



Virtual Business Plan BizPlanIt

A unique and free resource that mirrors the major sections of a business plan and provides insight into the fundamentals of writing an effective business plan for your company.

Virtual Business Plan: <http://www.bizplanit.com/resources/virtual-business-plan-template.html>

Virtual Business Plan Table of Contents

Welcome Letter	2
An Overview of the Virtual Biz Plan	3
Executive Summary	7
Mission and Vision Statement	11
Company Description	13
Product and Service Description	16
Industry Analysis	18
Target Market	21
Marketing and Sales	25
Competitive Analysis	29
Management Team	31
Operational Plan	35
Financial Projections	38
Exit Strategy	46
Table of Contents	49
Appendices	57

Thank You For Downloading BizPlanIt's Virtual Business Plan

We are so glad you decided to download BizPlanIt's Virtual Business Plan from our website at www.bizplanit.com. Since 1997, tens of thousands of entrepreneurs have leveraged this free tool to help them develop a clear, concise and compelling business plan. We hope this PDF version of our online Virtual Business Plan assists you in preparing a business plan that is effective in moving your company down the road to success.

Happy Planning!



A handwritten signature in black ink, appearing to read 'Jimmy Lewin'.

Jimmy Lewin
BizPlanIt, Managing Director
(602) 290-8595
jimmy@bizplanit.com



A handwritten signature in black ink, appearing to read 'Scott Pollov'.

Scott Pollov
BizPlanIt, Managing Director
(480) 463-4730
scott@bizplanit.com

An Overview of The Virtual Business Plan

Why Should You Consider Preparing A Business Plan

At one time or another nearly every entrepreneur receives the same advice – “make sure you prepare a business plan”. While we certainly agree with this advice, the truth is that preparing a plan is normally easier said than done. Many entrepreneurs discover that developing a complete business plan can be a struggle - it's time consuming, the process can be overwhelming, and it often becomes the project that never quite seems to get finished.

However, investing the time and resources to create a business plan is a must for any venture (startup or otherwise) and will help set the stage for your future success. Whether or not you utilize your plan to raise capital, a comprehensive business plan will become your roadmap for generating profits and achieving your dreams.

An Overview of The Virtual Business Plan (cont.)

How Will You Benefit From The Business Planning Process?

The benefits of dedicating the time and resources to preparing a comprehensive business plan include:

- Providing you a 360 degree view of your company, allowing you to examine its viability and potential for growth and success.
- A business plan is powerful tool for ensuring that the founders and management team are committed to a common set of goals by forcing individuals to reconcile any differences they may have into a unified plan of attack.
- A business plan is an excellent method of communicating your vision, mission, values and goals to the stakeholders that will help you launch and grow your business - suppliers, partners, customers, employees and board members.
- Helps companies gain a more thorough understanding of the opportunities and challenges in their market and industry, and craft strategies and tactics that will directly respond to customer needs.
- Your company has competition, and ultimately your success will be determined by how you set your company apart from that of your competitors. A business plan empowers you with valuable competitive insight and enables you determine how to differentiate your products, services and value proposition.

An Overview of The Virtual Business Plan (cont.)

- The better you understand your business the more effective you will be in creating the right management team for your company. The landscape is littered with companies with great products and huge markets that either didn't make it or didn't reach their potential because the management team lacked the appropriate skills, talent or experience to capitalize upon its opportunity.
- A well thought through business plan will lay out a comprehensive strategy and timeline for implementation and operations of the company, particularly in the early and emerging stages of growth.
- Allows you to examine "what-if" scenarios and create back-up plans should your Plan A turn out differently than you originally expected – a situation which happens quite frequently.

A Thank You From The BizPlanIt Team

We hope our Virtual Business Plan assists you and your team in developing a business plan that not only helps you raise needed capital, but allows you the opportunity to gain a clearer picture of where your company has been, where it stands today, and how it is going to move forward in the future.

The online version of the Virtual Business Plan is available at:

<http://www.bizplanit.com/resources/virtual-business-plan-template.html>

An Overview of The Virtual Business Plan (cont.)

In this White Paper we will review the major sections of a business plan and provide insight into the fundamentals of writing an effective business plan for your company. Each section of the Virtual Business Plan includes:

- **Business Plan Basics** – The business plan fundamentals to consider and incorporate into each section of your plan.
- **Common Mistakes to Avoid** – Highlights the most common mistakes that business plan writers make. Avoid these mistakes to add credibility and power to your business plan.
- **Section-Specific Tips** – Other advice, articles, tips, tools and links related to each section of a business plan.

Executive Summary: Business Plan Basics

The executive summary is potentially the most important section of your business plan. It is normally the first section of your business plan that investors will read, and could be the last if it is poorly written. An executive summary should briefly describe the company, the product or service, and the unique opportunity your company is offering. It should also provide a short description of your key management team members and an outline of the investment you are seeking. Don't forget to tell the reader why you need the money and how and when they can expect to be paid back!

A good executive summary is essentially a condensed but powerful summary of your entire business plan. It creates a first impression in your reader's mind of both you and your business. Use clear and concise language - although this applies to your entire business plan, it is especially important in your executive summary. Use words that command attention, and that get your reader excited about the opportunity you are presenting.

The following excerpt is from David Gumpert's book, "How to Really Create a Successful Business Plan". His insight clarifies the importance of a powerfully written executive summary:

Executive Summary

Business Plan Basics (cont.)

“Certainly the most significant part of any business plan is its executive summary. What is an executive summary? Probably the best way to begin defining it is to explain what it isn't.

The executive summary is not an abstract of the business plan. The executive summary is not an introduction to the business plan. The executive summary is not a preface. The executive summary is not a random collection of highlights.

Rather, the executive summary is the business plan in miniature. The executive summary should stand alone, almost as a kind of business plan within the business plan. It should be logical, clear, interesting - and exciting. A reader should be able to read through it in four or five minutes and understand what makes your business tick. After reading your executive summary, a reader should be prompted to say, "So that's what those people are up to."

Limit the length of your executive summary to no more than 2 to 3 pages and stick to the facts. Investors are searching for evidence that justifies the soundness of your opportunity, and that gets them excited about what you intend to achieve. If your executive summary is clear and concise, you are one step closer to impressing your reader, and on your way to a terrific business plan.

Now lets discuss Mistakes to Avoid when writing the Executive Summary.

Executive Summary: Mistakes To Avoid

Here are several common mistakes that can make your Executive Summary less effective:

- Lacking a specific focus
- Too long and wordy, and failing to get to the point
- Trying to be all inclusive (it should be a powerful summary)
- Failing to demonstrate a special or unique opportunity
- Failing to outline the terms of the investment sought
- Failing to generate enthusiasm in the reader

The online version of the Virtual Business Plan is available at:

<http://www.bizplanit.com/resources/virtual-business-plan-template.html>

Executive Summary: Mistakes To Avoid (cont.)

Some suggestions to combat these problems:

- Limit your executive summary to a maximum of 3 pages (at the very most)
- If possible, attempt to present your executive summary on 1 or 2 pages
- Focus on the opportunity you are presenting your investor and explain why it is special
- Make certain that the opinions and claims in your executive summary are fully supported in the other sections of your business plan
- Attempt to use only concrete facts and figures that explain your business concept, market niche and financial projections
- Don't forget to include the details of your investment (the amount you need, what you will spend it on, and the return you offer your investor)
- Keep your reader in mind - why are they reading the plan and what response/action to you hope to generate?

Next lets take a swing at the Mission and Vision Statements. How do you write these for maximum impact?

Mission and Vision Statement: Business Plan Basics

The mission and vision statements set the tone for not only your business plan, but also for your company. They define the path your company will follow and act as a guiding principle by which your company functions.

Your mission and vision statements tell your reader what you and your business are all about - what your company stands for, what you believe in, and what you intend to achieve.

Economy of words is critical. This doesn't necessarily mean that they should be short at the expense of effectiveness, but that each word should be powerful and meaningful. Be clear and concise and make it obvious what your company is attempting to do.

Is there a difference between a mission and vision statement? Yes, the differences are:

Your VISION defines your long-term dream. It should not be achievable. That may sound ridiculous, but the objective is for your vision to always be just slightly out of your reach. It's what you constantly strive to attain, and it becomes your reason for being.

Your MISSION is what you intend to become or accomplish. It should be challenging but achievable. A well-written mission statement demonstrates that you understand your business, have defined your unique focus, and can articulate your objectives concisely to yourself and others.

What are some of the mistakes you want to avoid when writing the Mission and Vision?

Mission and Vision Statement: Mistakes to Avoid

Here are some of the "don'ts" to avoid when writing your Mission Statement or Vision Statement:

- Don't regurgitate a description of your business.
- Don't make it boring.
- Don't make it the length of a Ph.D. thesis.
- Don't fake emotion.
- If you don't believe it, don't include it.
- Don't lie or claim to be something you aren't (i.e. intend to do exactly what you say you are going to do in your mission statement).
- Don't forget to get the input of everyone on your team.

Next, lets talk about the Company Description.

Company Description: Business Plan Basics

The company description section of your business plan should outline your company's basic background information and business concept. Explain in general terms who you are and what you do. It should also cover the history of your company, how you reached this point, and where you intend to go in the future. Consider covering the following in your company description section:

Legal Description

Include details about where and when the company was formed, where and when it was incorporated, a one line description of what business you are in, and a brief overview of what your company offers. If the location of your company is important, explain the advantages and benefits to your reader.

History of The Company

Provide a general overview of the history of your business. Organize details of your company into a timeline or narrative format, and include your achievements and significant milestones. Explain why you started the company, the driving force behind its inception, and how your product/service mix has changed over time. Include historical data on sales, profits, units sold, number of employees, and other important facts to build a case for your business.

Company Description: Business Plan Basics (cont.)

Current Status

Provide a snapshot of where your company is today. Are you in one location, what do you sell now, how many employees do you have, and how successful are you? Point out your current strengths, but also honestly and frankly address your weaknesses. Investors know all businesses have weak points, and you demonstrate business maturity by acknowledging your weaknesses and outlining steps to combat them.

Future Goals

This section gives your reader an idea of where your company is heading. What are looking to accomplish over the next 1, 3, 5 and 10 years? Relate these goals to the investment you seek so an investor understands why you need their money and what you intend to do with it. Explain the overall approach for reaching growth and profit goals in optimistic language, but make sure it's realistic. It's easy to make rosy projections about the future of your company, but it's harder to make them believable.

The online version of the Virtual Business Plan is available at:

<http://www.bizplanit.com/resources/virtual-business-plan-template.html>

Company Description: Mistakes to Avoid

The company description should clearly explain your company and the product or services you offer. This section could be considered the “who, what, why, where, when and how” of your company, with the focus on significant highlights of your business.

Here are some of the most common mistakes that we find in the company section:

- Including far too much detailed information about your business
- Providing information that an investor would consider your "personal opinion"
- Appearing as though you have no business history or business purpose
- Leaving out important business and legal particulars
- Writing the section in an unorganized or confusing manner

Next are Product and Service descriptions. What do you need to be concerned about with these sections?

Product and Service Description: Business Plan Basics

The product/service section is one of the most important parts of your business plan. It's your chance to clearly explain your products/services, identify their features and benefits, and discuss what needs or problems they address in the market. It's important that your products and services stand out from your competitors. Writing it effectively will give you the advantage you need.

- **Product Overview** - If you are selling a product, your reader will want to know what it is, what it does, and its features and benefits. Consider including pictures if they would help your reader get a better understanding of your product. Discuss its size, shape, color, cost, design, quality, capabilities, technological life-span and patent protection. You may also wish to explain how it is produced, the materials required, and the type of labor needed.
- **Service Overview** - If you offer your customers a service, explain what that service(s) are, how they work, and what need they address in the marketplace. Where will you operate? What makes your service different? What materials or equipment is needed? What are your days and hours of operation? Explain the steps in your service process and the benefits you offer your clients. Write this section with enough information to satisfy an outsider's need to understand your service without boring them with trivial details.

What are some of the mistakes you want to avoid when writing the Product and Service descriptions?

Product and Service Description: Mistakes to Avoid

The following are the some of the most common mistakes we find in the product and service description section:

- Failing to identify the benefits of the product or service (focusing instead on the features)
- Describing the product/service in language that is too technical, with too many industry specific words or phrases
- Omitting the specific problem the product/service addresses and how that problem is solved
- Assuming an improved product/service will "sell itself"
- Describing the product/service in terms that are too broad
- Failing to include a third-party evaluation or analysis of your product
- Underestimating the importance of legally protecting your product/service

Next comes one of the critical sections of your plan, the Industry Analysis.

Industry Analysis: Business Plan Basics

Every business operates within the larger classification of an industry. Your business plan must address the forces at work in your industry, the basic trends and growth over time, and where your company fits in. Demonstrating to outsiders that you understand and have anticipated the important factors of your industry builds a case for your company's success.

Think of your industry as those companies providing products and services similar to yours. This includes those companies selling similar products and services, as well as complementary or supplementary products or services. Any business that falls between the supplier of raw materials to the end of the distribution channel for your type of product or service are part of your industry.

In the industry section of your business plan, provide answers to the following types of questions:

Industry Analysis: Business Plan Basics (cont.)

- What is the size of your industry by both revenue and number of firms?
- Discuss the characteristics of this industry such as growth trends, units sold, or employment.
- What factors are influencing growth or decline in your industry?
- What have been the trends in previous years?
- What trends are expected in the coming years? (include supporting research)
- What are the barriers of entry for your industry?
- How many companies are expected to enter your industry in the future?
- What government regulations effect your industry and your business?
- Is your industry highly regulated or does it fall below the government's radar?
- Provide a general explanation of the distribution system for products and services in your industry.
- Is it difficult to gain distribution access to your industry? Explain.

What are some of the mistakes you want to avoid when writing the Industry Analysis?

Industry Analysis: Mistakes to Avoid

These are some of the most common mistakes found in the industry analysis section of a business plan:

- Not demonstrating a solid understanding of how your industry functions.
- Appearing unaware about the companies that form your industry.
- Lacking understanding as to where your business fits into the distribution channel of your industry.
- Omitting growth trends, revenue size, and significant statistics for your industry.

Next, lets get into your target market. Who are you going to sell to? How will they be convinced to buy from you?

The online version of the Virtual Business Plan is available at:

<http://www.bizplanit.com/resources/virtual-business-plan-template.html>

Target Market: Business Plan Basics

The target market section of your business plan must clearly identify the current and prospective buyers of your Company's products and/or services. Your goal in preparing the target market section is to demonstrate to readers that you clearly understand who your customers are and how your products/services directly meet the needs of the marketplace. Properly identifying your potential customer base also helps to drive overall marketing and sales strategies that you will include within other sections of your business plan.

Although your product or service may meet the needs of a large constituency of potential customers, the goal is to define your customer base as specifically as possible both quantitatively and qualitatively. Consider the follow types of characteristics for inclusion in the target market section of your business plan:

Size

How large is your target market? Are there 1,000 business buyers? 10 million potential consumers ready to purchase your product? Or a small handful of very large target customers?

Target Market: Business Plan Basics (cont.)

Demographics

The demographic traits of your customers often vary based on whether you are focused on serving the consumer or business markets:

- Consumer - Income, Occupation, Gender, Single/Married, Ethnic Group, Education
- Business - Industry, Product/Service, Years in Business, Revenue, Employee Size, Private/Public

Geographic

Where are your customers located? While technology has made location less of an issue for many companies, it doesn't mean you should overlook the importance of defining the geographic location of your customers. Clarifying these issues also helps to ensure that your marketing and sales strategies/budgets properly match your goals to capture market share.

Other Characteristics

What are some of the more subjective traits that define your customers? This might include things such as current buying motivations, perceived shortcomings of other solutions in the market, and trends/purchasing shifts likely to occur within your target market.

Target Market: Business Plan Basics (cont.)

Naturally, the more you understand your customers, the better your chances of success. Many times the best approach to answer the target market question: “Who is our customer?” is to invest time and resources in primary market research. Conduct simple surveys or focus groups. And if feasible, work with a reputable market research firm to guide you through the process.

At the very least, use the Internet and industry groups to locate market research studies and statistics for your business plan. These resources can range from free information available on websites to expensive professional market research studies prepared by experts in the field.

Performing primary research enables you to gather and document the quantitative and qualitative information needed to prepare a solid target market section for your business plan.

What are some of the mistakes you want to avoid when writing about your target market?

Target Market: Mistakes to Avoid

Here are some of the "don'ts" to avoid when writing the Target Market section of your business plan:

- Don't assume that everyone is a buyer of your product/service.
- Don't be unclear about the characteristics that define who your target customers are.
- Don't assume you must have a "huge" target market - a well-defined target market that your company can serve is far better.
- Don't jump to conclusions about why your target market needs you - instead explain how you meet their needs.
- Don't underestimate the value of focus - sell a specific product/service to a specific group.
- Don't try to attack too many markets at once - particularly if you are a startup or early-stage company.

The next section of your plan is the Marketing/Sales information. Lets find out how to best write this section so you get the attention you need.

Marketing and Sales: Business Plan Basics

Every good marketing plan should include two major parts - a definition of your target market and a specific outline to market, promote and sell your product or service. Hopefully, your market is large enough to support the marketing and sales plan that you propose. If it isn't, you may want to re-think your plan.

Target Market (see previous section for more detail)

It's critical to clearly define your target market in your business plan - investors expect it. Tell your business plan reader about your customers and describe their defining characteristics in detail. Include information such as age, gender, geographic location, income bracket, buying similarities, and more.

The goal of this section is to build a demographic profile of your typical customer. The more clearly you pinpoint the defining traits of your customer, the easier it is to construct a marketing program to reach them effectively.

Marketing and Sales: Business Plan Basics (cont.)

The information and research included in your target market section should originate from primary and secondary sources. Primary sources includes information that you discover or conclude from personal observation and research, such as personal studies, results of questionnaires, site visits, and conversations with experts in your industry. Secondary sources include such sources as journals, books, published reports, government statistics, or internet findings.

Marketing Program

After you define your target market, you need to determine specifically how you will reach them. Outline the details and steps necessary to reach potential customers and convert them from prospects to paying customers. It is important to demonstrate to investors that you have identified specific marketing avenues and procedures to effectively sell your product or service. Answer questions such as the ones on the following page in your marketing program section.

The online version of the Virtual Business Plan is available at:

<http://www.bizplanit.com/resources/virtual-business-plan-template.html>

Marketing and Sales: Business Plan Basics (cont.)

- What specific marketing mediums will you use to reach your customer?
- How often will each be used? What will they cost? Why did you choose these marketing avenues over others?
- What marketing materials will you need? (brochures, website, etc)
- Who will design your marketing materials? What will they cost?
- What is the cost of marketing materials per prospect or client? (You may choose to include marketing pieces in the appendix of your business plan)
- Will your company be able to attract PR? Why will they run your story? What's the "angle"? Which publications and mediums will you target?

What are some of the mistakes you want to avoid when writing about marketing and sales?

Marketing and Sales: Mistakes to Avoid

Here are some of the most common mistakes found in the marketing and sales section:

- Defining your target market too widely, and assuming success will result from simply capturing a "small portion" of this enormous market.
- Unclear definition of your target market.
- Attempting to attack an entire market instead of a narrow niche.
- Making assumptions about your target market without research or concrete support.
- Not specifically identifying the mediums you will use to advertise and promote your product.
- Omitting details such as when, where, why and how you will reach your target customer - along with costs.
- Assuming that offering a lower price will lead to increased sales.
- Underestimating the importance of packaging, brand name, and reputation.
- Attempting to immediately fill several lucrative but unrelated markets.
- Lacking clarity about how future changes might effect your market.

Once you know how to market and sell your product, then you have to analyze the competition. Who else will be selling the same product or service?

Competitive Analysis: Business Plan Basics

The competitive analysis section is an objective overview and comparison between your company and your competitors. Begin by identifying your direct and indirect competitors, what and how much they sell (in units and sales dollars), the number of years they have been in business, and their specific market niche. Outline the strengths and weaknesses of each of your competitors from an unbiased perspective.

It is advisable to include a chart or pie-graph showing what share of the market each of your competitor's commands, the trends and changes over time. Explain the percentage of the market you intend to capture, and from whom or how you will achieve this market penetration.

More than anything else, it is important to be straightforward and honest about your competitors and their strengths and weaknesses. Many first time business plan writers don't realize that investors want to see that other businesses are profitable and successful in your chosen market. If you fail to present your competitors, or claim you have no competition, why should investors assume that a market even exists from your product or service. Instead, present comprehensive information and point out how your unique strengths and tight market niche will result in your success.

What are some of the mistakes you want to avoid when writing the Competitive Analysis?

Competitive Analysis: Mistakes to Avoid

The following are several common mistakes that can decrease the effectiveness of your competition section:

- Assuming you have no competition! (Please don't do this! Claiming you have no competition or anything remotely similar, is a sign of inexperience that readers pick up on immediately.)
- Failing to identify both direct and indirect competitors.
- Underestimating the power and strength of competitors.
- Omitting the specific competitive advantages you hold over your competition.
- Demonstrating a lack of knowledge or strategy to combat changing competitive conditions.
- Failing to define and clarify your position, strength, and market niche focus.

Next comes information about your management team. Who is going to lead your organization?

Management Team: Business Plan Basics

Many investors base their entire investment decision on the management team behind a venture. Investors expect a well-rounded team of professionals with experience in every function critical to the business. Your management section should clearly demonstrate who each person is, why he or she is on your team, and what each person will do.

Try and limit your management team to 3 to 5 people - and to those individuals involved in the day to day operations that have the greatest impact on the future success of your business. Everyone else is considered either an employee, or if not involved in day to day operations should be included as a member of the Board of Advisors, Board of Directors or consultants. A discussion of your employees should be included in the operations section.

The basic components of the management section include:

Specific Team Members

Construct a narrative description for each team member, clarifying his or her background and intended contribution. This should include:

- Title of this position
- Duties and responsibilities of this position - what will they be doing, which functions will they be overseeing, who do they supervise, who do they report to, etc.

Management Team: Business Plan Basics (cont.)

- Previous industry and related experience - should be those that relate directly to this new position. Who have they worked for, what were they doing, for how long did they do it, etc.
- Previous Successes - what did they accomplish, what successful teams or projects did they spearheaded, did they grow a company or a division, were they responsible for a turnaround or some new breakthrough idea.
- Education -keep educational descriptions brief

Board of Directors

Briefly describe who is on your Board and what role they play within your company. Briefly list the names, backgrounds, and contributions that will be made by each board member.

Board of Advisors

Your board of advisors should consist of individuals with valuable industry expertise and insight, and they help and consult with you on your business. A solid and experienced board of advisors goes a long way towards building credibility in the eyes of investors. Briefly list the names, backgrounds, and contributions that will be made by each of your board members.

Management Team: Business Plan Basics (cont.)

Consultants

The last part of your management section should include a brief mention of the outside consultants you will work with as your company grows. A typical list of consultants would include accountants, attorneys, bankers, insurance agents, and experts such as technology advisors, web developers, and payroll specialists, for example.

Explain the background of the founder(s) of the company at some length. However, limit this background information to under 1/2 a page. Stick to the facts on all your management team bios, making it evident why each person is experienced, why they hold their position and the benefits they provide your company.

One last note: Always keep in mind that given the choice between an excellent business concept with second-rate managers and a mediocre business concept with top-notch managers, investors prefer the latter.

What are some of the mistakes you want to avoid when writing about the management team?

Management Team: Mistakes to Avoid

The following are several common mistakes that decrease the effectiveness of the management team section of your business plan:

- Depending on unqualified friends or family in key management positions.
- Assuming that previous success in other industries applies to your current industry.
- Presenting a "one-man-team" management philosophy. Investors know it's difficult to wear every hat and successfully run and grow a company.
- Attempting to attract top managers without sharing ownership.
- Lacking non-compete agreements for critical management staff.
- Failing to attract and assemble a knowledgeable board of advisors.

The next section is the Operational Plan. How will business be conducted day to day? What will be the processes and procedures for accomplishing your strategy?

Operational Plan: Business Plan Basics

The operational plan deals specifically with the internal operations and equipment necessary to produce your product or service. The following are selected areas that need to be addressed in this section.

Location

Where will your business be located? What square footage is needed, in how many locations? What type of space is it? Office, warehouse, manufacturing, or a combination? What is the advantage, if any, of your location? At what point will the goals of the business exceed the above mentioned facilities? Provide a layout of your facility in the appendices of your business plan.

Equipment

Outline and describe the significant equipment needed, including cost. What does the equipment do, how do the pieces function together, and how much can be produced? Will you purchase or lease your equipment? Why and from whom? Be sure to include manufacturing equipment, vehicles, computers, and office equipment.

Labor

How many employees will you need? Full-time? Part-time? Break them out by function, number of hours worked, and hourly pay. Describe the skill sets needed. What are the salaries of those in management, production, distribution, sales and administration? Will you run multiple shifts? What are your hours of operation? What criteria is used to locate and hire quality employees?

Operational Plan: Business Plan Basics (cont.)

Manufacturing & Service Process

Walk the reader through your manufacturing and service process from raw material through finished product. Where will you obtain and store raw materials? Outline your key suppliers, the purchasing process, and unique purchasing requirements. Where will finished goods be stored, and what is the associated space and cost? How will finished goods (or services) be distributed? What is the lead time for the entire process? How will quality be measured, controlled, and improved? Explain the technology requirements for your manufacturing process.

Other Issues to Consider:

- How will you keep track of inventory? Provide specific procedures and equipment used.
- How will you maintain quality control? What are the procedures to ensure that you are providing the top quality product or service?
- What type of insurance does your business need? Discuss the legal liability issues of your business.

What are some of the mistakes you want to avoid when writing the Operational Plan?

Operational Plan: Mistakes to Avoid

Here are some of the most common mistakes found in the operational section of business plans:

- Failing to clearly outline the process by which you manufacture, distribute and sell your product or service.
- Failing to account for all production costs (direct and indirect).
- Failing to assess the manufacturing process in terms of manufacturing costs, taxes, shipping, installation, maintenance, serviceability, etc.
- Failing to develop adequate inventory control and quality assurance guidelines.
- Failing to identify all machinery and equipment needed.
- Failing to properly plan the layout of the plant, the workflow process, and the material handling procedures.
- Failing to properly outline personnel management, scheduling, and hiring practices.
- Failing to properly plan for contingencies to meet production and staffing challenges.
- Failing to plan for long term facility and equipment changes.

Once you have your Operational Plan in place, ask yourself this question:
What will my financial projections look like?

Financial Projections: Business Plan Basics

Your financial plan will be highly scrutinized by your business plan reader. All the ideas, concepts and strategies discussed throughout your entire business plan form the basis for, and should flow into, your financial statements and projections in some manner. When it gets down to it, your reader wants to know if and when you will make money and become profitable.

Financial statements and projections should follow Generally Accepted Accounting Standards and must (at a minimum) include properly prepared balance sheets, income statements and cash flow statements. Bankers and investors are familiar with the correct content, organization and presentation of financial statements, and expect to see them in your business plan. Don't cut corners or attempt to devise your own method of financial and pro forma statement presentation.

In most cases, capital sources expect financial projections for a three to five year period, and historical statements for the past three years (or since inception if operating period is less than three years).

The online version of the Virtual Business Plan is available at:

<http://www.bizplanit.com/resources/virtual-business-plan-template.html>

Financial Projections: Business Plan Basics (cont.)

Consider organizing your financial statements as follows:

Income Statements

- Year 1 - Monthly Projections
- Years 2 thru 5 - Quarterly or Yearly Projections
- Existing businesses should provide income statements for the last 3 years if available.

Balance Sheets

- Year 1 - Quarterly Projections
- Years 2 thru 5 - Yearly Projections
- Existing businesses should provide current balance sheet and balance sheets from the prior 2 years if available.

Cash Flows

- Year 1 - Monthly Projections
- Years 2 thru 5 - Quarterly or Yearly Projections

Financial Projections: Business Plan Basics (cont.)

Other information that you may consider including:

Financial Assumptions

These are critical to properly convey the "reasons behind the numbers" for outsiders reviewing your financial projections. Explain how you calculated the numbers you used in your financial statements. For example, we will sell 1000 units per month at \$5.00 per unit. This is projected to increase by 4% every month, etc.

Break-Even Analysis

These figures demonstrate the volume of sales, in units and dollars that must be generated to cover fixed and variable expenses. At the break-even point, you start becoming profitable. Normally this data is presented in a graph format with sales on the X-axis and units sold on the Y-axis.

Financial Projections: Business Plan Basics (cont.)

Sources and Uses of Funds

This section explains to your reader which sources you expect to secure capital from, and what you specifically plan to spend it on.

Investment Structure and Objectives

This section outlines the amount of capital needed, various investment structures, and the estimated return to your investor. ³/₄It is critically important to tell your investor how they will recoup their money, when they can cash out, and what they will receive as a return.

Financial Ratios

Providing standard financial ratios helps your business plan reader to analyze how well your company will perform compared to other companies within your industry. For existing companies, show the trends over the last 3 to 5 years to outline any improvements in your performance.

What are some of the mistakes you want to avoid when working on the financial projections?

Financial Projections: Mistakes to Avoid

Here are some of the most common mistakes found in the financial projection sections of business plans:

- Failing to include the "Big 3" statements and projections (income statement, balance sheet, cash flow).
- Presenting sales and profit projections that are unrealistic and unfounded.
- Omitting financial assumptions to explain where the "numbers" originated.
- Presenting "creative" rather than "accepted" financial statements.
- Underestimating expenses and not budgeting for unexpected costs.
- Lack of financial investment on the part of the founders.
- Including excessive salaries and office expenses at start-up.
- Offering a lower percentage of ownership than the investment requirement demands.
- Offering a return on investment that is out of line for your industry.
- Absence of contingencies and projections for worst case scenarios.
- Financial statements that are not prepared or reviewed by a reputable accountant.

Financial Projections: Business Plan Financial Ratios

Financial ratios are one of the most important tools available to business owners, enabling them to evaluate their company's performance and health. Financial ratios are calculated by using the information provided in historical and/or forecasted balance sheets and income statements. Ratios are most commonly used for trend analysis - tracking your company's financial figures over a period of time. Financial ratios allow companies to compare performance in a given period versus financial results in previous periods, and against the financial results of other businesses in similar industries.

Financial ratios put financial statement information into perspective, and allow businesses to spot financial issues that may threaten cash flow, or even the overall viability of a business. Financial ratios, particularly for privately held companies, fall into four general categories: liquidity, profitability, turnover and leverage.

- Liquidity Ratios: Current Ratio and Quick Ratio
- Profitability Ratios: Return on Assets, Return of Equity, and Return on Sales
- Turnover Ratios: Accounts Receivable Turnover and Inventory Turnover
- Leverage Ratios: Debt to Equity, Interest Coverage

Financial Projections: Business Plan Financial Ratios (cont.)

Liquidity Ratios

Liquidity ratios focus on a company's ability to pay its bills when they come due. Bankers and suppliers use liquidity ratios to measure a company's creditworthiness. If liquidity ratios remain relatively high for a prolonged period, too much capital may be invested in liquid assets (for example, cash, short-term investments, accounts receivable, inventory) and too little capital may be devoted to increasing shareholder value. If liquidity ratios remain relatively low, a company may not have sufficient liquidity to meet ongoing financial obligations.

Profitability Ratios

Profitability ratios offer a glimpse into a company's operational performance and help business owners determine if they are maximizing their bottom line. They also offer insights into the return a company is generating from its assets and invested capital. These ratios should be compared on a period over period basis (i.e. year to year). While these ratios may vary from industry to industry, standard ratios include Return on Assets, Return on Equity and Return on Sales.

Financial Projections: Business Plan Financial Ratios (cont.)

Turnover (Efficiency) Ratios

Turnover or efficiency ratios measure the activity or changes in certain assets, including accounts receivable, accounts payable and inventory. Poor turnover generally indicates resources are invested in non-income producing assets.

Leverage Ratios

Leverage ratios indicate how well a company's uses borrowed funds (rather than stockholders' equity or investments) to expand its business. The goal is to borrow funds at a low interest rate and invest in a business activity that produces a rate of return exceeding the target rate of return for investments.

The online version of the Virtual Business Plan is available at:

<http://www.bizplanit.com/resources/virtual-business-plan-template.html>

Exit Strategy: Business Plan Basics

In order to attract investment dollars for your business, it's critical to supply an exit plan to investors so they can get their money back (hopefully with a healthy return) and exit your company. The exit strategy section of your business should also outline your long-term plans for your business.

Begin by asking yourself why you are getting into business. Do you see yourself running your company twenty years from now, or are you interested in moving on after a few years? Are you in it for the big money at the end of the rainbow, or are you more interested in running a solid and steadily growing family business?

It's important to think through these issues and decide what you intend to do with your business before you can adequately answer the questions, and address the issues, concerning how your investor will exit your company. The requirements of each investor will vary in terms of return and exit strategy they seek. Two examples follow:

Exit Strategy: Business Plan Basics (cont.)

Venture Capital

These investors look for a high return and an exit strategy of approximately 3-7 years. They work almost exclusively with companies that may go public or can be sold for a significant profit. However, keep in mind that going public is very rare and is unattainable for most companies.

Angel Investor

These investors typically are looking for a high return but are more flexible with the terms of the exit strategy. Angels are typically less sophisticated than venture capitalists or institutional investors, and will become involved in your business because of a personal relationship with you. Here are some possible exit strategies to consider:

- Initial Public Offering (a very, very rare event for most startups)
- Merger/Acquisition
- Buyout by partner in business
- Franchise the business
- Hand down the business to another family member

What are some of the mistakes you want to avoid when writing about the Exit Strategy?

Exit Strategy: Mistakes to Avoid

The following are several common mistakes found in the exit strategy section:

- Assuming you have a business with the potential to go public.
- Failing to explain how your investor will specifically recoup their investment and a sufficient return.
- Failing to take your personal goals into account when planning your exit strategy.
- Completely ignoring this aspect of the planning process, or having no exit strategy at all.

The online version of the Virtual Business Plan is available at:

<http://www.bizplanit.com/resources/virtual-business-plan-template.html>

Table of Contents: Business Plan Basics

A well-designed table of contents ensures that the readers of your business plan don't waste time searching through your plan for the information they are most interested in. Very few investors will read your plan from front to back. Instead, they will normally jump around looking for the details they need to make an informed investment decision. Keep this in mind when you create your table of contents, and organize it to make it as easy as possible for readers to find their way around your plan.

BizPlanIt suggests inserting the table of contents immediately after the executive summary in your business plan. Most readers will start with your executive summary, and then want to locate specific information that they want to address first.

Your table of contents should list all the major sections within your business plan, and can also be broken down into important or clarifying sub-sections. Make sure your table of contents page is organized, clear, neat and properly numbered.^¾ Mistakes, sloppiness, or misspellings in the table of contents give your reader the impression that you are unorganized and careless right from the start.

What are some of the mistakes you want to avoid when writing the Table of Contents?

Table of Contents: Mistakes to Avoid

Your table of contents should be clean, well organized and free of mistakes. To avoid a poor initial impression, double check the layout and pagination before you send out your business plan and avoid these common mistakes:

- Important sections and/or subsections are missing
- Page numbers do not match up correctly with the content of the plan
- The table of contents is two pages in length when it could neatly fit onto one page
- The table of contents provides too much detail and is cluttered.
- The text layout is not uniformly aligned and looks sloppy
- It appears that little or no thought went into its design and creation

Table of Contents: Sample Sections

The following is a list of the major sections and subsections that you may wish to include in your table of contents. This list can be used two ways: First, before you begin writing a major section of your business plan, consult this list to help you organize your thoughts and ideas into general categories. Second, the list can be used as a reference to select acceptable headings when you create your final table of contents page.

Every business plan is different, and therefore every table of contents should be customized for that particular plan. Use only those headings from this list that make sense for your plan, and that will help your readers get the most from your table of contents.

Company Description

- Legal Description
- Business History & Description
- Current Status
- Future Plans
- Key Management

Table of Contents: Sample Sections (cont.)

Mission & Vision

- Mission Statement
- Company Vision
- Corporate Values & Approach

Product & Service Description

- Overview of Products & Services
- Product & Service Advantages
- Proprietary Features
- Product Development Activities
- Product Liability

Industry Analysis

- Industry Overview
- Industry Participants
- Industry Trends & Growth

Table of Contents: Sample Sections (cont.)

Target Market

- Market Demographics
- Market Trends & Growth Patterns
- Market Size and Potential

Marketing Plan

- Marketing Strategies
- Marketing Tactics
- Positioning
- Public Relations

Sales Plan

- Sales Strategies
- Sales Process
- Sales Team
- Distribution Channels

Table of Contents: Sample Sections (cont.)

Competitive Analysis

- Competitive Overview
- Market Share Analysis
- Direct Competitors
- Indirect Competitors
- Competitive Advantages
- Barriers to Entry

Operations Plan

- Location/Property Ownership/Lease Terms
- Equipment
- Purchasing Policies
- Manufacturing Process and Quality Control Measures
- Administrative Procedures
- Staffing and Training
- Labor Considerations and Organizational Chart
- Management Control Systems

Table of Contents: Sample Sections (cont.)

Management Team

- Key Management
- Board of Advisors
- Board of Directors
- Professional Service Providers

Financial Plan

- Financial Summary
- Current Ownership Summary
- Funding Request / Terms of Investment
- Sources and Uses of Funds
- Exit Strategy
- Projected Financial Statements
- Financial Assumptions
- Historical Financials
- Break-Even Analysis
- Financial Ratios

Table of Contents: Sample Sections (cont.)

Appendices

- Product Samples/Pictures
- Management Resumes
- Business Location Site Information
- Legal Documents
- Other Critical Data

So what's left after you write the Table of Contents? Not much, but you may want to include some Appendices to support the materials in the plan.

Appendices

The major sections of your business plan should only contain summarized findings and highlights for your business. Including every piece of information you have collected in the main sections of your business plan only results in information overload for your reader, and makes it difficult to determine if reading the entire plan is worth the effort. Instead, include detailed research, sources, and other related information about your business and your business plan in the appendix.

You may want to consider including the following information in the appendix of your business plan:

- Management resumes
- Pictures of products, locations, etc.
- Copies of purchase orders
- Floor plans
- Marketing materials
- Details of the manufacturing process and machinery
- Market research surveys and results (highlights only!)
- Any other supporting documents

Be careful not to include every piece of material you have in the appendix section. Only include those materials that provide significant support or additional clarification for your business plan.

Your Business Plan Is Now Ready! Proof, Package and Distribute

So, now that you have your business plan sections written the work is over, right? Not quite. You'll want to spend the next phase of your business plan development on review and fine-tuning. Have your business minded friends, advisors and others read through it and point out areas of potential improvement. It can never hurt to have additional eyes on your plan.

Over the next few months, your plan will go through many iterations and drafts. This is normal. You want to be sure you are presenting the exact plan that you will be executing once you are funded. Of course, business will evolve and change but if you are using a plan to obtain financing, those that invest want to know that the business plan they read is an accurate representation of the actual business.

At BizPlanIt, we understand the importance of a business plan and your desire to achieve a lifelong dream. Being your own boss can be extremely rewarding. We hope this White Paper has been helpful as you proceed with the writing of your plan. Of course, if we can help in any way or you would like to find out more about our services, please get in touch!

To your business success!

Scott Pollov and Jimmy Lewin

BizPlanIt

(602) 290-8595 | plan@bizplanit.com | <http://www.bizplanit.com>