

YOUR COMPANY

BUSINESS PLAN

*This plan is a modified version of a Microsoft template and proprietary subject matter based on past work by Margaret Bransford. It is intended to guide St. Olaf students in the development of a simple business plan, and should be tailored to their specific needs.*

# Ideation to Plan

Once you have settled on an idea for a business, and done some preliminary research to see if it is a venture worth pursuing, the next step is to research, analyze, and think through how the business will work. For most start-up businesses, you do not need a super-detailed and extensive business plan. In fact, it can be a waste of time to get lost in the details, especially because the market, technology, policy, and other factors that influence business success change so rapidly today.

However, having a brief, written plan can be useful for the following reasons:

* Going through the exercise of thinking through the plan helps you to better understand your business, and communicate it to others
* The plan will help you focus your business (critical for start-ups!) and prioritize your efforts
* By keeping it brief, it will be easy to review and modify quickly and regularly as your business changes
* It demonstrates to potential investors and pitch competition judges that you have a solid understanding of and vision for your business
* Your team can use it as a roadmap of their priorities
* You can use it to mark progress and celebrate milestones of success

Keep it short and sweet! Including appendices, a business plan should be no more than 10-15 pages. Having a corresponding “pitch deck” of 10-15 slides will also help you communicate your story – and you might find this easier to continuously review and update than the document itself.

Caveat – keeping it short still means that it should include good, solid research and analysis. Sometimes, it is actually more difficult to succinctly show detailed information, so you should be including infographics, charts, tables, and graphs to help tell your story. Write simply, and make sure it is realistic.

This template includes seven sections. Typically, the Executive Summary is written last, and can be the most difficult, but this will help you tell your story through the pitch practice later on. As you build each section, you will outline your motivation for starting the business, your vision, why you will be successful, how you will achieve success, and how you will measure it.

# EXECUTIVE SUMMARY

**The Executive Summary should be written last**. It is an overview (*no more than one page long).* For the Ole Cup pitch, include how you would use the funding, where you will put it to use and how it will make the business more profitable. For investor funding or a bank loan, indicate how much you want and the proposed investment mechanism (equity through shares, loan terms, etc.).

This is the first, and sometimes only thing that pitch competition judges and investors will read about your company, so it must capture their interest in the first five minutes.

Some potential items to hit on in your summary:

* **Opportunity:** What problem are you going to solve? This is critical!
* **Vision:** What will the company do for customers, employees and owners?
* **Your Solution:** How will your product or service **uniquely** solve the problem?
* **Market Focus:** What market and ideal customers will you target? Be specific.
* **Expected Returns:** What are the key milestones for revenue, profits, and customers?

# COMPANY OVERVIEW

The goal of this section is for the reader to come away with a broad understanding of what the venture is seeking to accomplish and how it is organized in order to meet its goals. This is different from the Executive Summary, in that it goes into detail on some operational and strategic aspects of the business. *If you find this section is redundant with the Executive Summary or Operations Plan that comes later, remove redundancies, or the Company Overview section completely.*

In general, you will want to consider including the following information. Only include what you need and remove everything else.

* **Company Vision:** This is the elevator pitch of what your company stands for and is setting out to do. Include a concise statement on the guiding principles of your company and what the company aims to do for customers, employees and owners. Include the company’s goals and some of the near-term objectives.
* **Company History:** Provide personal story of why the business was founded. Bring the reader up to date on where the company is now in terms of sales, profits, key products, and customers.
* **Market and Product(s)/Service(s):** Outline the primary target market and the needs that your company will address. Include brief descriptions of products and services you will offer. Do not get too detailed – focus on your primary market and products/services. There is time for detail later on in the plan.
* **Team:** Provide a few details about who runs the company and other key roles, with a short bio of each one. Only include an org chart if you have 5+ team members.
* **Legal Structure and Ownership:** Describe how you have structured your business (LLC, 501c(3), etc) and who has ownership shares. If you are taking in revenue, you need to be registered/incorporated! See Margaret with questions about this. If you have not yet registered, detail your plans to do so (timeline, business type, geographic area, etc.)
* **Locations and Facilities:** Describe your primary working location, or information regarding remote offices. If applicable, describe primary manufacturing location.

# PRODUCT DESCRIPTION

What problem are you trying to solve? This section should answer this question. To help you tell the story of the opportunity:

* Consider a case example to describe the customers’ pain point and how they solve it today.
* If your product or service addresses something the market hasn’t identified as a problem, then also describe how your solution uniquely eases frustration, saves money, or brings joy to the customer.

Describe in detail your solution (product or service) and how it solves that problem, and benefits your customers. Consider including the following sections. Only include what you need and remove everything else.

* **Opportunity:** What is the target market for your product or solution. At a high level, what is the market and who are its participants?
  + Is it business customers (B2B) or consumers (B2C)?
  + Is it a specific geography?
  + What about age, income, or other general demographic descriptors? Keep this high level; you will go into more detail on this in the next section.

What are the current product/service offerings in this sector? How will your product or service be better?

* **Product Overview:** Describe in as much detail as needed your product or service offerings. Include pictures, drawings, or prototype information.
* **Key Participants:** Identify any strategic partners in your business, such as critical suppliers, distributors, referral partners or others that can make or break your product development, manufacturing, distribution, ability to get to market , or overall quality.
* **Pricing:** Provide your product’s or service’s pricing, gross margin projections (basically: Margin = Price minus Unit Cost of Product/Service), and pipeline of next offerings. If you are selling B2C in retail, describe why your pricing fits your target market.

# MARKET RESEARCH & ANALYSIS

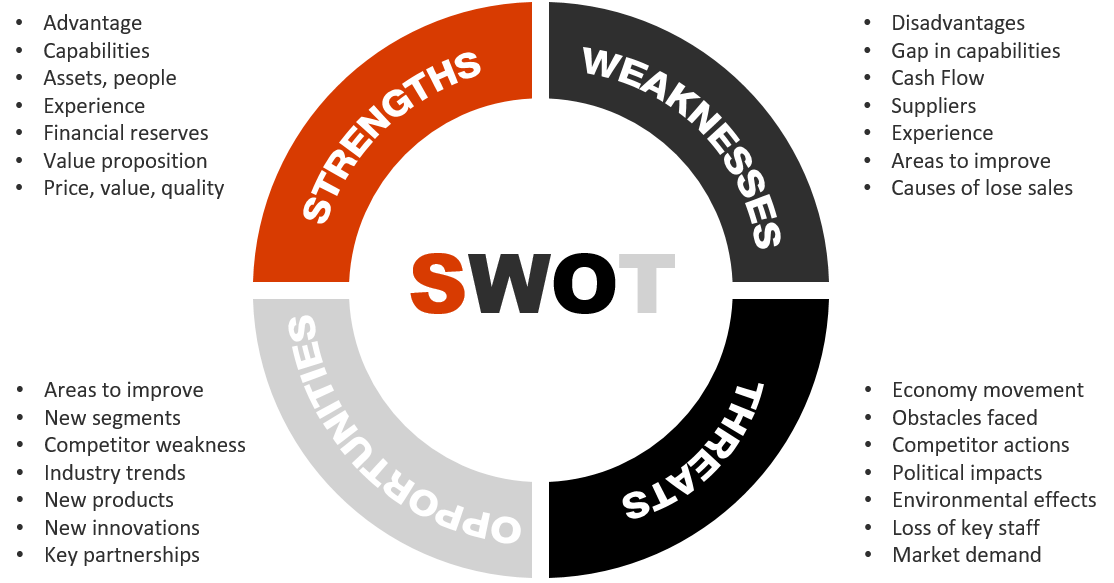
This section provides the reader an understanding of how well you know your market and if it’s big enough to support your business objectives. As you narrow this sector down to the ideal customer based on your business strategy, you will define your **target market**. A detailed description and sizing of the target market will help the reader understand the market value you are pursuing (basically: the number of potential customers multiplied by the average revenue for your product/ service).

In defining the target market, you will identify key elements such as geographic location, demographics, buyer characteristics, your target market's needs and how these needs are being met currently. If there are any direct competitors, these should be compared to how your offering will solve it in the future. Set a meeting with Aaron Lauby, our student marketing consultant,

If needed, this section may also include a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis, to help you assess your business’ position against the competition.

Consider including the following sections. Only include what you need and remove everything else.

* **Industry Type:** Begin with the broader descriptions of your market opportunity. For instance, if you are planning to open a jewelry store, the industry type would be retail sales, but only locally versus if you sold online. Within the retail jewelry industry, globally, revenues are expected to exceed $250 billion by 2020, but your local jewelry store will have a much smaller market. Identify the number of families or customers in your local geography that might fit into your demographic target group.
* **Market Segmentation:** This section is where you define the main market segments and the one or ones you are targeting now. A market segment is a group of people (or other businesses). Within the industry, identify smaller segments, such as fine jewelry or wedding rings or casual jewelry. You can also segment the market by criteria such as quality, price, range of products, geography, ethnicity, age group, or others. A few other elements to consider would be to answer questions such as: Is your segment growing, shrinking, or will it be flat for the next few years? What percentage of the market do you think you will be able to reach? What share of the market do you anticipate having within the next 2-3 years? *Graphics are best used in a section like this to either show growth (line graph) or percentages of markets or groups (pie chart).*
* **Competition:** Businesses all compete in one way or another. It may be with specific, direct competitors or it may be with the status quo – the way customers have been doing things for a long time. When identifying the competition, you should identify who else is providing products or services to solve the same problem you are addressing? What are your business’ advantages over these competitors? How will your voice be heard over the noise of competitors? Sometimes a business plan includes a matrix of features and compares how each business offers or doesn’t offer those features. This section should reflect how your solution is different and better suited for the target market you have identified than the competition.
* **SWOT Analysis:** You can include a SWOT analysis by completing the boxes below to assess your business in the current environment in terms of strengths and weaknesses (internal) and opportunities and threats (external). This is a good exercise to go through on an annual basis. After completing your analysis, provide your thoughts on: how your strengths can help you to maximize opportunities and minimize threats; how your weaknesses can slow your ability to capitalize on the opportunities; and how could your weaknesses expose you to threats?



# OPERATING PLAN

Outline how you currently and will continue to develop and maintain a loyal customer base. This will include management responsibilities with dates and budgets, and to make sure results can be tracked. What are the envisioned phases for future growth and the capabilities that need to be in place to realize growth?

The operating plan describes how your business works. Depending on the type of business you have, important elements of this plan should include how you bring products or services to market and how you support customers. It’s the logistics, technology, and basic blocking and tackling of your business. Depending on the type of business you are starting, you may or may not need the following sections. Only include what you need and remove everything else. Keep your business plan as short as possible! Too much detail here could easily make your plan much too long.

* **Sourcing and Order Fulfillment:** Based on the type of business you operate, describe if you are buying finished products or components from vendors and include details on how these are delivered and the contracts in place to acquire them. Also, describe your company’s procedures for delivering products or services to your customers.
* **Payment:** Describe your standard payment terms and the payment methods you accept. Describe the pricing plans (one-time fixed, recurring, mixture, or other) and any impact on cash flow. Include any applicable sales tax (typically not applied to services).
* **Technology:** If technology is critical to your business, whether it is part of the product offering or is fundamental to delivering a product or service, describe the key technologies use that are proprietary. Describe the data security plan in place, as well as any backup or recovery in the case of a disaster or outage.
* **Key Customers:** Identify any specific customers that are important to the success of your business, whether because of a partnership, volume, or pathway to a new market. It might also be important to identify any customers with more than 10% of revenues for your company.
* **Key Employees and Organization:** Describe any unique skills or experiences that are required of your current team. If important, describe any proprietary recruiting or training processes in place. List any key employees for success.

# MARKETING AND SALES PLAN

Promoting your business, whether generating leads or traffic to a website or store, is one of the most important functions of any business. Describe the key messages and channels you use for generating leads and promoting the business. This section should also describe your sales strategy. Set a meeting with Aaron Lauby, our student marketing consultant, to put together a plan for this section.

Consider including the following sections. Only include what you need and remove everything else.

* **Key Messages:** Describe the key messages that will elevate your products or service in your target customers’ eyes. If you have sample collateral or graphics, include them.
* **Marketing Activities:** What promotion options provide your company the best chance of product recognition, qualified leads generated, store traffic, or appointments?
* **Sales Strategy:** If needed, what will be your sales approach? Will there be full-time commissioned sales people, contract sales, or another approach?

# FINANCIAL PLAN

Creating a financial plan is where all of the business planning comes together. Up to this point you have identified the target market and target customers, along with pricing. These items along with your assumptions, will help you estimate your sales forecast. The other side of the business will be what expenses you expect to incur.

You will want to track your financial plan consistently to see when you are profitable. It is also important as you start your business, to know what expenses you will need to fund before you begin to see revenue flow from your customer.

This section should include your estimated Start-Up Costs and Projected Profit and Loss, along with a summary of the assumptions you are making with these projections. Assumptions include potential initial and ongoing sales, along with the timing of these in flows. **Keep it simple!** While it is easier to detail your costs, it is difficult to realistically project your revenues in detail. Keeping it simple makes it easier for you to update and track.

Meet with Margaret for questions about financials and specific line items in each.

* **Projected Start-Up Costs:** The table below shows a sample of ongoing and one-time cost items that you might need to open your business. Many businesses are paid on credit over time and don’t have cash coming in immediately. It is important to estimate when cash will begin to flow into the company by making an assumption about how many months of recurring items, in addition to one-time expense, you will have to fund out of savings or an initial investment. Set up a similar sheet in Excel with expenses that are relevant to you and your company.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **START-UP COSTS** | | | | |
| **Your Coffee Shop** | **January 1, 2018** | | | |
|  | | | | |
| **COST ITEMS** | **MONTHS** | **COST/ MONTH** | **ONE-TIME COST** | **TOTAL COST** |
|  | | | | |
| **Advertising/Marketing** | 3 | $300 | $2,000 | $2,900 |
| **Employee Salaries** | 4 | $3,500 | $2 | $14,002 |
| **Employee Payroll Taxes and Benefits** | 4 | $500 | $2,000 | $4,000 |
| **Rent/Lease Payments/Utilities** | 4 | $750 | $3,000 | $6,000 |
| **Postage/Shipping** | 1 | $25 | $25 | $50 |
| **Communication/Telephone** | 4 | $70 | $280 | $560 |
| **Computer Equipment** |  | $0 | $1,500 | $1,500 |
| **Computer Software** |  | $0 | $300 | $300 |
| **Insurance** |  | $0 | $0 | $0 |
| **Interest Expense** |  | $0 | $0 | $0 |
| **Bank Service Charges** |  | $0 | $0 | $0 |
| **Supplies** |  | $0 | $0 | $0 |
| **Travel & Entertainment** |  | $0 | $0 | $0 |
| **Equipment** |  | $0 | $5,000 | $5,000 |
| **Furniture & Fixtures** |  | $0 | $0 | $0 |
| **Leasehold Improvements** |  | $0 | $0 | $0 |
| **Security Deposit(s)** |  | $0 | $0 | $0 |
| **Business Licenses/Permits/Fees** |  | $0 | $0 | $0 |
| **Professional Services - Legal, Accounting** |  | $0 | $1,500 | $1,500 |
| **Consultant(s)** |  | $0 | $0 | $0 |
| **Inventory** |  | $0 | $0 | $0 |
| **Cash-On-Hand (Working Capital)** |  | $0 | $4,000 | $4,000 |
| **Miscellaneous** |  | $0 | $1,000 | $1,000 |
| **ESTIMATED START-UP BUDGET** |  |  |  | **$40,812** |

* **Projected Profit and Loss Model:** The model below shows a sample of the projections a small business is forecasting for their first 12 months of operations. The top portion of the table shows projected sales and gross profit. This is a good place to begin creating your sales forecast. The next section itemizes the recurring expenses you are projecting for the same months. These should be consistent with the estimated start-up costs you completed in the prior section. At the bottom of this model, you will begin to see when you are becoming profitable and what expense items are the most impactful to your profitability. Set up a similar sheet in Excel with expenses that are relevant to you and your company.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **START-UP COSTS** | | | | | | | | | | | | | | |
| **Your Coffee Shop** | | | | | | | | | | | | | **January 1, 2018** | |
|  | | | | | | | | | | | | | | |
| **REVENUE** | **JAN** | **FEB** | **MAR** | **APR** | **MAY** | **JUN** | **JUL** | **AUG** | **SEP** | **OCT** | **NOV** | **DEC** | | **YTD** |
|  | | | | | | | | | | | | | | |
| Estimated Product Sales | $5,000 | $13,000 | $16,000 | $7,000 | $14,500 | $16,400 | $22,500 | $23,125 | $24,549 | $22,000 | $25,000 | $27,349 | | $216,423 |
| Less Sales Returns & Discounts | $0 | ($350) | $0 | ($206) | ($234) | $0 | $0 | ($280) | ($1,200) | ($1,600) | $0 | ($2,400) | | ($6,270) |
| Service Revenue | $0 | $0 | $0 | $0 | $0 | $250 | $350 | $100 | $0 | $0 | $1,245 | $1,360 | | $3,305 |
| Other Revenue | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $1,500 | $0 | $0 | $0 | $0 | | $1,500 |
| **Net Sales** | **$5,000** | **$12,650** | **$16,000** | **$6,794** | **$14,266** | **$16,650** | **$22,850** | **$24,445** | **$23,349** | **$20,400** | **$26,245** | **$26,309** | | **$214,958** |
| **Cost of Goods Sold** | **$2,000** | **$5,200** | **$6,400** | **$2,800** | **$5,800** | **$6,560** | **$9,000** | **$9,250** | **$9,820** | **$8,800** | **$10,000** | **$10,940** | | **$86,569** |
| **Gross Profit** | **$3,000** | **$7,450** | **$9,600** | **$3,994** | **$8,466** | **$10,090** | **$13,850** | **$15,195** | **$13,529** | **$11,600** | **$16,245** | **$15,369** | | **$128,389** |
|  | | | | | | | | | | | | | | |
| **EXPENSES** | **JAN** | **FEB** | **MAR** | **APR** | **MAY** | **JUN** | **JUL** | **AUG** | **SEP** | **OCT** | **NOV** | **DEC** | | **YTD** |
|  | | | | | | | | | | | | | | |
| Salaries & Wages | $2,500 | $2,500 | $3,500 | $5,000 | $5,000 | $5,000 | $8,000 | $9,000 | $9,000 | $9,000 | $9,000 | $9,000 | | $76,500 |
| Marketing/Advertising | $400 | $450 | $450 | $450 | $900 | $900 | $900 | $900 | $900 | $900 | $1,200 | $1,200 | | $9,550 |
| Sales Commissions | $250 | $650 | $800 | $350 | $725 | $820 | $1,125 | $1,156 | $1,227 | $1,100 | $1,250 | $1,367 | | $10,821 |
| Rent | $1,250 | $1,250 | $1,250 | $1,250 | $1,250 | $1,250 | $1,250 | $1,250 | $1,250 | $1,250 | $1,250 | $1,250 | | $15,000 |
| Utilities | $250 | $150 | $200 | $200 | $200 | $250 | $250 | $250 | $200 | $200 | $250 | $250 | | $2,650 |
| Website Expenses | $175 | $175 | $175 | $175 | $175 | $175 | $175 | $175 | $175 | $175 | $225 | $225 | | $2,200 |
| Internet/Phone | $110 | $110 | $110 | $110 | $110 | $110 | $110 | $110 | $110 | $110 | $110 | $110 | | $1,320 |
| Insurance | $165 | $165 | $165 | $165 | $165 | $165 | $165 | $165 | $165 | $165 | $165 | $165 | | $1,980 |
| Travel | $100 | $0 | $0 | $250 | $0 | $0 | $0 | $0 | $675 | $800 | $0 | $0 | | $1,825 |
| Legal/Accounting | $1,200 | $0 | $0 | $450 | $0 | $500 | $0 | $0 | $0 | $0 | $0 | $250 | | $2,400 |
| Office Supplies | $125 | $125 | $125 | $125 | $125 | $125 | $125 | $125 | $125 | $125 | $125 | $125 | | $1,500 |
| Interest Expense | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | $0 |
| Other 1 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | $0 |
| **Total Expenses** | **$6,525** | **$5,575** | **$6,775** | **$8,525** | **$8,650** | **$9,295** | **$12,100** | **$13,131** | **$13,827** | **$13,825** | **$13,575** | **$13,942** | | **$125,746** |
| **Income Before Taxes** | **($3,525)** | **$1,875** | **$2,825** | **($4,531)** | **($184)** | **$795** | **$1,750** | **$2,064** | **($298)** | **($2,225)** | **$2,670** | **$1,427** | | **$2,643** |
| **Income Tax Expense** | **($529)** | **$281** | **$424** | **($680)** | **($28)** | **$119** | **$263** | **$310** | **($45)** | **($334)** | **$401** | **$214** | | **$396** |
|  | | | | | | | | | | | | | | |
| **NET INCOME** | **($2,996)** | **$1,594** | **$2,401** | **($3,851)** | **($156)** | **$676** | **$1,488** | **$1,754** | **($253)** | **($1,891)** | **$2,270** | **$1,213** | | **$2,246** |
|  | | | | | | | | | | | | | | |