

BUSINESS PLAN GUIDELINES

Introduction

The business plan is a written summary of what a company organization hopes to accomplish by being in business and how it intends to organize its resources to meet its goals. It is the road map for operating a business and measuring progress at milestones. The Business Plan identifies the amount of financing or outside investments required and when it is needed.

Executive Summary

The executive summary describes the highlights of the business Plan. Even though the entire business may be well described later on, a crisp, or one or two page introduction helps to capture the immediate attention of the potential investor or lender. The summary normally highlights the following.

- Company details
- Promoter
- Business proposition
- Overview of industry and market
- Management
- Financial viability summary

Business Concept

The business concept details the essence of the business and the underlying principles that set it apart at the marketplace and within the industry. The business concept includes corporate vision, mission statement, strategic objectives and what the company seeks to achieve within a given period.

Description of Business venture

This covers:

- Products and services
- Products protection /exclusive right (patents, copyrights, trade marks, franchise rights)
- Buying patterns and average purchase in dollars
- Competitive advantage of the business concept (target market niche, uniqueness, estimated market share)
- Core competencies
- Internal strengths and weaknesses
- Business location and size (location(s) relative to market, size of premises)
- Staff and equipment needed (overall requirement, capacity)
- Brief history(principles involved, development work done)

Business Goals

This section covers:

- Strategic goals, such as gross sales, profit margins, share of market, opening new store, plant of office, introducing new product, etc for the short medium terms(1-2)
- Over the longer term (return on investment, business net worth, sale of business)

Analysis of the Industry

This section covers:

- Industry outlook and growth potential (industry trends, new products and developments)
- Market and customers (size of total market, new requirements and market trends)
- Competitive companies (market share, strengths and weaknesses, profitability)
- National and economic trends (population shifts, consumer trends, relevant economic indicators)

- Analysis of driving forces and the impact on the industry
- Analysis of the opportunities and threats in the industry

Market Plan

This section covers:

- Sales strategy (commissioned sales staff, agents, sales objectives, target customers, sales tools, sales support)
- Distribution (direct to public, wholesale, retail, multiply outlets)
- Pricing(costing, mark-ups, margins, break-even)
- Promotion (media advertising, promotions, publicity-appropriate to reach target market)
- Guarantees(product guarantees, service warranties)
- Tracking methods (methods for confirming who your customers are and how they heard about you)

Sales forecast

This section covers:

- Assumptions (one never has all the necessary information, all assumptions made in developing the forecast have to be detailed.)
- Monthly forecast for coming year (sales volume in units and dollars)
- Annual forecast for following 2-4 years (sales volume and value)

Note: The sales forecast is the starting point of your projected income statements and cash flow forecast

Production Plan (Manufacturing)

This section covers:

- Brief description of the production process(non-technical)
- Physical plant requirements (building, utility requirements, expansion capability, layout)
- Machinery and equipments(new or used, leased or purchase capacity)
- Raw materials (readily available, quality, sources)
- Inventory requirements (seasonal levels, turnover rates, method of control)
- Supplier (volume discounts, multiple sources)
- Personnel required (full-time, part-time, skill level, availability, training required)
- Cost of facilities, equipments and materials (estimates and quotations)
- Capital estimates (one time start-up or expansion capital required)

Production Plan (Retail or Service)

This section covers:

- Purchasing plans (volume discounts, multiple sources, quality, price)
- Inventory system (seasonal variations, turnover rates, method of control)
- Space requirements, (floor and office space, improvements required, expansion capability)
- Staff and other requirements (personnel by skill level, fixtures, office equipments)

Corporate structure

This section covers:

- Ownership (proprietorship, partnership, corporation)
- Share distribution (list of principal shareholders)
- List of contracts and agreements in force (Management contract, shareholder or partnership agreement, franchiser service agreement, service contract)
- Directors and officers (names and addresses and role in the company)
- Background of key management personnel (brief resumes of active owners and key employees)
- Contract professionals/consultants (possible outside assistance in specialized or deficient areas)
- Organization chart (identify reporting relationships)
- Duties and responsibilities of key personnel (brief job description – who is responsible for what?)

Risk Assessment

This section covers:

- Competitors' strategic moves
- Scenario analysis of critical external factors (identify effects of strikes, recession, new technology, weather, new competition, supplier, problem, shifts in consumer demand)
- Scenario analysis of critical internal factors (sales off by 30%, sales double, key manager quits, workers unionize)
- Dealing with risks (contingency plan to handle the most significant risks)

Action Plan

This section covers:

- Steps to accomplish this year's goals (flow chart by month or by quarter of specific action to be taken and by whom)
- Checkpoints for measuring results (identify significant dates, sales level, production level as decision points)

Financial Analysis

Financial Statements

This section will contain analysis of the previous years' income statement, cash flow and balance sheets (include past 2-3 years if applicable)

Financial Plan

The Financial Plan outlines the level of present financing and identifies the financing sought. The Financial Plan contains detailed operating forecast for next year of operating and less detailed forecast for the following two cash flow forecasts (budget of cash inflow and outflow on a monthly basis)

Financing and Capitalization

This section covers:

- Capital structure analysis
- Term loan applied for (amount, term, when required)
- Purpose of term loan (a detailed description of assets to be financed with cost quotations are normally attached)
- Owners' equity
- Summary of term loan requirements (for a particular project or for business as a whole)

If the purpose of the Business Plan is to attract a new investor, further details are required concerning share participation role in company, etc.

Operating Plan

This section covers:

- Line of credit applied for (new or increase, security offered)
- Maximum operating cash requirement (amount, timing)
- Term loans outstanding (balance owing, repayment terms, purpose, security held)
- Current operating line of credit (amount, security held)

Financial Forecast

This section analyses project income, cash flow and balance sheet statements detailing profitability, liquidity and financial viability analysis.

Appendix

The appendix normally contains, among others:

- Past financial statements
- References
- Letters of intent (potential order, customers' commitments, letters of support)
- List of fixed assets (description, age, serial number)
- Price lists (to support cost estimates)
- Description of insurance coverage (insurance policies, amount of coverage)
- Copies of legal agreements (contracts, lease, franchise, agreement, mortgage, debentures)
- Appraisal (property, equipment)