Creating a Successful Business Plan

by Bob O'Connor

Over the years, we've had the opportunity to work with thousands of shop owners, providing advice and tools to help them grow a profitable business. We've discovered that one common key element missing from most of those businesses was a formal business plan. Most shop owners don't realize that a good business plan reveals a complete story about their business to them and to anyone else who needs to have a comprehensive understanding of it.

A well-developed and comprehensive business plan (updated at least every six months) serves three key purposes:

First, it forces you to take an objective, critical and unemotional look at your business the way someone outside of your business would. It assists you in setting goals and determining how workable and profitable your business is or can be.

Second, it's virtually a must when applying for a loan. To a lender, your business plan reveals your business' feasibility and future viability, and reflects your management abilities. It gives the lender assurances that you'll have the ability to repay the loan.

Third, it's a starting point for creating a more detailed operational plan, and becomes an important management tool for monitoring the growth and performance of the business, and for charting future direction.

Business plans are not all alike, but vary depending on the type and size of the business. The importance of a business plan is not just the written document itself, but rather the *process* and *thinking* involved in creating it.

Many shop owners will argue that the marketplace changes too fast for a business plan to be useful, or that they're too busy running their operation to prepare one. While many owners are reluctant to invest the necessary effort to put the details in writing, the time is well spent when the business grows and prospers as a result.

Why Develop a Business Plan?

The importance of a comprehensive business plan for your shop cannot be overemphasized. It's essential for starting a new business, purchasing an existing business, buying a franchise, expanding an existing business, or even simply remaining competitive.

A well-prepared business plan can serve several additional purposes. Essentially, it's your entire business concept put on paper. For instance, it contains detailed information of where you're headed and how you'll get there, your production processes and capabilities, the size of your business and its growth potential, your products and services, your competitors' strengths and weaknesses (including pricing comparisons), how you'll advertise and promote your products and services, how much money you'll need and how it will be spent and, finally, your staff's ability to execute your plan.

When starting a new repair business, a business plan helps the owner(s) determine the feasibility and desirability of pursuing the necessary startup steps. It's the only way to determine if the new venture is really a solid business opportunity.

As previously mentioned, a business plan is typically required to obtain financing from outside investors or lending institutions. In a nutshell, it provides the answers to all the pertinent questions investors seek, including who, what, why, where and how.

A business plan is also useful in obtaining initial or extended credit from suppliers. And since details about marketing and competition are a significant element of a plan, it can help you better promote your products and services.

Finally, when you sell your business, a business plan provides an effective means for the purchaser to evaluate and perhaps validate the investment required. It will also provide the purchaser with a set of "instructions" by which to operate the business.

For all these reasons, your business plan can and should be your road map to success!

Who Should Develop the Plan?

Many repair shop owners ask this question. There are several options available, including:

- Doing it alone, following the outline presented here.
- Seeking assistance from your local Service Corps of Retired Executives (SCORE) or similar nonprofit organization.
- Contacting your local community college to seek assistance from a business instructor.
- Hiring a professional (accountant, business consultant, etc.) to help you with portions of the plan. For example, an accountant can provide guidance about the financial aspects of your business, including charts and graphs.
- Hiring a professional adviser to perform the entire job for you.

There are some significant advantages to preparing a business plan yourself. For example, simply going through the process puts you more in touch with what's really happening in your business. After all, no one knows your business as well as you.

Also, when it comes time to modify or update the plan, you'll know exactly where to look and how to do it. Finally, developing your own plan will make it much easier to present it to a lender or investor, especially when it comes

Ten Tips for Developing a Business Plan

1. Take all the time you need to build your plan. Be prepared to spend several weeks at it.
2. Keep your plan in sight so you can work on it consistently a few hours each day.
3. If a particular section of the plan is too difficult or requires more time than you have immediately available, move on to another part, then go back to it when time allows.
4. Once you complete a section, don't update it unless it directly ties in with another section you're working on.
5. Employ the KISS principle (Keep It Simple, Stupid) and avoid overcomplicating the plan.
6. Ensure accuracy by doing your research thoroughly.
7. Rather than wait for the whole plan to be finished, have completed sections proofed for spelling and grammar.
8. Use color wherever you can to add visual impact to the plan's overall appearance.
9. Give serious consideration as to how the final document will be bound. Note that some methods require wider margins than others.
10. Use tabs to divide sections to make it easier to read.

time to answer questions relevant to the business.

A Good First Impression

The first impression of a business plan document will be how it's bound, what the cover page looks like and what information is contained within. The cover page of your business plan should include the following:

- Legal name of the company and logo, if you have one.
- Date prepared (month/year).
- Business address, phone and fax numbers.
- Contact's name and e-mail address.
- Business' Web site address.
- Name(s) of preparer(s).
- Statement of confidentiality.

If using a binder, consider selecting one with a clear-view cover, where you can insert a sheet of paper with your description of the contents—for example, your company logo and the words "Business Plan." White binders seem to work best here, but you may also want to consider having the document professionally bound.

The Executive Summary

A summary of the entire plan, often referred to as the "Executive Summary," is important and should consist of a two- or three-page clear and concise overview highlighting each main section of your complete business plan—the Mission Statement, a description of the business and its objectives, financial requirements and security, management and staff, your marketing plan, etc. The summary has several purposes, but its primary one is to whet the reader's appetite. It should tell—in a succinct manner—who you are, what you want to do, how much money you'll need and how much you expect to make.

Many investors or lenders won't read your entire package. They'll make a preliminary decision about getting financially involved in your business on the basis of their first impression of this summary. Therefore, it's important to put all your strong points in the first few paragraphs. They'll be expanded upon later in the plan.

Mission Statement. This need not be more than a few paragraphs, and should convey your business philosophies, including commitments to your customers and staff.

Statement of Purpose. Provides a brief explanation of why you're requesting funding.

Business Description. Briefly describes the current status of the company.

Business Objectives. Outlines your sales objectives, staffing increases/changes, additional products and services, etc.

Financial Requirement and Security. Briefly describes how much money you'll need, the reasons for the funds, how they'll be distributed and the type(s) of security offered.

Management and Staff. Here, set down the personnel hierarchy via an organizational chart. In addition, list all staff members and their credentials.

Products and Services. In this area of the summary, provide a brief description of the products and services you sell, and to whom.

Marketing Plan. Under this heading, briefly describe who your customers are, where they're located, your competitive advantages and the results of your advertising efforts.

Although the Executive Summary is the first major element in your business plan, it should be the last item prepared. The next step in the process is to create tabbed sections to the binder and elaborate on each area listed in the Executive Summary.

Mission Statement. Perhaps you'd want your shop to be known as the one that provides the best customer service in town. Or maybe you want potential customers to know that you use the highest quality parts and materials. Striving for excellence in the service and repair industry and being committed to your customers are other possibilities for a broad Mission Statement.

Whatever your point of view, give careful consideration to your Mission Statement. Start with some key points, then review them with your employees before you flesh them out.

Statement of Purpose. If you're requesting funds from a lender or investor, provide a *detailed* explanation of the purpose for the funding, the amount required, when and how long you'll need the funds, how you'll generate sufficient cash flow to repay and what collateral or security will be offered.

Business Description. This section of your business plan should include the complete name of your company; the date the business started or will start; the nature of your business, including its Standard Industry Classification (SIC) code; the type of business (sole proprietorship, partnership, corporation, etc.) and, if incorporated, the date of incorporation.

The description should also include a complete history of your business, listing by date any significant events such as staff additions, major equipment purchases, memberships, acquisition of property, facility renovations, new services offered, computer system purchases and upgrades, important training accomplishments, business and staff certifications and/or awards, etc.

Indicate if it's a new business, an expansion of an exiting business, an acquisition or a franchise. In addition, provide information on licenses or permits required or obtained; days and hours of operation; your shop's main products and services; the reputation your shop has earned; how your customers benefit from your services; your shop's community involvement; and any environmentally conscientious practices performed by your shop.

Business Objectives. Under this heading, provide detailed information about your sales objectives, staffing changes, additional products and services, where the business is headed and where you'd like it to be in one, two, three, four and five years.

Note that for these objectives to work, they must be good for everyone—the customer, your employees and the business itself—and be measurable.

In addition to financial scorekeeping, include methods of tracking technician time, advertising results, customer satisfaction and demographic trends.

You must develop a realistic road map to the attainment of each objective. These objectives need to be written clearly and concisely and assembled in an easy-to-read format. Objectives should also provide for the description and attainment of personal goals.

Every business must grow to survive and prosper. Therefore, it's necessary to establish *specific goals* to ensure that the business continues to flourish. Areas to consider when establishing business goals include:

- gross sales and profits, and net profits, as well;

- expenses and cash flow;
- increases in hours sold per technician, hours per repair order, car count, average invoice amount and customer frequency;
- the optimum number of employees;
- improvements in the facility itself and its location;
- additional products and services;
- and additional shops/locations.

Once you've established your overall objectives, you'll need to decide when during your five-year plan you feel they'll be accomplished. Make a list of each year and the corresponding objectives in those years.

Finally, your business objectives need to provide for a "balance" between your business and personal life. Far too many shop owners get so caught up in the day-to-day running of their businesses, they allow their personal lives to suffer as a result.

Financial Requirements and Security. A financial proposal demonstrates to the investor or lender your shop's current financial position and its expected growth, how acquired funds will be distributed and, most importantly, how the funds are to be repaid. The financial proposal should always include a current balance sheet, an income statement reflecting the current period and year-to-date, a current statement of cash flow and comparative financial statements for the last three to five years.

In addition, the proposal should include five-year projections, prepared on a year-by-year basis. These projections include:

- startup costs (if applicable);
- projected income;
- projected gross profits by department;
- operating budget (projected expenses);
- projected net profits;
- projected cash flow;
- and projected equity building.

Many lenders or investors know that entrepreneurs often take quite an optimistic approach when preparing their financial projections by overstating the potential. While you should attempt to be conservative, don't be too conservative! Strike a balance here as well.

Management and Staff. Your management plan—along with your marketing and financial management plans—sets the foundation for and facilitates the success of your business. Since your people are your most valuable resource, they obviously play a major role in the implementation of your business plan.

To begin with, you'll need to provide an organizational chart outlining each staff position, listing the individuals who function in those positions and the reporting relationships. After this is done, compose a few paragraphs expressing confidence in your staff's skills and abilities.

Products and Services. Under this heading, describe the products and services you sell, and who they're sold to. Also, include any copyrights or patents you might own.

Marketing Plan. Marketing is an extremely important part of any business plan. With customers these days routinely shopping prices and services, you'll need a fully developed marketing plan, complete with a detailed budget. Included under this heading would be a brief description of who your main customers are, where they're located, their reasons for doing business with you, your competitive advantages and the results of any previous marketing/advertising efforts.

To begin a marketing plan, describe what segment of the repair market your business occupies. For example, your shop may be a full-service maintenance and repair facility servicing only domestic vehicles, or only imports, or only fleets.

Next, provide a broad list of the types of people who are your primary customers, as well as those that comprise your target market. Current customer statistics should include, among other things:

- whether they're homeowners or renters, and their age range and average income level;
- ZIP codes where they reside;
- what percentage are male and female, and their marital status;
- occupation and education;
- number of vehicles in each household;
- average sale per invoice;
- average number of visits annually;
- average dollars spent annually;
- total number of customers in database, etc.

In defining a target market, a newly established business will need to research the market and provide assumptions, while an existing business can rely on statistics/percentages from its business history.

Also, list the names of five of your strongest competitors, their strengths and weaknesses, as well as the competitive advantages you feel you have. Competitive advantages might include better location, reduced overhead, contacts in the industry, specialized equipment, endorsements, affiliations, certifications, etc.

Advertising and business growth go hand-in-hand, so you'll have to do some form of advertising on a consistent basis. As part of your business plan, therefore, you should include an advertising budget and calendar; samples of ads, brochures, flyers, newsletters and any other printed advertising materials you've created; a marketing map, advertising tracking forms and follow-up materials.

Also note other methods of advertising you use, such as thank-you calls; TV and radio spots; on-hold messaging; license plate frames, cups, pens, etc.; community programs and promotions; and environmental programs.

Presenting Your Business Plan

You've labored extensively developing your business plan, and now you're getting ready to present it to a lender. Although you believe you've developed the plan to the best of your ability, you still may have reservations about submitting it. If that's the case, it's best to have it reviewed by an outside expert before you present it to the targeted individual. Enlist an attorney or accountant, a banker (other than the one to whom you may be presenting your plan, of course), a business consultant or an experienced business owner, the owner or manager of a similar business, or a counselor at SCORE.

Once your business plan has been proofed for spelling and grammar and reviewed for content and structure, give serious consideration to its "packaging." You may wish to incorporate color wherever possible. You can punch the pages and insert them into a three-ring binder, or have the pages bound in some other fashion. Also, consider printing on both sides of the pages, so the document doesn't appear overly lengthy and bulky.

Make several copies of your business plan; lenders quite often have review boards or loan committees where multiple copies of the document may be required.

While you need to do what you can to protect the ideas in your business plan, you may still want input from outside resources. One very common method to protect your plan is with a legal document known as a *nondisclosure* form. Once drafted by your attorney, make sure it's signed by whoever is going to read your business plan.

Finally, consider your business plan a "live" document, and review it at least monthly to compare performance against your stated goals.

There's a saying that's been around seemingly since the beginning of time: "If you fail to plan, you plan to fail." Why not plan to *succeed* by developing a solid, well-thought-out business plan today!

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