

Sample Business Plan

Description of the Company

Northwind Traders, Inc. provides travel-planning services for European adventure vacations to residents of the Greater Seattle area. The service industry, including travel agencies, is one of the fastest growing business sectors of the economy, and Northwind Traders intends to capitalize on the success of this industry by taking advantage of travel planning opportunities in the Pacific Northwest.

President Heather Mitchell and Vice President of Sales and Marketing Jim Kim currently hold the company's stock. Prior to starting the Northwind Traders travel agency, Ms. Mitchell cofounded, co-owned, and operated the Northwind Traders clothing store. She has selected a small team with extensive travel, sales, and computer skills, all of whom will be invaluable to the new venture. Her coworkers bring a combined total of 35 years of travel industry experience to the agency.

Mission Statement

The mission of Northwind Traders is to become the premier provider of adventure vacations for 25- to 35-year-old professionals. Northwind Traders is dedicated to building long-term relationships with customers through quality training and customer support, and wants to be recognized as the leading adventure vacation company in the Greater Seattle area. The company's goal is to grow steadily, becoming profitable by the second year of operations.

Products and Services

Northwind Traders recently became the appointed agents for Margie's Travel, one of the largest and most respected tour operators in the market. With virtually no marketing effort, Northwind Traders has sold some 200 adventure vacations in the past six months, netting \$66,800 in commissions. Sales of insurance policies and other services have added to this total and could potentially add much more. Northwind Traders offers a comprehensive range of services to support the adventurous traveler, including pre- and postvacation briefings, travel insurance, and a directory of services specific to each destination and activity.

From desk and field market research carried out on 300 clients, it is clear that there is considerable potential in the adventure travel business. Research indicates that Northwind Traders' target market finds it difficult to obtain reliable and authoritative advice on destinations and activities. Research also suggests that the customers in this market are unlikely to purchase their vacations again from the firm who provided their last vacation due to a lack of informative sales personnel. Northwind Traders will cater to these needs and develop a strong return-customer base.

Because they are currently the only travel agency focused on European adventure vacations that is located in the Seattle area, Northwind Traders has a substantial opportunity to dominate the region. In order to maintain and improve their current position in the region, they will need to invest in a Web site, as well as database software and systems, and in refurbishing the shop premises. Northwind Traders maintains the following advantages over existing competition: ongoing support to clients; extensive knowledge of the European adventure vacation field; superior customer service; specialized training programs for staff; informative Web site; competitive rates.

Financial Forecast

Northwind Traders started as a clothing store and has expanded into the travel agency business, with its focus on adventure travel in Europe. Last year, Northwind Traders clothing store made \$200,400 profit on sales of \$1,419,500 and employed seven people.

Northwind Traders expects that by concentrating full-time on selling adventure vacations, clients will increase from the present level of 200 (achieved over a six-month period with only a part-time effort), to at least 660 in the first year, 1400 in the second, and 2100 in the third. To help achieve this growth, Ms. Mitchell has identified three other tour operators she wishes to represent and has begun negotiations with them.

Selling between two and three vacations a day will allow the business to make a modest profit in Year One. By Year Two posttax profits should be \$304,000 and will increase to nearly \$496,000 by Year Three.

Financing Requirements

Selling between two and three vacations a day will allow the business to make a modest profit in Year One. By Year Two posttax profits should be \$304,000 and will increase to nearly \$496,000 by Year Three.

Ms. Mitchell plans to sell her shares in the clothing shop and invest the proceeds in the new travel business, Northwind Traders. In addition, she will be investing \$41,750 of her own money in the business and seeking \$83,500 from outside sources. Return on shareholders capital by Year Three is projected to be close to 100 percent. The purpose of the business plan is to communicate this highly profitable opportunity to Ms. Mitchell's partners in the clothing shop and to outside investors, and to attract interest in the venture.

Alternatively, Ms. Mitchell is considering loan finance made up of a \$41,750 two-year loan and a credit line of \$58,450. In total, about \$125,250 will be needed to fund the business during the initial months.