

Business Plan Guideline

A formal business plan can be invaluable. It will be needed for obtaining financing, it can serve as a guide for the policies, strategies and tactics needed for running your business, it can be shared with potential key employees, it can serve as a key document when you sell your business and the process of preparing it will force you to focus on the issues that are essential for the success of your business.

To prepare your plan, you may want to initially organize it in a three-ring binder with each of the numbered items as separate sections. Your business plan should be a "living document" that is reviewed often and modified as needed. Using a binder will enable you to easily make changes. You can always print the current plan for formal presentations.

1. Title Page

The title page should include the name and address of the business, the owners of the business, contact information (person, phone number and email address). You should also include your logo, if you have one. You may also want to include the date it was originally prepared and note the date of any changes.

2. Executive Summary

A succinct summary of the plan should run no more than one page and less than a page if possible. The summary should give the reader insights into:

- What your business does.
- Who your customers are.
- What your competitive advantage is.
- The financial dynamics of your business.
- Any capital requirements, if it is being used to help secure financing.
- A short history of the business including major developments and the key employees.

While this sounds like a lot to summarize in less than a page, here is one sentence that covers the first, second and part of the sixth items above. *ABC Bicycle, Inc. was formed by John Smith, the current majority shareholder, in 1994 to manufacture high-end mountain bicycles for sale to specialty bicycle retailers in the Rocky Mountain region.*

3. Table of Contents

The Table of Contents deserves a full page and a separate section because it will be the reader's guide to the plan. For each section, include a one sentence description of what is included.

4. Business Description

Describe your business in a way so the reader will understand how your business fits into its industry and fits into the market place. This includes an overview of the industry and major competitors. Industry trends should be supported with references to authoritative sources such as government publications or industry analysis from professional research firms.

You should also include information on the legal structure of your business with details on ownership, the principal employees and your directors, if you have a Board of Directors.

The business description should include information on your products or services. Be sure to describe how your products or services compare to those of your competitors. Any unique competitive advantages should be spelled out in detail. The reader of the plan will ultimately make decisions (financing, employment, purchasing) based on their perception of the potential for

the success of your business. Be sure to give them all the information they need to arrive at a fully informed conclusion.

5. Marketing Strategies

No matter how good your products or services are, someone has to buy them. This section will include a great deal of information and the results of your research and your thinking.

- **The Market** - Include information on your market in terms of overall size, any geographic constraints, pricing constraints, growth trends of the market and how your estimates on what share of that market you can secure.
- **Positioning** - How you intend to have customers and potential customers view your products or services compared to those of competitors is critical. Generally, you must convert the features of your products or services into perceived benefits for the customer. Then, you must have a convincing argument for why your products or services are superior to those of your competitors. Often it comes down to a quantifiable differentiation by the unique nature, quality or pricing of your product or service. In other cases, it may be through a level of service offered to customers.
- **Pricing** - Setting your prices can be one of the most important factors in determining the ultimate success of your business. The description your pricing strategy must not only include the financial aspects (making sure your prices cover your costs), but also include how you are using your pricing to compete. Include your intention to use short-term and long-term pricing strategies to accomplish your goals - gain share, maximize current profits or maximize the long-term value of your business.
- **Distribution** - How are your products or services sold and who does the selling to the ultimate user? Do you sell directly to consumers, sell to retailers or use manufacturer's representatives? Include details on any distribution agreement you may have in place.
- **Promotion** - How do you inform potential customers about your products or services? Include descriptions of your advertising and public relations efforts as well as information on any direct mail or sales promotions you may use.

This is a good place to include copies of brochures, advertisements and company literature you may use.

6. Competitive Analysis

You as well as the reader of your business plan must understand where your business fits in your industry. Not only should you identify your competitors, you should identify their strengths and weaknesses and how your business can take advantage of their weaknesses and compete against their strengths. Detailing why competitors are successful or unsuccessful demonstrates that you understand your market and provides insights into how to copy their successes and avoid their failures.

It may make sense to include a table with your comments on each competitor's products, pricing and service.

Competitor	Product	Pricing	Service
ABC	Very high quality with unique attributes.	Very expensive	Multiple locations with highly knowledgeable personnel.
XXX	Generic with little ability to customize.	Least expensive	Sales through the Internet with poor customer service.
ZZZ	Generally, medium quality, but with flexibility to upgrade or	Middle of the road, but flexibility to customize can result	Very capable service personnel, but with limited locations and availability.

	downgrade to customers' desires.	in high or low prices.	
My Company	Unique features are highly desirable to certain customers.	Expensive, but perception of quality is accepted by customers.	Highly trained and enthusiastic personnel are available in limited locations. Quality telephone support is available during business hours.

7. Development Plans

This section describes your plans for growth of your business. How will you develop new products, new markets and the organizational capabilities to grow into a larger, more profitable business? If the purpose of your business plan is to help secure financing, this section is where you can justify the need for the financing and describe how it will be used.

If your market analysis has identified the opportunity to expand your product offering, describe the new products you intend to develop including the costs of development and your goals for accessing the potential market. If you intend to enter new geographic or customer markets, include as much specific information as possible on your plans for developing those markets.

The other critical issue to include in this section is to describe how your organization can and will grow. Specifically, discuss how you will supplement your management, marketing and selling capabilities. Identify job functions that need to be filled or need to be strengthened. The readers of your business plan need comfort that the business can function efficiently and grow. They also need comfort that the human resources needed for that functioning and growing are in place or can be in place as needed.

8. Operations

This section includes information on exactly how your business functions from physical, marketing and human resources points of view.

Include descriptions of your locations, work flow, product development, order processing and shipping.

To describe your marketing and selling, you may want to organize it around the definition of marketing - identifying and understanding the needs potential customers, positioning your products or services as solutions to those needs and then facilitating the purchase decision and fulfillment of that purchase.

In most, if not all businesses, the ability to attract, retain and motivate employees is critical. Include information on your hiring, employee evaluation and compensation practices. Describe any employee benefit programs you have such as formal insurance and retirement plans and any other perks you offer employees.

9. Management Plan

How are decisions made and who makes them? An organization chart can present a formal look at the management process, but also include descriptions of how the flow of information takes place among decision makers. Do the structural and informal relationships among senior management result in key information being available and considered as decisions are made?

For many businesses, especially new ones, the lack of a management succession plan is a serious weakness. If your business has one, be sure to describe it. If you do not have a plan in

place, create and implement one. It is essential that the business can continue to function and grow if a key manager leaves, dies or is no longer able to function effectively.

10. Key Personnel

Readers of the business plan will want to make sure that the people running the business are capable. The information on key employees should include their current functions, their history with the company and their professional backgrounds. Depending on the size and nature of your company, the number of individuals included will vary. At a minimum, include information on the CEO, operational managers, marketing and financial executives, major shareholders and members of the Board of Directors.

You should also include information on any employment contracts you may have with these people.

11. Financial Information

This section should include historic and projected results. Audited (or unaudited) balance sheets and income statements for the past two or three years should be included. Projections of income and cash flow for the current year and at least one additional year should also be included.

Depending on the nature of your business, you may also want to include detailed information on accounts receivable, inventory, fixed assets and investments.

12. Other Items

Your business plan should include a complete picture of your business and enable readers to fully understand the nature of your business and make informed decisions. Make sure they have everything they need.

Other items you may want to include:

- Information on important patents or proprietary processes you may have.
- Information on contracts or relationships with major customers.
- Information on contracts or relationships with key vendors.
- Details on other important contracts or leases.
- Details on any current or threatened litigation.

If you are using your business plan as part of a request for financing, you may also want to include information on your personal finances such as tax returns or personal financial statements.

Closing Comments

The process of preparing a business plan can be exhaustive. Gathering the information, organizing it into a logical and understandable form and then creating a document will take time and effort. If your business plan is helpful in obtaining needed financing, attracting a key employee or ultimately selling your business, it will have been worth the effort.

By making your business plan a living document that is constantly updated and used as a guide for making operational decisions, it will be an invaluable and integral tool for running your business more effectively and more profitably.

Preparing to Borrow Guideline

Whether it is for the start-up or growth phase, most businesses ultimately need to borrow money. Here are some issues to consider as you approach the borrowing process. Addressing them as

you start the borrowing process can increase the chances of getting the loan and make the process much easier.

1. Reasons for Borrowing

Every potential lender will want to know the purpose of the loan. As with personal borrowing, potential lenders will look more favorably if the funds are going to be used to produce lasting value for the business. A loan to expand the business to meet the needs of a signed contract with a major customer will be more attractive to a lender than one where the proceeds would be used to meet ongoing operating payroll needs due to a slow down in the business.

Build a case for how the funds will enhance the short-term and long-term results of the business.

2. Borrowing From the Right Source

Be sure you have considered all of your alternative sources of capital before you go to a financial institution. While running up your credit card balances can be expensive and asking relatives for funds can be difficult, those alternatives may be preferable especially if the loan is for a small amount or for a short period of time.

Are you approaching lenders that are accustomed to making loans to businesses of your size, in your industry or in a specific geographic area? If the institution already knows you, your business, your industry and potentially your customers, they may already have a great deal of the information they need to make an informed lending decision.

If you expect to use the funds to purchase a piece of equipment, you may want to discuss equipment leasing options with the equipment seller. Many manufacturers of machines (from office equipment to large industrial equipment) have leasing arrangements with lenders that may be familiar with your type of business.

You also need to consider whether your primary financial institution is the right lender to approach.

3. Type of Loan Sought

Does the repayment term of the loan match with your expected cash flow? For example, will receipts from your receivables enable you to meet the payment terms.

Be prepared to offer collateral that is tied to the purpose of the loan. Getting a loan to purchase a large new machine may require you to offer a security lien on the machine as collateral. Try to avoid pledging large amounts of collateral for relatively small loans.

Depending on the size of your business, you may want to investigate a Small Business Administration loan. The SBA encourages lending to small businesses by guaranteeing parts of loans made to businesses of certain sizes where the proceeds are being used for certain purposes. You can talk to an institution offering SBA loans to learn more. While the paperwork and time frames may be onerous, this may be an option to consider.

4. Documentation Needed

You will be required to complete a loan application which will require corporate and perhaps personal financial information. In addition, you will probably need to provide:

- Tax returns for the business for the past couple of years.
- Potentially, personal tax returns for the past couple of years.
- Financial statements for the business for the past couple of years and a year-to-date statement. The lender will probably want both income statements and balance sheets.

- They may also want detailed information on accounts receivable, accounts payable, investments and fixed assets.
- A historic cash flow statement along with projections for the current year.
 - The lender may also want copies of significant contracts with customers and vendors.
 - Other important information such as patents or key proprietary information.

5. Business Plan

Your business plan should play a major role in your decision to borrow and may play a major role in a lender's evaluation of your loan request. The major components of the plan should include:

- Business description
- Marketing strategies
- Competitive analysis
- Development plans
- Operations
- Management plan
- Key personnel
- Financial information
- Other important information

Be sure your plan is up to date and provides all the information the lender will need to understand your business and make a fully informed lending decision.

6. Business Practices

Any lender will want to evaluate how you run your business and you should be prepared to answer these questions:

- Do you have a credit policy and is it enforced?
- Does your accounting system adequately show the condition and results of your business?
- What is your accounts payable policy? Do you negotiate favorable terms with key vendors prior to placing of orders? How current are you with payables? Do you take advantage of discounts for prompt payment?
- What type of insurance coverage do you have? Is there adequate insurance for liability and property damages?

7. Taxes

- Are all your payroll, property and income tax filings current?
- Do you use the services of a qualified tax professional to help ensure that your tax benefits are maximized?

Borrowing money for your business is a serious step. Use the process of getting ready to borrow as a tool to evaluate your business and plan for its success. The proper preparations can strengthen your business and strengthen your case for borrowing.

Business Opportunities on the Internet

The Internet is changing the way we live, communicate and buy. It has quickly become the communication of choice for many consumers and many businesses. While not every business

needs an Internet presence, more and more businesses are using websites as an integral part of how they do business. This article is meant to provide some ideas to consider as you think about a new or enhanced Internet presence.

What are you trying to accomplish?

Most business websites fall into one of four categories - basic information about your business, information on your products or services, electronic commerce or communication channel (email). One of the attractive aspects of the Internet is the ease with which changes can be made. As such, many businesses are regularly modifying their websites as they find out what works and what doesn't work. If you are considering establishing a website, remember that you will probably want to change it often. If you already have a site, don't forget to evaluate it periodically and enhance it as the market or your business changes.

Basic information

Be sure to include information about your business. This should include making it easy to find phone and fax numbers, your address and probably some information on the principals of the business. Many consumers and business prospects use the Internet instead of a phone book. It is easier and often more convenient.

Product or service information

Tell web visitors what you offer. With the difficulty of making actual phone contact, enabling a customer or prospect to learn about your products at your website saves time and frustration. Most product descriptions on the Internet are relatively basic. They don't have to include everything you would normally include in an actual presentation. A visitor should be able to determine if the product or service is likely to meet his or her needs. Most websites do not include pricing, especially if the product is higher priced or has some pricing flexibility.

Electronic commerce

More and more business websites are incorporating the actual sales process. They are becoming somewhat like catalogs, only faster. There are services available that can enable this with "shopping carts" and credit card processing. However, most small businesses usually do not have the volume to make this feasible.

Communication channel

An Internet website can generate leads effectively. Many businesses are finding that by including a "Contact Us" section, they are getting more leads than by direct mail. The key is to follow-up quickly on these leads. Including an "Email Us" section also is highly advisable. Visitors often use this email function to provide information, request calls or simply to communicate because it is the easiest way to send email. Be sure to check your incoming email frequently.

Attracting visitors

Be sure to include your website address on all your materials. This includes business cards, sales literature and other advertising. Another way to attract visitors is through listings in online directories. Many trade associations and commercial entities offer directories. Sometimes they are even free of charge for basic listings. Be sure to be included in those directories that your customers and prospects are most likely to use. For websites aimed at consumers, your website designer may be able to use special "meta-tags" to make your site more likely to be shown in various search engines.

Web design and hosting

This often the most intimidating part of the process for those considering establishing a website. Using an outside service to create, manage and host your site probably makes sense when you first start. You can find many such services by just asking others or by searching the Internet. As

you get more comfortable with the entire online process, you may want to take over the managing of your site.

Summary

A presence on the Internet is fast becoming a necessity for most businesses. The sooner you get started by looking at your competitors' sites and considering what you wish to accomplish, the sooner you can start enjoying the rewards of Internet marketing.