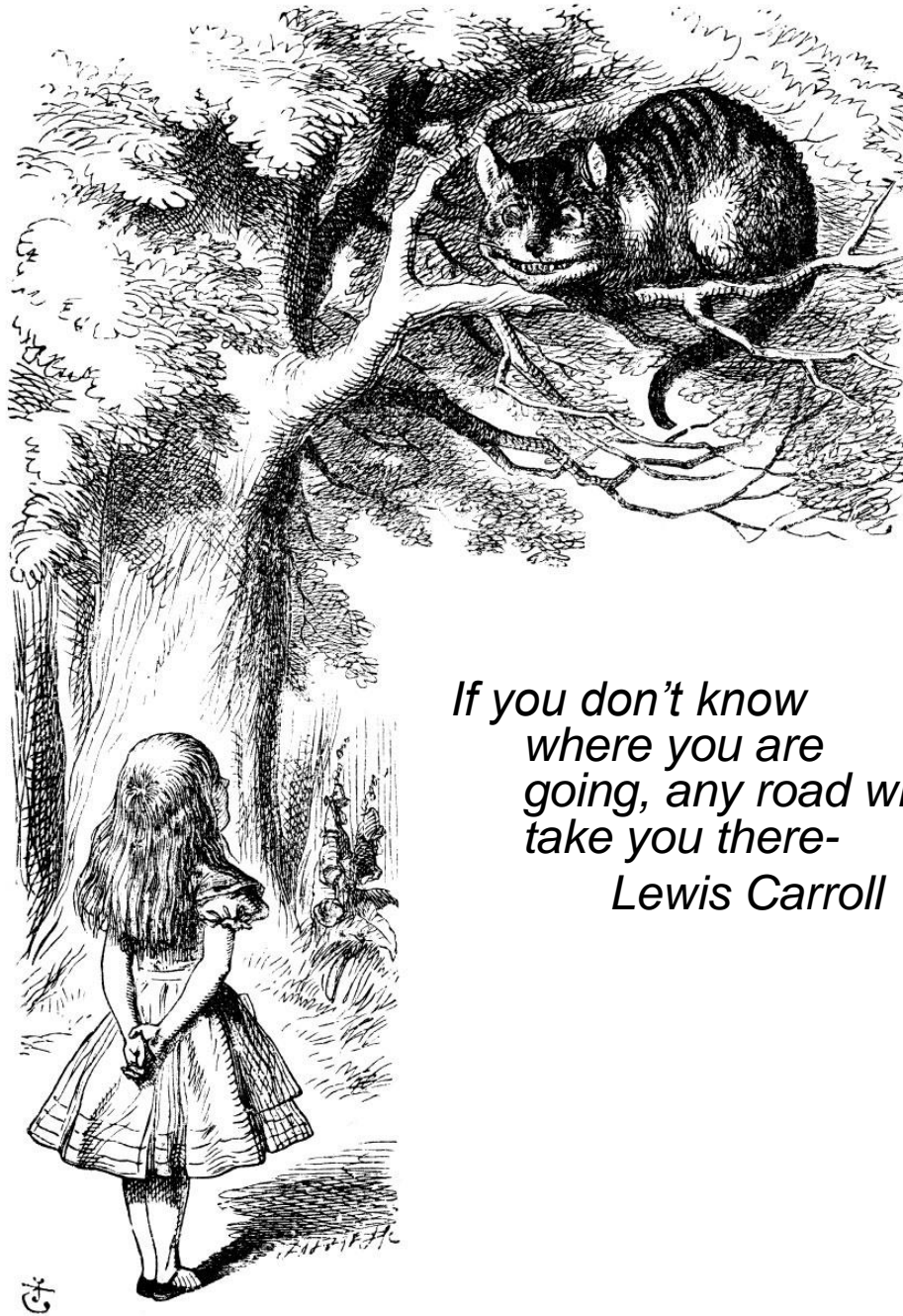


Developing *Your* Business Plan



Presented by Lew Blakeney
Small Business Development Center
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*If you don't know
where you are
going, any road will
take you there-
Lewis Carroll*

Definition of “PLAN”

- Implies a formulated method of doing something.
- Plan refers to any method of thinking out acts and purposes **beforehand.**

“If you fail to plan,
then you are planning to fail.”

Instead- Why not **plan** your work,
then work your **plan**?

What is a Business Plan

- A reality check
 - *Business idea feasibility examination*
 - *Consider all relevant factors*
 - *Not really a plan if it is only in your "head"*
- Your business's resume
 - *Lenders and outside investors*
 - *Negotiating with vendors*
 - *Attracting & communicating with employees.*
- Measure of Success
 - *Manage business by analyzing future actuals vs. your plan*

Sample Business Plan Outline

- Executive Summary
- Description & History of the Business
- Objectives/Goals
- Mission/Vision Statement
- Overview of Industry Trends
- The Market
 - size, customers, competition, etc.
- Marketing Strategies and Tactics
- Management & Personnel
- Financial Discussion & Projections
- Exhibits

Executive Summary

(Completed LAST !)

- Executive Summary of this Plan
 - Very brief company description/history
 - Ownership & Management experience
 - Why funds are needed?- Amount and sources (lender & owner equity)
 - Collateral to be pledged for the loan
 - Time frame for use of funds

CREATE INTEREST !

Description of the Business

- Nature of the Business *Retail, Manufacturing, Distribution, Services.*
- Status/History *Startup, Expanding*
- Structure & Ownership
 - *Sole Proprietor, LLC, or Corporation*
 - *Owners*
- Location, and if any advantages
- Products or Services
- Uniqueness of this business



Mission Statement

- Benefit provided or problem solved?
- Customer type?
- Market service area?
- Business uniqueness?
- Use “emotional” words-
“incredible”, “outstanding”, “outrageous”,
etc.
- **BE BRIEF !!**

Operations

- Where will the facilities be located.
 - Own, leasing or buying.
- Zoning issues
- Staffing issues & numbers of workers
- Hours of operations
- What material and equipment are needed? Detail the costs.
- How will I acquire my products
 - Make vs. Buy (significant vendors)
- Special licenses/permits required.



Marketing Strategies

- *Everything* you do is Marketing!!
- Target Market Segments?
- Internet/website plans?
- Advertising & Promotions?
- Pricing Strategies?
- Growth Expectations?
 - *Units and/or Value*
- Identify Selling Costs?
 - *separate from production costs or other overhead expenses*
- Distribution methods?



Market Research

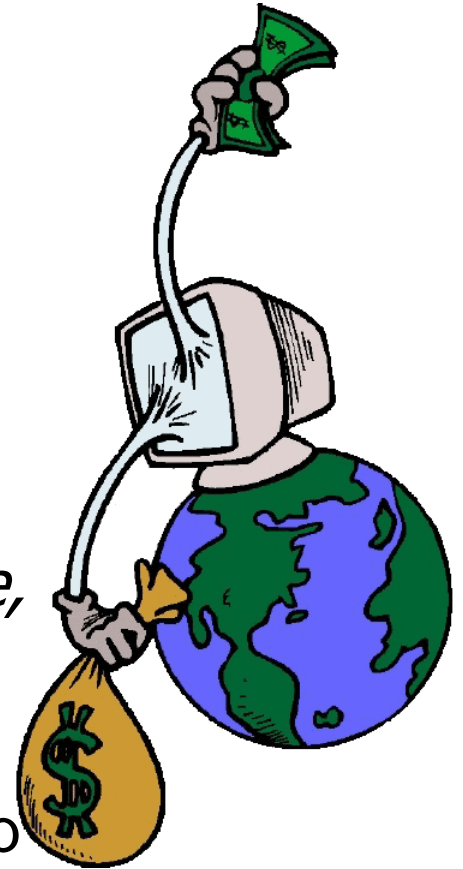
Must explain . . .

- **Industry** trends?
- **Who** will buy from you?
- **How** will they buy from you?
- **Where** they will buy from you?
- **What benefits** are they buying?
- **When** will they buy from you?
- **How often** will they buy?
- **How much** will they buy?
- **Why** will they buy from **you**?
(What will be your competitive strategy?)



Research Tools

- Internet searches!
- Observation & *Discussion with owners of existing businesses*
- Trade Associations – Websites & *Trade Shows*
- Public Library – *On-Line, Off- Line*
(Reference USA data base)
- Census Bureau – *Demographic Data*
- **Study Competitors** – *Learn who they are, what they provide, pricing structures; strengths/weaknesses.*
- Request help from SBDC Research Group

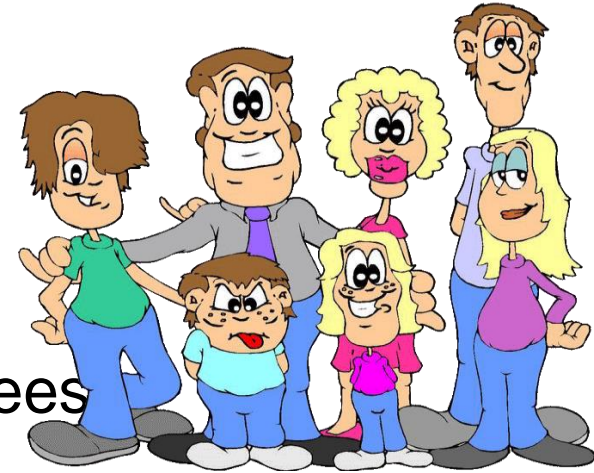


Competitors and Competition

- Good News & Bad News
- Who are they? (or alternative choices?)
- Location and Market Share
- Increasing or Decreasing
- Comparison Grid
 - Price, Service, Delivery, Marketing, Reputation, Location

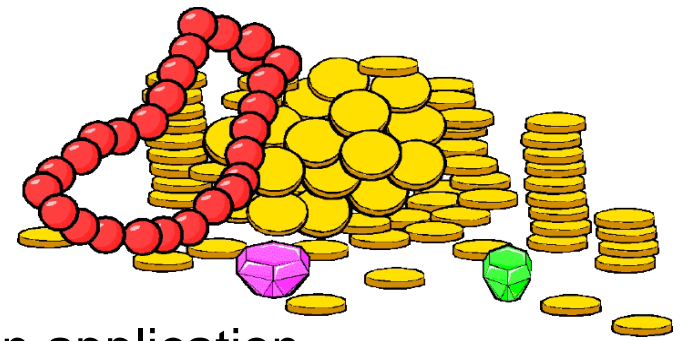
Management & Personnel

- Owners & key personnel?
 - Background, experience, & skills
- Staffing?
 - Type of positions. Number of employees
wages, timing of employment.
- Outside Resources?
 - Accountant, Attorney, Bank, Insurance, Other
professional resources?



Summary of Financial Needs

- How much do you need?
Include supporting estimates/quotations
- Working Capital?
Funds needed for continuing operations
- Collateral available for securing loan?
- Owner financial resources?
 - available funds?
 - personal credit strength ?
 - personal net worth?
 - co-signers needed for loan?
 - personal tax returns required for loan application



START-UP AND FUNDING

Start-up Costs

Start-up costs are estimated to be:

Beginning inventory (4 turns per year)	\$30,000	
Decorating and installation	11,000	
Utility deposits and first month rent	1,000	
Fees, Licenses and permits	2,000	
Initial advertising	3,000	
Owner's draw and one employee – 1 month	3,000	
Opening cash balance	1,000	
Closing Costs & Miscellaneous	<u>2,000</u>	
Total		\$53,000-100%

Funding sources

Initial funding will be:

Owner's Equity – Cash and/or equipment	\$20,000 - 38%	
Borrowing – 5 year loan, 7 % interest	<u>33,000</u> - 62%	
Total		\$53,000-100%

Use of Funds

- Purchase of real estate
- Construction/remodeling
- Cleaning / Renovation of premises
- Purchase of equipment
- Purchase of vehicles
- Purchase of office furniture and systems
- Start-Up organizational costs
- Operating Funds (Working capital)
- Purchase of existing business or franchise

Sources of all funds

- Personal (required!)- cash & assets
- Family or Private Investor(s)
- “Angel” Investors
- Commercial Bank
- SBA guaranteed bank loan
- Credit Cards



SALES PROJECTIONS

Sales Projections

Sales projections are based on experience of Mr. Venture, observation of competitors and discussion with supplier representatives. The average sale will be \$75 with products priced to yield a 45% gross margin. The number of sales per day and the dollar of sales per month will be as follows:

<u>Month</u>	<u>Year One</u>		<u>Month</u>	<u>Year Two</u>	
	<u>QTY</u>	<u>Per Day</u>		<u>QTY</u>	<u>Per Day</u>
January	10	\$19,500	12	23,400	
February	10	17,250	12	20,700	
March	10	19,500	12	23,400	
April	10	19,500	12	23,400	
May	9	17,550	11	21,450	
June	8	15,000	10	19,500	
July	8	15,000	10	19,500	
August	8	15,000	10	19,500	
September	9	16,875	11	21,450	
October	10	19,500	12	23,400	
November	10	19,500	12	23,400	
December	10	<u>19,500</u>	12	<u>23,400</u>	
Total		\$213,675		\$241,050	

BREAKEVEN ANALYSES

Breakeven Analysis Page 9

Not Just Sneakers

<u>Cost Description</u>	<u>Fixed Costs (\$)</u>	<u>Variable Expenses (%)</u>
Inventory or Materials	\$ -	55.0
Direct labor (includes payroll taxes)	-	0.0
Other expenses	-	0.0
Other expenses	-	0.0
Salaries (includes payroll taxes)	32,040	0.0
Supplies	1,200	0.0
Repairs & maintenance	-	0.0
Advertising	7,250	0.0
Car, delivery and travel	-	0.0
Accounting and legal	3,600	0.0
Rent	7,200	0.0
Telephone	2,400	0.0
Utilities	3,600	0.0
Insurance	2,400	0.0
Taxes (Real estate, etc.)	-	0.0
Interest	2,398	0.0
Depreciation	2,000	0.0
Bank Charges	2,784	0.0
Other (specify)	-	0.0
Miscellaneous expenses	-	0.0
Principal portion of debt payment	6,600	0.0
Owner's draw	24,000	0.0
Total Fixed Expenses	\$ 97,472	
Total Variable Expenses		55.0
Breakeven Sales level =	216604	

**Sample Actual (or Pro Forma) Balance Sheet
as of (Date?)**

Assets

Current Assets:

Cash	\$ xx,xxx.xx
Short-term investments.....	xx,xxx.xx
Accounts Receivable.....	x,xxx.xx
Inventory.....	<u>xx,xxx.xx</u>
Total Current Assets.....	xx,xxx.xx

Fixed Assets.....	xx,xxx.xx
Less Depreciation.....	<u>- x,xxx.xx</u>
Net Fixed Assets.....	xx,xxx.xx

Total Assets..... \$ \$\$\$,\$\$\$,\$\$

Liabilities and Owners' Equity

Current Liabilities:

Notes Payable.....	\$ x,xxx.xx
Accounts Payable.....	xx,xxx.xx
Accrued Taxes.....	<u>xx,xxx.xx</u>
Total Current Liabilities.....	xx,xxx.xx

Long-term Liabilities.....	<u>xx,xxx.xx</u>
Total Liabilities.....	xx,xxx.xx

Net Worth/Owners' Equity:

Owners' Investment.....	xx,xxx.xx
Retained Earnings.....	<u>xx,xxx.xx</u>

Total Liabilities & Owners' Equity..... \$ \$\$\$,\$\$\$,\$\$

Business Plan Resources

- Small Business Development Centers
- SBDC website: www.wsbdc.org
- Internet
 - Search “Business Plans for xyz industry”
- SBDCNet sample business plans
- Business Plan Books

WRAP - UP

- You need a Business Plan to be successful
- You can do it !
- SBDC is here to help you !

**Best wishes for
success!**



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