

CRAFTING AN EFFECTIVE BUSINESS PLAN FOR YOUR BREWERY

By Kate Smith, Craft Brewery Loan Officer at Live Oak Bank

In the first article in this series, Five Key Reasons for Writing a Business Plan, you learned why it is important to develop a business plan for your craft brewery. Whether you are just starting up or expanding your brewery to take advantage of market opportunities, a business plan establishes the viability of your project and forms the foundation for obtaining the funds you need to proceed. If you already have a business plan, you might consider implementing the principles and components described here to make it more conducive towards your goals.

The good news is that creating an effective business plan tailored to your brewery does not have to be a daunting exercise. While it will take some careful consideration and research on your part to ensure your plan is thorough and accurate, the many templates and guidelines now available online can help streamline the process.

Key Components of the Business Plan

Your business plan should include the following six components, each of which needs to be addressed in some detail.

I. Executive Summary

The Executive Summary introduces you and your business venture to readers, and is often the first impression they receive of your project. This section should be concise, providing the “what, why and how” of your undertaking, but also compelling enough to persuade lenders and others that your start-up or expansion plan is viable. You may want to tackle the Executive Summary last, as much of the information for this section is extrapolated from the rest of your business plan.

Your Executive Summary should include:

Business Overview – Provide a brief overview of the craft brewery business, your background in this industry, and the specific products and services you will offer. Describe where your brewery will be located and your typical target customer. If you are expanding an existing brewery, describe the benefits this expansion will bring to your business and customers.

Mission Statement – Outline your business philosophy and rationale for building or expanding your brewery. Define your goals and where you expect to be in five or ten years.

Financing Requirements – Summarize the amount of capital you will need to successfully launch your brewery expansion or start-up. (Detailed financial projections will be outlined later in the business plan.)

II. Business Description

The Business Description goes into greater detail about the structure of your business, your qualifications for managing the brewery, and your business resources. This section tells your lender that you have the personal know-how and professional means at hand to build long-term success.

Include the following in your Business Description:

Professional History – Describe your professional experience to date such as your business background, any professional experience in the craft brewing industry, and where and when you attended school, degrees earned, and any related courses taken.

Management Team and Key Personnel – Identify the principals who are ultimately responsible for the financial performance of your business, your key team members and their roles, and any professional advisors who will be instrumental in providing input and guidance. **Organizational Structure** – Define the legal entity for your business (Sole Proprietorship, LLC, etc.) and ownership details.

III. Market Research

A certain amount of research is required to ensure the designated local market for your brewery has the appropriate demographics and income to support your business offering. The Market Research section demonstrates to your lender that you understand your community and that you have considered the competition in this area.



LIVE OAK BANK

liveoakbank.com/craftbrewery

©2016 Live Oak Banking Company. All rights reserved. Member FDIC

The Market Research section should include the following:

Market Description – Describe who lives in the community surrounding your brewery and what sort of growth or changes are predicted for this area over the next five or ten years.

Target Customer – Describe in detail the ideal customer for your business, including age and gender, personal characteristics, needs, income level, and education. If your ideal patron is not sufficiently present in the community based on the Market Description above, you may want to consider establishing or relocating your business in a more suitable area.

Competitive Analysis – Define the other businesses in your local market, how many of them are craft breweries, how many offer beer and other alcoholic beverages, and their advantages and disadvantages.

Competitive Advantage – Finally, define the competitive advantage your establishment offers that your competitors do not – for example, the type of craft beers you offer, the variety and range of your selection, location, price point, etc.

IV. Marketing Plan

This section allows you to be a bit more creative as you describe the marketing activities you will use to create visibility for your brewery and support ongoing business growth. Be sure your marketing plan is realistic and addresses the following issues:

- Approximately how much are you budgeting for marketing activities during the first year or two?
- How will you set yourself apart from the competition? For example, a unique environment? Special events and co-promotions, perhaps with neighboring restaurants? An unusual offering?
- How will you attract customers from the surrounding area and keep them coming back?
- What is your marketing mix – the balance between print advertising, promotions, referrals, email, and other elements of marketing?

V. Operations

The Operations section of your business plan details the day-to-day needs and functions of your brewery, demonstrating that your future success is based on well-thought-out ideas about how you intend to run your business. Include the following:

Location and Premises – If available, describe in detail the exact location of your brewery, why you chose it, and whether you will own or lease the space. Detail the equipment and supplies necessary now and in the future, whether the equipment will be owned or leased, and who your major suppliers will be. If you know your exact location, describe the visibility of your brewery to surrounding foot and vehicle traffic.

Days and Hours of Operation – Describe the days and hours you will be open and, in general, what your work week looks like.

Staffing – Outline your recruitment plans, the roles of staff members, compensation and personnel policies. You do not need to include job descriptions, but identify the resources you are using to create those job descriptions.

VI. Financial Forecast

For most business owners, the Financial Forecast is the most challenging section to complete. For your lender, it is the most important. The financing package you receive is based on the numbers in your financial forecast, so it is critical to make these calculations as accurate as possible. Work with your CPA or financial advisor to ensure your forecast is viable.

Your forecast should include:

Income and Cash Flow Projection. The financial projection should cover at least 36 months of operation of your brewery. Your projected income is based on the amount of product you sell per week and will likely grow over time. Your cash flow is the difference between your gross income and your operating expenses and overhead.

Capital and Operating Expenses. These are the total funds needed to build and operate your new or expanded brewery. Try to be as specific and realistic as possible. Include contractor costs, loan payments, staff salaries, rent, utilities, supplies and other minor expenses. Owning a brewery is very capital intensive. It is better to be conservative and overestimate your budget.

Project Financing. Detail how much you need in financing to launch or expand your craft brewery and consider your preferred terms. Include any personal or investor funds, if any, that will be contributed to the project.

Tips for Writing Your Business Plan

Be clear and thorough when completing or updating your business plan. Include a formal title page or cover and make sure your writing is grammatically correct and slang-free. Remember, your business plan provides the first impression of you as a business person, so make it an accurate and professional representation of your capabilities and objectives.

Now that you know the Five Key Reasons for Writing a Business Plan and have the outline above for creating a business plan – don't procrastinate! Get started today so that you're one step closer to successfully growing your craft brewery.

Live Oak Bank is the second largest Small Business Administration (SBA) lender in the United States¹ and the top SBA lender to craft brewers nationwide in 2015² – Member FDIC.

Sources: 1 - Small Business Administration - [100 Most Active SBA 7\(a\) Lenders](#) by volume in U.S. in FY 2016. 2 - Based on SBA data acquired via FOIA requests.



LIVE OAK BANK

liveoakbank.com/craftbrewery

©2016 Live Oak Banking Company. All rights reserved. Member FDIC