

Elements of a Successful Business Plan

PURPOSE OF A BUSINESS PLAN

BUSINESS PLAN OUTLINE

TWELVE STEPS TO A SUCCESSFUL BUSINESS PLAN

RESOURCES AND REFERENCES

Purpose of a Business Plan

A business plan has three primary functions:

1. To serve as an Action Plan
2. To serve as a Road Map
3. To serve as a Sales Tool

Action Plan. A business plan can help to move you to action. You may have been thinking for years about starting a business or engaging in some venture, but the process may seem too daunting, too large and too complicated. A business plan will help you to pull apart the pieces of starting a business and examine each piece by itself. So instead of one large problem, you have a sequence of smaller problems. And by solving the small problems, the large problem is automatically solved. So writing a business plan can help to move you to action by breaking down a seemingly insurmountable task (starting a business) into many smaller, less intimidating tasks.

Road Map. Once you have started your business, a business plan can be an invaluable tool to help keep you on track and moving in the direction you want to go. In the hurley-burley of daily business, it is very easy to lose sight of your objectives and goals -- a business plan can help to keep you focused. A business plan can also serve to help others to understand your vision, including suppliers, customers, employees, friends, and family.

Sales Tool. Perhaps most importantly, a business plan can serve as a sales tool. You will probably need outside financing to start your business, and a business plan is the tool you need to convince investors to come on board. You may also want and need concessions from suppliers or customers -- a business plan can help you get them. Finally you may need to convince family members, or even yourself, that your ideas will bear fruit. A well-written business plan can serve to sell people close to you on the benefits of proceeding with your concept.

Outline of a Successful Business Plan

1. Executive Summary (~2 pages)
2. Company Overview (~1 page)
3. Products and Services (~1 page)
4. Industry and Market Analysis (~3 pages)
5. Marketing Strategy (~4 pages)
6. Development (~2 pages)
7. Operations (~2 pages)
8. Management (~2 pages)
9. Summary of Financials (~2 pages)
10. Offering (~1 page)
11. Appendices (no more than 15 pages)

Detailed Outline

Executive Summary (~2 pages)

- Company Overview
- Product or Service Description
- Industry and Marketplace Analysis
- Marketing Strategy
- Operations
- Development
- Management
- Summary of Financials
- Offering

Company Overview (~1 page)

- Mission Statement
- History and Current Status
- Market and Products
- Objectives

Product or Service Description (~1 page)

- Description
- Market Comparison
- Proprietary Rights
- Stage of Development

Industry and Marketplace Analysis (~3 pages)

- Industry Analysis
- Marketplace Analysis
- Customer Analysis
- Competitor Analysis

Marketing Strategy (~4 pages)

- Target Market Strategy
- Product/Service Strategy
- Pricing Strategy
- Distribution Strategy
- Advertising and Promotion Strategy
- Sales Strategy
- Marketing and Sales Forecasts

Operations (~2 pages)

- Operations Strategy
- Scope of Operations
- Ongoing Operations
- Operations Expenses

Development (~2 pages)

- Development Strategy
- Development Timeline
- Development Expenses

Management (~2 pages)

- Company Organization
- Management Team
- Administrative Expenses

Summary of Financials (~2 pages)

- Financial Assumptions
- Financial Forecasts
- Capital Requirements
- Financial Risks
- Exit Strategy

Offering (~1 page)

- Investment Requirements
- Valuation of Business
- Offer

Appendices (15 pages max)

Required

- 5-Year Income Statement
- 5-Year Balance Sheet
- 5-Year Cash Flow Statement
- Monthly Cash Flow Statement (first year only)
- Ratio Analysis
- Resumes of founders and principals

Optional

- Surveys and survey results
- Development timeline
- Operations layout
- Sample menus, web pages, adverts, etc.
- Anything else that will help to illuminate and/or sell your plan

Executive Summary

The Executive Summary of a Business Plan is a one to three page distillation of your entire plan, and often is the last section to be written. A first-time reader should be able to read the Summary by itself, and know what your plan is all about. The Summary should stand-alone and should not refer to other parts of your plan. Remember, most readers will never get any further than your Executive Summary, so make it count!

Executive Summary checklist:

- Does our Executive Summary capture the essence of our business plan?
- Does our Summary sell our distinctive competence for executing the plan? Does it sell our strategy for success?
- Do we use phrases such as "in this plan we will show that" or "our marketing strategy is described in the plan"? (If so, rewrite the Summary -- it should stand alone without reference to the larger plan!)
- Is our Summary clear and exciting? Does it make the reader want to wade in to the complete plan for more details?
- Do we cover all of the main elements of our plan (company, product, management, marketing and sales, development, operations, and finance)?

Company Overview

The Company Overview is a brief (one or two pages) description of the company you have founded or want to found. How will it be organized? Will it be a sole proprietorship, partnership, or corporation? What are your ambitions for the company? Will it always be a small company, or do you want to grow it into an international giant? Upon reading this section, the reader should have a good idea of where you are and where you are going with your company. Note that the Company Overview is the reader's introduction to your plan.

In the introduction to the Company Overview, answer the following questions in a single paragraph:

- What is the name of our company?
- Does our company currently exist, or will it be forming?
- Where is it located? Where will we grow?
- How is our company organized (e.g., sole proprietorship, partnership, corporation)?

Mission Statement

Your mission statement is a short (one sentence to one short paragraph) inspirational statement of the vision and goals you have for your company. Too many mission statements are vacuous exercises in ambiguity (e.g., "employees are our most valuable asset"). Be sure that your mission statement is succinct and content rich, and excites your readers.

History and Current Status

In this subsection, outline the history and current status of your company. If your company is just forming, you probably don't need to include this subsection.

Market and Products

In one or two paragraphs, answer the following questions:

- What market(s) needs will our company address?
- Who are our target customer's?
- What products and services will our company sell?
- What are our current sales and current products (if any)?

- What are the boundaries of our business?

Objectives

In this subsection, spell out the objectives of your company in a single paragraph:

- Where are we going with our company?
- What are our goals for the company (keep it small, grow it big, franchise it, etc.)?
- What is our exit strategy for ourselves and for our investors (sell to larger company, go public, buy out investors, etc.)?

Products and Services Description

The Product and Services section is a detailed description of the products and/or services you will be selling. You should not assume that the reader is familiar with your product/service, so be sure to explain and describe it carefully. Begin to sell your idea here by generating some excitement about your product/service. Be factual, but be enthusiastic. When readers have finished learning about your product or service, they should be primed to wade into the marketing and financial details of your venture.

Introduction

Write a one-paragraph description that evocatively describes the experience of customers dealing with your company as they purchase your product. Example (adapted from *The Hill's Kitchen* business plan, Fall 1998):

Entering Hill's Kitchen, customers are engulfed by the aroma of warm, hearty soups and freshly baked breads. They relax to music and peruse our menu of original gourmet recipes and freshly baked breads. A friendly and knowledgeable kitchen staff person greets them at the counter to offer suggestions and health information, and to take their order. Within moments the customer is served a generous portion of hot, hearty, and delicious Hill's Kitchen soup. Accompanying the soup is a large slice of freshly baked bread and a fresh fruit choice, all of which can be carried out or enjoyed in our clean and comfortable dining area. In just those few brief moments, Hill's Kitchen has served another healthy and delicious meal, and satisfied yet another customer.

Description

Briefly describe the product or service

- What exactly is our product or service? What isn't it?
- Who will purchase it? Why?
- What is unique about our product/service?
- What are its features and benefits?
- How will it be priced? What is your pricing strategy?

Market Comparison

In one or two paragraphs, position your product or service in its marketplace:

- Who are our principal competitors?
- What are their products?
- Why is our product/service superior to the competition, and how is it different?

Proprietary Rights

What proprietary rights do we have to the product/service? (For many products, there are no proprietary rights and this subsection can be deleted.)

- Patents, copyrights, trade secrets, non-compete agreements?
- Other proprietary knowledge or skills?

Stage of Development

Briefly describe the current status of your product or service:

- Where is the product in its lifecycle (early, growing, mature, declining)?
- Is it ready for the market, or is it in development?
- If in development, how far along is it?
- What obstacles remain?

Industry and Marketplace Analysis

The Industry and Marketplace Analysis section dispassionately describes and outlines the industry and the marketplace in which you will compete. When finished with this section, you and your readers should understand the dynamics, problems, and opportunities driving your industry and marketplace.

Introduction

Industry Analysis

In this section, summarize the industry in which you will compete. Most of the research you do for this subsection will probably be in a library, and will come from government statistics and trade organizations. Other great sources of information about an industry are suppliers who sell to the industry, equipment manufacturers, and brokerage firm analysts. Upon completion, your analysis will provide a "big picture" overview of the size and scope of your industry.

- How do we define our industry? What is its NAIC code?
- How is the industry segmented? How are the segments defined?
- What are current trends and important developments?
- Who are the largest and most important players?
- What problems is the industry experiencing?
- What national and international events are influencing our industry?
- What are growth forecasts?

Marketplace Analysis

In your Market Analysis subsection, lay out and describe the specific market in which you will be competing. Your market will probably be smaller than the entire industry defined above. For example, if you are opening a restaurant, your marketplace will be limited to the city, and perhaps a specific neighborhood, where you will be located. This is not the place to present your ideas and concepts, but to carefully and analytically describe the larger environment in which you will be participating. Much of the research you do for this subsection will be or talking with experts in the marketplace, including buyers, suppliers, sales representatives, wholesalers, distributors, and retailers. Be sure and identify voids in the market which are currently not served, and which you presumably will fill.

Marketplace Analysis checklist

- How do we define our marketplace?
- How large is it and how fast is it growing?
- How is our marketplace segmented?
- What companies currently service this market?
- What trends are important in our marketplace?

Marketplace Buyer Analysis

In this section, identify and segment the buyers (customers) in your marketplace. Consult industry publications, articles, and trade groups to understand the how the industry defines, identifies, and segments its customers.

- Who are the traditional customers in this market?
- How is the market segmented?
- What motivates buying decisions?
- What channels of distribution are used? What channels are being ignored?
- In what ways are customers dissatisfied with current offerings in the marketplace?
- What customer needs are currently unmet by the market?
- What emerging customer groups are being ignored?

Marketplace Supplier Analysis

In this section, identify potential direct and indirect suppliers in your industry and marketplace.

- Which are direct suppliers? Which are indirect?
- What are the attributes and characteristics of these suppliers and their products/services?
- What are their sizes, location, target markets, and other important characteristics?
- For supplier products or services, identify price, quality, features, distribution, and other important attributes.
- What problems and concerns do buyers have with these suppliers?

Marketing Plan

The Marketing and Sales section of your plan will make or break the prospects for your venture. A great idea is meaningless if you cannot find customers. Carefully drafted and logical financial projections are irrelevant if nobody buys your product. In this Marketing Strategy section you must convince first yourself, and then the reader, that there is indeed an eager market for your product. The Marketing Strategy section is where you show how you are going to fit into the market structure you just finished describing. What are unmet needs in the marketplace and how are you going to fill them? How will you differentiate your product or service from your competitors? What unique features, benefits, or capabilities will you bring to the marketplace? Who are our customers? Research you do for this subsection will be with customers and potential customers. It is imperative that you do sufficient customer research to convince potential investors (and yourself) that customers will indeed come flocking to buy your product or service. Customer research can include simply talking with potential customers to get reactions to your product idea, conducting focus groups, undertaking walk-up or mailed surveys, putting up a mock demonstration of your concept and soliciting customer feedback, and so on. Be creative in finding ways to get honest customer input about your product or service. And finally, don't inadvertently cook the books here. You are undoubtedly enthused about your concept. Customers will pick up on your enthusiasm and often reflect it back to you, leading to erroneous conclusions about customer acceptance. So be neutral and factual as you collect data.

Introduction

Create a seven-sentence marketing strategy statement:

1. The first sentence tells the purpose of the marketing strategy.
2. The second tells how you'll achieve this purpose, focusing upon your benefits.
3. The third tells your target market – or markets.
4. The fourth, the longest sentence, tells the marketing weapons you'll employ.
5. The fifth tells your niche.
6. The sixth tells your identity.
7. The seventh tells your budget, expressed as a percentage of your projected gross revenues.

Example:

The purpose of Prosper Press is to sell the maximum number of books at the lowest possible selling cost per book. This will be accomplished by positioning the books as being so valuable to free-lancers that they are guaranteed to be worth more to the reader than their selling price. The target market will be people who can or do engage in free-lance earning activities.

Marketing tools to be utilized will be a combination of classified advertising in magazines and newspapers, direct mail, sales at seminars, publicity in newspapers and on radio and television, direct sales calls to bookstores, and mail-order display ads in magazines. The niche to be occupied is one that stands valuable information that helps free-lancers succeed, the ultimate authority for free-lancers. Our identity will be one of expertise, readability, and quick response to customer requests. Thirty percent of sales will be allocated to marketing.

Adapted from Levinson, *Guerilla Marketing*, 1998

Target Market Strategy

Explain your strategy for defining your target market. Describe the unmet needs of your target customers that your product /service fulfills or the problems that it solves.

- What segment of the market are we targeting?
- What characteristics define our target customers?
- How big is our target market? What share of the market will we capture?
- Who are our customers? End users? OEM's? Distributors? Retailers?
- What needs does our product fulfill with our target market?
- What problems are we solving for these customers?
- What evidence do we have that potential customers want our product?
- How will we position our product or service with our customers?
- What evidence do we have that our target market wants our product?

Product/Service Strategy

Describe how your product has been designed and tailored to meet the needs of your target customer, and how it will compete in your target market:

- What specific product/service design characteristics meet the needs of your customers?
- What differentiates our product in our target market?
- How does it differ from that of our competitors?
- What are the strengths of our product/service? Weaknesses?
- Why will customers in our target market buy our product rather than the competitions?
- How will we differentiate ourselves from our competitors?
- Why will customers switch to or select us?
- How quickly and how effectively can your competitors respond to our business?

Pricing Strategy

Explain your pricing strategy and why it will be effective with your target customer in your marketplace.

- What is our pricing strategy? Why?
- How does our pricing strategy compare with our competition?
- What evidence do we have that our target market will accept our price?

Distribution Strategy

Describe your distribution strategy and explain why it is the best for your marketplace.

- How will we distribute our product or service?
- What distribution channels will we use? Why?
- How will we gain access to these channels?

Advertising and Promotion Strategy

Explain your advertising and promotion strategy. It is critical that you inform your target market about the availability of your product or service, and that you continue to communicate your benefits to that market.

- How will we advertise and promote our product or service?
- How will we communicate with our customers? Advertising? Public relations? Personal selling? Printed materials? Other means of promotion?
- Why will this strategy be effective in reaching our target customer?

Sales Strategy

Depending on your business, sales may be a critical component of your success.

Remember, "nothing happens until the sale is made." An effective sales strategy is critically important for most manufacturers, publishers, software firms, and many service providers. Don't overlook the importance of formulating an effective sales strategy!

- How will our product or service be sold? Personal selling? TV infomercials? Direct mail?
- Who will do the selling? An internal sales force? Manufacturer's representatives? Telephone solicitors?
- How will we recruit, train, and compensate our sales force?
- How will we support our sales effort? (e.g. internal staff, service operations, etc.)

Marketing and Sales Forecasts

Based on your previous customer, competitor, and market analyses, develop marketing expense, sales expense, sales volume, and revenue forecasts for your planning horizon (usually 5 years).

Operations Plan

The Operations section outlines how you will run your business and deliver value to your customers. Operations is defined as the processes used to deliver your products and services to the marketplace and can include manufacturing, transportation, logistics, travel, printing, consulting, after-sales service, and so on. In all likelihood, about 80% of your expenses will be for operations, 80% of your employees will be working in operations, and 80% of your time will be spent worrying about operating problems and opportunities. Be sure that you carefully link the design of your operations to your marketing plan. For example, if high quality will be one of your comparative advantages in the marketplace, then design your operations to deliver high quality, not low costs.

Remember that you will probably have to make trade-offs with your operations. It is impossible to have the lowest costs, highest quality, best on-time performance, and most flexibility in your industry all at the same time. Often, higher quality means higher costs, lower costs means less variety and less flexibility. Be careful how you make these trade-offs so that you can deliver products to the market in accordance with your marketing plan!

Operations Strategy

In this subsection, describe how you will fulfill your marketing strategy using operations:

- How will we use operations to add value for customers in our target market?
- How will we win in the marketplace on the dimensions of cost, quality, timeliness, and flexibility?
- Which dimensions will we stress and which will we de-emphasize?
- What comparative advantages do we have with our operational design?

Scope of Operations

Describe the scope of your operations. Include details in an appendix, as necessary.

- What will we do in-house and what will we purchase (make vs. buy?) Why does this make sense for our business?
- What will be our relationship with vendors, suppliers, partners, and associates?
- What kind of people will we need to hire?

Ongoing Operations

How will your company operate on an ongoing basis? Include detail in an appendix, as necessary.

Operations Expenses

Include here a description of the operating costs and assumptions that appear in your financial statements.

Development

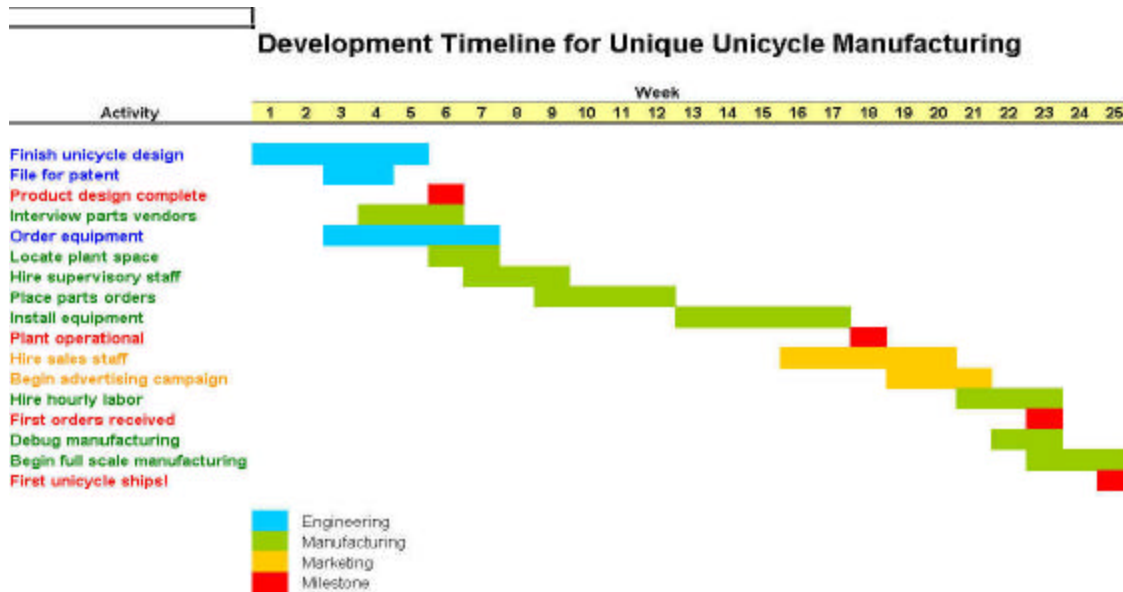
In this section, you will outline how you intend to ramp-up your business. This section is often woefully under-developed in many business plans. Assuming you have a dynamic marketing plan and customers do indeed come flocking for your product or service, you must be able to deliver it to them. The Development section is a road map of how you are going to get from where you are now to where you want to be in the future. If you are starting a business, what are all of the steps that you need to accomplish to get the business up and running? If you are expanding a business, what do you need to do to make it grow? These steps can be as routine as securing retail space, or as critical as applying for and getting a patent on key technology. Don't go into too much detail here. For example, the need to get business cards printed probably does not belong in a development plan. Use your judgment.

Development Strategy

What work remains to launch our company and our products? What factors need to come together to make our concept work? What are we doing to bring them together? What are the risks to the successful implementation of our development plans? Are they technological risks (e.g., we can't make our product work)? Cost risks (e.g., it costs more than we figured)? Competitive risks (e.g., we are preempted in the market by a competitor)? How will you mitigate these risks?

Development Timeline

What is our timetable for launching our company and our products? (Consider adding a chart or table here?) Go out as far in the future as you have plans.



Development Expenses

Include here a description of the development costs and assumptions that appear in your financial statements.

Management

Venture capitalists often assert that there are three attributes important for a successful start-up business: management, management, and management. Many venture capitalist claim they will invest in a strong management team with a mediocre idea, but will decline to fund a weak management team with a great idea. The purpose of the Management section therefore is to convince the reader that you have a great management team to complement a great business concept. This is not the place for modesty or self-depreciation. Be honest, but highlight your accomplishments and your capabilities while mitigating any obvious shortcomings or weaknesses. For example, if you are young and inexperienced, accentuate your energy, capacity for hard work, and willingness to learn, while downplaying your lack of experience. When readers are finished with this section, you want them to be confident that your venture is in good hands and will be competently managed -- by you!

Company Organization

Describe how your company will be organized.

- How will we be organized? What does our organization chart look like?
- What is the ownership structure of our company?
- Will we have a board of directors? Who will be on it? What will be their role?

Management Team

Describe the founders and principal managers who will run your firm.

- Who are the key managers? (Include resumes in the Appendix)
 - What will be their duties and responsibilities?
 - What unique skills do they bring to the venture?
 - How will they be compensated?
- What additions to the management team do we plan? When?

Administrative Expenses

Include here a description of administrative expenses that appear in your financial statements.

Summary of Financials

The Summary of Financials section should be frosting on a cake. You've outlined a great business concept, demonstrated a real need in the marketplace, shown how you will execute your ideas, proven that your team is just right to manage the venture, and now you will show how much money everyone is going to make. Note, however, that if your business concept is weak, or there is not a market, or if your execution is poor, or if your management team is incompetent, then your financial plans are doomed to failure. If you haven't convinced your readers by now in the strength of your concept, then they won't be convinced with your financials.

Having said this, it *is* important that you have strong, well-constructed financials. If you can't show that your great concept is going to make (lots of) money, your readers will quickly lose interest. To construct your financials, we highly recommend that you start with your development and operations plan to create a schedule or timetable of development and operational activities. From these development activities, you can then create cash-flow projections, income statements, and *pro forma* balance sheets for at least three years into the future, and sometimes five. As a rule of thumb, your financial projections should extend far enough into the future to the point where your business has achieved stable operations. The first year of your financial statement projections should be month-by-month since cash flows are critical in the early stages of any startup.

Second and third year financial statements should be quarterly, and fourth and fifth years should be annual. If possible, it is useful to include best case, expected case, and worse case scenarios with your financials. This allows you and your readers to explore the upside potential and downside risks of your venture. Be sure that your financial projections are in congruence with the other sections of your plan. For example, if you say you will open 3 stores in Year 2 and your financials showing you opening 5 stores, readers will quickly lose confidence in your plan.

The Summary of Financials section should be a discussion and description of your financial projections -- put the actual financial spreadsheets in the Appendices. Describe the timing and amount of investment that you will require to achieve your plans. Then demonstrate that this investment is a good one by showing that profits, assets, and ROI are favorable as the business progresses. When readers are finished with this section, they should be anxious to invest. You bait your hook in this Summary of Financials section, and then set the hook in the Offering section described next!

Determining Funding Requirements. From your cash flow statement, determine the required amount and timing of investments needed to execute your plan.

- Review the monthly cash flow profile of your business during its first year and the annual cash flow profile for the subsequent five years.
- Determine the amount and timing of cash infusions needed to prevent cash balances from going negative.

- Add a cash safety cushion to anticipated cash needs to protect against unexpected expenses or delayed income. A cushion of twenty-five percent is a good starting point in many situations.
- Develop a funding strategy that is consistent with your cash needs. For example, if you need cash in year one and again early in year two, it may make sense to seek funding in one lump sum in year one. Alternatively, if cash is needed in year one and again late in year two or year three, it may make better sense to seek funding in two tranches: one in year one and a second in year two.

Determine Type of Funding. Determine the type of funding most suitable for your business: equity, debt, or non-traditional financing.

- **Equity funding** is appropriate for most start-up businesses with moderate to large cash needs.
- **Debt** may be appropriate for existing businesses with a financial track record and assets, or for start-up businesses with modest cash needs. In the latter case, credit card or other consumer debt may be appropriate.
- **Non-traditional financing** may be appropriate when customers or vendors are willing to participate in the business.

Determine Source of Funding. Determine the most appropriate source(s) for the type of funding you seek

- Sources of **equity funding**
 - *Venture capitalists* – suitable for potentially large businesses with large cash needs, extraordinary growth potential, and a clear exit strategy (e.g., will go public or will be acquired)
 - *Angel investors* – suitable for moderately sized business with moderate cash needs, excellent growth potential, and a clear exit strategy
 - *Friends and family* – suitable for smaller businesses with modest cash needs, and that will eventually be able to pay dividends or buy back shares.
- Sources of **debt financing**
 - *Banks* – suitable for businesses with established credit records, ongoing operations, and/or physical assets to use as collateral.
 - *Credit cards, second mortgages, consumer debt* – may be suitable when cash requirements are small and the business will quickly begin to through off cash.
 - *Friends and family* – may be suitable for small businesses with modest cash needs, and with the ability to make loan payments on a timely basis
- Sources of **non-traditional financing**
 - *Leases* – lease rather than purchase equipment; cash flow must permit regular lease payments.
 - *Customer advances* – customers pay for merchandise or service at time of order in order to assist business and secure needed product.
 - *Customer participation* – customers purchase an equity stake in the business to secure need product and reliable source of supply.

- *Vendor participation* – vendors furnish equipment and/or supplies in return for an equity stake in the business to secure initial and follow-on sales.
- *Other creative arrangements* – sources of non-traditional financing are limited only by the creativity and ambition of the entrepreneur.

Ratio Analysis. To help to validate your financials, compare critical financial ratios from your plan to those of your industry. Be able to explain and justify significant differences. Adjust financial statements if necessary.

- Compare Ratios, Profitability, and Returns figures for your industry with your figures
- Understand where and why there are differences – differences are perfectly acceptable *if* they can be explained and justified.
- If you cannot justify significant differences, adjust your financial statements to bring them more into line with your industry.

Financial Assumptions

What assumptions have you made in putting together your financial forecasts?
Summarize here - include detail in an appendix, if required.

Financial Forecasts

Summarize your financial forecasts. Include detailed statements in appendices, including cash flow and income statements, and balance sheets. Generally, included statements for 5 years into the future. The first year should include forecasts by month, the second year should include quarterly forecasts, and the final three years should be annual forecasts. You may also wish to include other financial documents such as a break-even analysis, valuation calculations, et cetera. You may also wish to include best case, expected case, and worst-case scenarios.

Capital Requirements

How much new capital do you need? What is the timetable for new capital infusion?
How much do you need?

Financial Risks

What financial risks are inherent in your plan? How do you plan to minimize these risks?
How will you avoid financial pitfalls? What is the worst-case scenario and how will you respond?

Exit Strategies

What is our preferred exit strategy? Go public? Sell out? Operate and grow? What is our exit strategy if the business does not develop as we hope? How can we get out?

Offering (Funding Request)

The Offering (or Funding Request) is where you make your pitch for money. If you have decided to seek equity capital, then you need to offer a potential investor (F&F, VC, angel, alliance partner) a specified piece of your company in return for a specific amount of money. If you are seeking a loan, then you need to request a potential lender (F&F, bank, customer) for a specific amount of money in return for a specific return. In either case, it is important that you be specific with your funding needs, that you clearly spell out and sell the advantages of your proposal to the investor, and make it clear how investors can eventually get their money back out of your venture. Also, it is important that you persuade investors that the deal you are offering is fair to them and is supported by the facts. Finally, remember that everything is open to negotiation, so don't give away the farm on the first round!

Investment Requirements

Using your cash flow analysis, what investments do we require to achieve our plans?
What is the timing?

Valuation of Business

What is the value of our company? How do we calculate this value?

Offer

What is the structure of the deal we are offering or seeking? How much money do we want? How much of the company are we willing to give away? How much interest are we willing to pay? What collateral do we have for a loan? What is the planned exit strategy for investors? What is the anticipated return on investment for investors?

Appendices

The appendices are where you should collect all of the documentation that supports the body of your business plan. As with the plan as a whole, it should be complete, but succinct. Include those documents that are required (e.g., financial projections), those that are helpful (e.g., results of marketing studies), and those that assist in selling your idea (e.g., letters of interest from potential customers). Don't include lots of tangential information such as newspaper clippings or tables of data unless they serve to bolster your plan. One way to deal with information that is voluminous and/or lengthy (such as a large market research study) is to summarize it, and note in the plan that the complete document is available upon request.

Appendices checklist

- Do we have support for our assumptions, trends, and comparisons
- Do we have support for our development plan? a

Required items

Financial Statements

- Income Statement
- Balance Sheet
- Cash Flow Statement (1st year monthly and 5-year annual)
- Financial Analysis

Management resumes

Optional items

Surveys and survey results

Development timeline

Operations layout

Sample menus, web pages, advertisements, etc.

Anything else that will help to illuminate and/or sell your plan