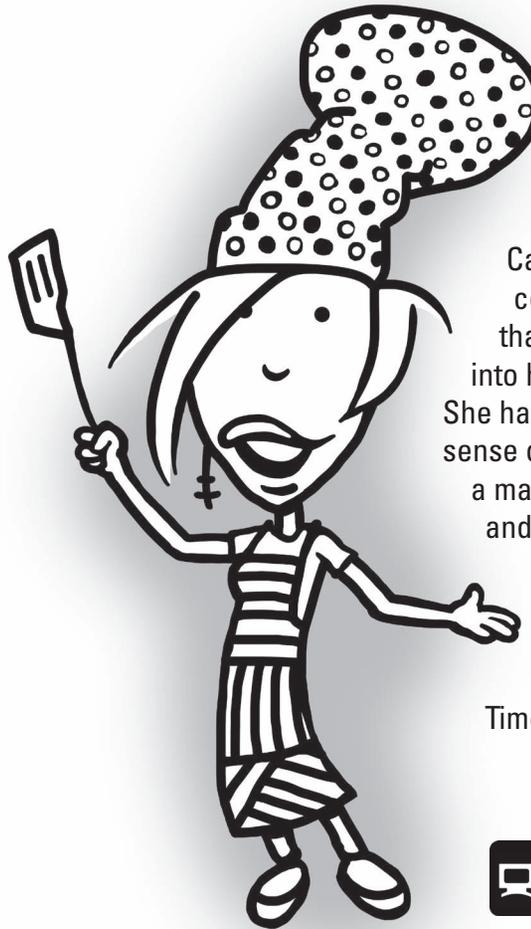


BUSINESS PLAN ESSENTIALS

Learn how to prepare a simple business plan, in arts-friendly language, to help you organize all the various aspects of your artistic practice and make informed business decisions.



Carla has been an avid textile artist and cook for over a decade and she's decided that she wants to merge her two passions into her dream business, but she needs a plan. She has her pricing worked out and a general sense of her market, but she feels like she needs a master document to tie everything together and take action on her grand plan.

She also needs this plan to qualify for a local small business loan program.

Time to put it all together, Carla!



Business Plan Essentials

www.springboardforthearts.org/woa

WHAT IS A BUSINESS PLAN, AND WHY WRITE ONE?

A plan is written down; otherwise it's a dream.

Your art, your music, your band, your writing, or whatever you do, is your business; all the organization, promotion, and marketing that you do for yourself will help you succeed.

You and your art are distinct; your business plan should reflect your persona as an artist without distracting from the information you are presenting. While business plans are often used to obtain financing (from banks, investors, venture capitalists, and the like), they can also be used to attract key players. Key players might include prospective partners, collaborators, or employees, galleries, managers, agents, publishers, record labels, etc. It explains to your stakeholders (your spouse, children, parents, friends, etc.) what you want to achieve so that they can help you succeed.

A business plan outlines your professional goals. It explains how you will achieve those goals. It identifies the resources that you have and those you will need. It helps you focus your thinking, set realistic goals, and outline a plan for moving forward. Simply put, your business plan takes you from idea to action. There are many models for business plans; a little research online will inform your decisions about what to include in yours. A business plan shows that you have thought about your career, that you have a plan for achieving your goals and that you treat your career seriously. A business plan is your best defense against stupid decisions—and it's a handy supporting document to take along to an IRS audit, should you ever need it for that.

So, why are you writing a business plan?

Who is the audience for this business plan?

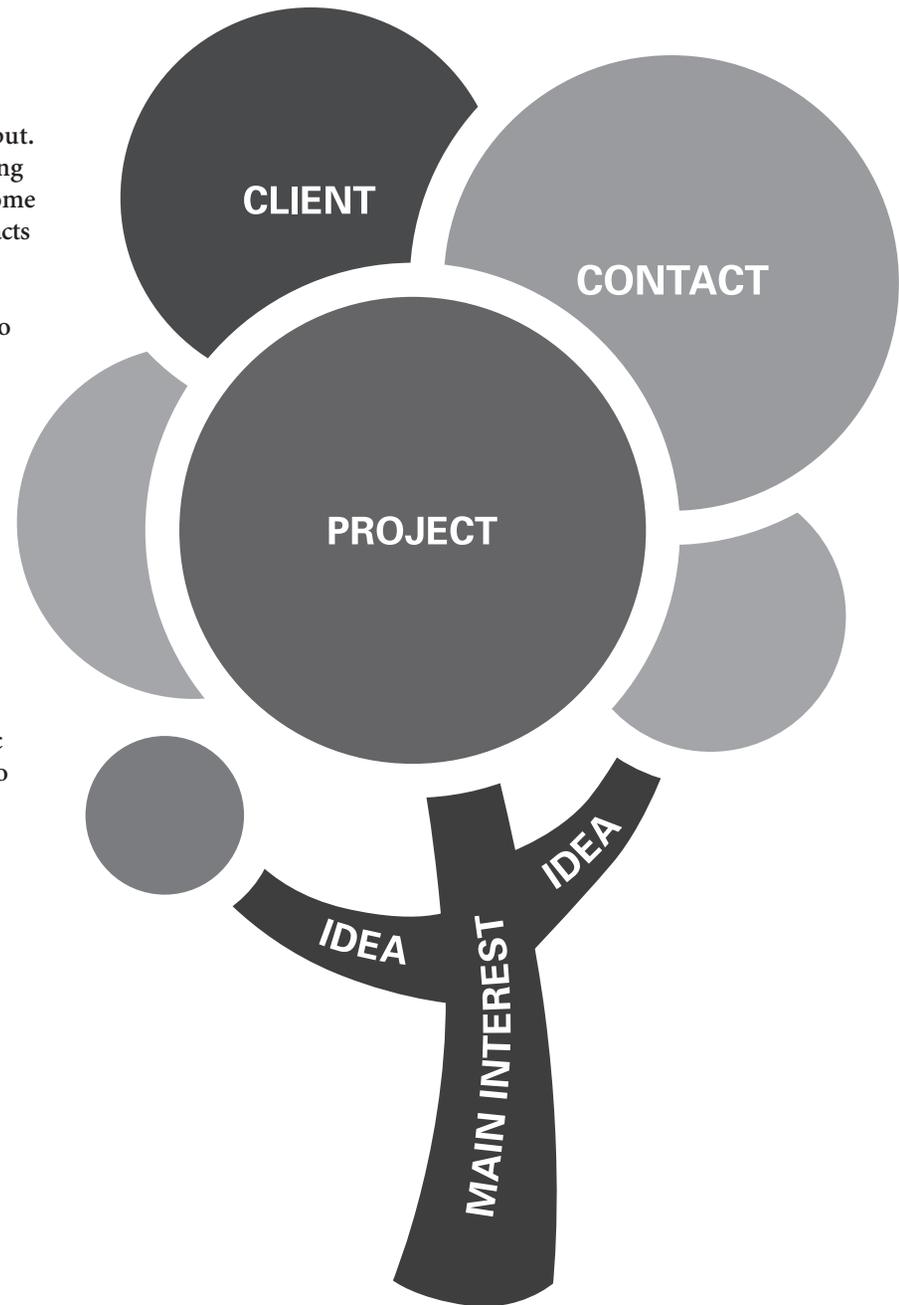
THE PRODUCT/SERVICE TREE

An exercise in ideation.

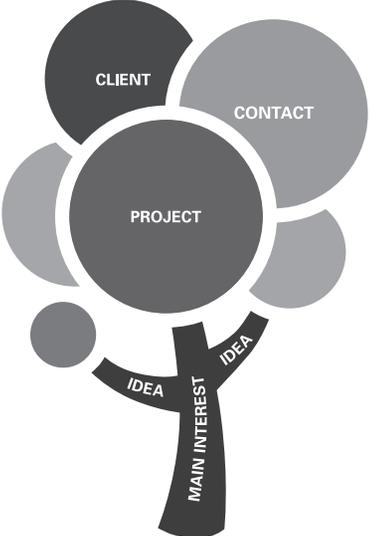
Use this tool for creating the universe of ideas around your creative output. Using your main area of interest as the “trunk,” add “branches” designating ideas where your interest could be used in a business or as a source of income generation. You may go on to add “leaves” of specific clients, projects, or contacts you want to make.

The idea is to come up with as many potential ideas as possible. You can go back later and prune off branches that don’t interest you enough to pursue or aren’t practical for one reason or another. Put another way, the idea is to get as many fish in the net as possible, then you may sort through them keeping the ones you like and throwing back the ones you don’t.

If you compose electronic music, for example, your trunk would say “electronic music.” Your branches may be comprised of things such as “music for dance performance,” “music for commercials,” “customized ambient music for retail spaces,” “customized ambient music for restaurants,” “recording my own CD,” “specializing in public art installations,” etc. The leaves you might add to each of those branches include potential clients, people who should hear your stuff because they may be someone in a position to hire or refer you to someone else, specific compositions for your CD, and any small piece of information you want to keep track of.



DRAW YOUR TREE HERE



Budget

How much will all this cost? Get down the specifics about which outlays are for what.

Resumes and History

Who is involved with this business and what is their background?

Marketing Plan

Who is the audience for what you do/make. How will these goods/services reach that audience? How will potential users find you?

TRADITIONAL BUSINESS PLAN OUTLINE

Every business plan is unique. Don't struggle with trying to make your plan "fit" into a generic mold—customize your plan to your specific business objectives. Be clear, concise, and detailed. Focus on the quality of the content, rather than the quantity of pages.

This business plan outline serves as a guide to how to format a traditional business plan. Each section contains questions intended to focus your attention on important aspects of the plan. Do not simply answer the questions; provide detailed information on each issue in narrative form. Finally, this outline can be altered to fit your preferences—sections may be rearranged, or even omitted, to fit your needs.

Once complete, the business plan should clearly identify the expectations you have for your business. Your plan should serve as a stand-alone document in which all aspects of your business are addressed. If you plan to present this plan to obtain financing, the completed plan needs to "tell the story" of your business to a potential lender without needing additional verbal explanation.

Lastly, review your plan regularly so you can make appropriate changes as plans and strategies change.

I. Cover Page

Provide your company name, address, and contact information along with owner name(s) and contact information for primary contact.

II. Table of Contents

Include a table of contents as a quick reference to topics addressed in your plan.

- I. Cover Page
- II. Table of Contents
- III. Executive Summary
- IV. Company Description
- V. Industry Analysis
- VI. Products & Services
- VII. Market Analysis
- VIII. Management & Organization
- IX. Operational Plan
- X. Financial Plan & Projections
- XI. Financing Proposal
- XII. Supporting Documents

III. Executive Summary

Write This Last! Summarize your business plan in two pages or less. Be enthusiastic and concise. Include business goals, objectives, and monetary amount desired if applying for a loan.

IV. Company Description

What does your company do? Give a brief company history. Include a description of your products and services. Who are your customers? Describe your business location and facilities. What are your key strengths? List the owners and the legal structure. Why did you choose this type of structure? What, if any, are the planned changes for the company? Describe the goals and objectives of the company.

V. Industry Analysis

What are the characteristics of your industry? State whether it is growing/declining/changing. What is the size of your market? Research your share of the market. Is it growing? Are more firms entering the industry and becoming increasingly competitive? List any current barriers to entry (e.g. licensing, permits). List strengths, weaknesses, opportunities, and threats of the industry/firm.

VI. Products & Services

List and describe your products (or services). What are your distribution channels? Include details concerning your competitive advantage. Provide the pricing structure for your products/services.

VII. Market Analysis

Use statistics, demographic research, and industry information where appropriate. Be as specific as possible. Remember to cite your sources.

Product Describe the product or service from your customer's point of view. What do customers like and dislike about your products/services? What services are offered as part of the product (delivery, service, warranty, support, and/or refund offers)?

Customers Describe your customers, their characteristics, and location. Why do they trade with you? What do they like about your company?

Competition List major competitors—describe size, location, and reputation. Compare your goods and services with theirs. What are their major advantages? What are yours? What value do you bring to customers that competitors do not?

Location Include your location needs. What kind of space do you require? Is it leased or owned? Why is the area desirable? Why is the building desirable? Is it easily accessible? Is the street lighting adequate? Research market shifts or demographic shifts when choosing your location.

Marketing Strategy Explain your pricing policy. How do you promote, advertise and sell? How do you distribute or deliver your products/services? What customer services will you offer?

Customer Demand Using the information obtained in the previous sections of the marketing plan, calculate a forecast for demand for your product/service. How many customers do you plan to have in one year? Five years?

VIII. Management & Organization

Who has management responsibilities? Include the resumes of key managers as supporting documents. Include position descriptions for all key employees. List important advisors, such as attorneys, accountants, bankers, your insurance agent, and advisory board members or board of directors. Include estimated financial costs or fees and the services expected.

IX. Operational Plan

Production/Service Discuss methods of production or service delivery, product or service development, quality control, inventory control.

Credit Policies What is your credit policy? Do/will you sell on credit? What are the terms? Explain how you perform a credit check. What are your collection policies?

Personnel How many employees are required? What skills are necessary? Define the pay and personnel policies. Are there any position descriptions and/or training programs?

Equipment, Technology, & Inventory How much inventory is needed? What is its value? Why is that amount of inventory appropriate for your business and location? List your major suppliers and discuss any terms they extend to your business. What equipment and technology is necessary to operate the business?

Legal Research and understand all legal issues. (Licensing, bonding, permits, insurance, zoning, government regulations, patents, trademarks, copyrights, etc.)

Exit Strategy Describe exit strategies should the firm perform lower than expectations (personal or business). Will inventory be liquidated? Will you close the business or sell?

X. Financial Plan & Projections

The financial plan provides the numbers that correspond to your written plan. Historical and/or projected figures should be included. In addition, you should always include a narrative explaining the assumptions you used to arrive at the dollar value of sales, expenses, etc. You must demonstrate that your numbers are reasonable. Detailed financial information is critical to the business planning process.

Start-up Expenses and Capital Carefully calculate and categorize all start-up expenses including inventory, rent, etc. For example, what amount will be needed for renovations and equipment? Remember to include any cash you may need to operate and pay bills until the business begins generating cash. Provide a detailed list of equipment, furniture, and/or fixtures to be purchased. Include actual price quotes for larger items.

Financial History If yours is an existing firm, include the income statements, balance sheets and/or tax returns for the past three years.

Profit and Loss Projection (Income Statement) Include a monthly profit and loss projection covering at least 12 months of business operation. Be sure to provide a written explanation of the assumptions used to develop your projections.

Cash Flow Projection Include a monthly cash flow projection for at least 12 months of business operation. The cash flow projection differs from the profit and loss statement. Cash flow statements illustrate how much and when cash flows in and out of your business. Be sure to provide a written explanation of assumptions used to develop your projections.

Projected Balance Sheet Your plan should include a projected balance sheet showing assets (things owned), liabilities (debts) and owner's equity. If yours is a start-up business, the balance sheet should show your financial position on opening day.

XI. Financing Proposal

Explain how you intend to obtain capital and the amount required. What are your desired terms? How do you plan to utilize the funds? Include any collateral you have available. What is the owner's equity/cash contribution?

XII. Supporting Documents

Any document referred to within the plan but not included in body, such as:

- Personal resumes for owners and management
- Letters of reference
- Personal financial statements from all principals
- Contracts and/or letters of intent from suppliers and customers
- Copies of leases, licenses, permits, or any other legal documents

Congratulations! You did it!

