

Creating a Simple, Yet Effective Business Plan



Your Presenter



Kathy Stewart, a Colorado native, having grown up on a farm west of Ault, Colorado...

Received her BA in Communications and an MA in Organizational Behavior.

20 years of experience in the telecommunications industry, including a corporate regional position as Vice President of Operations for a six-state area with over 450 employees.

Past co-owner of 3 Painted Ladies, a recycle paint business. Responsible for all financial activity; including sales projections, budgeting, monthly financial reports and year end reports. As one of three owners, collaborated in collecting paint, processing paint and the selling of recycled paint.

All About You!

Communicate:

➤ Written AND verbal

Transition from:

➤ Emotion & hope ***to*** logical & confident

WHY A BUSINESS PLAN - Audiences of Plan

- Owner
 - Put ideas on paper
 - Proof that you fully understand the business
 - Help create goals, objectives and tactics
- Investor - and/or loan application
 - Proof that you understand the business
 - That the business will make \$\$ and the investor will get their ROI – or can pay off loan

Why Planning is Important

- I'd like my business to make more money.
- I could use a map & compass for the future.
- I would like to develop sound operating and financing plans.
- I want to impress lenders with the financial soundness of my business.
- I believe it's important to communicate my goals and plans clearly.

Business Plan Definition

“ A business plan is a written document that serves as a guide to your future, provides direction and focus and helps you model your business and avoid problems”

Strategic Planning

- To set interim objectives, “begin with the end in mind.” S. Covey

think → action → goal of success

goal → think → action → success

- Set Goals

QUESTIONS & RESEARCH



Who We Are & What We Do



**LOVELAND
BUSINESS**
DEVELOPMENT CENTER

Helping local businesses start, grow and prosper through street-smart business education and assistance.

PUBLIC LIBRARY



**Loveland
Public Library**

Where you can!

300 N. Adams Avenue
Loveland, CO 80537
(970) 962-2759



**POUDRE RIVER
PUBLIC LIBRARY**
DISTRICT

Molly Thompson, Business Librarian
Harmony Branch
(970) 204-8429

www.poudrelibraries.org

Strategic Planning Resources

- SBDC/LBDC high quality Strategic Planning classes and One-on-One Consulting.
- Strategic Planning handouts
- SBDC East website - Sample Business Plans by Industry. www.eastcoloradosbdc.com Click “Resources”, then “Business Planning”. See “Sample Bus. Plans”
- Market Research - FC and Loveland business librarians

Handouts

- Business Plan Guide
- Business Plan Outline



BUSINESS PLAN OUTLINE

External

CURRENT BUSINESS ENVIRONMENT

- Industry overview and trends
- Customers
- Competitors
- Economy/environment

BUSINESS PLAN OUTLINE

INTERNAL ANALYSIS

- Organization (Bio of owner/philosophy/employees)
- Business location (why & description and hours)
- Products & services (feature & benefits/rates/how bill/ late fees/ etc.)
- Marketing and Sales Strategy

MARKETING STRATEGIES

- How you get the word out about your business
- Engaging in conversations – sharing your story, taking suggestions and problem solving.
- Promote your business and your product and services.
- Develop sales and loyal customers.



MARKETING - WHY have a website?

- Customers use the internet like they used to use the phone book.
- Gives your business legitimacy.
- Opportunity for data collection and lead generator.
- Lead customers into your store.



... WHY NOT have a website – not looking for business

MARKETING - WHY use Social Media

- Create a recognizable identity for your products or services.
- Get the word out about your products or services.
- Be recognized as an expert
- Testimonials so potential customers hear what your customers say about your business and service.
- Build relationships
- On line communication and networking with potential customers.

MARKETING - WHY use Social Media *continued*

- Much cheaper than traditional marketing and advertising.
- Your company is more accessible.
- A way to explain yourself.
- Find out what customers want.
- Create sales.



BUSINESS PLAN OUTLINE

FINANCIAL PROJECTIONS

- Spreadsheets and description of projected sales and operating cash flow (net gain/loss)
- If requesting loan: detail what need, why, how will pay back & when will pay back

FINANCIAL



In-house or Outside Support



Do it yourself . . . or

- Bookkeeper
- Accountant



Mike O'Connell's former boss once shared:

- 1) Delivery performance
- 2) Quality product
- 3) Lowest price

“I can give you two out of three.
Which two do you want?”

PRICING – You Want to Make Money

Mistake many businesses make – believing price alone drives sales

Truth – your ability to sell is what drives sales

Question – what is your sales strategy

Pricing Strategy

KEY FACTORS

- Research industry benchmarks.
- Track what competitors are charging.
- Understand the relationship between quality and price.
- Know your expenses.

PRICING – Sales Strategy

- Put yourself in the customer's shoes
- Know what your customers value
- Constantly re-evaluate your costs
- Plan for price increases

If you don't raise your rates, you won't be in business for long.

Three Financial Reports

- **P & L REPORT**

also called Profit and Loss – Income Statement

-record and track sales for the month and record and track monthly expenses.

- **CASH FLOW REPORT**

-record and track payments for both revenue and expenses.

- **BALANCE SHEET**

-what own (assets) minus what owe (liability) = what worth (equity).

INCOME STATEMENT

(also called profit & loss or P&L statement)

- Best effort to show sales the company generated during a given period.
- Reports the revenues, expenses, net income +/- and other totals for a period of time (monthly, quarterly or yearly).
- Help you decipher & understand profitability.
- Help you manage key line items.



ACCOUNT	JAN	FEB	MAR	YTD
REVENUE				
Coaching	\$ 1,500	\$ 2,250	\$ 1,250	\$ 5,000
Consulting	\$ 775	\$ 800	\$ 525	\$ 2,100
Training	\$ 2,200	\$ 2,400	\$ 2,800	\$ 7,400
Total Revenue	\$ 4,475	\$ 5,450	\$ 4,575	\$ 14,500
COST OF BUSINESS				
Materials	\$ 150	\$ 175	\$ 150	\$ 475
GROSS PROFIT	\$ 4,325	\$ 5,275	\$ 4,425	\$ 14,025
OPERATING EXPENSES				
Rent	\$ 450	\$ 450	\$ 450	\$ 1,350
Insurance	\$ 275	\$ 275	\$ 275	\$ 825
Office Supplies	\$ 25	\$ 30	\$ 15	\$ 70
Total Expenses	\$ 750	\$ 755	\$ 740	# \$ 2,245
Net +/-	\$ 3,575	\$ 4,520	\$ 3,685	# \$ 11,780

Balance Sheet

The balance sheet is a “snapshot” of your business’s financial condition on a given day.

The balance sheet includes:

1. A list of your business assets (what your business **owns**)
2. A list of liabilities (what your business **owes**)
3. Owners equity is the difference between the dollar value of the assets and the associated liabilities



Your projected balance sheet will reflect a picture of your business’s financial condition at the end of your projected first year

Balance Sheet (statement format)



BALANCE SHEET

ASSETS

Cash

Savings

A/R

Inventory

Total Current Assets

Equipment

-depreciation

Other Assets

Total Assets

BALANCE SHEET cont.'

LIABILITIES

A/P

Credit cards

taxes

**Total Current
Liabilities**

Loans

Other Liabilities

Total Liabilities

EQUITY

Beginning Equity

net Income

+ Owner Cash

Advances

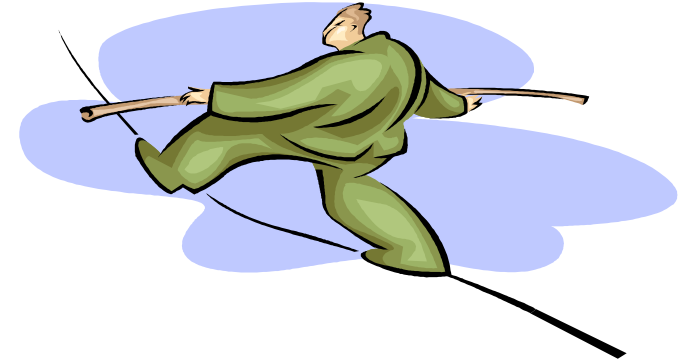
- Owner Withdrawals

Total Equity

Total Liabilities & Equity

CASH FLOW STATEMENT

Money coming in and money going out



- How much cash goes out the door each month is critical.
- Cash Flow projections forecasts cash flowing into your business from sales, investments and borrowing, and cash flowing out of your business to pay expenses, buy equipment, and take care of other business expenditures.
- Running out of cash is the number one reason start- ups fail

CASH FLOW STATEMENT (use format for cash flow projections)

Beginning Cash Balance

Jan Feb Mar Dec TOTAL

CASH RECEIPTS

Cash Sales

Collected A/R

Other

Total Cash Receipts

CASH DISBURSEMENTS

Cash Purchases (merchandise)

Pay A/P (all other expenses)

Debt Payments (loan/cc)

Other

Total Cash Disbursements

NET CASH FLOW(Income – cash disbursements)

ADJUSTMENTS TO NET CASH FLOW

Ending Cash Balance

BUSINESS PLAN OUTLINE

STATEMENT OF PURPOSE

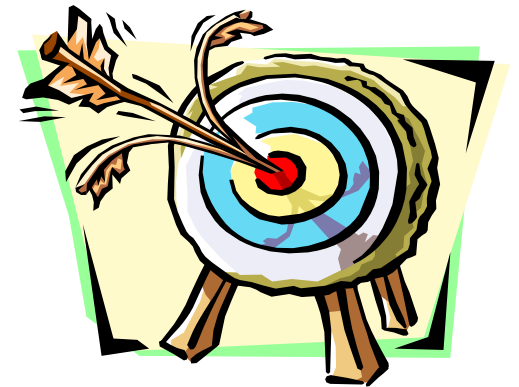
(executive summary) (1 -2 pages)

- Mission statement
- Description of the business
- Goals
- Financial summary

Business Description – Mission / Vision

NEED TO KNOW WHO YOU ARE AND WHERE YOU ARE GOING

- **Mission Statement** – focuses on TODAY and what we do.
- **Vision Statement** – focuses on TOMORROW and what we want to become (known for) or hope to achieve.



Business Description – Mission / Vision

Amazon

MISSION: . . .offer. . . Lowest possible prices, the best selection and the most convenience.

VISION: Amazon's vision is to be earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online.

TED

MISSION: spread ideas

VISION: we believe passionately in the power of ideas to change attitudes, lives and, ultimately, the world.

Business Description – Mission / Vision *continued*

Go Daddy

MISSION: we are here to help our customers kick ass. We do that by living our strategy and ruthlessly prioritizing our work to create simple elegant technology that delights our customers-all while delivering service that is second to none . .

VISION: we will radically shift the global economy toward small business by empowering people to easily start, confidently grow and successfully run their own ventures.

Samsung

MISSION: become one of the world's top five brands by 2020

VISION: inspire the world. Create the future.

Getting Financing - Options

- Friends and Family.
- Traditional Commercial Banks.
- Micro-Lenders.
- Angel Investors.
- Venture Capital / Equity Investors
- Grants.
- Credit Cards.
- Crowd-funding.

5-C's of Credit

- 1) Capacity – Why requesting, what loan will be used for, how it will improve growth and how pay back.
- 2) Collateral –Pledged assets to secure the loan.
- 3) Credit-Worthiness / “Character” – Personal Credit Rating
- 4) Capital – Your “skin in the game”.
- 5) Circumstances/Conditions

Applying for a Loan

Existing Business

- Balance sheets (last 3 years)
- Income statements (last 3 years)
- Cash flow statement (12 months)

New Business

1-3 projections
1-3 projections
1 year

If Applying for a Loan

- Current personal financial statement on each principal
- Federal tax return for prior year
- Review projected ratios (Liquidity, Leverage, Operating, Profitability)

Contact Information

Kat Rico, *Program Director*
Kathy Stewart, *LBDC Community Liaison*

5400 Stone Creek Circle
Loveland, CO 80538
(970) 667-4106

www.lovelandbusiness.com



**LOVELAND
BUSINESS**
DEVELOPMENT CENTER



Mike O'Connell, *Executive Director*
Terri Donovan-Keirns, *Assistant Director*

320 East Vine, Suite 303
Fort Collins, CO 80521
(970) 498-9295

www.larimersbdc.org