



# BUSINESS PLAN OUTLINE



**Indiana**  
SMALL BUSINESS  
DEVELOPMENT CENTER  
EAST CENTRAL

## **Executive Summary** (Complete last)

### **Description of your company**

- What problem do you solve or opportunity do you seize?
- Business Overview
- Product/Service

### **Market Analysis**

- Market Characteristics (market/demand, market size, legislative mandates, etc.)
- Target Customer Profile
- Current customer commitments

### **Competitive Assessment**

- Who is the competition?
- What market share does each competitor have
- Advantages of your product/solution over competition

### **Marketing/Sales Strategy**

- Your value proposition - i.e. why would a customer buy from you (price, function, service - need superiority in two of three)
- Pricing
- Distribution
- Sales Strategy
- Marketing Plan

### **Operating Plan**

- Ownership/management
- Staffing
- Facilities and Equipment
- Operations

### **Legal Issues**

- Intellectual Property Protection
- Compliance

### **Risks and Risk Mitigation**

### **Exit Strategy**

### **Funding Request**

### **Financial Plan**

- Projected Income Statement - years one, two, three
- Opening day Balance Sheet
- Monthly cash flow projection - year one (expected, best and worst case scenario)
- Cash flow projections - years two and three
- Notes to all financial statement projections
- Breakeven Analysis (Fixed Costs/Unit Selling Cost - Variable Cost)
- Source / Use Statement

### **Documentation:**

- Tax Returns of principals for last three years
- Personal financial statements
- Copy of proposed lease
- Copy of licenses and other legal documents
- Copy of resumes of all principals
- Documentation of revenue and expense
- Commitment letters from customers and suppliers
- Partnership Agreement

# Business Plan

## OWNERS

Your Business Name

Address Line 1

Address Line 2

City, ST ZIP Code

Telephone

Fax

E-Mail

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## **II. Executive Summary**

Write this section last.

We suggest that you make it two pages or fewer.

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the proposed business: What will your product be? Who will your customers be? Who are the owners? What do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise.

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

### III. General Company Description

What business will you be in? What will you do?

Mission Statement: Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:

Company Goals and Objectives: Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

Business Philosophy: What is important to you in business?

To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the *Marketing Plan* section).

Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?

#### **IV. Products and Services**

Describe in depth your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in *Appendices*).

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

What are the pricing, fee, or leasing structures of your products or services?

## V. Marketing Plan

### Economics

Facts about your industry:

- What is the total size of your market?
- What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)
- Current demand in target market.
- Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
  - High capital costs
  - High production costs
  - High marketing costs
  - Consumer acceptance and brand recognition
  - Training and skills
  - Unique technology and patents
  - Unions
  - Shipping costs
  - Tariff barriers and quotas
- And of course, how will you overcome the barriers?
- How could the following affect your company?

- Change in technology
- Change in government regulations
- Change in the economy
- Change in your industry

## **Product**

In the *Products and Services* section, you described your products and services as you see them. Now describe them from your customers' point of view.

### **Features and Benefits**

List all of your major products or services.

For each product or service:

- Describe the most important features. What is special about it?
- Describe the benefits. That is, what will the product do for the customer?

Note the difference between features and benefits, and think about them. For example, a house that gives shelter and lasts a long time is made with certain materials and to a certain design; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighborhood. You build features into your product so that you can sell the benefits.

What after-sale services will you give? Some examples are delivery, warranty, service contracts, support, follow-up, and refund policy.

## **Customers**

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class and occupation
- Education
- Other (specific to your industry)
- Other (specific to your industry)

For business customers, the demographic factors might be:

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

## **Competition**

What products and companies will compete with you?

List your major competitors:

(Names and addresses)

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.)

How will your products or services compare with the competition?

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

## **Niche**

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

## **Promotion**

How will you get the word out to customers?

Advertising: What media, why, and how often? Why this mix and not some other?

Have you identified low-cost methods to get the most out of your promotional budget?

Will you use methods other than paid advertising, such as trade shows, catalogs, dealer incentives, word of mouth (how will you stimulate it?), and network of friends or professionals?

What image do you want to project? How do you want customers to see you?

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

Should you have a system to identify repeat customers and then systematically contact them?

## **Promotional Budget**

How much will you spend on the items listed above?

Before startup? (These numbers will go into your startup budget.)

Ongoing? (These numbers will go into your operating plan budget.)

### **Pricing**

Explain your method or methods of setting prices. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can under price you anyway. Usually you will do better to have average prices and compete on quality and service.

Does your pricing strategy fit with what was revealed in your competitive analysis?

Compare your prices with those of the competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?

What will be your customer service and credit policies?

### **Proposed Location**

You will describe your physical needs later, in the *Operational Plan* section. Here, analyze your location criteria as they will affect your customers.

Is your location important to your customers? If yes, how?

If customers come to your place of business:

Is it convenient? Parking? Interior spaces? Not out of the way?

Is it consistent with your image?

Is it what customers want and expect?

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

**Distribution Channels**

How do you sell your products or services?

Retail

**Sales Forecast**

## **VI. Operational Plan**

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

### **Production**

How and where are your products or services produced?

Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

### **Location**

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

Physical requirements:

- Amount of space
- Type of building
- Zoning
- Power and other utilities

Access:

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

Do you need easy walk-in access?

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

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

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

What will be your business hours?

## **Legal Environment**

Describe the following:

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

## **Personnel**

- Number of employees
- Type of labor (skilled, unskilled, and professional)
- Where and how will you find the right employees?
- Quality of existing staff
- Pay structure
- Training methods and requirements
- Who does which tasks?

- Do you have schedules and written procedures prepared?
- Have you drafted job descriptions for employees? If not, take time to write some. They really help internal communications with employees.
- For certain functions, will you use contract workers in addition to employees?

## **Inventory**

- What kind of inventory will you keep: raw materials, supplies, finished goods?
- Average value in stock (i.e., what is your inventory investment)?
- Rate of turnover and how this compares to the industry averages?
- Seasonal buildups?
- Lead-time for ordering?

## **Suppliers**

Identify key suppliers:

- Names and addresses
- Type and amount of inventory furnished
- Credit and delivery policies
- History and reliability

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

Do you expect shortages or short-term delivery problems?

Are supply costs steady or fluctuating? If fluctuating, how would you deal with changing costs?

## **VII. Management and Organization**

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

If you'll have more than 10 employees, create an organizational chart showing the management hierarchy and who is responsible for key functions.

Include position descriptions for key employees. If you are seeking loans or investors, include resumes of owners and key employees.

### **Professional and Advisory Support**

List the following:

- Board of directors
- Management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultant or consultants
- Mentors and key advisors

## **VIII. Personal Financial Statement**

Include [personal financial statements](#) for each owner and major stockholder, showing assets and liabilities held outside the business and personal net worth. Owners will often have to draw on personal assets to finance the business, and these statements will show what is available. Bankers and investors usually want this information as well.

## **IX. Startup Expenses and Capitalization**

## X. Financial Plan

### Three Year, Monthly Profit and Loss Projection

See Attached Exhibit for Three Year Profit and Loss Projection by Month

### Projected Cash Flow

See Attached Exhibit for Three Year Projected Cash Flow by Month

### Opening Day Balance Sheet

See Attached Exhibit for Proforma Balance Sheet

### Break-Even Analysis

BREAK-EVEN ANALYSIS - YEAR 1		<p>The Indiana Small Business Development Center has prepared these financial projections from information communicated by the Client. We are not licensed by the state of Indiana to practice Public Accounting and can therefore give no opinion or assurance on the statements.</p>
GROSS SALES	\$174,259	
COST OF GOODS	\$43,492	
GROSS MARGIN	\$130,768	
ITEMS	FIXED EXPENSES	VARIABLE EXPENSES
Owner's Salary	\$0	
Owner Payroll Taxes	\$0	
Fixed Employee Wages	\$0	
Fixed Payroll Taxes	\$0	
Variable Employee Wages		\$38,337
Variable Payroll Taxes		\$5,866
Workers Comp	\$0	\$0
Bad Debt Expense		\$0
Outside Services	\$1,800	
Supplies	\$480	
Maintenance	\$0	
Ad/Promotion	\$2,400	
Office Expense	\$0	
Car/Travel	\$0	
Acct & Legal	\$1,200	
Rent	\$9,600	
Telephone	\$1,200	
Utilities	\$14,400	
Insurance	\$600	

Equipment Lease	\$0	
Real Estate Taxes	\$0	
Miscellaneous	\$0	
Trash Removal	\$1,200	
Other	\$0	
Insurance (Prepaid)	\$0	
Credit Card Fees		\$3,921
Franchise Royalties		\$0
Other		\$0
Depreciation	\$6,912	
Amortization	\$680	
Principal Pmt	\$8,953	
Interest	\$3,063	
Int-Line of Credit	\$0	
<b>TOTALS</b>	<b>\$52,487</b>	<b>\$48,123</b>

	BREAK-EVEN POINT	% OF PROJECTED SALES
BASED ON EXPENSES	\$91,795	52.68%
BASED ON CASH FLOW	\$94,664	54.32%

## **XI. Appendices**

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies
- List of assets available as collateral for a loan

## **XII. Refining the Plan**

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

### **For Raising Capital**

#### **For Bankers**

- Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:
  - Amount of loan
  - How the funds will be used
  - What this will accomplish—how will it make the business stronger?
  - Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
  - Collateral offered, and a list of all existing liens against collateral

#### **For Investors**

- Investors have a different perspective. They are looking for dramatic growth, and they expect to share in the rewards:
  - Funds needed short-term
  - Funds needed in two to five years
  - How the company will use the funds, and what this will accomplish for growth.
  - Estimated return on investment
  - Exit strategy for investors (buyback, sale, or IPO)
  - Percent of ownership that you will give up to investors

- Milestones or conditions that you will accept
- Financial reporting to be provided
- Involvement of investors on the board or in management

## **For Type of Business**

### **Manufacturing**

- Planned production levels
- Anticipated levels of direct production costs and indirect (overhead) costs—how do these compare to industry averages (if available)?
- Prices per product line
- Gross profit margin, overall and for each product line
- Production/capacity limits of planned physical plant
- Production/capacity limits of equipment
- Purchasing and inventory management procedures
- New products under development or anticipated to come online after startup

### **Service Businesses**

- Service businesses sell intangible products. They are usually more flexible than other types of businesses, but they also have higher labor costs and generally very little in fixed assets.
- What are the key competitive factors in this industry?
- Your prices
- Methods used to set prices
- System of production management
- Quality control procedures. Standard or accepted industry quality standards.

- How will you measure labor productivity?
- Percent of work subcontracted to other firms. Will you make a profit on subcontracting?
- Credit, payment, and collections policies and procedures
- Strategy for keeping client base

### **High Technology Companies**

- Economic outlook for the industry
- Will the company have information systems in place to manage rapidly changing prices, costs, and markets?
- Will you be on the cutting edge with your products and services?
- What is the status of research and development? And what is required to:
  - Bring product/service to market?
  - Keep the company competitive?
- How does the company:
  - Protect intellectual property?
  - Avoid technological obsolescence?
  - Supply necessary capital?
  - Retain key personnel?

High-tech companies sometimes have to operate for a long time without profits and sometimes even without sales. If this fits your situation, a banker probably will not want to lend to you. Venture capitalists may invest, but your story must be very good. You must do longer-term financial forecasts to show when profit take-off is expected to occur. And your assumptions must be well documented and well argued.

## Retail Business

- Company image
- Pricing:
  - Explain markup policies.
  - Prices should be profitable, competitive, and in accordance with company image.
- Inventory:
  - Selection and price should be consistent with company image.
  - Inventory level: Find industry average numbers for annual inventory turnover rate (available in RMA book). Multiply your initial inventory investment by the average turnover rate. The result should be at least equal to your projected first year's cost of goods sold. If it is not, you may not have enough budgeted for startup inventory.
- Customer service policies: These should be competitive and in accord with company image.
- Location: Does it give the exposure that you need? Is it convenient for customers? Is it consistent with company image?
- Promotion: Methods used, cost. Does it project a consistent company image?
- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?