

# **Business Plan Workbook**

© Christian Business Angels 2013

# Business Plan -- Table of Contents

<b>1. Executive Summary</b> .....	1
<b>2. The Company</b>	
2.1. Mission Statement.....	2
2.2. General Business Overview .....	3
2.3. Company Structure .....	4
2.4. Location .....	5
2.5. Key Personnel / Management Team.....	6
2.6. Goals and Objectives .....	7
2.7. Strengths and Weaknesses .....	8
2.8. Key Competitive Advantage(s).....	9
<b>3. Products and Services</b>	
3.1. Product / Service Overview	
3.1.1. Summary Description .....	10
3.1.2. Value Proposition.....	11
3.1.3. Competitive Advantage.....	12
3.1.4. Customer Placement .....	13
3.1.5. Delivery Capability .....	14
3.1.6. Current Status.....	15
3.2. Cost of Sales.....	16
3.3. Projections .....	17
3.4. Legal / Other .....	18
<b>4. Markets &amp; Marketing Plan</b>	
4.1. Market Research	
4.1.1. Summary Description .....	19
4.1.2. Value Proposition.....	20
4.1.3. Market Survey.....	21
4.1.4. Market Penetration.....	22
4.2. Competitive Analysis.....	23
4.3. Marketing Strategy .....	24
4.4. Sales Strategy.....	27
<b>5. Operating Plan</b>	
5.1. Overhead Costs .....	28
5.2. Suppliers .....	29
5.3. Quality.....	30
5.4. Distribution / Logistics .....	31
5.5. Employees .....	32
5.6. Assets & Equipment.....	33
5.7. Governing Board.....	34
5.8. Insurance .....	35
5.9. Licenses & Permits .....	36
<b>6. Financial Plan</b>	
6.1. Profit & Loss Projection.....	37
6.2. Cash Flow Projection .....	38
6.3. Sensitivity Analysis.....	39
6.4. Funding Requirements .....	40
6.4.1. Loans.....	41
6.4.2. Investment Funding .....	42
6.5. Capital Budgets.....	43
<b>Appendices</b> .....	44
Financial Tables.....	45

# 1. Executive Summary

- Aim is to summarize the business plan in an overview format that can be read & understood in ~5 minutes
  - It is dynamic & exciting to capture the reader's interest
  - It should motivate them to read the rest of the plan
- 
- *Start by writing a summary of what is your dream and why it is so good.*
  - *After all other sections are done, revise this to be a 1-2 page summary of the business, key advantages and a summary of the financial return*

## 2. The Company

### 2.1 Mission Statement

- The Mission Statement describes your company philosophy in 30 words (or less)
- Study other mission statements and design one that is uniquely yours
- The Mission Statement is your written guide to customers, investors and employees

➤ *30 words max, normally in 1-2 sentences*

## 2. The Company

### 2.2 General Business Overview

- A description of the business and where it fits into the marketplace
- Describe what needs the business will be filling and how it will go about filling them
- Describe the markets that will use your business and any business history
- What changes do you foresee in your markets, short term and long term? How will you take advantage of these?

➤ *Write 1-2 sentences (more if needed) for each of the above*

## 2. The Company

### 2.3 Company Structure

- Outline the corporate structure
- Are you a sole proprietor, partnership or an incorporation?
- List any shareholders, partners and incorporation information

➤ *Include 2-3 paragraphs to summarize this*

## 2. The Company

### 2.4 Location

- Describe the location(s), its benefits, amenities and accessibility to raw materials / customer traffic
- Indicate freight routes, traffic statistics, area demographics and growth rate
- Cost of Lease plus taxes & utilities
- Explain why you chose this location
- Outline any renovations to be done

➤ *From 1-2 paragraphs up to 1-2 pages, depending on business type*

## 2. The Company

### 2.5 Key Personnel

- Include a brief profile of all key partners and employees (including you!) outlining their duties and experience
  - Discuss the structure and make-up of your management team who will lead this company
  - Highlight their relevant education and expertise, business qualifications, work history and references
- *Outline of roles & responsibilities on the management team, with insights into who is filling each role and their strengths and benefits to the business*
  - *Include all resumes in appendices*

## 2. The Company

### 2.6 Goals and Objectives

- Outline the goals and objectives of the company
  - State long-term (3-5 years) and short-term (1-2 year) goals
  - Be sure to identify “markers” so you can measure progress towards stated goals
  - Include discussion of business philosophy as appropriate
- 
- *Varies 1-2 paragraphs up to 1-2 pages, depending on business type*
  - *Goals are not only financial figures, but should reflect what you want to achieve with the business*

## 2. The Company

### 2.7 SWOT Analysis

- What are the most important company strengths and core competencies needed for this company to succeed?
  - Eg. technology, people skills, industry contacts, etc
- What are the 3-5 strengths of your business?
- In what 3-5 areas is your business weakest?
- What opportunities lie ahead? Why?
- What are the threats and risks to your business?

- *1 paragraph + a list for each SWOT (or summary chart)*
- *Follow with a 1-2 paragraph discussion on how you will leverage strengths/opportunities or avoid/overcome weaknesses/threats*

## 2. The Company

### 2.8 Key Competitive Advantage

- Based on the SWOT, what is the key competitive advantage for this company?
- Is your advantage sustainable? Why can't competitors copy you?
- The 2 P's of competition really help here:
  - P: Pride – employees and customer pride can be unbeatable
  - P: Personal Service – your attention to detail for customers can beat even the best of competitors

➤ *1 paragraph about the Key Competitive Advantage(s) of your company and how long they can last*

# 3. Products and Services

## 3.1 Product / Service Overview

### 3.1.1 Summary Description

- Describe your product or service (layperson terms)
- What does it do?
- Who does it serve?

➤ *Normally 1 paragraph per product/service, can be more if needed*

# 3. Products and Services

## 3.1 Product / Service Overview

### 3.1.2 Value Proposition

- Now that we know what the product or service is, what value does it bring?
- Why would customers want to buy this?

➤ *Normally 1-2 sentences per product/service*

# 3. Products and Services

## 3.1 Product / Service Overview

### 3.1.3 Competitive Advantage

- What makes customers want to buy your product/service instead of that from the competition?
- How is your product/service better?
- This could be any one or combination of the following:
  - performance, cost, warranty, ease of use, style, brand, etc etc...
- What prevents the competition from matching or beating your advantage? How long before they do?

➤ *Summarize in 1-2 sentences per product/service*

## 3. Products and Services

### 3.1 Product / Service Overview

#### 3.1.4 Customer Placement

- Does your product/service require change in how the customer works or will use it?
- Do they need to switch from a competitor?
- What barriers do they need to overcome to become your customer?
- How long does it take to deliver your product or service to a customer and have them using it? Is that acceptable?

➤ *Summarize in 1-2 sentences per product/service*

## **3. Products and Services**

### **3.1 Product / Service Overview**

#### **3.1.5 Delivery Capability**

- Are you ready to sell now? How much and how soon?
- What if customer demand suddenly increases?
- How much can you deliver in 1-2-3+ months?

➤ *Summarize in 1-2 sentences per product/service*

## 3. Products and Services

### 3.1 Product / Service Overview

#### 3.1.6 Current Status

- Do you already have any customer orders or contracts?
- Are you in negotiations with customers or do you have letters of intent to purchase?
- Have you spoken to customers? How many and what was their feedback?

- *Summarize in 1-2 sentences per product/service*
- *Add copies of contracts, letters of intent etc in the appendices*

## 3. Products and Services

### 3.2 Cost of Sales

- What is the sales price for your product/service
- What does it cost to product/deliver each one?
  - Be sure to include shipping, taxes, duties, etc
- What is the profit margins on each product/service sold?
- Comment on the expected profit margins for each product/service and explain how these will change as the business grows or the market changes
- What happens when competitors start to copy you?

- *Prepare a table showing the cost to produce each product or service to be sold (direct costs only)*
- *Add 1-2 sentences of discussion per product/service*

## 3. Products and Services

### 3.3 Future Products / Services

- Do you plan to add new products or services within the first 1-2 years of starting the business?
- What development or investment is required for these new products / services (if any)
- How far in advance of first new product / service sales need to take place? At what cost?

➤ *Repeat sections 3.1 and 3.2 for each new product / service planned, at the appropriate level of detail*

## 3. Products and Services

### 3.4 Legal / Other

- Does your business involve legal permissions from others such as copyrights, patents, trademarks or licenses?
- Do you have your own intellectual property that is protected by any legal rights?
- If there are other product- / service-related business issues not raised in a prior section, then document them here

➤ *This section can vary from nothing to several pages, depending on the legal issues involved – you should highlight anything important but stay brief*

# 4. Markets & Marketing Plan

## 4.1 Market Research

### 4.1.1 Target Market

- What/where is your target market?
- Who is this market – what are their demographics?
- What is your ideal customer profile?

➤ *Generally 2-4 paragraphs with charts as needed*

# 4. Markets & Marketing Plan

## 4.1 Market Research

### 4.1.2 Market Trends

- Give a summary of market trends, by product/service area if needed
- How long has it been in existence?
- What have been the historical trends?
- Is the market seasonal or otherwise moving up & down?
- What is the outlook for the next 1-2 years?
- What about longer term?

➤ *Generally 2-4 paragraphs with charts as needed*

# 4. Markets & Marketing Plan

## 4.1 Market Research

### 4.1.3 Market Survey

- Have you done a market survey? If not, how do you know who you are selling to?
- Summarize your market survey, including how many potential customers were contacted, what questions you asked and what the responses were.
- Present the results of your market survey in tabular form with key answers shown as percentages
- Include a sample survey form in the appendix

➤ *If applicable, include 1-3 paragraphs + summary table*

## 4. Markets & Marketing Plan

### 4.1 Market Research

#### 4.1.4 Market Penetration

- What is the current size of this market by product/service line? (state in terms of KSH per year)
- How many companies / types of companies now serve this market, and in what proportions?
- What is a realistic market penetration / market share for your products/services?
- Where does this market share come from – are competitors losing out or is the market expanding?

➤ *Generally 1-2 paragraphs with charts as needed*

## 4. Markets & Marketing Plan

### 4.2 Competitive Analysis

For each key competitor\* provide the following:

- Company size and market share
- Strengths – why are they successful?
- Weaknesses – how can they give up market share to you?
- What actions will you take to offset their past successes and win against them?
- How will you continue to win against them?
- Why will they not be able to win customers back from you?

➤ *Generally 1 paragraph discussion for each competitor or competitive grouping*

\* Do for each competitor or groupings of similar competitors

## **4. Markets & Marketing Plan**

### **4.3 Marketing Strategy**

- This is the PLAN within the PLAN
- Marketing is like fishing – more poles in the water is better – so include a mix of methods & media – not just one
- The 4 P's: Pricing, Promotion, Positioning & Packaging
- This is all about what you will do to help customers find out about your business and its products/services

## 4. Markets & Marketing Plan

### 4.3 Marketing Strategy

- Pricing – what is your price strategy?
- Packaging – how is the product/ service offered and in what form? Is it stand-alone or bundled with others?
- Positioning – what is the comparative message?
- Promotion – how will you get the word out?
- In preparing all of the above consider
  - any special services or policies
  - what target market will each method reach?
  - how and when will you execute each piece of the plan?
  - how will you track results / measure effectiveness of each method?

➤ *1 paragraph discussion for each “P” + more details for the Promotion “P” (see next page)*

## 4. Markets & Marketing Plan

### 4.3 Marketing Strategy – *more details on Promotion*

- Promotion is the easiest way to spend money – fast!
- You need to think carefully about the best way to communicate to your customers
- All forms of media can work – your plan needs to highlight the best ones for your business
- Also, be sure to discuss how you will use the Social Media – facebook, twitter, YouTube, etc

➤ *Include an extended discussion on this marketing “P” to discuss investments & schedule*

## 4. Markets & Marketing Plan

### 4.4 Sales Strategy

- How will you sell your product or service?
- Will you be wholesale, retail or direct sales?
- Will you use representatives, agents, distributors or staff?
- Incentives or sales bonus schemes?
- What is the realistic potential reach of your sales force?

➤ *1-2 paragraphs for each sales “channel” – include samples of pre-defined representative plans / agency agreements in the appendices*

# 5. Operating Plan

## 5.1 Overhead Costs

- These include all expenses not already included in cost of production / delivery of Products and Services
  - Identify all items and group as needed for entry into Profit & Loss worksheet; these will be further discussed in the Financials section
- Summarize estimated overhead costs and provide a brief summary of monthly expenses by major categories

➤ *A small table summarizing these costs by category is adequate, together with a short paragraphs highlighting anything unusual*

# 5. Operating Plan

## 5.2 Suppliers

- List your suppliers
- What are their terms of credit?
- How much lead time between order and delivery?
- Are any personal guarantees needed to do business?

➤ *A summary table with short explanation paragraph to summarize the suppliers is adequate*

## 5. Operating Plan

### 5.3 Quality Control

- How will you control product or service quality?
- What is your warranty policy?
- What processes or reviews will be put in place?
- Are there any hazards or environmental risks to deal with? How will you deal with these?
- Are there any special safety measures or procedures required for production of your product

➤ *Necessary for every business – a 1-2 paragraph discussion (or more) as required*

## 5. Operating Plan

### 5.4 Distribution & Logistics

- How will products (if any) be delivered to customers
- Are there distribution partners to be used?
- What about trans-border import/export fees & taxes
- What are expected delivery times?
- Are there any competitive advantages to your plans?

➤ *1-3 paragraph to outline distribution and logistics is generally adequate for most businesses*

# 5. Operating Plan

## 5.5 Employees

- Prepare a staffing plan by month for the first 12 months
- Prepare the staffing plan by function / area of responsibility
- Include expected average salary costs by grouping
- Be sure to include both line / production workers as well as office / administrative personnel
- Don't forget yourself! What mix of salary/bonus/options?

➤ *A summary table with short explanation paragraph to summarize the employee plans is adequate*

## 5. Operating Plan

### 5.6 Assets and Equipment

- Prepare a list of assets and equipment required and dates by which these are needed
- Which of these assets or equipment are already available?
- Who will own these assets and equipment? Will they be purchased or leased?
- Summarize all assets and equipment, showing purchase and/or lease costs for each
- Include replacement price (for lease items) and the life expectancy (all items)

➤ *A summary table with short explanation is adequate*

# 5. Operating Plan

## 5.7 Advisory Board

- A governing board serves to oversee company operations on a periodic (typically quarterly) basis
- Their primary function is to review progress on company goals and finances, offer strategy feedback, business advice and approve major expenses and/or changes in plan
- Typically an odd number of people (to avoid deadlock)
- Include people with a vested interest and/or those who can offer help to guide the company

➤ *An introductory paragraph followed by a 1-2 sentence profile of your planned/existing board members*

## 5. Operating Plan

### 5.8 Insurance policies

- What insurance policies are required / planned?
- What is their cost and when do they need to be paid?
  - Liability
  - Fire and Theft
  - Worker's Compensation
  - Employment Insurance
  - Key Management and/or Key Employee Insurance

➤ *A short explanation paragraph and/or data table summarizing insurance is generally adequate*

# 5. Operating Plan

## 5.9 Licenses and Permits

- List any licenses or permits that your business requires to operate
- Provide a listing and summarize costs and timing of each
- For existing licenses and permits, include a copy in the appendices

➤ *A summary listing followed by a short explanation paragraph to summarize is adequate*

## 6. Financial Plan

### 6.1 Profit & Loss (P&L) Projection

- Include a month by month estimation of most likely case sales & expenses
- Include any one-time start up costs – even if these are incurred before company start
- Use provided worksheet as a template
- Provide break-even analysis and commentary on major risks (and how these are addressed in the sensitivity analysis section)

- *Provide a month-by-month summary of the Profit & Loss for the first 12 months, then quarterly for first 3 years*
- *Include a 1-3 paragraph summary as appropriate*

# 6. Financial Plan

## 6.2 Cash Flow Projection

- A cash flow forecast differs from the Profit & Loss as it estimates when revenues will be received (as opposed to generated) and when expenses will be paid.
- Base this on the Profit & Loss forecast, using provided worksheet as a template
- Review cash balances and Identify investment funding amounts and timing to maintain sufficient working capital

➤ *Provide a month-by-month summary of the Cash Flow for the first 12 months, then quarterly for first 3 years*

➤ *Include short written summary as appropriate*

## 6. Financial Plan

### 6.3 Sensitivity Analysis

- List key risk factors and impact on income & expenses
  - Pay special attention to sales on credit – what if you don't get paid?
- Include discussion of likelihood and actions to avoid / mitigate each risk
- Provide summary of updated financial statements for “low” and “low-low” cases to capture impact of likely risk(s) scenarios
- Discuss deviation from base case projections and impact on funding required
  - *2-3 paragraphs describing the “low” and “low-low” scenarios with discussion of expected results + summary tables of financial statements*

## 6. Financial Plan

### 6.4 Funding Requirements

- Review how much money is needed and when
- Discuss plans to raise this money – personal contribution, loans, investments

➤ *Short paragraph summarizing the funding need and existing sources of funds*

## 6. Financial Plan

### 6.4 Funding Requirements

#### 6.4.1 Loans

- Explain how much is needed when, what it is to be used for, and how & when it will be repaid
- List type of loan, repayment term & interest expected
- How will the loan be secured (guaranteed)?
- Make sure receipt and repayment of the planned loan(s) are accounted for in the cash flow projections

➤ *Highlight planned loan details in a short paragraph and any progress made / obstacles faced in obtaining the loan*

## 6. Financial Plan

### 6.4 Funding Requirements

#### 6.4.2 Investment Funding

- Explain how much is needed and when
    - In the case of CBA, we would invest in return for an ownership stake (shares in the company) plus corresponding board position(s)
  - Ideally any investment by outsiders should help build the business to a higher-value by bringing in both money and expertise/advice
    - For CBA, our intention would be to sell its (now higher-value) shares to other outside investors and/or the LDP owner; in part or full 2-3 years for a higher price than initially paid
- *Short paragraph highlighting the remaining funding need, with insights into additional contribution of knowledge etc expected and target shareholder split*

## 6. Financial Plan

### 6.5 Capital Expenses

- Include the list of major purchases of assets or equipment, including building renovations (leasehold improvements)
- Include an annual depreciation schedule, based on purchase cost and asset life
  - The depreciation amounts should appear in your Profit & Loss but not the Cash Flow statement (!)

➤ *Summary table of major (depreciable) purchases, life expectancies and annual depreciation charges*

# Appendices

Content will vary but may include any of the following:

- Resumes of Key Staff / Management
- Sales Contracts & Letters of Intent
- Permits & Licenses
- Trademarks or Patents
- Market Surveys
- Appraisals of Existing Equipment / Assets
- Existing Partnership or Employment Agreements
- Copies of Insurance Policies, Mortgages, Leases, etc
- Other Supporting Information relevant to the Plan









## Getting it done!

- Do it bit-by-bit, section-by-section; not all-at-once
- Review the various sections frequently
- Save often
- Save in more than one location
- Get someone to proof read it and edit it
- Get more than one person to proofread it & give feedback
- Spellcheck it
- If you are handing out printed copies, then print on high quality paper and bind it in a quality cover

## Reminders

- Write your entire plan in the 3<sup>rd</sup> person.
- Refer to the business, the owner, ABC Company, The Company, The Store etc.
- **DO NOT** use I, we, our, mine, my or any other possessive terms when writing your business plan.
- **Accentuate the positives.**
- Avoid “Wishing and Hoping” - - Change words where you can back up with facts, otherwise consider not saying it
  - “think” becomes “know”; “if” becomes “when”; etc.
- Make sure any statement you can be supported with facts
- Quote your sources when citing demographics etc, inserting a note like “See appendix 3a” in brackets near the statement or insert numbered footnotes in the footer
- Make sure your pages are numbered with your company name in the header or footer

## Why businesses fail:

Major Cause	Percentage of Failures	Specific Pitfalls
Incompetence	46%	Emotional Pricing
		Living too high for the business
		Nonpayment of taxes
		No knowledge of pricing
		Lack of planning
		No knowledge of financing
Unbalanced Experience or Lack of Managerial Experience	30%	No experience in record-keeping
		Poor credit granting practices
		Expansion too rapid
Lack of Experiences in line of goods or services	11%	Inadequate borrowing practices
		Carry inadequate inventory
		No knowledge of suppliers
Neglect, fraud, disaster	1%	Wasted advertising budget

[www.statisticbrain.com/startup-failure-by-industry](http://www.statisticbrain.com/startup-failure-by-industry)

## Most frequent management errors:

Leading Management Mistakes	
1	Going into business for the wrong reasons
2	Advice from family and friends
3	Being in the wrong place at the wrong time
4	Entrepreneur gets worn-out and/or underestimated the time requirements
5	Family pressure on time and money commitments
6	Pride
7	Lack of market awareness
8	The entrepreneur falls in love with the product/business
9	Lack of financial responsibility and awareness
10	Lack of a clear focus
11	Too much money
12	Optimistic / Realistic / Pessimistic

[www.statisticbrain.com/startup-failure-by-industry](http://www.statisticbrain.com/startup-failure-by-industry)