

A SIMPLIFIED

BUSINESS
PLANNING
WORKBOOK

FOR
SMALL BUSINESSES

Furnished by:

COMMISSION FOR ECONOMIC DEVELOPMENT IN OREM

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TABLE OF CONTENTS

| | Page |
|--|------|
| <u>INTRODUCTION</u> | |
| PURPOSE | 4 |
| FLOW CHART OF BUSINESS PLANNING FOR SMALL BUSINESSES..... | 5 |
| BUSINESS GOALS AND OBJECTIVES..... | 6 |
| BUSINESS DEFINITION AND NATURE..... | 8 |
| <u>BUSINESS ANALYSIS</u> | |
| MANAGEMENT ANALYSIS..... | 10 |
| MARKETING ANALYSIS..... | 12 |
| A) Marketplace..... | 14 |
| B) Customers..... | 16 |
| C) Competitors..... | 18 |
| D) Products/Services..... | 20 |
| OPERATIONS ANALYSIS..... | 22 |
| A) Unique Technology/Processes..... | 23 |
| B) Resources..... | 23 |
| FINANCIAL ANALYSIS..... | 24 |
| A) Requirements..... | 25 |
| B) Resources..... | 28 |
| <u>BUSINESS PLAN</u> | |
| I) ASSUMPTIONS..... | 30 |
| A) Economy..... | 31 |
| B) Industry..... | 31 |
| C) Market..... | 31 |
| D) Finance..... | 31 |
| E) Others..... | 31 |
| II) STRATEGIC OPPORTUNITIES..... | 32 |
| A) Company Strengths to Exploit..... | 33 |
| B) Market Opportunities to Exploit..... | 33 |
| C) Company Weaknesses to Overcome..... | 33 |

| | | |
|------|---|----|
| III) | MANAGEMENT PLAN..... | 34 |
| | A) Organizational Structure..... | 35 |
| | B) How to Exploit Each Individual Manager=s Strengths..... | 35 |
| | C) How to Overcome Each Individual Manager=s Weaknesses..... | 35 |
| IV) | MARKETING PLAN..... | 36 |
| | A) Marketplace..... | 37 |
| | 1) Penetration..... | 37 |
| | 2) Channels of Distribution..... | 37 |
| | 3) Outreach/Advertising..... | 38 |
| | 4) How to Meet Federal, State and Local Regulations..... | 38 |
| | B) Customers..... | 39 |
| | 1) Nature..... | 40 |
| | 2) Location..... | 40 |
| | C) Competitive Strategy..... | 41 |
| | 1) How to Compete..... | 42 |
| | D) Products/Services..... | 43 |
| | 1) Nature..... | 44 |
| | 2) Price..... | 44 |
| V) | OPERATIONS PLAN..... | 45 |
| | A) Processes..... | 46 |
| | B) Resources..... | 46 |
| | 1) Facilities..... | 46 |
| | 2) Equipment..... | 46 |
| VI) | FINANCIAL PLAN..... | 47 |
| | A) Profit/Loss Forecast..... | 49 |
| | B) Balance Sheet Forecast..... | 50 |
| | C) Cash Flow Projections..... | 51 |

I N T R O D U C T I O N

PURPOSE

This workbook is designed to assist the small business with planning tools that are required in formulating a successful business.

The workbook contains two general categories. First, the analysis section where you analyze your business as well as the market in which you are operating. Second, the planning section where you plan your business based on the result of the company and market analysis obtained in the previous section as well as your goals and objectives.

This workbook is not designed as a rigid means of planning. Its purpose is to be used as a guide in analyzing the factors that could affect a business and thus planning to exploit those factors that would enhance the business and overcome those that could hurt it.

Instruction
Business Goals and Objectives

A) In this section, provide a brief description of the company=s overall goals. State why the company is in business and what the company expects to achieve.

B) These are the company=s mid-range goals. For example: 1) what sales level does the company foresee over the next three years?, 2: at what rate will the company=s sales be increasing?, 3) any new products?, etc.

C) Again estimate the company=s sales level for the next year and the rate of growth, how the company proposes to achieve these sales, the profit expected to generate and how the profit will be used to expand the business. Mention any other immediate goals for the company.

Instruction
Business Definition and Nature

A) Define the business. Is the company a manufacturer, a service company, etc..
State the company=s line of business (e.g. does the company manufacture wind generators or is the company in the business of manufacturing energy-saving related products).

B) Describe the company=s product(s) in simple words.

C) State the location of the company=s market, such as local, state, national, international, or rural vs. city.

D) List customer and market segments served by the company (commercial, government, female, male, home-owners, etc.).

BUSINESS ANALYSIS

Instructions Management Analysis

In this section provide an evaluation of the company=s management team. The emphasis should be placed on their expertise, strengths and weaknesses.

MANAGEMENT ANALYSIS

| <u>NAME</u> | <u>EXPERTISE</u> | <u>YEARS OF EXPERIENCE</u> | <u>AREAS OF RESPONSIBILITY</u> | <u>STRENGTHS</u> | <u>WEAKNESSES</u> |
|-------------|------------------|----------------------------|--------------------------------|------------------|-------------------|
| _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ |
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| _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ |

Instructions Marketing Analysis

A) Marketplace

1) Industry Overview

Provide a brief description of the company's industry. Industry includes those companies with which the company competes directly (offering the same products in the same or overlapping markets). Include the following elements in your overview:

X Economic sector -- manufacturing, wholesale/retail or services

X Range of products or services offered

X Geographic scope -- local, regional, national, or international

2) Market Size and Growth Potential

This element is a statement of total industry size in terms of annual dollars sales, and growth rate in terms of annual percent change. If sales data are not available or applicable, unit volume production or employment may be used.

The purpose of this information is to explain the company in relation to the industry as a whole: (i.e. its market share). Ideally, you would be able to use published information on total industry size and growth. In most cases, however, this is not available and you will have to estimate the size and growth rate of the industry.

Industry growth rate is usually more difficult to estimate than industry size. Without statistical data, it is impossible to quantify industry growth rate; but an estimate of the company's growth relative to the competitors' growth will provide valuable information.

3) Key factors affecting growth are trends and conditions beyond the control of an industry or the companies within it. These factors may be economical as well as political. Some of them affect certain industries; others affect all industries. They include local and national population growth, changes in family income, inflation, recession, political factors.

4) Seasonality and Cyclicalities state if the company is seasonal and/or cyclical. Seasonality refers to the distribution of business activity throughout the year. If an industry lacks a seasonal pattern, it is reasonable to expect that its sales are distributed fairly evenly throughout the year.

Cyclical industries are those whose performance over several years rises and falls as a result of external economic cycles, usually the national business cycle.

5) In this section name the various channels that are used for the distribution of the company's products/services such as wholesalers, distributors, brokers, direct sales to end-user, etc.

6) Explain the normal method of outreach/advertising used in the company's industry.

7) Is the company's industry regulated by federal and/or local governments and if so, in what way?

5) Channels of Distribution

6) Outreach/Advertising

7) Local & Federal Regulations & Laws Affecting the Business

B) Customers

- 1) Explain who the buyers and end-users of the company=s products/services are.
- 2) Identify the location of the company=s customers.
- 3) Discuss the needs of the company=s customers, specifically as it relates to company products/services.
- 4) Provide information on buying habits if the company=s customers; use published information as well as interviewing industry experts.
- 5) Determine the prices that are offered by various competitors and the volume sold at those prices.

C) Competitors

Unless the company's competitors are publicly held companies, finding information about them could be a very difficult task. However, you should collect as much information on them as possible by such means as reading their brochures and interviewing agents/distributors who represent them.

D) Products/Services

1) Describe the company=s products/services. Provide information on the various sized, types and qualities of your products/services. Also provide the same type of information on the company=s competitors.

2) Determine the company=s prices for its various products/services; compare its prices with competitors' prices.

D) PRODUCTS/SERVICES

1) Size; Type; Quality

2) Price

Instruction
Operations Analysis

A) Describe the company=s processes/technologies/procedures for its product/services.

Compare them with competitors. Highlight any unique differences.

B) Describe the resources that are available to the company for its operations.

Specifically discuss the company=s facilities and equipment.

OPERATIONS ANALYSIS

A) UNIQUE TECHNOLOGY/PROCESSES

B) RESOURCES

1) Facilities

2) Equipment/Others

Instruction
Financial Analysis

A) Requirements

1) Provide an analysis of the company=s historical financial statements and their comparison with competitors. Utilize the enclosed statement.

2) In narrative form discuss the company=s future capital and cash requirements; specify how the monies will be used.

FINANCIAL ANALYSIS

A) REQUIREMENTS

- 1) Analysis of historical financial statements (if any)
(use the enclosed forms)
- 2) Projected capital and cash flow requirements

COMMON SIZE BALANCE SHEET

| | 19 | 19 | 19 | RMA |
|----------------------------------|----------------|----------------|----------------|----------------|
| <u>Assets</u> | | | | |
| Cash & Equivalents | _____ | _____ | _____ | |
| Accts & Notes Receivable | _____ | _____ | _____ | |
| Inventory | _____ | _____ | _____ | |
| Other Current Assets | _____ | _____ | _____ | |
| Total Current Assets | _____ | _____ | _____ | |
| Fixed Assets | _____ | _____ | _____ | |
| Intangibles | _____ | _____ | _____ | |
| Other Non Current Assets | _____ | _____ | _____ | |
| Total Assets | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> |
| <u>Liabilities</u> | | | | |
| Notes Payable | _____ | _____ | _____ | |
| Short Term | _____ | _____ | _____ | |
| Current Maturity | _____ | _____ | _____ | |
| Accts & Notes Payable | _____ | _____ | _____ | |
| Accrued Expenses | _____ | _____ | _____ | |
| Other Current Liabs. | _____ | _____ | _____ | |
| Total Current | _____ | _____ | _____ | |
| Liabilities | _____ | _____ | _____ | |
| Long Term Debt | _____ | _____ | _____ | |
| Other Non Current | _____ | _____ | _____ | |
| Liabilities | _____ | _____ | _____ | |
| Total Liabilities | _____ | _____ | _____ | |
| Net Worth | _____ | _____ | _____ | |
| Total Liabilities & Net Worth | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> |

COMMON SIZE INCOME STATEMENT

| | | | | |
|---------------------|------------|------------|------------|------------|
| Net Sales | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> |
| Cost of Sales | _____ | _____ | _____ | |
| Gross Profit | _____ | _____ | _____ | |
| Operating Expenses | _____ | _____ | _____ | |
| Other Expenses | _____ | _____ | _____ | |
| Profit Before Taxes | _____ | _____ | _____ | |

Remarks: 1)
2)

* All values are percentages

**FINANCIAL RATIO ANALYSIS
FOR THE PERIODS ENDING**

| <u>RATIO</u> | 20__ | 20__ | 20__ | 20__ | YTD Industry <u>Average</u> | <u>Evaluation</u> |
|---------------------------------------|-------------|-------|-------|-------|--------------------------------|-------------------|
| <u>Liquidity</u> | | | | | | |
| Current | _____ times | _____ | _____ | _____ | _____ | _____ |
| Quick or Acid Test | _____ times | _____ | _____ | _____ | _____ | _____ |
| <u>Leverage</u> | | | | | | |
| Dep. Fixed Assets/ Tang. Net Worth | _____ times | _____ | _____ | _____ | _____ | _____ |
| Net Sales/Work. Cap. | _____ times | _____ | _____ | _____ | _____ | _____ |
| Total Debt/Total Assets | _____ % | _____ | _____ | _____ | _____ | _____ |
| Total Debt/Total Equity | _____ % | _____ | _____ | _____ | _____ | _____ |
| Times Interest Earned | _____ times | _____ | _____ | _____ | _____ | _____ |
| Fixed Charge Coverage | _____ times | _____ | _____ | _____ | _____ | _____ |
| <u>Activity</u> | | | | | | |
| Inventory Turnover | _____ times | _____ | _____ | _____ | _____ | _____ |
| Ave. Collection Period | _____ days | _____ | _____ | _____ | _____ | _____ |
| Net Sales To Receivables | _____ times | _____ | _____ | _____ | _____ | _____ |
| Fixed Asset Turnover | _____ times | _____ | _____ | _____ | _____ | _____ |
| Total Asset Turnover | _____ times | _____ | _____ | _____ | _____ | _____ |
| <u>Profitability</u> | | | | | | |
| Profit Margin on Sales | _____ % | _____ | _____ | _____ | _____ | _____ |
| Return on Total Assets | _____ % | _____ | _____ | _____ | _____ | _____ |
| Return on Net Worth | _____ % | _____ | _____ | _____ | _____ | _____ |

B) Resources

- 1) Discuss current and future available capital that can be utilized for the business.
- 2) Discuss any outside financing and capital resources that may be available to the company.

B) RESOURCES

1) Available Capital

2) Outside Capital & Finance Resources

B U S I N E S S P L A N

Instructions Business Plan

D) Assumptions

The company=s business plan assumptions are the existing and forecasted external conditions under which the company will execute its plan. In parts A through E list those conditions that are most relevant and important to the business.

I) ASSUMPTIONS

A) Economy

B) Industry

C) Market

D) Finance

E) Others

II) Strategic Opportunities

In previous sections you have identified the company's strengths/weaknesses and analyzed the market opportunities available. In sections A-C suggest strategies that will take advantage of the company's strengths and opportunities and will minimize/overcome its weaknesses.

II) STRATEGIC OPPORTUNITIES

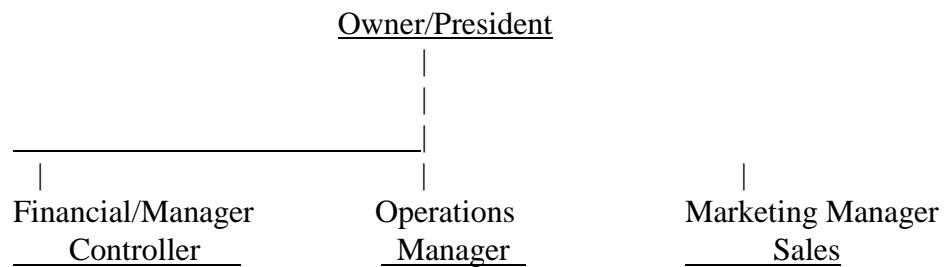
A) Company Strengths to Exploit

B) Market Opportunities to Exploit

C) Company Weaknesses to Overcome

III) Management Plan

A) Develop an organizational structure that meets the challenges of the company's operating environment. Based on this structure prepare an organizational chart. A simple organizational chart is presented below:



In a very small or start-up business the owner may function in all of the above categories.

B) and C) In the company's management plan you should plan how to exploit the expertise of the company's manager and overcome their weaknesses so that the company may optimize its management group's efficiency and effectiveness.

III) MANAGEMENT PLAN

A) Organizational Structure

B) How to Exploit Each Individual Manager=s Strengths

C) How to Overcome Each Individual Manager=s Weaknesses

IV) Marketing Plan

A) Marketplace

1) Based on the result of market analysis and research, propose a strategy to penetrate the marketplace. Estimate the market share (sales) that the company plans to reach through your strategy.

2) In this section discuss the channels of distribution that the company plans to use. The company's channels of distribution should be consistent with its penetration strategy.

3) Provide a plan for quality, quantity and source of advertising that meets the company's strategies for penetration and channels of distribution.

4) Discuss the company's plan for meeting any federal, state and local regulations that were identified in the previous section.

IV) MARKETING PLAN

A) Marketplace

1) Penetration

a) Initial

b) In two years

c) In five years

d) After five years

2) Channels of Distribution

a) Wholesale/Retail

b) Agents/Brokers/Distributors

c) Direct

3) Outreach/Advertising

a) Quality

b) Quantity

c) Source/Media

- 4) How to meet federal, state and local regulations (if any)

B) Customers

Discuss the company=s strategy for meeting the needs of the various customers that it plans to reach.

B) CUSTOMERS

1) Nature

a) Government

b) Private

2) Location

C) Competitive Strategy

Map the company=s competitive strategy. Specifically discuss the company=s competitive pricing, quality, advertising, and product strategies.

C) COMPETITIVE STRATEGY

1) How to Compete

a) Price

b) Quality

c) Campaign (advertising, packing, brand name, etc.)

d) Product/service modification, expansion, improvement

D) Products/Services

Discuss the company's plan for producing products/services that meet the needs of customers.

D) PRODUCTS/SERVICES

1) Nature

a) Size(s)

b) Type(s)

c) Quality

2) Price(s)

V) Operations Plan

In sections A and B define and discuss the areas of the company=s operation that meet the requirements of producing the company=s products/services.

V) OPERATIONS PLAN

A) Processes

B) Resources

1) Facilities

2) Equipment

VI) Financial Plan

Based on the company's business plan to this point and its financial analysis in the previous section, prepare profit/loss, balance sheet and cash flow projections. Use the enclosed forms and/or other appropriate forms.

**COMMISSION FOR ECONOMIC DEVELOPMENT IN OREM
BUSINESS PLAN GUIDELINE**

A. TITLE PAGE

1. Name of firm
2. Time period covered by plan
3. Date of final preparation of the document
4. Contact Person/Contact Information

B. TABLE OF CONTENTS

1. Major sections
2. Page numbers

C. SIZZLE STATEMENT PAGE (One-Page Quick Summary)

1. Effective description of company=s purpose in the marketplace and the niche the company will fill.
2. Statement of amount of money needed and type (venture/private investment/loan) using caution to adhere to securities laws.
3. Description of benefits/payback to investors/lending sources.

D. EXECUTIVE SUMMARY (NOT LONGER THAN FIVE PAGES)

1. Describe your business and its purpose in the marketplace. Describe its general product/service lines, and the factors that affect its operation and success.
2. Give a brief summary of your company=s history. Tell whether proprietorship, partnership, corporation (public or private).
3. Assess firm=s current market position and its potential for growth and improvement, its strengths and weaknesses, its threats and opportunities.
4. State company=s overall strategy and objectives, including major steps and thrusts to be taken in improving marketing and sales, production, research and development,

and financial position.

E. THE PRODUCTS/SERVICES AND THE MARKET/MARKETING PLAN

1. Important features and user benefits -- relate features of the products and services to market needs.
2. Description of the market -- size, anticipated growth, key changes.
3. Pricing. Cost to produce, sales price, comparison to market.
4. What needs in the market do you intend to satisfy, i.e., what situations in the market do you intend to exploit or what needs do you intend to fill?
5. Unique capabilities -- what do you have to offer that makes you different and gives you a special advantage.
6. Present status -- current stage of development, expected life cycle.
7. Proprietary position -- trademarks, patents, trade secrets, special production skills, proprietary processes, etc. (Do not provide confidential details.)
8. Market penetration -- how you are going to reach the market, i.e., direct sales, mail order, etc., and the cost of the marketing program.
9. Competition -- who they are, how much of the market do they have, and what is their strategic position?
10. Schedule of quarterly or monthly and annual sales and revenue objectives differentiated, as appropriate, by product/service lines.
11. A budget for marketing and sales expenses differentiated, as appropriate, by product/service lines.
12. An organization of marketing and sales responsibilities.

F. PRODUCTION PLAN

1. Schedule of quarterly or monthly and annual production objectives differentiated, as appropriate, by product/service lines.
2. Productivity and production cost standards for each product/service line.
3. Inventory policies for both raw materials and finished goods.
4. Equipment utilization and maintenance policies.

5. Production facilities

G. RESEARCH AND DEVELOPMENT PLAN

If appropriate and applicable, the research and development plan identifies the assignment of responsibilities for R & D activities and the specific R & D objectives and budget for the period covered by the plan.

H. ORGANIZATION AND MANAGEMENT

1. Statement of the firm=s general management philosophy.
2. An organizational chart.
3. Very brief backgrounds of key individuals and what specific value they add to the company, their past successes and achievements.
4. A description of authority and responsibilities among, or position descriptions for, the various positions within the firm.
5. History of working together as a team, if applicable.
6. Identification of immediate personnel needs and anticipated initial organizational structure.

I. FINANCIAL SUMMARY

1. Use of funds -- main business only, e.g., finance sales efforts, which stage(s) of development from prototype to full production.
2. Simple projections of sales revenues, income and expenses over a three to five year period, including ability to repay a loan if requesting loan monies.
3. Offering(s) planned, type of security, price, other terms, if appropriate.
4. Best estimate as to how and when the investor will get his money back, if appropriate.
5. It is suggested that you describe funding needs at each stage of development along with each stage=s bench marks to be accomplished.
6. Quarterly or monthly income statements.
7. Quarterly or monthly balance sheets.
8. Quarterly or monthly cash-flow summaries.
9. Quarterly or monthly summaries of financial performance.
10. Quarterly or monthly departmental budgets, which minimally should be prepared for

marketing and sales expenses, production expenses, and administrative expenses.

J. APPENDICES

Most business plans should also include selected appendices that give more complete information that supports the plan. The specific nature and types of appendices vary, depending on the firm and the intended uses of the plan. For example, plans that are prepared in anticipation of raising funds should put detailed budgets in an appendix, rather than in the body of the financial plan. Other examples of appropriate appendices are the results of the situational diagnosis and the market data that support marketing and sales objectives.