



BUSINESS PLAN GUIDELINES

Every business venture can benefit from the preparation of a carefully written business plan. The purpose of the business plan is to:

- **HELP YOU THINK** through the venture and ensure that you have considered all your options and anticipated any potential difficulties.
- **CONVINCE POTENTIAL LENDERS AND INVESTORS** that you are in control of the project and that their money will be safe with you.
- **SERVE AS AN OPERATING GUIDE** as you turn your ideas into a viable business.

What a bank looks for in a business plan

Since your business plan may be submitted to a bank, it is important to realize how a banker analyzes a business plan and what questions a banker asks during this analysis. A banker's job is to assess the degree of risk in each proposed loan and to be satisfied that the loan can be repaid by the borrower while still allowing the business to operate profitably. A banker does this by analyzing a number of things including:

- the nature of the business
- the purpose of the loan
- the amount of the loan
- the ability to repay the loan
- the collateral available to secure the loan
- the character and management skills of the business owner

To convince a banker (or any other investor) of the merits of a loan request, a borrower must present complete, well-organized information which addresses these and other concerns. It is important to remember that the proper packaging of a loan proposal can be an important step in getting it approved.

The following pages provide a suggested outline of the material that should be included in your business plan. The final product should be tailored to fit the circumstances and personality of you and your business.

For a sample business plan please go to our website: www.mainesbdc.org.

BUSINESS PLAN OUTLINE

1. **Cover:** Name, address, and phone number of business. Give your plan a businesslike appearance by typing it on high quality paper and putting it in a vinyl or cardstock binder or a three-ring notebook. Also show the date of issue of the plan and type “copy number _____” so you can number and control the copies.
2. **Executive Summary:** A brief (one page) statement of the business plan objectives. Address the following questions and add additional information that will help you achieve your goals. (You may choose to write this page last.)
 - A. What is the purpose of this plan? Will it be used as:
 - An operating guide?
 - A financing proposal?
 - B. Why will the venture be successful?

For a financing proposal:

- Who is requesting the funds and how much is needed?
- What will the money be needed for? How will the funds be repaid?
- What collateral will be offered to secure the loan?
- Why does a loan or an investment make sense from the financier’s point of view?
 - impact on local economy
 - job creation
 - increased tax base
 - investment in the future of the community

3. **Table of Contents:** A single page showing major topics and page references
4. **Description of Business:** Answer as many of the following questions as are appropriate:
 - A. What business are you in?
 - Form of business: Sole Proprietor, Partnership, LLC, LLP, C-Corp, Etc.
 - Type of business: primarily merchandising, manufacturing, or service?
 - What is the nature of the product(s) or service(s)?
 - What will be special about your business?
 - B. What market do you intend to service? What is the total market, and what is your expected share? (Only briefly as you will get into more detail in the Market Analysis Section)
 - C. How can you serve the market better than your competition?
 - D. Present status of the business: start-up, expansion of a going concern, or take-over of an existing business?
 - E. If you will be doing any contract work, what are the terms? Reference any firm contracts and include them as supporting documents.
 - F. Do you have letters of intent from prospective suppliers?

For an existing business:

- G. What is the history of the business?

- H. What does the owner wish to see at this time?
- I. If the business is going downhill, why? How can you turn it around?
- J. How will your management make the business more profitable?
- K. What changes do you plan to make in the business?

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

You can also add the following topics:

Insurance: Describe your potential business risks and tell what insurance coverage you will purchase to protect yourself.

Licenses and Permits: State how you will be affected by local zoning regulations. What other licenses or permits will you be required to obtain? If you have begun permit or license applications, where are you in the process?

5. Location and Operations:

- A. What is your business address and why did you choose that location?
- B. Will the building be leased or owned?
- C. What are the terms and length of the lease contract?
- D. What renovations will be needed and at what cost?
- E. Describe the neighborhood (e.g., stable, changing, improving, deteriorating)
- F. What other kinds of businesses are in the neighborhood?
- G. How much can your business expand before you will be forced to move or add on to the present building?

6. Personnel: Write a paragraph or two about your personnel needs.

- A. What are your anticipated personnel needs?
- B. What skills must your employees have?
- C. Can you use part-time help to meet changing business volume?
- D. Will you have to train people, and at what cost?

7. Product and Services: This section is where you will get into greater detail about your product or service. How it operates etc. Do not get too detailed (specific designs, blueprints, etc. should go in the back of the plan in the appendix). It should be enough that the reader fully understands what you are offering (product or service).

This section should conclude with your proposed pricing. Competitor pricing will be discussed in the Competitor Section of the plan, so for now, you can simply state whether your pricing is high or low as compared to the market and is supported in the Competitor Section.

If you are higher or lower as compared to the market, describe what features or services will you offer that will justify your price? Superior quality? Low price point? Cheaper than alternative solutions (i.e. cost savings)?

8. The Market: Generally explain who needs your product or service and how you plan to reach them. (For a sample Marketing Plan please go to our website: www.mainesbdc.org).

- A. What is the present size and growth potential of the market? What is the trend of the industry over the past 3-5 years? (Sometimes it is helpful to go from a large/national outlook and work down to a local outlook).
- B. What percent of the market do you have now or hope to capture in the future?
- C. Describe age, sex, occupation, lifestyle, income, etc., of your various market segments.
- D. How will you attract and keep your segment of this market?
 - product quality
 - price
 - place
 - promotion
 - persuasion-personal selling

9. Competition: Briefly describe your competition and tell how their operations are similar and dissimilar to yours. Always follow up on any competitor strength with what your unique selling proposition is and how will you use it to control your market share. You should only present 3-5 strong competitors, keeping in mind that competition can mean a substitute or similar product or service and does not have to be a direct competitor. It is often helpful to note where, geographically, your listed competitors are in relation to your business.

10. Market Strategy: This section should describe how you plan to promote your business

- A. Identify method of selling products; direct, through distributors, retail chains, etc.
- B. What kind of marketing will be conducted? Identify costs.
- C. Website based marketing? Social Media? Word of Mouth? Print Ads? TV? Radio?
- D. Will you be attending conferences? Festivals? Etc.?

11. Management/Key Employees:

- A. What is your business and management experience? (Resumes should be put in the appendix)
- B. What education have you had, including both formal and informal courses that contribute to your managerial abilities?
- C. Are you physically suited to the job?
- D. Do you have direct operational and/or managerial experience in this type of business?
- E. Describe your organizational structure and include a brief description of who does what. (Include an organizational chart if necessary.)
- F. List proposed salaries and wages.
- G. What other management resources will be available (accountant, lawyer, Small Business Development Center)?

12. Financial Data:

- A. Source and Use of Funds Statement (This includes a list of equipment for start-up)
 - This Statement should clearly identify the proposed source of funds, including owner's cash, proposed bank financing, and funds from any other sources.

- The Source of Funds should match the clearly identified Uses of the funds, which can include items to be purchased, contractor estimates, start-up expenses, and working capital (if applicable).
- B. Projected income statement
 - Detail by month, first year
 - Detail by quarter, second and third year
 - Notes of explanation and assumptions
 - C. Cash flow projections
 - Detail by month, first year
 - Detail by quarter, second year
 - Notes of explanation and assumptions
 - D. Projected balance sheet
 - Balance sheet on Loan Close date
 - Quarterly First Year Balance Sheet
 - Annual Second and Third Year Balance Sheet
 - Notes of explanations and assumptions
 - E. Break-even analysis
 - F. Ratios – This compares your business with the industry average
 - G. For an existing business
 - Income statements
 - Balance sheets and/or
 - Tax returns for past three year
 - Current balance sheet and income statement (less than 90 days old)

Note: Personal Financial Statements of Principals with more than 20% ownership in the business should go in the appendix in the back

13. Supporting Documents:

- A. Personal resumes for all principals
- B. Personal financial statements for all principals
- C. Letters of reference
- D. Letters of intent from prospective suppliers or customers
- E. Copies of all leases, contracts, or agreements, deeds, or other legal documents
- F. A list of Reference Sources and Citations used in the Business Plan
- G. Any other information that might help your cause or answer potential questions