



A business plan is defined as “a detailed plan setting out the objectives of a business, the strategy and tactics planned to achieve them, and the expected profits, usually over a period of three to ten years.”

Every business can benefit from the preparation of a carefully written business plan. Most importantly, a business plan serves as a guide during the lifetime of the business. It is the blueprint of your business and will provide you with tools for analysis and change. Not enough of a reason for you to hammer out a plan? How about this:

1. A business plan is a requirement if you are planning to seek a loan. It will provide potential lenders with detailed information on all aspects of your company’s past and current operations and provide future projections.
2. Some landlords will require a potential renter to have a business in place before signing a lease.

While the idea of writing a plan can be intimidating, it is a necessary step in planning for a successful business. Below is your step-by-step guide on what every successful business plan should include:

### **Cover Sheet**

This serves as the title page of your business plan. It should contain the following:

- Name of the company
- Company address
- Company phone and fax numbers
- Company website
- Company email addresses
- Logo
- Names, titles, address, phone numbers of owners
- Month and year your plan was issued, and by who

### **Executive Summary**

This is the statement of purpose and includes business plan objectives. Use the key words (who, what, where, when, why, how, and how much) to briefly tell about the following:

- What your company is (also who, what, where and when)
- What your objectives are
- If you need a loan, why you need it
- How much you need
- Why you will be successful
- How and when you plan to repay loan

## **Table of Contents**

A page listing the major topics and references included in your business plan.

## **The Business**

This covers the details of your business. Include information about your industry in general and your business in particular. Address the following:

- **Legal Structure** – Tell what legal structure you have chosen and state reasons for your choice.
- **Description of the Business** – Detail your business. Tell about your history, present status and future projections. Outline your product or service in terms of marketability. Project a sense of what you expect to accomplish in the near future.
- **Products and/or Services** – Give a detailed description of your products from raw materials to finished items. Tell about your manufacturing process. If you provide a service, tell what it is, how it is provided and why it is unique. List future products or services you plan to provide.
- **Location** – Describe the site and why it was chosen.
- **Management** – Describe who is behind the business. For each owner, describe responsibilities and abilities. Support with resumes.
- **Personnel** – Who will be doing the work, why are they qualified, what is their wage, what are their responsibilities?
- **Methods of Record Keeping** – What accounting system will you use? Who will do your record keeping? Do you have a plan to help you use your records in analyzing your business?
- **Insurance** – What types of insurance will you need? What will these cost and who will you use for a carrier?
- **Security** – Address security in terms of inventory control and theft of information.

## **Marketing**

This covers the details of your marketing plan. Include information about the total market with emphasis on your target market. Identify your customers and describe the means to make your product or service available to them.

- **Target Market** – Identify characteristics of your customers. Tell how you arrived at your results. Back up information with demographics, questionnaires and surveys. Project your market size.
- **Competition** – Evaluate indirect and direct competition. Show how you can compete. Evaluate competition in terms of location, market and business history.
- **Methods of Distribution** – Tell about the manner in which products and services will be made available to the customer. Back up decisions with statistical reports, rate sheets, etc.
- **Advertising** – How will your advertising be tailored to your target market? Include rate sheets, promotional material and time lines for your advertising campaign.
- **Pricing** – This will be determined as a result of market research and costing your product or service. Tell how you arrived at your pricing structure and back it up with research materials.
- **Product Design** – Answer key questions regarding product design and packaging. Include graphics and proprietary rights information.
- **Timing of Market Entry** – Describe when you plan to enter the market and how you arrived at your decision.
- **Location** – If your choice of location is related to target market, cover it in this section.
- **Industry Trends** – Provide current trends. Project how the market may change and what you plan to do to keep up.

## **Financial Documents**

These are the records used to show past, current and projected finances. Include:

- **Summary of Financial Needs** – This is an outline indicating why you are applying for a loan and how much you need.
- **Sources and Uses of Fund Statement** – It will be necessary for you to tell how you intend to disperse the loan funds. Back up your statement with supporting data.
- **Cash Flow Statement (aka Budget)** – This projects what your business plan means in terms of dollars. It shows cash inflow/outflow over a period of time and is used for internal planning. Cash flow statements show both how much and when cash must flow in/out of your business.
- **Three Year Income Projection** – A pro forma income statement showing your projections.
- **Break Even Analysis** – The break-even point is when a company's expenses exactly match the sales or service volume. It can be expressed in total dollars or revenue exactly offset by total expenses or total units of production (cost of which exactly equals the income derived by their sales). This analysis can be done either mathematically or graphically.

**Note:** The following are actual performance statements reflecting the activity of your business in the past. If you are a **new business**, your financial section will end here and you will add a personal financial history. If you are an **established business**, include the actual performance statements that follow:

- **Balance Sheet** – This shows the condition of the business as of a fixed date. It is a picture of your firm's financial condition at a particular moment and will show you whether your financial position is strong or weak. It is usually done at the close of an accounting period, and contains assets, liabilities and net worth.
- **Income (Profit and Loss) Statement** – This shows your business financial activity over a period of time (monthly, annually). It is a moving picture showing what has happened in your business and is an excellent tool for assessing your business. Your ledger is closed and balanced and the revenue and expense totals transferred to this statement.
- **Business Financial History** – This is a summary of financial information about your company from its start to present. The business financial history and loan application are usually the same. If you have completed the rest of the financial section, you should be able to transfer all the needed information to this document.

## **Supporting Documents**

These are the records that back up the statements and decisions made in the three main parts of your business plan. Those most commonly included are:

- **Personal Resumes** – Should be limited to one page and include work history, educational background, professional affiliations and honors and special skills.
- **Personal Financial Statement** – A statement of personal assets and liabilities. For a new business owner, this will be part of your financial section.
- **Credit Report** – Business and personal from suppliers/wholesalers, credit bureaus and banks.
- **Copies of Leases** – All agreements currently in force between your company and leasing agency.
- **Letters of Reference** – Letters detailing you as being a reputable and reliable businessperson worthy of being considered a good risk. Include both business and personal references.
- **Contracts** – Include all business contracts, both completed and currently in force.
- **Legal Documents** – Those pertaining to legal structure, proprietary rights, insurance, titles, etc.
- **Miscellaneous** – All other documents that have been referred to but are not included in the main body of the plan (location plans, demographics, advertising plan etc.).

### **Putting Your Plan Together**

When you are finished your business plan should look professional, but the lender needs to know that it was done by you. A business plan will be the best indicator to judge your potential for success. It should be no more than 30 to 40 pages long. Include only the supporting documents that will be of immediate interest to your potential lender. Keep the others in your own copy where they will be available on short notice. Have copies of your plan bound. Make copies for yourself and each lender you wish to approach. Do not give out too many copies at once, and keep track of each copy. If your loan is refused, be sure to retrieve your business plan. For a more detailed explanation of each section of the business plan outline, see the Small Business Administration's publication "How to Write a Business Plan," which includes step-by-step directions and sample sections of actual business plans.

### **A Self-Assessment Questionnaire...**

- Have you developed a clear sense of direction or mission?
- Have you clearly defined the nature of your business?
- Do you have a clear philosophy for conducting your business affairs?
- Are your business goals obtainable?
- Are your objectives logically related in a hierarchy that will lead to goal achievement?
- Are your objectives clear, measurable and tied to goal achievement?
- Do you periodically reevaluate your objectives to be sure they have not grown obsolete?
- Have you developed a logical and planned approach for collecting data on your environment?
- Are data stored or filed in ways that allow easy retrieval of useful information?
- Are reports produced that are seldom or never used?
- Do you periodically review your information system to make certain it is useful and up to date?
- Can you list four or five key strengths of your business?
- Are you aware of key weaknesses in your business?
- In developing your final strategy, did you consider three or four possible alternatives?
- Are you involving your employees in planning decisions?
- Did you take time to communicate the final plan to employees and deal with their concerns?
- Is your timetable for implementation of the plan realistic?
- Have you scheduled definite check points for assessing progress toward goals?
- Have you developed effective ways of measuring progress?