

## A SUGGESTED BUSINESS PLAN STRUCTURE

The business plan developed should demonstrate the Company's ability to implement the strategy of the Company's business and to project the Company's growth, using realistic assumptions. The plan should be concise, but also thorough enough to support and describe the points that will be the factors of success for the Company's business. The following outline and information can be used as a guide in the development of the Company's plan.

### **Executive Summary**

The Executive Summary abstracts in two or three pages the key points of the business, the reasons customers need the product or service, and to entice the reader to review the accompanying information. It is a concise presentation of the business without the supporting arguments.

Suggestions for elements to be covered under Executive Summary:

- A. Company History: When, where and why did the Company begin to operate?
- B. Principals: Who are the principals; what are their capabilities; and what is their financial stake in the company?
- C. Product or Service: What does the company sell; are the products new or established; are they protected by patents; and are more products being developed?
- D. Market: Where does the Company's product sell; how does the Company penetrate the market place; what companies are playing pivotal rolls in the market place; what is the growth trend?
- E. Financial: This should be a summary that is one half page in length that condenses the historical sales and earnings of the company, including a summary of the pro forma forecasts.
- F. How many dollars are needed for the business and how will it help the company achieve its goals?

The subject headings and additional questions are not intended to be all-inclusive. You, the entrepreneur, are transferring vital information on your business and the reader needs a sense of order and continuity. You should be creative in the presentation of the business. Do not make the plan too long. Detailed support information or in-depth analyses are better included in the appendices. Business plans are used to describe your business, its strategies and opportunities for the future. The development of a clear, concise presentation on the business will encourage a careful review of your material.

This section begins to develop for the reader the detail leading to a better understanding of the business and the opportunity being presented. The summary highlights the important facets of the business. Now supportive material documents the underlying business strategy of the company.

## **Company History**

- A. How did the business begin, and in what form?
- B. Have there been any past investments in the company?
- C. What is the existing capital structure and stakeholders of the company?

## **Marketing Analysis**

- A. Briefly describe company's key market(s) and how large they are.
- B. What segments in that market place are attractive to the Company and how will the Company attain, increase or retain their position in the market?
- C. What products or services does the Company target to each market segment; how does the Company anticipate growing business in each of these target market segments; are there new segments of the market in which the Company is introducing existing or new products?
- D. Describe the competition. Who are some of the Company's largest competitors; what are their respective market shares; what are the strengths and weaknesses of the Company's major competitors; how does the product or service of the Company compare with those competitors (i.e. price features, distribution, service, whatever)? The ultimate question is: why is someone going to purchase the Company's product or service versus the competition?
- E. Marketing strategy: what are the Company's channels of distribution; how does the Company's product reach the customer; what are the Company's marketing objectives; what outside services does the Company use to assist in this area; what is the Company's pricing strategy; who controls the pricing of a product or service?

## **Products or Services Offered**

- A. Prepare a detailed description of the products and services offered.
- B. What are the strengths and weaknesses of the products or services; are there any negatives or draw backs; what is the reaction to the customer base; are customers requesting changes in the Company's product?
- C. What is the strategy for future product development; are there funds set aside for that particular effort or activity?

## **Production**

Obviously, this is applicable only if there is a product that is manufactured. The questions the Company should answer are:

- A. Are the facilities adequate for the desired quality and quantity of the production; is there any expansion contemplated and how much capital is needed; how efficient are the facilities; are there threats of strikes; what kind of relationship does the Company have with vendors and suppliers?
- B. Where is the Company's current facility and is it leased or owned?
- C. Discuss the production process. Are there any materials that have long lead times; is the Company part of an ISO 9000 group or does the Company have high quality control standards?
- D. What are the strengths and weaknesses of the Company's manufacturing facility; what needs to be improved; what are positive and negative production factors that influence the company; how does the Company's production capability compare with Company's competitors?
- E. What is the Company's strategy to improve the manufacturing costs?

## **Management and Ownership**

The investors want to know the technical and managerial capabilities of the key people in the firm. The suggested outline information is as follows:

- A. Abbreviated resumes of the principals with backgrounds of their prior work experience, responsibility and educational background.
- B. Have the principals invested any money in the transaction?
- C. What is the current compensation for the principals and senior management?
- D. What is the ownership structure of the company today?

## **Financial Data**

- A. History: if the Company has three years of operations: profit and loss statements, cash flow, balance sheet including notes and assumptions;
- B. Pro forma basis: the development of P&L statements, cash flow and balance sheets-- they should be monthly for the first year, quarterly for years two and three and annual budgets for years four and five.

There should be a section of assumptions that describe why the company will be able to achieve the revenues defined. The assumptions would be used for such things as sales; cost of goods sold; cost of marketing; production; achieving market share; what are the cycles for accounts receivable, accounts payable, inventory, etc.

A potential investor will want to clearly understand how the funds being requested will be used in the firm; the timing of the amount requested and how this will impact the balance sheets, the cash flows and the P&L statements.

## **An Appendix Section**

This could include market data, customer information, customer profiles, references, information from studies or trade journals supporting the position of the business plan and the growth strategy, and references to other sources of information that would be helpful for the investor in making the determination on the appropriateness of the Company's business as an investment for their partnership.