



Every business can benefit from the preparation of a carefully written business plan. A business plan allows you to develop goals and strategies for your business. Business owners who do all or most of the work themselves are the ones who benefit most from the planning process. Planning helps not only to identify all costs associated with the future operations, expansion, or special projects, but also helps to keep a company looking toward the future.

This outline is intended to serve as a guide for an operational business plan written in a narrative format. It explores all aspects of a business operation. It will:

1. help you think through any project and ensure that you have considered all of your options and anticipated any potential difficulties;
2. convince potential lenders and investors that you are in control of the project and that their money will be safe with you;
3. serve as a road map for the success of your business.

The following outline lists key topics that should be included in narrative (story) form and standard financial statement format. Start with Section IV. Sections I-III will be written last. The final product should be tailored to fit your business circumstances and personality. Keep your copy in a three-ring binder so you can make revisions easily. If you provide copies of your plan to persons outside the company, give your plan a professional appearance by printing it on high quality paper and presenting it in a binder.

- I. **Cover Sheet** - Your cover sheet should include the name of the business, owner's name, address, phone and fax numbers, and e-mail addresses for the business. Show the date of issue of the plan and "Copy Number ____" if you need to control the copies.
- II. **Executive Summary** - The Executive Summary, while presented at the beginning of the plan, is the last section written. It is a condensed version of the entire business plan that must be able to stand on its own. It is not simply an introduction to the rest of the business plan. Bankers or investors who review many business plans may read only the Executive Summary. If the Executive Summary is not successful in gaining the banker's or investor's confidence, the plan may be rejected and may never be read in its entirety. The Executive Summary should include:

- the purpose of the plan (operating guide, loan request, prospectus for investors),
- the type of business you own or propose to own and the current state of development,
- the unique aspects of your product or service,
- the business structure you have chosen (sole proprietorship, partnership, corporation, LLC),
- the names of the principals,
- the amount of money you need to implement your plan and how it will be used,
- the amount of money you are investing,
- if you are requesting a loan, how you will repay the funds and the collateral that will be used to secure the loan,
- a summary of the financial projections.

III. Table of Contents - List major topics and page references.

IV. The Company

- A. Company Mission and Philosophy
 1. What is the mission of the company?
 2. What is the company philosophy regarding relationships between the company and its customers, suppliers, owners, regulators, employees and other stakeholders?
 3. What are the short and long term goals for the company?
- B. Company Description and History
 1. What is the legal structure of the business (sole proprietorship, partnership, corporation [C or S], LLC)? Who are the principals and what is their proportion of ownership?
 2. What is the company's history?
 3. What are the company's strengths and weaknesses, opportunities and threats?
 4. Describe the physical plant, equipment, etc.
 5. Describe the product or service.
 6. Explain the company's position in the market today.

V. The Project

- A. Project Description
 1. What will you be doing? Start up? Purchase? Expansion? Sale?
 2. Where will it happen?
 3. How will it be accomplished?
 4. Who will be involved?
 5. When will it happen? Include a timeline for construction, equipment installation, employee training, financing, etc.
- B. Sources and Uses of Funds
 1. Sources – list source and amount
 - a. Loan amount

- b. Your investment
- c. Investment of others
- 2. Uses – list use and cost of expenditures before opening business or using expansion
 - a. Real Estate (separate land and buildings)
 - b. Equipment
 - c. Prepaid Expenses
 - d. Working Capital (Cash)

VI. Marketing

A. Market Research and Analysis

- 1. Target market (customers) and demographics
 - a. Who are potential customers? Define the characteristics of the customer by sex, age, income, education, occupation, household size, geography, lifestyle, or other relevant characteristics.
 - b. How many different market segments (customer groups) are included in the customer base? Describe each market segment. What is the basis of purchase decisions by each segment: price? quality? service? personal contacts? political pressures? other factors?
- 2. Market size and trends
 - a. How much money is spent on the product or service within the target market each year?
 - b. Describe the potential annual growth of the target market for the product or service for each market segment.
 - c. Describe the major factors affecting market growth including industry trends, socio-economic trends, government policy, population shifts, etc.
- 3. Competition (direct and indirect)
 - a. Present a profile for each main competitor by defining the current advantages and disadvantages of its products and services, suppliers, and place in the market (quality leader, lowest price, etc.)
 - b. Assess their strengths, weaknesses, opportunities, and threats.
 - c. Compare competing products/services listed based on price, performance, warranties, and other pertinent features.
 - d. Discuss each competitor's share of the market, sales, distribution, and production capabilities.
 - e. Discuss why any companies have entered or dropped out of the market in recent years. Indicate any knowledge of competitors' actions that could lead the company to new or improved products/services and an advantageous position.
 - f. Discuss the possible opportunities a competitor might have in the market place. How easy is it to enter the market? How easy or difficult will it be to compete?

B. The Marketing Plan

- 1. Promotion and advertising

- a. What methods will be used for each market segment previously identified – TV, radio, journals, magazines, direct mail, trade shows, etc.? Are there co-op opportunities with suppliers?
 - b. Describe any advertising materials proposed or developed.
 - c. What type of promotions will you use?
 - d. What results do you expect from advertising and promotion efforts?
 - e. Include a schedule of activity by month, including costs.
2. Pricing
 - a. What is the pricing strategy? Why was it chosen?
 - b. Compare pricing strategy to competitors, and explain its advantage for the company.
 3. Place
 - a. Discuss the strengths and weaknesses of the location.
 - b. What are the sales and distribution tactics that you will use to market the product or service? internal sales force? outside sales persons? distributors? Discuss any selling salaries, contracts, commissions, or other costs in the distribution channel such as margin requirements.
 4. Persuasion – personal selling
 - a. Will you sell direct to the end customer? If not, discuss the distribution methods that will be used.
 - b. Discuss the customer service philosophy.
 - c. What are the service and warranty policies?

VII. Management and Operations

A. Management Team

1. Describe the organizational structure including a brief job description for each position. Include an organization chart if appropriate.
2. What personal business experience do you have? What industry experience do you have that lends itself to the success of this new venture?
3. Who is on the management team? Include resumes in the appendix.
4. What, if any, training will be required to address weaknesses? Describe ongoing professional development.
5. Have you selected a Board of Directors/Advisors/Management Resource Team? Identify them and their areas of expertise.

B. Personnel

1. Describe the labor market in terms of unemployment rates, education, background, and experience as it relates to the business.
2. Do you anticipate difficulty in finding and recruiting employees? If so, please discuss how you will overcome them.
3. What, if any, initial training will be required? Describe ongoing training programs.
4. Briefly describe the personnel policies and include a copy of the personnel manual in the appendix.

C. Operations

1. Government regulations

- a. What licenses and permits are needed to operate in your city and state?
- b. Is the business affected by zoning regulations?
2. Asset protection
 - a. Have you protected your concept with patents, trademark registration, and/or copyrights? If so, discuss and include supporting documents in the appendix.
 - b. Describe the insurance coverage needed to protect both the company and yourself.
 - c. Will you/your employees need to be bonded?
 - d. If the company will have credit sales, briefly describe the credit and collections policy and include a copy of the written policy in the appendix.
 - e. If the company will have inventory, describe the inventory control system.
3. Financial management
 - a. Describe the record keeping system.
 - b. Include the name of the company's bank, accountant, and other finance professionals who will provide assistance.
4. Describe day to day operations. Do operations need to be altered to achieve company goals as stated in part I of the business plan? What changes will be required?

VIII. Financial Data

This section of the business plan will be closely scrutinized by bankers and/or potential investors. Include a minimum of a 12 month cash flow for the first year of your project, income statements, and balance sheets for the first three years of the project. State all underlying assumptions.

- A. Project Financial Requirements
 1. Monthly operating costs - Include a written explanation of all operating costs, by line item, which appear on the projected cash flow.
 2. Owner's financial requirements including taxes.
- B. Financial Statements
 1. Projected Cash Flow by month for first 12 months.
 2. Projected Income Statement for 3 years.
 3. Projected Balance Sheet for 3 years.
 - a. Number of Shares/Memberships, par or stated value, amount contributed per share
 - b. Subordinated debt (owner carry back, stand by loans)

IX. Appendix - The appendix should support the body of the business plan. You may choose to include marketing reports, brochures, an organizational chart, resumes, plant layout drawings, photos of the product, copy of purchase agreements, vendor cost estimates for

equipment to be purchased, contractor estimates for renovation or construction, letters of support from customers, technical reports explaining your product, etc.

The following items should be included in the appendix for a loan proposal:

- Company financial statements and tax returns for the past three years.
- Ownership information including names of owners or stockholders (when appropriate).
- A list of corporate officers.
- Date and domicile of incorporation, date partnership agreement was signed.
- Personal income tax returns of all owners.
- Personal financial statement.
- Insurance coverage including carrier, amount, and beneficiary, if applicable.
- Quotes for equipment, construction, etc.
- Store or production layout.

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