

**The Small Business Favorite!**

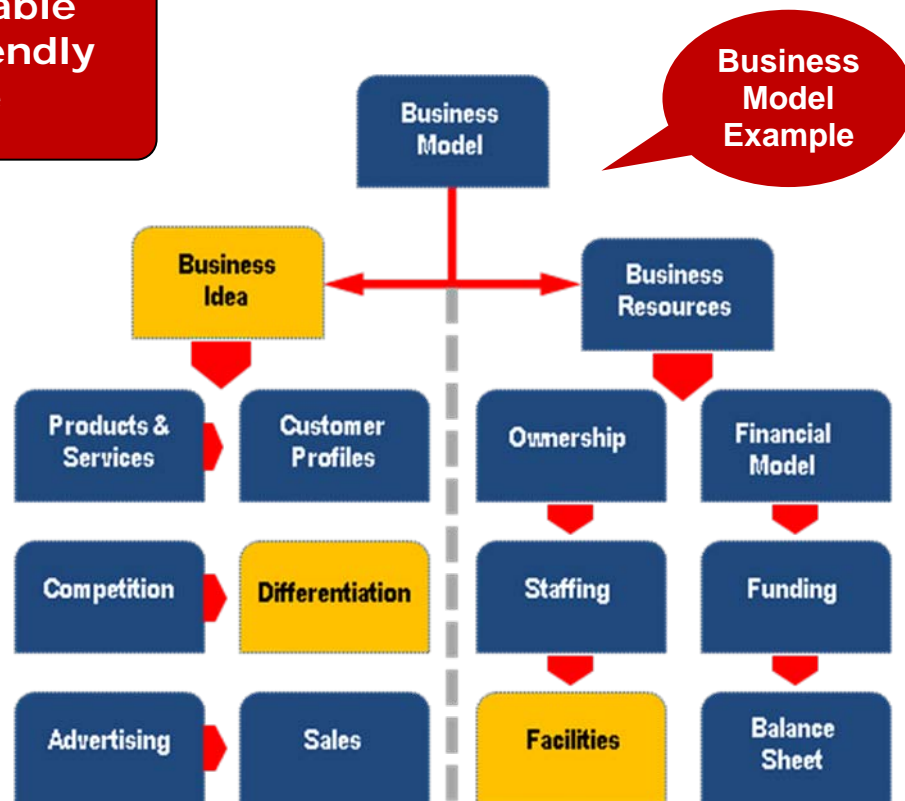
# ***The Easy Business Plan***

A small business tutorial and guide to using

**"ENTREPRENEUR"**

**THE FREE BUSINESS PLAN SOFTWARE!**

**Professional  
Understandable  
Simple & Friendly  
Effective**



**THE BUSINESS MODEL IS THE SECRET!**

**Richard E Hall**

**Go to [www.freebizplansoftware.com](http://www.freebizplansoftware.com)  
to download the Entrepreneur free!**

## Author Comments

The purpose of "The Easy Business Plan" book is twofold:

- To present a different approach to understanding and visualizing the business you have or would like to have, and
- To serve as a training guide for using the free ENTREPRENEUR business plan software.

The book introduces common sense business concepts and ideas for each of the twelve universal business elements that should be considered in every business plan. These same 12 elements form the Business Model. The book explains how to document the elements for your unique business concept on the 12 Worksheets, the Business Model and in the formal Business Plan.

I think you will find the book professional, logical, easy to understand, simple to use and focused on the typical small business needs. My definition of a small business starts with a single owner with no employees (known as lone wolves) and expands to include multi-owner businesses with up to 30 or 40 employees. However, the concepts apply to any size business.

This is my fifth small business planning book and I hope it, along with the free software, is the most useful of all. At least the price is right. You might be wondering why I give the Entrepreneur software away free of charge. I have had a full and successful personal and business life and I would like to help others achieve their own version of success.

Good luck in your ventures.

Dick Hall

P.S. Please tell your friends about the ENTREPRENEUR.

Published 2011

# **“The Easy Business Plan” Guide**

## **1. Overview – Pages 4 – 10**

This section summarizes the essential components of Entrepreneur.

## **2. The Approach Pages 11 – 16**

This section explains the concept of the PowerPoint Business Model, the 12 Excel worksheets and the Word Business Plan Outline.

## **3. The Process Pages 17 – 21**

This section lists the eight steps to download Entrepreneur and create your own Business Model, Worksheets and Business Plan.

## **4. The Business Idea Pages 22 - 58**

This section explains the concept of the Good Idea and the six elements that comprise a Good Idea. It defines the content of the 6 Business Idea worksheets.

## **5. The Business Resources Pages 59 - 93**

This section explains the concept of the Good Resources and the six elements that comprise Good Resources. It defines the content of the 6 Business Resources worksheets and explains how to assess the Total Business Model. It also introduces the Implementation Plan.

## **6. Writing the Business Plan Pages 94 - 106**

This section explains how to use the Business Plan Outline to convert the abbreviated worksheet data into a comprehensive and professional Business Plan.

# Part 1

## Overview

## The Concept behind Entrepreneur

This cartoon expresses the basic concept of the Entrepreneur.

Every successful business consists of a  
**"Good Idea and Good Resources."**

The cartoon depicts the Business Idea and the Business Resources joined at the hip. *Both are required for success.* The following pages summarize the Entrepreneur concepts quite succinctly. The balance of the book will demonstrate the significance of this simple business perspective and explain how to create your own customized business plan using the Entrepreneur. We call it the two-weekend business plan. Complete the worksheets one weekend and draft a formal business plan the next weekend. Entrepreneur was created using MS Office Word, Excel and PowerPoint. You can also use the OpenOffice.com free download.



**Suggestion:** You might want to print Pages 5 –10 as a handy reference. These pages summarize the Entrepreneur concept and principles, list all of the files and descriptions, and describe the step by step process to develop your business model and business plan.

## Summary of Principles, Tools and Process

1. Every successful business consists of a “GOOD IDEA and GOOD RESOURCES”. We assume all entrepreneurs want a successful business, so, based upon this definition they must have a Good Idea and Good Resources to be successful.

### **Corollary:**

A Good Idea cannot compensate for Poor Resources and Good Resources cannot compensate for a Poor Idea. Both are required for success.

### **Definitions:**

A Good Idea must be competitive in the marketplace.

Good Resources are all of the assets required to implement and sustain the Idea.

2. How do you determine if your business concept includes both a Good Idea and Good Resources?

Utilize the free Entrepreneur software. Here's how the Entrepreneur addresses this question:

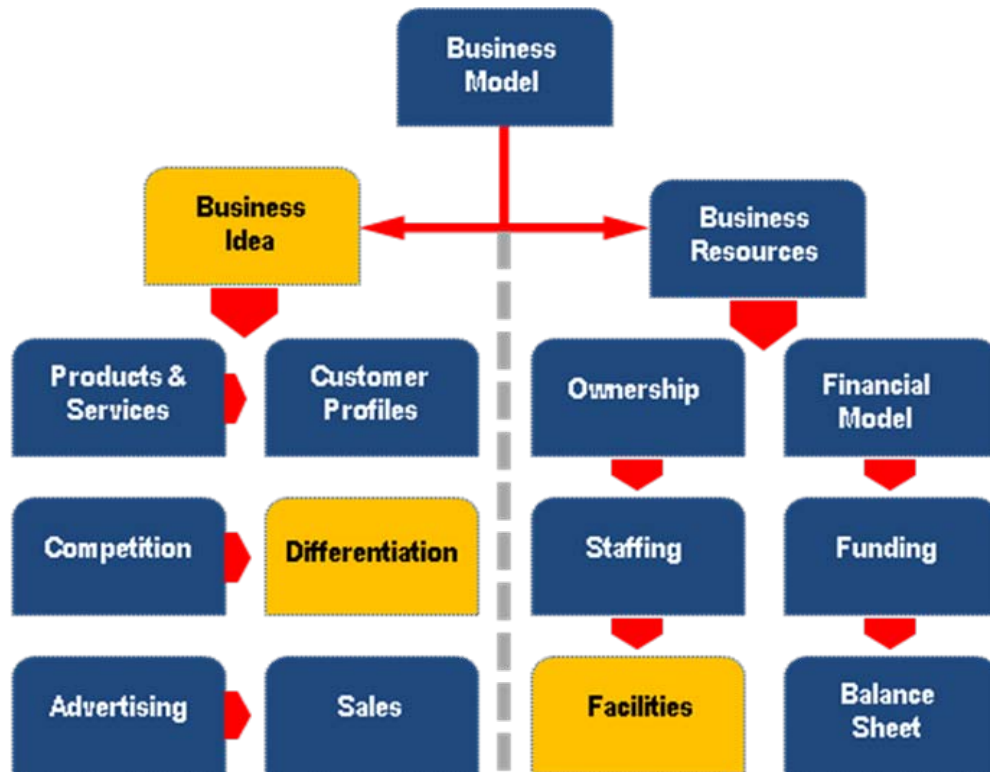
- There are six business elements that define the Business Idea and six elements that define the Business Resources. The Entrepreneur software includes a one page, minimum input, Excel worksheet for each of the 12 elements. Each worksheet ends by requesting the planner to assess the quality of their answers compared to the competition. We encourage the planner to obtain the opinions of other business professionals to validate their assessments.
- These 12 elements also create a Business Model graphic. The assessment value from each worksheet is posted on the Business Model using a color code value of blue/good, yellow/fair and red/poor. The Business Model dramatically displays the strengths and weaknesses of the business concept. It is a terrific management tool to focus on strengths and weaknesses.

**Note:** None of the 12 Entrepreneur Business Model elements are new. They are universally recognized as basic business components that require serious consideration in every new or existing enterprise. What is new is the recognition that they really provide two perspectives of the proposed business concept.

The first view is the ***quality of the competitiveness*** of the Business Idea and the second is the quality of the Business Resources required to ***implement and sustain*** the Idea. This separation of elements into two visuals really helps new entrepreneurs understand and evaluate the complexities and impacts of their vision more clearly. The result is a business plan that they have confidence in.

3. How do you convert the abbreviated worksheet data into a formal business plan?
  - Always gather the data before writing the business plan. You may find either that the data doesn't support proceeding with a business plan or that the worksheets and business model meet your management needs.
  - The Entrepreneur software includes a pre-formatted business plan Table of Contents that is directly related to the 12 worksheets.
  - Each section of the Business Plan Outline suggests the content that would be appropriate and the worksheets that contain the source data.

# Entrepreneur Business Model



Note: If this book is reproduced in black and white, the Blue color will be dark black and Yellow will be lighter.

This is an example of a completed Business Model. It clearly portrays the twelve essential business elements that should be included in every business plan. Some of the elements may not apply to every business. For example a single individual that is an owner/operator of a business does not have any employees so at this time that element and corresponding worksheet is not significant other than to reinforce that no employees are needed to operate the business successfully.

The yellow color in any element indicates that element has been assessed by the owner as not being as strong as desirable to compete in the target marketplace. A red color for an important element could be disastrous.



***Entrepreneur Files and Definitions***

This is the list of files included on your Entrepreneur software download. Open and save them in your own folder. Then they are ready to enter and save your data.

**Adobe PDF Files .....**

Book - an Adobe PDF copy of “The Easy Business Plan” book. This is your training and information resource.

**Excel Files .....**

- Step 1 worksheet – products and services offered
- Step 2 worksheet – customer profile demographics
- Step 3 worksheet – data about your competition
- Step 4 worksheet – your differentiation data
- Step 5 worksheet – your advertising approach
- Step 6 worksheet – your sales approach
- Step 7 worksheet – information about the owner/managers
- Step 8 worksheet – information about your employees
- Step 9 worksheet – information about space and equipment
- Step 10 worksheet – your sales and financial projections
- Step 11 worksheet – your funding requirements and sources
- Step 12 worksheet – your balance sheet

Implementation plan worksheet – schedule of major projects

**PowerPoint Files .....**

Business Model – a blank PowerPoint copy of the Business Model to post your results.

**Word Files .....**

Business Plan Outline – a preformatted Table of Contents outline for your business plan.

Business Plan Draft.1 – a copy of the business plan for a fictitious startup tile and carpet cleaning business.

## Suggestions for using Entrepreneur

This is an easy to follow task guide to developing your business plan. Part 3 has a more detailed description of each task.

1. Download and unzip Entrepreneur.zip.  
Save all files to your own folder.

2. Review "The Easy Business Plan" book/training guide.

3. Open, complete and save Step 1 through Step 6 worksheets.

4. Open and post Step 1 through Step 6 assessment values on the blank Business Model.

5. Open, complete and save Step 7 through Step 12 worksheets.

6. Open and post Step 7 through Step 12 assessment values on the blank Business Model.

7. Assess the total Business Model. If it is Good/Blue, then proceed. If not, try to fix the elements that are issues.

8. Open the Business Plan Outline file. Write the first draft of the Business Plan.

# **Part 2**

## **A New Approach**

# **A New Approach to Business Planning**

## ***Introduction - The Three Level Business Model***

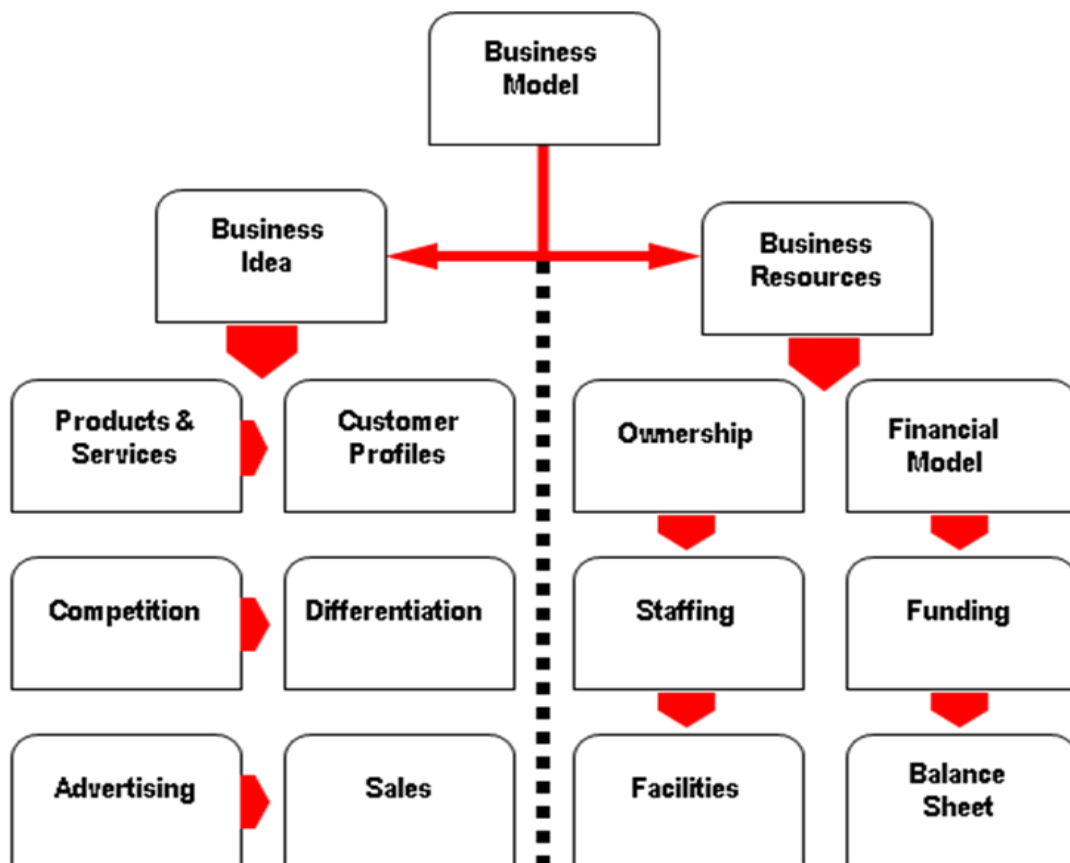
The following pages contain two views of the Business Model. The first version is the blank one you start with and the second is an example of a completed Business Model. The completed Business Model reflects the quality of your business concept in color. Here's the logic of how the Business Model is created.

The Business Model is decomposed into three levels. The top box represents your total business environment. It is divided into the two fundamental parts of a successful business – the Business Idea and the Business Resources. These two boxes create the second level of the business model. Then, the Business Idea is sub-divided into six elements and the Business Resources are sub-divided into six elements. This creates the third level of the business model. The concept of the Business Model and the design of the worksheets is what make the ENTREPRENEUR software different than the others.

The Business Model creates a simple, but dramatic, image of the critical elements of a business and places the elements in their logical position to clarify their function and reflect how they relate to the other elements. The worksheets for the Business Idea define the characteristics of your business concept and how you expect it to operate in the “competitive marketplace”. The worksheets for the Business Resources define the human, financial, physical and information assets required to implement and operate the business successfully. If either the Business Idea elements or the Business Resources elements are flawed, the business is likely to encounter serious challenges.

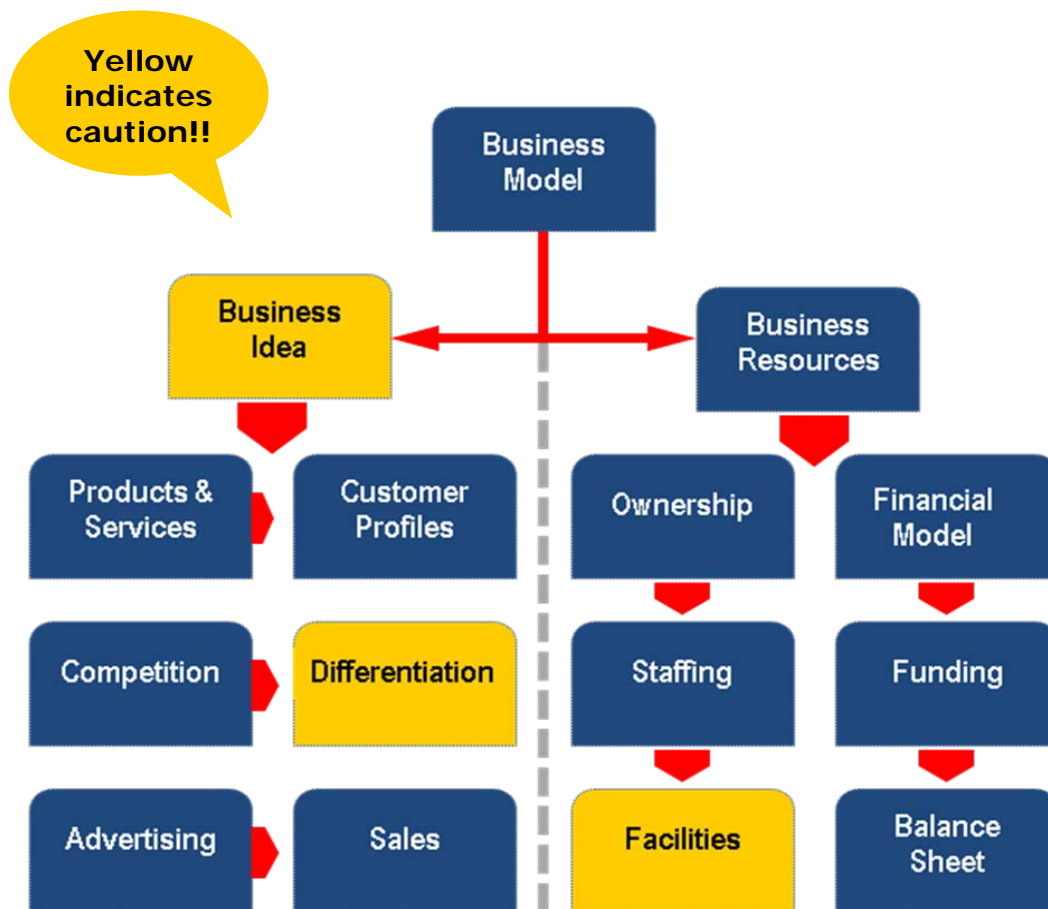
## ***The Blank Business Model***

The following blank PowerPoint Business Model is the starting version. You will post your assessment value for each element worksheet based upon the color code (Blue/Good, Yellow/Fair and Red/Poor). Just open the Business Model file, click on the element box, and then click on the appropriate fill color.



## ***A Completed Business Model Example***

The example below depicts a completed Business Model. In total, the combination of the element color codes reflects the strengths and weaknesses of the proposed business concept. In this example of the Business Idea elements, five of the six elements were assessed as Good (competitive) but Differentiation was not. Differentiation is so critical in a new startup that it caused the total Business Idea to be assessed as Yellow (Caution). The Business Resources likewise had one yellow and five blue elements. However the Facilities weakness was only that the vehicles were used. This would not affect quality of work and could be upgraded easily at a later date. The total Business Model was assessed as Blue/Good *but with the caveat that a potentially serious Differentiation deficiency must be overcome.*



## ***More about the Worksheets***

Let me explain how the design of the worksheets plays such an important role in developing a good business model and business plan. Gathering and organizing all of the facts, goals, assumptions, alternatives and decisions is the difficult part of creating a good business plan. These worksheets help you accomplish that in an efficient way that also permits you to start and pause whenever necessary without losing focus. You will be pleasantly surprised to see how easily and accurately they describe your business. You also may be challenged to consider and make decisions about characteristics you were unaware of or had ignored prior to completing these worksheets.

1. There is a single page worksheet for each of the twelve business elements in the business model. Each worksheet is limited to one page. The Entrepreneur minimum input worksheets generate the data and decisions to define your vision for each of the twelve elements while eliminating the need for extensive answers. One of the goals of the worksheets is to ensure they are not writing exercises. The worksheets are meant to be thought-provoking, decision-making tools that are concise and emphasize the use of key words and phrases.
2. The worksheets ask simple direct questions and tend to get concise and thoughtful answers. This is done through the use of multiple choice answers whenever possible. The use of multiple choice questions accomplishes two things. It makes answering easy by making a check mark instead of writing an answer. It also provides for a range of responses, which means that you have the opportunity to consider several alternatives before making your selection.
3. There is a natural planning flow in the order of the worksheets. They start at the beginning of the business concept with the Idea and end with the financials which require all of the preceding information to provide a reasonably sound projection for the future.

4. The content of each worksheet is assessed by the planner to provide a built-in review of the viability of that element as compared to the marketplace and the competition. It also provides a record that can be used to get a “second opinion” from an experienced business person such as your banker or from a SCORE counselor.
5. For those of you that prefer to perform these kinds of thoughtful, analytical tasks slowly with a pencil as your recording device, consider this. “The Easy Business Plan” guide is not only a small business tutorial and Entrepreneur software training guide; it is also a manual workbook. Just print out the PDF copy of “The Easy Business Plan” book on your printer. It will take about 30 minutes (time for a cup of coffee) and about \$4.00 worth of paper and ink. Put the printed pages in a binder and you have all of the information and worksheets. You can complete the worksheets very effectively with a pencil. If I had the book published, as I have my earlier books, it would cost about \$18.00. Printing your own is a better deal.

### ***The Business Plan***

A Business Plan Outline is included in the last chapter – Writing the Business Plan. As noted earlier, this business model/worksheet approach satisfies the other prerequisite for creating a good business plan, which is to assemble the facts, goals, assumptions, alternatives and decisions that the owner believes to be realistic before attempting to write the business plan. Writing the business plan before accumulating and assessing the data will almost always create a bad, though perhaps great sounding business plan if a creative writer is at work. Writing the plan is simplified because the data from the worksheets is directly transferrable to specific sections of the business plan. You will see how later. When writing the plan, you will need to expand the abbreviated worksheet data into good business English to help the user/reader fully understand the implications of the business plan.



# **Part 3**

## **A Simple Process**

# The Entrepreneur Process

## ***Introduction – the Eight Simple Tasks***

Using Entrepreneur software to create a great business plan is achieved by performing eight easily understood tasks. These tasks are described in the following chart.

1. Download and unzip Entrepreneur.zip.  
Save all files to your own folder.

2. Review “The Easy Business Plan” book/training guide.

3. Open, complete and save Step 1 through Step 6 worksheets.

4. Open and post Step 1 through Step 6 assessment values on the blank Business Model.

5. Open, complete and save Step 7 through Step 12 worksheets.

6. Open and post Step 7 through Step 12 assessment values on the blank Business Model.

7. Assess the total Business Model. If it is Good/Blue, proceed. If not, try to fix the elements that are issues.

8. Open the Business Plan Outline file. Write the first draft of the Business Plan.

Following is a brief description of the details of each of these tasks. Subsequent chapters will elaborate on tasks 3-8.

### ***1. Download Entrepreneur.zip***

Downloading the Entrepreneur.zip software folder is easy. Just go to [www.freebizplansoftware.com](http://www.freebizplansoftware.com) and click on the download Entrepreneur.zip link. Entrepreneur will download to your computer with no questions asked. We don't collect any customer data so you can be assured you will never become the object of a sales promotion from this download.

Unzip the download and then save a copy in your own business plan folder. This way you will always have an original file version to recreate the original files for reuse. Many of my seminar clients have not yet opened a business but have several ideas under consideration and they don't know which to pursue. Because the Entrepreneur software is so simple to use, I encourage them to complete the worksheets and Business Model for each of their ideas and then use the results to select the most promising idea for further consideration.

### ***2. Review "The Easy Business Plan" Book/Guide***

Since you are already reading the book, you don't need any further commentary. However, these first 20 pages provide valuable insight about the Entrepreneur concepts and tools. These first 20 pages really are critical reading for the planner.

### ***3. Complete the Business Idea Worksheets***

The earlier steps provided background about Entrepreneur. Now, the actual planning work starts for the business planner. Worksheets for Steps 1 through Step 6 are used to document the six elements of the Business Idea. These elements and worksheets were discussed earlier and they will be reviewed in detail starting in Part 4 so we won't spend any more time on them here.

It is best if these worksheets are completed in order because each worksheet builds upon the information contained in the preceding worksheets. The process is simple.

- Open the Step 1 Excel worksheet file.
- Review the Step 1 information, instructions and examples contained in this training guide.
- Start entering data on the worksheet.
- Enter as much data as you can. If you need to do further research to complete the worksheet, just save what you have completed and then open and complete the worksheet at a later date.
- When the worksheet is completed, enter your assessment of the competitive quality of this element of your business at the bottom of the worksheet. Assessment values are Good, Fair and Poor.

#### ***4. Post the Assessments on the Business Model***

This task just requires transferring the assessments results to the Business Model. The end result is one of most useful tools available for projecting strengths and weaknesses into effective action.

- Open the Business Model file.
- Post the worksheet assessment values in color on the Business Model now or wait and post all six Idea worksheet values after completing Step 6.

#### ***5. Complete the Business Resources Worksheets***

The process is the same for completing the six Business Resources worksheets as described above for the six Business Idea Worksheets.

#### ***6. Post the Assessments on the Business Model***

The process is the same for posting the six Business Resources worksheet assessments to the Business Model as described above for the six Business Idea Worksheets.

## ***7. Assess the Total Business Model Quality***

This is the critical point in assessing the quality of your total Business Model.

- First, assess the Business Idea based upon the results of the individual element assessments. As indicated in the earlier Business Model example, even one yellow or red element could impact the Business Idea enough to assess it at less than Good. Post the assessment by color on the Business Model.
- Assess the Business Resources with the same intensity as the Business Idea.
- Finally, assess the total Business Model based upon the Business Idea and Business Resources results. The total Business Model assessment should be an important indicator as to whether this business concept should be pursued.

## ***8. Write the Business Plan***

Assuming that you are satisfied with the Business Model results, you are positioned to write the formal business plan.

- Open the Business Plan Outline file.
- Start entering data in the Ownership and History section.
- Proceed with subsequent sections and after all of those sections are completed, complete the Executive Summary.

# Part 4

## The Business Idea

# The Good Idea Concept

## ***Introduction***

Before we start completing the worksheets for the six Business Idea elements, let's review the concept and logic behind the Business Model approach to designing a business and developing a business plan.

- First, *creating a business model does not in any way increase the amount of effort required to produce a good business plan.* You need all of the data collected in creating a business model to create a good business plan.
- Second, the worksheets are designed to address the business topics that should be considered for each element while reducing the effort to answer the questions for your specific business concept.
- Third, using the business model approach provides a level of validation for the business concept that is not available in other approaches to developing a business plan. The business model will help you gain a better understanding of the strengths and weaknesses of your business and enhance your ability to fine tune your business plan.
- Lastly, the six Business Idea worksheets must be completed first because they provide the information required to estimate the resource requirements on the Business Resources worksheets.

The purpose of defining the six elements of the Business Idea is ***to determine if the Business Idea is good enough to compete successfully in the marketplace?*** If it is, then all that is required are Good Business Resources. If the Business Idea can't compete successfully, then it may need to be discarded or modified so that it is competitive. Modification usually means starting with a revision of the Critical Pair which is described in subsequent paragraphs.

## ***The Six Business Idea Elements***

The six business idea elements are the best way to describe your business concept – “what you expect your business to look like as an active participant in your segment of the marketplace”. Keep in mind that this is just an **Idea** or a concept of what you expect to create. If it is a good idea, anyone with the required resources (the real business assets) could start or operate the business successfully.

The business idea is defined by six elements that form three related pairs of elements. Briefly, here's what the worksheet questions for these six elements are trying to establish.

### **Products/Services and Customer Profiles**

These two elements define what you expect to sell and who you expect to sell to. They are the most important decisions you will make. The other ten elements will be used to help you evaluate the soundness of these two decisions. These two worksheets will help you be quite precise in describing what products and services you expect to sell and the specific characteristics of your primary buyers.

### **Competition and Differentiation**

When you defined your products and services and customer profiles, you automatically identified your competition because they sell the same or similar products and services to the same customers. Competition is the greatest barrier to successful entry into any marketplace segment.

You are asked to research and define the strengths and weaknesses of your competition. This will permit you to identify the characteristics of your business concept that will differentiate you from the competition and provide a competitive edge. Without a positive differentiation, securing an adequate market share is very difficult.



## **Advertising and Sales**

Advertising is how you create interest and develop prospects to buy your products and services. The characteristics of the preceding four elements tend to define what type of advertising will be most cost effective in developing prospects. Advertising can be Personal (human) or Impersonal (media driven). The sales approach is usually dictated by the pattern established by the preceding elements. Sales can be closed by Personal (human) or Impersonal techniques. The worksheets help clarify the alternatives available for these two elements. Remember, sales are the ultimate measure of business success.

Let's get started with reviewing and completing the Step 1 – Products and Services worksheet.

# Step 1: Products and Services

## *Introduction*

Entrepreneurs have one thing in common. They visualize a product or service that they think they can sell at a profit. There are four words that are the key elements of the first sentence in this paragraph. They are product, service, sell and profit. They are the key elements of every successful new or existing business. To be a viable business idea it must not be just an exciting product or service, but one that can be sold at a profit in the marketplace.

Selecting the products and services that you are going to sell is the first and most important business decision you will make. It needs to be right or nothing but trouble lies ahead. So, the first step in creating your business model and your business plan is to be very specific about what you intend to sell. The Step 1 worksheet makes it easy to document what you are going to sell.

Although most of the fields on the worksheets are really self-explanatory, we will define them for clarity starting with this worksheet. The Products and Services worksheet is divided into two parts. Part A (top) is for products and PART B (bottom) is for services.

**Note:** It may be easier if you print a copy of the blank worksheet to use as a reference when reading the definitions. The software is designed to produce single page outputs that are easy to read and interpret. They often suffice for an internal business plan that doesn't require broad distribution beyond those that created the materials.

## *Prepare to Enter Step 1 Data*

Open your Step 1 Products and Services Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

## ***Products Worksheet – Part A***

A reminder about the purpose of the business plan and the six Business Idea worksheets. *A business plan is a projection of the total business functions and anticipated results over the planning period.* The worksheets are designed to capture the detail characteristics of the proposed business concept over this period. As a result, an important part of their function is to provide the data needed to estimate the resources required and also produce a financial projection that includes:

- Estimating volume of sales and income
- Estimating operational expenses
- Profit or Loss (the bottom line"

Subtracting the expenses from the income produces the "bottom line" – will the business make or lose money. This financial projection function relies more on the Products and Services worksheet than any of the other five element worksheets. It is the base for projecting product and service sales which in turn establishes the business income.

Most small businesses have a limited number of products that they are going to sell, but this is not always the case. So, for business plan estimating purposes, we have to have a method of describing the products you are going to sell that is representative of your products and yet is not a detailed list of many products. If you have many products, first divide them into product groups. Then create typical packages of one or more products from each group that you visualize customers buying and give the product or group a name. This name will also be used to identify the product on the Financial Model.

Typically, the packages should cover a range of low to high prices. Most businesses sell more low priced items than high priced items. The object of this worksheet is to indicate an average of the typical kinds of purchases that you feel customers will make, including the cost and price so that you will be able to estimate the average number of sales for the various products or product groups.

These sales volume estimates will be developed and entered later on the Financial Model worksheet to calculate the income that you expect to generate from these sales. Selecting the representative products or grouping of products may require thoughtful analysis based upon your experience about customer buying habits. This same approach should be applied in the Services section of this worksheet.

**Product Name**

Create a unique name for each product or group of products according to the instructions above. These product names, cost and price will be re-used on the Step 10 – Financial Model along with expected sales volumes to estimate Gross Income.

**Product Cost**

This is what you expect to pay your supplier for the product or products described. This is the cost that will be used in the Financial Model to calculate your Cost of Goods. In most cases, cost and price should be rounded to even dollar figures. If you are a new business with no cost or price history, these preliminary estimates may require adjustment as you develop the Step 10- Financial Model.

**Product Price**

This is the price you will charge for the product. It must be enough to purchase a replacement product for inventory, pay for other business expenses and provide a margin for profit.

**Product Source**

This is the source or sources for obtaining your products. Since having only a single source for products is a risky issue for a business, it provides an opportunity to clarify your specific supplier situation.

**Comments**

Note any assumptions you made in completing the products section. Add any notes about items that may be relevant to the business plan.

## Step 1 – Products and Services

**A. Instructions for Products:** Products are tangible items you can own and transfer. List no more than seven products. If you have a large number of products, group them into typical packages that you can visualize a customer buying. Enter your name for the product, your cost, your selling price, and your source, such as a wholesaler.

Product Name	Cost	Price	Source

**Comments:**

**B. Instructions for Services:** Services are defined as "work performed for a customer". List no more than seven services. If you have a large number of services, group them into typical packages that you can visualize a customer buying. Enter your name for the service and your selling price.

Service Name	Price	Comments

**Comments:**

Assessment of Products and Services    ☐ GOOD    ☐ FAIR    ☐ POOR

## ***Services Worksheet – Part B***

### **Service Name**

The process for defining your services follows the same format as for Products. Most small businesses have a limited number of services that they are going to sell. As noted above, this is not always the case so we have to have a method of describing the services you are going to sell that is representative of your services, and yet is not a detailed list of many services. If you have many services, first divide them into service groups. Then create typical packages of one or more services from each group that you visualize customers buying and give the service a name. This name will be used to identify the service on the Financial Model.

The packages should cover a range of low to high prices. Most businesses sell more low priced items than high priced items. The object of this worksheet is to indicate the typical kinds of service purchases that you feel customers will buy, including the price so that you will be able to estimate the average number of sales for the various services or service groups. These sales volume estimates will be developed and entered later on the Financial Model worksheet to calculate the income that you expect to generate from these sales. Selecting the representative services or grouping of services may require considerable analysis based upon your experience about customer buying habits.

### **Service Price**

This is the price you will charge for the service. It must be enough to pay for other business expenses and provide a margin for profit.

### **Comments**

Note any assumptions you made in completing the services section. Add any notes about items that may be relevant to the business plan

## ***Before Assessing Products and Services***

After completing the worksheet and before completing the assessment, review the following questions. They are just reminders to help you reach a fair assessment of this worksheet. If you can't answer yes to all of the questions, it might not warrant a Blue/Good assessment.

1. Will there be a long term demand for your products and services?
2. Is your price competitive?
3. Does the price provide a reasonable margin of profit?

## **Step 2: Customer Profiles**

### ***Introduction***

Customer Profiles is the second element of the Critical Pair. When you selected the products and services that you would sell, you probably had a fairly clear idea about the kind of customers that would buy your products. This worksheet provides a format for defining those customers in more detail. Any fuzziness about who they are leaves the whole question of the validity of the business concept in question. The next worksheet, Step 3 – Competition Worksheet will ask you to describe your competition. You can't do that without having a precise idea of both the products and services that you will offer and who (specifically) you expect to sell to.

The first decision about customer profiles is to determine if they are business customers, consumer customers (non-business), or both. For most small businesses, selling to both presents potential issues about such things as volume pricing, advertising focus, delivery capabilities, and offering credit. This is the point in the process to think clearly about which customers provide the best opportunity for long term success.

### ***The Four Common Characteristics***

Before you proceed to define your ideal customer profiles, let's take a moment to consider the four common characteristics that must be included along with your more specific customer profile definitions. In key words they are:

- Clearly Definable
- Decision Maker
- Sufficient to Maintain
- Reachable Economically.



Let's discuss each item briefly so that you keep it in the back of your mind as you complete the Customer Profiles worksheet. The old quote that "without sales a business fails" emphasizes the point that knowing your customers is the key to business success.

### **Clearly Definable**

The term "clearly definable" means that you can identify the important characteristics of your ideal customers. Knowing these characteristics will help you develop the most effective advertising approaches to reach them. This does not suggest restricting your target segment, but recognize that not "everyone" is not a good potential customer.

### **Decision Maker**

The term "decision maker" measures your ability to identify and reach the person that makes the decision to purchase your products or services. This may be in person or through impersonal media, but without access to the decision maker, nothing happens.

### **Sufficient to Maintain**

The term "sufficient to maintain" means that there must be enough of your target customers available to your business to create the level of sales required to meet your goals. Obviously you won't get every potential customer so there must be enough "to go around" – satisfying other vendors as well as your own needs.

### **Reachable Economically**

The term "reachable economically" means that you must be able to reach enough prospects with your advertising program to produce the number of sales you need at a cost that still produces the necessary profit margin. Maintaining this advertising financial equilibrium is often one of the more difficult managerial tasks for a small business. Advertising costs cause "more heartburn" for small business owners than almost any other expense item.

## ***Prepare to Enter Step 2 Data***

Open your Step 2- Customer Profiles Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

### ***Business Customer Profile – Part A***

The Part A - Business Profile portion of the worksheet is designed to help you be quite specific in describing the characteristics of the business customers you expect have as prospects. Space is provided to add characteristics that might be unique to your business model.

#### **Geographic**

This item describes any geographic limitations that apply to your potential customers. If your customers are too far away from your home base, it may impact your advertising, sales and delivery functions. Check the maximum distance from your home base for your typical customer location.

#### **Type of Business**

This item identifies the types of businesses that commonly use your products or services. Knowing the type of businesses that uses your products and services simplifies identifying the specific business customers that you want to pursue.

#### **Annual Revenues**

Matching your business with the size of the business most likely to buy from you will make your advertising and sales efforts more effective. Annual revenues of the business prospect helps in determining if this customer matches your product or service delivery capability.

#### **Number of Employees**

The number of employees is another size indicator to help you decide the business potential of the customer.

#### **Decision Maker's Identity**

The ability to identify and get access to the decision maker is important in developing an effective advertising and sales program.

## ***Consumer Customer Profile – Part B***

The following three sets of characteristics are designed to help you be very specific in describing the consumer customers you expect to have as prospects. They contain the parameters needed to confirm that they commonly use the products or services that you identified in the previous worksheet. They also establish the parameters for selecting the most effective advertising and sales approaches. Add characteristics that might be unique to your business model.

### **Geographic Characteristics**

This section describes any geographic limitations that apply to your potential customers. If your customers are too far from your home base it may adversely impact your advertising, sales and delivery functions.

### **Demographic Characteristics**

This section provides an opportunity to define the demographic characteristics of those customers that are most likely to buy your products or services. The government census organization provides free information down to the ZIP code level for the consumer characteristics listed and many others. This detail may help you focus your advertising on the geographic areas that contain consumers that match your customer profiles.

### **Special Interest Characteristics**

Special interest characteristics identify consumers that have personal interests that are not of a typical broad demographic nature. For example, they might be interested in art, hiking, natural foods or photography. If your business sells products or services that relate to specialized interests, then identifying the specific characteristics is very important in defining your complete customer profiles. These characteristics may direct you to more effective advertising venues that are used by these customers because they focus on their specific interest.

## Step 2 – Customer Profiles

<b>A. Instructions for business customers:</b> In general, only select characteristics of the customers "most likely" to buy from you. This will make selecting your advertising and sales approachess in Step 5 and 6 more accurate. Multiple selections are suggested when appropriate to identify all of the characteristics that apply. Check your choice.			
<b>Geographic Characteristics (distance from vendor in miles)</b>	<input type="checkbox"/> 10 <input type="checkbox"/> 100	<input type="checkbox"/> 25 Other:	<input type="checkbox"/> 50
<b>Customer's type of business</b>	<input type="checkbox"/> manufacture Other:	<input type="checkbox"/> wholesale	<input type="checkbox"/> retail
<b>Customer's annual revenues</b>	<input type="checkbox"/> 100,000 <input type="checkbox"/> 1,000,000	<input type="checkbox"/> 250,000 Other:	<input type="checkbox"/> 500,000
<b>Customer's number of employees</b>	<input type="checkbox"/> 5 <input type="checkbox"/> 50	<input type="checkbox"/> 10 <input type="checkbox"/> 100	<input type="checkbox"/> 20 <input type="checkbox"/> 500
<b>Can identify decision maker</b>	<input type="checkbox"/> name <input type="checkbox"/> tel no	<input type="checkbox"/> title <input type="checkbox"/> email	<input type="checkbox"/> address
<b>Comments:</b> <div style="height: 40px;"></div>			
<b>B. Instructions for consumer (non-business) customers:</b> In general, only select characteristics of the customers "most likely" to buy from you. This will make selecting your advertising and sales approaches in Step 5 and 6 more accurate. Multiple selections are suggested when appropriate to identify all of the characteristics that apply. Check your choice.			
<b>Geographic Characteristics (distance from vendor in miles)</b>	<input type="checkbox"/> 10 <input type="checkbox"/> 100	<input type="checkbox"/> 25 Other:	<input type="checkbox"/> 50
<b>Demographic Characteristics</b>	<input type="checkbox"/> male <input type="checkbox"/> children <input type="checkbox"/> Asian <input type="checkbox"/> White	<input type="checkbox"/> female <input type="checkbox"/> rent <input type="checkbox"/> Black <input type="checkbox"/> college	<input type="checkbox"/> married <input type="checkbox"/> own <input type="checkbox"/> Hispanic
	<b>Income</b>	<input type="checkbox"/> 25,000 <input type="checkbox"/> 100,000	<input type="checkbox"/> 50,000 <input type="checkbox"/> 250,000
<b>Special Interest Characteristics</b>	<input type="checkbox"/> health <input type="checkbox"/> food	<input type="checkbox"/> crafts <input type="checkbox"/> outdoors	<input type="checkbox"/> sports
<b>Comments:</b> <div style="height: 40px;"></div>			
<b>Assessment of Customer Profiles</b> <input type="checkbox"/> GOOD <input type="checkbox"/> FAIR <input type="checkbox"/> POOR			

## ***Before Assessing Customer Profiles***

After completing the worksheet and before completing the assessment, review the following questions. They are just reminders to help you reach a fair assessment of this worksheet. If you can't answer yes to all of the questions, it might not warrant a Blue/Good assessment.

1. Do these customers have a long term need for your products and services?
2. Are there a sufficient number of customers to satisfy your sales goals recognizing that competing vendors will get a share of this customer pool?
3. Can you identify and/or reach the decision makers with your advertising?

## **Step 3: Competition**

### ***Introduction***

The biggest barrier to successful entry into the marketplace is competition. Yet, many small business entrepreneurs tend to minimize the problem of competition. They often feel that their experience, enthusiasm and quality of service will funnel customers to them. Most of the time, this is wishful thinking. Businesses don't survive and prosper by providing poor products coupled with poor service. The concept of "I'll provide excellent service" as the basis for business success just isn't enough. Sometimes excellent service may be the extra value that brings customers to you, but it may take years to establish a reputation for this to be a substantial differentiation in the marketplace. Superior service usually has a price tag – over and above service doesn't come free to the business. Whether yours is an existing or new business, you must know your competition and find ways to provide additional value to your common, shared group of customers.

### ***Competition Worksheet***

The following worksheet on Competition will help ensure that you consider all of the factors that can be important in analyzing and understanding your competition. They include most of the same twelve elements we use to create the business model with a couple of subjective items thrown in, like reputation. You may not be able to fully answer and assess all of these items until you have completed the other worksheets. If you have to defer some items now, you can come back later and complete this worksheet. Some research is almost always required to document your competition accurately.

The topics themselves don't require any additional description. For example:

- You will be able to identify those competitors that offer the same or similar products and services.
- Your research will indicate how their pricing is in terms of being low, average or high compared to the marketplace.
- If they have been in business for some time, they probably have an established clientele at some level.
- You will know their location and something about it, if that is a factor in your business concept.
- You may be familiar with their advertising approach and can evaluate it based upon your own experience and plans for your business.
- Other factors such as sales skills, financial strength, management and employee skills, and reputation may be more difficult to estimate. Even if you can't answer these questions definitively, they will cause you to consider your own strengths and weaknesses in these areas.

The worksheet is very simple. You just click on the values that most accurately describe your competition. Some of your answers will be based upon "feelings" as compared to absolute facts. However, if you are familiar with the competition in your business segment, your honest judgment will be of value. You can always have other business associates give their opinions to broaden your base of knowledge. Just keep in mind that your competition is the greatest enemy to success in the marketplace, so don't treat it lightly. Jot down any thoughts in the comments area.

### ***Prepare to Enter Step 3 Data***

Open the Step 3 – Competition Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

### Step 3 - Competition

**Instructions for evaluating your Competition:** It is important to understand the strengths and weaknesses of your competition so that you can determine your relative strengths and weaknesses in comparison. This worksheet is used to evaluate your competition. In Step 4 you will estimate how you compare, using the same standard of comparison for the same items. You defined the characteristics of your competition when you defined your products and services and customer profiles. Your competition sells the same or similar items to the same customer segment. If you have more than one competitor, you should average their strengths and weaknesses unless you have one important competitor that you must contend with (perhaps in the same area). Any of the items listed might be considered a strength or a weakness. Check on a value for each item. If you don't know the answer, leave the item blank and return to it later after doing more research.

Items for Comparison	GOOD	FAIR	POOR	
Products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pricing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Established clientele	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Location	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advertising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sales skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Management skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Employee skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial strength	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Reputation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Comments:

Assessment of Competition ☐ GOOD ☐ FAIR ☐ POOR



## ***Before Assessing the Competition***

The idea of assessing your competition as Good, Fair or Poor may seem strange at first. Most entrepreneurs won't enjoy saying their competition is Good. However, in fairness to your competition, you may find many of them will come out As Good As or perhaps Better than you, especially if you are just entering the marketplace. It is more prudent that you know and accept that they are successful and figure out how to compete effectively than to conclude they are poor competitors and not an issue.

After completing the worksheet and before completing the assessment, review the following questions. They are just reminders to help you reach a fair assessment of this worksheet. If you can't answer yes to all of the questions, it might not warrant a Blue/Good assessment.

1. Have you identified your competition?
2. Are you familiar with their business operations?
3. Are you able to assess their competitive quality using the list of characteristics on the worksheet?
4. Do you feel you have assessed them fairly?

## **Step 4: Differentiation**

### ***Introduction***

Differentiation is the term used to describe the features of your business that will cause customers to buy from you rather than from your competitors. This kind of differentiation is also called a competitive edge. It is also obvious that your competitors are attempting to establish a competitive edge over you. That's why it is often very difficult to create a noticeable positive differentiation. It is also why it is extremely important for you to understand and try to capitalize on any differentiation advantage you have in your advertising and sales programs.

### ***Differentiation Worksheet***

The preceding worksheet asked that you define your competition by measuring the quality of twelve different topics. Many of those topics were drawn from the twelve elements from the business model. You were asked to rate those twelve topics as good, average or poor based on your knowledge of those businesses and how a fair minded customer would perceive the quality of those twelve items. On this worksheet you are asked to rate the quality of your business using those same twelve items. You should decide if your business is better, equal to, or worse for each of the items in comparison to your competition.

### ***Prepare to Enter Step 4 Data***

Open the Step 4 – Differentiation Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

### Step 4 – Differentiation

**Instructions for evaluating your Differentiation:** Differentiation is defined as the reasons why a customer chooses to buy from you rather than a competitor. A positive differentiation is an important asset in maintaining a competitive position. Using the same standards for your business that you used for evaluating the competition, check one value for each of the twelve items.

Items for Comparison	Better	Equal	Worse	Comments
Products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pricing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Established clientele	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Location	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advertising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sales skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Management skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Employee skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial strength	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Reputation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Greatest strengths:

Greatest weaknesses:

Assessment of Differentiation ☐ GOOD ☐ FAIR ☐ POOR

Consider these thoughts before performing the assessment of your differentiation analysis. The experts in marketing tell us that most differentiation is determined by one or more of three business factors – quality, service or price. Some variation of these three factors plays a prominent role in causing customers to buy from a particular vendor. The experts also point out that it defies business logic to assume you can be the best in all three categories. If you can be the best in two of the three categories, you are in a good competitive position.

There is one other thing to consider. It is often only a small nuance in one or more of these factors that gives you separation from the competition. As you assess the twelve factors, consider how each one may provide an advantage in appealing to your customers. Also, assuming you can't be the best in all three factors you may need to consciously decide which one or two of the three factors will drive your basic business competitive philosophy. Making this decision may alter the image of your business, perhaps in a way that you didn't anticipate and don't feel comfortable with. Sometimes this is the cost of doing business.

Every business should capitalize on its strengths to improve its position and take advantage of opportunities that comes from those strengths. This is necessary to offset efforts of the competition to apply this normal marketplace principle. The results from this comparison in differentiation will do two things for you:

- It will clarify those areas where you are better and thus have an advantage from a customer perspective. You always advertise your advantages (strengths) whenever possible.
- You will know both your strengths and weaknesses and can attempt to maintain or improve your strengths and find ways to mitigate your weaknesses.

## ***Before Performing the Assessment***

Do not assume that all twelve of the elements are of equal value in making your assessment. For example, your competitor may have a nicer location or facility but if location is not important to the success of the business, then the better location may not have much value in the assessment.

1. Have you identified the most important competitive characteristics of your business concept?
2. Do you have some important competitive advantages over your competition?
3. Do these advantages offset any weaknesses you may have?
4. Have you used the same standard for assessing the competition and your business?

## **Step 5: Advertising Approach**

### ***Introduction***

The cost of advertising is often the greatest expense after salaries for a small business. Acquiring customers is the most challenging of all small business functions. On the surface it seems like an easy task – just put out flyers, insert ads in the newspaper, make a few calls and you are all set. In actual practice it is much more difficult. In most cases, you must not only reach potential customers but convert them from their present provider to your business. Changing the buying habits of customers is very difficult. They must have a solid reason for switching where they buy their products and services. That's why it's so important to have a strong competitive edge in creating an effective advertising program.

A large established business has many advertising options that don't fit within the budget of a small business. For example, a large business can afford to advertize on TV and in newspapers and magazines at the national level and make everyone familiar with their products (branding). They can emphasize their advantages over competitors, and over time establish a positive image of their products that makes selling at the retail level much easier. As a small business, you don't have the resources to do this. So, what is available to you?

The challenge is to select what you believe will be the most effective approach to advertising and then refine that approach to fit your specific environment and advertising budget. The first rule of advertising is to test different advertising approaches to determine which is the most cost-effective before committing to an expensive program.

## Step 5 – Advertising

**Instructions for selecting your Advertising Approach:** The advertising alternatives listed below are divided into three groups; Personal, Impersonal - Inexpensive and Impersonal - Expensive. Each group is itemized in the "least expensive to most expensive" order. You may select one or more items from all three groups by checking on Your Approach and then on a value for Competitor's approach to indicate how your competitor's advertise.

Advertising Alternatives	Your Approach	Competitor's Approach	Comments
<b>Personal</b>			
1. Personal visit	<input type="checkbox"/>	<input type="checkbox"/>	
2. Telephone call	<input type="checkbox"/>	<input type="checkbox"/>	
3. Personal letter	<input type="checkbox"/>	<input type="checkbox"/>	
4. Personal email	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Impersonal - Inexpensive</b>			
1. Business cards	<input type="checkbox"/>	<input type="checkbox"/>	
2. Brochures	<input type="checkbox"/>	<input type="checkbox"/>	
3. Flyers	<input type="checkbox"/>	<input type="checkbox"/>	
4. Email	<input type="checkbox"/>	<input type="checkbox"/>	
5. Internet	<input type="checkbox"/>	<input type="checkbox"/>	
6. Local print media	<input type="checkbox"/>	<input type="checkbox"/>	
7. ZIP code mailers	<input type="checkbox"/>	<input type="checkbox"/>	
8. Limited direct mail	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Impersonal - Expensive</b>			
1. Yellow pages	<input type="checkbox"/>	<input type="checkbox"/>	
2. Billboards	<input type="checkbox"/>	<input type="checkbox"/>	
3. Urban newspapers	<input type="checkbox"/>	<input type="checkbox"/>	
4. Radio	<input type="checkbox"/>	<input type="checkbox"/>	
5. TV	<input type="checkbox"/>	<input type="checkbox"/>	
6. Magazines	<input type="checkbox"/>	<input type="checkbox"/>	
7. Catalogs	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Comments:</b>			
<b>Assessment of Advertising</b> <span style="margin-left: 20px;"><input type="checkbox"/> GOOD</span> <span style="margin-left: 20px;"><input type="checkbox"/> FAIR</span> <span style="margin-left: 20px;"><input type="checkbox"/> POOR</span>			

## ***Prepare to Enter Step 5 Data***

Open the Step 5 – Advertising Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

## ***Two Types of Advertising***

The two types of advertising generally available to a small business are Personal and Impersonal advertising. Let's look at the options available within those two approaches.

### **Personal Advertising**

Personal Advertising is reaching your customers by a direct personal contact to promote your products or services. This can be accomplished by a visit to the customer premises, a telephone call, or sometimes by a letter or email asking to schedule a face to face meeting with the purchasing decision-maker.

In theory, such contacts are just to introduce your company and your products and services to the customer to stimulate interest and create an opportunity to make a sale at a later date. Because it is personal, it often merges the sales effort into the advertising presentation.

Personal advertising visits are relatively expensive because of the labor and other expenses associated with negotiating a contact and making the visit. As a result, it is only an effective form of advertising when the price of the product or service allows sufficient profit margin to cover the costs involved. An important early consideration is the location of your targeted customers. The larger your geographic circle of customers, the more expensive it is to reach them by personal visit. This form of advertising is more commonly used when the customers are businesses.



The Step 5 worksheet starts with Personal Advertising and asks you to indicate if you plan to use this form of advertising. Check the boxes that indicate your advertising selections. It also asks you to identify if your competitors use this form of advertising. This provides another opportunity for you to consider how your advertising stacks up with the competition.

## **Impersonal Advertising**

Impersonal Advertising is using non-personal media venues to reach your potential customers. The worksheet divides the impersonal alternatives into inexpensive and expensive groupings. The list of inexpensive advertising alternatives is quite extensive and requires no additional definition. They are forms that you understand from daily exposure by all types of businesses. Providing a list simplifies the decision-making process of identifying what advertising approach your business model requires to be successful. The first consideration is where your targeted customers are located. Geographic considerations are most important in determining which media will be most effective. The impersonal-inexpensive advertising alternatives like business cards and brochures are only effective in a small geographic area. Local print media and ZIP code mailers can cover an expanded area. Direct mail is more expensive and requires greater attention to reaching the specific customer profiles you outlined on the Step 2 worksheet.

The impersonal-expensive advertising alternatives are also readily understood. They are listed to indicate the area of exposure that they provide and are designed to continue to present your business to the public on a regular basis. They are more expensive and usually require longer term commitments to the media provider.

The chances are that you intuitively understand the type of advertising that would be most cost-effective for your business. For example, you might logically conclude that you would get more customers by regularly advertising in your large area newspaper, but you also realize that you can't afford to use that media because it will be too expensive for the return you get. It wouldn't be the most cost-effective approach for your business. Local area print media may be the

compromise solution, because it is cheaper and more geographically focused.

### ***Before Performing the Assessment***

After completing the worksheet and before completing the assessment, review the following questions.

1. Have you identified the most cost effective advertising alternatives?
2. Will these alternatives reach a sufficient number of prospects to achieve your sales objectives?
3. Will these alternatives take advantage of your competitive strengths?

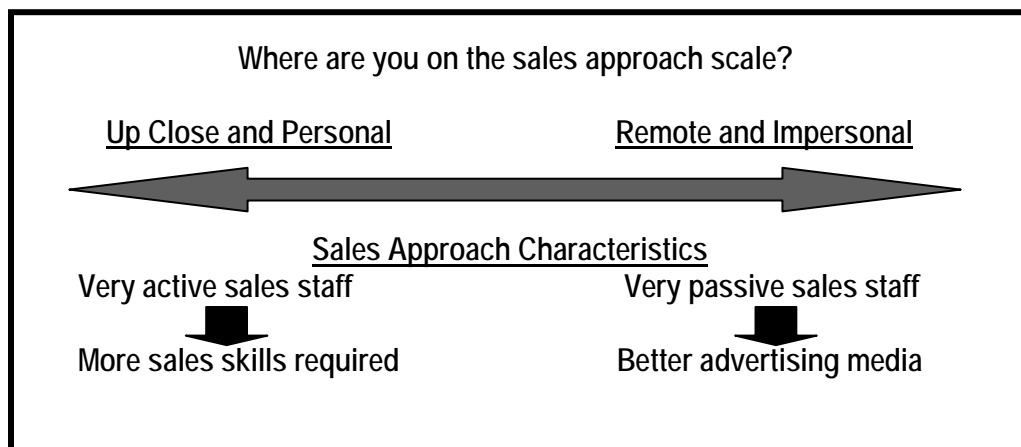
## Step 6: Sales Approach

### *Introduction*

The ultimate measure of business success is making profitable sales. Your decision regarding the most effective technique for closing sales is a part of your basic business concept. You probably made that decision at the time you decided what you were going to sell and who you were going to sell to. You might have refined the alternatives for selling as you developed ideas for the most effective advertising program. In any case, you can confirm your decisions on the worksheet.

With so much riding upon the sales function, sales people are often not held in high regard by the general public. Even so, they are critical to business success. The actual reasons for lack of sales may be caused by factors other than sales skills, such as non-competitive products, services or prices. Yet the blame may fall on the sales approach or the sales staff. The assessment of all of the twelve elements provides a more rational basis for evaluating the actual contribution of sales to the bottom line. Let's review the sales approach alternatives.

This diagram may help in visualizing where your business model fits on the sales approach scale. It tends to emphasize the different requirements for advertising media versus sales skills.



## ***Prepare to Enter Step 6 Data***

Open the Step 6 – Sales Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

### ***Sales Approach Worksheet***

Sales can be consummated in a number of different ways. Like advertising, they can be consummated using personal or impersonal approaches. Let's consider some of the scenarios for each of these two approaches. Then check the approaches you select.

#### **Personal Sales Scenarios**

Personal sales are those consummated by a person interacting with the customer. The majority of small business sales are consummated in this manner. For example:

##### **Scenario 1: Retail sales at the business location**

If your business model requires a customer to come to the business location to purchase the product or service, a sales representative (owner or employee) usually helps the customer select the appropriate product or service and completes the sales transaction. Examples include retail stores, auto service facilities, and maintenance and repair businesses.

##### **Scenario 2: Retail sales at the customer premise**

If your business model requires a company representative to visit the customer location to consummate the sale, the sales representative usually helps the customer select the appropriate product or service and completes the sales transaction. Examples include lawn service businesses, plumbing and heating/air conditioning businesses, house painting and computer repair.

## Step 6 – Sales

**Instructions for Sales Approach:** This is a relatively simple worksheet because the sales alternatives for most small businesses reflect the decisions made in Steps 1 - 5. Most sales are made by a sales person from the business interacting on a one-on-basis with the customer. But, since this is not always true, variations for other business models is included. For example, restaurants commonly advertise coupons for a reduced price meal. Although this is advertising, the sale is made when the recipient decides to use the coupon. No human contact is necessary to make the sale, only to deliver the product. Check your selections under Your Approach and on the alternatives used by your competitor's under Competitor's Approach.

Sales Alternatives	Your Approach	Competitor's Approach	Comments
<b>1. Personal Contact - Products</b>			
a. At business location	<input type="checkbox"/>	<input type="checkbox"/>	
b. At customer location	<input type="checkbox"/>	<input type="checkbox"/>	
<b>2. Personal Contact - Services</b>			
a. At business location	<input type="checkbox"/>	<input type="checkbox"/>	
b. At customer location	<input type="checkbox"/>	<input type="checkbox"/>	
<b>3. Personal Cold Calling</b>			
a. Products	<input type="checkbox"/>	<input type="checkbox"/>	
b. Services	<input type="checkbox"/>	<input type="checkbox"/>	
<b>4. Impersonal - Direct Mail</b>			
a. Products	<input type="checkbox"/>	<input type="checkbox"/>	
b. Services	<input type="checkbox"/>	<input type="checkbox"/>	
<b>5. Impersonal - Coupons</b>			
a. Products	<input type="checkbox"/>	<input type="checkbox"/>	
b. Services	<input type="checkbox"/>	<input type="checkbox"/>	
<b>6. Impersonal - Catalogs</b>			
a. Products	<input type="checkbox"/>	<input type="checkbox"/>	
b. Services	<input type="checkbox"/>	<input type="checkbox"/>	
<b>7. Impersonal - Order by Email</b>			
a. Products	<input type="checkbox"/>	<input type="checkbox"/>	
b. Services	<input type="checkbox"/>	<input type="checkbox"/>	

Comments:

Assessment of Sales      ☐ GOOD      ☐ FAIR      ☐ POOR

### **Scenario 3: Cold calling**

Cold calling approaches are used by businesses to advertise and sell to a potential customer. These calls are usually made from a list of customers that match some of the customer profile characteristics described on the customer profiles worksheet. The list of customers is often purchased from a marketing firm that provides sales leads for a fee. This approach could be considered an advertising approach and/or a sales approach depending upon the product or service being offered.

## **Impersonal Sales Scenarios**

Impersonal sales approaches are fairly limited and they are almost always a combination of advertising and sales. They include coupons in print media, direct mail offerings, catalogs, and sometimes a form of emails.

### **Scenario 1: Coupons**

Coupons are used to make special price offerings on products or services. In some cases they are used to stimulate a contact with the business, and in other cases they actually close the sale. A good example of coupon use is for restaurants that offer a free entrée for the purchase of an entrée of a similar price. If the customer uses the coupon, the sale was really consummated when the customer decided to use the coupon and this was accomplished without the intervention of a person.

### **Scenario 2: Direct Mail**

One of the most common examples of direct mail is to promote the sale of magazines. The customer just returns the order form and the vendor starts the magazine delivery and sends the customer a bill. Again, there is no human intervention.

### **Scenario 3: Catalogs**

Catalogs are just an expanded version of direct mail. Sometimes a customer orders a product from the order form and sometimes the customer must contact the catalog vendor to place the order. These are extremely

efficient business models, but the cost of catalog preparation and distribution is a heavy overhead.

#### **Scenario 4: Email**

Email sales promotion is cheap and relies on broad distribution to advertise and close sales. They usually present information on one product or service. The sale may be completed by email or by a subsequent contact with a sales representative.

### ***Before Performing the Assessment***

After completing the worksheet and before completing the assessment, review the following questions.

1. Does the sales approach match customer expectations?
2. Is there a good balance between the advertising approach and the sales approach?
3. Does the sales approach maximize the opportunity to achieve the sales goals?

# Business Idea Summary

## ***The Customer is King***

During the course of hundreds of counseling sessions with first time entrepreneurs, I have asked them to describe their idea for their business. Invariably they would offer that they want to sell this or that product or service. Sometimes they were of the opinion that what they were going to sell was the only important item to consider – that everything else about their business concept was incidental. The truth of the matter is that *a good idea must consider all of the competitive factors that can affect whether it truly is a good idea*. The objective of completing the worksheets is to analyze the elements of the specific marketplace conditions where this idea will be implemented and see if it can be competitive enough to deliver the financial and other results that meet the owner's goals. *The worksheets were designed to help you assess whether the idea has the potential to deliver the intended results*. The customer ultimately determines if it is a good idea.

## ***What You Have Done So Far***

You have just completed worksheets that address the six elements that describe your vision for the business. They asked you to be quite specific about all six of these elements:

- Products and Services
- Customer Profiles
- Competition
- Differentiation
- Advertising
- Sales.

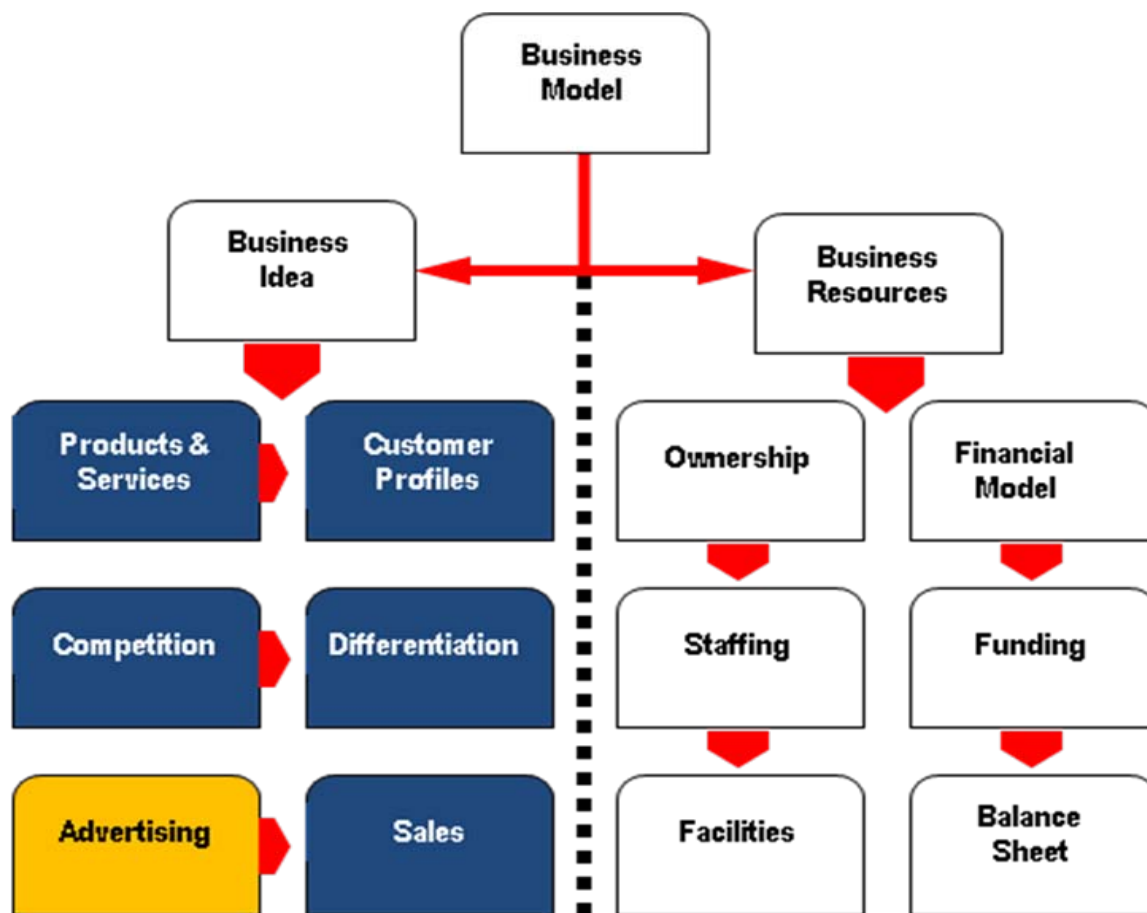


This is your description of your “conceptual business”. The worksheets did not attempt to quantify the resources required to turn the idea into a real business, even though you certainly will have developed a feeling for what might be required. That is by design. It is similar to the process used by an architect in designing a house that matches your vision. When the design meets your needs, then the architect can proceed to determine the actual resources needed to build and maintain the home. But you must design the house before you can develop an accurate estimate of the resource requirements. In the case of your business concept, you produced the general specifications with these six worksheets and then assessed how well the components would perform in the marketplace. Estimating the exact resource requirements come next.

### ***The Business Idea Overall Assessment***

The final task for this segment is to make an overall assessment of the Business Idea after considering the individual assessments for each of the six elements. You are really assessing the strength of your Idea in comparison to the strength of your competitors. If you believe your Idea is equal to or better than your competitors, then the overall rating might be Good. If you have more weaknesses than your competitors, you may rate your Idea as Fair or Poor. These ratings should cause you to rethink your Idea to see if you can improve it. Even if the overall assessment is Good, you still have the task of defining and assessing your Business Resources requirements before making a final assessment of the complete business opportunity.

Does your Business Model now look something like the following example, perhaps with color changes in some element boxes?



# **Part 5**

## **The Business Resources**

# **The Business Resources Concept**

## ***Introduction***

We addressed the Business Idea in the preceding chapters and you were encouraged to assess each of the six elements as Good, Fair or Poor. The object of that assessment was to determine the quality of Business Idea in the competitive marketplace. If the overall assessment of the Business Idea was not in the Good to Fair range, then the business concept may be too flawed for the business to be a success regardless of the quality of the Resources. The competitive marketplace is a very unforgiving environment and so entrepreneurs proceed at their own peril when either the Business Idea or the Business Resources appear to be flawed.

## ***The Six Business Resource Elements***

The six Business Idea worksheets defined what you expect your business to look like in the real competitive world. The six Business Resources worksheets help you identify and quantify the specific assets necessary to be successful. Business Resources fall into four general categories - human, physical, information and financial. You will recognize these categories in the worksheets for the six elements that comprise the Business Resources.

It is not an accident that we start with the Business Idea first and then deal with the Business Resources. The reason is that you can't identify the Resources that will be required until you have specified the details of the Idea.

It is very important to keep the **Idea** elements separate from the **Resource** elements. Most business planning media fail to emphasize this difference and the result is often a distorted or confusing view of the business. Maintaining this separation provides the clarity required to accurately assess the quality of the Idea and the quality of the Resources available to operate the business. They represent separate but synergistic images of the business concept. Here's what the worksheet questions for these six Resource elements are trying to establish.

### ***Ownership***

Ownership identifies the owners, their experience in managing this type of business, the legal form of the business, and most importantly what the owner(s) expects in financial return from the business to consider it a success. Some want a lot, some need very little, so this is a variable, but extremely important characteristic in measuring the potential success of the business.

### ***Staffing***

This element identifies the position titles and the number and type of employees that are required to operate the business. It includes a brief position description and the average monthly salary/wage for each position.

### ***Facilities***

Facilities include the physical location of the business and the vehicles, tools and equipment to operate the business. The importance of the actual location varies from not very important to the most critical resource. For a restaurant it is often the most important element, for warehouse storage it may be relatively unimportant, and for a sales person it may be a cell phone in the car and totally unimportant. The location should satisfy both operational needs and customer expectations. Facilities also include the equipment required to deliver the products and services to the customers. Securing the Facilities resources is more of a funding issue than a supply issue for most businesses.

### ***Financial Model***

The Financial Model is used to estimate five categories of financial information. They are sales volumes, income, cost of goods, expenses, and profit or loss (the Bottom Line). This financial report is used to assess whether the business can be financially successful and if the projected profits will meet the owner's financial goals. If not, most owner/investors would not proceed with the business initiative as defined.

### ***Funding***

Funding is the term used to estimate the startup costs (new business), operating capital requirements, and reserve requirements, and to identify the source of these funds. Inadequate funding is a common reason for business failure. This worksheet can't be completed until the Financial Model is completed so that items such as operating capital and reserves can be estimated.

### ***Balance Sheet***

The business Balance Sheet reflects the actual assets and liabilities and resulting net worth for the business at the beginning of the planning period. It changes over time as income and expenditures fluctuate with business operations. The Balance Sheet provides a reality check for the funding requirements and availability.

## Step 7: Ownership

### *Introduction*

Ownership is the first of the six elements that measure the quality of the Business Resources. It is used to define the owner/managers, their management and industry experience, their organizational goals, and the business legal structure. The Ownership element is often viewed by bank loan officers as the most important information in evaluating the risk of a loan request. The reason is that new entrepreneurs are often long on enthusiasm and energy but may be short on experience and judgment in evaluating the true opportunity of their business concept.

You might think about these three words as you assess the management skills needed to manage the business:

- **Vision** – the ability to visualize the business you have as your goal.
- **Insight** – the ability to develop a logical, achievable plan to move from where you are to the goal you envisioned.
- **Oversight** – the ability to manage the successful implementation of the plan, including detours, because nothing ever goes entirely as planned.

### *Prepare to Enter Step 7 Data*

Open the Step 7 – Ownership Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

## Step 7 – Ownership

Business Name	
Business Address	
Owner's Names and Titles	
Business structure	<input type="checkbox"/> sole proprietor <input type="checkbox"/> partnership <input type="checkbox"/> corporation <input type="checkbox"/> S corporation <input type="checkbox"/> Limited Liability Company
Website name	
Owner credit rating	
Business credit rating	
Owner's experience in this industry	
Owner's education and management experience	
Owner's financial goals	First year \$
	Second year \$
Other business goals	
Comments	
Assessment of Ownership	<input type="checkbox"/> GOOD <input type="checkbox"/> FAIR <input type="checkbox"/> POOR



## ***Ownership Worksheet***

The Ownership Worksheet is designed to simplify the process of isolating and recording basic information about the owners and managers. There may be other important information of a unique nature that would be of interest in presenting the most complete view of this critical segment of business strengths and weaknesses. If so, add this information under the comments sections.

### **Business Name**

List the registered name of the business. This might be the owner's name, a fictitious name or a corporate or LLC name.

### **Business Address**

Enter the address of the business location. This might be the owner's residence or some other operating location. For LLC's and corporations, the address should be the registered business address.

### **Owners Names and Titles**

This section should indicate the names and titles of both owner/investors as well as senior managers. Titles might include Owner, President, Partner, etc.

### **Business Structure**

Identify whether this is a sole proprietor, partnership, corporation, S corporation or a Limited Liability Company (LLC).

### **Website Name (Domain)**

List the website name if you have registered a website name. It is helpful if there is a similarity between the business name and the website name.

### **Owner Credit Rating**

Enter the credit rating of the business owner. This is more important for a new business startup than for an existing business with a good credit rating.

### **Business Credit Rating**

Enter the current credit rating for an established business.

**Owners Experience in this Industry**

Previous experience in the industry is particularly important for new startups. Include highlights of previous industry experience.

**Owners Education and Management Experience**

Enter information that reflects upon the competence of the owners as managers. Include highlights of previous education and management experience.

**Financial Goals**

The financial goal for the business is the typical criteria for determining the success of the business. Because the financial needs or expectations from a business vary greatly, it is important to understand what financial performance will satisfy the owner and warrant continued pursuit of the business. This goal will be measured against the projected financial return on the Financial Model (Step 10 – Financial Model). Financial goals for new startups often start with minimal returns and increase as the business matures.

**Other Goals**

Many business owners have goals other than financial return that are important in measuring the success of the business. These might be about community involvement, ecology, family succession or other areas of interest.

***Before Performing the Assessment***

After completing the worksheet and before completing the assessment, review the following questions.

1. Is the ownership clearly identified?
2. Is the legal structure appropriate?
3. Does the owner(s) have experience in this industry?
4. Does the owner(s) have management experience?
5. Are the financial goals reasonable for this business concept?
6. Does the credit rating qualify for business loans?

## **Step 8: Staffing**

### ***Introduction***

In most small startup businesses, the total initial staff is composed of one or two people and three quarters of all small businesses have five or fewer employees. Entrepreneurs realize that for a business to continue to grow in size and income, additional employees will be required. Their business plan usually includes a gradual increase in employees to reflect the anticipated increase in business activity. This is the time to consider the impact of growth on staffing requirements.

This worksheet is designed to make it easy to plan for your staffing needs. It uses the first chart to describe the staff positions and salary expenses for the year. It uses the second chart to describe the preferred management and industry experience and training for each of the staff positions.

### ***Prepare to Enter Step 8 Data***

Open the Step 8 – Staffing Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

### ***Staffing Worksheet – Part A***

The top part is used to quantify the type and number of staff required to operate the business.

#### **Position Title**

Enter the title of each position in the organization. Start with the most important positions. Include all of the positions that you expect to fill at some time during the year. Owner/managers might be titled as owner, president, vice president, sales manager, etc. Non-management employees might be titled as salesmen, clerks, mechanics, truck drivers, warehouse helpers, etc. If some of the positions are part-time positions, you can enter P.T. following the position title.

## Step 8 – Staffing

**A. Instructions:** Enter the position titles, monthly salary and number of staff for each position for each quarter of the year.

Position Titles	Monthly Salary	1Q	2Q	3Q	4Q

**B. Instructions:** Re-enter the position titles in the same order as above. List preferred management or industry experience requirements and the preferred education of training requirements for each position.

Position Titles	Experience Requirements	Education Requirements

Comments:

Assessment of Staffing

☐ GOOD

☐ FAIR

☐ POOR

**Monthly Salary**

The second column is used to indicate the average monthly salary/wage for each type of employee. When you complete the Financial Model, you will be asked to estimate the cost of the salary burden for the employees

**Quarterly Employee Summary**

The next columns are used to identify the number of employees anticipated for each position for each of the next four quarters. It permits you to indicate when you expect to add, change or eliminate the employees in each position.

***Staffing Worksheet – Part B***

The bottom part is used to specify the preferred experience and education requirements for the proposed staffing plan.

**Position Titles**

Re-enter the position titles in the same order as on Part A of the Staffing Chart.

**Experience Requirements**

Enter the preferred management and industry experience for each position.

**Education Requirements**

Enter the preferred education requirements for each position.

***Before Performing the Assessment***

After completing the worksheet and before completing the assessment, review the following questions.

1. Have education, training and experience requirements been established for each position?
2. Has a salary and hiring plan been established that meets legal requirements?
3. Are individuals available with the specified background?
4. Will these employees enhance your reputation with your customers?

## **Step 9: Facilities**

### ***Introduction***

The Facilities element addresses the physical assets of the business. It identifies the type of location that best serves the business concept and then specifies the type of vehicles and equipment needed to operate the business. The business location and operating equipment reflect the basic nature of the business concept. As with most of the physical assets required for any business in the United States, they are usually available if there are adequate financial resources to rent, lease or buy them. The financial requirements for Facilities are important entries in the financial reports described in later chapters.

### ***Prepare to Enter Step 9 Data***

Open the Step 9 – Facilities Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

### ***Location – Part A***

Determining the best location for your business depends upon how critical the physical location of the business is in getting customers. For example, it makes location critical for businesses that depend upon foot traffic for a major part of their sales. Another consideration has to do with where your competition is located. Sometimes it is advantageous to be near your competition (such as auto dealerships) and other times it is better to be in an area without competitive businesses. These are decisions that require thorough analysis. The Location section of the worksheet specifies the criteria for the physical location of the business.

## Step 9 - Facilities

**A. Instructions for Location:** This table is used to specify where your business is located, the amount of space required (square feet) and the type of space. Enter the number of square feet in the cell adjacent to the desired location. Click on the cell to indicate the type of space.

Type of space required						
Location	Sq. Ft.	Office	Retail	Warehouse	Manufacture	Other
Home-Based		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
City		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Suburbs		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Rural		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Storage		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**Instructions:** Click on the yes or no answers. Enter monthly payment under question 4, if needed.

1. Are zoning, covenants, licenses and permits satisfied?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2. Does location meet customer expectations?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3. Does location meet operational needs?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
4. Own or buying property?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Mo. payment \$		

**B. Instructions for Equipment:** Enter the vehicles and major items of equipment required to operate the business. Enter the cost if you will buy the item or enter the lease amount if you rent. Enter the quantity in the quarter you expect to acquire the item.

Equipment Description	Own \$ Cost	Rent \$/MO	Enter quantity in quarter needed			
			1Q	2Q	3Q	4Q
<b>Vehicles</b>						
<b>Office Equipment</b>						
<b>Other Equipment</b>						

Comments:

Assessment of Facilities ☐ GOOD ☐ FAIR ☐ POOR

## **Location**

The Location column on the left is used to specify the general area where you want to be located. The columns on the right are used to specify the type of space required. The type of space that you select must match the zoning and permit requirements for the type of business you will operate. For example, if you manufacture products you may be required to locate in an area that is zoned for manufacturing.

## **Size**

The Square Foot column is used to specify the total square feet of space required for each category. The cost of rental space is usually based on a price per square foot per year. For example, suppose you need 1000 square feet of office space at a rate of \$24.00 per square foot per year. The monthly rental would be \$24.00 divided by 12 (months) times 1000 (square feet) or \$2,000 per month. There may be other monthly assessments to cover building and maintenance services.

## **Type of Space**

The Type of Space columns list the common categories of commercial space. The Office and Retail categories are suitable for customer visitation. They are typically the most expensive per square foot. The other categories are may be located in more remote areas where the cost is less and the zoning restrictions are different.

## **Question 1 - Zoning and Other Location Issues**

Zoning restrictions are established by the city or county to control the type of business activities that can be operated on the property. Local community or subdivision covenants may add to the restrictions. In addition, you may need permits to operate the business and sometimes special licenses are required. You should indicate whether all of these special restrictions have been satisfied for the selected space.

## **Question 2 - Customer Expectations**

Does the space meet customer expectations for this type of business? Customers should feel comfortable about visiting your business. Your location may factor into this decision.



**Question 3 - Operational Needs**

Does the space meet all of the operational needs of the business? This is just a double check to ensure that the space will permit you to carry out all of the normal business activities without undue impairment and provide for some growth.

**Question 4 - Rent or Own**

Indicate whether you rent or own the property. Whether you rent or own has financial and funding implications. If you intend to buy the property, indicate the estimated purchase price, the down payment and the monthly mortgage payment. If you intend to rent, indicate the monthly rental payment.

***Vehicles and Equipment – Part B***

Part B of the worksheet deals with the equipment needed to operate the business. The Equipment chart is used to indicate the vehicles, office and other equipment needed to operate the business. The Step 11 - Funding Worksheet will use these figures in computing the total amount of funds required to start and operate the business.

**Equipment Description**

Under the left column titled Equipment Description, enter the description of any major piece of equipment that you expect to acquire during the next two years. The first section is for vehicles (cars and trucks, etc). The next section is for office equipment (computers, printers, copiers, desks, chair, filing cabinets, etc.). The third section is for other equipment (dollies, saws, drills, lifts, etc.). Do not enter small items such as paper, cleaning items, etc that are part of supplies for normal operating expense.

**Cost**

Indicate the cost of the item of equipment. The equipment may be used, so use your actual acquisition cost whether it is new or used. If leased, enter the monthly lease expense.

**Date Required**

The following four columns are used to indicate when you expect to make the purchases or leases for each piece of equipment. Enter the quantity in the Quarter column that you expect to acquire the item.

### ***Before Performing the Assessment***

After completing the worksheet and before completing the assessment, review the following questions.

1. Have space requirements been established?
2. Is space available at a reasonable price?
3. Have vehicle requirements been established?
4. Have equipment requirements been established?
5. Are the equipment items readily available?

## **Step 10: Financial Model**

### ***Introduction***

The Financial Model is the single most important analytical tool for evaluating the quality of the business opportunity for the business planner. It converts all of the Business Idea and Business Resource elements into income and expense projections so that the risks and rewards can be fairly evaluated. All businesses ultimately live or die based upon their financial return unless there is a patron supporting any potential financial shortfall. When you have completed this worksheet you have a side benefit. The Financial Model is also your budget for the planning period. All businesses need a budget and you have just created an excellent budget which you understand and can support because it contains your own best estimates.

### ***Financial Model Worksheet***

The Financial Model Worksheet combines the five major categories of sales and financial data on one easy to understand report. It sequentially itemizes:

- Sales projections – the basis for all revenues
- Revenues – the gross income from the projected sales
- Cost of Goods – the cost of the goods extracted from inventory for the sales
- Expenses – all other operating expenses
- Profit or Loss – does the financial model reflect a profit or loss for the year?

The Financial Model tends to look confusing at first because it must contain a fair number of entries to provide a sound overview of the assumptions and projections for the period. However, if you are willing to just look at it line by line, it is a very simple document to understand and prepare. But be cautioned, this is where you must convert the assumptions on the other worksheets into real numbers and there is no guarantee that your interpretation of those projections will

really materialize. I know this from my own successes and failures as an entrepreneur. But this is really what being an entrepreneur is all about – the willingness to develop an idea into a business entity and be willing to risk your time, money, energy and faith into the enterprise.

### ***Prepare to Enter Step 10 Data***

Open the Step 10 – Financial Model Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

### ***The Financial Model Worksheet***

Let's review the preparation of the Financial Model line by line. You will see that much of the input is drawn from the data entered on earlier worksheets. The Financial Model contains data for one year, broken down into four quarters. Preparation of the worksheet is best done using a software spreadsheet such as Excel but it can be done quite nicely with a calculator and a pencil.

#### **Product and Service Descriptions**

The Financial Model starts by identifying the products and services that you are going to sell. You itemized these products and services on the Step 1 – Products and Services Worksheet. Just copy those same entries in the leftmost column.

#### **Price**

Copy the sales price you will charge for these items from the Products and Services Worksheet.

#### **Cost**

Copy the cost for these items from the Products and Services Worksheet.

## Step 10 – Financial Model

This worksheet provides a one year projection of the number of sales by product or service, cost of goods, gross margin, expenses and profit or loss. Duplicate this page to create a second year projection or to make a version of the previous year's performance.

[illegible]

### **Number of Sales**

This is the most difficult and important task in completing the Financial Model. You must estimate the number of sales for each of the products and services listed by quarter. Many entrepreneurs fail to complete this task for a variety of reasons. They know that they can't do this with guaranteed accuracy so they say it doesn't make sense to do it. They miss the most important point for developing a business plan. It is to understand and plan for the activities that will permit them to be successful and propagate the business.

Profitable sales are the ultimate measure of success. To fail to estimate sales is avoiding the primary responsibility of the planner/owner. There can be no responsible forecast of potential success without a reasonably accurate (on average) estimate of sales volumes and revenues generated.

You may make adjustments to these numbers as you evaluate your overall business plan. But never adjust sales to unreasonable levels just to show a profit on the projection without justification. It's common practice to create two versions of the Financial Model. The first projects what you really expect to materialize and a second one that reflects a "worst case scenario" that would still permit you to survive.

Carefully consider two aspects of projecting sales volumes. First, especially for new ventures, the volume of sales normally starts low and then gradually increases as the business becomes established. Second, sales volumes for many businesses vary by season during the year. This suggests that sales volumes will go up and down throughout the year even though the general trend may be up from year to year.

### **Total Income**

Total Income from product and service sales is computed by multiplying the number of sales for each product or service by the price of the product or service for each quarter. Then, simply add up these totals and post the amount in the Total Year Income cells.

**Cost of Goods Sold**

Cost of Goods Sold is the first expense to be deducted from income because it represents the amount of inventory that was sold and must be replaced to stay in business. Funds from Cost of Goods Sold are usually placed in a special account that is only used to replace inventory. Cost of Goods Sold is computed in a similar manner as Total Income. Simply multiply the items sold by the cost and post the total in Cost of Goods cells.

**Gross Margin**

Gross Margin is the income available after deducting Cost of Goods to pay the balance of the expenses and hopefully have some income left over for profit. It is calculated by subtracting Cost of Goods Sold from Total Income.

**Expenses**

This list of common business expense items accepted as legitimate expenses by the IRS is provided to serve as reminders. You may add or delete expense items as appropriate.

***Accounting/Legal Services***

This item covers on-going expenses for legal, accounting, book keeping and tax services.

***Advertising***

This item covers all forms of advertising expenses such as signs, business cards, brochures, newspaper and TV ads.

***Entertainment and Meals***

This item covers the cost promotional activities with employees and clients. Special IRS rules regarding deductibility may apply for these expenses.

***Insurance***

This item covers the cost of all forms of insurance such as automobile liability, fire and wind damage. They include other items such as life insurance or other forms of protection for the owners, managers or employees.

***Internet/Website***

This item covers the cost of Internet and website services including website development. Some or all of these expenses might alternatively be classified as advertising.

***Leased Equipment***

This item includes any leased equipment expenses such as office or shop equipment. Vehicle lease expense might be included under the Vehicle item.

***Loan***

This item includes the principal and interest payments on any business loans.

***Office Supplies***

This item covers the cost of office supplies and other miscellaneous items.

***Rent***

This item covers the cost of rent and related expenses.

***Salaries and Contract Labor***

This item covers the salaries of employees and the payments for contract labor.

***Salary Burden***

This item covers the cost of taxes, insurance and other benefits paid to or for employees.

***Supplies***

This item covers operational supplies required to deliver the products or services excluding office and administrative supplies.

***Telecommunications***

This item covers the cost of telephone and other communication services.

***Vehicle***

This item covers the cost of vehicle maintenance, mileage and other expenses.



**Total Expenses**

This item is calculated by totaling all of the expenses for all quarters and then posting the Year Totals.

**Profit (or Loss) before Taxes**

The Profit or Loss before Taxes is calculated by subtracting the Total Expenses from the Gross Margin. This is commonly referred to as the Bottom Line. It is used to determine if the financial results meet the owner's financial goals.

***Before Performing the Assessment***

After completing the worksheet and before completing the assessment, review the following questions.

1. Is the number of sales projections reasonable based upon current market conditions?
2. Are the income projections reasonable based upon market conditions?
3. Does the profit margin (bottom line) meet owner's goals?
4. Would a prudent business person proceed based upon these financial projections?

## **Step 11: Funding**

### ***Introduction***

Inadequate funding is a major cause of startup business failures. Many entrepreneurs start their business on a shoestring budget and if revenues and profits don't materialize as quickly as planned, the business fails because it can't pay its bills. Good business planning dictates that the funding requirements be estimated as accurately as possible. Then, if the owner decides to proceed with less than desirable funding at least it is with an understanding of the additional risk involved.

### ***Prepare to Enter Step 11 Data***

Open the Step 11 – Funding Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

### ***Funding Worksheet – Part A***

Part A of the Funding Worksheet is used to estimate the amount of funding (money) needed for Startup Expenses. It itemizes some of the more common funding needs.

#### **Advertising**

Often a business begins advertising or developing and purchasing advertising media before the business opens. Include any advertising expenses for such things as signs, brochures, and print media ads that are made prior to opening the business.

#### **Fees and Permits**

Your city or county probably requires that you register your business and pay a fee to operate in the area. Sometimes special permits are required and they have a fee.

## Step 11 – Funding

**Background:** The information and decisions reflected on the Ownership, Staffing and Financial Model worksheets provides the source data to complete the Funding worksheet. This worksheet is divided into two tables. The top table is for entrepreneurs not yet in business and identifies all of the major startup expenses required before the business opens. The bottom table identifies the funds required to open, operate and sustain the business. It also asks that you identify the source of the funds for the various funding categories.

**A. Instructions for estimating startup expenses:** If you are not yet in business, enter the amount required for each applicable item. Change item names and add or delete items as appropriate. If the item has already been paid for, enter the amount in the **Paid For** column. Otherwise, enter the amount in the **Not Paid For** column.

Startup Expense Item	Paid For	Not Paid For	Comments
Advertising			
Fees and Permits			
Inventory			
Legal/Professional			
Office Equipment			
Other Equipment			
Renovations			
Vehicles			
Website			
<b>Total Startup Expenses</b>			

**B. Instructions for estimating funding requirements and sources:** Enter the amount of funds required for each item and the source of funds, if known. If not known, enter unknown in Explanation. The source of funds includes cash on hand, credit cards, loans, investors or grants.

Items Requiring Funding	Amount	Source	Explanation
Startup Expenses			
Operating Capital			
Contingencies			
<b>Total Funds Required</b>			

**Assessment of Funding**      ☐ **GOOD**      ☐ **FAIR**      ☐ **POOR**

**Inventory**

Product based businesses typically require an inventory of their products. The cost of the inventory may vary greatly but it will require funding to set up the initial inventory. Researching and estimating the inventory cost is a great way to validate the price and cost estimates entered on the Products and Services Worksheet in Step 1.

**Legal and Professional Services**

Many new entrepreneurs need a little professional help to get their business started on a sound legal and financial footing. For example, the owner may want advice and help in setting up the legal structure (corporation, LLC, etc.). This is often a topic for which they lack first-hand experience. Getting help in establishing a bookkeeping and payroll system is another area commonly requiring assistance.

**Office Equipment**

Office equipment includes items such as desks, chairs, file cabinets, computers, printers, copiers, and telephone systems. Even the smallest home-based startup business needs some of these items. If the owner already has this equipment it may be shown as an existing asset on the Balance Sheet.

**Other Equipment**

Other equipment covers items such as shop or maintenance tools and equipment, but not for office equipment. Service and maintenance providers such as plumbers, electricians, lawn services, and handyman services are typical examples of businesses requiring tools and equipment. Most manufacturers will also require tools and equipment.

**Renovations**

Renovations include the cost of any modifications to prepare the location for business. Sometimes rental space providers include an allowance for modifications for long term leases. Home-based businesses may find it more difficult to justify renovation expenses as a deductible item.

**Vehicles**

The cost of cars or trucks is a major expense item. Many business owners already have a vehicle that may meet startup needs but they may need to add a vehicle later during the planning period. Even then the vehicle might be leased instead purchased. If so, then this expense would be included on the Financial Model under the leased equipment line as a monthly recurring expense and would not require funding unless a down payment is required. Likewise, an owned vehicle would be shown as a business asset on the Step 12 - Balance Sheet Worksheet and the operating expense might be entered on the Financial Model vehicle line as mileage.

**Website**

Most businesses establish a website as an advertising and sales venue either prior to opening the business or at a later date. Include the expense for a website on this worksheet if it will be developed during the planning period.

***Funding Worksheet – Part B***

Part B of the Funding Worksheet is a tally of the funding requirements to start and operate the business over the planning period.

**Startup Expenses**

This is the total from Table A above. If some or all of these expenses have already been paid for, deduct these amounts from the total.

**Operating Expenses**

These are the funds required to make purchases and pay bills during periods when the revenues from sales doesn't generate the required income in time to pay the bills. This shortfall is sometimes referred to as inadequate cash flow. Estimates for these funds can be drawn from the Financial Model during quarters where expenses are expected to exceed projected income.

**Contingencies**

This is the amount of money that should be available to meet emergency needs.

**Other**

Enter any additional funding that may be required for your specific business model.

***Before Performing the Assessment***

After completing the worksheet and before completing the assessment, review the following questions.

1. Are the startup expenses reasonable for this type of business?
2. Are the startup expenses funded with existing assets?
3. Are operating funds adequate and available?
4. Are contingency funds adequate and available?
5. If there is a funding shortfall, would a prudent business person proceed?

## **Step 12: Balance Sheet**

### ***Introduction***

The Balance Sheet is a basic financial report used by all businesses and lending institutions to evaluate the current financial strength of the business. It is relatively simple for a small business to prepare. It asks you to list your Assets (what you own) and their current market value. Then it asks you to list your Liabilities (what you owe). Then you subtract what you owe from what you own. The result is called your Net Worth. If it's positive that's good. If it's negative that's not good. Owing more than you own usually means default is lurking on the horizon.

### ***Prepare to Enter Step 12 Data***

Open the Step 12 – Balance Sheet Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

### ***Balance Sheet***

It's not uncommon for a bank to ask for both a personal balance sheet and a business balance sheet for new or not yet established businesses when seeking a business loan. If an existing business balance sheet is not as strong as needed to support the loan, the bank commonly asks for a personal balance sheet. If the loan is approved, the bank may ask that the loan note be guaranteed by both the business assets and the personal assets. This puts the owner's personal assets at risk and makes the decision to proceed with the loan more difficult. Preparation of a balance sheet should become a routine financial task for any business to help the owner track the progress of the business.

## Step 12 - Balance Sheet

**Instructions for Balance Sheet:** The Balance Sheet is a reflection of the current financial strength of an individual or organization. Very simply it indicates Assets (what you own), Liabilities (what you owe) and Net Worth (difference between the two). If you own (in real current value) more than you owe, you have a positive net worth. A good balance sheet and a good payment history is the basis for a good credit score. If you could make some assets available as collateral for a loan, check the box. Some assets may not be accepted as collateral.

Balance Sheet			
<input type="checkbox"/> Personal		<input type="checkbox"/> Business	
Assets	Value	OK for Collateral	Explanation
1. Cash, checking, savings		<input type="checkbox"/>	
2. Stocks		<input type="checkbox"/>	
3. Bonds		<input type="checkbox"/>	
4. 401 K Plans		<input type="checkbox"/>	
5. Real Estate (market value)		<input type="checkbox"/>	
6. Vehicles		<input type="checkbox"/>	
7. Inventory		<input type="checkbox"/>	
8. Equipment		<input type="checkbox"/>	
<b>Total Assets</b>			
<b>Liabilities</b>			
1. Current Bills			
2. Credit card balance			
3. Real Estate Mortgage			
4. Vehicle loans			
5. Other Loans			
<b>Total Liabilities</b>			
<b>Net Worth</b>			
(assets minus liabilities)			
<b>Assessment of Balance Sheet</b>		<input type="checkbox"/> GOOD	<input type="checkbox"/> FAIR <input type="checkbox"/> POOR



## **Assets (What you Own)**

Keep in mind that not all assets are necessarily viewed as good collateral for a business loan by a bank even though they are legitimate and valuable personal assets. For example, your home equity may not be used to guarantee a loan in some states, and IRA, 401 K or other retirement assets may not be eligible either. Some assets may not be accepted at current value because they fluctuate in value based upon market conditions. For purposes of a balance sheet you should use current market value for all items.

### ***Cash***

Cash doesn't mean just actual cash (money). Checking account balances and bank savings accounts are all considered cash because they can be converted to cash immediately.

### ***Stocks and Bonds***

Enter the latest current value for stocks, bonds and other securities.

### ***Real Estate***

Enter the current estimated value of real estate you own.

### ***Motor Vehicle***

Enter the current value of all vehicles you own. Don't enter leased vehicle information.

### ***Inventory***

Enter the cost of your current inventory if it is not obsolete.

### ***Equipment***

Enter the value of your office and other equipment.

## **Total Assets**

Add up all of the Assets and post the total in this line. This is the estimated value of these items, but in some cases you don't own them free and clear (as in a mortgage).

## **Liabilities (What you Owe)**

Liabilities are all of the outstanding charges for all of your debts. In some cases the outstanding debt may be more than the value of the asset shown under Assets. You still must enter the total amount of the outstanding debt.

### ***Current Bills***

Total all of the outstanding bills that are not for items that were purchased by a loan or a credit card. Do not include credit card balances. They are entered on the next line.

### ***Credit Cards***

Enter all outstanding credit card balances on this line.

### ***Real Estate Mortgages***

Enter the outstanding balance on all real estate mortgages. During these times, the mortgage balance may exceed the real estate value entered under Assets.

### ***Motor Vehicle Loans***

Enter the outstanding balance on all motor vehicle loans.

### ***Other Loans***

Enter the description and amount of any other loans or debts on the blank lines.

## **Total Liabilities**

Add up all of the Liabilities and post the total in this line.

## **Net Worth**

Subtract the Total Liabilities from the Total Assets and post the total on this line. If the Liabilities exceed the Assets, enter a negative sign (-) in front of the number. A negative number means you owe more than you own – you have no collateral to support a loan.

### ***Before Performing the Assessment***

After completing the worksheet and before completing the assessment, review the following questions.

1. Are the Assets valued fairly?
2. Are the Assets available for collateral identified?
3. Are all Liabilities identified?
4. Is the Net Worth positive?

## **Business Resources Summary**

### ***What You Have Accomplished***

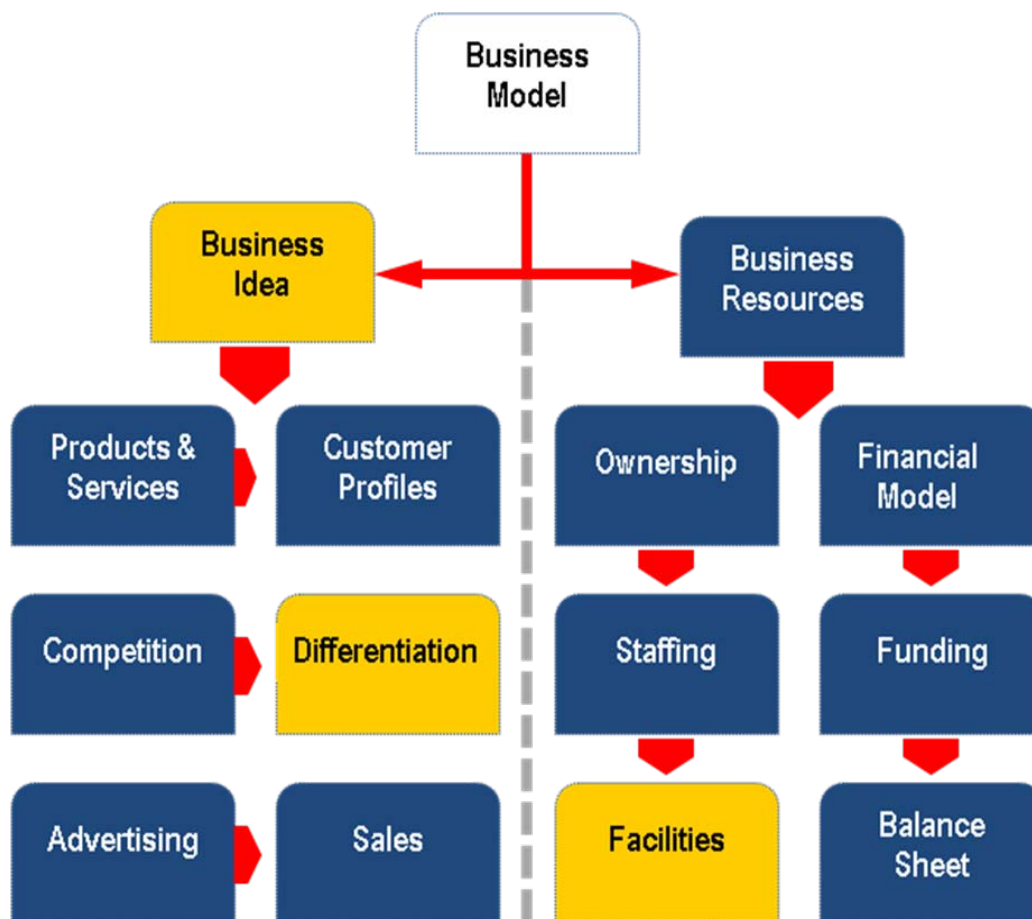
You have just completed the task of estimating the various resources that would be required to implement and operate the business as described by the detail on the six Business Idea Worksheets. Usually the financial worksheets are the most difficult to complete because they ask you to convert ideas into fairly detailed hard numbers. If you found this estimating difficult, keep in mind that this type of activity is a routine requirement to maintain control of a functioning business. It's not uncommon to have an accountant help in setting up a bookkeeping system that simplifies the task.

### ***The Business Resources Assessment***

You now have to make an assessment of the total Business Resources. If, after completing this assessment, you feel unsure of the validity of your resource estimates, you might ask an experienced business person to review your assessment. This is the kind of task that the SCORE organization can help with and it's a free – they are all experienced business people who volunteer their services. Give them a call; they are in the phone book.

Often new entrepreneurs don't have all of the resources required to operate the business. They must acquire those resources through loans, debts or partners. Sometimes those other sources don't have the same confidence that you have in the opportunity for success as you projected. That too is the norm rather than the exception. You also may have learned how to more accurately estimate resource requirements. If so, this puts you into a better position to present your case to those that are in a position to help you.

Does your Business Model look something like the following example, with perhaps different colors for the Business Resources elements?



### ***Assessing the Total Business Model***

The final and most critical task is to assess the viability of the total Business Model as Good, Fair or Poor. A Good assessment would indicate that there is a reasonable opportunity for success. On a Risk/Reward scale, this would place the marker on the positive side of the scale. If the assessment is Fair or Poor, then the risk would be greater. This may be the proverbial "Rock and a Hard Place". What do I do now? But the good news is it is much better to have this information before decisions are made rather than after making an investment of time, money and energy.

**If this were your business, how would you assess the Business Model for the proposed business concept? Business Models are rarely perfect so, in the final analysis, you must rely on good business judgment.**

## ***Implementation Plan***

There is one more worksheet that may be important in completing your business plan - the Implementation Plan worksheet. An Implementation Plan is a simple way to display a series of activities in priority order. Implementation Plans are commonly used in all organizations as a planning tool to help make sure all of the important tasks in pursuing a goal have been recognized, prioritized, scheduled and completed on time.

Startup businesses are often very challenging for the new entrepreneur because there are so many unfamiliar tasks to be completed if the startup is to be successful. The Implementation Plan Worksheet can help layout a timetable in priority order for all of the important tasks and milestones to get started on the right foot.

When should you start creating your Implementation Plan? You could wait until you have completed all twelve worksheets, but it might make sense to start creating it as you complete and assess each worksheet. The reason is that each worksheet might identify one or more issues that should be incorporated in the Implementation Plan and it's easy to post an Implementation Activity as you recognize the need and it's fresh in mind. You can always set the Start and End dates, modify or delete the activity as you review and assess your Business Model.

Some of the implementation plan activities will be different for a startup than for an existing business. The new startup has many one-time activities to schedule and complete before opening for business (legal form, licenses, permits, space, equipment, financing, etc.). An existing business would have these activities completed, so their Implementation Plan activities tend to be for ***changes*** to the current business operations. A startup business may need both –the first to do the activities to open the doors and the second to layout the additional activities that may be required after the business becomes operational.

## **Prepare to Enter the Implementation Plan Data**

Open the Implementation Plan Worksheet so that you can enter data as you review the definitions for each field. You can toggle between the instructions and the worksheet.

### ***The Implementation Plan Worksheet***

The following slide contains a blank version of the Implementation Plan Worksheet. Using the worksheet is quite simple.

- Check the box at the top as Startup or Existing business
- Enter W (week), M (month) or Q (quarter) in the 6 interval columns
- Enter your Activities in priority order in the Activity Column
- Enter Start (S) and End (E) to indicate when the activity starts and ends
- Enter the definition of the Activity in more detail in the corresponding spaces in the bottom half of the worksheet

Like all of the worksheets, you can modify the Implementation Plan worksheet if needed.

## Implementation Plan Worksheet

Startup Business <input type="checkbox"/>		Existing Business <input type="checkbox"/>				
Instructions: Insert S for Start of Activity and E for End of Activity in appropriate cells.						
Implementation Activities	Insert interval - W/week, M/month or Q/quarter					
	1	2	3	4	5	6
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
<b>Activity Definition</b>						
Instructions: Explain what the activity is and how to measure successful completion.						
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						



# **Part 6**

## **Business Plan**

# Writing the Business Plan

## ***Introduction***

The most difficult problem in developing a business plan is the gathering of facts, goals, assumptions and decisions that form the basis for the business plan. Writing the plan with all of the critical data immediately at hand is easier and produces a much more logical and understandable document for employees, investors and other interested parties. If you have been diligent and thorough in completing the preceding worksheets, you are ideally prepared to write a professional business plan. You have far more data that is accurately documented and partitioned than you would have by any other process. It is already organized to blend it into written text in a very effective format.

## ***The No-Formal Business Plan Option***

You may want to consider the purpose and use of your business plan before proceeding to write a formal business plan. If your purpose is to get a business loan or to entice investors to invest in your company, then you may need a formal business plan. In that case you certainly want to spend a few more hours and produce a great business plan. However, if the primary purpose of the business plan was to help you confirm that the Business Idea and the Business Resources available can produce a viable business opportunity, you may already have everything you need on the worksheets to make that decision. The worksheets and the business model are, in and of themselves, a marvelous document to use to start and manage the venture. Just put all of the worksheets and the Business Model in a binder. Then you can quickly refresh yourself on the important decisions you made in creating your business model at any time.

The worksheets are the best reference to track all of your planned business activities and results. If you want to change some of the parameters it's simple to review and adjust the content of the impacted worksheets to reflect new or changed directions. In any case, nothing was lost by completing the worksheets.

## ***The Formal Business Plan Option***

The process for creating a formal business plan using the worksheet data is quite simple. Create a Business Plan by inserting your data into the Business Plan Outline section headings that follow. Convert the abbreviated data from the worksheets into good English, elaborating as required to make sure your intentions are clear. The Business Plan Outline tends to track quite closely with the content of the worksheets although the sequence is altered for readability and understanding. A few suggestions for the content of each section are included to show how all of your worksheet data will be used to create a complete business plan.

**Note:** The Business Plan Outline starts on the following page. Just open the Business Plan Outline file when you are ready to start your formal Business Plan. Remember to delete all instructions after plan data is entered in each section.

A sample business plan using the Business Plan Outline for a startup tile and carpet cleaning business is included as the Business Plan Draft.1 file. This sample business plan may help you visualize how simple it is to create your own business plan from the worksheet data.

# **Business Plan**

**for**

# **Your Company**

## ***Executive Summary***

The Executive Summary is not written until the other sections of the business plan are completed. Then extract brief, critical elements from the business plan to provide an overview of the important ideas and projections so that the reader gets a good snapshot of the business concept without reading the whole plan. No more than 2 pages at the most. You might include in abbreviated fashion from these worksheets:

- Ownership – owners, goals, business history and performance
- Products /Services – primary product/service offerings
- Customer Profiles – business or consumer trends that support this industry segment
- Differentiation – strengths and weaknesses compared to the competition
- Advertising and Sales – how the synergy of these functions will generate required revenues
- Financial Model – how adequately the Bottom Line meets financial goals
- Funding and Balance Sheet – demonstrate the financial strength of the enterprise.

## ***Ownership and History***

A business plan should be structured to introduce the reader to the owners and the business concept in a manner to maximize understanding. That's not too different from introducing yourself to a new client. You first introduce yourself, your business and your history to establish a foundation so the reader understands who you are and where you are coming from. That's the idea behind placing Ownership and Business History at the beginning of the business plan. You might include some of the following data from the Ownership Worksheet:

- Owners, qualifications and experience as managers in this industry segment
- The basic nature of the business concept
- Unique ownership strengths that will contribute to success
- Financial goals that will be used to measure success
- Summary of previous history for an existing business
- Perhaps a few comments about the concept of the business model and how it was used to validate the business concept.

## ***Products and Services and Customer Profiles***

You will recall that the first two business model elements were Products and Services and Customer Profiles. We call them the Critical Pair because they are the foundation of every business and must be perfectly matched to create a good business model. It makes sense to discuss them as a pair rather than attempting to treat them as individual units that don't have a close relationship. Failing to do so might lead to misleading or invalid conclusions. The goal here is to prove the tight relationship between these two elements and how the profiled buyers need and use these products and services as evidenced by the past marketplace results and that the projections are for strong demand in the future. You might include the following data from the Product and Service and the Customer Profiles Worksheets:

- Explain that these two elements are combined into one section because it is important to demonstrate how they must provide the synergy for success
- Summarize the primary product and service offerings from the Product/Service worksheet
- Summarize the geographic, demographic and special interest customer characteristics from the Customer Profiles worksheet
- Discuss how these characteristics demonstrate the potential demand for these offerings now and in the future
- Review the four criteria for customers and discuss how your analysis of the marketplace confirms that these criteria are met in your customer profiles.

## ***Competition and Differentiation***

Analysis of the strengths and weaknesses of your competition is the prerequisite to determining your own strengths and weaknesses. Providing a reasonable assessment and understanding of your advantages over the competition is required to support sales and revenue projections. You might want to start this section by outlining the results of your analysis of the competition and then present how your business model provides enough advantages (competitive edge) to produce the required sales revenues. You might include the following data from the Competition and Differentiation Worksheets:

- Number and type of competitors in your geographical area
- Summary of the challenging competitors strengths and weaknesses
- Summary of your strengths and weaknesses and the factors that differentiate you from your competitors

- If you don't have significant positive differentiation, explain how you expect to overcome this weakness.

## ***Advertising and Sales***

The thrust of this section is to demonstrate how the advertising and sales functions can generate the income to meet your financial goals and how your advertising and sales approaches are logically tied together. You should explain the approaches to advertising and sales, but more importantly should convince the reader that your combination of products, services, targeted customers and differentiation have the potential to produce the desired financial results. You might include the following data from the Advertising and Sales Worksheets:

- Description of the advertising venues to be used and why they are the most cost effective for this type of business
- Explain how this approach will capitalize on your differentiation factors
- Indicate how your advertising approach either mirrors or differs with the competition approach
- Explain how your sales approach maximizes the impact of your advertising program.

## ***Management and Staff***

Note: If you don't have managers or staff, this section may not be required and more detail might be included in the Ownership and History section.

If you do have managers or staff, this section should provide more detail about the organization than the minimal information in Section 2 – Ownership and History. It should demonstrate that the management and staff are up to the challenge of managing and operating the business in a professional and economical manner. Owners and managers should be identified along with their experience and responsibilities. Staff information should include the number and type of positions and the level of qualification for skilled positions. You might include the following data from the Ownership and Staffing Worksheets:

- Names and titles of the owners and managers
- Their management and industry experience
- A copy of the Staffing Plan or a summary if it is too large
- Comments regarding salary and benefit plans.

## ***Facilities***

The significance of the business location and equipment vary greatly by type of business. The importance of these items should be discussed for this specific business. Any potential issues that could arise from location, zoning, licenses and permits should be addressed and satisfied. Any issues associated with acquiring office or other equipment should be clarified. You might include the following data from the Facilities Worksheet:

- The location of the business
- The type of facility required
- Whether the location is rented or owned
- Any issues regarding location, zoning, covenants, licenses and permits
- Description of the type and availability of the vehicle and equipment requirements
- Explain that the financial impacts of these items are reflected in the financial reports sections of the plan.

## ***Financial Model***

The Financial Model is a fairly detailed document of extreme importance. It should be included in total as an Appendix. It is important to include in this narrative some of the main values that provide a sense of the size and profitability of the projection, perhaps focusing on the quarterly and yearly totals.

You might include the following quarterly or annual data from the Financial Model in the form of a simple table:

- Sales Volumes
- Income
- Cost of Goods
- Expenses
- Profit or Loss

Address any issues that are revealed in these projections, such as:

- Assumptions about growth or reduction of sales volumes
- Assumptions about adding or deleting products or services
- Assumptions about changes in pricing and cost of products
- Explanation of significant changes in expenses
- Does the profit or loss projection meet your goals and can you live with the results?



## ***Funding***

The Funding table is a very brief and meaningful reflection of funding required and the adequacy of the financial resources immediately available to the business. Obviously, if the funding resources are inadequate, the business is in severe jeopardy. The complete Funding Worksheet should be included in the Appendices. You might include the following information:

- A brief summary of the data from the Funding worksheet
- Reassurance that the funding needs have been identified and satisfied
- Or, explain how any funding shortfalls will be satisfied
- If loans, partners or mergers are being considered to meet funding needs, identify the stage of these negotiations and the likelihood of success
- This may be the place to offer information about your personal and business credit rating and qualifications for a business loan.

## ***Balance Sheet***

The Balance Sheet is the financial document that reveals the current financial strength of the business and confirms the ability to accommodate the funding requirements. If the Balance Sheet is relatively simple, it could be included in its entirety. If it is fairly involved, then the Assets, Liabilities and Net Worth totals could be extracted and explained in this section. The complete Balance Sheet should be included in the Appendices. You might address the following:

- Explain any unusual entries on the Balance Sheet
- Clarify whether the Balance Sheet supports the funding requirements in the Funding Section
- New startup businesses may want to include the owner's personal balance sheet data.

# **Appendices**

(example of items you might want to include)

- 1. Complete list of Products and Services**
- 2. Business Model**
- 3. Financial Model**
- 4. Balance Sheet**
- 5. Implementation Plan Worksheet**
- 6. Resumes**