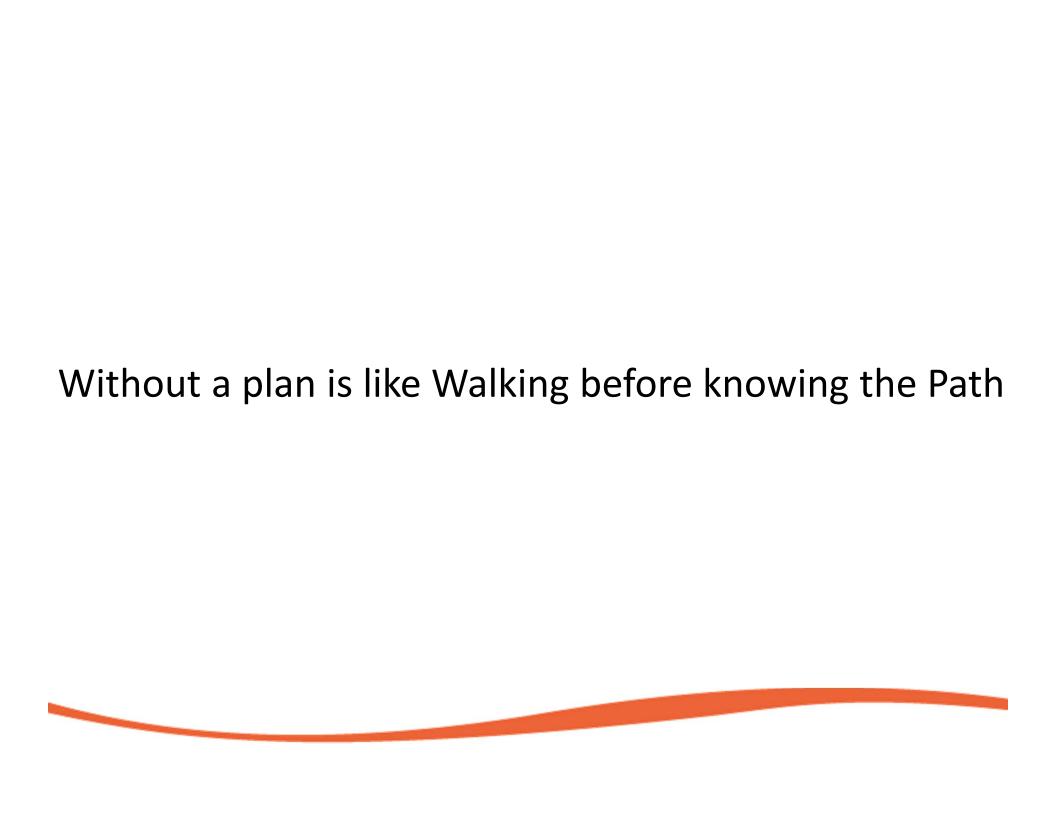


# **CREATING A GREAT BUSINESS PLAN**



## YOU NEED TO WRITE A BUSINESS PLAN IF YOU ARE:

- > Starting or buying a business
- > Financing or refinancing your business
- Raising debt or equity capital



#### A Business Plan is important for two reasons:

- > It forces you to think through every aspect of your business.
- It serves as an assessment tool for the business owner, helping to reaffirm the viability of your ideas.





## FOUR MAJOR BENEFITS OF A BUSINESS PLAN:

- ➤ It gives you a plan to follow. Chart your future by setting goals.
- ➤ It gives your banker (or potential banker) details of your business concept and goals.
- A plan provides a way to communicate your operations, goals and business philosophy to personnel, suppliers, & other business contacts.
- A plan develops you as a manager by making you construct a clear "blueprint".



# Business Loan Basics Lenders use the Eight "C's" Rule:

- Credit (must be good)
- Capacity (ability to repay)
- Capital (money going into the business)
- Collateral (your assets that secure the loan)
- Character (you)
- Conditions (economy, finances, anything that affects your business)
- Commitment (your ability & willingness to succeed)
- Cash Flow (can it support debt & expenses?)







## **Business Plan Outline**

Cover Sheet

Location & Operations

> Table of Contents

Management

Executive Summary

Summary of Risks Involved

> Description of the Business

Financial Statements

Market Analysis and Strategy

> Appendices



# I. COVER SHEET

- > Should be titled "Business Plan", "Business Proposal" or "Financial Proposal".
- > Should identify the business & the principal person(s) involved and include contact information.





# II. TABLE OF CONTENTS

# Make it easy to find the various sections of the business plan.

#### Example:

#### **Table of Contents**

1.0 Executive Summary .				
1.1 Mission				
1.2 Objectives				
2.0 Start-up Summary				
	nership			
3.0 Products				
3.1 Sourcing				
3.2 Technology				
3.3 Future Produc	cts			
4.0 Market Analysis				
4.1 Industry Analysis				
4.1.1 Mai	n Competitors			
5.0 Strategy and Impleme	entation Summary			
5.1 Value Proposition				
5.2 Competitive Edge				
5.3 Marketing Strategy				
	tribution Strategy			
	sing Strategy			
	rketing Programs			
5.3.4 Stra	ategic Alliances	1		
6.0 Management Summa	ry	,		
6.1 Personnel Pla	an	1		
7.0 Sales Strategy		1		
8.0 Financial Plan				
8.1 Important Assumptions				
8.2 Projected Profit and Loss				
8.3 Projected Cash Flow				
8.4 Projected Balance Sheet				
8.5 Business Rat	ios			
Appendix				
12 Month Detail:	Sales Forecast Table			
	Personnel Table	:		
12-Month Detail:	Profit and Loss Table	:		
12-Month Detail:	Cash Flow Table	:		
12-Month Detail:	Balance Sheet Table	1		
12-Month Detail:	Dalance oneet 140le	- 4		



# III. Executive Summary

- Should be a brief orientation (no more than 2 pages) to the business plan and entice the lender to read the entire plan. Should be written last.
- Explain the who, what, where, why and how of your business.
- ➢ Give the details of your loan request how much, what the \$ will be used for, & how much you are contributing.
- ➤ Include 1-2 reasons why this business will succeed.



# IV. DESCRIPTION OF THE BUSINESS

History of the Company

- Product or Service Descriptions
  - > Type of products / services?
  - Unique features?
  - Who are your suppliers?



# V. MARKET ANALYSIS AND STRATEGY

#### Market Profile

- 1. Who exactly are your customers?
- ➤ 2. What is the present size of the market?
- 3. What percent of the market will you have?
- ➤ 4. What is the market's growth potential?



Market Research for Furniture & Reupholstery in the U.S.

Revenue Annual Growth 2010-2015

\$2bn .2%

Employment Businesses

31,902 23,279

**Growth in Automotive** 

Projected to be 10.5% over next 4 years

# V. Market Analysis and Strategy

#### Marketing Plan

1. How are you going to price your products / services?

2. How will you attract & keep your customers?

3. How can you expand your market?

4. How will you advertise or promote your business?



# V. Market Analysis and Strategy

#### > The Competition

1. Who are your competitors, both direct & indirect?

2. How are you different or better than the competition?

3. What are their strengths? Their weaknesses?

4. How will you advertise or promote your business?



# VI. Location and Operations

#### **Location**

- 1. Where is the business located & what are the benefits of the location?
- 2. What are the space & equipment requirements? Is there room for future expansion?
- 3. Do you own or lease the space?
- 4. What about needed renovations?





# VII. Management

#### Management Skills

- 1. Who is in charge of the business operations?
- 2. What is the background of those in key positions?
- 3. Is outside expertise needed & available?
- 4. What is the organizational structure?





# VIII. Summary of Risks Involved

- Is this your first business venture?
- Are you and your personnel well qualified in this industry?
- Is the product & market acceptance already established?
- How is the timing for the seasonality for this industry and the "age" of the industry?
- What are the potential liabilities & delays?



# IX. Financial Statements

(for all businesses)

- Estimated money needs
- Calculation of loan repayment
- Projected P & L by month for 1<sup>st</sup> year
- Projected cash flow statement by month for 1<sup>st</sup> year
- Projected annual income statement for 3 yrs.
- Projected business balance sheet





## IX. Additional Financial Statements

(for existing businesses)

- Income Tax Returns for last 3 years
- Current income statement
- Current balance sheet
- Schedule of short & long-term debts
- Aging of accounts receivable
- Aging of accounts payable



## IX. Financial Statements

(Personal Financial Statements)

Income Tax Returns for the last 3 years

Personal balance sheet

Personal credit report on all owners of 20% or more of the company



# X. APPENDICES

- Personal resume(s) of owner(s)
- Lease agreements
- Price quotes and product brochures/information
- Contractor bids for leasehold improvements
- Contract for purchase of property
- Any other pertinent information (demographics, articles, etc.



## IN SUMMARY . . .

#### Your Business Plan will help you:

- 1. Move ideas from your head to paper in an organized, clear, convincing manner.
- 2. Avoid the most common mistakes.
- 3. Keep your focus on key points.





# 2 Questions for You:



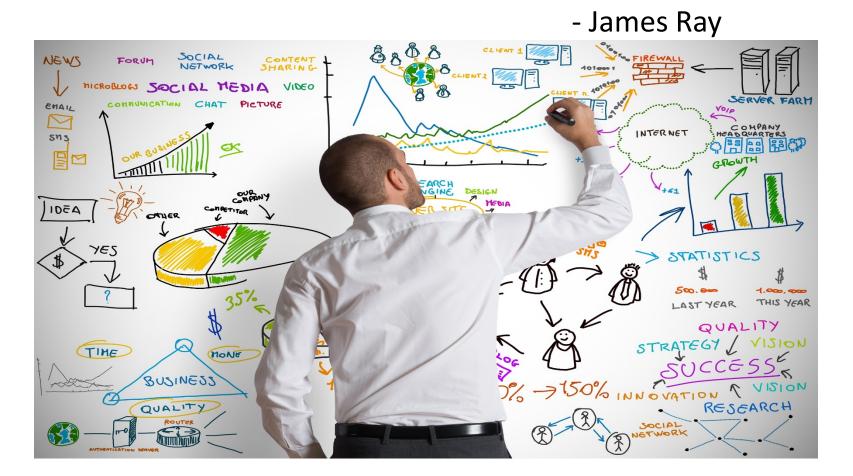




- Is it going to be easy to prepare a business plan?
- Is it going to be worth the time and effort you will put into a business plan?
- ANSWER: NO and YES!!!



No business plan will survive the first encounter with reality.



Source:	Tax Returns	Tax Returns	Jan-Dec
	12/31/2010	12/31/2011	12/31/2012
Revenue/Sales	\$367,428	\$388,947	\$374,602
COGS	\$0	\$0	\$0
Gross Profit	\$367,428	\$388,947	\$374,602
Exp	\$308,624	\$318,351	\$358,360
Net Profit	\$58,804	\$70,596	\$16,242
Depr	\$5,740	\$3,817	\$0
Rent	\$54,408	\$49,332	\$44,791
Interest	\$0	\$0	\$0
Cash Flow	\$118,952	\$123,745	\$61,033
Present debt Service	\$30,228	\$30,228	\$30,228
Project Debt Service	\$29,591	\$29,591	\$29,591
Total Debt Service	\$65,591	\$65,591	\$65,591
Coverage	1.81	1.89	0.93



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