



Creating a Business Plan Study Guide

- I. Business Plan
 - a. Provides a detailed roadmap of the strategies and concrete action steps that a business needs to employ to achieve its goals.
 - b. A business's stakeholders are defined as ALL individuals and organizations who are interested in what a business plan has to say.
 - c. A Business Plan should include the following key components:
 - i. An Executive Summary that provides an overview of the key points in the entire plan, including:
 1. Identification of the type of business.
 2. Analysis of current or changing economic situations that create an unfulfilled consumer demand for the business.
 3. A business philosophy stating how business is to be run and expected attitude toward customers, employees and competitors.
 4. A description of product/service and advantages and benefits product/service will provide for customers.
 5. A research-supported explanation of why the business will be successful.
 - ii. A Market Needs Assessment that includes:
 1. Analysis of the target market by geographical area, demographics, lifestyle, and product benefits.
 2. A description of customer buying behavior related to the proposed business.
 3. A Customer Profile that includes key characteristics of potential customers.
 - iii. An Operations and Management section that includes:
 1. The type of ownership best suited to the business situation
 2. Steps in starting to form a business.
 3. A Staffing Plan, including:
 - a. Steps in hiring of employees.
 - b. An organization chart.
 - c. Job descriptions of identified position.
- II. A Balance Sheet is a business stamen that provides a snapshot of a business's:
 - a. Opening assets.
 - b. Liabilities.
 - c. Net worth.
- III. A Cash Flow Statement describes how much funding an entrepreneur will need to start, operate, and expand a business, including:
 - a. Projected monthly and annual business income for the first year of operation.



- b. Estimated monthly and annual cash flow for the first year of operation.
 - c. Calculation of sales volume required for first year of operation to be profitable.
 - d. A cash flow projection.
- IV. A Fixed Cost for a business is one that remains relatively constant over time, such as rent paid to occupy a business location.
- V. Start-up Costs include supplies and equipment to need to be purchased before starting a new business.
- VI. Funding Sources
- a. Banks
 - i. May issue a loan to cover the cost of a business start-up.
 - ii. Interest charged on a loan is an additional percentage of the loan amount that is paid to the bank for providing the loan service.
 - iii. Loans are typically repaid in monthly intervals, with the interest rate and the remaining amount owed determining the specific amount of each payment.
 - iv. Banks typically require collateral – something, such as a house or other property, that is pledged as security for repayment of the loan – before issuing a loan.
 - b. Crowdfunding – reaching out to a large pool of people who contribute or invest a small amount.
 - c. Self-Funding – using personal assets and moneys to start a business.
- VII. Competitive Analysis
- a. Helps a company to determine how it compares to its competitors and to assess competitive advantages.
 - b. Should include:
 - i. Research on nearby businesses that offer related products and services, even if they are not the same products and services.
 - ii. The strengths and practices of other businesses in similar fields.
 - c. Types of Competitive Advantage:
 - i. Price.
 - ii. Customer Experience.
 - iii. Product Quality.
 - iv. Technology.
- VIII. Pricing
- a. A product/service's value in the marketplace may vary from customer to customer based on each customer's perceived value of the product/service.
 - b. When considering the price of a product or service, it is important to consider:
 - i. The perceived value to customers.
 - ii. Competitors' prices.
 - iii. The business's production and distribution costs.
 - c. Lack of availability, or scarcity, of a resource needed to make a product usually drives the price of a product higher (supply and demand).
 - d. Producer Price



- i. Includes raw materials, profit, and rent.
 - ii. Wholesalers and distributors typically add 15-20 percent to the Producer Price as their markup.
 - e. Potential pricing strategies include:
 - i. Penetration Pricing .
 - 1. Pricing strategy involving offering a product/service at a lower price initially, then raising the price once demand for the product/service is established.
 - 2. Might create profitability problems if initial demand for the product/service is already high when the product/service is launched.
 - ii. Price Skimming is the practice of charging a high introductory price and then dropping the price later.
- IX. Profit Equation – profit can be calculated by subtracting expenses from revenue
- X. Liquidation includes:
 - a. Sale of all assets.
 - b. Termination of all employees.
 - c. Distribution of remaining money.
- XI. Ethics and Social Responsibility
 - a. Ethics and social responsibility are important to individuals, entrepreneurs, and companies.
 - b. Ethics and social responsibility should be important to all business stakeholders.
 - c. Because entrepreneurs are powerful individuals whose actions affect entire companies and society as a whole, they should place particular importance on ethical and social issues.
 - d. Methods to promote ethical and socially responsible behavior in a company:
 - i. Include moral standards in the company's mission statement.
 - ii. Ask employees to go through a moral principle's mental checklist.
 - e. Telling employees to do what they think is best for the company is NOT a valuable tool to promote ethical and socially responsible behavior in companies.