

BUSINESS PLAN

BUSINESS PLAN GUIDELINES

Planning a new business venture takes time, careful thought and a strategic process of research and analysis before making the determination that the selected business is one that could succeed and be profitable. This section identifies the process. Use it as a template in preparation of the business plan, the first component in the student's Entrepreneurship Experience Capstone.

The materials presented for the business plan are adapted from the Small Business Administration. Tools and resources may be accessed at (http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/SERV_ESSENTIAL.html).

Cover Page

The cover page should include the following information:

- **Company Name and Company Owner's Name**
- **Company Address**
- **Phone Numbers**
- **Email Address**
- **Website Information**
- **Date of the Plan**
- **Name of Preparer**

Part 1: Executive Summary

The executive summary is the most important section of a business plan. It provides a concise overview of the entire plan along with a history of the company. The Executive Summary provides a snapshot of where the company has been and the directions the company is headed.

The Executive Summary is the last section written. Once the details of the Business Plan are completed, it is easier to prepare the summary of intent. This section should be no more than 2 pages in length.

Contents of the Executive Summary

- **Mission Statement** - The mission statement briefly explains the purpose of the business. It should be short, concise and provide a clear picture of what the business is.
- **Names of Owners and Their Functions**
- **Name and Location of Business**
- **Description of Plant or Facilities**
- **Products Manufactured or Services Provided**
- **Banking Relationships/Information Regarding Current Investors**
- **Financial Information – Budget, Loan Amount Need and Justification**

With the exception of the mission statement, all of the information in the Executive Summary should be highlighted in brief, even bulleted statements. These facts will be described in-depth further along in the Entrepreneurship Plan.

Part 2: Business Description

This section provides a brief overview of your proposed business.

- **Mission Statement**
- **Nature of the Business (retail, wholesale, online, etc.)**
- **Physical Location – address, size**
- **Legal Structure – Incorporated? A C or an S corporation? A partnership? Sole proprietor?**
- **SWOT Analysis of the Business (Strengths, weaknesses, opportunities, and threats)**

Part 3: Organization and Management

This section should include:

- **Company's organizational chart with a brief narrative**
- **details about the ownership of your company, profiles of management team, and**
- **Qualifications of the Board of Directors (if applicable)**

Who does what in your business? What is their background and why are you bringing them into the business as board members or employees? What are they responsible for? Give a detailed description of each division or department and its function.

This section should include who's on the Board (if applicable). It should also describe what kind of salary and benefits package you will have for your employees.

Organizational Structure

An effective way to lay out the structure of your company is to create an organizational chart with a narrative description.

Management Profiles

Experts agree that one of the strongest factors for success in any company is the ability and track record of the owner or management, provide information on the key people in the business and their backgrounds.

Provide resumes that include the following information:

- **Name**
- **Position (include brief position description along with primary duties)**
- **Primary responsibilities and authority**
- **Education**
- **Unique experience and skills**
- **Prior employment**
- **Special skills**
- **Employment history**
- **Community involvement**

- **Compensation basis and levels (make sure these are reasonable - not too high or too low)**

Board of Directors' Qualifications (if applicable)

The major benefit of an unpaid advisory board is that it can provide expertise that your company cannot otherwise afford. A list of well-known, successful business owners/managers can go a long way toward enhancing your company's credibility and perception of management expertise.

If you have a Board of Directors, be sure to gather the following information when developing the outline for your business plan:

- **Names**
- **Positions on the Board**
- **Extent of involvement with company**
- **Background**
- **Historical and future contribution to the company's success**

Part 4: Market Analysis SWOT

The market analysis section should illustrate your knowledge about the particular industry your business is in. It should also present general highlights and conclusions of any marketing research data you have collected.

However, the specific details of your marketing research studies should be moved to the **Appendix** section of your Business Plan. The South Dakota Labor Market Information Center is a good starting place for this information. This section should include:

- **an industry description and outlook,**
- **target market information, and**
- **an evaluation of your competition.**

Industry Description and Outlook

This overview section should include:

- **a description of your primary industry,**
- **the current size of the industry as well as its historic growth rate,**
- **trends and characteristics related to the industry as a whole,**
- **and the major customer groups within the industry.**

Identifying Your Target Market

Your target market is simply the market (or group of customers) that you want to focus on and sell to. When you are defining your target market, it is important to narrow it to a manageable size.

In this section, you should gather information which identifies the:

- **Distinguishing characteristics of the market you are targeting.** This section might include information about the critical needs of your potential customers, the degree to which those needs are (or are not) currently being met, and the

demographics of the group. It would also include the geographic location of your target market and information.

- **Size of the primary target market.** Here, you would need to know the number of potential customers in your primary market, the number of annual purchases they make in products or services similar to your own, the geographic area they reside in, and the forecasted market growth for this group.
- **The extent to which you feel you will be able to gain market share and the reasons why.** In this research, you would determine the market share percentage and number of customers you expect to obtain in a defined geographic area. You would also outline the logic you used to develop these estimates.
- **Your pricing and gross target markets.** Here, you would define the levels of your pricing, your gross margin levels, and any discount structures that you plan to set up for your business, such as volume/bulk discounts or prompt payment discounts.
- **Resources for finding information related to your target market.** These resources might include directories, trade association publications, and government documents.
- **Media you will use to reach your target audience.** These might include publications, radio or television broadcasts, or any other type of credible source that may have influence with your target market.

Competitive Analysis

When you are doing a competitive analysis, you need to,

- **identify your competition by product line or service as well as by market segment,**
- **assess their strengths and weaknesses,**
- **determine how important your target market is to your competitors, and**
- **identify any barriers that may hinder you as you are entering the market.**

Regulatory Restrictions

The final area of review includes the regulatory restrictions. This includes information related to current customer or governmental regulatory requirements as well as any changes that may be forthcoming. Specific details to locate:

- * the methods for meeting any of the requirements that will affect your business,
- * the timing involved (i.e., How long do you have to comply? When do the requirements go into effect?),
- * and the costs involved.

Part 5: Marketing and Sales Strategies

In this section, define the marketing strategy. There is no single way to approach a marketing strategy. The marketing strategy should be part of an ongoing self-evaluation process and unique to the business. However, there are steps to follow which will help you think through the strategy you would like to use.

An overall Marketing Strategy would include:

- **Strategy for business growth.** This growth strategy might include an internal strategy such as how to increase your human resources, an acquisition strategy such as buying another business, a franchise strategy for branching out, a horizontal

strategy where you would provide the same type of products to different users, or a vertical strategy where you would continue providing the same products but would offer them at different levels of the distribution chain.

- **Channels of distribution strategy.** Choices for distribution channels could include, original equipment manufacturers (OEMs), an internal sales force, distributors, or retailers.
- **Communication strategy.** How are you going to reach your customers? Usually some combination of the following works the best: promotions, advertising, public relations, personal selling, and printed materials such as brochures, catalogs, flyers, etc. Once you have defined your marketing strategy, you can then define your sales strategy. How do you plan to actually sell your product?

The Sales Strategy should include:

- **A sales force strategy.** If there is a sales force, do you plan to use internal or independent representatives? How many salespeople need to be recruited? What type of recruitment strategies to use? How will the sales force be trained? What about compensation for the sales force?
- **Your sales activities.** When you are defining your sales strategy, it is important to break down the strategies into activities. For example, first identify prospects. Once a list of your prospects is completed, determine priorities. Next, identify the number of sales calls you will make over a certain period of time. From there, determine the average number of sales calls you will need to make per sale, the average dollar size per sale, and the average dollar size per vendor.

Part 6: Service or Product Line

Describe what you may be selling, designing as a product, or what services is provided with the idea. In this section, the description of the service or product and emphasizing the benefits to potential and current customers. Focus on the areas where you have a distinct advantage. Identify the problem in your target market for which your service or product provides a solution.

List your company's services and products and attach any marketing/promotional materials. Provide details regarding suppliers, availability of products/services, and service or production costs.

This section should include:

- **A detailed description of your product or service (from customers' perspective).** Include information about the specific benefits of your product or service. You would also want to talk about the product or service's ability to meet consumer needs, any advantages your product has over that of the competition, and the present development stage your product is in (i.e., idea, prototype, etc.).
- **Any copyright, patent, and trade secret information that may be relevant.** Include information related to existing, pending, or anticipated copyright and patent filings along with any key characteristics of your products/services for which you cannot obtain a copyright or patent.
- **Research and development activities you are involved in or are planning to be involved in.** These activities would include any in-process or future activities related to the development of new products/services.

Part 7: Funding Request

The funding request section determines and requests the amount of funding needed to start your business.

Include the following:

- **current funding requirement,**
- **future funding requirements for the next five years,**
- **once funds are received, how will they be used and**
- **any long-range financial strategies that you are planning that would have an impact on funding request.**

When you are outlining current and future funding requirements, be sure to include the amount currently needed and the amount required in the future, the time period that each request will cover, the type of funding you would like to have (i.e., equity, debt), and the terms that you would like to have applied.

How you will use your funds is very important to a creditor. Is the funding request for capital expenditures? Working capital? Debt retirement? Acquisitions? Whatever it is, be sure to list it in this section.

Part 8: Financials

Following is a list of the critical financial statements to include in your Business Plan packet.

- **Three to five years of income statements and cash flow statements**
- **Sources detailing the cost of the project.**

Part 9 The Appendix

The Appendix includes

- **Credit history (personal and business)**
- **Résumé's of key managers**
- **Product pictures**
- **Letters of reference**
- **Details of market studies**
- **Relevant magazine articles or book references**
- **Licenses, permits, or patents**
- **Legal documents**
- **Copies of leases**
- **Building permits**
- **Contracts**
- **List of business consultants, including attorney and accountant**

http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/SERV_ESSENTIAL.html
and
<http://www.sdsbdc.org>