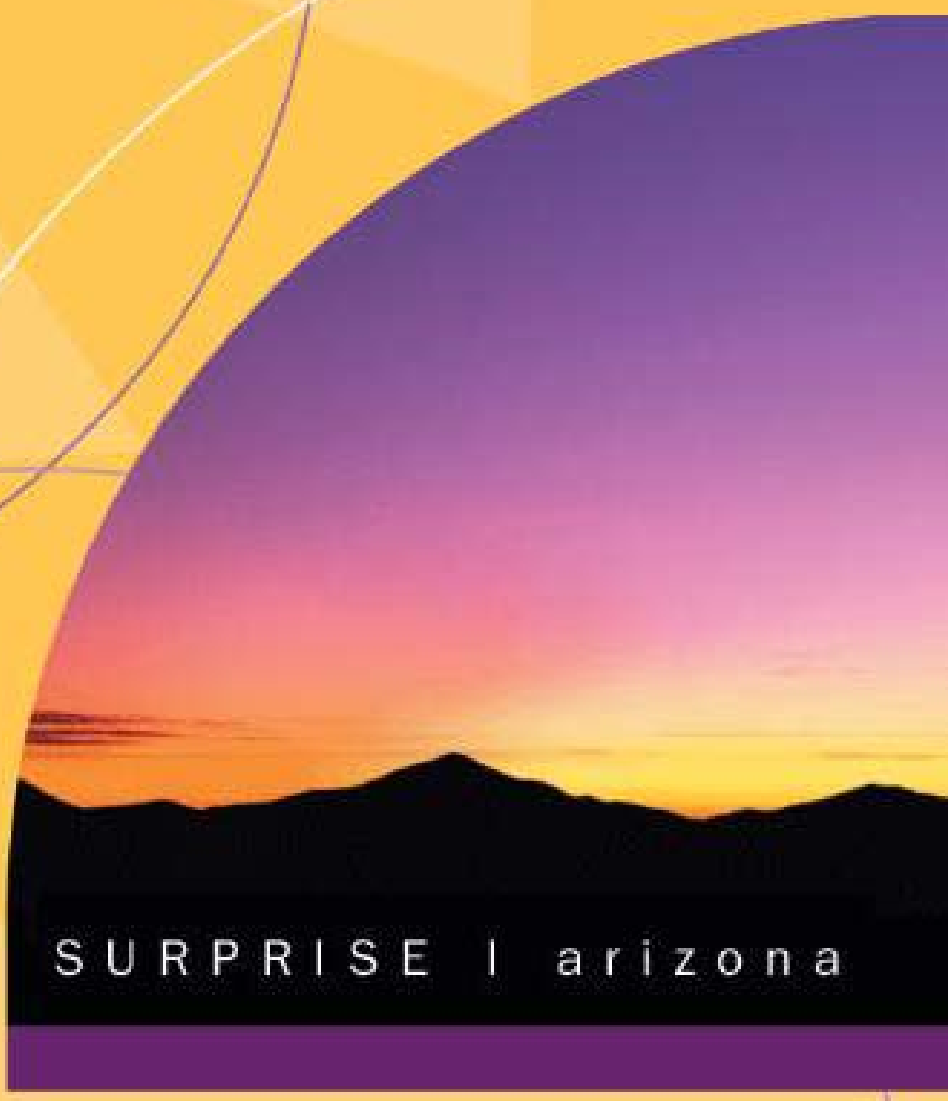

Doing Business In Surprise

Chapter 2

November 2005

Chapter 2: Making a Business Plan

Within this chapter:

- *Business Plan Outline*

A business plan is a description of your business, including your product or service, your market(s), your people, and your financing needs. You should consider that a well-written business plan plays two important roles. First, it is a useful management tool that can help you plot a course for your company's startup and initial growth. Second, it is a vital sales tool you will use to impress potential investors with your planning ability and your general competence as a manager and a business person.

Your business plan will help you answer questions crucial to your success:

- What business am I really in?
- What will I sell?
- Where is my market?
- Who will buy from me?
- Who are my competitors?
- How will I get the work done?
- How will I control the operation?

Probably the most important question of all is: What will I get from being successful in this venture?

No one can answer these questions for you. As the owner-manager of your own business, you will have to answer them and draw up your own business plan. An effective plan should emphasize the strengths of the proposed venture, but it should also anticipate and deal with any potential problems or challenges to be faced. Your consideration of each point in the outline that follows will provide the basis for answering the questions above, plus others that will arise in your effort to launch your business.

The following outline offers a generalized but fairly detailed approach for writing a comprehensive plan for your new business venture. In some situations, only parts of this outline will be appropriate for your purposes. In others, the full outline should be used. In either case, however, you should always tailor the plan to your specific situation and objectives.

Sample Business Plan Outline

In summary, your business plan should describe the following:

- *Your company and its industry*
- *Your product(s) and/or service(s)*
- *The market and your marketing approach*
- *How you will make the product or deliver the service*
- *Who is involved in the company*
- *How much money the company needs and what you will do with it*
- *How successful (financially) you predict the company will be.*

By following these guidelines, you should be able to analyze your prospective business thoroughly and construct a plan that will guide you through initial start-up. The business plan will help impress and persuade investors in your ability to manage and in the potential of your company.

Will your business unfold exactly like the plan you draw up? This is very unlikely. Nevertheless, the process of planning is important. Things may not work out exactly as you had expected or hoped. But if you have a good plan, you will be much better prepared to make mid-course corrections when needed or take advantage of unexpected opportunities when they arise. Take your time, and be as comprehensive and thorough as you can be---a lot is riding on the outcome.

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EXECUTIVE SUMMARY

This section should not be a mere listing of topics. It should emphasize the high points of your proposal including the following:

- Purpose of your plan
- Summary of the market potential
- Distinctive product/service features
- Brief description of expected financial results in first year or two
- Marketing and sales activities
- Organization and personnel
- Key reasons you feel the project or venture is workable at this time

TABLE OF CONTENTS

This section of your plan should be designed to help readers locate specific sections or points of interest in the plan. Use plenty of detail -- enough to help the unfamiliar reader find his or her way around your document.

Sample Business Plan Outline

COMPANY DESCRIPTION

Ask yourself, "What business are you in (e.g., selling cars or financing sold cars)?"

- Describe the new business in detail for the uninformed. (Be crisp and concise in your writing—get right to the point!)
- Justify the new business.
- If the new business will be similar to established companies, check available statistical data to demonstrate the chance for success.
- If the new business is based on an entirely new idea, state what contracts or commitments you have from potential customers. Explain what will be needed to ensure reasonable probability of success.
- Show comments from competent advisors who have no direct stake in the outcome. *(NOTE: Be sure to seek guidance from those who may have viewpoints different from yours.)*

What are your principal:

- Products or Services? (In clear, descriptive detail here---write for the uninformed or novice reader.)
- Markets? Who will buy what you hope to sell?
- Applications? Why will your intended market want to buy what you sell?
- What is your distinctive competence? What are the chief factors that you will do especially well which will account for your success?
- Quality customer service
- Production/Service delivery efficiencies
- Personnel
- Location
- Price
- Upgraded Features
- Unique Product/Service
- What are the key success factors you will need to concentrate on to make your business successful?

Sample Business Plan Outline

MANAGEMENT AND OWNERSHIP

Planning:

What is your basic strategy? Prepare a policy statement for your company that clearly articulates what you intend to be, where you intend to be, and where you intend to go (e.g., price leader, customer service turnaround).

Define your key operational goals (sales in dollars or units, profits expected, and any other meaningful measurements that will later serve as control points).

Organization:

What will be the legal form of your business? Why?

- C Corp.
- S Corp.
- Partnership
- Proprietorship
- Limited Liability Company

How will duties and responsibilities of managers, functions, and operative employees be organized?

How many people will you need (by type of skill)?

Staffing:

Who are (or will be) your key managers?

- What are their skills? Their relevant experience? How do they relate to the key success factors for your business?
- What is their track record? How do you feel this will help your business succeed?

How do you intend to attract and compensate key people?

Will you have a Board of Directors (or Board of Advisors)? List the people who will sit with you and their area of expertise.

Where will you find and how will you attract operative personnel?

How will you compensate them? What incentive plans will you use?

Have working conditions been designed to be desirable and practical?

Do you have an established procedure for the following:

- Selecting and hiring new employees?

- Inducting and orienting new employees?
- Training and following up with new employees?

Do you have an established procedure for discipline and/or termination of unsatisfactory employees?

Which outside services will you use:

- Banker?
- Accountant, CPA, or tax advisor?
- Attorney?
- Insurance advisor?
- Other consultants?

Directing:

Which management and leadership style will be appropriate for your business?

What plans do you have to assure complete and accurate communications within your company?

How will you handle employee problems, complaints, and grievances?

How will you handle emergencies?

Control:

Do you have budgets set for the following:

- Revenue expectations?
- Expense items?
- Profit projections?

What is your basic timetable?

What are your control milestones and deadlines?

Do you have a back-up plan? (What if things don't go as you hope?)

What triggers your back-up plan? (Know in advance what you will do in a crisis; don't wait until you become emotionally involved---you won't think objectively.)

Marketing Environment:

Describe in detail how any of these might affect your business or its sales potential:

- The economy and economic forces at work
- Regulatory agencies or governmental controls over your industry or firm

Sample Business Plan Outline

- Technology and high-tech changes

Test Marketing:

Have you conducted any preliminary or test market studies?

If so, what were the results? What were the reactions of prospective customers?

Did they see a prototype or did you just describe the idea and ask for their response?

Lead Times:

How long does it take between customer order placement and product or service delivery on:

- Initial orders?
- Reorders?
- Volume purchases?

OPERATIONS

How will you accomplish production or conduct service operations?

How much will you do internally and by which methods?

How much will you subcontract:

- At start-up and for the first year?
- In future years?

What is your present capacity for production or for operations? *(How much can you produce now?)*

Is this adequate for near-term needs?

How can this be expanded when growth demands more capacity?

Is your facility designed with operations and workflow efficiency in mind?

What production or operating advantages do you have? How can you capitalize on them?

What are the critical parts or components you need to use to produce your product or service?

Do any of these parts come from a single source or sole source? Do you have back up vendors to assure continuity of supply and quality?

What are the lead times involved between the time you order the part and the time you actually have it?

What are the standard costs for production at different levels of production?

Sample Business Plan Outline

Location:

Why did you (or will you) locate in the location you have selected? Are there significant strategic or logistic reasons?

Does your location offer flexibility or opportunity for growth?

Is your location well suited for the following:

- Transportation needs and requirements (access, delivery load/unload, etc.)?
- Customer needs (can they find you and get to you easily)?
- Local zoning and laws which may affect your right or ability to do business there?

What recent developments or trends (such as population growth) might have an impact in the future on your choice of location?

Regulations and Laws:

Which regulations must be compiled with in your business (federal, state, and local)? Examples: Licenses, permits, registrations

What police, health department, fire, OSHA, or other safety regulations apply to your business? What have you done (or will you do) to assure compliance?

Which regulations govern the use of a business or trade name? Your brand name? Trade marks? Patent protection? Non-competition agreements? Other significant legal protection?

Trade or Consumer Credit:

How will you evaluate and approve credit applications?

Will you use the services of a credit checking service or bureau?

What information will you need or want to collect before evaluating credit applications?

How will you monitor and control collections of accounts receivable?

What will you do if someone does not pay you? Which credit collection policies and procedures will you use?

What will you do if you must write off the accounts as bad debts?

FINANCES

- ***Present Financial Statements (Include these statements for any relevant past operating periods as appropriate.)***
- ***Balance Sheet (three years plus current)***

Sample Business Plan Outline

- ***Profit and Loss Statement (Income Statement) (Past three years, if possible, plus current)***
- ***Future (Pro Forma) Financial Statements:***
    - Year-end balance sheets for the first full year of operations
    - One-year profit and loss statements by month or by quarter at least until break-even, then yearly to cover a five-year period into the future (with detailed assumptions). NOTE: It is common to present monthly statements for the first two years.
    - Clearly defined break-even point, including the timing of reaching break-even and the important assumption used in reaching your conclusion.
    - Other planning tools, such as the following:
    - Cash budgets
    - Cash flow projections (monthly)
    - Capital budgets (large, important purchases for equipment or buildings; other major acquisitions planned in the future, etc.)
    - Manufacturing and/or shipping plan or sales budget

Clearly identify all key assumptions which have been made in your pro formas, why you used them instead of reasonable alternatives, and give your assessment of how reliable or how valid they are likely to be. (Do a reality check.)

Sources and Uses of Funds:

How much money do you or will you need to begin operations?

How much money will you need over the next five years if the business succeeds as you are projecting?

When, exactly, will extra money be needed and how will it be used?

What will be the source of these funds?

Equity sources: Specify how much ownership you/or others will have in the business.

Debt sources: Specify how much money you will borrow.

- Which terms will you need for repaying the loan (how many years will you need the payback period to be and what size and frequency of payments)?
- Where will the money come from to meet the repayment schedule for all borrowed money?
- What collateral (if any) will you pledge as security?

- What is your back-up plan to repay debts if the business does not work out as you hoped?

Do you have any plans to offer stock for sale? (Discuss them here. Include the size of the offering, how much capital you hope to raise, and the timing of the offering).

START-UP SCHEDULE AND TIMETABLE

Provide a list of activities, in sequence, which must be accomplished to prepare for the start-up of the business. (Use a fair amount of detail, listing all the major milestones and requirements which must be met before you can launch the business.)

Provide a timetable, showing when each step is to be completed and the relationships that are interdependent. Also list important commitments which must be met.

CRITICAL RISKS AND POTENTIAL PROBLEMS

List and discuss the critical risks or other important factors which might have a negative bearing on the outcome of the start-up plan or the business venture in the foreseeable future. Discuss your actions and defenses to eliminate or mitigate the impact of negative factors.

List any potential problems that might arise. Discuss the probability that they will occur, and discuss the severity of the impact if they should occur. Present your plan to reduce or eliminate potential problems. (What will you do to see that they do not happen, or if they do happen, that the negative consequences are minimized?)

APPENDICES OR EXHIBITS

- Resumes of your key managers
- Pictures of the product or of the service to be offered
- Detailed descriptions of the product or of the prototype
- Professional references or testimonials. Show your relevant track record
- Market studies: relevant articles from trade journals, contacts or commitments from prospective customers, etc.
- Copies of relevant patents, copyrights, or other legal protection, documents, or certifications, which you are required to obtain
- Anything else which you feel is relevant and which would help make your business plan comprehensive and complete.

APPENDIX A: Useful Contacts and Websites

Office of Economic Development—City of Surprise

12425 W. Bell Rd., Bldg. D-100
Surprise, AZ 85374
Phone: (623) 875-4273
Fax: (623)875-5049
Web site: www.surpriseaz.com
E-mail: econdev@surpriseaz.com

Determining where to start is not always easy. If you aren't sure who to contact or what steps to take, Surprise's Economic Development Department is a great place to begin.

The Economic Development staff will be happy to assist you in determining a path to start your business, expand an existing business, or find a new location. The Economic Development Department offers business firms an ombudsmen service to assist with the City's development process, increase understanding of regulations and assess project needs. Staff can also provide introductions to other departments or additional resources.

The Economic Development Department has services designed for both new and existing businesses—from small entrepreneurial operations to Fortune 500 firms. Services include confidential consultations, assistance with site selection, introduction to private and public sector development and real estate representatives and providing demographic information to assist potential new business owners.

Surprise's Office of Economic Development actively promotes and preserves the economic strength of the city to ensure that Surprise is the preferred location for new, existing and expanding organizations.

Northwest Valley Chamber of Commerce

12801 W. Bell Rd., Suite 14
Surprise, AZ 85374
Phone: (623) 583-0692
Fax: (623) 583-0694
Web Site: www.northwestvalley.com
E-mail: chamber@northwestvalley.com

The Northwest Valley Chamber of Commerce is a private, not-for-profit business organization providing a wealth of information for any size business. For more than 42 years, the Northwest Valley Chamber of Commerce has been a leading advocate for businesses. The Chamber also acts as an ombudsman for resolution of public policy issues that affect the business community at a local, county or state level.

As one of the largest Chambers in metropolitan Phoenix, members are given many opportunities to market their businesses and to enhance their business skills through individual counseling, group workshops and networking activities. The chamber also hosts monthly seminars and events to assist our members.

APPENDIX A: Useful Contacts and Websites

Maricopa County Regional Library - Surprise

16089 N. Bullard Ave.
Surprise, AZ 85374
Phone: 623-544-6371
Web Site: maricopa.gov/library

The Surprise Library is a great business resource and contains various business materials, government and legal documents and "how to" publications on such topics as how to start a business, how to get a loan and how to write a business plan. The Northwest Regional Library is located in the Surprise Recreation Complex in the City of Surprise. This 23,000 sq. ft. facility is the District's newest "state of the art" Regional Library with a collection of over 40,000 items in all formats and offers over 60 Internet-accessible computers throughout the building. It is a model of the latest technology in the library and information field in terms of customer service with self-checkout, self-check in and Smart Library Cards.

Arizona Department of Commerce

1700 W. Washington St., Suite 600 Phoenix, AZ 85007
Phone: (602) 771-1100 Toll free: (800) 528-8421 Fax: (602) 771-1209
Web site: www.azcommerce.com E-mail: webmaster@azcommerce.com

The Arizona Business Assistance Center, a division of the Arizona Department of Commerce, provides a variety of resources to assist anyone interested in starting, expanding or relocating a business in the state. The Arizona Business Assistance Center has three components and are located at the Arizona Department of Commerce.

Arizona Business Connection

Web site: http://www.commerce.state.az.us "Small Business Services" page; then go to "Arizona Business Connection - Walks you through what you need to know to start or expand your business"
Phone: (602) 771-1196 Toll free: (800) 542-5684

The Arizona Business Connection's Web site provides regulation and licensing information for starting a business. At this Web site, you may also create a customized information package to print at your convenience. This office also produces the free publications, Guide to Establishing and Operating a Business, Small Business Book and Entrepreneur's Encyclopedia, available at the Chamber of Commerce and Regional Library. To obtain copies of these publications, visit the Library or call (623) 544-6371 or drop by the Northwest Valley Chamber of Commerce at 12801 West Bell Rd., Ste. 14, Surprise, AZ 85374. Phone (623) 583-0692
Fax (623) 583-0694. Web page chamber@northwestvalley.com

APPENDIX A: Useful Contacts and Websites

Office of Minority/Women-Owned Business Enterprise Services

Phone: 602-262-6790 http://www.azcommerce.com/mwbedir/

The Office of Minority/Women-Owned Business Enterprise Services acts as a resource and advocate for women and minorities who own businesses by helping them market their products and services to state agencies and other companies. The office publishes a directory of women and minority-owned businesses that is distributed to state agencies, local corporations and financial institutions.

Small Business Advocate—Governor's Council on Small Business

1700 West Washington, Suite 220 Phoenix, AZ 85007

Email: gcsb@azcommerce.com **Telephone:** 602-771-1173 **Fax:** 602-771-1209

The Small Business Advocate maintains ongoing communication between the Governor's Office and small business. The advocacy office works with chambers of commerce and other groups to develop policies and programs relevant to small business, supports state legislation that benefits the business community, and interacts with state agencies to improve relationships between state departments and the small business community.

Arizona Secretary of State's Trademark and Trade Name Office

Phoenix Customer Service Center
14 N. 18th Ave just across street from the Capitol Executive Tower
Mailing Address 1700 West Washington, 7th Floor Phoenix, Az 85007-2888
Phone (602) 542-6187 or 800.458.5842
Web site www.azsos.gov/business_services/trademarksandtradenames.htm
Email trades@azsos.gov

Arizona Corporation Commission

1300 W. Washington Street Phoenix, AZ 85007 (602) 542-3230
www.cc.state.az.us http://www.cc.state.az.us/corp/filings/forms/packets.htm

Maricopa County Recorder

Main Office (Downtown) 111 S. Third Ave., Phoenix AZ 85003 Phone: 602-506-3535
Southeast Office (Mesa) 222 E. Javelina, Mesa AZ 85210 Phone: 602-506-3535
http://recorder.maricopa.gov

Arizona Department of Revenue (ADOR)

2902 W. Agua Fria Freeway Phoenix, AZ 85027
Phone: (602) 255-2060 Forms by Phone: (602) 542-4260
Web site: www.revenue.state.az.us Forms by Fax: (602) 542-3756

"Business Basics: A Guide to Taxes for Arizona Businesses," is found online at http://www.revenue.state.az.us/brochure/622.pdf

SURPRISE
ARIZONA
Beyond Expectations

City of Surprise
Economic Development
Department

12425 West Bell Road
Building B

Phone: 623.875.4273
Fax: 623.875.5049
E-mail: econdev@surpriseaz.com

City of Surprise
Small Business Assistance Program (SBAP)

Interested in starting your own business? We'll help you get your business started and serve as an on-going resource. We'll work with you as long as you need help.

Through the SBAP, Surprise offers one-on-one coaching and counseling to existing and would-be entrepreneurs, helping them establish business plans and access private and public resources. Our Economic Development staff is complemented by a network of volunteers with business expertise. Go to www.surpriseaz.com—Economic Development Department—or call 623.875.4273 for more information.

12801 West Bell Rd., Ste. 14,
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Email: chamber@northwestvalley.com

Welcome Business Partners!

The Northwest Valley Chamber of Commerce encourages you to become a business partner with the Chamber and become active in one of the most vibrant business organizations in metropolitan Phoenix.

The Chamber is adept at providing assistance with marketing your product or service, finance options for your business, leads, seminars and workshops, several networking options as well as events to showcase your products.

Chamber members are at the very heart of the region's success. Through their commitment to the community, they create a partnership between local businesses and residents. Chamber members provide more than membership dues. They are volunteers, leaders and advocates for optimum quality of life in the Northwest Valley.

Long before there were thousands of rooftops in the area, there was the Chamber of Commerce. Early business owners recognized the potential of the Northwest Valley and banded together to create a thriving economy and a great place to live. We thank the early pioneers in the region. They created the strong base for the growth and accomplishment that was to follow years later.

Join us; won't you? We're always looking for people who share our values and goals: pursuing all of the good things in life, right here in the Northwest Valley. Stop by the Chamber office any weekday and learn a lot about local life.