

WHY WRITE A BUSINESS PLAN?

A business plan is a road map for the development of your company. It includes a written description of your business and corresponding financial data. The goals of a business plan are:

1. To assist you in obtaining money (loan) from lenders or investors (in exchange for ownership in the company).
2. To develop and implement your ideas into actual business practices, products or services.
3. To identify the strengths and weaknesses of your company and its competitors. To provide a strategy that will encourage your company's growth.
4. To develop guidelines for the operation of your company.

BUSINESS PLAN OUTLINE

Cover

Your business plan should be typed and bound for presentation. The name, address, and phone number of your business should be on the cover. Also show the date of issue of the plan and type "Copy Number ___" so that you can control copies of the document.

Table of Contents

Develop one page showing the topics and page references.

Executive Summary

The Company

- What type of business do you own or propose to own? What is the current stage of development (start-up, expansion, rapid growth, stable operations)?
- What is the purpose of the plan (operating guide, loan request, prospectus for investors)?
- What is unique about your product/service?
- Who are your competitors? Highlight their strengths and weaknesses.

Keys to Success:

- What will be the critical keys to success for your business?

Statement of Funding Summary

- Who is requesting the funds?
- For what purpose?
- How will your business benefit?
- How will the funds be repaid?
- How much are you investing?
- What collateral will be used to secure a loan (equipment, inventory, home, building, etc.)?
- Summarize the financial projections. (Include start-up expenses, yearly gross profits, net profits, break-even, return on investment, and cash flows. Note when cash flow turns positive and when break even is achieved.)

Description of Business

Company Ownership

- Who are the principals and what are their proportions of ownership?
- How is the business structured (corp., LLC, etc.)?
- What is the current status or projected opening?
- For existing business: What is the history; purchase price?

Description of Product/Service

- Describe your product(s) / services(s).
- Discuss any opportunities for the expansion of the product line or the development of related products or services.
- Do you have letters of intent from prospective suppliers? What support will they give your company? (Include copies of supporting documents in the appendix.)

Company Location and Facilities

- What is your proposed location and why did you choose it?
- Will the building be rented, leased, or owned?
- What are the terms of the contract? (Include copies of supporting documents in the appendix.)
- What renovations will be needed and at what cost? How will they impact your lease? (Include quotes in appendix.)
- How much can your business expand before you will be forced to move or add on to the present building?
- What equipment and furnishings will you need (i.e. desks, chairs, computer hardware and software, etc.)

Licenses/Permits/Regulations

- What licenses or permits are you required to obtain? How long does it take to get them?
- Do you have a registered trademark for the name of your company? (Include supporting documents in the appendix.)
- Is your business affected by zoning, ADA, OSHA regulations?

Insurance/Bonding

- Describe the insurance coverage (i.e. liability, property, workers compensation, etc.) you have to protect both the company and yourself
- Will you/your employees need to be bonded?
- Will your company provide employee benefits for you and/or your employees? Explain, and include copies of supporting documents in the appendix.

Start-Up Costs

- Create an itemized list of anticipated start-up costs.

Market Analysis

Target Market and Demographics

- Who are your potential customers? Define the characteristics by sex, age, income, education, occupation, household size, geography, lifestyle, or other relevant characteristics.
- What is your geographic market area? How many potential customers are in your market? Document the sources of your estimates.
- Identify potential market segments. List potential customers in each group and estimate their product usage.
- What percent of the market do you have now? How much do you think you will have in the future? Document the sources of your estimates.
- What will influence the purchase decisions of your customers: price, quality, service, personal contacts, political pressures or some combination of these factors?

Competitive Analysis

- Define the current advantages and disadvantages of your major competitors' products/services. Get to know the competitors' products by calling, sending someone to the office as a customer, looking at their advertising, etc.
- Who is the quality leader? The pricing leader?
- Identify substitute products/services.
- What is the trend in the business/industry? (Are revenues growing, stable, or in decline?)

Competitive Edge

- What makes your product/service unique?
- What features or services will you offer that will justify your price compared to competitors' prices?
- How will you attract and keep your share of the market? Explain all that apply: customer service, convenience, product quality, price, location, promotion, persuasion-personal selling, distribution, accept credit cards/checks, extend credit. What is your credit policy and payment terms?
- What are your service and warranty policies?

Sales Forecast

- Is your business seasonal? Explain.
- Describe the potential annual growth of the total market for the product or service for each major customer group.

Total market projections should be made for at least three years.

- Discuss the major factors affecting sales growth (industry trends, socio-economic trends, government policy, population shifts, etc.).
- Chart monthly sales forecasted (by market segments) for the first year and annual summaries for the second and third.

Marketing Strategy and Implementation

Marketing Plan

Promotion Strategy

- Explain the methods the company will use to appeal to the product/service purchasers (i.e. TV, radio, journals and magazines, direct mailing, trade shows, etc.)
- Describe the promotional literature, brochures, sales aids and promotional items proposed or developed.
- What is the seasonality of the market? What are the options for your company to generate and promote sales out of season?
- What are your sales and marketing tactics (i.e. community involvement, association memberships, customer database, media relations, special events, etc.)?
- If the company decides to use the services of an advertising agency, describe what the agency will be doing and the costs involved.

Pricing Strategy

- Present your pricing strategy.
- Present why this strategy will enable you to sell the product or service, maintain and increase market share in the face of competition, and produce profit.
- Compare your pricing policy with those of your major competitors.
- If the price is higher than the competition, justify it on the basis of newness, quality, warranty, and/or service.
- If the price is lower than competition, explain why and how you will maintain profitability (lower manufacturing or labor costs, lower overhead, lower material costs, greater effectiveness, etc.)
- Describe any discount allowance for prompt payment or volume purchases.

Distribution and Sales

- Describe the methods (internal sales force, sales representatives, distributors, etc.) that your company will use to make sales and distribute the product or service (initial and long term).
- If a direct sales force is to be used, indicate how it will be structured and at what rate it will be built up.
- Discuss the margin that will be given to salespeople, wholesalers, and retailers. Compare the methods and margins with the ones used by the competition.
- Prepare a table indicating the build up of dealers and representatives by month and expected sales to be made by each dealer or rep.

Strategic Alliances

- Explain your strategic alliances, such as co-marketing, co-development, commission and cooperative arrangements.
- Is your fate tied to that of any other company?
- Can you link your promotion or distribution strategies to another company, or companies?

Human Resources

Management Summary

- List the members of the management team and summarize their experience. Describe their functions with the business. Include resumes in the appendix.
- Note management gaps and weaknesses and specify how they will be corrected.
- List by name and firm the professionals you will engage to assist with management functions (i.e. lawyer, accountant, outside consultant, etc.)
- Who is on your board of directors and what do they contribute to the business? Who are your major stockholders and what is their role in management?

Organizational Structure

- Describe your organizational structure and include a brief description of who does what. Include an organizational chart if necessary.
- List proposed salaries and wages. Are they consistent with industry norms?
- If you will be using independent contractors, have you discussed this with the Kansas Department of Revenue and/or the IRS to make sure they are not considered employees?
- Describe the local labor market in terms of local unemployment rates, education, background and experience. Where will you find your new employees?

Personnel Plan

- List titles or title groups of all personnel.
- Chart three years of projected costs for personnel (salary and benefits) Include the addition of new personnel with business growth as well as pay increases.

Financial Plan

Important Assumptions

- List important assumptions that have an effect on your projections such as: short/long term interest rates, estimated payment/collection days, inventory turnover, income tax rate, percent costs for personnel benefits, sales on credit, expenses in cash, etc.

Break-Even Analysis

- Provide figures for fixed costs, unit price, and unit variable costs, and indicate the level of sales where your gross profit equals your operational costs.
- Include explanations and assumptions.

Projected Profit and Loss

- Detail by month for the first year.
- Provide yearly summaries for the second and third years.
- Existing businesses should supply year-end P&L statements for the past three years.
- Include explanations and assumptions.

Projected Cash Flow

- Detail by month for the first year.
- Provide yearly summaries for the second and third years.
- Include explanations and assumptions.

Projected Balance Sheet

- Detail your start up-costs or include balance sheets and/or tax returns for the previous three years and a current balance sheet and income statement.
- Give detailed projections of your assets, liabilities, and capital for the first year.
- For an existing business, include a capital equipment list, complete with purchase price and depreciated values, a detailed inventory listing with unit prices included, and a list of aged accounts receivable and accounts payable.

Business Ratios

- Profitability Ratios
- Activity Ratios
- Liquidity Ratios
- Other Relevant Ratios

Appendix

- Personal Resumes for all principals, partners and officers.
- Personal financial statements for all principals, partners, and anyone owning 15% or more of the company.
- Letters of intent from prospective suppliers or customers.
- Copies of all licenses, permits, leases, insurance policies, Contracts, agreements, deeds, certificates and other legal documents.
- Visuals of your business or products (i.e. photos of your product or of the exterior/interior of store or plant)

Checklist of Sections Completed

- COVER
- TABLE OF CONTENTS
- EXECUTIVE SUMMARY
- DESCRIPTION OF BUSINESS
- MARKET ANALYSIS
- MARKETING STRATEGY AND IMPLEMENTATION
- HUMAN RESOURCES
- FINANCIAL PLAN
- APPENDIX OF SUPPORTING DOCUMENTS