



A Quick Guide to Writing a Business Plan

**Lord Fairfax Small Business
Development Center**

Leading entrepreneurial growth
Services for every stage

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The business plan is the document that personifies your business.

A well-written business plan can be of great benefit to you and your business, whether you are a startup or an existing business. An effective business plan serves as a ‘map’ for your business and can help you stay on course and achieve success. In today’s highly competitive environment, a successful entrepreneur must chart a clear course and stick with it – not jump from opportunity to opportunity. If you are seeking a commercial loan, your chances of approval are greater if you show the lender you are serious about your venture and you have a plan that will provide for the repayment of the loans.

Outline: Our business plan outline is very simple, but at the same time it contains all of the important parts. This by itself can be used to construct your plan. Lenders do not want to be burdened with plowing through a lot of excess information. For this reason, it is important to keep the finished business plan lean and to the point. The value of your business plan will not be measured in terms of the number of pages. Document the important points in a clear, concise manner and don’t overdo it.

Components: This guide addresses each of the business plan components in greater detail. As you answer each question a narrative develops that ultimately becomes your business plan. These questions are organized to stimulate your thought and ideas about what to include in your business plan. It is not necessary to answer every question or there may be other points you may want to address. The most critical component of a business plan is its financial picture. Listed are suggestions of what to include and where you might find assistance, outlines and templates, online and within Microsoft Excel or Word.

Resources: As you review books and other materials pertaining to the construction of a business plan, you will soon learn there are many different approaches to a business plan. The order in which you present the material is not so important, as long as all of the pertinent information is contained in the completed business plan.

LF SBDC assistance: Lord Fairfax SBDC office locations, contact information and a list of the services we provide. Once you have completed your Business Plan you may have it reviewed and edited, if you like, at one of the Lord Fairfax offices.



Business Plan Outline

– *new and existing businesses* –

Our business plan outline is very simple, but at the same time it contains all of the important parts. The next section, Business Plan Components, discusses these in much more detail.

1. Cover Sheet

Contact information including: Logo, name of business, names of principals, address, phone number, Email and Web Site.

2. Table of Contents

The Table of Contents sets out the sections and subsections of the report and their corresponding page numbers. It assists the reader to find specific information contained within the plan.

3. Executive Summary

The executive summary, is a short document that summarizes the longer business plan in such a way that readers can rapidly become acquainted with a large body of material without having to read it all. It is recommended that the executive summary be kept to one page.

4. Description of the Business

Description of the new or existing business, organization, history and its products and/or services

- What the business is (or what it will be)
- The Market
- The Competition
- Location of Business
- Management
- Personnel

5. Financial Data and Projections

A short analysis of your financial information. Include a ratio and trend analysis for all of your financial statements both historical and prospective.

6. Supporting Documents

Be sure to ask lender or party the Business Plan is being prepared for what documentation they would like to see included in the plan.



Business Plan Construction

– the components –

Executive Summary

The executive summary, is a short document that summarizes the longer business plan in such a way that readers can rapidly become acquainted with a large body of material without having to read it all. This is the most important section because it has to convince the reader that the business will succeed. In no more than two pages, you should summarize the highlights of the rest of the plan. This means that the key elements of the following components should be mentioned.

The executive summary must be able to stand on its own. It is not simply an introduction to the rest of the business plan, but rather discusses who will purchase your product or service, what makes your business unique, and how you plan to grow in the future. Because this section summarizes the plan, it is often best to write it last.

General guidelines for the executive summary:

- Write in same order as the as the full business plan.
- Only include information presented in the main plan.
- This will be a summary of those important points you want to emphasize from the main plan.
- Should be readable on its own. Main business plan is not needed in order to understand the Executive Summary.
- Make recommendations.
- Provide a conclusion.
- Written last it summarizes the highlights of the plan.

What is the purpose of this plan?

- Who will be reading you plan and what will they expect to learn from it?
- Is it being used as part of a loan application package for banks or investors?
- Is it being used as an internal document to be used by you and your management?



Description of the Business

This section should provide background information about your industry, a history of your company, a general description of your product or service, and your specific mission that you are trying to achieve. Your product or service should be described in terms of its unique qualities and value to the customer. Specific short-term and long-term objectives must be defined. You should clearly state what sales, market share, and profitability objectives you want your business to achieve.

What the business is (or what it will be):

- What market do you intend to service, the size of the market, and your expected share;
- Why you can service that market better than your competition;
- What management and other personnel are required and available for the operation;
- Why your investment or someone else's money (debt/equity) will make your business profitable;
- Type of business: primarily merchandising, manufacturing, or service?
- What is the nature of the product(s) or services(s)?
- Status of business: start-up, expansion of a going concern, or a take-over of an existing business?
- Business form: sole proprietorship, partnership, corporation or Limited Liability Company?
- Who are the customers?
- Why is your business going to be profitable?
- When will (did) your business open?
- What hours of the day and days of the week will you be (are you) in operation?
- NOTE: If yours is a seasonal business, or if the hours will be adjusted seasonally, make sure that the seasonality is reflected in your replies to the two previous questions.

For a new business:

- Why will you be successful in this business?
- What is your experience in this business?
- Have you spoken with other people in this kind of business? What was their response?
- What will be special about your business?
- Have you spoken with prospective trade suppliers to find out what managerial and/or technical help they will provide?
- Have you asked about trade credit?
- If you will be doing any contract work, what are the terms? (Reference any firm contract and include it as a supporting document.)
- Do you have letters of intent for prospective suppliers of purchases?



For an existing business:

- When and by whom was the business founded?
- Why is the owner selling it?
- How did you arrive at a purchase price for the business?
- What is the trend of sales?
- If the business is going downhill, why? Can you turn it around?
- How will your management make the business more profitable?

The Market

There are two major parts to the marketing section. The first part is research and analysis. Here, you should explain who buys the product or service – in other words, identify your target market. Measure your market size and trends, and estimate the market share you expect. Be sure to include support for your sales projects. For example, if your figures are based on published marketing research data, be sure to cite the source. Do your best to make realistic and credible projections. Describe your competitors in considerable detail, identifying their strengths and weaknesses. Finally, explain how you will be better than your competitors.

- Who exactly is your market? Describe characteristics: age, gender, profession, income, etc., of your various market segments.
- What is the present size of the market?
- What percent of the market will you have?
- What is the market's growth potential?
- As the market grows, does your share increase or decrease?
- How are you going to satisfy your market?
- How will you attract and keep this market?
- How can you expand your market?
- How are you going to price your service, product, or merchandise to make a fair profit and, at the same time, be competitive?
- What price do you anticipate getting for your product?
- Is the price competitive?
- Why will someone pay your price?
- How did you arrive at the price? Is it profitable?
- What special advantages do you offer that may justify higher price (you don't necessarily have to engage in direct price competition)?
- Do you offer credit to your customers (accounts receivable)?



- If so, is this really necessary? Can you afford to extend credit?
- Can you afford bad debts?

The second part is your marketing plan. This critical section should include your market strategy, sales and distribution, pricing, advertising, promotion, and public awareness efforts. Demonstrate how your pricing strategy will result in a profit. Identify your advertising plans, and include cost estimates to validate your proposed strategy.

The Competition

- Who are your five nearest competitors? List them by name.
- How will your operation be better than theirs?
- How is their business: Steady? Increasing? Decreasing? Why?
- How are their operations similar and dissimilar to yours?
- What are their strengths and/or weaknesses?
- What have you learned from watching their operations?

The Location of the Business

- What is your business address? ○ What are the physical features of your building?
- Is your building leased or owned? State the terms
- If renovations are needed, what are they? What is the expected? Cost? Get quotes in writing from more than one contractor. Include quotes as supporting documents.
- What is the neighborhood like (stable, changing, improving, deteriorating)?
Are there other special permits or licenses you may need?
- Does the zoning permit your kind of business?
- What kind of businesses are in the area?
- Have you considered other areas? Why is this one the desirable site for your business?
- Why is this the right building and location for your business?
- How does this location affect your operating costs?



Management

Start by describing the management team, their unique qualifications, and your plans to compensate them (including salaries, employment agreements, stock purchase plans, levels of ownership, and other considerations). Discuss how your organization is structured; consider including a diagram illustrating who reports to whom. Also include a discussion of the potential contribution of the board of directors, advisors, or consultants. Finally, carefully describe the legal structure of your venture (sole proprietorship, partnership, or corporation).

- What is your business background?
- What management experience have you had?
- What areas of management will be delegated to others?
- What education have you had (including both formal and informal learning experiences) which have bearing on your managerial abilities?
- Personal data: age, where you live, and have lived, special abilities and interests, reasons for going into business?
- Are you physically suited to the job? Stamina counts.
- Why are you going to be successful at this venture?
- Do you have direct operational experience in this type of business?
- Do you have managerial experience in this type of business?
- Do you have managerial experience acquired elsewhere – whether in totally different kinds of business, or as an offshoot of club or team membership, civic or church work, etc.?
- Who does what? Who reports to whom? Where do final decisions get made?
- What will management be paid?
- What other resources will be available (accountant, lawyer)?
- NOTE: A personal financial statement must be included as a supporting document in your plan if it is a proposal for financing. Include your resume' as a supporting document.

Personnel

- What are your personnel needs now? In the near future? In five years?
- What skills must they have?
- Are the people you need available?
- Will your employees be full or part-time?
- Will you pay salaries or hourly wages?
- Will you provide fringe benefits? If so, what? Have you calculated the cost of these fringe benefits?
- Will you utilize overtime?



Financial Data and Projections

The second biggest part of your business plan measures the financial picture of the business. If it is an existing business and has been operating for a number of years then it is easy enough to use the existing financial history including tax returns for this section. Any financial information required by the lender can be put together using the Reports function if you are using an accounting software to track your business transactions.

Determine the stages where your business will require external financing and identify the expected financing sources (both debt and equity source). Also clearly show what return on investment these sources will achieve by investing in your business. The final item to include is a break-even analysis. This analysis should show what level of sales will be required to cover all costs.

If the work is done well, the financial statement should represent the actual financial achievements expected from your business plan. They also provide a standard by which to measure the actual results of operating your business. They are very valuable tools to help you manage and control your business.

With a new business, projections of anticipated growth will have to be estimated. In making the revenue, expense and cash flow projections, you need to accept the fact that these are projections and will not be completely accurate. The best advice is “be realistic and put down numbers that you feel are attainable.”

A great source for financial spreadsheets is Microsoft Excel. Open Excel and look for the Microsoft Online Templates Library. There are a wealth of financial templates available. Select the financial templates you plan to use and save them to a folder on your hard drive.

Be sure to ask your lender what financial data and reporting they expect to see.

For a financing proposal:

- Who is asking for money?
- When is the money needed?
- How much money is being requested?
- What is the money needed for?
- How will the funds benefit the business?
- How will the loan(s) be repaid?
- Why does the loan or investment make sense?



For an existing business:

- Be prepared to furnish up to 3 to 5 years of data.
- Balance Sheet ○ Income Statement
- Business Tax Returns
- Cash Flow Statement

Other information that may be included:

- Sources and Applications for Funding
- Breakeven Analysis
- Notes of Explanation

Financial statement templates:

The following are some of financial statement templates that can be found in Microsoft Excel:

- 12 Month Cash Flow Statement
- Profit and Loss Statement
- Balance Sheet
- Budget Forecast
- Start Up Expense
- Personal Finance Statement
- Breakeven Analysis

Supporting Documents

Be sure to ask lender or party the Business Plan is being prepared for what documentation they would like to see included in the plan.

- Copy of resumes of all principals and personal tax returns if required.
- Personal financial statements/ credit history
- Letters of reference
- Copies of leases or purchase agreement
- Legal contracts
- Copy of licenses and other legal documents
- Company milestones
- If franchised business, copy of franchise contract and all documentation provided by the franchisor.
- Three key financial statements should be presented: a balance sheet, an income statement, and a cash-flow statement. These statements typically cover a one-year period. Be sure you state any assumptions and projections made when calculating the figures.



Guidelines to Remember—a collection of recommendations by experts

- ✓ **Keep the plan respectfully short.** Readers of business plans are important people who refuse to waste time. Therefore, entrepreneurs should explain the venture not only carefully and clearly but also concisely. (Ideally, the plan should be no more than 25 pages long, excluding the appendix.)
- ✓ **Organize and package the plan appropriately.** A table of contents, an executive summary, an appendix, exhibits, graphs, proper grammar, a logical arrangement of segments, and overall neatness are elements critical to the effective presentation of a business plan.
- ✓ **Orient the plan to the future.** Entrepreneurs should attempt to create an air of excitement in the plan by developing trends and forecasts that describe what the venture intends to do and what the opportunities are for the use of the product or service.
- ✓ **Avoid exaggeration.** Sales potentials, revenue estimates, and the venture's potential growth should not be inflated. Many times, a best-case, worst-case, and probable-case scenario should be developed for the plan. Documentation and research are vital to the plan's credibility.
- ✓ **Highlight critical risks.** The critical-risks segment of the business plan should clearly identify the skills of each key person as well as demonstrate how all such people can effectively work together as a team to manage the venture.
- ✓ **Give evidence of an effective entrepreneurial team.** The management segment of the business plan should clearly identify the skills of each key person as well as demonstrate how all such people can effectively work together as a team to manage the venture.
- ✓ **Do not over-diversify.** Focus the attention of the plan on one main opportunity for the venture. A new business should not attempt to create multiple markets or pursue multiple ventures until it has successfully developed one main strength.
- ✓ **Identify the target market.** Substantiate the marketability of the venture's product or service by identifying the particular customer niche being sought. This segment of the business plan is pivotal to the success of the other parts. Market research must be included to demonstrate how this market segment has been identified.
- ✓ **Keep the plan written in the third person.** Rather than continually stating "I," "we," or "us," the entrepreneur should phrase everything as "he," "she," "they," or "them." In other words, avoid personalizing the plan, and keep the writing objective.
- ✓ **Capture the reader's interest.** Because of the numerous business plans submitted to investors and the small percentage of business plans funded, entrepreneurs need to capture the reader's interest right away by highlighting the uniqueness of the venture. Use the title page and executive summary as key tools to capture the reader's attention and create a desire to read more.



Internet Resources

You can find a wealth of business plan information available on the internet. A few of the sites worth checking for small business startup information include the IRS at www.irs.gov, the SBA at www.sba.gov and SBDCNET at www.sbdcnet.org. Each of these sites has very useful information on how to put a Business Plan together.

- Small Business Administration – SBA- Follow the link “Starting and Managing Your Business”. Topics include suggestions for “Writing a Business Plan”. The SBA web site also has webinars and videos on “How to Write a Business Plan”. A recent addition to the SBA web site is a password protected Business Plan Template that allows you to construct your Business Plan online.
- Carnegie Library Pittsburg. Follow the Links – “Tools and Research” to “Business and Finance” to “Business Plans and Profiles Index”. This library many examples of business plans across a multitude of businesses.
- Internal Revenue Service –IRS- Click on “Business” in the header and look for “Starting a Business” in the left column under “Business Topics”. There is a lot of good basic startup information on this site. The IRS site offers all their Forms and Publications - on line.
- Bplans.com – A source for examples of business plans and extensive information on how to write a business plan.
- SBDCNET. Org – A wealth of tools and resources for the small business owner including a library of sample business plans and templates.
- Business.usa.gov – Link to information produced by government agencies. BusinessUSA uses technology to quickly connect businesses to the services and information relevant to them, regardless of where the information is located or which agency's website, call center, or office they go to for help. Looking forward, the more federal agencies continue to add resources to BusinessUSA to encompass the full range of business programs and services, the more we will be able to reduce the confusing array of websites that exist today.



- Google – business plans – and you will find pages of sites that may be helpful to you. Rather than list a large number of websites, the following ones will be helpful as you develop your business plan.
- Check the resources of your public library. For instance, The Culpeper County Public Library has various small business resources located on its on-line web site. To use some of these features you must log on-line with your library card number. A business plan template can be found in the “Gale Legal Forms” program which is linked from “Research” on the Task Bar on the Library Home Page
- Microsoft Word has a business plan template that you can fill in and printout. It is found by searching for “Business Plan” in the online template file

Lord Fairfax SBDC Services, Resources and Counseling

What We Do

We Can Help You

Start-up

You have a great concept, but don't know where to start. Our business readiness assessment process helps you take the leap from concept to reality; we'll help you develop the plan and walk with you down the path to success.

Sustain

You have launched your business, the "Open" sign is up, but you've found that things aren't going as you expected. Maybe customers aren't coming or they're coming too quickly. We provide the guidance you need during the formative years when business run the greatest risk of failure.

Growth

Maybe you're ready to expand and take things to the next level. Or, you're growing and you don't know how to manage all of the demands. We can provide the professional guidance you need to make the critical strategic decisions necessary for long-term growth, profitability, and success!

Training

Workshops are conducted at locations convenient to the general population and small business community. The topics of the workshops are designed to address aspects of operating and maintaining a small business profitability.

Workshop topics may include:

- Starting a small business
- Doing business with the government
- Financial management
- Human resources
- Sales and marketing
- Small Town & Merchant Program
- Social media

Resources

A wealth of small business related resources, including business research and reference/referrals to other specialized resource partners, for existing and potential small business owners.

Free one-on-one Counseling

We offer confidential counseling at no cost to help clients identify, understand, and overcome the challenges of running a successful business. We offer relevant, realistic, and sound advice you can trust.

Professional, individual counseling in all functional areas of business management, including such areas a pre-venture feasibility, the business plan, marketing, record-keeping, financial planning, production, preparation of financial documentation for loan packaging and general management.

Our Contact & Locations Information

You may request an appointment online at www.LFSBDC.org or call the office directly.

Where We Are

LFSBDC Main Office

Lord Fairfax Community College
173 Skirmisher Lane
Middletown, VA 22645
540-868-7093

LFSBDC @ Culpeper

803 S. Main Street
Culpeper, VA 22701
540-727-0638

Satellite Locations – by appointment only

LFSBDC @ Warrenton

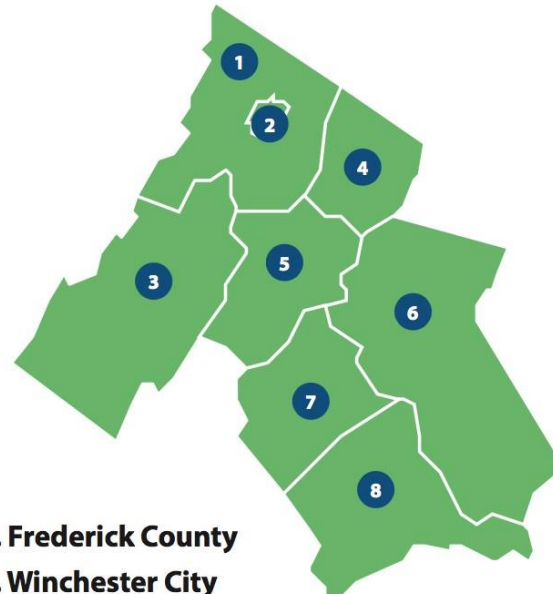
MEC Office
70 Main Street
Warrenton, VA ZIP
540-216-7100

LFSBDC @ Fauquier (2 locations)

Vint Hill Office
4137 Weeks Drive
Warrenton, VA 20187
540-868-7094

Marshall Office 8452 Renalds Ave.
Marshall, VA 20115
540-868-7094

Who We Serve



1. Frederick County

2. Winchester City

**3. Shenandoah
County**

4. Clarke County

5. Warren County

6. Fauquier County

**7. Rappahannock
County**

8. Culpeper County

Services Made Possible By:



...and the City of Winchester, and the counties of Frederick, Clarke, Culpeper, Fauquier, Rappahannock, Shenandoah, Warren, and the towns within.