

CBD Biz Plan

How To Write a CBD Business Plan

***Note:** The following is an article on how to write a business plan for a CBD company, not a business plan template. After reading this document, the next step is for you to use the included business plan template with the knowledge you gain from this article to create the perfect CBD business plan.*

Legal hemp-based CBD and CBD products generate hundreds of millions of dollars in revenue each year and that number is expected to jump into the billions by 2020. Some estimate nationwide CBD sales to top \$20 billion by 2022. That's SERIOUS money!

It is a very exciting time in the CBD industry with the recent passing of the Farm Bill which legalized hemp and hemp-based products in the US. Gone are the days of operating in an uncomfortable grey area. Now CBD companies can safely operate in the open like any other normal business. That being said, we are about to see a flood of new CBD companies with a ton of similar products enter the space. Whether or not there is enough demand to support the oncoming overwhelming supply has yet to be seen. One thing is for sure, there are going to be billions of dollars spent on CBD in the coming years and if you have the right idea and a solid plan, some of that money can be yours.

So how do you get started in the CBD industry? With so many people jumping on the CBD bandwagon, it is imperative that you have a detailed plan that has been carefully crafted, and that you fully understand the market you're getting into. The last thing you want is to throw away your startup capital because you thought you found a way to "get rich quick." The market is quickly becoming saturated with what I call "mid-level" players and you can easily end up with thousands of dollars in inventory that you can't sell. Try to keep this in mind when writing your business plan to avoid these hurdles.

As your CBD company grows it is a good idea to revisit your business plan and make revisions/additions as needed. Once you start making sales and generating income it's a good idea to compare the forecasts in your plan with your actual sales. This data can

then be used to make future decisions regarding new product development and which markets to focus on.

A very important fact to keep in mind when creating a CBD business is that people are going to be using your CBD products to solve a problem. Make sure you do everything you can to create a quality product. Be truthful and honest with your claims. Always use the highest quality ingredients. Always have your CBD products tested and make your results public on your website.

Executive Summary

Your executive summary should be a 1-2 page document that describes your new company and how you're going to run it. Keep it neat and concise with enough information that it can serve as a mini-business plan on its own but not so much information that it's overwhelming. If you're planning on presenting your business plan to investors make sure your summary includes enough information so that even if they are not familiar with the CBD industry, they understand your vision.

Include:

- Business name, location, phone number, email address
- Why you are different? What's your advantage?
- Target demographic
- Who is your competition?
- Management team
- Summary of finances: How are you going to operate? Startup investment amount? Revenue projection. Funding required (if necessary).
- Market validation: How do you know you're going to make sales?

Scale of Opportunity

Follow up your executive summary with 2 or 3 sections about the size and scope of this opportunity and why you think this is the time to start a new CBD business. There are hundreds of new CBD companies launching. It is crucial that you differentiate yourself from the rest. A quality product and a solid plan are needed to cut through all of the competitive noise.

Position yourself to take advantage of this opportunity by offering CBD products that not only fill a need but are high quality, affordable, and relatively easy to produce and stock. The list of potential CBD products you can create is practically endless. Do your due diligence and figure out where you can enter into the market and make a difference.

Don't be afraid to do things a little differently than everyone else. Seize the opportunity by creating a distinct brand with quality products. CBD oil is not the only useful CBD product. Consider bath bombs, candy, chocolate, salve, cream, coffee, etc. It's up to you to do the research and figure out the smartest and most effective way to enter the industry.

What Problem Are You Solving?

The most successful businesses are those that solve a common need or issue. Go into detail about an issue or a problem you discovered and how you are going to go about solving it with your CBD company.

Example

Problem: Most CBD pet brands have created products that were designed to be used by cats and dogs. People who have anxious or ailing horses, which are much larger in size, don't really have a go-to CBD solution even though the "horse world" is extremely wealthy and would probably support such a brand.

Solution: Take the time to do the research and see what they are currently using to solve problems that CBD is known to help with. What can/can't horses ingest? Find out what it would take to network with horse owners, vets, and trainers either in person or online and get some accurate first hand data. Use this information to create an "Equine CBD" brand with products that are designed specifically for horses in both size and strength.

The Market

Be realistic when you compile target market information for your CBD business plan. To say that your target market is everyone in the US over the age of 21 is a little far fetched. More likely, your target market is anyone over the age 21 that is willing to pay your desired price and you are able to reach in your first year of business.

Once you've identified your target market and you know who you want to sell your CBD products to, use that information to develop a sales and marketing plan. Having a plan that is backed by relevant and accurate data will help a lot more than just going for it. Take every advantage you can get over your competitor. Chances are they may not be taking the time to map out their success. Use their lack of information as a tool to accelerate the growth of your company at a pace they can't compete with.

Selling Wholesale

This section/information is meant for those of you looking to sell B2B (business to business). Skip this if you are planning on only selling direct to consumers.

Figure out who your ideal client is. For the most part, consumers think of two places when they think about places to buy CBD: dispensaries and the internet. Selling wholesale into marijuana dispensaries can be both lucrative and frustrating. Many dispensaries are required to purchase their CBD inventory through state licensed distributors. Getting permitted to distribute is a long and expensive process that I do not recommend you undertake without proper counsel and advice.

Your Competition

Analyze your competition by making a list of companies in your niche. If your plan is to launch a brand of micro dose gummies, you should have a spreadsheet built that lists all of the CBD gummy companies you can find. How old are they? Where are they located? Do they use isolate or distillate? Are their test results listed on their website?

What differentiates your CBD gummy brand from your list of competitors? Will you have a bigger line of products? Will you offer “fancier” flavors like champagne? Will you have top notch customer service? Or maybe your pricing is what separates you?

Make sure you keep an eye on your competitors and how/where they are marketing their products.

Product Expansion

Include the name and any information you might have about CBD products that you plan to launch as your business grows. For example, as you start to purchase CBD isolate or distillate in larger quantities you may decide it makes sense to start selling raw CBD in addition to your finished products.

Maybe your company will expand into a brick-n-mortar retail location with opportunities for customers to buy your products and interact with your brand in person.

Execution

In the execution section you should describe the opportunity in front of you and explain how you are going to launch your company into the CBD space.

Include:

- Sales and marketing plan
- Strategic relationship and partnerships
- Operation plan
- Information about your team members
- Financial plan

- Key metrics that you plan to hit
- Risk assessment
- Exit strategy (if it has been created)

Sales and Marketing

In this section you will detail your plan to acquire your ideal customers in mass.

Include:

- **Position:** How are you going to launch your CBD company into the market? Will there be a launch party to celebrate your new website? Or will you spend all of your time and resources focusing on creating an email list that you use to announce the launch?
- **Price:** Pricing your CBD products is one of the most important decisions you'll make in the entire process. You definitely want to consider your target market when coming up with your prices. Charge too much and you'll end up with a bunch of inventory that nobody wants to buy. Charge too little and you'll end up leaving a ton of money on the table as a result of not maximizing revenue. If you plan on charging more than your competitor be sure to make up for that difference by providing something they don't. Specialty products in more affluent areas can command a higher price.
- **Marketing:** Explain your advertising plan for social media, print, blogs, affiliates, etc. Having great products and a fast website doesn't mean a thing if you don't have any traffic on your site spending money. Customers don't just magically appear.
- **Strategic partnerships:** Be sure to list any companies or organizations that you are working closely with or are partnered with: vendors, bloggers, advertisers, etc. These are all good examples of strategic alliances/partnerships.

Your website is going to be your main source of retail sales. Selling direct to consumers allows you to realize the greatest margin and having a website also gives you the ability to build a list of customers that you can reach out to every time you launch a new CBD product. Shopify is by far the best option when it comes to setting up your website. You are going to need to use your own credit card processor as Shopify will host your website, but they will not process CBD credit card transactions.

Never market CBD products to minors, period.

It can be difficult for consumers to distinguish one CBD brand from another. One of your most important marketing goals should be to provide top notch service and build solid relationships that last with each and every one of your customers.

Operations

Sourcing and Fulfillment

Where are you going to source your CBD? Are you going to use isolate or full spectrum distillate? Where are you going to physically produce your CBD products? How are you going to make local wholesale deliveries? How are you going to pack and ship your products? All of this is important information to be included in your business plan.

Technology

For those of you planning on producing your own CBD, there are many different systems designed for hemp CBD extraction. Make sure to spend the time needed to see as many systems as possible. Price them out. Set up in-person demonstrations. Extraction equipment costs thousands of dollars and you want to be 1000% sure that the system you purchase is going to suit your exact needs. There are too many options for you to have to settle.

If you are planning on purchasing CBD product specific manufacturing equipment be sure to include all of the details and information: specs, pricing, lead time, etc.

Include as much tech information as you can in your plan especially if you're looking for investors. You don't want build out costs unexpectedly rising because you didn't take the time to find out exactly what is needed and how much it all costs. Investors hate costly surprises.

Key Data Metrics

Make a list of key stats and metrics that you will track as your business grows. These numbers will be used to track your company's health.

Metrics To Track:

- Gross sales
- Gross margin
- Number of customers
- Number of repeat customers
- Sales total in dollars and number of sales
- Cost of ingredients to make your CBD products

Team

Management Team and Qualifications

Include a list of everyone that works for your CBD company, their title, and exactly what they do. Include details on their education and relevant experience.

Hiring Plan

What positions in your management team are you going to need to hire for as your company grows? What are their starting salaries going to be?

Company Overview

Include:

- **Mission Statement:** Your CBD business mission statement outlines your goals for how your company takes care of its customers, vendors, employees, and owners. Research mission statements online for inspiration.
- **Intellectual Property (IP):** List any/all domains, websites, social medial pages, and customer lists you own and/or operate.
- A brief paragraph about your CBD company's legal structure and ownership breakdown. Who owns what?
- **Location:** Where is your CBD business located? Do you have more than one office and/or storage location?

Financial Plan

Having a financial plan gives you an advantage and helps you keep track of your finances so that you can accurately gauge the health and performance of your CBD business.

Include (If available):

- **Profit and loss statement:** A document that details how much money your CBD business made or lost. Includes all revenue and expenses.
- **Balance sheet:** Monthly statement that tracks how much cash your CBD business brought in, how much you paid out, and how much is left.

- Sales forecast: How much are you going to sell in years 1, 2, and 3?
- Labor plan: How much are all of your employees going to cost monthly and annually?
- Use of funds: For those of you looking for investment capital this section will detail how you plan on spending that money. How much is going to marketing, inventory, etc.
- Exit strategy: Not always necessary but appreciated when looking for investors. In this section you will detail how you will eventually sell your company. Make a short list of companies that could potentially buy your CBD company. List any acquisitions these companies have made in the past.

Starting a legal CBD business can cost a few hundred dollars or it can cost hundreds of thousands of dollars. When creating your business plan and your budget try to be as realistic as possible. Proper research and accurate data will help you make decisions that could otherwise cost you much more than they should.

Conclusion

Hopefully after reading this you feel more confident about your decision to start a CBD business and are better prepared to begin planning your CBD brand and products.

I'm committed to helping you find success in the CBD industry. Cheers!

—Mario

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