

INDUSTRY SUMMARY

Section Outline:

- I. General Industry Information
- II. Description of Major Competitors
- III. Short-term/Long-term Industry Outlook
- IV. Industry Keys to Success

The industry summary should provide an overview of the particular industry you are seeking to enter. For example, if you were looking to open a restaurant, the industry summary would provide information about the makeup of the fast food, ready-to-eat, and/or sit-down eating industries.

Your first step is to find the Standard Industrial Classification (SIC) or North American Industrial (NAIC) Code. Every industry has a particular code. You can find the code for your particular industry on the U.S. Census website at <http://www.census.gov/epcd/www/naics.html>. Gather as much basic industry information you can. You may obtain industry information in the business reference section of your local public or college library. Additional information can also be obtained from the World Wide Web. The following are good sites for information: www.sba.gov, www.doc.gov, and www.mbda.gov. To guide you in research, you can use the list of questions below:

1. Who are the major competitors in the industry?
2. What is the present rate of growth in the industry?
3. Is there a cyclical nature to your industry? If so, describe it.
4. How competitive is the industry?
5. What factors will help decide competitive success or failure?
6. What forces are leading the changes in the industry?
7. What are the average and median revenues and profit for industry participants?
8. What segment of the industry's market seems to be under served?

YOUR COMPANY

Section Outline:

- I. Business Legal Structure
- II. Business Description
- III. Business Location
- IV. Physical Plant

In this section you should briefly discuss the general characteristics of your business beginning with its legal structure. An overview of business legal structure and questions for guidance are given below.

Legal Structure

When considering the proper legal structure for your business, there are two primary concerns: (1) tax consequences and (2) legal consequences. It is strongly advised that you consult a legal and/or tax professional before you decide upon a business structure and/or begin business operation. A brief description of forms of ownership is listed below. Additional information may be obtained from www.nolo.com.

Sole Proprietorships

A sole proprietorship is a business in which the owner and the business are legally and for tax purposes are inseparable. Although business losses and income flow directly through to the owners without being taxed first, a sole proprietorship has unlimited legal liability for the owner.

Partnerships

A business with more than one owner that is not incorporated or organized as an LLC is, by default, a partnership. If you haven't yet drafted a partnership agreement spelling out the relationship between you and your business partners, you're asking for trouble. A special kind of partnership is a limited partnership. It has different rules regarding a limited partner's management powers and personal liability.

Corporations

A corporation is legally separated from the individuals who own or operate it. Forming a corporation limits your personal liability for business debts and obligations. However, corporation owners have to pay “double” taxes: corporate taxes and personal taxes for owners and/or shareholders.

Limited Liability Companies (LLCs)

LLC's are a hybrid of a partnership and a corporation. LLC's offer a new way of organizing and managing your business. However, creating an LLC involves filing the correct paperwork with the state. LLC's offer flexible management structure, though owners must comply with certain state and federal laws. It is strongly advised to consult legal and tax professionals before organizing an LLC.

Non-Profit Corporation

Yes, a non-profit corporation is a business. It is a business enterprise with a tax exemption. Formal non-profit status involves receiving designation from the Internal Revenue Service under Section 501 (c) of the Internal Revenue Code of 1986. Special considerations for forming a non-profit corporation are its limitations and the types of activities that would be most appropriate. The assets of your nonprofit must be irrevocably dedicated to charitable, educational, religious or similar purposes. If your 501(c)(3) nonprofit dissolves, any assets it owns must be transferred to another 501(c)(3) organization. Your organization cannot campaign for or against candidates for public office, and political lobbying activity is restricted. If your nonprofit makes a profit from activities unrelated to its exempt-purposes activities, it must pay taxes on the profit (but up to \$1,000 of unrelated income can be earned tax free).

Organizations that should consider becoming nonprofit corporations include: child care centers, shelters for the homeless, community health care clinics, museums, hospitals, places of worship, schools, performing arts groups, and conservation groups.

Business Description

1. What products/services will you sell?
2. What are your company's strengths and weaknesses?
3. What is unique about your company and its products?
4. What image do you want to portray?
5. Determine what it is that your company will not do.
6. Prepare an operational schedule including hours of operation and staffing needs.

Business Location

Briefly describe the general area in which your business located. You will give additional details in the marketing section. Your discussion should answer the following questions:

1. Does your location adequately serve the needs of your customers?
2. Does your location suit your own company's image and positioning?

Physical Plant

You want to describe the actual or proposed building which will house your business. You should discuss the layout of the physical floor space and whether your location meets all local zoning and licensing requirements.

MARKETING

Section Outline:

- I. Current Market Conditions
- II. Selected Target Market
- III. Strategy
- IV. Performance Evaluation

To properly develop your marketing strategy, you need to understand what marketing is. Marketing is more than sales and advertising. Marketing involves the creation, distribution, promotion, and pricing of goods, services, and ideas. Marketing activities are tailored to meet the demands or tastes of a particular group of people you want to reach referred to as a target market. Usually, there is a primary target market and a secondary target market. The bulk of your business sales will come from the primary target market. However, a significant amount of sales will come from one or more secondary target markets. Sales sometime come from several primary target markets.

The key to effective marketing activities is the right combination of product, price, promotion, and place. This combination is referred to as your marketing mix. Together the target market selected and the marketing mix form your marketing strategy. In other words, you must have the right product, good, service, or idea at the right price using the right promotional campaign in the right environment.

In your marketing section, you should discuss how you selected your target market, the characteristics of your target market, your marketing mix, and your method for evaluating the effectiveness of your marketing strategy. The outline below will guide you in developing your marketing discussion in your business plan. Good sources of marketing information include your local Chamber of Commerce and www.demographics.com (Especially its links page).

- I. Current Market Conditions
 - A. List and describe all potential target market(s)
 - B. List and describe all potential competitors
 - C. Describe the market environment (opportunities and threats)
- II. Selected Target Market
 - A. Select primary and secondary target markets based on section I
 - B. Provide additional information about the target market (s) selected
- III. Strategy
 - A. Target market
 1. Describe the demographic (age, race, income, gender, etc.) composition of the target market(s)
 2. Describe the geographic area of the target market(s)
 - B. Marketing mix
 1. Discuss what product(s) will be sold
 2. Discuss the pricing points
 3. Discuss promotional activities (advertising, flyers, word of mouth, etc.)
 4. Discuss where sales will take place (distribution)
- IV. Performance Evaluation
(Briefly discuss how you will measure the effectiveness of your marketing strategy, surveys, coupons, etc.)

MANAGEMENT

Section Outline:

- I. Management Team
- II. Staffing Concerns

In this section you will discuss the composition of your management team and summarize staffing concerns. The management team consists of the owners and key managers. An effective management section highlights the operational expertise and financial management skills of the key people in your business. You should begin with an organizational chart and an overview that clearly defines the business hierarchy and the roles and responsibilities and experience of key management personnel. You should prepare professional looking resumes for all those mentioned in this section. Include them in the addendum to your business plan. A good source for developing a good resume is www.resume.com.

The second part of your management section should summarize staffing concerns. Since every business should have an employee manual, this section should summarize the major points of your employee manual. There are several employee manual software programs on the market. All you have to do is add your business information. An employee manual not only allows you to navigate better employee legal issues but also provide a written document for employee rewards and discipline. You may Google management specific information for your business' industry for good sources of information for this section. Also remember that every person in the business should have a clearly defined job description. When everyone clearly understands their role and responsibilities it allows for better business operations.

FINANCIAL ASSUMPTIONS

Section Outline:

- I. Business Assumptions
- II. Financial Projections

Developing your financial projections involves a basic understanding of financial statements. Your business will depend upon maximizing revenue or sales and minimizing expenses. To produce sales, certain costs are incurred. These costs are called cost of sales or cost of goods. Examples of these costs include inventory, sales commissions, and sub-contracted services. Sales less cost of sales determine net sales or gross margin. Gross margin is the amount of dollars available to pay operating expenses. After subtracting operating expenses from gross margin, net operating income is calculated. Net operating income is the amount of net dollars from normal operation of your business used to pay loan payments and upon which tax costs or benefits are calculated. Net operating income less loan payments yield before tax cash flow. After tax payments are deducted or tax refunds added, after tax cash flow remains. This amount is available for re-investment into the business or used for return on investment to the owners and/or investors.

The financial assumptions sections provide information on the financial projections for your business. You should begin with a discussion of how you determined your financial assumptions. From your research on your business' industry, you should have obtained information about industry financial assumptions. For example, the restaurant industry may have a sales assumption of \$12.00 per square foot per week for a fast food restaurant. That means that an industry business of 1000 square foot would have a sales projection of \$12,000 per week. Other assumptions could include cost of sales, gross margin, operating expenses, and taxes. Many of these assumptions will be listed as percentages of sales.

Since your business will be a start up, it is not reasonable to assume that your business will achieve the same standards as those of the industry. Industry assumptions are based upon existing businesses with experienced management. Thus, you will adjust your businesses assumptions accordingly to reflect the level of experience of your operation. Keep in mind that you should have some "gut feeling" for what level of sales and expenses your business will experience. Always break sales assumptions down to a daily basis. Then ask yourself whether it is reasonable for your business to achieve this level of sales. All assumptions should pass the "does it make sense" test.

Remember to clearly explain all assumptions you make in determining your level of sales, cost of sales, and expenses. On the following pages are sample financial statements. Good sources of information for this section include www.sba.gov, www.rmahq.com, or Google other resources.