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# **Developing Winning Business Plans**

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***Business Plan Outline***

- Cover
- Title Page
- Executive Summary
- Industry, Customer, and Competitor Analysis
- Company and Product Description
- Marketing Plan
- Operations Plan
- Development Plan
- Team
- Critical Risks
- Offering
- Financial Plan
- Appendices

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**Executive Summary:****Executive Summary**

- This section is the most important part of the business plan. Must catch readers attention
- In the first paragraph capture the readers attention with the most compelling aspects of the business opportunity
- The first sentence should highlight the potential of the opportunity. “The current market for ----- is \$50 million, growing at an annual rate of 20%. Moreover, the current increase in \_(energy)\_ is likely to accelerate this market’s growth. The company is positioned to capture this wave with its proprietary technology, describe technology.....”
- Common subsections within the executive summary include:
  - Description of Opportunity
  - Business Concept
  - Industry Overview
  - Target Market
  - Competitive Advantage
  - Business Model and Economics
  - Team and Offering

***Industry, Customer, and Competitor Analysis*****● Industry**

- The goal of this section is to illustrate the opportunity and how you are going to capture the opportunity.
- Visualize the opportunity by discussing market demand, market size, and margin analysis. This helps quantify the idea and assess how strong an opportunity the idea is.
- Describe your overall industry in terms of revenues, growth, and future trends that are pertinent. Within this section, avoid discussing your concept; the proposed product or service you will offer. Instead, use dispassionate, arm's-length analysis of the industry with the goal of highlighting a space or gap that is underserved.

## *Industry, Customer, and Competitor Analysis*

- **Customer**

- Once the plan has defined the market space it plans to enter, the target customer needs to be examined in detail.
- List you top ten customers – name, address, and key contact.
- Discuss what compels them to buy, how your company will sell to them, how much it is going to cost to acquire and retain that customer and so forth.

***Industry, Customer, and Competitor Analysis*****● Competitor**

- The competitor analysis evolves directly out of the customer analysis. Specifically, you have previously identified your market segment, described what the customer looks like, and what the customer wants.
- The key factor in the competitor analysis is what the customer wants in a particular product. These product attributes form a basis of comparison against your direct and indirect competitors.
- Use the key product attributes to create competitive profile matrix. This matrix not only creates a powerful visual catch-point, it conveys information regarding your competitive advantage and also the basis for your company's strategy.

## ***Company and Product Description***

### **Company and Product Description**

- Completing the dispassionate analysis described in the previous section lays the foundation for describing your company and concept. In one paragraph identify the company name, where it is incorporated, and a brief overview of the concept for the company. This section should also highlight what the company has achieved to date; what milestones you have accomplished that show progress.
- More space should be used to describe the product. Graphic representations are visually powerful. Highlight how your product fits into the customer value proposition. What is incorporated into your product and what value add-ons do you deliver to the customer? Which are the customer's unmet wants and needs are fulfilled by your offering?
- This section should clearly and forcefully identify your venture's competitive advantage. Based on your competitive analysis, why is your product better, cheaper, faster than what the customer currently have access to? Your advantage may be a function of proprietary technology, patents, distribution, and so on. The most powerful competitive advantages are derived from a bundle of factors, because this makes them more difficult to copy.
- Identify your market entry and growth strategy. Establish the most effective way to enter the market. Discuss your vision for growth which will define the true business potential.

## ***Marketing Plan***

- **Target Market Strategy**
  - Discuss how your product will be positioned in the market place.

## ***Marketing Plan***

- **Product Strategy**

- This section describes how your product is different from the competition. Discuss why the customer will switch to your product and how you will retain customer so that they don't to your competition in the future.
- Use a customer profile matrix to show how you company compares to the competition based on the two leading attributes from the buyer.
- This section should also describe how you will service the customer. What type of technical support you will provide? Will you offer warranties? What kind of product upgrades will be available and when?

**Marketing Plan****● Pricing Strategy**

- Two common approaches: cost-plus and market demand.
- Avoid using the cost-plus price for a number of reasons. First, it is difficult to measure your real costs. How much did R&D really cost? Many times you will underestimate your actual costs and under price your product.
- Survey the market and determine an appropriate price based on what the competition is currently offering and how your product is positioned.
- If you are offering a low-cost value product, price below market rates. Price above market rates if your product is of better quality and has many more features.

## ***Marketing Plan***

- **Distribution Strategy**

- This section identifies how you will reach the customer. Your distribution strategy is more than an operational detail. It can define a company's fortune as much as or more than the company's products. Much of the cost of delivering the product is tied up in its distribution.

## ***Marketing Plan***

- **Sales Strategy**

- This section provides the backbone that supports all the sections just discussed. Specifically, it illustrates what kind and level of human capital you will devote to the effort. How many salespeople, customer support, and so on do you need? Will these people be internal to the organization or outsourced? If they are internal, will there be a designated sales force or will different members of the company serve in a sales capacity at different times. This section builds credibility if the entrepreneur demonstrates an understanding of how the business should operate.

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## Marketing Plan

- **Sales and Marketing Forecasts**

- This section discussed the sales and revenue forecasts into the future. There are two primary methods: The comparable method and the build up method.
- The comparable method models your company versus comparable companies in the industry and their performance.
- The build up method identifies the specific sales opportunities and the probability of closing the sale. While the build up technique is an imprecise method for the new startup with limited history, it is critically important to assess the viability of the opportunity.

***Operations Plan*****Operations Plan**

- This section details the production cycle allowing the entrepreneur to gauge the impact on working capital. For instance, when does the company pay for components and raw materials? How long does it take to produce the product? When does the customer buy the product and more importantly, when does the company receive payment for the product? The time from the beginning of this process until the product is paid for will drain cash flow and has implications for financing

## ***Operations Plan***

### **Operations Strategy**

- This section provides the strategy overview. How does your business win/compare on the dimensions of cost, quality, timeliness, and flexibility? The emphasis should be on those aspects that provide your venture with a comparative advantage.

## ***Operations Plan***

### **Scope of Operations**

- What is the production process for your product or service? A diagram facilitates the decision of which production aspects to keep in-house and which to outsource. Considering that cash flow is king and that resource constrained new ventures typically should minimize fixed expenses on product facilities, the general rule is to outsource as much production as possible. However, you should control aspects of production that are central to your competitive advantage. The scope of operations should also discuss partnerships with vendors, suppliers, partners, and so on.

***Operations Plan*****Ongoing Operations**

- This section builds on the scope of operations by providing details on day-to-day activities. For example, how many units will be produced in a day or week and what kinds of inputs are necessary? An operating cycle overview diagram graphically illustrates the impact of production cash flow.

## *Development Plan*

### **Development Plan**

- The development plan highlights the development strategy and also provides a detailed development time line. This section should also discuss patent, trademark, and copyright efforts if applicable.

***Development Plan*****Development Strategy**

- What remains to be completed? What factors need to come together for development to be successful? What risks to development does the firm face? Detailing the necessary work and what is required for the work to be considered successful helps entrepreneurs to understand and manage the risks involved. After you have laid out these details, a development time line is assembled.

***Development Plan*****Development Time Line**

- A development time line is a schedule that highlights major milestone and can be used to monitor progress and make changes. The time line helps entrepreneurs track major events and to schedule activities to best execute on those events

## ***The Team***

- **Management Team**

- The team section of the business plan is often the section that professional investors read after the executive summary. It depicts the members responsible for key activities and conveys why they are exceptionally skilled to execute on those responsibilities.

## ***The Team***

- **Advisory Boards, Board of Directors, Strategic Partners, and External Members**
  - To enhance the team's credentials, many entrepreneurs find that they are more attractive to investors if they have strong advisory boards.

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## The Team

- **Compensation and Ownership**

- A capstone to the team section should be a table containing key team members by role, compensation, and ownership equity. A brief description should explain why the compensation is appropriate. The table should contain what salary the employee is due, and then if deemed necessary that salary can be deferred until a time when cash flow is strong.
- Another column, that can be powerful, show what the person's current or most recent compensation was and what he will be paid in the new company. It is impressive to see highly qualified entrepreneurs taking a smaller salary than at their previous job. It suggests the entrepreneur really believes in the upside payoff the company's growth will generate.

***Critical Risks*****Critical Risks**

- Every new venture faces a number of risks that may threaten its survival. Although the business plan, to this point, is creating a story of success, there are a number of threats that should be acknowledged, otherwise investors will believe that the entrepreneur is naïve or untrustworthy and may possibly withhold investment.
- Identify the risk and then state your contingency plan.
- Types of critical risks or assumptions include: market interest and growth potential, competitor actions and retaliation, time and cost to development, availability and timing of financing, and operating expenses.

## ***Offering***

### **Offering**

- Based on the entrepreneur's vision and estimates of the capital required to get there, the entrepreneur can develop a sources and uses schedule. The sources section details how much capital the entrepreneur needs and the types of financing such as equity investment and debt infusions. The use section details how the money will be spent. Typically, the entrepreneur should secure enough financing for last 12 to 18 months.

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## *Financial Plan*

### **Financial Plan**

- If the proceeding plan is your verbal description of the opportunity and how you will execute it, the financial plan is the mathematical equivalent. The growth in revenues speaks to the upside of your opportunity. The expenses illustrate what you need to execute on the opportunity. Cash flow statements serve as an early warning system to potential problems and balance sheet enables monitoring and adjustment of the venture's progress.
- This section of the plan should include a description of the key drivers that impact your revenues and costs so that the reader can follow your pro forma financials.
- Annual financial statements
- Monthly or quarterly financial statements

## ***Appendices***

### **Appendices**

- Anything and everything that adds further validation to your concept, but doesn't fit or is too large to insert in the main parts of the plan. Common inclusions are one-page resumes of key team members, articles that feature your venture, technical specifications, and so on.

## ***Business Plan Outline***

- **I. EXECUTIVE SUMMARY**
  - Description of the business concept and the business opportunity and strategy
  - Target market and projections
  - Competitive advantages
  - Costs
  - Economics, profitability, and harvest potential
  - The team
  - The offering

## ***Business Plan Outline***

- **II. THE INDUSTRY AND THE COMPANY AND ITS**

### **PRODUCT(S) OR SERVICE(S)**

- The industry
- The company and the concept
- The product(s) or service(s)
- Entry and growth strategy

- **III. MARKET RESEARCH AND ANALYSIS**

- Customers
- Market size and trends
- Competition and competitive edge
- Estimated market share and sales
- Ongoing market evaluation

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## ***Business Plan Outline***

- **IV. THE ECONOMICS OF THE BUSINESS**

- Gross and operating margins
- Profit potential and durability
- Fixed, variable, and semivariable costs
- Months to breakeven
- Months to reach positive cash flow

- **V. MARKETING PLAN**

- Overall marketing strategy
- Pricing
- Sales tactics
- Service and warranty policies
- Advertising and promotion
- Distribution

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***Business Plan Outline***

- **VI. DESIGN AND DEVELOPMENT PLAN**
  - Development status and tasks
  - Difficulties and risks
  - Product improvement and new products
  - Costs
  - Proprietary issues
  
- **VII. MANUFACTURING AND OPERATIONS PLAN**
  - Operating cycle
  - Geographical location
  - Facilities and improvements
  - Strategy and plans
  - Regulatory and legal issues

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## ***Business Plan Outline***

- **VIII. MANAGEMENT TEAM**
  - Organization
  - Key management personnel
  - Management compensation and ownership
  - Other investors
  - Employment and other agreements and stock option and bonus plans
  - Board of directors
  - Other shareholders, rights, and restrictions
  - Supporting professional advisors and services
  
- **IX. OVERALL SCHEDULE**
  
- **X. CRITICAL RISKS, PROBLEMS, AND ASSUMPTIONS**

## ***Business Plan Outline***

- **XI. THE FINANCIAL PLAN**
  - Actual income statements and balance sheets
  - Pro forma income statements / forma balance sheets
  - Pro forma cash flow analysis
  - Breakeven chart and calculations
  - Cost control
  - Highlights

## ***Business Plan Outline***

- **XII. PROPOSED COMPANY OFFERING**
  - Desired financing
  - Offering
  - Capitalization
  - Use of funds
  - Investor's return
  
- **XIII. APPENDICES**