

Workshop # 4



**Developing Your Big Idea's
Financial Plan**

How Would You Develop A Personal Budget? What Do You Need To Know?



Personal Budget

- How Much Are You Paid Every Month?
 - Payroll and Taxes
- Living Essentials
 - Rent & Utilities & Phone/Internet
 - Food
 - Insurance
 - Transportation
 - Clothes
 - Entertainment
 - Retirement Savings



**Pay – Expenses =
Disposable Income**



How Does That Work With A Company?

Revenue

- Costs To Make Product

Gross Profit

- Costs Other Than Production

Operating Income

- Taxes

What You Put In Your Pocket



Getting To Positive Cash Flow

- Have More Coming In Than Going Out.
- No Flow, Won't Go.
- Making The Most By Spending The Least.
- If You Are Filling Your Bank Account, What's The Point!



Helpful Hint # 1

Start With Expenses, Not Revenue

- Fixed Costs/Overhead
 - Rent, Utility Bills, Phone Bills/Communication Costs, Accounting, Legal/Insurance/Licensing Fees, Postage, Technology, Advertising & Marketing, Salaries

Helpful Hint # 1

Start With Expenses, Not Revenue

- Costs of Goods Sold
 - Materials & Labor
 - Supplies
 - Packaging

Helpful Hint # 1

Start With Expenses, Not Revenue

- Direct Labor Costs
 - Customer Service, Direct Sales, & Direct Marketing
- Double Your Estimates For Advertising
- Triple Your Estimates For Legal, Insurance.
- Track Direct Sales And Service Even If You Are Doing Them Yourself.

Helpful Hint # 2

Forecast Revenues Using Both A Conservative & Aggressive Case

- Embrace Audacious Optimism
- Force Yourself To Make Conservative Assumptions
- Relax Some Assumptions For Your Aggressive Case

Let's Get Started



Key Facts You Need To Know NOW!

- How Much Does It Cost To Make 1 Unit of My Product or Service?
- How Many Will You Sell Every Day, Week, Month & Year?
- What Bills Do I Need To Pay Every Month OTHER Than Parts & Labor?
- What Am I Going To Need To Spend To Get Started?



Define The Market

Determine The Total Addressable Market



What Percentage of Potential Customers/Clients Can You Get!

How Big Is The Market?

How Much Will You Capture Over 5 Years?



Estimating Revenue

- First You Need To Hone In On Your Unit Price.
- What % of The Market Will You Capture?
- How Many Will You Sell Every Week?
- Multiply Times 4 Weeks?
- Multiply Times 12 Months?



Top Down Revenue

- Assume Your Total Market Is \$100 Million.
- Assume You Will Capture 5% of The Market or \$5 Million.
- Divide That By 5 Years.
- Revenue Is \$1 Million Per Year.

Example: Online Guidance Counselor

- 50.7 Million High School Students
- 250:1 Optimal Guidance Counselors Per Student
- 50 Million \div 250 = 200,000 Licenses
- Get 5% of Market
 - 200,000 \times .05 = 10,000 Licenses
- 10,000 \times \$250 Each = \$2,500,000
- \$2,500,000 \div 5 = \$500,000 Per Year

Example: Memory Assist Device

- Leapfrog Leapad Sells For \$79.99
- CDC Says 5 Million Americans With Alzheimer's Disease
- Total Market Is 5 Million \times \$79.99 = \$399,750,000
- 5% of Market = \$19,987,750 \div 5 Years
- \$3.9 Million Annual Revenue

CyberSecurity Software For Small Businesses

OBERLO

How Many Small Businesses Are There in the USA?



There are

**30.7
MILLION**

small businesses
in the USA.

(SBA, 2019)

Number of Small Businesses in the United States over the past 5 Years



Source: Office of Advocacy - sba.gov

FOREIGN USA














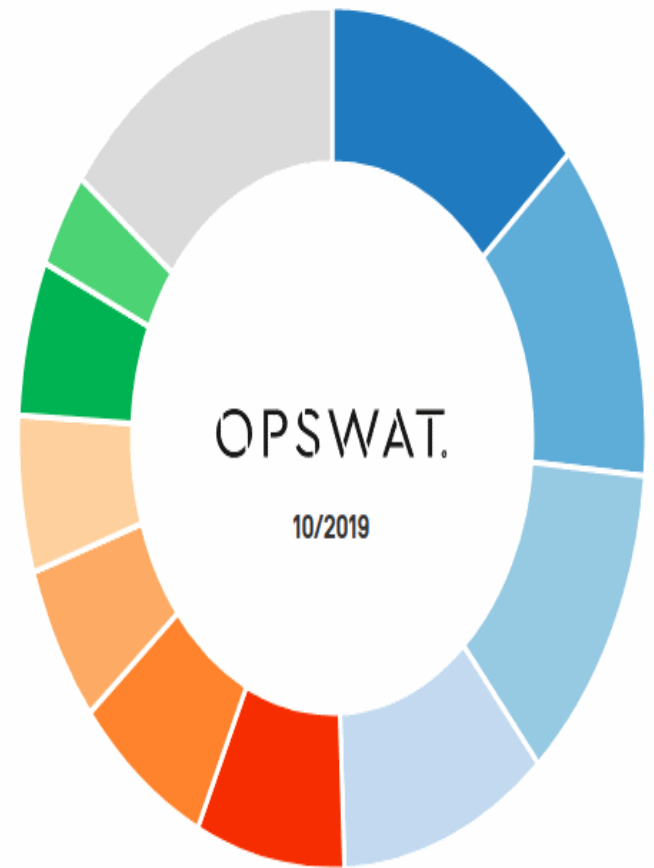
Bitdefender®



SOPHOS



	Symantec Corporation	13.56%
	ESET	12.84%
	McAfee, Inc.	12.21%
	Bitdefender	10.77%
	Kaspersky Lab	7.66%
	AVAST Software a.s.	6.98%
	Cylance Inc.	5.95%
	Webroot Software, Inc.	5.88%
	Malwarebytes	5.8%
	Sophos Limited	3.62%
	Other	14.73%

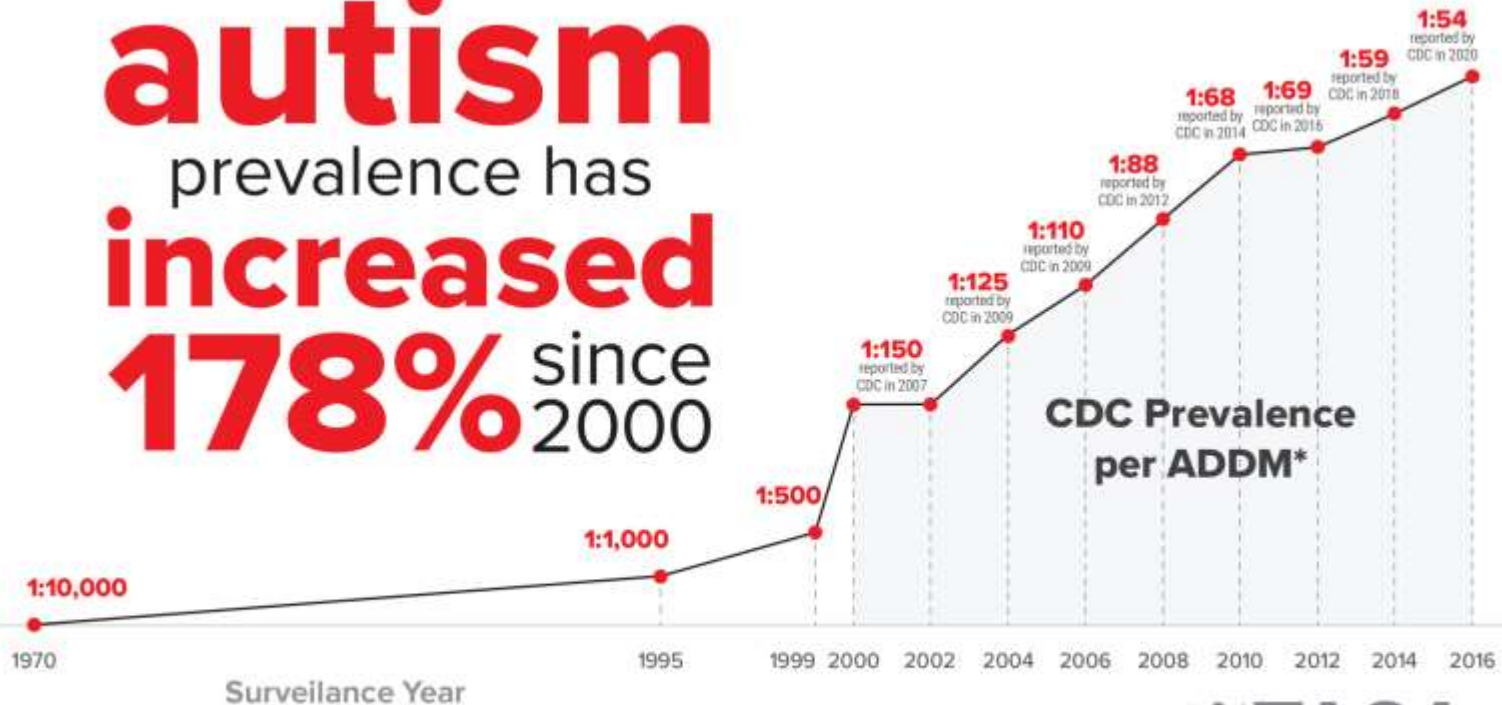


Example: Cybersecurity Software For Small Business

- 37 Million Small Businesses
- Prices \$19.99 to \$300
- 37 Million X \$50 = \$1.8 Billion
 - \$1.8 Billion \times .01 = \$18,500,000
- \$18,500,000 \div 5 = \$3.7 Million Per Year

Autism

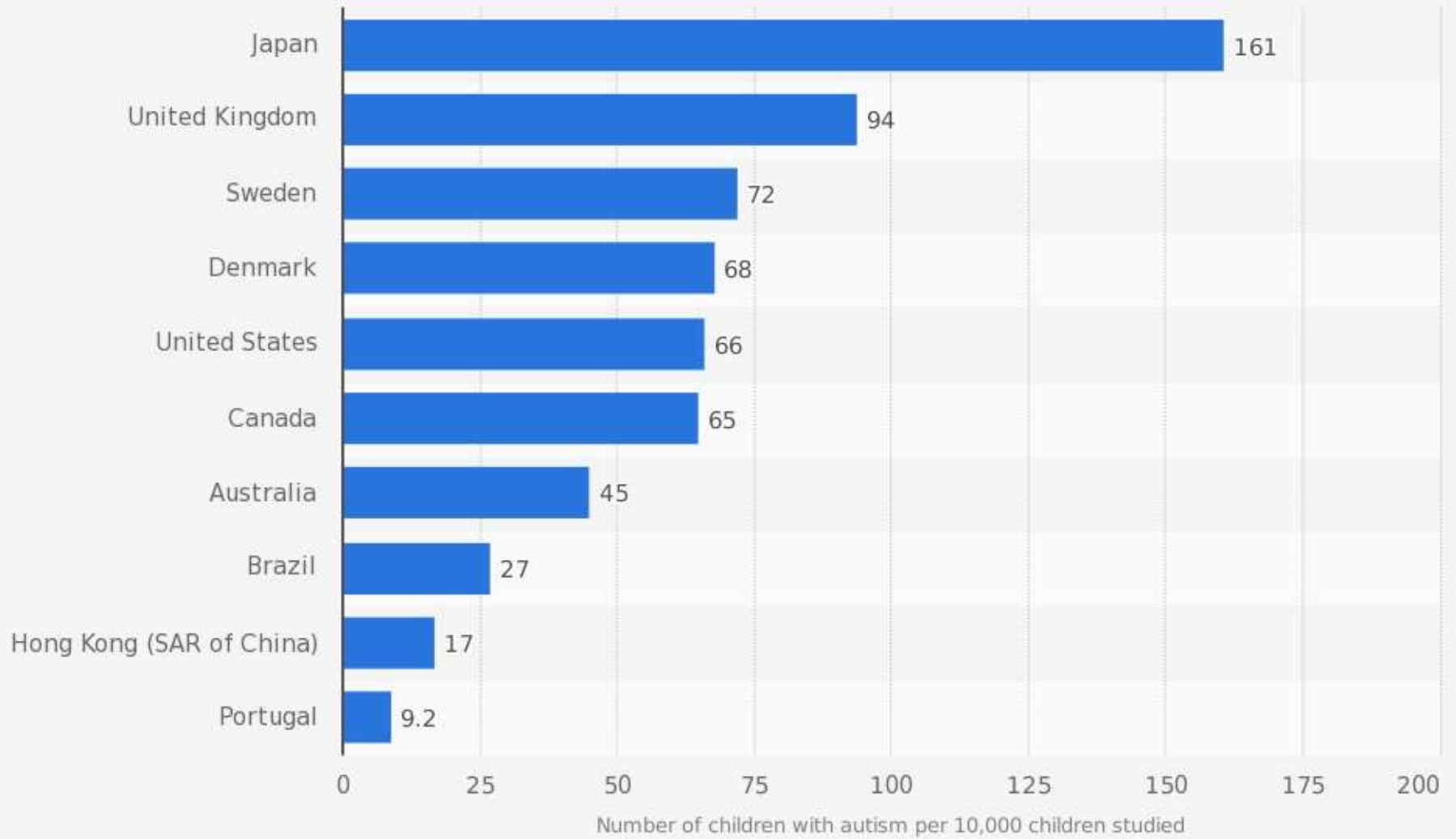
autism
prevalence has
increased
178% since
2000



*ADDM (Autism and Development Disabilities Monitoring Network)



Prevalence of autism spectrum disorder among children in select countries worldwide as of 2017 (per 10,000 children)



Source
WorldAtlas
© Statista 2018

Additional Information:
Worldwide; 2017

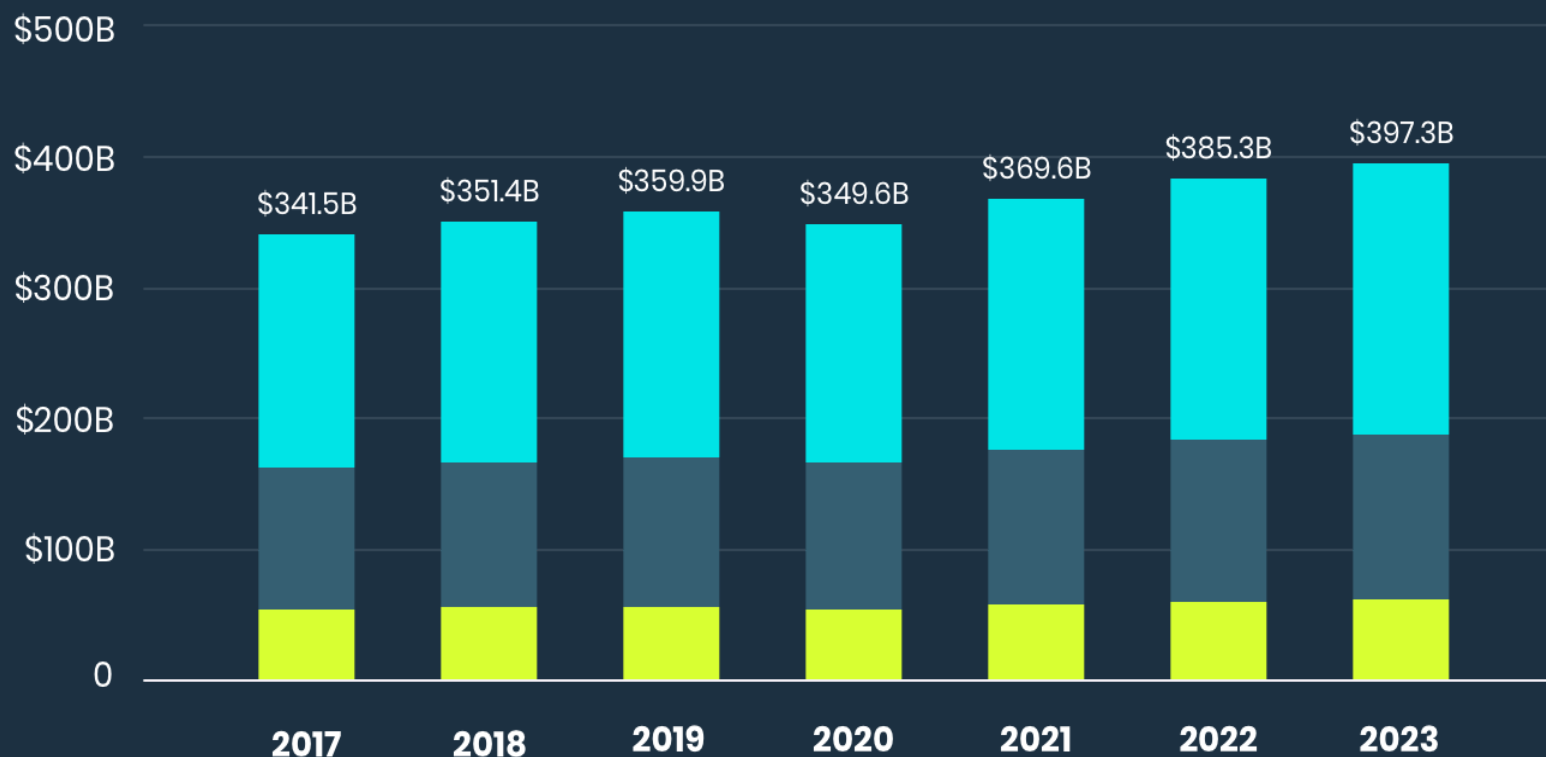
Example: Autism Assist Device

- 74.2 Million Children
- 1 in 52 or \$1.3 Million
- Leapfrog Leapad Sells For \$79.99
- Total Market Is 1.3 Million \times \$79.99 = \$109,912,000
- 5% of Market = \$5,400,000 \div 5 Years
- \$1.09 Million Annual Revenue

Revenue in the Apparel Market

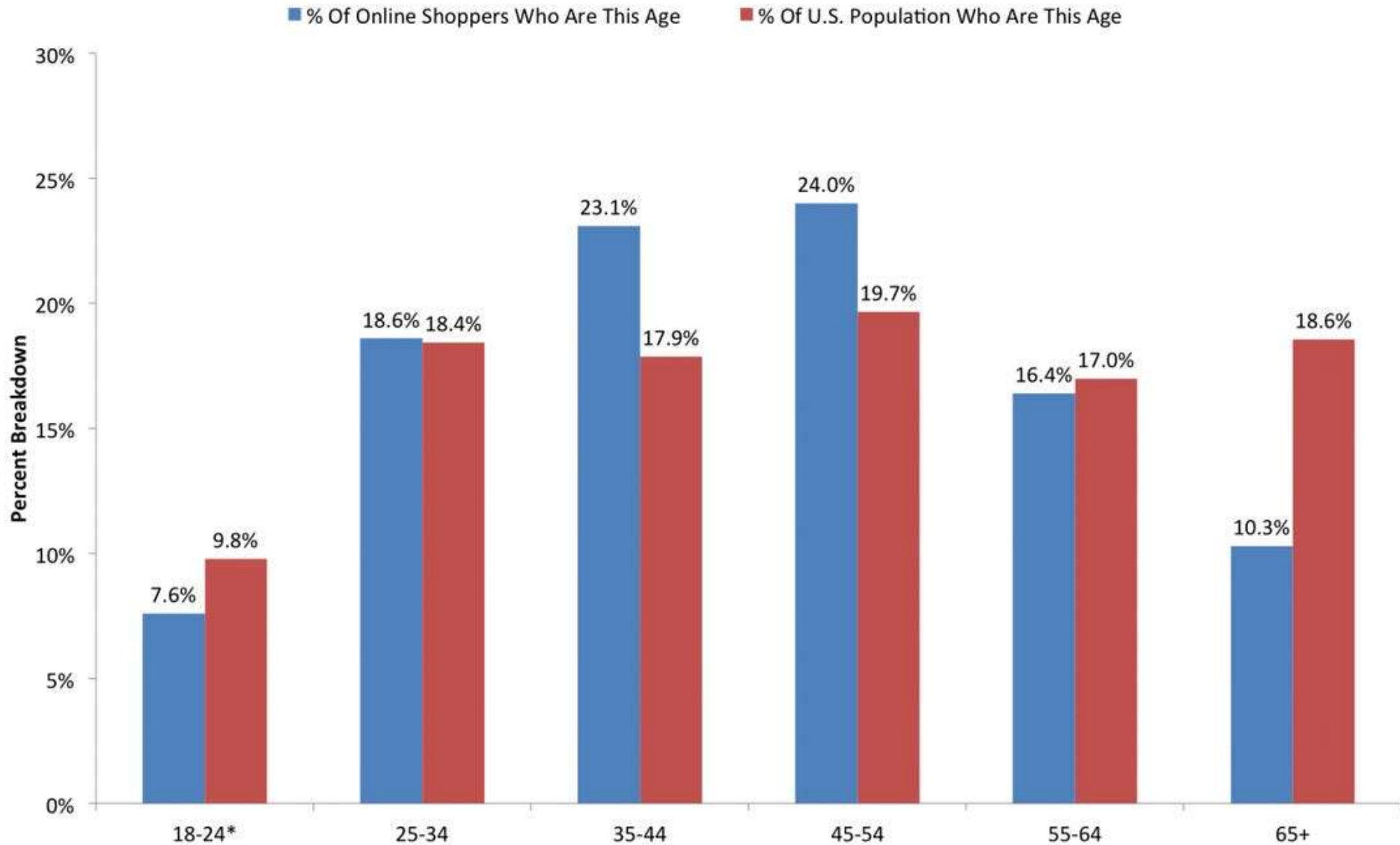
in billion US\$ (United States)

— Women's Apparel
 — Men's Apparel
 — Children's Apparel



A Disproportionate Share Of Middle-Aged Americans Shop Online

(Adjusted To Not Include Consumers Under The Age Of 18; 2013)



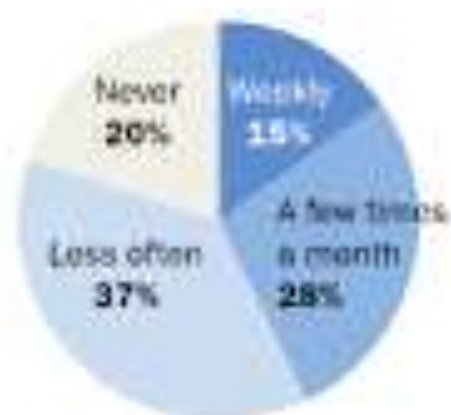
BI INTELLIGENCE

Roughly eight-in-ten Americans are online shoppers; 15% buy online on a weekly basis

% of U.S. adults who ever buy something ...



% of U.S. adults who shop online ...

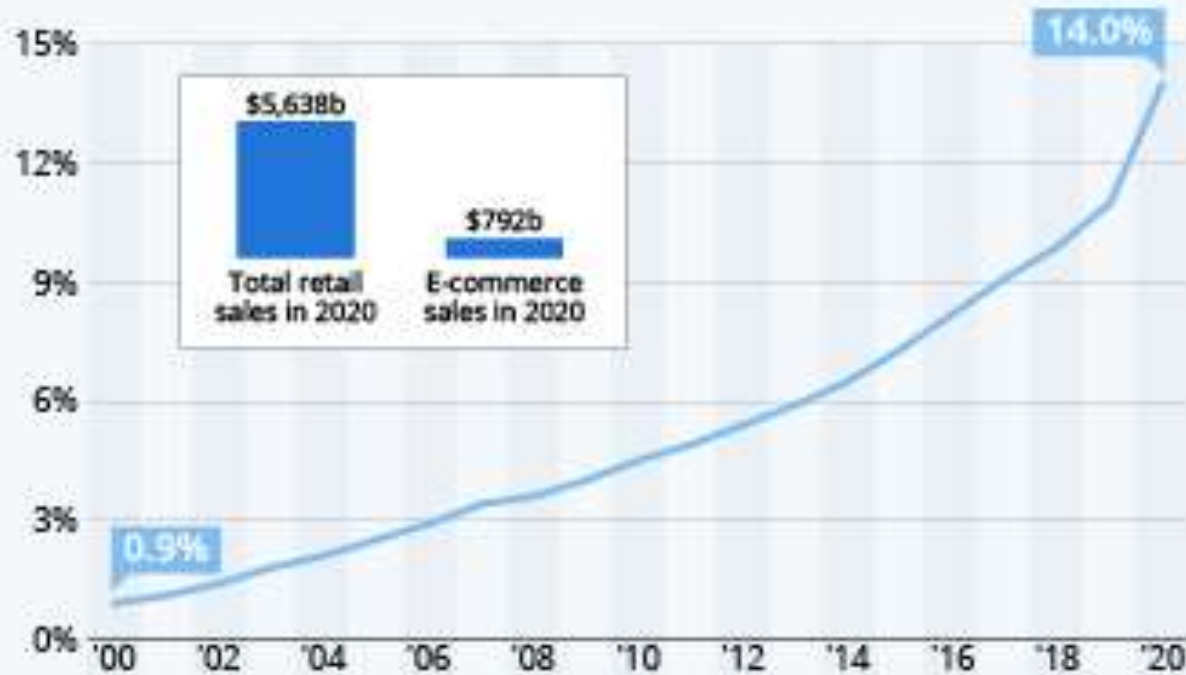


Source: Survey conducted Nov. 24-Dec. 21, 2015.
"Online Shopping and E-Commerce"

PEW RESEARCH CENTER

Pandemic Accelerates Shift to Online Retail

E-Commerce sales as a percentage of total retail sales in the United States*

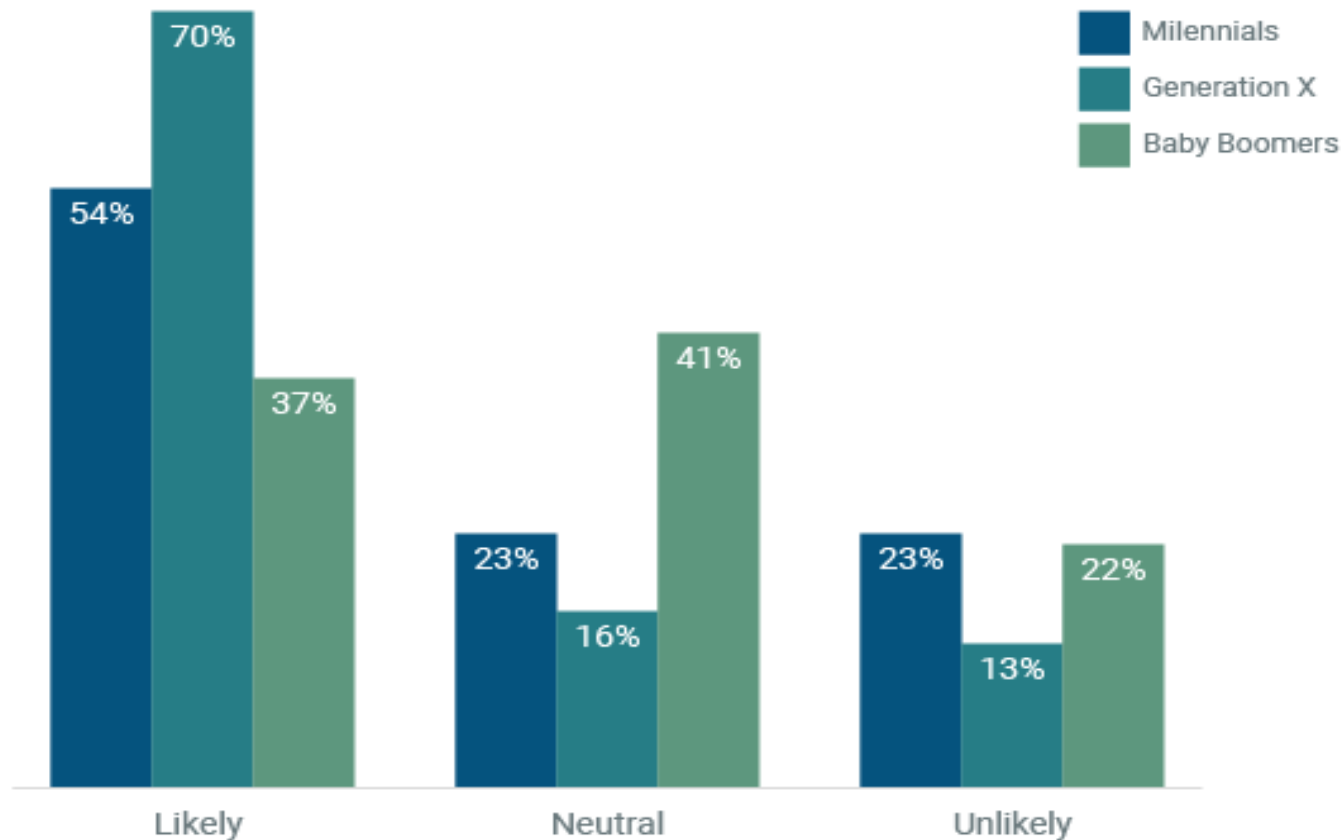


* not seasonally adjusted; excluding food services sales

Source: U.S. Census Bureau



Younger Generations More Likely to Stop Shopping at a Company They Disagree With



Not all answer choices shown

Percent of total respondents; N=420 people who made a purchase online or in-store in last 6 months

Source: Clutch 2019 PR and Corporate Social Responsibility Survey

	Month 1	Month 2	Month 3
Leads	10000	11000	12100
Conversion Rate % of Leads to Customers	3%	3%	3%
Growth Rate % of Conversion Rate	2%	2%	2%
Total New Customers	300	337	378
% of Customers that are Repeat Customers	20%	20%	20%
Total Repeat Customers	60	127	203
Average # of Purchases per Month per Customer	2	2	2
Average \$ Amount of a Purchase	\$10.00	\$10.00	\$10.00
Total One Time Customer Sales	\$6,000	\$6,732	\$7,553
Total Repeat Customer Sales	\$1,200	\$2,546	\$4,057
Total Sales	\$7,200	\$9,278	\$11,610

THE CLOTHING SHOP: 2021 STRATEGIC SALES ACTION PLAN



Roughly eight-in-ten Americans are online shoppers; 15% buy online on a weekly basis

% of U.S. adults who ever buy something ...



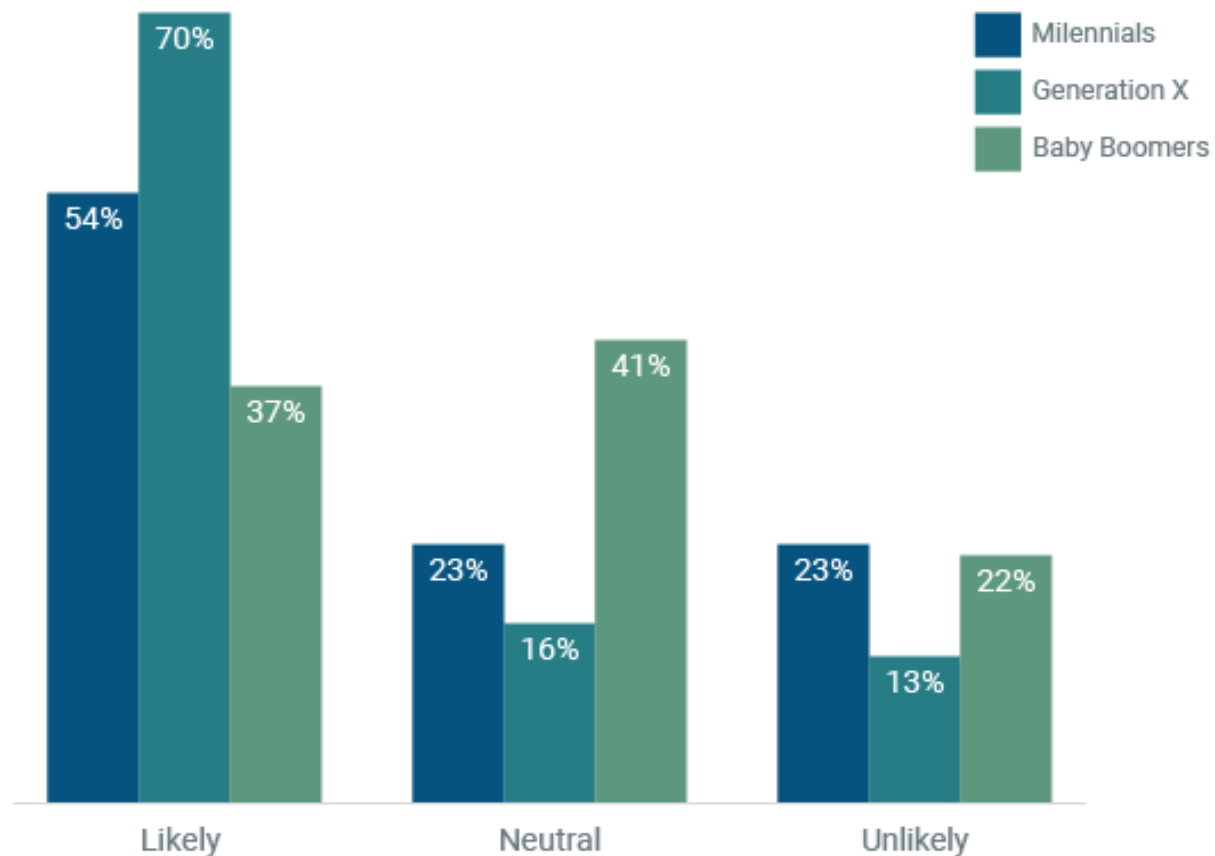
% of U.S. adults who shop online ...



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PEW RESEARCH CENTER

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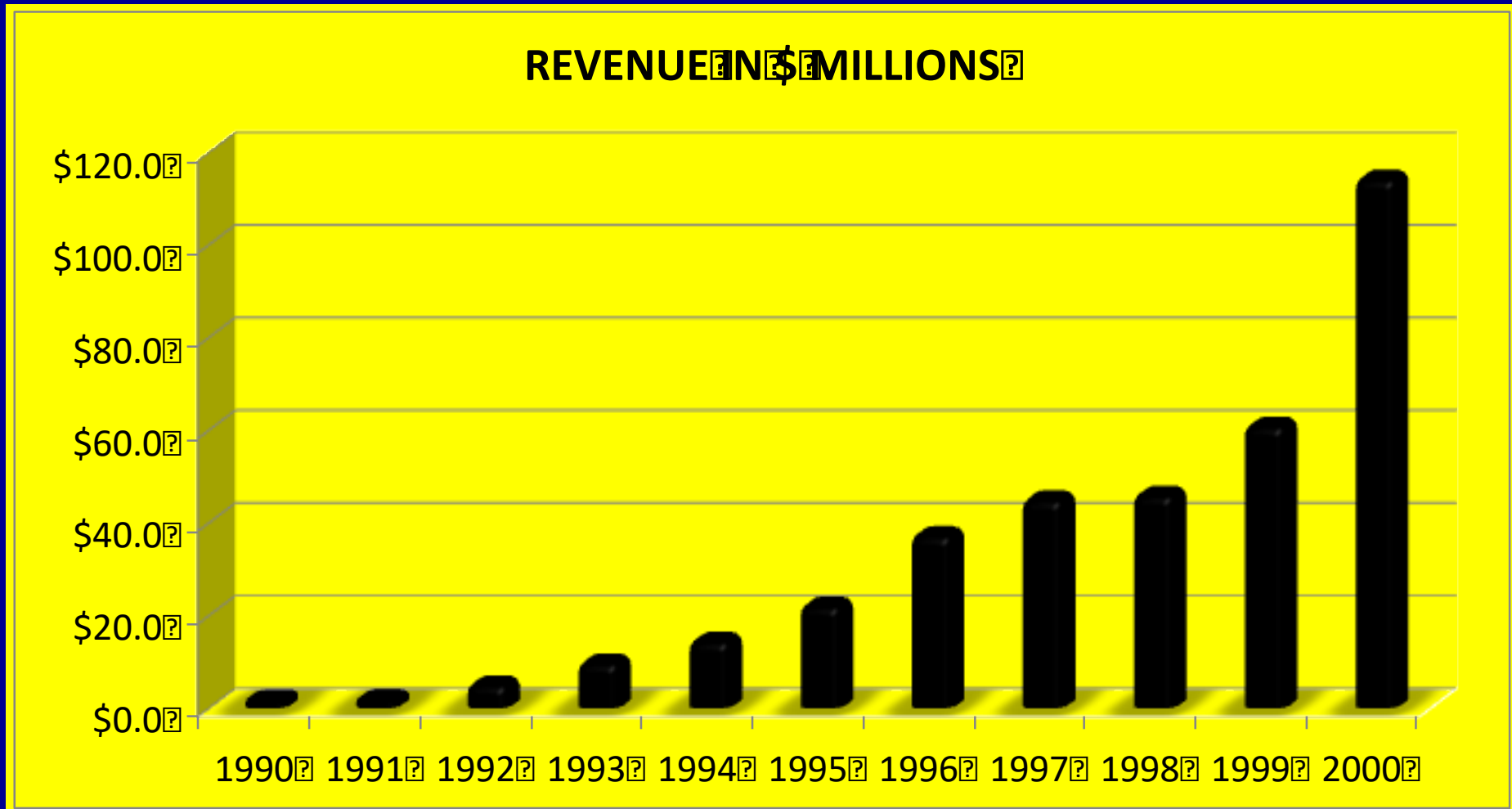
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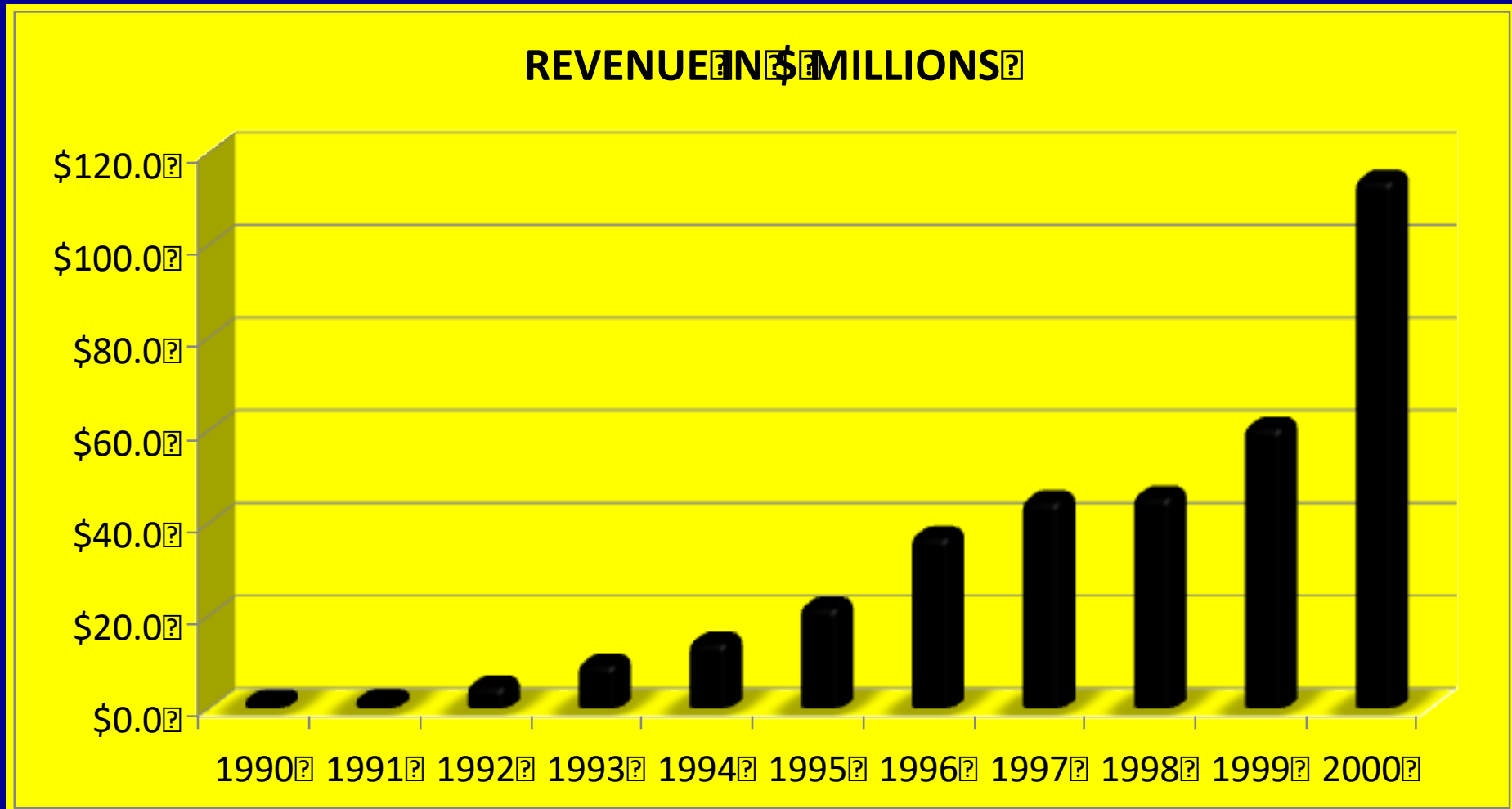
Notice:

My Company's Revenue Growth Clearly Was Not A "Hockey Stick"



Notice:

My Company's Revenue Growth Clearly Was Not A "Hockey Stick"



After Revenue, You Need To Determine Startup Costs and Monthly Operating Costs



380. 27
6711. 97
175 -
6536. 97
1611. -
4925. 97
3581. 47
344. 50
35 02

1309. 48
500 -
6309. 48
1404 -
1905. 48

Calculate Start Up Costs



Typical Startup Costs

- Land and building
 - rent
 - leasehold
 - improvements/signage
- Equipment and tools
- Furniture, fixtures, display cases
- Vehicles
- Beginning inventory
- Raw materials for production
- Research and development
- Installation fees (equipment, phones, etc.)
- Deposits
- Licenses and permits
- Legal fees
- Accounting and other professional fees
- Business insurance
- Supplies (office supplies, postage, etc.)
- Marketing materials

Typical Startup Costs

- Logo
 - Biz. cards, letterhead, envelopes
 - Flyers or brochures
 - Promotional info
 - promotional materials
 - Web site
 - Marketing campaign
 - Yellow Pages
 - Direct mail
 - Tradeshows, fairs, & convention
 - Chambers of commerce
 - Publicity and promotion
 - Internet marketing
 - Pre-opening labor and training costs
 - Miscellaneous
 - Reserves
- Advertising

Ongoing Monthly Expenses



Typical Monthly Expenses

- Rent or mortgage payment
- Utilities
- Phone lines landline
- Cell, FAX, Internet
- Phone charges
 - toll-free, long dx, voice mail, cell, pager)
- Salaries
 - payroll (taxes, payroll services, etc.)
 - benefits (health insurance, retirement, etc.)
- Independent contractors
- Equipment (lease/purchase, maint., repairs, depreciation)
- Office supplies
- Postage, shipping & courier services
- Licenses and permits
- Legal fees
- Accounting and other professional fees
- Consulting or coaching fees/training

Typical Monthly Expenses (Cont.)

- Membership dues and subscriptions
- Business insurance
- Bank charges
- Credit card processing fees
- Loan repayment (principal and interest)
- Bad debt/collection fees
- Travel and entertainment
- Vehicle expense
- Research and development marketing
- Advertising (direct mail, tradeshow, fairs, convention)
- Chambers of commerce
- Publicity and promotion
 - Website maintenance
 - Internet marketing

Estimating Payroll

- Think of All of The Activities You Need To Do In Order To Design, Sell, Make and Deliver Your Product or Service.
- Determine How Many People You Will Do In Each Activity.
- Estimate The Salary of Each Person.
- Go On Google And Ask, For Example, How Much Does An Engineer Make, Etc.




Estimating Payroll

- Search On Internet
 - Find The Average Salaries For Specific Job Types
- Need To Factor In Benefits
 - 1.25 to 1.4 Times Salary
 - \$80,000 Engineer x 1.3 = \$104,000

Typical Startup Salaries

- CEO - **\$150K**
- CFO - **\$150K**
- VP, Engineering - **\$150K**
- VP, Sales - **\$160K**
- Controller - **\$78K**
- SW Developer - **\$83K**
- Sales Person - **\$70K Plus**
Commission
- Marketing - **\$64K**
- Business Dev. – **\$60K**
- Account Manager - **\$72K**
- Product Manager - **\$91K**
- Sales Manager - **\$77K**
- Social Media - **\$70K**
- QA Manager - **\$67K**

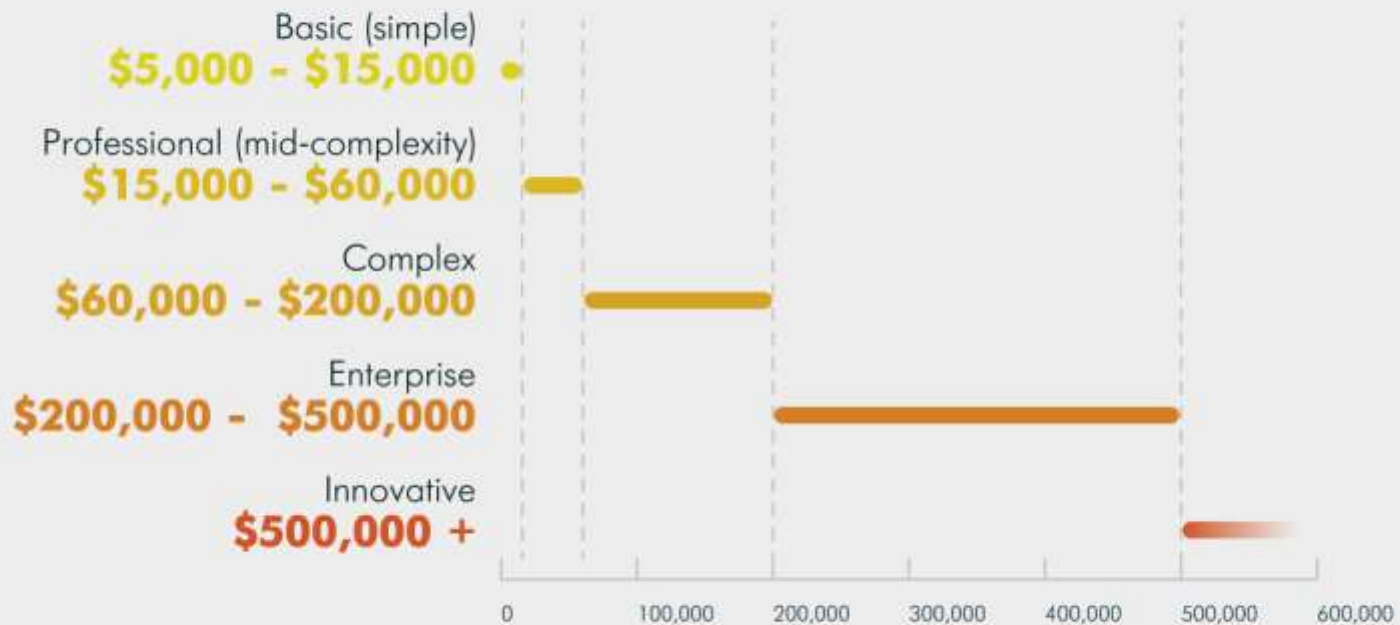
Website Development

<p>How Much Does A Website Cost? Factors That Effect Cost</p> 	<p>A  Freelance</p>	<p>B  Web Design Firm</p>
Marketing	\$0	\$1,000
Planning	\$0	\$1,250
Design	\$1,000	\$2,500
Project Management	\$500	\$1,000
Development	\$1,000	\$4,000
Testing & Launch	\$0	\$1,000
Maintenance & Support	\$0	\$500
TOTAL	\$2,500	\$10,250

©2013 Black Bear Design

Cost To Develop Web App

Average Web Application Costs by Complexity



Made by [mindk.com](https://www.mindk.com)

20 days

25 days

25 days

15 days

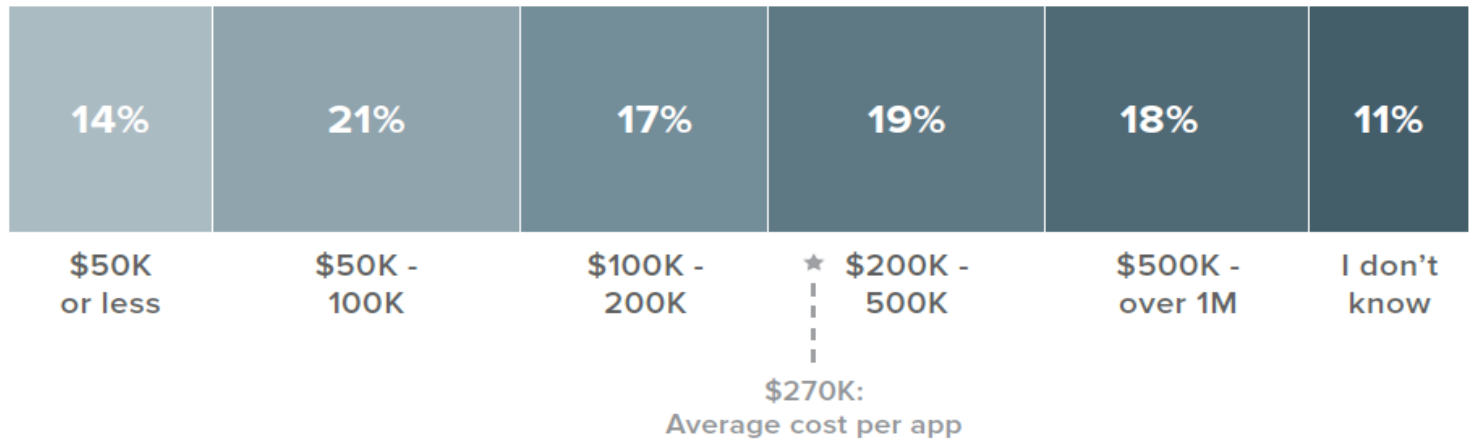
5 days

TOTAL
90 days = 720 h

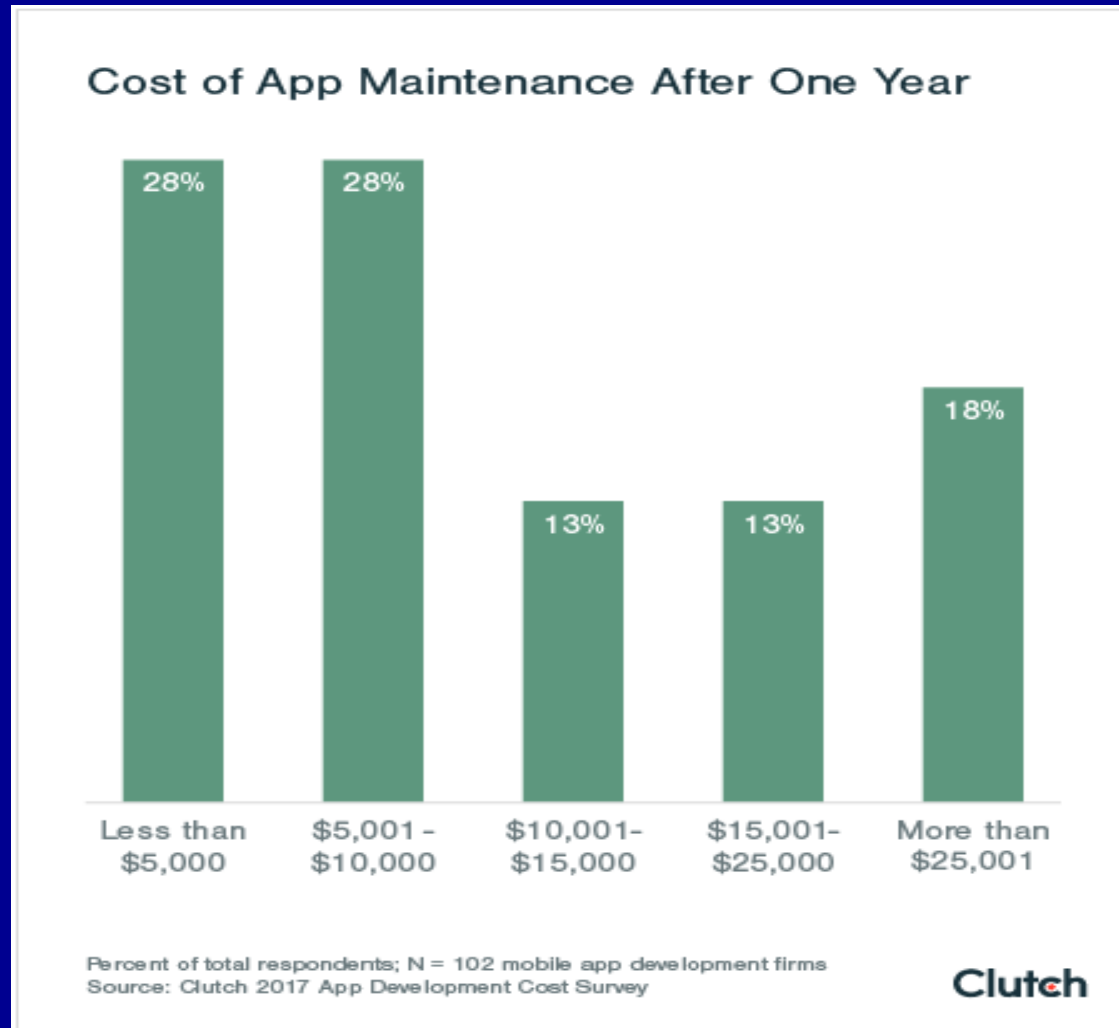


Average Cost To Develop An App

HOW MUCH DOES YOUR ORGANIZATION SPEND TO DEVELOP & DEPLOY ONE APP?

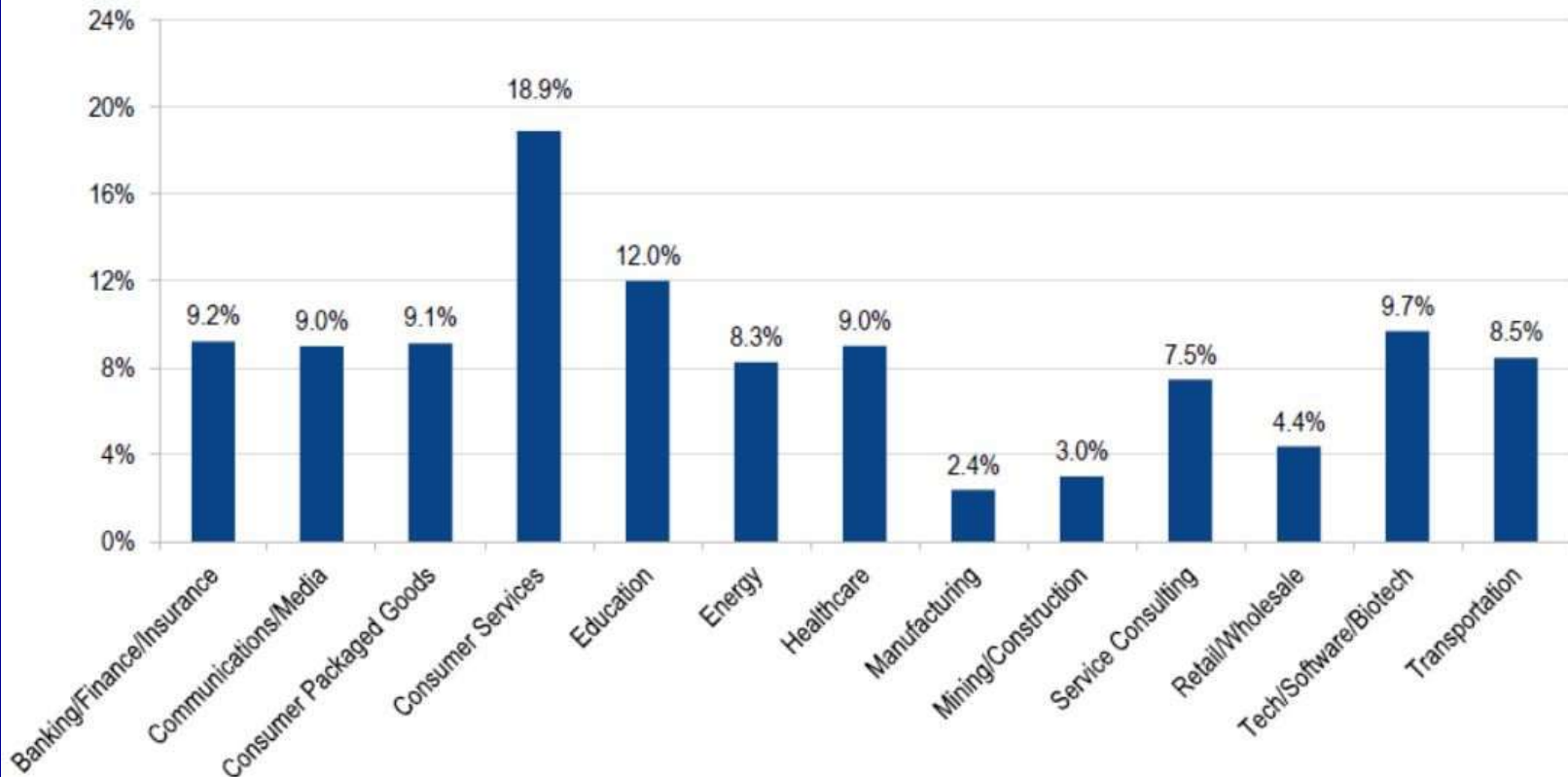


Annual App Maintenance



Marketing Spend As % of Sales

Figure 3.9. Marketing spending as percent of company revenues by industry



Where Do Marketing Dollars Go?

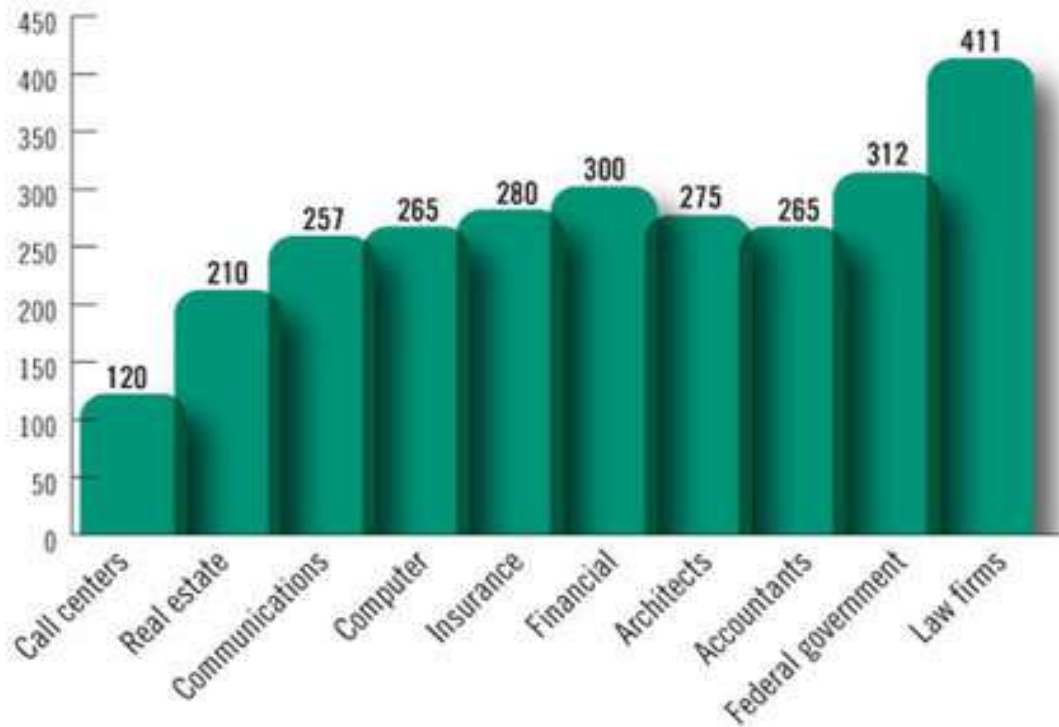
Marketing expenses in your company include the following (check all that apply)

Marketing Expenses	% Reporting in Budget
Direct expenses of marketing activities	92.8%
Social media marketing	86.9%
Brand-related expenses	80.4%
Marketing employees	79.1%
Marketing analytics	72.5%
Marketing research	69.9%
Other overhead costs associated with marketing	65.4%
Mobile marketing tools	56.2%
Marketing training	54.2%
Sales support tools	40.5%
Sales employees	13.7%

Calculating Office Space

Office Space per Worker by U.S. Industry

Median sf, mid-2012



Source: CoStar

Office Space Per Employee

Large Office - 200 to 400 sq. ft.

Medium Office - 150 to 250 sq. ft.

Small Office - 90 to 150 sq. ft.

Open Space Workstations or Cubicles - 60 to 110 sq. ft. per person (5x5) or (6x6) most typical

Work Group Areas - 80 to 100 sq. ft. per person

Reception Area - 100 to 200 sq. ft. + 10 sq. ft. per person waiting

Conference Room - 50 sq. ft + 25 sq. ft. per person seated

Mail Room - 125 sq. ft.

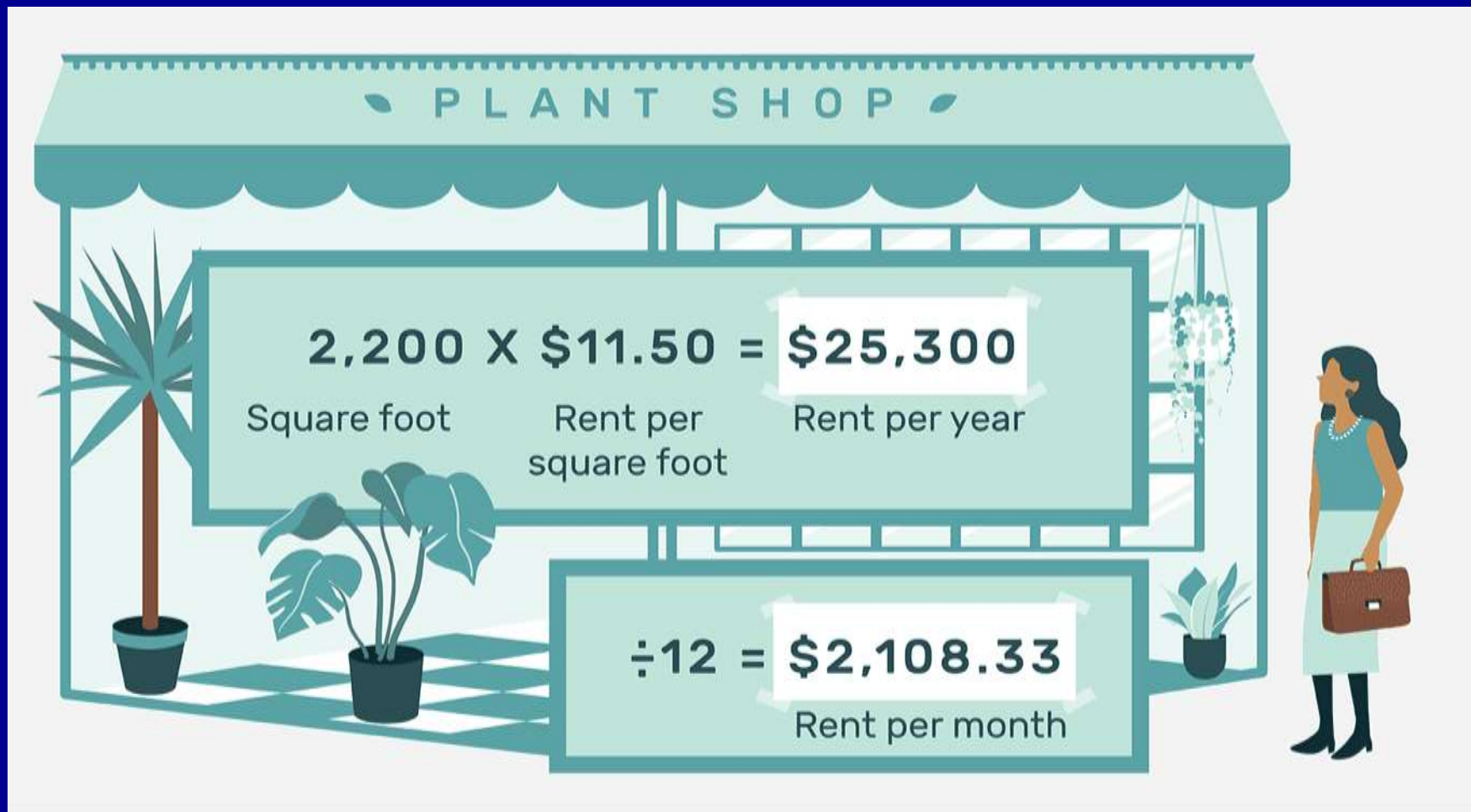
File Room - 200 sq. ft.

Lunch/Break Room - 75 sq. ft. + 25 sq. ft. per person seated

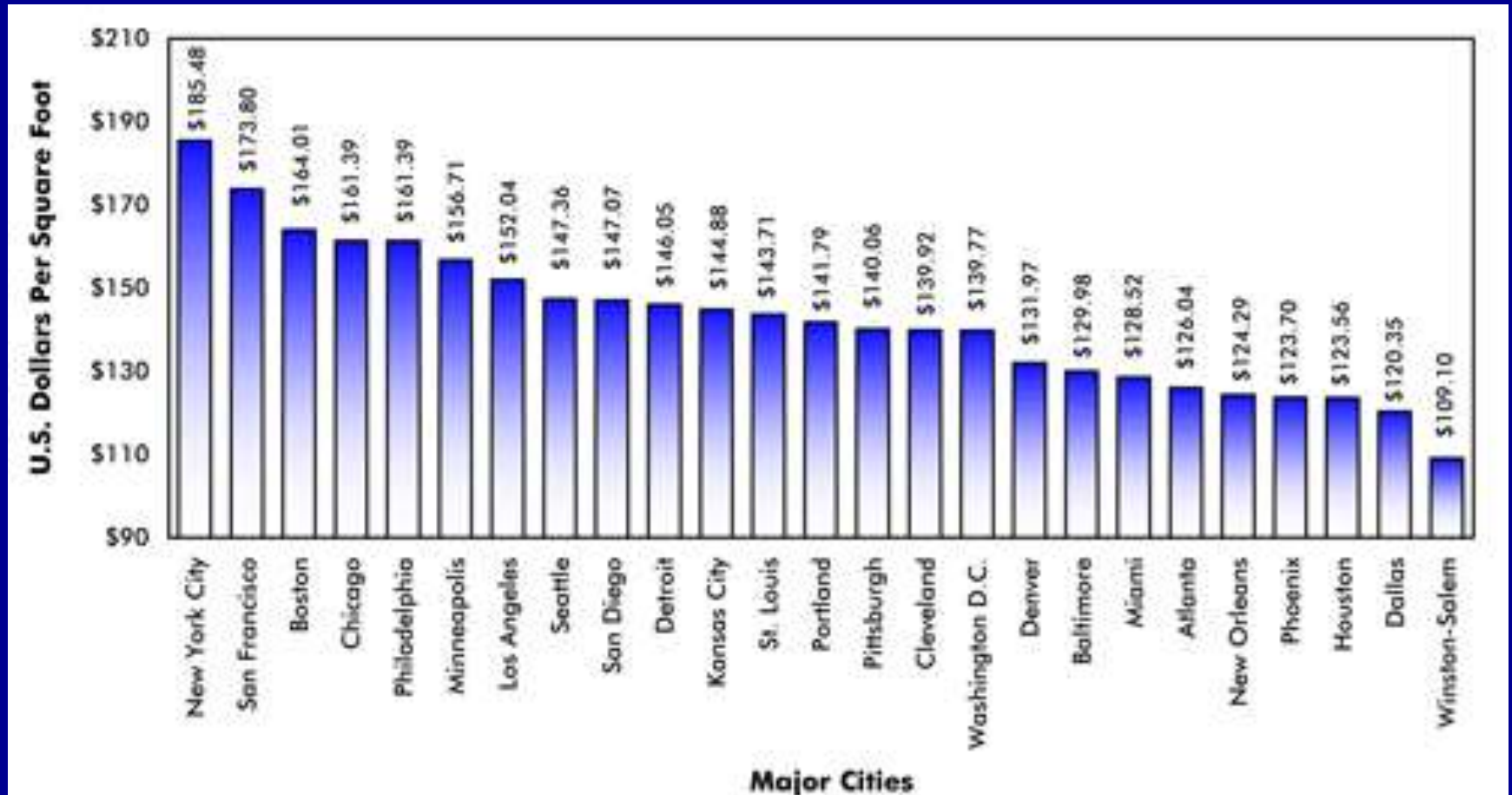
Work Room - 125 to 200 sq. ft.

Halls/Corridors within the space - 20% to 30% of the total usable area

Office Space Cost Calculation



Cost of Office Equipment Per Employee



Office Equipment

**Cost per square foot:
\$15.90**

**Cost per person:
\$3,434**

**Square footage per employee:
216 sq. ft.**



Types of Insurances

1 Business Liability Insurance

Business Liability Insurance can help to ensure you, your employees and clients in case of an accident. If you want to get the best business liability insurance, then you should select [Business Insurance London](#).



2 Business Property Insurance

Business Property Insurance can help to ensure your organization's physical resources, for example, your building, furniture, hardware, and stock. You can get business property insurance even if you work from home.

3 Crime Insurance

Crime Insurance can protect your business from crime-related accidents or losses, for example, burglary and theft. Nowadays many businesses facing the problem of cybercrime this will also help you to protect your business from data hacking.



4 Business Income Insurance

Business income insurance is also a type of insurance. This insurance mostly avails those business owners who want to close their business temporarily. Business Income Insurance can help pay bills and take care of expenses if your business needs to close.

5 Worker's Compensation Insurance

Many business employee's experience accidents during work in the factory. Workers' compensation insurance can protect your employees in the occurrence of a business-related accident.



6 Commercial Auto Insurance

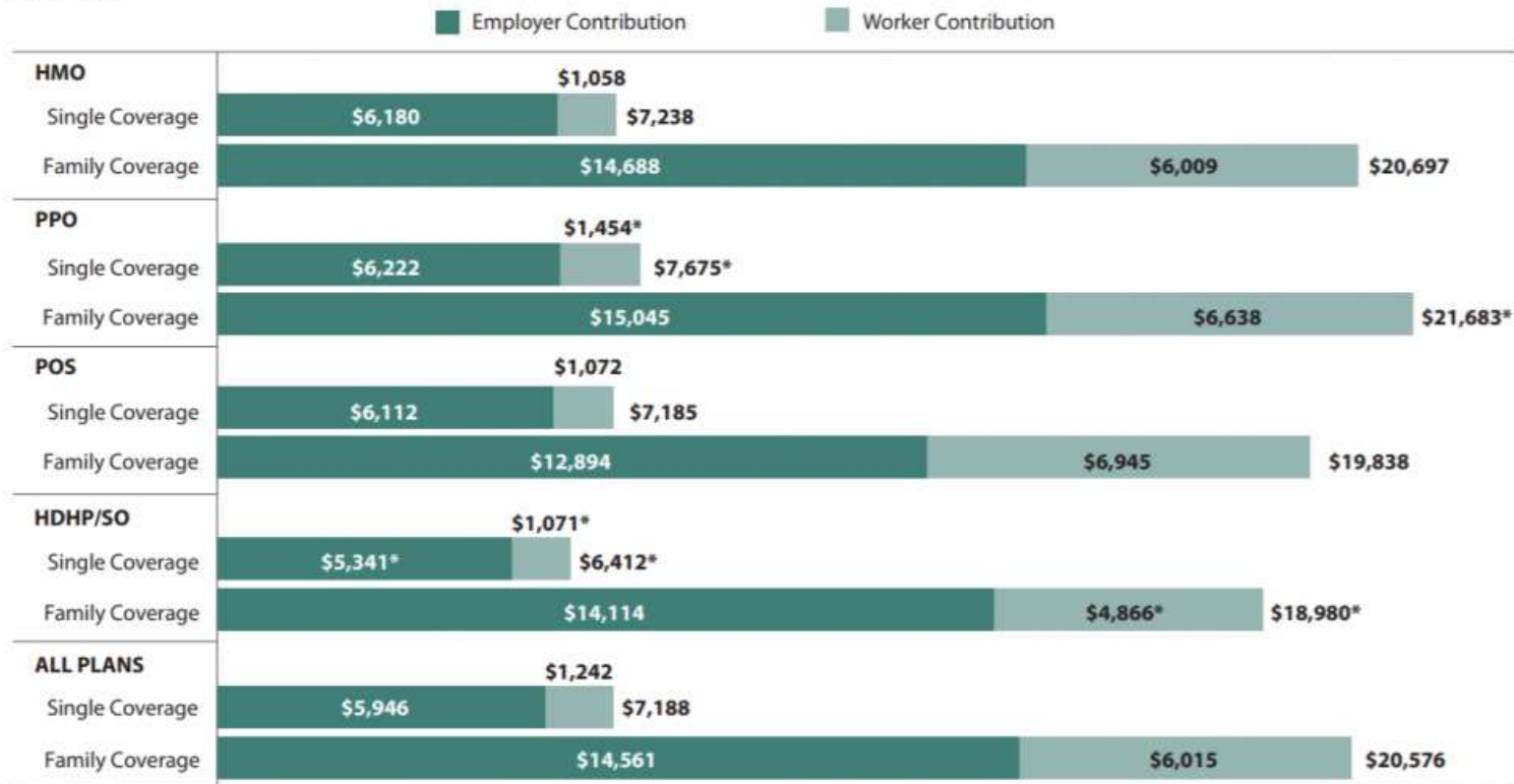
Commercial auto insurance can protect your business and employees from different types of damages and accidents related to the operations of vehicles. This type of insurance covers a variety of vehicles including business cars, commercial trucks etc.



Liability Insurance

FIGURE B

Average Annual Worker and Employer Premium Contributions and Total Premiums for Single and Family Coverage, by Plan Type, 2019

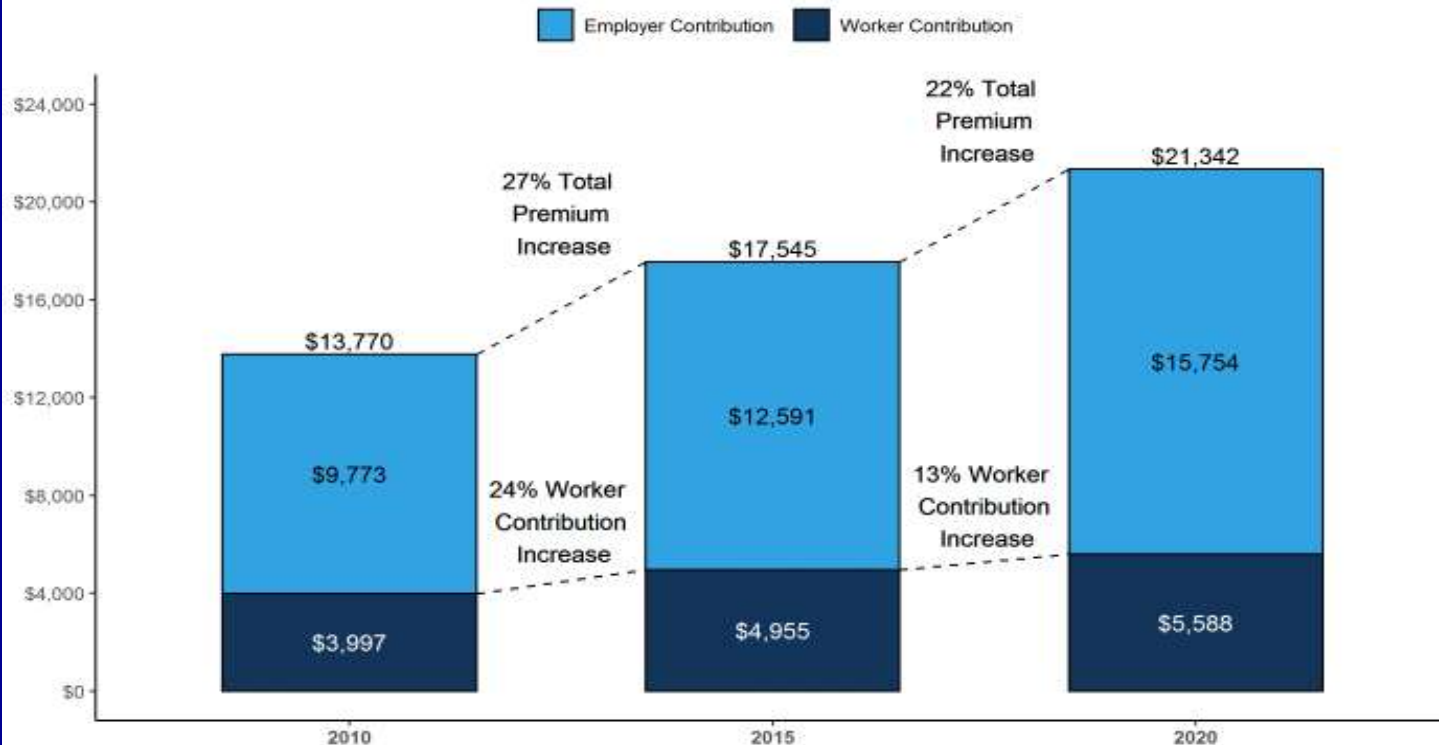


* Estimate is statistically different from All Plans estimate within coverage type (p < .05)

SOURCE: KFF Employer Health Benefits Survey, 2019

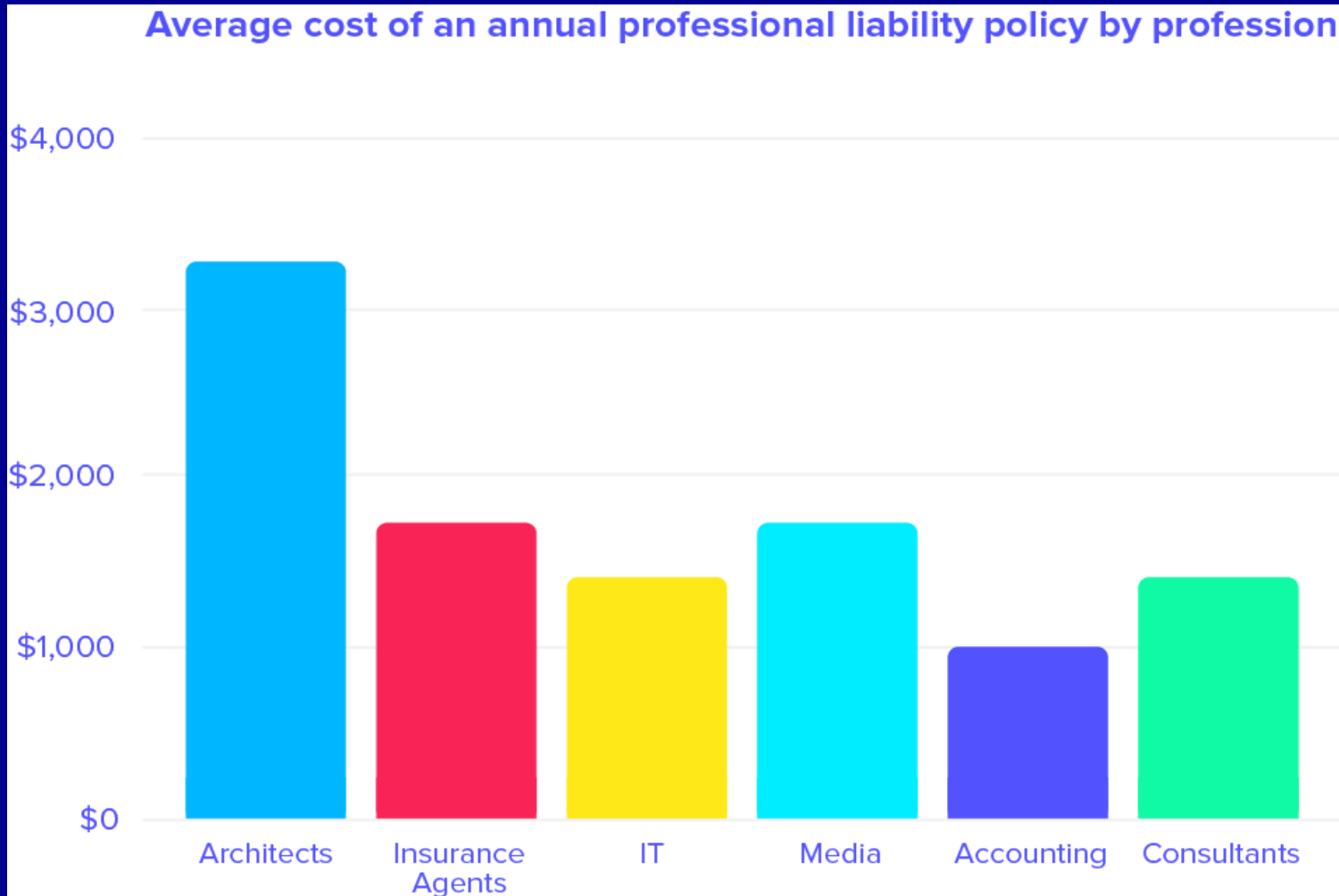
Health Insurance

Figure A
Average Annual Worker and Employer Premium Contributions for Family Coverage, 2010, 2015, and 2020



SOURCE: KFF Employer Health Benefits Survey, 2020; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010 and 2015

Liability Insurance



Legal & Accounting

Most small business owners
spend at least

\$1,000

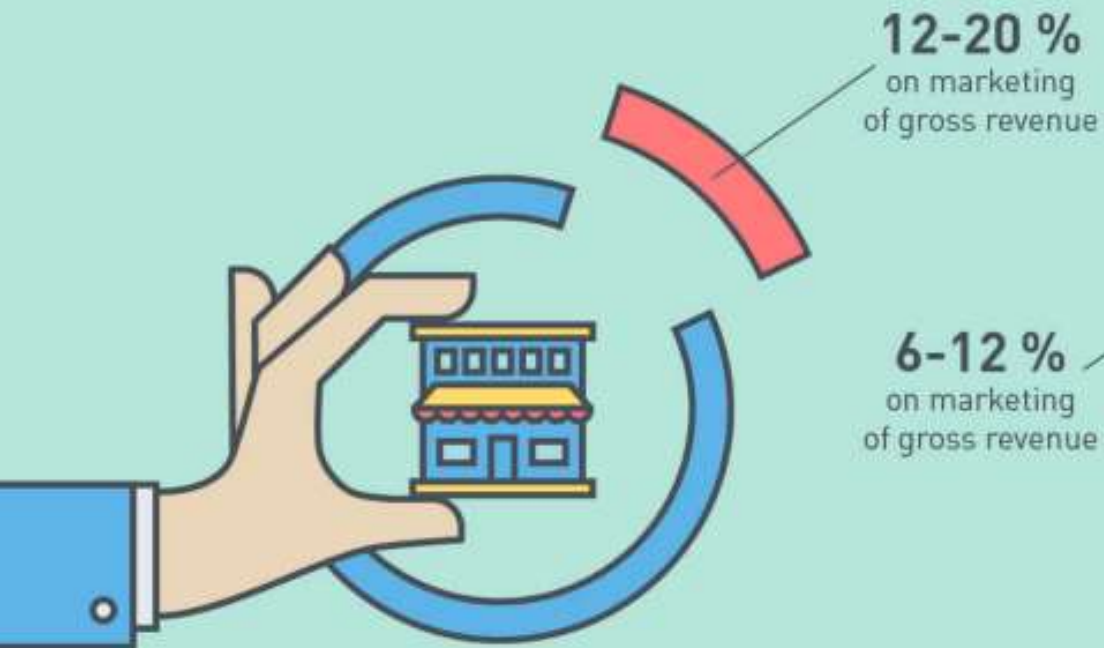
per year on accounting administrative
costs, internal expenses, and legal fees.

Average Advertising Expenditure For Small Business

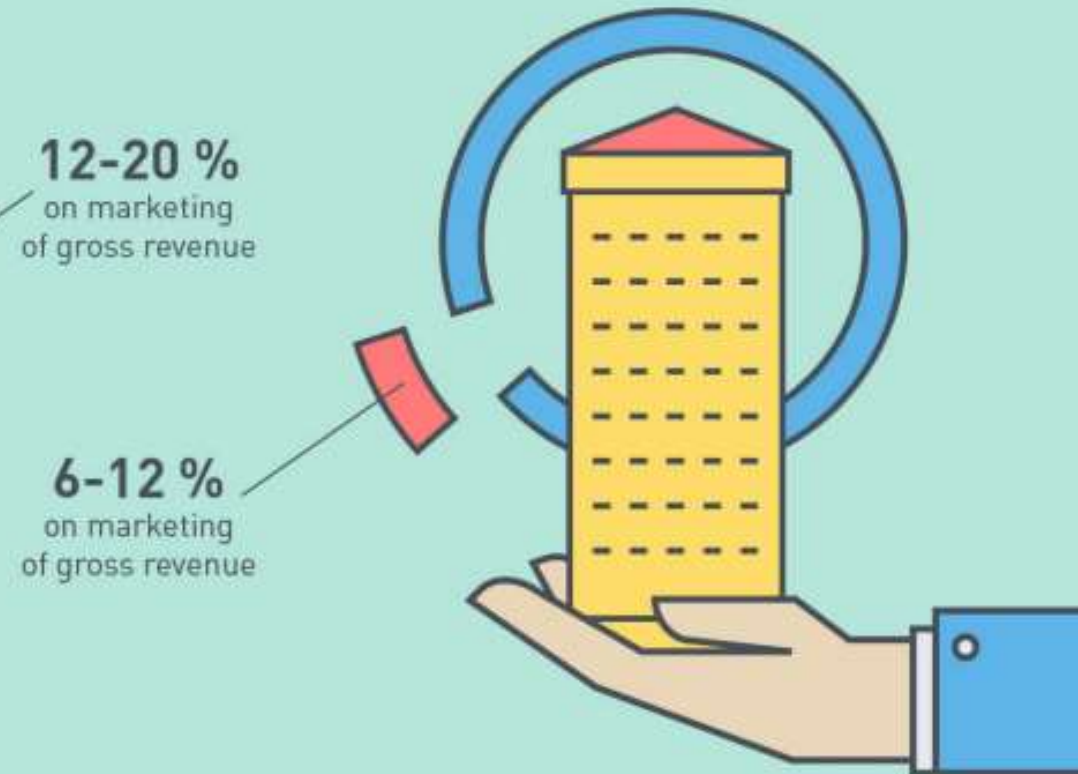


SUGGESTED MARKETING PERCENTAGE

New
Companies



Established
Companies



Average percentage of revenue spent on marketing by industry:

INDUSTRY	% REVENUE
Consumer packaged goods	24%
Consumer services	15%
Tech Software / Biotech	15%
Communications / Media	13%
Service Consulting	13%
Education	11%
Healthcare / Pharmaceuticals	10%
Retail Wholesale	10%
Banking / Finance / Insurance	8%
Transportation	8%
Manufacturing	8%
Energy	4%

Starting To Pull It All Together

- Make A Series of Excel Spread Sheets.
 - Monthly Operating Expenses
 - Monthly Payroll
 - Monthly Revenue Estimates
 - Monthly Costs of Good Sold

Populate Income Statement Spread Sheet

- Bring All of Your Excel Information Together
- Fill In The Spreadsheet That Appears On Our Website.