How to Start a Cleaning Business

By the BizMove.com Team

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1. Determining the Feasibility of Your New Business

A. Preliminary Analysis

This guide is a checklist for the owner/manager of a business enterprise or for one contemplating going into business for the first time. The questions concentrate on areas you must consider seriously to determine if your idea represents a real business opportunity and if you can really know what you are getting into. You can use it to evaluate a completely new venture proposal or an apparent opportunity in your existing business.

Perhaps the most crucial problem you will face after expressing an interest in starting a new business or capitalizing on an apparent opportunity in your existing business will be determining the feasibility of your idea. Getting into the right business at the right time is simple advice, but advice that is extremely difficult to implement. The high failure rate of new businesses and products indicates that very few ideas result in successful business ventures, even when introduced by well established firm. Too many entrepreneurs strike out on a business venture so convinced of its merits that they fail to thoroughly evaluate its potential.

This checklist should be useful to you in evaluating a business idea. It is designed to help you screen out ideas that are likely to fail before you invest extensive time, money, and effort in them.

Preliminary Analysis

A feasibility study involves gathering, analyzing and evaluating information with the purpose of answering the question: "Should I go into this business?" Answering this question involves first a preliminary assessment of both personal and project considerations.

General Personal Considerations

The first seven questions ask you to do a little introspection. Are your personality characteristics such that you can both adapt to and enjoy business ownership/management?

1. Do you like to make your own decisions?
2. Do you enjoy competition?
3. Do you have will power and self-discipline?
4. Do you plan ahead?
5. Do you get things done on time?
6. Can you take advise from others?
7. Are you adaptable to changing conditions?

The next series of questions stress the physical, emotional, and financial strains of a new business.

8. Do you understand that owning your own business may entail working 12 to 16 hours a day, probably six days a week, and maybe on holidays?
9. Do you have the physical stamina to handle a business?
10. Do you have the emotional strength to withstand the strain?
11. Are you prepared to lower your standard of living for several months or years?
12. Are you prepared to loose your savings?

Specific Personal Considerations

1. Do you know which skills and areas of expertise are critical to the success of your project?
2. Do you have these skills?
3. Does your idea effectively utilize your own skills and abilities?
4. Can you find personnel that have the expertise you lack?
5. Do you know why you are considering this project?
6. Will your project effectively meet your career aspirations

The next three questions emphasize the point that very few people can claim expertise in all phases of a feasibility study. You should realize your personal limitations and seek appropriate assistance where necessary (i.e. marketing, legal, financial).

7. Do you have the ability to perform the feasibility study?
8. Do you have the time to perform the feasibility study?
9. Do you have the money to pay for the feasibility study done?

General Project Description

1. Briefly describe the business you want to enter.

____

____

2. List the products and/or services you want to sell

____

3. Describe who will use your products/services

____

4. Why would someone buy your product/service?

____

5. What kind of location do you need in terms of type of neighborhood, traffic count, nearby firms, etc.?

____

6. List your product/services suppliers.

____

7. List your major competitors - those who sell or provide like products/services.

____

____

8. List the labor and staff you require to provide your products/services. ________________

____

B. Requirements For Success

To determine whether your idea meets the basic requirements for a successful new project, you must be able to answer at least one of the following questions with a "yes."

1. Does the product/service/business serve a presently unserved need?

2. Does the product/service/business serve an existing market in which demand exceeds supply?

3. Can the product/service/business successfully compete with an existing competition because of an "advantageous situation," such as better price, location, etc.?

Major Flaws

A "Yes" response to questions such as the following would indicate that the idea has little chance for success.

1. Are there any causes (i.e., restrictions, monopolies, shortages) that make any of the required factors of production unavailable (i.e., unreasonable cost, scare skills, energy, material, equipment, processes, technology, or personnel)?

2. Are capital requirements for entry or continuing operations excessive?

3. Is adequate financing hard to obtain?

4. Are there potential detrimental environmental effects?

5. Are there factors that prevent effective marketing?

C. Desired Income

The following questions should remind you that you must seek both a return on your investment in your own business as well as a reasonable salary for the time you spend in operating that business.

1. How much income do you desire?

____

2. Are you prepared to earn less income in the first 1-3 years?

____

3. What minimum income do you require?

____

4. What financial investment will be required for your business?

____

5. How much could you earn by investing this money?

____

6. How much could you earn by working for someone else?

____

7. Add the amounts in 5 and 6. If this income is greater that what you can realistically expect from your business, are you prepared to forego this additional income just to be your own boss with the only prospects of more substantial profit/income in future years?

____

8. What is the average return on investment for a business of your type? _______________

D. Preliminary Income Statement

Besides return on investment, you need to know the income and expenses for your business. You show profit or loss and derive operating ratios on the income statement. Dollars are the (actual, estimated, or industry average) amounts for income and expense categories. Operating ratios are expressed as percentages of net sales and show relationships of expenses and net sales.

For instance 50,000 in net sales equals 100% of sales income (revenue). Net profit after taxes equals 3.14% of net sales. The hypothetical "X" industry average after tax net profit might be 5% in a given year for firms with 50,000 in net sales. First you estimate or forecast income (revenue) and expense dollars and ratios for your business. Then compare your estimated or actual performance with your industry average. Analyze differences to see why you are doing better or worse than the competition or why your venture does or doesn't look like it will float.

These basic financial statistics are generally available for most businesses from trade and industry associations, government agencies, universities and private companies and banks

Forecast your own income statement. Do not be influenced by industry figures. Your estimates must be as accurate as possible or else you will have a false impression.

1. What is the normal markup in this line of business. i.e., the dollar difference between the cost of goods sold and sales, expressed as a percentage of sales?

____

2. What is the average cost of goods sold percentage of sales?

____

3. What is the average inventory turnover, i.e., the number of times the average inventory is sold each year?

____

4. What is the average gross profit as a percentage of sales?

____

5. What are the average expenses as a percentage of sales?

____

6. What is the average net profit as a percent of sales?

____

7. Take the preceding figures and work backwards using a standard income statement format and determine the level of sales necessary to support your desired income level.

____

8. From an objective, practical standpoint, is this level of sales, expenses and profit attainable?

____

ANY BUSINESS, INC.

Condensed Hypothetical Income Statement
For year ending December 31

Item	Amount		Percent
Gross sales	773,888		
Less returns, allowances, and cash discounts	14,872		
Net sales		759,016	100.00
Cost of goods sold		589,392	77.65
Gross profit on sales		169,624	22.35
Selling expenses	41,916		5.52
Administrative expenses	28,010		3.69
General expenses	50,030		6.59
Financial expenses	5,248		0.69
Total expenses		125,204	16.50
Operating profit		44,220	5.85
Extraordinary expenses		1,200	0.16
Net profit before taxes		43,220	5.69
taxes		19,542	2.57
Net profit after taxes		23,678	3.12

E. Market Analysis

The primary objective of a market analysis is to arrive at a realistic projection of sales. after answering the following questions you will be in a better positions to answer question eight immediately above.

Population

1. Define the geographical areas from which you can realistically expect to draw customers.

____

2. What is the population of these areas?

____

3. What do you know about the population growth trend in these areas? _______________

4. What is the average family size?

____

5. What is the age distribution?

____

6. What is the per capita income?

____

7. What are the consumers' attitudes toward business like yours?

____

8. What do you know about consumer shopping and spending patterns relative to your type of business?

____

9. Is the price of your product/service especially important to your target market?

____

10. Can you appeal to the entire market?

____

11. If you appeal to only a market segment, is it large enough to be profitable?

____

F. Competition

1. Who are your major competitors?

____

2. What are the major strengths of each?

____

3. What are the major weaknesses of each?

____

4. Are you familiar with the following factors concerning your competitors:

Price structure?

____

Product lines (quality, breadth, width)?

____

Location?

____

Promotional activities?

____

Sources of supply?

____

Image from a consumer's viewpoint?

____

5. Do you know of any new competitors?

____

6. Do you know of any competitor's plans for expansion?

____

7. Have any firms of your type gone out of business lately?

____

8. If so, why?

____

9. Do you know the sales and market share of each competitor?

____

10. Do you know whether the sales and market share of each competitor are increasing, decreasing, or stable?

____

11. Do you know the profit levels of each competitor?

____

12. Are your competitors' profits increasing, decreasing, or stable?

____

13. Can you compete with your competition?

____

G. Sales

1. Determine the total sales volume in your market area.

____

2. How accurate do you think your forecast of total sales is?

____

3. Did you base your forecast on concrete data?

____

4. Is the estimated sales figure "normal" for your market area?

____

5. Is the sales per square foot for your competitors above the normal average?

____

6. Are there conditions, or trends, that could change your forecast of total sales?

____

7. Do you expect to carry items in inventory from season to season, or do you plan to mark down products occasionally to eliminate inventories? If you do not carry over inventory, have you adequately considered the effect of mark-down in your pricing? (Your gross profits margin may be too low.)

____

8. How do you plan to advertise and promote your product/service/business?

____

9. Forecast the share of the total market that you can realistically expect - as a dollar amount and as a percentage of your market.

____

10. Are you sure that you can create enough competitive advantages to achieve the market share in your forecast of the previous question?

____

11. Is your forecast of dollar sales greater than the sales amount needed to guarantee your desired or minimum income?

____

12. Have you been optimistic or pessimistic in your forecast of sales? ________________

13. Do you need to hire an expert to refine the sales forecast?

____

14. Are you willing to hire an expert to refine the sales forecast?

H. Supply

1. Can you make a list of every item of inventory and operating supplies needed?
2. Do you know the quantity, quality, technical specifications, and price ranges desired?
3. Do you know the name and location of each potential source of supply?
4. Do you know the price ranges available for each product from each supplier?
5. Do you know about the delivery schedules for each supplier?
6. Do you know the sales terms of each supplier?
7. Do you know the credit terms of each supplier?
8. Do you know the financial condition of each supplier?
9. Is there a risk of shortage for any critical materials or merchandise?
10. Are you aware of which supplies have an advantage relative to transportation costs?
11. Will the price available allow you to achieve an adequate markup?

I. Expenses

1. Do you know what your expenses will be for: rent, wages, insurance, utilities, advertising, interest, etc?
2. Do you need to know which expenses are Direct, Indirect, or Fixed?
3. Do you know how much your overhead will be?
4. Do you know how much your selling expenses will be?

Miscellaneous

1. Are you aware of the major risks associated with your product? Service Business?
2. Can you minimize any of these major risks?
3. Are there major risks beyond your control?
4. Can these risks bankrupt you? (fatal flaws)

J. Venture Feasibility

1. Are there any major questions remaining about your proposed venture?
2. Do the above questions arise because of a lack of data?
3. Do the above questions arise because of a lack of management skills?
4. Do the above questions arise because of a "fatal flaw" in your idea?
5. Can you obtain the additional data needed?

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2. Starting Your Business Step by Step

A. Things to Consider Before You Start

This guide will walk you step by step through all the essential phases of starting a successful service business. To profit in a service based business, you need to consider the following questions: What business am I in? What services do I provide? Where is my market? Who will buy? Who is my competition? What is my sales strategy? What merchandising methods will I use? How much money is needed to operate my firm? How will I get the work done? What management controls are needed? How can they be carried out? When should I revise my plan? And many more.

No one can answer such questions for you. As the owner-manager you have to answer them and draw up your business plan. The pages of this guide are a combination of text and workspaces so you can write in the information you gather in developing your business plan - a logical progression from a commonsense starting point to a commonsense ending point.

It takes time and energy and patience to draw up a satisfactory business plan. Use this Guide to get your ideas and the supporting facts down on paper. And, above all, make changes in your plan on these pages as that plan unfolds and you see the need for changes.

Bear in mind that anything you leave out of the picture will create an additional cost, or drain on your money, when it crops up later on. If you leave out or ignore enough items, your business is headed for disaster.

Keep in mind too, that your final goal is to put your plan into action. More will be said about this near the end of this Guide.

What's in this for Me?

You may be thinking: Why should I spend my time drawing up a business plan? What's in it for me? If you've never drawn up a plan, you are right in wanting to hear about the possible benefits before you do your work.

A business plan offers at least four benefits. You may find others as you make and use such a plan. The four are:

(1) The first, and most important, benefit is that a plan gives you a path to follow. A plan makes the future what you want it to be. A plan with goals and action steps allows you to guide your business through turbulent economic seas and into harbors of your choice. The alternative is drifting into "any old port in a storm."

(2) A plan makes it easy to let your banker in on the action. By reading, or hearing, the details of your plan he will have real insight into your situation if he is to lend you money.

(3) A plan can be a communications tool when you need to orient sales personnel, suppliers, and others about your operations and goals.

(4) A plan can help you develop as a manager. It can give you practice in thinking about competitive conditions, promotional opportunities, and situation that seem to be advantageous to your business. Such practice over a period of time can help increase an owner-manager's ability to make judgments.

Why am I in Business?

Many enterprising people are drawn into starting their own business by the possibilities of making money and being their own boss. But the long hours, hard work, and responsibilities of being the boss quickly dispel and preconceived glamour.

Profit is the reward for satisfying consumer needs. But it must be worked for. Sometimes a new business might need two years before it shows a profit. So where, then, are reasons for having your own business?

Every business owner-manager will have his or her own individual reasons for being in business. For some, satisfaction come from serving their community. They take pride in serving their neighbors and giving them quality work which they stand behind. For others, their business offers them a chance to contribute to their employees' financial security.

There are as many rewards and reasons for being in business as there are business owners. Why are you in business?

____

____

____

What business am I in?

In making your business plan, the first question to consider is: What business am I really in. At the first reading this question may seem silly. "If there is one thing I know," you say to yourself, "it is what business I'm in." But hold on. Some owner-managers go broke and others waste their saving because they are confused about the business they are in.

The changeover of barbershops from cutting hair to styling hair is one example of thinking about what business you're really in.

Consider this example, also. Joe Riley had a small radio and TV store. He thought of his business as a retail store though he also serviced and repaired anything he sold. As his suburb grew, appliance stores emerged and cut heavily into his sales. However, there was an increased call for quality repair work.

When Mr. Riley considered his situation, he decided that he was in the repair business. As a result of thinking about what business he was really in, he profitably built up his repair business and has a contract to take care of the servicing and repair business for one of the appliance stores.

Decide what business you are in and write your answer in the following spaces. To help you decide, think of the answers to questions such as: What inventory of parts and materials must you keep on hand? What services do you offer? What services do people ask for that you do not offer? What is it you are trying to do better, more of, or differently from your competitors?

____

How to Plan Your Marketing

When you have decided what business you're in, you have made your first marketing decision. Now you are ready for other important considerations.

Successful marketing starts with the owner-manager. You have to know your service and the needs of your customers.

The narrative and work blocks that follow are designed to help you work out a marketing plan for your firm. The blocks are divided into three sections:

Section One - Determining the Sales Potential

Section Two - Attracting Customers

Section Three - Selling to Customers

Section One - Determining the Sales Potential

In the service business, your sales potential will depend on the area you serve. That is, how many customers in this area will need your services? Will your customers be industrial, commercial, consumer, or all of these?

When picking a site to locate your business, consider the nature of your service. If you pick up and deliver, you will want a site where the travel time will be low and you may later install a radio dispatch system. Or, if the customer must come to your place of business, the site must be conveniently located and easy to find.

You must pick the site that offers the best possibilities of being profitable. The following questions will help you think through this problem.

In selecting an area to serve, consider the following:

Population and its growth potential

Income, age, occupation of population

Number of competitive services in and around your proposed location

Local ordinances and zoning regulations

Type of trading area (commercial, industrial, residential, seasonal)

For additional help in choosing an area, you might try the local chamber of commerce and the manufacturer and distributor of any equipment and supplies you will be using.

You will want to consider the next list of questions in picking the specific site for your business:

Will the customer come to your place of business?

How much space do you need?

Will you want to expand later on?

Do you need any special features required in lighting, heating, ventilation?

Is parking available?

Is public transportation available?

Is the location conducive to drop-in customers?

Will you pick up and deliver?

Will travel time be excessive?

Will you prorate travel time to service call?

Would a location close to an expressway or main artery cut down on travel time?

If you choose a remote location, will savings in rent off-set the inconvenience?

If you choose a remote location, will you have to pay as much as you save in rent for advertising to make your service known?

If you choose a remote location, will the customer be able to readily locate your business?

Will the supply of labor be adequate and the necessary skills available?

What are the zoning regulations of the area?

Will there be adequate fire and police protection?

Will crime insurance be needed and be available at a reasonable rate?

I plan to locate in ___________ because:

____

____

____

Is the area in which you plan to locate supported by a strong economic base? For example, are nearby industries working full time? Only part time? Did any industries go out of business in the past several months? Are new industries scheduled to open in the next several months?

Write your opinion of the area's economic base and your reason for that opinion here.:

____

____

Will you build? ________ What are the terms of the loan or mortgage?

____

____

Will you rent? _________ What are the terms of the lease?

____

____

Is the building attractive? _________ In good repair? _________

Will it need remodeling? __________ Cost of remodeling? __________

What services does the landlord provide?

____

____

What is the competition in the area you have picked?

The number of firms that handle my service _________

Does the area appear to be saturated? _________

How many of these firms look prosperous? _________

Do they have any apparent advantages over you? _________

How many look as though they're barely getting by? _________

How many similar services went out of business in the area last year? _________

Can you find out why they failed? _________

How many new services opened up in the last year? _________

How much do your competitors charge for your service? _________

Which firm or firms in the area will be your biggest competition? _________

List the reasons for your opinion here:

____

____

Section Two - Attracting Customers

When you have a location in mind, you should work through another aspect of marketing. How will you attract customers to your business? How will you pull customers away from your competition?

It is working with this aspect of marketing that many service firms find competitive advantages. The ideas which they develop are as good and often better, than those which large companies develop with hired brains. The workblocks that follow are designed to help you think about image, pricing, customer service policies, and advertising.

Image

Whether you like it or not, your service business is going to have an image. The way people think of your firm will be influenced by the way you conduct your business. If people come to your place of business for your service, the cleanliness of the floors, the manner in which they are treated, and the quality of your work will help form your image. If you take your service to the customer, the conduct of your employees will influence your image. Pleasant, prompt, courteous service before and after the sale will help make satisfied customers your best form of advertising.

Thus, you can control your image, Whatever image you seek to develop. It should be concrete enough to promote in your advertising. For example, "service with a smile" is an often used image.

Write out what image you want customers to have of your business.

____

____

Pricing

In setting prices for your service, there are four main elements you must consider:

(1) Materials and supplies

(2) Labor and operating expenses

(3) Planned profit

(4) Competition

Further along in this Guide you will have the opportunity to figure out the specifics of materials, supplies, labor, and operating expenses. From there you may want the assistance of your accountant in developing a price structure that will not only be fair to the customer, but also fair to yourself. This means that not only must you cover all expenses but also allow enough margin to pay yourself a salary.

One other thing to consider. Will you offer credit? __________ Most businesses use a credit card system. These credit costs have to come from somewhere. Plan for them. If you use a credit card system, what will it cost you? __________

Can you add to your prices to absorb this cost?

Some trade association have a schedule for service charges. It would be a good idea to check with the trade association for your line of business. Their figures will make a good yardstick to make sure your prices are competitive.

And, of course, your prices must be competitive. You've already found out your competitors' prices. Keep these in mind when you are working with your accountant. If you will not be able to make an adequate return, now is the time to find out.

Customer Service Policies

Customers expect certain services or conveniences, for example, parking. These services may be free to the customer, but not to you. If you do provide parking, you either pay for your own lot or pick up your part of the cost of a lot which you share with other businesses. Since these conveniences will be an expense, plan for them.

List the services that your competitors provide to customers:

____

____

____

Now list the services that you will provide your customers:

Service / Estimated Cost

_______________ _______________

_______________ _______________

_______________ _______________

_______________ _______________

Planning Your Advertising Activities

In this section on attracting customers, advertising was saved until last because you have to have something to say before advertising can be effective. When you have an image, price range, and customers services, you are ready to tell prospective customers why they should use your services.

When the money you can spend on advertising is limited it is vital that your advertising be on target. Before you can think about how much money you can afford for advertising, take time to determine what jobs you want advertising to do for your business. The work blanks that follow should be helpful to your thinking.

The strong points about my service business are:

____

My service business is different from my competition in the following ways:

____

My advertising should tell customers and prospective customers the following facts about my business and services:

____

When you have these facts in mind, you now need to determine who you are going to tell it to. Your advertising needs to be aimed at a target audience - those people who are most likely to use your services. In the space
below, describe your customers in terms of age, sex, occupation, and whatever else is necessary depending on the nature of your business. This is your customer profile of "male and female automobile owners, 18 years old and above." Thus, for this repair business, anyone over 18 who owns a car is likely to need its service.

The customer profile for my business is

____

Now you are ready to think about the form your advertising should take and its cost. You are looking for the most effective means to tell your story to those most likely to use your service. Ask the local media (newspapers, radio and television, and the printers of direct mail pieces) for information about the services and the results they offer for your money.

How you spend advertising money is your decision, but don't fall into the trap that snares many advertisers. As one consultant describes this pitfall: It is amazing the way many managers consider themselves experts on advertising copy and media selection without any experience in these areas.

The following blanks should be useful in determining what advertising is needed to sell your strong points to prospective customers.

Form of Advertising	Size of Audience	Frequency of Use	Cost of A Single Ad	Estimated Cost
__________	__________	__________	__________	__________
__________	__________	__________	__________	__________
__________	__________	__________	__________	__________
__________	__________	__________	__________	__________
			Total	__________

When you have a figure on what your advertising for the next 12 months will cost, check it against one of the operating ratios (expenses as a percentage of sales) which trade associations and other organizations gather. If your estimated cost for advertising is substantially higher than this average for your line of service, take a second look. No single expense item should be allowed to get way out of line if you want to make a profit. Your task in determining comes down to: How much can I afford to spend and still do the job that needs to be done?

Section Three - Selling to Customers

To complete your work on marketing, you need to think about what you want to happen after you get a customer. Your goal is to provide your service, satisfy customers, and put money into the cash register.

One-time customers can't do the job. You need repeat customers to build a profitable annual sales volume. When someone returns for your service, it is probably because he was satisfied by his previous experience. Satisfied customers are the best form of advertising.

If you previously decided to work only for cash, take a hard look at your decision. Americans like to buy on credit. Often a credit card, or other system of credit and collections, is needed to attract and hold customers.

Based on this description and the dollar amount of business you indicated that you intend to do this year, fill in the following workblocks.

Fixtures and Equipment

No matter whether or not customers will come to your place of business, there will be certain equipment and furniture you will need in your place of business which will allow you to perform your service.

Parts and Material

You will probably need some kind of parts or material to provide your service.

I plan to buy parts and material from:

____

Before you make any supply arrangements, examine the supplier's obsolescence policy. This can be a vital factor in service parts purchasing. You also look at the supplier's warranty policy.

Now that you have determined the parts and materials you'll need. you should think about the type of stock control system you'll use. A stock control system should enable you to determine what needs to be ordered on the basis of: (1) what is on hand, (2) what is on order, (3) what has been used. (Some trade associations and suppliers provide systems to members and customers.)

When you have decided on a system for stock control, estimate its cost. My system for stock control will cost me __________ for the first year.

Overhead

List the overhead items which will be needed. Examples are: rent, utilities, office help, insurance, interest, telephone, postage, accountant, payroll taxes, and licenses or other local taxes. If you plan to hire others to help you manage, their salaries should be listed as overhead.

____

Getting the Work Done

An important step in setting up your business is to find and hire capable employees. Then you must train them to work together to get the job done. Obviously, organization is needed if your business is to produce what you expect it to produce, namely profits.

Organization is essential because you as the owner-manager cannot do all the work. As your organization grows, you have to delegate work, responsibility and authority. A helpful tool in getting this done is the organization chart. It shows at a glance who is responsible for the major activities of a business.

As an additional aid in determining both what needs to be done and who will do it, list each activity that is involved in your business. Next to the activity indicate who will do it. You may do this by name or some other designation such as "worker #1", Remember that a name may appear more than once.

Activity / Name

_____________ _______________

_____________ _______________

_____________ _______________

_____________ _______________

_____________ _______________

How Much Money Will You Need

At this point, take some time to think about what your business plan means in terms of dollars. This section is designed to help you put your plan into dollars.

The first question concerns the source of dollars. After your initial capital investment, the major source of money is the sale of your services. What dollar volume of business do you expect to do in the next 12 months? __________

Expenses

In connection with your annual dollar volume of business, you need to think about expenses. If, for example you plan to do 100,000 in business, what will it cost you to do this amount of servicing? And even more important, what will be left over as profit at the end of the year? Never lose sight of the fact that profit is your pay. Even if you pay yourself a salary for living expenses, your business must make a profit if it is to continue year after year and pay back the money you invested in it.

The following workblock is designed to help you make a quick estimate of your expenses. To use this formula, you need to get only one figure - the cost of sales figure for your line of business. If you don't have this operating ratio, check with your trade association.

	Expressed in percentage	Expressed in dollars	your percentage	your dollars
1. Sales	100	100,000	100	$ ________
2. Cost of sales	-61.7	-61,700	________	-$ ________
3. Gross margin	38.3	38,300	________	$ ________

Start-Up Costs

If you are starting a new business, list the following estimated start-up costs:

Fixtures and equipment	________
Starting inventory	________
Office supplies	________
Decorating and remodeling	________
Installation of equipment	________
Deposits for utilities	________
Legal and professional fees	________
Licenses and permits	________
Advertising for the opening	________
Operating cash	________
Owner's withdraw during prep-start-up time	________
Total	________

Whether you have the funds (savings) or borrow them, your new business will have to pay back these start-up costs. Keep this fact in mind as you work on the "Expenses" section, and on other financial aspects of your plan.

Break Down Your Expenses

Your quick estimate of expenses provides a starting point. The next step is to break down your expenses so they can be handled over the 12 months. Use an "Expenses Worksheet" form to make up an expense budget.

Matching Money and Expenses

A budget helps you to see the dollar amount of your expenses each month. Then from month to month the question is: Will sales bring in enough money to pay the firm's bills on time? The answer is "maybe not" or "I hope so" unless the owner-manager prepares for the "peaks and valleys" that are in many service operations.

A cash forecast is a management tool which can eliminate much of the anxiety that can plague you if your business goes through lean months. Use a worksheet, "Estimated Cash Forecast", or ask your accountant to use it to estimate the amounts of cash you expect to flow through your business during the next 12 months.

Is Additional Money needed?

Suppose at this point you have determined that your business plan needs more money than can be generated by sales. What do you do?

What you do depends on the situation. For example, the need may be for bank credit to tide your business over during the lean months. This loan can be repaid during the fat sales months when expenses are far less than sales. Adequate working capital is necessary for success and survival.

Whether an owner-manager seeks to borrow money for only a month or so or on a long-term basis, the lender needs to know whether the store's financial position is strong or weak. Your lender will ask to see a current balance sheet.

Even if you don't need to borrow, use it, to draw the "picture" of your firm's financial condition. Moreover, if you don't need to borrow money, you may want to show your plan to the bank that handles your store's checking account. It is never too early to build good relations with your banker, to show that you are a manager who knows where you want to go rather than a store owner who hopes to make a success.

Control and Feedback

To make your plan work you will need feedback. For example, the year-end profit and loss statement shows whether your business made a profit or loss for the past 12 months.

But you can't wait 12 months for the score. To keep your plan on target you need readings at frequent intervals. A profit and loss statement at the end of each month or at the end of each quarter is one type of frequent feedback. However, the income statement or profit and loss statement (P and L) may be more of a loss than a profit statement if you rely only on it. You must set up management controls which will help you to insure that the right things are being done from day to day and from week to week. In a new business, the record-keeping system should be set up before your business opens. After you're in business is too late. For one thing, you may be too busy to give a record-keeping system the proper attention.

The control system which you set up should give you information about: stock, sales, and disbursement. The simpler the system, the better. Its purpose is to give you current information. You are after facts with emphasis on trouble spots. Outside advisers, such as an accountant, can be helpful.

Stock Control

The purpose of controlling parts and materials inventory is to provide maximum service to your customers and to see that parts and materials are not lost through pilferage, shrinkage, errors, or waste. Your aim should be to achieve a high turnover on your inventory. The fewer dollars you tie up in inventory, the better.

In a business, inventory control helps the owner-manager to offer customers efficient service. The control system should enable you to determine what needs to be ordered on the basis of: (1) what is on hand, (2) what is on order, and (3) what has been used.

In setting up inventory controls, keep in mind that the cost of the inventory is not your only cost. You will also have costs such as the cost of purchasing, the cost of keeping control records, and the cost of receiving and storing your inventory.

Sales

In a small business, sales slips and cash register tapes give the owner-manager feedback at the end of each day. To keep on top of sales, you will need answers to questions such as: How many sales were made? What was the dollar amount? What credit terms were given to customers?

Disbursements

Your manager controls should also give you information about the dollars your company pays out. In checking on your bills, you do not want to know what major items, such as paying bills on time to get the supplier's discount, are being handled according to your policies. Your review system will also give you the opportunity to make judgments on the use of funds. In this manner, you can be on top of emergencies as well as routine situations. Your system should also keep you aware that tax moneys such as payroll income tax deductions, are set aside and paid out at the proper time.

Break-Even Analysis

Break-even analysis is a management control device because the break-even point shows how much you must sell under given conditions in order to just cover your costs with No profit and No loss.

Profit depends on sales volume, selling price, and costs. Break-even analysis helps you to estimate what a change in one or more of these factors will do to your profits. To figure a break-even point, fixed costs, such as rent, must be separated from variable costs, such as the cost of sales and the other items listed under "controllable expenses" on the expense worksheet, of this Guide.

The formula is:

Break-even point (in sales dollars) =

$$\frac{\text{Total fixed costs}}{1 - \dfrac{\text{Total variable costs}}{\text{Corresponding sales volume}}}$$

An example of the formula is: Bill Jackson plans to open a laundry. He estimates his fixed expenses at about $9,000, the first year. He estimates his variable expenses at about $700 for every $1,000 of sales.

$$\text{BE point} = \frac{\$9{,}000}{1 - \frac{700}{1{,}000}} = \frac{\$9{,}000}{1 - .70} = \frac{\$9{,}000}{30} = \$30{,}000$$

Is Your Plan Workable?

Stop when you have worked out your break-even point. Whether the break-even point looks realistic or way off base, it is time to make sure that your plan is workable.

Take time to re-examine your plan before you back it with money. If the plan is not workable better to learn it now than to realize 6 months down the road that you are pouring money into a losing venture.

In reviewing your plan, look at the cost figures you drew up when you broke down your expenses for one year. If any of your cost items are too high or too low, change them. You can write your changes in the white spaces above or below your original entries on that worksheet. When you finish making your adjustments, you will have a Revised projected statement of sales and expenses for 12 months.

With your revised figures work out a revised break-even point. Whether the new break-even point looks good or bad, take one or more precaution. Show your plan to someone who has not been involved in working out the details.

Your banker, or other advisor outside of your business may see weaknesses that failed to appear as you pored over the details of your plan. They may put a finger on strong points which your plan should emphasize.

Put Your Plan into Action

When your plan is as near on target as possible, you are ready to put it into action. Keep in mind that action is the difference between a plan and a dream. If a plan is not acted upon, it is of no more value than a pleasant dream that evaporates over the breakfast coffee.

A successful owner-manager does not stop after he has gathered information and drawn up a plan, as you have done in working through this Guide. He begins to use his plan.

At this point, look back over your plan. Look for things that must be done to put your plan into action.

What needs to be done will depend on your situation. For example, if your business plan calls for an increase in sales, one action to be done will be providing funds for this expansion.

Have you more money to put into this business?

Do you borrow from friends and relatives? From your bank? From your suppliers by arranging liberal commercial credit terms.

If you are starting a new business, one action step may be to get a loan for fixtures, employee salaries, and other expenses. Another action step will be to find and hire capable employees.

In the spaces that follow, list things that must be done to put your plan into action. Give each item a date so that it can be done at the appropriate time. To put my plan into action, I must do the following:

Action / Completion Date

______________ ______________

______________ ______________

______________ ______________

______________ ______________

______________ ______________

Keeping Your Plan Up To Date

Once you put your plan into action, look out for changes. They can cripple the best made business plan if the owner-manager lets them.

Stay on top of changing conditions and adjust your business plan accordingly.

Sometimes the change is made within your company. For example, several of your employees quit their jobs. Sometimes the change is with customers: for example, their desires and tastes shift. Sometimes the change is technological as when raw materials are put on the market introducing the need for new processes and procedures.

In order to adjust your plan to account for such changes, an owner-manager must:

(1) Be alert to the changes that come in your company, line of business, market, and customers.

(2) Check your plan against these changes.

(3) Determine what revisions, if any, are needed in your plan.

The method you use to keep your plan current so that your business can weather the forces of the market place is up to you. Read the trade papers and magazines for your line of business. Another suggestion concerns your time. Set some time - two hours, three hours, whatever is necessary-to review your plan periodically. Once each month, or every other month, go over your plan to see whether it needs adjusting. If revisions are needed, make them and put them into action.

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3. Complete Cleaning Business Plan Template

Table of Contents

APPENDIX

1.0 Executive Summary

Company: [Company Name]

Contact: [Name]

Address: [Address]
Direct Phone: XXX-XXX-XXXX

Cell Phone: XXX-XXX-XXXX

Email: X

Purpose

The purpose of this Business Plan is to:

1. Set a course for the Company's management to successfully manage, operate, and administer the business.
2. Inform financing sources of the capital requirements being requested by the Company, in addition to its history, its projected future, and how the requested funding would give the Company the ability to add value to the local economy, generate tax revenues for local and federal government, and help put people back to work.

The Company

[Company Name] is a start-up venture located in Cuyahoga County, serving commercial and residential clients by offering quality cleaning services in the Metro Cleveland, OH area. The business was founded by [Name], who are cleaning industry professionals with collective experience. [Company Name] is expanding its exposure through effective marketing as well as introducing the area to market segments that have not yet discovered the Company.

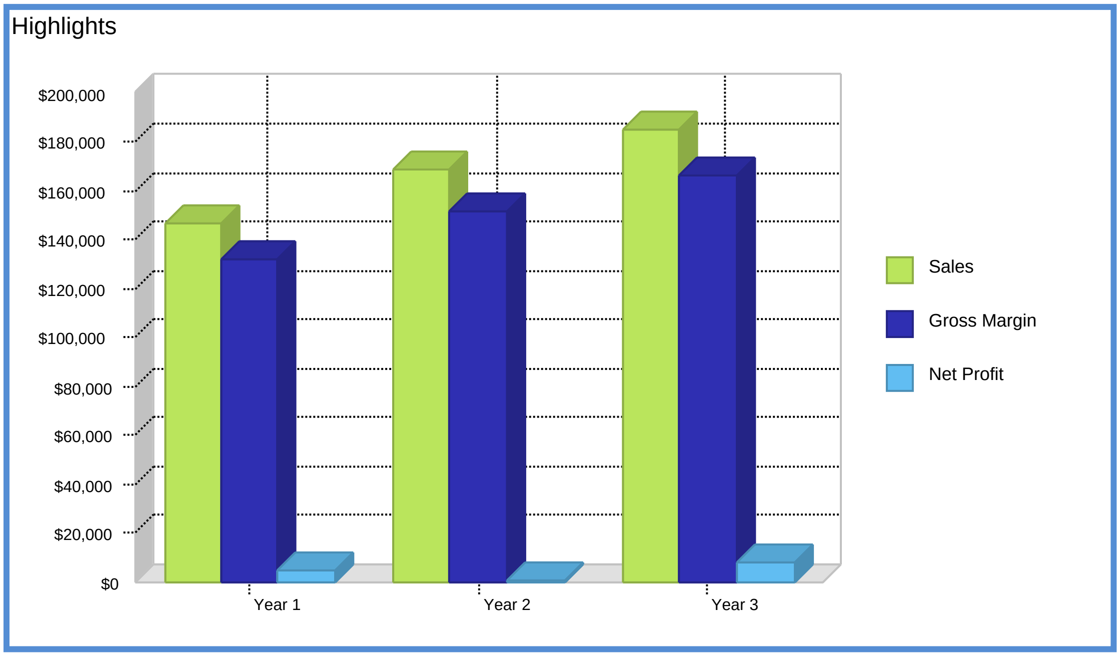
The Market

[Company Name]target market strategy is based on becoming a destination for commercial or residential clients in the Cleveland, OH area looking for quality cleaning services. These customers prefer excellent treatment, services, and affordable rates; thus it's the Company's duty to deliver on their expectations.

Financial Consideration

In addition to diligently following this Business Plan to maintain the safeguards for successful business operations and achieve the financial projections herein, the current financial plan of [Company Name] includes obtaining funding through one of many financing programs in the amount of $100,000. It will use the funding to do advertising, purchase office supplies and equipment, and purchase two vans. The Company's revenue is projected to increase during the next three years, from $146,805 to $185,708, while its monthly break-even stands at $11,453.

Chart: Highlights



1.1 Objectives

[Company Name] has four main objectives:

1. To acquire 2 or more cleaning accounts by August 31, 2011
2. To attain 5 or more cleaning accounts by December 31, 2011
3. To obtain government janitorial contracts via Small Business Association
4. To hire dependable employees from the community

1.2 Mission

[Company Name]mission involves:

- Promoting community growth and community strength by providing excellence
- Janitorial services one cleaning opportunity at a time.
- Quality cleaning done right the first time!

1.3 Keys to Success

[Company Name]keys to success include:

- Listen attentively to the needs of the client and communicate this information effectively to cleaning crews
- Research and remain experts on the greenest cleaning practices and products
- Remember that the cleaning must meet or exceed client expectations to be considered done.

2.0 Company Summary

Company: [Company Name]

Contact: [Name]

Address: [Address]
Direct Phone: XXX-XXX-XXXX

Cell Phone: XXX-XXX-XXXX

Email: X

[Company Name] is a start-up company that provides cleaning services in the Metro Cleveland, OH area. The Company will serve commercial and residential clients by offering basic cleaning, floor treatment, carpet cleaning, window cleaning, etc. The business was founded by [Name], cleaning industry professionals with collective experience, who have pooled their resources to develop a new strategy for reaching and serving business clients.

2.1 Company Ownership

[Company Name]is a Limited Liability Corporation established in December 2010 in the county of Cuyahoga, OH. The cleaning Company is a 100% African-American, women owned business. The owners of [Company Name]are [Name]and [Name] who both have 45% ownership, as well as [Name] and [Name] who both have 5% ownership of the Company.

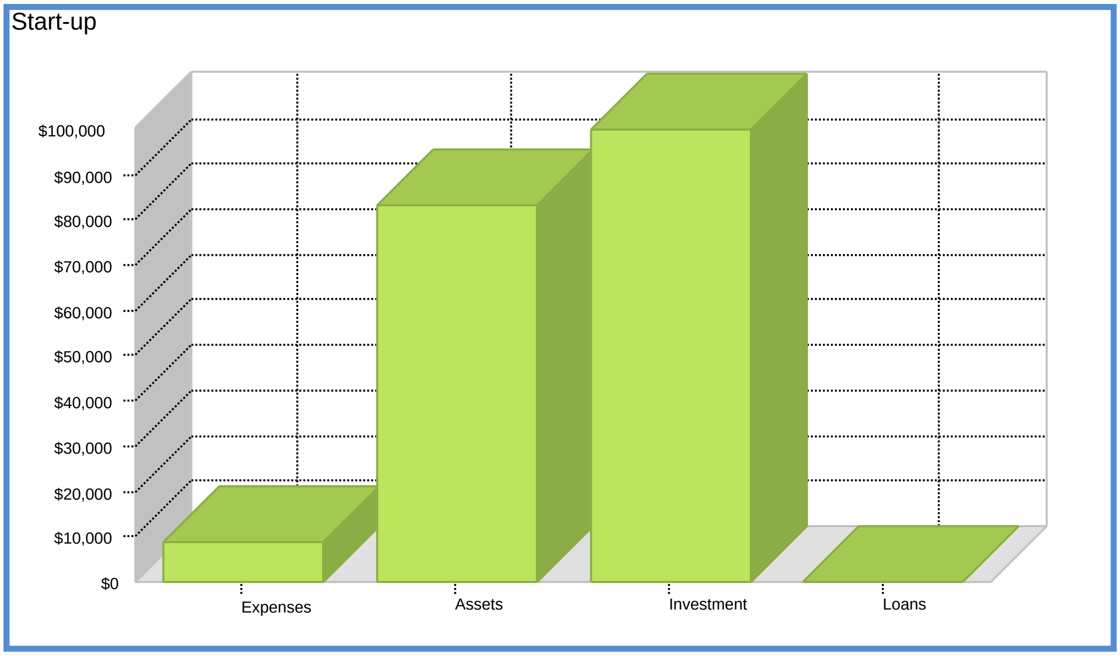
2.2 Start-up Summary

The following table and chart shows the start-up costs for [Company Name].
The Company's start-up expenses consist of legal, insurance, computer, web design, stationary expenses. The start-up assets consist of office supplies, two company vans and equipment.

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	$1,500
Insurance	$2,500
Website	$500
Computer	$2,000
Stationary	$2,200
Total Start-up Expenses	$8,700
Start-up Assets	
Cash Required	$0
Other Current Assets	$17,115
Long-term Assets	$65,975
Total Assets	$83,090
Total Requirements	**$91,790**

Chart: Start-up



3.0 Services

[Company Name] provides cleaning services to commercial and residential clients in the Greater Cleveland, OH area. As the Company grows, its main objective is to focus on customer satisfaction and affordable rates.

4.0 Market Analysis Summary

[Company Name]current market consists of commercial and residential customers in the Greater Cleveland, OH area who are need of affordable cleaning services. If the Company can effectively reach the target market segment of individuals/companies in need of their services, and provide them with the quality and conveniences that are most important to them, revenues should increase annually as is projected.

There are 86,688 companies located in the Cleveland, OH area. The market for commercial cleaning in this area includes small offices (1-5 employees), medium offices (6-20 employees), and large offices (21 employees and up). Additionally, there are 190,638 households and 215,856 housing units in the Cleveland, OH area. Due to the economic renewal occurring in this community, this growth is expected to continue over the next two years.

Overall, [Company Name] has the services and professionalism necessary to flourish within its market. By delivering superior customer service as well as quality cleaning services, [Company Name]potential is excellent.

4.1 Market Segmentation

[Company Name] target market strategy is based on becoming a destination for people who are looking for exceptional cleaning services in the Cleveland, OH area. The Company's marketing strategy is based on superior performance in the following areas:

- Quality equipment
- Knowledgeable and professional staff
- Honesty and trustworthiness
- Customer service
- Affordability

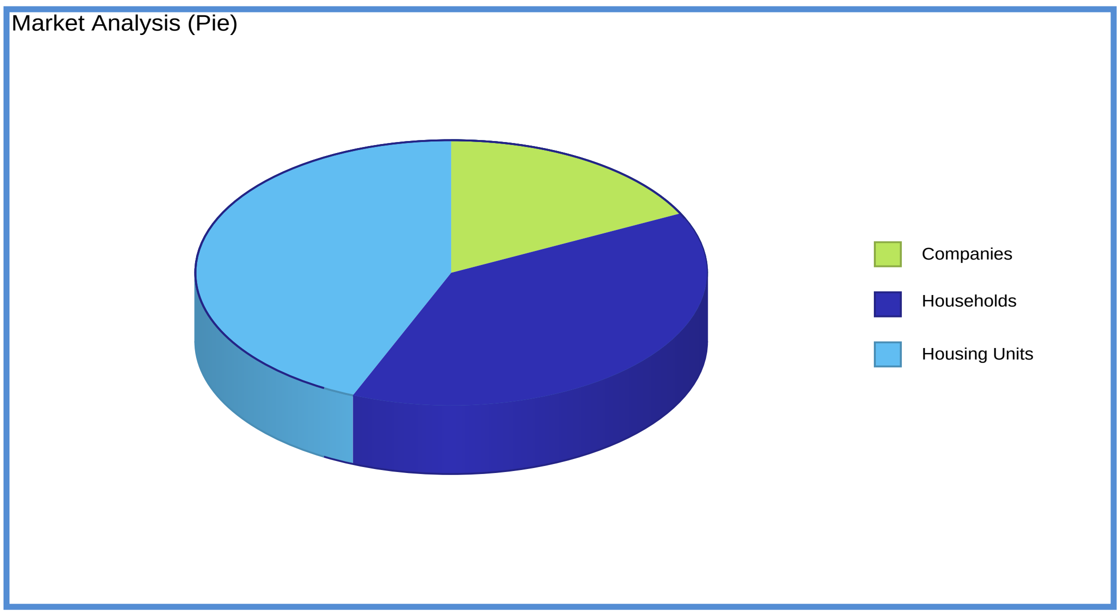
Customers within the cleaning industry want exceptional customer service, effectiveness and affordability. [Company Name] customers appreciate the outstanding service and products that the cleaning Company offers, as well as the knowledgeable and experienced staff. Although customers have the option to get products elsewhere, they will rely on [Company Name] to deliver the dedication and dependability that they desire.

Customers of [Company Name] include commercial and residential clients. The table below shows the breakdown of the Company's client base in the metro Cleveland, OH area.

Table: Market Analysis

Market Analysis							
		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Companies	3%	86,688	89,289	91,968	94,727	97,569	3.00%
Households	2%	190,638	194,451	198,340	202,307	206,353	2.00%
Housing Units	2%	215,856	220,173	224,576	229,068	233,649	2.00%
Total	2.18%	493,182	503,913	514,884	526,102	537,571	**2.18%**

Chart: Market Analysis (Pie)



4.2 Target Market Segment Strategy

[Company Name] target market segments consist of customers living in the metro Cleveland, OH area in need of cleaning services. The Company knows that satisfied customers aid the Company by referring its business to other clients who need similar products and services.

[Company Name] will utilize the methods below to reach its target market:

• Collect as much demographic data as possible on potential area service users to assist management in creating both immediate and long-term plans for reaching out to this market segment.
• Formulate and adopt additions and/or revisions to the marketing strategies within this Business Plan once sufficient demographic data has been gathered.
• Management must keep in mind that making the masses aware of the Company is far more difficult and expensive than working with an existing user base. Management must take particular care in making certain marketing dollars are wisely spent since funds are limited.
• Construct a sophisticated website that highlights the benefits of choosing its Company and services.

4.3 Service Business Analysis

[Company Name] seeks to ensure that businesses have a spotless office environment to support the work they do and forget their worries about office cleaning. The company values its employees to clean well and clean smart, listens to the needs of its client to do the job they need done, and responds to the demands of the environment.

[Company Name] is a part of the cleaning industry. This industry has two primary market groups: consumer and commercial. The consumer arena consists primarily of residential maid services, along with carpet cleaners, window cleaners and a variety of other cleaning services required on a less-frequent basis. The commercial arena is dominated by janitorial services, which typically provide a wider range of services than maid services, along with other cleaning companies, such as carpet and window cleaners that target businesses rather than individual consumers. While it's recommended that you decide on a niche and concentrate on building a business that will serve your chosen market, it's entirely realistic to expect to be able to serve multiple markets successfully.

Few industries offer this tremendous range of choices and opportunities, and the need for general and niche cleaning is expected to increase in the future. The necessary qualifications depend, of course, on the type of cleaning service you decide to start. But for any type of service business, you need a determination to make the business work, a willingness to please the customer and the dedication to provide a thorough cleaning job. Janitorial services, carpet cleaning businesses and other niche cleaning operations often require the use of special equipment and/or cleaning solutions for which you must be trained.

As simple as it may be, [Company Name] method of executing exceptional customer service has an important effect on the bottom line: People want to give their business to those who appreciate it. Skillful use of advertising and strong communication will bring the business the Company desires.

4.3.1 Competition and Buying Patterns

[Company Name]direct competitors include JaniKing, RKS cleaning, Mighty Maids INC, Merry Maids, System4, and RWK Services. The Company's competitors have an established client base across the country as well as a locally recognized name in its area. Additionally, these companies have a good reputation within the cleaning community, which makes them a leading competitor, especially since they also endorse green cleaning by providing daily tips on their web sites and offering green cleaning services to clients. However these competitors also have some cons; such as only being interested in the tier 3 clients when the economy is fragile, only offer limited flexibility and not being able to provide a rentable cleaning solution without a contract, as well as not having a general interest in the community other than extracting monies only to re-invest somewhere else.

As simple as it may be, [Company Name]method of executing exceptional customer service has an important effect on the bottom line: People want to give their business to those who appreciate it. Skillful use of advertising and strong communication will bring the business the Company desires.

5.0 Strategy and Implementation Summary

[Company Name] is to consolidate its good customer and client service by offering quality service, efficiency, having the best staff and a competitive pricing structure. The Company has clearly defined the target market and has differentiated itself by offering a solid solution to fulfilling its customer's needs. Reasonable sales targets have been established with an implementation plan designed to ensure the goals set forth below are achieved.

5.1 SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the company, and describes the opportunities and threats facing [Company Name]

5.1.1 Strengths

[Company Name] has much notable strengths. These strengths include:

- Owner's industry experience.
- Knowledgeable staff, offering personalized customer service.
- Good referral relationships.

5.1.2 Weaknesses

[Company Name]main weaknesses include having limited funds to operate the business as well as being new to the Cleveland, OH area; thus the owners are still climbing the "experience curve".

5.1.3 Opportunities

Opportunities for [Company Name] include:

- Growing market with a significant percentage of its target market still not knowing the Company exists.
- Strategic alliances offering sources for referrals and joint marketing activities to extend the Company's reach.

5.1.4 Threats

[Company Name]biggest threat involves operating in a bad economy, which could impact sales; especially if customer requests decrease.

5.2 Competitive Edge

[Company Name] offers the following advantages to customers.

- **Quality Service**. The Company provides its clients with courteous, prompt, and dependable cleaning service.
- **Quality Products.** The Company uses top-notch products to provide excellent service to its customers and clientele.
- **Competitive rates**. The Company provides competitive rates for its customers because it has low cost inputs.

[Company Name]hardworking and dedicated staff will definitely aid in the Company's overall success. [Company Name] plans on being clients of its clients because that promotes excitement and pride in everyday cleaning opportunities for each member of the organization, as well as allows them to take pride in the work it does for its clients. Additionally, it is a stake holder in the community and harbors a great deal of respect for the local small businesses in its area, which is responsible for keeping the community employed and growing. By building a business based on long-standing relationships with satisfied clients, [Company Name] will simultaneously build defenses against future competition. The longer the relationship stands, the more the Company helps its customers understand what they offer them and why they need it.

5.3 Marketing Strategy

[Company Name]marketing strategy involves word-of-mouth advertising as well as marketing through flyers, on facebook, in the newspaper, or cold calling to reach all the potential clients that it can. The Company's goal is to provide exceptional service to its customers. [Company Name] knows what each customer needs and aims to satisfy them.

[Company Name] has an advantage because the owners are a superior business team that offers an in-depth knowledge of the cleaning service industry. Additionally, [Company Name]level of integrity, great location, as well as the Company's dedicated owners will aid it in building a strong reputation within its community.

5.4 Sales Strategy

[Company Name] has excellent customer relations and work ethics. The Company makes an effort to stay in line with the cleaning service industry; therefore paying attention to industry rates and proper equipment is important. Furthermore, keeping customers happy is an implicit part of building a relationship that will encourage repeat business.

[Company Name] will provide total quality control over the services it renders. The Company will further establish its policy of providing exceptional service to its customers and building a record of high customer satisfaction.

5.4.1 Sales Forecast

The chart and table below shows [Company Name]projected Sales Forecast. Annual projections for three years are shown here, with first year monthly figures in the appendix.

[Company Name]funding forecast includes: Cleaning Services in the Cleveland, OH area. The sales forecast for Year 1 is $146,805, while Year 2 and Year 3 is based on a 10-15% increase and is projected at $176,166 and $193,783.

Table: Sales Forecast

Sales Forecast			
	Year 1	Year 2	**Year 3**
Sales			
Cleaning Service	$146,805	$168,826	**$185,708**
	$0		
Total Sales	$146,805	$168,826	**$185,708**
Direct Cost of Sales	Year 1	Year 2	**Year 3**
Supplies/Products	$14,248	$17,098	**$18,807**
	$0		
Subtotal Direct Cost of Sales	$14,248	$17,098	**$18,807**

Chart: Sales Monthly

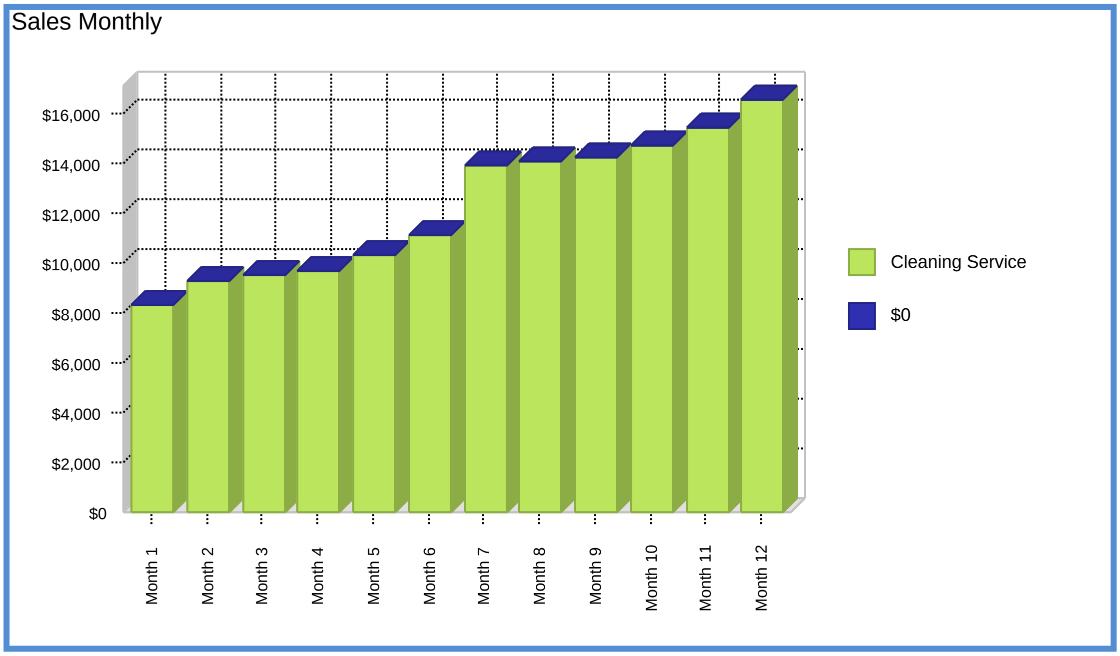
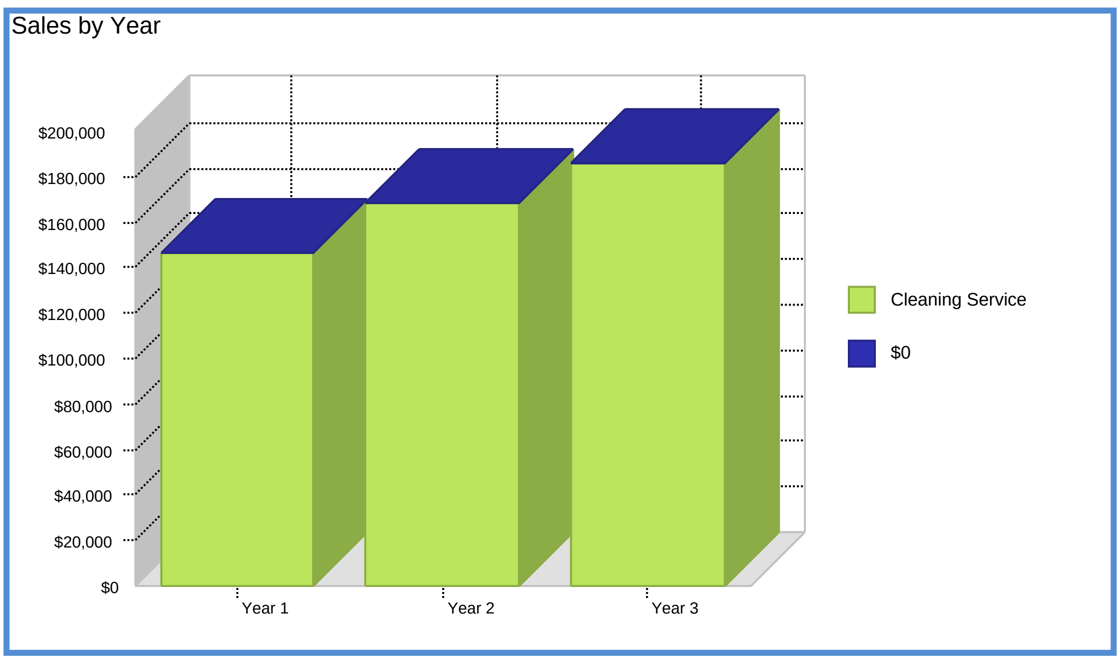


Chart: Sales by Year



6.0 Management Summary

The founders and primary decision makers of [Company Name] are Ericka & [Name], as well as Armelia & [Name]. The owners have a keen business sense and have taken the appropriate procedures and started the necessary training to run their cleaning business successfully. The owners' strong managerial skills, hands-on approach, and leadership qualities will also aid them in having an effective business. Ericka and Armelia will operate as the CEO & Operators, Finance Officers, Sales, HR and Recruiting specialist; while James and Sylvester will serve as the Co-Owners & Operators, Crew leaders, Sales Representatives, Cleaning Technicians and Trainers of the Company.

6.1 Personnel Plan

The table below contains the details of [Company Name]personnel plan. The detailed monthly personnel plan for the first year is included in the appendix.

[Company Name]key staff consists of the owners, [Name]. The owners plan on taking out a small salary for the first few years of business to allow the Company to grow effectively. In Year 2 each owner will have a salary of $25,000, while Year 3 shows a raise of 2% for each owner. Additional personnel will be hired as needed.

Table: Personnel

Personnel Plan			
	Year 1	Year 2	**Year 3**
[Name]	$19,788	$25,000	**$25,500**
[Name]	$19,788	$25,000	**$25,500**
[Name]	$19,788	$25,000	**$25,500**
[Name]	$19,788	$25,000	**$25,500**
Total People	4	4	**4**
Total Payroll	$79,152	$100,000	**$102,000**

7.0 Financial Plan

The current financial plan is based on the assumption of achieving desired levels of funding, in which [Company Name] plans to obtain funding sources in the amount of $100,000 for the purpose of doing advertising, purchasing office supplies and equipment, and purchasing two vans in the first year of plan implementation. Additionally, this Business Plan is used by the management of [Company Name] as a road map to its success. It is an indispensable tool for the ongoing performance and improvement of the Company, and it will be referred to often as management plots its business course.

Management commits to reviewing this Business Plan on a regular basis to make certain financial projections remain accurate and strategies remain pertinent as the economy, technology, communication methods, and customer demographics change. The three year financial projections within this Business Plan indicate that the Company will have generated sufficient growth, profits, and cash to permit the Company to continue to exists and prosper. Evaluation of the Company's success will be an ongoing process involving the owner's monthly review of financial statements and other pertinent financial data.

7.1 Start-up Funding

[Company Name]costs includes The Company's start-up expenses consist of legal, insurance, computer, web design, stationary expenses. The start-up assets consist of office supplies, two company vans and equipment, which are detailed in the Start-up Table. The following table shows how these start-up costs will be funded.

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	**$8,700**
Start-up Assets to Fund	**$83,090**
Total Funding Required	**$91,790**
Assets	
Non-cash Assets from Start-up	**$83,090**
Cash Requirements from Start-up	**$0**
Additional Cash Raised	**$8,210**
Cash Balance on Starting Date	**$8,210**
Total Assets	**$91,300**
Liabilities and Capital	

Liabilities	
Current Borrowing	**$0**
Long-term Liabilities	**$0**
Accounts Payable (Outstanding Bills)	**$0**
Other Current Liabilities (interest-free)	**$0**
Total Liabilities	**$0**
Capital	
Planned Investment	
Owner	**$0**
Investor	**$100,000**
Additional Investment Requirement	**$0**
Total Planned Investment	**$100,000**
Loss at Start-up (Start-up Expenses)	**($8,700)**
Total Capital	**$91,300**
Total Capital and Liabilities	**$91,300**
Total Funding	**$100,000**

7.2 Important Assumptions

The table below presents the assumptions used in the financial calculations of this plan. [Company Name] is a Limitation Liability Corporation business and is taxed accordingly. The Company's expenses assume a 3% increase due to inflation & other cost variables.

7.3 Break-even Analysis

The monthly break-even point is shown in the Break-Even Analysis Table below. The break-even analysis has been calculated on the "burn rate" of The Company. [Company Name] feels that this gives the investor a more accurate picture of the actual risk of the venture. The Break-Even Analysis Table is based on the Company's forecasted monthly expenses, cost of sales, and gross margins. It forecasts the average revenue (sales) level that must be achieved each month for the Company to break-even (show neither a profit nor a loss).

Even though Management's desire is to reach the break-even level every month and as early in the month as possible, it is unrealistic to believe that the break-even point will be achieved in every month of the Company's existence. Management realizes that there are several factors that may cause monthly losses. The most common factors include:

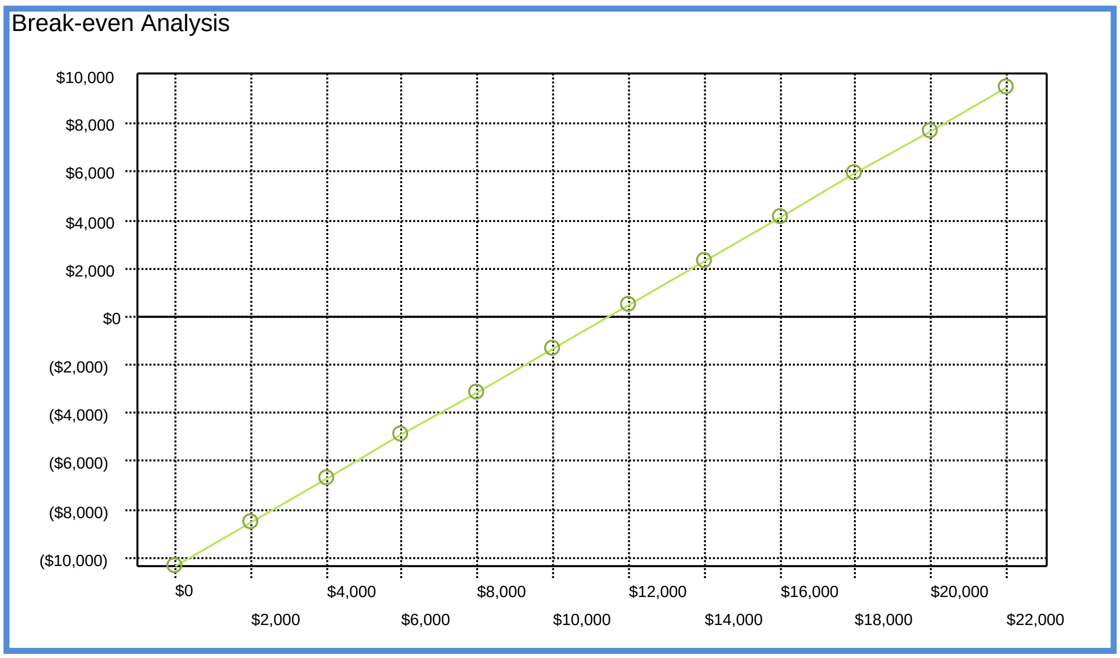
• Periods of seasonally slow sales/business.
• Months in which annual or unusual expenses occur.
• During months following strategically planned personnel expansion where increases in payroll, employee benefits, and payroll taxes are not immediately offset by increased production, sales or profits.
• During months following strategically planned asset acquisition where increases in depreciation, operating expenses, and long-term loan finance charges are not immediately offset by increased production, sales and profits.

Management will closely follow the Financial Statement Review section of the Financial Plan contained within this Business Plan by reviewing the Company's financial statements on a monthly basis. This is done to make certain that months without profit are the result of one of the factors listed above as opposed to a growing negative trend. Management will take immediate action to reverse the trend by reducing expenses, increasing profit margins, or increasing sales should it determine that sustained months without profit are the result of factors other than those listed above.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	**$11,453**
Assumptions:	
Average Percent Variable Cost	**10%**
Estimated Monthly Fixed Cost	**$10,341**

Chart: Break-even Analysis



7.4 Projected Profit and Loss

The following Projected Profit and Loss Table and charts illustrate [Company Name]sales, operating expenses, and profitability over the next three years. It illustrates the effects on profitability of increased expenses such as asset acquisition, personnel, and marketing as the Company expands. It also illustrates the delayed revenue (sales) growth that occurs months after the capital expenditures of expansion. A monthly projection for the first twelve months of sales, direct cost of sales, operating expenses, gross profits, tax consequences, and net profits after taxes is found in the appendix.

The sales for Year 1, Year 2, and Year 3 are $146,805, $176,166 and $193,783, respectively. The net profit for the same period is $5,106, $1,168 and $8,499, respectively. The percentages of the net profit sales for this period are 3.48%, 0.69% and 4.58%, respectively.

Important notes regarding Depreciation, Payroll & Miscellaneous Expenses

- The Company's miscellaneous expenses are 3% of the operating cost.
- The Company is showing a slight decrease in net profit in Year 2 due to the increase in payroll expenses; however, it will rise again in Year 3 and it overall reflects a healthy growth, which should continue as the business expands on its services and clientele.
- Once the Company receives funding to add the new assets, the depreciation will be over a 5 year period.

Table: Profit and Loss

Pro Forma Profit and Loss			
	Year 1	Year 2	**Year 3**
Sales	$146,805	$168,826	**$185,708**
Direct Cost of Sales	$14,248	$17,098	**$18,807**
Other Costs of Sales	$0	$0	**$0**
Total Cost of Sales	$14,248	$17,098	**$18,807**
Gross Margin	$132,557	$151,728	**$166,901**
Gross Margin %	90.29%	89.87%	**89.87%**

Expenses			
Payroll	$79,152	$100,000	**$102,000**
Marketing/Promotion	$2,100	$2,163	**$2,228**
Depreciation	$12,100	$13,195	**$13,195**
Rent	$7,200	$7,416	**$7,638**
Utilities	$5,400	$5,562	**$5,729**
Insurance	$2,496	$2,571	**$2,648**
Payroll Taxes	$11,873	$15,000	**$15,300**
Other	$3,775	$4,153	**$6,022**
Total Operating Expenses	$124,096	$150,060	**$154,760**
Profit Before Interest and Taxes	$8,461	$1,668	**$12,141**
EBITDA	$20,561	$14,863	**$25,336**
Interest Expense	$1,167	$0	**$0**
Taxes Incurred	$2,188	$500	**$3,642**
Net Profit	$5,106	$1,168	**$8,499**
Net Profit/Sales	3.48%	0.69%	**4.58%**

Chart: Profit Monthly

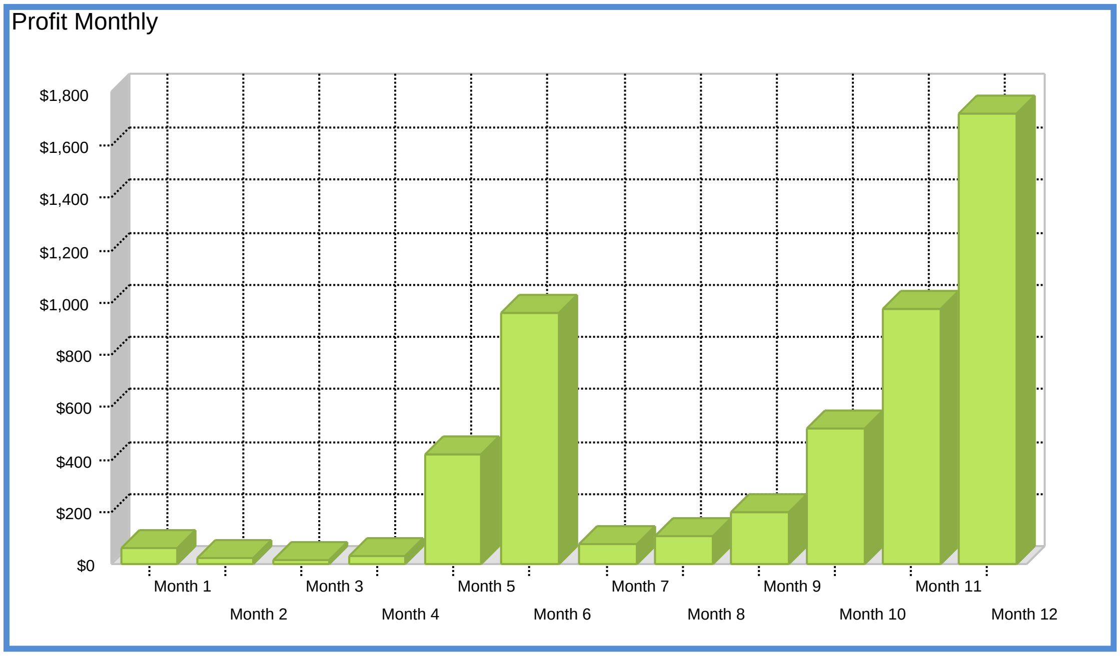


Chart: Profit Yearly

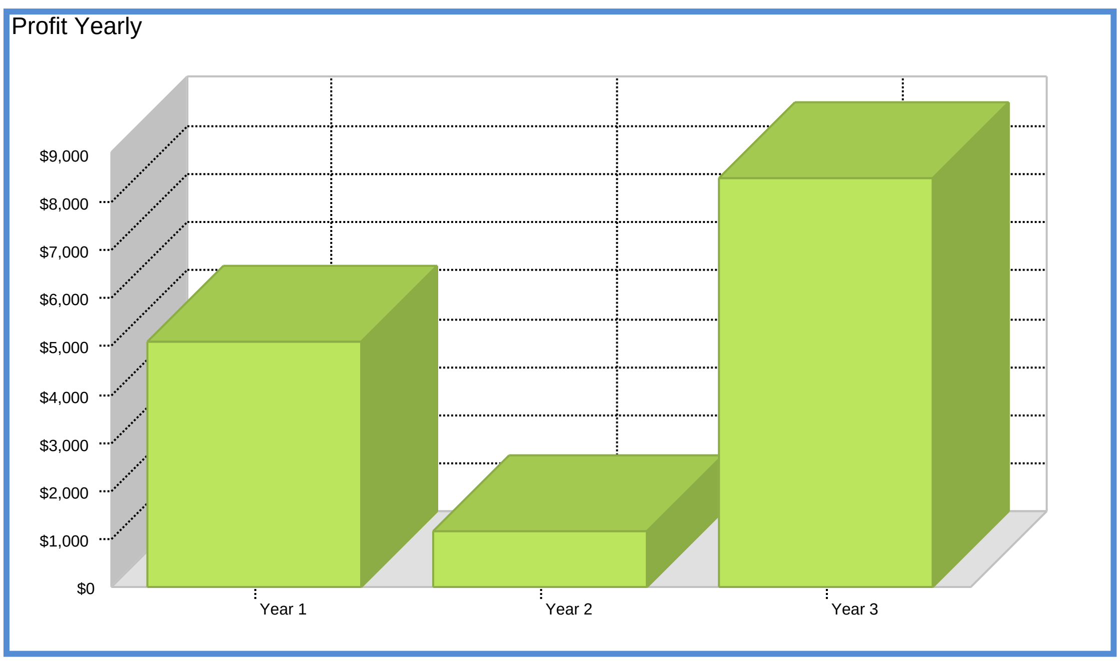


Chart: Gross Margin Monthly

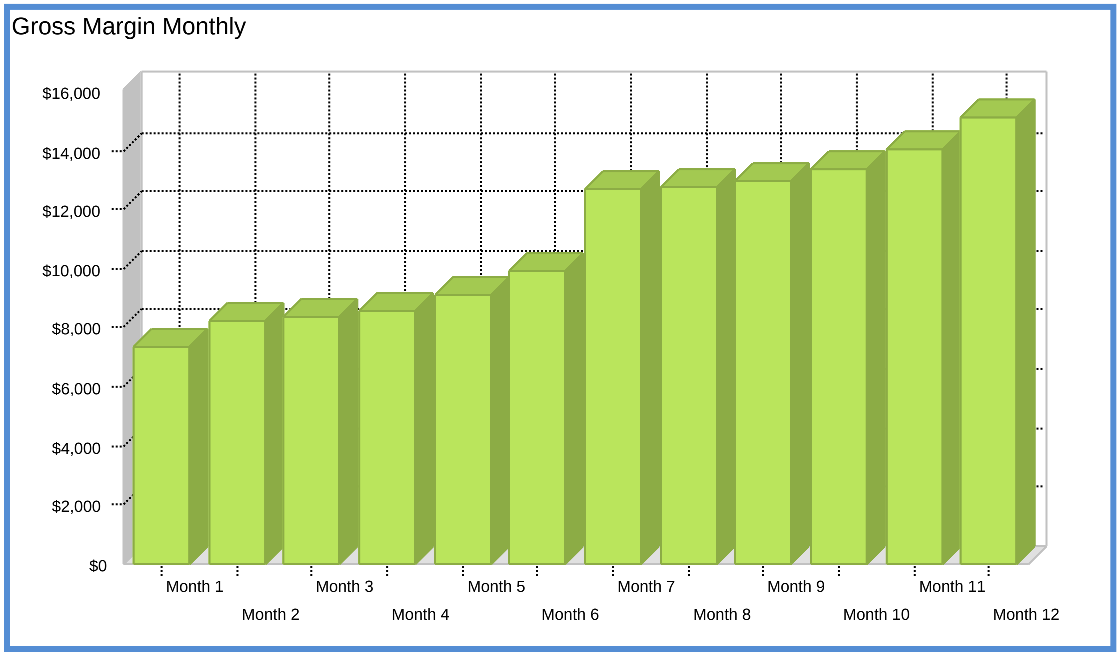
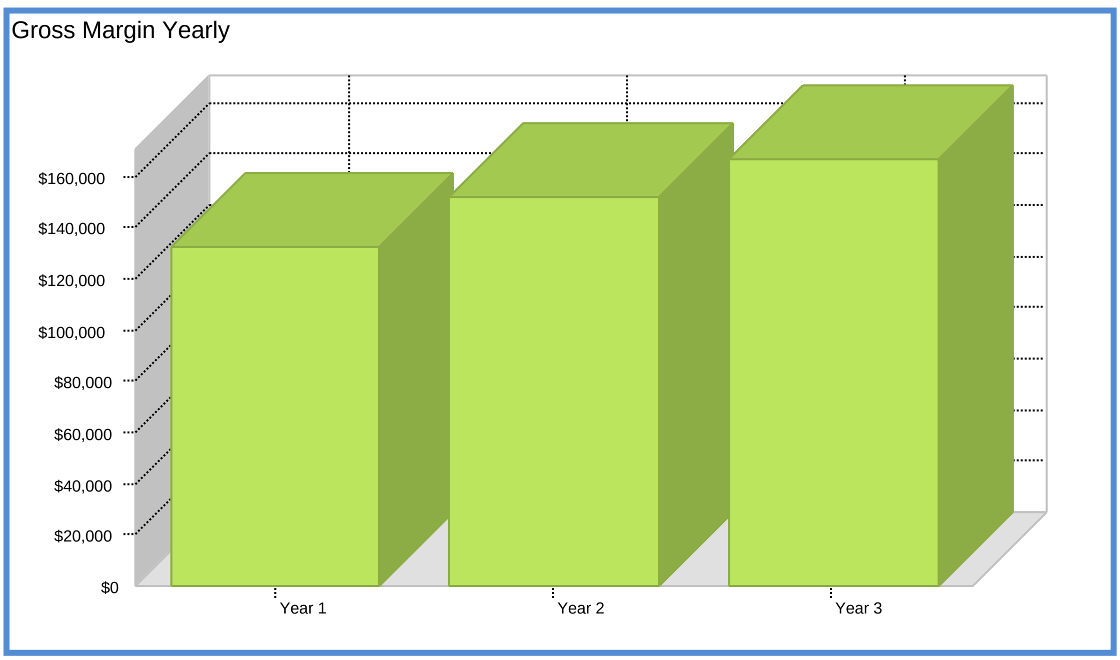


Chart: Gross Margin Yearly



7.5 Projected Cash Flow

[Company Name] is seeking $100,000 in funding sources. The Company will use the money to purchase office and cleaning equipment, do advertising and purchase two vans. [Company Name]cash plan is based on the assumption that the Company meets its forecast objectives and collects receivables within 60 days.

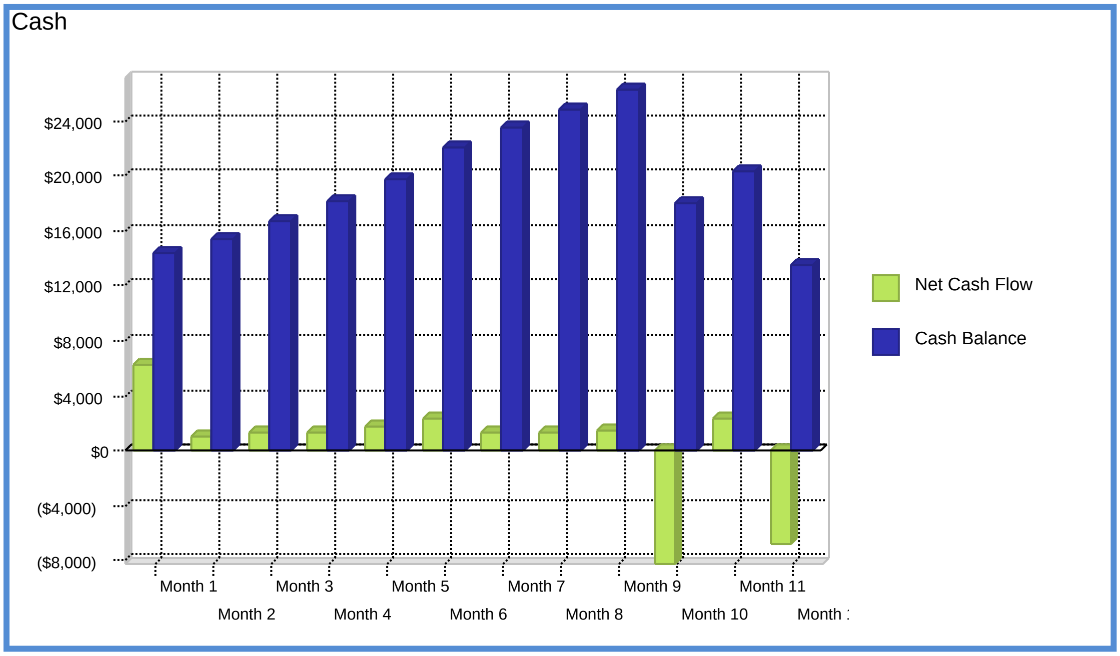
The following table displays [Company Name]cash flow and the chart illustrates monthly cash flow in the first year. Monthly cash flow projections are also included in the appendix.

Table: Cash Flow

Pro Forma Cash Flow			
	Year 1	Year 2	**Year 3**
Cash Received			
Cash from Operations			
Cash Sales	$146,805	$168,826	**$185,708**
Subtotal Cash from Operations	$146,805	$168,826	**$185,708**
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	**$0**
New Current Borrowing	$20,000	$0	**$0**
New Other Liabilities (interest-free)	$0	$0	**$0**
New Long-term Liabilities	$0	$0	**$0**
Sales of Other Current Assets	$0	$0	**$0**
Sales of Long-term Assets	$0	$0	**$0**
New Investment Received	$0	$0	**$0**
Subtotal Cash Received	$166,805	$168,826	**$185,708**
Expenditures	Year 1	Year 2	**Year 3**

Expenditures from Operations			
Cash Spending	$79,152	$100,000	**$102,000**
Bill Payments	$45,295	$55,139	**$61,394**
Subtotal Spent on Operations	$124,447	$155,139	**$163,394**
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	**$0**
Principal Repayment of Current Borrowing	$20,000	$0	**$0**
Other Liabilities Principal Repayment	$0	$0	**$0**
Long-term Liabilities Principal Repayment	$0	$0	**$0**
Purchase Other Current Assets	$17,115	$0	**$0**
Purchase Long-term Assets	$0	$0	**$0**
Dividends	$0	$0	**$0**
Subtotal Cash Spent	$161,562	$155,139	**$163,394**
Net Cash Flow	$5,243	$13,687	**$22,314**
Cash Balance	$13,453	$27,140	**$49,454**

Chart: Cash



7.6 Projected Balance Sheet

The Balance Sheet Table (below) shows the Pro-Forma Balance Sheet projections. In the appendix, the first twelve months are shown individually.

The projection indicates that the asset base will grow through accumulated cash balances, retained earnings will grow through accumulated net profits, and the capital position of the Company will become positive. Based on these financial projections, [Company Name] expects to build a business with a solid balance sheet for years to come.

[Company Name]net worth is $96,406, $97,574, and $106,072 for Year 1, Year 2, and Year 3 respectively. The Company's total assets for this same period will be $101,558, $102,050, and $111,169, respectively.

Table: Balance Sheet

Pro Forma Balance Sheet			
	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	$13,453	$27,140	**$49,454**
Other Current Assets	$34,230	$34,230	**$34,230**
Total Current Assets	$47,683	$61,370	**$83,684**
Long-term Assets			
Long-term Assets	$65,975	$65,975	**$65,975**
Accumulated Depreciation	$12,100	$25,295	**$38,490**
Total Long-term Assets	$53,875	$40,680	**$27,485**
Total Assets	$101,558	$102,050	**$111,169**
Liabilities and Capital	Year 1	Year 2	**Year 3**
Current Liabilities			
Accounts Payable	$5,152	$4,476	**$5,097**
Current Borrowing	$0	$0	**$0**
Other Current Liabilities	$0	$0	**$0**
Subtotal Current Liabilities	$5,152	$4,476	**$5,097**
Long-term Liabilities	$0	$0	**$0**
Total Liabilities	$5,152	$4,476	**$5,097**

Paid-in Capital	$100,000	$100,000	**$100,000**
Retained Earnings	($8,700)	($3,594)	**($2,426)**
Earnings	$5,106	$1,168	**$8,499**
Total Capital	$96,406	$97,574	**$106,072**
Total Liabilities and Capital	$101,558	$102,050	**$111,169**
Net Worth	$96,406	$97,574	**$106,072**

7.7 Business Ratios

The table below presents the projected business ratios from the janitorial services industry as a reference with sales less than $500,000.

Table: Ratios

Ratio Analysis				
	Year 1	Year 2	Year 3	**Industry Profile**
Sales Growth	n.a.	15.00%	10.00%	**0.77%**
Percent of Total Assets				
Other Current Assets	33.70%	33.54%	30.79%	**37.68%**
Total Current Assets	46.95%	60.14%	75.28%	**54.28%**
Long-term Assets	53.05%	39.86%	24.72%	**45.72%**
Total Assets	100.00%	100.00%	100.00%	**100.00%**
Current Liabilities	5.07%	4.39%	4.58%	**28.46%**
Long-term Liabilities	0.00%	0.00%	0.00%	**71.54%**
Total Liabilities	5.07%	4.39%	4.58%	**100.00%**
Net Worth	94.93%	95.61%	95.42%	**0.00%**
Percent of Sales				
Sales	100.00%	100.00%	100.00%	**100.00%**
Gross Margin	90.29%	89.87%	89.87%	**62.79%**
Selling, General & Administrative Expenses	86.82%	89.18%	85.30%	**17.10%**
Advertising Expenses	1.43%	1.28%	1.20%	**0.21%**
Profit Before Interest and Taxes	5.76%	0.99%	6.54%	**5.93%**

Main Ratios				
Current	9.25	13.71	16.42	**1.35**
Quick	9.25	13.71	16.42	**1.28**
Total Debt to Total Assets	5.07%	4.39%	4.58%	**100.00%**
Pre-tax Return on Net Worth	7.57%	1.71%	11.45%	**-5931196.51%**
Pre-tax Return on Assets	7.18%	1.63%	10.92%	**31.52%**

Table: Ratios (Continued)

Additional Ratios	Year 1	Year 2	Year 3	
Net Profit Margin	3.48%	0.69%	4.58%	**n.a**
Return on Equity	5.30%	1.20%	8.01%	**n.a**
Activity Ratios				
Accounts Payable Turnover	9.79	12.17	12.17	**n.a**
Payment Days	27	32	28	**n.a**
Total Asset Turnover	1.45	1.65	1.67	**n.a**
Debt Ratios				
Debt to Net Worth	0.05	0.05	0.05	**n.a**
Current Liab. to Liab.	1.00	1.00	1.00	**n.a**
Liquidity Ratios				
Net Working Capital	$42,531	$56,894	$78,587	**n.a**
Interest Coverage	7.25	0.00	0.00	**n.a**
Additional Ratios				
Assets to Sales	0.69	0.60	0.60	**n.a**
Current Debt/Total Assets	5%	4%	5%	**n.a**
Acid Test	9.25	13.71	16.42	**n.a**
Sales/Net Worth	1.52	1.73	1.75	**n.a**
Dividend Payout	0.00	0.00	0.00	**n.a**

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