

Business Planning Guide

Inventing new ways to succeed by
planning your way to success

Why should I create a Business Plan?

- Develops a rational, critical examination of the business project
- The finished plan can be used as an operating guide
- The BP can be used as a basis for financing the operation

How do I start the process?

- As with any document, you will need a cover, a table of contents, and several sections

Business Plan Sections

- Section I – The Business
- Section II – The Financial Data
- Section III – Supporting Documents

Section I – The Business

- A. Statement of Purpose
- B. Description of the Business
- C. Location of the Business
- D. Management
- E. Market
- F. Competition
- G. Personnel
- H. Application/Expected Effect of Loan
- I. Business Goals
- J. Summary

Section II – Financial Data

- A. Sources and Applications of Funding
- B. Capital Equipment List
- C. Income Projections
- D. Cash Flow Projections
- E. Break-even Analysis
- F. Historical Financial Reports (Existing)
- G. Current Debt Schedule (Existing)

Section III – Supporting Documents

- Resumes
- Personal Financial Statements
- Tax returns
- Personal history information
- Price quotes/estimates
- Purchase offers/lease agreements
- List of suppliers
- Letters of intent
- Contracts
- Floor plans, drawings, photographs
- Legal documents relative to the business

Statement of Purpose

- Typically ½ of the page
- State the objectives of the plan/proposal
- Use business-like text
- What is the business structure?
- Who are the principals/proportion of ownership?
- How is the plan to be used?
 - An operating guide?
 - A financial proposal?

Financial Proposal

- Who is requesting the funds?
- How much is needed?
- For what will the \$\$ be used?
- Why does the loan/investment make sense?
- How will you ***REPAY*** the funds?

Description of the Business

- You will need to know your business inside and out; Lenders will know if you are bluffing
- You should research any permits, insurance, zoning and planning regulations, and your credit history
- Some topics to include:

Description (cont)

- What business are you in
- What is the business status
- To whom do you sell and why do they buy
- Why will your business succeed
- When will the business open
- What is the schedule of operation
- Is the business seasonal
- Additional concerns if a take-over or existing business

Location

- What is the address
- Why is this location a good one for you
- Will you lease or own
- What improvements will be needed at what cost
- What are the physical features of the bldg
- Describe the neighborhood
- What else is in the area
- Is this the RIGHT site for your business

Management

- What is the education, background, experience of the principals
- Why have you chosen this business type
- Do you have direct experience in this business
- Describe organizational structure
- How much time will management devote
- Discuss local resources to assist with management

Market

- Who is the market
- Where is the market located
- What is the current size/growth potential
- How will you attract and keep the market segment
- What price will you charge
- How can you serve the market better than the competition
- How will you promote your product/service
- What are the industry trends
- How can you expand the market

Marketing (cont)

- A word about advertising:

“Advertising is of special importance to small business because it can be one of their most effective weapons in the intensely competitive struggle which characterizes small business today” ***SBDC Business Planning Guide***

Competition

- Identify the competition and list features
- Is the competition surviving
- How will your operations be better
- What have you learned/observed from watching the competition

Personnel

- What are your current/future personnel needs
- What are the specific duties (job descriptions)
- What skills are you seeking
- Do you have a ready labor pool
- Is training needed
- How will you compensate the employees

Application/Expected Effect of Loan

- Describe the project to be financed and the total cost
- State the sources to repay the debt
- Provide a breakdown of how the loan will be spent
- How will the loan equate to profitability
- What is your capital contribution
- Do you have additional collateral

Business Goals

- What are your goals for the next year
- What are your goals for the second year and beyond
- What must you do to meet these goals
- How will you monitor your goals and make corrections to meet these goals

Summary

- The summary is simply a synopsis of the complete plan, briefly stated, and covering all of the key elements without extra detail

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Sources/Applications of Funding

- Include a detailed list of sources of investment for the project and a detailed list of how the funds will be spent

Capital Equipment List

- Include a current equipment list
- Prepare a list of proposed equipment purchases to include specifics about each piece of equipment with model/serial #, manufacturer, quantity and price

Income Projections

- Proforma profit/loss projections for three years. This is typically prepared by an accountant or the SBDC

Cash Flow Projections

- Proforma cash flow based on information from the income projections

Break-even Analysis

- Compute break-even sales point using income and expenses for one year

Historical Financial Reports (existing businesses)

- Include previous three years tax returns, income statements, and balance sheets
- Include interim financial statements for last ninety days if applicable

Current Debt Schedule (existing businesses)

- List all current liabilities with details according to loan amounts, current balances, interest rates, terms, collateral, last payment date, late payments, and explanations.
- Accounts payable and receivable aging may be appropriate.

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Supporting Documents

- These documents will create an image of the business you are trying to create.
- These documents describe to the lender what you want to achieve.
- Concise detail, including photos, is most important.
- NEVER assume that you are including too much in this section!

Useful Web Links and Emails

- Web links
 - www.nyssbdc.org/centers/centers.cfm?centid=10
 - www.cantonnewyork.us/econdev.html
- Emails
 - sbdc@canton.edu
 - developer@cantonnewyork.us