



U.S. Small Business
Administration

Making the Case for your Veteran Owned Business Veterans Business Outreach Center



U.S. Small Business
Administration



ASSOCIATION OF
WOMEN'S BUSINESS CENTERS



MISSISSIPPI STATE
UNIVERSITY.

The Boots to Business entrepreneurship training program is provided through the coordinated efforts of the SBA and its valued partner network.
All SBA services are extended to the public on a nondiscriminatory basis. Reasonable arrangements for persons with disabilities will be made if requested at least two weeks in advance.

Objectives



- Understand the concepts and **value of business planning**
- Identify the essential elements of a business plan and focus them based on your audience
- Resources for you to help develop a viable business plan

Agenda

- Approach to Business Planning
 - Why?
 - When?
 - Contents & Tools
 - Pitfalls to Avoid



A Few Thoughts...

“If you fail to plan, you
plan to fail.”

- *Benjamin Franklin*

“In preparing for battle, I
have always found that
plans are useless, but
planning is indispensable.”

- *Dwight Eisenhower*



Business Planning: Why It's Important

Your Business Plan is Your Guide to Action

How and when to do things, and with what resources

Analysis

- Identifying opportunities and critical risk areas before investing your time, cash, resources

Decision Making

- As an evaluation tool for making strategic choices and to clarify your thinking

Communication

- Necessary to get loans or investment

When To Do It?



- Before you start spending money!
- Remember, it is an on-going process, not a one-time event.

CAVEAT: All depends on what you are doing, your goals, and what your needs are. A plan can help identify gaps.

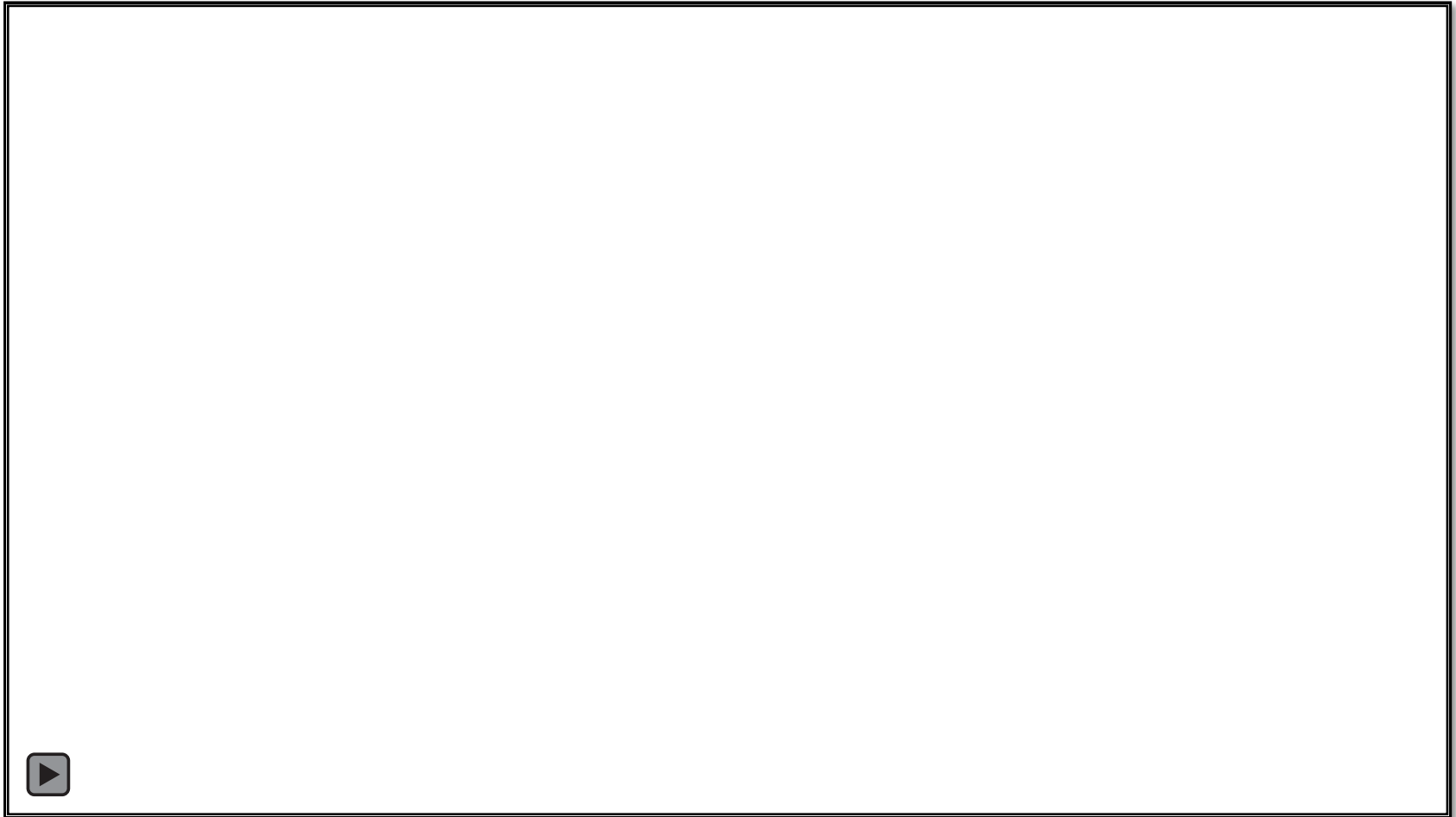
At a minimum, you need a “road map”.

Business Planning Priorities

1. Your Concept
2. Your Customers
3. Your Business and Economic Models
4. The Identification & Mitigation of Risks



Begin With The Business Model Canvas



Business Model Canvas

<https://canvanizer.com/choose-canvas>

KEY PARTNERS Who are your key partners?	KEY ACTIVITIES What are the activities you perform every day to deliver your value proposition?	VALUE PROPOSITION What is the value you deliver to your customer? What is the customer need that your value proposition addresses?	CUSTOMER RELATIONSHIPS What relationship does each customer segment expect you to establish and maintain?	CUSTOMER SEGMENTS Who are your customers?
	KEY RESOURCES What are the resources you need to deliver your value proposition?		CHANNELS How do your customer segments want to be reached?	
COST STRUCTURE What are the important costs you make to deliver the value proposition?			REVENUE STREAMS How do customers reward you for the value you provide to them?	

What is a Value Proposition?

- A value proposition is a promise by a company to a customer or market segment
- It is an easy-to-understand reason why a customer should purchase a product or service from that specific business
- A value proposition should be a clear statement that explains how a product solves a pain point



Developing a Value Proposition

Opportunity = Problem + Solution

- What is it?
- Where do you find it?
- How do you know you've got it right?

Customer Segments & Channels (2/3)

- **The Market = Customers**
- Customers are the ones that give you the money
 - May be different than those that end up using your product (otherwise called End Users)
 - Example: Whole Foods is your *customers*, people buying the produce are *end users*
- **The Industry = Other sellers**

Includes competitors, suppliers, and other support sales companies (distribution, packaging, etc.)

Market Analysis: *Key Questions*

- Who, very *precisely*, are the ideal customers?
- How strong an incentive do customers have to give you their money? Where is the pain?
- What evidence can you provide that the market will grow? Is there sustainable demand?



Market Analysis: *Your Objectives*

- Market size
- Demographics
- Geographic
- Trends
- Psychographics



Helps evaluate
**Potential
customers**

Your Customers

FROM YOUR MARKET RESEARCH:

- **IDENTIFY** your target market(s)
- **INCLUDE** what you know about your customers
 - Consumers: demographics, geography, lifestyle, shopping habits
 - Commercial/Wholesale: industry compatibility; government need
- **QUANTIFY:**
 - Current Market: *How many are there?*
 - Future Growth: *How many will there be?*
 - Economic Reliability of Your Markets: *How many have the incentive/ability to give you their money?*



Customer Relationships

What is your unfair advantage?



Your Business & Economic Models



- Which products/services are valuable to your customers and profitable for your business?
- What is your pricing model? What are your customers willing to pay?
- What kinds of resources do you need? Physical assets, materials and/or staff?
- What are your fixed and variable costs?
- How many customers do you need to break even?
- Will this deliver the profit you want?

Why This is Important

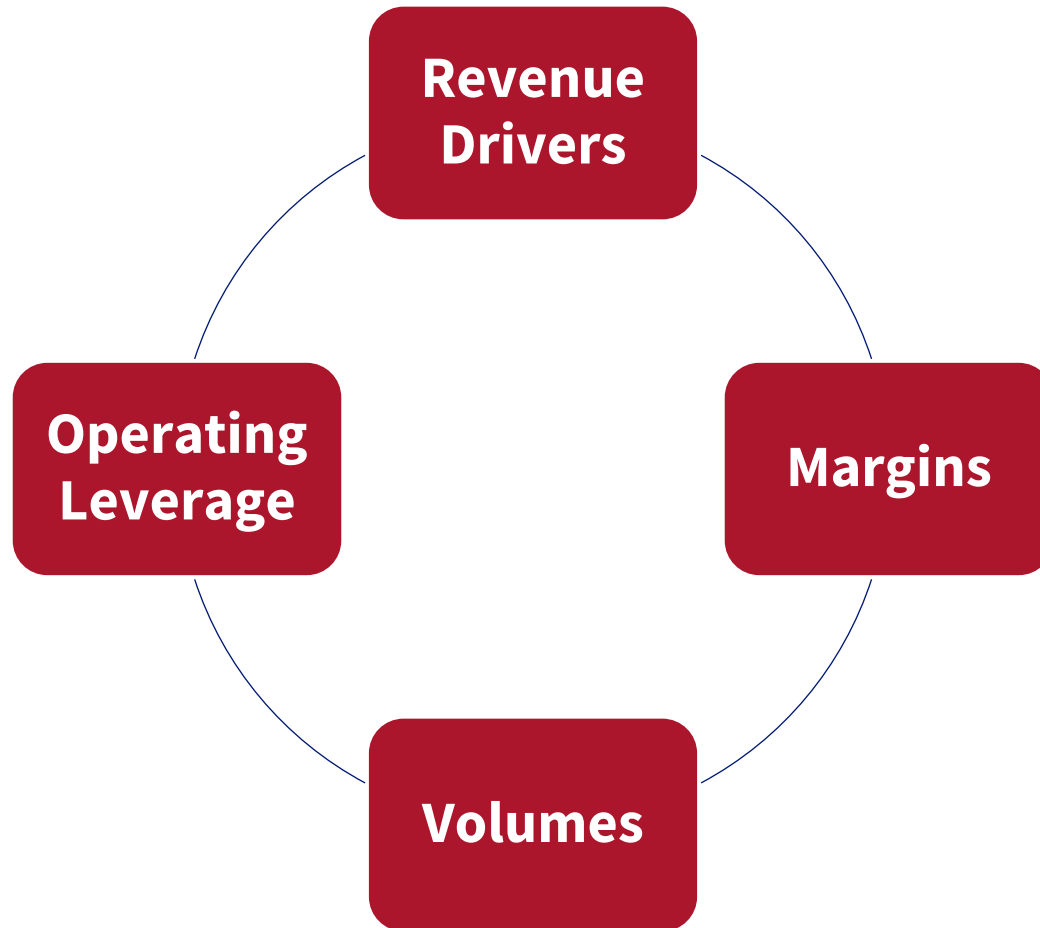
Business Model

How the business *creates and delivers value* to the customer

Economic Model

How the business *captures that value* in the form of an economic return

Economic Model of a Business



Revenue Drivers

- How many ways does your company have to earn money?
- One source or several?
- Implications for risk?
- Is this a competitive advantage?
- Or a disadvantage?



Example in Practice

**Business
Model**

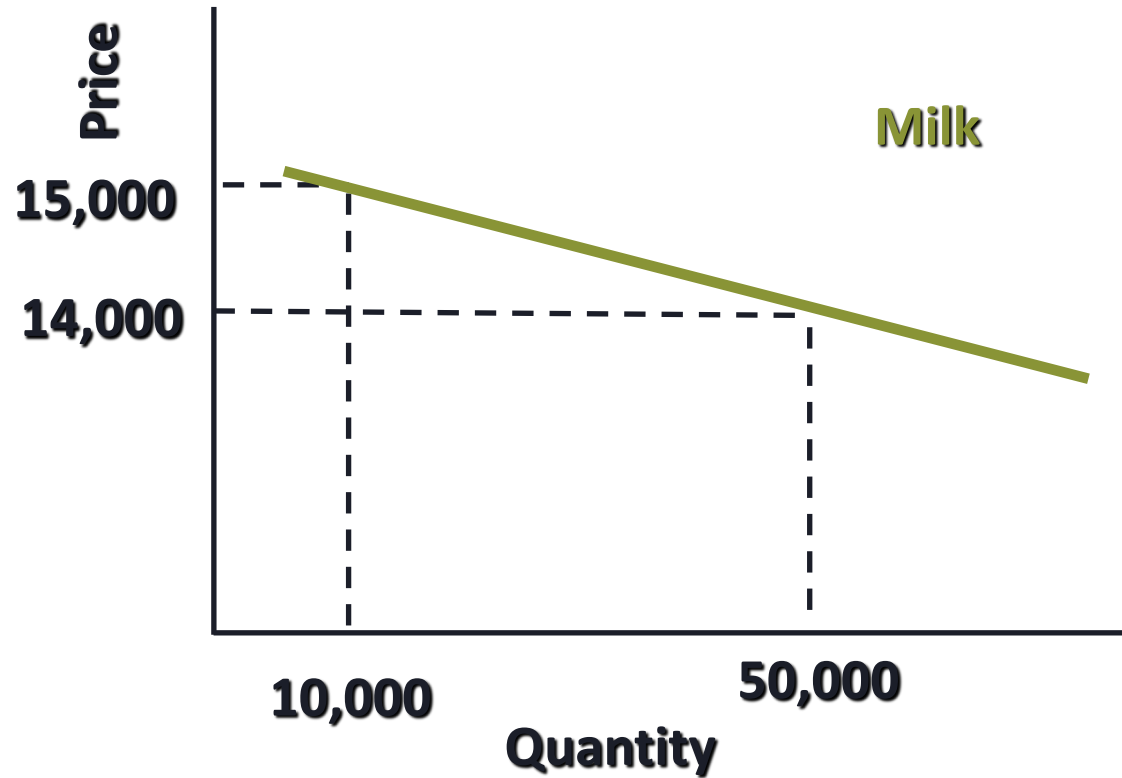


**Economic
Model**



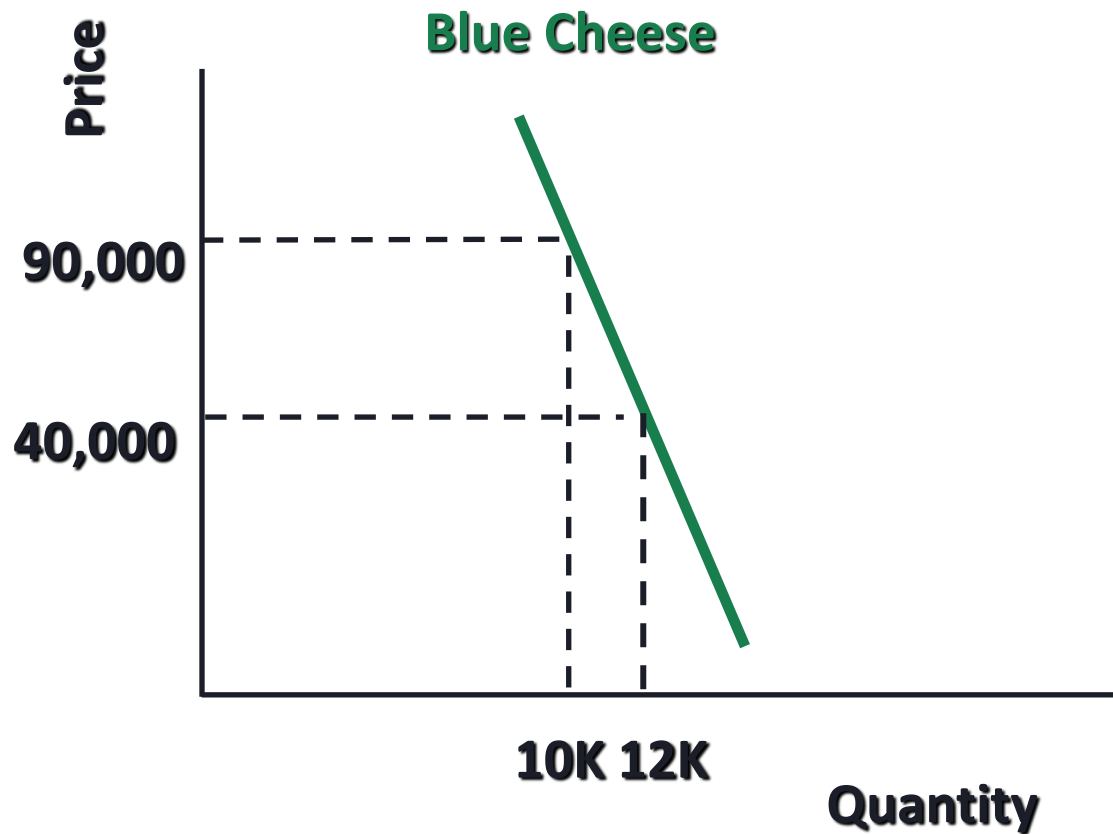
Determination of Demand

Elastic Demand



Determination of Demand

Inelastic Demand



Margins

Difference between *Price and Cost*

- What *price* do you charge for your product or service?
- How much does it *cost* you to deliver that single unit of product or service?
- Does the difference between the price you charge and the cost of production provide adequate cash to cover fixed operating expenses and generate a profit?

Volume

The number of units of product or service you are selling or providing.

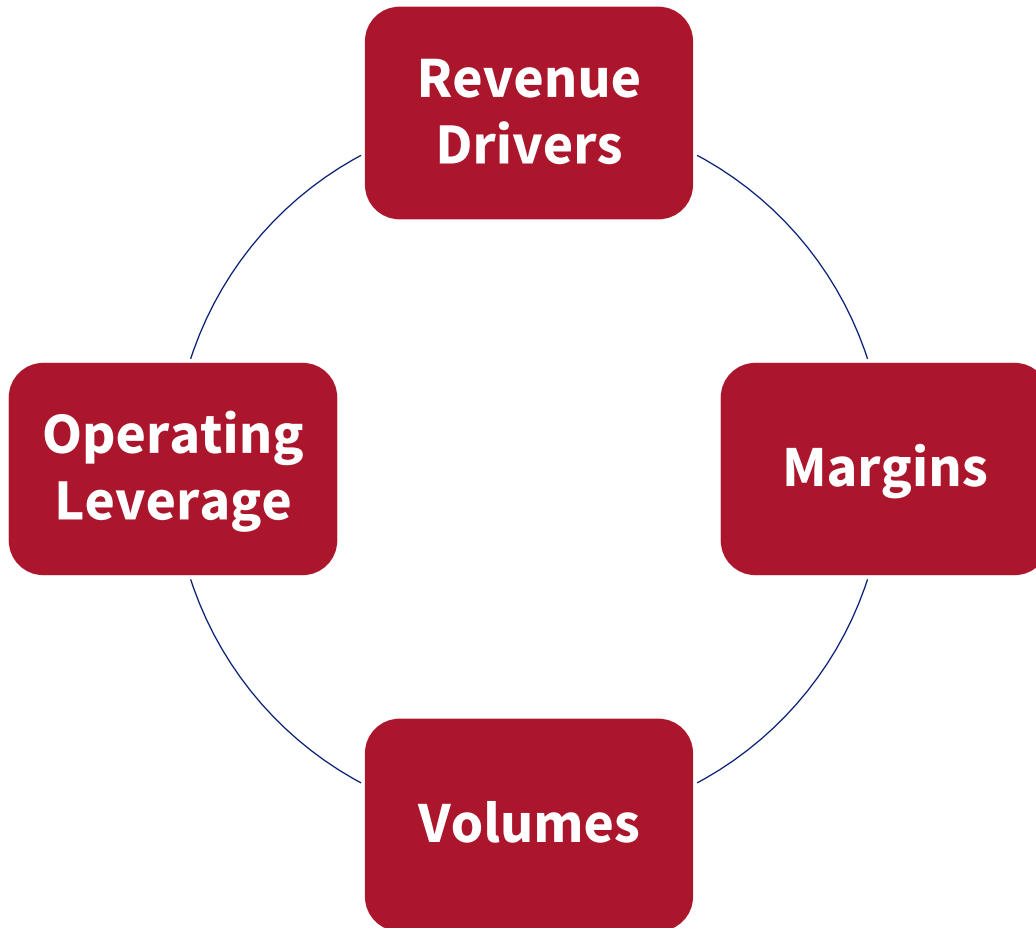
- Is generally meaningless unless you discuss it along with margin
- High volume alone is meaningless unless you keep something from each sale (margin)

Example



What does this mean for the economic model?

Economic Model Levers



Variable Costs

- Change in direct relation to your revenue
- What does it actually cost to deliver one unit of whatever you do?
- Direct labor, payroll taxes and costs per employee (CPEs), mileage, packaging, unit transport or delivery, raw materials
- *Variable does not = optional*

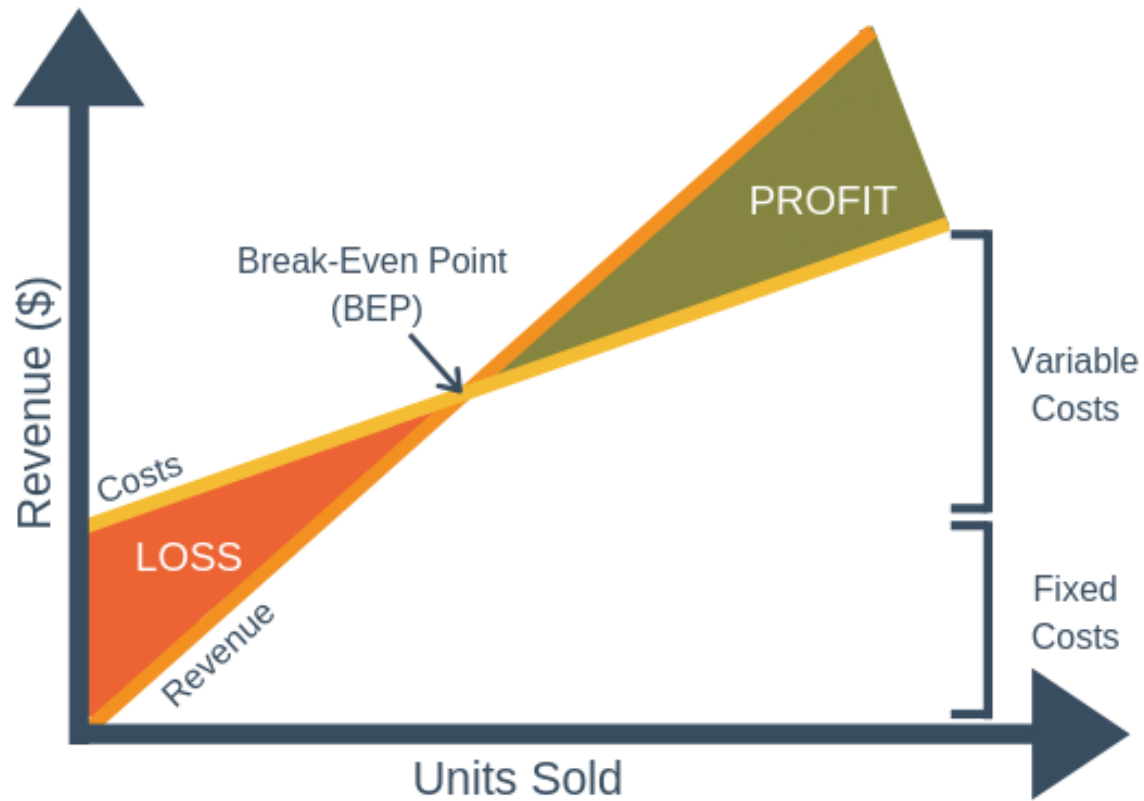


Fixed Costs

- Expenses you have to pay no matter what sales you generate.
- Remain the same over a given period of time
- Include rent, brick and mortar location, salaries (not hourly pay), advertising, insurance, write-off of equipment
- What do you think about utility bills? Variable or fixed?



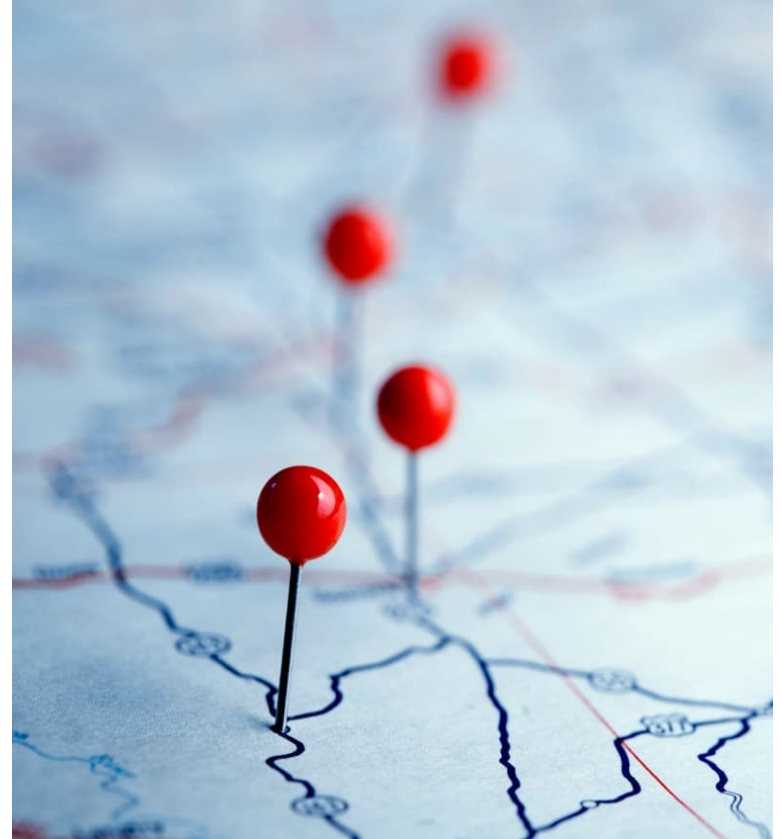
Breakeven



Definition: The volume of sales revenue needed to cover all of your costs over a given period of time.

What's In a Formal Business Plan?

1. **Your Concept**
2. **Industry Description**
3. **Market Analysis**
4. **Economics of the Business**
5. **Marketing Strategy**
6. **Operations/Goals/Labor**
7. **Management Team**
8. **Risks & Assumptions**
9. **Timeline**
10. **Financial Projections**
11. **Source/Use of Funds**



Different People Focus on Different Things in a Business Plan

You/Business Owner

- Annual Roadmap

Friends and Family

- Support of the project
- Potential participation and/or funding

Lenders

- Debt = Your ability to re-pay the loan on time with interest
- Reducing their risk = how much money, how will you use it, how long will you need money, your collateral, your credit rating, projected or current cash flow

Private Investors

- Innovation – first to market with new ideas, technology, intellectual property
- Growth Potential - market size, competitors, lead time, return on investment
- Team experience/expertise
- Exit strategy



Pitfalls & Fixes

PITFALLS	FIXES
Lack of Clarity <ul style="list-style-type: none">• Big idea vs. details• Writing style & jargon	<ul style="list-style-type: none">• Provide scenarios and data• K.I.S.S: Keep it Simple & Succinct• Avoid acronyms
Lack of Continuity & Consistency <ul style="list-style-type: none">• Numbers• Verbiage	<ul style="list-style-type: none">• Be conservative in estimates• Check your numbers• Proofread for errors, spelling, etc.
Lack of Realism <ul style="list-style-type: none">• Financials, insufficient cash flow, market size, suppliers, etc. too optimistic	<ul style="list-style-type: none">• Be conservative – compare best and worst case scenarios, and choose the middle
Lack of Flexibility <ul style="list-style-type: none">• Failure to assess and internal and external risks	<ul style="list-style-type: none">• SWOT analysis to identify risks and ways to mitigate their impact to maximize potential for success• Update as needed

Free Business Plan Tools & Resources

- [SBA.gov](https://www.sba.gov) business plan development tools
- [SCORE.org](https://score.org) business plans & startup assistance resources
- Connect with your local [Women's Business Center](#)
- Connect with your local [Small Business Development Center](#)
- Connect with your local [Veterans Business Outreach Center](#)

Key Takeaways

- Determine what needs to go into your planning process
 - Concept, customers, business and economic models, identification & mitigation of risks
 - What are your expectations?
 - What is your focus? Who is your audience?
- Start thinking about your Teams:
 - Internal management team
 - B.A.I.L Team (Banker – Accountant/Tax Advisor - Insurance Agent – Lawyer)
 - External advisors and mentors
- Seek feedback on your ideas and processes
- Tap into the SBA Resource Partner Network

Thank you



Jennie Murphy & Holly Aker
Veterans Business Outreach Center of New England
vbocnewengland.org