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BUSINESS PLAN WORKBOOK

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SECTION 1: WHY DO YOU EVEN NEED A BUSINESS PLAN?

- **Only one in five businesses survives to its fifth birthday.** Avoid being one of the other four by planning.
 - **It's cheaper to make mistakes on paper.** Plan before you spend any money, order materials, or open your doors.
 - Business plans are used for any one (or more) of several purposes:
 - To obtain funding
 - To hire employees
 - To use as an operating guide
 - To organize an expansion or launch a new line
 - To sell a business
 - What is/are the purpose(s) of your business plan?
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- What should the plan include?
 - **Cover Sheet.** On company letterhead, introduce yourself (preferably including the name of whoever referred you) and identify your company (name, location, phones, fax, email, contacts). Then describe your business and state what you're requesting.
 - **Executive Summary.** This is the most important section and the one that must pique your audience's interest. Complete it last, once you've done all the leg-work for the other sections.
 - **The Business.** A concise, detailed description of your business, with operational and production details that show that you know your business and are organized and efficient.

- **The Market.** A thorough discussion of your target market, an analysis of competitors, and an outline of your marketing and sales plans.
 - **Management.** Profiles of your management team and a description of your management strategy.
 - **Financials.** Sales plan, operating budget, income statement, balance sheet, projected cash flow, a breakeven analysis and sources and uses of cash.
 - **Appendices.** Supporting details, including things like a time line, table of competitors, photos of locations, operational details, trade association data.
- How long should your plan be?
 - Your Executive Summary should fit on a page, or at the most two to three pages.
 - The rest of the plan should be as short and concise as you can possibly make it without sacrificing crucial content. Don't overload it with a lot of technical details. These can be appended, but shouldn't have to be waded through by the busy investor or executive.
 - A plan to attract investors is different from one to attract bankers or managers. Who is your particular target?
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- Investors want to know how much you need, by when and for how long, how much money they could make or lose, who else is investing what, what are you offering in exchange, who the management team is, what their exit strategy would be, and whether you want them to do anything besides invest money.
 - Bankers want to know the same kinds of things, but tend to be more risk-averse, so they want to know how much you're investing and what the risks are.
 - Managers and directors are more interested in the business itself.

SECTION 2: THE BUSINESS

DIRECTION

- **Vision.** Write your business' mission statement or describe your vision. This should be short – only a few sentences long. Communicate your personal vision for your business, what is driving you. Explain how your business is different from the competition, and why your management team can make it successful.

In a world of Home Depot's, Art's Hardware is unique. We are large enough to offer a wide range of choices, and to hire trained employees with extensive hardware experience, but we have a mom-and-pop feel. Our prices are slightly higher than the discount hardware warehouses, but our customer service and selection are substantially better, which is crucial since our target market is hobbyists and do-it-yourselfers, instead of contractors.

- **Goals and Objectives.** Identify your goals and objectives. Goals should be measurable, specific, and obtainable. Objectives are how you reach those goals.

Sample Goals and Objectives

Goal	Objective
<i>Sell 250,000 cases in the first year and 300,000 the second</i>	<i>Hire two experienced salespeople now, add a third the second year</i>
<i>Increase revenue by 15% over two years</i>	<i>Cut administrative expenses by 13%</i>
<i>Obtain 2.5% market share by year 3</i>	<i>Improve production efficiency by 8%.</i>

Goal	Objective

BUSINESS OVERVIEW

- **Name and Legal Description of Your Business.** State your company's name, when it was started and what its legal form is (sole proprietorship, general partnership, limited partnership, corporation). Include your address or addresses if you operate from more than one location.

- **Owners and Managers.** Include information about all owners, and briefly introduce the management team (you'll include more on them later).

- **Status.** Explain what stage your business is in – start-up, expansion, launching a new line, sale – and give a brief description of its history and current status. Are you in production? Have you secured facilities? If your business is already up and running, who are your major customers, what are your other product lines, what markets are you

targeting and how?

We began production one year ago, in a leased warehouse/factory space. Using customer focus groups, we narrowed our target market to African American male teens between 13 and 18 years old, living in and around Houston. We sell principally to bike and sport stores.

- **Strategic Alliances.** Have you contracted with any value added resellers (VARs) or original equipment manufacturers (OEMs)? What have you agreed and with whom?

Go Anywhere Tours has formed an alliance with a small commuter airline that operates between Hyannis and Martha's Vineyard; we book exclusively with them in exchange for reduced individual fares and highly favorable group rates.

PRODUCT/SERVICE

- **Product/Service Description.** Write a detailed description of your product or service: what it looks like, who uses it and why, its strengths and weaknesses. Include production, distribution, packaging, and purchasing information. List suppliers and any associates you have selected.

Our upscale gift baskets are perfect for any occasion. We purchase the baskets themselves directly from a cottage industry association in Indonesia. They are hand-made and each one is unique. The items themselves include purchased food items (including ginger cookies, specialty teas, tiny jam jars), and decorative accessories for the home that we produce ourselves (including candles, sachets, embroidered hand towels, oatmeal and lavender soap balls in wooden crates, note cards made from flower paper). Each basket is wrapped in clear cellophane and hand-tied with green raffia. Our baskets are at the higher end of a very crowded and stiffly competitive market, but we have already

secured orders from five area boutiques, fifteen gift shops and four specialty department stores. We have contracted with a local delivery service for all local deliveries (retailers pay shipping). We also custom-make baskets on our website, and deliver via UPS (customers pay shipping).

- **Unique Selling Proposition.** Your USP is the key to the success of your venture, and is included in condensed form in your Executive Summary. Here, in one or two very short paragraphs, explain what makes your product or service unique, how it fills a market need, and in what way it adds value.

Our backpacks are priced 5% lower than the nearest competitor and the market is very price-sensitive. Also, our packs are 8 ounces lighter than our nearest competitor's bag, and portability is crucial to our end user.

There are no stores like ours within a 10 mile radius and we've documented a strong customer interest in specialty tobacco products. Also, we stay open later than our competitors and our target customers are commuters .

- **Cost.** Write what your product or service costs. Include a detailed breakdown of the components, including direct labor and materials.

Direct Costs for Williams' Shoes:

<i>Component</i>	<i>Unit Cost</i>	<i>Component</i>	<i>Unit Cost</i>
<i>Ladies' dress pump "Twilight"</i>	<i>35.50</i>	<i>Cook</i>	<i>\$62/event</i>
<i>Ladies' pump "The Executive"</i>	<i>32.80</i>	<i>Meat, cheese</i>	<i>\$3.50/person</i>
<i>Ladies' sandal "Twinkletoes"</i>	<i>15.40</i>	<i>Vegetables, salads, fruits</i>	<i>\$2.25/person</i>
<i>Ladies' athletic shoe "Roadster"</i>	<i>28.25</i>	<i>Breads, pastries</i>	<i>\$4.00/person</i>

Direct Costs for Heavenly Hash Caterers:

<i>Component</i>	<i>Unit Cost</i>	<i>Component</i>	<i>Unit Cost</i>

- **Life Cycle.** Describe the life cycle of your product or service. Is it purchased seasonally and if so, when? Do you accept returns? Do you offer a warranty or a guaranty? How long does your product or service last?

The life-cycle of a massage begins with the first time a customer hears of us, via our web site, a referral, the Yellow Pages, or one of our flyers. It continues through making the appointment, having the actual massage, and receiving

our follow-up card in the mail. We offer a free ten-minute touch-up massage to customers within a week of getting one of our massages. This encourages return visits. Our busiest times are the two months before and after the Christmas holidays.

- **Approvals.** Include any information on patents, trademarks or copyrights, any tests or governmental approvals or licenses that are required (and whether you have obtained them) for your product or service.
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SECTION 3: THE MARKET

MARKET ANALYSIS

- **Industry Overview.** Describe the industry. How fast has it been growing? What is the outlook for the industry over the next few years and why and according to whom? Discuss any recent changes: new products, a big demographic shift, a technological break-through that changes the business radically. Support your statements with reliable statistics from trade periodicals, books, magazines, newspapers, and government statistics.

The home computer market has taken off dramatically in the last decade. Sales in number of units are up by over 500% and in dollars by over 350% (Technology Today, June 2000). This increase, combined with the advent of the world wide web in 1996, has radically changed the face of computer maintenance. Today over 10 million Americans (Internet World, January 2001) use home computers to do everything from accessing their mail, surfing the web, balancing their checkbooks and paying bills, doing their taxes, and ordering every imaginable kind of product or service.

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- **Definition of the Market.** Define your specific target market: how big is it, where is it located, how stable it is, and what if any market share you have already captured. Discuss any barriers to entry, like seasonal swings, stiff competition, government regulation.

Our B&B is located in downtown Juno, Alaska where it is dark for half the year, so we do most of our business during 6 months. Our guests are mainly business people on short term assignment, and parents of students at the university. There is only one other B&B within 20 miles (only two rooms, and only coffee and stale rolls are served for breakfast), but there are two very tacky motels (10 and 15 rooms) and one budget hotel (reasonable, but only 35 rooms, so they're often booked solid). According to the Juno Chamber of Commerce, 50,000 visitors come through Juno every year. Even if the proposed 100-room Hilton Hotel and convention center is built (and according to their own research, this will actually increase visitor traffic to Juno), the market can easily accommodate the coach house with four guest rooms that we are proposing to build on to our home.

- **Description of Your Customer.** Now paint a picture of your customer. Include standard demographics like age, sex, income, education, occupation, who the decision-maker is, all available from the U.S. census. Make the image more vivid by including psychographics: what magazines your target customers read, what television shows they watch, what leisure activities they like, what their values, attitudes and beliefs are, what their buying patterns are. This information is a bit harder to get at, but is invaluable in conveying to your audience exactly who your customer really is.

Our customers are the mothers and grandmothers of toddlers in the well-to-do suburbs around Atlanta. They are well-off (household income greater than \$120,000), at least college-educated, own their own homes, and make all buying decisions regarding toys for their children and grandchildren. They read Country Living and Atlanta At Home, prefer Judging Amy to Gerry Springer, and only let their children watch educational TV and videos. They are supporters of...