

Business Planning Basics
Tooele SBDC
4 Week Program

WEEK 1

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After this class you should:

- Know what a business plan is and what needs to be in your business plan
- Identify the difference between Static and Dynamic information in your plan
- Understand how to create your company's financial statements – at least cash flow
- Be able to create your product/service menu
- Accurately forecast your projected sales

Breaking the Ice

- Getting started
- Resources: www.tooelebusiness.org
- Homework: submitted to ryan.murray@usu.edu by following Monday
- Grasping the big picture of a business plan

6 Sections

1. Company Profile – A brief overview or explanation of your business
2. Product/Service – An analysis of your potential sources of revenue
3. Market Opportunity – Your portion of the revenue the total market will pay
4. Marketing Strategy – A detailed plan explaining exactly how you will sell, to whom, and at what expense
5. Management Team – Getting the right people doing the right things to make it happen
6. Financials – Measuring it and tying it all together

3 Reasons to Create a Business Plan

1. Get Funded
 - Bank Loans
 - Outside investment
2. Attract Talent
 - Get people on board that you can't afford
3. Boost Sales
 - “people create business plans in an effort to increase sales rather than improve efficiency”

Making Your Plan Useful

Static Information

- Product/Service Menu
- Operational Manual
- Company Policies
- Market Research
- Mission Statement
- Company Vision
- Company Profile
 - Name
 - Entity
 - Location
- Management Team

Dynamic Information

- Financial Statements
- Financial Forecasts
- Marketing Strategy
- Leadership Strategy

3 Basic Financial Statements

- Profit and Loss
 - aka P&L or income statement
- Statement of Cash Flows
- Balance Sheet

Profit & Loss

- Measures profitability

$$\begin{array}{r} \text{Sales} \\ \text{(less) Expenses} \\ \hline \text{Profit} \end{array}$$

Cash Flow

- Measures cash available to cover expenses
 - Hint: (too much cash is expensive, too little cash is dangerous)

$$\begin{array}{r} \text{Beginning Cash Balance} \\ (+ \text{ or } -) \text{ any changes in cash} \\ \hline \text{Ending Cash Balance} \end{array}$$

- What's the importance of Cash vs. Profits and how do I know the difference?

Balance Sheet

- Measures the health and competitiveness of your business

Assets = Liabilities + Equity

(Sales driver) = (Leverage) + (Owner's portion)

Go to Examples:

- Go to excel file “Financial Example”

Product Menu

- Step 1 – create your “revenue streams” or product/service categories
- Step 2 – list everything you sell and group them within the appropriate revenue stream
- Step 3 – create a price for everything you sell
- Step 4 – create “combo packages”(bulk discounts, A/B, etc)
- Step 5 – create a pie chart % of your revenue streams
- Step 6 – compare what you sell with your inventory (product) or your labor (service)
- Step 7 – using your pie chart, create a sales forecast year 1

Forecasting Sales (initially)

- Step 1 – Identify your revenue streams (as a pie chart %)
- Step 2 – Define your marketing budget (as a % of total sales)
- Step 3 – Build a sales table that calculates items sold to generate revenue
- Step 4 – Forecast your expected sales based on revenue streams, marketing efforts, and units sold.

Homework

1. Create your Product Menu
2. Forecast Year 1 sales
3. Build your Year 1 Cash Flow