



Central Virginia SBDC

BUSINESS PLAN TEMPLATE

A good plan can be crucial if you're seeking financing, negotiating a property lease, or solidifying a strategic alliance. The greatest value of business planning lies in validating the lifeblood of the business, your cash flow. Researching and thinking about your business in a thorough and systematic way helps you, and your financiers feel confident about the health of your business.

This process takes time now, but avoids lost capital or missed opportunity later. By working through this process you will:

- have a finished plan in hand
- be positioned to convince others to believe in the concept and your competence to run it,
- have a map to your vision/destination
- be well on your way to starting or growing your business successfully.

This is a process which should be challenged and tested along the way. It also helps us identify the best resources to help you achieve your goals.

We recommend the business owner(s) write the plan personally because of the need for you to make and re-make decisions throughout the process. Central Virginia SBDC's Business Advisors are available to assist you at any point between the first draft and the final plan. We have experience helping our clients address difficult questions, developing cash projections, and putting dreams into words.

Business Plan

[Cover Sheet]

Business Name

Address

Telephone Number

E-Mail Address

Owner's Name

Date

Confidentiality Understanding: Information, data and drawings embodied in this business plan are strictly confidential and are supplied on the understanding that they will be held confidentially and not disclosed to third parties without the prior written consent of [INSERT YOUR NAME]

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1. EXECUTIVE SUMMARY

This section appears first, but should be written last. The executive summary is a 1-2 page summary of the key ideas and plans of the business. Its purpose is to present the reader with a “big picture” of the business concept and to entice him/her to want to read the details of the full plan. If this is also a Financial Proposal, key elements of the financing need and purposes will be highlighted here.

2. BUSINESS DESCRIPTION

Start with an introductory section that gives an overview of the business and includes the name and location, the principal owners, the legal structure (Sole proprietor, Partnership, LLC, Sub-S or C-Corporation) the status (start-up, expansion, or acquisition) and the type of business (manufacturing, retail, wholesale, service - or a combination). If the business is not a start-up, give a brief history of the business to date.

A. PRODUCT(S)

Describe the goods and services of this business in such a way that the reader has a clear understanding. What does the product do? What benefit does it provide? What marketplace need does the product meet, or what problem does it solve? Are there primary or secondary applications for the product? What are some of the unique features of the product?

B. STRENGTHS AND CHALLENGES

If appropriate, you might include specific strengths that the business will have or challenges that will face the business. Remember that every challenge should be presented in a positive light or with a solution to turn it into an opportunity.

C. MISSION STATEMENT / STRATEGIC GOALS

The Mission Statement defines the purpose of the business; the reason it exists. It should be short and focused (no more than 35 words). Many companies publish their mission statement and try to “live up to it”

Goals are destinations—where you want your business to be and what you expect it to achieve. List 2-3 short term goals to be achieved within the first year and 2-3 long term goals to be achieved in years 2, 3, and/or 4. Remember to describe SMART goals: Specific, Measurable, Attainable, Realistic, and with a Timetable.

3. MARKETING PLAN

Your marketing plan describes both the wide scope of your business industry as well as decisions about specific marketing activities. Some businesses may need to create an entirely separate marketing plan, but if your business concept is a simple one, you can highlight the key features within this business plan.

A. INDUSTRY DESCRIPTION AND OUTLOOK

Provide your reader with some background about the industry for this business or product. Research on your part will probably be required to demonstrate that you understand your industry and help the reader understand it as well.

Some aspects to address: Is this an established industry? How big is it? What is the current rate of growth / decline? What are the forces driving change in the industry? At what stage in its “life cycle” are you entering (introduction, growth, maturity, saturation, or decline)?

What are the key success factors for businesses in this industry? What is the outlook for the future of the industry? Are there barriers (i.e., specialized licensing/permits, high capitalization, long-term contracts, union agreements) to entry or exit? Are there threats (obsolete technology, pending legislation, changes in the economy, increasing competition from a different industry) facing the industry?

Who are the major customer groups within the industry (consumers, businesses, governments, etc.)?

B. ANALYSIS OF COMPETITION

Every business competes for customers and customer dollars. There are primary and secondary competitors (also called direct and indirect) to address: Who are the competitors who offer similar (or substitute) goods and services? How do they compare to your business (sales volume, number of employees, locations, customers, quality, image, reliability, convenient hours/location, variety, reputation)? Is their business steady, increasing, or decreasing? What are their strengths and weaknesses? What have you learned by observing them? What are their customers saying about them?

C. PRODUCT/SERVICE DIFFERENTIATION

What unique niche of the market will this business fill? Has anyone else attempted to fill this niche? If not, why? If so, what success have they had, and how are you different? Is there a patent, trademark, copyright, or trade secret that will give you a head-start on the competition? Where do you believe you have a business advantage (higher quality product, lower price, superior service, quicker delivery time, more convenient locations, other)?

D. MARKETING STRATEGY

1. DESCRIPTION OF TARGET MARKET

In order to generate a consistent and increasing sales flow, you must be knowledgeable about the customers who are likely to purchase your goods or services. Your target market is simply that segment of all possible customer groups within this industry that you want to focus on and sell to. When you are defining your target market, it is important to narrow it to a manageable size. Many businesses make the mistake of trying to be everything to everybody. This philosophy can lead to failure.

A good way to define and describe your target market is to use some of the following characteristics:

- Demographics—age, gender, income level, education, household type, etc.
- Psychographic—lifestyle, career (professional vs. blue-collar), political characteristics, spirituality, healthiness, cultural inclinations, etc.
- Behavioral—heavy user, light user, special occasion, seasonal use, etc.

Market characteristics can be researched through the Internet, census data, local chambers of commerce, public and university libraries, trade associations, and other resources.

Develop a profile of your ideal target customer using these characteristics. The profile can help you develop marketing strategies that will appeal to your target market. This

section might also include information about the needs of your targeted customers and the degree to which those needs are or are not currently being met.

A business may have a single target market or a primary target market plus one or more secondary target markets. For example, a coffee shop business might target primarily professional women with incomes greater than \$50,000/yr who are heavy coffee drinkers. They might have a secondary market which targets upscale, independently-owned restaurants. Each target market needs a separate marketing and sales plan, even though there might be some overlapping elements.

2. MARKETING MIX

Your marketing mix is the combination of place, pricing, and promotions that you establish for your products. Within your marketing plan, you need to address how these elements will help you achieve sales from each of your target markets.

a. Product specifications and benefits. What are the features of your products that are particularly important to the target customer? What are the benefits these customers want from your products? (Note: being made of steel is a feature; being durable and long-lasting is a benefit). Do you offer warranties, after-sale service, or other extras that augment the core product?

b. Place (Distribution methods and plans). How, when, and where will your product be available to this target customer? Will your business sell wholesale or retail? Will customers come to you or will you go to them? Will purchases be made in person, from catalogs, website, phone, at home parties, etc.? Will your location be home-based, brick and mortar, or virtual? Which will come first – the sale or the inventory? Will your business be a destination on its own, or will it depend on traffic from surrounding businesses/events? Will customers be self-service shoppers, or will you need a sales force, sales agents, brokers, etc.?

c. Pricing Strategy. Describe your philosophy, strategy, and method(s) for setting prices. Will you price high to demonstrate high quality? Will you price high for introduction of a new product, with the expectation that you will lower prices when competition intensifies? Will you price low in an attempt to penetrate the market and build volume? Will you offer discount to certain customers (i.e., seniors, military, students)? Will you offer quantity or frequent customer discounts? How will customers pay – with cash, checks, credit cards, your own charge accounts?

d. Promotional Plan. How will you get the word out and encourage customers to make a purchase? Keep in mind the preferences and habits of your target market. Promotional options can include paid advertising, Internet websites, direct mail, store signs, novelties, and free publicity efforts, as well as referral programs and word-of-mouth.

3. SALES PLAN

Describe how you will approach gaining, maintaining, and growing sales in your business? Will you focus on previous relationships with customers, or will you need to develop new relationships? What steps will you take prior to opening to get customers interested by the time you open for business? Will you have a grand opening? If so, will it coincide with your

actual opening or be delayed for some time after a cold opening? What activities/events do you plan to get customers in the first place, and then to get them to be repeat customers? How much will customers buy at a time? How often will customers buy from you, and how can you develop loyalty from them? How will you get more customers?

4. OPERATIONS PLAN

A. HOURS / LOCATION / PHYSICAL FACILITY

If this is an existing business, discuss the current status and required changes. What are the physical characteristics of the current or proposed location? Does the location have an impact on your ability to reach customers?

If this is a proposed business that does not yet have a specific location, describe the characteristics of a desirable location.

Cover the appropriate features:

1. Vehicle access/parking for customers and suppliers
2. Inventory storage
3. Equipment, fixtures, and furniture
4. Electricity, heat, air conditioning, venting, wastewater
5. Merchandise display
6. Customer seating
7. Product preparation space
8. Compliance with current and future environmental regulations
9. Capability for expansion

B. LABOR

Unless yours is a one-person operation, you will need to have additional help, either for the daily operations or to assist with specialized tasks. For what type of tasks will you hire employees, and what will you outsource? What skills or knowledge will be required, and what is the availability of those skills? Will you need to train? Will you hire full-time, part-time, temporary workers? How many employees will be needed to start? Is there a planned point at which you will hire additional employees? What are the pay scales in your area and in your industry?

C. WORK FLOW/PROCESSES

If your business is manufacturing, in what sequence will processes be completed? How will the work flow? How will one part of the process relate to another? Will you manufacture in batches or in a continuous process? Where will parts, partially finished goods, and final products be stored? If your business doesn't have an assembly process, describe a typical day in the operations of your business.

D. SUPPLIERS

What are your sources of supply? If you have not already identified suppliers, how will you find them? Do you depend on a single supplier? Discuss supply alternatives, pricing, or other supplier factors that could affect your ability to manufacture your product or perform your service.

5. MANAGEMENT & ORGANIZATION PLAN

This section should include a general description of the plan for managing the organization. What key staff/management positions will owner(s) fill, and which others will need to be filled? Include job descriptions, duties and responsibilities, salaries, and an organizational chart. Who are the decision makers? Is there appropriate delegation of authority and tasks? Is there a Board of Directors or Advisors and what role will they play?

A. OWNERS OR MANAGERS IN KEY POSITIONS

Complete this section for each key participant in the business. Include job descriptions, compensation, relevant business background and management experience as well as formal and informal education. Relate past experience to future success potential. Full resumes and letters of recommendation can be included in the Appendices.

B. OUTSIDE ADVISORS AND OTHER AVAILABLE RESOURCES

Do you have the marketing, management, and financial skills to do it all yourself? If not, then show relationships that fill the gaps to create a fully capable business enterprise. Include the names of the resources you will use: Attorney, Accountant, Insurance Agent, Banker, other Consultants you will use (i.e., Small Business Development Center), and Associations you will join (Chamber of Commerce, Professional or Trade groups).

6. LEGAL, RISK MANAGEMENT & CONTINGENCIES

Describe any special zoning, permits, licensing, bonding, safety, or special requirements unique to your industry you will need to meet. Are there trademarks, copyrights, or patents that will be in place? Will your building have a security system? What types of insurance coverage will you carry, and through what company?

Do you have a plan in place in case new competitors with an improved process suddenly appear? Do you have a plan in place in case of personal injury or natural disaster? Are there other likely/ possible scenarios that need to have a plan in existence in case the scenario occurs?

You may also want to include long-range plans (more than 4-5 years from now) for growth or expansion. Is it your long-term goal to open additional locations? To franchise your business? To grow it to a point of being able to take it public? Remember to make long-term goals SMART goals as well.

7. FINANCIAL ANALYSIS

This section should include a capitalization plan—how much capital will be needed to start or expand this business? How much capital can be raised and how much will be injected by owners? How much additional capital will be needed after owner injections? Where do you propose obtaining the remaining capital, and under what terms are you willing to accept those funds?

Supporting the capitalization plan, future projections (also known as “pro forma” financial statements) based on sound and reasonable assumptions are needed to show the expected revenues and costs to start and operate the business for 3-5 years. Be sure to include the assumptions you use to develop these projections (i.e., rent amount per the lease, payroll based on expected hours and

wages, cost of goods sold based on supplier price lists and pricing strategy, average customer sale the same as/less than a known existing business, rate of sales growth month-to-month or year-to-year, anticipated seasonality, loan payments at a given interest rate and amortization schedule, etc.).

These projections will play a large role in persuading lenders and/or outside investors that the business concept is sound. They will also be a useful tool for you as a reasonable budget in launching and managing your business.

Be prepared to do some research and “number-crunching” to achieve the complete plan. Your banker, accountant, and/or SBDC business advisor can assist you in gathering and testing the assumptions and creating the documents to support your plan.

Pro Forma Statements:

- A. Startup Costs
- B. Sources and Use of Funds
- C. Cash Flow Projections and Assumptions
- D. Income Statement Projection
- E. Balance Sheet Projection

8. APPENDICES/SUPPORTING DOCUMENTS

This section is optional, but may greatly strengthen the power of your overall business plan, especially in convincing external stakeholders that you have planned the business well. Include a variety of supporting documents that support and give detail to the plan. The documents are as varied as the businesses, but examples include:

- A. Floorplan and Overhead Views
- B. Maps
- C. Market Research
- D. Cost Estimates or Equipment Bids
- E. Sales or Lease Agreements
- F. Brochures, Menus or Other Promotional Items
- G. Key Participant Resumes and Letters of Recommendation
- H. Business Tax Returns* †
- I. Personal Financial Statement*
- J. Personal Income Tax Returns*

* Include for Financing Proposals

† For existing business

We are here to help you access training, advisors, research and, local, state and federal resources, free of charge. To find your partners in business success, contact us at your convenience.

For help from us or others that provide free business plan assistance contact CV SBDC:

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