

Basic Business Plan Outline

A business plan needs to be a well thought out, honest, appraisal of the business and opportunity. This outline is meant to be used for your road map. It should be a living document that is updated periodically to reflect changes in the environment. A plan should contain the following basics:

I - Executive Summary – Write an overview of the business explaining the fundamentals:

- A. Mission statement** – as briefly as possible describe what you will do and why you will be successful. What are your guiding principals (service, quality, passion for the business, etc)?
- B. Company structure** (sole proprietorship, general partnership, limited partnership, etc.)? Discuss the alternatives with your SCORE Counselor.
- C. What is the product or service?** Is it a new idea, or similar to existing products or services? What differentiates the product or service from the competition? Most important, will customers' pay for this difference, or switch to your product for this difference?
- D. Who are the customers?** Industrial, consumers, government?
- E. Why is the opportunity available to you?** New idea or technology? No competition? Special skills?
- F. What is the future of the business?** Limited (time) opportunity or timeless?
- G. How will you know if you are successful?** Determine metrics for annual sales volume, profit, share of market, and other things you deem important.

II. - Marketing Analysis - an extremely important part of the business plan as this will determine the access to the market. You need to document:

- A. How big is the market?** Use resources like the library, interview competition, talk to potential customers, look at competitive Web sites. Market estimates are just that, an estimate. But the better you can define the opportunity, the more successful you will be.
- B. How much share can I get and how fast?** This will become your sales revenue for your financial plan.
- C. How will you get to the market?** Direct sales? Through a channel (distributor, manufacturers representative, retailer)?
- D. Who is the competition?** Are there many or few?
If there are many it will be easy to enter the market, but hard to get significant share.
If there are few, it might be harder to enter, but you could gain significant share.
- E. Are there barriers to entry?**
High entry cost? High risk and cost to get in, but limits the amount of competitors.
Low entry cost? Low risk and cost to get in, but likely to have many competitors.
Are there permits or regulatory approvals required?
- F. Why will you succeed?** What will you do different than the competitors?
What will you do different from the competition? These are called your “core competencies”, what you do well that perhaps the competition does not.

List your core competencies. Examples would be superior service levels, exceptional quality, speed, better product or service.

If there is enough differentiation, you can be successful.

If there is little or no differentiation, then you will usually need to rely on price to get business. Not a great option for a start up business.

Are there other competencies you need to develop? Are they easily achievable?

III - Marketing strategy – build your strategy from your core competencies. “I will be successful because I do certain things better” (i.e. quality, service, product, etc.), what are those things? Your marketing strategy is to tell customers what you will do better than the competition. Make sure your marketing strategy can be explained so the customer sees value. For example: Instead of saying “ my delivery is the fastest in the market”, say “because of our exceptional delivery you will not need inventory, therefore saving the cost of carrying inventory”.

A. Selling your product or service? Direct or through a channel?

Channels require work. You need to set up an agreement with a channel partner, and it requires “care and feeding” (training, promotional tools, etc.) Channels will take a portion of your profit. It is still usually less expensive than a direct sales force.

B. How will you promote your product/service to the customer or channel? Examples are advertisement in newspapers or periodicals, yellow pages, web sites, email, etc?

Test all of the above ideas by defining why the customers will buy your product or service because of your marketing efforts. Would you buy your product because of what you listed? Try it on your friends.

C. How you are going to price your product or service? Look at the competition’s price, what you believe your costs might be, and can you get the same price or a premium over the competition?

IV - Operations plan – how will you make your product or fulfill your service?

First you need to investigate whether to make it yourself or use contract manufacturing? Contract manufacturing will greatly ease the start up cost, but it will take part of your margin. If you are going to manufacture or provide a service yourself you will need to estimate the following:

- Location?
- Number of employees needed?
- Type of employees needed?
- Space for production or people?
- Capacity?
- Critical suppliers?
- Financial system? Hire an accountant or do it yourself?
- Computer system? You will need some sort of business system, even if it is manual to begin with.
- Equipment needed? Computers, tools, fixtures, displays, etc.
- Legal requirements?
- Permits or licenses?
- Insurance?
- Contracts?

- Patents, copyrights?
- Credit policy?
- Organization structure?

Develop metrics (measurements) that you will use to make sure you are meeting the product or service levels you believe are necessary to be successful. Examples would be delivery time, first pass quality levels, time to respond to customer requests, etc.

V - Financial - Develop a simple but comprehensive financial model.

A. What you require for start up costs? A checklist is included in Appendix A.

B. Income statement. See example in Appendix B. It is best to put it in a spreadsheet form so you can do “what ifs”. Use the spreadsheet model to see where your “break even” point is, and how much volume you will need to be successful. Appendix B is a worksheet that includes:

Revenue by month that sums to a year. It should also include the next three to five years totals. By doing a month by month you can allow for seasonal trends.

What are your expenses? See appendix A for a check list of start-up costs. Be sure to include loan payment and interest expense.

Net profit or loss?

C. Cash flow statement. See Appendix C. This is similar to your income statement, but looks a bit like your checkbook, so you know where you stand from a cash standpoint.

D. Balance Sheet. Appendix D .How much capital (money) do you need to start up? How much Capital do you have? Capital refers to large expenditures for equipment needed to start up. How are you going to finance the business? Loan, savings, partnership, investors? Discuss with your SCORE counselor.

Appendix A Check List of Possible Start-up Costs

Purchase of business	\$ _____
Closing costs	\$ _____
Fixtures and equipment	\$ _____
Vehicles	\$ _____
Starting inventory	\$ _____
Office supplies	\$ _____
Remodeling expense	\$ _____
Installation of equipment	\$ _____
Insurance	\$ _____
Utilities deposit	\$ _____
Legal and professional fees	\$ _____
License and permits	\$ _____
Research costs	\$ _____
Advance wages and salaries	\$ _____
Travel Expenses	\$ _____
Advertising for opening	\$ _____
Other promotional costs	\$ _____
Accounts receivable	\$ _____
Operating cash for 1 st 3-6 months	\$ _____
Total	\$ _____

Appendix B Basic Income Statement

Projected Income (Profit and Loss) Statement

	Month 1	Total Year One
Sales		
Cost of goods sold		
Opening inventory- end inventory		
Materials		
Direct labor		
Purchases		
Overhead direct		
Other direct		
Gross Profit (result)		
Expenses		
Variable Expense (controllable)		
Advertising		
Sales expense		
Freight		
Supplies		
Miscellaneous direct expense		
Fixed Expenses (Overhead)		
Depreciation		
Utilities (elect, heat, water)		
Telephone		
Interest expense		
Repairs		
Taxes and fees		
Insurance		
Miscellaneous		
Total expenses		
Operating profit/Loss		
less Federal and State taxes		
Net income/loss (after tax)		

Appendix C Cash Flow Statement

	Pre-Startup EST	Jan-00	Feb-00
Cash on Hand (beginning of month)		0	0

CASH RECEIPTS

Cash Sales			
Collections from credit accounts			
TOTAL CASH RECEIPTS	0	0	0
Interest or other income			
Total Cash Available (before cash out)	0	0	0

CASH PAID OUT

Cost of sales

Purchases			
Direct Labor			
Variable expenses (controllable)			
Advertising			
Packaging			
Fixed expenses (overhead)			
Accounting & legal			
Telephone			
Insurance			
Taxes (real estate, etc.)			
Other expenses (specify)			
Other (specify)			
Other (specify)			
Miscellaneous			
SUBTOTAL	0	0	0
Loan principal payment			
Capital purchase (specify)			
Other startup costs			
Reserve and/or Escrow			
Owners' Withdrawal			
TOTAL CASH PAID OUT	0	0	0
Cash Position (end of month)	0	0	0

Appendix D- Balance Sheet

Assets		Liabilities & Net Worth	
<u>Current Assets</u>		<u>Current Liabilities</u>	
Cash in Bank	-	Accounts Payable	-
Inventory	-	Taxes Payable	-
Prepaid Expenses	-	Notes Payable (due within 12 months)	-
	-	Other current liabilities (specify)	-
	_____		_____
Total Current Assets	-	Total Current Liabilities	-
	_____		_____
<u>Fixed Assets</u>		<u>Long-term Liabilities</u>	
Machinery & Equipment	-	Bank Loans Payable (greater than 12 months)	-
Furniture & Fixtures	-	Other long-term debt (specify)	-
Leasehold Improvements	-		_____
Real Estate / Buildings	-	Total Long-term Liabilities	-
	-		_____
	_____	Total Liabilities	-
Total Fixed Assets	-		_____
	_____		_____
<u>Other Assets</u>		Net worth (owner(s) equity)	
y	-	Capital stock	
y	-	Retained earnings	
	_____	Total Net Worth	_____
Other Assets	-		_____
	_____		_____
Assets	-	Total Liabilities and Net worth	-
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You can download working excel spreadsheets for Income statements, Balance Sheets, Cash Flow statements, and many other financial aids at the SCORE Website template gallery at www.score.org.

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