



Using The Business Plan, Cash Flow Projections, A Profitable Pricing Model, and Credit to Scale



T.I.P.S. Webinar Series (Training & Insights for Procurement Success)
Special thank you to the Governor's Office for the invitation!

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Welcome!



Using The Business Plan, Cash Flow Projections, Pricing Model, and Credit to Scale

During this 90-minute session, the Facilitator (Will Holmes) will welcome the Participants and program partners. We will discuss sections of the business plan, cashflow projections, business model and pricing, scaling your company, value proposition, competition, SWOT, effective communication with a lender, credit and essential documentation.

To contact Will Holmes at WHC, and/or to request a copy of this presentation, visit <https://whcusa.com/contact>. For info on the WHC Cash Flow Projections tool, visit <https://whcusa.com/cashflow/>.

Please keep your mics on mute and submit questions for the Q&A.





Will Holmes

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Entrepreneur in Residence, Johns Hopkins Carey Business School

Since 2019 | 105 Businesses | 155 MBAs



Chairman Emeritus, Baltimore City Chamber of Commerce

Elected 2019 | 400+ Members, representing 23,000 employees



Founder, Baltimore Economic Leadership League

Founded in December 2021, providing Micro Loans to small businesses. JoinBell.org

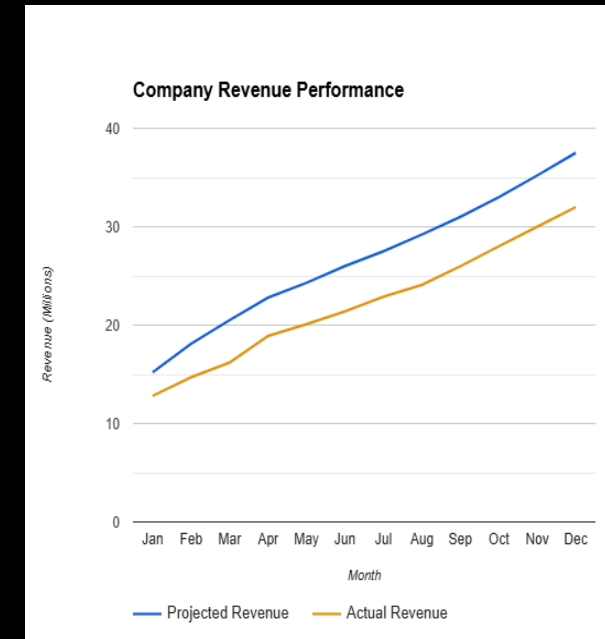


2025 SBA Maryland Minority Business of the Year

For WHC's work in the community and our economic impact on Maryland.

5 Potential Outcomes of Low Cash Flow

1. **Financial Instability:** Persistent revenue shortfalls can lead to cash flow problems, making it difficult to pay bills, invest in growth, or even meet payroll obligations.
2. **Loss of Investor Confidence:** Investors are often drawn to companies with consistent growth and profitability. Repeatedly falling short of revenue goals can erode investor trust, making it harder to raise capital.
3. **Market Share Erosion:** Competitors may capitalize on the company's struggles by offering better products, services, or pricing. Over time, this can lead to a decline in market share and a weakened competitive position.
4. **Reduced Employee Morale:** Employees are often motivated by the success of the company. Consistent underperformance can lead to decreased morale, job insecurity, and potentially higher turnover rates.
5. **Potential for Acquisition or Bankruptcy:** In extreme cases, a company that consistently fails to meet its revenue goals may become a target for acquisition by a larger competitor or face the threat of bankruptcy.



Cash Flow-> Timing, Use & Management



Creating Value to Increase Revenue and Profits

PRICING 101



Recipe Management

How many can you make per batch? **Example: 12**

What ingredients are involved in making a batch?

What SOPs are needed to teach your team to consistently produce a batch?

What do the ingredients cost to make a batch? Ex: \$10

How long does it take to make a batch? **Ex: 1 hour**

How many people are needed to make a batch? 1

How much does it cost to pay other people to make the batch? \$15/ hr

How many do you plan to sell in a month? 1000

How many hours to make that many cupcakes? 84

Personnel Costs Alone: $84 \times \$15 = \1260

Rent, Insurance, and Utilities: \$2000

Ingredients and Supplies: $84 \text{ batches} \times \$10 \text{ per batch} = \$840$

Marketing and Other Admin: \$500

What are your overhead costs for a month? Total \$4600

Cost per Cupcake (without profit or paying yourself): $4600 / 1000 = \$4.60$

Your Pay and Your Profit: Ex: \$1000 (\$1 per cupcake?-> Your Choice & Market)

Price per Cupcake to Customers: \$5.60

Create Gourmet Version and Charge \$8-> Make \$3.40 in profit per cupcake



Pricing for Sustainability

Consider these elements when building your price! It's not just the cost of the cake batter!



Elements for Pricing



If you don't include pay for your efforts and your profit in today's pricing, you can't replace yourself with a worker, leave day-to-day operations, and focus on your growth. Future profits come from the combined efforts of the workers who replace you in operations.

■ Materials & Production

■ Marketing

■ Owners' Pay

■ Current Labor and Planned New Hires

■ Overhead (Rent, Debt, Utilities, Insurance, Reinvestment)

■ Profit



Creating Value to Increase Revenue and Profits

Why would someone spend more for your standard cupcakes? Gourmet cupcakes?

Creating Value Through Marketing

- Understand what the customer values. Don't assume.
- Why do they purchase your cupcakes from you? What is special about you?
- What customer need/ want is being met? What problem is being solved?
- What needs are not being met by your or your competition?
- What would make customers spend more and more often?
- How does it make them feel when they eat your cupcakes?
- How do they logically justify spending money for your cupcakes?
- How do they prefer to make a purchase? What methods and platforms do they prefer?



KEY SECTIONS OF THE BUSINESS PLAN

**Use your business plan
to secure capital.
Access to capital keeps
your cash flow
healthy!**



Resources for writing your plan!

Download a business plan template from:

<https://www.liveplan.com/>

<https://www.sba.gov/business-guide/plan-your-business/write-your-business-plan>

<https://www.score.org/resource/business-plan-template-startup-business>

We highly recommend asking the lending institution which version/ format they prefer and what documentation should accompany the plan.



What Do You Want to Be?

A Businessperson who creates profitable systems?



Or the system that creates profits?



Now that you know what you want, let's use projections to plan the growth of your business. Projections will tell us how much capital we'll need to make it happen!

Different Audiences?
Have different
versions of the plan/
projections.

**What do you want to
accomplish?**

**Why do you need
funding, specifically?**

**How will funding help
you make more
money?**

1. Lender

- *The lower the risk, the better.
- *Will they pay us back?
- *Does this plan make sense and will this business actually have adequate revenue to pay us back?

2. Investor

- *How much money do you need now to make me 5x to 10x my investment later?
- *If I invest more now, will you be able to make me more money faster?
- *How will this impact the market and what other ways can this idea make money?

3. Partner

- *Is this business stable enough for me to invest my time and money?
- *Will this be the best use of my time and resources?
- *How much more money/impact can I make by partnering than I would on my own?

**Executive
Summary,
Projections &
Conclusion
Emphasis:**

Low Risk

High Return

**Reasonable Risk
Highest Return**



INTRODUCE THE
COMPANY

PRODUCT/ SERVICE

TEAM

UNFAIR ADVANTAGE &
GROWTH STRATEGY

HOW MUCH DO YOU
NEED?/ WHAT IS THE
ASK?

Business Plan: Executive Summary

**Complete your cash flow projections first!
Write the Executive Summary and Conclusion last.**

Briefly tell your reader what your company is and why it will be successful. Include your mission statement, your product or service, and basic information about your company's leadership team, employees, and location. You should also include financial information and high-level growth plans if you plan to ask for financing. This is where you ask for what you want from the reader!!! Write this last.

**Remember your audience! Lender- Can you pay us back?
Investor- Can we make 5x or 10x our investment?
Partner- Can I get a good ROI? Different versions based on different projections!**



WHY ARE CASH FLOW PROJECTIONS IMPORTANT?

- *Foundation for your conversation with lenders
- *Shows your aspirations, timing, and planned milestones
- *Shows your ability to repay loans and generate ROI
- *Details “THE ASK” and the expenses involved
- *Shows profitability and growth potential
- *Shows the timing of money in and money out for your business
- *It is the budget for your growth plan



12 Month Cash Flow Forecast Revenue



- Revenue Drives Behavior! Revenue comes from sales and covers your expenses and reinvestments. Your profit is what you choose to keep.
- Use conservative revenue projections! Consider payment cycles/ terms and seasonality.
- Future purchases? Hiring? You'll need to sell more to cover it.
- How can you use your existing infrastructure to create multiple streams of revenue?
- How can you sell more services and products to your existing customer?
- What needs does new customer want you to fill? Talk to them!

Cash Flow Forecast - 12 Months														
Month:	Pre-Start	1	2	3	4	5	6	7	8	9	10	11	12	Totals
Receipts														
Cash sales	0	0	10,020	10,855	12,525	14,195	15,865	18,370	21,710	24,215	26,406	28,808	33,066	216,035
Collections from credit sales	0	0	0	251	418	501	501	585	752	752	1,002	1,002	1,166	6,930
New equity inflow	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans received	0	16,700	0	0	8,350	0	0	8,350	0	0	8,350	0	0	41,750
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	0	16,700	10,020	11,106	21,293	14,696	16,366	27,305	22,462	24,967	35,758	29,810	34,232	264,715
Payments														
Cash purchases	0	401	326	166	131	237	166	149	149	166	113	113	167	2,284
Payments to creditors	0	1,203	978	499	392	713	499	446	446	499	339	339	503	6,856
Salaries and wages	0	6,304	5,120	2,620	2,058	3,728	2,620	2,336	2,336	2,620	1,780	1,780	2,631	35,933
Employee benefits	0	3,152	2,560	1,310	1,029	1,864	1,310	1,168	1,168	1,310	890	890	1,315	17,966
Payroll taxes	0	1,051	853	437	343	621	437	389	389	437	297	297	438	5,989
Rent	0	5,253	4,267	2,183	1,715	3,107	2,183	1,947	1,947	2,183	1,483	1,483	2,192	29,943
Utilities	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Repairs and maintenance	0	584	474	243	191	345	243	216	216	243	165	165	244	3,329
Insurance	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Travel	0	1,240	1,007	515	405	734	515	460	460	515	350	350	518	7,069
Telephone	0	1,043	847	434	341	617	434	387	387	434	295	295	435	5,949
Postage	0	438	358	182	143	259	182	162	162	182	124	124	183	2,499
Office supplies	0	949	770	394	310	561	394	352	352	394	268	268	396	5,408
Advertising	0	6,938	5,635	2,883	2,265	4,103	2,883	2,571	2,571	2,883	1,959	1,959	2,895	39,545
Marketing/promotion	0	5,439	4,418	2,261	1,776	3,217	2,261	2,016	2,016	2,261	1,536	1,536	2,270	31,007
Professional fees	0	1,751	1,422	728	572	1,036	728	649	649	728	494	494	731	9,982
Training and development	0	26	21	11	9	16	11	10	10	11	7	7	11	150
Bank charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owner's drawings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan repayments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax payments	0	25,050	0	4,175	0	0	0	0	0	0	0	0	0	29,225
Capital purchases	0	0	0	0	10,000	0	0	10,000	0	0	21,325	0	0	41,325
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payments	0	62,864	30,716	19,891	22,346	22,366	15,716	24,016	14,016	15,716	32,001	10,676	15,781	286,105
Cashflow Surplus/Deficit (-)	0	(46,164)	(20,696)	(8,785)	(1,053)	(7,670)	650	3,289	8,446	9,251	3,757	19,134	18,451	(21,390)
Opening Cash Balance	0	0	(46,164)	(66,860)	(75,645)	(76,698)	(84,368)	(83,718)	(80,429)	(71,983)	(62,732)	(58,975)	(39,841)	(747,413)
Closing Cash Balance	0	(46,164)	(66,860)	(75,645)	(76,698)	(84,368)	(83,718)	(80,429)	(71,983)	(62,732)	(58,975)	(39,841)	(21,390)	(768,803)



12 Month Cash Flow Forecast Expenses



- How much will it cost to make it happen? This is the ask when speaking to lenders and the foundation for sales goals.
- Loan repayment, estimated tax payments, insurance, reinvestment.
- Are you paying yourself? You must cover your pay in your pricing if you plan to sell your business or get out of the day to day. Your personal expenses determine your monthly pay.
- Remember materials, time, labor, marketing costs, taxes, fees, normal business purchases, inventory, packaging, transportation, distribution, office, utilities...


Cash Flow Forecast - 12 Months

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Tax payments	0	25,050	0	4,175	0	0	0	0	0	0	0	0	0	29,225
Capital purchases	0	0	0	0	10,000	0	0	10,000	0	0	21,325	0	0	41,325
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WHC 12 Month Cash Flow Forecast Tool

- Tell your story with numbers! Use actual cash flow based on reality. No place holders or even splits.
- Slow seasons? What else can I sell?
- Every action costs money and requires something to happen prior.
- Set milestones and sales goals or funding needs for hiring, major purchases, expansion.
- More sales usually require more or different marketing and that usually costs money.
- Savings Plan? Investing Plan? Your customer pays for your retirement in every purchase.
- Include repayment plan for loans/ lines of credit/ other debt.



WHC Cash Flow Projections Tool | Copyright 2024 Will Holmes Consulting

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Need help, accountability, or coaching? <https://whcusa.com/30-60-90/>

Your Projected Profit for the Year

\$ -

Summary (Based on 12 Months)

Average Revenue per Month	\$ -	Average Sales per Month	0.00
Average Expenses per Month	\$ -	Average Cost per Sale	#DIV/0!
Average Profit per Month	\$ -	Average Profit per Sale	#DIV/0!
Total Revenue	\$ -	Total Sales Projected	0
Total Expenses	\$ -	Profit Margin %	#DIV/0!

Your company name:

When does this projection start?

Jan-24

Your profit goal for the year:

Difference: \$ -

	Startup Capital? Insert below:	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Total
BANK BALANCE: This row calculates your projected bank balance at the beginning of month. This could be negative or positive based on your sales and expenses from the prior month. If this goes negative, get a loan, credit line, or sell more stuff!		0	0	0	0	0	0	0	0	0	0	0	0	
Projected Sales Volume														0
REVENUE (Money In)														
Revenue Source 1														0
Revenue Source 2														0
Revenue Source 3														0
Revenue Source 4														0
Revenue Source 5														0
Revenue Source 6														0
Revenue Source 7														0
Revenue Source 8														0
Revenue Source 9														0
Revenue Source 10														0
Revenue Source 11														0
Revenue Source 12														0
Revenue Source 13														0
Revenue Source 14														0
Revenue Source 15														0


Notes (Revenue)



WHC 12 Month Cash Flow Forecast Tool

ROLE PLAY!

I need a brave volunteer.



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Your Projected Profit for the Year

\$ -

Summary (Based on 12 Months)

Average Revenue per Month

\$ -

Average Sales per Month

0.00

Average Expenses per Month

\$ -

Average Cost per Sale

#DIV/0!

Average Profit per Month

\$ -

Average Profit per Sale

#DIV/0!

Total Revenue

\$ -

Total Sales Projected

0

Total Expenses

\$ -

Profit Margin %

#DIV/0!

Your company name:

When does this projection start?

Jan-24

Your profit goal for the year:

Difference: \$ -

Startup Capital? Insert below:

Jan-24

Feb-24

Mar-24

Apr-24

May-24

Jun-24

Jul-24

Aug-24

Sep-24

Oct-24

Nov-24

Dec-24

Total

BANK BALANCE: This row calculates your projected bank balance at the beginning of month. This could be negative or positive based on your sales and expenses from the prior month. If this goes negative, get a loan, credit line, or sell more stuff!

0

0

0

0

0

0

0

0

0

0

0

0

0

Projected Sales Volume

0

REVENUE (Money In)

Revenue Source 1

0

Revenue Source 2

0

Revenue Source 3

0

Revenue Source 4

0

Revenue Source 5

0

Revenue Source 6

0

Revenue Source 7

0

Revenue Source 8

0

Revenue Source 9

0

Revenue Source 10

0

Revenue Source 11

0

Revenue Source 12

0

Revenue Source 13

0

Revenue Source 14

0

Revenue Source 15

0

Notes (Revenue)



COMPANY DETAILS

THE PROBLEM YOU SOLVE

COMPETITIVE ADVANTAGE

STRENGTHS

COMPANY DESCRIPTION

Use your company description to provide detailed information about your company. Go into detail about the problems your business solves. Be specific, and list out the consumers, organization, or businesses your company plans to serve.

Explain the competitive advantages that will make your business a success. Are there experts on your team? Have you found the perfect location for your store?

Your company description is the place to boast about your strengths.



**YOUR VALUE
PROPOSITION**

INDUSTRY

TARGET MARKET

COMPETITON

YOUR ADVANTAGE

MARKET RESEARCH & ANALYSIS

You'll need a good understanding of your industry outlook and target market. Competitive research will show you what other businesses are doing and what their strengths are. In your market research, look for trends and themes. What do successful competitors do? Why does it work? Can you do it better? Now's the time to answer these questions. Understand the costs associated with reaching your customers.

Show that even with a conservative market share you can have a viable business because you are filling a need better than the competition.



**STRENGTHS IN YOUR
BUSINESS**

**WEAKNESSES THAT
YOU RECOGNIZE &
WILL ADDRESS**

**OPPORTUNITIES IN
THE MARKET**

**THREATS TO YOUR
BUSINESS**

LAWS/ REGULATIONS

SWOT ANALYSIS

SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats and is a structured planning method that evaluates those four elements of an organization, project or business venture. A SWOT analysis is a simple, but powerful, framework for leveraging the organization's strengths, improving weaknesses, minimizing threats, and taking the greatest possible advantage of opportunities.

Be honest and thorough! Don't leave out easy weaknesses that any reader can identify. Don't forget pandemics and pivots!



BUSINESS STRUCTURE

MANAGEMENT TEAM

LEGAL STRUCTURE

ORG CHART

WHAT'S SPECIAL?

ORGANIZATION & MANAGEMENT PLAN

Tell your reader how your company will be structured and who will run it. Describe the legal structure of your business. State whether you have or intend to incorporate your business as a C or an S corporation, form a general or limited partnership, or if you're a sole proprietor or limited liability company (LLC). Use an organizational chart to lay out who's in charge of what in your company. Show how each person's unique experience will contribute to the success of your venture. Understand the costs associated with having this team.

Consider including resumes and CVs of key members of your team in the appendix.



WHAT DO YOU SELL?

BENEFITS FOR
CUSTOMER?

INTELLECTUAL
PROPERTY

R&D

FUTURE GROWTH

SERVICE OR PRODUCT LINE

Describe what you sell or what service you offer. Explain how it benefits your customers and what the product lifecycle looks like. Share your plans for intellectual property, like copyright or patent filings. If you're doing research and development for your service or product, explain it in detail. Understand the associated costs and potential ROI.

This is a balance between how good it tastes and how efficiently you can make it. Profit margin per product or service is very important!



**CUSTOMER NEED &
YOUR VALUE
PROPOSITION**

**MARKETING
CHANNELS**

CUSTOMER LIFECYCLE

METRICS

STRATEGY

PAST SUCCESSES

MARKETING & SALES

There's no single way to approach a marketing strategy. Your strategy should evolve and change to fit your unique needs. Your goal in this section is to describe how you'll attract and retain customers. You'll also describe how a sale will actually happen. You'll refer to this section later when you make financial projections. Understand the associated costs.

Make sure to thoroughly describe your complete marketing and sales strategies and when the milestones will happen.



**HOW MUCH DO YOU
NEED?**

WHAT IS THE ASK?

**WHAT IS THE
PURPOSE?**

DEBT OR EQUITY?

FUTURE PLANS

FUNDING REQUEST

If you're asking for funding, this is where you'll outline your funding requirements. Your goal is to clearly explain how much funding you'll need over the next five years and what you'll use it for.

Specify whether you want debt (you'll pay back the loan) or equity (you're offering ownership), the terms you'd like applied, and the length of time your request will cover. Give a detailed description of how you'll use your funds. Specify if you need funds to buy equipment or materials, pay salaries, or cover specific bills until revenue increases. Always include a description of your future strategic financial plans, like paying off debt or selling your business.

BE AWARE OF AUDIENCE AND VERSION!



STABLE

**CONSERVATIVE
MARKET SHARE**

**CONSERVATIVE
GROWTH**

DETAILED EXPENSES

**MULTIPLE REVENUE
LINES & GREAT ROI**

FINANCIAL PLAN AND PROJECTIONS

Supplement your funding request with financial projections. Your goal is to convince the reader that your business is stable and will be a financial success.

If your business is already established, include income statements, balance sheets, and cash flow statements for the last three to five years. If you have other collateral you could put against a loan, make sure to list it now. Provide a prospective financial outlook for the next five years. Include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, be even more specific and use quarterly — or even monthly — projections. Make sure to clearly explain your projections and match them to your funding requests.

This is a great place to use graphs and charts to tell the financial story of your business. Be aware of your audience and version.

We recommend starting with the cash flow projections when writing your plan.



PRODUCT/ SERVICE

TEAM

**UNFAIR ADVANTAGE
& GROWTH
STRATEGY**

**HOW MUCH DO YOU
NEED?/ WHAT IS THE
ASK?**

GREAT INVESTMENT

SUMMARY/ CONCLUSION

Re-emphasize what your company is and why it will be successful. Re-emphasize your mission statement, your product or service, and extraordinary information about your company's leadership team, employees, and location. You should reference key trends and financial projections that show that this company is ready for a specific amount capital to do what is outlined in the plan.

**BE AWARE OF AUDIENCE AND VERSION! MAKE THIS EXCITING
SO PEOPLE/ INVESTORS/ LENDERS WANT TO GET INVOLVED!**



CREDIT HISTORIES

RESUMES

LETTERS OF
REFERENCE

PAST CONTRACTS

LEGAL DOCUMENTS

SUPPORTING
FINANCIAL
DOCUMENTS

APPENDIX

Use your appendix to provide supporting documents or other materials were specially requested.

Common items to include are profit loss, balance sheets, cash flow statements, credit histories, resumes, product pictures, letters of reference, licenses, permits, patents, legal documents, and other contracts.





**BEFORE YOU START
WRITING YOUR PLAN,
CONSIDER THE
FOLLOWING:**



What is \$1 million in revenue?

You need to create ways to generate \$83,334 per month in sales.

That is \$4,167 per day if you're open 20 days per month.

- That's \$521 per hour if you're open 8 hours per day.
- That's \$348 per hour if you're open 12 hours per day.

That is \$2,778 per day if you're open 30 days per month.

- That's \$348 per hour if you're open 8 hours per day.
- That's \$232 per hour if you're open 12 hours per day.

You must create quarterly/ monthly/ daily sales goals for your team!



What is \$1 million in revenue?

You need to create ways to generate \$83,334 per month in sales.

Average price of Services?

- Charge \$100 per hour? That's 834 total hours per month. If you have FT staff, you're billing your clients for 5 to 6 FTEs at \$100 per hour. You pay them a lesser amount so you can make a profit.
- Charge \$5000 per project? That's about 17 projects per month or 200 projects per year.
- Charge \$50,000 per project? That's about 2 projects per month or 20 projects per year.

Think about the infrastructure and target clients you'll need to make this happen. Don't market to people who can't afford to pay you at this level. They aren't your clients anymore. We are in business to generate revenue and make a profit.



What is \$1 million in revenue?

You need to create ways to generate \$83,334 per month in sales.

Average Price of Products?

- Average \$2 per product? That's about 41,667 sales per month or 500,000 sales per year.
- Average \$20 per transaction? That's about 4,167 transactions per month or 50,000 transactions per year.
- Charge \$350 per package? That's about 238 packages per month or 2,857 packages per year.

Think about the infrastructure and target clients you'll need to make this happen. You may need to become more efficient, shift to different manufacturers, sell online, add more space, add more staff, increase your hours, sell different products and target different customers to make this happen. This will probably affect your pricing and profitability.



Average price?

Average price of your services and products?

You may offer your customers a wide range of choices. For the purposes of projecting volume of sales, consider the range of your prices but identify the average price that you charge your customers. This helps plan for the infrastructure needed to sell higher volumes.

Example: Salon Services

\$35 for a hair wash. \$150 for a hairstyle. $(\$35 + \$150) / 2 = \$92.5$ on average for a service.

To hit 1 million in revenue, that salon owner would need to consider how much infrastructure would be needed to support 10,811 services.

$\$1,000,000 / \$92.5 = 10,811$ services

This is NOT a perfect number. It is a start to assess needed infrastructure.



Annual Profit Goal?

How much do you want to bring home each year or month after all your expenses?

You should run your business. It should not run you. Your business should be a tool to generate the money you need to live the life you want.

Your business should be profitable. Otherwise, it is an expensive hobby and a liability. If it is not making a profit, you need to move quickly to find a fix. An unprofitable business it will drain you mentally and financially and probably negatively affect your health and home life.

Also, you should be paying yourself. And we recommend that you consider your pay an expense. Why? Someone has to do the work if you sell the business or get sick. That labor should be accounted for in your pricing. Plus, lenders want to see that you pay yourself.

What is left over after expenses is profit. So, how much?



Cost to Make One?

How much does it cost to make one of whatever you sell?

Look at your expenses for the month. Divide that number by your average number of sales per month.

Total Monthly Expenses/ Average Number of Monthly Sales= Average Cost to Provide One Product or Service to Customer

This is NOT a perfect number. But what it does is that it requires you to look at ALL your expenses for the month and determine HOW MANY sales you make in a month.

You should include everything in your expenses! It's not just the ingredients to make a cupcake. It's also your business insurance, utilities, marketing, your pay, your team's pay and any other business expenses involved in making that cupcake. This will help you get closer to the right price to charge your customers.



Break Even Point?

Knowing your average price and your total monthly expenses helps you set minimum sales goals and assess pricing.

Look at your expenses for the month. Determine how much revenue you need to bring in to keep the lights on and cover your expenses.

Divide that number by your average price.

Total Monthly Expenses/ Average Price= Minimum Sales Goal to Stay Open

That Minimum Sales Goal to stay open is a VERY important number. This doesn't include any profit. But once you know this number, you can start to determine if you can keep sales volume the same and increase pricing or keep pricing the same and increase sales volume. Or maybe increase both.



A FEW MORE POINTS TO EXAMINE BEFORE TO HELP YOU MAXIMIZE CASH FLOW

- Your Mission/ Need You'll Fill in the Market
- How Will You Scale Your Business Model?
- Organizational Structure & Technology
- Goals, Metrics & Return on Investment
- Value Proposition
- Growth Strategy
- Personal Credit & Business Credit
- Essential Documentation to Access Capital

After we cover these topics, we'll have Q&A!



Choosing Your Mission

**Your Expertise/
How do you
want to hit your
money goal?
What do you
love?**

Self Assessment/ Money Goal
Cashflow Projections
Work/ Life Balance

**Chaos in Your
Target Industries/
Market/
Community**

Market Research
Surveys
Interviews/ Focus groups

**Issues That
People Will Pay/
Support You
to Fix Now**

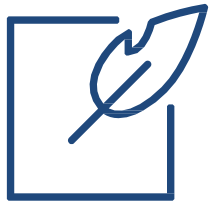
Market Research
census.gov
bls.gov



Creating Value

7 Considerations

- 1 What do you know/ do better than anyone?
- 2 What is your unfair advantage? Tech? Knowledge? Relationships? Talent? Ability? Training?
- 3 Who is your target customer? What do they need?



Creating Value

7 Considerations

- 4 What value can you provide? How much will it cost to provide this value and fill one customer's need?
- 5 How much will your target customer pay to fill this need?
- 6 How much money will you keep after expenses?
- 7 Who do you need to help you provide this value to many customers? How much will it cost to scale your operation and remain profitable?



Assessing Needs in the Market



B2Customer

Immediate Needs
Their Timeframe
Their Budget
Ownership of
Interaction
Size of Market
Timing
Abilities/ Products
Profit Potential
Your Infrastructure

What else?

<https://www.census.gov/programs-surveys/acs>
<https://www.census.gov/en.html>
<https://www.bea.gov/>



B2Business

Immediate Needs
Their Timeframe
Their Project Budget
RFP or Direct
Payment Terms
Timing/ Budget Cycle
Your Products/ Services
Profit Margin
Operations/ Fulfillment

What else?

<https://www.bls.gov/>
<https://finance.yahoo.com/>
<https://www.usa.gov/budget>



B2Government

Acquisitions Forecast
Contract Opportunities
Federal & State
Budgets
Proposal Process
Contract Size/ Terms
Fiscal Year
NAICS
Your Pricing
Your Capabilities

What else?

<https://business.defense.gov/Small-Business/Acquisition-Forecasts/beta.SAM.gov> (fedbizopps and fpds moved here for some functions)
<https://procurement.maryland.gov/>



Considerations

Short Term Goals
Long Term Goals
Target End Result
Return On Investment
Capital Required
Timing
Level of Effort
Work/ Life Balance
Brand Management
Surveys/ Focus Groups

What else?



Market Research

First, you need to know as much as possible about your target customer's buying habits, income levels, demographics, location and how they receive information. After you talk to potential customers and ask them directly, use these links to help broaden and strengthen your market research data:

Business to Consumer (B2C)

<https://www.pewresearch.org/>

<https://www.census.gov>

<https://www.bls.gov>

<https://www.livingfacts.org/>

<https://trends.google.com/trends/>

<https://www.google.com/>

<https://www.facebook.com/business/insights/tools/audience-insights>

<https://www.pickfu.com/>

Resources

Market Research

Business to Business (B2B)

<https://www.paychex.com/employment-watch/#!/>

<https://adpemploymentreport.com/>

<http://www.nfib-sbet.org/>

<https://www.yelp.com/>

<https://www.trade.gov/export-solutions>

<https://www.franchise.org/franchising/franchise-industry-research>

<https://smallbiztrends.com/small-business-statistics>

<https://nrf.com/retails-impact>



Resources

Market Research

Business to Government (B2G)

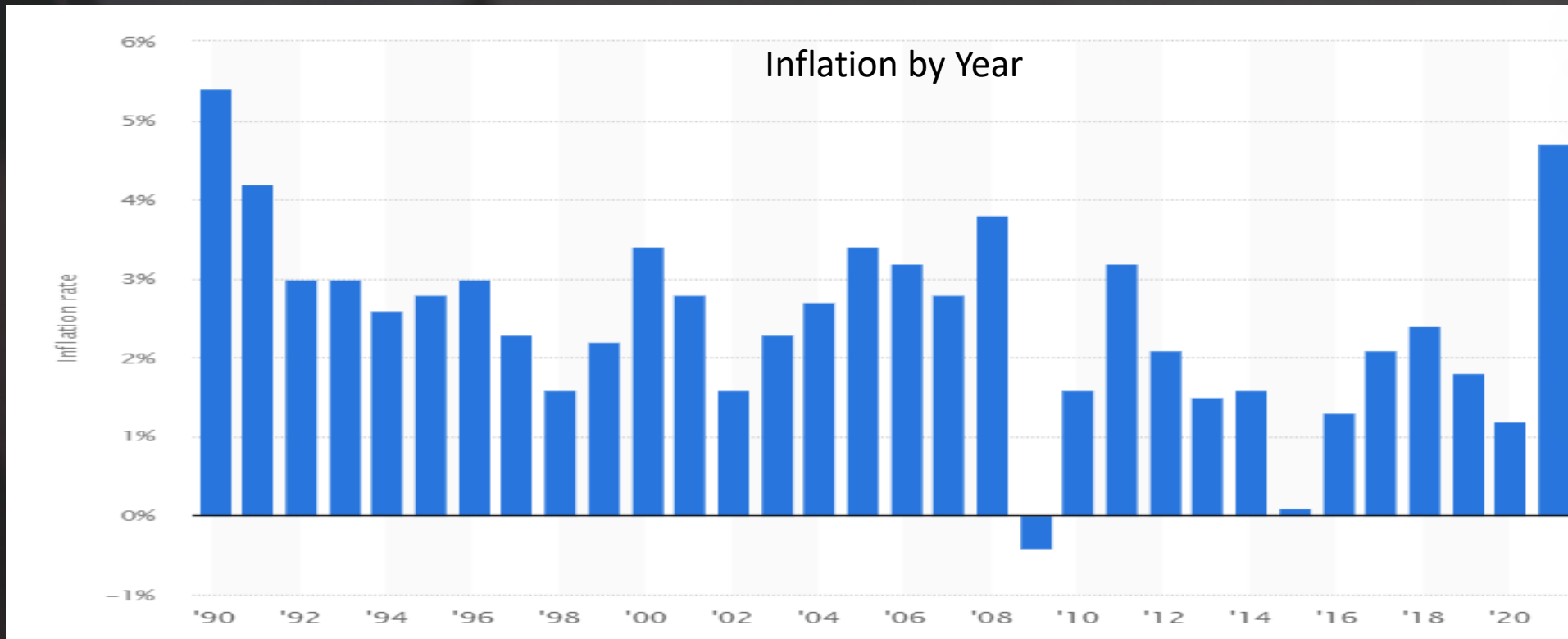
<https://sam.gov/>

<https://procurement.maryland.gov/>

Go to pre-bid meetings!



Inflation is real! How will you make enough for next year? Your retirement years?



If your business is part of your retirement plan, it must be able to support your expenses when you retire. Average inflation is 2% to 3% per year.

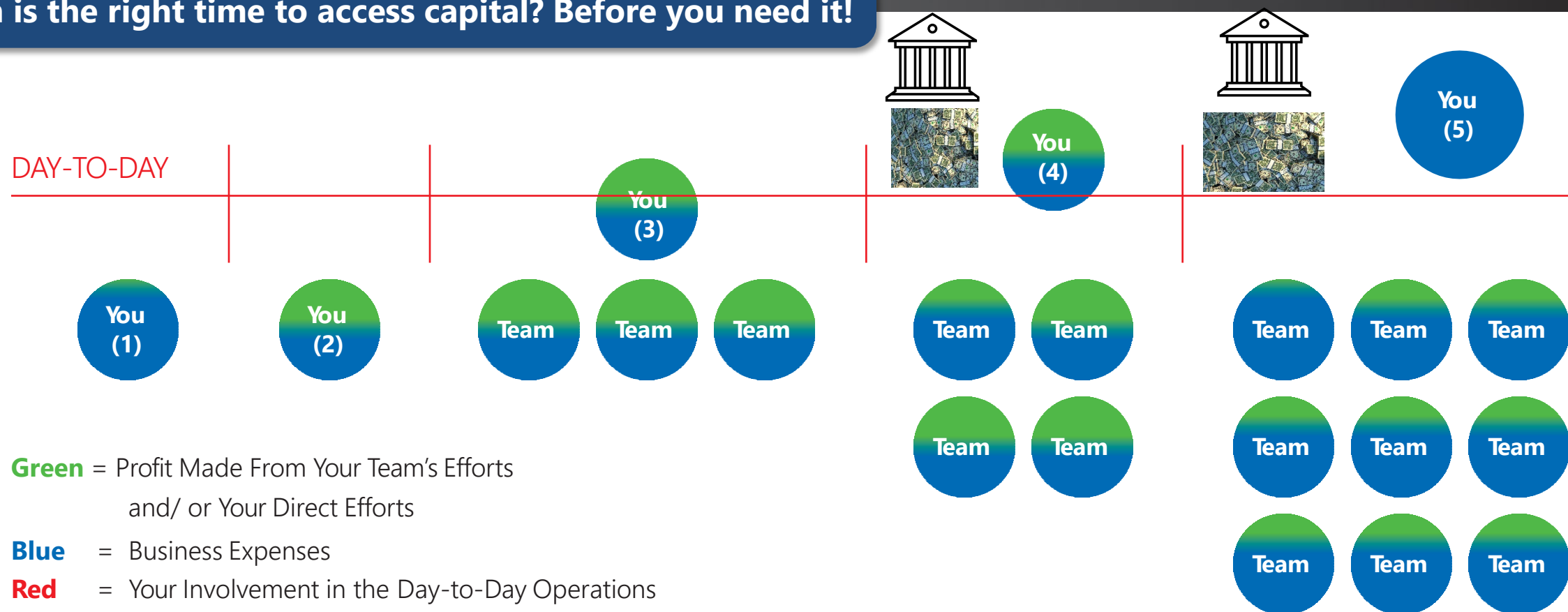
Inflation

Inflation is a fundamental economic indicator. For example, if an average pair of shoes costs 100 dollars one year and 105 dollars the following year, the inflation rate is five percent. This means the purchasing power of the dollar has decreased. The data presents the average rate of inflation throughout a year. How much will a pair of shoes cost when you retire? Source: <https://www.statista.com/statistics/191077/inflation-rate-in-the-usa-since-1990/>



Use Capital to Scale Your Business!

When is the right time to access capital? Before you need it!



Key Business Functions



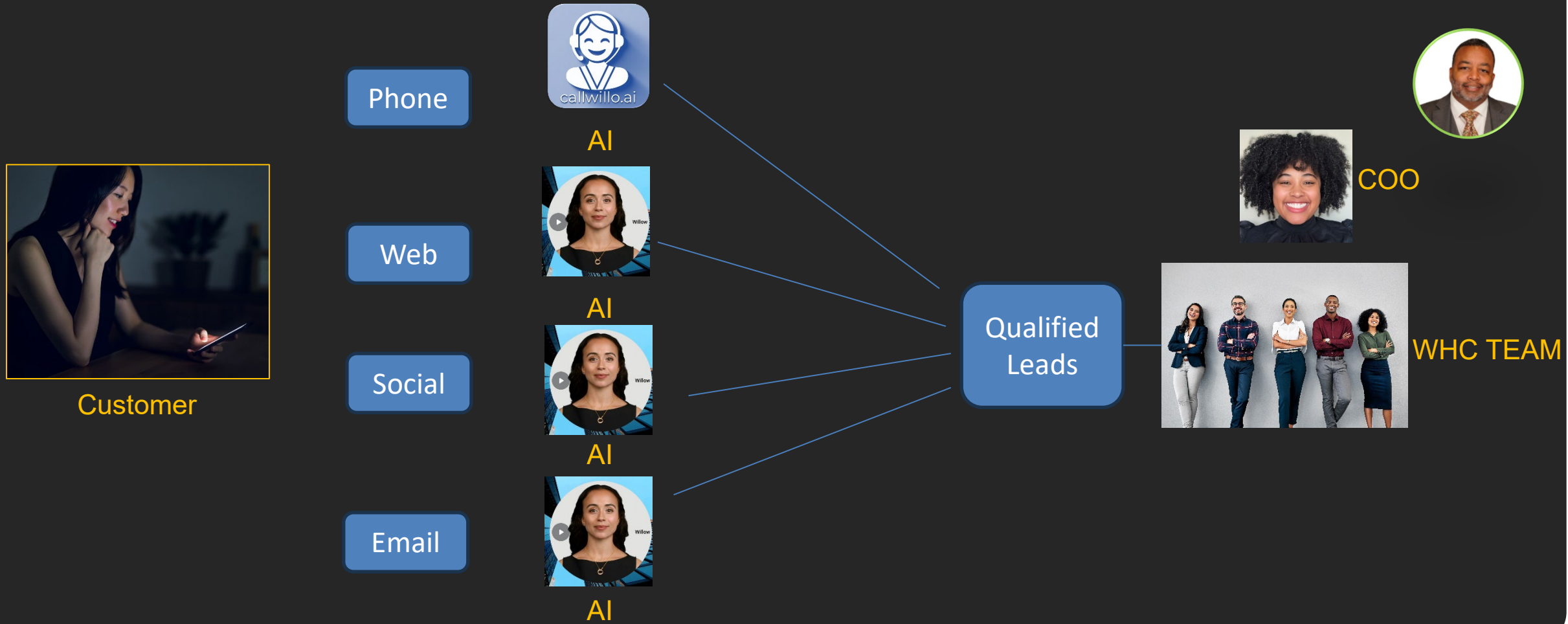
Every business needs these functions, no matter how big or small. Some roles may be filled with technology.

You must segregate duties and put people in roles where they will thrive!

All these roles should be listed in your cash flow projections, budget and in your price!



Implementing AI



Understanding Your Value Proposition



1

What benefits do your customers experience?

2

What differentiates your business?

3

Why do your customers choose you?

PREPARING FOR CAPITAL

Knowing Your Customer & Industry



- 1** Know your customer's buying patterns & history
- 2** How big is the market & what is your share?
- 3** What does your competition do well?
- 4** What do your sales projections say?
- 5** How is your industry trending?
- 6** What's next in your industry?



PREPARING FOR CAPITAL

What is Your Growth Strategy?



1

What are your 1, 3, 5-year projections?

2

How will this funding help you grow?

3

How much of your money will you invest?

4

What needs to happen for you to grow?

5

What are your assumptions?



PREPARING FOR CAPITAL

How Will You Pay Back the Money?



- 1 How much do you need & why?
- 2 When can you start paying it back?
- 3 How will you pay it back?
- 4 Payments? Long term (loan) or short term (credit line)?
- 5 Do you need investors, partners or lenders?
- 6 What's in it for them? ROI? Risk?



PREPARING FOR CAPITAL

Building a Relationship with Funding Partners



1

Which banks/ investors/ funders like your industry?

2

Meet with them to understand what they want.

3

Understand the checklist! (Tangible & Intangible)

4

Where are you now? What's missing?

5

Make a project plan for future meetings.

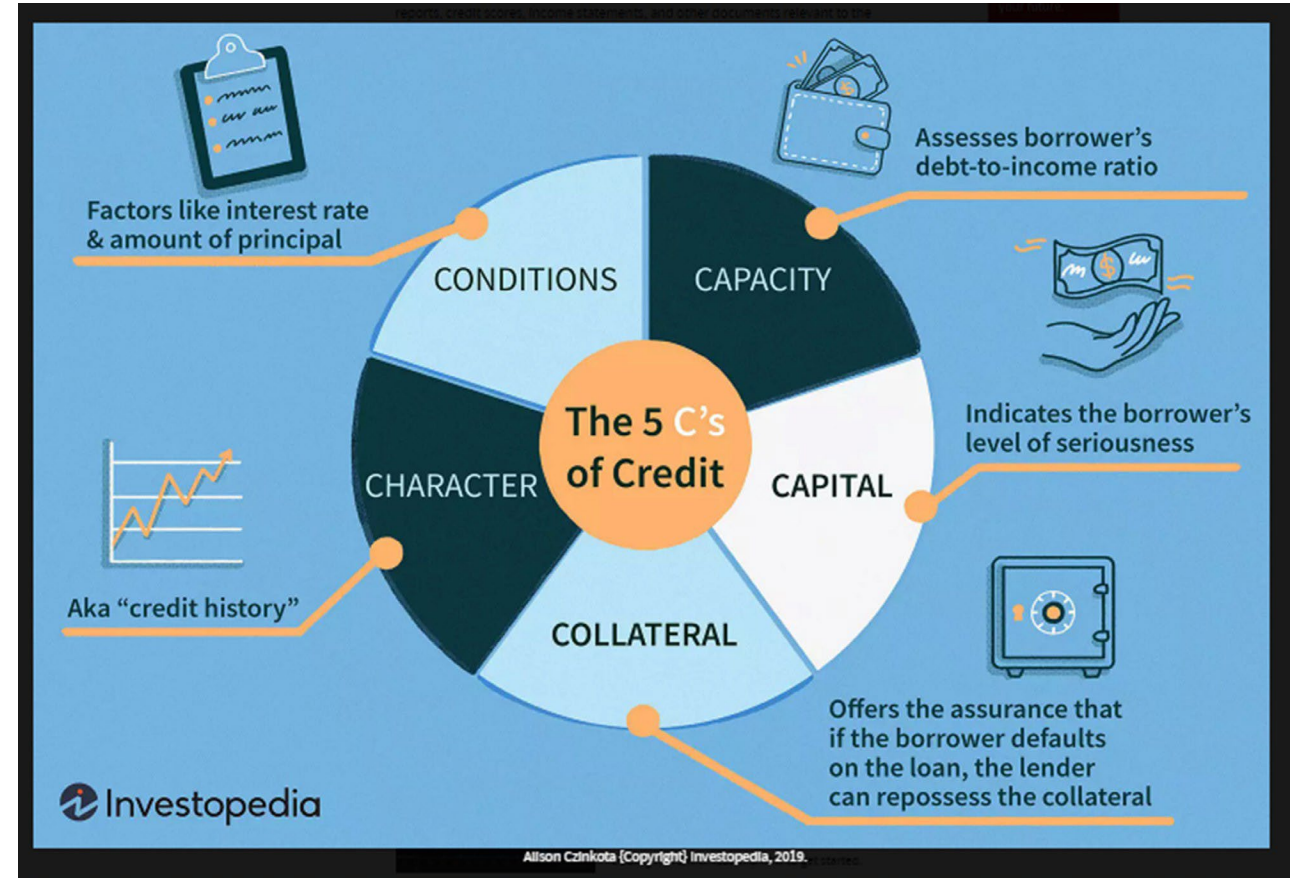


PREPARING FOR CAPITAL

Essential Documentation - The 5 Cs

Regardless of the type of financing needed, most banks or lending institutions will be interested in both your business and personal financials.

Great article on Investopedia:
<https://www.investopedia.com/terms/f/five-c-credit.asp>



Essential Documentation - The 5 Cs

1 The Five Cs of Credit: Character

Refers to credit history: a borrower's reputation or track record for repaying debts. This information appears on the borrower's credit reports. Generated by the three major credit bureaus—Experian, TransUnion, and Equifax—credit reports contain detailed information about how much an applicant has borrowed in the past and whether they have repaid loans on time.

These reports also contain information on collection accounts and bankruptcies, and they retain most information for seven to 10 years.

The general rule is the higher a borrower's credit scores, the higher the likelihood of receiving an approval. Lenders also regularly rely upon credit scores as a means for setting the rates and terms of loans. The result is often more attractive loan offers for borrowers who have good-to-excellent credit.



PREPARING FOR CAPITAL- (850 possible points)

1 **Payment history (35%) 297.5 points**

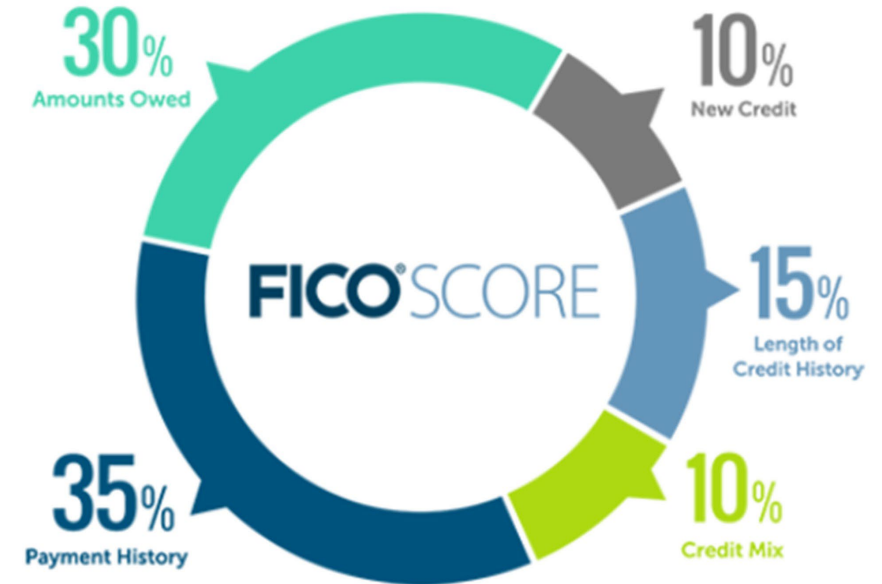
The first thing any lender wants to know is whether you've paid past credit accounts on time. This helps a lender figure out the amount of risk it will take on when extending credit. This is the most important factor in a FICO Score. Be sure to keep your accounts in good standing to build a healthy history.

2 **Amounts owed (30%) 255 points**

Having credit accounts and owing money on them does not necessarily mean you are a high-risk borrower with a low FICO Score. However, if you are using a lot of your available credit, this may indicate that you are overextended—and banks can interpret this to mean that you are at a higher risk of defaulting.

What's in my FICO® Scores?

FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).



<https://www.myfico.com/credit-education/whats-in-your-credit-score>



PREPARING FOR CAPITAL

3 Length of credit history (15%) 127.5 points

In general, a longer credit history will increase your FICO Scores. However, even people who haven't been using credit for long may have high FICO Scores, depending on how the rest of their credit report looks. Your FICO Scores take into account:

- *How long your credit accounts have been established, including the age of your oldest account, the age of your newest account and an average age of all your accounts
- *How long specific credit accounts have been established
- *How long it has been since you used certain accounts

What's in my FICO® Scores?

FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).



<https://www.myfico.com/credit-education/whats-in-your-credit-score>



PREPARING FOR CAPITAL

4 Credit mix (10%) 85 points

FICO Scores will consider your mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. Don't worry, it's not necessary to have one of each.

5 New credit (10%) 85 points

Research shows that opening several credit accounts in a short amount of time represents a greater risk—especially for people who don't have a long credit history. If you can avoid it, try not to open too many accounts too rapidly.

What's in my FICO® Scores?

FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).



<https://www.myfico.com/credit-education/whats-in-your-credit-score>



PREPARING FOR CAPITAL

SIGN UP FOR THE CREDIT MONITORING SERVICES!

PERSONAL CREDIT

<https://www.equifax.com/personal/>
<https://www.transunion.com/>
<https://www.experian.com/>

BUSINESS CREDIT

<https://www.dnb.com/>
<https://www.nav.com/>



What's in my FICO® Scores?

FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).



<https://www.myfico.com/credit-education/whats-in-your-credit-score>

BUSINESS CREDIT SCORING MODELS USED BY LENDERS

FICO SBSS (Small Business Scoring Service): This is a proprietary scoring model developed by FICO specifically for small businesses. It has a scoring range of 0 to 300, with a higher score indicating a better creditworthiness.

Dun & Bradstreet Paydex score: This is a scoring model developed by Dun & Bradstreet that is based on a business's payment history. It has a scoring range of 1 to 999, with a higher score indicating a better creditworthiness.

Experian Business Credit Score: This is a scoring model developed by Experian that is based on a variety of factors, including payment history, credit utilization, and business size. It has a scoring range of 1 to 100, with a higher score indicating a better creditworthiness.

Equifax Business Credit Risk and Business Failure scores: These are two scoring models developed by Equifax that are based on a variety of factors, including payment history, credit utilization, and business size. The *Business Credit Risk* score has a scoring range of 1 to 100, with a higher score indicating a better creditworthiness. The *Business Failure* score has a scoring range of 1 to 1000, with a higher score indicating a lower risk of business failure.



Essential Documentation - The 5 Cs

2 The Five Cs of Credit: **Capacity**

Measures the borrower's ability to repay a loan by comparing income against recurring debts and assessing the **borrower's debt-to-income (DTI) ratio**.

Lenders calculate DTI by **adding together a borrower's total monthly debt payments and dividing that by the borrower's gross monthly income**. The lower an applicant's DTI, the better the chance of qualifying for a new loan.

Every lender is different, but many lenders prefer an applicant's **DTI to be around 35% or less** before approving an application for new financing.



Essential Documentation - The 5 Cs

3 The Five Cs of Credit: **Capital**

Lenders also consider any capital the borrower puts toward a potential investment.
A large contribution by the borrower decreases the chance of default.

Down payments **indicate the borrower's level of seriousness**, which can make lenders more comfortable in extending credit.

Essential Documentation - The 5 Cs

4 The Five Cs of Credit: **Collateral**

Collateral can help a borrower secure loans. It gives the lender the assurance that **if the borrower defaults on the loan, the lender can get something back by repossessing the collateral.**

Often, the collateral is the object one is borrowing the money for: Auto loans, for instance, are secured by cars, and mortgages are secured by homes. For this reason, **collateral-backed loans are sometimes referred to as secured loans or secured debt.**

Essential Documentation - The 5 Cs

5 The Five Cs of Credit: **Conditions**

The conditions of the loan, such as its **interest rate and amount of principal**, influence the lender's desire to finance the borrower.

Conditions can refer to **how a borrower intends to use the money**. Specific reasons are preferred by lenders.

Lenders also consider conditions that are outside of the borrower's control, such as **the state of the economy, industry trends, or pending legislative changes**.

PREPARING FOR CAPITAL

Essential Documentation

- Business registration documents (whichever applies to your business)
 - Articles of Incorporation/ Organization or Bylaws and/ or Operating agreement or Partnership Agreement
- Complete Loan Application, Personal Financial Statement/ ID
- 2- 3 years of Personal Taxes
- 2- 3 years of Business Taxes
- 6 Months of Personal Bank statements (most recent checking, savings, etc.)
- 6 Months of Business Bank Statements (most recent .checking, savings, etc.)
- Business Plan (projections, market research, cash flow projections, competitive analysis, as well as any documentation you may have now that shows the monthly business income, expenses and pricing model)
- Collateral information (Car that is paid off, make model, equipment, business assets, cash, co-signer, etc.)
- If you are using a vehicle as collateral, a clean copy of the car title as well as proof of insurance.
- Summary of the use of funds
- Management Resume and Profit & Loss and Balance Sheets prepared by a CPA



Q&A



THANK YOU!

**For help with
funding or growing your business,
schedule a call with Will Holmes:**

<https://whcusa.com/contact/>

For info on the WHC Cash Flow Projections tool, visit

<https://whcusa.com/cashflow/>



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