How to Start a Consulting 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 firms. 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 lose 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, 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 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?

_______________
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 position 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?

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.

<table>
<thead>
<tr>
<th>Form of Advertising</th>
<th>Size of Audience</th>
<th>Frequency of Use</th>
<th>Cost of A Single Ad</th>
<th>Estimated Cost</th>
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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.

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", and a budget. 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.
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) =

\[
\frac{\text{Total fixed costs}}{\text{Total variable costs}} \times \frac{1}{\text{Corresponding sales volume}}
\]

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.
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 Consulting Business Plan Template**

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Table: Cash Flow ....................................................................................................................... 4
1.0 Executive Summary

COMPANY NAME is an existing counseling and massage therapy service provider located in Chico, California. The Center currently offers healing massage therapy, individual and family counseling, and wedding facilities. The purpose of this Business Plan is to educate the decision makers in control of grant, investment, and loan funds of the capital requirements of the business, its history and projected future, and the economic value to their community should the requested capital be approved.

The Center is centrally located to the tri-county area it serves, specifically Butte, Glenn, and Tehama counties. The area is rapidly growing in population with over 310,000 inhabitants and demographic information indicates it is predominantly an agricultural region. These counties may not have fared as well as many other parts of California and the United States through the ongoing economic downturn. According to U.S. Census data, the area is made up of homes with a less than average median household income and a higher than average population of individuals below the poverty level.

The Center has been in existence at its present location since 2001. OWNER’S NAME founded the business and operates it as a sole proprietorship. Currently, there are no other employees of the business and OWNER’S NAME handles all facets of business and service provision. Prior to forming her business, she achieved impressive credentials by becoming ordained as a minister through two churches and successfully completing massage therapy training.

The Center has a large number of competitors in the local area that offer essentially the same services. However, the COMPANY NAME has four distinctive competitive edges - the credentials of the owner, the unique environment of the Center, the excellent individualized services that include both counseling and physical therapy, and the fact that the Center delivers all services with an honest Christian value set.

OWNER’S NAME has already identified what she must achieve to make her Center successful. She hopes to add another competitive edge by securing $125,000 in needed funding to provide her clients with even more services such as water therapy, an expanded massage unit, and a larger child counseling unit.

Increased sales and profits can be achieved by expanding the facilities, offering more services, and hiring massage therapists to create the time required to develop additional medical referrals. In addition, a concentrated effort to better develop awareness for the business through a sophisticated website, more Yellow Pages exposure, and an advertising campaign will assist growth.

The future of the COMPANY NAME appears bright. The Center has an excellent point of influence in OWNER’S NAME. Its strengths exceed its weaknesses. It has opportunities for growth and profitability by simply following this business plan and by finding a source of funds to expand. The only serious business threats are a prolonged and worsening economic downturn or competitor decisions to expand.
1.1 Objectives

1. By January 1, 2011, expand the building and include a solar heated therapy pool and a new massage unit

2. Grow sales by 12/31/2012 to $250,000 through expanded services, a sophisticated website, and aggressive marketing to further attract medical referrals

3. Grow owner's draw plus profitability to a combined total of over $90,000 by 12/31/2012

1.2 Mission

The mission of the COMPANY NAME is to provide everyone residing within a 200-mile radius with a thoroughly pleasing, consultative, healing, and therapeutic experience with every visit by offering the best customer service, the most attractive facility, and the best service variety of any privately owned area center while providing profitable, yet fair and competitive pricing for our clients.

1.3 Keys to Success

1. Expanding our building to include a therapy pool and a new massage unit

2. Continue our heritage by exceeding customer service expectations every time with honesty, availability, cooperation, realistic assessment, and a welcoming personality

3. Continue to focus our marketing efforts on attracting medical referrals and increasing business awareness
4. Expand our service offerings to include water therapy, a dedicated child counseling unit, massage therapy courses, and lectures on conquering both physical and emotional life challenges

2.0 Company Summary

COMPANY NAME was formed on July 25, 2001 by OWNER’S NAME as a sole proprietorship. Her service oriented business, located in Chico, California, offers individual and family counseling, healing massage, and wedding facilities to the men, women, and children residing within a 200-mile radius.

2.1 Company Ownership

COMPANY NAME operates as a privately owned sole proprietorship that is owned by OWNER’S NAME (100%). Using her own funding, she organized the business and began its operation on July 25, 2001.

The sole proprietorship formation was chosen as a means to simplify the business formation and income tax filing processes and to avoid corporate taxation and regulation.

OWNER’S NAME is an active and hands-on owner, operator, and decision maker. She has earned a two-year degree, two ordainments as a minister, and successfully completed certification as a massage therapist. She has years of extensive experience in counseling, teaching seminars and classes, healing body massage therapy, and nine years as the business owner.

2.2 Company History

In May 2001, after being ordained as a minister with two churches and completing massage therapy training, OWNER’S NAME organized her business and began its operation at its present location.

Sales topped $100,000 in 2004, but fell off significantly until reaching a low of $8,662 in 2007. Sales have improved dramatically in each of the past two years with 2009 sales totaling $64,553. Even though there has been a marked improvement over the past two years, sales figures are still only about 60% of those in the peak year.

The increase in sales over the past two years is a result of the owner changing the marketing strategy of the business to one that emphasizes medical referrals. Also, the owner has identified and planned future changes which include the expansion of the existing building and the addition of a solar heated therapy pool, a new massage unit with a bathroom, and the dedication of existing space for a specialized child counseling unit.
## Past Performance

<table>
<thead>
<tr>
<th>PAST PERFORMANCE</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$8,662</td>
<td>$29,625</td>
<td>$64,553</td>
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<tr>
<td>Gross Margin</td>
<td>$5,527</td>
<td>$27,718</td>
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</tr>
<tr>
<td>Gross Margin %</td>
<td>63.81%</td>
<td>93.56%</td>
<td>97.11%</td>
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<tr>
<td>Operating Expenses</td>
<td>$20,863</td>
<td>$16,880</td>
<td>$16,968</td>
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</tbody>
</table>

### Balance Sheet

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$3,606</td>
<td>$1,485</td>
<td>$6,719</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$3,606</td>
<td>$1,485</td>
<td>$6,719</td>
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<tr>
<td>Long-term Assets</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Long-term Assets</td>
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<td>$0</td>
<td>$0</td>
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<tr>
<td>Accumulated Depreciation</td>
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<td>$0</td>
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<tr>
<td>Total Long-term Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$3,606</td>
<td>$1,485</td>
<td>$6,719</td>
</tr>
<tr>
<td>Current Liabilities</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
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<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Current Borrowing</td>
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<td>$0</td>
<td>$0</td>
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<tr>
<td>Other Current Liabilities (interest free)</td>
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<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>----</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Long-term Liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Paid-in Capital</td>
<td>$39,099</td>
<td>$26,140</td>
<td>($14,345)</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>($10,901)</td>
<td>($35,493)</td>
<td>($24,655)</td>
</tr>
<tr>
<td>Earnings</td>
<td>($24,592)</td>
<td>$10,838</td>
<td>$45,719</td>
</tr>
<tr>
<td>Total Capital</td>
<td>$3,606</td>
<td>$1,485</td>
<td>$6,719</td>
</tr>
<tr>
<td>Total Capital and Liabilities</td>
<td>$3,606</td>
<td>$1,485</td>
<td>$6,719</td>
</tr>
</tbody>
</table>

Other Inputs

| Payment Days | 1 | 1 | 1 |
3.0 Services

**COMPANY NAME** currently offers services that are typical of many counseling and healing massage therapy businesses. Services currently being offered include counseling of a varied nature for all ages and genders, seminars, classes, healing massage therapy, and a wedding facility.

Future plans include expansion of the existing building and constructing a solar heated therapy pool and a new massage unit with bathrooms. This project will also make existing space available to dedicate it for specialized child counseling. In addition, the hiring of more massage therapists will allow the owner to conduct courses and give lectures on conquering physical and emotional life challenges.

Completing these plans will give the business a competitive advantage over local competitors by providing additional needed services under one roof. The expansion will offer local residents convenience, a specialized child counseling unit, additional counseling venues such as classes, courses, and lectures, and water therapy for body strengthening, muscle elongation, non-impact exercise, depression reduction, and fear phobias reduction.

4.0 Market Analysis Summary

Since the **COMPANY NAME** offers a broad array of individual and family counseling and therapy services to all ages and genders with an emphasis on medical referrals, its primary market is identified as those individuals in the tri-county area of Butte, Tehama, and Glenn counties with disabilities. Its secondary market is identified as the remaining population of Butte, Tehama, and Glenn counties.
As medical referrals and business awareness become more widespread, a tertiary market for the business would be identified as everyone in need of these services that reside within a 200-mile radius of the facility. It is anticipated that this market segment will develop over time, but will still be in its infant stages of growth prior to January 1, 2013.

4.1 Market Segmentation

Since the marketing focus has shifted to medical referrals, the primary market segment for the Awareness and Growth Center consists of the population with a disability residing in the tri-county area. That area is specifically defined as Butte, Tehama, and Glenn counties. The facility is located in Chico, California which is the largest metropolitan area in Butte County. Tehama and Glenn counties are very rural areas with the closest city of any size being Chico. That is the reason why the demographics of these three counties have been combined to form the primary market segment.

Per U.S. Census data, there were 57,140 individuals living in the primary market area in 2000 who were five years of age or older and had some form of disability. The Census data does not define whether their disabilities were physical, mental, or emotional in nature, or the combined total of all three. For purposes of this segmentation, we will define a disability as the combined total of the three disabilities. In 2000, the population of the tri-county area was 285,663. Therefore, 20.00% of the tri-county population reported to the U.S. Census Bureau in 2000 that they had some form of disability. This compares to 2000 U.S. Census data percentages of 17.49% for the state of California and 17.68% for the United States.

With the total population of the tri-county area estimated in 2009 to have grown to 310,014, if the disabled population held at 20.00% of the total population there were 62,009 disabled individuals in the tri-county area in 2009. Continuing the population growth rate of 0.95% annually into 2010, there are currently an estimated 62,590 disabled individuals out of a total tri-county estimated population of 312,949. Based on these statistics, there is a significantly higher than average number of potential disabled clients that could be referred to the Center than one would statistically expect to find. This is particularly important when one considers the quantity of area competitors (see section titled "Competition and Buying Patterns") which is also higher than one would statistically expect to find.

The secondary market segment is identified as the remaining population of the tri-county area, which totals 250,359 (80.00%) without reported disabilities. Even though this market segment has no reported disabilities, a large portion has the need for the services offered by the Awareness and Growth Center. There are literally thousands of
non-disabled individuals and families need counseling for depression, marital struggles, phobias, and any number of other life challenges. There are also literally thousands more that have a variety of aches, pains, and illnesses that leave them physically challenged, yet not disabled.

There are two other important demographics for the area's population that must be mentioned and cannot be ignored when formulating marketing plans. The median household income for the area is quite low at $39,823 (compared to $61,017 for California and $52,029 for the United States) and the percentage of impoverished individuals is 19.5% (compared to 13.3% for California and 13.2% for the United States). Obviously, these statistics indicate that the general population, whether disabled or not, has substantially less discretionary income to spend on the services offered by the Center than does the overall state or national population. Even if services are needed or desired, the general population may have difficulty paying for services if they are not priced affordably or if they do not qualify for reimbursement from medical insurance claims or government subsidy programs. The Center may want to perform a future evaluation of their services to determine if they are eligible for reimbursement and, if so, to determine whether it would be advantageous to file claims on behalf of their clientele.

Table: Market Analysis

<table>
<thead>
<tr>
<th>MARKET ANALYSIS</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Customers Growth</td>
<td>2%</td>
<td>57,140</td>
<td>58,283</td>
<td>59,449</td>
<td>60,638</td>
</tr>
<tr>
<td>Tri-County Population With Disability</td>
<td>2%</td>
<td>163,437</td>
<td>166,706</td>
<td>170,040</td>
<td>173,441</td>
</tr>
<tr>
<td>Remainder of Tri-County Population</td>
<td>2%</td>
<td>220,577</td>
<td>224,989</td>
<td>229,489</td>
<td>234,079</td>
</tr>
<tr>
<td>Total</td>
<td>2.00%</td>
<td>220,577</td>
<td>224,989</td>
<td>229,489</td>
<td>234,079</td>
</tr>
</tbody>
</table>
4.2 Target Market Segment Strategy

Marketing to the primary market segment by following the Center's plan to continue to increase medical referrals is very sound and sensible. This is especially true if they are successful with referrals of specialized cases that require more in-depth emotional and physical treatment than most. Further targeting those who require overnight stays may be an even higher quality market segment.

Effective marketing to the secondary market (the entire tri-county area) is difficult from a geographic perspective unless one can find a marketing means that does not rely on expensive radio, television, and newspaper advertising. Strategically, the Center's plan to target through an aggressive medical referral campaign appears even more sound and sensible. This is especially true when considering that the Center's primary market area has an abundance of individuals with reported disabilities. At the same time, it appears the market area also has an abundance of individuals with less than average discretionary income and a higher percentage below the poverty level. With this in mind, great care must be taken to make certain that the marketing strategy is supported by:

- A Center with a continued excellent reputation for trusted, honest, and outstanding service
- Service offerings that unquestionably meet the needs of the disabled target market
• Service offerings that are priced within the means of the individuals needing the service, or the service qualifies for health insurance reimbursement

• If service are qualified for insurance reimbursement, determine if a Center employee who processes insurance claims on behalf of its clients is cost justified

4.3 Service Business Analysis

As is true of many service oriented businesses, the counseling and healing massage business is lucrative with a high gross margin. As a result, there are many area competitors that provide similar services as those of the Awareness and Growth Center. The counseling and therapy industry is made up primarily of individual counselors and physical therapists. Few offer both counseling and massage therapy. In addition, there are some large, commercially-run competitors that include health clubs.

COMPANY NAME currently competes directly with the individual counselors and physical therapists with the competitive advantage of offering both services. With the completion of the proposed expansion, the Center will have another unquestionable competitive advantage over its smaller competitors. In fact, with the planned service additions, the business will be in a position to compete with the larger commercial competitors.

4.3.1 Competition and Buying Patterns

COMPANY NAME exists in a purely competitive market in which there is potentially unlimited competition and easy entry/exit into the market. It appears most competitors are small companies that have very restricted geographic reach and work only on a localized basis. Price is not often a major issue when dealing in counseling and healing massage as pricing is not regularly advertised and price slashing to gain market share is not a common occurrence within the industry. However, based on the demographics of the area with regard to income levels, pricing must always be a consideration for the Center. Factors that influence a client's choice of counselors and healing massage therapists even more than pricing would include:

• Professional credentials and reputation

• Variety of services offered

• Advertising awareness, word-of-mouth recommendations, and referrals

• Whether services are covered by family health insurance and the ability of the business to process claims

These factors are particularly important to COMPANY NAME because there are many competitors located in the Chico and Butte County area. Per the online Yellow Pages,
there are 91 area businesses listed under "Counseling Services". **COMPANY NAME** is listed under this category. There are 121 area listings under "Massage Therapy", 81 area listings with "Massage Therapists" (most are duplicates of those listed under "Massage Therapy"), and 30 area listings under "Healing Massage". None of these categories contain a listing for **COMPANY NAME**.

5.0 Strategy and Implementation Summary

**COMPANY NAME** will succeed by offering its clients an attractive and convenient facility with a wide assortment of services. The Center will focus on the disabled population of Butte, Tehama, and Glenn counties as its primary market segment. Marketing efforts will be focused on developing medical referrals and an advertising plan to increase business awareness. Critical to the implementation of this strategy are securing a grant, expanding the facility, and hiring additional massage therapists.

5.1 SWOT Analysis

The greatest threats facing the **COMPANY NAME** over the next few years would be:

- A prolonged economic downturn that further erodes discretionary family income to the point where families must decide if treatments are affordable
- Multiple competitors expanding the services they offer or more new competitors to the area

If these unlikely threats do not materialize, the future of the **COMPANY NAME** appears bright. The owner has strong professional credentials and an impeccable reputation. The business has been operating successfully for nine years and the two-year financial trend is positive. The Center is located in a rapidly growing community with an over abundance of individuals needing professional counseling and physical therapy. There is the opportunity for increased revenue growth by developing business awareness through a more robust website, expanded advertising, and medical referrals. And, the owner has already identified the primary needs of the business to give it the financial strength and competitive edge it requires for future success - the expansion of services through a larger facility.

5.1.1 Strengths

- Professional credentials and reputation of the owner
- Business has been open for nine years
- Unique, private, confidential, and relaxing setting both indoors and outdoors
- Both sales and profits have improved over the previous year for two consecutive years
- Compassionate, intuitive counseling offered for all ages and circumstances
5.1.2 Weaknesses

- Despite revenue improvement in each of the last two years, revenues are still 40% lower than in peak years
- Facilities are limiting growth
- No existing website to create business awareness and credibility
- Yellow Pages advertising is limited

5.1.3 Opportunities

- The area is ripe for expanding businesses with a rapidly growing population
- Marketing should be focused on business awareness by developing a sophisticated website, broader advertising, and medical referrals
- Further service offerings will give the business a competitive edge over smaller competitors and create a more even playing field with larger competitors
- Business growth that is currently being hampered by the facility

5.1.4 Threats

- A prolonged economic downturn that further erodes discretionary family income
- More competition opening their doors or duplicating the services offered by the Center

5.2 Competitive Edge

The COMPANY NAME already has a competitive edge over many of its current competitors. The professional credentials of the owner are very impressive as she has been ordained by two churches as a healing minister. She already offers a unique, private, confidential, and relaxing environment that is unlike many of the competitors. The Center already offers compassionate, intuitive counseling for all ages and circumstances, as well as healing body massage therapy. Many of the competitors offer either counseling or physical therapy, but rarely both. Finally, because of her ministerial training, her business delivers all of its services with a Christian touch.

The business seeks to establish an additional competitive edge by increasing the services provided to further exceed those offered by most other area competitors. Additionally, the Awareness and Growth Center possesses the necessary credentials and skills to produce the high quality services that are needed in their market area. The establishment's presence as a competitive leader will strengthen the medical contacts that promote word-of-mouth marketing and networking, thus further increasing the number of medical referrals.

5.3 Marketing Strategy
Our marketing strategy will focus on three segments. Those three segments are further described in the subtopics that follow.

- **Medical Referrals** - We will focus our marketing efforts on further developing a referral system, possibly by rewarding medical personnel with discounted or free services in exchange for referrals.

- **Advertising** - Business and services awareness is critical to long-term success. We will increase our marketing budget to include more Yellow Pages listings under selected categories. A media campaign announcing the expansion to our building and services will be developed. A more robust website will be designed and activated.

- **Services Offered** - All services offered will be consistent with our Mission Statement and will demonstrate every time our heritage of excellent customer service.

### 5.4 Sales Strategy

The sales forecast table summarizes our sales forecast. As business awareness and medical referrals gain momentum, we expect sales to increase dramatically from 2009 levels. Our sales strategy will focus on four key aspects of the COMPANY NAME:

- We will sell the company and its heritage as being locally owned and operated for nine years with a convenient tri-county area location

- We will sell our exceptional customer service as what one should expect and demand from anyone with whom you choose to do business

- We will sell our ability to deliver on our promises since we are your neighbors and have our impeccable Christian reputation to uphold

- We will sell our service quality and variety as being second to none and a constant source of pride with our business

#### 5.4.1 Sales Forecast

The important elements of the Sales Forecasts are shown in the table and charts found below. Assumptions include:

- The requested capital investment becomes available by September 1, 2010

- The building expansion will begin in September 2010 and will be completed by January 1, 2011 with all facilities open and operating

- In 2010, counseling revenues are 25% of all revenues and massage therapy revenues are 75% of all revenues

- In 2010, counseling revenues will increase by 5% over 2009 due to a slowly recovering economy
• In 2011, counseling revenues will increase by 25% over 2010 due to a recovering economy, increased traffic into the Center, and more counseling time available for the counselor due to the addition of massage therapists.

• In 2012, counseling revenues will increase by 25% over 2011 due to a recovered economy, increased traffic into the Center, and more counseling time available for the counselor due to the addition of massage therapists.

• Counseling costs of services is 0% and remains constant throughout the three-year forecast.

• In 2010, massage therapy revenues will increase by 5% over 2009 due to a slowly recovering economy.

• In 2011, massage therapy revenues will increase by 5% over 2010 due to a recovering economy, plus 2.0 times that amount due to the addition of a massage therapist in January 2011 and another in July 2011.

• In 2012, massage therapy revenues will increase by 5% over 2011 due to a recovered economy, plus 1.5 times that amount due to the year round influence of the July 2011 massage therapist addition and a January 2012 new additional of another massage therapist.

• Massage therapy costs of services is 4% (combined average cost for 2008 and 2009) and remains constant throughout the three-year forecast.

• In 2011, water therapy revenues will average $3,000 per month due to medical referrals and service awareness increases.

• In 2012, water therapy revenues will increase by 50% due to medical referrals and service awareness continue to increase.

• Water therapy cost of services is 6% and remains constant throughout the three-year forecast.

Table: Sales Forecast

<table>
<thead>
<tr>
<th>SALES FORECAST</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counseling</td>
<td>$13,775</td>
<td>$17,219</td>
<td>$21,523</td>
</tr>
<tr>
<td>Healing Massage Therapy</td>
<td>$54,000</td>
<td>$113,400</td>
<td>$178,600</td>
</tr>
<tr>
<td>Water Therapy</td>
<td>$0</td>
<td>$36,000</td>
<td>$54,000</td>
</tr>
<tr>
<td>Total Sales</td>
<td>$67,775</td>
<td>$166,619</td>
<td>$254,123</td>
</tr>
<tr>
<td>Direct Cost of Sales</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Counseling Costs</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Healing Massage Therapy Costs</td>
<td>$2,160</td>
<td>$4,536</td>
<td>$7,144</td>
</tr>
<tr>
<td>Water Therapy Costs</td>
<td>$0</td>
<td>$2,160</td>
<td>$3,240</td>
</tr>
<tr>
<td><strong>Subtotal Direct Cost of Sales</strong></td>
<td><strong>$2,160</strong></td>
<td><strong>$6,696</strong></td>
<td><strong>$10,384</strong></td>
</tr>
</tbody>
</table>

**Chart: Sales Monthly**

Sales Monthly

![Chart: Sales Monthly](chart.png)

- **Counseling**
- **Healing Massage Therapy**
- **Water Therapy**
5.5 Milestones

The following assumptions were used with regards to the Milestones table:

- Requested funds will be disbursed on September 1, 2010
- Therapy pool construction will begin immediately after funding and will be completed by January 1, 2011
- Massage unit construction will begin as soon as the heavy equipment required for pool construction has been removed and will be completed by January 2011
- Website construction will begin in October 2010 and will be completed by January 1, 2011
- Marketing campaign announcing the service expansions and facilities renovation will begin in November 2010 and will extend through February 2011

Table: Milestones

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Start Date</th>
<th>End Date</th>
<th>Budget</th>
<th>Manager</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct Therapy Pool</td>
<td>9/1/2010</td>
<td>12/31/2010</td>
<td>$142,000</td>
<td>Owner</td>
<td></td>
</tr>
<tr>
<td>Construct &amp; Equip Massage Unit</td>
<td>9/1/2010</td>
<td>12/31/2010</td>
<td>$34,000</td>
<td>Owner</td>
<td></td>
</tr>
<tr>
<td>Website Construction</td>
<td>10/1/2010</td>
<td>12/31/2010</td>
<td>$5,000</td>
<td>Owner</td>
<td></td>
</tr>
<tr>
<td>Marketing Campaign</td>
<td>11/1/2010</td>
<td>2/28/2011</td>
<td>$10,000</td>
<td>Owner</td>
<td></td>
</tr>
</tbody>
</table>
6.0 Management Summary

OWNER’S NAME, owner of the COMPANY NAME, earned a two-year degree from the College of San Mateo in June 1964, was ordained as a Minister of Healing by The Western Spiritual Science Church in April 1985, was ordained as a Minister of Spiritual Healing and Psychic Philosophy by The Church of Light and Illumination in November 1988, and completed training as a Massage Therapist through The Positive Touch in November 1996. She formed her business and began operations on July 25, 2001 in Chico, California. Today, she is the sole owner and employee of the business.
6.1 Personnel Plan

The following assumptions were used in completing the Personnel table:

- The owner will be paid via a draw of $3,000 per month in 2010, $4,500 per month in 2011, and $7,000 per month in 2012.
- A new massage therapist will be hired in January 2011 and will earn $2,500 per month in 2011 and $2,575 per month in 2012.
- A second new massage therapist will be hired in July 2011 and will earn $2,500 per month through June 2012 and $2,575 per month in the second half of 2012.
- A third new massage therapist will be hired in January 2012 and will earn $2,500 per month in 2012.

Table: Personnel

<table>
<thead>
<tr>
<th>PERSONNEL PLAN</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>OWNER’S NAME, Owner (1)</td>
<td>$36,000</td>
<td>$54,000</td>
<td>$84,000</td>
</tr>
<tr>
<td>New Massage Therapists (3)</td>
<td>$0</td>
<td>$45,000</td>
<td>$90,000</td>
</tr>
<tr>
<td>Total People</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Total Payroll</td>
<td>$36,000</td>
<td>$99,000</td>
<td>$174,000</td>
</tr>
</tbody>
</table>

7.0 Financial Plan

There are several key points in the COMPANY NAME financial plan.

- Securing a $125,000 outside investment to expand the existing building, add a solar heated therapy pool, construct a new massage unit, and dedicating existing space for a larger child counseling unit.
- Evaluation of the services provided to make certain they are acceptable to insurance companies and qualify for health insurance claim reimbursement.
• Add three massage therapists to take some of the day-to-day service providing away from the owner, allowing her to direct her efforts toward aggressively expanding medical referrals

• Develop a more aggressive advertising program through the Yellow Pages and a sophisticated website in an effort to stimulate the general public's business awareness

• Rapid growth of revenues as a result of these efforts will result in rapid growth in profitability

7.1 Important Assumptions

The following assumptions in short-term and long-term interest rates and income tax rates were made in order to formulate this business plan:

• Short term interest rates will remain low at 6.00% throughout 2010 until more Americans are employed and the economic downturn begins to subside

• Short term interest rates will gradually rise (6.50% in 2011; 7.00% in 2012) as the economy continues to improve

• Long term rates will rise as short term rates rise remaining at a constant 1.00% spread

7.2 Break-even Analysis

The following table and chart summarizes our break-even analysis which indicates the Awareness and Growth Center is operating comfortably above the break-even point.

Table: Break-even Analysis

<table>
<thead>
<tr>
<th>Break-even Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Revenue Break-even</td>
</tr>
<tr>
<td>Assumptions:</td>
</tr>
<tr>
<td>Average Percent Variable Cost</td>
</tr>
<tr>
<td>Estimated Monthly Fixed Cost</td>
</tr>
</tbody>
</table>
7.3 Projected Profit and Loss

The projected profit and loss and gross margins are following assumptions were made when preparing the Projected Profit and Loss:

- The assumptions for sales and cost of sales previously outlined remain as presented
- The assumptions for payroll previously outlined remain as presented
- Marketing/Promotion will increase in 2010 by 3% over the 2009 total. In addition, a marketing campaign to create public awareness of the expanded services and renovated facility will begin in November 2010 with an added cost of $5,000 in 2010 and an additional $5,000 in early 2011
- Marketing/Promotion will increase in 2011 by 3% over the 2010 total (minus the marketing campaign cost)
- Depreciation will increase beginning in January 2011 when the building expansion and equipment purchase is completed and will remain constant in 2012
- Depreciation will be calculated using a straight-line depreciation method over 27.5-years for the building expansion and a 7-year equipment life
- Yellow Page advertising will be expanded to cost $600 per month in 2011, and increase in 2012 by an additional 3%
- Utilities (specifically, Telephone) will increase in 2010 by 3% over the 2008 and 2009 combined average (since the totals for each year vary widely); further increases of 3% annually are assumed
- Insurance will increase in 2010 by 20% over the 2009; will increase by 300% in 2011 with the building and pool addition, and will increase in 2012 by 3%
- All other expenses will increase by 3% over the prior year throughout the projection
- The assumptions for payroll taxes previously outlined in the plan will remain as presented
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$67,775</td>
<td>$166,619</td>
<td>$254,123</td>
</tr>
<tr>
<td>Direct Cost of Sales</td>
<td>$2,160</td>
<td>$6,696</td>
<td>$10,384</td>
</tr>
<tr>
<td>Other Costs of Sales</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Cost of Sales</td>
<td>$2,160</td>
<td>$6,696</td>
<td>$10,384</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>$65,615</td>
<td>$159,923</td>
<td>$243,739</td>
</tr>
<tr>
<td>Gross Margin %</td>
<td>96.81%</td>
<td>95.98%</td>
<td>95.91%</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>$36,000</td>
<td>$99,000</td>
<td>$174,000</td>
</tr>
<tr>
<td>Marketing/Promotion</td>
<td>$12,200</td>
<td>$12,416</td>
<td>$7,638</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$4,548</td>
<td>$10,514</td>
<td>$10,514</td>
</tr>
<tr>
<td>Yellow Page Advertising</td>
<td>$0</td>
<td>$7,200</td>
<td>$7,416</td>
</tr>
<tr>
<td>Telephone</td>
<td>$1,512</td>
<td>$1,557</td>
<td>$1,604</td>
</tr>
<tr>
<td>Insurance</td>
<td>$600</td>
<td>$1,800</td>
<td>$1,980</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>$5,400</td>
<td>$14,850</td>
<td>$26,100</td>
</tr>
<tr>
<td>Other</td>
<td>$3,864</td>
<td>$3,980</td>
<td>$4,100</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$64,124</td>
<td>$151,317</td>
<td>$233,352</td>
</tr>
<tr>
<td>Profit Before Interest and Taxes</td>
<td>$1,491</td>
<td>$8,605</td>
<td>$10,387</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$6,039</td>
<td>$19,119</td>
<td>$20,901</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Taxes Incurred</td>
<td>$447</td>
<td>$2,582</td>
<td>$3,116</td>
</tr>
<tr>
<td></td>
<td>Jan</td>
<td>Feb</td>
<td>Mar</td>
</tr>
<tr>
<td>----------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Other Income</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other Expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Other Expense</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Other Income</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Profit</td>
<td>$1,044</td>
<td>$6,024</td>
<td>$7,271</td>
</tr>
<tr>
<td>Net Profit/Sales</td>
<td>1.54%</td>
<td>3.62%</td>
<td>2.86%</td>
</tr>
</tbody>
</table>
Chart: Gross Margin Yearly

Gross Margin Yearly

2010
2011
2012

$0
$30,000
$60,000
$90,000
$120,000
$150,000
$180,000
$210,000
$240,000
7.4 Projected Cash Flow

Our projected cash flow is outlined in the following table and chart. Clarifications to data entries and the assumptions made in developing the projected cash flow are as follows:

- Assumptions previously made within this Business Plan that led to the figures for Cash Sales, Cash Spending, and Bill Payments remain as outlined

- The requested investment of $125,000 (shown "New Investment Received") is funded in September 2010

- The owner will contribute $100,000 of Paid In Capital from her personal deposits in September 2010

- Website construction totaling $5,000 (shown as the data entry under "Purchase Other Current Assets") is payable at 50% of the total when the project begins and 50% upon completion

- Building and pool construction and equipment purchase totaling $176,000 (shown in the data entry under "Purchase Long-Term Assets") is payable at 25% of the total each month until the project is completed

- A combination of the owner's private resources and existing business lines of credit will be sufficient to finance any monthly cash-flow shortage.

Table: Cash Flow

<table>
<thead>
<tr>
<th>PRO FORMA CASH FLOW</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Received</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash from Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Sales</td>
<td>$67,775</td>
<td>$166,619</td>
<td>$254,123</td>
</tr>
<tr>
<td>Subtotal Cash from Operations</td>
<td>$67,775</td>
<td>$166,619</td>
<td>$254,123</td>
</tr>
<tr>
<td>Additional Cash Received</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Operating (Other) Income</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Sales Tax, VAT, HST/GST Received</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Description</td>
<td>Amount 1</td>
<td>Amount 2</td>
<td>Amount 3</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>New Current Borrowing</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>New Other Liabilities (interest-free)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>New Long-term Liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Sales of Other Current Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Sales of Long-term Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>New Investment Received</td>
<td>$225,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Cash Received</td>
<td>$292,775</td>
<td>$166,619</td>
<td>$254,123</td>
</tr>
<tr>
<td>Expenditures</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Expenditures from Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Spending</td>
<td>$36,000</td>
<td>$99,00</td>
<td>$174,000</td>
</tr>
<tr>
<td>Bill Payments</td>
<td>$22,591</td>
<td>$50,475</td>
<td>$61,413</td>
</tr>
<tr>
<td>Subtotal Spent on Operations</td>
<td>$58,591</td>
<td>$149,475</td>
<td>$235,413</td>
</tr>
<tr>
<td><strong>Additional Cash Spent</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Non Operating (Other) Expense</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Sales Tax, VAT, HST/GST Paid Out</td>
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<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Principal Repayment of Current</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Borrowing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Liabilities Principal</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Repayment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term Liabilities Principal</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Repayment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Other Current Assets</td>
<td>$5,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Purchase Long-term Assets</td>
<td>$176,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Dividends</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Cash Spent</td>
<td>$239,591</td>
<td>$149,475</td>
<td>$235,413</td>
</tr>
<tr>
<td><strong>Net Cash Flow</strong></td>
<td>$53,184</td>
<td>$17,144</td>
<td>$18,710</td>
</tr>
<tr>
<td><strong>Cash Balance</strong></td>
<td>$59,903</td>
<td>$77,047</td>
<td>$95,757</td>
</tr>
</tbody>
</table>
Chart: Cash

Cash Balance

<table>
<thead>
<tr>
<th>Month</th>
<th>Cash Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>($30,000)</td>
</tr>
<tr>
<td>Feb</td>
<td>$30,000</td>
</tr>
<tr>
<td>Mar</td>
<td>$60,000</td>
</tr>
<tr>
<td>Apr</td>
<td>$90,000</td>
</tr>
<tr>
<td>May</td>
<td>$120,000</td>
</tr>
<tr>
<td>Jun</td>
<td>$150,000</td>
</tr>
<tr>
<td>Jul</td>
<td>$180,000</td>
</tr>
<tr>
<td>Aug</td>
<td>$120,000</td>
</tr>
<tr>
<td>Sep</td>
<td>$150,000</td>
</tr>
<tr>
<td>Oct</td>
<td>$180,000</td>
</tr>
<tr>
<td>Nov</td>
<td>$150,000</td>
</tr>
<tr>
<td>Dec</td>
<td>$120,000</td>
</tr>
</tbody>
</table>
7.5 Projected Balance Sheet

The Awareness and Growth Center has been operating for the past nine years as a sole proprietorship out of an addition to the owner's personal residence. Therefore, balance sheet values were estimated. The following assumptions were made with regard to beginning balance sheet values:

- Massage equipment purchased in 2001 has been fully depreciated and has no remaining book value
- There is no inventory and no accounts receivable
- There are very few accounts payable, so they are paid immediately upon receipt
- There are no long-term assets (the business is run from the owner's personal residence)
- The original investment to form the business was made solely from the owner's personal funds
- There is no outstanding business debt

Table: Balance Sheet

<table>
<thead>
<tr>
<th>PRO FORMA BALANCE SHEET</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$59,903</td>
<td>$77,047</td>
<td>$95,757</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$64,903</td>
<td>$82,047</td>
<td>$100,757</td>
</tr>
<tr>
<td>Long-term Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term Assets</td>
<td>$176,000</td>
<td>$176,000</td>
<td>$176,000</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>$4,548</td>
<td>$15,062</td>
<td>$25,576</td>
</tr>
<tr>
<td>Total Long-term Assets</td>
<td>$171,452</td>
<td>$160,938</td>
<td>$150,424</td>
</tr>
</tbody>
</table>
Total Assets | $236,355 | $242,985 | $251,181

Liabilities and Capital

2010 | 2011 | 2012

Current Liabilities

Accounts Payable | $3,592 | $4,198 | $5,124
Current Borrowing | $0 | $0 | $0
Other Current Liabilities | $0 | $0 | $0
Subtotal Current Liabilities | $3,592 | $4,198 | $5,124

Long-term Liabilities | $0 | $0 | $0
Total Liabilities | $3,592 | $4,198 | $5,124

Paid-in Capital | $210,655 | $210,655 | $210,655
Retained Earnings | $21,064 | $22,108 | $28,131
Earnings | $1,044 | $6,024 | $7,271
Total Capital | $232,763 | $238,786 | $246,058
Total Liabilities and Capital | $236,355 | $242,985 | $251,181

Net Worth | $232,763 | $238,786 | $246,058

7.6 Business Ratios

Awareness and Growth Center ratios can be seen in the table below. Standard Industrial Classification code 8322 (Other Individual and Family Social Services) was used for industry profile comparisons.

Table: Ratios

<table>
<thead>
<tr>
<th>RATIO ANALYSIS</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Industry Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of Total Assets</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
<td>Industry Profile</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>------------------</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>2.12%</td>
<td>2.06%</td>
<td>1.99%</td>
<td>57.50%</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>27.46%</td>
<td>33.77%</td>
<td>40.11%</td>
<td>63.10%</td>
</tr>
<tr>
<td>Long-term Assets</td>
<td>72.54%</td>
<td>66.23%</td>
<td>59.89%</td>
<td>36.90%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>1.52%</td>
<td>1.73%</td>
<td>2.04%</td>
<td>37.76%</td>
</tr>
<tr>
<td>Long-term Liabilities</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>54.66%</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>1.52%</td>
<td>1.73%</td>
<td>2.04%</td>
<td>92.42%</td>
</tr>
<tr>
<td>Net Worth</td>
<td>98.48%</td>
<td>98.27%</td>
<td>97.96%</td>
<td>7.58%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent of Sales</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Industry Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>96.81%</td>
<td>95.98%</td>
<td>95.91%</td>
<td>94.52%</td>
</tr>
<tr>
<td>Selling, General &amp; Administrative Expenses</td>
<td>95.27%</td>
<td>92.37%</td>
<td>93.05%</td>
<td>48.13%</td>
</tr>
<tr>
<td>Advertising Expenses</td>
<td>18.00%</td>
<td>7.45%</td>
<td>3.01%</td>
<td>0.85%</td>
</tr>
<tr>
<td>Profit Before Interest and Taxes</td>
<td>2.20%</td>
<td>5.16%</td>
<td>4.09%</td>
<td>9.68%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main Ratios</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>18.07</td>
<td>19.54</td>
<td>19.66</td>
<td>1.05</td>
</tr>
<tr>
<td>Quick</td>
<td>18.07</td>
<td>19.54</td>
<td>19.66</td>
<td>1.02</td>
</tr>
<tr>
<td>Total Debt to Total Assets</td>
<td>1.52%</td>
<td>1.73%</td>
<td>2.04%</td>
<td>92.42%</td>
</tr>
<tr>
<td>Pre-tax Return on Net Worth</td>
<td>0.64%</td>
<td>3.60%</td>
<td>4.22%</td>
<td>1028.70%</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>----------</td>
</tr>
<tr>
<td>Pre-tax Return on Assets</td>
<td>0.63%</td>
<td>3.54%</td>
<td>4.14%</td>
<td>77.94%</td>
</tr>
<tr>
<td>Additional Ratios</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
<td>n.a</td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>-------</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>1.54%</td>
<td>3.62%</td>
<td>2.86%</td>
<td>n.a</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>0.45%</td>
<td>2.52%</td>
<td>2.96%</td>
<td>n.a</td>
</tr>
<tr>
<td><strong>Activity Ratios</strong></td>
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<tr>
<td>Accounts Payable Turnover</td>
<td>7.29</td>
<td>12.17</td>
<td>12.17</td>
<td>n.a</td>
</tr>
<tr>
<td>Payment Days</td>
<td>27</td>
<td>28</td>
<td>27</td>
<td>n.a</td>
</tr>
<tr>
<td>Total Asset Turnover</td>
<td>0.29</td>
<td>0.69</td>
<td>1.01</td>
<td>n.a</td>
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<tr>
<td><strong>Debt Ratios</strong></td>
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<td></td>
</tr>
<tr>
<td>Debt to Net Worth</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>n.a</td>
</tr>
<tr>
<td>Current Liab. to Liab.</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>n.a</td>
</tr>
<tr>
<td><strong>Liquidity Ratios</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Working Capital</td>
<td>$61,311</td>
<td>$77,848</td>
<td>$95,634</td>
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</tr>
<tr>
<td>Interest Coverage</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>n.a</td>
</tr>
<tr>
<td><strong>Additional Ratios</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.49</td>
<td>1.46</td>
<td>0.99</td>
<td>n.a</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>Assets to Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Debt/Total Assets</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>n.a</td>
</tr>
<tr>
<td>Acid Test</td>
<td>18.07</td>
<td>19.54</td>
<td>19.66</td>
<td>n.a</td>
</tr>
<tr>
<td>Sales/Net Worth</td>
<td>0.29</td>
<td>0.70</td>
<td>1.03</td>
<td>n.a</td>
</tr>
<tr>
<td>Dividend Payout</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>n.a</td>
</tr>
</tbody>
</table>