

Think Critically

1. What exactly is a business plan?
 2. What are the three main types of business plans?
 3. What are the “3 Cs” that should be addressed in a business plan?
 4. Explain why a business plan is important for every new business.
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True or False

1. How a business will get and keep customers is not a part of a business plan.
 2. The backgrounds and experience of the people who will be running the business help lenders make financing decisions.
 3. A business plan will not help you think about all the aspects of your business.
 4. Writing a business plan can help you identify problems you might encounter in the future.
 5. After your business is up and running, you will rarely use your business plan.
 6. Describing how you came up with the idea for your business can help others understand how your business will operate.
 7. Writing a business plan can force entrepreneurs to think about their goals.
 8. Copies of resumes help show that owners are qualified to manage a business.
 9. Never reveal your competitors’ strengths in your business plan—focus only on what they are doing wrong.
 10. The only person who should read a business plan is the owner and potential investors.
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Multiple Choice

1. A business plan should (a) identify target customers, (b) show how your business will earn a profit, (c) detail who will run your business, (d) all of these.

- _____ 2. Before lenders will loan money to a new business, (a) they will want to interview all potential employees, (b) the new business must have at least two years' worth of work already lined up, (c) they need to be convinced that the people running the business have the necessary skills to succeed, (d) all of these.
 - _____ 3. A business plan explains how your product or service (a) will be produced, (b) will be sold, (c) is either new or better than existing products or services, (d) all of these.
 - _____ 4. Long-term sales projections are (a) for two to four years after start up, (b) for five years in the future, (c) for more than ten years in the future, (d) not included in a business plan.
 - _____ 5. Which of the following is not a purpose of a business plan? (a) To describe the backgrounds and experience of your suppliers, (b) To explain the idea behind your business, (c) To explain how you expect to achieve specific objectives, (d) To describe the backgrounds and experience of the people who will be running the business.
 - _____ 6. After it is completed, you can use your business plan to (a) help manage your business, (b) identify your product or service, (c) identify your target customer, (d) make short-term sales projections.
 - _____ 7. A business plan is important for all of the following reasons except (a) it helps you communicate your ideas to others, (b) it helps you decide what to sell, (c) it can help you secure financing for your business, (d) it makes you think about all aspects of your business.
 - _____ 8. Your business plan must (a) clearly define your market, (b) never overlook the competition, (c) be consistent, (d) all of these.
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Problem Solving

List the seven parts of a business plan, along with a brief explanation of what is included in each:

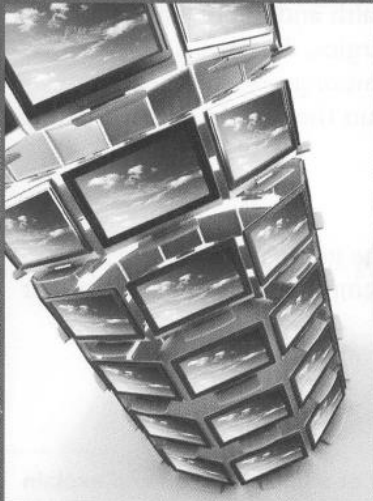
- 1.
- 2.
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what went wrong?

CONDUCT MARKET RESEARCH

While working as a salesperson for a custom exhibit display company, Leo Hunt found a unique product not currently being marketed in the United States. It was a lightweight, portable, full-color display that could be set up and dismantled quickly. A company in Sweden was the manufacturer of this display. Leo thought it was ideal for trade shows and conventions. Leo decided to become a distributor of the special displays. He quickly prepared a business plan focusing on the unique

features of the product and the lack of competition in the United States. He estimated that he could generate more than 5,000 sales in the first quarter of the year. He did very little research and assumed that everyone who exhibited at a trade show would be part of his target market. He hired 10 salespeople, placed a large order with the manufacturer, and was ready to go! Within three months, Leo had taken only 250 orders for the product, had spent 95 percent of his startup capital, and had found that many exhibitors had no need for his product. After six months, Leo had bills piling up, fewer than 500 orders, an overdrawn checking account, and some very unhappy employees. Leo decided it was best for him to close his business.



Market research is critical to the success of a business.

THINK CRITICALLY

1. What mistakes did Leo make when preparing his business plan?
2. Do you think Leo should have ordered displays from the manufacturer before he had orders from customers?
3. Are there steps Leo could have taken to try to save his business?