# Business Plan for a Startup Business

The business plan consists of a narrative and several financial worksheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order that you want, except for the Executive Summary, which should be done last. Skip any questions that do not apply to your type of business. When you are finished writing your first draft, you’ll have a collection of small essays on the various topics of the business plan. Then you’ll want to 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 is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled Refining the Plan, found at the end. 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. If this is why you’re creating your plan, 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.

# Business Plan

## OWNERS

Your Business Name

Street Address

Address 2

City, ST ZIP Code

Telephone

Fax

E-Mail

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### Executive Summary

Write this section last.

We suggest that you make it two pages or fewer.

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.

If applying for a loan, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

### General Company Description

What business will you be in? What will you do? **An anime theme based café, main focus of the café will be on the unique design and idea making a theme based cafe. The café will be selling food to customers and also selling related events and products about anime to customers.**

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: **Create an environment where people can share their interest and ideas and have the freedom to express themselves on anime and anything similar, a gather place to create and share wonderful memories.**

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. **To create new business model of success for this new type of café, that is able to bring a complete experience to the customer.**

Business Philosophy: What is important to you in business? **Give excellent customer service and also a memorable experience, to create a unique environment where customer can not only enjoy the food but also enjoy the atmosphere.**

To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the Marketing Plan section). **Young adult, main age group will be focus on 18 – 35. Targeting both male and female customers, who like and enjoy the food and server, to create a loyal customer base from fan of anime and related products. The target audience will be middle income family kids with money and time.**

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? **The Anime industry is relatively new to the market place. It has been very popular in Japan however little were known about it in the rest of the world. Recent years with availability of internet and subbing of content Anime has been gaining huge traction outside of Japan. In North America it is a growing thing as kids are grown up with new anime imported from Japan. As an industry it has become a fast growing industry and consumer are slowly accepting more and more about this industry, as the new generation Z kids come of age Anime will become more widely available for them. The company is focus on developing a place for these kids and other fan of anime to gather and share.**

Describe your most important company strengths and core competencies. 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 personally bring to this new venture? **The most important company strengths are that the concept is relatively new. These café are available in Japan, however because North American is a new market place these café has not been converted here. Also the culture of Japan and North American is different, in Japan this café focus on a niche market and more competition. However North American there is no direct competition. Café need to be develop to suit the needs of consumers here, it need to be able to cater to more casual people with more focus on customer service, food and event coordinating rather than target specific niche market. As person background, I have done management training; will focus more on management aspect of the company and delegate work to other, I bring passion into the company and also I will spend the time necessary to make it successful.**

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form? **Prefer to be Sole proprietor; it gives the greatest of flexibility in running the company how I see fit. However with set up a LLC if it is required for funding proposes. In the future looking into making a private corporation, developing into fancies this is set as one of the ultimate goal of the company.**

### Products and Services

Describe in depth your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in Appendices). **Cafe based services;**

**Type 1: Three course meal menu - Start with appetizer then main course then deserts. It will be on 8-10 for appetizer ranging from $6 – $12 (Price subject to change), 6-9 item for main courses ranging from $16 - $25 (Price subject to change), 5-7 item for desert ranging from $6 - $10. This will help keep the inventory low and increase the quality of food. (High end price)**

**Type 2: Drinks / Appetizer – Focus on serving drinks to customers have around 30+ different drinks including, coffee, tea, bubble tea & variety drinks, price from $2 - $12. Also have appetizer as the subject items introduce around 15 – 30 item for the menu price range from $5 - $15. This is more traditional bubble tea based service, similar to café style where focus is given to quantity of product with price range more affordable. (Medium – low end price)**

**Type 3: Event Based – Have a set based menu for everything, however it will be event based so all customer will pay a set price and enjoy food and live entertainment. Having anime related themes and set up special events. (Special price)**

**Type 4: Sitting Fee – Service small amount of drinks and food, however charge sitting fee by hour for each seat. Idea is that people can come in and enjoy as long as they have and receive free snack and drinks. (Special price)**

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

**The concept is new and the idea is fresh. There is no or very little direct competition as it is targeting a niche market, however there are a lot of indirect competitions as in other cafes. Another competitive advantage is offering a theme where people that have similar interest can enjoy the atmosphere and are able to start new community. There is going to be great need to the staff to be engaging with the customers and to enjoy share their interest and ideas with customer, it not only help provide greater customer service but also help create a great and friendly working environment.**

**A huge disadvantage is that the concept is new and does not have much basis to follow. There is no template to follow and thus a lot of concept and ideas are not proven and will be trial and error. Also a disadvantage is that it will be hard to budget cost and resources and to utilize the resources properly to help develop.**

What are the pricing, fee, or leasing structures of your products or services?

**The price will be median and to median high prices. Food and drinks will be charged more because of the services they receive. However to justify higher cost a higher level of service is expected. There can also be membership fee and also gift shop to help bring in other revenues.**

### 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 need to be done in the following formats – finding the customer base, speaking with the people that will be future customers. Getting involved with the community and finding out different aspect about the particular community. Creating internet & forums to discuss and help manage the community, start something small and growing it. Do research for different aspect of the business, figures, cos-play, anime & manga.**

##### 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 could possibly use. Your chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

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? **The total size of market is around 300,000 people or more. Roughly about 10% of people ages 15-30. People are tending to be social or hardcore fans of anime and manga.**
* What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.) **The idea targets a niche market and thus will have a majority of the market, the target is roughly around 70% or more, as other themes overlap with this particular themes.**
* Current demand in target market. **Medium to high, the concept will attract people to come and check it out, however how to target people that are not hardcore fans and also are social gathers.**
* Trends in target market—growth trends, trends in consumer preferences, and trends in product development. **The market is healthy, however the issue seems that there is a drop in the creation of new products, example anime & manga. The target audience is now in their 25-30 age groups and much like the music industry there is a battle between license product and unlicensed products.**
* Growth potential and opportunity for a business of your size. **There is a lot of growth potential if it is done properly and handle with care. Customer service and experience need to be there for the customer to enjoy and fall in love. If done properly there should be growth in the business after first year and expansion with-in three years.**
* What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
  + High capital costs - **There is an unknown cost associated with the development of new concept. How much funding is needed is still unknown at this time.**
  + High production costs – **The cost associated with running and organizing the restaurant is going to be high and a lot of hidden cost is associated with it.**
  + High marketing costs – **Marking need to be done to attract customer into the restaurant and finding an effective way to market to the certain demography is going to be important.**
  + Consumer acceptance and brand recognition – **Having the consumer accept the concept and recognizing the brand is also very important. Having the proper feel to the place will help ease the customer acceptance.**
  + Training and skills – **Training the staff and make sure they provide an experience that the customer will not forget will be important in developing the relationship with the customers.**
  + Unique technology and patents – **Having interesting and easy to use technology will help customer feel more comfortable with the place. Given we are living in an information technology place and people are used to seeing technology.**
  + Unions – **Not needed.**
  + Shipping costs – **Cost of getting goods shipped from international might be expense to take into consideration.**
  + Tariff barriers and quotas – **Not an issue.**
* And of course, how will you overcome the barriers?
* How could the following affect your company?
  + Change in technology – **Shifting in technology will not directly affect the business; however taking advantage of new technology will help and bring interesting results.**
  + Change in government regulations – **Will not affect the company.**
  + Change in the economy – **A good economy is important as the better economy more people will be spending money and there is more disposable income.**
  + Change in your industry – **Shifting in the industry is important to understand less people are involved with the anime & manga industry there might be less room to grow in the future. Understanding the direction the industry is going will directly help people understand how it will affect business.**

##### 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? **Important features for the customer are that it is unique and interesting also it provides an atmosphere to experience the thing that they like. Features are the design will appeal to customers and make them feel welcome, also it will be designed with themes and event in mind to keep customer entertained.**
* Describe the benefits. That is, what will the product do for the customer? **The benefits to the customer are that they are able to come not only have an enjoyable meal, but also a visual experience and with special events and themes they are able to receive a more wonderful experience.**

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. **Will provide different events and give-away to accommodate the customer’s needs. Also have a simple and easy to follow refund policy to help customer deal with less headacks.**

##### 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 – **13 to 35**
* Gender – **Male & Female**
* Location – **Best location are North York or Downtown, target middle class to higher class area.**
* Income level - **$50,000 to $300,000 a year income, prefer college or university student with disposable income or young working adults with less financial burden.**
* Social class and occupation – **Middle income group that likes anime & manga. Occupation can be any.**
* Education – **High school education or higher educations to create an environment that is fun and mature.**
* Hard core fans & casual fans – **Important to understand what hardcore fan group wants and what casual fans wants. Hardcore fan usually provides more loyal customer base and will be more loyal however there is a demand to details information and also might be intimidating to more casual fans. Attract casual fans require greater marketing, however there is more targeting audience and thus has ability to attract new customers.**
* Themes & special events – **Attracting leader and/or members of special groups will provide greater attraction; also having event that focus on these things will help generate more interest in the subject.**

##### Competition

What products and companies will compete with you? **Any theme based café will be considered competition as it will attract a certain percentage of customer base. However because it is a niche market there is no direction competition and thus more focus need to be given to finding customer inside this market place.**

List your major competitors:

**Go-For-Tea, Destiny also all tea shops and theme based restaurant**

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations? **The completion will be mostly on general customers, people that like to get together and enjoy spending times with family and friends.**

Will you have important indirect competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.) **There are a lot of indirect competition in term of café, coffee shops and desert café. They attract a lot of regular customer and a lot of walk-in customer.**

How will your products or services compare with the competition?

Use the **Competitive Analysis** table below to compare your company with your two most important competitors. In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.

In the column labeled Me, state how you honestly think you will stack up in customers' minds. Then check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses. Try to be very honest here. Better yet, get some disinterested strangers to assess you. This can be a real eye-opener. And remember that you cannot be all things to all people. In fact, trying to be causes many business failures because efforts become scattered and diluted. You want an honest assessment of your firm's strong and weak points.

Now analyze each major competitor. In a few words, state how you think they compare.

In the final column, estimate the importance of each competitive factor to the customer. 1 = critical; 5 = not very important.

Table : Competitive Analysis

| FACTOR | Me | Strength | Weakness | Go-For-Tea | Demetres | Importance to Customer |
| --- | --- | --- | --- | --- | --- | --- |
| Products | 4 | Yes |  | 3 | 4 | 4 |
| Price | 4 |  | Yes | 3 | 4 | 5 |
| Quality | 5 | Yes |  | 3 | 4 | 5 |
| Selection | 3 |  | Yes | 5 | 4 | 4 |
| Service | 5 | Yes |  | 3 | 3 | 5 |
| Reliability | 4 | Yes |  | 4 | 4 | 3 |
| Stability | 3 |  | Yes | 4 | 4 | 3 |
| Expertise | 5 | Yes |  | 2 | 3 | 3 |
| Company Reputation | 2 |  | Yes | 3 | 5 | 4 |
| Location | 4 | Yes |  | 5 | 5 | 4 |
| Appearance | 5 | Yes |  | 4 | 3 | 4 |
| Sales Method | 4 |  | Yes | 4 | 4 | 3 |
| Credit Policies | 4 | Yes |  | 2 | 5 | 4 |
| Advertising | 5 | Yes |  | 2 | 5 | 3 |
| Image | 4 | Yes |  | 3 | 4 | 4 |

Now, write a short paragraph stating your competitive advantages and disadvantages.

**The advantages are great customer service with knowledgeable staffs, great appearance to attract customers also serving excellent food to keep customer coming back. Need to have great quality rather than huge quantity. Focus on advertising and making it easy for customer to enjoy the experience. Need to find a great location.**

##### 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.

**The niche market is anime and games, there has been many different café in Toronto, and however there is no café that target this audience. This will be able to bring in loyal customer and also people that are interested in discovering and growing this group. This will be able to bring people together to converse and make it into a hang out place for a person that enjoys anime & manga.**

##### 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?

**Internet & forums, because consumer like to visit these sites to gather information, advertising on these sites area will help generate hardcore and loyal customers. Advertise on conventions and events as conventions and event generate a lot of traffic on people that like and enjoy the same interest.**

Have you identified low-cost methods to get the most out of your promotional budget? **Using the internet is a cost efficient method and will provide a great result.**

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? **Using special events will attract new customers and thus increase the word of mouth. Also it will generate special interest good.**

What image do you want to project? How do you want customers to see you? **Want to project a friendly and easy-going environment, where the customer can come and enjoy themselves. Want to create an environment where they will be feeling relaxed and able to have discussions and fun.**

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). **Planning to have a designer that is able to do graphic design and logo design, will find experts in certain area concerning interior design and other designs. Need to create an environment that will give an original feeling to the customers.**

Should you have a system to identify repeat customers and then systematically contact them? **Thinking of creating a simple membership system with will give simple rewards to repeat customers and thus creating a loyal customer base. Also it is a badge of honor the customer that come and something they can remember the place by.**

Promotional Budget

How much will you spend on the items listed above?

Before startup? (These numbers will go into your startup budget.) **About 20% of the budget will go into advertising and promotional events. The number will increase or decrease as expenditure is divided accordly.**

Ongoing? (These numbers will go into your operating plan budget.) **About 30% or more is expected to go into the promotion of the store and planning budget, one to increase customer traffic also to have events and other promotional to keep customer and have them for repeat business.**

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? **The focus will be on quality of service and the quality of food, in order to provide an enjoyable experience the price might be average or more, however customer are will to pay for more if there is more benefit than just foods, if they can experience something fun and entertaining.**

Compare your prices with those of the competition. Are they higher, lower, the same? Why? **The price will be higher than the competition, it develop the customer to ask for higher service which is something that will be provided to them. Also it will be justified for the entertainment they will be receiving. The price will reflect the overall experience they receive.**

How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price? **If the customer feel like they received their money worth than they will feel justified that a higher cost of food is worth. The higher cost will help keep the level of service and also the quality of food.**

What will be your customer service and credit policies? **Customer service will be very important, making every single one of customer feel at home, treating customer like treating family member will be important. Also being polite to customer and anticipate their needs before they ask will be an important. Creating an environment that the customer can enjoy and feel happy about is important. The credit policies is that the customer will be right 99% of the time, standby you’re associates however do not give customer a hard time. Most customer complaint is legitimist issues and thus need to be addressed immediately.**

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. **Location, location and location will be very important and fundamental for the success of a café based business. As a properly located will help drive traffic into the café, a location that is easy to access and easy to find will provide great help to customer that are traveling by different methods.**

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? **Yes, a lot of customer will have to find transportation to come to the café as it is a destination based. Most customers will either travel by car or public transportations. A place that has both parking but also easily acceptable by public transit will be an important thing.**

If customers come to your place of business:

Is it convenient? Parking? Interior spaces? Not out of the way? **The location need to be convenient for customers, there need to be large space of parking and also not out of the way. The interior spaces should be able to accommodate as many customers as possible without feeling overly crowded. Also having a waiting area for the customer is a plus that should be taken into consideration. Also a dividing area is preferred as it will help block out the cold air in winter time.**

Is it consistent with your image? **The image of the place need to have spaces for customer but also spaces for entertainment, prefer to have a small stage or a make-shift area for a stage that can be used as an dining area when not used for the intended purposes.**

Is it what customers want and expect? **The customer expects a place that is lively and entertaining, a place that has a lot of customer flow but not too long of a wait time.**

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)? **It would be a good idea to find a place that is popular to age group 15 – 30 also a place where they can go on weekend and weeknights.**

Distribution Channels

How do you sell your products or services?

Retail – **Thought a retail location, serving food and if possible selling different products to customers.**

##### 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 a sales forecast spreadsheet to prepare a month-by-month projection. The forecast should be based on your historical sales, 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 if you are going to present it to funding sources.

### Operational Plan

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

##### Production

How and where are your products or services produced?

Explain your methods of:

* Production techniques and costs – **Producing high quality foods at low cost value.**
* Quality control – **Controlling the food is very important making it sure it is fresh and tasty.**
* Customer service – **Proper training for the wait staff so that they can manage customer services.**
* Inventory control – **Controlling the inventory and making sure a proper supply of food is necessary for each day’s operation.**
* Product development – **Developing new food and new style and looks to keep the food interesting and unique.**

##### Location

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

Physical requirements:

* Amount of space – **The amount of spaces should be allowed to seat between 35-80 people.**
* Type of building – **Stand along behind in a busy plaza that opens to late night and attract the younger crowd.**
* Zoning – **Commercial zoning with restaurant and other services available.**
* Power and other utilities – **Need utilities and power that can operate a café, operation hours are between 3pm to 3am.**

Access:

Is it important that your location be convenient to transportation or to suppliers? **Yes easy access would be vital to the success of operation. A great location is important to attract new customer and also making it easy for transportation and/or supplies will make operation smoothly.**

Do you need easy walk-in access? **Need to have walk-in access to make it convenient for customers.**

What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centers? **Require parking spaces for people traveling by cars, as parking will be important for this business as people will travel from different areas to enjoy the food & service. Easy access to subway and buses will help customer to access the place.**

Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer. **Having a proper design and layout will be important for the business. Making the space useable and easy access will be important.**

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 financial plan.

What will be your business hours? **The current business model is focus on customer in the afternoon and night time. Targeting people that want to enjoy so time with friends after work or school and finding a relaxing atmosphere. The hours will be between 3pm to 3am targeting the dinner & late night people.**

##### Legal Environment

Describe the following:

* Licensing and bonding requirements
* Permits
* Health, workplace, or environmental regulations
* Special regulations covering your industry or profession
* Zoning or building code requirements
* Insurance coverage
* Trademarks, copyrights, or patents (pending, existing, or purchased)

##### Personnel

* Number of employees
* Type of labor (skilled, unskilled, and professional)
* Where and how will you find the right employees?
* Quality of existing staff
* Pay structure
* Training methods and requirements
* Who does which tasks?
* Do you have schedules and written procedures prepared?
* Have you drafted job descriptions for employees? If not, take time to write some. They really help internal communications with employees.
* 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 would you deal with changing costs?

##### Credit Policies

* Do you plan to sell on credit?
* Do you really need to sell on credit? Is it customary in your industry and expected by your clientele?
* If yes, what policies will you have about who gets credit and how much?
* How will you check the creditworthiness of new applicants?
* What terms will you offer your customers; that is, how much credit and when is payment due?
* Will you offer prompt payment discounts? (Hint: Do this only if it is usual and customary in your industry.)
* Do you know what it will cost you to extend credit? Have you built the costs into your prices?

Managing Your Accounts Receivable

If you do extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Total | Current | 30 Days | 60 Days | 90 Days | Over 90 Days |
| Accounts Receivable Aging |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

You will need a policy for dealing with slow-paying customers:

* When do you make a phone call?
* When do you send a letter?
* When do you get your attorney to threaten?

Managing Your Accounts Payable

You should also age your accounts payable, what you owe to your suppliers. This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and can damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date.)

Do your proposed vendors offer prompt payment discounts?

A payables aging looks like the following table.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Total | Current | 30 Days | 60 Days | 90 Days | Over 90 Days |
| Accounts Payable Aging |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

### Management and Organization

Who will manage the business on a day-to-day basis? What experience does that person 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?

If you’ll have more than 10 employees, create an organizational chart showing the management hierarchy and who is responsible for key functions.

Include position descriptions for key employees. If you are seeking loans or investors, include resumes of owners and key employees.

##### Professional and Advisory Support

List the following:

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

### Personal Financial Statement

Include personal financial statements for each owner and major stockholder, showing assets and liabilities held outside the business and personal net worth. Owners will often have to draw on personal assets to finance the business, and these statements will show what is available. Bankers and investors usually want this information as well.

### Startup Expenses and Capitalization

You will have many 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.

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. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.

### Financial Plan

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even calculation. Together they constitute a reasonable estimate of your company's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

##### 12-Month Profit and Loss Projection

Many business owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it’s time to revise your plan.

##### Four-Year Profit Projection (Optional)

The 12-month projection is the heart of your financial plan. This section is for those who want to carry their forecasts beyond the first year.

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 shouldn’t 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).

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases.

You should also track cash outlays prior to opening in a pre-startup column. You should have already researched those for your startup expenses plan.

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 start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the Profit and Loss Projection. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory buildup, that should be budgeted?

Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never write a check for it.

##### Opening Day Balance Sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners’ equity.

Use a startup expenses and capitalization spreadsheet as a guide to preparing a balance sheet as of opening day. Then detail how you calculated the account balances on your opening day balance sheet.

Optional: Some people want to add a projected balance sheet showing the estimated financial position of the company at the end of the first year. This is especially useful when selling your proposal to investors.

##### Break-Even Analysis

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it’s the sales level that is the dividing line between operating at a loss and operating at a profit.

Expressed as a formula, break-even is:

|  |  |
| --- | --- |
|  |  |
| Breakeven Sales = | Fixed Costs |
| 1- Variable Costs |
|  |  |

(Where fixed costs are expressed in dollars, but variable costs are expressed as a percent of total sales.)

Include all assumptions upon which your break-even calculation is based.

### Appendices

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

* Brochures and advertising materials
* Industry studies
* Blueprints and plans
* Maps and photos of location
* Magazine or other articles
* Detailed lists of equipment owned or to be purchased
* Copies of leases and contracts
* Letters of support from future customers
* Any other materials needed to support the assumptions in this plan
* Market research studies
* List of assets available as collateral for a loan

### Refining the Plan

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

##### For Raising Capital

For Bankers

* Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:
  + Amount of loan
  + How the funds will be used
  + What this will accomplish—how will it make the business stronger?
  + Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
  + Collateral offered, and a list of all existing liens against collateral

For Investors

* Investors have a different 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

##### For 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 book). 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?