

Business Plan Development

By

Rudy Pruszko
Verl Anders

CIRAS

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Why Write a Business Plan?

It is extremely important to the success of your operation that you, the owner/CEO, write the business plan. Often times the process of writing a business plan is more beneficial than the plan itself. It is also a living document that changes as the company evolves.

Parts of a Business Plan

The business plan should consist of eleven separate sections, each one beginning on a new page.

1. Request Page
2. Table of Contents
3. Executive Summary
4. Business Description
5. Management
6. Market Analysis
7. Marketing Plan
8. Product of Services
9. Manufacturing Plan
10. Financial Data
11. Supporting Documents

A business plan may be a document written to persuade a lender or lenders to provide capital for your venture. A business plan is an essential management tool for your business. A business plan may serve as the implementation plan for a strategic plan. The business plan outline in this handout applies to an entrepreneur or a businessperson seeking money for a new business startup or a business expansion.

Ten Key Points to Remember When Writing a Business Plan

1. Be honest. Do not be overly optimistic or try to hide limitations or weaknesses.
2. Write in easy to understand terms. Avoid jargon and terms that are unfamiliar to people outside of your industry.
3. Describe your company's image. You need to convince the reader you understand all aspects of the business.
4. Provide the reader with an understanding of your business and how you will use the loan.

5. Evaluate the company's management team. This is a major focus of the plan. Point out the strengths and weakness and how you are going to address those weaknesses.

6. Answer the three strategic planning questions:

1. Where are we now?
2. Where do we want to be?
3. How do we get there?

7. Quantify your market, sales, production, and cost data. Do not generalize. Be specific. Use data to help tell the story.

8. Begin each major section on a new page with the appropriate title, for example, Marketing Plan.

9. The actual content of the business plan will vary depending on the nature and complexity of the business, the stage of development and the type of financing needed.

10. The business plan may be used as a sales document. The content and quality of the plan should be representative of your company.

Business Request Page

When writing up the Business Request Page you should include your business description with general information such as your company name, address and contact information. If you are requesting financing include the requested dollar amount- how much you need?

Other information you should include is the terms and predicted timeline should include month and year the loan is required; the purpose of the loan should be specific. Also include how money will be spent, the type of collateral, dollar amount, and type of equity you are proposing. As owner how much cash will you invest, or what type of assets will you contribute? Finally list the contact person at the firm who is responsible for the proposed business plan.

Executive Summary

The executive summary should contain a brief synopsis of all the business plan development. It gives the readers an overall summation of the company and highlights the main points of the business plan.

The Business description should contain the following information:

- Name
- Starting date
- Location
- Plant description (type of process)
- Significant company history

- Business goals
- Type of company (Corporation, LLC....)

Make sure to include name, address, plant or store description and brief history.

The main points include the following categories and will be explained in more detail later:

- **Management expertise:** Discuss the key persons involved in the business and summary of relevant expertise or past business.
- **Market analysis and strategy:** Who are the customers? Where are they located? What market niche will you serve? Who is your competition? What is the market (sales) potential? How will you sell or market your products?
- **Targeted market and demand:** Discuss the main targeted markets you are going to try and capture and the demand in those markets.
- **Product/Services:** Give a description of the product or service. What differentiates your product from existing products? What features of your product will give you a competitive edge in the marketplace? What is the product's current state of development: do you need further R&D; do you have blueprints but no prototypes; is a prototype built and ready for production? What I type of protection do you need: patents, trademark or copyright?
- **Description and stage of development:** What is your current stage of development and describe each stage and projected time frame to achieve each stage of development.
- **Manufacturing Plan:** What are the materials, supplies, and equipment you will need to manufacture your product? How are you going to accomplish this and what steps must you follow? How does this relate to the Manufacturing process you are going to use and its related feedstock?
- **Financial Information:** Financial Information should be included if the business plan is for the purpose of borrowing money. Describe what are the sources of funds and a breakdown of the amount each source is supplying. Give an explanation of why the money is needed and how it will be used. Finally show your proposed repayment plan for these funds along with a break-even summary.

In the case of a turnaround situation for a company, describe the steps you will be taking to accomplish this task. It is important in the case of a turnaround situation that goals are set for evaluating the success in making the transition and turning the company financials into the positive.

Business Description

The business description illustrates the current status of the business and the future direction of the business to come by providing information on the demographics of your company. The business description should include basics such as name, type of business (business organization- ie, partnership, etc), and go on to finer details that identify your unique competitive advantage. We will go through the business description section by section.

Company history: Company history describes the company's development, or information about how your idea developed.

Discussion of the industry: Discuss the industry and provide any information that may be relevant to your business.

Legal structure: The organization of the business should take into account the legal and tax ramifications.

Employment: Determine the number of employees needed to meet staffing needs and consider employees' age distribution. Briefly discuss employees' qualifications to do the work based on training, education and/or experience.

Mission statement: A business mission statement should include the company's philosophy and values on serving their customers for current and future products provided by the business.

Business goals: Discuss where the company is today (current status), and where it wants to be (company goals) in the future. State goals quantitatively. Analyze your company in terms of strengths, weaknesses, opportunities, and threats (SWOT).

Specific line of products/services: When describing specific line of products/services, it is important to keep in mind who your customers are and how the products/services being offered affect their needs and wants. Channels of distribution, seasons of operation, and even hours of operation will affect your customers.

Management Skills

Here are six skills or traits that one should look for in their management:

1. Ability to identify and develop business strategies
2. Ability to organize and maximize efficiency
3. Able to coordinate all activities
4. Ability to understand and adjust business plan
5. Ability to delegate
6. Ability to control and supervise the business

The most critical part of a business plan is the management section. The management of a business faces many diverse circumstance and dynamic challenges on a daily basis. The management team of your business must be able to stay on top of the changing markets,

adapt to the changes while running the business in an efficient manner. It is key that the management team is working as team to delegate tasks, remain in control, and plan for the future of the business while meeting the demands of today.

Hence, it is the management of a business that provides the business with the ability to implement the plan from paper to reality. Management contains the ability to do many things as listed on this slide. Therefore, in this section, be honest, but don not be modest or boastful.

Let's look specific points to cover in the Management section of your business plan.

Management

The first five areas that should be addressed in the management section are:

- Key personnel
- Management team
- Reporting relationships
- Directors/Advisors
- Staffing plan

Key personnel: List the key management personnel and their duties and responsibilities. Resumes should be included in the supporting documents to show management has experience and I skills needed to manage the company. Emphasize past successes and current role in the business

Management team: Explain how the diversities and similarities (in education, training, experience, etc.) among the key personnel will make a management team that will lead the business to success.

Reporting relationships: Define responsibilities of the officers. Also define the reporting relationships. Organizational charts give a clear picture of the company's management structure and who is responsible for what division or what tasks. Include salary structure and ownership share in this section.

Directors/Advisors: Determine the form of the business and define who the board of directors and outside advisory services are included in the management of the business.

Staffing plan: Discuss management needed in the organization, how you will fill key slots, hiring plans and the date positions will be filled. Also consider the ability to house more employees for potential growth.

The next five areas that should also be addressed in the management section are:

- Business organization
- Ownership

- Management duties
- Investment
- Competitive advantage

Business organization: Define your business organization.

Ownership: State the names of stockholders and of shareholders.

Management duties: Discuss the managers or private firms w-ho will handle the management duties. Include internal control systems for accounting, inventory and management information reporting systems.

Investment: Amount of money invested by the owners.

Competitive advantage: A successful business will tailor how their products and services are being offered to meet the demands of their customers, giving the business a competitive edge by using the management team's experience and/or skills.

Market Analysis

When you consider market analysis you should ask yourself the following questions:

- Who are the customers of your product?
- What products are they going to buy?
- Quantity of product needed at this time?
- What is the best approach to get the product of service tot the customers?
- What are the Future prospects for the business?

The market section will answer questions and considerations like these by discussing the marketing mix: Product/Service, Distribution channels, Price, and Promotion. This section looks at the elements in the marketing mix in comparison to the industry and more specifically, against your competition.

Who are the customers of your product?

Determine and understand the preliminary product market area and identify potential target markets

What Your product products are they going to buy?

Gather information regarding the market area and target markets.

Quantity of product needed at this time.

Analyze information to project sales.

What is the best approach to get the product of service to the customers?

Study data available from the industry.

What are the Future prospects for the business.

Set a business course.

The market analysis will help you answer these questions by analyzing these areas:

1. Focus on target markets
2. Discuss the demographics of potential customers and why they want your product
3. Look at the willingness of people to buy your product; and
4. Show that your business will be able to survive and grow

So let's look at the points that should be included in your business' market analysis section.

Market Analysis - Customers

Customers: Identify customers and potential customers. Discuss demographic information about customers such as age, sex, income, type of work and where they are located. Determine the customer by targeting the market you are going after. This will help focus your sales effort.

Let us now look at a method in identifying your customer called target market analysis, which will help you understand your targeted market.

Target Market & Analysis

According to Iowa Small Business Development Centers, a target market is the prime user of current product and/or service that are similar to your business. In this case, the target market is the user of diesel fuel.

Identify who the customers are. Your potential market is your future customers, also referred to as targeted market.

There are three components of a target market analysis and they are:

- Use preliminary market data to identify potential target market
- Identify where the target market is located
 - Geographic boundaries and/or characteristics
- Identify who the target market is
 - Demographics and socioeconomic characteristics

Preliminary market information can come from a variety of sources; gather as much information about the market as you can.

Pick or determine your geographic boundaries of your targeted market or customer. Sometimes the geographical boundary is formed by unique characteristics of the targeted market you have determined to pursue.

After determine your target market, gather as much information about your market and the customer as you can. All this information will help you decide how you are going to capture the market.

Two additional items to consider in your target market analysis are:

- If having difficulties identifying the target market look for variables in your potential market.
- Variables include:
 - Age, occupation, education
 - Family Cycle (intergenerational use)
 - Commercial, non-commercial, agriculture

Variables may offer some insight to who makes up the target market. Family life cycle for example: If the wife is a customer will her husband be a customer too? Or if one generation is a customer, will future generations (or other members) of that family be loyal customers of yours too?

Other variables may include but not limited to, are modes of transportation used by potential market, competitors, and type of business customer (i.e. commercial or noncommercial).

Market Area Analysis

When we talk about market area analysis we are talking about the following:

- Gather information regarding the market area and target markets
- Population figures for present and future
- Check bureau of census for information on age, income, sex, occupation and education
- Identify the transient populations (if applicable)

For population figures for the present and future you may want to check past population for a greater scope - look for increases and decreases to indicate booms or busts with in the specific area. Use census information and web sites to find this information. Also economic development in your area or the area where your market is found can be a great resource for this information.

Market Analysis & Market Size and Trends

Market size and trends: Discuss market in current unit and dollar size. Include future industry growth and trends. Support with documentation.

One of the most important areas to look at is the market trend. Items we want to find out in this area are:

- What economic trends affect the business?
 - Information on economic trends will reflect where the industry is now in relation to age, direction, and business cycle.
- Positive trends versus negative trends
- Information on economic trends
- Regulatory trends
- Trends with competitive fuels or fuel technologies
- Feedstock trends
- Technology trends

Information on economic trends will reflect where the industry is now in relation to age, direction, and business cycle. Examples of trends include size, ages, areas, and increases and decreases.

Size trends: Are customers buy larger quantities or smaller?

Age trends: Is the target market younger than five years ago? Is teenage spending down from a year ago?

Area trends: Is there more spending in downtown locations? Are rural agencies having an increase in their contract cliental?

Positive economic trends need to be considered in relation to negative trends. Example: Store A is a downtown store that sells a variety of clothing to teenagers and young adults. An economic trend as downtown spending is down would be a negative trend for this store. However, if teenage spending is up, this positive trend may out weight the effects from the negative trend of a decrease in downtown spending.

Economic trend information can be found in a variety of places for general trends for the country to industry specific trends. Sources for trend information include U.S. Dept of Commerce, Census Bureau Data Annual Survey, Current Industrial Reports, and Trade Journals.

Regulatory trends can have a profound affect on the industry. It can affect how fast the industry can grow and climate in legislative bodies of the government toward your product.

Trends with competitive fuels or fuel technologies will help you understand how Your product fits in the market place with respect to other fuels and fuel technologies. These trends can give you an insight to the financial viability of your product produced in your area.

Feedstock trends will affect the cost structure of your business plan. Historical trends can help identify the best feedstock to use in your specific case.

Technology trends need to be considered to determine future needs in the area of your product and use. These trends will help identify new markets as technology is developed for equipment and uses of your product.

Market Analysis - Competition

Competition:

Identify- the competition and where they are located. Discuss competitors' annual sales volume, market share, strengths and weaknesses. Discuss key differences of your company and product compared to the competition and your product price compared to the competitors' price.

Market Area Analysis

- Check for future community developments that could affect major changes
- Identify and understand competitors (your product competitive and other alternative fuel or diesel fuel competitors)
- Determine how much is spent on product/service (diesel fuel) in the area through city retail locations or commercial distribution terminals
- Determine cost, selling price and benefits of competitive products

This will help you identify what your customers have been buying or are going to buy, and whom they are going to buy from.

Market Analysis - Estimated market share and sales

Estimated market share and sales:

Include projected unit and dollar sales and area of the sales territory.

Analyze Information to Project Sales

A few methods to use to determine projected sales are:

- Calculate the average number of people per business in your area
- For more information, you may want to try a test market
- Survey your potential market
- Research trade and government publications on Market size and distribution

Surveys give direct information from the potential target market for analysis. Test markets and surveys will give you information on the current market position and on how your product compares to the competition!

Market Analysis - Product distribution and sales

Product distribution and sales:

Discuss how this type of product is sold in the market place. Discuss distribution and your plans compared to customary practices.

Analyze Information on product distribution and sales

To gain the necessary information on product distribution and sales, you can:

- Talk with similar businesses in other (but similar) communities about the market area
- Ask manufactures, suppliers, and distributors for their information about a possible market in your area of interest

Analyzing information on projected sales will give you a better understanding of the demand for your product/services. This will also help you to decide the quantity of products needed at this point in time.

Market Analysis - Competitive Advantage

Competitive advantage: Discuss the competitive advantages of your company and product compared to industry and competition.

Ask yourself these three questions to help you determine your competitive advantage:

- What makes your company unique?
- What is it that draws customers to you instead of your competition?
- How do you plan to keep your competitive edge so customers keep buying from your business?

This can be one of the hardest and most important questions to answer. These are the same questions that the banker or lending institution will be asking. It will address why you think the customers will purchase your product over the competition and ultimately lead to your projected sales. You need a reason to set you above the competition in your customer's eyes.

Market Analysis - Analysis

Analysis:

Analyze strengths and weaknesses of your product line and company versus competitors' product line and company.

- Strengths versus weaknesses
- Your product line versus competitors product line
- Your company versus the competitors company

Be honest and try to be as objective as possible when comparing your company to that of the competitor. Any weakness you point out should be addressed in your business plan on how you are going to improve them.

Market Planning Questions

SBDC of Iowa suggests that you ask yourself these questions when writing your market plan.

- Is there a real customer need?
- Can you get a price that gives you good margins?
- Is your company a credible source for the product?
- Does the product or service produce a clear benefit significantly better than the competition?
- Is there a cost effective way to get the message and product to the customer?
- How and where are you going to sell your product?

I will cover these specific points associated with the marketing section again by using a different approach in the following slides to help you in writing your market plan and in determining the answering to these questions.

Marketing Plan

In this section we will cover three main areas:

- Marketing goals and objectives
- Overall marketing strategy
 - Catching your customers
 - Capturing your customers
- Sales methods
 - Advertising
 - Ensure projected sales level

The Marketing Plan section of your business plans development show that you know how and where to sell your product.

Marketing goals and objectives: What you plan to do with the marketing effort? What are sales forecast targets?

Overall marketing strategy: A key element to discuss is the market niches the company will have. Discuss how customers will be identified and sold; pricing strategy-pricing policy I versus competition policy; service and warranty policies; how you will capture customers from competitors; credit terms. Include goals and timetables.

Sales methods: Discuss advertising and promotion policy; sales force management; sales staffing -manufacturing representatives or company sales force; sales area; distribution and sales methods -factory direct, dealers or wholesalers; how the sales methods will ensure projected sales levels are attained.

Three additional areas are:

- Test markets
 - Determine acceptance/demand for product
 - Offered for a limited time
- Marketing budget
 - Allocation of money
- Key assumptions

Test markets: Provide results of completed test marketing or outline the plan to conduct test marketing. Test market may be used to determine acceptance/demand by producing a limited amount of product and/or offering services for a limited time. This will help you determine the interest in your product and/or service and help you in identifying future customers. A recent example of a test market is one done by Hershey's Chocolate. Hershey's decided to conduct a market analysis on a possible new product buy using a test market strategy. They offered two different types of Hershey's Kisses, Dark Kisses, and Creamy Kisses for an eight-week time period across the United States. Hershey's is now using the information gathered from their test market of Dark chocolate and Creamy chocolate Hershey's Kisses to determine if there is a market for these new products.

Marketing budget: Show the budget with dollars allocated for advertising, travel, sales balances and commissions, promotional materials, trade shows, samples.

Key assumptions: Keeping up with changes and making plans for those changes.

Future Business Prospects

Once you address the current plans or state of your business markets, you should address the future prospects by asking the following question:

- Is your target market the same tomorrow as yesterday, or even today?

After deciding on the answer, explore the following:

- Expanding target market
- Possible contracts
 - Commitment to the market
 - Renewals

Contracts lock in a select market for a certain time frame. Will your market renew those contracts?

Continuing to talk about the future business prospects, you can identify market share and its changes by looking at the following:

- Identify market share and its changes for your business

- People in the area
- Dollars per person spent in the area
- Number of businesses in the area
- Square footage of local businesses
- Locations of business

These are things to keep in mind as time passes and things change. You want your business to keep its competitive edge, so keep in mind what a change in customers wants and what is changing with your competitors.

Now let's look at market surveys:

- Conduct a survey
 - Select type of survey
 - Brief and specific
 - State the point of the survey
 - Give information on your business
 - Find information on need of area market
 - Pre-test and re-work

Know what is changing and what is happening with both your customers and competitors. This can be done through surveys.

Select the type of survey (telephone, mail, and/or personal). Let the people who you are surveying, who you are, why the survey, amount of time the survey will take, and the value of the survey to you.

Four last areas to consider in determining your future business prospects are:

- Test markets
 - Helpful in determining and understanding the changes to the market
- Stay abreast of local, state, and federal regulations
- Check insurance coverage
- Consider political, aesthetic, and ethical trends

Test markets can be helpful in determining the interest in a new service or product line. Know changes in regulations so your business can continue. Stay updated with licenses, patents, sales permits, labor laws, and copyrights so your business can continue to grow and prosper.

Keep insurance coverage updated and renew to avoid any mishaps. Check into insurance coverage such as property, life, liability, workers compensation, and any other insurance coverage your business may need.

There are many considerations that change over time, be mindful of the political climate and other such considerations when planning for the future.

Products and Services

There are six areas to address in the category of product and services. The first three are:

- Description of complete product line or services offered
 - Quality of goods and services
- Legal protection
 - Patents, copyrights, legal, and technical considerations
- Comparison to competitor's products or service

The purpose of the Products and Service section is to give a clear picture of your product or service. Whenever possible, use photographs, sketches, digital images, or any other visual aids to present your product/service in the clearest manner. In this section, marketing material used to promote the product should also be included.

There are six points that should be included in the Product and Services section to provide the reader with a clear understanding of your product/service. The first is a description of your product line or services offered.

Description of complete product line or services offered: Discuss product features and/or quality of products and services. Explain the objection of the product/service.

Legal protection: Patents, copyrights, trademarks.

Competitor's comparison: How do your products/services differ from your competitors? What are some the similarities?

The remaining three points to include in the Products and Services sections are regulatory agency requirements, competitive advantage, and customer benefits.

- Regulatory agency requirements
 - Know regulations
- Competitive advantage
- Customer benefits
 - Product
 - Service

Regulatory agency requirements: Know the requirements, restrictions, and limitations enforced by regulatory agencies that affect your business.

Competitive advantage: Determine your unique competitive advantages versus the competition. What makes your product/service stand out compared to your competitions?

Customer benefits: Benefits the customers have from using your product and/or service. Also look in terms of your staff. Benefits to customers may include the qualities of your employees: their knowledge, experience, and/or attitude.

Manufacturing Plan

The objection of the manufacturing plan sections is to demonstrate that you know how to produce the product, and you can produce a quality product in quantities in a sufficient amount of time to meet customers' demand. The following points will help you convince the reader of your business development plan that you can do this.

- Facility
- Location – Site Selection
- Production
 - Methods
 - Equipment
 - Timeline
 - Degree of productivity

Facility: Size of facility" needed with a plant layout sketch. It may be a good idea to plan for capital improvements.

Locations: City, state and address where plant will be located.

Production: Discuss how this plan for a product will transform into a reality. Discuss your production methods and the state of art of your production process. Explain what equipment is needed. Discuss how the manufacturing operation will help make the business a success. Detail your production capacity versus sales needs. Include product literature on key pieces of equipment you will purchase and why you are buying that piece. Discuss how you will produce or provide the service or product.

Other topics to address in your manufacturing plan are:

- Staffing
- Inventory
- Quality
- Raw Material
- Environmental issues

Staffing: Describe the size of your workforce needed (how many workers are needed?). Discuss the skills needed in the ideal worker. Also discuss possible training programs to build upon skills and talents possessed by the workers.

Inventory: Inventory policy for raw material and finished goods. Discuss how you plan to keep track of materials to avoid over ordering, or lack of essential materials during crucial production timeframes.

Quality: Quality control, quality" assurance plans and plans to implement ISO 9000 or QS 9000.

Material: Raw materials needed and sources of supply...List key suppliers.

Environmental issues: Environmental issues and any anticipated environmental factors. Discuss your environmental compliance program.

The final four areas to address in your manufacturing plan are:

- Condition of production assets
- Manufacturing process advantages
- Government requirements
- Key assumptions

Condition of production assets: What is the condition of your production facilities and equipment? Are you using the state of the art equipment?

Manufacturing process advantages: State any unique competitive advantage you have in the manufacturing process arena. How are you doing it different than your competitor and why are they not following in your footsteps?

Government requirements: Discuss how you intend to comply with governmental agencies requirements such as OSHA for safety and air quality permits for the state and federal government.

Key Assumptions: What are the key assumptions you used in developing your manufacturing plan?

Financial Data

In the Financial Data section, you want to illustrate how you can make a profit, have positive cash flow and be able to repay any debt. The following points on the next couple of slides will aid you in completing this section.

The first few areas we will cover are:

- Sources and applications of funding
- Equipment list
- Pro forma balance sheet
- Break-even analysis

- Income projections

Sources and applications of funding: Where is the funding coming from and what is it being used for.

Equipment list: Include the model and serial number if known.

Pro forma balance sheet: Make sure to include notes and explanations on your pro forma balance sheet.

Break-even analysis: Explains how you plan to break even.

Income projections: This should be a three-year projection with notes of explanation. The first year should be done on monthly projections and then the remaining years should be done on quarterly or annually basis.

The next areas to consider are:

- 12-month cash flow
- Cost of goods sold
- Audited financial statements
- Collateral
- Aging accounts payable and accounts receivable (for an existing business)
- Personal financial statements

12-month cash flow: Include notes of explanation.

Cost of goods sold: Make a detail schedule for the cost of goods sold.

Audited financial statements: Use and keep audited financial statements for the past 3-5 years.

Collateral: Make a list of collateral offered to secure a loan(s).

Aging accounts payable and accounts receivable: For existing businesses, financial data can be obtained from accounts payable and accounts receivable information.

Personal financial statements: Owners with 20% or more ownership should keep a personal financial statement. Personal financial statements should be done for each owner.

Balance Sheet

Here is an example of a Balance Sheet.

Balance Sheet

CURRENT ASSETS

Cash	\$ _____
Accounts Receivable	\$ _____
Inventory	\$ _____

TOTAL CURRENT ASSETS \$ _____

PROPERTY & EQUIPMENT

Land & Buildings	\$ _____
Fixtures & Equipment	\$ _____
Vehicles	\$ _____

TOTAL \$ _____

Less accumulated depreciation \$ _____

NET PROPERTY & EQUIPMENT \$ _____

OTHER ASSETS

Licenses	\$ _____
Goodwill	\$ _____

TOTAL ASSETS \$ _____

CURRENT LIABILITIES

Notes Payable	\$ _____
Accounts Payable	\$ _____
Accrued Expenses	\$ _____
Taxes Owed	\$ _____
Current Portion, Long Term Debt	\$ _____

TOTAL CURRENT LIABILITIES \$ _____

LONG TERM DEBT

Loans \$ _____

TOTAL LIABILITIES \$ _____

STOCKHOLDER'S EQUITY

Capital Stock	\$ _____
Paid-In Capital	\$ _____
Retained Earnings	\$ _____

TOTAL NET WORTH \$ _____

TOTAL LIABILITIES & NET WORTH \$ _____

Income Projections

Here is a sample of an Income Projections sheet.

INCOME PROJECTS						
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Yr 20xx	Yr 20xx
SALES	_____	_____	_____	_____	_____	_____
Cost of Sales	_____	_____	_____	_____	_____	_____
Material	_____	_____	_____	_____	_____	_____
Labor	_____	_____	_____	_____	_____	_____
Supplies	_____	_____	_____	_____	_____	_____
Gross Profit	_____	_____	_____	_____	_____	_____
 OPERATING EXPENSES						
Officers Salaries	_____	_____	_____	_____	_____	_____
Office/Mgr's Salaries	_____	_____	_____	_____	_____	_____
Payroll Expenses	_____	_____	_____	_____	_____	_____
Supplies (office)	_____	_____	_____	_____	_____	_____
Advertising	_____	_____	_____	_____	_____	_____
Travel	_____	_____	_____	_____	_____	_____
Depreciation	_____	_____	_____	_____	_____	_____
Freight/Postage	_____	_____	_____	_____	_____	_____
Insurance	_____	_____	_____	_____	_____	_____
Utilities	_____	_____	_____	_____	_____	_____
Accounting/Legal	_____	_____	_____	_____	_____	_____
Real Estate & Pers. Taxes	_____	_____	_____	_____	_____	_____
Telephone	_____	_____	_____	_____	_____	_____
Repairs & Maintenance	_____	_____	_____	_____	_____	_____
Misc. Expenses	_____	_____	_____	_____	_____	_____
Auto/Truck Expenses	_____	_____	_____	_____	_____	_____
Rent or Lease Expenses	_____	_____	_____	_____	_____	_____
Total Expenses	_____	_____	_____	_____	_____	_____
Operating Profit	_____	_____	_____	_____	_____	_____
Interest Expense	_____	_____	_____	_____	_____	_____
Other Income	_____	_____	_____	_____	_____	_____
Other Expense	_____	_____	_____	_____	_____	_____
Net Profit	_____	_____	_____	_____	_____	_____
(Before Income Taxes)	_____	_____	_____	_____	_____	_____
Estimated Income Taxes	_____	_____	_____	_____	_____	_____
NET PROFIT	_____	_____	_____	_____	_____	_____

General Supporting Documents

A list of some general supporting documents is as follows:

- Letters from future customers
- Plant layout
- Product brochures, promotional materials
- Resumes
- Market research data
- Patent or trademark information
- Letters of financial commitment

General documents that should be included in your Supporting Documents sections described in additional detail include:

Letters from future customers: These can also be contracts or letters of intent to do business with you.

Plant layout: A general plant layout should be included. This will show that you have done enough engineering or development work to know that the building size for your business is adequate.

Product brochures, promotional materials: These materials should have been developed and used to describe your product to the potential customer market. They don't have to be very fancy at first, but need to contain information about your business and products.

Resumes of all Key personnel: Make sure all your upper management resumes are included.

Market research data: Includes documented evidence of market growth, trends, and statistics

Patent or trademark information: Legal documentation

Financial commitments: Solicit from primary investors for capital or working capital, etc.

Critical Risks & Problems Supporting Documents

In the Supporting Documents section, include critical risks and problems that you think may occur. Identify and discuss major risks and problems that you think you may encounter. Discuss risks including, but not limited to, the company, industry, personnel, market, product, and financing. Indicate which assumptions or potential problems are most critical and how your plans reduce the impact of unfavorable developments. This is one area that you can address any weaknesses of your company that were mentioned in previous sections of your business plan.

A short list of some other supporting documents that might fit in these areas are:

- Price cutting by competitors (including loss of mandates, loss or changes in subsidies, or changing competitive advantage of other producers as a result of state subsidies, etc.)
- Any potentially unfavorable industry-wide trends
- Design or manufacturing costs in excess of estimates
- Sales projections not achieved
- Product development schedule not met

Other potential risk areas that should be addressed are:

- Difficulties or long lead times encountered in the procurement of parts or raw materials
- Difficulties encountered in obtaining bank credit lines because of tight money (or because product market is considered risky)
- Larger than expected innovation and development costs to stay competitive
- Availability of trained labor

If your process uses an uncommon raw material or one that is transported from a far distance, it might be difficult to obtain or take long times for you to receive them. Describe how you are going to deal with this situation and meet customer needs.

In times of a growing economy, money can be in tight supply. This might mean higher than normal interest rates or difficulty in finding banks that are willing to work with new startup companies. Your product markets may be considered risky because they may depend on mandates or subsidies. Typically, debt financing is difficult to obtain and equity financing makes up a larger share of financial commitments.

Some processes or industries require state of the art technology to stay competitive. The computer industry is one that has a high cost for research and development.

The labor market might be tight and it will be hard to find good workers. This can affect the ability to hire the workforce that you need to efficiently work at your plant.

Resources for Information

Here are some resources for additional information on writing and developing a business plan. Some of them are found only in Iowa, but comparable organizations should be available in your states too.

- Iowa State University Extension
- Center for Industrial Research and Service
- Iowa Manufacturing Extension Partnership

- John Pappajohn Entrepreneurial Centers
- Small Business Development Centers
- U.S. Small Business Administration

Again, here are other resources available and many times can be accessed over the Internet.

- Iowa Department of Economic Development
- Iowa Workforce Development
- Iowa Secretary of State
- Iowa Department of Revenue and Finance
- Local agencies in your area (Economic Development, City Council, ...)
- USDA and Value Added Agriculture Extension
- National trade organizations

Acknowledgements

- Small Business Development Centers
- Iowa Manufacturing Extension Partnership
- Center for Industrial Research and Service
- Iowa State University Extension
- National Renewable Energy Laboratories
- “How to Write a Business Plan” by Verl Anders, CIRAS