

# Preparing a Business Plan

# BUSINESS PLAN OUTLINE

*The following pages provide a suggested outline of the information that should be included in your business plan. Depending on the specific nature and needs of your business, each plan may vary. Discuss with your lender or investor the specific requirements for financing prior to completing your plan.*

## I. COVER SHEET

1. This serves as the title page.
2. Name, address, phone number of the company (if not sure, list the proposed address and your home phone number)
3. Name, title, address, phone number of the owner(s) (corporate officers if incorporated)
4. Month and year the plan was prepared
5. Name of preparer or those who assisted (if not owner)
6. Copy number of plan

## II. EXECUTIVE SUMMARY

This is the overview of the entire plan. This should be written **LAST** and should summarize the following:

1. What do you need?
2. What will the funds be used for?
3. What is the expected impact to your business? (Revenue increase, Expense reduction, Return on Investment)
4. Who are you and What do you bring to the business?
5. How and when will you repay the loan?

If you are seeking financing, explain why you need it, how much you need, and how you plan to repay the loan or benefit the investor.

## III. TABLE OF CONTENTS

## IV. ORGANIZATIONAL PLANS

### Description of the Business

Give an overview of the nature of the business. Tell when and why the company was formed, describe the nature and uniqueness of the services and/or products provided, and review the general development of the company – why you want to start this particular business. Project a sense of where you see your company going in the next few years. Do not exceed one page and do not make broad, general statements. Be specific.

## **Products and Services**

**If you are a manufacturer and/or wholesale distributor of a product:** Describe your products. Tell about your manufacturing process. Include information on suppliers and availability of materials/products.

**If you are a retailer:** Describe the product you will sell. Include information about your sources (suppliers and alternative sources) of inventory.

**If you provide a service:** Describe your initial services and any that you plan to offer in the future. Tell about your background in the industry and why you are qualified to offer the service. List special certifications, licenses, etc.

## **Legal Structure**

Tell what legal structure you have selected and why this is best for you and your company. List the owners or corporate officers together with short biographies.

## **Management**

List the people who are (or will be) actually running the business (those responsible for operations). Describe their responsibilities and why they are qualified (experience and expertise). Lists projected salaries and include resumes in *Supporting Documentation* section.

## **Personnel**

Talk about what tasks will be done on a day-to-day basis and who will be doing the work. What skills and educational level will be required of personnel? Include the number of hours each person will work and how they will be compensated – hourly wages, commissions, bonuses, etc.

## **Record Keeping and Accounting**

What system will you set up for maintenance of financial records? Who will be responsible for tax accounting? What plan do you have for periodic financial analysis? Project costs associated with accounting services.

## **Insurance**

What kinds of insurance (Property & Liability, Life & Health, Auto, disability, Business Interruption, etc.) will be needed to protect you and your business from loss? What will it cost and whom will you use for a carrier?

## **Security**

What security issues need to be addressed with regards to inventory control, theft, vandalism, break-ins, etc.? Project associated costs.

## **V. MARKETING PLAN**

This part of your business plan covers research and reaching the customer. It includes information about the total market with emphasis on your specific target market. It will identify your customers and tell about the means that you will utilize to make your products or services available to them.

### **Target Market**

Identify characteristics of your customers. Tell how you arrived at your results. Back up statements with demographics, questionnaires, or surveys. Project the size of your market.

### **Competition**

Profile and evaluate your competitors with regard to products, pricing, location, and business history. Explain how you plan to compete.

### **Promotion**

How will you get the message to your customers? Your goal is to create a positive image, so be sure to include samples of promotional materials, advertisements, and timelines for ad campaigns. Discuss paid advertising (newspaper, radio, television, outdoor and specialty), publicity (media features, reviews), direct mail (discuss costs vs. Return), and other activities specific to industry (trade show, markets, etc.).

### **Pricing**

Discuss the results of your market research, the cost of your product or service, and how you arrived at your pricing structure. Be sure to back this up with materials from research.

### **Location/Facility**

Discuss in detail the proposed location of the business. Tell why this particular location is favorable. Is the facility adequate for the type and volume of business? Discuss such issues as traffic counts, accessibility, parking, other business in the immediate area, etc. If there are repairs or improvements that need to be made to the building, be sure to discuss in detail the needed repairs and the costs.

### **Timing of Market Entry**

Tell when you plan to enter the market and why this decision has been made.

### **Industry**

Discuss current trends in the industry, how the market has changed in the past and/or how it may change in the future. Tell how you will adjust the way you do business in order to remain competitive.

## **VI. FINANCIAL PROJECTIONS AND DOCUMENTATION**

### **Summary of Financial Need**

This includes what funds are needed to start this business. All sources (personal, loans, and investors) are included. Details of how money will be appropriated.

### **Pro Forma Cash Flow**

This projects what your business plan means in terms of actual dollars and how the money will flow through the business once you are operating. It is of prime interest to the lender or investor because it shows your ability to repay loans and the investors potential for ROI.

### **Two-Year Projected Profit and Loss**

This statement shows projected revenues and costs associated with doing business on a yearly basis. Costs are projected not only in dollars but also in percentage of gross receipts for comparison to like businesses in the same type markets.

### **Balance Sheet**

Shows the condition of the business as of a fixed date. It is a picture of your company's financial condition at a particular moment and will show you whether your financial position is strong or weak. It is also done at the close of an accounting period and contains assets, liabilities, and net worth. New businesses are usually required by the lender to furnish a projected balance sheet with their loan application.

## **VII. SUPPORTING DOCUMENTATION**

This section of your business plan will contain all of the records that back up the statements and decisions made in the main sections of your plan. Include only items that are relevant to your plan. Do not add "FLUFF" - it is not necessary and considered a BIG mistake. Some items you will need to include are:

- RESUMES: Include resumes on any owners and/or managers
- OWNERS PERSONAL FINANCIAL STATEMENT
- CREDIT REPORT
- COPIES OF LEASES, MORTGAGES, PURCHASE AGREEMENTS, ETC.
- LETTER OF REFERENCE
- CONTRACTS
- PHOTOGRAPHS
- OTHER LEGAL DOCUMENTS: Legal papers pertaining to legal structure, proprietary rights, insurance, partnership agreements, quotations on equipment and inventory purchases, shipping contracts, etc.
- MISCELLANEOUS DOCUMENTS

## **VIII. PUTTING YOUR PLAN TOGETHER**

Your business plan should look PROFESSIONAL, but the potential lender or investor needs to know that you prepared it. A business plan will be the best indicator that can be used to judge your potential for success. It should not be more than 20-30 pages in length, excluding supporting documentation.

Have your plan typed in black ink and bound neatly together. Make copies for each lender or investor you plan to approach. Keep track of each copy that you distribute. If you are not successful in obtaining financing with a particular financial institution or investor, be sure to retrieve all copies of you plan as quickly as possible.

## Sources and Uses of Funds

Complete the table below as accurately as possible. The amounts listed under the TOTAL FUNDS REQUIRED column will include both your contribution to the business and the amount that you wish to borrow. Remember to include the value of all of your cash, property, equipment, inventory, etc., that will be for the exclusive use of the business under the FUNDS PROVIDED BY OWNERS column.

Funds Provided	Funds to Be	<u>Total Funds By Owners</u>	<u>Borrowed</u>	<u>Required</u>
Automotive				
Equipment & Furniture				
Land				
Building Construction/Purchase				
Building Improvements				
Other Fixed Assets				
Accounts Payable				
Notes Payable				
Operating Cash				
Inventory Purchases				
Prepaid Expenses				
Advertising				
Deposits				
Training				
Accounts Receivable Financing				
Organizational Costs				
Other				

Blue = Fixed Assets

Green = Soft Assets or Working Capital

Yellow = where to try and put your money and the lenders' money

## Monthly Gross Sales and Expenses Worksheet

### **Gross Sales**

*Business Entity* \_\_\_\_\_

Sales/Revenue Source #2 \_\_\_\_\_

Sales/Revenue Source #3 \_\_\_\_\_

Sales/Revenue Source #4 \_\_\_\_\_

Sales/Revenue Source #5 \_\_\_\_\_

Sales/Revenue Source #6 \_\_\_\_\_

### **COGS/Variable Expense**

COGS for Sales #1 \_\_\_\_\_

COGS for Sales #2 \_\_\_\_\_

COGS for Sales #3 \_\_\_\_\_

COGS for Sales #4 \_\_\_\_\_

COGS for Sales #5 \_\_\_\_\_

COGS for Sales #6 \_\_\_\_\_

### **Operating Expenses**

Labor/Payroll \_\_\_\_\_

Contractors \_\_\_\_\_

Management/Owners \_\_\_\_\_

Benefits \_\_\_\_\_

Advertising \_\_\_\_\_

Auto Expense \_\_\_\_\_

Contributions \_\_\_\_\_

Charge Cards \_\_\_\_\_

Dues & Subscriptions \_\_\_\_\_

Freight \_\_\_\_\_

Insurance \_\_\_\_\_

Legal/Acct \_\_\_\_\_

Office Supplies \_\_\_\_\_

Shop Supplies \_\_\_\_\_

Travel \_\_\_\_\_

Telephone \_\_\_\_\_

Utilities \_\_\_\_\_

Repairs \_\_\_\_\_

Tax/License \_\_\_\_\_

Rent/Lease \_\_\_\_\_

Other Expense \_\_\_\_\_

Debt Service Chgs. \_\_\_\_\_

Bank Service Chgs. \_\_\_\_\_

Equipment Lease \_\_\_\_\_