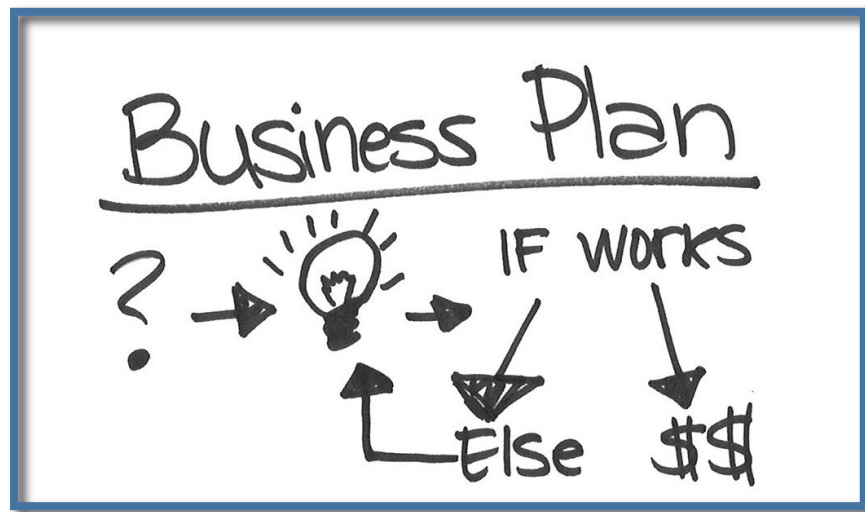


DEVELOPING A WINNING BUSINESS PLAN



FOR BUSINESS PLAN COMPLETION QUESTIONS,

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Developing a Winning Business Plan

So, you dream of starting your own business. Great! We at Business Advisers of Cleveland want you to succeed at that, which is the reason we've created this document. It should help you begin to achieve your dream.

A winning business plan you create yourself will state what you want to do and how you are going to do it. It will be the reality check that tells you whether or not you have a chance of being profitable. As you develop your plan, you should focus on quality of information, not quantity. Whether it is one page or forty, it should properly and succinctly tell your story.

Your well-crafted business plan will help you make decisions about your ongoing business if you continually update it with the information you gather as you go along. It will be your roadmap, keeping you on the path to success.

And you'll need a winning business plan to present to potential funders, no matter who they are or when in the course of your business that you are seeking funds.

BUT, FIRST

Before you begin to develop your business plan, complete the following questionnaire:

1. Briefly describe what type of business you would like to start?

2. Do you feel that your expertise is as least as good as or even better than the people who are already in the business? Yes ___ No ___ Don't know ___
3. Do you hope to have this business eventually be a full time endeavor on your part? Yes ___ No ___
4. Do you know how much money you will need to borrow or raise to get started? Yes ___ No ___ Don't know ___
5. Do you think you have enough financial backing to start this business? Yes ___ No ___
6. Do you feel there are many customers out there who will want to buy your products or services?
Yes ___ How many? ___ On what do you base this answer? _____
No ___ Don't know ___

7. Do you know how to find these customers? Yes ___ No ___ Don't know ___
8. Can you afford to lose all the money it may take to get started if you are not successful? Yes ___ No ___ Don't know ___
9. Does your immediate family feel you could be successful with your new venture? Yes ___ No ___ Don't know ___
10. Can you, and are you willing to, invest the time and effort to see if you can make your venture successful? Yes ___ No ___ Don't know ___

If you answered, "don't know" to 4, 6 or 7 above, you need more research and advice about your proposed business.

MOVING ON

If you answered *Yes* to questions 4, 6 and 7, and armed with the information you gained through the questionnaire, you are ready to develop your business plan, which typically includes these topics:

- Executive Summary
- Description of Product or Service
- Market Analysis and Marketing Plan
- Management and Operations Plan
- Profit and Loss Statement
- Working Capital Needs
- Risk Assessment

EXECUTIVE SUMMARY

The executive summary provides an overview of the entire plan. Recognize that this may be the only part of your plan that will be read by everyone. It is the greatest opportunity to make a persuasive case for the business.

This section includes the business's purpose, history (if any), objectives and brief description of products or services. Describe the market you will serve and why your business will succeed in the market. Summarize financial needs and plans to use funds and state the financial benefits that will be generated by these investments. Identify any substantial risks to achieving your objectives and describe your plan to avoid or minimize them.

DESCRIPTION OF PRODUCT OR SERVICE

This section should include a complete description of your product or service, listing both features and benefits. Be sure to include a compelling reason why yours is different and better

than others. Here is where you answer the question, *why will your product or service be valuable? What needs will you fulfill?*

MARKET ANALYSIS AND PLAN

Here is where you describe your market and how you plan to get people to buy what you're selling. Examples of questions to answer are:

- How large is the market? (annual sales or volume, geography, customer base, etc.)
- What are the forecasts for market growth and changes? How will you adjust for those?
- Who also provides a similar product or service? Then, describe more fully than in the executive summary why yours is different and better.
- What marketing methods will you employ to get the word out about your new business? (examples: advertising, cold calling, direct mail, brochure distribution, blog on your website, networking, social media, trade shows, collaborating with other businesses selling to the same market)

DIGITAL PLAN

Given rapidly changing market conditions and advancements in technology, it becomes critical to include a digital business strategy within your business plan. Today's consumers expect to communicate with companies using website, app or phones and the strategies should be outlined in the business plan on how to facilitate such communication. The emphasis should be on how technology will enable the business to be relevant and competitive.

Some of what should be considered:

- Online chat
- Stage virtual events
- Use of videos as sales tools
- Search engine optimization (SEO) – to rank higher on internet search results
- Keyword search
- Pay-per-click (PPC) – The use of paid advertisements
- Social media presence
- Google for Business
- Email marketing
- Cloud-based file management and reliable backup process
- On-line security

MANAGEMENT AND OPERATIONS PLAN

Many prospective investors or lenders consider the management team key to the strength of a business. In this section, you address that interest by describing who will run the business and what processes and procedures will be employed. Include information about your own expertise and background and what motivated you to start your business.

You'll describe the management team, key employees and all their credentials and expertise. If appropriate, also include board expertise and active financial sponsors. Good idea – include an organization chart.

Explain how you will manage administrative tasks such as accounting, legal, human resources, marketing and sales. Describe how you will deliver what customers buy and what facilities and equipment you'll need to do that. (You could include a description of opportunities to improve overall efficiencies through investment in better equipment of facilities if your business is established.)

PROFIT AND LOSS STATEMENT

Of most importance to prospective lenders are your profit and loss statement and *opening day* balance sheet. In fact, a projected net loss instead of net profit may convince you that your venture should not be tried or put aside until a better idea is developed.

This projected or estimated profit and loss statement will tell you and everyone else who may need to know if and when you will be successful with your new venture.

What follows is an example of items to include in your profit and loss statement. (See *EXPLANATION OF PROFIT AND LOSS TERMS* at end of whitepaper.)

	<u>PER MONTH</u>	<u>PER YEAR</u>
ESTIMATED GROSS SALES	_____	_____
LESS ESTIMATED COST OF SALES	_____	_____
ESTIMATED GROSS PROFIT	_____	_____
ESTIMATED OPERATING EXPENSES:		
Rent, Utilities, Telephone and Web Site	_____	_____
All Salaries and Wages	_____	_____
Payroll Taxes	_____	_____
Employee Health Insurance	_____	_____
Marketing	_____	_____
Office Supplies and Expenses	_____	_____
Insurance, Accounting and Legal	_____	_____
Cars, Trucks and Travel	_____	_____
Interest and Taxes	_____	_____

Maintenance and Repairs	_____	_____
Depreciation	_____	_____
Miscellaneous	_____	_____
TOTAL ESTIMATED OPERATING EXPENSES	_____	_____
NET PROFIT or (LOSS) for the PERIOD	_____	_____

OPENING DAY BALANCE SHEET

An opening day balance sheet shows a business' assets when it opens for business. It's a snapshot of a business' financial outlook at a particular moment, providing a prospective lender a picture of a business founder's ability to support the business until it begins making a profit.

LIABILITIES

Accounts Payable	_____	_____
Mortgage	_____	_____
Loans	_____	_____
Rent	_____	_____

ASSETS

Cash	_____	_____
Checking Account	_____	_____
Money Market Account	_____	_____
Receivables	_____	_____
Real Estate	_____	_____

WORKING CAPITAL NEEDS

Many start-ups fail because they are under-capitalized and run out of money before they can become successful. Your completing the Working Capital Needs section below is as important as completing the Profit and Loss Statement.

As you complete this section, assess your risk in starting the business. Answer questions such as: *Will you have enough cash if something surprising happens? How will you recruit key skills if you don't have them all?*

Typical Items Needed to Get Started: (Your business may not need all these items, or you may think of others.)

- (1) Transportation Equipment _____
- (2) Tools and Supplies _____
- (3) IT Equipment, Office Furniture and Fixtures _____
- (4) Machinery and Equipment _____
- (5) Building Improvements _____
- (6) Website Development _____
- (7) Total Capital Equipment Cost (add lines 1 thru 6) **_____**
- (8) Needed Start-up Money for Operating Expenses _____
- (9) Annual Lease Expense for all Capital Items _____
- (10) Annual Operating Expenses _____
- (11) Annual Working Capital Needs (add lines 8, 9 and 10) **_____**
- (12) Six Months Working Capital (one-half line 11) **_____**
- (13) Owner's Down Payment (one-fourth of line 12) **_____**
- (14) Capital Needs to Borrow (line 12 minus line 13) **_____**

Line 8 – Needed Start-up Money for Operating Expenses can also be called “Launching Costs” and refer to additional operating funds needed until the operation obtains its normal projected expense. This could be a short or an extended period dependent upon the complexity of the business. Include costs to establish inventories of materials and product prior to launch and to support sales once launched. Also, consider that payment for products or services sold will likely be delayed, so you may have accounts receivable for a while before cash begins flowing.

Line 9 – The Annual Lease Expense for All Capital Items is obtained by dividing Line 7 by four. This will give you your normal annual lease cost. Most capital equipment can be leased for five years. Thus dividing by four years you will also include your annual lease interest cost.

Line 10 – Annual Estimated Operating Expenses is obtained from your “Profit and Loss Statement.”

Line 12 – Six Months is a typical period, but may be longer (seasonal sales) or shorter (many food products).

RISK ASSESSMENT

First, identify potential risks that could affect the outcome of your business. For example, will competitors react to your business by reducing their prices? What would be the impact on the business if you or a key employee became disabled?

Then describe how you will deal with these situations. For example, you might offer coupons to match competitors’ reduced prices and buy insurance to cover key employees. Mention any patents or other legal protections you have or pending that will protect the design or key features of your product.

EXPLANATION OF FINANCIAL STATEMENTS’ TERMS

All Salaries and Wages is the gross amount you expend to pay yourself and your employees each month.

Cars, Trucks and Travel this relates to the vehicles that may be needed to operate your business. If you use your personal car all your business miles and their costs should be charged to the business. This includes a percentage of your monthly car or lease payments. If trucks are used virtually all of their expenses should be charged to the business. You also must make allowance for gas, oil and your expenses while traveling for business reasons.

Cost of Sales is the amount of money you expect to pay others, outside of your company, for the products or services you are providing your customers.

Depreciation is an allowance to replace all machinery and equipment, including cars and trucks that you purchased to operate your business. This amount is determined by taking the total cost of the assets divided by the useful life of those assets to arrive at the annual amount of depreciation to be charged to the business.

Employee Health Insurance and for employee’s family is an item that should be considered when developing a business plan.

Gross Profit is the money difference between what your customers pay you and what you pay your suppliers.

Gross Sales are the amount of money you think you can sell your products for in a given month and then in a given year.

Insurance, Accounting and Legal An allowance should be made for business liability, fire, theft, auto, truck, and hospitalization insurance. Also you may need help from an accountant and a lawyer.

Interest and Taxes You may have to pay interest on money you have borrowed. Also you will have to pay the sales taxes you have collected, fees for licenses and taxes on income.

Maintenance and Repairs is an allowance to maintain and repair the machinery and equipment you use in your business.

Miscellaneous would include expense items that are unique to your business and not listed already. You can also make allowance for unknown or unexpected expenses, such as weather, if applicable.

Office Supplies, Accounting and Postage is an allowance for these expenses, which may occur each month.

Operating Expenses are all the cost associated with operating a business that need to be provided for and then deducted from your **Gross Profit** to determine if you had a profit or loss for the month and/or year. Many expenses do not occur every month but you must budget for them to be sure the funds are available when the expenses occur.

Net Profit or (Loss) for the Period This is the amount of money you made or (lost) for the period before federal, state or local income taxes.

Payroll Taxes About 14% will be for Social Security, Medicare, Unemployment Compensation (both State and Federal) and Worker's Compensation.

Rent, Utilities and Telephone is the amount you spend each month for the space you use – your heat, light, air conditioning, phone, Internet and fax expenses.

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Business Advisers of Cleveland exists to improve the quality of life in Northeast Ohio by contributing to the success of small businesses and not-for-profit organizations through free counseling, consulting, mentoring and educational programs.