

BUSINESS PLAN NOTES

by



These notes can be used in association with another document entitled **Business Plan Format**. The notes you record here can be the database from which you can write your business plan. The notes are organized around nine (9) topics:

- ◆ **Description of Business**
- ◆ **Mission, Vision, Goals and Objectives**
- ◆ **Customer Value Proposition**
- ◆ **Market Analysis**
- ◆ **Management and Operations Assessment**
- ◆ **Financial Management**
- ◆ **Financing Plan**
- ◆ **Implementation Plans**

The intent of this format is to provide a guide for logically analyzing the potential and planning for the success of your business. You may choose to expand upon these topics, but it is suggested that you do not eliminate any. By working your way through the questions subsequently posed, you will have the basis from which you can write your business plan.

The **Business Plan Format** document, available along with these notes, presents a suggested business plan format. Further, if you are applying for a business loan, additional information requirements are noted therein. These items are under the loan package discussion at the end of the **Business Plan Format** document.

DESCRIPTION OF THE BUSINESS

This topic will be part of the Executive Summary in your business plan report. It is presented here, however, so that you will record the necessary information.

What is the name of the business?

Where is the business located?

Who is (are) the business owner(s)?

What is the business entity structure? (sole proprietorship, partnership, llc, llp, professional corporation, S or C corporation)

When did (will) you start doing business?

What product and/or service will you sell, and what is your Customer Value Proposition? You will need to do a deep dive on your target market(s), and the felt pain that your product/service is addressing before you can answer this question.

Who's the leadership/management team, and what are their qualifications?

VISION, MISSION, GOALS AND OBJECTIVES

Your vision is where you are going, and your mission is why you are going there. The goals are the milestones you need to reach to get there (your vision), and the objectives are the how-to's.

Some people have these clearly developed, and others not so much. They are important, so you need to begin to develop them. Do the best you can at the outset, then, continue to revisit this topic during your plan preparation process.

What is the vision and mission of your business?

What are the goals that will need to be reached if you are going to be true to your vision and mission?

What are the 3-4 most important objectives that need to be attained for each goal to be reached?

CUSTOMER VALUE PROPOSITION (CVP)

Successful businesses offer something unique to their target market(s). You need to start at the end and work backwards – who is going to buy what you are selling, and what components does your product and/or service need to possess to stand out? This is your CVP.

Further, you need to know what existing and potential competitors are offering/likely to offer to meet the anticipated end user (target market) needs.

Now you’ve got the start of a “this is the uniqueness of my business” message. More on this topic subsequently.

What is your CVP, and how will you determine the magnitude of the customers felt need?

Who are/will be your primary competitors and what is your target markets perceptions of their strengths? Keep the list manageable. Concentrate on the top 4-5.

What strategies will you employ (3-4) to set you apart from your competitors? You previously stated your CVP, now think how that needs to strategically be expressed to get a leg-up on your competitors.

MARKET ANALYSIS

Who are your target markets (3-4), and what felt needs do they have (or will you create) that you plan to satisfy? These markets need to be definable and measurable

Over the next five (5) years, what are the five (5) most important trends that will impact your previously defined target markets, and how will that impact your businesses product and/or service offerings?

What is the current size or your target market, and how will that change by your fifth year of business operation?

Target Market (s)	Year One (1)	Year Five (5)

What is the marketing program you will deploy to capture a share of the afore-defined target market(s). A great resource to use in creating your marketing plan is Allan Dib's The One-Page Marketing Plan. You can find a template on-line, or buy the book which unpacks the concept.

What is the projected level of annual sales, by product and/or service type (if appropriate) that you project for the first and fifth years of your business's operation? You can use several different methods to do this, depending on the information available. Some of your options are market capture rate, sales per square foot, sales to asset ratio, and/or case studies of similar businesses.

Gross Sales (by category)	Year One (1)	Year Five (5)

What method(s) did you use to develop these sales projections?

MANAGEMENT AND OPERATIONS ASSESSMENT

Under the **Management and Operations Assessment** you will need to consider management structure, facilities, personnel and pricing.

What is the management and staffing plan for your business, complete with anticipated annual salaries and wages, per key position? You previously described the management structure for your business, from a qualifications' perspective. Fill out the initial org. chart here. Start with management team, then work down to the level of detail that is required for you to complete the salaries and wages component of the subsequent pro forma operating statement.

Position/Job Title	Year One (1)	Year Five (5)

What are the facilities that you will need to operate your business; include size and planned location?

What will the cost be to rent or purchase these facilities, and how much will you expend for improvements?

What are the prices that you will charge for your products and/or services?

How do these prices compare with your competitors? If higher or lower, why is that?

FINANCIAL MANAGEMENT

This section of your plan is critical. One of your reasons for being in business is to make money. When preparing your expense budget, you need to match it with your sales projections. You may have to revise the budget several times to get the right sales/expense ratio. When you reduce or increase estimated expenses, be able to explain the impact this will likely have on your business. Remember this whole business planning process is an iterative one; that is, the further you progress in the plan, the more likely it is that you will need to alter some previous conclusions. In altering, however, keep in mind that your changes need to always reflect the objective test of reasonableness.

Create a monthly operating expense budget for the first and fifth years of operation, then extrapolate for years 2, 3 and 4. Refer to *Exhibit 1* for a sample chart of accounts. Once you have the base monthly costs estimated, you can enter the monthly amounts in the pro forma income statement (*Exhibit 2*); again, for years one (1) and five (5), then extrapolate so you have five (5) full years of projections. There may be monthly variations in your expense budget, like extra payroll during the Christmas season. Be sure to account for these in your expense estimates.

Convert annual projections to monthly, as desired. Again, be sure to incorporate seasonality of business into these monthly estimates. Enter these monthly estimates on the pro forma income statements.

It is suggested in these projections that you do not try to reflect the impact of inflation; only deal with real growth.

You will also need to prepare pro forma cash flow statements. Use the same format as you did for the income statements. Cash flow statement templates are presented in *Exhibit 3*. You can complete this after you have prepared your financing plan. This will be the subject of the next section. Once your cash flow statements and financing plans have been completed, prepare pro forma balance sheets (*Exhibit 4*).

FINANCING PLAN

Keep at it! You are almost there! Now you need to prepare a financing plan for your planned business venture or expansion program. Determine the amount of money you will need to start or expand your business. Include both capital costs and working capital (as estimated in the income statements).

What are the costs that you will incur initially and as you expand – capital and working capital? Please refer to Exhibit 5 for a worksheet

How much equity will be invested in the business, and what will the sources be?

What collateral is available to pledge for any loans that may be secured?

What Are your plans for personal compensation from the business? This should be reflected in the operating budget, income statements and/or cash flow analysis. Where your personal compensation is shown will depend on the business ownership structure.

IMPLEMENTATION PLANS

This is the final step of the business plan note preparation process. It is here that you will need to determine the steps (or tasks) that need to be taken to proceed from where you are now to the successful launching of your business or expansion. Once the steps have been identified, then they need to be placed in a time sequence, and where possible, a person or group identified who will be responsible for seeing that the step gets completed.

What are the key steps that need to be taken, and who will be responsible for each?

Now put them in a sequence.

- ♦ What needs to be done
- ♦ In what sequence.
- ♦ By whom
- ♦ When

You are now ready to write your business plan. You need to get it done in less than 20 pages, including tables. Stick with your writing style. Length and eloquence are not the key; rather, soundness of your reasoning and believable conclusions rule! The key part of your plan will be the **Executive Summary**, which is what most people other than you will read.

If your plan is for investors, the financing part of the plan needs to deal with risk and reward; investment and return on investment (ROI). Contrarily, if your plan is a required part of a loan package you need to convince the lender that your sound business idea has the potential to cover debt service by at least 1.25:1.0.

OPERATION EXPENSE WORKSHEET
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