



BUSINESS PLAN OUTLINE

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There is nothing magic about a business plan. It simply collects all the information you know about your business in one place. Use this outline as a checklist, and do not be afraid to modify it to fit your business. If there are sections that do not apply, simply leave them out. Conversely, if the outline does not cover details important to your operation, add a new section. Supporting documentation can be collected in an appendix and referenced in the text of the plan.

A business plan can be divided into four distinct chapters and an appendix:

- Chapter 1.0 Description of the Business
- Chapter 2.0 Marketing Plan
- Chapter 3.0 Management Plan
- Chapter 4.0 Financial Management Plan
- Chapter 5.0 Appendix: Supporting Documents

Chapter 1.0 Description of the Business – In this section, provide a detailed description of your business and the logistics of its operation. You may need to revise this initial information based on costs, marketing research, and customer segmentation. View your business plan as a “living document” and understand that assumptions made in one section may affect assumptions in other sections.

Section 1.1 Cover Sheet – A cover sheet goes before the description and includes

- 1.1.1 Business Name
- 1.1.2 Business Address
- 1.1.3 Business Telephone Number
- 1.1.4 E-Mail & Web Address
- 1.1.5 Names of all principals
- 1.1.6 Summary of Description of the Business
- 1.1.7 Summary of Mission/Vision Statement

Section 1.2 Statement of Purpose – This section addresses the specific purpose of the business plan. For example, a plan designed to obtain financing would include the following:

- 1.2.1 Business name and information
- 1.2.2 Who is involved
- 1.2.3 What you're going to do
- 1.2.4 Why loan is needed
- 1.2.5 Why you'll be successful
- 1.2.6 How much financing is required
- 1.2.7 When the loan is needed
- 1.2.8 Okay to repeat cover sheet

Section 1.3 Description of the Business: Answer the question "What business am I in?" In the description of your business, describe the unique aspects and how or why they will appeal to consumers. Emphasize any special features that you feel will appeal to customers and explain how and why these features are appealing.

Section 1.4 Mission/Vision Statement: This description of your business should clearly identify high-level goals and objectives, and it should clarify why you are, or why you want to be, in business. This vision should drive the decisions you make about your business. The product/service you offer, the customers you serve, the tone of your marketing message, the way you deliver the message to the customer, your pricing, and ultimately, your financial goals should all derive from, and be in accordance with, your mission statement.

Section 1.5 Overview of Business and Industry Operations – When describing your business, you should explain

- 1.5.1 Legalities - business form: proprietorship, partnership, or corporation. The licenses or permits you will need.
- 1.5.2 Business type: merchandizing, manufacturing or service
- 1.5.3 What your product or service is
- 1.5.4 Is it a new independent business, a takeover, an expansion, a franchise?
- 1.5.5 Why your business will be profitable. What are the growth opportunities? Will franchising impact on growth opportunities?
- 1.5.6 When your business will be open (days, hours)?
- 1.5.7 What you have learned about your kind of business from outside sources (trade associations, vendors, bankers, accountants, trade publications, etc.)?

Section 1.6 Product/Service – Describe your product, focusing on its value to the customer. This “outside-in” thinking will help you understand your customer and build both satisfaction and loyalty. Describe

- 1.6.1 What you are selling.
- 1.6.2 How your product or service will benefit the customer.
- 1.6.3 Which products/services are in demand?
- 1.6.4 If there will be a steady flow of cash.
- 1.6.5 Will demand/cash flow be affected by seasonality? Any other external cycles?
- 1.6.6 What is different about the product or service your business is offering.

Section 1.7 The Location – Your location should be built around your customers, it should be accessible, and it should provide a sense of security. Consider these questions:

- 1.7.1 What are your location needs?
- 1.7.2 What kind of space will you need?
- 1.7.3 Why is the area desirable? The building desirable?
- 1.7.4 Is it easily accessible? Is public transportation available? Is street lighting adequate?

1.7.5 Are market shifts or demographic shifts occurring?

Chapter 2.0 The Marketing Plan – Delivering the right message to the right person at the right time. The key to a successful marketing plan is to know your customers – who they are, how they get information, and what message will sway their opinions.

Section 2.1 Competition – Understand your competition. Unlike the rest of your marketing plan – which depends on your proactive involvement – competition and the pressure it exerts on your business is largely beyond your control. Understanding your competition, however, can make you better prepared to target the appropriate segment, craft an effective message, and correctly position your product in the marketplace and anticipate changes while you still have time to react.

- 2.1.1 Who are your nearest direct competitors?
- 2.1.2 Who are your indirect competitors?
- 2.1.3 How are their businesses? Steady? Increasing? Decreasing?
- 2.1.4 What have you learned from their operations? From their advertising?
- 2.1.5 What are their strengths and weaknesses?
- 2.1.6 How does their product or service differ from yours?

Section 2.2 Your Customer – Fish where the fish are. Identify your customers by age, gender, income/educational level, residence, and other demographic parameters. Segment the market by customers with similar demographics, and determine which segment(s) offers the greatest opportunities. At first, target those customers who offer the greatest return, either because they are the easiest to reach or because they are the most likely to buy your product. As your customer base expands, you may need to consider modifying the marketing plan to include other segments. Identify the “customer” section of the plan for your business by answering these questions:

- 2.2.1 Who are your customers? Define your target market(s).
- 2.2.2 Are your markets growing? Steady? Declining?
- 2.2.3 Is your market share growing? Steady? Declining?
- 2.2.4 Are your markets large enough to expand?
- 2.2.5 How will you attract, hold, increase your market share? What pricing strategy have you devised?

Section 2.3 Develop Your Message – Your message gives your customer the reason(s) he/she should buy your product or service. Determine those reasons. What is special about your business? Why should the customer care? What differentiates you from the competition? In developing your message, think from the customer’s point of view. What are his/her needs? How does he/she solve them now?

- 2.3.1 What are the core competencies of your product or service?
- 2.3.2 What value proposition(s) will resonate with your customer?
- 2.3.3 What competitive advantage(s) do you have over others in your industry?

Section 2.4 Determine the Channels – You have identified your customers and identified the reasons for them to buy from you. Now you have to deliver the message. Marketers refer to the different ways to reach the customer as “channels.” (Examples of different marketing channels are listed below, but the ways to reach your customer are limited only by your imagination.) For each of your segments, determine the channels most likely to influence that group of customers. How is your target learning about product/service choices now? Which channels fit within your budget?

- Print Ads
- Public Relations
- Flyers
- Brochures
- Signage
- Newsletters
- Networking
- Business Assns.
- Professional Alliances
- Direct Mail/Direct E-Mail
- Trade Assns./Conferences
- Trade Shows
- Personal Appearances
- Teaching/Seminars
- Web
- Broadcast Fax
- TV
- Radio
- Pro Bono Work
- Teaching
- Special Events
- Sponsorships

Section 2.5 Pricing and Sales – By understanding your competitors’ pricing, your market, the overall industry, and your customer, you can develop a pricing strategy that reflects your business and meets your financial goals. Determine your pricing strategy, establish policies that reflect the strategy, and monitor both the competition and your operating costs. Some of the pricing strategies are

- 2.5.1 Cost-base pricing
- 2.5.2 Competitive position
- 2.5.3 Pricing below competition
- 2.5.4 Pricing above competition
- 2.5.5 Multiple pricing

Chapter 3.0 The Management Plan – Think of people as resources, every bit as important as working capital and inventory. People bring to the business the skills, industry knowledge, and institutional memory required for a successful operation. Inventory the skills required to operate your business and then identify the people in your (extended) organization who will provide those skills. Attach the resume of any owner or manager key to the businesses operation, and list the contact information of professionals enlisted on a “for hire” basis that are helping with the business.

- 3.1.1 List skills required for success.
- 3.1.2 How does your background/business experience help you in this business?
- 3.1.3 What are your weaknesses and how can you compensate for them?
- 3.1.4 Who will be on the management team?

- 3.1.4.1 What are their strengths/weaknesses?
- 3.1.4.2 What are their duties?
- 3.1.4.3 Are these duties clearly defined?
- 3.1.4.4 Will this assistance be ongoing?
- 3.1.5 What are your current personnel needs?
 - 3.1.5.1 What are your plans for hiring and training personnel?
 - 3.1.5.2 What salaries, benefits, vacations, and holidays will you offer?
 - 3.1.5.3 What benefits, if any, can you afford at this point?
- 3.1.6 List the professionals (including contact information)
 - 3.1.6.1 Attorney
 - 3.1.6.2 Accountant
 - 3.1.6.3 Banker
 - 3.1.6.4 Insurance Broker

Chapter 4.0 Financial Management – This section should begin with a narrative explaining what the numbers show, continue with charts/tables showing the numbers, and then conclude with a summary of the conclusions that can be drawn from the numbers. You should also include a discussion or list of assumptions in your calculations.

To effectively put together this section, you need you understand your audience – bankers and/or investors – and the Five “C’s” they use to evaluate your request for money:

- **Character** – This is you and the impression you make. You banker/lender will evaluate you overall presentation, your business plan, and your personal history.
- **Capitalization** – This evaluates how much money the business has.
- **Cash Flow** – This evaluates the business’s ability to pay back the loan.
- **Conditions** – This evaluates economic trends, industry trends, and the competition.
- **Collateral** – This is the banker’s security that the business will repay the loan.

Section 4.1 Opening Narrative – The narrative should introduce the financial data, outline the funding strategy, and explain any problems or issues that a lender or investor may find during due diligence. The narrative can also identify the accounting and inventory control system you are using. The narrative should include the following:

- 4.1.1 Gross Profit/Gross Profit Margin – Give this ratio in the context of the industry
- 4.1.2 Break Even/Cost Volume Profit Analysis – Give this ratio in the context of the industry
- 4.1.3 Statement of Costs & Sources of Funding (de facto Balance Sheet) – How much you need and where it is coming from

4.1.3.1 From the Cash Flow Projection calculation (see below), explain how much money you need to start the business. This should include an outline of the capital equipment you need. The money required equals your total Startup Costs plus your Operating Costs not offset by revenue:

$$\text{Costs} = \text{Startup Cost} + (\text{Operating Costs} - \text{Revenue})$$

4.1.3.2 Explain what money and resources you can provide, i.e. cash, inventory, equipment, etc.

4.1.3.3 Explain projected sources of funding, i.e. owner's equity, investors, debt

4.1.3.4 Explain total required from lender as a percentage of total.

4.1.4 Ratio Analysis – Include a discussion of ratios that enable you to interpret your business's health (or projected health) in the context of the industry.

Examples include

4.1.4.1 Current

4.1.4.2 A/R turnover (in days)

4.1.4.3 A/P turnover (in days)

4.1.4.4 Inventory turnover (in days)

4.1.4.5 Debt to net worth

Section 4.2 Numbers/Data – If you are unfamiliar with financial statements, you may want to work with your accountant or other financial advisor in preparing this part of your plan.

4.2.1 Cash Flow Projection (at least 24 months) – Cash flow projection will show your cash position at any point in time, how you will pay back your lender, and the total (startup and operating costs) you must borrow. To determine how much money you need, determine what you need to open your business (start-up costs) and what you need to keep it open (operating costs). Think of the day that you open the doors as a line in time; start-up costs are all expenditures before you open, and operating costs are all the expenditures after you open.

4.2.1.1 Start-up Budget – Your start-up budget will include one-time costs like major equipment, utility deposits, down payments, etc. You should also include any on-going expenses that cannot wait until after you begin operations: rent, insurance premiums, initial advertising, etc. In putting together your start-up budget, consider the following:

4.2.1.1.1. Wages

4.2.1.1.2. Payroll Taxes

4.2.1.1.3. Workers Comp

4.2.1.1.4. Insurance

4.2.1.1.5. Professional Fees

4.2.1.1.6. Rent/Deposit

4.2.1.1.7. Licenses/Permits

4.2.1.1.8. Inventory

4.2.1.1.9. Equipment

4.2.1.1.10. Adv./Promotions

4.2.1.1.11. Supplies

4.2.1.1.12. Utilities/Deposits

4.2.1.1.13. Dues/Subscriptions

4.2.1.1.14. Miscellaneous

4.2.1.2 Operating Budget – Your operating budget reflects the monthly expenditures required to keep your business going. Consider the following:

- | | |
|------------------------------|--------------------------------|
| 4.2.1.2.1. Wages | 4.2.1.2.10. Adv./Promotions |
| 4.2.1.2.2. Payroll Taxes | 4.2.1.2.11. Supplies |
| 4.2.1.2.3. Workers Comp | 4.2.1.2.12. Utilities |
| 4.2.1.2.4. Insurance | 4.2.1.2.13. Dues/Subscriptions |
| 4.2.1.2.5. Professional Fees | 4.2.1.2.14. Taxes |
| 4.2.1.2.6. Rent | 4.2.1.2.15. Repair/Maintenance |
| 4.2.1.2.7. License Permits | 4.2.1.2.16. Loan Payments |
| 4.2.1.2.8. Inventory | 4.2.1.2.17. Owners' Draw |
| 4.2.1.2.9. Equipment | 4.2.1.2.18. Miscellaneous |

4.2.1.3 Revenue Projections – Perhaps the most challenging part of pro forma financial planning is projecting revenue. In determining you sales, consider

- 4.2.1.3.1. Your capacity (i.e. through-put, seating, billable hours, etc.)
- 4.2.1.3.2. Historic market data.
- 4.2.1.3.3. Financial ratios
- 4.2.1.3.4. Customer base
- 4.2.1.3.5. Pricing

4.2.2 Pro-forma Income Statement (Profit and loss for FY1 and FY2) – Use the Cash Flow Projections yearly totals, less capital expenditures, as an estimated Income Statement. Ignore depreciation, contra accounts, etc.

Section 4.3 Closing Narrative – Summarize the conclusions you draw from the financial data.

Chapter 5.0 Appendix: Supporting Documentation – Include documents and reference material that support your business plan.