

Tools

Business Plan Outline

Business Planning

The business plan serves three essential functions. It allows you to objectively evaluate the FEASIBILITY of your idea. First, it serves as a COMMUNICATION document. Second, it allows you to present your well thought out idea and plans to family, friends, potential employees and, of course, banks. Lending institutions require a business plan for loans to start a business. Third, it serves as a MANAGEMENT TOOL. It is your road map (so to speak) of how you will start and run your business. And just like you check your road map continually on a long trip, checking your business plan regularly allows you to determine if you are on course and where you may need to make some “course corrections”. After your first year in operation you will want to update your business plan regularly, as it will become your Strategic Plan for growing your business. Below is an outline for a business plan. There are many outlines available, feel free to use the one that you feel most comfortable with and that addresses the issues of your particular business.

Business Plan Outline

1. Cover Page/Introduction

- Name of Business, Address, Phone, Name of Owner(s), and Logo, if you have one.
- Business form (corporation, sole proprietorship, etc.)
- If you are applying for financing, state how much you need, what funds of your own you have to contribute, how the funds will be used, how long to repay the loan and what is being offered as collateral.

2. Executive Summary — in no more than two pages, give the reader an idea of your business...

- What your business does
- What makes your business unique or different
- Who will be your target customers
- When you plan to start
- How you plan to implement your idea

3. Marketing

- Describe the industry:
 - What are the products and services offered? What is going on in the industry?
 - Is it growing nationwide? In this area? Give statistics if possible (trade publications and trade associations can provide lots of useful information). Explain if there is some reason why this business is particularly suited to this area.
 - Who are the suppliers?
 - Who are the major players in the industry?
 - Who are the current people using the product/service?
 - What are the demographics (Age, sex, income, profession, etc.)? Where are they located?
 - Is this a fad? Seasonal?
 - Does growth depend on some other factor like interest rates or the health of a related industry?

- Identify your Target Market:
 - Who is going to buy your product or service? What subset of the current users of the product/service (from above)?
 - Where do they live?
 - How much money do they make and spend?
 - What other goods and services do they buy, what kind of cars do they drive, what publications do they read, do they prefer country music or rock and roll, bagels to donuts, stuffing to potatoes, etc.?
 - What are their most important reasons for buying the product/service?

- Examine your competition — discuss their strengths and weaknesses:
 - List your direct competition and describe their price, quality, location, reputation, experience, service, etc.
 - What are the substitutes for your product or service? (TWA is direct competition to United Airlines; AMTRAK and automobiles are substitutes)
 - Look at competitors in town as well as alternative suppliers like mail order or Internet companies. Make sure you discuss how you are going to deal with your major competitors. Explain your strengths and how you plan to identify and take advantage of their weaknesses. Be realistic.

- Your Market Strategy — satisfying your market's most important reason for buying (remember above.) Explain how you plan to meet these identified needs; ways may include:
 - Superior quality
 - A new "twist" on an existing product
 - A more convenient location
 - Discount prices
 - A higher level of service

- How will you price?
 - Make sure you justify your pricing and that it fits with the market you are planning to attract. Remember price is the easiest thing to duplicate!
 - Does it cover all costs and leave you with a net profit?
 - Things to consider when setting prices:
 - + There is a link between price and perceived image
 - + Discount, average, or higher than competition
 - + High class, high quality, high price
 - + Price according to volume sold

- Where do you plan to be located? Location is critical for retail, but may not be as important for service or a warehouse facility.
 - What type of facility do you need?
 - Will customers come to your location or you to theirs?
 - How much space do you need? What types of things need to be done there?
 - Is security an issue?
 - For Retail explain why your location is an asset — in terms of:
 - + Visibility
 - + Proximity to other businesses patronized by your target market
 - + Parking, if it is important to your business
 - + Other things critical to your target market.

- What marketing methods will you use to reach your target market?
 - Advertising — in what, how often, how much?
 - Promotion
 - Publicity
 - Internet Strategy
 - Sales force
 - Budget
- Sum up just why and how you will be better than your competition, and be the major business success that you aspire to be.

4. Operations

Your type of business will determine the details for this section. The reader must understand how the business will work. A manufacturing business needs to describe how the product is made, on what machinery, what the capacity is, the work force required and so on. A retail store needs to cover the hours it will be open, labor needed, square footage, seasons it must buy for, etc. Discuss the following as appropriate:

Who will do what, when, where, and how? What controls have been established to ensure the job is done and to prevent theft?

- Production Capacity
- Equipment Needs/Cost
- Labor Force
 - Job Descriptions and salary level
 - Skills, capabilities required, attitude
 - Full time/part-time, how many
- Inventory Control
- Purchasing
- Bookkeeping - Accounts Payable
- Credit Policy
- Collection Accounts Receivable
- Quality Control
- Customer Complaints/Returned Items.
- Human Resources Policy & Benefits

5. Management

Who will actually run the business? Assuming it is you, explain why you are qualified to do so. Running a business is very different from working for someone else. You need both the technical skills to operate the business and the management skills to run it. Explain why you have these.

- Discuss:
 - Educational or business background
 - Technical training
 - Management experience
 - Prior work experience
 - Sales and Marketing expertise

- What consultants or advisors will you need?

- Attorney
- Accountant
- Banker
- Insurance Agent
- Business Advisors

6. Financial Plan

- Funds required — how much money do you need, and what are you going to do with it?
 - Capital equipment list — give as much information as possible: brand, new or used, estimated cost (If the list is extremely long, consider placing in an appendix.)
 - Inventory list
 - Supplies list
 - Itemized list of working capital needs: insurance, marketing expenses, deposits, etc.
 - If you are moving into new space and renovations will need to be done, include cost estimates from contractors.
- Sources of funds — where is the money coming from?
 - Personal capital being invested in the business
 - Money that has already been spent
 - What you plan to invest in the future
 - Investors
 - Bank loans
- Security.
 - Collateral available to secure loan, with estimated market value (will need something in addition to items purchased with loan proceeds.)
- Cash flow projections (actual cash coming in and out and the timing of how it comes and goes.)
 - First year by month
 - Next two years in total (some banks require by quarters.)
- Income Statement.
 - Income and Expenses
 - Each of the first 3 years in total
- Balance sheet.
 - At start up
 - Projected at end of each year's operations
- Break-even analysis sales, fixed costs/variable costs.
 - Do you have to sell an ice cream cone a day to every man, woman, child and dog in town to cover your expenses?

7. Appendices — supporting documents (those applicable.)

- Significant Assumptions
- Resumes of principals involved in the business
- Personal financial statements on each of the owners of 20% or more of business
- 3 year's tax returns for principals
- Letters of intent from prospective customers
- Leases ** Do not sign unless these are contingent on financing and yes, you need a lawyer to review these. **
- Contracts with potential customers/vendors
- Newspaper clippings and information searches on the business, the industry or you
- Franchise agreement, if applicable
- Contract of sale, if purchasing (should be contingent upon obtaining financing)
- Zoning regulations
- Insurance policies
- Other