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