

# Cover All the Basics in Your Business

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## How to Describe Your Business

When writing a convincing business plan, an important task is to clearly and exhaustively describe your business and exactly what it will involve. Let's say you want to open a restaurant. What will you serve? What will your sample menu look like? What equipment will you need? Note that serving french fries means you'll have to install deep fryers, grease traps in the sewer line, hoods, and fire extinguishing systems. On the other hand, by not serving fried foods you will save a lot of money in the kitchen, but maybe you'll go broke when all the grease addicts go next door.

Or suppose you want to sell VCRs, video games, or video camera equipment. Do you plan to have a service department? If so, will you make house calls or only accept repairs at your store? What sort of security system will you install to protect your inventory? What about selling component sound systems or home entertainment centers? What about competition from nearby retailers?

Answers to these types of questions will be crucial to the success of your venture and to writing your business plan. Long experience tells that you need a written document -- even if you're sure you know exactly what your business will do.

With this foundation document to refer to, you are less likely to forget your good plans and resolutions in the heat of getting your business under way. Any changes you later make can be made both consciously and with consideration.

To write a complete description of your proposed business, follow a few simple suggestions.

## Identify Your Type of Business

Find the business category listed below that most closely matches your business. You'll use the description that follows as a reference when you describe your own business.

- Retail. Retail businesses buy merchandise from a variety of wholesalers and sell it directly to consumers. Supermarkets, mail-order catalog merchants, computer stores, dress shops, department stores, and convenience marts are retailers.
- Wholesale. Wholesalers buy merchandise from manufacturers or brokers and resell the goods to retailers.
- Service. People with a particular skill sell it to consumers or to other businesses, depending on the skill.
- Manufacturing. Manufacturers assemble components or process raw materials into products for consumers or other businesses.
- Project development. Developers create and finish a salable commodity by assembling resources for a one-time project.

## Write a Problem Statement

Successful businesses share a common attribute: They do something useful for their customers. One way to determine what is useful for your customers is to identify and describe the problem that your business will solve. For example, a window washing service solves customers' twin problems of wanting clean windows but lacking either the time or physical ability to clean windows themselves. If you accurately understand your customers' problems and needs, your business will have a better chance of success.

For example, here's a problem faced by a customer of a stand selling pizza by the slice: "I'm hungry and I don't have much time or money, but I'm tired of hamburgers and want a change of pace. Also, I'd like to be able to specify the exact ingredients I want in my meal. And it would be really swell to have a glass of wine or beer with the meal."

Now, think about your customers for a minute. What is the problem that you solve for them? Take a sheet of blank paper or open a computer file, and write out your description of the problem your business solves for its customers. This statement will become part of your completed business plan.

## Describe Your Business Operations

Next, describe how your business will solve your customers' problem. Take your time and do a thorough job. It's very likely that the first time you attempt this task, questions will occur to you that you didn't consider previously. If so, figure out a good answer and rewrite your description. The important thing is not how long it takes to do this, but that you end up with a realistic, well-thought-out business description. After all, it's cheaper to answer questions and solve problems on paper than it is with real money.

Your business description should explain exactly what you will provide for the customer as well as what you'll exclude.

Each of the choices you make in your business description will affect the amount of money you'll need to start or expand and how much sales revenue you can expect.

Consider the following series of questions when writing your business description. These questions apply to most small businesses. Feel free to skip any questions that don't pertain to you.

- What problem do I solve for my customers? (You answered this question in detail above.)
- Who is my typical (target) customer?
- How will I communicate with my target customer?
- What products and/or services will I provide? Are there any products or services my customers may expect me to provide that I don't plan to provide?
- Where will my business be located?
- Where will I buy the products I need?
- What hours will I operate?
- Who will work for me, and how will they be paid?
- Who will handle critical tasks such as selling, ordering, bookkeeping, marketing, and shipping?
- How will I advertise and promote my business?
- What are the competition's strengths and weaknesses?
- How am I different from the competition as seen through the eyes of my customers? (Make sure that you answer this question from a customer's perspective and not from an owner's point of view.)

To sum up, writing a precise description of your business is an essential part of the business planning process. Make sure you've considered as many details of your operations as possible, well before you open your doors.