

Components Of A Business Plan

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Name and address of business

Telephone Numbers

Names of Owners

Owner's addresses and telephone numbers

Date Plan was prepared (month and year)

OPTIONAL: Picture of business, company logo, etc.

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Statement of Purpose

This section of the analysis/plan should be a summary of the plan's objectives and should include what the plan will be used for (i.e., operating and policy guide, loan proposal). If the plan is to be used as a loan proposal the statement purpose should include responses to the following:

- 1) Who is requesting the loan.
- 2) Type of business (i.e., sole proprietorship, partnership, corporation).
- 3) How much is being requested.
- 4) What the money will be used for.
(List approximate costs if proceeds will be used for equipment purchases.)
- 5) The benefits the business will receive from the money.
- 6) Why the loan makes sense.
- 7) How will the loan be repaid.

Description of the Business

The description of the business should include:

- 1) The type of business: i.e., primarily merchandising, manufacturing or service.
- 2) The status of the business: i.e., start-up, expansion, takeover or existing business.
- 3) The business form: i.e., sole proprietorship, partnership, or corporation.
- 4) The business mission – what you want your business to achieve (i.e. to be the preferred service provider to the local _____ industry.) Describe briefly your product or service, including the unique selling position of your product or service.
- 5) Why this business will be profitable.
- 6) What the hours of operation will be.
- 7) Any seasonal fluctuation the business may experience.
- 8) List future growth opportunities (new products or services you may add in the future)
- 9) Briefly describe any risks your company will face.
- 10) Briefly describe any strategic relations that exist (i.e. any dedicated customers, existing sales contracts, legal agreements of benefit, preferred pricing status, etc.)
- 11) List any intellectual properties (copyrights, trademarks, patents, etc.) Include copies in the appendices under “Supporting Data.”

If the business has been in existence give a summary of its history discussing any problems that arose during its existence and how these problems were resolved. If the project includes a planned expansion explain what problems the present size has caused and how the expansion will correct these problems.

If the business is new, your description should explain why the owners will be successful; what their experience is; what other people involved in this kind of business feel about this business; what will be special about this business; and when it will open.

Also included should be what, if any, managerial or technical help will be provided by trade suppliers, what the trade credit is and how the company will offset possible slow payments by customers.

For a business takeover there should be a brief history of the business to be purchased. This history should include: when and by whom the business was founded; why the owner is selling it; and how a purchase price was arrived at. There should also be information regarding the trend of sales. If this trend is downhill; why is it downhill and how can it be turned around? How does management plan to make the business more profitable?

Competition

To be competitive, you must first know who your competition will be and what their positive and negative aspects are. A small business can operate profitably in a market too small for big business. Therefore, it is helpful for a small business to identify these unserved or unsatisfied markets where they have the advantage. This section should answer the following questions:

- 1) Who is the competition? Not just “apples to apples” competitors, but other functional competitors? (i.e. you can buy milk at a grocery store, a convenience store, some gas stations, some pizza shops....if you are a grocery store that sells milk, these are all your competitors.
- 2) Why is your operation better? What is your unique selling position (USP) that will make customers choose your business?
- 3) What are the strengths and weaknesses of the competition? What are YOUR strengths and weaknesses?
- 4) How does the business compare to its competition? What are its similarities? Its differences?
- 5) What can be learned from watching the competition? How do they handle certain issues? Was their approach successful? Would you handle the same issue differently? Why?
- 6) Compare your prices to the competition. Are you in a competitive range? Are you profitable at these prices? What if you are forced to lower prices? Are your prices higher? How can you justify a higher price – and are you sure your customers are willing to pay a higher price for your product or service? Why?
- 7) Compare and contrast the competition in relation to buying considerations-price, service, location, quality, value, dependability, etc. How do you compare, and how will you do these considerations better?

It is important to study the competition closely so that the company does not jump into a market that is already being adequately serviced.

Market Strategy

In order to be profitable, a business has to be able to sell its product or service to enough customers to cover its cost. To do this there must be a defined marketing strategy, which includes certain basic marketing concepts. These include:

- 1) Defining the market. Who needs the service or product? Who is your target market?
- 2) The size of the target market.
- 3) The business' place within the market. It should use its special abilities, unique selling points, strengths, to meet the demands in the market they are going to service.
- 4) The market's growth potential.
- 5) Will the business share increase, decrease or stay constant as the market changes?
- 6) How will the company take advantage of its strengths within the market they are serving?
- 7) Pricing strategy that allows the business to be profitable, yet competitive. How to you compare to your competitor's pricing? Can you justify any higher pricing you may charge?
- 8) If the pricing will exceed the competition's, how can these higher prices be justified?
- 9) How will you reach your target market? What are the associated costs?
- 10) Will you use promotions? Sales incentives? Briefly explain.
- 11) What are your customer service policies? How will you train employees to extend these policies to your customers?
- 12) How can you network for increased business opportunities?
- 13) Who will be responsible for implementing your marketing plan? Do they possess the necessary skills and qualifications?
- 14) Will you outsource any marketing functions? To whom? At what cost?

If the company is a new business, explain the industries' marketing strategy. For an existing business, explain the current strategy covering any problems and how they were overcome. This section should also include a brief paragraph on the industry's credit terms and the anticipated credit terms of the company involved.

Also include what steps can be taken or changes made if the business experiences a sales downturn. (i.e. seasonal business, temporary cost increases, etc.)

Location

Proper site location is very important. While clientele may eagerly seek out some types of businesses, no matter how obscure their location, many businesses require an easily accessible, highly traveled location to be profitable. This is especially true if the sales are based on impulse buying. Therefore, if this is a new business, the ideal site location should be decided first. Keeping in mind that rent is the combination of the cost of space plus advertising, it should be determined how close to this ideal location the company can settle. Items to be included in this section are:

- 1) The business address or where you'd like the business to be located.
- 2) The physical features of the building or buildings, including signage, parking, lighting.
- 3) Whether the building will be owned or leased. If leased, state the terms.
- 4) What renovations are needed, if any?
- 5) The type of neighborhood, including zoning laws and permits required.
- 6) Types of businesses in the area. Do they help draw traffic to your business?
- 7) Why this building and/or site is desirable.
- 8) What affect this site has on operating costs.

Chambers of Commerce, trade sources, planning commissions, bankers, and real estate brokers are good sources of information for availability, costs, and traffic patterns for different sites.

Management

According to numerous studies on the failure of small businesses, approximately 98% failed because of some managerial weakness. (Managerial Incompetence _45%; Unbalanced Expertise - 20%; Inexperience in Management -18%; Inexperience in the Line - 9%; Neglect, Fraud, Disaster - 6%). If management is inexperienced or unbalanced, they can gain the experience themselves or find a person to give them the needed experience. In the Management Section, you will explain who is running the business, who owns the business if the owner/principal are not the same person, and the talents and skills of key employees. This section should include:

1. Principal's Personal Histories

- a. Business background and Resume'.
- b. Management experience.
- c. Education, both formal and informal.
- d. Personal data: age abilities, interests, etc.
- e. Reasons for going into business.
- f. Physical conditions.
- g. Why the principals will be successful.
- h. Will you have a Board of Directors? Who was chosen and why they were chosen to be on the Board.

2. Related Work Experience

- a. Operational experience in this type of business.
- b. Managerial experience in this type of business
- c. Managerial experience from other areas.

3. Duties and Responsibilities

- a. Who does what.
- b. Who reports to whom.
- c. Who makes final decisions.

4. Salaries

- a. Reasonable, but not greedy
- b. Cost of living budgets.
- c. Fringe benefits? Cost of fringe benefits?
- d. Offer a 401K, Pension or other retirement plan? Cost of this plan.

5. Resources Available to the Business – If you have selected these firms, name the firm and your key contact at the firm.

- a. Accountant – also name what accounting system you will use. Who will periodically analyze your financials?
- b. Lawyer.
- c. Insurance Broker – what kinds of insurance will you carry?
- d. Business trade or civic organizations.
- e. Consultants – paid and unpaid. Is there someone in a similar business who is not a competitor you can discuss business issues with? A retired executive who is helping you?
- f. Colleges and Universities.
- g. Federal, state and local agencies – Include the CCBDC as one of your resources

6. Security – Analyze how you will protect your business and state projected costs for:
 - a. Insurance available to cover operating expenses if owner dies?
 - b. Protection of inventory?
 - c. Theft?
 - d. Disaster Plan? How will you operate if the computer fails or a portion of the building is in a fire?

Information included in this section should indicate that the business is aware of skills both inside the company (management, employees, etc.) as well as that outside the company.

Personnel

The employees hired by a business are very important. The ability of various staff members may increase management's or may make up for some expertise needed in the business that management lacks. Questions that this section should answer include:

- 1) What are the present and future personnel needs? How many employees and in what positions?
- 2) What skills, training or qualifications will be required?
- 3) Are the necessary type of people available?
- 4) How many full and part-time employees are needed?
- 5) How much each employee will earn and whether they will be paid hourly or by salary?
- 6) What fringe benefits, if any, will there be?
- 7) How many hours will employees typically work? Is any overtime expected?
- 8) Will these employees need to be trained? If so, what are the costs? How will you train future employees for consistent performance? How will you cross-train employees to cover for vacation and unexpected absences?

Studies have shown that over 70% of all clients who stop going to a store do so because of the lack of prompt, courteous attention. Therefore, it is important to remember that good employees can make a marginal business work while poor employees can easily destroy an excellent business.

Applications And Expected Effect Of The Loan

This section will be used if the company is planning to finance the project by obtaining a loan or through individual investors. The best way to attack this problem is to make two lists. The first would be a "bare bones" lists, the minimum that is needed to scrape by with. The second list would be an "optimal" list, what would be desirable if money was no problem and profit was not a motive of the company. From these two lists a final list can be devised of what would be a reasonable loan request to operate the company. This section should include responses to the following:

- 1) What will you spend the loan money on? (i.e., building equipment, inventory, working capital, etc.)
- 2) What are the actual items to be purchased? (Include brief description, model number and price.) Include copies of quotations for equipment in "Supporting Data."
- 3) Who will supply these items?
- 4) How much will they cost? (Include sales tax, installation charges, freight, etc.)
- 5) How will these expenditures make the business more profitable? It is important to make sure that the costs do not exceed the expected increased revenues.

Summary

This section should summarize all the ideas that have been developed in the business plan. It should show that the sections support each other logically and coherently. It should be written in a way that leaves the reader with a concise, convincing statement that both the project and plan are feasible.

Appendices

Financial Data

Assumptions for Financial Statements:

Explain the basis for conclusions on financial statements

Margins and costs associated with sales

Formulas used for determining sales

Determinations for expenses

Any other pertinent information used in reaching financial conclusions

Sample Cash Flow Projection

Three years of cash flow projections

First Year – Monthly extensions

Second Year – Quarterly extensions

Third Year - Annual

Sample Income Statement

Two-year projection. Normally based 1/1 – 12/31 unless you are using a fiscal year

Sample Balance Sheet

Two-Year Projection. Annual, normally 12/31/xx

SUPPORTING DATA

Any pertinent additional supporting information

Copies of licenses or permits, leases, mortgages, purchasing agreements

Blueprints or information about equipment

Copies of information on contracted or pending sales or purchases

Copies of contracts (if applicable)

Copies of intellectual properties (copyrights, trademarks, patents)

Taxes (For those Applying for Loan)

Three years of personal Federal Income Taxes

Sets for all principals

If an existing business or an acquisition:

Three years of business taxes

Must include Schedule C's and other Business Schedules filed

Include signed Form 1040

AND

Three years personal Federal Income Taxes of person applying for Loan

.

CASH FLOW STATEMENT INTRUCTIONS

1. Cash on hand (beginning of month)	Cash on hand (same as 7) Cash position previous month
2. Cash Receipts - (a) cash sales	All cash sales - Omit credit sales unless cash is actually received
(b) Loan or other cash injection	Indicate here all cash injections not shown in 2(a)
4. Total cash available (before cash out) (1+ 2a+2b)	
5. Cash paid out:	
(a) Purchases (merchandise)	Merchandise for resale or for use in product (paid for in current month)
(b) Gross wages	Basic pay plus overtime (if any), vacations, sick days etc.
(c) Payroll Expenses (taxes etc.)	Health insurance, unemployment insurance, employer share taxes, etc.
(d) Outside Services (sublet)	Outside labor and/or material for specialized or overflow work
(e) Supplies (office and operating)	Items purchased for use in the business (not for resale)
(f) Repairs and maintenance	Include periodic expenditures such as painting or decorating etc.
(g) Advertising	This amount should be adequate to maintain sales volume
(h) Car, delivery and travel	If personal car is used, charge in this column, including parking
(i) Accounting and Legal	Outside services, including, for example, bookkeeping
(j) Rent	Real estate only (see 5 (p) for other details)
(k) Telephone	Service in office or long distance calls made from personal telephone
(l) Utilities	Water, heat, light and/or power
(m) Insurance	Coverage on business property and produces (fire, liability): also worker's compensation, executive life (include 5 (w))
(n) Taxes (real estate, etc.)	Plus inventory tax, sales tax, excise tax, if applicable
(o) Interest	Remember to add interest on loan as it is injected (see 2b above)
(p) Other expenses (specify each)	Unexpected expenditures may be included here as a safety factor Equipment expenses for the month should be included here (non-capital) When equipment is rented or leased, record payments here
(q) Miscellaneous (unspecified)	Small expenditures for which separate accounts would not be practical
(r) Subtotal	This subtotal indicates cash out for operating costs
(s) Loan principal payment	Include payment on all loans, including vehicle and equipment purchases
(t) Capital Purchases (specify date & amount)	Nonexpensed (depreciable) expenditures such as equipment, building purchase
(u) Other start-up costs	Expenses incurred prior to first month projection and paid for after start-up
(v) Owner's Withdrawals	Should include payment for such things as owner's income tax, social security, health insurance premiums, etc.
6. Total cash paid out , add 5(a) through 5(v)	
4. Total cash available (before cash out) (1+2a+2b)	
6. Total cash paid out , add 5(a) through 5(v)	
7. Cash Position (end of month 4 minus 6)	Enter this amount in (1) Cash on hand following month

CASH FLOW STATEMENT

[illegible]

CASH FLOWS for YEARS 2 & 3

	Year 2 - 20XX				Year 3 - 20XX	
	JAN-MAR	APR-JUN	JUL-SEP	OCT-DEC	TOTAL	ANNUAL
1.CASH ON HAND	\$ -	\$ -	\$ -	\$ -		\$ -
2.CASH RECEIPTS-(a) cash sales					\$	
(b) loan or other cash injection						
CCBDC MDLF Loan Proceeds					\$	
					\$	
4.TOTAL CASH AVAILABLE (before cash out) (1+2a+2b)	\$ -	\$ -	\$ -	\$ -		\$ -
5. CASH PAID OUT:						
(a) Purchases (merchandise)					\$	
(b) Gross Wages					\$	
(c) Payroll Expenses (taxes etc.)					\$	
(d) Outside Services (sublet)					\$	
(e) Supplies					\$	
(f) Repairs and maintenance					\$	
(g) Advertising					\$	
(h) Car, delivery and travel					\$	
(i) Accounting and Legal					\$	
(j) Rent					\$	
(k) Telephone					\$	
(l) Utilities					\$	
(m) Insurance					\$	
(n) Taxes (real estate, etc.)					\$	
(o) Interest					\$	
(p) Other expenses (specify each)					\$	
					\$	
					\$	
(q) Miscellaneous (unspecified)					\$	
(r) SUBTOTAL	\$ -	\$ -	\$ -	\$ -	\$	\$ -
(s) Loan principal payment						
(t) Capital Purchases (specify date & amount)					\$	
					\$	
(u) Other start-up costs					\$	
(v) Owner's Withdrawals					\$	
6. TOTAL CASH PAID OUT, Add 5(a) Through 5(o)	\$ -	\$ -	\$ -	\$ -	\$	\$ -
4.TOTAL CASH AVAILABLE (before cash out) (1+2a+2b)	\$ -	\$ -	\$ -	\$ -	\$	\$ -
6. TOTAL CASH PAID OUT, Add 5(a) Through 5(v)	\$ -	\$ -	\$ -	\$ -		\$ -
7.CASH POSITION (end of month 4 minus 6)	\$ -	\$ -	\$ -	\$ -		\$ -

INCOME STATEMENT

	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>
Sales	\$ -	\$ -	\$ -
Cost of Sales			
Beginning Inventory			
Purchases			
Cost of Goods	\$ -	\$ -	\$ -
Less Ending Inventory			
Cost of Sales	\$ -	\$ -	\$ -
Gross Profit on Sales	\$ -	\$ -	\$ -
Expenses:			
Advertising			
Business Travel			
Car & Truck Expenses			
Gross Wages			
Insurance			
Interest Expense			
Legal & Professional			
Misc. (Specified Expenses)			
Office Supplies & Postage			
Other (Unspecified)			
Payroll Expense			
Repairs & Maintenance			
Shipping			
Sublet			
Supplies			
Taxes			
Telephone			
Utilities:			
Heat			
Electric			
Total Expenses	\$ -	\$ -	\$ -
Income From Operations	\$ -	\$ -	\$ -
Other Income:			
Rent Revenue			
Interest Income			
Net Profit/Loss	\$ -	\$ -	\$ -

BALANCE SHEET

	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>
-			
Assets			
Current:			
Cash	\$ -	\$ -	\$ -
Inventory	\$ -	\$ -	\$ -
Business Improvements			
Long Term:			
Tools & Equipment			
Land			
Building			
Supplies			
Furniture & Fixtures			
Total Assets	\$ -	\$ -	\$ -
Liabilities:			
Current:			
Accounts Payable			
Sales Tax Payable			
Payroll Taxes			
Long Term:			
Long Term Notes			
Miscellaneous Liabilities			
Total Liabilities	\$ -	\$ -	\$ -
Owners Equity			
Capital			
Total Liabilities & Capital	\$ -	\$ -	\$ -