



Business Plan

Northfield Enterprise Center

Formatted in conjunction with “Business Plan” by Rhonda Abrams.

Your business plan is a powerful document telling the story of your company. It presents your current position, your vision for the future, and your plans for realizing that vision. Some questions to consider:

- What is your business idea or what is your existing business?
- Who are your existing and/or potential customers and what motivates them to buy from you?
- How will you let your customers know about your business?
- Who are your competitors and how are you different from them?
- How will you carry out the basic functions of your business?
- Is your management team capable of guiding your business to success?
- What is the long-range future of your business?
- What is your company's financial picture? How much money will it cost to run your business and how much money will you make?

Structure of a business plan:

1. **Executive Summary** – Highlights the most important aspects of your business, summarizing key points of your business plan.
2. **Company Description** – Features the basic, factual details about your business.
3. **Target Market Description** – Identifies the types of people or business most likely to be your customers, and explains their needs and wants.
4. **Competitive Analysis** – Evaluates other companies offering a similar product or service or filling a similar market need.
5. **Marketing and Sales Plan** – Outlines how you will reach your customers and secure orders or make sales.
6. **Operations Plan** – Explains how you run your business and the operational factors that may give you an edge over your competition.
7. **Management Team** – Describes the key people running your business.
8. **Development Plan and Milestones** – Shows where your business will be in several years' time, how you will get there, and the milestones you plan to reach along the way.
9. **Financials** – A set of financial statements showing the current financial status and future financial goals of your company.



Executive Summary

Your executive summary provides a brief snapshot of your business. Highlight the most important facts and concepts from your full business plan as concisely as possible. Your Executive Summary is the single most important part of your business plan, as readers will review it before they read any other section. From your Executive Summary, readers should be able to answer the following questions:

- Does your basic concept make sense?
- Has your business been thoroughly planned?
- Is the management team capable?
- Is there a clear-cut market need for your product/service?
- What advantages do you have over your competition?
- Are your financial projections realistic?
- Is the business likely to succeed?
- Will investors be able to make money? Will lenders be able to get their money back?

Try and focus on what distinguishes your business from the rest of them out there. Highlight the qualities that set you apart from all the other business early on in your Executive Summary. Also keep in mind who is going to be reading your business plan. Try and do some homework to discover the interests and concerns of your likely business plan reader. When you are ready to prepare your Executive Summary, consider the following layout:

- A. The Company: What are the basic details of your business?
- B. Products and Services: What products/services do you offer or plan to offer?
- C. Target Market: Who are your customers? (Include a summary of any market research results)
- D. The Competition: Who are your competitors? How is the market currently divided? What gives your company its competitive edge?
- E. Marketing and Sales Strategy: How will you market and sell your product?
- F. Operations: What are your most important operational features?
- G. Management: Who are your founders? Who are the key members of your management team and what are their qualifications?
- H. Development: What is the company's current stage of development? What are your long-term goals? What are some of the milestones you've met or plan to meet? What is your potential exit strategy?
- I. Financials: What are the expected financial highlights/performance of your company? What are your company's expected gross sales and net profits?
- J. Funds Sought and Uses: How much money are you seeking, from what sources, and how will the money be used?

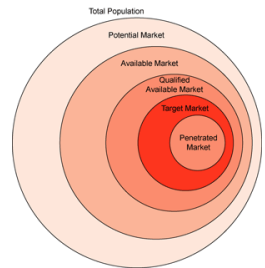
Company Description

This step will provide basic details about your business. While the Executive Summary creates a compelling case for why your business will succeed, the Company Description fills in the necessary specifics. When preparing your Company Description, consider the following layout:

- A. What is the name and location of your company?
List your own name, the corporation name (if incorporated), a DBA (doing business as) name, brand names, web site name, and subsidiary company names. Also list the location of your company's main place of business, any branch locations, and any other locations.
- B. Who owns the company and what is its legal status?
What is the legal form of your business? (Sole proprietorship? Partnership? C Corporation? Subchapter S Corporation/ LLC?) If it is incorporated, in which state or province?
Who owns your company? If the company has more than one owner, what percentage of the company does each own? If the company is incorporated, who owns the stock and in what amounts?
- C. What is your company's current phase of development, and what milestones have you reached to date?
This section will comprise the bulk of the Company Description portion of your business plan. Consider answering when your company was founded, how you would describe the company's current phase of development, and some highlights/milestones of your company's history.
- D. What products and/or services do you offer? What are the functions of each?
Also, if applicable, describe what plans you have to change your products or services in the future.
- E. What is the current health of your industry and what are the key trends?
Indicate what industry your company operates in, what type of businesses belong to this industry, and the rate of growth of this industry. Consider trends in the industry that have created opportunities for you, as well as challenges your industry is facing. How do you plan to capitalize on these opportunities? Overcome these challenges?
- F. How has your company been funded to date? If you're looking for financing, how much money are you seeking and for what purposes?
Indicate how much company owners have invested, whether the company has received funding from other sources, and other major sources of funding.

Target Market

In this step you want to identify your customers – not the specific people or business, but the types of customers you expect to serve. This is your target market. A strong target market is definable, meaningful, sizable, and reachable. When preparing the Target Market step, consider the following layout:



- A. Where is your target market located?
If relevant to your business, include information such as neighborhood, city, state, province, region, country, density of the area (urban, suburban, or rural), climate, and traffic patterns. In order to know your customers or potential customers, you may have to conduct some market research.
- B. What are the characteristics of your target customers?
If your target customer is a consumer, discuss traits such as age, income level, gender, occupation, marital status, family size, education level, and ethnicity.
If your target customer is a business, discuss traits such as industries, years in business, revenues, number of employees, and specific business needs.
- C. What motivates your customers to make purchases and what are their buying patterns?
When describing customer motivations, consider what concerns your customers when making purchases (price, quality, convenience), how quickly they make buying choices, where they usually purchase products or services, etc. When describing customer purchasing patterns, consider who makes the decision to purchase, how often they buy and how they pay.
- D. What is the size of your market?
Consider the approximate size of your target market, as well as other factors that may influence the size of the potential pool of customers. Try to use solid numbers to describe the size of your target market; numbers tend to make a business plan more convincing.
- E. What are some key market trends?
What is the rate of growth of your target market? What changes are occurring in the makeup of the market? Consider changes in technology, the economy, and in social values and concerns.

The Competition

Understanding your competition proves you can distinguish your company from others; identify factors that will make customers choose your offerings over others; respond to needs that aren't currently being addressed by competitors; figure out what you're up against and be prepared to tackle competitive obstacles to your success. And just as important as *knowing* your competition is *learning* from it. When preparing the Competition step, consider the following layout:

- A. What types of businesses compete with you?
Consider the types of business, not the specific companies, that compete with you. Do they exhibit direct or indirect competition? What are their strengths? What are their weaknesses?
- B. Who are your specific competitors?
What consider businesses (local, national, worldwide, and online) do you consider to be your direct competition? What are their strengths, weaknesses, and other notable attributes? (Do they have a well-known brand? Have they been growing? Where is their target market located?)
- C. What share of the market does each competitor control?
List your major competitors. Who controls what share of the market? Are these shares increasing or decreasing? Entering a field where market share is widely divided – without clear leaders – gives you a better chance of getting a piece of an emerging market.
- D. What are your competitive advantages?
When listing your competitive advantages, be as specific as possible. Offer concrete examples of why your company will be able to take on the competition and win. Some typical types of competitive advantages are: price, product features, convenience, effective marketing program, types of customers served, well-known brand, exclusive relationships, and operational efficiencies. Why will your customers choose you over your competition?



Marketing and Sales Plan

Your marketing and sales strategy describes your plans for spreading the word about your product or service and selling to your customers. This step is an imperative key to your success. Investors and lenders want to see a realistic, cost-effective marketing approach to informing potential customers about your products or services and the benefits offered; an effective sales force; appropriate sales techniques and methods. When preparing the Marketing and Sales step, consider the following layout:

A. What is your marketing message?

To be most effective, base your marketing message on how you intend to distinguish yourself from your competitors. Some of the best company slogans focus on their customers' needs and desires rather than their product's attributes. How do you position your company in the market? How do you want customers to think of your company? Do you have a company tagline or slogan?

B. Which marketing vehicles will you use?

This step should explain your plan for getting your company's name and marketing message out. Carefully explain how you will spend your marketing dollars. Some options: web site, brochures, internet advertising, email newsletters, blogs, social networking, print media ads, broadcast media ads. What marketing vehicles will you use to deliver your message? How frequently do you intend to use these marketing vehicles? How much do you expect to spend on marketing each month/ What is your annual marketing budget?

C. Who is on your sales team, and how is it structured?

Your sales team not only sells your product/service, they also have access to critical information about your customers' needs, desires, and buying habits. Consider who makes sales in your company, whether or not they are designated salespeople, and how many there are. How are their jobs structured? How do you pay them? (Commission? Salary? Bonuses?) How do you train them? What do you do to continually motivate them?



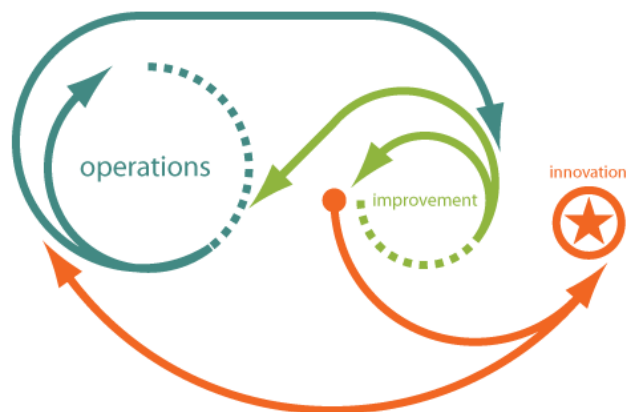
Operations

This section of your business plan describes how you execute the basic functions of your company: manufacturing or creating your product or service, keeping on top of inventory, and delivering your product/service to your customer. Operational aspects of your business plan include: Location and facilities, production/manufacturing processes, equipment and technology, inventory management, cost controls and purchasing, quality control, and customer service. When preparing the Operations step, consider the following layout:

- A. What are the key components of your operations structure?
In this area, highlight the most important operational aspects of your business. Focus on those most central to your company's success. Provide the operational factors most critical to your business and how you deal with them, and then explain why they are important. You do not need to discuss every one, only those key to your operations.

- B. In what ways do your operations structure and/or elements give you an advantage over your competition?
Which of your operational procedures give you an advantage over your competitors, enhance efficiencies, minimize costs, and/or maximize profits? Explain how these operational procedures compare with other companies in your industry. How does this give you a competitive edge?

- C. What are some operational challenges you're currently encountering or may face in the future? How do you plan to overcome those challenges?
Address operation challenges that currently face your company and how you are dealing with those issues. What operational challenges do you foresee in the future? How much will it cost for you to sufficiently address these challenges?



Management Structure

This is a very important section. Investors and lenders want to know who is running the shop, and they want assurance that the company is managed by competent leaders. In this section you want to show that: the key members of your staff are qualified to run your business, you understand what additional staff is necessary, your staffing levels and roles are appropriate and sufficient to achieve results, and you've turned to qualified outside advisors when necessary. When preparing the Management Structure step, consider the following layout:

A. Who are the key people on your management team?

This should describe the people who run your business. Your goal is to demonstrate you have brought together the right team to make your company successful. Describe the qualifications of your top-level management, listing your key managers' names, job responsibilities, relevant past experience, and other noteworthy attributes.

B. What management positions do you need to fill in the near future?

In this section, summarize the roles you need filled and the desired qualifications of the people you hope to bring on board. Consider what top management positions you are seeking to fill, or will need to fill, in the near future. Describe the roles you anticipate and qualifications you will be looking for in any future management employees.

C. What is the makeup of the rest of your staff?

Describe the composition of the rest of your staff – the people who carry out the day-to-day work for your company.

D. Who are the members of your board of directors and advisory committee, and who are your consultants?



Future Development

This section will outline your long-term goals, indicating the milestones you plan to reach along the way. It will be of particular interest to investors, because when they invest money in your company they want to assess how much they might eventually gain. When preparing the Future Development step, consider the following layout:

- A. What is your long-term goal for your company's future?
What do you expect your company to look like in one year? Five years? Ten years? Focus on issues such as: sales levels, profit margin levels, number of employees, number of locations, number of products, and market share. Focus on specific goals you have for your company in the next year, what you want to achieve in the next three to five years, and what your business will look like in ten years.
- B. What milestones will you reach along the way?
Milestones will allow you to measure the progress your business is making toward its long-term goals. List the specific accomplishments you'll achieve on the way to our long-term goals. Give numerical objectives (sales and profit figures, number of customers, employees, and locations) and target dates. What specific steps will you take to reach those milestones?
- C. What are the risks involved and how will you minimize those risks?
Running a business entails a measure of risk. Some types of risk any company faces include: competitive risk, market risk, operational risk, financial risk, execution risk, and economic risk. What are the potential risks facing your company? List them, along with your plans to minimize them.
- D. What are possible exit options?
Thinking through scenarios of what might ultimately happen to your business is helpful to you, and it's absolutely essential for investors. An exit strategy gives focus to how you'll build your business. Describe the likely exit strategies for your company. If you're seeking investors, concentrate on strategies enabling you and investors to convert the value of your company to cash or easily traded stock. Exit plan options include: go public, acquisition, sale, merger, buy-out, franchise, and hand-down, close.

Financials

When focusing on the financial aspect of your business, there are four key financial documents that are crucial in documenting the success of your business. The four most important financial statements to include in your business plan are:

1. Income statement – Shows whether your business is profitable
2. Cash-Flow Projection – Indicates whether you'll have enough money to pay your bills
3. Balance Sheet – Shows the value of your company – your total assets and liabilities
4. Sources and Use of Funds – Explains where the money you need to run your business will come from and the major ways you intend to use it.

Before preparing these four major financial statements, you'll find it helpful to produce the following:

- Sales Projections – Estimate your levels of sales and revenues in specific time periods. Break down your projected sales by product line, on a month-by-month basis. Indicate how much you're going to pay in sales commissions, figure an amount for returns and discounts, and then calculate the cost of goods. This gives you revenue numbers to put in your Income Statement.
- Marketing Budget – Details how much money you'll spend on all your marketing activities: advertising, trade shows, sales materials, and so on.
- Staffing Budget – Outlines your staffing levels, staff positions, and costs. It is helpful to break down your personnel costs by category (management, production, administrative, and marketing, for example), indicating how many employees you'll have in each category and what they'll cost. This also gives you numbers to put in both your Income Statement and your Cash-Flow Projection.

You may also find it beneficial to create some additional financial documents that can facilitate the processing of creating the key financial statements. These additional documents include:

- Break-Even Analysis – Calculates how much you need to make in sales each month before you begin to make a profit.
- Capital Expenditures – Details purchases of tangible property, such as facilities, land equipment, vehicles, and computers. Such purchases have different tax and accounting implications than other expenses.
- Inventory – Details the amount you spend or have tied up in inventory.
- Professional Services Budget – For a company that depends heavily on outsourced professionals, including independent contractors, consultants, attorneys, and accountants.

Once you have considered the financial documents listed above, you should be ready to start thinking about the key financial statements that are integral to running a business.

Generating your Balance Sheet:

The Balance sheet measures the overall value of your company at a particular time, but this can seem far less tangible than your profits or actual cash. The Balance Sheet itself is divided into two parts:

Top part is assets (cash, inventory, real estate, equipment, vehicles, and accounts receivable)

Bottom part is liabilities (accounts payable, loans, payroll). The remaining amount is *net worth* (equity)

The final amounts for each part should be exactly equal – they should balance. The Balance Sheet presents investors and lenders with a snapshot of how much your company is worth, especially if it were sold. It shows the value of all tangible property and the extent of all debt.

GRAPH 1

| Your Company Name | |
|-------------------------------------|------------|
| Quarter _____ | Year _____ |
| ASSETS | |
| Current Assets | |
| Cash | _____ |
| Accounts Receivable | _____ |
| Inventory | _____ |
| Prepaid Expenses | _____ |
| Total Current Assets | _____ |
| Fixed Assets | |
| Land | _____ |
| Facilities | _____ |
| Equipment | _____ |
| Computers & Telecommunications | _____ |
| (Less Accumulated Depreciation) | _____ |
| Total Fixed Assets | _____ |
| Other Assets | _____ |
| TOTAL ASSETS | _____ |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | _____ |
| Accrued Payroll | _____ |
| Taxes Payable | _____ |
| Short-Term Notes Payable | _____ |
| Total Current Liabilities | _____ |
| Long-Term Liabilities | |
| Long-Term Notes Payable | _____ |
| Other Long-Term Liabilities | _____ |
| Total Long-Term Liabilities | _____ |
| EQUITY | |
| Paid-In Capital | _____ |
| Retained Earnings | _____ |
| TOTAL EQUITY | _____ |
| TOTAL LIABILITIES AND EQUITY | _____ |

Showing your Sources and Use of Funds:

You will need to create this document if you are seeking outside financing – loans or investments. Your financing sources want to know how much money you need, where you plan to get it, and what you're going to do with the money you raise. Your task is to assure investors and lenders that you have specific plans for the money you raise, they are aware of all the sources of funds you're seeking or have received, you are not thoughtlessly taking on debt or giving up equity, and you are using the money to help your business grow.