
E Squared Business Plan Template

(Adapted from a document on the SCORE.com website)

A business plan consists of a narrative, summarized data, and financial worksheets. The narrative is the body of the business plan and must clearly and concisely explain the proposed venture. This template contains many questions intended to guide you through the process of creating your plan and must be read thoroughly before starting work on your business plan. While a variety of approaches may work, E Squared competitors must follow the path described in “Flowchart for Creating a Business Plan.” The flowchart will guide you through all necessary steps, and this template will provide questions and explanations. Since time will be limited and teams will be at different stages of the planning process, one significant reason for following the “Flowchart for Creating a Business Plan” is to enable the Coaches to home in quickly as to where you are in the process of creating your business plan. When using this template, skip any questions that do not apply to your type of business. When you are finished writing your first draft, you will have a collection of small essays on the various topics of the business plan. Then you must edit them into a smooth-flowing narrative.

The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

This business plan template is a generic model suitable for most types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section entitled Refining the Plan, found in Appendix A. It suggests emphasizing certain areas depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine-tuning your plan to make an effective presentation to investors or bankers. Pay particular attention to your writing style; you will be judged by the quality and appearance of your work as well as by your ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions. But then, that’s the value of the process. So make time to do the job properly. Those who do, never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

This document is intended for Culpeper County’s E Squared Competition among high school students in the 10th through 12th grades. As such, there are many concepts and details that would be required in a real-world business plan that need to be ignored in this introductory program. The essentials of a business plan must necessarily be included, but this document attempts to keep it as simple as possible. Some of the concepts/details that have been intentionally ignored are:

- Customer credit policies
- Management of accounts payable and account receivable
- Personal financial statements
- Additional forms of financing
 - Typically a new business uses multiple means of financing. For this program we allow only two types of financing; capital provided by venture capitalists and a mortgage. In the real world, venture capitalists would never consider investing in a business in which the principals have not also invested personal funds. In addition, short-term borrowing would generally be involved to help leverage the equity investment.
- Health, workplace, and environmental regulations
- Trademarks, copyrights, and patents
- Zoning and building code requirements
- Job descriptions of personnel
 - Balance sheets are very important financial statements in any business, but rather than getting bogged down in the accounting considerations involved with balance sheets, E Squared has elected to skip their use and concentrate on income and cash flow.

Required format of your business plan

Business plans can be effectively presented in many different ways as long as the format is logical and clear. However, for the E Squared Competition, the format below is required so that students can concentrate their efforts on the principles involved. A single Microsoft Word document must be submitted both digitally and in printed form with the primary text portions in 12 pt Arial font. Specific financial spreadsheets are listed later in this document. They are required and must be embedded in the Microsoft Word document. This template and all required financial spreadsheets are available on our website - www.ESquaredCulpeper.com.

A note about the spreadsheets: All are in Microsoft Excel and are protected so that you may enter data only in the shaded cells. Although protected, there is no password so you may unprotect them to make minor changes such as a line description if needed.

Your business plan must use the following major headings in the order shown.

Title Page
Executive Summary
General Company Description
Products and Services
Marketing Plan
Operational Plan
Startup Expenses and Capitalization
Financial Plan
Exhibits

(Title page format)

Business Plan

<Name of Business>

Address Line 1
Address Line 2
City, ST ZIP Code
Telephone
Fax
E-Mail

Date

Executive Summary

Write this section last. It is the most important single page of a business plan – if it does not capture your reader’s attention, the remainder of the plan will most likely remain unread.

- Limit the executive summary to one page of text (12 pt Arial font, Microsoft Word). A facing page of data may be used if it enhances the written summary and is simple and easy to understand.
- Include everything that you would cover in a five-minute interview.
- Explain the fundamentals of the proposed business: What will your product be? Who will your customers be? Who are the owners? What do you think the future holds for your business and your industry?
- Make it enthusiastic, professional, complete, and concise.
- State clearly how much money you need, precisely how you are going to use it, and how the money will make your business profitable, thereby ensuring the E Squared Venture Capital Group a return on its investment (ROI).

General Company Description

- What business will you be in? What will you do?
- **Mission Statement:** Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:
- **Company Goals and Objectives:** Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.
- **Business Philosophy:** What is important to you in your business?
- To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the Marketing Plan section).
- Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?
- Describe the most important company strengths and core competencies needed. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you need to bring to this new venture?
- **Legal form of ownership:** Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?

Products and Services

- Describe in depth your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in exhibits).
- What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.
- What are the pricing, fee, or leasing structures of your products or services?

Marketing Plan

Market research - Why?

No matter how good your product and your service, the venture cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you're on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well spent.

Market research - How?

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you can possibly use. Your chamber of commerce has excellent information on the local area. Trade associations and trade publications often have excellent industry-specific data. The following websites are but a very small fraction of those available:

<http://www.coopercenter.org/>

<http://culpepervachamber.com/>

<http://quickfacts.census.gov/qfd/states/51000.html>

<http://virginiacan.yesvirginia.org/communityprofiles/MapSearch.aspx?type=default>

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research themselves.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

Economics

Facts about your industry:

- What is the total size of your market?
- What percent share of the market will you have? (This may be important only if you think you might be a major factor in the market.)
- Current demand in target market.
- Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
 - High capital costs
 - High production costs
 - High marketing costs
 - Consumer acceptance and brand recognition
 - Training and skills
 - Unique technology and patents
 - Shipping costs
- And of course, how will you overcome the barriers?
- How could the following affect your company?
 - Change in technology
 - Change in government regulations
 - Change in the economy
 - Change in your industry

Product

In the Products and Services section, you described your products and services as you see them. Now describe them from your customers' point of view.

Features and Benefits

List all of your major products or services.

For each product or service:

- Describe the most important features. What is special about it?
- Describe the benefits. That is, what will the product do for the customer?

Note the difference between features and benefits, and think about them. For example, a house that gives shelter and lasts a long time is made with certain materials and to a certain design; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighborhood. You build features into your product so that you can sell the benefits.

What after-sale services will you give? Some examples are delivery, warranty, service contracts, support, follow-up, and refund policy.

Customers

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their “demographics.”

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class and occupation
- Education
- Other (specific to your industry)

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm
- Quality, technology, and price preferences
- Other (specific to your industry)

Competition

- What products and companies will compete with you?
- List your major competitors: (Names and addresses)
- Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?
- Will you have important indirect competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.)
- How will your products or services compare with the competition?
- Use the following as a guideline for collecting your thoughts on paper. Be honest with yourself!
 - Outline the need for your product or service.
 - Describe your key competitor in terms of strengths and weaknesses.
 - Against that key competitor carry out the following:
 - Justify your pricing position.
 - Describe your product/service advantages.
 - Compare your distribution/advertising plans.

Niche

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world. In one short paragraph, define your niche, your unique corner of the market.

Strategy

Now outline a marketing strategy that is consistent with your niche.

Promotion

- How will you get the word out to customers?
- Advertising: What media, why, and how often? Why this mix and not some other?
- Have you identified low-cost methods to get the most out of your promotional budget?
- Will you use methods other than paid advertising, such as trade shows, catalogs, dealer incentives, word of mouth (how will you stimulate it?), and network of friends or professionals?
- What image do you want to project? How do you want customers to see you?
- In addition to advertising, what plans do you have for graphic image support? This includes things like logo design, cards and letterhead, brochures, signage, and interior design (if customers come to your place of business).
- Should you have a system to identify repeat customers and then systematically contact them?

Promotional Budget

- How much will you spend on the items listed above?
- Before startup? (These numbers will go into your Startup Expenses.)
- Ongoing? (These numbers will go into your other financials.)

Pricing

- Explain your method or methods of setting prices. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can under-price you anyway. Usually you will do better to have average prices and compete on quality and service.
- Does your pricing strategy fit with what was revealed in your competitive analysis?
- Compare your prices with those of the competition. Are they higher, lower, the same? Why?
- How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?
- What will be your customer service and credit policies?

Proposed Location

- Probably you do not have a precise location picked out yet. This is the time to think about what you want and need in a location. Many startups run successfully from home for a while.
- You will describe your physical needs later, in the Operational Plan section. Here, analyze your location criteria as they will affect your customers.
- Is your location important to your customers? If yes, how?
- If customers come to your place of business:
 - Is it convenient? Parking? Interior spaces? Not out of the way?
 - Is it consistent with your image?
 - Is it what customers want and expect?
 - Where is the competition located? Is it better for you to be near them (like car dealers or fast food restaurants) or distant (like convenience food stores)?

Distribution Channels

- How do you sell your products or services?
- Retail
- Direct (mail order, Web, catalog)
- Wholesale
- Your own sales force
- Agents
- Independent representatives
- Bid on contracts

Sales Forecast

Now that you have described your products, services, customers, markets, and marketing plans in detail, it's time to attach some numbers to your plan. Use either the **Pdt. Sales Proj.** tab or the **Svc. Sales Proj.** tab in the financial workbook to record your projected sales. An error will result if you use both. The forecast should be based on the marketing strategies that you have just described your market research, and industry data, if available.

You may want to do two forecasts: 1) a "best guess", which is what you really expect, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. This is critical when you present your plan to venture capitalists because hard questions will be asked. Don't forget that you are asking them to risk their own money.

Operational Plan

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

Management and Organization

Who will manage the business on a day-to-day basis? What experience does that person need to bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

Create an organizational chart showing the management hierarchy and who is responsible for key functions.

Production

How and where are your products or services produced?

Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

Location

What qualities do you need in a location? Describe the type of location you'll have.

Physical requirements:

- Amount of space
- Type of building
- Zoning
- Power and other utilities

Access:

- Is it important that your location be convenient to transportation or to suppliers?
- Do you need easy walk-in access?
- What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centers?
- Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.
- What will be your business hours?

Construction?

Most new companies should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.

Cost:

Estimate your occupation expenses, including rent, but also including maintenance, utilities, insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your Startup Expenses or your 5-Year Projected P&L.

Legal Environment

Describe the following in a general manner as best you can:

- Licensing and bonding requirements
- Permits
- Special regulations covering your industry or profession
- Insurance coverage

Personnel

- Number of employees
- Type of labor (skilled, unskilled, and professional)
- Where and how will you find the right employees?
- Pay structure
- Training methods and requirements
- Who does which tasks?
- For certain functions, will you use contract workers in addition to employees?

Inventory

- What kind of inventory will you keep: raw materials, supplies, finished goods?
- Average value in stock (i.e., what is your inventory investment)?
- Rate of turnover and how this compares to the industry averages?
- Seasonal buildups?
- Lead-time for ordering?

Suppliers

- Identify key suppliers:
 - Names and addresses
 - Type and amount of inventory furnished
 - Credit and delivery policies
 - History and reliability
- Should you have more than one supplier for critical items (as a backup)?
- Do you expect shortages or short-term delivery problems?
- Are supply costs steady or fluctuating? If fluctuating, how will you deal with changing costs?

Professional and Advisory Support

List the following as appropriate:

- Board of directors
- Management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultant or consultants
- Mentors and key advisors

Startup Expenses and Capitalization

You will have many startup expenses before you even begin operating your business. It's important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them. Many of your startup expenses may be capital expenses, i.e. expenses which are infrequent and are for items that last for a few or many years. Capital expenses generally fall into two primary categories – facility and equipment.

Facility requirements vary by type of business and might include:

- Purchase cost of a building or real estate
- Construction
- Remodeling

Equipment also varies by type of business and might include:

- Office furniture and fixtures
- Office equipment such as
 - Telephone system
 - Fax machine(s)
 - Computer system
 - Internet access servers
 - Copiers

- Production equipment which varies widely based on the business. Service businesses generally have no or very little production equipment.

Even with the best of research, however, opening a new business has a way of costing more than you anticipate. There are two ways to make allowances for surprise expenses. The first is to add a little “padding” to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the approach we recommend.

Talk to others who have started similar businesses to get a good idea of how much to allow for contingencies. If you cannot get good information, we recommend a rule of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

Explain your research and how you arrived at your forecasts of expenses. Enter your estimates on the worksheet entitled **Startup Expenses**. Explain in detail how much is needed from the E Squared Venture Capital Group and what percent ownership you will offer in return.

Financial Plan

The financial plan consists of a list of **Startup Expenses**, **Sales Projections**, **5-Year Projected P&L**, and **5-year Projected Cash-Flow**. Together they constitute a reasonable estimate of your company's financial future. More importantly, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

Five-Year Profit & Loss Projection

A five-year profit and loss projection is the heart of the financial plan. Use the worksheet entitled **Five-Year Projected Profit & Loss**.

Of course, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

Projected Cash Flow

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you should not be taken by surprise.

There is no great trick to preparing it: The cash flow projection is just a forward look at your checking account. For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items). For the E Squared competition the Projected Cash Flow worksheet is automatically generated based on your 5-year P&L and Startup Expenses. For the

sake of simplicity, it is assumed that your business is on a cash basis and that all revenues are received at the time of sale and all expenses are paid as incurred.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more capital. This plan will also predict just when and how much additional funding you will need. Typically, investors will inject money into a company when needed rather than all at the beginning; but for simplicity in the E Squared Competition it is assumed that all venture capital funds are provided at the start of the business. The Projected Cash Flow spreadsheet only contains one cell (yellow) for data entry. This cell is labeled “Cash from venture capitalists.” Use this cell to enter “what if” scenarios until Cash on Hand is always positive.

Break-Even Analysis

Simply stated, break-even is a calculation of the approximate sales volume required to just cover costs, below which production would be unprofitable and above which it would be profitable. Break-even analysis focuses on the relationship between fixed cost, variable cost, and profit. A break-even analysis can be very useful if your company produces a single product. If it produces multiple products, the analysis can become very complex and frequently inaccurate. For this reason, inclusion of a break-even analysis is optional. For those who want to use it, the financial workbook contains a template.

Exhibits

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and/or plans
- Maps and/or photos of location
- Magazine or other articles
- Detailed lists of equipment to be purchased
- Any other materials needed to support the assumptions in this plan
- Market research studies

Appendix A - Refining the Plan

The generic business plan presented above should be modified to suit both your specific type of business and the audience for which the plan is written.

Audience (Venture Capitalists for the E Squared Competition)

Venture capital investors have a single perspective. They are looking for dramatic growth, and they expect to share in the rewards:

- Funds needed short-term
- Funds needed in two to five years
- How the company will use the funds, and what this will accomplish for growth.
- Estimated return on investment
- Exit strategy for investors (buyback, sale, or IPO)
- Percent of ownership that you will give up to investors
- Milestones or conditions that you will accept
- Financial reporting to be provided
- Involvement of investors on the board or in management

Type of Business

Manufacturing

- Planned production levels
- Anticipated levels of direct production costs and indirect (overhead) costs—how do these compare to industry averages (if available)?
- Prices per product line
- Gross profit margin, overall and for each product line
- Production/capacity limits of planned physical plant
- Production/capacity limits of equipment
- Purchasing and inventory management procedures
- New products under development or anticipated to come online after startup

Service Businesses

- Service businesses sell intangible products. They are usually more flexible than other types of businesses, but they also have higher labor costs and generally very little in fixed assets.
- What are the key competitive factors in this industry?
- Your prices
- Methods used to set prices
- System of production management
- Quality control procedures. Standard or accepted industry quality standards.
- How will you measure labor productivity?
- Percent of work subcontracted to other firms. Will you make a profit on subcontracting?
- Credit, payment, and collections policies and procedures
- Strategy for keeping client base

High Technology Companies

- Economic outlook for the industry
- Will the company have information systems in place to manage rapidly changing prices, costs, and markets?
- Will you be on the cutting edge with your products and services?
- What is the status of research and development? And what is required to:
 - Bring product/service to market?
 - Keep the company competitive?
- How does the company:
 - Protect intellectual property?
 - Avoid technological obsolescence?
 - Supply necessary capital?
 - Retain key personnel?

High-tech companies sometimes have to operate for a long time without profits and sometimes even without sales. If this fits your situation, a banker probably will not want to lend to you. Venture capitalists may invest, but your story must be very good. You must do longer-term financial forecasts to show when profit take-off is expected to occur. And your assumptions must be well-documented and well-argued.

Retail Business

- Company image
- Pricing:
 - Explain markup policies.
 - Prices should be profitable, competitive, and in accordance with company image.
- Inventory:
 - Selection and price should be consistent with company image.
 - Inventory level: Find industry average numbers for annual inventory turnover rate (available in RMA, Robert Morris Associates, book). Any bank or lender will have access to this publication. Multiply your initial inventory investment by the average turnover rate. The result should be at least equal to your projected first year's cost of goods sold. If it is not, you may not have enough budgeted for startup inventory.
- Customer service policies: These should be competitive and in accord with company image.
- Location: Does it give the exposure that you need? Is it convenient for customers? Is it consistent with company image?
- Promotion: Methods used, cost. Does it project a consistent company image?
- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?