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BUSINESS

Start-Up

&

Resource Guide

Starting a business in North Carolina

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www.sbtcd.org/pdf/startup.pdf

Develop Your Business Plan

An effective business plan serves at least four useful purposes:

- 1) It helps you **focus** your ideas;
- 2) It creates a **track** for you to follow in the early stages of business growth;
- 3) It creates **benchmarks** against which you can measure progress; and
- 4) It provides a document for attracting equity or debt **financing**.

The business plan brings together the goals, plans, strategies, and resources of a business. By developing a comprehensive plan prior to commencement of operations, it can minimize risk and may save you from significant financial and professional losses resulting from an unprofitable business.

There are many different suggestions for organizing and presenting a business plan. Organize and prepare your plan so that it meets your style and needs as well as the needs of those who will read it.

Following are the elements that are important in a comprehensive and detailed plan. Let this serve as a step-by-step guide to help you gather and evaluate your thoughts and develop your plan.

BUSINESS PLAN OUTLINE

I. COVER PAGE

Name, address, and phone number of business

Give your plan a professional appearance by printing it on high-quality paper and placing it in a vinyl or cardstock binder.

CHECKLIST FOR STARTING A BUSINESS

- Assess yourself as a potential business owner
- Determine concept feasibility
- Examine critical issues & make important decisions
- Investigate legal considerations & requirements
- Develop your business plan
- Arrange your financing

- A. Name of company
- B. Company address
- C. Company phone numbers
- D. Logo (if you have one)
- E. Names, titles, and addresses of owners
- F. Month and year in which the plan was completed
- G. Indicate that the plan is "Confidential"

II. TABLE OF CONTENTS

III. EXECUTIVE SUMMARY

A brief, one-page summary representing the various sections of your business plan. Address the following questions and add additional information that will help you achieve your goals.

NOTE: The executive summary is written last, but is the most important part of your plan.

IV. BACKGROUND INFORMATION

- A. Business concept
 1. mission statement
 2. goals and objectives of business
 3. description of business

B. Answer as many of the following questions as are appropriate:

1. What business are you in?
 - (a) merchandising
 - (b) manufacturing
 - (c) wholesale
 - (d) service
2. What is the nature of your product(s) or service(s)
3. What will be special about your business?

C. What market do you intend to serve?

1. What is the total market
2. What is your expected share?

D. How can you serve the market better than your competition?

E. Present status of the business: start-up, expansion of growing concern, or take over of an existing business?

F. If you will be doing any contract work, what are the terms? Reference any firm contracts and include them as supporting documents.

G. Do you have letters of intent from prospective suppliers?

Add for Existing Business:

- H. What is the history of the business?
- I. Why does the owner wish to sell at this time?
- J. If the business is declining, why? How can you turn it around?
- K. How will your management make the business more profitable?
- L. What changes do you plan to make in the business?
- M. What is the purchase price formula? Give breakdown for building, improvements, equipment, inventory, and good will.

NOTE: *If your business will be a seasonal business, make sure the seasonality is reflected in your narrative and financial projections with appropriate footnotes.*

V. DESCRIPTION OF PRODUCTS OR SERVICES

- A. Features of proposed products/services
- B. Describe benefits to your customer
- C. Intellectual property and proprietary rights issues
- D. Production plans
- E. Future products/services

VI. THE MARKET PLAN

(note: see Conducting an Industry Analysis <http://www.sbtidc.org/pdf/industry-analysis.pdf>)

- A. Description of industry
 - 1. background of industry
 - 2. current and future industry trends
 - 3. business fit in industry
- B. Your market
 - 1. customer profile and target market
 - 2. description of your trade area
 - 3. size of your market
 - 4. market potential
 - 5. market trends
- C. Competition
 - 1. direct competition - businesses with the same product or service and same target market. *(include three to five businesses and locations)*
 - 2. indirect competition - a product that is in a different category altogether but which is seen as an alternative purchase choice; for example, coffee and mineral water are indirect competitors.
 - 3. evaluation of competition - strengths, weak-

- nesses, size, age, status
- 4. your competitive advantage
 - (a) Briefly describe your competition and tell how their operations are similar AND dissimilar to yours.
 - (b) What is your unique selling proposition, and how will you use it to control your market share?

- D. Market strategies
 - 1. market positioning
 - 2. marketing tactics
 - 3. packaging
 - 4. pricing
 - 5. promotion
 - 6. distribution
 - 7. advertising
 - 8. public relations
 - 9. customer service

VII. MANAGEMENT STRUCTURE AND ORGANIZATION

- A. Legal form of ownership
- B. Management and personnel
 - 1. How does your background and business experience help you in this business?
 - 2. Describe your management team
 - 3. Identify their strengths and weaknesses?
 - 4. What will be their duties and responsibilities?
 - 5. Do you have job descriptions that clearly define their duties?
 - 6. Are there additional resources available to your business?
 - 7. Will you have to train people and at what cost?
- C. Describe your organizational structure, and include a brief description of who does what (include an organizational chart, if necessary)
- D. Are there additional resources or advisors?

VIII. BUSINESS OPERATIONS

- A. Business location
 - 1. What is your business address and why did you choose that location?
 - 2. Will the building be leased or owned?
 - 3. What are the terms and length of the lease contract?
 - 4. What renovations will be needed and at what cost?
 - 5. Describe the neighborhood (e.g., stable,

changing, improving, deteriorating)

6. What other kinds of businesses are in the area?

B. Licenses and permits

1. Is your business name registered with the Secretary of State and/or local county Registrar of Deeds?
2. How will you be affected by local zoning regulations?
3. What other licenses or permits will you be required to obtain?

IX. FINANCIAL PLAN

A. Start-up investment requirements

1. Start-up costs
2. Business needs/capital equipment list
3. Source and application of funds statement

B. Cash flow projections

1. Monthly estimate of revenue and expenses
2. Assumptions - the basis upon which the revenue and expense numbers are determined. For example: Revenue of \$5,500 per month calculated using the following assumptions - 4 sales calls per day x 22 days per month x 25% sell-through rate x average sales of \$250.
3. Projected income statement
 - (a) detail by month for the first year
 - (b) detail by quarter for the second year
 - (c) notes of explanation and assumptions
4. Projected balance sheet (with notes of explanation and assumptions)
5. Break-even analysis (at what level of operation do your expenses equal your sales?)
6. Summary of financial plans and needs

C. For an existing business (include one or more of the following)

1. income statements
2. balance sheets
3. tax returns for past three years

X. CONCLUSION

- A. Statement of feasibility
- B. Action plan
- C. Supporting documents

TIPS FOR WRITING A GOOD BUSINESS PLAN

- Keep it simple and focused
- Make it easy to read
- Use understandable language, a layout that is pleasing to the eye, and charts or graphs to explain difficult concepts.
- Be objective
- Review the plan with the critical eye of an outsider who doesn't know your business and isn't committed to the business.
- Be honest
- Acknowledge your weaknesses as well as your strengths.
- Review and revise the document regularly
- Consider your business plan a "living" document. Schedule periodic revisions to keep it current.
- Get your staff to participate in the development of the plan

Not only will they have good ideas for improving it, they will work harder to support something that they helped to develop.

MISTAKES TO AVOID WHEN CREATING A BUSINESS PLAN

- Submitting a "rough draft" of the business plan. Coffee stains and crossed out words indicate to the reader the owner is not serious about the business—there are a number of businesses or printers that can help the small business owner with professional quality presentations.
- Out-dated historical financial information or industry comparisons will indicate a lack of current research and investigation on the owner's part
- Unsubstantiated assumptions can undermine a business plan. The owner must anticipate doubts or questions about every point of the plan
- Failure to consider potential problems will lead the reader to view the plan as unrealistic
- A lack of understanding of financial information is a drawback. If an outside source is used to prepare financial statements, the owner must fully comprehend the information

- Absence of any consideration of the impact of outside influences on the business is a problem. The owner needs to discuss the potential impact of competitive factors as well as economic factors at the time of the request.
- *Difficulties will arise if there is no verification of 30% investment by the owner.* The lender will typically expect the potential owner to have at least 30% equity in potential business.
- If the owner does not or cannot personally guarantee a loan, questions will arise.
- Proposing unrealistic loan repayment terms. After the lender evaluates the viability of a business, he will discuss realistic loan terms.
- Too much focus on collateral is a problem in the business plan. Even for a cash secured loan, the banker is looking toward projected profits for repayment of the loan. The emphasis should be on cash flow.

CONFIDENTIALITY

The business plan contains sensitive information about every aspect of the business and the personal financial status of all owners. Therefore, it should be treated like a top secret document. All copies should be consecutively numbered and strictly accounted for in writing. All recipients of the plan must sign an agreement that s/he will not make copies of the plan or disclose details to anyone other than financial advisors. The receipt also requires that if the person is not interested in investing in the company's future growth, the business plan will be returned. Distribute the business plan on a strict "need-to-know" basis for the protection of the business and all those involved.

INTERNET RESOURCES

Sample Business Plans
<http://www.bplans.com/sp>

Small Business Administration
http://www.sba.gov/starting_business/planning/basic.html

Bulletproof Business Plans
http://www.bulletproofbizplans.com/bpsample/Sample_Plan/sample_plan.html

ACTION ITEMS

Now's the time to complete your business plan... DO IT NOW!

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*to assist entrepreneurs
across North Carolina*