

## **BUSINESS PLAN CONSIDERATIONS**

### **MARKET CHARACTERISTICS:**

1. What need does the product or service fulfill?
2. Who buys or uses the product, or influences the purchase decision?
3. How stable is the market?  
Consider: Style, technology, number of customers, market age, and interdependence of markets.

### **PRODUCT/MARKET MATCH:**

1. What product characteristics contribute to sales?  
Consider: style, capabilities, and cost savings.
2. How important is price, quality, and reputation to sales?

### **PRODUCTION CAPABILITIES:**

1. Are supplies of materials reliable?  
Consider: number of suppliers, location, length of relationship with suppliers and adequacy of buffer stock.
2. Is labor supply and cost adequate and stable?  
Consider: number and type of employees, union issues, and working conditions.
3. Are production facilities adequate?  
Consider: age of equipment, location, and costs compared to competition.

### **DISTRIBUTION AND SALES:**

1. Does the distribution system reach all buyers?  
Consider: where it's sold, how it gets there, importance of quick delivery or full product line, and breadth of coverage.
2. Do sales require personal selling or service?
3. How much advertising is used and needed?

### **GENERAL RISK FACTORS:**

1. How old is the business?
2. Has the company been through a low economic cycle?
3. How much capital has been invested and/ or retained?
4. What's the banking history?
5. Any contingent liabilities?  
Consider: warranties, lawsuits, loan guarantees, lease renewals, and labor contract expiration.
6. What influences, other than normal market factor, does the business face?

## **BORROWING CONSIDERATIONS**

### **DO YOU HAVE THE NECESSARY TECHNICAL ABILITY?**

1. Experience
  2. Education
  3. Industry reputation
- Consider: Customers, suppliers, and competition

### **MANAGEMENT ABILITY?**

1. Experience/education
2. Use of professional assistance
3. Management organization
4. Management succession
5. Management information

### **OPERATIONS MANAGEMENT?**

1. Discussion of operating process
2. Experience and technical ability

### **FINANCIAL MANAGEMENT?**

1. Personal financial history
2. Personal and financial credit history
3. Sophistication of loan request
4. Use of professional help

### **SALES MANAGEMENT?**

1. Selling profitable products/services
2. Selling what can be delivered
3. Selling to those who will pay
4. Selling to those who can/want to buy
5. Selling to those who can/want to buy.

**YOUR BUSINESS PLAN MUST ANSWER  
THE FOLLOWING QUESTIONS:**

**EXECUTIVE SUMMARY**

- a. Why will the business succeed?
- b. What do you want to start (or change)?
- c. How much money is required?
- d. What is the return on the investment?
- e. Why is the venture a good risk?

**BUSINESS DESCRIPTION**

- a. What type of business are you planning?
- b. What products or services will you sell?
- c. What type of opportunity is it (new, part-time, expansion, seasonal, year round or purchase)?
- d. Why does it promise to be successful?
- e. What is the growth potential?
- f. How is it unique?

**MARKETING**

- a. Who will be your potential customers?
- b. How large is the market?
- c. Who are your competitors? How are their businesses positioned?
- d. What market share do you anticipate?
- e. How will you price your product or service?
- f. What advertising and promotional strategies will you use?

**ORGANIZATION**

- a. Who will manage the business?
- b. What qualifications do you have?
- c. How many employees will you need? What will they do?
- d. How will you structure your organization?
- e. What are your plans for employee salaries, wages and benefits?
- f. What consultants or specialists will you need? How will you use them?
- g. What legal form of ownership will you choose? Why?
- h. What licenses and permits will you need?

**CRITICAL RISKS**

- a. What potential problems could arise?
- b. How likely are they?
- c. How do you plan to manage these potential problems?

## **FINANCIAL**

- a. What is your total estimated business income for the first year by month? Quarterly for the 2<sup>nd</sup> and 3<sup>rd</sup> years.
- b. What will it cost you to open the business?
- c. What will your personal monthly financial needs be?
- d. What sales volume will you need in order to make a profit during the first three years?
- e. What will be your break-even point?
- f. What will be your projected assets, liabilities, and net worth on the day before you expect to open?
- g. What are your total financial needs?
- h. What are your potential funding sources? How will you spend it?
- i. How will the loans be secured?

## **MILESTONES**

- a. What timing have you projected for this project?
- b. How have you set your objectives?
- c. Have you set up your deadlines for each stage of your venture?
- d. Is there a relationship between events in this venture?

## **APPENDIX**

- a. Have you included all important documents, drawings, agreements, and references?