

How to Prepare a Business Plan

A written business plan helps you think through your business ideas so that you see the weaknesses and strengths of your venture more clearly, giving you the opportunity to address any concerns ahead of time. You can use your plan when meeting with advisors, business partners, banks, and others. This allows them the chance to help you, objectively and constructively, through your new business idea.

Your business plan should include the following information:

- 1. Legal name of the business.**
- 2. Owners name and percent of ownership.**
- 3. Information about the business.**

A. Type of Business

- Outline the general and specific nature of the business.
- Outline the company's goals and objectives.
- Describe your products and/or services. State who buys the product and who the final users are (be brief here, because you will be discussing your customers thoroughly under Market Analysis).
- Describe how the product or service is sold to customers (walk-in stores, sales representatives, mail order catalogs, telephone orders, internet orders, etc.).
- Comment on quality of product/service.
- Estimate average price of product/service.

B. History

- If your business is new, say so. If you have an existing business, discuss age of the company, prior owners, how the business was acquired and length of time operated by you, the public image or reputation of the company, number of employees, last year's sales volume and profit, and any significant events that have affected the company's development.

C. Business Location

- Describe size (square footage) and building amenities.
- State whether rented, leased, or owned. If rented or leased, state from whom and under what conditions. Provide a copy of your lease.
- Describe type of access to building (major roads, freeways, walking, parking, etc.). Is the location convenient for customers and, in general, good?
- State business hours.

D. Personnel

- State current and future figures for number of employees and type of labor (skilled, unskilled, etc.). State sources of labor (especially minorities, handicapped, veterans, or other socially or economically disadvantaged groups) and timing of hiring (or layoffs).

E. Economic/Accounting

- Describe how this business makes money.
- State how and by whom prices are determined.
- State what financial records will be kept, and who will keep them.

F. Production

- Describe what inventory, raw materials, and/or supplies the business uses (initial and continuing).
- List your suppliers – name, address, type and percent of supplies furnished, and length of time you have been buying from each, reliability and frequency of purchase.
- How easy or difficult is it to get necessary supplies? If it is difficult, how will you deal with potential or actual shortages?
- Are the prices of your supplies steady or fluctuating? If fluctuating, how will you deal with changing costs?

G. Legal

- State form of business (sole proprietorship, partnership, corporation) and status (not yet applied, applied and pending, obtained).
- State licensing agreements (type and licensing source) and status (not yet applied, applied and pending, obtained).
- State zoning requirements and status (verified, OK, rezoning).
- State insurance requirements (type, source) and status.
- Describe compliance with building codes.
- State compliance with health code requirements.
- Describe any other laws and regulations that affect the business and the measures you have taken to comply.
- Trademarks, patents, licenses, and copyrights should be checked for legality.

H. Future Plans

- Explain the plans for your future – whether to maintain, expand, diversify, sell, etc.

4. Market Analysis

A. Customers

- Define your market and your customers (wholesalers, retailers, consumers, government, etc.).
- Why does this market need your product/service? Is your product or service a fad or a continuing need? Will it soon be phased out or recreated by a new technology?
- List the characteristics of your typical or average customer including: age, location (market area), average income/sales, employment, and other important information. The more you understand about your market, the better you can sell to it.
- What do customers like and dislike about your product or service?
- Estimate the size of your market in terms of number of customers.
- Estimate how much the total market will spend on this or similar products or services in the next year.

B. Environment

- Discuss any external environmental factors (economic, legal, social, or technological) that affect your market or product/service. Environmental factors are those that have significant effects on your operation, but over which you have no control, i.e., county growth, rising energy prices, etc.

C. Competition

- Discuss the number of your competitors (direct and indirect) and their location, age, reputation, size, market share, etc.
- For your major competitors discuss, in detail, their product service features, pricing, location/distribution, reputation/image, size (in sales or number of customers), changes in market share, etc.

D. Competitiveness

- Discuss how your product/service meets market needs and how you compare with the competition in terms of product/service features, locations/distribution, price, other.
- Compare your estimates of the market's demand and the competition's supply.

5. Market Strategy

A. Sales Strategy

- Present your marketing strategy. Tell how you will get the edge on your competition and get customers. This is your action plan to get business.
- Your product/service will sell because one or more of the following is attractive: features, pricing (high, medium, low), distribution system (limited, widespread, etc.) and promotion.

B. Promotion

- Describe how you plan to promote your product/service: advertising, direct mail, personal contacts, sponsoring events, word-of-mouth, trade associations, etc.

- If you plan to advertise, state what media you will use: radio, television, Internet, newspaper, magazines, telephone book Yellow Pages, billboard, etc. State why you consider the media you have chosen to be the most effective.
- State the content of your promotion or advertising: what is your product/service, why is it attractive, business location, business hours, and business phone number. When you are designing your advertising, remember you are selling to satisfy someone's need. Refer back to your Market Analysis to ensure you've designed your advertising with your target market in mind.

6. Management

A. For owners and key management personnel, present resumes, personal financial statements, and tax returns for the last three years.

B. Describe prior experience that qualifies management to run this type of business. State how much time management will devote to running this business. Discuss local contacts that may assist you.

7. Financial

A. Sources and Uses

- Describe the project to be financed.
- State where the money to pay for the project will come from, and specifically how it will be used. The most common uses are equipment, leasehold improvements, inventory, and working capital.

B. Statements

If the business is an existing one, include business tax returns and financial statements for the last three years. Financial statements should include:

- Balance Sheet
- Income Statement
- Accounts Receivable Listing and Aging
- Accounts Payable Listing and Aging
- Debt Schedule
- Reconciliation of Net Worth

For both existing and new businesses, project the following financial statements for the next 3 years (monthly for the first year, annually for the second and third):

- Operating/Income Statement
- Cash Flow
- Balance Sheet

Note: You might consider doing a best case, worst case, and most likely case with your projections. Be sure your underlying assumptions accompany your projections (i.e., Gross Profit – 60% based upon historical financials, Supplies = 2% sales based upon industry averages, etc.). Also, the sales and expenses in your projections should support the ideas presented in previous sections of your business plan (i.e., advertising expenses should include Yellow Page advertising costs, Grand Opening expenses, Website costs, etc. if described as such in “Market Strategy”).

We have an experienced group of lenders who are ready to work with you. We know the business industry and are ready to help you with personal service, local decision making, and true commitment to business and industry.