Business Plan Considerations

The following considerations were developed as I reviewed your plans. These instructions supplement the instructions in Business Plan Pro. Pay careful attention to the areas where these considerations are redundant to BPP as they represent requirements many of you failed to meet.

The combination of BPP and my suggestions are not exhaustive of what you should take into consideration when writing a plan. Our class readings further explain what should be included in your plan.

I've added a Resource area to our class menu. In this area, I explain how to get to our "free" class texts, consolidate the links I've been sharing, and include particularly interesting links from your discussion postings.

I strongly suggest that you print out these pages and check off each box as you insure you have met the box requirements.

Submissions with sloppy errors will not earn higher than a C score.

Overall considerations

- Niche thyself.
- Businesses should create meaning.
- The purpose of the plan is to clarify the business for the owners and to convince others that the business is worth investing in.
- Read the associated materials and help in each section to insure that you are clear about what you are supposed to do.
- Always describe your numbers in tables.
- Grammar and spelling errors are just wrong.
- Each area should have an introduction that gives the reader a feel for the section and briefly points out any important points. Don't repeat everything in the introduction.
- Find a sample plan that is close to your industry and review it. (Hint: This may be a good place to find industry ratios.) Note that many of the Sample plans have serious flaws.

Writing

- Business writing should be focused, clear, and not redundant.
- Your writing should not have any grammar or spelling issues Microsoft Word would catch.
- Many you repeated content sometimes even in the same paragraph. Don't insult your reader with redundancy.
- Make your plan look good. Keep the font and font size consistent.
- Review your PDF before you send it.
- Don't discuss common business theory or define business terms.
- Do define (business) terms and explain concepts specific to your industry.
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☐ In your discussions, format your number correctly with commas and dollar signs. Particularly when they are estimates, don't include the pennies on big numbers. In your discussions, format your number correctly with commas and dollar signs. Particularly when they are estimates, don't include the pennies on big numbers.

All Tables

☐ If BPP provides a placeholder for content that you partially use, such as "name me" in the milestones, erase the placeholders that you do not use.
☐ Don't erase named areas like "Sales Tax" or "Depreciation."
☐ Make sure numbers are right justified (they should line up on the decimal point).

Document Structure

☐ Put things in the right place. It seems that many of you are just answering whatever comes to mind in many of the sections. Carefully read the section description in Business Plan Pro and put only the information that belongs in the section. Keep it short.
☐ If the writing is good but does not belong, move it to where it belongs.
☐ In example, Strengths and Weaknesses are internal. Opportunities and Threats are in your environment. It is OK to put something in two places such as strengths and opportunities but each place should be worded to reflect the context.

Executive Summary

☐ Your opening review should not be more than a page
☐ Briefly describe the business and highlight important aspects of your plan.
☐ If you are looking for funding, mention it in the opening review.
☐ (Re)write the executive summary after you have completed the plan to your satisfaction.
☐ Objectives should be in bullet points and measurable. Keep the list short.
☐ Keep your mission statement short. Your mission should show how your business is going to make the world a better place. You should not include operational details in the mission. Operational details might go into keys for success
☐ Consider developing a mantra in addition to your mission.
☐ Your Keys to Success describe critical issues that need watching. These keys show the reader that you understand what it takes to be successful and what causes failure in your industry. Keep the descriptions short and only list the most important five or six. They should be in bullet points.

Company Description

☐ Keep your summary short.
☐ Explain why you chose your legal structure (S corporation, sole proprietorship, partnership, etc.)
☐ Describe who owns the company and what they are contributing. Sweat equity is OK.
☐ Your list of expenses should show not show minor items.
☐ You should list the major assets your company will have when it starts.
Market

- It is not enough to simply say that you are targeting a specific age group and/or region and/or financial status. You should also report on the number of people who meet your specification. State where you get your numbers.
- Market segmentation is the major groups of customers that you business will serve. You need to describe these customers and discuss how you will market to each segment.
- Your potential customers are the number of persons who might purchase from you.
- Be realistic about your potential customer growth rate. The US population grows about 1% a year. Values for cities and may vary widely from that. Your values should have historical basis. Inflated numbers here suggest that you do not understand your industry.
- Include the percent of your potential customers that you hope to reach initially in your discussion.

Website

- Be sure to read the instructions for each section and to complete all sections! If you already have a website, be sure to include its link.
- You must find an available name for your site. Visit http://godaddy.com and use their search tool to find an available domain name that fits your business. You are not required to actually purchase your domain but you'll want to when you open your business.
- You are required to create some web content. If you do purchase a site, put some initial content on it. If you do not purchase a website, use a free web building area such as http://sites.google.com to create a mockup of your site.

SWOT

- Your abilities should be listed in your strengths.
- Your SWOT summary should not simply repeat word-for-word what you include below in each area.
- Be sure to include the economy, government licensing/certification, and possible legal issues in your SWOT analysis.
- Consider Porter's five forces here:
  1. Threat of entry of new competitors.
  2. Intensity of competitive rivalry.
  3. Threat of substitute products.
  5. Bargaining power of suppliers.

Marketing

- Marketing should include social marketing such as through Facebook. Many of your businesses would also benefit from use of customer referral incentives.
- Viral marketing can be very effective in some industries.
- If appropriate, you should also include search engine/adsense/keyword fees.
Milestones

- Milestones occur before and after your business starts. When do you expect X profit the nth sale, etc?
- Milestones are for big events. Don't put details in your milestones.

Personnel

- Be sure to include and discuss how you will provide expertise unique to your business operations. In example, a bakery needs a baker.
- When you know the person who will fill a position, state that person by name and briefly describe their qualifications.
- Write a short (a paragraph is fine) job description for each employee.
- It is perfectly fine to say that you are outsourcing some work. Startup's can't afford full-time employees for every function.
- Clearly describe who will make management decisions including hiring, employee review, and discipline.
- Reflect part-time employees through use of fractions or decimals.
- If you say someone is part-time, discuss how much work they will do.
- Describe milestones, such as a sales target, that must be met before you hire. Do not just say we plan to hire at X time.
- Describe the benefits available to your employees. Include these values as part of the salary expense in your table of employees.
- Make sure your personnel table matches your personnel discussion. Note which lines are part-time. Provide counts if more than one. Use the same titles.
- Be realistic in your salaries. Would a person with your required skill set work for the wage you are offering?
- Discuss employee cost to the business including benefits, tax matching, tools, uniforms, etc.
- It is OK have employee salaries based on commission but describe the process and expected employee earnings.
- Be sure that your business plan revenues elsewhere support your anticipated salaries.
- Include your salary.
- Discuss your ratio of managers to line employees.

Financial

- Your numbers should tie together, in example you usually can't expect $200,000 in sales if you only purchased $10,000 in inventory.
- Your methods should also tie together. Your sales strategy should reflect your mission.
- Where possible reference your numbers and your thinking.
- Your monthly forecast should reflect any seasonal nature to your business. Discuss why your business is seasonal.
- Your tables should agree with each other.
- Many of you way overestimate the cost of web development. While professional development often makes for a better presentation, internal efforts can be effective. Ownership of a .com name
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costs about $10 a year. Sites like [http://godaddy](http://godaddy) have hosting plans starting at about $5 a month that include website design tools. A logo contest is an inexpensive way to get that special look.

- **Is your plan viable?** Businesses often lose money for the first couple of years.
- If you have eligible assets, discuss why you do or do not use depreciation.
- If you are still losing money after three years, you need to change something.
- Discuss/itemize big numbers. "Other" that's a significant percentage of cost or revenue is not acceptable.
- Be sure to include basic costs like inventory, salaries/benefits, rent, and utilities.

- Your expenses should reflect your personal expenses if you plan to live off your business from day one. (This is also appropriate for taxes.) Your finance plan should show when you'll start to make a profit and how your investors will be paid off.
- The concept of GIGO - Garbage In Garbage Out - is worth discussing. If you start with bad numbers, everything else is worthless.
- **Compare your ratios to industry averages.** If your numbers differ widely, something is wrong.
- Discuss your anticipated revenue streams and possible changes in cost in the "Important Assumptions" area.
- Revenue streams and expenses are seldom linear. Show and discuss seasonal changes. There is a sales forecast area where you should enter in monthly sales expectations. (As a reminder, your plan is supposed to show that you are an expert in your business area).
- Review your cash flows, if a minor or irrelevant to your industry line item has a zero value, erase it. If a value is huge and represents a combination of costs or income, break it out.
- Make sure that your cash flow reflects all important cash received and expenditures.
- Discuss how you will accept credit cards (hint [PayPal.com](http://PayPal.com) has great start-up rates but you should look elsewhere when volume increases.)

### All tables

- Don't put significant numbers in the category "Other."
- Think hard about leaving a zero value. Those lines are there for a reason.
- Do leave the named "zero" lines in though as they represent areas that business professionals will want to review.
- Review lines where values do not change over years - is a flat value realistic?
- Remove "place-holder" lines if you aren't using them. Place holders often have names like "Other ... Account Name"
- Show how you intend to pay yourself! Can you effort to let huge amounts of cash accumulate?
- Consider including bad debts (customers who don't pay).
- Most loans are long-term liabilities.

### Cash Flow

- If your plan involves borrowing, your plan needs to reflect intent to pay it back!
- You will probably need to collect sales tax - by law you must pay tax on your profits.
- Show how you intend to receive cash from the business.
- Consider the use of dividends.
- Discuss your plans if cash flow is interrupted.
- Show where you are paying off your loans (Long-term Liabilities Principal Repayment).
Assumptions are important. Discuss your expected cash flow and major issues from your strengths and weaknesses. Be sure to discuss revenue streams. Unless there is a particularly volatile situation in the environment, there is no need to bring external opportunities and threats into the assumptions discussion.

Balance Sheet

- Consider what negative retained earnings means.

Ratios

- Do not leave the industry profile area blank (or all zeros).
- When your ratios are substantially different from industry ratios, explain why.
- Briefly discuss your major ratios. Visit places like http://investopedia.com if you are unsure what a ratio means.

Funding

- If you say you are going to self-finance, I'll trust you but, if you don't have the cash, your plan won't work.
- Show where you plan to take cash out of the business.
- If your business will not be your sole source of income, discuss your other income sources particularly as they may conflict with the business.
- Generic investors are not acceptable. It is OK to say that you've applied for funding but discuss where you hope that funding to come from.

Finishing Up

- Use the plan review option on the Business Plan Pro toolbar and correct any deficiencies discovered.
- Have someone else review your plan.
- Ask yourself, is this plan something I can devote myself to with confidence. If not, what needs to be changed?

Charles Balch, Fall 2010