

How to Write a Business Plan

The information on the following pages is an outline of how to write a business plan. The general plan format is outlined, followed by descriptions of the various sections that normally make up a business plan. Each section contains a list of key topic areas to be discussed. The key topics should help you think of information about your company to include in the plan.

It is extremely important to the success of your operation that you, the owner/CEO, write the business plan. Often times the process of writing a business plan is more beneficial than the plan itself.

If you have questions about how to write the business plan, or would like your written plan reviewed, contact the CIRAS representative in your area or the CIRAS office at Iowa State University for personal assistance.

The business plan should consist of eleven separate sections, each one beginning on a new page:

- Request Page
- Table of Contents
- Executive Summary
- Business Description
- Management
- Market Analysis
- Marketing Plan
- Products or Services
- Manufacturing Plan
- Financial Data
- Supporting Documents

■ CIRAS Business Plan Format

The CIRAS Business Plan format is designed to show you the type of information to include in a plan and the format to use.

A business plan may be a document written to persuade a lender or lenders to provide capital for your venture. A business plan is an essential management tool for your business. A business plan may serve as the implementation plan for a strategic plan. The business plan outline in this handout applies to an entrepreneur or a businessperson seeking money for a new business startup or a business expansion.

10 Key Points

Ten key points to remember when writing your business plan:

1. *Be honest. Do not be overly optimistic or try to hide limitations or weaknesses.*
2. *Write in easy to understand terms. Avoid jargon and terms that are unfamiliar to people outside of your industry.*
3. *Represent your company's image, and convince the reader you understand all aspects of the business.*
4. *Provide the lender with an understanding of your business and how you will use the loan.*
5. *Evaluate the company's management team. This is a major focus of the plan.*
6. *Answer the three strategic planning questions:
Where are we now?
Where do we want to be?
How do we get there?*
7. *Quantify your market, sales, production, and cost data. Do not generalize. Be specific. Use data to help tell the story.*
8. *Begin each major section on a new page with the appropriate title; for example, Marketing Plan.*
9. *The actual content of the business plan will vary depending on the nature and complexity of the business, the stage of development and the type of financing needed.*
10. *The business plan may be used as a sales document. The content and quality of the plan should be representative of your company.*

Request Page

This section should include a summary of the company's loan request.

Information to include:

1. Company Name
2. Dollar Amount Required
3. Month and Year the Loan Is Required
4. Purpose of the Loan and How Money Will Be Spent (Be specific.)
5. Equity
Amount and type of equity. As owner how much cash will you invest, or what type of assets will you contribute?
6. Contact
Contact person at the firm who is responsible for the proposed business plan.



Title Page

Items to include:

1. Company Name
2. Date
3. Contact Person

Table of Contents

1. Title Page
2. Executive Summary
3. Business Description
Points to include are a history of company, company's industry, legal structure, employee statistics, mission statement, current status and goals of company, and description of products.
4. Management
Points to include are key management personnel, organization chart, board of directors, staffing plan, form of organization, stock holders, reporting system, investment involvement, and unique advantages.
5. Market Analysis
Points to include are customers, market size and trends, competition, estimated market share and sales, and key assumptions.
6. Marketing Plan
Points to include are overall marketing strategy and sales methods.
7. Product or Services
Points to include are description, patents, comparison to competition, regulatory requirements, and unique advantages.
8. Manufacturing Plan
Points to include are facility size, facility location, production methods, manufacturing operation, inventory policy, quality control, suppliers, environmental factors, condition of facilities and equipment, unique advantages, and key assumptions.
9. Financial Data
Points to include are sources/application of funding, equipment list, Proforma balance sheet, break-even analysis, income projections, twelve-month cash flow, cost of goods sold schedule, audited financial statements, list of collateral offered to secure the loan, aging of accounts payable and receivable, and personal financial statements.
10. Supporting Documents
Points to include are general classification of supporting documents, critical risks and problems, and project schedule.

Executive Summary

Points to discuss include:

1. **Business Description**

Include name, address, plant or store description and brief history.

2. **Product**

Give a description of the product or service. What differentiates your product from existing products? What features of your product will give you a competitive edge in the marketplace? What is the product's current state of development: do you need further R&D; do you have blueprints but no prototypes; is a prototype built and ready for production? What type of protection do you need: patents, trademark or copyright?

3. **Market Data and Marketing Plan**

Who are the customers? Where are they located? What market niche will you serve? Who is your competition? What is the market (sales) potential? How will you sell or market your products?

4. **Management**

Discuss the key persons involved in the business and summary of relevant expertise or past business.

Include these additional items if the business plan is for the purpose of borrowing money:

5. Summary of sources and uses of funds.
6. Loan repayment and break-even summary.
7. Explanation of why you need the money and how you will use it – be specific.
8. Explanation of the steps you will take if company is in a turnaround situation.
9. Discuss how you intend to repay the loan.

This section should summarize the key elements of the plan critical to the success of the venture. This is the first exposure the lender will have to your idea, so the executive summary is more than just a condensation of the plan. The length may be 1-3 pages. Often the executive summary will be written after most of the business plan has been completed.

Business Description

The purpose of the business description is to help the reader understand the demographics of your company, the current status of your business and the future direction of your company.

Points to cover are:

- 1. Company History**
History of the company and its development, or information about how your idea developed.
- 2. Company Industry**
A discussion of the company's industry.
- 3. Legal Structure**
Details of the legal structure.
- 4. Employment**
Number of employees and their age distribution. Briefly discuss employees qualifications to do the work based on training, education and/or experience.
- 5. Mission/Vision Statement**
The mission statement of the business. Key elements of a mission statement include markets and geographic areas to be served, philosophy and values of the company and current and future products and/or services to be provided.
- 6. Current and Future Goals**
Discussion about where the company is today (current status) and where it wants to be (company goals). State goals quantitatively. Analyze your company in terms of strengths, weaknesses, opportunities, and threats (SWOT).
- 7. Company Products or Services**
Description of the company's products or services.

Management

Points to cover are:

- 1. Key Personnel**
Key management personnel and their duties and responsibilities. Resumes should be included in the supporting documents to show management has experience and skills needed to manage the company. Emphasize past successes and current role in the business.
- 2. Management Team**
Discuss how the management team's education, training and/or experience will help the company succeed.
- 3. Reporting Relationships**
Organization chart, salary structure and ownership share.
- 4. Directors and Advisors**
Board of Directors and outside advisory services.
- 5. Staffing Plan**
Discuss management needed in the organization, how you will fill key slots, hiring plans and the date positions will be filled.
- 6. Business Organization**
Form of business organization.
- 7. Ownership**
Names of stockholders and shares owned.
- 8. Management Duties**
Discuss the managers or private firms who will handle the management duties. Include internal control systems for accounting, inventory and management information reporting systems.
- 9. Other Investment**
Amount of money invested by owners.
- 10. Management's Competitive Advantage**
Unique competitive advantage from management experience or skills.

Management is the most critical aspect of the plan. The reader must have confidence in your management team and its ability to implement this plan. Do not be modest, but, at the same time, do not be boastful.

Market Analysis

In this section discuss the marketing mix, product or service, distribution channels, price and promotion. Discuss these items in comparison to the industry in general and against your competition.

Focus on your target markets. Explain how your market has people willing to buy or who may buy the product. Show that you have enough potential buyers for the company to survive and grow. Discuss the demographic characteristics of potential customers and why they may want to buy your product.

Points to cover are:

- 1. Customers**
Identify customers and potential customers. Discuss demographic information about customers such as age, gender, income, type of work and where they are located.
- 2. Market Size and Trends**
Discuss market in current unit and dollar size. Include future industry growth and trends. Support with documentation.
- 3. Competition**
Identify the competition and where it is located. Discuss competitors' annual sales volume, market share, strengths and weaknesses. Discuss key differences of your company and product compared to the competition and your product price compared to the competitors' price.
- 4. Estimated Market Share and Sales**
Include projected unit and dollar sales and area of the sales territory.
- 5. Product Distribution and Sales**
Discuss how this type of product is sold in the market place. Discuss distribution and your plans compared to customary practices.
- 6. Competitive Advantages**
Discuss the competitive advantages of your company and product compared to industry and competition.
- 7. Analysis**
Analyze strengths and weaknesses of your product line and company versus competitors' product line and company.

Marketing Plan

Discuss:

- 1. Marketing Goals and Objectives**
What you plan to do with the marketing effort? What are sales forecast targets?
- 2. Overall Marketing Strategy**
A key element to discuss is the market niche the company will have. Discuss how customers will be identified and sold; pricing strategy – pricing policy versus competition policy; service and warranty policies; how you will capture customers from competitors; credit terms. Include goals and timetables.
- 3. Sales Methods**
Discuss advertising and promotion policy; sales force management; sales staffing – manufacturing representatives or company sales force; sales area; distribution and sales methods – factory direct, dealers or wholesalers; how the sales methods will ensure projected sales levels are attained.
- 4. Test Marketing Completed or Planned**
Provide results of completed test marketing or outline the plan to conduct test marketing.
- 5. Marketing Budget**
Show the budget with dollars allocated for advertising, travel, sales balances and commissions, promotional materials, trade shows, samples.
- 6. Key Assumptions**

This section should convince the reader that you know how and where to sell your product.

Products or Services

This section should give the reader a clear understanding of your product or service. Use visual material, such as photographs, sketches or digital images to increase understanding. Be sure to include any marketing material used to promote the product.

Points to include:

1. **Products or Services**
Description of product line or service. Discuss product features.
2. **Legal Protection**
Patents, copyrights, trademarks.
3. **Competitor Comparison**
Comparison to competitors' products or services.
4. **Regulatory Agency Requirements**
5. **Competitive Advantage**
Unique competitive advantages versus competition.
6. **Customer Benefits**
Benefits of your product to customers.
7. **Packaging**
Describe packaging requirements.

Manufacturing Plan

Discuss:

- 1. Facility**
Size of facility needed with a plant layout sketch.
- 2. Location**
City, state and address where plant will be located.
- 3. Production**
Production methods and the state of art of your production process. Discuss how the manufacturing operation will help make the business a success. Detail production capacity versus sales needs. Include product literature on key pieces of equipment you will purchase and why you are buying that piece. Discuss how you will produce or provide the service or product.
- 4. Staffing**
Describe number of workers needed, the skills needed and training programs.
- 5. Inventory**
Inventory policy for raw material and finished goods.
- 6. Quality**
Quality control, quality assurance plans and plans to implement ISO 9000 or QS 9000.
- 7. Material**
Raw materials needed and sources of supply. List key suppliers.
- 8. Environmental Issues**
Environmental issues and any anticipated environmental factors. Discuss your environmental compliance program.
- 9. Condition of Production Assets**
Condition of production facilities and equipment.
- 10. Manufacturing Process Advantages**
Unique competitive advantage in the manufacturing process.
- 11. Government Requirements**
Discuss how you intend to comply with governmental agencies requirements such as OSHA for safety and air quality permits for the state of Iowa.
- 12. Key Assumptions**

This section should convince the reader that you can produce a quality product in sufficient quantities to meet demand. It must also demonstrate you know how to produce the product.

Financial Data

This section is analyzed by all readers. The data should show how you can make a profit, have positive cash flow and be able to repay any debt.

Items to include are:

1. Sources and Applications of Funding
2. Equipment List
3. Proforma Balance Sheet (with notes of explanation)
4. Break-even Analysis
5. Income Projections
This should be a three-year projection with notes of explanation.
6. 12-month Cash Flow
Include notes of explanation.
7. Detailed Cost of Goods Sold Schedule
8. Financial Statements
Audited financial statements for past 3-5 years.
9. Collateral
List of collateral offered to secure the loan.
10. Personal Financial Statements
Personal financial statements of all owners with 20 percent or more ownership.
11. Aging of Accounts Payable and Accounts Receivable (if an existing business)

Supporting Documents

1. General Supporting Documents

- *Letters from future customers.*
- *Plant layout.*
- *Product brochures, promotional materials.*
- *Resumes*
- *Market research data.*
- *Patent or trademark information.*
- *News articles.*

2. Critical Risks and Problems

Identify and discuss major risks and problems that you think you may encounter. Discuss risks including, but not limited to, the company, industry, personnel, market, product and financing. Indicate which assumptions or potential problems are most critical and how your plans reduce the impact of unfavorable developments.

Risks to include are:

- *Price cutting by competitors.*
- *Any potentially unfavorable industry-wide trends.*
- *Design or manufacturing costs in excess of estimates.*
- *Sales projections not achieved.*
- *Product development schedule not met.*
- *Difficulties or long lead times encountered in the procurement of parts or raw materials.*
- *Difficulties encountered in obtaining bank credit lines because of tight money.*
- *Larger than expected innovation and development costs to stay competitive.*
- *Availability of trained labor.*

3. Implementation Plan

A month-by-month schedule that shows the timing and interrelationship of major activities such as product development, market planning, sales programs and production. Include detail to show the timing of tasks required to accomplish an activity. Show on the schedule the deadlines and events critical to the venture's success.

Include such events as:

- *Incorporation of the venture (for a new business).*
- *Completion of design and development.*
- *Completion of prototypes (a key date; its achievement is a tangible measure of the company's ability to perform).*
- *When sales representatives are obtained.*
- *Displays at trade shows.*
- *When distributors and dealers are signed up.*
- *Order of materials in production quantities.*
- *Start of production or operation (another key date because it is related to the production of income).*
- *Receipt of first orders.*
- *First sales and deliveries (a date of maximum interest because it relates directly to the company's credibility and need for capital).*
- *Payment of first accounts receivable (cash in).*

The schedule should also show the following and their relation to the development of the business:

- *Number of management personnel.*
- *Number of production and operations personnel.*
- *Additions to plant or equipment.*

Be realistic about your schedule!

