UNIT - IV

Preparing the Business Plan

The business plan is the key ingredient for a successful business and is often ignored. This session shows you how to create an individualized business plan, and provides the tools to make it easy.

- **What is a Business Plan?**
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What Is A Business Plan?

The primary value of your business plan will be to create a written outline that evaluates all aspects of the economic viability of your business venture including a description and analysis of your business prospects. We believe that preparing and maintaining a business plan is important for any business regardless of its size or nature. But it will not ensure your success. If you maintain a correct assessment of the changing economics of your business, your plan will provide a useful roadmap as well as a financing tool. But if you have miscalculated the potential, then your business plan could become a roadmap leading to failure.

Since the My Own Business Institute (MOBI) course is broken down into fifteen of the most important topics to consider in starting or operating a business, your business plan can easily be organized into this same format. You can download the business plan template included in this session, fill it in and print.

Search engines, libraries and bookstores provide sources that sell ready-made plans for specific businesses. But it is our recommendation that you be sole author of your plan. Write out the plan yourself, in your own words.

Keep in mind that creating a business plan is an essential step for any prudent entrepreneur to take, regardless of the size of the business. This step is too often skipped, but we have made it easy for you by providing this ready format to build your plan as you progress through this course.

Be aware now that most start-up entrepreneurs are reluctant to write down their business plan. It is, therefore, strongly recommended that you complete each segment of the plan as you progress through this course.

Do not expect that all of your plan's initial assumptions will be correct. Instead, look at your business plan as an ongoing assessment that you will frequently review and change to conform to actual operating experiences. For example, your cash flow projection should be updated frequently to ensure ongoing liquidity (not running out of cash).

Your business plan will become your roadmap to chart the course of your business. But at the outset you cannot predict all of the changing conditions that will surface. So after you have opened for business, it is important that you periodically review and update your plan.

Why Prepare A Business Plan?

Your business plan is going to be useful in a number of ways.

- First and foremost, it will define and focus your objective using appropriate information and analysis.
- You can use it as a selling tool in dealing with important relationships including your lenders, investors and banks.
- Your business plan can uncover omissions and/or weaknesses in your planning process.
- You can use the plan to solicit opinions and advice from people, including those in your intended field of business, who will freely give you invaluable advice. Too often, entrepreneurs forge ahead ("My Way!") without the benefit of input from experts who could save them from potentially disastrous mistakes. "My Way" is a great song, but in practice can result in unnecessary hardships. To help get started in lining up appointments, you can fill in and use the Key People to Review My Business Plan template. People to meet with include your investors, family members, banker, lawyer, attorney, business mentors, trusted business friends, potential customers, competitors (distant ones), potential landlords, and the U.S. Small Business Administration.

What to Avoid in Your Business Plan

Place some reasonable limits on long-term, future projections. (Long-term means over one year.)At this point, stick with short-term objectives and modify the plan as your business progresses. Too often, long-range planning becomes meaningless because the reality of your business can be different from your initial concept.

Avoid optimism. In fact, to offset optimism, be extremely conservative in predicting capital requirements, timelines, sales and profits. Few business plans correctly anticipate how much money and time will be required.

Avoid language or explanations that are difficult to understand. Spell out your strategies in the event of business adversities.

Don't depend entirely on the uniqueness of your business or even a patented invention. Success comes to those who start businesses with great economics and not necessarily great inventions.

Business Plan Format

The Business Plan format is a systematic assessment of all the factors critical to your business purpose and goals. Here are some suggested topics you can tailor into your plan:

A Vision Statement: This will be a concise outline of your business purpose and goals.

The People: By far, the most important ingredient for your success will be yourself. Focus on how your prior experiences will be applicable to your new business. Prepare your résumé and one for each person who will be involved in starting the business. Be factual and avoid hype. This part of your Business Plan will be read very carefully by those with whom you will be having relationships, including lenders, investors and vendors. Templates for preparing résumés are available online.

Session 2 of our Business Expansion course, Getting Your Team in Place, provides detailed recommendations on delegating authority, employee motivation, training and other key management tools.

However, you cannot be someone who you are not. If you lack the ability to perform a key function, include this in your business plan. For example, if you lack the ability to train staff, include an explanation how you will compensate for this deficiency. You could add a partner to your plan (discussed in Session 5) or plan to hire key people who will provide skills you don't have. Include biographies of all your intended management.

Your Business Profile: Define and describe your intended business and exactly how you plan to go about it. Try to stay focused on the specialized market you intend to serve. As a rule, specialists do better than non-specialists.

Economic Assessment: Provide a complete assessment of the economic environment in which your business will become a part. Explain how your business will be appropriate for the regulatory agencies and demographics with which you will be dealing. If appropriate, provide demographic studies and traffic flow data normally available from local planning departments.

Cash Flow Assessment: Include a one-year cash flow that will incorporate your capital requirements (covered in Session 11). Include your assessment of what could go wrong and how you would plan to handle problems.

Marketing Plan and Expansion Plans: Your expansion plan should describe how you plan to test markets and products before rolling out. SCORE offers a great marketing plan guide: https://www.score.org/resource/marketing-plan-guide.

Damage Control Plan: All businesses will experience episodes of distress. Survival will depend on how well you are prepared to cope with them. Your damage control plan should anticipate potential threats to your business and how you plan to overcome them. Here are three examples:

- **Plan for 35% loss of sales:** During economic downturns, your survival will depend on your ability to maintain liquidity for a period of at least 12 months. Can your Damage Control cash flow plan show how to avoid running out of cash? Session 11 will explain cash flow control.
- **Plan for a catastrophic incident:** Businesses can be overturned by unforeseen disasters which can be avoided by maintaining appropriate insurance. You will need the assistance of a qualified business insurance agent.

- **Plan for product obsolescence:** If your business is in a rapidly changing technology area such as Netflix's home delivered DVDs, you will need to plan now to keep a step ahead of technical changes or advancements.

Eight Steps To A Great Business Plan

Start-up entrepreneurs often have difficulty writing out business plans. This discipline is going to help you in many ways so **don't skip this planning tool!** To make it easier, here are eight steps that will produce a worthwhile plan:

1. Set time aside to prepare your business plan as you work through the MOBI courses.
2. Focus and refine your concept based on the information you have collected.
3. Gather all the data you can on the feasibility and the specifics of your business concept.
4. Outline the specifics of your business, using a "what, where, why, how" approach.
5. Include your experience, education and personal information.
6. Fill in the templates at the end of each session. Use clear language and realistic projections.
7. You may wish to enhance your presentation with bar charts, pie charts and graphics.
8. Share a draft of your plan with trusted advisers. Use their feedback to improve the plan.

Does Your Plan Include the Following Necessary Factors

A Sound Business Concept: The single most common mistake made by entrepreneurs is not selecting the right business initially. The best way to learn about your prospective business is to work for someone else in that business before beginning your own. There can be a huge gap between your concept of a fine business and reality.

Understanding of Your Market: A good way to test your understanding is to test market your product or service before your start. Do you think you have a great kite that will capture the imagination of kite fliers throughout the world? Then craft some kites and try selling them first.

A Healthy, Growing and Stable Industry: Remember that some of the great inventions of all time, like airplanes and cars, did not result in economic benefit for many of those who tried to exploit these great advances. For example, the cumulative earnings of all airlines since Wilber

Wright flew that first plane are less than zero. Success comes to those who find businesses with great economics and not necessarily great inventions or advances to mankind.

Capable Management: Look for people you like and admire, who have good ethical values, have complementary skills and are smarter than you. Plan to hire people who have the skills that you lack. Define your unique ability and seek out others who turn your weaknesses into strengths.

Able Financial Control: You will learn later the importance of becoming qualified in accounting, computer software and cash flow management. Most entrepreneurs do not come from accounting backgrounds and must go back to school to learn these skills. Would you bet your savings in a game where you don't know how to keep score? People mistakenly do it in business all the time.

Financial Management Skills: Build a qualified team to evaluate the best options for utilizing retained earnings. This information is contained in Session 6 of our Business Expansion course.

A Consistent Business Focus: As a rule, people who specialize in a product or service will do better than people who do not specialize. Focus your efforts on something that you can do so well that you will not be competing solely on the basis of price.

A Mindset to Anticipate Change: Don't commit yourself too early. Your first plan should be written in pencil, not in ink. Keep a fluid mindset and be aggressive in making revisions as warranted by changing circumstances and expanding knowledge.

Formulate (and Reformulate) Your Business Plan

Donald N. Sull, associate professor of management practice at the London Business School, in an article in the MIT Sloan Management Review, offers some practical suggestions for managing inevitable risks while pursuing opportunities. Here is a capsulation of his suggestions on how to formulate (and reformulate) your business plan:

- Be flexible early in the process and keep it fluid. Don't commit too early. Expect your first plan to be provisional and subject to revision.

- Ask yourself if your experience or expertise gives you the right to an opinion on your specific opportunity.
- Identify your potential deal killers: variables that are likely to prove fatal to the venture.
- Clearly identify what you see as the key drivers of success. What are you betting on here?
- Raise only the amount of money required to finance the next experiment or evaluation you envision, with a cushion for contingencies.
- Delay hiring key managers until initial rounds of experimentation have produced a stable business model.
- At some point, take the plunge and test your product or service on a small scale in the real world through customer research, test marketing, or prototypes.
- Test and refine your business model before expanding your operations.

Top Ten Do's and Don'ts

THE TOP TEN DO'S

1. Prepare a complete business plan for any business you are considering.
2. Use the business plan templates furnished in each session.
3. Complete sections of your business plan as you proceed through the course.
4. Research (use search engines) to find business plans that are available on the Internet.
5. Package your business plan in an attractive kit as a selling tool.
6. Submit your business plan to experts in your intended business for their advice.
7. Spell out your strategies on how you intend to handle adversities.
8. Spell out the strengths and weaknesses of your management team.
9. Include a monthly one-year cash flow projection.
10. Freely and frequently modify your business plans to account for changing conditions.

THE TOP TEN DON'TS

1. Be optimistic (on the high side) in estimating future sales.
2. Be optimistic (on the low side) in estimating future costs.
3. Disregard or discount weaknesses in your plan. Spell them out.

4. Stress long-term projections. Better to focus on projections for your first year.
5. Depend entirely on the uniqueness of your business or the success of an invention.
6. Project yourself as someone you're not. Be brutally realistic.
7. Be everything to everybody. Highly focused specialists usually do best.
8. Proceed without adequate financial and accounting know-how.
9. Base your business plan on a wonderful concept. Test it first.
10. Pursue a business not substantiated by your business plan analysis.

FINANCIAL ASPECTS OF BUSINESS PLAN

Finance is a business function that uses numbers and analytical tools to help managers make better decisions. Every business owner must learn at least basic finance principles to effectively run his company. Finance helps management gain a clear understanding of the company's current financial position, particularly whether the business is profitable or not. Companies of all sizes benefit from thorough financial planning to guide the business steadily down the path to future growth.

Forecasting And Planning

During the planning process, management determines numerical goals for the upcoming 12 months, or in the case of a long-range plan, for three years or more. Company management then maps out the actions that need to be taken, and the timeframe, for the goals to be reached. Finance comes into play when the action steps are converted to forecast numbers for revenues and expenses. Managers with financial planning expertise are able to create forecasts that are attainable yet aggressive. They must also have sufficient understanding about company operations to build spreadsheet financial models based on assumptions that are realistic.

Accounting And Measuring Results

Accounting is the branch of finance responsible for recording financial data and generating financial statements that show the company's operating results, as well as other critical functions such as tax compliance. Accounting has its own set of rules and standards for the recording of financial information and the presentation of results, called Generally Accepted Accounting Principles, or GAAP. Strict compliance with the standards allows company management to be assured the statements they receive are complete and accurate. Finance goes one step further and interprets the results. Variance analysis is done to compare actual results to forecast and uncover the reasons for negative or positive deviations. Finance staff members compare the company's financial results to those of other companies in the industry to see whether the company is performing above or below average, compared with its peers.

Monitoring Cash Position

All businesses, particularly smaller ones that do not have large cash reserves or borrowing capacity, must always keep an eye on their cash position -- the inflows and outflows of cash. The finance department is charged with forecasting cash flow to prevent potentially disruptive shortages of cash. In a small company this can mean serious problems, such as not being able to pay employees at the end of the week. Investing surplus cash to achieve a maximum return is also part of the finance function. In larger companies these investment activities take place on a daily basis and involve constant monitoring of the financial markets to select the best investments for such things as the company's employee retirement plan.

Analysis for Decision Making

Finance can be likened to a toolbox for company management to use. The tools help answer questions that management must address when making small and large decisions. A small decision might be whether to lease or buy a new copy machine. A large decision for which finance provides guidance could be whether to acquire a competitor in order to grow the company more quickly. The goal of the data gathering and sometimes complex financial modeling utilized in finance is to ensure the company makes the most efficient use of its finite resources, including the capital, human resources and productive capacity.

How to Write the Financial Section of a Business Plan

An outline of your company's growth strategy is essential to a business plan, but it just isn't complete without the numbers to back it up. Here's some advice on how to include things like a sales forecast, expense budget, and cash-flow statement.

How to Write the Financial Section of a Business Plan: The Purpose of the Financial Section

Let's start by explaining what the financial section of a business plan is not. Realize that the financial section is not the same as accounting. Many people get confused about this because the financial projections that you include--profit and loss, balance sheet, and cash flow--look similar to accounting statements your business generates. But accounting looks back in time, starting today and taking a historical view. Business planning or forecasting is a forward-looking view, starting today and going into the future.

"You don't do financials in a business plan the same way you calculate the details in your accounting reports," says Tim Berry, president and founder of Palo Alto Software, who blogs at Bplans.com and is writing a book, *The Plan-As-You-Go Business Plan.* "It's not tax reporting. It's an elaborate educated guess."

What this means, says Berry, is that you summarize and aggregate more than you might with accounting, which deals more in detail. "You don't have to imagine all future asset purchases with hypothetical dates and hypothetical depreciation schedules to estimate future depreciation," he says. "You can just guess based on past results. And you don't spend a lot of time on minute details in a financial forecast that depends on an educated guess for sales."

The purpose of the financial section of a business plan is two-fold. You're going to need it if you are seeking investment from venture capitalists, angel investors, or even smart family members. They are going to want to see numbers that say your business will grow--and quickly--and that there is an exit strategy for them on the horizon, during which they can make a profit. Any bank or lender will also ask to see these numbers as well to make sure you can repay your loan.

But the most important reason to compile this financial forecast is for your own benefit, so you understand how you project your business will do. "This is an ongoing, living document. It should be a guide to running your business," Pinson says. "And at any particular time you feel you need funding or financing, then you are prepared to go with your documents."

If there is a rule of thumb when filling in the numbers in the financial section of your business plan, it's this: Be realistic. "There is a tremendous problem with the hockey-stick forecast" that projects growth as steady until it shoots up like the end of a hockey stick, Berry says. "They really aren't credible." Berry, who acts as an angel investor with the Willamette Angel Conference, says that while a startling growth trajectory is something that would-be investors would love to see, it's most often not a believable growth forecast. "Everyone wants to get involved in the next Google or Twitter, but every plan seems to have this hockey stick forecast," he says. "Sales are going along flat, but six months from now there is a huge turn and everything gets amazing, assuming they get the investors' money."

The way you come up a credible financial section for your business plan is to demonstrate that it's realistic. One way, Berry says, is to break the figures into components, by sales channel or target market segment, and provide realistic estimates for sales and revenue. "It's not exactly data, because you're still guessing the future. But if you break the guess into component guesses and look at each one individually, it somehow feels better," Berry says. "Nobody wins by overly optimistic or overly pessimistic forecasts."

How to Write the Financial Section of a Business Plan: The Components of a Financial Section

A financial forecast isn't necessarily compiled in sequence. And you most likely won't present it in the final document in the same sequence you compile the figures and documents. Berry says that it's typical to start in one place and jump back and forth. For example, what you see in the cash-flow plan might mean going back to change estimates for sales and expenses. Still, he says that it's easier to explain in sequence, as long as you understand that you don't start at step one and go to step six without looking back--a lot--in between.

- **Start with a sales forecast.** Set up a spreadsheet projecting your sales over the course of three years. Set up different sections for different lines of sales and columns for every month for the first year and either on a monthly or quarterly basis for the second and third years. "Ideally you want to project in spreadsheet blocks that include one block for unit sales, one block for pricing, a third block that multiplies units times price to calculate sales, a fourth block that has unit costs, and a fifth that multiplies units times unit cost to calculate cost of sales (also called COGS or direct costs)," Berry says. "Why do you want cost of sales in a sales forecast? Because you want to calculate gross margin. Gross margin is sales less cost of sales, and it's a useful number for comparing with different standard industry ratios." If it's a new product or a new line of business, you have to make an educated guess. The best way to do that, Berry says, is to look at past results.

- **Create an expenses budget.** You're going to need to understand how much it's going to cost you to actually make the sales you have forecast. Berry likes to differentiate between fixed costs (i.e., rent and payroll) and variable costs (i.e., most advertising and promotional expenses), because it's a good thing for a business to know. "Lower fixed costs mean less risk, which might be theoretical in business schools but are very concrete when you have rent and payroll checks to sign," Berry says. "Most of your variable costs are in those direct costs that belong in your sales forecast, but there are also some variable expenses, like ads and rebates and such." Once again, this is a forecast, not accounting, and you're going to have to estimate things like interest and taxes. Berry recommends you go with simple math. He says multiply estimated profits times your best-guess tax percentage rate to estimate taxes. And then multiply your estimated debts balance times an estimated interest rate to estimate interest.
- **Develop a cash-flow statement.** This is the statement that shows physical dollars moving in and out of the business. "Cash flow is king," Pinson says. You base this partly on your sales forecasts, balance sheet items, and other assumptions. If you are operating an existing business, you should have historical documents, such as profit and loss statements and balance sheets from years past to base these forecasts on. If you are starting a new business and do not have these historical financial statements, you start by projecting a cash-flow statement broken down into 12 months. Pinson says that it's important to understand when compiling this cash-flow projection that you need to choose a realistic ratio for how many of your invoices will be paid in cash, 30 days, 60 days, 90 days and so on. You don't want to be surprised that you only collect 80 percent of your invoices in the first 30 days when you are counting on 100 percent to pay your expenses, she says. Some business planning software programs will have these formulas built in to help you make these projections.
- **Income projections.** This is your pro forma profit and loss statement, detailing forecasts for your business for the coming three years. Use the numbers that you put in your sales forecast, expense projections, and cash flow statement. "Sales, lest cost of sales, is gross margin," Berry says. "Gross margin, less expenses, interest, and taxes, is net profit."
- **Deal with assets and liabilities.** You also need a projected balance sheet. You have to deal with assets and liabilities that aren't in the profits and loss statement and project the

net worth of your business at the end of the fiscal year. Some of those are obvious and affect you at only the beginning, like startup assets. A lot are not obvious. "Interest is in the profit and loss, but repayment of principle isn't," Berry says. "Taking out a loan, giving out a loan, and inventory show up only in assets--until you pay for them." So the way to compile this is to start with assets, and estimate what you'll have on hand, month by month for cash, accounts receivable (money owed to you), inventory if you have it, and substantial assets like land, buildings, and equipment. Then figure out what you have as liabilities--meaning debts. That's money you owe because you haven't paid bills (which is called accounts payable) and the debts you have because of outstanding loans.

- **Breakeven analysis.** The breakeven point, Pinson says, is when your business's expenses match your sales or service volume. The three-year income projection will enable you to undertake this analysis. "If your business is viable, at a certain period of time your overall revenue will exceed your overall expenses, including interest." This is an important analysis for potential investors, who want to know that they are investing in a fast-growing business with an exit strategy.

The financial plan is one of the most important parts of a professional business plan: you should have a clear vision of your future business finances from the very beginning. Of course, it is impossible to predict exact numbers of sales and so on, but you should know the approximate numbers you expect to get.

Here are the components of the financial part of a business plan:

- Sales forecast.
- Expenses budget.
- Cash flow statement.
- Income projections.
- Assets and liabilities.
- Breakeven analysis.

The Marketing Plan Section of the Business Plan

The marketing plan section of the business plan explains how you're going to get your customers to buy your products and/or services. The marketing plan, then, will include sections detailing your:

- Products and/or Services and your Unique Selling Proposition
- Pricing Strategy
- Sales/Distribution Plan
- Advertising and Promotions Plan

The easiest way to develop your marketing plan is to work through each of these sections, referring to the market research you completed when you were writing the previous sections of the business plan.

(Note that if you are developing a marketing plan on its own, rather than as part of a business plan, the plan will also need to include a Target Market and a Competitors' Analysis section. You can learn how to do these sections in How to Write the Market Analysis Section of the Business Plan and How to Write the Competitors' Analysis Section.)

Marketing Plan Sections

Products and/or Services

Focus on the uniqueness of your product or service and how the customer will benefit from using the products or services you're offering. Use these questions to write a paragraph summarizing these aspects for your marketing plan:

- What are the features of your product or service?
- Describe the physical attributes of your product or service, and any other relevant features such as what it does or how your product or service differs from competitors' products or services.
- How will your product or service benefit the customer?

- Remember that benefits can be intangible as well as tangible; for instance, if you're selling a cleaning product, your customers will benefit by having a cleaner house, but they may also benefit by enjoying better health. Brainstorm as many benefits as possible to begin with and then choose to emphasize the benefits that your targeted customers will most appreciate in your marketing plan.

- What is it that sets your product or service apart from all the rest? In other words, what is your Unique Selling Proposition, the message you want your customers to receive about your product or service that is the heart of your marketing? Marketing plans are all about communicating this central message to your customers.

Pricing Strategy

The pricing strategy portion of the marketing plan involves determining how you will price your product or service; the price you charge has to be competitive but still allow you to make a reasonable profit.

Being "reasonable" is key; you can charge any price you want to, but for every product or service there's a limit to how much the consumer is willing to pay. Your pricing strategy needs to take this consumer threshold into account.

The most common question small business people have about the pricing strategy section of the marketing plan is, "How do you know what price to charge?"

Basically, you set your pricing through a process of calculating your costs, estimating the benefits to consumers, and comparing your products, services and prices to others that are similar.

Set your pricing by examining how much it cost you to produce the product or service and adding a fair price for the benefits that the customer will enjoy.

Examining what others are charging for similar products or services will guide you when you're figuring out what a fair price for such benefits would be. You may find it useful to conduct a Breakeven Analysis.

The pricing strategy you outline in your marketing plan will answer the following questions:

- What is the cost of your product or service? Make sure you include all your fixed and variable costs when you're calculating this; the cost of labor and materials are obvious, but you may also need to include freight costs, administrative costs, and/or selling costs, for example.
- How does the pricing of your product or service compare to the market price of similar products or services?
- Explain how the pricing of your product or service is competitive. For instance, if the price you plan to charge is lower, why are you able to do this? If it's higher, why would your customer be willing to pay more? This is where the "strategy" part of the pricing strategy comes into play; will your business be more competitive if you charge more, less, or the same as your competitors and why?

- What kind of ROI (Return on Investment) are you expecting with this pricing strategy, and within what time frame?

Sales and Distribution Plan

Remember, the primary goal of the marketing plan is to get people to buy your products or services. Here's where you detail how this is going to happen.

Traditionally there are three parts to the Sales and Distribution section, although all three parts may not apply to your business.

1) Outline the distribution methods to be used.

- How is your product or service going to get to the customer? Will you distribute your product or service through a website, through the mail, through sales representatives, or through retail?
- What distribution channel is going to be used?
- In a direct distribution channel, the product or service goes directly from the manufacturer to the consumer. In a one stage distribution channel, it goes from

manufacturer to retailer to consumer. The traditional distribution channel is from manufacturer to wholesaler to retailer to consumer. Outline all the different companies, people and/or technologies that will be involved in the process of getting your product or service to your customer.

- What are the costs associated with distribution?
- What are the delivery terms?
- How will the distribution methods affect production time frames or delivery? (How long will it take to get your product or service to your customer?)

If your business involves selling a product, you should also include information about inventory levels and packaging in this part of your marketing plan. For instance:

- How are your products to be packaged for shipping and for display?
- Does the packaging meet all regulatory requirements (such as labeling)?
- Is the packaging appropriately coded, priced, and complementary to the product?
- What minimum inventory levels must be maintained to ensure that there is no loss of sales due to problems such as late shipments and back orders?

2) Outline the transaction process between your business and your customers.

- What system will be used for processing orders, shipping, and billing?
- What methods of payment will customers be able to use?
- What credit terms will customers be offered? If you will offer discounts for early payment or impose penalties for late payment, they should be mentioned in this part of your marketing plan.
- What is your return policy?
- What warranties will the customer be offered? Describe these or any other service guarantees.
- What after-sale support will you offer customers and what will you charge (if anything) for this support?
- Is there a system for customer feedback so customer satisfaction (or the lack of it) can be tracked and addressed?

3) If it's applicable to your business, outline your sales strategy.

- What types of salespeople will be involved (commissioned salespeople, product demonstrators, telephone solicitors, etc.)?
- Describe your expectations of these salespeople and how sales effectiveness will be measured.
- Will a sales training program be offered? If so, describe it in this section of the marketing plan.
- Describe the incentives salespeople will be offered to encourage their achievements (such as getting new accounts, the most orders, etc.).

Advertising and Promotion Plan

Essentially the Advertising and Promotion section of the marketing plan describes how you're going to deliver your Unique Selling Proposition to your prospective customers. While there are literally thousands of different promotion avenues available to you, what distinguishes a successful plan from an unsuccessful one is the focus - and that's what your Unique Selling Proposition provides.

So think first of the message that you want to send to your targeted audience. Then look at these promotion possibilities and decide which to emphasize in your marketing plan:

Advertising - The best approach to advertising is to think of it in terms of media and which media will be most effective in reaching your target market. Then you can make decisions about how much of your annual advertising budget you're going to spend on each medium.

What percentage of your annual advertising budget will you invest in each of the following:

- the Internet
- television
- radio
- newspapers
- magazines

- directories
- billboards
- bench/bus/subway ads
- direct mail
- cooperative advertising with wholesalers, retailers or other businesses?

Include not only the cost of the advertising but your projections about how much business the advertising will bring in.

Sales Promotion - If it's appropriate to your business, you may want to incorporate sales promotional activities into your advertising and promotion plan, such as:

- offering free samples
- coupons
- the point of purchase displays
- product demonstrations

Marketing Materials - Every business will include some of these in their promotion plans. The most common marketing material is the business card, but brochures, pamphlets, and service sheets are also common.

Publicity - Another avenue of promotion that every business should use. Describe how you plan to generate publicity. While press releases spring to mind, that's only one way to get people spreading the word about your business. Consider:

- product launches
- special events, including community involvement
- writing articles
- getting and using testimonials

For more about publicity, see Getting Publicity for Your Business.

Your Business's Website - If your business has or will have a website, describe how your website fits into your advertising and promotion plan. (Read How to Drive Traffic to Your Business Website first.)

Trade shows - Trade shows can be incredibly effective promotion and sales opportunities - if you pick the right ones and go equipped to put your promotion plan into action. Before You Attend That Trade Show explains how to choose appropriate trade shows. You'll also want to read:

Tips For a Successful Trade Show

How to Create an Effective Trade Show Display

27 Low-Cost Ways to Improve Your Next Trade Show

Other Promotion Activities

Your promotion activities are truly limited only by your imagination. Need inspiration? See 10 Low-Cost Ways to Promote Your Business.

But If you plan to teach a course, sponsor a community event, or conduct an email campaign, you'll want to include it in your advertising and promotion plan. Sporadic unconnected attempts to promote your product or service are bound to fail; your goal is to plan and carry out a sequence of focused promotion activities that will communicate the message you want to send about your products and/or services with your potential customers.

While small businesses often have minuscule (or non-existent) promotion budgets, that doesn't mean that small businesses can't design and implement effective promotion plans.

No business is too small to have a marketing plan. After all, no business is too small for customers or clients. And if you have these, you need to communicate with them about your products and/or services.

Human Resources Consulting Business Plan

Steps to Develop a Human Resources Department Business Plan

- Start your Human Resources department business plan by clarifying exactly what your boss needs and wants from you and in how much detail. You don't want to spend hours and hours developing information or a detailed plan that the boss doesn't need or want.

  That said, for your own clear purpose and direction, your own strategic plan for your department, this approach will yield great value.

- Read through the detailed job descriptions I've developed for the HR Director / VP, HR Generalist, and HR Assistant. Are there functions listed in these job descriptions that you are not performing that you could perform that would add value to your organization?

  Start a function list. You can also use a commercially developed Human Resources department audit book / program or an occasional free Human Resources department audit plan list.

- Take a look at this list, plus add to the list, the functions that your Human Resources department is already performing and functions that you know you want to add – or subtract. Minute detail is not required until you are ready to put together your Human Resources department business plan when you complete these steps.
- Meet with your fellow executives to obtain an assessment of their current satisfaction with your services, additional services they'd like you to add, and their ideas about how HR can best support your organization's mission, vision, and goals.

  Supply the questions to your key colleagues in advance of your meeting. Inform them that you have distributed the questions in advance so that they can solicit feedback from their staff, too. If you have effectively gathered the above internasl and external information, you may be able to present the choices in a rating and ranking format.

This is the key step within your organization for assessing what the line management and the employees want from the HR function. Of course, there are administrative and counseling functions that they might never consider asking you to provide that you will continue to provide as part of a professional HR function.

- You are developing a great deal of internal information about your company's HR needs. You might also look at recent journals from professional associations such as the Society for Human Resource Management (SHRM).

  Talk with colleagues in any local associations you attend. Take a look at literature available such as *HR Magazine*. The articles from this site are particularly useful for planning the priorities and scope of the HR department business plan.
- Once you have gathered all of this information, or even, just enough - your executives' priorities may give you extremely clear direction, for example - you can make a plan. You can see what you are missing in your HR department, what you might expand, what you need to focus on strategically to build your department's contribution, and what you may currently offer that is not needed.

Top 10 Business Plan Mistakes

Every business should have a business plan. Unfortunately, despite the fact that many of the underlying businesses are viable, the vast majority of plans are hardly worth the paper they're printed on. Most "bad" business plans share one or more of the following problems:

1. The plan is poorly written. Spelling, punctuation, grammar and style are all important when it comes to getting your business plan down on paper. Although investors don't expect to be investing in a company run by English majors, they are looking for clues about the underlying business and its leaders when they're perusing a plan. When they see one with spelling, punctuation and grammar errors, they immediately wonder what else is wrong with the business. But since there's no shortage of people looking for capital, they don't wonder for long--they just move on to the next plan.

Before you show your plan to a single investor or banker, go through every line of the plan with a fine-tooth comb. Run your spell check--which should catch spelling and punctuation errors, and have someone you know with strong "English teacher" skills review it for grammar problems.

Style is subtler, but it's equally important. Different entrepreneurs write in different styles. If your style is "confident," "crisp," "clean," "authoritative" or "formal," you'll rarely have problems. If, however, your style is "arrogant," "sloppy," "folksy," "turgid" or "smarmy," you may turn off potential investors, although it's a fact that different styles appeal to different investors. No matter what style you choose for your business plan, be sure it's consistent throughout the plan, and that it fits your intended audience and your business. For instance, I once met a conservative Midwest banker who funded an Indian-Japanese fusion restaurant partly because the plan was--like the restaurant concept--upbeat, trendy and unconventional.

2. The plan presentation is sloppy. Once your writing's perfect, the presentation has to match. Nothing peeves investors more than inconsistent margins, missing page numbers, charts without labels or with incorrect units, tables without headings, technical terminology without definitions or a missing table of contents. Have someone else proofread your plan before you show it to an investor, banker or venture capitalist. Remember that while you'll undoubtedly spend months working on your plan, most investors won't give it more than 10 minutes before they make an initial decision about it. So if they start paging through your plan and can't find the section on "Management," they may decide to move on to the next, more organized plan in the stack.

3. The plan is incomplete. Every business has customers, products and services, operations, marketing and sales, a management team, and competitors. At an absolute minimum, your plan must cover all these areas. A complete plan should also include a discussion of the industry, particularly industry trends, such as if the market is growing or shrinking. Finally, your plan should include detailed financial projections--monthly cash flow and income statements, as well as annual balance sheets--going out at least three years.

4. The plan is too vague. A business plan is not a novel, a poem or a cryptogram. If a reasonably intelligent person with a high school education can't understand your plan, then you need to rewrite it. If you're trying to keep the information vague because your business involves highly confidential material, processes or technologies, then show people your executive summary first (which should never contain any proprietary information). Then, if they're interested in learning more about the business, have them sign noncompete and nondisclosure agreements before showing them the entire plan. [Be forewarned, however: Many venture capitalists and investors will *not* sign these agreements since they want to minimize their legal fees and have no interest in competing with you in any case.]

5. The plan is too detailed. Do not get bogged down in technical details! This is especially common with technology-based startups. Keep the technical details to a minimum in the main plan--if you want to include them, do so elsewhere, say, in an appendix. One way to do this is to break your plan into three parts: a two- to three-page executive summary, a 10- to 20-page business plan and an appendix that includes as many pages as needed to make it clear that you know what you're doing. This way, anyone reading the plan can get the amount of detail he or she wants.

6. The plan makes unfounded or unrealistic assumptions. By their very nature, business plans are full of assumptions. The most important assumption, of course, is that your business will succeed! The best business plans highlight critical assumptions and provide some sort of rationalization for them. The worst business plans bury assumptions throughout the plan so no one can tell where the assumptions end and the facts begin. Market size, acceptable pricing, customer purchasing behavior, time to commercialization--these all involve assumptions. Wherever possible, make sure you check your assumptions against benchmarks from the same industry, a similar industry or some other acceptable standard. Tie your assumptions to facts.

A simple example of this would be the real estate section of your plan. Every company eventually needs some sort of real estate, whether it's office space, industrial space or retail space. You should research the locations and costs for real estate in your area, and make a careful estimate of how much space you'll actually need before presenting your plan to any investors or lenders.

7. The plan includes inadequate research. Just as it's important to tie your assumptions to facts, it's equally important to make sure your facts are, well, facts. Learn everything you can about your business and your industry--customer purchasing habits, motivations and fears; competitor positioning, size and market share; and overall market trends. You don't want to get bogged down by the facts, but you should have some numbers, charts and statistics to back up any assumptions or projections you make. Well-prepared investors will check your numbers against industry data or third party studies--if your numbers don't jibe with their numbers, your plan probably won't get funded.

8. You claim there's no risk involved in your new venture. Any sensible investor understands there's really no such thing as a "no risk" business. There are always risks. You must understand them before presenting your plan to investors or lenders. Since a business plan is more of a marketing tool than anything else, I'd recommend minimizing the discussion of risks in your plan. If you do mention any risks, be sure to emphasize how you'll minimize or mitigate them. And be well prepared for questions about risks in later discussions with investors.

9. You claim you have no competition. It's absolutely amazing how many potential business owners include this statement in their business plans: "We have no competition."

If that's what you think, you couldn't be further from the truth. Every successful business has competitors, both direct and indirect. You should plan for stiff competition from the beginning. If you can't find any direct competitors today, try to imagine how the marketplace might look once you're successful. Identify ways you can compete, and accentuate your competitive advantages in the business plan.

10. The business plan is really no plan at all. A good business plan presents an overview of the business--now, in the short term, and in the long term. However, it doesn't just describe what the business looks like at each of those stages; it also describes how you'll get from one stage to the next. In other words, the plan provides a "roadmap" for the business, a roadmap that should be as specific as possible. It should contain definite milestones--major targets that have real meaning for your business. For instance, reasonable milestones might be "signing the 100th client" or "producing 10,000 units of product." The business plan should also outline all the major steps you need to complete to reach each milestone.

- **Think it through.** You might have a great idea, but have you carefully mapped out all the steps you'll need to take to make the business a reality? Think about building your management team, hiring salespeople, setting up operations, getting your first customer, protecting yourself from lawsuits, outmaneuvering your competition, and so on. Think about cash flow and what measures you can take to minimize your expenses and maximize your revenue.
- **Do your research.** Investigate everything you can about your proposed business before you start writing your business plan--and long before you start the business. You'll also need to continue your research while you write the business plan, since inevitably, things will change as you uncover critical information. And while you're researching, be sure to consult multiple sources since many times the experts will disagree.
- **Research your potential customers and competitors.** Is your product or service something people really want or need, or is it just "cool"? Study your market. Is it growing or shrinking? Could some sort of disruptive technology or regulatory change alter the market in fundamental ways? Why do you think people will buy your product or service? If you don't have any customers or clients yet, you'll need to convince investors that you have something people really want or need, and more important, that they'll buy it at the price you expect.
- **Get feedback.** Obtain as much feedback as you can from trusted friends, colleagues, nonprofit organizations, and potential investors or lenders. You'll quickly find that almost everyone thinks they're an expert and they all could do a better job than you. This may be annoying, but it's just part of the feedback process. You'll know when you're done when you've heard the same questions and criticisms again and again and have a good answer to almost everything anyone can throw at you.
- **Hire professional help.** Find a professional you trust to help guide you through the entire process, fill in knowledge gaps (for instance, if you know marketing but not finance, you should hire a finance expert), provide additional, unbiased feedback, and package your plan in an attractive, professional format.

Writing a business plan is hard work--many people spend a year or more writing their plan. In the early, drafting stages, business plan software can be very helpful. But the hard part is developing a coherent picture of the business that makes sense, is appealing to others and provides a reasonable road map for the future. Your products, services, business model, customers, marketing and sales plan, internal operations, management team and financial projections must all tie together seamlessly. If they don't, you may not ever get your business off the ground.