

Developing An Effective Business Plan



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Overview



- General tips
- Getting started with your plan
- Structure of your plan, including:
 - Executive summary
 - Business overview
 - Products and services
 - Industry overview
 - Marketing strategy
 - Management and staffing
 - Regulatory issues
 - Risks
 - Implementation plan
 - Financial plan
- Questions and answers

General Tips for Starting Your Own Business



- Don't underestimate the process of setting up!
 - Research (related laws and industry trends)
 - Legal issues (structure, copyright/patents, licenses, insurance, filings, and EIN)
 - Resources (vendors, CPA, attorney)
 - Banking (business checking, escrow accounts)
 - Record keeping
 - Location (zoning, building codes)
 - Web presence?
 - Obtaining financing (start early!)
- Know when to quit your day job!

General Tips for Starting Your Own Business (cont.)



- Products/services

- What will you offer? How will you get it there? When and where? Global reach? - (“The World Is Flat” – Thomas Friedman)

- Marketing

- Identify your customer (To who?)
- How do you plan on reaching the customer and attracting their business?
- What is your *competitive advantage*?



General Tips for Starting Your Own Business (cont.)



- Adapting to changing business environment
 - Changes in economic, industry, and legal trends?
 - How will you prosper in these changing environments?
- Financial
 - Who will your shareholders be?
 - Founder/management contributions (if any)
 - Research least expensive financing options
 - Debt vs. equity financing
 - Net worth requirements (licensing, vendors/suppliers, lenders, franchises, etc.)

**Now you're ready to write your
business plan...**



Getting Started



- Know your audience (and be able to clearly and quickly articulate core benefits)
- Have a good Table of Contents
- Software
 - Use it to keep you organized
 - Remember that it doesn't know everything!
 - Use critical thinking - be sure to include ALL relevant information.
 - Know how financial calculations were made (helps in your analysis)

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Executive Summary



- Be concise
- Be sure to include:
 - Business description
 - Discuss ownership and management
 - Key initiatives and objectives
 - Marketing opportunities/competitive advantages
 - Summary of financial projections



Business Overview



- Business history
- Vision/Mission statement
- Objectives
- Ownership
- Location and facilities



Products and Services

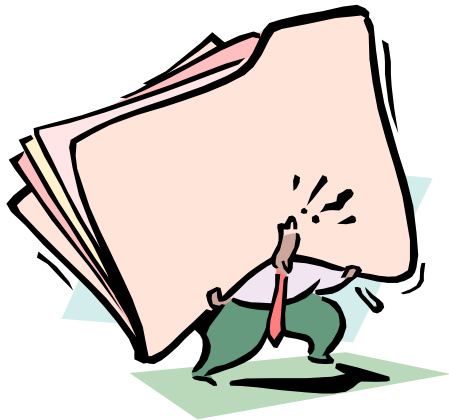


- Description of products/services
- Production of products/services
- Future products/services
- Comparative advantages in production

Industry Overview



- Market research
- Size of industry
- Key product and market segments
- Purchase process and buying criteria
- Description of industry participants - who are your competitors?
- Key industry trends
- Industry outlook



•*Helpful hint: Interview people from the industry!!!*

Marketing Strategy



- Target markets
- Analysis of competitive position!
- “4 P’s” of traditional marketing:
 - Product
 - Price
 - Promotion
 - Place/Distribution
- Online presence? (branding and “community”)



Management and Staffing



- Organizational structure
 - Hierarchy or horizontal?
- Management team
 - Skills needed?
 - Experience
 - Gaps?
- Staffing
 - When to hire?
 - How many employees?
 - Contingency plan (layoffs)
- Labor market issues



Regulatory Issues



- Know the rules of the game
- Discuss which licenses will need to be acquired.
- Discuss how you plan to meet industry standards.
- What is your plan for remaining informed about new industry regulations?

Risks



- Market Risks

- For example:

- The mortgage industry could experience significant rate increases. How do I plan on dealing with this?
 - The number of mortgage brokerage businesses could increase dramatically. How will I keep my competitive advantage?

- Regulatory Issues

- For example:

- Increases in regulation of the mortgage industry could lead to increased costs for maintaining licensure and can quickly change business environment.

Implementation Plan

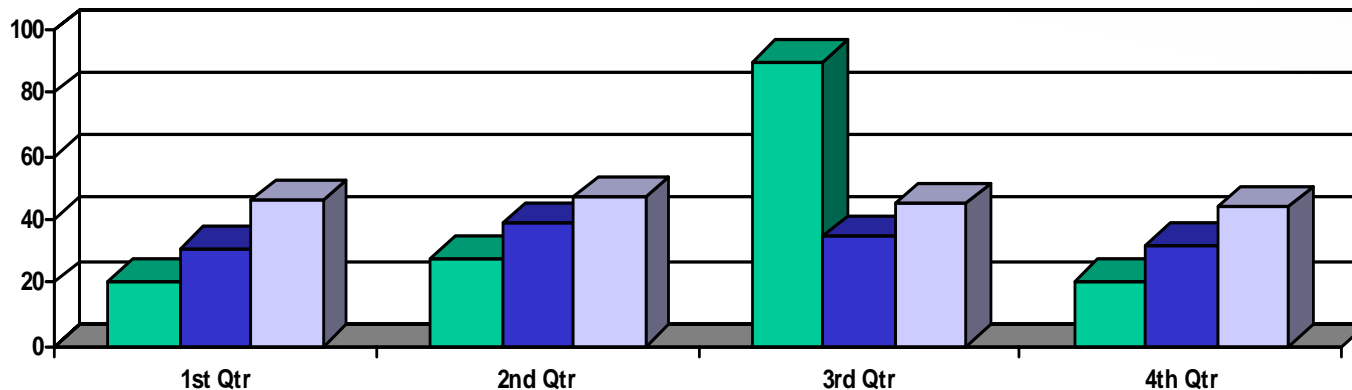


- Gives a timeline of dates and activities.
 - For example, a start-up company might want to set specific timelines for:
 - Obtaining necessary licenses
 - Developing working relationships with CPA's, attorneys, and other personnel necessary for business operation
 - Beginning to market products/services

Financial Plan



- Pro-forma income statement
- Projected cash flow
- Pro-forma balance sheet
- Ratio analysis
- Projections should include first 3 years
- Provide detail on assumptions



Resources



- SBA and SBDC offices
- Regulatory agencies (call or check online)
- NETWORK, NETWORK, NETWORK!!!
- Links:
 - www.irs.gov/smallbiz (provides on-line tutorials)
 - www.sba.gov
 - www.entrepreneur.com
 - <http://www.risbdc.org>
 - <http://www.everycompanycounts.com>

Other Challenges to Consider:



- Finding and maintaining balance
- Full time “motivator” and problem-solver (suppliers, employees, customers, partners, etc.)
- Requires a tremendous amount of energy (both mental and physical)
- Communication skills are critical!
- Marketing on a “shoe string” budget