

A road map to creating the all-important business plan

The most frequent questions we get at the Small Business Development Center are, “What is a business plan?” and “Do I need a business plan?”

The business plan can be used in many ways over the life of your business. It can provide you with the information you need to make critical decisions such as a “go” or “no-go” decision. It can function as a management tool to describe the way you intend to commit your resources and measure the success of your business. It can be the “selling tool” you use to convince your banker or investors of the worthiness of your ideas and of your business.

The business plan is the “road map” you’ve designed to make informed, strategic choices throughout the life of your business. It also should allow you to be flexible and respond to the changing needs of your market.

Developing a business plan is an intensive process and requires dedication, research and a commitment of time from you. So, let us look at a way to “begin the business plan.” For purposes of clarity and simplicity, concentrate on the following four major areas and the five questions assigned to each area:

I. The Business

- What specific product/service will I offer?
- What experience do I have in this field?
- What skills will I need that I do not have? Where/how will I get these skills?
- Specifically, who will perform what duties?
- Where will I locate my business? Why?

II. The Customers

- Who is my customer? (age, gender, income, occupation, location, etc.)
- Why will my customer buy my product/service?

- How often and in what quantity will my customer buy my product/service?
- How many potential customers are in my market area?
- How far is my customer willing to travel?

III. The Competition

- Who are my major competitors?
- What are their strengths? Weaknesses?
- Are the numbers of competitors growing?
- Have any gone out of business in the past two years? Why?
- Is demand expanding/shrinking? Why?

IV. The Financial Plan

- How will I fund my business? (Personal, loan, other.)
- What are my start up expenses?
- What are my projected sales for the first twelve months?
- What are my projected expenses for the first twelve months?
- What is my projected monthly profit?

Marcia Bagnall is Director of the Chemeketa Small Business Development Center and instructor of Small Business Management Program. The Small-Business Adviser column

is produced by the center and appears each Sunday. Questions can be submitted to SBDC@chemeketa.edu. Visit the SBDC at 626 High Street NE in downtown Salem or call (503) 399-5088.

Business plan should be compelling, easy to read

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(Photo: Special to the Statesman Journal)

If you're out looking for financing from a bank, from a relative or from some other source, you know that you need a business plan that is compelling. And easy to read. And makes someone want to lend you money.

Here are some writing guidelines to help you whip your plan into shape.

1. Make it readable. There is so much competition for investment dollars today that if you want to get the jump on the next person, your plan will have to be well formatted and easily understood. Make sure your writing is smooth and easy to follow, and also that it keeps the reader's interest. Skip the big fancy words, too — no one should need a glossary to get through each page.

2. Focus on a market-driven approach. That is, not product-driven. Investors are primarily interested in how the product or service will react and be received in the market. No matter how good you think your product is, will anyone buy it? Before they put their money on the line, they want to see your research demonstrating and substantiating how the customer will benefit and be motivated to purchase.

3. Mention how you will best the competition. Show how your product or service is superior to others, and how you intend to out-compete others in your industry.

4. Include your distribution plan. Be specific as to how the company will sell and distribute its product or service. Clearly describe the methods and what it will cost to get the product or service into the customer's hands.

5. Emphasize your company's uniqueness. Explain what will give your company a competitive edge in the marketplace. Be sure to mention special attributes like a patent, trade secrets, or copyrights.

6. Highlight management strength. Show proof that the company is comprised of highly qualified people who can cover all the bases. Indicate the incentives that will keep them together, and how management possesses the necessary experience and credibility.

7. Make the future look bright. Paint a realistic picture — substantiated by assumptions — of where your company is going. Be detailed and keep it credible. Good validated projections and forecasts are impressive.

8. Customize it to possible funding sources. Design versions of the plan to fit the idiosyncrasies of each source you plan to approach. A banker's interest lies in stability, security, cash flow coverage, and sound returns. A venture capitalist is more interested in high leverage resulting in outrageous returns.

9. Make the ending memorable. Drive home the point that you're offering a good deal. Be definite about how investors will get their money back and when. Specify the return rates and the potential upside.

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