

## **WRITING A BUSINESS PLAN**

### **Introduction:**

Writing a business plan is an important early step in starting or expanding a business. A business plan is important for a number of reasons. It assists the business owner as well as institutional and individual investors by organizing information that describes the business and demonstrates how an investment or loan will further the company's goals.

A business plan provides information that must be presented to a bank or other investors before a credit decision is made. Since most businesses can only start-up or expand with at least some borrowed funds, the presentation of reliable and complete information in a business plan is essential.

### **What a Bank or Lending Institution Looks For in a Business Plan:**

Since most business plans will be submitted to banks, it's important to understand how a banker analyzes a business plan and what questions a banker asks during this analysis. A banker's job is to assess the degree of risk in each proposed loan and to be satisfied that the loan can be repaid by the borrower while still allowing the business to operate profitably. A banker does this by analyzing a number of things, including the:

- nature of the business
- purpose of the loan
- amount of the loan
- ability to repay the loan
- character and management skills of the business owner

To convince a banker (or any other investor) of the viability of the loan request, a borrower must present complete, well-organized information which addresses these and other concerns. It is important to remember that proper packaging of a loan proposal can greatly influence the approval of the loan request.

### **Suggested Business Plan Outline:**

- I. Cover Letter
  - Applicant name and address
  - Amount and purpose of loan
  - Terms and sources of repayment
  - Collateral offered
- II. Description of Business
  - Type and form of business
  - Location and business description
  - Product(s) or service(s) description
  - Timetable for business plan implementation

- III. Market Analysis
- Market identification-who are your potential customers-where are they?
  - Market size-how many potential customers
  - Market's growth potential
  - Industry trends
  - Pricing of products or services-How will you remain competitive?
- IV. Competition
- Identify nearest competitors
  - Assess their strengths and weaknesses
  - Describe the advantages your business will have
- V. Management Plan
- Personal history of principals including resumes
  - Organizational chart
  - Duties and responsibilities
  - Staffing plan:  
Include number of employees, amounts of salaries and fringe benefits, training needs, etc.
- VI. Sources and Uses of Funds
- Identify the items to be purchased and cost of each
  - Include current contractor and supplier estimates, including installation, freight and contingency costs
  - Include collateral list and values
  - Specify where the money is coming from - bank, other investors or lenders, and your investment
- VII. Marketing Strategy
- Identify method of selling products: direct, through distributors, retail chains, etc.
  - How will products be serviced?
  - What kind of advertising is anticipated? Identify costs.
- VIII. Financial Data
- Historical Balance Sheet
  - Current Balance Sheet (less than 90 days old)
  - Historical Income Statements (three years, if available)
  - Business Income Tax Returns (3 years)
  - Personal Financial Statement
  - Personal Income Tax Returns (3 Years)
  - Cash Flow Projections for one year, by month. Include assumptions and factual data, explaining how you got the numbers.
- IX. Appendix
- Letters of recommendation
  - Lease agreements

## **SUMMARY OF THE BUSINESS PLAN CHECKLIST**

### **1. Description of the Business:**

- a) What type of business are you planning?
- b) What products or services will you sell?
- c) What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?
- d) Why does it promise to be successful?
- e) What are the growth opportunities?

### **2. Marketing Plan:**

- a) Who are your potential customers?
- b) How will you attract and hold your share of the market?
- c) Who are your competitors? How are their businesses prospering?
- d) How will you promote sales?
- e) Who will be your best suppliers? Why?
- f) Where will the business be located?
- g) What factors will influence your choice of location?
- h) What features will your location have?
- i) How will your building contribute to your marketing strategy?
- j) What will your building layout feature?

### **3. Organization Plan:**

- a) Who will manage the business?
- b) What qualifications will you look for in a manager?
- c) How many employees will you need? What will they do?
- d) What are your plans for employee hiring, salaries and wages, benefits, training, and supervision?
- e) How will you manage finances?
- f) How will you manage recordkeeping?
- g) What consultants or specialist will you need? Why will you need them?
- h) What legal form of ownership will you choose? Why?
- i) What licenses and permits will you need?
- j) What regulations will affect your business?

### **4. Financial Plan**

- a) What is your total estimated business income for the first year?
- b) What is your Monthly estimated business income for the first year?
- c) What is your Quarterly estimated business income for the second and third year?
- d) What will it cost you to open the business and sustain it for eighteen months of operation?
- e) What will your monthly cash flow be during the first year?
- f) What will your personal monthly financial needs be?
- g) What sales volume will you need in order to make a profit during the first three years?
- h) What will be the break-even point?
- i) What will be your projected assets, liabilities, and net worth on the day before you expect to open?
- j) What will the capital value of your equipment be?
- k) What will your total financial needs be?
- l) What will your potential funding sources be?
- m) How will you use the money from lenders or investors?
- n) How will the loan be secured?

## **WORKSHEET FOR BUSINESS PLAN CHECKLIST**

**Please answer these questions as though you were the lending agency evaluating your business plan.**

<b>1. Description of the Business:</b>	Check mark if answer is included	Answer is clear (Yes or no)	Answer is complete (Yes or No)
a) What type of business are you planning?			
b) What products or services will you sell?			
c) What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?			
d) Why does it promise to be successful?			
e) What are the growth opportunities?			

Write the strengths and weaknesses on the ***Description of your Business*** from the lenders point of view.

Strengths	Weaknesses

<b>2. Marketing Plan:</b>	Check mark if answer is included	Answer is clear (Yes or no)	Answer is complete (Yes or No)
a) Who are your potential customers?			

b) How will you attract and hold your share of the market?			
c) Who are your competitors? How are their businesses prospering?			
d) How will you promote sales?			
e) Who will be your best suppliers? Why?			
f) Where will the business be located?			
g) What factors will influence your choice of location?			
h) What features will your location have?			
i) How will your building contribute to your marketing strategy?			
j) What will your building layout feature?			

Write the strengths and weaknesses on the **Marketing Plan** from the lenders point of view.

Strengths	Weaknesses		

<b>3. Organization Plan:</b>	Check mark if answer is included	Answer is clear (Yes or no)	Answer is complete (Yes or No)
a) Who will manage the business?			
b) What qualifications will you look for in a manager?			

c) How many employees will you need? What will they do?			
d) What are your plans for employee hiring, salaries and wages, benefits, training, and supervision?			
e) How will you manage finances?			
f) How will you manage recordkeeping?			
g) What consultants or specialists will you need? Why will you need them?			
h) What legal form of ownership will you choose? Why?			
i) What licenses and permits will you need?			
j) What regulations will affect your business?			

Write the strengths and weaknesses on the **Organizational Plan** from the lenders point of view.

Strengths	Weaknesses		
<b>4. Financial Plan</b>	Check mark if answer is included	Answer is clear (Yes or no)	Answer is complete (Yes or No)
a) What is your total estimated business income for the first year?			

b) What is your Monthly estimated business income for the first year?			
c) What is your Quarterly estimated business income for the second and third year?			
d) What will it cost you to open the business and sustain it for eighteen months of operation?			
e) What will your monthly cash flow be during the first year?			
f) What will your personal monthly financial needs be?			
g) What sales volume will you need in order to make a profit during the first three years?			
h) What will be the break-even point?			
i) What will be your projected assets, liabilities, and net worth on the day before you expect to open?			
j) What will the capital value of your equipment be?			
k) What will your total financial needs be?			
l) What will your potential funding sources be?			
m) How will you use the money from lenders or investors?			
n) How will the loan be secured?			

Write the strengths and weaknesses on the **Financial Plan** from the lenders point of view.

Strengths	Weaknesses