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**A BUSINESS PLAN
FOR**

ALL THINGS COME TOGETHER

EXECUTIVE SUMMARY

This is the next-to-last section of the business plan that will be prepared. It should not be more than two pages in length (the last being the conclusion). What you should want to do is get your audience “hooked” into reading the rest of the plan. Don’t over do referencing data and getting into too much detail. That comes out in the rest of the plan. At this point you want to provide enough information to entice the audience, but not so much as to give away the show.

Ask yourself:

1. What is it about my product (good or service) and what I do that is most exciting?
2. Why does it excite me and why should it excite the purchaser of the product?
3. How will I make all that I want to do with my business happen?
4. What goals have I set for myself and the business?
5. How long will it take to the business there?
6. What will I need from my funding source, for example, money, advice, contacts, and clients?
7. How long will it take for me to pay that money back?
8. Close this section by repeating the “hook” – which should reinforce their interest in reading the rest of the plan.

Remember, you only have one chance to make that “good first impression”.

COMPANY INFORMATION

History

You want to provide a short history of you and your company. You want to let the reader know:

1. Why you got into this business in the first place
2. When you first opened your doors for business
3. What excited you most about getting into the business (and why it still excites you)

4. List the highlights and stages of your business, such as: growth, marketing promotion, expansions, innovations, etc.
5. How all of this has led to where you are today and why you are asking for money, e.g., you are now ready for a major expansion, or, you can now justify the purchase of major capital equipment or assets.

Mission Statement

This should come from or be an extension of your history when you talk about what excites you. You want to provide a picture of your product as something that: fulfills, addresses and fills a need for *your customers*, which is why you are in this business in the first place. You want to express your product in terms of the benefits it brings to your prospective customer. You want to talk about the “what” you do, and not the “how”. For example:

1. Kodak doesn't make cameras – it captures magic moments
2. The beauty salon doesn't style hair – it makes its customers feel good about themselves
3. The wedding catering service doesn't provide food and floral arrangements – it creates wonderful memories for the bride, the groom, the family and friends.

Another way of viewing your mission statement is to express what you do on a day-to-day basis and your reason for existence. But, remember what will make you unique is not your product's features (a fancy car) but its benefits (the status it brings the customer).

State your mission in those kinds of terms. The mission should be short but compelling. Also, try to state this mission in a way that will find a way into your marketing efforts, i.e., something that will help you develop your brand and brand image.

Vision Statement

Again we want to talk about the “what” and not the “how”. You want to present a picture or image of the future you want to create. This can be either internal or external. Internal: within five years we want to be recognized as the best quality provider of residential contracting services – that is how people look at you. External: e.g., Microsoft's “a computer on every desk” – how you want to change the world or the market.

Values

What are the values that will guide you in dealing with your customers and employees? These values can also help in your marketing efforts. In terms of customers, for example: we will treat each customer's needs as unique; we will always be honest with our customers; we will not take shortcuts in meeting our customers' needs, or e.g. Ford Motor Company's: Quality is Job 1. These are also known as your Rules of Engagement with your stakeholders.

Strategic Goals

If you want to capture new clients and expand your client base, if you want to be successful in getting new clients to come to you instead of your competitors, then you need to set yourself apart from the competition – *in the eyes of the customer*. You need to distinguish yourself from the competition. To do this you need to set some strategic goals for your firm.

Strategic goals are goals that set you apart and distinguish you from the competition. These are higher-level goals – more qualitative than quantitative, though not necessarily specific and measurable, they do help you articulate what you consider to be your avenues of future sustainable success. These goals could be:

1. Establish your firm as the firm with the highest level of customer satisfaction in the marketplace
2. Establish your firm as the firm with the best trained personnel in the industry
3. Be known as the most creative and innovative firm in the industry and marketplace
4. Have the best supplier relationship than any other firm
5. Be the first firm to establish a cost-effective CRM (customer relationship management) program in your niche market
6. Have the most effective promotional program in the marketplace

By identifying how you want to be different, you can set yourself apart from your competition and give yourself a competitive edge or advantage over your competition. Striving for these types of goals gives you not only a competitive advantage, but is also opens the door for you to explore other avenues for success as you near these strategic goals. That is to say, success breeds success. Achieving these strategic goals “incorporates” them into your firm and you can then seek out other strategic goals and further enhance your competitive advantage(s).

Organizational Objectives

In developing and identifying your firm’s objectives, you want to keep in mind that they *do* need to be specific. Whereas, your strategic goals were high level ideas of what you want to achieve in order to be successful and different as an entrepreneur, objectives must be SMART (specific, *measurable*, *attainable*, *realistic*, and *time-based*). For example, consider strategic goal number 1 above: “Establish your firm as the firm with the highest level of customer satisfaction in the marketplace”. You know what you want to accomplish, but what specifically must you do to achieve that goal? Well, you have to decide upon some specific objectives. For example:

1. **S**pecific – “*we will increase customer retention . . .*”
2. **M**easurable – “*by 20% . . .*”
3. **A**ttainable – based on market size and your own available resources you know you can attain this rate of increased customer retention
4. **R**ealistic – make sure that you don’t create pie-in-the-sky dreams for yourself
5. **T**ime-based – “*each year for the next three years.*”

By setting specific objectives for yourself and your firm, you can use these to keep you focused on what you need to do to be successful. All too often with the small business entrepreneur, he or she spends too much time focusing on the immediate things and putting out fires, that they don't spend enough time keeping the future in their minds. Setting realistic, yet challenging, goals can help the entrepreneur keep a focus on their dreams of success.

In addition, it also allows you to judge your own efforts. Are you meeting your goals? If not, then why not? Should they be reassessed? Have we surpassed our goals? If so, what should we now do to continue our success?

And, most importantly, "What new goals should we now be setting for ourselves?" Remember your business plan is only as good as you allow it to be. And that means, regularly revisiting your plan and revising it based upon new circumstances. The business plan should be a part of your routine and not just a one-time effort.

Critical Processes/Core Competencies

Ask yourself the question: Do I have the resources in place that I need in order to be as successful as I want to be? If you want to provide greater levels of customer satisfaction, what competencies must you have to make that happen? Ask yourself: ***If I don't have them – then, what must I do to get them so I can achieve that higher level of customer satisfaction?***

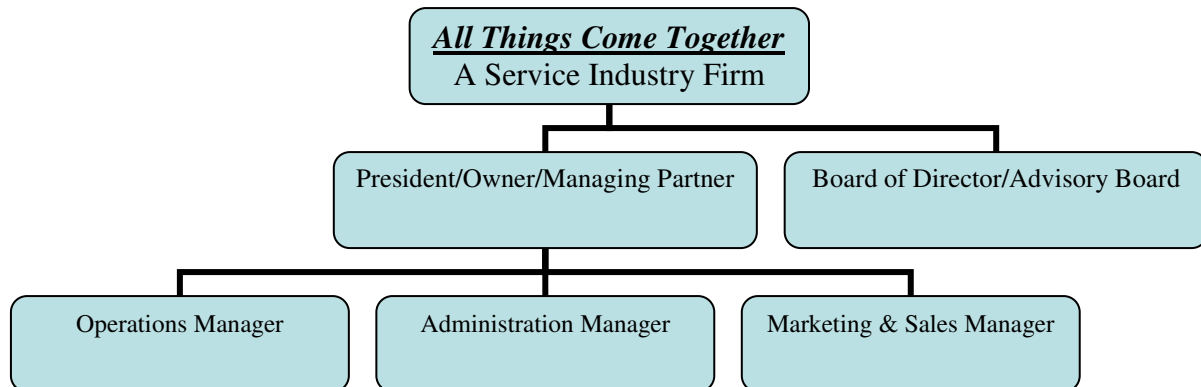
For any entrepreneur, he or she must possess three different types of skills.

1. The "***technical skills***" – the ability to make the quality product or provide the quality service that you want the potential customer will want to purchase from you.
2. The "***business skills***" – the accounting systems, the financial skills, or the human resource skills necessary to run the business. You want to be sure that the proper business controls are in place.
3. The "***entrepreneurial skills***" – creating a vision for the firm, establishing goals for the firm, tying the branding and marketing of the product to the mission and vision of the firm.

You must identify which skills you need to be successful and if you lack any of these skills then you must determine how to get them.

Organizational Chart

For the small firm this can be a very simple chart. However, the larger the firm becomes, the chart will begin to take on a little more complexity as the firm begins to recognize the need to assign responsibilities to others in the firm. A sample organizational chart is featured below:



Legal Form of Ownership

Indicate your particular form of ownership, whether it be a sole-proprietorship, a partnership, corporate, etc. But, you also want to explain why you have chosen this particular type of ownership. You should ask for input from your attorney and your accountant/bookkeeper to help you in explaining why you have chosen this particular type of ownership.

Please keep in mind that you don't need to start out as a corporation. Incorporating costs money and its chief value to the small business owner is protection from personal liability for firm obligations. Make sure that the benefits of incorporating outweigh the costs. Also, you should indicate if you have any plans in the near future to switch to a different type of ownership and explain why you intend to change.

SWOT ANALYSIS

The SWOT Analysis is an essential element to every business plan. It forces the small business owner to be realistic about his chances of success as well as allowing he or she the ability to understand the true nature of the firm's ability to deal with the marketplace and the competition he or she will find out there. SWOT refers to:

1. **Strengths and Weaknesses:** these are the internal factors that the firm must evaluate. What are the firm's strengths that it can use to build a competitive edge over the competition? The firm must also identify its own weaknesses, and it must do so in an honest and realistic fashion. Many firms try to be optimistic about their strengths and minimize their weaknesses. But, as always, honesty is the best policy. Therefore, as you analyze your firm be tough on yourself and be critical about your own management style and skills. Also, remember that your strengths and weaknesses relate to your firm's strengths and weaknesses more so than yours. That is to say that your own personal strengths may not be something that relates to the business your

- firm is in. Keep in mind that Strengths and Weaknesses are internal to the firm. As opposed to Opportunities and Threats, you have control over your firm's strengths and weaknesses.
2. **O**pportunities and **T**hreats: If you want to be an entrepreneur and you want to be successful in the long run, then you must be fully aware of what the marketplace looks like and what it has in store for you. One of the first things that motivated you to go into business on your own or is urging you to do so is that you feel there is an "opportunity" to be successful out there. You sense an opportunity. But, there are usually a lot of other opportunities out there for you that you may not yet realize. By analyzing the market you can begin to identify these other opportunities for your firm. By the same token, there are also threats to your existence and your ability to be successful out there. You can also identify these by analyzing the marketplace. Keep in mind that Opportunities and Threats are industry factors. As a firm you have little if any control over these factors. Do not confuse opportunities and threats with internal strengths and weaknesses.

Industry Analysis

You want to provide an overview of the industry in which you are doing business. A good first start is to determine your SIC and NAICS codes¹. Having this information can help you seek out information from the Business Census part of the Census Bureau (www.census.gov) and Small Business Administration (www.sba.gov) websites.

Utilizing the information available to you from the Census Bureau and Small Business Administration websites, you can determine the size of the industry (how much money was spent on that industry's products) over a period of years. This information is broken down nationally, by state, by MSAs (Metropolitan Statistical Areas), and by city (larger ones) and county.

Other sources of information are available to you locally, such as your local Small Business Development Centers and Minority Business Development Centers. In addition, there may be several local nonprofits that are geared toward assisting the small business owner, such as small business certification agencies. Local government agencies and educational institutions also offer services and programs for the small business owner. These include: your local city and county governments, local universities and junior colleges and other educational institutions as well. Finally, local businesses with procurement departments and diversity supplier programs and who are involved in assisting with small business opportunities can be a wealth of information as well.

You should want to get a general idea of several key elements for your business plan that will help put a picture to the industry and your firm's fit within the industry. For example:

1. The size of the industry (while you may stick with just the local market (city, county and/or MSA, you might also want to show the size within the United States and the State just to put things into perspective)
2. The growth of the industry over the last 10 to 15 years
3. The stability of the industry – Is the industry a fast- or slow-growth industry

¹ One easy way of identifying your SIC and NAICS codes is to visit the Census Bureau website and following the instructions for identifying your particular code.

4. The financial strength of the industry – Is it still a strong industry or have threats such as technology hampered it's financial strength
5. Current trends within the industry
6. The outlook for the industry
7. The impact of technology on the industry

With this information you can develop a feel for the industry that you are in and what can be expected of the industry over the next few years and how this will impact your firm's opportunities within the industry.

Opportunities

From the information you have identified, you should be able to picture some attractive opportunities for yourself within the market you want to serve. Identify these and explain why you consider them opportunities for the firm. Briefly explain how you will try to take advantage of these opportunities and what you see to be the benefits to your firm if this opportunity is taken full advantage of.

Threats

As you conducted your industry research, you should have come across some things that you consider to be threats or possible threats to your firm (or even the industry as a whole). You should list these out as well; briefly explain why they are threats and how you will deal with these threats before they can have an adverse impact upon your firm.

Models: For those of you who want to really take advantage of your SWOT analysis, there are some models that can be used to help visualize and measure your firm's responsiveness to the external factors and how well it is dealing with the internal factors. The models referred to are the *External Factor Evaluation Matrix* (which measures a firm's past and present ability to deal with outside factors), the *Competitive Profile Matrix* (which identifies industry Key Success Factors, identifies the primary competitors you are faced with, and then measures how well you and these other firms are dealing with the Key Success Factors within the industry), and the *Internal Factor Evaluation Matrix* which measures how well your firm is putting its strengths to use and how well it is trying to overcome its weaknesses. Other useful models include the *Internal/External Matrix*, the *Boston Consulting Group Matrix* and the *Grand Strategy Matrix*. These models can be found in the public domain. Of course, these and other models are available from the author and other small business management consultants along with an explanation of their use.

Firm Analysis

The firm analysis is a great opportunity to show off your firm and all those things you feel most proud about your business. Start with a quick revisiting of the firm's history and its

successes. Then in the sections below, list your strengths and identify the weaknesses that this business plan and the requested funding are meant to address.

Strengths

Don't go overboard here, but do try to be very positive about your strengths. One of the common mistakes among start-up or growth companies is to over-emphasize their strengths and the opportunities in the marketplace, and then minimize their weaknesses and the threats that exist out there. Sometimes this is a conscious effort, but more often than not, it is just due to the entrepreneur's excitement. You should make every effort to avoid this as often enough the funding source will see through this shortcoming and when they do you lose credibility.

Therefore, explain how your strengths have contributed to making your business successful and how you will capitalize on them to become even more successful. Don't brag, but there is no need to be humble either. These are the things that got you here, you should be proud of them, and you need to share them with your lender. If you are not going to be honest about the capabilities that make you or can make you successful, then who will? Also, explain how these strengths will be a part of your growth as a firm and how you hope to expand on these strengths in the future.

Weaknesses

Just as you were honest about your strengths, you must also be honest about your weaknesses. Be honest about them but also paint them in a positive light. For example, possible weaknesses might be:

1. Lack of developed marketing skills
2. Lack of financial expertise in reading financial statements and understanding financial ratios
3. Lack of a true strategic plan

If you list your weaknesses in these terms, you are saying that you have a good understanding of where your shortcomings are and that you are committed to correcting these weaknesses. Remember what was said about the three skills a successful entrepreneur must have: technical, business and entrepreneurial. If you lack in any of these, then you must go out and get help to shore up any inefficiencies or learn how to deal with them yourself (which can be time-consuming and distracting from your real work). Recognizing your weaknesses and knowing what they are, shows that you are on top of your business and that you are ready to deal with them. After all, the business plan you are presenting is not only there to build upon your strengths, but also to seek funding to fill in the empty spots represented by your current weaknesses. Your funding can be used to hire a consultant or a staff member to help with developing an advertising campaign, develop a strategic plan or analyze your financials.

Just as outlining your strengths can be exciting, outlining your weaknesses can be just as exciting because you are now doing something to turn those weaknesses around and build some new strengths. They are exciting because you are basking in the sunlight of your future success.

OPERATIONS

This is an opportunity to explain how you operate your business – whether it is a service firm that operates out of a home office, a retail store or a firm working out of an industrial site. This allows you to show to your reader and potential lender that you have your operations in order and that they work well for your particular business. This is not meant to be a long section, but be complete as you can.

Location & Layout

Just as the heading indicates: where you are located and how your business operations are set up. Examples:

1. Home Office: Describe how your operations work – work desk, computer set-up, fax machines, your filing system, how you visit with clients, etc.
2. Retail location: Describe your location and why it brings value to your business, how you receive customers, how your stock is put out of the floor, what your inventory set up is like, etc.
3. A janitorial firm: Where you are located, how is it centrally located to serve your customers, where you store your equipment and cleaning supplies, how you have your vehicles parked, etc.

If possible, provide your lender with a schematic of your operational layout.

Capital Equipment

If there are any equipment needs that are capital in nature (equipment you purchase as assets and have a useful life of over one year) you should familiarize the lender with these. Examples are: trucks, pipe-bending equipment, high-tech equipment, specialized computers and/or printers, embroidery equipment, etc. Explain your need for this equipment, how its purchase was financed and how you intend to maintain and replace the equipment when the occasion arises. Capital equipment, by its very nature, is essential to the success of your business. You should explain this and then share with the reader how you are presently financing these capital expenditures (out of revenue or past loans) and how you plan on financing the future replacement of these capital assets. If the replacement of capital assets is part of the lending package that you are seeking, then you should address that in this section.

Sources of Supply

In some industries, sources of supply can be very important not just because of the nature of the product but also because of its possible scarcity or the questionable reliability of your supplier(s). For most small business this usually is not be a major problem. But, if it has the

possibility of being a problem, then you should show some understanding of that and let the lender know how you are dealing with the potentially volatile situation. After all, if securing supplies can be a questionable issue and could negatively affect your ability to compete, you need to let the lender know that you have given this serious thought and you have contingency plans to deal with any interruptions.

Availability of Labor

In some industries employee turnover is a big problem, as can be the problem of hiring qualified employees who can come in off the street and perform the work required of them. If the labor market does not provide already trained employees, then you must have some sort of training program in place to train these employees to meet your customers' needs and keep those customers as well.

Explain to your lender what your situation is and how you have already developed plans to deal with employee turnover and in new-hire training. One example for you to look at is the upscale beauty salon industry. There is a huge employee turnover ratio for the firms in that industry. The turnover can be for several reasons, but one of the most frequent reasons is that the hair stylists leave to set up their own shop or to go work with another beauty salon. This has the effect of: (1) making recruitment of qualified replacements a major element of the business; (2) implementing a program to retain current personnel; but (3) also the firm needs to ensure that the firm has a program in place to make sure that when the technician leaves that their customers do not leave with them.

Recognize these problems, be honest about them and explain how your firm will deal with these problems. Explain what employee recruitment and employee and customer retention strategies you have developed and how you will employ these strategies to deal with these very real issues.

STRATEGIES

In addressing your strategies, you want to take the information that you have developed above and translate them into action strategies. Remember, that you have laid the groundwork for your success above in detailing your industry and market and the role that you are focused on playing in that market place. For example:

1. You have a mission statement that describes how you want to serve your customers
2. You have a vision statement that describes the future that you want to create
3. You have laid out your strategic goals which help you differentiate yourself from your competitors and position yourself in the marketplace for optimum success
4. You have set objectives that you must achieve to attain the level of success you want
5. You have detailed what critical processes and core competencies you need in order to achieve your goals and objectives
6. Also, you have identified industry opportunities and threats
7. And, you have recognized your firm's strengths and weaknesses

So now, the question becomes: what action strategies do you want to put into place to make all this happen? Some examples of action strategies might be:

1. Actions I will take to exploit the opportunities that are out there for my firm
2. If, certain firms pose a threat to my success, what strategies will I put into place to avert the potential threats
3. What will I do to put my strengths into play
4. What will I do to either minimize my weaknesses or turn them into strengths
5. If I do not yet possess some of the critical processes that I have identified as necessary for success, how will I develop or acquire those critical processes
6. If I lack certain core competencies how will I acquire them
7. What controls will I put in place for recruiting and retaining good help
8. What accounting controls will I put into place and how will those controls be maintained

As you give thought to these action strategies, you also want to ask yourself what will be my costs to engage in these strategies. Now is a good time to introduce your audience to these costs. You will need to address them later on in the financials, so you might as well begin to introduce those costs now. The next set of strategies are the marketing strategies.

MARKETING

As you prepare to develop your marketing plan you need to recognize that you need to define your product from two different perspectives. The first – ***what you sell***. The second – ***what your customer buys***. When you define or describe what you sell, you are explaining to your lender that you possess the first skill we mentioned above: the technical skills to produce the good or provide the service that you will be selling to the public. Then you want to explain the *benefits* that you are providing your customers – what they are buying. Finally, you want to identify what the market you are selling your product to.

Think of this in terms of establishing a “unique selling proposition”, the USP for your product and/or services. As you contemplate selling your product to your target market, what will set your product or service apart from the competition? Is it quality? Is it price? Is it convenience? Is it style? Is it professionalism? For example², if you are a financial consulting firm we want to ask ourselves – what are you selling, what is the client buying and who is your potential target market:

<u>WHAT YOU ARE SELLING</u>	<u>WHAT YOUR CLIENT IS BUYING</u>	<u>POTENTIAL TARGET MARKET</u>
1. Business consulting	Solves business owner’s problems	Retail, Manufacturing & Service Firms With Sales of
2. Monthly accounting	Keeps book up to date	
3. Audits	Keeps clients from worrying (peace	
4. Tax consultation & representation	of mind); saves money	

² Modified from **The Market Planning Guide**, David H. Bangs, Jr., 1998, Upstart Publishing Company.

5. Tax return preparation	Tax return is done correctly	\$700,000 to
6. Special projects	Fulfills client's specific needs	
7. Other accounting services	Client can have whatever is needed	\$5,000,000

By engaging in this type of exercise, you can indicate that you have an understanding of what you are selling, what your client is buying and who that client may in fact be. This triple aspect of selling embarks you on what should be a successful plan to be successful in marketing your product to the market.

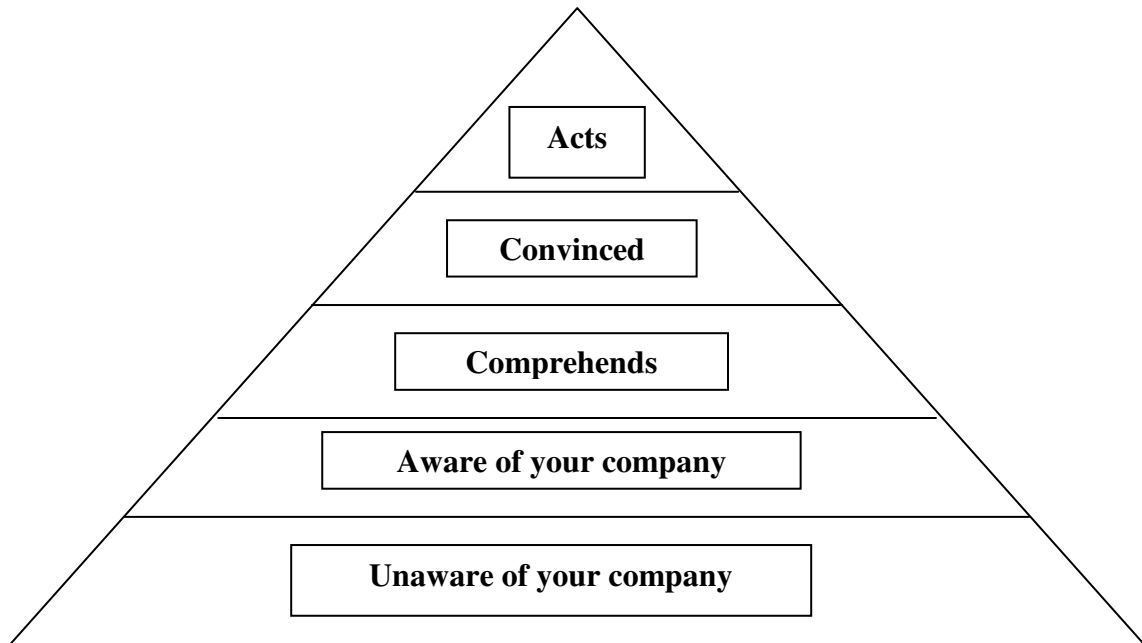
It cannot be stressed enough that understanding your customer's needs is essential in selling your product. Customers buy the benefits – not the features. If you focus on features as opposed to the benefits to the customer, you stand the risk of losing that potential customer to your competitors.

Also, keep in mind the following as your begin to outline your marketing efforts. Different types of marketing activities work better for some industries than for others. So keep the following general rules of effectiveness as you think about your marketing efforts. Also, a very important matter to keep in mind is that marketing is not advertising. Advertising is just a part of marketing. Marketing includes: personal selling, sales promotions, advertising and public relations.

	Consumer Goods	Services	Industrial Products
Advertising	Medium/High	Medium	Medium
Sales Promotions	High	Medium	Medium
Personal Selling	Low	High	High
Publicity (Public Relations)	Low/Medium	Low/Medium	Low

Also, keep in mind that your need to have some realistic understanding of your firm and your firm's products' position in the marketplace. Do some realistic assessment of how well you are positioned in the marketplace and then try to determine how you will elevate your products position. You can view this as a five-step program as seen below.

The customer begins with no awareness of your firm, your marketing efforts (which ever you marketing strategy you should choose) bring about some awareness, your marketing efforts helps the customer understand how your product can benefit the customer, they then become convinced to buy your product. Finally, they act on that conviction.



The Company's Brand

What is a brand? It is that connection that exists in the mind of your customer between your product and the customer. A brand evokes an image or an emotion whenever the customer sees your logo or your brand name.

So as you prepare to engage in your marketing activities, you need to establish or begin to establish your “brand” and how you will convey that to your clients and customers. Recognize that every firm has a brand – whether they recognize that fact or not. Therefore, it is important to manage that brand. Therefore, detail for the lender the following factors:

1. How do you define your brand?
2. How does that “brand” create a connection, an image or an emotion between your product and your potential customer?
3. Provide a sample of your logo.
4. Describe your promotional materials, whether they are brochures, presentation packets, flyers, newsletters, etc.
5. Describe your location and layout and how they will promote and gibe with our “brand”.

Not only is this a good thing to share with your lender, but it also is a good exercise for you and can help as you contemplate how to market your product.

Product

Taking the above into consideration, explain your product to the lender. Describe your product, describe the benefits and identify your target market. This does not need to be an elaborate explanation, but use this opportunity to create a renewed interest in your lender's mind.

Services & Characteristics

Describe the special features of your product that will enhance its value to the customer. Expound on your product's unique selling proposition, your USP. Do this succinctly. If you can do it simply in short and well-articulated phrases, it will show a real comfort and understanding of your marketing position for your product. If you cannot, you may end up losing the interest and excitement of the lender. These concepts can be very difficult to state, but when you are able to do so, your marketing program will be better off for it.

Market Analysis/Market Size

Depending on the size of your firm, the ambitiousness of your proposed growth and the size of the loan you are seeking, this section of the business plan can be quite lengthy or something less. Nonetheless, you should at least be able to provide the following information as a result of your market analysis:

1. The size of the market: go ahead and provide the actual size in the United States, within your state, in the Metropolitan Statistical Area where you will be operating your business, and within your own Zip Code and Census tracts
2. Provide the growth rate over the past ten years at least. If this is a fast growing industry, that would indicate that there is room for you to jump in. If it is a slow growing industry, it is important to show later on how you will tap into this mature or declining market.
3. Provide information on the demographic make-up of your target market, i.e., age breakdown, gender breakdown, per capita earnings, discretionary income available if relevant, racial and ethnic breakdown and other demographic specifics that may relate to your ability to be successful in your targeted market.
4. The trends that have affected the industry over the past ten years
5. Current trends that are affecting the industry
6. Anticipated trends that could affect the industry
7. The key success factors that face each firm in the industry

While the above might prove to be sufficient to let your lender know that you are familiar with the market where you intend to operate, you should make sure that further information is included as might be required or thought important. For example, if your thoughts are to find a niche market you might want to make sure that you include industry information that would indicate that the opportunity is there for making a profit. You might be in an area that would be an excellent market for a hair styling salon that caters to the family. But, if you want to open an

upscale salon that caters to women with high levels of discretionary income you need to be sure that your location can supply you with the needed clients to make a profit.

Competition

In your market research you should have identified your competition and the industry key success factors. Now is a good time to pinpoint your competition and be specific about which are the major competitors in the industry. Provide some analysis of these competitors and indicate why you think they have been successful and what you believe that their weaknesses might be. Using a competitive profile matrix can help in providing you the lender with an understanding of how you shape up against this competition in the most basic of terms. That is to say, in terms of basic business competencies you want to show your lender how you match up with the competition.

While this establishes your ability to compete, you now want to go into some detail as to how you will successfully compete with that competition. Think in terms of positioning and differentiating yourself from the competition, selling benefits, being unique, and getting focused on setting goals that establish your plan for success.

Remember how you engaged in describing what you sell versus what your client is buying? Now is the time to put that information to use. Explain how you will use these benefits and unique selling propositions to compete.

Pricing

As you lay out your pricing schedule (which, of course, is essential in determining your projected earnings for the pro forma financials which will follow), remember you can take one of two philosophies: either you can make price a principal part of your unique selling proposition or you can take an approach where you try to minimize pricing in the minds of the consumer. Going back to the beauty salon, if you looking to focus on a family type of salon, they price will be a major consideration in the minds of your customers and so you will want to price the service accordingly. However, if you want to open an upscale salon, they you want to focus on quality and style. Price is not the major consideration for this customer – quality and status are the major issues. Therefore you won't focus on price, but rather on that quality and status that your customer wants.

Remember, that most small businesses will have a hard time competing on price alone (with other more established business out there, if you compete solely on price, you will probably go broke), they need to differentiate themselves from the competition and position themselves in the minds of the consumer in a fashion that does not solely focus on price.

Promotion

Advertising is not marketing, despite the often-misunderstood notion that that is the case. Advertising is a part of promotion, which is a part of marketing. It is only after you have done your market analysis, studied the competition and come to an understanding of what your

customers are buying, do you then want to engage in marketing your product. This marketing or promotion can take several different forms. You want to give some serious attention on how best to promote your product. Nonetheless, don't forget that your promotional efforts will have as their focus your unique selling proposition – you want to be sure that you approach your promotional efforts as your remember what it is that your customer is buying.

Introduce your promotional philosophy here in brief form and then lay out the specifics in the following subsections.

Personal Selling

How will you engage in personal selling? Let the reader know how you will approach this effort. Some people have a natural tendency toward selling - others do not. Nevertheless, personal selling is important and it must be considered. Explain how you will engage in your personal sales efforts. Have a strategy! I remember the story of a small business owner who worked on business signs. He would drive around and when he saw a sign that could be improved he would stop by and introduce himself. What will your personal selling strategy be? For example: will you make cold calls, will you knock on doors, will you attend trade shows, will you join and participate in Chamber of Commerce events, what else? How will you follow up on possible leads, how will you maintain a list of leads and contacts, what will your “patter” be when you first approach a potential customer, etc.?

In fact, you may want to work on preparing your elevator speech. Your elevator speech relates to a short window of opportunity you might have to sale your product or service to a potential client. It does not usually result in an immediate sale, but it does open the door for further discussion and the opportunity for a sale. Imagine you had tracked down your potential customer in an elevator on the ground floor. He or she gets off on the 10th floor. You have approximately 25 seconds to make an impression and convince him to hear more from you. What will you say? Prepare your speech and practice it and remember you are selling the benefits of your goods or service. You want to give that prospective customer your business card and convince him or her to call you after they get off the elevator.

Advertising

What media will you utilize and how effective do you expect it to be for your promotional efforts? Will you advertise on television, on the radio, in the newspaper, on billboards, over the Internet? What other means will you use to promote your firm? Will you create brochures or promotional packets? Who will you aim your advertising efforts toward? Remember that certain types of promotional efforts work better for certain industries. Keep this in mind as you plan out your strategies. Examples of advertising include:

1. Print media
2. Television
3. Radio
4. Billboards
5. Magazines
6. Park/Bus Benches

7. Direct Mail
8. Yellow Pages
9. Transit Vehicles
10. Directories
11. Trade Shows
12. Point-of-Purchase
13. What else?

One of the things that should be stressed is that advertising does not necessarily bring about immediate sales, unless it is a new product. Rather, advertising serves to create top-of-mind awareness. When you watch Super Bowl ads, they don't make you want to get up and go out and buy Coca Cola, Bud Light or Miller Lite. However, these products do own high top-of-mind awareness so that when you do go to the store they will have a high level of presence for you and other customers.

Think of Meow Mix if you are a first-time cat food buyer. You may hate the jingle, but if you are buying cat food for the first time, you are probably going to think about that Meow Mix jingle and possibly even buy the product. Which other cat food do you know about?

Sales Promotion

First of all, what is "sales promotion"? Keep in mind that a sales promotion is different from advertising in three regards. A sales promotion:

1. Must be a featured offer and not a part of normal trade – *flyers in the neighborhood*,
2. It must give the customer some tangible advantage – *that offers a 20% discount*, and,
3. It must be designed to achieve an increase in sales over a specific period – *this special offer ends in 10 days*.

Sales promotions should use words such as "free", "save", "win", etc.

Also, be aware, that sales promotions "cannot take the place of advertising or personal selling and it cannot change the long-term trends in the life of the product or brand. It can, however, encourage a customer to behave more in line with the economic interests (i.e., increase sales) of your firm. It should be calculated to:

1. Increase sales volume in the short term – *need some quick money*
2. Stimulate stock movement – *get rid of excessive inventory*
3. Encourage repeat purchase – *bring the customers in so they can try your product*
4. Increase customer awareness/loyalty/purchase frequency – *although discounts can affect immediate profits remember that it costs five times as much to bring in a new customer as it does to retain an existing customer*
5. Increase market penetration of new products – *if price is important to the consumer by under-pricing the competition you can bring in new customers*
6. Bring forward buying peaks – *anticipate seasonal fluctuations and get the customers into your doors before they go to the competition*

7. Dispose of old models before a new model is introduced – *once the new model comes in will you be able to get rid of the old model.*³

Also, be aware of the distinction between “push” and “pull” marketing. Are you’re efforts pulling the potential customer into the store or is it pushing them into the store. Be aware of the difference between the “hard sale” and the “soft sale.”

What kinds of promotional activities will you pursue? Discounts, loss leaders, coupons, “buy one, get one free”, rebates, 10% off sales, three items of the price of two, free appliances for opening that bank account, etc.

Keep in mind that sales promotions can also be external or internal in nature. What have been mentioned above are examples of external sales promotion efforts. “Internal” sales promotions could consist of bonuses and incentives for the sales staff. For example, holiday for two to Cancun, a fat bonus, expanded territory, etc.

One last point, as you engage in sales promotions you want to do so with some clear objectives in mind: percentage increase in sales, increased market share, getting rid of a section of stock, etc.

Publicity & Public Relations

Publicity and public relations is an opportunity to associate your business with good news or good associations. This can take the shape of sponsorships of highly visual events (such as sports – see HEB and the Spurs), participation in nonprofit events, co-branding with community activities, or sharing your success story with the media. A list of possible publicity/PR activities would include the following:

Sponsorship	Special Events	Student Interns
Fundraising Events	Presentations to local/community groups	
Free workshops	Educational associations (presentations & workshops)	
Sharing the firm’s success story with local newspapers (news and business journals)		
Newsletters	Articles for newspapers and journals	
TV or radio talks shows	Community educational seminars	
Membership and active participation in community or professional organizations		
Briefings with news editors	Speaking engagements	Interview shows
Seminars or workshop		

These publicity and public relations efforts can put a positive light to your firm and create a sense of: professionalism, expertise, good corporate citizenship, commitment to the community, knowledgeable in the subject area, willingness to share, and other positive takes on your firm.

³ **The Marketing Plan**, John Westwood, 3rd ed., 2002, Kogan Page Ltd.

MANAGEMENT

This is another opportunity to brag about yourself and the key personnel who make your firm successful. This is also a good time to revisit the history of the business. This time explain how your expertise and the expertise of the others brought about the launching of the business and its resulting success.

Personal/Work History of Principals

You can provide a short bio of each of the key personnel in the business. Explain what they did before joining the firm, what brought them to the firm and the value they bring to the firm.

Duties/Responsibilities of Principals

Provide a description of the work they are responsible for in the firm and how their particular background and skills make them particularly suited to the job.

Board of Directors/Advisors

If you have corporate structure, then you should already have a board of directors. If not, then you should have put together a group of advisors. If not, then you might want to do so. The purpose of either a board of directors or a board of advisors is to make available to the firm some valuable and professional input from outside the firm. For either board, you should want to include: your attorney, your CPA, your banker, other business people in similar industries. You want these individuals to assist you in making proper business decisions. This can have a positive impact on your attractiveness to your potential lender.

Resumes of Key Managers and Employees

You should reference it here, but the resumes will be placed in your appendix.

FINANCIALS

Let me take this opportunity to assure you of one thing right now. One of the reasons for small business failure is their inability to handle their finances and set up their accounting controls. I can help you with this, but I also strongly recommend that you seek out the assistance and advice of a reputable bookkeeper (or accountant) to set up your accounting system and to install your accounting controls (e.g., who can make original entries, who can make correcting and adjusting entries, who makes deposits, who accepts monies, etc.) As your business increases

and the accounting system becomes more complex, you will want (if you have not already done so) to seek out the services of a good accountant to conduct your monthly and yearly reviews as well as to prepare your federal income tax returns. Of course, if you have employees you will want to ensure that your accounting resources are prepared to report wages and taxes on earnings to the proper authorities. Having said that, I have attached for your review sample financial statements and *pro formas* (projected financial statements). Hopefully, this will give you an idea of what should be included and if you feel the need to do this on your own, at least you have a model to follow. These financials provide examples of items that should be within your accounting system and the ratios and multiples that can help you assess your firm's stability.

Income Statement

This is simply a snapshot reflection of the current accounting status of your firm's income and expenses. This is an accounting tool and should not be confused with a cash flow statement that reflects actual cash outflows and cash inflows. Since accounting is carried out mostly on an accrual basis, it reflects income and expenses before the cash is actually received or paid out. This is a reason that lenders also like to see your cash flow statements. They are not concerned with whether you are showing a profit on paper – they want to know whether you have sufficient cash receipts to service your loan obligations.

Balance Sheet

This is another accounting statement that reflects a snapshot of your firm's current assets and liabilities (and resulting owner equity). The thing to keep in mind is that this is not always a good measure of the actual value to your assets as it is an historical view of your assets. For example, you may have bought a capital asset five years ago that had a generally recognized useful life of 10 years. After five years, your balance sheet might reflect a depreciated value of maybe half of that original value. However, the actual equipment might have actually increased in value or it may now be obsolete due to advances in technology and no longer have any real value beyond salvage value. The balance sheet will not reflect the actual value, but the accounting value for tax purposes.

Pro Formas

The *pro formas* are simply the same as the above except that they detail, for your audience, how your business financial picture will change if you secure the funding you are seeking. How will increases in income be offset by increases in expenses. How will your debt add to your owner's equity and how will cash flows be enhanced. The *pro formas* should reflect the firm's monthly activities for the first year and should then show second and third year summaries. Formats that can help you in picturing what these *pro formas* should look like are attached to this template.

Statement of Cash Flows

The cash flow statement is just what it says: it provides you with a picture of actual cash inflows and outflows. The real value is that the Cash Flow Statement actually speaks to the firm's ability to put money into the bank and keep it there. As already stated, on-the-books profits do not necessarily reflect a healthy cash flow and can actually mask cash flow shortcomings. You want to be on top of your cash flows and be on notice that the lender wants some sort of proof that your cash flows are sufficient to service your new indebtedness. It is not uncommon for income statements to show a healthy profit for the firm, while at the same time the firm cannot pay either short-term or long-term obligations.

Key Business Ratios

Some of the key business financial ratios are explained in the attachments. These may seem like a foreign language to you, but you should try to learn their significance and how to compare your own financial ratios to the industry norms. A great resource for many industries is Robert Morris Associates Financial Ratios, which you can find at the main branch of your public library. I have also provided you with some other comparative tools in terms of ratios and multipliers that you can develop on your own through a simple search of the Census Bureau's economic census pages. There is a wealth of information there and sometimes the process can be a little intimidating, but do not let it overwhelm you – you can nonetheless find this information without too much difficulty. And the search can be helpful. I have also included some of the ratios and multipliers that I have found useful in the past.

LOAN PROPOSAL

Here is where you get down to the brass-tacks. You want to let the lender know how much you want, what you will use that money for and how you will pay it back. Start here with a simple statement that you have shown yourself to be successful (or have the potential to be successful) in your business venture, but that to move to greater levels of success you will need more money.

I have not gone into a lot of detail here for the following reason. All of the above (except for maybe the financials) is something that you can get done and do properly since you are the one who best understands your business, what you are selling and where you want to go with your business. However, the lender is the best one to explain to you what he or she is looking for as you ask for monies: what that money will be for and how you will pay it back. In addition, the banker will explain what they may be looking for in terms of collateral.

Amount

State the amount and mention that you have given careful consideration to this amount and that it is precisely what you will need. You have considered all alternatives and this seems

to be the most appropriate amount under the circumstances. Explain how you have arrived at this amount, i.e., where the money will be spent.

Purpose

Explain how the money will be used in your growth or start-up. Be specific in the sense that you want to explain the areas where the specific amounts of money will be spent/invested. Much of this information has already been discussed in your business plan, but now you want to bring it together in a strictly financial perspective. That is, you are now listing monies that have been mentioned previously in laying out your business plan and your strategies.

Repayment Schedule

Explain how it will be repaid. Remember that your cash flow projections should be sufficient to pay your operating expenses and still have funds left over to service the loan that you are seeking.

CONCLUSION

After you have finished drafting your Executive Summary condense that down even further so that you have a clean concise statement of why you think you will be successful, how the lender will make this possible and how your firm and the lender will both profit from this proposed funding. This profit should be stated both in the short-term and also in the long-term. You want to paint the picture of a long-term relationship that will be profitable for your lender and you – both.

Good luck to you and all the best!