

KAUFFMAN

The Foundation of Entrepreneurship

Business Plan Basics

A good business plan is a roadmap for your business.

You've made up your mind to start a business and are ready to go, but everyone keeps telling you to write a business plan. Why should you? A well-written business plan can help you in a number of ways:

Organize your thoughts // Something about getting your thoughts on paper identifies holes where more information is needed or your concept needs to be more thoroughly developed.

Maintain focus // If you haven't spent time developing your concept and business model, anyone who claims to have a better or quicker way of becoming successful will probably be able to convince you to change course.

Convince your family // Reviewing this document may ease the fears of family members and prove that you have spent time thinking this through.

Obtain financing // If you plan to approach banks or investors to fund the start-up of your business, a business plan is required. It will help educate loan officers or investors about your specific venture and the industry. The goal is to make them confident in you and your ability to repay the loan or provide a return on investment.

Evaluate performance // Comparing marketing strategies and monthly financials to the goals and projections you developed allows you to determine how your business is performing and make adjustments if necessary.

Getting Started

A basic business plan contains the following elements:

Executive Summary is a one-page summary located at the beginning of a business plan. It should be the *last* section you write, because it is a "snapshot" of the entire plan.

The Executive Summary *describes*:

- * Business structure (i.e., sole proprietorship, partnership, C corporation, S corporation, limited liability company, etc.)
- * Experience and skills of the principals
- * Industry and target market(s)

The Executive Summary *explains*:

- * Why the venture will be successful
- * The amount of funding needed
- * What the money will be used for
- * The amount of money each principal is investing

Description of the Business

- * Type of business, e.g., primarily merchandise, manufacturing or service
- * Product(s) and/or service(s)
- * What market do you intend to serve?
- * What will be special about your business?

Location // If you plan to have a brick-and-mortar business, describe the location, why you chose it, what renovations are needed and how much room for expansion is available.

Licenses and Permits // Check with your city, county and state agencies to determine what is required.

Management // What is your business, industry and management experience and education?

- * Describe your management team
 - Management staff background and experience
 - Board of advisors
- * Describe your organizational structure and include a brief description of who does what.
- * What other management resources will be available (e.g., accountant, lawyer or small business assistance organizations)?

Operations // Describe your day-to-day operation and how your work is completed.

- * Describe your anticipated personnel needs and the skills that employees must have.
- * Who and where are your suppliers?

Insurance // Describe your potential business risks and explain what insurance coverage you will purchase to protect yourself and your business.

Market // Generally explain who needs your product or service and how you plan to reach your customers.

- * Industry
 - Current trends
 - The state of the economy
 - Expected future industry trends or changes
- * Customers // Describe target markets
 - How will you attract each target market?
 - Product/service
 - Price
 - Place
 - Promotion
 - Persuasion—personal selling abilities
 - What features and benefits will you offer to justify your price?
- * Competitors // Briefly describe your competitors and their operations
 - How many are there and where are they located?
 - How well-established are they?
 - What is the basis for competition in the industry (i.e., price, quality, promotion or service)?
 - How is the competition likely to react to your entry into the market?
- * Marketing Strategies // Describe your advertising/promotion plan and process for tracking performance
 - Web site, social media
 - Newsletter, e-newsletters
 - Publicity, press releases
 - Media advertising (e.g., TV, radio, newspaper, Internet)
 - Direct mail campaigns

Provide details on how you will sell, distribute and service your product/service

Financial Data Requirements

- * Personal financial statement
- * Personal tax returns for the past three years
- * Source and application of funds statement
- * Cash flow projections
- * Detail by month for first three years
- * Notes of explanation and assumptions
- * Projected balance sheet/income statement (if applicable)

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