**Business Plan**

**Your Business Name**

(Guideline example)

(Insert a nice picture here)

Owner’s name(s)

Mailing Address

City, ST Zip Code

Telephone number

E-Mail address

Website

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**Executive Summary**

**Write this section *last!***

The Executive Summary should be a maximum of one page!

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the proposed business: What will your product be? Who will your customers be? Who are the owners? What do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise. These suggestions will be helpful.

* What is the business name? ● What is the legal structure?
* What will your product or service be? ● Who are the owners?
* Where is the business located? ● Who will your customers be?
* When was the business established? ● What will be used for collateral?
* What will the loan do for the company? ● Why is the loan needed?
* How much money is needed? ● How will the loan be used?
* How will the loan be repaid? ● When is the loan needed?
* When can repayment begin?

**The Executive Summary should not be more than a half to one-page in length.** Remember, this is just a summary, so pick up your key points and remember your purpose. Your goal is to motivate and entice the reader. You must convey your own sense of optimism about your business. This does not mean using “hype” it simply means using a positive, confident tone and demonstrating that you are well-positioned to exploit a compelling market opportunity.

**General Company Description**

**What business will you be in? What will you do?**

Mission Statement: Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:

Company Goals and Objectives: Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

Business Philosophy: What is important to you in business?

To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the *Marketing Plan* section).

Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability Corporation (LLC)? Why have you selected this form?

**Products and Services**

Describe in depth your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in *Appendices*).

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

What are the pricing, fee, or leasing structures of your products or services?

**A good way to think about this is the menu of your business!**

**Marketing Plan**

**Industry**

What is the total size of your market?

What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.) Current demand in target market.

Trends in target market—growth trends, trends in consumer preferences, and trends in product development. Growth potential and opportunity for a business of your size.

What barriers to entry do you face in entering this market with your new company? Some typical barriers are:

* High capital costs ● Training and skills
* High production costs ● Unique technology/patents
* High marketing costs ● Shipping costs
* Tariff barriers and quotas ● Unions
* Labor (finding and hiring the right people)

And of course, how will you overcome the barriers?

How could the following affect your company?

* Change in technology ● Change in economy
* Change in government regulations ● Change in your industry

**Product**

In the *Products and Services* section, you described your products and services as you see them. Now describe them **from your** **customers’ point of view**.

**Features and Benefits**

* List all of your major products or services.
* For each product or service:
* Describe the most important features. What is special about it?
* Describe the benefits. That is, what will the product do for the customer?

Note the difference between features and benefits and think about them. For example, a house that gives shelter and lasts a long time is made with certain materials and to a certain design; those are its features. Its benefits include pride of ownership, financial security, providing for the family and inclusion in a neighborhood. You build features into your product so that you can sell the benefits.

What after-sale services will you give? Some examples are delivery, warranty, service contracts, support, follow-up, and refund policy.

**Customers**

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

* Age ● Income level
* Gender ● Social class and occupation
* Location ● Education

For business customers, the demographic factors might be:

* Industry (or portion of an industry) ● Size of firm
* Location ● Quality, technology and price

**Competition**

What products and companies will compete with you?

List your major competitors:

(Names and addresses)

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.)

How will your products or services compare with the competition?

**Niche**

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

**Strategy**

**Promotion**

How will you get the word out to customers?

Advertising: What media, why, and how often? Why this mix and not some other?

Have you identified low-cost methods to get the most out of your promotional budget?

Will you use methods other than paid advertising, such as trade shows, catalogs, dealer incentives, word of mouth (how will you stimulate it?) and network of friends or professionals?

What image do you want to project? How do you want customers to see you?

In addition to advertising, do you have plans for graphic image design? This may include things like logo design, cards and letterhead, brochures, signage, and interior design.

Have you given thought to a system to identify repeat customers and then systematically contact them?

**Promotional Budget**

How much will you spend on the items listed above?

Before startup? (These numbers will go into your startup budget.)

Ongoing? (These numbers will go into your operating plan budget.)

**Pricing**

Explain your method or methods of setting prices. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think and large competitors can underprice you anyway. Usually you will do better to have average prices and compete on quality and service.

Does your pricing strategy fit with what was revealed in your competitive analysis?

Compare your prices with those of the competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?

What will be your customer service and credit policies?

**Distribution Channels**

How do you sell your products or services? Retail, Direct, Wholesale, Personal Sales Force, Agents, Independent Reps, Bids on Contract?

SWOT ANALYSIS

|  |  |
| --- | --- |
| Strengths (Internal)Skills, talents, qualities, characteristics that enable you to be successful\* asdfasf122333’;l;llkjjhhDa | Weaknesses (Internal)Areas that you do not excel |
| Opportunities (External)New product or service ideas, grow business, get promotion, increase staff, etc.  | Threats (External)Possible obstacles, challenges, hindrances\* asdfasdfasdf\* asfdasdfasdf\* asdfasdfasfd\*  |

**Operational Plan**

Explain the daily operation of the business, its location, equipment, people, processes and surrounding environment.

**Production**

How and where are your products or services produced?

Explain your methods of:

* Production techniques and costs ● Inventory control
* Quality control ● Product development

**Legal Environment**

Describe the following:

* Licensing and bonding ● Permits
* Health, workplace regulations ● Environmental regulations
* Zoning or building code ● Insurance coverage
* Trademarks, copyrights, or patents (pending, existing, or purchased)

**Personnel**

* Number of employees ● Type of labor (skilled, unskilled, etc.)
* How will you find the right employees? ● Quality of existing staff
* Pay structure ● Training
* Job descriptions

**Location**

What qualities do you need in a location? Is the location important to your customers? Describe the type of location you’ll have.

* Amount of space ● Parking requirements
* Type of building ● Convenient
* Zoning ● Company image
* Power and other utilities ● Relative to competition

**Inventory**

* What kind of inventory will you keep: raw materials, supplies, finished goods?
* Average value in stock (i.e., what is your inventory investment)?
* Rate of turnover and how this compares to the industry averages?
* Seasonal buildups?
* Lead-time for ordering?

**Suppliers**

Identify key suppliers:

* Names and addresses
* Type and amount of inventory furnished
* Credit and delivery policies
* History and reliability

Should you have more than one supplier for critical items (as a backup)?

Do you expect shortages or short-term delivery problems?

Are supply costs steady or fluctuating? If fluctuating, how would you deal with changing costs?

**Accounting Policies**

**Credit Policies**

Do you plan to sell on credit? Do you really need to sell on credit? Is it customary in your industry and expected by your clientele?

If yes, what policies will you have about who gets credit and how much? How will you check the creditworthiness of new applicants? What terms will you offer your customers; that is, how much credit and when is payment due?

Will you offer prompt payment discounts? (Do this only if it is usual and customary in your industry.) Do you know what it will cost you to extend credit? Have you built the costs into your prices?

**Managing Your Accounts Receivable**

If you do extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Total** | **Current** | **30 Days** | **60 Days** | **90 Days** | **Over 90 Days** |
| **Accounts Receivable Aging** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

You will need a policy for dealing with slow-paying customers:

When do you make a phone call, send a letter, or get an attorney?

**Managing Your Accounts Payable**

You should also age your accounts payable, what you owe to your suppliers. This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and can damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date.)

Do your proposed vendors offer prompt payment discounts?

A payables aging looks like the following table.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Total**  | **Current** | **30 Days** | **60 Days** | **90 Days** | **Over 90 Days** |
| **Accounts Payable Aging** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**Management and Organization**

**Talk about Yourself**

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

If you’ll have more than 10 employees, create an organizational chart showing the management hierarchy and who is responsible for key functions.

Include position descriptions for key employees. If you are seeking loans or investors, include resumes of owners and key employees.

**Professional and Advisory Support**

List the following:

Board of directors

Management advisory board

Attorney

Accountant

Insurance agent

Banker

Consultant or consultants

Mentors and key advisors

### Financial Plan

The financial plan consists of a 12-month profit and loss projection, a five-year profit and loss projection, a cash-flow projection, a projected balance sheet, and a break-even calculation. Together they constitute a reasonable estimate of your company's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

##### 12-Month Profit and Loss Projection

Many business owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and so that you can go back to your sources when it’s time to revise your plan.

##### Five-Year Forecast

The 12-month projection is the heart of your financial plan. This section is for those who want to carry their forecasts beyond the first year.

Of course, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

##### Cash Flow Projections

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn’t be taken by surprise.

There is no great trick to preparing it: The cash-flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases.

You should also track cash outlays prior to opening in a pre-startup column. You should have already researched those for your startup expenses plan.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the Profit and Loss Projection. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory buildup, that should be budgeted?

Loan payments, equipment purchases, and owner's withdrawals usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never write a check for it.

##### Balance Sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is the owners’ equity.

Use a capital expenditure spreadsheet as a guide to preparing a projected balance sheet. Then detail how you calculated the account balances.

##### Break-Even Analysis

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it’s the sales level that is the dividing line between operating at a loss and operating at a profit.

Expressed as a formula, break-even is:

|  |  |
| --- | --- |
|  |  |
| Breakeven Sales = | Fixed Costs |
| 1- Variable Costs |
|  |  |

(Where fixed costs are expressed in dollars, but variable costs are expressed as a percentage of total sales.)

Include all assumptions upon which your break-even calculation is based.

**Supporting Documents**

Include details and studies used in your business plan, for example:

* Brochures and advertising materials
* Industry studies
* Blueprints and plans
* Maps and photos of location
* Magazine or other articles
* Detailed lists of equipment owned or to be purchased
* Copies of leases and contracts
* Letters of support from future customers
* Any other materials needed to support the assumptions in this plan
* Market research studies/demographic studies
* List of assets available as collateral for a loan