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Secrets & Strategies

Rhonda Abrams

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Successful Business Plan, 6th Edition © Rhonda Abrams. DO NOT REPRODUCE.

Praise for *Successful Business Plan: Secrets & Strategies*

“User-friendly and exhaustive...highly recommended. Abrams’ book works because she tirelessly researched the subject. Most how-to books on entrepreneurship aren’t worth a dime; among the thousands of small business titles, Abrams’ [is an] exception.”

— *Forbes Magazine*

“There are plenty of decent business-plan guides out there, but Abrams’ was a cut above the others I saw. *Successful Business Plan* won points with me because it was thorough and well organized, with handy worksheets and good quotes. Also, Abrams does a better job than most at explaining the business plan as a planning tool rather than a formulaic exercise. Well done.”

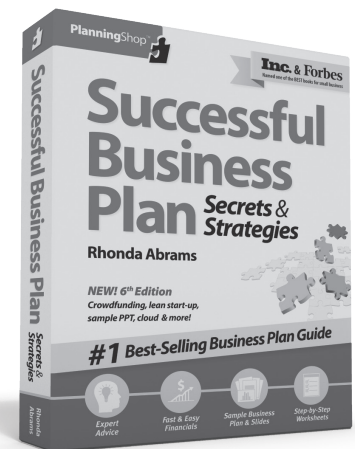
— *Inc. Magazine*

“We are again using *Successful Business Plan* in my business honors course this semester. Must be working, as Penn State was just named (by Kaplan and *Newsweek* magazine) as the ‘hottest school in the U.S. for student entrepreneurs!’”

— *Greg Pierce, Penn State University*

“*Successful Business Plan* enables my Entrepreneurship students at the University of Vermont to develop really great business plans. The book’s easy-to-follow, step-by-step format makes preparing a plan logical and understandable. Over the years...several students have actually launched their businesses successfully. Our son used the book at St. Michael’s College in Vermont to develop a plan for airport fitness centers, winning the school’s annual business plan competition for business majors...with a hefty cash prize! His plan was so thorough, especially the financials, that he was flown to the West Coast to present his plan to a prospective buyer. The bottom line, there is no better road map to business plan success than *Successful Business Plan*!”

— *David Kaufman, University of Vermont*



“If you’d like something that goes beyond the mere construction of your plan and is more fun to use, try *Successful Business Plan: Secrets & Strategies*, by Rhonda Abrams...this book can take the pain out of the process.”

— “*Small Business School*,” *PBS Television Show*

“*Successful Business Plan* is easy to follow and comprehensive. From the first chapter to the last, it guides you through the business planning process with a proven systematic approach.”

— *Sean S. Murphy, Ernst & Young LLP*

“As a 20+ year veteran SBDC director, consultant and entrepreneurship instructor, I have assisted thousands of individuals and business owners through the planning process. Having reviewed tens of thousands of plans and critiquing hundreds of planning texts, programs and tools, *Successful Business Plan: Secrets & Strategies* remains my hands-down favorite text/workbook/guide. The content and construction is comprehensive, practical and “do-able” for the serious small business owner/entrepreneur.”

— *David Gay, Illinois Small Business Development Center at College of DuPage*

“In my opinion, your book is the definitive guide for successful business plans. I particularly appreciate and recommend the use of the Flow-Through Financial worksheets. Each is a great device to illustrate the connection between the qualitative and quantitative elements of a plan.”

— *Gene Elliott, Business Consultant, New Mexico*

“I’ve been using and promoting *Successful Business Plan* since 1993, and it’s great! I’ve taught business plan writing in several local SBDCs, as well as nationally, through the Neighborhood Reinvestment Training Institute. My course is designed and delivered around your book.”

— *Ransom S. Stafford, Business Consultant, Twin Cities, MN*

“*Successful Business Plan* was an excellent learning tool for me at the University of Vermont and proved to be incredibly valuable as I started my own business after graduation. The step-by-step guidance through business planning ensures that you have all your bases covered before investing time and money in a new enterprise. The book helped me start a promotional products business and I have since recommended this book to dozens of other entrepreneurs who have used it for everything from restaurants to fashion boutiques. If you are considering starting your first, second, third or tenth business you need to look at *Successful Business Plan*!”

— *Issa Sawabini, University of Vermont, ’99 Partner, Monitor Premiums LLC*

“In December 1991, I came upon the book *Successful Business Plan: Secrets & Strategies*. It is the closest to what I know works in the real world, at least in high-tech industries.”

— Barb Tomlin, *e-Business Strategy Consultant and President/CEO, Westward Connections, Inc.*

“One of the best books on business planning. The overall quality of this book is excellent, but three things make it stand out: First, it contains worksheets that walk you through the information-gathering process. Fill them out, and even the financials—always the hardest part of a plan—will fall right into place. Second, it has a sample plan that reads like a real business plan, written by a real person for a real business. You can use much of the wording in your own plan. Third, it has tips from successful managers, leaders, and business owners, large and small. I was especially fascinated reading the tips from ex-49er head coach Bill Walsh. You can’t go wrong following his advice on planning and organizing!”

— *Economic Chamber of Macedonia*

“*Successful Business Plan* is thorough, well-organized, and a very useful tool for business planning and development. It’s an excellent guide to the details involved with creating a solid, useful business plan.”

— Jim Jindrick, *The Institute of Electrical and Electronics Engineers and the University of Arizona*

“I chose *Successful Business Plan* because of its ease of use, its clarity and its good examples. I have used the book for a number of years now...”

— Jean Morris, *The Culinary Institute of America*

“It has a clearly defined, comprehensive approach.”

— Zane Swanson, *Emporia State University, KS*

“Here at the SBDC we offer clients an 8-week business planning counseling program called Business Plan Expedited (BPE). BPE is structured around *Successful Business Plan*—the end result is a well-written business plan that can be used as a part of a business loan application package. I specifically chose this text because I used it, per recommendation from my graduate school advisor, for my MBA project in graduate school 13 years ago!”

— Indria Gillespie, *Sierra College SBDC*

“Your book has been both an inspirational read as well as a comprehensive guide for starting my business. Since I am relatively inexperienced with entrepreneurship, your book has not only given me the ability to create a solid road map for planning, but has also provided an encouraging and easy way to cope with the enormous amount of information and organization needed. I particularly enjoy the various quotes from business professionals who have had experience in business planning. They give precious insight and different viewpoints that I would not have seen. Thank you for writing this book!”

— *Simon Lee, Entrepreneur*

“It combines, in a very clear way, both aspects of business planning and effective writing of business plans. The book is very well written. The forms are very useful.”

— *Eyal Yaniv, Bar-Ilan University, Israel*

Other Recognition for *Successful Business Plan*

- Ranked one of the Two Best Books for small business by *Forbes*.
- Ranked one of the Six Best Books for start-ups by *Inc.*
- Ranked one of the 20 Essential Books for Entrepreneurs by *Home Office Computing*.
- Main Selection, BusinessWeek Book Club.
- Main Selection, Executive Book Club.
- Used in colleges, universities, and business schools nationwide, including Stanford Business School; Haas School of Business, UC Berkeley; Northwestern University; Cal Poly, San Luis Obispo; MIT; Cornell University; Temple University; Texas A & M; University of Massachusetts, Amherst; Southern Oregon University; Arizona State; University of Washington; and dozens of others.

Praise for Books from PlanningShop

Entrepreneurship: A Real-World Approach

“What separates Rhonda Abrams from the crowd? She is an expert in building successful small businesses. And she continues to create timely, meaningful, and (most importantly) useful content for academics, students, and business owners like myself. This book is the definitive guide for anyone who either wants to be an entrepreneur or just wants to grow their own business.”

— Gene Marks, New York Times *Small Business Columnist*

Business Plan In A Day

“A business plan is something every business needs, but too many fail to create one because it seems intimidating. Rhonda Abrams is on a mission to change that. With this book she shows you how to create a professional business plan that will seem like it took weeks to write instead of 24 hours.”

— Anita Campbell, *Publisher of Small Business Trends*

“I’m growing my business this year by purchasing a commercial building, and I needed a real estate loan to make the purchase. *Business Plan In A Day* was THE source I used for writing my plan, and the bankers and brokers I spoke with all commended my plan as being very strong and well-written. Thanks to you, I’ve secured my loan and the transaction is going through. I feel so fortunate to have found this book.”

— Lisa Stillman, *Garden Walk Massage Therapy, St. Louis, MO*

Bringing the Cloud Down to Earth

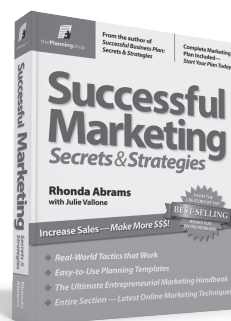
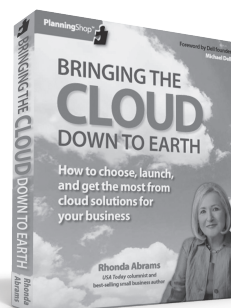
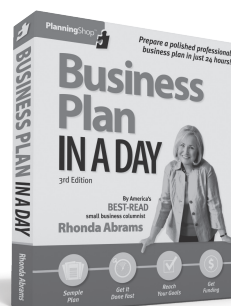
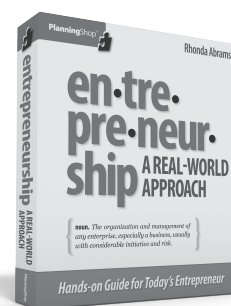
“No matter how you refer to it, working in the Cloud is a fundamental business practice these days and Abrams has done a terrific job of making this sometimes confusing subject relevant and practical for businesses of all shapes and sizes.”

— John Jantsch, *Author of Duct Tape Marketing and The Referral Engine*

Successful Marketing: Secrets & Strategies

“*Successful Marketing* encourages students to think through standard marketing concepts while applying them directly to their business idea.”

— Meredith Carpenter, *Entrepreneurship Instructor, Haywood Community College, NC*



To my clients, who've shared with me their enthusiasm for the entrepreneurial spirit and have shown me that business can be a career for people of integrity, intelligence, and honor.

To my employees, who've helped me grow a sustainable business and who share with me their intelligence, commitment, ideas, hard work, and their continual good humor.

To the memory of Eugene Kleiner, my mentor and friend, who taught me so much more than just what made a good business and a good business plan.

To my family, who has been with me every step of the way. They are more than family—they are friends.

To the memory of my parents, who would have been proud.

PlanningShop™



PlanningShop
Palo Alto, California

Successful Business Plan *Secrets & Strategies*

*America's Best-Selling
Business Plan Guide!*

Rhonda Abrams

Successful Business Plan: Secrets and Strategies™

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— *from a Declaration of Principles jointly adopted by a committee of the American Bar Association and a committee of publishers*

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About Rhonda Abrams



Entrepreneur, author, and nationally syndicated columnist Rhonda Abrams is widely recognized as one of the leading experts on entrepreneurship and small business. Rhonda's column for *USA Today*, "Successful Strategies," is the most widely distributed column on small business and entrepreneurship in the United States, reaching tens of millions of readers each week.

Rhonda's books have been used by millions of entrepreneurs. Her first book, *Successful Business Plan: Secrets & Strategies*, is the best-selling business plan guide in America. It was named one of the Top Ten business books for entrepreneurs by both *Forbes* and *Inc.* magazines. She is also the author of more than a dozen other books on entrepreneurship and has sold more than a million copies of her books. Rhonda's other books are perennial best-sellers, with three of them having reached the nationally recognized "Top 50 Business Bestseller" list.

Rhonda not only writes about business—she lives it! As the founder of three successful companies, Rhonda has accumulated an extraordinary depth of experience and a real-life understanding of the challenges facing entrepreneurs. Rhonda first founded a management consulting practice working with clients ranging from one-person start-ups to Fortune 500 companies. Rhonda was an early Web pioneer, founding a website for small business that she later sold. In 1999, Rhonda started a publishing company—now called PlanningShop—focusing exclusively on topics of business planning, entrepreneurship, and new business development. PlanningShop is America's leading academic publisher focusing exclusively on entrepreneurship.

A popular public speaker, Rhonda is regularly invited to address leading industry and trade associations, business schools, and corporate conventions and events. Educated at Harvard University and UCLA, where she was named Outstanding Senior, Rhonda now lives in Palo Alto, California.

Rhonda Abrams:



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What's New in the Sixth Edition...

The business world is constantly evolving, and this edition of *Successful Business Plan: Secrets & Strategies* takes into account many of the latest trends of today's changing business world. New in this edition, you'll find:

- **Crowdfunding and Other New Ways to Raise Money for Your Venture**—Crowdfunding is dramatically changing the fund-raising landscape for new companies and new products. This edition helps you determine whether your company is a good candidate for crowdfunding and provides tips on how to conduct a successful crowdfunding campaign. This edition also includes new information on another increasingly popular source of funding innovative new companies—corporate venture capital.
- **New Social Media Platforms**—Social media continues to change and evolve, with new social media sites and tools emerging on a sometimes-overwhelmingly-fast basis. This edition includes updated information on these essential marketing tools.
- **Sample PowerPoint Slide Presentation**—Most investors, especially the most sophisticated ones such as venture capitalists, want to see a PowerPoint overview of your business plan before they look at the whole plan. This edition provides a complete Sample PowerPoint presentation for you to use as a guide when developing your own electronic presentation.
- **Lean Start-Up**—New approaches, as well as new technologies, make it easier for you to start faster, using fewer resources. This edition outlines what types of companies lend themselves to this approach and how to start faster. This edition also discusses the “Business Model Canvas”—a method for sketching out an overview of a business concept.
- **The Cloud**—Running critical business services over the Internet, rather than on-premise or on-computer, has created a fundamental shift in business operations, often dramatically lowering costs and increasing a company's speed and power. This edition provides guidance on running crucial business processes in the cloud.
- **Updated Resources**—*Successful Business Plan* provides resources to help you find the information you need to complete your plan quickly, from U.S. and international resources for the latest statistics, to funding sources, to resources that support entrepreneurs.

■ **A New Look and Infographics**—This latest edition includes a fresh layout, graphics throughout to help you digest important concepts easily, and icons to direct you to the specific worksheets you'll use to quickly complete every segment of your business plan. This design will make it easier—and more enjoyable—to create your business plan.

Icons

The following icons appear throughout the book in the margins. Look for a page number in the text near the icon to find the corresponding worksheet, sample plan, or sample electronic presentation.



Worksheet

When this icon appears in the margin next to text, it signals a nearby worksheet related to the topic under discussion.



Sample Plan & Plan Preparation Form

This icon indicates both the sample plan sections of the fictitious company ComputerEase and the Plan Preparation Forms you will fill out for the various sections of your own business plan (Executive Summary, Company Description, Target Market, and so on). Use the sample plan as a guide to help you fill out the Plan Preparation Forms. These completed forms will become the basis of your business plan.



Flow-Through Financial Worksheet

This icon indicates a Flow-Through Financial worksheet (which is also marked with a dollar-sign logo). Transfer the figures from each of these completed worksheets to their appropriate line(s) on the financial forms in Chapter 16. For more information on using the Flow-Through Financial Worksheets, see page 287.



PowerPoint Presentation

This icon indicates a sample PowerPoint Presentation.

Foreword to the Fifth Edition

By John Doerr

Partner, Kleiner Perkins Caufield & Bryers

Ideas Are Easy, but Execution Is Everything and “Teams Win”

Ideas Are (Relatively) Easy

I love innovation, great new ideas and businesses, and the entrepreneurs who create them. Probably you do, too. Innovation is the source of America’s great wealth and leadership position, and the way lives are improving around the world.

Innovation can be everywhere. It is a high-tech, magical iPad, or a breakthrough life-saving drug. Or innovation can be a better local yogurt store, or helping Realtors list homes, or one of hundreds of thousands of programs in a smartphone app store.

Now, more than ever, we need the power of new ideas, new businesses, and the resulting new jobs.

But, relatively speaking, new ideas are easy. New ideas are necessary, but insufficient. What’s more difficult and even more important is execution.

Execution Is Everything

Thomas Edison is one of the great innovators of all time. He invented the light bulb, the phonograph, and the motion picture camera. But just as important, Edison understood well the importance of execution. He famously said, “Vision without execution is hallucination.”

On this topic my friend Bill (Coach) Campbell is blunt and direct: “John, we’ve gotta focus to achieve operational excellence. Execution is everything.”

The best entrepreneurs are the ones who really go the distance with their companies, who are always learning. They don't know what they don't know, so they attempt to do the impossible. And they often succeed.

Entrepreneurs do more than anyone thinks possible, with less than anyone thinks possible.

Teams Win

Unless you are Einstein, or an author, your work is not alone. Most ideas worth pursuing take a Team to Win.

Great entrepreneurs are great team leaders. They motivate their teams with the promise of more than money. They inspire their teams with their plan for winning. The plan clearly says **who** and **how** the team wins (**what**)—how who wins what.

The Plan

Why write a business plan? Particularly in this age of 24/7 tweeting, friending, and blogging? Won't PowerPoint and a smooth elevator pitch work just as well?

You may think business plans are fund-raising documents for investors, and indeed they are.

But the best plans are much more. They are the road map so your team can execute with excellence. Writing them disciplines your thinking, and establishes priorities. Your plan clearly, concisely defines the mission, values, strategy, and measurables—objectives and key results. If you don't know where you're going, and how, and why, you won't get there.

Your plan is for more than investors. In 1974, my partners Gene Kleiner, Tom Perkins, and Brook Byers invested in Tandem Computers. Tandem's business plan was written in Kleiner's offices by a junior partner, Jim Treybig. Jim became the CEO and grew the business to great global success. (Compaq acquired Tandem for \$3 billion in 1997.)

Treybig was a great communicator. Every Friday he held popular "beer busts," which were actually company meetings. And once a year Jim gathered all of Tandem's employees, spouses, and families for a picnic with beers and burgers. He presented Tandem's business plan, in its entirety, to all of them. Jim said, "I don't care if my competition knows our plans. I want to be sure our executives and families get it."

Plan to Win

There's never been a better time than now to start a new business. Innovation is everywhere—in how we communicate, how we buy things, how we sell things, how we learn, how we live. Now is a great time to be an entrepreneur. And this book can help you take your good idea and make it great business.

Good luck. Plan on it.

Foreword to a Previous Edition

By Eugene Kleiner

Founding Partner, Kleiner Perkins Caufield & Byers

In today's environment, a business plan is an entrepreneur's most crucial business document. No company can expect to articulate its goals or to secure financing without a well-conceived and well-presented business plan. Without a convincing business plan, no one will seriously consider your business idea.

This wasn't always the case. The first business plan I ever wrote as an entrepreneur was not a business plan at all; it was just a letter. Eight of us from Shockley Laboratories for various reasons wanted to start a semiconductor company on our own, and we needed the money to make it possible. We drafted a letter, perhaps four or five pages long, describing what we proposed to do and sent that letter along with our resumes to an investment banker.

Fortunately for us, that letter found its way to the desk of a young business school graduate named Arthur Rock who felt that we might have promise. As a result, we were able to get our funding, and Fairchild Semiconductor was born. From Fairchild, the eight of us branched out and went on to form or fund such companies as Intel, Tandem Computer, and many other leading Silicon Valley firms.

Today, our letter might never be completely read. Investors now are far more structured and expect a far higher level of expertise and preparation from the entrepreneurs they choose to fund. When examining a proposal, they want to see much more than just a good idea and a bright young man or woman; they want to see a business plan showing that the concept has been rigorously assessed and that the entrepreneur has carefully thought through the issues for steps necessary to take the idea and fashion it into a successful company.

At Kleiner Perkins Caufield & Byers, the venture capital firm I cofounded in 1972, we had a diligent system of evaluating business plans. A plan had to stand up to the most exacting scrutiny and toughest standards. Most plans, of course, never made it past the initial screening phases. Only the most interesting and well-conceived plans warranted the allocation of resources necessary for a more thorough examination. From that group, we narrowed our selection down even further, spending a great deal of time investigating each plan's merits. Finally, before deciding to invest in a company, part of the staff would serve as "devil's advocate," suggesting all the pitfalls. Only the plans that made it through that process were considered for final funding.

In this book, Rhonda Abrams has given you the tools you need to create a successful business plan. Working with Rhonda over the years, I've developed a strong appreciation and respect for her grasp of the business planning process. We have had many sessions evaluating what it takes to make a successful company, and I've seen her take what I've shared with her about long-term and strategic planning and expand upon that knowledge, bringing to bear her own experience with clients and her intelligent, practical approach to the entrepreneurial process.

About the Contributors

John Doerr

Partner, Kleiner Perkins Caufield & Byers

Famed venture capitalist John Doerr is a Partner at Kleiner Perkins Caufield & Byers, the nation's premier venture capital firm. Doerr began his career with a summer job in 1974 at what was then a small chipmaker, Intel, and in 1980 he joined KPCB. With KPCB, Doerr has funded some of the world's most innovative companies, including Google, Amazon, Intuit, Twitter, Symantec, and Zynga. Passionate about sustainability and social issues, Doerr has backed entrepreneurs working to combat global warming, poverty, and health issues. He is active in public policy, covering issues from public school funding to preparedness for pandemic flu. Doerr serves on the President's Council on Jobs and Competitiveness. He also serves on several company boards, including Coursera, Flipbook, and Google.

Eugene Kleiner

Founding Partner, Kleiner Perkins Caufield & Byers

Eugene Kleiner was a legend—in venture capital and in Silicon Valley. Kleiner was one of the country's first venture capitalists: In 1972, he founded what would become the country's foremost venture capital firm, Kleiner Perkins Caufield & Byers. He was an early investor in companies such as Intel and Genentech. Kleiner was one of the so-called “Traitorous Eight”—the eight young men who broke away from Nobel Prize winner William Shockley to form the first silicon semiconductor company, Fairchild Electronics, in 1957, and who are considered to be the “fathers” of Silicon Valley.

Andrew Anker

CEO, Tugboat Yards

A veteran of several start-ups, Andrew Anker is the CEO of Tugboat Yards and the executive chairman of PandoMedia. As an angel investor, Anker has invested in a wide range of companies, including LinkedIn, TCHO Ventures, and Ebates. He was the cofounder and CEO of Wired Digital, Inc., a pioneering Internet news and media organization that launched the

first advertising-supported website, www.hotwired.com, in 1994. Anker led Wired Digital from its founding through 1998 and built it into what was one of the 20 largest networks of websites at the time. After leaving Wired Digital, he was a Partner at August Capital—one of the nation's most respected venture capital firms—and then served as vice president of corporate development at Six Apart.

Damon Doe

Vice President, Technology Banking Group, U.S. Bank

A former Partner at Montage Capital, Damon Doe has extensive experience in financial services, corporate banking, fund management, corporate finance, and equity investment. Prior to working in a senior-level capacity for several banks in the San Francisco Bay Area, Doe cofounded Sand Hill Capital, a \$150 million venture debt and equity fund located in Menlo Park, California, where he managed a large part of the venture firm's portfolio and also served as CFO. Before that, Doe financed early-stage and middle market high-tech companies at both Silicon Valley Bank and Bank of the West. Doe's past clients include Advanced Fiber Communications and JDS Uniphase.

Lauren Flanagan

Angel Investor, BELLE Capital USA

Lauren Flanagan is cofounder and Managing Director of BELLE Capital USA, an early-stage angel investment fund, located in the Greater Chicago area. Belle invests solely in companies with women in leadership positions. Flanagan has more than 25 years' experience founding and operating technology companies, and she was the founder of four technology companies. She is also cofounder and Managing Director of the Phenomenelle Angels Fund. In 2010, *BusinessWeek* named her one of the top 25 angels in technology. She is Executive Chairman of the Current Motor Company.

Nancy Glaser

Management Consultant, The Glaser Group

Nancy Glaser is founder and President of The Glaser Group, a consulting firm specializing in early-stage business strategies and turn-arounds for troubled companies. Her focus is in specialty retailing and in consumer-based and service businesses. Previously, Glaser was a Partner at the venture capital firm U.S. Venture Partners. Some of the companies she has invested in and helps direct are Gymboree, Fresh Choice, and PetsMart. Earlier in her career, Glaser helped take The Gap from a 35-store chain to 350 stores in less than five years, and served with Macy's and Lord & Taylor. Glaser was active in international venture capital, both in Poland and as a founder of the Apparel Innovation Center in St. Petersburg, Russia.

Seth Goldman

President and CEO, Honest Tea

With his partner and former Yale School of Management professor, Barry Nalebuff, Seth Goldman cofounded Honest Tea in 1997. He began his entrepreneurial career at the age of six by retrieving stray golf balls from a course near his home, and selling them back to golfers along with lemonade. Honest Tea was acquired by the Coca-Cola Company in 2011 and today, more than 100,000 retail outlets carry the company's beverages. In addition to his role as President and CEO of Honest Tea, Goldman also serves on several boards, such as Bethesda Green, Beyond Meat, the Yale School of Management, the American Beverage Association, and the Maryland Economic Development Commission.

Mark Gorenberg

Founder and Managing Director, Zetta Venture Partners

Mark Gorenberg has the rare distinction of having been a judge in three of the country's leading university business plan competitions, at MIT, Stanford University, and the Haas School of Business at the University of California, Berkeley. As founder and Managing Director of Zetta Venture Partners, Gorenberg invests in the fast-growing analytics market. Prior to launching Zetta Venture Partners, he served as Managing Director at Hummer Winblad. He has over 20 years' experience in venture capital and serves on the boards of start-up and public companies. Gorenberg also serves on the President's Council of Advisors on Science and Technology (PCAST), the Board of Trustees for MIT, the National Venture Capital Association, and the FCC's Technological Advisory Council.

Kay Koplovitz

Chair, Kate Spade

When Kay Koplovitz founded USA Network, she became the first female network president in television history. She served as Chairperson and Chief Executive of the network until it was sold in 1998 for \$4.5 billion. President Bill Clinton appointed Koplovitz to head the National Women's Business Council, after which she helped found Springboard Enterprises in 2000 to showcase women-led entrepreneurial ventures. Since its founding, Springboard has helped women entrepreneurs raise more than \$6 billion in venture capital, creating tens of thousands of jobs. To further encourage women entrepreneurs, Koplovitz also cowrote *Bold Women, Big Ideas*. In 2007, Koplovitz joined the board of what was then Liz Claiborne Inc. (now Kate Spade & Company) and long served as Chairperson of the Board. She is the Chairperson and CEO of Koplovitz & Company, and serves on several other boards.

Larry Leigon

President, Leigon Associates

As President of Leigon Associates, Larry Leigon is a corporate trainer and executive coach. He consulted with Hewlett-Packard globally for six years, during which time the company merged with Compaq. Previously, Leigon cofounded Ariel Vineyards in 1985 to produce and market premium de-alcoholized wines. In its first four years of operation, Ariel grew to be larger than 95% of all the wineries in the United States. Leigon was one of the four founding principals of Ariel and served as its first President, with primary responsibility for all marketing and distribution strategies—a unique challenge since Ariel was creating a new product category. By the time it had been acquired, Leigon had grown Ariel Vineyards to a valuation of \$15 million.

Robert M. Mahoney

Former Executive Director of Corporate Banking, Bank of Boston

In this leadership position, Robert Mahoney was responsible for commercial lending services throughout the New England states for the Bank of Boston, a bank that earned a reputation as one of the nation's most receptive to entrepreneurial companies. During his two decades with the bank, Mahoney served as President of Massachusetts Banking and Vice President for corporate banking in the United Kingdom.

F. Gibson “Gib” Myers, Jr.

Venture Capitalist, The Mayfield Fund

Gib Myers is well known as a General Partner (Emeritus) of the prestigious Mayfield Fund, a venture capital firm with over \$1.5 billion of capital under management. Myers joined Mayfield in 1970 and has participated in virtually all of the firm's portfolio company investments, including 3Com Corporation. He has nurtured companies in diverse areas of technology through every phase of growth, from start-up to maturity. In 1997 Myers and Mayfield Fund created the Entrepreneurs' Foundation, dedicated to bringing the entrepreneurial spirit and commitment to societal and community activities. The Entrepreneurs' Foundation is a nonprofit organization that assists entrepreneurs and young companies in developing a community involvement plan and in participating in unique philanthropic giving programs.

Bill Rancic

Entrepreneur and Inaugural Winner of *The Apprentice*

By the time he won the first season of the reality TV show *The Apprentice*, Bill Rancic was already a seasoned entrepreneur. After he graduated from college, he founded the Cigar of the Month Club. Today, Rancic travels across the U.S. and around the world as motivational and business speaker. He has written two business books, develops real estate, runs restaurants, and makes guest appearances on shows such as *Today*, *The Tonight Show*, *The View*, and various CNBC programs. A television producer, Rancic appears with his wife on their weekly reality TV show, *Giuliana & Bill*.

Premal Shah

President, Kiva

Premal Shah first began dreaming of “Internet microfinance” while working at PayPal, the online payments company. In late 2004, Shah took a three-month leave from PayPal to develop and test the Internet microfinance concept in India. When he returned to Silicon Valley, he met other like-minded dreamers and quit his job at PayPal to help bring the Kiva concept to life and eventually to scale. Kiva today raises over \$1 million each week for the working poor in over 50 countries worldwide and was named a Top 50 Website by *Time Magazine* in 2009. For his work as a social entrepreneur, Shah was named a Young Global Leader by the World Economic Forum and selected for *Fortune* magazine’s “Top 40 under 40” list in 2009. Shah began his career as a management consultant.

Andre S. Tatibouet

Founder and Former Owner, Aston Hotels and Resorts

Andre S. Tatibouet’s first exposure to the hotel business in Hawaii began in his parents’ 14-room hotel in Waikiki in the 1940s. At the age of 19, Tatibouet developed his first hotel and has been a force in the hospitality industry ever since. He built the largest condominium resort and hotel chain in Hawaii, which also included properties in California and Mexico. He was named one of the top five entrepreneurs in the hotel industry and is active in numerous philanthropic and civic organizations. Today, he works with other hotel owners as a consultant.

Bill Walsh

Former Coach and President, San Francisco 49ers

When Bill Walsh was hired as head coach of the San Francisco 49ers football franchise in 1979, the team was hardly taken seriously. But within three years, under his innovative management, the 49ers had won a Super Bowl. He went on to win two additional world championships and was named “Coach of the Eighties.” His management style was marked by intelligent, strategic planning of every detail and contingency. Formerly a commentator on NBC Television, he was a frequent speaker to business audiences.

Ann Winblad

Partner, Hummer Winblad Venture Partners

In high-technology circles, Ann Winblad is a well-known software entrepreneur and venture capitalist. In 1976, she cofounded Open Systems with a \$500 investment and sold the company in 1983 for \$15.1 million. Prior to starting her venture capital firm with partner John Hummer, she served as a consultant to clients such as IBM, Microsoft, Apple, Price Waterhouse, and numerous start-up companies. Hummer Winblad has invested in companies such as Central Point Software, Powersoft, and Liquid Audio.

Table of Contents

About the Author	ix
What's New in the Sixth Edition.....	xi
Foreword by John Doerr	xiii
Foreword by Eugene Kleiner	xv
About the Contributors	xvii
Sample Plans	xxiv
Worksheet, Examples, and Charts in This Book	xxv
Introduction	xxix

Starting the Process

SECTION

I

✓ Chapter 1: The Successful Business	3
✓ Chapter 2: Getting Your Plan Started	17
✓ Chapter 3: Making Your Plan Compelling	41

Business Plan Components

SECTION

II

✓ Chapter 4: The Executive Summary	53
✓ Chapter 5: Company Description	67
✓ Chapter 6: Industry Analysis & Trends	85
✓ Chapter 7: Target Market	103
✓ Chapter 8: The Competition	121
✓ Chapter 9: Strategic Position & Risk Assessment	139
✓ Chapter 10: Marketing Plan & Sales Strategy	157
✓ Chapter 11: Operations	189
✓ Chapter 12: Technology Plan	219

✓	Chapter 13: Management & Organization	229
✓	Chapter 14: Social Responsibility & Sustainability	253
✓	Chapter 15: Development, Milestones & Exit Plan	265
✓	Chapter 16: The Financials	283
✓	Chapter 17: The Plan's Appendix	327

Putting the Plan to Work

SECTION

III

✓	Chapter 18: Preparing, Presenting & Sending Out Your Plan	333
✓	Chapter 19: Looking for Money	347
✓	Chapter 20: Using Your Plan for Classes & Competitions	367
✓	Chapter 21: Internal Planning for Existing Businesses & Corporations ...	379
✓	Chapter 22: Time-Saving Tips	391

References & Resources

SECTION

IV

✓	Outline of a Business Plan	399
✓	Business Terms Glossary	403
✓	Funding Sources	407
✓	Research Sources	411
✓	Entrepreneurs' Sources	415
✓	Index	419

Sample Plans

Synopsis Executive Summary 62

Narrative Executive Summary 65

Company Description 82

Industry Analysis & Trends..... 100

Target Market 117

The Competition..... 135

Strategic Position & Risk Assessment 155

Marketing Plan..... 187

Operations 215

Technology Plan 228

Management & Organization 249

Social Responsibility & Sustainability 263

Development & Exit Plan 280

Income Statement Three-Year Projection 319

Income Statement Annual..... 320

Cash Flow Projections 322

Balance Sheet 324

Sources & Use of Funds 325

Assumptions..... 326

Cover Letter..... 366

Worksheet, Examples, and Charts in This Book

Basic Business Concept.....	6
The Four Cs.....	16
Research Questions.....	21
U.S. Research Sources.....	24
Canadian Research Sources.....	24
International Research Sources.....	24
Feasibility Analysis Worksheet.....	39
Examples of Charts to Use in Your Business Plans.....	48
Synopsis Executive Summary Plan Preparation Form.....	58
Narrative Executive Summary Plan Preparation Form.....	60
Statement of Mission.....	72
Legal Issues.....	76
Globalization: Legal Issues.....	78
Company Description Plan Preparation Form.....	80
Past and Future Growth of Your Economic Sector.....	87
Your Company's Industries.....	87
Past and Future Growth of Your Industry.....	88
Maturity Characteristics of Your Industry and Associated Opportunities/Risks.....	89
Industry Maturity Chart.....	90
Effects of Economic Conditions on Your Industry and Business....	91
How Seasonal Factors Affect Your Industry.....	92
Technological Change in Your Industry Over the Last Five Years....	93
How Sensitive Is Your Industry to Government Regulation?.....	94
Supply and Distribution Channels in Your Industry.....	95
Globalization: Industry Concerns.....	96
Financial Patterns.....	98
Industry Analysis Plan Preparation Form.....	99
Domestic Geographic Description.....	106

Demographic Description	107
Globalization: International Target Market	108
Psychographic Description	109
Lifestyle/Business-Style Description	110
Purchasing Patterns Description	111
Buying Sensitivity Description	112
Domestic Market Size and Trends	115
Globalization: Market Size and Trends	115
Target Market Plan Preparation Form	116
Competitive Analysis: Customer Perception Factors	124
Competitive Analysis: Internal Operational Factors	125
Globalization: Competition	128
Market Share Distribution	131
Future Competition and Barriers to Entry	133
Competition Plan Preparation Form	134
Risk Evaluation	151
Globalization: Global Risks	152
SWOT: Strengths/Weaknesses/Opportunities/Threats	153
Strategic Position Plan Preparation Form	154
The Five Fs	160
Marketing Vehicles	162
Traditional Marketing Tactics	165
Online Marketing Tactics	171
Globalization: Marketing	173
Sales Force	175
Sales Process and Productivity	177
Globalization: International Sales	181
Marketing Budget	182
Sales Projections	184
Marketing and Sales Strategy Plan Preparation Form	186
Facilities	193

Production	196
Equipment Schedule	198
Inventory Control	201
Supply and Distribution	202
Order Fulfillment and Customer Service	204
Globalization: Operations.....	206
Research and Development	208
Financial Control	210
Other Operational Issues	212
Start-Up Costs.....	213
Operations Plan Preparation Form.....	214
Globalization: Technology Concerns.....	225
Technology Budget.....	226
Technology Plan Preparation Form	227
Key Employees Evaluation	232
Compensation and Incentives	235
Board of Directors/Advisory Committee	237
Professional Services.....	239
Key Management Personnel to Be Added	240
Management Style	244
Globalization: Management.....	247
Management Plan Preparation Form.....	248
Globalization: Global Social Responsibility	260
Social Responsibility Plan Preparation Form	261
Company Vision.....	268
Priorities	269
Milestones Achieved to Date	271
Future Milestones	272
Globalization: Future Development.....	274
Exit Plan Options.....	278
Development Plan Preparation Form	279

Abrams Method of Flow-Through Financials.....	288
Globalization: Financial Considerations	290
Staffing Budget	296
Monthly Cash Income Projections	298
Income Statement: Annual by Month.....	300
Income Statement: Annual by Quarter	302
Income Statement: Annual for Five Years.....	303
Cash Flow Projection: Annual by Month	306
Cash Flow Projection: Annual by Quarter.....	308
Balance Sheet	309
Sources and Use of Funds	311
Break-Even Analysis	315
Assumption Sheet	316
Nondisclosure Agreement	336
Crowdfunding Pros and Cons.....	355
Your “Elevator Pitch”	362
Sources of Debt Financing	364
Sources of Equity Financing	365
Team Process Checklist	376
Assignment Sheet	377
Key Ratio Analysis.....	388
Key Customer Analysis	390

Introduction

If you don't know where you are going, how will you know when you are lost?

Over the past two decades, *Successful Business Plan: Secrets & Strategies* has been used by entrepreneurs to launch hundreds of thousands of businesses. I am incredibly proud of helping entrepreneurs to achieve their dreams—and, as importantly, create new jobs. It is my life's work.

It's led to some wonderful moments in my life. Like the time I was speaking at a conference in Pittsburgh and a man, surrounded by a gaggle of his employees, told me that he had been homeless, found this book in his local library, and used it to help start a small business, which eventually grew to having more than 100 employees.

Or the time a woman came rushing out of a store in Boise, Idaho. She had somehow recognized me, and pulled me into her beautiful home goods store. "I built this store following your book—just look around." And I did—not only at the lovely products she was selling and the employees she had working, but at the immense pride she had in her accomplishment.

Or meeting some of the hundreds of thousands of students who have used this book to better understand the possibilities and opportunities of entrepreneurship. Many have used what started as a class assignment to actually launch their own businesses.

It's been immensely gratifying to hear from entrepreneurs from all walks of life, from all over the globe, about the businesses they've started, the money they've raised, the jobs they've created—and knowing that this book has been a part of that.



With the first edition of your plan, you shouldn't even think about getting money. Use the planning process to decide if the business is really as good as you think it is. Ask yourself if you want to spend five years of your life doing this. Remember, that's about 10% of your active working life, so seriously examine whether the enterprise could really be worthwhile to you."

Eugene Kleiner
Venture Capitalist



The intensity in football incorporates, in one season, what a corporation must have over five years or so. You deal with people under stress; performance is measured by the bottom line; success is what the group accomplishes. To succeed, you must set goals, define roles, recognize excellence, acknowledge failure, recover from disappointment, and stay abreast of the competition. You must always be evolving systematically, improving the mechanisms for developing progress, and bringing along younger players.”

Bill Walsh
*Former Coach and President,
San Francisco 49ers*

Creating a business plan helps you:

- Think through your entire business
- Better understand your true financial needs
- Secure funding
- Attract key management
- Develop marketing messages and materials
- Identify key strategic partners and customers

Remember, it's the PLANNING and not the PLAN that's really important. The process of developing a business plan is what helps you succeed. The greatest benefits come from examining all the critical aspects of your business, looking at the factors and trends that can affect your success or threaten your livelihood, and then asking yourself the tough questions.

During the process of developing a business plan, you're almost certainly going to change several facets of your business—perhaps even some major components of it. It's far better to make your mistakes on paper instead of with your real money and precious time.

I sincerely hope this book helps you achieve your dreams.

—Rhonda Abrams, Palo Alto, California

SECTION I

Starting the Process

✓ Chapter 1: The Successful Business	3
✓ Chapter 2: Getting Your Plan Started	17
✓ Chapter 3: Making Your Plan Compelling	41

The Successful Business



Factors of a Successful Business 4

- The Business Concept 4
- Understanding the Market 5
- Industry Health and Trends 7
- Clear Strategic Position and Consistent Business Focus 7
- Capable Management 9
- Ability to Attract, Motivate, and Retain Employees 9
- Financial Control 10
- Anticipating Change and Adaptability 10
- A Company's Values and Integrity 11



Responding to Global Opportunities and Trends 12



What Motivates You? Personal Satisfaction: The Four Cs 13

- Control 13
- Challenge 14
- Creativity 14
- Cash 14



Chapter Summary 15

*It is not enough merely to survive;
the goal is to succeed.*



Even if you have all the money you need, you still need a business plan. A plan shows how you'll run your business. Without a plan, you don't know where you're going, and you can't measure your progress. Sometimes, after writing a business plan, you may change your approach, or even decide not to go into a certain business at this time."

Eugene Kleiner
Venture Capitalist



In judging a business concept, by far the easiest and first place to start is, 'Do I want to use this myself?' If I'm not sold that I would want to use it — if I can't look at my partners and say, 'I know this fills a need because I know no one else does this; I would use it myself' — it's not going to go anywhere."

Andrew Anker
Venture Capitalist

Factors of a Successful Business

The ultimate purpose of developing a business plan is to have a successful business. In the long run, it is fruitless to write a business plan that can raise the funds you seek if your enterprise is so poorly conceived it is bound to fail. So, as you create your plan, be certain to address the long-term needs of your business and devise strategies that enhance both the overall performance of your company and your personal satisfaction.

The following factors, discussed in detail in this chapter, contribute most to business success and should guide your planning process:

- The Business Concept
- Understanding the Market
- Industry Health and Trends
- Clear Strategic Position and Consistent Business Focus
- Capable Management
- Ability to Attract, Motivate, and Retain Employees
- Financial Control
- Anticipating Change and Adaptability
- Company's Values and Integrity
- Responding to Global Opportunities and Trends

The Business Concept

Meeting needs is the basis of all business. You can devise a wonderful new machine, but if it doesn't address some real and important need or desire, people won't buy it, and your business will fail. Even Thomas Edison recognized this fact when he said, "Anything that won't sell, I don't want to invent."

Typically, entrepreneurs get their original business inspiration from one of four sources: 1) previous work experience; 2) education or training; 3) hobbies, talents, or other personal interests; or 4) recognition of an unanswered need or market opportunity. Occasionally, the impetus comes from the business experience of a relative or friend.

As you refine your business concept, keep in mind that successful businesses incorporate at least one of these elements: something new, something better, underserved or new market, new delivery or distribution, and increased integration.

SUCCESSFUL BUSINESS ELEMENTS

Include at least one of these as you refine your business concept.

Something New



Create a new product, service, feature, or technology.

Something Better



Improve on existing product or service: more features, lower price, greater reliability, faster speed, or increased convenience.

Underserved or New Market



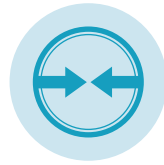
Find a market with greater demand than competitors can satisfy, an unexploited niche market, or an unserved location.

New Delivery or Distribution



Provide products or services less expensively, to a wider geographic area, or with greater choice.

Increased Integration



Both manufacture and sell your product, or offer more services and products in one location.

Your business should incorporate at least one of these factors—more than one if possible. Ideally, you can bring a new or better product or service to an identifiable but underserved market, perhaps using a more efficient distribution channel. Evaluate the ways your business concept addresses the elements described above. Your concept should be strong in at least one area. If not, you should ask yourself how your company will be truly competitive. *The Basic Business Concept worksheet on page 6 helps you evaluate the strengths and weaknesses of your basic business idea.*

Understanding the Market

It is not enough to have a great idea or new invention as the basis of your business; you must also have a market that is sufficiently large, accessible, and responsive. If your market isn't large enough, you can't reach it efficiently, or it isn't ready for you. Your business will fail, no matter how good your business concept. Consider the automatic teller machine (ATM) seen on virtually every street corner. It was invented more than 10 years before it became popular, but the company that initially marketed the ATM was unsuccessful—people weren't yet willing to trust their banking to machines.

First, evaluate whether market demand is adequate to support your company. For instance, if you are opening a flower shop in a neighborhood where none currently exists, what indications are there that the neighborhood residents are interested in buying flowers? Do they currently purchase flowers at a nearby supermarket? Does national data on the demographics of flower purchasers coincide with neighborhood demographics? Perhaps you should conduct a survey of the neighborhood's residents, asking about their flower-buying habits and preferences.

Next, if you are creating a new product or service, what indications are there that the market will be receptive to you? Market readiness is one of the most difficult and most unpredictable aspects to measure. That is why



Success ^{key} terms

Barriers to Entry

Those conditions that make it difficult or impossible for new competitors to enter the market: Two barriers to entry are patents and high start-up costs.

Cash Flow

The movement of money into and out of a company; actual income received and actual payments made out.

Strategic Position

A company's distinct identity that separates it from the competition and helps it focus on its activities.



Basic Business Concept

Using this worksheet as a guide, outline your business concept as you presently conceive it.

Is yours a retail, service, manufacturing, distribution, or online business? _____

What industry does it belong to? _____

What products or services do you sell? _____

Who do you see as your potential customers? _____

Describe your basic overall marketing and sales strategy: _____

Which companies and types of companies do you consider to be your competition? _____

List your competitive advantages, if any, in each area listed below.

New Products/Services: _____

Improved Features/Services and Added Value: _____

New or Underserved Markets Reached: _____

New/Improved Delivery or Distribution Method: _____

Methods of Increased Integration: _____

companies spend substantial amounts of money on market research before launching a new product.

You may not have the funds to undertake extensive market research, but even a small amount of analysis can help you gauge the receptivity of a particular market to your idea. Methods of conducting market research and evaluation in a practical, economical fashion are discussed in Chapter 2. When gathering information for your business plan, spend considerable time learning about your market. The more you understand the various factors that affect your market, the more likely you are to succeed.

Industry Health and Trends

Your business does not operate in a vacuum; generally, your company is subject to the same conditions that affect your overall industry. If consumer spending declines nationally, there's a good chance your retail business—whether a neighborhood boutique or an online shopping mall—will also experience poor sales.

As you develop your plan, you need to respond to the industry-wide factors affecting your own company's performance. While it is certainly possible to make money in an industry that is experiencing hard times, you can only do so if you make a conscious effort to position your company appropriately. For example, if you are in the construction business and the number of new-home starts is down, you may want to target the remodeling market or the commercial real estate market rather than the new-home construction market.

Investors and lenders are particularly sensitive to issues of industry health. It is much harder to raise money to start or expand businesses in troubled industries. Even though opportunities exist in such fields, investors and bankers are concerned about the increased risks an enterprise faces in an unhealthy industry. Conversely, if your business is in a healthy and expanding industry, investors are likely to be more receptive.

What direction is your industry going? It is important to look at the major trends that will influence industry health in the future as well as examining its current condition. Is the industry consolidating as big companies merge into huge businesses? What is happening with pricing pressures, consumer demand, availability of parts and supplies, and global competition? *Several worksheets included in Chapter 6 help you identify and anticipate trends in your industry.*

If you are seeking outside funds, your business plan must reassure investors or bankers that you understand the industry factors affecting your company's health and that you have taken those factors into consideration when developing your business strategy.

Clear Strategic Position and Consistent Business Focus

A crucial factor for a successful business is the development of a clear **strategic position** that differentiates you from your competition—and then maintaining focus on that position. All too often businesses fail because management loses sight of the central character of the enterprise.



The main thing is to keep going back and talking to the people who actually use what you're making. See if what you're making is truly helpful to your customers."

Larry Leigon
Founder, Ariel Vineyards





What tips me off that a business will be successful is that they have a narrow focus of what they want to do, and they plan a sufficient amount of effort and money to do it. Focus is essential; there can be the possibility of the business branching out later, but the first phase of a company should be quite narrowly defined.”

Eugene Kleiner
Venture Capitalist

Defining a clear strategic position enables you to capture a particular place in the market and distinguish yourself from your competitors. Different companies may sell a similar product, but each may have a very different sense of what its business is really all about.

For example, suppose four companies are making jeans. Company A defines itself as selling work clothes; Company B sees itself as a sportswear manufacturer; and Company C defines itself as being in the business of selling youth and sex appeal. But Company D has never clarified its mission—it just sells jeans.

These different positions affect the way each company markets itself, how it designs its jeans, what subsequent products it produces, and even the employees it hires. The first three companies may all succeed and rarely be in competition with one another. But Company D, which misses the big picture, is almost certain to fail over time as it flounders in its attempts to compete with all of the other, more-focused companies.

A second aspect of positioning your company and maintaining focus is the development of a company style or corporate culture. By creating a consistent style that permeates every aspect of your enterprise, from the design of your stationery to personnel policies, you give your customers and employees a sense of trust in your company.

Imagine two different restaurants on the same street, both with basically the same business mission: providing good, fast food, priced at only a few dollars a meal.

The first restaurant is a national burger chain. Its style is characterized by consistency, cleanliness, and impersonal friendliness. A strong corporate image is important, which is reinforced through the restaurant's decor, the food's packaging, and the employees' uniforms. The meals are prepared by standardized routines, and every customer is given the same greeting.

The second restaurant is a diner. Management characterizes its corporate culture as that of a friendly neighbor. To help make sure that employees know customers' names and food preferences, management aims to retain employees for many years. A bulletin board features notices of local events. This restaurant's target market is the neighborhood regulars who know they will feel at home there.

With a strong company style, each restaurant clearly distinguishes itself from its competitors and gives its target customers a precise understanding of what to expect. Every business needs to consider its style as it relates to the company's overall mission, and then infuse that style into virtually all its undertakings.

To help clarify your company's position and focus as part of the business plan process, you should define a Statement of Mission. This Mission Statement should guide your company's short-term activities and long-term strategy, position your marketing, and influence your internal policies. ***A Statement of Mission worksheet is in Chapter 5.***



Capable Management

Perhaps more than any other factor, competent management stands out as the most important ingredient in business success. The people in key positions are crucial in determining the health and viability of your business. Moreover, because of the importance of capable management to business success, many investors and venture capital firms place the single greatest emphasis on this factor when evaluating business plans and deciding on loans or investments. They'll review the management section of a business plan with special scrutiny. Your business plan must inspire confidence in the capabilities of your management, and you should put your management team together carefully.

Before submitting your business plan to investors, conduct your own analysis of your management team. Evaluate each individual (and yourself) to see if he or she fits the profile of a successful manager. Some of the traits shared by successful managers are:

- **Experience.** They have a long work history in their company's industry and/or they have a solid management background that translates well to the specifics of any business in which they become involved.
- **Realism.** They understand the many needs and challenges of their business and honestly assess their own limitations. They recognize the need for careful planning and hard work.
- **Flexibility.** They know things go wrong or change over time, and they are able to adapt without losing focus.
- **Ability to Work Well with People.** They are leaders and motivators with the patience necessary to deal with a variety of people. They may be demanding, but they are fair.

In developing your business plan, determine whether key members of your management team possess these characteristics. If not, perhaps you can increase training, add staff, or take other measures to enhance your management's effectiveness. For instance, if you have little or no experience in your chosen field, perhaps you should first take a job with an existing company in that field before opening your own business.

In addition to evaluating the traits of each individual, look at the overall balance of your management team. Do you have people who are capable and experienced in the various aspects of your business—marketing, operations, technology, finance, and so on? Are some managers better at dealing with internal issues and others at handling external relations? Or do the talents and traits of your managers duplicate each other?

Ability to Attract, Motivate, and Retain Employees

A company is only as good as its people. The ability to find, attract, and keep outstanding employees and managers is crucial to a company's long-term viability and competitiveness.

Demographic trends indicate a tight labor market in the United States well through the early part of the 21st century. Companies will have a difficult time competing for the relatively limited number of outstanding job



The most successful entrepreneurs tell you they have a great team, but lots of small business owners let ego get in the way. Many people helped me along the path. You've got to remember the people who were loyal to you. Don't forget them when you become successful."

Bill Rancic
Serial Entrepreneur

“We don’t just want to make secure loans; we want to make good loans. A good loan is a loan with a high probability of being repaid from the primary source, such as the business, without interrupting the lifestyle of the borrower. Collateral makes a loan ‘safe,’ not necessarily good. It’s not fair to make a loan if the collateral is good BUT the business plan is shaky. We’re not interested in getting people’s homes; we’re interested in successful businesses.”

Robert Mahoney
Corporate Banker

applicants. Your company’s reputation for treating employees well directly enhances both the number and the quality of job applicants and your company’s ability to retain employees once hired.

Employee morale also has a significant impact on a company’s productivity, the quality of its products or services, and its ability to provide outstanding customer service. Unhappy employees are less motivated to do excellent work. Satisfied employees are far more likely to want to see their company succeed, and they can dramatically alter a company’s bottom line.

Examine your management style and policies as part of your overall business planning process. Develop management practices that treat employees fairly, offer opportunities for advancement, afford reasonable job security, and provide fair pay and benefits.

Financial Control

Key to any business is how it handles money. Not fully anticipating start-up costs can immediately place impossible pressures on a new business. Poor **cash flow** management can bring down even a seemingly thriving business. One of “Rhonda’s Rules” is “Things take longer and cost more than anticipated.” Build financial cushions in your plan to allow for unanticipated expenses and delays.

As you develop your business plan, make sure you have the information to understand your financial picture on an ongoing basis. What does it take to open your doors each month? Where is your real profit center? How much expansion do you need to maintain growth? What are the hidden costs of marketing your company? What are the consequences of your credit policies?

Build in mechanisms to keep you continually informed as your business develops. It is easier to establish good financial procedures right from the start than to wait until you face a financial crisis. How frequently will you do your billing? What kinds of credit policies will your business follow?

How will you keep informed on inventory?

Make certain you receive detailed financial statements at least monthly and that you understand them thoroughly. Examine financial reports for any deviations from your plan or any indications of impending cash flow problems.

Controlling and understanding your finances makes decisions easier. And you’ll sleep better at night.

Anticipating Change and Adaptability

Change is inevitable, and the rate of change gets ever faster. In today’s world, your company needs to anticipate and respond to change quickly and train its employees to be adaptable. Nimble companies that can quickly evaluate and respond to changing conditions are most likely to be successful.

In planning for change, keep in mind the kinds of conditions that will affect your business' future. They include:

- **Technological Changes.** It's impossible to predict the exact technological developments that will affect your industry, but you can be sure that you will be faced with such changes. Even if you make old-fashioned chocolate chip cookies, you'll find that advancements in oven design, food storage, or inventory control software will place competitive pressures on your business. Competitors' technological advances may cause significant downward pricing pressures on you.
- **Sociological Changes.** Evaluate demographic and lifestyle trends in light of their potential influence on your business. In the cookie business, for example, consumer interest in natural foods or the number of school-age children in the population may influence the number and kinds of cookies you sell. What sociological factors have the greatest impact on your company? Keep your eye on trends that represent true change; be careful not to build a business on passing fads.
- **Competitive Changes.** New businesses start every day. How hard is it for a new competitor to enter the market, and what are the **barriers to entry**? The Internet makes it possible for companies all over the world to compete against each other, increasing the number and type of competitors you may face.

When developing your business plan, consider how your company deals with these outside changes. Also anticipate major internal changes, such as growth, the arrival or departure of key personnel, and new products or services.

No business is static. Planning a company responsive to change will make the inevitable changes easier. See Chapter 6, for more on anticipating change.

A Company's Values and Integrity

Every company must make money. You can't stay in business unless you eventually earn a profit. However, studies of business success over time have shown that companies that emphasize goals in addition to making money succeed better and survive longer than companies whose sole motivation is monetary.

As you develop your business plan, keep in mind those values you wish to have characterize the company you are creating or expanding. These values can be aimed externally (at achieving some business, social, or environmental goal) or they can be aimed internally (at achieving a certain type of workplace or quality of product or service) or both.

Articulating your company's values to employees, suppliers, and even your customers can strengthen their commitment to your business. Values-driven companies often have greater success in attracting and retaining good employees, and they can usually better weather short-term financial setbacks because employees and management share a commitment to goals in addition to financial rewards.



You need to be able to fail fast and fail forward. At PayPal, our business started out as sending money between Palm Pilots, then we had the idea of sending money over email. We saw the need for electronic payments, but we weren't wedded to the idea of something that wasn't working."

Premal Shah
President, Kiva



Passion is a prerequisite. If you don't have passion, you're not going to be successful. Entrepreneurship is not purely a numbers game. But you can't be stupidly passionate, you have to do your homework."

Damon Doe
Managing Partner
Montage Capital

A company is likewise strengthened by maintaining integrity in all aspects of its dealings—with employees, customers, suppliers, and the community. Certainly, you will face situations where it appears that you will be at a disadvantage if you are more honest than your competitors or more fair than other employers. However, the long-term benefits of earning and keeping a reputation for integrity outweigh the perceived immediate disadvantages. A clear policy of honesty and fairness makes decision-making in difficult situations easier, inspires customer and employee loyalty, and helps avoid costly lawsuits and regulatory fines. It's also the right thing to do.

Responding to Global Opportunities and Trends

Today's business world is a global world. In all aspects of your business, you may find it possible to be working internationally. Even a small company with an online presence may be selling its products internationally. Certainly, your raw materials or inventory may come from global sources. You may have competitors, suppliers, employees, contractors, and partners worldwide. A successful business in this environment must at least evaluate international opportunities and consider international threats when constructing a business plan.

Some of the global considerations to keep in mind as you develop your business plan are:

- **Target market.** Because of the electronically connected world, it's possible to target a market even halfway around the globe, and that can be a way to significantly expand your market opportunities. If you have a highly niche product, your customers may be widely scattered internationally, and you may need to or want to serve a wide geographic area. Even if you plan to concentrate on a local or domestic market, you must address how you'll serve international customers who find you online. Successful companies today at least evaluate international market opportunities when choosing which markets to target.
- **Competitors.** It's far easier than ever for global competition to enter local markets. Certainly, if you are selling a product—even a fairly mundane one—you may find yourself competing with online international companies.
- **Suppliers.** Whether for raw materials for production/manufacturing or inventory for sale, it is likely that at least some of your supplies will come from countries other than your own. You should certainly be considering sourcing material and inventory globally as you grow your company.
- **Labor.** It is no longer necessary for your employees or contractors to be located in the same office, same city, or even same country as you. Finding workers—especially technology or manufacturing labor—in other countries may offer significant labor cost reduction. It is now typical for companies to “offshore” many tasks, and flexible companies evaluate some of those opportunities. Of course, managing a far-distant



Getting sufficient supplies can be challenging. When we launched our Honest Kids organic drink pouch, we had to buy half the world's supply of organic, kosher grape juice.”

Seth Goldman
Cofounder, Honest Tea

labor supply has significant challenges, and you must think those through as you plan the global aspects of your business.

- **Legal issues.** Whether protecting your intellectual property, ensuring that you are following all necessary laws and regulations, or dealing with international tax or finance issues, you will certainly need to understand the legal issues affecting you as you work globally.
- **Partners.** As you think about expanding your business internationally, one approach is to find existing companies “on the ground” in those markets to partner with. This can make your entry far easier, help you understand local business customs and practices, and better serve your market.
- **Social responsibility.** The best international companies are good global citizens. As you work globally, make certain that you are always acting in a socially responsible manner—whether dealing with labor issues, human rights, the environment, bribery, or corruption.

What Motivates You?

Personal Satisfaction: The Four Cs

For smaller enterprises, sole proprietorships, or businesses in which one or two key members of management have primary control, issues of personal satisfaction can be a central element in determining long-term success. Some businesses fail, and others flounder, because their founders, owners, or key managers are uncertain what they really want to achieve or because they did not structure the company and their responsibilities in ways that satisfy their personal needs and ambitions.

It is useful to evaluate and consider your personal goals when deciding on the nature of your business development. For most entrepreneurs, these goals can be summed up by the Four Cs: Control, Challenge, Creativity, and Cash.

Control

How much control you need to exercise on a day-to-day basis influences how large your company can be. If you prefer to be involved in every business decision or are uncomfortable delegating or sharing authority, your business should be designed to stay small. Likewise, if you need a great deal of control over your time (because of family or personal demands), a smaller business without rapid expansion is more appropriate.

In a large company, you will have less immediate control over many decisions, and others will share in decision-making. Structure your management reporting systems to ensure that as the company grows, you continue to have sufficient information about and direction over developments to give you personal satisfaction. If you are seeking outside funding, understand the nature of control your funders will have and be certain you are comfortable with these arrangements.



First and foremost you have to have passion. You've got to understand why you're in the business, you have to understand why you're going to be wildly successful, and you have to be able to sell it to people. It's very easy to write a business plan with lots of pretty charts and graphs and research quotes, and if you can't present it to coworkers, employees, investors, and ultimately to the customer, you're not going anywhere. You always have to have the passionate person who lives and breathes, eats and sleeps the idea."

Andrew Anker
Venture Capitalist



Writing a business plan forces you into disciplined thinking if you do an intellectually honest job. An idea may sound great in your own mind, but when you put down the details and numbers, it may fall apart."

Eugene Kleiner
Venture Capitalist

Challenge

If you are starting or expanding a business, you are likely to be a problem-solver and risk-taker, enjoying the task of figuring out solutions to problems or devising new undertakings.

It is important to recognize the extent of your need for new challenges and develop positive means to meet this need, especially once your company is established and the initial challenge of starting a company is met. Otherwise, you may find yourself continually starting new projects that divert attention from your company's overall goals. As you plan your company, establish personal goals that provide you with sufficient stimulation, while also advancing the growth of your business.

Creativity

Entrepreneurs want to leave their mark. Their companies are not only a means of making a living, but a way of creating something that bears their stamp. That's why many businesses carry the founder's name.

Creativity comes in many forms. For some, it is the creativity involved with designing or making a new "thing"—a fashion designer creating a line of clothes, a software developer writing a new program, a real estate developer erecting a new building. For others, it may be the creativity of coming up with a new business process. Creativity also comes into play in finding new ways to make sales, handle customers, or reward employees.

If you have a high need for creativity, make certain you remain involved in the creative process as your company develops. You'll want to shape your business so it is not just an instrument for earning an income but also a mechanism for maintaining creative stimulation and making a larger contribution to society. But don't overpersonalize your company, especially if it is large. Allow room for others, particularly partners and key personnel, to share in the creative process.

Cash

Understand how your personal financial goals have an impact on your business plan. For instance, if you require substantial current income, you may need investors so you have sufficient cash to carry you through the lean start-up time. This means you will share ownership interest with others, and the business must be devised for substantial profit potential to reward those investors appropriately.

Likewise, if your aim is to build a very large company and accumulate substantial income or wealth quickly, you will need outside investors to finance such rapid development or expansion. Once again, this means giving up more control over your company.

If, on the other hand, your current income needs are less demanding or your overall financial goals more modest, you may be able to forego giving up a piece of your company to investors and instead expand your business more slowly through sales or through loans or credit lines. Keep in mind there is sometimes a trade-off between personal goals: Wanting more cash often means having less control.

Examine your personal goals and those of key personnel using The Four Cs worksheet on page 16.

Chapter Summary

A successful business plan not only ensures that you achieve your short-term objectives, it also helps secure the long-term viability of your business. When developing your plan, keep in mind the underlying factors affecting business success and personal satisfaction. Make sure your business concept is clear and focused and your market is well-defined. Understand the key trends in your industry, both nationally and globally, and develop responsive, disciplined management procedures.





The Four Cs

Each founder or key employee in small or new companies should complete their own copy of this worksheet. Check the level of importance to you in each area.

	Extremely Important	Somewhat Important	Somewhat Unimportant	Not Important
CONTROL				
Over own work responsibilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over own time, work hours, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over company decisions and directions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over products/services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over other employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over work environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over social/environmental impact of products/services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over own future and business' future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other: _____				

CHALLENGE

Long-term problem solving	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Critical problem solving (putting out fires)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Handling many issues at one time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Continually dealing with new issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Perfecting solutions, products, or services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organizing diverse projects & keeping the group goal-focused	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other: _____				

CREATIVITY

Determining the design or look of products/packaging	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Creating new products or services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Devising new business procedures/policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Identifying new company opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Creating new business materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Devising new ways of doing "old" things	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other: _____				

CASH

List approximate dollar ranges for each of the following. Measure wealth as the value of stocks or the company.

Income needed currently _____	Wealth desired in 2–5 years _____
Income desired within 12–24 months _____	Wealth desired in 6–10 years _____
Income desired in 2–5 years _____	Wealth desired in 10+ years _____

Getting Your Plan Started

- ✓ **The Business Plan Process** 18
- ✓ **Gathering Information** 19
- ✓ **Sources of Information** 22
- ✓ **Online** 23
- ✓ **Offline Research Resources** 30
- ✓ **SBDCs and Other Support Organizations** 31
- ✓ **Trade and Industry Associations** 31
- ✓ **Paid Research Services** 32
- ✓ **Historical Performance of Your Company** 32
- ✓ **How to Conduct Your Own Market Research** 33
- ✓ **Accessible Sources for Market Research** 34
- ✓ **Getting Help** 35
- ✓ **Evaluating the Data You've Collected** 36
- ✓ **A Quick Feasibility Analysis** 36
- ✓ **Business Model Canvas** 38
- ✓ **Chapter Summary** 38

You find easy answers only by asking tough questions.



You must have ongoing contingency plans to allow for miscalculations, disappointments, and bad luck. It's assumed that if you're a leader, you don't make mistakes. But it's not so; if you're decisive, you'll sometimes miscalculate, and sometimes just be unlucky. You need to openly discuss the possibility of mistakes, so people are prepared and aren't crestfallen when they occur. You need to rehearse your contingency plans."

Bill Walsh
Former Coach and President
San Francisco 49ers



The Business Plan Process

Once you determine that a business plan is a necessary tool for your company, you may wonder, "Where do I start?" Because a plan requires detailed information on almost every aspect of your business, including industry, market, operations, and personnel, the process can seem overwhelming.

The business plan process entails five fundamental steps:

1. Laying out your basic business concept.
2. Gathering data on the feasibility and specifics of your concept.
3. Focusing and refining the concept based on the data you compile.
4. Outlining the specifics of your business.
5. Putting your plan in compelling form.

The first step is to lay out your basic business concept. In the previous chapter, you were provided a worksheet on which to delineate the various components of your business. With an existing operation, it may be tempting to skip over this step, but if you wish to develop strategies for future success, you must first examine the assumptions underlying your current efforts.

The focus of this chapter is on steps 2 and 3: gathering and interpreting the data you need. Solid information gives you a realistic picture of what happens in businesses similar to yours, as well as a better understanding of your own company. ***You can then evaluate and refocus your concept in light of your newly acquired information; a worksheet provided on pages 39–40 will help you with this evaluation.***

Once you have compiled sufficient information and reevaluated your business concept, you can begin to actually write your plan. By following the chapters of this book and completing the Plan Preparation Forms, you can shape your plan into a compelling document.

Developing a business plan is much more a business project than a writing assignment. The process itself—not just the document produced—can positively affect the success of your business. During the everyday operation of your business, you seldom have time to think through the kinds of issues you'll examine while putting together your business plan; the planning process gives you a rare opportunity to enhance your knowledge of how your company, market, and industry work.

Gathering Information

Knowledge is power. With accurate information at your fingertips, you make better business decisions as well as a more persuasive presentation of your plan when meeting with a banker, potential investor, or divisional president. Savvy investors use a business plan not merely to learn about a new business concept but as a means to judge whether an entrepreneur has the knowledge and exercises the **due diligence** necessary to run a business. So take time to do your homework. Sufficient research prevents you from placing inaccurate information in your plan—a mistake that can keep you from getting funded—and enables you to make informed decisions.

If you're new to an industry or to business management, allow yourself more time on your research efforts and start with general background information. Use the research project as an opportunity to educate yourself on the key issues of your industry, not merely as a way to find the specific details you need for your particular company.

To begin your information-gathering efforts, start by checking the resources listed later in this chapter and in the References & Resources chapters at the back of the book. First, seek general information about each of the areas you've identified in your Basic Business Concept worksheet from Chapter 1. As you progress, focus your research on more-specific issues, compiling the details necessary to make operational and financial decisions. Chapters 4 through 17 outline the data you need to complete each section of your business plan, and in some cases include suggestions of possible sources of such information.

How Much Information Is Enough?

It is relatively easy to get a great deal of information online; it is likewise easy to feel overwhelmed with so much of it. Conversely, you will also feel frustrated because some critical data is proprietary and unavailable. The difficult challenge is determining which information is important and how much information is enough to put in your plan, especially if you are seeking funding.

Don't try to be exhaustive in your research efforts; it's not necessary or possible. You are merely looking for information that will answer the key questions about your business. At the same time, your research must be thorough enough to give you, and those reading your plan, confidence that the answers are accurate and from reliable sources.

For example, if you are manufacturing dolls, you might identify your target market as girls between the ages of 4 and 10. One of the questions you need to address in your plan is, "How large is the market?" For this, you may have to consult only one source, the U.S. Census Bureau, to find a reliable answer. However, other questions that arise, such as, "What are the trends in doll-buying habits?" may require consulting three or four industry sources or undertaking your own market research to compile information you can trust.

Success ^{key} terms

Business Model Canvas

A tool for describing some elements of a new business in a one-page, visual format. It was originally created by Swiss management consultant Alexander Osterwalder.

Distributor

Company or individual that arranges for the sale of products from manufacturer to retail outlets; the proverbial "middleman."

Due Diligence

The process undertaken by venture capitalists, investment bankers, or others to thoroughly investigate a company before financing; required by law before offering securities for sale.

Milestone

A particular business achievement by which a company can be judged.

Profit Margin

The amount of money earned after the cost of goods (gross profit margin) or all operating expenses (net profit margin) are deducted; usually expressed in percentage terms.

Proprietary Technology or Information

Technology or information belonging to a company; private information not to be disseminated to others.

Receipts

Funds coming in to the company; the actual money paid to the company for its products or services; not necessarily the same as a company's real revenues.



A lot of entrepreneurs don't pay attention to the financial side of the house, and that's where we see a lot of them fail. They relegate finance and accounting to the back seat."

Damon Doe
Managing Partner
Montage Capital

Start Your Research by Asking Questions

Start your research by making a general statement that is the basis of your business (or a portion of your business). For example, if you are planning to open a sporting goods store in Chandler, Arizona, your statement might be: "There is a substantial need for a sporting goods store to serve the city of Chandler."

Next, make a list of questions that logically follow from and challenge that statement. Here are some questions you might then ask:

- How many sporting goods stores now serve the area?
- How profitable are the current sporting goods stores in the area?
- Are residents generally satisfied with the current sporting goods stores?
- Is there more business than current sporting goods stores can handle?
- What are the trends in the sporting goods industry nationally?
- What are the demographic trends in Chandler?
- How do Chandler demographics relate to national sporting goods trends and statistics?

As another example, your statement might be: "There is a profitable way to provide psychological counseling online." The questions following from and challenging that statement could include:

- What companies are already providing such a service?
- What is the size of the market for psychological counseling now?
- What indications are there that consumers would be willing to get counseling online?
- What portion of the existing psychological counseling market is it reasonable to expect would transfer to online counseling?
- How many consumers who do not currently get counseling could reasonably be expected to be attracted to online counseling?
- What are the key technology issues necessary to conduct such counseling, securely, online?
- What laws or regulations would affect the ability to offer such services?

After formulating your list of questions, look for answers. You will find some of your answers by searching government and trade associations' websites. Others you'll find by consulting reference material through a library or business development center or by contacting industry associations or hiring paid research services. To get some answers, you will have to conduct your own market research by talking to potential customers, meeting with other business owners, or observing foot traffic at similar or nearby establishments.

As you start the business plan process, use the Research Questions worksheet on page 21 to record the general questions you have at this point and the issues you will investigate. Look not only for specific current details but also for trends and patterns.





Research Questions

List the questions you will examine in each area of your business, using the categories below as guidelines.

Industry/Sector: _____

Products/Services: _____

Target Market: _____

Competition: _____

Marketing and Sales Strategy: _____

Operations/Technology: _____

Long-Term Considerations: _____



The first thing I did when I got serious about starting a business was delete the solitaire program on my computer. I had to get to work.”

Seth Goldman
Cofounder, Honest Tea

How much information you gather will be, to a large extent, a result of your resources, of both time and money. If you are working on a business plan for a one-person business while holding down a full-time job, you don't need to compile the same amount of information appropriate for a large corporation with a market research budget and staff.

Staying on Top of Your Material

During the course of your planning process, you will accumulate a great deal of information and many documents. Set up a way to organize the material you gather, such as your notes, ideas, and contact information, right as you begin.

Make individual files, either on your computer or in paper files, of the different topic areas corresponding to the chapters of this book. Add information to the files as you go along. Otherwise, you may find yourself unable to locate specific details you need when you are actually preparing your written document. As you gather data, write down the source and date of information; otherwise you may later find yourself with data and no way to verify or attribute it.

The planning process also enables you to meet many people who can be very helpful to you later, when you run your business. It is likely that you will interview potential customers, suppliers, competitors, and strategic partners, as well as other industry sources. Keep a file of all these contacts as you do your research, so you easily know how to reach them.

Sources of Information

If this is your first time conducting business research, you may be surprised at just how much information exists. Mountains of statistics and bookshelves of studies are available concerning virtually every endeavor and activity of American life. Without difficulty, you can find data revealing the average purchase in a fast-food restaurant, how many laptops and tablets were sold last year, and the likely number of new housing units that will be built in your community in the coming year.

You can locate most of the general information you require from government sources, business publications, and trade associations. To find more specific information relative to your particular business or industry, you may have to undertake some market research. In a limited number of cases, when you either lack the time to do the research yourself or are involved in a new industry or one in which data is mostly proprietary, you may have to utilize paid sources of information.

Sources of general information are listed in this chapter and in the References & Resources chapters at the end of the book. Sources of more particular information relating to costs, equipment, or other specific areas of your business are listed in the appropriate chapters of this book.

Keep in mind that contact information, particularly website addresses, changes frequently.

SECTION IV

References & Resources

✓	Outline of a Business Plan	399
✓	Business Terms Glossary	403
✓	Funding Sources	407
✓	Research Sources	411
✓	Entrepreneurs' Sources	415
✓	Index	419

Outline of a Business Plan

I. Executive Summary

II. Company Description

- A. Company Name
- B. Mission Statement/Objectives
- C. Form of Business
- D. Trademarks, Copyrights, and Other Legal Issues
- E. Products or Services
- F. Management/Leadership
- G. Location and Geographical Information
- H. Development Stage
- I. Milestones Achieved to Date
- J. Specialty Business Information
- K. Financial Status

III. Industry Analysis & Trends

- A. Size and Growth Rate of Industry
- B. Industry Maturity
- C. Sensitivity to Economic Cycles
- D. Seasonal Factors
- E. Technological Factors
- F. Regulation/Certification
- G. Supply and Distribution
- H. Financial Characteristics
- I. Anticipated Changes and Trends in Industry
- J. Global Industry Concerns

IV. The Target Market

- A. Demographics/Geographics
- B. Lifestyle and Psychographics
- C. Purchasing Patterns
- D. Buying Sensitivities
- E. Market Size and Trends

Every business plan varies. You may not necessarily have these same components in the following order in your plan. Use this outline as a guide.

V. The Competition

- A. Competitive Position
- B. Market Share Distribution
- C. Global Competition
- D. Future Competition
- E. Barriers to Entry

VI. Strategic Position & Risk Assessment

- A. Industry Trends
- B. Target Market
- C. Competitive Environment
- D. Company Strengths
- E. Risks Assessment
- F. Definition of Strategic Position

VII. Marketing Plan & Sales Strategy

- A. Company's Message
- B. Marketing Strategy
- C. Marketing Tactics
- D. Strategic Partnerships
- E. Online Marketing Tactics
- F. Sales Force and Structure

VIII. Operations

- A. Plant and Facilities
- B. Manufacturing/Production Plan
- C. Labor Requirements
- D. Capacity Utilization
- E. Quality Control
- F. Equipment and Furniture
- G. Inventory Management
- H. Supply and Distribution
- I. Order Fulfillment and Customer Service
- J. Research and Development
- K. Financial Control
- L. Contingency Planning
- M. Other Operational Concerns

IX. Technology Plan

- A. Technology Goals and Position
- B. Internet Goals and Plan
- C. Software Needs
- D. Hardware Needs
- E. Telecommunications Needs
- F. Technology Personnel Needs

X. Management & Organization

- A. Key Employees/Principals
- B. Compensation and Incentives
- C. Board of Directors/Advisory Committee
- D. Consultants/Specialists
- E. Management to Be Added
- F. Organizational Chart
- G. Management Style/Corporate Culture

XI. Social Responsibility & Sustainability

- A. Social Responsibility Goals
- B. Company Policy
- C. Social Responsibility Certifications
- D. Community Involvement
- E. Sustainability

XII. Development, Milestones & Exit Plan

- A. Long-Term Company Goals
- B. Growth Strategy
- C. Milestones
- D. Risk Evaluation
- E. Exit Plan

XIII. The Financials

- A. Income Statements
- B. Cash Flow Projections
- C. Balance Sheet
- D. Sources and Use of Funds
- E. Plan Assumptions
- F. Break-Even Analysis

XIV. Appendix

Business Terms Glossary

Accrual-Basis Accounting. An accounting method whereby income and expenses are entered on the books at the time of contract or agreement rather than at the time of payment or receipt of funds.

Advisory Committee. A nonofficial group of advisors; has no legal authority or obligation.

Angel. A private individual who invests their own money in new enterprises.

Barriers to Entry. Those conditions that make it difficult or impossible for new competitors to enter the market: Two barriers to entry are patents and high start-up costs.

Board of Directors. The members of the governing body of an incorporated company. They have legal responsibility for the company.

Business Model. Describes what a company does and the structure it puts into place to make money. Examples of business models include designing and manufacturing a product that is sold to other businesses (B2B); or providing access to a software application online and selling it on a subscription basis.

Business Model Canvas. A tool for describing some elements of a new business in a one-page, visual format. It was originally created by Swiss management consultant Alexander Osterwalder.

Capacity. The amount of goods or work that can be produced by a company, given its level of equipment, labor, and facilities.

Capital. The funds necessary to establish or operate a business.

Cash-Basis Accounting. An accounting method whereby income and expenses are entered on the books at the time of actual payment or receipt of funds.

Cash Flow. The movement of money into and out of a company; actual income received and actual payments made out.

Cloud Computing. A way of delivering computing power and applications over the Internet as a service rather than a product that the end-user purchases and maintains in-house. Software, memory, and storage space are all shared

and provided to computers and devices as a utility (much like the way electricity is provided).

Collateral. Assets pledged in return for loans.

Conventional Financing. Financing from established lenders, such as banks, rather than from investors; debt financing.

Convertible Debt. Loans made to a company that can be repaid with stock ownership (or a combination of stock and cash), usually at the lender's option.

Copyright. Legal rights covering any type of work that is “fixed” and “tangible” and granting protection from others who would copy, imitate, or steal that work.

Corporate Venture Capital. Venture capital funds established by corporations.

Crowdfunding. A method of raising money from a large number of people (the “crowd”) for a new venture, cause, artistic endeavor, or product. Typically, the funds are raised through online, crowdfunding “platforms.”

dba. “Doing business as...” a company's trade name rather than the name by which it is legally incorporated; a company may be incorporated under the name XYZ Corporation but do business as “The Dew Drop Inn.”

Debt Financing. Raising funds for a business by borrowing, often in the form of bank loans.

Debt Service. Money being paid on a loan; the amount necessary to keep a loan from going into default.

Disbursements. Money paid out.

Distributor. Company or individual who arranges for the sale of products from manufacturer to retail outlets; the proverbial “middleman.”

Downside Risk. The maximum amount that can be lost in an investment.

Due Diligence. The process undertaken by venture capitalists, investment bankers, or others to thoroughly investigate a company before financing; required by law before offering securities for sale.

Ecommerce. Conducting sales and transactions on the Internet.

Elevator Pitch. A concise summary of a company's service, business, or product idea that can be delivered in a very short time.

Equity. Shares of stock in company; ownership interest in a company.

Event. Investors or others may speak of an “event” taking place, usually a time at which value can be liquidated from the company. Commonly, it's a funding round, an acquisition, or an IPO.

Exit Plan. The strategy for leaving an investment and realizing the profits of such investment.

Funding Rounds. The number of times a company goes to the investment community to seek financing; each funding round is used to reach new stages of company development.

Go Public. To issue an initial public offering (see below).

Initial Public Offering (IPO). The first time the company's stock is sold to the general public (other than by a limited offering) through stock market or over-the-counter sales.

Key Ratio. A simple calculation that assesses the performance of a certain aspect of a company. Key ratios include liquidity ratios, profitability ratios, and debt ratios.

Leasehold Improvements. The changes made to a rented store, office, or plant, to suit the tenant and make the location more appropriate for the conduct of the tenant's business.

Letter of Intent. A letter or other document by a customer indicating the customer's intention to buy from a company.

Licensing. The granting of permission by one company to another to use its products, trademark, or name in a limited, particular manner.

Liquidity. The ability to turn assets into cash quickly and easily; widely traded stocks are usually a liquid asset.

Market Share. The percentage of the total available customer base captured by a company.

Milestone. A particular business achievement by which a company can be judged.

Mind Share. A relative sense of the awareness level a company has achieved in its target market versus the recognition and awareness of its competition.

Minimal Viable Product. A product that has been created quickly in order to get it to market as soon as possible. Over time, and based on the experience of actual customers, the product is improved on and refined.

Net Worth. The total ownership interest in a company, represented by the excess of the total amount of assets minus the total amount of liabilities.

Offshoring. Using outside vendors located in another country or transferring your own company's operations to another country, usually to reduce costs. Offshoring also includes setting up an independent subsidiary in another country to both lower costs and reduce taxes.

Options. The right to buy stock in a company at a later date, usually at a pre-set price; if the stock rises higher than the original price, an option holder is likely to exercise these options.

Outsourcing. To have certain tasks, jobs, manufacturing, and so on, produced by another company on a contract basis rather than having the work done by one's own company "in-house."

Partnership. A legal relationship of two or more individuals to run a company.

Patent. A government-issued protection of an invention, protecting the inventor for an extended period from letting others copy or sell imitations of the invention.

Profit Margin. The amount of money earned after the cost of goods (gross profit margin) or all operating expenses (net profit margin) are deducted; usually expressed in percentage terms.

Proprietary Technology or Information. Technology or information belonging to a company; private information not to be disseminated to others.

Receipts. Funds coming in to the company; the actual money paid to the company for its products or services; not necessarily the same as a company's real revenues.

Search Engine Marketing (SEM). The practice of purchasing ads to increase your website's ranking and visibility on relevant search engine results pages—often called paid search.

Search Engine Optimization (SEO). Optimizing your website by planning content and design that leads to high rankings on search engine results pages when a user searches for relevant keywords.

Social Media. Content created by individuals and disseminated online through networking sites such as blogs, YouTube, and Facebook. Used for awareness, marketing, and customer communication and retention.

Social Ventures. Companies whose primary mission is to address a social problem, using entrepreneurial approaches, while still earning a profit.

Sole Proprietorship. Company owned and managed by one person.

Strategic Partnership. An agreement with another company to undertake business endeavors together or on each other's behalf; can be for financing, sales, marketing, distribution, or other activities.

Strategic Position. A company's distinct identity that separates it from the competition and helps it focus on its activities.

Trademark (or Service Mark). A word, phrase, symbol, or design (or a combination of these) that identifies and distinguishes the maker of a product (or service) from makers of other, similar, products (or services).

Venture Capitalist. Individual or firm that invests money in new enterprises; typically this is money invested in the venture capital firm by others, particularly institutional investors.

Working Capital. The cash available to the company for the ongoing operations of the business.

Funding Sources

Angels, Venture Capitalists, and Lenders

Angel Capital Association

www.angelcapitalassociation.org

Directory of groups of angel investors throughout the United States and Canada.

The Angels' Forum LLC

www.angelsforum.com

A group of angels that invests, mentors, and advises start-ups in Silicon Valley. Works with early-stage companies from the seed stage through to the exit stage.

British Venture Capital Association

www.bvca.co.uk

The BVCA represents the vast majority of private venture-capital firms in the United Kingdom.

Dow Jones Financial Information Services

www.dowjones.com/privateequityventurecapital

Dow Jones Financial Information Services provides news on Venture Capital, both in the U.S. and abroad.

European Private Equity and Venture Capital Association

www.evca.eu

The EVCA represents over 950 venture capital firms in Europe.

Investors' Circle

www.investorscircle.net

A network of investors making private investments to socially responsible companies. It circulates proposals (for a fee) to its members.

Mid-Atlantic Venture Association

www.mava.org

MAVA represents private equity and venture capital firms with investment interests in the Mid-Atlantic region and beyond.

The National Association of Government Guaranteed Lenders

www.naggl.org

NAGGL is the association of banks and lending institutions that are active in offering SBA loans.

National Venture Capital Association

www.nvca.org

The NVCA represents the venture capital industry in the U.S. A list of member venture-capital firms is available from the site.

Small Business Investor Alliance

www.sbia.org

Small Business Investment Companies (SBICs) invest in small businesses. A list of member companies is available from the site.

State or City Offices of Business or Economic Development

Many states and cities maintain offices to encourage business expansion and increased employment opportunities. Generally, these offices only offer advice and perhaps some lists of resources. However, in certain cases, actual loans or grants may be available, particularly for job creation in economically stressed areas.

U.S. Small Business Administration (SBA)

www.sba.gov

The SBA maintains lists of banks and other lending institutions most active in making loans to small businesses in each geographical area. It also provides a loan guarantee program (not actual loans) to existing businesses, and direct loans limited to special categories such as Vietnam-era veterans and the disabled.

Western Association of Venture Capitalists

www.wavc.net

This association of more than 140 members represents virtually all of the professionally managed venture capital firms in the western United States.

Westlake Securities

www.westlakesecurities.com

Westlake Securities provides a full range of investment banking and financial advisory services to emerging growth and established privately held and publicly traded companies.

Publications

Galante's Venture Capital and Private Equity Directory

published by Alternative Investor

This directory lists over 2,000 American and international venture-capital and angel investors. It is very expensive to purchase, so check for availability at a good library.

Pratt's Guide to Private Equity and Venture Capital Sources

published by Thomson Financial/Venture Economics

www.prattsguide.com

This long-standing annual directory lists more than 20,000 venture capital sources around the world. It lists contact information, recent investments, and capital under management, and is cross-referenced by investment preferences, investment stage, and other key information. It is very expensive to purchase—either in print or through online access—so check for availability at a good library.

The Red Herring

www.redherring.com

Website that tracks venture investing. Good insight and background on the venture capital community and recent deals.

Business Plan Competitions

MIT Entrepreneurship Competition

www.mit100k.org

Since 1989, MIT has awarded cash prizes to student teams of entrepreneurs competing in its annual business plan competition. Many of the participants go on to build extremely successful companies.

New York Times Business Plan Competition Guide

www.nytimes.com/interactive/2009/11/11/business/smallbusiness/competitions-table.html

The *New York Times* regularly updates this comprehensive list of business plan competitions, including information on prizes and deadlines.

Stanford University

<http://bases.stanford.edu>

Stanford conducts both an entrepreneur's business plan competition and a social entrepreneur's business plan competition for socially conscious for-profit and not-for-profit companies.

Research Sources

U.S. and Canadian Government Resources

Government Printing Office

www.gpo.gov

Information from the U.S. Government on federal laws, governmental departments, and the like.

Publications.USA.gov

<http://publications.usa.gov>

Search for “Small Business” in the list of categories for publications on topics such as trademark, copyright, health care, and federal programs for the Americans with Disabilities Act.

Canadian Census

<http://www12.statcan.gc.ca>

The entry page for the Canadian Census, which is conducted every five years.

General Business & Industry Resources

American Management Association

www.amanet.org

Offers reports and studies on general business and industry-specific issues, including best practices in selected industries.

Columbia Books *National Trade and Professional Associations of the United States*

Lists over 7,800 professional and trade organizations in the United States. Available in most major libraries.

Kantar Media SRDS

www.srds.com

Reliable source of information on all publications and media outlets, including business publications, consumer magazines, online advertising, direct marketing lists, radio, cable, and television.

These research sources supplement those listed in Chapter 2, on pages 23–32.

ProQuest Dialog**www.dialog.com**

Paid database and research service. Used extensively in business.

Redbooks**www.redbooks.com**

This directory contains detailed profiles of over 10,000 U.S. and 15,000 international advertising agencies, including accounts and brand names represented, fields of specialization, gross billings, and contact information on agency personnel.

Risk Management Association**www.rmahq.org**

This association that serves the banking industry produces the most relied-on study of financial performance and ratios of over 600 industries. Its Annual Studies are available online on a per-industry basis for a small fee.

Human Resources

Advanced HR**www.advanced-hr.com**

Provides salaries and stock options for pre-IPO companies. Fee based. But offers free limited access for start-ups.

Manufacturing

American Society for Quality**www.asq.org**

A global organization that provides information on quality standards. It also trains and certifies professionals in the quality field.

ISO 9001 International Quality Standards**www.easy9001.com**

Provides companies with solutions for implementing ISO 9001 standards.

National Association of Manufacturers (NAM)**www.nam.org**

The largest manufacturing association in the United States.

Marketing

Advertising Age**www.adage.com**

Provides information, data, and research on the advertising industry.

American Marketing Association

www.marketingpower.com

Worldwide marketing association with over 30,000 members.

Social Responsibility Resources

BSR

www.bsr.org

A global association of member companies interested in implementing responsible corporate policies and practices. BSR provides information on corporate leadership practices, conducts research and education workshops, develops practical business tools, and provides consulting services and technical assistance to its member companies.

Computer Professionals for Corporate Responsibility

www.cpsr.org

Promotes the responsible use of information and communications technology.

Social Venture Network (SVN)

www.svn.org

www.svneurope.com — Social Venture Europe

A membership organization of successful business and social entrepreneurs dedicated to changing the way the world does business. Provides opportunities for them to exchange ideas, share problems and solutions, and collaborate on an ad hoc basis with their peers.

Social Venture Partners

www.svpi.org

An organization uniting and encouraging the establishment of local social-venture partner organizations (SVPs) in the U.S. and internationally. SVPs enable entrepreneurs and other professionals to use their entrepreneurial skills to assist nonprofit causes.

VolunteerMatch

www.volunteermatch.org

A nonprofit organization dedicated to increasing volunteerism through the Internet.

Entrepreneurs' Sources

PlanningShop

555 Bryant Street, #180
Palo Alto, CA 94301
phone: (650) 364-9120
fax: (650) 364-9125
www.PlanningShop.com

PlanningShop, the publisher of this book, is the central resource for business planning information and advice. At the site, you can find a downloadable template of Excel spreadsheets to match the financial worksheets in this book.

Other Resources

America's SBDC

www.asbdc-us.org

Over 1,000 Small Business Development Centers exist around the United States, many located at community colleges. SBDCs are a partnership of private enterprise, the government, higher education, and industry. SBDCs offer individual counseling and assistance, seminars, technical help, libraries, and the like. Services are generally free. An outstanding, often overlooked, source of information for entrepreneurs.

Better Business Bureaus/Better Business Bureau Online

www.bbb.org
www.bbb.org/online

A long-respected organization of businesses that agree to adhere to certain standards. BBBOnline offers a certification program for Internet sites to increase users' confidence in sites' reliability or privacy policies.

Edward Lowe Foundation

www.edwardlowe.org

A nonprofit organization dedicated to assisting entrepreneurs. Extensive website of resources and articles.

Entrepreneurship.org**www.entrepreneurship.org**

Run by the Kauffman Foundation, a nonprofit organization dedicated to assisting entrepreneurs. Extensive website of resources.

FWE — Forum for Women Entrepreneurs**www.fwe.ca**

Founded in 1993, the Forum for Women Entrepreneurs (FWE) serves entrepreneurial women who are building or leading high-growth technology and life science companies. Started and headquartered in the San Francisco Bay Area, FWE has chapters in Seattle, San Diego/Orange County, Los Angeles, and Paris.

Inc. Magazine and Website**www.inc.com**

Leading magazine for growing businesses. Website offers substantial archive of articles on business issues.

Intuit Community**www.community.intuit.com**

Resources and peer-to-peer information sharing on small business topics, created by Intuit, maker of Quickbooks.

NASE — National Association for the Self-Employed**www.nase.org**

Membership organization providing a number of services to self-employed and small businesses, including insurance and discounts.

NAWBO: National Association of Women Business Owners**www.nawbo.org**

Membership group of women-owned businesses, with many local chapters around the country.

SBA — Small Business Administration of the U.S. Government**www.sba.gov**

U.S. government agency dedicated to assisting and advocating for small businesses. Primary responsibility is administering guaranteed loan program. Offers resources or links to resources on various entrepreneurial issues. Maintains offices in larger cities throughout the country. Website is an excellent link to government sources to assist businesses.

SCORE — Service Corps of Retired Executives

www.score.org

Provides retired business owners as counselors for assistance to individual entrepreneurs and conducts workshops on business skills topics.

Startup America

www.s.co

Hundreds of founders, entrepreneurs, investors, mentors, and business executives work together to nurture start-ups throughout the U.S. Members become part of an extensive support network of start-ups, and gain access to valuable deals and resources from partner organizations.

SVForum

www.svforum.org

Long-standing, well-regarded Silicon Valley group of entrepreneurs, primarily, but not exclusively, in high tech. Sponsors or co-sponsors many seminars and programs on general entrepreneurship and start-up issues. Conducts one-on-one meetings with venture capitalists.

Women in Technology International

www.witi.com

An organization devoted to increasing the number of women in executive roles in technology and technology-based companies. More oriented to employees than to entrepreneurs, but still a good source of information and excellent conferences. Regional chapters.

Index

A

- AARP, 114
- Abrams method of flow-through financials, 287, 288–289
- Accountants, consulting with
 - on employee benefits and payroll taxes, 294
 - as essential, 238
 - on financial control systems, 209
 - on financial forms, 293, 312, 394
 - on foreign business operations, 287
 - on initial setup of books, 285
 - on inventory management, 201
 - on potential investors, 350, 351
- Accounts payable, 209, 291, 310
- Accounts receivable, 291, 292, 385
- Accrual-basis accounting, 285, 286, 295, 305, 403
- Accumulated depreciation, 291
- Acquisitions, 35, 267, 276, 278, 404
- Activity ratios, 385, 389
- Advanced HR, 412
- Advertising
 - company integrity and, 255
 - as competitive factor, 126
 - cooperative forms of, 166
 - expenses, listed on income statement, 304
 - marketing as encompassing, 158
 - media advertising, tips on, 164
 - online forms of, 163, 169, 170–172
 - resources for information on, 163, 411–412
 - strategic position vs., 142
 - target market and, 104
- Advertising Age, 412
- Advisory Committee, 69, 75, 236–238, 403
- Almanac of Business and Industrial Financial Ratios*, 384
- Alternative Investor, 409
- American FactFinder, 25
- American Management Association, 411
- American Marketing Association, 413
- American Society for Quality, 412
- America's SBDC, 415
- Angel Capital Association, 407
- Angel investors. *See also* Investors
 - computer slide presentations and, 343
 - defined, 335, 403
 - equity financing and, 350, 365
 - nondisclosure agreements and, 334
 - practices and objectives of, summarized, 351–352, 365
 - researching potential funders, 358
 - resources for locating, 407–409
 - venture capitalists vs., 351
- Angels' Forum, 407
- Angie's List, 168
- Appendix to business plan, 327–330
 - Competitive Analysis worksheets and, 126
 - content options for, 328–330
 - Equipment Schedule and, 191, 195
 - graphics placement and, 49
 - guidelines for, 328
 - length of, 44
 - resumes of key personnel and, 234, 329
- Assets, defined, 291
- Assumption sheets, 291, 313–314, 316–317, 326
- Attorneys, consulting with, 238, 294, 335, 338, 350, 351
- Auction websites, 170, 172, 176, 224

B

- Baidu, 174
- Balance sheets, 287, 291, 309, 310, 312, 324
- Barriers to entry
 - adaptability to change and, 11
 - common barriers, summarized, 132
 - defined, 5, 403
 - ecommerce as lowering, 127
 - future competition and, 130, 133
 - identification of, in competitive analysis, 123
- Benefits, employee, 294, 304
- Better Business Bureau, 415
- Bing, 28
- Blogs, 159, 163, 167, 174
- BMO Capital Markets, 27
- Board of Directors
 - Company Description's summary of, 75
 - company founders and, 231
 - defined, 69, 403
 - investors on, 236, 349, 351
 - management structure and, 236, 238, 243
 - worksheet, 237

Bookkeeping software, 223, 393

Brand names and branding, 68–70, 123, 147–148, 167, 179

Break-even analysis, 291, 314–315

Brigham Young University, 374

British Venture Capital Association, 407

Broadcast media, 163, 164, 411

Brochures, 158, 161, 163, 329

BSR, 413

Bullet points, 47, 57, 114, 132, 341

Bundling, 166

Business concept

- in business plan competitions, 369, 371, 372, 375
- company vision and, 267
- as first step of business plan process, 18
- narrative-style Executive Summaries and, 56
- tips on refining, 4–5
- visual modeling of, 38
- worksheet, 6

Business.gov, 27

Business licenses, 93

Business model, 141, 145–146, 345, 403

Business model canvas, 19, 38, 403

Business plan. *See also specific plan components (Executive Summary, target market, etc.)*

- assistance, sources of, 35–36
- for classes and competitions (*see* Classes and competitions, business plans for)
- computer slide presentations of, 47, 334, 340–341, 343–346
- cover letters, 43, 55, 359, 360–361, 366
- cover sheet, 335, 337
- creative process, summarized, 18
- date of, 337
- disclaimer regarding purpose of, 338
- editing/proofreading of, 335, 339
- feasibility analysis as precursor to, 36–37, 39–40
- illustrations and graphs in, 47–49, 335, 339
- intermediary referrals of, 359–360, 361
- for internal planning purposes (*see* Internal planning, business plans for)
- investors' approach to evaluating, 42–43
- language of, 44–46, 339
- layout/format of, 46–47, 338–339
- length of, 44
- nondisclosure agreements and, 334–335, 336, 338
- numbering copies of, 337–338
- online presentation of, 341
- outline of plan components, 399–401
- page numbering of, 337
- research for (*see* Market research; Research)
- revisions/updates of, 338, 342
- table of contents, 337
- tailoring, for specific recipients, 43, 55, 360–361
- time period covered by, 44
- time-saving tips, 391–395
- uses of, summarized, 334

Business success, 3–16

- adaptability to change and, 10–11
- business concept and, 4–5, 6
- company values and, 11–12
- employees and, 9–10, 230
- financial control and, 10
- Four Cs of personal satisfaction and, 13–14, 16
- globalization and, 12–13
- industry trends and, 7
- knowing your customers and, 104
- management team and, 9, 230
- market evaluation and, 5, 7
- strategic position and, 7–8, 140

Business Week, 29

Buying patterns and sensitivities, 111–112

Buyouts, 278

C

Canada Business, 27

Canadian Census, 411

Canadian Industry Statistics (CIS), 27

Capacity, 191, 195, 197, 403

Capital, defined, 69, 403

Capitalization risk, defined, 149

Cash, defined, 291

Cash-basis accounting, 285, 295, 305, 403

Cash flow projections

- cash flow, defined, 5, 403

- financial control and, 10

- financial forms and, 287

- purpose and preparation of, 305, 310

- Sample Plan, 322–323

- seasonality and, 92

- time frame covered by, 291

- worksheets, 306–308

Cash income projections, 295, 298–299

Census Bureau, U.S., 19, 23, 25–27, 113

Center for Association Leadership, 32

Certifications, business, 93–94, 258–259

Chambers of Commerce, 31, 34, 113

Chowhound, 167

CircleUp, 356

Classes and competitions, business plans for, 367–378

- assigning tasks, 372–373, 377

- choosing business projects, 371–372

- choosing team members, 370

- classes, special considerations for, 374

- competitions, special considerations for, 374–375

- group decision-making, 370–371

- online resources for competitions, 409

- preparing/presenting the plan, 373–374

- real-world business plans vs., 368–369

- team process checklist, 376

Cloud computing

- advantages of, 223

- business plans put online, 341

- defined, 221, 403–404

- freemium business model and, 146
 - lean start-up method and, 147
 - technology plan and, 221–222
 - Cold-calling, 178
 - Columbia Books, 411
 - Community involvement, 126, 254–256
 - Company Description, 67–84
 - development stage and, 75, 79
 - financial status and, 79
 - legal issues and, 71, 74, 76–78
 - locations of business and, 75
 - Mission Statement, 8, 45, 68, 70–71, 72–73
 - names of business and, 68–70
 - Plan Preparation Form, 80–81
 - products/services and, 74–75
 - purpose of, 68
 - Sample Plan, 82–83
 - tips on preparing this section of plan, 84
 - Compensation, 176, 234–236, 305, 310
 - Competition, 121–138. *See also* Strategic position
 - adapting to changes in, 11
 - competitive analysis, tips on, 122–123
 - competitive risk, defined, 149
 - computer slide summary of, 344
 - customer perception factors and, 123–124, 126, 143
 - dangers of underestimating, 122
 - financial reports on, 29
 - first-mover advantage and, 127
 - in future, 130, 133
 - globalization and, 12, 90, 128–129, 145
 - installed user base and, 127
 - internal operational factors and, 123, 125, 126–127
 - market information provided by, 34–35, 122
 - market share distribution and, 129–130, 131
 - Plan Preparation Form, 134
 - Sample Plan, 135–138
 - tips on preparing this section of plan, 132
 - Competitions, business plan. *See* Classes and competitions, business plans for
 - Computer Professionals for Corporate Responsibility, 413
 - Concept papers, 54
 - Confidentiality agreements, 334–335, 336, 338
 - Consultants, hiring of, 36, 220, 236–238, 304, 394
 - Contingency planning, 209
 - Contracts, inclusion of, 329
 - Convertible debt, 285, 313, 404
 - Copyrights, 69, 71, 145, 147, 404
 - Corporate culture, 8, 70, 241, 245, 254. *See also* Values, company
 - Corporate venture capital (CVC), 349, 352, 404
 - Cost of goods, defined, 292
 - Cost of sales, defined, 292
 - County Business Patterns, 25
 - Cover letters, 43, 55, 359, 360–361, 366
 - Cover sheets, 335, 337
 - Craigslist, 170
 - Creativity, as business goal, 14
 - Credit card financing, 349, 364
 - Crowdfunding, 349, 354–357, 404
 - CrowdsUnite, 357
 - Currencies, foreign, 172, 205, 286, 292
 - Current assets, defined, 292
 - Current Industrial Reports, 26
 - Current liabilities, defined, 292
 - Customer relationship management (CRM), 223
 - Customers. *See also* Target markets
 - company values and, 11–12
 - corporate social responsibility and, 126, 255, 258, 259
 - crowdfunding and, 355, 356
 - demographics of, 105–106, 107
 - elevator pitch and, 363
 - as financing source, 354, 356
 - Five Fs of customer wants, 159–161
 - inertia and, 129
 - key customer analysis, 386, 390
 - loyalty of, 90, 126, 143, 245
 - marketing, customer-based, 164
 - online reviews by, 168
 - perception factors of, 123–124, 126, 143
 - purchasing patterns and sensitivities of, 111–112
 - surveys of, 34
 - Customer service
 - as customer perception factor, 143
 - ecommerce and, 93
 - globalization and, 246
 - order fulfillment and, 200, 203, 204
 - staffing budget and, 294
 - technical support services, 205
- ## D
- Daily deal websites, 168
 - Data storage and management, 32–33, 209, 221–223, 393
 - DBA (doing business as), 68–69, 404
 - Debt, defined, 292
 - Debt financing, 285, 313, 348–349, 364, 404
 - Debt ratios, 385, 389
 - Debt service, 285, 292, 404
 - Demographics
 - adapting to changes in, 11, 114
 - declining industries and, 90
 - labor trends, 9–10
 - resources for demographic data, 23–28, 29, 113
 - strategic position and, 144
 - of target market, 105–106, 107
 - Depreciation, 291, 292, 304, 305, 312
 - Development, company, 265–282. *See also* Growth, company
 - cover letter and, 361
 - “events” in, 267, 276, 404
 - exit plan and, 275–277, 278
 - future milestones, 272, 273
 - globalization and, 270, 274, 275
 - goals and vision of company, 266–268
 - milestones achieved to date, 75, 79, 271, 273

Development, company (cont.)
 Plan Preparation Form, 279
 priorities, establishment of, 269–270
 Sample Plan, 280–282
 stages of, summarized, 79
 strategies for, summarized, 270
 tips on preparing this section of plan, 277
 venture capitalists and, 351, 352

Direct mail, 164

Disabled persons, loans for, 353, 408

Disclaimers to business plan, 338

Discounts and coupons, 164, 166, 168

Distribution

agreements, 71, 166
 capacity, 191
 channels/methods, as competitive factor, 4–5, 123, 127, 145
 distributor, defined, 19, 404
 as economic sector, 86
 industry distribution channels, 94–95
 intermediary distributors as target market, 104
 market information provided by distributors, 34–35
 selecting distributors, 200, 202
 ThomasNet's listing of distributors, 191

Domain names, 68–69

Dow Jones Financial Information Services, 407

Downside risk, 266, 267, 404

Due diligence, 19, 404

Dun & Bradstreet, 29, 384

E

EBay, 170, 176, 256

Ecommerce

barriers to entry and, 127
 defined, 159, 404
 freemium business model, 146
 globalization and, 12, 106, 205
 lean start-up method and, 147
 sales channels as disrupted by, 93, 145
 sales strategy as encompassing, 158, 176

Economic Census, 25

Economic cycles, sensitivity to, 89–90, 91

Economic sectors, 86–87

Economies of scale, 127

Economist magazine, 29

EDGAR database, 26

Edison, Thomas, 4

Edward Lowe Foundation, 415

80-20 rule, 386

Elevator pitch

in business plan competitions, 374
 computer slide summary of, 343
 defined, 349, 404
 to potential funders, 361, 363, 395
 worksheet, 362

Email newsletters, 161, 164, 169–170

Emergencies, 209

Employees. *See also* Management and organization

benefits for, 294, 304
 compensation of, 176, 234–236
 customer service and, 203
 financial control and, 209
 morale/motivation of, 9–10, 127, 234, 243, 245, 259
 nondisclosure agreements and, 334
 production process and, 194
 sales force structure, 174–176
 social responsibility and, 254–256, 258, 259
 staffing budget, 293–295, 296–297
 work schedule, 330

Endorsements, 45, 329

Energy Star certification, 259

Entrepreneurial resources, listed, 415–417

Entrepreneurship.org, 416

Environmental responsibility

business success and, 13
 customer perceptions and, 109, 126
 globalization and, 259
 good corporate citizenship and, 255
 LEED certification, 258
 as operational issue, 209
 social ventures dedicated to, 257–258
 Triple Bottom Line and, 257

Epinions.com, 168

Equipment, 198–199, 292, 310

Equity, defined, 231, 236, 292, 404

Equity crowdfunding, 354, 356

Equity financing, 312, 349–350, 365

Ethics, 256, 259

European Private Equity and Venture Capital Association, 407

Exchange rates, 286, 292

Execution risk, defined, 149

Executive Summary, 53–66

importance of, within business plan, 42, 54
 key personnel and, 234
 length and design of, 57
 milestone list and, 273
 Plan Preparation Form, 58–61
 purpose of, 54–55
 Sample Plans, 62–66
 synopsis vs. narrative style of, 55–56
 tailoring, for specific recipients, 43, 55, 360

Exit plan

defined, 43, 404
 importance of, within business plan, 42
 investors' financial returns and, 275–276
 options, overview of, 276–277, 278
 time period of business plans and, 44

Expenses/costs, fixed, 194, 292, 314–315

Export.gov, 28

F

Facebook, 159, 167
 Facilities, 191–194, 292, 310, 330
 Fair Trade certification, 258
 Family company hand downs, 278
 Family financing, 353, 364, 365
 Feasibility analysis, 36–37, 39–40
 FedStats, 26
 Financials, 283–326
 Abrams method of flow-through financials, 287, 288–289
 accounting, cash- vs. accrual-basis, 285–286
 assumption sheets, 291, 313–314, 316–317, 326
 balance sheets, 287, 291, 309, 310, 312, 324
 break-even analysis, 291, 314–315
 cash flow projections (*see* Cash flow projections)
 cash income projections, 295, 298–299
 Company Description's summary of, 79
 computer slide summary of, 346
 developing sensible approach to, 284–285
 financial control systems, 10, 207, 209, 210
 financial forms, guidelines for preparing, 293
 financial forms, most important, 287, 394–395
 financial symbols, 293
 financial terms, general, 291–293
 globalization and, 286–287, 290
 importance of, within business plan, 42
 income statements, 287, 291, 295, 300–305, 319–321
 incorporating data into text of business plan, 46
 Marketing Budget worksheet and, 179
 Operations worksheets and, 191
 Sample Plan, 319–326
 Sources and Use of Funds statements, 291, 311, 312–313, 325
 staffing budget, 293–295, 296–297
 time frame covered by, 291
 Financing, 347–366. *See also* Investors
 Appendix and, 330
 barriers to entry and, 130
 cash flow projections and, 305
 company development/growth and, 13, 14, 266, 273, 348
 conventional financing, defined, 221, 349, 404
 cover letters and, 43, 55, 359, 360–361, 366
 debt financing, 285, 313, 348–349, 364, 404
 elevator pitch to potential funders, 361, 363, 395
 equity financing, 312, 349–350, 365
 first-mover advantage and, 146
 funding rounds, defined, 285, 312, 405
 funding sources, overview of, 350–357, 364–365
 funding sources, resources for locating, 407–409
 goals, stated in business plan, 55, 79, 346, 361
 intermediary referrals to funders, 359–360, 361
 interviews with potential funders, 359
 management plan and, 42, 230, 234, 246
 market-driven companies and, 104

researching potential funders, 357–358
 sales strategy and, 174, 176
 tailoring business plans for specific funders, 43, 55, 360–361
 technology plan and, 190, 221
 First-mover advantage, 127, 146–147
 Fixed assets, defined, 292
 Fixed Asset Utilization ratio, 385, 389
 Fixed costs/expenses, 194, 292, 314–315
 Focus groups, 34
Forbes, 29
 Forrester Research, 29
 Forum for Women Entrepreneurs (FWE), 416
 Franchising, as exit plan option, 278
 Freemium business model, 146
 Funding. *See* Financing

G

Galante's Venture Capital and Private Equity Directory, 409
 Gale publications, 30, 31, 32, 163
 Gartner Group, 30
 Geographic areas served
 business success and, 5
 Company Description's summary of, 75
 niche products and, 12
 resources for geographic data, 25, 113
 strategic position and, 144
 target market, geographic description of, 106, 108
 Globalization
 competition from international companies, 12, 90, 128–129, 145
 as development strategy, 270, 274, 275
 financial considerations of, 179, 286–287, 290
 industry concerns, global, 95, 96
 legal issues of, 13, 74, 78
 management located abroad, 245–246, 247
 marketing globally, 172–174
 offshoring, 191, 205, 207, 405
 operational issues, global, 203, 205–207
 quality standards and, 195
 research sources on, 27–28
 risk assessment of, 149, 152
 sales operations, global, 178–179, 181
 social responsibility and, 13, 259, 260
 targeting international customers, 12, 106, 108, 115, 144, 172
 technology concerns, global, 224, 225
 Goals and vision, company, 266–268
 Google, 28, 31
 Government data sources, listed, 23–28, 411
 Government Printing Office, U.S., 411
 Government regulations. *See* Regulations
 Graphic designers, 36, 238, 335
 Graphs and charts, 47–49, 335, 339
 Gross domestic product (GDP), 87
 Gross profit, defined, 292
 Groupon, 168

Growth, company. *See also* Development, company
 bank financing and, 349
 facilities and, 191
 industry growth vs., 87–88, 90
 personal control vs., 13, 14, 348
 social activities and, 256
 technology systems and, 220

H

Habitat for Humanity, 256
 Hand downs, family, 278
 History, company, 32–33, 44, 56, 273. *See also* Milestones, company
 Hoover's Online, 29
 Humane certified animal products, 259
 Human resources, 28, 205, 231, 412. *See also* Employees

I

Illustrations, 47–49, 335, 339
 Inc. magazine/website, 416
 Income, personal, 14, 305, 310
 Income statements, 287, 291, 295, 300–305, 319–321
 Incorporation, 71, 236, 254, 349
 IndieGoGo, 356
 Industry analysis and trends, 85–101
 business success as tied to industry health, 7
 economic cycles, sensitivity to, 89–90, 91
 economic sectors and, 86–87
 financial patterns and, 95, 98
 global industry concerns, 95, 96
 industry, defined, 86
 maturity of industries, 88–89, 90
 online resources for, 23–30, 411–412
 Plan Preparation Form, 99
 Sample Plan, 100–101
 seasonality and, 92
 size and growth rate of industries, 87–88
 software, industry-specific, 220–221
 staffing levels of industries, 294
 supply/distribution channels and, 94–95
 technological changes, industry-wide, 11, 93
 Industry associations. *See* Trade associations
 Industry Canada, 27
 InfoTrac, 30
 Initial public offering (IPO), 255, 256, 267, 276, 404, 405
 Installed user base, 127, 146
 Insurance, 209, 304, 416
 Intangible assets, 71, 292–293, 304
 Integrity, company, 11–12, 254, 255
 Intellectual property (IP), 13, 71, 74, 147, 172, 334–335.
 See also Proprietary technology or information
 Internal planning, business plans for, 379–390
 Appendix and, 328
 break-even analysis and, 291, 315
 company development and, 267, 275, 277, 334
 Competitive Analysis worksheets and, 126

for evaluational purposes, 380–381
 Executive Summary and, 54
 for goal-setting purposes, 381
 industry analysis and, 86, 95
 key customer analysis and, 386, 390
 in large corporations, 382–383
 management structure/style and, 243, 246
 marketing message and, 161
 Mission Statement and, 70
 operations assessment and, 190, 382
 periodic reviews of, 386–387
 for problem-solving purposes, 382
 ratio analysis and, 383–385, 388–389
 sales force structure and, 174
 Internal Revenue Service, 26
 International commerce. *See* Globalization
 International Data Base (IDB), 28
 International Organization for Standardization (ISO), 195, 412
 Internet. *See* Cloud computing; Ecommerce; Online resources; Social media; Websites, company
 Internet Public Library, 32
 Interviews, informational, 33, 359
 Intuit, 416
 Inventory control, 199–200, 201
 Inventory Turnover ratio, 385, 389
 Investors. *See also* Financing
 on Board of Directors, 236, 349, 351
 business plan competitions and, 375
 business plan's significance to, 19, 42–43, 394
 company development/growth and, 14, 266, 273, 277
 competition and, 122
 computer slide presentations and, 340, 343, 346
 concept papers and, 54
 corporate investors, 352
 downside risk of, 266, 267, 404
 elevator pitch and, 363
 equity financing and, 349–350, 365
 exit plans and, 276
 financial reports and, 291, 310, 312, 313
 first-mover advantage and, 146
 funding rounds and, 285, 312, 405
 incorporation and, 71
 industry trends and, 7
 intellectual property and, 71
 management as controlled by, 231, 349, 351
 management plan and, 42, 230, 234, 241, 246
 market-driven companies and, 104
 marketing plan and, 158
 nondisclosure agreements and, 334–335
 return-on-equity ratio and, 384
 risk assessment and, 148, 266, 275
 tailoring business plans for specific firms, 43, 55, 360–361
 Investors' Circle, 407

K

Kantar Media SRDS, 411
 Key ratios, 381, 383–384, 388–389, 405
 Kickstarter, 356

L

Labor. *See also* Employees
 demographic trends in labor market, 9–10
 globalization and, 12–13, 129, 259
 mandatory benefits, 294
 safety of workers, 209
 variable labor, 194, 195
 workforce description in production plan, 195
 Land ownership, 74, 292, 310
 Language of business plan, 44–46
 Lead generation, 176, 178
 Lean start-up method, 147
 Leasehold improvements, 191, 192, 405
 Leases, 191, 192, 238
 LEED certification, 258
 Legal issues. *See also* Attorneys, consulting with; Regulations
 Board of Directors and, 236
 disclaimers to business plan, 338
 globalization and, 13, 74, 78
 intellectual property rights and, 71, 74
 investment laws, changes in, 354–356
 names of business and, 68–70
 online resources for, 27
 ownership and legal status of business, 71
 social responsibility and, 254
 worksheets, 76–78
 Lenders. *See also* Loans
 business plan's significance to, 42–43
 company development/growth and, 266, 349
 Executive Summary and, 55
 financial reports and, 291, 310, 312
 incorporation and, 71
 industry trends and, 7
 interviews with potential funders, 359
 vs. investors, on method of making money, 275–276
 management plan and, 230
 nondisclosure agreements and, 334
 practices and objectives of, summarized, 348–349, 364
 researching potential funders, 358
 resources for locating, 407–409
 Length of business plan, 44
 Letters of intent, 329, 405
 LexisNexis, 29, 30
 Liabilities, defined, 292
 Licenses, business, 93
 Licensing agreements, 69, 71, 166, 172, 405
 LinkedIn, 167
 Liquidity, defined, 381, 405
 Liquidity ratios, 384, 388
 Living Social, 168
 Loans. *See also* Lenders

cash flow projections and, 305
 conventional financing, defined, 221, 349
 convertible debt, 285, 313, 404
 debt service, 285, 292, 404
 from family or friends, 353, 364
 long-term and short-term, defined, 313
 risks and challenges of securing, 348–349
 for small businesses, 353, 408, 416

Locations, business, 75, 191–192, 329

Logos, company, 74, 170, 337

Louisiana State University, 28

M

Mail, direct, 164

Management and organization, 229–251

 Board of Directors/Advisory Committee, 236–238
 business plan as recruitment tool for managers, 334
 business success as tied to capable managers, 9, 230
 Company Description's summary of, 75
 compensation and incentives for managers, 234–236
 computer slide summary of, 345
 consultants' role in, 238–239
 first-mover advantage and, 146
 globalization and, 245–246, 247
 importance of this section of plan, 42, 230
 investors' control of, 231, 349, 351
 key personnel, evaluation of, 231–234
 key personnel to be added, 240–241
 Plan Preparation Form, 248
 resumes of key personnel, 234, 329
 Sample Plan, 249–251
 structure of management team, 241–243
 style of management, 244–245
 tips on preparing this section of plan, 246

Management information system (MIS), 199

Manufacturing and production

 Appendix's inclusion of details about, 329, 330
 cash projections and, 295
 cost of goods, defined, 292
 as economic sector, 86
 facilities, 191–194
 globalization of, 12–13
 integration of, with sales, 5
 inventory control, 199–200
 key production personnel, 231
 online resources for, 28, 412
 operational efficiencies, as competitive factor, 127
 production plan, 194–197, 199

Marketing, 157–188

 Appendix's inclusion of marketing materials, 329
 Budget worksheet, 182–183
 company integrity and, 255
 company message and, 158–161
 consultants, hiring of, 238
 crowdfunding and, 355, 357
 customer service and, 203

Marketing (cont.)

- demographics of target market and, 105
- expenses, listed on income statement, 304
- Four Ps of, 159
- global marketing tactics, 172–174
- key marketing personnel, 231
- market analysis vs. marketing plan, 104
- online marketing tactics, 166–172
- online resources for, 412–413
- Plan Preparation Form, 186
- purpose of marketing plan, 158
- sales force structure, 174–176
- sales operations, international, 178–179, 181
- sales process and productivity, 176–178
- Sales Projections worksheet, 184–185
- sales vs., 158
- Sample Plan, 187–188
- tips on preparing this section of plan, 179–180
- traditional marketing tactics, 164–166
- vehicles, overview of, 161–164

Market research

- Appendix's inclusion of, 329
- business success as tied to, 5, 7
- market analysis vs. marketing plan, 104
- sources for, 34–35, 113
- tips on conducting, 19–20, 22, 33–35
- trade shows and, 31

Market risk, defined, 148**Market share**

- defined, 69, 405
- distribution of competitors, 129–130, 131
- in established phase of company development, 79
- first-mover advantage and, 127, 146
- market penetration, as development strategy, 270
- market saturation, as barrier to entry, 132
- strategic position and, 144–145

Massachusetts Institute of Technology (MIT), 374, 409

Mergers, 7, 35, 278

Mid-Atlantic Venture Association, 408

Milestones, company

- achieved to date, 75, 79, 271, 273
- computer slide summary of, 345
- corporate investors and, 352
- defined, 19, 405
- of existing companies, 33, 273
- in future, 272, 273

Mind share, 141, 145, 405

Minimal viable products, 141, 147, 194, 405

Minority entrepreneurs, 25, 31, 35

Mission Statement, 8, 45, 68, 70–71, 72–73

MIT Entrepreneurship Competition, 409

Mobile marketing, 168

Mortgage loans, 313

Mosaic, 356

N

NAICS (North American Industry Classification System)
codes, 23

Names, business, 68–70, 161. *See also* Brand names and branding

National Association for the Self-Employed, 416

National Association of Government Guaranteed Lenders,
408

National Association of Manufacturers, 28

National Association of Women Business Owners, 416

National Trade and Professional Associations of the United States (Columbia Books), 411

National Venture Capital Association, 408

Net profit, defined, 292

Net worth, 285, 292, 405

Newsletters, email, 161, 164, 169–170

New York Times business plan competition guide, 409

Niche markets

- business concept and, 5
- company vision and, 267
- crowdfunding and, 356
- globalization and, 12
- marketing message and, 158
- market size and, 113
- strategic position and, 144

Nondisclosure agreements (NDAs), 334–335, 336, 338

O

Offshoring, 191, 205, 207, 405

Online advertising, 163, 169, 170–172

Online commerce. *See* Ecommerce

Online resources

- for business plan competitions, 409
- Canadian data sources, listed, 24, 27, 411
- for entrepreneurial assistance, 415–417
- fee-based data sources, listed, 29–30
- for funding sources, 407–409
- international data sources, listed, 27–28
- non-governmental data sources, listed, 28–30, 31–32, 411–413, 415–417
- for trade shows, 31–32, 163
- U.S. government data sources, listed, 23–28, 411

Operations, 189–217

- efficiencies in, as competitive factor, 126–127, 143, 145
- equipment and furniture, 198–199
- facilities, 191–194
- feasibility analysis of, 37
- financial control systems, 10, 207, 209, 210
- global operational issues, 203, 205–207
- insurance and regulatory concerns, 209, 212
- inventory control, 199–200, 201
- order fulfillment and customer service, 200, 203, 204
- Plan Preparation Form, 214
- production plan, 194–197, 199
- research and development, 207, 208
- Sample Plan, 215–217

Start-Up Costs worksheet, 213
 supply and distribution, evaluation of, 200, 202
 tips on preparing this section of plan, 190–191, 211

Organic certification, 258

Organization. *See* Management and organization

Osterwalder, Alexander, 19, 403

Outsourcing, 191, 194, 195, 205, 405

Owner's draw, 305, 310

Ownership, company, 71, 74, 338, 348. *See also* Stock

P

Paige, Satchel, 122

Partnerships, legal, 69, 71, 238, 406

Partnerships, strategic. *See* Strategic partnerships

Patents. *See also* Proprietary technology or information
 as barrier to entry, 5, 130, 132, 403
 defined, 69, 406
 first-mover advantage and, 147
 as legal consideration, 71
 venture capitalists' interest in, 43, 55, 352, 360

Payroll, 25, 209, 285, 292, 294–295

Personal satisfaction, four determinants of, 13–14, 16

Photos, 329

Pinterest, 167

PlanningShop, 31–32, 205, 415

Podcasts, as marketing tactic, 168

PowerPoint presentations, 47, 334, 340–341, 343–346

Pratt's Guide to Private Equity and Venture Capital Sources, 409

Predicasts, 30

Pricing
 customer perception factors and, 123, 126, 143
 customer purchasing sensitivities and, 111
 Four Ps of marketing and, 159
 of international competitors, 129
 leader pricing, as marketing tactic, 166
 market share and, 130
 of niche products, 113
 strategic position and, 143

Print media, 163, 164, 411

Private investors. *See* Angel investors

Production. *See* Manufacturing and production

Productivity
 employee morale and, 10, 127, 259
 management style and, 245
 production plan and, 195, 197
 ratio analysis and, 384
 in sales, 176–178
 staffing levels and, 294

Products
 breadth of product line, as competitive factor, 127
 Company Description's summary of, 74–75
 crowdfunding and, 356
 customer service and, 203
 Four Ps of marketing and, 159
 free samples of, 164
 income tracking of different product lines, 295
 increased integration of, 5

installed user base and, 127
 as intellectual property, 71
 inventory control, 199–200
 lifestyle/business style and, 108
 minimal viable products, 141, 147, 194, 405
 product risk, defined, 149
 redesigning, for new target market, 142
 research and development of, 207, 208
 socially responsible certifications of, 258–259

Profitability ratios, 385, 388

Profit and Loss (P&L) statements. *See* Income statements

Profit margins
 break-even analysis and, 314–315
 defined, 19, 406
 ecommerce and, 127
 gross profit, defined, 292
 historical data on, 33
 net profit, defined, 292
 operational efficiencies and, 143, 145, 194
 productivity and, 195
 ratio analysis of, 385, 388

Profit sharing, 236

Pro forma, defined, 293

Promotions, 159, 164, 166, 168

Proprietary technology or information
 defined, 19, 406
 describing, in business plan, 74–75, 221, 334–335
 first-mover advantage and, 147
 online research and, 19, 22, 30
 protecting, through legal means, 71, 74
 strategic position and, 145

ProQuest Dialog, 412

Publications.USA.gov, 411

Public relations, 158, 164, 205

Purchasing patterns and sensitivities, 111–112

Q

Quality control, 195, 197, 412

QuickBooks, 223, 416

QuickFacts, 26

R

RallyMe, 356

Ratio analysis, 383–385, 388–389

Real estate agents, as information sources, 34, 35, 113, 191

Receipts, defined, 19, 406

Redbooks, 412

Red Herring, 29, 409

Regulations
 on equity crowdfunding, 354
 globalization and, 13
 industry sensitivity to, 93–94
 on mandatory benefits, 294
 online resources for, 27
 as operational issue, 209, 212
 social responsibility and, 254

Research. *See also* Market research
 Canadian data sources, listed, 24, 27, 411
 evaluating your data, 36
 fee-based data sources, listed, 29–30
 fee-based research services, 32
 of funding sources, 357–358, 407–409
 international data sources, listed, 27–28
 non-governmental data sources, listed, 28–30, 31–32, 411–413, 415–417
 offline data sources, listed, 30
 tips on conducting, 19–20, 22, 392–393
 U.S. government data sources, listed, 23–28, 411
 worksheet, 21

Research and development, 207, 208

Resumes, inclusion of, 234, 329

Retailers
 cash projections and, 295
 crowdfunding and, 356
 as economic sector, 86
 floor plans, inclusion of, 330
 location of stores, 191
 markups, 95
 “production” plan for, 194
 promotions by, 166
 seasonality and, 92
 as target market, 104
 target market size and, 113

Retained earnings, defined, 293

Review websites, 168

Ries, Eric, 147

Risk assessment
 balancing risks and opportunities, 149, 153
 industry maturity and, 88–89
 investors and, 148, 266, 275
 types of risk, summarized, 148–149
 worksheets, 151–153

Risk Management Association, 412

S

Sales
 cash flow projections and, 305
 commissions, defined, 236
 cost of sales, defined, 292
 ecommerce’s disruption of sales channels, 93, 145
 historical data on, 32–33
 independent sales representatives, 35, 86, 176, 178
 integration of, with production, 5
 international operations, 178–179, 181
 marketing vs., 158
 process and productivity, 176–178
 Sales Projections worksheet, 184–185
 structure of sales force, 174–176

Salesforce CRM, 223

Search engine marketing (SEM), 159, 169, 174, 406

Search engine optimization (SEO), 159, 161, 169, 178, 406

Seasonality, 92, 194, 294, 305

Securities and Exchange Commission, U.S., 26

Self-employed, resources for, 416

Service businesses
 Company Description and, 74–75
 as economic sector, 86
 global competition, 129
 income tracking of different service lines, 295
 leader pricing, as marketing tactic, 166
 “production” plan for, 194
 subcontracting, 195
 target market’s lifestyle/business style, 108

Service Corps of Retired Executives (SCORE), 35, 417

Service marks, 69, 71, 406

SIC (Standard Industrial Classification) codes, 23

Size of company. *See* Growth, company

Slogans, 158, 161

Small Business Administration, U.S., 27, 353, 408, 416

Small Business Development Centers (SBDCs), 31, 35, 374, 415

Small Business Investment Companies (SBICs), 353, 408

Small Business Investor Alliance, 408

Social media
 crowdfunding and, 355, 356, 357
 defined, 159, 406
 globalization and, 174, 224
 marketing as encompassing, 158, 163
 online marketing tactics and, 167–168

Social responsibility, 253–264
 activities, selection of, 256
 benefits of, 254–255
 certifications relating to, 258–259
 customer perceptions and, 109, 126, 255, 258, 259
 entrepreneurship dedicated to, 257–258
 ethics policy, development of, 256
 globalization and, 13, 259, 260
 online resources for, 413
 Plan Preparation Form, 261–262
 Sample Plan, 263–264
 Triple Bottom Line and, 257

Social Venture Network (SVN), 413

Social Venture Partners, 413

Social ventures, 255, 257–258, 406, 413

Society for Human Resource Management, 28

Sole proprietorships, 13, 69, 71, 294, 406, 416

Sources and Use of Funds statements, 291, 311, 312–313, 325

Spreadsheets, 393

Staffing budget, 293–295, 296–297

Standard & Poor’s, 30

Standard Rate and Data Service, 163

Stanford University, 374, 409

Startup America, 417

Start-up costs, 5, 10, 132, 213, 291, 403

State data centers, 26–27

State Department, U.S., 28

Statistics Canada, 27

Stock

- common vs. preferred stock, 312–313
- convertible debt and, 285, 313
- disclaimers to business plan and, 338
- equity, defined, 231, 236, 292, 404
- equity crowdfunding, 354, 356
- equity financing, 312, 349–350, 365
- exit plans and, 276
- initial public offering of, 255, 256, 267, 276, 404, 405
- management compensation and, 234, 236
- options, defined, 231, 236, 405
- personal liability and, 254
- philanthropic uses of, 256
- ratio analysis and, 383–384, 385

Strategic partnerships

- community involvement and, 255
- defined, 69, 406
- first-mover advantage and, 127, 146–147
- globalization and, 13, 172
- as marketing tactic, 166
- presenting plan to potential partners, 334
- talking to competitors and, 35

Strategic position, 139–156

- advertising vs., 142
- branding and, 147–148
- business model and, 145–146
- business success as tied to, 7–8, 140
- customer perception factors and, 143
- defined, 5, 406
- elevator pitch and, 363
- first-mover advantage, 127, 146–147
- lean start-up method and, 147
- marketing message and, 158
- market segment and, 144
- market share and, 144–145
- operational advantages and, 145
- Plan Preparation Form, 154
- proprietary assets and, 145
- purpose of, 140–141
- Risk Evaluation worksheets, 151–152
- risks vs. opportunities, 149, 153
- risk types, summarized, 148–149
- sales channels and, 145
- Sample Plan, 155–156
- tips on preparing this section of plan, 150
- types of positions, summarized, 142–143

Structure, company. *See* Management and organization

Subcontracting, 194–195. *See also* Outsourcing

SuccessfulMeetings.com, 163

Success in business. *See* Business success

Suppliers

- company values and, 11–12
- financial reports on, 29
- industry supply channels, 94–95
- international companies as, 12, 207
- inventory control and, 199–200

- market information provided by, 34–35
- nondisclosure agreements and, 334
- selection of, 200, 202
- ThomasNet's listing of, 28, 191

Surveys, 34

Sustainability. *See* Environmental responsibility; Social responsibility

SVForum, 417

SWOT (strengths, weaknesses, opportunities, threats), 149, 153

T

Target markets, 103–119

- advertising and, 164
- computer slide summary of, 344
- defining, criteria for, 104–105
- demographic description of, 105–106, 107
- geographic description of, 106, 108
- international customers as, 12, 106, 108, 115, 144, 172
- lifestyle/business-style description of, 108–109, 110
- market-driven companies and, 104
- mind share of, 141, 145, 405
- Plan Preparation Form, 116
- psychographic description of, 109
- purchasing patterns and sensitivities of, 111–112
- Sample Plan, 117–119
- size of, 112–113, 115
- strategic position and, 142, 144
- tips on preparing this section of plan, 114
- trends, evaluation of, 113–114, 115, 207
- underserved markets as, 4–5, 144

Taxes

- business expense deductions, 304
- depreciation and, 291, 292
- globalization and, 13, 191, 286, 287
- inventory control and, 200
- IRS tax statistics, 26
- payroll taxes, 294, 295
- social responsibility and, 254

Technology, 219–228. *See also* Proprietary technology or information

- Appendix's inclusion of details about, 329
- Budget worksheet, 226
- business uses of, summarized, 221–222
- connectivity within company facilities, 192
- consultants, hiring of, 220, 238
- crowdfunding as due to developments in, 354–356
- globalization and, 224, 225
- industry-wide changes in, 11, 93
- installed user base and, 127, 146
- key technology personnel, 231
- lean start-up method in tech industry, 147
- necessity of including this section of plan, 190, 221
- Plan Preparation Form, 227
- purpose of technology plan, 220–221
- research and development of, 207

Technology (cont.)

- resources for tech industry data, 29, 30
- Sample Plan, 228
- selection of, 222–223
- strategic advantage due to, 145
- support organizations for entrepreneurs in, 416, 417
- technology risk, defined, 149

Telecommunications, 220, 224, 304

Telemarketing, 158, 176

ThomasNet, 28, 163, 191

Thomson Financial, 409

Time-saving tips, 391–395

Trade associations

- industry-specific technology and, 220
- key ratios and, 384
- market share data and, 130
- online resources for, 31–32, 411
- operations assistance from, 191, 207
- paid research services and, 32
- as research source, 20, 22, 31

Trademarks, 69, 71, 166, 293, 405, 406

Trade shows

- benefits of attending, 31
- globalization and, 179
- industry-specific technology and, 220
- lean start-up method and, 147
- as marketing vehicle, 104, 161
- online resources for, 31–32, 163

TripAdvisor, 168

Triple Bottom Line, 257

TSNN.com, 32, 163

Twitter, 167

Typeface, 339

U

University of California, Berkeley, 374

University of Michigan, 32

University of Texas, 374

U.S. government data sources, listed, 23–28, 411

VValues, company, 11–12, 243, 254–256. *See also* Social responsibility

Variable labor, 194, 195

Venture capitalists. *See also* Investors

- angel investors vs., 351
- on Board of Directors, 236, 351
- business plan competitions and, 375
- computer slide presentations and, 340, 343
- concept papers and, 54
- corporate venture capital (CVC), 349, 352, 404
- defined, 43, 406
- elevator pitch and, 363
- equity financing and, 350, 365
- exit plans and, 276
- first-mover advantage and, 146

- interviews with potential funders, 359
- number of business plans read annually by, 42
- practices and objectives of, summarized, 350–351, 365
- researching potential funders, 358
- resources for locating, 407–409, 417
- tailoring business plans for specific firms, 43, 55, 360–361

technology plan and, 221

Veterans, loans for, 353, 408

Videos, 168, 340, 356

Vision and goals, company, 266–268

Visuals (illustrations, graphs, etc.), 47–49, 335, 339

VoIP (Voice over IP), 205, 224

VolunteerMatch, 413

W*Wall Street Journal*, 29, 30

Website advertising, 170, 172

Websites, company

- business plans posted on, 341
- crowdfunding and, 355
- domain names, 68–69
- international customers and, 172
- lean start-up method and, 147
- marketing as encompassing, 163
- search engine optimization of, 159, 161, 169, 178, 406

Western Association of Venture Capitalists, 408

Westlake Securities, 408

Wilson Business database, 30

Women entrepreneurs, 25, 31, 35, 416, 417

Women in Technology International, 417

Working capital, defined, 285, 313, 406

World Bank, 27

Y

Yahoo, 28, 31

Yelp.com, 168

YouTube, 159, 168, 340

Z

Zagat, 168

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Rhonda Abrams is widely recognized as one of the foremost experts on business planning, entrepreneurship and small business. A successful serial entrepreneur and business owner, she writes the weekly entrepreneurship column for *USA Today*, and is the author of 19 books. Named one of the 100 most influential women in Silicon Valley, Rhonda lives in Palo Alto, California.

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