

BUSINESS PLANNING GUIDE

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*"Without a plan, you cannot beat your competition."
Fran Tarkenton*

I. Overview

1. **A good business plan helps define a goal.** You cannot hit a target you cannot see. A business plan is essential if you will need to raise any outside capital. Even if you do not, it will help you focus on what is unique about your business and will give you a roadmap for the first few months.
2. **A plan addresses three basic questions:**
 - Where are we now?
 - Where do we want to go?
 - How will we get there?
3. **A Plan:**
 - Provides a path to follow. A plan "creates" the future and makes it What you want it to be. Prevents just "going with the flow".
 - Provides a tool to which you can add a "statement of purpose" and take it to the bank, investor, or buyer.
 - Helps one develop as an owner/manager. It can give you practice in thinking about competitive conditions, promotional opportunities, and situations that are advantageous to your business. Practicing this over a long period of time can increase your ability to make good judgments.

II. Develop Answers To These Questions:

1. **Why Am In Business?**
 - to be my own boss
 - to make money
 - to control time and work hours
 - to help people
 - to serve community
 - to develop employees
 - to have business for my own use
 - _____
 - _____

2. What Business Am I In?

Many business owners have difficulty because they are confused about this.

- What services do customers ask for that I do not offer?
- What is it I'm trying to do better than the competition?
- What are my basic services, products, etc.?

3. What Is My Business Plan? The key components of a plan are:

- A. Description of Business
- B. The Market
- C. Management & Personnel
- D. Ownership Structure
- E. Financial Data & Plan

III. Development of Plan

A. Description of Business

1. Describe the Business

2. Name of Business. Do I need to file a business name? Call the license division of your Secretary of State to check on the availability of a name. They can usually do this while you wait on the phone. If you form a corporation, this check will be done. You can also do a quick check on the Internet. Try www.switchboard.com. You can trademark your business name for \$5.00 in most states. A national trademark will cost \$325.00. If you plan on doing business outside of your home state it is a good idea to do that. You can go directly to the United States Patent and Trademark Office to check on national availability of any name: <http://www.uspto.gov/>

3. Brief History. If you are just starting your business, describe how and why you came up with this idea.

4. Unique Services Offered. What is my Unique Selling Proposition? (USP) Remember, you only have to do something 10% better or provide added value to be successful.

5. Hours of Operation. Keep in mind you must make it easy for your customers; at the same time, you cannot violate your personal and family priorities.

6. How do my customers view my business? If you don't know, ask them. Your customers can be your most valuable source of information about how you are doing.

7. What are my business' six greatest strengths? Not just my USP, but what are the other things I do extremely well? Prompt reply to phone inquires, 24 hour delivery, wide selection of products, guaranteed results, free shipping, etc.

1.

2.

3.

4.

5.

6.

8. What are my business' six greatest challenges?

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

9. Goals for the Future:

Where do I want to be 5 years from now? Every successful person or business has a vision of where they will be 5 years down the road.

Will I need to expand or change services, the facility, purchase equipment?

B. The Market

1. What type of business do I have -- what is my product?

2. Describe my market. Surprisingly, many business owners fail to do this.

3. Outline the demographics of my market: Size, Location, Age, Geographic area, Etc.

4. Outline the characteristics of my customers: Income level, Age, Social Status, Etc.

5. What is my position in the marketplace?

A. - Who are my competitors; how many of them are there: how many of them are profitable? If you are unsure, go out, find your competitors, and talk to them.

B. - Do they have any advantages over me? Pricing, location, reputation?

C. - How many similar businesses went out of business in the last 3 years?

D. - How many new ones opened up?

6. Do I have any market niches?

7. How would I like to change my image in the community?

8. How many customers do I want? Is it more important to keep current customers or attract new ones? How can I move people from the universe to prospects, and then to customers? Will I have repeat sales to the same customers, or will I need new people each time?

9. How am I attracting new customers?

- Advertising & Promotion (See the Guerilla Marketing material in Previous section.)

10. Should I be going after new markets?

C. Management & Personnel

The most critical components of the success of a business today are the management team and the supporting staff personnel.

1. What does my organizational chart look like?

2. What is the role of the owner/manager?

3. What is the role of the sales manager?

4. What are staff qualifications, training, and compensation?
(Critical element -- this is where you can dramatically rise above the competition.)

5. Are job descriptions and expectations clear? Who does what, where, how and when?
If job descriptions are not clear, you set people up to fail.

6. How do I recruit new staff members? What do I need to look for?
(Always value personal skills over technical skills.)

7. How are staff involved in goals and visions of the business?

***"People will only be committed to something to the degree
they have been allowed to discuss it."
Brian Tracy***

D. Ownership Structure

1. Am I a sole proprietorship, partnership, "S" corporation, or C Corporation?

2. If ownership is divided, who makes decisions? Is there a management agreement or contract?

3. What would happen if I were no longer around?

4. What is my business worth? Even if your business is just starting, begin to think about it in terms of having a stand alone value.

5. Do I have an exit plan? If you died, what would happen to your Business? If your partner decides to go live in the Rockies next year, what would happen to her ownership share? How would you determine a value?

E. Financial Data & Plans

1. How is money generated? Is there just one source of revenue, or can I identify multiple streams of income? You may have walk in sales, Internet sales, direct mail marketing, occasional flea market or street fair, and corporate purchases.

2. Price options on goods or services?
Payment options -- prepay, monthly, contracts? Can you increase sales by providing more options without risking costly receivables, etc?

3. What new equipment do I need in the next 3 years? Copiers wear out, computers become outdated quickly, lawn mowers break parts. Be realistic here.

4. Revenue per customer or item sold.
- Can we generate more revenue per customer as well as seek new customers?

5. Revenue per square foot in facility. Yes, this is the way we look at any business. Are you wasting space? How could you increase revenue per square foot?

6. Do I set and record monthly sales goals? Don't just see what happens. Set benchmarks and define what would have to happen each week and each day to achieve those goals.

7. How do I project and control monthly cash flow? What is my break even point? Don't wait until the end of the month to see how you are doing financially. Put systems in place so you can see daily how income and expenses are doing.

8. Who will maintain daily financial records? (Keep this as a priority. Remember, poor financial controls are a major cause of business failure. If you are not good at this, enlist the services of someone who is.)

9. How will I withdraw my own compensation? What do I expect for a personal balance sheet? (Even with no employees, it's wise to have a payroll company issue paychecks. What they provide in keeping your current on taxes is invaluable.)

10. Should I buy or lease new equipment? Look at these options with your accountant.

11. What options do I have for financing? How will I raise more money if I need to put more in before the business shows a profit?

12. What insurance, lease or rental agreements will need to be negotiated?

For more complex business plans:

http://www.inc.com/guides/start_biz/20660.html

<http://www.bplans.com/>

http://www.sba.gov/starting_business/planning/basic.html

http://www.entrepreneur.com/Your_Business/YB_SegArticle/0,4621,287390,00.html