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# Preface

## To the Entrepreneur

*Business Plan Project* will take you on an exciting journey into the world of opportunities open to you as an entrepreneur. More than a technical “how-to” manual, *Business Plan Project* is an interactive tool that allows you to assume the role of the entrepreneur and to create a plan for a new business from concept to fruition.

The trip begins when you conceive of an idea for a new product, service, retail store, or restaurant. Then, with you in the driver’s seat, you will make decisions regarding a name for the company, how it will be staffed, a desirable location, and what equipment is needed to make your dream a reality. Using marketing strategies, you will outline ways to bring consumers through your door. You will also prepare financial statements to take you all the way to the bank.

Down the road, your brainchild will be showcased as you create a business plan and present your ideas in a dynamic oral presentation to maximize success.

*Business Plan Project* is intended to challenge both your academic and creative energies. Enjoy the experience.

David Sellars, PhD

## To the Instructor

### Overview

*Business Plan Project* is a real-world, hands-on, step-by-step guide where students develop business plans for new ventures. The experience begins with students brainstorming and deciding on a new business that meets a unique need in the marketplace. It ends with students writing comprehensive business plans and conducting PowerPoint presentations of the plans. Throughout the experience, students assume the role of entrepreneurs.

Further realism is achieved through the use of a continuing case: AVID SPORTS, INC., a start-up company that plans to launch a high-performance running shoe called “Propell.” Students get an insider’s view of how the founders intend to establish the company and write their business plan. All concepts in the text are explained using AVID as an example, and the content of all sections of AVID’s business plan are presented so students can see what they contain.

Another unique feature is that the instructor can create a competitive environment in class, which will provide additional motivation among students to create the best plans. At the beginning of the learning experience, students are told they are developing their plans for a group of potential investors that could provide start-up capital to launch their businesses. Students compete for this fictitious funding. Rubrics in the instructor’s manual for the written plan and oral presentation of the plan can be used to determine the winners. A certificate or special recognition could be given to students who develop the best plans.

### ***Courses, Skills, and Knowledge***

*Business Plan Project* is designed to be a primary text in a 7- or 10-week accelerated course or a supplement in a semester course. It is written for any experience where students learn about the major functions of a business and how these functions are interrelated. The following are courses and programs that are ideally suited for the learning experience provided in *Business Plan Project*:

- Entrepreneurship
- New Venture Planning
- Small Business Management
- Business Strategy
- Strategic Business
- Business Capstone
- Executive Development

The text is designed to develop the following skills:

- Creative thinking
- Critical thinking
- Secondary and primary research
- Business situation analysis
- Identification of strengths, weaknesses, opportunities, and threats (SWOTs)
- Financial analysis
- Report writing
- Oral presentation skills

Detailed learning outcomes are noted at the beginning of each chapter in *Looking Ahead* sections. They identify more specific skills and knowledge that students will gain.

### **Structure**

Students complete each of the chapters of the business plan sequentially. Questions at the end of chapters ask students to record information for a chapter. Chapter content provides the knowledge needed to write the section. Completing one chapter before proceeding to the next keeps students involved and their time and effort are spread over the entire learning experience. Instructors can assess students' work and provide input along the way.

### **Content**

There are four major parts to the business plan: opportunity analysis, organization plan, marketing plan, and financial plan. All information needed to complete each part of the plan is in the text. Each chapter includes learning outcomes, content related to the section of the plan, examples related to the AVID SPORTS continuing case, a list of key concepts discussed (which are in italic font in the body of the chapter), and questions students address; answers to these questions serve as the content of their plans.

For entrepreneurs with limited business experience and students, the most challenging section of a business plan is the financial plan. A considerable amount of time went into researching, writing, and revising this chapter. There are five critical elements that were used to make the development of financial statements manageable for students.

First, some assumptions are made about financial issues and are explained in the text. This significantly reduces the complexity of financial statements. Second, an extensive list of costs for equipment and leasing space for an office, retail store, and restaurant is provided. Third, the financial statements' items are discussed and expressed in a clear manner. Fourth, examples of all financial statements are provided for the AVID case. And finally, instructional worksheets are provided to help students construct each statement in a step-by-step manner. These worksheets, which can be given to students, are in the instructor's manual. A student doesn't have to be an expert in accounting or finance to create professional financial statements.

The last chapter explains in detail what information is to be included in the written plan and the PowerPoint presentation of the plan.

### ***Instructor's Manual***

A great deal of time was spent developing the instructor's manual. It includes outcomes for the learning experience, assessment methods, information on how to effectively use teams, lesson plans, content that can be included in the syllabus, teaching ideas, a test bank, financial statement worksheets, and rubrics to grade the written and oral presentation of the plan.

Contact the publisher, [david.parker@businessexpertpress.com](mailto:david.parker@businessexpertpress.com), to secure a copy of the instructor's manual. Verification that you are an instructor at an educational institution will be needed.

### ***Learning Options***

*Business Plan Project* provides an opportunity to customize the learning experience given the desired outcomes of the course. The three options that can be used are listed on the next page and discussed in the instructor's manual.

- Students develop business plans individually.
- Teams of students develop plans.
- Time is allotted during the semester for the business plan unit (either limited, moderate, or extensive).

Since all information that students need to develop professional business plans is in the text, lectures, handouts, and other learning aids are optional. The instructor's role can be that of a consultant to students. During class, students can discuss their progress and challenges, share their findings, and solicit input from other students and the instructor. If the course involves another textbook and lecture, *Business Plan Project* will reinforce and significantly extend learning.

## INTRODUCTION

# Entrepreneurs and the Business Plan

### Looking Ahead

Upon completion of this chapter, you should be able to

1. describe the role of the entrepreneur;
2. discuss the importance of the business plan;
3. explain the business plan project including how it is organized and the activities involved;
4. identify and evaluate innovative business concepts for new products, services, retail stores, and restaurants; and
5. write and evaluate business concept statements.

### Chapter Overview

The purpose of this chapter is to explain the role of the entrepreneur in our economy and to provide an overview of the business plan project. You will also learn how to get started forming a business. The following topics are presented in this chapter:

- The Role of the Entrepreneur
- The Business Plan Project
- Overview of the Business Plan
- Identifying Innovative Business Concepts

## The Role of the Entrepreneur

What do Michael Dell, Maxiane Clark, and Gordon Bowker have in common? They are entrepreneurs. *Entrepreneurs* are people who form, own, and operate businesses.

Michael Dell began his business while still a freshman at the University of Texas. He built computers in his dormitory based on customer specifications and sold them by mail. Today, Dell Computers is one of the largest computer manufacturers in the world.

Maxiane Clark was president of a national shoe retailer and was looking for a new challenge. She conducted focus groups with children and came up with the idea where children would stuff, dress, and accessorize their own teddy bears in a store. Build-A-Bear Workshop was formed. It has over 150 outlets in the United States and many new stores are planned.

Gordon Bowker loved coffee and—with the help of his friends, Jerry Baldwin and Zev Siegl—developed a blend from special beans that produced a dark, full-bodied coffee. Starbucks was formed and currently has more coffee cafés than any firm in the world.

Over 1 million people each year become entrepreneurs. They are motivated to do so for several reasons. They want to pursue something in which they have interest and want to create something new. They want to be their own bosses and to achieve success. The possibility of high income can also be a factor. Owning a business has its drawbacks, however. There is a great deal of risk involved. For every successful new business there are many that fail. Entrepreneurs must spend long hours at work to make the business successful. Income may be uncertain during the first 2 or 3 years of operation, as well.

The following personal qualities are needed to be a successful entrepreneur:

- Ability to recognize unsatisfied needs that may present new business opportunities
- Passion for an idea for a new business
- Free spirit and a desire to be ones own boss
- Intense drive to make things happen
- Ability to set and achieve high goals

- Willingness to assume risk
- Knowledge of the operations, marketing, and finance functions of a business

Throughout this project you will be assuming the role of an entrepreneur.

## The Business Plan Project

The experience on which you are about to embark will explore the fascinating world of business. What is it like to be an entrepreneur? How is a business formed? What plans are needed to help ensure success? How do departments in a business function and relate to one another? What does it cost to launch a new business? Where can funds be secured to launch a business?

One of the best ways to answer these questions is to develop a *business plan* for a new venture. This document is a written proposal that describes how the business will be structured and operated during a specified period, typically one or more years. It is like a map to a traveler or a blueprint to a carpenter. You will develop a business plan in this project. Upon completion of the experience, you should be able to

1. prepare and write a business plan for a new venture,
2. develop and deliver an effective oral report of a plan,
3. gather and analyze data and make recommendations based on sound reasoning, and
4. explain important business concepts.

This learning experience begins with brainstorming ideas for new, innovative businesses. The best idea is chosen, and the business plan is developed for this business. Work can then begin on the plan by applying the principles discussed in this book. Each chapter explains a section in the business plan. Questions at the end of the chapters explain what is needed for the plan. At the end of the experience, you will write a report that explains your plans for the business. The process to complete the plan and information in it are the same as what is used by highly successful entrepreneurs.

Throughout this experience, assume that you are developing the plan for potential investors who could provide start-up capital to launch the business. Also assume that you are competing against other students in the class and that investors will fund only one business of those being developed. The business plan that is funded will be determined by which venture has the best business plan.

## Overview of the Business Plan

Many new businesses fail during the first 3 to 5 years of operation. Several factors may contribute to a lack of success. One reason is that start-up firms often do not have a business plan. The business plan serves many important functions. First, it is a guide on how to form and operate a company during the period it is being launched. Second, the plan provides strategies to achieve these goals. It is also a means to measure progress. And finally, the business plan can be used to convince banks and potential investors to provide the start-up capital necessary to launch a business. For these reasons, the business plan is perhaps the most important document for a new company.

A business plan contains six sections: the executive summary, opportunity analysis, the organization plan, the marketing plan, the financial plan, and supporting documents and bibliography. The *executive summary* is the introduction to the business plan that provides a concise overview of the proposed business. It highlights the most critical information that bankers and potential investors want to know before investing in a new business. The *opportunity analysis* section provides a review of industry and competitor factors that will impact success. The *organization plan* describes how a firm will be structured and staffed, where it will be located, and what office or retail space it will occupy. Products or services that the firm will offer are outlined in the *marketing plan*. It also describes pricing, distribution, and promotion strategies of the firm. The *financial plan* outlines projected sales revenue, expenses, and profit or loss and details what the firm will own and owe at the end of each year of operation. The *supporting documents and bibliography* is the last section of the business plan. It contains exhibits such as an organizational chart and

financial statements and a list of sources that were cited in the plan. These six sections are discussed in this book.

Writing a business plan for the first time is challenging, so an example of a plan is included in this book. AVID SPORTS, INC. (“AVID”), the company that is profiled, is a start-up firm that plans to produce and market a high-performance running shoe called “Propell.” The shoe offers a unique feature that is not available in other athletic shoes. The content of the AVID business plan is presented throughout the book. Numerous examples of other business plans can be found at the Web site, <http://www.bplans.com>.

## Identifying Innovative Business Concepts

The first step in this project is to identify an idea for a new business. It can be a company that produces a product or offers a service, or it could be a retail store or restaurant that is not currently being marketed.

There are two common approaches that entrepreneurs use to identify ideas for new businesses. The first involves thinking of unmet consumer needs and wants. You can start by asking yourself, “What unmet needs and wants do I have?” Ask others the same question. Unmet needs exist in all industries. The second approach considers the fact that any product or service can be a solution to a problem. Exploring the question “What problems exist for which there is no product or service that offers a solution?” can reveal a business opportunity.

A method of exploring these questions is called *brainstorming*. This involves recording ideas for new businesses without evaluating the feasibility of ideas. The goal in brainstorming is to come up with as many ideas as possible—even ones that may seem very farfetched. Technology may not yet exist for some ideas. The entrepreneur can be creative and have fun with this technique.

Once ideas have been formulated, a formal *business concept statement* must be written for each idea. This is a written statement that describes the idea for a new venture. The statement must be concise: no more than one sentence. It must also explain to those who are not familiar with the idea what unique feature or benefit is to be offered. Why would potential

customers buy it? The following are some examples of business concept statements.

### ***Products***

- Voice-activated television remote
- College textbooks on universal serial bus (USB) drives
- Solar-powered cell phone
- Combination clothes washer and dryer in one

### ***Services***

- Grocery buying and delivery service
- Psychological counseling service by phone
- Seminar on managing money and credit offered to high school students nationwide

### ***Retail Stores***

- Extreme sports store
- Furniture/appliance store that offers products for college dormitory rooms

### ***Restaurants***

- Exotic-food restaurant
- Restaurant that projects feature-length movies in the dining area
- Restaurant with computer touch-screens on each table for ordering and surfing the Internet

Note that the statements are very concise and clearly explain the unique feature or benefit offered.

## Concepts to Know

brainstorming	marketing plan
business concept statement	opportunity analysis
entrepreneur	organization plan
executive summary	supporting documents and bibliography
financial plan	

## Business Plan Issues

1. *Business Concepts.* Study this chapter. Create a list of at least five innovative business concepts that could be the focus of the project and write a concept statement for each. Consider products, services, retail stores, and restaurants that are not currently being marketed. Each concept statement should not exceed one sentence. Be creative.
2. *Concept Approval.* Secure approval from your instructor for the concept that you would most like to have as the focus of your business plan.
3. *Sample Business Plans.* Go to the Web site, <http://www.bplans.com>. Identify and read one business plan for each of the following: product, service, retail store, and restaurant.