**Five Reasons Why a Business Plan Is Important**

**What is the purpose of a business plan and why are business plans so important?**

1. **Forces you to think through your business needs.** Creating your plan forces you to see your current business situation and create effective strategies for growth.
2. **Helps you understand your financial needs and will help you determine your future financial needs.** The business plan will help you break down your cost so that you understand your revenue model. Understanding your revenue model will help you see how much money your business needs in order to succeed.
3. **Forces you to look at your competition.**Creating the business plan forces you to analyze your competitions advantages and disadvantages which will help you understand what you need to do in order to capture market share. All companies have competition in the form of either direct or indirect competitors. By understanding your company’s competition, you can create a strong marketing strategy,
4. **Helps you understand your customers – who are they, what are their needs and habits, why do they buy, when do they buy, as well as when don’t they buy.** Understanding your customers’ needs will not only help you create better products and services but will also help you understand how and where to reach your customers in a cost-effective manner. It will help you determine where you should spend advertising dollars.
5. **Helps establish business milestones.** The business plan should help you establish short and long-term milestones for the success of your business. By examining the details of your business, you will be able to set realistic achievable goals.