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Abstract

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business plan template

Insert Business Name here

Hi there

Thanks for downloading our business plan template.

This template is used as a guide to help you prepare a new business plan or update your existing one. Work through each section and complete as required. Each section of the plan builds on the last. Some pieces may not be relevant and these can be skipped or ignored. For example, if you’re running on online store, then the section on the physical location may not be relevant. However, if you’re running a fashion boutique, its probably highly relevant.

Even if you’ve been in business a few years, it’s always a useful exercise to relook at how your business is structured, how to operates, key markets and goals.

If you have any questions, please do not hesitate to contact me at [hello@jdscott.co](mailto:hello@jdscott.co).

Cheers

James Scott

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# **Executive Summary**

Write this section last.

We suggest that you make it two pages or fewer.

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the proposed business: What will your product be? Who will your customers be? Who are the owners? What do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise.

If applying for a loan, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, demonstrating repayment.

# **Company Description**

What business will you be in? What will you do?

Mission Statement: Many companies have a brief mission statement, usually in 25 words or fewer, explain the reason for being and the core principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:

Company Goals and Objectives: Goals are destinations—where you want your business to be. Objectives are indicators to the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

Business Philosophy: What is important to you in business?

Who is your market? (State it briefly here—you will do a more thorough explanation in the Marketing Plan section).

Describe your industry. Is it a growth industry? What changes do you expect in the industry, short term and long term? How will your company be positioned to take advantage of them?

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

Legal form of ownership: Sole proprietor, Partnership, Company

# **Products and Services**

Describe in detail your products or services (technical specifications, drawings, photos, sales brochures, etc. belong in Appendices).

What is your competitive advantage? Examples include level of quality or unique or proprietary features.

What are the pricing, fee, or leasing structures of your products or services?

# **Marketing**

## **Market research**

No matter how good your product and your service, the business cannot succeed without effective marketing. And this begins with thorough research. You need to do market research to make sure you’re on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts.

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

There are more online sources than you could possibly use, particularly the Government websites. Also check out your local resources. Your local library, Chamber of Commerce or Business Enterprise Centre have good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location; use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research themselves.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

## **Industry Economics**

Facts about your industry:

* What is the total size of your market?
* What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)
* Current demand in target market.
* Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
* Growth potential and opportunity for a business of your size.
* What barriers to entry do you face in entering this market with your new company and how will you overcome the barriers? Some typical barriers are:
  + High capital costs
  + High production costs
  + High marketing costs
  + Consumer acceptance and brand recognition
  + Training and skills
  + Unique technology and patents
  + Shipping costs
  + Tariffs, duties, etc
* How could the following affect your company?
  + Change in technology
  + Change in government regulations
  + Change in the economy
  + Change in your industry

## **Product and Services**

In the Products and Services section, you will describe your products and services as you see them. Now describe them from your customers’ point of view.

**Features and Benefits**

List all of your major products or services.

For each product or service:

* Describe the most important features. What is special about it?
* Describe the benefits. That is, what will the product do for the customer?
* What after-sale services will you give? Some examples are delivery, warranty, service contracts, support, follow-up, and refund policy.

## **Customers**

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyse both the end consumer and channels to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

* Age
* Gender
* Location
* Income level
* Occupation
* Education
* Other (specific to your industry)

For business customers, the demographic factors might be:

* Industry (or portion of an industry)
* Location
* Size of the company
* Quality, technology, and price preferences
* Other (specific to your industry)

## **Competition**

What products and companies will compete with you?

List your major competitors: (Names and addresses)

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

How will your products or services compare with the competition?

Complete a competitive comparison on the following factors:

* Products
* Price
* Quality
* Service
* Reliability
* Reputation
* Location
* Appearance and Image
* Sales and Marketing Approach

## **Niche**

Now that you have analysed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the market.

In one short paragraph, define your niche, your unique corner of the market.

## **Marketing Strategy**

Now outline a marketing strategy that is consistent with your niche.

Promotion

How will you get the word out to customers?

Advertising: What media, why, and how often?

Have you identified low-cost methods to get the most out of your promotional budget?

Will you use methods other than paid advertising, such as trade shows, catalogues, referral incentives, word of mouth (how will you stimulate it?), and network of friends or associates?

What image do you want to project? How do you want customers to see you?

In addition to advertising, what plans do you have for your business image? This includes things like logo design, cards and letterhead, brochures, signage, etc.

Should you have a system to identify repeat customers and then contact them?

## **Promotional Budget**

How much will you spend on the items listed above?

Before start-up? (These numbers will go into your start-up budget.)

Ongoing? (These numbers will go into your operating plan budget.)

## **Pricing**

Explain your method of setting prices. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can under price you anyway. Usually you will do better to have average prices and compete on quality and service.

Does your pricing strategy fit with what was revealed in your competitive analysis?

Compare your prices with those of the competition. Are they higher, lower, the same?

How important is price as a competitive factor? Do your prospective customers really make their purchase decisions mostly on price?

What will be your customer service and credit policies?

## **Proposed Location**

Probably you do not have a precise location picked out yet. This is the time to think about what you want and need in a location. Many start-ups run successfully from home for a while.

You will describe your physical needs later, in the Operational Plan section. Here, analyse your location criteria, as they will affect your customers.

Is your location important to your customers? If yes, how?

If customers come to your place of business:

* Is it convenient? Parking? Close to transport?
* Is it consistent with your image?
* Is it what customers want and expect?
* Where is the competition located?

# **Distribution Channels**

How do you sell your products or services?

* Retail
* Direct (mail order, Web, catalogue)
* Wholesale
* Your own sales team
* Agents
* Tender or contract bidding

# **Sales Forecast**

Now that you have described your products, services, customers, markets, and marketing plans in detail, it’s time to attach some numbers to your plan. Prepare a month-by-month projection. The forecast should be based on your projected sales, the marketing strategies that you have just described, your market research, and industry data, if available.

Remember to keep notes on your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. This is critical if you are going to present it to funding sources.

# **Operational Plan**

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

## **Production**

How and where are your products or services produced?

Explain your methods of:

* Production techniques and costs
* Quality control
* Customer service
* Inventory control
* Product development

## **Location**

What qualities do you need in a location? Describe the type of location you’ll have.

Physical requirements:

* Amount of space
* Type of building
* Zoning
* Telecommunications, Power and other utilities

Access:

* Is it important that your location be convenient to transportation or to suppliers?
* Do you need easy walk-in access?
* What are your requirements for parking?
* Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.

Construction? Most new companies should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.

Cost:

Estimate your occupation expenses, including rent, but also including maintenance, utilities, insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your financial plan.

What will be your business hours?

##### Legal Environment

Describe the following:

* Licensing requirements
* Business and taxation regulations
* Permits
* Health, workplace, or environmental regulations
* Special regulations covering your industry or profession
* Zoning or building code requirements
* Insurance coverage
* Trademarks, copyrights, or patents

## **Personnel**

* Number of employees
* Type of labor (skilled, unskilled, and professional)
* Where and how will you find the right employees?
* Quality of existing staff
* Remuneration
* Training methods and requirements
* Who does which tasks?
* Do you have job descriptions prepared?
* For certain functions, will you use contract workers in addition to employees?

## **Inventory**

* What kind of inventory will you keep: raw materials, supplies, finished goods?
* Average value in stock (i.e., what is your inventory investment)?
* Rate of turnover and how this compares to the industry averages?
* Seasonal requirements?
* Lead-time for ordering?

## **Suppliers**

Identify key suppliers:

* Names and addresses
* Type and amount of inventory required
* Credit and delivery policies
* History and reliability

Should you have more than one supplier for critical items (as a backup)?

Do you expect shortages or short-term delivery problems?

Are supply costs steady or fluctuating? If fluctuating, how would you deal with changing costs?

# **Financial**

##### Credit Policies

* Do you plan to sell on credit?
* Do you really need to sell on credit? Is it customary in your industry and expected by your customers?
* If yes, what policies will you have about who gets credit and how much?
* What terms will you offer your customers; that is, how much credit and when is payment due?
* Will you offer prompt payment discounts? (Do this only if it is usual and customary in your industry.)
* Do you know what it will cost you to extend credit? Have you built the costs into your prices?
* Will you be providing an online service and will it be an encrypted, secure website.

**Managing Your Accounts Receivable**

If you do extend credit, you should track on a monthly basis to monitor how much of your money is tied up in credit given to customers and to alert you to slow payment problems. You will need a policy for dealing with slow-paying customers:

* When do you make a phone call?
* When do you send a letter?
* When do you get the legal to threaten?

**Managing Your Accounts Payable**

You should also track your accounts payable, what you owe to your suppliers. This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and can damage your credit. Do your proposed vendors offer prompt payment discounts?

**Startup Expenses and Capitalisation**

You will have many [startup expenses](http://www.score.org/downloads/Start-up%20Expenses1.xls) before you even begin operating your business. It’s important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.

Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.

### Financial Plan

The financial plan consists of a [12-month profit and loss projection](http://www.score.org/downloads/12%20Month%20Profit%20and%20Loss%20Projection1.xls), a cash-flow projection, a projected balance sheet, and a break-even calculation. Together they provide a reasonable estimate of your company's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

##### 12-Month Profit and Loss Projection

Many business owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by the assumptions used to estimate company income and expenses.

##### Projected Cash Flow

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn’t be taken by surprise.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to make a payment (for expense items).

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the Profit and Loss Projection. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory requirements that should be budgeted?

Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never actually pay for it.

##### Opening Day Balance Sheet

A [balance sheet](http://www.score.org/template_gallery.html) is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners’ equity.

##### Break-Even Analysis

A [break-even analysis](http://www.score.org/downloads/Break-Even%20Analysis1.xls) predicts the sales volume, at a given price, required to recover total costs. In other words, it’s the sales level that is the dividing line between operating at a loss and operating at a profit.

# **Management and Organization**

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies? Is there a contingency plan if this person is unable to continue?

If you’ll have more than 10 employees, create an organisational chart showing the management hierarchy and who is responsible for key functions.

Include position descriptions for key employees. If you are seeking loans or investors, include resumes of owners and key employees.

# **Professional and Advisory Support**

List the following:

* Board of directors
* Advisory board
* Legal
* Accountant
* Insurance broker
* Bank
* External Consultants
* Other key advisors

# **Appendices**

Include details and studies used in your business plan, for example:

* Brochures and advertising materials
* Industry studies
* Blueprints and plans
* Maps and photos of location
* Magazine or other articles
* Detailed lists of equipment owned or to be purchased
* Copies of leases and contracts
* Letters of support from future customers
* Any other materials needed to support the assumptions in this plan
* Market research studies
* List of assets available as collateral for a loan