

Developing a Business Plan

Directions: Your goal is to create a viable plan for a *small* business. Working with a partner, create a formally typed business plan written in paragraph format AND a PowerPoint presentation to be shared with the class. The business plan should be placed within a report cover. The presentation should include roughly one slide for each part of the business plan. This assignment is worth a total of 125 points (business plan = 100 points AND presentation = 25 points).

1. Mission Statement and Niche (20 pts.)

Mission statements are brief and directly to the point. Consider the following questions: What does your company do? How do you do it? What value are you bringing to your customers? Also use this section to describe how your product or service is new or different from the competition. In other words, what sets your company apart, and why should consumers patronize your business? (*1 paragraph minimum*)

2. Physical Layout (10 pts.)

Determine how much space will you need (*this classroom is roughly 800 square feet*), what type of space will you rent (*industrial, retail, office, etc.*), and where the business will be located. Next, find an actual physical location for lease (*rent*). Many suitable locations can be found on Loopnet.com or Craigslist. Pay close attention to the amount of rent you must pay, as this will be factored into your overall monthly costs. Often times, it is written as \$/square feet/year. For example, your retail space could be listed at \$15/SF/year. If you have 1000 square feet, that equals \$15,000 per year. To calculate the monthly cost, simply divide the total yearly cost by 12. In this scenario, your monthly rent would be \$1,250.

After you find a location, and determined your monthly cost for rent, decide how you will physically organize the space. Include an 8.5" x 11" diagram of the floorplan. Be sure to include all furniture and machinery located in the space. You must use a computer program (*Word, Paint, InDesign, etc.*) to create the graphic.

3. Market Analysis (10 pts.)

Identify three local competitors. Answer the following questions for each: How long have they been in business? How many employees do they have? How many locations do they have? How much do they charge for comparable items or services? How much did they earn in sales last year? How is their business different than yours? This section needs to be as thorough as possible. If no direct competitors exist, expand your search radius or include businesses that sell substitute goods/services. You may need to make some phone calls for this part of the assignment! (*1 paragraph minimum for each competitor*)

4. Management Team (10 pts.)

Describe your role within in the company. What will be your responsibilities on a day-to-day basis? What qualifies you to fulfill this role? What role will your partner play within the company? What qualifies your partner to fulfill this role? Will you hire additional employees in the future? Describe your ideal worker, and explain his or her expected role(s) within the company. (*2 paragraph minimum*)

5. Marketing Plan (20 pts.)

Create a name, slogan and logo for your company. This will convey your company's overall image to the public and potential investors. This is a very small piece of the puzzle. THIS SHOULD NOT OCCUPY ALL OF YOUR TIME.

The first year of business can be one of the most difficult and stressful times, especially if you have very few customers. Explain how you plan to market your product or service. How will you advertise and how

will you attract customers? How much will your marketing plan cost? Develop a sample flyer or other promotional material, and store sign for your grand opening. (1 paragraph minimum + 1 graphic or visual)

6. Potential Weaknesses (10 pts.)

Analyze your company’s weaknesses. Identify at least three potential problems you might encounter during your first year of business and explain how you plan on overcoming each of these problems. (1 paragraph minimum)

7. Company Expenses (10 pts.)

How much will it cost to start and operate your business on a monthly basis? Use Word or Excel to create a table like the one below. Start-up costs include anything necessary to get your doors open (i.e. first month’s rent, building renovations, furniture, signage, first month’s salaries, etc.). In order to pay the start-up costs, you will obtain a loan from a bank that needs to be repaid over 5 years (or 60 months) at a 6% interest rate. Use Bankrate’s Loan Calculator to estimate your monthly loan cost. You will include this payment in your list of fixed costs.

Next, create a list of your monthly fixed costs (i.e. rent, managers’ salaries, company car payment, car insurance, start-up loan payment, etc.) and monthly variable costs (i.e. electricity, water, materials and resources, hourly wages, etc.). Variable costs may be estimated. Once your list is complete, find the monthly total. A sample cost table has been provided below. Your table should contain more items.

Start-Up Costs (\$)		Monthly Fixed Costs (\$)		Monthly Variable Costs (\$)	
My Salary	2000	Rent	4000	Electricity	500
1 st Month’s Rent	4000	My Salary	2000	Water	100
Furniture	2000	Advertising	2000	Misc. Supplies	250
Inventory	5000	Start-up Cost Loan	339		
Cash Registers	4500				
<i>Total Start-Up Costs</i>	17500	<i>Monthly Fixed</i>	8339	<i>Monthly Variable</i>	850
				<i>Monthly Fixed</i>	8339
				Total Monthly Cost	9189

8. Production Cost and Revenue Schedule (10 pts.)

How many products do you need to sell in one month in order to cover your monthly expenses? Use Word or Excel to create a table that shows: total product, total cost, marginal cost, marginal revenue, total revenue, and profit. To start your table, identify one item that you sell. If you own a coffee shop, and you sell all sorts of other pastries and drinks, just select one item. Your total cost should include your monthly cost from the section above. If necessary, use Figure 5.9 on page 143 of the textbook as a reference.

Total Product	Total Cost (\$)	Marginal Cost (\$)	Marginal Revenue (\$)	Total Revenue (\$)	Profit (\$)
0	9,189	---	---	0	-9,189
1000	9,189	0	10	10,000	811
2000	10,189	1	10	20,000	9,811

Next, plot your total costs and total revenue on a graph (x-axis: quantity and y-axis: price/revenue). At what point of production will your total revenue exceed your total monthly cost? In other words, how many products do you need to sell to be profitable? Use Microsoft Word or Excel to create your graph.