

Pelter Business Plan Workbook

I Executive Summary (very important)

- A. Business description
 - 1. Name
 - 2. Location and plant description
 - 3. Products and Services (How will customer benefit)
 - 4. Managements expertise
- B. Business goals (How will you get there)
- C. Summary of financial needs and application of funds
- D. Earning projections and potential return to investors (How and when)
- E. Table of Contents clearly stated and well organized

II. Market Analysis

- A. Description of total market (who will buy and why)
- B. Industry trends
- C. Target market
- D. Competition
- E. Market Share
- F. Projected Sales

III. Products or Services

- A. Description of product line
- B. Patents, copyrights, and legal and technical considerations
- C. Comparison to competitors' products services

IV. Sales Strategy

- A. Overall strategy (method of Sales, Direct Mail, Phone - etc.)
- B. Sales cost and compare to Industry Ratios
- C. Pricing Policy and Warranties

V. Manufacturing Process (if applicable)

- A. Make or Buy out (compare)
- B. Equipment needed (major)
- C. Support needed to operate
- D. Controls waste, quality, production

VI. Financial Data

- A. Financial statements (five years to present)
- B. Five year financial projections (first and second years by quarters: remaining years annually)
 - 1. Profit and loss statements
 - 2. Balance sheets
 - 3. Cash flow charts
 - 4. Capital expenditure estimates
- C. Explanation of projections
- D. Key business ratios
- E. Explanation of use and effect of new funds
- F. Potential return to investors: comparison to average return in the industry as a whole

VII. Management Plan

- A. Form of business organization
- B. Officers: organization chart and responsibilities
- C. Resumes of key personnel
- D. Staffing plan, number of employees and job descriptions
- E. Facilities plan and capital improvements needed

Introduction

“Why should I write a Business Plan? I know what I want to do and how to do it. I don’t need a Business Plan.”

Most professional business experts believe it is necessary to develop a solid business plan. Written plans are better than plans put to memory. Your plan is a road map your company will follow if it is to succeed.

The story from Alice In Wonderland tells of her being lost in the forest. She sees the Cheshire cat and asks,

“With so many paths to follow, how will I know which one to take?”

- “Where do you want to go?’ asked the cat.

- - “I don’t know.’

“If you don’t know then it does not matter which path you take?”

In the beginning, much of your time will be spent planning Marketing, Advertising, Sales and Goal setting. Financial Planning is one of the major essentials in establishing your business.

Many new businesses are always in financial trouble because they are under capitalized. You must understand the language of business and that language is numbers.

There is much to do before you open your office, store or factory.

Do your homework before you write your plan. There are many good business books at your public library or book stores. There are many Community Colleges and Universities that give good Management Courses. The Small Business Administration and SCORE offer workshops and all day seminars on various business subjects. Read, study and learn to broaden your management expertise.

Now it is time to decide which path you will take.

Business Plan

The Business Plan outline on the previous page will assist you to put your thoughts down in chronological order. It should be reviewed at least twice a year for updating and changes in your company's structure. We will evaluate each item in the business plan and some examples will follow.

A Business Plan is a road map for your company's travels through the business world. It asks three basic questions:

1. Where is our company today?
2. Where do we want to be in a given time?
3. How will we get there?

Three simple questions, but very difficult for many entrepreneurs to answer.

Not only is the Business Plan content important, but the final draft should have a professional appearance. It should have a nice cover, found in stationary stores, and it should be about 30-40 pages in length. Financials must be made up in an acceptable accounting format and should be realistic.

If you find writing the answers to outline difficult, you could try having a friend interview you. Use a tape recorder for your answers.

There are two key elements in the Business Plan:

1. Executive Summary - this gives an overview of the entire company by the executives of the company. Should cover current status and future plans — about two pages in length.
2. The Marketing Plan - the most asked question of the entire plan, "How do I do this?" Most people who view business plans look to the marketing plan as one of the important sections. The reader wants to know if the company understands exactly what their market is. People are not normally interested in the technical aspects of each and every product. However, they do want to know if they work and the company is beyond the Research and Development Stage. What they are interested in is the company's game plan on how they will market their product, how they will identify the market place, who will buy from them and why.

It must be made clear, to the reader, that the company thoroughly understands where the market is and what their position is, or will be, in the market place. I cannot emphasize that enough.

II. Marketing Plan

A. Description of total market, who will buy and why will they buy

Describe the market area in which the company is interested in selling their products. Why will they buy from you. who are their customers? Industry trends; is this a growing market? It may seem obvious to you, but people who read this do not necessarily know. Understand your market or what the growth areas are. Explain.

B. Industry trends. Explain where the industry is at present and direction you see it going in the next 12 months. For example: are you in a growth industry, and why?

C. Target Market area - is the company going to direct the sales of its products to a specific group of businesses or people? If not, explain.

D. Competition - extremely important that, not only does the reader understand, but the company understands and knows their competition too. How many employees, by comparison? to your company, larger, smaller, same size? Quality of service, product, how competitive on price? Should report on major competitors that you feel are in the same market and also one or two unsuccessful competitors.

E. Market Share - Sometimes it is very difficult for a company to determine what share of the market they realistically can capture. Especially in a new industry it may be almost impossible. You can explain, because of the newness of the business and lack of information available, it would be almost impossible to define what share of the market the company can gain in this new industry. Also should write about projected sales, in the next twelve months. Sales projections will have to be supported by realistic numbers.

F. Projected Sales - Sales over the next 12 months. For a new business you will be guessing on what may occur. This is called a "guesstimate". Sales may be so low that the operating plan will show a loss for the entire year. Do not be discouraged because if the trend is up you will make a profit in the following year.

III. Products and Services

A. Description of the product line. It is important to note that most people reading the Business Plan are not necessarily interested in the height, weight, dimensions or the technical aspects of the product. They do want to know that the product is available, in working condition, and is a quality product.

B. Patents, Copyrights and Legal and Technical Considerations. If we have any advantage in any one of those areas it should be stated. The technical considerations could be outlined and the fact that you may have the most technically advanced staff stated.

C. Comparison to Competitors Products and Services.

Here you should be very careful how you project the image of your company. All information should be factual and realistic.

IV. Sales Strategy

A. Overall strategy. The method of sales; direct mail, phone, or however the company intends to sell its products.

B. Sales Costs as Compared to Industry Ratios. This information can be found in library, look for Ratio Studies. You can get same information that would relate sales costs to the per unit cost from Chamber of Commerce, NCR, Xerox and other companies who publish this information.

C. Pricing Policy and Warranties.

If you deviate from the price list, you should state so. However, it would be more important to say that your pricing policies are intended to produce the maximum amount of profitability with the quality product. State what your warranties are. Open Accounts, how will your customers pay their bills? Would you offer a quantity discount to a large buyer? Sell from Price List? Sell Wholesale?

V. Manufacturing Process or Services

A. Make or buy out. What equipment do you need in plant in order to service or assemble any products.

B. Applies to Major Equipment needed for growth of the Company.

C. Support needed to operate the Service Department. How many people, how many service trucks. How much is required in specialized tools, in-house as well as service people who operate outside the company.

D. Explain what system you have to control waste. Explain what you do to keep your quality up.

VI. Financial Data

A. This is one of the difficult areas, especially if you are not familiar with financial data. Recommend you hire an accountant to help you. Be sure you understand your financial report before you submit it to anyone.

VII Management Plan

This is normally put together by top management.

- A. Business organization. Whether it is Sole Proprietor, Partnership or Corporation.
- B. Board of Directors Composition.
- C. Officers, Organization Chart and Responsibilities.
- D. Resume of Personnel - That would of course have to be submitted by each key manager.
- E. Staffing Plan and number of employees. Job descriptions.
- F. Facilities Plan and Capitol Improvements needed for growth.

Here are some points to keep in mind that people who read Business Plans feel are acceptable.

1. Want to know that the product is acceptable to your customers, and certainly some evidence of that should be available. Maybe a letter or two of recommendation from some of your customers. You might want to make a list of some of your customer's names and phone numbers so the reader could phone for further information about the company.

2. Appreciation of Investors Needs - That means the Company understands the needs of people who invest money in the company. People will invest in any Company that will protect their investments, that they will get a reasonable return on their investment. They want to eliminate as much risk as possible.

When you understand the needs of investors then your business plan will make the reader comfortable. There should be evidence in the plan that the management is focused in on at least one or two of the things that the company does best. For example: Your product and the importance of that in the market place and you understand that you have a strong selling point. If we have any exclusive position of any products, that should be emphasized. The strength of the management team.

Here are some of the DON'TS that turn people off when they read a Business Plan. Excessive Optimism and Infatuation with the company's product rather than the market. It is important that the company understands that the customers potential needs are more important than the product itself. It normally makes investors nervous when too much time is devoted to describing thy product in full detail rather than describing the market place and who will buy the product and why will they buy it.

A Business Plan is intended for use both by the principals of the business for their own guidance and for a person or institution who is not connected with the business itself, but who wants to be knowledgeable about the present and future course of the business.. He/she might be a potential investor, a bank officer, a credit manager of an important supplier, etc.

Projections that go right through the ceiling — that are unrealistic. Each industry has its own acceptable financial results and marketable approaches. Because of the newness of your business may be impossible to gather the necessary numbers to be put in your Business Plan. However, if you can show realistically a return of about 15% to 20%, you'll find most investors will accept that. Unrealistic Growth Projections - for example: If you were going to say that Sales will at the rate of 50% or more per year. Most investors would not accept that as being realistic. You must keep in mind that the marketing plan, in most cases, is more important than the technology. Customized procedures made to customers designs are seen as high on-going costs that could be drain on the company. You may have noticed we keep referring to investors throughout this plan. The investor in most cases will be you, your friends or family, so be true to yourself.

SUMMARY

It is very important that the essential facts of all stages of development be stated to show that the company will succeed. Each step must be clearly stated along its road to success. If you can realistically convince yourself that the planning process is accurate and understandable, then outside investors will also be comfortable with this plan. You should show some evidence of customer acceptance of product and services.

That the financial goals will be met and are realistic.

That the effort and focus of the company is on a limited number of products that have been tested and are on the market or ready for the market.

And that you are capable of servicing them with a qualified staff of service people.

That your exclusive position with any company is fully explained. If you have any patent rights, copy rights or trade marks, they should be explained.

That the company is aware and familiar with the market place and the needs of the customers.

That your financial projections are meaningful and in touch with reality.

That your engineering and customers services are not so unique that they would create a financial and growth problem for the company.

Be very careful about signing any document without first getting some legal advice. Find a good insurance company and determine what coverage you may need. You will also need some accounting service to help you set up your financial business ledgers. Establish good relationship with the bank of your choice. Become active in your business community. You might want to join Rotary, Chamber of Commerce or any number of good service clubs. The information in this book is limited and should get you interested in expanding your business knowledge. My recommendation is to continue your business education, reading, listening and learning. "Via con Dios".