Business Plan Essential Prep: Your Checklist

Handout #2

What Is a Business Plan?

By Candace L Moon, The Craft Beer Attorney

In short, a business plan is a document setting out a business's future objectives and strategies for achieving them that also serves as a structured process to test ideas to determine if they are feasible and financially attractive.

The five key elements of a business plan are:

1. Business goals,
2. Reasons why those goals are obtainable,
3. Plan for reaching those goals,
4. Data backing the uniqueness of the products and services to be sold, and
5. Supporting information about the organization and team attempting to reach those goals.

The most important thing to understand about a business plan is that you are creating it for yourself and your business partners. Your business plan is your most important decision-making resource about your business. Yes, the bank and other lending people will want to see it. The reason they want to see it is to be sure that you have thought all the way through this proposal, making reasonable assumptions with a valid product or service, before they invest in your business future. If they do not believe that it is solid, you might want to re-think your business approach.

A good business plan integrates all business aspects and clarifies how one part affects the other. The two most critical aspects within the plan are the Financial section and the combination of Operating, Marketing & Organizational sections. The Financial information will help to determine if your business is financially feasible, while the Operating, Marketing, and Organization sections help you to better understand everything involved to see if you really want to do this.

Your process for business plan development should be as follows:

1. Develop your business idea & vision,
2. Understand your potential market,
3. Develop product & marketing plans,

What Is a Business Plan?
(page 2)

4. Determine operating & organizational structures,
5. Discuss & test ideas with advisors,
6. Develop financials & determine viability of idea,
7. Secure Funding, and
8. Update.

Because your business plan is a continually changing reflection of your vision, goals, and operational approaches, you should be re-evaluating the full impact of each change as it ripples through each of the different and connected sections you outline. Some seemingly simple changes in direction can significantly impact your projected business viability.

Contributing Author

Candace Moon **Attorney, The Craft Beer Attorney**

Candace L. Moon is a San Diego-based attorney who has spent the last eleven years dedicating her law practice to the craft beer industry. She has worked with over 450 craft breweries and craft breweries-in-planning nationwide, handling many different legal areas including alcoholic beverage law, contract review and trademark law.

The Sections of a Business Plan

By Candace L Moon, The Craft Beer Attorney

Now that you understand the overall concepts and goals of a business plan, let's take a look at the individual sections of your business plan in more detail.

Your **Executive Summary** will lead off and lay the groundwork for the reader to understand your business concept from the structural level. It will include:

- Overview of your business idea.
- Description of your product and/or service.
- Your goals for the business.
- Your proposed target market.
- Your competition and what differentiates your business.
- Your management team and their prior experience.
- Financial outlook for the business.

To be effective, use succinct statements in your Executive Summary and be certain that it offers an accurate reflection of the information contained in the entire business plan. For this reason it is probably best to write your Executive Summary last.

The next section of your business plan is your **Company Description**. Introduce your business, offer a window into your approach to ownership, the role your business will play as a member of the community, and how it will be positioned in the industry.

- Company mission statement
- Company philosophy and vision
- Company goals
- Target market
- Industry
- Legal structure

The Sections of a Business Plan
(page 2)

Offer explanations where needed, while being clear and concise about your direction overall.

Products & Services takes a deep dive into the reason your company will exist, based on your product or service, and strategically presents your unique approach to the market. Make sure you offer a descriptive and thorough explanation of each item.

- Your company's products and/or services
- The problem the product or service solves
- Any proprietary features that give you a competitive advantage
- How you will price your product or service

Next get into analysis mode with your **Marketing Plan**. Put a lot of thought into each of these areas, explaining why your business makes sense and is viable given all these variables and perspectives into your market.

- Market research
- Barriers to entry
- Threats and opportunities
- Product/service features and benefits
- Target customer
- Key Competitors
- Positioning/Niche
- How will you market your product
- Promotional Budget
- Pricing
- Location
- Distribution Channels
- 12-month Sales Forecast

The Sections of a Business Plan
(page 3)

The nuts and bolts of the day to day are spelled out in your **Operational Plan**. Show your knowledge of the industry and share your vision in each of the following areas. Be specific and include reference to owners, consultants, experienced staff, etc. with extensive background in each area.

- Production
- Quality Control
- Location
- Legal Environment
- Personnel
- Inventory
- Suppliers
- Credit Policies

Following your Operational Plan, dive into your **Management and Organization**. Break down the backgrounds and expertise of each of your owners and advisors, showing how each will engage and be integrated throughout the business. You will want to specifically include:

- Biographies
- Gaps
- Advisors
- Organization Chart

The numbers are where you will see the most benefit from your own business plan. Returning to your initial projections, and then to your updates, will enable you to see the effects that your organizational shifts will make to the bottom line as you move forward. Staying true to this practice of update and review will serve you well and help to avoid any enormous surprises as your business comes to life and finds its stride.

Include in the **Startup Expenses and Capitalization** section a complete forecast of what you will need to launch your business, including both operational expenses and capital expenditures (equipment). To support both, you will need to show your personal financial stability to complete the section:

- Start-up Expenses
- Opening Day Balance Sheet
- Personal Financial Statement

Stepping out from opening day, work through and include in your business plan a full 12 months of Profit & Loss projection, including a cash flow projection. Optionally, work through an additional two years, paying particular attention to the need to expand operationally based on business and sales growth.

With coordination between this projected P&L and a projected Balance Sheet, project a break even point and note how you are using your capital. Again, while these numbers will be of particular interest to bankers and investors, updating them for your own use as you refine your plan and then again as you open will serve you well.

Your Financial Plan should include:

- 12-month profit & loss projection
- Optional: 3-year profit & loss projection
- Cash flow projection
- Optional: 3-year cash flow statement
- Projected balance sheet
- Break-even calculation
- Use of Capital

The final section of the business plan is a collection of Appendices. These are the documents that serve as back up for all of the material and projections in your business plan in addition to showing your material progress at the point that the plan is being presented. For example, you may have secured a lease at this point but you may not have found all of your key employees yet. The plan will continue to grow and revisions will be necessary as well as including the addition of documents in this section.

The Sections of a Business Plan
(page 5)

You should include as many of the following as are available:

- Agreements, such as leases, contracts, purchase orders, letters of intent, etc.
- Intellectual property, such as trademarks, licenses, patents, etc.
- Resumes of owners and key employees
- Advertising and marketing materials
- Public relations/publicity
- Blueprints/ plans
- List of equipment
- Market research studies
- Your list of assets that can be used as collateral

As you work through the building of your business plan, there are tips to help you as well as specific common mistakes to avoid discussed in the next article in this series: Business Plans: Common Mistakes and Best Practices.

Contributing Author
Candace Moon **Attorney, The Craft Beer Attorney**

Candace L. Moon is a San Diego-based attorney who has spent the last eleven years dedicating her law practice to the craft beer industry. She has worked with over 450 craft breweries and craft breweries-in-planning nationwide, handling many different legal areas including alcoholic beverage law, contract review and trademark law.

The Business Plan: Common Mistakes & Best Practices

By Candace L Moon, The Craft Beer Attorney

When you are creating your business plan you will be working on financial projections, describing your vision and mission, and overall showing bankers, investors, potential partners – and yourself - how and why your future business will work. This process is not without its challenges, so this article offers guidance about best practices (or smarter ways to do things) in addition to some common mistakes to avoid.

Best Practices

The Writing Process

First, this is not a process that is best done all at once, by one person, with an immediate deadline. Instead, it is best to share and discuss with others while working on the plan. Talking through concepts and including others' perspectives and inviting feedback will result in improved quality throughout.

Incorporating good graphics throughout your business plan is also good to do. People understand information in different ways, and supporting your information with graphical representations works well.

Focus

- Be very focused with your business plan, starting with a smaller scope and more known elements and then growing and extrapolating from there.
- Your focus on the customer and diligence in researching and fully understanding the market will also serve you well throughout the creation of your business plan.
- Be cautious about overestimating your own strengths, skills, and time that you will have available to execute your plan. Understanding your strengths and limitations while projecting adequate support throughout your business plan is practical. A business plan that seems unrealistic calls into question the feasibility of the project.

Content

Ensure consistency throughout the business plan. Review and edit for consistency while developing a powerful and readable message. Inconsistencies detract from the overall impact the business plan can have on those learning about your vision.

Business Plan Common Mistakes & Best Practices

(page 2)

Design a Preliminary Feasibility Plan

To get started, create a preliminary feasibility plan. Start small and informally, drafting one paragraph for each of the following areas:

- Business idea
- Value Proposition
- Competitive advantage
- Ideal customer demographics
- A few marketing ideas to attract and retain customers
- A simplified sales forecast
- Ideas on how the business would operate
- Simplified cash flow statement

Once complete, review this plan carefully paying special attention to the finances. Do the results meet your needs and expectations - including compensation for yourself? Remember that a business plan is first and foremost for yourself and your partners. If it falls short in some ways, you may need to revisit your mission.

Feasibility Plan

Once your Preliminary Feasibility Plan passes muster, create a Feasibility Plan. This includes the following:

- Conduct preliminary research, including potential market size and competitive advances to include in your business plan.
- Fine tune our business idea and your market differentiators
- Identify additional actions for your marketing plan
- Include more assumptions for your sales forecast
- Make assumptions regarding staffing and sourcing of any needed supplies, location, etc.
- Develop the cash flow statement

Again, as before, review this plan carefully. Do the financial results still meet your needs and expectations?

Business Plan Common Mistakes & Best Practices
(page 3)

Common Mistakes

As you draft, review, and fine tune your business plan, keep an eye out for these common mistakes:

Executive Summary/ General Layout

- Opening message does not succinctly describe the business idea and why it will be successful
- The business plan layout reflects poorly on the entrepreneur
- Business focuses on you and not what you are doing for potential customers

General Company Description

Key information is often not obvious to your reader:

- Commitments
- Guarantees
- Funding from other sources
- Legal issues

Products and Services

- No focus on particular products or services
- Not enough emphasis on the current business and its challenges

Marketing

- No understanding of the market
- No clear statement about how you will generate revenue
- Your sales forecast is not believable
- Plan demonstrates a large amount of hubris

Business Plan Common Mistakes & Best Practices
(page 4)

Management Team & Organization

- Key player bios not included
- No supporting team

Financials

- No funding provided by owners
- Amount of requested funding is not supported by the financial statements
- Amount of requested funding is primarily to pay your first year salary
- Not including the three basic financial statements
- No stated assumptions on which the financial statements are made

Following these best practices and reviewing for the above common mistakes can give you a leg up on developing your business plan and could help to favorably inspire your reader(s). During the review process at each stage, remember to bring in other people to read and discuss to provide a more diverse perception of your projected reality. The ultimate beneficiary of this plan is you and your team, and the more accurate and realistic that you can be while preparing this plan the better template you will have to work from when the project begins.

Contributing Author
Candace Moon **Attorney, The Craft Beer Attorney**

Candace L. Moon is a San Diego-based attorney who has spent the last eleven years dedicating her law practice to the craft beer industry. She has worked with over 450 craft breweries and craft breweries-in-planning nationwide, handling many different legal areas including alcoholic beverage law, contract review and trademark law.