



SAMPLE BUSINESS PLAN

(A PRODUCT)

WIDGET CORPORATION
JAMES JONES

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SECTION 1: THE BUSINESS PROFILE

Description of My Business

I plan to market a complete line of bathroom accessories including squeezies, soap dishes, toothbrush holders, coat hooks, and towel bars. The product line will be designed in my home office and manufactured and packaged in China.

Targeted Market and Customers

My customers will be discount department store chains with good credit ratings and reputations for prompt-payment. These will include Albertson's, Costco, Fleming, Wal-Mart, K-Mart, Target, and selected others.

Growth Trends In This Business

This information will need to be targeted to your own intended product. Can you document from trade sources the anticipated rate of growth of your industry? If industry sources are not available, you will need to give a logical explanation as to the trend and potential of your intended market. This segment will provide you and your backers with information as to whether the market for your product is growing or shrinking.

Pricing Power

I will not initially enjoy pricing power in marketing Widget accessories. Discount chains will be primarily interested in price. In order to achieve lower costs than my larger competitors I plan to do the following: _____.

My ultimate goal is to build a line so unique and promote it so effectively that consumers will be willing to pay a premium. My long-term objective is to build a market that is not entirely based on price. My unique features will include: _____.

SECTION 2: THE VISION AND THE PEOPLE

The Vision

I have a long-term plan to be in business for myself and to utilize the specialized business knowledge I have gained. The business relationships I have developed include vendors, discount chain buyers and manufacturing resources. They are: _____, _____, _____. (List and explain in detail how they will help you).

The reasons that I feel my plans are realistic are: _____. I am the right person to pursue this opportunity because: _____.

There are special market conditions that are favorable to my getting started at this time. They are: _____.

The People

Work Experience Related To My intended Business

My work experience has been as follows:

1995 – 1998 Position _____ at _____ Co. Describe your work responsibilities in detail: _____
1998 – 2005 Product Manager at ABC Imports Co. Describe your work responsibilities in detail: _____

I have included a list of work references and character references as Exhibit A

I have personal contacts in Hong Kong and Singapore who are ready to assist in the design, production, and packaging of the WIDGET line. Two large discount chains have encouraged me to make presentations to them.

Personal Background and Education Credentials

EDUCATION CREDENTIALS:

My education includes: _____ grade school, graduation from _____ high school (class of ____).

My higher education includes a _____ degree earned in _____ at _____, _____ year.

In _____ school I participated in the following activities (student council, student body officer, sorority/fraternity, clubs, etc.) I have also taken the following courses and seminars: My Own Business Internet Course, _____, and _____.

My hobbies are: _____

SECTION 2: THE VISION AND THE PEOPLE

My ongoing education includes subscriptions to the following professional journals: Wall Street Journal, Plastics World, etc.

I belong to the following professional and service organizations: National Association of Importers, Rotary Club, etc.

SECTION 3: COMMUNICATIONS

Computer and Communications Tools

I plan to take advantage of all the computer and communications tools presently available to establish myself on the same level playing field as my large competitors. Following are the tentative specifications and budget for this equipment.

Resource Requirements:

Communications

Enter a description of all communications equipment.

Enter a budget for all communications equipment.

Telephones

Enter a description of all telephone equipment.

Enter a budget for all telephone equipment.

Pagers

Enter a description of pagers.

Enter a budget for all pagers.

Facsimile

Enter a description of all fax equipment.

Enter a budget for all fax equipment.

Computers

Enter a description of all computer equipment.

Enter a budget for all computer equipment.

Internet

Enter a description of necessary Internet providers.

Enter a budget for Internet access.

SECTION 4: ORGANIZATION AND INSURANCE

Business Organization

I plan to form a corporation for my business. It is my intention to grow Widget into a large firm with international relationships. The initial and ongoing costs of operating as a corporation will be a necessary business expense. Also, since a properly run corporation will afford me some limits of liability, I feel this is the right form of business for me. I intend to depend on my attorney to handle all aspects of setting up the corporation and maintaining proper corporate records.

Professional Consultants

I feel it is important that my team of professional advisors be in place before I start in business. Here is a list of these professionals:

Attorney: Suzie Catchum

Accountant: Norman Numbers

Insurance Agent: Paul Premium

Banker: Douglas Deepockets

E-Commerce Consultant: Mary Smith

Other: _____

Other: _____

Licenses

My Widget Corporation will require the following licenses. I will need to research the requirements for my own location and circumstances:

1. City Hall: This could include the business license department, planning department, building department, health department, etc.
2. Norman Numbers, my accountant will give me advice on federal, state and local reporting and licensing requirements.
3. My lawyer, Suzie Catchum, will provide me with a checklist.

Insurance

I plan to use the services of Paul Premium, my insurance agent. My insurance policies and limits of coverage are as follows:

Mr. Premium will provide me with a tabulation of all insurance policies and limits of liability.

SECTION 5: PREMISES

Location Criteria

During my start-up phase of approximately 6-12 months, I plan to operate out of my home office. Once my business is established, my initial office requirement will be approximately 1,000 square feet with two private offices and a secretarial area. My office criteria will include:

1. Convenience to my home.
2. A short-term lease of 1 - 2 years with two 1-year options.
3. A lease provision that the landlord provide me expansion space as required with a kickout clause if expansion space is not available.
4. Office layout including tenant improvements provided by the landlord. See Exhibit "C".
5. Lawyer review of the lease.
6. Use of the Lease Check-off list that is attached as an exhibit.

The use of these location criteria will gain me experience in handling much larger leases for space in the relatively near future. Future growth plans include warehousing of merchandise. I will be incurring large lease obligations that will be carefully reviewed. Location studies will include:

- Space requirements
- Future requirements
- Site analysis study if needed (attach)
- Demographic study if needed (attach)
- Lease check-off list (attach)
- Estimated occupancy cost as a % of sales
- Zoning and use approvals

SECTION 6: ACCOUNTING AND CASH FLOW

Accounting

My knowledge of accounting is: _____. (If you are deficient in basic accounting knowledge, then state how you intend to gain this needed know-how.)

My accountant: I plan to work with Norman Numbers.

Accounting and payroll software programs: I will be using the following systems:
_____.

Method of accounting: I will use the accrual method of accounting since this is generally required by the Internal Revenue Service for businesses dealing with manufacturing and inventory.

Business records: I will keep Widget accounts and records separate from my personal records.

Tax issues: My accountant, Mr. Numbers, will help me set up records for payments of social security tax, estimated income tax payments, payroll taxes and state withholding and sales taxes. My federal employer identification number (FEIN) is: _____.
My state identification number is: _____.

Internal controls: Mr. Numbers will also help me set appropriate controls for handling funds in my business including inventory policy and controls. Purchasing, capital acquisitions and signing of checks will not be delegated.

Quarterly returns: Taxes will be paid in the appropriate time frames. Mr. Numbers will help me set up resale permit records for reporting to my state franchise tax board.

Bank account reconciliation: Bank accounts will be reconciled on a monthly basis.

Balance sheet: Attached is a separate exhibit of my starting balance sheet. Included is a schedule of equipment and fixtures needed that will appear on my balance sheet.

Income statements: Attached are my projected income statements for the first six months and one year.

SECTION 6: ACCOUNTING AND CASH FLOW

Cash Flow Planning

Attached is an exhibit of my one-year cash flow analysis including estimated sales, all costs and capital requirements. I have included a checklist of all expense items for input into my cash flow projections.

Analysis of Costs

Attached is an itemized cost-breakdown of each individual Widget product that will be in my initial line. My initial target mark-up will be _____%.

Internal Controls

My accountant, Norman Numbers, is experienced in my type of business, which includes international trade. He will help me set up a system of internal controls to make sure that Widget Corporation will receive all of its' income without any of it being siphoned off by waste, fraud, dishonest employees or carelessness.

This will include an inventory policy including who can sign for goods and services and who controls the release of goods and services out the door. Included in the internal control policy will be the requirement that the only person authorized to sign purchase orders, make capital acquisitions and sign checks will be myself personally.

SECTION 7: FINANCING

Financing Strategy

My requirements for start-up capital are as follows:

Attached is a list of expenses for which I will require either start-up capital or financing. These items include buying supplies, getting a computer, equipment and fixtures, tooling, travel expenses and start-up overhead expenses. These expenses are included in my monthly cash flow projection to indicate the ongoing requirements for cash.

My sources of cash for starting my business are as follows. I have provided a spreadsheet showing all of the sources of start-up equity capital.

My sources of financing for starting my business are indicated in the following spreadsheet. While I will not be depending on banks for financing, there will be other resources available to me such as leasing of equipment and fixtures, credit from suppliers, mortgage financing, etc. My referrals include the following helpful contacts to lending institutions: my accountant, the Small Business Administration, friends, relatives, etc.

I am prepared to make presentations to potential lenders. My presentation kit includes this business plan, my personal financial statement and personal tax returns. I will be prepared to be specific in my needs for financing, the payback program and my sources of repayment. I will furnish potential lenders a cash flow projection showing sources of repayments and I will be conservative in my forecasts.

SECTION 8: E-COMMERCE

E-Commerce Plans

A website focusing on business-to-business E-commerce will be an important tool in my overall marketing program. I plan to build and install the www.widgetcorp.com website, which I have already registered. This will permit my discount department store customers to have access to my product line and to order (and reorder) merchandise via this website. I plan to hire Mary Smith of Smith E-Commerce Consulting Company to design, install and maintain this site.

The features of the www.widgetcorp.com site will include:

- It will be easy to use with good navigational features and prompt loading.
- The site will provide useful content including detailed information about all items in my product line.
- Purchasing procedures on a B-to-B basis will be designed and implemented.
- I intend to use the site to generate client feedback to help improve every aspect of my product line, operation and business procedures.

E-Commerce Budgeting

The budget for design, implementation and start-up of the E-Commerce site will be _____. This is based on a firm contract with Mary Smith of Smith E-Commerce Consulting Company. The estimated monthly maintenance cost to support the site will be \$ _____.

SECTION 8: E-COMMERCE

E-Commerce Competition

The use of business-to-business e-commerce has become standard in my industry and is an important marketing tool. It is my intention to maintain a website that will project the image of a fresh and dynamic resource to my customers. I plan to keep abreast of the website developments of my competitors and to constantly improve my site.

SECTION 9: ACQUISITIONS

Due Diligence Procedures for Acquisitions

I may have opportunities to acquire businesses in the future. In order to position myself to investigate acquisitions intelligently, the following “due diligence” process will be adhered to.

I will use a team of experts to give specific advice on the various components of the acquisition:

- Attorney
- Accountant
- Banker
- Broker
- Equipment supplier
- Other business owners

The following information will be required:

1. Sellers records and verification of revenues
2. Current financial statements
3. Cash deposit records
4. Supplier bills
5. Financial comparisons of similar businesses
6. Other _____

Valuation analysis will include:

- Basis for valuation: appraisals, etc.
- Method of purchase: stock, assets, etc.
- If a franchise, interview with randomly selected franchisees
- Evaluation of predictable future earnings
- Status of seller’s motivation to sell
- Sources of acquisition financing
- Inspection of seller’s personal and business tax returns
- Evaluation of leases and contracts
- Quality of improvements
- Quality and size of inventory. Obsolete merchandise?
- Condition of receivables
- Status of payables
- Status of verified order backlog
- Evaluation of customer relationships and goodwill
- Evaluate government approvals and licenses
- Status of pending litigation
- Other _____

SECTION 10: MARKETING

Marketing Plan

I plan to focus all initial marketing efforts on establishing a beachhead at one large discount department store chain. I will personally be responsible for the contacts with the appropriate buyers. My complete line will be presented as a package including display accessories that tie into the merchandising policies of each chain. Initially my price structure will be based on a maximum markup of ____% in order to provide a strong price incentive. I will be depending on the combination of fresh styling, quality and price to break into this market.

Advertising and Promotion Plans

Short Range Plan (6 to 12 months): Initially my advertising and promotion will be done on an entirely personal basis without any budget for paid advertising. My customers require personal visitation by the CEO's of their vendors. It will be my plan to limit my advertising budget to personal travel expenses in making these presentations and follow-up presentations.

Mid Range Plan (12 – 36 months): To establish brand recognition at the retail level, I plan to budget ____% of my sales to joint advertising with my discount department store customers. I will solicit presentations from local advertising agencies.

Long Range Plan: I plan to aggressively build brand recognition and loyalty by budgeting ____% of sales, which will be allocated between space advertising in trade journals, appropriate consumer magazines and joint advertising with my customers.

SECTION 10: MARKETING

Purchasing and Inventory Control

For replenishment of stocks I plan to participate in just-in-time tracking with my customers, utilizing their on-line business-to-business computer systems in place. As much as possible, warehousing will be kept to a minimum by use of direct and rapid delivery systems.

The following procedures will be implemented:

We will ask for 30-day payment terms and offer 2% discount for 10 days.

An inventory control system will be maintained.

All merchandise received will be counted and inspected.

We will pay our contractors on time and be loyal to them.

We will ask for and take term discounts.

Purchase Orders will include:

Price and terms

Price protection

Always in writing:

Complete specifications

Delivery deadlines

All promises will be verified in writing

Appropriate contingencies will be included in purchase orders

Any changes or extras must have prior approval in writing

Internal controls will be in place for shipping and receiving

Training Policies

Initially I will personally handle sales to my discount department store customers. As my business expands, I intend to begin marketing to smaller retailers. I will hire sales associates who can gain the confidence of smaller buyers who want to deal with vendors that are knowledgeable and helpful. To achieve these qualities I will look for the following characteristics in marketing employees. People who:

- Like what they do
- Are quick learners
- Project a pleasant and positive image
- Like people and relate well to them
- Are helpful to customers and follow associates
- Are ambitious and seek to grow in responsibilities

I will follow a checklist in hiring marketing associates:

- Have a hiring policy in place including written salary structure, commission compensation and perks.
- Create job descriptions for everyone.
- Conduct ongoing marketing meetings.
- Have written policies and procedures on handling customer complaints.
- Maintain clear guidelines for pricing policies and handling customer's inquiries.

SECTION 10: MARKETING

The Competition

My principal competitor is Colossal Plastics Company. I have included a list of all major competitors in this business and a brief sketch including to whom they sell. (Provide a tabulation of these competitors).

How I Plan to Take Advantage of Competitors' Weak Points

My biggest competitor is Colossal Plastics Company, which has a 20-year history of success and has gained strong brand-recognition. But they have developed a large overhead structure, which I will not have. They are also slow to make changes and upgrades to their line of products. I plan to overcome their leadership with fresh new designs, artwork and attractive packaging and to be priced very competitively. I intend to continually introduce additions and refinements to the line.

Also, my end-user profile is for younger families who are not impressed by old-line brand names. Operating with a very low overhead, I believe I can gain a foothold in this market. A similar profile of my other principal competitors is enclosed indicating their weak spots and how I plan to capitalize on these deficiencies.

SECTION 11: GROWTH PROGRAM

Expansion

Once my business has been established I plan to implement the following growth strategy. I anticipate it will take approximately _____(months or years) to gain sufficient experience and level of profits before any expansion plans are implemented.

My growth strategy will be guided by the following:

I will not set an inflexible timetable for expansion but will wait until a sound basis of experience, earnings and cash flow is achieved. (If you intend to expand as a chain of stores or units, here's where you should take a stand to say that your initial pilot operation will be on a sound earnings basis before you begin to add more units.)

Accounting and cash flow controls will be in place with profit and loss statements prepared for individual expansion units on a _____(monthly, etc) basis.

Internal controls for accounting, money handling and inventory will be in place.

My attorney will review all documentation regarding expansion. This will include leases, employment and incentive agreements, licensing and franchise agreements, important commitments with vendors and customers, etc.

It is my intention that expansion plans will not change my policy of taking adequate time for my family.

Hiring and training policies will be in place. Fringe benefit plans will be in place.

My intention is to delegate authority and responsibility to expansion management personnel with the following conditions in place:

1. Managers will be motivated by a profit incentive plan that will be tied to manager's individual success. My plan will be in writing, simply stated and will call for frequent periods of accountability. A sample of my manager's incentive compensation plan is attached.
2. Capital allocations and signing checks will not be delegated.

I intend to maintain an ongoing study of my competitors. Their successes and failures will help me form guidelines on what to do and not to do.

SECTION 11: GROWTH PROGRAM

Handling Major Problems

My policy in handling problems will be to identify and acknowledge problems promptly and honestly. I plan to put the following policies into effect promptly if the following adverse scenarios emerge during my growth program:

The risk of running out of cash: I plan to maintain very frequent (_____monthly?) cash flow projections. Forecasts for income, expenses and unanticipated contingencies will be stated conservatively. Any periods of cash deficits will be remedied promptly by cutting costs to maintain a positive cash flow and profitability.

A drop in sales or insufficient sales:

1. I will be prepared to take prompt remedial steps by cutting costs.
2. I will improve every aspect of product value, performance and image
3. I will seek out new ways to expand sales by _____.
4. I plan to stick with this specialized business that I know best unless fatally defective.

Dishonesty, theft, and shrinkage: I intend to implement the same policies that have been proven by _____ company, one of my biggest competitors.

Business recessions: I am prepared to promptly cut costs to maintain liquidity. I will also be on the lookout for good business opportunities during periods of adversity.