

Company Description

The reason most businesses fail is that they don't understand the business they are in.

Conveying the Basics of Your Business

Before you can discuss the more complex aspects of your business and the meatier sections of your business plan, such as marketing strategy or new technology, you must first inform the reader of the basic details of your business. The object of this section is to convey information such as your legal status, ownership, products or services, company mission, and milestones achieved to date.

The Company Description may be relatively simple to complete, especially if you have been in business for some time. However, the simplicity may be deceptive, particularly if yours is a new company. Many of these basic issues require a lot of thought and planning. For instance, you may find yourself spending a great deal of time trying to choose a business name or deciding on which legal form your company should take.

If yours is a start-up company, you may feel you don't have the information to complete each category. As an example, you may not yet have rented an office or legally incorporated. In that case, write down what you intend to do. You might include information about your current situation as well. Thus, you might say, "Rocket Science Technology will be headquartered in Austin, Texas, with a manufacturing facility in Luckenbach, Texas. Currently, the company's address is 1234 Bruce Springsteen Street, San Antonio, TX 78216."

The most challenging aspect of the Company Description section is likely to be developing a "Mission Statement," which concisely describes the goals, objectives, and underlying principles of your company. A Mission Statement enables you and readers of your business plan to get a better

“*[Our mission is] To continually provide our members with quality goods and services at the lowest possible prices. In order to achieve our mission we will conduct our business with the following five responsibilities in mind: obey the law, take care of our members, take care of our employees, respect our vendors, reward our shareholders.*”

Mission Statement of Costco

picture of where you intend to go with your business, and it helps you more clearly articulate exactly what business you are in.

The following topics should be addressed in the Company Description section of your business plan.

Company Name

In many cases, the name of your company or corporation is not the same as the name(s) you use when doing business with the public. You may actually have a number of different “names” associated with your business, including:

- Your own name
- The legal corporate or company name
- A “dba” (“doing business as”)
- Brand name(s)
- Model name(s)
- Subsidiary company name(s)
- Domain name(s)

The number and types of names you need depend on the kind of business you are in, how you interact with the public, whether you are incorporated, what kinds of and how many products/services you have, and your own personal taste.

For instance, a company might list its legal name as AAA, Incorporated, doing business as Arnie’s Diner, operating the subsidiary business Rosie’s Catering Service, selling products under the trade name “Arnie’s Atomic,” and operating the website www.arniesatomic.com.

If yours is a new business, and you have not yet chosen a name, consider one that meets your current needs but also gives you flexibility over the years. If you plan a company where most customers will do business with you because they know of you or your reputation, you may have no better name than your own. Many consultants, service providers, and designers, use just their own name. You can also combine your name with words that describe what you do, such as Erin’s Editing Services.

However, using your own name or a business name that is very narrowly descriptive may limit your ability to grow, change focus, or sell the company in the future. Al’s Airplane Repair is more confining than Take-off Aviation Services, or even Take-Off Transportation Services.

Having the legal rights to a memorable website or “domain” name may be a competitive business advantage, and if you have been able to secure the rights to such a name, you may want to highlight this fact in your business plan. The mere fact of having the rights to a catchy domain name, though, is not a business in and of itself.

In your business plan, include the legal name of your company and any brand or trade names, dba’s, subsidiary company name, and domain name.

Company's Objectives/Statement of Mission

Many, if not most, successful large companies describe the main goal of their internal planning process as articulating and clarifying their “philosophy” or “mission.” The best, most effective Mission Statements are not mere empty words, but principles and objectives that guide all other aspects and activities of the business.

You should be able to sum up the basic objectives and philosophy of your company in just a few sentences. One statement should encapsulate the nature of your business, your business principles, your financial goals, your “corporate culture,” and how you expect to have your company viewed in the marketplace.

A Statement of Mission provides focus for your company and should be the defining concept of your business for at least the next few years. It should be the result of a meaningful examination of the foundations of your company, and virtually every word should be important.

A finished Mission Statement might be: “AAA, Inc., is a spunky, imaginative food products and service company aimed at offering high-quality, moderately priced, occasionally unusual foods using only natural ingredients. We view ourselves as partners with our customers, our employees, our community, and our environment, and we take personal responsibility in our actions toward each. We aim to become a regionally recognized brand name, capitalizing on the sustained interest in Southwestern and Mexican food. Our goal is moderate growth, annual profitability, and maintaining our sense of humor.”

The Statement of Mission worksheet on pages 70–71 helps you outline your company’s objectives.

Legal Issues

In forming a business, you must address many critical legal issues. One of the first is which type of legal entity to choose for your company. Businesses often start as a sole proprietorship or a partnership. This has the advantage of being easy, since there may be no papers to file with the state. Being incorporated, on the other hand, provides you and your investors with much greater protection from personal liability. Most investors (and some lenders) are usually more comfortable dealing with an incorporated entity.

If you choose to incorporate, you will still have many decisions. What form of corporation will you choose? In what state will you incorporate? How many shares in your corporation will be issued, and to whom? Legal concerns and agreements will have a profound impact on the future of your company.

In addition to the legal form of your business, there are many other legal considerations and issues to address in your business plan. Have you entered into licensing or distribution agreements? Have you secured trademarks, patents, copyrights, or other legal instruments that may protect your proprietary business assets?

“I had to rework my whole business plan a year or so in, because it was simply not a sustainable model. You have to realize when things aren’t working, and change them quickly, to succeed.”

Pauline Lewis
Owner, oovoo design

Statement of Mission

Describe your company's philosophy in terms of the areas listed below.

Range/Nature of Products or Services Offered: _____

Quality: _____

Price: _____

Service: _____

Overall Relationship to Customer: _____

Management Style/Relationship to Employees: _____

Statement of Mission (continued)

Nature of Work Environment: _____

Relationship to Rest of Industry: _____

Incorporation of New Technology/Other New Developments: _____

Growth/Profitability Goals: _____

Relationship to Community/Environment/Other Social Responsibility Goals: _____

Other Personal/Management Goals: _____

Here is an example of how to handle the legal description of a business: “AAA, Inc., is incorporated in the state of California, licensed to do business in Jackson County, California. The three shareholders—Arnie Matthews, Brendan Muir, and Aaron Joshua—each own 33 1/3% of the total shares in the company. The company has secured U.S. trademarks to the name “Arnie’s Atomic Foods,” which is used on its food product line, and to the Triple A Shooting Star logo. AAA, Inc., has entered into a three-year, exclusive distribution agreement with BBB Distributors, the largest distributors of Mexican and Southwestern foods in the Southwest.”

The worksheet, Legal Issues, is included on pages 73–74 to help you identify key legal concerns.

If you plan to work globally—either selling your products or services internationally, importing or exporting products or supplies, or signing agreements with international companies to handle aspects of your business like distribution, support, or software development—you’ll need to educate yourself about the legal requirements and issues that can affect your business.

For example, if you are selling products that entail significant intellectual property—also referred to as “IP” (such as software, electronics, new products)—you’ll want to make certain that the countries where you’ll sell your products provide adequate legal protection against piracy. If you are entering into international contracts, you’ll want to understand typical contractual terms, but even more importantly, you’ll want to determine where any disputes/lawsuits will be settled.

Be on the lookout for some countries’ limits on the activities and ownership rights of foreign companies. Many countries, for instance, require companies in some industries to be at least majority-owned by locals. They may also limit foreign ownership of land or assess tariffs on imports. Be certain to understand those limits before entering an international market.

Use the worksheet on page 75 to capture your findings relating to the legal issues you need to consider when working internationally.

Products and Services

This part of your business plan can be relatively short, or it can be an entire section of its own. If your products or services are particularly technical, complicated, innovative, or proprietary, you will want to spend considerable time describing them. This is especially true if you are seeking funding for a new product or service and potential funders are likely to be motivated by the specifics.

In this part of your plan, clearly identify and describe the nature of the products or services you provide. Be fairly specific, but if you have a large line of products or services, you do not need to list each one, as long as you indicate the general categories. Also indicate future products or services planned by your company and when you expect to introduce them.

If you are developing an innovative product or service, particularly a technology product, you must walk a fine line in describing its details. While you must provide sufficient detail both to give a clear idea of what your product

Legal Issues

LEGAL FORM

What is the legal form of your company currently?

- | | |
|---|--|
| <input type="checkbox"/> Sole proprietorship | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> No legal entity/status |
| <input type="checkbox"/> Subchapter S Corporation | <input type="checkbox"/> Other, describe: _____ |
| <input type="checkbox"/> C Corporation | _____ |

What is the intended legal form if different from above?

- | | |
|---|--|
| <input type="checkbox"/> Sole proprietorship | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> No legal entity/status |
| <input type="checkbox"/> Subchapter S Corporation | <input type="checkbox"/> Other, describe: _____ |
| <input type="checkbox"/> C Corporation | _____ |

OWNERSHIP

If a sole proprietor or partnership, list the owners: _____

If incorporated, how many shares of stock have been issued? _____

Who owns the stock and in what amounts? _____

In which state(s), province(s), country(s), etc. are you legally incorporated or registered to do business? List dates and specifics: _____

Have you secured written agreements between/with:

- | | |
|---|---|
| <input type="checkbox"/> Principals, partners | <input type="checkbox"/> Key employees/management |
| <input type="checkbox"/> Suppliers | <input type="checkbox"/> Customers |
| <input type="checkbox"/> Investors | <input type="checkbox"/> Strategic partners |

Legal Issues (continued)

List which of the following you have secured; include dates and specifics:

Trademarks: _____

Copyrights: _____

Patents: _____

Domain names: _____

List investments to date, including dates and terms: _____

List loans or any other debts, including dates and terms: _____

List property leases, purchase agreements, etc., including dates and terms: _____

List equipment leases, purchase agreements, etc., including dates and terms: _____

List any distribution or licensing agreements, etc., including dates and terms: _____

List other strategic partnerships, arrangements, etc., including dates and terms: _____

does and to inspire confidence that it actually achieves its intended purpose, you do not want to disclose sensitive information. Even if a reader of your business plan has signed a Non-Disclosure Agreement (see Chapter 18), be extremely cautious of putting highly proprietary or technical details in your written document. These can be disclosed at a later stage of discussions.

Once again using the fictional AAA, Inc., the “Products/Services” section might read: “Arnie’s Diner is a full-service restaurant specializing in Mexican and Southwestern cuisine. Rosie’s Catering Services provides catering for both business and personal occasions. The Arnie’s Atomic food line currently consists of seven shelf-stable chili and salsa products. We anticipate releasing a line of four packaged Southwestern spice mixtures in the next six months. In the second year of this plan, we anticipate introducing a line of tortilla chips.”

Management/Leadership

Next, include the name of the chairperson of the Board of Directors, president, and/or chief executive officer. If there are other key members of management, especially those that might be known to potential investors, list their names here. Also, if you have a Board of Directors, Advisory Board, or other governing entity, indicate how many people serve on that body and how frequently it meets. If the membership of these bodies is particularly impressive, include their names; otherwise, it is not necessary to do so.

Business Location

List the location of your company’s headquarters, main place of business (if different), and any branch locations. If you have more than one or two branches, you can list just the total number (although you might want to include a complete list in your plan’s appendix). If you have not yet secured a location but intend to do so, indicate the general whereabouts of your intended operation. Also, it is very important to describe the geographical area your company serves.

For instance, state: “The corporate offices of AAA, Inc., are located at 123 Amelia Earhart Drive, Jackson, California. Arnie’s Diner is located at 456 Lincoln Street in Jackson. Rosie’s Catering Services operates from the diner and serves the entire Jackson County area. Arnie’s Atomic food products will be produced at a plant to be leased in Jackson and will be sold in five Southwestern states.”

Development Stage and Milestones Achieved to Date

Someone reading your business plan should be able to get a clear sense of how far along your company is in its development, and what progress you have made in building the company.

Even start-up companies often have a record of accomplishments. You may have already developed technology, raised seed funding, lined up strategic partnerships, or secured indications of interest from key customers. Showing the progress you’ve achieved to date inspires confidence in your ability to develop your company further and indicates the level of commitment you have made

to your business. You will want to clearly indicate any positive milestones you've achieved.

Begin by stating when the company was founded. Next, indicate your phase of development: a seed company (with a business concept but without a product or service finalized); a start-up (in early stages of operation); expansion (adding new products, services, or branches); retrenchment (consolidating or repositioning product lines); or established (maintaining market share and product positioning).

Indicate how far along your plans have progressed. Has the product been developed or tested? Have orders been placed or the product shipped? Are leases signed or suppliers secured? What have been the past milestones and successes of current operations? If you earlier set specific goals with target dates, indicate if you met those objectives.

A Milestones Achieved worksheet is included in Chapter 15, and you may wish to take highlights from that worksheet to include in your Company Description section of your business plan.

Using the above example of AAA, Inc., this section might read: "Arnie's Diner opened in 2006, and the company began packaging food products used in the restaurant in 2008. These were initially sold in grocery stores on a local basis. In January 2009, the company set an annual sales goal of \$60,000 for the 'Arnie's Atomic' line of packaged food and exceeded that goal, achieving \$103,000 in gross sales in 2009. In 2010, sales of packaged food products rose to \$237,000. A leading distributor has been secured to sell 'Arnie's Atomic' products to grocery and specialty stores in five Southwestern states. The first orders have been received, placed, and renewed, and the company now plans to expand its production facilities to accommodate increased sales and develop new products."

Financial Status

You also want to give a brief idea of the status of your company in financial and personnel terms. For example, readers will want to know how you have been funded to date and any major financial obligations. You should also indicate any loans or investments you have received and on what terms. If you are seeking funding, briefly indicate how much money you seek and for what purpose. You will expand on your financial obligations and use of funds sought in the Financials section of your plan.

Thus, this section might read: "AAA, Inc., has maintained overall profitability through slow, careful expansion of its component companies. Total gross revenue for the previous year was approximately \$1,247,000. Rosie's Catering is presently the most profitable, last year showing a profit of \$128,000 on sales of \$525,000; Arnie's Diner showed a profit of \$81,000 on sales of \$485,000; Arnie's Atomic Foods projects a current year loss of \$77,000 on sales of \$237,000. Currently the total workforce is five full-time employees and seven part-time employees. We are now seeking to expand the production facilities, add employees, and increase our sales and marketing efforts. To do so, we are seeking an additional \$500,000 in capital."

“Some potential milestones a business plan could indicate include product completion, product testing, first customer shipment, unit volume goals, company infrastructure developments, core agreements reached, and second product shipping.”

Ann Winblad
Venture Capitalist

Chapter Summary

Your plan's Company Description communicates the basic details of your business in a brief form. From this section, a reader gets a clear idea of what your company does, its legal status, types of products and services, your management and leadership, the business location, and how far you have developed. The Statement of Mission shows that you understand the focus of your company and can articulate your objectives concisely.

Company Description Plan Preparation Form

List facts about your business according to the categories below.

NAMES

Legal/Corporate Name: _____

Doing Business As: _____

Brand/Trade/Domain Names: _____

Subsidiary Companies: _____

LEGAL FORM

Legal Form of Business: _____

State in Which Incorporated (if incorporated): _____

County in Which Business Is Licensed: _____

Owner(s) of Company or Major Shareholders: _____

MANAGEMENT/LEADERSHIP

Chairperson of the Board: _____

President: _____

Chief Executive Officer: _____

Other Key Management Members: _____

Governing/Advisory Bodies: _____

Number of Members: _____

LOCATION

Company Headquarters: _____

Place of Business: _____

Branches: _____

Geographic Area Served: _____

DEVELOPMENTAL STAGE

When Company Was Founded: _____

Company Description Plan Preparation Form (continued)

Stage of Formation or Immediate Goals: _____

When Product or Service Was Introduced: _____

Progress of Current Plans and Milestones Reached: _____

Other Developmental Indicators: _____

FINANCIAL STATUS

Last Year's Total Sales: _____

Last Year's Pretax Profit: _____

Sales and Profitability by Division or Product Line: _____

Current Number of Employees: _____

Amount of Funds Sought: _____

Basic Use of Funds Sought: _____

Previous Funding and Major Financial Obligations: _____

PRODUCTS AND SERVICES

General Product/Service Description: _____

Number and Type of Lines: _____

Number of Products or Services in Each Line: _____

PATENTS AND LICENSES

Patents Held/Pending: _____

Trademarks Held/Pending: _____

Licenses Held/Pending: _____

Copyrights Held/Pending: _____

Use this information as the basis of your plan's Company Description section.

SAMPLE PLAN: COMPANY DESCRIPTION**COMPANY DESCRIPTION**

ComputerEase, Inc., is an Indiana-based company providing computer software training services—both on-premises in the Greater Vespucci, Indiana, area, and online—to business customers. It operates under the name “ComputerEase.”

Corporate headquarters and the company’s software training classroom are located at 987 South Main Street, Vespucci, Indiana. ComputerEase also offers software training classes at its corporate clients’ offices.

The Company’s Mission

ComputerEase views its mission as increasing the corporate community’s productivity by helping them realize the maximum benefit from their personnel and computers through software training. ComputerEase is dedicated to building long-term relationships with customers through quality training and support, to being known as the premier software training company in the Greater Vespucci area, and to expanding online course offerings globally to English-speaking countries throughout the world. The goal is steady expansion, becoming profitable by the third year of operations. ComputerEase also is dedicated to contributing back to the Vespucci community by providing free computer training programs for inner-city youth, low-income residents, and “welfare-to-work” program participants.

Services

ComputerEase offers training classes for users of all leading business software programs. The company also devises customer training programs for corporate clients. ComputerEase’s classes are targeted primarily to the corporate market. Training classes can be taken online, or on-site at the customers’ offices or at ComputerEase’s Training Center in downtown Vespucci. To fully leverage the company’s investment in hardware and software, the company offers online training courses to corporate clients in markets throughout the U.S.

Prior to opening the Training Center and developing online courses, the company was limited in the services it could offer potential clients. The most lucrative business, continuing corporate contracts, was severely restricted, and no public seminars could be offered. Nevertheless, in the first nine months of operation, the company conducted 184 training programs, and secured ongoing training contracts with 11 primary target corporate customers in its local geographic area. And despite investing very little in marketing its online programs during the first two months of offering them, ComputerEase acquired three national accounts. This produced revenues of \$171,000 through August 2010.

The company projects deficits for the first two years of operation, with income reinvested for expansion. We anticipate that the company will be profitable by the third year. In these three years, our goal is to become the premier software training company in the Greater Vespucci area, and to increase our market share of the online training services sector. Trends in training, however, are toward nationally known providers, so the company anticipates either joining or starting a national franchise by year three.

The company owns the trademark to the name ComputerEase, under which it does business, and to the slogan “We Speak Your Language.”

Tells company basics: incorporation, location, services.

States how the company intends to distinguish itself to customers.

Shows how the company has grown and established revenues.

Provides specific financial development data.

SAMPLE PLAN: COMPANY DESCRIPTION (continued)**Development to Date**

Founded in January 2010 by Scott E. Connors, ComputerEase began operation by providing software training at corporate customers' offices.

In March 2010, Susan Alexander became Vice President for Marketing. Ms. Alexander immediately began an extensive sales campaign, targeting 200 large companies in the Vespucci area.

In August 2010, ComputerEase opened its software training center at its present location in downtown Vespucci, enabling the company to significantly expand its offerings.

Also in August 2010, ComputerEase released its first online training classes, accessible over the company's website. Site licenses were offered to larger corporations with more extensive ongoing training needs.

In its first nine months of operation, the company conducted 184 training programs, and secured ongoing training contracts with 11 primary target corporate customers in its local geographic area. And despite investing very little in marketing its online programs during the first two months of offering them, ComputerEase acquired three national accounts.

Legal Status and Ownership

ComputerEase was incorporated in the state of Indiana one year ago. Ten thousand shares in the company have been issued: 6,000 are owned by President and CEO Scott E. Connors; 1,000 are owned by Vice President of Marketing Susan Alexander; and 3,000 shares have been retained by the company for future distribution.

The company was granted the trademark "ComputerEase" by the U.S. Patent and Trademark Office.

Funding of the company to date has come from the personal savings of Mr. Connors. This has amounted to a \$60,000 investment and \$40,000 in loans. In addition, the company has received a \$30,000 loan from Mr. Connors' family members. All other funding has come from the income generated by sales.

The company is now seeking \$160,000 from outside investors. These funds will be used to open an additional Training Center, hire trainers, add staff, and expand marketing activities, especially for online courses.

Gives clear picture of current ownership and equity available.