



How to Write *A Highly Effective* Business Plan

**Executive
Summary**



Why Do You Need a Business Plan?

A business plan will help you build a business that will support you financially, have an impact on those around you, and leave a lasting legacy you can be proud of.

A business plan helps you to peer into the future and predict different outcomes. Though it's certainly not perfect, it helps you map out where you currently are and where you're headed. Specifically, a business plan helps you...

- Estimate total startup costs
- Project revenues and profits
- Convince investors
- Compete from the start
- Anticipate challenges
- Form a timeline

A business plan helps keep you on track. It ensures that you focus your attention on the right things and helps you avoid mistakes that could sink you. I'm going to walk you step-by-step through the process of creating a solid business plan.

Once you're finished, it's not done!

Even though you've finished your business plan, you'll need to both refer to it occasionally, and make some changes to it as time goes on.

You might be thinking...“What's the point of having a business plan if I'm not going to follow it?”

You can both follow the business plan and lead the business plan. Tweaking the plan is common because as time goes on, your situation changes, your knowledge changes, your finances change. It's more like a roadmap, not the Ten Commandments.



Before You Start

Unfortunately, many business plans are wildly unrealistic. The initial excitement of starting the business often causes entrepreneurs to massively overestimate how successful they'll be and underestimate the challenges they'll encounter.

In order to be effective, a business plan needs to be realistic. Before you launch, you want to be relatively confident that you have a good chance of succeeding.

In many ways, a business plan should help you decide whether your idea will pan out. It's possible that you may put together your business plan and then realize that the potential outcome isn't as bright as you initially thought. That's okay. It forces you to go back to the drawing board.

Take the necessary time to do the market research, analyze your financial needs, and map out your strategy for the future. Don't look at it as the thing that's preventing you from getting started. View it as building a foundation for a successful, lasting business.

The typical structure of a business plan can vary but the basic elements of most business plans are:

- Executive Summary
- Company Overview
- Market Analysis
- Organization and Management
- Products and Services
- Marketing and Sales
- Financial Projections
- Funding Request
- Appendix

Let's go through each aspect and cover the basics for what you should include.



Executive Summary

The first section of any business plan will be the executive summary. It gives people a general sense of what your business is all about, what products or services you provide, where you've been, and where you're headed.

The Small Business Administration recommends that your plan contain at least the following six things:

- Mission statement
- General information such as founding date, names and roles of founders, and other important details.
- Company highlights, including financial successes and other key successes
- Products or services that you sell
- Financial information, including funding goals and current sources of funding
- Future plans for the business

Think of the executive summary like a detailed elevator pitch. It highlights the most important points of your business plan without going into all the details.

You may want to consider writing your executive summary after you've written the rest of your business plan. That way, you're more familiar with all the relevant information and you'd be able to compress it down after the details have been thought through.



Company Overview

This section provides more detail regarding exactly what your business does and how it's structured. You can start by explaining:

- The industry you're in
- Your primary customer base
- The big problem that you solve for customers
- How you solve that big problem

Essentially, you're explaining the reason for your business's existence. You're identifying a specific customer need in a specific market and then clarifying exactly how you'll meet that need.

The overview section functions as your Unique Value Proposition. It clearly and concisely explains the unique value that your business offers. If you're struggling with this section, try to answer the following questions:

- Who do you serve? (don't make this too broad)
- How do you serve them?



Market Analysis

The market analysis section of your business plan provides in-depth information about your industry, your specific market, and the competition. If this section is done properly, it assures readers that you know what you're getting into.

In your market analysis, seek to include the following information:

- Key industry information - Size, growth, trends, and other pertinent details.
- Target market data - Ideal customers, their specific needs, demographic data.
- Target market size - Yearly amount spent, purchase frequency, projected growth.
- Market share potential - Percentage of target market you can acquire.
- Barriers to entry - Things that might make it difficult to succeed in target market.
- Competition - Top competitors, market share, strengths.

This section will take a significant amount of research, but it's time well spent. First and foremost, it prepares you to succeed. Second, it helps investors know that you've done your due diligence.



Organization and Management

Next, describe how your business will be organized and structured. First, spell out the general structure of your business, both in organizational terms and in legal terms. Where does each key stakeholder fit into the big picture of your business (include an organizational chart).

In terms of legal setup, are you:

- LLC?
- S-Corp?
- C-Corp?
- General partnership?
- Sole proprietor?

Next, describe the background of key members of your team. This part is especially important if you're seeking funding. Investors want to know that you have experienced, successful individuals who can ensure that your business also succeeds.

Finally, describe any key hires that will be necessary. This may not be immediately relevant, especially if you're just getting started, but it will matter much more as you grow and expand.



Products and Services

This section explains exactly what products or services your business will provide to customers. Start by describing your particular product or service and the specific need it will meet. It's really important to clarify exactly how your product or service will stand apart from the competition.

Within this section, you should also discuss:

- Product/service status - Is it ready to take to market?
- Development objectives - If it's not ready to go, what steps need to be taken?
- Proprietary information - Do you have any intellectual property, patents, or proprietary information that is essential to the success of your business?
- Supply chain - Do you depend on any suppliers or vendors?

Make your product or service really shine in this section. It should be abundantly clear both to you and to the reader that you have something unique to offer and that you're in a prime position to attract customers.



Marketing and Sales

This section explains how you're going to get your product or service into the hands of customers. Your objective in this section is to make clear both how you will make customers aware of your product or service and how you'll convince them to buy from you.

The first element in your marketing plan needs to be positioning in relation to your competitors. Will you position yourself by offering:

- Lower price?
- Superior quality?
- Superior service?

Next, discuss the specific promotional methods you'll use to get the word out about your product or service. Additionally, clarify the metrics you'll use to evaluate whether your marketing efforts are working (leads generated, social media reach, website visitors)

After laying out your marketing plan, discuss your sales plan. What method will you use to convince customers to buy from you?

- Cold calling?
- In-person meetings?
- Webinars?

Next, talk about who will be doing the selling. If you need a sales force, who will train them and how big will the team be? Lastly, lay out the budget you have for both sales and marketing. This will help readers gauge the scope of your efforts and possibly estimate results.



Financial Projections

In this section, paint a clear picture of your business's current financial status, while also mapping out where you hope to be in the future. Investors will closely examine this section to determine whether they want to give you funding.

If you've been in business for a while, include as much past financial data as possible, including:

- Income statements
- Balance sheets
- Cash flow statements
- Operating budget
- Accounts receivable and payable statements (if appropriate)
- Documentation of any debt you're carrying

Your financial projections for the future will either be based on your past data or industry and competitor research (if you don't have past data). If you're not sure how to create these projections, consider hiring an accountant or financial advisor to help you.



Funding Request

In this section, you'll lay out exactly how much funding you need over the coming five years. Explain how you're going to use the funding to achieve your goals.

Include the following details in this section:

- The amount of funding you need right now
- Funding you'll need down the road (up to five years)
- The type of funding you desire (loan, investment)
- The terms you're requesting for the funding

Additionally, explain how you will be using the funds. Will you be acquiring inventory? Paying down a debt? Hiring employees? It's also critical to lay out your future financial plans so that investors have a good idea of what they're getting into.

As much as possible, try to customize your funding request based on who you're talking to. If you're asking a bank, provide them with a repayment plan. If you're asking an investor, give them an estimated ROI.



Appendix

The last section of your business plan is the appendix. In the appendix, include supporting information and documents that substantiate what you've written in the previous sections. You may want to include:

- Credit histories
- Permits
- Product pictures
- Legal documents
- Licenses
- Patents
- Contracts
- Charts/Graphs

In all the previous sections, you're trying to paint a compelling picture of what your business is like and where it's headed. You want to provide the reader with enough data to help them grasp your vision but not so much that you bog them down.

The appendix allows you to provide extra details to the reader without disrupting the overall experience. If the reader wants to look at these details, they can simply refer to the appendix.

Final thoughts.

The business plan that I created for my business NET Essentials Inc. has changed since its inception in 2002. Currently, my business plan is 17 pages and covers a lot of ground in my overall dream to build this business.

Your business plan can be 3-5 pages at first and you can build on it as time goes on, but the point is, that more relevant information will only help you succeed. How do you decide how much is too much? When it goes beyond being critical information.

So have fun with this part of the process. You're working on turning your dream into a reality! For the full E-book version, go to www.tomclairmont.com/resources