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BUSINESS PLANS 101

Whether you’re thinking about starting a business or looking for financing to expand one you’re already running, you’ll find writing a business plan beneficial, if not essential.

Many lenders won’t give you money unless they know you have a well-thought out strategy for where you’re going and how you’ll get there. Even if you’re approaching friends and family for money, people who won’t require you to have a plan, it will be helpful to write one. By simply going through all the necessary steps to put one together, you’ll wind up with a clearer idea of what you’re trying to accomplish and the challenges you might face along the way.

Before we get into the how-to, let’s take a deeper look into what writing a plan will do for you. The first clue comes right in the description of what a business plan is: a roadmap of your business that outlines your goals and spells out how you aim to achieve them. In other words, it’s a guide for how to set up your business and run it on a daily basis to help you reach your long-term goals. And as we said, it’s a worthwhile investment of time and effort even if you don’t need to present it to potential investors.

Nine Benefits of Writing a Business Plan

1) FOCUS - Writing a business plan will help you consolidate all of your ideas in one place, hone your message and crystallize your vision. This will keep you from getting scattered, sidetracked, or pulled away from what’s likely to make you the most successful.

2) RESEARCH - The knowledge you’ll gain as you explore the industry you’re working in will be invaluable. You’ll get a much better understanding of the niche you hope to fill and where you fit into the market.

3) COMMITMENT - Taking a look at expense projections, sales and revenue forecasts, and all
the other dollars and cents aspects of your business will help keep you on track as you move forward and serve as a built-in warning system if you’re not where you’re supposed to be.

4) **EXPLORATION** - It’s easy to get so focused on the nuts and bolts of your business that you lose sight of the bigger picture. A business plan will help ground you, but also figure out where you fit within the greater whole, things you may not have taken the time to consider.

5) **OBJECTIVITY** - Talking to friends and family about your great idea can make it seem like a can’t-miss proposition. The supportive environment can make it difficult to anticipate real-world bumps and business realities. Doing the actual math while putting your plan together will help you see whether your idea is truly sustainable or needs some work. It’s vitally important to catch things early before you invest too much time or money.

6) **TEAMWORK** - Even solo businesses have team members, whether it’s a supportive spouse or a professional accountant or attorney. Larger companies may have someone to manage sales, another person for marketing, and one for operations. No matter how many people are on your team, it’s important to share the same goals and values as you work toward the future. A business plan will serve to get everyone on the same page as you move forward.

7) **ACCOUNTABILITY** - Business plans have a standardized set of components. Doing the work to put the plan together will make sure you think about all the important facets you need to cover, and give you standards to hold yourself to as you start to put the plan into effect.

8) **MEASUREMENT** - Laying out your goals and ideas in advance gives you something to check in with along the way to see how you’re doing. Where are you exceeding your expectations? In which areas might you be falling short? While it’s important to see your business plan as flexible, it’s great to have something in writing that helps you stay honest with yourself about your performance.

9) **RECRUITMENT** - When you’re looking to attract talent, your business plan will help give potential employees an overview of what you’re all about, and their reaction to the plan will help you know if they’re a good fit. Do they grasp the key issues involved with your business? Fill a slot you need to move forward? Great employees will appreciate how you’ve taken the time to assess your place in the market—as will lenders and investors when you need to raise money.
What Are the Different Types of Business Plans?

Okay, you’re sold. You understand the benefits of having a business plan and you’re committed to writing one. What comes next? Decide on what type to create.

Just as your goals and business will not look exactly the same as someone else’s, your business plan will be unique to you. Certain elements belong in each one, and we’ll explain each of those below, but your presentation might be completely different. Most importantly, think about who the audience is and what the goals are for the plan. Most business plans will take one of the following shapes:

**MINIPLAN**
As its name suggests, a miniplan isn’t a lengthy document. It can be as short as two to 10 pages, as long as it covers your concept for the business, how you’ll finance and market it, and financial information such as operating expenses, cash flow, income projections and a balance sheet. It’s a great way to lay out your concept or have basic information to show to potential partners or investors. Know your audience, though. A miniplan isn’t a substitute for a longer, full-length document. If it’s for your own personal use, this might suffice. An investor or lender may be looking for something more.

**INTERNAL WORKING PLAN**
If the primary purpose of your plan is to use it to run your business, it doesn’t have to be nearly as formal as a traditional, full-scale business plan. You’ll want it chock full of details about your finances and objectives, but you can leave out the parts that would mostly be necessary for outsiders, like resumes of key executives and photos of products or prototypes.

Your final presentation can also be a bit less fancy. No need to print it out on nice stock and put it in a beautiful binder. You don’t even have to print it at all, if it’s on your computer. What’s in the plan is far more important than what it looks like. Like the old, oft-folded road maps we kept in the glove compartment before the days of smartphone GPS apps, this is a document you’ll live with, something that will help guide you and keep you on the right path.

**A FORMAL PRESENTATION PLAN**
This is likely the kind of document that originally came to mind when we started talking about business plans. This is the real deal, the one that’ll take the longest, probably be the longest,
and will be suitable for showing to lenders, investors and anyone else you need to impress outside the company. When we detail the components below, plan to include all of them in your final document. And pay attention to presentation, spelling and grammar. As opposed to your own in-house plan, a formal presentation plan requires recognized business language and should avoid slang, jargon and shorthand only you will understand. It must be well-written and consistent, especially where numbers and finances are concerned.

Your presentation plan should be printed on high-quality paper, with color, especially if you’ve included product photographs. It should include charts, graphs, tables and illustrations, and be professionally bound.

**E-PLAN**

While having a printed document is still recommended, and may even be required by a potential lender or investor, many business documents are transmitted electronically today, so it’s smart to have a version of your plan that looks great as an electronic document. This could be a simple PDF of what you’ve had printed or something more elaborate, with clickable spreadsheets to manipulate projections. As with each of the above plans, let your needs dictate what kind of document you create.

**Elements of a Business Plan**

A formal plan will include all of the following items, and less formal plans, like mini or working plans, will include many of them. We’ll expand on each of them in the subsequent sections of this guide.

**EXECUTIVE SUMMARY**

An overview of what you want to accomplish. This is usually the first page of your plan after the title page. However, you might want to save writing it until the end, as it sums up all you’ve presented.

**BUSINESS DESCRIPTION**

A description of your company and its industry, along with the current outlook and possibilities for the future.
ORGANIZATION AND MANAGEMENT
Explain how your company will be structured. What does the management team look like? How many employees will you need? Will you have other individuals in charge of certain functions, or run everything yourself? Which tasks will be assigned to each division? What are the expenses related to operating the business?

PRODUCTS AND SERVICES
What, exactly, are you selling or providing? This is where you fully explain your concept. Include a description, the suppliers you’ll use (if any), what your costs are, how you determined them, and how your product or service is different from what’s already available.

MARKET ANALYSIS AND STRATEGIES
A look at who your competitors are, how you are different, your strengths and weaknesses compared to the competition, what kind of market share you’re hoping for, and how you will position yourself to get there.

SALES AND MARKETING
Given what you know about the existing business conditions, how will you market your product or company? How will you sell? Will you have a sales force or use outside representatives? How will you build the company, handle expansion, and recruit and compensate your employees?

FUNDING REQUEST
If the main purpose of the plan is to help you raise money, whether from investors or through a loan, this is where you’ll spell out what you need. How much are you looking for right now? How might that change over the next five years? What do you plan to do with the money?

FINANCIAL PLAN
This section will be imperative if you’re looking for money, but it’s important no matter what. Spelling out your sales projections for the future will help you closely examine costs, decide how you’ll allocate your resources, and whether you actually have a viable idea.

APPENDIX
This is optional, but would be the place to include information like the resumes of your key management team, reference letters, product photos, copies of major contracts and other pertinent legal documents.
How to Best Use Your Business Plan

Most importantly, actually USE it, even if it’s not being submitted to a financial institution. You’ve done all the research, the thinking, the projecting, and the writing. Don’t just toss it all in a drawer and forget about it. Take it out on a regular basis, read it, and see how you’re doing.

Remember, it’s called a “plan”, and things don’t always go as planned, so if you see that you’re veering off course, whether intentionally or inadvertently, now is the time to make whatever adjustments are necessary. A business plan is only a snapshot of where you were at the time you wrote it, and it needs regular attention and revising to stay relevant and valuable.

With all the work you did to put it together, you’re already a giant step ahead of most of your competitors. Keep it current to reflect what’s going on now, along with the knowledge about your market you’ve picked up along the way. If a sales strategy isn’t working, eliminate it and find another. When a particular marketing tool produces gangbuster results, allocate more resources that way. As the plan grows and changes with you, it will be an even better guide to your future strategy and success.
BUSINESS PLAN SECTION 1: EXECUTIVE SUMMARY

The executive summary is the first thing someone will read when they start making their way through your business plan, which makes it vitally important. Just like a great movie trailer excites you about seeing a film, or a book jacket blurb entices you to pick up a novel, the executive summary needs to engage your readers and spark their interest.

Interestingly, many experts suggest that even though this section comes first in the finished document, you don’t write it until last—after you’ve put the rest of your business plan together. The executive summary is essentially your first pitch, whether it be to a lender, an investor, or a potential employee. If you don’t write a decent executive summary, there’s a chance the rest of your plan won’t even get read. If you hit it out of the park, you’re closely approaching your desired result.

What Goes Into the Executive Summary of a Business Plan?

As we mentioned, business plans can serve several different purposes and be aimed towards different audiences. What you include in the summary will depend on where in the business cycle your company is and what the plan is for.

In every case, keep in mind that this is a summary! Make it impactful but keep it concise. Try your best to fit everything on one page, but two should definitely be your limit.

COMPANY INFORMATION

The company information to include is the name of your business, when it was formed, the names and roles of the founders, how many employees you have, and where you’re located.
THE PROBLEM YOUR BUSINESS SOLVES
Remember that if your product or service doesn’t answer a need or isn’t solving a problem, you don’t have a viable business. The problem may be as simple as: “There are no day spas within a 50 mile radius,” but you need to state the problem you’re solving.

If you have a mission statement for the company, it might fit in here, or you can include it in the company description section instead. A mission statement isn’t a required element of a business plan, but creating one could help give you direction and define the character and culture of your company.

THE SOLUTION YOUR BUSINESS PROVIDES
How will you address the existing situation you described and solve the problem? Keep in mind that this is a summary, so you don’t need to go into detail; the rest of your plan will cover that.

THE CONCEPT
Explain whom you’re marketing to and how your concept fits what they’re looking for. Going back to our fictitious day spa, describe the environment you’ll create; for example, whether you’re targeting a clientele that will appreciate a peaceful environment, an upscale luxury market, or something with more mass appeal, and how your concept fits that.

HOW YOU COMPARE TO YOUR COMPETITION
Even if there are no day spas in your area, there may be gyms that offer massages, beauty salons that do facials, etc. Discuss how your business will solve the problem better and more successfully. Why would a potential customer choose you?

YOUR TEAM
You’ll introduce them extensively later on, but introducing your team will excite your readers and show them why you’re uniquely qualified to be successful. If you don’t have everyone on board yet, that’s okay. Talk about the positions you intend to fill and how you plan to do that.

YOUR CURRENT SITUATION
Describe where you are now with the business and what you’ve already accomplished. It’s okay to be just starting out, but talk about the progress you’ve already made. If you’ve found the perfect spot, mention it here. Perhaps you have an interior design already. You should include the drawing later in the plan, but mention it here.
YOUR GOALS
Where would you like to see your business headed? What are you trying to achieve? If you’re writing a business plan to help you secure a loan or investor, how will that infusion of money help you get there?

If you’re running an established business, you’ll need to outline your current revenue and expenses, but save the nitty-gritty details for the financial section of the business plan.

The executive summary section of a business plan for a new business can offer information about its business model and how you plan to earn revenue. You should also share financial projections and your anticipated expenses.

If your business plan is for your own use as an operational tool, you can be a little less formal with what you include in the executive summary. Concentrate on the problem-solving and conceptual details of the business.

How to Format the Executive Summary

Start with a paragraph that grabs the reader’s attention. If you have a compelling anecdote about the company, an interesting fact, or relevant statistic, include it here. Some summaries open with a statement about the purpose of the company or its mission statement.

After the opening paragraph, you can follow the order of the following sections of the plan. Each topic belongs in its own paragraph. And because this is a summary, cover them in just two or three sentences each. In your final paragraph, tell the reader the purpose of the plan. If you want a loan, how much and for how long? If it’s an investment, are you looking for a percentage or specific amount? And what are you offering in exchange?

You want to create excitement and interest in your business, so use positive and compelling language. From your perspective, it may be entirely obvious that the universe has been waiting for your product or service, but that’s probably not the case for the people reading your business plan. Balance your enthusiasm with sincerity, don’t exaggerate, and persuade with facts. Be simple and clear so that even someone who is totally unfamiliar with your industry will understand what you’re saying.
BUSINESS PLAN SECTION 2: COMPANY DESCRIPTION

Think of this section of your business plan as a snapshot you can show to others to give them an understanding of who you are and what you’re all about. What do you do? How are you different from other businesses? What niche does your product or service fill? It doesn’t have to be lengthy, but it should be well-thought out to present you in the best light while being as accurate as possible. Some specifics to include:

COMPANY NAME
The official legal name of your business. If you haven’t yet chosen a name for your business make sure that it not only reflects your brand, but also that it has been properly registered.

BUSINESS STRUCTURE
Are you a sole proprietorship, limited liability corporation, partnership or corporation?

OWNERSHIP OR MANAGEMENT TEAM
Who are the key players? What makes them (or you) qualified to run your business? Also be sure to include your company’s organizational structure. Who does what and who reports to who?

LOCATION
Where are you headquartered? If you haven’t yet chosen a business location make sure to do your research on potential locations. Understanding regulations imposed on businesses in a particular location is essential.

COMPANY HISTORY
When and where were you founded? What inspired you to come up with the idea for your business?
MISSION STATEMENT
What is the purpose of your company? What need does your product or service fill? This will let customers, employees and the community know exactly what your business is all about.

PRODUCTS OR SERVICES
What, exactly, are you making or selling, or what service are you providing? Make sure you not only describe your product or service, but also emphasize its benefits to your potential customers.

TARGET MARKET
Who are you selling to? Who are the customers, organizations, or other businesses that your company will serve?

COMPETITIVE ADVANTAGES
What separates you from the competition? What is it about you that will make your business a success? Why will people want to do business with you?

OBJECTIVES
What would you like to accomplish in the immediate future, and what are your longer-term goals? Close your eyes and imagine where you see your business in five years.

VISION STATEMENT
What does the future of your company look like? How will you craft your vision statement?

Now that you have some ideas for the substance, think about the style. Even though the purpose of the company description is to give basic information about your business, it’s an opportunity to promote yourself and explain why you’re worth loaning money to or collaborating with.

If you had just a few moments with a potential customer or investor, what would you tell them about your business? Start with an elevator pitch—a quick, few sentence description that captures all the important information about your company, along with your passion for what you’re doing.

Some of what you’ll want to say about the company will be covered in other sections of the business plan, so keep this part more of an overview.
Let your passion shine. When you share the story of why you started your company and what keeps you motivated, it helps you stand out from the crowd and gives your plan a personal touch. Be professional, but don’t be afraid to let your excitement show and draw the reader in. Make them look forward to reading the rest of the plan.

That being said, don’t get carried away. It may be hard to find the balance between brevity and excitement about all you are doing and all you have planned, but it’s important to do so. Get an editor that you trust to make sure you’ve kept a professional tone yet conveyed the essence of what differentiates your business from others.

Editing is important. You may find that you tackle the company description first when writing your plan, then find you cover a lot of the information in greater depth as you go along. Definitely plan to read and re-read what you’ve written, and cut out any unnecessary or duplicate information.

Proofreading can sometimes be even more important than editing! Few things will make someone take you less seriously than typos, misspellings, and grammatical errors. This advice applies to more than just the company description portion of your business plan, of course. Make sure your business plan presents you in the best light, not just as far as content is concerned, but how it’s written, as well.

In summary, the company description is the basic introduction to your business. If someone reads only this part of your plan, they should be able to understand what you’re trying to accomplish.
BUSINESS PLAN SECTION 3: ORGANIZATION AND MANAGEMENT

This section, Organization and Management, is where you’ll explain exactly how you’re set up to make your ideas happen, and you’ll also introduce the players on your team.

You’ll want to break this section into two segments: one describing the way you’ve set up the company to run (its organizational structure), and the other introducing the people involved (its management).

Business Organization

Having a solid plan for how you will run your business is a key component of its smooth and successful operation. It’s important to define the positions in the company and which position is responsible for what, and to whom everyone will report. Over time, the structure may grow and change and you can certainly keep tweaking it as you go along, but you need to have an initial plan.

If you’re applying for funding to start a business or expand one, you may not even have employees to fit all of the roles in the organization. However, you can still list them in your plan for how the company will ideally operate once you have the ability to do so.

Obviously, for small businesses, the organization will be far more streamlined and less complicated than it is in larger ones, but your business plan still needs to demonstrate an understanding of how you’ll handle the workflow. At the very least, you’ll need to touch on sales and marketing, administration, and the production and distribution of your product or
the execution of your service.

For larger companies, an organizational plan with well-thought-out procedures is even more important. This is the best way to make sure you’re not wasting time duplicating efforts or dealing with internal confusion about responsibilities. A large company is also likely to need additional operational categories such as human resources and possibly research and development.

One way to explain your organizational structure in the business plan is graphically. A simple diagram or flowchart can easily demonstrate levels of management and the positions within them, clearly illustrating who reports to whom, and how different divisions of the company (such as sales and marketing) relate to each other.

Here is where you can also talk about the other levels of employees in your company. Your lower-level staff will carry out the day-to-day work, so it’s important to recognize the types of people you’ll need, how many, what their qualifications should be, where you’ll find them, and what they’ll cost.

If the business will use outside consultants, freelancers, or independent contractors, mention it here as well. And talk about positions you’d want to add in the future if you’re successful enough to expand.

**Business Management**

Now that we understand the structure of your business, we need to meet the people who’ll be running it. Who does what, and why are they on board? This section is important even for a single practitioner or sole proprietorship, as it will introduce you and your qualifications to the readers of your plan.

**OWNERSHIP**

Start at the top with the legal structure and ownership of the business. If you are incorporated, say so, and detail whether you are a C or S corporation. Whether you’re in a partnership or are a sole owner, this is where to mention it.

List the names of the owners of the business, what percent of the company each of them owns, the form of ownership (common or preferred stock, general or limited partner), and what kind
of involvement they’ll have with day-to-day operations; for example, if they’re an active or silent partner.

**MANAGEMENT**
Here’s where you’ll list the names and profiles of your management team, along with their responsibilities. Especially if you’re looking for funding, make sure to highlight the proven track record of these key employees. Lenders and investors will be keenly interested in their previous successes, particularly in how they relate to this current venture.

Include each person’s name and position, along with a short description of what the individual’s main duties will be. Detail his or her education, and any unique skills or experience, especially if they’re relevant to the job at hand.

Think of this section as a resume-in-a-nutshell, recapping the highlights and achievements of the people you’ve chosen to surround yourself with. Actual detailed resumes for you and your management team should go in the plan’s appendix, and you can cross-reference them here. You want your readers to feel like your top staff complements you and supplements your own particular skill set. You also want readers to understand why these people are so qualified to help make your business a success.

This section will spell out the compensation for management team members, such as salary, benefits and any profit sharing you might be offering. If any of the team will be under contract or bound by non-compete agreements, you would mention that here.

**BOARD**
If your company will have a Board of Directors, its members also need to be listed in the business plan. Introduce each person by name and the position they’ll hold on the board. Talk about how each might be involved with the business (in addition to board meetings).

Similarly to what you did for your management team, give each member’s background information, including education, experience, special skills, etc., along with any contributions they may already have made to the success of the business. Include the full resumes for your board members in the appendix.
BUSINESS PLAN SECTION 4: PRODUCTS AND SERVICES

This is the part of your business plan where you will describe the specific products or services you’re going to offer. You’ll fully explain the concept for your business, along with all aspects of purchasing, manufacturing, packaging, and distribution. You’ll go over suppliers, costs, and how what you’re offering fits into the current market and stacks up against your competitors.

How do you write the Products and Services section of a business plan?

If your product is technical, don’t get caught up in complicated industry jargon. Explain and describe what you’re offering in layman’s terms, so someone who isn’t familiar with your business will understand and be excited about it. Sometimes the simpler something is, the more impactful it is. It may be necessary to give some basic background if this is an area or industry most people are unfamiliar with.

While you write up the Products and Services section of your business plan, keep your reader in mind. Things that you might take for granted or know inside out might not be common knowledge to potential lenders or investors. As you write, avoid being too technical, assuming too much knowledge from your readers, and using buzzwords. The last thing you want to do is create any confusion about your product or service.

You don’t want to come off as condescending, but you do want to make sure everyone understands what you’re talking about. To see if you’ve succeeded, have some trusted people who aren’t in your industry proofread this section for you. Ask them to explain your product or service in their own words, along with the benefits of using the product or service—identify any points of confusion you’ll have to work to clarify.
Here are the points you want to write up in the Products and Services section of your business plan:

**THE PRODUCT OR SERVICE DESCRIPTION**
What is your product or service, and how does it work? How does it benefit customers? How do you make it or how will you get it made?

**PRODUCT COMPARISON**
What makes this product or service unique or better than what’s already available in the market? Why would someone choose to buy your product or do business with you over someone else?

**ACCREDITATIONS/INTELLECTUAL PROPERTY**
Have you had the product tested or certified? Gotten approvals from industry experts? Did you trademark, copyright, or patent your product? These can add substance and credibility, so be sure to mention them.

**LIFECYCLE**
Where are you currently with this product or service? Is it in the idea stage or do you have a prototype? Have you produced some and intend on expanding? Have you started offering this service already or are you still in the planning stages?

**PRICING**
How much will you charge for the products or services you’re offering? Where does this fit in with what’s currently available? By showing where your product or service fits into the market, investors and consumers can easily see how you plan on positioning your company.

**SALES AND DISTRIBUTION STRATEGY**
How will you sell it? Will you market it online or in retail stores? Have you lined up any vendors? How will you distribute it or deliver the service you’re providing? Marketing can make or break a product or service. Consider all the options and figure out what’s the best fit for your business.
FULFILLMENT
How will you fill orders or deliver the service? Will you manufacture items yourself or outsource to someone else? Who will handle distribution, and how? Make sure to also take into consideration the locations of potential distributors and how this may add time to order fulfillment.

REQUIREMENTS
Will you need any special equipment or technology to provide your product or service?

EXPANSION
Do you envision an expansion of future products or services once the business has successfully launched?

PHOTOS OR BROCHURES
It’s beneficial to include a visual representation of your offering. Visual aids will only strengthen your business plan and make it more impactful. Photos or brochures would generally be in the plan’s appendix, but you would refer to them in this section.

HOW DO YOU STAND OUT?
Perhaps most importantly, emphasize how and why you are competitive. How do you stand out, and why does this business have such a terrific chance at succeeding? When talking about your product or service, always try to answer why a client would want and/or need it. How will your offering make your customers’ lives better or easier? What need are you fulfilling or what problem are you solving?

To sum up, the product and services section of your business plan gives the reader a clear understanding of why you’re in business, what you sell, and how you compete with what’s already available or how you fill a niche that no one else is occupying.
BUSINESS PLAN SECTION 5: MARKET ANALYSIS

This is the part of your business plan where you really get to shine and show off your awesome idea. Be prepared to show you know your market AND that it’s big enough for you to build a sustainable, successful business. In writing up your market analysis, you’ll get to demonstrate the knowledge you’ve gained about the industry, the target market you’re planning to sell to, your competition, and how you plan to make yourself stand out.

A market analysis is just that: a look at what the relevant business environment is and where you fit in. It should give a potential lender, investor, or employee no doubt that there is a solid niche for what you’re offering, and you are definitely the person to fill it. It’s both quantitative, spelling out sales projections and other pertinent figures, and qualitative, giving a thoughtful overview of how you fit in with the competition. It needs to look into the potential size of the market, the possible customers you’ll target, and what kind of difficulties you might face as you try to become successful.

What Goes Into A Business Plan Market Analysis?

INDUSTRY DESCRIPTION AND OUTLOOK
Describe the industry with enough background so that someone who isn’t familiar with it can understand what it’s like, what the challenges are, and what the outlook is. Talk about its size, how it’s growing, and what the outlook is for the future.

TARGET MARKET
Who have you identified as your ideal customer? Include demographic information on the group you’re targeting, including age, gender and income level. This is the place to talk about the size of your potential market, how much it might spend, and how you’ll reach potential
customers. For example, if women aged 18 to 54 are your target market, you need to know how many of them there are in your market. Are there 500 or 500,000? It’s imperative to know. Similarly, if your product or service is geared toward a high-end clientele, you need to make sure you’re located in an area that can support it.

**MARKET NEED**

What factors influence the need for your product or service? Did the need exist before or are you trying to create it? Why will customers want to do business with you, choosing you over someone else? This is where you can briefly introduce the competitive edge you have, although you’ll get into that in more depth in following sections. Focus on how the product or service you’re offering satisfies what’s needed in the market.

**MARKET GROWTH**

While no one can predict the future, it’s important to get a possible idea of what business may be like down the road and make sales projections. Have the number of people in your target market been increasing or decreasing over the last several years, and by how much per year? To make an intelligent forecast, you have to start with current conditions, then project changes over the next three to five years.

**MARKET TRENDS**

Has a shift occurred to more natural or organic ingredients that might impact your business? How might energy prices figure in? The easy availability of the Internet and smartphone technology? The questions will be different for every type of business, but it’s important to think about the types of changes that could affect your specific market. In this section, you can cite experts from the research you’ve done—a market expert, market research firm, trade association, or credible journalist.

**MARKET RESEARCH TESTING**

What kind of testing and information gathering have you done to figure out where you stand in the market? Who have you spoken to about the viability of your product? Why are you confident it will succeed? Again, if you can, cite experts to back up your information.

**COMPETITIVE ANALYSIS**

Examine your competition. It might be helpful to try analyzing your position in the market by performing a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis. You need to
figure out their strengths and the weaknesses you can exploit as you work to build your own business. You do need to be brutally honest here, and also look at what the potential roadblocks are—anything that might potentially stand in your way as you try to meet your goals and grow your business.

**BARRIERS TO ENTRY**

Lenders and investors need to have a reasonable assurance they’ll be paid back, so they’ll want to know what would stop someone else from swooping in, doing what you do, and grabbing half the available business. Do you have technical knowledge that’s difficult to obtain? A specialized product no one else can manufacture? A service that takes years to perfect? It’s possible your industry has strict regulations and licensing requirements. All of these help protect you from new competition, and they’re all selling points for you.

**REGULATIONS**

As we discussed previously, you should cover regulations as a barrier to entry. If your field is covered by regulations, you do need to talk about how they apply to your business and how you’ll comply with them.

**Six Sources for Market Analysis Information**

Doing an analysis of the market really gives you the information you need to figure out whether your plans are viable, and tweak them in the early stages before anything goes wrong. So, where do you start? Research is the key here, and there are several sources available.

1. **THE INTERNET** - The first information you need is about population and demographics: who your potential customers are, how many there are, and where they live or work. The U.S. Census Bureau has an impressive amount of statistics available. Business USA is another good source for links to the U.S. Departments of Labor and Commerce.

2. **LOCAL CHAMBER OF COMMERCE** - A lot of local information can be acquired from the chamber of commerce in the area where you plan to operate. They can often provide details on what the general business climate is like, and get even more specific about the amount and what types of businesses are operating under their jurisdiction.

3. **OTHER RESOURCES** - Real estate agents can be a source of information on demographics
and population trends in an area. Catalogs and marketing materials from your competition are useful. Many industry associations have a great amount of relevant information for use in putting your analysis together. Trade publications and annual reports from public corporations in your industry also contain a wealth of relevant information.

4. CUSTOMER MINDSET - As a customer, what problems do you have that need to be solved? What would you like to be able to do better, faster, or cheaper? How does the competition work to solve those issues? How could this business solve them better?

5. SHOP THE COMPETITION - If you have a clothing store, visit others in your area. If you’d like to open a pizzeria, try pies from surrounding restaurants. Check out websites for pricing and other marketing information. Follow their Facebook pages. If you can’t be a customer of the competition, ask your customers and suppliers about them. Always be aware of what’s going on in the market.

6. TRADITIONAL MARKET RESEARCH - While you can gather a wealth of data online, your best information will come from potential customers themselves. Send out surveys, ask for input and feedback, and conduct focus groups. You can do this yourself or hire a market research firm to do it for you.

What to Do With All That Data

Now that you’ve gathered the statistics and information and you’ve done the math to know there’s a need and customer base for your product or service, you have to present it to your best advantage.

You can start the market analysis section with a simple summary that describes your target customers and explains why you’ve chosen them as your market. You can also summarize how you see the market growing. If your information is dense with numbers and statistics, someone who reads your business plan will probably find it easier to understand if you present it as a chart or graph. You can generate them fairly easily with tools built into Google Docs and free infographic apps and software.

You want to include pertinent, important information, but you don’t want to drown the reader in facts. Be concise and compelling with the market analysis, and remember that a good graphic can
cover a lot of text and help you make your point. Although it’s great to say you project sales to increase by 250% over the next five years, it makes an even greater impact when you show it in a graphic.

Always relate the data back to your business. Statistics about the market don’t mean much unless you describe how and where you fit in. As you talk about the needs of your target market, remember to focus on how you are uniquely positioned to fill them.

Don’t hesitate to break down your target market into smaller segments, especially if each is likely to respond to a different message about your product or service. You may have one market that consists of homeowners and another of small businesses owners. Perhaps you sell to both wholesale and retail customers. Talk about this in the market analysis, and describe briefly how you’ll approach each. (You will have more of an opportunity to do this in detail later in the plan.) Segmentation can help you target specific messages to specific areas, focusing in on how you address the existing needs.

Remember to tailor your information to the purpose at hand. If your business plan is for internal use, you may not have to go into as much detail about the market since you and your team may already know it well. Remember, however, that the very act of doing the research may help you learn things you didn’t know, so don’t skimp on doing the work. This is a great opportunity to get information from outside that might affect your business.

It’s not about your ability to do professional-level market research; a plan intended for a bank or other lender needs to show your understanding of where your business fits into the grand scheme of things. Yes, you need to detail the information, but your main goal is to show how you’ve incorporated that knowledge into practice. Use this section of your business plan to explain your understanding of your industry, your market and your individual business so that lenders and investors feel confident in your success.

Keep the name of this section in mind. It’s not a marketing plan; it’s an analysis of the market and where you fit in relation to the competition. Your actual marketing and sales strategy will be included as another very important part of your business plan, however, so keep that in mind as you write this section. Jot down any thoughts and ideas you have for strategies that correspond to your research findings.
BUSINESS PLAN SECTION 6: SALES AND MARKETING

Remember all that research and hard work you put into the Market Analysis section of your business plan? You learned all about your company, your customers, and your competition. This is where it will all pay off!

In this section of the plan, you’re actually going to spell out how you’ll market your idea, along with the specifics of how you’ll get business. Sales and marketing are what will drive your business and help you achieve success.

As always, keep your audience in mind. If your business plan is meant for your eyes only, or as an internal document for your staff, you won’t have to be as detailed or specific. If it’s intended for a lender or potential investors, you’ll want to demonstrate a very detailed strategy that will give them confidence in your proposal.

Sales and marketing strategies will vary by industry, and your strategy will be individually tailored to your company, but there are general guidelines that cover most businesses.

4 Things Your Marketing Plan Must Cover

Many marketing textbooks refer to the “four Ps” of marketing, which is an easy way to remember what’s involved in a solid plan.

PRODUCT

Explain in detail the product(s) or service(s) you’re offering, particularly how they are different from or better than what’s already available. What benefits do they provide to your potential customers? What makes doing business with you preferable to dealing with someone else? All
of these things will help make up your marketing message.

Talk about how you’ll portray the company and what kind of image you’ll present, especially how it will help connect you to your potential customers. Include a picture of your logo and anything that might carry your image, such as vans, trucks, or uniforms. Show screenshots of your website, photos of your store, pictures of your packaging, and anything else that conveys your company’s brand.

Once you’ve gotten the customers in the door (or online), you have to deliver on what you’ve sold them. Marketing isn’t just about promising, it’s also about following through and delivering what you said you would.

You may find it helpful to outline exactly how a transaction with your business would take place. Also touch on return policies and customer service. You may not immediately think of these as “marketing” issues, but think back to the last time you had difficulty with a company and told five friends you’d never do business with them again, or you saw someone complain about a company on Facebook or Twitter. Cover your bases before you get caught short in a situation you haven’t planned for.

**PLACE**
It’s important to talk about where you’ll be located and how you’ll deliver your products and services to your customers. If you’re planning an online business, will you also have a brick and mortar store? What percentage of sales do you project will come from each?
If your business involves manufacturing or distribution of a product, discuss shipping and labeling requirements, and how you’ll meet them. What are your delivery terms and costs? And do you plan on using distributors?

**PRICE**
How you decide to price your product or service is key to how much you’ll sell and how much profit you can make. Again, the Market Analysis work you did will come very handy in helping you price your product competitively while still turning a worthwhile profit.

By now, you should have a solid understanding of what your expenses will be, so you know how much you need to make to break even. Of course, if you have startup expenses (and who doesn’t?), you will need to factor those in as well.
Discuss how you’ve arrived at the prices you have, where they fit in with what the competition is doing, and what kind of volume you’ll need to be profitable.

**PROMOTION**

You can have the best idea in the world, but if no one knows about it, it won’t sell. So, how are you going to reach your target audience and turn them into customers? Will you advertise? With what media? How often? And how will you split up the budget?

Keep in mind that some forms of traditional and digital advertising cost money, such as buying radio or print ads, or advertising through Google. Some, such as social media or public relations can be handled in-house by a staff member (or outsourced for a fee). And others can be quite variable in cost, such as printing brochures, flyers, catalogs, etc.

How much business do you think you’ll get from each campaign? Will you offer discounts or other incentives to get people to try you out? Describe how you’ll know whether or not your marketing strategy is effective, such as how much of an increase in web or store traffic you expect. You’ll need to project what kind of a return on your advertising investment you anticipate to figure out how much you should be spending.

**THE FIFTH P: PEOPLE**

Some marketing experts think a fifth “P” should be added to the four we’ve already discussed: people. We touched on it under customer service, but a big part of marketing is the level of service you’re able to offer to your customers, and your people are the ones responsible for that.

Your restaurant might serve the best food in town, but your servers can have an even greater impact on the dining experience. You can discuss it here or in the next section, sales, but do make sure to talk about the people who will deal with your customers, what kind of training they’ll get, and how you’ll measure their effectiveness.

**Sales**

Now that you have your marketing plan together, you need to close the sale and make sure it pays off. Marketing will help you get customers in the door, to your website, or on the phone,
but the best marketing in the world won’t matter if you don’t make the sale. This brings us to the next step of the plan, your sales strategy.

**GOALS**
How many products will you sell or how many contracts will you close over the first month, six months, and year? Be specific, showing that you understand what your cash flow needs to be to keep the lights on and your employees paid. Keep the numbers realistic, however, even though you may want to impress potential funders.

**TACTICS**
How will you make the sale, and who will do it? Are you selling a product directly to users through a website? Will you bring your merchandise to retailers for them to sell? Are you doing the selling yourself or will you have a sales force? If you have salespeople, will they be paid straight salary or commission? If you have a service business, where will you get your leads, and how will you follow up? Perhaps you’ll offer an incentive program to current customers for referrals. Describe the sales effort in your plan.

If you offer different product lines or services, you may need a separate strategy for each. Similarly, if you’re selling to different segments of the market, you shouldn’t rely on the same approach to sell to everyone. Selling at a craft fair is quite different from setting up a website or offering your product through ebay.com or etsy.com.

**TIMELINES**
Get specific about the numbers you’re looking to achieve over a specific time period. Not only will investors want to see that, it’s an important way for you to know if you’re meeting your targets so you can make any necessary adjustments along the way.

**GROWTH**
Once you’ve established yourself, how will you continue to expand? This covers both your internal growth as a company, such as how you’ll increase your staff, and how you’ll grow beyond your current boundaries, such as buying another business or setting up franchises, if that’s applicable. Will you grow by offering a wider range of products and services? Perhaps you’ll expand by offering your current goods to a wider audience.

The Sales and Marketing section will act as your playbook for the actual running of your company, so think it through very carefully and use it!
BUSINESS PLAN SECTION 7: FINANCIAL INFORMATION

This section of your business plan is crucial if you’re presenting your plan to potential lenders or investors, but it’s also important if you’re using it in-house as a roadmap to get started and continue to grow. You may have the best idea in the world for a business—or it may need tweaking. You won’t actually know until you sit down and work up the numbers.

As a startup, spelling out your sales projections for the future will help you closely examine your business model and costs, how you’ll allocate your resources, and figure out whether you actually do have a viable idea. For existing businesses, think of this as a financial checkup: a way to examine your previous sales figures and ensure your health going forward.

If you’re applying for a loan or making a presentation to investors, this section is the companion piece to your Funding Request. It’s where you support the numbers you put together in your sales and marketing plan, and demonstrate why you’re a good investment. In this section, you’ll take all of the marketing, sales, and product information you’ve amassed, and show how they translate into dollars. Sharpen your pencil and get your spreadsheet on!

Writing the Financial Section

There are two parts to the financial component of a business plan: historical data and prospective data. If you’re a startup, you obviously won’t have any previous financial information for the company, so many lenders will want to see your personal financial information in lieu of, or in addition to, your business financials.
HISTORICAL DATA

Spell out how much money you’re investing in the business, along with specifics about the assets you plan to use. If you’re looking for financing, you’ll probably have to show personal income tax returns for the last few years. Be prepared with documentation for the last three to five years, depending on how long you’ve been in business. You’ll need income statements, balance sheets, cash flow statements, and tax returns.

INCOME STATEMENTS

Income statements document how much money you’ve taken in for the business, where the money came from, what your expenses were, and your net income (how much you wound up with after all the expenses). The statements are usually prepared quarterly, and will show at a glance whether the company is generating money or operating at a loss.

BALANCE SHEETS

Balance sheets list the type and value of all of your business’s assets and liabilities, along with ownership interest (who owns what in the company, and how much). Assets will include your cash on hand, accounts receivable, inventory, equipment, and property you own. Liabilities are things such as your accounts payable and long-term debt. The balance sheet is a snapshot of your company’s financial position at the time it’s prepared, comparing what you own with what you owe.

CASH FLOW STATEMENTS

Cash flow statements show all the cash you have coming in and out of the company, whether as a direct result of your business activities or from any outside investments you’ve made.

TAX RETURNS

How your business is structured will determine which tax forms you have to file with the Internal Revenue Service each year, so these may be your personal tax returns with a Schedule C attachment, or separate corporate tax returns.

COLLATERAL

If you’re looking for a loan, you’ll most likely also need to show the value of any collateral you’re offering to ensure payments such as real estate, vehicles, inventory, stocks and bonds, and equipment.
PROSPECTIVE DATA

Now, everyone knows you don’t have a crystal ball and can’t actually predict what will happen over the next five years, but there’s a point to putting the projections together. Lenders and investors really want to see that you have thought things through and considered the possible outcomes as your business progresses. They want to understand the thought process behind your numbers and why you’ve made those assumptions.

This means you need to do a significant amount of planning before sitting down to work on your projections, critically thinking through different scenarios. Again, the work and research you’ve already done for previous sections of your business plan will be invaluable here in making the assumptions needed to put your projections together.

Include projected income statements, balance sheets, and cash flow statements, which we described above, along with a capital expenditure budget.

CAPITAL EXPENDITURE BUDGET

A capital expense is a tangible, physical asset like property, buildings or equipment. This budget is your plan for how much you’ll spend to buy or upgrade these assets, whether that might be purchasing new machinery or repairing your HVAC system.

The International Finance Corporation has a primer as part of its Small Business Toolkit that offers great tips on putting all of these statements together.

Funders may also want to see an analysis of how your results would change if some of the variables changed, so consider including a section on that, as well. As an added benefit, this isn’t just a theoretical exercise on your part; it will actually help you run the business and make adjustments as they become necessary. Business Insider offers a look at how to make realistic projections that will be meaningful to your business as well as to lenders and investors.

If you’re just at the beginning stages of business, make sure to also include any startup costs you’ll have. Some may be specific to your industry, such as particular types of equipment, tools or store fixtures. Others are fairly common across the board, like professional fees for lawyers or accountants, licensing and incorporation fees, security deposits and rent, and computers.
As a rule, the financial part of your plan should follow generally accepted accounting principles (GAAP) as set by the Federal Accounting Standards Advisory Board, especially if you’re putting it together primarily to get a loan or a line of credit. For this section, it helps to be fluent with spreadsheets, as that’s the best and most accepted way to present this information. This is one part of the business plan that you may want to get some outside assistance with, perhaps from your accountant or financial advisor, to help put the numbers together and present them properly. If you use an accountant, and your financial statements have been audited, make a note of that in the plan. If you want to give it a go on your own, SCORE, the Service Corps of Retired Executives, has a template available on its website.

Attention to detail is very important throughout the whole process of writing a business plan, but we can’t stress it strongly enough with regards to your finances. Be VERY careful to make sure that your projections match the numbers you put together for the funding request portion of the plan. At best, any inconsistencies here could delay consideration of your application. At worst, they could signal that you’re not as on top of things as you should be, disqualifying you altogether.

Visuals help. Yes, there may be professional number crunchers going over your data, but consider showing your projections graphically along with the requisite spreadsheets, especially if the graphs demonstrate a positive trend.

Include a brief analysis of the information you’re presenting to explain the numbers, putting them into context for someone that has less of an understanding about your business and industry than you do.

Whether you have a startup or existing business, there’s a considerable likelihood that you’ll also be asked for personal financial information, so consider including that as part of your business plan. Your credit history or a copy of a recent credit report can go in the appendix, together with copies of your tax returns or any additional information a lender may request.
BUSINESS PLAN SECTION 8: FUNDING REQUEST

We’ve talked before about the benefits of having a business plan for every business. However, the truth is that most companies don’t put one together until they decide to apply for funding from a bank or investor. Sometimes, even if you don’t need a full business plan when applying for a loan, you will be asked for a funding request. You can also follow the guidelines below to prepare a stand-alone proposal.

As we’ve said before about writing a business plan, it’s important to keep your audience in mind. You can certainly prepare different versions of your funding request depending on whether you’re applying for a loan or approaching an investor. The terms of each would be different, and you might be looking for different amounts of money or types of funding.

Be clear about whom you’re directing the request to, and think about the questions they might have. Be consistent with your numbers, and ask for enough to cover your needs fully so you don’t fall short and remain unable to complete your goals. At the same time, don’t ask for more than you need.

What to Include in Your Funding Request

1. A SUMMARY OF THE BUSINESS.
If the request is part of your business plan, you will have already put together all the information found in a business summary. If you’re creating a funding request as a stand-alone document, explain what the company is, where you’re located, what you sell or what services you offer, and who your customers are. Mention whether you’re incorporated, and if so, what type of corporation it is, along with who the owners and key staff members are. Briefly list your business successes and accomplishment thus far.
2. HOW MUCH MONEY YOU’RE REQUESTING.
How much cash are you looking for now, and if you anticipate this being the first part of an ongoing growth plan, how much more money do you plan to request over time? What would the specific timeline look like? Also spell out what type of funding you’re looking for (loan or investment), and the terms you’re asking for.

3. WHAT YOU WILL USE THE MONEY FOR.
Do you need some extra funds for working capital to buy more inventory? Buying a building, new equipment, or another company? Expanding your advertising campaign, or hiring more staff? Whatever it is, explain how much each will cost.

4. FINANCIAL INFORMATION.
This will be the heart of the financial information section of your business plan, but you need to include it here if you’re putting together a stand-alone funding request. You’ll need historical data on the company (if it’s an established business), like income statements, balance sheets, and cash flow statements for the last three to five years. If the funding request is for a loan that requires collateral, document what you have to offer. If you’ve invested your own money in the company or there are other investors, state that along with how much.

Offer realistic projections for the future, and explain how this new funding would help you reach those goals. Prepare yearly forecasts for income, balance sheets, cash flow and capital expenditure budgets for the next five years. Be even more specific for the first year, with projections for each month or quarter.

You also need to cover how you plan to pay off the debt, or what kind of return on investment you can offer a potential investor. Potential funders will pay particular attention to this. If the plan is targeted to investors, what would their exit plan be? Can they cash out in a specific number of years? Do you plan to go public and offer stock?

Finally, address anything that might affect your ability to repay, whether positively or negatively, such as being acquired, buying out another business, relocating, etc.

Take the time to carefully prepare your funding request, making sure to include all the information a decision-maker will need.
BUSINESS PLAN SECTION 9: APPENDIX

Think of your business plan as the narrative that tells the story, while the appendix is where you put the factual information that supports it. The appendix fleshes things out with details that help corroborate and support the plan you have presented.

Maybe you’re wondering why, if each of the preceding sections is covered so thoroughly, you even need an appendix. Why wouldn’t you just include all the information in the appropriate section? The appendix makes the rest of the plan easier to read, without taking a detour for credentials and corroboration.

In addition, your business plan can serve several different functions. You might not want to share some of the information with everyone. Having an appendix allows you to insert and remove items depending on who will be reading your plan.

WHAT GOES INTO BUSINESS PLAN APPENDIX?

Again, not everything might need to be shown to everyone who reads your plan, but here is a full list of items you might want to prepare for your appendix:

- Credit histories for both the business and its owners
- Business and personal tax returns
- Resumes of the owners and key management
- Photos of your products or their prototypes
- Samples of marketing materials, logos, and mockup ads
- Reference letters from business associates and community leaders
- Details of your market research studies
- Information about your competitors
• Press clippings about you and the business
• Any relevant news articles on your product or industry
• Legal documents such as your incorporation papers, shareholder certificates, etc.
• Copies of patents, permits or licenses you hold
• Copies of your property and equipment leases or rental agreements
• Contact info for your professional staff, including your accountant and attorney
• Contracts for current or future work
• Spreadsheets and documentation for financial projections

The Small Business Administration suggests keeping a record of who has copies of your plan and what items you’ve included in the appendix. That way, you can update items as necessary. Do keep tight control over whom you distribute it to. You may want to consider having your readers sign a Non-Disclosure Agreement, or NDA, to help protect the confidentiality of your information.

And again, because of the highly privileged nature of some of what you’re providing, be very particular who you share what with. Creditors will likely need to have access to all of your documentation, but more casual readers may not need to see the appendix at all.

HOW TO ORGANIZE A BUSINESS PLAN APPENDIX

Because the documents substantiate the information presented in your business plan, it’s best to keep them in the same order as they are referred to in the plan. If you have more than a few pages of documentation in the appendix, start with a table of contents page that lists each section of the business plan, broken up with letters or Roman numerals; then list each item you’ve included in the appendix for that particular section.

This will make it easier to refer to the items as you need to in the plan. For example, when you talk about your planned advertising campaign in the Sales and Marketing section, you can refer to “Appendix, Section IV” for copies of what the ads may look like.

If the appendix contains a lot of material, you can also consider using tabs to break it up, which will make it even easier to locate things. Have each document clearly labeled so readers will know exactly what they’re looking at when they refer to them, and make sure your copies are high quality, clear and legible. Do not include original documents.
BUSINESS PLAN RECAP

Don’t rush through the work of putting your business plan together. Whether it’s for your own use or a lender has asked for it, the information it contains, and the work you do to put it together, will be extremely valuable to the success of your company. It does take a lot of time and effort to research and write a solid plan, but it will come back to you in spades.

If you’ve already read the series, you’ve heard this before: it’s imperative to always keep your audience in mind. Your goals for what you want the business plan to accomplish will dictate who your audience is, and the information you present will be shaped by that.

Finally, remember the importance of presentation. This is a reflection on you and your business, so make sure it represents you well. Proofread and check for errors in grammar and spelling. Consider hiring a writer or editor if you’re not particularly skilled with words. The business concept is yours, but a professional can help you articulate it in a way you may not be able to.

Use a standard business font for the body copy so that it’s easy to read, and be judicious in your use of italics, underlining and bold.

Have the plan printed on good paper and bind it in some fashion, whether into a booklet, in a high-quality binder or spiral binding. Add a cover with the name of your business and make sure to have your contact information easily available. Include a cover letter with the plan, because it may get passed around to other people who aren’t as familiar with your venture.

Remember the old adage, “You only get one chance to make a first impression.”

Make yours count.