

## Concept Plan Guide

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Developing a Concept Plan should be the first effort of business planning.

### What is a Concept Plan?

A concept plan is a short overview of a new business venture. It can be used to expand on an initial business idea; guide more detailed planning and communicate essential information. The concept plan signals a commitment to a diligent planning effort by organizing and documenting the intentions of the founders. The concept plan precedes the writing of a business plan and establishes the foundation for its development.

The concept plan should be brief, extending to only a few pages in length. Writing a concept plan is far more than the casual recording of notes and ideas. It is the rigorous challenging effort necessary to forge the core values and founding principles that will ultimately lead to success.

### Content

A concept plan should describe the idea, the market, profit potential, as well as key actions and activities of the business. It should address the capital, sources and uses of funds and identify the team that will assemble to engage in the venture.

The Concept Plan is the first effort to document the Idea, Market, Profit, Actions, and Capital of a new business venture.

#### Question 1, Idea:

Each business begins with an idea. But, this idea must be expanded into a full business concept. Identification of the idea should be both descriptive and restrictive in order to bring focus to the effort. Unique features of the idea must be adequately described to identify the inspiration of the founder and the motivation to pursue the venture. At the same time, boundaries must be established and the idea restricted in scope in order to make the effort realistic and commercially viable.

#### Question 2, Market:

A realistic assessment of market size and scope should follow from a clear description of the market environment. Explain the economic and industry factors that influence demand along with the behavioral and demographic features of intended consumers. Detailed market research can be performed later, in preparing the business plan. It is sufficient in the concept plan to identify the relevant areas of market research and to report on preliminary results. Positive market indications should show that a clear potential market exists.

#### Question 3, Profit:

The concept plan must demonstrate adequate profit potential under realistic assumptions. The magnitude and timing of profits helps to determine appropriate funding sources. Investors and lenders use expected profit to measure of performance and growth. Founders should also assess their own expectations of returns.

#### Question 4, Actions:

Key actions and primary activities should be identified to alert those involved of critical milestones. In some cases, important actions are organizational, such as forming a corporation, providing for funding, the timing of opening day, etc. For others, key actions may be associated with operational activities such as controlling production or establishing a distribution system.

#### Question 5, Capital:

The total capital requirements and planned sources should be established. Capital requirements should address initial capital, working capital and capital required to sustain growth beyond the first year.

The level of profit, above that needed to satisfy owner requirements and sustain growth, establishes the amount available to service debt and provide a return to investment. A frank discussion of capital requirements at an early stage is important to developing a realistic perspective on funding and gain consensus among founders on their approach to capital formation.