Start Smart Guide

Resources to Guide the Entrepreneur

Presented by the Shenandoah Valley Small Business Development Center
Office at 127 W. Bruce Street Harrisonburg, VA 540.568.3227 www.ValleySBDC.org

The Virginia SBDC Network is funded in part through a cooperative agreement with the U.S. Small Business Administration, George Mason University - Mason Enterprise, local host institutions and GO VIRGINIA, a state-funded initiative administered by the Virginia Department of Housing and Community Development (DHCD).
The Virginia SBDC is nationally accredited by America's SBDC

Welcome to Start Smart!

The greatest value in business planning is the *process of researching and decision-making* for your business.

This process takes time now, but avoids costly, perhaps disastrous, mistakes later. By working through this process you will not only end up with a finished plan in hand that can convince others to *believe in the concept and your competence to run it*, you will also be well on your way to being *truly prepared to start* or grow your business. You'll be prepared to succeed.

The Shenandoah Valley SBDC's Business Advisors are available to assist you at any point from the first concept to first draft to final plan to opening doors. We have experience helping our clients address difficult questions, build marketing strategy, develop cash flow projections, and turn dreams into reality.

If you would like assistance with your business plan, just ask.

Call the SV SBDC office at (540) 568-3227, or email sbdc@jmu.edu

Let's get started!

Workshop Agenda

1. Brief Introductions
   a. Idea/Business Concept and you are in your Start-up process
   b. Biggest burning question you would like to have answered today

2. SBDC Services
   a. Request for Counseling form

3. Ready for Entrepreneurship? Viable Business Concept

4. Introduction to GrowthWheel Tools

5. Legal Entity

6. Common Mistakes

7. Business Plan and Financials

8. Marketing

9. Start-up Checklist review

The Mission of the SV SBDC us to advise, train, and inform small businesses to help them achieve success. We provide a continuation of services for long term success including:

Training

Advising

Resources

Your SBDC provides exclusive resources in cooperation with the Virginia Small Business Development Center and the Small Business Administration including:

- Virginia SBDC Free Webinars and Workshop Series found on VirginiaSBDC.org
- IBISWorld Industry Research Reports (key for business planning!)
- Small Town & Merchant Program (Expert one-on-one Retail & Restaurant Assistance)
- Innovation Commercialization Assistance Program (Lean Start-up Instruction and more)
- International Business Development Program (Global Trade & Export Assistance)
- Virginia Craft Beverage Assistance Program for Growth
- GrowthWheel (Visual Toolbox for Decision -Making and Action-Planning)
- Business Plan Templates, Cash Flow Projection Worksheets, Bookkeeping Templates and more found on our website valleysbdc.org/resources/forms

Additional Resources, Workshops and Connections through the Shenandoah Valley SBDC

- PTAC – Procurement Technical Assistance Program (Federal, State and Local Gov. Contracts)
- SWaM Certification, eVA Registration and the Virginia Small Business Financing Authority Assistance with the Virginia Department of Small Business and Supplier Diversity
- USPTO – Assistance with Copyright, Patent and Trademark Office

To request free and confidential counseling with a Business Advisor, please complete the Request for Counseling form online, and our Office Manager will respond with an invitation to set up a meeting time. https://www.valleysbdc.org/new-clients/

Are You Ready for Entrepreneurship?

Do you have a Viable Business Concept?

1. What is the problem you are solving for customers? See Product Qualities
Why is this product/service/business needed? Return to this question again and again when considering the next two questions.

2. Who has this problem? See Customer Segments & Customer Persona
"Everybody" is not a customer. Who actually shares the problem and how are they dealing with it now? Focus on what that group thinks, feels, and does, and create value specifically for them.

3. Do you have a clear idea about what products or services you wish to sell?
What are your core products and how can they be offered in various ways to meet customer needs?

4. What makes your solution unique? See Market Space.
Map out your role models, rivals, friendly competitors, stakeholders, and others. Consider how you are similar and how you are different. Note: If there is little to no competition, why not?

5. What income do you require in order for this business to be viable for YOU?
A business that works for one person may not work for another. Your personal goals and income requirements have to be met. Consider what you must receive back before you go forward.

6. How many units/items/ products/contracts will you have to sell to achieve the net profit after taxes that you require? See Cash Flow Assumptions.
Now you'll begin on some of the assumptions about numbers. Remove rose-colored glasses; be realistic and honest.

7. What will your total startup costs be?
In addition to initial costs, how much working capital will you need to survive until you reach and pass the break-even point?

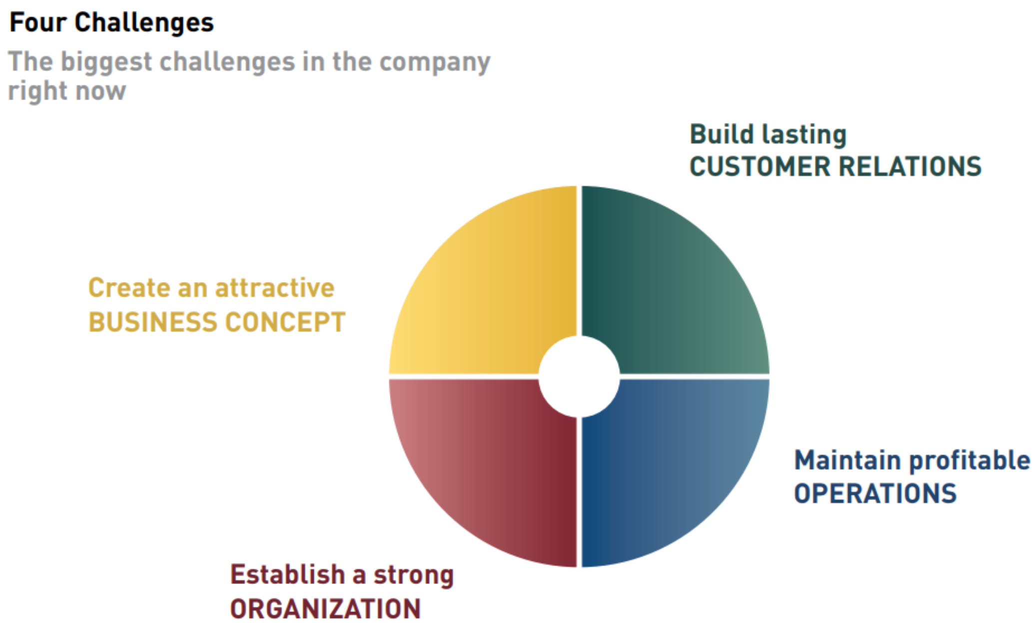
8. How much cash do you have to invest in your business? What other capital are you willing to invest/risk?

9. Have you prepared financial projections that show financial viability for the business?

10. Have you prepared a written business plan appropriate for your needs?
Have you prepared a marketing plan and budget for your business?

Concept Development using GrowthWheel® tools

GrowthWheel® is a toolbox for Decision-making in startup and growth companies. It helps entrepreneurs and business advisors Get Focus, Set Agenda, Make Decisions, and Take Action.

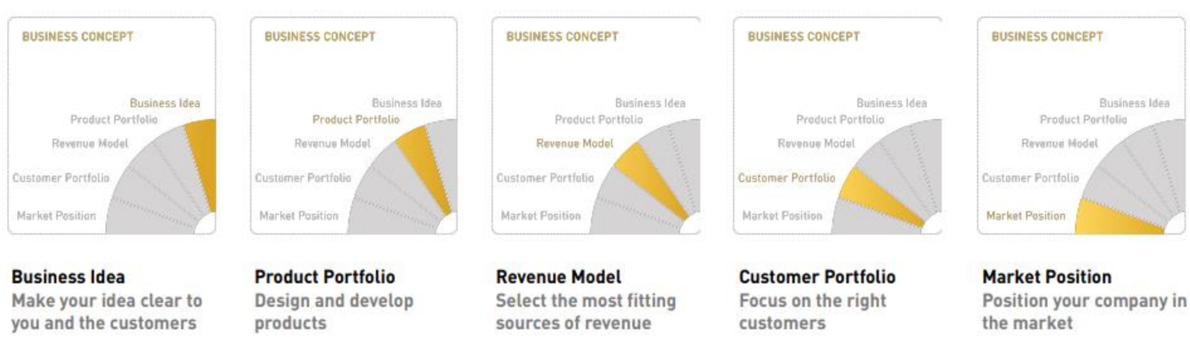


The first challenge you have is to create an attractive **Business Concept**. You have to make a product, a service, or a technology that somebody wants to buy.

The second challenge is to establish a strong **Organization** to deliver this concept. Now, even if you have a strong business concept and you have a solid team of people and partners, the revenue can only come from one place, the customers.

The third challenge is to build lasting **Customer Relations** - get knew clients, keep them and grow them. Even after you establish your customers and sales, there is still one last challenge, and that is to make money and have profitable operations. So the fourth challenge is to maintain profitable **Operations**.

Successful businesses first create and establish an attractive **Business Concept**. You have to provide a product or service that somebody wants to buy, know how you will make money, know who your customer is, and where you fit into the marketplace. Your **Business Concept** is the focus of this Start Smart Class.



Idea Description

Decide the key components of the idea and find the best way to describe them

√ **CHECKLIST: ADDITIONAL COMPONENTS**

- [ ] Personal ambitions
- [ ] Rights to the idea
- [ ] Problems the idea solves
- [ ] Competency needs
- [ ] Competitor profiles
- [ ] Market potential
- [ ] Distribution and logistics
- [ ] Packing
- [ ] Packaging (bundling)

NAME OF THE IDEA:	

COMPONENTS OF THE IDEA	DESCRIPTION
Summary of the idea	
History of the idea (how it emerged)	
Needs the idea will satisfy (problems, new opportunities, savings, etc.)	• • •
Customer groups and markets	• • •
Competitors and substitutes (current and future)	• • •
Patent opportunities (news value)	

COMPONENTS OF THE IDEA	DESCRIPTION
Product description (functions, design, technology)	
Revenue model (price levels, price plans, discounts)	
Costs and investments (establishment, operations)	
Production readiness (obstacles)	

Date:	Name:	Company:

Mission
Formulate the company's purpose and mission

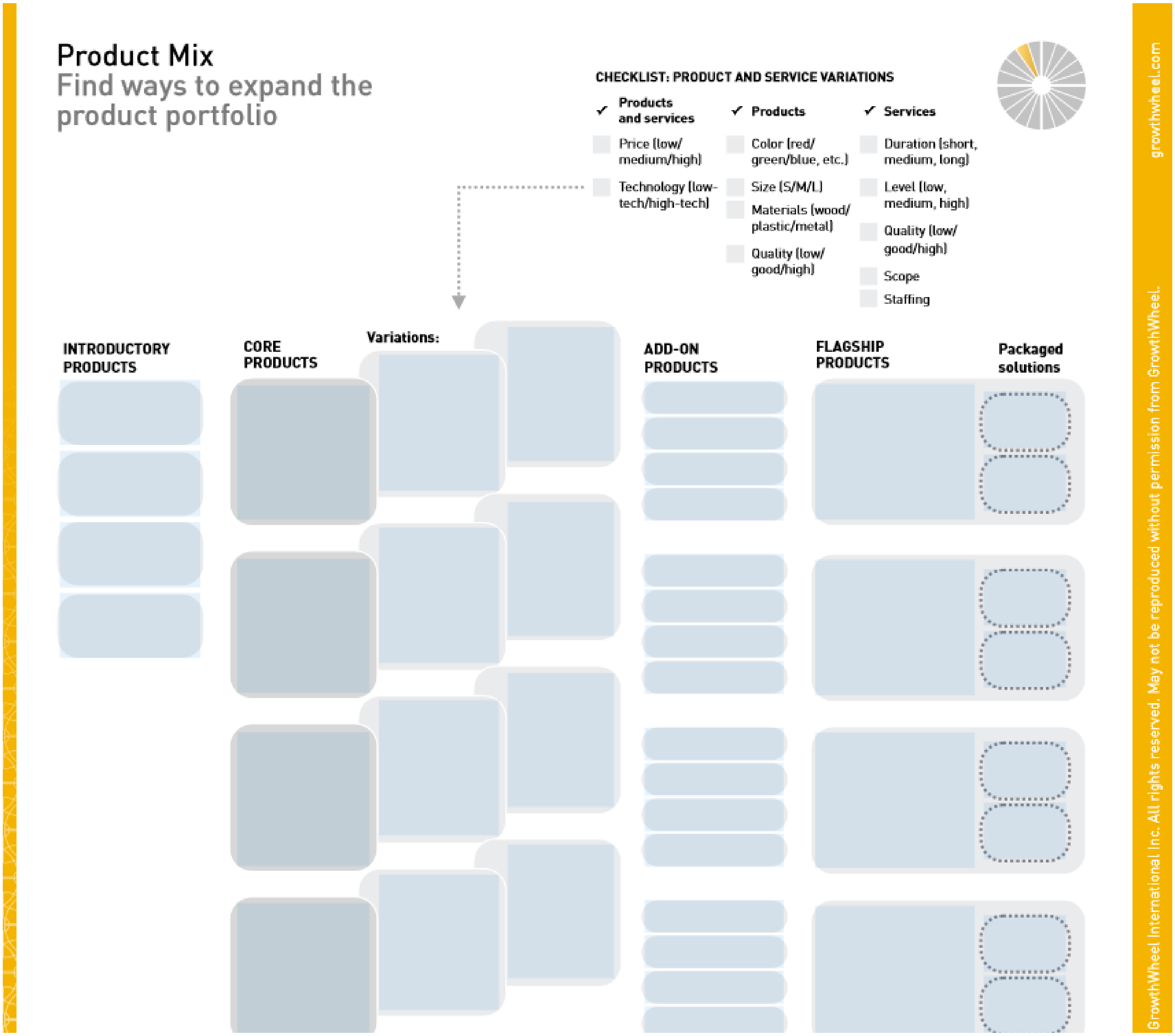
CATEGORY	KEY QUESTION	ANSWER
CONCEPT/ PRODUCT	WHAT problem does the company solve?	1
CUSTOMER/ TARGET GROUP	WHO is the company solving the problem for?	2
PROCESS/ TECHNOLOGY	HOW is the problem solved?	3
VALUE CREATION	WHICH value is created for the target group?	4
PURPOSE	WHY does it matter?	5

The mission told as a mantra:

THE DRAFT MISSION IN ONE SENTENCE

The company's mission is to deliver/make/develop...
1
to the customer group...
2
in the way that we...
3
and thereby help our customers to...
4
We are passionate about this task because...
5

Date: | Name: | Company:



It also helps to keep the 6 “P” marketing elements in mind:

1. People (Customers)
2. Product (or Service)
3. Place (Target Market)
4. Promotion (Advertising, Sales)
5. Package (How the product is presented)
6. Price (In comparison to competition/based on cost + profit)

More People, Product and Placement in the Marketing Section to follow (after Financials)

Home-Based Businesses

Most jurisdictions permit individuals to operate certain types of businesses within their homes but will require you to obtain a "Home Occupation" Permit or similar permit. Before moving ahead with a home-based business, call the **Zoning Office** in your area for more information.

In general, permits will be denied or will have significant barriers if your business creates excess noise, traffic, odors, or other "un-neighborly" aspects. **Do not assume**; ask.

Here are some typical limitations that might be imposed on a home-based business:

- ☐ Restrictions on signs and displays of merchandise
- ☐ Limitations on storage of supplies, equipment, and merchandise
- ☐ Restrictions on parking, traffic, and noise
- ☐ All business activity shall be conducted wholly within the building.
- ☐ Restrictions on changes to the physical dwelling in order to accommodate the business

There may be other local limitations that apply to your business, so it is important for you to verify the zoning and code requirements with your local officials **before you sign a lease, purchase a property, or make any improvements.**

Reasons to Run a Home-Based Business
There may be tax benefits.
You get to work at home and may save child-care costs, auto costs, etc.
It's cheaper than renting office space.
It takes less money to get started.
You can work any time of the day or night.

Reasons to Not Run a Home-Based Business
There may be zoning or other laws that prohibit it or restrict it too much.
There is a risk that your home life and business life will flow into each other.
You may not be enough of a self-disciplined person.
The type of business you want to have may not lend itself to using your home to run it.
When the operational work of the business is done you may go do home related work instead of doing the entrepreneurial work you should do for the business.
There may be many too many interruptions from your kids, neighbors, etc.

Choosing A Location

Questions to consider depending on the type of business you are starting:

1. Is the location and building **zoned** for your type of business? Will any special **permits** be needed?

2. Which is more important to your business: to be in a visible location (*I'm an impulse buyer*) or a destination location (*I'm willing to drive to you*)?

3. Will your site intercept traffic (foot or vehicle) going to another store or office? Is public transportation available nearby?

4. Are there physical or psychological **barriers to access** (freeways, bridges, etc.)?

5. Is there adequate parking; are there **parking** regulations? How is parking affected by weather?

6. What are the population **demographics** in the area? Is there a trending change in demographics?

7. Is the site good for attracting evening business or working there at night? Is there adequate police and fire protection?

8. Is good **signage** or a place for good signage available? What are the sign regulations for the site?

9. Should you be located near your **competitors** or far from them? Is the site vulnerable to unfriendly competition?

10. What is the tenant mix around you? How will they impact your business, for good or bad?

11. How much will the location **cost** on a monthly/annual basis? How much will it cost compared to other locations? What will the monthly maintenance costs be? What insurance will be needed?

12. What renovations will be needed to meet your customer/business needs and code requirements (bathrooms, access, etc.)? Who will pay for those improvements?

13. What is the proposed length of the **lease** and its stipulations for renewal? Is there a tax burden?

14. Is there adequate **labor** pool to draw from to get employees? What are the wage/salary rates in the area?

Two more tips:

1. Choose your location based on objective factors, not on emotions.

2. **If you do not have funding in place, do not commit to a lease.** A lease is a legally binding contract. Have it reviewed – and potentially negotiated – by an attorney?

Choose Your Legal Entity

One of the early decisions that you will want to make as a business owner is how the company should be structured—what legal entity you should use.

First, there is no "best" entity choice for small businesses. Take some time to educate yourself about the various entity choices and turn to experts to help you understand the issues—some of which you may not have even known existed. An attorney and a tax accountant have insights and specific legal and financial information that could affect your venture. The State Commission Corporation website

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's vulnerability to lawsuits.
The tax implications of the different ownership structures.
Expected profit or loss of the business.
Whether or not you will need/want to re-invest earnings into the business.
Your need to take cash withdrawals of the business for yourself.

Sole Proprietorships

The vast majority of small businesses start out as sole proprietorships. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume complete responsibility for any of its liabilities or debts. In the eyes of the law and the public, the owner is one and the same with the business.

Sole Proprietorship

+ Easy to organize
+ Owner has complete control.
+ Owner receives all income.
- Owner has unlimited liability.
- Benefits are not business deductions.

Advantages of a Sole Proprietorship

- Easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control and, within the parameters of the law, may make decisions as they see fit.
- Sole proprietors receive all income generated by the business to keep or reinvest.
- Profits from the business flow through directly to the owner's personal tax return.
- The business is easy to dissolve.

Disadvantages of a Sole Proprietorship

- Sole proprietors have unlimited liability and are legally responsible for all debts and legal judgments against the business. Their business and personal assets may be at risk.
- Often limited to using funds from personal savings, personal or consumer loans.
- May have a hard time attracting high-caliber employees or those motivated by the opportunity to own a part of the business.
- Some benefits such as owner's medical insurance premiums are not directly deductible from business income.
- When the owner dies, a sole proprietorship no longer exists. Assets and liabilities of the business become part of the owner's estate.

Partnerships

In a partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The partners should have a legal agreement that sets forth:

- how much time and money each partner will contribute
- how decisions will be made
- how profits and losses will be shared
- how disputes will be resolved
- how future partners will be admitted to the partnership
- how partners can be bought out or what steps will be taken to dissolve the partnership when needed.

Partnership

+ Easy to organize, but needs agreement.
+ Partners receive all income.
- Partners have unlimited liability.
- Partners may disagree.
- Life of business may be limited.

✳ It's hard to think about a "break-up" when the business is just getting started, but many partnerships split up at crisis times. Partners need a written, defined process for managing and dividing a business; it is important that you consult with an attorney when creating any partnership

General Partnership

Partners divide the responsibilities for management and liability, as well as the profits or losses, according to their internal written agreement.

Limited Partnership

Consists of one or more general partners (those who are generally liable for the business) and one or more limited partners (those who have limited liability). If the statutory requirements are not followed, a limited partnership will be treated as a general partnership.

Joint Venture

Acts like a general partnership, but is clearly for a limited period of time or a single project. If the partners in a joint venture repeat the activity, they will be recognized as an ongoing partnership and will have to file as such, and distribute accumulated partnership assets upon dissolution of the entity.

Advantages of a Partnership

- Partnerships are deceptively easy to establish by oral agreement; however time should be invested in developing the written partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal tax returns.
- Prospective employees may be attracted to the business if given the incentive to become a partner.
- The business may benefit from partners who have complementary skills.

Disadvantages of a Partnership

- Partners are jointly and individually liable for the actions of the other partners unless a limited partnership is specifically created.
- Profits must be shared according to the agreement.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

Corporations

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique entity, separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee major policies and decisions and appoint the management of the company. The corporation has a life of its own and does not dissolve when ownership changes.

> **Corporation**
>
> \+ Shareholders have limited liability.
> \+ Can raise funds thru sale of stock.
> \+ Life of business is unlimited.
> \- Incorporating takes time and money.
> \- May result in higher taxes overall.

Advantages of a Corporation

- Shareholders have limited liability for the corporation's debts or judgments against the corporations.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
- Can elect Subchapter S status (S Corp) if certain requirements are met. This election enables the company to be taxed similarly to a partnership.

Disadvantages of a Corporation

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. As a separate entity, the corporation pays income tax on its profits. Dividends paid to shareholders are not deductible from the business income; thus this income can be taxed twice.

Subchapter S Corporations

The S-Corp offers some variations over the full C-Corp status:

- The company does not pay income taxes on its profits. Instead, the income or losses are passed through to the shareholders and reported on their individual tax returns (similar to a partnership). Note that as a shareholder, you may be required to pay tax on that income even if you have not been paid out any of the profits in the form of dividends or distributions.
- As in a full Corporation, an owner/shareholder can be employed by the company; if so, the wages paid must meet standards of "reasonable compensation". This can vary by geographical region as well as occupation, but the basic rule is to pay yourself what you would have to pay someone to do your job (as long as there is enough profit to do so).

Limited Liability Companies (LLC)

The LLC is a hybrid business structure that is now permissible in most states. It is designed to combine features of a corporation and a partnership. LLC owners are called “members.” and the duration of the LLC is usually determined when the organization papers are filed with the SCC.

Advantages of an LLC

- An LLC has the tax benefits of a partnership: members are taxed on profits at their individual tax rates.
- An LLC is considered a separate legal entity; members have management control of the business without risking personal liability.
- Members can be individuals, partnerships, trusts, corporations, or other LLCs.

Disadvantages of an LLC

- The process of forming the LLC requires time and money; legal and accounting assistance is recommended for multi-member LLCs.
- Owners have the same self-employment tax treatment as partners and sole proprietors.
- States may differ in their tax treatment of LLCs.
- Some attorneys still worry that there is little case law testing the LLC structure and that it still has an “evolving” tax status.

Note: If a corporation, limited partnership, or LLC fails to register and/or conduct its affairs according to the regulations for that entity, its status can be terminated and it will be considered to be a General Partnership or Sole Proprietorship for taxation and liability issues.

Benefit Corporations

A benefit corporation has an incorporated structure similar to LLC or a C Corp, but their bylaws allow management and the board to take into account the concerns of wider stakeholders (such as the community, environment, or workers) instead of focusing solely on the financial concerns of shareholders. State tests of “benefit” are often quite vague, ranging from “general public benefit” to something more specific, like improving an education standard.

Advantages of a Benefit Corporation

- Benefit Corporation statutes offer some protection from people who might change a company’s social mission down the road (though the law isn’t settled on these questions).
- Companies have greater latitude to pursue social goals without fear of being sued by their investors for failing to produce sufficient profits.
- Many investors are attracted to the social and environmental impacts of Benefit Corps.

Disadvantages of a Benefit Corporation

- Benefit Corporations are relatively new to the business world. There is a level of uncertainty that still exists; only time will reveal the challenges and how businesses owners will navigate them.
- There aren’t any corporate tax breaks (unless you have tax-exempt status).
- Not everybody has accessibility to this type of incorporation. Because it’s so new, you’ll need to check with your state to see if this is a viable option.

Note: a Benefit Corporation is not the same as a “B Corp” which is a voluntary certification designation provided by B Lab, a nonprofit group.

Nonprofit Organizations

A nonprofit is a tax-exempt organization that serves the public interest. In general, the purpose of this type of organization must be charitable, educational, scientific, religious, or literary. Legally, a nonprofit organization is one that does not declare a profit and instead utilizes all revenue available after normal operating expenses in service to the public interest. These organizations can be unincorporated or incorporated. An unincorporated nonprofit cannot be given federal tax-exempt status or the designation of being a 501(c)(3) organization as defined by the Internal Revenue Service. When a nonprofit organization is incorporated, it shares many traits with for-profit corporations except that there are no shareholders.

Advantages of a Nonprofit

- Organizations that qualify as public charities under Internal Revenue Code 501(c)(3) are eligible for federal exemption from payment of corporate income tax. Once exempt from this tax, the nonprofit will usually be exempt from similar state and local taxes.
- Nonprofit organizations are allowed to solicit charitable donations from the public. If an organization has obtained 501(c)(3) tax exempt status, an individual's or company's charitable contributions to this entity are tax-deductible.
- Nonprofit organizations are eligible for government and private sector grants.

Disadvantages of a Nonprofit

- It takes time, effort, and money to form a nonprofit entity. Because a nonprofit organization is a legal entity under federal, state, and local laws, the use of an attorney, accountant, or other professional may be necessary.
- As an exempt corporation, a nonprofit must keep detailed records and submit annual filings to the state and IRS by stated deadlines in order to keep its active and exempt status.
- Personal control is limited. A nonprofit organization is subject to laws and regulations, including its own articles of incorporation and bylaws. In most states, a nonprofit is required to have a Board of Directors to determine policy and control the organization.

❋ **In summary, deciding the form of ownership that best suits your business venture should be given careful consideration. Use your key advisors to assist you in the process.**

Common Mistakes Made by Start-Up Businesses

Small business failure is usually tied to a number of clearly identifiable mistakes which pre-planning and careful decision-making can prevent. Eliminating these mistakes can increase your chances for success and survival.

1. **Lack of Market Research**
   Too often, new owners assume that because he – or family and friends – love the business idea, everyone else will. Careful market research is needed to validate your ideas and demonstrate that a) there is demand at a level which will lead to a sustainable business and b) people are prepared to pay the price required for you to make a decent profit.

2. **Poor Record Keeping**
   Most business owners are much better at “doing” rather than “running” a business. Paperwork is easy to ignore, but it cannot be put off indefinitely. Sales must be recorded, customer activity tracked, expenses documented, invoices issued, and payments made on time. Your records reveal whether you are making a profit, where you can improve, and where you can cut waste. Having your paperwork in order will also save you money at tax time.

3. **Insufficient Capital**
   When starting off it’s easy to determine what money is required for fixtures and fittings, machinery and stock. What many new owners forget is that working capital will be needed to fund day-to-day requirements after you open the doors but before your customers pay. Many new ventures go out of business simply because they have insufficient cash reserves to meet immediate expenses. Creating Cash Flow Projections prior to your start will help you determine cash requirements and be prepared.

4. **Ineffective Marketing or None at All**
   You cannot afford to treat the cost of marketing as a luxury expense. A business with no marketing is like waving in the dark – you know you are doing it but no one else does! There are many ways to promote your business on a small budget but it requires creativity and planning.

5. **Changes in the Marketplace**
   As a small business owner it’s very easy to get immersed in your business and not see what is happening around you in the marketplace. Keep your eyes and ears open to what the competition is doing and what your customers want. Don’t get left behind.

6. **Growing Too Quickly**
   Surprisingly, rapid growth can be a real challenge. Operations and processes may not be able to keep up, and cash is often required – but unavailable - to add inventory or staff. If you accept too many orders, you could end up disappointing not only the new customers but also your existing ones. Growth, like a new start, requires planning and preparation.

7. **Trying to Do Everything / Not Hiring the Right Help**
   Most new owners have to fill many if not all roles in the beginning, but as the business grows be prepared to delegate or outsource some tasks. If you delegate the task, delegate the authority to make decisions related to it. You cannot grow a business while doing everything yourself. Adding staff increases costs but should also increase efficiencies. Teach others to help you meet your goals and seek help from those who know more than you.

8. **Wrong Form of Legal Structure**
   There is no one "best" form but there is a best option for your business at this time. Consult your management team of accountant and attorney for assistance in this decision.

9. **No Business Plan**
   A plan is nothing more than your decisions for a successful business documented for your own and others' review. It may change over time, but also provides a "roadmap" toward your ultimate goals. A well-thought out plan explains your products, target markets, workflow, labor needs, and marketing strategies. It also helps you project your sales, expenses, and cash flow.

10. **Wrong Location**
    Common location mistakes include: a) locate where it is good for you, but not for your customers, suppliers, or employees; b) locate where it attracts a customer base that is different from the market to which you sell; c) misjudge how fast your business will – or will not – expand and select the wrong size facility; d) locate where the lease is good for the landlord but not for you.

11. **Not Knowing How to Price your Goods or Services**
    Copying or undercutting competitors is not the way to set your prices: how do you know if they are even making a profit!? Factors to consider in setting prices: your prime costs (cost of good + costs of direct labor), other fixed and variable costs of operating the business, your position in the marketplace, and your overall marketing and sales strategies.

Prepare Your Business Plan

Include a cover page with your business name, your name and contact information, the date, and a statement about confidentiality. *Several templates are available on our website under "Business Planning and Growth"* https://www.valleysbdc.org/resources/forms/

EXECUTIVE SUMMARY

This section appears first, but should be written last, and be very brief. It may include the mission and strategic goals.

BUSINESS CONCEPT

An overview of the business – the name and location, principal owners, legal structure (sole proprietor, partnership, LLC, S-Corp, or C-Corp), status (start-up, expansion, or acquisition), and brief description of type of business (manufacturing, retail, wholesale, service - or a combination). If the business is not a start-up, give a brief history of the business to date.

PRODUCT PORTFOLIO

Describe the goods and services of this business in such a way that the reader has a clear understanding. What does the product do? What benefit does it provide? What marketplace need does the product meet, or what problem does it solve? Are there primary or secondary applications for the product? What are some of the unique features of the product(s)?

DIFFERENTIATION

Key success factors (may refer to Industry reports) and how you are unique.

REVENUE MODEL

How are you going to make money and be sustainable?

CUSTOMER PORTFOLIO

Target Markets, Market Segments – Describe the ideal customer, what he/she is seeking, and why.

MARKET POSITION

INDUSTRY OUTLOOK

Describe local, regional, national industry outlook (IBIS Industry reports, Trade Association news)

COMPETITIVE LANDSCAPE

Describe competitors and what differentiates your business
Strengths/Weaknesses/Opportunities/Threats

ORGANIZATION

OWNERSHIP

Describe the legal structure of this business. Identify key individuals.

MANAGEMENT – KEY POSITIONS

Include job descriptions, compensation, relevant business background, and management experience as well as formal and informal education. Relate past experience to future success potential. What tasks will these individuals have? How are decisions made?

EMPLOYEES

Will you need to hire employees or outsource some work? What are the tasks and what skills or knowledge will be required? Will you need to train? Will you hire full-time, part-time, temporary workers? Is there a planned point at which you will hire additional employees? What are the pay scales in your area and in your industry?

PARTNERSHIPS & ALLIANCES

SUPPLIERS

What vendors, suppliers, and other businesses will you buy from, work with, or collaborate with? Discuss supply alternatives and costs or other supplier factors that could affect your ability to manufacture your product or perform your service.

ADVISORS

Do you have the marketing, management, and financial skills to do it all yourself? If not, then describe relationships that fill the gaps. Include the names of the resources you will use: Attorney, Accountant, Insurance Agent, Banker, other Consultants you will use (i.e., Small Business Development Center), and Associations you will join (Chamber of Commerce, Professional or Trade groups).

BUSINESS PROCESSES

Describe the internal processes and workflow of managing customers, scheduling work, billing, etc. What are the contingency plans if you or other key people are not available?

You may also want to include long-range plans (more than 2-3 years from now) for growth or expansion.

LEGAL ISSUES

Are there trademarks, copyrights, or patents that need to be in place? Do you have a plan if competitors with an improved process suddenly appear?

CUSTOMER RELATIONS

The sections below include all marketing and branding strategies and activities. Use them to fully describe the scope of work needed to inform customers and the public at large of your business.

NETWORKING

Who do you value for sharing stories, making connections, and being known and seen in the community and beyond?

MARKETING

A Marketing Plan with Budget might include the following:

- *Print Collateral (brochures, business cards, direct mail campaigns)*
- *Website/Electronic/Social Media*
- *Advertising Placement (directory ads, newsprint ads, magazine)*
- *Sponsorships (community involvement)*
- *Trade Shows*
- *Public Relations (press releases and stories)*
- *Memberships (Chamber of Commerce, LDI, trade associations, etc.)*
- *Media (radio, TV)*

SALES AND SERVICE

How do you directly meet customer demand and expectations?

COMMUNICATION AND PR

How will you share your business story and all your activities?

BRANDING

Describe your business brand: What do you value and represent to the public? How do you want to be known?

OPERATIONS

FINANCIALS

Projections – Describe in words what you will show in the Assumptions and the Cash Flow Analysis that is attached to this plan
How much start-up capital is needed?
How profitable will this business be and when? How is it sustainable?

FUNDING

What are the sources for your start-up costs, working capital, and expansion needs? What portion is from your investment, from individuals, or from commercial lenders or other?

PRODUCTION & DELIVERIES

What are the systems and costs for production and /or delivering the product to the customer? What challenges or obstacles must be addressed?

IT SYSTEMS

What system(s) are needed for operations, communication, sales, etc. to assure smooth operations? What are security and backup considerations?

FACILITIES

What type of physical facility is needed? Will you lease or own? Describe characteristics of the most desirable location: customer access, inventory storage, merchandise displays, production or sales space, equipment, fixtures, and furniture needs, HVAC needs or environmental requirements, displays, etc.

APPENDIX

Attachments to this plan might include:

- Floor plans
- Menus
- Marketing materials
- Estimate sheets or contracts
- Asset or Supply Lists
- Term Sheet for Lease Agreement
- Financial Assumptions
- Startup Costs Worksheet
- Cash Flow Projections: Year 1, 2 and 3
- 3-year Personal and/or Business Tax Returns
- Personal Financial Statement

Prepare your Financial Projections

Cash Flow for Startups

The main reason for doing a cash flow projection is so you can predict, month by month, if you will have enough cash on hand to pay your bills. It will show any lender that you have enough cash to make your loan payments on time. It will also enable you to plan ahead.

The Startup Worksheet allows you to separate your startup expenses, “getting the doors open”, from your ongoing expenses, “keeping the lights on”.

Here is the basic formula for your Cash Flow Projections:
Starting Cash Balance + Cash Revenue Receipts – Cash Expenditures = Ending Cash Balance

Steps in the process

1. Do your sales projections. Do them month by month for the first year, as your sales revenues may vary due to seasonality and the growth of your business. Remember, you count sales receipts in the month you actually get the money.

2. Separate your fixed expenses and variable expenses. For variable costs and purchases, such as cost of goods sold, if you sell a product, enter the cost in the month you will actually pay for it if you are given credit terms.

3. For fixed expenses, often called overhead expenses, enter the same cost for each month, unless seasonality makes them vary from season to season.

4. Do not forget to put in any loan payments or purchases of equipment you plan to make in any given month.

5. The ending cash balance for any given month becomes your starting cash balance for the next month.

6. If the ending cash balance for any given month is a positive number, you should have the money on hand to pay the bills (if your sales projections and budget projections are accurate). If the bottom-line number is a negative number you will need to make adjustments to cover the bills for that month.

7. To cover a negative number at the bottom line you can get cash from a credit line at the bank, or by overdraft projection, or by increasing sales, or by decreasing your expenses, or by putting more money into your business from your personal savings. It can be done via credit card cash advances, but this is very risky and not advised.

8. Be sure to state somewhere in your business plan and your projections exactly what assumptions you have made to arrive at the sales and expense projections. In other words, how did you calculate utility costs, wages, advertising, etc? What assumptions did you make? 9. For the first year do your projections month by month. For the next year(s) do them quarterly, semi-annually, or annually, depending on your need and the requirement of the lender.
Cash Flow Projection Worksheets are available at www.ValleySBDC.org/Forms and your SBDC Business Advisors are available to assist you in this process.

Estimating Business Expenses

Estimating costs is often much easier than estimating sales, so let's start with those.

Fixed costs are expenses that do not vary with the level of your sales. Examples of fixed costs would be rent, some salaries, most utilities, and insurance or property taxes. They remain fixed in good months and bad.

Variable costs are directly related to sales volume and include items such as raw materials, purchases to be re-sold (cost of goods sold), direct labor, or commissions. When you have high sales, these expenses will be high as well.

Break-even point is the sales level at which your business has neither a profit nor a loss. In other words, it is the point at which your revenue from sales equals your fixed and variable costs. (Total income = Total expenses). Every dollar of revenue above this point is profit for you.

Contribution Margin is the difference between the price (sales revenue) of a product and the variable cost of that product. It is the amount you have available to pay the fixed costs and realize a profit. (Price –Variable Cost = Cont. Margin)

Gross Margin is expressed as a percentage where Gross margin equals Gross income divided by Net sales. (Gross Margin = Gross income / Net sales)

Categorize your costs as either fixed or variable using the definitions above.

> Tip: If you still need help determining whether or not an expense is fixed or variable, ask yourself if that cost would change if your sales increased by $1,000. If the cost would increase as well, this it is a variable cost; if not, the cost is fixed.
>
> Create a detailed list of what those expenses are and how much you expect them to cost you on a monthly and annual basis. For variable costs, make sure you also show what those costs are per unit. It might be helpful to organize your expenses in a spreadsheet.
>
> You can employ simple formulas to help you demonstrate how your costs will change due to an increase in output and input without having to go back and recalculate your figures manually. If you are not familiar with spreadsheet modeling, or don't have access to a computer, creating a simple table will be sufficient for now.

Typical Small Business Expenses

- Accounting Services
- Advertising Costs
- Bank Service Charges
- Credit Card Fees
- Delivery Charges
- Deposits for Utilities
- Estimated Taxes
- Health Insurance
- Hiring Costs
- Interest on Debt
- Internet Fees
- Inventory Purchases
- Legal Services
- Licenses/Permits
- Office Supplies
- Printing Costs
- Professional Fees/Licenses
- Rent/Lease Payments
- Retirement Contributions
- Subscriptions and Dues
- Taxes: Property/other
- Utilities and Telephone
- Vehicle Expenses
- Wages & Wage Expenses
- Other

TOTAL EXPENSES This figure, your total expenses, will be used in your Pro Forma Budget (Startup Budget) and in your Startup Profit and Loss Statement and in calculating your gross margin and your net margin as percentages. Your market research can help you get more accurate numbers to plug in on your budget.

Expense Assumptions

1. If you change suppliers, will your costs increase or decrease? Can you buy in bulk to get lower prices?
2. Are there any tax changes or new regulations that might affect expenses?
3. Any changes in your rent or interest rates?
4. Will you need to add staff or increase wages over time?
5. Are there seasonal expenses to build in?
6. Will you be adding new equipment or doing any site improvements in the coming year?

Download this Excel file for a Cash Flow Sheet w/Assumptions from our website here:
https://www.valleysbdc.org/resources/forms/

Also on the Forms page, there is a Simple Business Bookkeeping Worksheet, Busines Plan Outlines and much more!

Estimating Sales Projections

Method #1

1. Define your target market (how many prospect buyers in your market). If there is more than one target, then you need to do this separately for each target. 2. Estimate the usage rate. How often will a user need to buy the product or service, or how many will he or she buy in a year. 3. Get numbers via market research. 4. Take selling price and multiply it by the total of the annual user rate and the number of buyers your project, and this will be your projected sales revenue for the year.

Method #2

1. Do market research (you have to do this – use the top quartile for your industry/business type.) 2. Obtain the ratio of sale to net worth for the top quartile. Net worth is how much money is invested in the business. If, for example, the top quartile has a ratio of 1:15 (for each $1 invested there are $15 of sales) 3. Apply the ratio for your industry/business type to the amount you have invested in your business and you will come up with a sales projection.

Method #3

1. Research and find the total number of people in your target market (or markets if you have more than one target) 2. Research and find the average number of dollars spent annually by each customer in your industry/business type. 3. Estimate what percent of the target market you will capture. 4. Multiply the number of prospective customers in your target market by the percent of those you expect to capture to become your customers. This gives you your number of customers. 5. Multiply that number of customers by how much each customer spends annually on your product/service and you get your projected sales figure.

Target Market x Market capture = # of customers

# of customers x capture of annual purchases = sales projection

Method #4 Service Business

1. Estimate how many customers can be serviced in a given time period (hour, day, week) 2. Do market research and find out the average dollar spent by each customer on your service for each purchase of the service. 3. Multiply the number of dollars by the number of service fulfillments in the time period. 4. Multiply it to get the annual figure.

Why Sales Projections are important

You can:

1. Know customers' demands for specific products in the next period of time
2. Make better allocation of financial and other resources
3. Use it as a starting point for business planning
4. Use it in a marketing plan
5. Create a real budget for the next year
6. Plan next business investments
7. Use it in your cash flow calculations
8. Plan future employment

Assumptions

Your sales projections must be based on realistic assumptions. You need to make a list of your assumptions on which your sales projections are based. Here are some things to consider: Be conservative.

1. Competition: Will there be more next year or maybe less? How will this affect your pricing? Your sales?
2. Adding products/services: will there be any new one added?
3. Advertising changes: Going to do more? Less? Different kinds? New target markets?
4. Price changes: Raising or lowering them? Will this increase or decrease sales?
5. Supplier changes: Will their prices go up? Will you buy in bulk to get lower prices?
6. Demographic changes: Will mix of age, sex, income, and education change your market and affect sales?
7. Tax changes: Any anticipated?
8. Legal changes: Any new laws, regulations or ordinances coming into effect?
9. Economy factors: How will they affect your sales?
10. Interest rate changes: Will they affect your sales?
11. Changes in your rent or loan interest rate?
12. Sales effort: Will more time be put into selling? Will your market territory expand or contract?
13. Sales strategy: Are you going to change your sales practices, sales mediums, etc.?
14. Sales staff: Will it be bigger, smaller, new commission structure? New incentive plan?
15. Abnormal sales: Did you have any super large one-time sales? Do you expect to this year?
16. Physical changes: moving to a new location, adding new equipment, making improvements to site – how will these affect your sales?
17. Seasonal Changes?
18. Any other changes you can think of?

Tips

1. Your sales will probably be lower than you think. So do three sales projections:
    a. Worst case
    b. Most likely case
    c. Best case
2. If you sell more than one product, do a sales projection for each product and then combine them.

3. It is often easier to think about your sales in terms of weeks or months. Use this figure and multiple to determine annual sales.

4. Then project it out for 3 years.

5. Calculate your break-even point and match it against your sales projections to see if it is realistic. Remember, if it takes you longer to break even you may not have enough cash in the business to hold on. A rule of thumb is to reduce your projection by 50% for each month until break even.

6. Try using different methods and see what you get.

* The following sample pages are excerpts from our Cash Flow Projection Worksheet and Excel document that is available online at www.ValleySBDC.org/forms. SBDC business advisors are available to assist you in using this worksheet to capture your business' projected costs and sales.

Start-Up Worksheet for Cash Flow Projections

https://www.valleysbdc.org/resources/forms/

SV SBDC Cash Flow Worksheet w/Assumptions: an Excel spreadsheet you can save to your computer and use as a guide to begin your own projections. SBDC Business Advisors are prepared to work with you in completing these worksheets.

Sources of Funds			
Owner Investment			
Bank Loan			
Other Loans			
Other funds	-		
Cash Available to start			
Uses of Funds / Start Up Costs		(initial expenses prior to opening)	
Fixed Assets land, equipment, buildings, vehicles, furnishings			
Remodeling building construction, fixtures, signs, paint, cleaning			
Installations equipment, computer networking, other hookup charges			
Deposits required leases, utilities, phones, etc			
Licenses/Certification fees/First Year Association Dues			
Legal Fees			
Accounting Fees			
Pre-opening Staff Training costs			
Beginning Inventory			
Office Supplies - paper, forms, small equipment or tools, etc			
Marketing - business cards, advertising, brochures, etc			
Electronic Marketing - website, google ads, listings, etc			
Other:		will become the beginning cash balance for CF Yr 1	
Working Capital at Start	-		
Total Start-Up Requirements	0.00	adjust investments, expenses, or working capital to bring this line to 0.00	
Funding still needed:			

Assumptions Used in the Cash Flow Projection

			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Assumptions for Financial Projections:	**Date:**														
Income															
Sales															-
Other															-
Total Sales per Month			-	-	-	-	-	-	-	-	-	-	-	-	-
Disbursements															
Cost of Goods Sold		enter a % of sales													
Salaries & Wages	enter monthly gross														-
	based on:														
Payroll Expense	11%	% of gross wages based on: 7.65% Employer's match + %State Unemployment + %Fed Unemployment													
Supplies (office & operating)	monthly or quarterly amount														-
	based on:														
Repairs and Maintenance	monthly or quarterly amount														-
	based on:														
Marketing	see Marketing Plan, Budget, & Schedule														-
Travel		For regular travel, estimate monthly expense here. For sporadic travel, fill in the CF sheet as needed													
Accounting and Legal		Enter monthly, quarterly or annual payments on CF sheet, per expected use and timing													
Rent		Per month, per lease													
Telephone		per month, based on:													
				Elect:		year / 12	-	a month	based on:						
Utilities	-	per month. Start w/ yearly estimates:		Water:		year / 12	-	a month							
		to arrive at monthly estimates.		Gas:		year / 12	-	a month							
				Other:		year / 12	-	a month							
				Total Monthly Utilities			-								
Insurance		based on quotes from:													
		fill in CF sheet at appropriate month due													
Taxes: Real Estate, Per Prop		yearly estimate based on:													
		fill in CF sheet at appropriate month due													
Owner Withdrawals		enter annual draw desired													
		enter estimated self-employment tax rate													
	-	= Monthly draw													
Debt- Loan Payments		consult an amortization schedule to calculate monthly payments													

Monthly Cash Flow Projection

Cash Flow Projection - Year 1 for:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Total**	**% of sales**
Beginning Cash Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	
CASH RECEIPTS														
Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-												-	
Total Cash Receipts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
CASH DISBURSEMENTS														
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gross Wages	-	-	-	-	-	-	-	-	-	-	-	-	-	
Payroll Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	
Supplies (Office & Operating)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	
Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accounting and Legal													-	
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	
Insurance													-	
Taxes (Real estate, personal prop)								-					-	
Total Cash Disbursements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Net Cash Flow	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustments to Net Cash Flow														
(+) New Owner Investment														
(+) Other Investments														
(-) Debt-Loan Paymts	-	-	-	-	-	-	-	-	-	-	-	-	-	
(-) Owner Withdrawals	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjusted Net Cash Flow	-	-	-	-	-	-	-	-	-	-	-	-	-	
Ending Cash Balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	

This worksheet can be downloaded from our website here:
https://www.valleysbdc.org/resources/forms/

Facts about Small Business Loans

1. **Start with a good business plan.** To be successful in obtaining a loan, you must be prepared and organized. You must know exactly **how much** money you need, **why** you need it, and **how you will pay it back**. Remember, banks make money by lending money – but only if it is repaid! And the money they are lending belongs to their depositors. They cannot afford to take high-risks with their clients' funds. You must be able to convince your lender that you are a good credit risk.

2. **You will need good credit.** If there are any problems on your credit report that can be remedied *before* meeting with a banker, do so. A lender may be able to make exceptions if you can document that a negative report was due to circumstances beyond your control. Include a detailed written explanation with supporting information in your financing proposal. However, if the report shows that you have a history of non-payment, the lender will be unable to make a loan.

3. **There is no such thing as 100% financing.** You are going to have to put some money into the business and the more the better. Usually at least 15-20% will be expected. **A bank will require you to personally guarantee the loan** even if you are incorporated. There is no way to avoid putting personal collateral at risk. If you are not willing to risk some of your own money, the lender will not risk the bank's money.

4. **Some businesses are easier to finance than others.** Since over 60% of all small business start-ups fail within 5 years, lenders know that the odds are against a new business being around long enough to repay a loan. An existing business is easier to finance if profits are sufficient to repay the loan. Also, some sellers of businesses are willing to hold some of the financing. Franchises are generally easier to finance than independent start-up businesses, and any start-up with a sound business plan will have more success.

5. **The process is not quick.** If you must have the money to open by a certain date, make your loan application as far in advance as possible.

6. **There is no such thing as a grant to get started.** Generally speaking, grants to businesses are very rare. An exception might be for a high technology business or similar established business producing products or doing research that is in demand by agencies or departments involved in our nation's defense. Generally, grants are made by foundations or government agencies to not-for-profit organizations, and they have tight controls and "strings" attached.

7. **The Small Business Administration does not lend money.** The SBA has a guaranty program that is designed to provide security to *lenders* so that they will in turn lend money to small businesses which were deemed too risky for a regular bank loan. Interest rates and repayment terms are negotiated between you and the lending institution; there is a small guaranty fee. Your SBDC business counselor can provide additional details when you discuss your particular business venture.

Funding

Other than personal investments from the original owner (the most common funding option for new startups), there are two basic types of funding for a small business – equity and debt.

Equity funding requires that you sell a partial interest or ownership in your company (and therefore a share of the profits) to the investor in return for their money. Some investments may result in a shift in management control. Equity partners will also require a negotiated exit strategy for them to recover their investment and share of profits.

Types of equity investors:

- Informal investors
- Private or limited stock offerings
- Venture capital firms
- Initial public offering (IPO)

Debt funding is borrowing the money that you need to finance operations and growth. Most small businesses prefer debt funding because the owner does not give up ownership or control in how the business is managed. In addition, the cost of credit is generally far less than the return that an equity investor will require.

Types of debt funding:

Personal Loans	Business Loans	Operations-related financing
• Personal bank loans • Loans from life insurance • Credit cards • Home equity credit • Friends and relatives	• Term loans • Demand Notes • Lines of credit • Government-assisted loans	• Supplier credit • Customer credit • Leasing • Accounts-receivable financing • Factoring • Asset-based financing

How to Choose a Banker

Because the choice of a banker is such an important decision, the new business should shop around before making a choice. Like other members of your management team (accountants, attorneys, and insurance brokers) your banker should be someone you can talk to and with about your business. Personal service and relationships are key factors when choosing a commercial banker, just as important as interest rates and other fees. Consider the size of the bank, its local, regional, or national scope and breadth of services in relation to your business needs. A bank that is too small may not be able to service larger loans as you grow, but a bank that is too large may be indifferent to your small business needs.

What a lender looks for

- Capital
- Collateral
- Capacity to repay
- Conditions
- Character

How you will be evaluated by lenders

- Equity in the business
- Debt-to-worth ratio
- Collateral
- Ability to carry debt service
- A secondary source of repayment
- Personal guarantees

Marketing

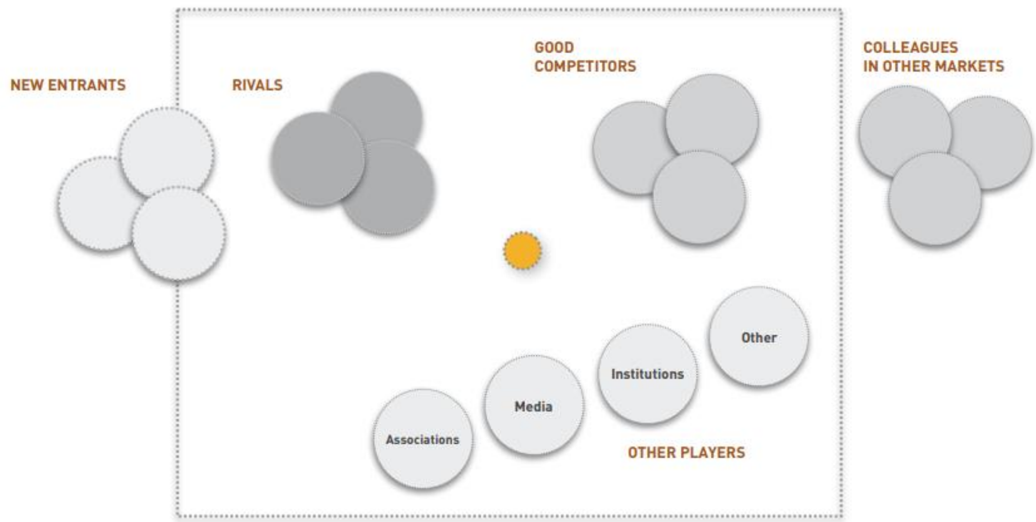
Develop a Marketing Strategy and Write it Down.

Your marketing plan must be written out. It is too easy for a mental plan to shift as the situation changes. A written marketing plan is valuable because of the information you collect and the knowledge you acquire during the planning process. The written plan is a working document and can be modified over time as market conditions change.

The exercise of preparing a marketing plan is valuable in helping you understand how your business will operate in the marketplace. A good marketing plan should answer the following questions:

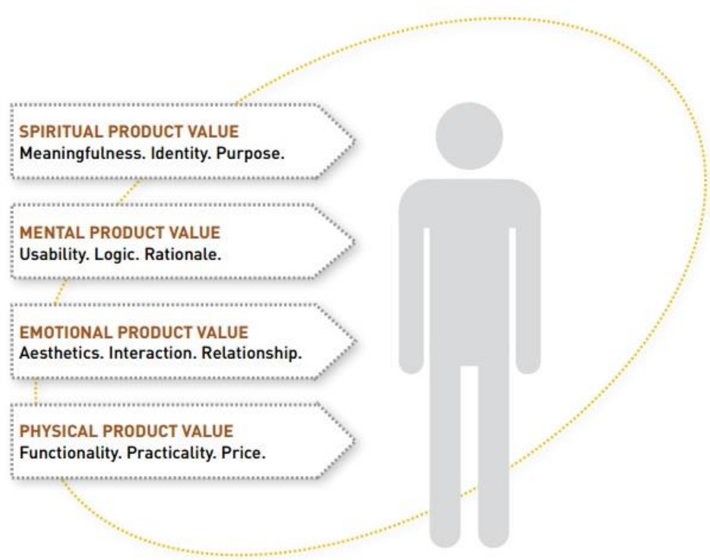
What is the condition of the operation now?
What do we want the operation to be like in the future?
How do we reach our goals?
How will we know goals have been reached?

Competitive Analysis



We can get a lot of inspiration by looking at role models and other players in our backyard as well as with national brands. Take a birds-eye view at the important partners and competitors that you can easily identify and consider differences and similarities. Where are they advertising, what do they market about their product or service? What types of organizations do the sponsor? Mapping key competitors, stakeholders and potential partnerships may also help understand market share and give you clues on how to successfully compete.

Product Knowledge and Differentiation



Product Differentiation is a process of distinguishing a product or service from others, often to make it more attractive to a particular target market. Differentiation can be the key to effective marketing. By clarifying the difference between features, benefits and value, marketers can more easily communicate product value.

Differentiation

Select Target Market

- Select primary and secondary market segments (look beyond just age, gender and income)

Determine product positioning

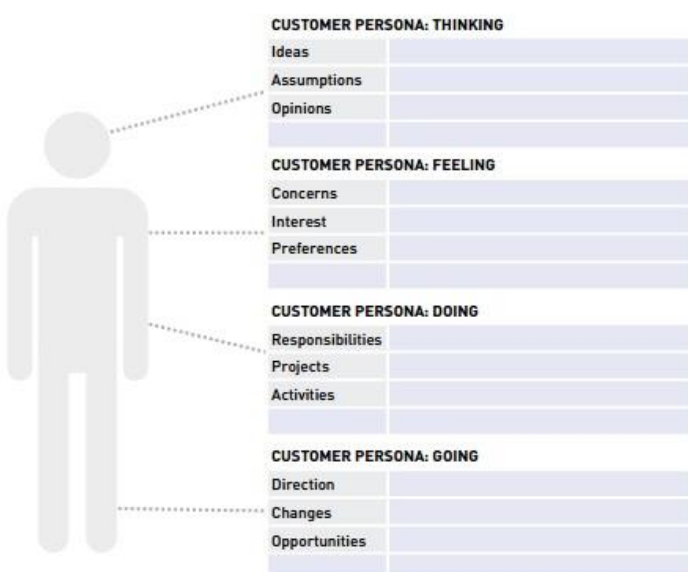
- Simplify your message and highlight unique and special qualities

Express the value proposition

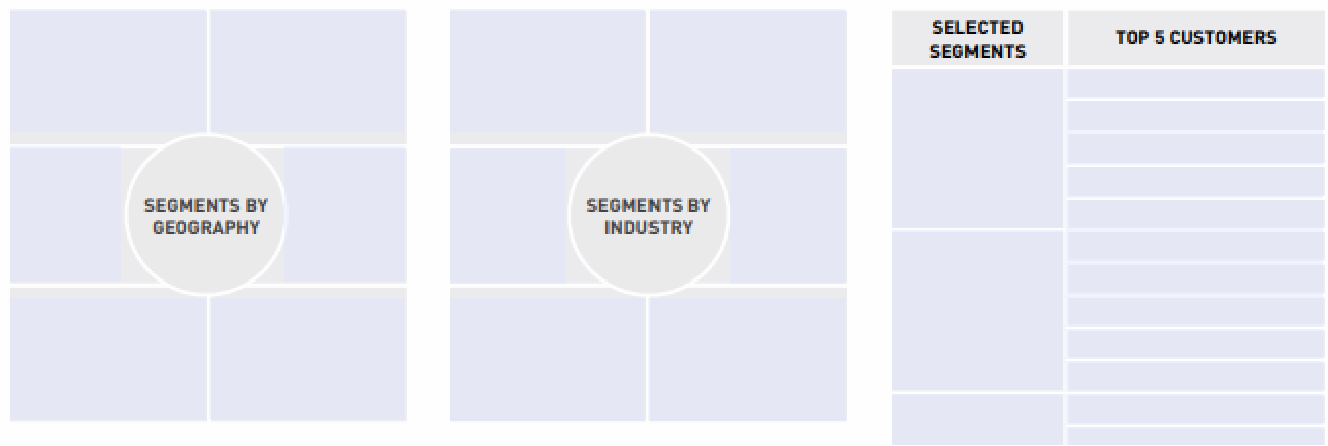
- Statement of product or service value. Helps your customer understand the benefits they will experience

Customer Personas and Target Market

Somewhere in the marketplace, there might be customers who are much more attractive to build loyalty with or that have not been targeted to via appropriate marketing channels. Segments can be identified by geography, industry sectors, distribution channels, and more. Mini marketing strategies can be developed for each selected segment.



Market Segments



Advertising Placement - Promotion Budget

The promotional plan needs to be centered around a budget based on what the business can afford and on a percentage of actual or forecasted sales. It should include your marketing objectives and the actions needed to achieve them. Developing the best promotion mix for your business will increase your overall success by providing many benefits:

- Attracting customers from your target market (ideal customer)
- Increasing business in general and during slow periods
- Introducing new products or services and showcasing special events
- Making your business more competitive
- Reinforcing or redefining your image

Promotion Mix Planning

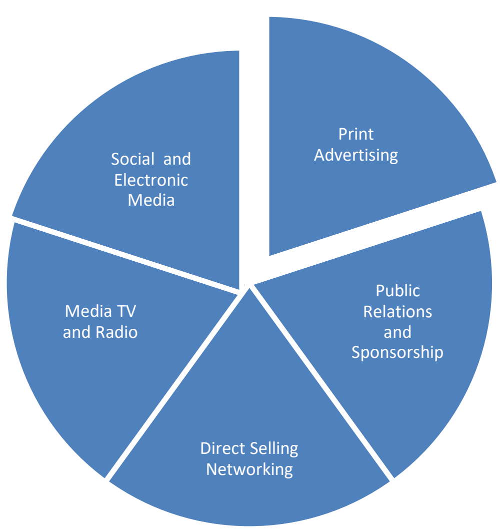


Figure 1 Just an illustration, not a suggested ratio

Choosing Media

The media you choose for your advertising can make or break your marketing plan. The media outlets should be based on your audience and objectives.

Media Type	Pros	Cons
Television	Can target specific markets Reach a large population Both Audio and Visual	Usually expensive Limited time for conveying a message
Radio	Low cost Specific target markets	Not "visual" Transitory
Newspaper	Local Area targeting Short lead time for placement	High level of competition Low production quality
Electronic (Internet)	Social Media! Can be interactive Measurable	Open to negative public critique
Magazine	Long life span High quality	Long lead time for ads Costly
Direct Mail	Very specific target marketing	Requires accurate, timely information
Outdoor	Provides high exposure	Not optimal for targeting

Budgeting your Ad Spending – example for building an Advertising Plan

This is a snapshot example of a simple budget template using an Excel spreadsheet. You can easy to modify and customize for your particular needs. Formulas should be added to calculate totals in each sub-category. Alternatively, set up a detailed spreadsheet that follows closely with expense categories already established within your current bookkeeping system.

The key is to research costs, monitor actual expenditures, and measure what you can in order to make responsible marketing decisions into the future.

	A	B	C	D	E	F	G	H
1	**Marketing Budget (template)**							
2	**Category**	**Quantity**	**Cost per Unit**	**Last Year's Expenditures**	**New 2018 Budget**	**Dates**	**Future Wish-list**	**Notes**
3	**Print Advertising**							
4	**Newsprint Advertising**							
5	Newspaper Advertising							
6	Other Newsprint or Tabloid							
7								
8	**Special Advertising**							
9	Bloom or other quarterly magazine							
10	Directory Listings (guide or brochure)							
11	Directory Listings (chamber directory ad)							
12	Cooperative Display Ad - Magazine							
13								
14	**Signage**							
15	Banners							
16	Outdoor signage							
17	Interior/wayfinding							
18								
19	**Print Collateral**							
20	Business Cards							
21	Rack Card or Brochure							
22	Graphic Design Fees							
23	Printing							
24	Distribution							
25	Other Printing							
26								
27	**Public Relations**							
28	**Trade Organizations**							
29	Memberships - Nat/State Association							
30	Memberships - Chamber							
31	Trade Show booth/display							
32								
33	**Sponsorships**							
34	Local School or Fire							
35	Local or Regional Charity							
36	Special Annual Event							

Develop Relevant Content for Advertising and Social Media

Brainstorm 1 X month → Research 2 X month → Organize and Outline → Draft and schedule content → Edit, Review, Reflect and Redact Daily → Publish and Disseminate

Social Media Content Calendar

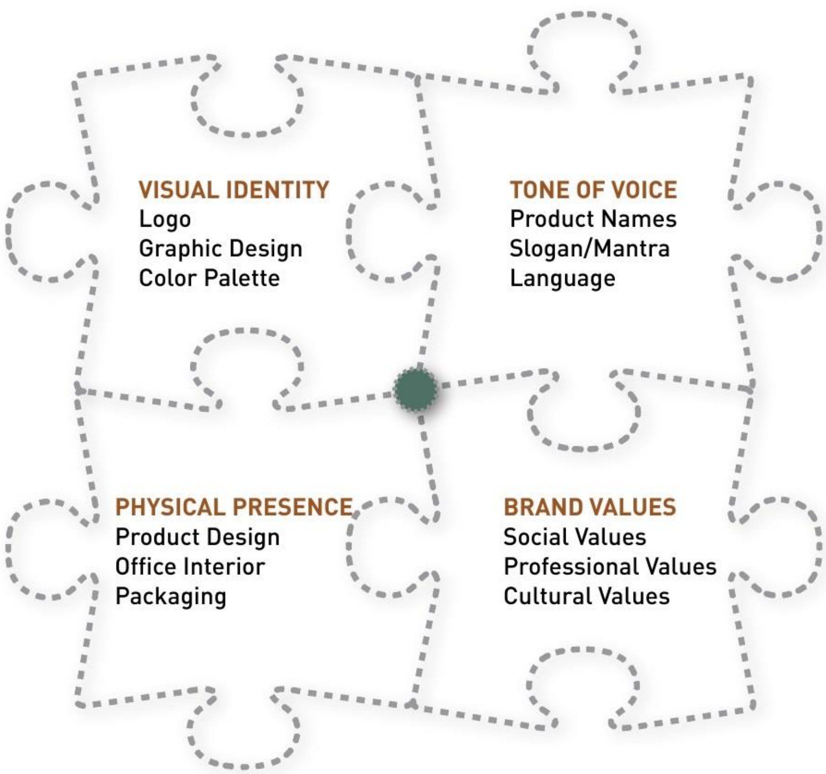
Month & Theme	Monthly/ Seasonal Feature	Promotional Events	Special Partner Events	Regional Events		
January						
February						
March						
April						
May						
June						

Crafting your Message

Attention: Get the audience's attention
Interest: Why should they care?
Desire: Create a desire for your product – benefit for the customer
Action: Prompt the audience to take a desired action

Corporate Branding

4 Areas that contribute to Authenticity



Branding: Consistency is Key

(Adapted From www.foodservicewarehouse.com)

Branding is a marketing technique that uses messages and designs, such as logos and symbols, to promote awareness and loyalty to your business. The key to effective branding is to implement a consistent message and culture. A good campaign will feature consistent messages and visual designs in all of its print, online, and physical space, including the interior and exterior appearance of the business. When developing your brand, consider the following:

Target Market
Your design concept should match your target market. For example, if your target market is children and families, you should choose a fun, playful design. If you cater to empty nesters, your designs should probably be more sophisticated.

Consistency of Appearance
The “look” of your marketing materials and the business’s physical space should create a consistent image. Make sure your advertisements, signs, menus, and interior decorating all use a similar design. This will encourage customers to strongly associate your business with certain symbols and colors. Once your business has created an “image,” every time customers see anything related to it, they will recall your entire brand and customer experience that you provide.

Consistency of Message
Make sure the message that you send in your designs, slogans and advertising copy is consistent and matches the concept of your restaurant. Do not, for example, market yourself as a family-friendly restaurant in your advertisements and as a fine-dining establishment in your menu copy and design. Branding requires that you repeatedly send your customers similar messages.

Match your logo to your concept
In order to send a consistent message about what your business has to offer, your logo should match the rest of your concept. Make sure your logo cannot be mistaken for another. If your design is too similar to another company, it will be difficult to create a clear association between your symbol and your brand.

Hire a professional
A graphic designer will be able to create a unique and attractive logo. Make sure the logo looks like a single graphic rather than several images stuck together. A scattered or confusing logo has little impact and is difficult to remember.

Put your logo on all of your marketing materials, including advertisements, signs, takeout bags, merchandise, menus, staff shirts, etc. The more customers see your logo, the more memorable your marketing message will be.

Monitor and Measure Results

Several ways to Measure customer feedback include:

Survey Customers
Get Direct Feedback - verbally
Track electronic marketing statistics
Track promotions, coupon redemption

A Checklist for Start-Ups

Doing some simple planning before you start is one of the best ways to assure business success and continued growth. Your SV SBDC Business Advisor is trained to help you through this process and will remain available to you as you grow. Use this checklist as a guide to get started but use your SV SBDC and its resources throughout the life of your company.

This Checklist is also available online **ValleySBDC.org/Forms**

- ☐ **Determine the Feasibility of Your Business Idea**

- ☐ **Prepare a Business Plan with Loan Proposal and Financial Documents** *(if required)*

- ☐ **Assemble a Management Team**

  Your Banker, Accountant/Bookkeeper, Attorney, Insurance Agent, and SBDC Advisor can all be helpful and instrumental to your success. Use their knowledge and experience to build a strong foundation for your business.

- ☐ **Research Financing Options**

  When seeking outside financing, take into account the funding environment, have realistic expectations, know lenders' requirements, and present your request in a professional manner.

- ☐ **Research Locations**

  Be sure you are going to be able to finance and move ahead with the business before committing to a lease or purchase. Home-based businesses also may require permits and zoning. Contact your **local Zoning Office and/or Office of Community Development** to learn about your local requirements.

- ☐ **Choose a Business Name**

  Investigate names in use in the geographic area and industry niche you will be serving. Conduct a web search to see if the domain is available. Pay attention to other similar sounding names in your market area. Check the availability of an entity name at the **State Corporation Commission**: http://www.scc.virginia.gov/clk/bussrch.aspx.

- ☐ **Choose Your Legal Structure**

  The best legal entity varies for each owner and each business. It is wise to consult with an attorney, and/or an accountant. https://scc.virginia.gov/pages/Entity-Types-and-Categories For any legal structure other than sole proprietorship, register the appropriate documents with the **State Corporation Commission** Clerk's Information System https://cis.scc.virginia.gov/

- ☐ **Obtain a Federal Employer Identification Number (EIN)**

  The EIN identifies your business's tax accounts on all federal and state tax forms. An EIN is a 9-digit number (for example, 12-3456789) assigned to employers, sole proprietors, corporations, partnerships, estates, trusts, certain individuals, and other entities for tax filing and reporting purposes. Your EIN is provided FREE from the **Internal Revenue Service.**

Visit https://www.irs.gov/businesses/small-businesses-self-employed/employer-id-numbers to apply online. Use Form SS-4 to apply for an employer identification number (EIN).

- ☐ **Determine State Tax Requirements; Register with Virginia Department of Taxation**

  Every company transacting business in Virginia must register with the **Virginia Department of Taxation** (http://www.tax.virginia.gov) for all taxes that may apply to the operations. **Form R-1**, the **Combined Registration Application Form** allows registration for all of the taxes listed below. No application fee is required. You will be assigned a Virginia Tax Identification Number, also called your Certificate Registration Number, to be included on all correspondence with the Department. **Other taxes:** Corporate Income, Litter, various agricultural, and other taxes are also covered on the R-1form.

  Sales and Use Tax: If you indicate on your R-1 Application that you will be collecting sales tax or remitting use tax, the Department will send you a Virginia Certificate of Registration for Sales Tax. This is your permit to collect sales tax and to issue and receive exemption certificates. The Virginia Certificate of Registration must be displayed at your place of business. The Department will also send **ST-9** forms (used to report sales & use tax liabilities and to submit the taxes). Reporting and payment can also be made on-line.

  Employee Withholding: If federal law requires an employer to withhold taxes from any employee's pay, the Virginia Department of Taxation will also require Virginia withholding. You will register as a Virginia employer on Form R-1 and the Department will send you the correct forms to use. Reporting and payment can also be done on-line from www.tax.virginia.gov

- ☐ **Certificate of Exemption:** If you will be purchasing goods for resale, you will need to provide a Sales and Use Certificate of Exemption to the seller. This certificate affirms that you do not have to pay sales tax as you will be re-selling the goods and will collect sales tax at the time of the sale. Obtain **Form ST-10** at: https://www.tax.virginia.gov/sites/default/files/taxforms/exemption-certificates/any/st-10-any.pdf

- ☐ **Register with the Virginia Employment Commission**

  Employers are liable for unemployment taxes in Virginia if you have had one employee in each of 20 weeks or more during a calendar year or have had a quarterly payroll of $1,500 or more. If you are subject to any Federal Unemployment, you are also liable in Virginia. Full details are available at the **VEC website or your local VEC field office.**

- ☐ **File a Certificate of Assumed or Fictitious Name (DBA: Doing Business As)**

  As of January 1, 2020, the Clerk's Office of the State Corporation Commission is the central filing office in Virginia for all certificates of assumed or fictitious name. A certificate of assumed or fictitious name must be prepared on a form prescribed by the Commission. A fictitious name is a name that a person (individual or business entity) uses instead of the person's true name, usually in the course of transacting or offering to transact business. It is sometimes referred to as an "assumed name" or "trade name," and it is often identified after a person's true name with the abbreviation "t/a"("trading as"), "dba" ("doing business as"), or "aka" ("also known as").

- ☐ **Apply for Local Business Licenses; Inquire about Local Taxes or Permits**
  A Business License may be required in some cities or counties where you operate. The fee is usually prepaid as part of the application and the tax rates vary depending on the type of business. Most businesses pay a tax based on gross receipts; a few categories pay a flat fee. New businesses will be asked to estimate their first-year gross receipts and the tax will be adjusted at a later date to reflect actual. Contact your local **Commissioner of the Revenue or Town Administrator** to satisfy local license requirements and to inquire about any other local taxes such as local sales, meals or hospitality taxes or vendor fees.

- ☐ **Obtain Insurance Needed**
  Discuss property, liability, and other insurance needs with a qualified insurance professional to manage your risk and protection. Virginia law requires every employer who regularly employs three or more full-time or part-time employees to purchase and maintain workers' compensation insurance. Employers with fewer than three employees may voluntarily come under the Act. See the **VWC website** for details: http://www.vwc.state.va.us/.

- ☐ **Consider Professional or Occupational Licenses specific to your industry or trade**
  Virginia Department of Professional and Occupational Regulation: http://www.dpor.virginia.gov/

- ☐ **Open a Business Checking Account**
  It is important to keep your business accounts separate from your personal finances. An integral part of that is a separate business checking account and/or credit card so that all business records are clear and documented and not at risk of being mixed with personal expenditures. Consult your banker for best options for a business account.

Other Considerations

Employment & Hiring Practices – Report newly hired and re-hired employees to the Virginia New Hire Reporting Center: http://www.va-newhire.com/. Complete Employment Eligibility Verification Forms (Form I-9) for all employees. https://www.uscis.gov/i-9-central/complete-and-correct-form-i-9.

Employment Taxes – Virginia Withholding Tax Guide; Federal Employer's Tax Guide

eVA Registration – http://www.eva.virginia.gov Virginia's web-based electronic marketplace to bring government buyers and sellers together.

Small, Women, or Minority-Owned (SWAM) Certifications – https://www.sbsd.virginia.gov/ Provides for the certification of minority and women-owned businesses who wish to do business with state government agencies.

Please note: *This checklist is by no means all-inclusive. Each business may have unique registration or reporting requirements depending on the industry, type of business entity, location, employment issues, and other. Do your homework by reading and studying the websites and booklets prepared for your use by your federal, state, and local government offices. Consult your business accountant, attorney, or SBDC advisor if in doubt.*

Thanks for participating in the Start Smart Workshop!

This guide is authored by the Shenandoah Valley Small Business Development Center (SV SBDC). The mission of the SV SBDC is to advice, train, and inform small businesses to help them achieve success.

The SV SBDC is funded in part through a Cooperative Agreement with the U.S. Small Business Administration. We also receive programmatic and financial support from George Mason University-Mason Enterprise and our host James Madison University, as well as the Cities of Harrisonburg, Waynesboro, Buena Vista, and Lexington, and the Counties of Rockingham, Augusta, Page, and Rockbridge. We offer no-fee, confidential consulting services, assist with feasibility studies and business planning, sponsor seminars and training events, and provide information and other services to new and established small and medium-sized businesses.

Presented by the Shenandoah Valley Small Business Development Center
Office at 127 W. Bruce Street Harrisonburg, VA 540.568.3227 *www.ValleySBDC.org*

To make a free and confidential appointment with an SBDC Business Advisor, please contact us by either calling by phone, e-mail sbdc@jmu.org, or fill out the **Request for Counseling form** and our Office Manager will contact you to arrange for an Initial Counseling Session. Thank You.