Successful BUSINESS PLANNING in DAYS

A STEP-BY-STEP GUIDE FOR WRITING A BUSINESS PLAN AND STARTING YOUR OWN BUSINESS

Third Edition

Peter J. Patsula



Praise

for Successful Business Planning in 30 Days

"The Ultimate Desk Reference: Whether you're looking for investment dollars or creating a three-year plan, this book is a must! Patsula has taken the daunting task of planning a business and turned it into a simple, yet effective formula that works! Besides all the facts this book provides, it did one more thing for me that no other book has—it helped me gage my entrepreneurial skills and guided me towards a more solid approach to running my business. If you're developing a business plan, or just interested in finding out what it takes to be successful in an increasingly challenging market, I encourage you to pick up this book."

— Daniel De Freitas, Vice President of Operations, RDI Consulting, Ltd., May 2004.

"Work of Art: I enjoy reading books based upon business like themes, and I must say that this is one that has completely stood out from the rest that I have read. I recently started my own business after 20 years of experience, and I must say that this book covers not only all the basic methods to start a business, but also to make it shine amongst the rest. It is practical and brilliant at the same time, and very easy to follow for anyone who has the motivation to start their own business. Pave your way to success and climb to the top, using this book as an essential tool."

— Michael K. Johnson, Amazon Review, Dec 2003

"Highly Recommended: Now in a newly updated and expanded second edition by Peter J. Patsula is concise, 'reader friendly,' and contains all the information needed to create a comprehensive business plan for any type of entrepreneurial activity with a 30 day time frame. There is even a section showing how to create a mini-business 'one day' plan in a single afternoon. Successful Business Planning in 30 Days offers more than 200 educational and motivational quotations and 33 specific tips for making a profit. Enhanced with time-saving worksheets and checklists, and a sample business plan prototype, Successful Business Planning in 30 Days is highly recommended to anyone charged with developing a company mission statement, marketing strategy, or financial breakdown."

— James A. Cox, Editor, Wisconsin Bookwatch, Feb 2003

"Jam-packed with information: Brimful with data and stacks of worksheets, this is a good buy for anyone in need of a business security blanket. For those who want the full on approach, this is it!"

— Phil Woolrich, Head of Business, United World College South East Asia, Singapore, April, 2004

"Helpful Examples: I am currently writing our business plan and am using your book. I have several other books, but wasted my money on them. I find the examples helpful and the worksheets easy to use."

— Donna Whyte-English, English Building Systems, Sunderland, MA, May, 2004

"Essential Guide for Business Planning: If you are one of the millions, who has contemplated starting your own business or just curious: Do I really have a valid business idea and will this idea fly? You at least owe it to yourself to find out. By reading and following the outlines provided in this guide, you will finally be able to answer that question and many more. This is a must read for anyone before starting your own business. Successful Business Planning in 30 Days: A Step-by-Step Guide for Writing a Business Plan and Starting Your Own Business—the title says it all. Now, ask yourself. Can I really afford not to read this Guide? Worst case scenario, you'll have gained knowledge of what it takes to be successful in business and redirect your efforts."

- Mike Milliken, Barnes & Noble Review, Oct 2001

"Business for Beginners: Some years ago my husband and I started a small consumer electronics export business in San Jose, California, "Silicon Valley". If this book had existed at the time, it would have saved us weeks, maybe even months, of time that we spent gathering basic information from a variety of sources. This book has all the basics, all in one place, with real-life examples and suggestions in a usable and practical workbook format. This may not be the only book you need to get started in business, but it certainly should be the first book you get."

- Farzana Hyland, San Jose, Amazon Review, Sept 2000

Contents

| Forewordix | Financial Plan | 251 |
|---|---|---------|
| | Capitalization Plan | 253 |
| Prefacexi | Uses of Funds Statement | 256 |
| | Pro Forma Financial Statements | |
| Introduction1 | Current Financial Statements | 300 |
| What is a Business Plan? 3 | Business Financial History | 303 |
| Why Write a Business Plan?3 | Profit Planning | 315 |
| Essential Elements of a Business Plan 4 | Risk Assessment | 327 |
| The 30 Day Business Plan [™] 5 | Closing Statement | 329 |
| How to Use this Guide 6 | | |
| Passion: The Final Ingredient 8 | Supporting Documents | 333 |
| C | Documents Required | 335 |
| Business Overview9 | Other Documents and Support Plans | 337 |
| Cover Sheet 11 | | |
| Table of Contents | Conclusion | 343 |
| Executive Summary 43 | Business Plan Writing Strategies | 345 |
| Fact Sheet46 | Why Businesses Succeed or Fail | 349 |
| Company Plan51 | Other Materials | |
| Company Description53 | Sample Business Plan | |
| Merchandising Plan79 | Business Overview | |
| Operating Plan 95 | Company PlanMarketing Plan | |
| Organizational Plan150 | Financial Plan | 361-364 |
| | Supporting Documents | |
| Marketing Plan161 | The One Day Business Plan [™] | |
| Market Description and Analysis163 | Idea Sheet | |
| Competition Analysis | Daily Planner | |
| Selling Strategies | Quarterly Cash Flow Budget Analysis | 369 |
| Marketing Approach245 | INDEX | 370 |
| J 11 | The 30 Day Business Plan [™] Checklist | 373 |

Action Plan

The 30 Day Business Plan[™]

| DAY 1 | DAY 6 |
|--|---|
| Name your company. Write a mission. | Find a location and compare it with |
| Develop a One Day Business Plan [™] . | your compeitors'. List pros and cons. |
| Company Name11 | Location Analysis66 |
| Company Mission Statement14 | · |
| The One Day Business Plan [™] 18–29 | DAY 7 |
| | Describe growth strategies once initial goals |
| DAY 2 | and objectives have been met. Outline R&D |
| Design a logo. Write a principal business | plans. |
| definition. Complete cover sheet. | Planned Expansion |
| Company Logo30 | Research and Development |
| Confidentiality Agreement | |
| Preparation and Copyright Notice | DAY 8 |
| Summary of Business Proposition | Describe your principal products and |
| Targeted Reader Statement | services. Outline future sales plans. |
| | Description of Principal Products and Services 79 |
| DAY 3 | Feasibility Study 80 |
| Determine the content and heading | Future Products and Services81 |
| structure of your business plan. | |
| Table of Contents | DAY 9 |
| Table of Contents. | Find suppliers. Take steps to protect your |
| DAY 4 | ideas. |
| Summarize your business idea. List key | Purchasing Plan87 |
| facts. | Proprietary and Exclusive Rights Obtained 90 |
| Executive Summary43 | DAY 40 |
| Statement of Purpose | DAY 10 |
| Fact Sheet | Choose a single-entry or double-entry |
| | accounting system. Open a business |
| DAY 5 | checking account. |
| List goals, objectives, and strategies. | Accounting System95 |
| Choose a legal structure. | Banking Plan103 |
| Accomplishments to Date54 | |
| Buildings and Equipment Owned54 | |
| Company History 54 | |
| Company Philosophy | |
| Goals and Objectives | |
| Legal Structure 58 | |

| Outline planned purchases. Computerize operations. Set up business communications. Develop an Internet plan. Buildings, Equipment, and Other Purchases 110 Computerization Plan | DAY 16 Describe and analyze your target market. Project market share. Outline how you plan to build repeat business. Target Market Description |
|--|---|
| DAY 12 Choose an inventory and order entry system. Determine your reorder point. Inventory Control | DAY 17 Research competitors. Compare strengths and weaknesses. Write your competitive advantage. Competitor Descriptions |
| quality control plan. Research licenses required and legal considerations. Register your business. Operations Schedule (Milestones) | DAY 18 Design a business card. Write a slogan. Business Cards |
| DAY 14 Determine your organizational, management, and personnel needs. Find and select professional advisors. Board of Directors | maxim. Customer Service Plan |
| DAY 15 Research market and industry trends. Detail needs you plan to meet. Industry Environment and Market Trends | |

| DAY 21 | DAY 26 | |
|--|--|-------|
| Set a pricing structure. | Prepare a breakeven analysis and a pro | |
| Pricing Policies211 | forma balance sheet. | |
| J | Breakeven Analysis | 288 |
| DAY 22 | Pro Forma Balance Sheet | |
| | | |
| Develop a promotion plan. Create a | DAY 27 | |
| promotion budget. Write a news release. | | |
| Promotion Plan | Prepare a current income statement, | |
| Fublicity Flatt232 | balance sheet, and asset sheet. Calculate | |
| DAY 00 | financial ratios. | |
| DAY 23 | Current Income Statement | |
| Develop a packaging concept. Write your | Current Asset Sheet | |
| warranty. Summarize your marketing | Current Asset Sheet Other Financial Statements | |
| approach. | Financial and Operating Ratios | |
| Packaging Concept243 | Performance Indicators | |
| Strategic Alliances244 | | |
| Service and Product Mix Strategy244 | DAY 28 | |
| Timing of Market Entry245 | Describe how you will maximize profits and | |
| Warranty Policies245 Marketing Approach (Brand Promise)245 | cut costs. Outline your exit, investment, | |
| Marketing Approach (Brand Fromse)245 | retirement, and tax plans. | |
| DAVOA | Cost Reducing Measures | 315 |
| DAY 24 | Exit Strategy | |
| Calculate startup costs. Summarize sources | Investment and Retirement Plans | |
| of capital, loans required, and uses of funds. | Tax Plan | |
| Summary of Financial Needs253 | | |
| Capital Required (Startup Costs)253 | DAY 29 | |
| Present Financial Structure (Capital Sources) 254 | Anticipate the reactions of your competitors | |
| Funding Required | Develop an insurance and risk management | |
| Uses of Funds Statement256 | plan. | |
| DAVOS | Analysis of Competitors' Reactions | . 327 |
| DAY 25 | Contingency Plans | |
| Prepare a 12-month and three-year income | Insurance Plan | |
| projection. Prepare a cash flow statement. | Risk Management Plan | |
| State assumptions made. | Security Plan | |
| Assumptions Made271 | Closing Statement | . 329 |
| 12-month Income Projection272 | DAY 30 | |
| Three-year Income Projection | | |
| Cash Flow Statement274 | List documents needed to support research | |
| | Contracts and Lease Agreements | |
| | Credit Reports and Income Tax Returns Legal Documents | |
| | Letters of Reference | |
| | Personal Financial Statements | |
| | Résumés | |
| | Other Documents and Support Plans | |

Index

A

Accounting, 95–103, 357
accounting cycle, 97
balance sheet accounts, 109
chart of accounts, 96, 109
computerized systems, 102–103
condensed single-entry systems, 99–100
double-entry accrual based system, 99
hiring accountants, 153
income and expense journals, 100–102
income statement accounts, 109
records, 96, 107
setting up an accounting system, 96, 98, 106–109
single-entry cash based system, 98–99
software, 121

Advertising, 228–232 ad media selection, 229 advertising key, 203 advertising records, 202–204 bread'n butter media, 235 budget, 231–232, 237–238 copywriting with ODaC, 230 cost analysis, 204 design themes, 229, 236 types of media, 234

Answering Machines, 113
Answering Services, 113–114
Asset Sheet, 302, 306
Assumptions, 271–272, 280, 365

B

Bad Debts Collection Policy, 196

Balance Sheet, 109, 301–302 current, 301–302, 314, 363 personal, 340 pro forma, 295, 298, 363 market-value, 303

Banking Plan, 103–105, 107 checking account, 105 elements of a positive credit profile, 105

Benchmarks, see Performance Indicators

Board of Directors, 150, 153–154 Brand Promise, 21, 29, 246, 250, 360

Breakeven Analysis, 288–294, 296–297 basic breakeven formula, 288–289 breakeven graph, 293, 294, 295 for a manufacturer, 292–293, 363 for a service provider, 292 using gross margin, 289–291

Budgeting: see Cash Flow advertising, 231–232 promotional budget, 231–232, 237–238 terminology, 268–270

Business Cards, 187-188, 190-191

Business Concept, 43, 80, 355 evaluation, 84–85

Business Financial History, 303, 307

Business Model, 116, 124, 358

Business Overview, 9–50, 353–354 statement, 45

Business Plan:

adding graphs and visuals, 347–348 length of, 345–346 sample, 351–366 writing strategies, 345–348

Buying Motives, 168

\mathbf{C}

Capital Cash Conversion Cycle (CCC), 270–271

Capital Sources, see Financial Structure

Capitalization Plan, 253–255, 257– 266, 361 capital required, 253–254, 257–260, 361 summary of financial needs, 257

Cash Flow, 269, 274–280, 287, 363 cash flow crunch strategies, 276 cash sources, 284 cash to be paid out, 284 quarterly budget, 369

Cellular Phones, 114

Closing Statement, 329

Communications, 113–115

Company Description, 53–78, 353 accomplishments, 54, 61–62, 353 buildings and equipment owned, 54, 62 history, 54, 62–63 philosophy, 54, 63

Company Plan, 51-160, 355-358

Competition Analysis, 178–186, 360 description statement, 178 evaluating, 179

profile, 186

Competitive:

advantage, 179, 182–183, 360 position, 180, 184–185

Computerization, 110, 120–123 computer blues, 111–113 hardware, 111, 122–123 recommended PC configurations, 122 software, 110–111, 121

Confidentiality Agreement, 34

Contract Labor, 150, 155

Contracts in Force, 54, 62, 335

Copyright, 90

Corporations, 60

Costs:

fixed and variable, 73, 219, 273, 283, 289–296, 363 operating expenses, 283 reduction of, 315, 321 scrooge strategies, 326 startup, 357–360

Cover Letter, 348, 350

Cover Sheet, 11–38 examples, 11, 351 preparation and copyright notice, 34–35 worksheet, 38

Credit Extension, 194–196, 198 guidelines, 195–196 terms of sale. 88

Current Financial Statements, 300–303, 306–307, 313–314

Customer Profile, 174, 177

Customer Service Plan, 193–194, 197–198 rewarding customers, 193 handling complaints, 197 service maxims, 198

D

Deviation Analysis, 303

Depreciation, 109, 254, 268–269, 273–275, 280, 292, 300–302, 365

Direct Mail, 172, 203, 206, 230

Distribution Plan, 200-202, 206-209

DPSPs, 319, 323

personal, 341 E M Industry Ratios, 24, 57, 264, 275, 304, EOQ Formula, 88, 93-94, 127-128, 305, 308-311, 362, 364 Management Plan, see Organizational 135 Innovation, 82 Ethics, Code of, 149 Manufacturing Plan, see Production Insurance, 68, 153, 201, 263, 278, 327-328 Executive Summary, 43–45, 47–49, Market Description and Analysis, Internet Plan, 115-116, 124-126, 357 163-167, 359 Expansion Plan, 73–74 back-end development, 116, 126 explosive growth, 74, 77 front-end development, 116, 125 Market Testing, 202-204, 209-210 growth strategy statement, 74 IPR, Intellectual Property Rights, 90 Market Timing, 170, 245 horizontal diversification, 76 Inventory, Control, 127–132, vertical diversification, 76 Marketing Approach, 245–246, 250 134-136 Exit Strategy, 316, 321 Marketing Plan, 161-250 discontinuation policy, 89 EOQ, see EOQ Formula F Markup, 213-216, 219, 223, 226, 271, ideal level, 127 291-292 in-stock record, 130 Fact Sheet, 46, 49-50, 354 Media Kit, 239 order inspection policy, 88-89 Fax Machines, 115 period ending record, 130 Merchandising Plan, 79–94 receiving report, 89 Feasibility Study, 80, 84-85 creating new market opportunities, records system, 130 FICO Credit Score, 105, 108, 357 turnover rate, 128-129 valuation policy, 131, 136 Mission Statement, 14–15, 17, 21, 29, Financial Objectives, 24–25, 56–57, Investments, 316–318 354 four major categories of, 316-317 Mutual Funds, 316-317, 323 Financial Plan, 251–332 investment strategies, 322 power of compound interest, 319 N Financial Ratios, see Industry Ratios IRAs, 318-319, 323 Financial Statement Analysis, 304, 311, Name, company, 11-14, 16 362-363 Needs Met, 164-165, 168 Financial Structure, 254, 261, 361 News Release, 232, 240-242 Job Descriptions, 152, 156-157 Financing (debt, equity, vendor), 262 K Fulfillment, see Order Entry Operating Expenses, 283 Keoghs, 319, 323 G Operating Plan, 95-149, 357-358 Keys to Success, 57, 65, 355 General Journal, General Ledger, 97-Operating Ratios, see Industry Ratios 98, 324 Operations Schedule (Milestones), 140, Goals and Objectives, 20-21, 29, 54-Leasing, 254, 260 143-144, 358 57, 64-65, 354 property, 110 Order Entry, 132-133, 137-139 Н Legal Structure, 58-60, 350 bottlenecks, 139 forms, 133 Licenses Required, 141-142, 145-148 Home Office, 67, 113, 114, 122, 323 fulfillment, 138 Canada, USA, 146 order entry systems, 137 other countries, 146 Organizational Plan, 150-160 Lists, customer, 171–172 leadership skills, 154 Idea Evaluation, see Business Concept Loans, 255 management style, 155 Idea Sheet, 7, 367 management team, 151-152, 155, 358 funds required, 255 manpower, 152, 156-157 loan application, 255, 263, 308 Image, company, 193, 211, 212, 218 organizational chart, 153, 158-159 what bankers and investors look for, 255, Income Projection, 272, 363 264-266 Overhead, 20, 29, 76, 150, 178, 179, three-year, 274, 282, 286, 363 Location, 66-72 183, 213, 215, 315, 321, 326, 355, twelve-month, 272-274, 281, 285, 363 choosing the area and site, 68 360, 364 Income Statement, 109, 300 different locations, 70

Logo Design, 30–33

current, 300-301, 313

Ownership Structure, 153, 159

P

Packaging, 90, 243–244, 247–248, 360 labeling requirements, 248 packaging concept, 247 UPC, 244

Pagers, 114

Partnerships, 59

Passion in Business, 8

Patents, 90

PDA Wireless, 114

Performance Indicators, 304–305, 312, 364

Personal Selling, 228

Pricing Policies, 211–227, 360 elements of selling price, 220 factors that "price" will influence, 219 factors that will influence prices, 218 fine-tuning policies, 227 industry pricing strategies, 226 price objectives, 212 pricing list, 216, 222 pricing worksheets, 223, 225 sample policy statements, 211–212 service quote, 224

Principal Business Definition, 35, 36

Pro Forma Financial Statements, 268–299

Production Plan, 140–142, 144, 356

Products and Services, 79–86 business drill questions, 84–85 future products, 81–82 researching new ideas, 86 sample descriptions, 79–80, 356 service and product mix, 244

Professional Advisors, 153,160

Profit Planning, 315–326

Profit Sharing Plans, 323

Projected Profit Sheet, 294, 299

Promotion Plan, 228–241 promotional mix (basic components), 228 promotional budget, 231–232, 237, 360 promotional media, 234 three basic components, 228

Proprietary Rights, 90

Publicity, 22,194, 228, 232–233, 239–242, 328, 331, 360

Purchasing Plan, 87–89, 91–94, also see Inventory, Control

Q

Quality Control, 141, 145

R

Registering a Business, 141–142 Renting Equipment, 254, 260 Repeat Business, 172, 176

Research and Development, 75, 78, 355

Research Sources, 80, 86

Retirement Planning, 318-319, 323

Risk Assessment, 327–329, 363 analysis of competitor's reactions, 327 contingency plans, 327 risk management, 328–329 types of risk, 330, 364 RRSPs, 318–319, 323

S

Sales Forecast, 134, 170, 174–175, 327, 359

Sales Plan, 356, *also see* Merchandising Plan

Sales Promotion, 228

Scrooge Strategies, 326

Selling Strategies, 187-244, 360

SEPs, 319, 323

Service Marks, 90

Slogans, 188–189, 192

Social Responsibility and Community, 142, 149

Sole Proprietorships, 58–59

Startup Costs, 253-254, 257-260

Statement of Purpose, 46

Stocks, investment, 317-318

Strategic Alliances, 244, 249, 360

Success Stories, 35, 46, 66, 75, 142, 164, 189, 216, 280, 289, 305, 337, 349

Summary of Business Proposition, 35–36

Suppliers, 87, 91–93 getting the most out of, 87 order inspection policy, 88–89 purchasing budget, 87–88, 93 reorder point, 88, 94 Supporting Documents, 335–342 Support Plans, 27–28, 29, 337–338 SWOT Analysis, 22–23, 55–56, 64

T

Table of Contents, 39–42 worksheet, 42

Target Market, 80, 81, 84, 163–165, 169–170, 359 customer description, 169–170, 173, 177 entry strategy, 170 market share, 171, 359

Tax Plan, 319–320, 323 Canada, 320, 324 keeping records, 324 U.S., 320, 324 U.S. Business Tax Calendar, 325

Technology Plan, 357, also see Computerization, Communications

Telephone, business line, 115

Temporary (TEMP) Labor, 150, 155

Trade Credit, 194-196, 198-199

Trade Shows, 204-205

Trademarks, 90

Trends, market, 7, 45, 56, 68, 80, 86, 163–164, 166–167, 359

Turnover Rate, for inventory, 89, 127, 128, 129, 134, 135, 310

U

Uses of Funds, 256, 267, 361

V

Vision Statement, 18-19, 29, 354

W

Warranty Policies, 245, 250
Web Strategy, see Internet Plan
Why Businesses Succeed, 349
Working Capital, 266, 269–270, 303, 304, 307, 309–311, 353
Working Capital Cycle, 270