Sample Business Plan

I. Purpose of New Business
(Manufacturing, retail or wholesale sales, service)

II. Organizational Structure

A. Type

1. Sole proprietorship

2. Partnership: how many individuals?

3. Corporation: regular or “subchapter-S?”

B. Has it been established as yet?

III. Name of Firm, Officers, Initial Contact, Location and Phone Numbers

IV. Market Analysis

A. Who is the potential market?

1. General public

2. Other firms—what types?

B. How big is the market now?

1. What is its history?

a. Long term

b. Short term

2. Is it growing significantly?

C. Who fills the market now?

1. Where are the major competitors?

2. How big are they?

3. Where are they located?

4. Why are they where they are?

5. What other advantages do they have?
6. What is the percentage of market control they divide?
    a. Does one firm control the market?
    b. Is it widely split?
    c. Why is the split the way it is?

D. What share of the market do you expect to acquire?
1. 1st two years
2. Over long term
3. Why?

E. How do the customers buy? – personal contact, salesman, mail, phone.

F. How do they pay?

V. Experience in the business

A. How many years?

B. Doing what jobs?

C. How much prior supervision experience?

D. Ownership or management of other businesses?

VI. Prior investigation in entering the proposed business

A. Contacts with other firms in the business
1. What are their problems?
2. How profitable are they?

B. What other contacts have been made relating to establishment of the firm?
1. Industry association
2. Lending institutions

3. Potential customers
4. Potential suppliers
5. Potential franchisers
6. CMU and other business schools
7. Small Business Administration
8. Other business development organizations

VII. What are the business type's particular advantages?

A. Markets

B. Technology

VIII. Does the business face any special problems?

A. Markets

B. Regulations

C. Transportation costs or means

D. Insurance

E. Environmental

F. Labor related

IX. Why is Newaygo County the preferred location?

X. What particular advantages will the proposed firm have?

A. Location

B. Application of new technology

C. Market factors

D. Other

XI. What is needed to start the proposed new business?

A. Property

1. Where does it have to be?

    a. Is it dependent of access (foot or auto)?

    b. Is it dependent on utility service?

        i. Water (process or fire protection)

        ii. Sanitary sewer

        iii. 3-phase electric service

        iv. Natural gas service

2. Own or lease?

3. How much?

4. Has a site already been identified?

    a. Where?

    b. Why?

    c. What are its advantages?

B. Building

1. Own or rent?

2. How big (floor space in square feet)?

3. Estimated cost per square foot

    a. New building on total cost

    b. Rental property on monthly basis

4. Has a suitable building been identified?

    a. Is it affordable

b. Is there a better location?

c. Is it too small or too big? (A little too big will provide automatic growth space. Much too big is wasting needed money. Too small may limit growth.)

d. Does it require being locked into too long a lease agreement?

C. Employees

1. How may—first year?

2. What specific skills (how many doing what)?

a. Managerial

b. Clerical

c. Production

d. Accounting (for small firms an accounting service is a better buy)

3. Estimation of wages cost in first year (each employee and manager)

a. Per hour

b. Benefit package

4. Availability in local area

D. Equipment

1. What equipment will be necessary for the entry into operation and during first two years?

2. For each item state:

a. Purpose

b. Type or kind

c. How many

d. Estimated unit cost

i. New

ii. Used

e. Where it can be acquired

f. How far in advance of start-up must it be acquired

(include office furniture and computation equipment)

E. Inventory

1. What is it (type)?

2. How much material?

3. Potential sources

4. Cost

a. Prior to sale

b. On consignment

5. How long must it be carried before sales begin?

6. What is the percentage markup on sales or value added?

7. What is the payback schedule?

8. Is there any initial start order costs or discounts?

F. Insurance, cost estimates

1. General liability

2. Employee liability, workers compensation and unemployment compensation

3. Fire and Storm

4. Theft, loss and other

G. Utility cost estimates

1. Water and sewer

2. Electrical

3. Natural gas

H. Fuels

I. Promotion and advertising

J. Accounting services

K. Permit costs
(Also investigate lead times)

L. Miscellaneous expenses

M. Cash reserve (5 to 15%)

XII. Capital now available through proprietors

A. Cash and liquid securities

B. Securities available as collateral

C. Land, buildings and other property that can be mortgaged

D. Equipment already owned

XIII. Liabilities

A. Mortgages

B. Other long term debt

C. Short term debt

XIV. Outside Fixed and Working capital required

A. Other source of available capital

B. Supplier financing of inventory

C. Amount needed through mortgages and loans

1. Fixed

a. Building plant

b. Equipment

2. Overhead

a. Utilities

b. Insurance

3. Working

a. Wages prior to start of sales

b. Start-up costs

c. Inventory not financed through supplier

D. Less

1. Internal available capital

2. Accounts receivable (if any)

E. Total needed to borrow

1. Long term (plant and equipment)

2. Short term (wages, start-up costs, inventory)

Do not plan on any reduction of interest

XV. Break Even Analysis ----- First Year

A. Expenses

1. Plant and equipment costs (rent)

2. Salaries and wages

3. Advertising and promotion costs

4. Transportation costs

a. In

b. Out

5. Utilities

6. Inventory or raw materials

7. Other supplies

8. Insurance

9. Taxes

10. Custodial costs

11. Accounting and computational services

12. Other

B. Receipts

1. Gross sales – estimated both in units and dollar volume

2. Working capital draw-down

3. Inventory carry forward

C. Analysis

<u>Receipts</u> minus expenses = + or –

For most projected new businesses, the first year is not profitable. For most small businesses the second year must be.

If the analysis indicates a short fall or loss in first year, consider a <u>slight</u> decrease in scope of project. Do not reduce too much as the inflation situation will require some growth merely to break even. Examine all alternatives. What can be saved from each cost area? Tightening up cost estimates and watching pennies will reduce your borrowing needs and stretch your capital.

XVI. Final Thoughts

A. Do not be afraid to think things through

B. Do not be afraid to write things down. Your business proposal will go through several revisions before you have it ready to the satisfaction of yourself and other people such as bankers and suppliers.

C. Do not be afraid to ask questions of bankers and other professionals. The world is too complex to be known by one individual.

D. Talk to suppliers and customers.

E. Take your time. It's your business. Thought and action to prevent problems in advance is much better than crisis management later.