

OUTLINE OF A BUSINESS PLAN

Cover Sheet: Name of business, names of principals, address and phone number

Statement of Purpose

Table of Contents

Section One: The Business

- A. Summary
- B. Description of the Business
- C. Product/Service
- D. Market
- E. Location
- F. Competition
- G. Management
- H. Personnel

Section Two: Financial Data

- A. Sources and Applications of Funds
- B. Capital Expenditures
- C. Balance Sheet
- D. Breakeven Analysis
- E. Income Projections
- F. Cash Flow Projections
- G. Deviation Analysis
- H. Historical Financial Reports

Section Three: Supporting Documentation

- A. Personal Financial Statement
- B. Management Resume
- C. Legal Agreements
- D. Lease or Purchase Agreement
- E. Industry Information
- F. Other

THE COVER SHEET

The cover sheet should do the following:

- * Identify the business and the document.
- * Identify the location and telephone numbers of the business or where the principals can be reached.
- * Identify the person who wrote the business plan.

The business plan cover sheet should not be elaborate. It should be neat, attractive and short. If the plan is to be used as a financing proposal, use a separate cover sheet for each bank or capital source you submit it to.

STATEMENT OF PURPOSE

The first page, of your plan should state your objectives as simply as possible. If the plan is for your sole use, the statement should be a brief description of how you intend to use the plan once it ~as been developed~. For example; "This plan will be an operating and policy guide for Seibert Seafood."

If the plan is also to be used as a financing proposal, the statement of purpose becomes more complex. It should include responses to the following question:

1. Who is asking for money?
2. What is the business structure (e.g. proprietorship, partnership, corporation, or LLC)?
3. How much money is needed?
4. What is the money needed for?
5. How will the funds benefit the business?
6. Why does this loan or investment make business sense?
7. How will the funds be repaid?

The deal you propose, the loan or investment, its use and expected effects on the business, and how you will repay it will be supported by the rest of your plan. If you are not seeking a loan the plan should still support and justify the use of your own money or the money of partners, friends or family.

Keep the statement short and businesslike. It will usually be no longer than half a page, but can be longer if necessary. Use your own judgment.

TABLE of CONTENTS

The Table of Contents should follow your Statement of Purpose, which is expanded and supported in the remainder of the business plan.

There are three main sections of your plan:

* The Business.

* Financial Data.

* Supporting Documentation.

See your "Outline of a Business Plan" for an example. You may want to break it down further if necessary. Use your own judgment.

DESCRIPTION OF THE BUSINESS

The objective of this section is to explain:

- * What your business is.
- * How you are going to run it. .
- * Why you think your business will succeed.

Deciding what your business is and what it will be in five years is the most important single decision you have to make.

Any business will be involved in more than one activity; If so, your judgment of what the central activity is or what the central activities are is crucial. Your entire planning effort is based on your perception of what business you are in. If you make a serious error at this point, your chances of success will be sharply diminished. Try to answer these questions:

1. What business are you in?
2. What is the status of the business?
3. What's the business entity?
4. Why is your business going to be profitable or grow?
5. When will your business open?
6. What will be your hours of operation?
7. Is your business seasonal?

Knowing exactly what your business does and how it operates enables you to effectively plan for profits. This means you must be able to clearly identify the goals of your business at the beginning of your planning. Once the goals are clear, then you can start figuring out ways to make a profit: As the business progresses, the question of how to make profits must be continuously asked and answered.

Since start-ups and takeovers face different kinds of problems they are treated separately.

For a new business:

1. Why will you succeed in the business?
2. What is your experience in this business?
3. Have you spoken with other people in this kind of business?
4. What will be special about your business?
5. Have you spoken with prospective suppliers?
6. Have you asked about trade credit?
7. Will you be doing any contract work?
8. How will you offset the slow payment of customers?

In this section you should include a brief history of the business you plan to take. Your banker and other investors will want detailed knowledge.

For a takeover:

1. When and by whom was the business founded?
2. Why is the owner selling it?
3. How did you arrive at a purchase price for the business?
4. What is the trend of sales?
5. If the business is going downhill, why?
6. How will you make the business profitable?

PRODUCT/SERVICE

Most businesses are built around products and/or services that already are available. A fish market such as Seibert Seafood had a very simply described product line (seafood); the service element involves how they process. The products and satisfy their customers.

If your products or service are unique, state-of-the-art or otherwise noteworthy, take advantage of it. Such differentiation is valuable, tends to be fleeting, and attracts imitators.

The key questions to ask are:

1. What are you selling?
2. What are the benefits of what you are selling?
3. How do your products and/or services differ from competitors?
4. If your product is new or unique? What makes it different?
5. If your product or service is not special, why will it sell?

Business success ultimately comes from satisfying market needs. In only very few businesses do those edges come from product superiority or high tech.

Don't rely on your "superior" product or service. Do rely on satisfying your market needs. The first step towards this goal is to understand all about your product or service.

MARKET

In order to generate a 'consistent and increasing sales flow, you must be thoroughly knowledgeable about your market, the people who will buy your service, product or merchandise.

You have some control over who your customers will be. You can choose to enter or to leave certain markets. However, do so very carefully. Entering or abandoning markets is a major strategic decision, and calls for a lot of careful thought.

You need customers who will buy your goods and service, at a price that yields you a profit, in sufficient numbers and over a sufficient period to keep your business healthy and growing.

Start with your current customers, or those you feel will most probably be your customers when your business starts up.

1. What are your markets?
2. Which ones are buying from you now?
3. What products are they buying?
4. Who are the people who are buying from you?
5. How should you characterize your markets?
6. Why do these people buy from my company?
7. Why do they buy from us and not from the competition?
8. What are they buying from us?
9. How can we find more people like these?
10. What is the size of your market?
11. What percent of the market do you or will you have?
12. What is the market's growth potential?
13. As the market grows, what will your share be?
14. Is the market competitive or not?
15. How will you attract and keep these markets?
16. How can you expand your markets?

LOCATION

Proper site location can help your business make money. If you are going into business, first try to locate the ideal site, and then figure out how close you can come to it.

Remember:

Rent = the Cost of Space + Advertising

Different businesses have different needs. Manufacturers and wholesalers value low space costs and good access to transit routes over exposure to and accessibility by the public. For retail operations, access and exposure are very important.

Traffic studies may be available for the area you are interested in and can give you information to make the right location decision for your business.

1. What is your business address?
2. What are the physical features of your building?
3. Do you lease or own your space?
4. What renovations are needed, and how much will they cost?
5. Does zoning permit your kind of business in the neighborhood?
6. What other businesses are in the area?
7. Why did you pick this site over others?
8. Why is this the right location for your business?
9. How will the choice of location affect your operating costs?

Once you get started, or if you are already in a good location, keep a constant eye on changes in your location. New roads get built; populations change, people move, zoning ordinances change, and your business needs may change too. Prepare to anticipate these changes. Compare census reports over a period of time to find long-term shifts. Keep in touch with real estate people who have to know what's happening.

COMPETITION

If you have decided on your target markets and found that they are large enough to be profitable and contain reasonable expansion. Possibilities, the next step is to check out your competition, both direct and indirect.

There are three times when you should be concerned about competition.

* When you are planning to start-up or buy a business, or planning to enter a market that's new.

* When a new competitor arrives on the Scene. * All the time.

To analyze your competition, consider the following questions:

1. Who are your five nearest competitors?
2. How is their business?
3. How are their operations similar and dissimilar to yours?
4. What have you learned from watching their operation?
5. How will your operation be better than theirs?

How should you compete? Knowledgeably. There are many alternatives to price competition. You won't be able to fight on every front. Choose the areas where you' can gain a competitive advantage, one based on your business strengths. Try to match your strengths against your competitor's weaknesses.

MANAGEMENT

According to various studies of factors involved in small business failures, 98% of the failures stem from managerial weakness. Two percent of the failures are due to factors beyond control of the persons involved.

In preparing the Management section, there are five areas:

- * Personal History.
- * Related Work Experience.
- * Duties and Responsibilities.
- * Salaries.
- * Resources Available to the Business.

Personal History:

1. What is your business background?
2. What management experience have you had?
3. What education (formal and informal) have you had?
4. Are you physically suited for the job?
5. Why are you going to be successful?
6. What is your personal financial status?

Related Work Experience:

1. What is your direct operational experience?
2. What is your managerial experience?
3. What other management experience have you had?

Duties and Responsibilities:

1. Who does what?
2. Who reports to whom?
3. Who makes the final decisions?

Salaries:

A simple statement of what management will be paid is sufficient.

Resources Available to the Business:

1. Accountant.
2. Lawyer.
3. Banker.
4. Insurance Agent.
5. Small Business Center.
6. Small Business & Technology Development Center.
7. Chamber of Commerce.
8. Your Board of Directors.

This section is intended to make you aware of the availability of management skills in and outside your business. Keep in mind the necessity of managing your business rather than letting your business manage you.

PERSONNEL

Personnel management is a major stumbling block for small business owners. Personnel management is a demanding profession that few people learn. Businesses stand or fall on the strength of their personnel.

Here are some questions to ask:

1. What are your personnel needs now, and in the future?
2. What skills will your business need?
3. Are the people with those skills available?
4. Will you have full or part-time employees?
5. Will your employees be salaried or hourly?
6. What fringe benefits will you offer?
7. Will you pay overtime?
8. Will you have to train people, and at what cost?

Hire people only when it will result in added profitability for your business, and think before hiring whether the job is really necessary. If it is, then careful selection of the right person for that job will payoff.

SUMMARY

The purpose of this section is to summarize the ideas you have developed in the preceding sections. This summary will help you make sure that the different parts of the analysis make sense, that they support each other logically and coherently, and that they will leave the reader with a concise, convincing statement that the project and plan are feasible.

A checklist of important points to include is:

1. What is the purpose of this plan?
2. What business entity will be used?
3. Why will the venture be successful?

For financial proposal:

4. Who is requesting the funds?
5. How much is needed?
6. What terms?
7. How will the funds be repaid?
8. What collateral will be offered?
9. Why does the loan or investment make sense?