

**THE CLEMSON UNIVERSITY  
SMALL BUSINESS DEVELOPMENT CENTER**

**A GUIDELINE FOR PREPARING  
A BUSINESS PLAN**

A business plan is the written description and financial projections that give your business idea a blueprint for success. It is in the preparation of the business plan that you verbalize every detail of the business, including what functions it will perform, how it will operate, what market it will appeal to, and how you will promote it. It is also during this preparation that you will attempt to project how the business will perform financially. The business plan is the means by which you convey your business ideas to others, including lenders, investors, and/or potential partners; therefore, it is critical that you devote careful consideration and time to the process of writing this plan.

Below is a worksheet to be used in the development of your business plan. Please take the time to complete each section of this worksheet as thoroughly as possible. For best results, please write your responses legibly and in complete sentence form. Doing so will enable your SBDC consultant to review your plan and to make suggestions that will assist you in its completion.

**I. BUSINESS OVERVIEW: THE INDUSTRY, THE COMPANY, AND ITS PRODUCTS**

The purpose of this section is to help you to describe your business in both broad and specific terms. It is important to present the business that you are in, the products/services that you will offer, and the nature of your industry. The following information should be discussed in this section of the business plan:

NAME OF BUSINESS

Please give the legal name of the business, as well as the business address and telephone number.

OWNERSHIP

List each owner's name, the percentage of the business that each partner owns, and the legal form of ownership.

## BUSINESS TYPE

Please state the general and specific nature of your business and its industry.  
Explain your business goals and objectives.

Also, describe the products and services that your business offers, and briefly state who buys these products/services.

Describe how your product/service is sold to customers, the quality of the product/service, and estimate the average price of the product/service.

## HISTORY

Please discuss the history of your business. Is this a new business? If so, where did the idea to start it come from? If this is an existing business, discuss the age of the business, any prior owners, how it was acquired (purchased or start-up), and how long it has been operated by the current owners.

Also, be sure to include the following information in your discussion:

- The image or reputation of the business

- The number of employees

- Last year's sales volume and profits

- Any significant events that have affected the company's development

## **II. THE MARKET: RESEARCH AND ANALYSIS**

This section of the business plan is one of the most difficult to prepare and also one of the most important. The purpose of this section is to present the reader with facts and statistics which indicate the market potential of your product/service. The market research and analysis that you conduct here will answer such questions as: Is there a market for my product/service? How large is that market? Who will my competitors be? What advantages will I have over them? and What share of this market can I hope to capture? Be sure to include statistical and demographic information, as well as an in-depth analysis of the market and your competitors.

### **CUSTOMERS**

Please discuss the size of the market, both geographically and the number of customers. Who will your customers be?

Also discuss the characteristics of your average customer. Include such items as age, market area, average income, sex, lifestyle, occupation, etc.

Explain why this market needs your product/service. Is this product a fad or a continuing need?

What features do customers like and dislike about your product/service?

Try to estimate how much the total market will spend on this or similar products/services next year.

## MARKET ENVIRONMENT

Please discuss any factors (economic, legal, social, or technological) that affect your product and the market. These are factors that have significant affects on the operation of your business, but over which you have no control, such as county growth, rising energy prices, potential government regulations and restrictions, etc.

## COMPETITION

Please provide an in-depth analysis of your potential competitors. This analysis should include the number of competitors, both direct and indirect; the products/services that they provide; their location; the age of their business; the reputation of their business; the size of their business (in terms of sales and customers); and their market share.

Try to estimate how much of your product/service the competition will provide in the next year.

Discuss major competitors, and include: Their names and addresses; their product's features; the prices they charge for their products/services; their location and method of distribution (if applicable); their reputation/image in the marketplace; information about their market share, company size, company age, and product quality; and their market strategy.

## COMPETITIVE ADVANTAGES/DISADVANTAGES

Once you have analyzed your competition, please discuss how your product/service will compare with the competition, addressing the same factors as those used in your competitor analysis (product features, price, location, size, etc.).

Try to compare your estimates of the total market demand for your product/service with the amount that the competition supplies. Is there a gap between demand and supply that your business can fill? Please explain.

## MARKET PROJECTIONS

Once you have analyzed the market and your competition, please project the number of customers that your business can attract, the number of products/services that your business can sell, and the prices that your business will charge for these items. Be sure to explain how you arrived at these figures.



### **III. THE MARKETING PLAN**

Now that you have written an overview of your business and have conducted an in-depth market analysis, it is time to devise a marketing plan that will help your business promote and sell your product/service. Writing this section of the business plan will help you to answer the following questions: What segment(s) of the population will I market my product/service to, both now and later? Where will the price that I charge for my product/service place me in the market-- as the low-price leader, the higher-priced provider, or in the middle? and What tactics and mediums will I use to advertise and promote my business?

#### **OVERALL MARKET STRATEGY**

Please write a general description of your plans for marketing your product/service. Try to give the reader of the Business Plan a sense of what groups of consumers you plan to market your product/service to now, as well as in the future. Also, give a general idea of how the product/service will be priced compared to the competition. Finally, describe the sales and promotion methods that your company will use.

## PRICING

The price that you choose to charge for your product/service will play an important role in the success of your business. This price will be based on an analysis of who your business customers are, the market position that you wish to establish, and what your competitors charge. Please discuss in detail the price(s) that you will charge for your product/service. Be sure to include the prices that your competition charges, and discuss why you plan to charge more, less, or the same as your competitors. Also, discuss the position that your business will have in the market (low-price, high-price, or average price).

## SALES TACTICS

How is this product/service sold to your customers? Will you employ a sales force, or sell this product/service to distributors? Please discuss your company's sales tactics in detail, and compare those tactics to your competition.

## PROMOTION STRATEGY

Please describe the approaches that your company will employ to promote this product/service. Some examples of ways to promote include: Advertising (including radio, TV, newspaper ads, magazine ads, telephone books, direct mail, etc.), Personal Contacts with prospective customers (such as cold-calling), Event Sponsorships, and methods such as word-of-mouth, Memberships in Trade Associations, etc. Provide the reader with the specific methods and the projected costs of each.

Also, describe the overall promotion strategy that you plan to use: Will your company have an official logo and/or slogan? What image will the business try to project to the public? Will your business advertise throughout the year, or only during certain seasons? and most importantly, How much will this promotion strategy cost the business?

## **IV. THE OPERATING PLAN**

This section of your business plan describes the day-to-day operation of your business. Even the very best existing business must devote time to first formulating and then to periodically reviewing its operating plan. Not doing so prevents the business from assessing its location and facility to determine if they are adequate and productive. The failure of a business to detail exactly how it should operate may also lead it to less productive and profitable practices, and cause the business to lose its focus. This section of the business plan also helps the reader to visualize how the business actually operates on a daily basis and how many employees it has. And finally, the Operating Plan discusses the overall strategy and plans (both short-term and long-range) of the business, which helps to give the reader an idea of its scope and direction.

### **LOCATION, FACILITIES, AND IMPROVEMENTS**

Please discuss the physical location of your business, including a detailed description of the building (do you own or rent? how many square feet? what is the layout?), its location (including address, proximity to major highways, etc.) and the features which make it the best place for the business to be located (including special features, customer/client convenience, etc.). For instance, if the building was designed and built specifically for your business, discuss the special features that were built in to increase its appeal, productivity, etc.

## OPERATIONS, PERSONNEL, AND ACCOUNTING

Please describe the daily operation of the business. Include hours of operation, a description of the number of employees and their duties, procedures and policies, etc.

Does your business employ an accountant or retain the services of a CPA? Please give information about the financial record keeping (method of accounting, name and address of CPA, etc.). Also, if you perform the business accounting functions, please briefly describe the process that you go through in keeping the books.

## INVENTORY

Please describe the inventory, raw materials, and related supplies that your business must maintain. Also, please give the following information on your suppliers:

Name:

Address:

Description of item supplied, and percent of item furnished:

Length of time that they have been a supplier for your business:

Reliability:

Frequency of purchase:

Please comment on how easy or difficult it is to get the inventory items necessary for your business. Do you have contingencies to handle potential problems such as shortages, a supplier going out of business, a strike, etc?

Finally, please comment on the costs of your inventory. Are they steady or fluctuating? How will your business deal with changing costs?

## **V. THE MANAGEMENT TEAM**

This section of the business plan is where the reader will learn about the backgrounds of the person or persons who operate your business. It is very important to demonstrate that you and/or other key personnel have the ability to manage the business successfully.

Please write a brief work history of yourself and/or other key members of your business management team. It is important to include any accomplishments, qualifications, and skills that help you and your management team to operate the business successfully. If your work experience is unrelated to your business, try to show how past work experiences can be applied to helping you to manage your business.

Also, describe the organizational structure of the business, any other key personnel, how much the officers are compensated, etc.

In addition to the above, we recommend that you attach a copy of your resume, along with the resumes of any other key personnel. If you do not have a resume, you may wish to use the attached example as a guide to preparing one.



## **VI. FUTURE PLANS**

This is an area of your plan where it is necessary to share your vision of your company's future. What are your plans for the future of your business? Please write a description of where you would like your business to be a year from now. Will you expand and add employees, or perhaps move into a new building?

Now write a description of where you see your business five years from now. Will you expand, venture into new and/or related product lines, add a partner or partners, etc?

Finally, what are your company's long-range plans? Will it be world- or nation-wide? Will you expand further, etc?

## VII. FINANCIAL PROJECTIONS

Now that you have finished with the written portion of the business plan, it is time to prepare financial projections for your business. Although preparing these projections is a difficult and seemingly tedious task, doing so is vital. Any lender or private investor will expect to see at least two (preferably three) years of monthly projections PRIOR to making a credit decision. After all, these projections are your best estimate of future operations, and will also serve as part of the operating plan for the management of the business. Any business owner or potential business owner unable to demonstrate a vision of how the business will perform in the future will find gaining a creditor interest virtually impossible.

These projections (also called pro forms) consist of three financial statements: The Income Statement, The Cash Flow Statement, and The Balance Sheet. For your convenience, these statements have been placed on spread sheets with spaces for you to indicate your projections on a month-by-month basis (see attached).

**The Income Statement** is a measure of how well a business buys and sells its inventory/services to make a profit for a given period, usually monthly.

**The Statement of Cash Flows** is a measure of how well a business manages its inflows and outflows of cash for a given period, usually monthly.

**The Balance Sheet** is a statement which presents the business position at a given point in time. It details what a business OWNS (Assets) and what the business OWES (Liabilities and the equity that owners have invested in the business).

In addition, if this is an existing business that you wish to expand or purchase, please include the business tax returns and financial statements for the past three years. These financial statements should include:

Balance Sheet	Aged Accounts Receivable report
Income Statements	Aged Accounts Payable report
Statement of Cash Flows	Debt Schedule
Reconciliation of Net Worth	

Whether your business is existing or a start-up project, you will be expected to provide the lender with a personal financial statement for every owner, partner, and/or shareholder (see attached form). In addition, you should be prepared to provide the lender with complete personal income tax returns for the last three years.

NOTE: It is important to point out that the information contained in the financial statements and projections presented in your loan package are to be supplied by you, the client. The Small Business Development Center (SBDC) DOES NOT assume responsibility for their accuracy or attainability.

**THE CLEMSON UNIVERSITY  
SMALL BUSINESS DEVELOPMENT CENTER**

**THE LOAN PACKAGE**

Now that your business plan and financial projections have been completed, it is time to present your loan proposal to the lender. It is important to present this loan package in a form that is clear, concise, and professional-looking. The forms on the following pages will assist you in completing and polishing your loan package. These forms include:

**Summary of Loan Application** This provides the lender with essential information concerning your project.

**Loan Request** This summarizes the amount that you wish to borrow, as well as the interest rate, terms, and other conditions that you may request. In addition, this gives the lender a brief picture of why you are making the loan request.

**Statement of Sources and Uses of Funds** This specifies for the lender the uses for the funds that you have requested, as well as the sources of the capital that you will invest in the project.

**Statement of Collateral** This form details the items that will be pledged as collateral for this loan request. It also includes each item's market value, whether or not these items are pledged as collateral for other loans, and how much equity you have in each item.

**Summary of Start-Up Costs (If applicable)** If this loan request is for a Start-up business, the lender will ask for an itemized list of the costs that are associated with opening the business.

**Opening Day or Current Balance Sheet** If this loan request is for a Start-up or purchase of existing business, the lender will request this balance sheet to be completed.

**Lease Agreement** Include copies of any lease agreements that the business has entered into.

**Personal Financial Statements** Any owner, partner, or shareholder in the business will be asked to provide the lender with a current personal financial statement.

**Resume** It is recommended that any owner, partner, shareholder, or employee who is key to the success of the business attach a copy of his/her resume to the business plan.