

The Business Plan – A Roadmap for Success

Managing a business without a well-defined strategic plan is like trying to chart a successful voyage without a map - or a destination for that matter.

Every experienced entrepreneur will tell you that having a well-thought-out business strategy greatly improves your chances of success. The business plan plays an important role in helping an aspiring or existing business owner think through how they will make money via their venture, set realistic expectations on when they can expect a return on their investment, and ultimately what that return might be.

Simply put, the business plan establishes a sound approach to making money with your product / service and helps focus and communicate your vision to others. Generally speaking, there are two broad categories of business plans: an internal (owner's business plan, and an external business plan. What differentiates the two is the intended audience; whereas an internal plan is meant to steer the focus of the owner(s) and may be very informal, an external business plan is meant for either investors or banks and typically requires many more formalities. Deciding which business plan type to pursue depends on your intended purpose. For example, a business owner may not want to wade through pages and pages of product explanations, market analyses, and proforma numbers, while, an investor (bank or otherwise) will. This article will provide a very high-level breakdown of the most common and essential pieces that make up a business plan.

Company Overview.

The Company Overview is a short statement that summarizes your company in a businesslike format. Key components include: a brief history of the company (including past successes, if appropriate), descriptions of your products/services, and the market you intend to serve (i.e. your target market). This can also include your legal company form, date of formation, ownership structure, pricing strategy, and how you intend to make money through your business. You may also choose to include any other important details, such as new products or services you plan to launch in the next 12 months. The level of detail required or recommended will depend chiefly on the intended purpose. An investor's business plan will also likely require resumes, highlighting the relevant background and experience of all owners and other key personnel. You will also want to identify any existing customers, orders, or key industry alliances.

Competitive / Industry Analysis.

The Competitive Analysis section of your business plan is devoted to helping you recognize and analyze your competition. You may begin your market analysis by defining the market in terms of size, structure, growth prospects, trends, and sales potential. You should also consider market saturation substitutes and complementary goods and services and assess the state of any relevant technologies. The next step is to make a list of your major competitors and how you are a different (and better!) choice for your customers. It may also be helpful to create SWOT Analyses (discussed below) for your major and direct competitors, focusing on their strengths and weaknesses, while looking for opportunities to leverage those weaknesses to your advantage.

Target Audience.

A key component of any business plan is identifying your target market - that is, those customers who are most likely to buy your product / service, and whom you should aim your marketing efforts towards. You may be able to narrow down your target market by asking yourself the following questions:

- What problems do my prospect customers have and how do my product and/or service solve them?
- What market segment do my prospective customers fall into?
- Are my target customers male or female?
- How old are they?
- Where do they live? Is geography a limiting factor for any reason?
- What do they do for a living and what is their annual income?
- What other aspects of their lives matter? (e.g. newlyweds, mothers, business owners, etc.)
- Is my product / service a necessity or a luxury item?

Marketing Strategies.

Once you've narrowed your market focus to a select subset of customers, you will need to determine the best strategy to reach them. Your specific product / service and customer demographic may determine the best strategy, but generally, you should aim to come up with at least six different marketing techniques to use over the coming year, when you plan to implement them, and what results you expect. Common marketing strategies include radio and television advertisements, direct mail, magazines, email, SEO, etc. Also, think about the cost and preparation required in order to launch your marketing efforts and keep them up-to-date. You should consider a branding strategy and marketing message as well (i.e. explain how your products or services solve their problem or need.)

Financial Components.

You should take time to carefully plan some key financial components, such as: your pricing schedule, profit model, projected revenue, and expenses for the coming year (both fixed and variable costs.) Be realistic with your numbers and consider a range of outcomes including the best-case scenario, as well as less favorable performances. If you project more expenses than revenue for the year (or beyond), you should consider where the money will come from to pay for those expenses. This is also the perfect time to identify any need for financing.

HR / Capital Resources.

Draft a list of people and services who you will need to hire to implement your business plan. Include their position, responsibilities, and estimated cost. You should also list any capital purchases for equipment, vehicles, inventory, etc. along with the costs. These planned cash outflows should be included in your budget.

SWOT Analysis.

A SWOT Analysis is a strategic planning tool used to identify and keep in focus key factors in the business plan and operating environment with the goal of improving the results of business operations. The acronym itself stands for Strengths, Weaknesses, Opportunities, and Threats. This tool is used to collect and analyze both internal and external conditions that surround an organization. Ultimately, it is utilized to help management make well-informed business decisions by keeping those key factors in the forefront of decision-making.

Strengths help business owners identify where the business may have an upper hand on the industry or competitors. Common strengths may include relationships, knowledge / know-how, equipment, barriers to entry, agility, patents, etc.

Weaknesses refer to areas where the business may be at a disadvantage as compared to competitors or in general. Common weaknesses may include: lack of resources, limited funding, non-existing reputation / relationships, barriers to entry, lack of experience / knowledge, other competitors / substitutes, etc.

Opportunities identify those specific conditions in the operating environment that may be favorable to the business and may include: struggling competitors, major industry or regulatory changes, potential customers, shifting market trends or attitudes, new products, etc.

Threats are the counterpart of opportunities and include the negative conditions present in the operating environment. Often times, these can be the negative ramifications associated with the same opportunities when exploited or available to competitors (e.g. regulatory changes, shifting trends.)

Misc.

It's important to note that every business is unique and many factors and key considerations may not fit 'neatly' into any of the preceding categories. You should feel free to include anything in this section that is vital your business.

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