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5th Edition

Business Plans Kit

for
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Chart your course
to business success

Create a solid business plan
to guide you

Explore ways to fund a
start-up or expansion

Steven D. Peterson, PhD
Founder, Strategic Play

Peter Jaret
Business consultant

Barbara Findlay Schenck
Business Marketing Strategist



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**by Steven D. Peterson, PhD, Peter Jaret,
and Barbara Findlay Schenck**

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dummies[®]
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Business Plans Kit For Dummies®, 5th Edition

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Introduction

Everyone who wants to start a business — or grow one — usually starts with the same question. What’s the key to success? Well, you need a good idea, of course. And you have to have a smart strategy to carry it out. But just as important, you need a solid business plan, one that lays out exactly what you hope to do and how you plan to do it. A good business plan sets your course and prepares you for the challenges that inevitably lie ahead in today’s fiercely competitive world.

Today, companies large and small face the challenge of change like never before. New business models have transformed whole industries. Innovative technologies have completely altered the way business is done. Opportunities abound. But so do tough challenges. That’s why the fifth edition of *Business Plans Kit For Dummies* is packed with fresh advice for navigating marketplace disruptions and finding a successful course through turbulent times. Along the way, you’ll find practical advice on how to put a promising business idea to the test, how to recognize your own strengths and weaknesses, how to craft a successful competitive strategy, how to find funding, and much more.

This book doesn’t *tell* you how to develop your business plan; it *shows* you how, walking you through the process with step-by-step action plans, examples, and do-it-yourself forms throughout the book, along with more than 100 additional forms online, which you can download at www.dummies.com/go/businessplanskit.

So whether you’re planning to launch a brand-new business, kick-start an idling enterprise, run a successful nonprofit, or take a going concern to new heights, this book makes the planning process straightforward, easy, rewarding — and yes, even fun.

About This Book

Plenty of books out there offer business-planning theories and principles. This one is different. It cuts through the academics and steers clear of the jargon to provide an easy-to-grasp, step-by-step approach to putting a business plan together. It also offers dozens of forms to make the task easier and includes

examples from all kinds of businesses — from freelancers and small retailers to online marketers and nonprofit organizations. It even provides a template to guide you as you assemble the right parts and pieces into a business plan that addresses your target audience, business goals, and one-of-a-kind situation.

We've updated every chapter of this new edition — and added two brand new chapters — to help steer you toward success in today's business environment, where start-ups abound and established businesses are transforming to adapt to the rapidly changing world around them.

We've added loads of tips on everything from structuring new businesses and business models to adopting the latest technology and social media resources to find, reach, interact with, and develop loyalty from customers. An all-new Chapter 8 helps you explore ways to find funding for your business. A brand new Chapter 12 zeroes in on planning and running a virtual organization. We've expanded our coverage of business models and the increasingly essential role of the Internet. On almost every page, you'll find fresh tips on pricing, promoting, and controlling costs and driving profits in today's business environment. With more people going out on their own or looking for opportunities to start small businesses, we've expanded advice on how to start a new business, raise cash, build brands, and overcome entry barriers. And with more and more nonprofit organizations doing good in the world, we've also updated Chapter 14 with advice on reaching potential donors and snaring grant money.

Foolish Assumptions

You've picked up this book, so we can safely assume that you're probably starting or growing a business. Chances are it's a small- to medium-size business because that's how most companies start. You may be a sole proprietor planning a one-person business, or you may be planning a company with a staff of dozens of people. Who knows, you may even be part of a very large company and writing a plan for your department or division. No matter what brings you to this book, we guarantee you will find a ton of helpful advice. Whether your company is big or small, whether you're just starting out or working for a long-established business, the basics of business planning are the same.

We also assume that you're probably approaching the planning process with more than a little anxiety, which is true of most of the people we work with in our day jobs as business consultants. But guess what: As soon as most business planners get going, they discover that planning isn't just challenging and interesting — it's even fun.

One last note: You don't need previous business experience to make your way through this book, although people with experience will also find plenty of good advice.

Icons Used in This Book

What would a *For Dummies* book be without the margin icons alerting you to all sorts of useful stuff? Here are the icons you find in this book:



TIP

Tried-and-true approaches to help save you time or trouble. This tip icon also points out forms and resources that we describe in this book. You can find them online at www.dummies.com/go/businessplanskit.



REMEMBER

This icon marks business-planning essentials you don't want to forget.



WARNING

Here are common problems or pitfalls to avoid.



EXAMPLE

These real-life examples provide useful lessons on business planning.

Beyond the Book

The book you hold in your hand is chock-full of all the information you need to develop and implement a killer business plan — one that will help turn your very good idea into a very successful business. But there's more. Online resources associated with this edition of *Business Plans Kit For Dummies* contain a wealth of forms that can help guide you, including a template that describes each of the sections your business plan should have, with pointers on where to find advice on developing them within the book.

To view this book's Cheat Sheet, simply go to www.dummies.com and search for "Business Plans Kit For Dummies Cheat Sheet" in the Search box. It offers additional bits of information to refer to as you put together your plan. You can access this material again and again as you need it.

Where to Go from Here

You don't have to begin with the first page and end on the last (although you're certainly welcome to read straight through the book). People turn to business planning for all kinds of reasons and with all kinds of goals in mind, so we organized this book to make it easy to roam around and find exactly what you need. Wherever you start, remember that you can use the handy index to jump quickly to the exact information you need at any time.

If you need some help locating exactly the information you need, flip to the table of contents or the index, find the topic that interests you, and turn to that chapter to start putting your business plan together.

1 Getting Started with Business Plans

IN THIS PART . . .

Recognize the all-important value of business planning, establish your business-planning starting point, and get an overview of the business-planning process that will lead to an effective plan.

Explore ways to hatch new business ideas, put them to the test, refine your choices, and find opportunities best suited to your personal traits, strengths and weaknesses, and marketplace realities.

Know where you want your business to go by giving your business its mission and vision, setting goals and objectives, putting principles into practice, and then designing a business model capable of turning your company into a profit powerhouse.

Lay the groundwork for developing a business plan that's grounded in the reality of market conditions and tailored to the wants, needs, tastes, and trends of your precisely targeted prospective customers. Whether you're launching a start-up, orchestrating a turnaround, or taking a business to new heights, this part helps you make sure you have the basics in place to begin creating a plan that keeps your business a step ahead of competitors and changing conditions.

IN THIS CHAPTER

Recognizing the value of a business plan

Setting your planning starting point

Understanding what goes into a plan

Establishing your business planning time frame and milestones

Chapter 1

Powering Up for Business Success

The fact that you've opened this book means the idea of writing a business plan has made it onto your to-do list. That's a big step in the right direction. Now come the questions. What exactly is a business plan? What should it include? How should it be organized? And do you really need one?

This first chapter of *Business Plans Kit For Dummies*, 5th Edition, answers all those questions and more. It offers plenty of reasons why business planning is essential — when you start your business and at every growth stage along the way. It helps you think about the audience for your plan, what its key components should be, and how to go about putting it together. It also updates you on changes and challenges facing business planners in today's rapidly transforming business arena.

We won't pretend that writing a business plan is a breeze. It takes time and thought. But we wrote this book to make the process manageable and even fun. The fact that it's in its fifth edition, with hundreds of thousands of copies world-wide, suggests that a lot of readers have found it useful.

Now it's time to get going. This chapter gets you oriented and on the way to success.

Selling Yourself on the Importance of Business Planning

Nearly all business experts agree on one thing: the importance of drafting a business plan. Yet plenty of business leaders plunge into the competitive arena without a formal plan. Why? We've heard plenty of excuses posing as reasons. We've also heard from entrepreneurs so carried away by their enthusiasm that they figure their passion and optimism are enough to build a successful company. Others say they were just too busy to develop a formal business plan. But operating without a plan can prove even more time-consuming in the long run. These sections clarify in plain English the importance of having a business plan.

Tallying up the benefits of a business plan

Some of the benefits you can gain from business planning include

- » An opportunity to test your business idea to see if it holds real promise of success (refer to Chapter 2)
- » Clarity about your business mission, vision, and the values that can help you steer your business through times of growth or difficulty (check out Chapter 3)
- » A description of your *business model*, or how you plan to make money and stay in business, along with a road map and timetable for achieving your goals and objectives (see Chapter 3 for more information)
- » A portrait of your potential customers and their buying behaviors (flip to Chapter 4)
- » A rundown of your major competitors and your strategies for facing them (refer to Chapter 4)
- » A clear-eyed analysis of your industry, including opportunities and threats, along with an honest assessment of your company's strengths and weaknesses (head to Chapter 5)
- » Benchmarks you can use to track your performance and make midcourse corrections (turn to Chapters 5 and 17)
- » An explanation of your marketing strategies (flip to Chapter 7)
- » An analysis of your revenues, costs, and projected profits, along with cash flow projections that help you anticipate your funding needs until the time when revenues flow in to cover expenses (check out Chapter 8)

- » An assessment of risks and the forces of change that can threaten your success or present opportunities to capitalize upon (see Chapter 15)
- » A résumé you can use to introduce your business to employees, suppliers, vendors, lenders, and others (look in Chapter 17)

Knowing what can go wrong without a plan

The many benefits of having a business plan should be enough to convince you. But in case you're still wavering, consider what can go wrong if you don't take time to plan. You risk

- » Running out of cash because you haven't projected start-up or expansion costs and the amount of funding you'll need before sufficient revenue rolls in
- » Missing sales projections because you don't really know who your customers are, what they want, or how they shop and buy
- » Becoming overwhelmed or sidetracked by too many options because you never took the time to focus on a mission and vision for your company
- » Going bankrupt because you don't have a rational *business model* or a plan for how to make money



REMEMBER

Take our word for it: Time spent putting together a solid business plan is time well spent. Don't be overwhelmed by the task you're launching. The basic components of a business plan are fairly simple and the benefits are many.

Business planning as a test drive

Business planning sets the course that you intend to follow. But a good business plan also functions as a kind of test drive. It allows you to think about all the parts you need to have in place to turn an idea into a business success or to make a business run at peak performance.

Business planning is also your chance to anticipate bumps or sharp turns that may lie ahead, including economic uncertainties, competitors on the same racetrack, new technologies and innovations, and the way your particular strengths and weaknesses prepare you for the risks and opportunities ahead. Business planning forces you to detail the costs, resources, and timelines required to introduce a business, launch a new product or service, open a new market area, or implement a proposed strategy for growth or business turnaround. Many companies end up retooling their product, service, or strategy as a result of the business planning process.

The Anatomy of a Business Plan

Business plans are as varied as the companies that compile them. Some run dozens of pages. Others barely fill a few sheets. The next sections introduce the basic components that you can adapt to create a plan to meet your needs.

Business plan contents, beginning to end

Although business plans come in all sizes and formats, they typically share a similar framework. The following components, presented in the order they generally appear, are the elements you'll choose from as you build your plan:

- » **Table of contents:** This guide to key sections in your business plan is especially useful if your plan exceeds ten pages.
- » **Executive summary:** This summary of key points in your business plan is important if your plan runs more than ten pages, and you want to convey the major points up-front. You want to keep it clear, captivating, and brief — in fact, aim to keep it to no more than two pages.
- » **Business overview:** This section describes your company and the nature of your business. It may include your company's mission and vision statements as well as descriptions of your values, your products or services, ways your company is unique, and what business opportunities you plan to seize. (Turn to Chapter 3 for help defining your business purpose and developing your overview.)
- » **Business environment:** This section includes an analysis of your industry and the forces at work in your market; a description of your direct and potential competitors; and a close look at your customers, including who they are, what they want, and how they buy products or services. It describes forces beyond your control that affect your business success. (Count on Chapter 4 to help you zoom in on your environment and develop your analysis.)
- » **Business description:** In this section, include information about your management team, organizational structure, new or proprietary technology, products and services, business operations, and marketing potential. (Check out Chapter 6 for help with writing your description.)
- » **Business strategy:** This section is your road map to success. It brings together information about your business environment, business model, goals and objectives, and resources, and then lays out your strategy for start-up, growth, or turnaround. (As you prepare this section, Chapter 5 is an indispensable resource.)

- » **Marketing plan:** This section is where you describe your brand, value proposition, and how you plan to reach prospects, make sales, and develop a loyal clientele. (Chapter 7 helps you develop your marketing plan.)
- » **Financial review:** This section includes a detailed review of the state of your current finances and what you expect your financial picture to look like in the future. It typically contains financial statements, including an income statement, your balance sheet, and a cash-flow statement. (If any of these terms seem foreign to you, or if you want step-by-step financial planning advice, see Chapter 9 for all the details.)
- » **Action plan:** Here you detail the steps involved in implementing your business plan, including the sequence of actions and how they align with your goals and objectives. (Flip to Chapter 3 for advice on establishing goals and objectives, and then turn to Chapter 16 for information on how action plans ensure that you'll put your business plan to work.)
- » **Appendices:** This section includes detailed information that supports your business plan. It may include analyses, reports, surveys, legal documents, product specifications, and spreadsheets that deliver information that supports your business plan but which is of interest to only a small number of your readers.



TIP

For a business plan checklist, go to www.dummies.com/go/businessplanskit to download Form 1-1. It features the preceding lineup of business plan components. As you write your plan, use the list to tick off major components as you complete them.

Keep in mind: There is no single format for a written business plan. For that reason, we don't provide any rigid business-plan models in this book. Instead, in the following chapters you can find information on how to develop each of the major components, advice for how business plans tend to work for different kinds of businesses, and plenty of real-world examples to follow, including model mission statements, goals and objectives, financial statements, and business models. Then, in Chapter 16, we introduce a customizable business plan template that helps you bring together all the planning information referenced throughout this book. The result: a self-tailored business plan for your unique business-planning situation.

Business plan FAQs

If you're like most people who are launching the business-planning process, the following questions are on your mind:

- » **Do you really need to include all these sections?** Nope. Your business plan should include only what's important to you and your company. If your plan is short — or written mostly for your own purposes — you can skip the executive



TIP

summary and table of contents, for example. Or if it's a one-person business, you may not need to describe its organization (unless you need a little help in getting organized!).

For most businesses, however, all the other sections are important. By putting your mission, vision, values, product offering, goals, and competitive advantages into words, you clarify and strengthen ideas about what you really plan to do with your business. That exercise can be extremely valuable for any company, no matter how big or small.

- » **Do you really need to write it all down?** The one-word answer is yes. Creating a written plan forces you to think through issues that you may otherwise ignore. For example, when you write your business plan, you commit to how you're going to make money; you define your customers and your strategy for reaching them; you analyze your competition and how your offerings compare to theirs; you list opportunities to seize and threats to protect against; and you establish a set of goals and objectives — along with your action plan for achieving success. And when you're done, you have it all in writing for quick, easy, and frequent reference.
- » **How long should your plan be?** As long as it needs to be — and not a single word longer. A business plan as thick as a good novel doesn't impress anyone. In fact, a plan that size is likely to scare people off. What really impresses investors, clients, employees, and anyone else who may read your plan is clear, straightforward, and to-the-point thinking. Don't go overboard in the cutting room or leave anything important out of your plan purely for the sake of keeping it brief, but do condense every section down to its most important points. Even comprehensive plans usually fit on 20 to 30 pages, plus appendices. Most 100-page business plans are about 75 pages too long.

Establishing Your Planning Objectives

To get your business where you want it to go, you need a map to follow, which is what your business plan is all about.



TIP

Imagine that your company is a ship about to set sail on an ocean voyage. Your business plan defines your destination and the route that you'll follow. It details the supplies and crew you have on board as well as what you still need to acquire. It forecasts the voyage's cost. It describes the weather and sea conditions you're likely to encounter and anticipates the potential dangers that may lurk over the horizon. Finally, your business plan identifies other ships that may be attempting to beat you to your destination.

The same kind of planning is necessary back on dry land. To navigate a new course for your company, you need to start with an assessment of where your business is right now. You may be putting your business together for the first time. Or your business may be up and running but facing new challenges. Or perhaps your business is doing well and about to launch a new product or service. After you assess your current situation, you need to define where you want to arrive and what financial, operational, marketing, and organizational strategies you'll follow to achieve success. The next sections lead the way.

Defining your starting point

Every business planner begins with a different set of issues and goals. You're likely beginning the planning process at one of these starting points:

- » A good idea you want to turn into a business
- » A side gig you want to turn into a business
- » A business that needs funding to get off the ground or to expand
- » An established business that's struggling and needs to get back on track
- » An established business in need of better talent, partners, or customers
- » An established business with growth that seems out of control
- » An established business with growth limited by lack of scalability
- » An established business launching a new product or service
- » A business preparing for management transition or sale to new owners



TIP

To define your current business situation, download Form 1-2 at www.dummies.com/go/businessplanskit. It lists many of the situations that companies face as they embark on the planning process. Check off the situations that apply to your circumstances. Your business plan essentially will map the route you'll follow from your starting point to the goals you want to reach.

Zeroing in on the changes you want to plan for

Setting out your priorities in the form of a business-planning wish list can help you focus your efforts.

WRITE A PLAN; MAKE MORE MONEY

For proof that a business plan is important, consider this example. When the Kauffman Center for Entrepreneurial Leadership surveyed the annual winners of its Entrepreneur of the Year Award, it found that companies with written business plans had 50 percent greater sales growth and 12 percent higher gross profit margins than companies without plans. How's that for incentive?



TIP

Check out Form 1-3 for a list of top priorities shared by many businesses embarking on the planning process. Place a check mark beside the items that are on your wish list or use the provided space to enter your own unique desired outcomes. After completing the form, assign a priority (low, medium, or high) to the items you've checked. Keeping this form handy as you go through the planning process can help you stay on track to meet your planning goals.

Setting out your planning objectives

With a thousand issues clamoring for the precious hours in your day, committing time to plan your company's future isn't easy. But operating without a plan is even harder — and even more time-consuming in the long run. Two steps can help you get started. The first is to define your planning objective, whether it's to start or grow a business, launch a product, pivot to new strategies, or orchestrate a turnaround to get your business from where it is to where you want it to be. The second is to realize the ways that a business plan can heighten the odds of success for businesses in all stages.

Planning for a new business

Every new business — whether a tech start-up or new business in a long-standing arena — begins with a new idea and high hopes. A business plan helps you evaluate your new idea, potential market, and competition, addressing these critical questions:

- » Does this new venture have a good chance of getting off the ground?
- » How much money will the business need to get up and running?
- » Who are your customers, and what's the best way to reach them?
- » Who are your competitors, and what's the best way to outrun them?
- » Why will people choose this product or service over other options?