

WRITING A BUSINESS PLAN

I. INTRODUCTION

- ◆ The business plan is a written summary to be used as a guide for establishing a new business or developing an existing business.
- ◆ It should be sufficiently detailed but not to the point of being difficult or laborious to read.
- ◆ Basically, a business plan is a written summary of the proposed venture, its operational and financial details, and the managerial skills and abilities.
- ◆ Its primary purpose is to “sell” the potential investor or lender on your proposal. As one loan officer was heard stating: “If an applicant does not have a business plan, he starts off six feet deep in a hole”.

II. THE EMPHASIS OF THE BUSINESS PLAN DEPENDS ON THE STATUS OF THE BUSINESS:

A. New Venture (Items to include)

1. Complete description of the venture and the products (if any) and what need in the market do you plan to fulfill or meet.
2. Funds required and plans for repayment.
3. Location - rented or purchased.
4. Pro-Forma (projected) balance sheet for three to five years.
5. Financial history (including tax returns) of the key people (financial statements).
6. Resumes' of key people.

B. Expanding or Improving an Existing Business

1. Past and present financial statements - income statement/balance sheets.
2. Description of business and the nature of the expansion. (And why?)
3. Funds required, their usage, and plan for repayment.
4. Financial statements and resumes' of key people (including net worth of existing business).
5. Projections of future business with expansion (or refinancing).

III. PARTS OF A "TYPICAL" BUSINESS PLAN

A. Cover Sheet

Example: "An introduction to the XYZ Company"

B. Table of Contents

If the proposal (plan) has more than several pages, it is desirable to include a table of contents.

C. Cover Letter **

A separate cover letter should be written for each person or institution to which the plan is submitted.

It should include a brief description of:

1. The purpose of the financial request.
2. Nature and/or progress of proposed venture.
3. Experiences of key people.
4. Plans for funds repayment.

** It should be written on letterhead stationary if possible.

D. Officer's/Owners Résumé's/Financial Statements

1. Resume' - Summary of an individuals education, work history, relevant business experience and references.

2. Financial Statement - current position of person's income and balance sheet positions. (Note: Forms obtainable at any bank or lending institution).

E. Company History (If existing business)

Date founded and significant financial and operational events.

Example: Track record of sales growth or profits.

F. General Business Description

Begin the section with a statement of the goals and purposes of the business - e.g. - "Why do you feel there is a need for your business or product?"

In this section explain:

1. Present "State of the Art" in the industry.
2. Growth opportunities for the business type or industry.
3. Growth opportunities for the business in the market area to be served.
4. The nature and position of the competition (include a detailed list of local competition).
5. Description of the present/proved products or service.

Include:

- a. Drawings/Diagrams/Illustrations if product is manufactured.
 - b. Vendors and sources if product is resold (retail).
 - c. Patents, copyrights if held.
 - d. Description of type and nature of service (include unique processes, tools, training, etc.) if required.
6. Description of the form of ownership (Corporation, sole proprietorship, partnership, etc.)
 7. Description of the firm's organizational chart - if multiple people are involved.
 8. Financial data - *financial statements for at least three prior years and pro-forma financial statements for three to five years (for proposed venture only this part).

***Note** - Statements should be audited by CPA or someone knowledgeable in accounting procedures.

G. Marketing and Business Strategy

This section includes a description of the marketing strategy and how the owner plans to meet the competition (if any). Include:

1. A description of the target market - both actual and potential customers.
2. The sales and promotional efforts you plan to utilize or currently use - advertising media, sales force, etc.
3. Proposed "position" of the firm in relation to your existing competition. Example: Low End, Medium End, High End.
4. Description of the firms pricing policies, profit margins (gross).

H. The Loan Proposal

This section is a description of the purpose of the loan. It includes:

1. The amount required.
2. How funds are to be received - lump sum or graduated amounts as in a construction loan.
3. Planned repayment schedules for the funds.

Note: Do not inflate amounts needed in anticipated of being "talked down". Loan officers normally know their business.

IV. SUMMARY

A sound business plan requires time and effort, but the benefits greatly exceed the costs.

Financial officers are much more impressed by Small Business owners or proposed owners who are informed and prepared when making a loan or investment request.