

3.1 Write a business plan

What is it?

A business plan is a written document about the nature of your business, its historical activities (if any) and your plans and goals for its future. The business plan will summarize your research into all the aspects of your business idea, giving you product, marketing, financial, operational and management plans. This information becomes a “roadmap” for yourself, bankers, investors or government officials.

Benefits of a business plan

The most sobering statistics for entrepreneurs are those for business failures: half of new ventures fail in the first year; 80% in the first four years. More than anything else, the purpose of a good business plan is to keep you from becoming one of those statistics. It can do this by:

- clarifying your strategies, challenges and activities
- providing something substantive for potential investors to consider
- forcing you to make careful considerations and objective plans
- keeping you realistic about profit potentials by preparing financial forecasts
- giving you a “benchmark” against which to measure your goals and a basis on which to evaluate your progress in relation to your objectives. Regular evaluation of your actual performance against your plans will be a key element in the success of your business.
- giving you direction in managing your business and dealing with problems as they arise

Elements of a business plan

The elements of a business plan are:

- **Historical Analysis.** This answers the question: *Where is the business now*, and applies only to an existing business. The historical analysis primarily looks at financial performance over a period of years, but also looks at past markets, personnel and competition.
- **Mission Statement.** This answers the question: *Where do you want your business to go?* The answer reflects your goals and objectives. It is important to have a clearly defined mission so you can be sure that all your business activities are productive.
- **Narrative Description.** This answers the question: *How are you going to get there?* This includes a description of your market, location, facilities, competition, management and staff and the actions or steps that you will take to reach your objectives.
- **Operating Budget.** This answers the question: *What is it going to cost?* It includes your forecast (or budgets) of results, financial position and cash flow for the next one to five years. These forecasts are merely the financial expression of your goals and actions, above.
- **Financing.** This answers the question: *Where is the money going to come from?* Once your operational budget is prepared, results will show where, when and how much cash is needed. You can then analyze your financial needs, together with their timing to determine the best sources, combinations and cost of financing.

The approach

Approach the writing of your plan with a clear idea of your audience—whether investors, bankers, government officials or others—and tailor it to that audience. Your writing style should be as clear and direct as possible. State how you will do what you plan to do. If you say, for instance, that your product or service will be purchased by wealthy 45-year old Americans, then explain how you know they will want it, how you will promote it, and how much product you will sell. Follow up all your assumptions with facts and figures. Your writing style should be positive and assertive—don’t use words like *maybe*, *perhaps* or *probably*. And, finally, do not write more than you have to. Generally, 80 hours should be enough to put together a workable plan. This will vary widely depending on your experience, the size of your business and the size of your plan.

A note about design

When designing the document, remember that it is not a “lure” piece but a substantive business document. If it looks flashy it may give the impression that you are covering a lack of substance with style. Ensure that there are no spelling or grammatical errors, and do not make it longer than you have to. Investors see many plans and will want to get to the heart of yours as quickly as possible. Be careful not to simply spew out computer-generated spreadsheet projections. Investors are more concerned with your underlying assumptions and analysis.

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The 7-part format

While there are variations in the format, most business plans consist of these seven parts.

1. Executive Summary

This is a two to three page summary of your business, its goals, plans and budgets, written **after** the rest of the plan is complete. It is where most investors turn first. This needs to be a well-written, thoughtful and an interesting introduction to your business and the unique features it is presenting. It must include all your critical success factors and capture the interest of your reader. *Remember that this is the most important part of your plan.*

2. The Business

In this section you describe your business first in broad terms (providing wilderness adventures) and then specifics (4-day guided river trip down the Yukon River). Here you also make known your company's explicit goals, whether it is return on investment or sales of so many units. If it is an existing business, refer also to the company's past strengths, problems and weaknesses.

3. Marketing Plans

These will start with an industry analysis that looks at trends and the current status of the tourism industry as well as your sector. You will want to look at the size, competition, barriers to entry or growth, financial performance and the possible effect of recent government regulations. Next is market analysis; an in-depth look at how you perceive the market into which you are selling. Who are you selling to? How do you segment it? Who are your competitors and what is their market share? What are your customer's reasons for purchasing?

Fully describe your product(s), including brand names and features. Analyze your product's competitive advantages and disadvantages. Work out the costs and profits for each of your offerings, as well as the planned distribution and marketing mix. Who are the buyers and end users? Discuss opportunities or plans for expanding or otherwise developing your product. *(see Fact Sheet 3.11)*

Finally, you will come up with a marketing strategy that shows how you plan to get your product to your buyers. You must decide what groups to target, what attributes to emphasize, what distribution channels to use, who will do the selling, how you will price your product, how you will promote it and at what cost. *(see Fact Sheets 3.8 to 3.13)*

4. Management and Organization

Here you will spell out how your company is organized, its legal structure, a list of managers and owners, and how the decisions are made regardless of the formal structure. Include details of education, skills, experience, duties and responsibilities.

5. Implementation Plan

This plan details the actions and activities that are necessary for the business to achieve its goals. Establish a timeline with firm completion dates to show when you need to perform each action—whether marketing, production, research, development, personnel, or finance. These actions are usually performed on a monthly, quarterly basis or annual basis. *A contingency plan* should also be developed for any critical risk that your business faces. Here you will list potential problems that can affect implementation along with potential solutions for each of them.

6. Financial Statements and Projections

This is a dollar-and-cents expression of your expected future. This must be consistent with descriptions you have already made of the industry, your marketing strategy and your implementation funding requirements. You must answer four questions here: How will the company perform? How will your cash flow operate? What will the financial position be? What significant assumptions did you make? You must also test your financial projections with "best case" and "worst case" scenarios. *(see Fact Sheet 3.5)*

7. Appendices

This is information that doesn't fit into the body of the plan or may be distracting to the reader. It might include permits, contracts, marketing agreements, references, analysis details, and so forth.

Getting professional help

Consider asking advisors to help you with your business plan, especially to review and assess your major operating assumptions. Consultants, accountants, planners and others will ensure you don't miss key points and can act as sounding boards for your ideas. There are many consultants out there, seek out one that understands your tourism business and how it fits with the tourism industry.