

Business Plan Basics



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The UH Bauer College SBDC is a business advising and training center of the University of Houston Texas Gulf Coast SBDC Network serving 32 counties in Southeast Texas. The SBDC program is funded in part through a Cooperative Agreement with the U.S. Small Business Administration.



Objective

The objective of this presentation is to give you tools and guidance needed to prepare you to write a Bankable Business Plan.



About Me



- ❖ Current: Director, University of Houston Small Business Development Center, Houston Office
- ❖ Former small business owner
 - ❖ Jersey Mike's Franchisee
 - ❖ Three locations in Houston
 - ❖ 45 employees
 - ❖ Sold business in 2022
- ❖ 20 Years in brand marketing for Coca-Cola, The Hershey Company & General Mills





★ THE SBDC IS A RESOURCE PARTNER OF THE SBA PROVIDING NO-COST SUPPORT TO SMALL BUSINESSES



**One-on-One
Business Advising**

Training

- Business Planning
- Capital Access
- Sales & Marketing
- Market Research
- Business Legal Structure
- Financial Analysis
- Hiring Employees
- Permits & Tax Responsibilities
- Accounting/Bookkeeping



Agenda

- Business Plan Purpose
- Types of Business Plan Templates
- Key Parts of the Business Plan
 1. Executive Summary
 2. Company Profile
 3. Products & Services
 4. Customer / Market Profile
 5. Competitive Profile
 6. Industry Profile
 7. Marketing / Sales Strategy
 8. Management / Ownership
 9. Operations / Administration
 10. Financials / Tracking

ONE SIZE
DOESN'T FIT ALL



Why Write a Business Plan?

- The purpose of the plan is to provide written direction for the company (and often to obtain funding).
- Management should review the plan annually to assess progress.



Part of a Complete Loan Proposal

- Anyone who will own at least 20% of a business will need to complete:
 - Personal financial statement
 - Business financial statements (if relevant)
 - Three years personal tax returns
 - Three years business tax returns (if relevant)
 - Resumes for owners and managers
 - Budget outline/use of proceeds
 - Business Plan
 - Other documents as requested:
 - Commercial lease
 - Business license
 - Building permit
 - Asset purchase agreement
 - Franchise agreement
 - Business debt schedule



General Rules of Thumb

- Three Most Important Sections
 - Executive Summary
 - Management Team
 - Financial Projections
- Simple & Clear – Explain your business as if you were talking to your grandmother
 - Minimize industry jargon
 - No flowery language “Tell it, don’t sell it.”
- Must be in writing or it’s just another idea
- Max of 12-16 pages



The Business Plan

1. Executive Summary
2. Company Profile
3. Products & Services
4. Customer / Market Profile
5. Competitive Analysis
6. Industry Profile
7. Marketing / Sales Strategy
8. Management / Ownership
9. Operations / Administration
10. Financials / Tracking



Case Study Business



Victoria Cunningham decided to open her own bakery. She has worked for ten years for two different retail bakeries – the last focused on bread. Victoria has a knack for creating amazing, scratch made, whole grain bread.

Executive Summary

- Write this last
- Summarize the most important points from your business plan
- Two pages maximum
- Executive Summary Template
 - Brief description of the business and the leadership team
 - Method: how and why you will succeed
 - Financial resources needed
 - Payback



Company Profile

- Description
 - Explain what your business does in simple terms.
- Mission
 - Can be somewhat aspirational.
- Principle Members
- Legal Structure
 - Sole Proprietorship
 - Partnership
 - LLC
 - C-Corp



Company Profile

- **Description:**

- Victoria's Bakery is a full-service bakery and coffee shop that serves scratch-made artisan pastries and gourmet coffee. We use only natural, organic ingredients and all our products are made fresh daily.

- **Mission:**

- Victoria's Bakery will become a trusted part of the community by offering consistent, high-quality products served with the best customer service. We strive to become a "second-home" to both our customers and our employees, where they know they will always see a smiling face and a welcoming environment.

- **Principle Members:**

- Owner/General Manager: Victoria Cunningham
Ten years of retail bakery experience as a head baker and general manager.
- Assistant Manager/Head Baker: Brad Gonzales
Six years retail bakery experience.

- **Legal Structure:**

- Victoria's Bakery will be structured as a Limited Liability Company (LLC)

Products & Services

- Clarify exactly what your business offers, and your plans for the business's future direction (suggested length: one or two paragraphs).
- Include your pricing plan.
- What makes your products/services unique?
- If selling products, how will your source?

Products & Services

Victoria's Bakery will specialize in artisan breads, pastries, and gourmet coffees. The menu will feature 100% organic ingredients and will be known for the highest quality products made from fresh ingredients.

In order to streamline ingredient sourcing and increase operational efficiency, Victoria's Bakery will focus on a limited menu of breads, pastries, and gourmet coffees. This will allow us to limit the amount of ingredients and inventory required to have on-hand and will reduce food/ingredient waste. This limited menu will require less equipment, including only some basic pieces of equipment needed for start-up, including a bread oven, proofer, mixer and espresso machine.

Pricing:

Victoria's Bakery will be a premium priced bakery. Our menu prices will be comparable to other high-end bakeries in central Houston.

Artisan Breads/Pastries

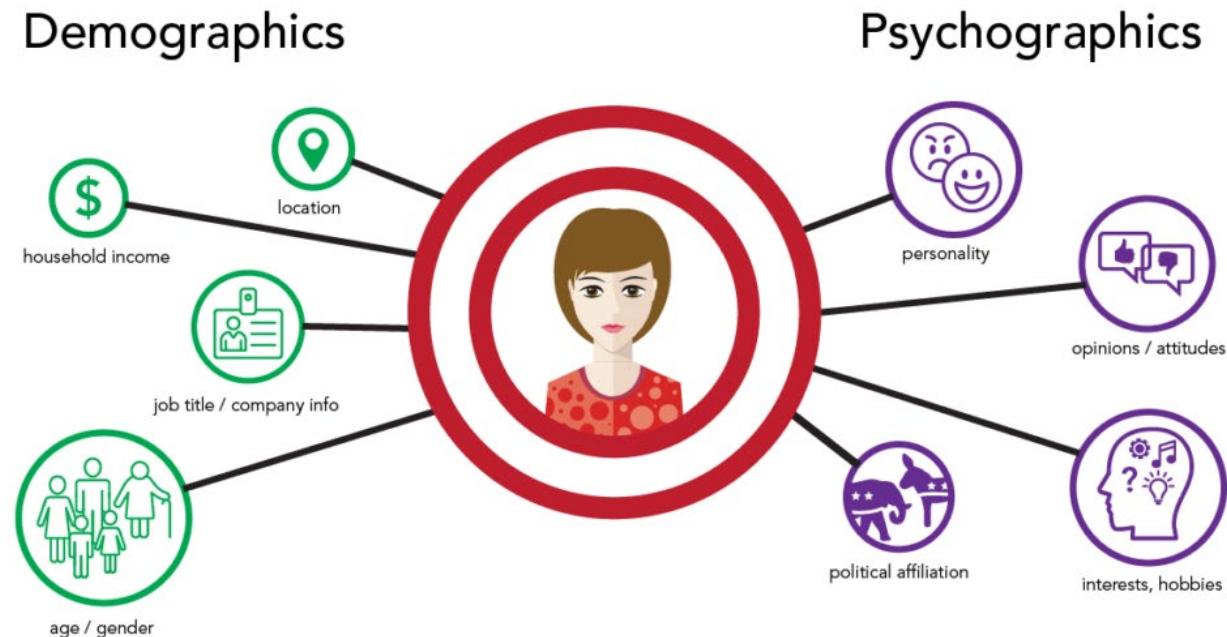
Artisan Bread (1 loaf)	\$	5.00
Danish	\$	2.00
Muffin	\$	2.00
Croissant	\$	2.00

Coffee

Americano	\$	1.50
Cappuccino	\$	2.00
Latte	\$	2.00
Iced Coffee	\$	2.00
Cold Brew	\$	2.00

Customer/Market Profile

- Target Market:
 - Demographics: age, gender, income, geography
 - Psychographics: lifestyle choices, likes/ passions
 - For business customers: size, industry, number of employees, geography
 - Quantify the potential size of your target market



Customer/Market Profile

Victoria's Bakery: Target Market

Our target market are middle-to-upper income millennials (25-45) who live within a 5-mile radius of Victoria's Bakery, located at 7670 Katy Freeway. These customers enjoy active lifestyles and are always on-the-go. They have high standards and are willing to pay for high quality baked goods and coffee.

Victoria's Bakery will operate in a very population dense area of Houston. There are 450k residents living within a five-mile radius of the Bakery.



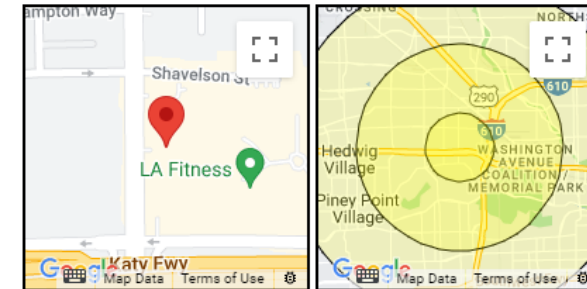
EASI Updated Site Selection Reports & Analysis Summary Report

Location: Victoria's Bakery

Address: 7670 Katy Freeway, Houston, TX

Latitude: 29° : 47' : 09"

Longitude: -95° : 28' : 03"



Description	1 Miles	3 Miles	5 Miles
DEMOGRAPHIC OVERVIEW			
Population	12,505	118,354	449,032
Households	5,491	53,861	202,273
Total Household Income (\$)	1,102,757,540	9,268,890,367	30,724,192,898
Median Household Income (\$)	95,336	99,638	86,519
Median Age	37.8	37.7	35.0
POPULATION BY RACE			
White Population	7,027	66,618	227,391
Black Population	881	7,433	39,599
Asian, Pacific Islander Population	1,065	9,089	36,520
American Indian and Alaska Native Population	110	1,105	5,375
Other Race Alone Population	1,360	16,438	71,989
Two or More Races Population	2,062	17,671	68,158
POPULATION BY ETHNICITY			
Hispanic Population	3,733	37,966	157,246
White Non-Hispanic	5,996	57,211	188,758
BLOCK GROUP COUNT	10	93	340

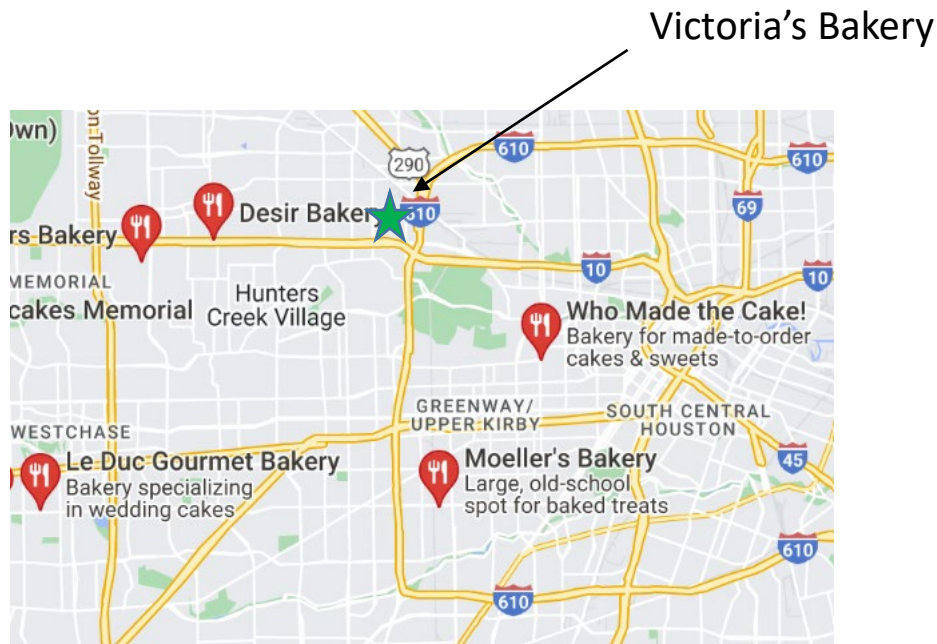
Competitive Analysis

- Competitors' Offerings:
 - Location
 - Pricing
 - Product line
 - Management team, advertising, customer service
- Direct Competitors: Offer products/services similar to yours.
- Indirect Competitors: Products/services that could be substituted for yours.



Competitive Analysis

While there are four bakeries within a five-mile radius of Victoria's Bakery, there are no bakeries within a three-mile radius, leaving a large area with no neighborhood bakery to serve the local clientele.



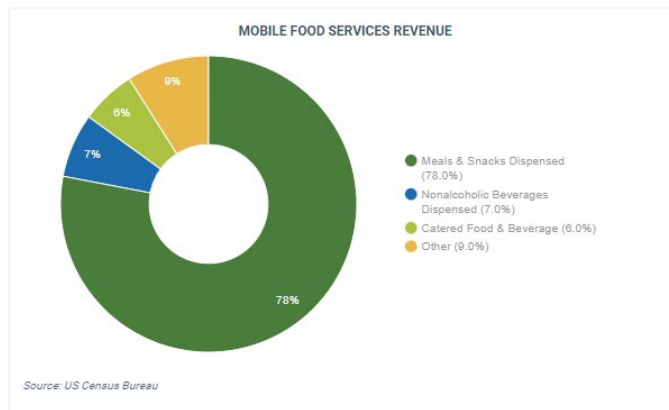
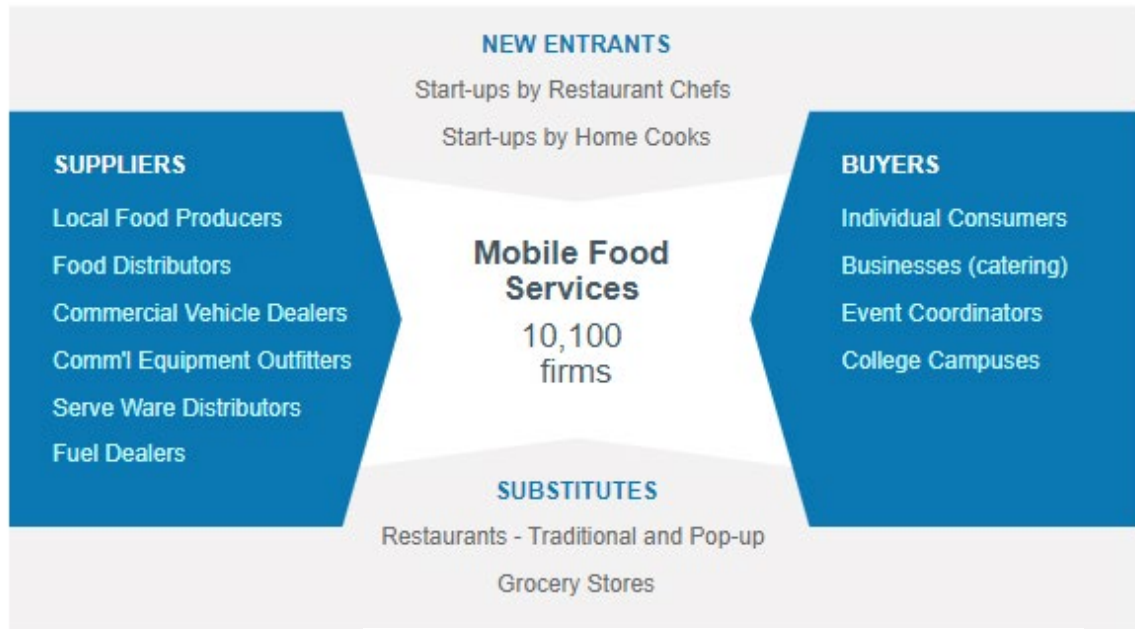
Direct Competitors

- Desir Bakery
 - Serves a variety of Asian bread pastries
 - Poor Google Reviews (2.7 rating)
- Three Brothers Bakery
 - Family bakery specializing in cakes and pies for pick-up and take-put
 - Does not offer in-store seating or coffee
- Who Made the Cake!
- Moeller's Bakery

Indirect Competitors

- Kolache Factory
- Shipley's Donuts
- Bob's Bagels

Industry Profile



- Industry trends – include research!
 - A typical mobile food service firm operates out of a single location, employs 2-3 workers, and generates over \$350,000 annually.
 - The mobile food service industry comprises about 10,100 companies, which employ about 27,000 workers and generate about \$3.5 billion annually.
 - The industry is highly fragmented with the 50 largest firms accounting for less than 15% of industry revenue.
 - Most companies are small, independent operators - about 83% employ less than 5 workers.
 - Immigrants own 30% of America's food truck businesses, which frequently represent the first step toward launching a restaurant, according to the Bush Institute-SMU Economic Growth Initiative.
 - Cities with large numbers of food trucks include Los Angeles, Washington DC, San Francisco, Houston, and Miami.
 - Customer industries include individual consumers, event organizers, and businesses seeking mobile catering.

Industry Profile

Victoria's Bakery will compete in the trendy and growing Limited-Service restaurant segment. Limited-Service restaurants have been experiencing significant growth since the pandemic, with revenues up +19% in 2021 alone. Coffee consumption is at a 20 year high, with 66% of American's reporting daily coffee consumption. Away-from-home coffee purchases have become part of the American consumer's daily ritual, with over half of coffee drinkers reporting that they purchase 1-3 coffee drinks/week away from home.

Added to that, is the increased demand for fresh baked breads. Dollar sales of fresh breads and rolls increased 6.1% over the 12-month period ending in April 2021, according to IRI. Consumer interest in bakery goods with demand for sweet goods and bakery treats is on the rise, despite concerns over unhealthy eating and obesity. Sales growth for bakery snacks increased 4.7% for the year ending April 2021, according to IRI and Snack & Bakery.

Marketing Strategy



Example Marketing Mix:

Victoria's Bakery

- Target Market:
 - Mid-to-upper income Millennials 25-45 who live within a 5 mile radius of the bakery
- Product:
 - Artisan breads, pastries and gourmet coffee (only natural & organic ingredients)
- Price: benchmark competitors
 - High price/high margin
 - Low price/ high volume
- Place: distribution – where/how will you make sales
- Promotion
 - How will you drive people to your business

Marketing Strategy: Place (i.e distribution)

The Place, or location strategy, is EXTREMELY important for a food truck

- Target Market:
 - Mid-to-upper income Millennials 25-45 who live within a 5 mile radius of the bakery
- Product:
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- Place: distribution – where/how will you make sales
- Promotion
 - How will you drive people to your business

Does your team have relevant knowledge, experience and skills?

Victoria's Bakery

Victoria has ten years experience running a retail bakery.

Brad has six years of retail bakery experience.



Operations



- Implementation Plan
- Materials & Sources of Supply
- Methods of Production
- Recordkeeping
- Risk Management
- Legal Issues

Operations

- **Hours of Operation**

Jersey Mike's will be open for business seven days/week from 10am to 9pm. This will allow the business to capture both lunchtime and dinnertime business.

- **Sources of Supply**

Key suppliers include Sysco for the majority of food and paper items, Lone Star Produce, who will be a secondary supplier of produce, and Pepsi, who will be the sole supplier for all beverage products. Way2Go will establish a fixed pricing agreement with suppliers that will require a 30-day written notice for all pricing changes. Orders will be placed once per week with key suppliers and payment terms will be net 30.

- **Cost of Goods**

Victoria's Bakery will operate with a Cost of Goods (COGS) target of no more than 30% of revenue. This will be achieved by monitoring COGS pricing and set retail prices at an appropriate mark-up. We will conduct inventory on a regular basis to ensure that we are not experiencing an unreasonably high amount of food waste. Full inventory will be conducted the last day of each month and a streamlines inventory of bread, meat/cheese (the most expensive COGS) will be conducted every Sunday night.

Financials

- Make sure your assumptions are realistic.
- Document and explain your assumptions.

Include:

- Investment required
- Revenue projections
- Financial statements
- Break-even analysis
- Supporting documents



Costs: Determine a Realistic Budget

Start-Up Costs

One-time costs required to get your business operating.

- Legal fees
- Licenses/permits
- Furniture/equipment
- Lease deposits
- Construction/buildout
- Signage
- Inventory
- Employee training
- Start-up marketing
- Working capital

Ongoing Expenses

Ongoing monthly expenses required to keep the business running.

- Cost of Goods (COGS)
- Rent/utilities
- Labor/employee wages
- Repairs/maintenance
- Insurance
- Bookkeeping/accounting

Budgeting Tools

- Excel
- Google Sheets
- Budgeting tool available on the SBA's website

<https://www.sba.gov/sites/default/files/2020-08/Startup%20Costs%20Worksheet-508.pdf>

Startup costs — Joe's Pizza Place

This worksheet is set up for a fictional business, Joe's Pizza Place. Use it to get started calculating the startup costs for your own business. Change expense categories or add new ones to fit your business. Enter one-time and monthly expenses in the appropriate columns. Your estimations should go into the Budget column, and the exact amount spent should go into the Actual column. Total funds required is the total estimated amount you need to start your company.

One-time expenses	Budget	Actual
Rent		
Security deposit	1,200.00	
First month's rent	1,200.00	
First month's utilities (including phone and Internet)	250.00	
Improvement costs		
Kitchen improvements	800.00	
Tables and furniture	1,500.00	
Utensils, dishes, and kitchen and bar equipment	350.00	
Inventory		
Food	1,250.00	
Beverage	700.00	
Alcohol	900.00	
Miscellaneous		
Licenses and permits	150.00	
Legal fees	300.00	
Signage	550.00	
Technology	300.00	
Software	400.00	
Total funds required	9,850.00	0.00

Monthly expenses	Budget	Actual
Rent		
Monthly rent	1,200.00	
Property insurance	300.00	
Utilities	250.00	
Employees		
Payroll	3,000.00	
Payroll taxes	1,250.00	
Health insurance	650.00	
Professional services		
Accounting	200.00	
Legal	250.00	
Consultants	200.00	
Other	50.00	
Supplies		
Office supplies	150.00	
Operating supplies	200.00	
Marketing		
Digital advertising	350.00	
Promotional materials	400.00	
Miscellaneous		
Liability insurance	400.00	
Repairs and maintenance	200.00	
Organizational dues	75.00	
Total monthly expenses	9,125.00	0.00

Total funds required

18,975.00

Start-Up Budget: Victoria's Bakery

Victoria's Bakery		
Opening Capitalization Breakdown		
		Budget \$
Construction	\$	100000
Architectural Fees	\$	5000
Equipment	\$	30000
Exterior Signage	\$	15000
Register	\$	5000
Smallwares	\$	5000
Advertising	\$	10000
Food and Paper Inventory	\$	5000
Rent/CAM/Taxes/Security	\$	3000
Misc. Cost	\$	5000
Start-up Capital	\$	30000
Legal Fees	\$	1000
Furniture	\$	5000
Menuboard & Graphics	\$	3000
Permit Fees	\$	1000
Training Costs	\$	1000
<u>TOTAL COST</u>	\$	224,000.00

Pro-Forma P&L Example

Pro-Forma Annual Income Statement: Victoria's Bakery						
Years 1 - 3						
	Year 1	%	Year 2	%	Year 3	%
SALES						
Gross sales	147,000	100%	176,400	100%	194,040	100%
Total Sales	147,000	100%	176,400	100%	194,040	100%
COST OF GOODS						
Food/Paper	44,100	30%	52,920	30%	58,212	30%
Total Cost Of Goods Sold	44,100	30%	52,920	30%	58,212	30%
Gross Profit	102,900	70%	123,480	70%	135,828	70%
OPERATING EXPENSES						
Merchant Credit Card Processing fees	2,587	2%	-	0%	-	0%
Rent/Lease	24,000	16%	24,720	14%	25,462	13%
Electricity/ Gas	6,000	4%	6,120	3%	6,242	3%
Telephone/ Cell/ Cable	1,200	1%	1,224	1%	1,248	1%
Water/ Garbage Disposal	300	0%	306	0%	312	0%
Insurance	1,200	1%	1,224	1%	1,248	1%
Postage & Freight	-	0%	-	0%	-	0%
Office Supplies	300	0%	306	0%	312	0%
Repairs & Maintenance	300	0%	306	0%	312	0%
Owner's Salary	-	0%	-	0%	-	0%
Wages & Salaries	12,000	8%	12,240	7%	12,485	6%
Payroll Taxes	1,836	1%	1,873	1%	1,910	1%
Advertising	6,000	4%	6,120	3%	6,242	3%
Internet	900	1%	918	1%	936	0%
Bookkeeping Fees	3,000	2%	3,060	2%	3,121	2%
Total Operating Expenses	59,623	41%	58,417	33%	59,832	31%
Operating Profit (EBITDA)	43,277	29%	65,063	37%	75,996	39%
Depreciation	-	0%	-	0%	-	0%
Amortization	-	0%	-	0%	-	0%
EBIT	43,277	29%	65,063	37%	75,996	39%
Interest Expense	-	0%	-	0%	-	0%
Net Income before tax (EBT)	43,277	29%	65,063	37%	75,996	39%

- Assumptions should be well thought out and realistic
- Make sure your assumptions are documented
- SBDC advisors can assist you in developing your pro-forma financial statements

Next Steps



**DON'T CHASE
YOUR DREAMS**

HUMANS ARE PERSISTENCE PREDATORS

FOLLOW YOUR DREAMS AT A
SUSTAINABLE PACE UNTIL THEY
GET TIRED AND LIE DOWN

- Attend more training (in-person or webinars)
- Meet with a Business Advisor
- Begin working on your plan!
- Great examples of business plans (lots of different types of businesses) found at sbdcnet.org