The College at Brockport
State University of New York

Small Business Development Center

AMERICA'S SBDC NEW YORK

The Blueprint for Success

Welcome to the SBDC!

The College at Brockport Small Business Development Center's goal is to assist small businesses to develop creative solutions to their needs, which will lead to increased productivity and profitability. Any small business firm or individual considering expanding, acquiring or starting a small business would benefit from our services.

Full-time professional SBDC business advisors, with the knowledge and experience to provide entrepreneurs with expert counseling and training, staff this SBDC regional center. These advisors undergo rigorous professional certification to keep their business knowledge up-to-the-minute and their counseling skills sharp.

Whether you need basic start-up information, funding, or strategies to successfully build your existing business, we have professional advisors to help you achieve your goals.

Some of our services include:

- Business plan development
- Accounting guidance
- Export assistance
- Marketing and sales planning
- Small business start-up guidance
- Construction, surety bonding and financing guidance
- Commercial financing information
- Training programs

This manual was assembled to help you through the maze you may face in your venture and provide vital information. All the information requested in this workbook is important for evaluating the feasibility of your idea. Even if you think some of your information is unfavorable, include it so that your SBDC advisor can help you assess various ways of improving your concept so that the true potential for success in this venture is realized.

This booklet was designed to help the reader through the start up, expansion, or acquisition process. It can also be used in conjunction with an online training course that can be found at http://www.sba.gov/content/starting-business.

Good Luck!

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Information Written and Compiled by:
The New York State Small Business Development Center at
The College at Brockport – State University of New York

Brockport **State University of New York** **College at Brockport Campus** 350 New Campus Drive Hartwell Hall - Suite 101	**Rochester** **State University of New York** **MCC Downtown** 321 State Street, Suite 638
Canandaigua **Finger Lakes Community College** 3325 Marvin Sands Drive	**Batavia** **Genesee Communiy College** 99 MedTech Drive, Suite 106

Phone: 585-395-8410 · **Fax**: 585-395-8674
Email: sbdc@brockport.edu · **Web**: brockport.nyssbdc.org

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Small Business Primer

Strategies for Success

Objective

This is a small business primer course. It is designed to assist individuals who are thinking about starting a small business or who are in the early stages of running a business. The course has three primary objectives:

- Help determine your readiness for starting a small business
- Provide an overview of small business principals
- Introduce you to key SBA resources

Small Business Readiness Assessment

Becoming an entrepreneur is not for everyone. In business, there are no guarantees. There is simply no way to eliminate all of the risks. It takes a special person with a strong commitment and specific skills to be successful as an entrepreneur.

Are you ready to start your own business? Use the Readiness Assessment Guide to better understand how prepared you are.

Readiness Assessment Guide

This guide is designed to help you better understand your readiness for starting a small business. It is not a scientific assessment tool. Rather, it is a tool that will prompt you with questions and assist you in evaluating your skills, characteristics and experience as they relate to your readiness for starting a business.

General	YES	NO
1. Do you think you are ready to start a business?	____	____
2. Do you have support for your business from family and friends?	____	____
3. Have you ever worked in a business similar to what you are starting?	____	____
4. Would people that know you say you are entrepreneurial?	____	____
5. Have you ever taken a small business course or seminar?	____	____
Personal Characteristics		
6. Are you a leader?	____	____
7. Do you like to make your own decisions?	____	____
8. Do others turn to you for help in making decisions?	____	____

Personal Characteristics (cont.)

	YES	NO
9. Do you enjoy competition?	____	____
10. Do you have will power and self-discipline?	____	____
11. Do you plan ahead?	____	____
12. Do you like people?	____	____
13. Do you get along with others?	____	____
14. Would people that know you say you are outgoing?	____	____

Personal Conditions

15. Are you aware that running your own business may require working more than 12 hours a day, six days a week and maybe Sundays and holidays?	____	____
16. Do you have the physical stamina to handle a "self-employed" workload and schedule?	____	____
17. Do you have the emotional strength to deal effectively with pressure?	____	____
18. Are you prepared, if needed, to temporarily lower your standard of living until your business is firmly established?	____	____
19. Are you prepared to lose a portion of your savings?	____	____

Skills and Experience

20. Do you know what basic skills you will need in order to have a successful business?	____	____
21. Do you possess those skills?	____	____
22. Do you feel comfortable using a computer?	____	____
23. Have you ever worked in a managerial or supervisory capacity?	____	____
24. Do you think you can be comfortable hiring, disciplining and delegating tasks to employees?	____	____
25. If you discover you do not have the basic skills needed for your business, will you be willing to delay your plans until you have acquired the necessary skills?	____	____

Planning for Success

If you don't know where you are going, you will end up somewhere else!

Suppose you lived in New Hampshire and wanted to drive to Texas. Would you use a map? Of course you would! Starting or running a small business without good planning is like taking a 2000 mile road trip without a map. You might make it to your destination, but it wouldn't be easy. Business planning will show you your destination and the best road to get you there.

Why Planning is Critical

There are several reasons why planning is important:

1. It gives you a path to follow - a good business plan is a blueprint for making your future what you want it to be
2. A business plan is the best tool available to help a business raise money
3. The business plan is a guide for the owner and a communications tool for possible investors, suppliers, employees and others interested in the business
4. If you don't plan for the success of your business, you will likely fail

The Business Plan

The business plan is a written document that clearly outlines the goals of a business and describes how such goals will be achieved. Simply put, a good business plan tells a story.

The story will describe what a business does, why it is doing what it does, how the business will operate, why it will be successful and how it will be profitable.

A business plan does not have to be complicated, long or professionally drafted. Many very effective business plans are developed by first-time entrepreneurs and are less than twenty pages in length.

Who Should Prepare a Business Plan?

A business plan is a blueprint, a guide to help you succeed in business. Every business should have a plan. Even if you are just thinking about starting a business, you should prepare a draft or preliminary plan to help you to determine if a specific business is feasible.

However, a business plan is a must for businesses that are in the "just starting" phase or businesses that are "currently in operation."

Before You Begin Your Business Plan

Before you begin drafting your business plan, consider four core questions:

- What service or product does your business provide and what needs does it provide?
- Who are the potential customers for your products and services and why will they purchase them from you?
- How will you reach your potential customers?
- Where will you get the financial resources to start your business?

Components of a Business Plan

A business plan should be a work in progress.

There is no hard rule regarding the components of a business plan. Good business plans have taken many forms. However, a well written business plan will typically include the following parts.

Executive Summary

- One page summary of the key points in your plan

Business Description

- Business name, address and owner information. Also, include a brief description of the business, as well as specific business goals and objectives
- Products and Services
- Descriptive explanation of all products and services

Market Analysis and Sales

- Description of the market for your products and services; explanation of how you will be competitive; and a specific discussion of your marketing efforts to generate sales

Operating Requirements

- Explanation of how your products and services will be produced and made available to customers.
- Management Profile
- Identify key personnel and include resumes showing relevant skills, experience and education

Financial Management

- Include vital financial schedules that will help guide the business
- If you are just starting a business your plan should include: projected start-up costs; expected return on investment (ROI) for the first year; projected income statement and balance sheet; and, projected monthly cash flow for the next twelve months
- If you are a new or established business your plan should include income statements and balance sheets for the last two years; projected income statement and balance sheet; and, projected monthly cash flow for the next twelve months

Attachments

- Include supporting documents such as brochures, franchise agreements, business licenses, lease agreements, legal documents and other pertinent information

Selecting a Business that Fits

Starting a business can be an exciting and rewarding experience. However it must be pursued for the right reasons or it is destined to fail.

It is important that you select a business that blends with your interests, skills and expectations. The business must also fill a need.

Finding a Niche

The secret to starting a successful business is to "Find a Need and Fill it." There are many needs and many potential businesses available. Before you invest a lot of time, energy and money in starting a new business venture, ask yourself several key questions.

1. Is the business idea practical and will it fill a need?
2. Can you make a profit? That is to say, can you sell your product or service to enough people and at a price that gives you a margin of profit?
3. Can you out perform your competition?

If you can answer yes to these questions and you are willing to provide *incredible customer service,* you are on your way to starting and operating a successful business.

> **Learn more about finding a niche:**
> http://www.sba.gov/content/finding-niche-make-your-business-plan-stand-out

Why Some Small Businesses Fail

In business, there are no guarantees. There is simply no way to eliminate all the risks associated with starting a small business - but you can improve your chances of success with good planning, preparation, and insight. You can also improve your chances of success by understanding and avoiding some of the pitfalls - problem areas encountered by others.

Inadequate Planning – There is no substitute for good planning and adequate due diligence.

Lack of Specific Experience – Just because a particular business seems like it might be fun to operate *does not* mean you have the necessary skills to be successful. You should work in a business similar to what you plan to start, before actually starting the business. On the job training will give you a good foundation.

Insufficient Capital – Many businesses fail because preparations were not made to have available sufficient funds to operate the business over an extended period of time.

Poor Location – Never underestimate the advantages of a good business location and the disadvantages of a poor location.

Inadequate Market Understanding – It is really all about the customer. It is important that you fully understand who your customers are and what they want in the way of products and services.

Marginal Customer Service – Again, it's all about the customer. Poor customer service is a recipe for failure, while incredible customer service can be your ticket to success.

There are other business pitfalls to watch out for however, the ones just described are perhaps the most important.

Starting Fresh or Buying an Existing Business

Once you make the decision to become an entrepreneur, the next decision you have to make is if you want to start the business from scratch or buy an existing business. There are advantages and disadvantages to both approaches.

Starting a New Business from Scratch

Advantages

- Everything is new. There is a sense of birth or new-beginning in a business without a history or pre-disposed image
- It is easier to be more creative with a business that is being built from the ground up

Disadvantages

- There is a greater risk in starting a brand new business
- It may be more difficult to raise money for a new business without any kind of a track record
- Like anything new, it takes time to work-out the bugs

Buying an Existing Business

Advantages

- It is easier to buy a turn-key business than it is to start something new
- Cash-flow may be available immediately because of existing inventory and it may be easier to raise new capital for a business with a proven track record
- Pre-existing customer goodwill may benefit the business
- The seller may be willing to finance the sale of the business

Disadvantages

- Many businesses are offered for sale because they are not profitable or pending changes could significantly stifle growth or reduce sales
- The business may have a bad reputation that is hard to overcome
- You may have to settle for things about the business, such as the location, that you do not like

Franchising may be an option

An important step in the small business start-up process is deciding whether or not to go into business at all. Each year, thousands of potential entrepreneurs are faced with this difficult decision. Because of the risk and work involved in starting a new business, many new entrepreneurs choose franchising as an alternative to starting a new, independent business from scratch.

What is Franchising?

A franchise is a legal and commercial relationship between the owner of a trademark, service mark, trade name, or advertising symbol and an individual or group wishing to use that identification in a business. The franchise governs the method of conducting business between the two parties. Generally, a franchisee sells goods or services supplied by the franchisor or that meet the franchisor's quality standards.

Franchising is based on mutual trust between the franchisor and franchisee. The franchisor provides the business expertise (marketing plans, management guidance, financing assistance, site location, training, etc.) that otherwise would not be available to the franchisee. The franchisees bring to the franchise operation the entrepreneurial spirit and drive necessary to make the franchise a success.

There are primarily two forms of franchising:

- Product/trade name franchising
- Business format franchising

In the simplest form, a franchisor owns the right to the name or trademark and sells that right to a franchisee. This is known as "product/trade name franchising." An example might be a local hardware store selling True Value products and using the national True Value brand as a way to help define the store.

The more complex form, "business format franchising," involves a broader ongoing relationship between the two parties. Business format franchises often provide a full range of services, including site selection, training, product supply, marketing plans, and even assistance in obtaining financing. Examples of this franchising approach include: Jiffy Lube, McDonalds, Curves, Midas Muffler and many others.

> **A note of caution:** *Franchising may seem like an easy way to go into business, but there are pitfalls with this form of business ownership as well. Step carefully and by all means, do your homework in properly checking out any franchise you might consider.*

Checklist for Buying a Business

Before you buy a business, you should prepare yourself to make informed decisions based on facts.

Step 1. Learn the Facts

- Why is the business for sale? This is an important question. Does the seller know something about upcoming competition or traffic changes that could negatively impact the business?
- How long has the business been on the market?
- What does the asking price include in the sale, specifically: inventory, property, building, goodwill, equipment, etc.?
- Does the business have a good reputation? Why or why not?
- Do you understand the local market and competition?
- How could you improve this business?
- Could future zoning, demographic and/or other proposed changes impact the business?

Step 2. Gather Pertinent Financial and Legal Information

- Review financial statements and history of the business.
    - Request 3 years of applicable Federal tax returns
    - Obtain business income statements and balance sheets for the last 3 years
    - Obtain recent state sales tax records
    - Secure a current listing of all inventory
    - Obtain applicable business agreements, leases, franchise agreements, employee benefits plans and other legal or binding agreements

Step 3. Make Informed Decisions

- Review and carefully analyze all gathered information with someone experienced in buying a business
- Make certain the business, if purchased, will provide a sufficient return on investment (ROI)
- Negotiate an acceptable sales price (again do this with an expert)

Legal Aspects of Starting a Small Business

After the planning process has been completed, a prospective business owner should move from the conceptual stage towards the actual legal formation of the business. The legal aspects of starting a business are complicated and are not intended to be fully discussed in this primer course. Oftentimes it is prudent to seek appropriate counsel on matters of this nature.

However, there are three important legal related areas that prospective entrepreneurs should consider. They are **legal forms of business ownership**, **required licenses and permits**, and **federal requirements**. We will take a preliminary look at all three.

Forms of Ownership

One of the first decisions that you will have to make as a business owner is how the company should be structured. This decision will have long-term implications, so consult with an accountant and attorney to help you select the form of ownership that is right for you. In making a choice, you will want to take into account the following:

- Your vision regarding the size and nature of your business
- The level of control you wish to have
- The level of structure you are willing to deal with
- The business' vulnerability to lawsuits
- Tax implications of the different ownership structures
- Expected profit (or loss) of the business
- Whether or not you need to reinvest earnings into the business
- Your need for access to cash out of the business for yourself

Basic Ownership Structures

There are five basic ownership forms. However, most new small businesses starting out are initially formed as sole proprietorships.

Sole Proprietorship

The sole proprietorship is a simple, informal structure that is inexpensive to form. It is usually owned by a single individual. The owner who operates the business is personally liable for all business debts, can freely transfer all or part of the business and can report profit or loss on personal income tax returns.

Partnership

Partnerships are inexpensive to form; they require an agreement between two or more individuals or entities to jointly own and operate a business. Profit, loss, and managerial duties are shared among the partners and each partner is personally liable for partnership debts. Partnerships do not pay taxes, but must file an informational return. Individual partners report their share of profits and losses on their personal return. Short-term partnerships are also known as joint ventures.

C Corporation (Inc. or Ltd.)

This is a complex business structure with more startup costs than many other forms. A corporation is a legal entity separate from its owners, who own shares of stock in the company. Corporations can be created for profit or nonprofit purposes and may be subject to increased licensing fees and government regulation than other structures. Profits are taxed both at the corporate level and again when distributed to shareholders.

Shareholders are not personally liable for corporate obligations unless corporate formalities have not been observed; such formalities provide evidence that the corporation is a separate legal entity from its shareholders. Failure to do so may open the shareholders to liability of the corporation's debts.

Corporate formalities include:

- issuing stock certificates
- holding annual meetings
- recording the minutes of the meetings
- electing directors or ratifying the status of existing directors
- Corporations should always be assisted by a qualified attorney

Sub Chapter S Corporation (Inc. or Ltd.)
This structure is identical to the C Corporation in many ways, but offers avoidance of double taxation. If a corporation qualifies for S status with the IRS, it is taxed like a partnership; the corporation is not taxed, but the income flows through to shareholders who report the income on their individual returns.

Limited Liability Company (LLC)
The LLC is generally considered advantageous for small businesses because it combines the limited personal liability feature of a corporation with the tax advantages of a partnership and sole proprietorship. Profits and losses can be passed through the company to its members or the LLC can elect to be taxed like a corporation. LLCs do not have stock and are not required to observe corporate formalities. Owners are called members, and the LLC is managed by these members or by appointed managers.

> **More about each of these forms, including the advantages and disadvantages of each, will be discussed in a later section.**

Federal Requirements

Most small businesses do not require a federal license or permit. However, if you are engaged in one of the following activities, a federal license is required.

- Investment Advising
- Drug Manufacturing
- Preparation of Meat Products
- Broadcasting
- Ground Transportation
- Selling Alcohol, Tobacco, or Firearms

Employer Identification Number (EIN)

With the exception of sole proprietors, most businesses must apply for an EIN regardless of whether they have employees.

> **<u>You can apply for an EIN from IRS by visiting:</u>**
> http://www.irs.gov/businesses/small/article/0,,id=102767,00.html

BUSINESS ORGANIZATION TABLE

Characteristics	Sole Proprietorship	C Corporation	S Corporation	Limited Liability Company
Formation	No state filing required.	State filing required.	State filing required.	State filing required.
Duration of Existence	Dissolved if entity ceases doing business or upon death of the sole proprietor.	Perpetual	Perpetual	Dependent on the requirements imposed by the state of formation.
Liability	Sole proprietor has unlimited liability.	Shareholders are typically not responsible for the debts of the corporation.	Shareholders are typically not responsible for the debts of the corporation.	Members are not typically liable for the debts of the LLC.
Operational Requirements	Relatively few legal requirements.	Board of directors, annual meetings and annual reporting required.	Board of directors, annual meetings and annual reporting required.	Some formal requirements but less formal than corporations.
Management	Sole proprietor has full control of management and operations.	Managed by the directors, who are elected by the shareholders.	Managed by the directors, who are elected by the shareholders.	Members have an operating agreement that outlines management.
Taxation	Not a taxable entity. Sole proprietor pays all taxes.	Taxed at the entity level. If dividends are distributed to shareholders, dividends are also taxed at the individual level.	No tax at the entity level. Income/loss is passed through to the shareholders.	If properly structured there is no tax at the entity level. Income/loss is passed through to members.
Pass Through Income/Loss	Yes	No	Yes	Yes
Double Taxation	No	Yes, if income is distributed to shareholders in the form of dividends.	No	No
Cost of Creation	None	State filing fee required.	State filing fee required.	State filing fee required.
Raising Capital	Often difficult unless individual contributes funds.	Shares of stock are sold to raise capital.	Shares of stock are sold to raise capital.	Possible to sell interests, though subject to operating agreement restrictions.
Transferability of Interest	No	Shares of stock are easily transferred.	Yes, but must observe IRS regulations on who can own stock.	Possibly, depending on restrictions outlined in the operating agreement.

Raising Capital and Understanding the Numbers

You need money to start and run a business. That's a fact few will dispute. However, it is one thing to have seed money to get started in business, but another to have sufficient capital to sustain the business during the early start-up phases. Many good businesses have failed because they were under-funded. The ability to estimate realistic start-up costs and raise sufficient capital is critical to the success of your business.

In this section, we will discuss estimating start-up costs; where to find needed capital; borrowing money; understanding the numbers; and the accounting process.

Estimating Business Start-up Costs

When starting a new business, it is important that you carefully estimate how much it will cost. To do this, you need to estimate your initial fixed costs, plus your estimated monthly expenses. Your monthly expenses should be projected for three to six months to allow the business to generate cash flow. Your total estimated start-up costs would then be calculated by adding your fixed costs to your monthly projections.

Start-up Costs Estimator

Initial Fixed Costs	Amount	Monthly Expenses	Amount
Sample Business Plans	$	Salaries	$
Real estate & buildings		Employee benefits	
Fixtures & furniture		Loan payments	
Initial inventory		Telephone	
Legal fees		Auto expenses	
Licenses & permits		Insurance	
Deposits		Taxes	
Initial working capital		Utilities	
Office equipment		Rent	
		Taxes	
		Maintenance	
		Inventory purchases	
		Advertising & promotion	
		Training	
		Others	
Sub-total	**$**	**Sub-total**	**$**

Initial Fixed Costs Sub-total	$
Monthly Expenses Sub-total…..x 3	$
Estimated Start-up Costs	**$**

Where to Find Needed Capital

There are several important sources to consider when looking for funding to start and/or run your business. Considering all options is your best choose. Key sources include:

- **Savings:** The majority of new small businesses are started initially with funding that comes from savings and other forms of personal equity.
- **Friends and Relatives**: Many small businesses are started with funding from friends and relatives.
- **Credit Cards:** Hard as it may be to believe, a number of small enterprises are founded with initial capital from personal credit cards. This may sound easy, but use extreme caution. Credit cards may be an easy source of capital, but the interest charges and payment expectations could be deadly to a new business.
- **Banks and Non-bank Lenders**: Lenders can be a very helpful source of business capital. However, you must be able to demonstrate sound credit and the ability to re-pay the loan.
- **Angel Investors and Venture Capital Firms**: Investors and venture capitalists will sometimes provide funding for new businesses in exchange for equity or part ownership. This type of equity financing is not very common for typical new small businesses.

Borrowing Money

Borrowing money is one of the most common sources of raising capital for a small business. However, obtaining a loan is not always easy. Bankers are generally very careful – as they should be – about lending money. However, it is the inexperience of small business owners in financial matters that prompts many small business loan requests to be declined.

It is important to know what a lender considers when reviewing a loan request. Five areas of consideration stand out.

- **Ability to Repay**: You must be able to demonstrate that you can repay the loan. A lender will look for two sources of repayment - cash flow from the business and a secondary source such as collateral.
- **Credit History**: One of the first things a lender will do is to check the credit history of the individual(s) and business requesting the loan. Do everything you can to make sure your credit history is good.
- **Equity:** Lenders want to see a certain level of equity in the business before a loan is granted. Typically, a lender likes to see that business liabilities do not exceed four times the amount of equity an owner has in the business.
- **Collateral:** As noted earlier, lenders like to have a second source of loan repayment. Collateral would be personal or business assets that could be sold by the lender to repay the loan. For instance, most auto loans are collateralized by the car that is purchased.
- **Experience:** A lender will look very carefully at the experience of the borrower in running the business, before a loan is granted. If you don't have appropriate experience, your chances of getting a loan are greatly diminished.

Loan Options
Small business owners or prospective owners have many options when it comes to borrowing money. A primer course of this nature cannot meaningfully discuss all such options.
However, before you borrow money for your business, make sure you become an educated credit consumer. This means doing your homework. The information resources listed below should be helpful.

Understanding the Numbers

The financial performance of any business is measured by the interrelationships among six essential elements: *assets; liabilities; equity; income; expenses; and profits*. The success of a business depends heavily on how well these elements are planned, controlled and executed.

These elements also compose the three primary financial statements – balance sheet, profit and loss and cash flow statements.

Examples for the three primary financial statements can be found at:

https://www.sba.gov/blogs/3-essential-financial-statements-your-small business

Marketing: How to Win Customers

The number one priority of any small business should be the customer. To be successful a business must be able to attract, satisfy and keep customers coming back.

The term marketing implies many different things to many people. However, **marketing** is defined as the activities associated with researching prospective and current customers and selling products and services.

To win and retain customers, you need to fully understand who they are, what they want in the way of goods and services and how you can best satisfy their needs. Marketing is just as much about researching customers as it is about selling.

The Marketing Approach

Marketing is all about the customer and achieving a profitable sales volume. Good marketing engages four key principles:

- Determine customer needs through market research
- Identify your competitive advantages and develop a marketing strategy
- Select specific markets to serve by target marketing
- Determine how to satisfy customer needs by identifying a marketing mix

Market Research

Successful marketing requires timely and relevant market information. An inexpensive research program, based on questionnaires given to current or prospective customers, can often uncover dissatisfaction or possible new products or services.

Market research will also identify trends that affect sales and profitability. Population shifts, legal developments and the local economic situation should be monitored to quickly identify problems and opportunities. It is also important to keep up with competitors' market strategies.
Doing basic market research is not that difficult. The following resources will be helpful:

Learn about demographics in your area

- Contact your state economic development agency
- http://www.sba.gov/content/demographics

Marketing Strategy

A marketing strategy identifies customer groups that a particular business can better serve than its target competitors, and that strategy tailors product offerings, prices, distribution, promotional efforts, and services toward those segments. Ideally, the strategy should address unmet customer needs that offer adequate potential profitability. A good strategy helps a business focus on the target markets it can serve best.

Develop a marketing plan

- http://www.sba.gov/content/developing-marketing-plan

Target Marketing

Owners of small businesses usually have limited resources to spend on marketing. Concentrating their efforts on one or a few key market segments - target marketing - gets the most return from small investments. There are two methods used to segment a market:

Geographical segmentation: Specializing in serving the needs of customers in a particular geographical area. For example, a neighborhood convenience store may send advertisements only to people living within one-half mile of the store.

Customer segmentation: Identifying those people most likely to buy the product or service and targeting those groups.

> **Learn how to target market**
>
> - http://www.sbdcnet.org/small-business-information-center/marketing-2
> - Discuss with your Small Business Development Center counselor (www.sba.gov/sbdc) or Women's Business Center representative (http://www.sba.gov/aboutsba/sbaprograms/onlinewbc/index.html)

Managing the Market Mix

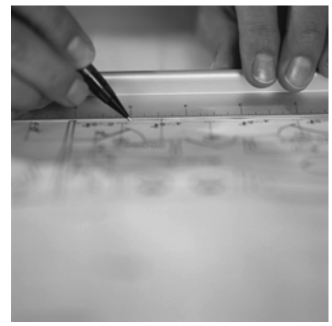
A good marketing strategy involves four key components which are combined (mixed) into an overall marketing plan. The components are **Products and Services**, **Promotion**, **Distribution,** and **Pricing**:

- **Products and Services:** Product strategies may include concentrating on a narrow product line, developing a highly specialized product or service, or providing a product-service package containing unusually high-quality service.
- **Promotion:** Promotion strategies include advertising and direct customer interaction. Good salesmanship is essential for small businesses because of their limited ability to spend on advertising. Direct mail is an effective, low-cost medium available to small business.
- **Price:** The right price is crucial for maximizing total revenue. Generally, higher prices mean lower volume and vice-versa; however, small businesses can often command higher prices because of their personalized service.
- **Distribution:** The manufacturer and wholesaler must decide how to distribute their products. Working through established distributors or manufacturers' agents is generally easiest for small manufacturers. Small retailers should consider cost and traffic flow in site selection, especially since advertising and rent can be reciprocal: a low-cost, low-traffic location means spending more on advertising to build traffic.

The College at Brockport
NYS Small Business Development Center and
SBA's Small Business Training Network Present:

How to Write a Business Plan

This is a product of the agency's Small Business Training Network and is championed by the Office of Entrepreneurial Development.



Introduction

- ***Self-paced training manual***
- ***Overview of business planning***
- ***Subject matter indexed for quick reference and easy access by topic***

This is a self-paced training manual designed to provide an overview of business planning. The course is easy to follow and the subject matter is indexed for quick reference and easy access. A 30 minute training program is also available online at www.sba.gov.

The "next steps" outlined at the conclusion of this course are probably the most important part of this training program. The reason ---- they will help you apply what you have learned and engage you in the business planning process.

Course Objectives

The course has three key objectives:

- ***Explain the importance of business planning***
- ***Define and describe the components of a business plan***
- ***Provide access to a template and resources that can help you develop a very good business plan***

AMERICA'S SBDC NEW YORK

Business Plan Outline

- ***Why Planning is Important***
- ***The Big Picture: Snapshot of a Business Plan***
- ***The Details: Components of a Business Plan***

There are nine topic sections within this workbook. Each section covers a different aspect of business planning. However, woven together they tell a story that will help you understand why planning is important and, most importantly, how to prepare a winning business plan.

Let's get started!

Why Planning is Important

Planning will help shape your destination and provide the best road to get you there.

Suppose you lived in New Hampshire and wanted to drive to Texas. Would you use a map? Of course you would.

Starting or running a business without proper planning is like taking a 2000 mile trip without a map. Planning will help shape your destination and provide the best road to get you there.

Planning gives you a blueprint to follow.

- ***It is a communications tool for banks, investors, suppliers, management team and others interested in your business.***
- ***If you don't plan for the success of your business, you will likely fail***
- ***Planning gives you a blueprint to follow.***

Before you begin writing your business plan, consider four core questions:

- ***What service or product does your business provide and what needs does it fill?***
- ***Who are the potential customers for your product or service and why will they purchase it from you?***
- ***How will you reach your potential customers?***
- ***Where will you get the financial resources to start your business?***

The Big Picture

A good business plan is a compelling storyboard about your business.

It explains:

- ***Who you are***
- ***Why you're in business***
- ***What you do***
- ***how you do it***
- ***Where you operate,***
- ***How you will generate profits***
- ***Who your customers are***
- ***Why your business is important***

The Details

A typical business plan includes the following components:

1. ***Table of Contents***
2. ***Executive Summary***
3. ***Business Description & Vision***
4. ***Definition of the Market***
5. ***Description of Products and Services***
6. ***Marketing and Sales Strategy***
7. ***Organization & Management***
8. ***Financial Management***
9. ***Appendices***

Each of these components is explained in detail within this section of the workbook. Review these components carefully. Together, they represent your business plan.

Also available to assist you, in a later section, is a business plan template. The template follows this outline.

#1 - Table of Contents

COMPONENTS OF THE BUSINESS PLAN

The first section of your business plan is the **Table of Contents**. It lists key sections within the plan. Importantly, it assists the reader in finding specific topics and areas of interest in your plan. It also brings organization and structure to the document.

#2 - Executive Summary

- ***Most important section of the plan***
- ***Should be written last***
- ***Provides an enthusiastic snapshot of your company, explaining who you are, what you do and why***
- ***Should be less than 2 pages***

Some would argue that the **Executive Summary** is the most important section of the business plan. Although it is typically the first section reviewed by a reader, it should be written last - after the details of your plan have been flushed out.

The Executive Summary should provide an enthusiastic snapshot of your company, explaining who you are, what you do and why. It should be less than 2 pages in length and easy to read.

After reviewing this section, the reader should have a good basic understanding about your company, but most importantly, want to learn more about your business.

#3 - Business Description & Vision

COMPONENTS OF THE BUSINESS PLAN

The **Business Description & Vision** component of the plan is pretty basic. It describes the business.

- **Mission statement**
- **Company vision (statement about company growth)**
- **Business goals and objectives**
- **Brief history of the business**
- **List of key company principals**

In this section, you should include a crisp mission statement; a focused statement about the company's vision; specific business goals and objectives for a prescribed time-period; and, background information about the company. You should also identify the key principals or owners of the business. The mission and vision statements set the tone for your business and are very important. They are further described in the next two sections.

However, before we move on to the mission statement, a couple of quick notes. First, your business goals and objectives should be specific and attainable. Remember, goals that are not specific will probably not be achieved. Specificity regarding the details of your goals and objectives is very important.

Second, the history of the company should be just that. It should describe when and why the business was started and who the founders are. It should also explain how the company has evolved.

Now, let's take a look at the mission statement.

#3 - Business Description & Vision (cont.)

COMPONENTS OF THE BUSINESS PLAN

The Mission Statement:

- **Brief statement about who the company is and what it stands for.**

> **"Organize the world's information and make it universally accessible and useful."**
> ***-Google's Mission Statement***
>
> **"Establish Starbucks as the premier purveyor of the finest coffee in the world, while maintaining our uncompromising principles while we grow."**
> ***-Starbucks' Mission Statement***

The *Mission Statement* is a brief statement about who the company is and what it stands for. Some companies use the mission statement as a marketing slogan. However, the real intent of a mission statement should be to succinctly describe the purpose of the business.

Don't just write down a mission statement. Think about it, get input from others, and carefully develop a statement that is an expression of your business.

The Company Vision:

- ***Outlines what a company wants to be***
- ***Futuristic: memorable and engaging expression of hope and inspiration***

The *Company Vision* statement is about the future. t is a statement that outlines what a company wants to be. Simply put, a company's vision statement should be a memorable and engaging expression of hope and inspiration. It should guide the mission and business plan of the company. A business without a vision is a company that is focused on the past.

#4 - Definition of the Market

COMPONENTS OF THE BUSINESS PLAN

Defining your market is an important part of the business plan. Let's face it: before you can sell something, you have to know who might buy it.

The first step in defining your market should be to describe the industry you operate in, as well as the potential or prospects for your business within that industry. Your industry knowledge as well as the prospects for your business should be clearly illustrated in the plan. For instance, if you are a retail store selling bicycles, describe the general outlook for bicycle sales, as well as your potential for capturing a growing segment of the bicycle market.

- **Describe your business industry and outlook**
- **Define specific customer needs that your business will satisfy**

The second step should be to describe your customers' needs, including information about the degree to which those needs are (or are not) currently being met. Again, if you are selling bicycles, explain why customers will buy your products. Specifically, what needs are you satisfying with your products.

- **Identify targeted customers**
- **Develop a customer profile**

The third step in this section of your plan is to identify your target market and profile your customers. You can do this by answering several questions:

- **Who are your current or prospective customers?**
- **What do they buy and why?**
- **And, what market segments or groups are more likely to buy your products?**

A *market segment*, or targeted group of customers, is a grouping of people sharing one or more characteristics that cause them to have similar product needs.

#4 - Definition of the Market (cont.)

COMPONENTS OF THE BUSINESS PLAN

Market segmentation, or *target marketing,* is the process of dividing a market into distinct segments that behave the same way or have similar needs. Because each segment is somewhat similar in their needs and attitudes, they will likely respond similarly to a specific marketing strategy. This is an important point and we will discuss marketing to targeted groups later on in this workbook. However, it is critical that you understand the value of defining your market.

When identifying characteristics of your target market you should also determine the size of your potential market. You can determine the size of your market by examining the number of potential customers in a particular area, reviewing the geographic area they live in, analyzing prior annualized sales, and considering market growth.

If you don't know who your customers are, you can't develop a strategy to reach them. And, if you can't reach them, you will likely not be effective in selling your products and services.

#5 - Description of Products & Services

- **Identify and describe all products and services**
- **Identify and explain product pricing**
- **Describe how your products and services are competitive**
- **Reference applicable graphics and brochures**

This component of the business plan is the easiest to complete, however, *don't let the simplicity fool you.*

In this section, you will identify and describe all of the products and services your business sells or provides. You should also explain how the items you sell are priced. n addition, and perhaps most importantly, this section should explain how your products and services are competitive.

The real value this section brings to the plan is providing the reader with a crystal-clear understanding of why you are in business, what you sell and how you compete.

Keep this section focused, easy to follow and emphasize your competitiveness. It's easy to list your products. But, it is far more worthwhile to explain how you are competitive.

Finally, if you have pictures or brochures describing your products, make reference to them in this section and include them in the appendix of the business plan.

#6 - Marketing and Sales Strategy

COMPONENTS OF THE BUSINESS PLAN

Earlier we talked about "defining the market." In this component of the business plan, **Marketing and Sales Strategy**, we will discuss reaching customers.

Marketing is defined as the activities associated with researching prospective customers and selling products and services.

> ***Marketing is the process of creating customers. Research is the foundation of marketing.***

In simple terms, marketing activities and strategies result in making products available that satisfy customers while making profits for the companies that offer those products.

It all begins with research. To create an effective marketing strategy, you need to find answers to a number of questions. Questions like:

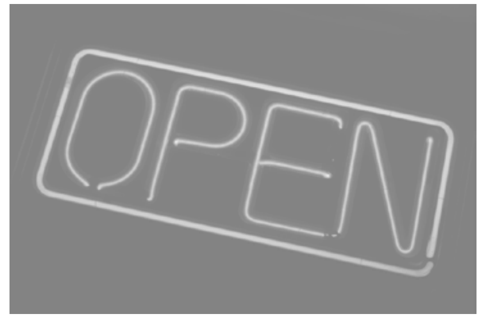
- **Who are my customers and potential customers?**
- **What kind of people are they?**
- **Where do they live?**
- **Can and will they buy?**
- **How does my business compare with my competitors?**
- **Am I offering the kinds of goods or services they want at the best place, at the best time, and in the right amounts?**
- **Are my prices consistent with what buyers view as the product's value?**

Marketing research is not a perfect science. It deals with people and their constantly changing feelings and behaviors, which are influenced by countless subjective factors. To conduct marketing research you must gather facts and opinions in an orderly, objective way to find out what people want to buy, not just what you want to sell them.

Your SBDC Advisor can utilize the services of the SBDC Research Library to supplement your market and industry research.

#6 - Marketing and Sales Strategy (cont.)

COMPONENTS OF THE BUSINESS PLAN



Creating a marketing strategy

- **Identify customer groups you can best serve**
- **Understand customer needs**
- **Always consider change**

A good marketing strategy identifies customer groups which your business can serve better than your competitors. It also tailors product offerings, prices, distribution, promotional efforts, and services toward those identified segments. Ideally, the strategy will address unmet customer needs that offer adequate potential profitability. A good strategy helps a business focus on the target markets it can serve best.

Central to any successful marketing strategy is an understanding of your customers and their needs. You must be able to satisfy your customers' needs better than your competitors can. This will help you build customer loyalty and increase sales.

However, both customer needs and the business environment in which you operate are constantly changing. Your marketing strategy needs to consider what changes are taking place, and the opportunities and threats that are emerging.

A marketing strategy will also help you assess how successful you are at meeting your customers' needs, as well as how successful your competitors are. It may also help you identify new markets that you can successfully target.

#6 - Marketing and Sales Strategy (cont.)

COMPONENTS OF THE BUSINESS PLAN

> A marketing strategy built with the marketing mix – the 4Ps:
>
> - **Pricing**
> - **Promotion**
> - **Products**
> - **Place**

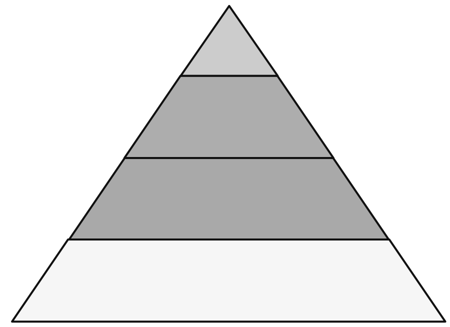
A successful marketing strategy will typically mix the 4Ps - ***price, promotion, products, and place*** - to reflect the wants and desires of consumers in the target market. Remember, trying to convince people to buy something they don't want is extremely expensive and seldom successful. A good marketing strategy will be based on solid research, formal and informal, to determine what customers want and what they will pay for.

- **Pricing** refers to the process of setting a price for a product, including discounts
- **Promotion** includes advertising, sales promotion, and publicity, and refers to the various methods of promoting the product, brand, or company
- The **Product** aspects of marketing deal with the specifications of the actual goods or services, and how it relates to the end-user's needs and wants
- **Place** refers to how the product gets to the customer. Specifically, it refers to the channel by which a product or services is sold or distributed

These four elements are often referred to as the *marketing mix*.

#7 - Organization & Management

COMPONENTS OF THE BUSINESS PLAN



- **Description of how the company is organized**
- **Legal form of ownership**
- **Explanation of how things get done**
- **Required licenses and permits**
- **Bio description of key company managers**

The **Organization and Management** section of the plan is pretty straight forward.

The first part of this section should describe how the company is organized. Specifically, it should explain the legal form of ownership. That is, are you organized as a proprietorship, partnership, or corporation and why. It should also describe the leadership of your company and include an organization chart, if you have one.

In this section, you should also explain how things get done in the company. You should describe the processes that support what your company does. For instance, how are your sales generated or products developed or services provided?

In addition, this section should describe what licenses and/or permits your company operates with or needs. It is also an opportunity to highlight special operating achievements and/or certifications your company has. For instance, your business may have specific security clearances or be quality certified as an ISO 9000 firm. Brag about things that make you special or qualified in special areas.

Lastly, this section of the plan should include a brief bio description on each key manager within the company.

#8 - Financial Management

Key Financial Statements

- **Balance Sheet**
- **Income Statement**
- **Cash Flow Statement**

This important section will explain your revenue projections, how much money you have and need, and when and how the business expects to make a profit. It will also reveal what your marketing and operational processes and plans will cost.

The financial structure of your business is its foundation. A foundation that is generally described in three financial statements: the **balance statement**, **income statement** and **cash flow statement**.

Many people are intimidated by financial statements, but you shouldn't be.

#8 - Financial Management (cont.)

COMPONENTS OF THE BUSINESS PLAN

The financial performance of any business is measured by the interrelationships among six essential elements. These elements compose the financial statements noted above and are: *revenue*, *expenses*, *profits* (or losses), *assets*, *liabilities* and *net worth*. A business will prosper or fail based on the owner's effectiveness in planning and controlling these components.

The accounting statements that illustrate and measure these financial statements are the balance sheet and income statement. The cash flow statement is a monthly spread and simplistic variation of the income statement.

Balance Sheet

- **Assets - Liabilities = Net Worth**
- **Measures business value**
- **Snapshot in time**

The ***balance sheet*** represents the basic accounting equation: assets minus liabilities, equals net worth.

A balance sheet is made up of *assets* (items of value), *liabilities* (debts) and *net worth* (equity or the difference between a company's assets and liabilities).

The balance sheet provides a measure of a business's value at a particular point in time. It is considered a snapshot in time.

Income Statement

- **Revenue - Expenses = Profit/Loss**
- **Measures how a business has performed over a specific period of time**

The ***income statement*** is a measure of how a business has performed over a specific period of time, usually six months or one year. It measures all income less all expenses to arrive at the amount of profit or loss generated by the business for the period.

The income statement is also called a profit and loss statement or an income and expense statement.

Cash Flow Statement

- **Monthly statement of cash on hand, incoming cash and expenses**
- **Used to determine projected working capital availability and shortages**

A ***cash flow statement*** is used to monitor and project incoming and outgoing cash, typically on a monthly basis. It helps you determine how much cash your business has on hand at any point in time. If your business has a negative cash position, it means that at a given point in time you have more money going out than coming in and you will probably not be able to pay your bills.

The cash flow statement is a valuable tool to monitor and project the financial performance of your company.

#8 - Financial Management (cont.)

COMPONENTS OF THE BUSINESS PLAN

OK, so now you know what financial statements are and how important they are.

Financial statements are an integral component of the business plan.

For a New Business

- **Estimate of start-up costs**
- **Projected balance sheet (1 year forward)**
- **Projected income statement (12 months forward)**
- **Projected cash flow statement (12 months forward)**

If you are a new business, the Financial Management component of your plan should include your estimated start-up costs, a projected balance sheet, a projected income statement and a projected cash flow statement for twelve months. All statements should be projected one year forward.

Use the templates previously referenced and see your SBDC Advisor for assistance.

For an Existing Business

- **Balance sheets (last 3 years)**
- **Income statements (last 3 years)**
- **Cash flow statement (12 months)**

If you are an existing business, you should include current and prior balance sheets and income statements, ideally for the last three years if available.

You should also include a projected twelve month income and cash flow statement

If Applying for a Loan

- **Current personal financial statement on each principal**
- **Federal tax return for prior years**

If you are submitting your business plan to a bank because you are applying for a loan, you should also include a current personal financial statement on each company principal and a copy of your business or individual Federal Tax return for prior years.

Well prepared and accurate financial statements are critical components of the business plan. Use the templates to help you.

#9 - Appendices

The last component of your plan is the **appendix**. This section should help define your business and highlight your accomplishments by including brochures, resumes, pictures and other important information. Use this section to add color and depth to your plan.

- **Company brochures**
- **Resumes of key employees**
- **List of business equipment**
- **Copies of press articles and advertisements (if available)**
- **Pictures of your business location and products**
- **Information and/or data supporting the growth of your industry and/or products**
- **Key business agreements, such as lease, contracts, etc.**

Business Plan Template

You now have the tools to begin preparing your business plan. A template with questions to prompt you through the various components of the business plan can help you get started.

To help you build a successful business plan, a business plan template is included in this workbook. The template will prompt you through the various components of the business plan with questions, guidance and tips. There is an interactive template online at www.sba.gov

The template is best used after you have reviewed this course and looked at sample business plans. It is a tool designed to put action into your thoughts.

Next Steps

Put what you have learned into action.

- **Prepare a draft business plan**
- **Discuss your draft plan and any questions you have with your SBDC Advisor**
- **Use the information you receive to prepare a more finished product**

By completing the steps to prepare a business plan, put what you have learned into action.

Prepare a draft business plan. It doesn't have to be perfect, long, or complete. Discuss your draft plan and any questions you have with your SBDC Advisor. Use the information you receive to prepare a more finished product. Remember, the business plan is a living document. It is a work in progress. Refine it, improve it and use it as your blueprint to your success. There is no elevator to success. You have to take the stairs.

Don't be shy…

This workbook has covered a great deal of material. There is much to learn and understand about preparing a business plan. If you have questions about preparing a business plan or another business issue, contact your Small Business Development Center Advisor. We will help you.

Business Plan Template

Five Important Tips before You Start!

1. **The business plan should tell a compelling story about your business, explaining who, what, when, where, how and why.**
2. **Your plan should be focused and clear. It's not about the number of pages or style of the cover.**
3. **The plan should define specific business objectives and goals with general parameters to guide the organization.**
4. **Writing a business plan should force logic and discipline into a business.**
5. **A good business plan is a living document. It should be updated regularly.**

Title Page

Your Company Name

Business Plan

Date

Street Address
City, State & Zip Code
Phone Number
E-Mail Address
Web Address

AMERICA'S SBDC NEW YORK

Table of Contents

#2 - Executive Summary

This section should:

- Be written last
- Provide an enthusiastic snapshot of your company, explaining who you are, what you do and why
- Be less than 2 pages

After reviewing this section the reader should:

- Want to learn more about your business
- Have a basic understanding about your company

Start here…

Basic Business Definition

(Name of Your Business) **is a** *(describe what your business does and sells – elaborate on this.)*

____

____

The business is located at *(Include the benefits of the location, if applicable.)*

____

____

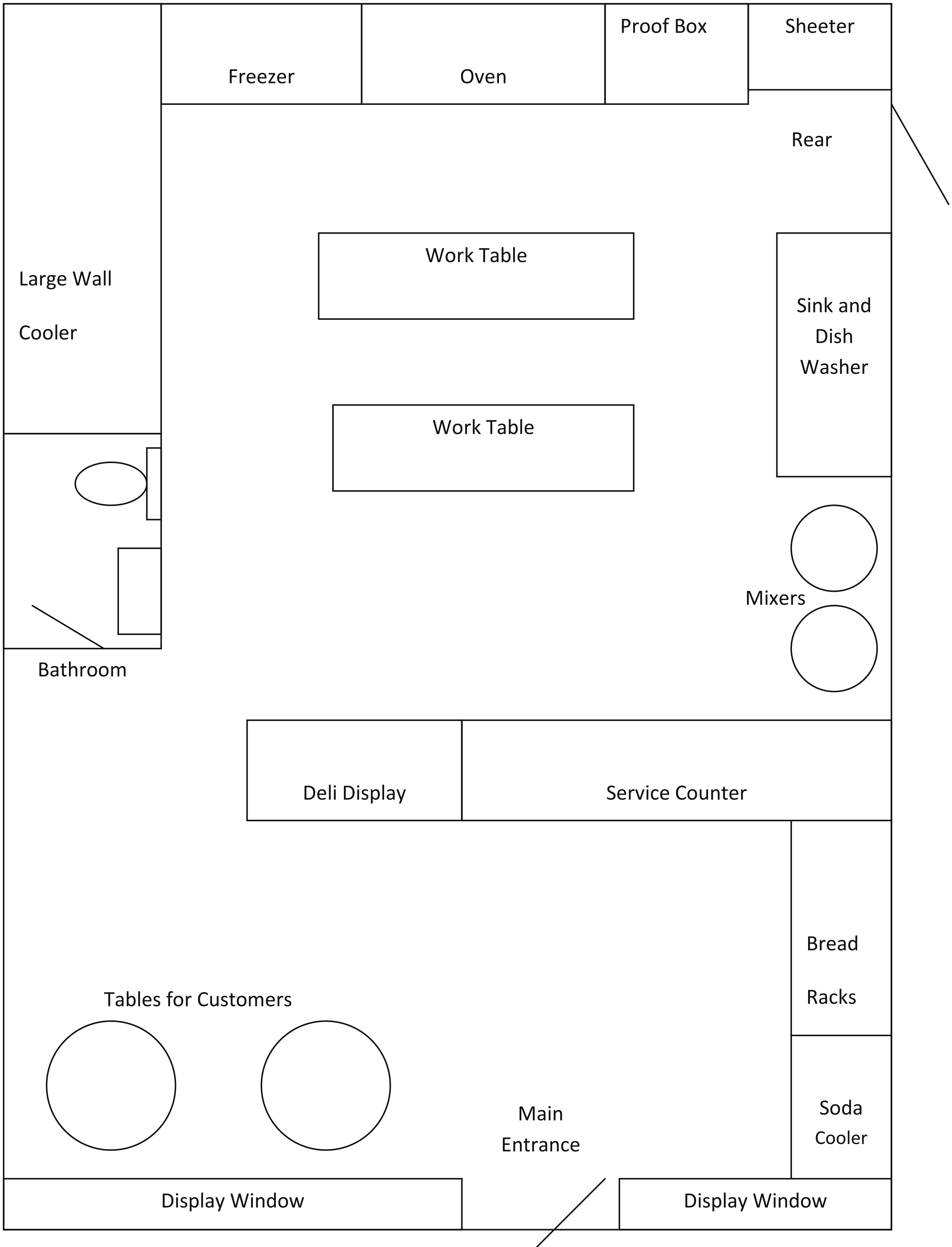
(Name of business) **will be organized as** *a (legal entity)***, with founder(s),** *(your name(s))* **holding _______% ownership.**

____

____

(Describe the facility; i.e., square footage, etc. and include a floor plan, if applicable, if not, skip this part.)

FLOOR PLAN EXAMPLE



Operating hours are from ______am to ______pm, Monday through Friday, and ______am through

______pm on Saturday and Sunday.

Primary target markets are (Briefly describe your customers. A more detailed description will be made in the marketing section.)

____

____

(In general terms, describe your pricing compared to the competition.)

____

____

(Briefly describe the features and benefits of products/services and how they set you apart from the competition and what makes your business unique and special? Note: a more detailed description of the competition will be included in the marketing section. You could attach pictures, brochures, your web address (if you have one) and any other applicable materials here or in the back of your business plan.

____

____

Statement of Purpose

The purpose of this business plan is to secure a $______ loan to launch (name of your business), a company that (describe what your company does and what it offers to its customers). This sum, along with an owner investment of ($_____), will be sufficient to successfully initiate and develop the business over the next three years.

This plan will also serve as a management tool and policy guide to assure financial efficiency, smooth operations, effective marketing, and profitability for (name of your business).

#3 - Business Description & Vision

This section should include:

- Mission statement (business purpose)
- Company vision (statement about company growth)
- Business goals and objectives
- Brief history of the business
- List of key company principals

After reviewing this section the reader should know:

- Who the business is and what it stands for
- Your perception of the company's growth & potential
- Specific goals and objectives of the business
- Background information about the company

Start here…

Company Background & History

A. Our Mission

(Describe unique benefits that your company offers to customers and the community.)

____

____

____

____

B. Our Vision

(Where would you like your business to be 5 years from now and what brought you to the conclusion that it will succeed? Did you identify a specific need in your target markets and specify what your company offers that the competition doesn't. If not, do it here.

Point out any positive factors in your background that point out your management skills and include any business related education, experience in the industry, unique skills/capabilities. Some business owners include their Resume/Profile – either here or in the Attachments.)

C. Company Goals & Objectives

- To secure $______ in financing to successfully launch and develop (name of business)
- To become known as
- To realize a net income of $______ by the end of Year 3 (Leave this part blank until the financial part of the plan is completed.)

#4 - Definition of the Market

This section should:

- Describe your business industry and outlook
- Define the critical needs of your perceived or existing market
- Identify your target market
- Provide a general profile of your targeted clients
- Describe what share of the market you currently have and/or anticipate

After reviewing this section the reader should know:

- Basic information about the industry you operate in and the customer needs you are fulfilling
- The scope and share of your business market, as well as who your target customers are

Start here…

Marketing

A. Products and Services (Describe your products and services in more detail.)

____

____

B. Industry Trends

(How does your industry generally market their products and services? If you need help in this area, contact me for market research.)

____

____

C. General description of your demographic and geographic Target Market

____

____

____

#5 - Description of Products and Services

This section should:

- Specifically describe all of your products and services
- Explain how your products and services are competitive
- If applicable, reference a picture or brochure of your products, which would be included in the plan's appendix

After reviewing this section the reader should know:

- Why you are in business
- What your products and services are and how much they sell for
- How and why your products & services are competitive

Start here…

Basic Business Definition

(Describe what your business does and sells – elaborate on this.)

(Explain how your products and services are competitive)

(Include any collateral material or articles about your business and industry.)

#6 - Organization & Management

This section should:

- Provide a description of how your company is organized as well as an organization chart, if available
- Describe the legal structure of your business (proprietorship, partnership, corporation, etc.)
- Identify necessary or special licenses and/or permits your business operates with
- Provide a brief bio description of key managers within the company

After reviewing this section the reader should know:

- The legal form of ownership for your business
- Who the leaders are in your business as well as their roles
- The general flow of operations within the firm

Start here…

Organization, Management, and Operations Plan

(Describe members of your organization and what their responsibilities are. Include accountant, attorney and other professional services such as a payroll service. This section deals with your company's management, operational activities and internal policies that enhance your mission, vision and goals.)

Owner (s) (and % of ownership)

___

Professional Support Services:

Accountant: (Company, Contact, phone and address)

___

___

Attorney: (Company, Contact, phone and address)

___

___

Insurance (Company, Contact, phone, address and coverage)

___

EMPLOYEE INFORMATION

Projections will be prepared for three years. Include any expected changes in salary and the expected date the changes will go into effect. Use additional paper if necessary. This information will need to tie to the cash flow statement. Group employees if they have the same job description, number of work hours and pay rate.

Title & Job Description *	Salary OR Rate/per hour	Number of Hours Worked Per Week	Date Employee Started OR Will Start
Owner -			

SUPPLIERS

Product	Name	Contact	Address	Phone	Terms

#7 - Marketing and Sales Strategy

This section should:

- Identify and describe your market – who your customers are and what the demand is for your products & services
- Describe your channels of distribution
- Explain your sales strategy, specific to pricing, promotion, products and place (4Ps)

After reviewing this section the reader should know:

- Who your market is and how you will reach it
- How your company will apply pricing, promotion, product diversification and channel distribution to sell your products and services competitively

Start here…

Market Analysis: (this section demonstrates market potential.)

Demographics (Describe your customers – who they are, where they are, where they go, what they read, watch and listen to, etc. Include an overview of how you could effectively 'reach' them.

____

____

____

____

____

If you are marketing to the general consumer: (Fill in the chart below if you are marketing to the general consumer in your market area(s). The chart will demonstrate that your market is large enough to realize successful sales levels. This section will demonstrate market potential. For consumer demographics in your market area, see: http://www.city-data.com/ or www.zipskinny.com

Zip Code	Population	Age	Households	Median Household Income

If you are marketing to businesses only, perhaps you already know the market potential of your business. Perhaps you already have a list of businesses or types of businesses that might purchase from you. You might find the information by going to: http://quickfacts.census.gov/qfd/states for market statistics and trends – proving that there is a demand for your products and services. Or, if you need additional help, contact your SBDC Advisor; our Research Network in Albany might be able to help.

Note: you can cut and paste the information you find as long as you indicate where you found the info.

Competition: (Describe three competitors and how your company is superior. Examples: warranties, great customer service, convenience, cost-efficient, great in-store shopping experience, helping them better accomplish their objectives and goals, etc.)

____

____

____

____

WHAT THE CUSTOMER SEEKS

Customer Seeks	Your Business Offers	1st Competitor ____________	2nd Competitor ____________	3rd Competitor ____________
Product Quality				
Price				
Exclusivity				
Extent of Product Line				
Product Service				
Reliability				
Distribution Method				
Location				
Customer Advice and Information				
Availability				
Credit				
Warranty & Guarantee				
Customer Treatment				
Additional Notes				

*Make copies of this sheet for additional competitors.

Key Success Indicators: (Why do you think opening or expanding your business is a great opportunity? Examples: Growing demand for ________________; or little/poor quality of competition; fulfilling a need that is not being addressed in your markets; high level of management skills in the company, widest selection of goods, etc.) Note: if you want to complete S.W.O.T analysis, this is the place to do it: list your Strengths, Weaknesses, Opportunities and Threats/Challenges.

(Examples)

- Location: the closest competitor is ….
- High level of management skills

Strategic Plan: (Based on the Key Success Indicators (above), how do you plan to win a reasonable market share and realize profits over the next three years? This section should include an integrated mix of advertising, public relations and promotions. You might mention your commitment to continually tracking market trends, the competition and other factors that affect sales, Include how you plan to build customer loyalty while building your customer base.)

Marketing Schedule: (Action Plan)

(Explain some of your specific marketing plans and two or three actions you will take each month (**or quarterly**). Remember, you should include a mix of advertising, sales promotions and public relations. To make your plan more complete, indicate how much you will spend for each campaign or program. Contact your SBDC advisor if you need help. (Note: A good plan actually evolves.) To achieve long term sales and marketing goals you should track the effectiveness of each program as the business progresses and make changes, if necessary.)

#8 - Financial Management

This section should include:

New Business

- Estimate of start-up costs
- Projected balance sheet (1 year forward)
- Projected income statement (1 year forward)
- Projected cash flow statement (12 months forward)

Existing Business

- Balance sheets (last 3 years)
- Income statements (last 3 years)
- Cash flow statement (12 months)

If Applying for a Loan

- Current personal financial statement on each principal
- Federal tax return for prior year

After reviewing this section the reader should:

- Have a good understanding regarding the financial capacity and/or projections for your company

REQUIRED INITIAL FUNDS

Once you have identified an appropriate location, proceed with determining start-up and operating costs. Use the following chart to help you examine start-up costs. Note that this chart is geared toward a retail business so service and manufacturing items may vary slightly. If you need help adapting the list to your needs, ask your SBDC advisor for assistance.

Estimated Cost

Description	**Need (**Estimated Cost)	**Have (Market Value)**
Advertising for opening		
Signage		
Buildings		
Decorating & Remodeling (from list)		
Equipment (from list)		
Furniture & Fixtures (from list)		
Insurance		
Legal & Accounting		
Licenses and Permits		
Real Estate		
Rent Deposits		
Bank & SBA Closing Costs		
Beginning Inventory		
Supplies (from list)		
Services (from list)		
Utility & Telephone Deposits		
Vehicles (from list)		
Working Capital (= 3 months expenses)		
Totals		

PRODUCT PRICING AND GROSS PROFIT MARGIN

Pricing a product at the appropriate price will insure that your company will make a profit that is enough to cover both the cost of goods sold and selling and administrative expenses. Using this worksheet, compute the gross profit of each one of your products by subtracting the cost of goods sold from the selling price and then dividing the resulting number by the product selling price. The final number is the the gross profit for your product expressed as a percentage of your product selling price.

Product or Service	Your Selling Price	Your Cost	Gross Profit $	Gross Profit %
Example Widget 1	*4.99*	*2.35*	*2.64*	*53%*

Projected Income Statement Worksheet

	Mo. 1	Mo. 2	Mo. 3	Mo. 4	Mo. 5	Mo. 6	Mo. 7	Mo. 8	Mo. 9	Mo. 10	Mo. 11	Mo. 12	TOTAL
Income													
Total Income													
Cost of Goods													
Gross Profit													
Monthly Expenses													
Owners Compensation													
Salaries													
Employee Benefits													
Advertising													
Car & Truck Expenses													
Monthly Services													
Insurances													
Legal & Accounting													
Office Expense													
Postage & Shipping													
Rent													
Equipment Rental													
Repairs													
Supplies													
Telephone													
Travel													
Utilities													
Misc													
Real Estate Taxes													
Interest													
Total Expense													
Net Profit													

Example

SOURCES AND USES OF FUNDS

Best Bakery

***Sources*:**

Owner's Investment	$	20,000.
Bank Financing	$	80,000.
Total Sources of funding:		**$100,000.**

***Use of Proceeds*:**

New Equipment purchase	(Attach actual description and cost)	$	10,000.
Used Equipment purchase	(Attach actual description and cost)	$	31,200.
Inventory for resale	(Provide a complete inventory list)	$	25,000.
Marketing/Advertising	(Attach actual description and cost)	$	7,000.
Leasehold Improvements	(Provide a description of the work)	$	13,000.
Deposits	(Telephone, Rent, Utility, Insurance)	$	1,400.
Working Capital		$	10,000.
SBA Fee (2%)		$	1,600.
Bank Closing Costs (1%)		$	800.
Total Uses of Funds			**$100,000.**

Collateral: (Used to secure financing)

Equipment	(New and Used at 50% market value)	$	41,200.
Inventory	(Valued at 80% of "Book" Value)	$	20,000.
Equity in Residence		$	50,000.
Total Collateral			**$111,200.**

#9 - Appendices

This section should include as attachments:

- Company brochures
- Resumes of key employees
- List of business equipment
- Copies of press articles and advertisements (if available)
- Pictures of your business location and products (optional)
- Information supporting the growth of your industry and/or products (optional)
- Key business agreements, such as lease, contracts, etc. (optional)
- Business Tax Returns (3 Years)
- Personal Financial Statement SBA Form 413
- Statement of Personal History SBA Form 912 (*both forms can be found at www.sba.gov*)
- Personal Tax Return Transcripts (3 Years) IRS Form 4506T (*www.irs.gov*)
- Personal Tax Return Copies

Reference Section

ADVERTISING

Although a lot of small business people hope to rely on "word of mouth" advertising, almost all businesses find that they need to actively promote their business. This is especially true for new businesses. You should have a budget for advertising and a plan that details when, where and how you are going to advertise.

Some of the more common ways to advertise include direct mailing, fliers, brochures, signs, ads, internet and cold calling. Small business owners have come up with many different ways to promote their businesses. In fact, the ways to market your business are limited only by your imagination.[*]

Much of small business marketing is "trying and tracking," so be sure to build feedback into your advertising.

PLANNING (BUDGETING) ADVERTISING FOR THE YEAR:

An advertising budget should be at least 1-3 percent of gross sales.

- Approximately 3% for a business new to the market or with increased competition
- Approximately 2% for a growing business
- Approximately 1% for maintenance schedule to retain an already strong market share

To find a dollar amount for your budget:

1) Project gross sales for the year.
2) Determine appropriate percentage for your business.
3) Then multiply the percentage by the sales amount.This gives you a starting amount.
4) Subtract yearly advertising expenses such as telephone book ads, and then spend the rest of the budget over the course of the year.

______________		______________		______________
Projected Gross Sales	X	Percentage	=	Total Advertising Budget

It will take some experimenting to get the budget just where your business needs it. Remember, most businesses have peaks and valleys.You will have to decide if it is better for your advertisement budget to reflect these peaks and valleys or to try and compensate for times of low sales.

*** Your SBDC Advisor can discuss your marketing idea with you and critique your existing marketing tools.**

ADVERTISING BUDGET WORKSHEET

	Planned Advertising Actions	Cost	Total Monthly Cost
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			

TOTAL YEARLY ADVERTISING BUDGET ________________

SITE EVALUATION WORKSHEET

You may wish to evaluate one or more locations. You may also want to compare a home-based site with another location. Using the 0 to 10 scale (with 10 being the most desirable) grade the vital factors outlined below: *

FACTORS TO CONSIDER	GRADES FOR EACH FACTOR		
Customer Considerations	1st Site	2nd Site	3rd Site
1. Proximity to target market	____	____	____
2. Customer ease getting to site	____	____	____
3. Customer safety and comfort getting to site	____	____	____
4. Availability of parking facilities	____	____	____
5. Accessibility for disabled	____	____	____
6. Proximity to complementary businesses	____	____	____
Space Considerations			
1. Physical suitability of building	____	____	____
2. Ease of modifying location to your needs	____	____	____
3. Cost of modifying location to your needs	____	____	____
4. Adequacy of Utilities (sewer, water, power, gas)	____	____	____
5. Traffic flow	____	____	____
6. Nearby competition	____	____	____
7. Start-up costs	____	____	____
8. Cost of operations	____	____	____
9. Ability to create an appropriate atmosphere	____	____	____
10. Zoning regulations and restrictions	____	____	____
11. Provision for future expansion	____	____	____
12. Environmental concerns	____	____	____
13. Quality of police and fire services	____	____	____
14. Tax benefits	____	____	____
15. Availability of raw material	____	____	____
16. Vendor delivery access	____	____	____
17. Lease consideration	____	____	____
18. Insurance and theft considerations	____	____	____
Personal Considerations			
1. Ability to work steadily and effectively	____	____	____
2. Effect on family lifestyle	____	____	____
3. Contact with rest of work world	____	____	____
4. Personal safety	____	____	____
TOTALS	____	____	____

*The greater the difference between the totals of the columns, the clearer your decision should be.

BUSINESS SET UP

If your feasibility study indicates that you can make money operating this business, then you are ready to move on to business set-up.

DEVELOPING A NAME

Although it is legal to operate a business under your exact name, many people choose a different business name. If you develop a business name with care, it will be a valuable part of your marketing and advertising tools. Try to pick a name that tells your customers about what you do or sell.

Often a good way to start is by brainstorming. As you think about your business, write down all the words that come to mind. When you have listed all of the words you can think of, try putting them together in different combinations.

Limit the selection to a few choices, and bounce these potential names of people who are not familiar with your business idea. Ask them what each name suggests about the business. If their description matches your thoughts, then you are probably on the right track.

After you pick your name, be sure to register it so no one else can use it (see below). Be aware that when you go to register your name, a search will be done. If someone else is already using it, you will have to choose another name. You should have a second choice in mind before you make the trip to the County Clerk's Office.

FILING YOUR D/B/A

If you operate your business under a name other than your own, you must register your name with the County Clerk's office in the county where your business is located. To register your fictitious name (also known as your "DBA"), you need to file Form 549, "Certificate for Conducting Business Under an Assumed Name, Individuals" - or - Form 550, "Certificate of Conducting Business as Partners."

You will also need to bring two forms of identification with you. Someone at the County Clerk's office will notarize your signature.

> ***See Resource section for county clerk office locations***

PERSONAL FINANCIAL STATEMENT

A signed personal Financial Statement must be included in the actual funding proposal for each person with 20% or more ownership of the business **or** anyone who will be a co-signer for the loan. (Make extra copies if needed.) If any of the owners are married and are pledging joint assets toward the project, **BOTH** spouses must sign the statement.

Credit card debt will show up on your credit report, so do not forget to include it on the statement as well.

NOTE: Assuming additional liabilities during the loan process may negatively impact your loan approval.

BUSINESS RECORD KEEPING

Introduction

For the individual just going into business, experience clearly indicates that an adequate record keeping system reduces the probability of early failure. Similarly, for the established business owner, it has been clearly demonstrated that a good record keeping system increases the chances of staying in business and of earning large profits.

A good accounting system documents the flow of monies through the company. Sales receipts are deposited in the bank. Deposit receipts are retained. Bank statements provide documentation to support deposit receipts. Canceled checks complete the path showing where the monies were spent.

Establishing a good basic record keeping system will create this path. It will also provide business records that are clear and auditable.

Recordkeeping for Small Business

Legally, you must keep records that will enable you to prepare complete and accurate tax returns. These records must identify your gross income deductions and credits against that income. ou must also keep items such as canceled checks or paid bills to verify your expenditures or expenses. Depending on the kind of business you operate, you may also have to file other tax returns and keep additional records. The following information concentrates on the record-keeping needs of an individual owner of a small unincorporated business (sole proprietorship) in New York State.

Your Tax Year

Your taxes are based on a one-year period called your tax year. It is the same as your federal tax year and in most cases will begin January 1 and end December 31. A “C” corporation may utilize a fiscal year versus a calendar year.

Your tax year is established when you file your first individual tax return. You must continue to use this tax year unless you get permission from the Internal Revenue Service to change it.

Accounting Methods

You may use one of two basic accounting methods to record your business transactions: cash method or accrual method. You must use the same method of accounting for determining your New York State taxable income as you use for federal tax.

- ***The accrual method is a more involved system that most start-up businesses do not need. (See NY State Tax Pub 70 for businesses that are required to use the accrual method).***
- ***The cash method is the simpler form of record keeping. Using the cash method, you report income when the money is actually received and report expenses when the bills are actually paid***

Requirements of a Good Accounting System

A good record keeping system must be:

- ***Simple to use***
- ***Easy to understand***
- ***Reliable***
- ***Accurate***
- ***Consistent***
- ***Designed to provide information on a timely basis***

There are several copyrighted systems providing simplified records, usually in a simple record book. These systems cover the basic records with complete instructions for their use. You can examine some of these systems at most office supply stores.

You can purchase journal/ledger paper at most stationary supply stores. For the cash method of accounting, you should keep a monthly summary (with daily totals) and a yearly summary (with monthly totals) of both journals (four altogether). A daily summary of cash receipts showing beginning and ending cash on hand should also be generated.

Your SBDC Advisor can offer assistance in developing a simple record keeping system.

Business Checking Account

One of the first things you should do when you start a business is open a separate checking account for your business. (If you are doing business under your own name, it may be possible to have a separate personal checking account.). It is, however, vital to keep your business checking account separate from your personal checking account. Activity in your checking account is reported to the IRS.

You should deposit all daily receipts in your business account and, if possible, make all disbursements by check. Avoid making checks payable to "cash" or payable to yourself (except for income withdrawals).

It is a good idea to "shop around" when establishing a banking relationship. Consider bank fees and requirements. Also, consider *your* needs and *potential*, future funding needs.

Your bank will usually require business documentation to establish the account. Depending on the bank, you may need one or all of the following:

- **Certified *copy of your D.B.A. Certificate***
- ***Sales Tax Vendor ID if applicable - Certificate of Authority***
- ***Employee Identification Number (EIN)****

*Sometimes a bank may require an EIN number from a sole proprietor who does not have employees. In this case, the proprietor should file Form SS-4 with the Internal Revenue Service and check box labeled "Banking Purpose" on Line 9 of the form.

Accounts Receivable Control

A few rules should be followed to keep Accounts Receivable current. Be sure bills are prepared when goods are shipped or service is rendered and mailed to correct addresses. Keep a close watch on larger accounts.

At the end of each month, "age" your Accounts Receivable. List accounts and enter amounts that are current, unpaid for 30 days, and unpaid for 60 days and over. Find out exactly why all accounts 60 days and over are unpaid. Your system should help you collect these accounts.

Pay close attention to customers' complaints about bills. If a complaint is justified, propose an adjustment and reach an agreement with the customer. Do this promptly.

If a customer is delinquent, try to obtain a promise of payment on a definite date. If payment is not received on the date promised, ask the customer to explain why and get a new promise.

If you don't know a customer who asks for credit, get information (name, address, telephone number, place of employment, bank and credit references). Then check the person out, so you can make sure that credit is warranted before you grant it.

PETTY CASH FUND

A petty cash fund should be set up to be used for payment of small amounts not covered by invoices. A check should be drawn for a small amount, such as $25. The check is cashed and the fund placed in a box or drawer. When payments are made for such items as postage, freight, and bus fares, the items are listed on a printed form or even on a blank sheet. When the fund is nearly exhausted, the items are summarized and a check drawn to cover the exact amount expended. The check is cashed and the fund replenished. At all times, the cash in the drawer plus listed expenditures will equal the amount of the fund.

LIST OF EQUIPMENT

Keep a careful list of permanent equipment used in the business. Keep track of items useful for a year or longer and of appreciable value. Show date purchased, name of supplier, description of item, check number used for payment, and amount. If you own several pieces of equipment, prepare separate lists for automotive equipment, tools and manufacturing equipment, and furniture and fixtures. These lists provide the basis for calculating depreciation and provide supporting data for fixed asset accounts.

FIXED ASSET DEPRECIATION

Fixed Assets may be defined as items normally in use for one year or longer, such as buildings, automotive equipment, tools, equipment, furniture, and fixtures. Instead of writing off the total cost of the assets when it is purchased, these assets are usually depreciated or "expensed" over their useful life. Smaller businesses will usually charge depreciation at the end of their fiscal year, but a business with a very substantial fixed asset, such as a motel, will probably calculate depreciation monthly.

INSURANCE RECORD

Most businesses will have several types of insurance. Each policy should be listed showing type of insurance coverage, name of insurer, dates effective (expiration date), and annual premiums.

OUTSIDE ACCOUNTING SERVICES

In achieving effective financial management, the services of an accountant are helpful

Specific services you may want your accountant to provide:

- Design specific record keeping and control systems
- Preparation of financial reports with review of results
- Cost accounting and analysis
- Tax planning and return preparation
- Financial planning, forecasting, and advice
- Business valuation

HOW TO SELECT A CERTIFIED PUBLIC ACCOUNTANT

Questions to ask prospective accountants:

- What is your small business experience in general and in my particular field?
- What are your fees and what exactly is received for that fee?
- Do you prepare management reports as well as do taxes?
    - Do I get interim statements or just one at the end of the year?
    - Do I get an explanation of my yearend taxes?
    - Will I get financial advice?
- Will you be present if I am audited?
- Is your software compatible with my record keeping system?
- Will you be able to service my business in a timely fashion?

It is important to secure references and testimonials on any CPA under Consideration. If you’re operating as a sole proprietor, it could be financially advantageous to retain a qualified tax preparer.

> **GET REFERENCES!!! ALSO BE SURE TO GET YOUR RETAINER OR CONTRACT IN WRITING.**

TAXES FOR SOLE PROPRIETORS

STATE TAXES

New York State Department of Taxation and Finance
W.A. Harriman Campus
Albany, New York 12227
http://www.tax.ny.gov/

Forms:	**518-457-5431**
Sales Tax/Tax Info Center:	**518-485-2889**
Corporate Tax Info Center:	**518-485-6027**

NEW YORK STATE INCOME TAX

You may be required to file *estimated tax payments* if your tax liability exceeds the state minimum. Estimated payments are made on a *quarterly* basis on form *IT-2105*.

NEW YORK STATE SALES TAX

If your product or service is taxable, you must apply to become a sales tax vendor with the *New York State Department of Taxation and Finance* at least 20 days prior to opening your business (Form DTF-17). After your application is approved, you will be issued a ***Certificate of Authority*** with a ***Vendor ID Number***. Only the NYS Department of Taxation has the authority to determine if sales tax must be collected in on the product or service you sell. It is best if you obtain that determination in writing.

Quarterly Filing

Once registered, you will be required to file sales tax payments. Most small businesses are required to file on a **quarterly** basis. Usually, form ST-100 will come directly from Albany 10 days before the quarter ends. If the form is not received, it is your responsibility to call and have one sent. If the return is not filed or is filed late (whether sales tax was collected or not), a penalty will be assessed.

Quarterly Payment Schedule:

Quarterly Period	Due Date
December 1 - February 28 (29)	March 20
March 1 - May 31	June 20
June 1 - August 31	September 20
September 1 - November 30	December 20

Be aware that how often you file depends on how large your sales are. If your sales increase, you may be required to file monthly. If your sales are relatively low, you may be allowed to file yearly.

Resale Certificate - Form ST-120

If you plan to buy merchandise for resale, you will need to give your supplier a ***Resale Certificate*** to avoid paying sales tax when you purchase your products. You can request Resale Certificates from the New York State Department of Taxation and Finance after your receive a Certificate of Authority.

Exempt Use Certificate - Form ST-121

If you need to purchase machinery, equipment or supplies to make or package your product, you may be able to buy these items without paying sales tax by using an Exempt Use Certificate. (Follow same procedure as with Resale Certificate.)

OTHER STATE TAXES

If you need to inquire about NYS corporate franchise tax, estate tax, truck mileage tax, fuel use tax on diesel fuel and gasoline, tobacco, alcohol and other miscellaneous commodity taxes, call the New York State Department of Taxation and Finance information number.

Publications:

20 - New York State Tax Guide for New Business

750 - A Guide to Sales Tax in New York State

Forms:

IT205 - Estimated Income Taxes

IT201 - Resident Income Tax (Year End)

DTF-17- Sales Tax Vendor Application (In Pub 20)

ST100 - Quarterly Sales Tax

ST120 - Resale Certificate

ST121 - Exempt Use Certificate

Another resource to contact would be the Internal Revenue Service Business Assistance Center. They are geared to assist anyone, including businesses with tax questions. Their Rochester address is:

IRS (Rochester Office)
255 East Avenue
Rochester, New York 14604
(585) 269-7307

FEDERAL TAXES

As a new business owner, you should call the IRS and order a ***Business Tax Kit.*** The tax kit contains several useful IRS publications for the new business owner. (See below for specific Publications in the tax kit.)

FEDERAL *INCOME* TAX

General Rule: You may be required to file estimated tax payments if your liability is:

1) 90% of the tax to be shown on your current year tax return, or

2) 100% of the tax shown on your previous year's tax return. (Your previous year tax return must cover all 12 months.)

FEDERAL *SELF-EMPLOYMENT* TAX

Self-employment tax is based on your business net income. The key to managing Self-employment tax is to record all allowable expenses

Business Tax Kit Contains:

Forms: 1040-ES (Estimated Taxes) SS-4 Form (EIN Number)

Publications:

334	Small Business Tax Guide	505	Tax Withholding and Est. Tax
509	Calendar Year	533	Self-Employment Tax
583	Starting a Business & Keeping Records	594	Understanding the Collection Process
910	A Guide to Free Tax Services		

Other Publications to order

587	Business Use of Home	463	Travel, Entertainment, and Use of Car
15	Employer’s Tax Guide	15-A	Employees vs. Subcontractors

Business Insurance

Risk Protection

It is becoming increasingly important that attention be given to security and insurance protection for your business. There are several areas that should be covered. Examine the following categories of risk protection and figure them into your expenses.

Five categories of potential property/casualty insurance loss:

- Property
- Liability
- Business interruption
- Compensation/Disability
- Key person loss

There are circumstances that are excluded from on business owner's package policy:

- Nuclear contamination
- Flooding or water seepage
- Maintenance -- related losses such as wear and tear
- Pollution

Some of these may be covered on the endorsement page of your policy. Every small business should secure an insurance agent and risk management professional for consultation on regarding items coverage exclusions.

Additional positive actions:

- Evaluating business risks and potential business losses
- Promoting work place safety to reduce your risks
- Being an informed consumer
- Evaluating your insurance coverage annually or when changes take place in your company

Types of property normally insured:

- Buildings and other structures
- Money and securities
- Records of accounts receivable
- Inventory, furniture, equipment and supplies, machinery
- Valuable documents
- Automobiles, trucks, trailers which are titled
- Computers, boilers, machinery, and other technical equipment or service work

Tips on purchasing insurance:

- Shop around
- Choose a qualified agent or broker -- check company ratings
- Consider value - added services offered by insurance companies
- Question your agent on available premium credits -- get a written summary of coverage
- Estate planning as it relates to privately owned business -- buy/sell agreement funded by life insurance protection

Risk Management

Insurance agents apply a technique called Risk Management to analyze your exposures. Risk Management makes it easy for you to evaluate your exposures according to the following rules:

- Never risk more than you can afford to lose. If this type of a loss will cripple your organization, you need to transfer the risk to someone else.
- Don't risk too much for too little. The best example of this rule is the deductibles on your vehicle coverage. Don't accept too high a deductible for a marginal premium savings.
- Know the odds. If the likelihood of a loss occurring is very remote, you can handle it differently than a loss that may occur several times a year. Insurance is for unforeseen events. If you know the odds, it is probably not insurable.

Once you have evaluated your exposures, you should choose a method of handling the exposure. There are four methods to choose from:

- Eliminate the exposure. Stopping the sale of alcoholic beverages at the carnival is an easy way to eliminate your liquor legal liability exposure.
- Assume the risk yourself. Your Comprehensive and Collision deductibles are good examples of assuming risk. Make sure that you only decide to assume a risk after you have measured the impact a potential loss will have on your organization.
- Reduce the exposure. This method uses a loss prevention program to reduce both the exposure to loss and the severity of loss when it occurs. One example of reducing the exposure is installing a handrail on a stairwell that doesn't have one.
- Purchase insurance.

Adapted from "Taking the Mystery Out of Small Business Insurance" compiled by Shepard, Maxwell & Hale, Insurance Brokers.

Your Business and the Law

A person in business is not expected to be a lawyer, but each business owner should have a basic knowledge of laws affecting their business. Here is a checklist to get you started thinking about your legal responsibilities.

	YES	NO
1. Do you know which licenses and permits you may need to operate your business?	____	____
2. Do you know the business laws you will have to obey? Are you aware of:	____	____
A. Occupational Safety and Health (OSHA) requirements	____	____
B. Regulations covering hazardous material	____	____
C. Local ordinances covering signs, snow removal, etc.	____	____
D. Federal Tax Code provisions pertaining to small business	____	____
E. Federal regulations on withholding taxes and Social Security	____	____
F. Compensation laws	____	____
4. Will you need written contracts for your business?	____	____

Every business owner should identify an attorney for their business <u>before</u> the need arises. The following are some suggestions to help you choose your attorney.

- Talk to other business owners in your area and in your field to get referrals. If you cannot get referrals, then ask the attorney you are considering for references.
- If you are considering a firm, ask who will be handling your legal affairs, and interview the specific person. Make certain they have experience in your type of business.
- Make certain that the attorney whom you are considering returns phone calls promptly and that they are not too busy to handle your needs in a timely fashion.
- Ask enough questions to make sure that the attorney's legal ethics match your personal and business philosophy.
- Don't be afraid to discuss fees up front. Get your contract or retainer (if needed) in writing.
- Don't ever sign any legal documents until you understand them completely.

County Clerk Offices

Genesee County Clerk County Building I 15 Main Street Batavia, New York 14020 (585) 815-7802 **http://www.co.genesee.ny.us/departments/countyclerk/index.**php	**Livingston County Clerk** 6 Court Street Geneseo, New York 14454 (585) 243-7000 **http://www.co.livingston.state.ny.us/clerk.htm**
Monroe County Clerk 101 County Office Building 39 W. Main Street Rochester, New York 14614 (585) 753-1600 **http://www.monroecounty.gov/clerk-index.php**	**Ontario County Clerk** 20 Ontario Street Canandaigua, New York 14424 (585) 396-4200 **http://www.co.ontario.ny.us/102/CoClerk/**
Orleans County Clerk 3 South Main Street, Suite 1 Court House Square Albion, New York 14411 (585) 589-5334 **http://orleansny.com/clerk**	**Seneca County Clerk** Seneca County Office Building, 1 DiPronio Drive Waterloo, New York 13165 (315) 539-1771 **http://www.co.seneca.ny.us/dpt-operations/county-clerk/**
Wayne County Clerk 9 Pearl Street Lyons, New York 14489 (315) 946-7470 **http://www.co.wayne.ny.us/index.php/county-clerk**	**Wyoming County Clerk** 143 North Main Street Warsaw, New York 14569 (585)786-8810 **http://www.wyomingco.net/174/county-clerk**
Yates County Clerk 417 Liberty Street - Suite 1107 Penn Yan, New York 14527 (315) 536-5120 **http://www.yatescounty.org/160/couny-clerk**	

Finger Lakes Industrial Development Agencies	
Genesee County Industrial Development Agency (GCEDC) 99 MedTech Drive, Suite 106 Batavia, NY 14020	(585) 343.4866 http://www.gcedc.com/
Livingston County Industrial Development Agency (LCIDA) 6 Court Street – Room 306 Geneseo, NY 14454	(585) 243-7124 http:// www.livingstoncounty.us/ directory.aspx?did=65
Monroe County Industrial Development Agency (COMIDA) CityPlace, Suite 8100 50 West Main Street Rochester, NY 14614	(585)753-2000 or 1-888-842-1009 http://www.imaginemonroe.org
Ontario County Industrial Development Agency (OCIDA/OED) 20 Ontario Street, Suite 106-B Canandaigua, NY 14424	(585) 396-4460 http://www.ontariocountydev.org/
Orleans County Industrial Development Agency (OEDA) 121 North Main Street Albion, New York 14411	(585) 589-7060 http://www.orleansdevelopment.org
Seneca County Industrial Development Agency (SCIDA) One Di Pronio Drive Waterloo, New York 13165-1681	(315) 539-1725 http://www.senecacountyida.org/
Wayne County Industrial Development Agency (WCIDA) 9 Pearl Street Lyons, NY 14489	(315) 946-5917 https://web.co.wayne.ny.us/index.php/wcida
Wyoming County Industrial Development Agency (WCIDA) 36 Center Street , Suite D Warsaw, NY 14569	(585) 786-3764 www.wycoida.org
Yates County Industrial Development Agency (YATESIDA) One Keuka Business Park Penn Yan, NY 14527	(315) 536-7328 http://www.fingerlakesedc.com/

ZONING REGULATIONS: WHAT YOU SHOULD KNOW

Zoning regulations have the same endearing qualities as tax regulations – what you don't know can put you out of business! Therefore, don't ignore them and learn what you need to know.

1. Find out if your town has zoning regulations. Most urban and suburban areas do. Some rural areas don't. Call your local town hall and ask. If your area doesn't, relax, but keep your ears open for any proposal to introduce zoning regulations. If that occurs, be sure to attend all hearings so you can influence the regulations dealing with home businesses.

2. If you are in an area with zoning, find out the structure of your local groups. Most areas will have Planning, Zoning, and Appeals Boards.

   - The Planning Board (may be combined with zoning) sets the goals and develops a plan for growth.
   - The Zoning Board develops a plan and enforces a set of regulations that are intended to achieve the goals of the plan of development.
   - The Appeals Board exists to waive zoning regulations if they have created a hardship, and to question a decision of the zoning enforcement officer (if someone disagrees with his/her interpretation of the zoning regulations).

Read a copy of the zoning regulations. One should be available for reference at your library or zoning office, or you can probably purchase one inexpensively from the zoning office. Find out what zone you are in (there is usually a map in the regulations, or ask a zoning officer). Remember, you don't have to tell anyone why you are asking – it's public information. Most towns are broken into residential (homes), commercial (stores), and industrial (businesses) zones. The zones may be broken into further subcategories (light vs. heavy industry, single-family vs. multiple-family housing, etc.). Read the section of the regulations that deals with the zone you are in first. Check the allowed uses in that zone. Then you will know whether you are legal or illegal.

If you are legal, your only concern is to faithfully read the legal notices in your local newspaper for any proposed changes that might affect your business. f such changes are proposed, attend the hearings and make your opinion heard.

If you are illegal, first check the date of adoption of the regulations. If your business existed prior to that date, you may be "pre-existing, non-conforming" (you don't have to meet the regulations). However, this status can affect expansion of your business. Check wording of the adoption. If the date of adoption of the regulations indicates it is a revision of earlier regulations, you will have to check to see if your business existed prior to the first set of regulations that said "you can't do that there."

If you are illegal and not "pre-existing, non-conforming," you need to consider the possibilities. You can be issued a "cease and desist" order at any time by the zoning enforcement officer. This means you must stop what you are doing immediately or face the possibility of a per day fine. If this should happen, either:

- File an appeal immediately with the Appeals Board (if you interpret the regulations differently than the zoning enforcement officer does).
- Submit a change in the regulations to the Zoning Board. This will allow you to continue your business without fines until the board or boards reach a decision. You may want the assistance of an attorney.

In reality, you'll probably never face this dilemma unless someone complains. Most zoning officers don't have time to chase people who aren't bothering anybody.

To defend yourself against this possibility and prevent it from happening:

- Don't annoy your neighbors
- Don't install outside signs
- Start keeping a list of every business you know that is violating the zoning regulations (in most cases, businesses in residential zones). The size of the list will tell you how much support you might enlist in a fight
- Read the regulations dealing with businesses adjacent to a residential zone. (These deal with places where zone lines meet but will tell you what the board considers reasonable when homes and businesses are next to each other.) Although these don't apply to you, be sure you would be able to meet them, since logically the situation is the same
- Read the regulations concerning the businesses that are allowed in a residential zone and compare your business to them. For example: If any are allowed, do you generate more or less traffic, noise, etc.?Do you have adequate off-street parking for cars and trucks? Does your business alter the appearance of your house? Do you make noise?
- Attend a meeting of each of the boards. Identify the person who appears most active and logical and who might be sympathetic to your position
- If you're an activist at heart, volunteer for the next open position on one of the boards or write a regulation allowing home-based businesses and submit it to your Zoning Board for consideration

Remember, the Zoning Board is not the enemy. For the most part, they are a group of volunteers putting in a lot of time, using the best of their abilities to keep your town a nice place in which to live.

> ***Adapted by: "Zoning Regulations: What You Should Know," Frances O'Neill, NAHB Alliance, National Alliance of Home based Businesswomen, Issue No. 5.***

RELATED WEB SITES

NYS Small Business Development Center	http://www.nyssbdc.org
SUNY Brockport SBDC	http://www.nyssbdc.org/centers/centers.aspx?centid=22
Small Business Administration	http://www.sba.gov
SBA Women's Business Center	https://thewomensbusinesscenter.com/
IRS Business Site	http://www.irs.gov
Central Contracting Registration	https://uscontractorregistration.com/
Service Corps of Retired Executives	http://www.score.org
SBA International Trade	http://www.sba.gov/oit
National SBDC site	https://americassbdc.org/
NYS Business Site	https://www.ny.gov/services/business
NYS **O**nline **P**ermit **A**ssistance and **L**icensing	https://www.ny.gov/services/licenses
NYS Sales Tax	https://www.tax.ny.gov/bus/st/stmp.htm
NYS Department of State	https://www.ny.gov/agencies/department-state
Federal EIN online application	http://www.irs.gov/businesses/small/article/0,,id=102767,00.html
Guide to small business information	http://sbinformation.about.com
Key Bank's small business site	https://www.key.com/small-business/index.jsp
Rochester Business Alliance (The Regional Chamber of Commerce)	https://www.greaterrochesterchamber.com
Rochester Women's Network	http://www.rwn.org
National Association of Women Business Owners	http://www.nawbo.org
CCH Business Owner's Toolkit	http://www.toolkit.com
Business Plan Pro Software company	http:// www.bplans.com
Quicken	http://www.quicken.com/small_business
From the Wall Street Journal	https://www.wsj.com/news/business/small-business-marketing
Search for business ideas and see if yours is worthwhile	http://www.businessownersideacafe.com/

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