

The Business Plan - 10 Common Mistakes

There are many elements that make a good business plan. It often takes time, patience and many revisions before you get it right. Unfortunately it can take only one mistake to seriously flaw your business plan; when rushing to get your funding in place and launch your business it can be too easy to overlook important details or to get a little over zealous with the potential of your new venture. Below we have highlighted ten common mistakes people make when writing their business plan:

1. Overly Optimistic Financial Projections

You need to present a realistic picture of where your business is now and where you hope it is going. If your plan looks “too good to be true” — without an explanation to support the projections — it will set off warning bells for the reader. To give a well rounded look at your business you should always provide optimistic, pessimistic and realistic projections of your operational and financial plans, and have a contingency plan if things don’t go exactly as expected.

2. Poor Research

Your research must be accurate, up to date and relevant to your business plan. If any of your information is incorrect, out of date, irrelevant to your business venture, or contradicts other information presented in your plan it will discredit you and your business idea and you will likely have lost your potential investors’ or lenders’ interest.

3. Contradicting Yourself

You need to have a singular vision that is reinforced throughout your business plan. Each section should build upon the previous one creating a solid foundation. If your information conflicts with its self, if you can’t seem to establish which market you are trying to reach, or if it appears that your strategies compete with one another, your reader will question whether you know your business and its market. Sections of your plan may be written on different days or in the case of a business partnership even by different people, and then pasted together into one document. This can result in inconsistencies and contradictions. Take your time. Thoroughly review each section of your business plan comparing the information section by section and ensure it is consistent and accurate.

4. Failure to Identify the Target Market

The old adage “You can’t please all the people all the time” is true in the business world. The business that appeals to everyone doesn’t exist. You must identify exactly who it is you are trying to sell to. In order to be successful in business you must know who your Target Market is. Not only do you need to identify who they are, but you must also show how you came to this conclusion and outline how you will reach them.

5. Misrepresentation of the Competition

You may think you have a 'unique' business idea and be quite sure that no other business like yours exists. Even if your business truly is one of kind, and you have no direct competition, you must address how did the customer survive without my product or service before it was available to them and how do you plan to persuade them to change their habits and buy your service or product now that they have the option?

On the other hand if you put too much emphasis on your competition potential investors will worry that your business will not have what it takes to survive. Focus on your niche; outline what differentiates you from the competition. Identify how you plan to compete in the marketplace, and paint an accurate picture of what the industry is like now and where you see it going in the future. Also note that sometimes the competition can be your ally. Research and determine whether your product or service can be used to support larger companies in your market sector.

6. Undefined Distribution Channels

You must have a defined plan outlining the methods you will use to provide your service or product to your customers. Include all possible channels in your plan. Substantiate why these are the correct channels and how you will reach your target market. Include your back-up plan should your initial channels ever fail. This is important if you will be relying on manufacturers or suppliers to provide you with materials or merchandise. Do you have back-up inventory or alternative methods of obtaining your goods should it be necessary? The ability to articulate your strategy outlining how your product or service will reach your client is not only vital to your plan but its integral to the operation of your business.

7. Camouflaging Your Weaknesses

Do not try to camouflage your weaknesses but don't shine a light on them either. Every business has its weaknesses but if you hide them or over emphasize them you will put off the investor. The only way to address these weaknesses is to simply state what they are and how you plan to overcome them.

8. Hype – Saying Lots without Saying Anything

You have a great business idea and you believe that it is the next up and coming thing to hit the market; but you need to be able to back-up your claim. Littering your plan with terms like hottest and greatest, while using catch phrases, clichés and marketing gimmicks to sell your business plan, does not substantiate your product or service. You need to demonstrate that your business idea, market information and financial plan, are based on sound, supported facts and research.

9. Too Much Information

Most investors and lenders do not want to read a 100 or more page business plan. They are looking for a few specific points and everything else, while it may provide history or reference, is just extra information that they have to sift through. The purpose of your plan is to focus on the primary elements of your business; it is not to demonstrate the depth of your knowledge. In this type of document clear writing that gets straight to the point is always appreciated. If you have

additional information, such as industry statistics, samples of advertising etc, which you feel should be included create an appendix.

10. Same Writer and Editor

Make sure you ask several people to review your plan before submitting it. It is easy for you to glaze over spelling mistakes and grammatical errors because you know the information inside and out. Another set of eyes can help you catch any errors and inconsistencies. They can also call attention to any questions that may be left unanswered, or point out trouble spots where wording or ideas are not clear. This will help your plan look more professional and ensure that it reads correctly.

If you need help reviewing your Business Plan our Business Counsellor and Advisor at Community Futures North Fraser can provide you with positive feedback. Please feel free to call 604-826-6252 to make an appointment.

This handout is based on the Small Business BC article: *10 Common Business Plan Mistakes* – By Rab Kooner