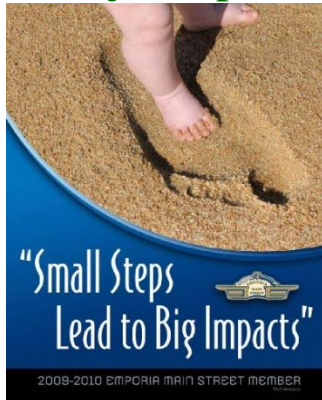


# Building a Business Plan

Whether you are starting a business, expanding, seeking funding or just updating, a proper plan can make all the difference.



Over the past year we have met with several new business owners, potential business owners, businesses in transition, businesses undergoing expansion and businesses seeking to keep up with new and changing markets. "Do you have a business plan?" is generally one of the first questions asked by support organizations or potential financial partners... It's not that these institutions want to create more work for business owners, or that they are addicted to paperwork, but they need clear concise information in an orderly fashion that can guide them in the best way they can help YOU the business owner. Business plans can have several different formats and contain different types of information, but today we are going to cover the basic elements of a plan type advocated by the educators of youth entrepreneurs.

**A basic business plan contains six elements:** Business Analysis, Business Strategy, Organizational Analysis, Market Analysis, Marketing Strategy and Financial Feasibility. These elements will contain the criteria necessary for most businesses to maintain a successful position with the market and produce a profitable business entity. For ease of use, a business plan should start with a cover sheet that contains the business logo and slogan, plus basic contact information. A second sheet should provide a table of contents.

**Business Analysis-** A business analysis contains the Mission Statement for a business, which should briefly explain the overall goal of the business entity. In addition to the mission, a SWOT analysis should include a detailed description of the Strengths, Weaknesses, Opportunities and Threats for a business. The SWOT should include different ways to maximize strengths and take advantage of opportunities while minimizing weaknesses and responding to threats. Competition should be identified and outlined with information on how to beat the competition. If new business trends exist, the Business Analysis section should identify how a business will incorporate the trends within their business model for maximum results. Target market and industry analysis should identify your primary customer and their quantity within your trade area. An industry analysis should provide industry norms which allow individuals reviewing your plan the ability to add context to your business as it exists within the market. In addition to your business, it is very important to include a personal assessment that highlights your passion for your business, special skills/education and a statement concerning how your personal attributes will aid in the success of your business.



**Business Strategy-** Identify your business type (wholesale, service, retail, e-commerce, home based, etc.) and explain why the business type chosen is best suited for you and the local market. The legal structure of the business should be identified in this section (LLC, Sole Proprietorship,

Partnership, S-Corporation, etc.) and a description should be provided explaining the rationale behind choosing your legal structure. Why is this the best structure for your business (mitigating liability, tax benefits, ease of set-up)? Identify any legal issues your specific business might incur, such as special licenses, permits, registration, insurance, contracts, trademarks or patents.



**Organizational Analysis-** This is an area of a business plan that many business owners have trouble with. It is important in today's business world to understand that you cannot be an expert in every area. Modern business has evolved into a form that is simply too complex to understand all the technical, accounting, legal, real estate, infrastructure, inventory management and other issues incurred by today's business owner. Who are your business mentors? Who can you go to

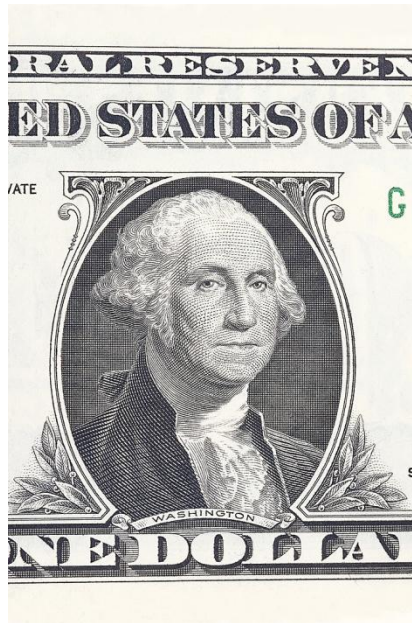
with questions? What are their advisory roles? Why did you choose these certain people as your mentors? In addition to mentors, many businesses will either start with employees, or grow into a situation where it is necessary to obtain a staff. What are your general work responsibilities? What are the responsibilities of your staff? What types of wages or benefits will you offer? Why are a certain number of employees necessary (financially justifiable) for your business to excel. Within your organizational analysis, you must also define your business transition. What is your general transition strategy (pass on to the next generation or to an employee, sell the business to a potential buyer, liquidate the business, etc.). How will you define "success" within your business? How will you define if your business is failing? It is important to be realistic so that you can set professional benchmarks for you and your business.

**Market Analysis-** In a Market Analysis, your target market, target area and industry analysis is explained. Your typical customer's age, gender, annual income, education, occupation, household size, location and other demographic information is explained. With that information, you can cite the quantity of people within your target market that exist within your trade area and list competition within the area, which should allude to your potential market share. Because these statistics are generally numerical, it is important to cite the source information for your demographic data. Your market analysis should also define your competitive advantage within the products or services provided. This competitive advantage should differentiate your businesses in a clearly defined manner within the categories of products, location and customer service. **YOUR COMPETITIVE ADVANTAGE MUST GO BEYOND PRICE!** Being "cheaper than the competition" can change rapidly, and eventually your margins evaporate leaving an unprofitable business... Define your pricing strategy and determine your "economics of one unit" (defined below) to support your pricing theory.



**Marketing Strategy-** Your marketing strategy contains the four "P's": Product, Place, Promotion and Price. Product- Who are your major suppliers/wholesalers? How will you handle your inventory and backstock? How will you handle returns and broken merchandise or substandard service? Place- How does your location provide you with a competitive advantage? What are your hours of operation, and why did you choose those hours? What is your building square footage and price per square foot? Promotion- What is your business slogan? What is

your business logo? Detail information about your website and web presence. What is your marketing budget? Price- Explain your pricing philosophy and compare your pricing strategy to other businesses in your industry. What is your average percentage of mark up? Within the Marketing Strategy section, you should also detail your branding efforts. Explain the basic tenants of branding incorporated in your business. If you were to describe your business as a person (attitude and character), what words would you use? How does your brand differ from the brands of other businesses in your industry?



**Financial Feasibility**-The dreaded numbers section... This is where your dream business meets the fiscal reality of the business world. Can your business realistically turn a profit? What are your start up costs? What are your sources of capital (loans, savings, sale of assets, grants, other)? Is your capital reserve enough to sustain the business, covering expenses for a minimum of three months? Why would each of your funding sources be willing to contribute to your business? Non-Start up business costs including fixed and variable costs should be detailed. What is the ratio of fixed to variable costs? Define your Economics of One Unit "EOU". Business Dictionary dot com defines EOU in the following manner: "[Method](#) used to determine whether a [business model](#) can be successful ([profitable](#)), by calculating if an [individual unit](#) of the good or [service](#) would be profitable. For example, if Mike is considering [opening](#) a [store](#) which [sells](#) pizza, he would [calculate](#) the [cost](#) of making one individual pizza, and compare it to the [price](#) he

would [charge](#) for the pizza. If the [profit](#) is positive, the [business](#) is thought to be profitable." Essentially, you need to make sure you are making enough on sales of products or services to cover your expenses and allow for profit. An income statement that includes monthly sales projections, projected revenue & taxes and yearly sales projections should be included. Analyze the income statement to point out potential cash flow high and low points while explaining how the business will adjust if it either meets, exceeds or fails to meet income expectations. Return on Investment (ROI) ratios are a part of the Financial Feasibility section. [Click HERE for a real world example of a Return On Investment calculation](#). Essentially, there should be a positive gap between your costs and your sales (profit). That profit, in the case of ROI can be expressed in the form of a ratio. Return on Sales (ROS) is net income divided by sales revenue and is an indicator of operational efficiency. Analyze your ratios and make sure they are REALISTIC. The better you understand the numerical indicators of a business, the more likely you will be able to adjust to take advantage of opportunities and mitigate losses.



I can already hear my proof readers screaming "last week's article was so much more fun..." Remember, Main Street has four points and the Business Enhancement point dictates that we provide you with information to help your business structurally. If you

are applying for a loan, seeking a grant, selling a business, expanding, buying a business or adjusting to new market trends/competition, a business plan is a necessity. Creating a plan forces a business to think about a myriad of issues critical to your success. Hopefully, the information provided here will help start ups, expansions and the overall health of our local business community. There are other forms of business plans, but the description above will suit the needs of most businesses.

-

[For past editions of the Emporia Main Street E-News, check out our E-News archives by clicking HERE.](#)

Back to home page: [www.emporiainstreet.com](http://www.emporiainstreet.com)