



6 STEPS TO BUILDING A BUSINESS PLAN THAT GETS FUNDED

INTRODUCTION

Entrepreneurship without a business plan is a lot like traveling without a map. You may get somewhere interesting in the end, but you'll probably be late, and it may not be where you intended to go.

Study after study shows that **business plans drive success**.

Regardless of company type, growth stage, or intent, a business plan drives success in business goals, including obtaining a loan, getting investment capital, recruiting team members, thinking strategically, and growing the business.

Those who develop business plans are more successful because they can clearly articulate their business idea. Writing a business plan helps entrepreneurs develop a clear vision and map out a plan. All that research helps to understand customers and where a business fits into the marketplace.

But perhaps one of the most important reasons that entrepreneurs need a well-developed business plan is to get funding. Investors need your roadmap to determine if your business has what it takes to succeed.

So, what does it take to create a business plan that gets funded?

We're going to take a deeper look at each step in the process of developing a useful and effective business plan, and we'll dig into how your business plan can stand out to investors so that you can get funded.





IDENTIFY MARKET OPPORTUNITY

1
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Great businesses succeed because they solve the biggest challenges in their customers' lives. From customer acquisition to wowing investors, you need to identify these big challenges, and plan how your product or service can solve them. This requires means a keen understanding of your target market, industry outlook and pricing structure.

WHAT TO INCLUDE

Good market research should touch on six things that are important to understanding the industry into which you're about to jump.



Industry Description and Outlook – Describe the industry and identify its current size and growth rate over time. You also want to describe any other trends or characteristics that are important in this industry, including major customer groups.



Target Market – Once you've narrowed down your target market to a manageable size, describe it in your market analysis. Include any distinguishing characteristics of the group, the size of the target market, and how much market share you can gain within your defined geographic area.



Pricing and Gross Margin Targets – You also need to define your pricing structure and gross margin levels. If you plan to use discounts, bake this information. Focus on the results of any research you've conducted or market tests you've completed.



Ask Compelling Questions – What need does your product or service fill? What challenge or problem does your business solve? What benefits can help you stand out against competitors?



Find Your Niche – It's tempting to try to appeal to the mass majority, but there's no feasible way to do it. Learn to strategize by dividing your products or services into manageable market niches.



Be Concise – Keep it short, focused, and insightful. Investors don't need extensive background, just the high-level points that show you've done your homework. Use the appendix and supporting documentation to flesh things out.

MARKET RESEARCH IN A LOCAL SETTING

How many bakeries does your neighborhood have? Most have at least a handful, and they all survive, some for generations.

They all sell the same basic product: baked goods.

However, each of them targets a different need or serves a different type of client. One bakery might specialize in wedding cakes, while another provides only vegan baked goods.

If you were to open a bakery, trying to promote your business to everyone who needs a loaf of bread is nearly impossible. They all have different needs, interests, and expectations. But, if you focus on one area of needs – the wedding planners, cupcake aficionados, or those with food sensitivities – you can specialize and stand out in the marketplace.

A little research might uncover that there are 19 million diabetics in the United States. And, if your neighborhoods is like most, few competing bakeries address this audience. Diabetic-friendly baked goods present a great opportunity to reach a specific niche audience whose needs are not currently being met.

Find the gaps in your market and build your business plan around one or more of them. Be unique and investors will notice.





CREATE A MARKETING PLAN

No business plan is complete without a marketing strategy. This shows investors you have a plan for growing your business and achieving your sales goals. It shows that you have sales goals period. Investors pay close attention to the marketing plan as it shows whether you fully understand the market you're getting into and are ready to do what it takes to generate revenue. It also articulates how you plan on ensuring ROI for your efforts. A good marketing plan will touch on the Five Ps: product, price, place, promotion, and people.

2
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KEYS TO MARKETING PLAN SUCCESS

To ensure your plan covers all the right bases, there are five things you should do in the preparation stages:



Focus on Your Target Market – Investors want to see that you have put some thought into your approach to marketing based on your specific niche audience. Make sure your marketing plan reflects the interests and behaviors of this audience.



Consider the Competition – Watch the competition. What do they do well? Where can they improve? Use what you learn to guide your marketing plan. Investors like to see that you have looked at all angles and you know where your marketing will stand among the rest.



Emphasize the Benefits – Consumers respond better to product/service benefits than features. As you develop your approach to marketing, consider what benefits you're offering to customers and how you can clearly illustrate these benefits in your marketing assets.



Highlight What Makes Your Company Unique – Don't be afraid to show personality in your marketing assets. While developing the marketing plan, be sure to clearly communicate how your marketing will address your key advantages and highlight what makes your company unique.



Include How You Will Measure Success – Discuss how you plan to measure the success of your marketing campaigns as well as how you will adjust your strategy and tactics to improve. For instance, what metrics will you use to determine if a campaign is a success? How will you track these metrics? What steps will you take to improve your campaigns based on measurement?

CUSTOMIZE YOUR MARKETING APPROACH

Knowing your audience does more than just clarify your niche. It guides your marketing plan and allows you to customize how you promote your business.

Where marketing plans once focused on demographics and budget, they now require a keen understanding of audience and tactics.

Snapchat and Instagram for Millennials buying scarves. Email and LinkedIn for executives buying B2B services.

If you are starting a SaaS company that provides messaging apps for small business owners and their teams for use in the field, your marketing plan will be very different from a fashion boutique selling scarves and imported loafers.

Careful analysis of your audience will show that business owners engage with content on some channels more than others – including LinkedIn and its industry-specific groups, through regular email communications, and industry publications and blogs. What are those groups? How do you acquire email addresses, and which blogs should you target? To successfully reach your target audience for those apps, you need to know and your marketing plan should reflect your knowledge.





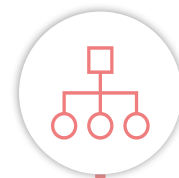
COMMUNICATE EACH TEAM MEMBER'S ROLE

After you have identified your market and created a marketing plan, you will need to tell investors who is on your team. Investors look for strong teams with effective leaders who have experience driving success in business and beyond. They want to know you'll make it across the finish line when it comes to executing the business plan successfully. Taking the time to map this now also streamlines the growth process when it comes time to bring new talent on.

3
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BUILDING A WORLD CLASS ORGANIZATION

The organization and management section of your business plan is where you summarize how your business is organized, the duties of each team member, and their expertise, education, and qualifications. Here are a few things that you need to include in the organization and management section of your business plan:



Organizational Structure – An organizational chart that includes a brief narrative description clearly demonstrates that you've thought about everyone's role and put someone in charge of every part of the company. A potential investor will want to know that there is little redundancy, but also no room for things to fall through the cracks.



Ownership Information – Define the legal structure of your business and introduce the owners with names of company owners, percentage of ownership, and extent of involvement with the company, the form of ownership, and management profiles. Be as detailed as possible with responsibilities, background, achievements, and unique skillsets.



Board of Directors – A board of directors that includes well-known and successful business owners and managers can help guide your business toward success by offering priceless business advice and expertise. Include the names, positions, extent of involvement, and background of everyone on your board.



Support Personnel – List everyone working on your business. In-house staff, contracted positions, or part time help as you grow – everyone is important to investors looking to better understand the day to day operations of your business.



Everyone is a Rockstar – For every owner, partner, board member, and staff you list in this section, showcase what makes them the best. Emphasize past business experience, key skills or any other talents or useful skills they bring to the table. Early on, talent is your most-valuable asset – flaunt it freely.

PROVIDE A SNAPSHOT OF YOUR TEAM

No two businesses start the same.

There is no perfect org structure for a startup, and your potential investors don't expect one – not this early. This is why accurately capturing what you do have is so important.

A perfect example is a branding consultant who has worked by herself for several years preparing to launch a new agency.

On paper, she's the only employee of her one-woman company. But in practice, there are likely several people she relies on.

Contractors who write copy, design collateral, and shoot videos.

Lawyers, accountants, and advisors.

Colleagues who offer professional advice.

More importantly, she needs to map out who will fill roles in her new company as it grows and she generates enough capital to fill those positions. An org chart should outline every potential position and then assign a body to it. For now, her name is the only one on there, but the positions all remain.

By having this map in place, she'll be ready to not only scale out and hire people in the order most conducive to growth, but she can show she has thought about the future of her business beyond herself and her clients.





IDENTIFY YOUR COMPETITION AND COMPETITIVE ADVANTAGE

Competition is inevitable, but understanding the strengths and weaknesses of your competitors, as well as identifying where you fit in the market, is essential to running a successful business. The competitive analysis section of your business plan takes a closer look at your competition, including both current and future competitors. You should know who your competitors are, what they do that's unique, and how you can stand out against them in a potentially crowded market.

4
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GETTING TO KNOW YOUR COMPETITORS

The more clearly you understand your competitors and their foothold in the market, the better you can prepare yourself for what you're up against. Let's look at what that means.

Find Out Who Your Competitors Are – If you are a local business owner, consider which organizations you will compete with locally. To determine an accurate range, consider how far consumers are willing to travel for your product or service. If you sell a common product/service, your range may be short, while specialty providers may have a wider range of travel. Online businesses or those without geographic targets should research competitors for attention in search engines as well.

Gather Information About Competitors – It's time to learn more about how your competitors do business. That means visiting their brick and mortar location if they have one, mapping out the markets they serve, the benefits they offer (and the ones they advertise), which products and services they sell most (and which they offer but don't sell as much), and how they price and market those products and services.

Analyze the Competition – Look for segments of the market that are being overlooked or areas for new opportunity. For example, is there a niche market that your competition does not address? Or perhaps an area of business where they are a bit weak?

Find Your Competitive Advantage – Outline what the competitive environment looks like. Here is where you will tell readers who your competitors are, how much of the market they serve, and any other details that are relevant to understanding the competition. Next, identify and expand on your competitive advantage. It is vital that you clearly communicate to investors why and how your company can compete with others in the industry.

WHAT A COMPETITOR SNAPSHOT LOOKS LIKE

Local businesses can more easily create a list of direct competitors and map out the details listed on the previous page.

Those not bound to geographic regions, or who operate online may have a tougher time. Some must deal with both, as is the case for any ecommerce site.

If you operate an ecommerce site selling custom accessories for consumer electronics, your competitors come from both sides.

Online, you are always up against Amazon, along with the online sides of traditional retailers like Best Buy, Walmart, and Target. Offline, there are local kiosks in malls, cell phone accessory stores, and even 3D printers to contend with.

As part of your competitive analysis, you need to have a clear answer to the obvious question from investors – why would someone buy from your store instead of one of these other options?



PREPARE FINANCIAL STATEMENTS

The next step is financial projections. These financial estimates help investors and lenders objectively evaluate your company's potential for success. If you seek outside funding, then comprehensive financial reports and analysis are a must. These financial projections also help you better understand if your business idea is viable or if you need to work on some aspects of your business plan.

5
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REPORTS TO INCLUDE IN YOUR FINANCIAL PROJECTIONS

If you want to attract investors, you'll want to be thorough in your financial reporting. According to [Jeff Haden](#), contributing editor of Inc., most business plans include the following basic projections/reports:



Sales Forecast – This should include two to three years and of: detailed assumptions, sales per customer, number of customers, sales growth rate.



Balance Sheet – This report is one of the best ways to communicate the health of your business because it shows the company's cash position, including assets, liabilities, shareholders, and earnings.



Income Statement – This report lists the projected revenue and expenses, effectively showing whether your company will be profitable over a specific period.



Cash Flow Statement – This report includes a projection of cash receipts and expense payments showing how and when cash will flow through the business.



Operating Budget – The operating budget provides a detailed breakdown of expenses and income, which provides a basic guide for how the company will operate on a day-to-day basis.



Break-Even Analysis – The break-even analysis is a projection of how much revenue is needed to cover all fixed and variable expenses, showing when the business can expect to experience profit under specific conditions.

YOUR MAKE OR BREAK BALANCE SHEET

No investor will offer up money for a failing company, or a startup without a clear plan in place to generate revenue.

Imagine going to a restaurant, only to find it empty every time you go. No reservations. No one at the bar. Just a couple of lone diners finishing up their early evening meals. If you heard that restaurant was about to close, you probably wouldn't be surprised.

With threadbare financials, that's what potential investors see in your business plan – an empty restaurant on the precipice of closing.

If your business is successful and you're ready to grow, show them the customers and the numbers they drive. If your business is brand new, show them the trajectory you expect based on your projections. Those numbers paint a picture, and the prettier it is, the faster your investors will bite.





WRITE AN EXECUTIVE SUMMARY

It may be the first thing an investor reads, but it should be the last thing you write. An executive summary is one of the most important sections of your business plan and therefore the hardest to craft – drawing from everything we’ve discussed thus far. If the executive summary doesn’t capture the attention (and imagination) of your potential investors, they’ll stop reading and the rest of the work you did is for nothing. So it needs to sizzle – perfectly capturing what makes your business plan unique enough for immediate investment.

6
step

THE PERFECT EXECUTIVE SUMMARY

The perfect summary is easy to read, short, and sweeping – capturing your vision and financial planning in one succinct page. Here’s how to start:

FORMATTING:



A box on the right-hand side with your company name, logo, URL, number of employees, and current key players.



Short, 200- to 400-character paragraphs in the middle of the page, which include all the topics necessary for a complete yet impactful summary.



A wide box at the bottom with an at-a-glance view of your financials, including gross revenue, expenditures, and net for the current year with projections for the next three to four years.

THE DETAILS:

BUSINESS SUMMARY

This includes basic information such as your business name and location.

ONE-LINE PITCH

Your one-line pitch is a one sentence summary of your business's value proposition that answers the question "What separates you from the competition?"

CUSTOMER PROBLEM

What problem does your business solve?

PRODUCT/SERVICE

Describe what your product or service is and how it solves the problem you've just addressed.

TARGET MARKET AND CUSTOMERS

Describe your ideal customer, and then provide proof that there is currently a market for your product or service.

COMPETITORS AND COMPETITIVE ADVANTAGES

You need to honestly acknowledge, in the executive summary, who your existing competitors are. Follow this up with a brief explanation of your company's competitive advantages.

MANAGEMENT TEAM

Provide a brief look at the management team you have put together and how their knowledge and experience will help your company succeed.

SALES/MARKETING STRATEGY

What is your plan for selling and marketing your products or services? You don't need to provide too many details here, but enough to show that you have thought carefully about both short- and long-term promotion.

BUSINESS/REVENUE MODEL

This is where you would include a summary of financial data such as sales, gross margin, and profits for the next three to four years. Make sure that this information is realistic and accurate.

DEVELOPMENT

Provide a short description of what development stage your business is in. This includes what goals your business has reached up until this point and any future goals your business is working toward.



EXPERT TIPS FOR A ROCK SOLID EXECUTIVE SUMMARY

Your executive summary is your business plan. It's everything you've worked so hard to realize packed into a tight, one page pitch. So, it needs to be silky smooth in execution. Here's how to pull it off:

1

ORGANIZE THE EXECUTIVE SUMMARY IN THE SAME PATTERN AS YOUR BUSINESS PLAN.

People love order. Structure your summary the same as your business plan for easy reference and a sense of flow that will keep investors engaged.

2

EMPHASIZE HOW YOUR BACKGROUND SETS YOU UP FOR SUCCESS.

While established business owners may have history and growth highlights, new business owners and entrepreneurs can focus on their personal strengths and background in business.

3

INCLUDE ANY DETAILS A POTENTIAL INVESTOR MIGHT NEED.

Though your executive summary should be succinct, you should also make sure you include any important details an investor might need to determine if this is the right investment.

4

SHOW A LITTLE PERSONALITY.

Though the business plan is a formal document, don't be afraid to show a little personality in your executive summary. The document should remain professional while also showing what sets you apart.

5

LOOK TOWARD THE FUTURE.

You're looking for investors who can help you reach your future goals, so share not only the present state of your business but also what you hope to do in the future. This helps investors better understand the business in which they are investing.

A person with long hair, wearing a white long-sleeved shirt, is sitting at a wooden desk in a bright, modern office. They are typing on a silver laptop. The desk also has a white pen and some papers. The background shows a window with a view of a building and some greenery.

CONCLUSION

Your business plan is a distillation of your dream. Years of research, preparation, and hard work boiled down into a document that will help you realize everything you've been striving for.

Take the time to get it right, doing the research, planning your next actions, and communicating what makes your ideas so great, and investors will take notice.



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