

The Successful Business Plan **SECRETS & STRATEGIES**

Rhonda Abrams

foreword by legendary venture capitalist Eugene Kleiner

Fourth Edition

- ◆ *Insider secrets from top venture capitalists and successful business owners and CEOs*
- ◆ *Easy "Flow-Through Financials" for fast forecasting*
- ◆ *An outstanding sample business plan you can emulate*
- ◆ *A special chapter on starting a business in a weak economy*
- ◆ *The latest research and trends in business planning and financing*
- ◆ *Dozens of worksheets cover every phase of developing a winning business plan*

**INC. &
FORBES
MAGAZINES**
NAMED ONE OF
THE BEST BOOKS
FOR SMALL
BUSINESS

The Book of Choice at the Nation's Top Business Schools



the **Planning**shop

"An essential tool for building a business from small startup to international giant."

Deborah M. Kinsch,
Senior Attorney, Nissan Motors

"Our #1 best-seller on entrepreneurship every year — it outsells other business plan books 5 to 1."

Kevin Dusek,
Stacey's Professional
Bookstore

"I have a library of business plan books, but this one is my bible."

Daniel B. Scully,
Daniel B. Scully Marketing
Services

"The Successful Business Plan makes simple work of a complex process."

Thomas G. Hood,
President & CEO,
Southwall Technologies

"I put off doing a business plan because it seemed an overwhelming task. But with this book, it was actually quite simple."

Janice Grimes,
Redwood Management

ISBN 0-9669635-6-3



USA \$29.95
Canada \$44.95

Your step-by-step guide to a more fulfilling business. This book will change the way you think about creating a business plan.

◆ YOU GET EXPERT HELP

183 tips from 16 insiders reveal what most impresses the people who evaluate and fund business plans.

◆ WORKSHEETS JUMPSTART THE PROCESS

99 worksheets cover all critical plan sections to get you started fast and successfully.

◆ TIPS ON IMPRESSING FUNDERS

How to put your facts and figures into a compelling, readable story.

◆ SAMPLE BUSINESS PLAN GUIDES YOU

Written in the accepted wording and style, providing an excellent model.

◆ ADVICE FOR YOUR TYPE OF BUSINESS

Special chapters for service, manufacturing, retail, and Internet companies.

◆ THE ABRAMS METHOD OF FLOW-THROUGH FINANCIALS

Easily complete your financial projections—even if you're a numbers novice.

◆ WINNING TIPS FOR COMPETITIONS

Entering a biz plan contest? See the special chapter on classes and competitions.

NEW IN THIS EDITION

NEW! Expanded, up-to-date business research sources & techniques

NEW! Chapter on starting a business in a slow economy

NEW! New information on starting a *successful* Internet-based business

NEW! Expanded, up-to-date information on locating funding sources

NOW AVAILABLE

NEW! *Finish your financials faster with the new supplemental electronic worksheets package, designed to work hand-in-hand with this book. Available separately at www.planningshop.com*

ABOUT THE AUTHOR



Rhonda Abrams is the author of *The Successful Business Organizer* and *Wear Clean*

Underwear: Business Wisdom from Mom and writes the nation's most widely read small business column, distributed to over 100 newspapers. In 1986 she started a business plan consulting firm, serving both small start-ups and Fortune 500 corporations.

Table of Contents

About the Author	vii
About the Contributors	ix
Acknowledgments	xv
Foreword by Eugene Kleiner	xxiii
Foreword to the Fourth Edition	xxv
How to Use This Book	xxix
Introduction	xxxiii

Section I Starting the Process

Chapter 1: The Successful Business	1
Chapter 2: Getting Your Plan Started	13
Chapter 3: Making Your Plan Compelling	35

Section II Business Plan Components

Chapter 4: The Executive Summary	47
Chapter 5: Company Description	59
Chapter 6: Industry Analysis & Trends	73
Chapter 7: Target Market	87
Chapter 8: Competition	103
Chapter 9: Strategic Position & Risk Assessment	119
Chapter 10: Marketing Plan & Sales Strategy	133
Chapter 11: Operations	155
Chapter 12: Technology Plan	181
Chapter 13: Management & Organization	189
Chapter 14: Community Involvement & Social Responsibility	211
Chapter 15: Development, Milestones, & Exit Plan	221
Chapter 16: The Financials	237
Chapter 17: The Plan's Appendix	283

Section III Putting the Plan to Work

Chapter 18:	Preparing, Presenting, & Sending Out Your Plan	289
Chapter 19:	Looking for Money	299
Chapter 20:	Using Your Plan for Classes & Competitions	315
Chapter 21:	Internal Planning for Existing Businesses & Corporations	327
Chapter 22:	Time Saving Tips	337

Section IV Special Considerations

Chapter 23:	Considerations for Internet, “e-businesses”	343
Chapter 24:	Considerations for Retailers	363
Chapter 25:	Considerations for Manufacturers	369
Chapter 26:	Considerations for Service Businesses	375
Chapter 27:	Business Planning in a Weak (or Strong) Economy	381

Section V Reference

	Outline of a Business Plan	391
	Business Terms Glossary	395
	Funding Sources	399
	Research Sources	404
	Entrepreneurs’ Sources	411
	Index	415

Sample Plan

	Cover Letter	314
	Executive Summary	55
	Company Description	71
	Industry Analysis and Trends	85
	Target Market	99
	The Competition	115
	Strategic Position & Risk Assessment	131
	Marketing Plan	152
	Operations	178
	Technology Plan	187
	Management & Organization	207
	Community Involvement & Social Responsibility	218
	Development, Milestones & Exit Plan	234
	Income Statement, Three-Year Projection	275

Income Statement, Annual	276
Cash-Flow Projection	278
Balance Sheet	280
Sources & Uses of Funds	281
Assumption Sheet	282

Worksheets, Examples, and Charts in this Book

Basic Business Concept	3
The Four C's	12
Research Questions	17
Research Sources	19
Evaluating Your Business Concept	33
Examples of Charts to Use in Your Business Plan	42
Synopsis Executive Summary Plan Preparation Form	51
Narrative Executive Summary Plan Preparation Form	53
Statement of Mission	62
Legal Issues	65
Company Description Plan Preparation Form	69
Past and Future Growth of Your Business Sector	74
Your Company's Industries	74
Past and Future Growth of Your Industry	75
Maturity Characteristics of Your Industry and Associated Opportunities/Risks	76
Industry Maturity Chart	77
Effects of Economic Conditions on Your Industry and Business	78
How Seasonal Factors Affect Your Industry	79
Technological Change in Your Industry Over the Last Five Years	80
How Sensitive Is Your Industry to Government Regulation?	81
Supply and Distribution Channels in Your Industry	82
Financial Patterns	83
Industry Analysis Plan Preparation Form	84
Demographic Description	90
Geographic Description	91
Psychographic Description	92
Lifestyle/Business-Style Description	93
Purchasing Patterns Description	94
Buying Sensitivity Description	95
Market Size and Trends	96
Target Market Plan Preparation Form	98
Competitive Analysis: Customer Perception Factors	106
Competitive Analysis: Internal Operational Factors	107
Market Share Distribution	110
Future Competition and Barriers to Entry	113

Competition Plan Preparation Form	114
Risk Evaluation	128
SWOT: Strengths/Weaknesses/Opportunities/Threats	129
Strategic Position Plan Preparation Form	130
The Five F's	136
Marketing Vehicles	138
Marketing Tactics	140
Sales Force	144
Sales Process and Productivity	145
Marketing and Sales Strategy Plan Preparation Form	147
Monthly Marketing Budget	148
Monthly Sales Projections	150
Facilities	158
Production	162
Equipment Schedule	164
Inventory Control	166
Supply and Distribution	168
Order Fulfillment and Customer Service	170
Research and Development	171
Financial Control	173
Other Operational Issues	174
Start-Up Costs	176
Operations Plan Preparation Form	177
Technology Budget	185
Technology Plan Preparation Form	186
Key Employee Evaluation	192
Compensation and Incentives	195
Board of Directors/Advisory Committee	197
Professional Services	199
Key Management Personnel to Be Added	200
Examples of Flow Charts	202
Management Style	205
Management Plan Preparation Form	206
Social Responsibility Plan Preparation Form	216
Company Vision	223

Worksheets, Examples, and Charts in this Book (continued)

Priorities	225
Milestones Achieved to Date	227
Future Milestones	228
Exit Plan Options	232
Development Plan Preparation Form	233
Abrams Method of Flow-Through Financials	240
Staffing Budget	248
Monthly Cash Income Projections	250
Income Statement: Historical	252
Income Statement: Annual by Month	254
Income Statement: Annual by Quarter	256
Income Statement: Annual for Five Years	257
Cash Flow History	260
Cash-Flow Projection: Annual by Month	262
Cash-Flow Projection: Annual by Quarter	264
Balance Sheet	265
Sources and Use of Funds	267
Break-Even Analysis	270
Assumption Sheet	272
Nondisclosure Agreement	291
Your "Elevator Pitch"	310
Sources of Debt Financing	312
Sources of Equity Financing	313
Team Process Checklist	324
Assignment Sheet	325
Key Ratio Analysis	334
Key Customer Analysis	336
'e-Business' Business Model	347
Front-End Issues	353
Back-End Issues	357

Target Market

It's easier to get a piece of an existing market than it is to create a new one.

Know Your Customers

Essential to business success is a thorough understanding of your customers. After all, if you don't know who your customers are, how will you be able to assess whether you are meeting their needs? Since success depends on your being able to meet customers' needs and desires, you must know who your customers are, what they want, how they behave, and what they can afford.

Is Your Company Market Driven?

Moreover, if you are using your business plan to secure financing, defining the nature and size of your market is critical. Many investors look for companies aimed at substantial-sized markets and that are market driven. In other words, they seek to fund companies whose orientation is shaped by the demands and trends of the marketplace rather than the inherent characteristics of a particular product or service.

Being attuned to your market may lead you to make changes in your advertising, packaging, location, sales structure, even the features and character of the product or service itself. In the long run, a market analysis will save you money. When deciding which marketing vehicles to use (advertising, trade shows, etc.), you can then choose approaches based on whether they reach your specific target market.

A market analysis differs from a marketing plan. An analysis enables you to identify and understand your customers; a marketing plan tells how

"You have to be market driven. Who will buy it? What do they feel about it? Do they think it's a luxury or commodity? Do they need a big bottle or a small bottle? Particularly with a brand new product, you have to understand your market."

Larry Leigon
Founder, Ariel Vineyards

“Be willing to look at different market segments instead of just the obvious or largest market to secure some degree of market penetration. Take, for instance, the credit-card electronic key for hotels. Even though these keys represented substantial savings, established hotels at first were reluctant to make the change-over from traditional locks. Instead, new hotels were the first to put in this type of lock, and existing hotels followed later, once the benefits were well-known.”

Eugene Kleiner
Venture Capitalist

you are going to reach your customers. Laying out a marketing plan is covered in Chapter 10.

If you do not sell your product or service directly to the end-user but rather to retail outlets, distributors, or manufacturers, you have two markets, and you should define the characteristics of both of them — the ultimate consumer and the intermediary who is your actual customer. These target markets may have very different habits and concerns, and you need to understand both of them, as they each affect your sales. For instance, you may sell software you develop to a computer manufacturer who then includes it with the computers they sell to consumers. The computer manufacturer’s biggest concern may be cost; the consumer’s may be ease-of-use.

To gather information for this chapter, use the methods discussed in Chapter 2.

Defining Your Target Market

You may be tempted to describe your market in the broadest possible terms, choosing to include all those who might potentially use your product or service. Doing so gives you the comforting sense that you have a huge market to exploit. Unfortunately, this gives you little genuine information on which to base your business decisions. You could end up defining the market for furniture as everyone who lives indoors, hardly helpful if you’re trying to come up with a marketing plan for your furniture store.

Instead you need to identify the particular market segments you wish to reach. These segments describe distinct, meaningful components of the overall market and give you a set of specific characteristics by which to identify your target market.

Let’s say you are considering opening a discount dry cleaning establishment. You plan your service to be less expensive and faster, but, as a result, it may also be of slightly less quality than the dry cleaner now serving the area.

Thus, you might define your target market in these terms: “Employed women in white-collar jobs, price and time sensitive, commute by car, ages 25 to 50, household incomes of \$20,000–\$50,000 per year, children living at home, reside in the Laurelwood neighborhood.” You then need to determine whether the neighborhood has enough consumers who fit this profile to support your business.

To be a useful planning tool, the definition of your target market must meet these criteria:

- **Definable.** It should have specific characteristics identifying what the potential customers have in common.
- **Meaningful.** The characteristics must meaningfully relate to the decision to purchase.
- **Sizable.** It must be large enough to profitably sustain your business.

- **Reachable.** Both the definition and size must lead to affordable and effective ways to market to your potential customers.

Once you have defined your market, you should then assess its size and trends, evaluate your competitors for that particular market, and probe the market for strategic opportunities.

Demographic Description

Begin describing your market by the most basic, objective aspects of the customer base. These details are the specific and observable traits that define your target market.

Demographic information is particularly useful when devising your marketing plan. Many marketing vehicles, such as publications, mailing lists, radio, and TV, accumulate this kind of data about the market they reach. Thus, you are better able to judge whether such vehicles are appropriate for your company.

Remember, you want to define those characteristics of your target market that meaningfully relate to the interest, need, and ability of the customer to purchase your product or service.

In the previous definition of the target market for the Laurelwood dry cleaner, for instance, the definition “white-collar jobs” directly relates to the need for regular dry cleaning; “women” relates to the fact that most dry cleaning nationally is purchased by women; “commute by car” is important because the location is not near public transportation; and “\$20,000–\$50,000” relates to the customer’s ability to pay for dry cleaning while being less likely to afford the more expensive cleaners.

On the Demographic Description worksheet on the next page, describe the demographic details of your target market, whether you are marketing to consumers or businesses.

Geographic Description

Next, define the primary geographic area(s) you intend to serve. This definition should be as concrete as possible, indicating whether your business serves a particular neighborhood, city, state, region, nation, or portion of the international market.

Also, look at the density of the area — whether urban, suburban, or rural, and, if customers will be coming to your place of business, indicate whether the location is in a mall, strip center, business district, or industrial area, or will be a stand-alone facility. Some businesses define their geographic market by climate, serving only cold-weather or hot-weather locations.

If you are making your product or service available on the Internet, you may be tempted to view the entire world as your geographic target market. However, even on the Internet, there are limitations to which geographic areas are your primary target markets. These limits may be due to issues of fulfillment (e.g., shipping goods) or language, and there are certainly limits of realistic market demand from different areas.

“Customers can be categorized in several ways, by income level or by lifestyle issues. The income levels can fall into one or more of the following categories: luxury, upscale, upper moderate, moderate, and budget. Lifestyle issues are more subjective. The target customer is less dependent on income level and more on her attitude about how she spends her disposable income.”

Nancy Glaser
Business Strategies
Consultant

“It’s very difficult to create a new market, even if there’s a need. Developing a new market takes years, even if you’re 100% right about the need and the product. The best market to look for is a market that already exists, that is already being served, but being served in a marginal fashion.”

Eugene Kleiner
Venture Capitalist

Demographic Description

Consumer

Age Range: _____

Income Range: _____

Sex: _____

Occupation: _____

Marital Status: _____

Family Size: _____

Ethnic Group: _____

Level of Education: _____

Home Ownership: _____

Other: _____

Business

Industries: _____

Sector: _____

Years in Business: _____

Company Revenues: _____

Number of Employees: _____

Number of Branches: _____

Square Footage: _____

Company Ownership: _____

Other: _____

On the worksheet below, describe the geographic details of your target customers, whether consumers or businesses.

Geographic Description
Area Served (city, region, nation, etc.): _____ _____ _____
Density (urban, rural, suburban, etc.): _____ _____ _____
Nature of Location (mall, strip center, business district, etc.): _____ _____ _____
Climate Conditions: _____ _____ _____

"The decision to locate in Napa was a marketing decision. We could have made our product anywhere, but Napa is associated with premium wines. We wanted Napa on the label."

Larry Leigon,
Founder, Ariel Vineyards

Lifestyle/Business-Style Description

In the Target Market section of your plan, convey a sense of the concerns and interests of your customers. How do they spend their time? What issues are they facing in their lives or businesses? With whom do they associate? How do they relate to their employees and community?

Your natural instincts and experience with customers gives you some sense of what your customers are interested in. It's logical, for instance, to assume that receptive targets for your expensive specialty food product are fairly likely to subscribe to *Gourmet* or other food magazines and might belong to local food and wine organizations. Or, if the market for your business service is law firms, you would naturally assume they belong to the local Bar Association.

A little research can help you identify other aspects of your target lifestyle or business style. Observe _____
_____ other products or _____

The remainder of this chapter will help you identify your target market's psychographics, purchasing patterns, buying sensitivities, and market size and trends. At the end of the chapter, the Sample Plan shows you exactly how to put these findings into a clear, compelling write-up in your business plan.

GET YOUR PLAN *FINISHED FASTER* WITH **Electronic Financial Worksheets**

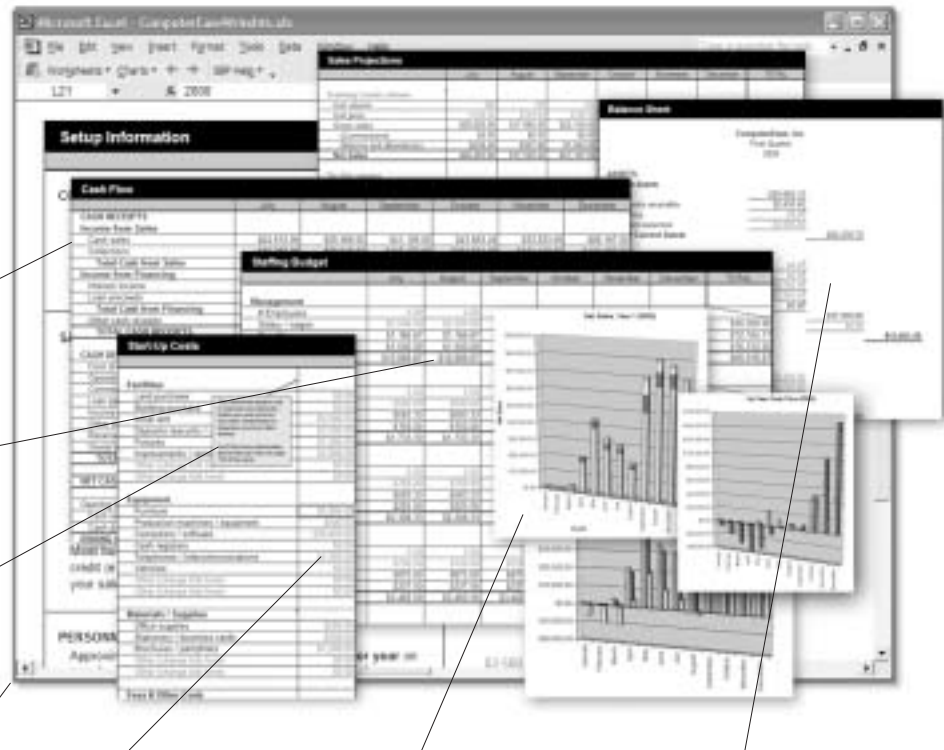
Designed from the ground up to work hand-in-hand with *The Successful Business Plan: Secrets & Strategies!*

Worksheets are identical to those found in the book—no new formats to wrestle with!

All the math and calculations are done for you!

“Help Balloons” provide convenient information and advice, and refer you to the relevant pages in the book for further information.

Built on Microsoft Excel, the powerful industry standard for generating compelling financial reports.



Fill out the information in one worksheet and it automatically transfers to other appropriate worksheets.

Charts and graphs are automatically generated for you!

When you're finished, just print out your Income Statement, Cash Flow Projections, and Balance Sheets and add them to your plan!

Designed for readers of this book!

Now you can easily complete the financial worksheets for your business plan on your computer! The Planning Shop has developed this Excel-based package of worksheets and financial statements to work hand-in-hand with your copy of this book.

True “Flow-Through Financials”

Taking the flow-through technique Rhonda uses in this book one-step further, now you can enter your financial figures just once, and they'll automatically flow-through to all the other relevant statements, performing necessary calculations along the way!

Download your copy today at our lowest price:

www.PlanningShop.com/worksheets