

Guide to Preparing a Business Plan

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Introduction

There are many reasons to prepare a business plan. The most frequent purposes for which a business plan is written are to:

- Test the feasibility of an idea for a business,
- Plan a business start up,
- Plan significant changes in an existing business model, or
- Submit to lenders and/or investors.

Plans for each of these purposes contain the same or similar sections. They differ more in the details provided in specific sections. The emphasis in a plan submitted to a lender and/or investors would focus more on financial aspects than would a plan an owner might create to change a business model. That plan might focus more on personnel, location, target markets and sales plans.

Here is a method and an outline to use in developing a general business plan that can be customized to specific purposes. References to sources which discuss plan customization also will be provided.

SECTION I: Your Mission Statement

What is a Mission Statement?

A mission statement is a concisely worded paragraph, describing the purpose and vision for which the company has been created.

When someone calls the Int'l ITC, we may ask, "What kind of business do you have?"

If a caller responds, "*Oh, I resell ink cartridges in Cleveland,*" and then becomes silent, that is an indication of an inability to adequately describe the business and its purpose. The owner should be able to give a fuller description of the nature and mission of his business.

Examples of company missions include these well-known slogans:

"To place a personal computer in every home and office in the world"—Apple Computer's mission.

"Beat Coke!"—Pepsi's two-word slogan.

"To democratize the automobile"—Original mission of the Ford Motor Company.

"To make people happy"—Disney Company's vision.

"To be the company most known for changing the worldwide poor quality image of Japanese products"—SONY's mission.

“To preserve and improve human life”—Merck Pharmaceuticals’s purpose.

“To give ordinary folk the chance to buy the same thing as rich folk”—Wal-Mart’s vision.

“To give unlimited opportunities to women”— Mary Kay Cosmetics’ mission.

These are the core reasons that founders created some of the greatest and most successful corporations in history. By examining the statements and then seeing what these companies have become, it is clear that they are remarkably on target!

What might be the mission statement of the caller who said that his business “resells ink cartridges?” Would it be something like this?

To be just another marginal company reselling Asian office products until another opportunity comes along or we go out of business.

How to Prepare a Mission Statement

When a mission statement is being prepared, here are a few hints that may help:

Avoid “buzz-words.” They are used for a time and then vanish. Most people using them have no idea what they really mean.

Select simple words and phrases that everyone will understand.

Keep the mission statement short and simple enough that it can easily be memorized.

Do not emulate Pepsi’s two-word slogan. It is a company in a unique position within a specific industry. Make the statement long enough so that it cannot be used for a bumper sticker.

Do not load it down with details which quickly may become obsolete.

Experiment with different possibilities on a sheet of paper; then write the preferred one below. This is all the space that should be necessary for a mission statement.

Mission Statement

Our company’s mission is to: _____

Does the statement:

Yes No Indicate the individuality of the company?

Yes No Hint at the personality of the company?

Yes No Limit its capacity to change itself as conditions require change?

Yes No Specify the uniqueness of the company?

Remember to keep the operational details out of the mission statement. Stick to the “what;” the “how” will come next.

Here are some examples of mission statements, presented with a reaction to each:

Example A: “We will provide quality toner and ink cartridges at competitive prices.”

Too general.

Every company in our industry must do the same in order to keep its doors open. There is nothing in this mission statement that differentiates the business.

Example B: “We will become the largest seller of imaging cartridges in Smallville.”

Too narrow. This one focuses solely on size (without specifying size of what) in a very small geographic area. The company could easily fulfill this mission and not succeed as a business.

Example C: “We will compete effectively with office supply stores, Internet sellers and other independent cartridge dealers in Cornfield County.”

Getting Better! “Compete effectively” is a helpful phrase encompassing quality, variety, price and more. The identification of the competitors may be inadequate as new forms of business such as franchises enter the industry. The county limitation is less severe than was Smallville.

Example D: “We will improve the printing experience, making it simpler, less costly and more satisfying.”

This just might fly! This enables the mission statement to have either a narrowly defined or expansive focus. It legitimizes whatever the company might do as long as it improves the printing experience. It focuses on simplification (from ordering, through pick-up, installation, removal and recovery) and on reduction of customer costs as the pathways to increasing customer satisfaction. **It, as is true for everything, can be improved. However, it is a positive start.**

Now, take another look at your mission statement to see if you can improve it. Keep sacrificing those legal pads and wearing down that #2 Blackfoot pencil.

Can your mission statement fit into the space below?

Revised Mission Statement

—

—

What makes your description different than the ink cartridge reseller from Cleveland?

What is the focus of your mission statement? Example D focuses on “a satisfying printing experience.” Please describe the focus of your mission statement in one short phrase.

What limitations does your mission place upon your business? Does it limit the products or services you will provide? Does it limit your geographic reach?

1. _____
2. _____
3. _____
4. _____

Does your mission emphasize one aspect of business over others? Some of the examples focused upon “size;” others focused upon geography or competitiveness.

Describe the emphasis of your mission statement:

Emphasis: _____

Do you really want that particular emphasis? _____ Yes _____ No

If after answering the above questions you are not satisfied with the mission statement you created, go back to the yellow paper and the #2 pencils!

The next step in the creation of your business plan is to “operationalize” the mission statement. This is the point at which you actually describe the business as clearly as you can at this stage in its development. Some writers call this “sharing your vision of the business.”

Mission Statement of the Ford Motor Company

Let us take one of the sample mission statements of the Ford Motor Company. By using hindsight, we can see how this mission statement was operationalized.

In order to fulfill its mission statement—“To democratize the automobile”—Ford would need to:

1. Design automobiles for a wide range of uses.
2. Reduce manufacturing costs.
3. Price automobiles within the range of the average family.
4. Design automobiles for owner maintenance.
5. Design automobiles with interchangeable parts.
6. Create a national network to sell automobiles and replacement parts.



The Model-A was not flexible enough for the multiple uses required to garner general appeal. It held no more than three people and was difficult to steer. It came in a variety of colors— but only one style. There was a great deal of skilled labor involved in its manufacture



The Model-T operationalized the vision of Henry Ford by being adaptable, economical to build and to use, repairable by owners and using parts from the Model-A. It became the first generally affordable automobile.

It was available as a touring car, coup and truck.

It came in “any color you want, as long as it is black.”

It was built on Detroit assembly lines.

Other automobile companies came along—hundreds of them. Today there only are three left in the United States and one is owned by Daimler, a German firm that also makes the Mercedes Benz.

Evidently, Henry wrote a heck of a mission Statement!

Mission Statement “D”

Now let us operationalize Mission Statement “D,” one of the mission statements we looked at earlier.

For this mission statement—“We will improve the printing experience, making it simpler, less costly and more satisfying”—to be fulfilled, a company would have to:

1. Offer a line of high quality, reliable ink, toner and wax cartridges for at least 30 percent below OEM prices and which would be available for same or next business day delivery or pick up.
2. Offer a full line of printing accessories.
3. Offer networking, print management, cost per page and other services to simplify and reduce the costs of printer use.
4. Offer on-line and telephone support to resolve printer use problems, including, installation, operating system issues, error code interpretation, viruses and more.
5. Assist printer owners in printer replacement.

There is more to a “satisfying printing experience” than selling a cartridge at a discount price. This vision identifies some ways through which the company will contribute to that experience.

Operationalizing Your Mission Statement

As you make your first attempt at operationalizing your mission statement, consider your answers to these questions:

1. ___ Yes ___ No Is it more important to make, or to sell cartridges?
2. ___ Yes ___ No Do you want to limit your business to making and/or selling cartridges?
3. How will you focus upon customer satisfaction?
 - A. _____
 - B. _____
 - C. _____
 - D. _____
 - E. Provide access to www.ConsumerChoice.info

4. What other activities does your mission require?

A. _____

C. _____

B. _____

D. _____

SECTION II: Analysis of Potential Market

Important Questions to Consider

It is time for your first reality check. Given what you have just proposed to do:

1. Is the specified market sufficiently large to support a successful company?

2. What market segments will be the keys to your success?

3. Who is your competition and what are they doing?

4. What will you have to do to capture a sufficient market share?

5. What forces, trends, etc. are working for your plan?

6. What are the likely impediments to the success of your business plan?

This is a step that many entrepreneurs like to skip. Their enthusiasm and optimism just tell them that the business is perfect.

Skipping this step is one of the major reasons for high failure rates in new businesses.

We will look at each of the above questions and suggest ways in which you might obtain the information needed to answer it.

Question 1 requires some market research. We will need to know the population, number of households and the nature of the business community.

This is a perfect question to take to Google.com. Searching on the Internet should provide all of the information necessary to take a good snapshot of your market area of interest.

Key words for the search might

include:

- County, State, Economic Development
- Census data
- Businesses
- Government

Question 2 asks that you identify the major customers you ideally would like to have. The experience of this industry clearly shows that the best prospects are those companies that do a lot of printing.

A list of these types of prospects will surely include:

- Accountants and Bookkeepers
- Banks
- Billing companies
- Colleges and universities
- Courts
- Credit card processors
- Credit unions
- Distribution centers
- Government agencies
- Insurance offices
- Law offices
- Manufacturers
- Military bases
- Savings & loans
- Tax preparers
- Utility companies

Now, you need to locate companies in these categories within your area of interest. The answers to Question 1 will identify the largest employers. Often, paper use parallels the number of employees.

You also can let your “fingers do the walking” through the Yellow Pages and see what turns up. Blue pages often are included listing government offices.

There are free search engines, such as www.Melissadata.com that will list for you all of the firms within a geographic area you select by SIC codes (Standard Industrial Classification).

There also are commercial services you can contract for very targeted searches.

The answers to the first two questions will allow you to segment the prospective market area by size of business and by industry type using the SIC codes.

Using this information, you can prepare a table which displays the results of your research thus far.

Here is a sample format for your finished table that displays the information in ranked SIC Code order by number of employees.

We use SIC codes because they are prominent in databases and lending institutions are highly familiar with them since they were developed by the U.S. Department of the Treasury.

Ranked Segmentation of Designated Market Area

Rank #1 Employees	SIC Code	Description	Business Name	# of
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Rank #2				
_____	_____	_____	_____	_____

Complete the table using the SIC codes most prominent in the prospective market area. It may take pages! You decide when enough is enough.

Question 3 requires that you get to know your potential competition. You first must discover where cartridges are sold in your prospective market area.

Here are some suggested searches to get this information:

Check at www.consumerchoice.info to see if there is an Int'l ITC member in the area you wish to service:

_____, _____

_____, _____

Check the Yellow Pages for:

1. Computer peripherals/supplies: _____, _____
2. Office supplies and equipment: _____, _____
3. Recycling/Remanufacturing: _____, _____

Check the White Pages for:

1. Toner _____
2. Laser _____
3. Cartridge _____
4. Ink _____

Once these companies are identified, you will want to contact or survey the competition to see what they offer.

You already know that the big box office supplies retailers (Staples, Office Depot) will carry only the most popular cartridge models. They do not provide printer

maintenance services or repair them. They may refer customers to local sources for these services, and this is a way to identify them as well.

Do not waste much time considering independent Internet sellers. There are so many of them that there is little or no chance that any single one will capture a measurable piece of your local market.

Using the names of the potentially competitive companies, it is time to go back to Google to see if these companies have websites and what they advertise.

You should consider keeping a 5" x 8" card on each competing company and keeping it up to date for as long as you and they are in business.

Sample 5" x 8" Card

Name: _____		Phone: _____	
Owner: _____		Manager: _____	
Web Address: www. _____			
_____ Toner Carts		_____ Ink Carts	
_____ OEM		_____ Ribbons	
_____ Compatible		_____ Service	
_____ Their Reman		_____	
_____ Outsourced		_____	
Yes	No		
_____	_____	I-nt'l ITC Member	
_____	_____	_____	HP _____ Lexmark _____ Dell
_____	_____	_____	Samsung _____ Sharp _____ Xerox
_____	_____	RIT Tested	
_____	_____	RIT Audited	
		Other: _____	

Use the other side of the card to record any other information you desire. These searches should yield the vast majority of cartridge sources in your market area.

You may have noticed that we did not include cartridge prices on the card. Why not?

- Prices can be changed in a minute.
- Another company's costs will not be the same as yours.
- Price is a meaningless approach to cartridge comparison.
- Prices draw too much attention at this stage of plan writing.

Question 4 is a marketing question. Every answer is based upon a set of assumptions. Here are some reasonable assumptions to make when answering this question:

- The vast majority of cartridges used in your market area are new OEMs.
- The office super stores set user price expectations.
- No local independent cartridge supplier holds more than a 10 percent market share.
- Independent cartridge suppliers are selling between 300 and 900 cartridges per month. *Yes, people can support themselves on 300 cartridges a month.*
- End users mistakenly think that HP reuses their returned empty cartridges.
- HP, Dell, Lexmark, Epson and Canon brands are the products that predominate.

Companies entering into the cartridge business are often confused about whom their competitors really are because we face two distinctly different groups of competitors.

- ✓ **Product Competitors:** Companies that make/remanufacture cartridges. In toner cartridges, our biggest competitor is HP/Canon. Our most dangerous competitor has traditionally been Lexmark, but Dell is replacing Lexmark.



In ink cartridges the major OEMs are Canon, HP and Epson. In 2006, they will be joined by Kodak.

When over 80 percent of the products in a category are made by three companies, they are the competition and HP stands far and above the others in market share. Lexmark/Dell are in the forefront of attempting to make cartridge remanufacturing impossible.

- ✓ **Sales Competitors:** Those that sell cartridges within our market area. This is a little trickier. Although HP sells directly to users, it is secondary in local markets to the large office supply stores.



Lexmark holds a total market share of no more than 8 percent. Popular models are sometimes available in supply stores. But, are often purchased from Lexmark on-line. Dell is a direct channel marketer. It sells directly to users with no third party resellers. This is a constant source of complaints from users--along with the ridiculously high prices.

Your selling competitor depends upon the cartridge you are selling. The advantage of our industry is that we can remanufacture all of the major and most of the minor cartridge models in existence.

It is the position of the Int'l ITC that your fellow cartridge remanufacturers are not significant competitors when you produce a quality product for sale at a reasonable price.

We are wasting opportunities when we target each other!

SECTION III: Role of the Business Model

Your business model also helps to define your competition. Each business model has strengths for some market segments and weaknesses in others. The competition for a cartridge kiosk is not the same as for a full-service company selling OEM, remanufactured and compatible cartridges along with printer maintenance and printer management services. The model and the customer base are related.

Let us look at the major business models available and at their most probable markets.

Franchised Kiosks: This model is designed to meet the needs of customers that require a cartridge on the spot. The customer is concerned about environmental issues and with reducing costs. The customer requires quick service and a convenient location. The start-up cost of a franchise begins at around \$130,000.

Franchised Storefronts: This model is welcomed by customers looking for many of the same things as the kiosk customer. However, they also will happily exchange their empty for an in-stock product. They expect a broader range of products as well. Kiosks are often limited by space considerations. As a result, storefronts often carry the most popular small office items such as paper, pens, etc. Customers also are attracted by a familiar name and the sense of confidence that may bring. The start-up cost of a franchise ranges from \$130,000 to \$190,000.

Ink Cartridge Remanufacturer: This business model requires a significant cash investment to automate the cleaning and refilling process for the broad range of cartridge models that seem to increase daily. The customer is attracted either by environmental concerns or price. Customers range from households looking to reduce their color ink cartridge expenses to corporations that chose to install low-cost ink printers on every desk rather than to network to a color laser. The start-up cost begins at \$40,000.

Ink cartridge manufacturers often look to outsource their cartridges to smaller cartridge resellers that are unable to invest in the expensive technologies required.

Increasingly, they are looking for photo-quality color ink cartridges as the digital camera revolution pushes even Eastman Kodak to abandon film.

Toner Cartridge Remanufacturer/Reseller: These businesses almost universally focus upon remanufacturing the most popular HP/Canon monochrome cartridges. A few remanufacture a limited number of models from other OEMs. Most now purchase low-demand cartridges for resale from outsourcing companies. This is the most traditional business model in the cartridge remanufacturing industry.

The customers of toner cartridge remanufacturers expect same-day or next-day delivery of remanufactured toner cartridges for printers, copiers, fax and multi-function machines. These customers expect the availability of printer cleaning

services often handled by a maintenance agreement. They purchase from local firms for convenience, price and guaranteed reuse and recycling. Average range of start-up cost is \$15,000 to \$18,000.

Reseller-Only Businesses: These are firms that are strong in sales. Their owners have opted to avoid the costs and efforts required to remanufacture anything. They offer a full line of remanufactured toner and ink products made by other companies which they have qualified for price and quality. Some are partners in reseller programs offered by the larger outsourcers. They use sales materials from their outsourcers and private box labeling.

To meet the other requirements of customers, such as printer maintenance, they often contract with local service firms. It is not usual to find these firms purchasing their cartridges from a number of different sources because of price breaks or quality differences.

Their customers are most often medium to large customers. Owners must be quick thinkers, good negotiators and sales driven. Start-up costs are minimal.

Which business models exist in your target market area?
Would you gain a significant advantage by operating under a business model not already in your market?

1. _____ 3. _____ 5. _____

2. _____ 4. _____

Which business model above comes closest to what you envision for your business?

Model name: _____

Are there aspects of another model you wish to incorporate? ____ Yes ____ No

Which one(s): _____

Which aspects would you incorporate?

1. _____
2. _____
3. _____
4. _____

What would incorporation of those aspects contribute?

1.

2.

3.

What would be the advantages? _____

—

—

Our business most closely resembles the _____
business model with these differences:

1. _____

2. _____

3. _____

4. _____

(Resources that will enable you to learn more about each business model are provided in the Resources section of this guide.)

Specification of Local Competition

1. Product competitors to our business are:

A. _____ C. _____

B. _____ D. _____

2. Sales competitors in our local market are:

A. _____ C. _____

B. _____ D. _____

How will you reach a sufficient number of customers through your business model with your array of products and services to be successful?

That is the question!

Now is the time to define success in terms that are measurable. We suggest that at this point you stop writing the narrative and complete the financial aspect of the plan. It will allow you to estimate your costs and to develop a break even point and perform a break-even analysis.

When you have finished, you will be able to answer these questions:

1. Our planned level of sales in terms of numbers of cartridges is _____.
2. The estimated dollar value of sales needed to break even is \$ _____.
3. The average selling price of a toner cartridge will be \$ _____.
4. The average unit contribution per toner cartridge will be \$ _____.
5. The average selling price of an ink cartridge will be \$ _____.
6. The average unit contribution of each ink cartridge will be \$ _____.

Please make sure that you have provided the information requested above before continuing with the narrative part of your business plan.



If your definition of first-year success includes more than breaking even, you easily can determine how many more cartridges must be sold to show any amount of pure profit (exclusive of taxes).

Just add the additional profit to the fixed costs in the break-even formula using the modified break-even formula.

Modified Break-even Formula to Include Desired Profit

$\frac{\text{Fixed Costs} + \text{Desired Profit}}{\text{Average Unit Contribution}} = \text{Cartridge at which desired profit is reached.}$



$$\frac{\$ \text{_____} + \$ \text{_____}}{(\$ \text{_____})} = \text{_____ Cartridges}$$

There is your success sales target in terms of number of cartridges to sell.

Here is some additional useful information about cartridge remanufacturers. The average remanufacturing company:

1. Sells approximately 850 cartridges per month.
2. Is increasing the number of toner cartridges it remanufactures each month.
3. Sees color toner cartridges as the largest potential growth products.

4. Believes that the SOHO (Single Office, Home Office) is the market with the greatest potential.
5. Sees significant growth possible selling to medium-sized businesses.
6. Relies upon third parties for most remanufactured ink cartridges.
7. Finds access to capital for expansion problematical.
8. Is a family business.
9. Often provides printer maintenance and repair programs.
10. Is searching to add value to its cartridge products.
11. Relies upon outsourcers for some percentage of its toner cartridges.
12. Operates a website which may or may not provide for direct on-line sales.

You are now ready to describe your business and how it will work. This is the heart of the narrative part of your business plan.

Oops! Have you named the new enterprise?

Names are important. They convey the initial image and set the unspoken expectations of the customers.

Finding a Company Name

Here are some guidelines to help with selecting a name:

1. Alliteration (the repetition of a sound) makes a name easier to remember. For example, *Cartridge Club, Toner Town, Cartridge Country, Laser Line, etc.*
2. Names should contain the main product or service whenever possible. For example, *Cartridge Kingdom, Toner Time, Ink Inc., Cartridge Connection*
3. To protect the name, apply for a copyright through the U.S. Patent Office.
4. Short names work better than long ones. They are easier to remember, to convert into logos, to place on labels, on signs, on hats, on vehicles—even on tattoos.

Possible Names:

1. Cartridge King of Western Maryland 3. _____
2. _____ 4. _____

Try them on and pick one by the time you plan is completed.

SECTION IV: Outline of the General Business Plan

The majority of plans for small businesses are between 20 and 30 pages in length. That content is condensed into an executive summary of two to five pages. Most of what you will need to fill the outline, you have already developed. Here is the breakdown of what a business plan contains:

- I. Cover Letter (If submitting for external consideration)
- II. Cover Sheet (Simple and attractive)
Include the company name and logo as well as “submitted by” and “submitted to.”
- III. Annotated Table of Content
Annotations are a few lines or sentences of descriptive information.
- IV. Mission Statement
Include explanation of the unique, enabling properties of the mission and how it may differ from other companies’.
- V. Vision for the Business
Should be upbeat, descriptive and convey the vitality of the new business.
- VI. Detailed Description of Business Operations
Should convey the detailed planning in which you have engaged to demonstrate knowledge of the business model.
- VII. Analysis of Competition
Show knowledge of competitors’ business model, market share, strengths and vulnerabilities.
- VIII. Marketing and Sales Plan
Marketing is everything you do to make the product attractive and easy for the customer to acquire and use. Sales is everything you do to move the customer to make the buying decision.
- IX. Key Personnel
Include ownership, technical leaderships, marketing and sales and financial information.
- X. Financial Analysis
Include sources of start-up funds, costs of initial equipment and supplies, sample balance sheet, break-even analysis and financial projections for second and third year of operation.
- XI. Appendices/Exhibits
Letters of intent to purchase, sample advertising materials, quality evaluations of product samples, blueprints of facility, etc. Do not “pad” the appendices with irrelevant materials just because you have them.

Next is a form that will help you to collect more information on the market and the competition should you feel the need for it.

Market Analysis Form

I. MARKET ANALYSIS

A. Target Market: Who are the prospects?

1. We will be selling primarily to (check all that apply):

<u>Market Segment</u>	<u>Total Percent of Business</u>
a. Private sector	____%
b. Wholesalers	____%
c. Retailers	____%
d. Government	____%
e. Other	____%

2. We will be targeting customers by:

a. Product line

We will target these specific lines: _____

_____, _____, _____

b. Geographic area? Which areas? _____

_____,' _____

c. Sales? We will target sales of \$ _____

d. Industry? Our target industry is _____

e. Other? _____

B. Business Competition

1. Who are our business competitors?

#1 NAME _____

ADDRESS _____

Years in business _____

Estimated market share _____%

Price/Strategy _____

Products/Services

Features _____

#2 NAME _____

ADDRESS _____

Years in business _____

Estimated market share _____%

Price/Strategy _____

Products/Services _____

Features _____

#3 NAME _____

ADDRESS _____

Years in business _____

Market share _____

Price/Strategy _____

Product/Service _____

Features _____

2. How competitive is the market?

_____ High-competitive market because: _____

_____ Medium-competitive market because: _____

_____ Low-competitive market because: _____

3. List below your strengths and weaknesses compared to your

business competition (consider such areas as location, size of

resources, reputation, services, personnel, etc.):

Strengths

Weaknesses

1. _____

1. _____

2. _____

2. _____

3. _____

3. _____

C. Market Environment

1. The following are some important economic factors that will affect your product (such as county growth, industry development, economic trends, taxes, rising energy prices, etc.):

2. The following are some important legal factors that will affect your market:

3. The following are some important government factors:

4 . The following are other environmental factors that will affect your market, but over which you have no control:

II. PRODUCT OR SERVICE ANALYSIS

A. Description

1. Describe here what the product/service is and what it does:

B. Comparison

1. What advantages does your product/service have over those of the competition? Consider such things as unique features, patents, guarantees, recyclability, certifications (ASTM?), evaluations (RIT?), special training (color cartridges?, non-HP?, OEM-certified repairs?)

2. What disadvantages does it have?

C. Some Considerations

1. Where will you get your materials and supplies?

2. List other considerations:

III. MARKETING STRATEGIES--MARKET MIX

A. Image

1. First, what kind of image do you want to have (such as cheap but good, or exclusiveness, or customer-oriented, or highest quality, or convenience, or)?

B. Features

1. List the features you will emphasize:

a. _____

b. _____

c. _____

C. Pricing

1. You will be using the following pricing strategy:

a. Markup on cost _____ What % markup? _____

b. Suggested price _____

c. Competitive _____

d. Below competition _____

e. Premium price _____

f. Benchmark (Staples) _____

f. Other _____

2. Are your prices in line with your image?

Yes____ No____

3. Do your prices cover costs and leave a margin of profit?

Yes ___ No ___ What Margin? _____%

D. Customer Services

1. List the valued-added customer services you provide:

a. _____

b. _____

c. _____

2. These are your sales/credit terms:

a. _____

b. _____

c. _____

3. The competition offers the following services:

a. _____

b. _____

c. _____

E. Advertising/Promotion

1. These are the things you wish to say about your business:

2. You will use the following advertising/promotion sources:

- Television
- Radio
- Direct mail
- Fax blasts
- Website
- Personal contacts
- Trade associations
- Newspaper
- B to B magazines
- Yellow Pages
- Billboard
- Other _____

3. The following are the reasons why you consider the media you have chosen to be the most effective:

Here are some forms that will help complete the financial component of the plan.

Income Projection Sheet

Total Net Sales:

(Revenues).....\$ _____
Costs of sales.....\$ _____
Gross profit..... \$ _____
Gross profit margin.....\$ _____

Controllable Expenses:

Salaries/Wages.....\$ _____
Payroll expenses.....\$ _____
Legal/Accounting.....\$ _____
Advertising.....\$ _____
Automobile use.....\$ _____
Office supplies.....\$ _____
Dues/Subscriptions.....\$ _____
Utilities..... \$ _____
Miscellaneous.....\$ _____
Total controllable expenses..\$ _____

Fixed Expenses:

Rent..... \$ _____
Depreciation.....\$ _____
Utilities..... \$ _____
Insurance.....\$ _____
License/permits.....\$ _____
Loan payments.....\$ _____
Miscellaneous.....\$ _____
Total fixed expenses.....\$ _____
Total expenses..... \$ _____
Net profit before taxes . \$ _____
Taxes.....\$ _____

Net profit (loss) after taxes \$ _____

Annual Income Projection Sheet 🗓️

Industry %	J	F	M	A	M	J	J	A	S	O	N	D	Annual Total	Annual %
Total net sales (revenues)														
Costs of sales														
Gross profit														
Gross profit margin														
Controllable expenses														
Salaries/wages														
Payroll expenses														
Legal/accounting														
Advertising														
Automobile														
Office supplies														
Dues/subscriptions														
Utilities														
Miscellaneous														
Total controllable expenses														
Fixed expenses														
Rent														
Depreciation														
Utilities														
Insurance														
License/permits														
Loan payments														
Miscellaneous														
Total fixed expenses														
Total expenses														
Net profit (loss) before taxes														
Taxes														

Net profit (loss) after taxes																				
----------------------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

From About.com



Monthly Cash Flow Projection

Name of Business	
Owner	
Type of Business	
Prepared by Date	
	Pre-start- 1 2 3 4 5 6 Total up position Columns 1-6 Year Month
1. Cash on hand (beginning month)	
2. Cash receipts	
(a) Cash sales	
(b) Collections from credit accounts	
(c) Loan or other cash injections (specify)	
3. Total cash receipts (2a+2b+2c=3)	
4. Total cash available (before cash out) (1+3)	

5. Cash paid out

(a) Purchases
(merchandise)

(b) Gross wages
(excludes withdrawals)

(c) Payroll expenses
(taxes, etc.)

(d) Outside services

(e) Supplies (office and
operating)

(f) Repairs and
maintenance

(g) Advertising

(h) Car, delivery and
travel

(i) Accounting and legal

(j) Rent

(k) Telephone

(l) Utilities

(m) Insurance

(n) Taxes (real estate,
etc.)

(o) Interest

6. Total cash paid out (5a through 5w)	
7. Cash position (end of month) (4 minus 6)	
Essential operating data (non-cash flow information) A. Sales volume (dollars) B. Accounts receivable (end on month) C. Bad debt (end of month) D. Inventory on hand (end of month) E. Accounts payable (end of month)	

From ABOUT.Com



Tips for Preparing the Financials

Here are some tips on writing the financial section of the plan for consideration by lenders and investors.

Broadly speaking, your business plan should give a clear picture of your company's past, present and future—especially its financial future. Or, your projections for a new business when there is no history. For this, you must express your company's expected financial results for the next one to five years of operation. Without this piece of the picture, an investor cannot visualize return-on-investment, a lender cannot see how loan payments will be made, and company managers/staff (if you decide to share your plan with them) cannot see the financial impact of their performance.

The place to emphasize the most compelling financial results is your business plan's financial highlights section (a subsection of the financial plan). How well-conceived this section is could greatly influence how an investor, lender or employee views your plan.

Consider the following questions before preparing your financial plan:

For whom are you writing your plan?

Before writing your financial highlights, consider your audience. What you choose to emphasize depends on who your reader will be.

If you are writing for an investor, you should emphasize items like sales growth, profit growth and return on investment. An investor is comparing your plan with hundreds (maybe thousands) of other plans. They are looking for a smart investment based on good company management, sound strategy, and attractive and attainable financial growth.

If you are writing for a lender, you should emphasize profitability, break-even analysis, debt ratios and payoff schedule. A lender wants assurance that the credit they extend to you will be paid in full. They are looking for collateral, stability and enough cash flow to cover their loan.

If you are writing your plan for your managers or staff, you should emphasize those financial metrics that you consider most important. Your managers and staff will want to know which metrics you consider key to the company's success. It is also important to connect their activities to financial results so that they can know exactly what you expect of them.

Key Financial Metrics

Here is a top ten list of key financial metrics (and simple definitions for each) to consider including in your financial highlights:

Profit: Sales revenue minus operating expenses.

Profit Growth: Comparative profit results for your multi-year plan.

Revenue: Sales revenue from all ongoing operations.

Revenue Growth: Comparative revenue results for your multi-year plan.

Gross Profit: Sales revenue minus cost of goods sold.

Gross Margin: Gross profit as a percentage of total sales revenue.

Return on Investment: Total return (e.g. profit) divided by the amount invested.

Debt-to-Asset: Total liabilities divided by total assets.

Debt-to-Equity: Total debt divided by total equity.

Break-even Analysis: Computation that shows total sales revenue needed to cover expenses.

This is not intended to be an exhaustive list. You should consider other metrics you deem important to your audience.

Graphs and Charts

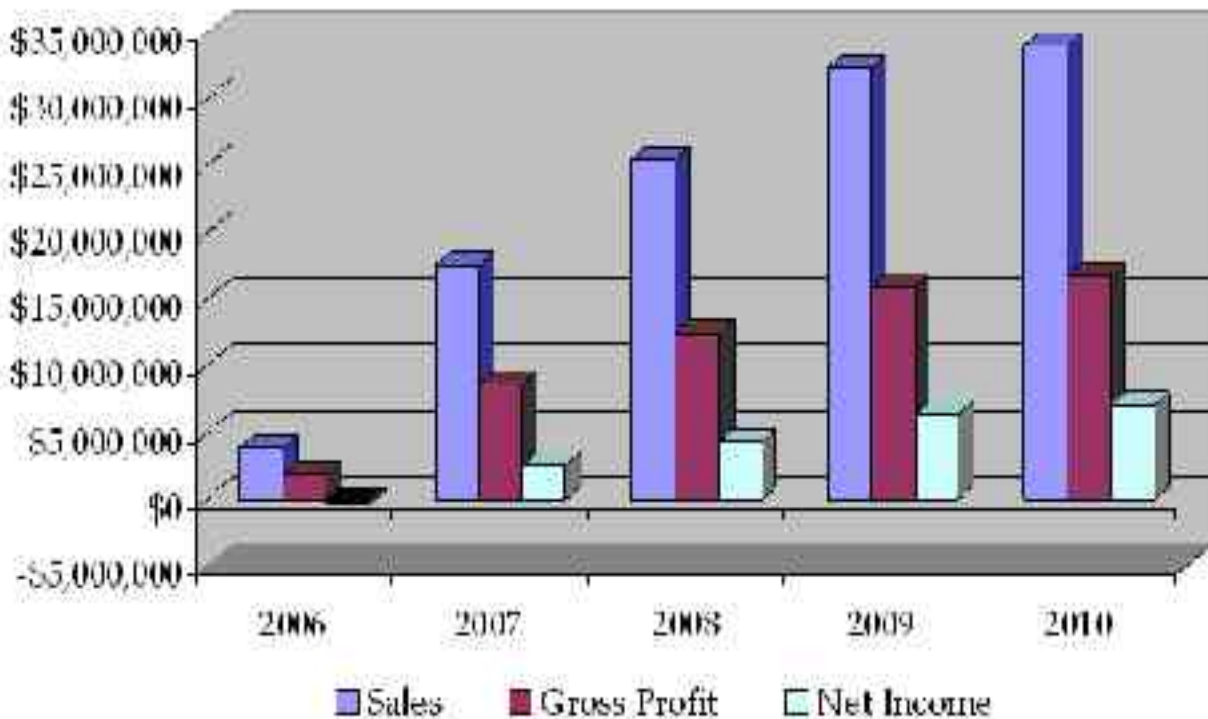
One or two graphs or charts will add to the section. More will probably be a distraction. The chart or graph should highlight the most important information for your user.

Sample Chart

Sales Revenue Forecast (\$)	2006	2007	2008	2009	2010
Product A	1,79,500	1,730,000	2,349,041	2,587,500	2,738,250
Product B	638,200	2,914,000	4,237,074	5,421,000	5,730,500
Service A	607,200	2,780,240	4,056,906	5,199,840	5,398,040
Service B	907,500	4,153,000	6,056,985	7,781,400	8,127,900
Service C	1,320,200	6,030,000	8,766,360	11,310,000	11,970,000

Example of Effective Graph

Financial Forecast Highlights



Overall, your financial highlights should be less than one page. Your purpose is to communicate the most compelling relevant data without overwhelming the reader with detail.

The financial highlights set the tone for your financial plan. The time you spend scrutinizing them will be worth the investment.

Good financial planning is essential to business success. Poor financial planning is one of the top two reasons for business failure; the other is poor business planning.. Unfortunately, many great ideas fail because management had poor (and sometimes non-existent) financial planning systems.

A thorough financial plan imposes discipline by setting profit expectations for your company. It helps you to assess your company's progress toward achieving financial objectives. It displays the financial results of your vision, strategy and implementation. A well-developed financial plan shows your plans for profit, cash flow and major purchases.

The financial plan will be the most important element of your business plan to potential investors or lenders. Your projections for revenue growth and profitability directly affect their decision to invest or extend credit. A sound financial plan is vital to receiving funding

Form for Evaluating and Improving Your Business Plan

I. OVERALL PLAN

Readability:

Strong Adequate Weak

Language is concise (does not read like novel or term paper).

Section stands on its own and clearly defines and satisfies its objective.

Facts are supported with sufficient documentation.

Conclusions drawn from facts are reasonable.

Facts are supported with sufficient charts and graphs.

Spelling/Grammar/Math:

Strong Adequate Weak

Spelling is correct.

Grammar is clean.

Math is correct.

Formatting:

Strong Adequate Weak

Font choice is readable.
Spacing between lines is sufficient.
Plan contains subheads.
Formatting on heads and subheads is consistent.
Contains page numbers.
Formatting on page numbers is consistent.
Plan contains enough white space for readability.

2. COVER PAGE/TABLE OF CONTENTS

Strong Adequate Weak

Cover page contains name of business.
Cover page contains chief executive's name.
Cover page contains address, telephone and fax numbers.
Cover page contains company logo.
Page numbers in table of contents correspond correctly.
Table of contents includes contents for appendix.

3. EXECUTIVE SUMMARY

Strong Adequate Weak

Length of summary is appropriate (does not exceed two pages and adequately describes the new venture).
Identifies company's unique features.
Specifies what the management team hopes to accomplish.
Specifies how much money the company needs and how funds will be obtained.

Existing Business:

Strong Adequate Weak

Describes when and why the company was formed.
Describes the marketing history of the product/service.
Outlines the company's annual sales, profits and overall performance to date.

4. MANAGEMENT AND ORGANIZATION;

PRODUCTS/SERVICE;

MARKETING PLAN_(Industry Profile):

Strong Adequate Weak Management:

- Lists key management positions.
- Outlines primary job duties and responsibilities assigned to each position.
- Identifies the individuals who are expected to fill each position.
- Summarizes each person's prior business experience.
- Section establishes credibility of the management team.
- Provides explanation of how deficiencies will be overcome.

Strong Adequate Weak Product/Service:

- Product/Service description, not too technical.
- Product/Service description, not too broad.
- Identifies unique features.
- Identifies special benefits.
- Adequately explains liability limitations.
- Identifies all fixed, variable and indirect product/service costs.
- Anticipates future development plans.
- Lists requirements from regulatory agencies.
- Provides evidence that the product/service is technologically feasible.
- Provides backup suppliers and subcontractors.

Strong Adequate Weak Marketing Plan:

- Addresses current market size.
- Addresses growth potential of the market.
- Addresses geographic locations.
- Addresses industry trends.
- Addresses seasonal factors.
- Addresses profit characteristics.
- Addresses existing distribution networks.
- Addresses basis of industry competition.

Competition:

Strong Adequate Weak

Contains chart to illustrate competitive position in marketplace.

Describes competitive advantage.

Summarizes nature of competition.

Pricing:

Strong Adequate Weak

Contains price sheet.

Contains volume and special pricing information.

Contains pricing procedures for industry.

Addresses gross margin potential.

Other Marketing Issues:

Strong Adequate Weak

Contains customer profile.

Contains target markets and size of each.

Addresses market penetration.

Addresses advertising and promotion.

Addresses packaging and labeling.

Addresses customer reaction.

Addresses warranties and guarantees.

Addresses trade shows.

5. FINANCIAL PLAN

Strong Adequate Weak

Sales and profit projections appear to be reasonable.

Adequately supports assumptions/projections.

All operating expenses have been included.

Hidden costs have been identified.

Salaries and other benefits are in line.

Addresses contingency plan if sales forecasts go unmet.

Financial documents are mathematically correct.

Figures on various documents (Cash flow, Income Statement, Balance Sheet) are consistent.

6. OPERATING AND CONTROL SYSTEMS;

GROWTH PLAN;

APPENDIX

Strong Adequate Weak Operating and Control Systems;
Demonstrates understanding and importance of control systems.
Contains a contingency plan if schedule cannot be met.
Identifies key goals and allows sufficient time to accomplish them.
Identifies uncontrollable variables.
Provides honest assessment of the downside risks involved.
Addresses legal liability issues.

Strong Adequate Weak Growth Plan:
Identifies the significant new products/services planned for continued growth.
Identifies the marketplace for new products/services.
Contains five-year projection for growth that agrees with financial section.
Identifies the financial requirements for the new products/services.
Identifies management personnel needed to support growth.
Addresses how growth plan will enable company exit.

Strong Adequate Weak Appendix:
Contains resumes of management team/key personnel.
Contains all employee contracts, stock option plans, retirement plans.

Contains personal financial statements for each of the principals.
Contains patent, copyright approvals.
Contains all of the following agreements: partnerships, sales, distributor contracts, non-compete/non-disclosure, corporate bylaws and other legal documents.
Contains copies of product/service brochures or other advertising samples.

- Contains copies of all logos developed.
- Contains copies of reference letters, recommendations and endorsements (all recent).
- Contains copies of market studies or articles from trade journals or other media.
- Contains professional photographs of the product.
- Contains detailed outlines of the operating/control systems.
- Contains customer signed orders or letter of intent.
- Contains documents which support the industry study.
- Contains detailed description of high-tech products.
- Contains a map showing location of business.
- Contains a copy of credit reports.
- Contains tax returns for last three years.

7. SUMMARY COMMENTS OF OVERALL PLAN

Strengths: _____

—

Weaknesses: _____

—

Suggestions for improvement: _____

Suggested Internet Resource Sites

Here are some Internet sites you may wish to review before you begin and when you are writing your business plan:

There are a great number of sources accessible through the Small Business Administration: www.sba.gov/starting_business/planning/basic.html

ABOUT.com also has much to offer in the way of references and supports as you prepare your plan: www.sbinformation.about.com/od/businessplans/

Businesstown.com is also rich in resources:
www.businesstown/planning/creating.asp

WWW.soyouwanna.com/site/syws/bizplan/bizplan.html is better than its name.

If while preparing a specific section of your plan, you feel the need for additional guidance, just “Goggle it.”

If you have any questions about how to apply any of the general information from these resources to your cartridge business, e-mail: chipbeziat@msn.com.