



Steps to Writing a Business Plan

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Develop a Mission Statement

- Keep it short, 1-2 sentences, and give the high-level view of what you are trying to do

Examples of simple mission statements:

- ❖ “to provide fast and reliable services in auditing and consulting to small and medium businesses (SMB), individuals, and other organizations”
- ❖ “to provide the customer with the finest kosher catering. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customers.”
- ❖ “to be the coffeehouse of choice for the local Pleasantville community, downtown business workers, tourists who visit the city, and students, by providing a higher quality experience than any competitor. As a result, we intend to create coffeehouses that quickly achieve profitability and sustain an attractive rate of return (20% or more annually) for our investors.”
- ❖ “to offer consumers one of a kind ceramic art that is fun. Whether the ceramic cats are hanging in the living room, kitchen, bathroom, or bedroom, they will add color and humor to the space.”
- ❖ “to provide the finest in natural supplements using the Internet to lower the consumer's cost.”
- ❖ "To bring inspiration and innovation to every athlete in the world. If you have a body, you are an athlete."
- ❖ "To be the most successful computer company in the world at delivering the best customer experience in markets we serve."
- ❖ “to provide Moab, Utah's residents and visitors with an upscale grocery store, gift shop, and delicatessen specializing in a combination of quality, authentic, hard to find, grocery items from around the world.”

Notes:

Don't spend too much time developing the mission statement or you could end up with something long and generic. If you are passionate about your idea, this should come relatively easily. For a small business, the mission statement is often the same as the overall value proposition.

After reading this section, the reader should:

- Have a basic or high-level understanding of the focus of the business

Describe the Products & Services

- Explain the problem or pain your product or service solves for your customers/clients (aka market need)?
 - How are the potential customers solving this problem/pain now?
- To truly understand the problem or pain you may need to do some market research by talking to, or surveying potential customers
- Describe your product/service in detail
 - What is it?
 - Explain how your product/service provides a solution to the described problem/pain
 - How/where are you offering your product/service (website, remotely, retail location, client location etc.)
 - Explain what makes your product/service unique
 - Are there any patents or pending patents?

Notes:

Your business gets paid for making problems or pain go away. Problems or pain = market opportunity. The greater the pain, the more common the pain, and the better your product/service is at resolving the problem or pain, the greater your market potential. A well written business plan places the solution firmly in the context of the problem being solved.

Stay focused. Don't try to be THE answer/solution for ALL related pain or problems. Try to come up with a single, superior product/service that solves the identified problem or pain for an identified group. Additional products/services should support the initial/main product/service.

Don't get too technical or use industry specific jargon. Even if your Business Plan is an internal document, getting stuck in the "too technical/too much jargon" can prove to be a major hassle if/when the Plan needs to be updated for an external audience.

After reading this section, the reader should:

- Understand the existing problem or pain
- Know how potential buyers are dealing with this problem or pain now
- What the product or service is and how a customer can get it
- How the product or service solves the problem or pain
- Be aware of any pending or existing patents on the technology or product

Describe the competition

- Who is currently solving this problem/pain for the customer now?
 - A matrix can be created, listing your business and the competitors in the left column and the product/service features in other columns and use check marks/X's to indicate which features each competitor has with the goal of showing your competitive advantage/differentiation
 - Do any competitors currently hold a patent on any technology or process that might pose a challenge?
 - What are the strengths and weaknesses of these competitors?
 - How will you differentiate your product/service?

Notes:

Don't get stuck in the mindset of "there are no competitors for my product/service". Perhaps there is no direct competitor (one who sells the same product or service), however it is more than likely that another business is providing a substitution to your product or service, for which you will compete for market share.

Use this section to describe your strengths against direct competitors, indirect competitors, and substitutes. Remember, competition is a good thing – it pushes us harder and demonstrates a market need.

After reading this section, the reader should:

- Understand how the problem or pain is currently being resolved in the market
- Know who are some of the competitors and their strengths/weaknesses
- Be aware of competitive advantages and disadvantages for each competitor
- Be aware of any patent protection among the competitors
- Be able to articulate how your product/service competitive advantages

Identify the target market/audience

- Who will buy your product/service?
 - Are you selling to a particular industry or are you trying to reach a group with common criteria?
 - Provide some description
 - Provide some demographics about the identified potential customer:
 - If a B2B (business to business) product/service, identify:
 - Who in the organizations within the target industry might be the buyer (for example: the VP of Sales, the CEO, Human Resources, Facilities, reception/admin, etc.)?
 - What size company would be interested in your product/service?
 - Where are the companies located?
 - If a B2C (business to consumer) product/service, identify:
 - Gender of the buyer
 - Income level
 - Customer location
 - Customer requirements to access your product/service (do they need to travel to you? Do they need internet access? Etc.)

Notes:

Stay focused. Don't try to be THE answer/solution for ALL. Try to come up with a single, superior product/service that solves the identified problem or pain for an identified group.

After reading this section, the reader should:

- know the industry or group you are targeting
- understand some specifics (demographics) about the potential customers
- know if the product/service will be sold to other businesses or directly to consumers

Pricing, Sales & Marketing, Distribution

- Pricing
 - How much does/will it cost you to make the product/provide the service (Cost of Goods Sold)? This is the total cost of making your product. For service businesses, this can also be called Cost of Sales or Direct Costs (includes those costs directly related to making your products, not regular business expenses such as rent, insurance, salaries, etc.)
 - To really understand the Cost of Goods Sold, you will need to know ALL your business expenses (see financial planning section)
 - How will you sell your product/service?
 - By the piece, in bundles (50 pieces, for example), by the hour, by the service provided?
 - What price will you sell the product/service for?
 - If wholesale is part of the business plan, what will the wholesale price be?
- Sales & Marketing
 - Is there an anticipated long sales cycle? If so, how long do you anticipate the cycle to take?
 - How will you reach/market to your target audience?
 - Website, social media, trade publications, other print opportunities, word of mouth only, trade shows/fairs, etc.
 - When will you reach/market to your target audience?
 - Is your product/service seasonal?
 - Consider the anticipated sales cycle if applicable
 - How will you package your product (if tangible)?
- Distribution
 - How will you get the product/service to the customer?
 - If shipping:
 - How will you ship?
 - What shipping materials are required and at what cost?
 - Is shipping included in the cost, or an additional price?

Notes:

Think about what the business name will be and utilize the NH Secretary of State “business name look-up” for potential challenges with the proposed name. The NH SOS has the final say on a name, so come up with 3-4 names you like just in case. Do a domain name search – there is nothing worse than securing a name with the state and then being unable to find a domain name that goes along with the business name. Remember the website is often the #1 form of marketing.

After reading this section, the reader should:

- Know how much it costs to make the product/provide the service
- Understand how the product or service will be sold
- Be aware of the pricing strategy
- Understand the sales cycle
- Have a clear understanding of how and when you will market to the target audience
- Be clear on how the customer will obtain the product or service

Company Overview

- Legal Structure
 - Include a statement about the company's legal structure (if known, or decided upon)
 - For example: XYZ Company formed as a multiple member LLC in the State of NH in March 20XX
 - How is ownership divided, if applicable (by percentage)
- Location
 - Where will the business be located (can state home-based (or initially home based))
- Facilities/Retail Space
 - Statement about plans to lease or build space, and size requirements (if known)
- Management Team
 - Provide a brief bio of key team members including owner(s) and managers, listing their relevant experience
 - List any outside team members such as an attorney, CPA, bookkeeper, Business Advisor, etc.

Notes:

Keep this section short and straight to the point. If you are an existing business, include a brief company history in this section too.

After reading this section, the reader should:

- know the legal structure (or planned legal structure) of the business and division of ownership
- know where the business will operate and any space requirements
- know who is on the management team and how they contribute to the business

Know the Numbers/Develop a Financial Plan

- **Determine the Cost of Goods Sold** - the total cost of selling your product. For service businesses, this can also be called Cost of Sales or Direct Costs. Include those costs directly related to making your products, not regular business expenses such as rent, insurance, salaries, etc.
- **List out your expenses by month:**
 - Startup expense examples:
 - State registration
 - Attorney fees for Business Formation (LLC or Corporation)
 - Necessary Licenses
 - Website development
 - Domain Name purchase
 - Hosting (for website)
 - Pre-paid Business insurance premiums
 - Basic marketing materials such as brochures and/or business cards
 - Supplies necessary to make the product or provide the service
 - Rent/lease
 - Equipment
 - Furniture/Fixtures
 - Build out of space
 - Operating cash
 - Ongoing expense examples:
 - Cost of Goods Sold - include those costs directly related to making your products, not regular business expenses such as rent, insurance, salaries, etc.
 - Gross Wages
 - Payroll Expenses
 - Owner's Draw/Salary
 - Tax payments
 - Supplies
 - Repairs and Maintenance
 - Advertising/Marketing
 - Travel expenses
 - Hosting (for website)
 - Car, Delivery (includes fuel for car)
 - Legal and Professional Fees
 - Rent/lease
 - Telephone/cell service
 - Utilities such as internet, electricity, etc.
 - Insurance
 - Worker's Comp. Insurance
 - Office Expenses: paper, pens, printer ink
 - Software expenses: QuickBooks, Salesforce, etc.
 - Loan Principal Payment & Interest
 - Commissions and Fees
 - Contract Labor
 - Credit Card and Bank Charges
 - Customer Discounts and Refunds
- **Develop a Sales Forecast (projection of how much you will sell):**
 - For the 1st & 2nd year, develop it by month
 - For years 3-5 develop it by year

- Break it down into rows, with a row for each core product or service that you are offering
 - For a product company, you could break down your forecast by target market segments or into major product categories
- **Develop a Personnel Plan**
 - When will you need to hire your first employee? Second, and so on?
 - In what capacity will the new employee(s) assist the business in moving forward?
 - What will you pay your employee(s)?
- **Develop a Profit & Loss (P&L) statement** (pulls all numbers together to determine if you are making a profit, or taking a loss).
 - Include the following in a P&L:
 - Sales (or income or revenue) - will come from your sales forecast until you have real numbers, and includes all revenue
 - Cost of Goods Sold (COGS) - includes costs directly related to making your products, not regular business expenses such as rent, insurance, salaries, etc.
 - Gross margin –comes from subtracting the COGS from the forecasted Sales and typically shown as a percentage (gross margin/sales = % gross margin)
 - Operating expenses - list all of the expenses associated with running the business
 - Include salaries, research and development (R&D) expenses, marketing expenses, and other expenses, yet.
 - Exclude excluding COGS (since it is called out separately), taxes, depreciation, and amortization.
 - Total Operating Costs – a sum of your operating expenses
 - Operating Income – sometimes called Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) and comes from subtracting the Total Operating Expenses and COGS from the forecasted Sales
 - Interest, taxes, depreciation, and amortization – include only if you have any of these expenses
 - Total expenses – comes from adding Operating Expenses to Interest, Taxes, Depreciation, and Amortization
 - Net Profit – may be either positive or negative, comes from subtracting Total expenses from Sales
- **Develop a Cash Flow statement** (keeps track of the available money/cash)
 - Usually starts with the amount of cash available, adds new cash received through cash sales and paid invoices, and then subtracts cash that has been paid out as bills, loans, taxes, etc. are paid, leaving the total cash flow (cash in minus cash out) and the ending cash (starting cash + cash in – cash out = ending cash)
- **Create a Balance Sheet** (an overview of a business’s financial health)
 - Usually lists:
 - Assets
 - Current assets - can be converted to cash within one year and typically include cash, stocks, accounts receivable, prepaid expenses, and inventory
 - Fixed assets - long-term use assets, such as equipment, machinery, vehicles, land and buildings, furniture and fixtures, and leasehold improvements
 - other assets – assets that don’t fit into the current or fixed category and typically include things like long-term investment property, life insurance cash value, and compensation due from employees

- Liabilities
 - Current liabilities – financial obligations due within 1 year and typically include short-term notes payable (including lines of credit), current maturities of long-term debt, accounts payable, accrued payroll and other expenses, and taxes payable
 - Long-term liabilities – financial obligations due beyond 1 year and typically include bank debt or shareholder loans with maturities longer than one year.
- Owner’s equity – the sum of all shareholder money invested in the business and accumulated business profits. The owner’s equity includes common stock, retained earnings, and paid-in-capital.
- Net worth of a company can be determined by subtracting the company’s liabilities from assets

Notes:

Be as realistic as possible. Avoid terms such as “conservative” and “aggressive” in your financial plans. Recognize that these numbers are forecasted, and reality can change them, for better or for worse, so be prepared and understand how it all changes if the forecasted numbers are off. Do your research on potential expenses, especially lease, build out, and equipment. Look into used equipment, search industry groups and publications and also on sites such as Craigslist, but don’t commit without seeing the item(s) and verifying it works. Avoid offering a valuation of the company.

After reading this section, the reader should:

- know the Cost of Goods Sold (COGS)
- have a good sense of all expenses, assets and liabilities
- be aware of when additional help will be needed and what they will do when hired
- have a good understanding of the sales projections
- be able to look at projected, realistic numbers in the key financial documents: P&L, Cash Flow Statement, and Balance Sheet
- Determine projected financial health of the business by analyzing the various financial documents

Create an Executive Summary *(only if the Business Plan is to be an external document. Can skip if for internal purposes only)*

- introduces your company, explains what you do/are planning to do, and lays out what you're looking for from your readers
- the most important section as the reader will determine if they want to continue on after reviewing this section – intended to spark interest in the reader
- ¼ of a page to 2 pages maximum is ideal
- Include:
 - Extra brief overview of the business
 - Name of business
 - Principal/owner names
 - When and where did the business form, and the legal entity (or what you anticipate if not yet completed)
 - For example: XYZ Company will form as a single member LLC in the State of NH, anticipated in August 20XX)
 - Idea or very short statement of what business is
 - try for 1-2 sentences
 - sums up the essence of what you are doing, often referred to value proposition (refer to your mission statement)
 - Briefly describe the problem/pain for the audience
 - Briefly describe the company's solution to the problem/pain
 - Briefly describe the competitive scene – how is the problem/pain being addressed now?
 - Briefly describe the target market
 - Who is the ideal customer – be specific
 - For example: if you are making gloves, you are not targeting “everyone” because everyone has hands. There is likely a segment of “everyone” you are targeting such as “cold weather runners”.
 - How many of the ideal customers are there
 - Management team
 - Who is on the team
 - Briefly describe why this is the ‘right’ team
 - Financial Summary
 - key aspects of your financial plan
 - can (though not required) create a chart showing forecasted sales, expenses and profitability
 - further explanation of the business model (aka “how you will make money”) if the model is out of the norm or complicated
 - Short statement on funding requirements (if any), and how the money is to be used and when it would be repaid
 - For example: XYZ Company is seeking \$50,000 to increase manufacturing to meet existing demand. The expected repayment time is 6 months.
 - Milestones and interest
 - Have you hit any key milestones (important if seeking funding) such as 1st round of funding, completion of prototype, etc.

- Do you have existing interest in your product/service?
 - Existing purchase orders, contracts, letters of intent, etc.

Notes:

There is no need to “recreate the wheel” here. Summarize the information from other sections of the Plan. Write this section of the Business Plan last - it will be much easier after you have gone into detail in the other sections. Remember, the Executive Summary should entice the reader to continue on. You want to hook them, grab their attention. Keep it short – no more than 2 pages. This section should show an optimistic and enthusiastic glimpse of the proposed business.

After reading this section, the reader should:

- Want to learn more about the business (continue reading)
- Have a basic understanding of business

Create a Title Page & Table of Contents

- Title page
 - List:
 - Name of Business
 - Principal (Owner) Names
 - Address of Business
 - Contact Information for Principals/Owner(s)
- Table of Contents
 - Topics with page numbers (makes it easy for readers to find information)

Notes:

Make the title page simple. If you have a logo designed, use it; however there is no need to develop one simply for the purpose of the business plan.

Make the Table of Contents searchable/clickable so a reader can jump to a section when reviewing in electronic format.

Supporting material/appendices

- Possible items you may attach as an appendix include (but are not limited to):
 - Brochures already developed
 - Resumes for key management/employees
 - Lists of required equipment and/or equipment already in possession
 - Copies of any press regarding the pending (or existing) company
 - Pictures of products, location, etc.
 - Supporting information regarding industry growth
 - Business documents
 - Lease
 - Contracts
 - Letters of intent
 - Purchase orders
 - Legal formation paperwork

Putting it all together

Pull the information together in the following order:

1. Title Page
2. Table of Contents
3. Executive Summary
4. Mission Statement
5. Company Overview
6. Products & Services
7. Competition
8. Target Market
9. Pricing, Sales & Marketing, Distribution
10. Financial Plan
11. Supporting Material/Appendices