

A well written business plan is an important document for any business seeking financing. However, a thorough business plan is an essential tool for all businesses, regardless of financial needs. Most lenders will not even discuss financing without a business plan. The business plan brings together all the goals, plans, strategies and resources of a business. In addition, if you write a comprehensive business plan prior to the commencement of operations, it may save you from significant financial and professional losses in an unprofitable business. Both the federal and state governments provide assistance in helping you create your business plan and in locating financing opportunities. Refer to the Sources of Assistance and Financing Options chapters of this Guide.



BUSINESS PLAN OUTLINE

There are no hard and fast rules in formatting your business plan. However, the owner of the business, with outside assistance as necessary, should write it. A business plan written by an outside consultant is someone else's business plan. The length and content often vary depending on such factors as the company's maturity, the nature and complexity of the business and the market it serves. The following outline is effective and comparatively easy to develop.

The Executive Summary

This section is a summary of the key elements of your plan. The executive summary is sometimes all the potential investor or lender

An effective business plan serves at least four useful purposes:

- 1) It helps entrepreneurs focus their ideas. It also helps determine whether a business idea is feasible
- 2) It creates a track for management to follow in the early stages of the business
- 3) It creates benchmarks against which the entrepreneur and management can measure progress
- 4) It provides a vehicle for attracting capital to help finance the business

will read, so it must capture his/her attention. An effective summary will properly position your company and help to distinguish your concept from the competition. It should be concise, persuasive and no more than two to three pages in length. If the executive summary fails to move your potential investor into the depths of your plan, it has failed to do its job. The Executive Summary should include:

- A description of your business and its target markets, what differentiates your company's product or service and your company's strategy for success
- A description of your management team, including their skills, experience and weaknesses
- A summary of key financial projections over the next three years
- A summary of funding requirements, when the funds will be needed, where the funding will come from and how it will be spent

The Business

The purpose of this section is to explain in detail who you are, what you do, what your goals are and how you plan to get there. This section should include:

- A general description of your business, including: a history of the business, the concept of the company, form of legal structure and business organization, products and services offered, customers sought and the competitive advantages you offer
- A list of the products and services your company provides including an outline of your competitive advantages, distribution methods and unique product qualities
- An analysis of your major competitors and product/service cycles, including who they are, their strengths and weaknesses and how your company compares

- Your target market and competitive strategy - an overall description of the market for your products/services detailing your market success factors, customer demographics, psychographics (lifestyle traits), present and future markets, how you will sell to each market segment, special characteristics of your products/ services and of the overall general market and current and future competitive strategies

A SOUND BUSINESS PLAN IS IMPORTANT TO THE SUCCESS OF ANY BUSINESS AND REQUIRES AN INVESTMENT OF SUBSTANTIAL TIME AND RESOURCES.

- Your marketing plan, including a description of the marketing goals, how the company expects to achieve those goals - promotion, pricing and distribution plans, use of the Internet and associated expenses
- Your management and personnel, including a description of the principals of the com-

SAMPLE BALANCE SHEET

Assets

- Current Assets
- Fixed Assets
- Other Assets
- Total Assets

Total Assets

Liabilities

- Current Liabilities
- Long-term Liabilities
- Equity

Total Liabilities & Equity

pany, their backgrounds and experience and the company structure

- The physical geography of your business, including a description of each location and facility, whether you lease or own, previous or planned renovations, what zoning restrictions or permits are required and transportation access for customers and shipping

Financial Data

The purpose of the financial plan is to provide the reader with vital financial information about your business. The financial plan should include projections for two to five years minimum. Projections, as realistic as possible, are vital for the success of a new business. If you have not had experience in preparing financial information, you may need to obtain professional assistance with this section of your business plan. This section should include:

- Projected start-up costs that include the cost of equipment, inventory and real estate as well as operating expenses until the business is profitable
- A description of the type of loan/financing you desire, including the amount, the length of the loan, desired terms, how you will use the money, how you are going to pay it back,

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available collateral and how you will pay it back if something goes wrong

- A list of your capital equipment, including equipment used to manufacture or deliver your product or service (not the equipment or merchandise you sell directly to a customer) such as manufacturing machinery and delivery fleets, permanent fixtures such as special lighting, air conditioning, office equipment, computers, etc. If financing will be used to purchase some of this equipment, list it separately from the equipment you already own
- A balance sheet provides a snapshot of what you own and what you owe at a particular point in time. It contains the same categories of information regardless of the type of business. Assets should be ranked in a decreasing order of liquidity while liabilities should be listed in decreasing order beginning with the most immediate due. A balance sheet is in balance when Total Assets = Total Liabilities + Total Equity

- A breakeven analysis allows you to demonstrate when your business will reach its breakeven point - when sales will reach a level to cover expenses. A breakeven analysis can tell you quickly if your costs are too high or if the price of your product or service is too low. A basic breakeven formula is:

$$BE = FC / (P - VC)$$

BE = Breakeven: The point where total costs equal total revenue

FC = Fixed Costs: Costs that remain constant over time such as rent insurance, interest, salaries, etc.

P = Price: Money received for a product or service

VC = Variable Costs per unit: The per unit costs that vary directly with sales volume such as manufacturing labor, materials, sales costs, etc.

- Financial projections demonstrate what your business will look like at a certain future period of time. Projections should be prepared on a month-by-month basis for the first year and by quarters for the second and third years. They should be organized in a summary type financial format and should cover your company's sales revenues, costs and income (Income Statement) and cashflows (Statements of Cash Flows)
- A deviation analysis recalculates your financial projections from the aforementioned based on changes in your income, cash flow, etc. Typically, this analysis is performed for two situations. First, based on a 50 percent increase in your projections, and second based on a 50 percent decrease
- Historical financial reports should be included for an existing business such as balance sheets, income statements and tax returns for the past three years if available

Supporting Documents

You may include personal resumes and financial statements, credit reports, letters of reference, letters of intent, copies of leases, legal documents and anything else relevant to your plan.

PLANNING HINTS

A sound business plan requires an investment of substantial time and resources. You may require the assistance of qualified professionals to complete your plan. Refer to the Choosing Advisors and Sources of Assistance chapters of this Guide.

Suggestions on Format and Approach

- Provide a table of contents and tab each section
- Type the plan on 8 1/2" x 11" paper
- Use charts, graphs and other visual aids, as well as color, to add interest and improve comprehension
- Indicate on the cover and the title page that all information is proprietary and confidential
- As you complete sections of the plan, ask impartial third parties to review them and give their perspective on the quality, clarity and thoroughness of your plan.
- There are sixteen Small Business Development Centers listed in the Sources of Government Assistance that provide free one-on-one counseling in many areas, including business plans
- Finally, if you intend to use your plan to attract capital, honestly ask yourself whether you would invest in the business based on reading the plan. If you can't honestly answer yes, then the plan needs more work.