

# BUSINESS PLAN WORKBOOK



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# Business Plan

## WORKBOOK

Profits\$



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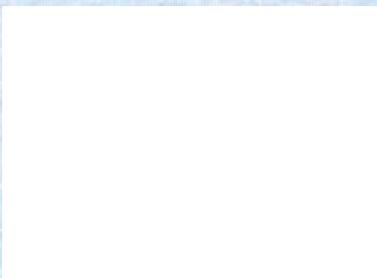
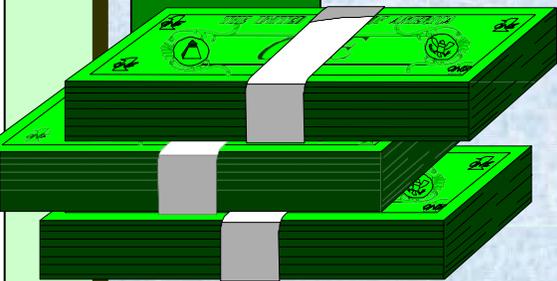
**Justify Your Project  
to Financers!**

**Evaluate . . .**

Competitive Conditions

Promotional Opportunities

Financial Options



## **Table of Contents**

<b>REASONS FOR DEVELOPING A BUSINESS PLAN .....</b>	<b>4</b>
<b>BUSINESS PLAN OUTLINE.....</b>	<b>5</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>6</b>
BUSINESS & PRODUCT DESCRIPTION .....	6
MARKET OPPORTUNITY .....	6
COMPETITIVE ADVANTAGE .....	6
MANAGEMENT .....	6
FINANCIAL .....	7
CAPITAL NEEDS.....	7
<b>BUSINESS DESCRIPTION .....</b>	<b>8</b>
THE VENTURE .....	8
PRODUCT DESCRIPTION .....	8
COMPANY HISTORY.....	10
KEY PARTICIPANTS.....	10
<b>MARKET OPPORTUNITY.....</b>	<b>11</b>
INDUSTRY CHARACTERISTICS.....	11
➤ <i>Industry Size &amp; Outlook</i> .....	12
➤ <i>Market Segmentation</i> .....	12
➤ <i>Industry Trends</i> .....	13
COMPETITIVE SITUATION .....	14
➤ <i>Rivalry</i> .....	14
➤ <i>Consumer Bargaining Power</i> .....	15
➤ <i>Substitutes</i> .....	16
➤ <i>Suppliers Bargaining Power</i> .....	17
➤ <i>Barriers to Entry</i> .....	17
CONSUMER NEED .....	19
CUSTOMER PROFILE .....	19
MARKET PROFILE.....	20
COMPETITOR ANALYSIS .....	21



- *Competitor Matrix*..... 21
- *Future Competition*..... 22
- MARKETING PLAN.....23**
- STRATEGY OVERVIEW ..... 23
- SWOT ANALYSIS .....23
  - *Strengths*..... 23
  - *Weaknesses*..... 23
  - *Opportunities*..... 24
  - *Threats*..... 24
- COMPETITIVE ADVANTAGE .....24
- TARGET MARKET ..... 25
- VALUE PROPOSITION ..... 26
- THE MARKETING MIX .....26
  - *Product Offerings* ..... 26
  - *Distribution (Place)*..... 27
  - *Price* ..... 27
  - *Promotion*..... 28
- SALES FORECAST ..... 29
- MILESTONES..... 30
- MANAGEMENT & OPERATIONS ..... 31**
- FORM OF ORGANIZATION .....31
- OFFICERS & BOARD OF DIRECTORS..... 31
  - *Board of Directors*..... 31
  - *Corporation Officers* ..... 32
- KEY MANAGERS..... 32
- RISK MANAGEMENT ..... 34
- OPERATIONS..... 34
  - *Facilities*..... 35
  - *Production Process*..... 35
  - *Expenses* ..... 36
  - *Cost Controls*..... 37
  - *Administrative & financial controls*..... 37



- *Labor* ..... 37
- *Capacity*..... 38
- *Patents & Trademarks*..... 38
- *Licenses & Permits*..... 38
- *Environmental concerns*..... 39
- *Strategic Partners*..... 39
- *Customer service* ..... 40
  
- FINANCIAL NEEDS & ASSUMPTIONS ..... 41**
  - PROJECTIONS.....41
  - ASSUMPTIONS ..... 42
  - BREAKEVEN ..... 42
  - CAPITAL REQUIREMENTS ..... 43
  - FINANCING SOUGHT ..... 44
  
- LONG-TERM DEVELOPMENT & EXIT PLAN..... 45**
  - GOALS..... 45
  - STRATEGIES
  - MILESTONES..... 46
  - EXIT PLAN..... 46
  
- FINANCIAL STATEMENTS ..... 47**
  - FIRST YEAR (MONTHLY) ..... 47
  - NEXT TWO TO FOUR YEARS (ANNUALLY OR QUARTERLY) ..... 47
  - PAST INCOME STATEMENTS ..... 47
  - PAST BALANCE SHEET STATEMENTS..... 47
  
- APPENDIX ..... 48**
  - EXHIBITS THAT CAN BE INCLUDED IN THE APPENDIX..... 48



## REASONS FOR DEVELOPING A BUSINESS PLAN

- ◆ Persuade financiers to loan money for your business.
- ◆ Persuade investors to purchase part of your business.
- ◆ A business plan allocates resources and measures the results of your actions, helping you to set realistic goals and make logical decisions.
- ◆ It can make the future what you want it to be.
- ◆ It makes it easier for your banker, attorney, and accountant to evaluate your goals and objectives and better serve you.
- ◆ It can be a communications tool for your employees and sales force.
- ◆ It can give you practice in thinking about competitive conditions, promotional opportunities and financial options, such practice can increase your managing ability to make sound judgments.

Another way to look at it:

- Internal use - planning, strategy formation (extremely detailed)
- External use - communication (general)

A **comprehensive business** plan is one that details your business strategy. It can be used for internal purposes as well as obtaining financing. It may be 20 - 40 pages. It is most needed when trying to obtain large amounts of capital and presentations to venture capitalists, angels and other serious investors.

A **summary plan** will suffice for small loans and for initial presentation to venture capitalists. It contains all the basic elements of a comprehensive plan but in less detail. It is usually 2-4 pages and contains summary pro formas. Always include a Table of Contents with full business plans so readers can quickly find what they are interested in.



## **BUSINESS PLAN OUTLINE**

### **Table of Contents**

- I. **Executive Summary**
- II. **Business Description**
  - A. **Product**
  - B. **Legal Form of Organization**
  - C. **Firm History**
  - D. **Ownership**
- III. **Market Opportunity**
  - A. **Industry**
  - B. **Market Size & Segments**
  - C. **Competitor's Compared**
  - D. **Current Competitive Position (S.W.O.T Analysis)**
- IV. **Marketing Strategy**
  - A. **Target Markets**
  - B. **Marketing Mix**
  - C. **Sales Forecast**
- V. **Management & Operations**
  - A. **Key Managers' Duties & Qualifications**
  - B. **Organizational Structure**
  - C. **Personnel**
  - D. **Operations**
- VI. **Financial Needs and Assumptions**
  - A. **Past Financial Performance**
  - B. **Future Financial Needs**
  - C. **Financing Considered**
  - D. **Projected Revenue & Expenses**
  - E. **Break-even Point (Point at which you pay all bills but make no profit)**
- VII. **Financial Statements**
  - A. **Income Statements (Include both last 3 years & projected next 3 years)**
  - B. **Balance Sheets (Include both last 3 years & projected next 3 years)**
  - C. **Cash Flow Statements (At least first 12 months)**
  - D. **Financial Ratios**
- VIII. **Exhibits**
  - A. **Personal Financial Statement (Current within 90 days)**
  - B. **Personal IRS Returns (Last 3 years)**
  - C. **Credit Reports**
  - D. **Letters of Intent**
  - E. **Letters of Reference**
  - F. **Summary of all leases, contracts, agreements, deeds, or other legal documents**

This should summarize the entire plan in 2 to 3 pages. Include: Who are you and your company. How long have you been in existence? How much will your plan cost to implement? How much do you need to borrow?

List your personal Strengths and Weaknesses as well as existing Opportunities and Threats that you see exists.

**Describe:**

- ◆ The products/services you offer
- ◆ Your location or how you will distribute your product/service
- ◆ Pricing strategy
- ◆ Promotional, advertising and marketing strategies.



## **EXECUTIVE SUMMARY**

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***Do the executive summary last!!!***

Even though the Executive Summary comes first in the business plan and is an important part of the plan, it needs to be written last. Since it's a summing up of all the sections in the body of the plan, you will need to complete those other sections before you write it.

The Executive Summary should:

- *Be less than three pages long*
- *Be a concise and persuasive summary of the entire plan*
- *Contain all essential elements of the plan, but no more*

It should cover the following:

### **Business & Product Description**

Start with a brief description of your product and/or service and the market.

### **Market Opportunity**

Include a discussion of the target market, market size, overall market strategy, current customers, and strategic relationships. Validate that the market exists.

Some questions you can answer are: Is there significant market demand? What factors affect demand? What are future expectations? Who is your competition?

### **Competitive Advantage**

What is your value proposition? What is it that you are offering to your customers that your competitors don't offer? What is your competitive advantage (your firm's edge in competing in the market)?

### **Management**

Include a brief description of how your business is organized, the management team and its qualifications. Who is on your Board of Directors or Board of Advisors? Who are the owners? Officers? Other important managers?--



**Financial**

It should include key historical and forecasted financial data such as sales, net income, cash flow and return on investments. Include basic assumptions and breakeven analysis.

**Capital Needs**

Discuss financing needs, planned use of proceeds, sources of capital, and capital being raised. It should also summarize financial needs, the amount needed, how it will be used and how financiers will get their money back.



## **BUSINESS DESCRIPTION**

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### **The Venture**

This can be your “elevator pitch” – what you would tell someone about you and your business while riding an elevator. Or, you can include a mission statement—either should cover the same type of material.

Provide a brief description of your business. An excellent question to ask yourself is “What business am I in?” In answering, include a description of your product(s), market and services, as well as a thorough explanation of what makes your business unique. Remember, however, that as you develop your business plan, you may have to revise your initial description.

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### **Product Description**

Briefly describe your product. (When we talk about “product” we are talking about both goods and services.) Begin by describing what customer/client needs you are filling. Your business idea includes your product definition, but your product is defined by what need you are filling. No matter what industry you are in, you are filling a need. What need is that? How is your product different from others that are available?

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What stage of development is the company in currently?

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What are your capital needs?

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What type of financing are you looking for?

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Also explain your “business model.” Your business model explains who will pay for your product and how you expect to make money. For most businesses it is straightforward—the customer pays for the product/solution—however, in some businesses such as travel agencies, the end user does not pay for the product. In other industries, like radio or magazine advertising, more than one customer may exist (the advertiser and the listener/reader). You may make money from one or more customer base. How do you generate your revenues?

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**Company History**

Briefly describe the history of the firm. How did it come into being? Who started it and when?

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Who are the key participants? How did the principals become involved in the venture?

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**Key Participants**

Who now owns it (or will own it, if a start-up)?

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Who manages it (or will own it, if a start-up)?

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## **MARKET OPPORTUNITY**

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### **Industry Characteristics**

What industry will you compete in?

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How big is it?

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What is its SIC Code?

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What is its NAICS Code?

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Do these codes accurately portray the type of business you plan to be? If not, why not?

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What stage of the product life-cycle is the industry in? (Circle One)

New?

High Growth?

Stable or Slow Growth?

Declining?

Are there any changes taking place in the industry? How rapidly are they happening? What affect will they have on your business?

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➤ **Industry Size & Outlook**

How large is the total industry? And how do you know this is true? Is it growing, stable or shrinking? What is its forecasted growth, strength and stability?

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➤ **Market Segmentation**

How do you define your market? (Circle One)

Geography            Specialty or Product Type            Price            Type of Customer

How is the industry generally segmented?

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How large is the market you plan to serve?

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Are industry sales seasonal? Do they increase or decrease at predictable times of they year? If so: when and how much?

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➤ **Industry Trends**

Is **technology** changing? Identify changes that could affect your industry.

*(Example: Computers can now do part of my job.)*

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Are there changes in the **demographics** of who purchases or uses your product?

*(Example: The population is aging.)*

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Are there **economic** or financial changes affecting your industry?

*(Example: The price of gasoline is rising.)*

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Are the **attitudes** or **preferences** of customers changing in ways that affect your business? How so? *(Example: Men are now buying beauty products.)*

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Will there be changes in **regulations** affecting the industry? What are they?  
(Example: New regulations governing my industry.)

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**Competitive Situation**

➤ ***Rivalry***

What is the scope of competitive rivalry? How would you characterize the general level of competition (circle one):

Cutthroat      Very Strong      Strong      Moderate      Weak

Discuss any of the following points of competition on which you will compete: price; quality; brand name; service; product features (function, advertising, packaging); store location, design, ambiance, sanitation; nature or quantity of customers?

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The most direct competitors are those offering the same type of product or service as yours. How many direct competitors exist?

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Because customers generally have limited funds and time, you should also consider indirect competitors. (A movie theatre might also find itself competing with a miniature golf course .) Will your business have any indirect competitors?

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List the major competitors in the order of their threat to your business:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_
9. \_\_\_\_\_
10. \_\_\_\_\_

➤ ***Consumer Bargaining Power***

Do buyers have discretion in when and whether they purchase the product?

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Is the product a necessity?

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Is it purchased frequently? How often?

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Is it a major purchase for the customer?

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How much bargaining power do buyers have in setting terms and conditions of sales?

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Are switching costs low?

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Are there many buyers, or few?

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Are buyers are well informed?

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How strong is customers' overall bargaining power?

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➤ **Substitutes**

What products can consumers buy instead of your product?

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Are substitutes acceptable in quality and performance?

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Are substitutes priced attractively?

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Can buyers switch easily? Why not?

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➤ ***Suppliers Bargaining Power***

Are there multiple suppliers available?

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Are there times the supplies are not available?

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How much bargaining power does suppliers have in setting terms and conditions of sales?

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➤ ***Barriers to Entry***

Is it easy or difficult for businesses to get into the industry?

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Are capital requirements costly?

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Do larger existing competitors benefit from economies of scale and scope? Why?

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Do significant learning and experience curves exist?

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Are switching costs low?

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Is customer loyalty great?

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Is there easy access to distribution channels?

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Are there laws or regulations that make it hard to enter the industry?

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What other types of barriers of entry are there into the industry?

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**Consumer Need**

Marketing is all about filling the customer's need. What are the primary and secondary needs of your customer?

Primary?

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Secondary?

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How do you fill their need?

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**Customer Profile**

What are the demographics of the typical consumer?

Age \_\_\_\_\_

Race \_\_\_\_\_

Sex \_\_\_\_\_

Income \_\_\_\_\_

Occupation \_\_\_\_\_

Geography \_\_\_\_\_



Lifestyle — Consider psychographics (importance of status and trends, social or environmental consciousness, are they free-spending or frugal, practical or fun-seeking), entertainment interests (hobbies, sports, etc.), media preferences (TV, radio magazines, internet), political and other organizational affiliation.

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**Market Profile**

The key element of a successful marketing plan is knowing your customers—their likes, dislikes and expectations. By identifying these factors, you can develop a marketing strategy that will allow you to arouse and fulfill their needs.

Identify your customers by the categories below. At first target only those customers who are most likely to purchase your product or service. As your customer base expands, you may need to modify your marketing plan to include other customers.

**What is the profile of the specific market you plan to operate in?**

Age \_\_\_\_\_

Race \_\_\_\_\_

Sex \_\_\_\_\_

Income \_\_\_\_\_

Occupation \_\_\_\_\_

Geography \_\_\_\_\_

Lifestyle \_\_\_\_\_

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**Competitor Analysis**

What are your competitors' strengths and weaknesses? What is their competitive advantage? Are they strong financially?

Discuss their prices, selection, quality, customer service, reputation, product uniqueness, etc. What is their value proposition? That is, "Why do they say a customer should buy from them? How they market themselves?

➤ **Competitor Matrix**

Competitor name: _____	_____	_____	_____	You
Strength 1				
Strength 2				
Strength 3				
Strength 4				
Weakness 1				
Weakness 2				
Weakness 3				
Weakness 4				
Competitive advantage				
Price				
Selection				
Quality				
Customer Service				
Reputation				
Product Uniqueness				
Value Proposition				
Marketing				



How is business for those competitors?

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What have you learned from their operations? From their advertising?

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➤ **Future Competition**

How and why will new competitors enter the market?

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How long will that take?

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What factors would prevent new competition from entering the market? (*E.g. a secret recipe*)

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## **MARKETING PLAN**

### **Strategy Overview**

Complete this Strategy Overview after first doing the rest of the Marketing Plan section. Describe the overall strategy of your firm:

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### **SWOT Analysis**

#### **➤ Strengths**

What are your and your firm's strengths?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

#### **➤ Weaknesses**

What are the weaknesses that you and your firm have?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_



➤ **Opportunities**

What opportunities will your business face?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

➤ **Threats**

What opportunities will your business face?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

**Competitive Advantage**

A competitive advantage is something that gives your firm an edge in competing in the market. It can be low production costs, improvements in the value chain, unique product offering, patented technology, trademarks, exclusive contracts, economies of scale/scope, special knowledge, etc.

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**Target Market**

Describe the market you plan to aim for. Define it by: geography, segment, type of customer etc.

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What are the demographics of your target consumer?

Age \_\_\_\_\_

Race \_\_\_\_\_

Sex \_\_\_\_\_

Income \_\_\_\_\_

Occupation \_\_\_\_\_

Geography \_\_\_\_\_

Lifestyle \_\_\_\_\_

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How many exist?

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## **Value Proposition**

What is your value proposition to customers? In other words, what is it that you are offering to your customers that your competitors don't offer?

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## **The Marketing Mix**

Marketing plays a vital role in successful business ventures. How well you market your business, along with a few other considerations, will ultimately determine your degree of success or failure. Devise a plan that uses advertising and networking as a means to promote your business. *The message that you convey through all your marketing efforts should be clear and consistent and also reflect your general corporate style.*

### ➤ **Product Offerings**

Describe your product. Describe the technology in terms the audience will understand. What is it? How does it work? What does it do? How do you know it works?

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➤ **Distribution (Place)**

How will you deliver your product to the consumer?

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Is location important?

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Describe your "location".

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➤ **Price**

Some pricing strategies include:

- + Cost plus pricing
- + Pricing below competition
- + Pricing above competition
  - + Price lining
- + Multiple pricing
- + Prestige pricing
- + Penetration pricing
- + Price skimming
- + Bundling

Explain your pricing strategy. How do you set your price?

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How do you know customers will buy at that price?

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How much is your contribution margin? (This is the difference in how much it costs for you to make the product and how much you sell it for.)

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How do your prices compare to your competitors?

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➤ **Promotion**

Advertising and promotion is any communication you have with your customers.

Listed are some mediums for promoting your business:

- + Word of mouth, networking
- + Brochures, flyers, leaflets
- + Personal sales
- + Print media -- newspapers, magazines, specialty publications, yellow pages
- + Broadcast media/electronic -- television, radio, internet, movie theaters
- + Specialties -- packaging, t-shirts, etc.
- + Direct mail, coupons, mailing list, Val-pak
- + Telemarketing
- + Specials – 2 for 1 sales, dining clubs, credit card discount programs
- + Signs -- on store, billboards, trains, cabs, blimps
- + Trade shows
- + Point of sale devices -- promotions, and employee practices
- + Immediate response advertising
- + Public relations -- charity or special events





**Milestones**

Include a list of your business' most important milestones. Indicate which of them you have already achieved. Discuss when future milestones will be reached and what their cost will be.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_
9. \_\_\_\_\_
10. \_\_\_\_\_



## MANAGEMENT & OPERATIONS

### Form of Organization

What is the legal form of your organization?

Sole Proprietorship

Partnership

Corporation

LLC

Other \_\_\_\_\_

List the owners of the company and what percentage they own:

1. \_\_\_\_\_ %
2. \_\_\_\_\_ %
3. \_\_\_\_\_ %
4. \_\_\_\_\_ %
5. \_\_\_\_\_ %
6. \_\_\_\_\_ %
7. \_\_\_\_\_ %

When was the business started?

\_\_\_\_\_

When did you acquire it (or your portion of it)?

\_\_\_\_\_

### Officers & Board of Directors

If your business is a corporation, complete the following:

➤ **Board of Directors**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_



- 5. \_\_\_\_\_
- 6. \_\_\_\_\_
- 7. \_\_\_\_\_
- 8. \_\_\_\_\_

➤ **Corporation Officers**

President \_\_\_\_\_  
Secretary \_\_\_\_\_  
Treasurer \_\_\_\_\_

If the organization is fairly large you might want to include an organizational chart.

**Key Managers**

Who are the principals and key employees (founders, president, directors, department heads)? What are their qualifications, experience, successes, education, strengths and weaknesses?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Describe the lines of authority. (Include a flow chart in the appendix if you wish.)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



Is there a succession plan? If so, describe it:

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If there are any key positions that are not yet filled, explain your plans to do so. Describe the job(s) and the profile, compensation and qualifications of any prospects: \_\_\_\_\_

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How will you motivate and retain key personnel?

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Is there any innovative or unusual aspect of your management style that would impact growth or give a competitive advantage?

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Explain how your business will use any of the following: management, financial or marketing consultants; attorneys; accountants; industry specialists; architects or design consultants:

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**Risk Management**

Outlining risks shows the investor that you are not naively optimistic in your planning. Some common risks are a lack of market acceptance, changing demographics or customer tastes, new competition, management performance, increasing payroll costs, changing regulations or licensing issues. What are the major risks that may prevent you from obtaining your goals?

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Are there health or safety issues present in your industry or the operation of your business? How do you assure the safety of your staff and customers? Do you have insurance?

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**Operations**

Here is where you explain the day-to-day functions of your business. Focus on the aspects of operations that are more important to the overall success, provide a competitive edge, or are innovative.



➤ **Facilities**

Describe your facility or facilities, discussing the following: \_\_\_\_\_

- Location -- addresses, parking, floor plans, etc. \_\_\_\_\_
- Lease -- terms, length, important details
- Improvements -- plans, needs
- Key factors -- expansion potential, proximity to market, unique aspects

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➤ **Production Process**

Process -- how are the products created? Describe the stages, flow and efficiency:

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Describe your quality control. Does it include inspections, testing, training or incentive rewards?

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➤ **Cost Controls**

Are your costs controllable or volatile? Describe how you handle inventory (forms, systems, practices). If you are in the food & beverage industry, explain your check systems, management practices, training policies and inventory intervals.

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➤ **Administrative & financial controls**

Describe your sales, bookkeeping (payments, billing) and accounting (report intervals) systems:

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➤ **Labor**

List costs of labor, kinds and numbers of workers, whether full-time or part-time:

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➤ **Capacity**

How much work/volume can the present facilities handle?

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Can you increase productivity without reducing quality? How?

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➤ **Patents & Trademarks**

List any patents, trademarks, trade secrets, etc. Who owns the intellectual property? Are patents filed? If so, when? Who did the patent work?

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➤ **Licenses & Permits**

What types of licenses and permits are required for the operation? Are they secured?

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➤ ***Environmental concerns***

Are there any environmental issues that you will need to address?

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➤ ***Strategic Partners***

List key suppliers and vendors for your business.

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List all professional services firms involved in the business (attorneys, accountants, management consultants, insurance agents, etc.)

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List all businesses that you have a helpful relationship with or those you “partner” with to accomplish certain tasks. In other words: who are your strategic partners and how do they help you? Who should be a strategic partner and what plans do you have to make them one?



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➤ **Customer service**

Discuss your service policies and attitude, the complaint process and feedback mechanisms:

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## **FINANCIAL NEEDS & ASSUMPTIONS**

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### **Projections**

All the decisions you have recorded in the previous sections have financial outcomes. These numbers must be gathered, sorted and reported so that you can assess your present position, your progress, and make new decisions about the future. For start-up ventures, a good set of projected financial statements can be a great tool for making many important choices.

What are your projections for the next 3-5 years for: sales, gross margins, general administrative and selling expenses, EBITDA, EBIT and net income. You also should complete a similar table with historical numbers if you are already in business.

#### **Guidelines:**

- Consult your accountant and your attorney
- Be conservative and honest
- Use standard industry forms and formats

	Year 1	Year 2	Year 3	Year 4	Year 5
Net Sales					
COGS					
Gross Margin					
GA&S Expenses					
EBITDA					
Estimated FIT Tax					
Interest					
Net Income					



**Forms to include:**

- Sources of Capital and Debt Service
- Use of Funding & Start-Up Costs
- Sales Calculation
- Payroll Calculation
- Detail of Expenses Worksheets
- Income Statement (1-5 years)
- Monthly or Quarterly Cash Flow Statement (1-3 years)
- Amortization and Depreciation Schedule
- Balance Sheet

**Assumptions**

What are your projections based on? What assumptions are you making? If you have not clearly stated basic assumptions in the above sheets, make a separate page with information such as sales volume, payroll rates, expenses, financing costs, etc. Are the numbers reasonable? How do you know?

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**Breakeven**

How much revenue is needed to pay fixed expenses? (This is your breakeven point.)

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When will you reach it?

**Capital Requirements**

What are your future capital requirements for:

Equipment?

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Research and development?

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Payroll?

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Inventory?

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Marketing?

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Working capital?

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**Financing Sought**

How much financing are you seeking and at what terms?

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## **LONG-TERM DEVELOPMENT & EXIT PLAN**

What is your ultimate destination? What will your business look like at different intervals along the way? This section should tell investors how much money they can make and when and how they can get it.

### **Goals**

What general vision do you have for the company and yourself? Do you see your business as being one or more of the following?

- Lifestyle provider – good, stable, reliable income
- Innovator – creative, new, different products and/or services
- Quality – reputation for excellence
- Expansion and growth – market domination, large company, big bucks
- Niche leader – do only one thing, but do it well

Specifically, where do you want to be in the market next year (and in 3 and 5 years from now) in terms of sales, units, employees, etc?

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### **Strategies**

How will you reach those goals?

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**Milestones**

Find a way to mark progress as you move toward your goals. Provide a date when you expect to reach the following milestones. Add additional milestones that are appropriate for your business. Consider both short- and long-term goals.

<b>Milestone</b>	<b>Projected date</b>
Financing secured	
Facility obtained / lease signed	
Manager hired	
Opened for business	
Projected sales level obtained	

**Exit Plan**

How and when will your involvement with the business end? Some possibilities are: sale of the business to an individual; acquisition by another company; buy-out by stockholders or employees; go public with a stock offering; sell the business concept as a franchise for royalties; hand the business down to family.

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## **FINANCIAL STATEMENTS**

### First Year (Monthly)

- ***Income Statements***
- ***Balance Sheets***
- ***Cash Flow***

### Next Two to Four Years (Annually or Quarterly)

- ***Income Statements***
- ***Balance Sheets***
- ***Cash Flow***

### Past Income Statements

### Past Balance Sheet Statements



## **APPENDIX**

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The appendix is the place for supporting documents and information. These items should only confirm, reinforce or elaborate on the major ideas and facts already stated in the main sections of the business plan. Many potential lenders don't even read the appendix, so include all essential items in the body of the plan. (If the appendix seems too long, put it in a separate binder.)

### Exhibits that can be included in the Appendix:

- Resumes and financial statements of key people
- Personal and/or business IRS returns for the past 3 years
- Lease and other location information (pictures)
- Marketing information (logo, dummy ads, packaging)
- Supporting media information (newspaper or magazine articles)
- Budgets, schedules & analyses (equipment lists, project charts, flow chart)
- Design or construction information (floor plans, elevations, architects drawings)
- Legal contracts, agreements, deeds, trademarks
- Bank loans
- Letters of intent
- Letters of reference
- Market research studies (bibliography)