

How To Write A Successful Business Plan

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Whether you are planning to start a brand-new business, expand an existing company, or get financing for a business venture, you will need to write a business plan. A business plan not only lends your business a sense of credibility, but also helps you to cover all your bases, increasing your chances of success.

Although writing a business plan can be a lengthy, intimidating project, it is not necessarily difficult. Here is an overview of how to write a successful business plan.

What to Include in Your Business Plan

Your business plan needs to demonstrate that you have thoroughly considered all aspects of running your business. To that end, the standard business plan has nine major sections, covering everything from your business's mission statement to a detailed financial analysis.

Executive Summary

The first – and most important – section of your business plan is the executive summary. This section is so important that it should literally be the first thing the reader sees – even before the table of contents! However, it should also be written last, as you'll have a better understanding of the overall message of your business plan after you've researched and written the other sections.

One of the most important parts of the executive summary is the mission statement. The mission statement is only three or four sentences long, but it should pack the most punch out of everything else in your business plan: Those four sentences are responsible for not only defining your business, but also capturing the interest of your reader.

The rest of your executive summary should fill in the important details that the mission statement glosses over. For instance, your executive summary should include a short history of the business, including founder profiles and start date; a current snapshot, listing locations, numbers of employees, and products or services offered; and a summary of future plans and goals.

This section is a candidate for a bulleted format, which allows you to list main points in a manner that is easy to scan. Avoid using too much detail – remember, this section is a summary. A page or two is usually sufficient for an executive summary.

Market Analysis

The next section of your business plan focuses on market analysis. In order to show that your business has a reasonable chance for success, you will need to thoroughly research the industry and the market you intend to sell to. No bank or investor is going to back a doomed venture, so this section is sure to fall under especially close scrutiny if you are looking for financing.

Your market analysis should describe your industry, including the size, growth rate, and trends that could affect the industry. This section should also describe your target market – that is, the type or group of customers that your company intends to serve. The description of your target market should include detail such as:

- Distinguishing characteristics
- The needs your company or product line will meet
- What media and/or marketing methods you'll use to reach them
- What percentage of your target market you expect to be able to wrest away from your competitors

In addition, your market analysis should include the results of any market tests you have done, and an analysis of the strengths and weaknesses of your competitors.

Company Description

After your market analysis, your business plan will need to include a description of your company. This section should describe:

- The nature of your business
- The needs of the market
- How your business will meet these needs
- Your target market, including specific individuals and/or organizations
- The factors that set you apart from your competition and make you likely to succeed

Although some of these things overlap with the previous section, they are still necessary parts of your company description. Each section of your business plan should have the ability to stand on its own if need be. In other words, the company description should thoroughly describe your company, even if certain aspects are covered in other sections.

Organization and Management

Once you have described the nature and purpose of your company, you will need to explain your staff setup. This section should include:

- The division of labor – how company processes are divided among the staff
- The management hierarchy
- Profiles of the company's owner(s), management personnel, and the Board of Directors
- Employee incentives, such as salary, benefits packages, and bonuses

This goal of this section is to demonstrate not only good organization within the company, but also the ability to create loyalty in your employees. Long-term employees minimize human resource costs and increase a business's chances for success, so banks and investors will want to see that you have an effective system in place for maintaining your staff.

Marketing and Sales Management

The purpose of the marketing and sales section of your business plan is to outline your strategies for marketing your products or services. This section also plans for company growth by describing how the growth could take place.

The section should describe your company's:

- Marketing methods
- Distributions methods
- Type of sales force
- Sales activities
- Growth strategies

Product or Services

Following the marketing section of your business plan, you will need a section focusing on the product or services your business offers. This is more than a simple description of your product or services, though. You will also need to include:

- The specific benefits your product or service offers customers
- The specific needs of the market, and how your product will meet them
- The advantages your product has over your competitors
- Any copyright, trade secret, or patent information pertaining to your product
- Where any new products or services are in the research and development process
- Current industry research that you could use in the development of products and services

Funding Request

Only once you have described your business from head to toe are you ready to detail your funding needs. This section should include everything a bank or investor needs in order to understand what type of funding you want:

- How much money you need now
- How much money you think you will need over the next five years
- How the money you borrow will be used
- How long you will need funding
- What type of funding you want (i.e. loans, investors, etc.)
- Any other terms you want the funding arrangement to include

Financials

The financials section in your business plan supports your request for outside funding. This section provides an analysis of your company's prospective financial success. The section also details your company's financial track record for the past three to five years, unless you are seeking financing for a startup business.

The financials section should include:

- Company income statements for prior years

- Balance sheets for prior years
- Cash flow statements for prior years
- Forecasted company income statements
- Forecasted balance sheets
- Forecasted cash flow statements
- Projections for the next five years – every month or quarter for the first year, with longer intervals for the remaining years
- Collateral you can use to secure a loan

The financials section is a great place to include visuals such as graphs, particularly if you predict a positive trend in your projected financials. A graph allows the reader to quickly take in this information, and may do a better job of encouraging a bank or investor to finance your business. However, be sure that the amount of financing you are requesting is in keeping with your projected financials – no matter how impressive your projections are, if you are asking for more money than is warranted, no bank or investor will give it to you.

Appendices

The appendix is the final section in your business plan. Essentially, this is where you put all of the information that doesn't fit in the other eight sections, but that someone – particularly a bank or investor – might need to see.

For instance, the market analysis section of your business plan may list the results of market studies you have done as part of your market research. Rather than listing the details of the studies in that section, where they will appear cumbersome and detract from the flow of your business plan, you can provide this information in an appendix.

Other information that should be relegated to an appendix includes:

- Credit histories for both you and your business
- Letters of reference
- References that have bearing on your company and your product or service, such as magazines or books on the topic
- Company licenses and patents
- Copies of contracts, leases, and other legal documents
- Resumes of your top managers
- Names of business consultants, such as your accountant and attorney

Writing a Successful Business Plan

Despite the quantity of information contained in your business plan, it should be laid out in a format that is easy to read. Just like with any piece of business writing, it is important to craft your business plan with your intended audience in mind – and the bankers, investors, and other busy professionals who will read your business plan almost certainly won't have time to read a tedious document with long-winded paragraphs and large blocks of text.

Business plans for startup companies and company expansions are typically between twenty to forty pages long, but formatting actually accounts for a lot of this length. A

strong business plan uses bullet points throughout to break up long sections and highlight its main points. Visuals such as tables and charts are also used to quickly relay specific information, such as trends in sales and other financial information. These techniques ensure that the reader can skim the business plan quickly and efficiently.

Think of your audience as only having fifteen minutes to spend on each business plan that comes across their desks. In that fifteen minutes, you not only have to relay your most important points, but also convince the reader that your business venture merits a financial investment. Your best bet is a well-researched business plan, with an organized, easy-to-read format and clear, confident prose.

About The Author

Jason Kay is a former professional business plan writer and provides business start up advice. He contributes to business magazines and websites such as <http://BudgetBusinessPlans.com>, which provides business plan writing services and business plan samples.