Business Plan

Chapter 12

Business Plan: Written document that details the proposed venture.

* Venture Plan
* Loan Proposal
* Investment Prospectus
* Private Placement Memorandum

Pitfalls in Writing the Business Plan

* No realistic Goals
	+ Solution: Set timetable of specific steps to be accomplished
* Failure to anticipate roadblocks
	+ List possible obstacles that may arise
	+ State alternatives to overcome the obstacles
* No commitment or dedication
	+ Follow-up on all appointments and commitments
	+ Be ready and willing to demonstrate financial commitment
* Lack of demonstrated experience
	+ Give evidence of personal experience and background for venture
	+ Demonstrate team concept
* No market niche
	+ Conduct market research

Benefits of Business Plan

* Founder/Entrepreneur is the driving force for writing the plan
* Allows the entrepreneur to view the venture critically and objectively
* Forces entrepreneur to assess and address operating strategies and expected results
* Quantifies objectives and provides measurable benchmarks for actual results
* Communication tool

Audience – Three main viewpoints

* Entrepreneur’s
* Market perspective – Customers
* Investors

5-6 Minute Reading

Format

* Appearance
* Length
* Cover and Title Page
* Executive Summary
* Table of Contents

Elements of a Business Plan

* Executive Summary
	+ Last section to be written
	+ Selected statements that summarize the venture, market opportunities, financial needs and projections, and other special noteworthy items.
* Business Description
	+ General description
	+ Goals
	+ Uniqueness
* Marketing
	+ Research Analysis
	+ Marketing Plan
	+ Marketing Mix: Product, Price, Place, and Promotion
* Operations
	+ Location – Map
	+ Operations
	+ Personnel needs and uses
	+ Proximity to suppliers
* Management
	+ Team
	+ Legal structure
	+ Governance
* Financial
	+ Pro Formas – 5 years
		- Balance Sheet – Annual
		- Income Statement – Monthly for 1st year or until breakeven and then annually
		- Cash Flow – Monthly for 1st year or until breakeven and then annually
	+ Break-even analysis
	+ Reflects the profitability model
* Critical Risks
	+ Potential problems
	+ Obstacles and risks
	+ Solutions
* Harvest Strategy
	+ Liquidity or Exit Opportunity
	+ Management Succession
* Milestone Schedule
	+ Deadlines and milestones
	+ Illustrates step-by-step accomplishments
* Appendix
	+ Not mandatory
	+ Additional documentation that supports the venture