



# **BUSINESS PLAN OUTLINE**

This document is available in electronic form along with other resources at [www.WyEn.Biz](http://www.WyEn.Biz).

## BUSINESS PLAN OUTLINE

COVER PAGE

TABLE OF CONTENTS

- I. EXECUTIVE SUMMARY
  - A. Brief Description of the Business and Principals Involved
  - B. Method – Describe your market and the major factors about your business that you believe will lead to success
  - C. Financial Resources Needed
  - D. Payback
- II. BUSINESS DESCRIPTION
  - A. The Business
  - B. History
  - C. Vision and Future Plans
  - D. Industry Trends
  - E. Organization and Ownership
  - F. Management, Personnel, and Advisors
- III. THE MARKETING PLAN
  - A. Products and Services
  - B. Market Analysis
  - C. Competitive Analysis
  - D. Location Analysis
  - E. Pricing Scheme
  - F. Sales Volume Potential
  - G. Marketing Strategies
- IV. THE OPERATIONS PLAN
  - A. Implementation Plan
  - B. Materials & Sources of Supply
  - C. Methods of Production
  - D. Recordkeeping
  - E. Risk Management
  - F. Legal Issues
- V. THE FINANCIAL PLAN
  - A. Investment Required
  - B. Cash Flow Projections
  - C. Financial Statements
  - D. Break-even Analysis
  - E. Supporting Documents
- VI. APPENDIX (Examples – Include back-up information to the plan text. Use as is appropriate to your business.)

Resumes	Articles of Incorporation
Job Descriptions	Operating Agreement
Personal & Business References	Plan of Interior Layout
Leases	Picture of Building Exterior
Contracts	Drawing of interior layout
Letters of Intent to Purchase	Product Endorsements
Brochures, Business Cards, Statements, Advertising,	Product Photos

## INTRODUCTION

The following pages contain detailed information on how to write each section. This outline requires “more” information, as opposed to less. Our hope is that this outline will help you think through aspects of your proposed business operation that you may not yet have considered. Depending on the kind of business you are planning, some of the information may not be relevant. Feel free to skip or adapt parts of the plan to fit your business model. The Excel worksheets have been included to assist you in gathering information. You can complete and incorporate them as part of your plan, include them in the Appendix and use the information to write sections of the plan, or skip them entirely. NOTE: Some of these worksheets have been “Protected” in order to retain the formulas. If you need to increase column width, you will have to “Unprotect” the sheet. Click on Excel “Help” to learn how to do this. Cells that require text entry will expand to hold all text that you enter.

### WHY WRITE A BUSINESS PLAN?

If applying for a loan or planning to attract investors, the business plan is essential to explain what your business is, how you plan to operate the company, and why you believe the business will be successful. Even if you don't require outside financing, outlining the details of the business in the plan can be critical to business success. Writing a business plan forces you to consider and answer tough questions about every aspect of your business.

The business plan serves three purposes.

1. The plan is the owner's "road map" for the business, describing where you are planning to lead your business, and how you plan to accomplish those objectives.
2. The plan serves as a "letter of introduction" to individuals who may be in the position to make decisions that affect your business, such as potential key employees, accountants, attorneys, and suppliers,. The business plan is intended to explain your business to others and build your credibility.
3. The business plan is your "sales tool" to potential financiers and investors.

The business plan must be written and presented in a professional manner. The narrative should be concise, precise, thorough, and realistic. In presenting your business to others, this plan represents you and your knowledge.

### CONSIDER SUSTAINABLE OPTIONS

Interest in advancing sustainability strategies in the business world has increased significantly over the past several years. Business sustainability can be defined as, “Adopting business strategies and activities that meet the needs of the company and its stakeholders today, while protecting, sustaining and enhancing the human and natural resources utilized for the future.” A sustainable business is an enterprise that strives to have no negative impact on the natural environment, community, society and economy. Currently, businesses embracing sustainable strategies are proving that they can improve the environment AND increase profits. Sustainable activities range from projects to reduce greenhouse gases and develop greener supply chains to implementing programs focused on employee development, business ethics and social justice. The strategic principles for sustainable development are as follows:

- Transparency – Businesses should foster an open environment, both internally and externally. The open culture should promote employee involvement and creativity. External outreach activities may include your local community and/or your community of customers and suppliers. These efforts can create a much larger team, are extremely inexpensive, and will provide your company with evaluation and ideas for improvement from all angles.
- Employee Development – Employees are the most important renewable asset for any business. A sustainable company should maintain a strong employee development program. To obtain the most optimal employee performance, an employer should attempt to discover each employee's internal motivations and goals and create a position congruent with the employee's talents, education, and drives. Programs should reward star performers, foster creative learning, and provide comprehensive training and evaluation.
- Resource Efficiency – A sustainable business must be prepared to implement new, creative ideas in terms of resource efficiency. Solutions to use renewable resources, and recycle and redirect waste can ultimately reduce costs and increase profits.

Some examples of sustainable business practices include

- Use of Green Power/Renewable Energy.
- Air Pollution Prevention
- Efficiency in New Building Design

- Reduced Paper Utilization.
- Product Merchandising and Packaging that is environmentally preferable
- Recycling and Waste Reduction
- Water Conservation.

As you write your business plan, consider ways to align your financial incentives with sustainability goals. Additional information about sustainability can be found at:

<http://www.sustainabilitydictionary.com>

<http://www.usgbc.org/> US Green Building Council:

[http://green.wikia.com/wiki/Category:Sustainable\\_living](http://green.wikia.com/wiki/Category:Sustainable_living)

<https://www.rockymountainpower.net/bus/se/wyoming.html> Information/incentives for Rocky Mountain Power customers

## BUSINESS PLAN INSTRUCTIONS

### COVER PAGE

List business name and address, and names, addresses, phone numbers, and e-mail addresses of the principals . You may want to also include the logo of the business.

### TABLE OF CONTENTS

Include page numbers so your reader can locate specific parts of the plan.

#### I. EXECUTIVE SUMMARY

Written last, but by far the most important part of your business plan, is the Executive Summary. The text can be as short as one-half page, but should not exceed two pages in length, depending on the complexity of the business. The Executive Summary must sell the business plan to the reader, usually your lender, by highlighting the most important information and insights contained in the entire business plan. Include your vision of sustainability in your business. The text should include, but not be limited to:

- What stage of development is your business in (start-up, expansion, purchase)?
- Where are you located?
- Who are the principals and how is your business legally organized?
- What is your business? What products/services are you selling? How are they unique?
- What are the sustainable aspects of your business?
- Why do you anticipate that you will succeed? How will you succeed?
- Who is your primary target market?
- What are your anticipated primary marketing methods (how will you reach that market)?
- What is your estimate of gross sales for your first year in business? Future years?
- What financial resources are needed, including your investment, other investments, and loans you are seeking?
- How do you anticipate repaying your loans?

**Remember** the Executive Summary is written after the rest of the business plan has been completed. The text summarizes the information contained in the following pages of the plan. Your goal is to get the reader's attention and **sell** the business concept. Be enthusiastic, professional, complete, and concise.

#### II. BUSINESS DESCRIPTION

Describe your business clearly and concisely, summarize what business you will be in and what you will do. Suggested length is a short paragraph under each heading.

##### The Business -

###### A.

You may want to start with a "Mission Statement," explaining the "reason for being" and guiding principles of the business. How do your mission and values align with sustainability concepts and the "triple bottom line," which adds social and environmental values to the traditional economic measures of business success? What is the intrinsic value of your business to society and the environment?

Where are you located? Is location important or irrelevant to your business success?

## **B. History**

For start-ups:

- Is your business a start-up, acquisition or expansion?
- Why did you decide to open/expand/purchase this business?

## **C. Vision and Future Plans**

- What is your overall vision of what the business will look like and accomplish once the company is fully developed? What do you predict your business will be doing within the next five years? Typically, businesses expand by increasing their geographic target market and/or increasing the number of products/services offered. Briefly describe and justify any future product/service development plans. Include your vision for initiating and maintaining sustainable operations.

## **C. Industry Trends**

- What are the industry trends in your business? Look at international, national, and local trends, if appropriate. Is the market growing or the type of customer changing? Have there been changes in the production processes? Does the demand for your product exceed current supply? Do you anticipate any technological or legal changes that will affect your business? How will you deal with these changes? Industry trade associations are an excellent source of information on industry trends.
- What are the trends in your industry in relation to sustainability? Are there common practices in your industry that are not sustainable? What opportunities do these environmental inefficiencies represent?

## **D. Organization and Ownership**

- Is your business a sole proprietorship, partnership, limited liability company, or corporation (C corp or S corp)? Why did you choose that particular organization?
- List the principals of the company, their financial contributions, and the percentage of the company they own.
- If your business is a partnership, corporation, or an LLC, include legal documents (Articles of Incorporation, Partnership Agreement, Operating Agreement, etc.) in the Appendix.

## **F. Management, Personnel and Advisors**

In essence, a loan or investment is made to the business owners, not the business. Thus, potential lenders or investors will carefully evaluate the knowledge and skills of the owners and key managers. The business plan should emphasize the experience, education, and abilities of the key individuals involved in the business.

- Who will manage the business and what is their background? How is your background relevant to this business venture? Summarize relevant paid and unpaid experience. Attach personal resume(s) in the Appendix. Explain the duties and planned compensation (salary, bonus, profit sharing, etc.) of each manager. Specify any gaps you see in coverage of key management functions. Explain how you will fill these gaps. It is far better to define and identify a weakness, than to pretend it doesn't exist.
- What employees will you have, if any, and what are their job responsibilities and skill requirements? How is sustainability embedded into the job descriptions, performance reviews and compensation packages? Include their titles and whom they report to in the business. Be sure all duties are described and clearly defined. Address future staffing needs and the current labor pool in your industry. Do not be afraid to discuss possible risks and explain how you will address them. See Job Description Worksheet below, courtesy of Entrepreneur.com.



- How do you listen to employees? How do you empower employees?
- Explain how you train employees to understand company values in terms of sustainability.
- Create a personnel budget. Include job titles, salaries, and hours scheduled. The resulting figures can be copied into your financial spreadsheets. Consider whether your pay scale appropriate for each position and competitive with others in your industry. See Personnel Budget Spreadsheet below.



Personnel Budget

- What benefits do you offer to employees?
- Employee engagement is an opportunity to improve sustainability practices that produce measurable benefits. Training opportunities, attention to employee health and wellness, employee participation in company management, and flex hours are some possibilities.
- Include information about contract services you will use (laundry, janitorial, bookkeeping, etc.). How much will these services cost? Are these service providers sustainable businesses?
- List business advisor names, contact information, and expertise (accountant, lawyer, business consultants, mentors, etc.). Who can you add to your advisory panel to assist you in areas of sustainability?

### III. THE MARKETING PLAN

#### A. Products/Services

Clarify exactly what your business offers, and your plans for the future direction of the business. Suggested length is one or two paragraphs.

- Describe the products and/or services you plan to offer in detail. Include sustainability considerations such as customer need, durability, functionality, materials, reuse, recyclability, local manufacture, etc.
- If you are expanding a going business, describe any new products and services you plan to offer in the future. Are they an extension or expansion of your current offerings, or are they completely different? Will they change the definition of your business? Are they add-on offerings for your current customers, or will you be seeking a new market to buy them? What are your plans for transitioning to more sustainable products or greater degrees of sustainability in the future?
- Explain the features of each product/service and what benefit those features will bring to your customers. Features are characteristics of your product/service. Benefits are what will prompt the public to buy from you. Be certain that your claims are truthful, verifiable, and meaningful. For example, a feature of your business might be free delivery. The benefit of that feature to the consumer will be convenience.
- What makes your product/service unique – or – how is your business different from others in the industry? How will you attract, hold and increase market share? Sustainable characteristics may be a selling point for your customers.
- Provide information on any patents, trade secrets, or other technical advantages you have over the competition.
- Will your products be subject to limited life cycles (i.e. the VCR vs. DVD players vs. online access)? If so, how will you deal with that problem? If a limited life cycle is likely, consider what environmental effects this may have.
- Do you offer product stewardship to your customers at the end of a product's useful life? How can you keep your product out of the landfill?
- Will you offer any product or service guarantees/warranties? If so, explain the terms.
- Is there seasonality to your business? If so, explain and discuss how you will handle uneven seasonal cash flow.
- Describe your future growth plans.
- Add any other information about your product or services you think is important

## **B. Market Analysis**

Describe your target market. Who is currently buying, or most likely to buy your products and services in the future. Is your market a specific segment of the population, or the entire population in general? What are the size, location and characteristics of your potential market? If you have more than one target market, please describe each market. For greatest success, you want to focus your marketing efforts on the individuals or organizations that are your best customers. Suggested length is one or two paragraphs for each target market.

For products and services aimed at consumers:

- Describe their general demographic characteristics. How old are they? What sex are they? Where do they live and work, and what is their income level? What other characteristics do they share? What are their lifestyles, interests, beliefs? For new businesses, this information may be available from your industry trade association. Describe your market's behavior patterns and attitudes (psychographics). Where do they shop? What do they read? What else do they buy? Will being a sustainable business lead to an increased customer base? For new businesses, this information may be available from the Wyoming Entrepreneur Market Research Center or your industry trade association.
- How large is your market? Provide some numerical estimates based on research. How many customers do you expect to serve each week or each month? How often will they buy? How much will they spend? Is the market growing or shrinking? This information is very important as the basis of your sales volume forecast. If there is recent U.S. Economic Census data available, this is a good source for information on gross sales for establishments in your industry located in your area. Wyoming Entrepreneur can also help you find this information.
- Describe possible future market expansion. Generally, a business can expand its market reach either by adding new products or services that will attract new customers, increasing sales/marketing efforts for current products, or expanding into new geographic areas.

For products and services aimed at businesses:

- Describe the characteristics of your business customers. What size are they (employees, sales)? Where are they located? What industries do they represent? What other characteristics do they share?
- Describe their shared behavior patterns. What do they buy now? From whom? How do they buy similar services?
- How large is your market? Provide some numerical estimates based on market research. How many customers do you expect to serve each week or each month. How often will they buy? How much will they spend? Is the market growing or shrinking? This information is very important as the basis of your sales volume forecast. Consult the U.S. Economic Census for information on gross sales of establishments in your industry located in your area. The Wyoming Entrepreneur Market Research Center can also help you find this information.
- Describe other markets you want to access in the future.

## **B. Competitive Analysis**

Describe the competition, both direct and indirect. Direct competitors sell products and services similar to yours. Indirect competitors sell products and services that are substitutes for yours. Your goal is to identify others competing for the same market, get ideas about good practices you should adopt, and avoid competitors' errors. Competition is not a bad thing. Being unable to identify or differentiate yourself from the competition is!

- Analyze your competition. List your competitors. Compare their products and services, prices, quality, advertising, management, location, customer service, marketing, reputation and image, etc. to your planned business. What special features and benefits do they offer? Think about how you will compete. Does your competition utilize sustainable business practices? How will your image as a sustainable business create a competitive advantage? What is the income level of their customers? Are your competitors large chains or small independent businesses? Be honest. Your new business will not be "the best" in every aspect. Do not forget Internet and catalogue competitors.
- Describe indirect competition to your products and services. Who specifically offers them? What do they charge? What special benefits do they offer?



**EXAMPLE OF INDIRECT COMPETITION:** A movie theater competes directly with other movie theaters. The theater is also competing indirectly with television, online movie rentals, and other kinds of entertainment, such as bowling alleys, live theater, bars, etc.

Use the worksheet below to analyze your competition.



### **C. Location Analysis**

- What part will your location play in attracting customers? The purpose of a Location Analysis is to examine the pros and cons of potential locations. Look at parking, public transportation, image, proximity to competitors, zoning, space for expansion, electric capacity, sustainability issues, visibility, etc. Will your location be convenient to receive supplies and to distribute your finished products? Use the worksheet below to analyze your location.
- Is your building energy efficient, or can it be modified to decrease energy usage?



### **D. Pricing Scheme**

- What is the cost of your product/service? What is the price of your product/service? On what basis did you decide on this profit margin? Are there different margins for different products/services? If so, why? How many units, what sales volume is necessary, or how many billing hours are needed to break-even each month?
- Describe how your prices compare to your competitors'?
- Is the market ready to pay your prices? Are they consistent with your product quality, image and marketing strategies?

### **E. Sales Volume Potential**

- Utilize market research sources to determine your potential sales volume. Wyoming Entrepreneur subscribes to BizMiner reports that provide income and expense data for various industries. For some businesses, the data can be obtained for your city or county. Economic Census figures may also be available, but be sure to check to see how recent those figures are. Industry trade associations are additional resources to help make this prediction. Your sales volume must be greater than your expenses, including your salary, or the business will not be worth doing. Don't forget to consider seasonal sales variations in your prediction. Use the worksheet below to help figure your sales volume.



### **F. Marketing Strategies**

Present a clear and concise picture of how you plan to market/sell your product/service and how these strategies will produce profits. The marketing strategies that you use will depend on the results of the previous sections. Once you know who and where your customers are, you can decide how to best reach them. Describe your marketing strategies: where you fit in the marketplace; how you plan to package your products and services; how you plan to distribute them; and how you will advertise, promote, and sell them. Present a specific plan detailing how you will reach your market and sell your product. Also include a marketing/advertising budget to finance your plan. Suggested length is one or two paragraphs for each main target area.

## Positioning

- Briefly compare your products' prices, quality, and special features, your image and location, and the income level of your customers to your competitors. Explain where your products/services “fit” within your industry.
- How will you address the needs of your customers better than you competition? Be specific and certain.

## Packaging

- List all the ways you present your products and services in the marketplace. Is your packaging as minimal as possible?
- What image will you convey? Is your image consistent with your positioning? Are your brochures, business cards, advertising, location, interior décor, product packaging, and other methods of presenting your products consistent with the markets you serve?
- Are there unique aspects to your packaging that will benefit your consumers (easy open, self-store, easy ship, etc.)?
- Is your packaging made from recycled or renewable resources? Can the packaging be recycled or reused?
- Is eco-labeling a possibility for your product(s)? For more information go to <http://www.sba.gov/content/green-certification-and-ecolabeling>.

## Place & Distribution

- To what extent is your workplace sustainable? Healthy building? Natural lighting? Water-wise landscaping? LEED certified new construction or remodeling? For further information, go to <http://www.usgbc.org>.
- List the methods you will use to get your products to your customers.
- What are the requirements for each distribution method? Include both your requirements and those of any intermediaries.
- How do your distribution methods relate to your sustainability strategy?
- What will distribution cost your company?

## Promotion, Advertising, and Direct Selling

- Describe how your market will learn about your products and services. Include your plans in terms of advertising, direct sales, and public relations methods. Include a budget for these activities. Advertising costs generally depend on frequency, reach, positioning or scheduling, and ad size.
- Are your promotional materials manufactured/printed from recycled or sustainable materials? Are they recyclable? How can you select advertising that has a smaller environmental footprint?
- What is your digital marketing strategy (website, blog, social media, etc.)?
- How many people can you reach with each advertising method?
- Include a specific plan. When do you plan to accomplish each step of the marketing plan? What are the sales goals connected with each marketing strategy? How much will each medium cost? If your plan is very long, place your advertising schedule and budget in the Appendix. Use a short explanation here, referring readers to that section.
- What will you do if your marketing ideas don't work? List any other strategies you plan to use in the future.

Use the worksheet below to plan your marketing schedule and budget.



## Customer Service

- As a component of your marketing strategy, how will you handle complaints?
- How will you handle returns?
- What “extra” customer services will you offer in order to better your competitive advantage? Consider – free delivery, extra opening hours, special previews for special customers, free shipping, free shipping on returns, gift wrap, guarantees or warranties, etc.

## **IV. THE OPERATIONS PLAN**

This section of the business plan varies greatly, depending on the type of business you are planning. Operations will not have to be very detailed for a one-person service business. For a retail business, the operations plan will depend on size, number of products and services offered, types of products, and complexity of the business. A manufacturing business may require a detailed explanation of the manufacturing, sales and distribution processes. Think about functions such as, opening and closing the business, handling bank deposits, keeping inventory levels current, and flow of work from one employee to another. Remember, the reader may not have the time or the capabilities to understand the fine details of the operation. You can condense this section and refer readers to a longer, more detailed explanation in the attachments section, if necessary.

### **A. Implementation Plan**

- Explain the tasks and events which must first be accomplished to implement the business plan. You can use a list format, including completion dates and responsible parties, if applicable. Examples of objectives might include: complete business plan, obtain financing, sign lease, order furniture and fixtures, order inventory, do a sustainability audit, hire employees, etc.

### **B. Materials & Sources of Supply**

- What are the materials, supplies, and/or products needed to produce your finished marketable product/service? First, create a list of the services and materials you will require to start-up the business. Include price quote and/or cite that price quotes are included in the Appendix. Also include a separate inventory and supply list detailing suppliers and prices, place either in this section or note that it is included in the Appendix.
- Briefly discuss your suppliers. Do you have alternative suppliers in case of a problem with one supplier? Do your suppliers have reasonable prices and reliable delivery? Will they extend credit to you?
- Are the products you order and/or their packaging refillable, recyclable or repairable? Are they manufactured using post-consumer recycled or reclaimed materials?

### **C. Methods of Production (Manufacturing)**

- Describe the production process and the specific tasks required to make your product. Examine your processes and operations in terms of their relationship to a “lean” and “green” philosophy of doing business. GREEN provides vision. LEAN provides the process for implementation. Discuss the necessary work-space and tools, labor, and the amount of production and lag time for each stage.
- How will you monitor quality?
- How will you monitor safety, employees, and the manufacturing processes discussed in your plan?
- Do you have alternative or back-up plans? Can they be implemented in a satisfactory manner?
- How will you eliminate waste in your operations to run more efficiently and sustainably? If you are an existing business, go on a “waste walk.” Look at your climate control systems, lighting, motors and appliances, water use, equipment usage, materials, and waste products. What aspects of your operations can be modified to use fewer resources? If you are a start-up business, think about conservation in terms of your operations as you write this business plan.

Consider:

- Are all of your equipment and supplies necessary?
- Can the equipment be borrowed, rented, or purchased used?
- Is your facility and operation designed to minimize waste? Could you be selling products that are more sustainable?
- Are your products or equipment multi-functional? Are they durable?
- Is reuse practical and encouraged in your business? For the products that you sell?

### **C. Methods of Production (Sales/Operations) (Retail)**

- Describe the basic set-up of your business. What hours will you operate? Will your hours be convenient for your target market? Will your labor/hours be cost effective? What special items or services will be required in order to reach your target market (displays, samples, etc.)? Will these methods be cost effective?
- How will you monitor safety, employees, and the sales processes discussed in your plan?
- Do you have alternative or back-up plans? Can they be implemented in a satisfactory manner?
- Consider how you will eliminate waste in your operations to operate more efficiently and ecologically. If you are an existing business, go on a “waste walk.” Look at your climate control systems, lighting, motors and appliances, water use, equipment usage, materials, and waste products. What aspects of your operations can be modified to use fewer resources? If you are a start-up business, think about conservation in terms of your operations as you write this business plan.

Consider:

- Are all of your equipment and supplies necessary/
- Can the equipment be borrowed, rented, or purchased used?
- Is your facility and operation designed to minimize waste? Could you be selling products that are more sustainable?
- Are your products or equipment multi-functional? Are they durable?
- Is reuse practical and encouraged in your business? For the products that you sell?

### **D. Recordkeeping**

- Identify the financial activities of your business that require recordkeeping (accounts payable, accounts receivable, payroll, inventory, etc.) and explain how you will record and store this information. Can you reduce paper usage by switching some of these activities to computer?
- Many businesses will have other recordkeeping requirements involving safety, maintenance, personnel, inventory, or other legal issues. Identify these areas and explain how these records will be maintained.
- Determine how often each task must be performed and who will be responsible for each task.
- How do/will you insure transparency of your company’s activities?

### **E. Risk Management**

- What insurance coverage will you carry? Why? What are the limits? What are the costs?
- What other risks might your business encounter in the future and how will you handle them? Safety issues? Lack of employees to run the business? Poor cash flow? No business?
- What environmental risks and regulations are associated with your business? What procedures do you have in place to avoid risks and insure compliance?
- Consider possible disaster scenarios and your responses. Do you have an evacuation plan? Are there specific records that would be crucial to salvage should a disaster occur? Do you have secure, off-site back-up storage for these records? What if a natural disaster knocked out your location? Some recommend that every business recruit a “partner business” in a nearby town. The “partner” would be someone in the same business that has facilities from which you could operate your business during a period when your location was inoperable. Another possible disaster for a small business can be illness of the owner. Is there someone who could temporarily take-over the management of your business were you to be ill for either a short or an extended period of time?

### **F. Legal Issues**

- Are there specific permits or licenses that you must obtain that are specific to your industry? If so, explain what they are and your current progress in obtaining them. Are there any legal issues that may become pertinent to your operations in the future, either due to new legislation or expansion?

## **V. THE FINANCIAL PLAN**

The purpose of this section is to attach dollar figures to the plan you've presented. Cash flows are key to this section. They help you understand the cyclical nature of your business so you can plan for slow months when the business may need additional cash. Financial statements allow benchmarking the potential results of your business against the results of other businesses in your industry to assess your risk. If the reader has not yet decided whether to invest in your business, strong pro forma financial figures will be necessary to persuade him/her. You should provide explanations about how you arrived at your figures. The financials will indicate whether you can make a profit in this business and whether the business will be a good investment for others. You must understand your figures and be able to defend them.

### **A. Investment Required**

- Purpose of the loan.
- Loan amount requested.
- Break-down specific uses of the loan funds. (physical plant, property, equipment, inventory, operating expenses, etc.)
- Source and timing of repayment.
- Owner cash/equipment injection into the business.
- Collateral which you will use to secure the loan.

### **B. Budgets**

In order to determine how much money you need to start-up, purchase or expand a business, you need to carefully estimate your expenses. The Start-up and Operating Budgets included in the workbook will provide the foundation for the rest of the financial spreadsheets.

### **C. Cash Flow Projections**

- Cash flow projections forecast the flow of income and expenses over a period of time. If your business is new, you will need to do at least one year of monthly projections. The following two years can be projected by year. (Some readers will require monthly projections up to break-even point. Be prepared to present monthly for up to three years.)
- An integral part of your projections is the assumptions you made to predict each number on the projection worksheet. Be sure to explain each assumption, either below the figures on your spreadsheet or on a separate attached page. Do not adjust the figures to fit your needs to meet break-even or show a profit. Be realistic and be somewhat conservative in your estimates to reduce the chances of setting yourself up for failure.
- Figuring cash flow by month will show the month(s) of greatest negative cash flow so that you understand how much money you need to operate and when you will need it. Be sure to request enough financing up-front to get through the year. Consider utilizing a line of credit to equalize cash flow during slow months.

### **D. Financial Statements**

## **APPENDIX**

This section of your business plan should contain detailed information to back-up the assertions in your plan. Most readers do not have either the time or the interest to dwell on small details. Someone interested in financing your business venture; however, may wish more information than you have presented in the narrative. This is why the organization, presentation, and the references in the narrative to these attachments are very important.

Providing additional information through attachments will clarify or strengthen parts of the narrative. Include information such as pictures, maps, resumes, legal documents, market research reports, etc.

Remember, your business plan is a reflection of you. This plan does not have to be fancy, but should demonstrate your organizational and planning skills. You own the facts and figures in the plan. You should know how they were derived, be able to defend them, and know how you are going to operate the business in order to meet your projected goals. This is your first step for success. If you need assistance seek help. Good luck!