Business Advisers
OF CLEVELAND

A GUIDE AND WORKBOOK

# Developing a Winning Business Plan

Work through this guide at your own pace. Every answer space is fillable, so you can type directly into this PDF, save it, and bring it to your first session with your BAC advisory team.

## About You

Your name

Business name

Email

Phone

Date

**Before you start**

Download this file to your computer first, then open it from there. Answers typed in a browser tab are lost if you close it without saving. Save as you go so you can come back anytime. To print, fill it in first, then print. It also prints blank if you prefer pen and paper.

**Questions as you work on your plan? Contact BAC.**

**bacleveland.org | 216.466.5585**

WELCOME

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

STEP 1 | QUESTIONNAIRE

# Before You Begin

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 at 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 ○ No ○ Don't know
   If yes, how many? _____ Based on what? _____

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 question 4, 6 or 7, you need more research and advice about your proposed business. Your BAC advisory team can help.**

STEP 2 | YOUR PLAN

# 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
- Digital 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 a brief description of products or services. Describe the market you will serve and why your business will succeed in that market. Summarize financial needs and plans to use funds, and state the financial benefits these investments will generate. Identify any substantial risks to achieving your objectives and describe your plan to avoid or minimize them.

### Your executive summary

# 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?

**Your product or service**

# Market Analysis and Plan

Here is where you describe your market and how you plan to get people to buy what you are 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? Describe more fully than in the executive summary why yours is different and better.
- What marketing methods will you use to get the word out about your new business? (examples: advertising, cold calling, direct mail, brochures, a blog on your website, networking, social media, trade shows, collaborating with other businesses selling to the same market)

**Your market analysis and marketing plan**

# Digital Plan

Given rapidly changing market conditions and advancements in technology, it is critical to include a digital strategy within your business plan. Today's customers expect to communicate with companies by website, app or phone, and your plan should outline how you will make that easy. The emphasis should be on how technology will help the business stay relevant and competitive. Consider:

- Online chat
- Virtual events
- Videos as sales tools
- Search engine optimization (SEO), to rank higher in internet search results
- Keyword research
- Pay per click (PPC) advertising
- Social media presence
- Google Business Profile
- Email marketing
- Cloud based file management and a reliable backup process
- Online security

### Your digital plan

# Management and Operations Plan

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

Describe the management team, key employees and 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 will need to do that. If your business is established, you could include opportunities to improve efficiency through investment in better equipment or facilities.

**Your management and operations plan**

STEP 3 | THE NUMBERS

# 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 a net profit may convince you that your venture should not be tried, or should be put aside until a better idea is developed.

This projected profit and loss statement will tell you, and everyone else who needs to know, if and when you will be successful with your new venture. See Explanation of Terms at the end of this guide.

| | PER MONTH | PER YEAR |
|---|---|---|
| Estimated Gross Sales | | |
| Less Estimated Cost of Sales | | |
| **Estimated Gross Profit** | | |
| **Estimated Operating Expenses** | | |
| Rent, Utilities, Telephone and Website | | |
| 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's assets and liabilities when it opens for business. It is a snapshot of the business's financial outlook at a particular moment, giving a prospective lender a picture of the founder's ability to support the business until it begins making a profit.

| | |
|---|---|
| **Assets** | |
| Cash | |
| Checking Account | |
| Money Market Account | |
| Receivables | |
| Real Estate | |
| **Liabilities** | |
| Accounts Payable | |
| Mortgage | |
| Loans | |
| Rent | |

# Working Capital Needs

Many start ups fail because they are under capitalized and run out of money before they can become successful. Completing this section is as important as completing the Profit and Loss Statement.

As you complete it, assess your risk in starting the business. Ask yourself: Will you have enough cash if something surprising happens? How will you recruit key skills if you do not have them all? The items below are typical; your business may not need all of them, 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 to 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 (half of 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." It refers to additional operating funds needed until the operation reaches its normal projected expense. This could be a short or extended period depending on the complexity of the business. Include costs to establish inventories of materials and product before launch and to support sales once launched. Payment for products or services 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 found by dividing line 7 by four. This gives you your normal annual lease cost. Most capital equipment can be leased for five years, so dividing by four also covers your annual lease interest cost.

**Line 10:** Annual Estimated Operating Expenses comes from your Profit and Loss Statement.

**Line 12:** Six months is a typical period, but it 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 have pending that protect the design or key features of your product.

**Your risk assessment**

REFERENCE

# Explanation of Terms

**All Salaries and Wages:** the gross amount you spend to pay yourself and your employees each month.

**Cars, Trucks and Travel:** 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, including a percentage of your monthly car or lease payments. If trucks are used, virtually all of their expenses should be charged to the business. Also allow for gas, oil and your expenses while traveling for business.

**Cost of Sales:** the amount you expect to pay others, outside your company, for the products or services you provide your customers.

**Depreciation:** an allowance to replace all machinery and equipment, including cars and trucks, purchased to operate your business. Divide the total cost of the assets by their useful life to arrive at the annual amount.

**Employee Health Insurance:** coverage for employees and their families, which should be considered when developing a business plan.

**Gross Profit:** the difference between what your customers pay you and what you pay your suppliers.

**Gross Sales:** the amount you think you can sell your products for in a given month, and then in a given year.

**Insurance, Accounting and Legal:** an allowance for business liability, fire, theft, auto, truck and hospitalization insurance, plus help you may need from an accountant and a lawyer.

**Interest and Taxes:** interest on money you have borrowed, plus sales taxes you have collected, license fees and taxes on income.

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

**Miscellaneous:** expense items unique to your business and not listed already, including an allowance for unknown or unexpected expenses, such as weather, if applicable.

**Office Supplies and Expenses:** an allowance for office supplies, postage and similar expenses that may occur each month.

**Operating Expenses:** all the costs of operating a business, deducted from your Gross Profit to determine whether you had a profit or loss for the month or year. Many expenses do not occur every month, but you must budget for them so the funds are available when they do.

## Finished? Send it to BAC.

Step 1: Save this file to your computer.
Step 2: Click the button below, then attach your saved plan to the email.

**Send to BAC**

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Questions? bacleveland.org | 216.466.5585