



Business Planning Guide for Entrepreneurs

Logansport-Cass County Economic Development Foundation, Inc.
311 South 5th Street
Logansport, Indiana 46947
Ph: (574) 722-5988
Toll-free: (800) 686-1067
www.ledf.com

The Business Plan Outline

Starting and managing a business takes motivation, desire and talent. It also takes research and planning. The process of developing a business plan will help you think through some important issues that you will need to consider. Your plan will become a valuable tool as you set out to raise money for your business. It should also provide milestones to gauge your success.

A business plan precisely defines your business, identifies your goals and serves as your firm's resume. Its basic components include a market study, marketing/promotional strategy, current balance sheet, an income statement and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make the right decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan package. Additionally, it can tell your sales personnel, suppliers and others about your operations and goals. The business plan brings several legal issues to light including licenses, permits, zoning laws that may vary business-to-business and state-to-state. Area Five Small Business Development and the Indiana Small Business Development Center can provide you with general information, but you will need to consult your attorney for advice specific to your enterprise and area. You also must decide about your form of organization (corporation, partnership or sole proprietorship).

The following is a suggested outline of the material that should be included in your business plan. This guide focuses on product/service, market, management, and money. Every business plan is unique, as is every business. This guide was designed with a general purpose in mind; therefore, some things may not apply to your business. Consult your counselor if you have questions on what to include in your plan.

Business Plan Outline

Cover Page

The cover page is the first impression of your business plan. It should include the name of the company, company address, company phone number, owners and their addresses/phone numbers, and the date of the plan. Also incorporate the company logo if there is one.

Table of Contents (optional)

Executive Summary

The executive summary briefly states the company's present situation as well as its goals and objectives for the business ventures of the company. This section should be written after sections IV-VIII have been completed.

A. The Business

The business portion of the business plan provides an overview of your planned business operation. You should briefly describe your product/service and how you will maintain a sustainable competitive advantage.

B. Management

The management plan of your business outlines the organizational structure that defines the lines of authority and the responsibilities of the key players.

C. Market

The marketing plan includes information about the total market with an emphasis on your target market and how you plan to make your product/service available to them.

D. Money

The money section of your business plan shows past, current and projected financial activity. Documents that should be included are the summary of financial needs, sources and uses of funds statement, three-year income projection and cash flow projection, notes and critical assumptions for the projections, and a break-even analysis.

Exhibits

Include only documents needed to substantiate what has been presented in the body of the plan. Examples would include resumes, purchase agreements, bids, contracts, etc.

A. The Business

<i>Describe your Business</i>	Include detailed information about the overall industry and how your business will maintain a sustainable competitive advantage. Tell about your history, present status and future projections. Project a sense of what you expect to accomplish in the first years.
<i>Describe your Product(s)</i>	<p>Outline your product or service in terms of marketability. Describe the purpose of your product, the need it satisfies and what makes your product unique. List future products or services you plan to provide.</p> <p>If manufacturing, tell all about the manufacturing process. Give a detailed description of your products from raw materials to finished items. Also describe product development and research efforts. Describe the stage of development, formal testing and alternative uses for your product. Include your quality assurance procedures. Identify your primary suppliers and alternative suppliers.</p>
<i>Proprietary Information</i>	Describe any specific knowledge or technology that you have and your competitors do not. Describe any efforts taken to obtain patents, copyrights, and trademark or name registration.
<i>Regulations</i>	Describe any regulations that affect the sale and use of your product. Remember to check on the local, state and federal levels.
<i>Competition</i>	Describe the strengths and weaknesses of your product or service in comparison to existing or potential competitors. Also describe any products that may be substituted for yours.
<i>Location</i>	Describe the site and why it was chosen.
<i>Facility and Equipment</i>	Describe the building and equipment needs for your business and how you determined this need. Also describe how long the facility will meet your needs and the actions you plan to take at that point. If manufacturing, what is the maximum production capacity of the facility and equipment and your expected level of production.
<i>Operational Needs</i>	Describe your transportation and utility needs and any associated costs.
<i>Environmental Factors</i>	Describe the impact of regulations and the use and disposal of any hazardous wastes. Identify the agencies that may regulate your business and potential impact.
<i>Barriers</i>	Describe the most significant barriers you expect while launching and operating your business. Explain how you expect to overcome these problems.

B. Management

<i>Ownership Composition</i>	Define the form of the business organization (see “Choosing a Business Organization”). Specify who the owners of your business are and what percentage they own. Also describe members of your Board of Advisors.
<i>Management</i>	Describe who is behind the business. For each owner, tell about responsibilities and abilities. Indicate the level of knowledge and interest in the industry and any formal training received. Support with resumes. Also indicate who manages the business on a day-to-day basis, who is responsible for long-range planning and who initiates changes. Indicate how this person monitors industry trends. Be sure to indicate who has primary operational, marketing and accounting responsibilities and their qualifications to do so.
<i>Personnel</i>	Indicate the number of employees and briefly define their positions. Describe who will be doing the work, why they are qualified, the responsibilities of each position, and the wages and benefits. Consult your trade association and accountant to learn the most current practices. While there is a minimum wage set by federal law and by some states for most jobs, the actual wage paid is entirely between you and your prospective employee.
<i>Security</i>	Address in terms of inventory control, theft of information and employee screening. Consider security measures such as a physical security system and computer security system as well as seminars to spot shoplifters. In addition, design a plan for your personnel; careful pre-hire screening and policies to ensure awareness and honesty. Security measures should also include natural disaster plans and off-site regularly updated business records.
<i>Consultants</i>	List professionals that will provide services to your business. These include accountants, lawyers and consultants (such as the SBDC).
Consider including the following documentation of your Management Plan in the Exhibits:	
<i>Personal Resumes</i>	Should be limited to one page and include work history, educational background, professional affiliations, honors and special skills.
<i>Legal Documents</i>	All legal papers pertaining to your legal structure, proprietary rights, insurance, titles, etc.
<i>Schedule</i>	Prepare a schedule of employee staffing. Determine the number of hours the business will be open and indicate the level of staffing during the schedule period. These numbers should correspond with your estimates of payroll expenses on your projected financial statements (see the Money section of this guide).

C. Marketing

Product

When you think about a **Product**, you usually think of something tangible that has to be designed, manufactured, and packaged. That applies if you are manufacturing a product. But what if your business is Retail, Wholesale, Construction, or even Service? The idea of a **Product** applies, and is an essential ingredient in any good marketing plan, for nearly every type of business. In the Retail and Wholesale trades, your product consists of two or three basic parts.

First, the actual products on your shelves need to be selected. What will be the **Product Mix** of the items you select? For example, if you sell primarily impulse items but you carry a core of items to keep people coming back, talk about your strategy.

The second area is **Service** in Retail and Wholesale. Have you been in a store where finding someone to help you is like trying to find an ice cube in the Sahara Desert? What about one where you're pampered? What will your service be like, why, and does it make sense in the overall business strategy?

What about overall atmosphere or theme? This is a third area of concern. What will your customer "*take away*" from his or her experience with you? Too many times businesses, both large and small, forget to pay attention to how a customer will feel after they're done doing business with you. That is why the idea of "*what the customer takes away from the experience*" is critical to even Service businesses. In fact, in many service businesses, what the customer remembers from the experience is the only "tangible" product. Their washing machine may work, or their taxes may be done, but if the customer goes away with a bad impression, will that customer likely ever come back?

Whatever the line of business, describe "*what*" you will offer to bring customers in the door the first time, and then keep them coming back.

Target Market

Describe your market niche. Identify who your customers will be and describe their characteristics. Business markets might be classified by industry, company size, location, or product use/application. Consumer (household) markets might be segmented by demographics, (age, gender), geographic location, economic status, lifestyle, product use/application or benefits sought.

Estimate the approximate size and growth potential of the target market(s) using population figures, sales tax info, industry information etc. Estimate how much of the market you will capture.

Marketing (continued)

<i>Competition</i>	Evaluate indirect and direct competition in terms of location, market and business history. Describe how you will differentiate your business from competitors with regards to <u>Product</u> (features and performance), <u>Service</u> (delivery and installation), <u>Personnel</u> (expertise and courtesy), and <u>Image</u> (atmosphere and events). Explain why customers will leave your competition and switch to your business. These items are your competitive advantage. Also describe what you will offer that your competitor can't easily copy and what you will do to combat competitive reactions.
<i>Market Entry</i>	Tell when you plan to enter the market and how you arrived at your decision.
<i>Location</i>	If your choice of location is related to a target market, cover it in this section of your business plan. If necessary, describe traffic count and flow, income and demographic characteristics of the surrounding area.
<i>Industry Trends</i>	Give current trends, project how the market may change and what you plan to do to keep up. Define the life cycle stage of the industry as introduction, growth, maturity or decline and support with documented research. Also describe new technologies being introduced and changes in production methods, operations or sales.
<i>Methods of Distribution</i>	Describe the manner in which products and services will be made available to the customer. Back up decisions with statistical reports or rate sheets. Consider finding suppliers, manufacturers and distributors in the Thomas Register (available at your local library).
<i>Promotion</i>	How will your promotional activities (such as advertising, personal selling or publicity) be tailored to your target market? Include rate sheets, promotional material and time lines for your promotional campaign.
<i>Pricing</i>	Pricing will be determined as a result of market research and the cost of your product or service plus overhead. Tell how you arrived at your pricing structure and back it up with material from your research. How does your price(s) compare to your competition? If your prices are high-why? How will you justify them to customers? If your prices are lower-why? How will they help you attract customers?

D. Money

Financial Documentation

With the exception of high-tech industries that require long periods of research, start-up companies must expect to generate income in a short period of time. The money section of your business plan should include historical financial statements, financial projections, and a description of the source and use of proceeds. The following are major documents you will want to include in your business plan.

<i>Summary of Financial Need</i>	Outline total financial need and why you are applying for a loan. Describe the total estimated cost of the project, including the need for working capital. Describe the equity invested into the project. Equity if funding invested into the business that is not repaid on a set schedule; it is typically money the owner or investors contribute to the project.
<i>Start Up Costs</i>	Describe the costs associated with the initial start-up of the business. Incorporate these costs into your projected financial statements. These costs may include the following:
<i>Rent</i>	Describe the total monthly rent and what it includes (maintenance, utilities, etc.) and any deposits required.
<i>Office Equipment</i>	Describe the acquisition and use of computers, software, printers, fax machines, copiers, mobile phones, etc. Also include desks, chairs, filing cabinets, lights, etc.
<i>New Building</i>	Describe the costs associated with engineering, architect fees, surveys, blue prints, drainage, water, sewer, electrical, HVAC, site preparation, etc. Also include appraisal fees, permit fees, phase I, II, and III environmental studies.
<i>Closing Costs</i>	Describe the closing costs associated with any loans.
<i>Banking Fees</i>	Describe the fees to be charged by the bank for start-up of accounts, credit card service equipment, forms, etc.
<i>Outside Services</i>	Describe services which will be contracted out such as janitorial, snow removal, lawn service etc.
<i>Insurance</i>	Describe the insurance needs of the business. Provide the costs associated from the insurance carrier.
<i>Inventory</i>	To stock your shelves or for use in your production process.
<i>Working Capital</i>	Cash required to pay the bills until the business is self-supporting

Money (continued)

A lender or investor typically will need to see the following financial documents.

<i>Three Year Income Projection*</i>	The income statement shows your business financial activity over a period of time. It is a moving picture showing what has happened in your business and is an excellent tool for assessing your business. The income projections should show the projections for your company for the next three years. These projections should be shown on a month-by-month basis to evaluate the seasonal aspect of the business. Projections should be based on economic trends and industry norms and standards and should be supported by the market analysis.
<i>Statement of Cash Flow*</i>	This document projects what your business plan means in terms of dollars. It shows cash inflow and outflow over a three-year period and is used for internal planning. Cash flow statements show both how much and when cash flow must flow in and out of your business.
<i>Balance Sheet*</i>	The Balance Sheet shows the condition of the business as of a fixed date. It is a picture of your firm's financial condition at a particular moment and will show you whether your financial position is strong or weak. It is usually done at the close of an accounting period and contains assets, liabilities and net worth.
<i>Break-Even Analysis*</i>	The break-even point is where a company's expenses exactly match the sales or service volume. It can be expressed in total dollars or revenue exactly offset by total expenses or total units of production (cost of which exactly equals the income derived from their sales). This analysis can be done either mathematically or graphically.
<i>Personal Financial Statement</i>	A statement of personal assets, liabilities and net worth (each lender typically can provide you with a form for this).
<i>Credit Reports</i>	Business and personal from suppliers or wholesalers, credit bureaus and banks. (Check your credit report at the local credit bureau before submitting a funding proposal).
<i>Copies of Leases</i>	All agreements currently in force between your company and a leasing agency.
<i>Contracts</i>	Include all business contracts, both completed and currently in force.

***The SBDC office can assist you with these 4 financial documents, once you have made estimates of your projected revenue, expenses and costs involved in your project. If you would like assistance in preparing these items, please follow these guidelines:**

Money (continued)

Instructions for Preparing Projected Financial Statements

1. Use the blank Pro Forma Income Statement worksheet(s) provided by the SBDC. On this form, list your expected monthly revenues and expenses. "Revenue" includes all sales, whether or not the proceeds of such sales are actually collected. If an item (defined by the headings down the left column) is not used, leave it blank. If you will have an expense category that is not listed, you may change the heading (in the left column) of any items not listed to a new heading to reflect your own category(ies).
2. Develop a set of "Notes and Critical Assumptions to the Pro Forma Financial Statements". This is simply a page that starts with "1. Revenue:" and explains your thinking or logic for how you developed the numbers or projections you are using. This is actually a valuable tool to help you organize your thoughts in developing your projections. We recommend that you do one item at a time for the entire forecast period (i.e.: work left to right, not down the columns. In other words, forecast only Revenue for the entire period, then move on to the next item). If an item is a function of something else (i.e.: Cost of Goods Sold is, say, "40% of Revenue", or Payroll Expense if perhaps "18% of Salaries") it is sufficient to state that in the Notes and just write in the formula on the worksheet. Some items, such as Revenue, may require quite a bit of explanation, while others, such as Insurance, may only require a statement such as "14 Insurance: Coverage's of XXX and YYY and ZZZ, based on a quote from So-and-so Insurance agency". Not only will these "Notes" make your forecasting more organized, and hopefully easier, they are essential for a reader to understand what you are doing.
3. Remember, "Cost of Goods Sold" is the direct cost of merchandise or services that are sold, not what you purchase for inventory (what goes out the door, not what comes in). If you will purchase more inventory than you sell in a given month (to stock up or buy in large lots) use the Inventory Purchase line to indicate the timing and amount of these purchases.

4. Please answer the following questions:

Will you offer credit (and why)? In today's marketplace, it is not normally necessary for a business to take the place of the local bank in offering credit to customers. If you must, how will you determine credit worthiness, what terms will you offer, and when do you expect to collect the balance of the accounts? Provide a breakdown of the timing of your accounts receivable collections-

_____ % of accounts collected in cash or credit cards (on average)

_____ % of accounts collected in 0-30 days

_____ % of accounts collected in 31-59 days

_____ % of accounts collected in 60-89 days

_____ % of accounts collected in 90+ days

_____ % of accounts not collected (bad debts)

How much will you withdraw from the business on a monthly basis?

How much cash will you be investing into the business?

What will be the form of the business entity (sole proprietor, partnership, corporation, LLC)?

Will you issue stock?

Will you use a cash or accrual method of accounting? You may want to consult an accountant or bookkeeper regarding this issue.

5. Develop a "Sources and Uses of Funds" Statement. (Sample on next page) This should list, on the top half, where all funds and/or assets will come from, including all equity (cash "down payment" or other assets you will contribute) and debt (loans) proposed. On the bottom half, list the "uses" of funds, or what you will use the money for. If you are contributing any non-cash assets as equity, be sure to also show these assets in the "uses" section. The two sections (sources & uses) should "match" (i.e.: don't show more unless you have sources).

6. Explanation of Expense Categories on the Projected Income Statement.

Salaries-mgmt: Compensation for owners or other salaried employees.

Wages-non-mgmt: Your hourly wage(s) times the number of employees times the number of days/months you anticipate they will be working.

Payroll Taxes: We ordinarily base these on the salaries/wages above. Ordinarily, you must pay 7.65% for Social Security and Medicare, 1.9% for Federal unemployment and .8% for state unemployment, which totals to 10.35% of salaries/wages.

Bad Debts: May be based on a percentage of your total sales. Will vary by industry and your credit policies.

Outside Services: Monthly fees for cleaning, snow removal, errand services, etc.

Dues, Fees & Subscriptions: Chamber or professional organization dues, membership fees or subscriptions to business related publications

Supplies: Usually office supplies that will be used up in less than one year, such as paper, pens, paper clips, etc. Do not include inventory purchases in this line.

Maintenance: Repairs of your building or equipment.

Adv/Promotion: Costs related to printing materials, advertising, direct mail, trade show exhibits or other marketing activities.

Car/Travel: To reimburse employees for work-related travel in their own vehicles, gas and maintenance of company vehicles, or travel and meal costs for attending trade shows, visiting customers, etc.

Acct & Legal: Fees for professional accounting or legal services.

Telephone: Installation fees, cost of the phones themselves, long distance service, etc.

Utilities: Usually includes gas, electricity, water, sewer and garbage collection fees.

Insurance: Can include cost of liability, health, fire, flood, and worker's compensation insurance. Please reflect how you will pay-monthly, up-front for a year, 6 months, etc.

Taxes (RE): Call your county assessor to get an estimate of the real estate taxes you are responsible for. Usually are paid twice a year.

Miscellaneous: a line for other small expenses that don't fit any category above

Project Budget Proposal

Your Name

Your Business Name

Business Start-Up Estimated Costs

PROJECT COSTS

Purchase of Real Estate	\$ _____	
Closing Costs	_____	
Remodeling Costs	_____	
Machinery & Equipment	_____	
Furniture & Fixtures	_____	
Supplies	_____	
Inventory	_____	
Other _____	_____	
Other _____	_____	
Other _____	_____	
TOTAL		\$ _____

START-UP EXPENSES

Advertising & Promotion	_____	
Public Relations Activities	_____	
Professional Fees	_____	
Licenses & Permits	_____	
Insurance	_____	
Utilities Deposits	_____	
Rental Deposits	_____	
Telephone Deposits & Fees	_____	
Other _____	_____	
Other _____	_____	
TOTAL		\$ _____

WORKING CAPITAL

\$ _____

TOTAL PROJECT START-UP COSTS	\$ _____
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Sources of Funds

OWNER'S CASH CONTRIBUTION \$ _____

TOTAL LOANS \$ _____

Bank Loan(s) _____
Other _____
Other _____

TOTAL ASSISTANCE PROGRAMS \$ _____

State Financial Assistance _____
Federal Financial Assistance _____

OTHER SOURCES _____ \$ _____

TOTAL SOURCES FOR FUNDS	\$ _____
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BALANCE SHEET - Household/Personal

(Date)

(Name)

1. Assets

Cash in Bank \$ _____
Prepaid Expenses \$ _____
TOTAL CURRENT ASSETS \$ _____

Facilities/Real Estate (buildings & land) \$ _____
Personal Property/Vehicles \$ _____
Other Equipment \$ _____
Household Goods \$ _____
TOTAL FIXED ASSETS \$ _____

Deposits Paid \$ _____
Investments-CDs/Stocks/Bonds/Funds \$ _____
401K/Retirement Plans \$ _____
Life Insurance-vested value \$ _____
TOTAL OTHER ASSETS \$ _____

TOTAL ASSETS \$ _____

2. Liabilities

Accounts Payable (outstanding bills) \$ _____
Notes Payable (short term credit/debts) \$ _____
Other Current Liabilities \$ _____
TOTAL CURRENT LIABILITIES \$ _____

Mortgage Payable \$ _____
Bank Loan Payable \$ _____
Other Long Term Debt \$ _____
TOTAL LONG-TERM LIABILITIES \$ _____

TOTAL LIABILITIES \$ _____

3. Equity (the difference between total assets and total liabilities) \$ _____

4. TOTAL LIABILITIES & EQUITY* (2.& 3.) \$ _____

**Total assets(1) should equal the total of liabilities(2) & equity(3).*

(Two-three years of Personal and/or Business Tax Return copies will also be needed.)

Client provided all information.

BUSINESS BALANCE SHEET

For the Period Starting _____ and Ending _____

(Your Name/Business Name)

(Address)

1. Assets

Cash in Bank \$ _____
Accounts Receivable \$ _____
Inventory \$ _____
Materials \$ _____
Prepaid Expenses \$ _____
TOTAL CURRENT ASSETS \$ _____

Facility – Building & Land \$ _____
Office Equipment \$ _____
Machinery/Production Equipment \$ _____
Leasehold Improvements \$ _____
Accumulated Depreciation \$ (_____)
TOTAL FIXED ASSETS \$ _____

Deposits Paid \$ _____
Goodwill Value \$ _____
TOTAL OTHER ASSETS \$ _____

TOTAL ASSETS (add everything above) \$ _____

2. Liabilities

Accounts Payable \$ _____
Wages Payable \$ _____
Payroll Taxes Payable \$ _____
Interest Payable \$ _____
Notes Payable \$ _____
Other Current Liabilities \$ _____
TOTAL CURRENT LIABILITIES \$ _____

Mortgage Payable \$ _____
Bank Loan Payable \$ _____
Other Long Term Debt \$ _____
TOTAL LONG-TERM LIABILITIES \$ _____

TOTAL LIABILITIES (add all debt) \$ _____

3. Owners'/Stockholders' Equity

Common Stock \$ _____
Retained Earnings \$ _____ (subtract total liabilities from total assets)

TOTAL EQUITY(add stock value & retained earnings) \$ _____

TOTAL LIABILITIES & EQUITY \$ _____

(Total Assets Should be an Equal Number to the Total of Liabilities & Equity)

Financing Preparation Checklist *(Check here when complete)*

1. 3-years of prior profit & loss statements, for an existing business
2. 3-years of prior balance sheets, for an existing business
3. 3-years of prior income tax returns, for an existing business
4. Current business balance sheet, for an existing business
5. 3-years of prior personal income tax returns
6. Current personal financial statement/balance sheet
7. Current credit report (Update to good standing)
8. Project Start-up budget with cost estimates
9. Lists itemizing estimated costs for purchase of new:
 - a. Production or operating equipment/tools
 - b. Furniture and fixtures
 - c. Remodeling/renovation expenses
 - d. Office equipment & software
 - e. Starting inventory
 - f. Materials
 - g. Outside services
 - h. Other expenses_____
9. 2-years of operating cash flow projections, for total business
10. Other relevant information _____

Business Plan Attachment Checklist

4. 3-years of prior profit & loss statements, for an existing business
5. 3-years of prior balance sheets, for an existing business
6. 3-years of prior income tax returns, for an existing business
7. 3-years of prior personal income tax returns, for a new business
8. Current business balance sheet, for an existing business
9. Current personal financial statement/balance sheet, for a new business
10. Start-up budget with cost estimates, for project
11. 2-years of operating cash flow projections, for total business
12. Lists itemizing estimated costs for purchase of:
 - Production or operating equipment/tools
 - Furniture and fixtures
 - Remodeling/renovation expenses
 - Office equipment & software
 - Starting inventory
 - Materials
 - Outside services
13. Copies of special licenses required to do work in this field of business
14. Copies of business tax permits, federal ad state
15. Copies of any zoning, facility purchase offers, lease agreements, or contract information
16. Resumes of all owners and any other key people that are important to the success of the business