



REI
NATIVE AMERICAN
BUSINESS CENTERSSM

CREATING A GREAT BUSINESS PLAN



Without a plan is like Walking before knowing the Path



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
- Table of Contents
- Executive Summary
- Description of the Business
- Market Analysis and Strategy
- Location & Operations
- Management
- Summary of Risks Involved
- Financial Statements
- 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

Example:

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

Table of Contents

1.0 Executive Summary	1
1.1 Mission	2
1.2 Objectives	2
2.0 Start-up Summary	3
2.1 Company Ownership	4
3.0 Products	4
3.1 Sourcing	4
3.2 Technology	5
3.3 Future Products	5
4.0 Market Analysis	5
4.1 Industry Analysis	5
4.1.1 Main Competitors	7
5.0 Strategy and Implementation Summary	7
5.1 Value Proposition	8
5.2 Competitive Edge	8
5.3 Marketing Strategy	8
5.3.1 Distribution Strategy	8
5.3.2 Pricing Strategy	9
5.3.3 Marketing Programs	10
5.3.4 Strategic Alliances	11
6.0 Management Summary	11
6.1 Personnel Plan	12
7.0 Sales Strategy	12
8.0 Financial Plan	14
8.1 Important Assumptions	14
8.2 Projected Profit and Loss	15
8.3 Projected Cash Flow	17
8.4 Projected Balance Sheet	18
8.5 Business Ratios	19
Appendix	
12-Month Detail: Sales Forecast Table	21
12-Month Detail: Personnel Table	22
12-Month Detail: Profit and Loss Table	23
12-Month Detail: Cash Flow Table	24
12-Month Detail: Balance Sheet Table	25

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 1st year
- Projected cash flow statement by month for 1st 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.

- James Ray



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	<u>\$29,591</u>	<u>\$29,591</u>	<u>\$29,591</u>
Total Debt Service	\$65,591	\$65,591	\$65,591
Coverage	1.81	1.89	0.93



REI
NATIVE AMERICAN
BUSINESS CENTERSSM

CASSIDY GILMORE, COORDINATOR

REI Native American Business Resource Center

cgilmore@reiok.org

800.658.2823

