# **Cover page for your**

# **Business Plan**

# OWNERS

Your Business Name

Address Line 1

Address Line 2

City, ST ZIP Code

Telephone

Fax

E-Mail

Month/year

**Executive Summary**

Write this section last.

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.

If applying for a loan, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

**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. 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?

**Market research - How?**

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research themselves.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

**Economics**

Facts about your 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
* High production costs
* High marketing costs
* Consumer acceptance and brand recognition
* Training and skills
* Unique technology and patents
* Unions
* Shipping costs
* Tariff barriers and quotas

And of course, how will you overcome the barriers?

How could the following affect your company?

* Change in technology
* Change in government regulations
* Change in the economy
* 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
* Gender
* Location
* Income level
* Social class and occupation
* Education

For business customers, the demographic factors might be:

* Industry (or portion of an industry)
* Location
* Size of firm
* Quality, technology, and price preferences
* Other (specific to your industry)
* Other (specific to your industry)

**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?

Use the Competitive Analysis table below to compare your company with your two most important competitors. In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.

In the column labeled **Me**, state how you honestly think you will stack up in customers' minds. Then check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses. Try to be very honest here. Better yet, get some disinterested strangers to assess you. This can be a real eye-opener. And remember that you cannot be all things to all people. In fact, trying to be causes many business failures because efforts become scattered and diluted. You want an honest assessment of your firm's strong and weak points.

Now analyze each major competitor. In a few words, state how you think they compare.

In the final column, estimate the importance of each competitive factor to the customer. 1 = critical; 5 = not very important.

**Table 1: Competitive Analysis**

| **Factor** | **Me** | **Strength** | **Weakness** | **Competitor A** | **Competitor B** | **Importance to Customer** |
| --- | --- | --- | --- | --- | --- | --- |
| **Products** |  |  |  |  |  |  |
| **Price** |  |  |  |  |  |  |
| **Quality** |  |  |  |  |  |  |
| **Selection** |  |  |  |  |  |  |
| **Service** |  |  |  |  |  |  |
| **Reliability** |  |  |  |  |  |  |
| **Stability** |  |  |  |  |  |  |
| **Expertise** |  |  |  |  |  |  |
| **Company Reputation** |  |  |  |  |  |  |
| **Location** |  |  |  |  |  |  |
| **Appearance** |  |  |  |  |  |  |
| **Sales Method** |  |  |  |  |  |  |
| **Credit Policies** |  |  |  |  |  |  |
| **Advertising** |  |  |  |  |  |  |
| **Image** |  |  |  |  |  |  |

Now, write a short paragraph stating your competitive advantages and disadvantages.

**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.

**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, what plans do you have for graphic image support? This includes things like logo design, cards and letterhead, brochures, signage, and interior design (if customers come to your place of business).

Should you have 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 under price 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?

What will be your customer service and credit policies?

**Proposed Location**

Probably you do not have a precise location picked out yet. This is the time to think about what you want and need in a location. Many startups run successfully from home for a while.

* Is your location important to your customers? If yes, how?
* If customers come to your place of business:
* Is it convenient? Parking? Interior spaces? Not out of the way?
* Is it consistent with your image?
* Is it what customers want and expect?

Where is the competition located? Is it better for you to be near them (like car dealers or fast food restaurants) or distant (like convenience food stores)?

**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
* Quality control
* Customer service
* Inventory control
* Product development

**Location**

What qualities do you need in a location? Describe the type of location you’ll have.

* Physical requirements:
* Amount of space
* Type of building
* Zoning
* Power and other utilities
* Access:

Is it important that your location be convenient to transportation or to suppliers?

Do you need easy walk-in access?

What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centers?

Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.

Construction? Most new companies should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.

Cost: Estimate your occupation expenses, including rent, but also including maintenance, utilities, insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your financial plan.

What will be your business hours?

**Legal Environment**

Describe the following:

* Licensing and permits requirements
* Trademarks, copyrights, or patents (pending, existing, or purchased)
* Health, workplace, or environmental regulations
* Special regulations covering your industry or profession
* Zoning or building code requirements
* Insurance coverage and bonding requirements

**Personnel**

* Number of employees
* Type of labor (skilled, unskilled, and professional)
* Where and how will you find the right employees?
* Quality of existing staff
* Pay structure
* Training methods and requirements
* Who does which tasks?
* For certain functions, will you use contract workers in addition to employees?

**Inventory**

What kind of inventory will you keep: raw materials, supplies, finished goods?

**Suppliers**

Identify key suppliers:

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

**Management and Organization**

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?

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

**Sources and Uses of Funds:**

List out the total cost of your project

List how much cash (equity) that you will be contributing towards the project

List what you have available for collateral and the fair market value of each item

See chart:

|  |  |
| --- | --- |
| Total Cost of Project | $ |
| My Equity cash investment | $ |
| Total amount of loan needed (total cost – Equity) | $ |
| List below collateral items and fair market value of each |  |
|  |  |
|  |  |
|  |  |
|  |  |

**Items that you will need for financing:**

* Business plan
* Personal financial Statement – your banker will have this for you to fill out
* 3 years of your personal tax returns
* If purchasing or expanding a business, 3 years of the business tax returns
* The banker will pull a credit report
* List of how you plan to spend the loan money
* Sources and uses statement
* 3 to 5 year cash flow projections

**Appendices**

* 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
* List of assets available as collateral for a loan