BUSINESS PLANNING IS VITAL TO THE SUCCESS OF YOUR FUEL DISTRIBUTION COMPANY

Sarah Krom, CPA
Fuel and Energy Services Group
Cowan, Gunteski & Co., P.A.

Whether you are just starting or have an established company annual business planning is a vital component of growing a successful business and obtaining results. By going through the business planning process you will solidify your goals and provide a way to measure results. A good business plan will:

- Force you to think about your business and where you want to be.
- Define concrete goals and objectives in simple, measurable, achievable, realistic and time limited (SMART) terms.
- Test your business assumptions.
- Benchmark your progress against actual performance.
- Determine how much money you will need to finance your plan.
- Help you obtain the necessary financing to operate and expand your business.

The business planning process will lead you through a series of thought provoking questions and issues. The objective is to clearly define your business and goals, as well as prove the viability of the business to investors, lenders, vendors and other outside parties. Your investors will look at your plan to predict the feasibility of your business or expansion plans. It should spell out your goals in clear SMART terms. A business plan loses credibility if the objectives are not believable to the reader. It will:

- Define your business concept.
- Explain your vision and mission statements.
- Establish sales and profit goals.
- Determine how you will measure your success.
- Determine if there are any risks associated with your products or services.
- Present an analysis of the market, including industry and market research to determine if it will support the survival and growth of your business.
- Provide information on your competition and an analysis of your strengths, weakness, opportunities and threats (SWOT Analysis).
- Define your marketing strategy, which includes your pricing, promotion, sales and distribution strategies.
- Identify your organizational structure and human resource needs.
- Determine your financing needs.
- Review regulatory requirements that are applicable to your business.

One of the most critical components of a business plan is the *Financial Plan* – especially if you need to obtain financing. Your financial plan should identify:

- Breakeven Point
- Gross Profit Margin
- Balance Sheet
- Income Statement Forecast
- Sales Forecast
- Overhead Forecast
- Cash Flow Forecast
- Gallons Analysis

The *Breakeven Point* in your business is the point at which your sales revenue is equal to your total expenses. At this point you neither make money, nor do you lose money. The breakeven analysis will let you know how much you need to make in sales just to survive. It provides a good indication of the viability of your business. The breakeven can also be used to evaluate a business expansion or any other expenditure.

The *Gross Profit Margin* indicates how efficiently your business is pricing materials and labor in the production process. It is the percentage of net sales after the cost of goods sold and is calculated by dividing your gross profit by total revenue. A company that has a higher gross profit margin than its competitors is operating more efficiently. Investors tend to pay more for businesses that have a higher gross profit margin than their competitors. Those businesses should be able to make a decent profit if overhead costs are controlled. However, if business is slow and profits are weak, a high gross profit margin, compared to industry norms, could indicate overpricing. On the other hand, a low gross profit margin could indicate that you are not charging enough money for your products or services. Generally, your Company's gross profit should remain relatively constant year to year.

The *Balance Sheet* is a snapshot of your business at any point in time. A balance sheet is made up of three parts. *Assets* are what the business owns. *Liabilities* are its debts and *equity* is the owner's investment in the business. The balance sheet shows how your business is being financed – either through owner's money (equity) or through creditor's money (liabilities).

The purpose of the *Income Statement Forecast* is to project the revenues and expenses of your business over a period of time – usually one year. It includes your sales, cost of goods and overhead projections. The sales projection is probably the most difficult to forecast, especially for a new business. The breakeven can be used as a starting point, or in the case of an existing business, the sales history. In either case, your sales projection should reflect your business strategies and objectives.

A *Cash Flow Forecast* is probably your most important financial tool. It is your cash flow that shows if, and when, you will run out of the cash needed to run your business. It allows you to take action before a problem occurs or do *"what if"* calculations before taking on new projects. The cash flow is a 12-month projection that forecasts the receipts and disbursements for your business.

A *Gallons Analysis* tracks the individual gallons for each fuel type based on growth. With the fluctuating price per gallon in the fuel industry, it becomes very difficult to track the true growth of your Company in dollars. The best way to trend growth in sales is to analyze the actual gallons sold on a comparative basis.

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Stop by Booth 425 at the Atlantic Region Energy Expo (AREE) to discuss your business goals and objectives. We would be glad to help you develop a business plan to help you achieve your goals. *As an added advantage, you can enter our drawing to win an IPOD Nano!*

Cowan, Gunteski & Co., P.A.
Certified Public Accountants & Consultants
Offices in Monmouth and Ocean Counties
Phone: 732-349-6880 • Fax: 732-349-1949
www.cowangunteski.com