

## Developing the Business Plan

1. **Keep it short and crisp.** The plan should not exceed fifty pages nor be less than ten pages.
2. **Keep it simple.** The business concept or purpose should be easy to understand. If you can't describe the business or idea in a sentence or two, it's too complex.
3. **Organize it appropriately.** The plan should include a table of contents, an executive summary, logically arranged chapters, and appendices.
4. **Identify a target market** and demonstrate evidence of marketability. This is the number one mistake that most people make...they don't know who the customer is.
5. **Demonstrate the benefits of your product or service to the user or customer.** Investors want to see market-driven businesses. Smart investors – and bosses – know that customers are more important than a concept.
6. **Orient the plan towards the future.** Develop forecasts of developing trends and use those forecast to enable you to describe what the management team intends to do over the next three to seven years. State provable facts and avoid your own opinions.
7. **Don't be too optimistic in estimating sales/revenue potential.** Develop scenarios that will describe a best case, a worst case, and a most likely case for demand. Develop sales estimates based on market analysis.
8. **Highlight current and potential problems.** Enhance your credibility by identifying problems ahead of time. Most people know that your plan may have flaws and no one expects it to be "perfect". But, any reasonable person expects that you will know your weaknesses. State them.
9. **Demonstrate that you have an effective management team.** Not only does the team have the necessary business skills to manage the venture, but also it can work effectively as an operating unit. The quality of management is the single most important factor in the decision to finance the business.
10. **Demonstrate how the members' money will be put to use over the next three to seven years.** Every member or partner expects to receive a return of and on his/her money.

There is really no one "right" way to prepare a business plan. The following sample format includes a comprehensive list of questions that should be addressed when defining a new or existing business.

## COVER PAGE

Should include the following preliminary data:

Company logo (if available)

Name of company (as well as previous names of company, if appropriate)

Address

Phone number

Name and position of contact person at your company

Date business was established

Date of business plan submission



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## EXECUTIVE SUMMARY

The first part of the business plan; however, it should be the last part of the plan that is actually written. The first – and often the only – part of the plan that will be read is the Executive Summary. It is essential that the Executive Summary be appealing and convincing. The Executive Summary will also serve as a one-to-three page proposal to be submitted in lieu of submitting the lengthier formal business plan.

At the top of the page, include the following information:

Company name, address, and phone number

Name and position of contact person at your company

Date of submission

Following that, include the following information:

A. **Description of Business:**

Briefly describe the nature of your business concept, its unique features, and what you hope to accomplish over the next five to ten years.

B. **Strategic Direction:**

Briefly describe the overall strategic (or long range) direction of the company for the next three to five years. Explain how you intend to achieve your overall long-range goals.

C. **Market:**

Briefly describe the market segment that you are attempting to reach and the channels that you plan to use to reach that segment. Demonstrate the benefits of the product or service to those users.

D. **Management:**

Briefly describe the backgrounds and responsibilities of the top managers of the company.

E. **Financial Features:**

State your expected sales and profits for this year, next year, and for five years in the future. Estimate how much capital you will need, how you intend to use the proceeds.

## I. BACKGROUND AND PURPOSE

This section is intended to give the reader or investor some context in which to fit all subsequent information.

- A. **History:** Briefly describe the history of the project. This section is essential if you are opening a new golf experience.
- B. **Current Conditions:** Briefly describe what your concept is, where and how the product or service is or will be, and who the customers are or will be. This is the definition of your business or the scope of your operations.
- C. **The Concept:**
  1. Describe the key factors that dictate the success of your project (for example, price competitiveness, quality, marketing capabilities). Then, for each factor, give an example of a competitor that has been successful largely because of this factor. Explain how your project demonstrates the characteristics of this factor.
  2. Describe the unique features of your project, its competitive strengths. What is it that distinguishes it from your competitors?
  3. Describe the unique aspects of your strategy.

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## II. OBJECTIVES

### A. Overall Objectives:

Briefly describe your over-all objectives. State them clearly and succinctly. This is not the place where you explain the “ins and outs”.

### B. Specific Objectives:

Develop a list of specific and, if possible, quantifiable objectives for the next two to five years into the future in as many of the following areas as are reasonable (wherever possible, include the corresponding tables in the appendix):

1. Sales
2. Profitability
3. Market share/Market standing
4. Product (Service) quality
5. Innovation
6. Efficiency/Productivity
7. Employee morale
8. Management development
9. Social Concern/Social responsibility (impact on community)

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### III. MARKET ANALYSIS

This section should convince the reader that your project:

- Will have a substantial share in a growing market
- Can achieve sales in the face of competition

All other sections of this plan will be based on the sales estimates derived in this section.

**A. Overall Market:** Describe the overall market – present and projected – in terms of location (national, regional, local), sales, profits, and growth rate trends. Include the names of the leading competitors and their financial success. Present a table of projected sales as well as your projected market share for the next five years. Present a best-case, worst-case, and most-likely-case estimate of sales potential. Corporate leaders like businesses (1) with previous operating history (2) in markets with a 20 percent or greater annual growth rate. A smaller growth rate is generally acceptable if a company is a market leader.

**B. Specific Market Segment:**

1. Describe the specific target market or market segment – present and projected – and the leading competitors. Give as specific a description of your proposed customers as possible. Include financial performance figures, if available. Present a market survey analysis in the appendix. Present a best-case, worst-case, and most-likely-case estimate of sales potential.

2. List and describe your five largest customers or customer audiences. What percentage of your sales do they represent? Has that percentage changed over the past few years? Do you have any promising prospective customer audiences?

3. Explain how you will continue to assess your target markets over the coming years in order to make the necessary strategic changes in your plan.

**C. Competitive Factors:**

1. Describe each of the following factors and their expected impact on sales:  
Existing rivals (present competitors)  
Entrants (future competitors)

Include a statement of the “power” or impact of these factors on one another. For example, explain how a small number or a large number of existing rivals might threaten you. Whenever possible, provide names, descriptions, and strengths and weaknesses of known or potential competitors.

### III. MARKET ANALYSIS (continued)

2. For your leading competitors, list the annual volume, market share, and profitability over the past few years. Compare your strengths and weaknesses to the market leader in terms of economies of scale, profit margins, personnel, and sales. This will demonstrate the risk.

#### **D. Other Market Influences:**

Describe the impact of each of the following on present and projected sales:

1. Economic factors (for example, inflation, recession)
2. Seasonal fluctuations
3. Government influences (agencies affecting you, current and proposed legislation)
4. Social factors (for example, age, demographics, income)





## IV. MARKETING

This section will describe the actual marketing strategy that will be used to reach the potential market described in Section III.

### A. Marketing Orientation:

Provide a brief introduction to your marketing orientation. It is essential that you develop a customer orientation. This section will demonstrate your commitment to the marketing effort and to your customer.

### B. Marketing Strategy:

1. Provide a brief description of your concept and its service, along with its major competitors in whichever segment it competes. How will your marketing strategy support your strengths? How will it capitalize on the weaknesses and meet the strengths of your competitors?

2. Identify your target market, and show some evidence of having conducted the appropriate market research. (Include whatever detailed market data you have assembled and used within the Appendices.) Provide some rationale for why you have selected the particular segment in which you will compete. Demonstrate the various opportunities in that segment and the various competitive strengths you possess that enable you to take advantage of such opportunities. You may provide some information as to why you did not choose other segments in which to compete. Make sure, however, that you emphasize the specific target market that you are pursuing. Provide a very general overall marketing strategy that you will use to attract the targeted market.

3. Describe the image that you wish to portray. Demonstrate how the services that you will provide to your customers are the marketing strategy that you will undertake are consistent with your image.

4. Provide a detailed explanation of your pricing strategy, including how you will arrive at the given price. Describe your profit margin per unit under various scenarios. Remember, there is a price-quality relationship. If your product or service is outstanding, you cannot expect to provide it for too low a price. Provide some information – in chart form, if possible – on the prices of your competitors and what they actually provide for that price.

5. Describe in detail the channel(s) of distribution (for example, on-line marketing, newspaper advertising, special event promotions) and the personnel (for example, your own sales force, sales representatives, and distributors) that you plan to use to reach your target market and the costs associated with reaching your target market by this channel.

## IV. MARKETING (continued)

Describe the geographic location – local, local zip-codes/neighborhoods, regional, national – in which you will market your product or service.

6. Experienced investors and business leaders will want to see that you have explored various alternative advertising tactics. Be prepared to use a combination of techniques. Describe in detail the selling tactics (for example, on-line marketing, trade shows, trade magazines, direct calling, telephone, mail, radio, television, brochures) that you will use to attract customers and the costs associated with these methods. Break down the costs into costs per person reached (cost per person reached = \$ cost of type of advertising).

Present data to support the use of a particular form of advertising. Discuss your plans for the production of your advertisements. Include in the appendix a sample of your advertisement(s).

7. Describe the features related to branding, packaging, and labeling that will make your concept unique. A unique or readily identifiable "signature"/brand is especially important.

### C. Sales Forecasts:

Present (in chart form) your sales projections over the next five years. Three sets of projections should be made – best case, worst case, and most likely case – with the associated sales revenues in each case. A graph of sales forecasts is also helpful to demonstrate trends. Provide an explanation for the reasons for the differences in the three sales projections.

### D. Contingency Plans:

Provide contingency plans for your marketing effort.

## V. FINANCIAL PLANS

This section is basic to the evaluation of an operational plan for the financial performance of the project. This section is numbers-oriented. Give columns and rows. The more you give them, the more difficult it will be for them to challenge the assumptions that you have made to produce those numbers. However, be mindful that savvy and experienced business people expect to financial performance summarized, first. You can follow with as much detail as you can produce; experts will be pleased to see that you know the details of the business.

**Beware that you know and can explain every single number that you present.** Check – and, then, double-check – to be sure that your numbers cross-foot and that the numbers that are used in your text match up to the numbers on your spreadsheets. **No one factor can undermine the impact of your plan as much as financial projections or numbers that do not tie out.**

**A. Financial Statements:** Summarize the past and present performance of the business. Don't try to explain or to persuade; simply summarize the results. Give the ratios that highlight performance characteristics – good and bad. Compare your present performance to your past performance and to that of your primary competitors. How do your ratios compare to your competitors?

**B. Overview of Key Financial Performance Measurements:**

1. Identify the most important measures of the financial success of the business. Keep focused on the keys and avoid belaboring the smaller – but very important – components within the key metrics. (For example, the number of rounds to be played on a daily fee course is of primary point of emphasis – just as are the number of dues-paying members at a private club – while the breakdown of sources of the mixture of rounds is a secondary supporting detail.)
  - Rounds Played
  - Utilization of Capacity
  - Revenue per Available Round (REVPAR)
  - Labor as a Percentage of Gross Revenue
  - Operating Expenses as a Percentage of Gross Revenue
2. State the forecast/indicated actual results that are expected within the current business year for rounds, cash flow/EBIDTA and profit/loss (EBIT).
3. Indicate the backward-looking five-year trend for the business with highlights-only commentary regarding the results.
4. Forecast the forward-looking five-year trend for the business.
5. Summarize the basic financial facts regarding break-even and other “hurdle point” measurements within the current business plan.

**C. Introduce the financial statements of the business plan with brief commentary and performance priorities.**

1. Balance Sheet: identify the assets and liabilities of the enterprise. Be prepared to specifically address the organizational elements of the business plan, such as:
  - The source(s) of equity
  - The identities and backgrounds of the holders of equity and debt
  - The terms and conditions of all debt
  - The ten-year projected plan for the value of the business
2. Income Statement: show every line item with a separate line-item discussion of the assumptions and business facts that support the revenue and expense entries.
3. Basic Assumptions of the Business Plan: Present the key factors that will contribute to the success and to the possible failure of the business. Discuss these factors and specifically address the tactics that will be used to maximize the potential for success and to diminish the threat of failure. Among the types of topics to be discussed here are:
4. Unique marketing advantages/disadvantages summarized in one or two sentences:
  - Market conditions
  - Seasonality or weather threats
  - Organization of management (i.e. local knowledge and/or proven experience)
  - Local supply/demand factors

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## VI. Organization of Management

This is the section in which the experience, accomplishments and expertise of the management team are described. When thoughtfully drafted, this section will:

- Identify the key management personnel;
- Identify the primary elements of each individual's experience that will favorably contribute to the success of the business and its plan;
- Draw focus to the value of the key people; and
- Align the compensation and incentive programs to the primary goals and objectives of the business.

A. **Key Personnel:** What are the positions and who are the key people behind the success of this venture?

1. **Organizational Chart:** Identify the key management personnel. Describe each position with focus on the strategic and tactical contributions that are required and expected. Demonstrate the alignment of the right people with the right business plan. Address and identify future positions that will be filled at a later date. Provide summary job descriptions for each position on the chart.

2. **Biographical Profiles:** Introduce each key person with focus on the specific skills and talents that each will add to the management team. Tell about the person; don't insert a resume. The reader of the plan wants to know that this group of managers has the capability to meet or exceed the plan.

3. Be sure that there is a brief description of each individual management-level person through which the reader gains an insight into the "person" and not just the "worker".

B. **Market Labor Conditions:**

1. Describe current market conditions regarding the types of hourly-wage employees that are to be hired. Address any competitive factors that are either favorable or unfavorable. If you intend to use a different method for employment, state your reasoning.

2. Impact on recruitment, training and future staffing considerations.

3. Discuss general compensation profiles for the key positions.

4. Provide specific samples of employment policies and procedures in the Appendices of the plan.

5. Align the staffing structure with the management philosophy for employee retention and development. (What is it that will make working at this business beneficial for the long-term?)

C. **Compensation:** What are the basic premises – philosophical and practical – being used to compensate the key management personnel?

1. Base compensation structure and timing
2. Incentive compensation structure, timing and criteria
3. Group medical and other health-related benefits
4. Automobile/mileage benefits
5. Additional benefits

D. **Employment Status:** Will the key personnel be employees-at-will? Or, will the management personnel receive employment contracts? Terms of any such agreements should be discussed with copies of the intended agreements shown in the Appendices.



## VII. Critical Risks

Every business experiences adverse market conditions and unforeseen events. Some risks can be anticipated and minimized. Some risks are beyond the control of the business unit. In this section of the plan, it is important to identify the potential threats to the successful fulfillment of the business plan. When drafting this section, the writer must articulate risk. By identifying risks, you demonstrate some very good managerial skills and show that you are prepared for adversity. A well-written plan will also speak to the strategic and tactical steps that can be taken to reduce or minimize the risks that may arise from a certain threat. The standard roster of uncontrollable risks includes: acts of God, acts of war, labor strikes and force majeure.

The business plan should address any and all of the following that apply:

- Cyclical Fluctuations: Are there seasonal or economic fluctuations that could become so extreme that reasonable planning could not have prevented a hardship to the business?
- Unforeseen Industry Trends: Could an industry-wide event or condition adversely affect the business?
- Supply Problems: Are there certain goods and/or services without which the business cannot operate (such as water for a golf course)?
- Transportation Interruption: If the highway network within one's immediate proximity were unavailable, would it be possible for business to continue unfettered?
- Actions of Competitors: Although all businesses have competitors, is it possible that a given competitor could act in such a manner to cause an extreme result in the subject business (such as unrealistic/unfeasible cost-cutting)?

In each case above, solutions or options available should be identified and discussed. Should funds be held in reserve? Should other provisions be made? In the roster of risks that are identified below, it is reasonable to expect management to have anticipated each circumstance and to have planned for alternative or remedial actions:

- Cost Overruns
- Failure to Meet Deadlines
- Unattained Sales Projections
- Management Inexperience
- Poor Performance by Workers

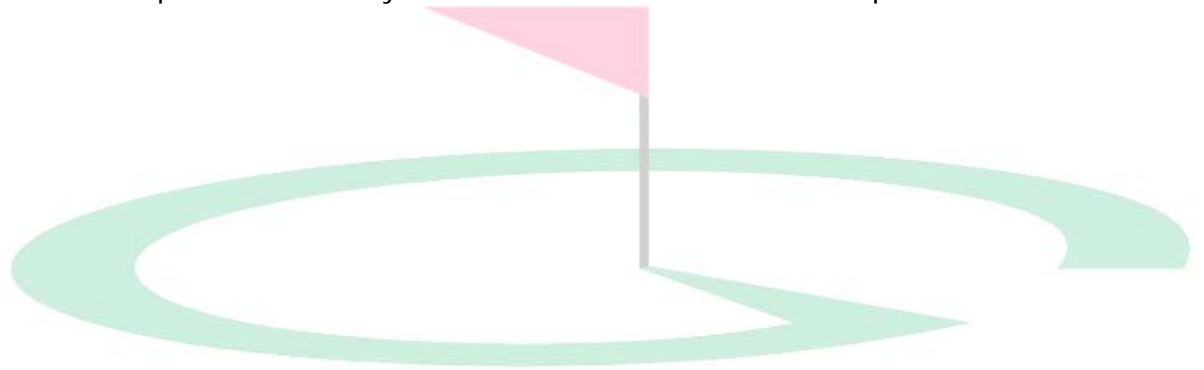
Few investors or business sponsors should be realistically expected to support or to accept such unforeseen and unresolved risks.

## VIII. Summary and Conclusion

Having made a convincing case for the viability of the business unit and its strategic plan, the writer of the plan should briefly summarize the primary points of emphasis. These points speak to the key drivers of the business. What are the three to five (never more than seven) key points that the reader should take away?

The conclusion should summarize – in bullet point – the key assumptions. It should summarize the strategic direction and the expected results. It should clearly state why you expect your plan to succeed. It should realistically forecast the key metrics of the business.

Finally, the conclusion should state the timetable for any decisions that are required. Every reader of the plan should clearly understand the immediate “next steps”.



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## IX. Appendices

The appendix section of the plan should include every supporting item of information that a reasonable and prudent person should require. It should not be used as a “fat factor” to make the plan appear more substantial. It should include any and all information that is referenced in the body of the plan.

Among the items that are important inclusions:

- Market Analyses
- Maps
- Property Descriptions (within reason and where purposeful)
- Financial Reports/Details
- Rate/Revenue/Expense Schedules
- Calculations for Break-Even Points
- Samples of Print and On-Line Advertising
- Purchaser Contracts
- Vendor Contracts
- Employment Policies and Procedures
- Dossiers of Key Personnel
- Employment Agreements
- Compensation Agreements/Programs

## ACKNOWLEDGEMENTS/BIBLIOGRAPHY

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