#### **Near Term Action Planned**

This section is to answer the question, "If we approve this loan, what will you do in the next several months?"

95. OK  MS  NA  • Describe what you plan on doing in the next 90 days should your Business Plan and loan be approved.
96. OK  MS  NA  • What near term decisions and resources are needed to implement your plan?