

# Flowchart for Creating a Business Plan

- Marketing
- Finance
- Operations
- Written Pres.
- Oral Pres.



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Start

Decide on a product or service you think might have potential as a business. It does not need to be a totally new product or service, just something you believe would be a viable

Use the "Reasonableness Test" to see if your product or service is potentially viable.

## The Reasonableness Test

Answer the questions below in very general terms. Educated guesses are acceptable.

### Market

- Who is likely to buy it?
- Where are these buyers?
- Is there market data (secondary market research) available for your product or a similar product?
- How many potential buyers are in your area of distribution?
- What percentage of these do you think will actually buy this from you or a competitor? **[Estimated market size]**
- What price would these buyers be willing to pay? **[Unit selling price]**

### Competition

- Is there competition?
- What makes your product or service preferable to that of your competition?
- What percentage of your defined market can you reasonably expect to capture? **[Your % market share]**

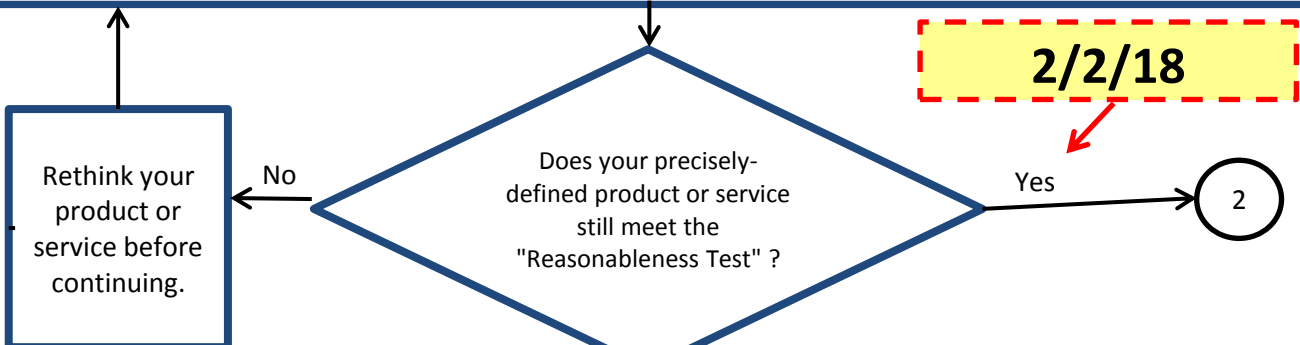
### Company

- How many employees will be required to produce enough to meet your expected sales volume? **[Number of employees]** Note: This does not differentiate between those making the product or delivering the service and those in management or staff.
- What will be the average salary or wage? **[Average annual cost per employee]**
- What will be the annual costs for your facility – rent, maintenance, utilities, vehicles, insurance, technology, phones, etc? **[Overhead]**

### Financial

- What will be the material cost of one unit? **[Unit material cost]**
- Now you can get a very rough idea of the viability of your business:
  - Dollar Sales = [Est. market size] x [Your % market share] x [Unit selling price]**
  - Cost of Materials = [Est. market size] x [Your % market share] x [Unit material cost]**
  - Fixed Costs = [Overhead]**
  - Profit = Dollar Sales – Cost of Materials – Fixed Cost**

If you make a profit, then the idea is worth more research and passes the "Reasonableness Test."

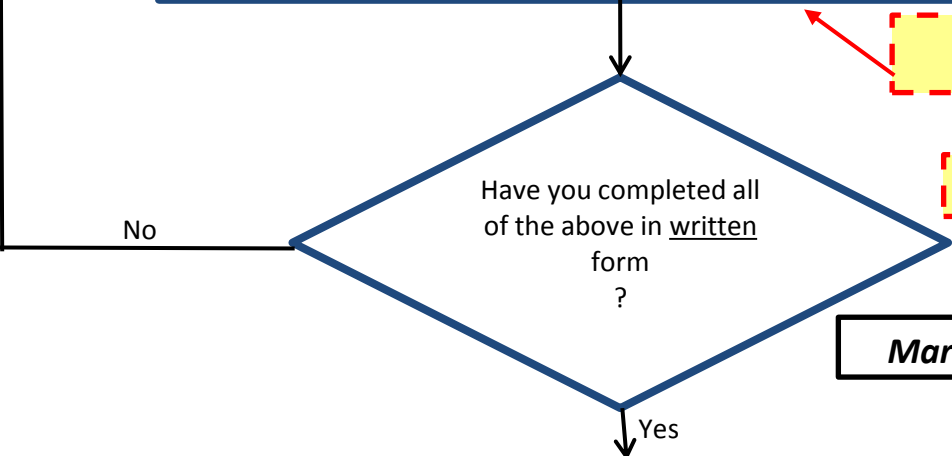


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At this point a written outline of your Business Plan must be created. The goal is to create a list of the main points to be included in the final Business Plan. The outline should include most details but in outline (bullet point) form only.

- Marketing Plan Points:**
- > Primary market research
  - > Secondary market research
  - > Market economics
  - > Detailed product information
  - > Who are the potential customers?
  - > What is your competition
  - > Compare your product to that of your competitors
  - > Define your niche

2/15/18



2/21/18

**Marketing Plan Critique**

**Five-Year Sales Forecast:**

Your sales forecast will determine the true scope of your business and will affect almost every facet of it; especially the staffing level needed and the financial resources required. If you are selling a product, use the Pdt. Sales Proj. tab. If a service, use the Svc. Sales Proj. tab.

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### **Operational Plan**

Now, based on your sales forecast, you need to prepare a detailed outline (bullet points) of your Operational Plan. This addresses the day-to-day anticipated operation of your enterprise. All of the following topics must be addressed:

- > Production
- > Location
- > Legal Environment
- > Personnel
- > Inventory
- > Suppliers
- > Management & Organization
- > Professional & Advisory Support

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Are you confident that your operational plan will work ?

No

Yes

### **Startup Expenses & Capitalization**

You now know what your proposed business will look like based on the details already examined and are now ready to start your financial analysis. The first step is to determine what your startup expenses will be. These can be relatively insignificant in certain businesses and can be very large for other businesses.

Now:

Complete the Startup Expenses worksheet tab in the financial workbook (Google Sheets).

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Do the startup expenses cover your marketing & operational plans?

No

Yes

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### **Five-Year Profit & Loss Statement (P&L)**

Having completed your Marketing Plan, Sales Forecast, Operational Plan, and examined your Startup Expenses you are now ready to create a projected P&L for the first five years of your business. Use the 5-Year P&L worksheet tab in the financial workbook.

Fill in all of the information required in the 5-Year P&L tab.

Investigate what you can do to show a profit in 2-3 years. If it takes longer, venture capitalists will be very reluctant to invest.

Does your business become profitable within 2-3 years?

No

Yes

Look at the Projected Cash Flow tab in the financial workbook. All information is automatically filled in except for the amount of funding to be requested of the venture capitalists. You may need to "play" with this figure in order to maintain a positive cash balance at all times.

Is your cash balance always positive?

No

Yes

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Using the Cash Flow Analysis, how much cash do you need as a minimum to succeed (i.e., never run out of cash)?

You absolutely CANNOT run out of cash and it is crucial to maintain more cash than needed to fund unexpected expenses. Now: how much venture capital investment should you seek? Enter this amount in your Projected Cash Flow and you will have your completed Cash Flow Statement.

Your Business Plan will not be complete, nor will it be of any interest to investors without a discussion of Return on Investment (ROI). The information you have already supplied is sufficient to determine the ROI for each of the years in your projected P&L. ROI's are automatically computed in the ROI tab in the financial workbook. This will become part of your final Business Plan.

Do you think your projected ROI is sufficient to reward the risk of the venture capitalists and make your business an investment of interest?

Yes

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No

Something must change to justify either increased projected profit or reduced investment if you expect to receive venture capital funding. All changes must be supported by new assumptions and data.

Return to 3

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Only if appropriate, complete the optional Breakeven tab in the financial workbook (pg. 13 of the Template). Breakeven is an important figure for investors, but only if is accurate.

Using the financial information and worksheets you have created, list in bullet point format the important points that your business plan should address.

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Now, using all of the bullet points you have made concerning marketing, startup, operations, and finance start writing your business plan following the required format. Do not yet write the Executive Summary.

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Financial Plan Critique

Refine until entire team agrees with plan

No

Have all team members read, commented, and approved of the written plan?

Yes

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Write a captivating Executive Summary

Now - prepare your oral presentation and **Practice, Practice, Practice**

3/29/18

End