

Business Plan Basic Template



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The form of every good business plan, although not set in stone, tends to run along the same basic lines. Remember, a good business plan should have nothing in it that surprises investors. Here is how investors expect your business plan to be laid out.

The business plan format is fairly standardized, typically containing the following key sections:

Cover page - Contains contact information and a confidentiality blurb

Table of contents - Enables your readers to quickly find the exact information they are looking for

Executive summary - Explains, briefly, your business's prospects, needs and situation

Company description - Contains a historical account of the company as well as its future prospects

The product or service - Explains what is unique about the products or service that the business will deliver

The market - Creates a picture of the market in which your business competes

Marketing - Informs your reader of how you plan to capture your business's potential market (packaging, distribution, advertising and so on)

Management/ownership - Introduces the people holding leadership positions in the business

Competition - Focuses on your competitors' strengths and weaknesses

Financial statements and projections - Includes lots of numbers (hopefully black) like your balance sheet, income statement, cash flow statement and financial forecasts

Appendices - Contains resumes of key personnel, an organizational chart with positions and responsibilities, extended market information and other data to back up the claims in your business plan



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Cover Page

Your business plan's cover page should be professional-looking and informative, and it should contain an appropriate confidentiality legend. Although the confidentiality legend isn't legally binding, you want to let the readers know that you expect them to keep the information confidential.

The Executive Summary

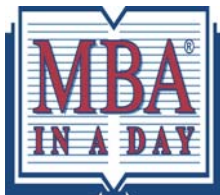
The executive summary is the introduction to your business plan and the most vital section. Although it comes first, you generally write it last because it summarizes the entire plan.

Effective summaries cover these key points:

- The company's origins
- The product or service and its uniqueness or competitive advantage
- The company's goals
- The market potential for the product or service
- A three- to five-year summary of key financial forecasts, especially sales and profit/loss (if you are a brand-new business, you have to do some research on your market and your competitors and then make some realistic assumptions about how your business can compete)
- The management team and its track record
- The financing required to grow the business
- The exit strategy

In evaluating drafts of your executive summary, check to see whether you have clearly answered the following questions:

- Who is the audience for this summary?
- Have you clearly introduced your company and its business?
- Have you stated both short- and long-term objectives?
- Have you addressed the market opportunity for your product or service?
- Have you anticipated potential investor concerns and addressed them?
- How have you established that your company is unique?
- What are the major strengths of your product or service?
- What are the main marketplace attractions of this business and how are you responding?



How will new capital help grow your business?
How will investors be rewarded by investing in the company?

The Company Description

The company section of the business plan should convey a sense of the history and origins of the company as well as its goals. Relevant information that you can have in this section includes the following:

When was the company founded and by whom?
What is the company's form of business organization?
How did the concept for the company's product or service originate?
Is the company's product or service protected by patent, copyright or trademark?
Why is the product or service worthwhile and viable?
What sales have been recorded to date, and what markets has the product/service penetrated?
How much money has been invested in the company to date?

You should also include a summary of the company's principal objectives - both its long term statement of purpose, as well as its specific, obtainable interim goals.

Management

The management section of the business plan identifies the key members of the company's management team and advisors, describes their responsibilities and documents the relevant experience and accomplishments of each. Focus the discussion on each person's unique abilities and the synergy created by the combination of talent.

Include complete resumes that stress accomplishments and relevant track records in the appendix.

Don't overstate the abilities of the existing team in the management discussion. If the group lacks particular skills or experience that are essential to the success of the business, point out such gaps. For example, if your chief financial officer isn't good at adding numbers, then this may be a good time to consider a replacement.

Make sure to convey a commitment to the business on the part of key personnel and a realistic assessment of what the existing personnel can and can't accomplish. Investors look for a balance in marketing, operations and financial skills as well as the amount of



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experience within the management team. Discuss the type of people and skills that you need to add to the team.

This section should also identify members of the board of directors or any advisory board, together with a brief statement of each member's background. An organizational chart outlining the responsibilities and relationships of the current team members, and the positions to be filled in, can be included in an appendix.

The Product (or Service)

If the company is selling a product, the product section of the business plan describes not only what the product is or will be relative to competitive products, but also why the product has promise to penetrate the existing or developing market.

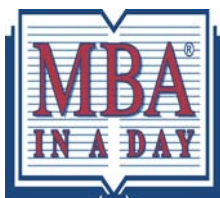
For example, if you are selling a new type of back belt, you want to discuss how this belt may be useful to delivery men, dock workers and even ballerinas! The product description should detail its use and function, along with the needs your product serves. The distinctive features of the product and the advantages and drawbacks of those features should be addressed. In addition to the product's attributes, cost, quality, reliability and price are all significant.

If the product is still in the development stage, discuss in detail where the project stands and what is necessary to complete development. Completed milestones and projections for future milestones are helpful. Such milestones can include: an early prototype, a working prototype, widespread product testing and product readiness for manufacture in volume.

If your competitive advantage stems from a unique product or service, you should include your strategy to protect the product from being copied by competitors. For example, patents, trade secrets or other proprietary protection for the product should be discussed along with any proposed strategy for extending such protection.

Investors typically are not interested in a one-product company. Therefore, you should also discuss logical extensions of the company's product line and future enhancements in the product section.

When a company produces a product, manufacturing accounts for a large percentage of the product's cost, so you need to discuss product manufacturing. Be sure to include the plan to manufacture the product, the key equipment and materials needed for manufacture and the projected manufacturing costs. If you plan to have a third party



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manufacture the product, identify the party, alternative sources and the anticipated contractual arrangement.

The Market

The market section of the business plan describes the relevant market for the company's products or services. You should discuss the market's size, its projected growth rate and any of its important subcomponents.

When a prospective investor reviews the business plan, you must convince him or her that the market is large, growing and receptive to the company's products or services. If the market is small or stagnating, investors are less likely to invest in the company.

The market section can also discuss the following:

- Trends in the market
- Market receptivity to new products
- Characteristics of typical customers
- Market share held by competitors
- The significance of price, quantity, performance, service and warranty to the market
- Feedback about the product from potential customers
- Independent market studies or statistics
- How the market is sold or serviced

The appendices can include more detailed supporting information.

Competition

The competition section of the business plan identifies competing products and technology.

You also use this section to identify the following information about competitors:

- Identity
- Resources
- Market share
- Strengths
- Weaknesses
- Recent trends



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Profitability

Compare your product or service with the competition's. How will your price or quality be different? What about performance, service or other pertinent features? Make sure to address whether your market penetration will come at the expense of competitors and consider the reactions to your product by competitors. Explain why capturing business from competitors is feasible.

Marketing

The marketing section of the business plan describes the company's marketing plan and marketing strategy. This section of the business plan should convey to the reader a well-thought-out, multi-pronged approach to marketing.

Here are some key questions that this section should answer:

- How will you sell or distribute the product?
- What is your service policy?
- What types of advertising will you employ? Why did you choose them? What do they cost? How frequently do you plan to use them?
- Will you use an internal sales force and/or sales representatives or distributors?
- What compensation and incentives will you use to entice distributors and sales representatives?

If you plan to use a direct sales force, how will you organize them and what compensation and commission structure will you establish?

- What are the plans for public relations?
- What direct marketing and trade magazine advertisements, product sheets or promotional materials will you prepare?
- What strategies will you employ to develop brand recognition for the product?

Financial Statements and Projections

The financial forecasts contained in the business plan appendices should include Balance Sheets, Income Statements and Cash Flow Projections. The forecasts are typically for a three- to five-year period, with the information presented monthly for the first year and then quarterly in following years.



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The following list details the ingredients for a well-formed financial section:

- Projected sources and applications of funding
- Equity, debt and lease financing projected to be obtained
- Use of proceeds
- Balance Sheet
- Three-year projected summary
 - Detail by month for first year
 - Detail by quarter for second and third years
- Breakeven Analysis
- Income projections (profit and loss statements)
 - Three-year projected summary
 - Detail by month for first year
 - Detail by quarter for second and third years
 - Key assumptions
- Cash-Flow Projection
 - Detail by month for first year
 - Detail by quarter for second and third years
 - Notes of explanation
- Deviation Analysis
- Historical financial reports for existing business*
 - Balance Sheets for past three years
 - Income Statements for past three years

What if you're not a financial statement guru? Get help! Credible financial forecasts are so important that if you're not familiar with financial statements, you should seek help in their preparation from an accountant or other source familiar with the process.

Within the main part of the business plan itself, you should include a summary of the key aspects of the financial forecasts. These may include the total cash requirements, when you expect to obtain positive cash flow and the growth in sales and profit margins you expect to realize.

If appropriate, the financial summary can also contain alternate forecasts, showing the results that would occur if major assumptions underlying the forecasts change.

The most significant aspects of the forecasts are the underlying assumptions from which you derive the numbers. Make sure that your discussion sufficiently communicates to the reader the basis of your assumptions. For credibility purposes, the financial forecasts assumptions must be realistic, logical and attainable.



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At a minimum, include logic for determining the following key assumptions:

- Sales
- Market share
- Prices
- Expenses
- Major capital expenditures
- Major operational expenses
- Profit margins

Your Projected Income Statement is probably the most key projection.

Reality Check

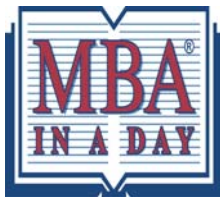
After you complete your draft business plan, circulate it for comment to friends, attorneys, business professionals and accountants. Ask for their blunt assessments. Even better, ask them to give you a "markup" of the plan with specific changes. Ask your reviewers whether your expectations and goals are realistic.

Are you too optimistic? Overly optimistic sales projections are common. Have you made some unreasonable assumptions? Underestimating expenses is also common. Do your reviewers disagree with any of your statements?

And the ultimate reality check as to the business plan's viability can be summed up in one sentence: Would the reader consider investing in your company?

Writing a Mini Business Plan

A two- or three-page business plan can also be useful at times. This condensed plan can be used as a way to introduce the company to prospective investors, lenders or employees. And, if the party is interested, you can follow up with the complete business plan.



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