

Pre-Biz Plan



Sketch Book

Created by the Business Resource Center SBDC through a grant from:

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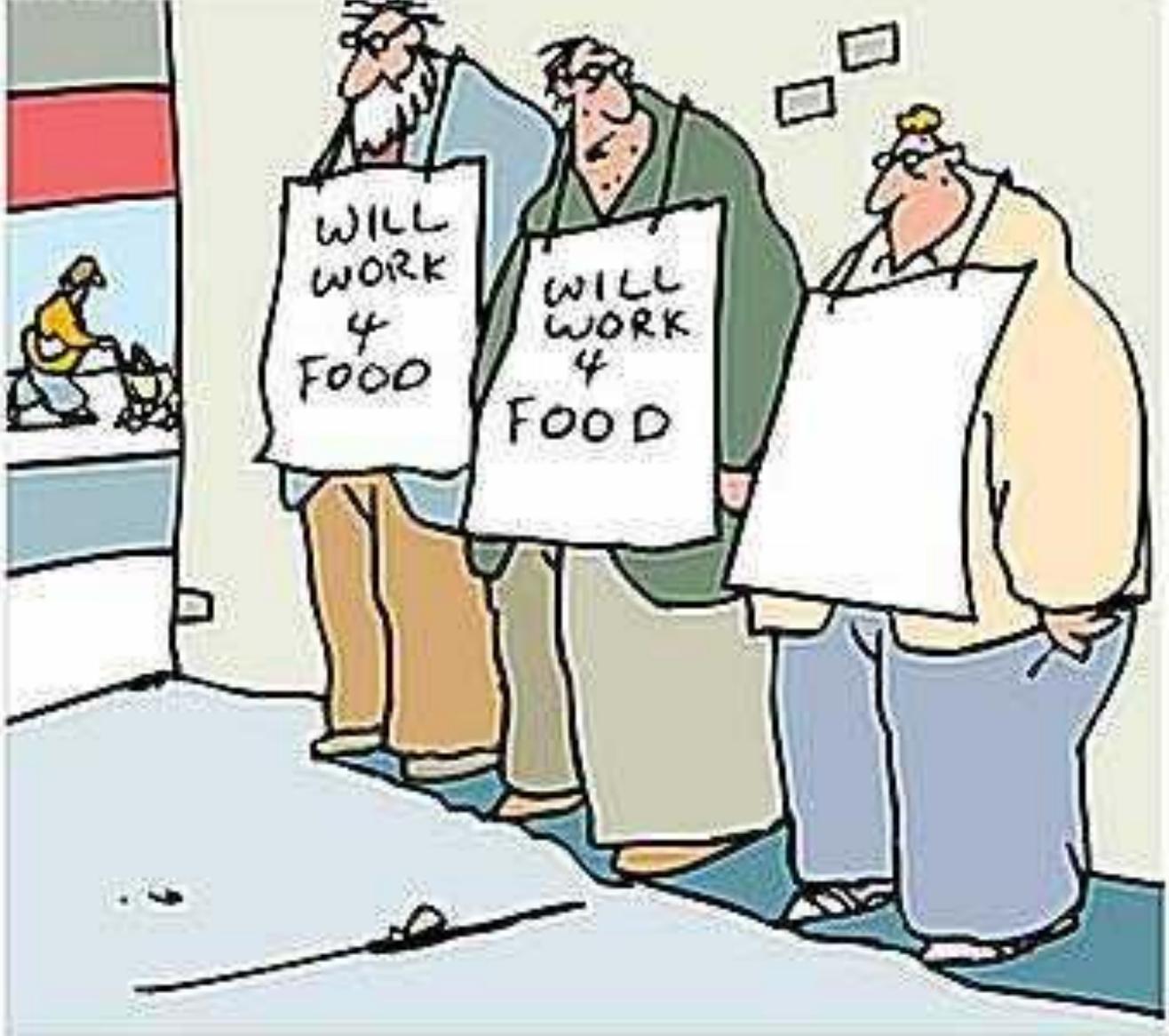


U.S. Small Business
Administration

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"It's not enough to just show up. You have to have a business plan."

Welcome to StartSMART!

This Pre-biz Plan Sketch Book is a tool to help you think through some important components of your business plan. In order to hit the ground running when you meet with your counselor, please fill in the boxes with some of your thoughts up to this time. You will see an explanation of each question and a sample answer to help you with the process. After you have filled in the box, check if you:

- Have researched the idea,
- Have a gut feel it's true, or
- You frankly don't know.

It's all right if you haven't completely discovered the answers to the 11 questions in the sketch book. Your SBDC experience will help you expand your answers to a complete business plan if that's the direction your ideas take you. So, as in any sketch book – have fun with it. This is the time to start putting your dreams to ink!

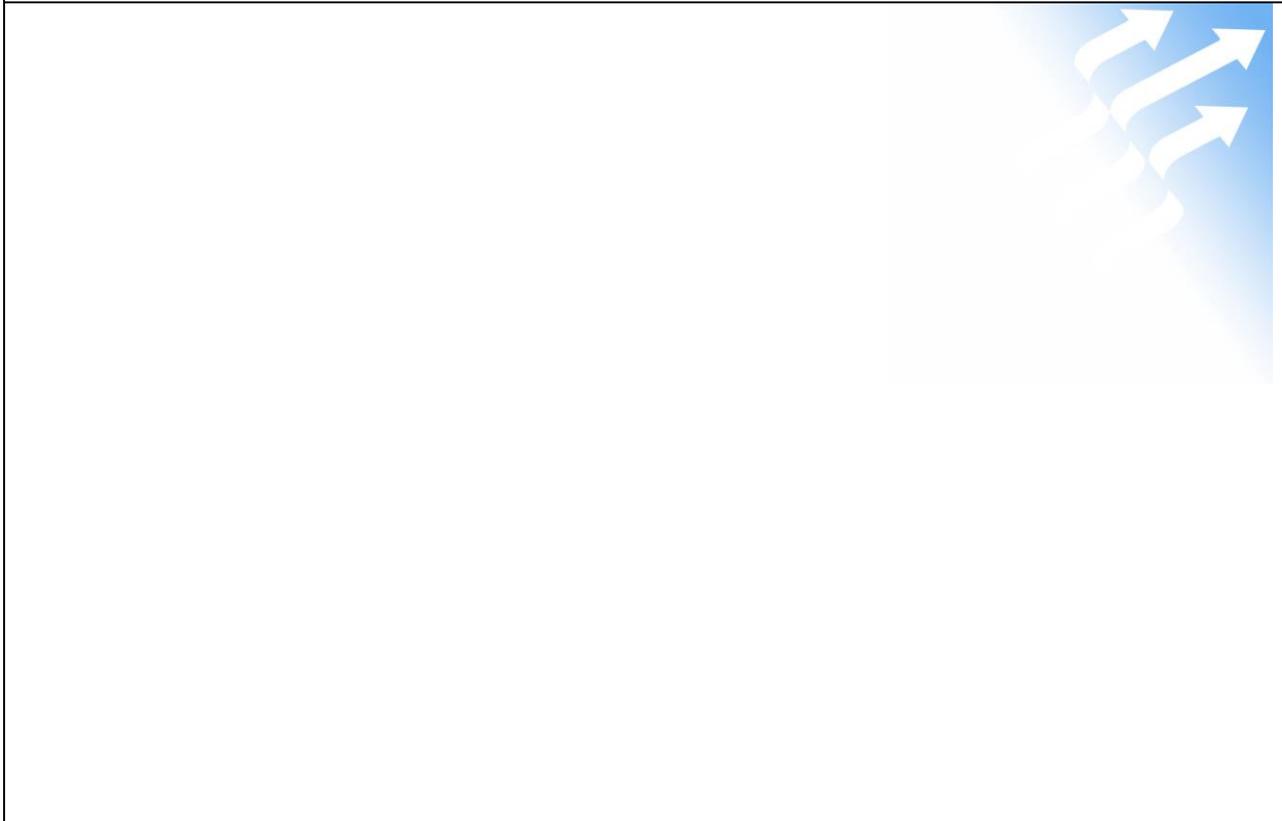
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What's Your Big Idea?

Is there something about your idea that is unique? Remember that an idea does not have to be some wildly different product. It does not have to have some "secret sauce." Your idea can be about how your systems are executed or how your products are sold. But beware of being a "me too" type of business. Read the sample and then write your business idea in the space below. Don't worry about elegant words and structure. Just get it out.

Sample: Our idea is to open a service business that would cater to the snowbirds of St. George. Whether it would be to clean their condo, procure travel tickets, put up Christmas lights or shuttle them to the airport in Vegas, we can get it done. We would also have a web site, the "Get'er done in St. George" that would include a list of "best providers" that people could consult.

My Business idea is:



Why do people “need” (want) it?

It's always better to have a need than a want. If you have a want, then you have to spend effort in convincing people that's it's a need.

Another way of saying this is: “There is a problem out there and my business has a solution.” After you write about the “need”, fill in the check box below about how you have researched this need, just have a “gut feel” about it, or have no real knowledge about it. If you haven't researched your answer, it's all right. That's why you've come to learn!

Sample: People need this because there are thousands of new people moving to Washington county every year in addition to the thousands of snowbirds that migrate every winter. A sizeable percentage of these pay cash for homes and condos so they have disposable income. They are used to getting good service, but they don't know who to call. Many of them need someone to open their homes, buy groceries or arrange for repairs. On the other hand many businesses would like access to this market of receptive customers Though they will not be able to pay for a good referral, they would like to; advertise on the Git'er Done web site.

People need my business because:

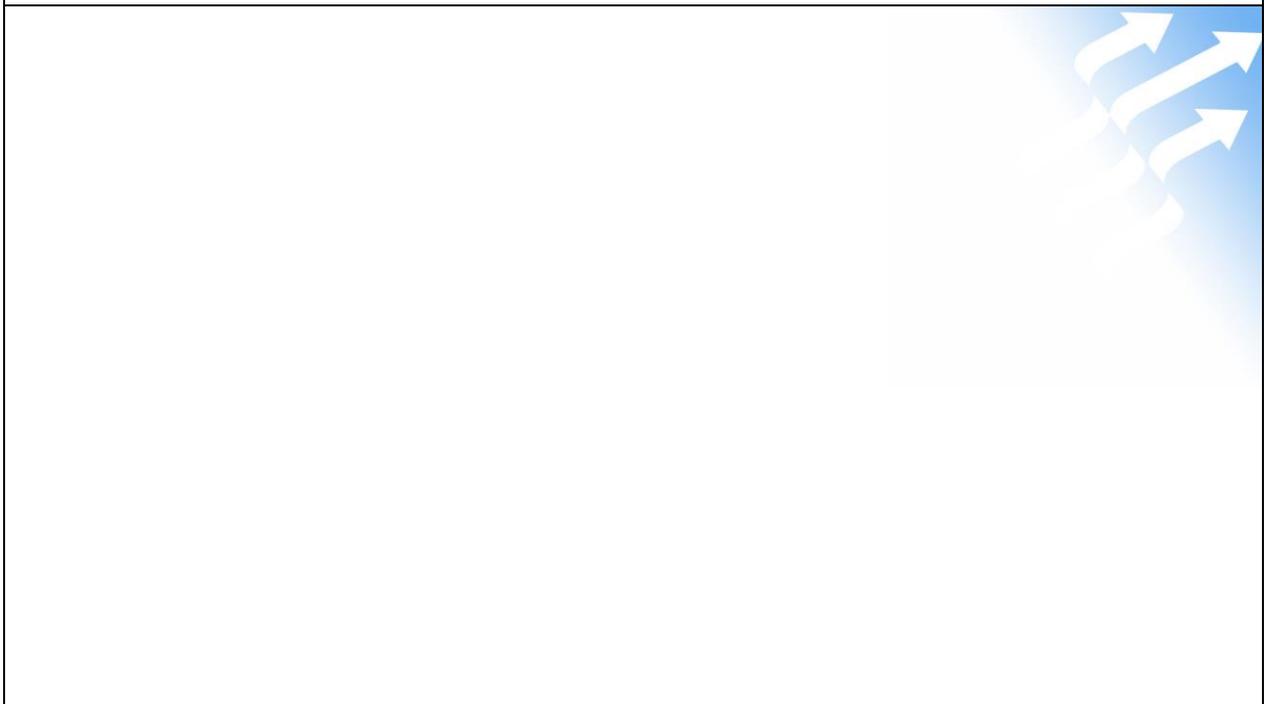
		
<input type="radio"/> I've researched this	<input type="checkbox"/> I have a gut feel it's true	<input type="checkbox"/> I don't know

Who are your top one or two groups of customers?

A group of customers is sometimes called a “market”. A market has some characteristics in common. Sometimes these are demographic in nature, such as age, sex and income. Often they are psychographic such as lifestyle, interest or hobbies. If your market is a business or industry group sometimes they have certain buying patterns, or ways of paying, characteristics. You always want to promote to your top one or two groups of customers rather than “everybody”. That way you can expend fewer resources and be more effective. That doesn’t mean you won’t sell to everybody who wants to buy.

Sample: Git'er Done customers are: Retirees and snowbirds that have disposable income. They are active but need help finding someone trustworthy to provide various services in their new or part-time locations. The other group of customers for the web site will be businesses who want access to those customers.

My top two groups of customers are:



I’ve researched this

I have a gut feel it’s true

I don’t know

How will you reach these customers and convince them to buy?

This question is concerned with marketing and selling. Marketing is what you do to reach your customers and create prospects. Selling is actually closing the deal. Sometimes these methods are called tactics or weapons. There is a whole arsenal of weapons that can be used to reach your customer. The biggest challenge here is deciding which will be the most effective. To determine the most effective you will need to look at your customers and their characteristics and needs. You will also be constrained by your budget and the time you have to promote. The most effective weapons aim directly at the potential customer who needs the product/service. This is called the rifle approach. For some businesses who want to get the word out to a broad population, the shotgun approach works just fine. But the shotgun approach is usually much more expensive.

Sample: *Git'er Done* will employ the following tactics or weapons:

1. *Work with property managers of "over 50" developments. Give them a \$5 gift certificate for every referral that results in a sale.*
2. *Employ the above tactic at the local golf courses.*
3. *Distribute tasteful flyers in the club houses.*
4. *Keep a data base of contact information of clients. E-mail at appropriate times to offer more service.*
5. *Buy occasional ads in the association newsletters. Keep track of the ones that seem to work.*
6. *Send thank you notes and birthday cards; ask for referrals.*
7. *Wear clean pressed uniform shirts all over town.*
8. *Join the Chamber of Commerce and actively promote to the volunteers there.*
9. *Sponsor or volunteer at the Huntsman World Senior Games.*

The weapons or tactics I will employ are:

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<input type="radio"/> I've researched this <input type="checkbox"/> I have a gut feel it's true <input type="checkbox"/> I don't know

Who are your competitors and what do you think is your competitive advantage?

These are businesses that do what you do. Another way of asking this is: "When people are buying your product now, where is the dollar going?" There are two major types of competitors. Your direct competitors do exactly (or close to) what you are doing. Your indirect competitors may be doing something similar in the industry but not directly what you are doing. For example, if you have an ATV rental business, another business that rents ATVs would be your direct competitor. A business that rents bicycles might be your indirect competitor.

Do not make the mistake of saying that you have no competitors. The dollar is most likely going somewhere now. Furthermore, if you are successful, others will soon come into the competitive picture. You also need to be suspicious if you truly see no competitors in the picture. When there is someone making serious money, there is probably a place for someone else to come in. However, you will need to develop your own unique competitive edge.

Sample: *Git'er Done* has the following competitors:

1. *One Call Solution. Is just beginning. Does not have website.*
2. *Other individual service providers such as handymen. Cannot provide a wide spectrum of services.*
3. *Classified ads. Are untested and unproved to new residents. Do not have website reviews or testimonials.*

The competitors I have are:

		
<input type="radio"/> I've researched this	<input type="radio"/> I have a gut feel it's true	<input type="radio"/> I don't know

Who's on your business team?

The people who are on your team are your most important assets. Keep in mind that there are three important functions in a business. The Operations include the actual day to day activities of the business. The Marketing function includes advertising, selling, customer service. The Financial function includes the bookkeeping, accounting, paying of taxes. Many times with a start-up business the business owners wears all the hats on a day to day basis. But an advisory team can take away some of the pressure of juggling everything yourself. An advisory team can include paid or unpaid members. Paid team members might include your bookkeeper that you pay by the hour, or your attorney. Unpaid members might include your MBA brother-in-law who provides expert advice, or the key contact who gives you leads. Remember, your advisory team can make your business seem bigger than it really is.

Sample: *The Git'er Done team includes:*

1. *Myself who will be running the business and performing many of the operations.*
2. *Hired Dixie State University students as needed. These will include my children and their friends who need extra money at times. My sister will also help out.*
3. *I will hire The Tax Company professionals to set up the QuickBooks and pay the taxes. The Tax Company will also set up the Limited Liability Company.*
4. *I will hire Jane Willis to design and maintain the web site.*
5. *I will hire Rachel Ebbons to design the flyers and advertising pieces.*

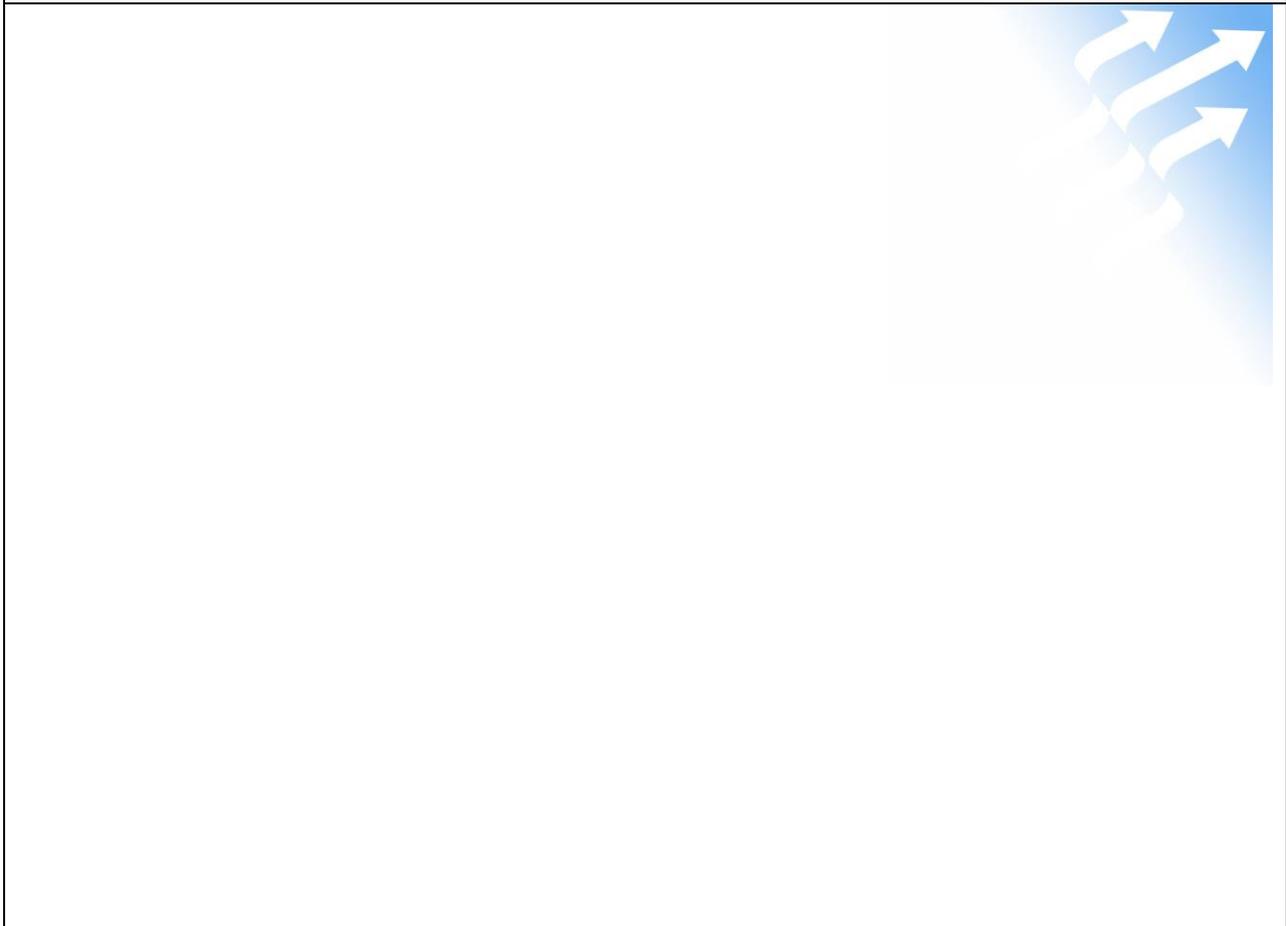
My business team includes:		
Operations:		
Financial:		
Marketing:		
<input type="radio"/> I've researched this <input type="checkbox"/> I have a gut feel it's true <input type="checkbox"/> I don't know		

Where will your customers buy your product/service?

The place or method your customers will buy your product is important. Sometimes you have only one place, such as a retail store. Sometimes you have a number of places such as a retail store and a web site. You may have a service business where customers buy your services when they call you on the phone and ask you to come to their homes or offices. The place from which you sell has all sorts of implications for value and customer service.

Sample: Git 'er Done services will originate from the owner's home office at the beginning. We will also have a web site to provide information on products and services. Customers will be able to access the services through the web site, email or phone.

My products and services will be sold from:



I've researched this

I have a gut feel it's true

I don't know

Approximately how much will your customer pay for your product? How much will it cost you to purchase it for resale or produce it?

How you price your product depends on many factors such as where your business is located, how much your competition is charging, the perception of value that your potential customer has. Remember that you also must price your product to cover not only the direct costs (how much the product costs you) but your overhead costs. Overhead costs include the costs you will have to be in business. These include such items as location rent and utilities, insurance, telephone and Internet, travel costs, loan payments, and basic office supplies and others.

Sample: Git 'er done will charge an average of \$25 per hour for services. At the beginning of the business, much of the work will be performed by the owner's family. If it is necessary to employ college students, they will be paid \$12-14 per hour. Web site classified ads for providers will be charged at the going rate for such ads.

My products and services will be sold from:

My customers will pay (average transaction or hourly cost):

These products/services will cost me:

I've researched this

I have a gut feel it's true

I don't know

How much money do you need to get this idea to the point where you can start selling?

These figures are often called Startup costs. They include the costs for equipment, location, marketing, inventory, legal setup, operating capital, in fact everything you need to start Day 1 of the business. It is better to overestimate this figure rather than underestimate. You can always scale down. Do not neglect to consider marketing costs. If no one knows about your service, you'll be a failure from the start. Surveys from Inc. Magazine say the average Inc. 500 company was started with \$10,000 or less. You do not have to list these needs in detail here, but you should have an idea of how much you'll require.

Sample: Git 'er Done will need about \$3000 to start the business. We need to have a very professional, colorful logo designed. We will have our son-in-law design and maintain a top notch website. We need to produce some good quality graphics that will allow us to produce some good marketing materials through desk top publishing. We need to be listed in the two top yellow page books. We will order some high quality button down shirts with our logo and produce some decals to place on our vehicles.

In order to start my business, I will need to plan the following for start-up costs:



I've researched this

I have a gut feel it's true

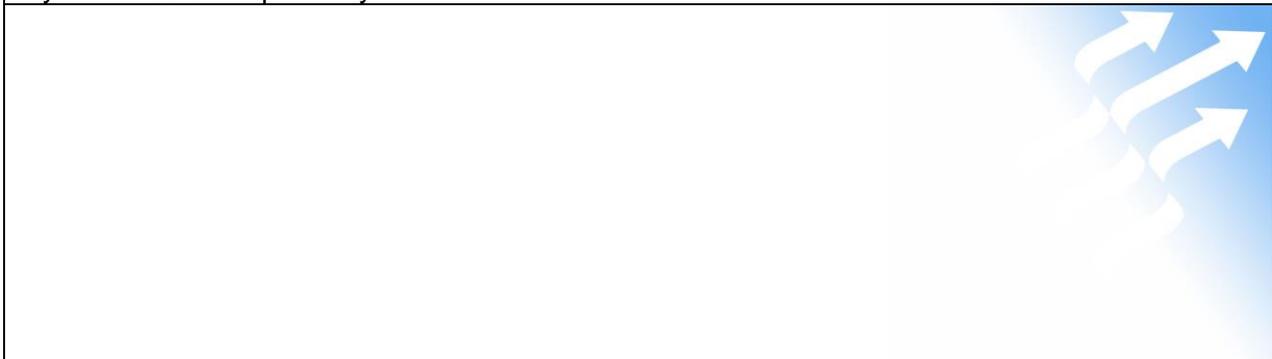
I don't know

Where will the money come from?

Start-up funding comes from two sources: Equity, which is money the owners (you and other investors) put in; or Debt which is money that is borrowed and has to be paid back. Consider that lenders and investors will want to see that you have put something into the business yourself. Remember that lenders and investors will want to know that you have carefully thought out your business and documented it with a solid business plan. Hitting up friends and family is the most common way to start a business. But according to Inc. Magazine, it's also the riskiest

Sample: *Git 'er Done startup costs will be funded through personal savings of the owners. We also have a \$25,000 home equity line of credit that can be tapped in case of cash flow emergency.*

My business startup money will come from:



I've researched this

I have a gut feel it's true

I don't know

How soon will you be able to start selling? How soon will you be able to make a profit?

Timing is important. Some businesses are seasonal and need to start at a certain time of year in order to gain some marketing advantages. For example, a retail store would want to start in late July in order to capture back-to school sales or in October to take advantage of holiday sales. A tourism related business in a summer market should avoid starting in August because end of season sales will not likely be enough to cover costs through the winter.

Sometimes the amount of time required to get zoning and regulations approved, or to get locations prepared make additional funding necessary. Timing is also important from a lender or investor's point of view. How much money will you have to "burn" before you can turn a sale?

Sample: *Git 'er Done will kick off in October. We will sponsor an event at the senior games and do a big marketing push as the snow birds come to town. Because our overhead costs are low and we will not have permanent workers on the payroll, we should turn a profit immediately.*

Our business will begin sales:

		
<input type="radio"/> I've researched this	<input type="checkbox"/> I have a gut feel it's true	<input type="checkbox"/> I don't know