

# THE BUSINESS PLAN OUTLINE

Source: Center for Entrepreneurial Assistance, Entrepreneur's Guide: Starting and Growing a Business in Pennsylvania. [www.newpa.com/](http://www.newpa.com/).

## Cover Sheet

All contact and ownership information should be included on the cover sheet.

- a. Business name
- b. Full street address (mailing address if different)
- c. Phone, Fax, e-mail, web site, etc. (Home phone number optional)
- d. Name of owner(s)
- e. Date

## Table of Contents

Include a list of all sections of the business plan and the appropriate page numbers. Graphs, diagrams and other visual representations should also be identified. Items included as exhibits at the end of the plan (example: owner resume) should be clearly identified so that the reader can reference them while reviewing the plan.

## Executive Summary (Statement of Purpose)

The executive summary gives the reader a one to two page overview of the business and business plan. Because the plan encompasses so many activities, the reader could fail to understand the owner's view of the most important information. Although the Executive Summary appears first in the final document, it should be written last.

- a. Brief description of the company history
- b. Purpose of the plan
- c. Goals of the business
- d. Description of the products and services
- e. Description of the location and facility
- f. Introduction of Owners and Management team
- g. Amount required from lender
- h. Other sources of funds/collateral
- i. How the money will be used
- j. Method of repayment of funds

## Business Description

This section should give a brief history of the business and a description of the type of product/service that will be offered.

### Company Profile

1. What is the business name?
2. How will the business be organized (sole proprietorship, partnership, corporation)
3. Who are the business owners?
4. Where is the business located?
5. When will you be open for business?
6. Why do you think your business will succeed?

## **Company History/Background**

If you are acquiring or expanding an existing business, this section provides background information on the business.

1. When and why was this business founded? Who founded the business?
2. How is the business organized (legal structure)?
3. How has the business evolved over the years?
4. What accomplishments have the business achieved and/or what major failures has the company experienced?
5. Why are the current owners selling this business?

## **Product/Service Description**

1. What does the business sell?
2. What are the features and benefits of the product or service?
3. What solution does the business offer to the marketplace?
4. What are the price points of your products and/or services?

## **Industry Status**

This is the part of your plan that discusses the business environment in which you will be operating. Entrepreneurs often wish to gloss over this section because the factors are considered external to the company and uncontrollable. Gathering this information is important; however, because it can help you determine limitations or opportunities impacting your profit. You may even discover information that changes the type of business you are starting, or the ways in which you expand operations. Be sure to study both positive and negative factors.

- a. National/Regional economic growth or decline
- b. Industry outlook
- c. Projected opportunities
- d. Regulatory environment
- e. Technological influences

## **Target Market/Customer Base**

An error in the determination of your target market(s) will not only adversely affect all other sections of your business plan; it will most certainly increase your advertising and promotion expense. For some businesses it is the difference between success and failure. In this section of the plan describe the most likely customers for your product or service. Who are they? Where are they? When and why will they buy from you?

Often your entire market of purchasers can be divided into segments, or groups of purchasers with common needs. Segmenting your market allows you to define and describe buyers' needs and habits as completely as possible. Accurate information about the size of your market and expected market share helps you predict potential income

- a. Characteristics of the target market:
  - Demographic profile (age, income, sex, education)
  - Business Customer (industry, size purchaser)
  - Geographic parameters
- b. Size of the market/expected market share
- c. Market segmentation
- d. Customer buying habits (seasonality, quantity, average expenditure)

## Marketing Plan

The marketing plan describes all activities involved in selling. It sets annual sales goals and examines the competitors' products and services and how your offerings are unique. Marketing is not simply advertising and promotion activities. Although these communication elements are extremely important, they are ineffective if you have not chosen products and services wanted and needed by your potential customers. The marketing plan should include a complete description of all offerings. Names, colors, assortments and other details are important to customer choice. If you have multiple products for multiple target markets, this is the section where those distinctions must be made.

If you are tempted to dismiss competition, ask yourself how your potential customer currently solves the same problem your offerings are intended to solve. What are the customers' choices when spending their financial resources? It can be helpful to develop a matrix that lists all your major competitors, their products and services, prices, methods of promotion and location. By incorporating your own marketing information on the matrix, you can identify your firm's strengths and weaknesses. Your marketing section includes customer service policies. Small businesses often have an opportunity to compete with larger firms by offering flexible, courteous, customer-centered services.

The pricing of your product must consider competition and customer expectations, but it must also consider all expenses. It is not uncommon for early stage businesses to: (1) believe they can sell at the lowest price; (2) misunderstand the importance of establishing price policies at levels other than the end user level; and (3) overlook the relationship between pricing and other elements of marketing.

The location element of business planning once focused on a physical business site, customer access to that site and transportation (logistics) related to the site. With advancements in technology, both start-up and existing businesses must examine whether the location for interface with customers is a physical location, cyberspace or both. A web site can be used to simply promote a business and its offerings, or it can be the actual marketplace where sales are consummated. Web site development, performance, delivery systems and payment activities are not a necessary part of the marketing plan.

Few businesses exist without advertising expense. The choices of strategy and media are many, but the choice to eliminate advertising says the entrepreneur cannot afford to communicate with customers. A lack of communication is directly related to a lack of customer spending and a lack of customer spending critically impairs the business's survival. Since advertising and other elements of promotion are legitimate business expenses, they must be incorporated in the price of the products and services.

- a. Sales goals
- b. Description of all products and services
- c. Direct and indirect competition
- d. Pricing objectives/methods
  - Wholesale and retail
  - Discounts and special allowances
  - Seasonality in pricing
  - Credit terms
- e. Location
  - Where products/services will be sold
  - Web site
  - Analysis of advantages/disadvantages
  - Plant/store atmosphere
  - Transportation

- f. Promotion activities
  - Advertising
  - Public relations
  - Publicity
  - Trade or business shows
  - E-Commerce
- g. Packaging
- h. Customer service policies
- i. Sales training, management and methods
- j. Growth strategies

## **Production and Operations Plan**

A lack of production and operations planning causes entrepreneurs to underestimate start-up, maintenance and growth expenses. The decisions in this section of the plan consider the “physical” health of the business. If the business is started at home, the entrepreneur should set criteria such as income, number of employees or product expansion that will necessitate moving to a business site. Decisions made in this section affect the extent of company indebtedness, as well as the collateral of the business when it seeks out loans or investments.

- a. Facility
  - Lease or purchase
  - Size and floor plan
  - Zoning, local regulations, taxes
  - Renovation/expansion plans
- b. Operating Regulations (Federal, State, Local, Industry)
  - Taxes
  - Licenses required
  - Zoning
  - Insurance and/or Bonding requirements
  - Is there a need for Patent, Copyright or Trademark?
  - Association fees
- c. Equipment
  - Machines/tools owned/needed
  - Lease or purchase
  - Maintenance procedures and costs
  - Vehicles
  - Telecommunications and data
- d. Production process and costs
- e. Suppliers/credit terms
- f. Transportation and shipping access and equipment
- g. Scheduling for completion of research and development

## **Management and Human Resources Plan**

The people in any business are an important and expensive resource. Before developing this section of the plan, the entrepreneur must identify how the business will grow and what skills will be needed for that growth. If additional locations are planned, new managers will need to be hired or trained. If growth comes from development of new products, researchers and engineers may be needed. If growth will result from selling intensively to a small number of clients who buy on multiple occasions, employees that are capable of developing good relationships and delivering excellent customer service are needed. The obvious expense of human resources is salary and benefits. Less obvious is the cost of recruitment, selection and training when turnover occurs. This section requires knowledge of state and federal regulations governing employer and employee relationships.

- a. Key managers
  - Responsibilities
  - Training
  - Reporting procedures
- b. Personnel
  - Number of full and part-time employees
  - Special skills/education required/continuing education
  - Job descriptions and evaluation methods
  - Benefits
  - Wages, commissions, bonus plans
  - Use of subcontracted personnel
  - Policies
- c. Organizational chart
- d. Lists of stockholders and board members
- e. Amount of authorized stock and issued stock
- f. Professional assistance (attorney, accountant, banker, insurance representative, etc.)

## **Financial Plan**

This section should include past financials and future projections based on sound and reasonable assumptions. The numbers used for each expense should be as accurate as possible based on current research. Identify any fluctuations that can be predicted such as increases in raw materials, lease or utilities in year two or three of your business. Estimate the month and year when additional employees will be hired and what they will be paid. A break-even analysis helps you understand at what point the business becomes profitable and allows you to set goals realistically. The break-even analysis formula can be found in the Worksheet Section of this Business Resource Guide. Without a financial plan you will find it nearly impossible to interest lenders or investors in helping you start and grow, because you have no facts to back up your enthusiasm and commitment to your venture. It is very important to include notes to the financial statements so the reader can understand the rationale for your projections.

The following information should be included in the financial plan section of your business plan:

### **For Existing Businesses:**

- Income Statements, Balance Sheets and tax returns from the last three years
- Interim Financial Statements (Year-to-Date). Must be less than 90 days old as of the application date. To be safe, try to make them less than 30 days old when you put the package together.
  - Include Accounts Receivable and Accounts Payable Aging Schedules
  - Make sure all the dates on the interim financial statements match

- All numbers on the supporting statements must agree with the Income Statement and Balance Sheet
- List of all business obligations

**For All Businesses:**

- Personal Financial Statements for all individuals owning 20 percent or more of the business. (See enclosed Personal Financial Statement).
- Pro Forma Statements (Projections) on a monthly basis for at least two years. Include detailed explanations for projected numbers (assumptions). Financial projection worksheets are included under the Worksheets' tab in this Business Planning Guide. Electronic income and cash flow statement templates are available by contacting your local Longwood SBDC.
  - Income Statements
  - Cash Flow Statements
  - Balance Sheets: Projected statement of assets, liabilities and equity. Demonstrate what the balance sheet will look like after obtaining and applying the funds. Show what it will look like on the day you open the business and 12 and 24 months after getting the loan (the first two years).
- Break-Even Analysis
- Comparisons of important financial information and key ratios to industry averages.

**Supporting Documents**

- a. Managers' resumes
- b. Advertisements, news articles, brochures, and other promotional documents
- c. Contracts, leases, and filing documents (Fictitious Name, Employer Identification Number, Articles of Incorporation)
- d. Letters of support
- e. Pictures of the product or service
- f. Marketing research
- g. Patents, trademarks, copyrights, license agreements
- h. Personal Income tax returns (three years)
- i. Invoices or estimates for facility or equipment purchases

**For assistance in developing your business plan contact the  
Longwood Small Business Development Center in your area.**

