**Business Name**

**Business Plan**

**Month 2018**

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1. J. Doe’s Personal Financial Statement
2. J. Doe’s Individual Income Tax Returns for the Years 2013, 2014, and 2015
3. Listings, Brochures and Price Quotes of Asset Purchases or Construction

***Note: If you’re looking to get financing, the bank typically likes to see your last three years of personal tax returns, as well as a personal financial statement (a standard document that lists your personal assets and personal liabilities). If you’re an existing business, they’ll also want to see the last three years of business tax returns. You’ll also want to include any other documents as attachments that help support the plan. If you aren’t presenting for financing, this would obviously be adjusted.***

# **Executive Summary**

**This is an overview of the content of your business plan that should allow investors, lenders, managers, or other readers to quickly grasp your business concept and the purpose of the plan. It should mention the most important information about your business, including:**

* **Name of the business**
* **Location**
* **Brief description of products and services**
* **Who the owners are**
* **If already in operation, a brief description of company history**
* **Describe the purpose of the plan (e.g. to seek financing)**
* **Describe the sources and uses of funds (what is the total project amount, how much are you providing, how much are you seeking in financing, and what will the funds be used for)**
* **Describe any additional collateral to be pledged**

**Revisit this section after completing the other sections of the business plan to assure consistency and maintain accuracy. Example:**

NAME is a new pub located at ADDRESS, Pennsylvania. NAME offers a variety of menu items including appetizers, soups, sandwiches, salads, wings, burgers, daily specials, beverages, and beer. The business also offers a take-out menu. The business offers entertainment on Saturday nights and occasional themed parties.

The total project cost to start the business is estimated to be $\_\_\_\_\_\_\_\_. NAME is seeking a commercial bank loan of $\_\_\_\_\_\_\_\_\_\_ and will be personally contributing $\_\_\_\_\_\_\_. The funds will be used for the purchase of a building ($\_\_\_\_\_\_\_\_), equipment ($\_\_\_\_\_\_\_\_\_), furniture and fixtures ($\_\_\_\_\_\_\_\_), inventory ($\_\_\_\_\_\_\_\_\_), and a liquor license ($\_\_\_\_\_\_\_\_\_\_).

# **Company Summary**

## **Mission**

**Explain in approximately 30 words or less your business’ guiding principles (some of your ultimate long term goals). This should describe why your company exists in the marketplace. Will you emphasize growth, market position, return on investment or other achievement criteria? What is your desired image for the company? It is useful to make the mission statement brief and general enough to allow potential growth of product lines and services. Example:**

NAME will provide a consistent customer experience of quality food, friendly service, and reasonable prices. Whether you’re looking for a family night out, or are passing through town for a quick bite, NAME will be the go-to place for all around good food.

## **Keys to Success**

**List what you think will be the most important actions to take in order for your business to thrive. Example:**

* Developing visibility to generate new business leads.
* Developing loyal, repeat customers.
* Responsiveness to customers requests for new product offerings.

## **Company Ownership and Legal Structure**

* **What is your legal structure (sole proprietorship, partnership, limited liability company, corporation, or s-corporation?**
* **Who are the owners, and what percent ownership does each hold?**
* **When was the company purchased or started if an existing business?**
* **Will there be a board of directors? If so, who are the officers?**

**Example:**

ABC is a sole proprietorship equally owned by Mr. and Mrs. Smith. They are looking to establish the business on July 1, 2017.

## **Start-up Summary or Company History**

**Describe how you will start your business if you are not currently in business. If you are currently in operations, describe how you started your business and any key events that have happened between start-up and now. If you are purchasing an existing business, include details such as when the business was started, key events, why the business is being sold, and a financial history summary. Example:**

The owners plan to open NAME on July 1, 2017. The intended site for operations was previously a restaurant, and so limited work will be needed to the property in order to begin operations. The owners have already drafted a menu and have a list of prospective employees that will be hired. Once the building is purchased, the owners will work to obtain the necessary licensing through the PA Department of Agriculture and PA Liquor Control Board. The opening date of July 1, 2017 will be a soft opening. The owners are planning a grand opening event for July 14, 2017, which will feature live music, food specials, and a formal ribbon cutting ceremony.

## **Company Location and Facilities**

**Provide details on your location such as:**

* **Full physical address**
* **Description of the surrounding businesses and general area**
* **Traffic count and patterns if important to your business (traffic count can be obtained from the PA Department of Transportation website)**
* **Details on exterior such as parking availability, handicap accessibility, signage**
* **Zoning and any necessary licensing**
* **Detailed information on interior including square footage and general layout**
* **If a leased property, provide details on who the landlord is, what the lease rate is, and any important details**
* **Information on property taxes if the building is owned**
* **Renovation/expansion plans if applicable**
* **Any significant advantages of the location**
* **If you’ll be a home-based business, state this and include information on how your home will be used (will you have a dedicated home office, be working out of your garage, etc.). Also make sure you’re able to do business out of your home.**

**Example:**

*NAME* is located at ADDRESS, Pennsylvania. *NAME* is located along Route 333 traveling through CITY. The restaurant has parking for approximately ### vehicles, four parking spaces in front of the business and eight spaces in the rear. The business has a \_\_” X \_\_\_” sign located on the front of the business.

The business is located in a mostly commercial area with several nearby stores. These stores consist of a real estate agency, clothing stores, Sheetz, and a tattoo shop. The average daily traffic volume according to the PA Department of Transportation is \_\_\_\_\_\_.

The building consists of a basement, the restaurant and bar that are on the first floor, and two apartments that are on the second floor. The restaurant is located on the main (first) floor and consists of the following: kitchen, office space, an indoor serving area, an outdoor serving area, and storage areas. Refer to **Attachment #** for *NAME’* floor plan.

The \_\_’ X \_\_’ kitchen is well equipped and all equipment is in good to excellent condition, with most equipment being less than one year old. This equipment consists of two new gas fryers, two new freezers, new kitchen sinks, a new hand sink, new storage shelving, a new hood fan motor, a side-by-side refrigerator, and a gas grill.

The indoor serving area seats patrons at the bar and surrounding tables. This area consists of a \_\_\_ dining area featuring \_\_ tables than can accommodate \_\_ guests. The main entrance to the pub is located in the dining area. There are \_\_ additional seats in the \_\_\_ bar area. A men’s restroom and a woman’s restroom are located in the back of the pub, adjacent to the bar area.

The outside serving area is located at the back of the facility and features a \_\_\_ deck with fence enclosed patio seating, this area seats \_\_ to \_\_ patrons at umbrella-covered tables and features a barbeque grill and a canopy covered ping pong table. Customers can enter and exit the outdoor serving area through the restaurant or through a gate at the rear parking lot.

The business has several storage areas. There is a \_\_\_ storage area offset from the bar area that contains a storage cooler and there is a storage closet next to the dining area. The \_\_ basement also is used for storage and features a keg cooler, an ice machine, a soda system, and storage shelves.

# **Products or Services**

## **Detailed Product or Service Description**

**Give a detailed description of the products and/or services your business provides.**

* **Provide a list of your products/services (you can include a list/menu of products/services as an attachment if available)**
* **Hours of operation and any observed holidays**
* **Payment options (cash, check, credit, debit card, or on account; if accounts are offered, what are the terms- net 30, 60, etc.)**
* **Warranty information**
* **Delivery or after-sale services**
* **Provide engineering and technical documentation if applicable in appendices**
* **Do you have any intellectual property rights?**

**Example:**

*NAME* offers a variety of menu items including appetizers, soups, sandwiches, salads, wings, burgers, daily specials, beverages, and beer. The business also offers a take-out menu. Refer to **Attachment #** for *NAME’* menu.

The business also offers entertainment on Saturday nights featuring musicians from Erie or Pittsburgh, Pennsylvania. *NAME* also offers “theme” parties, typically on Saturday nights, such as toga parties, luaus, and Halloween parties and has karaoke every Tuesday night. *NAME* attracts a large crowd for its football parties every Sunday where patrons can watch the games on the big screen television that is visible from almost anywhere in the pub.

*NAME* is open Monday through Friday from 11:00 a.m. to as late as 2:00 a.m., Saturday from 12:00 p.m. to 2:00 a.m., and Sunday from noon to midnight. *NAME* is closed Easter, Thanksgiving and Christmas holidays so that employees and patrons can spend time with their families.

## **Pricing Strategy**

**List the prices of your most common product(s) and/or service(s) in this section, and describe how you set your pricing. How will you price your products to stay competitive while still earning a profit? If you have a menu/price list, include it as an attachment. Example:**

Food and drinks are priced at margins common in the restaurant industry and comparable to the prices of local competitors. The average price for beer is $\_\_\_ for bottled beer, $\_\_\_ for draft beer, and $\_\_\_ for a pitcher of beer. The average lunch check per person is $\_\_\_\_ and the average dinner check per person is $\_\_\_\_. NAME accepts cash, personal checks if drawn on a local bank, debit cards, and credit cards. Again, please refer to **Attachment #** for the *NAME* menu.

## **Suppliers and Vendors**

**List your major suppliers of merchandise and other items required for the *operation* of your business. Do not include products such as cleaning supplies that do not directly contribute to providing products and/or services to your customers (unless you are in the cleaning business of course). Example:**

NAME purchases its food and paper products directly from COMPANY. Beer will be purchased through DISTRIBUTOR and liquor will be purchased from the PLCB.

## **Technology**

**Describe what technology you use in your business to furnish your products and/or services to customers. Example:**

NAME will use a point-of-sale system from COMPANY to track customer orders and provide them with receipts. The point-of-sale system will also be used to process credit cards. In addition, the business will utilize QuickBooks for recordkeeping, and the POS system will link directly to QuickBooks to enter daily sales.

## **Future Products and Services**

**Please list and describe products and/or services, if any, you plan to add in the future as your business expands, along with when you plan to add it. Example:**

In the future, NAME would like to offer food delivery service. The owners will add this service when it is financially and operationally feasible, and this is not incorporated into the three year projections accompanying the plan at this time.

# **Operations**

## **Operating Procedures**

**Describe the process(es) that your business uses to create products or serve customers. If you are a manufacturer, please describe your manufacturing process from beginning to end. Start with the purchase of raw materials, then the production process, and end with how payment is collected. Example:**

Customers can give their orders at the counter/bar or can have a server take their order. Customers must bring their checks to the cash register to pay their bills.

## **Distribution Strategy**

**How will you distribute your products and/or services to your customers? Do you offer delivery services? If so, describe them. If you ship items, do you pay the shipping costs or are they passed along to your customers? Example:**

Customers are either served at the counter after placing their order, or a server takes their food and/or drinks to them. Customers may call in orders over the telephone for take-outs, but the customers must pick up the orders themselves since delivery services will not be provided initially.

## **Operating Capacity**

**Describe the maximum number of customers that you can serve or products that you can produce per unit of time (hour, day, whatever time frame suits your business’s operations). How many products can be produced per “batch”? How many customers can you serve at a time? Example:**

The restaurant has seating capacity of 75 people. The kitchen can produce approximately 50 dishes per hour depending on the complexity of the dish and the time it takes to cook.

# **Market Analysis**

## **Target Market**

**Your target market describes who the most likely customers will be for your product/service. Describe the customers you want to attract to your business as well as their characteristics, including:**

* **If targeting consumers, provide a demographic profile of your ideal customer, and what the demographics are for your area (age, gender, geographic location, income level, social class, needs, values, etc.) *Note: The SBDC can assist with providing demographics and consumer expenditure given a specified target geography (ex. All of \_\_\_ county, 30 miles of the location, etc.)***
* **If targeting businesses, describe their: industry, location, size, etc.**
* **Describe the buying habits/preferences of your customers (seasonality, quantity, average expenditure)**
* **Provide geographic parameters (are you targeting a certain mile radius of your location, certain counties, etc.?). Be realistic in terms of the markets you’ll be able to serve.**
* **Is the market for your products segmented in terms of the types of customers? If so, how will you deal with this division? What characteristics will/do your customers usually have in common?**
* **What is the size of the market, and how much do you expect to capture?**

**Example:**

NAME is conveniently located along Route ???, in downtown CITY. Its target market currently consists of individuals between the ages of \_\_\_ and \_\_\_\_. According to the United States Census Bureau, Borough has a population of \_\_\_ people of which approximately \_\_\_ percent of the population is between the ages of \_\_\_\_ and \_\_\_\_.

The national median average of a typical restaurant’s customer base is percent \_\_\_ visitors and percent \_\_\_ local customers. Local customers are defined to be anyone living within a ###-mile radius of the business. The customer base at NAME will be approximately ## percent visitors and ## percent local customers. This mix of customers works because of the repeat business of local customers and the business’s reputation and location.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **10 Miles** | **20 Miles** | **30 Miles** | **Elk County** | **Pennsylvania** |
| **Demographic Comparison:** |  |  |  |  |  |
|  Total Population | 25,356 | 45,126 | 109,189 | 31,157 | 12,860,968 |
|  Total Households | 10,636 | 18,995 | 43,968 | 13,166 | 5,073,351 |
|  Average Household Income | $61,468 | $61,237 | $59,958 | $60,851 | $80,760 |
|  Median Household Income | $50,714 | $50,325 | $48,382 | $50,238 | $57,845 |
|  Per Capita Income | $25,958 | $25,951 | $24,691 | $25,855 | $32,272 |
|  Age 20 - 24 | 5.5% | 5.3% | 5.8% | 5.4% | 6.6% |
|  Age 25 - 34 | 9.6% | 9.7% | 11.3% | 9.4% | 13.1% |
|  Age 35 - 44 | 10.6% | 10.6% | 11.3% | 10.5% | 11.6% |
|  Age 45 - 54 | 15.5% | 15.1% | 14.5% | 15.5% | 13.6% |
|  Age 55 - 64 | 16.1% | 16.4% | 15.4% | 16.4% | 14.1% |
|  Median Age | 47.1 | 47.2 | 45.6 | 47.4 | 40.7 |
| **Average Consumer Expenditure:** |  |  |  |  |  |
|  Total Average Household Expenditure | $50,126 | $50,220 | $49,291 | $49,798 | $58,018 |
|  Food or Board at School | $18.62 | $18.64 | $18.11 | $18.35 | $25.76 |
|  Food on out-of-town trips | $192.42 | $192.72 | $187.72 | $190.65 | $234.41 |
| **Consumer Expenditure Food Beverage Comparison** |  |  |  |  |  |
|  Food Away From Home | $1,986.18 | $1,987.06 | $1,956.78 | $1,970.30 | $2,354.61 |
|  Lunch | $472.02 | $472.06 | $465.81 | $467.71 | $564.24 |

## **Industry Overview**

**Although the business environment is external and uncontrollable, understanding your industry will help you determine limitations or opportunities impacting your profit. Research your industry, and also request assistance from your local SBDC with industry research in order to complete the sections below. Include a description of your industry, trends, challenges, and outlook (growth).**

### **Description**

NAME is a part of the casual restaurant industry (NAICS 722511). The following information on the casual restaurant industry is from the D&B First Research Industry Profile as of February 6, 2017.

Companies in this industry provide food services in casual atmospheres to seated patrons who are served by wait staff and pay after eating. Major companies include Bloomin' Brands, Brinker International, and Darden Restaurants (all based in the US), along with Cara Operations (Canada), The Restaurant Group (UK), and Skylark (Japan).

The US full-service restaurant industry, which includes casual restaurants, comprises more than 230,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of about $225 billion.

### **competitive Landscape**

**Telecommuting Stalls Lunch Traffic**- Lunch visits, which account for a third of all US restaurant traffic, have been declining in 2016, and casual restaurant operators are developing solutions to win customers back. In the quarter ending June 2016, lunch visits at casual restaurants dropped 6 percent compared to the same quarter a year ago, a steeper decline than the average for all restaurant segments, according to NPD Group. The rise of telecommuting and online shopping have reduced the number of people looking for midday meals outside of their homes or offices; nearly 40 percent of Americans work from home for at least part of the week. Many restaurants have also been increasing menu prices to take advantage of stronger consumer spending, which may be further contributing to the decrease. While lunch is the largest foodservice segment, it can be tricky for restaurants to entice customers who don’t have much time for meal breaks or would prefer to save money by packing a lunch from home. Casual restaurants in particular are challenged by their reputation as places to sit down, hang out, and eat at a leisurely pace. Buffalo Wild Wings, for example, is primarily known as a sports bar and grill, but the chain is working to boost revenue at lunchtime by introducing a special menu with a 15-minute service guarantee.

**Take-Out Dining Options** - Offering take-out or curbside dining service can help a casual restaurant expand its customer base and lead to repeat business. Picking up orders for home dining has become a popular option for some busy families, especially in suburban markets. For casual restaurants offering the service, carryout business can account for about 10 percent of sales.

### **Products, Operations, & Technology**

**Increased Alcohol Sales** - Casual dining restaurants could profit from increased consumer interest in alcoholic beverages by offering more choices on the menu. The renewed popularity of classic cocktails, including the Manhattan and the Old Fashioned, is driving up sales of whiskey. Establishments that stock large selections of craft and specialty beers are also benefiting from booming growth in that market segment. Alcoholic beverages can account for more than 15 percent of revenue at a full-service restaurant.

**Targeting Millennial Diners** - The 18- to 30-something demographic is a major growth driver for restaurant operators. Millennials' purchasing power is forecast to reach $3.4 trillion by 2018 — more than that of the baby boom generation — according to Oracle. Casual restaurants may benefit from focusing on understanding the eating behavior of younger consumers, who tend to prefer custom food options, ethically sourced meats, and farm-to-table experiences.

**Marketing through Social Media**- Casual dining operators could make important strides in fostering customer loyalty by using social media websites like Facebook and Twitter. Social media savvy consumers tend to eat out more often than other adults, according to the National Restaurant Association, and they are more likely to feel that restaurants are an essential part of their lifestyle. Restaurants can use social media to promote special price offerings, new menu items, or other events. Social media with location-based services has special value, offering opportunities to reach mobile users as they search for their next meal.

### **Industry Forecast**

**Highly Competitive Industry** - Casual restaurants face increasing competition from a broad range of businesses engaged in food and food service. Within the casual dining sector, chains invest significantly in marketing and advertising efforts to drive traffic to their restaurants and steal customers from the competition. Fast casual chains that combine speedy counter service with higher quality menu items are luring away some traditional casual restaurant customers. Many grocery stores are offering more ready-to-eat and ready-to-cook meals, sometimes at better value than restaurants. Home cooking is also a significant source of competition.

**Minimum Wage Increases** - US restaurant operators are under growing pressure from advocacy groups and legislators to increase wages above the federally mandated baseline of $7.25 per hour. Voters in several states and municipalities have approved referendums that will require employers to pay employees $10 or more per hour, and some areas are ramping up to $15. Many restaurant owners oppose minimum wage hikes, arguing that they put an excessive financial burden on a labor-intensive industry that relies heavily on entry-level and part-time employees, according to the National Restaurant Association. Owners could have to raise prices, hire fewer employees, or cut other expenses if more states mandate wage increases.

### **Critical Issues, Challenges, & Opportunities**

Revenue (in current dollars) for US food services and drinking places is forecast to grow at an annual compounded rate of four percent between 2016 and 2020.

### **Industry Impact**

**Describe how the industry research you’ve found will impact your business. Is there anything you need to do differently based on the trends in the industry? What will make you succeed? Example:**

The casual restaurant industry is poised for moderate growth, fueled partially by growing consumer income, which will positively affect NAME. By offering take out service, NAME will look to mitigate the impact of declining lunch traffic by appealing to busy working professionals. Additionally, the owners plan on utilizing social media to take advantage of the growing opportunities to reach customers online, especially millennials.

# **Competitor Analysis**

## **Competitor Identification, Strengths, and Weaknesses**

**Describe businesses that you think will compete with you, both directly and indirectly. List their locations and major strengths and weaknesses. Will these businesses compete with you across the board or just for certain products, customers, or in certain locations? Include general information on their general businesses such as:**

1. **How long have your competitors been in business?**
2. **What is their address, and what is their proximity to your business?**
3. **Do they offer specialty products or services?**
4. **What makes their products or services unique?**

**Also include information that compares your business to your competitors including:**

1. **Your advantages; what you do better than your competition and what makes your offerings unique.**
2. **Your disadvantages; what your competition does better than you.**

**Be sure to consider key issues such as pricing, quality, customer perception, lead time, terms, location, services, and technology when making comparisons. Consider creating a table to summarize this information, or create a bulleted list. Example:**

NAME competes directly with many restaurants and bars in the TOWN area. The major competitors along with their proximity to NAME, years in business, strengths, and weaknesses are as follows:

| **Competitor** | **Location** | **Proximity** | **Years in Business** | **Strengths**  | **Weaknesses** |
| --- | --- | --- | --- | --- | --- |
| XYZ Company | Anywhere, PA | 5 miles | 5 | Established reputation, good location | High pricing |
|  |  |  |  |  |  |
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|  |  |  |  |  |  |
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|  |  |  |  |  |  |

Compared to these companies, NAME will be at a disadvantage in that the business will be new to the market and will require greater advertising to gain recognition. However, the business will be able to effectively compete by providing a greater range of menu options, and will strive to provide quality customer service that will keep customers coming back.

## **Barriers to Entry**

**What factors will make it difficult for you to start your business? Examples are high capital, production, and marketing costs; consumer acceptance and brand recognition; training and skills; unique technology and patents; unions; and shipping costs. How will you overcome these barriers? Example:**

The barriers to entry in the restaurant and bar business are location, experience, and funding. A very important aspect of a successful restaurant is location.

Another barrier to entry is experience. To be a successful restaurant owner, it is important to understand the business and to have had some previous restaurant management or operation experience.

# **Marketing and Sales Strategies**

## **Marketing Strategy**

**How do you plan to advertise and promote your business in the future? If you are already operating, how do you currently advertise your business? If you are purchasing a business, what current marketing methods are being used and will you change any of them? Do you have a website? What kind(s) of promotional offers will you offer if any? If appropriate, do you attend trade shows? Will you have any sales literature you will distribute (flyers, brochures, pamphlets, etc)? Example:**

The advertising strategies of *NAME* include radio advertisements, a website, e-mail blasts, weekly entertainment, community events, sponsorships, and word-of-mouth referrals. *NAME* will run holiday promotions throughout the year to capitalize on seasonal business opportunities such as New Year’s Eve parties.

## **Sales Strategies**

**Describe your main strategies for selling your products and/or services. Will you open for business, advertise, and wait for customers to come to your business? Does your business engage in telemarketing or mail/catalogue marketing? Does your business sell products or services directly to customers through salespeople? Example:**

Because of the nature of restaurants, no direct selling, telemarketing, or mail/catalogue marketing will be done by *NAME*. Take-out menus will be available to customers. Everyone in the business will strive to promote a positive sales environment that encourages customers to patronize the restaurant frequently and to tell their friends about the restaurant.

# **Human Resources**

## **Management Team**

**Who is responsible for day to day operations such as ordering merchandise and/or supplies, managing employees if you have any, dealing with customers, settling customer complaints etc.? If you have a partner(s) how will divide the duties among yourselves? What are the compensation methods? Profile key management by describing their skills, talents, education, and experience that will contribute to the venture’s success. Include resumes as attachments for each key management member. Example:**

The owners *NAMES* will supervise all aspects of operating the business. The owners will divide time spent in the restaurant equally among them and communicate with each other frequently about events as needed. With a combined 40 years of working in restaurants, the owners are confident that they have the skills needed to effectively establish and manage this new restaurant. For more information about their background, refer to **Attachment #** for *Owners’ Resumes*. The owners will withdraw a total of $30,000 per year.

## **Organization and Personnel**

**Describe the employees you will have, including positions needed for the next 3 years. Include their responsibilities, pay, projected hire date, hours worked, etc. Discuss any benefits provided if applicable. Describe the chain of command as to who is supervised by whom. Example:**

The owners will employ three employees initially, as detailed in the table below. The owner who is present at the time will supervise the employees and help out as needed to ensure smooth operation of the business.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Title** | **#** | **Responsibilities** | **Pay** | **Average hours per week** | **Hire Date** |
| Server | 3 | Seat and wait on customers, bus tables when needed, cash out customers | $2.83/hour, plus tips | 30 | 1/1/18 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

## **Outside Consultants**

**Who will provide the following services for your business? List any other consultants you will need such as web developer if you have a website.**

*Accounting*:

*Attorney*:

*Insurance*:

*Credit Card Processing:*

# **Sources and Uses of Funds**

**Explain what funds you are seeking, and how they will be used. Be sure to include all funds that will be required for the next three years. Specify where the funds will come from (bank, credit union or company, personal investment, etc.). Sources and uses must always be equal. Example:**

The total project cost for the start-up of NAME is estimated to be $\_\_\_\_\_\_\_. The sources and uses of funds for the project are as follows:

Sources:

 Personal Contribution $$$$$$$

 Commercial Bank Loan $$$$,000

 **Total Sources $$$$,000**

Uses:

 Land $,000

 Building ,000

 Working Capital ,000

 **Total Uses $$$$,000**

***Stop here! The rest relates to the financial projection******s, and the SBDC will help with completing it.***

# **Financial Data**

## **Projected Financial Summary**

|  |  |  |  |
| --- | --- | --- | --- |
| **Years Ending December 31:** | **2017** | **2018** | **2019** |
| **Projected Sales** |  |  |  |
| **Break-even Sales** |  |  |  |
| **Break-even Sales Buffer** |  |  |  |
| **Projected Sales Growth** |  |  |  |
| **Net Income** |  |  |  |
| **Ending Cash Balance** |  |  |  |
| **Long-Term Capital Needs** |  |  |  |
| **Commercial Bank Loan** |  |  |  |

## **Summary of Significant Assumptions**

These financial forecasts present to the best of the owners’ knowledge and belief, the company’s expected financial position, results of operations, and cash flow position for the forecast periods. Accordingly, the forecasts reflect the owners’ judgment of the expected conditions and its expected course of action as well as the historical statements of the business. The assumptions disclosed herein are those that the owner believes to be significant to the forecasts. There usually will be differences between the forecasted and the actual results because events and circumstances frequently do not occur as expected and those differences may be material.

The fiscal year, for purposes of the projected financial statements, will extend from January 1 to December 31.

### **Projected Balance Sheet Assumptions**

**December 31, 2018, 2019, & 2010**

**Assets**

**Current Assets**

***Cash***

Cash amounts are derived from the ending cash balances of the projected cash flow statements. It is assumed, but not reflected within these statements, that accumulated cash will be invested in interest-bearing accounts or used to pay down debt.

***Accounts Receivable***

Customers are expected to pay as follows:

|  |  |
| --- | --- |
| **Timeframe** | **Percent of Sales** |
| **0-30 Days** | 100.00% |
| **31-60 Days** | 0.00% |
| **61-90 Days** | 0.00% |
| **91-120 Days** | 0.00% |

***Inventory***

The inventory balance as of DATE is $$$$,000. It is assumed to increase relative to sales increases, which for the purposes of these financial projections are assumed to be ten percent annually.

**Fixed Assets and Depreciation**

All fixed assets are stated at cost and include:

|  |  |  |  |
| --- | --- | --- | --- |
|  **Assets** | **Cost** | **Useful Life** | **Annual Depreciation** |
| **2015** | **2016** | **2017** |
|  |  | years |  |  |  |
|  |  | years |  |  |  |

**Other Assets and Amortization**

All other assets are stated at cost and include:

|  |  |  |  |
| --- | --- | --- | --- |
| **Other Assets** | **Cost** | **Useful Life** | **Annual Amortization** |
| **2018** | **2019** | **2020** |
|  |  | years |  |  |  |
|  |  | years |  |  |  |

**Liabilities and Shareholders’ Equity**

**Current Liabilities**

***Current Portion LT Debt***

The current portion of long-term debt includes all principal payments due within the next fiscal year.

***Accounts Payable***

Includes the beginning balance of $. It is assumed based on historical records that ?? percent of purchases are paid within 30 days of sale,?? percent will be paid within 31 to 60 days

**Long-Term Liabilities**

The long-term portion of the loans payable consists of principal payments due in subsequent years. The terms of the loan are assumed, for the purposes of these projected financial statements, to be as follows: a commercial loan of $$$$000 with an assumed interest rate of ### percent, a term of ### years and monthly loan payments of $$$$, including principal and interest.

**Use the chart below if you have several loans.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Loan** | **Loan Amount** | **Rate** | **Term** | **Loan Payment** |
| Commercial Bank Loan | $,000 | % |  years | $0,000 |
|  | $,000 | % |  years | $000 |

**Shareholders’ Equity**

**Paid-In Capital**

Beginning capital contribution of $.

**Retained Earnings**

The prior years’ net income plus current year’s net income less owners’ withdrawals.

**Net Income/ (Loss)**

Includes net income or loss for each of the three projected years, which is revenue minus operating expenses and interest payments.

### **Projected Income Statement Assumptions**

**For the Three Years Ending December 31, 2020**

**Fiscal Year**

For the purposes of these financial statements the fiscal year will begin on January 1 and end on December 31.

**Sales**

The sales forecasts for the three-year period were derived from the historical sales recorded by the business and the owners’ best estimates. In the first year of projections, it is assumed that sales will increase approximately \_\_ percent based on annualized sales of the previous twelve months and all sales will increase by \_\_\_ percent in the second and third years of operation. Sales are projected to be $\_\_\_\_, $\_\_\_\_, and $\_\_\_\_, respectively, and include:

**Draft Sales**

The owners estimate that draft beer sales will be $or percent of total sales for the first projected year of operations.

**Bottle/Cooler Sales**

The owners estimate that bottle and cooler sales will be $or percent of total sales for the first projected year of operations.

**Take-out Sales**

The owners estimate that take-out sales will be $or percent of total sales for the first projected year of operations.

**General Food Sales**

The owners estimate that general food sales will be $or percent of total sales for the first projected year of operations.

**Cost of Sales**

Cost of goods sold was calculated by the owner on the basis of historical cost of goods sold and industry information. This cost averages \_\_\_ percent of total sales and includes:

**Draft Beer Purchases**

Includes cost of draft beer and is projected to be percent of total draft sales or $.

**Bottle/Cooler Purchases**

Includes cost of all bottled and can beer and is projected to be XX percent of total bottle/cooler sales or $.

**Food Purchases**

Includes cost of all food purchases and is projected to be xx percent of total take-out, general food and food special sales or $.

**NA Beverage Purchases**

Includes cost of all nonalcoholic beverages and is projected to be xx percent of nonalcoholic beverage sales or $.

**Operating Expenses**

Operating expenses are based on the historical results and the owners’ best estimates.

**Accounting and Legal**

Estimated to be $for the first year of projections for accounting services. In the second and third years of operation it is estimated to be $and $, respectively.

**Advertising and Promotion**

Estimated to be $for the first year of projections and includes the cost of a website and radio advertisements. It is assumed to increase five percent annually in subsequent years.

**Amortization**

See *Other Assets and Amortization* in the Summary of Forecast Assumptions for the Projected Balance Sheets.

**Cable**

Projected to be $ in the first year of projections and is assumed to increase five percent annually in subsequent years.

**Depreciation**

See *Fixed Assets and Depreciation* in the Summary of Forecast Assumptions for the Projected Balance Sheets.

**Equipment Purchase**

Projected to be $ in the first year of projections and includes the cost of small office equipment. It is assumed to increase five percent annually in subsequent years.

**Insurance (Business and Liability)**

Based on the annual insurance premium for general liability coverage. It is assumed to increase five percent annually in subsequent years.

**Insurance (Health)**

Based on … This expense is assumed to increase ten percent in years two and three of projections.

**Insurance (Vehicle)**

Based on … This expense is assumed to increase five percent in years two and three of projections.

**Internet**

Includes the cost of….. A five percent increase is assumed in subsequent years.

**License**

Projected to be $in the first projected year of operations. This expense includes the annual cost of a liquor license and amusement permit. It is assumed to increase five percent annually in subsequent years.

**Miscellaneous**

This is to cover any unexpected expenses and is projected to be $ in the first year of operation and is expected to increase five percent annually.

**Office and Operating Supplies**

Estimated to be percent of total sales for the first three projected years of operations and includes the cost of glasses, tableware, silverware, paper products, cleaning products, plates, cups, and straws.

**Payroll**

Estimated to be $ for the first year of projections and is assumed to increase five percent annually in subsequent years. This includes the salaries of the following:

* Two part-time cooks - $per hour for hours per week
* One part-time bartender - $per hour for hours per week
* One part-time bartender - $per hour for hours per week
* One part-time bartender - $ per hour for hours per week

**Payroll Taxes**

Includes the Employer’s portion of Social Security, Medicare, and state and federal unemployment taxes.s.

**Rent**

Rent expense is based on… This expense is not projected to increase in the second and third years of operation.

**Repairs and Maintenance**

Projected to be $in the first year of projections and includes the cost of equipment repair and maintenance and cleaning beer taps. It is assumed to increase five percent annually in subsequent years.

**Telephone**

Estimated to be $ in the first year of projections and is assumed to increase five percent annually in subsequent years. This expense includes the cost of one telephone line.

**Utilities**

Projected to be $ in the first year of projections and is assumed to increase five percent annually in subsequent years. This includes the cost of gas, electric, water, sewage, and garbage from the following suppliers:

* Gas:
* Electric:
* Water/Sewage:
* Garbage:

**Vehicle and Travel**

Based on ??? and includes the cost of ?????. It is assumed to increase five percent annually in subsequent years.

**Workers’ Compensation**

Calculated to be $?? per $100 of payroll and salaries for the first year of projections.

**Commercial Bank Loan Interest**

See *Long-Term Liabilities* in the Summary of Forecast Assumptions for the Projected Balance Sheets.

### **Projected Cash Flow Statement Assumptions**

**For the Three Years Ending December 31, 2020**

**Cash Receipts**

The projected Cash Flow Statements are divided into two sections. In the top portion, the net cash receipts (disbursements) for the period are computed. The bottom portion of the Projected Cash Flow Statements shows the calculation of the period-ending cash balance.

**Cash from Sales**

Cash sales include all sales collected within the month that goods and services are provided. This is projected to be **??** percent of total sales.

**Accounts Receivable**

This includes all sales collected after the month that goods and services are provided. Accounts receivable is projected to be only one percent of total sales and represents a contingency for bounced checks and uncollectible charges.

**Cash from Financing**

Personal Investment

An investment of $by the owner**(s)** is incorporated into these financial projections.

**Commercial Bank Loan**

A commercial bank loan in the amount of $,000 is incorporated into these financial projections.

**Use the chart below if you have several loans.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Loan** | **Loan Amount** | **Rate** | **Term** | **Loan Payment** |
| Commercial Bank Loan | $,000 | % |  years | $0,000 |
|  | $,000 | % |  years | $000 |

**Cash Disbursements**

Figures in this part of the statement are taken directly from the corresponding Projected Income Statements except as follows:

**Amortization**

Amortization does not appear on the cash flow statements, since amortization does not involve the disbursement of cash.

**Depreciation**

Depreciation does not appear on the cash flow statements, since depreciation does not involve the disbursement of cash.

**Other Disbursements**

**Loan Interest/Loan Payment**

While the Income Statements show only interest expense, the cash flow statements show interest and principal for the loan payments.

**Purchase Equipment**

Purchase equipment for $,000.

**Purchase Inventory**

Purchase of additional inventory to support the projected increase in sales in the second and third years of operation.

**Net Cash Flow**

**Opening Cash Balance**

Refer to *Cash* in the Summary of Forecast Assumptions for the Projected Balance Sheets.

***Cash Receipts***

Refer to *Cash Receipts* above.

***Cash Disbursements***

Refer to *Cash Disbursements* above.

**Ending Cash Balance**

Opening cash balance plus cash receipts minus cash disbursements.

### **Break-Even Analysis Assumptions**

**For the Three Years Ending December 31, 2020**

The break-even analysis is used to categorize costs between variable and fixed costs. Variable costs consist of costs that vary in proportion to sales. Fixed costs are not directly related to the level of sales and would include the sum of all costs required to produce the first unit of a product or provide the services. This amount does not vary as production increases or decreases until new capital expenditures are needed.

Total variable and fixed costs are compared with sales revenue to determine the level of sales volume, sales value, or production at which the business makes neither a profit nor a loss also defined as the break-even point.

### **Debt service Coverage Ratio**

**For the Three Years Ending December 31, 2020**

The debt service coverage ratio (DSCR) compares a business’s level of cash flow to its debt obligations. It is calculated by dividing the net operating income (Earnings Before Interest, Tax, Depreciation, & Amortization) with annual debt payments. A DSCR that is greater than 1 indicates that the business has enough income to cover their loan principal and interest payments.

### **Financial Ratio Analysis Assumptions**

**For the Three Years Ending December 31, 2020**

Industry profile ratios are based on the **Standard Industrial Classification (SIC) 5812** described as *Restaurant/Lodging – Limited Service Restaurants with annual sales of $0 to $1,000,000.*

**Financial Ratio Definitions**

|  |
| --- |
| **Assets** |

**Total Assets** are a calculation of each asset account as a percentage of total assets.

|  |
| --- |
| **Liabilities** |

**Total Liabilities**are a calculation of each liability account as a percentage of total liabilities and equity.

|  |
| --- |
| **Income Data** |

**Net Sales** are the total sales as shown on the projected income statement.

**Cost of Goods Sold** is the variable costs incurred in the manufacturing or sale of a product.

**Gross Profit** is calculated to be net sales less cost of goods sold and shown as a percentage of net sales.

**Operating Expenses** are calculated to be the total operating expenses as shown on the projected income statement as a percentage of net sales.

**Operating Profit** is calculated to be gross profit less operating expenses and shown as a percentage of net sales.

**All Other Expenses** are a calculation of expenses not included in operating expenses such as interest income and interest expense and is shown as a percentage of net sales.

**Profit Before Taxes** are net income as a percentage of net sales.

|  |
| --- |
| **Liquidity Ratios** |

**Current Ratio** indicates a company’s ability to service its current debt obligations. Generally the higher the current ratio the greater the cushion between current obligations and the company’s ability to pay them.

**Quick Ratio** reflects the degree to which a company’s current liabilities are covered by its most liquid current assets. Inventory and other less liquid current assets are removed from this calculation.

**Sales/Receivables** measure the number of times trade receivables turn over during the year. Therefore, the higher the turnover ratio of receivables, the shorter the time between the sale and collection of cash.

**Days’ Receivables** are the number of days that receivables are outstanding. This number is determined by dividing 365 by the value of trade receivables.

**Cost of Sales/Inventory** measures the number of times inventory is turned over during the year.

**Days’ Inventory** is the average number of days that inventory is on hand.

**Cost of Sales/Payables** measures the number of times that trade payables turn over during the year. Therefore, the higher the turnover ratio of payables, the shorter the time between the purchase and payment of a product.

**Days’ Payables** are the average length of time a trade debt is outstanding.

**Sales to Working Capital**show the ability to finance current operations. Working capital is a measure of the margin of protection for current creditors. This ratio shows the efficiency of how working capital is being used.

|  |
| --- |
| **Coverage Ratios** |

**Earnings Before Interest and Taxes (EBIT)/Interest** measures a company’s ability to meet interest payments.

**Net Profit + Depreciation/Current Portion of Long-Term Debt** shows how well cash flow from operations covers current maturities.

|  |
| --- |
| **Leverage Ratios** |

**Fixed Assets/Net Worth** measures the extent to which the owner’s equity (capital) has been invested in fixed assets such as real estate, improvement, and equipment.

**Debt/Net Worth** expresses the relationship between capital contributed by creditors and that contributed by the owners, thus showing how much protection the owners are providing the creditors.

|  |
| --- |
| **Operating Ratios** |

**% Profit Before Taxes/Net Worth** expresses the rate of return on tangible capital employed.

**% Profit Before Taxes/Total Assets** expresses pre-tax return on total assets and measures the effectiveness of management in employing the available resources.

**Sales/Net Fixed Assets** is a measure of the productive use of the company’s fixed assets.

**Sales/Total Assets** is a general measure of a firm’s ability to generate sales in relation to total assets.

|  |
| --- |
| **Expense to Sales Ratios** |

**% Depreciation/Sales** are the level of depreciation as it is compared to sales.

**% Compensation/Sales** are the level of officer compensation as it is compared to sales.