Lehigh Valley
SCORE
FOR THE LIFE OF YOUR BUSINESS
Entrepreneur Guidebook
Moving your business in the right direction.

You know where you’d like your business to go. But you may not know the next steps to take. BB&T is here to support businesses of all sizes by sharing the financial knowledge we’ve gained over more than 140 years. Our consultative approach allows us to understand your business and provide insights to drive the performance of your business forward. Let’s get started today: BBT.com

David K. Grow
VP Community Development
DGrow@BBandT.com
610-954-6751
For small business support, bank on us.

Valuable resources. Innovative products. All designed to help your small business grow and succeed:

- Lending Solutions
- Checking Products
- Remote DepositLink
- CashLink - ACH Module
- Fraud Protection
- Merchant Services

800.752.8400 | lafambank.com/SmallBiz

Member FDIC. Member of the Fulton Financial Family
Strength in Numbers.

Full-Service Accounting, Tax & Financial Management

Allentown
1620 Pond Rd. • Suite 101
Allentown, PA 18104
Phone: 610-434-7700
Fax: 610-434-9577

Easton
400 Northampton St. • Suite 404
Easton, PA 18042
Phone: 484-546-0650
Fax: 484-546-0652

Stroudsburg
814 Main St. • Suite 100
Stroudsburg, PA 18360
Phone: 570-421-7434
Fax: 570-421-0456

For more facts, visit us at:

rlbaccountants.com or email:
info@rlbaccountants.com
Business Services
for the 21st Century

Propel your business into the future with award-winning solutions from RCN Business Services. Small, Medium or Enterprise size, choose the RCN services that meet your business’ needs easily and affordably with amazing data, voice, and video options.

RCN Business was voted #1 for overall satisfaction by PCMag readers.

RCN BUSINESS
VOICE | DATA | VIDEO

877.RCN.7000 | rcn.com/business

Carol C. Dorey Real Estate, Inc.

When you’re buying or selling distinctive real estate, look to the specialists in high-value property.

610-346-8800
www.doreyrealestate.com
BUSINESS RULE #1:
Make a good first impression.
Even if you are a small business or you’re just starting out, you can still work from a professional setting. When image matters, THE OFFICE QUARTERS has the answer:

• Fully equipped offices and meeting rooms
• Prestigious address
• Professionally staffed with receptionist, mail, and call answering services available
• Flexible terms - no capital expense or upfront contracts
• Part-time offices available by the hour!

THE OFFICE QUARTERS
Your Office. How You Want It.

Reserve today, be in your office tomorrow!
BOOK YOUR OFFICE OR MEETING SPACE ONLINE IN 3 EASY STEPS!
www.TheOfficeQuarters.com

Vigilant.net
Your complete internet management solution

Website Design
Site Hosting
Marketing
eCommerce
Social Media
Search Engine Optimization
Site Management

Vigilant.Net provides all the services you need to leverage your business’s online efforts.

Contact Pam Gockley at Vigilant.Net Today!
pam@vigilant.net 610.916.3652
Would you prefer to be your own BOSS?
Are you a LEADER?
Have you ever thought of having your own BUSINESS?
Not sure of the FIRST STEP?

Look no further.... Your Business Specialist is HERE!

Visit www.lccc.edu/bec for additional information

Lehigh Carbon Community College
Business Enterprise Center
Helping YOU with:
• Business plan development.
• Financing options.
• Legal formation.
• Mentors, and MORE....
Contact us at the BEC as soon as possible and schedule an appointment to talk about YOUR FUTURE as a BUSINESS OWNER.

FAB LAB
Open access to rapid prototyping and fabrication technologies:
Woodworking, Luthier, Sound Studio, Laser Cutting,
3D Printing, Plastics, Graphics,
CNC, and Conventional Metalworking & More!

The Fab Lab at Northampton Community College offers access to easy-to-use equipment and expert instruction, as well as open enrollment for non-credit courses. The Luthier Certification Program combines old-world craftsmanship with modern manufacturing to guide participants through the fine art of building a stringed instrument that is both rich in sound and beauty.

To learn more visit www.northampton.edu/fablab

Northampton Community College
511 E. 3rd Street, Bethlehem, Pa 18015    610.332.8665    fablab@northampton.edu
BLOCK ADVISORS’ EXPERTISE GOES BEYOND THE RETURN.

We offer tax preparation, planning, and bookkeeping services — and a valuable Client/Advisor relationship that goes beyond the return. Because your taxes aren’t about what happened last year.

THEY’RE ABOUT WHAT’S NEXT.

WE’VE GOT IT!!

You Need:

- Clothing ............... Got It!!
- Pens & Stationery .... Got It!!
- Awards & Gifts ......... Got It!!
- Office & Desk Items ... Got It!!
- Bags & Totes .......... Got It!!
- Drinkware .............. Got It!!
- Gifts & Recreation Items . Got It!!
- Computer Accessories ... Got It!!
- Direct Mail Items ........ Got It!!

Your Source for ALL Your Promotional Needs

Select Sales
Creative Marketing Solutions

610-974-8080
www.SelectPromotionalProducts.com
Lehigh Valley SCORE
would like to Thank all of our Sponsors:

BB&T Bank
Bethlehem, Saucon and Whitehall Manors
Breakout Capital
Buckno, Lisicky & Company
Community First Fund
Carol C. Dorey Real Estate Inc
First Commonwealth Federal Credit Union
HR Block Advisors
King, Spry, Herman, Freund, & Faul LLC
Lafayette Ambassador/Fulton Banks
Lehigh Carbon Community College- BEC
Lehigh Valley Financial Group LLC
Northampton Community College
RCN
RLB Accountants
The Office Quarters
Valley National
Vigilant.net
SUCCESS STORIES

Dr. Mehri Ulas: Wonder Health

Lehigh Valley SCORE was honored to have a Small Business Champion selected from hundreds of participants. Dr. Mehri Ulas submitted a video describing her wellness business, Wonder Health & Wellness, LLC

Dr. Ulas and her family immigrated to the United States from Turkey after she attended a conference in Chicago on Public Health regarding screening tests for congenital diseases in newborns. The meeting inspired her. While working as a primary care physician in an underserved area of Turkey, she realized that the majority of health issues in the community were preventable through health measures and education. She then combined her medical degree which she earned at the University Cerrahpasa School of Medicine and her twenty years of experience with health coaching and subsequently earned her Health Coach Certificate. It then became a family endeavor. Her children assist in handling marketing and design through their talents in art and writing.

She heard of SCORE from another healthcare coach and applied for a mentor. Her idea blossomed as she discussed her idea with Mike Knuff and continued on a regular basis with the sessions. Mike commented that Mehri has always been wonderful to work with since her enthusiasm, openness and diligence enabled her to advance her business. She always did her homework. SCORE has been a great resource to her she says by helping her start her business with the right tools and guidance and to keep her on the right track with webinars, articles, events and Mike’s continual excellent assistance.

After Dr. Ulas was notified that she was one of the champions, she prepared her presentation for SCORE in Washington, DC. She thought it was complete but realized that small result-oriented changes were required after attending talks and workshops by David Bobbitt and Giselle Chapman which presented different perspectives. After instituting these changes, her presentation became an additional service offered by her company. “Thus, as you can see, the training helped grow my business actively,” she commented. “With the money, I was able to improve my business’ technological sources and online representation. I also used the money to extend my business’ team by hiring a part-time editor who was useful for preparing and perfecting service materials.”

Dilia Coppedge of The Nanny Loft and Nanny Loft Foundation

When Dilia came to Lehigh Valley SCORE, she wanted to start a business where families could find a reliable nanny to care for their children and where nannies could find safe and responsible employment. The Nanny Loft was created as a business that screened and trained nannies and also screened the required childcare needs of families. Since starting the Nanny Loft under the mentorship of Julian Lewis and Ed Overtree, her business has expanded and paired many nannies and families. Training classes are now offered for prospective childcare providers. As a result of her successful venture, Dilia has also opened The Nanny Loft Foundation that assists families in finding childcare when it is not in their budget. With the help of this foundation, single parents who work or parents who wish to attend school after work are able to find childcare that they can afford.
THE
Lehigh Valley
SCORE
ENTREPRENEUR
GUIDEBOOK

A collection of short articles on some of the challenges an entrepreneur or business owner may face

“Considered by many to be the best single source of information on starting a business in Pennsylvania”

Copyright 2018

4525 Education Park Place
Schnecksville, PA 18078
610-266-3000

Website:  www.lehighvalley.score.org

The material in this publication is based on work supported by the U.S. Small Business Administration under cooperative agreement SBAHQ-06-S-0001. Any opinions, findings and conclusions or recommendations expressed in this publication are those of the author and do not necessarily reflect the views of the U.S. Small Business Administration.

Copyright 2018
What is SCORE?

Since 1964, SCORE “Mentors to America’s Small Business” has helped more than 10 million aspiring entrepreneurs and small business owners through mentoring and business workshops. More than 11,000 volunteer business mentors in over 300 chapters serve their communities through entrepreneur education dedicated to the formation, growth and success of small businesses.

The Lehigh Valley chapter was organized in 1965 and currently has 30 volunteer mentors. SCORE is a resource partner with the U.S. Small Business Administration (SBA).

The experienced business mentors of Lehigh Valley SCORE can offer general business advice on every aspect of business planning, start up, management and growth. We achieve this through face-to-face, email, or video counseling, by conducting workshops and roundtables on a host of business topics. We serve entrepreneurs just getting started or in need of a seasoned pro as a sounding board for their existing businesses.

Our services are free except for a nominal charge for some of the workshops.

We can be reached at www.lehighvalley.score.org or at 610.266.3000

The key qualification SCORE mentors bring is real world business experience. SCORE volunteer mentors are talented business people and executives, many retired, who generously give their time to mentor small business start-ups, established small businesses, non-profits and local government entities to start, expand, and manage their operations successfully. Lehigh Valley SCORE’s mentors hail from various business disciplines – accounting, legal, sales & marketing, engineering, finance, operations, manufacturing, and human resources - and have held senior positions with large and small companies. They have been through the same challenges and decisions that many entrepreneurs are facing today. All SCORE volunteers receive specialized training offered by the association.

For the fiscal year 2017, Lehigh Valley SCORE volunteers provided a combined total of over 1200 mentoring sessions and workshop attendances to the residents of Lehigh, Northampton and carbon counties. Of the clients we served, 420 were new in fiscal year 2017. Typically, the client demographics we serve are approximately 45% women, 17% minorities and 11% veterans.

By channeling the resources and information available through the National SCORE organization, we can offer specialized industry reports, accounting and financial benchmarks for a wide range of business types so entrepreneurs can compare their plans and results to other similar businesses. The comprehensive list of free resource guides, webinars, articles, templates and tools is an invaluable tool for any business
This publication is not designed to be an exhaustive treatise on entrepreneurial activity. We do not claim to be the originators of the concepts herein. Based on our experience, this book covers the issues most likely to be faced by new business owners and non-profit organizations.

<table>
<thead>
<tr>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHAPTER 1</strong> BEFORE YOU START - ASSESS YOUR READINESS</td>
</tr>
<tr>
<td>Ask Yourself If Entrepreneurship Is For You</td>
</tr>
<tr>
<td>An Entrepreneurial Self-Test</td>
</tr>
<tr>
<td>Major Mistakes To Avoid</td>
</tr>
<tr>
<td>Organize Your Information Research</td>
</tr>
<tr>
<td>50 Steps to Doubling Your Start Up Chances</td>
</tr>
<tr>
<td><strong>CHAPTER 2</strong> THE BUSINESS PLANNING PROCESS</td>
</tr>
<tr>
<td>A Simple Business Plan/Loan Request</td>
</tr>
<tr>
<td>Business Plan for a Start Up Business</td>
</tr>
<tr>
<td><strong>CHAPTER 3</strong> LEGAL ISSUES</td>
</tr>
<tr>
<td>The Importance of a Business Team</td>
</tr>
<tr>
<td>Business Organization Basics</td>
</tr>
<tr>
<td>Anatomy of a Partnership Agreement</td>
</tr>
<tr>
<td>Basic Business Licenses &amp; Registrations</td>
</tr>
<tr>
<td>Fictitious Names</td>
</tr>
<tr>
<td>Pennsylvania Rules: Do You Need a License?</td>
</tr>
<tr>
<td>Bankruptcy Basics</td>
</tr>
<tr>
<td>Intellectual Property</td>
</tr>
<tr>
<td><strong>CHAPTER 4</strong> NECESSARY BUSINESS CONSIDERATIONS</td>
</tr>
<tr>
<td>All About Business Insurance</td>
</tr>
<tr>
<td>Real Estate Priorities</td>
</tr>
<tr>
<td>Home Based Business</td>
</tr>
<tr>
<td>Health Insurance</td>
</tr>
<tr>
<td>Chart of Accounts</td>
</tr>
<tr>
<td><strong>CHAPTER 5</strong> FINANCING</td>
</tr>
<tr>
<td>Your Personal Financial Statement</td>
</tr>
<tr>
<td>Finding the Money to Start</td>
</tr>
<tr>
<td>Basic Information Concerning Financing</td>
</tr>
<tr>
<td>How to Access 401ks &amp; IRAs For Start Up Capital</td>
</tr>
<tr>
<td>The Basics about Obtaining A Grant</td>
</tr>
<tr>
<td>Your Credit Score and Why It’s Important</td>
</tr>
<tr>
<td>Questions Your Banker May Ask</td>
</tr>
<tr>
<td>CHAPTER 6</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Checklist To Evaluate A Franchise</td>
</tr>
<tr>
<td>Preparing Yourself To Buy Or Sell A Business</td>
</tr>
<tr>
<td>Negotiating The Deal</td>
</tr>
<tr>
<td>The Written Details Of A Business Sale</td>
</tr>
<tr>
<td>Non-Disclosure or Confidentiality Statement</td>
</tr>
<tr>
<td>Questions To Ask When Buying A Business</td>
</tr>
<tr>
<td>Some Important Closing Tasks</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER 7</th>
<th>MARKETING</th>
<th>104</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four Classic Components of Marketing</td>
<td>106</td>
<td></td>
</tr>
<tr>
<td>Concept Development</td>
<td>109</td>
<td></td>
</tr>
<tr>
<td>Marketing 4 P’s</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>Retail Cost And Pricing</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Promotion</td>
<td>126</td>
<td></td>
</tr>
<tr>
<td>Taking Your Business Online</td>
<td>139</td>
<td></td>
</tr>
<tr>
<td>Your Social Media Plan</td>
<td>143</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER 8</th>
<th>EMPLOYEES</th>
<th>154</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questioning A Job Applicant</td>
<td>155</td>
<td></td>
</tr>
<tr>
<td>Employee Policies</td>
<td>156</td>
<td></td>
</tr>
<tr>
<td>Pennsylvania Employee Protection Laws</td>
<td>163</td>
<td></td>
</tr>
</tbody>
</table>

| CHAPTER 9 | NON-PROFIT ORGANIZATION ISSUES | 164 |
| RESOURCES | 168 |
It may seem like an unnecessary or bothersome exercise, but any prospective entrepreneur should do some self-analysis to determine his/her mental readiness for this type of endeavor. Often business success is not a matter of intellect, or how much money you have, or how hard you work. Sometimes business success is not achieved because the would-be entrepreneur was not cut out for this type of work from the beginning.

It will benefit you to consider your attitudes, your likes and dislikes, your goals and your personality traits. Be as straightforward … and as honest with yourself … as you can be.

*Your business and financial future will depend on this very first step!*
ASK YOURSELF IF ENTREPRENEURSHIP IS FOR YOU

You probably already know that starting a small business requires extensive research and analysis of many factors. But the one requiring the most critical assessment is often overlooked by many entrepreneurs. And, it’s as close as the nearest mirror. That’s because wanting to be an entrepreneur is one thing; being one is quite another. You will take on responsibilities and commitments far different from those of an employee, even if you have management experience. It’s a challenge that can be exhilarating and rewarding. Unless you’re prepared mentally and emotionally, however, it can also be overwhelming. Before you study financing options and plan store layouts, sit down and conduct a probing interview with yourself to see if you’re the right person for the all-important job of entrepreneur-owner-boss.

ARE YOU A SELF STARTER? Nothing in business happens by itself. As the owner, you’re responsible for everything from establishing your firm’s vision to setting the daily work schedule. The fact that you’re exploring small business ownership and asking questions is a good sign.

ARE YOU A POSITIVE THINKER? The moment you become a business owner, you represent yourself, your business and your expectations for success. What you say and do must convey confidence and commitment to moving forward. Employees who sense these qualities will share that determination to succeed, even under difficult circumstances. If you work alone, there will be days when you have to be your own cheerleader.

ARE YOU DISCIPLINED? Your days of the “9-to-5 routine” are over. Running a small business requires a continuous commitment and attention to quality and detail. You cannot afford to cut corners, miss deadlines or make promises beyond your capabilities. If you plan to run the business from home, you must be able to resist temptations and distractions in order to get your work done.

ARE YOU A LIFELONG LEARNER? Entrepreneurs who continually seek information, new ideas and sound advice have the best chance for success. Being attuned to market trends and issues makes it easier to adjust products and services to customers’ needs and preferences. You’re also in a better position to enhance your competitive advantage and efficiency, and address potential problems before they harm your business.

CAN YOU MARKET YOURSELF AND YOUR BUSINESS? Some people have trouble with this one because of the negative (and often unfair) connotations associated with being a “salesperson.” No business, no matter how good, will succeed without some kind of marketing. The good news is that promoting your business is easier than you may think as long as you know what to do and how to do it. After all, we all enjoy saying good things about ourselves. When you craft and tell your story in the right way, more people will be willing and eager to hear it.
CAn you be objective? your ideas and practices may seem “bulletproof,” but reality may be far different. is the product or service you want to offer really needed in your area? Are the hours of operation fair to your employees? Is renting equipment better than owning it? A good business owner knows how to examine an issue from many perspectives and understand the strengths and limitations of each.

Is your spouse and family in agreement? Owning and running a business is certainly not a “9 to 5” job and will require high levels of commitment from you, your spouse and your family. It is absolutely essential that there is agreement among all of you before you start the business. There will be joint financial commitments as well as an understanding that if the business is open 6 or 7 days a week, there may be difficult time constraints on all of you. When you get to the financing aspects of the business, banks may insist that you and your spouse co-sign a loan and place your assets as back-up to the venture (perhaps including your home).

On the next page is a simple process for you to evaluate yourself on how you stack up as an entrepreneur.
AN ENTREPRENEURIAL SELF-TEST

Answer the questions below by circling the statement that fits you best. Be honest with yourself.

Am I a self-starter?
1. I do things on my own. Nobody has to tell me to get going.
2. If someone gets me going, I usually can keep going.
3. I try to be relaxed and don’t put myself out unless I have to.

How do I feel about other people?
1. I like people and can get along with just about anybody if I have to.
2. I have plenty of friends and don’t need any more.
3. Most people irritate me in one way or another.

Can I lead others?
1. I usually decide what needs to be done and can get others to do it.
2. I can give orders if someone else tells me what should be done.
3. I usually let someone else get things going; then I usually join in.

Can I take responsibility?
1. I like taking charge and seeing things through to the end.
2. I’ll take over if necessary, but I usually like someone else to do it.
3. If others want to “play the boss” I say let them do it.

How good am I at organizing?
1. I like to have a plan; I’m usually the one to get things lined up.
2. I do okay until things get confused; then I bug out.
3. I just go along from day to day because things always seem to change.

How determined am I?
1. I don’t mind working long and hard for something I really want.
2. When I’ve had enough, there’s no point in pushing it.
3. Hard work usually doesn’t get you anywhere anyway.

Can I make decisions?
1. I make up my mind quickly; it usually works out okay.
2. I need time to decide because I might change my mind later on.
3. I don’t like to be the one who decides things.

Can people trust what I say?
1. Absolutely. I don’t say things I don’t mean.
2. Mostly I’m on the level, but sometimes I just say what’s easiest.
3. If the other person doesn’t know the difference, who cares?

If most of your circles are “1” you probably have what it takes to be a business owner. If most of your circles are “2” or “3” you’re likely to have some difficulty. And if you have consistently answered with a “3”, entrepreneurship may not be for you.
MAJOR MISTAKES TO AVOID

Partners/Associates with no written business agreement. It doesn’t take long for disagreements to develop and the fighting to begin. Why? There are no stated limits of authority, and each person acts for him or herself and not for the benefit of the business.

Failure to have a formal business plan. Too many people are in a hurry to get started and see things such as planning, research and marketing as an unnecessary waste of time...Success is in the details.

Insufficient financial support. Many lenders won’t loan money if the prospective borrower has a poor credit history. You will need to have enough money to keep your business and your personal financial life running for at least the first 6 months.

No experience. In every profession, there is an internship that must be served to succeed. Getting the experience is easy. All you have to do is work for someone who has a similar business. While you are working and learning, keep a journal of everything you experience each day and begin building your business plan as a result.

Hire the wrong people. Some entrepreneurs will gamble the firm on a business idea and give no thought to the type of employees to hire. And worse, often the employees who are hired are not supervised or trained properly. Remember: customers judge a business by the employees.

Wrong location. Everything from visibility to traffic problems must be studied. If phone and the Internet are used to secure sales, the buyers must be able to locate the business number and address. People won’t spend much time looking.

Start a business where there is little demand. Just because an entrepreneur wants to have a business doesn’t mean people want to support it. You like to invent gadgets? That doesn’t translate into sales. People have to want the product or service that you make or offer.

A dislike of sales. If you are in business, you are selling something. A person opening a shop and simply sitting at the cash register waiting to ring up the purchases won’t work. Customer interaction, service and assistance are all needed.
You are going to research information from many sources about your proposed business. The amount of data that you will gather will overwhelm you unless you adopt a sensible method of organizing this information and turn it into a MASTER OPERATING MANUAL (MOM).

One of the first actions that you should do is go to an office supply store and buy the biggest 3 ring binder you can find and about 40 numbered tabs. Make each minor topic about your business as a tab. This is certainly not a complete listing but make tabs on items such as:

E.I.N. number; Sales Tax # & Payment Info; your Website; Suppliers; Equipment; Marketing Plans; How you will operate the business?; How many employees will you need?; What will be the job descriptions and responsibilities of each employee?; How will you market and advertise the business?; Who are your competitors?; What are their strengths and weaknesses?; Where will the business be located?; What legal format will you adopt?; What will be the layout of your business space? etc.

You will research many things and by organizing the materials this way, you will not have to redo items days or weeks later. The Internet is great for doing this type of research. Visit websites of many other companies who are in your type of business and also who you can learn from. Research others & copy the best. Dream big and write things down. It is easy to create things on paper but later when you are limited by the size of your location, it may be too late to do this type of dreaming.

There are two major uses of your Master Operating Manual (MOM). When you create a business plan, the MOM is invaluable because many of the needed topics in your business plan are those that you have already gathered. The second major use of the MOM is that as you refine your business model, you will also be defining exactly how different elements of your business and employees will operate. Interestingly if you decide to purchase a franchise business, the most valuable item that you are purchasing is the “Operating Manual” that will describe exactly how every element of your business will operate.

50 STEPS TO DOUBLING YOUR STARTUP CHANCES

Starting a business correctly is not easy and most wannabe entrepreneurs shortcut the process by overlooking some of the important steps. If, however, you cover all the points in this outline, you will greatly enhance your chances for a successful startup. Your SCORE counselor can help you with these items.

SOME BASIC CONSIDERATIONS:
1. Take a “self-test” to see if entrepreneurship is for you
2. Be sure your family will encourage and not discourage you
3. Research entrepreneurship in books, on the Internet, etc.
4. Weigh the effect of entrepreneurship on yourself and your family
5. Try to identify businesses that interest you and that will fit your interests, finances, family, etc.
6. Talk to people in the business areas in which you are interested
7. Research the industries which interest you
8. Take a course or two in entrepreneurship

REFINING THE BASICS:
9. Define your business, e.g. products, services, location, customers, etc.
10. Identify your competitors
11. Recognize the importance of a Business Plan
12. Describe your target marketplace (demographics, geography) and how to reach it
13. Meet with potential suppliers and other trade sources
14. Contact the relevant trade associations

GETTING STARTED ON THE DETAILS:
15. Determine the funds you’ll need and their availability
16. With your accountant, understand your tax and reporting obligations
17. Select and interview your “business team” (attorney, accountant, banker, insurance broker)
18. Estimate cash flow, break even, capital needs
19. Decide on the best location for your business (lease, zoning, costs, etc.)
20. Choose your form of business organization
21. Select and register your business name
22. Join your trade association, local Chamber of Commerce, etc.
23. Obtain necessary state and local licenses
24. Prepare your Business Plan
25. Continue to take as many business skills courses as you can
26. Begin your Marketing Plan (forecasts, pricing, advertising, etc.)
27. Prepare a specific checklist of the tasks you must complete before opening
28. Complete a personal financial statement and get your credit report
THE LAST ROUND:
29 Complete a Business Plan and have it reviewed
30 Present your Plan to a financing source to obtain funds
31 Open business bank accounts
32 Print business papers (forms, cards, letterhead, etc.)
33 Select and obtain a credit card supplier
34 Obtain insurance coverage
35 Sign a lease
36 Get tax ID numbers (EIN, sales tax, etc.)
37 Purchase the equipment necessary to conduct business
38 Get set up with all tax authorities
39 Set up your website, if appropriate
40 Complete leasehold improvements, if necessary (including signage)

GETTING READY TO OPEN:
41 Install telephones, alarm systems, computers
42 Arrange for all utility services (heat, AC, light, trash, sewer, water, etc.)
43 With your accountant, set up your bookkeeping system
44 Order your opening inventory and be sure it is priced
45 Hire and train employees if required
46 Plan and implement an opening advertising blitz
47 Bring all your bookkeeping records up to date
48 Practice basic operating procedures (perhaps in another similar business)
49 If at all possible, write down procedures, policies, prices, etc. so that both you and your employees will have an available reference.

OPENING DAY:
50 You and employees should be at the site early and ready to go. It may be appropriate to have vendors or other business associates present as well. Don’t try to fake it – if you are confronted with a customer situation that is new to you, admit that you will have to find out the answer. Business may be slow – or non-existent – but don’t despair because this is not at all unusual.
CHAPTER 2

THE BUSINESS PLANNING PROCESS

Almost every book on entrepreneurship touts the importance of a Business Plan, and yet many operators fail to take this key step. The reasons given for this omission include that “it’s way too difficult”; “I’m not a writer”; etc. The articles which follow will try to cut through the fog and deal with the essentials. In short – you MUST have a plan of some kind, and it’s easier to construct than you might think.

Your objective is to give something to the lender/investor that could be quietly read in 30-45 minutes so that he or she would know exactly what you need and why!
A SIMPLE BUSINESS PLAN/LOAN REQUEST

The lender who receives your loan request is probably a busy person and someone who has read many Business Plans filled with garbage. Further, most people are not skilled writers so the Plan is often difficult to read and not very well organized. Add to this the fact that the lender may not fully understand your intended business, and you have a recipe for Disaster (call it Rejection)! Therefore, it behooves you to try to keep the writing simple and to the point. Scrap the baloney and unnecessary flourishes and make the thing EASY to read. Pictures are helpful as are exhibits, samples and other visuals. You should be able to have a very credible Plan in less than 25 pages.

Here is a concise list of the basic requirements for a Business Plan, as recommended by the MIT Enterprise Forum:

- **Appropriate Arrangement** - prepare an executive summary, a table of contents and chapters in the right order.
- **Right Length** - make it not too long and not too short, not too fancy and not too plain.
- **Expectations** - give a sense of what the founder(s) and the company expect to accomplish in the future.
- **Benefits** - explain in quantitative and qualitative terms the benefit to the consumer of the products and services.
- **Marketability** - present hard evidence of the marketability of products and services.
- **Revenue Basis** - justify the means chosen to sell the products and services.
- **Development Status** - provide level of product development that has been achieved and describe process and associated costs.
- **Management Team** - Portray founder/partners as a team of experienced managers with complementary skills.
- **Rating** - suggest an overall rating of product development and team sophistication.
- **Financial Projections** - provide believable financial projections with key data explained and documented.
- **Investment Return** - show how investors can cash out in three to seven years with appropriate capital appreciation.
- **Financier Interviews** - present to the most potentially receptive financiers to avoid wasting time as resources dwindle.
- **Oral Presentation** - create an easy and concise well-orchestrated oral presentation.
Business Plan for a Startup Business

The business plan consists of a narrative and several financial worksheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order that you like, except for the Executive Summary, which should be done last. Skip any questions that do not apply to your type of business. When you are finished writing your first draft, you'll have a collection of small essays on the various topics of the business plan. Then you'll want to edit them into a smooth-flowing narrative.

The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research if you are not sure of the facts and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

This business plan is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled Refining the Plan, found at the end. It suggests emphasizing certain areas depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine-tuning your plan to make an effective presentation to investors or lenders. If this is why you’re creating your plan, pay particular attention to your writing style. You will be judged by the quality and appearance of your work as well as by your ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions. But then that’s the value of the process. So make time to do the job properly. Those who do so never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data. If you need assistance with your business plan, contact the Lehigh Valley SCORE office via www.lehighvalley.score.org to set up a business counseling appointment with a SCORE volunteer.

Note: You will need several financial planning worksheets as you create this business plan. For your convenience, go to the Lehigh Valley SCORE website at http://lehighvalley.score.org and click on Business Plans and Financial Templates.
You can download the following templates for free at www.score.org:

- Balance Sheet (Projected)
- Bank Loan Request for Small Business
- Breakeven Analysis
- Cash Flow Statement (12 Months)
- Cash Flow Statement (4 Years)
- Competitive Analysis
- Financial Forecast Financial
- History & Ratios Loan
- Amortization Schedule
- Opening Day Balance Sheet
- Personal Financial Statement
- Profit and Loss Projection (12 Months)
- Profit and Loss Projection (3 Years)
- Sales Forecast (12 Months)
- Start-Up Expenses

Business Plan

OWNERS

Your Business Name
Address Line 1
Address Line 2
City, ST ZIP Code
Telephone
Fax
E-Mail
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Executive Summary</td>
<td>17</td>
</tr>
<tr>
<td>II. General Company Description</td>
<td>18</td>
</tr>
<tr>
<td>III. Products and Services</td>
<td>19</td>
</tr>
<tr>
<td>IV. Marketing Plan</td>
<td>20</td>
</tr>
<tr>
<td>V. Operational Plan</td>
<td>28</td>
</tr>
<tr>
<td>VI. Management and Organization</td>
<td>32</td>
</tr>
<tr>
<td>VII. Personal Financial Statement</td>
<td>32</td>
</tr>
<tr>
<td>VIII. Startup Expenses and Capitalization</td>
<td>33</td>
</tr>
<tr>
<td>IX. Financial Plan</td>
<td>34</td>
</tr>
<tr>
<td>X. Appendices</td>
<td>37</td>
</tr>
<tr>
<td>XI. Refining the Plan</td>
<td>38</td>
</tr>
</tbody>
</table>
Executive Summary

Write this section last.

We suggest that you make it two pages or fewer.

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the proposed business: 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?

Make it enthusiastic, professional, complete, and concise.

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.
General Company Description

What business will you be in? What will you do?

Mission Statement: Many companies have a brief mission statement, usually in 30 words or less, explaining their reason for being and their guiding principles. Examples of Mission Statements include:

Wal-Mart: We save people money so they can live better.
Nike Inc.: To bring inspiration and innovation to every athlete in the world. Google: Google’s mission is to organize the world’s information and make it universally accessible and useful.

Company Goals and Objectives: Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

Business Philosophy: What is important to you in business?
To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the Marketing Plan section.)

Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?
Products and Services

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
Marketing Plan

*Market research - Why?*

No matter how good your product and your service, the venture cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you’re on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well spent.

*Market research - How?*

There are two kinds of market research: primary and secondary. Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research themselves.

In your marketing plan, be as specific as possible: give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

*Economics*

Facts about your industry:
- What is the total size of your market?

- What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)
• Current demand in target market.

• Trends in target market—growth trends, trends in consumer preferences, and trends in product development.

• 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? Some typical barriers are:
  o High capital costs
  o High production costs
  o High marketing costs
  o Consumer acceptance and brand recognition
  o Training and skills
  o Unique technology and patents
  o Unions
  o Shipping costs
  o Tariff barriers and quotas

• And of course, how will you overcome the barriers?

• How could the following affect your company?
  o Change in technology
  o Change in government regulations
  o Change in the economy
  o Change in your industry
**Product**

In the Products and Services section, you described your products and services as you see them. Now describe them from your customers’ point of view.

**Features and Benefits**

List all of your major products or services.

For each product or service:
- Describe the most important features. What is special about it?
- Describe the benefits. That is, what will the product do for the customer?

Note the difference between features and benefits and think about them. For example, a house that gives shelter and lasts a long time is made with certain materials and to a certain design; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighborhood. You build features into your product so that you can sell the benefits.

What after-sale services will you give? Some examples are delivery, warranty, service contracts, support, follow-up, and refund policy.

**Customers**

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through the government (federal, state, local) or a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class and occupation
• Education
• Other (specific to your industry)
• Other (specific to your industry)

For business customers, the demographic factors might be:
• Industry (or portion of an industry)
• Location
• Size of firm
• Quality, technology, and price preferences
• Other (specific to your industry)
• Other (specific to your industry)

**Competition**

What products and companies will compete with you? List your major competitors: (Names and addresses)

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors?

How will your products or services compare with the competition?

Use the Competitive Analysis table below to compare your company with your two most important competitors. In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.

In the column labeled Me, state how you honestly think you will stack up in customers’ minds. Then check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses.

Try to be very honest here. This can be a real eye-opener. And remember that you cannot be all things to all people. In fact, trying to be causes many business failures because efforts become scattered and diluted. You want an honest assessment of your firm’s strong and weak points.
Now analyze each major competitor. In a few words, state how you think they compare.

In the final column, estimate the importance of each competitive factor to the customer. $1 =$ critical; $5 =$ not very important.

Table 1: Competitive Analysis

<table>
<thead>
<tr>
<th>Factor</th>
<th>Me</th>
<th>Strength</th>
<th>Weakness</th>
<th>Competitor A</th>
<th>Competitor B</th>
<th>Importance to Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expertise</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company Reputation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appearance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Method</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Image</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Niche**

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

**Strategy**

Now outline a marketing strategy that is consistent with your niche.

**Promotion**

How will you get the word out to customers?

Advertising: What media, why, and how often? Why this mix and not some other?

Have you identified low-cost methods to get the most out of your promotional budget?

Will you use methods other than paid advertising, such as trade shows, catalogs, dealer incentives, word of mouth (how will you stimulate it?), and network of friends or professionals?

What image do you want to project? How do you want customers to see you? In addition to advertising, what plans do you have for graphic image support? This includes things like logo design, cards and letterhead, brochures, signage, and interior design (if customers come to your place of business).

Should you have a system to identify repeat customers and then systematically contact them?

**Promotional Budget**

How much will you spend on the items listed above?

Before startup? (These numbers will go into your startup budget.) Ongoing? (These numbers will go into your operating plan budget.)
**Pricing**

Explain your method or methods of setting prices. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can underprice you anyway. Usually you will do better to have average prices and compete on quality and service. Now your total cost.

Does your pricing strategy fit with what was revealed in your competitive analysis?

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?

What will be your customer service and credit policies?

**Proposed Location**

Probably you do not have a precise location picked out yet. This is the time to think about what you want and need in a location. Many startups run successfully from home for a while.

You will describe your physical needs later, in the Operational Plan section. Here, analyze your location criteria as they will affect your customers.

Is your location important to your customers? If yes, how? If customers come to your place of business:


Is it what customers want and expect?

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 sell your products or services?

Retail

Direct (mail order, Web, catalog)
Wholesale

Your own sales force

Agents

Independent representatives

Bid on contracts

Sales Forecast

Now that you have described your products, services, customers, markets, and marketing plans in detail, it’s time to attach some numbers to your plan. Use a sales forecast spreadsheet 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. You may want to 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. Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. This is critical if you are going to present it to funding sources.
Operational Plan

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

*Production*

How and where are your products or services produced?
Explain your methods of:
- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

*Location*

What qualities do you need in a location? Describe the type of location you’ll have.

Physical requirements:
- Amount of space
- Type of building
- Zoning
- Power and other utilities

Access:
Is it important that your location be convenient to transportation or to suppliers?

Do you need easy walk-in access?

What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centers?

Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.

Construction? Most new companies should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.

Cost: Estimate your occupation expenses, including rent, but also including maintenance, utilities,
insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your financial plan.

What will be your business hours?

**Legal Environment**

Describe the following:
- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

**Personnel**
- Number of employees
- Type of labor (skilled, unskilled, and professional)
- Where and how will you find the right employees?
- Quality of existing staff
- Pay structure
- Training methods and requirements
- Who does which tasks?
- Do you have schedules and written procedures prepared?
- Have you drafted job descriptions for employees? If not, take time to write some. They really help internal communications with employees.
- For certain functions, will you use contract workers in addition to employees?
Inventory

• What kind of inventory will you keep: raw materials, supplies, finished goods?

• Average value in stock (i.e., what is your inventory investment)?

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

• Seasonal buildups?

• Lead-time for ordering?

Suppliers

Identify key suppliers:

• Names and addresses

• Type and amount of inventory furnished

• Credit and delivery policies

• History and reliability

Should you have more than one supplier for critical items (as a backup)?

Do you expect shortages or short-term delivery problems?

Are supply costs steady or fluctuating? If fluctuating, how would you deal with changing costs?

Credit Policies

• Do you plan to sell on credit?

• Do you really need to sell on credit? Is it customary in your industry and expected by your clientele?

• If yes, what policies will you have about who gets credit and how much?

• How will you check the creditworthiness of new applicants?

• What terms will you offer your customers; that is, how much credit and when is payment due?

• Will you offer prompt payment discounts? (Hint: Do this only if it is usual and customary in your industry.)
• Do you know what it will cost you to extend credit? Have you built the costs into your prices?

**Managing Your Accounts Receivable**

If you do extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Current</th>
<th>30 Days</th>
<th>60 Days</th>
<th>90 Days</th>
<th>Over 90 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable Aging</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

You will need a policy for dealing with slow-paying customers:

• When do you make a phone call?

• When do you send a letter?

• When do you get your attorney to threaten?

**Managing Your Accounts Payable**

You should also age your accounts payable, what you owe to your suppliers. This helps you plan whom to pay and when. Paying too early depletes your cash but paying late can cost you valuable discounts or penalties and can damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date.)

Do your proposed vendors offer prompt payment discounts?

An accounts payables aging looks like the following table.

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Current</th>
<th>30 Days</th>
<th>60 Days</th>
<th>90 Days</th>
<th>Over 90 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable Aging</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Management and Organization

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

If you'll have more than 10 employees, create an organizational chart showing the management hierarchy and who is responsible for key functions. Include position descriptions for key employees. If you are seeking loans or investors, include resumes of owners and key employees.

Professional and Advisory Support

List the following:
- Board of directors
- Management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultant or consultants
- Mentors and key advisors

Personal Financial Statement

Include personal financial statements for each owner and major stockholder, showing assets and liabilities held outside the business and personal net worth. Owners will often have to draw on personal assets to finance the business, and these statements will show what is available. Bankers and investors usually want this information as well.
Startup Expenses and Capitalization

You will have many startup expenses before you even begin operating your business. It’s important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.

Even with the best of research, however, opening a new business has a way of costing more than you anticipate. There are two ways to make allowances for surprise expenses. The first is to add a little “padding” to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the approach we recommend.

Talk to others who have started similar businesses to get a good idea of how much to allow for contingencies. If you cannot get good information, we recommend a rule of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.
Financial Plan

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even calculation. Together they constitute a reasonable estimate of your company’s financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

12-Month Profit and Loss Projection

Many business owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year. Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it’s time to revise your plan.

Four-Year Profit Projection (Optional)

The 12-month projection is the heart of your financial plan. The Four-Year Profit projection is for those who want to carry their forecasts beyond the first year. Of course, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

Projected Cash Flow

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn’t be taken by surprise.
There is no great trick to preparing it: The cash-flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases. You should also track cash outlays prior to opening in a pre-startup column. You should have already researched those for your startup expenses plan.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the Profit and Loss Projection. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

Are there irregular expenses, such as quarterly tax payments, insurance, maintenance and repairs, or seasonal inventory buildup, that should be budgeted?

Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them. Depreciation does not appear in the cash flow at all because you never write a check for it.

Opening Day Balance Sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners’ equity.

Use a startup expenses and capitalization spreadsheet as a guide to preparing a balance sheet as of opening day. Then detail how you calculated the account balances on your opening day balance sheet. (You may want to add a projected balance sheet showing the estimated financial position of the company at the end of the first year. This is especially useful when selling your proposal to investors.)
Break-Even Analysis

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it’s the sales level that is the dividing line between operating at a loss and operating at a profit.

Another way to look at it: Break-even is the minimum number of units you need to sell in order to cover your costs (both fixed and variable). If you raise your price on each unit and still sell the same number of units, you can sell fewer units in order to achieve break-even. If you lower your costs and retain your price per unit, the fewer units you will need to sell in order to reach break-even.

A Finance Template that will help you calculate Break-Even is available at: www.score.org/resources/business-plans-financial-statements-template-gallery.
Appendices

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies
- List of assets available as collateral for a loan
Refining the Plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

For Raising Capital

For Bankers

- Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:
  - Amount of loan
  - How the funds will be used
  - What this will accomplish—how will it make the business stronger?
  - Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
  - Collateral offered, and a list of all existing liens against collateral

For Investors

- Investors have a different perspective. They are looking for dramatic growth, and they expect to share in the rewards:
  - Funds needed short-term
  - Funds needed in two to five years
  - How the company will use the funds, and what this will accomplish for growth.
  - Estimated return on investment
  - Exit strategy for investors (buyback, sale, or IPO)
  - Percent of ownership that you will give up to investors
  - Milestones or conditions that you will accept
  - Financial reporting to be provided
Involvement of investors on the board or in management

For Type of Manufacturing Business

- Planned production levels
- Anticipated levels of direct production costs and indirect (overhead) costs—how do these compare to industry averages (if available)?
- Prices per product line
- Gross profit margin, overall and for each product line
- Production/capacity limits of planned physical plant
- Production/capacity limits of equipment
- Purchasing and inventory management procedures
- New products under development or anticipated to come online after startup

Service Businesses

- Service businesses sell intangible products. They are usually more flexible than other types of businesses, but they also have higher labor costs and generally very little in fixed assets.
- What are the key competitive factors in this industry?
- Your prices
- Methods used to set prices
- System of production management
- Quality control procedures. Standard or accepted industry quality standards.
- How will you measure labor productivity?
- Percent of work subcontracted to other firms. Will you make a profit on subcontracting?
- Credit, payment, and collections policies and procedures
• Strategy for keeping client base

High Technology Companies
• Economic outlook for the industry
  • Will the company have information systems in place to manage rapidly changing prices, costs, and markets?
  • Will you be on the cutting edge with your products and services?
  • What is the status of research and development? And what is required to:
    o Bring product/service to market?
    o Keep the company competitive?
• How does the company:
  o Protect intellectual property?
  o Avoid technological obsolescence?
  o Supply necessary capital?
  o Retain key personnel?

High-tech companies sometimes have to operate for a long time without profits and sometimes even without sales. If this fits your situation, a banker probably will not want to lend to you. Venture capitalists may invest, but your story must be very good. You must do longer-term financial forecasts to show when profit take-off is expected to occur. And your assumptions must be well documented and well argued.

Retail Business
• Company image
• Pricing:
  o Explain markup policies.
  o Prices should be profitable, competitive, and in accordance with company image.
• Inventory:
  o Selection and price should be consistent with company image.
  o Inventory level: Find industry average numbers for annual inventory turnover rate (available in RMA book). Multiply your initial inventory investment by the average turnover rate. The result should be at least equal to your projected first year's cost of goods sold. If it is not, you may not have enough budgeted for startup inventory.

• Customer service policies: These should be competitive and in accord with company image.

• Location: Does it give the exposure that you need? Is it convenient for customers? Is it consistent with company image?

• Promotion: Methods used, cost. Does it project a consistent company image?

• Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?
An important step in setting up your business is selecting the way you will be organized – proprietor, partnership, corporation. All of this then leads to a myriad of rules and regulations that apply to every business, and a number of specialized regulations that apply to particular businesses. As a business person you are required to conform – these are not optional!
THE IMPORTANCE OF A BUSINESS TEAM

Most entrepreneurs try to tackle the business of start-up by themselves, because it appears to save money … and it does, at least in the short term. A better choice would be to enlist a “team” to assist in getting it right the first time … and perhaps saving money in the long run. You most certainly will need these services in your business, and it will be advantageous to have these experts help in its organization.

BANKER This person can be the one who lends you money, but it doesn’t have to be. What kind of loan should you get – term, line of credit or letter of credit? What about credit cards? Deposit routines? Choose a bank that can give you personal service when you need it. Ask about its interest in lending money. Its size may not matter.

INSURANCE BROKER. Should you have a BOP? What about product liability? Do you need health & life? Professional liability? If home-based, can you add to your present policy? What amount of coverage is considered minimum? Use a broker, not an agent, since the former represents YOU, not the company. Broad-based firms with small business clients might be best.

ATTORNEY What form of organization will you use? Who files for the necessary licenses and permits? Do you have a partner? Are there specific laws pertaining to your type of business? You must have someone who specializes in small business. Choose someone who seems genuinely interested in you, and will be available to you. If necessary, call the bar association for a referral.

ACCOUNTANT What accounting system will you use (hopefully the same as your accountant)? Who will do daily bookkeeping? Setting up the appropriate ledger accounts. Getting monthly reports and analyses. Filing taxes. A CPA is not required, but the individual must be a small business specialist. If necessary, call the society of accountants for a referral.

MARKETING SPECIALIST This person may be the most difficult to find but could be the most important in respect to attracting business. Decide on your “style”, understand your market, and use the most effective media. for your type of business.

In some of the specialties listed above, the individual you choose may want to charge you a consulting fee and you will have to determine the value you receive. In other instances, you might use the individual simply as a “sounding board” for trying out new ideas. However, you use your advisors, one thing stands out: you cannot – and should not – do it all alone. The most successful people in the world usually rely heavily on expert advice; and so should you!
BUSINESS ORGANIZATION BASICS

How you form your business must be one of your first considerations and it will have a direct bearing on many of the things you will have to do as you proceed. There are now 4 basic forms of business available in Pennsylvania and most states, each with several variations. It is best to consult a Lawyer and Accountant before you make a final decision as to which best fits your objectives. Below are some brief descriptions of these business forms.

SOLE PROPRIETOR  The simplest and most common form of business used by most small, independent businesses is referred to as a “Sole Proprietorship.” This is one where there is only one owner and no other structure has been designated. You are fully responsible for all bills or liabilities that the business incurs. Insurances, to protect your personal property, should be carefully selected in this form of business. As a sole proprietor, your income (or loss) from the business will be reported on Schedule C of your tax return and any profit or loss will then be included on your 1040 form along with any other regular income. NOTE: you will also be required to report this income on a “Self - Employment” form and pay an additional 15.2% Self Employment Tax. If you operate your business under a fictitious name (any name other than your own last name) you must file a “Fictitious Name Registration” with the state. You may not need a separate EIN number with IRS.

PARTNERSHIP When more than one person is involved in a business it becomes a partnership. NOTE: In a partnership each partner is responsible for the total debts of the partnership and any partner can incur expenses or make agreements that bind the other partners. It is extremely important that a proper partnership agreement is drawn up to avoid problems down the line. In general, all partnerships require a “Fictitious Name Registration” unless each partner’s name appears in the company name. An EIN Number is required by IRS. Partnerships require a separate tax return, though profits do flow through to your regular tax form, according to the amounts agreed to in your agreement. Most partnerships are General Partnerships; a Limited Partnership is that in which certain partners have limited liability exposure and do not participate in management, Partnerships automatically cease to exist upon the death of any partner and paying the deceased partner’s heirs the money due them could be a problem unless steps are taken to provide for this occurrence.

CORPORATION A Corporation can best be described as an artificial being. Corporations are formed by each state and they all have slightly different features. When you form a corporation in Pennsylvania you are governed by state corporate laws and taxation. You can form a corporation by filing your own papers with the Department of State, by having it done by a company that specializes in doing so, or by an attorney. You have to be aware, however, that a simple mistake on your initial registration could be extremely costly in years to come. Corporations must file separate tax returns with IRS and the State and corporate profits are taxed at a higher rate than normal. Separate Corporate tax forms must be filed. If you do not employ a competent accountant you may face double taxation on corporate dividends. You will become an employee of the corporation and as such must pay all required withholding taxes and carry workers compensation insurance on yourself. A major advantage of a corporation is that your personal assets are shielded and the corporation is responsible only up to the capitalization of the corporation.
**NOTE:** When borrowing funds most institutions will require your personal guarantee on the loan which will hold you personally responsible in the event of corporate failure. An S-Corporation is a special type of corporation which you must elect at a given time. It provides special tax benefits to small businesses. Be sure to ask your accountant about this option.

**LIMITED LIABILITY COMPANY** Limited Liability Companies are by far now the most popular form of business organization because they can say whatever the entrepreneur wishes them to say. LLCs limit their owner’s liability for claims solely to the amount of capital contributed to the LLC. Unlike other forms of organization, LLC statutes require no meetings, verbiage, officers or reports, except for the annual franchise tax report required of all companies. The IRS taxes LLCs straight through to the owners as though they were partnerships but each December, the owners have the right to request the IRS to tax their LLC separately like a corporation. Tax treatment can be changed back and forth every December. It’s hard to see why any entrepreneur would select any other form of organization.

Here are some advantages and disadvantages of the various forms of organization.

<table>
<thead>
<tr>
<th>TYPE</th>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Proprietorship</td>
<td>Low startup &amp; organization cost</td>
<td>Limits on fringe benefits</td>
</tr>
<tr>
<td></td>
<td>Simple bookkeeping</td>
<td>Owner is personally liable</td>
</tr>
<tr>
<td></td>
<td>Direct tax reporting</td>
<td>No continuity in case of death</td>
</tr>
<tr>
<td></td>
<td>No owner unemployment tax cost</td>
<td>Possible lack of structure</td>
</tr>
<tr>
<td></td>
<td>No owner workman’s comp. cost</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Easy to take money out</td>
<td></td>
</tr>
<tr>
<td>General Partnership</td>
<td>Profits shared equally (usually)</td>
<td>Unlimited partner liability</td>
</tr>
<tr>
<td></td>
<td>Management shared</td>
<td>Auto dissolution on death</td>
</tr>
<tr>
<td></td>
<td>No formalities re record-keeping</td>
<td>Needs strong written agree.</td>
</tr>
<tr>
<td></td>
<td>No formal startup requirements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not a taxable entity for income tax</td>
<td></td>
</tr>
<tr>
<td>Limited Partnership</td>
<td>Same as a General Partnership except some partners have limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>their contribution and therefore are limited in their personal liability.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>They do not participate in management. The major advantage is that limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>partners are another source of capital.</td>
<td></td>
</tr>
<tr>
<td>C Corporation</td>
<td>A separate entity</td>
<td>Hardest, most expensive to form Directors</td>
</tr>
<tr>
<td></td>
<td>Shared management</td>
<td>Responsible to shareholders</td>
</tr>
<tr>
<td></td>
<td>Great continuity</td>
<td>Required meetings/minutes</td>
</tr>
<tr>
<td></td>
<td>Stock (ownership) can be sold</td>
<td>Must adhere to proce</td>
</tr>
<tr>
<td></td>
<td>No owner personal responsibility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Taxed at corporate level</td>
<td></td>
</tr>
<tr>
<td>S Corporation</td>
<td>Taxed like a partnership</td>
<td>Losses passed through to shareholders</td>
</tr>
<tr>
<td></td>
<td>Some liability protection</td>
<td>Max. of 75 shareholders</td>
</tr>
<tr>
<td></td>
<td>Avoids “unreasonable comp”</td>
<td>No preferred stock permitted</td>
</tr>
<tr>
<td>LLC</td>
<td>Separate legal entity</td>
<td>Can be taxed as partnership</td>
</tr>
<tr>
<td></td>
<td>Easier to set up than corporation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Needs Operating Agreement</td>
<td></td>
</tr>
</tbody>
</table>
ANATOMY OF A PARTNERSHIP AGREEMENT

One of the absolutely essential elements of a successful partnership, is a comprehensive written agreement. The following list, while not the only considerations that should be explored when forging an agreement, they are basic. Not every point may be required in your agreement. This is not a do-it-yourself project; be sure to consult an attorney.

1. Name of the Partnership
2. Duration of the Partnership - number of years or “Until Dissolved”
3. Location of the offices
4. Capital contribution of each Partner
5. Whether Partners may make additional contributions
6. The minimum amount in the Capital Account of the Partnership
7. Participation of each Partner in profits or losses
8. Salaries, if any, to be paid to Partners and whether or not these salaries are to be treated as Expenses before distributions
9. The amount of any regular drawings against profits
10. Duties, responsibilities, and sphere of activities of each Partner
11. The amount of time to be contributed by each Partner
12. Prohibition of outside competitive business activities by Partners
13. Who is to be the managing Partner and whose decision will prevail in case of a tie or a dispute?
14. Procedure for admitting new Partners, full, limited or junior
15. Methods of admitting Junior Partners, without capital, if such a procedure is considered desirable
16. Method of determining the value of goodwill in the business, in case of death, incompetence, withdrawal or dissolution
17. Methods of liquidating the interest of a deceased or retired Partner
18. Age at which a Partner must withdraw from active participation, and arrangements for adjusting salaries and equity
19. Whether or not the surviving Partners shall have the right to continue using the name of a deceased Partner in the Partnership name
20. Period of time in which retiring or withdrawing Partners may not engage in a competing business
21. Basis for expulsion, method of notification of expulsion, and disposition of any losses that arise from the delinquency of such a Partner
22. How will the event of protracted disability of a Partner be handled?
23. Whether Accounts are to be kept on a Cash or Accrual basis, and if on the Cash basis, how to compensate a withdrawing or retiring Partner for income earned but not yet invoiced
24. The Fiscal Year of the Partnership
25. Whether or not interest is to be paid on the debit and credit balances in the Partner’s accounts
26. Where the Partnership cash will be deposited and who may sign checks
27. Whether or not all Partners shall have access to the Book of Accounts
28 Prohibition against pledging, selling, hypothecating, or in any manner transferring interest in the Partnership except to other Partners.
29 Identification of material contracts or agreements affecting the liability or operation of the partnership.
BASIC BUSINESS LICENSES & REGISTRATIONS

SALES TAX ($0). In order to do business and pay your taxes in Pennsylvania, you must have an account number. The simplest way to do this is to use the State’s website – www.paopen4business.state.pa.us. You can also do so at www.pa100.state.pa.us. If you wish to do this off-line you can call 1-888-PATAXES or 1-800-362-2050 and ask for Form PA-100. This one form allows you to:
   a. Apply for a Sales Tax Number
   b. Register to withhold employee wages
   c. Open an Unemployment Compensation account
   d. Certify Workman’s Compensation insurance

EMPLOYER IDENTIFICATION NUMBER (EIN) ($0) In order for the IRS to process your tax return, you must have an ID number. If you are a Proprietorship, that number is your Social Security Number. If you are a corporation or partnership, or have other employees in your business you need an EIN or Employer Identification Number. To do so, you complete a FORM SS-4 which can be obtained at any IRS office, or online at www.irs.gov. You may also call the IRS at 800-TAX-1040 or 800-TAX-FORM.

STATE UNEMPLOYMENT TAX I.D. NUMBER ($0). If you do not use the FORM PA-100 as described above, you can register online at www.paopen4business.state.pa.us or call 866-403-6163.

REGISTRATION OF FICTITIOUS NAME ($70). If your business is called anything other than your own name, you must file a Fictitious Name registration at www.paopen4business.state.pa.us. For assistance call the Corporation Bureau at 717-787-1057.

WORKER’S COMPENSATION INSURANCE. If you have employees you must carry this coverage. You may contact a private insurer, insure by using the State’s fund (570-963-4635) or participate in a self-insurance group approved by the PA Dept. of Labor and Industry (717-783-4476).

LOCAL REQUIREMENTS. It is highly likely that you will be required to adhere to a variety of local regulations which could include zoning, noise and lighting, parking, traffic, etc. In addition you probably will need a Business License as well as Sign Permit, etc. Contact your City or County Clerk’s Office to be directed to the appropriate local department.
FICTITIOUS NAMES

In Pennsylvania, The Fictitious Name Act protects those (the public) who deal with persons carrying on a business under an assumed name. It enables them to know with whom they are doing business. You may use your surname as your business name followed by the designation of the type of business in which you engage without registering under the act. For instance, if William Jones conducts his business under the name WILLIAM JONES’ Radio Repair, or JONES’ Radio Repair he is not required to comply with the act since the public knows with whom they are dealing. However, when one’s first name only is used in conjunction with the type of business the person must register under the act. So, if WILLIAM JONES does business as WILLIAM’S body shop, he must register pursuant to the Act.

General Partnerships must follow the fictitious name act unless the full name or the surname of ALL partners appear in the name. Limited Partnerships have different requirements and are subject to registration provisions of the Uniform Limited Partnership Act.

Furthermore, registration is required when a name contains words such as COMPANY or ASSOCIATES that indicate unidentified persons may be conducting the business. Therefore, JOHN DOE must register if he conducts business under any of the following names: JOHN DOE BAKING CO., DOE BAKING CO., JOHN DOE AND CO., DOE AND ASSOCIATES. Etc

All of the regulations and an application for filing can be obtained by visiting www.pa100.state.pa.us

When registering a Fictitious Name, you must advertise in two newspapers - one of general circulation in the county in which your business will locate and one the “legal" paper in the same county. Here is a sample of wording:

FICTITIOUS NAME
NOTICE IS HEREBY GIVEN, pursuant to the provisions of Act 295 of 1982 of the filing in the office of the Secretary of the Commonwealth of Pennsylvania, of a certificate for the conduct of a business in xxxxxxx County, Pennsylvania, under the fictitious name, style or designation of “xxxxxxxxxxxxxxxx” with its principal place of business at xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx. The name and address of all persons interested in said business is: xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx. The certificate was filed on xxxxxxxxxx.
PENNSYLVANIA RULES: DO YOU NEED A LICENSE?

For many businesses, it will be sufficient to obtain a local business license in order to comply with the law. For others it will be necessary to obtain a Pennsylvania state license or certification in order to be in compliance. And further, in some instances, these licenses will be available only if you can pass a certain test. The best course is to make every reasonable effort to insure that you do NOT need a specific license. If you do, commencing business without it may be a very large mistake. Here is a list of the most common state licensing organizations and the businesses they cover.

DEPARTMENT OF AGRICULTURE 717-787-4737 www.agriculture.state.pa.us
Bureau of Animal Health and Diagnostic Services: animal health, cattle, fish, poultry.
Bureau of Food Safety and Laboratory Services: restaurant, tavern, egg inspection, frozen dessert, maple products, dairy products, seasonal labor camp, shellfish.
Bureau of Plant Industry: beekeeping, feed, fertilizer, nursery, greenhouse, pesticides, soil conditioners.
Bureau of Ride and Measurement Standards: amusement rides, weigh stations, on-farm ethyl alcohol.
Pennsylvania Racing Commission: off-track betting, owners, trainers, drivers, jockeys.

DEPARTMENT OF BANKING AND SECURITIES www.banking.state.pa.us
Banking and Securities Commission: check cashing, credit services loan brokers, investment advisers, pawnbrokers 1-800-600-0007 (investors); 1-800-722-2657 (consumers)

DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES www.dcnr.state.pa.us 1-800-326-7734
Recreation License: ATVs, boat launching, boat mooring, snowmobiles, camping, picnicking.
Rights of Way Licenses: use of state parks and forests.
State Forest License: firewood, ground pine removal, hard minerals, prospecting, road use, seismic survey,
Water Well Drilling: water wells.
Wild Plants Licenses: ginseng, vulnerable plants, wild plants.

DEPARTMENT OF EDUCATION www.education.state.pa.us
Driver training schools, private schools, teacher certification.
Air Emissions Licenses. asbestos removal, air quality.
Blasting Licenses. explosives storage, sales or purchase.
Hazardous Waste Licenses. chemical, physical, biological treatment, disposal, waste piles, incinerators, landfills, storage facilities, thermal treatment, transportation.
Industrial Wastewater Permits. pollutant discharge, water quality mgmt.
Infectious and Chemotherapeutic Waste. transporting.
Laboratory Accreditation Licenses. municipal waste, oil and gas, drinking Water
Mining Licenses. coal, industrial minerals, miners and mine officials.
Municipal/Residual Waste Permits. farm use of sludge, composting, construction waste, disposal of sludge or waste, transfer facility.
Oil and Gas Licenses. oil/gas wells, clean streams law, underground injection.
Public Water Supply Licenses. non-community and public water systems.
Radiation Permits. production of radiation, radioactive materials, radon testing, nuclear energy.
Sewage Licenses. sewage discharge, new land development, water quality.
Waterway Activities Licenses. dams, water quality, waterway activity, water obstructions.

FISH AND BOAT COMMISSION  www.fish.state.pa.us

Boat agency, commercial fishing, fishing agency, passenger boats, regulated fishing lakes.

GAME COMMISSION  www.pgc.state.pa.us

Exotic wildlife dealers, fur dealers, hunting grounds, taxidermy, zoos, wildlife pest control.

DEPARTMENT OF HEALTH  www.health.state.pa.us

Alcohol testing devices, birth centers, drug and alcohol facilities, drugs, devices and cosmetics, EMS, health care facilities, hospitals, laboratory testing, managed care facilities, medical care, nursing homes, camps, portable X-rays, public bathing.

INSURANCE DEPARTMENT  www.ins.state.pa.us

Auto appraisal, bail bonds, insurance, public adjusters.
DEPARTMENT OF LABOR AND INDUSTRY  www.dli.state.pa.us

Agents and entertainers, asbestos, bedding and upholstery, boilers, elevators, job centers, motion picture projectionist, occupancy permits, occupational safety, new hire reporting, vocational rehabilitation, private employment agency, labor law compliance, stuffed toys, unemployment comp, worker’s comp.

LIQUOR CONTROL BOARD   www.lcb.state.pa.us

Brand registration, liquor licenses, wholesale licenses.

PUBLIC UTILITY COMMISSION  717-787-3834  www.puc.state.pa.us

Passenger services, charters, limousines, taxis, moving vans, telecommunications.

DEPARTMENT OF PUBLIC WELFARE   www.dpw.state.pa.us

Adoption, foster care, day care, day training, family living, personal care.

DEPARTMENT OF STATE   www.dos.state.pa.us

Registration of corporations, fictitious names, notaries, charitable organizations, accountants, architects, auctioneers, barbers, chiropractors, cosmetologists, dentists, engineers, funeral directors, geologists, land surveyors, landscape architects, doctors, nurses, pilots, nursing home administrators, occupational therapists, optometrists, osteopaths, pharmacists, physical therapists, podiatrists, psychologists, real estate appraisers, real estate agents, social workers, speech and hearing practitioners, vehicle salespersons, veterinarians.

DEPARTMENT OF TRANSPORTATION   www.dot.state.pa.us

Airports, auto inspection, commercial drivers, contractors, drivers, outdoor advertising, junkyards, highway occupancy, motor carriers.

WHEN IN DOUBT - FIND OUT!

*If you cannot get the information you think you need by contacting the above departments, contact your state senator’s or representative’s office for assistance.*
BANKRUPTCY BASICS

This article was contributed by attorneys at Lesavoy Butz & Seitz LLC. (www.LesavoyButz.com)

Bankruptcy is a creature of federal law. The system is designed to benefit both creditors and debtors by seeing that debtors get relief from debts they can’t pay while creditors get paid from whatever assets the debtor has. The idea is to give a debtor a “fresh start”. The debtor gets to protect certain assets, but for the most part the debtor’s assets are used to pay debt the debtor created before the debtor filed the bankruptcy case.

Although you may never have to contemplate filing bankruptcy yourself, as a business person (creditor) owed money by someone who has filed for bankruptcy (a “creditor”), you should definitely consult with competent counsel in order to understand your rights, if any, to recover payment due you, in whole or in part.

As a business owner you also need to know that when you are owed money by someone who files bankruptcy, you must immediately stop all efforts to collect from that person. A bankruptcy filing automatically “stays” action against the debtor or items that belong to the debtor. For example, if you are in the middle of a lawsuit against the debtor, you must stop the litigation. There are a few exceptions to the “stay” but they are complicated. You can be sued for violating the automatic stay, so the best bet is to seek advice from a competent professional before taking any action against someone who has filed bankruptcy.

There are several kinds of bankruptcy proceedings:

Chapter 7: The most common form, it is a liquidation in which the debtor’s assets, if any, are sold and the proceeds distributed among the creditors. Individuals, partnerships and corporations can file. A large majority of these cases are “no asset” cases in which creditors get paid nothing.

Chapter 11: This is a reorganization proceeding, and not usually for individuals. In Chapter 11 cases, the debtor proposes a plan for repayment, using future revenues to pay pre-bankruptcy debt. These payments are often funded by a sale of assets, a merger or some other form of reorganization.

Chapter 12: Similar to Chapter 13, but for family farmers.

Chapter 13: This is a repayment plan for individuals with (i) regular income and unsecured debts of less than $360,475 and secured debts of less than $1,081,400 (adjusted for inflation every 3 years). The debtor uses his or her post-bankruptcy and makes regular payments to creditors over time (3-5 years).

There were significant changes to the law in 2005, designed primarily to curb abuses in the system. The 2005 changes introduced “means testing” to steer individuals...
to Chapter 13 (in which debtors get paid something) rather than Chapter 7, where creditors often receive nothing. Prior to the overhaul in 2005, debtors were able to file Chapter 7 even though they had substantial assets which could have been used to pay creditors at least a portion of the amount owed.

Now, if a debtor’s average monthly household income is greater than the state average monthly median income, he or she must use Chapter 13, wherein creditors would get at least some repayment. There is a complex formula for calculating these amounts and one should seek counsel before assuming anything. The debtor is also required to obtain credit counseling and complete a course in financial management.

Some of the other changes from the 2005 overhaul:

a. Consumers must go through “credit counseling” as a condition to filing.

b. In Chapter 7, bankruptcy can be discharged every 8 years (instead of the previous 6).

c. In Chapter 13, no discharge if a prior Chapter 13 discharge was granted within 2 years, or a discharge under Chapter 7,11 or 12 was granted within 4 years. Previously, there were no such limitations.

d. All “qualified retirement funds” were declared exempt at the federal level (as opposed to leaving it up to the individual states).

e. The changes provided some protection for funds an individual saved for a child’s education.

f. The new law included provisions specifically designed to stop abusive “serial filing”, where a debtor files a case to halt collection, fails to complete the case, and then files another case again to stop collection, repeating the process over and over.

g. The new law makes it somewhat easier for creditors to avoid or defend having to pay back amounts collected from a customer within the 90 days prior to the customer’s bankruptcy filing (called “preferences”).

It should go without saying that filing bankruptcy is a serious matter with serious consequences and should be well thought out before proceeding. A skilled attorney will be most valuable to assist in wading through these complex issues.
INTELLECTUAL PROPERTY

This paper was contributed by Charles A. Wilkinson, Esq.

It is important for all businesses to protect their intellectual property rights.

Patents

Often, a small business may be built around a new product, machine, composition of matter, process, system, or other invention, which can, if sufficiently innovative, be protected through patenting. This is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office which confers upon the inventor, by statute, the exclusive right to prevent others from making, using, and selling the invention throughout the United States during the term of the patent. Similar rights can be obtained in other countries and can sometimes bring money into a business through licensing if the invention proves to be commercially viable.

In the U.S., there are three different types of patents: utility patents, design patents, and plant patents. Utility patents, having a lifetime of 20 years from the filing date, are granted for any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof. Design patents, having a lifetime of 14 years from the issue date, are granted for any new, original, and ornamental design for an article of manufacture. All of these start out as a detailed application for patent filed in the U.S. Patent and Trademark Office. There is also an abbreviated application for patent, known as a provisional application, which can be filed in the Patent Office for one year as a temporary substitute for a full utility application. While a provisional application is referred to as “abbreviated” it does require a complete description and explanation of the invention “sufficient to enable one skilled in the art to make and use the invention” the same requirement as in a regular application so such description can be abbreviated only in the quantity of descriptive material and not the effectiveness of the information in explaining how to make and use the invention.

A patent application is prepared, typically by a registered patent attorney or agent, and filed in the name of all of the inventors in the U.S. Patent and Trademark Office (USPTO), accompanied by the proper statutory filing fee. To be valid, the application must contain a complete and “enabling description” of the invention, meaning that there is sufficient description to enable one skilled in the art to make and use the invention. Once filed, the product should be marked with the words "PATENT PENDING" or "PAT. PENDING" or "PATENT APPLIED FOR" to indicate publicly that a patent has been applied for (although no legal protection is conferred by this). Once a patent issues, a notice such as “U.S. Patent No. 5,567,567” should be placed on the product to enable the patentee to collect damages from an infringer prior to giving actual notice of infringement to such infringer. Maintenance fees must be paid in the third, seventh, and eleventh years of existence of a patent to maintain it in force. The rules for patenting an invention are quite complicated and it is also best to have a search of the prior art customarily conducted in the most pertinent appearing files of the U.S. Patent Office conducted by a knowledgeable patent searcher before committing to preparation of a full patent.
Trademarks.

A “trademark” is a designation used to identify the source of the goods of a person or company, i.e. those derived from that person or company, and to distinguish such goods from those of others. Similarly, a “service mark” is a word or symbol used to identify and distinguish one’s services from other suppliers of such services. Marks also signify a certain level of quality of the goods or services and serve as an important advertising tool. In selecting a mark, it is important that it be sufficiently distinctive to be capable of identifying and distinguishing one’s goods or services. It is also important to make sure that a mark is available for use and is not already in use by others. This is usually accomplished through a trademark investigation of existing marks.

The basic inquiry regarding the availability of a mark for use is whether the mark is so similar to another mark as to be "likely to cause confusion, mistake or likely to deceive" with respect to the source of the goods or services identified by the marks. In making this determination, a two-step test is commonly used. First, the similarities or closeness of the marks themselves must be examined, including factors such as their appearance, sound, connotation, and commercial impression. Second, other factors such as similarities between the goods or services involved, or their surrounding marketing activities are compared to determine if confusion as to source is likely.

Obtaining federal registration of a mark is usually desirable if goods or services are to be provided in more than two states, as federal registration confers certain procedural and substantive advantages over common law rights. Federal registration is obtained by filing an application for registration with the United States Patent and Trademark Office (USPTO). Rights can also be obtained in a single state or states by registering the mark in such state or states and the same is true with respect to foreign nations.

Copyrights.

Copyright is a form of protection provided by the laws of the United States (and other countries) to the authors of "original works of authorship" that are fixed in a tangible form of expression. This protection is available to both published and unpublished works. Categories of copyrightable works include literary works, musical works, including any accompanying words, dramatic works, including any accompanying music, pantomimes and choreographic works, pictorial, graphic, and sculptural works, motion pictures and other audiovisual works, sound recordings, and architectural works.

The Copyright Act of 1976 generally gives the owner of copyright the exclusive right to do and to authorize others to (1) reproduce the work in copies or phono-records; prepare derivative works based upon the work; (3) distribute copies or phono- records of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending; (4) perform the work publicly; (5) display the work publicly; and (6) in the case of sound recordings, to perform the work publicly by means of a digital audio transmission. In some cases, the rights provided by copyright partially overlap with those provided by design patents and trademarks providing additional protection for the same goods. Since,
as indicated by the name, copyright provides a right against copying, if one can prove they did not copy, they will not be liable for infringement. This results in copyright being particularly useful where it would cost more to hire an artist in the broad sense to create something “from scratch” so to speak than to pay royalty for openly copying.

Copyright is secured automatically when the work is created, and a work is “created” when it is fixed in a copy or phono-record for the first time. Registration of a copyright is not mandatory, nor is the use of the copyright symbol “©”. However, registration is encouraged as it establishes a public record of the copyright claim, is a prerequisite to initiating an infringement suit, and if made within 3 months after publication or prior to an infringement of the work, statutory damages and attorney's fees will be potentially available to the copyright owner in federal court actions. Otherwise, only an award of actual damages and profits is available to the copyright owner. Since statutory damages and attorney fees can be considerable in a proper case a viable copyright infringement action can have significant advantages over other intellectual property charges in the proper case.
CHAPTER 4

Key Business Considerations

The success rate for first time entrepreneurs in most business categories is less than 50% after the first five years. In addition to the usual factors such as market changes, competition, pricing, and cash flow, there are a few issues that everyone needs to be aware of to lower the overall risk factor of entering into a new business. The following articles touch on

- Insurance
- Importance of location and real estate costs
- Home based business vs traditional brick and mortar
- Health Insurance
- Accounting to track your business
ALL ABOUT BUSINESS INSURANCE

To get good coverage at the lowest possible cost, you will need a definite plan that underscores the objectives of your business. Here are some suggestions for good risk and insurance management:

1. Write down a clear statement of what you expect insurance to do for your firm.
2. Select only one agent to handle your insurance. Having more than one may spread and weaken responsibility.
3. If an employee or partner is going to be responsible for your insurance program, be sure he/she understands the responsibility.
4. Do everything possible to prevent losses and to keep those that do occur as low as possible.
5. Don't withhold from your insurance agent important information about your business and its exposure to loss. Treat your agent as a professional helper.
6. Don't try to save money by under-insuring or by not covering some perils that could cause loss, even though you think the probability of their occurring is very small. If the probability of loss is really small, the premium will also be small.
7. Keep complete records of your policies, premiums paid, losses, and loss recoveries. This will help you get better coverage at lower costs in the future.
8. Have your property appraised periodically by independent appraisers. This will keep you informed of what your exposures are, and you will be better able to prove what your actual losses are if any occur.

Before you purchase insurance, investigate the methods by which you can reduce the costs of your coverage.

1. Decide what perils to insure against and how much loss you might suffer.
2. Cover your largest loss exposure first.
3. Use as high a deductible as you can afford.
4. Avoid duplication in insurance.
5. Buy in as large a unit as possible. Many of the "package policies" are very suitable for the types of small businesses they are designed to serve, and often they are the only way a small business can get really adequate protection.
6. Review your insurance program periodically to insure that coverage is adequate and premiums are as low as possible consistent with sound protection.

Four kinds of insurance are essential: fire insurance, liability insurance, automobile insurance, and workers' compensation insurance.

FIRE INSURANCE

1. You can add other perils—such as windstorm, hail, smoke, explosion, vandalism, and malicious mischief—to your basic fire insurance at a relatively small additional cost.
2. If you need comprehensive coverage, your best buy may be one of the all-risk contracts that offer the broadest available protection for the money.
3. The insurance company may indemnify you—that is, compensate you for your losses—in any one of several ways:
   a. Pay actual cash value of the property at the time of loss, or
   b. Repair or replace the property with material of like kind and quality.
   c. It may take all the property at the agreed or appraised value and reimburse you for your loss.

4. You can insure property you don’t own. You must have an insurable interest—a financial interest—in the property when a loss occurs but not necessarily at the time the insurance contract is made. For instance, a repair shop or dry-cleaning plant may carry insurance on customers’ property in the shop, or you may hold a mortgage on a building and insure the building although you don’t own it.

5. Even if you have several policies on your property, you can still collect only the amount of your actual cash loss. All the insurers share the payment proportionately.

6. Special protection other than the standard fire insurance policy is needed to cover the loss by fire of accounts, bills, currency, deeds, evidence of debt, and money and securities.

7. If an insured building is vacant or unoccupied for more than 60 consecutive days, coverage is suspended unless you have a special endorsement to your policy canceling this provision.

8. If, either before or after a loss, you conceal or misrepresent to the insurer any material fact or circumstance concerning your insurance or the interest of the insured, the policy may be voided.

9. If you increase the hazard of fire, the insurance company may suspend your coverage even for losses not originating from the increased hazard. (An example of such a hazard might be renting part of your building to a dry-cleaning plant.)

10. After a loss, you must use all reasonable means to protect the property from further loss or run the risk of having your coverage canceled.

11. To recover your loss, you must furnish within 60 days (unless an extension is granted by the insurance company) a complete inventory of the damaged, destroyed, and undamaged property showing in detail quantities, costs, actual cash value, and amount of loss claimed.

12. If you and the insurer disagree on the amount of loss, the question may be resolved through special appraisal procedures provided for in the fire-insurance policy.

13. You may cancel your policy without notice at any time and get part of the premium returned. The insurance company also may cancel at any time with a 5-day written notice to you.

14. By accepting a coinsurance clause in your policy, you get a substantial reduction in premiums. A coinsurance clause states that you must carry insurance equal to 80 or 90 percent of the value of the insured property. If you carry less than this, you cannot collect the full amount of your loss, even if the loss is small. What percent of your loss you can collect will depend on what percent of the full value of the property you have insured it for?

15. If your loss is caused by someone else’s negligence, the insurer has the right to sue this negligent third party for the amount it has paid you under the policy. This is
known as the insurer's right of subrogation. However, the insurer will usually waive this right upon request. For example, if you have leased your insured building to someone and have waived your right to recover from the tenant for any insured damages to your property, you should have your agent request the insurer to waive the subrogation clause in the fire policy on your leased building.

16. A building under construction can be insured for fire, lightning, extended coverage, vandalism, and malicious mischief.

LIABILITY INSURANCE

1. Legal liability limits of $1 million are no longer considered high or unreasonable even for a small business.
2. Most liability policies require you to notify the insurer immediately after an incident on your property that might cause a future claim. This holds true no matter how unimportant the incident may seem at the time it happens.
3. Most liability policies, in addition to bodily injuries, may now cover personal injuries (libel, slander, and so on) if these are specifically insured.
4. Even if the suit against you is false or fraudulent, the liability insurer pays court costs, legal fees, and interest on judgments in addition to the liability judgments themselves.
5. You can be liable for the acts of others under contracts you have signed with them. This liability is insurable.

AUTOMOBILE INSURANCE

1. When an employee or a subcontractor uses a car on your behalf, you can be legally liable even though you don’t own the car or truck.
2. You can often get deductibles of almost any amount—say $250 or $500—and thereby reduce your premiums.
3. Automobile medical-payments insurance pays for medical claims, including your own, arising from automobile accidents regardless of the question of negligence.
4. In most states, you must carry liability insurance or be prepared to provide other proof (surety bond) of financial responsibility when involved in an accident.
5. Personal property stored in an automobile and not attached to it (for example, merchandise being delivered) is not covered under an automobile policy.

WORKER’S COMPENSATION

1. Federal and common law requires that an employer: Provide employees a safe place to work; Hire competent fellow employees; Provide safe tools; and warn employees of an existing danger.
2. If an employer fails to provide the above, the employer is liable for damage suits brought by an employee and possible fines or prosecution.
3. State law determines the level or type of benefits payable under workers’ compensation policies.
4. Not all employees are covered by workers’ compensation laws. The exceptions are determined by state law and therefore vary from state to state.
5. In nearly all states, you are now legally required to cover your workers under workers’ compensation. You can save money on workers’ compensation insurance by seeing that your employees are properly classified.

6. Rates for workers’ compensation insurance vary from 0.1 percent of the payroll for “safe” occupations to about 25 percent or more of the payroll for very hazardous occupations.

7. Most employers in most states can reduce their workers’ compensation premium cost by reducing their accident rates below the average. They do this by using safety and loss-prevention measures.

Some types of insurance coverage, while not absolutely essential, will add greatly to the security of your business. These coverages include business- interruption insurance, crime insurance, glass insurance, and rent insurance.

BUSINESS INTERRUPTION

1. You can purchase insurance to cover fixed expenses that would continue if a fire shut down your business—such as salaries to key employees, taxes, interest, depreciation, and utilities—as well as the profits you would lose.

2. Under properly written contingent business-interruption insurance, you can also collect if fire or other peril closes down the business of a supplier or customer and this interrupts your business.

3. The business-interruption policy provides payments for amounts you spend to hasten the reopening of your business after a fire or other insured peril.

4. You can get coverage for the extra expenses you suffer if an insured peril, while not actually closing your business down, seriously disrupts it.

5. When the policy is properly endorsed, you can get business-interruption insurance to indemnify you if your operations are suspended because of failure or interruption of the supply of power, light, heat, gas, or water furnished by a public utility.

CRIME

1. Burglary insurance excludes such property as accounts, fur articles in a showcase window, and manuscripts.

2. Coverage is granted under burglary insurance only if there are visible marks of the burglar’s forced entry.

3. Burglary insurance can be written to cover, in addition to money in a safe, inventoried merchandise and damage incurred in the course of a burglary.

4. Robbery insurance protects you from loss of property, money, and securities by force, trickery, or threat of violence on or off your premises.

5. A comprehensive crime policy written just for small business owners is available. In addition to burglary and robbery, it covers other types of loss by theft, destruction, and disappearance of money and securities. It also covers thefts by your employees.

6. If you are in a high-risk area and cannot get insurance through normal channels without paying excessive rates, you may be able to get help through the federal crime insurance plan. Your agent or State Insurance Commissioner can tell you
where to get information about these plans.

GLASS

1. You can purchase a special glass-insurance policy that covers all risk to plate-glass windows, glass signs, motion-picture screens, glass brick, glass doors, showcases, counter-tops, and insulated glass panels.
2. The glass-insurance policy covers not only the glass itself, but also its lettering and ornamentation, if these are specifically insured and the costs of temporary plates or boarding up when necessary.
3. After the glass has been replaced, full coverage is continued without any additional premium for the period covered.

RENT

1. You can buy rent insurance that will pay your rent if the property you lease becomes unusable because of fire or other insured perils and your lease calls for continued payments in such a situation.
2. If you own property and lease it to others, you can insure against loss if the lease is canceled because of fire and you have to re-rent at a reduced price.

EMPLOYEE BENEFITS

1. This is insurance coverage that can be used to provide employee benefits includes group life insurance, group health insurance, disability insurance, and retirement income.
2. If you pay group-insurance premiums and cover all employees up to $50,000, the cost to you is deductible for Federal income tax purposes, and yet the value of the benefit is not taxable income to your employees.
3. Most insurers will provide group coverage at low rates even if there are 10 or fewer employees in your group.
4. If the employees pay part of the cost of the group insurance, state laws require that 75 percent of them must elect coverage for the plan to qualify as group insurance.
5. Group plans permit an employee leaving the company to convert group-insurance coverage to a private plan, at the rate for his/her age, without a medical exam, within 30 days after leaving the job.

HEALTH

1. Group health insurance costs much less and provides more generous benefits for the worker than individual contracts would.
2. If you pay the entire cost, individual employees cannot be dropped from a group plan unless the entire group policy is canceled.
3. Generous programs of employee benefits, such as group health insurance, tend to reduce labor turnover. (see also Health Insurance, later in this Chapter)
DISABILITY

1. Workers’ compensation insurance pays an employee only for time lost because of work injuries and work-related sickness—not for time lost because of disabilities incurred off the job. But you can purchase, at a low premium, insurance to replace the lost income of workers who suffer short-term or long-term disability not related to work.

2. You can get coverage that provides employees with an income for life in case of permanent disability resulting from work-related sickness or accident.

RETIREMENT INCOME

1. If you are self-employed, you can get an income tax deduction for funds used for retirement for you and your employees through plans of insurance or annuities approved for use under the Employees Retirement Income Security Act of 1974 (ERISA).

2. Annuity contracts may provide for variable payments in the hope of giving the annuitants some protection against the effects of inflation. Whether fixed or variable, an annuity can provide retirement income that is guaranteed for life.

KEY PERSON

1. One of the most serious setbacks that can come to a small company is the loss of a key employee. But your key employee can be insured with life insurance and disability insurance owned by and payable to your company.

2. Proceeds of a key-person policy are not subject to income tax, but premiums are not a deductible business expense.

3. The cash value of key-person insurance which accumulates as an asset of the business can be borrowed against and the interest and dividends are not subject to income tax as long as the policy remains in force.
REAL ESTATE PRIORITIES
This paper was contributed by Dick Adams, Dick Adams Realtors, Inc.

When starting or expanding a business, one of the first things that must be dealt with is the location of the business. To be sure, this is not an easy decision and certainly not one which should be taken lightly. Every business has different needs from a real estate prospective … i.e., my business needs demand a totally different business location and infrastructure than any other business. With that in mind let’s take a look at some of the decisions you will need to make to insure a satisfactory start-up or relocation.

**First**…I recommend a quality real estate broker assist in your search. A long time practitioner will know a whole lot more about the mechanics of purchasing or leasing appropriate real estate than those who are not in the business. Be certain that your chosen professional has vast experience in the area in which you choose to do business and is willing to meet all of your needs on a continuing basis. Be sure to interview several potential candidates before choosing one to represent you. Also keep in mind a simple, but vastly unknown fact, and that is … if you are leasing or purchasing real estate from another entity your broker is not paid by you but is, instead, paid by the owner of the property you are intending to purchase or lease. So, you get great advice and assistance for no out of pocket expense.

**Second**…Pay extra close attention to the TOTAL cost of your purchase or lease. There are often a multitude of “extras” that drive costs higher than expected. For example, in a lease situation --- are there added charges for common area maintenance (CAM), is the lease a Triple Net Lease (where you pay a pro-rated charge for everything), or are you entering into a Gross Lease where all items are covered by a single monthly rental payment. On the purchase side, it is necessary to understand all financing fees, legal costs and any other expenses related to the purchase.

**Third**…Once you select a location for your business the plot thickens. Is your business consistent with zoning regulations, do you need a certified plan, are your contractors registered with the municipality, what fees are required to be paid to the municipality for plan review, site inspections, etc. Always investigate whether or not there is a tax abatement program in effect in the municipality and closely check whether low cost loans or grants are available for business start-ups. Be sure you look into all your special needs, i.e., handicap access, highway system, rail needs, parking, internet wiring, electrical needs, etc., etc., etc. Green buildings and Green business sites are the newest buzzwords in our profession and, to be sure, there may be some additional incentives if you investigate facilities in this category.

**Fourth**…be sure you have a plan! Rest assured that most people do not enter the business world or expand their business planning to fail…but because many fail to plan --- they fail! Next to employee costs your real estate needs represent one of your largest start-up or relocation costs. So, be prepared and be well represented.
**Fifth**…Involve your attorney. Do not ever sign a purchase agreement or lease without an attorney review. Although an attorney is not required in the consummation of a real estate transaction in the Commonwealth of Pennsylvania it must be understood that the seller or lessor is certainly not going to present a purchase contract or proposed lease that is not in his favor. And, if such a document is in someone else’s favor it certainly is not in your favor. Heed the warning!!

**Finally**, I need to reemphasize this single point…DO NOT try to select your business location without adequate representation from a professional commercial/industrial real estate broker. You end costs will be less, your business location will probably be better than your original thought and you will save money in the long run. Always keep in the back of your mind that, regardless of the size of the transaction you are contemplating, YOU are the little guy and competent advisors will protect you in the complicated world of site selection and acquisition.

Best wishes as you embark upon a new direction with unlimited potential in the greatest country for individual excellence.
HOME BASED BUSINESS

The Internet has provided many entrepreneurs with the opportunity to establish their business at home. As a home-based business there are elements of your business plan that differ from a traditional “brick & mortar” or commercial location-based business.

These are some of the considerations:

- **Location**
  - Will your clients/customers need to find/visit you?
  - Do the local zoning regulations effect the operation of your business in the home?
  - Will you be using any part of your property for inventory, equipment, supplies?
  - Will this create a conflict with neighbors, your home insurance coverage and state or local government authorities?
  - Will you be advertising this location?

- **Telephone, Internet Access, Utilities**
  - Do you have ample service, and the right program to handle the volume that your business demands?

- **Do you have a real WORK SPACE?**
  - No interruptions or diversions that take away from the operation of the business!
  - Will customers/clients feel that they are in a business space/environment?
  - Plenty of room for your office equipment supplies!
  - Do you need to invest in improvements/modifications to make it work?

- **Expandability**
  - Can you grow at this location?
  - If you have to move into a different location will that effect the business and your customers/clients?

- **Effect on normal home activities/environment**
  - Will the operation of the business at home negatively affect the normal operation of the home for the family?

- **Image!**
  - Will the customer/client see this as a viable, growing professional business?
  - Will you conduct yourself as a professional at home?
  - Will your suppliers/vendors view this as a growing business, or another “mom and pop” venture?
  - Will your lenders view this as a growing business, or another “mom and pop” venture?
• Have you considered the short and long-term cost of a home office versus a small office, or commercial location?
  o Including tax considerations
  o Growth potential
  o The previously mentioned considerations

In Pennsylvania, local regulations vary with regard to home-based businesses. One example: Lower Nazareth Township allows the establishment of home offices but requires that a one-time zoning permit ($50) be obtained. This Township prohibits home offices which use more than 25% of the floor area of the home or which employ more than one person who is not a resident of the home. Check with your local government regarding regulations and permit applications.

Home based business can be a great way to start, and grow, the new business. If the business model allows for this, it’s a great choice.

On the other hand, consider carefully all the elements that make a business model a success and develop the right business plan that plans for success. The model needs to work from “day 1!”
HEALTH INSURANCE

This article was contributed by Highmark Blue Shield
www.highmarkblueshield.com

As more provisions of the Patient Protection and Affordable Care Act (PPACA), also known as “health care reform,” go into effect, there are new requirements for individuals and businesses coming in 2016. Consider the top 10 things you should know about health insurance, the coming changes in health care reform and how they may affect you and/or your business.

Why do you need health care insurance?
1. Even if you are healthy, one of the smartest things you can do is to protect yourself and your family with the right health care coverage. The cost of medical care is increasing every day—and getting treatment for an illness or injury could mean thousands of dollars of debt, even bankruptcy, if you don’t have health care coverage.
2. From selecting the right health insurance plan for you to maintaining a healthy lifestyle with the help of preventive care and wellness programs available through some insurance companies, there are many ways to manage health care costs.
3. Do not make the mistake of saying “I’m self-insured,” intending to pay medical claims as they arise. There are several risks to this plan, particularly the large liability to which you open yourself and your family’s financial well-being. In addition, this decision may affect your status as health care reform requirements begin.

What do you need to know about health care reform?
4. For an individual or family: U.S. citizens and legal residents are required to maintain minimum health care coverage for themselves and their dependents by 2014 or pay a penalty. That insurance will be available through insurance agents, directly through health insurance companies' websites or through retail stores, or via public health insurance exchanges.
5. For businesses with up to 50 employees: You are not legally required to provide health insurance to employees under health care reform, but those businesses that elect to offer coverage will have multiple options, including access to a small business health care tax credit if you have 25 or fewer employees.
6. As your business grows beyond 50 employees: Some employers may be penalized if they do not offer health care coverage or do not offer affordable coverage.

What are some of the top misconceptions about health insurance – and what’s the truth?
7. Joining an association or business group always gives you access to a health insurance plan. False—but it may help you to get a discount.
8. All health insurance plans are alike. False—and don’t make the decision on price alone. Consider other factors, too, such as quality of coverage, flexibility to meet your needs and what the plan does to help you stay healthy.
How should you select a plan?

9. Balance what benefits are most important to you and within your budget. You can help control your costs by looking at network options, being willing to pay a bit more out-of-pocket when you visit the doctor or choosing a health plan with a higher deductible. (That’s the amount you pay out of your own pocket for expenses before your insurance company starts to cover your medical costs).

How can you get more information?

10. Several websites contain useful information. At www.Healthcare.gov, look under the Health Insurance Basics section to find a link labeled Employers & Self-Employed. Clicking on this link will lead you to a discussion of small business and health insurance. Also, visit www.business.usa.gov to find a section on health care changes. You may wish to contact an insurance agent to learn more (e.g., www.highmarkblueshield.com).
Part of any basic organizational effort will be a consideration of how you will track the results of your business. Together with your accountant, you will select a bookkeeping system (either manual or computerized). Once you have done that you must set up a Chart of Accounts which will reflect your business income and expenses, and show you, on a periodic basis, just what Profits or Losses you are producing.

Traditionally, operational income and expenses are divided into Sales, Cost of Sales and Expenses. In each of these three categories, you should break down your business into as many individual groupings as will be necessary to fully understand your performance. For example, if you sell six different products or services, you may wish to have six different Sales categories. You may also then have six different Cost of Sales categories to reflect those expenditures that are variable or directly related to each Sale. As for Expenses, these are the fixed costs associated with your business and usually include things like rent, labor, insurance, etc.

While each business will be different, listed below is a sample Chart of Accounts. Customize this for your business to reflect actual income and expense. Your Accountant can help you customize this to ensure you are reporting as effectively as possible.

**BALANCE SHEET**

The Balance Sheet is the backbone of your business. It includes the Assets, Liabilities, and Equity of the business. Knowing where the business stands at a glance is important to keep the business moving in a direction that is desirable for the owners.

1000 Checking Account
1005 Savings Account
1010 Investment Account
1100 Accounts Receivable
1105
1110
2000 Accounts Payable
2005 Sales Tax Payable
2010 Credit Card Payable
2015 Loan payable
2020
2025
3000 Owner’s Equity
3005 Owner’s Contribution
3010 Owner’s Draw
3015
3020
SALES, INCOME, REVENUE

4000
4005
4010
4015
4020
4025 Interest Income
4030 Returns/Allowances
4035 Discounts
4040 Other Income

COST OF GOODS SOLD, COST OF SALES, VARIABLE EXPENSE

5000
5005
5010
5015
5020
5025 Materials Purchases
5030 Other COGS 5035 Sales Tax Paid

EXPENSES, GENERAL & ADMINISTRATIVE, FIXED EXPENSE

6000 Advertising 6090 Licenses
6005 Amortization * 6095 Maintenance/Repair
6010 Automobile 6100 Meals/Entertainment
6015 Bad Debts 6105 Office Miscellaneous
6020 Bank Fees 6110 Payroll (Officers)
6025 Cash Over/Short 6115 Payroll (Wages)
6030 Contributions/Gifts 6120 Payroll (Salaries)
6035 Depreciation * 6125 Payroll Taxes
6040 Dues/Subscriptions 6130 Payroll Other
6045 Freight In 6135 Postage
6050 Interest Expense 6140 Rent/Lease – Space
6055 Insurance – Business 6145 Rent/Lease – Equipment
6060 Insurance – Health 6150 Supplies - Office
6065 Insurance – Life 6155 Telephone
6070 Insurance – Other 6160 Travel
6075 Insurance – Vehicles 6165 Utilities
6080 Laundry/Dry Cleaning 6170 Misc. Expense
6085 Legal & Professional

**“Accounting” expenses to be calculated by your Accountant in order to help reduce your income taxes**
CHAPTER 5
FINANCING

There probably are very few entrepreneurs who have never had to worry about money – to start, to expand, to conduct operations. This one subject can be the most difficult for many … and there is no easy answer. But if one understands the basics it makes it easier to contend with this issue.

YOUR PERSONAL FINANCIAL STATEMENT

Most people do not have a very good idea of exactly what assets and liabilities they have. In many cases, you may very well be better off financially than you think you are. The first thing that you should do is go to the Small Business Administration website at www.sba.gov and download SBA Form 413. It is a two-page form and is titled PERSONAL FINANCIAL STATEMENT.

On this form you will list all of your assets and liabilities in detail and end up with your Net Worth. Either this form or a similar variation will be required by every bank when they evaluate you (and your spouses’) ability to take on more debt.
FINDING THE MONEY TO START

Many would-be entrepreneurs find themselves stumped in respect to the funds needed to get the business up and running. The usual source of funds is expected to be a bank, but very often banks are reluctant to lend money to new entrepreneurs. The reasons are many and often frustrating. It therefore behooves the business person to consider all the possible sources of funds that might be available to him/her. Here is a list of many of these; for any given individual, of course, some may not apply, and others may be available.

- Cash Value Life Insurance
- Home Equity Loan, through a bank
- Consumer Loan, through a bank
- Loans/Gifts From Family or Friends (see www.virginmoney.com)
- Credit Unions
- Finance Companies, e.g. The Money Store
- Credit Cards
- Your 401k or IRA
- Customer Prepayments
- Credit From Suppliers
- Equipment Leases
- GI Loans, through VA
- Dept. of Commerce – Export
- Dept. of Energy
- Federal Housing Administration
- Personal Savings, Bonds, Stocks
- Family/Friends Ownership Participation
- Small Business Investment Co.
- Risk/Venture Capital
- Limited Partnerships
- Bank Loans, either Direct or SBA guaranteed

The Internet is a powerful tool for entrepreneurs and there are many opportunities to obtain money but … and it’s a huge BUT … one must be VERY cautious because there are thousands of scams being perpetrated every day. There are some sites, however, which have been well-researched and appear to be worth looking at.
In the Lehigh Valley, one might also contact one of these organizations for advice or for assistance in obtaining funds. It should be noted that while these contacts may not make loans themselves, they could be of assistance in locating appropriate lenders.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allentown Economic Development Corp.</td>
<td>610-435-8890</td>
</tr>
<tr>
<td>Angel Network</td>
<td>610-758-5030</td>
</tr>
<tr>
<td>Ben Franklin Business Incubator</td>
<td>610-758-5421</td>
</tr>
<tr>
<td>Bethlehem Dept. of Comm. and Economic Development</td>
<td>610-865-7056</td>
</tr>
<tr>
<td>Bridgeworks Enterprise Center</td>
<td>610-770-1015</td>
</tr>
<tr>
<td>Private Industry Council</td>
<td>610-437-5627</td>
</tr>
<tr>
<td>Community Action Development Corp. of Bethlehem</td>
<td>610-807-9337</td>
</tr>
<tr>
<td>Community Action Development Corp. of Allentown</td>
<td>610-433-5703</td>
</tr>
<tr>
<td>Lehigh County Dept. of Economic Development</td>
<td>610-782-3000</td>
</tr>
<tr>
<td>Easton Area Industrial Land Development Corp.</td>
<td>610-250-6781</td>
</tr>
<tr>
<td>American Advertising Federation- Greater Lehigh Valley</td>
<td>610-289-2070</td>
</tr>
<tr>
<td>Greater Lehigh Valley Chamber of Commerce</td>
<td>610-841-5800</td>
</tr>
<tr>
<td>Hamilton Business Center</td>
<td>610-871-5050</td>
</tr>
<tr>
<td>Center for Leadership &amp; Workforce Training (at LCCC)</td>
<td>610-799-1961</td>
</tr>
<tr>
<td>Lehigh Valley Builders Assn.</td>
<td>610-432-4101</td>
</tr>
<tr>
<td>Lehigh Valley Economic Development Corp.</td>
<td>610-266-0887</td>
</tr>
<tr>
<td>Lehigh Valley Industrial Park</td>
<td>610-866-4600</td>
</tr>
<tr>
<td>Pennsylvania Career Link-Lehigh Valley</td>
<td>610-437-5627</td>
</tr>
<tr>
<td>Manufacturers Resource Center</td>
<td>610-758-5599</td>
</tr>
<tr>
<td>Nazareth Area Chamber of Commerce</td>
<td>610-759-9188</td>
</tr>
<tr>
<td>NCC Center for Business</td>
<td>610-861-5590</td>
</tr>
<tr>
<td>Northampton County Dept of Eco. Develop.</td>
<td>610-559-3200</td>
</tr>
<tr>
<td>Community Action Committee of Lehigh Valley (Rising Tide)</td>
<td>610-691-5620</td>
</tr>
<tr>
<td>Sales and Marketing Exec. of Greater LV</td>
<td>610-253-0726</td>
</tr>
<tr>
<td>Small Business Development Center (Ralph Mineo)</td>
<td>610-758-5303</td>
</tr>
<tr>
<td>Team Pennsylvania</td>
<td>610-266-7619</td>
</tr>
<tr>
<td>Valley National Financial Advisors</td>
<td>610-868-9000</td>
</tr>
<tr>
<td>Whitehall Area Chamber of Commerce</td>
<td>610-432-4130</td>
</tr>
</tbody>
</table>
BASIC INFORMATION CONCERNING FINANCING

BASIS FOR A LOAN. Typically, a lender is interested in only one thing: Will he/she be paid back? In order to assess this, he looks at these things (the 5 Cs):

- CHARACTER. Do you appear to be reliable? Attention will be paid to the content of your resume, references and credit report.
- CAPACITY. Can you repay? What are your projections? What is your budget, both business and personal?
- CAPITAL. The bank does not want to be the only one taking a risk; you must contribute some money or assets (usually at least 20%).
- COLLATERAL. What will secure the loan – car, house, jewelry, stock, etc. Often the business itself will not be enough to satisfy the lender.
- CONDITIONS. Market, economy, industry.

TYPES OF LOANS.

Term Loan. Lump sum for a designated period, paid back in installments.

Line of Credit. Usually to support working capital needs. Typically requires an annual paydown to a zero balance for a period of 30 days once during the one-year operating cycle.

Revolving Line of Credit. Typically does not require the same 30 day paydown but is always supporting working capital assets, i.e. Accounts receivable and/or Inventory. Advances may be limited to a percentage of the accounts receivable, typically 75-80% and 20-30% of inventory.

Letter of Credit. Usually used to guarantee performance or payment of an obligation of the company. Banks may issue these for fees ranging from 1-2% of the amount of the Letter of Credit. Bank will pay your creditor if you fail to do so. Lines of Credit are typically secured by cash or the line of credit.

MAKING A LOAN REQUEST. This must address: a. How much money is needed; b. Over what period; c. What terms, interest, etc.; d. What will the money be used for; e. How will the business be able to repay it.; Collateral offered.

DOCUMENTS REQUESTED BY A LENDER. Resume; Business Plan/Financial Statements and Projections; References; Credit Report & Score; Personal Financial Statement; Tax Returns. An excellent, free source of some forms often requested by lenders is www.sba.gov/library/forms.html
IS A BUSINESS PLAN NECESSARY? YES. YES! An elaborate tome is usually not appropriate, but you will have to present a clear, complete description of your venture.

FINANCING IN THE LEHIGH VALLEY. Consult the following website: www.lehighvalleyfinancing.org. The Lehigh Valley SBDC also has some specific contacts. Call Ralph Mineo at 610-758-5303.

The Lehigh Valley Economic Development Corp. operates in the Lehigh Valley Lending Network which provides advice and assistance in contacting appropriate lenders. You can read about the network using link Lehigh Valley Lending Network/ Lending Network of Lehigh Valley/ Community A. Kim Edwards will advise SCORE clients on lending resources. To initiate inquiries, clients should submit form Request Financial Assistance/Loans for Business/Loans for Business in Lehigh. This group will evaluate the request and follow up with the client.

Angel investors are another source of investment funds. In the Lehigh Valley, The Lehigh Valley Investors organization is active. http://www.lehighvalleyangelinvestors.com/about-us/

For a broader look at angel investors, see the website of their trade association, Angel Capital Association. Their website lists angel investors throughout the United States. http://www.angelcapitalassociation.org/

Internet investors fall into one of three categories; those that are seeking to pay for new and inventive products or services, lenders or equity investors. Some established sites: www.prosper.com
www.indiegogo.com
www.lendingtree.com
www.kickstarter.com
www.fundingcircle.com
www.paypalworkingcapital.com
www.lendingclub.com
www.ondeck.com
www.kabbage.com
www.lancapital.com
www.squarecapital.com

Another link that provides more information on crowd funding is: http://www.entrepreneur.com/article/228125
HOW TO ACCESS 401k’s AND IRA’s FOR START UP CAPITAL

This article was contributed by Thomas M. Riddle, President, Valley National Financial Advisors (www.valleynationalgroup.com)

In the current environment, it is difficult to raise capital; and, you must leave no stone unturned when searching for it. 401k or IRA money can be an important source. The method one uses to access 401k or IRA money can have profound difference in how much money makes its way onto your business’s balance sheet and what amount remains for your future retirement. Generally, there are two types of 401k and IRA’s that can be available as capital: (1) yours, or (2) others. Let’s look at an example.

EXAMPLE: John, age 50, has entered into a transaction to purchase Close Company for $1,000,000 through a flow-through entity (an LLC, for example) called NUCO. John intends to be Close Company’s CEO and President. John received a bank financing commitment for $500,000 provided he contributes a lump sum of $200,000 himself and raises $300,000 from other investors. Until recently, John was employed by Major Corp where he has a 401k with a balance of $330,000 including after tax contributions of $30,000. John’s only other asset is his residence which has net equity of $250,000. How can John efficiently put the capital in place and also continue to provide for his own future retirement?

Let’s first examine how John can use his 401k’s earning power without getting killed by income taxes. The first step is John must roll over his 401k to an IRA Rollover account. In the rollover process, $30,000 (the after-tax money) is paid to John TAX-FREE. Internal Revenue Regulation 72(t) provides the answer to access the remaining $300,000 of the money in the IRA Rollover. Reg. 72(t) permits John to withdraw approximately $1,201 per month, pay regular income taxes but avoid the 10% premature distribution penalty because John is not yet 59 ½. Once started, this monthly payment must continue at the same pace until John is 59 ½ - the computations under Reg. 72(t) are tricky and IRS penalties are severe if an error is made so consultation with a financial professional is a must. The $300,000 balance in John’s IRA Rollover could stay intact or even grow if the portfolio’s future rate of return averages more than 5% per year.

Contemporaneously, John borrows $170,000 ($200,000 needed less the $30,000 of after tax contributions which were received tax free as described above) on a home equity loan to raise his capital contribution. The home equity loan payment is $1,122/month assuming a 5.00% rate paid over 20 years. The monthly withdrawal from the IRA equaling $1,201 will cover the home equity loan payment.
Simply cashing in the $330,000 IRA Rollover would NOT be a good idea for John. Because of the high income taxes on such a large amount of income coupled with the 10% premature distribution penalty, John would have net only $180,000, after taxes, and would have no retirement savings remaining for his retirement.

How can John attract $300k of capital from friends, neighbors, and relatives' IRA’s? John can approach them to buy NUCO stock in their IRA’s. Once upon a time, it was difficult to find a custodian willing to hold alternative assets like closely held stock; however, several custodians are now providing this service. Beware that relatives who are lineal descendants of John CANNOT purchase NUCO stock in their IRA’s – this is considered to be a prohibited transaction.

Can John roll over his 401k to an IRA Rollover and have his IRA custodian purchase some NUCO stock? NO – this also is a prohibited transaction according to IRS rules.

Thomas M. Riddle is a Certified Public Accountant (CPA) since 1978 and Certified Financial Planner® practitioner since 1986 and the founder and President of Valley National Financial Advisors. Mr. Riddle holds a BA from Lafayette College in Mathematics and Economics and holds an MBA degree from Lehigh University. Mr. Riddle received the Alexander E. Loeb Gold Medal award for attaining the highest score on the CPA exam in Pennsylvania in 1977. Mr. Riddle is a member of the Financial Planning Association. Mr. Riddle has over 30 years of financial expertise including serving as Bank Examiner for the US Treasury Department, Senior Accountant at KPMG (formerly known as Peat, Marwick, Mitchell & Co.), Corporate Controller of Johnson March Corporation, VP Finance of Hospital Central Services followed by the founding of Valley National in 1985. Mr. Riddle maintains registrations or licenses as a registered general securities representative, a General Securities Principal, a Registered Options Principal, a Municipal Securities Principal, and a life insurance agent/broker.
THE BASICS ABOUT OBTAINING A GRANT

A grant is money received that normally does not have to be paid back. For-profit small businesses rarely receive grants and therefore you would be wise not to count on this as funding for your new business. On the other hand, most nonprofit organizations finance projects through the use of grants, which are awarded after submittal and approval of a Grant Proposal.

DO YOUR HOMEWORK Obtaining funds through a grant takes time. Don’t wait until you need money to start working on your request; start now by determining what organizations might provide your organization with funding. Look for funding sources that have an interest in your organization and its mission. You have a better chance of getting a grant from a local organization than a national one or one in another part of the country. You also must understand the goals of the grant program. If possible, visit the funding organization and discuss the program. In many instances, the funding organization will ask you to follow a specific proposal format in applying.

PREPARING YOUR PROPOSAL Organize your presentation so that it is clear and easy to understand. Be concise and to the point. Avoid broad generalizations. Be specific. State exactly how much you want, and why. Keep use of professional jargon, “buzzwords,” and acronyms to a minimum. Don’t assume that the reader knows about your organization. Explain everything. Give examples. Be impassioned, reasonable, and creative. Show the reviewers what return will result from the funding they provide. If the funding organization has provided a Request for Proposal (RFP), read it carefully and organize your proposal according to its guidelines. If the funding organization has not provided guidelines for your proposal (or if they have, but they’re not specific), make sure to include the following sections:

EXECUTIVE SUMMARY This is the most important section of your proposal because the reviewer will use it to determine whether the rest is worth reading. Prepare it LAST. Limit the summary to one page, and preferably just a few paragraphs. Outline the purpose, amount requested, and some basic background.

DESCRIPTION OF THE ORGANIZATION In this section, it’s important to build credibility for your organization, and stress the relationship, if any, between you and the funding organization. Include: The Mission Statement and goals of your organization, as outlined in your Strategic Plan; Brief biographies of the members of your Board of Directors and key staff members; How long has your organization been in existence? What has been its performance to date? Include success stories about individual clients or statistics on clients successfully served; List previous foundation or grant-supported programs; What other organizations are active in the same or similar activities? What are the cooperate organizations, if any?; Does your nonprofit have its 501c(3)?

NEEDS ASSESSMENT What is the problem to be solved or issue to be addressed with the grant money provided? How serious is the need for this program? Include any data you have compiled as the result of survey or investigation to demonstrate
the severity or effects of the problem. Show the connection between your organization and the problem being addressed. Establish the geographic area affected and the target population. How large is the area? The population? To what extent will the program benefit them? Emphasize your organization's experience and knowledge of the problem. Provide data on prior successes. Is this a new activity? Has the field been researched to find similar programs? Has a similar program failed? Succeeded? What has been learned from previous programs? Is this request competing with other requests from the same organization? If so, what priorities would the organization establish among these requests? Why is this project more deserving of aid than others competing for funds in the same field? What immediate and long-range results are expected? Will these results help other organizations?

OBJECTIVES. List specific, reasonable, and achievable objectives that have measurable outcomes. Explain how these objectives satisfy the requirements of the grant.

METHODS. It's important to show what workers, materials and other resources will be used effectively in accomplish the objectives. List the specific tasks that will be accomplished, by whom, and when. If there are other approaches you could use, explain why the one you've chosen is superior. Prove (perhaps by citing your performance on prior projects) that your organization is capable accomplishing these tasks. Provide a timetable with dates when major milestones will be accomplished.

How many staff are needed? Will additional staff be required? How will the staff organized/supervised? What are the professional qualifications for doing the proposed work?

BUDGET. How long will the program last? Is this a continuation of a program or project? How well has it succeeded? Is it a modification, and if so, why? What is the current operating budget of the organization? What is the anticipated budget for this program? Give a complete breakdown, including Personnel cost (salaries, benefits, or contract amounts), expenses incurred to sustain volunteers (e.g., meals, travel, and training), and all other expenses (divided into fixed expenses, e.g., rent, property taxes) and expenses that vary according to usage (e.g., office supplies). What provisions have been made for independent audit of budget expenditures? Will the program continue beyond the funding period? If so, who will provide the funding? How firm a commitment for this future funding has been made? Will this ensure ongoing funding.

Have requests for financial support of this program been submitted to other foundations, government agencies, or funding sources? Has the program secured funding commitments from any of these sources? If so, for how much and from which source(s)? Do you have requests for other programs pending before other funding organizations? How have they related to this proposal? What is the probability of obtaining this funding? Will your organization provide matching funds? (If you do, this gives the funding organization indication of your commitment).

EVALUATION MONITORING. Establish how you will evaluate the project, and the basis for evaluation. Who will perform the evaluations? What special criteria will be used to measure the success or failure of this project? What type of progress
reports are planned? How often will they be prepared? Who will get them? (Some funding organizations require progress reports, some don’t. Submitting these reports, even if not required, can help to establish credibility for future funding requests). Has adequate provision been made for the preparation of a final report? **APPENDICES.** Include information that can provide a better understanding of your project proposal and enhance your credibility. This information might include: Evidence of your successful management of other grants; Letters of support or endorsement from individuals or organizations. (Do not overdo. One or two significant letters are sufficient).

**GET AN INDEPENDENT REVIEW.** Once you have included these elements and answered these questions, you can be confident that you’ve prepared an application that gives its reviewers the information they’re looking for. After rereading the application yourself, give it to other managers to read before submitting it to the funding source. (SCORE counselors will be happy to review it for you.) Finally, be prepared to rewrite. Keep at it until you’re sure that what you’ve said just can’t be said any more clearly or convincingly — your funding may depend on it! And, finally, if the funding organization denies your request, be sure to find out why. Knowing that will help you be successful when writing your next grant proposal.

**INTERNET HELP**
Proposal writing – [www.fdncenter.org](http://www.fdncenter.org)
Grant Proposal Advice – [www.polarisgrantscentral.net](http://www.polarisgrantscentral.net)
Grant Proposal Tips – [www.mcf.org](http://www.mcf.org)
YOUR CREDIT SCORE AND WHY IT’S IMPORTANT

WHAT IT IS
Your Credit Score is a three digit number from 300 to 850. It’s also called a FICO score, after its creator, the Fair Isaac Corp. Lenders use the score to determine whether they will lend you money; and (b) at what interest rate. A score of 700 or higher is usually desirable. It is not determined by age or income, but by how you have used credit in the past.

HOW IT IS AFFECTED
You can help improve your credit score by:
1. Paying bills when due.
2. Not skipping payments (even if encouraged by the creditor).
3. Don’t load too much credit on your account. Try to stay at 30% or less of your credit limit.
4. Closing out unused credit cards doesn’t help in the short run.
5. Inspect your credit report periodically and have errors corrected. But doing this every few months could hurt you.
6. To have a score, you must have a history. Consequently, it is useful to use credit, but use it wisely.

WHERE CAN YOU FIND OUT?
The following three companies each provide credit reports and each may compute your score slightly differently. Each can be accessed on the Web or by calling:

EXPERIAN. 888-397-3742
EQUIFAX. 800-865-1111
TRANSUNION. 800-888-4213

Current law provides that once each year you are entitled to receive a free report from each. You may also contact www.annualcreditreport.com or www.myfico.com, although there may be a small charge with these services.

USING YOUR SCORE.
If you intend to borrow money from a professional lender it would be well to know your credit score before you apply for funds. You will be much better prepared!
QUESTIONS YOUR BANKER MAY ASK

When seeking funding, an entrepreneur must plan well for the bank (or other source) interview. Here are a few of the basic questions you might expect to be asked. Many of the answers should be in your business plan, however it will not be advisable to simply direct the questioner to it; you need to be prepared to clearly express yourself orally (referring, if necessary, to your plan or other notes or materials). Your answers could spell the difference in getting the money you need. Certainly, not all will be asked … but, then … you never know.

1. Do you have a comprehensive, written Business Plan?
2. From whom have you sought advice, up to this point?
3. Why do you believe you will be successful in this venture?
4. How much are you requesting; what will it be used for; and how do you expect to pay it back?
5. How much of your own money are you putting into this project?
6. What is your Credit Score?
7. What does your Cash Flow analysis show? It is also important to understand your cash flow and what it shows.
8. Describe your background, giving emphasis to those experiences that will enable you to operate this business.
9. What collateral are you prepared to offer in order to back up this loan?
10. Why should I lend you this money?

You also have a right to have some questions answered, such as: (a) Other than the Business Plan, do you require any other documentation from me at this time? (b) When should I expect to hear from you again? (c) From your perspective, what is the next step we will take? (d) Is it reasonable for me to plan on obtaining funds by my anticipated Start Date? (e) May I call you in a week if I have not heard from you by that time?
There are only a few ways to own a business – start it from scratch, inherit it, receive it as a gift, or buy it. This section of our publication deals with the latter. However, it is important for the entrepreneur to understand all of the basic issues of business ownership, many of which are described elsewhere.
CHECKLIST TO EVALUATE A FRANCHISE

If you are interested in investing in a franchise it will be important for you to do a complete investigation. Here are some of the important questions to ask, grouped by category:

THE FRANCHISING COMPANY
1. How long has the firm been in business, and what is its financial strength?
2. What are the company’s plans for future development?
3. How do Better Business Bureau and other companies rate it?
4. How selective is it in choosing Franchisees?

THE PRODUCT OR SERVICE
5. What is the product’s quality; is it staple, fad, or luxury item?
6. Is it seasonal?
7. How well is it selling, and how long has it been on the market?
8. Would you buy the product on its own merit?
9. Is the product competitively priced and attractively packaged?
10. Where is it sold?

SALES TERRITORY LIMITATIONS
11. Is the territory well defined and large enough to offer good income?
12. What is the growth potential for territory?
13. What is the income level, and are there fluctuations in income?
14. What competition is present, and how are other franchises in similar markets doing? Checking with franchisees that are too close by may get you tainted information since that franchisee may have plans to grow into your territory.

CONTRACTS
15. Is the contract complete; does it clearly define the responsibilities and liabilities of each party?
16. Does it benefit and protect both parties?
17. Can it be renewed, terminated, or transferred?
18. What are the conditions for obtaining a franchise?
19. Under what conditions will a franchise be lost?
20. Is a certain size and type of operation specified? Must it be maintained?
21. Is an additional payment required each year?
22. Does the franchisor collect a minimum royalty or is it determined on gross sales?
23. Must a certain amount of merchandise be purchased?
24. Is there an annual sales quota?
25. Can the franchisee return merchandise for credit?
26. Can the franchisee engage in other business activities?
CONTINUING ASSISTANCE (FRANCHISE SUPPORT)

27. Does it provide continuing assistance? Can it be obtained quickly?
28. Is there training for the franchisee and key employees?
29. Are manuals, sales kits, accounting systems supplied?
30. Does the franchisor select store locations, design store layout and displays, handle lease arrangements, and select opening inventory?
31. Do they provide inventory control methods?
32. Do they provide market surveys?
33. Do they help analyze financial statements?
34. Do they provide purchasing guides?
35. Do they help finance equipment?
36. Do they make direct loans to qualified individuals?
37. Do they actively promote the product or service? Is there an advertising fund? Who controls it?
38. How and where is the product being advertised?
39. What advertising aids does the franchisor provide?
40. What is the franchisee’s share of the advertising cost?
PREPARING YOURSELF TO BUY OR SELL A BUSINESS

It should be obvious that, whether you are buying or selling, it will be very advantageous to be prepared … and that usually means doing plenty of research. This document will attempt to outline some of the key steps that need to be taken.

UNDERSTANDING THE PROCESS

It will benefit you to understand that there probably will be at least seven (7) distinct steps in the Buy/Sell process:

Step 1. Preparation. Both Buyer and Seller will want to alert their key advisors to the possibility of a sale well before initiating the process. Obtain as much advice as you can from your accountant, attorney, and banker. Both parties need to clearly understand what they hope to achieve, in price, terms, dates, etc. Each will probably have different goals, but “making it up as you go along” is not a good strategy.

Step 2. The Market Place. The Seller will need to decide whether to do it himself or hire a business broker. If he does it himself, he’ll need to determine which media to use: newspapers, Internet, personal contacts, mailings, etc. The Buyer must also decide where and how to look, and do so in a comprehensive way.

Step 3. The Search. When Seller and Prospect first meet, they both should be asking questions. Elsewhere in this Section 7 is a list of reasonable questions for a Buyer to ask (and for which a Seller should be prepared). The Buyer may ask for access to the business records and the Seller should be prepared to respond. Among other things, it might be well to have access to a Non-Disclosure Statement (see elsewhere in this Section 7).

Step 4. The Offer. A complete offer is important and will be discussed later in this document.

Step 5. Discovery or Due Diligence. Once the parties have agreed (in writing) to the basic terms of a deal, each is entitled to do further research. The Buyer, for example, is entitled to see business records and tax returns; he/she might interview employees (but never customers); a physical inventory might be taken; and, in many cases, a lease must be negotiated with a Landlord. Many buyers will have to locate financing. The Seller, on the other hand, may wish to check on the Buyer’s ability to manage the business and his fiscal situation. Both parties will have to perform a variety of tasks before Closing (see “Some Important Closing Tasks” elsewhere in Section 7).

Step 6. The Closing. Many times the Closing will be orchestrated by the attorneys for the parties, and this will include timing, place, notarization, etc. If you intend to be represented by an attorney it would be well to discuss this procedure before the event takes place.
Step 7. Orientation Training. Almost every business sale will involve some training of the Buyer by the Seller. This normally will commence right after Closing and last for 2-3 weeks followed by a period (often 6 months) in which the Seller remains available by telephone or email.

THE TIMELINE

Sellers and Buyers always want to know how long the process will take. And there is no definitive answer that fits every situation. Each of the parties often control the timeline by how hard they work at it. Here’s a simple, but hypothetical, sequence:

1. 30 days. Collecting all the information necessary to begin the process.
2. 60 days. Marketing the business or Searching for it.
3. 10 days. Negotiating the basic deal.
4. 30 days. Due Diligence.
5. 10 days. Affirming the Final Agreement and Closing the Sale.
6. 10 days. Training period.

Adding all this time up indicates a time span for the entire process of, perhaps, 150 days or about 5 months. Of course, none of this is written in stone and actual time for you may be different. In large measure, YOU are in charge of time, and the process will depend upon how efficient you are in carrying it out.

PRELIMINARY PREPARATIONS - SELLER

Premises. If you own the building, decide whether it will be sold (with or separate from the business) or if you will become a landlord. If you rent, meet with your landlord to ensure that you can be released from the lease. It is most desirable that the landlord agree to write a new lease for the buyer and return your security deposit to you. Assigned or transferred leases, as well as sub-leases, can sometimes turn into future problems. Keep in mind, also, that you may have to remain on the lease, until its expiration date, as a guarantor, in the event your buyer defaults (read the fine print).

Employees. Before actively marketing the business, it would be well to inform employees; otherwise you risk that they learn of this decision via a telephone call, fax, or unscheduled visit by a prospect, and any of these events could prove damaging to you. You may resist this step, thinking that all your employees will quit, however experience shows that this RARELY, if ever, occurs. Remember, also, that an employee may be interested in purchasing the business or knows someone who is.
**Space.** First impressions mean a great deal and if your space is untidy and appears to be disorganized, you may find it impossible to convert the prospect to a buyer, regardless of how good your numbers look. Fresh signs, clean windows and carpets, dusted displays, tidy bathroom and neat shelves are really not too much to ask for. It would also be advisable for you to display adequate inventory and avoid empty shelves and outdated merchandise, unused equipment, unnecessary storage, etc.

**Equipment.** If you lease equipment, discuss the business sale with the lesser to be certain you can be released in favor of a new agreement with your buyer. If you are “locked in” then insist that the equipment responsibility be assumed with the business. Under no circumstances do you want to keep your name on the lease after the sale. If you are purchasing equipment on the installment plan it might be well to factor the remaining balance into your selling price so that you can pay for these items and sell everything unencumbered.

**Tax Strategies.** Meet with your accountant so you will understand the tax consequences of the sale. He or she may suggest that you structure the sale to minimize taxes. Your accountant should be familiar with IRS Form 8594 – Asset Acquisition Statement, which both parties must file after the sale.

**State Sales Taxes and Other Regulations.** Your accountant should also advise on the applicability of sales tax on some or all of the elements of your sale. In addition, you may be required to complete forms for Worker’s Comp, Unemployment, etc. If you intend to disband your corporate entity (not included in the sale) if any, you will also be required to file dissolution paperwork after Closing. Contact the PA Corporation and/or Revenue Department to answer these questions.

**Questionable Acts.** While it is seldom discussed, there are many opportunities, while running a small business, to perform acts which could be considered illegal or unethical. These include paying people without deducting taxes; failing to carry required insurance such as Worker’s Compensation; and “skimming”, i.e. taking cash sales without recording them. You must consider what your answers will be should a prospective buyer ask about something that “looks funny”. Buyers can be easily discouraged by vague or “fuzzy” answers. It would be very unwise to boast about these things since this can only convey an unsatisfactory image to a prospect.

**Bookkeeping.** Hopefully, your records are clear and unequivocal, but if they are not, now is the time to take steps to clean them up. You probably will be asked to produce Profit and Loss statements for at least two-three years. For many buyers, the numbers are the single most important evidence of a desirable business, and if yours are unclear, you will encounter significant buyer resistance.

**Price.** Think long and hard about the price at which you will offer the business and try to do so as dispassionately as possible.
Your Banker. Unless you are anxious to carry a Promissory Note, i.e. lend the buyer money to purchase the business, you should talk to your banker about the sale. Ask him if he will consider lending money to a buyer and what documentation will be required. Expect your banker to be cooperative in this matter. If for some reason he is not supportive, visit other local banks to ascertain their willingness to lend money. This process may have a secondary benefit to you. If your buyer is refused a loan by the banker, then you need to ask yourself, “Why should I lend to this person?”

Terms. Many sellers prefer to be paid in full at Closing, since this leaves them with no future stake in the business, and fewer worries about the ability of the buyer to be successful. It would be rare, however, for a buyer to have the personal cash to simply buy the business outright. Therefore, financing has to come from somewhere … and it might have to be from you. If you do agree to an installment sale, remember that you will be taking a potentially substantial risk and thus should command a greater interest rate that a bank would demand.

Files. In addition to a comprehensive written description of the business (highly recommended) there are other materials which you should have available, since buyers will want to view such additional items as your Profit and Loss Statements, tax records, space lease, equipment leases, etc. By having these available without delay, you will appear well organized and prepared.

Franchise Considerations. If you are a franchised business it is likely that you are required to get franchisor approval before selling. Your buyer may have to report for training, site upgrades may be required, a transfer fee may be applicable, and there may be other requirements. You need to know all these details up front, so that a sale doesn’t fall through at the last minute because either you or your buyer are unaware of your respective responsibilities and commitments.

PRELIMINARY PREPARATIONS – BUYER

Employees. Unless you can operate a business totally alone, you must ensure that you will have a competent staff ready to go. This could be those already employed by the Seller … but you must consider that they may not be qualified.

Space and Equipment. When buying a business, you must look ahead, if possible, and determine whether what you are buying is adequate for your future needs. If not, try to estimate what additional expenditures will be required.

Financing. Perhaps the number 1 reason why sales aren’t consummated is that the Buyer can’t find the money to buy and the Seller refuses to carry a note. Thus, it should be self-evident that, before searching for a business, you have at least a rough idea of where the money is coming from. If you intend to rely on an outside funding source, i.e. a bank, you had better discuss that issue with them and obtain a preliminary approval.
**Tax Strategies.** This issue is as important for a Buyer as it is for the Seller. See above.

**Records Review.** It probably will be helpful to employ a competent accountant or business advisor to review the financial records of the business you intend to buy. Make arrangements ahead of time, keeping in mind that he/she may have other obligations which could cause delay, e.g. tax season, vacation, etc.
NEGOTIATING THE DEAL

When a willing Buyer and a willing Seller come together, the negotiating process begins. This is not necessarily some secret process over a table in a smoke-filled back room. It could begin with body language and end with a simple, straight-forward offer that is immediately accepted by the Seller. However, it happens, this is a “process” which both parties need to understand.

SELLER’S MARKETING TIPS

A SUSTAINED EFFORT Sellers usually wonder how long it will take to locate a buyer, and, of course, there is no exact answer to this. It is clear, however, that if you do not make selling a very high priority, the process may take longer than desired. Taking a “break” usually does nothing except prolong the process.

PROSPECT INTERVIEWS Try to reduce the time you spend with people who really aren’t interested. A technique that really works is this: (a) Send all callers who express an interest, a copy of a one-page summary, either by fax or e-mail; (b) At the same time, request that they do a drive-by (if the business is location-sensitive); (c) Then suggest that they call for an appointment. DO NOT do interviews with people who haven’t read the summary or know what the neighborhood looks like. If you follow this procedure you will eliminate many “tire-kickers” and save yourself considerable frustration and wasted time with people who simply don’t like your location or take issue with some basic fact in the summary.

A PROSPECTUS Much benefit can be achieved by preparing a detailed summary of your business, including summarized financials. This will save time in interviews and give the buyer detailed information on which to base his decision to buy. Whether you require a signed Confidentiality Agreement is up to you.

INTERVIEW TIMES It is always better to schedule interviews when you can devote full attention to your buyer. You obviously can’t do this if you are continually waiting on customers or answering telephone calls.

ACCOUNTANTS AND YOUR FINANCIALS Every buyer will want to see your books. One of the most damaging activities however is for someone (the buyer or his accountant) to be reviewing your financials with little knowledge of what they really are seeing. Every small business owner knows that the “Net Profit” line at the bottom of a Profit & Loss Statement seldom tells the real story. Therefore, it is CRITICAL that you be present when this review takes place. It can be in your office or in the accountant’s office, but you must be there to explain and answer questions. Accountants are cautious people, and usually want to protect a client; warning against a purchase is very easy (and safe) for them to do.

FOLLOW-UPS With email, you have an excellent tool with which to follow-up those buyers you’ve interviewed and who appear really interested. Wait 24-48 hours after your meeting and then send a short message. Emphasize key selling points or provide support for matters in which the buyer expressed interest. And … ask about further interest!
NEGOTIATING SKILLS Most of us are not skilled negotiators, and as a result a sale may be lost because of failure to seize an opportunity. One technique is to try to determine exactly what the buyer is looking for and what his concerns are. If you know his thoughts then you can respond to those things. Always remember that if two persons really want the same thing then they should be able to find a way to achieve it.

THE PRICE One of the questions you may be asked is how you justify your asking price. While technically there is nothing requiring you to do so, you must provide a response; the simplest is that it conforms to pricing that has been appropriate in your industry. If you try to explain that it is derived from a particular formula, you run the risk of a debate with a prospect who happens to like some other formula. The price (in your opinion, of course) represents the real value of the store and the earnings opportunity it presents. Debating price with someone who has not even made a serious offer is futile. And if all else fails, ask the prospect to make you a firm offer of what HE feels is an appropriate price.

BARGAINING POINTS

There are many issues in a Sale which can be used to reach a mutually acceptable arrangement. Some of these items amount to a few hundred dollars and may not be worth arguing about, but others could be used as “bargaining chips” even if only to demonstrate how magnanimous one is! Some may need to be discussed at the time of an offer, and others can wait until the final Agreement of Sale is negotiated.

The Price Is it “close enough” to your desired target? It may not be advisable to argue about differences of $5,000, $10,000 or more between the asking price and the amount offered. Most buyers don’t make full-price offers; most want to think they have whittled the Seller down a bit.

Cash or Installments An all-cash deal typically commands a somewhat lower price. If there are to be installments, for how long and at what interest rate?

Closing Date How long before consummating the deal? It’s usually better to Close in not more than about thirty (30) days.

The Lease Will the Seller be completely released from leasehold responsibilities or will he/she be liable if the Buyer defaults on the lease? For how long?

Equipment Is all equipment sold “free and clear” or will the Buyer be faced with lease payments? Can the leased equipment be factored into the selling price and paid off by the Seller at Closing?

Future Profit Can the Buyer rely on “guaranteed” increases in Sales and Profits from such things as an anticipated price increase, a newly installed (and rapidly growing) service or a potential reduction in costs (perhaps by eliminating an employee)?

Accounts Receivable Are these included as part of the sales price or reserved for the Seller?
**Security Deposit** If the business is in a rented space, there is probably money on deposit with the landlord. Will this be returned or transferred to the Buyer as part of the sale?

**Lease Transfer** The landlord may charge a fee (sometimes $1000 or more) for transferring a lease to the Buyer. Who will pay this?

**Website** If there is a website, will it be included and are there any fees or charges involved in transferring it to the Buyer? Who pays?

**Advance Payments** Has the Seller made any payments in advance which pertain to services which the Buyer will enjoy after Closing, e.g. insurance, advertising. Will these payments be prorated, cancelled or given to the Buyer?

**HANDLING AN OFFER**

Most offers will be proffered in oral fashion and probably will not include all the details. In these cases, it would be wise to consult an attorney or business advisor. See the document in this Section 7, entitled “The Written Details Of A Sale”. A written offer prepared by an attorney will probably will have many contingencies, so it is important to read it carefully. Understanding these terms is very important.

If the written offer is acceptable and includes all the necessary details, it may not be necessary to execute a Letter of Intent. After consulting an advisor, the Seller would simply sign at the bottom “Accepted” with the date. Such should be done within a day or two unless the offer specifies a particular “ending” or termination date.

This is, of course, not a time to burn bridges behind you, because the sale is not final until there is a signed Sales Agreement, a check in the Seller’s hand and the keys are in the Buyer’s. Many things can torpedo a sale and so all must keep open the lines of communication to other interested parties. Someone else could always make a “Backup Offer” which would become effective if the first deal fell apart for some reason. The Buyer, on the other hand, might become aware of a better buyer elsewhere.

Multiple offers are a rarity and not to be planned on. If it does occur however, both parties should try to avoid a protracted bidding war. Most sales are not auctions and either party could sour on the deal if he/she feels caught up in it. As a general ethical practice, Sellers should not tell bidders the particulars of any other offer, except that it is acceptable. However, all should get one chance, within 24 hours, to improve their bid, and then the Seller accepts the one with which he/she is most comfortable.

If a Buyer makes an offer that is just ridiculous, and that would NEVER be accepted, it is best to reject it right away. To do otherwise might give the Buyer unrealistic hope. This could make further negotiation impossible. There is also a school of thought that suggests that a quick rejection might spur the Buyer to make a MUCH better offer (so as to not let this prize get away). That’s what some call “negative selling”, a posture that sometimes works when a more straightforward approach fails.
THE WRITTEN DETAILS OF A BUSINESS SALE

Once a Buyer and Seller have met and generally agreed upon their mutual interest in a sale, it will be necessary to reduce the details to written form. In most instances, both Buyer and Seller should retain their own attorneys to assist in working through the details. Most competent attorneys have their own style in producing necessary documentation, and there is no single "form" that will fit all situations.

Either Buyer or Seller may be tempted to pick a form from an Internet website, because it is “free” or at very low cost. PLEASE do NOT do this. The sale is far too critical to handle in this way.

Having said all this, the written details might be categorized as (a) Those writings that accompany the Offer; and (b) Those documents necessary for Closing.

OFFER DOCUMENTS

Offers often begin as oral statements but should be reduced to written form so that the parties can move ahead with the knowledge that there is, in fact, basic agreement, and that there is a time limit by which all negotiation will end. If the Buyer initiates the writing, it may be referred to as an “Offer Letter”. If the Seller does the writing, it might be called a “Letter of Intent”. Both parties should sign the document. In either case, at a minimum, an acceptable writing should include:

1. Buyer’s name and address
2. Seller’s (Owner) name and address
3. The business name and address
4. Selling price.
5. Good faith refundable deposit (usually less than $10,000)
6. Terms (all cash, installments, start date, balloon payments, etc.)
7. Closing date
8. Contingencies

The last item in the list above – Contingencies – is a listing of all those things on which the Sale will depend. Such may include:

1. The Buyer’s ability to raise the money to make the purchase.
2. The Seller’s review of the Buyer’s financial situation, if a Promissory Note is to be considered.
3. The Buyer’s ability to obtain a satisfactory lease (new or assumed).
4. The Buyer’s review of company records and satisfaction therewith.
5. A physical inventory, if desired by either party.
6. Franchisor approval, if the business is a franchise.
7. Buyer’s satisfaction after interviewing employees and/or observing business operations.
8. No substantive changes in the business to be made by Seller without the prior approval of the Buyer.
9. Agreement by the parties on the terms of the final Contract, and all other documents.

CLOSING DOCUMENTS

A competent business specialist (attorney) will be invaluable in preparing a draft of the final Agreement of Sale. This is definitely NOT a do-it-yourself project! Whether documents are initiated by Buyer or by Seller is another negotiating point, but inevitably both parties must agree on all the terms … and this will undoubtedly require some compromise.

Here are the basic components of a comprehensive final Agreement of Sale. Your attorney may address issues differently, but these subjects need to be addressed. It would also be useful to request that “legalize” be kept to a minimum, because both Buyer and Seller themselves must understand the terms.

PREAMBLE The names of the parties, their addresses and the date.

THE SALE Exactly what is and is not being sold. The Closing date Refer to an Exhibit which lists the “hard” assets to be included.

PURCHASE PRICE/TERMS Price, good faith deposit, terms. Refer to a Promissory Note (Exhibit) for more details.

INVENTORY Was a physical inventory taken? If not, why?

ALLOCATION OF PRICE Divided into categories. Required by IRS. Consult your accountant before agreeing to this.

BREACH OF AGREEMENT What constitutes a breach? Penalties and Rights of each party.

FREE AND CLEAR Buyer assumes no debts of the Seller. A listing of Creditors is required under Uniform Commercial Code rules. Refer to an Exhibit.

TRAINING AND SUPPORT Type, length. Follow-on support.

NON-COMPETE Area covered, time period. Employees, customers.

REPRESENTATIONS OF SELLER Ownership, name, agreements, judgments, contracts, solvency, equipment serviceability, taxes, broker.

REPRESENTATIONS OF BUYER Examination opportunity, no promises.
PRORATION Disposition of bills after Closing.

MISCELLANEOUS MATTERS Items unique to this business.

FRANCHISE MATTERS Buyer has been approved; Seller is released.

ASSIGNMENT OR TRANSFER Rights, liabilities.

ENTIRE AGREEMENT This is IT! Applicable law.

NOTIFICATIONS Names & addresses of parties.

AGREEMENT Signatures. Notarization is an option.

While the core document at Closing is the Agreement of Sale, there probably will be other forms that will need agreement and signatures, among which might be:

PROMISSORY NOTE Important if the Seller is to receive installment payments. Putting these terms in the basic Agreement of Sale is NOT adequate.

BILL OF SALE Not everyone feels this is necessary but include it anyway. This lists the specific “hard” assets that are being conveyed. The word “everything” is never specific enough.

PERSONAL GUARANTEE If the Buyer is a Corporation, it would be wise for the Seller to get a personal guarantee by the corporation's owner, since suing an individual can often be far more productive than suing a corporation (which may have no assets).

COLLATERAL STATEMENT The business itself usually provides enough “backup” for the Seller, but sometimes a Buyer will be asked to pledge personal assets (house, jewelry, securities, etc.) to insure that a loan is paid.

LICENSING AGREEMENT While not as common as those above, if a name or other part of the business is not sold, but “rented” or licensed, it would be well to clearly spell out these terms in something more than just the Agreement of Sale.
NON-DISCLOSURE OR CONFIDENTIALITY AGREEMENT

Small business Sellers are often concerned that buyer-prospects may reveal confidential information before a Sale is Closed. While nothing is “foolproof” and prosecuting an alleged violator might be nearly impossible, a written Agreement form might help to impress a buyer-prospect with the need for discretion. Here is one:

This Agreement is made on _______ by the undersigned, ____________________ hereinafter referred to as Prospective Buyer, who resides at _______________________
_______________________________________ and __________________________ hereinafter referred to as Owner, who has offered for sale a business known as ________
_____________________ located at _______________________________________

Inasmuch as Prospective Buyer has expressed interest in purchasing the business, it hereby agrees to hold in strictest confidence any and all information received from the Owner, or through any other means including, but not limited to, personal observation, inspection of documents, interview with employees or from others with knowledge of the business.

Prospective Buyer further understands that any records or other materials provided shall remain the property of the Owner, and if Prospective Buyer declines to purchase the business for any reason, it shall return same to the Owner within five (5) business days of notification to decline. Prospective Buyer shall not copy, reproduce, dispose of or disseminate any such information.

Prospective Buyer further agrees that, prior to its purchase of the business, it shall not reveal any information received about the business to any person or organization for any reason whatsoever unless express prior written approval to do so has been received from the Owner.

Prospective Buyer further understands that, at some time in the future, after having obtained information about the business, and after having decided to tender an offer to the Owner, it may be required to execute a document describing that offer and to provide a good faith deposit, which is refundable should it subsequently decline to purchase the business for reasons applicable under that document.

In the event of any violation of the terms and conditions herein set forth, Owner may proceed under the laws of the State of Pennsylvania and shall be entitled to preliminary and permanent injunctive relief.

AGREED:

______________________________________  _____________________________
Prospective Buyer       Owner
QUESTIONS TO ASK WHEN BUYING A BUSINESS

Perhaps one of the most fundamental questions should be, “Why buy instead of start from scratch?” Said another way, what “extra” benefit am I getting by buying – quicker profit, better inventory, great location, cheaper cost, etc.? And then, of course, there are the issues of franchising, licensing, and all the other things which increase or lessen one’s “independence”. Here is a quick checklist of the things to know before buying. In any given situation, of course, there may be other matters of interest.

THE INDUSTRY. What about the industry in which this business operates (furniture retail, carpentry, insurance, etc.). Do I understand enough about the overall picture, the general business outlook, etc. If the Owner won’t or can’t satisfy me, I can contact the industry’s trade associations on the Internet

THE OWNERS Who are the owner(s) of the business? What are their backgrounds and why are they selling? How willing are they to answer my questions? How will the business be affected if the Owner leaves? Are his/her abilities so critical (e.g. Consulting) that I may have a tough time?

THE PRODUCTS OR SERVICES What are the products or services that are offered? Approximately what percentage of sales does each occupy? Are sales well balanced? Are business volumes considered satisfactory? Is there a seasonal nature to the business? If so, what will I do in the “off” season to stay alive? If there are employees, must I lay them off? Are there just a few big sales, or are there many very small sales?

MARKETING REQUIREMENTS What kind of advertising and promotional effort will be necessary? How has the present Owner attracted sales? What is his budget? How much money/effort will I need to properly market the products and services? What media is available to reach this market?

THE LOCATION How about the location? Could it be better? Can I get to work with reasonable ease? Is there a lease and if so, what are the terms? Can I get a satisfactory new lease? What are normal business hours? Am I prepared to work on this schedule (and probably many more hours)?

THE EMPLOYEES Who are the employees? How does the Owner feel about them? Are they willing to stay on? Are there any agreements, promises or other commitments to the employees which I will have to fulfill?
**TRAINING** How will I make the transition to the operations of this business? Will the Owner train me? For how long? Are all employees fully trained?

**CUSTOMERS** Who are the customers of this business? Can I get a listing of any customer who represents a significant piece of the business? What are the chances that I will be able to keep these customers?

**COMPETITORS** What competitors exist? Are they formidable or weak? Where are they located?

**THE ASSETS I’M BUYING** Exactly what are the “hard” assets I am buying? Have I received a list from the Owner and verified its contents? Assets can conveniently be broken into groups: Inventory; Leasehold Improvements; Furniture, fixtures; Equipment, Tools and Supplies. Do I want to take an inventory as a verification? Are the hard assets being valued at retail price, wholesale cost or in some other fashion? Am I getting everything “free and clear” or are there lease payments, rental fees, etc. that I will be faced with?

**FINANCIAL RECORDS** When and how will I have opportunity to review the financial results of the company? Can I have my accountant assist me? Do the financial results appear to meet my needs? Can I improve upon them in the short run? Are the following ratios generally in line (or better) than for the industry as a whole: Cost of Sales vs. Sales; G & A Expense vs. Sales; Earnings vs. Sales. Are there projections of future earnings? Will these projections meet my needs? Can the Owner make any recommendations to me as to how to expand the business and/or increase profit?

**PRICE, TERMS and MY OFFER** Does the asking price seem reasonable? How many years will it take me to earn that amount? Is the owner willing to help finance the sale? On approximately what terms? If I decide to make an offer, will it be in writing and agreed to, in writing, by the Owner? What contingencies will I insist on? When do I want to Close the transaction? Will I provide the wording for the final Sales Agreement, or will I ask the Owner to do so? Keep in mind that you must have help doing this – an advisor, consultant, accountant, lawyer, etc.
SOME IMPORTANT CLOSING TASKS

The Agreement of Sale will, of course, be the most important document to be concerned with at (and before) Closing. However, every business has a number of issues which must be addressed by the Buyer and/or Seller before, during and after Closing; many of these will not find their way into the final Agreement. The following is a list of some of the more common matters which should be cleaned up; the business you are purchasing may have some additional, specialized items to consider. Note that the Agreement will include your right to a training period and it would not be a good idea to clutter up that time with these administrative matters, many of which should be accomplished before you Close.

1. If there is a cash register, the Seller should have cleaned it out at Closing. If not, this money rightfully belongs to him, so put it aside. The cash register also should be “zeroed-out”, so that you can get your own tapes without including old sales. Every register is different so the Seller should show you how to do this.
2. If there is a postage meter, it must be re-registered in your name. The Seller needs to contact the vendor in order to affect this.
3. Are there Accounts Receivable? Have you bought these, and if so, who are they and how old are they? Discuss collection techniques.
4. The Seller should have removed all personal items, but if not, be sure he is notified ASAP so you are not accused of disposing of some treasure.
5. If there are tools or equipment not included in the sale, be sure they are removed before Closing.
6. Are there any leases in effect, for equipment, etc? If you have purchased these items as part of the sale, you should get a lease payoff receipt from the vendor.
7. Is there anything in the business which is owned by a third party (neither you nor the Seller)? If so, dispose of it appropriately.
8. Has the Seller collected any monies in advance from customers? This might be “on account” money from a credit customer. Dispose of this according to the terms of the sale.
9. Is a physical inventory in order? Normally, your final Agreement should deal with this, but it might be well to do this to know exactly what you are starting with.
10. If the premises are leased, you should have a signed lease agreement, in hand, prior to Closing. Keep in mind that its terms may not necessarily be the same as those the Landlord had with the Seller.
11. Consider the kind of advertising done by the Seller. Has anything been paid for in advance? Is there Yellow Page advertising and how is it paid?
12. Are there any maintenance contracts in effect? If not, should there be? Who are the contacts?
13. Will you be expected to pay for any “conversion” fees for software, equipment, etc. that is used in the business and must be placed in your name?
14. Set up a business bank account before Closing and have checks printed in order to properly pay your bills.
15. If stationery, business cards, receipts, etc. are needed, be sure you have an adequate supply printed.
16. Insure that all vendors have been notified, in writing, and that you become the purchaser of record ONLY after Closing. Get a detailed list of vendors from the Seller.

17. Discuss the change in management with every employee to determine whether each will be reporting for work after you are in charge.

18. All utilities should be in your name effective at Closing. There may be some deposits necessary so arrange for this in advance.

19. You will probably need one or more business licenses and these should be purchased in advance of Closing. Also, insure that you have a TIN or EIN and that you have registered your fictitious name in the State.

20. Be sure the Seller is leaving enough business records with you in order for you to conduct business.

21. If the premises has an alarm system, advise the vendor of the change of ownership so that YOU are notified in case of a fire or break-in.

22. Has the Seller written to customers about the sale? Decide whether it would be appropriate for you to introduce yourself, in writing. Posting a notice on the premises might also be appropriate.

23. If there is a website, be sure you own it and can modify it if appropriate.

24. DO NOT plan a “grand opening” type celebration until you have learned the basics of the business, the Seller has completed your training and he has left.
CHAPTER 7

MARKETING

Some experts contend that this subject spells the difference between success and failure in almost any endeavor. Whether that is universally true might be argued, but there is no dispute about the importance of attracting and holding customers, of knowing who the customer is, the pricing strategies to implement, presence on the online platform and reaching out to customers through several media outlets including the all pervasive social media. These tactics can form the basis of a sound marketing plan.

The following pages discuss some of these topics to get you started.

To further help small businesses SCORE has made available a Marketing Cookbook, which can be downloaded at https://score.box.com/s/pwz4nsh82pk1bro9gj0l.
MARKETING

“Marketing strives to connect a product or service with a market for that product or service.”

Michael Puican – Associate Director of Corporate Training, DePaul University

“Meeting the needs of your customer at a profit.”

Philip Kotler - S. C. Johnson Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University

“Marketing is products that don’t come back and consumers that do.”

Steve Dawson – President, Walkers Shortbread Inc.

KNOW YOUR MARKET

Your business will not succeed just because you want it to succeed. Determining a market for your products or services is the most critical item of planning.

Once you decide on your product or service, you must analyze your market—a process involving interviewing competitors, suppliers and new customers. However, before you begin researching your market, you should take a brief, but close, look at your product or service from an objective standpoint.

You should ask yourself:

Is this product or service in constant demand?

- How many competitors provide the same service or product?
- Can I create a demand for my product or service?
- Can I effectively compete in price, quality and delivery?
- Can I price my product or service to give me the projected profit?

Once you are satisfied that these questions are answered, move on to your research. Market research is extremely beneficial; the information gathered can increase your profit potential.

MARKET RESEARCH. Good market research uncovers these things:

- Shows alternative approaches to your market.
- Provides a more accurate base for making profit assumptions.
- Aids in the organization of marketing plans.
- Assists in the development of critical short/mid-term goals.
- Breaks down your market’s profit boundaries.

Unfortunately, many entrepreneurs fail to complete this critical section of their business plan. Collecting research data can be frustrating unless you have defined your goals and organized the collection and analysis process. To prevent this from
happening, you must plan how you will collect, sort and analyze the information. Maintain a notebook and file in which to store, organize and retrieve data as needed.

FOUR CLASSIC COMPONENTS OF MARKETING

Marketing your brand can be the most rewarding aspect of business ownership. The excitement and pride experienced in promoting a successful brand can compensate for the many difficulties a small businessperson encounters.

There are hundreds of books about Marketing, its tactics and philosophical approaches. But, one common thread is that Marketing is neither “Sales” nor just “Advertising”. Another common idea is that marketing activities should be targeted, operate within coordinated plan to reinforce the brand message and produce measurable results.

It is critical that an entrepreneur understand Marketing as a series of planned and measured activities leading to a sale and guiding post-sale support activities. Though discussed separately, these activities are tightly integrated and are the foundational elements needed in building your “brand”.

I’m Franchising. Can I skip this Marketing chapter?

The guidebook devotes a chapter to Franchising. Franchisors handle a lot of the Marketing process, from branding, product design and delivery, site location and promotion. By relieving the franchisee from some of these burdens an entrepreneur can focus on the service or product delivery. But there’s a price of course, both in expense and loss of control.

But buying a Franchise requires understanding the decisions the Franchisor made in building their business model and determining if their answers fit you and your market. So yes, you should read not just this chapter, but all the other ones too.

Step One: Branding, Building your Business Concept

The first step in any Marketing process is defining why you are in business, the initial step in developing a “brand”.

So what is a brand? A brand, in a strict sense, might be considered a trademark or name associated with a product or service. In a broader marketing context, a brand distills what customers think about your name. Your brand stands for your value proposition, or what your business brings to the customer. The value goes beyond the relationship of price to a customer’s level of need or desire. It includes your customers’ evaluation of your reliability, ease of completing a transaction comfort in dealing with you or your staff. In a world of competitive products or services thinking like the customer and carefully understanding their needs is crucial in developing a brand and ultimately a business model.
It seems odd then that Steve Jobs famously said, “It’s not the customer's job to know what he wants.”

Or that Henry Ford also opined, “If I’d have asked my customers what they wanted, they would have said faster horses.”

These quotes are often misinterpreted as evidence that the greatest business minds (and who isn’t in that category) can safely ignore customers’ views, later dazzling them with innovative products. The truth is, these men understood their customers better than the customers themselves.

Steve Jobs went on to describe his process as, “You start with the customer experience and work back to the technology, not the other way around.” Jobs saw the potential in ordinary people using computers outside of the office for education, entertainment, and design though few others, outside of the initial market for hobbyists, did. What he, and Steve Wozniak, concentrated on was making the computer integrate into the home environment as well as function for a business desktop. Both of the interior and exterior received detailed attention with an overall emphasis on minimalism and integration of components. The marketing appeal and brand was based upon personal empowerment, a sense of counter-culture creativity, eye-catching design and, of course, value relative to other alternatives.

Apple is one of three companies credited with inventing the personal computer. Apple is the only survivor, to a great degree, because it tapped deeply into its customer’s experience and understood their emotional and utilitarian needs even before the market recognized their solution.

Henry Ford did not invent the automobile, but the method of making it in mass quantities to expand his “addressable market” beyond the handful of wealthy automobile enthusiasts. He saw the potential to replace horses as reliable transportation, the broader market’s real need, and recognized the opportunity to create an alternative at a price that made horses a luxury. Ford designed a simplified method of assembly, as Wozniak later simplified the Apple operating system and interior component design, improving not only value in both cases but also utility.

Ultimately as car manufacturing became more commonplace, new market values and emotional needs were identified, some not dissimilar to the Apple computer. Empowerment, freedom, self-esteem, individuality were all used to promote automobiles. Great care went into designing, and annually redesigning, car models and integrating their design values into advertising.

What these and other successful businesses have in common is their identify some level of originality in approach by defining a customer’s need at a very basic or emotional level. Successful brands have at their core some emotional commitment from the customer. Cars are metal, rubber, glass and plastic. Soda water or an energy drink is 90%+ water. Bottled water is 100% water. But commercials for all of them are similar in that their brands cater to a customer’s aspirations of adventure,
accomplishment, safety or convenience.

Experience in your selected business definitely helps, but the trap many experienced entrepreneurs fall into is their technical mastery of a service or product clouds their ability to gauge their market correctly. They think of their market as the service itself and resort to delivering familiar solutions instead of developing unique approaches. They may miss the emotional component that transforms a brand from a name into a business “personality”. The degree of emotional intensity in every brand varies, but whether intense, as in fashion, or subtle as in lawn care, there is a value beyond price or utility, which every successful business identifies.

A business like lawn service, for example, is not about making plants shorter. It is about convenience, the value of time, the desire for self-esteem, or at least not having a yard that looks like a haunted graveyard. Each one of these values has a price in the customer’s mind and appeals to different segments of customers. Positioning your business to service these needs, identifying the customer segments which value them differently and motivating these customers to buy your service constitutes Marketing.

Another example is on-line retailing. By definition an impersonal transaction, the goal for an e-tailer is to recapture the feelings a customer has when entering a favorite local store. Using graphics and pictures in place of architectural fixtures and menus to browse a site, a virtual shopping journey is created. The personal connection to the customer, formerly the job of a clerk, is enhanced through stories of the “e-tailer” on the “About” pages of a typical site as well as customer reviews of products. Outlets such as Facebook or Google+ allow for direct, or at least electronic, communication between customers and “e-tailers” and create little communities of interested buyers.

A whole industry has sprung up to support on-line retailers in creating this experience with sites like “Shopify”, “Wix” or “Big Commerce” providing turnkey solutions. Software like “Wordpress” can even assist in building independent sites. Smaller retailers can take advantage too of marketplace sites like “etsy”, “ebay”, and even “Amazon”.

But whether you sell a service, operate a brick and mortar retailer or an on-line site, imagining the customer, literally being capable of defining physically their look, habits, likes and dislikes, age, gender, family, location or any other characteristic is critical. Translate these physical attributes into values you might assume your customers hold like reliability, self-esteem (who doesn’t want a nice looking lawn or a good hairstyle?), convenience and the value of time or any number of intangible needs which your business can satisfy is the next step.

How do you do this research on the customer? Personal experience is a start, but also think about these tips:
Concept development:

- Creative solutions are driven by focusing on breaking your business ideas into emotional values, like security, convenience or time saving, self-esteem. Even businesses selling to other businesses must realize they still sell to people whose motivations tap into these values.

- Be original but remember you do not need breakthrough innovation to succeed. Small businesses can often build an edge in high quality service, reliability or identifying the most receptive market. Small businesses often create a competitive and brand advantage offering unique products or servicing market niches too small for large companies to economically address. Small businesses are generally good at innovation. Large companies are designed for production on a large scale.

- Take an inventory of your strengths and weaknesses both personally and as a business. A weakness is not something to be ashamed of, so be honest. This is a business not a self-help seminar.

You may address weaknesses by improving or by compensating with strengths, avoiding or minimizing the role of a weakness or getting help and delegating. Remember your competitors have weaknesses too as well as strengths. If they don’t match up with your strengths and weaknesses, that creates both an opportunity and a challenge. Craft your marketing accordingly. Build your ideas around what you do best and what your competitors don’t.

  - Henry Ford initially allowed customers to pick a car in any color they wanted; as long as it was black. Automotive artistry was not his strong suit, but it wasn’t a critical element in launching his business either. As competition increased, the need for design or horsepower as a brand differentiator became a critical element. Ford illustrated that you need not solve every problem initially to start a business, just the critical ones at that stage.

- Once again, the Internet is your friend.

  - Search for blogs, business sites liked LinkedIn or Meet up groups to find entrepreneurs and concepts. Go to a “Maker” session hosted in conjunction with the Lehigh County Development Council (or Northampton County) if your idea involves a product.

  - Another tip. Track the key search terms or resources you found most useful in locating your competitive sources. You might want to use these terms later as search keys (“ad words”) for your on-line promotions or website. How are your competitors positioned on-line? Website? Aggregator store (etsy, Amazon)? Are they on Google+? Facebook? What do their values or brand personalities
look like. Imagine a person, or persons, you know who seem like a representation of a competitor’s brand.

Customers Identification:

Your Customer research should ask these questions and developing specific answers, which mean numbers.

- Who are your customers?
  - Explain the three most significant groups by age, gender, income, household, marital status. Address all demographics, whether you think they are important or not.
  - Literally find pictures of people on the Internet who might represent each group.
- Where are they located?
  - Get a map and define your market areas.
  - Google maps may help: https://www.google.com/maps
- What are their needs and resources?
  - Think in terms of value based needs like security, convenience, self-esteem, value when defining your offering as well as specific utilitarian purposes.
- Is your service or product essential in their day-to-day activity?
  - What are their buying habits? Weekly? Monthly?
- Can the customer afford your service or product?
  - Is there a range of products or price points you can offer?
- Where can you create a demand for your service or product?
  - Where will your customers see your offering advertised?
- What areas within your market are declining or growing?
  - Think about groups, geography, needs.
- What is the general economy of your service or product area?

So how might you get this information? The good news is that research, though difficult, and time consuming is much less burdensome than in the past and some “old fashioned” ways should still be used alongside the wealth of information on the Internet.

- Start by shopping the competition. Almost every customer need is already being satisfied, even with the obviously imperfect substitutes for your business idea.
  - If the competitor has a physical location, visit it. Make notes on everything you see from location, to cars in the parking lot. Be specific about time and numbers of customers you observe. Count cars passing by. Use numbers and make multiple visits, varying the time. What types of stores or firms are around it?
• If your competition is on-line, take screen shots of their pages. What do you like about the navigation? Layout? Artwork? How do they interact with customers?
  ▪ If the on-line competitor has a brick and mortar location is the virtual message on-line consist with the feel of the location?

• Don’t limit yourself to local competition. Get fresh ideas by traveling to locations well beyond your intended market area. Chat up the owner in an out-of-market area, if possible.

• Map out your competitors’ locations and territories using your estimates as criteria.
  ▪ What zips are they in or how far might a customer travel to transact business?
  ▪ How would you rank the appearance of their stores or knowledge of their personnel?
  ▪ Overlay their locations with your market map and location. Do you overlap with anyone indicating a primary competitor? Could you locate near a weaker competitor or is there enough market for 2 or more competitors to survive?

• Talk to customers:
  o In a store, talk to a few customers as you would another shopper.
  o Go on-line. A tremendous amount of research is free about your prospects and their customers on blogs, or customer based review sites like “Yelp” and “Google”. But make notes of what is said. Try to categorize comments into useful criteria for customer definition. What the best thing said? What’s the worst? Do either seem reasonable?

Building an advisory group or a sounding board for your planning ideas:

• Be careful about supportive friends. Take their advice with some caution. Unless they have experience in your idea or run businesses, they may be too conscious of maintaining your friendship to offer objective opinions. They are not taking the risk.

• Conversely, be careful not to be talked out of ideas too quickly by those same friends or family.
Business is a risk and most people are risk averse. Look for benchmark businesses as a guide to see how a similar idea to yours is working.

The Ford farming family may have thought Henry was a little daft. He recognized the customer need to be solved was not merely building an automobile, but an assembly line, a concept which was revolutionary and a bit crazy in 1908.

It was Thomas Edison who encouraged Henry Ford to persevere.

- Providing help to refine or develop your business plan is, of course, a core competency of SCORE. That’s why you’re reading this book. But there are other development organizations in the Lehigh Valley who can assist. A quick Internet search can reveal numerous organizations supporting local business.

Once you’ve defined your customer, you’re ready to start accumulating market information, in short how many customers are out there?

- The library is your friend. They can help you access research materials like US Census data.
  - They can also help you with listings of trade associations and journals and may have subscriptions to this partial list of resources.
    - Dun and Bradstreet business data (http://www.dnb.com)
    - Creditsafe business data (http://creditsafe.com)
    - Gales’ Encyclopedia of Associations non-profit data (http://blog.gale.com/tag/encyclopedia-of-associations/)
    - Reference USA consumer data (http://resource.referenceusa.com)
    - Census data (https://www.census.gov)
    - Pennsylvania State Data Center (https://pasdc.hbg.psu.edu)
    - Philadelphia Federal Reserve (https://www.philadelphiafed.org)
    - U.S. Commerce Department (https://data.commerce.gov)
      - The Commerce Department data also contains links to other Federal agency sites.
    - United Sates Zip Code data consumer profiles data by zip (https://www.unitedstateszipcodes.org/)
    - City Data free consumer data (http://www.city-data.com)
    - Town Charts is similar to City Data but greater demographic detail (http://www.towncharts.com)

- Regional planning organizations’ studies on growth trends. The Lehigh
University Small Business Development Center may be able to provide reference or research material.

- The SBA and SCORE can assist with U.S. Government publications and plan development.
  - SBA.gov
  - Fedstats.gov
  - Economicindicators.gov
  - Lehighvalley.score.org

The general idea in using these sites is to identify basic demographic information like income, occupations, industry, race, gender, age or any statistical census category that groups and counts individuals or businesses. Usually categories like income are tabulated across other factors to provide geographic subgroups that may provide data closer to your addressable market customer profile.

One caveat though is that unless you’re pretty good with statistics or number don’t over overwhelm you, it might help to get some advice from organizations like the SBA or Small Business Development groups. There is also purchased data available which will make the process of market assessment much easier since the process of turning data into information is partially complete, but it’s generally not cheap. Try to get somewhere with the free resources first.

An example of estimating a market:

Once you’ve identified a group size, let’s say households with income above $60,000 within 5 miles of Easton, PA, (zips, area codes, geo-codes) your next step is essentially a guess. If there are 15,000 households fitting these criteria, how many might reasonably use you? 20%? 5%? Truth is you don’t really know, so you need to make some guesses and calculate the impact on your business.

Most businesses will try to estimate customer universe or addressable market using several methods of calculation to arrive at a range of answers which narrow the possibilities, reinforce the limits of your educated guesses and hopefully provide some confidence in the estimates.

For example, another approach is to identify competitors and estimate how many customers they might have as a guide as to how many customers might exist. So, lets say there are 5 competitors in the Easton area. You’ve visited their sites and they seem to have 2-5 customers on each of your visits. So, assume there are 10 to 25 total customers visiting the 5 competitors daily or (skipping weekends in this example) about 300 working days or 3,000 to 7,500 customer visits. That’s a big range but if you expect a customer to visit twice in a year that’s 1,500 customers in the area at minimum and maybe 3,750. So maybe 10% to 15% is a reasonable estimate of 15,000 potential households. Can you make it as a business if you can siphon off 10% of your competitor’s business, 150 to 375 customers?
Sometimes tests can help to estimate market interest. For example, free product or service offers give you some idea of how many customers there might be and how susceptible to recruitment as your customer they might be. People like “free” on the Internet. Remember though to get their names and email addresses at least. If you can physically ship a product, their mailing zips may allow you to “work backward” into a demographic profile.

Of course the question can be asked why the other 90% of the possible customer universe (prospects or “suspects”) isn’t buying and can I get that share to build my business? The answer is a qualified “yes”. Remember the competitors are not reaching these prospects either, so it is likely they are difficult to win over or you have a competitor you are unaware of. Without any knowledge about why they aren’t buying these households are considered “suspects” or very long term opportunities.

Ultimately defining your customer (or more likely customers) should become the foundation of the other elements of your plan. But for your business plan you need to make 2 more guesses.

- How often will a customer buy (weekly, monthly, annually, bi-annually)?
- How large a purchase is anticipated, both in quantity and price?

Your own estimate of product usage, on-line customer reviews and your competitor visits might make these answers easier to guess. “Easier” is always a good thing starting a business and the better news is that both of these factors actually have a greater impact on projected revenue than customer count.

If every customer buys twice instead of once, for example, you double your sales. For small businesses, excellent service or unique merchandise, along with innovation, are the secret weapons that larger enterprises often can’t match. They allow the entrepreneur to build and maintain a customer base. Keeping customers is dramatically easier and cheaper than getting new customers. Increasing sales into these customers is the surest way to develop a profitable business.
MARKETING’S FOUR “P’S”

Getting the customer to buy more frequently without feeling pressure (or resentfully not buying at all) and securing new customers to replace inevitable losses or expand requires a strategy incorporating Marketing activities in four classic areas, sometimes referred to as the “Four P’s” of Marketing.

Price
Promotion
Product/Packaging (or Service Presentation)
Place or Channel

Price

Price is the point at which both the buyer and seller come to agreement, though from seemingly opposite directions. Buyers want “more for less” and sellers “less for more”. But the different views of more “more” and “less” provide the room for agreement.

“More” to a buyer may not just include the product, but, for example, the anticipation of reliability, its brand feature. Even if priced identically, the more reliable item will get the nod from the buyer. At some point though there is a trade off. Reliability has just so much value and if the cheaper item is half as much, the buyer can rationalize the purchase of the cheaper item, or maybe not. Maybe the time lost returning the cheaper item or the frustration of breaking down or other values like trust in the seller is enough to reinforce the more expensive purchase.

Another example is jewelry. Emotion plays into any artistic purchase, but gemstones are traded wholesale according to specific grading of features, not unlike eggs. The reputation of the jeweler, or brand, provides the customer perception allowing for a higher price for an apparently identical item at another retailer.

So brand plays a critical role in making a sale and ultimately pricing. In a sense, the profit of a business, the amount of money received over cost, is the value of the brand. But the emotional value of a brand is difficult, at best, to quantify since it resides in the mind of the customer. And even leveraging a brand, profit can be achieved by selling more stuff at a discount, charging a premium price for fewer items or using both tactics simultaneously.

So price is not a figure that can be derived with a simple formula. Instead, three interdependent factors must be considered.

Cost
Customer
Competition
**Cost**

Cost is the easiest of the three dimensions to identify and the only one that falls under the direct supervision of the business. Outside forces such as suppliers or regulatory bodies can force price (i.e. cigarettes), but your competition should be similarly impacted, essentially removing much of the impact.

The single biggest struggle for many small businesspeople in this area is the lack of understanding of their costs and specifically the role volume plays. To understand that interplay you need to understand breakeven analysis.

Simply put, breakeven analysis divides costs into 2 broad categories, those that change depending upon items sold or hours worked and those that do not.

The latter cost category, called fixed cost or overhead is comprised of contractual payments, like rent, leases or loans as well as salaries of administrative staff, marketing or sales expenses, equipment depreciation, property taxes, licensing and the owners salary.

The former category of costs, the variable costs, move with the volume of hours worked or items sold and consist of salaries, materials and shipping directly involved in the manufacture or service provided.

Items like sales taxes are separate from price, being a pass-through to the customer, and are not included in this analysis.

The constraint of breakeven is capacity and its application to the fixed costs. Simply put, how much production can you get out of the fixed costs before they need to be increased? Sometimes these constraints are compared to steps. Fixed costs remain flat, like the width of a step until you reach the limit and ascend one step. The cost of that next ascent is a steep immediate rise in cost, but if you have sufficient volume to continue the climb beyond that initial jump you can spread the cost over the broader base customers and hopefully lower your total costs.

So price is determined by working backwards from the fixed costs to the either the firm’s ability to produce billable hours or the number of items forecast as sales. Price becomes the cost per item plus the required margin or gross profit per item (or hour) to cover the fixed costs at a defined or average achievable capacity, usually some percentage over 80% of maximum output.

So covering the fixed costs means that you need to estimate a unit capacity that you intend to operate at, or a practical, achievable capacity. To illustrate, if I have rent that costs $1,000 per month but the space allows me to make a total of 1,000 gizmos, the price of the first gizmo should obviously not include the full cost of the monthly rent. But how much of that monthly rent should be in the price? And what if I make 1,000 gizmos one month, 800 in another and 900 in a third? Does the price change monthly? In this example it seems you can make (and sell) an average of 900 gizmos per month. That’s your practical capacity, so in some months (800
(gizmos) you’ll lose a little but those losses will be offset in other months (1,000 gizmos) and usually you’ll be spot on spreading the rent across 900 units. If, through some miracle, you sell and can produce more than you thought, say 1,000 units monthly with the potential for 1,100 using the same floor space. Then you make a little more “bank” since your price is covering your fixed costs with a planned capacity of only 800.

Another example;
A businesswoman believes her fixed costs to be $10,000 per month including rent, her salary, an assistant, a loan payment, property taxes and depreciation on fixtures. She thinks she may be able to sell approximately 500 items per month, which is well within her capacity. Dividing her sales forecast of 500 items into the $10,000 of overhead she needs to cover requires she make a gross profit per item of $20. She thinks that her average item for sale costs $50 so a price of $70 would yield the $20 required per item profit. But breakeven is just that, her business is not making a total net profit selling 500 items averaging $70, even though it’s achieving a total of $35,000 in monthly revenue. She is covering her salary.

She can do essentially 3 things to make money.

- Cut her costs, both variable and fixed, to provide a higher per item gross margin through variable cost cuts and eliminate fixed costs to achieve a lower overhead “nut” that needs to be covered.

- Increase her price either by simply increasing prices or changing her mix of higher and lower priced sales.

- Sell more stuff since she has capacity cushion and possibly decrease her price. The amount she can discount is determined by deciding how many more sales she can make to exceed her lost revenue and how close to capacity she is. So if she could double capacity without increasing costs, her decisions probably rests on how much more she can sell. Discounts like price increases go right to the bottom line. On discounts her variable costs don’t decline, just her price. She’ll need to achieve a more than a 10% sales increase to cover a 10% price discount.

The strategic solutions in a breakeven analysis are fortunately always a combination of the above three answers. The real value of a breakeven analysis is gauging their impact both independently and together. But “BE” analysis doesn’t provide a tactical pricing plan.

**Pricing Strategies**

The better you’ve developed your brand value concept and originality of approach, the easier it is to harness that value to support price while maintaining demand. But the level of exclusivity or scarcity required to dramatically boost price may be difficult to achieve even with the strongest brands.
Most businesses also rely upon a common arsenal of pricing methods to support sales. The tactics below form a basic list but hardly exhaustive. You don’t need to settle on just one tactic either. Businesses can use all strategies simultaneously to create a product or sales “mix” of different items.

Pricing is one of the critical variables in a break-even analysis, especially in regard to capacity utilization. Yes, more revenue in one month versus another indicates some effectiveness in pricing perhaps, but there are additional measures to fine-tune this general observation into more useful information.

One more point about price. Various pricing methods are often about presenting a price in an acceptable manner to a customer. Because you did a business plan, you know that your business needs to sell X amount of things at Y price to grow. That’s across all things you sell. Some items will likely sell above our “Y” or required target price, some below but at the end they must average “Y”, or above “Y”, for your business to be profitable. Don’t mistake the mix of pricing strategies below for any suggesting a compromise on you target enterprise-wide price. If your target price is not attainable, go back to the drawing board and figure out what changes in your business plan you need to make to accommodate the new reality.

Measuring Retail Pricing Effectiveness.

Common measures of pricing effectiveness include not only “margin” (Price – Variable Cost), but;

Sales per square foot - A retail measure dividing Revenue by floor space, floor space being the fixed cost constraint.

Inventory turnover – Cost of Goods Sold (usually over a year or quarter) / Ending Inventory Value the end of the measurement period. You’ll get a number like “10” annually which means that an item stays on your shelves for a little over a month (360 days/10 =36).

Each measure provides some information about price efficiency and the larger the number the better. Inventory turn for example, of 12 is 20% better than 10. The more sales revenue per square foot of floor space occupied, the more efficiently you are using capacity.

Since these measures are routinely calculated and published for large companies, you can calculate these ratios for your business and benchmark them against competition to give you a sense of your pricing performance. If you, for example, have an inventory turn of 6 and larger companies are at 10 maybe you should look at price to close the gap.

Earlier we also discussed 2 critical customer variables, how many times a customer buys and how much each purchase event totals. Here again Sales/Square ft. and
Stock or inventory turn are useful barometers of success. If, for example, you raise a price and notice no change in inventory turn, that’s a successful pricing move. If turn drops, but not as much as the price increase that too is a success. If turn drops a lot… I think you know the answer.

One final item, inventory turn should be calculated by product as well as across total sales to identify slow movers or give you some idea of when to re-order stock and potentially how much.

**Measuring Service Pricing Effectiveness**

Service constraints are generally hours based. Revenue per hours worked is a common measure similar to Sales per Square Foot.

In a service business with a fixed location though, Sales or Revenue per Square foot is an appropriate measure of pricing efficiency.

There is no direct correspondent in the service business for “turnover”, but per service profitability and pricing should be correlated as closely as possible to hours worked. This might require some additional recordkeeping to track service performed when recording hours worked, but without this more detailed data, it might be difficult to figure out what services can be bundled or discounted and what margins exist for each service.

**Measuring Manufacturing Pricing Effectiveness**

This category might be the most complex to measure. However, manufacturing can be thought of as having service and retail aspects, so measures of inventory turn, or revenue per hour worked on a task are appropriate. Potentially even revenue per square foot makes sense in certain manufacturing configurations.

Production capacity of plant and equipment though is a more critical element in setting price than in either a retail or service enterprise. In the breakeven analysis discussion we spoke of determining practical capacity versus maximum capacity. Service businesses need to derive this figure too (as in practical or maximum employee hours available versus hours paid), but manufacturing is more reliant upon machinery and less flexible in modifying short-term capacity than making staff scheduling changes. So these capacity estimates and sales forecasts must be carefully derived in a manufacturer. Having an order backlog for example, greatly simplifies the process and the size and nature of any backlog is itself a measure of pricing effectiveness.

**Presentations of Price**

Prices are a means of communicating to customers. They establish a point of value that may or may not be negotiable, but also say something about your brand and its value.
**RETAIL COST AND PRICING.**

A common pricing practice among small businesses is to follow the manufacturer’s suggested retail prices. Sometimes this is the only pricing allowed under a distributor contract or franchise.

The suggested retail price is easy to use, but it can cause problems. It may create an undesirable price image, or fail to consider competition. Retail pricing implicitly imparts at least a proportion of your brand value to other companies. Being able to “charge retail” may indicate a real strength in your reputation or brand, but doesn’t reward you proportionately for brand development.

Customers too have been conditioned to wait for sales, and your prices will be checked on the Internet. If the same item or service is being sold for less, you will need to compete, effectively eliminating the retail pricing strategy. Manufacturers though who rigidly control price will often sponsor discounts for distributors which help make retail products competitive.

Retail type pricing (assuming there are no contractual restrictions) works best when the items sold are uncommon or competitors are few. High retail prices too can impart some cachet of exclusivity, playing to a buyer’s self-esteem.

Retail pricing can also work when there is a definitive line of gradually improving and more expensive products or services. The customer can effectively “discount” to comfortable price by choosing a less expensive product. This option of choice puts the customer in charge and diminishes uncomfortable negotiations that strain a customer relationship. Retail pricing within a product line also provides a frame of reference for the customer to judge value. Higher priced alternatives can give more credibility to lower priced offerings. Retailers can also use “upsell” strategies in sales to move customers along a product line and lengthen or enhance a relationship and increase sales.

But the advent of on-line retailing makes truly unique items harder to offer, prices easier to evaluate and invites global competitors. Fortunately buyer convenience and trust (ie. brand) might support a vendor’s retail price. Location, speed of shipping, free shipping or the perishable nature of the product might provide the convenience edge a small business needs to compete as does impulse buying in strategically placed point of sale display.

**MULTIPLE ITEM VOLUME PRICING**

This strategy involves selling a number of units for a single price. For example, two items for $1.98 versus one for $1.25. This is useful for low cost, consumable products like shampoo or toothpaste but generally any mass-produced or commodity type of product is sold at prices dependent upon volume.
Many stores find this a desirable pricing strategy for sales and year-end clearances and for items languishing on shelves with slow inventory turn.

A Multiple Pricing strategy is essentially designed to improve unit volume by absorbing a lower per unit margin. The theory is that fixed cost, whether floor space or a salesperson’s salary is paid whether 10 units or 1 unit is sold. 10 units, even with lower percentage margins should create more profit than 1 unit.

A variation of the multiple unit price is the Buy One, Get One or BOGO, or second item is half price technique used in clothing sales when selling across similar but not identical items.

Service companies can use a variation of volume pricing in offering usage plans or longer contractual arrangements guaranteeing a minimum number of service appointments but at a lower cost per appointment.

Memberships, loyalty cards, reward cards are all possible volume purchasing pricing strategies specifically targeting improved customer loyalty and buyer retention for any type of organization.

**BUNDLING COMPANION PRODUCTS OR SERVICES**

Bundling is a common strategy which groups companion products and services. It allows a retailer to make comparison-shopping more difficult and sets of products make a stronger value statement. Bundling can also help increase inventory turn of slower moving products and introduce new products to customers. Sometimes bundling is associated with a “cross-sell” strategy.

Key to effective bundled pricing though is a detailed understanding of per item and breakeven cost including sales and marketing costs. Bundling is volume based pricing concepts in that smaller margins could be offset by higher unit sales.

Another form of bundling is the sale of a service package like a warranty or some post sales follow up for a modest additional charge.

Bundling can be a temporary inducement or permanent feature of a pricing scheme.

**COMPETITIVE POSITION**

Pricing to undercut a competitor is a fact of life, but a risky strategy and the antithesis of a value brand if that is your common pricing tactic.

There are few businesses immune to comparative pricing, so you will occasionally fall into this trap. But trying to be the lowest price in town requires careful operational control, a firm understanding of market potential and production costs and a strong sales function capable of selling in volume. Being the low cost provider is usually not the strategy of a successful long-term business but it may be need to build an initial
customer base as discussed in the Ansoff marketing strategy section.

If you need to beat the competition to establish a market presence, make sure you have well defined follow on strategies to upsell, bundle or cross-sell to expand your market and improve your sales mix.

Before you decide to beat the competition make sure you select the right competition. If you serve a specific customer segment look at the competitors who cater to them currently. A small retailer for example, should compare prices with a similar store. Do not try to compete with a large store’s prices, because they can buy in larger volumes and their cost per unit will be less. Instead, highlight other factors, like customer service, product knowledge, enthusiasm and possibly a broader product line trying to identify the elements most customers’ value.

The one area in which a smaller business may compete with a larger one is in on-line sales. The volume purchasing advantages of large buyers can be offset to some degree by lower overhead and possibly leaner inventories in smaller operations. It is probably more important to sell unique or higher end merchandise if you are a smaller retailer, for example, to avoid direct competition on products.

Service based companies often have a difficult time emerging from a competitor based pricing start. It is especially important for them to migrate to either volume-based contracts that provide a base of work or have well defined follow on sales strategies to improve pricing mix.

If you can offer an exclusive personal service or an artistic one, competitive pricing really is not a recommended strategy. For an artistic service like hair styling, there are no competitors, only substitutes. You may need to offer initial discounts to build a clientele, but reputation should overcome competition.

**IF YOU MUST PRICE BELOW COMPETITION**

You can be successful using this pricing strategy but a firm needs to constantly reduce its costs. The difference in strategy between small and large companies is the difference between innovators and scale producers. Large companies invent many of our most complex products, but often they synthesize the work of smaller vendors in the supply chain. The strength of a large company is doing large things reliably and economically. For a small company it’s a tough neighborhood to stake a claim.

The one major downfall for competitive pricing is that the competitor can do this too.

In retailing the key is obtain the best prices possible in the right quantities for the merchandise. A line of credit, a keen sense of the market direction and a good eye for purchasing are essential. Retailers believe that buying merchandise right is arguably more important than promoting it correctly.

A few things to consider if low price is your key brand value are:
Locate the business in an inexpensive location or facility if possible but if you expect foot traffic you need to be visible or at least have an interesting location, even if it is a rehabbed warehouse.

Closely control inventory. Watch your turnover. Limit the lines to fast moving items. Too many small retailers let items languish. If merchandise is dying have a plan “B” to remove it or resell it. Cut your losses and get a replacement product that makes money. Always look to replace your slowest items even if they sell occasionally. Don’t get emotionally attached. Test new items or get consignments.

Design advertising to concentrate on “price specials”. “Everyday low prices“ has become a hollow offer and doesn’t stimulate traffic as it once did. The Internet retailers and large discounters have invested in making that niche’ their brand.

To reduce costs and provide upsell or cross-sell opportunities, offer no or limited services free of charge. Service charges might be your profit center if your brand value is “low cost“. Service is often less price-sensitive than product cost. King Gillette’s famous marketing strategy was to all but give away safety razors in anticipation of selling the replacement blades at a profit. If service is your profit center make sure you do it well. You want customers to come back.

In retail service and product are easily distinguishable. Pure service providers must be careful about providing too much service for the price. Naming and defining services are part of the Packaging discussion later on but one advantage of naming and defining a service is you develop a defense against “service creep”.

“Service creep” is not a person, (we’d hope) but a description of small service additions accumulating into large amounts of additional labor and unreasonable customer expectations. If you are a low cost provider you must clearly set customer expectations, use written contracts and make sure you have the discipline to adhere to your agreement. Customer requests though can set the stage for “upsell” opportunities and occasional “favors” can enhance a relationship.

**DISCOUNTING**

There is an old joke that a shopkeeper explained his pricing practices as losing a little on each item but making it up in volume.

But it’s not funny when that actually happens in a business.

Discounts, by definition are temporary. They are more of a promotional tool than a strategy. Discounts can serve many purposes. They can compel an indecisive buyer to commit, introduce new products, clear out old ones or pump up unit sales or seasonal volume to cover monthly fixed costs. Discounts can entice buyers into stores to purchase other merchandise. Discounts can be used effectively in penetrating other quadrants of the Ansoff marketing strategy matrix.
We’ve discussed most common discounting techniques as strategies above so discounts can be used to test new pricing strategies alongside existing ones.

**PRICING ABOVE THE COMPETITION**

This strategy is possible when price is not the customer’s greatest concern. Think of this as the “Tiffany” strategy. Interestingly smaller businesses can often use this strategy more effectively than larger ones. Buyers implicitly assume scale and cost savings are available to large companies but not customization preferences, breadth of offerings, service and a variety of intangibles. That’s where Tiffany’s differs from a department store or mall chain.

Tiffany is a model for a small business. They highlight personal service and sales staff are knowledgeable. They have a history or company story. They offer exclusive merchandise. They stand behind their products. They convey prestige.

These are not unattainable goals for small businesses.

But as with pricing against competition, understand your competition. Tiffany prices in line with Cartier, Graff, Van Cleef and Arpel, or Harry Winston. They do not price in line with Macy’s or Costco. Likewise, their clients do not expect Costco service, as friendly as Costco employees may be, or its warehouse ambiance.

**A WORD ABOUT SERVICE COSTS AND PRICING.**

Retail and manufacturing pricing literature is quite extensive, but services are a common area for small business and less is available in this area, possibly because the topic is so broad.

Every service has different costs. Many small service firms fail to analyze their services’ total cost, and therefore, fail to price them profitably. Though not intended to be comprehensive there are some elements that stand out in service pricing.

Are you location dependent or independent?
As mentioned previously, location dependent services like hair salons or restaurants must account for capacity in square footage. Location independent require consideration of depreciation on transportation vehicles or geographic coverage as a constraint.
Home-based services have neither specific constraints unless some semblance of product creation is required.

Correlating hours worked versus paid to tasks performed.
These are the fundamental building blocks for costing and pricing services. Remember to use not only the hourly wage, but include fringe benefits such as social security, workers compensation, unemployment compensation, insurance, and retirement benefits.
There is also a difference between working hours and paid hours. Transportation, breaks, meetings, training all create a variance between billable and paid hours. Include some factor for paid but unbilled hours when pricing. Include supervision and the costs associated in your labor estimates.

Material Costs. This are the cost of materials found in the final product. For example, the wood and other materials used in the manufacturing of a chair are direct materials. There are courses on job cost estimating, for example in construction, but some businesses do not account as carefully for unused materials. Include some factor for spoilage, loss or scrap when building estimates.

Overhead Costs. Any cost not readily identifiable with a particular product is overhead. These include indirect materials and indirect labor, such as maintenance, supplies, repairs, heat and light, depreciation and insurance. These are not charged to direct labor, but must be included as a cost. Examples are clerical, legal and janitorial services and supplies. Insurance, taxes, rent, advertising and transportation are also overhead costs.

Part of the overhead costs must be allocated to each service performed or product produced. The overhead rate can be expressed as a percentage or an hourly rate. Adjust your overhead costs annually based upon an estimate of practical or capacity estimated usage in square footage, scheduled labor hours or machinery output. Remember too that capacity is controlled by the bottleneck or the least productive element in your operation.

Charges must be revised to reflect inflation and higher benefit rates. It is best to project the costs semi-annually, including increased executive salaries and other projected costs.

Long-term contracts tend to work best in service business in which buyer frequency is either unpredictable or in a competitive environment. You are better off sacrificing margin for predictability. If contracts can’t be obtained loyalty programs with discounts might be an alternative.
Promotion

A basic premise in marketing is that you can't sell to everyone. We've already discussed identifying your target or ideal customers, but defining how to approach the range of possible customers, or the addressable market is the next step.

When estimating revenue from an addressable market the basic considerations are:

- The size of the “addressable” market, or the reasonable estimate of potential buyers. Size is generally determined by a unit count like number of households in a geographic market that fit a pattern of age, income etcetera.
- The penetration of that market or how many buyers you expect or need to breakeven annually. Usually this figure is in the low single digit percentages.
- The number of purchases expected within that year.
- The value of the purchases.
- Where do you fit in the market?

A simple model, called an “Ansoff Matrix” illustrates a graphic approach to assessing your market position and growth by categorizing your addressable market into 4 promotional strategies. The segments are defined using 2 criteria, buyer (customer) versus a prospect (new customer) and whether the product (or service) is an existing or new offering.

![Ansoff Matrix Diagram](image)

The Ansoff was originally designed for a mature company (Lockheed Martin) to rationally segment its many existing businesses and offerings. But an entrepreneur must always focus on a multi-year business plan for even a new venture. The matrix concept helps to categorize and ultimately coordinates promotional needs, expectations and strategies into a long-term business progression.
Initially a new business starts in the top half of the matrix focused on acquiring new customers. The bottom, foundational quadrants cover existing customers. “New” customer in this case includes customers who do not buy this service anywhere from anyone. They may be unaware of the need or be satisfying it with a poorer substitute. “Existing” may be a “new” customer for you, but is an existing buyer from someone else.

Entrepreneurs can start in the in the Diversification category, defined as New Products to New Customers. By definition a new business is attempting to penetrate a market with an unfamiliar product or service and without the help of brand recognition. This marketing phase is sometimes characterized as “missionary work” in that a business needs to concentrate on explaining unfamiliar benefits or features when promoting a brand value. Unfortunately, this is the toughest neighborhood to start marketing and why so many businesses fail.

If this phase characterizes your starting point anticipate spending more time and money on promotion, no matter how brilliant your idea. Sales too may be slower in your first year of operation than you foresee. Referrals, testimonials, references are all extremely valuable for success in this phase. Make sure your social media fully covers this feedback.

Due to the difficulty this marketing challenge presents, a business is sometimes encouraged to “fail fast and often”. The point being, it is more important to recognize product or service offering “losers” or promotional failures in this phase than in any other phase of Marketing. Cutting your losses preserves capital, avoids brand damage and frees your organization to find the winners or successfully promote them. So, plan on spending more money promotional than you think you might but insist on achieving interim sales targets to identify losers, absorb as much sales feedback as possible and move on.

The bright spot entrepreneurs should focus upon is that businesses representing true market disruption, like Amazon, Apple, Ford, General Electric and many of the largest global companies started with this marketing challenge. So success in pursuing New Customers with New Offerings can create truly spectacular results.

Diversification is a strategy entirely dependent upon strong brand recognition to overcome buyer skepticism.

- Really, really, really refine your “pitch” refined into a short, impactful statement.
- Unfamiliarity can breed curiosity. Quirky, catchy or unique marketing pitches convey a message of “newness” supporting your unfamiliar product or service.
- Blogs, webinars, social media, and publicity generally must become a full-time focus.
- “Free” is not always a four-letter word. But air is free too. Be careful about inflating sales with it. Emphasize promotional offers, discounts or samples.
But plan to price aggressively, but responsively at some point to test the market.

- Make sure you understand your breakeven point. If you can’t sell something at the required price that’s a strong mark against its continuance as a product or service without at least some modification.
- Keep your promotion strategy focused on references and explanations of value.
- Consider consignment sales opportunities to alleviate the need for capital and fixed costs while you build your market.
- Investigate “Kickstarter” [https://www.kickstarter.com](https://www.kickstarter.com) or similar sites. Kickstarter is not a “shopping site” but you do provide “sponsors” with products in exchange for their funding pledges. Sponsor proceeds raise capital but they also help you assess demand for your product as well as give you a test in production and fulfillment (ie. shipping).

Some startups though start in the opposite and much less risky quadrant, Market Penetration. In other words, the service is familiar like hair cutting, and the customers are being satisfied somewhere. Having customer familiarity with a service, product or a brand available in a new market territory makes getting a business started much easier but not foolproof. The marketing issue becomes differentiation from competition.

Franchising might be normally considered a Market Penetration challenge, but it can be a Market Development effort if proven products are sold to a market with little awareness of the need or solution.

Typical strategies for promotion in a Market Development or Market Penetration strategy for example, concentrate on introducing a business to a market or reinforcing buyer preferences for your offerings:

- Really, really, really refine your pitch into articulating why you bring a strong new value into a familiar service.
- Existing buyers are likely educated buyers. Make sure new offerings are truly distinguished from existing ones, either by design or function.
- Thoroughly promote in a target area both geographically and by marketing channel whether social media or mass media like newspapers. Avoid covering too many channels and spreading your resources too thinly.
- Expand geographic coverage of your marketing efforts.
- Test new customer segments with characteristics similar to your existing customers.
- Develop a loyalty program to transform your “new/existing” customers into “existing” ones.
- Have an on-line website or store front and at least one social media conduit for a new customer to review.
- Keep your promotion strategy focused on happy customers and explanations of value. Encourage customer reviews, even bad ones.
• An absolute must is to build a reference and foundation customer base to support the business and the brand. Address bad reviews and thank people for good ones.

The Product Development is considered more risky in achieving success than Market Penetration, but less than either Market Development or Diversification. The degree of risk is to a great degree dependent upon your company’s brand value and loyalty. Product development is targeted primarily for existing buyers who are existing customers and fuels intermediate term, current-three year growth for many companies. Product Development is also a defensive strategy versus competition. Changing or enhancing your business offerings forces competitors to adapt to you, not vice versa.

Strategies for promotion include:

• Have a follow on sales strategy for a new product offering, to encourage repeat sales within your existing base as well as entice prospects into taking a second look at your business.
• Add, bundle and publicizing new services or new products.
• The Product Development goal is to drive greater revenue per customer or expanding foundational customer base.
• Explore adjacent “spaces” in the market (e.g. lawn care to landscaping). Do not stray too far from the established brand values and offerings unless you plan on pursuing.
• Consider marketing strategies with partners and complimentary strategies to expand your offerings and cross or up-sell across different customer bases.

The final segment is the “bread and butter “Existing Sales to Existing Customers” or market penetration. In this sense “Existing customer is really an existing buyer, not necessarily your customer. The focus again is on value relative to competition.

Strategies for promotion include:
• Service, Service and Service are the three most important elements.
• Promote Loyalty programs, memberships and exclusive discounts available to your customers.
• Consider marketing strategies with partners and complimentary strategies to expand your offerings and cross or up-sell across different customer bases.
• Competitive price matching or discounting to attract buyers who are not customers.
• Expand your social media presence to incorporate new outlets and consider using a social media management software like “Hootsuite” or designate a social media manager in your company.
• Look at expanding your social media presences or virtual “storefronts”.

As an existing business grows, various parts of the business are constantly
engaged in each successive segment. You never completely leave the Market Penetration phase for example, since you must expand your business to offset inevitable customer churn or loss. But managing customers, products and services across different marketing phases requires different approaches for each segment and a rational plan for allocating your marketing efforts and expectations.

Some marketing publicity tips though carry across all marketing phases. Call them Gorilla Publicity Tips. “Guerilla Marketing” is the use of cheap, clever, unconventional marketing and sales methods. The term was coined in 1984 by Jay Conrad Levinson in his book “Guerilla Advertising” and is as relevant today as it was over 20 years ago.

A quick search of the Internet or a trip to the bookstore reveals countless ideas about Guerilla techniques. But part of the fun is developing your own. The key to Guerilla Marketing is creativity not copying. To help you get started thinking about Guerilla techniques we’ve compiled a few basics below.
Guerrilla Publicity Tips

Many entrepreneurs want to build visibility for their business–they just don’t know how.

Here are a few tips to help you get started.

LOOK LIKE A PRO

From Website photos to literature, look professional. Use professional photos either by license or custom. Have a printer print flyers if you’re using them. Unless there are very few flyers, home printing might be costlier than a small print shop and less professional.

Dress professionally or to client expectations when meeting them. In some cases that might mean a suit, in other cases a polo shirt. Sometimes even grimier work clothes make sense, but dress in context and have your employees do the same. Neatness of appearance in restaurants is especially important.

TELL YOUR STORY

Lay the groundwork for powerful PR by answering the “big three” questions:

1) Why are you doing this?
2) Why should we care?
3) What’s your background or expertise?

Shorter is better when devising answers which constitute your “pitch”. Think catch phrases or slogan’s that paint easy mental pictures. Avoid cliché images unless they fit. You should have some good ideas for an effective if you understand your market and brainstorm responses with friends. Don’t get married to a pitch. Try different ideas and use what works.

WIIFM “Whiff’em”

“What’s In It For Me” Always think about the customer value when promoting. Some “WIIFM”’s can be subtle. A relaxing business atmosphere or even professionalism and courtesy are WIIFM. Try to convey these values with professional presentations of sales materials. But don’t be afraid to take on competition through comparisons if you can back up your claims. You don’t need to denigrate a competitor, but you can point out your advantages.

HIT THE AIRWAVES

Get yourself on the radio or local cable TV as a consumer advocate in your field or an activist on business issues. Research national or local talk shows. Write a 200 word “pitch” describing what insights you could offer on a particular topic, then e-mail or fax it to the show’s producer.
Guerrilla Publicity Tips

PUBLISH ARTICLES
Writing a short piece for your local newspaper or trade journal builds visibility in a low-key but impressive way. Use your article to educate readers, not to brag about your business.

SPEAK OUT
Presenting or serving as a panelist at a conference or community event will give your business exposure.

CULTIVATE THE MEDIA
Establish alliances in the press, and positive PR will soon follow. Introduce yourself to reporters who write about your industry Give them news tips on trends, new technology or changes in government regulations.
(Be sure to check out the next page!)

BE ACTIVE ON SOCIAL MEDIA
Facebook, Google+, Meet up, LinkedIn, blogs all help build reputation and social circles. A lot of work in this area prior to launching a business helps build interest or generate useful feedback.
One caution though is to start with one or two outlets to make sure you do a thorough job of refreshing your pages and contacting friends. There are also on-line solutions like “Hoot Suite” to help manage multiple media pages by posting multiple updates.

SOLICIT CUSTOMER REVIEWS AND AWARDS
This element is extremely important. Have customers vote for “Best of “ competitions. Get reviews on Google, Yelp and Facebook. Even poor reviews help establish a “floor” or “worst case” and no one believes glowing reviews unless there are a lot of them. Try to respond gracefully to all complaints and compliments.

SHOE LEATHER SOLUTIONS
There is still a place in this connected world for flyers in grocery stores, postcard mailings, door knocker flyers, business cards, etcetera. Contact local merchants and let them know your business. Advertise in Church bulletins or charity sponsorships. Talk to anyone and keep promoting your company. The literature though is secondary the advantage to the shoe leather approach is that in an electronic age it is unique, memorable and hopefully a relationship building opportunity.

However, there are no magic promotion bullets, a 1% or 2% response per promotional efforts is considered good in most cases. Don’t be discouraged. What you are trying to do is build awareness through multiple promotions that cumulatively build recognition. There are studies that indicate it may take 9 or more contacts or “impressions” for a customer to recognize a brand name, much less buy a product.
Forget the Internet (well… for a minute)

Effective publicity is both memorability and avoids the “noise” created by other competitors using the same publicity channel. TV commercials are a classic example of a noisy and expensive publicity channel. Technology allows a view to skip through commercials, rendering them largely visual ads of mere seconds. The repetition of ads serves a purpose in reinforcing brand recognition, but other than home shopping networks or longer “infomercials” there’s little correlation to sales.

The Internet too is becoming increasingly crowded with ads that track your browsing history as well as display ads, creating a background noise similar to TV. That doesn’t render Internet advertising useless. In fact, the statistics of browsing patterns, clicks and ultimately purchases create detailed behavior patterns for a retailer to follow.

However, publicity channels that were once crowded, like mass mailings, faxes or printed materials have regained some of their lost impact. Postcard mailings can work as well as faxes in controlled campaigns since there is less competition for attention that even a decade ago. There are many “tricks” to mailings but a few keys are:

- A motivation to open the mail or the publicity clearly visible
- A specific offer and “call to action”. A special sale or events are common offers.
- Personalization in the form of handwriting, unique envelope or postcard sizes and appropriate content. Don’t include apartment addresses in your lawn service solicitations, for example.
- Simplicity and white space. Assume a 5 second attention span.
- Keep your expectations low. 2% might respond to a mailing. 5% to 10% is an excellent response from existing customers. Part of the goal in direct mailing is to build brand recognition that facilitates later “sales”.

Guerrilla Publicity Tips

USE LOYALTY PROGRAMS AND YOUR CUSTOMERS AS YOUR SALES FORCE
Sign up customers as members. Get their e-mails. Offer discount programs if they bring a friend. Print business type cards they can present for discounts. This topic was discussed under pricing too, but getting plastic cards printed as member tokens is not expensive. You can affix stickers with the customer’s identification if needed.

INCLUDE WEBSITE AND SOCIAL MEDIA DETAILS ON ALL LITERATURE AS WELL AS YOUR EMAIL AND PHONE NUMBER
In addition to Direct mail papers, both “paper” and on-line, are still sources for information for most shoppers. You can buy ads of course on their sites or work with an ad agency to reduce per ad costs and improve placement in various media outlets. But in the DIY spirit of “Guerilla Marketing” we have a few suggestions for using traditional and on-line media to your best advantage.
Start spreading the news – through the area’s ONLY all-business publication, The Lehigh Valley Business Journal

John McGran, Editor of Lehigh Valley Business Journal.

So, how can you get your business or yourself promoted throughout the region in Lehigh Valley Business? Let me count the ways…

1) **Off the Clock:** This fun photo section highlights things like check presentations, awards and ribbon cuttings. It’s a great way to show off your workers – and your company spirit!

2) **FYI:** Send us your business dealings, including honors, product rollouts and new offerings.

3) **Newsmakers:** Here’s where we showcase the individuals who’ve been hired, promoted or honored – and it includes color headshots!

4) **7 Questions with…:** We send you seven questions pertaining to your business and your industry. You answer them and we run the feature along with your image and company logo.

5) **CEO/President Profile:** A great opportunity to spotlight the man or woman who quarterbacks your company. We’ll snap a few photos and delve into what makes this person tick.

6) **Company Spotlight:** A close-up look at your business. It will include photos and descriptions of what it is you do here in the Greater Lehigh Valley.

7) **Op-Ed:** We give you the chance to blow off a little steam or cheer some sort of happening that you feel passionately about. It’s a 400 to 500-word discourse that you create and share.

8) **Expert Contributor:** We gladly accept well-written features from local experts who work in all fields of business. All we ask is that you treat it like news rather than an ad.

9) **Behind the List:** We interview key figures from select companies mentioned in our weekly List of professional groups.

10) **News source:** You or someone you put us in touch with can be an occasional source for

11) **Lehigh Valley Business reporters.** Just let us know the right person to contact.

There you have it – 11 great ways you can promote yourself or your business via the area’s ONLY all-business publication. So, reach out and contact: Troy Bausinger at troyb@lvb.com or (610) 807-9619, ext. 112.

When submitting your news, please provide the name, title, phone number and email address of a contact. We’re likely to call with follow-up questions after we receive your news.
Place or Channel
In the long ago 20th century, channel discussions revolved around store location, product displays, the role of distributors and the physical links in the chain of events connecting a product or service to a customer. Another name for this activity is “merchandising”.

While these discussions are relevant, the phenomenon of the Internet has resulted in tremendous channel convergence around one medium and one distribution channel, small packages ordered by computer. The Internet provides an arena to promote and charge for products and services as well as sell them on the spot. It is the new market square.

Going On-line

It is almost impossible to be in business today without some kind of website and in the case of retail, the ability to sell on-line.

Fortunately getting on-line is becoming much easier for a small business and personalizing what is essentially a transaction between a customer and a machine versus a salesperson, is also becoming more acceptable and easier to achieve in social media.

The keys to success in on-line marketing are similar to the traditional approaches of retailers, but using vastly different techniques. Developing trust, finding your customers, easily completing purchases, value pricing, managing stock and presenting your offerings attractively are still the goals of both brick and mortar and on-line sales channels.

MARKETPLACE SITES

The easiest place to get started on line might be a “Marketplace” site. ebay, etsy, Amazon, Facebook, Instagram (“Soldsie”), Google and even Craigslist offer “marketplace services” designed to help businesses sell products using their Internet retailing platforms. Their services range from advertising and aggregating similar vendors to true shopping cart “Marketplaces” offering credit card services, site building, customer and product sales data and even shipping.

As with all these solutions, it makes sense to research other sellers’ experiences before you make your choices as all of these solutions, as well as supporting apps have drawbacks and advantages. A number of retail blogs can be found with a quick Internet search to assist your evaluation. But a quick overview provides a “flavor” of what these sites can offer.

Craigslist, is not a true “marketplace” site. It is a replacement for traditional classified ads. Service providers like lawn service can advertise on Craigslist, unlike an ebay or
Amazon. One advantage is that buyers are local, favoring a small business over a national competitor. The downside is that buyers anticipate a discount too since you are often competing with similar used items. Craigslist provides no “shopping cart” or customer feedback statistics. Buyers and seller need to meet face to face, which works to the advantage of service based businesses. Craigslist has developed a checkered reputation among some people, but the vast majority transactions are amicable and buyers and sellers are trustworthy. Though a phone number or e-mail can serve as your “storefront” or point of contact, it helps to have a website to lend your service credibility and to complete a sale, it may be a necessity.

Instagram and Facebook and other social sites are not “shopping carts” either, though you can establish links into one. Generally sales rely upon links to your website. Unlike electronic classifieds, both services provide customer targeting and reporting to help you refine your marketing efforts. A critical advantage, beyond a broad subscriber base, is both give you access to mobile phones, a common sales tool. Social media generally is perceived as more “credible” shopping location given the interactions between customers and followers. These social sites provide a sales channel for services too, which shopping cart sites cannot. One feature unique to Facebook is their message broadcast ability allowing you to reach beyond existing followers.

Google has solutions for small business sales offering improvement in your search engine ranking as well as visibility on mobile devices. Google+ may provide advantages in managing social “circles” versus Facebook “followers”. Google provides flexibility in structuring your business presence, though “Google Wallet” and “Google Shopping”, but these capabilities require “Adwords”, an independent credit card merchant account and an account in the “Merchant Center”. However, the range of Google services allows you to complete a sale or decide to merely link to your website. In that sense Google has extensive ability to be tailored to your businesses’ specific needs.

ebay is the granddaddy or mommy of the true marketplace sites along with its payment clearinghouse, PayPal. Selling on Ebay is its own science but these marketplaces can serve as your primary sales channel, a test market for new ideas or products and as outlets for older merchandise or highly specialized merchandise. ebay is also a good pricing resource, based upon completed sales, or in comparison to offering prices. Shipping is left in the hands of the retailer.

Etsy is targeted site for crafters and artisans as are specialty sites like Bonanza, and Artfire. It has shopping cart capabilities including the ability to accept credit cards on your behalf, but you must provide shipping services. The chief advantage to these focused sites is that the customer segments are targeted leading to less “clutter” with competitive products and simplifying your audience selection.

Amazon allows retailer to set up shop like ebay. With billions of customers and the ability to accept credit cards and provide shipping (all at a price, of course), Amazon might sound like a “no brainer”, and for many merchants it is. It is estimated that small
retailers provide 40% of the products sold by Amazon.

Using Amazon may flood you with orders, so be prepared to fulfill them before you go onto Amazon or plan on using Amazon. But it’s also possible your product gets lost in their maze of offerings, so carefully select products that have your targeted audiences or specialty interest. Since the universe of Amazon customers is so large, even a product that interests less than tenths of a percent of their base is a huge market.

Some retailers are uncomfortable selling through a competitor, especially one that can track your sales data. Amazon is not the cheapest route either, but if you sell less than 40 items month they charge only $0.99 per item sold, though other fees may apply, versus their $39.99 monthly subscription.

HOSTING SITES

But maintaining just a “Marketplace” site may not work for every retailer. There are hosting sites too which offer tools to build your own site and of course “hosting” or maintaining your site. You may need some computer familiarity to use the tools, but these sites simplify a lot of the technical work and are relatively inexpensive and safe solutions.


“Wordpress” (https://wordpress.org) is the most recognized site building application used with these host solutions, but it does require a little more ability to handle computer code than a site like “Shopify (https://www.shopify.com), Weebly (https://www.weebly.com), Squarespace(https://www.squarespace.com) or Wix (https://www.wix.com). The trade-off for simplicity is that these sites may cost a little more than “Wordpress” and be a little less flexible. “Wordpress”, like these others, supports a huge community of users, though, making it easy to find technical help.

These sites are not an exhaustive list of solutions either. It makes sense to research each site or look into blogs about sites to determine which one will suit your business.

Before you go into developing your own site, or have one developed, you should plan carefully the look, navigation and detail of the site. To get you off the ground we’ve asked an experienced on-line marketer to give provide tips on getting on-line.
TAKING YOUR BUSINESS ONLINE
This article was contributed by Aaron Janowski, President of Wellsley Consultants (www.wellsely.com)

Having an online presence in today’s business world is as important as a business card. Potential customers for your services are bombarded with a large amount of information soliciting their business many times greater than older traditional channels of communication in print, TV, radio and direct mail. Therefore designing your Internet presence is critical, and understanding the role of convergence of channels of communication will give you an added advantage over competitors that do not.

Building Your Web Site

It all starts with having a good web site. A properly designed web site starts the process of introducing your business to the web and sets up the opportunity for expanding beyond your immediate community if that is part of your plan. Good web sites need not be expensive. There are several well-run companies that offer web site templates that you can for starters manage on your own for a modest monthly fee. Examples of such companies are:

1. Sitebuilder [https://www.sitebuilder.com](https://www.sitebuilder.com)
2. Wordpress [https://www.wordpress.org](https://www.wordpress.org)
3. Squarespace [https://www.squarespace.com](https://www.squarespace.com)
4. WIX [https://www.wix.com](https://www.wix.com)
5. Weebly [https://www.weebly.com](https://www.weebly.com)

There is always the temptation to get a site up and running as quickly as possible. This is usually not a good idea. If you haven’t worked out your business plan and marketing plan most likely the site that you design, or have designed for you at substantially higher cost, will need to be changed. This is expensive both in time and money.
A web site without a marketing plan doesn’t accomplish a great deal and may even confuse prospective customers.

You need to build a plan around many of the basic marketing questions for any startup business to be successful:

1. Who are your potential customers? What is their average age, gender, disposable income, geographic area, computer literacy, comfort with e-mail contact, and special interests? Answering these questions will allow you to design your web site to be compatible with your other business goals.

2. How are you differentiating yourself from your nearest competitor? How will your web site help you stand out from the crowd and be recognized as a serious resource?

3. How will you design the web site so that customers’ inquiries can be handled efficiently and in a timely manner? Are you providing visitors to your web site with enough information to reduce the amount of time necessary to respond to basic information? Is it modern in design and state of the art handling purchase transactions?

4. What is your basic Internet budget?

**Company and Product Identity**

Going online with your business is the first step of a branding and promoting process that goes beyond selling your products or services through a network of personal acquaintances. Since traditional channels of advertising are very expensive for startup companies, electronic communications technology are by far the most effective and inexpensive. Available channels of communication are powerful and most useful when used in tandem. Web sites, e-mail campaigns, electronic PR, search engines, industry portals, social media, webinars, eBooks and tutorials are all components of a system of channels of convergence that can make your message of service to a client attractive. Elements of your identity should be coordinated when putting together the following:

1. Domain name (yourcompany.com)
2. Logo design to be useful not only on letterheads and business cards but your web site, e-mail campaigns, social media pages, press releases, eBooks and tutorials. One needs to be careful to have a logo that is easily recognizable down to the smallest representation on social media channels.
3. Design of the web site itself.
Launching your business online will require the services of several companies at different stages of development. At the start you will need to work with (a):
1. Registrar: to buy domain names.
2. Hosting company: to place your web site on the Internet
3. Graphic designer: to either design your web site outright or just consult with you in the use of template web design services
4. Web site programmer: to write code for the purpose of search engine optimization (SEO) so that your web site appears in the best possible position on search pages in Google, Bing and Yahoo
5. Analytics: to capture information about visitors to your web site in order to improve on the web site’s function and “findability”. You can’t drive blindly and hope to succeed online. “Findability” is a buzzword that basically means “how you are going to be found on the Internet when using a search engine.” If you can’t be found, you won’t sell your products or services through Internet channels.

Growing your Site

As your business and your site develop you may need to upgrade to a content management system so that frequent changes to your web site can be accomplished independently of a programmer. A good web site can be a work in progress for a very long time as you add information and make changes to reflect the progress of your business. In today’s marketplace sites often promote business through the use of videos, coupons, registration for webinars and tutorials, and to capture whenever possible visitors e-mail addresses for future use in promotions.

There are many techniques to help your site work for you and increase sales. This will require the services of a professional to implement these techniques and to guide the preparation of online advertising through Google Adwords or Facebook Edgerank. Costs for these ads can be tightly controlled to keep within budgets and will only be useful after your business and your site have been active for a while.

Promoting Your Business Online

Increasing sales through online promotions in many respects is no different than developing a business the old fashioned way. It takes hard work and devoting time to all the details. The big advantage in being online is that you have an opportunity to connect to thousands of people instead of only a handful at a time through traditional print advertising or direct mail.

No matter what technique you use to reach the online public one factor stands out above the rest. CONTENT IS KING! Even the simplest web site or e-mail campaign can be successful if you deliver your message effectively. Use appropriate language, correct grammar, interesting ideas, good business plans and policy, and, of course, aim at the right market target. Fancy web sites and powerful search engine optimization will fail if the content is wrong for the audience you are seeking to influence.
TAKING YOUR BUSINESS ONLINE (continued)

There are many methods available today for promoting your business online:

1. E-mail campaigns:
   As you connect with prospective clients try as much as possible to collect their e-mail addresses. This database will become more and more valuable as your business expands so that when new products, discounts and services become available you can contact everyone that has purchased or placed inquiries with you and let them know what you are doing.

2. eCommerce:
   An online store that shows pictures of products you are selling with the ability to take orders and credit cards.

3. Social media:
   There is no question anymore that you will need at the right moment to open a company page on Facebook. This should only be done after your web site is designed so that the Facebook page can always link back to your web site for more detailed information and prices.

4. Blogs:
   If you have the time and the writing ability to maintain a blog so that you can interact with the public to explain the use or quality of your products or services and you can maintain a frequent and involved dialogue, blogs can work wonders. People will get to know you and when they do sales are easier to obtain.

5. Inbound marketing:
   It is clear that in today’s information age that good marketing is when you are able to have the customer to your web site instead of trying to go out to them through newspaper advertising, drive time radio, cable TV, direct mail, magazines, bill boards and grocery coupons. Doesn’t it all sound so ancient? So much of the outbound marketing ideas are now history.

The learning curve for all these online activities is long and takes time. It can all be accomplished but not in one day. With careful preparation for each step in the right sequence a lot can be done at very low cost. It is necessary to stay focused and devote time on a regular basis so that you can do more on the web as needed without harming your business by taking too much time away from other responsibilities. As your prices and descriptions of the benefits of buying these items from you as business develops and your cash flow permits it will become apparent that one of the steps outlined in this chapter need to be taken. You will also have the tools and access to the personnel needed to design each promotion. Remember not to drive blindly, measure the traffic, analyze results and thereby improve your presence on the Internet for greater reach to your market target.

About Wellsley Consultants:
Since 1998 Wellsley Consultants has provided Internet marketing consultancy, web development, SEO expertise and online business planning in many of the converging communication tools. While effective SEO is essential to achieving search engine presence it is no longer enough. Integrating social media with press releases, e-mail marketing, video presentations and dynamic database driven content on web sites is the norm for achieving notable presence on the Web. You can learn more a
Your Social Media Plan

This article was contributed by Kim Gross, Director of Sales & Marketing, Pacesetter Enterprises, Inc. (www.pacesetterglobal.com)

One of the biggest challenges companies are facing today is how to effectively incorporate social media applications into their overall marketing plan. These tactics are becoming critical components for all businesses as the ability for companies to reach their target audience continues to be a challenge. Social media marketing has proven to be successful for companies who use it appropriately. While some may claim that this technology is still too new for the business world, many believe that having a social media presence is going to be expected by customers and prospects much like a website is expected today.

Challenges Facing Entrepreneurs - It is becoming increasingly difficult for companies to grow their business utilizing traditional marketing tactics alone. The reason for this is quite simple. The average American is exposed to approximately 5,000 marketing messages PER DAY. It seems a little unreal, doesn’t it? When you think about everything that you are exposed to it becomes quite clear. Radio, television, direct mail, Internet, e-mail – the list can go on and on. The more shocking statistic – is that of those 5,000 messages that we are exposed to, we notice fifty two and only remember four. Traditional marketing alone is not going to be enough for today’s businesses to cut through the clutter and be one of the four remembered brands. Social media has become an important tool in growing new and existing businesses.

What is Social Media? - When you hear the term social media what comes to mind? For some of us it may be things like Facebook, Twitter, LinkedIn, MySpace, etc. The answer is that social media is all of those things and much more. According to Wikipedia, social media are media for social interaction, using highly accessible and scalable communication techniques. It is the use of web based and mobile technologies to turn communication into active dialogue. Keep this in mind as we discuss how you can incorporate social media into your marketing plan today.

How Can Social Media Benefit Your Business? - When adopting social media techniques into your marketing plan, it is imperative to understand how and why it is being used. There are several key business areas in which social media continues to help companies grow, and due to the viral marketing aspect of these applications, it helps speed up the marketing and sales process. Close to 90% of business executives utilize these platforms on a regular basis. They use it for things like product research, industry updates and vendor research, among others. Below are four general ways in which companies of all sizes are utilizing social media applications.

Company and Brand Positioning - It goes without saying, that one of the most important elements for any successful business is to be positioned correctly. For new companies it can sometimes be a bit easier, as you don’t have a predisposed history inhibiting your ability to re-define what exactly you are trying to do. For start-up companies the challenge lies in creating your brand – and creating the right one. Social media gives companies the ability to promote exactly what they want customers and clients to think of when they hear their name – and it allows them to do it virally and reach thousands of people all at once. Utilizing white papers, articles, blog posts, etc. can help you position your company properly. You are in control of the information you create and the knowledge that you share with your fans and followers. They in turn have the ability to re-post your message and link to your social media applications extending your brand positioning much further than you ever could have done with traditional marketing tactics alone.
Your Social Media Plan (continued)

A recent study was done on a number of companies that have integrated social media tactics into their marketing plan, and it found that over 90% of them believed that social media played a large role in building their brand reputation and awareness.

Customer Research - Social Media provides a great platform for two-way communication with your customers and prospects. In a very effective and efficient way, you can determine what customers like about your product or service, what they like about your competitors, and what they are looking for in the future. This is all done without sending a survey in the mail, making thousands of phone calls or personally visiting each of your clients. Customer satisfaction is a critical component for any company, and needs to be focused on continuously.

Product Research - When utilized correctly, social media platforms have the ability to eliminate the need for focus groups. What helps your product stand out from your competitors? What about your product do customers like? What don’t they like? What types of things are customers saying they would like to see in the future? Companies utilize social media platforms to get a handle on what they are doing well, and what their customers are looking for in the future. It is becoming more popular to develop baseline focus groups on social media sites to narrow down specific elements to focus on when developing and executing larger focus groups. Business executives today need to keep a close eye on the evolution of whatever industry they are in. Through the explosion of social media, many executives turn to these sites to get a handle on where their next investment should be.

Increase Business - The long term benefit, and goal, of social media applications is the ability to increase business. This isn’t something that is going to happen instantaneously – it is a process that takes time to develop and transpire. When used correctly, social media sites can be terrific inbound links to your website and/or shopping cart system for customers to purchase items.

Steps to Developing a Social Media Strategy

Step One – Observe
Before launching any social media application, it is important to research and analyze what is going on around you - specifically within your industry. New platforms are being launched all the time – it is easy to get wrapped up in it all and try and launch several applications at once. To be the most effective, you need to identify where your competition is, where your customers are, and establish a social media plan around those platforms.

Questions that you need to be able to answer at the conclusion of this phase are:
1. What is being said about my industry as a whole?
2. Who are my competitors and what is being said about them?
3. What social media sites are my competitors using?
4. What are the popular topics being discussed within my industry?
5. What resources do I have available to engage in these online platforms?
6. What types of content (presentations, articles, white papers, etc.) are most popular?

Take the time also to look at what other industries are doing. The business world is constantly evolving, and what might be working for you today may not be the same thing that will grow your business two years from now.
Your Social Media Plan (continued)

Phase Two - Preparing
The next step in developing a strong social media plan is to prepare a framework so these platforms can be instituted within the organization. Interestingly, less than one third of US companies have a social media policy in place, and only half of those that have a policy in place have a formal strategic plan. Those companies that have both of these things established experience greater success than those that don’t – it’s really that simple.

Begin by outlining specific guidelines for the company to follow. Be sure to establish what kind of content is acceptable and what is not. One of the things that make social media so powerful is the fact that it provides instant communication with followers and fans. This can also work to a company’s disadvantage when not monitored properly.
All employees should be well informed of the type of content they can post and things they should avoid.

At the conclusion of this phase, you should be able to answer the following questions:
1. What are our objectives with these sites?
2. Who is going to be involved in the day-to-day operations?
3. Of the social media sites that we’ve researched, which ones fit our company the best?
4. How are we going to measure the success of our site(s)?
5. What will we post on our site(s)?
6. Who will be responsible for the content creation and management?

Prior to going live with any social media site you need to make sure you can answer all of those questions. It is critical to establish which site(s) your company is going to utilize. There are lots of sites out there – all with their own niche. The last thing that you want to do is spend time working on a platform that won’t attract your clients or prospects. Without a clear plan in place, you will have a site with little direction that will yield minimal results.

Phase Three – Action
This is where you get to put all of your hard work to the test. Once all of your preliminary work is done, you can launch the social media platforms that fit within your business dynamics. Prior to getting to this step, you should have created content that you can pull from to ensure that your applications are both interesting and educational for your potential followers and/or fans right from the start. It should be someone’s task to monitor your page(s) and respond to inquiries, posts, comments, etc. This should be done on a daily basis. It is more detrimental to launch a site that contains no content then to hold off on launching a site until content is readily available.
Prospects and customers will continue to come back to your site(s) if you provide thought leadership by posting informative and creative content. Keep it informational but light at the same time. Become an industry resource for clients and prospects.
Your Social Media Plan (continued)

Phase Four – Complete Integration

It is imperative for all members of your company to understand your social media plan – why you have one, what you are hoping to accomplish with it and the progress you are making. Depending on the size of your company, several departments could benefit from the use of your social media sites. When working on your action plan in Phase two, be sure to include anyone within your company that may benefit from these sites. Below are some examples of ways in which various departments have utilized social media applications.

1. Human Resources have been known to use these platforms to post job openings and screen initial candidates.

2. Customer Service Representatives use these platforms as ways to gauge customer satisfaction and respond to customer inquiries in real time. An added benefit of this is that all of your fans and followers have the ability to see these conversations as well, which can sometimes eliminate the need for your customer service representatives to answer the same inquiry multiple times.

3. Sales Representatives can utilize these sites for prospect research as well as lead generation.

4. Product Development teams have been known to use social media sites to focus on new products or services that their customers and prospects are looking for.

Summary

Integrating social media into your existing marketing plan takes time – but it is necessary to complete each of the aforementioned four steps to ensure you get the most out of your social media applications. In summary – be sure to do the following:

1. Figure out your audience
2. Define your objectives
3. Determine which platforms to use
4. Start small – don’t over-commit yourself to too many applications
5. Define your metrics of success
6. Use your metrics of success to determine how well your social media program is working
7. Refine your process and metrics as necessary

About Pacesetter Enterprises, Inc. (www.pacesetterglobal.com)
Pacesetter Enterprises, Inc. has been leading the way in the communications, fulfillment and printing industries for more than two decades. Today, Pacesetter offers state-of-the-art solutions that integrate traditional print with cutting-edge web technology, for unprecedented results.


Brick and Mortar Merchandising

The Store

The brick and mortar store will always have some place in retail. However “the middleman” is increasingly disappearing so part of the new “channel decision” is determining how “Amazon proof” your business may be.

Service businesses (for now) seem to be secure, but product retailers are squarely in the bull’s-eye of large retailers like Amazon, or Wal-Mart. Their primary issue is whether their suppliers can easily bypass them in the distribution chain. This concern tends to push small retailers or distributors into products may require post-sale service or appeal to niche markets for protection.

The good news about the Internet for crafters or specialty manufacturers is that they can bypass distributors and retailers and sell direct, provided there is little post-sale service. So it seems one person’s loss is another’s gain.

But, maybe the situation is not as simple as that winners and losers. Total Internet sales are still less than 15% of all retail sales despite a fourfold increase since 2000. People like to shop too as entertainment and manufacturers cannot walk away from what remains a significant base of customers. Using a distribution channel like a retailer or distributor helps a manufacturer manage inventory and shipping costs as well as provide post-sale support. So a retailer or distributor who excels in service and inventory management is likely here to stay.

One other channel used by smaller retailers or manufacturers is consignment. Consignment might not be a long-term business model since fees can consume over half of a retail price. But a crafter, baker or small manufacturer may be able to entice a retailer to provide shelf space with a consignment deal and avoid the expense of shop space. Even a small point of purchase display at a local retailer may be allow both you and the retailer to test market acceptance and pricing before entering into a longer term deal.

Retail Deductions and Chargebacks

A little known element of the distributor or retailer chain is the deduction credit process used by large retailers to return product to manufacturers, take promotional discounts from them, take timely payment discounts or assess manufacturers for fees related to stocking or merchandise handling.

Large retailers exercise tremendous power over their suppliers and aggressively deduct these fees from their invoice payments to manufacturers. To recover
incorrectly assessed deductions by a supplier requires a careful reconstruction of invoices, payment applications and merchandise flow. As excited as a manufacturer may be receiving a place on a “Big Box” store shelf, they must read the retailer’s instructions very carefully, conform invoices accordingly and have a complete audit trail of the supply chain down to individual products or “SKU’s” (Stock Keeping Units).

**Product/Packaging**

One of the marketing areas in which an entrepreneur might want to spend some money is in product design and packaging. Appearance matters. They are the visual identity of the product. In the case of Apple, for example, design may be THE crucial marketing element.

**Retail**

Ideally a product and its package stand out and embody the value statement of the company. Since product design and packaging can present complex artistic and engineering challenges, usually professional help is required to create an impact in these areas. To the extent though an entrepreneur has a strong concept of the intended customer base, the design process can be made much more efficient and effective.

Store location, ambiance and product display are a big part of the “merchandising package” for retailers and especially personal service businesses for which “style” or self–esteem is an important customer value. Restaurants or bars in particular depend upon creating ambiance to support their “value”. Again, securing professional design help is often worth the money if the entrepreneur has no personal experience. Commercial real estate brokers can be of assistance in recommending design consultants or in providing statistics on traffic and comparable alternatives.

But value can be conveyed in a warehouse as well as luxury boutique. You can be “destination” or located on a busy corner for convenience. It all depends upon your brand.

Literally packaging of on-line and fulfillment (mailing and shipping), is another merchandising decision that is also a product design decision. There are generally three small package alternatives available to a retailer, UPS (https://www.ups.com), Fed Ex(http://www.fedex.com/us/) or the US Postal Service (https://www.usps.com). There are on-line resources discussing the relative merits of each and how to pack boxes for shipping. It’s a good idea to make your own boxes though if your goods will not fit a standard size. Don’t use another retailer’s box. Ever. Insert hand written thank you notes too in packages along with promotional materials, coupons if you have time.
Take picture of the condition in which you shipped goods if they are delicate. Possibly insure them and pack them as if you were shipping eggs. Make sure your return shipping instructions and credit policies are clearly identified on your webpage at checkout. Also make sure your responsibilities as a shipper are clearly identified as to expected delivery date or special arrangements. A nice touch is to notify your recipient customer that a shipment is on its way as you follow the package tracking number. Think about including some shipping pictures too. Try to get an e-mail at time of purchase to facilitate this contact.

**Service**

Less apparent is the role design and packaging play in promoting services. The appearance of staff and location of the service, even the professionalism when answering the phone are essentially packaging elements that inspire customer confidence. Display awards your business has received. Have a dress code for employees. Paying attention to these details creates a “packaging” effect that supports your brand.

One critical element many service providers neglect is naming their service. Beyond the company name, individual services should be names or bundled like products. It’s hard to provide examples without violating copyrights, but a service name can indirectly connote a quality a buyer is receiving or subconsciously crystallize a nebulous or mundane service. Let’s say the ABC Lawn Service has a contract for four months of summer lawn care. Giving it a name like the “No Worries” option defines the offering, conveys a message about the service, and is a memorable (for better or worse) name for customer reference.

**On-line**

On-line retailers need packaging too. Before they build a site, even if using a simplified site builder, they should understand what image they want to convey. Look at photos for example, and identify speak to the values your company promotes. Do you want nostalgia, a modern crisp look, an eclectic funky look? What do your competitors look like? Do you want to look like them? If so, how will you stand out?

Domain names were discussed in the on-line articles above. They too are a critical packaging element. Generic e-mail domains, like @gmail.com or @yahoo.com don’t convey professionalism, stability or connote a large enterprise. You don’t have to be big to look the part. Use domain names for your business even if it costs a little more.
Using turnkey solutions as store sites too provide a professional appearance to even a modest retailer. Incorporate professional photos or design help on your website even if you are using a site builder. But your Facebook page can look more “amateur” to give it personal appeal and authenticity.

**Logos and Collateral Material**

Materials used in a business, such as logos, slogans or colors, should say something about the company. Advertising agencies can help, but it may be possible to hire students or other free lancers to develop ideas.

“Packaging” too can be thought of as post-service follow up. Ask for your customer experiences. When shipping product don’t use boxes from other retailers. Include a personal note card, discount coupon or offer in the package.

**MEASURING YOUR MARKETING SUCCESS**

In the past marketing, advertising and sales used to be cloaked in mystery. You had to have “gut feel” honed by years of experience, or be “creative” and “fresh” unencumbered by preconceived ideas (i.e. experience). A lot of the mystical nature of advertising and marketing was supported by the lack of any objective data about customer behavior. There were either more or fewer of them this month than last. Lack of sales was blamed on the sales staff while increasing sales of course, were credited to the marketers and advertisers.

Over time, TV and direct mail became more data oriented with surveys, response rates and viewership ratings. With the onset of the Internet, e-commerce and social media, customer data exploded. Data analysis was embedded into every facet of marketing to improve sales and cut costs. And with good reason, it worked. Amazon and Facebook probably know more about your customers than you do and have the sales to prove it.

But instinct and creativity are still fundamental to marketing and they are what make marketing fun. What data provides however, is a check on both instinct and creativity. If something works, let’s do more of it, if something doesn’t, let’s try a different approach. Sometimes data too can provide the creative spark that would otherwise be lost.
The Business Plan:

Face it, when you built your business plan there was more than a small amount of instinct or creativity in your sales estimates. You tried to validate your assumptions with data, but a new business is always a leap into the unknown, even for Apple, Amazon, Facebook and Ford when they started.

The key though was you were smart and you tried to quantify what was at the very best, wild guesses. The guesses though were based upon crucial business assumptions, and being the successful entrepreneur, you anticipated getting real data based to match your assumptions once you got started. Furthermore, you were planning on using that data to make course corrections as your company matured.

This thought process is the essence of the “fail fast” strategy. Cut your losses quickly and double down on your successes. If one zip code gets all the customers, but half your promotion budget, maybe it’s time to move more dollars into the successful zip and then, measuring again, see if sales improve or if sales don’t decline significantly in the underperforming zips. You can drill down even further to see what factors outside of geography, for example are skewing the results. Maybe more women are buying and that’s an even stronger indicator. Maybe you change your promotions yet again to account for that data. Maybe one zip has fewer households.

So what numbers do I track?

The list of possible variables to track is almost endless and different industries react to different statistics. A good place to start though is to measure sales against the various demographic keys you used to describe your customer base when you started your business plan.

- Demographics
  - Location (zip)
  - Gender
  - Age
- Purchase behavior
  - Number of customers
    - Recurring vs new
    - Last purchase
    - Amount of Purchase
    - Number of items purchased
  - Correlation to events like sales, demonstrations, news events or publicity
  - Correlation to other products
  - Seasonality or time of day
- Item or Inventory Turnover - How long is stuff taking up shelf space?
- Sales per square foot
- Capacity utilization
  - Hours billed versus payroll or schedule hours
• Promotional spending
  o Versus products sold
  o Versus market assumptions

The “king of all data” though is measurable, actionable data. Demographic data is somewhat indirect, tracing patterns from which actions are surmised. “Actionable” data though directly coordinates sales with actions. For example, product Y sells more when displayed with or bundled with product X, than when it is sold independently. Or at this time of day, month, week I sell more of ABC than the annual average over the same time frame. In both cases data allows you to take actions to promote products, anticipate orders and manage inventory stock. Customer segments too might change from demographic groupings attempting to predict buyers, into buyer focused groups based upon repeat or high dollar customers who get special treatment and attention.

Observations too are important even if somewhat anecdotal and often directly actionable. For example, maybe a lot of your customers wear plaid shirts or spend more time in aisle 3 and never make it to aisle 6. Odd facts maybe, but keeping just an informal hash mark chart might validate your observations and stimulate new ways about viewing your customers or re-arranging stock. Amazon, for example, knows that people who buy plaid shirts have other correlated purchases and can create a very accurate “lifestyle” picture used to sell related merchandise.

The Internet too captures a variety of statistics that monitor customer engagement. Which can provide actionable data Time spent on a page, number of views, or likes are intermediate statistics that can suggest changes to your site, or product offerings. A common measure of price and performance is the CPM calculation spreading your media cost over “impressions” or views. Changes in promotional elements should be tested and validated through CPM or related measures.

Survey and membership programs too can provide useful data. Facebook, for example essentially conducts a continuous survey on its users, who in return are provided an amazing communication platform. When you book sales capture data like zip, email, birthdays and the like with the promise of discounts on future merchandise or e-mail receipts and notifications. Not everyone will participate and you need not get pushy, but hopefully enough people will that you can use their information to generalize customer patterns.

Complaints, Returns, Sales Credits and Chargebacks

Just as important as any piece of market data is the data about what went wrong in your marketing process. Handling complaints sets the bar on how strong your customer service is. Customer complaints whether fair or not, often get reported to other customers and can damage your business.

Any complaints on the Internet about your company should receive a response, but avoid becoming defensive. The Internet tends to portray these responses as argumentative, doing more harm than good. Most customers anticipate someone
complaining about something, so the issue is really the number of complaints and their severity. The best defense against complaints is to be self critical about your operation, but also to encourage good reviews. It might take five good reviews to offset one bad one.

Returns and sales credits are related to or can be different form complaints. Poor product performance is not necessarily your fault if you didn’t manufacture it, but you must evaluate if were you honest with the customer in setting a performance expectations. Limitations in performance are best discussed before the sale is complete. Instruct your sales staff or indicate in your product description any significant price performance trade-offs. If Yelp, Facebook or Google post customer reviews, they likely will not be as impartial as you might be regarding a product’s performance.

Return or credit policy also makes a statement about reliability and service in a retail or service environment. That’s not always the case with the on-line retail sale. Chargebacks or the reversal of credit card charges, are the on-line equivalent of a credit policy. The vast majority of chargebacks are based upon legitimate grievances about a product or service, but the number one chargeback category is either “cardholder not present” or “unrecognized transaction”. These may be attempts at fraud but they may represent legitimate buyer confusion too. To prevent confusion make sure you set your credit card account up correctly to specifically identify products as well as your business name. There are limits too imposed by credit card processors as to the number and nature of chargebacks you are allowed to have as a merchant before you use your credit acceptance privileges. Likely as an on-line retailer you will run into fraudulent buyers who will elevate your chargeback rate. That seems like adding insult to injury, and it is, but you can protect your business using both fraud and chargeback services.

Chargeback.com (https://chargeback.com) is one of several vendors who can assist you with chargeback avoidance and resolution. There are also a number of on-line blogs with tips to help you reduce fraud and improve your chargeback experience rate.

Fraud is another broad topic. Fraud preventers use complex algorithms and literally manage databases of fraudulent device fingerprints. Prices usually depend upon transaction counts, and not all fraud prevention solutions work on all e-commerce storefronts. One industry leader is Simility (https://simility.com), but there are many others including:

- Fraud Labs Pro (http://www.fraudlabspro.com)
- Sift Science (https://siftscience.com)
- Signifyd (https://www.signifyd.com)
  - Signifyd is one of the few firms guaranteeing chargebacks. However, its rates are based upon a percentage of all sales, usually 1% a price which may outweigh your actual chargeback costs.
CHAPTER 8

EMPLOYEES

In most cases, as a business grows the owner will need extra hands to meet customer demand. Much has been written about employees and their “care and feeding”, and some of that material is included herein. There may also be occasions when a non-employee can be useful … and it’s important to fully understand the difference.
QUESTIONING A JOB APPLICANT

In their zeal to find the right candidate for that important job opening, managers and owners often unknowingly go beyond the legal limits in the questions they ask. In fact, many companies use application forms that contain illegal questions. The best way to avoid violations and lawsuits is to ask for information directly related to an individual’s ability to perform the job. In addition, it’s a good idea to periodically review the questions that can and cannot be asked under federal and state laws. State laws vary as to what employers may or may not ask. When both federal and state anti-discrimination laws apply, err on the side of following the more stringent of the two.

FORBIDDEN SUBJECTS

Age or birth date
Racial or ethnic background
Religious affiliation, church attendance, or religious holidays
National origin; family origins; native language
Marital status
Number and/or age of children Provision for child care
Pregnancy or child-bearing issues
Medical condition, state of health, or any non-job-related physical data.
A woman’s maiden name, place of birth, or social clubs

Another subject in which care is required is in asking applicants if they are disabled. The definition of disabled under federal law is very broad. For example, people are disabled if they have a mental or physical condition that substantially limits their ability to perform one or more major “life activities”; if they have a record of such a problem; or if the employer thinks they have such a problem.

In addition, courts have ruled that obesity, suicidal tendencies, post-traumatic stress syndrome, diabetes and great sensitivity to tobacco smoke are all handicaps protected by federal and state laws.

Under federal law, alcoholics and drug addicts are also considered to be handicapped and protected by anti-discrimination laws unless their condition currently prevents them from performing a job adequately.

More than 30 states have decided that AIDS is a physical handicap entitled to protection under anti-discrimination laws, just as other communicable diseases. Asking applicants whether they carry the AIDS antibodies and screening them out of the work force is illegal in many jurisdictions.
EMPLOYEE POLICIES

One can hardly quarrel with the idea that, in order to “live by the rules”, one needs to know what those rules are. Notwithstanding this, most small businesses haven’t taken the time to think through their employee policies, and this leads to misunderstandings, unequal application of vague rules, and conflicts which could be avoided. In many cases, the business owner has gone without firm policies because the business is evolving, and/or because the idea of writing a “policy manual” seems like a daunting task.

The purpose of this paper is to set forth a series of reasonably standard policies, most of which could be adapted to almost any small business. The resultant “manual” could be no more than a few typed pages in a ring binder; a fancy booklet is not necessary. It is important, however, that everyone in the company, from owner down to the newest employee, has access to this written material, preferably by having a personal copy.

The policies described below are those for a hypothetical company called “ABC Co.” Should you elect to use this format, it will probably be necessary to modify some of these things to fit your situation. They are divided into sections and are purposely brief (although you should add as much more information as you feel is necessary) and written in simple language that almost any employee can understand. Because these policies can have a serious effect on your company, it would be well to have them reviewed by someone familiar with employment law before you publish them.

WELCOME

As an employee of ABC Co., it is important that you understand the policies which form the basis of our relationship. This Handbook was designed as an important tool that you can use to be certain you understand these policies and how they may apply to you. With that in mind, I urge you to read these pages carefully and if any points are not entirely clear to you, please take them up with me as soon as possible. Once you have read this Handbook, you will be asked to sign a statement verifying that you have read and generally understand it.

We owe our customers the very best that we have to offer and if we all work at being the best, the Company will succeed and employees will then have a secure and successful work experience. In short, we all have something to gain by understanding the conditions under which we work and conduct ourselves. I am counting on you to make a meaningful contribution to that success.

THE POLICIES IN THIS HANDBOOK APPLY TO EVERY EMPLOYEE, INCLUDING SUPERVISORS AND MANAGERS. There may be certain policies which are administered in different ways (e.g. part-timers do not receive “benefits”) and these are carefully described herein. Also, you should be aware that any policy may be modified at any time without notice.
EMPLOYMENT POLICIES

EMPLOYMENT STATUS. Employment is “at will” and that means that either you or the Company can terminate your employment at any time, with or without cause, and under any circumstance, subject, of course, to applicable state and federal laws.

EXEMPTION STATUS. Under the law, every employee is classified as either “Exempt” or “Non-exempt” and this simply means how Wage and Hour regulations apply. Exempt persons are generally supervisors, managers and outside salespersons; are paid a flat salary (usually weekly or monthly); and do not earn overtime pay if they work more than 40 hours in a workweek. A Non-exempt person is one who does not have supervisory responsibilities and is paid on an hourly basis. These individuals earn 1 ½ times their regular hourly rate for each hour worked over 40 in a workweek. Most employees at ABC Co. are non-exempt.

FULL OR PART TIME. A person is considered as “Full-Time” if scheduled to work at least 40 hours each week on a regular basis. Persons working less than 40 hours are “Part-Time” and generally do not participate in the benefits described in this Handbook (but ARE responsible to abide by all other policies herein).

EQUAL OPPORTUNITY. Like any good employer, ABC Co. adheres to a policy of Equal Employment Opportunity and does not discriminate against any person on the basis of race, creed, color, sex or national origin. All determinations, whether about pay, policies or other matters, are made on the basis of merit, qualifications and ability.

CONFLICT OF INTEREST. No employee is permitted to have any relationship – formal or informal – with any person or organization which The Company considers a conflict of interest. You are responsible for revealing any relationships that could cause a conflict and you may be required to sign a Non-Compete Agreement.

RELATIVES. When close relatives are employed in the same work environment, the potential for conflicts is generally increased and therefore the Company discourages this. Normally, a close relative of a current employee will not be hired.

OTHER EMPLOYMENT. Employees, and, in particular, part timers, may have another job in addition to employment at ABC Co. The Company does not discourage this but does require that other employment not result in a conflict of interest or prevent the employee from fulfilling all of his employment obligations at ABC Co.

EMPLOYMENT AGE. An employee must be not less than 21 years of age on the date of employment.

EDUCATION. The Company restricts its hiring to those persons who have a high school diploma, or its equivalent, and who have demonstrated a demeanor and level of intelligence appropriate for ABC Co.

PROBATIONARY PERIOD. All employees are expected to complete a 30-day probationary period which starts on the date hired. During this period, you are not entitled to any benefits.

TERMINATION. Termination of employment is a routine part of business life and usually falls into one of two categories. Voluntary termination occurs when an employee quits or resigns. In this case the Company expects to receive at least two weeks of advance notice. Involuntary termination occurs when the Company...
discharges or lays off an employee, with or without advance notice. In all cases, employee benefits cease on the date of separation.

PAY AND RECORDS

WORK = PAY. The Company’s basic policy is that you are paid when you work and not paid when you do not work. The only time you receive pay for not working is if you qualify for a paid vacation or paid holiday and take the time off. The Company does not provide paid personal leave, “sick days”, paid leave of absence or any other pay for time not worked.

RECORDS. The Company maintains employee records of all types in a secure location. Records are considered confidential and are not revealed to anyone outside the Company. If any of your personal information changes, e.g. marital status, telephone, address, etc. it is your responsibility to notify the Owner as soon as possible.

MERIT. Pay and progress within the Company are based solely on merit and pay adjustments are never made strictly on the basis of time employed, cost of living, etc. The Company reviews an employee’s progress at least once annually and will communicate this review to the employee. You are encouraged to discuss pay and progress at any time.

DEDUCTIONS and ERRORS. State and federal laws provide the basis for certain deductions from pay and the Company follows these rules. No deductions other than those required by law, are ever made from your pay without your prior approval. While it is a rare occurrence, a mistake may be made in calculating your pay. In this event you should bring the matter to the attention of the Owner without delay.

LOANS and ADVANCES. The Company does not make loans to employees and does not advance earned or unearned pay under any circumstances.

PAYDAY. The Company has 52 paydays each calendar year and distributes payroll every Friday for work performed during the 7 days ending the previous Sunday.

BONUSES. The Company may, from time to time, announce a bonus or incentive plan designed to motivate an employee or employees to meet a particular goal. These plans will generally be of short duration, clearly described and probably non-recurring. No employee should assume that any bonus or other special pay will be paid unless specifically announced by The Company in advance.

GARNISHMENT. This is a court order requiring deductions from your pay in order to meet court-ordered payments for which you have been deemed responsible. You should take every reasonable means to avoid this.

HOURS AND SCHEDULING

TIME KEEPING. All non-exempt employees are required to keep a daily record of time worked on a form provided by The Company, and to turn that form in at the end of the pay period. This record will be reviewed for accuracy prior to being used to calculate your pay.

WORKWEEK. The official workweek begins at 12:01 AM on Monday and ends at 12:00 midnight on the following Sunday. Full time employees are normally scheduled
for at least forty (40) hours during this period. Your individual schedule will be assigned by
the Owner and will remain in effect until changed by him.

HOURS OF WORK You are expected to be at your workplace, ready to perform your
duties at the time your shift begins, however non-exempt employees are requested not to
report for work more than fifteen minutes ahead of schedule. Similarly, non-exempt
employees should make it a practice to leave the building within fifteen minutes after the
end of your shift. If, for any reason, you expect to be late or absent, it is your responsibility
to call the Owner as far in advance as possible. You will be provided with several
telephone numbers in order to do this. Do NOT use email for these notifications.

OVERTIME HOURS On infrequent occasions you may be requested to work more hours
than you are regularly scheduled for. Advance notice will be given whenever possible.
You have a responsibility to work reasonable overtime hours, if requested to do so.

BREAKS The nature of work at ABC Co. does not provide for formal breaks or occasions
when you might be off the premises or otherwise unable to perform your duties. There will
be opportunities during the normal workday to use for a short rest or “break”, so long as it
does not significantly disrupt operations.

ATTENDANCE You are ALWAYS expected to be at work when scheduled. Do not
assume that you are excused because of bad weather, an emergency or any other
reason. The ONLY time you would be excused from reporting is if the Owner specifically
advises you in advance.

ABSENCE FROM WORK

GENERAL Because the workforce at ABC Co. is very small, any absence has a
potentially very serious effect on The Company, and, perhaps, on other employees.
Consequently, you are encouraged to be at work when scheduled. You do not receive pay
if you do not work.

PERSONAL LEAVE The Company does not provide paid personal leave or “sick days”.
Should you have an extreme situation which requires time off, please discuss this with the
Owner. In the event of an unpaid leave, however, reinstatement is not guaranteed.

MEDICAL LEAVE In the event of a serious illness or injury, you may not be able to work
and will be granted a reasonable period of time off without pay. During this leave you are
expected to keep the Owner informed of your condition and anticipated return date. The
Company reserves the right, in all cases, to require proof of the necessity of the absence.

MILITARY LEAVE Military Leave is granted in accordance with the provisions of the
Uniformed Services Employment and Reemployment Act.

JURY DUTY This is a civic responsibility for every citizen and you will be provided with
unpaid time off for such service. Your absence, however, may seriously affect the
Company’s operations, and you should discuss this with the Owner who may ask you to
request to be excused from this service.

FUNERAL LEAVE When a death occurs in your immediate family, you will receive one
paid day off to attend the funeral and/or attend to necessary affairs. For the purpose of
this paragraph, “immediate family” means parents, children, siblings or grandparents.

VOTING This is a citizen’s duty and you are encouraged to vote. Polling places are open
for extended hours and so it should not be necessary for you to take time off to vote.
EMPLOYEE BENEFITS

HOLIDAYS  ABC Co. recognizes these days as paid holidays and normally will not be open for business:

- New Years Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Christmas Day

In order to receive a normal daily pay for the holiday, an employee must work on the workday before and the workday after the holiday, if so scheduled. An employee who works on a holiday will receive pay at the rate of 1 ½ times his regular rate.

VACATION  Full time employees receive one week of annual paid vacation time off after 12 months of continuous service and two weeks of annual paid vacation time off after 24 months of continuous service, starting, in each case, on the first day of employment. Time off should be scheduled not less than 30 days in advance. If you decide not to take time off you should seek approval from the Owner who will arrange for you to receive vacation pay in addition to your time worked. Vacations do not accumulate from year to year. Vacation pay is normally distributed on the workday prior to the beginning of the time off.

PERSONAL VEHICLE  Although a rare occurrence, if you are asked to use your personal vehicle on Company business, you will be reimbursed at the rate of $.50/mile.

WORKER’S COMPENSATION  The Company pays for the cost of this state-mandated coverage. The provisions of this plan cover many (but not all) of your expenses in the event you are injured while at work.

INSURANCE BENEFITS  The Company does not, at this time, provide any personal insurance plans such as health, accidental death, life, etc.

GENERAL WORK RULES

GENERAL  The Company wants you to fully understand the importance of having specific rules to guide performance while at work. It is NOT the intention to appear harsh or rigid, but it is important that these matters be understood and administered fairly and evenly, for the good of both The Company and all employees. If you violate any of these rules, you subject yourself to discipline, up to and including discharge.

ATTENDANCE

1. You are expected to be at your work place when scheduled to do so.
2. You may not alter or mark someone else’s time record.
3. You may not leave the premises before your scheduled time.
4. Loitering on or off the premises, or entering same at a time when not scheduled, is not permitted.
5. If you expect to be late or absent, you are required to notify the Owner as far in advance as possible.
6. Repeated lateness or absenteeism is not permitted.

PERFORMANCE ON THE JOB

1. You are always expected to work to the best of your ability, including attitude, customer relations, following instructions, avoiding waste or unnecessary costs, and producing an adequate, accurate amount of work.
2. Our business involves interaction with many customers every day. It is important
that you present a clean, professional appearance at all times, including personal hygiene, dress, etc.

3. Attitude is critical to success with customers. You are required to be friendly, attentive and courteous at all times.

4. Neglect of duty or carelessness will not be permitted.

5. You are not expected to read, play games, watch television, sleep or otherwise be inattentive to your responsibilities. You may not entertain visits by family or friends during working hours.

6. Falsifying a Company record, report or document is a serious offense.

7. You must exercise care and act in a safe manner, both for yourself and for others. In the event you are faced with a potentially unsafe situation, whether caused by you, a customer, or someone else, you should immediately report the matter to the Owner, or call 911.

PERSONAL BEHAVIOR

1. No employee is permitted to work under the influence of drugs or alcohol, or in any other condition which, in the opinion of The Company, makes him unfit or unable to perform his duties.

2. Gambling, in any form or degree, is not permitted on the premises by either employees or by customers or vendors.

3. Insubordination, refusal to follow a legitimate order, or uncooperative conduct, will not be tolerated.

4. Profane, loud or abusive language or conduct is prohibited as are immoral or indecent acts, language, gestures or other expressions.

5. Fighting, horseplay or provocation thereof is strictly prohibited.

6. Carrying, using, or being in possession of firearms, weapons, drugs or alcohol is a very serious offense.

7. Espionage, spying or surveillance of any kind is not permitted.

8. Any act of dishonesty or disloyalty is prohibited.

9. Smoking on the premises is forbidden.

10. Unauthorized use of telephones, fax, computers or any other communications devices is prohibited. Personal cell-phones will not be used during working hours, and employees are requested to turn off their audio alert signals.

11. Solicitation for any purpose or selling any merchandise or service, other than those offered by The Company, is prohibited.

12. Distribution or posting of any literature without permission is prohibited.

13. Neglect, misuse or waste of Company property is not permitted and removal of such property from the premises, without permission, is prohibited.

14. Sexual harassment of any type, whether involving employees or others, is strictly prohibited.
MISCELLANEOUS POLICIES

CLOTHING From time to time, The Company may provide shirts or other clothing for identification or other purposes. When on duty, you are required to wear these items and keep them clean and in good repair. If your personal clothing is damaged while at work, report this to the Owner who will consider the matter for reimbursement or repair.

ILLNESS OR INJURY If you become ill or are injured while at work, you are responsible for notifying the Owner, whether or not, at the time, you feel unable to continue with your duties. There is a First Aid kit on the premises which is at your disposal should you need it for a minor injury. In a potentially serious situation, you should also consider calling 911.

SUGGESTIONS You have a stake in the success of The Company and it stands to reason that you will benefit, in some way, by improvement in operations, profits, etc. Therefore, you are encouraged to make suggestions to the Owner at any time.
PENNSYLVANIA EMPLOYEE PROTECTION LAWS

If you have employees you are required to be in compliance with a variety of Pennsylvania laws and regulations. First you must be certain that those you employ are not "independent contractors". Then you must understand whether you do or do not have "employees":

a. If you are a proprietorship or partnership and operate the business solely by yourself, you are not considered an employee.
b. If you are a proprietorship or partnership and pay others to work for you, then they are considered employees.
c. If you are incorporated (any of the available forms) then you and others are employees of the corporation.

Here is a listing of the major laws which could apply to you:

b. Child Labor Law. For most businesses the minimum age is 18; 16-17 can sometimes get work permits for seasonal work. (1)
c. Equal Pay Law. No discrimination on the basis of gender. (1)
d. Industrial Home Work Law. Certain work-at-home jobs can be certified.
e. Medical Pay Act. If you require a medical exam you, as the employer, must pay for it.
f. Minimum Wage Act. You must pay at least $7.25/hr (2) and 1.5 times the rate for work over 40 hrs. in a workweek. (1)
g. Personnel File Act. All employees are permitted to inspect their personal file
h. Prevailing Wage Act. Applies to certain heavy construction.
i. Seasonal Farm Labor Act. Applies to seasonal farm workers.
j. Wage Payment and Collection Act. Requires a regular schedule of paydays.
k. Worker’s Compensation. Mandatory for most persons. Insurance can be purchased privately. (1)
l. Occupational and Industrial Safety. A variety of specialized laws protecting certain job categories.
m. Unemployment Compensation. Mandatory. (1)

(1) You must post a notice where employees can see it.
(2) This change was effective 7-1-12

In most cases these laws are far too complex to discuss here, but you must be clear on what does or does not apply to you. The nearest Department of Labor office to the Lehigh Valley is in Scranton. Call 1-877-214-3962 for information.
CHAPTER 9

NONPROFIT ORGANIZATIONS

This article was contributed by Glen Cheney, LVSCORE Chapter President

STARTING A NONPROFIT

Creating a nonprofit corporation may be an option for you to consider if your plans involve a venture that has certain public interest purposes as defined in US Code Title 26 Section 501. Although entities formed under US Code Title 26 Section 501 are usually called nonprofits, it should be understood that they can make profits, but they are exempt from federal taxes. Tax exempt organization profits may not be distributed to board members or employees. In addition to being tax exempt, some nonprofits may be able to accept contributions from supporters that will be considered a charitable deduction for the donor. Some tax-exempt organizations may also be exempt from paying sales taxes. Board members may not be paid for serving on the Board of a nonprofit.

There are many different types of non-profits but the most popular is the 501(c) 3 established by the IRS for charitable, religious or educational entities. You can determine whether your project qualifies as a 501(c) 3 at the IRS website, www.irs.gov. You may want to obtain a copy of IRS Publication 557 “Tax-Exempt Status For Your Organization.” Also review IRS Form 1023. This form requests tax exempt status from the IRS for a proposed 501 (c) 3.

DO THESE THINGS BEFORE FILING ANY PAPERWORK

1. Determine whether non-profit status is really best for your purposes. There are several advantages and disadvantages. Your organization must be dedicated to providing some benefit to the public at large and cannot be a cover for your business.

2. Choose a name for your organization. To determine if the name is available, call the PA State Corporation Bureau- 717-787-1057. They will advise you on the phone as regards use of the name you have chosen. While you are at it, select and reserve a web domain name. You can do this with www.godaddy.com. The cost can vary from $12 to $15/year, No need to go further with a website at this time.

3. There must be a board of directors who will establish goals and operating procedures, participate in fund raising, planning and monitoring the performance
of the corporation. Out the outset, form an incorporating or organizing committee. This is not an election since at this point there is no official organization. Only three are required to begin and it would be desirable that they support the purpose of the organization and have knowledge and expertise in the financial, legal and marketing areas. Normally, this organizing committee will be the incorporators who sign the Articles of Incorporation.

4. Develop a mission statement. It should capture the essence of what you are trying to do. The IRS will consider this to be the purpose of your organization and the activities you undertake, The IRS expects that it will never change.

5. Decide whether you will have “members”. Without “members” the Board of Directors can make decisions more quickly. The common practice is not to have “members” or be considered a cooperative.

6. Prepare a set of Articles of Incorporation and Bylaws that meet Pennsylvania and IRS requirements. Your SCORE counselor can provide a typical set of these documents for your use.

NOW YOU ARE READY FILE THE PAPERWORK WITH STATE & FEDERAL GOVERNMENTS

1. File Articles of Incorporation and Docking Statement with the Corporation Bureau, PA Department of State. All the forms required can be obtained from www.dos.state.pa.us. It would be desirable to attach the Articles of Incorporation (Item 6 above) to the application. The application must be signed by all incorporators but this can be just one individual. The filing fee is $125 and it takes about two weeks to obtain. You will receive a confirmation from the state. Wait for the response as it is required before you file for charitable status with the IRS.

Publication of either the intent to file or the actual filing of Articles of Incorporation must be made in two newspapers of general circulation. One should be a legal journal. Contact the Lehigh Law Journal (610-433-6204) and either the Morning Call or any local suburban paper. The cost will depend on the number of words used in the notice and can vary from $50 to $100. The notice must include the name and purpose of the organization and a statement that the corporation is to be or has been organized under the provisions of the Nonprofit Corporation Law of the Commonwealth of Pennsylvania of 1988 as amended. You don’t need to send proof of advertising to the state but it should be retained in the corporate records.

2. Obtain an EIN or Employer Identification Number. Use IRS Form SS-4 which you can obtain at www.irs.gov.
NOW TACKLE THESE MATTERS

Now that you have accomplished all the paperwork, it will be important to attend to the operational aspects of your non-profit corporation.

1. If you have not already done so, hold your first board meeting to elect officers and ratify all that has been done to form the Corporation. Hire an Executive Director. He/she can be a board member but cannot receive a salary for performing his/her job.

2. Create a budget and establish a system of financial record keeping, using the services of an accountant skilled in nonprofit matters. You will want to develop the same type of reports that a for-profit business uses to monitor results vs. budget, establish cash flow projections, evaluate projects, etc. An audit procedure will also be necessary. The IRS requires submittal of Form 990 which is a very comprehensive report on your financial and operational activities.

3. Provide for keeping corporate records such as board minutes, elections, Board decisions and an up to date listing of board members with contact numbers and addresses.

4. Register for PA Unemployment Compensation. This can be done on line at no charge, at www.paopen4business.state.pa.us.

5. Register in order to withhold taxes from employees’ pay. For federal forms go to

6. Develop an Employee Handbook with position descriptions and personnel policies. You must establish how you will treat holidays, hours, vacations and a host of other workplace matters. This should be a living document which can be revised and expanded as required.

7. Consult an Insurance Broker to purchase appropriate insurance coverage which should cover, at a minimum, Worker’s Compensation, Officers and Directors, General Liability, Fire and Theft, etc.

8. Develop a Business Plan which will be the “road map” for the organization to enable you to accomplish your mission. Remember not to undertake any projects or activities which do not satisfy the mission and vision of your organization.

9. Create a website that will supplement you marketing, fundraising, events calendar, informational messages, etc. This is discussed in another section of this Entrepreneurs Guidebook. The important issue is that your website be a professional site and not one that you or a friend created using google, etc.

Now you can go out a change the world but given the extensive requirements of establishing your organization as a certified nonprofit, you may want to determine if there is a group with nonprofit status that you could join up with and operate under their umbrella.

A good source for information on starting a nonprofit in the state of Pennsylvania is PANO (The Pennsylvania Association of Non- Profit Organizations) Their website-. www.pano.org has a link to “starting a nonprofit” with very helpful information. Another resource is www.citimedialaw.org/legal-guidelines/pennsylvania which provides similar information on starting your nonprofit corporation in PA. The website of Hurwit Associates- www.hurwitassociates.com has an excellent section on initial requirements and names and addresses of various PA government agencies.
RESOURCES

After you have decided to make a serious effort to start a business, and after you've digested most of the materials in this book, you can access a wealth of information that will enhance your knowledge. Most of these materials are free or priced modestly.

Lehigh Valley SCORE Our office distributes several free brochures which contain useful information about starting a business. Phone us at 610-266-3000 for more information.

WEBSITES Go to www.lehighvalley.score.org. This is our local SCORE website. www.score.org is our National SCORE website. There is a great deal of information at both sites.

SBA WEBSITE (National) Go to www.sba.gov.org call the local office in Philadelphia at 215-580-2722. The Small Business Administration (SBA) has many resources to help you, including information about Startup Basics, Financing and Management. Their Learning Center has several useful tools: www.sba.gov/sba-learning-center.

THE FEDERAL INFORMATION CENTER This is a service provided by the Federal Government and its job is to direct you to the office of government that can best answer your questions. Telephone: 800-688-9889.

PENNSYLVANIA STATE INFORMATION OPERATOR Similar to the Federal Government service, you can call here to be connected with the proper state office or agency. Telephone: 800-932-0784.

YOUR LOCAL PUBLIC LIBRARY There may be materials in the reference department to help answer your questions. Local libraries include: Allentown Public Library (www.allentownpl.org); Bethlehem Area Public Library (www.bapl.org); Easton Area Public Library (www.eastonpl.org); Memorial Library of Nazareth (www.nazarethlibrary.org); and Catasauqua Public Library (www.catasauquapl.org). Many of the books, magazines, and newspapers listed below are available at these libraries.

THE INTERNET Google (www.google.com) is a well-known search engine. You may also wish to pose a question at www.ask.com.

SMALL BUSINESS DEVELOPMENT CENTER Federally funded, the local group is centered at Lehigh University in Bethlehem. Telephone: 610-758-3980.

YOUR STATE AND FEDERAL REPRESENTATIVES You already pay for these people and sometimes their offices can direct you to a good source of information. All the appropriate telephone numbers and addresses are listed in your telephone book’s white pages in the “Government” section.

THE GREATER LEHIGH VALLEY CHAMBER OF COMMERCE They may be able to refer you to a member who would be willing to share information. Their locations include: Allentown, Bethlehem, Easton and Nazareth. Telephone: 610-841-5800. (www.lehighvalleychamber.org)
PA ENTREPRENEURIAL ASSISTANCE OFFICE  Call 717-783-5700. The PA Department of Community and Economic Development has several programs of interest to small businesses, including the PA MINORITY BUSINESS DEVELOPMENT AUTHORITY (PMBDA). Visit www.newpa.com/business or call Harrisburg at 717-783-1128.

Books/Newspapers/Magazines

THE U.S. GOVERNMENT MANUAL (www.usgovernmentmanual.gov) This book describes all the government departments and agencies and who to contact. For more information, contact the Government Printing Office in Washington, DC. Telephone: 202-512-1800. Also, visit www.Publications.USA.gov and note that the Small Business category has a list of free publications available upon request.

DIRECTORY OF U.S. ASSOCIATIONS This standard reference book lists over 35,000 trade, cultural and educational associations. Many of these provide free information to anyone. Almost all large libraries have this tome. For more information: www.marketsource.com


HOW TO START A BUSINESS IN PENNSYLVANIA By Entrepreneur Press. Includes forms and details specific to Pennsylvania. 250 pgs. (2007)

SMALL TIME OPERATOR. By Bernard Kamaroff The all-time classic for new operators, now in its 29th edition.


GUERRILLA MARKETING, 4th Edition (2007) Jay Conrad Levinson has written more than a dozen books in the Guerrilla Marketing series

LEHIGH VALLEY BUSINESS This is a 24-page weekly business newspaper, a daily email and a website -- all headquartered in Bethlehem. It serves the Greater Lehigh Valley, which includes Northampton and Lehigh counties, and parts of Berks, Bucks, Carbon, Monroe, Montgomery and Schuylkill counties. Lots of advertising, news and helpful articles. Costs $56/yr. Get more information at www.lvb.com or call (610) 807-9619.

ENTREPRENEUR MAGAZINE (www.entrepreneur.com), FORBES MAGAZINE (www.forbes.com) and BLOOMBERG BUSINESSWEEK (www.businessweek.com) are magazines that contain information that may be of interest to small businesses.

STARTING A BUSINESS IN PENNSYLVANIA Published by the Pennsylvania Department of Revenue, this is an informative booklet that focuses on the legal requirements for a business. For more information call 800-362-2050 or log on to www.revenue.state.pa.us You can also go to the Pennsylvania State Small Business
Development Centers website at www.pasbdc.org and click on “Start Your Business.” Then click on “Pennsylvania Entrepreneur’s Guide” and you can print it out. It is very lengthy, so another option is stop by your local State Representative or Senator’s office and request a free copy.

**CITY OF BETHLEHEM BUSINESS START UP GUIDE.** This is a small brochure that lists offices and telephone numbers if you intend to set up shop in Bethlehem. Call 610- 865-7091 to get a copy. At the same time, make contact with the Bethlehem Office of Economic Development.

**WEBSITES**

Beginning in January 2012, Pennsylvania changed the way Earned Income Tax (EIT) is collected. Known as Act 32, this law impacts every Pennsylvania employer. For more information, visit: www.newpa.com/local-government/tax-information/act32.

The goal of www.PABizOnline.com is to “make PA the easiest place in the world to start, build and expand a business.” Phone: 1-855-722-4924.

Select “Pennsylvania” from the drop- down menu at www.census.gov to access local population statistics. Also visit: www.zipskinny.com and www.pasdc.hbg.psu.edu.


The North American Industry Classification System (NAICS) has a code for every kind of business; this code may be useful when seeking industry statistics. Visit: www.naics.com or www.census.gov/eos/www/naics. Also visit the U.S. Department of Commerce Bureau of Economic Analysis: www.bea.gov. You can research public companies at the U.S. Securities & Exchange Commission’s site (www.sec.gov) by using EDGAR (Electronic Data Gathering, Analysis and Retrieval).

The U.S. Citizenship and Immigration Services site (www.uscis.gov) contains information about immigration and employment (including I-9 forms).

The Pennsylvania Department of Transportation offers a Traffic Volume Map at: www.dot.state.pa.us/Internet/bureaus/pdplanres.nsf/infoBPRTrafficinfoTrafficVolumeMap.

This map provides the Annual Average Daily Traffic for every major road in PA; this is useful information for planning the location of your business.
### Key Partners
- Who are our Key Partners?
  - Who are our Key Suppliers?
  - Which Key Resources are we acquiring from partners?
  - Which Key Activities do our partners perform?

### Key Activities
- What value do we deliver to the customer?
  - When do we deliver it?
  - How do we deliver it?

### Value Propositions
- What value do our Key Resources provide?
  - What problems do our Key Activities solve?

### Customer Relationships
- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
  - Which ones have we established?
  - How are they integrated with the rest of our business model?

### Customer Segments
- For whom are we creating value?
  - Who are our most important customers?
  - How do we reach them?

### Channels
- Through which Channels do our Customer Segments want to be reached?
  - How are they integrated with customer routines?

### Key Resources
- What Key Resources do our Value Propositions require?
  - Which Key Activities do our Value Propositions require?
  - Revenue Streams?

### Key Partners
- Who are our Key Partners?
  - Which Key Activities do our Key Partners perform?

### Value Propositions
- What value do we deliver to the customer?
  - When do we deliver it?
  - How do we deliver it?

### Customer Relationships
- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
  - Which ones have we established?
  - How are they integrated with the rest of our business model?

### Customer Segments
- For whom are we creating value?
  - Who are our most important customers?
  - How do we reach them?

### Channels
- Through which Channels do our Customer Segments want to be reached?
  - How are they integrated with customer routines?

### Key Resources
- What Key Resources do our Value Propositions require?
  - Which Key Activities do our Value Propositions require?
  - Revenue Streams?

### Key Partners
- Who are our Key Partners?
  - Which Key Activities do our Key Partners perform?

### Value Propositions
- What value do we deliver to the customer?
  - When do we deliver it?
  - How do we deliver it?

### Customer Relationships
- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
  - Which ones have we established?
  - How are they integrated with the rest of our business model?

### Customer Segments
- For whom are we creating value?
  - Who are our most important customers?
  - How do we reach them?

### Channels
- Through which Channels do our Customer Segments want to be reached?
  - How are they integrated with customer routines?

### Key Resources
- What Key Resources do our Value Propositions require?
  - Which Key Activities do our Value Propositions require?
  - Revenue Streams?

### Key Partners
- Who are our Key Partners?
  - Which Key Activities do our Key Partners perform?

### Value Propositions
- What value do we deliver to the customer?
  - When do we deliver it?
  - How do we deliver it?

### Customer Relationships
- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
  - Which ones have we established?
  - How are they integrated with the rest of our business model?

### Customer Segments
- For whom are we creating value?
  - Who are our most important customers?
  - How do we reach them?

### Channels
- Through which Channels do our Customer Segments want to be reached?
  - How are they integrated with customer routines?

### Key Resources
- What Key Resources do our Value Propositions require?
  - Which Key Activities do our Value Propositions require?
  - Revenue Streams?

### Key Partners
- Who are our Key Partners?
  - Which Key Activities do our Key Partners perform?

### Value Propositions
- What value do we deliver to the customer?
  - When do we deliver it?
  - How do we deliver it?

### Customer Relationships
- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
  - Which ones have we established?
  - How are they integrated with the rest of our business model?

### Customer Segments
- For whom are we creating value?
  - Who are our most important customers?
  - How do we reach them?

### Channels
- Through which Channels do our Customer Segments want to be reached?
  - How are they integrated with customer routines?

### Key Resources
- What Key Resources do our Value Propositions require?
  - Which Key Activities do our Value Propositions require?
  - Revenue Streams?

### Key Partners
- Who are our Key Partners?
  - Which Key Activities do our Key Partners perform?

### Value Propositions
- What value do we deliver to the customer?
  - When do we deliver it?
  - How do we deliver it?

### Customer Relationships
- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
  - Which ones have we established?
  - How are they integrated with the rest of our business model?

### Customer Segments
- For whom are we creating value?
  - Who are our most important customers?
  - How do we reach them?

### Channels
- Through which Channels do our Customer Segments want to be reached?
  - How are they integrated with customer routines?

### Key Resources
- What Key Resources do our Value Propositions require?
  - Which Key Activities do our Value Propositions require?
  - Revenue Streams?

### Key Partners
- Who are our Key Partners?
  - Which Key Activities do our Key Partners perform?

### Value Propositions
- What value do we deliver to the customer?
  - When do we deliver it?
  - How do we deliver it?

### Customer Relationships
- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
  - Which ones have we established?
  - How are they integrated with the rest of our business model?

### Customer Segments
- For whom are we creating value?
  - Who are our most important customers?
  - How do we reach them?

### Channels
- Through which Channels do our Customer Segments want to be reached?
  - How are they integrated with customer routines?

### Key Resources
- What Key Resources do our Value Propositions require?
  - Which Key Activities do our Value Propositions require?
  - Revenue Streams?

### Key Partners
- Who are our Key Partners?
  - Which Key Activities do our Key Partners perform?

### Value Propositions
- What value do we deliver to the customer?
  - When do we deliver it?
  - How do we deliver it?

### Customer Relationships
- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
  - Which ones have we established?
  - How are they integrated with the rest of our business model?

### Customer Segments
- For whom are we creating value?
  - Who are our most important customers?
  - How do we reach them?

### Channels
- Through which Channels do our Customer Segments want to be reached?
  - How are they integrated with customer routines?

### Key Resources
- What Key Resources do our Value Propositions require?
  - Which Key Activities do our Value Propositions require?
  - Revenue Streams?

### Key Partners
- Who are our Key Partners?
  - Which Key Activities do our Key Partners perform?

### Value Propositions
- What value do we deliver to the customer?
  - When do we deliver it?
  - How do we deliver it?

### Customer Relationships
- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
  - Which ones have we established?
  - How are they integrated with the rest of our business model?

### Customer Segments
- For whom are we creating value?
  - Who are our most important customers?
  - How do we reach them?

### Channels
- Through which Channels do our Customer Segments want to be reached?
  - How are they integrated with customer routines?

### Key Resources
- What Key Resources do our Value Propositions require?
  - Which Key Activities do our Value Propositions require?
  - Revenue Streams?

### Key Partners
- Who are our Key Partners?
  - Which Key Activities do our Key Partners perform?
to learn how we can help, visit us at www.bucknolisicky.com

Allentown 610.821.8580 | Bethlehem 610.691.0113
Lehighton 610.377.6960 | New Jersey 973.984.0100
Financial Planning
Investment Management
Tax Planning & Preparation
Retirement Planning
Estate Planning
Education Planning
Insurance Planning
Trust Services
ExecutiveEdge™
valleynationalgroup.com

DO YOU WANT TO OPEN OR EXPAND YOUR SMALL BUSINESS?

Community First Fund can help you get the loan you need to grow.

Community First Fund provides the financial resources necessary to help people create economic opportunity for themselves, their families and their communities.

For more information about Community First Fund, visit www.communityfirstfund.org or call our Allentown office at 717-205-6074.

COMMUNITY FIRST FUND • ADVANCING OPPORTUNITY
More than Just a Small Business Lender

Educator. Innovator. Advocate.

Small business direct lender, offering:

✅ A fully transparent and consultative process, including suitability testing, to determine the best financing product for your short and long-term business goals

✅ No hidden fees

✅ Early repayment discounts and graduation programs

Business Loans of up to $250,000

Rates starting at 1.25%/month

Up to 24 months

www.breakoutfinance.com  |  888.318.3534  |  support@breakoutfinance.com
Affordable Memory Care

Best Designed To Meet the Needs Of Our Elderly

in the Lehigh Valley

Bethlehem Manor offers
Personal Care

Secured Memory Care - Care Plus

Advanced Physical Care - Care Plus

SHORT TERM RESPITE AND VACATION STAYS AVAILABLE

610-841-8888

*contact admissions for details

Whitehall Manor

1177 6th Street, WHITEHALL
610.434.9999

Saucon Valley Manor

1050 Main Street, HELLENTOWN
610.748.8888

Bethlehem Manor

815 Pennsylvania Avenue, BETHLEHEM
610.841.8888

www.bethlehemmanor.com

www.bethlehemmanor.com
www.sauconvalleymanor.com
Grow Your Business with Lehigh Financial Group LLC

When Banks are saying NO, we are saying YES!

Yes to:
- Real estate purchase up to 90% financing
- Cash out refinance of commercial real estate
- Equipment up to 100% financing
- Working Capital and Inventory Purchase
- Business Acquisition
- Franchise purchase
- Equipment Leasing
- Accounts Receivable Financing

We understand that you have big plans for your small business. We can help! Call or email us today or visit us on the web at www.lehighfinancialgroup.com

Give us a call!

Jeff Barber Ext. #2
Lewis Edwards Ext. #8

Lehigh Financial Group, LLC

The Max Hess Building
1244 West Hamilton Street, Suite 200 • Allentown, PA 18102
Office: 610-821-6870 • lehighfinancialgroup.com

Commercial Lending for Real Estate:
- Offices
- Mixed Use
- Storefronts
- Pizza Shops
- Laundromats
- Restaurants
- Taverns
- Auto Body Repair Shops
- Auto Repair Shops
- Convenience Stores
- Car Washes
- Dry Cleaners
- Beauty Shops
- Funeral Homes
- Self Storage
- Warehouses
- Campgrounds
- Golf Courses
- Hotels/Motels
- Bed & Breakfast Inns
- Multi-Family Housing 5+ Units
- Trailer/Mobile Home Parks
- Stand-Alone Retail Parks
- Strip Mall Centers
- Regional Mall Financing
- And Much More...
KINGSPRY
Attorneys and Counselors at Law

• KINGSPRY ATTORNEYS •

Jerome B. Frank
Donald E. Spry, II
Domenic P. Sbrocchi
Kirby G. Upright
Kent H. Herman
Terence L. Faul
John E. Freund
Jeffrey T. Tucker
Glenna M. Hazeltine

Kevin C. Reid
Paul S. Frank
Brian J. Taylor
Michael A. Gaul
Elizabeth M. Kelly
Ellen C. Schurdak
Kristine M. Roddick
Dorota Gasienica-Kozak
Rebecca A. Young
Timothy E. Gilsbach
Jessica F. Moyer
Erin D. Gilsbach
Keely Jac Collins
Avery E. Smith
Matthew T. Tranter
Karley Biggs Sebia
Jonathan M. Huerta
William J. Novick, IV

A Full Service Law Firm With Practice Areas Including:
Adoption Law • Affordable Housing Law • Business Law • Education Law •
Employment Law • Estate Planning/Trust Administration • Family Law •
Immigration Law • Litigation • Municipal Law • Non-Profit Law •
Public Finance Law • Real Estate Law • Special Education Law

KING, SPRY, HERMAN, FREUND & FAUL LLC
One West Broad St., Suite 700 • Bethlehem, PA 18018
Phone: 610-332-0390 • Fax: 610-332-0314
www.kingspry.com • @King_Spry_Law
In Memoriam

Brewer Conger III

Dedicated Lehigh Valley SCORE member, Mentor, Executive Committee member and Treasurer for nearly 20 years

John Alogna

Dedicated Lehigh Valley SCORE member, Mentor, Marketing and Fundraising Committee member for over 10 years

They are greatly missed
At First Commonwealth, we believe financial wellness is the key to helping business owners reach their dreams. That’s why we offer Financial Wellness @ Work – an online resource center dedicated to providing business owners with FREE educational content. Learn about:

- Business plans
- Obtaining and using credit
- Business financial statements
- And more

▷ Plus, enjoy free seminars and access to certified financial wellness coaches when you become a First Commonwealth business member.

Contact us today to learn more!
firstcomcu.org/learn | 610.821.2403
FEDERALLY INSURED BY NCUA