



SAMPLE BUSINESS PLAN (A SERVICE)

SMITH E-COMMERCE CONSULTING
MARY SMITH

May 4, 2005

SECTION 1: THE BUSINESS PROFILE

Description of My Business

I plan to provide a complete service for the design, installation and maintenance of e-commerce marketing functions for my retail clients. I intend to evaluate the success of each installation and follow up to make changes to improve the effectiveness of the each site.

Targeted Market and Customers

My customers will be small businesses that can enhance their present sales by the utilization of e-commerce. Typical clients will require sites for the dual purpose of providing 24-hour information to customers as well as providing a purchasing venue. Potential clients are businesses in which e-commerce can provide additional incremental sales. The businesses will range widely: from restaurants to neighborhood drug stores.

Growth Trends In This Business

The market for my services is growing at an unprecedented rate. According to Mary Meeker of Morgan Stanley, there are now 250 million Internet users internationally.

Can you document from trade sources the anticipated rate of growth of your industry? If industry sources are not available, you will need to give a logical explanation as to the trend and potential of your intended market. This segment will provide you and your backers with information as to whether your market is growing or shrinking.

Pricing Power

Initially, my pricing power will be limited by what other consults charge for their time. However, I expect my business to be built by favorable word-of-mouth and my services to command a somewhat higher schedule of rates than average. I therefore expect that my reputation will gain me a degree of pricing power. Another factor is if my type of services are rendered ineffectively, it can be very costly and of no value to a client. On the other hand, if done well (by myself) the services can be affordable and immensely valuable. By gaining this reputation, I expect to be well paid for my work.

SECTION 2: THE VISION AND THE PEOPLE

Through my work experience and my former moonlight business, I possess unique skills to provide specialized E-Commerce services. Also, I have had a long-term desire to be in business full time for myself and to utilize this knowledge. I have worked with many hardware and software vendors and website designers. Utilizing the resources of these associates, I can demonstrate competency in all aspects of successful e-commerce implementation. I am passionately committed to my new business and have the realism to make inevitable hard choices.

Educational Credentials

My education includes: _____ grade school, graduation from _____ high school (class of _____).

My higher education includes a _____ degree earned in _____ at _____ university, _____ year.

In _____ school I participated in the following activities (student council, student body officer, sorority/fraternity, clubs, etc.) I have also taken the following courses and seminars: My Own Business Internet Course, _____, _____.

My hobbies are: _____

My ongoing education includes subscriptions to the following professional journals: Wall Street Journal, Plastics World, etc.

I belong to the following professional and service organizations: National Association of Importers, Rotary Club, etc.

Work Experience Related to My Intended Business

My work experience has been as follows:

1995 – 1998: Position _____ at _____ Co. Describe your work responsibilities in detail: _____

1998 – 2000 Position _____ at _____ Co. Describe your work responsibilities in detail: _____

My work experience with _____ company mentioned above included responsibility for web-site design, implementation and maintenance. I have included a list of work references and character references in Exhibit A, attached.

I belong to the following professional organizations: National Association of E-Commerce Designers

SECTION 2: THE VISION AND THE PEOPLE

My consulting service will require specialized knowledge in all aspects of implementing E-commerce sites for small businesses. I have been moonlighting in this activity for 2 years and have successfully executed contracts with 5 small businesses. (See Exhibit __ including references, attached). I feel that this background qualifies me to undertake this business on a full time basis.

SECTION 3: COMMUNICATIONS

Computer and Communications Tools

My business equipment requirements consist primarily of computer and communications tools. I have all of the following resources in place:

Resource Requirements:

Communications

Enter a description of all communications equipment.

Telephones

Enter a description of all telephone equipment.

Pagers

Enter a description of pagers.

Facsimile

Enter a description of all fax equipment.

Computers

Enter a description of all computer equipment.

Internet

Enter a description of necessary Internet providers.

SECTION 4: ORGANIZATION AND INSURANCE

Business Organization

I plan to operate as a sole proprietorship. Because of the personal liability associated with this form of organization I realize that insurance coverage will be very important and I intend to be adequately insured and represented by an expert insurance agent. In the future, as my consulting business grows, I will discuss with my lawyer if or when it would be advantageous to switch to a subchapter S corporation.

Professional Consultants

I feel it is important that my team of professional advisors be in place before I start in business. Here is a list of these professionals:

Attorney: Daisy Deposition.

Accountant: Sam Shelter

Insurance Agent: Tom Tornado

Banker: Bruce Bucks

Other: _____

Licenses

Smith Consulting Services will require the following licenses:

I will need to research the requirements for my own location and circumstances. I will be checking with:

1. City Hall: This could include the business license department, planning department, building department, etc.
2. Sam Shelter, my accountant, will give me advice on federal, state and local reporting and licensing requirements.
3. My lawyer, Daisy Deposition, will provide me with a checklist.

Insurance

I plan to use the services of Tom Tornado, my insurance agent. My insurance policies and limits of coverage are as follows:

Mr. Tornado will provide me with a tabulation of all insurance policies and limits of liability.

SECTION 5: PREMISES

Location Criteria

I intend to start operating out of my home office for a period of about 6 months. I then plan to establish my business in a retail location that will give me prominent visibility in my community. My intention is to locate in an anchored neighborhood shopping center that has a large retail anchor store.

I will use the following criteria in establishing my retail location:

- See attached "Basic Provisions for Commercial Lease" which I will use as my guideline.
- See attached "Lease Check-off List".
- My attorney will review my lease.
- I will ask the landlord to provide my necessary tenant improvements including wall partitions, etc., per the attached "Exhibit C".
- Demographic study if needed (attach).
- Signs and visibility.
- I will be using a "Site Criteria Table" to evaluate locations under review. See attached format.
- I anticipate my occupancy cost as a percentage of sales not to exceed ____ %.
- Zoning and use approvals

SECTION 6: ACCOUNTING AND CASH FLOW

Accounting

My knowledge of accounting is fair. My accounting training has included _____ (describe), but I plan to take a brush-up course at _____.

The accountant I plan to work with is Sam Shelter.

Accounting and payroll software programs: I will be using the following systems:

_____.

Method of accounting: I will use the Cash Basis method of accounting. I do not plan to be maintaining any inventories and this method will be simpler to understand and account for.

Business records: I will keep my company accounts and records separate from my personal records.

Tax issues: My accountant will help me set up records for payments of social security tax, estimated income tax payments, payroll taxes and state withholding and sales taxes. My federal employer identification number (FEIN) is: _____. My state identification number is: _____.

Internal controls: My accountant will help me set appropriate controls for handling funds in my business. Purchasing, capital acquisitions and signing of checks will not be delegated.

Quarterly returns: Taxes will be paid in the appropriate time frames. My accountant will help me set up resale permit records for reporting to my state franchise tax board.

Bank account reconciliation: Bank accounts will be reconciled on a monthly basis.

Balance sheet: Attached is a separate exhibit of my starting balance sheet. Included is a schedule of equipment and fixtures needed that will appear on my balance sheet.

Income statements: Attached is my projected income statements for the first six months and one year

SECTION 6: ACCOUNTING AND CASH FLOW

Cash Flow Planning

Attached is an exhibit of my one-year cash flow analysis including estimated sales, all costs and capital investments. I have included a checklist of all expense items for input into my cash flow projection.

Analysis of Costs

I intend to bill my services at a cost of ____ per hour and to mark up equipment ordered on behalf of clients ____%. A cost-breakdown form will be used to estimate every contract. Each prospective client will be furnished a written contract outlining all costs including a not-to-exceed maximum, based on my cost-breakdown analysis. My terms of payment for my services will be: _____. Extras will be approved in writing before commencing work. Maintenance contracts will be handled on a cost per hour basis.

Internal Controls

My accountant is experienced in my type of service business and will set up systems to handle receipts, accounts payable and accounts receivable. I will be the only person authorized to sign purchase orders, make capital acquisitions and sign checks. I do not plan to carry any inventory of equipment for resale.

SECTION 7: FINANCING

Financing Strategy

My requirements for start-up capital are as follows:

Attached is a list of expenses for which I will require either start-up capital or financing. These items include buying supplies, office fixtures and start-up overhead expenses. These expenses are included in my monthly cash flow projection to indicate the ongoing requirements for cash and start-up overhead expenses. These expenses are included in my monthly cash flow projection to indicate the ongoing requirements for cash.

My sources of cash for starting my business are as follows. I have provided a spreadsheet showing all of the sources of my start-up capital.

My sources of financing for starting my business are indicated in the following spreadsheet. While I will not be depending on banks for financing, there will be other resources available to me such as leasing of office furniture and computer equipment when needed for upgrading. My referrals to financing resources include the following helpful contacts: my accountant and my father-in law.

I am prepared to make presentations to potential lenders. My presentation kit includes this business plan, my personal financial statement and personal tax returns. I will be prepared to be specific in my needs for financing, the payback program and my sources of repayment. I will furnish potential lenders with a cash flow projection showing these sources of repayments and I will be conservative in my forecasts.

SECTION 8: E-COMMERCE

E-Commerce Plans

As a consultant in this field, I plan to develop an Internet site that will function as a billboard to display my work. My site will be devoted to primarily advertising and as a channel for feedback from my clients.

E-Commerce Budgeting

I have the equipment and know-how to design, implement and maintain my website. I presently own all necessary equipment with no debt and I plan to lease upgrades as needed in the future.

E-Commerce Competition

In my consulting practice, my website will be a tool to define my highly specialized focus on service to small businesses. None of my competitors currently do so.

SECTION 9: ACQUISITIONS

Due Diligence Procedures for Acquisitions

I may have opportunities to acquire E-Commerce consulting businesses in the future. In order to position myself to investigate acquisitions intelligently, the following “Due Diligence” process will be adhered to.

I will use a team of experts to give specific advice on the various components of the acquisition:

- Attorney
- Accountant
- Banker
- Broker
- Equipment supplier
- Other business owners

The following information will be required:

1. Sellers records and verification of revenues
2. Current financial statements
3. Cash deposit records
4. Supplier bills
5. Financial comparisons of similar businesses
6. Other _____

Valuation analysis will include:

- Method of purchase; stock, assets, etc.
- If a franchise, interview with randomly selected franchisees
- Evaluation of predictable future earnings
- Status of seller’s motivation to sell
- Sources of acquisition financing
- Inspection of seller’s personal and business tax returns
- Evaluation of leases and contracts
- Quality of improvements
- Quality and size of inventory. Obsolete merchandise?
- Condition of receivables
- Status of payables
- Status of verified order backlog
- Evaluation of customer relationships and goodwill
- Evaluate government approvals and licenses
- Status of pending litigation
- Other _____

SECTION 10: MARKETING

Marketing Plan

I plan to develop a list of leads from the installations I made as a moonlight operator. My sales kit will include letters of recommendations from these former customers and descriptive information about their sites. I plan to create a PowerPoint presentation, which will incorporate visitation to e-commerce sites I have created for prior clients.

In addition to these referral prospects and local newspaper advertising, I plan to conduct a highly targeted mailing campaign with telephone follow-through with local businesses that are prime targets for e-commerce marketing.

Advertising and Promotion Plans

My initial advertising budget will be \$1,000 per month for local print media, mainly in the following local newspaper _____. I will be using _____ advertising agency (local and small) to create and place my advertising and to create my logo, stationery, and basic brochure. Estimated cost including creation and initial print run of brochure and business forms: \$5,000. Future direction for advertising and promotion will be directed by the growth rate of my business. Overall, I plan to budget _____% of my sales for advertising and promotion.

I also plan to join my local Rotary Club and Chamber of Commerce as a means of networking with local business leaders.

Purchasing and Inventory Control

In my service business, merchandise and management of inventories will not play a large role. However, I will be acting as an advisor for equipment that is ordered for my client's installations. Equipment will normally be shipped direct from the supplier to the client and billed to the client by the vendor. I will however be writing the specifications on equipment purchases and the following purchasing policies will be maintained.

Purchase Orders will include:

- Price and terms
- Price protection
- Always in writing
- Complete specifications
- Delivery deadlines
- All promises will be verified in writing
- Appropriate contingencies will be included in purchase orders

Any changes or extras must have prior approval in writing Internal controls will be in place for shipping and receiving.

SECTION 10: MARKETING

Training Policies

For the next one to two years I will personally handle marketing. But I will not be able to grow with only myself in a sales capacity. As my business matures, I will hire marketing consultants to expand sales activity. Widget Corporation, my first consulting job under my new company, has shared their intended policy for marketing personnel and I plan to follow their overall guidelines. (See above).

However, the incentive compensation plan for my business will not be on a commission basis but will depend on the overall profitability of each assignment. I want my consultants to be motivated by incentive compensation that is focused on their individual achievements, rather than on overall company performance.

The Competition

My principal competitors are Bigtime Consultants LLP, Local Moonlighting Company, and individuals (list them). Give a brief sketch of each of them including who they sell to and their strengths.

How I Plan to Take Advantage of Competitors' Weak Points

My established competitors are either too big and expensive or too small and under-qualified to successfully handle the small emerging retailers whom I plan to target. My unique advantage is my experience in all phases of the components required to install successful e-commerce operations. If any one of these components is lacking, customers can waste large amounts of money and even peril their overall businesses. Example: Small competitor A installed a system at _____ which turned out to be of zero value but cost the firm \$_____, nearly bankrupting them. So my focused experience and successful projects will be my key to building a niche and reputation.

SECTION 11: GROWTH PROGRAM

Expansion

Once my business has been established I plan to implement the following growth strategy. I anticipate it will take approximately ____ (months or years) to gain sufficient experience and level of profits before any expansion plans are implemented. (If you have some idea of how you plan to grow the business, explain your overall vision for your company's future.)

My growth strategy will be guided by the following:

I will not set an inflexible timetable for expansion but will wait until a sound basis of experience, earnings and cash flow is achieved. (If you intend to expand as a chain of stores or units, here's where you should take a stand to say that your initial pilot operation will be on a sound earnings basis before you begin to add more units.)

Accounting and cash flow controls will be in place with profit and loss statements prepared for individual expansion units on a ____ (monthly, etc) basis.

Internal controls for accounting, money handling and inventory will be in place.

My attorney will review all documentation. This will include leases, employment and incentive agreements, licensing agreements, and important commitments.

Hiring and training policies will be in place. Fringe benefit plans will be in place.

I will delegate authority and responsibility with the following guidelines: 1. Managers will be motivated by a profit incentive plan that will be tied to individual success. My plan will be in writing, simply stated and will call for frequent periods of accountability. A sample of my manager's incentive compensation plan is attached.

2. Capital allocations and signing checks will not be delegated.

I intend to maintain an ongoing study of my competitors. Their successes and failures will help me form guidelines on what to do and not to do.

SECTION 11: GROWTH PROGRAM

Handling Major Problems

My policy in handling problems will be to identify and acknowledge problems promptly and honestly. I plan to put the following policies into effect promptly if the following adverse scenarios emerge during my growth program:

The risk of running out of cash: I plan to maintain very frequent (_____monthly?) cash flow projections. Forecasts for income, expenses and unanticipated contingencies will be stated conservatively. Any periods of cash deficits will be remedied promptly by cutting costs to maintain a positive cash flow and profitability.

A drop in sales or insufficient sales:

1. I will be prepared to take prompt remedial steps by cutting costs.
2. I will improve every aspect of product value, performance and image
3. I will seek out new ways to expand sales by _____.
4. I plan to stick with this specialized business that I know best.

Dishonesty, theft, and shrinkage: I intend to implement the same policies that have been proven by _____ company, one of my biggest competitors.

Business recessions: I am prepared to promptly cut costs to maintain liquidity. I will also be on the lookout for good business opportunities during periods of adversity.