

Business Plan Workbook

2012 1st Edition



Business &
Entrepreneurship
Center

Napa Valley College



NORTHERN CA REGIONAL NETWORK

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CALIFORNIA COMMUNITY COLLEGES
Doing What MATTERS™
FOR JOBS AND THE ECONOMY

Heather Piazza, Charlie Monahan,
Carolynne Gamble, Jerry Jinnett, & Elizabeth Pratt

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Business & Entrepreneurship Center

Youth Entrepreneurship Program

Napa Valley College – Napa, California

BUSINESS PLAN WORKBOOK

2012 1st Edition

This workbook was created with small business owners and start-ups in mind.

This workbook was written and edited by the following contributing authors:

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FOREWORD: THE IMPORTANCE OF PLANNING

WHY USE THE WORKBOOK?

Creating a business plan can be a daunting task. The purpose of this workbook is to provide you with the tools and information you need to be successful in building a comprehensive plan. The workbook is divided into sections, allowing you to concentrate on one section at a time. Additional resources are included in the Appendix section.

ISN'T PLANNING JUST FOR BIG COMPANIES?

Absolutely not! "Winging it" may work in some aspects of business, but this is not one of them. Planning is just as important for small companies as it is for large ones. Consider your business plan to be your plan of action. You will need this as you compete against others and find a niche for yourself in a crowded marketplace.

HOW OFTEN DO I HAVE TO DO THIS?

Think of your business plan as a living and breathing road map for your business. Keep in mind that you will want to revisit your business plan every six months or so. The marketplace is always changing, which means that your plan should be adapted and altered to reflect these changes.

IS PLANNING AN IMPORTANT MANAGEMENT FUNCTION?

Planning is indeed an important management function as it identifies the steps you will take in order to reach your goals. Remember, planning is also important for each employee in your business. Whether you have one employee or 100, every employee needs to be aware of the mission and overall direction of the business once your business plan is written.

CAN'T I HIRE SOMEONE TO DO THIS FOR ME?

You can certainly hire an outside vendor to craft a business plan for you. Unfortunately, no one knows your business, your goals, or your vision more than you do. For that reason alone, you should be the one to write your plan. Obtaining input from your partners or colleagues is certainly advisable.

WHAT'S IN IT FOR ME?

A business plan will provide you with clarity you need to drive your business forward and reach your goals.

GOOD LUCK AND HAPPY PLANNING!



RULE #1: Create a business around something you are passionate about

RULE #2: Commit to writing the business plan

- Words create clear thinking
- Words become the business plan
- Words create structure and foundation for the business
- Writing a business plan will serve you in life and throughout your career

RULE #3: Understand that business is a land of words and planning on paper

- Technology is key – work hard on your website or blog site
- Understand search engine optimization

RULE #4: Define your success

- Make a succinct list of all aspects of your success
- Create a goal list – also called a “to do” list
- Create deadlines for your goal list
- Use a 3 month timeline – for example, “By end of June I will complete my website”

RULE #5: Be fast, nimble, and flexible

RULE #6: Business is a delicate balance between work and play

RULE #7: Understand business is a balance between:

- Sales and marketing
- Financials
- Operations

RULE #8: There will always be challenges and problems to solve

RULE #9: You won't always have the answer, therefore...

- Research, research, research!
- Use the online resources cited in the back of this workbook in Appendix I to help

RULE #10: Use your resources

- There will always be help through the Small Business Development Center
- Join your local Chamber of Commerce



BUSINESS PLAN OUTLINE

Your Business Plan will consist of the sections outlined below. The Business Plan Workbook will expand on each subject, allowing you the opportunity to full understand and work through each section.

Cover Page

Table of Contents

Section I: Executive Summary

Section II: Mission Statement, Goal, Objectives

Section III: Description of the Business

Section IV: Products and Services

Section V: Marketing Plan

Section VI: Operations

Section VII Key Contacts

Section VIII: Financial Plan

Section IX: Appendix

EXECUTIVE SUMMARY

The Executive Summary sets the stage for the business plan. This is your opportunity to convince your audience that your business is worthwhile. It can be the most important section of the plan because it is the first thing readers see. Ultimately, your goal is to get your audience to read beyond the first page.

The Executive Summary must capture and hold your audience’s attention. This point is especially important since you are selling your business plan to your readers. For instance, lenders may read your plan to determine whether or not your business is worth investing in.

The Executive Summary contains condensed versions of the major sections of the business plan. To stay on track, consider these points:

- Write your Executive Summary **after** you have completed developing your plan
- The Executive Summary should be no longer than one page
- Keep in mind the three C’s – be *clear, concise, and convincing*

CREATE AN EXECUTIVE SUMMARY:

MISSION STATEMENT

What is the overall vision for your business? What kind of value do you hope to bring to your customers? The answers to these questions go to the very heart of the plan and philosophy you visualize for your business. A Mission Statement is small, but mighty. As a vital part of your business plan, your Mission Statement needs to cover the overall purpose of your business in a very clear and brief way.

DEFINE THE PURPOSE OF YOUR BUSINESS:

Before you do anything else, you need to clearly understand the purpose of your business by answering the following question: Why am I writing this business plan? Are you:

- Determining the feasibility of your business
- Looking to obtain financing
- Creating a guide for opening/managing/operating your business

CRAFT A MISSION STATEMENT:

A Mission Statement reflects your overall vision and purpose of your business. The Mission Statement needs to focus on the core values of the business and its employees. It should also explain what customers should expect from doing business with you. Keep your Mission Statement short and to-the-point (no more than 20 words).

GOALS & OBJECTIVES

Goals and objectives are so important to every business. They serve as milestones, and will help you keep track of your progress. Try to keep your goals and objectives as measurable as possible – in other words, use dollar figures, numbers, or dates whenever you can.

GOAL

= What you want to achieve

OBJECTIVE

= The steps you will take to achieve your goal

As you are developing your goals and objectives, think in terms of increments of time. Where do you want your business to be in 3 months? 6 months? One year?

Use the space below to record your goals and objectives for your business. Remember to note the timing of each goal (i.e. goal to be completed by January 2013.)

GOAL #1

LIST THE OBJECTIVES:

GOAL #2

LIST THE OBJECTIVES:

GOAL #3

LIST THE OBJECTIVES:

GOAL #4

LIST THE OBJECTIVES:

GOAL #5

LIST THE OBJECTIVES:

DESCRIPTION OF THE BUSINESS

Describing your business should begin with a simple question: “What business am I in?” The answers will naturally fall into the following sections.

BUSINESS NAME:

A business would not be complete without a name. Make sure that you do your research to ensure that you are not copying another business’ name. An easy way to do this is to visit the United States Patent and Trademark Office website at www.uspto.gov.

LEGAL STRUCTURE:

In this section, you will need to identify your form of business. Essentially, the form of business you choose will determine how you file your business taxes. Identify your legal structure by checking one of the boxes below. For more information on what legal structure would be best for your business, visit the Internal Revenue Service website at www.irs.gov.

- | | | |
|--|--|--|
| <input type="checkbox"/> Sole Proprietor | <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> Corporation | <input type="checkbox"/> S Corporation | <input type="checkbox"/> Limited Liability Corporation (LLC) |

HISTORY OF THE BUSINESS/INDUSTRY:

As a start-up, you will not have a business history per se. However, the industry that you are entering into does. This history is just as essential as knowing how your industry is trending and progressing into the future. Reviewing the history may give you inspiration for your own business, and may reveal critical issues or points of interest. Having and understanding this information is another great way to stay one step ahead of your competition.

LOCATION:

You’ve heard it said before – location, location, location! One of the most vital decisions you will make for your business is where it will be located; therefore, choose your location wisely. Keep in mind that you want your business to be easily located by those customers you are targeting. Also, consider your competition and how they are faring in their current location(s). Visit www.loopnet.com for information on lease prices in the areas you are investigating.

NATURE OF THE BUSINESS:

Ask yourself, “What type of business am I doing?” Use the space below to write the words that best describe your business. Are you going to be in retail or manufacturing? Are you in the food, wine, or hospitality industry? Are you a wholesaler selling business-to-business or a retailer selling directly to the end consumer? Are you selling a service? If so, what type?

BRIEF DESCRIPTION PRODUCTS & SERVICES:

Briefly describe the types of products and services you are selling. In the next section, you will be writing detailed descriptions of these products and services.

MARKET OR INDIVIDUAL NEEDS THAT ARE SATISFIED:

Many times, new business owners will make the mistake of entering into a saturated marketplace, or will provide a product/service that does not fit in with the needs of the business' surrounding community. Do your research! Make sure that you are aware of your competition. Also be sure that you are providing a product/service that is viable and fills a need in the marketplace. Jot down your ideas of how your product/service meets those needs.

YOUR STRENGTHS:

What personal traits and qualities will serve you well in your new business venture? Do you have an eye for design? Are you a great salesperson? Do you have a superior product compared to your competition? Do you have an amazing customer service edge? Is your location stellar for building brand awareness? Consider all of your strengths and how you can capitalize on them in order to compete and grow your business. Note your strengths below.

ADDITIONAL NOTATIONS – EDUCATION, TRAINING, INTEREST:

PRODUCTS & SERVICES

Now that you know more about your business, it is time to drill down into your product and/or service selection. In the spaces provided below, write a detailed description of each of the products/services you will be offering (including pricing and copyrights/patents needed). As you are describing each product, take notes on the following:

- **PRODUCT/SERVICE LIFECYCLE:** Each of your products/services will have a life span and will experience cycles, which usually equate to one year. Throughout the year, you will experience sales fluctuations. Take notes on what you predict these fluctuations will be as they will help you later in the financials section of this workbook. Watch for:
 - Seasons – Different holidays or even changes in weather may affect the sales of your products/services in a positive or negative way
 - Introducing a brand new product/service to market versus releasing a revised or newer version of a product/service that already exists
- **RESEARCH & DEVELOPMENT:** Every product and service spends time in development before it is launched. Also known as R&D, consider how you will research and develop your products/services, taking notes on such things as:
 - What kind of the research will be conducted (i.e. competition, focus groups)
 - How and where you will create prototypes or samples
 - How much time and money R&D will cost you

PRODUCT/SERVICE #1

LIFECYCLE:

RESEARCH & DEVELOPMENT:

PRODUCT/SERVICE #2

LIFECYCLE:

RESEARCH & DEVELOPMENT:

PRODUCT/SERVICE #3

LIFECYCLE:

RESEARCH & DEVELOPMENT:

PRODUCT/SERVICE #4

LIFECYCLE:

RESEARCH & DEVELOPMENT:

PRODUCT/SERVICE #5

LIFECYCLE:

RESEARCH & DEVELOPMENT:

Need additional space to write? Use the blank pages located in the back of this workbook.

4 P'S OF MARKETING

In order to be a successful marketer for your business and products/services, it is critical that you have a solid understanding of basic marketing principals.

Before you jump into your marketing research, spend some time on this section. The 4 P's of marketing are an essential piece of your marketing mix. The 4 P's include:



Together, the 4 P's will facilitate in the creation of a cohesive marketing strategy. They will serve as a guide to assist you in identifying the specific needs of your target market (i.e. those customers you will be providing for or servicing).

If you do your homework, the 4 P's will help you:

Be in the right place, at the right price, at the right time.

In the writing spaces below each section, document your ideas for each "P".

PRODUCT (OR SERVICE)

- What need/value does the customer want from the product/service?
- What features does it have to meet these needs?
- How and where will the customer use/experience it?
- What does it look like? (i.e. size, color, material)
- What is its name?
- How is it branded?
- What makes it different from your competitors?
- What does it cost? How will you price it?

PLACE (OR DISTRIBUTION)

- Where do customers find your product/service? (i.e. boutique, supermarket, website)
- How is your retail channel classified? (i.e. specialty, pet, home goods)
- Do you need to use a sales force?
- Will you sell strictly online?
- Will you attend and sell at trade fairs/shows?
- Where does your competition sell, and how will you be different?

PRICE

- What is the value of the product/service to the customer?
- What are the price points for existing products/services in your industry?
- How will your price compare with your competition?
- Is your target customer price sensitive? Will a small decrease in price gain you extra market share? Will a small increase make little difference, allowing you to gain additional profit?
- What discounts should be offered and to who? (i.e. trade customers, wholesalers)
- What is the price for your product/service?

PROMOTION

- Where do your target customers spend the majority of their time? (i.e. online, in a car, at the mall)
- How will you reach your target audience? (i.e. newspapers, magazines, TV, radio, billboards, direct mail, website, social media, in-person networking, cold calling)
- When is the best time to promote your product/service?
- Is there seasonality in your marketplace/industry?
- How do your competitors promote their products/services?

PRIMARY & SECONDARY RESEARCH

When starting a business, it is important to research the market and define your target customers. Small businesses often fail to take the time and the initiative to research the industry, understand their competition, and identify the needs of their customers. In fact, failed businesses are usually the ones that also failed to research the marketplace.

Technology allows small businesses to conduct accurate market research more effectively and cost-efficiently than ever before. A good place to start is with a broad overview (via secondary market research) then follow up with more specific primary market research.

SECONDARY MARKET RESEARCH uses the information gathered from secondary sources, such as government agencies, local economic development organizations and trade associations. For instance, trade associations can be extremely useful in providing an overview of the market. For more information on associations available in your industry, visit www.businesstown.com.

PRIMARY MARKET RESEARCH should be gathered after you have completed your secondary research work. Primary market research pulls specific information which is tailored to a particular business. There are three ways to conduct primary market research: surveys and questionnaires, interviews, and focus groups (specific details on these tactics are included at the end of this section).



BEFORE YOUR PRIMARY MARKET RESEARCH BEGINS...

Before diving head-first, identify your business goals for the research you are conducting. This is critical as all survey, interview, and focus group questions need to be tailored to those goals.

Common research goals include:

- Identifying target customers
- Classifying the types of products those target customers buy
- Pinpointing where those customers shop for a specific product
- Ascertaining how much those customers pay for a specific product

Use the space below to identify your research goals:

SURVEYS & QUESTIONNAIRES

Surveys and questionnaires are a great way to gather information about potential customers. Surveys can be distributed in a variety of ways. Send them via snail mail, email or conduct them through web-based services. Online surveys are professional, easy to use, and are oftentimes free. Look for online services that provide survey reporting, creation, and analytic tools.

INTERVIEWS

Gathering information from interviews is another good way to learn about potential customers and a particular industry. There are generally two ways to gather information through interviews:

- **From experienced individuals in a relevant industry**
Consult with individuals who have first-hand knowledge and experience in your industry. Don't be shy about asking specific questions regarding target customers, competition, and industry-related practices and trends.
- **From individuals representing your target market**
Who better to ask questions of than those people representing your target market? Craft questions that can be quickly answered with a simple "yes" or "no". Consider conducting interviews at places where your target customers are likely to visit.

FOCUS GROUPS

A focus group is a valuable way to obtain feedback about a new or existing product or service. A focus group may be used on anything from testing the appeal and taste of a new food product in comparison to a competing product to testing the usability of a new computer game. After participants watch a demonstration or presentation, feedback can be collected in one of the following ways:

- Group discussion
- Individual oral question and answer sessions
- Written questionnaires or surveys

Essentially, your target market defines the group of customers who will buy your products and/or services. In order to identify your target market, you will need to consider factors that set different customer groups apart.

If you are selling directly to customers (DTC), factors to consider are age, gender, occupation, place of residence, workplace, lifestyle, income, and size of family. If you are selling directly to businesses (B2B or business-to-business), factors to consider include organizational size and structure, number of employees, location, and annual sales. Also, pay particular attention to whether your customers shop in-store or online.

Identifying these factors will help you create your customer profile(s). When sketching out these profiles below, try to be as specific as possible.

Identify your target market by conducting research via the web, by talking to existing and potential customers, as well watching the types of customers who shop with your competition.

CUSTOMER PROFILE #1

CUSTOMER PROFILE #2

CUSTOMER PROFILE #3

WHERE DO THESE CUSTOMERS LIVE IN RELATION TO YOUR BUSINESS?

- Within a mile 1 to 2 miles 2 to 5 miles More than 5 miles Online

ADDITIONAL NOTATIONS:

WHEN AND WHY DO THEY COME TO MY BUSINESS?

- Destination On the way to somewhere Connected with another visit Web Search

EXPLAIN:

WHAT OTHER REASONS ARE CONNECTED TO CUSTOMERS VISITING MY BUSINESS?

Children's Choice

Meeting Site

Employer Decision

Special Events

EXPLAIN:

UNIQUE SELLING POSITION (USP)

A unique selling position will give you a true edge in the marketplace. Think about what sets your business and/or products/services apart from your competition. What key factors will drive customers to your business?

WHAT 8 TO 10 THINGS WILL MAKE MY BUSINESS SPECIAL OR UNIQUE?

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

COMPETITOR ANALYSIS

No matter what you are selling, **every business** faces competition. Analyzing your competitors will identify areas where you enjoy a competitive advantage. This exercise will help you become more aware of exactly who your competition is and how they operate.

Conducting an analysis of your competitors is not only useful for developing your business, products, and/or services, it is also useful for crafting marketing, pricing, operating, and other strategic plans.

Understanding your competition will naturally lend you a competitive edge. Research can and should be conducted through in-store visits and by visiting your competition's online presences (i.e. website, social media sites, online directories). While you are researching, keep in mind the following questions:

- Who is your competition?
- Where are they located?
- What are their strengths and weaknesses?
- How do the products/services compare to yours?

COMPETITION'S STRENGTHS:

COMPETITION'S WEAKNESSES:

Use the table below to record your competitive research and analysis based on your top three major competitors.

- **“COMPETITION” COLUMNS:** Based on a scale of 1 to 5 (with 5 being the best) rate your competition on the factors identified in the left-hand column
- **“FOCUS” COLUMN:** Place a check mark next to the top 5 factors your business will focus on – think about what factors will put you ahead of your competition
- **“YOU” COLUMN:** Use this column to rate yourself only if you are already in business; be honest – complete this section by thinking about how your customers would rate you

IDENTIFY YOUR THREE MAJOR COMPETITORS & THEIR LOCATION:

A.

B.

C.

	Factors	You	Competition			Focus
			A	B	C	
1.	Price					
2.	Quality					
3.	Selection					
4.	Customer Service					
5.	Guarantee/Warranty					
6.	Reliability					
7.	Expertise of Industry					
8.	Image/Reputation					
9.	Location/Website					
10.	Merchandising					
11.	Sales Methods					
12.	Credit Policy					
13.	Availability					
14.	Management					
15.	Longevity/Stability					
16.	Promotion					
	Final Score:					

A SWOT Analysis is a critical step in the business planning process. This analysis will help you identify how your business internally operates, as well as how your business functions externally within your industry and the overall marketplace. SWOT is short for the following:



Research will be required to conduct your SWOT Analysis on external opportunities and threats. Visit your competition if you can, talk to customers, and conduct online research to identify these factors.

STRENGTHS (INTERNAL)

Examples of strengths include innovative product/service, location, marketing, or special value.

1.

2.

3.

4.

5.

WEAKNESSES (INTERNAL)

Examples of weaknesses include product/service that is already readily available, poor location, lack of marketing, or bad reputation.

1.

2.

3.

4.

5.

OPPORTUNITIES (EXTERNAL)

Examples of opportunities include strategic alliances or partnerships, breaking in to a new market, or taking over a market segment where a competitor is no longer playing.

1.

2.

3.

4.

5.

THREATS (EXTERNAL)

Examples of threats include new competition in the market, pricing, emerging product from competitor features new technology, or competition has unique access to additional channels of distribution.

1.

2.

3.

4.

5.

MARKETING STRATEGY & MEDIA SELECTION

A business plan would not be complete without a comprehensive marketing strategy. The marketing strategy you create should cover at least one year, and feature milestones for the 3, 6, and 9 month timeframes.

When crafting your marketing strategy, consider your target market. For instance, where do these customers spend their time? When will they most likely see your messages? What marketing vehicles are best to reach your market (website, Social Media, television, radio, billboards, brochures, flyers, postcards, newspapers, yellow pages, etc.)?

The point is, you need to...

Reach your customers and
be present where they are interacting.

As you are selecting the marketing vehicles that you would like to use to promote your business, products, and/or services, keep in mind that each selection usually requires time and money. The goal of this exercise is to craft a marketing strategy that is balanced and consistent across a variety of vehicles – remember to consider the resources you have available.

STEP 1: IDENTIFY THE FOCUS OF YOUR MARKETING STRATEGY

In this step, think about the types of customers you will be targeting. This will help you determine whether you need a more targeted marketing strategy or a more global, generalized one. Select “yes” or “no” next to each statement.

- | | | | | |
|--------------------------|-----|--------------------------|----|--|
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No | I have/will have competitors in close proximity to my business |
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No | My customers live relatively close to my business |
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No | The demographics of my customers are very similar |
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No | My product/service has a specialized use |
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No | Most of my business is conducted locally |

STEP 2: MAKE YOUR MEDIA SELECTION

If you selected mostly “yes” boxes in step 1, you will need a more targeted campaign. If you selected mostly “no” boxes, you will need a more general campaign. Based on what you identified, select the marketing vehicles that will best suit your marketing needs.

- Business Cards
- Brochures
- Posters / Flyers
- Direct Mail (mass or targeted)
- Email (mass or targeted)
- Website
- Web Ads
- Social Media
- Industry Magazines
- Consumer Magazines
- Newspapers (national or local)
- Television (national or local)
- Radio (national or local)
- Billboards
- Transit Signage
- In-Store Displays
- Referrals
- Word-of-Mouth
- Door-to-Door Contact

STEP 3: DEVELOP YOUR STRATEGY & BRAND IDENTITY

Now that you know your focus and the marketing vehicles you will be using, it is time to develop upon your strategy. In the space provided below, make notes of the best times of year to promote your product or service. Consider if there is any seasonality to your business, and how a marketing strategy will help sustain and grow your sales throughout the year.

In order to make an impact, you need to make your business, product, and/or service recognizable to your target market. Create a brand identity that includes a uniform look and feel, as well as consistent messaging. Don’t forget to include your business’ contact information. Your brand identity should be used across all marketing vehicles. What will your business’ look and messaging be?

MARKETING COLLATERAL, DIRECT MAIL, ADVERTISEMENTS, & SIGNAGE:

A core vehicle for businesses is marketing collateral. Collateral can take on many different forms including business cards and brochures. These pieces will help you with your networking efforts as they act as a “leave behind” for potential customers. If you have a website or Social Media presence, consider using a QR code on your collateral to encourage your customers to quickly access your site via their mobile devices.

Direct mail and advertisements can be as targeted or as general as you want them to be. If you have a product that you hope to sell throughout the U.S., focus on mass mailings and advertising opportunities that reach customers on a national scale. If you are targeting local customers, or customers in a particular niche, strategize in a very defined and specific way. Direct mail and advertisements exist in online, verbal, and print varieties:



Signage can make a big impact if executed in the right way. If you own or lease a retail space, use signage to attract customers into your establishment. Once inside, use in-store signage to encourage your customers to visit different areas of your establishment. Point-of-sale signage can be extremely useful for targeting those impulse buyers.

Have some ideas for marketing collateral, direct mail, advertisements, and signage? Jot them down in the space below.

OPERATIONS & MANAGEMENT

ACCOUNTING AND RECORDKEEPING:

- Provide information on how the accounting and recordkeeping functions will be handled
 - For in-house, list who is responsible and what software program will be used
 - For an outside accountant/CPA, list the name of the provider and the fees to be paid
- Provide information regarding income and other tax preparation along with name of provider and fees to be paid
- Show how you plan to monitor cash flow and financial issues within the business

INSURANCE:

- Determine the risks involved in the type of business
- Consider types of coverage appropriate for your business
- Provide information on the insurance provider, coverage that you will carry, insurance costs, and payment schedule

SECURITY:

- Address the issue of Security as it applies to your business:
 - Security of the premises: smoke alarms, locks, lighting, security guards
 - Protection of intellectual property: trademark, patent, copyright
 - Internal/external theft: security cameras
 - Identity theft: on-line protection; credit card payment security

EQUIPMENT:

- List equipment that you will be bringing to the business such as a computer, cellphone, inventory (start-up businesses)
- Develop a list of business equipment that is currently owned and in use; include current value and amount owed
- Develop a list of future equipment needs along with projected date of purchase and cost
- Include information on vehicles used in the business
- Include information on technology used in the business: software, hardware, etc.

MANAGEMENT AND PERSONNEL:

- Develop an organizational chart to visually show management and personnel involved in the business and their responsibilities
- Include information on salaries, benefits, and any training provided
- Job descriptions, resumes, and contracts can be included in the Appendix section at the back of the business plan



WHAT IS BUDGETING?

- Simply...budgeting is planning.
- The budget is a translation of your business plan into numbers.
- It is developing the financial picture of your business.
- It is a management tool that enables you to ensure the future.
- Would you go on a road trip without a map, without knowing what supplies you need, or where you are heading?

WHY DO SMALL BUSINESS OWNERS HAVE TO BUDGET?

- You don't, and many small business owners don't. But you should!
- Many small business owners manage their businesses in a relaxed way and trust their instincts.
- As a business grows, it only makes sense to have control on your business assets, cash flow, and profitability.
- Budgeting is a tool of management control and planning.

A BUDGET CAN HELP YOU...

- Ensure that you have the money for future activities (or survival).
- Control your finances and make sure you have adequate working capital.
- Give you the confidence you need to make financial decisions.
- Enable you to save money or internally finance for the future growth of your business.
- Keep control of your expenditures.

YOUR BUDGET IS A GUIDELINE.

- After the period of budgeting is complete, you can compare actual revenue and expenses with your anticipated goals.
- If you are planning for an increase in profits, a budget will allow you to visualize the variable expenses with your growth.
- A budget, most importantly, helps to keep you on track, so you can meet your goals!

WHAT CAN YOU DO WITH A BUDGET?

- Determine if your venture is feasible!
- Plan future receipts and expenditures.
- Determine the weaknesses in your plan.
- Validate the activities you planned:
 - Can you afford to hire?
 - Should you advertise here?
- Should you purchase this equipment?
- Should you lay-off workers?

COMMON BUDGETING TOOLS

- Break/Even Analysis
- Pro forma Profit & Loss Statement
- Forecasting of Sales
- Forecasting Cash Flow
- Job Costing
- Forecasting Workload-Staffing

BUDGET – THE BREAK-EVEN ANALYSIS

- The first budget you should prepare is one that can help you determine the feasibility of your business...the Break-Even Analysis.
- When all the figures are together you will have many questions answered:
 - What sales will I need to make?
 - Can I afford a loan?
 - Will I make money?
 - When can I afford to go out to eat?

ESTIMATE OR GRAPHICALLY DETERMINE YOUR BREAK-EVEN THROUGH YOUR P&L

- Review your Income Statement and determine your Cost of Goods Sold or COGS (variable).
- Know your monthly expenses (fixed).
- Figure out if you increase your expenses how much product/service you will need to sell to break-even.
- Hint: It is easier if you are a service business, but don't forget all the hidden expenses!

THE PRO-FORMA OR P&L STATEMENT

- The term “pro-forma” is an accounting word meaning projected.
- The pro-forma or P&L is used for a start-up business to predict future profitability of the business.
- It can also be used as an on-going budget, to help manage your expenses, and make sure you are on track.
- Projections should always be based on realistic and reasonable assumptions that can be backed up.

BUILDING YOUR OWN PRO-FORMA: THE OPERATING & THE CAPITAL BUDGET

- The Operating Budget refers to your monthly (often fixed cost) expenses or overhead.
- The Operating Budget shows you what you need to keep the doors open.
- The Capital or Start-Up Budget refers to the total costs for opening the business.
- The Start-Up Budget is what you may need to officially open your doors.
- Care must be taken to factor in both budgets to make sure that your business has enough capital to start and to remain open.

THE STEPS TO CREATING A P&L

1. Determine the Operating Budget or Expenses.
2. Develop A Start-Up Budget.
3. Add the start-up costs to the monthly expenses.
4. Determine your projected revenue.
5. Determine your estimated revenue per month.
6. Determine your profit (or loss).
7. Estimate what your monthly needs are in order to keep your doors open.
8. Make sure you pay yourself first, either as a draw or salary (if needed).
9. Some expenses may be variable (i.e. marketing and payroll), and may be dependent on your sales.

STEP #1: DETERMINE THE OPERATING BUDGET OR EXPENSES

- Estimate what your needs are in order to “keep the doors open”, on a monthly basis.
- Make sure you “pay yourself” first either as a draw or salary (if needed)
- Some expenses may be “variable” (marketing, payrolls) and dependent on your sales.
- See the example below

Operating Expenses

Rent	\$1,000
Insurance	200
Marketing	200
Mileage	50
Phone	50
Supplies	50
Utilities	50
Draw	<u>350</u>
Total Monthly OH	\$2000

STEP #2: THE CAPITAL OR START-UP BUDGET

- Determine what you need to open the business.
- Make sure you are reasonable (and ready to repay).
- If you are self-financing, think of lending to yourself.
- If you are seeking a loan, the total projected costs will not all be covered.
- See the start-up costs example below:

Start-up Costs

Equipment	\$5,000
Leasehold Improvements	3,000
Inventory	2,000
Working Capital	<u>6,000</u>
Total Start-up	\$16,000

STEP #3: ADD THE START-UP TO THE MONTHLY EXPENSES

- Amortize the start-up expenses as a loan, and show it on your monthly expense budget.
- For example, your start-up costs were \$16,000. If you get a loan at 9% for 5 years you are paying approximately \$350 per month.
- This becomes a fixed expense and increases your overhead by \$350.

STEP #4: DETERMINE YOUR PROJECTED REVENUE

- This is one of the most difficult areas to determine and it is scrutinized by lenders.
- If you do not have historical figures, base your revenue projections on realistic trade industry standards. Compare oranges with oranges.
- This is where accurate market research can help support your assumptions.
- Use an **HOURLY RATE FORMULA** for a service industry.
 - The Hourly Rate Formula will assist you to come up with a realistic billable rate in the service industry.
 - The rate should be close to the industry standards and have an attainable amount of billable hours.
 - It is rare for service professionals to have more than 1,200 billable hours annually.
 - The billable rate will help determine your maximum income per month.

STEP #5: DETERMINE YOUR ESTIMATED REVENUE PER MONTH

- Base your revenue on billable hours per month.
- Add the amount to the revenue (top section) of the P&L.
- Remember it takes time to get new clients and increase your billable hours.
- See the example below:

Revenue (service)

50 billable hours @ \$60 per hour
\$3,000 per month gross revenue

STEP #6: DETERMINE YOUR PROFIT (OR LOSS)

- Determine how many hours you need to work a month to break-even.
- In this case our Consultant needs to bill 39 hours per month in order to cover expenses. (\$2,350 Operating Expenses divided by \$60 Billable Hourly Rate)
- See the example below:

Gross Profit = \$3,000
Operating Expenses = \$2,350
Net Profit Before Taxes = \$650

THE BREAK-EVEN BUDGET

In order to determine the Break-Even level of revenue, you will need to determine your Gross Margin. The formula is:

$$\text{Gross Revenues} - \text{Cost of Goods} = \text{Gross Margin (in Dollars)}$$

$$\text{Gross Margin} / \text{Gross Revenues} = \text{Gross Margin \%}$$

To illustrate:

Revenues	\$ 3,000
Cost of Goods	<u>- \$ 1,500</u>
Gross Margin	\$ 1,500

$$\text{Gross Margin \%} = 1,500 / 3,000 \text{ or } 50\%$$

After you determine your Gross Margin, it is easy to figure out your Break-Even Point. Simply divide your estimated Fixed Costs by your Gross Margin Percentage to determine the amount of sales revenue you will need to bring in to break-even.

For instance, if Fixed Costs are \$2,000 per month, and the expected Gross Margin is 50%, the Break-Even Point is \$4,000 in sales revenue per month (\$2,000 divided by 0.50). In other words, we must make \$4,000 each month just to pay the Fixed Costs and Direct (Product) Costs.



APPENDIX I: FINDING YOUR WAY THROUGH CYBERSPACE

There are countless resources available at your fingertips. To get you started, below is a list of websites that we recommend to help you fill out your business plan worksheets.

SEARCH ENGINES:

- www.google.com
- www.bing.com
- www.duckduckgo.com
- www.ask.com

LOCAL CHAMBERS OF COMMERCE:

- www.napachamber.com – Napa Chamber of Commerce
- www.sthelenacom – St. Helena Chamber of Commerce
- www.dixonchamber.org – Dixon Chamber of Commerce
- www.beniciachamber.com – Benicia Chamber of Commerce
- www.ffsc-chamber.com – Fairfield-Suisun Chamber of Commerce
- www.vacavillechamber.com – Vacaville Chamber of Commerce
- www.vallejochamber.com – Vallejo Chamber of Commerce

DEMOGRAPHIC/REGIONAL INFORMATION:

- www.labormarketinfo.edd.ca.gov
 - Click on “Find Local Area Profile”
 - Scroll through site to identify types of information and links available
 - NAICS code (North American Industry Classification System) for your industry will be needed to access some industry-specific information
 - Research the competition on this site (i.e. number of restaurants, number of employees, website, etc.)
 - Click on “Find Local Area Profile”
 - Choose the county to be researched
 - Click on “View Local Area Profile” – scroll to the bottom of this page and click on “View Employers by Industry”
 - Enter NAICS or industry key word
 - Individual businesses that fit the search term and are in the geographical area being searched will be listed along with addresses, number of employees, and links to their websites, if available
 - The main list can be sorted to give data by city, number of employees, etc.
- www.naics.com/search.htm
 - Website for determining NAICS code (North American Industry Classification System)
 - Search boxes are on left side of site

- www.epodunk.com
 - Insert “Community Name” and “State”

- www.city-data.com
 - Click on “California”, and select city
 - This is a comprehensive site for locating community statistics and resources
 - Check dates on reports as some data is from the 2000 Census

- www.calgold.ca.gov
 - Click on “Permits” and enter “Business Type”
 - Select “County/City” choice for extensive listing of licensing/permitting requirements
 - Be sure to contact the agencies involved to determine any updates/changes in laws and regulations since the listings were created

- www.solanoedc.org
 - Click on “Demographics”
 - Site can access demographics by city, though some of the statistics are from 2000
 - From the “Home” page, click on “Available Properties”
 - Enter search parameters
 - Click on a property in the area to be researched
 - Click “Demographics” in right column to obtain ring analysis demographics for area

- www.mtc.ca.gov
 - Metropolitan Transit Commission site offers information and statistics for the 9-county Bay Area region
 - Click on “Planning” for growth, traffic projections through 2030

- www.dof.ca.gov/Research
 - CA Department of Finance
 - Demographic, Economic, and Finance research by “County”

- www.abag.ca.gov/planning/research/researchlinks.html
 - Association of Bay Area Governments with good links to statistics, such as taxable sales per city/commodity, current demographic data, etc.
 - Click on the Green Business Program

- www.tourism.visitcalifornia.com
 - Click on “Find Research” for data on tourism by region

COMPREHENSIVE RESEARCH SITES:

- www.sbdcnet.org
 - Small business information resources are listed at the top of the page
 - Click on “E-commerce” for all you ever wanted to know about establishing an online e-commerce site
 - Many other business specific topics are available from the drop down menu under “Industry Resources”
- www.irs.gov/smallbiz
 - Click on “Industries/Professions” for drop-down menu with information, such as “Trends/Statistics”
 - Click on “Small Business/Self-employed” for tax regulations and other information
 - This site also lets the user access information and links by type of industry

FINANCIAL:

- www.bizstats.com – Provides useful business statistics by industry

LEGAL:

- www.uspto.gov – Search site to ensure that your business name doesn’t already exist
- www.nolo.com – Website for Nolo Press, publisher of legal self-help books and materials
- <http://lawyers.nolo.com> – Locate attorneys by zip code with reviews and fee schedule

TRADE/PROFESSIONAL ASSOCIATIONS:

- www.asaecenter.org/Community/Directories/AssociationSearch.cfm – Search associations by name, interest area, or geographical location
- www.businesstown.com – Features business information, associations, forms, and articles
- www.gvmsmm.com – Click on “Community”, then “Napa” and “Solano” in dropdown list for listing of local organizations and associations

PROCUREMENT PROGRAMS/TRAINING:

- www.businessmatchmaking.com – Supports procurement opportunities in every industry

NEWS/ARTICLES:

- www.rtumble.com – Daily highlights of top news stories in the state
- www.usnpl.com – Click on “California” for listings and links to newspapers (sorted by city)

SURVEY WEBSITES FOR PRIMARY MARKETING RESEARCH:

- www.surveymonkey.com
- www.surveymethods.com
- www.questionpro.com

GENERAL MARKETING:

- www.design-seeds.com – Color palettes for your logo, website, and marketing collateral
- www.vistaprint.com – Create/print business cards, letterhead, and other business essentials
- www.blurb.com – Create custom books and e-books
- www.collages.net – Create books, cards, and presentation materials
- www.constantcontact.com – Develop email campaigns and e-newsletters
- www.mailchimp.com – Develop email campaigns
- www.verticalresponse.com – Develop email campaigns and more

WEBSITES & BLOGS:

- www.godaddy.com – Visit GoDaddy.com to purchase URL(s) for your website
- www.typepad.com – Offers free themes for websites and blogs
- www.weebly.com – Create a website with templates and drag-and-drop features
- www.wix.com – Create websites and Facebook welcome pages with templates
- www.wordpress.org – Offers over 1,400 free themes for websites and blogs
- wpacademy.tv – Free and fee-based WordPress tutorials for websites
- www.google.com/analytics - Free analytics for your website

SOCIAL MEDIA:

- www.facebook.com – Facebook
- www.linkedin.com – LinkedIn
- www.twitter.com – Twitter
- www.yelp.com – Yelp!
- www.yp.com – Yellow Pages
- www.foursquare.com – Four Square
- www.hootsuite.com – Post and schedule to multiple Social Media sites from one place
- www.tweetdeck.com – Post and schedule tweets as well as customize news feeds
- qrcode.kaywa.com – Create QR codes for free
- bitly.com or <http://tiny.cc/> – Shorten URLs or links to websites for free
- traffikd.com/social-media-websites – Categorized list of Social Media websites
- www.socialmediaexaminer.com/social-media-marketing-industry-report-2011 – “2011 Social Media Marketing Industry Report” with video highlights
- www.pagemodo.com and www.northsocial.com – Both provide Social Media templates

APPENDIX II: SAMPLE PRESS RELEASE

For Immediate Release:
February 2, 2004

For more information, contact:
Heather Piazza, 415-XXX-XXXX
HP@portalpub.com

PORTAL CELEBRATES ITS 50TH ANNIVERSARY

Portal connects people with art and each other since 1954

NOVATO, Calif. – Portal Publications, a graphic arts publishing company, is celebrating its 50th anniversary this year. Terence Flynn founded Portal in 1954, with his release and distribution of unique Spanish bullfighting posters in the United States. This act secured the foundation of the Wall Décor market. Since then, Portal has grown dramatically. Portal’s arsenal of product includes over 4,000 titles in 30 different product categories.

“We are more than passionate about our images—we care about them,” stated Terence Flynn, Founder of Portal. “By publishing these images, we are creating accessibility to timeless pieces of art for everyone to enjoy. Bringing art to the masses enables people to express and reflect upon their lifestyles.”

Building upon 50 successful years of lifestyle expression could not have happened without Portal’s loyal customers. In celebration of its golden anniversary, Portal is inviting its customers to participate in a drawing for a ten-day, trip for two to Spain—including airfare from New York to Madrid. No purchase is required to register for the drawing. The drawing is scheduled for April 12, 2004. Interested customers can call Portal’s Customer Service number for more information—(800) 227-1720.

“We do not only capture trends, we start them,” said Harlen Springer, President of Portal. “Capturing trends of the time has led to Portal’s successes over the last 50 years. We realize it is our responsibility as a publisher to interpret and create trends and bring them to the market.”

About Portal Publications

Portal Publications is one of the world’s largest publishers of graphic arts. Fifty years and millions of images later, Portal’s library includes best-selling calendars, greeting cards, posters, matted prints and framed art that capture trends of the time and represent leading artists and photographers such as Anne Geddes, John Lund, Flavia, and Linda Maron. With a vision of “a compelling image in every home,” Portal has perfected the business of art by seamlessly integrating imagination, production and technologies into a successful business structure with its headquarters in Novato, California. For more information, please visit www.portalpub.com or call 800-227-1720.

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FINDING YOUR WEBSITE WITH KEYWORDS. Search engines find websites by searching for key words in the following ways:

- In tags associated with text, images, or files
- In the words/text on your web pages (especially the home page)

WHAT ARE TAGS? A tag is a keyword assigned to a piece of information on a website, whether that is a bit text, an image, or a file.

If you do not have words or tags, or if you have few words on your home page, it is highly unlikely that your website will be found "organically" or, in other words, without paying for a sponsored site. You can check to see if your web pages have these tags by going to each page:

- In your web browser, click "View", then select "Source"
- Click "Edit", then "Find"
- Key in the words "meta" and "alt=" one at a time to find tags on your website

KEYWORDS ARE EVERYTHING! The first thing to do is think like a customer and come up with a list of keywords that the person would choose. For example, a prospective medical patient might look up "St. Helena doctor," "Napa Valley family doctor," "St. Helena Family Physician" and/or "St. Helena Family Practice."

WHICH KEYWORDS SHOULD YOU USE? Google has a free [Keyword Tool](#) available on their site. This will help you target which words to use in your tags and in the text on your website. Enter a description of your business or proposed text for your website into the Keyword Tool and Google will give you ideas for keywords.

When you use this tool, the larger number is not necessarily the better choice. For example, when we used this tool for the website "Tools for Business Success", the results included the word "business" as a possible key word.

Google states that there were 68 million requests for "business" in one month. Yet, it is unlikely that 68 million people are looking for the "Tools for Business Success" – this is too broad a word.

BE TARGETED AND BE MORE SPECIFIC. It would be better to use other words to target to a smaller group that is more likely to be directly interested. The Keyword Tool will also show you how much advertiser competition there is for each keyword. The higher the competition, the higher the price to achieve a high search ranking.

TOOLS TO TRACK YOUR WEB TRAFFIC. Google Analytics offers a free set of tools that can help you analyze the following:

- How many people visit your website
- Where your visitors come from
- The search words used to find your website
- Which pages people visited and how long they stayed

To use Google Analytics, you will need to put some code on each of your web pages.

- Go to the [Google Analytics](#) site
- Click on "Sign Up Now" – Google will generate some code which you need to put at the end of each of the web pages that you want to track (put the code before the "/body" tag which you can find by using the search function from the previous page)
- Google will then begin to monitor your site – you will be able to see the results by logging into Google Analytics

HAVE YOU EVER "GOOGLED YOUR BUSINESS?" When customers/clients from your town search online for products or service, does your website make the Google or Yahoo short list? Do not underestimate the number of potential local customers to reach through Web searches. Searching online via Google with key phrases is certainly more utilized than the old method using the Yellow Pages.

SEARCH ENGINE OPTIMIZATION. For the first phase of your SEO, make your website "search engine friendly." Ask your web designer to incorporate appropriate keywords, descriptions, and "meta tags" into the source code, which will help you to get found. Even descriptions associated with your photos, your URL name, headline choices and text count tremendously.

DIRECTORY LISTINGS. Your website should be listed in the two most important directories:

- Yahoo – <https://ecom.yahoo.com/dir/submit/intro>
- Dmoz.org – <http://dmoz.org>

Understand that a directory is not a search engine. It is a categorization of web content. Once you are listed in these directories, you are much more likely to get noticed by search engines, and therefore, the online public.

CONTENT. Search engines love written text as they cannot read images. Search engines love content that increases regularly and is laden with keyword phrases. If you have the resources and budget, it is important to find ways to generate and update your site content on a continuous basis. One way to do this is through a blog.

THE IMPORTANCE OF BACK LINKS. Google highly values sites which have a lot of links to them (not from them). If many relevant sites link back to your website, Google deems your site to be very important.

Google is able to measure the relevancy of links, as well as the relative importance of the referring site. Highly relevant and important sites include chamber of commerce sites, in addition to trade and industry associations or organizations.

MAXIMIZE YOUR WEBSITE MARKETING EFFORTS. Though search engine optimization is a solid way to market your website, it is also a long-term investment. In the short-term, you may want to consider a pay-per-click strategy.

Pay-per-click can do the following for you:

- You only pay for visitors who search for your product/service online, look at your ad and choose to enter your site (this is where the “pay-per-click” term comes into play)
- Track the leads you obtain through online advertising
- You will receive an easy-to-read report that will show you the results of your Internet advertising
- Receive reports that relay the phone numbers and e-mail addresses of customers that contact you
- Best of all, you get to set the monthly budget

BUSINESS PLAN WORKBOOK

2012 1st Edition

Written, edited, & compiled by:

Heather Piazza, Charlie Monahan, Carolynne Gamble, Jerry Jinnett, & Elizabeth Pratt

For product information or to obtain help in writing your business plan, contact us at the Business & Entrepreneurship Center at 707-256-7250 or www.becatnvc.com.



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