

OUTLINE

HOW TO WRITE A BUSINESS PLAN

The following pages provide a suggested outline of the material that should be included in your business plan. Your final plan may vary according to your needs or because of the individual requirements of your lender.

What Are the Benefits?

Every business can benefit from the preparation of a carefully written plan. There are two main purposes for writing that plan:

1. To serve as a guide during the lifetime of the business. It is the blueprint of your business and will provide you with the tools for analysis and change.
2. A business plan is a requirement if you are planning to seek a loan. It will provide potential lenders with detailed information on all aspects of your company's past and current operations and provide future projections.

Business Plan Outline

I. Cover Sheet

Serves as the title page of your business plan. It should contain the following:

- Name of company
- Company address
- Company phone number (include area code)
- Logo (if you have one)
- Names, titles, addresses, phone numbers (include area code) of owners.
- Month and year your plan was issued
- Name of preparer

II. Statement of purpose

(Same as executive summary.) This is the thesis statement and includes business plan objectives. Use the key words (who, what, where, when, why, how, and how much) to briefly tell about the following:

- What your company is (also who, what, where and when).
- What your objectives are
- If you need a loan, why you need it
- How much you need
- Why you will be successful
- How and when you plan to repay your loan.

III. Table of contents

A page listing the major topics and references.

IV. The business

Covers the details of your business. Include information about your industry in general, and your business in particular. Address the following:

- Legal structure—Tell what legal structure you have chosen and state reasons for your choice.
- Description of the business—Detail your business. Tell about your history, present status and future projections. Outline your product or service in terms of marketability. Project a sense of what you expect to accomplish in the next few years.
- Products or services—Give a detailed description of your products from raw materials to finished items. Tell about your manufacturing process. If you provide a service, tell what it is, how it is provided and why it is unique. List future products or services you plan to provide.
- Location—Describe site and why it was chosen. (If location is important to your marketing plan, focus on this in the marketing section below).
- Management—Describe who is behind the business. For each owner, tell about responsibilities and abilities. Support with resumes.
- Personnel—Who will be doing the work, why are they qualified, what is their wage, what are their responsibilities.
- Methods of record keeping—What accounting system will you use? Who will do your record keeping? Do you have a plan to help you use your records in analyzing your business?
- Insurance—What kinds of insurance will you need? What will these cost and who will you use for a carrier?
- Security—Address security in terms of inventory control and theft of information.

V. Marketing

Covers the details of your marketing plan. Include information about the total market with emphasis on your target market. Identify your customers and tell the means to make your product or service available to them.

- *Target market*—Identify characteristics of your customers. Tell how you arrived at your results. Back up information with demographics, questionnaires and surveys. Project size of your market.
- *Competition*—Evaluate indirect and direct competition. Show how you can compete. Evaluate competition in terms of location, market and business history.
- *Methods of distribution*—Tell about the manner in which products and services will be made available to the customer. Back up decisions with statistical reports, rate sheets, etc.
- *Advertising*—How will your advertising be tailored to your target market? Include rate sheets, promotional material and time lines for your advertising campaign.
- *Pricing*—Pricing will be determined as a result of market research and costing your product or service. Tell how you arrived at your pricing structure and back it up with materials from your research.
- *Product design*—Answer key questions regarding product design and packaging. Include graphics and proprietary rights information.
- *Timing of market entry*—Tell when you plan to enter the market and how you arrived at your decision.
- *Location*—If your choice of location is related to target market, cover it in this section of your business plan. (See location in the business section of this outline.)
- *Industry trends*—Give current trends, project how the market may change and what you plan to do to keep up.

VI. Financial documents

These are the records used to show past, current and projected finances. The following are the major documents you will want to include in your business plan. The work is easier if these are done in the order presented.

- *Summary of financial needs*—This is an outline indicating why you are applying for a loan and how much you need.
- *Sources and uses of funds statement*—It will be necessary for you to tell how you intend to
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disperse the loan funds. Back up your statement with supporting data.

- *Cash flow statement (budget)*—This document projects what your business plan means in terms of dollars. It shows cash inflow and outflow over a period of time and is used for internal planning. Cash flow statements show both how much and when cash must flow in and out of your business.
- *Three-year income projection*—A pro forma income statement showing your projections for your company for the next three years. Use the pro forma cash flow statement for the first year's figures and project the next according to economic and industry trends.
- *Break even analysis*—The break-even point is when a company's expenses exactly match the sales or service volume. It can be expressed in total dollars or revenue exactly offset by total expenses or total units of production (cost of which exactly equals the income derived by their sales). This analysis can be done either mathematically or graphically.

NOTE: *The following are actual performance statements reflecting the activity of your business in the past. If you are a new business owner, your financial section will end here and you will add a personal financial history. If you are an established business, you will include the actual performance statements that follow.*

- *Balance sheet*—Shows the condition of the business as of a fixed date. It is a picture of your firm's financial condition at a particular moment and will show you whether your financial position is strong or weak. It is usually done at the close of an accounting period, and contains assets, liabilities and net worth.
- *Income (profit and loss) statement*—Shows your business financial activity over a period of time (monthly, annually). It is a moving picture showing what has happened in your business and is an excellent tool for assessing your business. Your ledger is closed and balanced and the revenue and expense totals transferred to this statement.
- *Business financial history*—This is a summary of financial information about your company from its start to the present. The business financial history and loan application are usually the same. If you have completed the rest of the financial section, you should be able to transfer all the needed information to this document.

VII. Supporting documents

These are records that back up the statements and decisions made in the three main parts of your business plan. Those most commonly included are as follows:

- *Personal resumes*—Should be limited to one page and include work history, educational background, professional affiliations and honors and special skills.
- *Personal financial statement*—A statement of personal assets and liabilities. For a new business owner, this will be part of your financial section.
- *Credit reports*—Business and personal from suppliers or wholesalers, credit bureaus and banks. The free credit report site established by Congress is; www.annualcreditreport.com.
- *Copies of leases*—All agreements currently in force between your company and a leasing agency.
- *Letters of reference*—Letters recommending you as being a reputable and reliable businessperson worthy of being considered a good risk. (Include both business and personal references.)
- *Contracts*—Include all business contracts, both completed and currently in force.
- *Legal documents*—All legal papers pertaining to your legal structure, proprietary rights, insurance, titles, etc.

- *Miscellaneous documents*—All other documents that have been referred to, but are not included in the main body of the plan (e.g. location plans, demographics, advertising plan, etc). Prepare a glossary of terms used in the business.

Putting Your Plan Together

When you are finished: Your business plan should look professional, but the lender needs to know that it was done by you. A business plan will be the best indicator he or she has to judge your potential for success. It should be no more than 30 to 40 pages long. Include only the supporting documents that will be of immediate interest to your potential lender. Keep the others in your own copy where they will be available on short notice. Have copies of your plan bound at your local print shop, or with a blue, black or brown cover purchased from the stationery store. Make copies for yourself and each lender you wish to approach. Do not give out too many copies at once, and keep track of each copy. If your loan is refused, be sure to retrieve your business plan. For more detailed explanation of each section of the business plan outline, see SBA's publication, *How To Write a Business Plan*, which includes step-by-step directions and sample sections of actual business plans. Also available from the SBA is a VHS videotape and workbook, "The Business Plan: Your Roadmap for Success."