**Components of a Good Business Plan**

**Student Hand-Out for Envision’s Entrepreneur Workshop**

The following is a list of business plans components. As your group prepares its business plan, follow the guidelines presented here, and conduct additional research as you deem necessary.

**Executive Summary**

The executive summary, which comes directly after the title page and table of contents, summarizes all the highlights of your plan, enabling the reader to understand both your needs and your capabilities, at first glance. It must also include your objective in presenting the plan: in other words, it is a confident request for funding, backed by a strong statement regarding the viability of the proposed business.

Imagine that you are on “Shark Tank” and have only a few minutes to hook and convince your audience that your business is worth their investment. Include short statements about:

* Your concept
* Your market
* The reason your company will succeed
* Your financial situation and needs
* Your short and long-term plans and goals

The body of the business plan will provide the details you don’t cover in the Executive Summary.

**Key Team Players**

Explain the role that each team member plays in assuring the success of the business, and why they are uniquely qualified to manage their specific area.

**Description of Business/Product/Service**

Start by defining the most basic elements of your business: What industry will you be entering? Will you offer a product or a service? Are you entering an established market, or creating something entirely new?

Next, provide more specifics about the product or service. What is unique about your offering? What customer needs does it meet? How will you position yourself? Do you offer a high-end, luxury product, or something designed to save the customer time, or money? Do you offer variations or multiple models of the product? How much Research & Development (R&D) is required? How much will you charge?

**Market Details**

It’s important that you understand the industry in which you’ll position your product or service. Careful research is required here, from reputable sources. You’ll want to understand the size and growth potential of the market place, as well as its current trends. This analysis will help you establish realistic pricing, distribution and promotional strategies, and growth goals.

Next, determine what market segment you’re going after. Do you plan to address the local market only, or go national – or global?

**The Customer**

Defining your market space leads naturally into defining your customer base. Show that you know your customer – his/her demographics, buying habits, needs, income level, etc. Who are they currently buying from? Will you take customers away from the competition, or create new customers? What marketing approach works best with your target customer?

**The Competition**

Now demonstrate that you know and understand your competition. Who’s the market leader, and why? Identify their strengths and weaknesses, and describe your strategies for gaining a distinct advantage. What are the competitors’ vulnerabilities? How are they positioning themselves? What would persuade their customers to switch over to you? What specific attributes does your product have that your competitors' don't?

**Product Value Proposition**

In order to secure financing, and ultimate success, you must demonstrate that you have a distinct and enduring competitive advantage. In business this is often referred to as a “value proposition.” It is the message you send the customer regarding the value they will find in your product – the problem it will solve for them and the ways in which it will make them happy. The value proposition also explains the unique ways in which your product is better than similar offerings on the market.

**Financials**

It takes money to make money. Of course, we don’t expect you to seek $10 million in venture capital. Your business concept may require very little in start-up funds. However, within your business plan, we ask you to imagine taking this business to the next level, and consider needs such as office space, employees, materials and supplies, marketing costs, delivery costs, etc. Prepare a cost sheet that outlines all your business needs, at various phases of your business’ growth.

Then research the various sources of business funding, such as: bank or government small-business loans, venture capital firms or private (angel) investors. Understand the dynamics of each, and propose which type of investor you plan to approach, and why. For example, venture capital firms usually invest no less than $250,000 and some start with investments of $1 million or more. They expect to be granted ownership of a certain percentage of your business, and may want to have a say in how it’s run. Bank and government loans are repaid with interest, and usually require some kind of collateral. Angel investors are individuals, and you may be able to customize your deal with them. However, their contributions are likely to be small.

Your financial plan should also include:

* A realistic cost sheet and corresponding estimate of the funds you’ll require
* A specific plan for using the investment funds
* The price you’re willing to pay for the funding, as well as the amount of control you’re willing to surrender to your partners/investors
* The revenue you plan to generate, within a specific amount of time
* Your break-even point
* Your expected rate of return for yourself and your investors

**Operations and Production Details**

Whether you’re providing a product or a service, you’ll need to understand and describe the specifics of delivering it to the customer. “Operations” includes elements such as staffing, supplies, production, distribution, etc. Start-up procedures, as well as a growth plan need to be addressed. Answer questions such as: Where will the customers find me – in a store, or on their doorstep? How will I get the product or service to them? If the demand and customer base grows, how will I ramp up to accommodate the growth? How many people do I need working for me and what qualifications do they need? How will I train them?

Operations are, of course, closely tied to costs. You should be able to demonstrate that the price you plan to charge will cover all operational expenses, with a margin of profit remaining.

**Sales and Marketing** **Plan**

Once you’re sure you can produce your product and get it to the customer, you have to create a demand through sales and marketing. Observe marketing vehicles such as billboards, print ads and commercials. Assess what kind of strategy and message would work best with your target audience. Determine how you will capture their attention and create a driving desire for your product or service. Then create a promotion plan.

This plan should include elements such as advertising, packaging, public relations, sales promotions, etc. Consider the marketing vehicles you’ll use, and their associated costs. Then determine the size and nature of your sales force. Do you conduct sales online, or in person?

**Growth Plan and End** **Goals**

Your marketing plan will also include your strategies for market penetration and growth. You should be able to demonstrate how your sales (revenue) and growth projections tie in with your overall financial plan. Of course, these elements tie into your overarching goals for the company.

Picture your company 1, 3 or 5 years in the future. Will you still be in business? How will your business then look different from your business in the start-up phase? Have you increased the number of employees – or market share? Have you expanded into additional markets? Gone public, so that you’re listed on the New York Stock Exchange? Or retired on the profits?

Have you positively impacted your customer or your community? Have you created a new trend or a new way of looking at life? Think big, and let your classmates (and your theoretical investors) know your ultimate goals for this new business.