



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 react to the day-to-day decisions that you'll have to make. It is also an essential part of your financing strategy.

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

A. Your business plan is a road map that will tell you how your business will perform.

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 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 intimidating. 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 on a plan now instead of waiting for a crisis, when it may be too late.

YOU CAN DO IT. Focus on one part 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 better prepared and confident you'll be when you open your doors.

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

A. Absolutely. This plan is a reflection of you, your business 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 the lenders, 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, establish credibility, and enlist the support of those who can fund your business and its' growth.

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

A. There are many resources to help you with a business plan. Contact us online at CIClending.com/contact-us/ or call our home office at (203) 776-6172. Our staff Business Counselor 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.

THE BUSINESS PLAN, OUTLINED

Using this outline, you can prepare your business plan, step-by-step. Remember, the goal here is to look at each part as a small step in completing the overall 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.

1. Cover Sheet

2. Statement of Purpose

3. Executive Summary

4. Table of Contents

5. The Business:

- a. Description of the Business
- b. Location and hours of the Business
- c. Products and Services
- d. Marketing Analysis/Competition
- e. Marketing Plan
- f. Management
- g. Personnel
- h. Application and Effect of the Loan

6. Financial data:

- a. Sources and Uses of Funds
- b. Pro-Forma Income Projections (profit and loss statement)
- c. Pro-Forma Cash Flow Projections
- d. Break-even Analysis
- e. Financial Assumptions

7. 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 your business and go through the different parts.

ZOOMING IN ON EACH SECTION

The following are the explanations of the different sections of the Business Plan.

COVER SHEET

Simple sheet of paper with:

- Business Name
- Business Address
- Name of the Business Owner
- Contact Information of Business Owner (telephone, email, website, etc.)
- Include the word CONFIDENTIAL on the bottom left hand corner of the page

STATEMENT OF PURPOSE

- Tell the reader exactly why you wrote the plan. For example:
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 this overview of your business.

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 does not capture the attention of your reader, he or she may never read the nuts and bolts of the rest of your plan. Keep it to a maximum of two pages, unless you have some extraordinary information that needs to be shown.

EXECUTIVE SUMMARY EXAMPLE:

Executive Summary for Pet Grandma Inc.

Our Mission

Pet Grandma Inc. offers superior on-site pet sitting and exercising services for dogs and cats, providing the personal loving pet care that the owners themselves would provide if they were home. Our team will ensure that pet owners can take business trips or vacations knowing that their pets are in good hands.

The Company and Management

Pet Grandma Inc. is headquartered in Hartford, Connecticut. The company is owned by partners Josephine Staprite and Amelia Eberling.

Jo has extensive experience in animal care while Amelia has worked in sales and marketing for 15 years.

The management of Pet Grandma Inc. consists of co-owners Jo Staprite and Amelia Eberling. Both partners will be taking hands-on management roles in the company. In addition, we have assembled a board of advisors to provide management expertise. The advisors are:

1. Tamara Farfelle, partner at Farfelle Accounting LLP
2. Cory Bonnist, veterinarian and partner at Round Tree Animal Care Clinic
3. Mark Phillips, president of Phillips Communications Ltd.

Our Services

Our clients are dog and cat owners who choose to leave their pets at home when they travel or who want their pets to have company when their owners are at work. Pet Grandma Inc. offers a variety of pet care services, all in the pet's home environment, including:

- Dog walking
- Daily visits
- 24-hour care for days or weeks
- Administration of medications by qualified staff
- Plant watering
- Mail collection
- Garbage/recycling

The Market

Across the U.S., the pet care business has seen an explosion of growth over the last three years. Hartford is an affluent area with a high pet density. Our market research has shown that nine out of 10 pet owners polled in Hartford would prefer to have their pets cared for in their own homes when they travel rather than be kenneled and six out of 10 would consider having a pet sitter provide company for their dog when they were at work.

Our Competitive Advantages

While there are currently eight businesses offering pet sitting in Hartford, only three of these offer on-site pet care and none offers "pet visit" services for working pet owners.

Pet Grandma's marketing strategy is to emphasize the quality of pet care we provide ("a Grandma for your pet!") and the availability of our services. Dog owners who work, for instance, will come home to find happy, friendly companions who have already been exercised and walked rather than demanding whiny animals.

All pet services will be provided by animal care certified staff. All employees are insured and bonded.

Financial Projections

Based on the size of our market and our defined market area, our sales projections for the first year are \$340,000. We project a growth rate of 10% per year for the first three years.

The salary for each of the co-owners will be \$40,000. On start up we will have six trained staff to provide pet services and expect to hire four more this year once financing is secured. To begin with, co-owner Pat Simpson will be scheduling appointments and coordinating services, but we plan to hire a full-time receptionist this year as well.

Already we have service commitments from over 40 clients and plan to aggressively build our client base through newspaper, website, social media, and direct mail advertising. The loving on-site professional care that Pet Grandma Inc. will provide is sure to appeal to cat and dog owners throughout the Hartford area.

Start-up Financing Requirements

We are seeking an operating line of \$150,000 to finance our first-year growth. Together, the co-owners have invested \$62,000 to meet working capital requirements.

This concludes the Executive Summary example based on the fictional company Pet Grandma, Inc.

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, acquisition), the business structure (sole-proprietor, partnership, limited liability company corporation) and the ownership structure (Are you the only owner? If not, list all owners and their percentage ownership in the business.).

LOCATION & HOURS

- 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 & SERVICES

- Tell the reader about the products and services that your business provides.
- The reader should be able to easily grasp what your business does, so be sure to use language that someone outside of your industry would understand.
- Describe 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 about 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**
 - (1) Now that you've identified your market, explain how you can get these customers to buy from you.
 - (2) Write about how you will reach these customers. Will you use advertising brochures, direct mail, social media, web, radio, telemarketing, newspapers, e-commerce, or something else?
 - (3) How much do you estimate your marketing efforts will cost?
 - (4) 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.

- Show who will be running the business, their qualifications (background and experience), and their responsibilities, include:
- The resumes of any owners and key personnel.
- If you have other employees, list their responsibilities as well as how much it will cost you to employ them.
- You will also want to include any outside professionals who will be helping you, like Attorneys, Accountants, Counselors, etc.

FINANCIAL DATA

This is the most important part of your business plan. This section will show how your business is going to perform. If you need help with this section, you can work with an accountant or your local Small Business Development Center (SBDC). We can help you locate a SBDC counselor near you. Just call us at (203) 776-6172 or contact one of our Loan Officers online at: <http://ciclending.com/cic-staff>.

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 money is coming from to fund the project or start-up of the business (Sources), and how you will spend the money (Uses).

Here is a **sample** guide:

SOURCES		USES	
Cash from owner (Equity Injection)	\$20,000	Remodel Space	\$10,000
Loan Proceeds	\$80,000	Equipment	\$5,000
		Rent Deposit	\$3,500
		Utilities Deposit	\$900
Total	\$100,000	Office Supplies	\$800
		Initial Inventory	\$18,000
		Other (Employees)	\$40,000
		Working Capital*	\$21,800
Sources Total	\$100,000	Uses Total	\$100,000

* 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 totals of both sides must be equal.**

The Working Capital number will be used in month 1 of your Cash Flow Projections.

PRO-FORMA INCOME PROJECTIONS (PROFIT & 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, so 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 the first year, however, it should be profitable within a reasonable amount of time (for example 6 months).

Use our [Profit & Loss Template](#) to help you calculate your first year.

PRO-FORMA CASH FLOW PROJECTIONS

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.

- Use the [CIC Cash Flow Template](#) to help with these projections.
- 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 2.
- 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 following month.
- Keep doing each month's calculation until you finish the first year. Take your time. If you get a little exhausted, take a break and come back to this part.
- 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 are needed 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**.
- Your Gross Profit Margin is calculated by dividing Gross Profits by Sale. In the example above, $\$10 \div \$25 = 40\%$ Gross Profit Margin.

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 Costs, and your Average Gross Profit Margin is 40%, then your break-even point would be \$1000 divided by .40 , \$2,500.

This means that you have to sell \$2,500.00 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 be 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
- Letters of recommendation, if you have any
- Copies of leases or contracts
- Owner's personal financial statements
- Two years of owner's tax returns, or
- Anything else to support your business plan.

If you have questions about the business planning process, or would like to chat with one of our Loan Officers, we would be happy to take your call or emails. Visit our website: <http://ciclending.com> for more information. **Best wishes to you!!**