

Business Plans & Financial Statements

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BUSINESS PLANS

A tool to lead you down the
road to success!

Business Plans Are Needed For:

- Optimizing Growth
- Developing Strategies
- Establishing Goals and Objectives
- Identifying Mission

Business Plans

- Evaluate Business Idea Feasibility
- Provide an Operating Plan
- Communicate **Your** Ideas

Business Plans

- Evaluate the **Past**
- Look at the **Current** Situation
- Establish **Future** Paths

Business Plan Should Show Evidence of Product (or Service)

- **Needs**
- **Wants**
- **Acceptance**

by ***Customer***

(Don't assume that "if you provide it the customer will want it.")

Business Plans Are About Results

- Content Matches Your Purpose
- Needs to be “Your Plan”
It is not the consultant’s plan.
- Demand for the Product (Service)

Plan Your Exit Strategy

Needs to be considered as you write the plan such as:

- Selling the Business
- Closing the Business
- Passing the Business to the Next Generation

Cover Letter

- **Formal Request**

- **First in Portfolio**

It is written after everything else has been written but it is shown first in portfolio.

- **Wants, Needs, and Purpose**

If you are writing for financing, be specific in your wants, needs, and purpose for the money.

Executive Summary

- Summarizes the business plan in one or two pages.
- Is written after the business plan has been written, but follows the cover letter in the portfolio.
- Includes key factors from the business description, management, financial needs summary, timetable, earning projections, targeted market, potential return to investors, and purpose of the plan.

Company Description

- **Name of Company**

- **Location**

What is the business address? Is the building owned or leased? What are the terms? What are the renovation and or modification needs and costs? Describe location of property and surrounding area. State the location advantages.

- **Nature of Business**

What does it do or what will it do?

- **Stage of Development**

Is it a start-up, expansion, or an existing business purchase?

- **Legal Structure**

Are you a sole proprietor, partnership, corporation, or limited liability company?

- **Product Description**

Company Description (continued)

- Mission Statement
- Business Goals and Objectives
- History of Business

Products and/or Services

- Describe the Product Line and/or Services
- Proprietary Position
 - Do you have patents, copyrights and licenses?
 - What are the legal and technical aspects of the business?
- Development of Timetable
- Long Term Development Strategies
- Price and/or Performance Characteristics
- Comparison to Competitor's Products
 - How is your product superior in comparison to the competitor?
 - How will you take advantage of your product strengths?
 - What are the benefits of your product's uniqueness?

Production Plan (if applicable)

- Manufacturing and Production Methods
- Materials used in the Manufacturing Process
- Sources of Major Suppliers
- Subcontractors required in the Manufacturing Process
- Equipment Requirements
 - Includes cost replacement, maintenance, depreciation, and services
- Space and Utility Requirements
- Quality Control Procedures

Market Analysis

- **Market Feasibility**

Show evidence that the product has been researched and the customer wants it.

- **Description of the Total Market**

Who's the customer? What do they buy? Why do they buy?

- **Industry Trends**

- **Target market (present and future)**

What's the size and growth?

What's the projected share of the market?

- **Competition – SWOT Method**

(Strengths, Weaknesses, Opportunities, Threats)

Consider location, service, market share, sales volume, and current performance.

Marketing Plan

- **Product Strategies**

How will products be packaged? How broad will the product line be? What new products will be introduced? What position or image will be developed or reinforced?

- **Pricing Strategies**

What will your pricing strategies be? How does the price compare to your competition? Why will customers pay your price? What will be your credit policies? Can you add value and compete issues other than price?

- **Promotional Strategies**

Who is your targeted market? How will the target be reached? What media will be used? How will buying be motivated? What is the cost and timetable for implementation?

Marketing Plan (Continued)

- **Place (Location)**

Increase in natural customer traffic can decrease advertising cost.

- **Position (Competition)**

Who are the largest competitors? How will your operation be better than your competitor's? How are competitors' current operations doing? How will the competition respond to you entering the market?

- **People (Customers)**

Describe your customers and how you are going to reach them.

Strategy and Implementation

- Selling and Distribution Methods
- Identifying associated Marketing Costs
- Promotion Strategies and the Marketing Mix
- Planned Timetable for Product Introduction

Management Team

- **Legal Structure (form of business)**

Explain the reason for the type selected. (This is repeated from the company description.) This should lead into the organizational chart.

- **Organizational Chart**

- **Description of Board of Directors**

- **Officers and Owners**

Include job descriptions, resumes of key personnel and consultants.

- **Staffing Patterns**

Include the number of employees.

Management Team (continued)

- **Facilities Plan**
Include any planned capital improvements.
- **Operating Plan**
Show schedule of upcoming work for the next couple of years.
- **Compensation Incentives**
Normally this is done for key executives.
- **Legal Counsel and Consultants**
Include attorney, accountant, and other consultants.
- **Banking Relationships**
- **Pending Litigation**
- **Insurance Plan and Coverage**

Financial Plan

- Financial History
- Detailed Assumptions
- Financial Projections

Cash flow statement are needed for one year by month. Three-year projections of income statements and balance sheets are also needed.

- Financial Ratios
- Potential Return to Investor

Financial Plan (continued)

- Projected Start-up Costs
- Description of Loan
- List of Capital Equipment

Resources

- www.sba.gov
- www.coloradosbdc.org
- www.asbdc-us.org
- **Relationship between Cash Flow, Income Statement, and Balance Sheet**
(Separate Document)
- **Colorado Business Resource Guide**
(Contact your nearest Small Business Development Center for this guide, as well as for free counseling. To locate your nearest center go to www.coloradosbdc.org)