

## Business Plan for Startup Business

The business plan consists of a narrative and several financial spreadsheets. The narrative template is the body of the business plan. It contains over 150 questions divided into several sections. Work through the sections in any order you like, 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 through writing your first draft, you will have a collection of small essays on the various topics of the business plan. Then you will want to edit them into a smooth flowing narrative.

The real value of doing a business plan is not having the finished product in hand; rather, the value lies in the process of research and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research when 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 entitled *Refining the Plan*, found at the end of the narrative. 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 are writing your plan, then pay particular attention to your writing style. You will be judged by the quality and appearance of your work as well as your ideas. For your guidance, we have included a document entitled *Writing Guide*. This is an example of an executive summary written in a clear and concise style suitable for this type of document.

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 is 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 the assumptions underlying your financial data.

To help you complete the narrative included in this business plan template, you can find templates for financial spreadsheets in the **Business Plan** category of the **Microsoft Office Template Gallery**.

When you click on the links in this document, your browser will automatically be launched and opened to the page where you can download the templates you need to complete the section.

When you are done using these instructions, delete them by clicking the border of this text box and then pressing the DELETE key.

# Business Plan

## OWNERS

Business name:	Example Corporation
Address:	Address Line 1 Address Line 2 City, ST 22222
Telephone:	222-333-4444
Fax:	111-222-3333
Email:	xyz@example.com

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## **II. Executive summary**

Write this section *last!*

We suggest you make it 2 pages or less.

Include everything that you would cover in a 5-minute interview.

Explain the fundamentals of the proposed business: what will your product be, who will be your customers, 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.

### **III. General Company Description**

What business will you be in? What will you do?

Mission Statement: Many companies have a brief mission statement, usually in thirty words or less, 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:

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 has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

Business philosophy: What is important to you in business?

To whom will you market your products? Your target market? (State it briefly here - you will do a more thorough explanation in the Marketing section).

Describe your industry. Is it a growth industry? What changes do you foresee in your industry, short term and long term? How will your company be poised to take advantage of them?

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?

Legal form of ownership: Sole Proprietor, Partnership, Corporation, Limited Liability Corporation (LLC)?

Why have you selected this form?

#### **IV. Products and services**

Describe in depth your products and/or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in the Appendix).

What factors will give you competitive advantages or disadvantages? For example, level of quality or unique or proprietary features.

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

## V. Marketing plan

Notes on preparation:

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 simply assume that you already know about your intended market. You need to do market research to make sure they are on track. Use the business planning process as your opportunity to uncover data and question your marketing efforts. Your time will be well spent.

Market research - How?

There are 2 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, vendors who sell to your industry, government agencies (Commerce Dept. and state and local development agencies), and the SBA Business Information Centers and One Stop Capital Shops.

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. A good way to start is at the SBA site, <http://www.sba.gov/>; click the Outside Resources button for a great collection of resource links. Your Chamber of Commerce has good information on the local area. Trade associations and trade publications often have excellent industry specific data.

*Primary market 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 out that show small business owners how to do effective research by 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.

The Marketing Plan:

### Economics

Facts about your industry:

What is the total size of your market?

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.)

Current demand in target market

Trends in target market - growth trends, trends in consumer preferences, and trends in product development.

Growth potential and opportunity for a business of your size

What barriers to entry do you face in entering this market with your new company? Some typical ones are:

High capital costs

High production costs

High marketing costs

Consumer acceptance/brand recognition

Training/skills

Unique technology/patents

Unions

Shipping costs

Tariff barriers/quotas

And of course, how will you overcome the barriers?

How could the following affect your company?

Change in technology

Government regulations

Changing economy

Change in your industry

## Product

In the Products/Services section, you described your products and services as YOU see them. Now describe them from your CUSTOMER'S point of view.

### **Features and Benefits**

List all your major products or services.

For each product/service:

Describe the most important features. That is, what will the product do for the customer? What is special about it?

Now, for each product/service, describe its benefits. That is, what will the product do for the customer?

Note the difference between features and benefits, and think about them. For example, a house 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, inclusion in a neighborhood. You build features into your product so you can sell the benefits.

What after-sale services will be given?

For example: delivery, warranty, service contracts, support, follow up, or refund policy.

## Customers

Identify your targeted customers, their characteristics, and their geographic locations; i.e., 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, then you must carefully analyze both the end consumer and the middlemen businesses to whom you sell.

You may well have more than one customer group. Identify the most important groups. Then, for each consumer group, construct what is called a demographic profile:

Age

Gender

Location

Income level

Social class/occupation

Education

Other (specific to your industry)

Other (specific to your industry)

For business customers, the demographic factors might be:

Industry (or portion of an industry)

Location

Size of firm

Quality/technology/price preferences

Other (specific to your industry)

Other (specific to your industry)

## Competition

What products and companies will compete with you?

List your major competitors:

Names & addresses

Will they compete with you in across the board, or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors? (For example, video rental stores compete with theaters, though they are different types of business.)

How will your products/services compare with the competition?

Use the table called Competitive Analysis, below to compare your company with your three 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 cell labeled "Me", state how you honestly think you will likely 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 so, causes many business failures because it scatters and dilutes your efforts. 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 1: Competitive Analysis**

Factor	Me	Strength	Weakness	Competitor A	Competitor B	Competitor C	Importance to Customer
Products							
Price							
Quality							
Selection							
Service							
Reliability							
Stability							
Expertise							
Company Reputation							
Location							
Appearance							
Sales Method							
Credit Policies							
Advertising							
Image							

Having done the competitive matrix, write a short paragraph stating your competitive advantages and disadvantages.

### 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.

### 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?

Have you identified low cost methods to get the most out of your promotional budget?

Will you use methods other than paid advertising, such as trade shows, catalogs, dealer incentives, word of mouth (how will you stimulate it?), network of friends or professionals?

What image do you want to project? How do you want customers to see you?

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).

Should you have a system to identify repeat customers, and then systematically contact them?

#### **Promotional Budget**

How much will you spend on the items listed above?

Before startup? (These numbers will go into your Startup budget.)

Ongoing? (These numbers will go into your Operating Plan budget.)

#### **Pricing**

Explain your method(s) of setting process. 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?

Compare your prices with those of the competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?

What will be your customer service and credit policies?

### **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.

You will describe your physical needs later, in the Operational section of your business plan. Here in the marketing section, analyze your location criteria as they will affect your customers.

Is your location important to your customers? If yes, how so?

If customers come to your place of business:

Is it convenient? Parking? Interior spaces? Not out of the way?

Is it consistent with your image?

Is it what customers want and expect?

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)?

### **Distribution Channels**

How do you sell your products/services?

Retail

Direct (mail order, web, catalog)

Wholesale

Your own sales force

Agents

Independent reps

Bid on contracts

### **Sales Forecast**

Now that you have described your products, services, customers, markets, and marketing plans in detail, it is time to attach some numbers to your plan. Use the *Sales Forecast* spreadsheet to prepare a month-by-month projection. The forecast should be based upon your historical sales, the marketing strategies that you have just described, upon your market research, and industry data, if available.

You may wish 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.

For this section, please refer to the [\*Twelve-Month Sales Forecast Spreadsheet\*](#).

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.

## **VI. Operational Plan**

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

### **Production**

How and where are your products/services produced?

Explain your methods of:

- Production techniques & costs
- Quality control
- Customer service
- Inventory control
- Product development

### **Location**

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

Physical requirements:

- Space; how much?
- Type of building
- Zoning
- Power and other utilities

Access:

Is it important that your location be convenient to transportation or to suppliers?

Do you need easy walk-in access?

What are your requirements for parking, and proximity to freeway, airports, railroads, shipping centers?

Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.

Construction? Most new companies should not sink capital into construction, but if you are planning to build, then 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 it suit your needs. These numbers will become part of your financial plan.

What will be your business hours?

### **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, 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 be kept: raw materials, supplies, finished goods?

Average value in stock (i.e., what is your inventory investment)?

Rate of turnover and how this compares to industry averages?

Seasonal buildups?

Lead-time for ordering?

Suppliers

Identify key suppliers.

Names & addresses

Type & amount of inventory furnished

Credit & delivery policies

History & 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; i.e., 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 this:

	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 send a letter?

When 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 who to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and damage your credit. (Hint: if you know you will be late making a payment, call the creditor before the due date. It tends to relax them.)

Are prompt payment discounts offered by your proposed vendors?

A payables aging looks like this:

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

## **VII. 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 lost or incapacitated?

If you will have more than about ten 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, then also include resumes of owners and key employees.

### **Professional and Advisory Support**

List board of directors and management advisory board.

Attorney

Accountant

Insurance agent

Banker

Consultant(s)

Mentors and key advisors in addition to the above

### **VIII. 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.

Please refer to the [Personal Financial Statement](#) Spreadsheet.

## **IX. Startup Expenses and Capitalization**

You will have many expenses before you even begin operating your business. It is 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, the less chance 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, which we call contingencies, to account for the unforeseeable. This is the approach we recommend, and you will see a “Contingencies” line in our spreadsheet.

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% of the total of all other startup expenses.

For this section, please refer to the [\*Startup Expenses Spreadsheet\*](#).

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.

## **X. 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 breakeven calculation. Together they constitute a reasonable estimate of your company's financial future. More importantly, however, the *process* of thinking through the financial plan will improve your insight into the inner financial workings of your company.

### **Twelve Month Profit and Loss Projection**

Many business owners think of this 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.

Forecast sales, cost of goods sold, expenses, and profit month by month for one year. Your sales projections will come from the *Twelve-Month Sales Forecast* you did in the Marketing Plan section.

Please refer to the [\*Twelve-Month Profit and Loss\*](#) Spreadsheet.

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

Research Notes: In addition, keep careful notes on your research and assumptions, so you can explain them later if necessary, and also so you can go back to your sources when it is time to revise your plan later on.

### **Four Year Profit Protection (optional)**

Please refer to the [\*Four-Year Profit Projection\*](#) spreadsheet.

The 12-month projection is the heart of your financial plan. However, we provide this work sheet for those who want to carry their forecasts beyond the first year. It is expected of those seeking venture capital. Bankers pay more attention to the 12 month projection.

Of course, keep notes of your key assumptions, especially about things you expect to change dramatically after the first year.

### **Projected Cash flow**

Please refer to the [\*Twelve-Month Cash Flow\*](#) Spreadsheet.

If the profit projection is the heart of your business plan, then cash flow is the blood. Businesses fail because at some point 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 afterwards as well. It will enable you to foresee shortages in time to do something about them; perhaps to cut expenses, or perhaps to negotiate a loan. But at least not to 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.

Use the [\*12-month Profit and Loss statement\*](#) for a starting point. 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)

The bottom section, "Essential Operating Data", is not part of cash flow but allows you to track items which have a heavy impact upon cash flow, such as sales and inventory purchases.

The "Pre Startup" column is for cash outlays prior to opening. You 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 startup capital. This plan will also predict just when and how much you will need to borrow. New loans go on the line called "Loan / other inj."

Explain your major assumptions; especially, those which 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 which 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 which 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 your *Startup Expenses and Capitalization* spreadsheet as a guide to preparing a balance sheet as of opening day.

Please refer to the [Opening Day Balance Sheet](#) Spreadsheet.

In this section of your business plan explain 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. If you want to do this, use the [Projected Balance Sheet](#) spreadsheet template in our [Established Business plan](#).

### Breakeven Analysis

A breakeven 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, breakeven is:

$$\text{Breakeven Sales} = \frac{\text{Fixed Costs}}{1 - \text{Variable Costs}}$$

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

Please refer to the [Breakeven Analysis](#) Spreadsheet.

Include all assumptions upon which your breakeven calculation is based.

## XI. Appendices

Following is a list of all the spreadsheets required in this business plan in order of appearance:

<b>Name of spreadsheet</b>	<b>Filename</b>
12-month Sales Forecast	TBD
Personal Finance Statement	TBD
Startup Expenses	TBD
12-month Profit and Loss	TBD
4-year Profit projection	TBD
12-Month Cash Flow	TBD
Opening Day Balance Sheet	TBD
Breakeven Analysis	TBD

Include details & studies used in your Business Plan; for example:

Brochures & advertising materials

Industry studies

Blueprints & plans

Maps & photos of location

Magazine or other articles

Detailed lists of equipment owned or to be purchased

Copies of leases & 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

## **XII. 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 will this 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 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 2 to 5 years

How company will use funds, and what this will accomplish for growth.

Estimated return on investment

Exit strategy for investors (buyback, sale, or IPO)

Percent of ownership you will give up to investors

Milestones or conditions you will accept

Financial reporting to be provided

Involvement of investors on the Board or in management

### **Refine 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 on line after startup

### **Service Businesses**

Service businesses sell intangible products. They are usually more flexible than other types of business, 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 info 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 R&D? And what is required to:

1. Bring product/service to market?
2. Keep the company competitive?

How does the company:

1. Protect intellectual property?
2. Avoid technological obsolescence?
3. Supply necessary capital?
4. Retain key personnel?

High tech companies sometimes have to operate for a long time without profits, and sometimes even without sales. If this fits you, then 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 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 accord 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 times 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, then you may not have enough budgeted for startup inventory.

Customer service policies: should be competitive and in accord with company image.

Location: Does it give the exposure 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?