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The Entrepreneurship Institute at Arrowhead

The entrepreneurship Institute is an initiative of Arrowhead Center, a leader in economic and business development at New Mexico State University (NMSU). The Institute is a grant funded provider of entrepreneurial education, training, and networking opportunities.



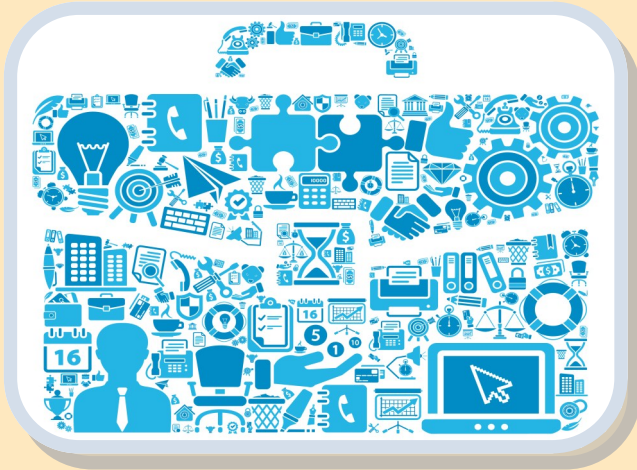
Some of the Institute's programs include:

- **Innoventure**— a youth program designed for middle and high school students throughout New Mexico that inspires innovation and creative scientific solutions while applying math, science, business, and engineering skills.
- **Entrepreneurship Laboratory**— a physical and virtual space for aspiring entrepreneurs to test the feasibility of their business ideas using interactive simulation software. This **Workbook** is a component of the Entrepreneurship Laboratory that helps entrepreneurs with the planning, research, and business plan stages of their start-up business. The laboratory also provides active mentorship and guidance from staff at the institute.
- **Entrepreneurship Library**— a physical research library stocked with journals, business magazines, newspapers, books, iPads, and reference guides for entrepreneurs at every stage of their development.

Why Entrepreneurship?



- **Y**ou get to be your own boss and take responsibility for your own success
- **A**bility to choose your own clients and projects
- **O**ffers you the chance to be challenged in new ways
- **E**nables you to set your own schedule and make your own rules
- **P**rovides an opportunity to work collaboratively with business partners
- **G**ives you a sense of pride and self-accomplishment
- **A**llows you to reap the benefits of your own creative ideas



What is an Entrepreneur?

- **S**omeone who recognizes opportunities and gaps in the market
- **A** confident, self-motivator
- **S**omeone who is resourceful and creative
- **A**n optimist with feasible goals
- **A** planner with a clear vision
- **S**omeone who is comfortable with risk
- **A** leader who works well with clients and business partners

Entrepreneurial Self-Assessment

Take this self-assessment that will help you identify areas of strength and areas that may need some work¹. Choose the number that fits you best:

Strongly Disagree	Somewhat Agree	Agree—Most of the Time	Strongly Agree
0	1	2	3

- ___ Nobody has to tell me to get to work. I figure out what has to be done and do it before I'm asked.
- ___ I like to be in control of whatever jobs I'm doing.
- ___ I'm rarely satisfied with the ways things are. I want to change them, make them better.
- ___ I'm good with people. I enjoy creating teams of people to tackle a challenging task.
- ___ I rarely take no for an answer. I am known to be very persistent because I know I can't accomplish much on the first try. I just keep trying.
- ___ If I'm told something is impossible to do, I often can't resist seeing if it's true. I don't mind failing if I learn something in the process.
- ___ Whatever job I have, I need to feel that I'm accomplishing something, not just putting in time.
- ___ More than anything else, I love to earn money. It gives me freedom and power.
- ___ When I'm working for someone else, I'm always thinking of how I'd change things if it were my business.
- ___ I'm willing to accept responsibility and take the heat if my decisions are wrong, but I want the credit (or rewards) when I make decisions that produce the right results.
- ___ When I'm doing work I really like, I don't mind working hard for long hours. In fact, it doesn't even seem like work.
- ___ I have dreams I want to pursue, and I won't be satisfied until I find out whether or not I can achieve them.

Scoring



26-36

You already share many key traits of entrepreneurs. If you haven't yet decided to become an entrepreneur you should consider it.



13-25

You have a good foundation on which to develop your entrepreneurial skills and characteristics. Look over the areas where you scored low and think about why you answered the way you did. Are you open to changing your attitudes or approach in these areas?



0-12

You are not yet particularly entrepreneurial. Look over your answers and ask yourself how you can start taking small steps to improve in the areas you scored low on. Are you ready for the challenging roles and responsibilities that come with starting a small business?

¹ <http://www.mvp.cfee.org/en/selfassessisentforme.html>

What are the **Risks** of Entrepreneurship?

- **Failure**—The Small Business Administration (SBA) reports that approximately two-thirds of new businesses survive at least two years, with about 44% making it at least four years.² This is something to consider when starting a new business. Having a **feasible business plan** can help you reduce this risk.
- **Financial Trouble**—There is **no business contract** where you are guaranteed a set salary, a retirement fund, health benefits, and overtime benefits. Ask yourself if your comfortable living without these benefits.
- **Long Hours**—You will need to put in long hours to get your business up and running. You may have to work seven days a week to accomplish your business goals and give up recreational time spent with family and friends.
- **Lack of Support**—There's a chance you may not have support from family and friends in starting your new business. If this is the case, you run the risk of **feeling alone** in the process of starting up your new business.



² <http://www.sba.gov/sites/default/files/sbfaq.pdf>

How do I Start the **Planning** Process?

Creating a **Business Plan** will help you voice your business ideas to potential investors, and provide you with a manual to guide the start-up of your business.

A good place to start is to begin researching the **Market** for your product. A market consists of those groups of consumers who possess the resources, interests, and time to purchase your product or service.

According to the SBA, Market Research Helps You:³

- **Minimize Business Risk**
- **Locate current and upcoming issues in the market**
- **Recognize sales opportunities**
- **Create a plan of action**



How do I Start Researching my **Market?**

Market Research can also help you:⁴

- Understand the **Environment** or industry in which your trade or service is located
- Know your **Target Market**
- Assess your **Competitors**



Consider these **Questions** about your **Environment**:

1. What is the **Environment** of my product or service?
 - A. It is a new product or service with few or no others out there like it
 - B. It is a mature product or service with many others out there like it
 - C. It is a declining service or product, where the need for the product or service is beginning to sink
 - D. Other:

⁴ <http://www.allbusiness.com/marketing/market-research/2587-1.html>

2. Is there an existing or growing **Need** for my product or service?

- A. Yes, there is and I see evidence of this need in _____. I have already conducted some market research to support my confidence that there is a need for my product or service.
- B. I think there's a need but I need to do some market research to find out for sure.
- C. There may be a need but I really don't know. I have market research I need to do to find out if there is a need for my product or service.
- D. I know there isn't a need because _____. I need to think about changing my product or service to meet the needs of a new market.

3. What are the environmental **Challenges** surrounding my product?

For example, some environmental challenges might include: **A declining need** for my product or service; **Export issues**—in getting my product to the its target market; **Cost problems**—my product will cost too much to produce or service, and my market will not be willing to pay a higher price for my product or service; **Too many competitors** selling the same product or service as me.



- A. There are many, and they are:
- B. There are some, and they are:
- C. There are very few, and they are:
- D. I really don't know what environmental challenges I'm facing. I need to conduct market research to figure this out.

Knowing your Target Market



Target Market: a target market is made up of those people or groups who are prone to purchasing your product or service. **For example,** if you are selling hand painted baby bottles at \$20 per bottle — your target market would likely consist of middle-upper class families, expectant parents, mothers, and grandparents.

Consider the following **Demographics** when identifying your target market:

- **Age** range or ages of your target market
- **Gender** or genders of your target market
- **Income level** or levels of your target market (low, low-middle, middle, middle-high, and high)
- **Race** or races of your target market
- **Marital Status** (single, in a relationship, engaged, married, divorced)



Consider these Questions about your **Target Market**:

1. What's the age range of your target market? Circle all that apply.

- A. Children B. Pre-teens and Teens C. Young adults, 18-29 D. Adults, 30-44 E. Middle Age adults, 45-59
F. Retirement age adults, 60-69 E. Older adults, 70 +

2. What gender or genders make up your target market? _____

3. What's the income level(s) of your target market?

- A. Low income B. Low-middle income C. Middle income D. Middle-high income E. High income
F. Other:

4. What's the race of your target market? Circle all that apply.

- A. Latina/Hispanic American B. Caucasian/European American C. Black/African American
D. Asian American E. Middle Eastern American F. Native American G. Non American/International
E. Other:

5. How much does your target market *typically* spend on products or services like yours? _____



6. How does your target market usually purchase your product or service? Circle all that apply.

- A. Retail Store B. A product sold at a big retail chain store (e.g. Walmart or Target)
C. Online D. At a street market (e.g. Farmer's Market) E. Consultative sales (e.g. Mary Kay® cosmetics beauty consultant who visits clients at their homes to sell make up)
F. Infomercial (e.g. the Snuggie® is often sold this way) G. Other:

Assessing Competitors



Direct Competitors: A competitor who is selling essentially the same product you're selling. For example, if you are Reebok® and you're selling brand name athletic sneakers then some of your direct competitors would include: Adidas®, Nike®, K-Swiss®, and PUMA®.

Indirect Competitors: A competitor who sells a similar product that's fulfilling the same need as your product. If you are Reebok® then some of your indirect competitors would include: companies selling knock-off versions of brand name sneakers, such as generic sneaker companies, and other tennis shoe companies like Keds® and Converse® which are tennis shoe companies but not specifically *athletic* tennis shoe companies. A Company like Crocs® could also be considered an indirect competitor because Crocs® are another type of comfortable, casual shoe.



Consider these Questions about your Competitors:



1. Who are your **Direct** competitors?

- A. I have direct competitors and they are:
- B. I don't have any direct competitors because_____.
- C. I'm not sure if I have direct competitors. I need to assess my competitors to figure this out.

2. Who are your **Indirect** competitors?

- A. I have indirect competitors and they are:
- B. I don't have any indirect competitors because_____.
- C. I'm not sure if I have indirect competitors. I need to assess my competitors to figure this out.

3. How **Big** are your competitors? Are they?

- A. International Competitors B. National Competitors C. State-wide Competitors D. Local Competitors
- E. A Combination of these, specify which competitors fall into which categories:
- F. Other:

4. How much do your competitors **Charge** for their product or service? Draw a chart with all of your direct and indirect competitors and list the following:

Competitors	Price of Product or Service	Comparison (what is the difference?)	Price of my Product or Service
Competitor 1:_____	\$	Whose product costs less?	\$
Competitor 2:_____	\$	Whose product costs less?	

* This chart will help you determine if your prices are competitive in relation to your competitors.

5. What's your **Competitive Edge**? What makes your product or service different from your **Competitors**? Circle all that apply.

- A. My product or service typically **costs less** than my competitors' product or service. Make sure your product or service isn't too low cost so that you are able to make a profit on your product or service.
- B. My product or service is **convenient** and **easily accessible** to its target market. The way that I plan to sell my product or service is a way that my target market already uses with frequency and ease. **For example**, if your target market consists of young, middle-upper class online gamers who spend many hours of their day online—then selling and advertising your product online would be a convenient way to both reach and sell to your target audience. Remember to meet your target market where *they* are, not where you are!
- C. My product or service is **very unique**, it is a high-end specialty item with very few or no competitors. It speaks to an unfilled need of my target market, or a need of my target market that would be better fulfilled with the use of my product or service. Convenience will be a big factor here! Be sure your product or service is convenient for your target market to see and purchase.
- D. I circled more than one of the competitive edge options above. I believe that my product or service is competitive in more than one way. This is what you want to have—multiple competitive edges!
- E. My product or service is competitive in another way, and that way is:
- F. I'm not sure what my competitive edge is. I need to conduct market research to figure this out.



Conducting Market Research

AllBuisness.com, the world's largest online resource for small businesses, explains that there are two kinds of market research:⁵



- **Primary Research** — research gathered directly from the source.
 - ⇒ Interviews with people in your target market (in-person or phone)
 - ⇒ Focus groups with members of your target market
 - ⇒ Surveying your target market (online, in-person, or phone)
 - ⇒ Researching your competitors stores and locations
 - ⇒ Getting to know your target market by observing their behavior and shopping habits
- **Secondary Research** — research that's been gathered by other sources.
 - ⇒ Reading articles in business or trade journals, online publications, and industry websites
 - ⇒ Visiting a reference library to help you research your market
 - ⇒ Internet searches that look at current and prospective trends in your market
 - ⇒ Reading government reports and searching government websites, such as **SBA.gov**

* Try some or all of these market research strategies and see what you can find out about your market. Make sure to keep an organized log or notebook documenting your research — a **three ring binder with dividers** may be the best way to do this. This research log will come in handy when you start writing your business plan.

⁵ <http://www.allbusiness.com/marketing/market-research/2587-1.html>

What does a **Business Plan** consist of?

According to the SBA, a **Business Plan** should be an ongoing project or work in progress, that's flexible enough to help your business grow over time. Keep in mind, that your business will be affected by external conditions, such as the economy, technological advances, rival businesses, public policy changes, local weather, ect. A business plan helps to keep you in the know about such conditions that could potentially affect your business.

The SBA presents the following **Essential Features of a Good Business Plan:**⁶

- **Executive Summary**
- **Market Analysis**
- **Company Description**
- **Organization and Management**
- **Marketing and Sales Management**
- **Service or Product Line**
- **Funding Request**
- **Financial Projections**
- **Appendix**



⁶ <http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/writing-business-plan/essential-elements-good-business>

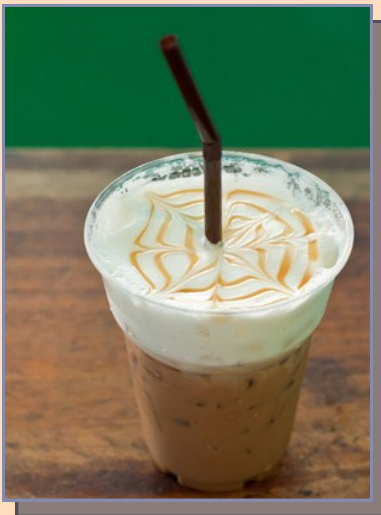
Writing an Executive Summary

The **Executive Summary** is the first part of your business plan that a reader sees and therefore the most important part of your plan. The executive summary needs to grab the reader's attention so they will see the potential for your business's success and want to read the rest of your plan.

This should actually be the last section that you write for your business plan. It will be easier to summarize your plan after you've first explored its details.

According to the SBA, an **Executive Summary** should contain the following:⁷

- **A Mission Statement** — explains what your business is all about. Missions statement lengths can range from just a few words to a short paragraph. **For example**, Starbucks® Coffee Company carries the mission statement: "to inspire and nurture the human spirit—one person, one cup, and one neighborhood at a time."



- Names of the founder(s) of the business and their functions
- Date the business started or plans to start
- Number of employees (if this is known)
- Description of the business location, branches, plant, and facilities
- Description of the products and/or services the business provides
- Information regarding current investors (if there are any)
- Summary of future plans for the business

—EXAMPLE—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Greater Engineering Services Company Executive Summary

Greater Engineering Services Company's mission is to provide high quality professional and geologic-environmental engineering services to its clientele and surrounding community. Greater Engineering plans to open its operations on May 18, 2013. We will be a partnership, co-owned and operated by Lilith Jones and Fred LaPointe.

Greater Engineering will dispense a host of environmental consulting services including: Project Design, Inspection, Strategic Planning, Geologic Hazard Risk Management Assessments and Solutions, Training and Liaison, Project Close-out Documentation, and Permitting. Our company will further target small to mid-sized companies, firms, and government agencies within the Western region of New Mexico.

The geologic-environmental sector of South Western New Mexico possesses a growing need and interest for technologies and services that: 1) Address growing environmental geologic concerns; 2) Reduce geologic hazards to human health; and 3) Enhance ground water hydrological processes.

Currently there are over 750 environmental engineering firms in New Mexico, which range from small, locally operated firms to large multi-national firms. On average, these firms employ 18 employees, and earn average revenues of over \$1.2 million. Our research estimates that approximately 178,000 workers are employed within this industrial sector—which accounts for 2.7% of total state employment.

Leading services within geologic-environmental engineering comprise of companies like Greater Engineering, who offer consulting services on soil, atmosphere, water, and effluents for environmental management programs, and risk management property site assessment.

The following is an example of an **Executive Summary**. Please use this example as a template to help you compose your own executive summary. Notice the type of information included in this executive summary and its use of descriptive language. Understand if you're just starting a new business that you may not be able to plug in all desired information. If this is the case for you, simply focus on your experience in relation to your business, and the decisions that inspired you to start your new business. Focus on the issues and concerns of your target market and what solutions you will be able to bring to them. Further show how your training and background makes you and your company (or organization) the best candidate to service the needs and concerns of your target market. Make sure to address your company or organization's goals and plans. Allow your plan to sound **strategic (well thought out), clear, and organized**.

Moreover, market demands of the geologic-environmental sector are showing a growing necessity for pollution prevention and management of abandoned mining sites, and mine drainage sites. Comprehensively, the geologic-environmental sector in New Mexico is increasing to meet these market demands and community concerns. As a result of this growing demand there is room for environmental engineering firms, like Greater Engineering to service and provide sound solutions to address New Mexico's geologic-environmental issues.

Greater Engineering will distinguish itself in the market from competitors in the following ways: Owners, Lilith Jones and Fred LaPointe both have over 10 years of experience in the geologic-environmental engineering sector and over 16 years of experience as civil engineers. Therefore, both owners bring a wealth of knowledge and experience to Greater Engineering's growth and sustainability. Further, Greater Engineering will be strategically located out of Las Cruces, NM—New Mexico's second largest city with ready access to its target market for full market outreach and serviceability.

Greater Engineering's sales strategy plans to achieve first year direct sales of \$93,000. Therefore, Greater Engineering plans to break even in its first year. In year two, Greater Engineering looks to achieve a more profitable intake of \$101,500, and \$112,250 in year three. Showing steady increase in profits as Greater Engineering becomes more established and well known throughout the region as a provider of high quality professional geologic-environmental services. Strong and continual promotion of target areas will afford Greater Engineering the opportunity and ability to maximize its profits and grow its reputation throughout South Western New Mexico.

Start-up funds for Greater Engineering will include: \$60,000 in capital expenses, \$10,000 in marketing expenses, and \$3,000 in business support expenses. Capital funds will be used to purchase technical and specialized field equipment and software, as well as building improvements. Marketing funds will be used to create print materials and advertisements, advertise strategically at trade shows in the region, and to purchase company apparel and business cards. Business Support funds will be used to contract an accountant to manage Greater Engineering's start-up funds.

Finally, personal equity will be provided by Ms. Jones and Mr. LaPointe to comprise a total of \$20,000 or 21.5% of the company's total investment and expense.

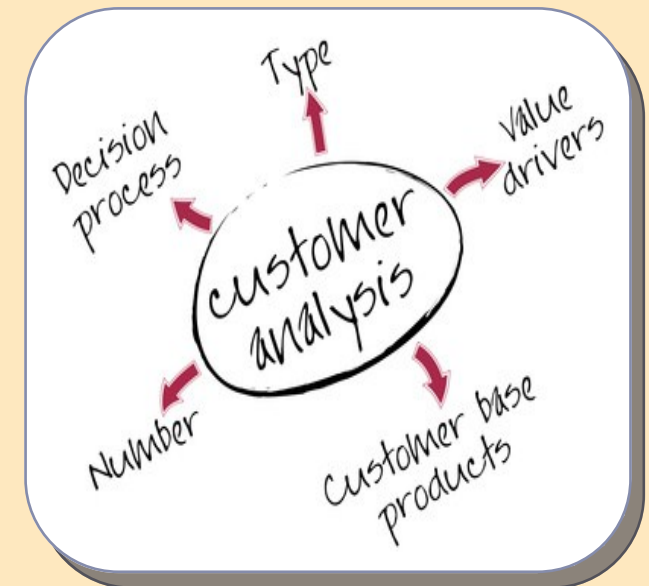


Market Analysis

The Market Analysis is the second part of your business plan. It highlights what you know about the market in which your business is operating. It should also include data and discuss conclusions of the market research you have conducted. Specific details about your market research should, however be saved for the appendix section of your business plan.

According to the SBA, a **Market Analysis** should include the following:⁸

- An industry description
- An industry outlook
- Target Market information
- Market test results
- Lead times (time elapsed between purchase and delivery)
- Evaluation of your competition



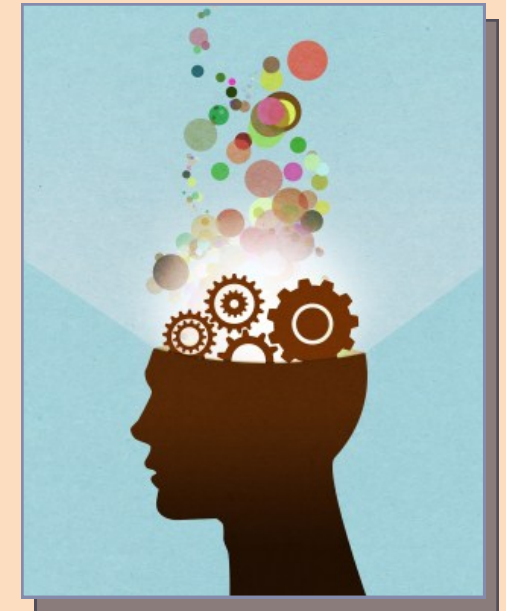
Writing Your Industry Description, Outlook, and Identifying Your Target Market

The SBA explains that the **Industry Description and Outlook** part of your market analysis is an overview section, which discusses the following:⁹

- ⇒ A description of your primary market/industry
- ⇒ The size of the market for your product or service and its historical growth rate
- ⇒ Trends and characteristics related to the market as a whole
 - * Its stage in the product/service life cycle (pg. 51)
 - * Major customer groups within the market
 - * Projected growth rate

Details about your **Target Market** should include the following:

- ⇒ Descriptive characteristics about your target market (Demographics)
- ⇒ Needs of your target market and degree to which those needs have or have not been met
- ⇒ Geographic location(s) of your target market
- ⇒ Size of your target market
- ⇒ Your ability to gain market share (the number of customers you expect to obtain in outlined geographic locations where your target market resides)
- ⇒ Your pricing levels
- ⇒ Resources used to gather information on your target market
- ⇒ Media and outreach you plan to use to reach your target market
- ⇒ Prospective trends that may influence your target market



Market Tests and Lead Times¹⁰

Market Tests: this part of your market analysis will discuss both the primary and secondary market research you conducted. Make sure to highlight the results of your research. Test results may include: prospective customers that were contacted, information about any surveys you conducted, and information you gathered about your target market's desire to purchase your business's products/services at different prices.



Lead Times: the lead time is the amount of time elapsed between when a customer purchases a product or service to the time it takes for the product or service to be delivered to the customer. Keep in mind that you will also want to research the time it takes for a customer to receive a reorder, and bulk purchases (large order purchases, usually purchases by other retail companies).

Competitive Analysis and Regulatory Restrictions

Competitive Analysis: in this section of your market analysis you will identify your competition and evaluate their strengths and weaknesses. Make sure to assess the importance of your target market to your competitors and pinpoint obstacles that could hamper your ability to enter the market.

The SBA Recommends that you Determine and Describe:¹¹

- Your direct competitors market share
- Estimate your window for opportunity
- Indirect competitors
- The **Strengths** of your competitors (their competitive edge in the market, refer back to pg.13 for help), (e.g. do they have: brand loyalty?, a large share of the market?, a good reputation?, good financial resources,? good employment conditions, such as high employee retention?). The **Weaknesses** of your competitors (e.g. inability to satisfy or meet customers needs, poor market penetration, limited financial resources, poor employment conditions, such as low employee retention)



Regulatory Restrictions: here you should include information that relates to current customers, governmental regulatory requirements, or upcoming changes. **Specifically, you should research:** how you will meet any federal, state, or local requirements (i.e. regulatory restrictions and licenses) which will affect your business, and also include the time it will take to meet these requirements. The following pages provide links to websites where you can learn more about these restrictions.

Federal and State Resource Guides and Assistance



- **U.S. Department of Labor's *Employment Law Guide: Laws, Regulation, and Technical Assistance***

Link: http://www.dol.gov/compliance/guide/index.htm?cm_sp=ExternalLink_-_Federal_-_DOL

- **U.S. Department of Labor's *Work Authorization Guide for Non-U.S. Citizens***

Link: <http://www.dol.gov/compliance/guide/aw.htm>

- **Business USA.gov**

Link: <http://business.usa.gov/>

- **Small Business Administration (SBA) Online Community at Business USA.gov (Receive Direct Answers to your Business Questions)**

Link: <http://business.usa.gov/content/small-business-administration-online-community>

- **Environmental Protection Agency (EPA) Compliance Assistance Guide**

Link: http://www.epa.gov/compliance/assistance/?cm_sp=ExternalLink_-_Federal_-_EPA

- **Federal Trade Commission's *Guide for Advertising***

Link: <http://www.ftc.gov/bcp/menus/resources/guidance/adv.shtm>



- **Federal Trade Commission's Guide for *Fair Packing and Labeling***
Link: <http://www.ftc.gov/os/statutes/fplajump.shtm>
- **New Mexico's *Regulation and Licensing Department***
Link: <http://www.rld.state.nm.us/default.aspx>

Helpful Articles on Starting a Small Business

- **"Five Areas of Government Regulation of Business"** (<http://smallbusiness.chron.com/five-areas-government-regulation-business-701.html>)
- **"How to Start a Government Contracting Business"** (<http://smallbusiness.chron.com/start-government-contracting-business-3032.html>)
- **"About Government Loans to Start a Business"** (<http://smallbusiness.chron.com/government-loans-start-business-1853.html>)
- **"Five Simple Ways Startups Can Save Money"** (<http://www.entrepreneur.com/article/222968>)
- **"15 Reasons You Need a Business Plan"** (<http://www.entrepreneur.com/article/83818>)
- **"How to Write a Market Analysis"** (<http://www.inc.com/articles/1999/12/15964.html>)

Writing a Market Analysis

Now that you have conducted lots of research on your market, it's time to implement your research into your Business Plan. Following the Executive Summary your Market Analysis should be the next section of your business plan, and include the research that we discussed in pages 19-24. The depth and detail for this analysis will vary from plan to plan, depending on your business and the stage of your business's life cycle.

Inc. Magazine recommends that you begin with a **Summary**, in which you describe your target customers and why you have selected these groups of people as your target customers.¹² This section is also a good place to include information about market growth. You may want to cite some conclusions from the market test(s) you conducted that support your prospective entry into the market. It's also a good idea to highlight research that discusses your market's projected growth.



Next, it is important that you identify and describe your **Segmentation**. Segmentation simply explains and classifies potential customers for the purpose of highlighting and differentiating your product in the market. Your ability to distinguish your product or service from others in the market is important.

As you begin to **identify** and **describe** your market segmentation, refer back to pg. 9, the answers you filled out on pgs. 9-13, and pg. 14 where you were prompted to conduct market research. It will be helpful to think about the information highlighted on these pages as you write about your market's segmentation. **Inc. Magazine** recommends that you include the following information as you identify and describe your segmentation:¹³



- Introduce your target market(s) and explain why they are your targeted segment of the market; also discuss your strategy in targeting these consumers.
- If you have a large and more diverse target market — divide up the groups (or segments) of your target market and identify what differences they possess (Do they differ by gender, interests, location, income, faith, age, family size, preferred method for purchasing products, or something else?) Then discuss why you are planning to target these segments.
- Estimate the relative size of your segment(s) by conducting primary or secondary research or both.
- **Ultimately**, you want to try to prioritize your market segment(s), and show that there is a viable market possessing a need for your product or service. You also want to try to show that your market is homogeneous, meaning that those people within your identified segment(s) prefer the same product or service qualities. Determine what these qualities are and show how your product or service possesses these desired qualities. **For example**, a trendy hat boutique may decide to focus on one particular segment of upper-class customers because they are **strategically** located in a very wealthy part of town where a trendy hat boutique would be welcomed.

It is also important to explain your **Market Needs, Growth, and Trends**. Here you should discuss the following:¹⁴

- The needs of your market that will lead to your target market wanting to buy your product or service.
- How long this need has existed and how your business will fulfill this need.
- Other products/services or stores (online and physical stores) that offer alternative ways to meet your target market's needs.
- Any market research you have relevant to this need.
- Prospective price of your product or service in terms of research you have conducted about the needs of your market and price your target market would willingly pay for your product or service
- Market trends based on your research of changing technology, demographics (pg. 9), economic, social, or political conditions that affect your market in some way. These could include both upcoming or current opportunities in your market and threats to your market. **For example**, a possible demographic trend could be a change in the age of your market. Perhaps you are opening up a bookstore that sells only hardback and paperback books, the demographics of your market may be shifting to meet the needs of older book consumers, who may be retired, and prefer the classic way of reading and purchasing books.



—EXAMPLE—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Market Analysis Southwest Farming Company

Market Analysis

Southwest Farming Company has completed a survey of potential customers who buy ethically raised beef products on a weekly, biweekly or monthly basis. This survey supports current market research which, shows that Southwest Farming Company's target customers earn a household income of \$60,000 or higher per year. These households are mostly two-income families who hold professional occupations, live in urban or suburban areas, and support environmental ethics and conservation issues. Our survey also shows that these customers are regular users of the internet and new technologies. They are, moreover, comfortable with online purchasing and often prefer to purchase products and services online.

Further research conducted by Southwest Farming Company has identified a market segment that is large enough to warrant startup investment in the company. Our survey research shows that our target customers are willing to pay a premium for shipment of our product across state lines. We conducted market surveys and focus groups with our target market in several locations throughout the Southwest and Midwest to create a demographic profile of promising higher income urban and suburban target areas. We found that Santa Fe, New Mexico responded extremely well to our product. Therefore, our plans include opening up a retail store in Santa Fe, in addition to our online store.

Moreover, our primary and secondary research shows that a growing number of consumers are concerned about how and where their meat products are sourced. Southwest Farming Company will market directly to this segment of customers. We have also assessed that these customers are highly informed and possess education levels ranging from bachelor's degrees to post-doctoral

The following is an example of a **Market Analysis**. Please use this example as a template to help you compose your own **Market Analysis**. Notice the type of information included in this example and its use of descriptive language. Keep in mind that your **Market Analysis** will contain different types of research to help you communicate *your* knowledge of your market. In the **Market Analysis** you simply want to include enough market research so that you are not missing key points. It is likely that you will not be able to include all of the information discussed in the preceding pages of the **Market Analysis** section of this workbook—as some types of research will not be applicable to *your* **Business Plan or Market**. Finally, be sure to make appropriate use of **headings and sub-headings**, and include **graphs or charts** where necessary to organize your **Market Analysis**.

studies. It will therefore, be our primary goal to establish a trustworthy and credible brand name, and freely disclose all of our beef raising, braising, production, distribution, and packing processes. We will, thus, market our company as a producer and distributor of high quality, ethically raised and braised beef.

Market Size and Trends

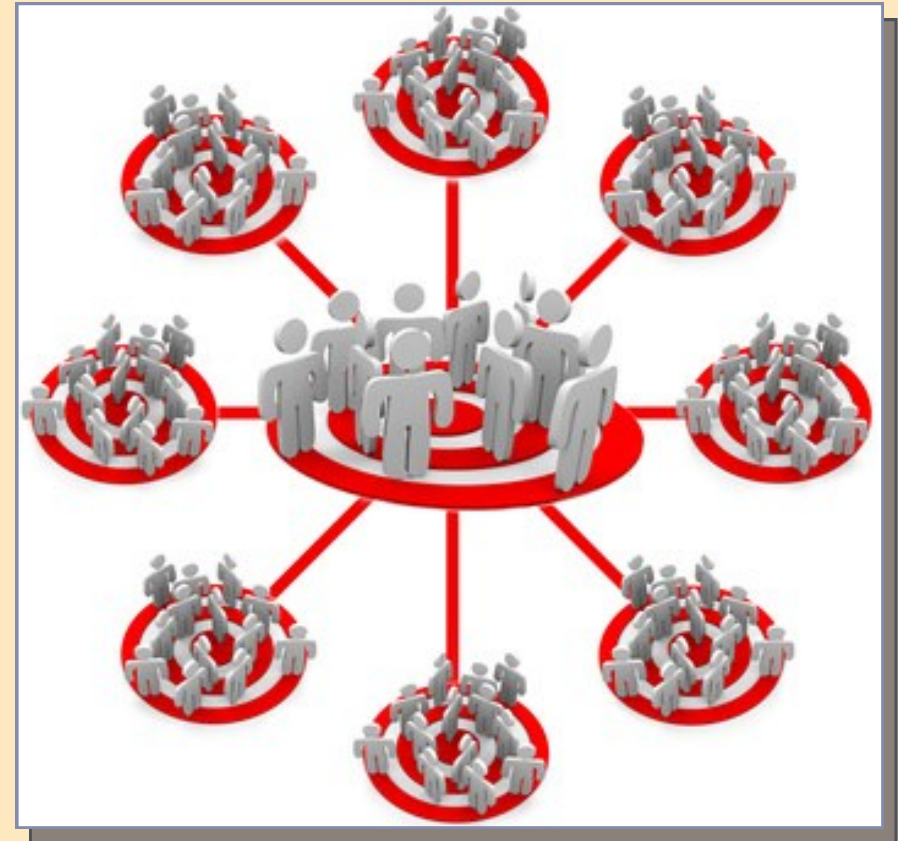
Year	Pounds of Beef Produced (per year)
2000	25.1 billion pounds
2005	27.5 billion pounds
2010	31.3 billion pounds

Source: U.S. Department of Agriculture (USDA).

The USDA shows an increasing market of beef consumption in the United States. Research further shows that beef is a highly consumed meat in the United States and averages 68 pounds per person per year. Surveys taken from the *Continuing Survey of Food Intakes by Individuals* (CSFII) identify that beef is most commonly prepared and eaten in the home. Moreover, the Western United States is a prime target area in which to sell beef products as research shows that individuals in the Midwest consume the highest amount of beef per person per year at 74 pounds, and the Southwest following closely at 71 pounds per person per year. These high figures are followed by the Northwest at 64 pounds per year per person, and Southeast at 62 pounds per year person (Source: Factors Affecting U.S. Beef Consumption, 2005, U.S. Department of Agriculture).

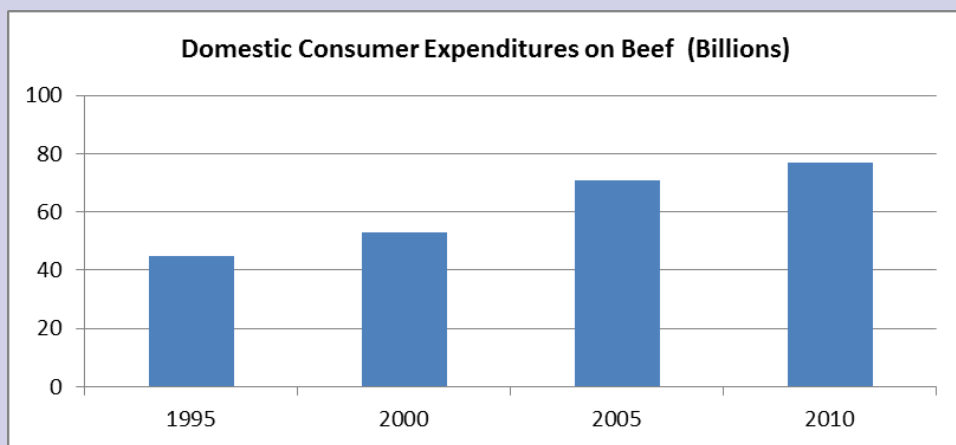
Consumer Perceptions of Beef

According to the *National Cattleman's Beef Association*, surveys show that nine out of ten families believe that beef is a healthy choice, and prefer beef over other meats. Besides chicken, beef is the second most commonly eaten meat in the home. They rank beef second in the top five most commonly eaten meats followed by turkey, ham, and pork. Moreover, consumers perceive beef to be one of the most important sources of protein. Concerns about beef among middle-upper class consumers include: number of calories, fat content, amount of cholesterol, hormone content, ethical sourcing and organic quality. We address all of these concerns with only the highest, all natural and ethical standards for raising, braising, and distributing beef, and by freely disclosing all of our



nutritional content, sourcing information, and production and distribution processes. We will further provide free information on our website and in our packaging that discusses strategies for cooking beef in low-calorie ways as well as low-calorie and low fat lunch and dinner recipes using our beef products.

Consumer Trends in Beef Consumption



Source: National Cattleman's Beef Association.

We have further identified a dramatic increase of U.S. consumer spending on beef, where we see an increase from 42.4 billion dollars spent on the purchase of beef in 1995 to 78.9 billion dollars spent on the purchase of beef in 2010. Thus, the domestic beef market has nearly doubled in the past fifteen years. With this increase, the need and demand for ethically raised beef products is also growing in higher and higher demand, especially among middle-upper class, educated consumers. The following includes a list of important consumer preferences that are currently driving major changes in the industry:

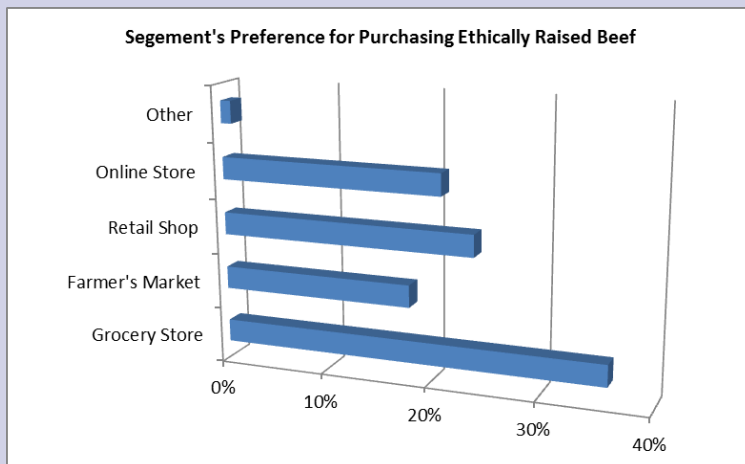
- Consumers are demanding meats that are ethically raised. They want to know how and where their meat was killed, what the animals were fed and how they were treated before they were slaughtered for consumption. Educated consumers are reading more and more about the shockingly inhumane treatment of cattle both domestically and in other countries, such as Indonesia and Australia (Source: Ethical Consumption Factors, 2009, Ethical Consumers of America). Further, informed consumers want to feed their families only the highest-quality, all-natural



ethically raised and distributed beef that came from healthy, non-abused cows. The only way to know this is to have an upfront, full-disclosure practice explaining how the beef was raised, braised, and packaged.

- Consumers of meat products are concerned about the health and nutrition content of their meat, especially middle-upper class informed consumers. The USDA explains that nearly 82 percent of Americans and nearly 97 percent of middle-upper class American consumers desire food that they perceive to be healthy and lower in fat content. Approximately 43 percent of all Americans are willing to pay more for food they perceive to be healthy with 69 percent of American upper class consumers willingly to pay more for food they perceive as healthy (Source: U.S. Department of Agriculture).
- Middle-upper class consumers are demanding changes in the raising and sourcing of meat products in the in meat industry, and want to see unethical meat raising, braising, and distribution practices abolished.
- These consumers want more options for purchasing ethically raised meat, not just from farmer's markets but in retail shops and online stores where it may be more convenient for busy customers to purchase ethically raised meat.

Potential Markets



The above graph represents the results of our survey taken of middle-upper class consumers who purchase ethically raised beef. Although grocery stores fared the best with 37% of our market segment preferring to purchase their beef at a grocery store—others preferred methods for purchasing beef included: retail stores at 23%, online stores at 21%, and farmer’s markets at 18%. We see that these other preferred methods were not far removed from the number one preferred method—the grocery store. Our survey further asked participants if they had started to use other preferred methods (i.e. online stores and retail shops) for purchasing beef in the past five years. 95% of respondents answered “yes” to this question with 49% of these respondents answering that they prefer to purchase their beef online, and frequently (at least once a month) purchase their beef from either an online store or a retail meat shop that is not a grocery store. Thus, this survey supports the market trend that more and more consumers in the middle-upper class segment prefer to purchase their ethically raised beef from retail meat shops or online stores.

More and more consumers in this segment are learning that meat sold in grocery stores is often sourced from areas that are far removed from physical selling locations. This segment has also noticed that a lot of popular grocery stores do not provide any (or provide too few) beef options that disclose all sourcing, raising, braising, packaging, and distribution processes to consumers in their packaging. This leaves consumers in this segment with many unanswered questions and concerns about the sourcing, treatment, shipment and packaging methods of the meat they purchase in grocery stores. More of these consumers are finding alternative ways to purchase their beef products that don’t leave them with unanswered questions about the quality and treatment of their beef. As shown in the survey results 44% of customers in this segment prefer to buy their beef products from specialty distributors online or in retail shops where there is less ambiguity about the quality and health of their beef.

Analysis of the Competition

Our key competitors will include: other online beef companies, grocery stores that sell ethically raised meat products, retail shops selling ethically raised meat, and farmers markets. Primary competitor’s include: Georgia’s Texas Grassfed Beef, Alderspring Ranch Grassfed Organic Beef, and Lasater Grassland’s Beef. These companies are all located in the Western or Southwestern part of the United States and sell a similar product. We do not know the



annual beef sales per volume of our competitors or their market shares due to the fact that these figures, if published, were not available for our study. Despite the unavailability of this data, we have been able to distinguish our beef product from those of our competitors. First our competitors only guarantee the organic and grass-fed quality of their beef, but Southwest Farming Company guarantees not only that our beef is all organic and grass-fed but that it is also ethically, raised, braised, and packaged. Further, our website provides the opportunity to meet the farmer who raises your beef with interactive videos and webpages that host interviews of the individual farmer who raises your beef. There is also the opportunity for customers to physically visit the farm and factory where their beef is produced. All of this information is clearly advertised in our packaging and online website. This allows our customers to feel secure with their choice of our beef product.

Finally, Southwest Farming Company's prices are competitive with our competitors' prices. Our prices tend to run equivalent to our competitors and in some cases they may be slightly lower. Our competitive advantage is simply that we offer a more ethically raised, braised, and packaged beef product at the same price as our competitors who only offer an all organic and grass-fed product.

Key Features of Our Beef

- It can be purchased at our convenient online store and at our retail store located where our segment resides in Santa Fe, New Mexico.
- It is an ethically raised, braised, packaged and distributed domestic product. Our product is also grass-fed and all organic.
- It is a natural, hormone free product.
- It is premium quality beef that possesses a full disclosure policy in which all raising, braising, packaging, and distributions processes are disclosed right on the package and on our website.
- Doorstep delivery is available in nearly all locations with a few minor exceptions.
- Quality and care is never sacrificed in the interest of cost and convenience. Quality, ethically sourced beef is our top priority.



Company Description

Following the Market Analysis your **Company Description** should help readers see what your business aims to do. This section details important features of your company and describes your company's vision to potential partners and lenders reading your business plan.

The **SBA** recommends that you include the following in your Company Description:¹⁵

- **Company name and nature of your business**
- **Ownership, location, and management team**
- **Your products and services and how they meet the needs of your target market**
- **Your company's objectives and the competitive advantages your company brings**
- **Your vision or future for the company**



The Elevator Pitch

The **SBA** suggests that you think of your company description as an **extended elevator pitch**.¹⁶ A well-written and well-rehearsed elevator pitch allows you to communicate your business's mission and vision in a compelling way that sums up the unique features of your product or service.

You may find it helpful to write your elevator pitch before you write your company description. **Your elevator pitch should do the following:**

- Discuss your product or service briefly and address the needs of your target market
- Describe your market or industry; how large they are and where they reside
- Explain what support (e.g. investment or partnership) you have or need to bring your product or service to fruition (or actualization)
- Communicate your company's competitive advantage



¹⁶ <http://www.sba.gov/community/blogs/community-blogs/small-business-matters/why-your-business-needs-elevator-pitch-and--0>

Sample Elevator Pitch

—SAMPLE ELEVATOR SPEECH— for Arrowhead Center

Arrowhead Center is the economic and business development leader for New Mexico State University (NMSU).

We serve NMSU students, youth, and New Mexico's business communities by providing services and products that enhance the creation and growth of small business education, income, and employment opportunities in New Mexico.

Arrowhead Center works to stimulate and sustain a viable entrepreneurial culture in New Mexico where self-employment is among the lowest in the nation at 8.4% in comparison to the national self-employment rate of 13.8%.

We are an organization with a unique mission and vision for providing entrepreneurial training programs and training materials, networking opportunities, and business resources for New Mexico's aspiring entrepreneurs. Arrowhead Center does not currently have any competitors in the market, and works in a partnering capacity with NMSU to help further the University's "land grant mission of extension and outreach, to enhance the quality of life for all New Mexicans."

Introduces the business and partnership

Describes the market or industry

Discusses the services/products provided

Explains the need for the product/service

Further describes the services/products provided

Discusses the competition or lack of competition

Discusses existing partnership and support

* This sample elevator pitch was written for an already existing organization that was not seeking financial support or partnership. However, if your business is new and you are seeking support and/or partnership you will need to describe in more detail the support and/or partnership you are seeking.

—EXAMPLE—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Company Description Sanchez and Clark Construction Company

Sanchez and Clark Construction Company, founded by Michael Sanchez and Robert Clark specializes in providing alternative energy products to the construction industry. Our mission is to fuel the growing demand for alternative Green energy construction solutions to the public sector, including residential and commercial, and all federal government agencies. Further Sanchez and Clark's offices are located in an Empowerment Zone, are minority owned and operated, and are HUB-Zone Certified.

Our company is acutely aware of fossil fuel energy dependence and the environmental impact of greenhouse gas emissions. To help lessen this impact, Sanchez and Clark is working in partnership with Near River Composite Technologies to introduce highly insulated materials to the construction industry that could effectively reduce energy usage for heating and cooling. Sanchez and Clark Construction is, therefore in the process of acquiring the rights to produce and commercialize a Composite Structural Insulated Panel (CSIP) which requires no lumber, no nails and no steel for installation. Moreover, CSIP possesses the highest energy efficiency rating in the current market, as it offers affordable and sustainable building structures. The CSIP's are made out of fiber glass, filled with polyurethane foam, which makes them an energy efficient and economy material for building residential and commercial buildings. Sanchez and Clark is ready to begin the manufacturing and marketing of this new product with all these innovative features, for a much needed worldwide building material. Since December 2010, Sanchez and Clark has become more and more involved with the structural development of CSIP's through our partnership with Near River Composite Technologies, owners of the Composite Insulated Panel patent. Sanchez and Clark Construction is committed to install and operate a manufacturing plant in partnership with Near River Composite Technologies in Houston, TX. As part of

The following is an example of a **Company Description**. Please use this example as a template to help you compose this section of your business plan. Notice the type of information included in this example and its use of descriptive language. Remember to write up your elevator speech first to help stimulate your critical thinking and reflection of this section of your business plan. Be sure to explain all partnerships you have acquired, your company's mission and vision, the product or service you are providing and how your product or service fulfills an unanswered need of your industry or market.

this partnership with Near River Composite Technologies, Sanchez and Clark Construction will purchase the machinery required for manufacturing the structural insulated panels, and take charge of commercializing the panels. Near River Composite Technologies will be in charge of the patent rights, the technology to operate the manufacturing facility, and setting up the plant for production and operation.

Sanchez and Clark Construction Company owners' experience in the construction industry will provide in-depth analysis of the residential and commercial construction trends, and assessment of competitive new construction technologies. We will further provide forecasting analysis of the demands and trends on the housing construction industry in general, and on the *green building* field specifically. Our company will take additional responsibility for developing sustainable competitive advantages to position our products strategically in the construction industry.

Following this strategy, Sanchez and Clark Construction is striving to receive a loan for purchasing the equipment required for manufacturing the structural insulated panels. This business plan is focused on providing lending officers with relevant information to ensure our venture generates enough revenue to repay the loan, with substantial profits for the partners. Once the breakeven point is reached in the third year of operation, Sanchez and Clark Construction will be incorporated in the states of Arizona and New Mexico, in order to have a formal share structure that would allow further generation of additional capital for expanding our manufacturing facilities. We expect that the product, once launched, will be highly welcomed by the construction industry, and will thus provide the necessary conditions for expansion of our manufacturing facilities.



*** The Company Description is a crucial part of your business because it communicates your company's mission and vision to potential lenders and partners. It is important that your Company Description reflect your knowledge of the industry or market your product supports. This will communicate to potential lenders and partners that you have conducted extensive research of your market and are prepared to enter the market with your new product or service.**

Organization and Management

Organization and Management is the fourth section of your business plan and details information about your company's organizational structure, your management team, and ownership.

The **SBA** recommends that you answer the following questions in this section of your business plan:¹⁷



- **Who does what in your business and what is their background? What do they bring to the business as employees, partners, or investors?**
- **What is each owner, manager, or partner in charge of?**
- **How is your company organized or divided? Describe each division or department of your business and its responsibilities.**

The Organizational Chart

According to the **SBA** a smart place to start thinking about the organization and management section of your business plan is with an organizational chart.¹⁸ Creating an Organizational Chart before you begin writing this section will help you reflect upon the structure of your business and help you visually describe the ownership, management, and partnerships of your business. The Organizational Chart will help you communicate to potential investors or partners that you have thought about all the divisions and components of your business's successful integration into the market.

Be sure to list the following in your Organizational Chart with a narrative description of the following:

- Each person's position in the company or organization.
- Each person's roles and responsibilities within the company or organization; also discuss what division or what people he or she will be overseeing.
- Each person's credentials or qualifications for that position (training, education experience, ect.).
- Any previous success owners, managers, or employees within your business have had working or managing the division they are in.



Owner/Title:
Roles and Responsibilities:
Qualifications:
Previous Successes:

*You can use this chart as a guide to help you set up your organizational structure. Keep in mind that your chart may look very different as you may have more owners, fewer or more managers, and fewer or more employees.

Manager/Title/Department:
Roles and Responsibilities:
Qualifications:
Previous Successes:

Manager/Title/Department:
Roles and Responsibilities:
Qualifications:
Previous Successes:

Employee/Title:
Roles and Responsibilities:
Qualifications:
Previous Successes:

Employee/Title:
Roles and Responsibilities:
Qualifications:
Previous Successes:

Employee/Title:
Roles and Responsibilities:
Qualifications:
Previous Successes:

Employee/Title:
Roles and Responsibilities:
Qualifications:
Previous Successes:

—EXAMPLE—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Organization and Management Green Solution Technologies

Green Solution Technologies management team includes innovative technical engineers and experienced entrepreneurs. This team is made up of talented and highly specialized managers who are skilled in the areas of business, finance, and engineering sciences. With prior entrepreneurial success, and both formal and informal training our team is well equipped to handle the start-up and sustainability of Green Solution Technologies in the bio-fuel industry.

Mark Dragga, Chief Executive Officer

Mark Dragga is currently working on his Bachelor of Science in Business and Engineering at New Mexico University. He possesses the technical expertise and understanding of the chemical processes of conversion and transformation of algae into biofuels. In addition, Mark has helped friends start two successful local businesses in the past five years, giving him the experience and background to pursue this venture.

Carrie Levitt, Chief Financial Officer

Carrie Levitt is working on her Bachelor of Science in Finance and Economics at New Mexico University. Her strengths lie in the inner financial workings of the company as well as the capital investment needed for the business to succeed. Carrie has experience managing the financial aspects of a business as she has co-owned and managed a successful automotive repair shop for over thirteen years with her husband Ted Levitt. Carrie understands first-hand the inherent challenges involved in planning and starting a business.

Frederick Tularosa, Chief Technology Officer

Frederick Tularosa completed his Bachelor of Science in Electrical Engineering at Texas Tech University in 2010. Since 2008, he has worked as an Analog IC designer for TechStar Industries, Inc. As an experienced Analog IC designer, Frederick brings a working knowledge of the technical components of Semiconductors and a thorough understanding of the technical engineering processes. He will be an asset for the implementation of our Algae-fuel systems.

The following is an example of an **Organization and Management** section. Please use this example as a template to help you compose your **Management and Organization** section. Notice the type of information included in this section and its use of descriptive language. Be sure to lay out your business's organizational structure first to help you organize and identify each point person in your organization and the roles, responsibilities, and experience they bring to your business. If your business is currently run by one person, this is fine. Just explain the experience, roles and responsibilities of the person in charge. If you know that you will need to hire more individuals to manage or work other aspects of your business — identify these positions and what the prospective roles and responsibilities of these positions will be. Explain how you plan to locate these individuals to fill needed positions.

Finally, our collaborative ability to execute this strategy is strong. Mark and Carrie have experience and expertise with business, while Mark and Fredrick have technical strengths. However, our operations team needs a Chief Operating Officer who has experience in starting and running refineries. Carrie Levitt, CFO, will be in charge of minimizing production costs and locating federal subsidized loans. Fredrick Tularosa, CTO, will be in charge of staying current with technological advances in the bio-fuel industry and will work to identify new revenue streams from our bi-products. The outside professional, COO, will be focused on the operating and production capabilities of our refinery while searching for more cost-effective production processes. Mark Dragga, CEO, will lead the organization by focusing on contract deals and strategic partnerships. He will further provide overall direction and vision for the company.

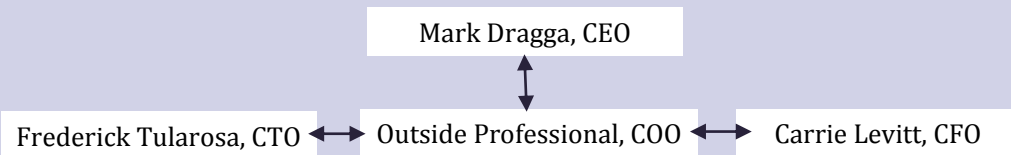


Figure 4: Organizational Management Structure



*** The Management and Organization section provides additional credibility for your business plan and delegates roles and responsibilities within the business. Thus, potential partners and lenders will want to see how you plan to organize and manage the divisions of your business. It is important to present a coherent and well thought out management and organization section so potential partners and lenders see that you have seriously considered the operational features, finances, and technical aspects of your business.**

Marketing and Sales Management

The **Marketing and Sales Management** section discusses your marketing and sales strategy for your business. This strategy is part of your on-going business building and development process. Thus, the **SBA** highlights that there is *no one best way* to approach your sales and marketing strategy.

According to the **SBA** a **Marketing Strategy** should include the following:¹⁹

- Information about how your business will penetrate (or enter) the market (a **penetration strategy**).
- Information about how you plan to build your business (a **growth strategy**).
- Plans for how you are looking to distribute your products or services (a **distribution strategy**).
- A plan for reaching customers in your market (a **communication strategy**).



Your Sales Management Strategy part of your business plan should include:²⁰



- **(Sales Force Strategy)** Will you have a sales force of employees focused on sales? How will your sales force be compensated?
- **(Sales Activities)** Who are the potential buyers of your product or services? How will you prioritize your potential buyers? Who is most likely to buy first and why? How will you effectively reach them with your marketing message and how often will you reach them?

***You may find it helpful to first outline your strategies and reflect on the market analysis portion of your business plan before you write this section.**

²⁰ <http://www.sba.gov/content/marketing-sales-management>

Outline: *Marketing and Sales Management*²¹

I. Marketing Strategy

A. Penetration Strategy (I may be planning to penetrate the market with—a competitive pricing strategy or price adjustments, increased promotion of my product or service, product or service enhancements, more convenient ways for purchasing my product, or strategic distribution strategies.):

B. Growth Strategy:

I. Internal Strategy (I may be planning to invest in employee development—such as training or hiring new employees, invest in the divisions or departmental structure of my business in some way, or enhance my product or service offerings.):

II. External Strategy (I may be planning to branch out my business—acquire another store in a new location, create a new website for my business, acquire new resources for my business, or acquire a new partnership.):



C. Distribution Strategy:

I. Direct Distribution Channel (I may be planning to sell my product or service directly to potential customers.):

II. Indirect Distribution Channel (I may be planning to sell my product or service to a distributor, retailer, or wholesaler who will sell my product or service to potential customers.):



D. Communication Strategy:

I. Professional Print Materials (I am planning to develop printed materials, such as catalogues, brochures, or flyers to promote my business):

II. Public Relations (I am planning to create a public network (online or in-person) for promoting my business; I may use door to door communication techniques in strategic locations to promote my product or service; I may be planning to use social media (e.g, Twitter or Facebook) to strategically develop a customer base):

III. Advertising and Promotions (I may be planning to develop an advertising campaign for my business; I may offer promotions or incentives such as coupons or special deals to potential customers; I may be planning a viral marketing campaign <<http://www.wilsonweb.com/wmts/viral-principles.htm>>.):



II. Sales Management Strategy

A. Sales Force Strategy (Who will be concentrating on sales? Will there be a team of sales people selling your product or service?):

B. Sales Activities (Who are potential buyers and how would you prioritize them? How will you sell your product? Will you make sales calls or set up consultative sales appointments with potential customers?):

—EXAMPLE—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Marketing and Sales Management Strategy Manna Strategic Group

The Manna Strategic Group is positioned to provide business, management, and technical communication services and training to small business startups in Oklahoma. Our services have been designed to address the unique and growing needs of small business startups. Thus, we create practical short and long term solutions that can improve small business effectiveness and market penetration. Manna Strategic Group will position itself as the leading business management and communications consulting firm for small business startups in the states of Oklahoma and Texas.

Marketing and Pricing

Our marketing strategy incorporates a simplified billing strategy which includes a fixed pricing method. Manna Strategic Group will determine this fixed pricing method for each deliverable based on daily estimates and fees. Thus, we will provide per-deliverable fixed price quotes to clients in which clients will determine which deliverables they wish to purchase. Manna Strategic Group will honor the fixed quote pricing method in all situations, even if we have underestimated the number of days to complete a deliverable. The fixed pricing method will be calculated at \$425/workday (or 7 hours) multiplied by the number of days estimated to complete the project.

The following is an example of a **Marketing and Sales Management Strategy**. Please use this example as a template to help you compose your own market strategy. Notice the type of information included in this section, and its use of descriptive language. The type of information you will want to detail and focus on in this part of your business plan will depend heavily on your business's strategy for penetrating the market. This is also a good place to include information about your *product* (or service), *pricing*, *place*, and *promotion*—known as the **Marketing Mix**. Entrepreneur Magazine provides an informative article to stimulate your thinking about the **Marketing Mix**. To read this article visit: <http://www.entrepreneur.com/article/70824>.



Distribution

Our distribution strategy will focus on the Midwestern region of Oklahoma first, targeting Oklahoma City and its surrounding areas. We then look to extend our services out to other metropolitan and suburban areas of Oklahoma, and major cities in Texas such as Houston and Dallas. The Midwestern region of Oklahoma, particularly Oklahoma City was listed in Inc. Magazine as one of the top metropolitan and suburban areas for small business startups. Houston and Dallas were listed further down the list as other top places to launch a business in 2013. Our locations will expand as we add new consultants to our strategic task force.

Promotion

We are participating members in the Western Chapter of the Southern States Council for Entrepreneurship Development and Training. We will continue to attend regional conferences and develop contacts with key Entrepreneurial business owners, venture capitalists, and small business founders in our region. Once we have helped our first five clients at half the price we will then look to advertising and promotional channels, including: regional and local radio programming, as well as local news sources. We further look to participate in local chambers of commerce to garner additional press and exposure. In communicating our mission and service offerings we will continuously position our distinguishing advantages, which include:

- Strategic small business startup solutions;
- A local and regional community presence at fixed quote pricing;
- Personalized consultation services for your business's unique and growing needs.



Service or Product Line

The **Service or Product Line** portion of your business plan details information about your product or service. Here you will emphasize how your product or service benefits its customers.

The **SBA** recommends that you include the following in this section of your business plan:²²

- A description of your product or service; discuss specific benefits of your product or service and its ability to meet customer needs.
- Advantages of your product or service over competitors.
- The *life cycle* or stage your product is in and where it is headed at its present stage of development (refer to page 51).
- A discussion of any *intellectual property* acquired, pending, or anticipated for your product, such as copyrights, patent findings, registered trademarks; also include any legal agreements your business has with other individuals or businesses (refer to page 52).
- Research and development for your product or service; discuss research and development that has been completed, that's in progress, or that's being planned; also include research and development efforts by other businesses in your industry.



Product Development Life Cycle

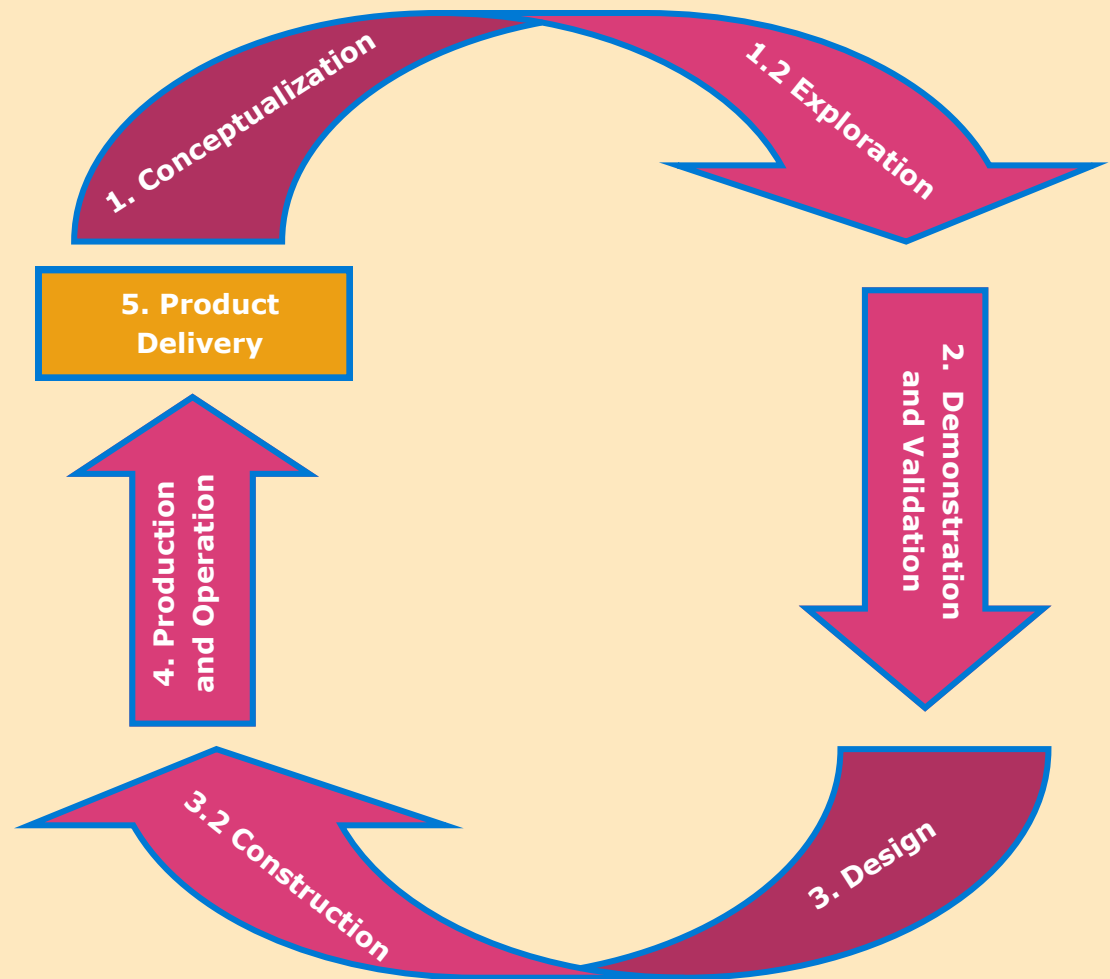
The Center for Usability in Design and Accessibility (CUDA) provides a Product Development Life Cycle to help you evaluate the usability of your product and determine where your product exists in the life cycle²³.

Phase 1-1.2: Conceptualization and Exploration

Is your product in the concept stage where you are exploring and testing how your product will be used? Is your focus on getting the product to work?

Phase 2: Demonstration and Validation

Has the concept been implemented? Have you determined the features and constraints of your product and refined and prioritized them in order to choose which features will be critical to the prototype?



Phase 3-3.2: Design and Construction

How user-friendly is your design? Does your product need further testing or is it ready to enter the production stage? Examine the usability of your prototype for the market of potential users. If your product possesses software—required software elements would be integrated into the prototype at this stage.

Phase 4: Production and Operation

Is your product ready for production? Are you considering what product maintenance and support services you will offer to customers? Have you begun testing your product in the “real world” or have you sold (or given away) the first few models of your product to customers who will provide you with feedback on your product?

Phase 5: Product Delivery

Is your product in the distribution stage? Has it been sold to customers? Have you received customer feedback on your design? Do you have a working method for purchase and delivery of your product?

What is the difference between a trademark, patent, and copyright?

New Mexico Secretary of State Dianna J. Duran explains Trademarks, copyrights, and patents in the following way:²⁴

Trademarks are names, words, or symbols used to distinguish and identify the goods of a person.

Patents protect innovations and inventions.

The United States Trademark and Patent Office (USPTO) provides a visual layout of the Patent Process, please visit them at: <http://www.uspto.gov/patents/process/index.jsp>. The USPTO also provides a step by step process that explains how to acquire a Trademark at: <http://www.uspto.gov/trademarks/process/index.jsp>.

Copyrights protect literary, musical, and artistic works. To apply for a copy right visit the U.S. Copy Right Office at: <http://www.copyright.gov/>.



²⁴ http://www.sos.state.nm.us/Business_Services/Trademark_FAQs.aspx

—EXAMPLE—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Product Line Baby Safe Soap Company

Baby Safe Soap Company's product line offers hospitals, pediatricians, day care providers, and parents a safe antimicrobial-based fading dye soap that is gentle enough for the most delicate of skin, including baby's skin.

Product Description and Product Advantages

- Baby Safe Soap Co. will produce a line of liquid soaps with a unique salicylic acid (SA) antimicrobial-based polymer. The SA polymer we have developed is more aggressive at fighting biofilms but also more gentle on the human body than the SA polymer commonly used in eye care, oral care, and medical sterilization. Biofilms are an aggressive type of bacterial cell network which can severely damage human health.
- Our product contains a time-releasing dye blend that reacts with the hands during the lathering process, staining the hands a distinct color, then fading within seven minutes of washing.
- The time-releasing dye allows employers to monitor the hand washing safety of child health care workers to reduce the risk of spreading disease and violating health safety codes. The dye will also allow day care providers to monitor the hand washing safety practice of their staff, and allow parents to monitor the hand washing safety practices of their nannies.
- As one of the very first fading dye hand soaps in the domestic market, and the first fading dye hand soap in the baby-care market, Baby Safe Soap Co., will build brand identity with parents and child-care providers alike to improve the health and safety of children under their care.

The following is an example of a **Service or Product Line** section. Please use this example as a template to help you compose this section of your business plan. Notice the type of information included in this section, and its use of descriptive language. Be sure to describe your service or product in detail. Highlight the advantages of your particular service or product over that of your competitors. If your product or service is unique (the first of its kind) spotlight its uniqueness to distinguish it in the market. Further, describe how your service or product meets the needs of its target market. Include a section that details the research and development you have already completed or are planning to complete for your service or product. If you have submitted any applications for patents, trademarks or copyrights (or have been approved for a patent, trademark or copyright) include this information.



- The product will sell for approximately \$90/case (5 gallons/case).
- The packaging will be consistent with home soap dispensers and dispensers mounted in washing stations and will be available in a variety of sizes.
- Bright color schemes and cute animals will be used in the packaging to further market this product to parents, day care providers, and child health care providers.

Research and Development

We have built upon current research in the fading dye market by extensively testing the interactions between fading dyes and antimicrobial bases appropriate for use in child health care. Baby Safe Soap Co. has hired a professional chemist, Dr. Greg Fitch of Arizona State University with experience testing and developing dye products and antimicrobial bases to research and develop the chemical makeup that will be used in our product, ensuring its upmost quality. Dr. Fitch has tested several bioactive-based polymers and has found the SA-based poly(anhydride-ester) to be the best polymer for our fading dye and for the prevention of biofilms. Baby Safe Soap Co. has recently been approved for a patent in collaboration with Dr. Fitch for the unique SA-based poly(anhydride-ester) polymer that will be used in our soap products.

Product Delivery and Promotion

Our soap has already undergone development and testing to ensure the safety and quality of our product. It is now in the production, product delivery, and promotional stage of its development, where we are focused on the channels through which to distribute our product to its target market. We are creating promotional materials, including brochures, posters, and other literature to mail and hand deliver to day care providers, hospitals, pediatrician practices, and upper-middle income residential homes with children. Each promotional material will highlight the specific safety benefits of a fading dye, antimicrobial-based, cleansing hand soap.



Funding Request

If you are seeking funding for your business, you will need to incorporate a Funding Request section into your business plan.

You should include the following in this section:²⁵

- **Your current funding requirement.**
- **Anticipated future funding requirements over the next five years.**
- **Discuss how you intend to use the funds you receive.**
- **Any long-term financial strategies or plans that would impact your funding request in any way. These might include future plans of: selling your business, a buy-out, or being acquired by another business.**
- **The amount of funding you want now and will want in the future. Be sure to describe the time period that each request will cover.**
- **Specify the type of funding you're seeking (debt or equity), and the terms you want to be applied to your funding agreement.**



The process of obtaining funding (or **financing**) for a small business venture is frustrating for many entrepreneurs. You may want to begin this process by first looking to your own savings, or looking to family and friends who are interested in investing or becoming partners in your business. Funding typically comes in two forms for a business — **Equity** and **Debt**. The **New Mexico Small Business Development Center (NMSBDC)** explains the difference between **Equity** and **Debt**:²⁶

- **Equity** — is received in the form of a contribution from owners or investors. Basically, it is an investment in your business where shareholders (or investors) receive a return on their investment in the form of **dividends** (or payments made by a business to its shareholders).
- **Debt** — Debt is most often incurred by borrowing money (or receiving a loan) from a lender (e.g. a bank) or from an individual. It is typical in these instances to receive a written agreement called a promissory note. A **promissory note** outlines the interest rate, and structures the repayment schedule. By signing the promissory note you are legally agreeing to repay the debt as specified by the terms and conditions of the note.
 - **Trade Credit** — is another form of debt that may be an option for you. Trade credit is most commonly given to businesses with already established credit history. Startups are rarely offered trade credit unless they are shrewd negotiators with a properly prepared financial plan.²⁷ If this is you, you may want to consider the possibility of seeking Trade Credit instead of a loan. You can visit *Entrepreneur Magazine* to learn more about Trade Credit, and decide if this could be a good funding path for you. <http://www.entrepreneur.com/encyclopedia/term/82538.html>



²⁶ [http://www.nmsbdc.org/center_to_center/fileuploads/StartingOutGuide2010REV\(3\).pdf](http://www.nmsbdc.org/center_to_center/fileuploads/StartingOutGuide2010REV(3).pdf)

²⁷ <http://www.entrepreneur.com/encyclopedia/term/82538.html>

—EXAMPLE—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Funding Request Marcie's Gourmet Popcorn

Executive Summary

Marcie's Gourmet Popcorn is a high-end gourmet snack business with a reputation for high quality, outstanding customer service and excellence in management.

Marcie's Gourmet Popcorn was formed by Marcie Hernandez as a Sole Proprietorship in December 2010. In the fall of 2011 a combination of activities involving a new location, new flavors, and an increase in popularity brought Gross Sales of \$100,000.

The Company has experienced steady growth since its inception. In the first quarter of 2012 Gross Sales of \$75,000 were achieved, showing an increase over the past year of over 50% compared with the first quarter of the previous year. By the end of 2012, projected gross sales is \$150,000.

The Company has its address in leased premises at 555 N. Avenue B, in Las Cruces, NM. Its activities fall under the food production laws of the department of health and safety for the state of New Mexico. The owner is Marcie Hernandez.

Marcie's Gourmet Popcorn is involved in three distinct activities:

1. Gourmet popcorn production and packaging
2. Supplying custom popcorn mixes for special events
3. Special events popcorn production (on-site)

Eighty to ninety percent of the Gross Sales are in gourmet popcorn production and packaging. At the moment (summer 2012), there are 3 permanent employees on the payroll.

The following is an example of a **Funding Request**. Notice how this request opens with a condensed executive summary to provide some background information about the owner, the company, the company's growth, the company's objectives, activities equity, and market research. This example also provides a table that breaks down the company's financial objectives. It concludes with a call to action that prompts the reader to review this company's business plan and loan proposal.



The company's Short Term Objectives (within the next three years) are to increase activity in all areas, and to achieve annual profit, net after taxes, of \$100,000 by 2013. Its Long term objectives are: to maintain the level of current business achieved up to 2012, and then to move into additional locations in Las Cruces, more custom work, and increased special event requests.

To implement these objectives the company needs:

1. A loan of \$100,000 at Prime plus 2%. This loan to be used for current near term expenses including _____, _____ and _____. It will be repaid in five years.
2. A line of credit of \$50,000 to take advantage of discounts available, avoid associated penalties, and expand into high profit areas requiring positive cash flow.

The prospects for Marcie's Gourmet Popcorn continued growth are excellent, with increasing market share and the increase of gross sales in one year already over 50%.

For equity the company has assets of \$10,000 (see Appendix 9, Balance Sheet as of mm/dd/2003). Additionally, the company's owners are willing to offer as collateral a second mortgage on a residence with an estimated equity of \$150,000. The address of this residence is 456 Oak Dr., Las Cruces, NM.

Market research shows that the population in Las Cruces has increased by 5,000 between 2008 and 2012. This increase in population brought about an increase of potential target market to the area. Demographic estimates published by the State of New Mexico show there is an increase in the target market of young professionals who are the target market for gourmet snack foods. Marcie's Gourmet Popcorn intends to pursue this market vigorously.

Financial Objectives

The financial objectives of ADVENTURE WORKS over the next few years are as follows:		
2012		2013-2015
Sales	\$150,000	\$350,000
Net Income after Tax	\$40,000	\$75,000

Please review the enclosed business plan and loan proposal, and of course feel free to ask for any additional information or explanations you may want. I will call you in about one week's time to arrange an appointment so that we can discuss the loan in person.

I look forward to a mutually profitable relationship with the Woodgrove Bank.

Sincerely,
Marcie Hernandez



Financial Projections

You can use your funding request section to help you develop your financial projections. Be sure that your projections reflect your funding request. Creditors will not overlook inconsistencies between these two sections of your business plan. The financial projections portion of your business plan should not be a daunting process. The financial projections follows logically in the business plan as the last section before the appendix because — by this time — you have already analyzed your market and set clear goals for your business.



At this point you will want to provide potential investors or creditors with the following **Financial Data:**²⁸

- **Pro Forma Income Statement** (see pp. 61-63): **One for the first year broken down by month, and one for the first three years broken down by quarters.**
- **Pro Forma Cash Flow Projection** (see pp. 64-67): **One for the first year broken down by month, one for the first three years broken down by quarters, and a cash flow assumptions page.**
- **Pro Forma Balance Sheet** (see pp. 68-70): **One for the first year broken down by month, and one for the first three years broken down by quarters.**

Financial Projections Advice



If you are comfortable with spreadsheets and accounting principles this section will likely be the easiest section you write for your business plan. If accounting and spreadsheets are unfamiliar territory to you, you may want to consider contracting a **Certified Public Accountant (CPA)** to help you with this portion of your business plan.

This workbook will teach you some basic accounting terms but you will likely need further training in this area to be able to prepare a professional **Income Statement** projection, **Cash Flow Sheet** projection, and **Balance Sheet** projection for your business. The examples contained in this workbook will simply give you a general idea of what information you should expect to included in your financial projections. You will need to tailor your business's financial projections to highlight the amount of money you are seeking, its use, the nature of the **securities** (or assets that possess financial value)²⁹ and **rate of return** (or the percentage [%] of revenues received for every dollar invested)³⁰ you are offering to your investors.

²⁹ <http://investingadvice.com/what-are-securities/>

³⁰ <http://homebusiness.about.com/od/homebusinessglossar1/g/roi.htm>

What's a *Pro Forma Income Statement*, Anyways?

Although, you have most likely decided to contract a CPA to help you with this section of your business plan, it's still important to understand the basics of how these different financial sheets work, and what they tell potential investors about your business.

The term "**Pro Forma**" is a Latin term which simply means "for the sake of form." In other words it means *for the sake of formality*. Often, the term applies to **projected financial figures** but it may also apply to current financial figures.³¹

Basically, Pro Forma Income Statements are the plan-for-profit portion of your company's financials. It works to communicate the feasibility of your business plan to potential investors. Moreover, Pro Forma Income Statements help you to plan your cash needs based on revenues and expenses.³²

You should include two Pro Forma Income Statements in your business plan: one for the first year broken down by month and one for the first three years broken down by quarter. Refer to pp. 63 to see a Pro Forma Income Statement Example.



31 <http://www.investopedia.com/terms/p/proforma.asp#axzz1yoqlkks>

32 <http://whitman.syr.edu/eee/bplan/panasci/docs/2008-2009-The-Nuts-and-Bolts-of-Business-Plans.pdf>

The Basics of a Pro Forma Income Statement:



- **Revenues** include: your amount earned (or your sales), and any interest you have earned from those sales.
- **Cost of Goods Sold** (i.e. Direct Costs) includes: the cost of the materials it takes to make your product or provide your service, the machines that produce your product or mechanical equipment used to provide your service, the utilities it takes to power the machines that produce your product, and the payroll used to pay employees to run the machines. It excludes indirect expenses (e.g. distribution methods, sales force costs).³³
- **Gross Profit** = Revenue (or sales) – the Cost of Goods Sold.
- **Expenses** (i.e. Indirect Costs) includes: costs that are not directly related to the manufacturing of a product or service. Possible expenses may include but are not limited to the following: market research, maintenance fees, utilities, administrative expenses, insurance, indirect material costs, office supplies, purchasing costs, rent, real estate taxes, licenses, distribution costs, accounting, and advertising fees.³⁴ Although they could be considered more of a direct expense, payroll taxes, testing, engineering, employee benefits are all items you should list under expenses. It's important to list these expenses and provide projected figures for each expense so potential investors know exactly what their money will be used for. **Consult a CPA to make sure you are considering all your relative expenses.**
- **Net Income** = Gross Profit – Total Expenses.

³³ <http://www.investopedia.com/terms/c/cogs.asp#axzz1yoqlkkk6>

²⁴ <http://financial-dictionary.thefreedictionary.com/Indirect+Cost+and+Expense>

—EXAMPLE INCOME STATEMENT—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Pro Forma Income Statement for Safron Technologies

FINANCIAL STATEMENT:																
Safron Technologies Pro Forma Income Statement Prepared: 6/16/2012																
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTALS		
REVENUE		\$ 17,563	\$ 35,126	\$ 52,689	\$ 74,252	\$ 87,815	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 1,005,091	100.00%	
COST OF GOODS SOLD		\$ 9,659	\$ 19,319	\$ 28,978	\$ 40,838	\$ 48,298	\$ 57,957	\$ 57,957	\$ 57,957	\$ 57,957	\$ 57,957	\$ 57,957	\$ 57,957	\$ 552,791	54.99%	
GROSS PROFIT		\$ 7,904	\$ 15,807	\$ 23,711	\$ 33,414	\$ 39,517	\$ 47,421	\$ 47,421	\$ 47,421	\$ 47,421	\$ 47,421	\$ 47,421	\$ 47,421	\$ 452,300	45.01%	
EXPENSES:														\$ -		
Testing		\$80	160	320	480	880	960	960	960	960	960	960	960	960	\$ 9,520	0.95%
Engineering		\$220	440	880	1,320	2,420	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	\$ 26,180	2.60%
Payroll Taxes	15.00%	90	180	270	495	540	540	540	540	540	540	540	540	540	\$ 5,355	0.53%
Workers Comp Insurance	15.00%	90	180	270	495	540	540	540	540	540	540	540	540	540	\$ 5,355	0.53%
Employment Benefits	25.00%	150	300	450	825	900	900	900	900	900	900	900	900	900	\$ 8,925	0.89%
Indirect Costs														\$ -		
Accounting & Professional Fees	0.00%	0	0	500	0	0	500	0	0	500	0	0	500	500	\$ 2,000	0.20%
Advertising & Promotional Expense	1.00%	184	367	551	1,010	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	\$ 10,928	1.09%
Lodging Expense	0.00%	500	500	500	500	500	500	500	500	500	500	500	500	500	\$ 6,000	0.60%
Food Expense	0.00%	320	320	320	320	320	320	320	320	320	320	320	320	320	\$ 3,840	0.38%
Commission Allowance	10.00%	1,837	3,674	5,512	10,105	11,023	11,023	11,023	11,023	11,023	11,023	11,023	11,023	11,023	\$ 109,312	10.88%
Insurance Liability	0.00%	112	112	112	112	112	112	112	112	112	112	112	112	112	\$ 1,344	0.13%
Licenses	0.00%	35	0	0	0	0	0	0	0	0	0	0	0	0	\$ 35	0.00%
Office Supplies		\$5	10	20	30	55	60	60	60	60	60	60	60	60	\$ 595	0.06%
Building Repairs & Maintenance Fees	1.00%	184	367	551	1,010	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	\$ 10,928	1.09%
Taxes (Real Estate)	0.00%	0	0	0	0	0	1,000	0	0	0	0	0	0	0	\$ 1,000	0.10%
Utilities -Electric	0.00%	500	500	500	500	500	500	500	500	500	500	500	500	500	\$ 6,000	0.60%
Utilities-Gas	0.00%	100	100	100	100	100	100	100	100	100	100	100	100	100	\$ 1,200	0.12%
Utilities-Telephone	0.00%	500	500	500	500	500	500	500	500	500	500	500	500	500	\$ 6,000	0.60%
Utilities-Sewage & Garbage	0.00%	100	100	100	100	100	100	100	100	100	100	100	100	100	\$ 1,200	0.12%
Contracted Installation		\$500	1,000	2,000	3,000	4,000	5,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	\$ 57,000	5.67%
Bank Charges/Finance Charges	3.50%	643	1,286	1,929	3,537	3,858	3,858	3,858	3,858	3,858	3,858	3,858	3,858	3,858	\$ 38,259	3.81%
Administrative Salaries	0.00%	0	0	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	\$ 28,000	2.79%
Administrative Payroll Taxes	15.00%	0	0	435	435	435	435	435	435	435	435	435	435	435	\$ 4,350	0.43%
Int-Loan 1		\$ 1,735.00	\$ 1,730.00	\$ 1,724.00	\$ 1,718.00	\$ 1,712.00	\$ 1,707.00	\$ 1,701.00	\$ 1,695.00	\$ 1,689.00	\$ 1,683.00	\$ 1,677.00	\$ 1,671.00	\$ 1,665.00	\$ 20,442	2.03%
Depreciation		\$ -	\$ -	\$ -	\$ 2,258.00	\$ 2,258.00	\$ 2,258.00	\$ 2,258.00	\$ 2,258.00	\$ 2,258.00	\$ 2,258.00	\$ 2,258.00	\$ 2,258.00	\$ 2,258.00	\$ 20,322	2.02%
Amortization		\$ -	\$ -	\$ -	\$ 484.00	\$ 484.00	\$ 484.00	\$ 484.00	\$ 484.00	\$ 484.00	\$ 484.00	\$ 484.00	\$ 484.00	\$ 484.00	\$ 4,356	0.43%
TOTAL EXPENSES		\$ 8,690	\$ 13,436	\$ 22,454	\$ 35,159	\$ 38,046	\$ 40,541	\$ 39,035	\$ 39,029	\$ 39,523	\$ 39,017	\$ 39,011	\$ 39,505	\$ 393,446	39.15%	
														\$ -		
NET INCOME		\$ (786)	\$ 2,371	\$ 1,257	\$ (1,745)	\$ 1,471	\$ 6,880	\$ 8,386	\$ 8,392	\$ 7,898	\$ 8,404	\$ 8,410	\$ 7,916	\$ 58,854	5.86%	

What's a *Pro Forma Cash Flow Projection*?



The Pro Forma Cash Flow Projection is simply a way to help you analyze the projected financing, investing, and operating of your company. Thus, it acts as a kind of a sensor to help you identify potential cash flow problems as well as cash flow opportunities. It further provides investors with a report that details how much cash a company is likely to generate over a period of time (usually 3 or 5 years).³⁵

In this section you will need to:³⁶

- Provide a monthly cash flow projection for the first year, and quarterly cash flow projection for the first three years.
- Describe how the money you need will be used for the operation of your business venture (e.g. for marketing, research and development). Many of these items will transfer from the expenses on your income statement.
- Discuss the amount and timing of expected cash inflows and outflows and indicate how needed additional financing will be obtained {i.e. through equity financing (see pp. 56), bank loans, or short-term lines of credit}.
- You will also want to familiarize yourself the **cash flow assumptions** that your CPA provides you. The assumptions page is important because it acts as a reference and summary of your financial projections (see pp. 66).

³⁵ <http://www.wikicfo.com/wiki/Cash-Flow-Assumptions.ashx>

—EXAMPLE CASH FLOW PROJECTION—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Pro Forma Cash Flow Sheet for Safron Technologies

Safron Technologies Pro Forma Cash Flow Prepared: 6/16/2012													
FINANCIAL STATEMENT:	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
BUDGET YEAR													
CASH RECEIPTS													
Cash Sales	\$ 17,563	\$ 35,126	\$ 52,689	\$ 74,252	\$ 87,815	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 1,005,091
Coll. From Credit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Draw/(Repay) LOC	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Loan Injection	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Equity Injection	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL CASH RECEIVED	\$ 17,563	\$ 35,126	\$ 52,689	\$ 74,252	\$ 87,815	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 105,378	\$ 1,005,091
CASH PAID OUT													
Cost of Goods Sold	\$ 3,659	\$ 19,319	\$ 28,978	\$ 40,838	\$ 48,298	\$ 57,957	\$ 57,957	\$ 57,957	\$ 57,957	\$ 57,957	\$ 57,957	\$ 57,957	\$ 552,791
Testing	\$ 160	\$ 320	\$ 480	\$ 880	\$ 960	\$ 960	\$ 960	\$ 960	\$ 960	\$ 960	\$ 960	\$ 960	\$ 9,520
Engineering	\$ 440	\$ 880	\$ 1,320	\$ 2,420	\$ 2,640	\$ 2,640	\$ 2,640	\$ 2,640	\$ 2,640	\$ 2,640	\$ 2,640	\$ 2,640	\$ 26,180
Payroll Taxes	\$ 90	\$ 180	\$ 270	\$ 495	\$ 540	\$ 540	\$ 540	\$ 540	\$ 540	\$ 540	\$ 540	\$ 540	\$ 5,355
Workers Comp Insurance	\$ 90	\$ 180	\$ 770	\$ 995	\$ 1,040	\$ 1,040	\$ 1,040	\$ 1,040	\$ 1,040	\$ 1,040	\$ 1,040	\$ 1,040	\$ 10,355
Employee Benefits	\$ 150	\$ 300	\$ 450	\$ 825	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 8,925
Indirect Costs													
Accounting & Professional Fees	\$ 0	\$ 0	\$ 500	\$ 0	\$ 0	\$ 500	\$ 0	\$ 0	\$ 500	\$ 0	\$ 0	\$ 500	\$ 2,000
Advertising & Promotion	\$ 184	\$ 367	\$ 551	\$ 1,010	\$ 1,102	\$ 1,102	\$ 1,102	\$ 1,102	\$ 1,102	\$ 1,102	\$ 1,102	\$ 1,102	\$ 10,928
Lodging Expense	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 6,000
Food Expense	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 3,840
Commission Allowance	\$ 1,837	\$ 3,674	\$ 5,512	\$ 10,105	\$ 11,023	\$ 11,023	\$ 11,023	\$ 11,023	\$ 11,023	\$ 11,023	\$ 11,023	\$ 11,023	\$ 109,312
Insurance Liability	\$ 112	\$ 112	\$ 112	\$ 112	\$ 112	\$ 112	\$ 112	\$ 112	\$ 112	\$ 112	\$ 112	\$ 112	\$ 1,344
Licenses	\$ 35	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35
Office Supplies	\$ 10	\$ 20	\$ 30	\$ 55	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 595
Building Repairs & Maintenance Fees	\$ 184	\$ 367	\$ 551	\$ 1,010	\$ 1,102	\$ 1,102	\$ 1,102	\$ 1,102	\$ 1,102	\$ 1,102	\$ 1,102	\$ 1,102	\$ 10,928
Taxes (Real Estate)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000
Utilities -Electric	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 6,000
Utilities -Gas	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 1,200
Utilities -Telephone	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 6,000
Utilities -Sewage & Garbage	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 1,200
Contracted Installation	\$ 1,000	\$ 2,000	\$ 3,000	\$ 4,000	\$ 5,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 57,000
Bank Charges/Finance Charges	\$ 643	\$ 1,286	\$ 1,929	\$ 3,537	\$ 3,858	\$ 3,858	\$ 3,858	\$ 3,858	\$ 3,858	\$ 3,858	\$ 3,858	\$ 3,858	\$ 38,259
Administrative Salaries	\$ 0	\$ 0	\$ 2,800	\$ 2,800	\$ 2,800	\$ 2,800	\$ 2,800	\$ 2,800	\$ 2,800	\$ 2,800	\$ 2,800	\$ 2,800	\$ 28,000
Administrative Payroll Taxes	\$ 0	\$ 0	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 4,350
Int-Loan 1	\$ 1,735	\$ 1,730	\$ 1,724	\$ 1,718	\$ 1,712	\$ 1,707	\$ 1,701	\$ 1,695	\$ 1,689	\$ 1,683	\$ 1,677	\$ 1,671	\$ 20,442
Subtotal	\$ 18,349	\$ 32,755	\$ 51,432	\$ 73,255	\$ 83,602	\$ 95,756	\$ 94,250	\$ 94,244	\$ 94,738	\$ 94,232	\$ 94,226	\$ 94,720	\$ 921,559
Princ. Pmt - Loan 1	\$ 1,055	\$ 1,061	\$ 1,067	\$ 1,073	\$ 1,079	\$ 1,084	\$ 1,090	\$ 1,096	\$ 1,102	\$ 1,108	\$ 1,114	\$ 1,120	\$ 13,049
Payoff Existing Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Purchases	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Income Taxes	\$ (718)	\$ (245)	\$ (427)	\$ 405	\$ 640	\$ 416	\$ 642	\$ 642	\$ 568	\$ 644	\$ 645	\$ 621	\$ 3,833
Owner's Withdrawal	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 24,000
TOTAL CASH PAID	\$ 18,686	\$ 33,571	\$ 52,072	\$ 74,733	\$ 85,321	\$ 97,256	\$ 99,982	\$ 99,982	\$ 100,408	\$ 99,984	\$ 99,985	\$ 100,461	\$ 962,441
CHANGE IN CASH	\$ (1,123)	\$ 1,555	\$ 617	\$ (481)	\$ 2,494	\$ 8,122	\$ 5,396	\$ 5,396	\$ 4,970	\$ 5,394	\$ 5,393	\$ 4,917	
Beginning Balance	\$ 30,000	\$ 24,875	\$ 22,426	\$ 18,939	\$ 22,906	\$ 28,196	\$ 32,210	\$ 33,498	\$ 34,785	\$ 35,647	\$ 36,932	\$ 38,217	
Ending Balance	\$ 28,877	\$ 26,430	\$ 23,043	\$ 18,458	\$ 25,400	\$ 36,318	\$ 37,606	\$ 38,894	\$ 39,755	\$ 41,041	\$ 42,325	\$ 43,134	

—EXAMPLE CASH FLOW ASSUMPTIONS—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Cash Flow Assumptions for Mia's Coffee House

Cash Inflow Assumptions

- The coffee house holds the hours of 5 am to 9 pm (16 hours/day), Monday-Sunday, every week.
- We plan to open September 1, 2012, and will grow sales incrementally for 12 months before reaching our expected monthly sales in September of 2013.
- The average price of our coffee is \$2.87 and we expect to average 28 cups/hour.
 - Anticipated efficient monthly sales are $28 \text{ cups/hour} \times \$2.87 \times 16 \text{ hours/day} \times 30 \text{ days/month} = \$38,572.80$.
- The average soda, bottled water, and juice price is \$1.99 and we expect to average 10 soda, bottled water, or juice beverages/hour.
 - Anticipated efficient monthly sales are $10 \text{ cups/hour} \times \$1.99 \times 16 \text{ hours/day} \times 30 \text{ days/month} = \$9,552$
- The average price of our tea and hot chocolate is \$2.10 and we expect to average 8 cups/hour.
 - Anticipated efficient monthly sales are $8 \text{ cups/hour} \times \$2.10 \times 16 \text{ hours/day} \times 30 \text{ days/month} = \$8,064$
- The average price of our pastries, donuts, and bagels is \$3.99 and we expect to average 9 of these food items/hour.
 - Anticipated efficient monthly sales are $9 \text{ food items/hour} \times \$3.99 \times 16 \text{ hours/day} \times 30 \text{ days/month} = \$17,236.80$.
- Other non-perishable items will be sold such as gift cards, mugs, logo tee shirts, logo baseball caps, and coffee makers.
 - Anticipated efficient monthly sales of non-perishable items is \$850.
- By the end of month 4 (September 1, 2012 –December 31, 2012), we anticipate achieving 20% of efficient sales.

The following is an example of a **cash flow assumptions**. For those of us who are just beginning to build a small business the cash flow assumptions is likely the most important part of the financial projections section. This portion of your financial projections shows potential lenders that you will be able to repay your loans, and tells potential investors that you will have cash to distribute from your profits. Be prepared to explain your calculations thoroughly in this section. Your potential investors or lenders are likely *Not Experts* in your particular market or industry, thus they will need you to describe your assumptions in a descriptive, logical order. You should plan to detail your cash inflows (or sales) and your cash outflows (or expenses) in this part of your business plan.³⁷



³⁷ <http://smallbusiness.chron.com/financial-assumptions-business-plan-2676.html>

- By the end of month 6 we expect to achieve 40% of efficient sales.
- At the end of month 8 we anticipate achieving 60% of efficient sales.
- At the end of month 10 we anticipate achieving 80% of efficient sales.
- We expect to invest \$45,000 in savings (equity capital) and we are seeking a bank loan for \$190,000 (debt capital).

Cash Outflow Assumptions

- Cost of goods sold (CGS) figures:
 - All beverages at 45% of sales
 - Food items at 70% of sales
 - Non-perishable items at 75% of sales
- Employees:
 - One manager will be on staff for every hour we are open. Managers will receive a wage of \$18/hour. Our monthly budget for managers' salaries totals \$18/hour x 16 hours/day x 30 days/month = \$8,640/month.
 - Two workers will be on staff for each hour we are open. They will receive \$9.00/hour. Our monthly budget for workers' salaries will cost \$9/hour x 16 hours/day x 30 days/month x 2 workers = \$8,640/month.
 - FICA will account for 7.52% of salaries.
 - Health benefits are calculated for full-time employees (40 hours or more a week). It will be calculated at 9.5% of full-time employee salaries.
- Building:
 - Rent will cost \$2450/month for the first three years. We signed a three year lease agreement.
 - Buildout is estimated at \$42,000. A third (\$14,000) was paid up front and the remaining two thirds will be paid upon completion of the job.

- Utilities (gas, electric, telephone, sewage, and garbage) are estimated to cost \$1,450/month.
- Equipment expenses are estimated at \$42,000. We will pay a third upfront (\$14,000) and pay \$1,166.67 each month over a period of two years. We have further budgeted \$4,000/year after the first year to replace broken equipment.
- Furniture is estimated at \$12,000. We have money in the budget to pay the full cost of this expense.
- Insurance for liability, fire, natural disaster and theft totals to \$3,400/year.
- Maintenance is estimated to cost \$450/month.
- Other:
 - Marketing is estimated at \$3,000 for the month before opening, and \$2,500 for the grand opening. After the first month of business marketing is estimated to cost \$600/month.
 - Accountant and lawyer contract fees will cost approximately \$3300/year.
 - Miscellaneous expenses are estimated to cost \$450/month.
- **Loan Repayment:** We anticipate receiving a \$150,000 ten-year loan at 6% interest. Our interest payment will total \$9,000/year (or \$150,000 x .06). We will owe \$15,000 (or \$150,000/10 years) in principal/year. Therefore, our monthly loan payment is calculated to be \$2,000 (or \$9,000 + \$15,000)/12).
- Dividends/bonuses will be paid out starting in year 3.
- Sales tax is 5.125% of sales in New Mexico.
- Tax is calculated as 36% of profit. We do not plan to generate a profit in year 1, so no tax will be paid for this year. The profit for 2013 is estimated at \$87,844 (or \$979,151- \$891,307), our tax for 2014 will total \$31,624 (or .36 x 87,844).

What's a *Pro Forma Balance Sheet*?

The **Pro Forma Balance Sheet** paints a picture of what your business's assets, liabilities, and equity (see pp. 56) will look like in the projected years ahead (usually these sheets are prepared for the first 3 to 5 years of your business's operations)³⁸. It basically shows potential investors how your business plans to handle its assets over the next several years.³⁹

Current Assets: are resources that are currently held in possession of the company. They are made **liquid** or turned into cash with little effort. The following are considered current assets:⁴⁰

- **Cash** — money which is available immediately such as money in a checking or savings account.
- **Accounts Receivable** — these are another name for outstanding invoices that should be paid by clients or customers according to the terms of the invoice (usually 30-45 days).
- **Inventories** include — materials used in the production of products or for the rendering of a service or finished product to be sold or distributed to consumers.
- **Bonds and Other Current Assets** — Bonds fall under this category when they are expected to reach maturity within the period specified on the balance sheet. Stocks and other securities (see pp. 60) are considered current assets if you anticipate selling these securities at a profit within the period specified on the balance sheet.



³⁸ <http://www.wisegeek.com/what-is-a-pro-forma-balance-sheet.htm>

³⁹ <http://www.businesstown.com/accounting/projections-balance.asp>

⁴⁰ <http://www.wisegeek.com/what-are-current-assets.htm>

Prepaid Expenses: are just what they sound like. They're expenses (or bills) that have been paid prior to being listed on the balance sheet. For example, if you prepay your company's rent in advance for the next six months, this is considered an asset because you now do not owe rent again for another six months.⁴¹



Liabilities: are what your business owes. Typically, liabilities include accounts payable (money your company owes on an account for services rendered, equipment, materials, ect.), and money owed to creditors. They often have the word "payable" in their name. Such as: Notes Payable, Taxes Payable, Salaries Payable, Wages Payable, Interest Payable, money owed on a loan also falls into this category, as well as any money paid in advance for services not yet rendered.⁴²

It's important to be as accurate as you possibly can when preparing the balance sheet. Most investors will see right through attempts to sway the balance sheet in a direction that could make your company seem more profitable than it actually is.

⁴¹ <http://www.wisegeek.com/what-are-prepaid-expenses.htm>

⁴² <http://www.accountingcoach.com/online-accounting-course/05Xpg02.html>

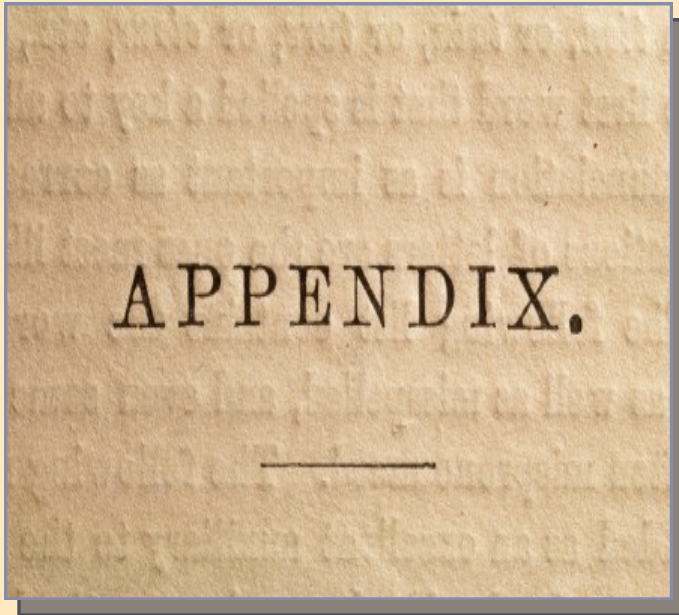
—EXAMPLE BALANCE SHEET—

(The information contained in this example is not accurate, and should not be used as a source for any research)

Pro Forma Balance Sheet for Safron Technologies

FINANCIAL STATEMENT:													
Safron Technologies Pro Forma Balance Sheets Prepared: 6/16/2012													
	Pre	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash	\$ 30,000	\$ 24,875	\$ 22,426	\$ 18,939	\$ 22,906	\$ 28,196	\$ 32,210	\$ 33,498	\$ 34,785	\$ 35,647	\$ 36,932	\$ 38,217	\$ 38,226
Accounts Receivable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Inventory	\$ 54,461	\$ 54,461	\$ 54,461	\$ 54,461	\$ 54,461	\$ 54,461	\$ 54,461	\$ 54,461	\$ 54,461	\$ 54,461	\$ 54,461	\$ 54,461	\$ 54,461
Prepays	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Current Assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Current Assets	\$ 84,461	\$ 79,336	\$ 76,887	\$ 73,400	\$ 77,367	\$ 82,657	\$ 86,671	\$ 87,959	\$ 89,246	\$ 90,108	\$ 91,393	\$ 92,678	\$ 92,687
Net Fixed Assets	\$ 301,504	\$ 301,504	\$ 301,504	\$ 301,504	\$ 299,246	\$ 299,988	\$ 294,730	\$ 292,471	\$ 290,213	\$ 287,955	\$ 285,697	\$ 283,439	\$ 281,181
Net Intangibles	\$ 87,209	\$ 87,209	\$ 87,209	\$ 87,209	\$ 86,724	\$ 86,240	\$ 85,755	\$ 85,271	\$ 84,786	\$ 84,302	\$ 83,817	\$ 83,333	\$ 82,848
Other	\$ 7,209	\$ 5,773	\$ 5,283	\$ 4,429	\$ 5,239	\$ 3,519	\$ 7,351	\$ 16,633	\$ 25,920	\$ 35,055	\$ 44,345	\$ 53,634	\$ 61,466
TOTAL ASSETS	\$ 480,383	\$ 473,822	\$ 470,883	\$ 466,542	\$ 468,576	\$ 472,404	\$ 474,507	\$ 482,334	\$ 490,165	\$ 497,420	\$ 505,252	\$ 513,084	\$ 518,182
Notes Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accruals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Taxes Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
CPLTD-Loan 1	\$ 13,050	\$ 13,121	\$ 13,192	\$ 13,263	\$ 13,335	\$ 13,407	\$ 13,480	\$ 13,553	\$ 13,626	\$ 13,700	\$ 13,774	\$ 13,849	\$ 13,924
CPLTD-Loan 2	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
CPLTD-Loan 3	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
CPLTD-Loan 4	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Current Liabilities	\$ 13,050	\$ 13,121	\$ 13,192	\$ 13,263	\$ 13,335	\$ 13,407	\$ 13,480	\$ 13,553	\$ 13,626	\$ 13,700	\$ 13,774	\$ 13,849	\$ 13,924
Long-Term Loan 1	\$ 307,333	\$ 306,207	\$ 305,074	\$ 303,936	\$ 302,791	\$ 301,641	\$ 300,484	\$ 299,320	\$ 298,151	\$ 296,975	\$ 295,793	\$ 294,604	\$ 293,409
Long-Term Loan 2	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Long-Term Loan 3	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Long-Term Loan 4	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sub. Officer Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Liabilities	\$ 320,383	\$ 319,328	\$ 318,266	\$ 317,199	\$ 316,126	\$ 315,048	\$ 313,964	\$ 312,873	\$ 311,777	\$ 310,675	\$ 309,567	\$ 308,453	\$ 307,333
Owners' Equity													
Owners' Capital	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000
Owners' Draw	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,000	\$ 8,000	\$ 12,000	\$ 16,000	\$ 20,000	\$ 24,000
Owners' Tax Due	\$ 0	\$ (718)	\$ (963)	\$ (1,390)	\$ (985)	\$ (345)	\$ 71	\$ 712	\$ 1,355	\$ 1,923	\$ 2,568	\$ 3,213	\$ 2,624
Net Income (Loss)	\$ 0	\$ (4,788)	\$ (6,420)	\$ (9,267)	\$ (6,565)	\$ (2,299)	\$ 472	\$ 4,749	\$ 9,033	\$ 12,822	\$ 17,117	\$ 21,418	\$ 24,225
Total Owners' Equity	\$ 160,000	\$ 154,494	\$ 152,617	\$ 149,343	\$ 152,450	\$ 157,356	\$ 160,543	\$ 169,461	\$ 178,388	\$ 186,745	\$ 195,685	\$ 204,631	\$ 210,849
Total Liabilities & Owner's Equity	\$ 480,383	\$ 473,822	\$ 470,883	\$ 466,542	\$ 468,576	\$ 472,404	\$ 474,507	\$ 482,334	\$ 490,165	\$ 497,420	\$ 505,252	\$ 513,084	\$ 518,182
NET WORTH	\$ 160,000	\$ 319,328	\$ 318,266	\$ 317,199	\$ 316,126	\$ 315,048	\$ 313,964	\$ 312,873	\$ 311,777	\$ 310,675	\$ 309,567	\$ 308,453	\$ 307,333

Appendix



Take a deep breath. You did it! You made it to the end of your business plan. This section should be seen as a supplemental section, in which you will gather many of the documents you have accumulated along the way — from market research to planning, from product design to your financials. Basically, this is a space where you can incorporate additional support and evidence of the work, time, and resources you have invested in your well thought-out business plan. This section will mostly be viewed by potential creditors and investors who will want to see additional information about your experience in the industry, your credit, research, and legal agreements.

The following documents are commonly found in the appendix section.⁴³

- **Resumes** for yourself, co-owners, and key managers
- **Credit Report** for yourself and your business (if you have owned a business before)
- **Legal contracts** or legal agreements

- **Visuals of your product**
- **Additional information about your market research**
- **Relevant articles** (scholarly, news, or magazine articles)

43 <http://www.sba.gov/content/appendix>

You probably already have an updated resume for yourself that highlights both your general business experience and your specialized knowledge of your business. If this is the case, then you will want to make sure you have the most recent and relevant **Resumes** for your business partners and key managers as well. See pp. 74 for helpful resume tips followed by an example.



Credit Reports are typically free and easy to access. There are several websites that will provide you with a free annual credit report. **FreeCreditReport.com** (www.freecreditreport.com) and **Equifax** (www.equifax.com) are two websites that provide this free service.

Incorporate a copy of your business's lease agreement or mortgage agreement. Other **Legal Contracts** worth including are: building permits, your business license or permit, and any documents that show you've acquired (or applied for) a patent or trademark (refer to pp. 52) for your product.

Letters of Reference are helpful to building your credibility especially if you're in a position where your resume and business experience does not necessarily speak for itself. Focus on garnering letters of reference from successful business owners that you have worked for and had positive experiences with. If you have recently graduated (or are on the track to graduating) with a business, economics, or engineering degree you may want to consider garnering a letter of recommendation from a professor (in your major) whose class you excelled in.

If you are offering a product you should include some **Visuals of your Product** in this section of the plan. Be sure to shed the best light on your product's features. Use a high quality digital camera and take lots of photos at many different angles. Use different qualities of light (e.g. soft light, natural light, bright light) to see which angles and lighting best capture your product. Diagrams and engineering plans that display the product's design and features are also a nice addition to this section.



It may be helpful to include **Additional Information** or supporting documents that detail your market research. Include documents that were discussed, but were not incorporated into the market analysis and marketing sections of your plan. These might include: surveys and survey results, usability tests for your product, and various consumer tests and test details.

Relevant Articles may also be worth including in this section. Scholarly articles, newspaper articles, and magazine articles that support your research, market assessment, or product's engineering provide further credibility for your business plan.

Resume Tips and Examples

Tip # 1: Don't use a template to write your resume. Although it is beneficial to review the components of other well-written resumes, you don't want your resume to look and sound like it was recycled from a common template. The process of writing a resume is further a highly individual process. It should reflect your particular skill-set, specialized knowledge, and the experience you bring to your business.

Tip # 2: Avoid writing paragraphs but don't over do the bullet points. Let your resume flow logically with continuity and accomplishments. Use bullet points to highlight your responsibilities, achievements, and tasks.

Tip # 3: Be sure to highlight your accomplishments — include things you did that would make you stand out. If you were a top salesperson or successful sales promoter at your last job highlight this accomplishment and discuss how you increased the sales of that company or store (e.g. increased store sales by 25% with Frosty Freeze advertising campaign).

Tip # 4: Have a colleague, professor, partner, or friend with resume writing experience look over your resume to provide you with helpful feedback.

Tip # 5: Edit and revise your resume more than once to ensure it persuasively supports your qualifications for this business venture. After you have done this you can check for errors in your sentence structure, grammar, or spelling.

Yolanda J. Nunez

1512 Travers Pkwy. • Austin, TX 45321 • 324-519-0431 • yjnunez@gmail.com

Profile

Experienced business professional with over 8 years of experience in promotional marketing and client management in the hospice, elder care, and assisted living industries. Skilled marketer and registered nurse with strong communication skills and adept understanding of the elder care sector. Possesses extensive knowledge of gerontology, psychosocial and ethical/legal concerns associated with aging. Enthusiastic leader with degree in Hospice Care and Marketing.

Professional Experience

Assistant Manager

Summerville Hospice August, 2010-Current

- Supervise RN's, LPNs, and CNAs, volunteers, and staff providing direct patient care
- Cultivate new client relationships while providing support and guidance to current clients and hospice care givers
- Coordinate and plan staff meetings and work schedules
- Plan and manage bi-annual fundraisers and marketing campaigns to boost clientele

Marketing Assistant

Sunset Assisted Living Community 2003-2009

- Played an integral role in developing a 5-year marketing plan for Sunset Assisted Living, which spiked a 15% increase in clientele
- Conducted primary and secondary market research and market analysis
- Created and designed promotional literature and informational packages for direct sales to clients

Education

Graduate Certificate in Geriatric Care Management

Graduating Fall 2012

Texas A&M University

Bachelor of Science in Nursing with an Emphasis in Hospice Care

Graduated May, 2003

Minor in Marketing

Cumulative GPA 3.6 (Cum Laude)

Texas State University

- Participated in Alpha Mu Alpha National Marketing Honor Society
- Developed leadership skills through the organization of the Texas Chile Festival with over 2,500 attendees

The following is a **Sample Resume**. Notice its organized, logical layout. The prospective business owner in this example leads with a descriptive profile that highlights her many years of experience working in the field in which she is trying to start her business. Thus, Yolanda is developing a business plan that will help her open an assisted living community in her city. Further, Yolanda discusses the strengths and knowledge she possesses relative to her new business venture. She puts her professional experience first because she has had over five years experience in the field she wishes to open her business. Yolanda uses active language (e.g. "Cultivate", "Coordinate", "Created") to explain the responsibilities she performed at each position. She includes at least three descriptive **bullet points** for each position which detail her accomplishments and interactive relationships with clients and staff. If you are working off an old resume be sure your contact information is up to date and accurate. Edit and revise your resume a minimum of two times before you include it in your Appendix section. Also, review your key managers and partners resumes to make sure their resumes reflect the experience and knowledge they bring to your business.



Small Business Resource List

Las Cruces

Business License Registration Office

City Hall, 700 N. Main St.

Las Cruces, NM 88001

P: 575-541-2287

W: <http://www.las-cruces.org/>

Permits and Inspections

Community Development Department

700 N. Main St.

Las Cruces, NM 88001

P: 575-528-3222

W: <http://www.las-cruces.org/>

Planning and Zoning

The Planning and Zoning Commission meets on the 4th Tuesday of every month at 6 p.m. in the City Council Chambers at City

P: 575-528-3204

W: <http://www.las-cruces.org/>



Mesilla

Community Development Dept.

2231 Avenida de Mesilla

Mesilla, NM 88046

P: 575-524-3262, ext. 104

W: <http://www.mesilla-nm.us/departments/community-development/>

Doña Ana County

Business License Registration

County Clerk's Office, 845 N. Motel Blvd.

Las Cruces, NM 88007

P: 575-647-7421

W: <http://donaanacounty.org/clerk/business/> (Registration forms available on the website)

Community Development (Planning and Zoning)

845 N. Motel Blvd.

Las Cruces, NM 88007

P: 575-647-7350

W: <http://www.donaanacounty.org/development/>



State of NM

NM Taxation and Revenue Dept. (TDR)

To register your business with TDR

P: 505-827-4500; 1-888-427-5722

W: <http://www.tax.newmexico.gov/Businesses/Register-your-Business/Pages/Home.aspx>

NM Regulation and Licensing Dept.

Toney Anaya Building, 2550 Cerrillos Rd.

Santa Fe, NM 87505

5200 Oakland Ave. NE

Albuquerque, NM 87113

P: 505-476-4500

W: <http://www.rld.state.nm.us/>



NM Small Business Assistance Program (NMSBA)

Los Alamos, NM

P: 505-665-1305

W: <http://www.nmsbaprogram.org/>

SCORE Business Mentoring

Las Cruces Location
505 South Main St.
Loretto Town Center
Las Cruces, NM 88001

P: 575-523-5627

W: <http://www.score.org/>

NM Small Business Development Center

Las Cruces Location, DACC Workforce Center
2345 East Nevada Ave., Suite 101
Las Cruces, NM 88001

P: 575-527-7676

W: <http://www.nmsbdc.org/>

International Business Accelerator

113 Sundance Court
Santa Teresa, NM 88008

P: 575-589-2200

W: <http://www.nmiba.com/>



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