

Step 1: Business Description

As an introduction to your business, this section should provide an overview of the business and its objectives. Readers of your business plan will want to know why this business should exist. Having a mission statement will help communicate this.

Mission Statement

As you begin your business venture, the first step is to clarify what is most important to you. Having a clear purpose provides readers with the context for the venture and will give it meaning. Often a statement of purpose—a mission statement—is written to outline intentions and motivations.

To write a mission statement, first consider the things you care about or want to do. A mission statement communicates the purpose and principles of what you're doing and why you're doing it. A good mission statement should accurately explain why your venture exists and what it hopes to achieve in the world. Write a brief paragraph that is free of jargon. At the very least, your mission statement should answer three key questions:

1. What are the opportunities or needs that you exist to address? (the purpose of the venture)
2. What are you doing to address these needs? (the business of the venture)
3. What principles or beliefs guide your work? (the values of the venture)

Your mission is the beacon for your venture. All other actions in your business plan should help you accomplish the mission. Communicating your mission with clarity is important because the goals you set, actions you take, and the way you spend your time will be guided by this statement.

Business Overview

Also included in the Business Description portion of a business plan is a summary of the current state of the venture. If you already have selected a legal structure (sole proprietorship, partnership, Subchapter S, or C corporation), then describe it and who the principal owners are. Also provide a definition of the business—is it a manufacturer, retailer, wholesaler, service provider, or some combination? Will it be started from scratch, as an expansion, or as an acquisition? Further information may include the history of the business and its primary strengths.

Products and Services

Readers of your plan will need a description of what your product or service is to provide context for what you will later say about it and your market. A general description is all that is needed in this section; you can provide more depth in the marketing plan section.

Ben & Jerry's Mission Statement

Ben & Jerry's is founded on and dedicated to a sustainable corporate concept of linked prosperity.

Our mission consists of three interrelated parts:

Product

To make, distribute and sell the finest quality all natural ice cream and euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the Earth and the Environment.

Economic

To operate the company on a sustainable financial basis of profitable growth, increasing value for our stakeholders and expanding opportunities for development and career growth for our employees.

Social

To operate the company in a way that actively recognizes the central role that business plays in society by initiating innovative ways to improve the quality of life locally, nationally and internationally.

Central to the mission of Ben & Jerry's is the belief

that all three parts must thrive equally in a manner that commands deep respect for individuals in and outside the company and supports the communities of which they are a part.

Section 2. Market Analysis

This section is the place for you to discuss the market and your approach to it. In it you describe the market's characteristics, your target customer's profile, the competition, and how you plan to gain an advantage over them to create a successful venture.

Market Characteristics

Your business will be a part of an industry. Describe the industry so readers can understand the market place. Include information on its size, location, history, competitiveness, and profitability as well as its general health. In particular, discuss the current trends in opportunities and threats. This foundation will help you prove that a market exists for your product.

Your research will be the foundation of your forecasted sales levels and will directly influence how large your operation should be, your marketing plan, and the financing required.

Your efforts to reach your potential market and create a profit will be limited by other businesses involved in the industry.

For instance, if the only way to effectively distribute your product is through a large national chain, then that chain will likely use its bargaining power to force you to sell for a lower price, or there may be a slotting fee involved. You will want to discuss forces like this and how you will respond to them. These forces include the following:

- Supplier power (suppliers' bargaining power and leverage),

- New competitors (the threat of entry of new rivals),
- Substitute products (ease with which buyers can switch to alternative products and/or attempts of outsiders to win buyers over to their alternative products),

- Buyer power (buyers' bargaining power and leverage),

- Industry rivalry (intensity of rivals' jockeying for a better market position and a competitive advantage), and

- Government regulations (government influence through regulations and policy).

See Purdue Extension publication *Industry Analysis*:

The Five Forces (EC-722) for more information on this topic.

Target Customer Profile

In writing your market analysis, you will narrow the range of potential customers to those specific ones who are willing and able to buy your product. Although your product or service may meet the needs of a large constituency of potential customers, the goal is to define your target customer as specifically as possible both quantitatively and qualitatively.

As you gather your information, you will build a profile of your target customer.

Your research should provide demographic information about *who* you'll focus on and the psychographic information to understand *why* customers buy products. This will allow

you to focus your efforts efficiently. Thorough and detailed research sets a good business plan apart from an average one.

If you are selling to consumers, then consider the following.

- Are your customers local, regional, national, and/or international?
- Are your customers young, old, male, female, high income, low income, etc.?
- Are there behavioral characteristics that differentiate your customers? (for instance price shoppers versus convenience shoppers)
- Are there cultural considerations, social connections, or other personal factors that might shape your customer's needs, wants, and buying behaviors?

If your customers are primarily businesses, then consider the following.

- Do business customers' needs differ by industry?
- Do business customers in different regions have different needs?
- Who in the business is involved in the purchasing decision? What is their job function? Who influences their decisions? What is their background and knowledge with respect to your product/service?
- What are company buying policies and procedures, financial constraints, and timing of purchases?

Potential information sources are often publicly available,

and you should augment them with interviews with people currently in the industry as well as your own experience. You should also include a statement of the potential opportunities for growth.

Section 3. Competitor Assessment

In your market analysis, include a review of your specific

competitors. All businesses have competitors in some form.

Some competitors sell similar products, while others sell a

product that serves the same function.

Established businesses

will likely not take your entry into the market lightly.

First, define who your competitors are, and then profile them. *Purdue Extension • Knowledge to Go*

competition so you know how you stand in relative terms.

Keep in mind the customer profile you created earlier. In it

you discussed the customers' needs. In this section, address

how your competitors fill those needs and what you, in turn,

will offer. If a competitor has a strong competitive advantage

in an important area, you need to discuss how you will

address it. When reviewing competitors, consider what they

have as far as:

- Market share,
- Relationship with customers,
- Advertising plan,
- Price,
- Distribution,
- Product/service features,
- Financial strength/cost position, and
- Length of time in business.

Section 4. Marketing Plan

Marketing plans usually address four areas: product offered,

price charged, distribution system, and promotional efforts.

Products and Services

In your business description, you described your product or

service in general terms. In this section, describe your product

and how it will be used. This is your chance to explain your

products/services, identify their features and benefits, and

discuss what needs or problems they address in the market.

If you will offer a product, describe what it is, what it does,

and its features and benefits. Include pictures, drawings,

or technical images if they would help readers get a better

understanding of your product. Discuss its size, shape, color,

cost, design, quality, capabilities, technological life-span, and

patent protection. You may also wish to explain how it is

produced, the materials required, and the type of labor needed.

If you will offer a service, explain what the service is and what

need it addresses for your target market. Describe how you will

perform the service (whether it is on site or via the Internet,

telephone, or some other method), what makes it different,

and what materials or equipment are needed. You should assess competitors with a

critical eye on their

strengths and weaknesses compared to your own. It is

important to have an understanding of the operations of your competition so you know how you stand in relative terms.

Keep in mind the customer profile you created earlier. In it you discussed the customers' needs. In this section, address how your competitors fill those needs and what you, in turn, will offer. If a competitor has a strong competitive advantage in an important area, you need to discuss how you will address it. When reviewing competitors, consider what they have as far as:

- Market share,
- Relationship with customers,
- Advertising plan,
- Price,
- Distribution,
- Product/service features,
- Financial strength/cost position, and
- Length of time in business.

The products you offer will include aspects beyond the product

itself, like packaging, product support, warranties, returns, training, and service. Discuss how these supporting features, services, and information will make your business competitive and profitable.

Pricing

Pricing strategies are based on the perceived value of your products and services, your cost of doing business, your marketing goals, and expected competitive actions. A wide range of pricing strategies are available, from simple rules of thumb to sophisticated approaches that involve carefully measuring the value delivered by your firm to your target market.

As you make your pricing decisions, it will be helpful to think about your cost to produce your product or service. This will provide a "floor" on your price. You should also think about what other products similar to your products sell for in the market. Finally, give some thought to why the price of your product or service should be above or below the "market price." Above all, demonstrate that your price will allow you to create a profit.

Distribution

In the distribution portion of your marketing plan, describe how your product/service will be distributed and over what geographical area. Distribution decisions concentrate on the methods and channels of delivery that will optimize your sales and profits. Logistics management plays an important role in these decisions as firms determine how products will physically move from manufacturer to customer. Issues of cost and efficiency, timeliness, freshness, customer service, customer access, and control all affect your choice of distribution channel.

Describe how your product will be sold, whether through retailers, direct sales, and/or other methods. Discuss any relationships you have developed with distributors or any licensing agreements you have. Describe how your product will reach customers, including specific distribution channels and geographic areas. *Promotion*

Promotional activities are designed to communicate the value of your products and services to your customers, ultimately leading them to purchase your product or service. The range of promotional tools available to you is very broad and may be a combination of advertising, personal selling efforts, and general public relations activities. An effective promotional plan must focus on your target segment—what is the most effective and efficient way to get your message in front of this group? The second big issue is budget—how much money do you have to invest in promotional activities? Finally, a promotional plan must include a timeline for activities—when should you pursue the individual activities in the plan? Creativity is very important here—a low-cost, creative promotion may be far more effective than an expensive (paid) advertising campaign.

Section 5. Operating Plan

The operating portion of the plan deals specifically with the internal organizational structure, operations, and equipment you will need to operate your venture. You should discuss how the business will be owned and managed, your personnel and physical resource needs, and the legal issues you will have.

Ownership and Management

In this section, describe the ownership of your venture, and

explain how the business will be managed on a day-to-day basis. For instance, if your venture will operate as a partnership, then explain who the partners are and how management decisions will be made and disagreements will be resolved. For a business organized as a corporation, describe the composition and function of your board of directors, who the principal owners will be, and how each will be involved in making decisions. Managers of a venture are responsible for turning an idea into a successful business. In this section, describe what qualifies you and any other managers or advisors to manage and operate the business. You should select managers with an eye to balancing technical, managerial, and financial skills. Provide a short profile of the relevant training, experience, licensing, or other indicators of ability that you want your key managers to have. Consultants can help you define and implement your plans. Outline the outside advisors you will be using to help run your business, and provide a few sentences that describe each individual's affiliation and qualifications. See Purdue Extension publication *Selecting and Managing Consultants* (EC-719) for more information on this topic. After describing who the key people are, you will want to describe how you will organize each person's responsibilities and authorities for the efficient operation of your business.

Section 6. Financial Plan

The financial plan is a necessary part of evaluating a new investment opportunity. With it you develop an estimate of your profit potential. It can even become an operating plan for the financial management of the venture.

In this section, describe the current financial status and present forecasts of future financial statements. If you are using the business plan to seek financing, cover the type and amount of financing planned (and its repayment terms) as well as the potential return on investment. The financial portion of your business plan will be examined closely by those interested in joining you, investing in the venture, or lending you money, so it must be thorough. They will want to know how you will use invested funds to create a successful venture.

Forecasts of product demand, revenues, and expenses for new ventures will draw on the market research you conducted.

Your projections are only as good as your assumptions, so make sure they are valid and realistic.

Document as much as you possibly can, including how you developed your assumptions. Purdue Extension publication

Fatal Business

Planning Assumptions (EC-734) discusses financial and general planning assumptions.

Provide projections for two to four years in the future, including:

1. Forecasted income (monthly for first two years, then by quarter or year thereafter),
2. Forecasted cash flows by month (monthly for first two years, then by quarter or year thereafter),
3. Forecasted balance sheet for all years (year-end), and
4. Breakeven analysis.

Many small businesses will have very limited revenue for the first two years of operation. Most small businesses will not make a real profit for at least two to three years. Without significant financial reserves, your venture is likely to fail.

You can use a convincing business plan to gain capital needed to get beyond the initial difficult years. If the purpose of your plan is to seek funding, request those funds, and describe how they will be used.

As with any venture, there will be risks. Identify and describe the most threatening risks to your success. Outline the activities you will pursue to manage the risks.

A useful management tool to use is a job description for each position in the venture. A job description defines in advance what the roles of each individual will be and helps in communicating job expectations. See Purdue Extension publication *Developing Effective Job Descriptions for Small Businesses and Farms* (EC-728) for more information on this topic. An organizational chart of the positions required and job descriptions for the key employees will help readers understand how the business will operate. See Purdue Extension publication *Principles for Structuring Small Businesses and Farms* (EC-729) for more information on this topic.

Resources and Production

Other Staffing

If you will need to hire employees apart from yourself and other owner/operators, then describe what your personnel needs will be. Have job descriptions (including job responsibilities and authorities, compensation, and qualifications) for relevant positions, and describe how you will find and manage the right people.

Production Methods

Outline the methods you will use to produce your product (or conduct your service), especially for a manufacturing venture. Pay particular attention to which actions will be done within your business and how you will you source the

inputs you require. Part of this should be estimates of your production costs. The technical feasibility of producing and distributing the product will be an important aspect of many ventures. Address the availability of inputs and skilled labor, the viability of production technology, the logistics of product Purdue Extension • Knowledge to Go

Section 7. Executive Summary

The executive summary is your chance to highlight the important aspects of your venture. As a summary of your plan it should be short. Try to fit it on one page. It should give highlights of the following features:

- Your mission and goals,
- The product,
- The market and its potential,
- The marketing plan,
- The management team,
- Key elements of your operations,
- Funding requirements, and profit and cash forecasts,
- Return to the investor.

Final Comment

The components of a business plan cover an array of topics typical to all ventures. However, what you write in your business plan will depend heavily on how you intend to use the plan. One use is as a feasibility study—a way to help explore an idea to find out if it makes sense. Another is as an operating guide—a plan that details how a new venture will progress and operate. Another way a business plan can be used is as a financial proposal—a plan that communicates

how an investor's financial support will be rewarded.

Each use will emphasize different areas. For instance, if you are intending to take your business plan to an investor, then it should focus much more attention on how money will be used and repaid than a feasibility study would. If you are writing a feasibility study, then you may have much more market analysis and technical information than an operating plan would.

Planning is a continuous process. Once you have written your business plan, you should not consider it finished. It is a document that will guide the formation and growth of your business you should continually revisit it, especially if the market or your initial assumptions should change. If the changes are significant, then you should be prepared to revise or even scrap your plans.