

# BUSINESS PLAN FORMAT

by



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A business plan is a document created by a person or group who intends to develop a financially sound business. The plan is a compilation of interrelated elements that provide the road to travel, from business idea to the existence of a profitable business. Business plans are as unique as the people or groups who prepare them, and the businesses they intend to establish or expand. There are key components, however, common to most plans. The usability of the contents is only as good as the thought and detail that was applied to its preparation.

For those who will be using their business plan as part of a loan package submittal, there is considerable additional detail that will need to be included in appendix sections of your plan. These are identified subsequently in this document.

## ***CRITICAL ELEMENTS OF A BUSINESS PLAN***

Critical elements of business plans include:

- **Description of Business**
- **Mission, Vision, Goals and Objectives**
- **Customer Value Proposition (CVP)**
- **Market Analysis**
- **Management and Operations Assessment**
- **Financial Management**
- **Financing Plan**
- **Implementation Plans**

Items 3-8 represent the core sections of the business plan document. Items 1 and 2 can be integrated into the first plan section, **Executive Summary**. This section ties key conclusions from the plan elements together. The last sections are appendices, where an assortment of supporting detail is provided. Important issues to be addressed within each plan element are presented next.

## **POTENTIAL SECTIONS OF A BUSINESS PLAN DOCUMENT**

The following represent potential business plan report sections. The **Executive Summary** will be prepared after you have completed the core elements.

### **1. Executive Summary**

While this will be the first section in your business plan report, it is prepared last. It is here that you tie key conclusions together. It should be no longer than three (3) pages. Key conclusions to present here are:

- Business description
- Concept and strategy
- Market analysis
- Management and operations assessment
- Financial management
- Financing plan

Also discuss your current situation and key success factors. If there are appendices, refer to them and indicate what each contains. Please see information in this document under "Loan Packages" to see what may be included in the appendices.

### **2. Qualifications of Owner(s)**

Of critical importance here is an overview of your qualifications to develop the business that you propose to establish. Deal with both direct and indirect qualifications.

### **3. Vision, Mission, Goals and Objectives**

Your vision is where you are going, and your mission is why you are going there. The goals are the milestones you need to reach to get there (your vision), and your objectives are the how-to's.

This can be one of the more difficult sections of your business plan to complete. You will likely need to revisit the topic regularly during the plan preparation process, becoming more detailed as the lights grow brighter.

#### **4. Customer Value Proposition (CVP)**

It is here that you will describe your unique business concept and discuss the strategies (3-4) you plan to employ that will make your business different from your competitors. In developing your concept and strategies, keep the end user ever at the fore front of your planning. In addition, you will need to identify opportunities in the marketplace, and indicate how your business concept and strategies will enable you to satisfy those opportunities.

Who are your competitors, existing and potential, and how are they serving the market? What are their key strengths and weaknesses?

#### **5. Market Analysis**

For a business to be financially sound, there must be enough market support for the products and/or services being offered. In this business plan section, critical points which need to be discussed include:

- Target markets and their needs.
- Marketplace trends (pick the five [5] most important from your businesses perspective).
- Market size: current and projected annually for five (5) years.
- Marketing and advertising plans (and costs).
- Estimated market capture rates.

Ultimately in this section you will need to combine the size of your target market, apply market capture rates, and estimate items sold over the first two (2) years of your planned new or expanded business.

A note about estimated market capture rates: Your marketing and advertising plans will be the single most important factor in these being achieved; thus, be certain that your plans:

- Support your company strategy.
- Send a consistent message about your business.

#### **6. Management and Operations Assessment**

This section will deal with how and where you plan to operate your business. Among the critical factors to be discussed here will be management structure, facilities, personnel and pricing. You will need to:

- Define your planned management structure.

- Determine the facilities you will need to operate your business.
- Identify a preferable or planned location.
- Determine the costs required to rent the facilities, and/or the cost you will likely incur in improving or buying them.
- Create a personnel plan, complete with payroll for the first three (3) operating years.
- Determine the prices you will charge for your products and/or services. How do these compare with your competitors?

## **7. Financial Management**

One of our basic purposes for being in business is to make money. Remember the primary reason for a business plan is to create a tool which can be used to guide one to the development and maintenance of a financially sound business. Among the topics to be discussed in this section are:

- Sales projections
- Expense budget
- Income statements
- Cash flow statements
- Balance sheet

For each of the above items, do monthly projections for the first two (2) years of business.

Additional information you will need to provide includes:

- Balance sheet - reflecting startup position, including financing plan
- Determination of maximum operating deficit.
- Determination of break-even point.
- Key ratios.

## **8. Financing Plan**

In this section, you need to identify how you are going to finance your business. Among the topics to be discussed here should be:

- Amount of money needed, and for what.
- Description of how you plan to finance these costs.
- Sources and amount of initial equity.
- Collateral you have available.
- Amount you will need to borrow and from whom.
- Plans for personal compensation (very important!).

## **9. Implementation Plans**

This is the action section. Identified here will be the steps that you need to take to move your business idea forward. The more specific you can get the better.

- What needs to be done.
- In what sequence.
- By whom and when

Once you have developed the data previously highlighted in this document, you are ready to write your business plan. Length and eloquence are not the key; rather, soundness of reasoning and believable conclusions rule! The key part of what you write will be the **Executive Summary**. To a certain extent you do all this research and analysis so that you can present an excellent **Executive Summary**. This is the section most people other than yourself will read, and if you are making presentations to lenders and/or venture capitalists, it will be the section that you extract information from for your personal meetings with potential funders.

## **LOAN PACKAGES**

If your business plan is to be part of a loan package, the additional information you will need to provide will include the following. This data has been organized by appendix section, so that you can attach it to your business plan when it is completed. A loan application will be needed, as will a credit report.

### **Appendix A (financial information)**

- Income statements, and balance sheets for last three years (if expanding or acquiring a business). Statements must be signed and dated.
- If a business is being acquired, last three (3) years tax returns. These must be signed and dated.
- Current (less than 90 days old) income statement, balance sheet, aging of accounts receivable, and notes payable. These all need to be signed and dated.
- Personal financial statements from all owners; also, last three (3) years tax returns. These all need to be signed and dated.
- Source and application of funds.
- Projected income statements, balance sheets and monthly cash flows for two (2) years after you start or acquire the business, with financial assumptions narrative.
- Statement of collateral offered.
- Credit report.
- Appraisals and titles/deeds of all real estate pledged as collateral.

### **Appendix B (leases, sales agreements and leases)**

- Lease and/or sales contract on real estate to be purchased or leased.
- Appraisal on real estate to be purchased.
- Detailed preliminary construction contract and/or bid estimate.
- Machinery and/or equipment quotes/bids.
- Franchise agreement and FTC disclosure.

**Appendix C** (miscellaneous information)

- Personal one-page resumes of all principal owners and hired managers.
- Copies of current business brochures.
- Map pinpointing business location.

