



**Community
Investment
Corporation™**

INVESTING IN YOUR FUTURE

BUSINESS PLAN OUTLINE

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01/15/2016

WRITING YOUR BUSINESS PLAN

Writing a business plan is necessary for anyone going into business. It's the best way to help you understand your business and your needs from the business. It will help you plan, run, and re-act to the day-to-day decisions that you'll have to make.

Q. Why do I have to write a business plan?

A. Your business plan is a road map for YOU to tell you how your business will perform for you. Can the business support you? Do you have enough money to operate or grow? (Believe it or not, according to the Government, most small businesses that file for bankruptcy are profitable at the time of the filing. They've just run out of money [cash] to allow the business to keep on running). YOU need this plan to help you become successful. Plus, if you must borrow money to establish or grow your business, any lender or investor will require you to have one.

Q. It looks complicated and scary. Is it?

A. Looks can be deceiving. Does it take some work? Yes. Will it take a lot of thought about YOUR business? Yes, that's what it's supposed to do. It's much easier and better to work a plan out now instead of waiting for a crisis, when it may be too late. YOU CAN DO IT, part by part, a piece at a time. When you finish the parts, you'll be surprised at what you've accomplished, how easily it came together, and how much more you'll understand the business that's going to be YOUR partner.

Q. Does my business plan have to be neat and clean?

A. Absolutely. This plan is a reflection on you, your idea, and your vision. If you are dealing with the lending community, this is the only way they have to judge your business. If you can't sell your idea to them, then how are you going to sell it to your customers? Always put your best foot forward. Making your business plan look crisp and snappy is a way to look successful and enlist those who can fund your business and its' growth.

Q. Is there someone who can help me do this?

A. There are many sources to help you do this. Call one of Community Investment Corporation's (CIC) Business Counselors: Aya Beckles Swanson at 203-776-6172 ext.133 or e-mail abswanson@ciclending.com, or Buck Harris at ext 128 or email bharris@ciclending.com. They can help you or direct you to someone who can. It's free and it can make your dream of owning your own business a reality. You CAN do it.

THE BUSINESS PLAN OUTLINE

Using this outline, you can prepare your business plan, step-by-step, piece-by-piece.

Remember, our goal here is to look at each part as a small step in completing your business plan. Don't let it overwhelm you. If you are having trouble with one part, just move to another. The parts are generally small; so you can make progress by completing each small section, soon you will be seeing it all start to pull together.

- ❑ Cover Sheet
- ❑ Statement of Purpose
- ❑ Executive Summary
- ❑ Table of Contents

The Business:

- ❑ Description of the Business
- ❑ Location and hours of the Business
- ❑ Products and Services
- ❑ Marketing Analysis/Competition
- ❑ Marketing Plan
- ❑ Management
- ❑ Personnel

Financial data:

- ❑ Sources and Uses of Funds
- ❑ Pro-Forma Income Projections (profit and loss statement)
- ❑ Pro-Forma Cash Flow Projections
- ❑ Break-even Analysis
- ❑ Financial Assumptions

Supporting Documents- Resumes, tax returns, personal financial statements, letters of intent or reference, copies of leases, contracts, or other legal documents, and anything else that is relevant to the plan.

These are the parts of the business plan. Each piece is different. You'll find that it's like painting a portrait. As each piece is finished, you'll see a clearer picture of your business. Let's get started on a plan aimed at getting financing for you're business and go through the different parts.

WRITING IT UP

The following are the explanations of the different sections of the Business Plan. These are guidelines that can help you. If you get stuck on one area, then stop and move to another area and come back later. If you really get stuck, then seek help. Once you start, you'll see your business start to take shape on paper.

COVER SHEET

This is simply a sheet of paper with the name and address of the business, the name of the owner(s), and contact information such as, telephone number, fax number (if any) and e-mail address (if any). You should also type or stamp the word CONFIDENTIAL on the bottom left hand corner of the page.

STATEMENT OF PURPOSE

Tell the reader exactly why you wrote the plan. “The company is seeking a loan in the amount of \$_____ to be used to purchase _____ as part of an expansion (or start up) of the company’s dry cleaning business.” This sentence can be used as your opening line on your Executive Summary if it is short enough.

EXECUTIVE SUMMARY

This is your most important section of the business plan. It should be written last because you'll be pulling the best of information from the other sections to create highlights of your plan. This is the only section where you'll be able to share **your vision of the business, tell why you're the person or team to implement the plan, and why you will be successful**. If your executive summary doesn't capture the attention of your reader, he or she may never read the nuts and bolts of the rest of your plan. Try not to go over two pages unless you have some extraordinary information that needs to be shown.

TABLE OF CONTENTS

This is simply the sections of the business plan (the outline) listed with the page numbers after each section to make it easier for people to turn to specific places in the plan.

THE BUSINESS

Description of the Business

This section describes your business and the industry you're in. It should include the current status of the business (start-up, existing, or acquisition); the business structure (sole-proprietor, partnership, limited liability company, or corporation) and the ownership structure (Are you the only owner? If not, list all owners and their percentage ownership in the business.)

Location and hours of the business

Where is your business located and what hours will you be opened?

If location is important to the business, explain the advantages and the benefits of the location (foot traffic; closeness to highways.)

Products and Services

Tell the reader about the products and services that your business provides. The reader should be able to easily understand your business. Tell which of your products are most profitable and which have special or unique features.

Marketing Analysis and Competition

This section is one of the most important. You must demonstrate that you are knowledgeable not only about your business but also the industry in general. First, describe the industry and any trends in the industry. You will need to research this info in trade publications, on the Internet, or from your experience. Secondly, discuss your target customers. Who are they? Who'll be most likely to buy from you? Thirdly, what is the size of your market area and how many potential customers do you think are in it. Lastly, identify your competitors, explain why you are better or how you are different, and tell why you think their customers will do business with you.

Marketing Plan

Now that you've identified your market, you need to explain how you can get these customers to buy from you. Write about how you will reach these customers. Will you use advertising brochures that you send to them (direct mail)? Will you use radio, telemarketing, newspapers, e-commerce, or something else? How much will it cost? How many customers you think you'll be able to reach? Are there special customers (niche markets) that you're looking to reach? Will this advertising reach them?

Management and Personnel

A business is only as strong as the people running it. You need to show who will be running the business, their qualifications (background and experience), and their responsibilities. Include the resumes of owners and key personnel. If you have other employees, list their responsibilities and cost to you. You will also want to include those professionals who will be helping you. Attorneys, Accountants, Counselors, etc. are people that you should identify as part of your team.

THE FINANCIAL DATA

This is the most important part of your business plan. This section will show how your business is going to perform. This can be the most difficult part of your plan to do well. If you are so inclined, you can have your accountant help you do this (but the key word is help. You must understand the financial aspects of your business to be successful). It takes a lot of thought about your business and honest evaluation of your sales and expenses. The finished product will show you whether you'll have enough money to run your business and whether you can make enough money to make a living. **Remember**; don't let this section overwhelm you. You can do it.

Sources and Uses of Funds

This section is brief, you simply list where monies are coming from to fund the project or start-up of the business (“Sources”) and how you will spend the Sources to complete the Project or start up the business (“Uses”). Use the following chart as a guide (your chart may be very different). **The totals of both sides must be equal**. Working Capital is the money you have left over after totaling all of the specific Uses and subtracting that total from the Sources total. The Working Capital number will be used in month 1 of your Cash Flow Budget Worksheet.

Sources:

Uses:

Cash from business and owner	\$	Remodel Space	\$
Investor Contribution	\$	Equipment	\$
Loan Proceeds	\$	Rent Deposit	\$
		Utilities Deposit	\$
Total	\$	Office Supplies	\$
		Initial Inventory	\$
		Other (Identify)	\$
		Working Capital	\$
		Total	\$

Pro-Forma Income Projections (profit and loss statement)

This section requires you to project (estimate) future sales/income and expenses based on the business plan going forward. Existing businesses can use their historical financial information as a starting point to project future sales and expenses. If you are a start-up, you won't have any prior numbers to work from. You'll have to give your best estimates on what they will be. You have to be realistic. Do some research to support your estimates. Get quotes for expense items to make sure your estimates are reasonable. This is a guideline for your business's ability to be profitable. The business may not show profitability in its' first year. However, it should be profitable within a reasonable amount of time or it may be showing you that the business can't support you. Use the attached Projected Profit and Loss Worksheet to help you calculate your first year. Other years do not need to be broken down month by month. They can be done in a single column listing the same categories that were used on the worksheet.

Pro-Forma Cash Flow Projections

This section is the most important for you. (Its importance can't be stressed enough). Cash Flow Projections tell you whether you'll have enough cash to allow your business to continue running during the critical beginning stages or heavy growth stages. The government estimates that most small businesses that file for bankruptcy are actually profitable when they file. These businesses just run out of money needed to run day-to-day operations. Use the attached Cash Flow Budget Worksheet to calculate your cash flow. Since there are technically no sales in your first month of business (there are sales but they don't get registered until month number two), you'll start Month 1 Beginning Cash Balance with the Working Capital amount you calculated in the Sources & Uses Section. Add the appropriate expenses underneath and you'll be able to calculate how much money will be left for the start of month two. Remember, you'll have to buy inventory or materials to replace what you sold in the previous month, so that amount will have to be plugged into the next month. Keep doing each month's calculation until you finish the first year. Each month you'll take the Available Cash Balance and subtract all the expenses from it, which will give you the Beginning Cash Balance for the next month. This tells you if you have enough cash on hand to keep your business running smoothly.

Break-even Analysis

This section will show you what level of sales will be needed so that you're making is enough to cover all your fixed expenses. This will tell you at what point you start to produce profits. It requires you to determine two numbers. The first is your fixed cost. These are expenses you must pay every month regardless of your sales volume. Fixed costs include rent, insurance, interest, office supplies, maintenance fees, administrative costs, etc. Total your Fixed Costs and divide the total by your Average Gross Profit

Margin. Simply put, your Gross Profit is the amount of profit you make on a sale. The Gross Profit Margin is your Gross Profit shown as a percentage of your total sales. For example, you sell an item for \$25.00. The item cost you \$15.00. Your Gross Profit is \$10.00 (\$25.00 sale minus \$15.00 cost). Your Gross Profit Margin is calculated by dividing Gross Profits by Sales Price. In this example, the Gross Profit Margin is 40% (\$10 ÷ \$25). Your Average Gross Profit Margin is the average estimated gross Profit Margin on all sales of all products. This is also expressed as a percentage. Now that you know your Fixed Costs and your Average Gross Profit Margin, you can complete your break-even analysis. The formula is follows:

$$\frac{\text{Fixed Costs}}{\text{Profit Margin}} = \text{Break-even Point}$$

For example, if you have \$1000 per month in Fixed Cost and your Average Gross Profit Margin is 40%, then your Break-even point would be \$1000 divided by .40 or \$2500. This means that you have to sell \$2500.00 to break even for the month.

Financial Assumptions

This section explains how you came up with the numbers you used in your financial projections. The numbers that you are using can't be just made up. They must come from your research. Any part of the financial projections that is not obvious to the reader should be explained.

Here are some examples of assumptions a business owner may make when creating financial projections.

GROSS SALES- Projected sales are based on the sale of 20 (product) per week at \$63 each as my research (copy enclosed) has indicated. The sales are projected from industry research in markets with my demographic size.

COST of GOODS SOLD-The cost of goods sold is based on a 60% markup on inventory.

PAYROLL- Payroll expense is calculated by the owner's salary of \$24,000 and 3 part time people working 15 hours a week at \$7.00 per hour.

At the end of your assumptions, discuss the potential risks that your business could face (new technologies, new competitors, etc.) and how you plan to deal with it.

Supporting Documents

This section should contain any other relevant information regarding your business. Incorporation papers, owner resumes and any letters of recommendation, copies of leases or contracts, owners personal financial statements, two years of owners tax returns, or anything else to support your business plan.