



## Entrepreneurship & Small Business: Business Plans

*If you are planning to open a new business or expand your current one, a solid business plan will help you investigate each aspect of your proposed venture, gain financing and provide measurable benchmarks. If you currently do not have a Business Plan or need to update an existing one, please take a few moments and review the information provided below.*

### The Executive Summary

The Executive Summary is meant to provide a preview of your business plan. It should be brief, informative, and have a positive tone. It should include:

- Mission/Vision Statement
- Your Competitive Advantage
- Key Financials
- Any Additional Factors to Success

Essentially, you want to tell the reader why you exist, what your business/market is, how you will attract customers in that market over your competitors, key financial projections and ratios, as well as any additional assets or talents you can bring to the business (i.e. patents, highly skilled workforce, etc.).

Remember, the Executive Summary is the teaser to your plan; it should make your reader excited and want to see more. If your reader does not see the potential shining through your summary, it is unlikely that they will read more of the document that you worked so hard to produce.

### The Table of Contents

While largely self-explanatory, your table of contents provides a map for your reader to use while navigating your lengthy document. Financiers will want to know exactly which page to turn to when locating financial information, market information, and the business founders' resumes.

Ease of use is key when producing a Business Plan—remember, it is meant to be a working document, so knowing just where to turn when checking your numbers against projections and benchmarks will be a time-saver once your business is in operation. Finally, the navigability and organization of your plan sends a message about who you are as a manager. A poorly organized plan or a poorly constructed Table of Contents might send the wrong message to readers.

### Company Description

Your Company Description serves to inform your reader on just what kind of business you are going to run when you open your doors. This serves to answer a myriad of questions that a potential investor, partner, supplier, employee, or general third party will be inclined to ask. Therefore, when you are creating a company description, start by asking yourself a few questions:

- Why does your business exist—what is your Mission Statement?
- What is your market?
- Do you provide products, services, or both?
- Where will you be located?
- Is this a brick-and-mortar location, a virtual one, or a combination of both?
- What are your hours of operation?

While not an exhaustive list, these questions can help to lay the foundation for the development of a thorough business description.

### Product or Service Offering

Investors make their bets on the “horse” (your product or service) and the “jockey” (you and your management team) when they choose to fund your business. Therefore, your plan must include a detailed discussion about the product or service that you will provide, including:

- Detailed description of the product or service
- Comparisons of your product / service vs. your competitors’
- Where your product will be sourced / your supply chain
- Any planned future products / service offerings
- Sales and Promotional materials

Demonstrating a thorough knowledge of your product / service line and being able to communicate this effectively to others is a fundamental element to running a successful business. Be prepared to answer the tough questions when it comes to your product / service—it is the basis of your business!

### Market Research

Conducting Market Research is one of the most important steps to opening or expanding a business. Knowing if you have a market to support your new venture is vital information to gather before you leap into a large business investment.

Your market analysis should explore:

- Your Customers
- Your Local Competitive Market
- The Regional / National / Global Market

Who are your customers and how many are in your area? Explore your local competitors--who they are, their size, location, and their local market share is important information to have. Finally, are there any large-scale competitors in the Regional / National / Global market that may affect you?

Additionally, you should know about relative market trends. Are you capitalizing a shift in the market from one process to another? Are customers’ needs changing and you are breaking in the market now to meet those changing needs? Are there any new laws that are enabling your business to grow now as opposed to before?

When conducting your market analysis, be sure to address your business's internal Strengths and Weaknesses and the Opportunities and Threats that exist in the overall market which are external to your business operations and beyond your control.

Here are some tools and tips for conducting Market Research:

Internet/Search engines

- Google, Yahoo, Bing
  - Find out industry trends
  - Locate competitors

Competitor websites

- Explore their practices
- Strengths/weaknesses

Libraries

- Local public & UW libraries
  - Open to the public
  - Provide free research tools
  - Extensive internet databases (particularly at the UW libraries)
  - Internet directories
  - Business Information sites
    - Harris InfoSource
    - Dunn & Bradstreet
    - Reference USA

Business Information Sites provide information on:

- Suppliers
- Buyers/Target market
- Industry news/trends
- Industry/trade associations

[United States Census Bureau](#)

- Demographics
  - Population trends/projections
  - Income
  - Housing
  - Business & Industry
    - Industry information/trends
    - Geographic information/trends

[United States Patent and Trademark Office](#)

- Utilize this tool to search for similar products
- Aids in identification of competition and substitute markets.

Potential customers:

- Interviews
- Surveys
- Focus groups

Industry experts

- Universities
- Individuals employed in the industry

### **Business Strategy**

Developing your business strategy begins with identifying your Core Strategy. This means you will have to decide if it is better for you to operate your business in a Commodity Market or a Niche Market.

Businesses competing in commodity markets must be able to sell high quantities of products at very low prices, resulting in very low profits per product sold. In this model, your customers will perceive value and make purchases based solely on price. Conversely, niche markets appeal to customers who perceive value in your product or service on levels other than price, such as perceived quality or convenience. This business model sells a fewer number of products or services, but those items sell at higher prices yield higher profit margins per sale.

Once you have established your core strategy, you must provide a detailed Operating Plan. This explains the manufacturing or operating systems used, the facility where you produce or sell your goods / services, as well as any requirements for operating your business facility.

### **Marketing Strategy**

Your marketing strategy is the “big picture” look at how you are going to position your product or service in the market. The first step is to determine your overall target market: will you sell to other businesses (B2B) or to consumers (B2C)? This determination affects all aspects of your overall marketing and sales strategy, as consumer markets and business markets require different marketing, sales, and cash flow management techniques.

Once you have determined if you are targeting B2B or B2C markets, you must develop a customer profile. This means that you will identify the types of businesses or individuals who have a need or desire for your product or service. This is often performed with the use of demo- and psychographics.

No matter which market you choose, B2B or B2C, and no matter what your customer profile turns out to be, the development of sales forecasts is the next step in the process. This will enable you to develop an actionable marketing budget; the creation of Specific, Measurable, Attainable, Relevant, and Time-bound (SMART) goals for your marketing campaign; as well as overall plan for the quantity of web, print, TV and radio advertising (the marketing mix).

### **Management Team & Organizational Structure**

A solid management team is the best thing that you can bring to your new venture. Individuals with experience with your product or service market are exceptionally important—no one go into business in a market that they know nothing about. Therefore, the inclusion of a brief summary of the management’s applicable experience to the venture is important to include in the main body of the plan. Full resumes and optional biographies should be included in the Appendix or Supporting Documents section, not within the main plan.

While you may be going into business for yourself, by yourself, this does not mean that you cannot create a management team. Gathering together a solid, balanced Board of Advisors to guide you through some difficult decisions is a great way to build a solid foundation for your business.

The structure of your organization will be dependent on the size and type of business venture you wish to pursue. However, in every plan a description of the ownership shares, the decision-making process, and an organizational chart illustrating the hierarchical structure in your business is important.

### Financial Documentation

The financial documents are the heart of your business plan. Here, you will show the potential for profitability in your new business. Your financial documents should project at least 3 years into the operations of your business. At a minimum, you should be able to provide:

- A full schedule of start-up costs, & how you are financing your start-up
- Monthly Expense schedules
- Margin Projections
- Sales Forecasts, accounting for the seasonality of your business sales
- Credit & Collection procedure and policy (if applicable)
- Traditional Financial statements (usually 3-years worth of projections)
  - Balance Sheet
  - Profit & Loss Statement
  - Statement of Cash Flows
- Full listing of common financial ratios, and ratio analysis.

If you do not have experience in accounting practices, work with a service provider to aid you in both the creation of your financial section, as well as the development of your business. Maintain this relationship as your business grows.

It is recommended that small businesses work with CPAs who specialize in providing services to small businesses.

### Supporting Documents

This section should provide additional background knowledge on:

- The Business's Management Team, utilizing:
  - Resumes
  - Biographies
- The Competition, utilizing:
  - Market Research reports
  - Newspaper clippings
- The Market as a whole
  - Articles RE: Local / Regional / National / Global market trends
  - Documented studies

### Funding your New Venture

Funding for your new venture needs to come primarily from you. The entrepreneur or small business owner should hold the primary risk in the investment. [Additional sources of funding](#) include:

#### Friends & Family

Some entrepreneurs can convince friends or family to invest in a business venture with them. If you choose this route, work with a legal professional, and accountant, and possibly a financial planner to ensure that the transaction is properly documented and each party's interests are preserved.

### Traditional lenders

At a minimum, most traditional lenders will look for entrepreneurs with strong capital backing, a stellar credit history, and a business venture that has strong financial projections. If you are missing any one of the above components, it is unlikely that a traditional lender will provide you with financing.

### Micro lenders

Micro lenders may be willing to lend to entrepreneurs whom traditional lenders have refused. While each provider is different in their lending criteria, it is likely that the loans you receive from a micro lender will have a higher interest rate attached to them.

### Small Business Administration

The SBA has a variety of loans available for entrepreneurs and small business owners. To learn more about the SBA's services, click [here](#).

### Angel Investors

Angel Investors are traditionally wealthy individuals who will finance a prospective high-growth business venture. For additional information, visit this online listing of [local Angel Investors](#).

### Venture Capitalists

Like Angel Investors, Venture Capitalists provide financing for prospective high-growth business opportunities. The State of Wisconsin provides information on local [Venture Capitalists](#).