

BUSINESS PLAN GUIDELINES

This document is intended to be used as a guideline to create your business plan. It identifies and explains the questions that should be addressed and outlines the sections to include. The business plan should begin with a title page that includes your name as well as the name of the proposed business.

What is Business Plan?

It's a strategic document that outlines a business' aims for the future, as well as how you're hoping to achieve them. When you write a business plan, you're creating a *roadmap* for business success, focusing on areas such as finances, operational issues, and marketing. To create one, you'll need a thorough understanding of your business aims, the landscape of the market you're targeting, and the challenges and opportunities they present. It can vary in length, scope, and detail depending on the situation you're going to use it for. However, they often have similar elements and cover the same key areas, no matter how long or short they are.

Why Business Plan document is important?

Why should you write a business plan? It's a question that's often asked by those with a business idea and lots of enthusiasm. Surely, you can just get started and fill in the details as and when the need arises?

For some freelancers, this might be the case. However, there are plenty of reasons why you should consider preparing a business plan, particularly if you're launching your own business. These reasons include:

a) For Structure

If you have a brilliant idea for a business venture, you probably want to dive headfirst into getting it up and running. Although this enthusiasm is certainly useful, without some direction, it's not always productive. When you make a business plan, you're creating a strategy, usually for the next one to three years.

You're able to set attainable business goals and objectives, identify priorities, and set a benchmark for your performance. Not only is this useful for your own ambitions as a business owner, but it also means that anyone else involved in the business (such as a business partner or investor) is on the same page.

b) For Investment

One of the main reasons for learning how to write a business plan is for financing your venture. If you're approaching investors or a bank for money, they'll need to see financial statements and proof that you have a detailed understanding of what you'll spend it on and how much it will return.

As well as showing proof that there is a demand in the market for your product or service, it also demonstrates that you've forecasted how much you're likely to make. Ideally, your business plan should clearly show how your business model is going to be profitable.

c) For Strategy

In addition to providing financial information for your potential investors, a business plan helps with many other areas of your business. As we explored in previous business articles, a central document helps you make informed decisions about your company and its actions.

No matter what type of business you are, a business or marketing plan can make sure everyone is aligned with the same priorities. This, in turn, ensures that processes are well-considered and run smoothly.

d) For Growth

There have been various studies that show the link between strategic planning and performance in businesses. One even found that planning can help businesses grow up to 30% faster. Again, part of this revolves around setting clear objectives and having detailed strategies in place.

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A- EXECUTIVE SUMMARY

This is written last but placed first in the business plan. The Executive Summary should be no longer than 1 ½ pages. We recommend five paragraphs – each paragraph summarizes one of the sections below:

- **Company profile:** What product(s) or service(s) do you offer and what is their value (or what differentiates you)? Who are the owners and what expertise do they bring to the business (briefly)?
- **Market research:** What are the key findings about your industry and competitors? Who is your target audience?
- **Marketing:** How will you acquire clients and what strategy makes the most sense?
- **Operations:** What resources do you need to get off the ground?
- **Finance:** How much money do you need to start? How will it be used? What are your first year sales and expense expectations?

B - COMPANY PROFILE

In this section you describe your offering - the strengths of your product or service. You include how your company is set up, who the owners of the company are and what they bring to the table.

Business Overview – Products/Service offered

Provide a full description of your product/service and its value. Why will people buy your product or service? What is the key benefit – your Unique Selling Point (USP)? It is best to focus on a single key benefit, as opposed to having many. Examples include: saves time; better quality; easier to use; convenient; minimizes risk; reduces pain; highly credible; socially responsible; increases enjoyment; low cost. You can also use 4 Dimensions of Magic to explain above.

Company History

How did this idea first come about? Outline your progress to date – research and development, any sales to date, etc. Who are your current customers? What is the current status of your operation?

Vision and Mission

Vision is about the end result – your ideal position. How do you envision the company 5-10 years from now? How will your company be known? For example a **vision statement** for a tutoring company could be:

To be the benchmark for quality tutoring in the Islamabad area.

The **mission** describes the fundamental purpose of your business. *The mission focuses on the present, while your vision describes the future.* Think of your mission as your guiding principle in dealing with your customers. For example: Making tutoring fun and interesting for students. This entrepreneur knows that, day-to-day, it is her mandate to ensure students are actually engaged in their own learning.

Management

Outline the key personnel in the company and any relevant experience/training they have that relates to the business. This shouldn't be written like a resume but in paragraph form. You may include: relevant work experience; education and training; industry contacts; life experience; projects worked on; passions; skills; achievements; awards; volunteer work.

Legal Structure

What is the business structure: sole proprietorship, partnership or incorporated? State any rationale for the structure. If there is a partnership or corporation, please state the ownership breakdown, shares issued etc.

Location

Where will you be located? Provide an address. Provide a rationale for the location. Discuss the rent, traffic and parking. What businesses are situated around you? For leased premises, most lenders will require either a letter of intent or a copy of the lease from the landlord.

Goals & Objectives

Goals and objectives must be *SMART*:

Specific, Measurable, Attainable, Realistic and Time bound.

You can also include milestones you want to achieve such as introduce a second product, or purchase new equipment. Include any new major initiatives you have planned for the 2- 5 year timeframe including hiring new employees or expanding to a larger location. For example: The goal, we will conduct extensive networking isn't very specific or measurable. But by reworking it to Attend at least 4 networking events each month you'll know exactly what targets you have set for yourself. Other SMART goals and objectives are: Increase annual sales by 10%. Secure 20 new clients by December. Launch the website by year-end.

C - MARKET RESEARCH

In this section you take a closer look at how your industry works, who are the competitors and who are your best customers.

Industry Profile and Outlook

What business are you in? How does the industry work? Who are your key competitors? How is the industry evolving? What are the predictions for the future? Are they valid and how does this affect your business?

Local Market

What is the market you will serve initially? For example, if you are opening a store, your immediate market is likely within a certain kilometer radius from the location because customers are only willing to travel a certain distance. What is the geographic scope? How many customers are in that area?

Businesses that sell online may also need to target a key geographic area to start.

SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats)

The SWOT analysis forces you to evaluate your competition so that you have a better understanding of where you should position your offerings.

Strengths: What strengths does this company have from a customer's point of view?

Weaknesses: What weaknesses do you observe? Avoid subjective statements such as "they don't care about their customers". Be specific i.e. "customer wait time exceeds 15 minutes".

Opportunities: What gaps can you identify in the offerings of the competition? For example, if your competitor doesn't offer same day service, you might consider offering same day service. In the example below, Zebra Tutoring identified a gap: making learning exciting for students, by exploring the competition.

Threats: What might the competition do to make it difficult for your business? What might happen in the industry (i.e. new legislation etc.)?

D - MARKETING STRATEGY

In this section you determine how you will market to your target group. What is the most effective way to reach them? Specifically, for each marketing activity how will you reach your target, when, how often, how much will it cost and what exactly will you do? Marketing is about developing a consistent and detailed strategy.

Pricing Strategy

It is important to have a clear understanding of what your competitors are charging. In this section outline the basic fees or prices of your competition and what you plan to charge. Why? Give a rationale on your pricing. The pricing strategy needs to be in alignment with your positioning statement. In this section list your prices.

Marketing Strategy

List the overall direction of your marketing efforts. What are the most effective and methods to reach your best customers (target market)?

Examine your top 3-5 activities, prioritize them and list details on implementation.

- *Primary Marketing Activity* (the activity that will be the most effective)
- *Secondary Marketing Activity* (the activity that will be the next most effective)
- *Supporting Marketing Activity* (the activity that will be the next most effective).

For each key marketing activity answer these questions: How and where will this take place? How much will it cost and when will it be spent? What support materials will you will need? What is the follow- up/measurement system? When will you do this and how often?

Marketing Objectives

You should have specific, measurable goals for your marketing activities. These goals may be expressed in terms of monthly, quarterly or annual sales, clients, website hits, events executed, advertising impressions, readership, circulation etc. Remember, if you have already listed all goals and objectives under the Company Profile, then you will not need to list them here.

E - OPERATIONS

This section outlines what you need to have in place to fulfill orders and meet customer expectations once the sale is made.

Resource Management Location

For physical locations, describe the location, any back-up locations, if appropriate, and the rationale for your choice(s). Provide the hours of operation. Most lenders will require a copy of the lease or a letter of intention from the landlord.

If your business is web-based, provide designs or prototypes, along with a rationale for the design and the key selling features of the website.

Initial Capital Expenditures

Opening inventory: For retail or wholesale businesses, list the amount of initial inventory you will need and the general margins/mark-ups of your product or service.

Major equipment purchases

What major equipment have you acquired? Do you need to acquire and why is it important for your business?

Legal

Discuss any legal issues here such as licenses required, regulatory issues, contracts that have to be drawn up or zoning bylaws. Most lenders will expect you to have standard insurance coverage in addition to coverage that is specific to your industry.

Human Resources

Discuss your personnel requirements here. Will you need to hire employees, or will you subcontract work? Assess the cost and implications of your resource requirements. What experience do you require and how will you conduct training? Consider your deductions for payroll.

Process/ production

How will you fulfill the order once you get it? If you are manufacturing or assembling products, discuss capacity issues i.e. how many orders can you physically fulfill each day/month? You will need to do a supplier analysis if your key selling point is your suppliers. What are your lead times from suppliers? What will happen if you can't use them? Do you need point of sale equipment?

Risk Assessment

Discuss the potential risks in starting your business. The reader of your business plan needs to be convinced that you are considering the risks associated with your business, and that you have a plan to mitigate or minimize those risks wherever possible. Examine the following:

- ***Marketing*** - What factors would make it difficult to get customers and what will you do if they occur?
- ***Operations*** – What factors would make it difficult to fulfill orders and what is your back-up plan?
- ***Finance*** – What factors would make it difficult to sustain a positive cash flow and what are your alternatives?

F - FINANCE

For potential investors to know whether or not to invest, they need to know financial information. While the level of financial detail varies based on the audience's need, the best financial plans feature the following:

- Financial forecast—this varies with industry, but should include at least a five-year forecast.
- Income statement.
- Balance sheet.
- Cash flow statement.
- Capital expense expectations.
- Breakeven Point
- Payback Period
- ROI – Return on Investment

Financials show both the current monetary health of your firm and what your future success may look like. If you've got a lot of good data, don't hold it back. This is especially true if the plan is to attract investors. The more comprehensive your financial data, the better.

G - MILESTONES

Milestones are scheduled events that indicate the completion of a project or specific deliverable. A Milestone Summary may include some or all of the following key dates and deliverables:

- Completion of marketing research or customer development phase (only acceptable in the first month)
- Business registered (only acceptable in the first month)
- Prototype made
- Launch of marketing/sales program, e.g., website launch, brochure printed, prospect lists compiled, social media campaign launch
- Marketing milestone reached, e.g., 1,000 "likes" on Facebook or 500 direct mail letters sent, participation in a local art market
- Production target met, e.g., 500 units manufactured
- Key partnership or vendor contract signed
- First sale
- Revenue target met
- Employee hired part-time
- Employee hired full-time
- Space rented or lease signed
- Additional funding secured

***Note:** The Milestone Summary for participants of the **Starter Company** program must include 6 milestones, one for each month of program participation.*

H - APPENDICES

If there is supporting documentation that doesn't fit in any of the above categories, such as lease agreements, insurance, licenses, detailed survey results, shareholder agreements, articles of incorporation etc., create an Appendix section. The Appendix section should go at the end of your Business Plan.