

## **HOW TO PREPARE A BUSINESS PLAN THAT GUARANTEES BIG PROFITS...**

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## **HOW TO PREPARE A BUSINESS PLAN THAT GUARANTEES BIG PROFITS...**

Success in business comes as a result of planning. You have to have a detailed, written plan that shows you what the ultimate goal is, the reason for the goal, and each milestone that must be passed in order to reach your goal.

A business plan is a written definition of, and an operational plan for achieving your goal. You need a complete business tool in order to define your basic product, income objectives and specific operating procedures. **YOU HAVE TO HAVE A BUSINESS PLAN** to attract investors, obtain financing and hold onto the confidence of your creditors, particularly in times of cash flow shortages - in this instance, the amount of money you have on hand compared with the expenses that must be met...

Aside from an overall directional policy for the production, sales efforts and profit goals of your product - your basic "travel guide" to business success - the most important purpose your business plan will serve, will be the basis or foundation of any financial proposals you submit. Many entrepreneurs are under the mistaken impression that a business plan is the same as a financial proposal, or that a financial proposal constitutes a business plan. This is just a misunderstanding of the uses of these two separate and different business success aids.

The business plan is a long range "map" to guide your business to the goal you've set for it. This plan details the what, why, where, how and when, of your business - the success planning of your company.

Your financial proposal is a request for money based upon your business plan - your business history and objectives.

Understand the differences. They are closely related, but they are not interchangeable.

Writing and putting together a "winning" business plan takes study, research and time, so don't try to do it all in just one or two days.

The easiest way is to start with a loose leaf notebook, plenty of paper, pencils, pencil sharpener, and several erasers. Once you get you mind "in gear" and begin thinking about your business plan, "10,000 thoughts and ideas per minute" will begin racing through your mind... So, it's a good idea when you aren't actually working on your business plan, to carry a pocket notebook and jot down those business ideas as they come to you - ideas for sales promotion, recruiting distributors, and any other thoughts on how to operate and/or build your business.

Later, when you're actually working on your business plan, you can take out this "idea notebook" - evaluate your ideas, rework them, refine them, and integrate them into the overall "big picture" of your business plan.

The best business plans for even the smallest businesses run 25 to 30 pages or more, so you'll

need to "title" each page and arrange the different aspects of your business plan into "chapters." The format should pretty much run as follows:

- Title Page
- Statement of Purpose
- Table of Contents
- Business Description
- Market Analysis
- Business Location
- Management
- Current Financial Records
- Explanation of Plans For Growth
- Explanation of Financing for Growth Documentation
- Summary of Business & Outlook for The Future
- Listing of Business & Personal References

This is a logical organization of the information every business plan should cover. I'll explain each of these chapter titles in greater detail, but first, let me elaborate upon the reasons for proper organization of your business plan.

Having a set of "questions to answer" about your business forces you to take an objective and critical look at your ideas. Putting it all down on paper allows you to change, erase and refine everything to function in the manner of a smoothly oiled machine. You'll be able to spot weaknesses and strengthen them before they develop into major problems. Overall, you'll be developing an operating manual for your business - a valuable tool which will keep your business on track, and guide you in the profitable management of your business.

Because it's your idea, and your business, it's very important that YOU do the planning. This is YOUR business plan, so YOU develop it, and put it all down on paper just the way YOU want it to read. Seek out the advice of other people; talk with, listen to, and observe, other people running similar businesses; enlist the advice of your accountant and attorney - but at the bottom line, don't ever forget that it has to be YOUR BUSINESS PLAN!

Remember too, that statistics show the greatest causes of business failure to be poor management and lack of planning - without a plan by which to operate, no one can manage; and without a direction in which to aim its efforts, no business can attain any real success.

On the very first page, which is the title page, put down the name of your business - ABC ACTION - with your business address underneath. Now, skip a couple of lines, and write in all capital letters: PRINCIPAL OWNER - followed by your name if you're the principal owner. On your finished report, you would want to center this information on the page, with the words "principal owner" offset to the left about five spaces.

Example:

ABC ACTION  
1234 SW 5th Ave. Anywhere, USA 00000

PRINCIPAL OWNER: Your Name

That's all you'll have on that page, except the page number...

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Following your title page is the page for your statement of purpose. This should be a simple statement of your primary business function, such as: We are a service business engaged in the business of selling business success manuals and other information by mail.

The title of the page should be in all capital letters across the top of the page, centered on your final draft - skip a few lines and write the statement of purpose. This should be direct, clear and short - never more than two (2) sentences in length.

Then you should skip a few lines, and from the left hand margin of the paper, write out a subheading in all capital letters, such as: EXPLANATION OF PURPOSE.

From, and within this subheading, you can briefly explain your statement of purpose, such as: Our surveys have found most entrepreneurs to be "sadly" lacking in basic information that will enable them to achieve success. This market is estimated at more than 100 million persons, with at least half of these people actively "searching" for sources that provide the kind of information they want, and need.

With our business, advertising and publishing experience, it is our goal to capture at least half of this market of information seekers, with our publication, MONEY MAKING MAGIC! Our market research indicates we can achieve this goal, and realize a profit of \$1,000,000 per year within the next 5 years...

The above example is generally the way you should write your "explanation of purpose," and in subtle definition, why you need such an explanation. Point to remember: Keep it short. Very few business purpose explanations are justifiably more than a half page long.

Next comes your table of contents page. Don't really worry about this one until you've got the entire plan completed and ready for final typing. It's a good idea though, to list the subjects (chapter titles) as I have, and then check off each one as you complete that part of your plan. By having a list of the points you want to cover, you'll also be able to skip around and work on each phase of your business plan as the idea or the interest in organizing that particular phase, stimulates you. In other words, you won't have to make your thinking or your planning conform to the chronological order of the "chapters" of your business plan - another reason for the loose leaf notebook...

In describing your business, it's best to begin where your statement of purpose leaves off. Describe your product, the production process, who has responsibility for what, and most importantly, what makes your product or service unique - what gives it an edge in your market. You can briefly summarize your business beginnings, present position and potential for future success, as well.

Next, describe the buyers you're trying to reach - why they need and want or will buy your product - and the results of any tests or surveys you may have conducted. Once you've defined your market, go on to explain how you intend to reach that market - how you'll alert these prospects to your product or service and induce them to buy. You might want to break this chapter down into sections such as... publicity and promotions, advertising plans, direct

sales force, and dealer/distributor programs. Each section would then be an outline of your plans and policies.

Moving into the chapter on competition, identify who your competitors are their weaknesses and strong points - explain how you intend to capitalize on those weaknesses and match or better the strong points. Talk to as many of your "indirect" competitors as possible - those operating in different cities and states.

One of the easiest ways of gathering a lot of useful information about your competitors is by developing a series of survey questions and sending these questionnaires out to each of them. Later on, you might want to compile the answers to these questionnaires into some form of directory or report on this type of business.

It's also advisable to contact the trade associations and publications serving your proposed type of, business. For information on trade associations and specific trade publications, visit your public library, and after explaining what you want, ask for the librarian's help.

The chapter on management should be an elaboration on the people operating the business. Those people that actually run the business - their job titles, duties, responsibilities and backfilled resume's. It's important that you "paint" a strong picture of your top management people because the people coming to work for you or investing in your business, will be "investing in these people" as much as your product ideas. Individual tenacity, mature judgement under fire, and innovative problem-solving have "won over" more people than all the AAA Credit Ratings and astronomical sales figures put together.

People becoming involved with any new venture want to know that the person in charge - the guy running the business knows what he's doing, will not lose his cool when problems arise, and has what it takes to make money for all of them. After showing the "muscle" of this person, go on to outline the other key positions within your business; who the persons are you've selected to handle those jobs and the sources as well as availability of any other help you might need.

If you've been in business on any kind of scale, the next chapter is a picture of your financial status - a review of your operating costs and income from the business to date. Generally, this is a listing of your profit & loss statements for the past six months, plus copies of your business income tax: records for each of the previous three years the business has been an entity.

The chapter on the explanation of your plans for the future growth of your business is just that - an explanation of how you plan to keep your business growing - a detailed guide of what you're going to do, and how you're going to increase your profits. These plans should show your goals for the coming year, two years, and three years. By breaking your objectives down into annual milestones, your plans will be accepted as more realistic and, be more understandable as a part of your ultimate success.

Following this explanation, you'll need to itemize the projected cost and income figures of your three year plan. It'll take a lot of research, and undoubtedly a good deal of erasing, but it's very important that you list these figures based upon thorough investigation. You may have to adjust some of your plans downward, but once you've got these two chapters on paper, your whole business plan will fall into line and begin to make sense. You'll have a precise "map" of where you're headed, how much it's going to cost, when you can expect to start making money, and how

much.

Now that you know where you're going, how much it's going to cost and how long it's going to be before you begin to recoup your investment, you're ready to talk about how and where you're going to get the money to finance your journey. Unless you're independently wealthy, you'll want to use this chapter to list the possibilities and alternatives.

Make a list of friends you can approach, and perhaps induce to put up some money as silent partners. Make a list of those people you might be able to sell as stockholders in your company - in many cases you can sell up to \$300,000 worth of stock on a "private issue" basis without filing papers with the Securities and Exchange Commission. Check with a corporate or tax attorney in your area for more details. Make a list of relatives and friends that might help you with an outright loan to furnish money for the development of your business.

Then search out and make a list of venture capital organizations. Visit the Small Business Administration office in your area - pick up the loan application papers they have - read them, study them, and even fill them out on a preliminary basis - and finally, check the costs, determine which business publications would be best to advertise in, if you were to advertise for a partner or investor, and write an ad you'd want to use if you did decide to advertise for monetary help.

With a listing of all the options available to your needs, all that's left is the arranging of these options in the order you would want to use them when the time comes to ask for money. When you're researching these money sources, you'll save time by noting the "contact" to deal with when you want money, and whenever possible, by developing a working relationship with these people.

In your documentation section, you should have a credit report on yourself. Use the yellow pages or check at the credit department in your bank for the nearest credit reporting office. When you get your credit report, look it over and take whatever steps are necessary to eliminate any negative comments. Once these have been taken care of, ask for a revised copy of your report and include a copy of that in your business plan.

If you own any patents or copyrights, include copies of these. Any licenses to use someone else's patent or copyright should also be included. If you own the distribution, wholesale or exclusive sales rights to a product, include copies of this documentation. You should also include copies of any leases, special agreements or other legal papers that might be pertinent to your business.

In conclusion, write out a brief, overall summary of your business - when the business was started, the purpose of the business, what makes your business different, how you're going to gain a profitable share of the market, and your expected success during the coming 5-years...

The last page of your business plan is a "courtesy page" listing the names, addresses and phone numbers of personal and business references - persons who have known you closely for the past five years or longer - and companies or firms you've had business or credit dealings with during the past five years.

And, that's it - your complete business plan. Before you send it out for formal typing, read it over once a day for a week or ten days. Take care of any changes or corrections, and then have it

reviewed by an attorney and then, an accountant. It would also be a good idea to have it reviewed by a business consultant serving the business community to which your business will be related. After these reviews, and any last-minute changes you want to make, it'll be ready for formal typing.

Hire a professional typist to type the entire plan on ordinary white bond paper. Make sure you proofread it against the original. Check for and correct any typographical errors then one more time - read it through for clarity and the perfection you want of it.

Now you're ready to have it printed and published for whatever use you have planned for it - distribution amongst your partners or stockholders, as the business plan for putting together a winning financial proposal, or as a business operating manual.

Take it to a quality printer in your area, and have three copies printed. Don't settle for photocopying... Have it printed! Photocopying leaves a slight film on the paper, and will detract from the overall professionalism of your business plan, when presented to someone you're trying to impress. So, after going to all this work to put it together properly, go all the way and have it duplicated properly.

Next, stop by a stationery store, variety store or even a dime store, and pick up an ordinary, inexpensive bind-in theme cover for each copy of your business plan. Have the holes punched in the pages of your business report to fit these binders and then slip each copy into a binder of its own.

Now you can relax, take a break and feel good about yourself... You have a complete and detailed business plan with which to operate a successful business of your own... A plan you can use as a basis for any financing proposal you may want to submit... And a precise road-map for the attainment of real success...

Congratulations, and my best wishes for the complete fulfillment of all your dreams of success!!!