

How to Start a Manufacturing Business

By the BizMove.com Team

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1. Determining the Feasibility of Your New Business

A. Preliminary Analysis

This guide is a checklist for the owner/manager of a business enterprise or for one contemplating going into business for the first time. The questions concentrate on areas you must consider seriously to determine if your idea represents a real business opportunity and if

you can really know what you are getting into. You can use it to evaluate a completely new venture proposal or an apparent opportunity in your existing business.

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

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

Preliminary Analysis

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

General Personal Considerations

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

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

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

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

12. Are you prepared to loose your savings?

Specific Personal Considerations

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

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

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

General Project Description

1. Briefly describe the business you want to enter.

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

3. Describe who will use your products/services

4. Why would someone buy your product/service?

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

6. List your product/services suppliers.

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

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

B. Requirements For Success

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

1. Does the product/service/business serve a presently unserved need?
2. Does the product/service/business serve an existing market in which demand exceeds supply?
3. Can the product/service/business successfully compete with an existing competition because of an "advantageous situation," such as better price, location, etc.?

Major Flaws

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

1. Are there any causes (i.e., restrictions, monopolies, shortages) that make any of the required factors of production unavailable (i.e., unreasonable cost, scarce skills, energy, material, equipment, processes, technology, or personnel)?
2. Are capital requirements for entry or continuing operations excessive?
3. Is adequate financing hard to obtain?
4. Are there potential detrimental environmental effects?
5. Are there factors that prevent effective marketing?

C. Desired Income

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

1. How much income do you desire?

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

3. What minimum income do you require?

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

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

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

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

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

D. Preliminary Income Statement

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

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

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

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

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

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

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

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

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

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

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

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

ANY BUSINESS, INC.
Condensed Hypothetical Income Statement
For year ending December 31

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

E. Market Analysis

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

Population

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

2. What is the population of these areas?

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

4. What is the average family size?

5. What is the age distribution?

6. What is the per capita income?

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

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

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

10. Can you appeal to the entire market?

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

F. Competition

1. Who are your major competitors?

2. What are the major strengths of each?

3. What are the major weaknesses of each?

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

Price structure?

Product lines (quality, breadth, width)?

Location?

Promotional activities?

Sources of supply?

Image from a consumer's viewpoint?

5. Do you know of any new competitors?

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

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

8. If so, why?

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

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

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

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

13. Can you compete with your competition?

G. Sales

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

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

3. Did you base your forecast on concrete data?

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

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

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

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

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

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

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

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

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

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

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

H. Supply

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

I. Expenses

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

Miscellaneous

1. Are you aware of the major risks associated with your product? Service Business?

2. Can you minimize any of these major risks?
3. Are there major risks beyond your control?
4. Can these risks bankrupt you? (fatal flaws)

J. Venture Feasibility

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

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2. Starting Your Business Step by Step

A. Things to Consider Before You Start

This guide will walk you step by step through all the essential phases of starting a successful business. To profit in a manufacturing based business, you need to consider the following questions: What business am I in? What goods do I sell? 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 company? How will I get the work done? What management controls are needed? How can they be carried out?

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

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

Bear in mind that anything you leave out of the picture will create an additional cost, or drain on your money, when it unexpectedly crops up later on. If you leave out or ignore 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 step near the end of this Guide.

What's in This for Me?

Time was when an individual could start a business and prosper provided you were strong enough to work long hours and had the knack for selling for more than the raw materials or product cost. Small store, grist mills, livery stables, and blacksmith shops sprang up in many crossroad communities as Americans applied their energy and native intelligence to settling the continent.

Today this native intelligence is still important. But by itself the common sense for which Americans are famous will not insure success in a business. Technology, the marketplace, and even people themselves have become more complicated than they were 100, or even 25, years ago.

Common sense must be combined with new techniques in order to succeed in the space age. Just as one would not think of launching a manned space capsule without a flight plan, so one should not think of launching a new manufacturing business without a business plan.

A business plan is an exciting tool that you can use to plot a "course" for your company. Such a plan is a logical progression from a commonsense starting point to a commonsense ending point.

To build a business plan for your company, an owner-manager needs only to think and react as a manager to questions such as: What product is to be manufactured? How can it best be made? What will it cost me? Who will buy the product? What profit can I make?

Why Am I in Business

If you're like most business people, you're in business to make money and be your own boss. But, few business people would be able to say that those are the only reasons. The money that you will make from your business will seldom seem like enough for all the long hours, hard work, and responsibility that go along with being the boss.

Then, why do so many stay in business?

This is hardly the time for philosophy. If you're starting or expanding a business, you have enough to think about. But, whether or not you even think about it, the way you operate your business will reflect your "business philosophy."

Consider this. An owner-manager inspects a production run and finds a minor defect. Even though in nine out of ten cases the user of the product would not notice the defect, the owner decides to scrap the entire run.

What does this tell you? It shows that he (or she) gets an important reward from doing what is the right thing - in this case, providing a quality product.

The purpose of this section is not to play down the importance of making a profit. Profits are important. They will keep your business going and attract additional capital into your business. But you should be aware that there are other rewards and responsibilities associated with having your own business.

In your planning, you might give some thought to your responsibilities to employees, community, stockholders, customers, product, and profit. Jot these down. Later when you've lined-up your management team, discuss this subject with them. This type of group thinking will help everyone, including yourself, understand the basic purposes for each day's work.

Even though you won't advertise it throughout your market, the way you operate your business will reflect your business philosophy.

What Business Am I in?

In making your business plan, the next question to consider is: What business am I really in? At 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 savings because they are confused about the business they are really in.

The experience of an old line manufacturing company provides an example of dealing with the question: What business am I really in? In the early years of this century, the founder of the company had no trouble answering the question. As he put it, "I make and sell metal trash cans." This answer held true for his son until the mid-1950's when sales began to drop off. After much thought, the son decided he was in the container business.

Based on this answer, the company dropped several of its lines of metal trash cans, modified other lines, and introduced new products, such as shipping cartons used by other manufacturers and Government agencies.

What business am I in? (Write your answer here)

Asking questions like: What does my product do for my customer? Why? Where? How? What doesn't it do? What should it do later but doesn't do now? can lead to the ultimate conclusion of what business you're in and possibly direct you to new lines of products or enterprises.

B. How to Plan Your Marketing

When you have decided what business you're really in, you have just made your first marketing decision. Now you must face other marketing consideration.

Successful marketing starts with you, the owner-manager. You have to know your product, your market, your customers, and your competition.

Before you plan production, you have to decide who your market is, where it is, why they will buy your product, whether it is a growth or static market, if there are any seasonal aspects of the market, and what percentage of the market you will shoot for in the first, second, and third year of operation. Your production goals and plans must be based on and be responsive to this kind of fact finding (market feasibility and research).

The narrative and work blocks that follow are designed to help you work out a marketing plan. Your objective is to determine what needs to be done to bring in sales dollars.

In some directories, marketing information is listed according to the Standard Industrial Classification (SIC) of the product and industry. The SIC classifies firms by the type of activity they're engaged in, and it is used to promote the uniformity and comparability of statistical data relating to market research. When you begin your market research, you may find it useful to have already classified your products according to this code. (The Standard Industrial Classification Manual may be available at your library.)

Product / Sic No.

1. _____ / _____

2. _____ / _____

Market Area

Where and to whom are you going to sell your product? Describe the market area you will serve in terms of geography and customer profile:

Who Are Your Competitors?

List your principal competitors selling in your market area, estimate their percentage of market penetration and dollar sales in that market, and estimate their potential loss of sales as a result of your entry into the market.

Name of Competitor and Location	% Share of Market	Estimated Sales	Sales Loss Because of You
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____

How Do You Rate Your Competition?

Try to find out the strengths and weaknesses of each competitor. Then write your opinion of each of your principal competitors, their principal products, facilities, marketing characteristics, and new product development or adaptability to changing market conditions.

Have any of your competitors recently closed operations or have they withdrawn from your market area? (State reasons if you know them):

Advantages Over Competitors

On what basis will you be able to capture your projected share of the market? Below is a list of characteristics which may indicate the advantages your product(s) enjoy over those offered by competitors. Indicate those advantages by placing a check in the proper space. If there is more than one competitor, you may want to make more than one checklist. Attach these to the worksheet.

Analyze each characteristic. For example, a higher price may not be a disadvantage if the product is of higher quality than your competitor's. You may want to make a wish to spell out the specifics of each characteristic and explain where your product is disadvantaged and how this will be overcome, attach it to this worksheet. Also, the unique characteristics of your product can be the basis for advertising and sales promotion.

Remember, the more extensive your planning, the more your business plan will help you.

Product(s)	Product No. 1	Product No. 2
Price	_____	_____
Performance	_____	_____
Durability	_____	_____
Versatility	_____	_____
Speed or accuracy	_____	_____
Ease of operation or use	_____	_____
Ease of maintenance or repair	_____	_____
Ease or cost of installation	_____	_____
Size or weight	_____	_____
Styling or appearance	_____	_____
Other characteristics not listed:		
_____	_____	_____
_____	_____	_____

What, if anything, is unique about your product?

Distribution

How will you get your product to the ultimate consumer? Will you sell it directly through your own sales organization or indirectly through manufacturer's agents, brokers, wholesalers, and so on. (Use the blank to write a brief statement of your method of distribution and manner of sales):

What will this method of distribution cost you?

Do you plan to use special marketing, sales or merchandising techniques? Describe them here:

List your customers by name, the total amount they buy from you, and the amount they spend for each of your products.

Market Trends

What has been the sales trend in your market area for your principal product(s) over the last 5 years? What do you expect it to be 5 years from now? You should indicate the source of your data and the basis of your projections. (This is a marketing research problem. It will require you to do some digging in order to come up with a market projection. Trade Associations will probably be your most helpful source of information. The Bureau of Census publishes a great deal of useful statistics). Industry and product statistics are usually indicated in dollars, Units, such as numbers of customers, numbers of items sold, etc., may be used, but also relate your sales to dollars.

List the name and address of trade associations which serve your industry and indicate whether or not you are a member.

_____ the name and address of other organizations, governmental agencies, industry and indicate whether or not you are a member.

Share of the Market

What percentage of total sales in your market area do you expect to obtain for your products after your facility is in full operation?

Sales Volume

What sales volume do you expect to reach with your products?

Production

Production is the work that goes on in a factory that results in a product. In making your business plan, you have to consider all the activities that are involved in turning raw materials into finished products. The work blocks which follow are designed to help you determine what production facilities and equipment you need.

Manufacturing Operation

List the basic operations for example, cut and sew, machine and assemble, etc., which are needed in order to make your product.

Raw Materials

What raw materials or components will you need, and where will you get them?

What amount of raw material and/or components will you need to stock?

Are there any special considerations concerning the storage requirements of your raw material? For example, will you use chemicals which can only be stored for a short time before they lose their potency?

Equipment

List the equipment needed to perform the manufacturing operations. Indicate whether you will rent or buy the equipment and the cost to you.

Your equipment facilities, and method of operation must comply with the Occupational Safety and Health Act. You may obtain a copy of Standards for General Industry from a field office of the Occupational Safety and Health Administration.

Labor Skills

List the labor skills needed to run the equipment:

List the indirect labor, for example: material handlers, stockmen, janitors, and so on, that is needed to keep the plant operating:

If persons with these skills are not already on your payroll, where will you get them?

Space

How much space will you need to make the product? Include restrooms, storage for raw material and for finished products, and employee parking facilities if appropriate. Are there any local ordinances you must comply with?

Do you own this space? Yes _____ No _____

Will you buy this space? Yes _____ No _____

Will you lease this space? Yes _____ No _____

How much will it cost you? Yes _____ No _____

Overhead

List the overhead items which will be needed in addition to indirect labor and include their cost. Examples are: tools, supplies, utilities, office help, telephone, payroll taxes, holidays, vacations, and salaries for your key people (sales manager, plant manager, and foreman).

C. How Much Money Will You Need?

Money is a tool you can use to make your plan work. Money is also a measuring device. You will measure your plan in terms of dollars; and outsiders, such as bankers and other lenders, will do the same.

When you determine how much money is needed to start (or expand) your business, you can decide whether or not to move ahead. If the cost is greater than the profits which the business can make, there are two things to consider. Many businesses do not show a profit until the second or third year of operation. If this looks like the case with your business, you will need the plans and financial reserves to carry you through this period. On the other hand, maybe you would be better off putting your money into stocks, bonds or other reliable investments rather than taking on the time consuming job of managing a business.

Like most businesses, your new business or expansion will require a loan. The burden of proof in borrowing money is upon the borrower. You have to show the banker or other lender how the borrowed money will be spent. Even more important, the lender needs to know how and when you will repay the loan.

To determine whether or not your plan is economically feasible, you need to pull together three sets of figures:

- (1) Expected sales and expense figures for 12 months.
- (2) Cash flow figures for 12 months.
- (3) Current balance sheet figures.

Then visit your banker. Remember, your banker or lender is your friend not your enemy. So, meet regularly. Share all the information and data you possess. If the lender is ready to help, he (or she) needs to know not only your strengths but also your weaknesses.

Expected Sales and Expenses Figures

To determine whether or not your business can make its way in the market place, you should estimate your sales and expenses for 12 months.

Projected Statement of Sales and Expenses for One Year													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
A. Net Sales	—	—	—	—	—	—	—	—	—	—	—	—	—
B. Cost of Goods Sold	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Raw Materials	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Direct Labor	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Manufacturing Overhead	—	—	—	—	—	—	—	—	—	—	—	—	—
Indirect Labor	—	—	—	—	—	—	—	—	—	—	—	—	—
Factory Heat & Power	—	—	—	—	—	—	—	—	—	—	—	—	—
Insurance and Taxes	—	—	—	—	—	—	—	—	—	—	—	—	—
Depreciation	—	—	—	—	—	—	—	—	—	—	—	—	—
C. Gross Margin (Subtract B from A)	—	—	—	—	—	—	—	—	—	—	—	—	—
D. Selling and Administrative Expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Salaries and Commissions	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Advertising Expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Miscellaneous Expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
E. Net Operating Profit (Subtract D from C)	—	—	—	—	—	—	—	—	—	—	—	—	—
F. Interest Expense	—	—	—	—	—	—	—	—	—	—	—	—	—
G. Net Profit before Taxes (Subtract F from E)	—	—	—	—	—	—	—	—	—	—	—	—	—
H. Estimated Income Tax	—	—	—	—	—	—	—	—	—	—	—	—	—
I. Net Profit after Income Tax (Subtract H from G)	—	—	—	—	—	—	—	—	—	—	—	—	—

Cash Flow Figures - Manufacturing Business Plan How To

Estimates of future sales will not pay an owner-manager's bills. Cash must flow into the business at the proper times if bills are to be paid and a profit realized at the end of the year. To determine whether your projected sales and expense figures are realistic, you should prepare a cash flow forecast for the 12 months covered by your estimates of sales and expenses.

Estimated Cash Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(1) Cash in Bank (Start of Month)	—	—	—	—	—	—	—	—	—	—	—	—
(2) Petty Cash (Start of Month)	—	—	—	—	—	—	—	—	—	—	—	—
(3) Total Cash (add (1) and (2))	—	—	—	—	—	—	—	—	—	—	—	—
(4) Expected Accounts Receivable	—	—	—	—	—	—	—	—	—	—	—	—
(5) Other Money Expected	—	—	—	—	—	—	—	—	—	—	—	—
(6) Total Receipts (add (4) and (5))	—	—	—	—	—	—	—	—	—	—	—	—
(7) Total Cash and Receipts (add (3) and (6))	—	—	—	—	—	—	—	—	—	—	—	—
(8) All Disbursements (for month)	—	—	—	—	—	—	—	—	—	—	—	—
(9) Cash Balance at end of Month in Bank Account and Petty Cash (subtract (8) from (7))*	—	—	—	—	—	—	—	—	—	—	—	—

*This balance is your starting figure for the next month

Current Balance Sheet Figures

A balance sheet shows the financial conditions of a business as of a certain date. It lists what a business has, what it owes, and the investment of the owner. A balance sheet enable you to see at a glance your assets and liabilities.

Getting the Work Done

Your manufacturing business is only part way home when you have planned your marketing and production. Organization is needed if your plant is to produce what you expect it to produce.

Organization is essential because you as the owner-manager probably cannot do all the work.

You'll 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. However, no matter how your operation is organized, keep control of the financial management.

In the beginning, the president of the small manufacturing company probably does everything.

It is important that you recognize your weaknesses early in the game and plan to get assistance wherever you need it. This may be done using consultants on an as-needed basis, by hiring the needed personnel, or by retaining a lawyer and accountant.

The workblock below lists some of the areas you may want to consider. Adapt it to your needs and indicate who will take care of the various functions. (one name may appear more than once.)

Manufacturing _____

Marketing _____

Research and Technical Backup

Accounting _____

Legal _____

Insurance _____

Other:

Making Your Plan Work

To make your plan work you will need feedback. For example, the year end profit and loss (income) 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 P and L may be more of a loss than a profit statement if you rely only on it. In addition, your cash flow projection must be continuously updated and revised as necessary. You must set up management controls which will help you insure that the right things are being done from day to day and from week to week.

The management control system which you set up should give you precise information on: inventory, production, quality, sales, collection of accounts receivable, and disbursement. The simpler the system, the better. Its purpose is to give you and your key people current information in time to correct deviations from approved policies, procedures, or practices. You are after facts with emphasis on trouble spots.

Inventory Control

The purpose of controlling inventory is to provide maximum service to your customers. Your aim should be to achieve a rapid turnover on your inventory, the fewer dollars you tie up in raw materials inventory and in finished goods inventory, the better. Or, saying it in reverse, the

faster you get back your investment in raw materials and finished goods inventory, the faster you can reinvest your capital to meet additional consumer needs.

In setting up inventory controls, keep in mind that the cost of the inventory is not your only cost. There are inventory costs, such as the cost of purchasing, the cost of keeping inventory records, and the cost of receiving and storing raw materials.

Production

In preparing this business plan, you have estimated the cost figures for your manufacturing operation. Use these figures as the basis for standards against which you can measure your day-to-day operations to make sure that the clock does not nibble away at profits. These standards will help you to keep machine time, labor man-hours, process time, delay time, and down time within your projected cost figures. Periodic production reports will allow you to keep your finger on potential drains on your profits and should also provide feedback on your overhead expense.

Quality Control

Poorly made products cause a company to lose customers. In addition, when a product fails to perform satisfactorily, shipments are held up, inventory is increased, and a severe financial strain can result. Moreover, when quality is poor, it's a good bet that waste and spoilage on the production line are greater than they should be. The details - checkpoints, reports and so on - of your quality control system will depend on your type of production system. In working out these details, keep in mind that their purpose is to answer one question: What needs to be done to see that the work is right the first time? Will you have to do extensive quality control on raw materials? This is an added expense you must consider.

Sales

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 products were sold? At what price? What delivery dates were promised? What credit terms were given to customers?

It is also important that you set up an effective collection system for "accounts receivable," so that you don't tie up your capital in aging accounts.

Disbursement

Your management controls should also give you information about the dollars your company pays out. In checking on your bills, you do not want to be penny-wise and pound-foolish. You need to know that major items, such as paying bills on time get the supplier's discount, are being handled according to your policies. Your review system should 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.

D. Break-Even Analysis

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

In preparing to start or expand a manufacturing business you should determine at what approximate level of sales a new product will pay for itself and begin to bring in a profit.

Profit depends on sales volume, selling price, and costs. So, to figure your break-even point, first separate your fixed costs, such as rent or depreciation allowance, from your variable costs per unit, such as direct labor and materials.

The formula is:

$$\text{break-even volume} = \frac{\text{total fixed costs}}{\text{selling price} - \text{variable cost per unit}}$$

For example, Ajax Plastics has determined its fixed costs to be \$100,000 and variable costs to be \$50 per unit. If the selling price per unit is \$100, then Ajax's break-even volume is

$$\text{break-even volume} = \frac{\$100,000}{\$100 - \$50} = 2000 \text{ units}$$

Earlier you estimated your expected sales for each product and total sales. Compute the break-even point for each.

Product 1: _____ Product 2: _____ Total Sales: _____

Keeping Your Plan Up to Date

The best made business plan gets out of date because conditions change. Sometimes the change is within your company, for example, several of your skilled operators quit their jobs. Sometimes the change is with customers. Their desires and tastes shift. For example, a new idea can sweep the county in 6 months and die overnight. Sometimes the change is technological as when new raw materials and components are put on the market.

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

- (1) Be alert to the changes that come about in your company, in your industry, in your market, and in your community.
- (2) Check your plan against these changes.

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

You may be able to delegate parts of this work. For example, you might assign your shop foreman the task of watching for technical changes as reported in trade journals for your industry. Or you might expect your sales manager to keep you abreast of significant changes that occur in your markets.

But you cannot delegate the hardest part of this work. You cannot delegate the decisions as to what revision will be made in your plan. As owner-manager you have to make those judgments on an on-going basis.

When judgments are wrong, cut your losses as soon as possible and learn from the experience. The mental anguish caused by wrong judgments is part of the price you pay for being your own boss. You get your rewards from the satisfaction and profits that result from correct judgments.

Sometimes, serious problems can be anticipated and a course of action planned. For example, what if sales are 25 percent lower than you anticipated, or costs are 10 percent higher? You have prepared what you consider a reasonable budget. It might be a good idea to prepare a "problem budget," based on either lower sales, higher costs, or a combination of the two.

You will also have to exercise caution if your sales are higher than you anticipated. The growth in sales may only be temporary. Plan your expansion. New equipment and additional personnel could prove to be crippling if sales return to a previous lower level.

Keep in mind that few owner-managers are right 100 percent of the time. They can improve their batting average by operating with a business plan and by keeping that plan up to date.

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3. Complete Manufacturing Business Plan Template

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1.0 Executive Summary

Introduction:

COMPANY NAME is the first company in the USA to receive the authorization as a Certified Re-grind Source for Business Group USA. The people at **COMPANY NAME** are committed to supplying excellent customers with products that are made to the highest standards in the industry. Our goal is to utilize our highly skilled employees, our state of the art equipment and our dependable suppliers to achieve an even higher quality level of products and services at competitive prices, delivered on time, while maintaining a unique work environment.

The Company:

COMPANY NAME is a manufacturer of carbide round tooling for the metal cutting industries. We design, layout the machining process, and manufacturer these types of carbide round shank tools. Our customer base ranges from automotive, medical, and aerospace to diesel injection components. We specialize very close tolerance blue print tooling with very difficult forms and step tolerance. The tools we build go to customers like Robert Bosch Fuel Systems, Delphi, Medtronic, Continental and many second tier very large general machining shops for many different kinds of product like turbines for power generation, Briggs Stratton small motors, Kohler plumbing fixtures and diesel fuel injection.

Products and Services:

Since **COMPANY NAME's** establishment, we have specialized in grinding high performance tooling using state-of-the-art equipment and controls. In continuing with this precedence we have added a TTB - TGC 54N 6 axes 4 spindle micro tool grinding center, this is coupled with "Numroto 3-D" simulation software to allow virtual design and programming.

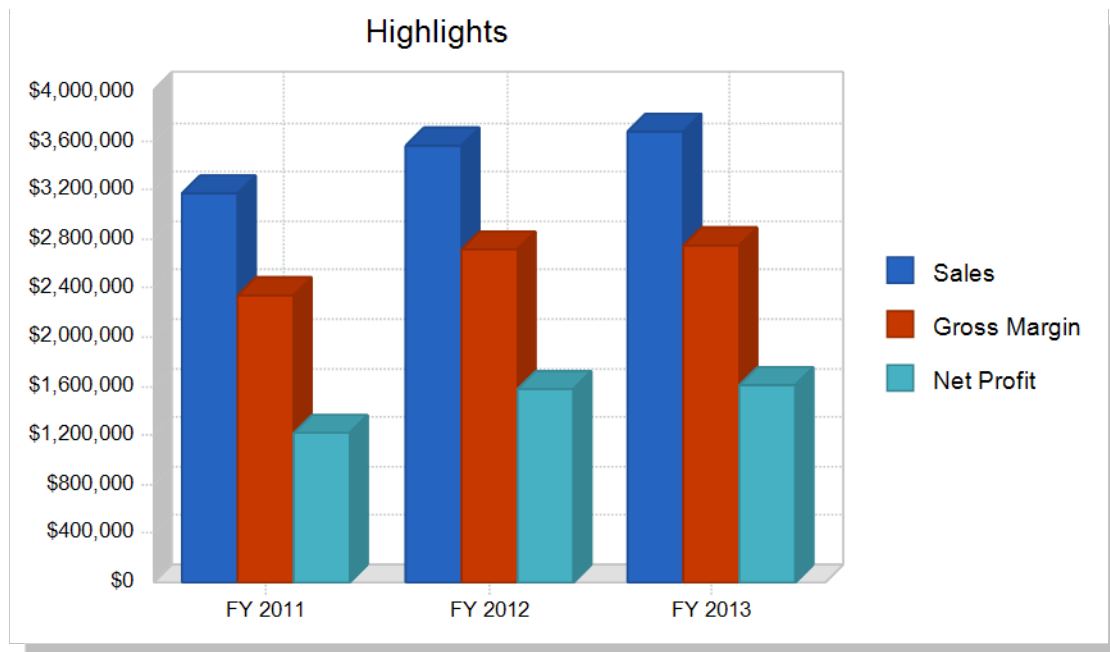
MANUFACTURING SERVICES:

- Tool Design & Development
- Cylindrical Preparation of Tool Blanks
- Grinding of Tool
- Inspection
- Edge Preparation and Tool Polishing
- Coating
- Laser Etching

Financing:

COMPANY NAME is seeking funds in the range of \$425,000-\$500,000 to help the purchase of new machines, increase the advertising, increase and train labor, and finally create a new web site. The machines Alliance would like to purchase will be able to run tools after hours with no supervision. The lights out production on standard type tooling like high performance drills and end mills allows **COMPANY NAME** to increase the hours of production for no additional employees or operational expense. **COMPANY NAME** has plans to start a new line of standard high performance drills with the purchase of this new equipment. **COMPANY NAME** expects a significant increase in revenue due to the expansion of new equipment.

Chart: Highlights



1.1 Objectives

The objectives of **COMPANY NAME** are:

- Increase production and sale from
- Increase sales from
- Establish strategic relationships with 10-15
- Increase gross margins from fifteen percent (15%) to seventeen percent (17%) in the next three years.

1.2 Mission

COMPANY NAME is committed to customer satisfaction through tooling excellence. Our goal is to provide you with a premium product with 100% customer satisfaction on every order. Other services include tool modification and regrinding.

1.3 Keys to Success

To succeed **COMPANY NAME** must:

- Implement a successful advertisement and marketing campaign to inform the existing clientele and the public.
- Purchase new equipment.
- Retain the services of a reputable company.
- Build brand image and brand equity through marketing.

2.0 Company Summary

Established in 1995, **COMPANY NAME** specializes in the design and manufacture of precision ground, blueprint rotary carbide cutting tools. Our manufacturing facility has implemented the industry leading methods and standards necessary to generate the highest quality products available. Our diverse team of Engineers and Technicians, with an extensive background in cutting tool performance and design, work to assure that all customers receive the same quality product on a timely basis. **COMPANY NAME** offers state of the art grinding services to our customers. Our facility was designed and built with this in mind to create a production setting that minimizes environmental variables. Our staff of dedicated professionals is waiting to serve you. Please give us a call and see what Team Alliance is all about.

2.1 Company Ownership

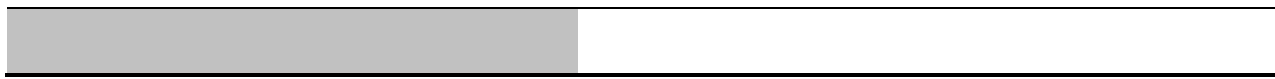
Established in 1995, **COMPANY NAME** is owned by **YOUR NAME**. **YOUR NAME**, President, runs the business and the day to day operations. He has over 36 years experience in the cutting tool industries and has been in this type business all his life. **NAME**, Vice President, is in charge of sales and marketing and is an Engineer Graduate of University in Virginia. **NAME** worked for ACME Grinders, USA for about 10 years as a sales and application Engineer, teaching people how to run the types of machines we use to build our tools. **NAME** has been with **COMPANY NAME** for 11 years.

2.2 Company History

Established in 1995 **COMPANY NAME** has been an established and reputable company. Since **COMPANY NAME's** establishment, we have specialized in grinding high performance tooling using state-of-the-art equipment and controls. In continuing with this precedence we have added a TTB - TGC 54N 6 axes 4 spindle micro tool grinding center, this is coupled with "Numroto 3-D" simulation software to allow virtual design and programming. Our four Walter CNC mini-power grinders and three Walter CNC power grinders are complemented by this addition.

Table: Past Performance

Past Performance			
	FY 2008	FY 2009	FY 2010
Sales	\$2,486,475	\$1,563,991	\$2,186,475
Gross Margin	\$732,756	\$553,398	\$677,807
Gross Margin %	29.47%	35.38%	31.00%
Operating Expenses	\$922,284	\$685,152	\$685,152

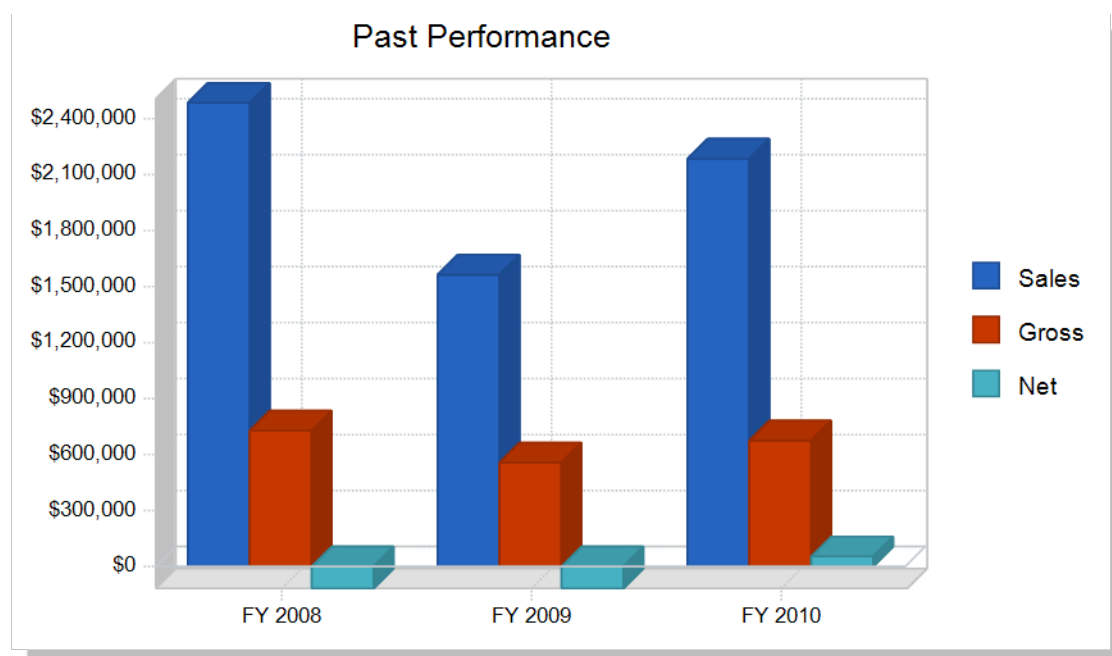


Balance Sheet

	FY 2008	FY 2009	FY 2010
Current Assets			
Cash	\$32,525	\$90,013	\$100,000
Other Current Assets	\$310,843	\$327,621	\$327,621
Total Current Assets	\$343,368	\$417,634	\$427,621
Long-term Assets			
Long-term Assets	\$3,625,063	\$3,625,063	\$4,025,231
Accumulated Depreciation	\$2,148,688	\$2,343,848	\$2,625,848
Total Long-term Assets	\$1,476,375	\$1,281,215	\$1,399,383
Total Assets	\$1,819,743	\$1,698,849	\$1,827,004
Current Liabilities			
Accounts Payable	\$166,529	\$109,969	\$113,268
Current Borrowing	\$490,380	\$309,919	\$212,123
Other Current Liabilities (interest free)	\$35,632	\$26,945	\$14,959
Total Current Liabilities	\$692,541	\$446,833	\$340,350
Long-term Liabilities	\$912,873	\$1,096,969	\$869,969
Total Liabilities	\$1,605,414	\$1,543,802	\$1,210,319
Paid-in Capital	\$19,951	\$19,951	\$19,951
Retained Earnings	\$314,116	\$254,834	\$545,478

Earnings	(\$119,738)	(\$119,738)	\$51,256
Total Capital	\$214,329	\$155,047	\$616,685
Total Capital and Liabilities	\$1,819,743	\$1,698,849	\$1,827,004
Other Inputs			
Payment Days	90	90	90

Chart: Past Performance



3.0 Products

COMPANY NAME is a Carbide Blue Print Tooling Manufacturer and Re-sharpener. What we do is take a part drawing, material spec and machine type that the customer would like to use to build this part. Then we design and develop all the cutting tools to machine this part, we manufacturer them, coat them supply them with speeds and feeds so they can produce their parts. Then we re-sharpen the cutting tools for added life and value. These tools are used in the automotive, aerospace, medical and defense industries. The tools we manufacturer are very close tolerance, multi-step cutting tools such as; High Performance Drills, Step drills, end mills, reamers, trepan tooling, step

tooling and recess type tools for the auto, medical and aerospace industries. Another added value we have is our in shop is our own coating line. We can add Titanium (Tin), Aluminum Titanium (ALTIN) and other hard coatings to enhance the surface of the tools to make them harder, more heat resistant, and slicker so they last longer in use and give our customers longer tool life along with faster service for this added operation.

4.0 Market Analysis Summary

Overview U.S. machine tool industry (Provided by Standard & Poor's)

The U.S. machine tool industry is in a period of relative stability, although industry size, employment, and revenues typically fluctuate in response to swings in the business cycle. The number of industry establishments stands at approximately 600, according to U.S. Census Bureau data. These producers are concentrated in several Midwestern and northeastern states: Ohio, Michigan, and Illinois have the greatest concentration of industry establishments. The composition of the industry has changed since the beginning of the 1990s because of consolidation and foreign investment. A spate of buyouts and acquisitions occurred in the early to middle 1990s, and a number of privately-held companies became publicly owned. A wave of investment by the European automotive industry spurred similar investments by continental machine-tool producers, which established U.S. production facilities to supply their primary customer group. Japanese investment also picked up in the first half of the decade, driven by the strong yen. The newcomers joined a contingent of Japanese machine-tool manufacturers that had established U.S. production facilities in the 1980s in response to U.S. import restrictions that have since been lifted. A strong commitment to exporting and the sustained expansion of the U.S. economy are key elements in the machine tool industry's newfound stability. Changes in the automotive sector are also important. The automotive industry is far less cyclical than it was in the past. Auto makers are undertaking more frequent and less extensive design changes and are becoming globalized, tailoring their products to individual markets. This has led to ongoing investment programs rather than concentrated purchasing cycles. The increasing globalization of the automotive sector is encouraging a similar trend among machine tool suppliers. U.S. machine tool companies are increasing their worldwide presence, often through joint ventures, cooperative agreements, and strategic alliances. The countries that have attracted the largest industry investment to date are Mexico, Brazil, India, and China. 2009 domestic tool industry: the third quarter, 2009 domestic metal cutting tools industry were realized advocate business income 564.32 billion yuan, a year-on-year growth of 1.81%; - Gross profit 28.77 billion yuan, a year-on-year growth of 22.83% -. Both negative growth, but declined to narrow.

Currently in four trillion economic stimulus package and national rejuvenation of domestic policy, under the influence of the automotive industry and construction machinery industry in 2009, towards recovery. Due to the relative downstream industry machine industry, in the car and the lagging of the downstream industry engineering machinery, etc, and is expected to continue under the two big industry we expected in 2010 will add a larger machine purchasing requisition. For shipping manufacture industry, because there is enough in order, so in 2010 and 2011 can still maintain faster growth rate, the production task completion can pull machine sales.

4.1 Market Segmentation

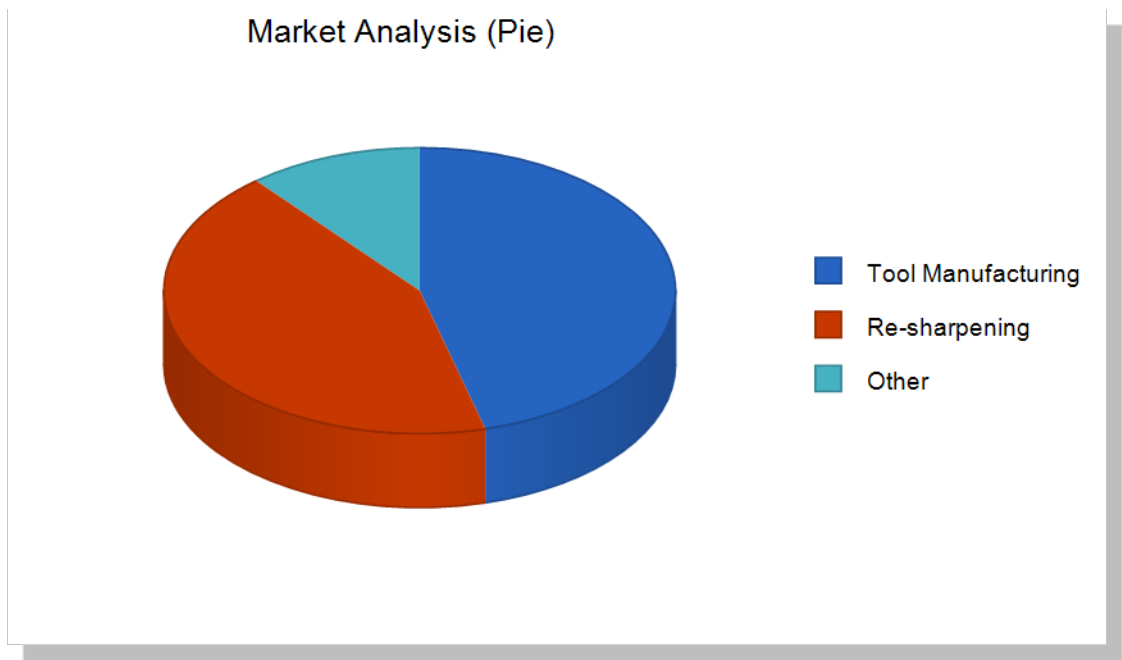
The company's target customers:

- Automobile manufacturers. These customers require customized machine tools to better serve their clients.
- Fine blanking and stamping manufacturers. These customers have a strong need for specialized manufacturing services.
- Manufacturers of complete product lines. Value adding assembly is most required by this customer segment

Table: Market Analysis

Market Analysis							
Potential Customers	Growth	2010	2011	2012	2013	2014	CAGR
Tool Manufacturing	3%	4,125,238	4,248,995	4,376,465	4,507,759	4,642,992	3.00%
Re-sharpening	4%	3,875,235	4,030,244	4,191,454	4,359,112	4,533,476	4.00%
Other	1%	987,125	996,996	1,006,966	1,017,036	1,027,206	1.00%
Total	3.22%	8,987,598	9,276,235	9,574,885	9,883,907	10,203,674	3.22%

Chart: Market Analysis (Pie)



4.2 Target Market Segment Strategy

Machine Tooling will focus our market offerings on three major customer groups:

1. Automobile seating manufacturers.
2. Fine blanking and stamping manufacturers.
3. Manufactures of complete product lines.

Our market research shows that these customer segments are the most demanding in terms of the engineering, technical service support, and automated design. Machine Tooling is particularly strong in these areas and will utilize our capacities to serve these clients. The company will seek customers who require production of components used in upper-end product lines. This will provide a further possibility for Machine Tooling to offer our value-added engineering services.

4.3 Industry Analysis

The Machine Tools & Accessories industry makes tools used to manufacture other products. Bearings, waterjet cutting machines, and engine lathes are all made by these companies and sold to several end markets -- from the automotive industry to the energy industry. Three companies dominate the machine tools & accessories market: Timken Company, Stanley Works, and Kennametal.

Since machine tools companies sell products to companies in other end markets, the success of machine tools companies depends upon the success of these end markets. Companies such as TKR and KMT have suffered due to declines in the U.S. Housing Market and automotive industry, while companies such as RBC Bearings and Kaydon have seen success creating niche products for the wind energy and U.S. Military industries, respectively. The automotive and housing declines have enticed companies to expand internationally, particularly to the booming Chinese and Indian economies (China is the number one consumer of machine tools, amassing 23% of the total world consumption). Rising steel prices plague the industry wherever it goes, however, forcing many of them to install more efficient manufacturing operations and to pass on rising costs to consumers, reducing demand and putting heavy pressure on margins.

In 2009, the value of imported products within this industry into the U.S. has been relatively high, at approximately 50% of U.S. production. Because of this reliance on imports, the report covers the foreign trade statistics including the top 25 countries the U.S. imports from and their respective import values. This industry exhibits a high amount of trade activity, because in 2009, the value of exported products within this industry into the U.S. has also been relatively high, at approximately 40% of U.S. production. This reliance on exports is also covered in the report's foreign trade statistics.

4.3.1 Competition and Buying Patterns

Machine Tooling believes that our customers choose our products based on the following criteria:

- Price
- Performance
- Customer service and support

5.0 Strategy and Implementation Summary

COMPANY NAME will succeed by manufacturing high quality, durable heavy equipment machinery with a significant number of product features and options which are extremely precise in control of movement. It will focus on a very narrow segment of the market and attempt to achieve the best reputation in that segment.

5.1 SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the company, and describes the opportunities and threats facing Interior Views.

5.1.1 Strengths

- We have our own coating center at **COMPANY NAME** which saves on delivery times
- Latest and most accurate equipment in the world
- Strong relationships with suppliers that offer credit arrangements, flexibility, and response to special product requirements.
- Excellent and stable staff, offering personalized customer service.
- Great retail space that offers flexibility with a positive and attractive, inviting atmosphere.
- Strong merchandising and product presentation.
- High customer loyalty among repeat and high-dollar purchase customers.

5.1.2 Weaknesses

- Access to additional operating capital.
- Cash flow continues to be unpredictable
- Challenges of the seasonality of the business.

5.1.3 Opportunities

- Web sight to catch the attention of the people that are looking for manufacturers.
- Growing market with a significant percentage of our target market still not knowing we exist.
- Strategic alliances offering sources for referrals and joint marketing activities to extend our reach.
- Changes in design trends can initiate home updating, and therefore, generate sales.

- Increasing sales opportunities beyond our "100-mile" target area including several smaller communities that have produced a faithful following of customers.
- Internet potential for selling products to other markets.

5.1.4 Threats

- The downturn in the economy's has impacted store sales.
- Expansion of competitors.
- Competition from national Manufactures with greater financing or product resources could enter the market.
- Continued price pressure due to competition or the weakening market reducing contribution margins.

5.2 *Competitive Edge*

Our climate controlled facility removes other variable from the production process. By maintaining temperature and humidity throughout the year we are able to maintain tolerances and quality that guarantee a superior product. Our team of skilled tool designers, with over 75 years of collective experience, can take your finished part print and design customer tooling to fit your specific machining application. Tool prints can be generated or modified using our in house CAD System and distributed via our high speed internet connection for final approval.

5.3 *Marketing Strategy*

The company's marketing strategy will be to continue to promote sales of our product lines, systems, presses, automation projects, and machining capacity. In machining, focus will continue to be on components used in semi-sophisticated equipment where a possibility exists to pursue the next level of integration by assembling components or prepare part kits for assisted assembly. Focusing on this product-component relationship will facilitate the company's ability to pursue the vertical integration of the business and pass on the value-added savings to our customers.

5.4 *Sales Strategy*

The sales plan is to seek businesses that will advance the company's quest to vertically integrate and become a stronger force in the manufacturing industry. The company will continue to strive towards procuring sales of our product lines and machining capacity. The focus in machining is securing contracts to produce components used in upper-end product lines, yielding opportunities for "value added" engineering. To accomplish Machine Tooling's endeavors, the company will utilize internal and external sales tactics. By aggressively seeking new accounts and taking full advantage of the existing relationships the company has with current customers and broadening its customer base, the company will expand and be able to compete with the leading companies in the industry. Machine Tooling plans to use a direct sales force, relationship selling, and

subcontractors to reach our markets. These channels are most appropriate because time to market, reduced capital requirements, and fast access to established distribution channels.

5.4.1 Sales Forecast

The company will begin by utilizing its extensive contacts with several major construction companies to leverage contracts through direct sales methods and onsite demonstrations. A number of these companies have expressed an interest in purchasing the proposed products and services. The company's extensive advertising campaign will be used to create product awareness through the use of trade journals, direct mail advertising, and other means. The establishment of a post sales servicing and parts division will provide additional sales and opportunities for marketing new products.

Table: Sales Forecast

<i>Sales Forecast</i>			
	FY 2011	FY 2012	FY 2013
Sales			
Design and Develop	\$1,038,686	\$1,284,074	\$1,300,000
Manufacturing	\$1,138,484	\$1,161,151	\$1,228,269
Re-sharpen Tools	\$987,916	\$1,121,251	\$1,152,136
Total Sales	\$3,165,086	\$3,566,476	\$3,680,405
Direct Cost of Sales	FY 2011	FY 2012	FY 2013
Row 1	\$221,179	\$225,000	\$245,000
Row 2	\$288,423	\$300,000	\$325,000
Row 3	\$313,337	\$325,000	\$355,000
Subtotal Direct Cost of Sales	\$822,939	\$850,000	\$925,000

Chart: Sales Monthly

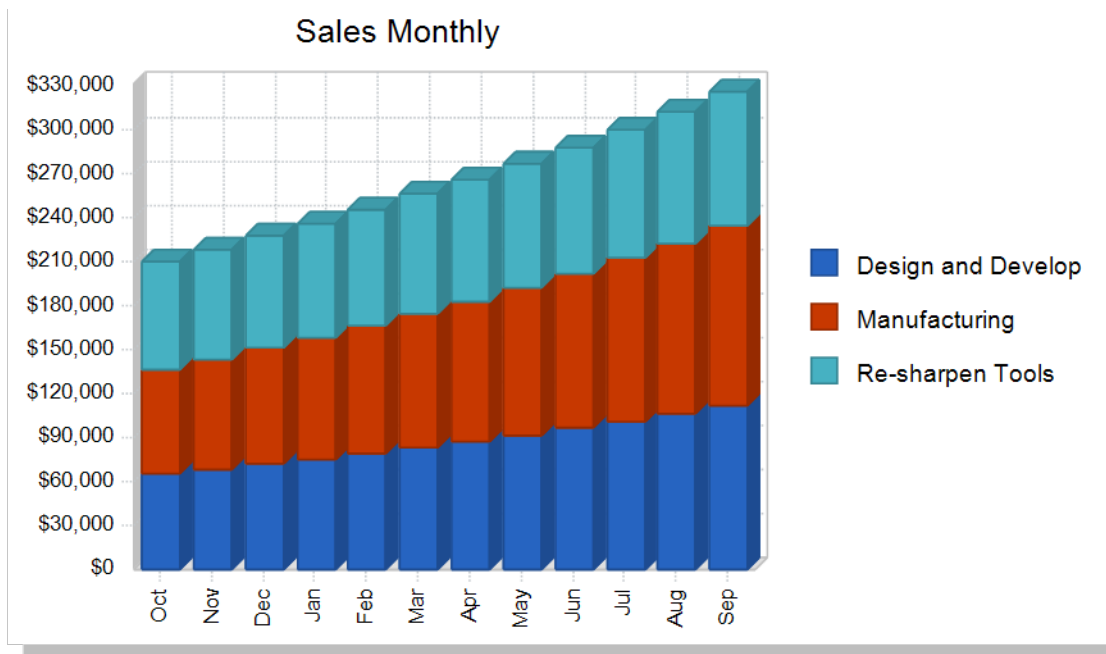
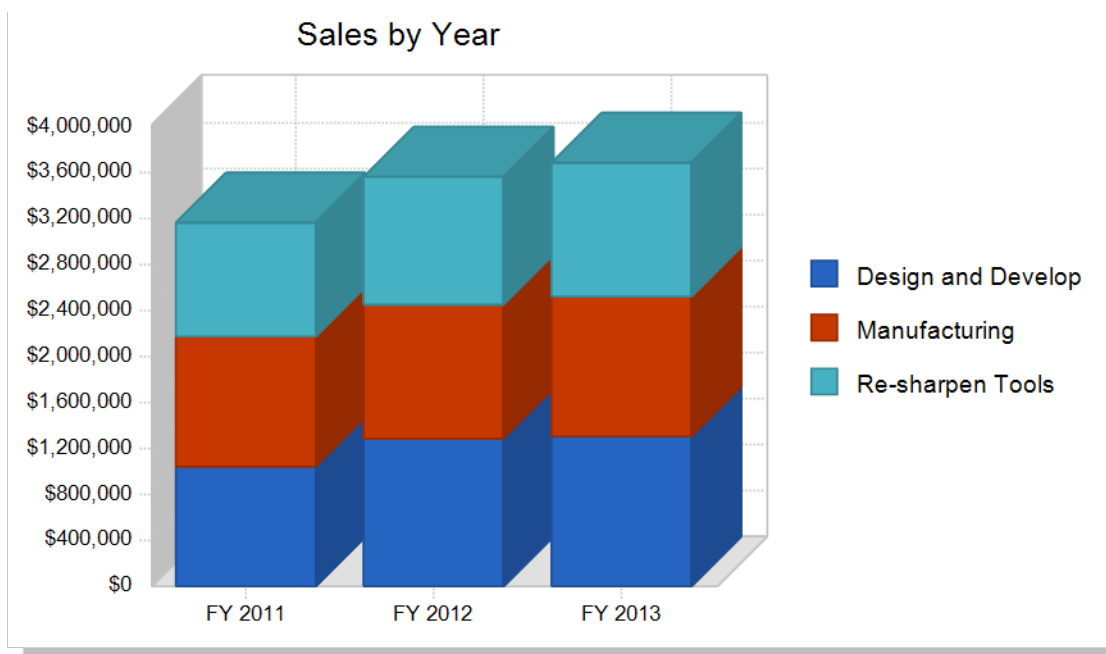


Chart: Sales by Year



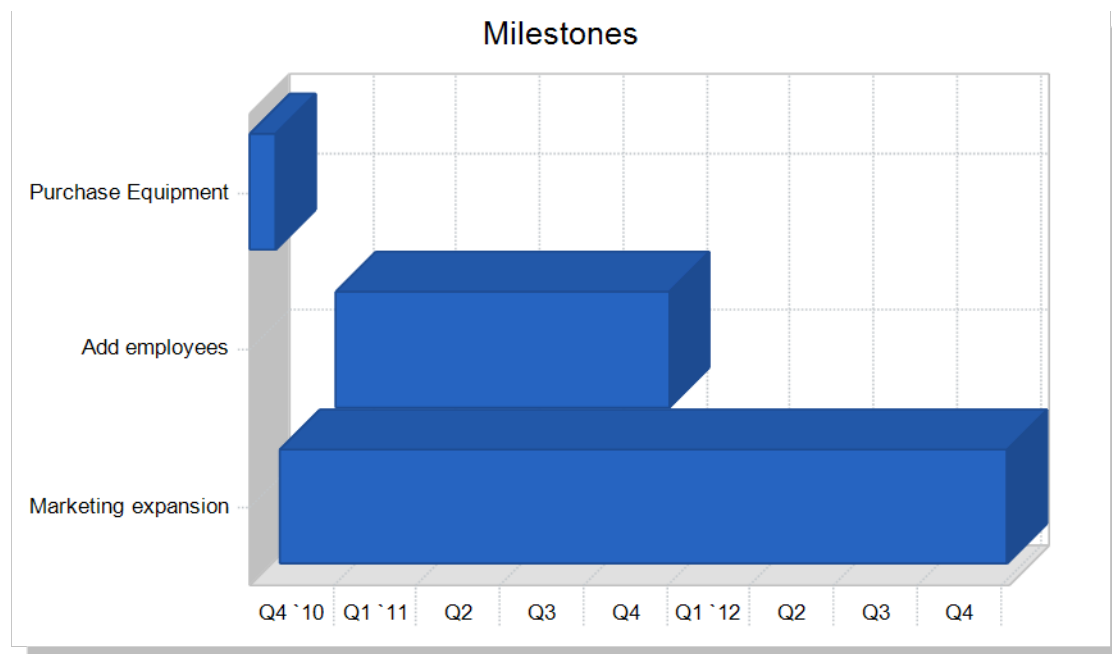
5.5 Milestones

The accompanying table shows specific milestones, with responsibilities assigned, dates, and budgets. The milestones represented in this plan are those which we have determined to be the most important.

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Purchase Equipment	10/1/2010	10/29/2010	\$250,000	INSERT NAME	CEO
Add employees	1/3/2011	1/2/2012	\$50,000	INSERT NAME	CEO
Marketing expansion	11/1/2010	1/7/2013	\$125,000	INSERT NAME	CEO
Totals			\$425,000		

Chart: Milestones



6.0 Management Summary

YOUR NAME, President, runs the business and handles the day to day operations. He has over 36 years experience in the cutting tool industries and has been in this type of business all his life.

NAME, Vice President, is in charge of sales and marketing and is an Engineer Graduate of University in Virginia. **NAME** worked for ACME Grinders, USA for about 10 years as a sales and application Engineer, teaching people how to run the types of machines we use to build our tools. **NAME** has been with **COMPANY NAME** for 11 years.

6.1 Personnel Plan

The personnel table assumes steady growth in employees over the next year. We expect head count to reach 14 employees by end of year one. We are in the process of implementing a strong benefits policy (with fully-paid medical, dental, and life insurance, plus a profit sharing and 401K plan). Employees generally earn competitive salaries and receive generous equity packages.

Table: Personnel

Personnel Plan			
	FY 2011	FY 2012	FY 2013
Salaries and wages	\$154,704	\$155,000	\$165,000
Compensation of officers	\$183,156	\$185,000	\$185,000
Legal & Professional	\$27,869	\$30,000	\$30,000
Total People	0	0	0
Total Payroll	\$365,729	\$370,000	\$380,000

7.0 Financial Plan

Growth will be supported by a grant investment of \$425,000 for the proposed new equipment and paying off debt. This will provide the bulk of the financing required to grow operations at the planned rate.

7.1 Important Assumptions

Important assumptions for this plan are found in the following table. These assumptions largely determine the financial plan and require that we secure additional financing.

7.2 Break-even Analysis

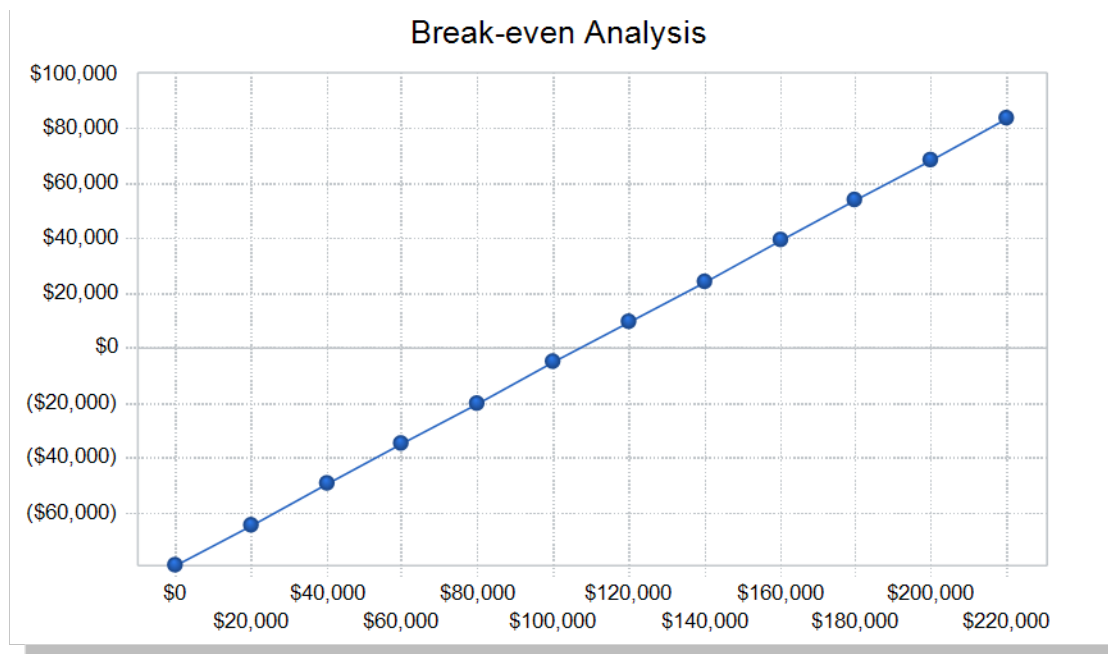
The break-even analysis is based on the average of the first-year figures for total sales and by operating expenses. These are presented as per-unit revenue, per-unit

cost, and fixed costs. These conservative assumptions make for a more accurate estimate of real risk.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	\$106,808
Assumptions:	
Average Percent Variable Cost	26%
Estimated Monthly Fixed Cost	\$79,038

Chart: Break-even Analysis



7.3 Projected Profit and Loss

As the profit and loss table shows, Alliance expects to continue its steady growth in profitability over the next three years of operations.

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>			
	FY 2011	FY 2012	FY 2013
Sales	\$3,165,086	\$3,566,476	\$3,680,405
Direct Cost of Sales	\$822,939	\$850,000	\$925,000
Other Costs of Sales	\$0	\$0	\$0
Total Cost of Sales	\$822,939	\$850,000	\$925,000
Gross Margin	\$2,342,147	\$2,716,476	\$2,755,405
Gross Margin %	74.00%	76.17%	74.87%

Expenses			
Payroll	\$365,729	\$370,000	\$380,000
Marketing/Promotion	\$126,820	\$75,000	\$75,000
Depreciation	\$15,000	\$15,000	\$15,000
Rent	\$67,812	\$67,812	\$67,812
Utilities	\$47,633	\$50,000	\$50,000
Employee benefit programs	\$4,800	\$5,500	\$6,500
Taxes and licenses	\$28,212	\$30,000	\$30,000
Other	\$292,444	\$300,000	\$300,000
Total Operating Expenses	\$948,450	\$913,312	\$924,312
Profit Before Interest and Taxes	\$1,393,697	\$1,803,164	\$1,831,093
EBITDA	\$1,408,697	\$1,818,164	\$1,846,093
Interest Expense	\$43,284	\$43,284	\$43,284
Taxes Incurred	\$135,041	\$175,988	\$178,781
Net Profit	\$1,215,372	\$1,583,892	\$1,609,028
Net Profit/Sales	38.40%	44.41%	43.72%

Chart: Profit Monthly

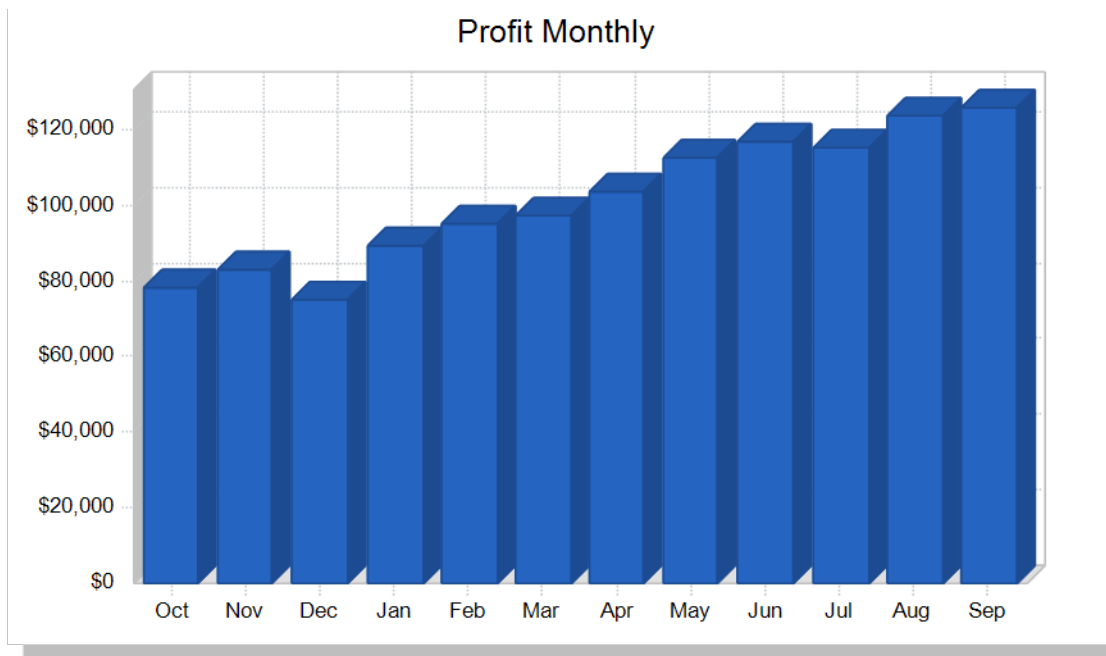


Chart: Profit Yearly

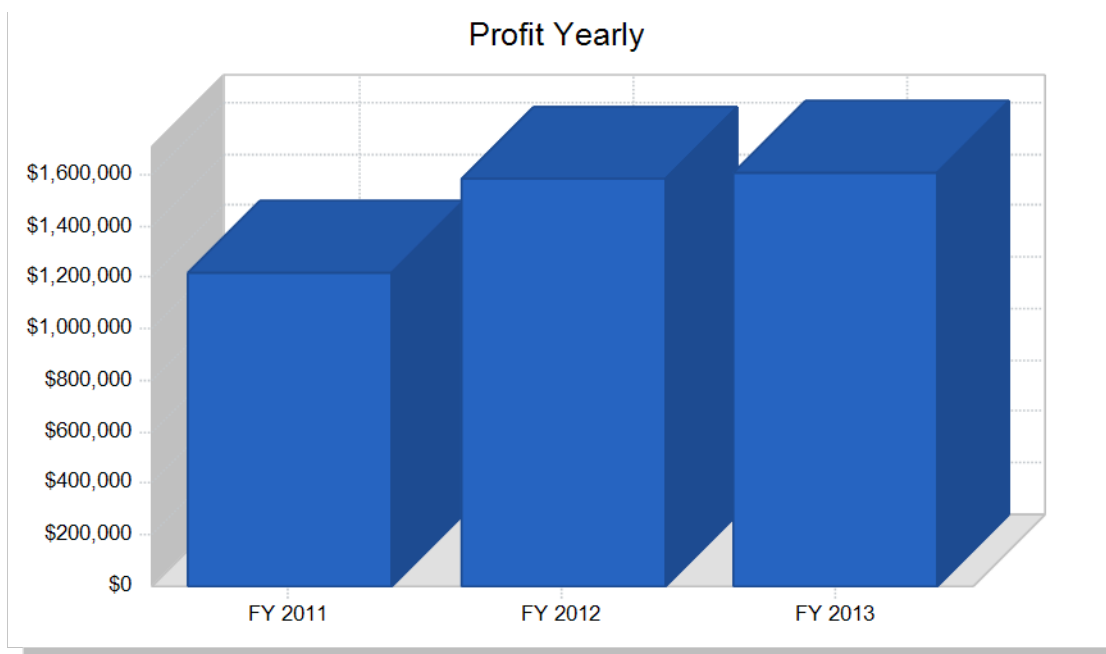


Chart: Gross Margin Monthly

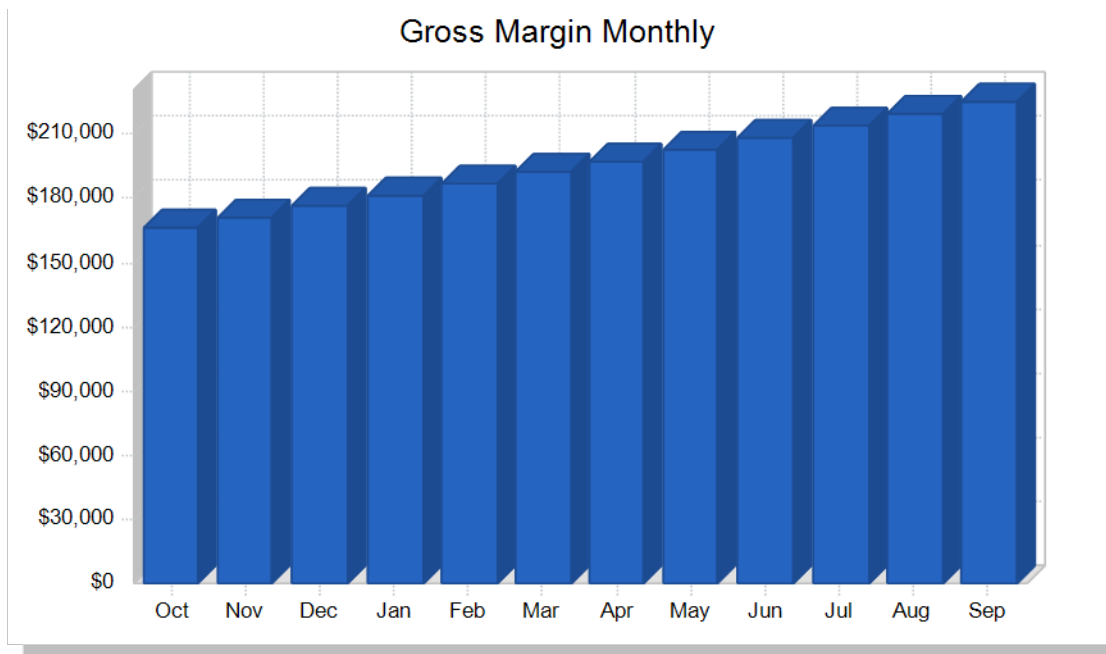
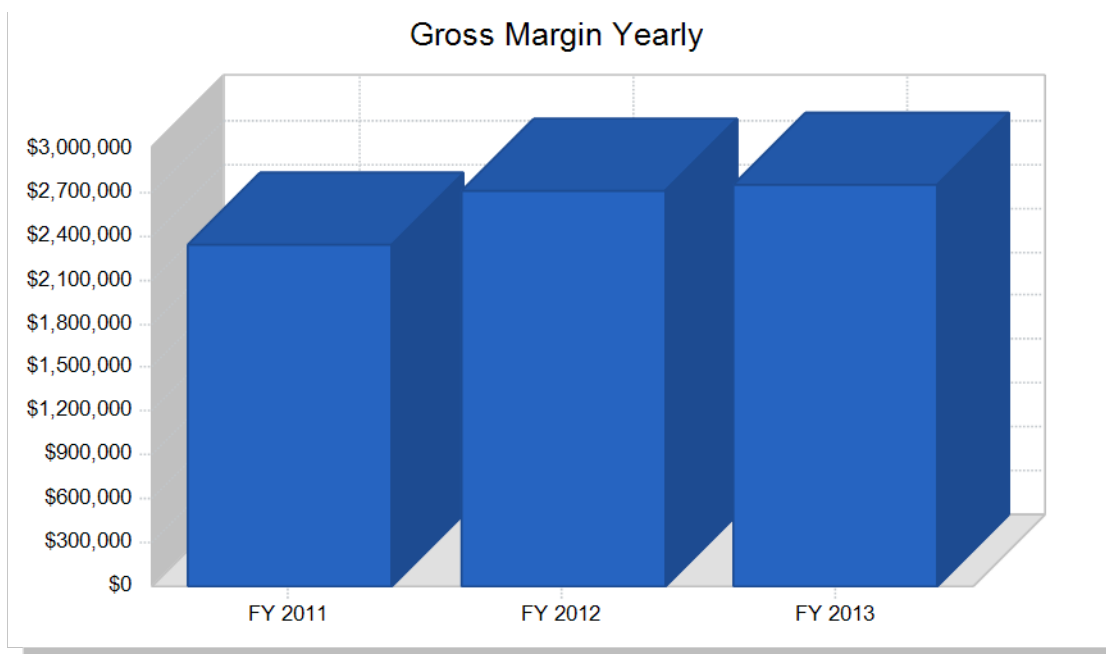


Chart: Gross Margin Yearly



7.4 Projected Cash Flow

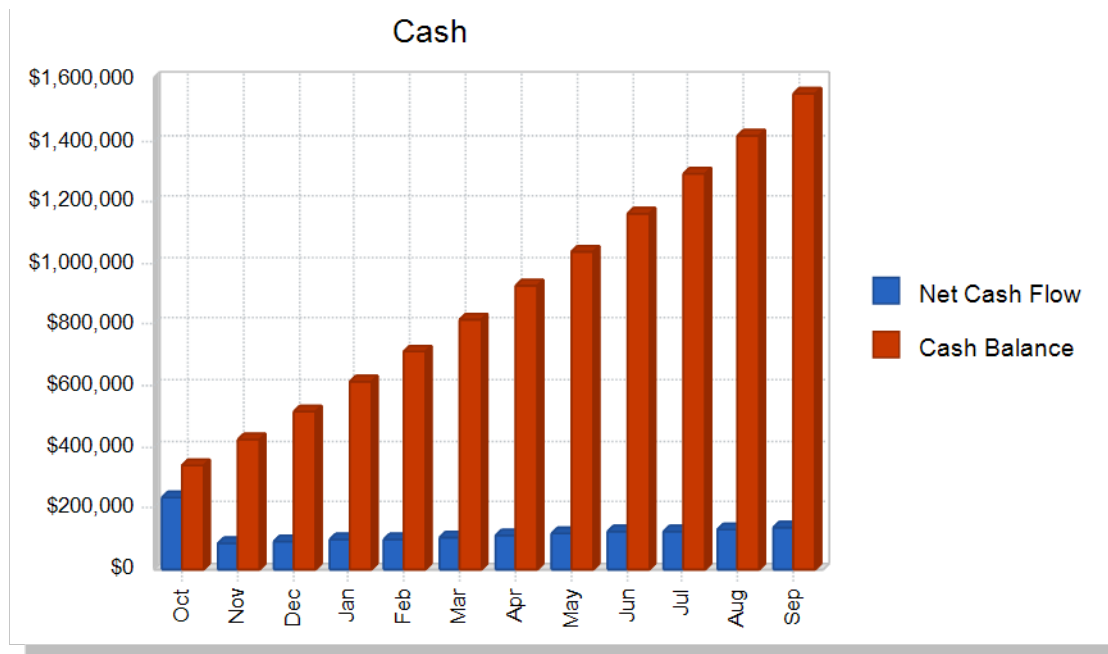
The following cash flows are based on changes on operating expenses and a investment grant that would allow our company to buy equipment that will increase production significantly and payoff debt.

Table: Cash Flow

<i>Pro Forma Cash Flow</i>			
	FY 2011	FY 2012	FY 2013
Cash Received			
Cash from Operations			
Cash Sales	\$3,165,086	\$3,566,476	\$3,680,405
Subtotal Cash from Operations	\$3,165,086	\$3,566,476	\$3,680,405
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$425,000	\$0	\$0
Subtotal Cash Received	\$3,590,086	\$3,566,476	\$3,680,405

Expenditures	FY 2011	FY 2012	FY 2013
Expenditures from Operations			
Cash Spending	\$365,729	\$370,000	\$380,000
Bill Payments	\$1,518,448	\$1,630,081	\$1,669,900
Subtotal Spent on Operations	\$1,884,177	\$2,000,081	\$2,049,900
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$250,000	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$2,134,177	\$2,000,081	\$2,049,900
Net Cash Flow	\$1,455,909	\$1,566,395	\$1,630,505
Cash Balance	\$1,555,909	\$3,122,305	\$4,752,809

Chart: Cash



7.5 Projected Balance Sheet

The Projected annual financial balances are shown in the following table. The balances for the first 12 months are presented in the appendix.

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>			
	FY 2011	FY 2012	FY 2013
Assets			
Current Assets			
Cash	\$1,555,909	\$3,122,305	\$4,752,809
Other Current Assets	\$327,621	\$327,621	\$327,621
Total Current Assets	\$1,883,530	\$3,449,926	\$5,080,430

Long-term Assets			
Long-term Assets	\$4,275,231	\$4,275,231	\$4,275,231
Accumulated Depreciation	\$2,640,848	\$2,655,848	\$2,670,848
Total Long-term Assets	\$1,634,383	\$1,619,383	\$1,604,383
Total Assets	\$3,517,913	\$5,069,309	\$6,684,813
Liabilities and Capital	FY 2011	FY 2012	FY 2013
Current Liabilities			
Accounts Payable	\$163,805	\$131,308	\$137,784
Current Borrowing	\$212,123	\$212,123	\$212,123
Other Current Liabilities	\$14,959	\$14,959	\$14,959
Subtotal Current Liabilities	\$390,887	\$358,390	\$364,866
Long-term Liabilities	\$869,969	\$869,969	\$869,969
Total Liabilities	\$1,260,856	\$1,228,359	\$1,234,835
Paid-in Capital	\$444,951	\$444,951	\$444,951
Retained Earnings	\$596,734	\$1,812,106	\$3,395,998
Earnings	\$1,215,372	\$1,583,892	\$1,609,028
Total Capital	\$2,257,057	\$3,840,949	\$5,449,978
Total Liabilities and Capital	\$3,517,913	\$5,069,309	\$6,684,813
Net Worth	\$2,257,057	\$3,840,949	\$5,449,978

7.6 Business Ratios

Standard business ratios are included in the following table. The ratios show an aggressive plan for growth in order to reach maximum production within three years. Return on investment increases each year as we bring the new facility to maximum capacity and production. Return on sales and assets remain strong and cost of goods decreases based upon efficiency projections.

Table: Ratios

Ratio Analysis				
	FY 2011	FY 2012	FY 2013	Industry Profile
Sales Growth	44.76%	12.68%	3.19%	3.76%
Percent of Total Assets				
Other Current Assets	9.31%	6.46%	4.90%	45.54%
Total Current Assets	53.54%	68.06%	76.00%	55.32%
Long-term Assets	46.46%	31.94%	24.00%	44.68%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	11.11%	7.07%	5.46%	20.71%
Long-term Liabilities	24.73%	17.16%	13.01%	74.98%
Total Liabilities	35.84%	24.23%	18.47%	95.69%
Net Worth	64.16%	75.77%	81.53%	4.31%

Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	74.00%	76.17%	74.87%	75.39%
Selling, General & Administrative Expenses	35.60%	31.76%	31.15%	30.08%
Advertising Expenses	4.01%	2.10%	2.04%	2.46%
Profit Before Interest and Taxes	44.03%	50.56%	49.75%	6.21%
Main Ratios				
Current	4.82	9.63	13.92	1.46
Quick	4.82	9.63	13.92	1.28
Total Debt to Total Assets	35.84%	24.23%	18.47%	95.69%
Pre-tax Return on Net Worth	59.83%	45.82%	32.80%	476.96%
Pre-tax Return on Assets	38.39%	34.72%	26.74%	20.53%
Additional Ratios				
	FY 2011	FY 2012	FY 2013	
Net Profit Margin	38.40%	44.41%	43.72%	n.a
Return on Equity	53.85%	41.24%	29.52%	n.a
Activity Ratios				
Accounts Payable Turnover	9.58	12.17	12.17	n.a
Payment Days	29	34	29	n.a
Total Asset Turnover	0.90	0.70	0.55	n.a
Debt Ratios				
Debt to Net Worth	0.56	0.32	0.23	n.a

Current Liab. to Liab.	0.31	0.29	0.30	n.a
Liquidity Ratios				
Net Working Capital	\$1,492,643	\$3,091,535	\$4,715,564	n.a
Interest Coverage	32.20	41.66	42.30	n.a
Additional Ratios				
Assets to Sales	1.11	1.42	1.82	n.a
Current Debt/Total Assets	11%	7%	5%	n.a
Acid Test	4.82	9.63	13.92	n.a
Sales/Net Worth	1.40	0.93	0.68	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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