



## BUSINESS PLAN GUIDE

The Yuba-Sutter Economic Development Corporation Loan Program is aimed at assisting small and medium-sized businesses throughout Yuba and Sutter Counties by investing in projects that directly result in permanent, full-time employment in the Yuba-Sutter area.

To be considered for funding, applicants must submit a completed application form and business plan. The following is a guide created by the U.S. Small Business Administration, which identifies the types of information that should be included in the required business plan to facilitate the evaluation of your funding request.

- Executive Summary
- Market Analysis
- Company Description
- Organization and Management
- Marketing and Sales Management
- Service or Product Line
- Funding Request
- Financials

### **The Executive Summary**

The executive summary is the most important section of your business plan. It provides a concise overview of the entire plan along with a history of your company. This section tells your reader where your company is, where you want to take it and why you think your business idea will be successful. The executive summary should be the last section you write.

### **Contents of the Executive Summary**

- The Mission Statement - The mission statement briefly explains the thrust of your business. It should be as direct and focused as possible, and it should leave the reader with a clear picture of what your business is all about.
- Date business began or will begin
- Names of founders and the functions they perform
- Number of employees
- Location of business and any branches or subsidiaries
- Description of plant or facilities
- Products manufactured/services rendered
- Summary of company growth including financial or market highlights (e.g. your company doubled its worth in 12-month period; you became the first company in your industry to provide a certain service)
- Summary of management's future plans - With the exception of the mission statement, all of the information in the Executive Summary should be highlighted in a brief, even bulleted, fashion. Remember, these facts are laid out in-depth further along in the plan.

If you're just starting a business, you won't have a lot of information to plug into the areas mentioned above. Instead, focus on your experience and background as well as the decisions that led you to start this particular enterprise. Include information about the problems your target market has and what solutions you provide. Show how the expertise you have will allow you to make significant inroads into the market. Tell your reader what you're going to do differently or better. Convince the reader that there is a need for your service or product.

Include a table of contents directly following the executive summary.

## **Market Analysis**

The market analysis section should illustrate your knowledge about the particular industry your business is in. This section should include: an industry description and outlook, target market information, market test results, lead times, and an evaluation of your competition.

### **Industry Description and Outlook**

This overview section should include: a description of your primary industry, the current size of the industry as well as its historic growth rate, trends and characteristics related to the industry as a whole, and the major customer groups within the industry.

### **Identifying Your Target Market**

Your target market is simply the market (or group of customers) that you want to target. When you are defining your target market, it is important to narrow it to a manageable size.

**In this section, you should gather information which identifies the:**

- Distinguishing characteristics of the major/primary market you are targeting. Include information about the critical needs of your potential customers, the degree to which those needs are (or are not) currently being met, and the demographics of the group. Include the geographic location of your target market, the identification of the major decision-makers, and any seasonal or cyclical trends which may impact the industry or your business.
- Size of the primary target market. Include the number of potential customers in your primary market, the number of annual purchases they make in products or services similar to your own, the geographic area they reside in, and the forecasted market growth for this group.
- The extent to which you feel you will be able to gain market share and the reasons why. Determine the market share percentage and number of customers you expect to obtain in a defined geographic area. Outline the logic you used to develop these estimates.
- Your pricing and gross margin targets. Define the levels of your pricing, your gross margin levels, and any discount structures that you plan to set up for your business, such as volume/bulk discounts or prompt payment discounts.
- Identify resources used for finding information related to your target market. (ie-directories, trade association publications, and/or government documents).
- Media you will use to reach your target audience. Include publications, radio or television broadcasts, or any other type of credible source that may have influence with your target market.
- Purchasing cycle of your potential customers. Identify the needs of your target market, do research to find the solutions to their needs, evaluate the solutions you come up with, and identify who actually has the authority to choose the final solution.
- Trends and potential changes which may impact your primary target market. Key characteristics of your secondary markets. Just like with your primary target market, you need to identify the needs, demographics, and the significant trends which will influence your secondary markets in the future.

### **Market Tests**

When you are including information about any of the market tests you have completed for your business plan, be sure to focus only on the results of these tests. Market test results might include: the potential customers who were contacted, any information or demonstrations that were given to prospective customers, how important it is to satisfy the target market's needs, and the target market's desire to purchase your business' products or services at varying prices.

### **Lead Times**

Lead time is the amount of time between when a customer places an order and when the product or service is actually delivered. Determine what your lead time will be for the initial order, reorders, and volume purchases.

### **Competitive Analysis**

Identify your competition by product line or service as well as by market segment; assess their strengths and weaknesses, determine how important your target market is to your competitors, and identify any barriers which may hinder you as you are entering the market.

For each key competitor, determine what their market share is, then try to estimate how long it will take before new competitors will enter into the marketplace. Finally, identify any indirect or secondary competitors which may have an impact on your business' success.

### **Regulatory Restrictions**

This includes information related to current customer or governmental regulatory requirements as well as any changes that may be upcoming. Specific details that you need to find out include: the methods for meeting any of the requirements which will effect your business, the timing involved (i.e., How long do you have to comply? When do the requirements go into effect?), and the costs involved.

### **Company Description**

The company description section should include information about the nature of your business as well as list the primary factors that you believe will make your business a success.

When defining the nature of your business (or why you're in business), list the marketplace needs that you are trying to satisfy; include the ways in which you plan to satisfy these needs using your products or services. Finally, list the specific individuals and/or organizations that you have identified as having these needs.

Primary success factors might include a superior ability to satisfy your customers' needs, highly efficient methods of delivering your product or service, outstanding personnel, or a key location. Each of these would give your business a competitive advantage.

### **Ownership Information**

Include the legal structure of your business (sole proprietorship, partnership, LLC, corporation) along with the subsequent ownership information as follows:

- Names of owners
- Percentage ownership
- Extent of involvement with the company
- Forms of ownership (i.e., common stock, preferred stock, general partner, limited partner)
- Outstanding equity equivalents (i.e., options, warrants, convertible debt)
- Common stock (i.e., authorized or issued)

### **Management Profiles**

Include information about the key people in your company and their backgrounds. Provide resumes that include the following information:

- Name
- Position (include brief position description along with primary duties)
- Primary responsibilities and authority
- Education
- Unique experience and skills
- Prior employment
- Special skills
- Past track record
- Industry recognition
- Community involvement
- Number of years with company
- Compensation basis and levels (make sure these are reasonable - not too high or too low)

Be sure you quantify achievements and highlight how the people surrounding you complement your own skills. If you're just starting out, show how each person's unique experience will contribute to the success of your venture.

### **Board of Directors' Qualifications**

If you have a board of directors, be sure to gather the following information when developing the outline for your business plan:

- Names
- Positions on the board
- Extent of involvement with company
- Background
- Historical and future contribution to the company's success

## **Marketing and Sales Strategies**

Define your marketing strategy. Your strategy should be part of an ongoing self-evaluation process and unique to your company. The following are steps which will help you think through the strategy you would like to use.

### **An Overall Marketing Strategy would include a:**

- Market penetration strategy.
- Strategy for growing your business. This growth strategy might include: an internal strategy such as how to increase your human resources, an acquisition strategy such as buying another business, a franchise strategy for branching out, a horizontal strategy where you would provide the same type of products to different users, or a vertical strategy where you would continue providing the same products but would offer them at different levels of the distribution chain.
- Channels of distribution strategy. Choices for distribution channels could include: original equipment manufacturers, an internal sales force, distributors, or retailers.
- Communication strategy. How are you going to reach your customers? -- promotions, advertising, public relations, personal selling, and/or printed materials such as brochures, catalogs, flyers, etc. Once you have defined your marketing strategy, you can then define your sales strategy. How do you plan to actually sell your product?

### **Your Overall Sales Strategy should include:**

- A sales force strategy. If you are going to have a sales force, do you plan to use internal or independent representatives? How many salespeople will you recruit for your sales force? What type of recruitment strategies will you use? How will you train your sales force? What about compensation for your sales force?
- Your sales activities. When you are defining your sales strategy, it is important that you break it down into activities. For instance, identify your prospects. Once you have made a list of your prospects, prioritize it. Next, identify the number of sales calls you will make over a certain period of time. From there, you need to determine the average number of sales calls you will need to make per sale, the average dollar size per sale, and the average dollar size per vendor.

## **Service or Product Line**

Overall, this section should include:

- A detailed description of your product or service (from your customers' perspective). Attach any marketing/promotional materials you have. Include information about the specific benefits of your product or service. Discuss your product/service's ability to meet consumer needs, any advantages your product has over that of the competition, and the present development stage your product is in (i.e., idea, prototype, etc.).
- Information related to your product's life cycle. Include information about where your product or service is in its life cycle, as well as any factors that may influence its cycle in the future. Provide details regarding suppliers, availability of products/services, and service or product costs.
- Any copyright, patent, and trade secret information that may be relevant. Include information related to existing, pending, or anticipated copyright and patent filings along with any key characteristics of your products/services that you cannot obtain a copyright or patent for. Lastly, be sure to add any information pertaining to existing legal agreements, such as nondisclosure or non-compete agreements.
- Include information addressing new services or products which will soon be added to the company's line. Include information about what you expect the results of future services or products to be.

## **Funding Request**

Request the amount of funding you will need to start or expand your business. Include the following in this section: your current funding requirement, your future funding requirements over the next five years, how you will use the funds you receive, and any long-range financial strategies that you are planning that would have any type of impact on your funding request.

Include the amount you want now and the amount you want in the future, the time period that each request will cover, the type of funding you would like to have (i.e., equity, debt), and the terms that you would like to have applied. Is the funding request for capital expenditures? Working capital? Debt retirement? Acquisitions?

Include any strategic information related to your business that may have an impact on your financial situation in the future, such as: going public with your company, having a leveraged buyout, being acquired by another company, the method with which you will service your debt, or whether or not you plan to sell your business in the future. Each of these are extremely important to a future creditor, since they will directly impact your ability to repay your loan(s).

## **Financials**

### **Historical Financial Data**

If you own an established business, include your company's income statements, balance sheets, and cash flow statements for each year you have been in business (usually for up to 3 to 5 years).

### **Prospective Financial Data**

Include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, you should supply monthly or quarterly projections. After that, you can stretch it to quarterly and/or yearly projections for years 2 through 5. If you have made assumptions in your projections, be sure to summarize what you have assumed.

Finally, include a short analysis of your financial information. Include a ratio and trend analysis for all of your financial statements (both historical and prospective). You may want to add graphs of your trend analysis (especially if they are positive).

## **Resources**

The following resources may also assist you in preparing your business plan:

- Yuba-Sutter Small Business Development Center: (916) 319-4268
- U.S. Small Business Administration: [www.sba.gov](http://www.sba.gov)