BUSINESS PLAN EXAMPLE

Sourwood Bakery

The full plan — written for a lender.
Cookeville, Tennessee.

THE BIZ FOUNDRY

CONTENTS

What is in here

This is a complete business plan for a bakery that does not exist, written the way a bank or a micro-lender expects to receive one. Use it to see the shape of the thing. Do not copy it — a plan describing somebody else's business helps nobody, least of all you.

READ THE SENSITIVITY PAGE EVEN IF YOU READ NOTHING ELSE

Page 15. This plan works as written and falls over if the owner is ten percent wrong about how many people walk in. We have left that in rather than tuning it away, because it is the most honest thing in the document and the thing most example plans hide.

SECTION 1

Executive summary

Sourwood Bakery is a counter-service bakery proposed for a 1,500 square foot second-generation food space on the west side of Cookeville, Tennessee. It will open at 6:30 six mornings a week, selling three breads, four pastries and coffee, all baked on site that morning, and will supply fresh bread wholesale to independent cafés and restaurants in Putnam County.

The opportunity

Cookeville is well served for celebration baking and has excellent specialist bread. It is not well served for the ordinary weekday transaction — a good loaf and a decent pastry, bought quickly, early, on the way to work. The competition for that customer is the grocery aisle and the drive-through, both of which win on price and speed and neither of which wins on quality.

The ask

Total project cost is **$160,000**, funded by **$40,000 of owner equity** (25% of the project), a **$50,000 SBA microloan**, and **$70,000 of gap financing** from a bank or the Upper Cumberland Development District's lending arm.

The numbers, briefly

	Year 1	Year 2	Year 3
Revenue	289,970	370,200	415,485
Net profit	**(11,058)**	**23,372**	**44,210**
Net margin	-3.8%	6.3%	10.6%
Customers a day	92	108	114

Year one loses **$11,058**. That is expected and budgeted: the working capital reserve carries it. The business turns profitable in year two at 6.3% and reaches 10.6% by year three, with EBITDA covering debt service 1.7 times over by year two.

SECTION 2

The business

Structure and ownership

Sourwood Bakery will be organised as a Tennessee limited liability company, wholly owned by the founder, who will also be head baker. An LLC is chosen over a sole proprietorship for the liability separation — a food business with a commercial oven, employees and a delivery van has real exposure — and over an S-corp because at this revenue the payroll-tax advantage does not yet justify the administrative cost.

Location

A 1,500 square foot corner unit with existing food-service infrastructure: three-compartment sink, grease interceptor and hood already in place. This single decision saves roughly $80,000 against fitting out raw retail space, and it is the reason the project fits inside $160,000 at all.

Rent is modelled at $20 per square foot all-in ($16 base triple-net plus roughly $4 of CAM, taxes and insurance), or **$30,000 a year**. Cookeville retail asks $17-$24 per foot, so this sits mid-range.

Hours

Tuesday to Sunday, 6:30am to 2:00pm. Closed Mondays and for one week in January — 305 trading days a year. Closing at 2:00 is deliberate: bakery sales collapse after lunch, and staying open to 5:00 would add staffed hours against a fraction of the revenue.

> **WHY THE SHORT HOURS MATTER MORE THAN THEY LOOK**
>
> Labour is the largest controllable cost in this plan at 36.0% of revenue. Every decision that trims staffed hours without trimming revenue goes almost straight to the bottom line. A first-time owner's instinct is to open longer to sell more; in a bakery that usually just costs more.

SECTION 3

The market and the customer

Cookeville is a city of roughly 35,000 in Putnam County, the retail and medical centre of the fourteen-county Upper Cumberland region, and home to Tennessee Tech University. The daytime population is substantially larger than the residential one, which is the fact this business is built on.

Three customers, not one

Who	When	What they buy	Ticket
Weekday morning commuter	6:30-9:00, Tue-Fri	Coffee and one pastry, four minutes	$6-8
Weekend household	Sat-Sun morning	A loaf, pastries for the table	$18-25
Wholesale account	Daily, pre-dawn	Standing bread order, delivered	$60-140/day

The blended average across retail is **$9.50** in year one, rising to **$10.50** by year three as the weekend and wholesale mix grows and as prices follow ingredient costs.

WHERE THE TRAFFIC ESTIMATE COMES FROM — AND ITS WEAKNESS

92 customers a day in year one is the number the entire plan rests on. It is built bottom-up from the three segments above, not from a national average. It has not been validated by counting actual cars past the actual door, and before signing a lease it must be. See the sensitivity analysis in section 12.

SECTION 4

Competition

The instinct is to list the other bakeries. That is the wrong list. Most of Sourwood's revenue will be taken from businesses that are not bakeries at all.

Who they really compete with	Wins on	Sourwood's answer
Grocery store bakery aisle	Price, hours	Quality, and being on the way to work
Drive-through coffee chains	Speed, consistency	Food that is not an afterthought
Baking at home	Cost	Time — nobody keeps it up on a Tuesday
Other local bakeries	Specialism	Different menu; refer rather than compete

Where Sourwood does not compete

Cookeville's existing bakers are good, and several are excellent at things Sourwood will not attempt: custom celebration cakes, long-fermented artisan sourdough, decorated occasion baking. Sourwood's menu is deliberately narrow and deliberately ordinary — the everyday loaf and the everyday pastry. Where a customer wants a wedding cake, the right answer is a referral, and the referral is worth more than the attempt.

A COMPETITION SECTION THAT SAYS "WE HAVE NO COMPETITION" FAILS

It tells the reader either that you have not looked or that there is no market. Naming the grocery aisle as the real competitor — and conceding it wins on price — is what makes the rest of the claim credible.

SECTION 5

Products and pricing

A short menu is an operational decision before it is a culinary one. Three breads and four pastries can be produced by two people between 4:00 and 9:00; twelve items cannot.

Item	Price	Ingredient cost	Gross margin
Sandwich loaf	$6.50	$1.85	72%
Country loaf	$7.50	$2.10	72%
Focaccia slab	$5.00	$1.40	72%
Croissant	$3.75	$1.35	64%
Morning bun	$4.25	$1.45	66%
Scone	$3.50	$1.05	70%
Seasonal danish	$4.50	$1.60	64%
Drip coffee	$2.75	$0.42	85%
Espresso drinks	$4.50	$0.95	79%
Wholesale loaf (per unit)	**$3.40**	**$1.85**	**46%**

Blended ingredient cost runs **32.0%** of revenue in year one, improving to **29.0%** by year three as waste falls and as volume earns better flour and butter pricing. Industry benchmark for bakeries is 28-35%.

THE WHOLESALE MARGIN IS THINNER ON PURPOSE

Wholesale bread sells at roughly half the retail price per loaf, so it earns far less per unit. It is worth doing anyway for three reasons: it is committed volume ordered in advance, it smooths production, and every café serving it advertises the bakery to people who have not visited. What it must never do is displace retail capacity — if the van route starts eating the morning bake, it has stopped being a good trade.

SECTION 6

Marketing and sales

The year-one marketing budget is **$6,000**, roughly two percent of revenue, weighted to the first three months. That is small, and it is small on purpose: for a bakery, the two things that actually drive traffic are the location and the product, and neither is bought with advertising.

In order of what actually works

- **The site itself.** A visible corner on a road people already drive before 8:00. This is the largest marketing decision in the plan and it is spent entirely at lease signing.
- **Wholesale placement.** Six accounts putting the name in front of their own customers daily, at no marketing cost.
- **The opening month.** A launch weekend, free coffee with any loaf, and enough product that nobody who comes finds empty shelves. First impressions in food are close to permanent.
- **Daily social, done cheaply.** One photograph a day of what came out of the oven, posted by whoever is on the counter. No agency.
- **The farmers market,** worked through the summer before opening to build a customer list and test which products sell.

What is deliberately not being done

No online ordering, no delivery apps and no loyalty programme in year one. Delivery platforms take 15-30% of a ticket whose gross margin is under 70%, which on these numbers turns a profitable sale into a marginal one. These are worth revisiting in year three, from a position of profit.

SECTION 7

Operations

A day

Time	What happens
4:00	Owner in. Ovens on, doughs from the retarder, first bake.
5:30	Pastry lamination and second bake. Wholesale orders boxed.
6:15	Van leaves on the wholesale route. Counter staff arrive.
6:30	Doors open.
7:00-9:00	The rush. Two on the counter, one baking behind.
9:00-12:00	Steady trade. Next day's doughs mixed and retarded.
12:00-2:00	Wind down, markdowns, clean.
2:00	Close. Ordering, counts, and out by 3:30.

Suppliers

Flour and commodity ingredients from a regional foodservice distributor on weekly delivery, with a second account maintained but unused as a hedge — a single-supplier bakery is one delivery failure from a closed morning. Butter and dairy from a regional dairy. Coffee from a Tennessee roaster, both because the quality is better and because the relationship is reciprocal: roasters refer cafés, and cafés are the wholesale customer.

Equipment

$52,000 of equipment, a mix of new and reconditioned. Ovens and refrigeration bought new — they run daily for a decade and a failure closes the shop. Prep tables, racks and smallwares bought used at roughly a third of new, because a stainless table does not have a service life.

THE SINGLE POINT OF FAILURE IN THIS PLAN

One oven. If it fails on a Tuesday, there is no bread on Tuesday and six wholesale accounts get a phone call. Mitigations, in order of cost: a service contract with a 24-hour response, a standing arrangement with another kitchen in town, and eventually a second smaller oven. The plan budgets the first from opening and the second should be arranged before it is needed, not after.

SECTION 8

Management and staffing

Role	Hours	Year 1 cost	Notes
Owner / head baker	Full time	32,000	Bakes, orders, manages wholesale
Second baker	Part to full time		Part time to month 8, then full
Counter staff (2)	Morning + weekend		Peak cover 6:30-2:00
Bookkeeper	Contracted	~$3,000/yr	In the accounting line, not payroll
Total wages		**94,000**	**Before employer taxes**
Loaded payroll		**104,340**	**With taxes and comp — 36.0% of revenue**

Total wages are **$94,000** in year one, **$104,340** once employer taxes, unemployment insurance and workers' compensation are loaded on at roughly 11%. That is 36.0% of revenue, against an industry band of 24-40%, and it is the largest single cost in the business.

What the owner is not

The founder is a baker. The plan does not claim they are also an accountant, and it buys that skill instead: a contracted bookkeeper at roughly $250 a month, inside the $3,000 accounting line. Naming a gap and pricing the answer reads as competence. Claiming to cover every role personally reads as risk, and lenders price risk.

THE SUCCESSION QUESTION A LENDER WILL ASK

Two people can bake this menu. Only one of them can bake it alone. Until a third person is trained on the full morning production, the business is one illness away from a closed shop and a lost wholesale route — and the plan should say when that training happens. Here it is month ten.

SECTION 9

Start-up costs and funding

Use of funds	Amount	Why
Leasehold improvements	55,000	Second-generation food space. Plumbing, grease trap and hood already in place, which is why this is not the $100-$300 a square foot a new build would cost.
Equipment	52,000	Double convection oven, 30qt mixer, retarder-proofer, reach-in refrigeration, freezer, refrigerated display case, prep tables and racks. Mix of new and reconditioned.
Signage and fit-out	6,000	Exterior sign, interior counter, seating for twelve.
Point of sale	2,500	Terminal, cash drawer, printer, first year of software.
Opening inventory	5,000	Flour, butter, packaging, coffee.
Permits and licences	1,500	Business licence, health permit, food safety certification.
Pre-opening payroll and training	7,500	Three weeks of recipe testing and staff training before the doors open.
Opening marketing	4,000	Signage, launch event, first three months of local advertising.
Working capital reserve	26,500	Six months of cushion. This is the line most first-time owners cut, and cutting it is what closes bakeries that were otherwise working.
Total project cost	**160,000**	

Source of funds	Amount	Terms
Owner equity	40,000	Cash. Twenty-five percent of the project — most lenders want to see at least ten to twenty.
SBA microloan, via Pathway Lending	50,000	9.00% over 6 years — $901/month. The SBA microloan programme caps at $50,000. Pathway Lending is the Tennessee microlender serving the Upper Cumberland.
Gap financing, bank or UCDD/CAIC	70,000	8.50% over 7 years — $1,109/month. The Upper Cumberland Development District's lending arm specialises in gap financing alongside a traditional lender. Call them at (931) 432-4111 — they do not publish rates, so ask.
Total	**160,000**	**Combined debt service $24,118 a year**

SECTION 10

Projected profit and loss

Three years. Every line is computed, not estimated by feel — the assumptions behind each are in section 13.

	Year 1	Year 2	Year 3
Retail revenue	266,570	329,400	365,085
Wholesale revenue	23,400	40,800	50,400
Total revenue	**289,970**	**370,200**	**415,485**
Cost of goods sold	92,790	111,060	120,491
Gross profit	**197,180**	**259,140**	**294,994**
Payroll, loaded	104,340	125,430	137,085
Accounting and legal	3,000	3,200	3,400
Card processing	8,409	10,736	12,049
Delivery van and fuel	6,600	8,400	8,900
Insurance	4,200	4,400	4,600
Licences and fees	900	900	900
Marketing	6,000	5,400	5,400
Rent and CAM	30,000	30,000	30,000
Repairs and maintenance	2,400	3,000	3,400
Supplies and packaging	8,699	11,106	12,465
Uniforms, training and smallwares	2,600	2,800	3,000
Utilities	9,600	10,100	10,600
Waste removal and pest control	3,000	3,100	3,200
Total operating costs	**85,408**	**93,142**	**97,914**
EBITDA	**7,431**	**40,568**	**59,996**
Depreciation	8,600	8,600	8,600
Loan interest	9,890	8,596	7,185
Net profit	**(11,058)**	**23,372**	**44,210**

Ratio	Year 1	Year 2	Year 3	Benchmark
Ingredient cost	32.0%	30.0%	29.0%	28-35%

Ratio	Year 1	Year 2	Year 3	Benchmark
Labour	36.0%	33.9%	33.0%	24-40%
Prime cost	68.0%	63.9%	62.0%	under 65%
Occupancy	10.3%	8.1%	7.2%	6-10%
Net margin	-3.8%	6.3%	10.6%	3-10%
EBITDA / debt service	**0.31x**	**1.68x**	**2.49x**	**1.25x+**

SECTION 11

Year one, month by month

The annual figures hide the shape of the first year. A bakery does not open at full volume — it opens to whoever walks past — while the rent and the loan payments start at full size on day one. This is the table a lender turns to first.

Mo	Covers	Revenue	Cost of sales	Operating	Loan	Net cash	Cash on hand
1	74	17,868	5,718	15,441	2,010	(5,301)	21,199
2	77	18,658	5,971	15,487	2,010	(4,810)	16,390
3	81	19,448	6,223	15,534	2,010	(4,319)	12,071
4	84	22,839	7,308	15,734	2,010	(2,214)	9,857
5	87	23,629	7,561	15,781	2,010	(1,723)	8,134
6	90	24,419	7,814	15,827	2,010	(1,232)	6,902
7	94	25,209	8,067	15,874	2,010	(742)	6,160
8	97	26,000	8,320	15,921	2,010	(251)	5,909
9	100	26,790	8,573	15,967	2,010	240	6,149
10	103	27,580	8,826	16,014	2,010	731	6,880
11	107	28,370	9,078	16,061	2,010	1,221	8,101
12	110	29,160	9,331	16,107	2,010	1,712	9,813

READ THE LAST COLUMN

Cash bottoms out in month 8 at **$5,909** and climbs from there. The business turns cash-positive in month 9. The $26,500 working capital reserve is what makes that survivable — and as the next page shows, it does not leave much room.

SECTION 12

Break-even and what happens if we are wrong

Break-even is **107 customers a day** at year-two pricing, or **$367,813** of annual revenue. The plan plans for 108.

Scenario	Customers/day	Year 1 revenue	Lowest cash	Outcome
As planned	92	289,970	5,909	Survives
10% fewer	**83**	**263,313**	**(6,803)**	**Runs out of cash**
20% fewer	**74**	**236,656**	**(23,295)**	**Runs out of cash**

What this table says

The plan works as written and does not survive a ten percent miss on foot traffic. That is not a defect in the arithmetic; it is the actual risk profile of opening a bakery with a six-month cash cushion, and it would be dishonest to present the business as safer than it is.

What to do about it, before signing anything

- **Count the traffic.** Sit at the proposed door for a week, at the hours the shop would be open, and count. This is free and it is the single highest-value thing on this list.
- **Arrange a $15,000 line of credit at opening,** not when it is needed. Credit is cheapest to obtain when you do not require it, and it converts the ten-percent scenario from fatal to survivable.
- **Delay the second baker** from month eight to month eleven if revenue is tracking below plan by month five. This is the largest controllable cost and the earliest honest signal.
- **Pre-sell wholesale.** Three signed accounts before opening turns $2,600 a month of guesswork into committed revenue and moves the whole curve up.

THIS PAGE IS THE REASON TO WRITE A PLAN AT ALL

None of the above is obvious from the idea. All of it fell out of building the numbers and then deliberately breaking them. If your own plan has no page like this, you have written a brochure.

SECTION 13

Risks

Risk	What it would do	Mitigation
Foot traffic below plan	The plan fails at 10% below — see section 12	Count traffic before signing; $15,000 line of credit at opening; delay the second baker
Oven failure	No product, no wholesale, for as long as it lasts	24-hour service contract; standing arrangement with another kitchen
Owner illness or injury	Only one person can bake the menu alone	Third person trained on full production by month 10
Ingredient cost spikes	Butter and flour are volatile; 1% of COGS is about $1,200	Quarterly menu price review; two supplier accounts
Losing a wholesale account	Roughly $700-1,400 a month each	No account above 15% of wholesale revenue; six accounts by year 3
Rent rises at renewal	Occupancy is 10.3% of revenue in year one	Negotiate a five-year term with a capped increase before opening
A national chain opens nearby	Direct pressure on the commuter segment	Compete on wholesale and on being local; do not compete on price

SECTION 14

Assumptions and sources

Every projection in this document rests on the assumptions below. They are listed so a reader can disagree with a specific number rather than with the plan as a whole — which is the entire purpose of writing them down.

Assumption	Value	Basis
Trading days a year	305	Six days a week, closed one week in January
Customers a day, year 1	92	Built bottom-up from three segments. NOT yet validated by counting
Average ticket, year 1	$9.50	Blended across commuter and weekend segments
Ingredient cost	32.0%	Year 1; improves to 29.0% by year 3
Rent	$20/sq ft	1,500 sq ft all-in including CAM; Cookeville asks $17-24
Payroll load	11.0%	Employer FICA, unemployment, workers' compensation
Card processing	2.9%	Of total revenue
Packaging and supplies	3.0%	Of total revenue
Wholesale start	Month 4	$2,600/month in year 1, growing to $4,200
Depreciation	8,600	Equipment straight-line over about seven years
Opening cash	26,500	The working capital reserve from the start-up budget

Industry benchmarks are drawn from published restaurant and bakery operating data (Toast, BentoBox) and SBA guidance. Rent is from Cookeville commercial listings. SBA microloan terms are from sba.gov. Local lending information is from the Upper Cumberland Development District. Figures were compiled in August 2026 and should be re-checked before use.

SECTION 15

What a lender checks

Written by The Biz Foundry rather than by the fictional owner. If you are preparing your own plan, this is the marking scheme.

What they look for	Where it is in this plan
Can it repay the loan?	Section 10 — EBITDA covers debt service 1.7x by year two
Does the owner have money in it?	Section 9 — $40,000, 25% of the project. Below 10% is a hard sell
Do you know your costs?	Section 14 — every assumption listed with its basis
What happens when it goes wrong?	Section 12 — modelled, and the answer is not always "fine"
Can you survive the first year?	Section 11 — monthly cash, showing the trough and the reserve
Do you understand the competition?	Section 4 — including the ones that are not bakeries
Is there collateral?	Equipment at cost, and a personal guarantee. Expect to be asked
Have you done this before?	The honest answer, plus who you have hired to cover the gaps

BRING US THE VERSION WITH HOLES IN IT

Coaching at The Biz Foundry is free, there is no pitch at the end, and the TSBDC will read your projections alongside us at no cost. A plan you are unsure about is far more useful in a session than a tidy one — book at thebizfoundry.org.