

Build your Business Plan

hisbdc.org

sba.gov

Presented by
Hawaii Small Business Development Center
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Why create a business plan?

- The business plan acts as a roadmap to success.
 - New Business – very detailed
 - Up and running business – stick to the Business Plan or not
- Generally projects 3-5 years ahead
 - outlines the route a company intends to take to reach its yearly milestones, including revenue projections
 - A well thought out plan also helps you to step-back and think objectively about the key elements of your business venture and guides your decision-making on a regular basis.

1. Cover Page

- Company Name
- Name of Owner
- Address
- City, State, Zip
- Phone
- Fax
- Email
- Website
- Company Logo

Confidential or not

- A **confidentiality agreement** (also called a **nondisclosure agreement** or **NDA**) is a legally binding contract in which a person or business promises to treat specific information as a trade secret and promises not to disclose the secret to others without proper authorization.
 - Explain and get a signed NDA

2. Executive Summary

- An executive summary is an introduction to your business.
 - Be clear, concise and to the point
 - Do it last
- The key elements of an executive summary include descriptions of:
 - **Your company**
 - **Products or services you sell**
 - **Your target audience and ideal customer**
 - **Future of your business and your industry**

Your Company – Summarize your vision

- Include your Mission Statement - The mission statement briefly explains the thrust of your business. It could be two words, two sentences, a paragraph, or even a single image. and what your company will bring to the market.
 - Date business began
 - Names of founders and the functions they perform
 - Number of employees
 - Location of business and any branches or subsidiaries. Description of plant or facilities
 - Products manufactured/services rendered
- Banking relationships and information regarding current investors
- Summary of company growth including financial or market highlights (e.g. your company doubled its worth in 12-month period; you became the first company in your industry to provide a certain service)
- Summary of management's future plans

What product or service will your business provide?

- Describe your product or service and make the case for why your product will be successful. How does your product or service fulfill your customers need in a unique way?
 - Have an elevator pitch
 - Be able to briefly describe your business in 30-60 seconds

Who are your target customers?

- Describe the ideal customer for your business and why your product or service will be valuable to them.
- Where do they live
- How much do they earn
- Do they have children; in high school or college?
- www.census.gov



Where is the future of your business or the industry

- What goals do you have for your company?
 - Example: Single restaurant to franchise on all islands
- Briefly describe your primary goals for your company, including your future plans.
 - Private brand, locally grown and made foods, market segment continues to grow
 - Branding and bottling sauces and dressings

We Can Do It Consulting

Product

We Can Do It Consulting provides consultation services to small and medium sized companies. Our services include office management and business process re-engineering to improve efficiency and reduce administrative costs.

Customers

The target audience for *We Can Do It Consulting* is business owners, human resources directors, program managers, presidents or CEOs with 5 to 500 employees who want to increase productivity and reduce overhead costs. Specifically, we specialize in consulting white collar executives on office processes such as job tracking, production, getting the most out of meetings, leadership, financial or hiring best practices, and other needs relevant to potential customers who serve in a management role within small or large organizations that may be bogged down by processes, bureaucracy or technical experts with little leadership experience.

Future of the Company

Consulting is a fast-paced, evolving industry. In response to this climate, *We Can Do It Consulting* will offer other services, including facilitation and requirements analysis in the future.



Now in detail...

3. Company Description

- Provide a high-level review of your business that will help readers and potential investors understand your business model. Elements include:
- Key employees of your business, such as the CEO, President and Vice President
- Mission statement
- Details about the products or services your business will provide
- Qualities that will make your business a success

What is your Mission Statement?

- Your mission statement is an expression of your company's values and represents the reason why you want to start this business.

Who are the principal members of your company and what are their roles?

- Who is your management team and how is it organized? How are tasks and responsibilities distributed throughout your business?

What is the legal structure of your company?

- Present information on the legal structure of your business; for example is your business an LLC, sole proprietorship, partnership, or other legal entity.

<https://hbe.ehawaii.gov/documents/search.html>

Purchase a Certificate of Good Standing for this business:

ELECTRONIC \$7.50

PRINTED \$7.50

- Get help from a professional; attorney and/or CPA
 - Tax implications - keep your profits!

4. Market Research

- Provide detailed information to show that you have a solid understanding of the industry within which your business will operate.
- We recommend including a description of the target customer for your business, a competitive analysis, and any legal requirements impacting your company and industry.

Making room: The numbers of travelers and full-time operators are expected to increase

IBISWorld Industry Report 72119 Bed & Breakfast & Hostel Accommodations in the US

August 2012

Nima Samadi

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722511 - Full-Service Restaurants

Additional Accounts	
Main Account	subaccount
Cost of Sales (COGS)	Food Costs
	Direct Labor
	Beverage Costs
Other Non-Financial Accounts	Square Feet
	Seats
	Customers Served Per Day
Sales (Income)	Food Sales
	Beverage Sales

Industry Specific Ratios	
Ratio	Calculation
Food Costs to Sales	Food Costs / Sales
Sales Per Seat	Sales / Seats
Sales per Square Foot	Sales / Square Feet
Seat Turnover	Customers Served per Day / Seats
Direct Labor Ratio	Direct Labor / Sales
Food Costs to Food Sales	Food Costs / Food Sales
Beverage Costs to Beverage Sales	Beverage Costs / Beverage Sales
Revenue Per Employee	Sales / Employees
Beverage Costs to Sales	Beverage Costs / Sales

[Choose New Industry](#) • [Request a New KPI](#)

Close

INDUSTRY DATA COMMON SIZE

Average by Year (Number of Financial Statements)

Income Statement	Last 12 Months (37)	2013 (41)	2012 (70)	Last 5 Years (529)	All Years (965)
Sales (Income)	100.00%	100.00%	100.00%	100.00%	100.00%
Food Sales	N/A	N/A	N/A	N/A	N/A
Beverage Sales	N/A	N/A	N/A	N/A	N/A
Cost of Sales (COGS)	38.06%	38.19%	38.98%	38.51%	38.80%
Food Costs	N/A	N/A	N/A	N/A	N/A
Direct Labor	N/A	N/A	N/A	N/A	N/A
Beverage Costs	N/A	N/A	N/A	N/A	N/A
Gross Profit	61.94%	61.81%	61.02%	61.49%	61.20%
Depreciation	1.30%	1.30%	1.88%	1.87%	1.82%
Overhead or S, G, & A Expenses	44.95%	46.42%	49.62%	47.36%	47.51%
Payroll	27.85%	27.70%	25.33%	26.83%	27.91%
Rent	7.65%	7.62%	8.35%	8.62%	8.54%
Advertising	0.98%	0.98%	1.06%	1.07%	1.10%
Other Operating Income	0.00%	0.00%	0.01%	0.01%	0.01%
Other Operating Expenses	10.37%	9.42%	9.53%	11.38%	10.83%
Operating Profit	5.30%	4.66%	0.00%	0.87%	1.04%
Interest Expense	0.43%	0.51%	0.72%	0.71%	0.66%
Other Income	0.04%	0.04%	0.01%	0.02%	0.01%
Other Expenses	0.04%	0.04%	0.13%	0.09%	0.08%
Net Profit Before Taxes	4.86%	4.15%	-0.84%	0.09%	0.31%
Adjusted Net Profit Before Taxes	4.86%	4.15%	-0.84%	0.09%	0.31%
EBITDA	6.60%	5.96%	1.76%	2.67%	2.79%
Taxes Paid	0.00%	0.00%	0.02%	0.01%	0.01%
Net Income	4.86%	4.15%	-0.85%	0.08%	0.29%

Describe your industry:

- In this section, provide more detail about the characteristics of your industry. You may also reference an expert analysis of trends in your industry and how your business is anticipating those changes.

Profit Margin

[Small Business](#) > [Finances & Taxes](#) > [Gross Profit Margin](#)

What Is a Reasonable Profit Margin?

by Clayton Browne, Demand Media 

Profits are the lifeblood of business, and from one perspective, trying to make as much profit as possible is the ultimate goal of a good businessman. That said, every good businessman also knows that gouging customers is not a good idea even if you can get away with it for a while, and making a reasonable profit is the best policy. Competition in the marketplace will eventually catch up, and high prices can lead to customers feeling taken advantage of and taking their business elsewhere.

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[NPO Accounting eBook](#)

Download Free Nonprofit Accounting eBook. For NPOs w/ 20-1k Employees. www.intacct.com/NonProfit

Retail Clothing Industry Profit Margins

The retail clothing industry had an average gross profit margin of 48.46 percent in 2009 according to Butler Consultants. However, by the time you add up all the expenses involved in operating retail clothing stores, the average net profit margin is only 7.98 percent. If your expenses are typical, then around 7 to 12 percent net profit would be a reasonable goal.

Equipment Manufacturing Industry Profit Margins

Butler Consultants lists the gross profit margin of the equipment manufacturing industry as 31.98 percent in 2009. The net profit margin only works out to 6.81 percent, largely due to the significant capital expenses in this industry. Unless your expenses are much less than your competitors, you want to aim for at least 6 percent and perhaps up to 9 or 10 percent net profit for your equipment manufacturing business.

Related Reading: [What Is the Concept of Profit Margin?](#)

Telecommunications Industry Profit Margins

Gross profit margins averaged 86.51 percent for the telecommunications industry in 2010. While that seems like a healthy profit margin, overhead is very high in the telecommunications industry and the average net profit margin is only 10.99 percent. Assuming industry-average expenses, a reasonable profit margin would be anything between 10 and 15 percent.

Retail Electronics Industry Profit Margins

The average gross profit margin in the retail electronics industry come in on the mid to low side at 30.76 percent, but like all retail businesses, labor expenses are relatively high and the average net profit in the industry is only 4.68 percent. A net profit in the range of 5 to 8 percent would be reasonable for a retail electronics store.

Economy of Scale

Another important factor in determining a reasonable profit is the economy of scale of the business. A huge business like Walmart, for example, can afford a net profit of just a few percent on most items because of the volume of sales, but a local florist with a small sales volume needs to make profit margin several times that just to pay her bills and make a decent profit.

Describe your customers:

- In this section, describe the characteristics and habits of your customers. What is their age range, income level, and other details that create a customer profile for your company?

<http://quickfacts.census.gov/>

People QuickFacts	Hawaii	USA
Population, 2014 estimate	1,419,561	318,857,056
Population, 2013 estimate	1,408,987	316,497,531
Population, 2010 (April 1) estimates base	1,360,301	308,758,105
Population, percent change - April 1, 2010 to July 1, 2014	4.4%	3.3%
Population, percent change - April 1, 2010 to July 1, 2013	3.6%	2.5%
Population, 2010	1,360,301	308,745,538
Persons under 5 years, percent, 2013	6.5%	6.3%
Persons under 18 years, percent, 2013	21.9%	23.3%
Persons 65 years and over, percent, 2013	15.6%	14.1%
Female persons, percent, 2013	49.5%	50.8%

White alone, percent, 2013 (a)	26.6%	77.7%
Black or African American alone, percent, 2013 (a)	2.3%	13.2%
American Indian and Alaska Native alone, percent, 2013 (a)	0.4%	1.2%
Asian alone, percent, 2013 (a)	37.7%	5.3%
Native Hawaiian and Other Pacific Islander alone, percent, 2013 (a)	10.0%	0.2%
Two or More Races, percent, 2013	23.1%	2.4%
Hispanic or Latino, percent, 2013 (b)	9.8%	17.1%
White alone, not Hispanic or Latino, percent, 2013	23.0%	62.6%

Business QuickFacts	Hawaii	USA
Private nonfarm establishments, 2013	31,622 ¹	7,488,353
Private nonfarm employment, 2013	502,530 ¹	118,266,253
Private nonfarm employment, percent change, 2012-2013	2.1% ¹	2.0%
Nonemployer establishments, 2012	97,151	22,735,915

Total number of firms, 2007	120,374	27,092,908
Black-owned firms, percent, 2007	0.9%	7.1%
American Indian- and Alaska Native-owned firms, percent, 2007	1.3%	0.9%
Asian-owned firms, percent, 2007	47.2%	5.7%
Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	9.5%	0.1%
Hispanic-owned firms, percent, 2007	3.6%	8.3%
Women-owned firms, percent, 2007	31.0%	28.8%

Manufacturers shipments, 2007 (\$1000)	8,799,266	5,319,456,312
Merchant wholesaler sales, 2007 (\$1000)	8,894,672	4,174,286,516
Retail sales, 2007 (\$1000)	17,611,851	3,917,663,456
Retail sales per capita, 2007	\$13,793	\$12,990
Accommodation and food services sales, 2007 (\$1000)	8,042,210	613,795,732
Building permits, 2013	3,882	990,822

Who are your competitors?

- Describe the companies that will directly compete with your company in the marketplace. Include information on their size, products, sales offers, and advertising.

What advantages do you have over your competition?

- Advantages can include your location, employees, target market, or unique product or how your service is presented or delivered
- What are the disadvantages
- (SWOT – strengths, weaknesses, opportunities and threats)

What regulations apply to your company?

- Cite any customer or government regulatory requirements affecting your business and how you will comply with those requirements. Also state how will you pay for compliance costs.

Professional and Vocational Licenses

Accountancy, Chiropractor, Landscape Architect, Massage Therapy, Real Estate, Motor Vehicle Repair, Nurse Aide, Social Worker, etc..

www.hawaii.gov/dcca/areas/pvl

5. Product/Service Line

- Describe in detail what your product or service is and how it will meet the needs of your customers. Explain the benefits of your product or service, the advantages it has over the competition, and its current development stage (e.g., idea, prototype).

What product or service will your company provide?

- What does your business sell?
- What are its advantages?
- What problem does it solve?

Describe your pricing structure:

- Present all of the different ways that your company will offer its product or service and the price of each product or service package.
 - Retail – direct sales, on-line
 - Wholesale – through a third party
 - Broker – sells to large chain stores

In which life cycle stage is your product or service?

- In this section, explain what stage of development your product or service is in. Are you testing or building prototypes? Is it already on the market? If so, how long has it been on the market? Also, explain any factors that may affect its future life cycle.

What intellectual property rights do you have for your product or service?

- List any existing, pending, or anticipated copyright or patent filings here. Disclose any aspects of your product or service that may be classified as trade secrets. Also, list any information pertaining to existing legal agreements such as nondisclosure or non-compete agreements.
- USPTO – US Patent and Trade Office

What research and development (R&D) activities are you performing or planning?

- List any R&D activities that you are involved in or are planning for your product or service. Include any preliminary or expected results. Also, mention R&D efforts of others in your industry related to your product or service.
 - University Of Hawaii

6. Marketing & Sales

- Describe how your company will focus on its customers through its marketing and sales strategies. Then, show how your company will reach its customers and how it will sell its products. Elements include:
- How your company plans to grow
 - By advertising to new customers in Kohala
- How your company is going to communicate with customers
- How you will advertise your product or service
 - Social Media
 - Print advertising
 - Radio
- Web based business – what is your social media marketing program

What is your plan to grow your company?

- In this section, describe your overall strategy for expanding your business and increasing sales. Growth strategies may include your plans for acquiring other businesses, increasing your number of employees or franchising your business.
- Financials must include costs associated with growth and expansion: supplies, personnel, utilities

How will you communicate with your customers?

- Determine the best way to reach your target audience and explain the benefits of your product or service. Communication tactics may include websites, social media, print and online advertising, strategic partnerships and sponsorships, and printed materials such as brochures, catalogs or flyers. Successful communication strategies include a mix of promotion methods.

How will you sell your product or service?

- Explain your strategy for selling your product or service by first defining your sales team. This may include determining how many salespeople you will use, if they are internal employees or people outside of your company and what training and compensation they will receive. Also discuss sales activities, such as identifying and prioritizing groups of people that your company has identified as customers.

7. Financial Projections

- This section is the most important for investors and lenders because it shows that your company is built on a solid foundation. It also illustrates how your business will be able to meet financial obligations, while maintaining a positive cash flow balance.
- This section requires you to do budgetary research. A banker, accountant, or SBDC counselor can assist you in gathering data, testing assumptions, and reviewing the financial documents you will need.

Four spreadsheets:

- Profit and Loss Projection Shows your company's ability to generate a net profit also known as your bottom line. This is also known as an **income statement**.
- Cash Flow Projection Displays the operating, investing, and financing activities of your company by detailing the money coming in to and going out of your business.
- Projected Balance Sheet Estimates resources your business will need, where they will be needed, and how they will be financed.
- Breakeven Analysis Shows when your business will be able to cover all of its expenses and begin making a profit

Profit & Loss

- This summarizes your revenues, costs and expenses incurred during a specific period of time. It shows the ability of your business to generate profits by increasing revenue and reducing costs.

What are the assumptions for your profit and loss spreadsheet?

- Explain any documents, forecasts or other assumptions that you relied on to formulate your profit and loss projections. This may include assumptions about gross profit, operating expenses, taxes or dividends or owner draw.

Profit & Loss Projection

- **Sales - Cost of Goods Sold = Gross Profit**
- Operating Expenses
 - Salary (office & overhead)
 - Payroll (taxes, healthcare, etc..)
 - Outside services
 - Supplies (office & operation)
 - Repairs & Maintenance
 - Advertising
 - Car, Delivery, Travel
 - Accounting & Legal (Professional Services)
 - Rent
 - Telephone
 - Utilities
 - Insurance bs
 - Taxes (real estate, GE, etc.)
 - Interest
 - Depreciation
 - Other Expenses

Gross Profit - Operating Expenses = Net Profit Before Taxes

- Income Tax

Net Profit Before Taxes - Income Taxes = Net Profit After Tax

- Owner Draw

Net Profit After Tax - Owner Draw or dividends = Adjusted to Retained (earnings)

Cash Flow

- The Cash Flow spreadsheet shows how money will come in and go out of your business. This will indicate when your expenses are too high and help you determine if you should arrange short term investments to deal with cash flow surpluses. It will also highlight how much capital investment your business will need.

What are the assumptions for your cash flow spreadsheet?

- Explain any documents, forecasts or other assumptions that you relied on to formulate your cash flow spreadsheet. This may include assumptions about cash receipts, cash paid out, and borrowing costs.
 - High season Hawaii – December thru April
 - Equipment purchases which help increase revenue to reduce costs

Balance Sheet

- A projected balance sheet indicates the future financial health of your business. Using your profit and loss and cash flow spreadsheets, you can project what your balance sheet will look at the end of your first year. (assets, liabilities, and equity)

Break-Even Analysis

- A breakeven analysis indicates when your business will be able to cover all of its expenses and begin making a profit. Fill out the cells below and your breakeven point will automatically be calculated for you.

What are the assumptions for your break-even spreadsheet?

- Explain any documents, forecasts or other assumptions that you relied on to formulate your break-even analysis. This may include assumptions about your current and future costs, such as raw materials, labor, and operating expenses.
 - Bulk purchases for lower pricing
 - Rent change – relocation for more efficient space which will allow for increased production

Business Plan Essentials

- Cover Page
- Executive Summary
- Company Description
- Market Research
- Product/Service Line
- Marketing & Sales
- Financial Projections - Profit/Loss
- Financial Projections - Cash Flow
- Financial Projections - Balance Sheet
- Financial Projections - Breakeven Analysis

On-line assistance and Mahalo

- How to prepare a loan packet
 - <https://www.sba.gov/tools/sba-learning-center/training/how-prepare-loan-package>
- Balance Sheet template
 - <http://office.microsoft.com/en-us/templates/balance-sheet>
- SBA.gov
- Hisbdc.org
 - Hawaii Small Business Development Center – West Hawaii