

# **BUSINESS PLANNING CHECKLIST**

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 explain every detail of the business, including what functions it will perform, how it will operate, which market it will serve, 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 checklist to help you in the development of your business plan. Please take the time to prepare each section of this worksheet as thoroughly as possible. 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 summarize your business in both broad and specific terms, to present the business that you are in, the products/services that you will offer, and the nature of your industry. This offers you an opportunity to capture the reader's interest in a short 1-2 page synopsis of your plans and ideas.

- \_\_\_ Include the legal name of the business, as well as the address and telephone number.
- \_\_\_ List each owner's name, the percentage of the business that each partner owns, and the legal form of organization (eg. Sole Proprietorship, Corporation, etc).
- \_\_\_ Begin with a one sentence Mission Statement defining what the company is all about. Put *meaning* into the statement, rather than just flowery words.
- \_\_\_ Continue by stating the general and specific nature of your business and its industry. Explain in detail your business goals and objectives.
- \_\_\_ 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 you will charge.
- \_\_\_ Please discuss the history of your business. If this is a startup, discuss the industry in general and how that affects your company. If this is an existing business, discuss the age of the business, any prior owners, how it was acquired and how long the current owners have operated it.  
Be sure to include in your discussion:
  - The image or reputation of the business
  - The number of employees
  - Last year's sales and profits
  - Any significant events that have affected the company's development

## II. MARKET RESEARCH & ANALYSIS

This section of the plan is one of the most difficult to prepare, and also one of the most important. The purpose is to present the reader with facts and statistics which demonstrate the market potential of your product/service. The market research that you conduct should clearly indicate the demand for your product/service and be supported by statistical and demographic information as well as an in-depth analysis of the market and your competitors.

- \_\_\_ From your market research, discuss the size of the market, both geographically and by the number of customers. Who will your customers be?
- \_\_\_ Discuss the characteristics of your average customer. Include such items as age, market area, average income, gender, lifestyle, occupation, etc.
- \_\_\_ Support the fact that a large enough market exists in your service area by documenting with census information, county/city demographics, and local growth patterns.
- \_\_\_ 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 determine how much the total market spent on this or similar products/services last year through research at the Greenville Public Library or Trade Publications for your industry. Provide these statistics here.
- \_\_\_ Discuss any outside factors (economic, legal, social, or technological) that may have a significant effect 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.
- \_\_\_ Show that you have investigated all those companies that offer competitive or related products. List *at least three* of your major competitors, including their names and addresses, and market information as follows. Discuss those things they do well, as well as their weaknesses, their reputation/image in the marketplace, etc. in the following format:

|                     |       |
|---------------------|-------|
| Competitor #1 (Co.) | _____ |
| Address             | _____ |
| Years in Business   | _____ |
| Annual Revenues     | _____ |
| No. of Employees    | _____ |
| Price/Strategy      | _____ |
| Product/Service     | _____ |
| Advantages/         |       |
| Disadvantages       | _____ |

- \_\_\_ Compare *your* strengths and weaknesses with regard to your competition. Consider such things as location, size of resources, reputation, services, personnel, etc.
  
- \_\_\_ Now that you have analyzed the market and competition, please project the market share that your business can attract. How many customers will you serve per day? What is the average dollar amount per sale? Be sure to explain in detail how you arrived at these figures.
  
- \_\_\_ Try to compare your estimates of the total market demand for your product/service with the market share that the competition supplies. Is there a gap between supply and demand that your business can fill? Please explain.

### **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 to help your business promote and sell your product/service. Try to give the reader a sense of what groups of consumers you plan to market your product/service to as well as a general view of how your product/service fits into the marketplace.

- \_\_\_ Market Position: What kind of image will your company have? Are you: inexpensive, exclusive, customer service oriented, high quality, convenient, or fast? You must define your market position to effectively communicate your message in your advertising/promotional materials.
  
- \_\_\_ What marketing methods has your competition implemented to achieve their market share? Which advertising mediums do they most effectively use?
  
- \_\_\_ What advertising/promotion sources will you use? Some examples include: advertising on radio, television, newspaper and magazines, telephone books, direct mail, etc. Personal contacts with prospective customers, event sponsorships, and methods such as word-of-mouth, memberships in trade associations, etc. Provide specific methods you will use. What is the cost to advertise in your chosen medium? What are the reasons you consider the chosen media to be the most effective?

### **IV. THE OPERATING PLAN**

This section of your business plan describes the day-to-day operation of the business and also helps the reader to visualize how the business actually functions. Also included in this section is the organizational structure of the company, and the overall strategy and plans (both short-term and long-term) for the business. This information helps to give the reader an idea of the scope and direction of the company.

- \_\_\_ 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 this business. Discuss such details as access from major roads, parking, lighting, visibility and traffic count on the fronting highways. If renting, what is the price and terms of the lease?
  
- \_\_\_ Describe the daily operation of the business to include hours of operation, a schedule of personnel, and a list of employee duties. Include a brief job description for each employee including responsibilities, educational requirements preferred, numbers of hours worked per week, and pay rate per hour.

— Please explain who will perform the financial record keeping for the business. If you will use a CPA, include their name and address here. If you perform the business accounting functions, briefly describe the method and process that you will use (for example, computer with QuickBooks, payroll service, CPA for tax returns, etc.). What is the cost for these services?

— Describe the inventory or raw materials your business must maintain. What is the total dollar amount of startup inventory? Please comment on how easy or difficult it is to get the inventory items necessary. Do you have contingencies to handle potential problems such as shortages, a supplier going out of business, a strike, etc?

— Please list *at least three* major suppliers, as follows:

|                       |       |
|-----------------------|-------|
| Supplier #1 (Co.)     | _____ |
| Contact Person        | _____ |
| Item Supplied         | _____ |
| Reliability           | _____ |
| Frequency of Purchase | _____ |

— Are the costs of inventory to your company steady or fluctuating? How will your business deal with changing costs?

— Please discuss in detail the prices that you will charge for your product/service. Include your markup percentage and any other direct costs, such as freight or credit card fees, which might affect your cost of sales. Be sure to discuss why you plan to charge more, less, or the same as your competition. This should relate directly to your stated place in the market (low-price, high-price, or average price).

— Describe any outside advisors you have selected to help you with decisions affecting the business, such as attorneys, accountants, marketing companies, etc.

— Discuss what plans you have made to ensure that your business will continue to survive without you. Have you trained someone to take over? Is there going to be key man insurance in place for the possibility of illness, disability or death? Without you, can the business continue to survive? Describe how your management team will be able to implement your plan.

## V. MANAGEMENT

Good management is essential. Funding sources desire to see that you understand your market and have the skills to succeed. This section is where the reader will learn about the backgrounds of the person or persons who will operate this 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 any other key members of your business management team. It is important to include any accomplishments, qualifications, and skills that will help you 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 manage the new business.
- Describe the organizational structure of the business, including any other key employees, how much the officers are compensated, etc. Also, attach your resume as well as those of other management and key personnel.

## VI. FUTURE PLANS

The purpose of this section of the plan is to share your vision of your company's future. If you plan a major expansion, such as multiple locations or franchising, for example, please explain in detail your estimated time-line.

- Please write a description of where you would like your business to be one 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?

## VII. FINANCIAL PROJECTIONS

After preparation of the written portion of the business plan, it is time to prepare financial projections for your business. Although preparing these projections is a tedious task, any lender or private investor will expect to see three to five years of monthly projections PRIOR to making a credit decision. 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.

Blank forms to help you prepare an Income Statement and a Statement of Cash Flow for three years are located in the **Publications** section of the SBDC website <http://www.clemson.edu/business/sbdc>. The Income Statement is a measure of how well a business buys and sells its inventory/services to make a profit. The Statement of Cash Flow is a measure of how well a business manages cash, the lifeblood of the company.

Using the financial information contained in the written portion of the plan, such as number of employees, hours worked, and wages per hour, project your sales, cost of sales, and expenses for the first year. From there you might just anticipate a percentage sales growth per year for years two and three.

List all startup costs in the appropriate column of the Statement of Cash Flow. To record cash inflow, bring over the Net Sales dollar amount from the Income Statement *in the month you receive it*. For example, say you make \$10,000 in sales in your first month. On the Income Statement you will show \$10,000 in that month. If you do not receive the actual cash in that month, however (in other words, you carry Accounts Receivable), then on the Statement of Cash Flow you list those dollars in the month you receive the money. Expenses, however, will still apply in the month you spent them. You will soon see the value of preparing a Statement of Cash Flow to see how much money you will need to keep the business running until the cash begins to accumulate.

Please fill out these Pro-Forma statements and explain all of your assumptions in detail. Your SBDC Consultant will be available to answer any questions with regard to this process, so feel free to call with your questions.

## VIII. THE LOAN PACKAGE

The written portion of your Business Plan and the Proforma Projections, which you have prepared, comprise most of the necessary information to help a lender make an informed decision about whether to extend financial assistance to your business.

There will be other financial forms required, such as an Opening Day Balance Sheet, a Statement of Sources and Uses of Funds, a Loan Request, etc. Your SBDC counselor will assist with the preparation of these statements after you have completed the plan.

Lending decisions will be made based upon the perceived strength of the Business Plan and Projections, your personal credit history, the amount you are personally able to put into the business, and the amount of collateral you can offer. Your SBDC counselor will explain these criteria to you and help you to recognize any weaknesses you may have (such as a lack of collateral) so that you can work with the lender to alleviate them. In short, these lending criteria are known as the 5 “C”s of Credit, as follows:

|             |  |
|-------------|--|
| CAPITAL:    | The money <i>you</i> invest into the business  |
| COLLATERAL: | A secondary source of repayment, in the event that the business fails, eg: building, equipment, inventory, stocks, bonds, personal residence                                   |
| CASH FLOW:  | The ability of the business to service the loan through cash receipts  |
| CHARACTER:  | Your personal credit history, management strengths, and work experience  |
| CONDITIONS: | The ability of the business to obtain market share and to compete with other similar businesses, including the overall health of the economy and industry-specific indicators. |