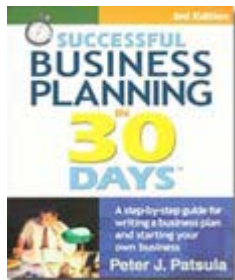


The **ENTREPRENEUR'S** Guidebook Series™

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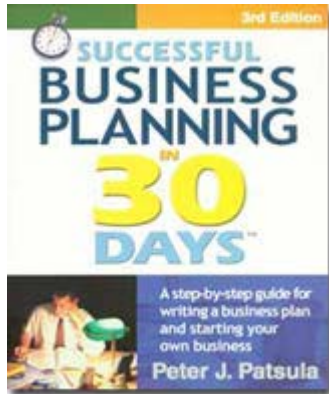


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- **Midwest Book Review**, Oregon, WI
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- **Mike Milliken**, BN.com Review.

This book has helped me a great deal in thinking about my business

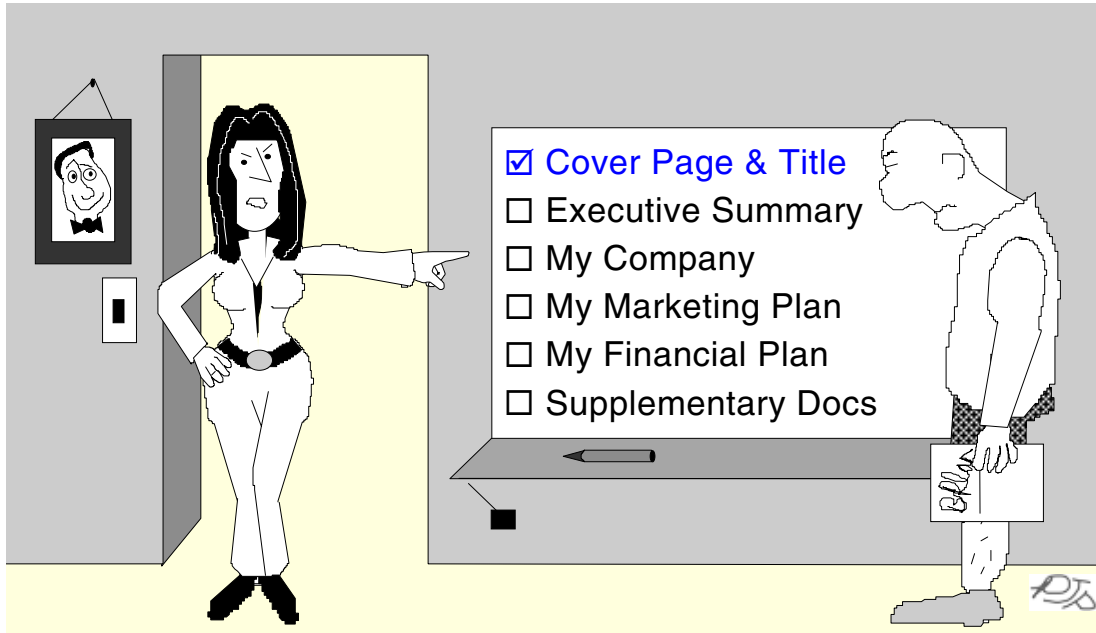
- **Jason Myers**, TX
Amazon.com review



PERSONAL PLANNING

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“Uh uh Harry. Don’t even think of leaving this room until you’ve FINISHED your business plan!”

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WRITING A BUSINESS PLAN

STARTING and running a business in today's rapidly changing world is a considerable challenge. In fact, if adequate planning and control measures are not established early, most entrepreneurs will soon find their business getting out of control. To prevent this, it is necessary to put together a well thought-out, well-researched business plan – your small business blueprint for survival.

In fact, writing a business plan is **THE** fundamental starting point for **ALL** entrepreneurial efforts. Time and time again, it has proven itself to be one of the single most controllable factors relevant to the success or failure of any business.

In fact, if someone asks you matter-of-factly, “Hey I’ve been thinking lately . . . to *start* my small business, do I really need a big **COM-pre-hen-sive** business plan like the one you have? Looks like a lot of work.” Reply to him or her, “No, not at all . . . only if you want to **STAY** in business!”

WHAT IS A BUSINESS PLAN?

A BUSINESS PLAN is primarily an organizing tool used to simplify and clarify business goals and strategies, which might otherwise appear complex and intimidating. However, a business plan is also a sales tool. If it cannot convince at least one other person of the value of your business idea, then either, your idea is not worth pursuing, or your plan needs major rewriting. Therefore, in addition to being simple and clear, a business plan must also be persuasive.

A business plan must also be well written, factual, concise and organized in a logical sequence. It should contain all the pertinent information about your business

and no complex words that tax your reader's vocabulary. Moreover, it should not contain any statements that cannot be supported, and no information that is ambiguous or poorly explained.

A business plan is primarily an organizing tool used to simplify and clarify business goals and strategies.

On the other hand, the mood of your business plan should be cool and clear with just the right dab of excitement, in other words, inspirational and positive, but not full of empty promises.



WHY WRITE A BUSINESS PLAN?

A BUSINESS plan is needed to help consolidate your research, serve as a guide during the lifetime of your business, force you to take an objective and unemotional look at your entire business proposal, and perhaps most importantly, provide potential lenders or investors with detailed information on all aspects of your company's past, current and future operations.

More specifically, a business plan:

- gives you a list of goals and steps to follow
- helps develop your management

A good business plan can help transform a Joe-Shmoe-lose-their-shirt-over-another-stupid-idea entrepreneur, into a respected professional.

capabilities by giving you practice in thinking and figuring out situations both good and bad for your business

- helps transform you from a Joe-Shmoe-lose-their-shirt-over-another-stupid-idea entrepreneur, into a respected professional
- helps uncover obstacles you might have otherwise been completely unprepared for

You can also use your plan to communicate more effectively with suppliers, advertisers, lawyers, accountants, auditors, business consultants and any other interested party who may not quite understand the exact nature of your business.



THE “5 ESSENTIAL ELEMENTS” OF A BUSINESS PLAN

- I. Introductory Section
- II. Company Plan
- III. Marketing Plan
- IV. Financial Plan
- V. Supporting Documents

NO MATTER how many books you consult, no matter how many classes you take, and no matter how many so called experts you talk to, everyone seems to have a different way of organizing and writing business plans.

Why is this? Why is it that the most important part of any business start-up is like

What you put in your business plan, and how you organize it, depends on what you actually need it for.

making chicken soup out of leftovers. One expert calls one section one name, another expert calls the same section a completely different name, and what’s worse it doesn’t seem to matter what order the sections go in either. It’s as if all you have to do to organize and write your business plan is toss everything up in the air and which ever way it lands is the new *revolutionary* business plan model.

But wait, even though it may seem that there is no set form, no standard table of contents, and no magical business plan format, realize that there are five essential elements in all business plans. These five essential elements are guided by one omnipresent rule: what you put in your business plan, and how you organize it, depends on what you actually need it for.

In other words, the organization and writing of a business plan depends solely on its purpose.

NOTE You don't have to research and explain in detail every item outlined in this Guidebook. This five-section comprehensive business plan outline is meant to guide you, not to frustrate you (see **page 13 & 14** for two sample business plan table of contents).



This guidebook provides only a suggested outline for your business plan. You will need to change it, expand upon it or rearrange it in any order as long as your new format is logical and better meets your needs.

INTRODUCTORY SECTION

- Cover Sheet
- Table of Contents
- Executive Summary
- Fact Sheet

THE lead-in *introductory section* of a well-organized business plan, should tell people a) *who you are*, b) *what you are* and c) *what you want*. It can also be used to grab a prospect's attention, impress them that you have what it takes to be successful, and subtly cater to their whims e.g., by implying or stating what's in it for them if they take the time to read your plan.

A business plan forces you to think through every aspect of your business and help you recognize opportunities for growth and profit.

POWERPOINT

However, although a business plan is often used as a sales tool, be careful not to sound too much like a salesman. Don't use flowery words to sell your business, let your ideas, research and facts do the persuading. Make your reader see the value of your plan without hitting them over the head with it or trying to pull the wool over their eyes.

Cover Sheet

Your cover sheet should be simple – kept to a single page – and most importantly, informative at a glance. The information it contains can be placed anywhere on the page as long as it looks good and is in a logical order. Your cover sheet should also encourage readership and attract the attention of

the target reader (see sample on this page).

Company Identifying & Contact Information

Your cover sheet should state the name of your company and have the words “Business Plan.” It should also include your company’s address, telephone number, Fax number (include area codes), E-mail address, Internet address and the names, addresses and numbers of the people who can be contacted if further questions need to be answered.

Company Logo

If you have company logo, it is a good idea to include in on your cover page. But remember, be conservative. Limit its size.

Cover Sheet

Harry’s Pet Supplies

11604 - 102 Street
Edmonton, AB T5K 0R8
(403) 482-2345
(FAX) 482-1HPS



BUSINESS PLAN

Harry Griswald, *President*
Sally Griswald, *Vice President*
#206 12210 - 103 Ave.
Edmonton, AB TS6 0W1
(403) 488-2225

Plan prepared October 1997
by Harry and Sally Griswald ©

Confidential Notice Statement

A confidential notice statement can be put on a business plan to discourage unintended readers from reading its content. A confidential notice statement is also a great way to generate curiosity.

Copyright Notice

A copyright notice may be added to discourage people from copying your business plan and distributing it to others without your knowledge.

Date and Name of Preparer

Your business plan should state the month and year in which it was prepared to give the reader an idea of how current its

In a business plan, salable and informative content is your primary concern. However, considering that venture companies get several thousand business plans a year, an attention-grabbing cover sheet is something worth considering.

SUPERTIP

content is. It should also state who prepared the plan.

Mission Statement

A mission statement may be placed on your cover page to more effectively position your company in the minds of your targeted readers (see GB #21).

Principle Business Definition

A principle business definition is similar to a mission statement however it is more factual and concentrates more specifically on the nature of your business – what it is and does – not on its goals or plans for the future. A principle business definition may also include information

about your company, products, desired image, legal form, major business objectives, and targeted markets.

Summary Statement of Your Business Proposition

A “business proposition summary” unlike a *mission statement* or *principal business definition* is more specifically aimed at zeroing in on the needs and interests of a targeted reader or prospect. It is used most often to summarize the purpose of your business plan.

Targeted Reader

In special circumstances, you may want to state the name of a banker, investor, company or other specific person

If your entire business plan is under 10 pages, you might consider including your table of contents in a highlighted section on your cover sheet.

SUPERTIP

on the cover sheet of your business plan to attract their attention.

Table of Contents

Your table of contents should be limited to one page (see **page 13 & 14**). When designing your table of contents, keep in mind that many readers have hot buttons. They like to read about cash flow, marketing strategies, or some other narrow interests. Make it easy for them to find this information.

Executive Summary

The purpose of an *executive summary* is to pique an investor’s interest and to include the main highlights of your business plan. It is the heart of your business proposal and often the only part

that gets read. It is a mini-introduction to your company in which you try and capture the entire essence of your business in one or two pages (maximum three pages) using all the persuasion and excitement building tactics you can.

When writing your business plan, it is often a good idea to write your executive summary last when all financial needed data is available.

Business Overview

If your executive summary is very short (less than a page), and very straight-forward, it might be more effectively titled a *business overview*. Specifically, you can use a *business overview* to summarize or touch upon key issues in your business plan as well as state what you fundamentally want to ac-

complish by having someone read your business plan.

Statement of Purpose

A *statement of purpose* as shown on **page 16** is very similar to a *business overview* except that it is usually used when the purpose of your business plan is very specific, e.g., if you want your readers to invest in your company, buy shares, give you a loan, become a partner, or extend you an operating line of credit. Below are some key areas you should address in a statement of purpose:

- *Who* you are and *what* you sell (also describe where your are located and when your were established).

Just as one would not think of sending a man to the moon without a flight plan, one should not think of launching a new small business without a business plan.

POWERPOINT

Table of Contents Sample #1

I. Executive Summary	3	● Cash Flow Statement	20
● Mission Statement	5	● Twelve Month Income Proj.	21
● Fact Sheet.....	5	● Three-year Income Proj.	22
II. Company Plan	6	● B.E. Analysis.....	23
● Company Description	7	● Pro Forma Balance Sheet	24
● Merchandising Plan.....	8	● Current Statements	25
● Operating Plan	8	● Balance Sheet.....	26
● Organizational Plan.....	9	● Income Statement	27
III. Marketing Plan	10	● Deviation Analysis	28
● Market Description	11	● Business Financial History.....	29
● Competition Analysis.....	12	● Risk Assessment.....	31
● Selling Strategies	14	● Closing Statement.....	32
● Marketing Approach	15	V. Supplementary Docs	33
IV. Financial Plan	16	● Lease Agreement	33
● Capitalization Plan	17	● Resumes.....	35
● Uses of Funds Statement	18	● Location Analysis	38
● Pro Forma Statements	19	● Product Brochures.....	40
		● Marketing Studies.....	42

Table of Contents Based on SBA's Business Plan Guidelines Sample #2

I. Title Page	1	● Pricing	11
II. Statement of Purpose	1	● Product design	12
III. Table of Contents	2	● Timing of market entry	13
IV. The Business	3	● Industry trends	14
● Legal structure	4	VI. Financial Documents	15
● Description of the business	4	● Summary of financial needs	16
● Products or services	4	● Sources & uses of funds	17
● Location	5	● Cash flow statement (budget)	18
● Management	5	● Three-year income projection	19
● Personnel	6	● Break-even analysis	20
● Methods of record keeping	6	● Balance Sheet	21
● Insurance	6	● Income statement	22
● Security	6	● Business financial history	23
V. Marketing	7	VII. Supporting Documents	24
● Target market	8	● Personal resumes	25
● Competition	8	● Personal financial statement	27
● Methods of distribution	9	● Credit reports	29
● Advertising	10	● Copies of leases	30
		● Letters of reference	33

- What your main objectives are (also explain how you plan to meet those objectives).
- How and why your business will be successful (what is unique about your business and what is your market niche).
- If you need a loan, explain how much you need, why you need it and what specifically you plan to do with it (also explain why a loan will help make you successful).
- How you plan to repay your loan (principle and interest).

Suggested Executive Summary Topics

The following is a list of areas your *executive summary* might discuss:

STATEMENT OF PURPOSE

Harry's Pet Supplies, established in 1993 as a Sole-proprietorship, is a pet food and supply company that caters to pet owners in the NorthWest Edmonton area. The company is seeking growth capital in the amount of \$25,000 for the purpose of purchasing machinery which will allow the company to begin manufacturing, packaging and distributing its own brand of puppy chow dog food.

This new product has been tested by current customers of Harry's Pet Supplies and has received an exceedingly positive response. Funding is required by March of 1996. Repayment of the loan and interest can begin within 30 days of receipt. This loan can be secured by company assets valued at \$80,000.

- *Benefits of Your Product or Service* (talk about the main need you want to meet and why you think that need exists)
 - *Bottom Line Financial Figures* (talk about projected or actual sales, earnings and after tax profits)
 - *Calculated Risks Involved*
 - *Company Goals & Philosophies* (elaborate upon your mission statement)
 - *Competitive Pressures* (talk about your competition and how you plan to beat them; i.e., your competitive advantage)
 - *Funds Required* (talk about the security offered to investors, plan for repayment of a loan, and plan for the use the funds)
 - *Highlights of Your Marketing Plan* (talk about why you have chosen the market you have; what its trends and risks are; where you think you fit into your particular industry; what will ensure a viable future for your business; why your looks so attractive; what your expected market share is or will be; and who your customer are or will be)
 - *Historical Perspectives of Your Business* (talk about how your business came to be or how long it has lasted and why)
 - *Important Facts & Figures* (talk about or list key facts that may be of interest to your readers)
- In your “executive summary”, elaborate upon your mission statement.*

- *Key Products or Services*
- *Key Suppliers*
- *Location of Business and Zoning Laws*
- *Other Businesses Your Own* (describe all your existing or proposed businesses including dates of formation and proposed future operations if any)
- *Significant Trends* (talk about technology, industry changes and perceptions, as well as significant buying trends; make assumptions on where you fit in to some of these large scale trends)
- *AND* most importantly, an investor's main concern: *"What's in it for them?"*

A fact sheet can be added to a business plan to summarize all the basic and most important information of your venture.

Fact Sheet

A fact sheet can be added to a business plan to summarize all the basic and most important information of your venture. It should appear as a separate page at the back of your *executive summary*.

Below is a list of the types of information often found on a fact sheet:

- a. Company name
- b. Address; telephone; email
- c. Type of business and industry
- d. Length of time in business
- e. Business form (e.g., proprietorship, partnership, or corporation)
- f. Number and name of founder/partners/shareholders
- g. Principal product or service line

- h.** Current and/or projected revenues
- i.** Funds invested in the business to date and their source
- j.** Additional financing required
- k.** Proposed terms and payback period
- l.** Total value or net worth of the business
- m.** Registered patents or trademarks
- n.** Name of business advisors (legal counsel, accountant, insurance agent, others)



COMPANY PLAN

- Company Description
- Merchandising Plan
- Operating Plan
- Organizational Plan

IN THIS section, the first major section of your business plan, you need to cover all the details of your business. Address as many of the topics outlined below as they relate to your business in an order that seems logical to you. Be prepared to back up your statements and justify any projections made with data in the supporting documents section.

Begin this section with a half or full page summary addressing all the key areas of your company.
SUPERTIP

Company Description

When describing your company you will have to restrain yourself from trying to make it sound better or bigger than it really is. A company description must be factual not inspirational. Don't use this section to try and generate good PR.

Accomplishments to Date

List past successful projects and research and development work done.

Buildings Owned

List and describe the building(s) owned by your company. Include descriptions, conditions, facades, renovations & remodeling required, interior layouts, and interior designs.

Company Assets

List and outline your current company assets as well as your inventory in terms of size, value, rate of turnover and marketability.

Company Goals and Objectives

State the goals and objectives of your business clearly including how they will be reached, time limits if applicable, and proof that they can be reached.

Short-term goals & objectives (under a year) include:

- targeted gross sales
- profit margins

Provide a background of your company, and a description of any other ventures in which individuals on your team or yourself have been involved in.

- sales of certain products
- market share
- new product introductions
- by when you hope to establish credibility within the marketplace

Long-term goals & objectives (over a year) include:

- expected return on investment
- future research and development
- future business net worth after so many years time.

Company History

Provide a background of your company, and a description of any other ventures in which individuals on your team or yourself

have been involved in (should not be longer than two pages).

Company Philosophy

Describe how your company wishes to be perceived. Describe what is its present image or desired image of the future. Try and capture the spirit of your company without sounding overly dramatic.

When describing your “company philosophy,” try and capture the spirit of your company without sounding overly dramatic.

Contracts in Force

List contracts and agreements in force including: management contracts, shareholder or partnership agreements, franchiser service agreements, and service contracts. Note which ones have been included in your supporting documents section.

Legal Structure

Tell what the legal structure of your company is as well any special reasons for choosing that structure. If a partnership, list the names and addresses of the owners and what percentage of the business they own. If a corporation, give dates of commencement as well as the location of incorporation. Also, list the principal shareholders and share distribution. If you plan to change your legal structure sometime in the future, explain why you would change, when the change would take place and how the change would benefit the company.

NOTE Depending on whether you are a proprietorship, partnership or corporation include a copy of your business license, partnership agreement or incorporation

charter, articles and bylaws in the supporting documents section.

Location

Describe your location and explain why it was chosen. More specifically, describe:

- its costs
- whether it is leased or owned
- zoning restrictions if any
- growth features
- size
- sales floor space
- neighborhood
- renovations needed
- transportation facilities

The information compiled and organized in this part of your business plan makes great fodder for writing brochures and other promotional literature.

SUPERTIP

- parking facilities
- unique site features
 - other businesses in the area
 - general advantages and disadvantages
 - whether relocation will be necessary in the future (and if so, its effects on operating costs)
 - any other outstanding reasons for choosing the location

Compare these facts with those of alternate sites. You may also want to include photos or drawings of the location and building in the supporting documents section.

NOTE If your location is important to your marketing plan i.e., chosen because of its

proximity to your target market or ease of market access, you might want to focus on it in your marketing plan section rather than here.

Merchandising Plan

A *merchandising plan*, also known as a *sales plan*, describes what items you will sell or produce, or what services you will provide. Merchandising plans also make projections based upon estimated sales, to determine the amount of inventory you will need to control purchases. It also describes and compares the prices, quality and credit terms of suppliers who you have found and who may assist in your start-up.

Avoid criticism of the competition; stick to the facts. It is more important to give cogent rationales for entry into the market place and plans to achieve success and profits.
SUPERTIP

Description of Products Sold & Services Offered

Under this heading, provide a description of your products and services with an assessment of their strengths and weaknesses and marketability. If you have both a product and a service that work together to benefit your customers (such as a warranty service), make sure you mention this in your plan. Also, indicate the features and benefits that both you and the competition provide, the feature and benefits that some of the competition provide, and the features and benefits that only your product or service provides. Specific questions you may want to provide answers for in your product and service description include:

- What is so special or unique about your product or service that separates it from the competition? Is it a specialty or uniqueness offered by none or few others?
- Will your prices be competitive in quality and value? Will your product or service be competitive based on its quality, selection, price or location?
- What are the fixed costs associated with providing your product or service?
- What are the technologies used and technical advantages of your production techniques over your competitors.
- What raw materials are used to make your product?

A good business plan is good business.
SUPERTIP

- What special training or skill is necessary to provide it? Do you have these skills?
- Will this product or service lead to repeat business?

Future Products and Services

List and describe what kinds of future products and services you plan to provide.

Idea Feasibility

Identify the product or service you plan to sell, and most importantly, what human need it satisfies. Also describe whether this need is presently unfulfilled, whether the demand for your product or service can be easily influenced by advertising, and to what extent your product

or service will be entering a market in which demand already exceeds supply.

Proprietary & Exclusive Rights Obtained

Discuss and list in detail any proprietary rights, such as patents, copyrights, trademarks and industrial designs your company owns. Also discuss and other exclusive rights obtained such as franchise territories or licenses.

Suppliers

Describe where you get your inventory or raw materials from, as well as their buying terms, volume discount policies, delivery policies and the like. Discuss and list names and addresses of key suppliers. Describe where your sup-

pliers are located, why you chose them, and any other qualities unique to each supplier. Include cost breakdowns and rate sheets to back up your statements.

If you order from only one main supplier, include information on alternate suppliers. Explain how you would handle a sudden increase of orders or a loss of a major supplier.

SUPERTIP

Operating Plan

This section is usually a one-page section covering accounting procedures, legal considerations, inventory control, computer systems to be used, opening dates, purchasing plans, sight location, how capital intensive is your business and is its success solely dependent on you. You should also describe your production and operating process (but don't get too technical).

Accounting Procedures

Describe your accounting system or method of record keeping and explain why it was chosen. State who will handle the books, and if you use an accountant, their name, business name and address. Also, state who within your company is experienced at reading and analyzing financial statements and thus able to implement changes to make your company more profitable.

Banking Plan

Describe what type of bank accounts you will open for your business and with whom. This section is particularly relevant if you are running a home-based business. You need to show that your personal and business financial affairs will be separate.

It is important that lenders and investors feel that after reading your “Accounting Procedures,” that they are confident in your ability to interpret a complete set of financial records.

SUPERTIP

Inventory Control

Describe your method of inventory management system including planning and control, expected rates of inventory turnover including any seasonal fluctuations.

Legal Considerations

Discuss licenses and permits required; terms of lease and other occupancy details; as well as any other important legal considerations.

Operations Schedule

An operations schedule outlines dates assigned and expected dates of completion for key activities, objectives and *decision points** (e.g. the completion of a budget). It also describes steps that will be

taken to meet goals related to management, public relations policies, guarantees, and personal objectives. Often, month by month or quarterly flow charts can be used to outline specific actions to be taken and by whom.

NOTE A decision point is a checkpoint for measuring your results. Significant dates, sales levels, and production levels can be listed as decisions points.

Production Plan

Comment on how you will produce your product or deliver your service and assure continued good quality. Include a brief description of your production or manufacturing process (don't get too technical).

Describe how you will you maintain quality so you won't lose customers once you get them.

Purchasing Plan

Comment when orders will be placed, when the first delivery will be received; when the inventory will peak; when reorders will no longer be placed; and when the item should no longer be in stock. Also outline any plans or policies you have for dealing with suppliers.

Quality Control

Describe how you will produce your product or deliver your service and assure continued good quality. Describe how you will you maintain quality so you won't lose customers once you get them.

Security

Describe what kinds of security measures you have taken to protect and control

your inventory as well as discourage theft and vandalism. Do you have an alarm system? Do you have a safe?

Organizational Plan

An organizational plan helps you delegate work, responsibility and authority. It describes who runs your company, controls day-to-day operations, influences decisions, and more specifically, who does all the work. This section covers your board of directors, contract & temporary help resources available, management team, manpower plan, and professional resources available

NOTE It may be simpler to title this section *Organization and Management Plan*.

If you don't have a board of directors, get one. It looks good on your business plan and good on the résumés of your directors. Many people will be glad to oblige especially if it's over dinner.

SUPERTIP

Board of Directors

If your business is incorporated, list the people you have or expect to have on your board of directors (include addresses and role in company). Tell when they meet and whether they have or do not have a financial interest in your company.

Contract & Temporary Help Resources Available

Make sure you list contracted professionals and consultants, such as accountants, lawyers, insurance brokers, and bankers, who can provide assistance when needed in specialized or deficient areas. As well list any temporary help resources available. Describe the relationship of each resource to the business e.g.:

The accountant will be available on a part-time, hourly basis, as needed. The initial agreement calls for services not to exceed _____ hours per month at _____ per hour.

Management Team

Provide brief management biographies of key personnel and owners. Include their ages, educational background, business experience, abilities & related skills, other credentials, and an outline of their responsibilities. If extensive, put this information in your supporting documents section in a resume format (resumes should not be longer than a page). As well, don't forget to include your own qualifications, and how you plan to get help in ar-

If your business is incorporated, give detailed information on all corporate officers.

eas that you are deficient in. Will you take a course(s)?

NOTE If your business is incorporated, give detailed information on all corporate officers. Who are they? What are their skills? Why were they chosen? If your business is a partnership, explain why certain partners were chosen, what they add to the company and how their skills and experience are complementary.

Manpower Required

Describe all full-time and part-time personnel required. Describe the skills each need and whether they are available near your location area. Include informal job descriptions of duties and responsibilities of important personnel, along with sal-

ary and wage schedules and any training programs you will offer.

Also list details of employee compensation, including fringe benefits and plans for employee training. Furthermore, describe what openings still need to be filled, and if important, how these positions will be filled. End this section by describing how you expect your organization to develop over the next few years and what your future personnel requirements will be.

Organizational Chart

One of the best ways to represent the organizational structure of your company is with an *Organizational Chart* as shown in Guidebook #36 “Finding and Hiring Qualified Personnel.” An organiza-

tional chart shows at a glance who is responsible for the major activities of your business as well as your management structure philosophy.

An organizational chart shows at a glance who is responsible for the major activities of your business as well as your management structure philosophy.

NOTE When filling out your organizational chart, remember your name can occur more than once. When first starting out, you will likely have many diverse responsibilities.

Work Schedule

You may want to include a detailed work schedule with objectives, starting dates and deadlines by week and month for your first year of operation.



MARKETING PLAN

- Market Description
- Competition Analysis
- Selling Strategies
- Marketing Approach

IN THIS section, the second major section of your business plan, you need to cover all the details of your marketing plan. Your marketing plan should show:

- 1. Who your target market is;** how you researched and determined this, and what you found there unmet needs to be – your *market description*
- 2. Who your competitors are;** and how

Begin this section with a half or full page summary addressing all the key areas of your marketing plan.

SUPERTIP

you rank amongst them – your *competitive analysis*

- 3. What steps you will take to open up new markets;** solidify your hold on your target market, and why ultimately your customers will choose your company over both direct and indirect competitors – your *marketing* or *selling strategy*
- 4. A summary of how you plan to combine all the above activities** – your *marketing approach*

Within each of the first three marketing plan areas, are also four key decision areas involving products and services, promotion methods, distribution and pricing. It is a good idea to touch upon each of

these decision areas within each of the three basic parts of a marketing plan.

Market Description

No business plan is complete without a detailed description of your target markets followed by an analysis of the trends and conditions of the general marketplace, as well as your own target markets and how these trends and conditions will affect the outcome and profitability of your business.

Keep in mind though that you don't have to be a trained statistician to analyze the market place nor does this analysis have to be costly. Analyzing the market is simply gathering as many facts as you can about potential customers to determine the demand for your product or

service. The more information you gather, the better your chances of meeting their needs and capturing a segment of the market.

Most of the information you need can be found in your public library. It is also a good idea to become familiar with the various publications of the U.S. Department of Commerce, the SBA and the U.S. Census Bureaus (see Guidebook #15 "Researching Hot New Ideas for Products & Services" for more resources).

Luck is what happens when preparation meets opportunity.

ELMER G. LETERMAN

Market & Industry Trends

Discuss industry outlooks and growth potential, as well as any products or technological developments and influences that will affect your markets. Make sure you

state your sources of information and what you plan to do to keep up. Back up your findings with U.S. Census Bureau reports. Specific questions you may want to provide answers for include:

- What has the sales trend for your principal product or service been in your market area over the last five years?
- What do you expect the sales trend to be for your product or service five years from now?

State how you can serve your market in terms of your resources, strengths and weaknesses.

National and Economic Trends

Discuss population shifts; consumer trends; relevant economic indicators; environmental considerations; economic conditions and business cycles; cultural, social

and changing tastes in markets; and other market demographics such as age and income trends.

Problems or Needs in the Market Place that you Will Meet

When describing your market, point out the need for a solution; show you have a bona fide solution; and, convince readers that you have the credibility to make the solution work. State how you can serve your market in terms of your resources, strengths and weaknesses.

Target Market Description

State potential users of your product or service and how these users will be located. Include typical customers identified by: age; sex; income; lifestyles; buying and

shopping patterns; average purchase in dollars; wants and needs; prospects for growth; as well as any other chosen characteristics and behaviors. Specific questions you may want to provide answers for in your target market description include:

- Where your customers live, work and shop? Will your business be conveniently located for the people you plan to serve?
- What are their needs and desires?
- What common characteristics do customers in your target market share?
- How will they learn about the product or service?
- What kind of advertising are they responsive to?

Forecast how you expect your market share will grow or change over the next few years.

- What do existing customers like best about your company or product?
- Who else has a need for the product? Where are they?
- Will you be offering the kind of products or services that they will buy?
- Are your target markets consumers or businesses? If they are other businesses: What do they produce or sell? Who is the contact? How are they being serviced now? What is their history?
- If you are in the business of selling and repairing computers, how many computers are owned within a certain radius of your shop?

Target Market Share

Estimate the present or projected size of your target market in total units or dollars and your present or projected share. Forecast how you expect your market share will grow or change over the next few years. Include market research studies and projections by industry experts to substantiate projections. Focus on reasonable projections regarding the size of your target market. Specific questions you may want to provide answers for include:

- What percentage of total sales in your market area do you expect to obtain after your facility is in full operation?
- What percentage of the total market share must be taken away from your

What percentage of total sales in your market area do you expect to obtain after your facility is in full operation?

competition in order to reach your projected market share?

- What sales volume do you expect to reach with your products or services in one year? Two years? Five years?

Competition Analysis

No marketing plan is complete without a detailed description of your competition and how they will affect your overall marketing strategy. First you must describe them, and then show how you plan to beat them.

Competitor Descriptions

First, list who your major competition is (if there is any), including estimates of their market shares and profit levels if possible (report who is doing well and who isn't). In-

clude descriptions of their location, product and services they offer, computerization & technology used, equipment assets, promotional methods, personnel, reputation and position in the minds of customers, and anything else that may give them a competitive advantage or disadvantage.

Competitive Position

Second and most importantly, you must indicate how you plan to beat the competition usually by making a comparison of strengths and weaknesses and how in the end, you come out on top. Show that you have conducted studies or surveys that support your conclusions – it is not good enough to say you have a competitive advantage, you must convince

Don't forget to research any indirect competition. For example, an arcade may find competition from a bowling alley or pool hall.

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yourself and your readers of your superiority with proof.

If you can't come out on top, which is likely the case, since your company is new and unproven, then at least make a fair assessment of where you rank amongst the competition. In this case, describe your major opportunities for growth and major threats. Also, indicate any special market appeal or new twists to your products or services that may put you on top in the future.

Selling Strategies

Lack of a selling or marketing strategy is a serious weakness in many plans. You must prove that you have given the marketing of your product or service a lot of thought by describing in addition to the

items listed below, things like:

- how you expect to get customers to buy your product or service
- how you plan to gain a market share if the competition is tough
- what business are you really in i.e., what will your customers really be buying
- what do you do best and need to work on i.e., you strengths and weaknesses.

Describe any personal selling efforts and sales training programs you will implement.

Advertising Plan

Describe your media selection as well as expected cost and impact; any unique promotional activities no one else is doing; and how your advertising will be tailored to your target market. Also describe:

- how you are going to use publicity to reach various target markets
- whether you will use cooperative advertising
- whether commissioned sales staff, agents, pieceworkers, or independent contractors will be used
- any personal selling efforts and sales training programs you will implement
- plans you have for in-store sales promotion tools and window displays
- how you plan to measure the effectiveness of each advertising medium (include rate sheets and time lines on a first years' promotion

calendar)

- what your yearly advertising budget will be
- where exactly will you put the bulk of your advertising dollars.

Credit Policies

Describe your credit extension policies, supervision of program, and collection procedures of overdue accounts. Also, discuss and special selling terms you will offer your customers.

Customer Service Plan

Describe how you will provide quality service before purchases are made as well any special after-sale services. Also de-

scribe how good you are at building and maintaining customers relationships.

Distribution Plan

Describe and detail the manner in which your products and services will be made available to your customers. Will you sell direct, wholesale, retail, through multiple outlets, or using manufacturing representatives? Will your customers purchase by direct mail, buy through catalogs, or make in-store purchases. Back up your plan with reports, rate sheets from shippers and contracts with sales representatives.

Also, provide alternative methods of distribution. For example if your major shipper, Federal Express, were to go on strike, who would replace them?

Include copies of your promotional materials, such flyers, DM packages and brochures in your supporting documents section.

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Market Testing Methods

Describe your method for confirming who your customers are and how they heard about you.

Packaging and Product Design

Explain how your packaging and product design will better position your product in the consumer's mind. Show how you have considered the tastes of your target market in the ultimate design of your product and packaging. Talk about its size, shape, color, material, wording and how it meets FDA and FTC regulations.

Show how you have considered the tastes of your target market in the ultimate design of your product and packaging.

Past Marketing Methods

For companies already established, it is a good idea to describe what past methods of marketing you have used, which were the most effective, what was the cost per unit of sale or per customer, and what percentage of your budget was allocated to this program?

Pricing Policies

Discuss your costs including raw materials, overhead, shipping, taxes, interest payments, owner draws etc. Explain how these costs are related to your markup policies, promotional pricing approaches, discount policies and your general pricing structure. Also project your profit margins per item. Back up with materials from your research.

NOTE One way to explain and justify your

pricing structure is to talk about it in terms of its “price floor” and “price ceiling.” The *price floor* is the lowest cost at which you can sell a product to meet all your costs, and still make a small profit. The *price ceiling* is determined by the market and is usually based on what the competition is charging and the maximum cost the consumer is willing to pay based upon their perceived value of your product or service (i.e., its quality).

Services & Products Mix

If you plan to sell both products and services, describe how they will complement each other to increase over all sales.

Your marketing approach statement might be placed to better effect in the introduction to your marketing plan.

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Timing of Market Entry

Tell when you plan to enter the market and how you arrived at this decision. Keep in mind that having your products and services available at the right time is more dependent upon the consumers you are trying to reach rather than your own internal planning schedule.

Warranty Policies

Describe your product and service guarantees and warranties.

Marketing Approach

One final area, of your marketing plan that deserves special attention is a summary description of your *marketing approach*. In short, your *marketing approach* describes how you ultimately plan to satisfy the needs of your target market

by combining your marketing research, competitive analysis and marketing strategies. It acts like a mission statement for your marketing plan.

Comparing the "Old" Marketing Approach With the "New"

There are two specific ways in which the "old" classic, or sales, approach to market planning differs from the "new" marketing approach.

FIRSTLY, in the "old" marketing approach, management tells designers and engineers to create a product, which once produced, is given to salespeople, who are then told to go find customers to buy the product. On the other hand, in the "new" marketing ap-

proach, management first determines what their customers really need or want. That information is then passed on to designers

and engineers who develop and produce the product. When sales staff are finally given the finished merchandise, they already have good leads on potential customers. The "old" marketing approach ends with the customer, while the "new" marketing approach, begins and ends with the customer. This is a very important distinction.

The **SECOND** major difference between the "old" marketing approach and the "new" marketing approach is the *focus* of management. The "old" marketing approach almost always focuses on *volume* and *sales* while

Most business activities including advertising, are dedicated to solving the firm's problems.

Success, however, is more likely if you dedicate your activities exclusively to solving your customer's problems.

SBA

the "new" marketing approach focuses on *profit*.

The two above distinctions can be simplified into two marketing approach rules of thumb. Your marketing approach should:

1. **Focus on the Needs of Customers not Products** – All company policies and activities should be aimed at satisfying customer needs.
2. **Focus on Profit not Sales Volume** – Profitable sales volume is a better company goal than maximum sales volume.

Under the "old" marketing approach the customer exists for the business, while under the "new" marketing approach the business exists for the customer.

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Getting the Most Out of Your Marketing Approach

To further develop an effective marketing approach into your marketing plan:

- Analyze your firm's competitive advantage. Find out what do you do best?
- Identify specific markets you now serve.
- Determine the needs and wants of your present customers.
- Determine what you are now doing to satisfy those needs and wants.
- Prepare a marketing plan based on meeting the customers needs you presently are not meeting.

- Test the results to see if your new strategies are yielding the desired results.
- Find out which advertising is the most effective at reaching old and news customers.
- Learn how not to repeat your mistakes.



FINANCIAL PLAN

- Capitalization Plan (Financial Needs)
- Uses of Funds Statement
- Pro Forma Statements
- Current Financial Statements
- Business Financial History
- Risk Assessment
- Closing Statement

IN THIS section, the third major section of your business plan, you need to cover all the details of your financial plan. In general, this means showing your past, current and projected financial needs as well as preparing both pro forma (projected) and actual financial statements.

Begin this section with a half or full page summary addressing all the key areas of your financial plan.

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In this section you should also prepare a business financial history statement, assess the risks investors and lenders face, show how you plan to lessen those risks, and make a few closing statements to summarize your business plan.

Capitalization Plan

A capitalization plan is used to summarize all your capital requirements and financial needs, whether you need a loan, investment capital or not. Specifically, it tells your potential lenders or investors how much money you're trying to raise, what collateral you offer, loan repayment schedules, and what percentage of the company they will own in return for their investment.

Capital Required

List all capital requirements (start-up and operating). Outline your manufacturing costs. Describe cost of facilities, equipment, and materials (estimates and quotations).

Capital Sources

This section describes how much capital you have available to capitalize your business and the sources of these funds. More specifically, it details the amount of your initial investment and the investment of others to fund your company. Investors and bankers like to see what you and other founders of your company have at risk. Your chances of raising money are

better if you can show your own personal level of commitment to financing the business.

Steering a business by financial controls alone is not enough. You need more than a budget to manage the future direction of your company. You need a detailed financial plan to make the money you invest to start and operate your business work as hard as you do.

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Loans Required

State the amount of loans required (if any), when they are required, and your preferred terms. Also support the amount requested with information such as purchase orders, estimates from suppliers, advertising rate sheets and marketing results. If necessary include more detailed information in your supporting documents section. Furthermore, give detailed information about collateral offered, credit rating, present

& previous financing and your repayment schedule.

NOTE Be thorough in your written presentation of your financial needs. If you need a loan, the more details supplied to support your case the more likely it will earn the lender's favor. Bankers prefer dealing with business people who plan their financial needs.

Collateral Offered – List all collateral (assets and possessions), to be offered as loan security. Include your estimate of the present market value of each item and other important information about owners and supporters and their collective ability to pay back any loans.

Credit Rating – If you are asking for a loan, you may want to outline your personal history at repaying debts. To do this accurately, purchase a copy of your personal

In your “repayment schedule” many investors like to see at least two difference sources of repayment.
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credit record from a local credit bureau.

Present & Previous Financing – List present and previous financing (if applicable), including terms loans outstanding (balance owing, repayment terms purpose, security held); lines of credit applied for (security offered); and you current operating line of credit (amount, security held). Also include letters of credit.

Repayment Schedule – Write a statement indicating how the loan funds are to be repaid, including repayment sources and time required, copies of cash flow schedules, budgets, and other appropriate information.

Type of Capital Required – There are three basic types of capital: working capital,

growth capital and equity capital. Make sure you classify your loan needs as one or the other (see Guidebook #81 for an explanation of each).

Summary of Financial Needs

This is brief outline usually in the form of chart indicating why you are applying for a loan and how much you need. This summary should be used if you are applying for a loan and should be placed at the front of your capitalization plan.

Uses of Funds Statement

In this section, describe any major purchases or expenditures you plan to make i.e., how your funds will be distributed among your fixed assets and working capital. In particular describe how you plan to

use any loan funds and how assets will be paid for (see example on next page).

In all cases give valid reasons for any purchases and expenditures. Indicate how your market research shows how in-

creased production will result in increased sales. This is especially important if it will ultimately make it easier to repay any loans. You may also want to outline what will happen if funds are not available in full.

NOTE If one of the main reasons for writing your business plan is to obtain a loan, make sure you include a

Uses of Loan Funds Statement (see example on **page 49**). This statement should be brief and specific and be backed up if necessary with data in your supporting documents section. This data should be

Software for Developing a Business plan can be purchased for about \$129 from PFS.
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easy to find by any loan officer examining your application. If this information is not well organized and retrievable, your application may be refused for the simple reason that your backup material could not be found.

Buildings Required

List any buildings that need to be purchased. As well as physical plant requirements, utility requirements, floor and office space required, as well as any renovations and leasehold improvements needed.

Equipment & Supplies Needed

Describe machinery required; fixturations; supplies required. Also indicate costs and installation charges. Indicate from who and where purchases are to be made.

Sources and Cost of Assets

Asset	Cost	Source of Funds
Cash	\$4,500	Personal Savings
Accounts Receivable	5,000	From Profits
Inventory	4,000	Vendor Credit
Pickup Truck	6,000	Currently Owned
Packaging Machine	12,000	Installment Purchase
Office Desk & Chair	600	Currently Owned
Calculator	80	Personal Cash
Personal Computer	3,000	Personal Savings

This type of schedule can be used to list all of the assets you intend to use in your business, how much investment each will require and the source of funds to capitalize them

Inventory Required

List initial inventory required including amount, depth, quality level, and so forth.

Land Required

Provide details of site plan, costs of land and buildings, including installation of services.

Raw Materials Required

Describe raw materials needed and whether they are readily available, their cost and quality.

Vehicles Required

List the makes, models and costs of any cars or trucks you will need.

USES OF LOAN FUNDS

1. Dispersal of Loan Funds

Harry's Pet Supplies will need an anticipated \$25,000 in loan funds to purchase three new pieces of equipment.

2. Backup Statement

- a. The equipment needed is as follows:
 - 1) Swanson G-34 Blender – \$14,000
 - 2) Atlas Juice Press J-3 – \$4,000
 - 3) G.E. Mixer S12 – \$5,500
- b. The remaining \$1,500 will be used to market the new product and contribute to the first monthly installment.
- c. The equipment will result in a 20 percent increase in sales, at a projected \$40,000 a year, and a net profit increase sufficient to repay the loan and interest within three years with a profit margin of 15 percent.

Other Non-recurring Start-up Costs

Detail what your start-up costs or expenses are. Describe these costs.

Pro Forma Financial Statements

The purpose of making financial projections and preparing pro forma financial statements is to show lenders and investors that you have researched what your market and profit potential is in relation to your costs. Since a new business does not have a track record, this analysis must be thorough, critical, logical and probable – not just possible.

Any inconsistencies will be quickly spotted and will leave a bad impression on lenders who may lose faith entirely in your proposal no matter what its merits. The five projected statements that that every busi-

When making financial projections, one never has all the necessary information. Assumptions have to be made.

ness plan should include are the:

1. cash flow statement
2. twelve month income projection statement
3. three year income projection statement
4. break-even analysis
5. pro-forma balance sheet

The above five statements are by far the statements most lenders want to see. They should be presented in the order shown below as each one builds on the one done previously.

NOTE When making financial projections, one never has all the necessary information. Assumptions have to be made. Make

sure you state all the assumptions made in developing your forecast. Assumptions you might make include assumptions on: inflation rate, cost of living increase, cost of goods increase, rent increase, and prime interest rate fluctuations.

Cash Flow Statement (Budget)

A “Cash Flow Statement,” also called a “Cash Flow Budget,” must be a key part of your business plan, for it is the only way for you to have any assurance that you will be able to meet the financial obligations of your business and show lenders that you will have sufficient cash to carry loan payments on a term basis. It should identify: when cash is expected to be received; how much cash will be received; when cash

must be paid out; and exactly how much cash will be needed to pay expenses. Overall, it should present a reasonable picture of your cash inflow and outflow on a monthly basis for the next year of operation as well as assess profits after taxes (see Guidebook #80 “Preparing a Break-even Analysis, Cash Flow Statement and Incomet Projection”).

NOTE When designing your financial statements, you have the option of dividing costs and expenses into *fixed costs* or expenses (also known as overhead or administrative costs) and *variable costs* or expenses (also known as controllable or selling costs), rather than listing them. Your decision should be based on whichever method you consider more appropriate, convenient, and better able to help you understand your financial

A Cash Flow Statement must be a key part of your business plan,

situation so you can make sound financial decisions.

Twelve Month Income Projection

A twelve-month income projection statement shows your sales and receipts, cost of sales, gross margin, expenses, and net profit, for the entire year expressed in percentage of sales. This statement looks at all expenses and revenues, not just cash based one (see GB #80).

Three-year Income Projection

A three-year income projection statement shows your income and deductible expense projections (such as depreciation), for the next three years of your business's operations. It does not show all

sources of cash and cash to be paid out (such as owner drawings), as in a cash flow statement. To prepare your three-year income projection statement, use your cash flow statement for your first year's figures. Base its design on your *Income*

Statement. Base your second and third year's figures on economic and industry trends that you have researched.

NOTE Remember, future increases and decreases in income and expenses is almost certain, due to fluctuations in anticipated costs, efficiency of operations, changes in the marketplace and any industry trends.

A company's break-even point occurs when its expenses exactly match its income generated from sales.

Break-even Analysis

A company's break-even point occurs when its expenses exactly match its in-

come generated from sales; there is no profit nor loss. This point can be expressed in total dollars or revenue offset by total expenses or total units of production (cost of which exactly equals the income produced from its sales). This analysis can be shown either mathematically or graphically (see Guidebook #80).

Pro Forma Balance Sheet

Also, worthy of inclusion in a business plan is a *Pro Forma Balance Sheet* reflecting sources and uses of both equity and borrowed funds (equity money must be proven), before the company begins operations. This statement indicates how much investment will be required by the business and how much of that investment will be used as working capital (see Guide-

Most of the figures need for a BE analysis can be derived from cash flow and three-year income projection statements.

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book #28 “Adopting an Easy-to-Use Accounting System”). There are a number of variations of this form and you may find it prudent to ask your banker for the form they use. It will make it easier for them to

evaluate the health of your business.

NOTE Although you may plan to spread the purchase of some assets through the year, for the purposes of this pro forma balance sheet, assume that all assets will be provided at start-up.

Other Financial Projections Worth Making

Financial projections worth making include twelve month income projections; quarterly, annual or three years sales projections; and capital expenditure projec-

tions (sales volume should be indicated in units and dollars if possible). Also, in addition to the items listed above, consider discussing in further detail things like detailed business expenses (projected, actual & budgeted); cost of sales (production, marketing costs, pro-rated expenses, & administrative costs); and expected taxation liabilities and responsibilities.

Current Financial Statements

If you are an established business, you will need to include

in your financial plan actual performance statements reflecting the activity of your business in the current year. Specifically, this means you will need to show your current “Balance Sheet” and an Income Statement” (see Guidebook #28), as well

THREE YEAR INCOME PROJECTION

3 Year Projection FOR: *Sam's Auto Supply Shop*

As OF: Dec. 31, 1997

	YEAR 1	YEAR 2	YEAR 3
GROSS SALES (less returns and allowances)	\$450,000	\$450,000	\$450,000
ADD OTHER INCOME:	50,000	50,000	50,000
LESS Cost of Goods Sold	350,000	350,000	350,000
GROSS PROFIT	\$150,000	\$150,000	\$150,000
LESS VARIABLE Expenses (controllable) (selling)	25,000	25,000	25,000
LESS FIXED Expenses (overhead) (administrative)	85,000	85,000	85,000
TOTAL Operating Expenses (fixed + variable)	110,000	110,000	110,000
NET INCOME (Before Taxes)	\$40,000	\$40,000	\$40,000
LESS Estimated Tax Payments	17,000	17,000	17,000
NET INCOME (After Taxes)	\$23,000	\$23,000	\$23,000

as a “Deviation Analysis” and perhaps a market value balance sheet.

NOTE *Established businesses* should provide “Income Statements” and “Balance Sheets” for their current year and the last three.

Balance Sheet – Shows the financial condition of your business at the end of a fixed period, usually the ending of an accounting cycle.

Looks at assets, liabilities, and net worth (owner’s equity). If your business possesses more assets than it owes to creditors, your net worth will be positive. On the other hand, if you owe more money to creditors than you possess in assets, your net worth will be negative.

Income Statement – Shows your actual business financial activity over a period of

A “Balance Sheet” is like a snapshot of your business at an exact moment in time.

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time (monthly, annually). Looks at revenues, costs and expenses. Analyzing your income statements can help you pick out weaknesses and strengths of advertising campaigns and better plan your inventory needs. The twelve-month Income Statement

shown in Guidebook #81 is useful for monitoring your yearly results. You may consider adding one to your business plan or using it as a financial planning tool

Deviation Analysis – Compares actual income and expenses to projected income and expenses on a month-to-month basis. Spots strengths and weakness.

Market Value Balance Sheet – One of the problems in a growing business is that the existing equity or collateral position can be

artificially low because of accelerated depreciation. Using accelerated depreciation results in a book-value balance sheet that has less equity or collateral than a market-value balance sheet. The former shows assets at their depreciated value whereas the latter shows the assets at their current market value.

A typical way to develop market-value balance sheet is to present your current book-value balance sheet with an additional column for the market value. Documentation of market value can be provided through appraisals or advertisement that includes prices on similar equipment or assets. The market value balance sheet usually increases the equity dollar amounts and the

Summary of Financial Documents Needed in a Business Plan

- A. Sources and application of funding
- B. Capital equipment list
- C. Balance sheet
- D. Break-even analysis
- E. Income Projections
 - Three year summary
 - First year detailed by months
 - Second and third years detailed by quarters
 - Notes of explanation
- F. Cash Flow Projections
 - First year detailed by month
 - Second and third years detailed by quarters
 - Notes of explanation
- G. Deviation Analysis
- H. Historical financial reports for existing business
- I. Balance sheets for past three years
- J. Income statement for past three years
- K. Tax returns.

and the equity-to assets ratio. This should result in a banker's willingness to a loan a larger amount for growth activities.

Business Financial History

Your business financial history is a summary of financial information about your company from its start to the present. If you are using your business plan to apply for a loan, your business financial history and the loan application will be the same. If you are a new business, the lender will often require a personal net-worth sheet.

Loan Application

When you are interested in obtaining a business loan, the institution considering the loan will supply you with an application.

An "Income Statement" is like a moving picture showing what happened to your business over a period of time.

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The format may vary slightly, but will usually ask for the information shown below.

NOTE If you have completed the rest of the financial section, you should be able to transfer all the needed information to this document.

- *Assets, Liabilities and Net worth* – These can be found on your "Balance Sheet".
- *Contingent Liabilities* – These are debts you may come to owe in the future.
- *Inventory Details* – Summarize your inventory status, current policies and methods of evaluation.
- *Income Statements* – You may need to compile several *years* of information on to one sheet.

- *Real Estate Holdings, Stocks and Bonds* –

- *Sole Proprietorship, Partnership or Cooperation Information* –

There are generally three separate schedules on the financial history, one for each form of legal Structure

- *Audit Information* – You may be asked about other prospective lenders you are seeking credit from and when your books were last audited

- *Insurance Coverage* –

NOTE Use the tables in the charts on **page 60** as guides to summarize your present capitalization situation. The first one is for sole pro-

Do not give out too many copies of your business plan at once. Keep track of each copy. Make sure to retrieve each copy after your targeted reader has finished with it.

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prietorships the second for corporations. Figures can be in numbers or percentages. Also, include a list of all present shareholders (in your supplementary documents section) with a comment about what they contributed to get their stock – money or otherwise. If the list of shareholder is too long, use a summary but be sure to list the large shareholders.

Risk Assessment

Naturally, investors want to know how much money they can make if they invest in your business. But they also want to have spelled out to them, what their risks are – *worst* and *best* case scenarios – as well as what evi-

dence you can show them to prove that you have made an attempt to anticipate potential problems. Specifically, they will look for:

An Analysis of Competitor's Reactions

Will competitors try to squeeze you out? Will they drop their prices below cost?

Contingency Plans

What happens to your business if everything fails? Do you have a "Plan B" or some kind of safety net? Describe strategies you will implement to reduce risk in the event your original assumptions do not materialize.

When applying for a loan, banks may require certain types of insurance, depending on the nature of the business and the type of loan.
SUPERTIP

Insurance Plan

Describe what kinds of insurance you plan to purchase. Outline their costs, what time periods they cover and who the carrier will be.

Risk-Management Plan

Identify and analyze any events that may cause losses to your company. Show how you plan to deal with these potential risks. For example, describe any risk reducing measures you have taken or plans you have developed if there is a strike, recession, new technology, bad weather (especially if you are a farmer), new competition, supplier problems, or shifts in consumer demand. Likewise, describe any risk reducing measures or plans you have if sales projections are

off by 30%, sales double, workers quit, or if a key manager quits or becomes sick.

NOTE Keep in mind that some businesses fail because they become too successful

Corp. Capitalization Info	
Number of Shares Authorized	
Number of Shares Authorized	
Number of Shares of Stock Outstanding	
Par Value of Stock	\$
Owner(s) Number of Shares of Stock Owned	
Date Acquired Capital Contributions	

too soon. If for example, you are inundated with orders, your business plan should contain information needed to hire staff and contact additional suppliers.

S-Prop. Capitalization Info	
Product revenues of	\$
Product revenues of	\$
Product net income of	\$
Number of customers and clients developed	
Markets Developed	
Market Share Secured	%
Categories Market Share Secured in	

Closing Statement

A closing statement can be used in a business plan to reinforce the purpose of the plan. This section is also a good opportunity to help direct people to the conclusion you want them to make.

NOTE The “closing statement” shown below can easily be modified to reflect more than one owners.

I the undersigned declare that the statements made herein are for the purpose of obtaining business financing and are to the best of my knowledge true and correct. I consent to the bank making any inquiries it deems necessary to reach a decision on this information about me to any credit-reporting agency or to anyone with whom I have financial relations.

Date

Signature of Applicant



SUPPORTING DOCUMENTS

EXCESSIVE documentation, exhibits and appendixes should not be part of the body of the business plan. As a separate appendix they make the presentation look less formidable. The supporting material section should be thus made quite distinct from the business plan. In this section, you include all the records that backup the statements and decisions made in the previous three main parts of the plan. This section can also include, besides the items outlined below, brochures, short magazine articles, technical papers, and summaries of market research studies.

NOTE Be careful not to go into too much detail in this section. Include only the sup-

porting documents and materials that will be of immediate interest to your targeted reader. Keep the others where they can be made available on short notice. Also make sure that the information contained in this sections adds to and doesn't contradict anything you've said earlier.

Be careful not to go into too much detail in this section.

Contracts

Include all business contracts and agreements, both completed and currently in force (e.g., franchise agreements, mortgages, debentures, vehicle purchase agreements, service contracts and current loan contracts).

Credit Reports

There are two types of credit reports, business and personal. Business credit re-

ports can be obtained from suppliers or wholesalers. Personal credit ratings can be obtained from credit bureaus, banks and companies who you have dealt with on a credit basis.

Income Tax Returns

Depending on the purpose of your business plan you may want to include copies of federal, state, and local income tax returns for the prior year.

Legal Documents

Include, all legal papers pertaining to your legal structure such as articles of incorporation and partnership agreements. Also include insurance policies, property and vehicle titles, and proprietary

rights such as copyrights, trademark registrations, and patents.

Lease Agreements

Include all agreements currently in force between your company and a leasing agency.

Letters of Reference

Include both business and personal letters recommending you as a reputable and reliable businessperson.

Make sure important documents are easy to find in your table of contents.

SUPERTIP

Personal Financial Statement

It is a good idea to prepare a current personal net worth statement, outlining personal assets and liabilities, for yourself, each partner or each stockholder owning

20 percent or more of the stock of a corporation. Usually banks will require personal financial statement from all owners. They are an important part of a business' financial package because 1) they verify the company financial statements; 2) they identify hidden company liability or equity; and 3) they reveal other activities vying for an owner's attention. Strong company financial statements are generally reflected in strong personal financial statements.

NOTE For a new business owner, this should be added to your "Business Financial History" section.

The difference between a plan and a dream is action. If a plan is not acted upon it is no more useful than a plane without wings.

POWERPOINT

Personal Resumes of Key Individuals

These should be limited to one page and include work history, educational background, professional affiliations and special achievements and skills.

References

Include address and phone numbers of the names of bank or other institutions with whom you have had financial dealings (give types of loans, terms, etc., branches, and types of accounts); name of accountant, lawyer or other professionals with whom you have had business relationships; and the names of other creditors including long-term relationships with suppliers.

Other Documents

Other documents you may use to supplement your business plan include:

- Accounts Payable Summaries (include schedule of payments)
- Accounts Receivable Summaries (including aging schedules)
- Appraisals (property, equipment)
- Backup Information on Competitors
- Cash in Bank Statements
- Charge Account Statements
- Company Investment Portfolio
- Marketing & Demographics Studies
- Financial Statements for Associated Companies (where appropriate)
- Letters of Intent & support (potential orders, customer commitments)
- List and Description of Major Liabilities (including mortgages)
- List of Inventory (type, age, value)
- List of Fixed Assets (description, age, serial numbers)
- List of Leasehold Improvements (description, when made)
- Location Plans
- Mock ups of Marketing Brochures Describing your Product or Service
- Personal Property Values (to substantiate the value of your personal guarantee if required)
- Price Lists (to support cost estimates)



BUSINESS PLAN WRITING STRATEGIES

BEFORE YOU begin writing your business plan ask yourself the following four questions:

- 1) What will my business plan look like when finished? (appearance)
- 2) How long should it be? (length)
- 3) Who will read my business plan? (audience)
- 4) What's the best way to get started? (outline)

APPEARANCE – Make sure your business plan looks good. Although there is no doubt you have limited time, limited resources, and therefore should put

I hear and I forget. I see and I remember. I do and I understand.

**CHINESE
PROVERB**

your efforts where there is the most reward, there is no excuse for a sloppy looking business plan. Put your best foot forward; this commands respect. Copies of your business plan should be printed on quality paper and placed in a blue, black or brown duotang, a leather binder, or bound at a local print shop (so it looks like a book). Pictures aren't necessary, and neither is any glossy or glittery embellishments that normally accompanies advertising. Of course, it should have no typos.

NOTE In the age of computers, desk-top publishing and multi-media, software can potentially create dazzling business plans, hence making physical appearance seem more important than content. Every entrepreneur should be cautioned to avoid losing sight of the real pur-

pose of a business plan. Again, keep it simple.

LENGTH – Don't make your business plan too short or too long. A three-page business plan makes three dandy paper airplanes, while a 200-page business plan makes a dandy fire. As a general rule, if you are going to a bank or an individual investor, no more than 30 to 40 pages is adequate, including the supporting documents section.

AUDIENCE – Have a good idea WHO will be reading your business plan. There are two main types of business plans: a) those intended as

What Should You Put in Your Business Plan?

A BUSINESS PLAN should contain:

- Clearly stated short- & long-term objectives.
- Strategies for reaching objectives.
- Well thought-out financial projections.
- Budget guidelines, including a projected cash flow analysis and income statement.
- Break-even analysis.
- The amount and kinds of financing needed.
- Basic financial information so that the past can be compared to the present and future.
- Useful information for banks, investors and suppliers so that they can make fast and accurate decisions about your business.

roadmaps for starting, operating and growing a business; and b) those intended as *sales documents* for raising capital, attracting investors, securing bank loans or securing an operating line of credit from suppliers.

In each of the above cases, the intended reader has different expectations and needs. Thus, although the information contained in either type of plan might essentially be the same, the emphasis is different.

A plan intended to be used as a roadmap (with the intended audience being management and owners), wouldn't need to include extensive biogra-

A business plan is used to help make crucial start-up decisions; to reassure lenders, investors or backers; to measure operational progress; to test planning assumptions; to adjust forecasts; to anticipate ongoing capital and cash requirements; and to set the standard for good operational management.

SUPERTIP

phies of key management figures. However, a plan intended to be used as a sales document for raising capital or obtaining a loan (with the intended audience being bankers or investors), would. In fact, the background and experience of management may be what investors consider the most important part of your offering. They want to be convinced that your company is in control of its future before they lay their money on the line.

In constructing your business plan, you also need to consider the more specific needs of different types of individuals within each audience group. Investors, for example, would probably want to know how much

capital you are asking for, how much risk is involved, how much potential for profit is there, and whether you are credible, trustworthy, and committed? On the other hand, a banker would probably want to know how much money you have at stake, how will you make loan payments, and if you go bankrupt what personal guarantees are you able to offer?

OUTLINE – Start by writing your table of contents.

Knowing how to start a business plan can be difficult, especially if you've never written anything like a business plan before. However, the task becomes much simpler if you:

1. *Make an outline two levels deep.* Write down on a piece of paper all the sections you want to discuss making sure

Start by writing your table of contents.

to leave enough room under each second level heading for a list of third level headings. Use the table of contents shown on **page 13**, as a guide.

2. *As you read about and research each of the sections in your first and second level headings, make a list of key areas or third level headings that need to be researched further.*

Express each key area as one word or a phrase. Organize related key areas into a logical sequence under each of your second level section headings. Go down as many levels as you like into each key area (however try to limit third level headings to two additional levels). In no time, you will have an exploded table of contents, complete with beautiful concise branches, as well as, an excel-

lent idea of how your business plan will finally take shape.

3. To start building paragraphs, write concise informative sentences about each key area by describing the "who," "what," "where," "when," "why," "how" and "how much" of each of them as appropriate. For example, if you were writing about your business location, you might describe what kind of buildings are the site has, where it's located, why you chose the site, and how much it will cost to rent, lease or purchase.
4. *Compile a list of support documents as you write.* For example, while writing about your business location, you might decide that you need to include a

Compile a list of support documents as you write.

copy of your lease agreement. Write "lease agreement" under your supporting documents heading. This will make it easier to compile that section later.

NOTE Instead of writing your business plan yourself, you have the option of having someone else do it for you. However, this can be expensive with the cost exceeding \$30,000 if you use a professional consulting firm. As well, the resulting document is frequently another's plan, not your plan, and therefore may have little operational value to you.

