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A Practical Guide to Preparing Your Business Plan

*New York Small Business
Development Center*



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WHY DO YOU NEED A BUSINESS PLAN?

If you want to raise money to finance a new business, the operation or expansion of an existing business, or to buy an existing business—you need a business plan.

Sources of capital (investors and lenders) will not even consider providing money to your business unless you have a plan—and it must be a plan that shows you have really thought through what you are proposing.

If you want to manage and organize your business effectively, you need a business plan. A good plan helps you to focus on markets for your product or service, anticipate future needs, monitor progress and be a proactive—not reactive—manager. It's a very valuable management tool.

If you want to know where you are, where you're going, and how you're going to get there, you need a business plan. A good business plan is a road map for your business.

If you have never prepared a business plan before, work with a resource partner like the NY SBDC to help you get started. They can help analyze the strengths and weaknesses of your business proposal, and work with you to complete your plan so that you will have a useful tool for running your business or raising capital.

CHOOSING THE PLAN FOR YOU

Many business planners can begin with a Condensed Business Plan to get things started. Section 1 will take you step by step through a simplified planning process and will enable you to quickly make a preliminary assessment of your business idea. If you need assistance with

completing your plan, please contact a resource partner or read the comparable information in Section 2.

Some business planners require a more detailed plan. Section 2 provides more detailed questions, requires more extensive research, and will take you step by step through a careful analysis of your business proposal and provide a clear path for your business.



SECTION 1 - CONDENSED BUSINESS PLAN

SUMMARY

The Summary is a brief – no more than one page – overview of your business plan. You should write it after completing the nine areas (described below) and the financial sections. It should highlight the key ideas in your plan and help the reader to make sense of what they will be reading.

1. BUSINESS DESCRIPTION

The Business Description is an overview of what your business is and what it does. In a concise and direct manner, describe your business. For example, “New Business Enterprises is a partnership set up to manufacture widgets. It is located in a 2,500 sq. ft. facility in Anytown, NY and sells through a distributor network to customers throughout the United States. The partners developed the widgets while working from home and moved to the current location last year. New Business Enterprises is seeking to expand manufacturing with new production equipment and a larger facility.”

2. MARKET ANALYSIS

In the Market Analysis, describe who your customers are or will be. Are they individuals or businesses? How many customers are out there? If individuals, what are their characteristics in terms of age, location or other common traits? If businesses, how can they be identified (e.g., by industry, by size, etc.)? If your product or service is already available from other sources, how big is the market - in other words, how much is currently being spent by all possible customers? What are the past, current and future market trends? Is the market segmented? Is it a commodity market? Is it unique? What is the geographic area of your market? What part of the market will you be selling to?

3. PRODUCT OR SERVICE ANALYSIS

Describe specifically your product or service and why customers will purchase it. What are the features or benefits of your product or service that are better than the competition (e.g., better quality, cheaper, faster, softer)? What need does your product meet? How does it satisfy demand? Is the product protected, perhaps by a patent or an exclusive contract? What makes your product

unique? Is it branded or private label? What will your warranty policy be?

4. COMPETITION

Identify the top three or four companies that provide the same or an alternative product or service, and be sure not to overlook foreign competition. Briefly describe these competitors in terms of size, location, target market, distribution or other characteristics. You may wish to do this section as a chart. Remember—a good place to start this research is by searching online and/or industry directories. Describe also any identifiable strengths and weaknesses, such as, competitor #1 has a large sales force, #2 has no local distribution. Don't forget to learn from the competition—what are they doing right and what are they doing wrong? What are your competitors' strategies in markets, sales and operations?

5. MARKETING STRATEGY

This section describes how you will reach your customers and your sales goals. Be sure to think specifically why customers will buy from you and not the competition. Identify and describe how you will get sales, how you will reach specific markets, how you will price the product or service, and how the product or service will be distributed. For example, will you sell through retailers, by direct mail, sales representatives, regional distributors, direct sales people, etc.? How will you promote the product or service—will you develop a brochure or data sheet, where and when will you advertise, and (estimate) how much will this cost? Will you build a market niche? How will service/other policies interact with marketing?

6. OPERATIONS

Describe how you will make or obtain your product or provide your service. Be specific in describing how much space, special electrical

service, and/or special plumbing may be needed for machinery, storage, packing and handling; what type of machinery is required; how much warehouse and office space you need; and if there are any zoning or regulatory [OSHA, EPA, etc.] concerns. How many people will you need, and when will you need them? Are special skills required?

7. MANAGEMENT

In this section identify who will be in your business. What experience are you bringing into the business, and how does your background relate to the business? Provide resumes or detailed descriptions of the people that will be working with you and their education and experience. If there are several owners or partners, identify all of them. Identify support persons and services, such as accountants or attorneys, in this section as well. You may want to include job descriptions that identify specific tasks and responsibilities.

8. FINANCES

In this section describe how much your business proposal will cost. Describe the past, current, and future fiscal side of your business. If your business is already operating, provide financial statements or tax returns for the last three years. How much business are you doing now? Are you making a profit, and if so, how much?

Estimate how much it will cost to do the things you propose. For example, the new machine will cost \$3,000 plus \$500 for installation. If you do what you plan, how much more will you sell or how much more cost effectively can you produce or provide the product or service? Will new equipment help you keep up with the competition? Will it give you a competitive advantage? Identify the costs of making your product or providing your service. Can you charge enough to make a profit?

Estimate the operating costs you will incur by reviewing these cost areas: rent, wages, benefits, insurance, advertising, printing, telephone, utilities, business travel, sales expenses, etc. See the sample financial schedules at the back of this booklet to help you prepare projections for the first three years of your business. If you plan to borrow money, don't forget to include the proceeds of the loan and repayment of principal and interest. As you work on the numbers remember to write down the assumptions behind the calculations.

9. SUPPORTING INFORMATION

Provide copies of brochures, photos, news clippings or other relevant information that will help the reader to better understand your proposal. For example, a photograph can help someone to understand your product. A copy of a competitor's brochure can show how attractive your product is compared to theirs. If your business is a franchise, attach a copy of the contract, etc.



SAMPLE INCOME STATEMENT

	Q1	Q2	Q3	Q4	Total
Gross Sales					
Less returns/allowances					
Net Sales					
Less Cost of Goods Sold					
Gross Profit					
Operating Expenses					
Advertising					
Bad debts					
Bank charges					
Credit card fees					
Depreciation					
Dues & Subscriptions					
Insurance					
Interest					
Maintenance & Repairs					
Postage & Supplies					
Rent					
Salaries & Wages					
Taxes					
Telephone					
Travel & Entertainment					
Utilities					
Other operating costs					
Total Expenses					
Profit/(Loss) before taxes					
Income Tax expense					
Net profit/(loss)					

SAMPLE CASH FLOW

	Q1	Q2	Q3	Q4	Total
Cash on hand					
Cash Receipts					
Sales					
Collection of credit accts					
Loans or financing					
Total cash receipts					
Cash Paid Out					
Purchases					
Gross wages					
Payroll expense					
Supplies					
Repairs/maintenance					
Advertising					
Insurance					
Interest					
Delivery & travel					
Accounting & legal					
Rent					
Salaries & Wages					
Taxes					
Telephone					
Capital purchases					
Utilities					
Other expenses					
Loan principal payments					
Total Cash Paid Out					
Cash at end of month					
Essential Operating Data					
Sales volume \$'s					
Accounts receivable					
Bad debts					
Inventory					
Accounts payable					