

## **ADVICE FOR STARTING A BUSINESS**

Notes compiled by Peter Burke

Accredited SCORE Counselor

April 2010

The following pages present information available from the websites of the BEC and SCORE.

The BEC (Business Enterprise Center) is a nonprofit, for-fee, regional business accelerator committed to development of emerging businesses resulting in the creation and retention of jobs in the region.

SCORE is a nonprofit, free, association dedicated to educating entrepreneurs and helping small business start, grow and succeed nationwide. SCORE is a resource partner with the U.S. Small Business Administration (SBA.)

The websites presented here will be helpful in validating your business idea, developing marketing and business plans, and keeping track of the finances. The websites contain many questions, and you will have to do the homework to provide the answers. The questions are sound, the result of years of accumulated business experience, so the time spent in answering them will not be wasted.

I recommend that you look through all of this material in an hour or two, jotting down answers as best you can. Then look for what to work on next. Which of the many items to be covered has the highest priority?

The questions can't be answered all at once. Expect the answers to change as you work through the plans. Keep notes on your research, assumptions, and spreadsheets as you develop your business. These notes will be critical if you are going to seek funding.

## **BEC IDEA RESUME**

The BEC Idea Resume is an excellent first step in defining the product or service that you intend to offer. It will help you decide whether or not you have a viable idea or not.

### **BEC Web Sites**

Home <http://www.thebec.com/>

Idea Resume [http://www.thebec.com/forms/the\\_bec\\_application.pdf](http://www.thebec.com/forms/the_bec_application.pdf)

### **BEC Idea Resume - Condensed Version**

What need will your idea fill?

What solution does your idea offer?

What is the market potential?

What are the next steps you must take?

(A good answer here is "Work on the business plan, especially the marketing plan and the finances.")

## **SCORE Web Sites (Financial Spreadsheets and Business Plan)**

Use of SCORE website materials requires a browser such as Firefox, a file reader such as Adobe, and Microsoft Office or equivalent (a spreadsheet and a word processor.)

SCORE Home      <http://www.score.org/index.html>

## **SCORE Financial Spreadsheets**

### 12 Month Cash Flow

[http://www.score.org/downloads/12\\_Month\\_Cashflow\\_Form\\_Rev\\_5-07.xls](http://www.score.org/downloads/12_Month_Cashflow_Form_Rev_5-07.xls)

The "12 Month Cash Flow" is a one-page spreadsheet for income, expenses, and cash balance, easy to understand and easy to use.

### Financial Projection Model

<http://www.score.org/downloads/SCORE%20Financial%20Projections%20Template.xls>

The "Financial Projection Model" presents all aspects of business finance in 12 interactive pages and requires time to learn how to use. Items covered include:

- Required Start-Up Funds
- Salaries and Wages
- Fixed Operating Expenses
- Projected Sales Forecast
- Cash Receipts and Disbursements
- Income Statement
- Cash Flow Statement
- Balance Sheet
- Year End Summary
- Breakeven Analysis
- Financial Diagnostics.

## **SCORE Business Plan**

The SCORE Business Plan consists of 28 pages of detail organized per the following outline. The information is presented using Microsoft Office.

- I. Table Of Contents
- II. Executive Summary
- III. Company Description
- IV. Products & Services
- V. Marketing Plan
- VI. Daily Operations
- VII. Management And Organization
- VIII. Personal Finances
- IX. Startup Costs & Capitalization
- X. Financial Plan

### Start-Up Business Plan

[http://www.score.org/downloads/Business%20Plan%20for%20a%20Startup%20Business\\_July.pdf](http://www.score.org/downloads/Business%20Plan%20for%20a%20Startup%20Business_July.pdf)

A six-page condensed version of SCORE's 28-page document follows.

# THE SCORE START-UP BUSINESS PLAN WORKSHEET

---

## **I. Table of Contents (write this last)**

## **II. Executive Summary (write this next to last)**

Two pages max - include everything that you would cover in a five-minute interview.

What will your product be?

Who will your customers be? Who are the owners?

What do you think the future holds for your business and your industry?

If applying for a loan, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

The executive summary should be rewritten and customized for different readers, for example, your banker, your suppliers, your lawyer, your potential business partners

## **III. General Company Description**

Mission- What is your company about? What do you value?

Goals and Objectives - Be specific!

My company will (do what?) by (when?) at a cost of (how much?)

Customers - Who will buy your product or services?

Business Environment - Growing? niche? local and overseas competition?

What sets your company apart? Strengths? Experience? Uniqueness? Flexibility?

Company Structure - Sole Proprietors, Partnership, LLC, Corporation? Why?

#### **IV. Products and Services (Emphasis on technical aspects)**

Describe in depth your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in *Appendices*).

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

What are the pricing, fee, or leasing structures of your products or services?

#### **V. Marketing Plan (Emphasis on customer needs)**

##### **Market questions to answer**

What is the total size of your market? Your proposed share?

Current demand and trends in the target market?

Growth potential and opportunity for a business of your size?

What barriers to entry do you face in entering this market with your new company, and how will you overcome them?

How could the following changes affect your company: technology; government regulations; economy; your industry?

## **Product questions to answer (Describe your products from your customers' point of view.)**

What is special about it?

What will it do for the customer?

What after-sale services will you give?

## **Customers & Competition**

Identify your targeted customers, their characteristics, and their geographic locations,

What products and companies will compete with you? Compare yourself point-by-point with your competitors.

State your competitive advantages and disadvantages, and define your unique corner of the market.

## **Promotion**

How will you get the word out to customers?

How much will you spend on promotion? Before startup? Ongoing?

## **Pricing**

Compare your prices with those of the competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?

Can you have average or higher prices and compete on quality and service?

## **Proposed Location**

Is your location important to your customers? If yes, how?

Where is the competition located? Is it better for you to be near them (like car dealers or fast food restaurants) or distant (like convenience food stores)?

## **Distribution Channels**

How do you or plan to sell your products or services?

## **Sales Forecast**

Use a sales forecast spreadsheet such as the SCORE "Financial Projection Model" to prepare a month-by-month projection. The forecast should be based on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available. Do two forecasts: 1) a "best guess", which is what you really expect, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.



## **VI. Daily Operational Plan**

### **Production**

Product development, production techniques and costs, quality control, inventory control

Have you drafted job descriptions for employees? If not, take time to write some.

### **Location**

Amount of space, type of building, zoning, power and other utilities

Parking, access to customers, access to shipping

### **Inventory**

What kind of inventory will you keep? What is its value?

Rate of turnover and how this compares to the industry averages?

Seasonal buildups? Lead-time for ordering?

### **Suppliers**

Identify key suppliers:

### **Sales**

Sales and shipping, customer service

### **Cash Management**

Do you plan to sell on credit?

Policies slow-paying customers? Also for paying your bills.?

## **VII. Management and Organization**

Who will manage the business on a day-to-day basis?

If you'll have more than 10 employees, create an organizational chart

Include position descriptions for key employees.

If you are seeking loans or investors, include resumes of owners and key employees.

List your advisors, attorney, accountant, insurance agent, banker, consultants

## **VIII. Personal Financial Statement**

Revenues, expenses, assets, liabilities - for your comfort and your lender's comfort

## **IX. Startup Expenses and Capitalization**

Development, construction, equipment, fees and licenses, advertizing, supplies

Add a separate line item, called contingencies,

Explain your research and how you arrived at your forecasts

## **X. Financial Plan**

Profit and loss projection, cash flow projection, projected balance sheet, comparison to peer companies

## **XI. Appendices**

Add information as needed to support your business concept

## **XII. Refining the Plan**

The 28-page SCORE Business Plan provides suggestions to customize your plan to present to bankers, investors, and different kinds of businesses.

Suggestions to customize your plan for different kinds of businesses