

Business Plan Development Services

The true value of a business plan is not the actual finished product, but the process of developing what you believe your business will become. The research and brainstorming phases help you look at your business in a systemic way. The process of teasing out ideas now can help you avoid costly mistakes later is invaluable.

A business plan consists not only of financial worksheets, but of narrative to help you and the casual reader of the plan better understand your business. More than 125 questions are contained in the body of the business plan in multiple sections. Work through the sections in any order that you want, but leave the Executive Summary for last. As its name suggests the Executive Summary is a summary of highlighted points throughout the plan and should be limited to only a few pages. The goal for the Executive Summary is to be a quick overview of the overall plan and if the reader wishes for more detail they can look into the body of the document.

Any questions that do not apply to your business should be skipped, don't waste time on items that don't pertain to you. When you get through all of the initial questions the first draft of the plan will be finished. This will be a very broad sketch of what your business plan is, you must take it from here to develop a cohesive document through future drafts.

A typical business plan takes several weeks to develop. Time spent in just thinking about your business and developing assumptions is an invaluable piece of the business development process. Ensure that you set aside enough time to look at the big picture and put it down on paper before you jump feet first into a venture. Make sure that the plan includes references to the sources of your assumptions so that you can look at them later and remember why you made the decisions that you did.

At Cascade Business Solutions, we provide the following template to help you brainstorm ideas about your business. Our value added proposition is to use our expertise to help you develop a better plan that will help you achieve your business goals.

Business Plan

OWNERS

Your Business Name

Street Address

Address 2

City, ST ZIP Code

Telephone

Fax

E-Mail

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II. Executive Summary

This section of the plan should be written last.

It should be two pages or fewer and include everything that could be covered in a five-minute interview.

The purpose of the Executive Summary is to summarize the total business plan into concise sections that will explain to the readers (loan officers, investors, etc.) what your product or service is, who your customers will be, what is the ownership structure and who are the owners, and where do you see the future of your business headed. It should be written in a professional and concise manner, with just the right enthusiasm that shows your true excitement about the project you are about to embark on.

If the plan is to be used to help apply for a loan, then the details of the amount needed, what you will use the money for and how it will make your business more successful to help ensure repayment of the loan.

III. General Company Description

The General Company Description section should give an overview of what is the essence of your business. This section should highlight the following areas:

- What business will you be in?
- Mission Statement: A brief mission statement, usually in 30 words or fewer, explaining their reason for your business's being and your company's guiding principles.
- 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.
- What is your Business Philosophy? Why is it important for your business to be successful?
- What is the market for your products? (This is just a summary, you will have a more detailed market analysis in the marketing plan section of the plan)?
- A description of your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?
- What are the most important strengths of your company? What are your core competencies (what does your company do better than anyone else, what do you specialize in). How will you be able to leverage your company to succeed in the market.
- What is your experience for this business? What do you bring to the table?

- Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?

This is the area to talk up your business, why your are here and what your strengths are, use this as a real opportunity to tell your story.

IV. Products and Services

This is the section that you use to describe the products or services that your company will specialize in. Go into as much detail as you can here (drawings, schematics, brochures, etc. should be placed in an appendix). You will want to talk about what factors will differentiate your products or services from the competition. What gives you a competitive advantage (or disadvantage)?

This section also should have pricing information, agreements and any other information pertinent to your pricing for the product or service (volume discounts, long-term contract discounts, etc).

V. Marketing Plan

This is the section that you talk about your marketing plan. Regardless of how great a product or service that you provide, it cannot be successful without a marketing plan. This will include research about the market that you are trying to get into. Do not be fooled that you already know exactly what your market is. You will need detailed research to make sure that the market trends are what you believe they are and how you can maximize your sales. Use the business planning process to help find the answers to your questions and test your theories. This will pay off in the end through new ideas and potentially avoiding missteps later.

Market research – Where to start?

Marketing research comes in two forms: primary and secondary.

Primary research means you gather your own data. This could be a survey of potential customers or reviewing store layouts of competitors. There are books available to help you learn how to do market research, or you can always hire Cascade Business Solutions to help (shameless plug).

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This is the 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 your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Remember to back up your research. Using only a Wikipedia entry to base your decisions on can lead to horrible results. Your chamber of commerce also has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Economics- What are the facts about your industry?

This section should include areas about the size and type of market you are going to get into. It should include at a minimum:

- The total size of your market
- Projected percent of the market you will have. (This is important only if you think you will be a major factor in the market.)
- Current demand levels in target market.
- Specific trends in target market—growth, consumer preferences, and product development.
- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
 - High capital costs
 - High production costs
 - High marketing costs
 - Large competitor
 - Consumer acceptance and brand recognition
 - Training and skills
 - Unique technology and patents
 - Unions
 - Shipping costs
 - Tariff barriers and quotas

And then detail how will you overcome them

- How could changes in the following areas affect your company?
 - Technology
 - Government regulations
 - The economy
 - Your industry

Products and Services- Customer description detail

In the previous *Products and Services* section, you described your products and services as you see them. Now describe them from your customers' point of view.

Features and Benefits of your products/services

List all of your major products or services.

The for each product or service:

- Describe the most important features. What is special about it?
- Describe the benefits. What will the product do for the customer?

What services will you give the customer after the sale? For example free delivery, a warranty, service contracts, support, follow-up, and refund policy.

Customers

Here is where you talk in detail about the customers that you will focus on, in other words their demographics. You may have multiple customer groups, these can include individual and business customers. For individual customers each you should construct a demographic profile which will include the following:

- Age
- Gender
- Location
- Income level
- Social class and occupation
- Education
- Other (specific to your industry)
- Other (specific to your industry)

For business customers, the demographic factors might be:

- Industry (or portion of an industry)

- Location
- Size of firm
- Quality, technology, and price preferences
- Other (specific to your industry)

Competition

The competition section should highlight who your competitors are and how you believe you stack up to them.

List your major competitors:

(Names and addresses)

Here is where you want to do a detailed SWOT (Strengths, Weaknesses, Opportunities and Threats) as compared to your competitors. This process looks at how your business compares to other businesses in the market space that you are looking to compete in.

Table 1: Competitive Analysis

FACTOR	Me	Strength	Weakness	Competitor A	Competitor B	Importance to Customer
Products						
Price						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						

FACTOR	Me	Strength	Weakness	Competitor A	Competitor B	Importance to Customer
Company Reputation						
Location						
Appearance						
Sales Method						
Credit Policies						
Advertising						
Image						

Now, write a short paragraph stating your competitive advantages and disadvantages.

Niche

What is your specific corner of the market? In about a paragraph explain what your market focus is.

Strategy

Outline a marketing strategy that helps support your niche.

Promotion

This is where you focus on getting your message out to your customers. Here you have to think about types of advertising, logo design, or customer identification systems.

You should look at your types of advertising. What is the type of media that you will focus on and why? How often will you advertise and what sort of advertising mix will you use? Cost, particularly for startups, is important remember to look at advertising methods that will stretch your promotional dollar.

Remember to look at methods besides paid advertising such as catalogs, trade shows, local chamber of commerce events and networking.

This is where you begin to develop your brand. You have to start thinking about what image you want to present to your customers. The design of any marketing tools have to de around a central image that you want to project to your customers.

Promotional Budget

Here is where you start costing out the items you listed in the promotion section above. Costs before you actually open your doors for business will go in your startup budget. After you open your business these costs should go into your ongoing operations budget.

Pricing

Explain your method or methods of setting prices. Having the lowest price is not a good policy. It is known as the death spiral in business as you will continually have to lower your price to compete and therefore lower you profit margins, robbing you of needed funds to grow your business. It is usually better to have a average price and compete on quality and service.

Here you should answer the following questions:

- Does your pricing strategy fit with what was revealed in your competitive analysis?
- Are your prices the same, higher or lower than the competitions? Why?
- What will be your customer service and credit policies?

Proposed Location

There is an old saying that asks, "What are the three things you need to be successful in business?" The answer: location, location, location. While in today's internet world this may not always hold true, this is the time to think about where your business will be based, and your home is an acceptable answer.

This is a general space idea, more detail on actual physical space will be given in the Operational Section.

Here is where you analyze your location criteria as they will affect your customers.

Is your location important to your customers?

Will they be coming to your place of business? If yes then look at the following questions:

- Is the location convenient? Not out of the way?
- Does it have sufficient parking?
- Plenty of interior space?
- Is it consistent with your image?
- Is it what customers want and expect?

Also include where the competition is located. Explain if it is better for you to be near them or distant..

Distribution Channels

This is where you describe how you will sell your products and services. The following are some options:

- Retail
- Direct (mail order, Web, catalog)
- Wholesale
- Your own sales force
- Agents
- Independent representatives
- Bid on contracts

Sales Forecast

Now is the time to attach some numbers to your plan. Use a sales forecast spreadsheet to prepare a month-by-month projection(we have one available to help you walk through the process). Your forecast should be based on your historical sales (if available), and projected sales based on the marketing strategies that you have just described, your market research, and industry data, if available.

You will want to do two forecasts: 1) what you really expect to happen, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. This is critical if you are going to present the plan to funding sources.

VI. Operational Plan

This section highlights the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

Production

How and where are your products or services produced?

Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

Location

This section expands on the proposed location section of above. Describe the type of location you'll have.

Physical requirements:

- Amount of space
- Type of building
- Zoning
- Power and other utilities

Access:

- Is it important that your location be convenient to transportation or to suppliers?

- Do you need easy walk-in access?
- What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centers?
- Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.
- Construction? Most new companies should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.
- Cost: Estimate your occupation expenses, including rent, but also including maintenance, utilities, insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your financial plan.
- What will be your business hours?

Legal Setting

Describe in detail the following:

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

Personnel

- Number of employees
- Type of labor (skilled, unskilled, and professional)

- Where and how will you find the right employees?
- Quality of existing staff
- Pay structure (Commission, hourly, salary, bonus)
- Training methods and requirements
- Who does which tasks?
- Do you have schedules and written policies and procedures prepared?
- Job descriptions for employees.
- For certain functions, will you use contract workers in addition to employees?

Inventory

- Will you keep inventory? If so what kind: raw materials, supplies, finished goods?
- What is your inventory investment?
- Rate of inventory turnover and how this compares to the industry averages?
- Do you have seasonal inventory buildups?
- Lead-times for ordering?

Suppliers

Identify your key suppliers:

- Names and addresses
- Type and amount of inventory furnished
- Credit and delivery policies
- History and reliability

Give details on the following items:

- Do you have more than one supplier for critical items (as a backup)?

- Do you expect shortages or short-term delivery problems?
- Are supply costs steady, fluctuating, or seasonal? If fluctuating, how will you deal with changing costs?

Credit Policies

- Do you plan to sell on credit? Is it customary in your industry and expected by your clientele? If not do you need to sell in credit?
- If yes, what policies will you have about who gets credit and how much?
- How will you check the creditworthiness of new applicants?
- What terms will you offer your customers; that is, how much credit and when is payment due? What will your collection policies be for those that do not pay their accounts?
- Will you offer prompt payment discounts? (Hint: Do this only if it is usual and customary in your industry.)
- Do you know what it will cost you to extend credit? Have you built the costs into your prices?

Managing Your Accounts Receivable

If you do extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table:

Accounts Receivable Aging	Total	Current	30 Days	60 Days	90 Days	Over 90 Days
Customer 1						
Customer 2						
Total						

You will need a policy for dealing with slow-paying customers:

- What is your collections policy?

- When do you make a phone call?
- When do you involve your attorney?

Managing Your Accounts Payable

You should also manage your accounts payable. Here you want to ensure that you are paying timely, but not too fast in order to maximize cash flow. Most accounting systems (Quicken, Microsoft Accounting) will help you by giving you aging reports. You will also want to establish a policy about paying if there are discounts available (will the discount provide you a better return than the extra time you get to use the cash).

A payables aging looks similar to the accounts receivable aging above except it is how long your bills are outstanding. Again most accounting software packages will give you these reports.

VII. Management and Organization

This is where you want to talk about the management of the business on a day to day basis. Who is going to manage daily operations and what experience do they bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

An organizational chart showing the management hierarchy and who is responsible for key functions should be created if you are expecting 10 or more employees. Include position descriptions for key employees. If you are seeking loans or investors, include resumes and short biographies of owners and key employees.

Professional and Advisory Support

Who are you looking to help expand the expertise of you and your company? The list should include the following:

- Board of directors
- Management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultant or consultants
- Mentors and other key advisors

VIII. Personal Financial Statement

Include personal financial statements for each owner and major stockholder, 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. Bankers and investors usually want this information as well.

IX. Startup Expenses and Capitalization

You will have many 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. There are two ways to make allowances for surprise expenses. The first is to add a little "padding" to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the approach we recommend.

Talk to others who have started similar businesses to get a good idea of how much to allow for contingencies. If you cannot get good information, we recommend a rule of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

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.

X. Financial Plan

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even calculation. 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.

12-Month Profit and Loss Projection

Many business owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it's time to revise your plan.

Four-Year Profit Projection (Optional)

The 12-month projection is the heart of your financial plan. This section is for those who want to carry their forecasts beyond the first year.

Of course, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

Projected Cash Flow

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

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.

There is no great trick to preparing it: The cash-flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases.

You should also track cash outlays prior to opening in a pre-startup column. You should have already researched those for your startup expenses plan.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the *Profit and Loss Projection*. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

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

Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never write a check for it.

Opening Day Balance Sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners' equity.

Use a startup expenses and capitalization spreadsheet as a guide to preparing a balance sheet as of opening day. Then detail how you calculated the account balances on your opening day balance sheet.

Optional: Some people want to add a projected balance sheet showing the estimated financial position of the company at the end of the first year. This is especially useful when selling your proposal to investors.

Break-Even Analysis

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it's the sales level that is the dividing line between operating at a loss and operating at a profit.

A break even analysis is based upon fixed and variable costs. Fixed costs are those cost which do not fluctuate despite the level of production or service, such as rent or interest on debt. Variable costs are those costs which do fluctuate with the levels of production, such as materials, postage, etc.

In simple terms the break even sales point expressed as a formula is:

$$\text{Breakeven Sales} = \frac{\text{Fixed Costs}}{1 - \text{Variable Costs}}$$

(Where fixed costs are expressed in dollars, but variable costs are expressed as a percent of total sales.)

Make sure that you include all assumptions upon which your break-even calculation is based.

XI. Appendices

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies
- List of assets available as collateral for a loan

XII. Refining the Plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

For Raising Capital

For Bankers

- Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:
 - Amount of loan
 - How the funds will be used
 - What this will accomplish—how will it make the business stronger?
 - Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
 - Collateral offered, and a list of all existing liens against collateral

For Investors

- Investors have a different perspective. They are looking for dramatic growth, and they expect to share in the rewards:
 - Funds needed short-term
 - Funds needed in two to five years
 - How the company will use the funds, and what this will accomplish for growth.
 - Estimated return on investment
 - Exit strategy for investors (buyback, sale, or IPO)
 - Percent of ownership that you will give up to investors
 - Milestones or conditions that you will accept
 - Financial reporting to be provided
 - Involvement of investors on the board or in management

For Type of Business

Manufacturing

- Planned production levels

- Anticipated levels of direct production costs and indirect (overhead) costs—how do these compare to industry averages (if available)?
- Prices per product line
- Gross profit margin, overall and for each product line
- Production/capacity limits of planned physical plant
- Production/capacity limits of equipment
- Purchasing and inventory management procedures
- New products under development or anticipated to come online after startup

Service Businesses

- Service businesses sell intangible products. They are usually more flexible than other types of businesses, but they also have higher labor costs and generally very little in fixed assets.
- What are the key competitive factors in this industry?
- Your prices
- Methods used to set prices
- System of production management
- Quality control procedures. Standard or accepted industry quality standards.
- How will you measure labor productivity?
- Percent of work subcontracted to other firms. Will you make a profit on subcontracting?
- Credit, payment, and collections policies and procedures
- Strategy for keeping client base

High Technology Companies

- Economic outlook for the industry
- Will the company have information systems in place to manage rapidly changing prices, costs, and markets?

- Will you be on the cutting edge with your products and services?
- What is the status of research and development? And what is required to:
 - Bring product/service to market?
 - Keep the company competitive?
- How does the company:
 - Protect intellectual property?
 - Avoid technological obsolescence?
 - Supply necessary capital?
 - Retain key personnel?

High-tech companies sometimes have to operate for a long time without profits and sometimes even without sales. If this fits your situation, a banker probably will not want to lend to you. Venture capitalists may invest, but your story must be very good. You must do longer-term financial forecasts to show when profit take-off is expected to occur. And your assumptions must be well documented and well argued.

Retail Business

- Company image
- Pricing:
 - Explain markup policies.
 - Prices should be profitable, competitive, and in accordance with company image.
- Inventory:
 - Selection and price should be consistent with company image.
 - Inventory level: Find industry average numbers for annual inventory turnover rate (available in RMA book). Multiply your initial inventory investment by the average turnover rate. The result should be at least equal to your projected first year's cost of goods sold. If it is not, you may not have enough budgeted for startup inventory.
- Customer service policies: These should be competitive and in accord with company image.
- Location: Does it give the exposure that you need? Is it convenient for customers? Is it consistent with company image?

- Promotion: Methods used, cost. Does it project a consistent company image?
- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?