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-- Jan Knight, Owner – Bancroft Information Services.

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## Effective Business Plans – 8 Core Concepts

Don Kraemer

**Strength of Concept** – The quality of your idea or concept is dependent on the value it provides its customers. The concept is validated when your product or service saves customers money or increases customers' revenues. Your idea also may create value if the customer receives a perceived benefit. In order for your concept to be successful, it must first create value for the market.

**The Complete Solution** – The concept must solve customers' needs. Your plan should evaluate the customer needs and demonstrate how the features of the concept provide solutions. Your solutions should be creative and unique; provide the differentiation between you and existing products and services. Do not think of your concept as a single product or service but as a set of solutions that give the customer a positive experience. Make sure you provide all the necessary services that the customer values.

**Think Network** – To create a successful business, all members of the value chain must benefit from your service. This means that all the companies that contribute to the final product or service must gain with the introduction of your solution either through quality improvements, efficiency gains, product differentiation, revenue increases, or customer service improvements. Understand the key contributors to the network and develop strong relationships with them.

**Market Size** – Identify your target customers and quantify the size of the market. An effective business plan demonstrates a significant market size for investors.

**Understanding the Pain** – Market research is the critical component of the business plan; provides the information to form the business concept. Secondary research through articles and databases will reveal many of the dimensions that affect the market. Key information such as demographics and market trends need to be discovered. Market validation through primary research distinguishes the excellent business plans. Interviews, focus groups, and surveys are tools to understand the customers' issues with existing solutions. The key is unveiling the customers' pain and discovering the sources of customer buying behavior.

**Management Team** – A key determining factor of whether or not an investor funds a venture is the confidence in the management team. A complete, well-balanced team should be formed with industry experience and a proven track record. Also, there should be team members that have documented success with start-ups and small businesses. Try to bring people into the company who are well connected within the value chain. By establishing strong connections within the industry, your business will form more efficiently and effectively. A board of directors or advisor group should be formed to further develop relationships within the industry and to compliment and supplement the skills of the management team.

**Clear and Purposeful Communication** – The business plan should be written with clear, concise language. The plan should be written as a persuasive argument that discusses the reasons for market pain, how the concept creates value, why the concept is unique and how the management team will successfully reach the goals. The plan should demonstrate why your plan should receive funding over other opportunities. In addition, a short business pitch should be prepared in case you may meet a potential investor. The pitch should be compelling and should spark the curiosity of the investor to want to learn more.

And finally...

**Passion** – Passion will be the most important attribute in determining whether or not you will have the drive make the business a success. If investors see your passion, they will be more inclined to share your excitement and follow.

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