Business plan (simple version)

Let's start with a simple version.

It would be a written plan for yourself, not for lenders.

Having your business plan helps you in the following.

a) Helps you focus on how your time and money is spent.

b) Helps you be confident in why you do what you do.

c) Helps you see the picture of your financial outlook.

d) Helps to verify the same perception with your business partner.

There are three key elements in a simple version business plan.

1. Value proposition: (Reason customers prefer to buy from you)

This section describes the problems you are solving for your customer.

State what your business offers to solve the customer's problem, such as the product or service your business offers. Explain what your business does for your customer. Avoid the use of industry terminologies or jargon, so anyone outside your industry can understand what you do for customers. Outline why you think potential customers will buy from you rather than from your competitors or other alternatives. For example, you provide faster delivery, more convenience, diversified, exclusive product, located in a better place, after-sales service, and more experience in your line of business. To illustrate your value delivery, make sure to point out these competitive advantages.

As you write your value propositions, think of the following.

- What problems do customers have?
- What desires do customers want to achieve?

- What product or service do I offer?
- What features and benefits do I offer?
- Why would customers prefer to buy from me?
- How do I deliver my solution?

2. Marketing: (Ways to capture your customers' business)

This section describes who your target customers are and how you will reach them to promote your product or service.

Explain your market promotion tactics to create awareness that appeals specifically to your target customers. Provide details of your sales process, and the way you meet your sales goals.

As you write your marketing plan, think of the following.

- What is the ideal profile of my customer?
- How am I going to find potential customers?
- Which methods do I use to promote my offering?
- What steps will I take to reach my sales projections?
- Who are my competitors, and how do I different?

3. Financials: (How you manage your cash flow)

This section describes the expenses and capital you need to start a business.

List all your startup costs, including setup, marketing, inventory, supplies, prepaid rent, etc. Do break-even analysis to estimate how many items (or hours of service) you'll need to sell each week to cover your costs. Explain how you will command enough gross margins and estimate when you will be beginning to profit. Outline how you intend to scale your business.

As you write your financials, think of the following.

- How much do I need as a startup cost?
- What resources ($ and skills) do I need?
- What are my monthly expenses?
- What is my projected profit margin?
- How many sales do I need to break even?
- What form of payment will I accept?
- What payment processing service will I use?
- How do my financial statements look?

- How will I handle returns and exchanges?

Example:

Jack has been retired from the US Marine Corps in Kaneohe. He was a kitchen cook during his military service. Now Jack decided to look into starting his own business. He decides to leverage his passion for cooking and experience as a cook to open a sandwich shop in the corner shopping center. Jack rents a small storefront and plans to offer takeout sandwiches. He uses the money he saved to purchase kitchen equipment. Jack decides to hire a part-time worker to serve customers during the busy lunch hours.

Jack describes the following in his simple business plan.

1. **Value proposition**—Reason customers prefer to buy from Jack:

Jack's Sandwich Shop aims to serve "authentic, nutritious sandwiches for health-conscious people." Jack's business objective is to serve tasty, delicious sandwiches that contain fresh and nutritious ingredients. His business exists to help people on the go who want to satisfy their appetite conveniently while enjoying nutritious food. Offering healthy meals in sandwich form supports health-conscious people in the community.

He sells sandwiches as fast-food takeout to customers who want to eat on the go. Jack's fast and agile sandwich preparation minimizes customer wait time. Jack offers hot sandwiches with whole meats, artisanal cheeses, and fresh organic ingredients to provide healthy meals. His menu includes a variety of ingredients and types of bread. Jack notices that it seems like more and more people have food allergies and intolerances. He offers to make customized sandwiches (which are not on the menu) by special requests for customers with dietary restrictions and willing to wait. Jack delivers these sandwiches to customers for a fee using a food delivery service. On weekdays, he targets workers in nearby offices. On Saturdays, he focuses on people who exercise at nearby gyms and play games at nearby parks and on the beach. Jack selects his worker based on the individual's ability to emulate his friendly and hospitable service to treat its customers like best friends.

In addition to the shop's excellent location, Jack makes it convenient for customers to buy his sandwiches. He accepts orders in a variety of ways. Jack anticipates that most customers will place orders over the counter. For customers who do not want to wait, he accepts orders via phone, website, and the shop's mobile app. Jack takes a variety of payment methods: cash, credit card, and mobile payment apps.

2. **Marketing**—ways to capture customers' business:

Jack's target customers are office workers and residents who live near the shopping center. Several large business offices, government offices, and apartment complexes are nearby. Also, several Millennials are moving into the neighborhood near the sandwich shop. To appeal to this demographic, Jack decides to add menu items and methods of the transaction and use appropriate advertising language to attract them. Initially, to introduce his sandwich shop, Jack (or a worker) will go door-to-door at nearby businesses and leave a promotional discount coupon. The coupon emphasizes the nutritious ingredients he uses to make his sandwiches. To let repeat customers know about upcoming specials, Jack stays in touch with customers who ordered through his website and app by capturing their email addresses. He will keep in touch with customers who place orders online via email or electronic newsletter to inform upcoming specials and new items.

Among other competing fast-food outlets in the vicinity, Jack positions his business to serve "authentic, nutritious sandwiches to health-conscious customers." His menu and advertising language support his claims.

To let customers know about his expertise and knowledge in creating healthy meals, Jack blogs about nutritious ingredients. Jack registers with Google My Business to make his business stand out in the listings.

3. **Financials**—how Jack manages his cash flow:

He prices the sandwiches appropriately to get enough gross margin, assuming that people will pay more for a nutritious meal. And his menu includes a variety of ingredients and types of bread. He finds ways to differentiate his business from the lower-priced salad-in-a-bun sandwich shop that is down the street. Jack selects his workers based on their ability to treat customers like first-class citizens and encourages them to act in a friendly, hospitable manner. If necessary, Jack provides coaching and training to enhance customer interface skills as a critical resource requirement. Revenue comes from the sale of sandwiches and drinks, which covers the business expenses, including renting the shop, labor, and supplies.

To calculate the financials, Jack makes the following assumptions.

- Business hours: Open six days a week, from 10 a.m. to 4 p.m.
- Revenue: Selling 45 sandwiches per day at an average price of $14 each, including drinks.
- Materials costs: Average food and drink supply costs are $185 per day.
- Recurring expenses: $2,200 monthly rent for a sandwich shop, which includes utilities.
- Labor cost: $30 per hour, including overheads, benefits, taxes, government fees, etc.
- Initial capital expenses are $7,300 for used kitchen equipment and fixtures.
- Other startup expenses are $4500, including website and mobile apps setup.

Based on the above assumptions, he estimated the following.

- Monthly revenue: $15,750 based on $630 per day x 25 days
- Monthly material cost: $4625 based on $185 per day x 25 days
- Monthly employee cost: $1500 based $60 per day x 25 days
- Monthly fixed expenses: $2800 including rent
- Monthly operating profit: $6825

Monthly breakeven: Jack needs to sell at least 638 sandwiches per month

Jack will reach the breakeven point within two months to recover the initial startup cost if he sells 45 sandwiches per day as he planned.

As you can see, the simple version of a business plan tends to be optimistic. For example, in reality, Jack will take several months to build his customer base to sell 45 sandwiches per day. Nevertheless, if his assumptions and estimates are correct, he will not lose his shirt.

Usually, you will need to make the necessary adjustment to your business plan for a couple of reasons. One is, by nature, changes do take place in the business environment. Another is the assumptions you made initially probably need to be updated as you learn more from running the business. Chapter 3 of this book has information about conducting the periodic review of your business performance and making course corrections accordingly. Treat your business plan as an evergreen document (continue to be updated) and use it to guide your business endeavor.