

**The**  
**NITTY GRITTY**  
**DOWN N' DIRTY**  
**SAVVY STRATEGIES**  
**Guide For**  
**DEVELOPING**  
**A**  
**BUSINESS PLAN**

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# HOW TO USE THE BUSINESS PLANNING GUIDE

1. Read the entire guide from start to finish and familiarize yourself with the content, format, topics, questions, and the action items necessary to help you start your business. By following the instructions in this guide, you will be provided with a simple, time saving, step-by-step process for creating a winning business plan.
2. Review “The Business Planning Process” section to gain an understanding of what a business plan is, understand both the internal and external benefits of a business plan, explore some guidelines on the length of a business plan, and gain some helpful hints for writing your plan.
3. The “Business Plan Outline” is a generic outline that will provide an overview of the most important sections to be included in your business plan while the “Business Plan Outline - Description” section provides a detailed description of what belongs in each section of the outline. There is a one-to-one correlation between the generic outline and the description.
4. Go to the "Expanded Business Plan Outline" and read it again in more detail. The “Expanded Business Plan Outline” is the “heart and soul” of your business plan and is the document you will utilize the most. The outlines were developed to be generic and cover many different types of businesses. Therefore, everything in the expanded outline will not directly apply to your business. Once again, there is a one-to-one correlation between the “Expanded Business Plan Outline” and both the generic outline and the descriptions.
5. After reviewing this section again, cross out all the sections and questions that do not apply to your particular business. For the questions and action items that remain, answer each question with one, two or three sentences as is necessary. Some questions may only require one sentence to answer while some questions may require two, three, or more paragraphs to answer.
6. For those questions that you were unable to answer or that were answered incompletely, then do the research to gather the information that will allow you to comprehensively answer each question. Utilize a research library, review directories, talk with other business owners, contact trade associations, or seek the advice of accountants, attorneys, or consultants. See the section entitled “Market Research Sources” for additional reference sources.
7. Based upon this additional information, complete all the questions that were previously unanswered and expand upon the answers to any of the other questions as needed.
8. In your research you will discover there is usually more than one way to accomplish your objectives. There will be many choices related to marketing and sales strategies, distribution channels, office location, and a wide range of costs for goods, services, and supplies. Make efficient and cost effective choices.
9. Every strategy, tactic, or decision has a resource associated with it in terms of time and money. Start translating these choices to a Monthly Cash Flow Projection statement that you will need to create. This cash flow schedule will tell you if this business is viable. It may be necessary to re-work this schedule several times making alternative choices, compromising some goals, changing marketing strategies, or seeking lower cost suppliers of goods and services. You should be able to make a profit within a reasonable time frame, and, if not, then you should seriously re-consider entering into this venture.

10. It is now time to start writing the plan in earnest. Using the previously answered questions and information, arrange the sentences in logical order to create paragraphs according to the outline. Do not include the questions in your paragraphs – use only the answers arranged in a logical and easily readable manner. Proofread and make grammar changes.
11. Have an independent third party review your plan to determine its validity, business sense, catch grammar errors, and ask the "tough questions" that either a banker or a private investor might ask. Jaguar Consulting can provide this service at a reasonable cost. If you are starting a retail store or a restaurant, you might want to consider purchasing the Retail Store Self-Assessment Checklist or the Restaurant Self-Assessment Checklist. The checklists have many helpful hints to ensure a successful start-up or to help bring an existing business to the next level of growth and profitability.
12. Based on this review, do any additional research and re-write as necessary.
13. One key element to consider is the type of business structure under which you will conduct operations. See the section entitled “What Form of Business Organization” for some general pro’s and con’s of each type of business entity. This is a general guide only and YOU SHOULD CONSULT BOTH AN ATTORNEY AND A CERTIFIED PUBLIC ACCOUNTANT (CPA) before making the final decision on the type of business structure to utilize.
14. If financing is required to implement your plan, the section on “Financing Alternatives” will provide some traditional sources of money. Remember that all lending sources will expect you to take most of the risk. A well thought out business plan will help gain the confidence of the financing sources.
15. Review the section on “The Worst Start-up mistakes”. Your business plan should provide strategies and tactics that will minimize any of these typical mistakes.
16. Good luck with your venture!

# THE BUSINESS PLANNING PROCESS

## What is a Business Plan?

- Writing the plan is the first major test of the entrepreneur's commitment.
- Conveys an objective understanding of the business opportunity.
- The written result of the data collection and market research process.
- Describes every process and strategy for the business.
- Describes the company's plan for both the short and long term.
- Determines the financial needs of the company at various stages of growth.
- Identifies potential obstacles and risks.
- Identifies market solutions and potential opportunities.
- Establishes milestones for continuous and timely evaluation.
- If done properly, it is the primary document for managing the business.
- A dynamic document that is an integral part of the on-going planning process.
- It is a communication vehicle for both internal and external purposes.

## The External Benefits of a Business Plan:

- Helps to sell the company to the external environments.
- Facilitates the process of securing both debt and equity financing.
- Helps to establish distributor or trade supplier relationships.
- Creates the credibility that can help land an important or major account.
- Serves as the "comfort factor" for establishing a strategic alliance.
- Provides the justification for a merger or an acquisition.

## **The Internal Benefits of a Business Plan:**

- A management tool that provides a framework for decision making.
- It is a blueprint or the road map to guide the company's operations.
- Helps the senior management team make decisions in an orderly manner.
- A tool to monitor the progress of the business and keep it on track.
- A vehicle for comparing expectations with the actual results.
- A tool to ensure that both employees and managers understand the company's objectives.

## **How Long Should It Be?**

- The length depends on the objective.
- Do whatever it takes to satisfy the objective.
- These are general guidelines only.

Personal: Long enough to justify an investment of your time and money to either start or purchase a business.

Operations plan: For a small business, ten to twenty written pages (plus financial statements and an appendix) for a one to three year plan.

Bank loan: For a small loan of up to \$50K, then six to ten written pages (plus financial statements and an appendix) should suffice. For \$50K to \$100K, then ten to twenty pages (plus financial statements and an appendix). For more than \$100K, then twenty to forty pages (plus financial statements and an appendix).

Private Placement: A Private Placement Offering Memorandum for \$500K+ of equity capital typically requires forty to sixty or more written pages (plus financial statements and an appendix).

## Writing the Plan:

- Can be a long and arduous process, especially if it is the first attempt.
- With proper planning and a strong desire to succeed, it can be accomplished.
- Requires "drive" and "staying power" to complete.
- Many entrepreneurs get stuck because they dislike the writing process, they believe the process is too time consuming, or they know what they want to say, but just can't seem to translate the ideas to paper. Here are some strategies to overcome this obstacle:

**Pre-planning...** Use the information from the marketing research effort as the basis for much of the writing. Use the Business Plan Outline for organizing information.

**Write a little at a time...** Write only a few sentences to start. The plan doesn't have to be completely written at one sitting. The most important objective is to get your thoughts on paper as quickly as possible without worrying about grammar, punctuation, or critiquing every sentence that has been written.

**Don't write a book...** Wherever possible use charts, tables, and graphs to present and analyze information. A picture is truly worth a thousand words. Remember, from the reader's perspective, this is the primary sales tool for the business.

**Correlate the information...** A good plan contains certain elements described in the Business Plan Outline, but the plan's logic and financial projections are the most important elements. If the numbers don't work, then no amount of beautiful prose and presentation will make it a good plan. If the numbers don't correlate to the text, then the plan will lose credibility.

**Revise and edit...** Take an objective view of what has been written and find opportunities to re-write sentences for clarity. Occasionally, some sentences as well as some paragraphs may be moved to a different location so that the plan reads easier. Correct all grammar, punctuation and spelling in this phase.

**Proofread...** Have an independent advisor read the plan. However, don't take the critique personally - it is much better to find the mistakes during this phase than to have a potential investor find them later.

**Polish the Plan...** Make any suggested corrections, fill in the missing information, and do a final proofreading to polish the plan and make it presentable for outside readers.

# **BUSINESS PLAN OUTLINE**

## **I. COVER SHEET**

## **II. EXECUTIVE SUMMARY**

## **III. THE BUSINESS**

- A. Description of the Business:**
- B. Product or service:**
- C. The Market:**
- D. Competition:**
- E. Sales:**
- F. Customer Service:**
- G. Location of the Business:**
- H. Management:**
- I. Professional Relationships:**
- J. Research, Design, and Development:**
- K. Manufacturing:**
- L. Business Risks:**

## **IV. FINANCIAL INFORMATION**

- A. Pro-Forma Cash Flow Statements:**
- B. Pro-Forma Income Statements:**
- C. Balance Sheet:**
- D. Sources and Applications of Funding:**
- E. Breakeven Analysis:**
- F. Equipment List:**

## **V. APPENDIX**

# **BUSINESS PLAN OUTLINE - DESCRIPTION**

For every business book read or for each business seminar attended, a different business plan outline will be presented. Typically, the plan outlines will be quite similar and will mostly be variations in format. There is, however, not any one "right" business plan outline because they are all generally good. The only "right" plan outline is the one that creates the business plan that helps the entrepreneur make the right decision regarding starting up the business, helps to manage the business properly, or secures the required funding that successfully finances the business. One example of such a business plan outline was presented on the previous page entitled "Business Plan Outline". This section describes below many of the topics and the required information that should be included in your business plan. There is a one-to-one correlation between this narrative and the "Business Plan Outline".

## **I. COVER SHEET**

The cover sheet includes the name of the business, its address and telephone number. Any company logo or slogan (catch phrase) should be artistically displayed on the cover page. Also included are the names of the principals, the date, and to whom the business plan is being submitted.

## **II. EXECUTIVE SUMMARY**

This is a one page (two page maximum) encapsulation of the entire business plan and contains only the most important information. The primary focus of the summary will depend on the reader. Therefore, there may be different executive summaries for different audiences. After the business plan has been completed, it is then that the summary is written. A statement of purpose will explain why the business plan was written and why it is being submitted to the reader. Since this is the first section read, then it must be clear, concise, to the point, and address the reader's specific interests. An executive summary usually contains a mission statement, summary of the business opportunity, brief company history, product and service descriptions, size of the potential market, description of what makes the company unique, summary of important financial data, how much money is needed, the return on the investment, and why this venture is a good risk. Most of all, it must be both accurate and persuasive.

## **III. THE BUSINESS**

This is the heart and soul of the business plan. It is the methodology for organizing the results of the market research and data collection process. Writing the business plan is an interactive process. As the entrepreneur finds new information, gains different perspectives from advisors, and tests the underlying assumptions, the plan will change to accommodate this new information. It can be a long and tedious process, but it is also a worthwhile process.



**A. Description of the Business:**

Describes in much detail what the business is all about. This section includes the mission statement as well as short and long term objectives. If the business currently exists, then include a discussion of the history of the company and any past successes or failures, seasonal trends, size, business trends, and the progress made to date. Discuss the opportunity that exists now and why this business promises to be successful including the growth potential, how is it unique, and what key elements will make it successful.

**B. Product or Service:**

Describe the products and services that will be sold including the unique features, functions, and benefits for the customer. Answer the question of why someone would buy this product or service from your business. Evaluate the current demand for this product or service and discuss the factors that affect demand. Describe where the product is in its lifecycle as well as any plans for future products and services. Define what is really being sold: convenience, price, quality, service, status or security.

**C. The Market:**

This section is generally the largest and most detailed section in the plan. Marketing decisions affect all other aspects of the plan in relation to time, personnel requirements, location, and financial needs. This section, along with the financial section, will either "make or break" the opportunity. Clearly describe who or what the market is, who the potential customers are, where they are located, and when, why and how they buy. Describe how the product will be distributed and through which channel. Include the results of the market research that focuses on market size, growth trends, risks, and your anticipated market share. Describe how the products and services will be promoted and the various pricing strategies that will be employed and why.

**D. Competition:**

Every business has competition and ignoring this fact will cause the business plan to lose credibility. Describe the competitor's products and services, their marketing strategies, their pricing strategies, and what makes them successful. Differentiate the competitive advantages and describe why a customer would buy products and services from your business. Evaluate the weaknesses that can be exploited as well as define any potential threats to the business.

**E. Sales:**

Describe the company's sales strategy, how it will sell, with whom and what sales methodology will be employed. Determine how many sales people will be hired, their territory description, and their commission structure. Describe how a sale will be made including the number of sales calls to secure an order, the cost of making a sale, and the average order size. Describe how sales personnel will be both recruited and trained.

**F. Customer Service:**

An often overlooked section of many business plans is what happens after the sale. Describe any add on services or warranties that will be provided and at what cost. Include a strategy for handling complaints and the return of defective products. Discuss how a customer will be able to reach the business and how the business will reach the customer.

**G. Location of the Business:**

Describe why this location was chosen in terms of demographics, costs, surrounding businesses, expandability, office layout, and customer accessibility.

**H. Management:**

This section provides information regarding the talents, past skills, and business experience of the principles. Outline the specific tasks and responsibilities of key personnel and what their value is to the business. Describe any weaknesses in the management team and the strategy for compensating for these shortcomings. Describe how the business will recruit and retain qualified personnel. Explain how day-to-day operations will be conducted.

**I. Professional Relationships:**

Describe any third party relationships that have been established that will enhance the businesses credibility such as prestigious accounting firms, large banks, reputable law firms or high profile board of director members. Discuss any established strategic alliances or cooperative marketing efforts that would provide a marketing advantage.

**J. Research, Design, and Development:**

Without disclosing confidential information, describe the company's design and development process and where the business is relative to this process. Describe any additional research, technical, or financial needs. Discuss the reliance on current and future technologies and how they will impact the business. If the company's processes are proprietary, discuss how they will be protected. Describe what other products might potentially evolve from these efforts. This is an opportunity to pique the interest of the reader in the long term viability of the business.

**K. Manufacturing:**

Describe the manufacturing process for the products, the cost of plant and equipment, and the merits of doing it in-house versus utilizing outside sub-contracts. Discuss any product, market, or cost benefits that accrue to the business because of the manufacturing processes. Quality control procedures also need to be discussed. Of special interest are the relationships that will be established with suppliers of other goods and services to the company as well as any government regulations that will impact the business. Describe the manufacturing facility, capacity, expansion, layout, and lease, as well as the equipment requirements.

#### **L. Business Risks:**

Although nobody likes to think there may be significant risks involved, potential investors will feel more comfortable if they know the entrepreneur is aware of the risks and has plans to minimize these potential risks. Some of the risks to be discussed include technological, market, personnel, industry, competitive, and financial. A strategy to minimize each of these risks is essential to the plan as well as the company's fallback position in case one of these risks materializes. It is not necessary to dwell on this section, but only to identify the risks and describe the strategies for coping with these risks.

### **IV. FINANCIAL INFORMATION**

This section contains all the financial statements including both historical and projected statements. If the business is an on-going concern, then the past three years income and balance sheet statements are required as well as income tax statements. For both start-ups and existing businesses, the financial projections should be for three years, preferably five years, and consist of cash flows, income statements, and balance sheets.

Supplemental statements to include are a sources and applications of funding summary, a break-even analysis, and an equipment list:

### **V. APPENDIX**

The appendix includes a wide variety of supplemental material that consists of personal resumes, employee agreements, personal financial statements, credit reports, letters of reference, letters of intent, important contracts and agreements, licenses, copyrights and patents, news articles and press releases, and drawings, photographs or artist renderings. All this information may not be required for all business plans, but anything that will enhance the plan or lend credibility to the business opportunity should be included.

# **EXPANDED BUSINESS PLAN OUTLINE**

## **Key Questions and Issues to Consider**

### **I. COVER SHEET**

- A. Name of the business.
- B. Names of the principals.
- C. Address of the business.
- D. Telephone number.
- E. Date.
- F. Logo, slogan, catch phrase, if any.

### **II. EXECUTIVE SUMMARY**

- A. State the purpose, mission and essence of the company.
- B. Include a brief history of the company, if any.
- C. Current status of where the business is operationally.
- D. Describe why the business will succeed?
- E. What does the business want to start (or change)?
- F. Briefly describe the products and services.
- G. Briefly define the size of the potential market.
- H. Describe the attributes that will make the business unique in this market.
- I. Briefly define the current and/or expected market share.
- J. Briefly define the current and/or expected gross revenues.
- K. Briefly define the current and/or expected net income.
- L. How much money is required?
- M. Define the purpose for which the money will be used.
- N. What is the return on the investment?
- O. Why is the venture a good risk?
- P. The executive summary is generally one to two pages maximum and is done after the rest of the business plan has been completed.

### **III. THE BUSINESS**

#### **A. Description of the Business:**

- 1. State the purpose, mission and essence of the company in more detail.
- 2. Expand on the history of the company, if any.
- 3. What type of business is this?
- 4. What products or services will be sold?
- 5. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?
- 6. Why does this business promise to be successful?
- 7. What is the growth potential?
- 8. How is this business unique?
- 9. What are the driving forces that will make it successful?

## **B. The Product or Service:**

1. Describe the product or service that will be offered.
2. What is the primary function of the product or service?
3. What are the products primary features?
4. What are the benefits to the customer?
5. What makes this product or service different from all the others?
6. Why would someone buy this product or service from your company?
7. What is the current demand for your product or service?
8. What factors affect demand today?
9. What factors will affect demand in the future?
10. Where in the product life cycle is this particular product or service?
11. What are the plans for future products or services?
12. What product is the business really selling?
  - a. Convenience.
  - b. Price.
  - c. Quality.
  - d. Service.
  - e. Status.
  - f. Security.
13. Make a chart that compares the features of the company's product to the features of the competition's products (price, quality, service, etc.).

## **C. The Market:**

1. Who or what is the company's market?
2. Who are the potential customers?
  - a. Where are they located?
  - b. When do they buy?
  - c. How do they buy?
  - d. How do they pay?
  - e. What motivates them to buy (convenience, price, quality, service, status)?
3. How is the industry organized?
4. What are the current trends in the market?
  - a. Is the market growing, shrinking or staying level?
  - b. What is the strategy to capitalize on this trend?
5. How large is the market in size of \$?
6. How large is the market in size of units?
7. What market share is anticipated?
8. Describe the market risks.
9. Has the company prepared a marketing budget?
10. Describe how the product will be distributed:
  - a. How will the company deliver the offering to the buyer?
  - b. How will the business make the offering available?
  - c. Which channel will be used (does the company sell to the wholesaler, retailer, or directly to the end consumer?) and what is the cost?
  - d. What incentives will be used to induce the channel to promote the product?
11. Describe how the product or service will be promoted:

- a. How will the buyer be made aware of the product?
  - b. How will the buyer be induced into making the purchase?
  - c. How can the company make the product stand out in the crowd?
  - d. What free publicity can you take advantage of?
  - e. Is there an opportunity to utilize co-op advertising dollars?
  - f. Can the product or service be offered in conjunction with other products?
  - g. Prepare an advertising budget based on the selected strategy.
12. Describe the company's pricing strategy:
    - a. What is the cost of the product and service?
    - b. What discounts will be offered?
    - c. What is the expected retail cost of the product or service?
  13. How is the market segmented?
  14. In the market research process did you:
    - a. Talk with potential customers?
    - b. Talk with potential distributors?
    - c. Talk with potential trade suppliers?
    - d. Contact any trade associations?
    - e. Contact any trade publications, read back issues, talk with writers, etc.?
    - f. Visit competitive sites, use their products, review marketing literature, etc.?
    - g. Conduct a market survey?
    - h. Engage in face-to-face interviews?
    - i. Demonstrate a prototype?
    - j. Provide free samples?

#### **D. Competition:**

1. Who are the competitors?
2. How are their businesses positioned?
3. What makes them successful?
4. What are their market (competitive) advantages?
5. What are your market (competitive) advantages?
6. What are the main reasons why a customer would buy from the competitors?
7. Why would a customer buy from your company?
8. What is the competition's marketing strategy and why did they choose it?
9. What is their pricing strategy and why did they choose it?
10. Why did they choose not to use the marketing strategy your company has selected?
11. Why did they choose not to use the pricing strategy you have selected?
12. What weaknesses in the market or competitive products can be exploited?
13. What threats will have to be addressed?
14. What is the defensive strategy if the competition decides to compete directly against your company?
15. Create a chart that compares the company to the competition by itemizing:
  - a. Name of the competitor.
  - b. Distribution channel.
  - c. Price.

- d. Type of customer?
- e. Quality of products and services.
- f. Product features.
- g. Other important characteristics.

**E. Sales:**

1. What is your sales strategy?
2. How many sales people will be needed to achieve the revenue goals?
3. How will the sales territory be divided?
4. How many sales calls will it take to get one order?
5. How many units in an average order?
6. What is the cost of obtaining the order?
7. How will the sales force be trained?
8. What is the commission rate and how and when will it be paid?
9. Will travel and lodging expenses be covered?
10. What sales methodology will be employed?
  - a. Direct face to face selling?
  - b. Telemarketing?
  - c. Direct mail?
  - d. Mass media advertising?
  - e. Internet marketing?
11. What is the cost of brochures, samples, demo products, training, travel, etc.

**F. Customer Service:**

1. How will service for the product be provided?
2. What type of warranty will be offered and for how long?
3. How will defective parts be handled?
4. Will a maintenance contract be offered?
5. What policies will be established to “fix” a dissatisfied customer?
6. What is the cost of providing various types of services?
7. Will service be provided directly or sub-contracted to a third party?
8. Will an 800 telephone line be established?

**G. Location of the Business:**

1. Why here?
2. Is it easily accessible?
3. Is enough parking available?
4. Are there any restrictive ordinances?
5. Is the size of the space adequate?
6. Is there room for expansion?
7. Is the layout appropriate for the business?
8. Are renovations required and at what cost?
9. Is the location "comfortable" for the customers?
10. Are the demographics stable or changing?
11. How much advertising will be needed to bring customers to this location?
12. What other types of compatible businesses are in this area?

13. If this is a retail outlet:
  - a. Is it convenient?
  - b. What are the traffic patterns?
  - c. What are they at different times during the day?
  - d. Does the business need the support or draw of other stores?

#### **H. Management:**

1. Who will manage the business on a daily basis?
2. What qualifications do they have?
3. What will be their primary responsibilities?
4. What qualifications do you have?
5. What will be your primary responsibilities?
6. How much value will a lender or investor place on your qualifications?
7. If you have a partner(s), what are their qualifications?
8. If you have a partner(s), what are their primary responsibilities?
9. How many employees will be needed?
10. What will be their primary responsibilities?
11. How will the organization be structured?
12. What are the plans for employee salaries, wages and benefits?
13. What consultants or specialists will be needed? How will they be used?
14. What legal form of ownership will be chosen? Why?
15. What licenses and permits will be needed?
16. Has a board of directors been established that can supplement your skills?
17. Has a management advisory committee been established that can supplement your skills?
18. Describe any shortcomings in the management team and how the business will compensate for them.
19. How will the business recruit people that have these critical skills?
20. Include a one or two paragraph biography for each of the management team members?
21. If this is a partnership, have all partners signed a partnership agreement that clearly defines the initial investments, roles and job responsibilities, limits of incurring debt, decision making processes, partner terminations, etc.?

#### **I. Professional Relationships:**

1. Have you established a banking relationship and what role will the banker assume with the company?
2. Have you established an accountant relationship and what role will the accountant assume with the company?
3. Have you established a legal relationship and what role will the attorney assume with the company?
4. Have you established a management consulting relationship and what role will the consultant assume with the company?
5. Describe any strategic alliances that the company has formed and the unique value they serve for the company.



## **J. Research, Design, and Development:**

1. Carefully describe the design or development process?
2. What technical assistance has been received to date?
3. What research needs are anticipated?
4. Are the costs involved in research and design reasonable?
5. Develop an R & D plan that identifies key goals, costs, and resources.
6. How much additional money is needed to complete this phase?
7. How much money is needed to complete the next phase and when?
8. What are the technological risks?
9. What are the competitive risks?
10. Describe the reliance, if any, on other technologies?
11. What other technologies, both current and new, will affect the product?
12. What is proprietary to the product or process?
13. How does the company intend to protect this?
14. What other products might evolve from this process?

## **K. Manufacturing:**

1. Where will the manufacturing facility be located and why?
2. What steps are required to produce the product or service?
3. What are the needs for production (e.g., facilities and equipment)?
4. Who will be the company's suppliers?
  - a. How available are parts?
  - b. How difficult are they to get?
  - c. How long a lead time is necessary to order them?
  - d. Are they available from multiple sources?
5. What type of transportation is available?
6. What is the supply of available labor?
7. What will it cost to produce the product or service?
8. Will the company make all the products in-house or subcontract?
9. How will the quality of the products be controlled?
10. What government regulations must be adhered to?

## **L. Business Risks:**

1. What potential problems could arise?
2. How likely are they?
3. Describe the potential technological risks.
4. Describe the potential market risks.
5. Describe the potential competitive risks.
6. Describe the potential financial risks.
7. Describe the potential personnel risks.
8. Assess the probability of the success or failure of this venture.
9. How will these potential problems and risks be managed?
10. Describe the fallback strategy if things don't occur as expected.
11. How will the company minimize the risks for an investor or lender?
12. What types of insurance are you planning to purchase?
13. What government regulations may change that will affect the business?

14. What will happen to the business if something temporary or permanently happens to either you or one of your partners?

#### **IV. FINANCIAL INFORMATION**

- A. What is the total estimated business income for the first year on a month by month basis and on a quarterly basis for the second and third years?
- B. What will it cost to open the business?
- C. What will your personal monthly financial needs be (salary)?
- D. What sales volume is needed to make a profit during each of the first three years?
- E. What will be the break-even point and when will it occur?
- F. What will be the projected assets, liabilities, and net worth on the day before the business is expected to open?
- G. What are the total financial needs for the business?
- H. What are the potential funding sources?
- I. How will these funds be spent?
- J. How will any potential loans be secured?

#### **V. APPENDIX**

- A. Personal resumes.
- B. Job descriptions of key employees.
- C. Employment and non-compete agreements.
- D. Personal financial statements.
- E. Credit reports.
- F. Letters of reference.
- G. Letters of intent as well as copies of large purchase orders or long term contracts.
- H. Lease agreements.
- I. Patents, copyrights, licenses, etc.
- J. Joint marketing agreements.
- K. Drawings, photographs or artist renderings.
- L. News articles and press releases.
- M. Tax returns for the past three years.
- N. Product literature and product specifications.
- O. Organizational charts today and for the future.

# **MARKET RESEARCH SOURCES**

- **Reference Librarian.**
- **Chamber of Commerce.**
- **Small Business Administration.**
- **Small Business Development Center.**
- **Trade Associations and Professional Societies.**
- **Trade Suppliers.**
- **Planning Departments at City Hall.**
- **State Agencies.**
- **Other Business Owners.**
- **Bankers.**
- **U.S. Government Printing Office.**
- **Newspapers, Magazines, Periodicals.**
- **Internet.**

# WHAT FORM OF BUSINESS ORGANIZATION?

## **INDIVIDUAL PROPRIETORSHIP:**

- + One person is the sole owner.
- + No specific legal organizational requirements.
- + Relative freedom from government control (little regulation).
- + Easy to form the business and get started.
- + No income tax levy on the business (but on the owner only).
- + Profits are taxed at owner's personal income tax rate.
- + Exclusive control and decision making.
- Owner has unlimited liability for all business debts.
- Business is limited by what you can personally accomplish.
- Investment/start-up capital is limited by owner's funds.
- Business terminates upon death of owner.

## **PARTNERSHIP:**

- + Two or more persons as co-owners.
- + Easy to establish (register name with Sec. of States Office).
- + Relative freedom from government control (little regulation).
- + More investment/start-up capital available.
- + More management skills available.
- + No income tax levy on the partnership (P & L flows to owners).
- + Profits are taxed at each partner's personal income tax rate.
- Unlimited personal liability for all debts of each partner.
- Capacity of one partner to bind all other partners.
- Many opportunities for potential disagreements between partners over strategy, operations, division of labor, authority, hiring, each others value, etc.
- Partnership terminates upon withdrawal, death of any one partner.

## **LIMITED PARTNERSHIP:**

- \* General partner has responsibility for managing the business.
- \* A Limited Partnership must have at least one general partner.
- \* Limited partners are involved to the extent of their investment only and have no management responsibilities.
- + Business has the ability to attract investments via limited partners.
- Must have a plan of investment for limited partners.

## **CORPORATION:**

- \* Creation of a legal entity pursuant to state law.
- \* There are requirements for obtaining charter from the state.
- + Stockholders/owners are distinct and separate from the corporation.
- + Continuity unaffected by death, stock transfers of any of the owners.
- + Limited financial liability for the founders and shareholders.
- + Greater ability to attract investors/lenders (credibility).
- Subject to more government control and regulations.
- Higher costs: establish corporation, filing fees, capital stock taxes, etc.
- Double taxation: Corporation profits and upon stock dividends.
- Activities are limited by the corporation's charter and by-laws.

## **SUBCHAPTER "S" CORPORATION:**

- \* Special section of IRS code.
- \* Taxed as a sole proprietorship or partnership.
- \* Treated as a corporation with limited liability.
- \* Must be a domestic corporation.
- \* Must have no more than 35 shareholders.
- \* Must have only one class of stock outstanding.
- \* No more than 20% of revenues can be derived from investment income.
- \* No more than 80% of revenues can be derived from foreign sources.
- \* Must have only individuals, estates, or trusts as shareholders.

## **LIMITED LIABILITY COMPANY:**

- \* Combines best features of a partnership and an "S" Corporation.
- \* Treated like a partnership for tax purposes.
- \* Limited liability of an "S" Corporation, but with fewer restrictions.
- \* Unlimited number of shareholders (not limited to 35).
- \* Must have a minimum of two owners/shareholders.
- \* Unlike "S" Corp., can have partnerships and Corporations as shareholders.
- \* Limited liability is not guaranteed across state lines.

NOTE: This chart is intended to be a general overview of some of the positive and negative aspects of various types of business entities. A final decision on the type of entity you select should only occur after you have consulted with both your Attorney and your Certified Public Accountant. **DO NOT MAKE YOUR CHOICE OF BUSINESS ENTITY BY RELYING SOLELY UPON THIS CHART.**

# FINANCING ALTERNATIVES

## • YOUR BEST AND FIRST OPTIONS

1. Your Personal Assets:
  - \* Cash from savings and checking accounts.
  - \* Cash value of life insurance policies.
  - \* Stocks, bonds or certificates of deposit.
  - \* Individual Retirement Accounts.
  - \* Home equity loan.
  - \* Credit cards.
  - \* Sell your collectibles; art, antiques, coins, stamps, sports cards, etc.
  - \* Sell other assets; second car, boat, motorcycle, vacation home, etc.
2. Loans or investment from your family.
3. Loans or investment from your friends.
4. Other acquaintances of yours or your friends.

## • OTHER CREATIVE OPTIONS

1. Professional association contacts.
2. Lawyers, accountants, consultants, etc.
3. Current and former employers.
4. Bring on a partner.
5. Users and buyers of your product or service.
6. Trade suppliers.
7. Items on consignment.
8. Barter your services.
9. Working Capital Program.
10. Business networking organizations.
11. Internet Bulletin Boards.

## • "HIT THE STREET"

1. Private investors (Angels).
2. Money networks.
3. Local Banks.
4. SBA Loan.
5. Commercial Investors.
6. Strategic Alliances.
7. Venture Capital Network.
8. Various city and state programs.

# THE WORST START-UP MISTAKES

## · UNDERCAPITALIZATION.

- \* Under estimate start-up costs.
- \* Under estimate need for working capital.
- \* Failure to think about where to will get additional capital.

## · SHORTAGE OF CASH.

- \* Failing to realize how important it is to turn cash.
- \* Under estimate the amount of cash needed to operate.
- \* Over estimate the speed with which customers pay.
- \* Critical--most small businesses grow from their cash flow.
- \* When cash doesn't come in on schedule, business is severely constrained.

## · INCORRECT SALES FORECASTS.

- \* Over estimate the number of potential buyers for the product or service, especially during the first year.
- \* Difficult to accurately predict sales in a new market.
- \* Many entrepreneurs are terminally optimistic.

## · IMPROPER MARKET TESTING.

- \* Business is founded on the basis of polling one's friends.
- \* Not surveying the larger or more broad-based clientele.
- \* Difficult to accurately predict sales in a new market.
- \* Limited time and resources applied toward this function.

## · WEAK BUSINESS PLAN.

- \* A detailed business plan is invaluable for raising money.
- \* A vehicle for making you think through long-range implications.
- \* A road map for daily operations.
- \* A measuring tool for progress.
- \* Should include a statement of objectives, a thorough analysis of the competition, and a description of the administrative system and procedures that will be used.

## · IMPROPER PRICE SETTING.

- \* Underestimate the costs of producing or developing the product.
- \* Underestimate the costs of sales, marketing and distribution.
- \* Don't know what the market will bear or understand competitive pricing.

## · FAILURE TO DELEGATE AUTHORITY.

- \* Strong Ego = I know better and I can do better than anyone else.
- \* Fear that employees will steal their ideas or want to share their wealth.
- \* Fear of admitting their mistakes.
- \* TRAP. Business will grow to the point where you can't do everything yourself.

· **LACK OF OBJECTIVE ADVICE.**

- \* Avoid the Strong Ego = nobody knows everything.
- \* Need a good board of directors or a management advisory committee.
- \* Independent and unemotional evaluation for business plan and strategy.
- \* The smart owner will "fill in" the knowledge gaps.

· **RUSHING TO MARKET.**

- \* Need the cash and do it prematurely.
- \* Get a bad reputation from which it is difficult to recover.

· **LACK OF FLEXIBILITY.**

- \* Very competitive environment requires flexibility to succeed.
- \* Ability to respond to competitive initiatives.
- \* Strapped for cash means lacking the luxury of maneuverability.

· **EGO OF OWNERS.**

- \* Refuse to recognize mistakes.
- \* Can do it all syndrome.
- \* Failing to seek help or advice until its too late.

· **WEAK INCENTIVES.**

- \* Failure to set up reasonable incentives for those working with the owner.
- \* High expectations for hard work and long hours require commensurate rewards.
- \* Low base salaries require bonus, stock, profit sharing, etc.

· **LACK OF FORMAL AGREEMENTS.**

- \* Customer contracts that are open ended with unlimited free support.
- \* Employee agreements with non-compete and confidentiality clauses.
- \* Loan agreements from family and friends.



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## **SERVICES PORTFOLIO**

The Mission of Jaguar Management Consulting, Inc. is to assist small and medium size businesses in the emerging, growth, or turnaround phases increase both their revenues and profitability through the utilization of practical, cost-effective strategies, processes, and methodologies. With our assistance, hundreds of businesses have been helped with their strategic planning process, revenue growth, productivity improvements, profit enhancement, and business development strategies. Consulting services are available on a part-time as-needed basis in the following areas:

### **Business Counseling Services:**

- Conduct a corporate productivity study to discover hidden costs and identify profit opportunities.
- Conduct a marketing audit to identify alternative marketing strategies and techniques.
- Develop and implement short or long term management strategies and techniques.
- Develop and implement marketing, sales, and business development strategies.
- Perform cash flow analysis and financial planning.
- Provide one-on-one coaching to executives or key employees for management development or succession planning.
- Long distance review of business plans, loan proposals, strategic plans, contracts, marketing plans, customer surveys, customer letters, and new product ideas via fax, Fedex, or e-mail.
- Participation as an interim member of your management team.
- Participation as a member of your company's Management Advisory Committee.

### **Business Plan Development and Loan Proposal Preparation:**

- Assistance with writing your business plan, marketing plan, loan proposal, or Private Placement Offering Memorandum.
- Utilization of an effective and comprehensive business planning methodology.

### **Start-Up Business Services:**

- Assess the feasibility of your idea.
- Assistance with writing a comprehensive business plan.
- Develop financial projections.

### **Business Seminars:**

- Cash Flow Management.
- The Business Planning Process.
- How to Start-Up a Small Business.

Please give us a call at the above number for a no-cost, no-obligation discussion of your unique business circumstances and how our services can enhance your profitability!

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Jim O'Donnell is President of *Jaguar Management Consulting Group, Inc.* The Mission of *Jaguar Management Consulting, Inc.* is to assist companies in the emerging, growth, or turnaround phases increase both their revenues and profitability by utilizing practical, cost effective strategies, processes and methodologies.

In addition to numerous small and medium size business clients, Mr. O'Donnell currently has a long-term, part-time consulting contract with the city of Portsmouth, NH. Services provided include marketing strategy, business development, business planning, productivity studies, and financing strategies for over 350 businesses within Portsmouth. Additionally, he has a long-term contract with the New Hampshire State Port Authority. In his consulting capacity, Mr. O'Donnell has counseled hundreds of businesses to effectively manage their bottom line, increase their revenues, and implement cost control strategies.

Prior to establishing his consulting practice, Mr. O'Donnell was President of a publicly traded computer company that marketed software products and services for managing municipalities. Additionally, he has over thirty years of industry experience which encompass eighteen years in the computer industry where he held a number of independent consulting and senior management positions. Selected positions include: Business Manager-Consulting Operations for Prime Computer responsible for starting up and growing their international professional services organization; Director of Software Services for Symbolics Corporation responsible for their Customer Service and Consulting Organizations; and Applicon, Inc. where he held several management positions marketing CAD/CAM products and services.

Mr. O'Donnell holds an MBA from Babson College, a Bachelor of Business Management from Merrimack College and an Associate of Mechanical Engineering from Franklin Institute of Boston. He has served on the Board of Directors for the Kingston Children's Center and Atlantic TurnKey Corporation. Mr. O'Donnell was recently elected to the Board of The Society of Professional Consultants and serves as the Referral Chair. He is currently serving on Management Advisory Committees for several small businesses as well as the Advisory Board for the University of New Hampshire's CEO Forum program. Also, he is a member of Congressman Sununu's Small Business Advisory Group and the Portsmouth Chamber of Commerce's Business Development and Technology Roundtable Committees. Additionally, he is the New Hampshire State Director for the nationally known FastTrac™ Entrepreneurial Training Programs.

He lives in Kingston, NH with his wife and family.