

8 Topics to Include in Your Business Plan to Help You Attract Key MLM Investors

By Jeffrey Babener © 2013 / 2014

www.mlmllegal.com

Surprisingly, many of the giant direct selling companies in the industry today had humble beginnings, often with one individual's dream. That individual usually had little or no money and became a MLM mogul after years of dedication; stirring laundry detergent in their bathtub or selling bibles door-to-door. Some were lucky enough to grow their companies without the financial backing of investors, but others were not. (Like the rest of us!)



For purposes of raising investment capital, the market section may be the most important part of your business plan.

Many MLM entrepreneurs are lucky enough to have a dream to start a MLM company but lack the capital needed to fund the project. Most people turn to family and friends, to co-workers, then to angel investors, and finally to private placement venture capitalists to find the money they need to

grow their business. Investors may listen to the presentations, but the money is never a guarantee.

Searching for MLM Startup Capital – Funding the Direct Selling Company

What is the first step in the process to secure capital to fund the MLM startup dream? It is the *business plan*, of course! Before any sophisticated investor or angel financier will consider funding your marketing program, they will look for an organized presentation of your ideas, projections and abilities. A good business plan will be the backbone for any private investment of capital and will also help to bridge financial gaps as your company grows.

You can write the business plan yourself or hire a qualified MLM consultant. Most successful business plans are developed by experienced MLM consultants who have experience in management, marketing, compensation plans, and the MLM startup.

What should be expected in your business plan? Most business plans have basic formats; however, here are some of the basics.

How to Structure Your Direct Selling Business Plan

The structure and content of the business plan will often vary depending upon such factors as the company's stage of development, the nature of the business, and the type of markets it will serve. However, the following topics should be addressed in any business plan, and provide a relatively easy format to follow.

Eight Key Topics to Include in Your MLM Business Plan

1. Executive Summary

This section should provide the investor with a short overview of the key elements of the business plan. Since investors are turned away by exaggeration, the summary must provide an accurate appraisal of the company while distinguishing its product and organization from others who are competing for the same funding. It should also describe its management team, emphasizing experience and skills, but not ignoring management weaknesses or how it expects to correct them. In addition, summarize key financial projections, and the funding requirements needed to meet those projections. Above all, the *summary must be designed to catch the attention of the prospective investor*. Unless the summary inspires an investor to read on, it has not served its purpose.

2. Company History

Investors want to know about a company's past performance before they assess its future potential. Toward this end, the business plan should provide a brief history of the company; including: (1) when it was founded, (2) subsequent development and growth, (3) how it has been organized, (partnership, corporation, etc.), and (4) how well past performance reflects future potential. If you have good reason to believe that the company's past performance is not indicative of future potential, be sure to cite those reasons in this section.

3. The Product

This section describes in detail the company's products or services, including a summary explanation of the engineering and technology involved, and a statement about performance and present status. Patented or patentable components of the company's products should also be mentioned in this section. Keep in mind, however, that investors are generally not engineers. This section should be written in language easily understandable by business people with nontechnical backgrounds. This section should be easy to understand yet concise in its discussion.

4. The Market

This section should contain a comprehensive description of the market that the company plans to serve. If the product is generically new, independent market research may be needed to define both the initial and future markets. If the product is a refinement on presently-available merchandise, the market may already be defined. In that case, you may rely on presently available data from industry, trade associations or government sources. *For purposes of raising investment capital, the market section may be the most important part of your business plan.* To

any venture capitalist, a company without a strong understanding of the targeted market is a bad risk, even if its product is fantastic. Consequently, the market description should be longer and more detailed than the product description, indicating to potential investors that you understand the priority of market over products.

5. **The Competition**

Identify your competitors, discuss their relative strengths and weaknesses, and indicate the market share held by each. Include a forecast of the market shares you expect to capture in the first three to five years, and which competitors you expect to draw customers from. Be sure to spell out your rationale for each projection, improved product performance, reliability, styling, price, service, or other factors. As with all projections in the business plan, do not understate the strengths of your competition while overestimating your own. Prospective investors will not back a company that does not have a realistic view of its competition in the marketplace.

6. **Manufacturing**

Efficient production is the key to profit making. This section of the business plan should describe your manufacturing facilities and discuss production capacity in relation to projected sales over the first five years. Emphasis should be placed not only on cost reduction, but on quality control as well. Minimizing production costs will not make your company more attractive to investors if the savings are offset by increased warranty costs.

7. **Management**

As a general rule, venture capitalists prefer to invest in a mediocre product produced by first rate management than a top notch product produced by mediocre management. This priority should be reflected in your business plan. In this section, emphasize the experience of each key management executive. Include job descriptions and salaries, and provide resumes detailing your executives' past business experience, education, publications, and any other information that indicates to potential investors that you have a qualified management team. If your current management has weak spots, define them and explain how they will be corrected.

8. **Financial Data**

First class products and tip top management account for nothing if your financial projections do not allow for a substantial return on investment. Consequently, this section defines the bottom line of your business plan. Begin by summarizing previous financial performance. If your company is new, be sure that all financial projections are realistic and justifiable. Remember that venture capitalists are sophisticated investors and will check out other companies in the same field. If your projections deviate widely from the industry norm, you will lose both the credibility and the financing you seek. Furthermore, do not inundate investors with yards of computer generated spread sheets. Your financial data should be concise and easy to understand. Investors will use common sense and so should you.

Finally, your financial section should discuss the investment itself. Indicate how much money the company needs, the form of the investment sought, and how the money is to be used. Most

importantly, discuss the projected return on investment within the first five years of operation. As with all financial information, be realistic and support your projections with solid data and sound rationale.

The MLM Startup Business Plan Team

The development of a well crafted business plan is a considerable undertaking. It forces you to focus your ideas, ferret out weak spots in your organization, and turn abstract concepts into concrete plans. Experienced professionals such as an MLM consultant, an MLM lawyer and accountants can provide invaluable assistance in putting together a sound and attractive business plan. Your MLM lawyer can assure that your company has the proper patent, trademark or trade secret protection that it needs, while steering you away from the legal pitfalls that face all new or expanding businesses, particularly in the area of MLM law. Beyond this, an experienced MLM consultant, MLM attorney and accountant each have invaluable contacts within the venture capital community. They can tell you who has the capital, where it is being invested and how you can best get a share. By enlisting the help of experienced professionals and following the prescribed format, you can develop a business plan that will help you to attract the financing you need for your new or growing MLM business.

For more information, visit our websites at www.mlmlegal.com and www.mlmattorney.com. Or, visit our blogs at <http://mlmlegal.com/MLMBlog/> and <http://mlmattorney.com/blog/>.

Find us on our social networks:

[Google+](#)

[LinkedIn](#)

[Twitter](#)

[Myspace](#)

[Facebook](#)

And, as always, visit MLMLegal.com, the best MLM resource on the web. The next ***Starting and Running the Successful MLM Company Conference*** will be here before you know it! On May 16th and 17th, 2013 we are hosting the [MLM Conference](#) for the 25th year! This is now our 64th annual conference (held almost consistently three times per year over the last 24 years). All executives/owners of MLM, direct selling, network marketing, and party plan companies are welcome to attend. This is the [original MLM Startup Conference](#), hosted and perfected by direct selling industry expert, [MLM Attorney Jeff Babener](#). Call 503-226-6600 or 800-231-2162 to register. (Can't make this event? Keep an eye out for our October and February conferences as well.)

This article is also available online at: <http://mlmattorney.com/blog/2013/04/09/8-topics-to-include-in-your-business-plan-to-help-you-attract-key-mlm-investors/>

Welcome to MLM Legal - a valuable resource to the Multi-Level Marketing and Direct Sales Industry. Use this site to review interesting articles about this high growth industry. Keep current with the law and how it is affecting large and small companies throughout the United States. MLM Legal is sponsored by Jeffrey Babener of [Babener and Associates](#).



Jeffrey Babener
On Assignment

On any given day you can catch [Jeffrey Babener](#) lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for Entrepreneur Magazine or a chapter for a University textbook. Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies, the likes of Avon, Nikken, Melaleuca, Discovery Toys, NuSkin, and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, AOL Select and Network 2000. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council, Government Relations Committee and Internet Task Force of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association. He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies.

www.mlmlegal.com