Chapter 18

Activity 18-1 Business Plan Template

**Directions:** Review the business plan on the pages that follow. Pay particular attention to the information required to complete each section of the business plan. What resources would be needed to compile this information? What kind of research would you need to complete before creating a business plan?

<<Place Answer Here>>

Business Name

<Owner>

Address Line 1

Address Line 2

City, State Zip code

Telephone (land and mobile)

Fax

E-mail address

Date

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Executive Summary

* Write the executive summary last. Keep the summary to a maximum of two pages. Think of the executive summary as your elevator speech to potential investors or lenders. The goal is to catch their attention and persuade them to read the rest of the business plan so that they want to fund your company.
* Start your executive summary with an introductory paragraph describing the problem solved or opportunity tapped by the creation of this business.
* Your executive summary needs to be enthusiastic, concise, positive, and relevant to the reader. Use bullet points and subheadings as appropriate.
* Summarize the fundamentals of your business, such as:
	+ Describe your product or service.
	+ Explain the ownership model and management team experience.
	+ Describe what you learned from your market research.
	+ Summarize your target market and your competition.
	+ Summarize pricing.
	+ Identify your business and/or products’ unique selling proposition (USP).
	+ Briefly explain your operations processes.
	+ Briefly describe your promotional plans.
	+ Describe your business’ most important strengths and core competencies. What factors will make the business succeed?
* Provide the highlights of your important financial information, such as the amount you are investing, anticipated sales for the first year, three to five year projections, etc. If you are applying for any type of loan, use the last paragraph to state clearly how much you need to borrow, exactly how the money will be used, and how you plan to repay the loan.
* If you are approaching potential investors, they want to know what return on investment (ROI) they can expect and the timeline for achieving it. Also explain how investors can exit the business.

Business Description

# Goals

* Goals are destinations, or where you want your business to be. Write two to four short-term and long-range goals for your company. Be sure to write SMART (specific, measurable, attainable, realistic, and timely) goals.

# Vision Statement

* The vision statement should be short and describe the high-level vision the company has for its future. Values are often an important part of a founder’s long-term vision.

# Mission Statement

* The mission statement should be around 30 words. Write your mission statement from the customer's perspective and make sure it fits with your vision for the business. The mission statement should answer three questions:
	+ What does the business do?
	+ How is it done?
	+ Who benefits from it?

# Business Overview

* Short overview of the business.
* Are you a service provider, manufacturer, wholesaler, or retailer? Did you start a new business from the ground up, buy a franchise, buy an existing business, or join a family-owned business? What are your hours of operation?
* Discuss your business’ strengths and why it is unique.
* Briefly describe your target market(s) and how you will reach them.

# Products or Services

* Identify your product mix.
* Describe the products and/or services in detail. If you have technical drawings, photos of a prototype, brochures, or other bulky items, reference them and put them in the Appendices.
* If you have a new product that must be developed, include the milestones necessary to its creation—concept, design, testing, production, quality control, and evaluation—with target dates for completion.
* Include your research sources in the Bibliography.

# Business Location

* Is your location important to your customers? If yes, how?
* If customers come to your place of business, is it convenient or off the beaten track? Does your location have parking?
* Where is the competition located? Is it better for you to be near them (as is the case for car dealerships and fast-food restaurants) or distant (as is the case for convenience food stores)?
* What type of access does your location need? Is it important that your location is convenient to retail customers, transportation stops, manufacturers, or suppliers? Do you need easy walk‐in access?
* What are your requirements for parking? Do you need to be close to freeways, airports, railroads, and shipping centers?
* Describe the type of location you need. Include the physical requirements—amount of space, type of building, zoning needed.
* Is the physical space consistent with your image? Is it what customers want and expect? What is the interior like? How does it appeal to your target market?
* Be careful about purchasing a building or signing a long-term lease to start. Many start-ups run successfully from home initially.
	+ Are you planning to build? Most new companies should not spend money on construction. But if you do, include the costs and specifications here.
	+ Or, you may reference them here and include the specifications document in the Appendices.
* Include a scale drawing or layout of your proposed facility if it is important. Retailers and manufacturers usually need brick-and-mortar locations. Describe the equipment necessary to run your business, how you plan to acquire it, and how it affects the layout of the business.
* What will your location cost? Estimate your expenses, including rent, maintenance, utilities, and insurance. If renting, what are the tenant improvement costs to remodel the building for your needs? Will the owner cover them? If not, those costs will become part of your financial plan under start-up expenses.
* Include your research sources in the Bibliography.

Market Evaluation

# Industry Conditions

* Describe your industry and its various markets. Is it a growth industry? What are the projected sales and profit margins for the industry?
* Analyze the current demands for various products or services in the industry.
* Identify trends in the industry (both short- and long-term) including customer preferences, new product development, and industry growth. Describe how your company will be ready to take advantage of industry trends.
* Describe any barriers to entry or challenges that you may encounter in this industry. Explain your plan to overcome them.
* Include your research sources in the Bibliography.

# Economic Conditions

* Explain the economic conditions in the countries you will be selling. Include the following economic data: jobs growth or decline, new business start-ups in the industry, and the impact of the current economy on the industry.
* Include your research sources in the Bibliography.

# Trade Area Analysis

* Describe where your business is located and the specific trade area. Will your trade area be in a specific city, metropolitan area, county, rural community, state, country, certain countries, or global? Create a geographic profile. Include a map of the trading area, if applicable.
* Create an economic profile for your trade area based on economic indicators. Include information, such as housing starts, unemployment rates, and business statistics. Are area banks loaning money? Explain why this is a good location for your business.
* Create a demographic profile for your trade area.
* Include your research sources in the Bibliography.

# Target Market

* Identify your target market. Include geographic, demographic, psychographic, and behavioral research information. You may have more than one target market.
* Create a customer profile using the target market research.
* Based on the market research information you gathered, explain how your products or services fulfill the identified target market’s needs or wants.
* Include your research sources in the Bibliography.

# Competition

* List your major competitors and their locations. Label them as direct or indirect competitors. What are their value propositions?
* Create a competitive analysis. State your competitive advantages and disadvantages with all of your competitors. Go into detail here about your unique selling proposition (USP) and how it positions your business within your target market(s).
* Create a SWOT (strengths, weaknesses, opportunities, and threats) analysis for your business. Reference it and include it in the Appendices.
* If possible, determine the current market share held by your competition and how much of that market share you plan to capture.
* Include your research sources in the Bibliography.

Operations

# Organizational Structure

* Explain the business structure: a sole proprietorship, partnership, limited liability company (LLC), or corporation.
* Explain why you selected this form and include the pros and cons of the type of ownership.

# Management Team

* Describe your personal business experience and training/education in your field. Provide specific examples of your willingness to take risks, such as: *I volunteered to chair a committee even though I had never done that before* or *I participated in a foreign exchange program*. Include a brief plan for personal development in your business field, such as: *I plan to take an accounting class my senior year* or *I am serving on a non-profit’s advisory board*.
* List the principals and other key players who will be employed when the business opens, their titles, and job responsibilities. Explain why they will be important to the success of the venture. Describe their backgrounds, experience, and functions in the company. Tie their experience to the skills needed in the new business. Include their résumés in the Appendices.
* If you have a board of directors or an advisory board, list its members and their functions for the company.
* List your plans for hiring any employees during the first several years of operations.
* Discuss your management plans for strategic, tactical, and operational planning.
* If any expertise is missing in your team, outline plans for continuing education or engaging outside professional help.

# Marketing Strategies

* Your marketing strategies for the four Ps of marketing—product, price, place, and promotions­— will be based on your market research and customer profiles. Include your research sources in the Bibliography.
* Describe your product strategies and the reasons why your products or services appeal to the target markets.
	+ Explain the features and benefits of your products or services. How or why do the benefits appeal to your target markets?
	+ If your product has packaging, provide a description of the packaging strategy. If available, mockups of any labels, trademarks, or service marks should be included in the Appendices.
	+ Describe where your products or services fall in the product life cycle. How does the product life cycle stage affect potential sales?
	+ Do you plan to offer or develop new products? Why?
* Describe your pricing objectives and strategies in detail and how you anticipate the pricing to affect your sales efforts. Explain your value proposition.
	+ Will you use any pricing techniques? If so, explain why you chose them.
	+ Compare your prices with those of the competition. Are they higher, lower, or the same? Why?
* Describe your place strategy, or the benefits of your business’ supply chain. Explain the advantages of your distribution channels and how your business will compensate for any disadvantages.
	+ How and where does your business create the products or provide services?
	+ List the vendors and service providers you need to create your products, deliver your services, or purchase your inventory. Describe their advantages to your business and the delivery process. Include a copy of a PO in the Appendices.
	+ How will you manage your inventory to avoid a stockout? Where will you store inventory? What costs are involved in inventory management and storage?
	+ Briefly explain your supply chain, channel of distribution, and distribution process.
		- Orders may be taken through direct sales, in a store, wholesale distributors, brokers, website, catalogs, etc.
		- Products may be shipped, mailed, hand delivered, sold on site, etc.
		- Services may be provided on site, in a home or office, over the Internet, etc.
	+ Do you have quality control checks? Customer service operations?
* Describe your promotions strategy, which is how you plan to promote your business to the customers in your target markets. Reference your first year promotional plan here and include it in the Appendices. Explain why you chose the indicated promotional mix. Are you an online business?
	+ **Advertising**: What forms of media will you use and how will you get the most value for your budget? Include the advertising budget, creative message(s), and a media schedule for the first three to six months.
	+ **Sales promotion**: Will you hold special sales? Include a description of your collateral marketing materials and how/when you plan to use them. These may include brochures, flyers, newsletters, discount coupons, contests, frequent-user cards, catalogs, loyalty programs, giveaways, and dealer incentives.
	+ **Public relations**: Will you send press releases and media packets yourself or hire someone to do it? Describe your grand opening and other events that are of interest to the media. Describe which media outlets you will target and how often will you send press releases.
	+ **Personal selling**: Explain how you personally, or your salespeople, plan to generate leads and/or customers. Will you be at trade shows and other venues to talk about your business and sell products? Will you have your own salespeople or hire agents or independent representatives? Will that change based on the product life cycle?
	+ **Electronic promotion:** Explain how you plan to use electronic promotions as a part of the other four types of promotion. Almost every business uses its website as a promotional tool. Social media is free, so explain how you will use it to reach your target market(s). Will you utilize paid search engine optimization tools, such as Google AdWords or other Internet advertising venues? Will you utilize e-mail or other electronic campaigns?
	+ **Budget:** Create a spreadsheet for the marketing budget. Be sure to do your research and use realistic costs. Any money spent on promotion before you open will go into start-up expenses and any money spent after opening day will go into the cash flow worksheet.
	+ **Time line:** Create a time line for your grand opening and the first 12 months of marketing and promotional activities showing when, where, and how you plan to implement the different strategies.
	+ **Metrics:** Explain how you will track the effectiveness of your promotional efforts to evaluate your ROI.

# Human Resources

* Explain how you plan to hire and train the necessary employees. Who will function as the human resources manager?
* Provide the company’s job descriptions in the Appendices.
* If you have more than five employees, create an organizational chart and include it in the Appendices. Note who will run the business on a daily basis.
* Address your human resources policies and how they will be communicated to employees and monitored.
* Describe employees’ compensation structures, any benefits provided, and the associated costs.
* Reference any human resources forms or employee communications, such as the employee handbook you created for the business. Include the forms in the Appendices.

**Risk Management Evaluation**

* Identify those risks your business may encounter, and describe how you plan to avoid, reduce, transfer, or assume those risks. This is your risk management plan.
* Make a list of the types of insurance you will carry (liability, product, life, worker’s compensation, renters, other). If you have actual insurance policies, include them in the Appendices.
* Which laws apply to your business? How do you plan to make sure you are in compliance with those laws?
* If your business is extending or receiving credit, include your credit policies.

Financial Plans

# Introduction

* Write a short introduction to this section explaining the documents that will be included in the Appendices.
* Explain your business’ accounting method, fiscal period, and fiscal year. Who will be in charge of bookkeeping?
* Discuss how you plan to budget and manage cash flow.

# Capital

* Create a source of funds document that summarizes your sources of funding to start your new business. Reference here and include in the Appendices.

# Financial Statements

* Create pro forma cash flow statements based on several sales projections.
* Create an opening-day pro forma balance sheet.
* Create a pro forma income statement.

# Financial Documents

* Chart of accounts.
* Create a break-even analysis.
* Create a sales forecast.
* Create a personal financial statement for loan applications.
* List your assumptions for creating the statements.
* Reference all here and include in the Appendices.

# Future Plans

# Where will your company be in three years? In five years? What type of growth do you expect? Will you have additional locations, a different type of ownership, franchise your business? Will you have added additional product lines, merged with or acquired another business, licensed your products, etc.?

* What is your plan for continuation if you or your top manager becomes incapacitated or your manager leaves?
* Discuss an exit strategy for selling or liquidating the business. If you have formal contingency and/or harvest plans, reference them here and include in the Appendices.

Conclusion

* Summarize why your business will be successful.
* End with a specific request for financing from a bank or funding from an investor.

Bibliography

Keep track of all your resources here. Use an appropriate citation format. Most people use MLA or APA formatting. Check with your teacher as to which you should use. An online citation-formatting tool may be of help.

Wikipedia may be considered an unreliable source because anyone can contribute to it. Make sure you use quality sources such as the SBA; SCORE; the census bureau; your federal, state, and local government websites; this textbook; area chambers of commerce; the SBDTC; local colleges and universities; trade organizations; and other reliable websites that are focused on helping entrepreneurs be successful.

Appendices

Include some of the following, as appropriate to your business:

Management team résumés

Franchise contracts, partnership agreements, etc.

Product drawings and specifications

Industry studies

Market research studies

Competitive analysis

SWOT analysis

Map of trade area

Detailed promotions plan with dates

Promotions budget, time line, and metrics

Brochures and advertising materials

Logo and branding designs

Blueprints and plans

Detailed list of equipment owned or to be purchased

Job descriptions

Organizational chart

HR policy manual or handbook

Insurance policies

Sources of funds document

Pro forma cash flow statement

Pro forma balance sheet

Pro forma income statement

Chart of accounts

Sales forecasts

Break-even analysis

Personal financial statement

Loan documentation

Contingency or exit plans