

# 13 Steps to Writing your Business Plan

*A guide for the wedding industry*

Sage *Wedding* Pros

astute ~ balanced ~ wise ~ knowing

<http://sageweddingpros.wordpress.com>

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Please visit [www.score.org](http://www.score.org)

## Introduction

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Having a business plan is like having a lighthouse on the dark treacherous waters of small business ownership. Without one, you could be lost at sea, or worse: shipwrecked. Every business should have one to know where you've been and to know where you are going. Your chances of success are far greater with a plan than without one.

Do you have a business plan? If so, when was the last time you revised it? If you don't have a plan, why not? If you've never written a plan, or if it is in a dark file in your basement, there is no time like the present to start.

**We are going to write your business plan.** Throughout our planning, we will be referring to resources from [SCORE](#). SCORE "Counselors to America's Small Business" is a nonprofit association dedicated to educating entrepreneurs and the formation, growth and success of small business nationwide. SCORE is a resource partner with the U.S. Small Business Administration (SBA). Their resources are valuable, easy to use, and FREE. (If it's free, it's me!)

This is what SCORE has to say about writing a business plan:

"The real value of doing a business plan is not having the finished product in hand; rather, the value lies in the process of research and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, to study and research when you are not sure of the facts, and to look at your ideas critically. It takes time, but avoids costly, perhaps disastrous, mistakes later.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and rethinking your ideas and assumptions. But then, that is the value of the process. So make time to do the job properly. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data"

We'll be covering the following elements of a business plan, broken down into 13 steps:

- Executive Summary
- General Company Description
- Products and Services
- Marketing Plan
- Operational Plan
- Management and Organization
- Financial Plan
- Appendices

- Refining the Plan

If you're a little intimidated by this project, don't be. **By collaborating on this as an industry, we can become stronger businesses and a stronger league of professionals.** We'll coast through this and you'll have a business plan of which you can be proud.

## Step 1: The Executive Summary

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We begin with the writing of the **Executive Summary**. Most people will tell you to come back to this later and write the executive summary last. I like to do a bit of both. I write a very skeletal executive summary that ends up being rewritten much later. The reason I like to do this is because I think the Summary is a nice place to begin and a good way to gather general thoughts.

Are you ready to start typing? (Or at least brainstorming?)

### About the Executive Summary

This section is typically everything about your company in a nutshell (typically 1-2 pages long). It explains the following basics of your business:

- Owners of the business (Who?)
- Your product or service (What?)
- Your customers (Why? Who? How?)
- History of the business (When? How?)
- Your industry (Where? Who?)
- If you are applying for a loan or seeking investors, you would use the Executive Summary to explain precisely how much money you want, how you will use it, and how you will repay it (What? When? How?)

### Tips for Writing

Here are my tips (and a little inspiration) for working on this section:

- Keep it Simple  
When I started my career in accounting, I was often told that my writing was too “flowery”. I had to learn how to write analytically in “business” speak. This is scarier than it sounds! Your business plan should have your voice, but should also be concise and professional. If you ever feel you are going down a tangent, reel it back in and keep it simple.

- Be Enthusiastic  
This is your business. This is your passion. Let that shine.
- Start with an outline  
In case you haven't noticed, I like lists, bullet-points, and outlines. It might be helpful to start with writing an outline to grasp the big picture of writing your plan. This might be too "by the book" for some, but for others it is a saving grace. (I've laid out an outline in Step 13 if you want to peek ahead.)
- Little by Little  
A business plan is rarely ever written in one day. Approach a little bit each day or week. Start by sketching notes to the Who, What, Why, When, Where, and How of your business. Flesh those out throughout the week.
- Schedule Time for Writing  
It's hard to fit in time to write the business plan. Make an appointment with yourself (much like you would with a client). Literally put it on your calendar – and don't cancel your appointment! If it helps, meet with a colleague for coffee once a week and work on your business plans together. I did this with Kelly Simants of [Sweet Pea Events](#). Not only were we "locked in" to work on our business plans, but also we were able to share ideas with one another.
- Use Your Art  
Chances are you are a very talented artist and are skilled at expressing yourself in your art. (I hear you: "Michelle – there's a reason I didn't go to business school!") So, use your art. If you are a photographer, get outside and shoot pictures of the Who, What, Where, Why, When, and How of your business. Use that as your inspiration over the next 5 weeks of business planning.
- There is NO place for PERFECTION  
This is the most important point (and I'm going to continue drilling this): **Do not strive for perfection; strive for excellence.** It is in striving for perceived perfection that we are unable to act or complete important projects like this. The Business Plan is something that is constantly evolving, constantly changing. Write a section, review it, edit it. But, do NOT come back to it a million times. Move on to the next section.

A yoga instructor once told me that there is no perfection in yoga. Every day we strive to become better at it. This is true with everything in life: including the writing of your business plan.

## Step 2: The Company Description

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In step 2, we'll be covering the **General Company Description**. I like to think of this section as the “backbone of the business”. These are the elements of your business that support all functions and make it run smooth as butter.

### About the General Company Description

This section gives the nitty-gritty about your business, specifically organizational structure. It describes the following about your company:

#### Mission statement

The mission statement is a company's reason for being and its guiding principle. For example, the mission of **Sage Wedding Pros** is to be a resource for wedding professionals who want to have smarter businesses. A few weeks ago we discussed the writing of your mission statement. Visit [here to see some tips on writing this](#).

#### Company objectives

This section is a good follow-up to the mission statement. Lay out your business goals and philosophies. The objectives should be short and concise because you will be expanding on this later in the plan. (Think of this as your “elevator speech”.) [SCORE](#) recommends BRIEFLY describing:

- What business are you in?
- What do you do?
- What is your target market? (Explain briefly here, because you will do a more thorough explanation in the *Marketing Plan* section.)
- Describe your industry. Is it a growth industry?
- What changes do you foresee in your industry, and how is your company poised to take advantage of them?

#### Form of ownership

Is your business a sole proprietorship, partnership, corporation, or limited liability corporation (LLC)?

### **Company history**

Give a detailed history of your business. I like to give a chronological account of my business. Start at the beginning (when you were working out of your basement) and end in the present moment (when you are sitting on your yacht sipping martinis all day.) Here are some things you can cover:

- When was the business founded? Who founded the business?
- Did you acquire the business? Who were the previous owners?
- What successes have you had? Products you've launched?
- What failures have you had? Significant problems? Lessons you've learned?
- What is your place in the industry? How are you perceived by the community?
- What sort of trade affiliations are you an active member of?
- What is your sales and profit history?
- Do you have any employees?

### **Strengths and core competencies**

Here is where you get to brag about your business. Describe what makes your company successful:

- How do you achieve success?
- What are the strengths you have over competitors?
- What makes your business different?
- What do you personally bring to the business?

### **Significant challenges the company faces now and in the near future**

What are the greatest challenges you face now and in the future? This question will make you take a hard look at the core of your business. Don't let it scare you. It is an attempt for you to be honest and realistic with yourself. It is in identifying these challenges that we become stronger business people. If you are asking for funding, go on to explain how the new capital will help you meet these challenges.

### **Long term plans**

In this section, you'll describe your future plans for the business. You'll have a chance to elaborate on details later in the plan. But, start laying out some of your goals here. This is a tough section to write because it forces you to think about where you want to be 5, 10, 15, 20 years down the line. Write something now. You can always come back to this at the end of writing your plan and elaborate. I find that as people write their business plans they learn a lot about themselves and what they want from their business.

Here's where you can start in writing your long term plans:

- What are your plans for the future of the business?
- Do you want to grow the business? If so, at what rate and how will you achieve it?
- Do you plan to have continued growth? If so, what are your plans for increased production? Regional expansion? National expansion?
- Are you interested in growing the business to the point where you can sell it?
- What are your time frames for these?

### Insight on this section

The company description is something that can be easy to do because you know so much about your business. The challenging elements are those that require you to look forward. Looking forward is one of the most valuable exercises in writing a business plan. Just remember: you can always come back to this section later in your writing once you have discovered more about your business. If you are stuck, you may want to review the tips for business plan writing that [I laid out in Step 1](#).

### Step 3: Products and Services

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In step 13, you will be writing about your products and/or services. Write about what you are selling – as YOU see it. Here are some tips to help you and topics you should include in this section:

#### Be Specific

Be very specific about your products and services. If you sell products use photos, drawings, or designs. If you sell services, give in depth description of what you do.



## **What makes your Product or Service different?**

Describe how your product or service is unique. Does it offer benefits that competitors do not? What are the features of your product or service that make it stand apart from similar products or services?

## **Creation Process**

If you sell a product, describe the process by which you purchase or create your product. If you offer a service, describe your technique in providing the service.

## **Pricing**

What are the prices for your products or services?

## **Distribution**

Describe how you sell your goods. Do you have a retail store or studio? Do you sell your products over the internet? Do you work from home and meet people at coffeeshops?

## **Step 4: Marketing Plan (Research and Economics)**

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The Marketing Plan is a HUGE part of your business plan. By breaking things into small pieces we can make these gigantic tasks achievable. We are going to break the Marketing Plan into 3 parts:

- Step 4: Market Research and Economics
- Step 5: Products, Customers, and Competition
- Step 6: Niche, Strategy, and Sales Forecasting

Let's get started!

## **Preparation: Market Research**

Market Research is something that you DO in preparation for the writing of the Marketing Plan. By doing this research, you'll be better prepared for writing about the Economics of your Industry (the first section of your marketing plan that we'll also be covering in this step).



[SCORE](#) describes the two kinds of market research as:

#### Primary Research

*Primary market research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research.*

#### Secondary Research

*Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available [online], at public libraries, industry associations, chambers of commerce, vendors who sell to your industry, and government agencies.*

Because the industry is made of so many small businesses that don't always get captured in overall industry research it can be challenging finding valuable information. I recommend the following sources for online industry data:

#### [The Wedding Report](#)

Current information that captures nationwide data

#### [Conde-Naste Brides Annual Survey](#)

An annual survey done of brides nationwide which covers trend information

#### Trade Associations

[Association of Bridal Consultants](#) (ABC) and [Association for Wedding Professionals](#) (AFWP) provide some data and research resources

#### Google

Never underestimate the power of a good [google search](#)

### **Writing: Economics**

Now that you've done the research, you're ready to do the writing. Break down this section into three subsections:

#### The Wedding Industry

- How many weddings took place in recent years? What was the total value spent on these weddings?
- What is the average cost of a wedding?
- What is the growth history of the industry?
- What are the purchasing trends within the industry? What are consumer preferences?
- What are the economic threats to the wedding industry?

## Local factors

- What are local factors within the wedding industry?
- What are the facts about the industry that relate to your regional market?
- Are there regional factors that affect your business segment?

## Your Business Segment

(within the wedding industry, your particular segment: eg. photography, invitations, etc.)

- How much was spent with your business segment in recent years?
- What is the average cost spent on your product or service?
- What are the trends within your business segment?
- What are the opportunities for your business?
- What are the challenges that your business segment faces?

## **Insight on this section**

The Economics section of your Business Plan gives the background for your Marketing Plan. It also is a good exercise in understanding the way your business fits into the marketplace.

## Step 5: Marketing Plan (Products and Services, Customers, and Competition)

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In step 4, we covered the first part of the marketing plan: research and economics. Step 5 will cover the second part of marketing, broken into three sub-sections:

- Products and/or Services
- Customers
- Competition

Away we go!

## **Products and/or Services**

In this section, you will be describing your products and/or services as the CUSTOMER sees them. In other words, describe the selling points of your product or service. These are some tips and questions that are helpful in writing this section:

### Describe your lines of business

If you have a few (or several) products or services break them down into separate sections.

For example, if you have a dessert business, you may want to break this section down into cakes, pies, tarts, and cupcakes.

#### Describe the features of each product or service

Under each product or service, discuss its characteristics. If you are a photographer, you may describe not only the camera you use, but also your photographic style. What makes them special and different?

#### Describe the benefits

How would the customer benefit from your product or service? If you are a wedding planner, discuss how the engaged couple would save time, stress, and heart-ache with your services.

### **Customers**

In this section you will be covering the demographics for your customer. You may pull some of this information from the research that you did before writing the marketing plan. But, you may inherently know some of these facts if you've been in business for a while. (If your business goes beyond the wedding industry, you may break this into your different types of customers.)

You'll want to include:

- Age of your customers
- Gender
- Level of education
- Level of income
- Occupation and/or class
- Geography (do you sell regionally or nationwide)
- Other (for example, you may be a planner who works mostly with casual outdoorsy couples with a love of the Northwest)

### **Competition**

In this section, you'll be discussing your competitors. Let me FOREWARN you: I think this is important to understanding your place in the market and the advantages your business has. I think it is important in understanding your niche and how to better market and sell your goods. However, I think it is a mistake to get caught up in your competition. After being in business for 5 years, I know that collaboration within my industry has benefited my business and the industry as a whole.

First, you'll list your major competitors and briefly discuss how they compete with you. For example:

- Competitor A, located in Wichita, has a bridal shop 2 blocks away from my business but sells to a lower pricepoint.
- Competitor B, is a web-based bridal shop but makes up 32% of the bridal market business.
- Competitor C, located in Wichita, has a bridal shop with many of the same labels as my business, but does not have strong branding.

Second, create a competitive analysis table or spreadsheet. This is a WONDERFUL table created by [SCORE](http://www.score.org) (SBA's counselors to small businesses):

Competitive Analysis Marketing Plan						
	MY BUSINESS	STRENGTH	WEAKNESS	COMPETITOR 1	COMPETITOR 2	COMPETITOR 3
Products						
Branding of product						
Marketing of product						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Company reputation						
Location						
Appearance						
Advertising						
Image						

Sage Wedding Pros  
<http://sageweddingpros.wordpress.com/>  
source: [www.score.org](http://www.score.org)  
v. 051309

In the first column are key competitive factors. Because these vary with each market, you may want to customize the list of factors. In the cell labeled “My Business,” state honestly how you think you stack up in customers’ minds. Then decide whether you think this factor

is a strength or a weakness for you. If you find it hard to analyze yourself this way, enlist some disinterested party to assess you. This can be a real eye-opener.

Now analyze each major competitor. (We recommend you list 3 competitors for now.) In a few words, state how you think they stack up. In the last column, estimate how important each competitive factor is to the customer. 1 = critical; 5 = not very important.

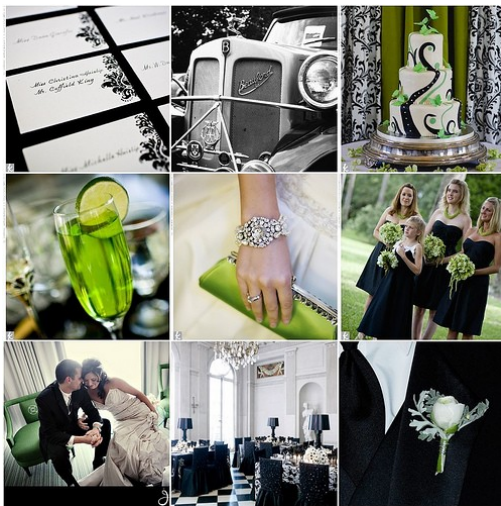
After you finish the competitive matrix, write a short paragraph stating your competitive advantages and disadvantages.

### Insight on this section

Understanding your products or services, how they relate the customer, and how they differ from the competition are all important pieces of your marketing plan. It enables you to better market yourself, and better separate yourself from others in your industry.

## Step 6: Marketing Plan (Niche, Strategy and Forecasting)

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Step 6 covers niche, marketing strategy, and sales forecasting.

### Niche

What is your niche? Where does your company fit in the market? What is that sweet spot? What is the best personal match between you and the customer? Wendy Robinson, owner of [Sacred Moment Weddings](#) in Phoenix, Arizona, writes “[Aspire to Plan](#)” a valuable blog for aspiring planners. She recently wrote that the best [niche](#) for a business is one that matches your talent and passion with the customers’ needs and wants. By having synergy between these three elements you can create a unique niche for your product or service.

### Marketing Strategy

Last month, we discussed [marketing strategy](#) and explored the definition of marketing as the process or technique of promoting, selling, and distributing a product or service. For the marketing strategy section of the business plan, we’ll have three subsections: promotion, sales, and distribution.

## Promotion

What is your strategy for promoting your business? How do you get the word out to customers? What is the cost of these methods of promotion? How effective are they at getting you business?

Here are the most common methods of promotion within the wedding industry. You can elaborate on them in the marketing plan to the extent that they are applicable to your business.

- paid print advertising
- paid online advertising
- blogging on your company website
- networking within your industry and your community
- social media: facebook, twitter, myspace, etc.
- exhibiting at wedding shows
- customer referrals
- vendor referrals

If you want to track their performance and determine how effective they are in yielding returns, I recommend the following two posts:

- [What is Your Promotional Strategy?](#)
- [What is Your Advertising ROI?](#)

## Sales

In this sub-section discuss your sales approach. What is the process by which you make a sale? When the client contacts you, what happens? When is the sale recognized? How do your clients make their decisions? Here are some helpful [Secrets of Selling](#) (little unique cost-effective sales tips).

An important part of the sale equation is Pricing. Recently, we discussed why [Pricing](#) (and under-pricing) is a common mistake that people make in the wedding industry, particularly when one enters the market. Think hard about your pricing and how under-pricing your services is not only impacting your business, but the industry on a whole. It is better to compete on value, quality, and service as opposed to competing on price. Write about your pricing in your plan.

## Distribution

Distribution answers the question: how will you get your product or service to clients? The ability to deliver and to do so efficiently and effectively is the cornerstone of marketing your product.

Here are some questions to think about:

- How do you distribute your product or service: online, mail-order, appointment-only, retail?
- Where is the competition located?
- What time frames are relevant to this distribution?
- What personnel (if any) are required for this distribution?
- What is the transaction process involved?
- What sort of training of employees will be required?
- What sort of payment is accepted?

## Sales Forecast

We are at the end of the marketing plan – YAY! The last piece we need is the sales forecast to pull of the pieces together. A forecast is a plan that shows your future sales expectations. You'll need to create a month by month plan. Start with year 1 and if you feel ready flesh it out for 2, 3, 4, or 5 years. I find it helpful to incorporate my promotional activities in my sales forecast. My plan looks something like this:

	JAN	FEB	MAR	APR	MAY	JUN
<b>Baby Announcements</b>	1000	1000	1000	1000	1000	1000
<b>Wedding Invites</b>						
Online Ad1 - www.wowweddings.com	5000	5000	5000	5000	5000	5000
Online Ad2 - www.inviting.com	10000	10000	10000	10000	10000	10000
Online Ad3 - www.superwedding.com	3000	3000	3000	3000	3000	3000
Print Ad - That Magazine	1000	1000	1000	1000	1000	1000
Print Ad - Rad Wed Magazine	1000	1000	1000	1000	1000	1000
Client Referrals	8000	8000	8000	8000	8000	8000
Vendor Referrals	4000	4000	4000	4000	4000	4000
Mars Wedding Show	6000	8000	12000	8000	6000	4000
(names are fictitious)						
<b>Stationery</b>	1000	1000	1000	1000	1000	1000
<b>TOTALS</b>	<b>\$ 40,000</b>	<b>\$ 42,000</b>	<b>\$ 46,000</b>	<b>\$ 42,000</b>	<b>\$ 40,000</b>	<b>\$ 38,000</b>

Here are some tips from [SCORE](#):

- Base the forecast on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.
- You may want to do two forecasts: 1) a “best guess,” which is what you really expect, and 2) a “worst case” low estimate that you are confident you can reach no matter what happens.
- Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan.



- Relate the forecast to your sales history, explaining the major differences between past and projected sales. (This is critical if you are going to present it to funding sources.)

## Step 7: Operational Plan

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We've made it to step 7 in the writing of our business plans. YAY! Let me [remind you](#) that writing a business plan is a work in progress. So keep at it – even if you don't have all the components. In this step, we'll be writing the Operational Plan.

In the operational section of your business plan, you will be writing about the daily operations of your business. Think about a typical week in your business and describe everything that you do, where you do it, and with whom you do it. In the Operational Plan, you'll want to include the following sub-sections (as recommended by [SCORE](#), SBA small business counselors):

### Location

- Where is your business located?
- If you work from home, where do you meet clients?
- If you have an office, do you own the space or rent it?
- Describe the facility. Is it solely for meeting with clients? Do you have a production area? Do you have a kitchen? Do you have a warehouse?
- Is your business open to the public or by appointment only?
- If you work from home, describe your workspace.
- You'll want to include photos and drawings of the location (or proposed location) if you are trying to get financing.

### Production

- If you manufacture goods (eg. wedding invitations) how and where are they produced?
- Explain the technique of your production and associated costs.
- How do you ensure quality control?
- Discuss your customer service policies.
- How do you develop new products?
- How do you control inventory?

*(If you provide a service, you will be calling this section “Service” and describe how you develop your services and discuss your customer service. If you own a retail store, you will be calling this section “Resale” and describe your quality control, buying, and service policies.)*

## **Suppliers**

- Who are your suppliers?
- List your suppliers and include their business name, contact person, address, type of inventory you purchase from them and their payment terms with your business. You may also want to describe their history and reliability.
- Do you expect shortages or short-term delivery problems?
- Are supply costs steady or fluctuating? If fluctuating, how do you deal with changing costs?
- Should you be searching out new sources of supply, or are you satisfied with present suppliers?
- What is your buying strategy?
- What is the lead time between purchase and delivery?

*(If you provide a service, such as wedding planning, you’ll want to describe the wedding vendors with whom you do business.)*

## **Inventory**

- What kind of inventory do you have: raw materials, supplies, finished goods?
- What is the value of your inventory? How much have you invested in inventory?
- What is your turnover rate? How quickly do you sell through your inventory?
- How do you deal with seasonal buildup of inventory?

## **Legal Requirements**

Describe the following:

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

## **Personnel**

- Do you have any people who work for you? If so, how many employees do you have?
- What are the employees' responsibilities? Who does what?
- How did you find them?
- What is their skill set? Level of education?
- How do you train employees?
- What is their pay structure? Benefits?
- Do you have plans to hire more people in the next year? 2 years? 5 years?
- Do you have a handbook of procedures for employees?
- Do you have written job descriptions?
- Do you have contract workers in addition to employees?

### **Payment Terms**

(Receiving Payment from Customers)

- How do you receive payments from customers? Cash? Check? Credit Cards?
- Do you require deposits with balance payments due at time of delivery? Full payment upfront?
- Do you sell on credit terms? (eg. allow your customer to pay 30 days after your goods are received. This is not typical in the wedding industry.) What terms will you offer your customers; that is, how much credit and when is payment due?
- How do you monitor your payables (the money that is due to you)?
- What is your policy if a client has not yet paid and you have a delivery or service date to fulfill? (eg. the client has not paid the balance of her floral centerpieces and her wedding is tomorrow)

### **Insight on this section**

You may have found that there are some things that your business is missing. For example, maybe you don't have written job descriptions or a procedure in place if a client hasn't paid in time for their wedding. Just highlight that section and come back to it. Writing a business plan is a great exercise in uncovering some of these "weak links" in our businesses. It is a great way to constantly improve what we already have in place.

## Step 8: Management and Organization

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In Step 8, we'll be discussing the management of your operations. Who runs your business? Who manages the daily ins and outs? Chances are, as a small business owner, you are also the manager of your operations. (You are probably also the janitor, the file clerk, the secretary, the receptionist, and the coffee gopher.)

### Management

Talk about your history:

- What experience do you bring to the business?
- What makes you unique to run a business?
- What is your job history?
- What sort of leadership and/or management roles have you held?

*If you are fortunate enough to have grown your business to the point that someone else manages daily operations, describe the management structure within your organization. Provide an organizational chart.*

### Succession Plan

If the worst were to happen...

- What happens if the manager of your operations is incapacitated?
- Do you have a contingency plan in place?
- Do you have a succession plan?

### Professional and Advisory Support

[SCORE](#) (SBA small business counselors) recommends listing the following advisors of your organization if you have them. (If you do not, you may consider hiring some of these experts.)

- Board of directors and management advisory board
- Attorney

- Accountant
- Insurance agent
- Banker
- Consultants
- Mentors and key advisors

## Step 9: Financial Plan (Preparation)

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Are you ready to fire up your calculator? We are going to work through the financial plan. This is the final segment of your business plan. HURRAH! It requires some prep work and is a bit lengthy. So, we are going to break this down into 3 steps:

- Step 9: Preparation (what to prepare before writing the financial plan)
- Step 10: History (looking back on the finances of your business)
- Step 11: Future (looking forward on the finances of your business)

### First: Preparation

The financial portion of your business plan requires some planning and preparation. Let's break it all down. (NOTE: This is just the summary in preparation for the actual writing of the financial plan which will take place next Monday and Tuesday.)

Soooo... here is what you are going to need to know. We'll assemble this into financial statements next week:

- Assets – what do you own in your business? (computers, inventory, etc.)
- Liabilities – what do you owe in your business? (AKA debts and loans)
- Equity – how much have you personally invested (or has someone else invested) in your business?
- Revenues – how much did you make in sales in 2008? (this can typically come from your tax return)
- Expenses – how much did you spend in 2008? (also should be traceable to your tax return)
- Cash – where is that cash register? (not the physical register, but that paper thingie that tracks which checks you've written)

Spend some time putting these numbers together. It might help to talk to your accountant. Next week, we'll be putting them into the "magical" financial statements of your business.

## **Step 10: Financial Plan (History)**

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We are going to take these numbers that you assembled in Step 9 and create the financial history of your business: your financial statements. Because I don't expect you to be an expert accountant, I encourage you to ask questions (post a comment below) or talk to your accountant to put some of these details together. If you use a program like Quickbooks, you'll be able to pull most of these reports from that.

### **The "History" of your business**

You'll want to include the balance sheet and income statement for your business going back 3 years. (If you've been in business less than 3 years, then provide what you can.) I'll provide a little Accounting 101 on some of these financial statements.

### Balance Sheet

The Balance Sheet is a snapshot of your business at any given moment. It shows what you own (assets), what you owe (debts or liabilities), and what is invested in your business (equity). The balance sheet basically looks like this:

$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$

*In plain English:*

What you own = What you owe + What you have invested in your business

Here is an [EXCELLENT template](#) in Excel for your Balance Sheet, courtesy of [SCORE](#).

### Income Statement

The Income Statement (also called the Profit & Loss, or P&L) gives the history of your business performance in a period of time. Typically you'll create this for the most recent year. It typically looks like this:  $\text{Revenue} - \text{Expense} = \text{Net Income or Net Loss}$

*In plain English:*

Sales – Expenses = Profit or Loss

Here is a [RAD template](#) in Excel, direct from the Microsoft website.

### **Personal Financial Statements**

If you are applying for a loan with a bank or seeking investors, you should also include your personal financial statements. Bankers may want you to personally guarantee your commitments, depending on the size of the loan. For example, if you own a portion of your home, this may become collateral for your business loan.

You'll want to list out your personal assets and your personal debts:

#### Assets

- Home or Property you own
- Automobiles that you own (that are paid off)
- Any investments you have (stocks, bonds, etc)

#### Debts

- Loans – personal (mortgage, auto, student, etc)
- Credit Cards

I recommend including all of the details of your debts including to whom the loan is payable, the original amount, the outstanding amount, the interest rate, and the monthly payment.

Here is an [AWESOME template](#), also from [SCORE](#), for personal financial statements.

### **Bonus Stuff**

If you are applying for a loan or seeking investors, you should have some additional financial information prepared. Financial ratios allow comparisons between some of your numbers. (Here is where we go really nuts with the math and the Excel – but WOW – it is powerful information.) For example, showing what your cost of sales is in relation to your sales gives your investor an understanding of your profit margins. Here is a [GREAT template](#), also from SCORE, that helps you put together some of these ratios. If you are not seeking outside financing you may decide to opt out of this information.



## Step 11: Financial Plan (Future)

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In Step 11, we will cover the last part of the Financial Plan: The Projection. A projection, or forecast, is written as a goal-setting tool for the financial future of your business. It serves as an estimate of your company's ability to be profitable. It is great information for potential financiers of your business, and a great exercise for you to plan your financial road map. If you don't have a map, how do you know where you are going?

The following 5 templates are taken from [SCORE](#), SBA small business counselors, and are spreadsheets that will constitute your financial plan:

### 12-Month Profit and Loss Projection

This projection shows your expected income and expenses by month for the next year. You may find it helpful to use the sales forecast that you created in Step 6 during your marketing plan. You'll want to make sure to explain any assumptions or exceptions in your projection. For example, the wedding industry generally has seasonality in its revenue stream. You'll want to explain those variations in your projection. This is the template from [SCORE: 12 Month Profit and Loss Projection](#).

### Three-Year Profit Projection (Optional)

If you are seeking bank financing or outside investment, you'll want to provide a three-year profit projection. This will be important to your financiers in determining the long-term viability of your business. This is the template from [SCORE: Three-Year Profit Projection](#).

### Projected Cash Flow

The Cash Flow Projection is probably the most helpful tool for small businesses. The number one reason most businesses fail is poor cash management. With the seasonality of

the wedding industry, having a good handle on the ins and outs of your cash stream is very important. You'll want to use the profit and loss statement to determine where you expect your cash to come from (sales, loans), and where you expect it to go (expenses, debt repayment). Here is the [Cash Flow Projection](#) from [SCORE](#).

SCORE recommends explaining your major assumptions, including:

- If you make a sale in month 1, when do you actually collect the cash?
- When you buy inventory or materials, do you pay in advance, upon delivery, or much later?
- How will this affect cash flow?
- Are some expenses payable in advance?
- Are there irregular expenses, equipment purchase, or inventory buildup that should be budgeted?

## Projected Balance Sheet

Your Projected Balance Sheet will show your assets, liabilities, and owner's equity as expected for the 12 months you've covered in your 12-month profit projections. You'll want to take a look at your current Balance Sheet (remember we did this in Step 10) and use your profit projections to determine what your balance sheet will look like in a year. This is the [Projected Balance Sheet](#) from [SCORE](#).

## Breakeven Analysis

The Breakeven Analysis enables you to determine what you have to earn in income to recover the costs of doing business. This is a powerful tool for all businesses, but more so for new businesses. Here is the [SCORE](#) template for [Breakeven Analysis](#).

## Step 12: Appendices

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This is the final piece of your business plan: The Appendices. Here is where you can give your Plan a little more oomph.



You may want to include more information about your business. This is particularly important if you are seeking financing from a bank or investors. These are usually additional information which link to the rest of your business plan. Here are some details that [SCORE](#) recommends you include:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies

### Step 13: Refining the Plan

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Your business plan is most likely going to need a little fine-tuning to make it better reflect your business. The 12 steps we've discussed are fairly general for most small businesses. Here are a few things you'll want to elaborate upon, depending on your situation.

### Remember the Executive Summary?

Do you remember when we started this? We first worked on the [Executive Summary](#). In Step 1, we wrote a draft for this. Now, we are going to go back and refine it. Go back, [read the post](#), and write the Who, What, Where, Why, and When of your business.

### Seeking financing from a Bank

These days it is challenging but not impossible to get bank financing for your business. Banks are most nervous about getting paid back on the loans they extend. You'll want to make sure you provide them with enough information. [SCORE](#) recommends providing the following:

- Amount of loan you are requesting.

- How you will use the funds.
- What will this accomplish (how will it make the business stronger)?
- Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate, but you may be able to negotiate a longer repayment term, which will help cash flow.
- Collateral offered, and a list of all existing liens against the collateral.

### **Seeking financing from Investors**

Investors are going to want to see what your business's short-term and long-term growth is expected to be. They want to know that they are going to be rewarded for their investment. [SCORE](#) recommends including the following with your plan:

- Funds needed short term
- Funds needed in two to five years
- How the company will use the funds, and what this will accomplish for growth
- Estimated return on investment
- Exit strategy for investors (buyback, sale, or IPO)
- Percentage of ownership that you will give up to investors
- Milestones or conditions that you will accept
- Financial reporting that you will provide
- Involvement of investors on the board or in management

### **Information to provide depending on the Type of Business**

You'll also want to provide different information, depending on the type of your business. Here are a few different types of wedding industry businesses (not all inclusive) and details you may want to include.

#### Manufacturing Businesses: Wedding Invitations, Wedding Gowns, etc.

If you manufacture and carry inventory you'll want to include details about your production. [SCORE](#) recommends including:

- Present production levels
- Present levels of direct production costs and indirect (overhead) costs
- Gross profit margin, overall and for each product line
- Possible production efficiency increases
- Production-capacity limits of existing physical plant
- Production capacity of expanded plant (if expansion is planned)
- Production-capacity limits of existing equipment
- Production capacity of new equipment (if new equipment is planned)
- Prices per product line
- Purchasing and inventory management procedures
- Anticipated modifications or improvements to existing products

- New products under development or anticipated

#### Services Business: Wedding Planners, Officiants, etc.

If you have a service business, you are selling yourself as a product. You may have little if any inventory or assets. [SCORE](#) recommends including the following:

- Prices
- Methods used to set prices
- System of production management
- Quality control procedures
- Standard or accepted industry quality standards
- How do you measure labor productivity?
- What percentage of total available hours do you bill to customers?
- Breakeven billable hours
- Percentage of work subcontracted to other firms
- Profit on subcontracting?
- Credit, payment, and collections policies and procedures
- Strategy for attracting new clients

#### Retail Business: Dress Shop, Shoe Store, etc.

If you have a retail business, you'll want to provide details on your store policies and your inventory. [SCORE](#) recommends including the following:

- Company image
- Pricing: Explain mark-up policies. Prices should be profitable, competitive, and in accord with the company image.
- Inventory:
  - Selection and price should be consistent with company image.
  - Calculate your annual inventory turnover rate. Compare this to the industry average for your type of store.
- Customer service policies: These should be competitive and in accord with the company image.
- Location: Does it give the exposure you need? Is it convenient for customers? Is it consistent with company image?
- Promotion: What methods do you use and what do they cost? Do they project a consistent company image?
- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?

#### Hybrid Businesses: Photographers, DJs, etc.

You may have a combination of these businesses. Photographers provide a service, but they sometimes carry inventory of albums and photo processing goods. DJs also provide a

service, but have a lot of equipment and fixed assets. Make sure to tweak the “extra details” of your business to provide as much information as you can.

### **The “look” of your plan**

This is what your plan should look like (more or less). The following is an outline showing headers and sub-headers:

- Executive Summary
- General Company Description
  - Mission Statement
  - Company Objectives
  - Ownership
  - Company History
  - Strengths and Competencies
  - Challenge
  - Long-term Plans
- Products and Services
  - Descriptions
  - Pricing
  - Distribution
- Marketing Plan
  - Economics
    - The Wedding Industry
    - Local Factors
    - Your Business Segment
  - Products and/or Services
  - Customers
  - Competition
  - Niche
  - Marketing Strategy
  - Marketing Strategy (continued)
    - Promotion
    - Sales
    - Distribution
  - Sales Plan
- Operational Plan
  - Location
  - Production, Service, or Resale
  - Suppliers
  - Inventory
  - Legal Requirements
  - Personnel
  - Payment terms
- Management and Organization

- Management
  - Succession
  - Professional and Advisory Support
- Financial Plan
  - Financial History
    - Balance Sheet
    - Income Statement
    - Personal Financials
    - Additional Ratios
  - Financial Future
    - Income Statement Projections (P&L Projections)
    - Cash Flow Projections
    - Balance Sheet Projections
    - Break-even Analysis
- Appendices

## **Congratulations!**

You've made it through the 13 steps of writing your business plan! Maybe you've just been reading along... and maybe you've been writing along... whichever one it is, it is a start and you should be proud.

## **The Evolution of your Business Plan**

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The business plan is a constantly evolving organism. Your business plan should live and breathe, much like a living thing. These are my recommendations for making sure you are breathing life into your plan on a constant basis:

- Set a monthly or twice monthly date to spend a few hours on your business plan. Rewrite and revise the plan as your business changes.
- Find a planning partner and meet up for coffee to work on your plans routinely.
- Do this little by little. Take one piece and work on a piece each week.
- Take "perfection" out of your vocabulary. Strive for excellence in your plan, not perfection. Perfection is unattainable and it will cause you to procrastinate.
- Have someone else read your plan. Do they understand your business? What recommendations do they have?
- Read this [post from Sean Low](#). In it, he discusses the practice of journaling about your business daily. "The journal will keep you in touch with what is confronting you and your business today" Sean says. It's a great way to work on your business strategy between planning sessions.



## Addendum: Why Small Businesses Fail

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I thought it would be good to reflect on why it's important to know your business's financial details. Writing the financial portion of the business plan is usually the most challenging.

The wedding industry is made up of the most creative and artistic individuals. Individuals in the industry can be wildly successful without any business background. Unfortunately, many people are told "hire an accountant and let him or her do the dirty work." While you MUST indeed hire an accountant, you MUST also understand the numbers of your business. And, I'm here to tell you: **DO NOT BE SCARED.**

I have an accounting degree and worked for an accounting firm right out of college. This makes me no different from you in running a successful business. None of what I learned is a mystery. None of what I learned is rocket science. I might have a little more practice, but that's all. You practice at yoga, you practice at photography, you practice at design, you practice at baking. With practice, you can understand all of the numbers of your business. And, you can become even better. I'm not an expert. (Here's a secret: no one is an expert.) But I practice a lot and I am constantly learning.

*Fortune Small Business* recently had a great article on "[Why Businesses Fail](#)". I recommend you read the entire article [here](#). (It's simple, to the point, and so true.) In it [Jay Goltz](#) gives a real life example of a business that has had strong revenues and loyal customer following, but has LOST MONEY for the last 8 years. Jay believes that 70% of small businesses go broke by their 10th anniversary because they don't know their numbers. He highlights the following:

- Entrepreneurs tend to concentrate on what they love, whether it's the artist who paints but doesn't spend any time marketing or the chef who lives in the kitchen and ignores her financials.
- Every business owner needs to be his or her own CFO.

- Delegating that task to a bookkeeper or an outside accounting firm means putting your life into their hands.
- [The accountants] generally don't know the ins and outs of your business well enough to make critical decisions.

Reflect on the things you want to practice. It is dangerous to strive for perfection. Strive instead for excellence. Excellence is achieved by practice. **Practice is the journey, not the destination. Practice is something we DO.**

## Photography Credits

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Page 2: Lighthouses

<http://www.flickr.com/photos/ronnie44052>

Page 3: Yoga

<http://www.flickr.com/photos/shunpikie>

Page 5: The Company Party

<http://www.flickr.com/photos/freeparking>

Page 7: Lilac Wedding

<http://anneruthmann.blogspot.com>

Page 8: Wedding Band

<http://www.flickr.com/photos/ruddingtonphotos>

Page 10: The Ugly Bride Shop

<http://www.flickr.com/photos/bobthelomond>

Page 13: Green Wedding

<http://www.flickr.com/photos/shopgirl78>

Page 16: Bridal Shop

<http://www.flickr.com/photos/giara>

Page 18: The Reveal

<http://www.laurelmcconnell.com>

Page 19: The Little Professor

<http://www.flickr.com/photos/draggin>

Page 20: Adding Machine

<http://www.flickr.com/photos/farruska>

Page 22: The Future

<http://www.barbiehull.com>

Page 24: Books

<http://www.flickr.com/photos/lanastewart>

Page 25: Wedding Stationery

<http://www.flickr.com/photos/hugged2death>

Page 29: Winter Wedding

<http://www.barbiehull.com>