



Your Ideas - Our Expertise - Your Success

ND SBDC
Business Plan Outline

Executive Summary

The Executive Summary should summarize all the main components of the business plan. Therefore, it is the section that you write last. The reader should be able to get a basic idea of the opportunity you are pursuing, the potential of the market, key financial information, and the amount and terms of the financing you are requesting. The executive summary should be 1 to 3 pages in length and include the following sections.

1. **Business Opportunity** – Give a brief description of the opportunity you are pursuing and why you think it will be successful. Describe any market trends that support the viability of this opportunity. Describe your target market and how you plan to market and distribute your product or services.
2. **Product Description** – Give a broad overview of the products and services your business will offer. Generally, it is best to stick to product categories in this section rather than specific products. Discuss any key competitive advantages your business will have or the niche you will compete in.
3. **Financial Potential of the Business** – Describe the key financial data related to the business such as gross sales, cost of goods sold, gross profit margins, operating expenses, net profit and any special financing arrangements.
4. **The Request** – List the total amount of financing requested, who it is being requested from and the terms of the financing. You may want to identify any special programs that your business may qualify for to obtain more favorable terms such as SBA guarantees, Bank of North Dakota loan Programs or Certified Development Company financing.

Business Description

This section describes to the reader the opportunity you are pursuing. Think about what you would tell someone if they asked you about the business you are trying to start. Do not get too mired down with details or you will find yourself repeating the same thing over and over again in the following sections. The Business Description should give the reader a basic overview of the business idea and should include:

For Start-Up Businesses

1. **Business Name and Location**
2. **Number of Partners/Owners** and the legal structure of the company.
3. **Opportunity** - Information about how you identified your opportunity and why you think there will be demand for your product or service. Will customer education be required?
4. **Current Position** - what activities have you done to date to get the business going. Have you invested in equipment, completed test market, or invested in intellectual property (patents, trademarks, etc.).
5. **Mission / Vision** - Tell the reader about your vision for the company and the short-term goals you wish to achieve over the next twelve months.
6. **Products or Services** - As a rule of thumb, if you offer more than 10 products or services group your offerings into categories by price, location, functionality, or some other common trait. (Note: For Product Sales, it is helpful to group products with similar margins or Cost of Goods Sold for future use in the financial projections.) Be sure to identify what will make your business unique by identifying your competitive advantages or the niche you will serve in the marketplace.

For Existing Businesses

1. **Business Name and Location**
2. **Number of Partners/Owners** and the legal structure of the company.
3. **Business History** - any key events that occurred over the span of operations such as sales growth, location changes, change in ownership, etc. Identify the products or services you currently offer. Discuss what has been your competitive advantage in the past.
4. **Current Position** - include business trends, opportunities and threats facing the business and/or key changes to the business model taking place. If you are requesting financing to implement some type of change, discuss those changes here. Examples include implementing a new marketing strategy, expansion of current facility, addition or replacement of equipment, acquisition of another company, introduction of a new product line or service or the restructuring of debt. Tell the reader how the above changes will benefit your business and its bottom line.

Market Potential

The Market Potential section is the main justification for the potential profitability of your business idea. It is the section that summarizes all of the market research you have completed on your target market. It is also the section that drives your expectations for your Sales/Revenue Projections. It is clear why this section deserves the lions share of your time and effort in creating a business plan that will get you the money you need but will also inform you as to the viability of your business venture. The Market Potential section should include:

1. Market Size & Growth

- a. Target Market - Identify in quantifiable numbers the size of your Target Market. Supporting documentation should go in the appendix...only list key market data should be written in the plan. Identify any test marketing completed and the results.
- b. Distribution - Determine the appropriate location you are able to serve. The radius or distance from your location that you will serve will be determined by your product or service distribution plan. If your business is virtual or not bounded by location, it may be advisable to phase in distribution to certain locations starting with the ones nearest you and based on the resources you have available.
- c. Market Trends - Identify the trends within the market that are both advantageous to your business and those that present a disadvantage. Showing that you have identified potential roadblocks and laid out a contingency plan will make the lender or investor more comfortable with the risk level of your project.
- d. New Market - If you are currently in business and are pursuing a new market this section should concentrate on the market potential of the new product or service.

2. Competition

Make a list of all of your closest/direct competitors and identify:

Name of Competitor

Location/Market Served

Price Point ~ lowest cost, best cost (value), highest cost (status)

Advantages/Strengths

Disadvantages/Weaknesses

You may want to identify your competitive advantages in a similar fashion.

3. Market Share

- a. Projected unit and/or dollar sales for the first/next 12 months of business.
- b. Critical Assumptions underlying those sales projections.

Bonus Material – useful websites for obtaining market information:

For demographics: <http://www.census.gov/>

For transportation statistics: <http://www.bts.gov/>

Directory of trade associations: <http://www.marketingsource.com/associations/>

For income by zip code: http://powerreporting.com/knight/nd_the_forum_fargo.html

Marketing Plan

The Marketing Plan is probably the one section that gets less attention than it deserves. Many entrepreneurs have a tendency to only list the advertising or media they intend to use. What's worse, few entrepreneurs take the time to discover which method will reach the largest number of people in their target market as efficiently as possible. Your marketing plan should be developed after you complete your market research and the Market Potential section of this business plan outline. It is as important to know whom you are marketing to as it is to know how you are going to reach them. Understanding the social aspects or psychographics of your target market will help you put together an effective marketing campaign.

1. Target Market

- a. Describe the niche that your business will fill.
- b. Describe the reach your marketing will need to find your target market.

2. Advertising / Media Campaign

- a. List the media you intend to use to reach your target market. Explain why it is the more effective media at reaching potential customers.
- b. Outline a budget and identify the costs and benefits of each type of media.
- c. Don't forget to budget extra working capital for an initial advertising blitz.

3. Promotional Plan

- a. Grand Opening
- b. Sponsorship of events, community groups, etc.
- c. Gorilla Marketing techniques – low budget marketing techniques where the client is unaware they are being marketed to.

4. Pricing Policy

Generally pricing is determined three ways:

- a. Cost + Required Profit Margin
- b. Comparison to Competition's Pricing
- c. Combination of the two above strategies

Operations Plan

The Operations Plan is the nuts and bolts of your business plan. It is the picture of how the business will run or operate. Therefore, it must include all necessary infrastructure, logistics, people and resources needed to produce, store, improve, package, distribute, and maintain your products or services. Because each of these activities have expenses associated with them the Operations Plan also helps you determine and project your Cost of Goods Sold and your Operating Expenses or Business Overhead. Generally, the operations plan consists of the following sections:

For All Businesses

1. Location

- a. Discuss your location and why it is important (if at all). Describe whether your company is a destination business where your customers will find you or if you need to be located in a high traffic area or on a frontage road.
- b. Will your company be Brick & Mortar, Bricks & Clicks (both physical & virtual) or solely located in virtual space on the Internet?
- c. Describe the physical needs of a location such as zoning, locations near key suppliers or near specific physical resources.

2. Facility

- a. Determine if you will be building new, purchasing existing or leasing space.
- b. Describe any potential facilities that you have identified and verify zoning.
- c. Include information such as price (lease rate, asking price or contractor bids), income production from unused portions of the property and any additional costs such as drafting fees, permits, utility deposits, etc.
- d. List the square footage, features included, and renovations/repairs needed to conduct your business. Also, discuss if the space is expandable for future use.
- e. Listing Reports or Drawings of your facility should go in the appendix.

3. Equipment / Furniture & Fixtures

- a. List all equipment, furniture & fixtures or other assets owned (not pledged as collateral) and its fair market value. Items you include must be used for business purposes and must be available as security for the loan. Typical items include; automobiles, computers, desks/chairs & hand tools.
- b. List all equipment, furniture & fixtures needed to operate the business, the potential source of that equipment and verified price or cost of the assets.
- c. Actual quotes or bids for the purchase of assets should be included in the appendix of the business plan as supporting documentation.

4. Suppliers / Inventory

- a. Identify your beginning inventory needs and potential suppliers to purchase from. Make sure you identify at least one back up supplier for overflow production or performance issues of your main supplier.
- b. Discuss your suppliers minimum order requirements, freight terms, credit terms, early payment or quantity discounts, and promised lead times.
- c. If you are outsourcing; be sure to check with all regulatory agencies regarding international trade, customs fees, product liability issues, and collection of payment or payment guarantees through lenders and government agencies.

5. Employees

- a. For businesses with few employees it is best to simply list the position, number of employees in that position needed, the responsibilities of that person and any persons identified to fill that position and their qualifications.
- b. For larger more complex businesses you will want to create a schedule of employees needed during the workweek. Include number of people needed to fill each position, hourly wage or monthly salary, and length of shifts needed to ensure full coverage.
- c. Note any positions that require special skill or are in high demand and are therefore hard to fill.
- d. Discuss in this section benefits offered to employees and the criteria set out to qualify for these benefits. You may want to check with your local Job Service office to determine competitive wages, write job descriptions, and to get help with putting together an appropriate benefit package.

6. General Operations

- a. Hours of Operation
- b. Other relevant information regarding business processes.

Additional Information for Manufacturing & Production Companies

Plant Layout Sketch

Description of Production Processes

Production Capacity of current facility

Any outsourcing of subassemblies, processes or parts

Number of Shifts throughout the production day

Breakdown of Direct Costs including: Materials, Labor, Manufacturing Overhead

Quality Control Methods & Testing, Lean Systems Used or Kisan Processes.

Environmental, Occupational Safety, and other government regulations.

Management

For Start-Ups and Micro-businesses

The management section is essential to help the financial resource you are borrowing from determine if you and your management team have the character needed to run the business successfully. Most start-ups and small companies are one or two person shops where the owners are also the managers. In this scenario it is usually sufficient to include in the management section one of two things:

1. **Resume** – But not the type of resume you would give to a potential employer. This resume should be edited to include any experience, education, activities or certification that is related only to the specific industry that you are entering or related to operating or managing a business. These items should include any previous experience with managing employees, ordering an tracking inventory, etc. Avoid including items that don't relate to your business like serving on community or religious boards.
2. **Biography** – If you do not have a resume handy simply write a one or two paragraph biography. The biography should include the same items as the above resume: experience, education, activities or certifications.

For Existing Businesses and Complex Organizations

For larger businesses the owner may not be involved in the operation of the company or may have a limited role. Many times a company can have layer of management including Executive Level Manager (CEO, CFO, VP, etc.), Middle Management or Division Manager and Supervisors. In this scenario the management section should include:

1. Organizational Chart showing Key Personnel
2. Resume for key executive level management.
3. Key Employee Names, short biographies and explanation of duties and responsibilities within the company.
4. Names of all majority shareholders (over 20%) and percent of company owned.
5. Company Advisors such as Accountants, Attorneys, Engineers, Consultants, etc.

Financial Data

Information for your financial projections should come directly from your business plan. Your business plan is the proof or the justification for the sales and expenses projected in your pro-forma financial statements. The Market Potential section should give you valuable information to determine an acceptable range of projected sales for the first twelve months. The Operations Plan should have the information necessary to complete the beginning balance sheet (or “sources and uses of funds”) and operating expenses. If you get to this section of the plan and are having difficulty estimating these projections go back and spend some more time researching and completing your business plan. ***It is imperative that you either bring this information in to your local SBDC office or have a software package available to enter the data into.*** Even a person with decades of experience and a wealth of knowledge about accounting and finance would require weeks or possibly even months to complete full sets of accurate financial projections from scratch. Below is a list of information that should be gathered before you start working on your financial projections.

For Start-Up Businesses

1. Beginning Balance Sheet – Template Available on Page A1
2. Twelve Months of Income Projections – Template Available on Page A2
3. Listing of Critical Assumptions
4. List of Collateral Available to secure loan (Bids/Quotes for new assets if available)

For Existing Businesses

1. Current Balance Sheet (no older than 60 from date of projections)
2. Year to Date Profit & Loss
3. At least One Full Year of Historical Projections (2-3 Ideal)
4. Schedule of Existing Long-Term Debt Including Current Balance, Interest Rate, Maturity, Current Status, and if the debt is government backed.

Your lender and any participating government agencies will require additional documentation for loan processing including items such as Personal Financial Statements, Documentation of Equity, Statements of Personal History, etc. The above list is only used to complete financial projections.

Appendix A1 beginning balance sheet

Appendix A2 P&L

Appendix A1

Beginning Balance Sheet		
NOTE: All information provided to the SBDC will be treated as confidential material		
<u>Assets Transferred In To The Business</u>		
1	_____	\$ _____
2	_____	\$ _____
3. Total ATI		\$ _____
<u>Assets Needed for Start-Up</u>		
1:	Land	\$ _____
2:	Building	\$ _____
3:	Equipment	\$ _____
4:	Furniture & Fixtures	\$ _____
5:	Renovations/Lease Improvements	\$ _____
6:	Initial Inventory	\$ _____
7:	Working Capital / Cash	\$ _____
8:	Intangible Assets*	\$ _____
9. Total Assets for Start-Up		\$ _____
10. Total Project Cost = 3 + 9		\$ _____
11. Personal Funds you Plan to Invest		\$ _____
<u>Other Sources of Equity[^]</u>		
12	Assets Transferred In = Line 3.	\$ _____
13	_____	\$ _____
14	_____	\$ _____
15. Total Equity Investment = 11+12+13+14		\$ _____
16. Outside Financing Needed = Line 10 - Line 15		\$ _____
* franchise fees, patent fees, trademark fees, etc.		
[^] equity must be "patient capital" meaning no repayment for 12 months or longer.		

Appendix A2

12 Month Profit & Loss													
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Total
Revenue Sources													
R1													
R2													
R3													
R4													
Total Revenues													
Cost of Goods Sold													
COGS1 %													
COGS2 %													
COGS3 %													
COGS4 %													
Total COGS													
Gross Profit													
Business Expenses													
Owner's Salary													
Employee Wages													
Payroll Taxes													
Bad Debts													
Outside Services													
Supplies													
Maintenance													
Advertising													
Office Expense													
Car & Travel													
Acct & Legal													
Rent													
Telephone													
Utilities													
Insurance													
Equipment Lease													
Property Tax													
Other													
Other													
Other													
Total Expenses													
Net Income													