

# How to Start a Construction Business

By the [BizMove.com](http://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.

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

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3. Describe who will use your products/services

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4. Why would someone buy your product/service?

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

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6. List your product/services suppliers.

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

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\_\_\_\_\_

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, scarce 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 than 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?

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## **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**

### **Things to Consider Before You Start**

This guide will walk you step by step through all the essential phases of starting a successful construction business. To profit in a construction based business, you need to consider the following questions: What business am I in? What do I sell? Where is my market? Who will buy? Who is my competition? What is my sales strategy? 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? Where can I go for help?

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 unexpectedly crops up later on. If you leave out or ignore too many 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 step near the end of this guide.

### **What's In This For Me?**

The hammer, trowel, pliers, and wrench are well known tools of the construction industry. They have their various uses and are needed to get the work done. Management is another tool that the owner-manager of a construction firm must use. Each job must be planned and organized if the firm is to run smoothly and efficiently. The business plan will help you increase your skill as a manager.

Because of the diversification in the construction industry, you may be engaged in residential, commercial, or industrial construction. You may be either a general or specialty contractor.

But, the same basic managerial skills are needed. This plan will serve as a guide to the various areas that you as a manager will be concerned with. As you work through this plan, adapt it to your own particular needs.

When complete, your business plan will help guide your daily business activities. When you know where you want to go, it is easier to plan what you must do to get there. Also, the business plan can serve as a communications device which will orient key employees, suppliers, bankers, and whoever else needs to know about your goals and your operations.

Whether you are just thinking about starting your own firm or have already started, the business plan can help you. As your skill as a manager increases so will the number of jobs you can effectively control. The careful completion of this plan may point out your limitations. This is important. To be a successful contractor you must not only know your business thoroughly, but must also know your limitations and seek professional advice in these areas.

### **Why Am I In Business?**

Most contractors are in business to make money and be their own boss. Very important reasons. But, don't forget, no one is likely to stay in business unless you also satisfy a consumer need at a competitive price. Profit is the reward for satisfying consumer needs in a competitive economy.

In the first years of business, your profits may seem like a small return for the long hours, hard work, and responsibility of being the boss. But there are other rewards associated with having your own business. For example, you may find satisfaction in helping to put groceries on your employees' tables. Or, maybe your satisfaction will come from building a business you can pass on to your children.

Why are you in business?

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### **What Business Am I In?**

At first glance this may seem like a rather silly question. You may say, "If there is one thing I'm sure of, it's what business I'm in." But wait. Let's look further into the question. Suppose you say, "I build houses." Are you a speculative or custom builder? Are you a remodeler? Are you a subcontractor? Can you schedule a complete job and make money? By planning according to this decision, you should realize the value of this type of thinking in dollars.

Consider this example. Bob Rogers started a small construction business shortly after World War II. Because of Mr. Rogers' skill and talent for design, he directed all his activity toward building taverns. There was enough call for this type of building to keep him and his crew busy until the early 60's. Then sales began to fall off.

By moving his shop to smaller quarters with less overhead and by laying off half his crew, he was able to maintain his business to his satisfaction the rest of his life. After his death, his son

examined the situation and decided that he wasn't really in the business of building commercial bars. He was in the business of custom finishing.

Today his business is prospering. He is building cabinets and small bars for private homes. His company also does other finishing work which requires the craftsmanship his crew is capable of.

In the space below, state what business you're really in.

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What are your reasons for this opinion?

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## **How to Plan Your Marketing**

When you have decided what sort of construction business you're really in, you have made your first marketing decision. Now, in order to sell your service or product, you must face other marketing decisions.

Your marketing objective is to find enough jobs at the right times to provide a profitable continuity for your business. Your job starts must be coordinated to eliminate the down time between jobs. In other words, you want to get enough jobs, starting at the right times, to keep from being broke between jobs.

Unless an individual can come up with enough ideas to keep a crew working 12 months a year, maybe he or she is not ready for a construction business.

### **Where Is Your Market?**

Describe your market area in terms of customer profile (age, school needs, income, and so on) and geography. For example, if you are a custom builder, you may decide to build homes in the \$180,000 to \$500,000 price range. This would mean that your customers will have to have incomes in that class ranges. You may also decide that you can profitable build these homes on the owner's lot if it is located within a radius of 30 miles from your office. (The significance of a customer profile is that it will help you narrow your advertising to those media that will reach the potential customer you have profiled.) In the space below describe your market in terms of customer profile and geography.

### **My Product / Types of Customers / Location of Customers**

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Now that you have described what you want in terms of customer and location, what is it about your operation that will make these people want to buy your service?

For instance, quality work, competitive prices, guaranteed completion dates, effective advertising, unique design, and so on.

Write your answer here.

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### Advertising

You have determined what it is you're marketing, who is going to buy it, and why they're going to buy it. Now you have to decide on the best way to tell your prospective customers about your product.

What should your advertising tell prospective customers?

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What form should your advertising take? Ask the local media (newspapers, radio and television stations, and printers of direct mail pieces) for information about their 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 business managers consider themselves experts on advertising copy and media selection without any experience in these areas.

The following workblock should be useful in determining what advertising is needed to sell your construction service.

Form of Advertising	Size of Audience	Frequency of Use	Cost of a single ad	Est. Cost
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
			<b>Total</b>	_____

### Competition

The competition in the construction industry often results in low profit margins. However, if you are just starting or are a relatively small firm, this does not put you at a disadvantage. The smaller firm can often compete with the bigger outfit because of lower overhead expense. For

example, your office may be in your home, saving that expense. You can often work right out of your truck, saving the expense of a field office.

Competition is largely price competition, although a good reputation for quality and efficiency is beneficial. But, the result of any competition is a high failure rate for poor planners and poor performers. This points out the need for careful planning, particularly in the areas of estimating and bidding.

In order to see what you are up against competitionwise, answer the following questions so you can plan accordingly.

Who will be your major competitors?

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How will you compete against them?

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## **Sales Strategy**

The market for the construction industry is unique in many ways. As a contractor you will find your market to be dependent on such variables as the state of the economy, local employment stability, the seasonality of the work, labor relations, good subcontractors and interest rates. Also, as a contractor, you will find that you are unavoidably dependent on others, such as customers or financing institutions for payment, and other contractors for performance of their work. You will also want to take your cash flow into consideration when you estimate and bid on a job. The money must come in time to meet your own obligations.

## **Estimating**

whether an owner-manager in the construction business succeeds - makes a profit or not - depends to a great extent on bidding practices. Therefore, you must make careful and complete estimates.

many of the more successful contractors attribute their success to their estimating procedures. They build the job on paper before they submit a bid. In doing this, they break the job down into work units and pieces of material. Then, they assign a cost to each item. The total of these costs will be the direct construction cost. you must also figure on the indirect costs of a job. For instance, you will have overhead expenses such as the cost of maintaining your office, trucks, license fees, and so on. The estimate should also consider any interest charges you will pay on money you borrow to get the job under way. You have insurance fees to pay, surety bond premiums, travel expenses, advertising costs, office salaries, lawyer's fees, and so on. These must also be paid out of your gross income.



Trade associations, as one of their services, often provide their members with a package of business forms. The cost estimate form would be included in this package. The obvious advantage in using these forms is that they are specifically designed for the particular trade.

Regardless of what estimate form you use, it should include such headings as "activity," "material," "labor," "subcontracts," and "estimated cost." And it should have areas for direct construction costs, indirect construction costs, overhead, and profit.

In Addition, a column for the actual cost compared to the estimated cost of a specific work item will make this firm an invaluable record. Here you would have a handy reference to evaluate the profitability of a job after it is complete. It would show you where your estimate was high or low, and enable you to adjust future bids on similar projects. This added column will also be necessary when it comes time for your financial accounting.

## **Bidding**

Your decision to bid or not to bid on a particular job should be determined by several factors. First, do you have the capacity to complete the job on schedule and according to specifications. Beware of overextending yourself out of business. You have to operate within your known capabilities. On any job, you must follow all the details of the work yourself, or find competent supervision.

## **Planning the Work**

When your marketing efforts result in jobs to be done, the problem becomes one of production. How will you plan the work so that the job gets done on time?

No matter how you plan the work, your plan should assist you in two specific ways: (1) it should help you maintain your production schedule, and (2) it should allow you to adjust production to meet changed conditions. such as bad weather.

In planning the work, keep in mind two things: (1) the timing of starts, and (2) the timing of the various steps in the construction of your company. If you have sufficient help and sufficient supervisory personnel, it will be possible for you to engage in as many projects as you can control. The size and nature of the job must be considered here also.

The timing of the steps of constructions (the work scheduling) will show the various operations in sequence and assign a working day designation to each with a space for the calendar day designation. Several operations may be in progress simultaneously. Such a work schedule will show at a glance whether the work is progressing at the right time. Many companies offer commercial scheduling boards designed for this purpose.

Below is a partial work schedule to demonstrate how yours may be set up. Note that there is a column that can be filled in with either a solid mark or an "X" to indicate either partial or completed work. When you look at a particular calendar day, an "X" next to it would indicate that you're on schedule. An open line indicates a delay. Here, then, is a convenient way to see trouble spots that are causing delays and it gives you an opportunity to take corrective action.

### **Working Day**

Activity	Start	Finish	Calendar Day	Complete
1. Layout	1	1	15	x
2. Foundation Forms	1	2	16	x
3. Foundation Pour	3	3	19	—

### **Working Day**

You should save your work schedules. They will form the basis for future estimates. For example, if you are estimating a particular job, you have information on the steps of production, an indication of what materials you'll need and when you'll need them, an indication of how long the job will take, and any peculiarities that may affect the completion of the job. When you consider all these things, you'll be more likely to submit an accurate bid.

By carefully keeping such records, you will also have an indication of how many workers you will need. Perhaps, if the work falls behind schedule, you may need to bring more workers to the job to assure scheduled completion and avoid a possibly larger financial loss from penalization, if that is called for in your contract. Also, such records will give you an indication of the organizational structure you may need for your firm.

### **Getting the Work Done**

If your firm is going to run efficiently, you will need organization. Organization is essential because as your company grows you will not be able to do all the work. You have to delegate work, responsibility, and authority. The organization chart is a useful device in getting this done. It shows quite clearly who is responsible for the major activities of your business.

At first, many construction companies are one man shows. It is up to the owner to do almost everything.

As the company grows, perhaps specialists are added, such as an engineer/estimator, an office manager, and a general superintendent.

### **What are Your Personnel Requirements?**

Will you carry a permanent crew or hire workers as the need arises?

\_\_\_\_\_

How many workers will you need?

\_\_\_\_\_

What is the hourly rate you will pay?

\_\_\_\_\_

What will fringe benefits cost?

\_\_\_\_\_

Will you supervise the work yourself or hire a foreman? If you hire a foreman, what will his salary be?

\_\_\_\_\_

Will you need clerical help? \_\_\_\_\_ What will it cost? \_\_\_\_\_

### **Equipment**

What special equipment will you need (assuming that your work force will supply their own hand tools)?

<b>Equipment</b>	<b>Rent</b>	<b>Buy</b>	<b>Your Cost</b>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Will you need an office or use your home?

\_\_\_\_\_

If you will need an office, what will the rent and other expenses cost?

\_\_\_\_\_

### **How Much Money Will You Need**

Just as with the other aspects of managing a construction business, the basic unit of financial management is the job. The financial aspects of a job must be planned as carefully as the actual construction. The payment for each job must cover the direct and indirect construction costs as well as the allocated share of overhead.

Accounting requirements will vary from company to company and from trade to trade. Your accountant will help you set up the accounting system which will best meet your needs.

However, you must make the overall plans yourself. You must develop the goals necessary to guide and manage your business. This overview will prove invaluable in establishing a good working relationship with your banker (or other lender).

In your financial planning, the first consideration is where the dollars will come from. In dollars, how much business (sales) will you be able to do in the next 12 months? \_\_\_\_\_

### **Expenses**

In connection with annual sales volume, you need to think about expenses. For example, if you plan to do \$300,000 worth of work, how much will it cost you to do this amount of business? And even more important, what will be left over as profit at the end of the year?

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 and time you invest in it. Profit helps your firm to be strong - to have a financial reserve for any lean periods.

The "Expenses Worksheet" is designed to help you figure your yearly expenses. To use this worksheet, you need to get one set of figures - the operating ratios for your line of business. If you don't have these figures, check with the trade association which serves your area of the construction industry. Sample Business Plan Construction Company. Construction Business Plan How To.

### Expenses Worksheet

Expenses Worksheet		Annual sales	Jan	Feb	Mar (etc.)
Sales	100.00%	_____	_____	_____	_____
Cost of Sales	49.45	_____	_____	_____	_____
Gross Profit	55.55	_____	_____	_____	_____
<b>Controllable expenses</b>		_____	_____	_____	_____
Outside labor	1.15	_____	_____	_____	_____
Operating supplies	2.34	_____	_____	_____	_____
Gross wages	22.78	_____	_____	_____	_____
Repairs and maintenance	0.59	_____	_____	_____	_____
Advertising	1.12	_____	_____	_____	_____
Car and delivery	2.04	_____	_____	_____	_____
Bad debts	0.03	_____	_____	_____	_____
Administrative and legal	0.48	_____	_____	_____	_____
Miscellaneous expenses	1.03	_____	_____	_____	_____
Total controllable expenses	31.56	_____	_____	_____	_____
<b>Fixed expenses</b>		_____	_____	_____	_____
Rent	1.41	_____	_____	_____	_____
Utilities	1.16	_____	_____	_____	_____
Insurance	0.85	_____	_____	_____	_____
Taxes and licenses	0.10	_____	_____	_____	_____
Depreciation	1.65	_____	_____	_____	_____
Total fixed expenses	6.18	_____	_____	_____	_____
Total expenses	37.74	_____	_____	_____	_____
net profit (before income tax)	17.81	_____	_____	_____	_____

### Matching Money and Expenses

After you have planned for your month to month expenses, the next question is: Will there be enough money coming in to meet these expenses and to sustain your company in the event that there is down time until your next job?

The cash forecast is a management tool which can eliminate much of the anxiety that can plague you during lean month. Use the worksheet "Estimated Cash Forecast," or ask your

accountant to use it, to estimate the amounts of cash that you expect to flow through your business during the next 12 months.

Remember that the expenses of buying the materials and supplies for a particular job may occur a month or two before a payment is made. The "Estimated Cash Forecast" should show this.

<b>Estimated Cash Forecast</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
Expected Available Cash	_____											
Cash Balance	_____											
Expected Receipts	_____											
Job A	_____											
Job B	_____											
Job c	_____											
Bank Loans	_____											
Total Expected Cash	_____											
Expected Cash Requirements	_____											
job A	_____											
Job B	_____											
Job c	_____											
Equipment Payments	_____											
Taxes	_____											
Insurance	_____											
Overhead	_____											
Loan Repayments	_____											
Total Cash Required	_____											
Cash Balance	_____											
Total Loans Due to Bank	_____											

**Is Additional Money Needed?**

In your planning you may find periods when you will be short of cash. For example, when you start a job you will need materials and supplies. Perhaps it may be a month or two before your first payment. What do you do in the interim if trade credit will not completely satisfy your cash needs?

Your bank may be able to help with a short term loan. If a banker is to lend you money on either a short or long term, he or she will want to know whether your company's financial condition is weak or strong. The bank officer will ask to see a balance sheet.

A blank balance sheet is included. Even if you don't need to borrow, use it. Or, have your accountant 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

company's account. It is never too early to build good relations with your banker. For the time may come when you will have to borrow.

### **Control and Feedback**

To make your plan work you will need feedback at the various stages of your management process. When you approach a job as a manager, you will need to plan the job, direct the job, and control the job. Throughout this process, you will need adequate financing. Thus, the management controls you set up should supply you with the information you need to keep your operation "on the money."

During the planning stage, you will need to carefully calculate your bid estimate. To direct the job, you will need your job cost analysis to make sure that the job is going to make a profit. And, to control the job, your forces must be organized. This requires the organized production of any given job (work schedule), competent personnel, and your personal follow-up to insure efficient performance.

### **Is Your Plan Workable?**

Now that you've planned this far, step back and take a look at your plan. Is it realistic? Can you do enough business to make a living.

Now is the time to revise your plan if it isn't workable not after you've invested your time and money. If you feel that some revisions are needed before you start your own business, then make them. Go back to the cash flow and adjust the figures. Better, show your plan to someone who has not had a hand in making out your business plan. Your banker, or any outside advisor may be able to point out your strong points which if emphasized could turn into dollars.

If you have strong doubts about your business or your ability to run it, it might be better to delay going into business until you feel as comfortable with the tools of management as you are with the tools of your trade.

### **Keeping Your Plan Up To Date**

How many people in this world can predict the future? Very few indeed! You can expect things to change. You can expect circumstances to be different from what you expected. This is only natural. The difference between successful and unsuccessful planning is often only the ability to keep alert and watch for changes. Stay on top of changing conditions and adjust your plan accordingly. Construction Business Plan How To.

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

1. Be alert to the changes that come about in your industry, your market, and in your customers.
2. Check your plan against these changes.
3. Determine what revisions, if any, are needed in your plan.

Whatever methods you use to keep up with changing conditions is up to you. Once a month or so, go over your plan. See whether it needs adjusting. If revisions are needed, make them and put them into action.

### **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.

The first action step would be acquiring enough capital to get started. Do you already have the money? Will you borrow it from friends, relatives, or a bank? Where and when will you hire competent employees?

What else needs to be done? Look for positive action steps that will get your business rolling. For example, where and how will you get whatever licenses you need to be a contractor?

In the following space, list the things that you must do to get your business off the drawing board and into action. Give each item a date so that it can be done at the right time.

#### **Action / Completion Date**

\_\_\_\_\_ / \_\_\_\_\_  
\_\_\_\_\_ / \_\_\_\_\_  
\_\_\_\_\_ / \_\_\_\_\_  
\_\_\_\_\_ / \_\_\_\_\_  
\_\_\_\_\_ / \_\_\_\_\_

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## **3. Complete Construction Business Plan Template**

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APPENDIX

## 1.0 Executive Summary

### **Introduction**

**COMPANY NAME** plans to become the leading provider of concrete formwork services in the area. This means always having the best and most efficient facilities, processes, and people. To achieve this, **COMPANY NAME** is investing in many ways that will pay off in competitive advantages for its customers.

The company's overall strategy will be based on a continuing improvement process of setting objectives, measuring results, and providing feedback to facilitate further growth and progress.

**COMPANY NAME** is a California sole-proprietorship company established in 1991. **INSERT NAME** leads the company team with over thirty years of experience in the concrete construction industry.

### **Products/Services**

**COMPANY NAME** has developed sophisticated formwork solutions for some of the most complex construction projects being done today. The company's standard form systems are versatile and completely adaptable to a variety of configurations such as Y-walls, shafts, and circular walls.

**COMPANY NAME** can adapt to almost any construction requirement that calls for forming. The company's expert staff has the capability to design and manufacture any custom component or accessory item that may be required to complete the formwork package.

The primary function of the Company is to provide concrete and construction work for residential homes and commercial businesses.

The purpose of this plan is to attain grant funding in the amount of \$300,000 to pay down existing short and long-term debt, upgrade equipment, purchase a metal building and to add additional employees to assist in the work demands.



### *1.1 Objectives*

**COMPANY NAME** has the following objectives.

1. **Work efficiently and effectively** - The company prides itself in doing the job right the first time. Completing work in a timely basis within budget. The Company has been in business since 2001 and guarantees the work.

2. **Expand Territory** - The Company currently works in the Ukiah, California area and is one of the largest in Mendocino County. The Company would like to expand to the surrounding areas and service more clientele.

3. **Customer Service** - Give our customers the highest quality service.

4. **Hire Construction Employees** - The Company wants to hire additional employees in 2010 and one in 2011. **COMPANY NAME** prides itself as a company people want to work for. The company will offer a fair hourly pay with benefits and pension plans.

5. **Purchase Trucks and Equipment** - The Company wants to update the truck fleet and pay off existing debt on equipment.

### *1.2 Mission*

The mission of **COMPANY NAME** is to provide quality service at competitive pricing. **COMPANY NAME** wants to remain one of the largest concrete construction companies in Mendocino County and aims to expand to surrounding territories.

### *1.3 Keys to Success*

V keys to success are:

- Over 30 years of experience in the concrete and construction industry.
- An understanding of what must occur for the success of the project at time of completion as well as long term.
- Have the well rounded knowledge and skill to successfully complete any project.
- Guarantee of the company using the highest grade of materials available.

- Proper staffing to complete jobs on a timely basis and within budget.

## 2.0 Company Summary

**COMPANY NAME** is a California based sole-proprietorship company formed in 1991.

The primary function of the Company is to provide concrete and construction work for residential homes and commercial businesses.

### 2.1 Company Ownership

The company, **COMPANY NAME**, is a sole proprietorship registered DBA by the owner, **INSERT NAME**. Some thought has been given to incorporating **COMPANY NAME**, but a decision has not yet been reached.

### 2.2 Company History

**COMPANY NAME** was formed in the State of California in 1991. The Company was formed and owned 100% by **INSERT NAME**. The Company is run by **INSERT NAMES**.

**COMPANY NAME** consistently provides innovative quality products and services that meet builder and homebuyer expectations and satisfies all codes, regulatory and safety requirements.

From site preparation to the inspection of the finished slabs, **COMPANY NAME** highly skilled team delivers full value and service to projects large and small.

**COMPANY NAME** was founded in 1991 by **INSERT NAME**, a member in the community of Ukiah, California for 55 years.

Dedicated to satisfying customers, **INSERT NAME** has created a successful company which serves Mendocino County and its surrounding counties.

**Together with his team of professionals they have poured thousands of yards of concrete.**

With over 30 years of concrete experience, many long working days, a supportive family, he continues to still be number one in Northern California in customer satisfaction and service.

Table: Past Performance

<b>Past Performance</b>			
	2007	2008	2009
Sales	\$756,322	\$722,339	\$608,873
Gross Margin	\$568,029	\$539,959	\$464,965
Gross Margin %	75.10%	74.75%	76.36%
Operating Expenses	\$433,578	\$417,978	\$343,708
Balance Sheet			
	2007	2008	2009
Current Assets			
Cash	\$0	\$0	\$0
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$0	\$0	\$0
Long-term Assets			
Long-term Assets	\$300,000	\$300,000	\$300,000
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$300,000	\$300,000	\$300,000
Total Assets	\$300,000	\$300,000	\$300,000
Current Liabilities			
Accounts Payable	\$0	\$0	\$0

Current Borrowing	\$0	\$0	\$40,918
Other Current Liabilities (interest free)	\$0	\$0	\$0
Total Current Liabilities	\$0	\$0	\$40,918
Long-term Liabilities	\$300,000	\$250,000	\$189,212
Total Liabilities	\$300,000	\$250,000	\$230,130
Paid-in Capital	\$0	\$0	\$0
Retained Earnings	(\$64,512)	(\$11,649)	\$1,214
Earnings	\$64,512	\$61,649	\$68,656
Total Capital	\$0	\$50,000	\$69,870
Total Capital and Liabilities	\$300,000	\$300,000	\$300,000
Other Inputs			
Payment Days	0	0	0

### 3.0 Services

**COMPANY NAME** can be adapted to almost any construction requirement that calls for forming. The company's expert staff has the capability to design and manufacture any custom component or accessory item that may be required to complete the formwork package.

Owners, developers, construction managers, general contractors, and concrete subcontractors have realized substantial savings in labor and material costs by using structural contours construction methods, systems and equipment. Applications include commercial and residential structures, educational projects, recreational projects, civil projects, tunnels, utility projects, environmental projects, and virtually every other type of concrete construction.

**COMPANY NAME** formworks will offer major advances, complete adaptability, and high strength-to-weight ratio, and all at cost effective prices. Assembly will be quick and easy. During form use, maintenance will be minimal. **COMPANY NAME** will recommend, as a safety precaution, occasional inspection for bolts and nuts that may have loosened from handling.

The required formwork drawings that **COMPANY NAME** will furnish to the contractor eliminate all guesswork. The company will specify the order of assembly and erection including the location of the strong backs and joists, the location and actual loading of the form ties, location of all accessories and advise clients of the maximum allowable rate of concrete placement.

Accident prevention is the cornerstone of **COMPANY NAME** safety commitment. The company will strive to eliminate foreseeable hazards which could result in personal injury or illness; at **COMPANY NAME**, health and safety will not be compromised. The company will sell its services clients in the area of commercial construction.



## 4.0 Market Analysis Summary

### Industry Statistics - Concrete Work

Special trade contractors primarily engaged in concrete work, including portland cement and asphalt.

Estimated number of U.S. establishments	30,214
Number of people employed in this industry	230,338
Total annual sales in this industry	\$21 million
Average employees per establishment	8
Average sales per establishment	\$.7 million

Establishments primarily engaged in manufacturing portland cement concrete manufactured and delivered to a purchaser in plastic and unhardened steel.

Estimated number of U.S. establishments	5,798
Number of people employed in this industry	89,662
Total annual sales in this industry	\$19 million
Average number of employees per establishment	17
Average sales per establishment	\$6.5 million

### 4.1 Market Segmentation

**COMPANY NAME** market segmentation scheme is fairly straightforward, and focuses on the target market, residential and commercial customers within the area of Mendocino County and the surrounding Counties. These customers prefer certain quality of work and it's the Companies duty to deliver on their expectations.

Residential marketing trends have been affected by the bursting bubble of the real estate market, it is creating a need for more remodeling, additions and upgrades to existing homes. A growing realization of the falling real estate prices is a need for more efficient homes; homes that are cheaper to maintain. The Company will be providing a quality product, within budget and completed on a timely basis.

Mendocino County is a county located on the north coast of the U.S. state of California, north of the greater San Francisco Bay Area and west of the Central Valley. As of 2000, the population was 86,265. The county seat is Ukiah.

The county is noted for its distinctive Pacific Ocean coastline, Redwood forests, wine production, microbrews, and liberal views on cannabis.

Table: Market Analysis

<b>Market Analysis</b>							
		2010	2011	2012	2013	2014	
Potential Customers	Growth						CAGR
Residential construction	5%	25,880	26,250	27,563	28,941	30,388	4.10%
Commercial construction	5%	60,386	52,500	55,125	57,881	60,775	0.16%
Total	1.39%	86,266	78,750	82,688	86,822	91,163	1.39%

4.2 Target Market Segment Strategy

**COMPANY NAME** services Residential Homes and Commercial Properties. The Company works directly with Residential and Commercial customers besides working as a subcontractor for Construction Companies on Residential and Commercial projects.

**COMPANY NAME** focuses on residential and commercial customers, the Company knows how to meet the specific needs of its customers. Therefore, the Company will utilize the following sales strategy to reach its target market:

- Advertise in Industry Journals
- Continue Website & Web Social Marketing
- Rely on word-of-mouth referrals from satisfied customers to further increase business.

#### *4.3 Service Business Analysis*

In the United States, most concrete flatwork for residential homes is contracted on a local basis. The Company distinguishes itself from the competition by offering the highest quality work within budget and completed in a timely fashion. **INSERT NAME** is a 30 year cement mason with a strong work ethic and years of experience in all aspects of the industry.

The Company has a solid loyal customer base to build growth in future years. Skillful use of advertising and strong communication will bring the business the Company desires.

##### *4.3.1 Competition and Buying Patterns*

**COMPANY NAME** is one of the oldest concrete construction companies in the area. Their experience and loyal customer base gives them an advantage over the competition. They also work with local Construction Companies as a subcontractor as a trusted and honest business partner on projects.

Although other companies offer the same services that we do, they cannot compete with our work ethic and impeccable customer service skills. **COMPANY NAME** will compete directly with these other companies by effectively meeting our customer's needs. The company's goal is to fulfill the client's demands because it will aid **COMPANY NAME** in generating future business. If the client is happy, they will recommend **COMPANY NAME** to others who need our service.

Word of mouth is very important for the Company's type of business and satisfied customers are a key ingredient to the Company's success. Craftsmanship and reputation will help set the Company apart from its competition.

## 5.0 Strategy and Implementation Summary

The company plans to rapidly develop marketing alliances with industry leaders and pursue new sales of its services to residential and commercial builders. The market strategy is to capitalize on **COMPANY NAME** alliances by securing city, county, and state and federal government contracts.

**COMPANY NAME** will be committed to ensuring that the products used on its' customers job sites, everything from access scaffolding to concrete shoring frames and forming equipment, is safe and OSHA approved. Along with clients, the company believes in a health and safety initiative that is all pervasive, managing any potential loss in the work environment.

**COMPANY NAME** will develop sophisticated formwork solutions for some of the most complex construction projects being done today. The company's standard form systems will be versatile and completely adaptable to a variety of configurations such as Y-walls, shafts, and circular walls.

With that in mind, **COMPANY NAME** will adopt a corporate strategy that is dedicated to improving the performance of activities on the critical path of its customers' projects. The company will do this by building on its core strengths: innovative equipment, design engineering expertise, and project and site management, within an environment of safety excellence.

### 5.1 Competitive Edge

**COMPANY NAME** competitive edge is the skill and sheer talent that **INSERT NAME**, the primary cement mason brings to the Company. His work and talents are well known and he has an amazing reputation in the Mendocino County and Northern California community. The Company will maintain an equally talented staff.

The Company has a loyal base of customers to draw business from as word of mouth is an important factor in residential and commercial work. **COMPANY NAME** is a trusted subcontractor among the Construction Companies in the area as well.

### 5.2 Marketing Strategy

**COMPANY NAME** marketing strategy is to continue to expand services into the Mendocino County area and the surrounding Northern California areas by utilizing the existing website, social media advertising and search engine optimization (SEO).

**COMPANY NAME** plans on contacting/introducing/expanding its subcontracting service to Construction Companies and General Contractors. A personal touch will be needed for this effort as a trust will have to be formed to secure work from other construction Companies and General Contractors.

### 5.3 Sales Strategy

**COMPANY NAME** has excellent customer relation skills and work ethic; these skills will be useful in making customers comfortable in trusting our Company to provide their concrete construction services. Keeping residential customer's construction company owners happy, the company feels, is an implicit part of building a relationship that will encourage repeat business.

The Company is active in local community and has worked on community service projects such as Heifer International, Wigs for Kids, American Cancer Society, Ukiah Men's Club, Boys and Girls Club, Elks Lodge, Operation Christmas Child and also helped a homeless family get an apartment, provided clothing and food over a period of two years.

#### 5.3.1 Sales Forecast

The following table and charts show our projected Sales Forecast.

Table: Sales Forecast

<b>Sales Forecast</b>			
	2010	2011	2012
Sales			
Construction Jobs	\$958,122	\$986,866	\$1,016,472
Warehouse Rental	\$31,901	\$32,858	\$33,844
Office Space Rental	\$5,299	\$5,458	\$5,622
Total Sales	\$995,322	\$1,025,182	\$1,055,938
Direct Cost of Sales	2010	2011	2012
Materials and Supplies	\$215,698	\$222,169	\$228,834

Other	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$215,698	\$222,169	\$228,834



#### 5.4 Milestones

In order to achieve the growth and marketing goals that have been outlined in this business plan, the Company has deadlines to meet and ideas to implement. Some of these are outlined below:

1. Obtain grant funding to expand and improve the business.
2. Launch a new Advertising Campaign to obtain new customers in Mendocino County and surrounding Northern California areas
3. Hire experienced Cement Mason in 2010
4. Pay down existing debt
5. Upgrade Software for efficiency in bidding process
6. Purchase a Skid Steer and Plan Printer
7. In 2011 Hire an additional experienced Cement Mason

Table: Milestones

<b>Milestones</b>					
Milestone	Start Date	End Date	Budget	Manager	Department
Salaries	6/27/2010	12/31/2010	\$30,000		Owner
Excavator Loan	6/27/2010	6/24/2011	\$29,000		Owner
Metal Building	6/27/2010	6/24/2011	\$65,000		Owner
Service Truck Loan	6/27/2010	11/1/2010	\$11,918		Owner
Savings Bank Loan	6/27/2010	11/1/2010	\$57,775		Owner
Skid Steer	6/27/2010	11/1/2010	\$34,000		Owner
Plan Printer	6/27/2010	10/31/2010	\$5,000		Owner
B of A Property Loan Paydown	6/27/2010	12/31/2010	\$60,307		Owner



Advertising	6/27/2010	12/31/2010	\$7,000		Owner
Totals			\$300,000		

## 6.0 Management Summary

The company's management philosophy will be based on responsibility and mutual respect. **COMPANY NAME** will maintain an environment and structure that will encourage productivity and respect for customers and fellow employees.

**COMPANY NAME** will be responsible to its employees, the men and women who work with the company throughout the state. At **COMPANY NAME**, everyone will be considered as an individual and the company will respect their dignity and recognize their merit. Employees will be encouraged to have a sense of security and pride in their jobs. Additionally, employees will be free to make suggestions and complaints. The company will afford equal opportunity for employment, development, and advancement for those qualified.

**COMPANY NAME** employees will be committed to:

- Providing a safe work environment to protect employees, the employees of customers and subcontractors, and the public.
- Supplying safe products for customers.
- Continuously improving the company's safety program to reduce the risk of accidents and occupational illness in a changing work environment.
- Encouraging employees to participate in accident prevention programs and take personal responsibility for their own and their co-workers' health and safety.
- Regulatory compliance and contribution to high safety standards for our industry.
- Monitoring workplaces, enforcing safe work practices, and communicating the company's safety performance to employees and other stakeholders.
- Making safety a value-added service that the company provides to its customers.

### 6.1 Personnel Plan

**COMPANY NAME** management is highly experienced and qualified. **INSERT NAME** leads the team. Besides the direct labor costs discussed in section 5.0, other labor costs include three existing employees. As business increases, **COMPANY NAME** plans to hire an additional three employees.

Table: Personnel

<b><i>Personnel Plan</i></b>			
	2010	2011	2012
Employees	\$164,604	\$169,542	\$174,628
Independent Contractors	\$62,232	\$64,099	\$66,022
Total People	5	8	11
Total Payroll	\$226,836	\$233,641	\$240,650

## 7.0 Financial Plan

The following sections describe the financials for **COMPANY NAME**.

### 7.1 Important Assumptions

The following sections of this plan will serve to describe **COMPANY NAME** financial plan in more detail:

- General Assumptions
- Break-even Analysis
- Profit and Loss
- Cash Flow
- Balance Sheet
- Ratios

### 7.2 Break-even Analysis

During the first year of continued operations, the break-even sales volume is estimated as shown below.

Table: Break-even Analysis

<b>Break-even Analysis</b>	
Monthly Revenue Break-even	\$38,842
Assumptions:	
Average Percent Variable Cost	22%
Estimated Monthly Fixed Cost	\$30,424



### 7.3 Projected Profit and Loss

**COMPANY NAME** Pro Forma Profit and Loss statement was constructed based in large part on past performance over the last 3 years, economic market conditions for the Mendocino County area in the last 18 months, the improving economy starting in the second quarter of 2010, investments in marketing and advertising.

Table: Profit and Loss

<b>Pro Forma Profit and Loss</b>			
	2010	2011	2012
Sales	\$995,322	\$1,025,182	\$1,055,938
Direct Cost of Sales	\$215,698	\$222,169	\$228,834
Other	\$0	\$0	\$0
Total Cost of Sales	\$215,698	\$222,169	\$228,834
Gross Margin	\$779,624	\$803,013	\$827,104
Gross Margin %	78.33%	78.33%	78.33%
Expenses			
Payroll	\$226,836	\$233,641	\$240,650
Sales and Marketing and Other Expenses	\$7,638	\$7,867	\$8,103
Depreciation	\$3,600	\$5,000	\$6,000
Auto	\$45,936	\$47,314	\$48,734
Licenses	\$926	\$954	\$982
Utilities	\$8,346	\$8,596	\$8,854
Insurance	\$31,692	\$32,643	\$33,622
Repairs	\$2,820	\$2,905	\$2,992

Office Expense	\$5,748	\$5,920	\$6,098
Supplies	\$3,120	\$3,214	\$3,310
Legal/Professional Fees	\$28,428	\$29,281	\$30,159
Total Operating Expenses	\$365,090	\$377,335	\$389,504
Profit Before Interest and Taxes	\$414,534	\$425,678	\$437,600
EBITDA	\$418,134	\$430,678	\$443,600
Interest Expense	\$23,013	\$23,013	\$23,013
Taxes Incurred	\$98,421	\$100,666	\$105,374
Net Profit	\$293,100	\$301,999	\$309,213
Net Profit/Sales	29.45%	29.46%	29.28%







#### 7.4 Projected Cash Flow

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

<b>Pro Forma Cash Flow</b>			
	2010	2011	2012
Cash Received			
Cash from Operations			
Cash Sales	\$995,322	\$1,025,182	\$1,055,938
Subtotal Cash from Operations	\$995,322	\$1,025,182	\$1,055,938
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$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	\$300,000	\$0	\$0
Subtotal Cash Received	\$1,295,322	\$1,025,182	\$1,055,938
Expenditures	2010	2011	2012
Expenditures from Operations			

Cash Spending	\$226,836	\$233,641	\$240,650
Bill Payments	\$421,562	\$494,941	\$498,799
Subtotal Spent on Operations	\$648,398	\$728,582	\$739,449
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$105,000	\$100,000	\$100,000
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$753,398	\$828,582	\$839,449
Net Cash Flow	\$541,924	\$196,600	\$216,489
Cash Balance	\$541,924	\$738,524	\$955,013

7.5

### 7.5 Projected Balance Sheet

The table below provides **COMPANY NAME** projected balance sheets for 2010-2012.

Table: Balance Sheet

<b>Pro Forma Balance Sheet</b>			
	2010	2011	2012
Assets			
Current Assets			
Cash	\$541,924	\$738,524	\$955,013
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$541,924	\$738,524	\$955,013
Long-term Assets			
Long-term Assets	\$405,000	\$505,000	\$605,000
Accumulated Depreciation	\$3,600	\$8,600	\$14,600
Total Long-term Assets	\$401,400	\$496,400	\$590,400
Total Assets	\$943,324	\$1,234,924	\$1,545,413
Liabilities and Capital	2010	2011	2012
Current Liabilities			
Accounts Payable	\$50,224	\$39,825	\$41,102
Current Borrowing	\$40,918	\$40,918	\$40,918
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$91,142	\$80,743	\$82,020

Long-term Liabilities	\$189,212	\$189,212	\$189,212
Total Liabilities	\$280,354	\$269,955	\$271,232
Paid-in Capital	\$300,000	\$300,000	\$300,000
Retained Earnings	\$69,870	\$362,970	\$664,968
Earnings	\$293,100	\$301,999	\$309,213
Total Capital	\$662,970	\$964,968	\$1,274,181
Total Liabilities and Capital	\$943,324	\$1,234,924	\$1,545,413
Net Worth	\$662,970	\$964,968	\$1,274,181

## 7.6 Business Ratios

The following table presents important ratios from the concrete work industry, as determined by the Standard Industry Classification (SIC) Index code 1771.

Table: Ratios

<b>Ratio Analysis</b>				
	2010	2011	2012	Industry Profile
Sales Growth	63.47%	3.00%	3.00%	9.08%
Percent of Total Assets				
Other Current Assets	0.00%	0.00%	0.00%	36.68%
Total Current Assets	37.61%	46.90%	52.59%	67.57%
Long-term Assets	62.39%	53.10%	47.41%	32.43%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	14.17%	8.64%	6.59%	35.81%
Long-term Liabilities	29.41%	20.24%	15.19%	13.73%
Total Liabilities	43.58%	28.87%	21.78%	49.54%
Net Worth	56.42%	71.13%	78.22%	50.46%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	78.33%	78.33%	78.33%	29.28%
Selling, General & Administrative Expenses	18.65%	21.93%	23.02%	12.02%
Advertising Expenses	3.29%	6.67%	6.35%	0.85%

Profit Before Interest and Taxes	41.65%	41.52%	41.44%	2.37%
Main Ratios				
Current	2.65	5.43	7.99	1.61
Quick	2.65	5.43	7.99	1.21
Total Debt to Total Assets	43.58%	28.87%	21.78%	55.31%
Pre-tax Return on Net Worth	107.87%	60.55%	42.56%	19.46%
Pre-tax Return on Assets	60.86%	43.07%	33.29%	8.70%

<b>Additional Ratios</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	
Net Profit Margin	29.45%	29.46%	29.28%	n.a
Return on Equity	80.75%	45.42%	31.74%	n.a
Activity Ratios				
Accounts Payable Turnover	9.39	12.17	12.17	n.a
Payment Days	27	34	30	n.a
Total Asset Turnover	1.55	1.10	0.85	n.a
Debt Ratios				
Debt to Net Worth	0.77	0.41	0.28	n.a
Current Liab. to Liab.	0.33	0.30	0.30	n.a
Liquidity Ratios				
Net Working Capital	\$150,782	\$357,780	\$572,993	n.a
Interest Coverage	18.01	18.50	19.02	n.a
Additional Ratios				
Assets to Sales	0.65	0.91	1.18	n.a
Current Debt/Total Assets	14%	9%	7%	n.a
Acid Test	2.65	5.43	7.99	n.a
Sales/Net Worth	2.74	1.54	1.08	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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