**Cover Page**

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

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

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

• name and business name

• company logo

• address

• telephone number

• E-mail address

**Table of Contents**

Your table of contents provides readers with a quick and easy way to find particular sections of the plan. All pages of your business plan should be numbered and the table of contents should include page numbers.

I Executive Summary

II Description and Analysis of the Business Situation

A Rationale and Marketing Research ·

B. Introduction: Type of Business, Major Products/Services

C. Self Analysis: Actual Personal Experience

D. Analysis of the Business Opportunity, Customer, Economic Analysis, and Competition

E. Proposed Organization: Type of Ownership, Personnel and Management Structure

III Proposed Marketing *I* Promotion Plan

A Proposed Product/Service

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**Business Plan Sections**

**I. Executive Summary (one page description of the Business)**

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

While your executive summary is the first part of your plan, **write it last.** As you create the other sections of your plan, designate sentences or sections for inclusion in your summary. You may not use these sections verbatim, but this exercise will remind you to include the essence of these sections in your summary. Your executive summary should be between one and three pages and should include your business concept, financial features, financial requirements, current state of your business, when it was formed, principal owners and key personnel, and major achievements.

***Tips***

• You may choose a few sentences from important sections to include in your executive summary

• Be sure to include business concept, financial features, financial requirements, current state of your business, when it was formed, principal owners and key personnel, and major achievements.

• Use industry association statistics, market research from other sources, and other documenting information to back up statements you make in your executive summary

• Keep your executive summary short and make it interesting. This is your chance to entice readers to read your entire plan.

**II. Description and Analysis of the Business Situation Includes:**

**A. Rationale and marketing research**

* *A* ***mission statement****:* This will be a concise outline of what your business purpose and goals will be.
* *Your* ***business profile****:* Define and describe your intended business and exactly how you plan to go about it, focusing on the target market you intend to serve. Begin your business description with a brief overview of the industry you will be competing in. Discuss both the present situation in the industry, as well as future possibilities. Ultimately, you want to demonstrate that you are in a "hot" industry with an excellent long-term outlook.
* ***Market/Economic assessment****:* Provide an assessment of the economic environment. Use the following to make your assessment stronger.
	+ Answer "why" to make any description stronger. Saying "the market will grow at 25% annually" may sound impressive. But what caused that rate of growth? Adding "...because a growing number of baby boomers now entertain at home instead of going out" makes it stand out.
	+ **This is not a discussion of your competition**. That information will come later in the competitive analysis portion. Instead, you are providing an overview of the industry where you and other companies will compete.

**Tips – Market/Economic analysis**

• When discussing any market size, be sure to talk about factors affecting market growth- industry trends, socioeconomic trends, government policy, population shifts, and the like. Show how these trends will have a positive or negative impact on your specific business.

• Remember to cite all sources for your data. This will prove that you've done your homework, and will assure the reader of your plan that your information comes from a reliable source.

**B. Introduction: type of business and explanation for it (a brief description of major product {s)/service {s) involved)**

* Discuss the "technical" aspects of your company. Remember that you're telling your company's story, so even though there are specific areas you will need to cover, you will want to keep it lively and interesting. **Some areas to include are:**

o What type of business is it? Wholesale? Retail? Manufacturing? Service?

o When was or will the business be formed? What is the story behind the forming of the company?

o What is your business' legal structure? **Sole proprietorship? Corporation? Partnership?**

o Who are the company's principals (owners) and what pertinent experience do they bring?

o What products/services will you sell? Who will you sell to? How will your product(s) or service(s) be sold?What makes them different or unique?

* Describe each of your products or services with a particular focus on how it will be used. Go into as much detail as necessary for the reader to get a real flavor for what you are selling. **Underscore** the specific features or variations that your products have.

**Tips:**

* Your business's focus often depends on your market. A small town general store can sell groceries, hardware, newspapers, and gasoline because they may be the only store that sells those items in the area. A larger market would require greater differentiation to set you apart from the competition.
* Ask yourself what business are you really in? What true benefits do you provide? For example, if you create corporate newsletters, are you just a "newsletter publisher" or do you "help large companies communicate important information to their clients and prospects."

**C. Self-analysis: actual personal experience and/or training in proposed field.**

* When discussing the company's principals (owners), you don't need to run a complete resume, but don't be too brief, either. Don't just say "Ajax Financial Services is being founded by Jean Smith." Instead, it's stronger to write something like, "Founder and President Jean Smith, former Chief Financial Officer of Acme Industries, brings 25 years of experience in financial services to Ajax Financial Services."

**D. Analysis of the business opportunity, customer geographic, demographic profile, who are they, where are they, and where do they currently buy?, and economic analysis of trading area, competition who are they and what are their strengths and weaknesses, and the location chosen for your proposed business.**

* **Business Opportunity:** It is important to be **thorough and specific** when creating a description of the target customer for your product or service. This description defines the characteristics of the people you want to sell to and should indicate, among other things, whether your customers are cost or quality conscious, under what circumstances they buy, and what types of concerns they have.
* **Customer Geographic:** To **create a customer definition**, describe your target customers in terms of common identifiable characteristics, *demographics, geographic, and psychographic,*
* **Trading area:** The competition section indicates where your products or services fit in the competitive environment. Present your business in relation to your competitors. This shows that you understand your industry and are prepared to cope with some of the challenges to your business’s success.
* **Competition:** Present a short discussion of each of your primary competitors. If possible, include their annual sales and their market share. Each assessment should include why these companies do or do not meet their customers' needs. You should then explain why you think you can capture a share of their business.
* **Strengths and weaknesses:** strengths and weaknesses can fall into a number of different categories. Sales, quality, distribution, price, production capabilities, image, and breadth of products/services are all ways companies differentiate themselves.
* **Location:** What is the location of your business? Indicate the actual address, whether you are renting, buying, leasing and for how much a month? Where is your business located in relation to your primary target market and your competitors?

**Tips - customers**

• Describe the customers you don't want to reach. A common mistake is to describe customers in general terms, such as all "people who want to buy a bicycle," or "anyone who needs a resume created."

• Be sure to include details of what geographic region you plan to sell to. Is your market national, regional, international, or local?

• Do not use industry jargon or regional slang that may confuse readers. If you must, define the terms in your business plan.

**Tips - competition**

• Never say ''we have no competition." Lenders won't believe you. Even if your product or service is truly innovative, you need to look at what else your customers could buy instead. Remember, the first personal computer competed with calculators and typewriters; the first calculator competed with slide rules.

• Your competitors won't always be immediately evident, since they don't necessarily provide the exact same product or service as you do. If you sell gourmet salsas, you will be competing with other salsa makers, and you also might compete with makers of gourmet ketchup, mustards, and other condiments. List these as "indirect competitors."

• Think as broadly as possible when devising a list of competitors by characterizing competitors as any business customers may patronize for similar products or services. A local florist obviously competes with other flower shops, but must also contend with delivery services such as BOO-FLOWERS and supermarkets that carry flowers and plants.

• To determine your competitors' strengths and weaknesses, evaluate why customers buy from them. Is it price? Value? Service? Convenience? Reputation? Very often, it's "perceived" strengths rather than "actual" strengths that you will be evaluating.

• A table can be a good way to present your competitive analysis, since it will allow your competition to be evaluated at a glance. Columns should include the name of your competitor, market share or position, annual sales (if available), strengths, weaknesses, and comments.

**E. Proposed organization: type of ownership, how will you start your business? Planned personnel(how many employees) and management structure (who are the managers? The owners)**

* A section on who owns and controls your company will help readers derive a better understanding of who will be making decisions. Potential lenders, many of whom will require a significant stake in the company in exchange for funds, will also be interested in what portion of the company's equity is available.
* Use this section to describe company management including the responsibilities and expertise of each person. Many lenders and venture capitalists base their investment decisions on the strength of the company's principals (owners). Demonstrating that your management team possesses, or will possess, complementary skills will help convince investors that your business has a bright future.
* For positions you have yet to fill, detail who you will need to hire to achieve the goals of the business. Describe the skills this person needs to possess and how the addition of that person will help the business meet its objectives.
* Strong support services - including attorneys, accountants, advertising agencies, as well as industry-specific services - help indicate others' faith in your business as well as your ability to attract talent to your business. Having support services in place also indicates to readers of your plan that you have thought through all of the support you will need for the business to run profitably.

**III Proposed Marketing/Promotion Plan**

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

**A. Proposed product or service: details of product (s) or service (s) to be offered; potential suppliers or manufacturing plans.**

An investor will only provide money for a business he or she understands, so walk the reader through the stages of product production from the inception of the idea to when it can be sold. With a service company, describe the process of delivering the service. A company that helps its customers determine Web strategy, for example, would describe the process of finding out about client objectives, researching current offerings on the Web, and presenting a solution.

**Product/service Details**

* Focus on your success factors. In other words, think about how you are going to turn a buck. Why will your products or services be successful in the marketplace? There are any number of reasons you can use like, it's a well-organized business, we use state-of-the-art equipment, our location is exceptional, the market is ready for our product, it’s a great product at a fair price, etc.
* If you are selling a product, you may want to include full specifications. If available, include a quality photograph as well.

**Location, Location, Location**

* Discuss geographic location for the production of your product or service. Justify this decision as well, by talking about savings in rent or lease, convenience to suppliers, labor, materials, or other factors important to your business. Who are you suppliers and how will you use them?
* If you do not have a store front then list down the websites that your products/services will be available and the process for how your customers will receive their purchases.

**Tips**

• Be sure to justify your make or buy strategy by explaining why your approach will lead your business to greater profits.

**B. Proposed pricing policy: costs, markups, relationship to competitor**

**Pricing Policy**

* Discuss what you **will charge** for your product or service and how you arrived at the price. For example, a luxury gift importing business sets prices not only to cover costs and make a profit but to position products as luxury items. A printing shop with a good location charges slightly more than its competition because it has a convenient location and it has determined that the market will bear the higher price.
* Once you have briefly explained **your pricing** and rationale, discuss where this pricing strategy places you in the spectrum of your competitors. Explain how your price will: get the product or service accepted, maintain and hopefully increase your market share in the face of competition, and produce profits.

**Tips**

• Investors are used to seeing (and rejecting) business plans in which an entrepreneur says the product or service they want to create will be higher in quality and lower in price than those of their competitors. This makes a bad impression because it's usually unrealistic. If you really do have a higher quality product, it will appear that you may plan to under price it, and consequently undersell it.

• Costs tend to be underestimated. If you start out with low costs and low prices, you leave yourself with little room to maneuver, and price hikes will be difficult to implement.

• If you charge more than competitive existing products, you will need to justify the higher price on the basis of newness, quality, warranty, and/or service.

* If a price will be lower than that of an existing, competing, product or service, explain how you will maintain profitability. This may happen through more efficient manufacturing and distribution, lower labor costs, lower overhead, or lower material costs.
* Discuss how higher prices may reduce volume, but result in high gross profit.

**Relationship to Competitors**

* Be specific in describing your **competitive edge**. Don't just say something like "we intend to provide better service." Explain how you will do so, and why that sets you apart from your competitors.
* For example, if you run a dry cleaning business you can be the fastest, the most dependable, the cheapest, or the business providing the best service. A mail-order gift business can emphasize price, convenience, a flexible returns policy, unique products, or some combination of these. A hairdresser may be positioned as hip, traditional, pampering, inexpensive, or convenient. You may think that positioning is based on image. Answer the following questions with brief, direct statements:

**Tips**

• *Research* your **competitors**. Create a list of your competitor's strengths and weaknesses, look at areas such as distribution, pricing, value, service, timeliness. For example, a dry cleaner would look at pricing, location, services such as delivery, hours of operation, quality of their cleaning, whether or not they are computerized and if they provide services such as tailoring and mending.

**C. Personal promotion: non-media sales plan, staffing and merchandising appeal**

**D. Non-Personal promotion: media, basic appeal and initial promotion plan. How will you get potential customers to buy your product? What are some advertising media that you will use? What is the Advertisement you will use to promote your product/service?**

* Your advertising and promotion campaign is how you communicate information about your product or service.
* Make sure that your advertising and promotion tactics support your sales tactics. For example, if you use sales reps, you will probably need to discuss with them what kinds of promotional materials you will supply. If you use direct mail sales, what kind of direct mail packages will you be producing?
* The promotion section should include a description of all advertising vehicles you plan to use newspapers, magazines, radio & TV, Yellow Pages, etc.- as well as your public relations program, sales/promotional materials (such as brochures and product sheets), package
* Design, trade show efforts, and the like. If you're using advertising and/or a PR agency, be sure to discuss their talents and what efforts they are contracted to make on your behalf.

**Tips**

• Think about using examples or samples to support your discussion of promotional tactics. If you have a copy of an ad you've run include it in your business plan. You can place these samples in a separate "Exhibits" section at the end of the plan.

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

• If you have a **public relations** plan in place, include a copy of your press kit, and a list of targeted media in your business plan.

• If **trade shows** will be an integral part of your marketing strategy, be sure to include a trade show schedule outlining at which expos you'll be exhibiting. And don't forget to explain why you've chosen those shows.

* Discuss the types of **advertising and promotion** you will do to introduce the product and what kinds of sales aids will be provided to dealers.
* Advertising or promotion is a critical expense, you should include an exhibit showing how and when these costs will be incurred. For example, an excel spreadsheet or table.

**E. Place: channel of distribution from (you) the business to your to customer.**

In this section you demonstrate the ability and knowledge to get your products into the hands of your target customers.

* Describe available distribution channels and how you plan to use them.
* Many entrepreneurs fail to give adequate thought to method of sales. How you get the products to the end user- your method of distribution and sales- is one of the most important elements of your plan.
* Will you be selling directly to your customers? Will you be using sales representatives, distributors, or brokers? Do you plan to have a direct sales force in place?
* Will you use a "ground service" like UPS? Will you use a next-day delivery service? Parcel post? A trucking company? Amazon.com. **NOTE:** Make sure to include these costs when you calculate your financials later in the plan.

**Tips**

• Don't make the mistake of confusing sales with marketing. Sales focuses on how you get your products into the hands of your customers. Marketing is concerned with how you educate your potential customers about your product.

• If you're using an outside or indirect sales force - like sales reps or distributors - be sure to describe the companies that will be carrying your products.

* What are the benefits of using these specific firms? What unique talents do they bring to your business?

• Many small businesses assume that a sales effort can be set up with minimal timing, effort and expense. This is not the case. It can take as long as a year for a sales person to become acquainted with a product and territory. Even if you use sales reps who are intimate with a territory and market, expect there to be ramp-up time.

• Don't assume a distribution network will give your products or services equal sales time. You may need to create an incentive structure that will encourage your network to push your products/services.

**IV Proposed Financial Planning**

Financials are used to document, justify, and convince. This is the section in which you make your case in words and back up what you say with financial statements and forms that document the viability of your business and its soundness as an investment. It's also where

you indicate that you have evaluated the risks associated with your venture. If you are writing a plan for investors, include the following sections:

**A. Projected income/cash flow statement: projected budget describing income and expenditures for the first year. What are your potential expenses and capital requirements?**

**Cash Flow Statement**

* A cash flow statement provides a glimpse of how much money a business has at any given time and when it is likely to need more cash. Analyze the results of the cash flow statement briefly and include this analysis in your business plan. See the glossary of terms in the toolbox.

**Tips**

• As with all financial documents, have your cash flow statement prepared or at least reviewed by a reputable accountant.

• Avoid an unrealistically quick ramp-up of sales. Most companies experience a gradual increase in sales, even on a monthly basis. A sudden unexplained spike will stand-out and not look like an honest appraisal of your business.

• Avoid insufficiently documented *assumptions* about your company's growth. In other words, if you say you expect your firm to grow by 30% in the first year and 50% in the second, you need to document why those numbers are attainable. It can be because similar companies have had this growth path; because the industry is growing at this rate (site the source for this data); or because of projections from a specific market researcher, industry association, or other source.

•Include effects of seasonality and business cycles in all projections. For example, if you are in the gift business, you would need to show the Christmas buying season or the Wedding season. If you're a consultant, you might experience higher sales late in the year when companies are trying to use up their annual funds, or at the beginning of the year after budgets are approved.

•Do not fall in to the common trap of underestimating cash flow needs. This can lead to undercapitalization, which means your funds will prove inadequate for meeting your obligations.

**Balance Sheet**

Unlike other financial statements a balance sheet is created only once a year to calculate the net worth of a business. If your business plan is for a start-up business, you will need to include a personal balance sheet summarizing your personal assets and liabilities. Analyze the results of the balance sheet briefly and include this analysis in your business plan.

**Income Statement**

* The income statement is where you make a case for your business' potential to generate cash. This document is where you record revenue, expenses, capital, and cost of goods. The outcome of the combination of these elements demonstrates how much money your business made or will make, or lost or will lose, during the year. An income statement and a cash flow statement differ in that an income statement does not include details of when revenue was collected or expenses paid.
* An income statement for a business plan should be broken out by **month the first year.** The second year can be broken down quarterly, and annually for each year after. Analyze the

**B. Projected three-year plan: describe planned growth, including financial resources and needs.**

* Do not include "projections" that include dates and events already in the past. Old projections are more tolerable if your projections were right than wrong.
* Avoid large income or expense categories that are lumped together without backup information about the components.

**C. Capital and repayment plan: earnings, short-term and/or long-term borrowing, long­ term equity, plans to repay borrowed funds or provide return on investment to equity funds.**

**Capital and Repayment Plan**

* State the amount of funding and the type (debt or equity) of investment you seek. It is important here to provide a breakdown of how the money will be applied. Discuss what effect the capital will have on the business' potential to grow and profit, when the money is needed, and what investment has already been made in the company.
* Investors will also want to know what they will receive in return for their capital. Be as clear as you can in this section both about the potential upside and the potential downside of investing in your business. A common mistake in a business plan is to be unclear in this section, which turns potential investors away. If the company founders have invested in the company, include this in your plan. Some investors are encouraged by founders putting their own money on the line.

**Tips**

• Include the following payback period and return on investment; why the investment is sound; collateral being offered; current investors; access to additional funding sources; what percent, if any, an investor could recoup via tax benefits, liquidation or other means if the business goes bad.

• Include future financing needs. In other words, don't just look at what you need today, but give an idea of what financing you will need in the future to take your company to the next step toward success.

• Be sure to document how investors will make money and what return they will get. This can't be stressed enough. If you're asking for money, you can't just say something like "you'll make lots of money from this." You need to show how much money they should expect to make from their investment.

• Don't be penny-wise and pound-foolish by asking for less money than you think you'll need because you think it will help you get the money. It may be better to ask for more than to have to go back to your financial resources when you've run out of cash

**V Bibliography**

**VI Appendix**

An appendix is used when you need to include exhibits that are not included in the body of the business plan. These might be questionnaires, tables, data etc.