

Business Plan Kernel for Veterans

kernel (noun): 1. The soft, usually edible, part of a seed or nut. 2. **The central or most important part of something.**

Purpose Of A Business Plan

A business is a complex operation. Even a simple cottage (home) business has to follow laws, regulations, and pay taxes. No complex operation can succeed without some planning. The quickest way to lose your money and go out of business is to “wing it.” We’ve seen it happen. It isn’t pretty.

Thus, the purpose of a business plan is to clarify your thinking about your business idea so you know *exactly* what to do to make it happen. In the military you probably saw verbal or written Op Orders. A business plan is nothing more than an Op Order for your business, covering all the essential aspects.

In the Army and Marines the sections are Situation, Mission, Execution, Support (or Sustainment or Admin/Logistics), and Command & Signal. In the business world your sections are Market Research, Operating Plan, Marketing Plan, Economic Model, and Financial Projections.

If you’ve never done this before, we do not recommend trying to do a full business plan right away. You will begin your planning with four simple questions and a SWOT analysis.

1. What, exactly, are you going to sell?

You’d be surprised how many would-be entrepreneurs don’t have this clearly defined. Someone will walk into your business and walk out with something after paying you. What is that something? Describe this precisely.

Or someone will pay you to do some service. What is the service? What is the before and after for the customer when they pay you? Describe this precisely.

2. To whom are you going to sell your product or service?

Failure to understand your customers will kill your business faster than anything. The answer to this question is never “everyone.”

To understand your customers you must do some market research by answering the following sub-questions. For specific details on how to do your market research see the **Market Research Guide**.

- **What** are your customers already buying?
- **Why** are they buying it?
- **When** do they buy it?

- **Who** are they? (Demographics: ages, sex, education, income, region, cultural information, etc.)
- **Where** or **how** do they buy?
- Is your customer the end-user, or are you going to sell to a retailer who sells to the end-user?
- See our **Market Research Guide** for more information.

3. How much will it cost you to make or produce the service or product you wish to sell?

Costs and expenses are money you must spend to run your business. The difference between costs and expenses is what you spend the money on.

- **Costs** are money you spend *to make or manufacture* the thing you are going to sell, or to buy the inventory you are going to sell in your store.
- **Expenses** are money you spend to *help you sell*: advertising, marketing, rent for your location, utilities, and so on.

Sometimes it's hard to decide if something is a cost or an expense. Do not get hung up on this right now. The important point is they are both *money you must spend* to run your business.

Do you remember hearing “pay attention to detail” in the military? When you are estimating your costs and expenses you must do the same.

A business will fail if it runs out of cash. Without cash you cannot pay suppliers, pay employees, pay utilities, and so on. And if a business owner does not understand their costs, they will run out of cash fast.

4. How much will you charge for your product or service?

To answer this question you must know your costs so you charge enough to cover your costs and make a profit.

But you must also pay attention to what your competitors are charging. You don't have to compete on price. You can charge more if you give more value for the money. And how will you learn how to give more value for the money?

You learn by understanding your customers.

Putting It Together

The answer to one question affects the answers to the other three. Answer these questions as well as you can with your current knowledge. Then do a SWOT analysis using our **SWOT Guide**. This work will be the kernel of your business plan and will give you a clear picture and map for how to get started. At any time during this process, write to us if you have questions or get stuck.