Brief #03.02

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COMPREHENSIVE BUSINESS PLAN

It is important to remember that the proposed contents shown in this Brief should be treated as a guide, and not as a rigid, all-encompassing format - each business is unique and its plan should reflect as much; additions, deletions, expansion, and adjustments should be made to fit each unique situation. A plan for use in applying for a bank loan may require more in-depth data than one prepared for the owner's guidance. The plan should be updated frequently to reflect revised scenarios as market conditions change, as company strategies evolve, and as projections are surpassed or not reached.

SOME GENERALIZATIONS ABOUT BUSINESS PLANS

The Executive Summary is critical: This two to three page summary of the plan is where most investors turn first. It is where they decide to read on or to decline the opportunity. It is your opportunity to "make the sale."

Focus: The plan should be clear as to the products or services to be developed, and the markets to be addressed by the business. If the company plans to develop a widget and sell it General Motors or to the grocery store down the street, make sure you detail how it's to be done.

Avoid unsubstantiated superlatives: The "trust me" school of thought doesn't work in business plans. If your product is going to be the best in the market, thoroughly describe why.

Quantity does not equal quality: The well written plan is succinct and to the point. The typical plan should be able to say it all in 15 to 20 pages, not counting the documentation in the Appendix.

First impressions are lasting impressions: Beware of incorrect spelling, grammar, punctuation, numbers that don't total, poor organization of the plan. These can add up to sink a proposal that might otherwise float. Take the time to have the plan proofread by several other members of your team.

Have the content evaluated by one or more people, outside the company, whose opinion(s) you trust. Ask if the plan is convincing and what potential problems they can see.

"Slick" plans can be a turnoff: Expensively prepared plans are often perceived as valuing form over substance and a poor use of company funds. Don't waste scarce financial resources on a too-professional document.

Avoid the use of non-assertive language: Qualifying words such as "might," probably," "perhaps," and the like can have a subtly negative effect on readers. Be positive.

THE BUSINESS PLAN - - - PROPOSED CONTENTS

I. NON-DISCLOSURE AGREEMENT (Optional)

The non-disclosure agreement states that the information in the plan is proprietary and is not to be shared, copied, disclosed, or otherwise compromised. A control number can be used to cross-reference the plan to a journal kept by the entrepreneur (i.e., copy 14 issued to Jake Johns on September 10, 2013). Control numbering is not critical, but does help keep track of issued plans.

II. INTRODUCTION

Identify business, name, address, phone and fax numbers, e-mail and web page addresses. Include the name or names of company principal(s) and their position(s). Include the preparer of the plan and the date it was issued. If submitting the plan for a loan, introduce the submission with a business letter personalized to each lender with the reason for the loan request and the amount requested.

III. TABLE OF CONTENTS

Each section of your unique plan should be clearly identified and the pages numbered.

IV. THE EXECUTIVE SUMMARY

Many consider the executive summary to be the most important part of the plan because it is what investors and lenders read first. It is the "sales pitch" through which an investor will be convinced to spend more time on the plan itself. The executive summary should be as short as possible and should not exceed three pages. It should be a concise and clear highlight of what the company is all about and what's in it for the investor. It is a concise summary of the details of the body of the business plan. The executive summary should be written last after completing the other sections of the plan. It should include descriptions of the following:

The Company/Business

- Is the company proposing a new product, or service, or combination?
- When was the company formed? Who are the company's principals?

The Product(s)/Service(s)

- What are you selling? What makes it unique?
- What are the distinguishing features from the competition: pricing, quality, variety, service?
- Is it proprietary? What are the entry barriers for the competition?
- What is the current stage of development of the company?

The Market

- What is its current size? What market share can the company achieve?
- Would there be an international market for the product?
- How fast has the industry been growing (cite sources)? What is its projected growth (cite sources)?

Management

- How complete is the team?
- Give brief past relevant experience, highlighting strengths

Financial

- How much money is being sought? How will these funds be used?
- What are the three to five year revenue and net income projections?

- To what stage of development will these funds take the company?
- When will the company break even? When will profits begin?
- How will the funds be paid back?

V. OPERATIONS PLAN

An important part of this section is to clearly define your business concept. This would include whether your business involves a product, service or combination, its uniqueness, the anticipated size of the business, and the geographical area intended to be served. Note any patents or copyrights. If the business has a history, it should be stated. Describe the type of customers you are targeting. This definition is important because all sections of the plan will depend on how the business is defined.

Whether you have a manufacturing facility, retail firm, or a service business, there is a typical cycle to the operations that should be described. Describe the facility you will need for the business—its location, size, necessary equipment, accessibility, zoning, and any other special requirements. Do you intend to own or lease the facility and/or its equipment? List the suppliers you will need.

VI. THE MARKET

This section should provide an in-depth analysis of how the company perceives their market:

Market description:
- How big is the market? In what direction is it going and why?
- What are current market trends? What are relevant economic trends?
- What is the maturity of the market, growth stage, or level?
- What related products are available? How many companies are providing these products?

Market players:
- Who are the end users of the product? Where are they? From whom are they currently buying?
- Why are they buying? What are they looking for? On what factors are buy decisions being made?

Market segments:
- How is the market segmented? Geographically, by industries, volume vs. unit buyers, etc.?
- What are the growth prospects within each segment?

Market distribution:
- How are products delivered to buyers?
- By direct sales? Manufacturers' representatives? Distributors?

Competition:
- Who are they? What is their reputation? What are their strengths and weaknesses?
- What markets segments do they address?

The better you know your competition, the better you'll be able to plan around them (and the more you'll impress potential investors).

How well you know the market will be demonstrated in this section. The sources of knowledge in any market are myriad:

- Existing competitors' product brochures and web sites.
- Interviews with marketing people.
- Visits to others in a similar business who are not direct competitors
- Trade publications, trade shows and exhibitions
- Analyst's reports, available from many securities brokers
- Publicly available databases
- Internet searches
- Potential customers
- Users of existing products or services:
    - purchasing directors
    - manufacturing directors
    - others who use these services

VII. MARKETING STRATEGY/ IMPLEMENTATION

After a thorough description of the market, this section should cover, in depth, how you plan to get products or services to your buyers and what strategies you'll use to help accomplish that task.

- Target market by demographic segments, geographic, industry, type of buyer
  Here, you want to specifically identify the market niche you will address. What is it about the segment that makes it right for your company? Is it a niche ignored by competitors or ill-served by competitors? If you go into it and make a profit, why won't a larger competitor enter it also (revenue volume in niche too low, buyers in market are unit purchasers, etc.)?

- Credibility: company and product/service.
  Why should customers buy a new product or service from an unproven company?

- Pricing strategy: high, medium or low relative to market? Why?

- Warranty policies: standard or non-standard?

- Branding: quality, reliability, service, response time
    - All are key components in company image and should fit neatly with other strategies
    - High quality and low price may not appear to make sense ....if they do in your case, explain why)
    - What lead times are expected by your customers?

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- Distribution channels (the means by which the product/service will be provided to you customers):

    - factory distribution
    - company-owned regional distribution
    - independent remote distribution

- Servicing:
    - repair/replacement policy
    - factory-only service
    - company field service engineers

  - contracted service

- Sales terms
  - returned goods policy
  - service contracts
  - profit centers and loss leaders

- Sales channels
  - direct sales
  - company representatives (incentives?)
  - distributors (co-op advertising and promotion)
  - Internet

Note: If you use reps, what kind of incentives will you use to get them to know and push your products/services? Is it a highly technical product/service requiring skilled sales people? At what level in the buyers' organizations will sales be made? Should senior management in your company participate directly in the sales effort to establish company and product/service credibility? How will you compensate sales efforts-- commissions (payable on order or receipt of payment), bonuses, salary increases?

A strategic matrix can be helpful in selecting your strategy (see Appendix).

VIII. PRODUCTS/SERVICES

- Provide a detailed description of existing products (with illustrations, if appropriate)
- Are they market-ready and, if not, how long until they will be?
- Bill of materials (major components, not too detailed)
- Potential component supply problems
- Proprietary protection (trademark, copyright, patent)
- Advantages/ disadvantages relative to competing products
- Pricing and costs, expected profit margins
- Differentiation from competition, services capabilities, strengths, and characteristics. .
- Future products/services, innovations to existing line, brand extensions, development time lines

IX. RESEARCH & DEVELOPMENT

Is your product/service ready to go to market, or is some research or development required? If R&D is required, what is needed, what must be done, how long will it take, what resources are required, how will you get them, what financing is required, and how do you plan to get it?

X. OPERATIONS.

- Facilities requirements
  - location, why selected?
  - leased or purchased

- Labor requirements
  - union relationships
  - local labor pool

    - skilled and unskilled
    - full time/part time

- Production options
    - sole or multi-sourced
    - quality control
    - supply issues

- Capital Needs
    - equipment list
    - financial requirements including working capital

- Quality control
- Critical processes
- Seasonality
- Inventory control system
- Availability of supplies; delivery of orders; purchase/pay arrangements

XI. MANAGEMENT

- Describe your management philosophy
- Management team: job descriptions, responsibilities, compensation, resumes (details in appendix)
- Organization: legal structure, Board of Directors
- Personnel: current, future, selection process/recruiting, qualifications, duties, skilled/unskilled
- Polices/procedures, appraisals
- Advisors: Accountant, lawyer, insurance, banker, other

XII. GOALS AND MILESTONES

List important, measurable goals and milestones for your business, both short and long term. Explain the ultimate destination for your company and how you plan to achieve it. Be realistic and specific, including amounts (such as level of sales or profit),quantities (such as units to be manufactured or sold, employees added, new locations opened, market penetration, diversification) and dates for each (and for key milestones such as signing the lease, completing leasehold improvements, ordering initial stock, hiring employees, initiating advertising, opening for business, etc.). Also indicate who is responsible for achieving each. Such specific milestones serve several purposes: they provide a visual check of the things to be done, they indicate the degree of planning to potential lenders, they provide measures to determine if things are going as planned and an orderly structure as the basis of re-planning.

It is also worthwhile to identify key milestones which, if not met, signal the need to restructure or close the venture, before catastrophe. Pre-plan an exit strategy.

XIII. FINANCIAL

While underlying detail should be available for further discussion, financial projections should include high- level figures, not line item detail, department by department. Present three to five-year projections, monthly for at least the first year (but not more than two) and quarterly or annually for the remaining years.

Current and Historical Conditions: If the business has a history, financial statements (including profit and loss statements, balance sheets, changes in shareholders equity and cash flow statements) for the past three years it should be included. Past tax returns may also be required.

Forecasts: A financial forecast is usually required to show the business' ability to repay loans or investments. Generally, the first year should be shown by months, the second by quarters, and the third annually. The forecast should include profit and loss statements, balance sheets, changes in shareholders equity and cash flow statements. A list of key assumptions should also be included.

Personal Financial Statement: A personal financial statement will be required of all owners if applying for financing. However it is important for the non-borrower to complete one in order to determine how much he can invest in the business. The statement itself can be placed in the appendix, but should support the investment cash shown in the Cash Flow Statement. If a loan application is involved, it may be desirable to consult with the lending institution to ask what they would require in the financial section of your plan.

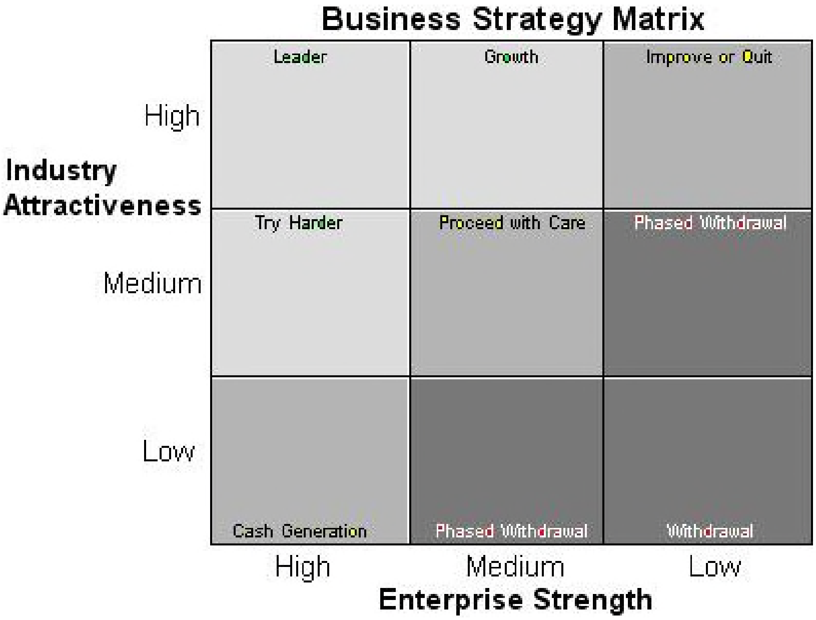
The Request For Financing: Describe the purpose of the loan and provide any additional supporting detail that may be helpful (by listing itemized start-up expenses, capital expenditures, etc.). Discuss method and timing of repayment.

Accounting: Decide whether to use cash or accrual accounting procedures.

XIV. APPENDIX

- Additional detail on the various sections of the plan
- Leases, contracts, résumés, permits
- Articles of incorporation or partnership agreements
- Letters of intent or reference
- Technical or marketing supporting data
- Resumes of key managers
- Insurance requirements
- Lists of suppliers or vendors; inventories and supplies available

In defining strategy, you may want to use a strategy matrix:



Choose your strategy
The circle on the matrix represents your enterprise.
Both axes are divided into three segments, yielding nine cells. The nine cells are grouped into three zones:

The **light-gray zone** consists of the three cells in the upper left corner. If your enterprise falls in this zone you are in a favorable position with relatively attractive growth opportunities. This indicates a "green light" to invest in this product/service.

The **medium-gray zone** consists of the three diagonal cells from the lower left to the upper right. A position in the yellow zone is viewed as having medium attractiveness. Management must therefore exercise caution when making additional investments in this product/service. The suggested strategy is to seek to maintain share rather than growing or reducing share.

The **dark-gray zone** consists of the three cells in the lower right corner. A position in the red zone is not attractive. The suggested strategy is that management should begin to make plans to exit the industry.

For additional information, see: http://www.brs-inc.com/models/model17.asp

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