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BUSINESS PLAN OUTLINE SAMPLE

The following pages provide a suggested outline of the material to be included in your business plan. A business plan will be the best indicator that can be used to judge your potential for success. If you are seeking a lender or investor: Include only the supporting documents that will be of immediate interest to the lender. If you are turned down for financing, be sure to retrieve your business plan. Your plan will be beneficial only if you update it frequently to reflect what is happening within your business. Measure your projections against what actually happens in your company. Use the results to analyze the effectiveness of your operation. You can then implement changes that will give you a competitive edge and make your business more profitable.

I. COVER SHEET: Serves as the title page.

- Name, address, and phone number of the company.
- Name, title, address, phone number of owners/corporate officers.
- Month and year your plan was prepared.
- Name of preparer.
- Copy number of the plan.

II. EXECUTIVE SUMMARY

This is the thesis statement and states business plan objectives. Use (who, what, where, when, why, how much) to summarize the following:

- Your Company (who, what, where, when).
- Who your management is and what their strengths are.
- What your objectives are and why you will be successful.
- If you need a financing, why you need it, how much you need and how you intend to repay the loan or benefit the investor.

Note: *Do not write the executive summary until you have completed your business plan!*



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III. TABLE OF CONTENTS (Quick reference to major topics covered in your plan)

IV. PART I: THE ORGANIZATIONAL PLAN

This section should include a "summary description of your business" statement followed by information on the "administrative" end of your company.

A. SUMMARY DESCRIPTION OF THE BUSINESS

In a paragraph or two give a broad overview of the nature of your business, telling when and why the company was formed. An excellent question to ask yourself is: "What business am I in?" Remember, however, that as you develop your business plan, you may have to modify or revise your initial questions. Then complete the summary by briefly addressing:

- What your product or service is.
- Legalities- business form: proprietor, partnership, and corporation. The licenses or permits you will need.
- Is it a new independent business, a takeover, an expansion, a franchise?
- Business type: merchandizing, manufacturing or service.
- When your business will be open (days, hours)?
- *Business model* (describe your company's model and why it is unique to your industry)
- What have you learned about your kind of business from outside sources (trade suppliers, bankers, other franchise owners, franchiser, and publications).
- *Strategy* (give an overview of the strategy, focusing on short- and long-term objectives)
- *Strategic relationships* (tell about any existing strategic relationships)
- *SWOT Analysis* (strengths, weaknesses, opportunities, and threats that your company will face, both internal and external).

B. PRODUCTS OR SERVICES

- If you are the manufacturer and/or wholesale distributor of a product: Describe your products. Tell briefly about your manufacturing process. Include information on suppliers and availability of materials.
- If you are a retailer and/or an e-tailer: Describe the products you sell. Include information about your sources and handling of inventory and fulfillment.



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- If you provide a service: Describe your services List future products or services you plan to provide.
- How your product or service will benefit the customer.
- Which products/services are in demand; if there will be a steady flow of cash.
- What is different about the product or service your business is offering.

C. INTELLECTUAL PROPERTY

- Address Copyrights, Trademarks, and Patents
- Back up in Supporting Documents with registrations, photos, diagrams, etc.

D. LOCATION

- Describe your projected or current location or your locations needs.
- What kind of space will you need?
- Why is the area desirable? The building desirable?
- Is it easily accessible? Is public transportation available?
- Are there courier pickups available?
- Project costs associated with the location.
- Include legal agreements, utilities forecasts, etc. in Supporting Documents.

E. LEGAL STRUCTURE

- Describe your legal structure and why it is advantageous for your company.
- List owners and/or corporate officers describing strengths (include resumes).

F. MANAGEMENT

- How does your background/business experience help you in this business?
- What are your weaknesses and how can you compensate for them
- List the people who are (or will be) running the business.
- Describe their responsibilities and abilities.
- What are your current needs?
- If a franchise, what type of assistance can you expect from the franchiser?
- Will this assistance be ongoing?
- What kind of inventory system will you use?
- What kind of internal data base will you use?



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Note: Managing your business requires more than just the desire to be your own boss. It demands dedication, persistence, the ability to make decisions and the ability to manage both employees and finances. If a franchise, the operations procedures, manuals and materials devised by the franchiser should be included in this section of the business plan.

G. PERSONNEL

- How many employees will you have in what positions?
- What are the necessary qualifications?
- How many hours will they work and at what wage?
- Project future needs for adding employees.
- What are your plans for hiring and training personnel?
- Project their salaries, benefits, vacations, and holidays. If a franchise, are these issues covered in the management package the franchiser will provide?

H. ACCOUNTING & LEGAL

- Accounting: What system will you set up for daily accounting? Who will you use for a tax accountant? Who will be responsible for periodic financial statement analysis?
- Legal: Whom will you retain for an attorney? (Keep 'Murphy's Law' in mind.)

I. INSURANCE

- What kinds of insurance will you carry? (Property & Liability, Life & Health)
- What will it cost and whom will you use for a carrier?

J. SECURITY

- Address security in terms of inventory control and theft of information (online and off).
- Project related costs.

PART II: THE MARKETING PLAN

Marketing plays a vital role in successful business ventures. How well you market your business, along with a few other considerations, will ultimately determine your degree of success or failure.

You will address the details of your market analysis, sales, advertising, and public relations campaigns.

A. OVERVIEW AND GOALS OF YOUR MARKETING STRATEGY



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B. MARKET ANALYSIS

- Who are your customers?
- Define your target market (identify with demographics, psychographics, and niche market specifics).
- Are your markets growing? Steady? Declining?
- Is your market share growing? Steady? Declining?
- If a franchise, how is your market segmented?
- Are your markets large enough to expand?
- How will you attract, hold, increase your market share? If a franchise, will the franchiser provide assistance in this area?
- Market Trends (identify industry trends and customer trends).
- Market Research (describe methods of research, database analysis, and results summary).

C. COMPETITION

- Who are your five nearest direct competitors?
- Who are your indirect competitors?
- How are their businesses: steady? Increasing? Decreasing?
- Describe major competitor's strengths and weaknesses.
- How does their product or service differ from yours?

Note: Start a file on each of your competitors including copies of their advertising, promotional materials and their pricing strategy techniques. Determine when and how often they advertise, sponsor promotions and offer sales. Study the copy used in the advertising and promotional materials, and their sales strategy.

D. MARKETING STRATEGY

- General Description (budget % allocations on- and off-line with expected ROIs).
- Method of Sales and Distribution (stores, offices, kiosks, catalogs, d/mail, website, direct sales, referrals, alliances).
- Packaging (quality considerations and packaging).
- Pricing Strategy includes: retail cost and pricing, competitive position, pricing below competition, pricing above competition, price lining, multiple pricing, service cost and pricing if a service business.
- Branding.
- Database Marketing (Personalization).
- Sales Strategies (direct sales, direct mail, email, affiliate, reciprocal, and viral marketing).
- Sales Incentives/Promotions (samples, coupons, online promo, add-ons, rebates, etc.).



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E. ADVERTISING/PUBLIC RELATIONS AND NETWORKING

- Advertising Strategies (traditional, web/new media, long-term sponsorships).
- Public Relations (online presence, events, press releases, interviews).
- Networking (memberships and leadership positions).

F. CUSTOMER SERVICE

- Description of Customer Service Activities.
- Expected Outcomes of Achieving Excellence

G. IMPLEMENTATION OF MARKETING STRATEGY

- In-House Responsibilities.
- Out-Sourced Functions (advertising, public relations, marketing firms, ad networks, etc.).

H. ASSESSMENT OF MARKETING EFFECTIVENESS*

* To be used by existing companies after making periodic evaluations

V. FINANCIAL DOCUMENTS

This section of the business plan is the quantitative interpretation of everything you stated in the organizational and marketing plans. Do not do this part of your plan until you have finished those two sections.

Financial documents are the records used to show past, current, and projected finances. To effectively manage your finances, plan a sound, realistic budget by determining the actual amount of money needed to open your business (start-up costs) and the amount needed to keep it open (operating costs). Your start up budget will usually include such one-time-only costs as major equipment, utility deposits, down payments, etc.

A. SUMMARY OF FINANCIAL NEEDS

This is an outline giving the following information. Why you are applying for financing? The following should help determine the amount of start-up capital you will need.

- How much money do you have available right now?
- How much money will you need to purchase your franchise/equipment?



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- How much money will you need for start-up?
- How much money will you need to stay in business for? months /? years?
- Available credit?

B. START-UP BUDGET

You should: Tell how you intend to disperse the loan.

- Personnel (costs prior to opening)
- Legal/professional fees
- Licenses/permits
- Equipment
- Insurance for Business and Equipment
- Supplies
- Advertising/Promotions/Public Relations
- Salaries/wages
- Accounting
- Income
- Utilities
- Payroll Expenses

You should: Show your operating budget to cover the first 3 to 6 months of operation. It should allow for the following expenses:

- Personnel
- Insurance
- Rent
- Depreciation
- Loan payments
- Advertising/Promotions
- Legal/Accounting
- Miscellaneous Expenses
- Supplies
- Payroll expenses
- Salaries/Wages
- Utilities
- Dues/Subscriptions fees
- Taxes
- Repairs/Maintenance



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C. PRO FORMA CASH FLOW STATEMENT (BUDGET)

This document projects what your Business Plan means in terms of dollars. It shows cash inflow and outflow over a period of time and is used for internal planning. It is of prime interest to the lender how you intend to repay your loan. Cash flow statements show both how much and when cash must flow in and out of your business.

Cash Flow Projection

- 1) Cash on Hand (beginning month)
- 2) Cash receipts
 - a) Cash Sales
 - b) Collections from credit accounts
 - c) Loan or other cash injections
- 3) Total cash receipts
 - a) $(2a+2b+2c=3)$
- 4) Total cash available
 - a) (Before cash out) $(1+3)$
- 5) Cash paid out
 - a) Purchases (merchandise)
 - b) Gross wages (excludes withdrawals)
 - c) Payroll expenses (taxes, etc.)
 - d) Outside services
 - e) Supplies (office and operating)
 - f) Repairs and maintenance
 - g) Advertising
 - h) Car, delivery and travel
 - i) Accounting and legal
 - j) Rent
 - k) Telephone
 - l) Utilities
 - m) Insurance
 - n) Taxes (real estate, etc.)
 - o) Interest
 - p) Other expenses (specify each)
 - q) Miscellaneous
 - r) Subtotal
 - s) Loan principal payment
 - t) Capital purchases
 - u) Other start-up costs
 - v) Reserve and/or escrow
 - w) Owner's withdrawal
- 6) Total cash paid out (5a through 5w)
- 7) Cash position (end of month) $(4-6)$
 - a) Sales volume
 - b) Account receivable (end of month)
 - c) Bad debt (end of month)
 - d) Inventory on hand (end of month)
 - e) Accounts payable (end of month)



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D. THREE-YEAR INCOME PROJECTION

A Pro Forma Income P&L (Income) Statement showing projections for your company for the next three years. Use the revenue and expense totals from the Pro Forma Cash Flow Statement for the 1st year's figures and project for the next two years according to expected economic and industry trends.

E. PROJECTED BALANCE SHEET

Projection of Assets, Liabilities, and Net Worth of your company at end of next fiscal year.

F. BREAK-EVEN ANALYSIS

The break-even point is the point at which a company's expenses exactly match the sales or service volume. It can be expressed in: (1) Total dollars or revenue exactly offset by total expenses -or- (2) Total units of production (cost of which exactly equals the income derived by their sales). This analysis can be done either mathematically or graphically. Revenue and expense figures are drawn from the three-year income projection.

- If your business is new and has not yet begun operations: the financial section will end here and you will need to add a Personal Financial History.
- If yours is an established business: you will include the following actual performance statements:

G. PROFIT AND LOSS STATEMENT (INCOME STATEMENT)

Shows your business financial activity over a period of time (monthly, annually). It is a moving picture showing what has happened in your business and is an excellent tool for assessing your business. Your ledger is closed and balanced and the revenue and expense totals transferred to this statement.

- Total Net Sales (Revenues): Determine the total number of units of products or services you realistically expect to sell each month in each department at the prices you expect to get. Use this step to create the projection to review your pricing practice. What returns, allowances and markdowns can be expected? Exclude any revenue that is not strictly related to the business.
- Cost of Sales: Calculate cost of sales of all products and services. Do not overlook transportation costs. Also include any direct labor.
- Gross Profit: Subtract the total cost of sales from the total net sales to obtain gross profit.



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- Gross Profit Margin: The gross profit is expressed as a percentage of total sales. It is calculated by dividing gross profits by total net sales.

Controllable (also known as Variable) Expenses:

- Salary expenses-Base pay plus overtime
- Payroll expenses- Include paid vacations, sick leave, health insurance, unemployment insurance and social security/ insurance taxes.
- Outside services-Include costs of subcontracts, overflow work and special or one-time services.
- Supplies-Services and items purchased for use in the business.
- Repair and maintenance-Regular maintenance and repair, including periodic large expenditures such as painting.
- Advertising-Include desired sales volume and classified directory advertising expenses.
- Car delivery and travel-Include charges if personal car is used in business, including parking, tools, buying trips, etc.
- Accounting and legal-Outside professional services.
- Rent-List only real estate used in business.
- Depreciation-Amortization of capital assets.
- Utilities-Water, heat, light, etc.
- Insurance-Fire or liability on property or products.
- Include workers compensation
- Loan repayment-Interest on outstanding loans
- Miscellaneous-Unspecified; small expenditures without separate accounts.

EBIT (Earnings before interest and tax)

- Subtract total expenses from gross profit

Net Profit

- Subtract interest and taxes from EBIT

H. BALANCE SHEET

Shows the condition of the business as of a fixed date. It is a picture of your firm's financial condition at a particular moment and will show you whether your financial position is strong or weak. It is usually done at the close of an accounting period. Contains: (1) Assets, (2) Liabilities and (3) Net Worth.



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Current Assets

- Cash-List cash and resources that can be converted into cash within 12 months of the date of the balance sheet (or during one established cycle of operation). Include money on hand demand deposits in the bank, e.g., checking accounts and regular savings accounts.
- Petty cash-if your business has a fund for small miscellaneous expenditures, include the total here.
- Accounts receivable-The amount due from customers in payment for merchandise or services.
- Inventory-Includes raw materials on hand, work in progress and all finished goods, either manufactured or purchased for resale.
- Short-term investments-Also called temporary investments or marketable securities, these include interest- or dividend-yielding holdings expected to be converted into cash within a year. List stocks and bonds, certificates of deposit and time-deposit savings accounts at either their cost or market value, whichever is less.
- Prepaid expenses-Goods, benefits or services a business buys or rents in advance.
- Examples are office supplies, insurance protection and floor space.

Long-Term Investments

- Also called long-term assets, these are holdings the business intends to keep for at least a year and that typically yield interest or dividends. Included are stocks, bonds and savings accounts earmarked for special purposes.

Fixed Assets

Also called plant and equipment. Includes all resources a business owns or acquires for use in operations and not intended for resale. Fixed assets may be leased

- Land-List original purchase price without allowances for market value.
- Buildings
- Improvements
- Equipment
- Furniture
- Automobile/vehicles
-



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Current Liabilities

List all debts, monetary obligations and claims payable within 12 months or within one cycle of operation. Typically they include the following:

- Accounts payable-Amounts owed to suppliers for goods and services purchased in connection with business operations
- Notes payable-The balance of principal due to pay off short-term debt for borrowed funds. Also includes the current amount due of total balance on notes whose terms exceed 12 months.
- Interest payable-Any accrued fees due for use of both short-and long term borrowed capital and credit extended to the business.
- Taxes payable-Amounts estimated by an accountant to have been incurred during the accounting period.
- Payroll accrual-Salaries and wages currently owed.

Long-term Liabilities

Notes payable-List notes, contract payments or mortgage payments due over a period exceeding 12 months or one cycle of operation. They are listed by outstanding balance less the current position due.

Net Worth

Also called owner’s equity, net worth is the claim of the owners on the assets of the business. In a proprietorship or partnership, equity is each owner’s original investment plus any earnings after withdrawals.

Total Liabilities and Net Worth

The sum of these two amounts must always match that for total assets.

I. FINANCIAL STATEMENT ANALYSIS

In this section you will use your income statements and balance sheets to develop a study of relationships and comparisons of: (1) Items in a single year's financial statement, (2) comparative financial statements for a period of time, or (3) your statements with those of other businesses. Measures are expressed as ratios or percentages that can be used to compare your business with industry standards.

If you are seeking a lender or investor, ratio analysis as compared to industry standards will be especially critical in determining whether or not the loan or venture funds are justified.



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- **Liquidity Analysis** (net working capital, current ratio, quick ratio).
 - a) Current Ratio=Current Assets divided by Current Liabilities (Balance Sheet)
 - b) Networking Capital=Current Assets minus Current Liabilities (Balance Sheets)
 - c) Quick Ration=Current Assets minus Inventories divided by current liabilities (Balance Sheet)
 - d) Cash Ratio=Cash divided by Current Liabilities (Balance Sheets)

- **Profitability Analysis** (gross profit margin, operating profit margin, net profit margin).
 - a) Gross profit margin=Sales minus Cost of Good Sold divided by sales. (Income Statement)
 - b) Operating Profit Margin=Operating Income divided by Sales (Income Statements)
 - c) Net Profit Margin=Net Income divided by Sales (Income Statement)

- **Debt Ratios** (debt to assets, debt to equity).
 - a) Debt to Assets=Liabilities divided by Assets
 - b) Debt to Equity=Liabilities divided by Equity

- **Measures of Investment** (return on investment).
 - a) Net Income+Interest (1-Tax Rate) divided by Book value of Assets

- Vertical financial statement analysis (shows relationship of components in a single financial statement).

Horizontal financial statement analysis (percentage analysis of the increases and decreases in the items on comparative financial statement).

J. BUSINESS FINANCIAL HISTORY

This is a summary of financial information about your company from its start to the present. The Business Financial History and Loan Application are frequently one and the same. If you have completed the rest of the financial section, you should have all of the information you need to transfer to this document.



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VI. SUPPORTING DOCUMENTS

This section of your plan will contain all of the records that back up the statements and decisions made in the three main parts of your business plan. The most common supporting documents are:

A. PERSONAL RESUMES

Include resumes for owners and management. A resume should be a one-page document. Include: work history, educational background, professional affiliations and honors, and a focus on special skills relating to the company position.

B. OWNERS' FINANCIAL STATEMENTS

A statement of personal assets and liabilities. For a new business owner, this will be part of your financial section.

C. CREDIT REPORTS

Business and personal from suppliers or wholesalers, credit bureaus, and banks.

D. COPIES OF LEASES, MORTGAGES, PURCHASE AGREEMENTS, ETC.

All agreements currently in force between your company and a leasing agency, Mortgage Company or other agency.

E. LETTERS OF REFERENCE

Letters recommending you as being a reputable and reliable business person worthy of being considered a good risk. (Both business and personal references)

F. CONTRACTS

Include all business contracts, both completed and currently in force.

G. OTHER LEGAL DOCUMENTS

All legal papers pertaining to your legal structure, proprietary rights, insurance, etc. Limited partnership agreements, shipping contracts, etc.

H. MISCELLANEOUS DOCUMENTS

All other documents which have been referred to, but not included in the main body of the plan. (For example, location plans, demographics, competition analysis, advertising rate sheets, cost analysis, etc.).