

## **Business Plan Project**

### **1. Business Plan Outline**

- I. Cover Page
- II. Table of Contents
- III. Executive Summary
- IV. Business Description
  - a. Overview of industry
  - b. Mission statement
  - c. Business description
    - i. Type of business
    - ii. Legal structure
    - iii. Name
    - iv. Location
    - v. Product description
    - vi. Position
    - vii. Pricing strategy
- V. Market and Industry Analysis
  - a. Customer profile
  - b. Market segment
  - c. Customer needs
  - d. Market size/trends
    - i. Target market and demographics
  - e. Competition
  - f. Labor
  - g. Estimated Sales
- VI. Sales and Marketing
  - a. Strategy
  - b. Method of sales
  - c. Advertising and promotion
- VII. Management
  - a. Management team description
  - b. Ownership

## VIII. Financials

- a. Risks
- b. Expenses and capital requirements
- c. Financial statements

## IX. Bibliography

## X. PowerPoint Presentation

---

### **2. Business Plan Details**

For your small business to succeed, you need to know where you're going and how you'll get there.

Creating a business plan forces you to set goals, determine the resources you will need to carry out your plan, and foresee problems that might otherwise broadside you.

### **Part I. Cover Page**

How complicated can a cover page of a business plan be? Well, you might be surprised at how many business owners leave crucial information off of cover pages. Lenders report that they frequently have to call directory assistance to locate an entrepreneur who forgot to include a phone number and other contact information on their business plan.

The purpose of a cover page is to tell the reader what he or she is about to read and how to reach the writer. Your cover page is also a way to get your business plan noticed. Lenders see dozens, if not more, business plans a week and something as simple as putting your cover page on quality stock paper, may catch their eye.

Your cover page should say the words "Business Plan," and should include your:

- Your Name
- Business name
- Company logo
- Address
- Telephone number
- Fax number

- E-mail address
- Date

---

## **Part II. Table of Contents**

Your table of contents provides readers with a quick and easy way to find particular sections of the plan. All pages of your business plan should be numbered and the table of contents should include page numbers. After you assemble your plan and number your pages, go back to the table of contents and insert page numbers. Be sure to list headings for major sections as well as for important subsections.

---

## **Part III. Executive Summary**

The executive summary is what most readers will go to first. If it is not good, it may be the last thing they read about your company. Lenders in particular read executive summaries before looking at the rest of a plan to determine whether or not they want to learn more about a business. Other readers will also go first to your executive summary to get a snapshot of your business and to gauge your professionalism and the viability of your business.

Your goal in this section is to generate enough interest to make someone want to read further for more details. Remember that lenders and venture capitalists routinely have stacks of business plans to review, so make yours stand out by delivering a strong message right from the start. This section should answer briefly the basic questions a venture capitalist would ask.

- Who is on the team?
- What business is your company in?
- Why should we invest in your product or service?
- How will you achieve the potential in your business model?
- How much money is required?

The executive summary should be no more than three pages and should include highlights of the other sections of your plan. For this reason, it is often easier to write this section last.

---

## **Part IV. Business Description**

Whether you're looking for money or simply creating an internal document, you must be able to present a clear portrait of what your company does. Your business description is your corporate vision, and

includes: who you are, what you will offer, what market needs you will address, and why your business idea is viable. It should describe exactly what you will be selling, and why people or businesses will buy it. How is your product different from similar items already on the market? Compare your product to similar products on the market. Why is yours better?

Too many business owners make the mistake of operating without a vision, a situation that hinders their business' ability to grow and prosper. A business owner without a vision will have difficulty describing his or her business and will provide a long, rambling description, a few stock phrases, or a collection of incomprehensible jargon when asked for one. A concise, easy-to-understand description of your company will not only help your business plan, but will benefit you in any number of other day-to-day situations - from networking to making cold calls to approaching a newspaper for an interview. A typical business description section includes:

### **An overview of your industry**

Begin your business description with a brief overview of the industry you will be competing in.

Ultimately, you want to demonstrate that you are in a "hot" industry with an excellent long-term outlook. You're also setting the stage for your company description by showing where you fit in the marketplace.

Discuss both the present situation in the industry, as well as future possibilities. Be sure to include any new products or other developments that will benefit or possibly hurt your business. Are there new markets and/or customers for your company/companies such as yours? What about national trends or economic trends and factors that will impact your venture?

- Feel free to be dramatic. You can describe your industry like you're telling a story. Grab the reader's attention with strong, exciting language that will get them interested in your industry and your business.
- Answering "why" makes any description stronger. Saying "the market will grow at 25% annually" may sound impressive. But what caused that rate of growth? Adding "...because a growing number of baby boomers now entertain at home instead of going out" makes it stand out.
- This is not a discussion of your competition. That information will come later in the competitive analysis portion. Instead, you are providing an overview of the industry where you and other companies will compete.

- Many business plans make the mistake of basing their market observations on conjecture. Instead, you will want to research your industry and back up your observations with facts. Be sure to note all sources. Trade associations are excellent sources of information about trends in your industry. To find the trade association for your industry, consult the Gale Encyclopedia of Business and Professional Associations (available on-line in the school library or through the public library with a library card). General business newspapers and magazines (like the Wall St. Journal or Business Week) and trade newspapers and magazines (those covering a specific industry) often report industry-wide trends as well. Don't be afraid to include negative information about your industry. Discussing the possible roadblocks your company might face shows you have a realistic view of the market.
  
- If you cite information from specific newspaper or magazine articles or research reports, you might want to include a copy in your business plan appendix.

### **Discussion of your business**

#### a. Mission Statement

The discussion of your company should begin with your mission statement - a two or three sentence description of the purpose of your business and to whom your product or service is targeted. Not being clear in your mission statement indicates that you are not clear about the purpose of your company.

A well-thought out, well-articulated statement can help you become a success with customers or anyone else. It will elicit additional questions and comments and get the ball rolling with prospects. It will show that you understand your business, are clear with its purpose, and know who your customers are. Describe Your Company

Once you have your mission statement, you can then discuss the more "technical" aspects of your company. Remember that you're telling your company's story, so even though there are specific areas you will need to cover, you will want to keep it lively and interesting. This section of the plan should include:

- i. The type of business you're planning to enter - Your business should fall in one of several categories. Is your business retail, wholesale, service, manufacturing, construction, professional, or import and export?
  
- ii. The legal structure of the business and why - There is no one legal structure that's best for all small businesses. Whether you're better off starting as a sole proprietor or choosing one of the

more complicated organizational structures such as a partnership or a corporation usually depends on several factors, including the size and profitability of your business, how many people will own it and whether it will entail liability risks not covered by insurance. **Use class notes to make this decision.**

iii. The business name

- **Make your name memorable.** A creative, distinctive name will not only be entitled to a high level of trademark protection; it will stick in the minds of your customers. Forgettable names are those of people (like O'Brien Web Design), those that include geographic terms (like Westside Health Foods) and names that literally describe a product or service (like Appliance Sales and Repair, Inc.). Remember, you want to distinguish yourself from your competitors.
- **Your name should be appealing and easy to use.** Choose a name that's easy to spell and pronounce, and that is appealing to both eye and ear. Try to pick a catchy name that people will like to repeat. Make sure that any images or associations it evokes will suit your customer base.
- **Avoid geographical names.** Besides being easy to forget, and difficult to protect under trademark law, a geographical name may no longer fit if your business expands its sales or service area. If you open Berkeley Aquariums & Fish, for instance, will it be a problem if you want to open a second store in San Francisco? Especially if you plan to sell products on the Internet, you should think twice about giving your business a geographic identifier.
- **Don't limit expanded product lines.** Similarly, don't choose a name that might not be representative of future product or service lines. For instance, if you start a business selling and installing canvas awnings using the name Sturdy Canvas Awnings, your name might be a burden if you decide to also start making other products such as canvas signs or vinyl awnings.
- **Get feedback.** Before you settle on a name, get some feedback from potential customers, suppliers and others in your support network. They may come up with a downside to a potential name or suggest an improvement you haven't thought of.

- iv. The business location - Choose the Location of Your Business Wisely - Whether you have a service, manufacturing, or retail business, selecting the location for your business will be one of the most important decisions you make. A good location can offset other errors in judgment, but a poor location will kill even the best business idea. Therefore, the real reason to analyze the location of your business thoroughly is not for the business plan but for the success of your business.

\*\*\*\*\***Select the Appropriate Site**\*\*\*\*\*

The important considerations that should go into the selection of an appropriate site for your business are traffic patterns and flow, competition, your customer profile, costs, barriers and access, and expansion potential.

- o **Traffic Patterns and Flow:**

It is extremely important to pay close attention to traffic flow and the patterns of the flow, particularly for retail establishments. Do not use traffic count information as the sole indicator of whether a location is a good one. It is important to look at how and when the traffic goes by. Is it flying by at 60 miles per hour or is it stopping? Is traffic flowing consistently during your business hours or only during rush hours? Does traffic pass by every day or only Monday through Friday? Is the flow of the traffic going in the right direction? If your business needs foot traffic, are people actually walking near the location or are they at the other end of the strip center? Are they browsing or simply darting in and out?

An entrepreneur opened a donut shop on what is probably one of the busiest streets I can think of. Traffic goes by at a nice slow pace giving drivers ample time to pull off for their morning donut and cup of coffee. At first glance, it would appear the donut shop was in an ideal location. What this entrepreneur had not considered however, was the side of the street. The donut shop was on the 'going home' side of the street rather than the 'going to work' side. No one was willing to cut across traffic in this congested area to get donuts on their way to work and the store soon closed.

It is recommended that you visit the potential location at several different times during the day and several different days of the week. Sit in the parking lot and observe the traffic patterns and flows to determine if they meet the needs of your business.

- o **Competition:**

By now, you should have determined who your competitors are in a previous section of your business plan. Plot your competitors on a map around your potential location. Beware of the lack of competition. Lack of competitors can be good news or bad news. Ask yourself - Is there a reason why no other

business like mine is here? Conversely, if there are already several businesses like yours, can this area support another?

A while back bagel shops were very popular. One particular area had several that were thriving nicely. Another bagel shop opened in the same area. Despite the high customer demand for bagels that the existing shops were experiencing, the market simply was not large enough for another store. The new shop lasted only a short time.

- **Client Profile (Demographics and Psychographics):**

Determine who is most likely to buy your product by demographics (age, sex, income, profession, and marital status) and psychographics (beliefs, attitudes, and lifestyles). In other words, who buys your product or service and why? Although this may seem obvious, be sure you are locating in an area that matches your customer profile. If you are a manufacturer or wholesaler, your concern will be locating close to your key suppliers as well as your customers.

Even large companies have made the mistake of looking only at population and demographics and forgetting how psychographics plays an important role in the customer's purchase decision. A successful, well-known fast food chain once opened in a highly populated, high traffic location with no competition. Sales were poor and the store soon closed. It was later discovered that due to certain religious beliefs, family meals were highly valued and few people ate fast food. Knowing the beliefs of the population in advance would have helped avoid this expensive mistake.

- **Costs:**

Most business owners think of the cost of their location in terms of the monthly rent. While rent is certainly a cost of your site, it is by no means the only one. Look for hidden costs. One hidden cost is common area fees. Are there monthly maintenance fees? Who is responsible for building repairs or maintenance? Signage represents another cost. Must you conform to particular sign standards? Who pays for the cost of the sign above your door as well as the marquee? Utilities costs can often be surprising. Some areas have higher phone or electric costs than others. Do you know what yours will be? Labor is an often overlooked cost of a location. Are you locating in an area where labor is scarce or expensive? Take the time to learn about regulations and ordinances that affect your business. Do you know if the local or state government places special requirements on your business such as the installation of water sprinklers? Is the space ADA compliant?

Do your homework before you sign a lease. There was an entrepreneur who used all of his savings and credit as well as money from his family and friends to open a restaurant. Despite the significant startup costs, there was every reason to believe he would succeed. He had experience, the restaurant was conveniently located in a densely populated high-traffic area, the cuisine was perfectly matched to the

area population, and the food was excellent. Word-of-mouth spread fast and it seemed as if his restaurant would be a success until the air conditioner died. According to the lease agreement, all repairs, including the air conditioner, were the responsibility of the renter. The entrepreneur had used all of his cash, credit, and the good will of his friends and family to open his restaurant. Not being able to raise additional funds to replace the air conditioner, he was forced to close.

- **Barriers and Access:**

Identify any barriers to your potential location that will affect your business. Even if you locate very close to your customers, certain barriers may discourage them from frequenting your business. The necessity for your customer to cross a major intersection or railroad tracks, the lack of a crossover in the median, a one way street, too many stoplights clustered in a short distance, inconvenient parking, or even a school zone can all be barriers to your location. Consider visibility too. Is your location visible? More important, can customers see your business in time to slow down and enter your parking lot? Find barriers by driving to your potential location from various directions. Is it easy to access your location? Conversely for a service business, can you easily access your customers from your proposed location? For a wholesale or manufacturing business, the issue may be access to main roads or railroad facilities.

- **Expansion Potential:**

Take a look at your site with an eye toward expansion. Is the space large enough to fit you if your business grows? Look for a site with some flexibility or room for future expansion. It takes time for a business to become established in a location. Do not waste your time investment by growing out of your location too soon. Your customers may follow you, or they may not.

One last note on selecting your site. If you are a startup business and are planning to borrow money, lenders are generally more apt to lend you money if you plan to lease rather than buy your site. Buying real estate increases startup and maintenance costs and can significantly increase the loan amount. Purchasing your site adds to the risk of your endeavor.

Each business has its own set of criteria for selecting a location. An excellent location for one type of business might be a poor location for another. Please do extensive research before signing the lease or deed to be sure the location you are selecting is ideal for you. Invest your money and time up front, finding the right site. This cost will be small compared to the cost of opening the business, keeping it open despite poor sales, and closing it.

➤ **A description of the product or services you'll be offering**

The product description statement should be complete enough to give the reader a clear idea of your intentions. You may want to emphasize any unique features or variations from concepts that can typically be found in the industry.

Be specific in showing how you will give your business a competitive edge. For example, your business will be better because you will supply a full line of products; competitor A doesn't have a full line. You're going to provide service after the sale; competitor B doesn't support anything he sells. Your merchandise will be of higher quality. You'll give a money-back guarantee. Competitor C has the reputation for selling the best French fries in town; you're going to sell the best Thousand Island dressing.

a. **Stress Your Products Uniqueness (UPS – Unique Selling Proposition)**

This information sets your product or service apart from your competition. If you are using your business plan to solicit funds, this is what your reader will want to see. Without a USP, your product or service will appear drab and there will be no compelling reason for people to buy it.

What would some USPs be? For a food product, it could be a proprietary recipe (like Kentucky Fried Chicken's secret recipe) or a special way the food is served (like Boston Market's hand-carved turkey). OXO Good Grips, a maker of kitchen gadgets, set itself apart by using ergonomically designed grips and handles on all its products. Tower Records' USP would be its broad selection of all types of music and its knowledgeable floor staff.

- Focus on your success factors. In other words, think about how you are going to turn a profit. Why will your products or services be successful in the marketplace? There are any number of reasons you can use - it's a well-organized business, we use state-of-the-art equipment, our location is exceptional, the market is ready for our product, its a great product at a fair price, etc.
- If you are selling a product, you may want to include full specifications. If available, include a quality photograph as well.
- Be specific in describing your competitive edge. Don't just say something like "we intend to provide better service." Explain how you will do so, and why that sets you apart from your competitors. Be sure to answer the following:
  - What you are selling?
  - How your product or service will benefit the customer?

- Which products/services are in demand; if there will be a steady flow of cash?
- What is different about the product or service your business is offering?

### **Determine your company's Position.**

Position is your identity in the marketplace: how you want the market and your competitors to perceive your product or service. While your USP is based on features of your product or service, your positioning is based on your customers and competition. Federal Express positioned itself as a reliable and dependable overnight delivery service for businesses. MTV and VH1 play many of the same music videos, but MTV is positioned as the choice for young, hip viewers, while VH1 is considered the station for more mature viewers.

If you run a dry cleaning business you can be the fastest, the most dependable, the cheapest, or the business providing the best service. A mail-order gift business can emphasize price, convenience, a flexible returns policy, unique products, or some combination of these. A hairdresser may be positioned as hip, traditional, pampering, inexpensive, or convenient. You may think that positioning is based on image. Develop your position by answering the following questions with brief, direct statements:

- What is unique about your product or service?
- What customer needs does your product fulfill?
- How do you want people to view your products or services?
- How do your competitors position themselves?

Research your competitors by shopping their stores or calling them to see what they offer and what they charge for it.

To create a list of your competitors' strengths and weaknesses, look at areas such as distribution, pricing, value, service, and timeliness. A dry cleaner would look at reputation, pricing, location, services such as delivery, hours of operation, quality of their cleaning, whether or not they are computerized and if they provide services such as tailoring and mending.

### **Determine your company's Pricing Strategy.**

Discuss what you will charge for your product or service and how you derived the price. For example, a luxury gift importing business sets prices not only to cover costs and make a profit but to position

products as luxury items. A printing shop with a good location charges slightly more than its competition because it has a convenient location and it has determined that the market will bear the higher price.

Once you have briefly explained your pricing and rationale, discuss where this pricing strategy places you in the spectrum of the other providers of this product or service. Next, explain how your price will: get the product or service accepted, maintain and hopefully increase your market share in the face of competition, and produce profits.

- Investors are used to seeing (and rejecting) business plans in which an entrepreneur says the product or service they want to create will be higher in quality and lower in price than those of their competitors. This makes a bad impression because it's usually unrealistic. If you really do have a higher quality product, it will appear that you may plan to under-price it, and consequently undersell it.
- Costs tend to be underestimated. If you start out with low costs and low prices, you leave yourself with little room to maneuver, and price hikes will be difficult to implement.
- If you charge more than competitive existing products, you will need to justify the higher price on the basis of newness, quality, warranty, and/or service.
- If a price will be lower than that of an existing, competing, product or service, explain how you will maintain profitability. This may happen through more efficient manufacturing and distribution, lower labor costs, lower overhead, or lower material costs.

Discuss how higher prices may reduce volume, but result in high gross profit.

---

## **Part V. Market and Industry Analysis**

This section is designed to provide enough facts to convince an investor, potential partner or other reader that your business has enough customers in a growing industry, and can earn sales DESPITE the competition. It is one of the most important parts of the plan, taking into account current market size and trends, and may require extensive research. Many of the sections that follow - from manufacturing to marketing to the amount of money you need - will be based on the sales estimates you create here.

You must make a number of assumptions when completing this section. For example, the percentage of available customers that you expect will pay for your product or service, called potential market penetration, is a key estimate in determining the amount of money you will make if every potential

customer bought something from you. (Potential sales revenue.) No one expects you to know how many sales you will make during the first year or two, but you can provide fairly accurate estimates by making some educated assumptions based on your research.

## **Customers**

It is important to be thorough and specific when creating a description of the target customer for your product or service. This description defines the characteristics of the people you want to sell to and should indicate, among other things, whether your customers are cost or quality conscious, under what circumstances they buy, and what types of concerns they have.

To create a customer definition, describe your target customers in terms of common identifiable characteristics. For example, a catering company could target professional couples in the metro Chicago area who need to hire caterers for their kids' parties. Or it could target corporate event planners in Massachusetts responsible for procuring caterers for internal meetings. A windshield wiper blade business can sell directly to automobile manufacturers, or to aftermarket parts distributors.

A common mistake is to describe customers in general terms, such as all "people who want to buy a bicycle," or "anyone who needs a resume created." To avoid this stumbling block, use the Customer Profile Worksheet (See link at the end of this section) to make a list of the characteristics of the people or companies that will buy your product or service. To develop an effective plan based on your customers' needs and nature, you should be able to answer these questions: ·

- Who are they?
- Where are they?
- What do they need?
- How do they make their buying decisions?
- Where do they buy?
- How do you reach them with your marketing and sales messages?

Knowing the answers to these questions is critical no matter who your potential customers may be.

## **Research, Explore, Explain.**

For each of your market segments, the market analysis should explain as much as possible about the target customers included in that group. That normally includes the segment description, needs and requirements, distribution channels, competitive forces, communications, and keys to success. Each of these might be a topic in the plan:

- Segment Description

You need a basic description of each target segment that includes attributes that characterize the segment, such as the number of potential customers, annual growth rate, annual spending, and market value. The more detail you include, the better.

- Needs and Requirements

The best marketing always focuses on customer needs. Why do they need your product or service? What is going to make them buy? Don't get trapped into merely marketing what you have when you should be identifying a customer need and working toward fulfilling it.

### **Market Size/Trends**

This section defines the total market size as well as the slice of the market your business will target. Use numbers as well as trend information to make a case for a viable current market and its growth potential.

After you define the total market, create a description of your target market by using geography, company size, business organization, lifestyle, sex, age, occupation, and other characteristics to describe the companies or consumers likely to buy your product or service. The Market Size Example provided below might help.

Sample Market Size Statement:

H-O Designs, an office designer targeting home-based workers in the Philadelphia area, did extensive research on the number of people in its region that work from home. Here's how it described its market size and trends in its business plan:

The home-based business market is the fastest growing segment of the U.S. economy. There are currently 40 million people who work full or part-time or after hours from their homes according to XYZ Consulting. Fewer corporate opportunities, advances in communications technology, the desire to spend more time with one's family, are forecasted to increase that number to 60 million by the year 2000.

In Philadelphia and its environs, 145,000 home-based businesses were started last year alone, according to Quaker State Business Journal. In addition, several large employers, most notably ABC Pharmaceuticals and ZZZ Computers, instituted telecommuting programs, giving 20,000 employees the chance to work at least part-time from home.

- When discussing any market size, be sure to talk about factors affecting market growth - industry trends, socioeconomic trends, government policy, population shifts, and the like. Show how these trends will have a positive or negative impact on your specific business.
- Remember to cite all sources for your data. This will prove that you've done your homework, and will assure the reader of your plan that your information comes from a reliable source

The specific research related to this market analysis begins with statistics that provide total numbers of households, classrooms, businesses, and workers in a market. These are your basic demographics. What you need depends on whether you're looking at businesses, households, or individuals as your main target groups. When possible, you should be able to segment households by income level, businesses by size, and workers by job type, education, and other factors. Employment statistics can add information about types of workers and their education and background. You can also divide your target customers into groups according to psychographics. This is your strategic market segmentation, a core element of your marketing strategy.

### **Competition**

The competition section indicates where your products or services fit in the competitive environment. Presenting your business in the landscape of its competitors proves that you understand your industry and may be prepared to cope with some of the barriers to your company's success.

Present a short discussion of each of your primary competitors. Each assessment should include why these companies do or do not meet their customers' needs. You should then explain why you think you can capture a share of their business.

Strengths and weaknesses can fall into a number of different categories. Sales, quality, distribution, price, production capabilities, image, and breadth of products/services are all ways companies differentiate themselves. Ask yourself: Who is the price leader? Who is the quality leader? Who has the largest market share? Why have certain companies recently entered or withdrawn from the market? These factors are critical to a successful competitive analysis.

- Never say, "We have no competition." Lenders won't believe you. Even if your product or service is truly innovative, you need to look at what else your customers could buy instead. Remember, the first personal computer competed with calculators and typewriters; the first calculator competed with slide rules.
- Your competitors won't always be immediately evident, since they don't necessarily provide the exact same product or service as you do. If you sell gourmet salsas, you will be competing with other salsa makers, and you also might compete with makers of gourmet ketchup, mustards, and other condiments. List these as "indirect competitors."
- Many business plans fail to give a realistic view of their true competitive universe by defining the competitive field too narrowly. Think as broadly as possible when devising a list of competitors by characterizing competitors as any business customers may patronize for similar products or services. A local florist obviously competes with other flower shops, but must also contend with delivery services such as 800-FLOWERS and supermarkets that carry flowers and plants.
- To determine your competitors' strengths and weaknesses, evaluate why customers buy from them. Is it price? Value? Service? Convenience? Reputation? Very often, it's "perceived" strengths rather than "actual" strengths that you will be evaluating.
- A table can be a good way to present your competitive analysis, since it will allow your competition to be evaluated at a glance. Columns should include the name of your competitor, market share or position, annual sales (if available), strengths, weaknesses, and comments.

### **Labor Requirements**

Your management team is outlined in the management section. This section provides details of other labor you will need to start up and run your business. Address how many people you require and what skills they need to possess. Be sure to cover the following issues:

- Is there sufficient local labor? If not, how will you recruit.
- Is labor trained? If not, how will you train them.
- Cost of labor, current and future.
- Plans for ongoing training.

### **Estimated Sales**

Estimated sales for your business are based on your assessment of: the advantages of your product or service, your customers, the size of your market, and your competition. This should include sales in units and dollars for the next three years, with the first year broken down by quarter if that's appropriate for your industry.

Use a one-paragraph summary to justify your projections. Be sure to use a succinct statement of what sets apart your product or service from other companies in the marketplace. Include a brief discussion of any customer commitments. Also state why you envision your customer base growing, and indicate how you will acquire this business.

---

## **Part VI. Sales and Marketing**

This section of your business plan describes both the strategy and tactics you will use to get customers to buy your products or services. Sales and marketing is the weak link in many business plans, so take your time with this section. A strong sales and marketing section can serve as a roadmap for you, or as assurance to potential investors that you have a workable plan and the resources for promoting and selling your products and services. The three components of your sales and marketing section include:

- Strategy
- Method of Sales
- Advertising and Promotion

### **Strategy**

In previous sections, you've been asked to define your product, positioning, pricing, target customer, market, and competition. Now you need to wrap up all those assumptions into a cogent sales and marketing strategy. Think of this statement as an action plan for how you will get customers to buy your products. It will support the tactics you describe later on in this section.

Your strategy may be only a few sentences in length, or it can be a couple of paragraphs. Important elements for a sales and marketing strategy include who you are targeting with your initial push and what customers you have designated for follow-up phases. Other elements of a sales and marketing strategy are:

- How will you find your prospects, and once you find them, how you plan to educate them about your product. For instance, if you are using direct mail, you might want to talk about what kinds of mailing lists you plan to purchase.
- What features of your product or service you emphasize to get customers to notice your product.
- Any sort of innovative marketing or sales techniques you will employ. For example, you may sell your product by mail order when your competitors use only traditional retail channels. Or you may be the first in your industry to offer leasing.
- Will you focus your efforts locally, regionally, nationally or internationally? Do you plan to extend your efforts beyond your initial region? Why?

### **Method of Sales**

Describe available distribution channels and how you plan to use them.

Many entrepreneurs fail to give adequate thought to method of sales. How you get the products to the end user - your method of distribution and sales - is one of the most important elements of your plan. In this section you demonstrate the ability and knowledge to get your products into the hands of your target customers.

You must also explain your plan for reaching your distribution channels. Will you be selling directly to your customers? Will you be using sales representatives, distributors, or brokers? Do you plan to have a direct sales force in place? See the list of definitions for some help in determining what method of sales to use. Will you use a "ground service" like UPS? Will you use a next-day delivery service? Parcel post? A trucking company? Make sure to include these costs when you calculate your financials later in the plan.

- Don't make the mistake of confusing sales with marketing. Sales focuses on how you get your products into the hands of your customers. Marketing is concerned with how you educate your potential customers about your product.
- If you're using an outside or indirect sales force - like sales reps or distributors - be sure to describe the companies that will be carrying your products. What are the benefits of using these specific firms? What unique talents do they bring to the table?

### **Advertising and Promotion**

Your advertising and promotion campaign is how you communicate information about your product or service. This section should include a description of all advertising vehicles you plan to use - newspapers, magazines, radio & TV, Yellow Pages, etc. - as well as your public relations program, sales/promotional materials (such as brochures and product sheets), package design, trade show efforts, and the like.

Each business must select at least two advertising medias, one public relations program, and one community promotion program. Each group must create an advertisement for each media selected. Display these in the appendix.

Unique product packaging is also a key promotional tactic. You probably will want to discuss the benefits of your package design, and include a sample in your business plan

- **Effective Advertising and Promotions Techniques**

The first step in developing an effective advertising and promotional strategy is to understand the difference between the two concepts. Most people think that advertising and promotions are one in the same; there is, however, a distinction between the two. While both advertising and promotions use the different media formats--print, radio and television--as a way of conveying a message, promotion encompasses much more. It is the method of advertising and can entail community involvement. This could mean sponsoring a Boy or Girl Scout troop, allowing non-profit organizations to use your facility, such as, letting the high school drama club use your parking lot for a car wash fund raiser, sending an underprivileged child to day camp or involvement in any type of positive community activity that will bring attention to your business.

While advertising is a way of keeping your business in the public's eye, promotions are a way of signaling that you are concerned and committed to the welfare of the community and its residents. This commitment may be one of the most effective techniques for building customer loyalty. People tend to be more supportive of businesses and organizations that give something to the community rather than those that just take from the community, never giving anything in return.

- **The Key to a Successful Advertising and Promotional Plan**

Advertising plays an important role in successful business ventures. It entails identifying and selecting the media that provide the greatest amount of exposure for your business and developing effective, yet

appropriate materials for each medium. It is more than running an ad in a local newspaper, on a radio or television station or just simply hanging a sign outside your business and waiting for the customers to purchase your product or service. It requires that you know your product or service --that is, the selling points -- and that you develop literature that can arouse the customers' consciousness levels to the point that they are curious enough to investigate it, and then raises their need or desire levels to the point that they are willing to purchase it.

Advertising keeps your product or service in the public's eye by creating a sense of awareness. Yet this awareness alone will not ensure the success of your business. Thus, advertising not only has to be effective, it also has to be a continuous process.

Once you are satisfied with the advertising materials, select the media that will best market your business. Since advertising can be costly, try to use a medium that is cost effective, yet will effectively market your business. If this is not possible, then be prepared to spend what is necessary to promote your business effectively -- the outcome will be worth the investment.

It may be a good idea to mix the different media formats that you use. For example, design a brochure that describes your product or service, emphasizing its selling points (special features). Place copies of the brochure in strategic locations of your business to use as customer handouts. Or, devise a customer survey. The survey should focus on whether customers like the product or service, the quality of the product/service, ways to improve it, the quality of service provided by staff—their friendliness and courtesy. Place the survey with a self-addressed, stamped envelope near the checkout counter and ask customers to mail in or return the survey when they come back. Review their comments with staff and implement those suggestions that are practical, cost efficient and can improve the overall quality of service your business provides.

**Other media formats to use are:**

- \* Newspaper, radio or television ads (newspaper advertising is the least expensive and television advertising is the most expensive of these formats).
- \* Business cards.
- \* Classified ads in the local newspaper.
- \* Direct marketing.
- \* Telemarketing (this format can be expensive, also).
- \* Yellow Pages advertising.

\* Sampling - mailing or distributing free samples of your product or a flyer about your service to the public.

\* Advertising in community-based magazines or newspapers.

Whatever media format you use, be willing to invest the money needed to develop an effective ad campaign.

### **Promotions**

As discussed earlier, promotion entails more than just selecting the media format to market your business. It can, and oftentimes does, encompass community involvement. This involvement can range from sponsoring a Boy or Girl Scout troop to hosting a charity ball for senior citizens or allowing non-profit organizations to use your facilities.

Your approach to promoting your business should encompass more than creating a sense of awareness about your business. It should include a commitment to community involvement--the desire to give something back to the community and its residents. An excellent way to foster this type of involvement is to meet with community leaders to find out how you can help, and what events are forthcoming that could or will require your assistance. Keep in mind that community leaders can be an excellent networking tool, especially if they feel your involvement is genuine.

#### **Examples of community programs you can sponsor or take part in are:**

- Sponsor a Boy or Girl Scout troop for summer camp
- Sponsor an underprivileged child in day camp
- Host and sponsor a charity ball for senior citizens
- Sponsor cooperative education for high school and/or college students
- Volunteer as a tutor for at-risk (those likely to drop out or fail in school) students
- Sponsor a fundraiser for the homeless, or day care tuition assistance for children of single-parent households
- Offer summer employment to local high school, middle school and college students
- Become active in the local chapters of the Big Brothers or Big Sisters organizations.
- Volunteer in a local literacy program.

**Other inexpensive ways of promoting your business that doesn't encompass community involvement are:**

- Employee tee shirts, hats, aprons or jackets with the name of your business and logo.
- Ballpoint pens with the name, telephone number and logo of your business.
- Balloons with the name, telephone number and logo of your business
- Free samples
- A door prize for the 100th or 1,000th customer to enter your business.

While it is impossible for you to participate in every event or program in the community, you should at least get involved in one or two activities, even if it's only on a part-time basis. People tend to be more supportive of businesses, organizations or individuals who give something to the community. And, this is the image you especially want to project in your promotional activities.

No plan that anyone provides will show you how to promote or advertise your business. These are techniques that you, yourself, will have to develop. Talk it over with your family and community leaders, then decide which activities you can afford to sponsor and have the time to commit to before becoming involved. Involvement in the community doesn't necessarily have a price tag attached. Find a project that you can afford, that you have time for and is of interest to you.

---

## **Part VII. Management**

### **Management Team Description**

A good management team can take even a mediocre idea and make it work. In fact, strong entrepreneurial teams have been known to move from business idea to business idea, repeatedly creating and running thriving companies. Conversely, weak management often cannot build a strong business out of even the best idea. For this reason, the management section of your business plan must demonstrate that the team you have assembled, or will assemble, is a winner. Each member of management must of course be talented and have experience relevant to your business, but it is also important that the people on your team have complementary skills.

Create a description of each member's contribution to the venture including the responsibilities and expertise of each person. Many lenders and venture capitalists base their investment decisions on the strength of the company's principals. Demonstrating that your management team possesses, or will possess, an array of complementary skills will help convince investors that your business has a bright future.

For positions you have yet to fill, detail who you will need to hire to achieve the goals set out in the product development schedule. Describe the talents this person needs to possess and how the addition of that person will help the company meet its objectives.

- Be sure to have major categories of business management covered such as marketing, sales (including customer relations and service), production and quality assurance, research, and administration. You do not have to have personnel devoted to each of these areas, but you should have people who will be able to assume these responsibilities as needed.
- Always put backgrounds in reverse chronological order - lead with your most impressive piece of experience. Some people make the mistake of leading with graduating college and ending with their recent history.

### **Ownership**

A short section on who owns and controls your company will help readers derive a better understanding of who will be making decisions. Potential lenders, many of whom will require a significant stake in the company in exchange for funds, will also be interested in what portion of the company's equity is available.

---

## **Part VIII. Financials**

Financials are used to document, justify, and convince. This is the section in which you make your case in words and back up what you say with financial statements and forms that document the viability of your business and its soundness as an investment. It's also where you indicate that you have evaluated the risks associated with your venture. If you are writing a plan for investors, include the following sections:

### **Risks**

No business is without risks. Your ability to identify and discuss them demonstrates your skills as a manager and increases your credibility with potential investors. You will show that you've taken the initiative to confront these issues and are capable of handling them. The opposite is also true. Should a potential investor discover any unstated negative factors, it will undermine the credibility of your plan and endanger your chances of gaining financing or other support.

The following list of problems is by no means complete, but should give you an idea of some possibilities.

- Your competitors cut their prices
- A key customer cancels a large order
- The industry's growth rate drops
- Operating costs exceed your projections
- Your sales estimates are not achieved
- An important ad campaign doesn't achieve desired results
- Important suppliers fail to make deliveries
- Your competitors release a new, better product or service
- Public opinion of your product or service changes
- You can't find trained labor

Evaluate your risks honestly. Put yourself in a "what if" situation. What if my competition meets my Unique Selling Proposition...what sets my product apart? What if I can't find the right employees?

Consider some commonly made small business mistakes as potential risks. Some of the biggies include: paying employees too much; hiring friends rather than the most qualified candidates to fill positions; underestimating costs; underestimating the sales cycle; overlooking competition; trying to be all things to all customers.

This section must include details of development costs, location and labor requirements. After furnishing this information, you will be asked to generate some financial forms, including operating expenses, cost of goods, and cash flow.

### **Expenses and Capital Requirements**

You must also create three financial forms that will build a foundation for the Financials section of your plan: operating expenses, capital requirements, and cost of goods. Generate a spreadsheet for the year in

which you establish your business. The purpose of this section is to determine your start-up costs and to have evidence for investors or bankers that your new venture is financially viable.

### 1. Operating Expenses

These are the costs that are necessary to operate the business (does not include cost of goods sold). By creating a financial form called Operating Expenses, you pull together the expenses incurred in running your business. Expense categories include: marketing, sales, and overhead. Overhead includes fixed expenses such as administrative costs, rent, and other expenses that remain constant regardless of how much business your company does. Overhead also includes variable expenses, such as travel, equipment leases, and supplies, and labor, which fluctuate based on how much business your company does.

### 2. Capital Requirements

This form details the amount of money you will need to procure the equipment used to start up and continue operations of your business. To determine your capital requirements, think about anything in your business that will require capital. For a diaper delivery service this might be a van, washing machines and dryers, irons and ironing boards, and supplies. A restaurant may require stoves, tables, chairs, silverware, pans, etc.

### 3. Cost of Goods

For a manufacturing company, the cost of goods is the cost incurred in the manufacturing of the product. For a retail or wholesale business, the cost of goods (sometimes called the cost of sales) is the purchase of inventory. In other words, how much did it cost you to buy or make the product you are selling? To generate a Cost of Goods table, you need to know the total number of units you will sell for a year as well as what other inventory you have on hand, and at what stage of production those units exist. For a manufacturing company, the cost of goods table will include materials, labor, and overhead related specifically to product manufacturing.

Once the research on all start-up costs, estimated future expenses and sales has been completed you will create the financial statements including: cash flow, income, and balance sheet statements.

---

## **Part IX. Bibliography**

Be sure to cite all sources used using MLA style.

---

### **Part X. PowerPoint Presentation**

Prepare a PowerPoint presentation of your start-up company's Business Plan. This will be presented in class to your investors (teacher and classmates). You will be given a rubric for the paper and the presentation.