

## **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:

- **Mission statement** – as briefly as possible (one paragraph) describe what you will do and why you will be successful. What are your guiding principals (service, quality, passion for the business, etc)?
- **Company structure** (sole proprietorship, general partnership, limited partnership, corporation, etc.)? Discuss the alternatives with your SCORE Counselor.
- **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?
- **Who are the target customers?** Are they Industrial, consumers, or government customers? Within the category, what are the characteristics of the customer? Determining who the target customers are will greatly help you determine how to reach these customers in your marketing plan.
- **Why is the opportunity available to you?** New idea or technology? No competition? Special skills? Lower cost way of doing something?
- **What is the future of the business?** Limited (time) opportunity or timeless?
- **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:

- **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.
- **How much share of the market available to me can I get and how fast?** This will become your sales revenue for your financial plan.
- **How will you get to the market?** Direct sales to the customer? Through a distributor, a manufacturers representative, a website, or a store?
- **Who is the competition?** Are there many or few? Are they good or bad?
  - If there are many competitors it will be easy to enter the market, but hard to get significant share.
  - If there are just a few competitors, it will be harder to enter the market, but you could gain significant market share.
- **Are there barriers to entry?**
  - High entry cost? If there is high cost (therefore high risk) to get in the market it usually limits the amount of competitors.
  - Low entry cost? If there is low cost (therefore low risk) to get in the market, you are likely to have many competitors.

- Are there permits required?
- Are there regulatory agency approvals required?
- How will you promote your product/service to the customer or channel? Examples are advertisement in newspapers or periodicals, yellow pages, web sites, handouts, telemarketing, email, Power Partners, etc?
- Why will you succeed?
  - Differentiation - what will you do different than the competitors? 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.
  - Core competencies -what do you do really well?
    - List your core competencies. Examples could be superior service levels, exceptional quality, speed, better product or service.
    - If your core competencies are also your differentiations you should be successful.
    - Are there other competencies you need to develop? Are they easily achievable?

C. How you are going to price your product or service? Higher, lower, or the same price as the competition? Or price at cost plus some percentage?

### **III - Marketing strategy** – build your strategy from your core competencies and differentiation.

Your strategy will be to describe (in about a paragraph) what you will want the customer to know about your business, and how (media) you are going to get that message to the customer. Make sure you describe the message to the customer in terms of customer value. For example: Instead of saying “my delivery is the fastest in the market”, say “because of our exceptional delivery you can reduce your inventory of these parts by 10%.

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

If it is a product, you need to investigate whether to make it yourself or use contract manufacturing (which will reduce the start up costs)? If you are going to fulfill the product or service yourself, you will need to consider the following items:

- Location?
- Number of employees needed?
- Type of employees needed?
- Office 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 simple but comprehensive financial models. Try different sales and margin levels to see what happens to profit, and decide how much risk you want to take. Here are the minimum financial exhibits:

- What you require for start up costs\*? A checklist is included in Appendix A.
- Break even analysis\* (see appendix B). Determines how much you have to sell to break even.
- Income statement\* (see example in Appendix C). Shows profit/loss. It is best to put it in a spreadsheet form so you can do “what ifs (trying different sales, expenses, and margin levels to see what the risks and rewards are).
- Cash flow statement\* (see Appendix D). Similar to your income statement, but looks more like a checkbook that looks ahead. A cash flow statement will determine how much cash is necessary to run your business, therefore determining how much of a loan you might need.
- Balance Sheet\* (see Appendix D) A balance sheet keeps track of your assets and liabilities. It will show the actual worth of your business at a point in time.

\*You can download these 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](http://www.score.org).

**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 <sup>st</sup> 3-6 months	\$ _____
<b>Total</b>	<b>\$ _____</b>

## Appendix B Break even analysis

### Breakeven Analysis

<u>Cost Description</u>	<u>Fixed Costs (\$)</u>	<u>Variable Expenses (%)</u>
Inventory or Materials	\$ -	0.0
Direct labor (includes payroll taxes)	-	0.0
Other expenses	-	0.0
Other expenses	-	0.0
Salaries (includes payroll taxes)	-	0.0
Supplies	-	0.0
Repairs & maintenance	-	0.0
Advertising	-	0.0
Car, delivery and travel	-	0.0
Accounting and legal	-	0.0
Rent	-	0.0
Telephone	-	0.0
Utilities	-	0.0
Insurance	-	0.0
Taxes (Real estate, etc.)	-	0.0
Interest	-	0.0
Depreciation	-	0.0
Other (specify)	-	0.0
Other (specify)	-	0.0
Miscellaneous expenses	-	0.0
Principal portion of debt payment	-	0.0
Owner's draw	-	0.0
<b>Total Fixed Expenses</b>	<b>\$ -</b>	
<b>Total Variable Expenses</b>		<b>0.0</b>

**Breakeven Sales level = 0**

## Appendix C Basic Income Statement

### Projected Income (Profit and Loss) Statement

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

## Appendix D Cash Flow Statement

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

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

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

## Appendix E- Balance Sheet

### Assets

#### Current Assets

Cash in Bank	-
Inventory	-
Prepaid Expenses	-
	-
<b>Total Current Assets</b>	<b>-</b>

#### Fixed Assets

Machinery & Equipment	-
Furniture & Fixtures	-
Leasehold Improvements	-
Real Estate / Buildings	-
	-
<b>Total Fixed Assets</b>	<b>-</b>

#### Other Assets

/	-
/	-

**Other Assets** -

**Assets** -

### Liabilities & Net Worth

#### Current Liabilities

Accounts Payable	-
Taxes Payable	-
Notes Payable (due within 12 months)	-
Other current liabilities (specify)	-
<b>Total Current Liabilities</b>	<b>-</b>

#### Long-term Liabilities

Bank Loans Payable (greater than 12 months)	-
Other long-term debt (specify)	-
<b>Total Long-term Liabilities</b>	<b>-</b>

**Total Liabilities** -

#### **Net worth (owner(s) equity)**

Capital stock	
Retained earnings	
<b>Total Net Worth</b>	

**Total Liabilities and Net worth** -

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