



How to write a Business Plan

How to Write the Perfect Business Plan: A Comprehensive Guide

The following is a comprehensive guide to creating a great business plan.

Executive Summary

Overview and Objectives

Products and Services

Market Opportunities

Sales and Marketing

Competitive Analysis

Operations

Management Team

Financial Analysis

Key Concepts

A solid business plan should be a blueprint for a successful business. It should washout strategic plans, develop marketing and sales plans, create the foundation for smooth operations, and maybe--just maybe--persuade a lender or investor to jump onboard.

So, at a minimum, your plan should:

Be as objective and logical as possible. What may have seemed like a good idea for a business can, after some thought and analysis, prove not viable because of heavy competition, insouciant funding, or a nonexistent market.

Serve as a guide to the business's operations for the first months and sometimes years, creating a blueprint for company leaders to follow.

Communicate the company's purpose and vision, describe management responsibilities, detail personnel requirements, provide an overview of marketing plans, and evaluate current and future competition in the marketplace.

Create the foundation of a enhancing proposal for investors and lenders to use to evaluate the company.

A good business plan delves into each of the above categories, but it should also accomplish other objectives. Most of all, a good business plan is convincing. It proves case. It provides concrete, factual evidence showing your idea for a business is in fact sound and reasonable and has every chance of success.

Who must your business plan convince?

First and foremost, your business plan should convince you that your idea for business is not just a dream but can be a viable reality.

After you objectively evaluate your capital needs, products or services, competition, marketing plans, and potential to make a profit, you'll have a much better grasp on your chances for success.

And if you're not convinced, Take a step back and redo your ideas and your plans.

Who can your business plan convince?

1. Potential sources of Financing. If you need seed money from a bank or friends and relatives, your business plan can help you make a great case. Financial statements can show where you have been. Financial projections describe where you plan to go.

Your business plan shows how you will get there. Lending naturally involves risk, and a great business plan can help lenders understand and quantify that risk, increasing your chances for approval.

2. Potential partners and investors. Where friends and family are concerned, sharing your business plan may not be necessary (although it certainly could help).

Other investors--including angel investors or venture capitalists--generally require a business plan in order to evaluate your business.

3. Skilled employees. When you need to attract talent, you need something to show prospective employees since you're still in the start-up phase. Early on, your business is more of an idea than a reality, so your business plan can help prospective employees understand your goals--and, more important, their place in helping you achieve those goals.

4. Potential joint ventures. Joint ventures are like partnerships between two companies. A joint venture is a formal agreement to share the work--and share the revenue and profit. As a new company, you will likely be an unknown quantity in your market. Setting up a joint venture with an established partner could make all the difference in getting your business off the ground.

But above all, your business plan should convince you that it makes sense to move forward.

As you map out your plan, you may discover issues or challenges you had not anticipated.

Maybe the market isn't as large as you thought. Maybe, after evaluating the competition, you realize your plan to be the low-cost provider isn't feasible since the profit margins will be too low to cover your costs.

Or you might realize the fundamental idea for your business is sound, but how you implement that idea should change. Maybe establishing a storefront for your operation isn't as cost-effective as taking your products directly to customers--not only will your operating costs be lower, but you can charge a premium since you provide additional customer convenience.

Think of it this way. Successful businesses do not remain static. They learn from mistakes, and adapt and react to changes: changes in the economy, the marketplace, their customers, their products and services, etc. Successful businesses identify opportunities and challenges and react accordingly.

Creating a business plan lets you spot opportunities and challenges without risk. Use your plan to dip your toe in the business water. It's the perfect way to review and revise your ideas and concepts before you ever spend a penny.

Many people see writing a business plan as a "necessary evil" required to attract

financing or investors. Instead, see your plan as a no-cost way to explore the viability of your potential business and avoid costly mistakes.

The sections of your business plan:

Executive Summary

The Executive Summary is a brief outline of the company's purpose and goals. While it can be tough to fit on one or two pages, a good Summary includes:

A brief description of products and services

A summary of objectives

A solid description of the market

A high-level rustication for viability (including a quick look at your competition and your competitive advantage)

A snapshot of growth potential

An overview of funding requirements

I know that seems like a lot, and that's why it's so important you get it right. The Executive Summary is often the make-or-break section of your business plan.

A great business solves customer problems. If your Summary cannot clearly describe, in one or two pages, how your business will solve a particular problem and make a profit, then it's very possible the opportunity does not exist--or your plan to take advantage of a genuine opportunity is not well developed.

So think of it as a snapshot of your business plan. Don't try to "hype" your business--focus on helping a busy reader get a great feel for what you plan to do, how you plan to do it, and how you will succeed.

Since a business plan should above all help you start and grow your business, your Executive Summary should first and foremost help you do the following.

1. Renew and tighten your concept.

Think of it as a written elevator pitch (with more detail, of course). Your Summary describes the highlights of your plan, includes only the most critical points, and leaves out less important issues and factors.

As you develop your Summary, you will naturally focus on the issues that contribute most to potential success. If your concept is too fuzzy, too broad, or too complicated, go back and start again. Most great businesses can be described in several sentences, not several pages.

2. Determine your priorities.

Your business plan walks the reader through your plan. What ranks high in terms of importance? Product development? Research? Acquiring the right location? Creating strategic partnerships?

Your Summary can serve as a guide to writing the rest of your plan.

3. Make the rest of the process easy.

Once your Summary is complete, you can use it as an outline for the rest of your plan. Simply fill out the highlights with more detail.

Then work to accomplish your secondary objective by focusing on your readers. Even though you may be creating a business plan solely for your own purposes, at some point you may decide to seek financing or to bring on other investors, so make sure your Summary meets their needs as well. Work hard to set the stage for the rest of the plan. Let your excitement for your idea and your business shine through.

In short, make readers want to turn the page and keep reading. Just make sure your sizzle meets your steak by providing clear, factual descriptions.

The following is how an Executive Summary for a bicycle rental store might read.

Introduction

Blue Mountain Cycle Rentals will offer road and mountain bike rentals in a strategic location directly adjacent to an entrance to the George Washington National Forest.

Our primary strategy is to develop Blue Mountain Cycle Rentals as the most convenient and cost-effective rental alternative for the thousands of visitors who flock to the area each year.

Once underway, we will expand our scope and take advantage of high-margin new equipment sales and leverage our existing labor force to sell and service those products. Within three years we intend to create the area's premier destination for cycling enthusiasts.

Company and Management

Blue Mountain Cycle Rentals will be located at 321 Mountain Drive, a location providing extremely high visibility as well as direct entry and exit from a primary national park access road. The owner of the company, Marty Cycle, has over 20 years experience in the bicycle business, having served as a product manager for Acme Cycles as well as the general manager of Epic Cycling.

Because of his extensive industry contacts, initial equipment inventory will be purchased at significant discounts from OEM suppliers as well by sourcing excess inventory from shops around the country.

Because of the somewhat seasonal nature of the business, part-time employees will be hired to handle spikes in demand. Those employees will be attracted through competitive wages as well as discounts products and services.

Market Opportunities

460,000 people visited the George Washington National Forest during the last 12 months. While the outdoor tourism industry as a whole is what, the park expects its number of visitors to grow over the next few years.

The economic outlook indicates fewer VA, WV, NC, and MD cycling enthusiasts will travel outside the region

The park has added a camping and lodging facilities that should attract an increased number of visitors

The park has opened up additional areas for trail exploration and construction, ensuring a greater number of single-track options and therefore greater number of visitors

The market potential inherent in those visitors is substantial. According to third-party research data, approximately 30 percent of all cyclists would rather rent than transport their own bicycles, especially those who are visiting the area for reasons other than cycling.

Competitive Advantages

The cycling shops located in Harrisonburg, VA, are direct and established competitors. Our two primary competitive advantages will be location and lower costs.

Our location is also a key disadvantage where non-park rentals are concerned. We will overcome that issue by establishing a satellite location in Harrisonburg for enthusiasts who wish to rent bicycles to use in town or on other local trails.

We will also use online tools to better engage customers, allowing them to reserve and pay online as well as create individual profiles regarding sizes, preferences, and special needs.

Financial Projections

Blue Mountain Cycle Rentals expects to earn a modest profit by year two based on projected sales. Our projections are based on the following key assumptions:

Initial growth will be moderate as we establish awareness in the market

Initial equipment purchases will stay in service for an average of three to four years; after two years we will begin investing in "new" equipment to replace damaged or obsolete equipment

Marketing costs will not exceed 14 percent of sales

Residual profits will be reinvested in expanding the product and service line

We project first-year revenue of \$720,000 and a 10 percent growth rate for the next two years. Direct cost of sales is projected to average 60 percent of gross sales, including 50 percent for the purchase of equipment and 10 percent for the purchase of ancillary items. Net income is projected to reach \$105,000 in year three as sales increase and operations become more efficient.

Keep in mind this is just a made-up example of how your Summary might read. Also keep in mind this example focused on the rental business, so a description of products was not included. (They'll show up later.) If your business will manufacture or sell products, or provide a variety of services, then be sure to include a Products and Services section in your Summary. (In this case the products and services are obvious, so including a special section would be redundant.)

Bottom line: Provide some sizzle in your Executive Summary, but make sure you show a reasonable look at the steak, too.

Overview and Objectives

Providing an overview of your business can be tricky, especially when you're still in the planning stages. If you already own an existing business, summarizing your current operation should be relatively easy; it can be a lot harder to explain what you plan to become.

So start by taking a step back.

Think about what products and services you will provide, how you will provide those items, what you need to have in order to provide those items, exactly who will provide those items, and most important, whom you will provide those items to.

Consider our bicycle rental business example. It's serves retail customers. It has an online component, but the core of the business is based on face-to-face transactions for bike rentals and support.

So you'll need a physical location, bikes, racks and tools and supporting equipment, and other brick-and-mortar related items. You'll need employees with a very particular set of skills to serve those customers, and you'll need an operating plan to guide your everyday activities.

Sound like a lot? It boils down to:

What you will provide

What you need to run your business

Who will service your customers, and

Who your customers are.

In our example, dealing the above is fairly simple. You know what you will provide to meet your customer's needs. You will of course need a certain quantity of bikes to service demand, but you will not need a number of different types of bikes. You need a retail location, furnished to meet the demands of your business. You need semi-skilled employees capable of sizing, customizing, and repairing bikes.

And you know your customers: cycling enthusiasts.

In other businesses and industries, answering the above questions can be more difficult. If you open a restaurant, what you plan to serve will in some ways determine your labor needs, the location you choose, the equipment you need to purchase. And, most important, it will help define your customer. Changing any one element may change other elements; if you cannot afford to purchase expensive kitchen equipment, you may need to adapt your menu accordingly. If you hope to attract an upscale clientele, you may need to invest more in purchasing a prime location and creating an appealing ambience.

So where do you start? Focus on the basics first:

Identify your industry. Retail, wholesale, service, manufacturing, etc. Clearly Define your type of business.

Identify your customer. You cannot market and sell to customers until you know who they are. Explain the problem you solve. Successful businesses create customer value by solving problems. In our rental example, one problem is cycling enthusiasts who don't--or can't--travel with bikes. Another problem is casual cyclists who can't--or choose not to--spend significant sums on their own bikes. The rental shop will solve that problem by offering a lower-cost and convenient alternative.

Show how you will solve that problem. Our rental shop will offer better prices and enhanced services like remote deliveries, oå-hours equipment returns, and online reservations.

If you are still stuck, try answering these questions. Some may pertain to you; others may not.

Who is my average customer? Who am I targeting? (Unless you plan to open a grocery store, you should be unlikely to answer, "Everyone!")

What pain point do I solve for my customers?

How will I overcome that pain point?

Where will I fail to solve a customer problem, and what can I do to overcome that issue? (In our rental example, one problem is a potential lack of convenience; we will overcome that issue by ordering online reservations, on- resort deliveries, and drive-up equipment returns.)

Where will I locate my business?

What products, services, and equipment do I need to run my business?

What skills do my employees need, and how many do I need?

How will I beat my competition?

How can I differentiate myself from my competition in the eyes of my customers? (You can have a great plan to beat your competition, but you also must win the perception battle among your customers. If customers don't feel you are deferent, then you aren't truly deferent. Perception is critical.)

Once you work through this list you will probably end up with a lot more detail than is necessary for your business plan. That is not a problem: Start summarizing the main points. For example, your Business Overview and Objectives section could start something like this:

History and Vision

Blue Mountain Cycle Rentals is a new retail venture that will be located at 321Mountain Drive, directly adjacent to an extremely popular cycling destination. Our initial goal is to become the premier provider for bicycle rentals. We will then leverage our customer base and position in the market to order new equipment sales as well as comprehensive maintenance and service, custom equipment fittings, and expert trail advice.

Objectives

1. Achieve the largest market share bicycle rentals in the area
2. Generate a net income of \$235,000 at the end of the second year of operation
3. Minimize rental inventory replacement costs by maintaining a 7 percent rate on existing equipment (Industry average is 12 percent)

Keys to Success

Provide high-quality equipment, sourcing that equipment as inexpensively as possible through existing relationships with equipment manufacturers and other cycling shops

Use signage to attract visitors traveling to the national forest, highlighting our cost and service advantage

Create additional customer convenience factors to overcome a perceived lack of convenience for customers planning to ride roads and trails some distance away from our shop
Develop customer incentive and loyalty programs to leverage customer relationships and create positive word of mouth

You could certainly include more detail in each section; this is simply a quick guide.
And if you plan to develop a product or service, you should thoroughly describe the development process as well as the end result.

The key is to describe what you will do for your customers--if you can't, you won't have any customers.

Products and Services

In the Products and Services section of your business plan, you will clearly describe--yep--the products and services your business will provide.

Keep in mind that highly detailed or technical descriptions are not necessary and defiantly not recommended. Use simple terms and avoid industry buzzwords.

On the other hand, describing how the company's products and services will describe the competition is critical. So is describing why your products and services are needed if no market currently exists. (For example, before there was Federal Express, overnight delivery was a niche business served by small companies. FedEx had codeine the opportunity for a new, large-scale service and justify why customers needed--and would actually use--that service.)

Patents, copyrights, and trademarks you own or have applied for should also be listed in this section.

Depending on the nature of your business, your Products and Services section could be very long or relatively short. If your business is product-focused, you will want to spend more time describing those products.

If you plan to sell a commodity item and the key to your success lies in, say, competitive pricing, you probably don't need to provide significant product detail. Or if you plan to sell a commodity readily available in a variety of outlets, the key to your business may not be the commodity itself but your ability to market in a more cost-effective way than your competition.

But if you're creating a new product (or service), make sure you thoroughly explain the nature of the product, its uses, and its value, etc.--otherwise your readers will not have enough information to evaluate your business.

Key questions to answer:

Are products or services in development or existing (and on the market)?

What is the timeline for bringing new products and services to market?

What makes your products or services different? Are there competitive advantages compared with offerings from other competitors? Are there competitive disadvantages you will need to overcome? (And if so, how?)

Is price an issue? Will your operating costs be low enough to allow a reasonable profit margin?

How will you acquire your products? Are you the manufacturer? Do you assemble products using components provided by others? Do you purchase products from suppliers or wholesalers? If your business takes off is a steady supply of products available?

In the cycling rental business example we've been using, products and services could be a relatively simple section to complete or it could be fairly involved. It depends on the nature of the products the company plans to rent to customers.

If Blue Mountain Cycling Rentals plans to market itself as a provider of high-end bikes, describing those bikes--and the sources for those bikes--is important, since "high-end cycling rentals" is intended to be a market differentiation. If the company plans to be the low-cost provider, then describing special brands of equipment is probably not necessary.

Also, keep in mind that if a supplier runs out of capacity--or goes out of business altogether--you may not have a sufficient supply to meet your demand. Plan to set up multiple vendor or supplier relationships, and describe those relationships fully.

Remember, the primary goal of your business plan is to convince you that the business is viable--and to create a road map for you to follow.

The Products and Services section for our cycling rental business could start something like this:

Product Description

Blue Mountain Cycle Rentals will provide a comprehensive line of bicycles and cycling equipment for all ages and levels of ability. Since the typical customer seeks medium-quality equipment and excellent services at competitive prices, we will focus on providing brands like Trek bikes, Shimano footwear, and Giro helmets. These manufacturers have a widespread reputation as mid- to high-level quality, unlike equipment typically found in the rental market.

The following is a breakdown of anticipated rental price points, per day and per week:

Bicycle \$30/\$120

Helmet \$6/\$30

Etc.

Notes:

Customers can extend the rental term online without visiting the store.

A grace period of two hours will be applied to all rentals; customers who return equipment within that two-hour period will not be charged an additional fee.

Competition

Blue Mountain Cycle Rentals will have clear advantages over its primary competitors, the bike shops located in Harrisonburg, VA:

1. Newer equipment inventory with higher perceived quality
2. Price points 15 percent below the competition
3. Online renewals offering greater convenience
4. A liberal return grace period that will reinforce our reputation as customer-friendly rental experience

Future Products

Expansion will allow us to move product offerings into new equipment sales. We will also explore maintenance and fitting services, leveraging our existing maintenance staff provide value-added services at a premium price.

When you draft your Products and Services section, think of your reader as a person who knows little to nothing about your business. Be clear and to the point.

Think of it this way: The Products and Services section answers the "what" question for your business. Make sure you fully understand the "what" factor; you may run the business, but your products and services are its lifeblood.

Market Opportunities

Market research is critical to business success. A good business plan analyzes and evaluates customer demographics, purchasing habits, buying cycles, and willingness to adopt new products and services.

The process starts with understanding your market and the opportunities inherent in that market. And that means you'll need to do a little research. Before you start a business you must be sure there is a viable market for what you plan to offer.

That process requires asking, and more importantly answering, a number of questions. The more thoroughly you answer the following questions, the better you will understand your market.

Start by evaluating the market at a relatively high level, answering some high-level questions about your market and your industry:

What is the size of the market? Is it growing, stable, or in decline?

Is the overall industry growing, stable, or in decline?

What segment of the market do I plan to target? What demographics and behaviors make up the market I plan to target?

Is demand for my special products and services rising or falling?

Can I differentiate myself from the competition in a way customers will find meaningful? If so, can I differentiate myself in a cost-effective manner?

What do customers expect to pay for my products and services? Are they considered to be a commodity or to be custom and individualized?

Fortunately, you've already done some of the legwork. You've already defined and mapped out your products and services. The Market Opportunities section provides a sense-check of that analysis, which is particularly important since choosing the right products and services is such a critical factor in business success.

But your analysis should go further: Great products are great, but there still must be a market for those products. (Ferraris are awesome, but you're unlikely to sell many where I live.)

So let's dig deeper and quantify your market. Your goal is to thoroughly understand the characteristics and purchasing ability of potential customers in your market. A little Googling can yield a tremendous amount of data.

For the market you hope to serve, determine:

Your potential customers. In general terms, potential customers are the people in the market segment you plan to target. Say you sell jet skis; anyone under the age of 16 and over the age of 60 or so is unlikely to be a customer.

Plus, again in general terms, women make up a relatively small percentage of jet ski purchasers. Determining the total population for the market is not particularly helpful if your product or service does not serve a need for the entire population. Most products and services do not.

Total households. In some cases determining the number of total households is important depending on your business. For example, if you sell heating and air conditioning systems, knowing the number of households is more important than simply knowing the total population in your area. While people purchase HVAC systems, "households" consume those systems.

Median income. Spending ability is important. Does your market area have sufficient spending power to purchase enough of your products and services to enable you to make a profit? Some areas are more affluent than others.

Don't assume every city or locality is the same in terms of spending power. A service that is viable in New York City may not be viable in your town.

Income by demographics. You can also determine income levels by age group, by ethnic group, and by gender. (Again, potential spending power is an important number to quantify.) Senior citizens could very well have a lower income level than males or females age 45 to 55 in the prime of their careers.

Or say you plan to sell services to local businesses; in that case, try to determine the amount they currently spend on similar services.

The key is to understand the market in general terms and then to dig deeper to understand whether there are specific segments within that market--the segments you plan to target--that can become customers and support the growth of your business.

Also keep in mind that if you plan to sell products online the global marketplace is incredibly crowded and competitive. Any business can sell a product online and ship that product around the world. Don't simply assume that just because "the bicycle industry is a \$62 billion business" (a number I just made up) that you can capture meaningful percentage of that market.

On the other hand, if you live in an area with 50,000 people and there's only one bicycle shop, you may be able to enter that market and attract a major portion of bicycle customers in your area.

Always remember it's much easier to serve a market you can define and quantify.

After you complete your research you may feel a little overwhelmed. While data is good, and more data is great, sifting through and making sense of too much data can be daunting.

For the purposes of your business plan, narrow your focus and focus on answering these main questions:

What is your market? Include geographic descriptions, target demographics, and company profiles (if you're B2B). In short: Who are your customers?

What segment of your market will you focus on? What niche will you attempt to carve out? What percentage of that market do you hope to penetrate and acquire?

What is the size of your intended market? What is the population and spending habits and levels?

Why do customers need and why will they be willing to purchase your products and services?

How will you price your products and services? Will you be the low cost provider or provide value-added services at higher prices?

Is your market likely to grow? How much? Why?

How can you increase your market share over time?

The Market Opportunities section for our cycling rental business could start something like this:

Market Summary

Consumer spending on cycling equipment reached \$9,250,000 in the states of VA, WV, MD, and NC last year. While we expect sales to rise, for the purposes of performing conservative analysis we have projected a zero growth rate for the next three years.

In those states 2,500,000 people visited a national forest last year. Our target market includes customers visiting the Shenandoah National Forest; last year 120,000 people visited the area during spring, summer, and fall months.

Over time, however, we do expect equipment rentals and sales to increase as the popularity of cycling continues to rise. In particular we forecast a spike in demand in 2015 since the national road racing championships will be held in Richmond, VA.

Market Trends

Participation and population trends favor our venture:

Recreational sports in general and both family-oriented and "extreme" sports continue to gain in exposure and popularity.

Western VA and eastern WV have experienced population growth rates nearly double that of the country as a whole.

Industry trends show cycling has risen at a more rapid rate than most other recreational activities.

Market Growth

According to the latest studies, recreation spending in our target market has grown by 14 percent per year for the past three years.

In addition, we anticipate greater than industry-norm growth rates for cycling in the area due to the increase in popularity of cycling events like the Alpine Loop Grand Fondo.

Market Needs

Our target market has one basic need: The availability to source bicycle rentals at competitive price. Our only other competition are the bike shops in Harrisonburg, VA, and our location will give us a competitive advantage over those and other companies who try to serve our market.

You may want to add other categories to this section based on your particular industry.

For example, you might decide to provide information about Market Segments. In our case, the cycling rental business does not require much segmentation. Rentals are typically not broken down into segments like "inexpensive," "midrange," and "high-end." For the most part rental bikes are more of a commodity. (Although you'll notice in our Products and Services section, we decided to provide "high-end" rentals.)

But say you decide to open a clothing store. You could focus on high fashion, or children's clothes, or outdoor wear, or casual--you could segment the market in number of ways. If that's the case, provide detail on segmentation that supports your plan.

The key is to define your market--and then show how you will serve your market.

Sales and Marketing

Providing great products and services is wonderful, but customers must actually know those products and services exist. That's why marketing plans and strategies are critical to business success. (Duh, right?)

But keep in mind marketing is not just advertising. Marketing--whether advertising, public relations, promotional literature, etc.--is an investment in the growth of your business.

Like any other investment you would make, money spent on marketing must generate a return. (Otherwise why make the investment?) While that return could simply be greater cash flow, good marketing plans result in higher sales and profits.

So don't simply plan to spend money on a variety of advertising efforts. Do your homework and create a smart marketing program.

Here are some of the basic steps involved in creating your marketing plan:

Focus on your target market. Who are your customers? Who will you target?

Who makes the decisions? Determine how you can best reach potential customers.

Evaluate your competition. Your marketing plan must set you apart from your competition, and you can't stand out unless you know your competition.

(It's hard to stand out from a crowd if you don't know where the crowd stands.) Know your competitors by gathering information about their products, service, quality, pricing, and advertising campaigns. In marketing terms, what does your competition do that works well? What are their

weaknesses? How can you create a marketing plan that highlights the advantages you offer to customers?

Consider your brand. How customers perceive your business makes a dramatic impact on sales. Your marketing program should consistently reinforce and extend your brand. Before you start to market your business,

think about how you want your marketing to reflect on your business and your products and services. Marketing is the face of your to potential customers--make sure you put your best face forward.

Focus on benefits. What problems do you solve? What benefits do you deliver? Customers don't think in terms of products--they think in terms of benefits and solutions. Your marketing plan should clearly identify benefits customers will receive. Focus on what customers get instead of on what you provide. (Take Dominos; theoretically they're in the pizza business, but really they're a delivery business.)

Focus on differentiation. Your products and services have to stand out from the competition in some way. How will you compete in terms of price, product, or service?

Then focus on providing detail and backup for your marketing plan.

Key questions to answer:

What is your budget for sales and marketing efforts?

How will you determine if your initial marketing efforts are successful? In what ways will you adapt if your initial efforts do not succeed?

Will you need sales representatives (inside or external) to promote your products?

Can you set up public relations activities to help market your business?

The Sales and Marketing section for our cycling rental business could start something like this:

Target Market

The target market for Blue Mountain Cycling Rentals is western VA, eastern WV, southwestern MD, and northern NC. While customers in the counties surrounding the George Washington National Forest make up 35 percent of our potential customer base, much of our market travels from outside that geographic area.

Marketing Strategy

Our marketing strategy will focus on three basic initiatives:

Road signage. Access to the forest is restricted to a few primary entrances, and visitors reach those entrances after traveling on one of several main roadways.

Since customers currently rent bicycles in the local town of Harrisonburg, road signage will communicate our value proposition to all potential customers.

Web initiatives. Our website will attract potential visitors to the resort. We will partner with local businesses that serve our target market to provide discounts and incentives.

Promotional events. We will hold regular events with professional cyclists, like demonstrations and autograph signings, to bring more customers to the store as well as to extend the athletes' "brand" to our brand.

Pricing Strategy

We will not be the low-cost provider for our target market. Our goal is to provide mid-to high-end equipment. However, we will create web-based loyalty programs to incent customers to set up online profiles and reserve and renew equipment rentals online, and provide discounts for those who do. Over time we will be able to market specifically to those customers.

Just as in the Market Opportunity section, you may want to include a few more categories. For example, if your business involves a commission-compensated salesforce, describe your Sales Programs and incentives. If you distribute products to other companies or suppliers and those distribution efforts will impact your overall marketing plans, lay out your Distribution Strategy.

The key is to show you understand your market and you understand how you will reach your market. Marketing and promotions must result in customers--your goal is to thoroughly describe how you will acquire and keep your customers.

Also keep in mind you may want to include examples of marketing materials you have already prepared, like website descriptions, print ads, web-based advertising programs, etc. While you don't need to include samples, taking the time to create actual marketing materials might help you better understand and communicate your marketing plans and objectives.

Make sure your Sales and Marketing section answers the "How will I reach my customers?" question.

Competitive Advantage

The Competitive Analysis section of your business plan is devoted to analyzing your competition--both your current competition and potential competitors who might enter your market.

Every business has competition. Understanding the strengths and weaknesses of your competition--or potential competition--is critical to making sure your business survives and grows. While you don't need to hire a private detective, you do need to thoroughly assess your competition on a regular basis even if you plan to run only small business.

In fact, small businesses can be especially vulnerable to competition, especially when new companies enter a marketplace.

Competitive analysis can be incredibly complicated and time-consuming, but it doesn't have to be. Here is a simple process you can follow to identify, analyze, and determine the strengths and weaknesses of your competition.

Profile Current Competitors

First, develop a basic profile of each of your current competition. For example, if you plan to open an office supply store, you may have three competing stores in your market.

Online retailers will also provide competition, but thoroughly analyzing those companies will be less valuable unless you also decide you want to sell office supplies online. (Although it's also possible that they--or, say, Amazon--are your real competition. Only you can determine that.)

To make the process easier, stick to analyzing companies you will directly compete with. If you plan to set up an accounting firm, you will compete with other accounting firms in your area. If you plan to open a clothing store, you will compete with other clothing retailers in your area.

Again, if you run a clothing store, you also compete with online retailers, but there is relatively little you can do about that type of competition other than to work hard to distinguish yourself in other ways: great service, friendly salespeople, convenient hours, truly understanding your customers, etc.

Once you identify your main competitors, answer these questions about each one.

And be objective. It's easy to identify weaknesses in your competition, but less easy (and a lot less fun) to recognize how they may be able to outperform you:

What are their strengths? Price, service, convenience, and extensive inventory are all areas where you may be vulnerable.

What are their weaknesses? Weaknesses are opportunities you should plan to take advantage of.

What are their basic objectives? Do they seek to gain market share? Do they attempt to capture premium clients? See your industry through their eyes.

What are they trying to achieve?

What marketing strategies do they use? Look at their advertising, public relations, etc.

How can you take market share away from their business?

How will they respond when you enter the market?

While these questions may seem like a lot of work to answer, in reality the process should be fairly easy. You should already have a feel for the competition's strengths and weaknesses--if you know your market and your industry.

To gather information, you can also:

Check out their websites and marketing materials. Most of the information you need about products, services, prices, and company objectives should be readily available. If that information is not available, you may have identified weakness.

Visit their locations. Take a look around. Check out sales materials and promotional literature. Have friends stop in or call to ask for information.

Evaluate their marketing and advertising campaigns. How a company advertises creates a great opportunity to uncover the objectives and strategies of that business. Advertising should help you quickly determine how a company positions itself, who it markets to, and what strategies it employs to reach potential customers.

Browse. Search the Internet for news, public relations, and other mentions of your competition.

Search blogs and Twitter feeds as well as review and recommendation sites. While most of the information you find will be anecdotal and based on the opinion of just a few people, you may at least get a sense of how some consumers perceive your competition. Plus you may also enter, or changes in management. Get advance warning about expansion plans, new markets they intend to

Keep in mind competitive analysis does more than help you understand your competition. Competitive analysis can also help you identify changes you should make to your business strategies. Learn from competitor strengths, take advantage of competitor's weaknesses, and apply the same analysis to your own business plan.

You might be surprised by what you can learn about your business by evaluating other businesses.

Identify Potential Competitors

It can be tough to predict when and where new competitors may pop up. For starters, regularly search for news on your industry, your products, your services, and your target market.

But there are other ways to predict when competition may follow you into a market. Other people may see the same opportunity you see. Think about your business and your industry, and if the following conditions exist, you may face competition does the road:

The industry enjoys relatively high profit margins

Entering the market is relatively easy and inexpensive

The market is growing--the more rapidly it is growing the greater the risk of competition

Supply and demand is oå--supply is low and demand is high

Very little competition exists, so there is plenty of "room" for others to enter the market

In general terms, if serving your market seems easy you can safely assume competitors will enter your market. A good business plan anticipates and accounts for new competitors.

Now distill what you've learned by answering these questions in your business plan:

Who are my current competitors? What is their market share? How successful are they?

What market do current competitors target? Do they focus on a specific customer type, on serving the mass market, or on a particular niche?

Are competing businesses growing or scaling back their operations? Why?

What does that mean for your business?

How will your company be deferent from the competition? What competitor weaknesses can you exploit? What competitor strengths will you need to overcome to be successful?

What will you do if competitors drop out of the marketplace? What will you do to take advantage of the opportunity?

What will you do if new competitors enter the marketplace? How will you react to and overcome new challenges?

The Competitive Analysis section for our cycling rental business could start something like this:

Primary Competitors

Our nearest and only competition is the bike shops in Harrisonburg, VA. Our next closest competitor is located over 100 miles away.

The in-town bike shops will be strong competitors. They are established businesses with excellent reputations. On the other hand, they offer inferior-quality equipment and their location is significantly less convenient.

Secondary Competitors

We do not plan to sell bicycles for at least the first two years of operation. However, sellers of new equipment do indirectly compete with our business since a customer who buys equipment no longer needs to rent equipment.

Later, when we add new equipment sales to our operation, we will face competition from online retailers. We will compete with new equipment retailers through personalized service and targeted marketing to our existing customer base, especially through online initiatives.

Opportunities

By offering mid- to high-end quality equipment, we provide customers the opportunity to "try out" bikes they may wish to purchase at a later date, providing additional incentive (besides cost savings) to use our service.

Offering drive-up, express rental return services will be seen as a much more attractive option compared with the hassle of renting bikes in Harrisonburg and transporting them to intended take-off points for rides.

Online initiatives like online renewals and online reservations enhances customer convenience and positions us as a cutting-edge supplier in a market largely populated, especially in the cycling segment, by customers who tend to be early technology adapters.

Risks

Renting bikes and cycling equipment may be perceived by some of our target market as a commodity transaction. If we do not differentiate ourselves in terms of quality, convenience, and service, we could face additional competition from other entrants to the market.

One of the bike shops in Harrisonburg is a subsidiary of a larger corporation with significant financial assets. If we, as hoped, carve out a significant market share, the corporation may use those assets to increase service, improve equipment quality, or cut prices.

While your business plan is primarily intended to convince you that your business makes sense, keep in mind most investors look closely at your competitive analysis. A common mistake made by entrepreneurs is assuming they will simply "do it better" than any competition.

Experienced businesspeople know you will face site competition: showing you understand your competition, understand your strengths and weaknesses relative to that competition, and that you understand you will have to adapt and change based on that competition is critical.

And, even if you do not ever plan to seek financing or bring in investors, you absolutely must know your competition.

The Competitive Analysis section helps you answer the "Against whom?" question.

Operations

The next step in creating your business plan is to develop an Operations Plan that will serve your customers, keep your operating costs in line, and ensure profitability. Your ops plan should detail strategies for managing, staffing, manufacturing, fulfillment, inventory--all the stuff involved in operating your business on a day-to-day basis.

Fortunately, most entrepreneurs have a better handle on their operations plan than on any other aspect of their business. After all, while it may not seem natural to analyze your market or your competition, most budding entrepreneurs tend to spend a lot of time thinking about how they will run their businesses.

Your goal is to answer the following key questions:

What facilities, equipment, and supplies do you need?

What is your organizational structure? Who is responsible for which aspects of the business?

Is research and development required, either during start up or as an ongoing operation? If so, how will you accomplish this task?

What are your initial staffing needs? When and how will you add staff?

How will you establish business relationships with vendors and suppliers? How will those relationships impact your day-to-day operations?

How will your operations change as the company grows? What steps will you take to cut costs if the company initially does not perform up to expectations?

Operations plans should be highly specific to your industry, your market sector, and your customers. Instead of providing an example like I've done with other sections, use the following to determine the key areas your plan should address:

Location and Facility Management

In terms of location, describe:

Zoning requirements

The type of building you need

The space you need

Power and utility requirements

Access: Customers, suppliers, shipping, etc.

Parking

Specialized construction or renovations

Interior and exterior remodeling and preparation

Daily Operations

Production methods

Service methods

Inventory control

Sales and customer service
Receiving and Delivery
Maintenance, cleaning, and re-stocking

Legal

Licenses and permits
Environmental or health regulations
Patents, trademarks, and copyrights
Insurance

Personnel Requirements

Typical staffing
Breakdown of skills required
Recruiting and retention
Training
Policies and procedures
Pay structures

Inventory

Anticipated inventory levels
Turnover rate
Lead times
Seasonal fluctuations in demand

Suppliers

Major suppliers
Back-up suppliers and contingency plans
Credit and payment policies

Sound like a lot? It can be, but not all of the above needs to be in your business plan.

You should think through and create a detailed plan for each category, but you won't need to share the results with the people who read your business plan

Working through each issue and developing concrete operations plans helps you in two major ways:

1. If you don't plan to seek financing or outside capital, you can still take advantage of creating a comprehensive plan that addresses all of your operational needs.
2. If you do seek financing or outside capital, you may not include all the detail in your business plan--but you will have answers to any operations questions at your fingertips.

Think of Operations as the "implementation" section of your business plan. What do you need to do? How will you get it done? Then create an overview of that plan to make sure your milestones and timeline make sense.

That way the operations section answers the "How?" question.

Management Team

Many investors and lenders feel the quality and experience of the management teams one of the most important factors used to evaluate the potential of a new business.

But putting work into the Management Team section will not only benefit people who may read your plan. It will also help you evaluate the skills, experiences, and resources your management team will need. Addressing your company's needs during implementation will make a major impact on your chances for success.

Key questions to answer:

Who are the key leaders? (If actual people have not been identified describe the type of people needed.) What are their experiences, educational backgrounds, and skills?

Do your key leaders have industry experience? If not, what experience do they bring to the business that is applicable?