

Courtesy of Commercial Finance OnLine
www.CFOL.com



CFOL /Commercial Finance On Line

Free Business Plan Template

We can help you secure needed funding by: --

- Posting your plan our website
- Providing direct access to our database of angel and venture capital investors
- Distributing your Executive Summary to over 7,000 investors
- Providing direct access to funding sources through our affiliated investment banking companies

Table of Contents

Cover Page	1
Introduction	2
Table of Contents	3
Executive Summary	4
The Company	6
Products & Services	7
The Market	8
Marketing Plan	9
Management	10
Competitive Analysis	11
Financial Assumptions	12
Financial Statements	13

Summary

The Executive Summary should clearly and concisely address each of the following subjects:

- Overview of the company
- Recap of the opportunity
- Brief summary of the market
- Differentiation (what makes you different)
- Description of products / services
- Management bios
- Nature and use of proceeds (table)
- Key financials (table)

The opening paragraphs should introduce what you do and where. There should briefly describe your market, the amount of funding that you hope to secure and how it will be used.

While there is no firm rule for the length of Executive Summaries, three to four pages is considered ideal.

Reference credible sources and include the name of your source(s) of information along with the date.

This section is very often overlooked and yet it is one of the most important points you need to bring out in your business plan.

Courtesy of Commercial Finance OnLine

www.CFOL.com

The Opportunity

Describe and quantify the opportunity and where you fit. Explain why you're in business along with the reasons why you'll be able to take advantage of this opportunity.

The Market

How large is the market and stage of development (early growth versus mature). What are the key drivers, trends and influences in the market?

Differentiation (what makes you different)

What is it that separates you from the rest of the pack? Is your product proprietary, patented, copyrighted? Is your service better, faster, cheaper and if so why. Is your advantage a temporary "window" and are there steps you can take to protect your position. Are there barriers to entry that will support your financial projections?

Description of products / services

This should include a very brief overview and description of your products and services.

Management

The adage is that investors invest in people not products. Historically, a company's management team is one of the best predictors of success and investors will look very closely at the individuals who will be managing the company. The ideal scenario is that senior managers have previously started and successfully managed companies in the same business. Short of this, you want to emphasize the previous relevant experience of the management team. Mention the names of companies and positions held and milestones achieved.

Nature and use of proceeds (table)

How much and what type of funding are you looking for (equity capital, loans). Keep in mind that one of the most common causes of new business failures is under-capitalization. You should have a very clear idea of how much money you will need to operate your business for the first full year. An investor or loan officer will also want to know how the funds will be used.

Category	Amount	Percentage
Sales & Marketing		
Capital Expenditures		
G & A Expenses		
Other		
Total		

This section should be brief and concise. This is also a good opportunity to use bullet points.

Investors are typically very leery of using their funds to pay large salaries or previous obligations (debts, loans or personal investments).

This section is normally presented in a table.

While investors are interested primarily in the first three years of operation, you should also have projections for years 4 and 5.

Courtesy of Commercial Finance OnLine
www.CFOL.com

Key financials

This table should include a recap of your income statement.

	<i>Year 1</i>	Year 2	Year 3
Revenue			
Cost of Sales			
Gross Profit			
% of Revenue			
S, G&A Expenses			
EBIT			

The Company

The section of your plan should include a brief history of how you got to where you are. What is the genesis of your business? How did the management team evolve? How have you been funded up to this point? Have you invested your own money in the business and how much. How is the company structured legally? Who are the current investors and what is their share of the ownership? What are the current and future facilities Requirements? What are the likely exit strategies?

This should be a short one or two page summary of how the business evolved. Your intent here is to create a comfort level for investors allowing them to see and understand the backdrop and underpinnings of your company.

Investors and loan officers are favorably influenced if you - personally have invested in your business - the more the better. If there was no monetary investment on your part, equate it to hours, time, or personal sacrifice.

Exit Strategy

This is where you explain to investors how they will get their money back, what you are anticipating they will recover in excess of their investment and in what time frame. Possible exit strategies can include the sale or merger of your company, a management buyout, an IPO or a private placement.

Investors are generally looking to recover their investment plus a substantial profit within three years.

Products & Services

Describe your products, services and technology. Discuss pricing, service, support, warranty, production, etc. What are the advantages of your products or services and how do they compare to the competition. What is the timetable for introducing these products and what steps need to be taken to assure that this timeline is met? Are there other vendors involved and if so who and where do they fit. Have your product been tested / evaluated and if so, where, when and what were the results. Are there plans for future or next generation products and if so what and when. Are these new products included in your revenue and cost projections?

Details are important but be careful not to overwhelm the reader with technical jargon that they may not know or understand.

This is your opportunity to draw a clear contrast between you and your competition.

Assume the reader is not familiar with your market or your products.

Explain why a customer would use these products or services versus alternatives.

Summarize features using bullet points in short and succinct statements.

The Market

This section of your plan should include the market size, growth rate, and relative stage of development. It is important to describe the overall market as well as the segment that are you targeting. In the sample below, for example, the overall market is corporate training but the focus of the business is eLearning, a new and rapidly growing segment of a relatively mature market. You should discuss any significant changes that are occurring in the market, short term and long terms trends, impact of technology, government regulation and the economy.

This section doesn't need to be a 20-page market research report but it should demonstrate that you know and understand the market.

An ideal scenario is one where you are developing a product or service for a new and growing segment within an existing market.

A less desirable scenario is where you're developing a new product or service for a new market. Read – High Risk.

Don't ignore the negatives. A better approach to address each one and discuss how you will work with each issue.

Be sure to identify or footnote your sources.

Marketing Plan

Describe the planned users of your products and services. Who are they, where are they and how many of them are there? Is this number growing or declining and why. Are there geographic concentrations? Is your target audience only the domestic market or could it include international opportunities? How will you reach your market? How will customers become aware of your company, brand, image, and products? Who will be handling the sales and marketing responsibilities and what is their background.

The marketing section of your should cover the following topics:

- Sales / distribution strategy
- Pricing strategy
- Product positioning
- Brand image awareness
- Collateral materials
- Product / market exposure strategy
 - Advertising and promotional efforts
 - Public relations
 - Media advertising
 - Direct marketing
 - Trade shows
- Website strategies / plans
- Strategic alliances / partnerships
- Marketing budget (table)

Strategic Alliances / Partnerships

Investors are evaluating risk when they read your business plan. When you've developed strategic alliances and other partnerships, the implication is that you've been able to convince others that your business model is viable to the point where they are will to participate. This helps to mitigate perceived investor risk. List possible alliance / partnership candidates and any initial discussions.

Avoid ambiguity. Rather than saying your target audience is schools, say your target customers include tests that have been conducted and commitments that have been made.

Marketing expenses are typically a large percentage of the operating expenses and will be looked at very closely. You need to be able to explain and defend your choices of promotional efforts, distribution channels, etc.

Will you have a website and do you plan to promote your product over the Internet.

Include a table showing your marketing budget by expense category.

Distribution Channels –

- Direct field sales
- Manufacturer's reps
- Distributors
- Wholesalers
- Agents
- Catalogs
- Direct marketing
- ECommerce

Know the difference and have a defendable strategy

Management

Where the Executive Summary includes very short one paragraph on key management personnel, this section should go into some detail about the individuals who will be entrusted with the investor's money. Stress relevant experience and previous success.

This section of the plan should include:

- Biographic summary of key management
- Organizational charts (current & future)
- Manpower table
- Board of advisors
- Board of directors

Organizational Chart

A very simple organizational chart will help to explain how the company is organized, the reporting structure and the positions that you plan to fill. The chart should reflect both current and open positions or you can have two charts – pre- and post-funding. Two charts would be more applicable if you foresee significant changes in the organizational structure after funding.

Board of Advisors

A good board of advisors can be a very valuable asset in helping to guide the company through minefields that are sure to develop. Look for individuals who are experts in their respective fields (accounting, legal, technology, academia, consultants, etc.).

Manpower Table

What positions do you plan to fill and when. This should tie into your use of proceeds and financial projections.

A certain amount of repetition isn't necessarily bad. If you have key management personnel who are widely recognized as experts, this can be a critical strength that you want to emphasize.

Do the individual members of the management team have to be full time employees? ----

No, but this can be tricky. Investors understand that someone may not be willing to leave a responsible position until they know that the new company will be funded. You should, however, have a firm commitment that will assure the investor that your team will be there when they are needed. These individuals should also be active in the new company even if they aren't yet employees.

Stress accomplishments and recognition.

Do I need a CFO?

No but you should have someone who is familiar with your financial statements and is in a position to answer questions.

Competitive Analysis

The operative word is “analysis.” Your competitors have preceded you into the market. They have established position, distribution, market exposure and a customer base. The viability of your business depends on your company’s ability to take market share away from these competitors - or to address a segment of the market that is not currently being addressed. If you are anticipating taking market share, you need to explain how you’re going to do it. What advantages do you have over competition? Why will customers turn to you rather than existing and established companies? Where are your competitors vulnerable and how will you be able to take advantages of these weaknesses. Who is the market leader and why are they in that position?

These are all issues that you should consider in completing your competitive analysis. The reader should have the sense that you have insights into your competition that you can’t get from just reading their website or looking at their 10-Ks.

This section should include the following:

- Overview
- Recent events / funding
- Merger / acquisition activity
- List and description of key competitors
- Succinct analysis of each competitor’s business
- Strengths / weakness
- Company differentiation

Positioning Chart

A positioning chart can help explain where you are in the market relative to your competition. The X & Y axis can address pricing, capabilities or any variable that separates you from competition.

A common question from investors deals with market share. Is the market highly fragmented or do a few large competitors dominate. What market share does the largest competitor have and has that share increased or decreased.

What do you know about the management of your largest competitors?

Are any of your competitors a potential partner? If so, how?

What companies have invested in this market? Who among your competitors have received funding, how much and what was the source. This information is often available in the Companies press releases.

What changes have you seen in the competitive environment and are there any that you anticipate in the future.

Financial Assumptions

Everything you've included in the plan up to this point should support your financial assumptions and projections. In other words, the reader shouldn't be surprised when they see your five year revenue forecast because you've given them detailed information on the market, the opportunity, and your strategies. You've described the advantages that you have over competition; you've outlined how you plan to reach the market and the management team that you have to help you achieve your objectives. Your projections should represent a logical conclusion to everything that you've included in the plan.

The Financial Assumptions should provide the reader with the rationale of how you developed your key financial projections and should address the following:

- Gross sales
- Unit forecasts
- Cost of goods sold
- Gross margin
- Personnel costs / fees
- Marketing expenses
 - Market penetration
 - Rent
 - Utilities
 - Telephone
 - Salaries
 - Inventory
 - Professionals fees
 - Commissions
 - Travel & Entertainment
 - Research
 - State Taxes
 - Federal Taxes

Financial Assumptions are designed to help bridge the gap between your plan and the financials. This portion of the plan is also designed to preempt the more obvious questions that will come up regarding your financials such as the basis for your margin estimates, unit forecasts, cost of facilities, salaries, etc. These are issues that you want to think through very carefully and completing this portion of the plan forces you verbalize the rationale and justification.

Courtesy of Commercial Finance OnL www.CFOL.com

Sound financial management is one of the best ways for your business to remain profitable and solvent. How well you manage the finances of your business is the cornerstone of every successful business venture. Each year thousands of potentially successful businesses fail because of poor financial management. As a business owner, you will need to identify and implement fiscal policies that will lead to and ensure that you will meet your financial obligations.

To effectively manage your finances, plan a sound, realistic budget by determining the actual amount of money needed to open your business (start-up costs) and the amount needed to keep it open (operating costs). The first step to building a sound financial plan is to complete an income statement, cash flow analysis and a balance sheet – if your company has revenue.

Income Statement

The primary tool for good financial reporting is the Statement of Income. This is a measure of a company's sales and expenses over a specific period of time. It is prepared at regular intervals (monthly for the first year and annually through five years) to show the results of operating during those accounting periods. It should follow Generally Accepted Accounting Principles (GAAP) and contains specific revenue and expense categories regardless of the nature of the business.

Cash Flow Analysis

The cash flow analysis is designed to show where you are using money and at what rate (burn rate). This analysis is of particular interest to investors because they will want to see when you anticipate being in a positive cash flow position – more money coming in than going out.

Balance Sheet

The Balance Sheet provides a picture of the financial health of a business at a given moment, usually at the close of an accounting period. It lists in detail those material and intangible items the business owns (known as its assets) and what money the business owes, either to its creditors (liabilities) or to its owners (shareholders' equity or net worth of the business).

Our business planning professionals bring years of accounting, finance, and investment banking experience to this process. We can evaluate the current market conditions and provide a predictable look into the future. Our team of professionals know how to review available information and translate it into meaningful financial projections that will help your planning process.

Sample Statements

Profit & Loss (P&L)

The first year pro forma statements should be by month and then annually for the next four years.

Courtesy of Commercial Finance OnLine
www.CFOL.com

Cash Flow Analysis

The first year pro forma statements should be by month and then annually for the next four years.

**Courtesy of Commercial Finance OnLine
www.CFOL.com**

Balance Sheet

The first year pro forma statements should be by month and then annually for the next four years.

Suggestions For A Better Business Plan

Writing good Business Plan means a good deal more than simply getting basic information on paper. Making a favorable first impression is very important. What do the professional plan writers do to improve the look, feel and readability of a business plan?

- Use a simple conversational writing style
- Avoid long and complex sentences
- Use technical terms sparingly and explain them clearly
- Keep your paragraphs short, simple and succinct
- Use bullet points whenever possible
- Use graphics (a picture is worth...)
- Pay attention to how each section flows into the next
- Use tables and charts when possible
- Quote reputable sources to reinforce your position
- Check sentence structure, grammar, spelling, and syntax
- Understand the motivation of the reader
- Have someone read your plan with a critical eye

Check List

- Have you clearly and concisely described the opportunity?
- Have you quantified the market size, stage and key market drivers?
- Does your plan clearly articulate what makes your business model different, better, unique?
- Are your business strategies consistent with your business model?
- Are your financial projections a logical extension of your strategies?
- Are your funding requirements adequate and realistic?
- Have you acknowledged or footnoted your sources of information?
- Will your marketing plan create adequate exposure and demand for your product?
- Will your distribution channels adequately and cost effectively reach your target demographic?
- Do you have research data to backup your market analysis?
- Do you really understand the strengths of your competitors?
- Are the financial statements reasonable, verifiable and well presented?
- Are your financial statements consistent with the rest of your plan?
- Have you established a level of confidence that you can meet your objectives?
- Have you chosen a management team that is up to the task?
- Does your plan flow and is there a natural progression from one section to the next?
- Is your business plan compelling?

Courtesy of Commercial Finance OnLine
www.CFOL.com

CFOL Business Planning Services

Support@CFOL.com * www.CFOL.com