

**The Business Plan**

1. Why do a business plan?
   1. Business plans are created for several reasons:
      1. Get the business idea of out of your head and on paper.
      2. Feasibility including assets required, licensing, permitting, funding, and personnel.
      3. Identify and evaluate current and potential competitors.
2. There are two types of business plans – internal and external.
   1. Internal plans can run from 20 to 50 pages, depending how deep the dive in developing the business plan and strategy.
      1. Internal plans are living documents that chart a course that is subject to change due to competition, resources, legislation, and technology.
      2. Internal plans are not shared or distributed outside of Ownership or the leadership team.
      3. The cover of the business plan includes the statement: “Confidential, Not For Distribution”.
   2. External plans are created for distribution to potential Lenders, Investors, external Stakeholders, etc.
      1. These plans run from 6 to 10 pages maximum, including financials. Emphasis in on viability, ability to succeed, and ability to repay debt.
   3. Hybrid business plan. These are usually “one-off” plans created for potential Investors or recruiting a specific talent or person.
      1. Hybrid plans include the external business plan, plus elements of the internal plan.
         1. These plans are usually not distributed until the receiving Party signs a Non-Disclosure Agreement (NDA).

**Elements Of A Business Plan**

1. Executive Summary –
   1. Overview of the organization and what it will accomplish.
   2. The first section a reader sees is actually the last section written.
2. Company Description –
   1. Mission Statement - keep it short, no more than 2 sentences. You should be able to repeat it verbatim if asked what it is without a copy of it in your hand.
   2. What problems will you solve, or what resources will you bring to the marketplace. Include which consumers, organizations or industries will benefit.
   3. Explain your competitive advantage over existing businesses or organizations.
3. Market Analysis –
   1. Overview of the market you will be entering and a description of your target market.
   2. Overview of existing competitors, what they do well, what they don’t do well or not at all.
   3. Why is your service or product better, or what problem does it solve that is currently not available?
4. Organization and Management –
   1. Your business structure and how it will change as your grow.
5. Product or Service Line:
   1. Define and describe the benefits of your products and/or services.
   2. Identify intellectual properties and status of copyrights and/or patents.
   3. Explain R&D to date and going forward.
      1. Remember who will be reading this, with regard to confidentiality.
6. Marketing and Sales (this is not a marketing plan; it is a marketing strategy):
   1. Define and describe your target market utilizing demographic data.
   2. Overview of your branding and social media marketing strategies.
   3. How will you communicate with your target market?
   4. What type of social media marketing will you employ and why?
   5. How will you fulfil your sales?
   6. How will you retain customers?
7. Funding Request:
   1. How much will you need and what will it be used for.
   2. Funding should include acquisition of capital assets, operating capital, labor expense, contracts, etc.
   3. Strategic financial planning, including paying down debt and future expansion and additional financial needs.
8. Financial Projections:
   1. Three-year projection, including start-up capital, operating capital and contingencies.
   2. Must tie back to specific points of your **Funding Request**.
   3. If this is an existing business adding a new line of business (LOB), include the last there years:
      1. Income Statements
      2. Balance Sheets
      3. Cash Flow Statements
      4. Federal tax returns
9. Appendix:
   1. Resume(s)
   2. Credit score and credit history
   3. Specific licenses and certifications
   4. Patents and copyrighted materials
   5. Executed contracts

Epilogue: Banks want business plans that are short, concise and to the point. One of the best tactics is to include images about the industry the business is or will be in. The plan is then written about the images; in essence the images tell the story, the narrative ties the plan together.

1. Know the Lenders your business plan is written for:
   1. Banks and Credit Unions:
      1. Conservative, does not fund new start-ups unless the Borrower has a current business in good standing for at least two-years, or adequate assets to guarantee the loan.
      2. If the Lender does not understand the business idea or concept the answer is “no”.
   2. CDFI’s (Community Development Financial Institutions):
      1. Secondary Lenders funding local businesses and first-time business Owners.
      2. Credit score and credit history less important, emphasis on the business idea and the ability to successfully start, grow and manage the business.
   3. Investors
      1. Angel Investors, usually a family member providing start-up funds or funds for expansion. Angel Investors sometimes offer funds in exchange for a piece of the business.
   4. Crowdfunding
      1. Very popular. However, a successful crowdfunding campaign can take six months to a year to have the pieces in place before the campaign is launched.
   5. SBDC Finance Center:
      1. Assist clients with matching small business Owners and SBA Lenders for an SBA 504 or 7a small business loan.
      2. Clients are assigned a Loan Specialist who will assist with the loan application process.
      3. The Center “shops” the loan for the client. Lender may be out of state, usually a specialty bank that finances a certain industry or sector.
2. How your business plan will be reviewed by your potential Lender:
   1. The average Loan Officer understands Banking and lending. Sometimes they understand one or two business sectors.
   2. They will review the Executive Summary, go directly to the financials and look at the P&L and Balance Sheet.
      1. They will run one or more of the 14 financial ratios used to validate financial performance.
   3. If satisfied, the business plan will be sent to an in-house or contract Researcher to read and evaluate your plan.
3. Rewriting your business plan after being told “no”. Very few potential Borrowers are told “yes” on the first business plan submittal, most are told “no”. You have a choice - either walk away or understand that this is part of the funding process. If you are the latter, your next steps include:
   1. Ask the Loan Officer what they liked about the plan and what they did not like about the plan. You may want to leave the business plan intact and submit to another Lender just to make sure.
   2. The rewrite – use your notes from the meeting or meetings to address the deficits the Loan Officer(s) relayed. In addition, how can the strong points of your plan be made stronger.

As Business Advisors, we understand our clients know the business they are in or want to enter. We also understand that Lenders are extremely conservative by nature and profession. We all have stories of clients doing up to three rewrites to get a “yes”. When this happens, the client usually goes back to the first business plan and successfully executes it.