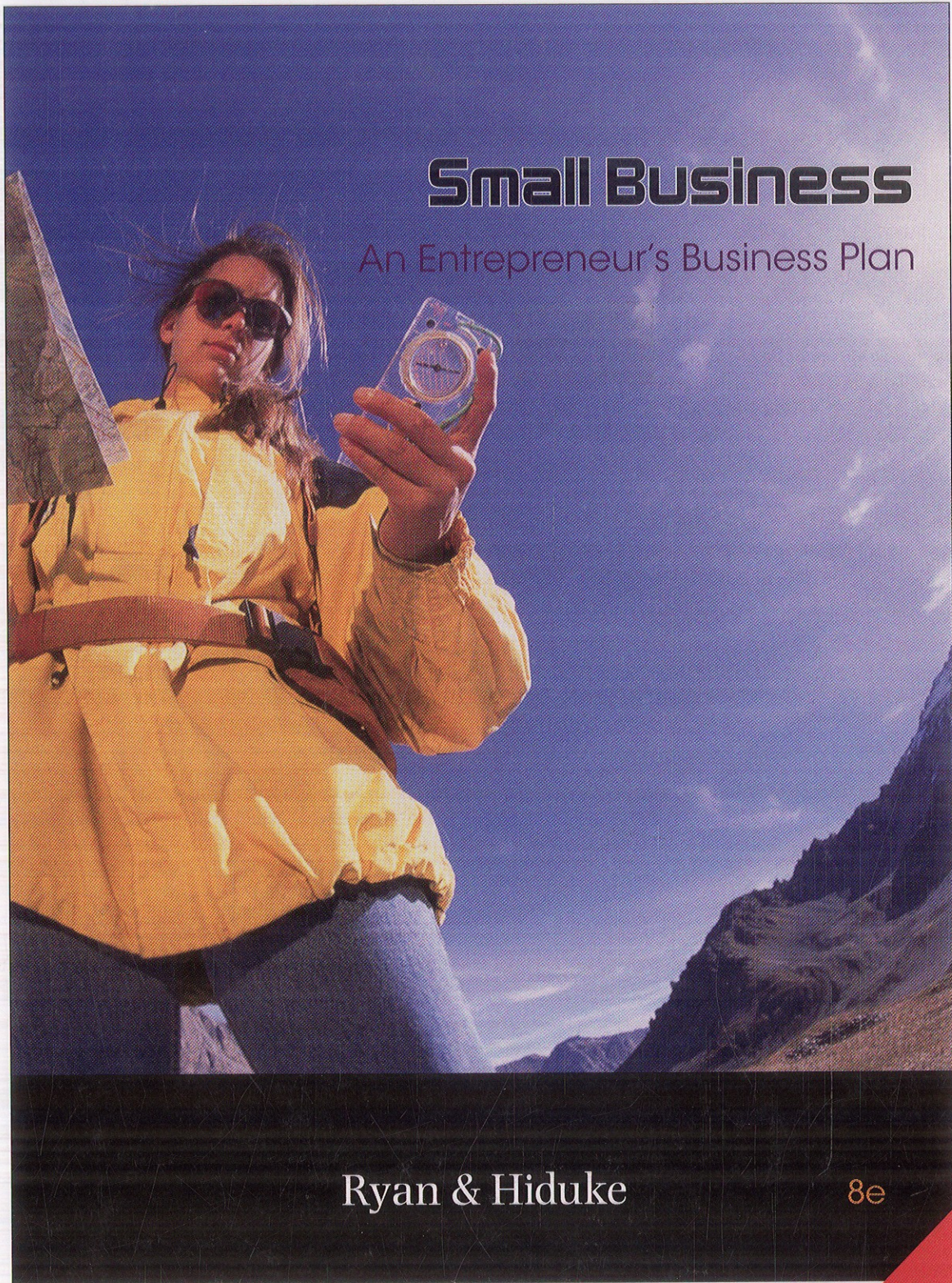


INTERNATIONAL STUDENT EDITION



Small Business

An Entrepreneur's Business Plan

Ryan & Hiduke

8e

Not for Sale in the
United States



contents

Chapter 1	Your Great Adventure	1		
	Building Your Road Map	2		
	Internet Links	4		
	<i>Web Link Starting Points</i>	7		
	<i>Knocking at the Entrepreneurial Doors</i>	8		
	<i>What about These Three Doorways?</i>	8		
	The Age of the Entrepreneur	10		
	Rev Up	10		
	<i>Ready to Start?</i>	10		
	<i>Why Do You Want to Be an Entrepreneur?</i>	11		
	What Is Your Current Family and Financial Picture?	13		
	What Does It Take to Be an Entrepreneur?	14		
	<i>Entrepreneurial Success</i>	15		
	<i>Defining Business Success</i>	19		
	<i>Interviewing Successful Entrepreneurs</i>	21		
Chapter 2	Spotting Trends and Opportunities	24		
	Opening Your Eyes and Mind to Vast Opportunities	25		
	<i>It's a Dynamic World</i>	26		
	Environmental Variables	26		
	Changing Families	29		
	Changing Workforce and Demographics	31		
	<i>Boomer Explosion</i>	31		
	<i>Millennials Rising</i>	35		
	<i>The Splintering of the Mass Market</i>	37		
	Franchisers Respond to Social and Cultural Changes	38		
	Entrepreneur Magazine's Top Ten New Franchises for 2008	38		
	Entrepreneur Magazine's Top Ten Fastest-Growing Franchises for 2008	38		
	Information Explosion	39		
	Technology Revolution	40		
	Information Is Everywhere	44		
	<i>Secondary Research</i>	45		
	<i>Primary Research</i>	47		
	<i>New Eyes Research</i>	47		
	The Big Picture	48		
	Mind Mapping Your Way into Small Business	49		
	<i>Brainstorming Techniques</i>	50		
	Life-Cycle Stages	51		
Chapter 3	Opportunity Selection	55		
	Welcome to Opportunity Selection	56		
	Industry Research	58		
	Conducting Secondary Research for Your Selected Industry	62		
	<i>Libraries</i>	63		
	<i>Trade Associations</i>	63		
	<i>Trade Shows</i>	66		
	<i>Additional Resources for Research and Opportunity Gathering</i>	67		
	Primary Research on Your Selected Industry	71		
	Industry Segmentation and Gap Analysis	72		
	<i>More Brainstorming for Possible Solutions</i>	73		
	<i>Matrix Analysis</i>	75		
	<i>Taking Stock</i>	77		
	Define Your Business	77		
	<i>What Business Are You Really In?</i>	78		
	Develop Your Elevator Pitch	79		

Chapter 4	Profiling Your Target Customer	84	Chapter 6	Location and Distribution	142
	The Power of Profiling	85		Distribution	145
	What Can We Learn from Media Sources?	89		Bricks-and-Mortar Location for Retail and Service Businesses	147
	<i>Reviewing the Media Kit</i> 91			<i>What Is the Perfect Location?</i> 147	
	<i>Changing Profiles</i> 91			Retail Location Filter	148
	Profiling in Action	93		<i>Target Customers</i> 148	
	Profiling Business-to-Business (B2B) Customers	104		<i>Neighbor Mix</i> 148	
	Primary Research Is Absolutely Necessary	106		<i>Competition</i> 148	
	Field Interviews	106		<i>Security, Safety, and Parking</i> 149	
	Observing Target Customers	107		<i>Labor Pool and Education</i> 149	
	<i>Surveys</i> 108			<i>Restrictions and Opportunities</i> 149	
	Make Customer Profiling a Reflex	109		<i>Services</i> 149	
	Visualizing Your Target Customer	110		<i>Cost</i> 149	
				<i>Ownership</i> 149	
				<i>Present and Past Tenants</i> 149	
Chapter 5	Reading and Beating the Competition	114		<i>Space</i> 150	
	Who Is Your Competition?	116		<i>History of the Property</i> 150	
	Competitive Intelligence	118		<i>Taxes</i> 150	
	Competitive Touchpoint Analysis	119		<i>Approvals</i> 150	
	Scouting the Competition	120		<i>Physical Visibility</i> 150	
	Secondary Research Reports	123		<i>Life-Cycle Stage of the Area</i> 150	
	Primary Research	125		<i>Community Support</i> 150	
	<i>Additional Snooping</i> 127			<i>Image</i> 150	
	<i>Manufacturing and Scientific Competition</i> 127			Alternative Retail Locations	152
	<i>Competition and Positioning</i> 129			<i>Swap Meets and Fairs</i> 152	
	The Competition and Product Life Cycle	130		<i>Kiosks</i> 152	
	Competition and Positioning in a Mature Market	133		Retail and Service Business Location Information	153
	<i>Create a New Arena</i> 135			<i>Targeting by Census Tract</i> 153	
	Create Uniqueness by Continually Changing Your Product or Service	137		Location Decision for Manufacturers	157
	<i>You Can Do It!</i> 137			<i>Business Incubators</i> 158	
				<i>Enterprise Communities and Rural Empowerment Zones</i> 160	
				Before You Sign a Lease	161
				<i>Agents and Commercial Brokers</i> 162	
				<i>Anticipate the Unexpected</i> 162	
				<i>How to Rewrite a Lease with Your Lawyer's Assistance</i> 163	

	Home Office and Virtual Business Alternatives	165		<i>Common Pricing Methods</i>	209
	Internet	167		<i>Pricing Strategies</i>	210
Chapter 7	Marketing Promotions Overview	171		Seasonality Scenarios	211
	Promotional Strategies	173		Economic Cycles	214
	<i>The Promotional Mix</i>	173		Sales Projections and What-If Scenarios	214
	Exceptional Customer Service as Promotion	174		Income Statement and Cash-Flow Projections	217
	<i>What is Your Customer Worth?</i>	176		Balance Sheet	223
	<i>Additional Promotional Strategies</i>	178		Break-Even Analysis	223
	Promotion in Cyberspace	186		Leaving a Paper Trail and Software Applications	225
	Unique Promotional Strategies	189		Financial Ratios	226
	<i>Peggy Sue's Dinner</i>	189		<i>Current Ratio</i>	226
	<i>Garment District Guides</i>	190		<i>Quick (Liquidity) Ratio</i>	227
	Sales Reps as Connectors	190	Chapter 9	<i>Return on Investment</i>	227
	Networking Groups	192		Shaking the Money Tree	232
	<i>Networking for Success and Survival</i>	192		Before Committing Money	235
	<i>Why You Should Network</i>	193		<i>What Is Your Risk Tolerance?</i>	235
	<i>Networking Organizations</i>	194		Credit Reporting Agencies: What Do They Know about You?	235
	Attach Price Tags to Your Promotional Strategies	195		<i>Key Factors of Your Credit Score</i>	236
Chapter 8	Start-Up Concerns and Financial Projections	198		<i>Cautionary Steps</i>	237
	Chart Your Business Future with Numbers	199		<i>Your Bottom Line</i>	239
	<i>Start-Up Costs</i>	200		Shaking the Most Fruitful Branches First	239
	<i>Pricing</i>	200		Self-Financing	240
	<i>Seasonality Scenarios</i>	200		<i>Your Money and Your Credit</i>	240
	<i>Sales Projections and What-If Scenarios</i>	201		Family and Friends	241
	<i>Projected Income Statements and Cash Flow</i>	201		Banks	242
	<i>Balance Sheet</i>	201		<i>Lenders' Expectations</i>	244
	<i>Break-Even Analysis</i>	202		<i>Strategies for Working with Your Banker</i>	245
	<i>Financial Ratios</i>	202		<i>Make Your Banker a Member of Your Team</i>	245
	Start-Up Costs and Concerns	202		SBA Programs	247
	Bootstrapping	205		<i>SBA/Bank Financing Checklist</i>	249
	<i>Tips to Conserve</i>	205		State Programs and Local Development Authorities	250
	<i>Seeking Financial Advice and Support</i>	206		Vendor Financing	250
	Pricing Your Product or Service	206		Angels	251
				Venture Capital Firms	252

Chapter 10 Legal Concerns	261		
It Pays to Look Ahead	262		
Hire an Experienced Attorney First	263		
<i>Understanding How Lawyers Operate and Reducing Your Legal Costs</i>	264		
Choosing Business Legal Forms	265		
Which Business Entity Is Best for You?	265		
<i>Sole Proprietorships</i>	266		
<i>Partnerships</i>	266		
<i>Corporations</i>	270		
<i>Limited Liability Companies</i>	271		
<i>Subchapter S Corporations</i>	274		
<i>Nonprofit Corporations</i>	274		
Legal and Personal Issues for Families and Couples	275		
Protect Yourself with Contingency Plans	276		
Patents, Trademarks, and Copyrights	278		
Licensing Your Product	288		
Advertising within the Rules	290		
Chapter 11 Build, Maintain, and Thrive with a Winning Team	294		
The Founding Team	296		
The Virtual Organization and Outsourcing	297		
Partnerships	298		
Independent Contractors	299		
Employee Leasing	300		
The First Employees	301		
Interview and Stay Out of Court	304		
<i>Ask the Right Questions</i>	304		
<i>Checking References</i>	305		
What Do Employees Really Cost?	307		
Labor Law Compliance	309		
<i>Sexual Harassment</i>	311		
		<i>Workers' Compensation Laws</i>	312
		Team Members	313
		<i>Rounding Out the Personalities of Your Team</i>	314
		<i>Find Mentors</i>	316
Chapter 12 Protecting Your "Baby" and Yourself	322		
Insurance and Managing Risk	323		
<i>Insurance Planning</i>	323		
<i>Types of Coverage</i>	325		
Employee Crime: Be Prepared—Take Preventative Steps	328		
Cyber Concerns	330		
The Tax Man Cometh	332		
<i>Income Taxes</i>	335		
<i>Self-Employment Taxes</i>	335		
<i>Employment Taxes</i>	335		
<i>Sales Taxes</i>	336		
<i>Final Tax Thoughts</i>	337		
Exit Strategy	337		
Ethics	340		
Chapter 13 Buying a Business	346		
Why Purchase a Business?	348		
How to Buy and How Not to Buy	350		
<i>Spread the Word</i>	351		
Investigate the Business from the Outside	352		
<i>Learn from Others' Mistakes and Keep Digging</i>	352		
<i>Know When You Need Outside Help</i>	353		
Investigate the Business from the Inside	354		
<i>Dealing with Brokers</i>	354		
How to Look at the Inside of a Business	357		
<i>Study the Financial History</i>	358		
<i>Evaluate Tangible Assets</i>	360		
<i>Analyze the Seller's Motives</i>	361		

Examining the Asking Price	362	<i>Reminders</i>	415
<i>Rule-of-Thumb Pricing</i>	362	<i>The Cover Letter</i>	416
<i>Online Sources of Sales and Transactional Data</i>	365	Elements of a Business Plan	417
<i>Business-Valuation Analysts</i>	370	<i>The Table of Contents</i>	417
Protect Yourself	370	Executive Summary	418
<i>Obtain a Noncompete Covenant</i>	372	Section I: Description of the Business	420
<i>Determine Whether Bulk Sales Escrow Is Required</i>	372	A. Company Analysis and Services	420
<i>Tax Issues</i>	372	B. Industry and Market Overview and Target Customers	421
<i>Negotiate the Value of Good Will</i>	373	C. Competitive Analysis	423
The Decision to Purchase	373	D. Marketing Strategy	424
Prepare for Negotiations	375	E. Facility Location and Operations	425
Chapter 14 Investigating Franchising	380	F. Management and Personnel	426
Franchising's Reach	381	G. Exit Strategy	427
Exploring the Third Doorway	382	Section II: Financial Section	428
<i>Surfing for Franchising Basics</i>	383	<i>Good Numbers</i>	428
Beware of Scams	386	<i>Good Notes</i>	428
What the Franchisee May Receive	387	A. Projected Income	429
What the Franchisor Receives	390	B. Balance Sheet	429
Additional Franchisee Issues and Concerns	392	Epilogue	432
<i>Legal Assistance</i>	395	<i>Act on What You Know</i>	432
Process Involved in Purchasing a Franchise	396	Appendix A Fast-Start Business Plan	435
Buying an Existing Franchise	400	Quick Checklist	435
The Other Side of Franchising: Reasons for Not Purchasing	401	Structuring Your Plan	436
Can You Franchise Your Idea and Become the Franchisor?	401	A Great Dream Can Equal a Great Business	436
Franchising Trends and Final Franchising Thoughts	403	Who Are My Competitors?	436
Chapter 15 Pull Your Plan Together	408	Who Are My Target Customers?	437
Preparing to Write Your Business Plan	410	How Can I Connect with My Customers?	438
<i>Three-Part Structure: Words, Numbers, and Appendices</i>	414	How Much Should I Charge?	438
<i>Business Plan Software</i>	414	What Are My Start-Up Costs?	439
<i>Outside Assistance in Writing a Business Plan</i>	415	What Are My Sales Goals for the First Three Months?	439
		What Are My Forecasted Expenses?	440
		Your To-Do List	440
		Your Turn Now!	441
		Yes, We Do Windows	441
		<i>Fast-Start Business Plan</i>	441

Appendix B	Annie's Business Plan Proposal	446	Financial Management and Financials	455
	Cover Letter for Annie's	446	<i>System of Internal Controls</i>	455
	<i>Business Plan Proposal for Specialty Chocolates and Candy Concession at Sea World</i>	446	Annie's Projected Rental Revenues and Annual Minimum Guarantee	457
	Annie's Business Plan Proposal	447	Annie's Estimated Capital Investment	457
	<i>Business Plan Contents</i>	447	Assumptions Used in Developing Income and Cash Flow Projections	458
	Executive Summary	447	Annie's Appendix	458
	Management and Staffing	448		
	<i>Retail Experience and History</i>	448	Appendix C	Forms, Forms, Forms
	<i>Management</i>	449		460
	<i>Staffing Plan</i>	449		<i>Family Budget</i>
	<i>Exit Strategy</i>	450		<i>Personal Financial Statement</i>
	Store Overview	450		<i>Application for Employer Identification Number; SS-4</i>
	<i>Floor Plan</i>	450		<i>Profit or Loss from Business; Schedule C</i>
	<i>Floor Space</i>	450		<i>Net Profit from Business; Schedule C-EZ</i>
	<i>Visual Presentation of Merchandise</i>	451		<i>Self-Employment Tax; Schedule SE</i>
	<i>Products</i>	452		<i>Employment Eligibility Verification Form; I-9</i>
	<i>Pricing</i>	452		<i>Application for Business Loan; SBA Form 4</i>
	Marketing	452		The Franchise Disclosure Document: An Overview
	<i>Retail Trends</i>	452		478
	<i>Customer Service Philosophy/Programs</i>	453		
	<i>Marketing Plan</i>	454		
	Store Operations	454		
	<i>Stocking</i>	454		
	<i>Logistics and Frequency of Deliveries</i>	454		
	<i>Facility Maintenance Plan</i>	454		
			Index	482