



Importance of a Business Plan

PRESENTATION



What is a business plan?

- A business plan is a formal guide for how you plan to create or grow a business.
 - It will address every area of your business especially those related to expenses and income.
 - It is used to demonstrate the value and profitability of your idea and approach to your business.



Why do you need a business plan?

- A business plan provides clarity to your business
- A business plan documents your current business and go forward direction
- A business plan articulates how you make money with your business to lenders and investors



Difference in a business plan and business case

- A business case is for a particular business-related project and the goal is to show that it is practical and profitable
- A business plan is for your whole business

- Examples of Business Cases

- Buying New Equipment
- Adding a New Product
- Adding a New Department or Person within Company that needs to be justified



Difference in business plan and financial plan

- A financial plan is only a current and future view of your financial statements and does not take into account how you got to the numbers
- A financial plan is only as good as the information about your business that is there to back it up.
 - Example: Your financial plan can state that you are going to make \$2M in revenue and your margin is 50%, but if you cannot show how you got to this in a business plan – the information is not really of any true value.



Key to a good business plan

- Understand all aspects of your business
- Be an expert yourself or have a team or set of advisors to help define all of the requirements to start or grow your business
 - How can you expect investors or lenders to provide funding for a business that the owner and or stakeholders are not able to articulate in detail and show how they plan to be profitable and when?



What are investors and lenders looking for?

- A thorough and articulate plan which makes sense and shows you have thought through all aspects of your business.
- Marketing, Sales, Operations, Human Resources, and Finance
 - This is minimum – certain industries might have additional sections such as Development or Manufacturing broken out.
- Experience and understanding of the market and industry by the business owner
- If more than sole proprietorship, a team of people that have skills and experience to make business a success



What are investors and lenders looking for?

- All of your financials and other models within your plan need to make sense. If they cannot see this – they will not see a return on their investment or how the loan will be paid back.
 - Example Business Model
 - ✓ You have a product priced at \$30,000.00
 - ✓ You have a sales cycle of 3 months for the product
 - ✓ You have 2 sales reps when you start
 - ✓ You have shown sales in Q1 of Year 1 of \$150,000.00
 - Why This Does Not Look Feasible
 - ✓ Your sales reps will have a learning curve and will not hit the ground running Day 1
 - ✓ The chances of 2 sales reps with a sales cycle of 3 months and 5 sales between them is unlikely



What are investors and lenders looking for?

- You need to be clear about the amount required and why you are asking for funding or investing
 - They must understand how the funding will be used in detail
- They want to see what your investment has been in your business
 - Why would others invest or lend you money if you have not invested yourself in your business?
 - ✓ It shows a lack of commitment on your part
- You need to show that you are a good credit risk
 - What assets do you have from a business or personal perspective and do you have a good credit rating?





Components of a Business Plan

Executive Summary

- This section should summarize your overall plan at a very high level.
- Certain individuals at the lender or investor will only read this section. Should be a few pages where it could almost stand alone.
 - Introduction
 - Market Overview
 - Products and Services
 - Financial Summary
 - Objectives of Business Plan
 - Keys to Success for Your Business



Company Overview

- This section should provide an overview of your business.
 - Existing Business
 - Should include also a history of the company.
 - Start-up / Expansion
 - Should include an overview of the funds required and how they will be used in the business (Expenses and Assets)



Products & Services

- This section provides an overview of each of the products and services that you sell
 - Problem Solved
 - Key Features and Benefits
 - How They Are Developed
 - Pricing Model
 - Margin
 - How They Will be Sold
 - Value They Provide
 - Customer Target Market



Market Analysis

- This section provides an overview of the market for your products and services and the industry of your business.
- It is in this section, you will need to show the reader that you understand your market, your industry, and your target market.
 - Market Selection and Reasoning
 - Market Segmentation
 - Market Analysis and Size of Addressable Market
 - Target Market Breakdown
 - Industry Analysis
 - Competition and Buying Patterns



Marketing & Sales Strategy

- This section provides an overview of how you plan to implement your product and service strategy by generating leads and prospects and then making and closing sales.
 - SWOT Analysis
 - What is Your Competitive Edge
 - Marketing Strategy
 - ✓ Product Strategy
 - ✓ Pricing Strategy
 - ✓ Branding Strategy
 - ✓ Communication Strategy
 - ✓ Promotional Strategy
 - Sales Strategy
 - ✓ Go To Market Strategy
 - ✓ Marketing and Sales Assumptions
 - ✓ Forecasts
 - Milestones



Online Presence Strategy

- This section provides an overview of your online presence and how you will use an online presence to promote your business. An online presence is key today as most buying decisions are researched on the web prior to purchase.
 - Current and Go Forward Strategy
 - ✓ Examples
 - ◆ Web
 - ◆ Blog
 - ◆ Social Media
 - ◆ Online Newsletters



Operational Strategy

■ Operational Strategy

- This section will differ based on the industry, but focuses on the capability of the business to deliver on the promises it makes to its customers. This section includes:
 - ✓ Order Management
 - ✓ Inventory Management
 - ✓ Productivity
 - ✓ Service and Delivery
 - ✓ Quality Assurance
 - ✓ Use of Technology/Systems
 - ✓ Customer Care



Management & Human Resource Strategy

- This section focuses on the management team and personnel that exist currently and planned in the future for the company.
 - Management Team
 - Provide Detail of Background and How Their Experience Provides Strength
 - Organizational Chart
 - Hiring Strategy and Personnel Staffing Charts



Financial Strategy

- This section focuses on the overall financials for the company based off the rest of the plan. This section may differ a little depending on whether you are a start-up or a business with existing financials.
 - General Assumptions
 - ✓ Provide interest rates, tax rates, economy information and other measures that affect your business
 - Break Even Analysis
 - ✓ Provides overview of risk involved in your business
 - Cash Flow
 - ✓ Cash in and out of your business
 - Balance Sheet
 - ✓ Financial statement of assets and liabilities
 - Projected Income Statement
 - ✓ Measures performance over time
 - Business Ratios
 - ✓ Shows how your business is performing



Downfalls of a poor business plan

- Financing will not be approved
 - Once a financial institution evaluates and turns down your business plan, you could be finished with that institution. The same is true with investors.
 - Your credit rating will be affected by going to other financial institutions with the same plan as a credit check will be done each time.
- Stunted growth down the road
 - If you are not able to articulate your business and how you are going to move the business forward, you may be running your business on a daily business and missing the big picture
- Lack of value
 - If you are looking to sell your company and did not cannot articulate your business properly therefore buyers may not receive the true value of your business



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