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# **Business Plan for a Startup or Existing Business**

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# **Business Plan for a Startup or Existing Business**

A business plan consists of a narrative description and financial projections. The narrative description is the body of the business plan. The sections of a business plan can be completed in any order you wish, except for the *Executive Summary*, which should be completed last but placed at the front of the document. Skip any categories that do not apply to your type of business. When you are finished writing your first draft, you'll have a collection of paragraphs on the various topics of the business plan that must be edited into a smooth-flowing narrative.

The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a critical manner. The act of planning enables you to think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas objectively. It takes time now but helps avoid costly mistakes in the future.

This business plan is a generic model suitable for all types of existing businesses and start-up endeavors. However, you should modify it to suit your particular circumstances by emphasizing the particular type of business (manufacturing, retail, service, etc.).

Many business plans are created to make an effective presentation to investors or lenders so content and appearance are very important. Before presenting your plan, please contact your consultant from the Jacksonville State University Small Business Development Center for a final review.

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## I. Executive Summary

Write this section last but place at the front of the business plan.

It should be two pages or less.

Explain the fundamentals of the proposed business: What will your product be? Who will your customers be? Who are the owners? What do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise.

If applying for a loan, state clearly how much you are requesting, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

## II. General Company Description

*Mission Statement:* Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:

*Company Goals and Objectives:* Goals are destinations-where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

*Business Philosophy:* What is important to you in business?

Provide a paragraph discussing the industry which your company will enter or in which currently operates. Is it a growth industry? What changes do you foresee in the industry, short term and long term?

Define the strengths of your company. What factors will make the company successful? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to the business? You may attach a personal resume outlining your skills at the end of the document.

### **III. Legal Environment**

Legal forms of business ownership:

- Sole proprietorship
- Partnership
- Corporation (C or Sub S)
- Limited Liability Company (LLC)

Explain why you selected your structure. Each offers distinctive advantages and disadvantages. You may wish to seek appropriate legal counsel for a structure that best fits your specific business situation.

Also, consider the following legal considerations:

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage

## IV. Products and Services

Describe specifically what products and/or services your business will provide. Identify any special niche or underserved market you think your products or services will satisfy. What competitive advantages will your products and/or services provide that your competitors do not? *Describe* any unique or proprietary features that will provide your business with a competitive advantage.

What are the pricing strategies or fees for your products or services?

## V. Marketing Plan

No matter how good your product and your service, the venture cannot succeed without effective marketing. Marketing begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure your efforts are targeted at the areas you are trying to reach. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well spent.

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

Start with the resources provided by the Small Business Development Center's resource library. There are also multitudes of internet-based sources that are useful. For example:

U.S. Census Bureau <http://www.census.gov>.

U.S. Bureau of Labor Statistics <http://www.bls.gov>.

U.S. Small Business Administration <http://www.sba.gov>.

Your chamber of commerce also has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many sources that show small business owners how to do effective research themselves.

In your marketing plan, be as specific as possible with your findings by providing demographic information and sources.

### **Customers**

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics. The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile. This profile should include: age, gender, location, income level, and education.

### **Competition**

List your major competitors, including the following information (if available):

- Names and Addresses
- Annual Sales
- Length of time in business
- Number of employees

Will these companies compete with you in all areas or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.)

### **Promotion**

How will you reach potential customers and make them aware of your existence?

Advertising: What media will be used and why? For example, will you use newspaper, television, or other print media?

Have you identified low-cost methods to get the most out of your promotional budget?

Will you use methods other than paid advertising, such as trade shows, catalogs, word-of-mouth promotion, and networking opportunities through friends or professionals?

### **Pricing**

Explain your method or methods of setting prices. For most small businesses, having the lowest price is not always a sound policy. It reduces needed profit margins and price is not always the determining factor with many customers. Usually having average prices and competing on quality and service is a sound strategy.

Describe any major differences in your prices with those of the competition. Are they higher, lower, or the same?

### **Proposed Location**

Location is a very important factor in the success of your business. This is the time to think about what you want and need in a location. Many startups run successfully from home, while some decide to enter into a lease for commercial space or purchase a facility.



It is often true that a retail business will have different needs in a location than a service-based business. Aspects such as traffic counts and foot traffic are very important if the business will depend on drop-in customers.

If customers come to your place of business, issues such as convenience, parking, and floor space are important. Accessibility to the location will be an important determinant of whether the customer chooses to shop at your business.

### **Sales Forecast**

Now that you have described your products, services, customers, markets, and marketing plans in detail, it's time to attach some numbers to your plan. Use a pro forma cash flow analysis to prepare a 12-month sales and expense projection (refer to pages 13-14 of this plan). The forecast should be based on historical sales (if the business is currently operating), the marketing strategies that you have just described, your market research, and industry data.

It is sometimes helpful to complete 2 separate projections:

1. A "best guess", which is what you really expect.
2. A "worst case" low estimate that you are confident you can each no matter what happens.

Remember to keep notes on your research and your assumptions as you build this cash flow projection. This is critical if you are going to present it to financial institutions.

## **VI. Management and Organization**

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? Does he or she possess special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

Include position descriptions for managerial employees. If you are seeking financial assistance, include resumes of owner(s) and managerial personnel.

Include personal financial statements for each owner, showing assets and liabilities held outside the business and personal net worth. Owners will often have to draw on personal assets to finance the business, and these statements will show what is available.

The following personnel issues should also be addressed:

- Number of employees
- Type of labor (skilled, unskilled, and professional)
- Where and how will you find the right employees?
- Training methods and requirements
- Do you have schedules and written procedures prepared?
- Have you drafted job descriptions for employees? If not, take time to identify and list specific duties of each job category. This facilitates internal communication with employees.
- For certain functions, will you use contract workers in addition to employees? For complete rules and definitions refer to the Internal Revenues Service (IRS) *Publication 15-A, Employer's Supplemental Tax Guide*. This publication is easily accessed through the IRS web site at <http://www.irs.gov>.

## **VII. Financial Plan**

### **Startup Expenses and Capitalization**

You will have many startup expenses before you even begin operating your business. It's important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.

Even with the best of research, however, opening a new business has a way of costing more than you anticipate. Talk to others who have started similar businesses to get a better idea of expenses you might face. Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.

### **Financial Projections**

The financial plan primarily consists of a cash-flow projection. From this you can calculate the break-even point of sales and expenses. Together they constitute a reasonable estimate of your company's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

### **Projected Cash Flow**

A pro-forma cash flow analysis is one of the most important parts of your business plan. Many businesses fail because they cannot adequately service their debts and obligations. Every part of your business plan is important, but none of it is as important as adequate cash flow.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them-perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn't be taken by surprise.

Your cash flow will show you whether your working capital is adequate. A negative balance, as identified through the cumulative aspects of net cash flow, may indicate the need for additional levels of working capital. This plan should also predict just when and how much you will need to borrow.

Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory levels that should be budgeted?

## VIII. Appendices

Include additional documentation within this section to better clarify qualifications or market analysis. Examples of these items are:

- Resume of each owner or managerial employee in business
- Personal income tax returns for past 2-3 years
- Personal Financial Statement (form attached)
- Business income tax returns for past 2-3 years (if LLC multi-members, partnership, or Corporation)
- Brochures and advertising materials
- Industry and market studies
- Blueprints and plans
- Maps and photos of location
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- List of assets available as collateral for a loan
- Any other materials needed to support the assumptions in this plan

## Start-Up Cost / Project Cost

Company Name:				
<b>Uses of Funds (Every Expense)</b>				
	Land			
	Building (Renovation)			
	Equipment			
	Inventory			
	Supplies			
	Furniture and Fixtures			
	Deposits			
	Advertising			
	Legal/Accounting			
	Working Capital/ Cash			
	Other			
		<b>Total Expenses</b>	\$	<b>\$0.00</b>
<b>Funds Available</b>				
	Owners' Funds			
	Cash			
	Equity - inventory			
		<b>Total Owners' Equity</b>	(\$	<b>\$0.00 )</b>
		<b>Loan Amount*</b>	\$	<b>\$0.00</b>
* Loan amount is total expenses less total equity.				

CASH FLOW ANALYSIS													
Month:	1	2	3	4	5	6	7	8	9	10	11	12	Total*
<b>SALES:</b>													
Sales #1													\$0.00
Sales #2													\$0.00
Less Returns													\$0.00
<b>Total Sales *</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00
<b>Cash Receipts:</b>													
0-30 days													\$0.00
31-60 days													\$0.00
Over 60 days													\$0.00
<b>Total *</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00
<b>Disbursements:</b>													
Material Cost													\$0.00
Management													\$0.00
Labor													\$0.00
Benefits													\$0.00
Advertising													\$0.00
Auto expense													\$0.00
Contributions													\$0.00
Charge cards													\$0.00
Payroll Tax													\$0.00
Insurance													\$0.00
Legal/audit													\$0.00
Office supplies													\$0.00
Shop supplies													\$0.00
Freight													\$0.00
Telephone													\$0.00
Utilities													\$0.00
Water													\$0.00
Toll/cenese													\$0.00
Internet													\$0.00
Travel/fuel													\$0.00
Loan payment													\$0.00
Office Furniture													\$0.00
Fixtures													\$0.00
Equipment													\$0.00
<b>Total *</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00
<b>NET CASH FLOW</b>													
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>CUMULATIVE CF</b>													
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working Capital /	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CASH FLOW ANALYSIS			Sample Worksheet											
Month:	1	2	3	4	5	6	7	8	9	10	11	12		
<b>Sales:</b>														
Sales #1	5,000	5,351	7,067	15,492	12,887	6,276	6,311	6,311	5,109	4,872	5,048	18,000		
Sales #2														
Less Returns														
<b>Total Sales *</b>	<b>\$5,000</b>	<b>\$5,351</b>	<b>\$7,067</b>	<b>\$15,492</b>	<b>\$12,887</b>	<b>\$6,276</b>	<b>\$6,311</b>	<b>\$6,311</b>	<b>\$5,109</b>	<b>\$4,872</b>	<b>\$5,048</b>	<b>\$18,000</b>		
<b>Cash Receipts:</b>														
0-30 days	5,000	5,351	7,067	15,492	12,887	6,276	6,311	6,311	5,109	4,872	5,048	18,000		
31-60 days														
Over 60 days														
Cash balance														
<b>Total *</b>	<b>\$5,000</b>	<b>\$5,351</b>	<b>\$7,067</b>	<b>\$15,492</b>	<b>\$12,887</b>	<b>\$6,276</b>	<b>\$6,311</b>	<b>\$6,311</b>	<b>\$5,109</b>	<b>\$4,872</b>	<b>\$5,048</b>	<b>\$18,000</b>		
<b>Disbursements:</b>														
Material Cost	2,506	2,140	2,827	6,197	5,155	2,510	2,524	2,524	2,044	1,949	2,019	7,200		
Management														
Labor														
Benefits														
Advertising														
Auto expense														
Contributions														
Charge cards	250	250	250	250	250	250	250	250	250	250	250	250		
Payroll Tax														
Insurance	93	93	93	93	93	93	93	93	93	93	93	93		
Legal/Act														
Office supplies														
Shop supplies														
Freight														
Telephone														
Utilities	420	420	420	420	420	420	420	420	420	420	420	420		
Repairs														
Tax/license														
Rent/lease	600	600	600	800	800	700	700	700	700	800	900	2,000		
Travel														
Loan payment	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900		
Equipment														
Fixtures														
Other	200	200	200	200	200	200	200	200	200	200	200	200		
<b>Total *</b>	<b>\$5,969</b>	<b>\$5,603</b>	<b>\$6,290</b>	<b>\$9,860</b>	<b>\$8,818</b>	<b>\$6,073</b>	<b>\$6,087</b>	<b>\$6,087</b>	<b>\$5,607</b>	<b>\$5,612</b>	<b>\$5,782</b>	<b>\$12,063</b>		
<b>NET CASH FLOW *</b>	<b>(\$969)</b>	<b>(\$252)</b>	<b>\$777</b>	<b>\$5,632</b>	<b>\$4,069</b>	<b>\$203</b>	<b>\$224</b>	<b>\$224</b>	<b>(\$498)</b>	<b>(\$740)</b>	<b>(\$734)</b>	<b>\$5,937</b>		
<b>CUMULATIVE *</b>	<b>(\$969)</b>	<b>(\$1,221)</b>	<b>(\$444)</b>	<b>\$5,188</b>	<b>\$9,257</b>	<b>\$9,460</b>	<b>\$9,684</b>	<b>\$9,908</b>	<b>\$9,410</b>	<b>\$8,670</b>	<b>\$7,936</b>	<b>\$13,873</b>		