



“HOW TO WRITE A BUSINESS PLAN”

By: Ltlatk H. Fritz,
Center Director/Business Advisor



HOUSEKEEPING

- Courtesy/Respect
 - Please keep your microphone on mute; turn on only when speaking.
- **Don't forget to complete the training evaluation**

BACKGROUND INFORMATION

- The University of Guam Pacific Islands Small Business Development Center Network's (PISBDCN) mission is to support the growth and economic development of the U.S. affiliated Pacific Islands in the Western Pacific region by providing high quality training and one-on-one confidential counseling to existing and prospective small businesses.

BACKGROUND INFORMATION

- PISBDCN operates under the general management and oversight of the U.S. Small Business Administration (SBA), but with recognition that a partnership exist between the SBA and the PISBDCN for the delivery of assistance to the small business community throughout the geographic area served by PISBDCN.



BACKGROUND INFORMATION

- The University of Guam Pacific Islands Small Business Development Center Network's (PISBDCN) mission is to support the growth and economic development of the U.S. affiliated Pacific Islands in the Western Pacific region by providing high quality training and one-on-one confidential counseling to existing and prospective small businesses.
- Palau SBDC is one of the Seven (7) SBDC Center within the Pacific Islands SBDC Network.

DISCLAIMER

- The PALAU Small Business Development Center (Palau SBDC) is a member of the University of Guam Pacific Islands Small Business Development Center Network (PISBDCN). The PISBDCN is funded in part through a cooperative agreement with the U.S. Small Business Administration (SBA). All opinions, conclusions or recommendations expressed are those of the author(s) and do not necessarily reflect the views of the SBA. Request for reasonable accommodations for persons with disabilities will be made if requested at least two weeks in advance. Language assistance services are available for limited English proficient individuals with at least two weeks advance notice. Contact Palau SBDC – P.O. Box 816 Koror, Palau 96940, Tel: (680) 587-6004, or email palausbdc@pacificsbdc.com. Services are extended to the public on a non-discriminatory basis.

Today's Trainer

- Ltlatk H. Fritz joined Palau SBDC in 2015 as the Center Director and also serves as a business advisor.
 - Bachelor of Business Administration, UH Hilo 2011
 - **Master's of Arts in Education, SDSU 2017**
 - Certified Small Business Advisor (SBA) *2021
 - Certified GrowthWheel Advisor
 - Grow with Google Partner
 - Small business owner



LTELATK H. FRITZ
Palau SBDC
Center Director/Business Advisor

TRAINING OBJECTIVES:

- What is a business plan?
Basic structure of a plan
- Why have a business plan?
Primary reasons for having a plan
- What is inside a business plan?
General contents of a plan



Goals

Analysis

Operations

Team

Marketing

Work Strategy



Competitor?



SWOT



Business Plan

Product
Description

Financial

Success

Timeline

Mission

Market



What a Business Plan is...

A business plan is a document that explains a business idea and how it will implement the idea.

- A story of what the business is, what it sells, and where it operates.
- Description of how much it costs to produce its products and/or services.
- Contains a description of its marketing plan (who they sell to, why they selected this target market, and who are they in competition with).
- Contains a description of financing needs or current financial status.
- Contains description estimated revenues and earnings.

What a Business Plan is...

A business plan has two basic components:

- A **story** of what the business sells (products, services, or both), how it is sold, where it is sold, and how the business started, include how it may need additional funding to start or expand.
- A **quantitative description** (number) of how it costs to produce and sell its goods (products, services, or both), what it costs to operate, and what the business expects to make in revenues to pay back the loan and other costs.

Why Create a Business Plan?

A business plan may help you organize your thoughts before starting OR as you are growing.

- Saves you time, money, or other resources.
- Essential to raising capital (funding like loans or investments)
- Serves as a guide to achieving your business goals and objectives.

Why Create a Business Plan?

A recipe for success.

- Like a recipe, a business plan show how the business would look like, the ingredients and tools needed, the process to make, and the time required to produce the results.



ingredients

- 3/4 cup granulated sugar
- 3/4 cup packed brown sugar
- 1 cup butter or margarine, softened
- 1 teaspoon vanilla
- 1 egg
- 2 1/4 cups Gold Medal™ all-purpose flour
- 1 teaspoon baking soda
- 1/2 teaspoon salt
- 1 cup coarsely chopped nuts
- 1 package (12 ounces) semisweet chocolate chips (2 cups)

directions

- Heat oven to 375°F.
- Mix sugars, butter, vanilla and egg in large bowl. Stir in flour, baking soda and salt (dough will be stiff). Stir in nuts and chocolate chips.
- Drop dough by rounded tablespoonfuls about 2 inches apart onto ungreased cookie sheet.
- Bake 8 to 10 minutes or until light brown (centers will be soft). Cool slightly; remove from cookie sheet. Cool on wire rack.

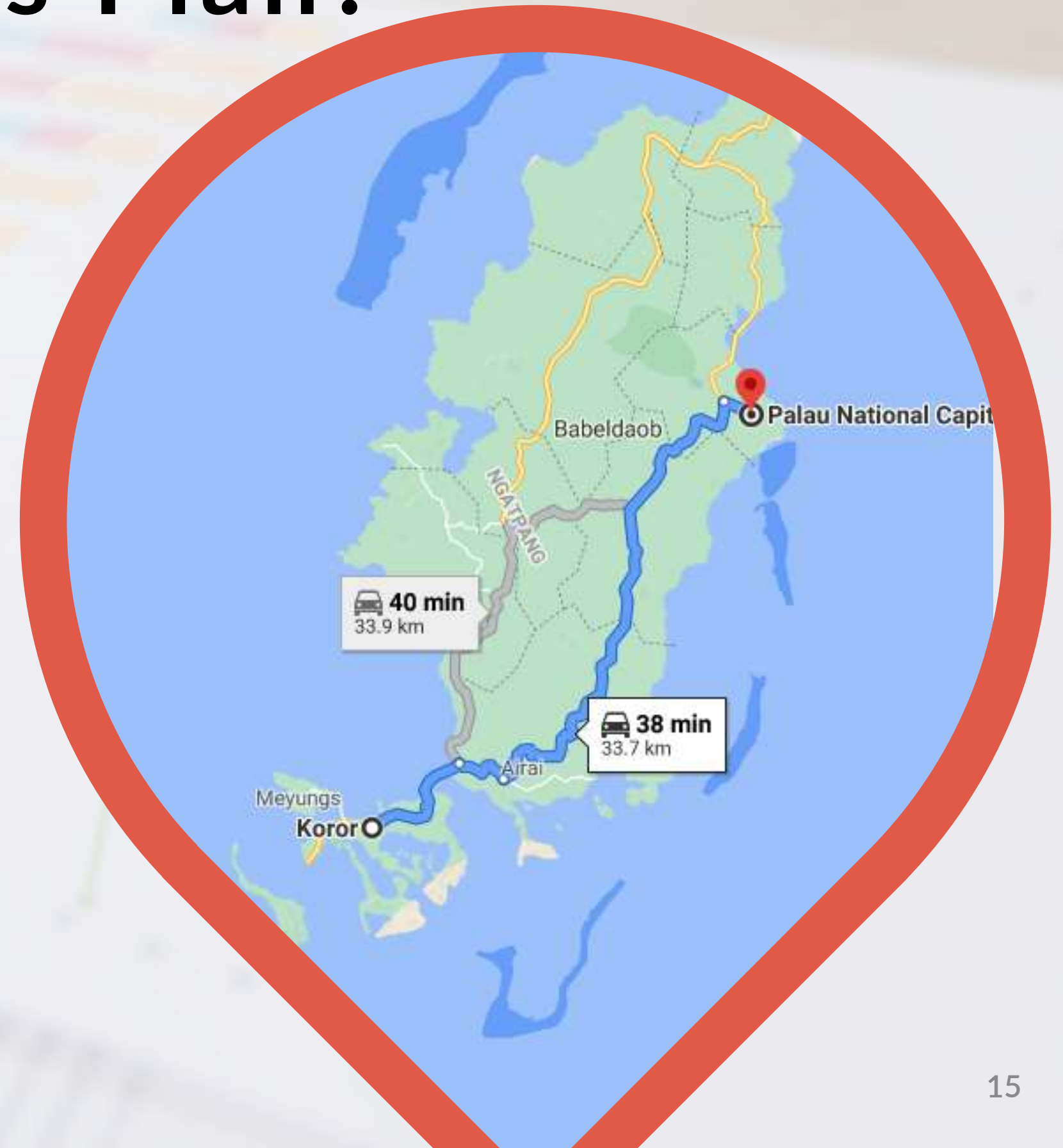
Why Create a Business Plan?

- Lenders require a business plan for commercial loan applications.
- A business plan may provide essential information that was omitted during your elevator pitch to investors.

Why Create a Business Plan?

Your map to business success.

- It shows where you are today, where you want to be, and the routes you chose to get to your destination.



Why Create a Business Plan?

Lack of planning is often the cause of serious business problems or outright failure (estimated to be the cause of over 90% of business failures).

Why Create a Business Plan?

Other Common Mistakes Include:

- Not enough capital;
- Lack of prior business experience;
- Poor marketing;
- Not understanding your competition;
- Poor record keeping and financial controls;
- Over reliance on a few large customers; and
- Burn out

What's generally in a Business Plan?

Cover Page

Table of Contents

Executive Summary

Business Description

- History and Business Ownership
- Mission Statement & Goals
- Key Officers & Management
- Description and Location

Marketing Plan

- ***Industry Profile & Market Analysis***
- Target Market & Customer Profile
- Competitive Analysis
- Products/Services Differentiation
- Key Success Factors
- Marketing Strategy Plan

What's generally in a Business Plan?

The Operation Plan

- Key Officers, Management, and Personnel
- Production/Service/Distribution Methods
- Quality Control
- Suppliers & Facilities
- Billing, Collection Policies, and Recordkeeping

Financial Plan

- Initial Required Funds & Sources of Funding
- Pricing Strategy & Gross Profit Margin
- Break-even Analysis
- Projected Financial Statements
- Assumptions, Risk Analysis, and Alternative Plans of Action

What's generally in a Business Plan?

Attachments (Supporting Documents)

- Application Forms
- Personal Financial Statement
- Personal Tax Statements
- Business Tax Statements
- Copies of Lease and Contracts
- Letter of Intent to Purchase
- Business Licenses, Permits, Certificates
- Organizational charts, Job Descriptions, Resumes
- Personal/Business References
- Sample Marketing Materials
- Blue prints, floor plans, maps, and/or pictures of location.
- Articles of incorporation, by-laws, partnership agreements

Cover Page & Table of Contents

BUSINESS PLAN

Cover Page & Table of Contents



Many lenders or investors will read your business plan from the cover to the back like a novel. Often times, the reader will jump around looking for information or details they need to make a decision.



The cover page should have the important details about the business and contact information.



The business plan should be organized to make it easy for the reader, whether it is the lender or investor, to find their way around your plan.

Cover Page & Table of Contents

Cover Page










-  Name of Business
-  Name of the owner(s)
-  Date
-  Contact Information
-  Confidentiality Statement or Disclaimer

Table of Contents

-  Use sections or headings
-  Use sufficient details to easily find a section.
-  Use page numbers, appropriately and accurately
-  Avoid excessive details

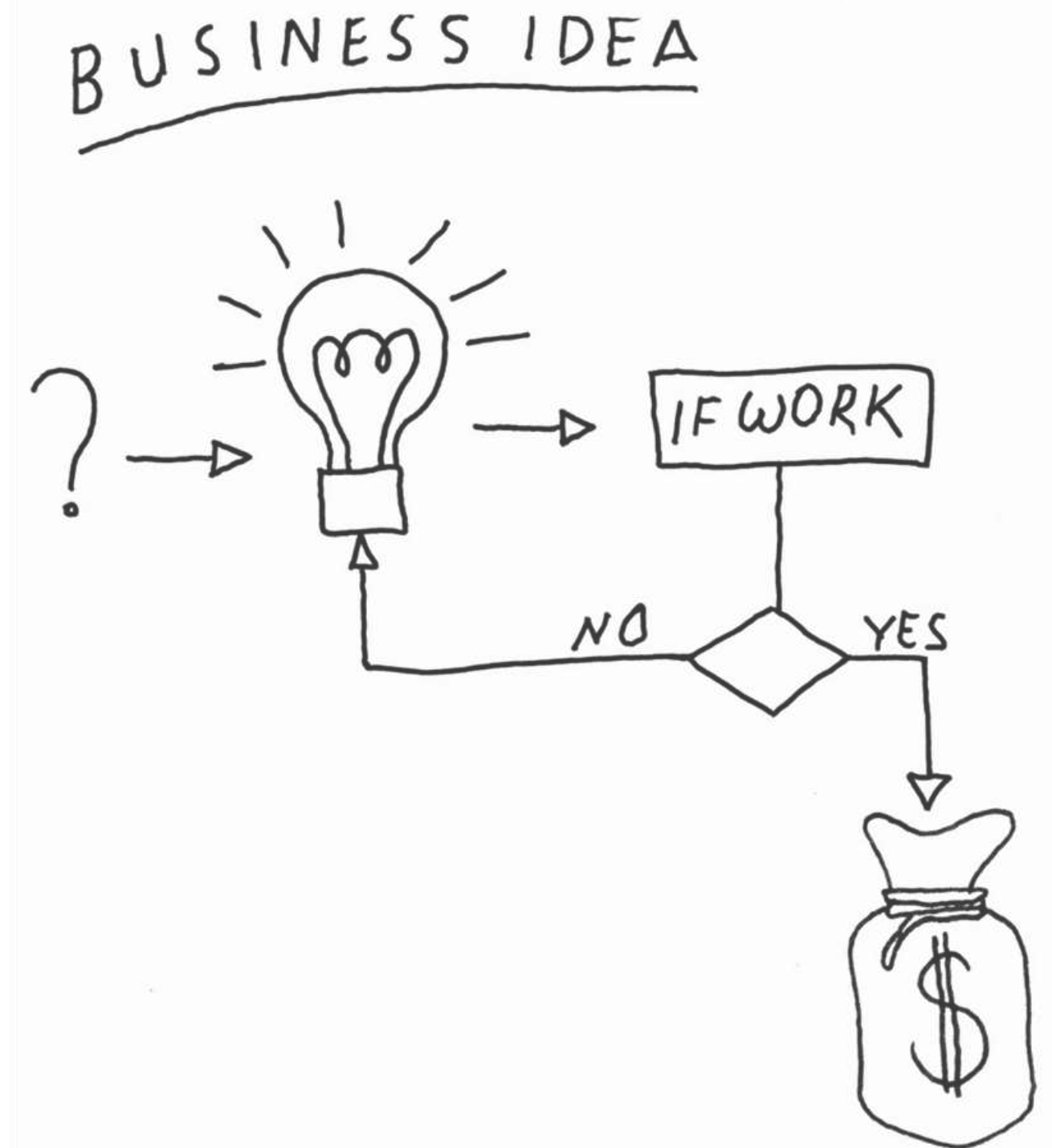
EXECUTIVE SUMMARY

Clear

- The executive summary has to clearly identify the concept and purpose.

Concise

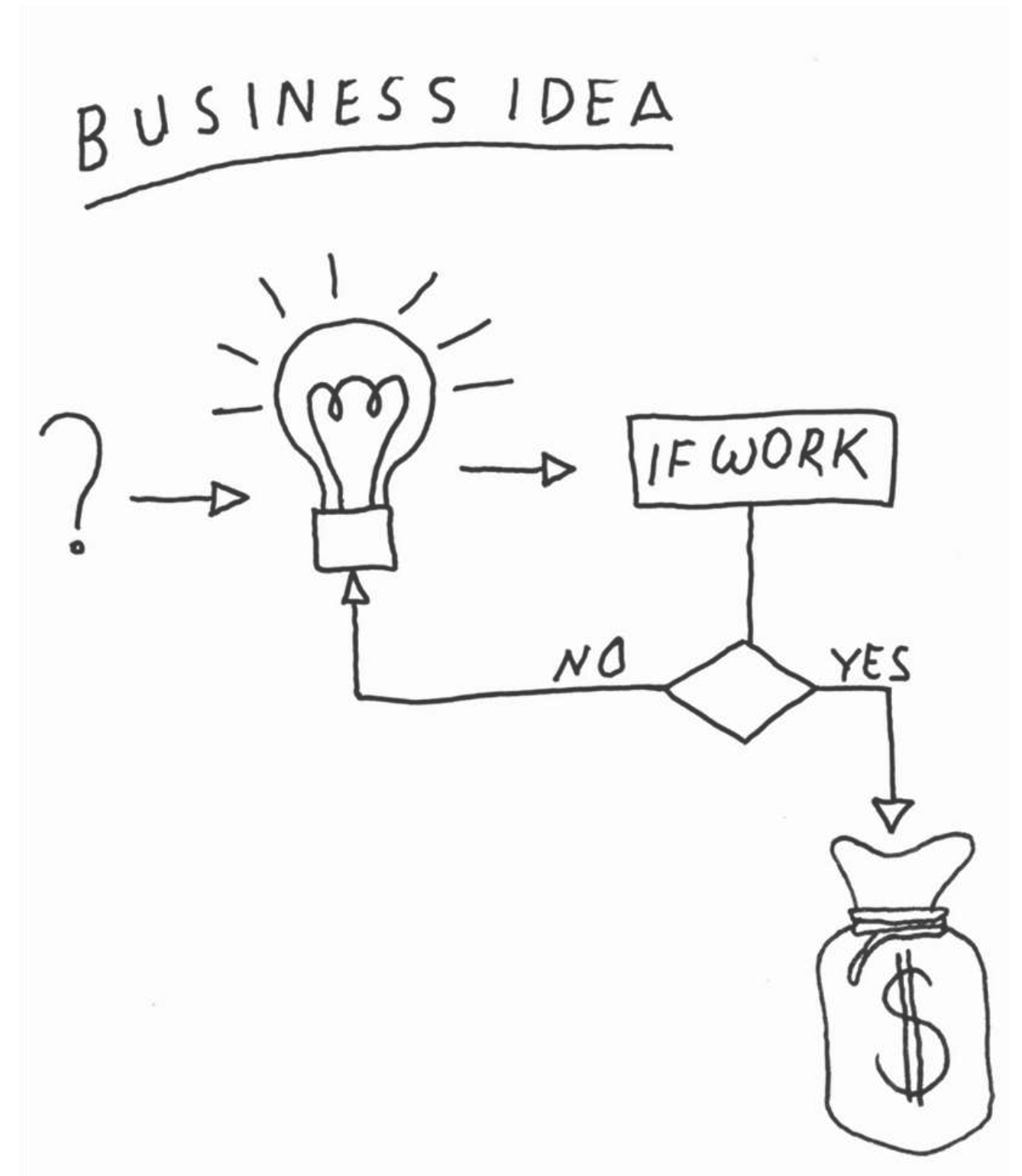
- A good executive summary is essentially condensed but powerful summary of your entire business plan.
- Keep it between one to two pages.



EXECUTIVE SUMMARY

Comprehensive

- A good executive summary should answer the basic questions--who, what, when, where, why, and how.
- It should outline the type of investment or loan you are seeking, include purpose, terms, security, and repayment plan.
- A good summary should include how much equity you will invest.

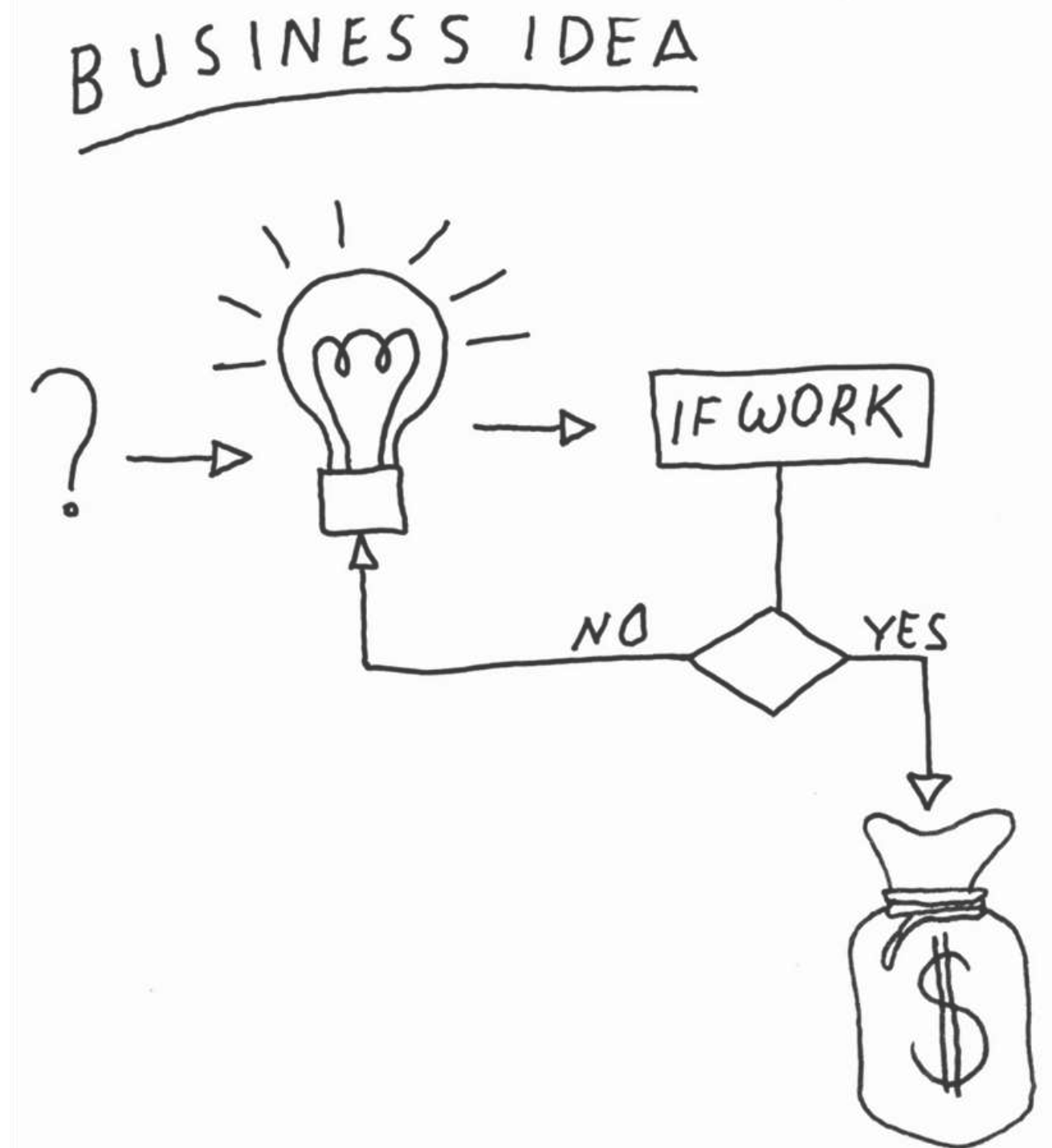


EXECUTIVE SUMMARY

Compelling

- A good executive summary should move the reader to take positive action towards your plans request.

The Executive Summary is normally written last, summarizing the contents of your business plan.





Business Description

If your company is a start-up or just starting...

- The exact legal name and address of your business
- The owner(s) of the business
- The legal form of the business (sole proprietor, partnership, corporation)
- Where did the business idea come from?
- When will the company start or when you started?
- What has been done so far?

Business Description

If your company is already established...

- The exact legal name and address of your business
- The owner(s) of the business
- Include highlights or summary of your business track record: progress and success
- The legal form of the business (sole proprietor, partnership, corporation)

BUSINESS DESCRIPTION

Key Officers & Management

- Who will put the business plan into action? What are their qualifications?
- Describe who will manage the business, who are the key managers, and who is needed to help the business succeed.
- Include resumes and background experience for key management



Business Description

Mission Statement and Business Goals

- The mission statement lays out the marching orders of the business. Everything the business does should be consistent with the mission.
- It can address quality, ethical practices, role in the community, employees, customers, shareholders, profitability, and/or the environment.
- Business goals should be summarized for one to three years, and reference specific financial and organizational goals.



BUSINESS DESCRIPTION

Products and Services Offered

- Describe the products/services in detail.
- Explain if the business is primarily engaged in wholesale or retail, service, manufacturing, agriculture, construction, etc...
- If the location is important, and it frequently is, explain why you have chosen that particular location.



WHAT'S YOUR
MARKETING
STRATEGY?

2,360.00 \$
+ 3,520.00 \$

5,880.00

Costs
Total



Marketing Plan

A marketing plan is a statement of the marketing goals and strategies to achieving them.

Marketing Plan

Industry Profile & Market Analysis

- What is the size of the industry (\$\$ / volume of sales, ## of households)
- Growth trends and outlook for this industry (growth/decline, evidence of opportunity)

11%

Individual Consumers



A small portion of our revenues come from direct sales to consumers.

25%

Local Restaurants

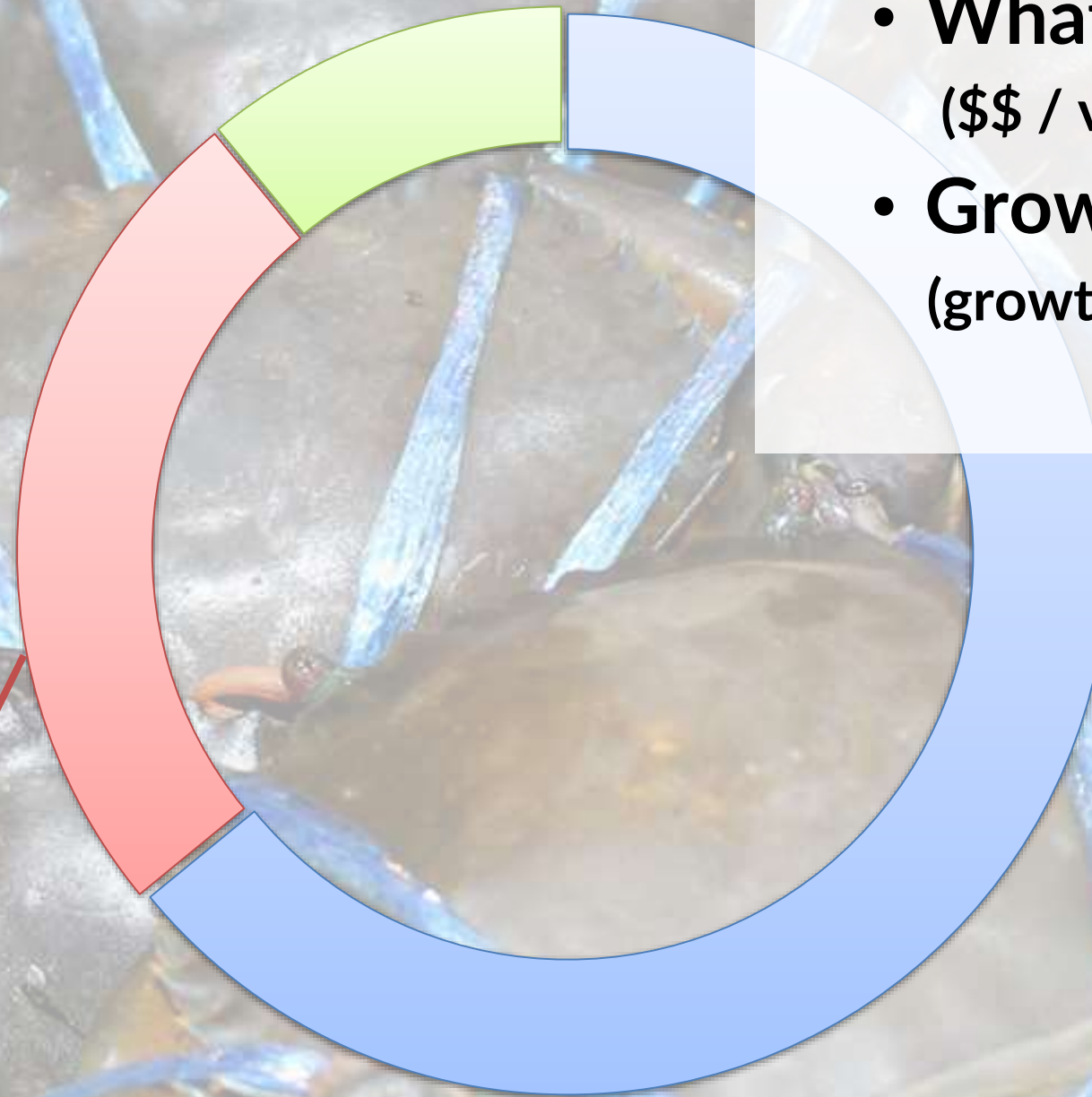


Nearly 1/4 of our revenues should come from direct sales to hotel restaurants.

64%

Hotel Restaurants

Nearly 2/3 of our revenues should come from direct sales to hotel restaurants.



Marketing Plan

Target Markets & Customer Profile

- What customers are most likely to benefit from your products/services and therefore will purchase from your company
- Define Target Market
 - Demographics
 - Psychographics

Marketing Plan

Competitive Analysis

- How is the competition? How many direct competitors? How many indirect competitors? What are the competition's characteristics?
 - Identify your competition: at least 3 direct competitors and 3 indirect competitors.
 - Conduct a SWOT Analysis
- Where does your business fit in? What market segment or niche will you pursue?
- How do you plan to gain a competitive edge over your competition?



Marketing Plan

Product / Service Differentiation

- What makes your business/product/service unique that gives you a competitive advantage?
- Ways that products / services are differentiated include:
 - Higher Quality
 - Better Customer Service
 - Quicker Responsiveness
 - Safer or Healthier
 - More Attractive
 - More Convenient
 - Accessible
 - Lower Cost



Marketing Plan

Key Success Factors (KSF)

- What does it take to be successful in this business?
- Key Success Factors will be different in each industry
 - Industry knowledge
 - Fast turn-around time
 - High quality product
 - Aggressive marketing plan

Marketing Plan

Marketing Strategy

- What are the specific [plans](#) and [action steps](#) to be taken to capture customers and market share during the planning period?
- How and who will sell the products/services? What is the [advertising strategy](#)?
- What will the company do in terms of public relations?
- How much will be budgeted for marketing?

It is critical that your [marketing strategy](#) and [tactics](#) relate to your core foundation, mission, and vision.



Operation Plan



Operation Plan

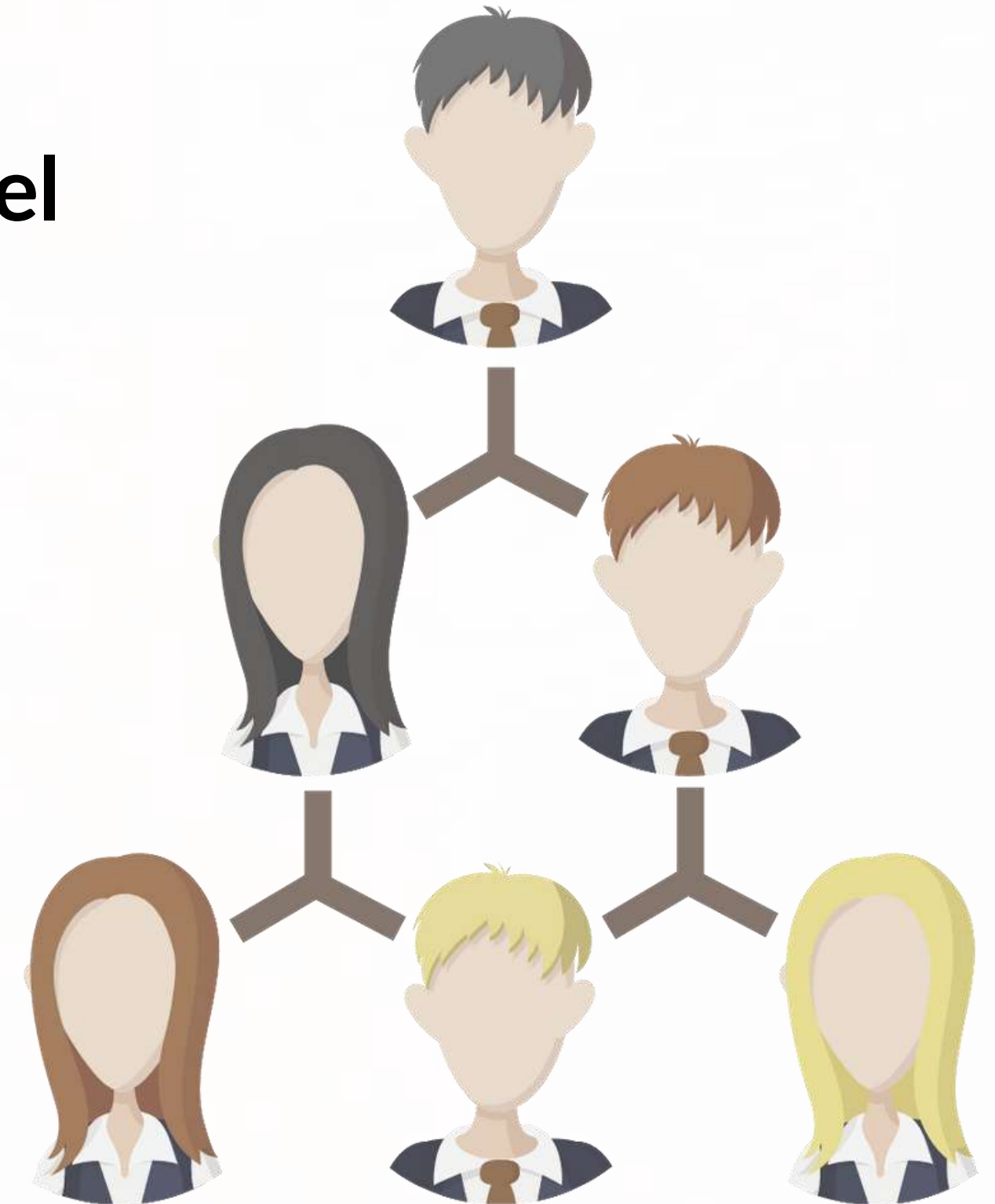
Key Officers, Management, and Personnel

- Who will put the business plan into action?
What are their qualifications?
- How many employees will there be over the planning period? What functions/jobs will they perform?
- What skills are required to perform job responsibilities?

Operation Plan

Key Officers, Management, and Personnel

- What will their hours of work be (full-time, part-time, seasonal)?
- What pay scale and benefits is the company legally required? What additional benefits will the company offer?
- Include job descriptions and organizational chart as an attachment.



Operation Plan

Production / Service / Distribution Methods

- Describe the production / service process. (Flow Chart or SOP)
- Describe the process, a typical day in the company from pre-opening to opening until closing.
- What are the days and hours the business is open? Are there separate administrative hours (not open to the public)?



Operation Plan

Quality Control

- How will consistency of quality product and service delivery be assured?
- What specific quality control measures will be implemented?
- Briefly describe your safety plan?

Operation Plan

Suppliers & Facilities

- What materials are used to produce the product or service? Who are the suppliers? Are the company's facilities able to handle them?
- Can the facilities be upgraded or will the business have to move if it grows during the planning period? Is there adequate parking and street access? What are the terms of the lease?

Operation Plan

Billing, Collection Policies, and Recordkeeping

- Describe the sales and collection process.
- Will you offer credit options to customers? How will you monitor the accounts receivable? How often?
- Are there formal or standard collection policies in place? Who is responsible for billing receivables and collections?
- What recordkeeping, bookkeeping, and/or accounting tools or systems are in place?



Financial Plan

The business plan expressed in numbers

- Numerical expression of the marketing analysis and operation plans
- Financial projections indicate if the business idea is attractive enough to secure financing and/or investment

Financial Plan

Initial Start-Up Funds

- Prepare a list of assets, up-front expenditures to start; Start-up costs can be grouped into either **assets** or **operating capital**.
- Include separate listing of all assets contributed by the owners and its value.
- Include sufficient working capital in start-up costs.
Typically 3 to 6 months of operating cost.

Financial Plan

Sources of Funding

- Note the total value of all assets or cash contributed by the owners. This is equity investment, and may include vehicles, property, renovation, and/or equipment.
- Banks require proof of equity contribution, so remember to retain receipts.
- Typically, banks look for a minimum of 20% equity investment

Financial Plan

Pricing Strategy and Gross Margins

- Pricing can be simple: the Floor versus the Ceiling and *everything else* in between.
- **Gross margin** is the difference between the price of products or services sold less the cost of goods sold.
- For financial forecasting purposes, products or services are based on the average price and COGS.



Financial Plan

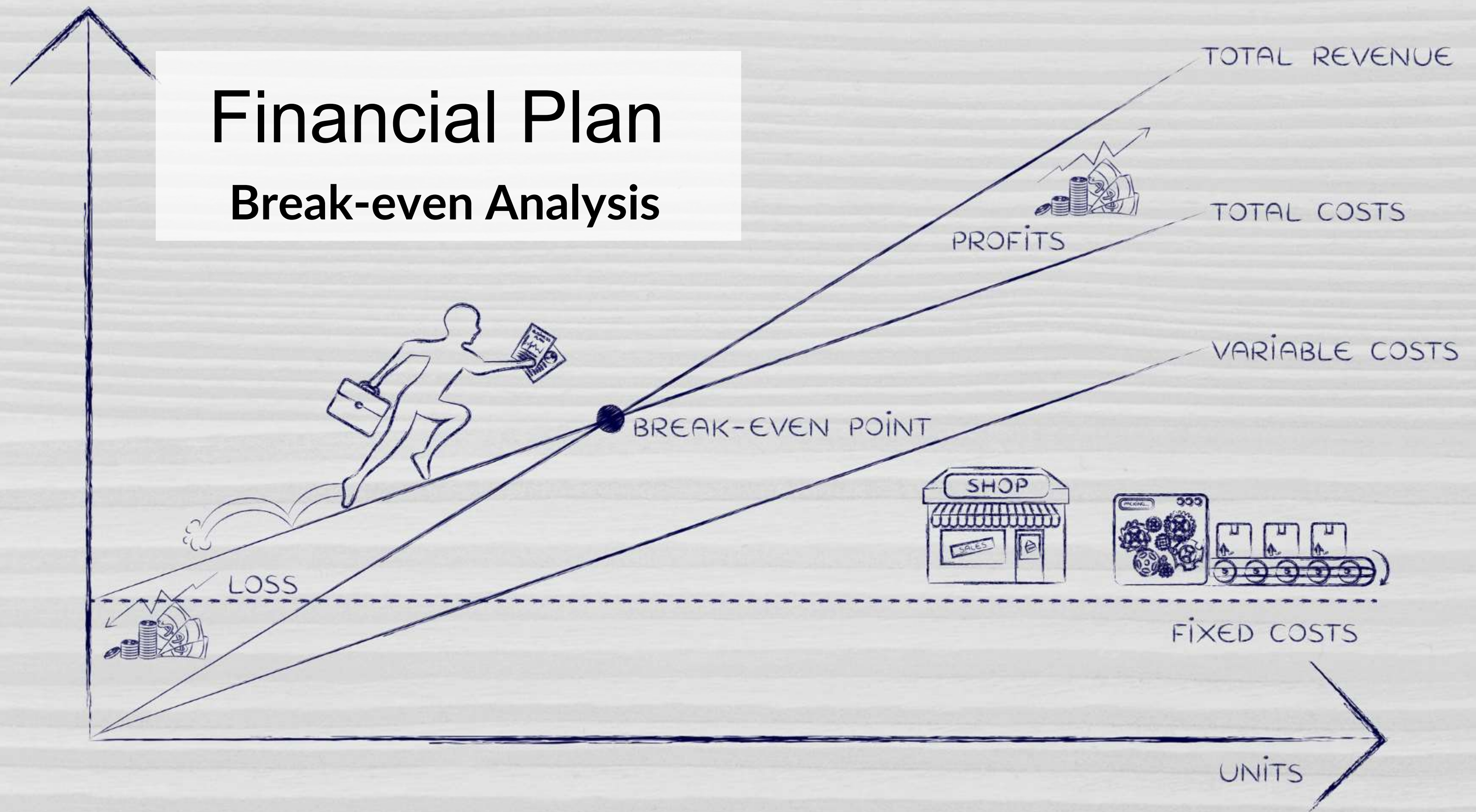
Monthly Operating Budget

- These are all the costs of running the business on a monthly basis, and includes wages & salaries, employee benefits, rent or lease, utilities, communication, advertising, supplies, etc...
- Wages & Salaries generally make up the largest expenses for the business, and therefore great care should be exercised in analyzing the costs of employees. An employee planning template should be considered.

Budget

Financial Plan

Break-even Analysis



Financial Plan

Break-even Analysis

- Break-even point is when enough revenue is generated to cover all the costs of operations. Usually expressed as # of units of products or services sold.
- Break-even units =
$$\frac{\text{total fixed costs}}{(\text{unit sales price} - \text{unit cost of goods sold})}$$
- Break-even sales revenue =
$$\frac{\text{total fixed costs}}{(\text{gross profit margin percentage})}$$

Financial Statements

- If a company is currently in operations, banks generally require historical financial statements for the last three years of operations.
- Financial statements include the following:
 - Monthly Income Statements and Cashflow projections for three years
 - Beginning and year-end balance sheets for three years
 - Annual income statements for three years
 - Break-even analysis

Cash
Flow

Palau SBDC

Balance
Sheet

Income

Equity

Financial Plan

Cash Flow Projection

- Cash flow projection is a critical tool for a new and growing business. It indicates how much cash is needed on hand, and when it is needed, so that investing and borrowing needs can be arranged in advance.

Financial Plan

Assumptions, Risk Analysis, and Alternative Plans of Actions

- No reader can understand financial projections without assumptions basis; may need to be written out line by line basis and explain any seasonal variations.
- What steps will be taken if some or all of the assumptions change? Owners must be flexible and able to quickly adapt to changes in the marketplace.

Financial Plan

Assumptions, Risk Analysis, and Alternative Plans of Actions

- How will the company respond if sales drop?
- What if product costs go up?
- What if a new competitor unexpectedly enters the market?
- What if consumer preferences change?

Business Plan Attachments

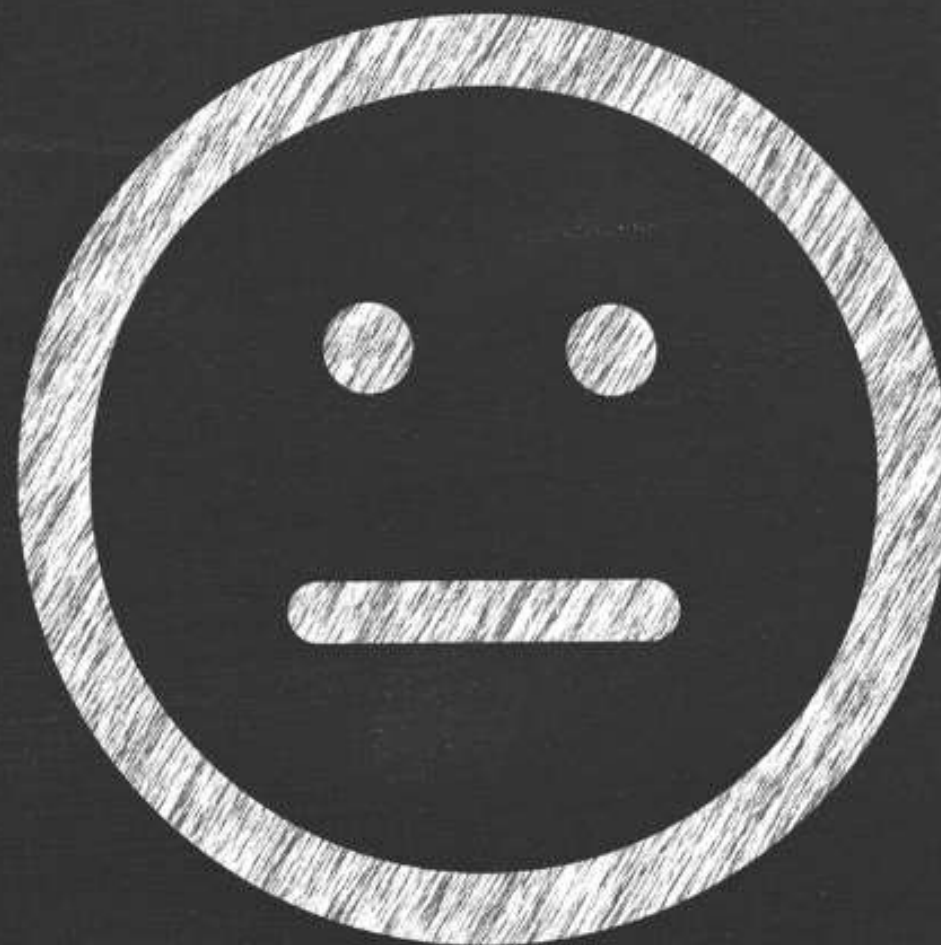
(Supporting Documents)

- Application Forms
- Personal Financial Statement
- Personal Tax Statements
- Business Tax Statements
- Copies of Lease and Contracts
- Letter of Intent to Purchase
- Business Licenses, Permits, Certificates
- Organizational charts, Job Descriptions, Resumes
- Personal/Business References
- Sample Marketing Materials
- Blue prints, floor plans, maps, and/or pictures of location.
- Articles of incorporation, by-laws, partnership agreements

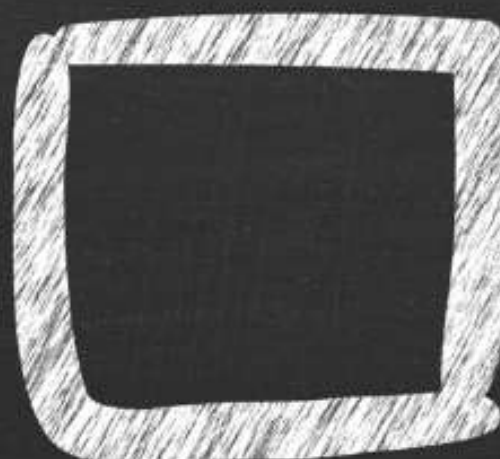
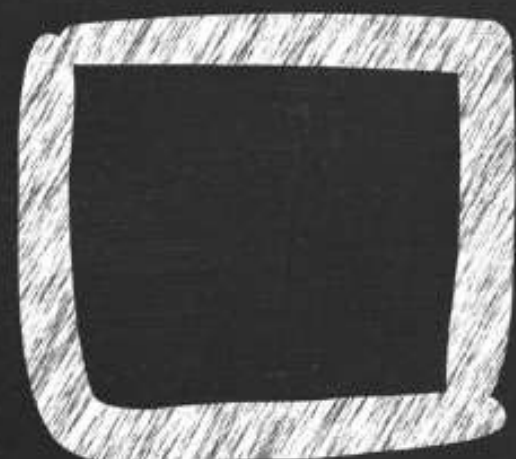
Q & A

Discussions





REQUEST FOR FEEDBACK





Questions?

Group Photo



HOUSEKEEPING

- Handouts are found within your E-center account.
- **Don't forget to complete the training evaluation**



Reminders:

- Free One-on-One counseling for eligible small businesses.
- Contact 587-6004 for an appointment or visit us online at www.pacificsbdc.com
- Follow us on FaceBook for training updates.

