

Business Plan Template Instructions

As you consider starting a new business or expanding your current business, the last thing you want to hear is negative comments. However, no matter how positive your outlook, the truth is that 70 percent of all new businesses fail within five years. This high failure rate is primarily caused by a lack of planning on the front end. In particular, new entrepreneurs may neglect market research or lack an understanding of the financial requirements for the new venture. This is why a good business plan is essential for the success of your new business.

A start-up business plan serves several purposes:

- It can help convince investors or lenders to finance your business.
- It can persuade partners or key employees to join your company.
- Most importantly, it serves as a roadmap to guide the launch and growth of your new business.

Writing a business plan is an opportunity to think through every step of the start-up process so you can prepare for success. Be honest with yourself as you work through your business plan.

The following are tips for preparing your start-up business plan.

- **A good business plan is clear and concise.** A 'layperson' outside of your industry should be able to understand it. Know your audience and avoid overusing industry jargon or terminology.
- Most of the time you put into writing your plan should be spent on research and analysis. Make sure to document your findings, including the sources of any information you include.
- Don't gloss over potential problems. Instead, figure out solutions. This is your chance to discover any weaknesses in your business idea, identify new opportunities and plan for the inevitable challenges.
- Investors, lenders and others reading your plan will want to see realistic projections and they expect your assumptions to be supported with facts.

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Executive Summary

The Executive Summary section of the business plan is the first section of the plan that an investor or lender will see. In this section you will introduce your proposed company and summarize your plans and expectations.

This section of the plan is a summary of the detailed plan that follows the introduction, although, it should be the last section you complete. All statements in this section of the plan should be brief, yet written to entice the reader to explore your opportunity in more detail. This section should be no longer than two pages in length. Investors will often ask for only the Executive Summary in their initial review of your proposal. If they are interested in pursuing your idea, they will then ask for the detailed business plan.

If this section of the plan is not well done, you probably won't get past the initial review of your proposal.

Summary of opportunity

In this section of the Executive Summary, you will briefly describe what industry you are in, why you think your idea will be successful and a brief summary of the competition.

1. Summary of the customer's problem

For any business to be successful, it must focus intently on the customer and meeting their needs. In one or two sentences, describe why your business needs to exist. What problem(s) are you solving for your customers?

2. Summary of our solution to the problem

Briefly describe how you propose to solve the customer's unmet needs or wants. In other words, describe what your company does in one or two sentences. Your solution can be described in more detail in the following sections of the plan. Some people prefer to list a few bullet points under this section rather than a couple of sentences.

3. Target market(s)

In this section, briefly describe your target market or ideal customer. Also summarize how large the target market is and the percentage of the market you believe you will penetrate. Again, this should only be one or two sentences to keep it brief.

4. Competition

Briefly describe the companies your target market currently uses to solve their problem. Every business has competition from somewhere. Who will your target market consider as an alternative to your product or service?

5. Our value propositions

In this section, briefly describe why your proposed solution is superior to that of the current players in the market. What is your unique selling proposition? Again, keep this to only one or two sentences.

6. Sales channels and marketing activities

Briefly describe how you are going to let the target market know about your product or service (media advertising, pricing and social media) and your approach to sales (sales location, outside sales people, telemarketing, retail, wholesale, OEM, internet, etc.)

7. Summary of key team members

Here list the key members of your team and their responsibilities. You may also want to include a very brief statement explaining why you believe this team will be successful.

Summary of expectations

8. Summary of financial forecast

In this section of the Executive Summary, list the key financial highlights from your financial plan. Include a summary of sales and profitability projections.

9. Investment or financing needed

In the final section of the Executive Summary, describe the financial need to launch your business. This can be funds from Angel Investors, or bank or SBA loans. This is the amount of money you will need to raise for your new business to be successful.

Description of Company

Company overview

This section of the business plan will be the shortest. If this is a plan for internal use only, it may be skipped.

1. History of company

If this is an existing company, you should include a short history. Provide a brief summary of your company's major milestones and achievements.

If you have intellectual property that is protected by patents or trademarks, include a description of those protections in this section too.

2. Mission and/or vision statement

Insert your company mission or vision statement in this section. A mission statement is a brief explanation of the reason your proposed company exists. A vision statement is a short statement of what you want your company to become.

If you are a new company, don't overthink this section. Keep it simple, one or two sentences at most. Do not create long generic statements that talk about how you are going to deal with your customers and employees.

For a new company, your mission statement can be as simple as your advertising tag line or it could be a brief statement of your unique selling proposition.

3. What are your short-term and long-term goals?

Explain why you want to start your own business. What are your short-term and long-term goals?

Examples of these goals could include:

- To be profitable within six months
- Have 10 employees within one year and 20 employees within three years
- To open a second location within five years
- To begin franchising the business within five years

4. Legal form

Identify your company's legal structure. Is it a sole proprietorship, partnership, LLC, C corporation or S corporation? Also, explain why you chose this form of business structure, the number of shares authorized and the number of shares you anticipate being issued.

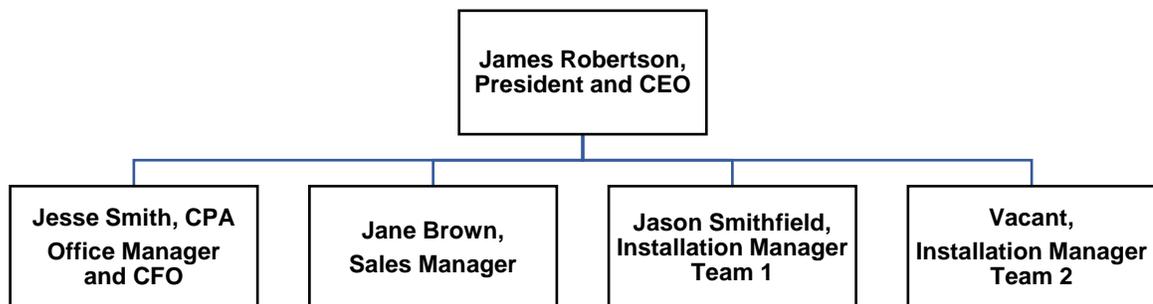
5. Ownership

Use this area to list the individuals that own your company. If there are multiple owners, describe each of them, include their ownership stake and indicate if they will have an active role in managing the business.

Team

6. Organizational chart

Click on the squares of the organizational chart to add the key personnel within your new company, including yourself. This will illustrate to the reader how you plan to manage the company. In each box, list the individual's name and the department they are responsible for. Write 'Vacant' for any positions that still need to be filled. Here's an example:



7. Management team

List the key members of your management team, including yourself. Describe each person's skills, education, experience and what their responsibilities will be for the company. Focus on the skills that enhance your team's chances of being successful.

It's okay if you don't have a complete management team assembled yet.

If your team has gaps in knowledge or experience, explain how you plan to mitigate these weaknesses. For example, if you lack financial knowledge, you plan to hire an experienced chief financial officer. Also, if you have substantial engineering and production experience but lack selling experience, will you hire a sales manager?

If anyone on your team has prior experience starting and growing a new business, describe that in detail. This will be an important factor to promote your proposal with investors and lenders.

8. Advisors

In this section, list the professionals and other individuals who are advising you in the process of establishing your new business. This list could include:

- Attorneys
- Certified public accountants
- Small business consultants (SCORE, Chamber of Commerce and Economic Development Officers, etc.)
- Insurance agents
- Bankers
- Investors
- Knowledgeable friends or family members

Market Opportunity

This section of the plan details your industry, current trends in the industry, your target market, the competitive landscape and why customers will choose you over the competition.

Problem and solution

1. Customer problem worth solving

The first step in this section of the plan is to describe the problem you will solve for your customers. For example, do they need a better product, a cheaper product, or just a better location?

Describing the problem your new business will solve is one of the most critical steps in the success of your new enterprise. It forces you to examine your new business from the customer's perspective. If you cannot describe the problem your customers face, you may not have a good business idea and the probability of your success may diminish significantly.

2. Our solution

The next step in this section is to describe your solution to the customer's problem. Your solution is the product or service you will provide your customers. Provide additional detail, beyond what you wrote in the Executive Summary, about your product or service. What makes your company unique that will set it apart from the competition?

Market research and our target markets

3. Market and industry research

When you are starting a new business, it's important to research the broader market to ensure your business is sustainable in the long term. Pay particular attention to any economic, social and industrial trends or changes that could impact your business' future. Possible research questions include:

- What's the total size of the market and trends within the industry?
- Is the total market growing or shrinking?
- How has technology impacted consumer buyer preferences? (the Amazon effect)

- Are total market sales increasing or decreasing?
- Who are the other national or regional competitors that may enter the market?

The U.S. Census Bureau can provide information not only about population, but also characteristics such as age, income levels and industry-specific information. American *FactFinder* is a tool that makes it easier to extract data from the Census Bureau's databases.

Additional sources of information on industry trends, opportunities and threats can be found in industry and trade publications, news sites and white papers. Many of these resources you need can be found online.

4. Target market(s) and ideal customer(s)

Researching the market will help you build a profile of your 'ideal customer' – the person or business most likely to buy from you. This ideal customer will become your target market for marketing purposes. Some businesses have multiple target markets, but most business consultants recommend that you target no more than three market segments.

Initially, you will need to make assumptions about your target markets that research will either confirm or contradict, prompting you to refine your target market definitions.

Each of these market segments should share common traits. These common traits may include traits such as age, gender, income level or location. Additional traits may include professional affiliations and social preferences. By accumulating this data on each market segment, you will often find that different groups of people may purchase your product or service for different reasons. You may need a unique marketing campaign or approach for each market segment.

5. Local market research and discussions with potential customers

The crucial ingredients for your business' success are:

- Determining who your potential customers are,
- How many of them are in your area, and
- Whether they will be interested in your offering at a sustainable price.

Although the only guaranteed way to find out how the market will respond to your business is to start operating and see what happens, spending a little time up front can reduce the risk of failure.

By talking directly with potential customers, you will get on-the-ground feedback from them about what they really think. It can also be insightful to talk with suppliers who already work in your target market, so that you can tap into their

knowledge of the marketplace. As you bounce your business ideas off of potential clients and suppliers, you may only hear positive feedback. Even potential customers might withhold their honest opinion to avoid hurting your feelings. This is where it is important to find people with a negative opinion of your idea and get them to shoot holes in it. It is always better to start a business with your eyes wide open to avoid potential pitfalls.

Find out as much as you can about potential customers in your target market area, such as:

- Do people actually want what you're selling?
- Which people or businesses are most likely to buy your product or service?
- Which group of customers are likely to be the most profitable?
- How often will your target markets buy from you?
- Do your ideal customers have any needs that are not currently being met by other businesses?
- Where are people currently buying from, and why do they choose to support those businesses?
- Where are your potential customers they located?
- What is the best way to market to them?

Much of this information can be used to determine whether there will be sufficient demand for your product or service. If you have concerns, you can also use it to figure out how to modify your original idea so that it will be financially viable.

Competition

6. Current competitors

Researching your competitors is vital to determining if a market exists for your new business. After all, the businesses you're competing against offer a product or service that's comparable to yours.

Don't neglect to include indirect competitors in your analysis. These are businesses that offer products or services that aren't identical, but could still satisfy the same need. Remember, there are always other options for customers to spend their money on, and it's important to be aware of these alternatives.

You will need to know the following about each competitor:

- What do they offer, and how much they charge?
- Do they use a unique selling proposition?
- How do they market their product or service?
- What do they do well?

- What do they not do well that you could solve?
- What gaps in their product offering or strategy can you take advantage of?

7. Our unique selling propositions

Explain why your product or service is better than the others. Also, be sure to describe any competitive advantages you may have, such as a patent or other unique components of your business.

Once you know what your competitors offer, you can compare your similarities to identify your points of difference. Sometimes a new business will be lucky to find a gap in the market that they can fill. For example, you might be the only automotive mechanic in town. But, most of the time, your product or service will have to compete against similar ones to acquire customers and market share.

Your business needs to stand out from the competition to encourage customers to buy from you rather than a competitor. A unique selling proposition is anything that makes your product or service appear to be superior to those offered by your competitors.

Examples of unique selling propositions are being:

- First to market and no one else sells what you do
- The most reliable with the best guarantee
- Exclusive with products or contracts that make you the only available supplier in the area
- Cheaper or more economical to use
- Better designed and easier to use
- Locally made
- Healthier and made with ethically or organically sourced components

With so many online businesses today, customers are able to shop anywhere in the world. This makes unique selling propositions more difficult to maintain. If you do not have a unique selling proposition to set your business apart from its competitors, you will be forced to compete strictly on price, which normally means lower profit margins.

Marketing and Sales Strategic Plan

Marketing plan

Explain how you plan on getting the word out about your product to your target market(s). Will you use advertising? Perhaps you are developing a content marketing strategy.

Before starting to write your marketing plan, you must have a good understanding of who your target markets are. Once you know who you are selling to, you can begin to examine their buying habits and develop strategies to reach them.

Whatever your marketing plans may be, describe them in this section.

1. Marketing plan

Here you need to detail how you will present your new product or service to the identified target markets. What is the brand image you want to present to the market? Are you going to be a low-cost provider? Are you going to be a luxury provider? Are you going to provide the quickest service?

In addition to a discussion on the brand image you wish to create, a marketing plan should include the following points if they apply to your new company.

- What design work has been done to support your brand? This includes logo design and signage. Explain how this supports your brand image.
- What media will you use for advertising (print, outdoor boards, radio, television, cable television, digital, etc.)? Why did you select this media and how often will you use each advertising channel?
- Will you use printed materials, like brochures, flyers and business cards?
- Have you developed a network of people capable of referring business to your new company?
- Will you be attending trade shows?
- Do you have a plan for doing public service media presentations to create brand awareness? As an example, you could do a public service presentation on local television or with service clubs like Rotary and Kiwanis.

2. Website sales, social media and email marketing

In today's world, every business must have an understanding of the impact the Internet has on their business' future success. Even if your new company does not have a website or Facebook page, there are multiple websites that give consumers the opportunity to rate your products or services. Web services like Angie's List and Home Advisor accumulate ratings on various companies and also

serve as a referral source. In addition, Google, Yelp, Yellow Pages and Manta provide people the opportunity to rate company services.

In this section of the business plan, describe your online marketing plans. Possible points under this section of the plan would include:

- Business website design and functionality
- Social media marketing
- Email marketing
- Search engine optimization plan
- Monitoring and response to customer online reviews

3. Marketing budget

Detail how much you plan to spend on marketing. Your marketing budget should be broken down between start-up costs and ongoing marketing.

Sales plan

If your company relies on salespeople to close deals, you need a sales plan. Your sales plan should explain how you'll convert people who express interest in your product or service into paying customers. If you're starting a sales-heavy business, like enterprise software or a car dealership, then you need to document how you will nurture leads and close deals.

4. Sales distribution channels

Here, detail how you plan to sell your product or service to your customers in the target market. You may plan to use more than one distribution channel.

The following summarizes possible distribution channels.

- **Direct distribution.** This distribution channel is where you sell your product or service directly to the individuals or companies that will use them. Nearly all service companies use this distribution channel.
- **Wholesale distribution channel.** The wholesale distribution channel is one where the manufacturer sells their product to another company that then distributes it to other retailers. Most retailers prefer to purchase products from a single supplier rather than multiple suppliers. These product aggregators are known as wholesalers. The wholesaler obviously makes a percentage of the profit for these types of sales.
- **OEM or original equipment manufacturer.** If your product or service is incorporated into the finished product of another company, you are an

original equipment manufacturer. An example of this is an automotive parts manufacturer.

- **Subcontractors.** Another type of distribution channel consists of companies that perform services for other companies. Examples of this would be electrical or plumbing contractors who do work for general contractors who bid for large public works projects.

Also, in this section, detail your plans for selling your product or service.

- Will you be selling your product or service from a single location, or will you be utilizing an outside sales approach?
- Will you be your own primary salesperson, or will you hire a sales team?
- Will your website be used to originate sales?

5. Pricing strategies

The prices you charge for your products or services can have a dramatic effect on sales and profits. Your pricing strategy also determines how customers view and respond to your product or service. That's why it's important to consider different pricing options to ensure your strategy is effective.

Many new business ventures want to enter the market with the lowest price. Generally, you cannot compete on price without hurting your profitability and your cash flow. For most new businesses, it's better to use an average market price and compete on quality or service rather than on price.

Include the following points in your business plan's pricing strategies section.

- What is your primary pricing strategy?
 - Will it be cost-plus, value or market-based pricing?
 - Will you use an hourly rate?
- Does your pricing strategy support your brand image?
- How important is price to your customers? It may not be the deciding factor.
- How does your pricing strategy compare to your competitors?
- What will your customer credit policy be?
 - Will you get 50% up front before beginning the service?
 - Will you have net due in 10 days, or will it be 30 days?

Operations Strategic Plan

The next chapter of your business plan covers your business operations that would include plant, equipment, furniture and fixtures, technology, key suppliers and personnel required. This section describes how and where your company will be working. Depending on the business you are starting, this part of the plan may not be needed.

1. Locations and facilities

Describe your company's physical location(s) for sales, manufacturing and warehousing. This might be your office, store locations, manufacturing plants, storage facilities — whatever is relevant to your business. How much space do you have available, and how well will it meet your current and future needs? Include a discussion of any remodeling costs that may be necessary.

2. Technology

In this section, describe any important software, hardware or other information technology that you use now or plan to use later to operate your business. This might include a point-of-sale system to take payments, an e-commerce engine for your website, a CRM solution for managing your pipeline, marketing tools for generating leads and so on.

3. Equipment and tools

List any specialty equipment that you have or plan to acquire to do your work. This is an important component of the business plan for many industrial companies.

4. Supply chain management and key suppliers

In this section, list your primary suppliers. The following should be included in your discussion.

- If you are purchasing products that will be re-sold directly to consumers or used in your manufacturing process, who are your key suppliers and what are their terms for selling to you?
- Will you receive any type of geographic protection on sales to competitors?
- What inventory levels will you be required to maintain?

5. Personnel required

In this section of the plan, describe the personnel you will need for your business to function. Include the following in your discussion.

- What type of employees do you need? Are there any licensing requirements? Include a job description for each position.
- How many employees will you need?
- What is the pay structure? (hourly, salaried, bonuses, commissions, etc.)
- How do you plan to attract qualified employees?

6. Milestones

List your key milestones and the dates that you hope to accomplish them by. If you've already accomplished key goals for your business, list them here as evidence that your business is getting traction. In other words, it's getting positive attention from potential customers.

7. Key metrics

Explain which performance metrics are most important to understanding how your business is doing. What does success mean for you, and how will you know it when you see it?

Financial Plan

The last chapter of your business plan is your Financial Plan. The reason this is the last section, other than the Executive Summary, is because it is built upon the assumption of the previous sections.

Most people starting a small business find this to be the most difficult section to complete. In preparing financial forecasts, most entrepreneurs seek assistance from a CPA or other financial consultant. If you are seeking outside investors or funds from a lender, this is a critical chapter in your business plan. Here is where you explain how you think you can repay their investment in your company.

Financial forecast summary

1. Key assumptions

Describe how you came up with the values in your financial forecast.

- Did you project your revenue based on past results, market research, your best guess at how many people will visit your store and what percentage of them might buy, or some other method?
- What kind of growth are you assuming?
- Who are your key hires and what are your notable expenses?
- What level of profit do you expect to generate?

2. Start-up costs

In this section, you will need to list your start-up costs. The following is a summary of some of the start-up costs you should include.

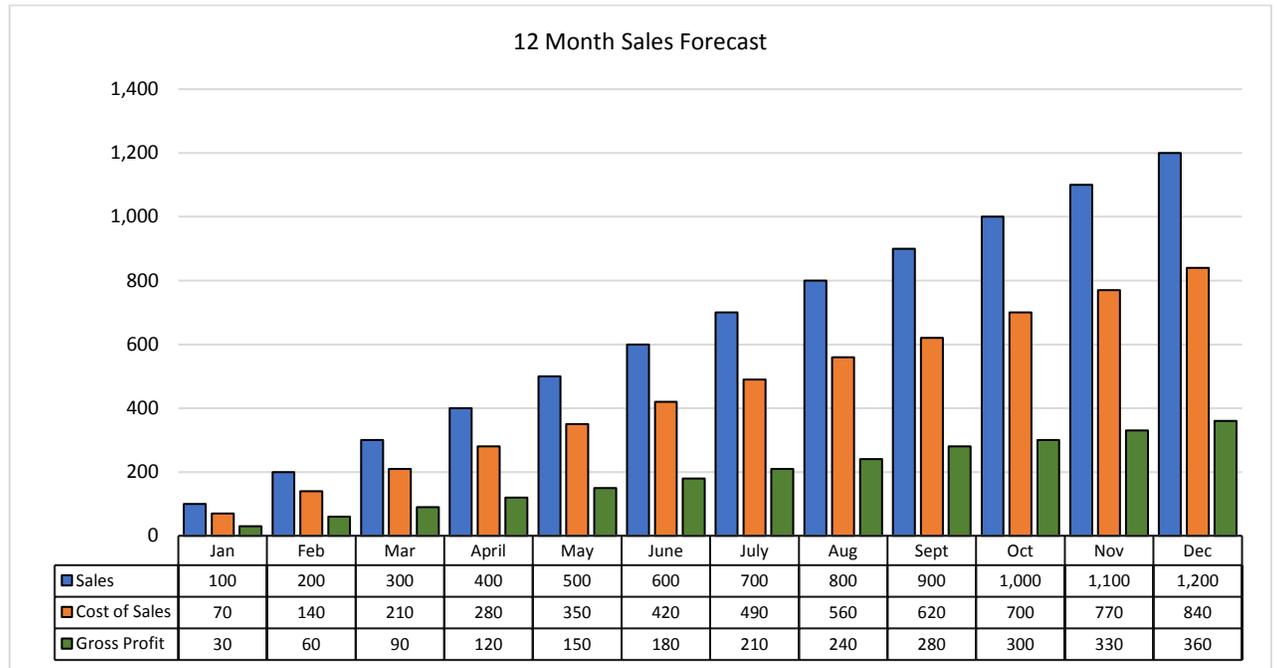
- Organizational costs such as legal, accountants, financial advisors and marketing advisors
- Assets you will need to purchase, including equipment, computers, furniture, fixtures and buildings
- Appraisal fees for asset value if you will need financing or outside investors.
- Inventory levels that will be required
- Working capital to fund the cash cycle of the business and fund negative cash flow in its first year

A more detailed discussion on this topic can be found at [MyFirst.Bank](https://www.myfirstbank.com).

3. Projected revenue for the next 12 months

To assist you in preparing your sales forecast, we have provided a white paper discussing the steps in preparing a sales projection and we have also provided you a template to assist you in preparing that forecast. This template highlights the difference between sales per month and cash collection each month based upon the terms given to the customer.

In the Business Plan Template, we have provided a graph so that you can input your sales forecast for the first 12 months of the business.

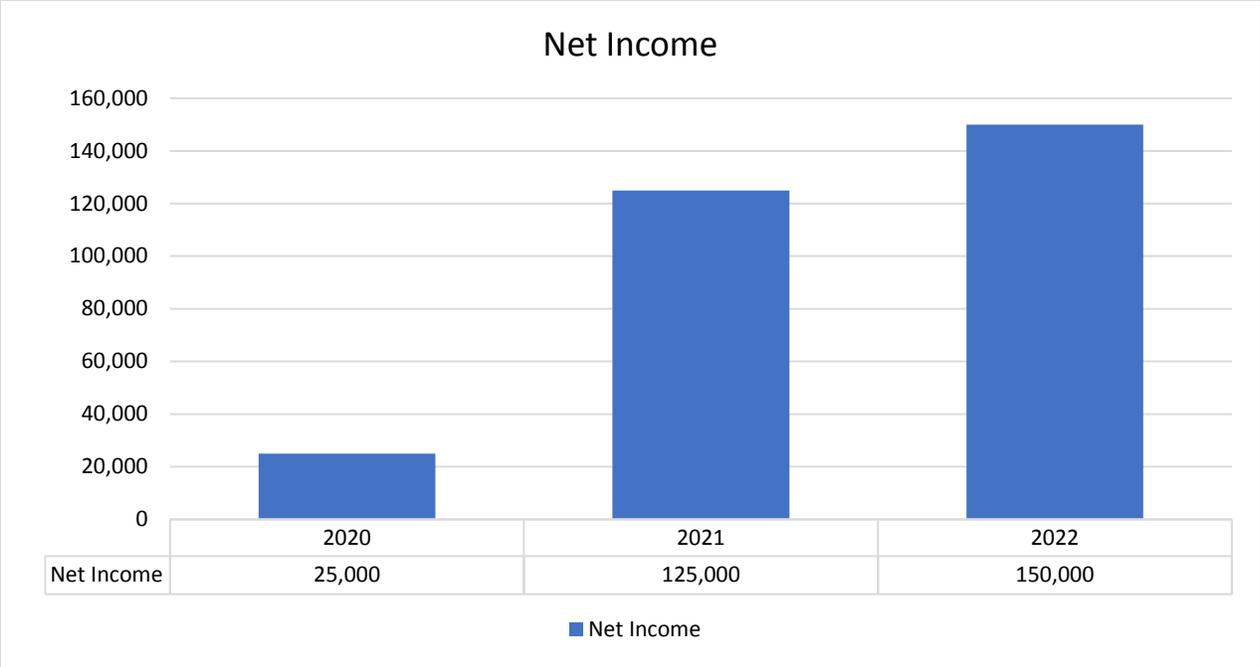


To input your first 12-month sales forecast, simply right click on the graph and select 'Edit Data' in the middle of the option box that appears.

Once you select 'Edit Data' from the options, an Excel box will appear that will allow you to enter your sales forecast. Once you have completed entering your data, simply click on the 'X' box in the upper right-hand corner of the Excel entry box.

4. Net profit (or loss) by year

This section of the business plan summarizes your three-year projection of net income. We have provided a graph for you to present your summary of your projected net income for the next three years.



To input your net income into the graph, edit the graph in the same manner you did when inputting your sales projection summary.

Simply right-click on the graph and select 'Edit Data' in the middle of the option box. An Excel box will then appear to input your net income.

Financing or investment needed

This section of the plan will be used to explain to lenders and investors what you intend to do with the money you are seeking from outside sources. If you are not looking for outside investors or lenders, then you could skip this section of the business plan.

5. Sources of funds

List the sources of funds you are seeking. It should include funds from investors, lenders and money you are putting into the company.

6. Use of funds

List your plans for spending the funds that you are seeking from lenders or investors.

Projected financial statements

Again, if you intend to present your business plan to potential investors or lenders, you will need to complete at least three years of financial projections to demonstrate your anticipated ability to return their investment.

The following statements are summaries of your three-year projections. You will need to include the detail to the business plan in attachments. This detail will be expected by potential investors and lenders as they consider investing in your company.

3-year Projected Profit and Loss Statement

	FY2020	FY2021	FY2022
Total Sales			
Cost of Goods Sold			
Gross Profit			
Operating Expenses:			
Officer / Owner Compensation			
Other Wages, Salaries, and Benefits			
Interest Expense			
Depreciation and Amortization			
Other Operating Expenses			
Total Operating Expenses			
Operating Income			
Income Taxes			
Net Profit			
Key Ratios:			
Gross Profit Margin %			
Net Profit / Sales %			

3-year Projected Balance Sheet

	FY2020	FY2021	FY2022
Cash			
Accounts Receivable			
Inventory			
Other Current Assets			
Total Current Assets			
Land, Buildings and Equipment			
Accumulated Depreciation			
Total Long-Term Assets			
Other Assets			
Total Assets			
Accounts Payable			
Accrued Expenses			
Income Taxes Payable			
Short-Term Loans			
Other Current Liabilities			
Total Current Liabilities			
Long-Term Loans			
Total Liabilities			
Paid-in Capital			
Retained Earnings			
Earnings			
Total Owner's Equity			
Total Liabilities and Equity			

3-year Projected Cash Flow Statement

	FY2020	FY2021	FY2022
Net Cash Flow from Operations:			
Net Profit			
Depreciation and Amortization			
Change in Accounts Receivable			
Change in Inventory			
Change in Accounts Payable			
Change in Income Tax Payable			
Change in Sales Tax Payable			
Change in Prepaid Revenue			
Net Cash Flow from Operations			
Investing and Financing			
Assets Purchased or Sold			
Investments Received			
Change in Long-Term Debt			
Change in Short-Term Debt			
Dividends and Distributions			
Net Cash Flow from Investing and Financing			
Net Change in Cash			
Cash at Beginning of Period			
Cash at End of Period			

Appendix

List documents to be attached to this document.

Detailed 3-year Sales Projection

Detailed 3-year Income / Cash Flow Projections