

## Preparing a Business Plan

A business plan is a formal document which explains in detail your strategy for developing a financially successful business. Writing a good business plan is a must if you expect to receive financing. Virtually all sources of financing will want to see your plan and a substantial part of the lender/investor's decision on whether or not to finance the business is based on this plan.

There are several other very good reasons for you to prepare a business plan. Writing a plan forces you to consider important issues and to answer fundamental questions about your business before you actually start the business. As such, it helps you to organize your thoughts, as well as your resources. It helps you to communicate the specifics of your business idea to others, including business advisors, potential suppliers and major customers, and family and friends. Your plan will provide a "yardstick" against which you can measure your progress during the initial years of your business. And research has shown that businesses that start with a formal business plan are considerably more likely to succeed than those that go without a written plan.

Here is an outline to follow in preparing your plan:

### **I. Executive Summary** (2 pages maximum)

This is an important section of the plan because it should provide a concise overview of the complete plan. Often a lender or prospective investor may read only this section and the financial plan. This section should be written only after the rest of the plan is finished.

### **II. Business Description**

- A. Type, form and history of business
- B. Mission and goals of the business
- C. Description of products/services
- D. Why will this business be successful?
- E. What is the growth potential?
- F. What is your "competitive advantage"?

### **III. Industry Analysis**

- A. Describe recent trends in the industry
- B. Characteristics of firms in the industry:
  1. Average firm size
  2. Cost structure
  3. Typical profit margins, gross and net
  4. Seasonal sales patterns
  5. Other important characteristics
- C. Industry outlook/forecast

### **IV. Competitive Analysis**

- A. Who are the competitors?
- B. Describe/profile key competitors
- C. Strengths/weaknesses of key competitors
- D. What can you learn from competitors?

### **V. Market Analysis**

- A. Define the market (who buys and why?)
- B. How is the market segmented?
- C. How large is the market?
- D. Identify your target markets
- E. Describe customer buying practices
- F. Describe market trends and growth potential

### **VI. Marketing Plan**

- A. What are your marketing objectives?
- B. How will you position your business in the market?
- C. Describe your pricing strategy
- D. How will you advertise and promote your products/services?
- E. What channels of distribution will be used for your products/services?
- F. What is your marketing budget?

## **VII. Management Plan**

- A. Who will manage the business?
- B. What qualifications do they have?
- C. Describe strengths/weaknesses of the management team
- D. What legal format will be used?
- E. Describe your accounting and recordkeeping system
- F. What consultants or specialists will you need?
- G. How will you use them?

## **VIII. Operations Plan**

- A. Describe your production and/or service delivery methods
- B. Describe your facilities, capital equipment and technology requirements
- C. How many employees will you need?
- D. What will they do and how much will they be paid?
- E. Who are your suppliers and contractors?
- F. Identify fixed and variable costs of production/service delivery
- G. Describe your quality control methods

## **IX. Financial Plan**

- A. Provide a detailed list of start-up costs
- B. What is your break-even volume?

- C. Provide pro forma (projected) financial statements for first three years:
  - 1. Income statement (profit & loss)
  - 2. Cash flow statement
  - 3. Balance sheet
- D. Explain all assumptions used in developing financial projections
- E. Identify potential sources of financing

## **X. Milestone Schedule**

- A. What is the timeline (key activities and target dates) for start-up?
- B. Describe key objectives and the schedule for their accomplishment

## **XI. Critical Risks**

- A. What potential problems could arise?
- B. How likely are they to occur?
- C. How do you plan to manage or overcome these problems?

## **XII. Appendix**

This section should include all supporting documentation such as resumés, market statistics, drawings, contracts, advertisements, price quotes, magazine articles, etc. Don't "clutter up" the main text of the business plan with these items. They should be referenced in the text and placed here.

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Only you (and the members of your management team) can write your business plan. A business plan is an expression of your ideas and no one can possibly understand your ideas, what you want to do, better than you. You could get someone else to write your business plan, but then it wouldn't really be your business plan, it would be theirs.

This doesn't mean that you can't or shouldn't get some help in preparing your business plan. If you need help with the writing, the research, or the financial projections, there are many sources of assistance available and you should take advantage of them. The UW-Eau Claire Small Business Development Center is one source of assistance to call upon as you write your plan. Call Jim Mishefske at the SBDC at 715-836-5811.

