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BUSINESS PLANNING RESOURCE GUIDE

Table of Contents

Questions To Be Answered In A Business Plan 3
Suggested Business Plan Outline 4
Sample Business Plan 5 - 12
Starting A Business - A Checklist 13 - 14
Preparing A Cash Flow Statement 15 - 17
Financial Statements
  Cash Flow 18 - 20
  Income Statement 21
  Balance Sheet 22
Marketing Primer 23 - 26
Sales Forecasting 26 - 29
Conducting Market Research 29 - 37

Washington County Statistical Profile
QUESTIONS TO BE ANSWERED IN A BUSINESS PLAN

1. Description of the Business
   a. What type of business are you planning?
   b. What products or services will you sell?
   c. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?
   d. Why does it promise to be successful?
   e. What are the growth opportunities?

2. Marketing Plan
   f. Who are your potential customers?
   g. How will you attract and hold your share of the market?
   h. Who are your competitors? How are their businesses prospering?
   i. How will you promote sales?
   j. Who will be your best suppliers? Why?
   k. Where will the business be located?
   l. What factors will influence your choice of location?
   m. What features will your business have?
   n. How will your building contribute to your marketing strategy?
   o. What will your building layout feature?

3. Organization Plan
   a. Who will manage the business?
   b. What qualifications will you look for in a manager?
   c. How many employees will you need? What will they do?
   d. What are your plans for employee hiring, salaries and wages, benefits, training and supervision?
   e. How will you manage finances?
   f. How will you manage recordkeeping?
   g. What consultants or specialists will you need? Why will you need them?
   h. What legal form of ownership will you choose? Why?
   i. What licenses and permits will you need?
   j. What regulations will affect your business?

4. Financial Plan
   a. What is your total estimated business income for the first year? Monthly for the first year?
   b. What will it cost you to open the business and sustain it for 18 months of operation?
   c. What will be your monthly cash flow during the first year?
   d. What will your personal monthly financial needs be?
   e. What sales volume will you need in order to make a profit during the first three years?
   f. What will be the break-even point?
   g. What will be your projected assets, liabilities and net worth on the day before you expect to open?
   h. What will the capital value of your equipment be?
   i. What will your total financial needs be?
   j. What will your potential funding sources be?
   k. How will you use the money from lenders or investors?
   l. How will the loan be secured?

SUGGESTED BUSINESS PLAN OUTLINE

I. Cover Letter
   A. Applicant name and address
   B. Amount and purpose of the loan
   C. Term and source of repayment
   D. Collateral offered

II. Description of Business
   A. Type and form of business
   B. Location and plant description
   C. Product(s) description
   D. Timetable for business plan implementation

III. Market Analysis
   A. Market identification
   B. Market size
   C. Market’s growth potential
   D. Industry trends
   E. Pricing of products or services – how will you remain competitive?

IV. Competition
   A. Identification of nearest competitors
   B. Assess their strengths
   C. Describe the advantages your business will have

V. Management Plan
   A. Personal history or principals (résumés)
   B. Organization chart
   C. Duties and responsibilities
   D. Staffing plan – include number of employees, salaries, fringe benefits, training needs, etc.

VI. Sources and Uses of Funds
   A. Identify the items to be purchased
   B. Include current contractor and supplier estimates, including installation, freight and contingency costs
   C. Identify proposed sources of funds; including owner’s cash injection, proposed bank financing, and funds from other sources
   D. Include working capital needs, if applicable

VII. Marketing Strategy
   A. Identify method of selling products; direct, through distribution, retail chains, etc.
   B. How will products be serviced?
   C. What kinds of advertising are anticipated? Identify costs

VIII. Financial Data
   A. Historical Balance Sheets (three years, if available)
   B. Current Balance Sheet (less than 90 days old)
   C. Historical Profit and Loss Statements (three years, if available)
   D. Personal Financial Statements of Principals with more than 20% ownership in the business
   E. Cash Flow for one year, month-by-month, for first year after receipt of loan. Include assumptions

\(^2\) Information provided by the Maine SBDC
Mariner's Catch Seafood, Inc.

Sample Business Plan as of (month, year)

I. DESCRIPTION OF BUSINESS

MARINER'S CATCH SEAFOOD, INC. is a fish market that specializes in selling extremely fresh (no more than one day from the boat) seafood to both retail and wholesale customers. At present, 60% of sales are to retail customers. We plan to concentrate more heavily on the wholesale trade (restaurants and grocery chains) in the future.

Our experience has shown that even though the markup is lower for wholesale trade, profits are higher, due to lower personnel costs and a faster turnover of inventory. In year two we will process (bread and freeze) seafood products for wholesale trade. The processes products can be sold at higher gross margins than the unprocessed products.

The company began four years ago and is open six days a week, from 10:00 a.m. to 8:30 p.m. for retail business, and from 6:00 a.m. to 8:30 p.m. for wholesale. The retail demand is seasonal and fluctuates according to weather (our store is located on a tourist route). The wholesale demand is consistent and increasing. We feel the latter can be improved by more direct selling - our customers agree.

The quality of our seafood is exceptional which can be attested to by our customers. Since Mr. Swanson, a principal of the business, is a former fisherman with many personal friends in the fishing industry, we do not anticipate difficulty in maintaining good relations with our suppliers. We have had a policy of paying premium prices at dockside for the best, freshest fish.

II. MARKETING PLAN

MARINER'S CATCH SEAFOOD, INC. will continue to provide fresh, premium quality seafoods at competitive prices to both wholesale and retail customers, emphasizing the former, within 25 miles of Conway. This market has a total population that exceeds 100,000 and the potential for 300 wholesale customers.

Customers will be attracted by: (1) direct marketing to restaurants and other seafood retailers, (2) a local radio and newspaper advertising campaign, (3) word-of-mouth advertising from our current customer base, (4) our location on a heavily traveled tourist route, and (5) selected direct mail to potential wholesale accounts.
COMPETITION

There are three seafood operations directly competing with MARINER’S CATCH SEAFOODS, INC.

(1) Freuhoff’s Fish - A scattered operation with one truck making the rounds and a small counter leased from a supermarket in Rockaway Village. We have cut into their sales by making promised deliveries on time at the agreed price. As a result, their operation has been marginal.

(2) The Kingfish - a clean, three-person operation specializing in cheaper fish is located in Portsmouth. They have trouble with their suppliers because they aren’t willing to pay top dockside prices. They sell directly to local residents from a fleet of three trucks. They have some wholesale trade which they would like to expand. The Kingfish’s sales are apparently growing because they have been serving the same routes for five years and have an excellent reputation.

(3) Jonah’s Seafoods - They have a good relationship with suppliers, have most of the supermarket trade, but no retail. Currently, they are rebuilding due to a fire, but will be our most serious competition when the new store opens. Jonah’s has 25 years of experience in the area and a good location on a scenic ridge over the Inlet two miles south of Mariner’s Catch. While they plan to open a retail store, they may be willing to give up part of their wholesale business since the owner is getting on in years.

The indirect competition comes from the major processors in New Hope (45 miles east) and Bristol (60 miles south). Since we fall between their primary market areas, we can purchase form both on a consignment basis.

IV. LOCATION

MARINER’S CATCH is currently leasing a one-story, wooded frame building with a cement floor (22,000 square feet) at 801 Fisherman’s Harbor Road, Conway, Maine, for $175 per month for commercial use. Fisherman’s Harbor Road is apart of U.S. Route 1, a heavily traveled tourist route with most businesses nearby catering to the tourist trade.

MARINER’S CATCH has performed major leasehold improvements, including a walk-in freezer and rough-sawn, pine board walls. The building is divided into: (1) sales/counter area (1,200 square feet), (2) cutting area (100 square feet), and (3) other space for toilet, potential storage and/or sales area, totaling 700 square feet. The building is handicap accessible.

V. ORGANIZATION PLAN

Management

Mr. Swanson is a life long resident of Conway. After graduating from Conway schools and serving in the U.S. navy for three years, he became a self-employed fisherman. He is taking evening courses in small business management and sales at the local universities and colleges with the ultimate objective of owning and managing a retail store. Mr. Swanson is responsible for store management, company policy, and inventory control.

Ms. Switzer was born in Milwaukee, Wisconsin in 1960, attended schools in Utah, Alaska, and
Florida, and served four years in the Marines (rank upon separation, E-3). In March 200_, she eventually became a line foreman.

She was responsible for directing operations of the frozen fish filleting department which included hiring and training a 15 person staff. She rescheduled the work flow, which increased worker output by 30%, implemented a purchasing system which reduced spoilage by 8%, and reduced personnel turnovers by working with the local union and shifting the production process from a line to a team task approach. Cash & Haul Foodstuff, Inc. presented her with an award for line management and assigned her to explain her innovative changes to other line foremen at all 22 company plants in New England and the Middle Atlantic states.

In June 200_ she resigned as line foreman of the frozen food filleting department to join Swanson in the Mariner’s Catch operation. She lives in Inlet Bay.

Mr. Swanson and Ms. Switzer believe their abilities complement each other and will help make Mariner’s catch a success. Since Swanson knows the fishing industry, he will be responsible for the store and inventory control. Switzer, with her cost control and line management experience, will be primarily responsible for the development of the wholesale business. Personnel decisions, along with policy development, will be undertaken jointly.

Salaries will be $800 a month for the first year to enable the business to pay off start up costs. (Swanson’s wife earns enough to support his family; Switzer’s personal expenditures are very low since she lives with five other adults.)

In order to augment their skills, Switzer and Swanson have enlisted the help of Edward Allen, a CPA, and of James Woodall, Attorney. Mariner’s Catch joined their national and state trade associations and obtained valuable financial information and ratios to use as guidance on their projections. They also are a member of Fish Retailers Organization for Growth (FROG) and their local chamber of commerce. Marshall Campbell, a retired Conway banker, has agreed to serve on the Mariner’s Catch board and will provide ongoing management review. Other members of the board are Allen, Woodall, Switzer, and Swanson.

**Personnel**

MARINER’S CATCH will hire one part-time salesperson within six months. The salesperson’s duties will be selling seafood over the counter to retail customers. He or she will be paid minimum wage for weekend work, no fringe benefits or overtime are anticipated. They will also employ, on an as-needed basis, one cutter at $7.00/hr. to help prepare seafood for the wholesale trade.
VI. FINANCIAL PLAN

USES OF LOANS

The $36,000 will be used as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of 801 Fisherman’s Harbor Road Property (not including 9,000 down payment)</td>
<td>$22,000</td>
</tr>
<tr>
<td>Equipment ’91 Ford pickup with insulated body</td>
<td>$ 1,885</td>
</tr>
<tr>
<td>Dayton Compressor (Used)</td>
<td>615</td>
</tr>
<tr>
<td>Sharp Slicer</td>
<td>700</td>
</tr>
<tr>
<td>Renovations</td>
<td>$ 3,000</td>
</tr>
<tr>
<td>Working Capital</td>
<td>$ 7,800</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$36,000</strong></td>
</tr>
</tbody>
</table>

MARINER’S CATCH SEAFOODS, INC. can purchase the 801 Fisherman’s Harbor Road property at a substantial savings under the terms of the purchase and sale agreement. An independent appraiser has calculated the value of the property including leasehold improvements by Mariner’s Catch at $52,000.

The monthly payment on the real estate portion of the loan ($22,000) with a term of 15 years and 10% interest will be $236, a net increase of $61 per month over the current rent. See FINANCIAL DATA for effect on the business.

The truck will be used to deliver merchandise to wholesale customers and maintain the quality of our merchandise.

The used compressor will replace the compressor now used for the refrigeration unit and should lower electric costs.

The slicer will eliminate four person-hours of work daily. The time released will be used for soliciting more business and processing a greater volume of whole fish. With the slicer, relatively untrained help can fillet flounder with minimal waste.

The planned renovations include: a deep well (water) required by the state; a toilet, and sink separate from the work area; and replacement of the current obsolete heating system, thus reducing fuel expenses. These renovations will ensure the business meets all HACCP regulations.

The working capital will enable Mariner’s catch to meet current expenses, offset negative (seasonal) cash flow as shown in the Working Capital Analysis in FINANCIAL DATA, and insure the continued growth of the business.

The inventory build up from time to time will take advantage of bulk rates and buying
opportunities on certain fresh frozen packaged goods (shrimp, South African lobster tails, etc.).

VII. SUMMARY

Careful analysis of the potential market shows an unfilled demand for exceptionally fresh seafood as well as for select frozen and processed items. Mr. Switzer’s local reputation will help secure a sizable portion of the wholesale market, while Swanson’s managerial experience assures that the entire operation will be carefully controlled. In addition to a working board, Swanson’s studies at the local university and colleges will provide even more control over the projected growth of Mariner’s Catch.

Ms. Switzer will be performing much of the renovations and improvements. The additional reserve and capital will enable Mariner’s Catch to increase their sales substantially while maintaining profit and creating additional jobs.

Submitted by: __________________________

____________________________________

Date: _______________________________
### Business Resource Material

<table>
<thead>
<tr>
<th>1. Customer Groups, Competitors, &amp; Suppliers</th>
<th>Call Number</th>
<th>Dewey Decimal</th>
</tr>
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<tbody>
<tr>
<td>Directory of Manufacturers Sales Agencies</td>
<td>HF .5421 M35a*</td>
<td></td>
</tr>
<tr>
<td>Eastern Massachusetts Business to Business Yellow Pages</td>
<td></td>
<td></td>
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<tr>
<td>Greater Portland Area Telephone Directory</td>
<td>F .29 A2 P9</td>
<td></td>
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<tr>
<td>Maine Business and Professional Directory</td>
<td>HF .5065 M2 M32*</td>
<td></td>
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<tr>
<td>N.H. Business and Professional Directory</td>
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<td>Maine Manufacturing Directory</td>
<td>HD .9727 M2 M335*</td>
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<td>N.H. Manufacturing Directory</td>
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<tr>
<td>Maine Register (includes Maine Trade Association)</td>
<td>JK .2830 M34*</td>
<td></td>
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<tr>
<td>N.H. Register</td>
<td>328.74.M22m</td>
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<td>Million Dollar Directory</td>
<td>HC .102 D8*</td>
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<td>National Directory of Catalogs</td>
<td>.M622m</td>
<td></td>
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<td>Thomas Register of American Manufacturers</td>
<td></td>
<td></td>
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<tr>
<td>Tradeshows and Exhibits Schedule</td>
<td>T .12 T6*</td>
<td></td>
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</table>

| 2. Market Size and Trends | |
| CACI Sourcebook of Zipcode of Demographics | |
| County Business Patterns, Maine | HD .4976 M2 U5* |
| F & S Index | HG .4057 F2* |
| Greater Portland Data Book | F29 .P9 D27* |
| Municipal profile | HA .417P7 G74* |
| Predicasts Forecasts | |
| Survey of Buying Power | HF .5438 S212* |
| Simmons Study of Media and Markets | HF .5415 .3 S78* |
| Statistical Abstract | I .29 2:St Gov. Docs. |
| Tourism Study, Updates | |
| U.S. Industrial Outlook | HC .106 5 A17* |

| 3. Operating Cost | |
| Financial Studies of the Small Business | HD .2346 U5 F55 |
| RMA annual Statement Studies | HF .5681 B2 R6* |

| 4. Trade Associations | |
| Encyclopedia of Associations | |
| Encyclopedia of Business Information Sources | HS .17 G344* |
| | HF .5035 E53* |

| 5. General | |
| Basic Legal Forms | KF .170 H9* |
| Books in Print | |
| Business Periodical Index | Z .1215 P972* |
| Business Plans Handbook | HF .5001B8 |
| Franchise Annual | |
| Professional Consultants of Maine | HF .5429 .3 F69* |
| Serials Directory | |

*Library Reference materials: Z .6941 S4752*
<table>
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<tr>
<th>PROJECTED PROFIT &amp; LOSS</th>
<th>% of Sales</th>
<th>Total</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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<tbody>
<tr>
<td>REVENUE (SALES)</td>
<td></td>
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<tr>
<td>Wholesale</td>
<td>53.6%</td>
<td>$47,399</td>
<td>$2,627</td>
<td>$2,895</td>
<td>$3,164</td>
<td>$3,539</td>
<td>$3,753</td>
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<td>$6,434</td>
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<td>$5,469</td>
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<td>Retail</td>
<td>46.4%</td>
<td>41,001</td>
<td>2,273</td>
<td>2,505</td>
<td>2,736</td>
<td>3,061</td>
<td>3,247</td>
<td>5,241</td>
<td>5,566</td>
<td>5,705</td>
<td>4,731</td>
<td>1,855</td>
<td>1,994</td>
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<td>TOTAL REVENUE (SALES)</td>
<td>100.0%</td>
<td>$88,400</td>
<td>$4,900</td>
<td>$5,400</td>
<td>$5,900</td>
<td>$6,600</td>
<td>$7,000</td>
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<td>$12,300</td>
<td>$10,200</td>
<td>$4,000</td>
<td>$4,300</td>
<td>$4,500</td>
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<td>COST OF SALES</td>
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<td>Cost of Material</td>
<td>59.8%</td>
<td>$52,883</td>
<td>$2,931</td>
<td>$3,230</td>
<td>$3,530</td>
<td>$3,948</td>
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<td>$4,760</td>
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<td>$7,358</td>
<td>$6,102</td>
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<td>Variable Labor Costs</td>
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<td>110</td>
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<td>134</td>
<td>143</td>
<td>230</td>
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<td>250</td>
<td>208</td>
<td>81</td>
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<tr>
<td>TOTAL COST OF GOODS SOLD</td>
<td>61.9%</td>
<td>$54,684</td>
<td>$3,031</td>
<td>$3,340</td>
<td>$3,650</td>
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<td>$4,331</td>
<td>$4,990</td>
<td>$7,423</td>
<td>$7,608</td>
<td>$6,310</td>
<td>$2,474</td>
<td>$2,661</td>
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<td>GROSS PROFIT</td>
<td>38.1%</td>
<td>$33,716</td>
<td>$1,869</td>
<td>$2,060</td>
<td>$2,250</td>
<td>$2,518</td>
<td>$2,669</td>
<td>$4,310</td>
<td>$4,577</td>
<td>$4,692</td>
<td>$3,890</td>
<td>$1,526</td>
<td>$1,639</td>
<td>$1,716</td>
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<td>OPERATING EXPENSES</td>
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<tr>
<td>Utilities</td>
<td>2.7%</td>
<td>2,400</td>
<td>200</td>
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<tr>
<td>Salaries</td>
<td>16.3%</td>
<td>14,400</td>
<td>1,200</td>
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<tr>
<td>Payroll, taxes &amp; benefits</td>
<td>2.0%</td>
<td>1,728</td>
<td>144</td>
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<td>Advertising</td>
<td>0.7%</td>
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<td>Office supplies</td>
<td>0.7%</td>
<td>600</td>
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<tr>
<td>Insurance</td>
<td>1.4%</td>
<td>1,200</td>
<td>100</td>
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<tr>
<td>Maintenance &amp; cleaning</td>
<td>0.7%</td>
<td>600</td>
<td>50</td>
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<td>50</td>
<td>50</td>
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<tr>
<td>Legal &amp; accounting</td>
<td>0.6%</td>
<td>504</td>
<td>42</td>
<td>42</td>
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<td>42</td>
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</tr>
<tr>
<td>Delivery</td>
<td>1.5%</td>
<td>1,320</td>
<td>80</td>
<td>80</td>
<td>90</td>
<td>95</td>
<td>90</td>
<td>100</td>
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<tr>
<td>Licenses</td>
<td>0.1%</td>
<td>96</td>
<td>8</td>
<td>8</td>
<td>8</td>
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<td>8</td>
</tr>
<tr>
<td>Boxes, paper, etc.</td>
<td>0.7%</td>
<td>600</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
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<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Telephone</td>
<td>1.0%</td>
<td>900</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
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<td>75</td>
<td>75</td>
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<td>75</td>
<td>75</td>
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<tr>
<td>Depreciation</td>
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<td>2,664</td>
<td>222</td>
<td>222</td>
<td>222</td>
<td>222</td>
<td>222</td>
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<td>222</td>
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<tr>
<td>Real estate taxes</td>
<td>0.6%</td>
<td>516</td>
<td>43</td>
<td>43</td>
<td>43</td>
<td>43</td>
<td>43</td>
<td>43</td>
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<td>43</td>
<td>43</td>
<td>43</td>
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<td>Miscellaneous</td>
<td>0.5%</td>
<td>480</td>
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<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
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<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Subtotal Expenses</td>
<td>32.4%</td>
<td>$28,663</td>
<td>$2,404</td>
<td>$2,334</td>
<td>$2,339</td>
<td>$2,344</td>
<td>$2,384</td>
<td>$2,394</td>
<td>$2,394</td>
<td>$2,404</td>
<td>$2,414</td>
<td>$2,414</td>
<td>$2,419</td>
<td>$2,419</td>
</tr>
<tr>
<td>Mortgage Loan Int. (22,000, 15yr, 10%)</td>
<td>2.5%</td>
<td>$2,172</td>
<td>$183</td>
<td>$183</td>
<td>$182</td>
<td>$182</td>
<td>$182</td>
<td>$181</td>
<td>$181</td>
<td>$180</td>
<td>$180</td>
<td>$179</td>
<td>$179</td>
<td>$179</td>
</tr>
<tr>
<td>Term Loan Int. (6,200, 5yr, 10.5%)</td>
<td>0.7%</td>
<td>604</td>
<td>54</td>
<td>54</td>
<td>53</td>
<td>52</td>
<td>51</td>
<td>51</td>
<td>50</td>
<td>49</td>
<td>49</td>
<td>48</td>
<td>47</td>
<td>46</td>
</tr>
<tr>
<td>Working Cap. Int. (7,800, 3 yr, 10%)</td>
<td>0.8%</td>
<td>674</td>
<td>65</td>
<td>63</td>
<td>62</td>
<td>60</td>
<td>59</td>
<td>57</td>
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<td>54</td>
<td>52</td>
<td>51</td>
<td>49</td>
<td>47</td>
</tr>
<tr>
<td>Subtotal Interest Expense</td>
<td>3.9%</td>
<td>$3,450</td>
<td>$302</td>
<td>$300</td>
<td>$297</td>
<td>$294</td>
<td>$292</td>
<td>$289</td>
<td>$286</td>
<td>$283</td>
<td>$281</td>
<td>$279</td>
<td>$275</td>
<td>$272</td>
</tr>
<tr>
<td>TOTAL OPERATING EXPENSE</td>
<td>36.3%</td>
<td>$32,113</td>
<td>$2,706</td>
<td>$2,634</td>
<td>$2,638</td>
<td>$2,676</td>
<td>$2,683</td>
<td>$2,680</td>
<td>$2,687</td>
<td>$2,695</td>
<td>$2,693</td>
<td>$2,694</td>
<td>$2,691</td>
<td>$2,691</td>
</tr>
<tr>
<td>NET PROFIT BEFORE TAXES</td>
<td>1.8%</td>
<td>$1,603</td>
<td>($837)</td>
<td>($574)</td>
<td>($386)</td>
<td>($120)</td>
<td>($7)</td>
<td>$1,627</td>
<td>$1,897</td>
<td>$2,005</td>
<td>$1,195</td>
<td>($1,167)</td>
<td>($1,054)</td>
<td>($975)</td>
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</tbody>
</table>
# MONTHLY CASHFLOW PROJECTIONS

## CASH FLOW

<table>
<thead>
<tr>
<th>CASH FLOW</th>
<th>Total Includes Startup</th>
<th>Pre-expansion</th>
<th>Jan 200</th>
<th>Feb 200</th>
<th>Mar 200</th>
<th>Apr 200</th>
<th>May 200</th>
<th>Jun 200</th>
<th>Jul 200</th>
<th>Aug 200</th>
<th>Sep 200</th>
<th>Oct 200</th>
<th>Nov 200</th>
<th>Dec 200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Sales</td>
<td>70,720</td>
<td>0</td>
<td>3,920</td>
<td>4,320</td>
<td>4,720</td>
<td>5,280</td>
<td>5,600</td>
<td>9,040</td>
<td>9,600</td>
<td>9,840</td>
<td>8,160</td>
<td>3,200</td>
<td>3,440</td>
<td>3,600</td>
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<tr>
<td>Account Rec. Collection</td>
<td>17,680</td>
<td></td>
<td>980</td>
<td>1,080</td>
<td>1,180</td>
<td>1,320</td>
<td>1,400</td>
<td>2,260</td>
<td>2,400</td>
<td>2,460</td>
<td>2,040</td>
<td>800</td>
<td>1,760</td>
<td></td>
</tr>
<tr>
<td>TOTAL CASH REVENUE</td>
<td>88,400</td>
<td>0</td>
<td>3,920</td>
<td>5,300</td>
<td>5,800</td>
<td>6,460</td>
<td>6,920</td>
<td>10,440</td>
<td>11,860</td>
<td>12,240</td>
<td>10,620</td>
<td>5,240</td>
<td>4,240</td>
<td>5,360</td>
</tr>
<tr>
<td>Cash Purchases for Resale</td>
<td>56,843</td>
<td>2,000</td>
<td>4,891</td>
<td>3,230</td>
<td>3,530</td>
<td>3,948</td>
<td>4,188</td>
<td>6,760</td>
<td>7,179</td>
<td>7,358</td>
<td>6,102</td>
<td>2,393</td>
<td>2,572</td>
<td>2,692</td>
</tr>
<tr>
<td>GROSS PROFIT IN CASH</td>
<td>31,557 (2,000)</td>
<td>(971)</td>
<td>2,070</td>
<td>2,270</td>
<td>2,512</td>
<td>2,732</td>
<td>3,680</td>
<td>4,681</td>
<td>4,882</td>
<td>4,518</td>
<td>2,847</td>
<td>1,668</td>
<td>1,668</td>
<td>1,668</td>
</tr>
</tbody>
</table>

## CASH EXPENSES

| Variable Labor | 1,800 | 100 | 110 | 120 | 134 | 143 | 230 | 244 | 250 | 208 | 81 | 88 | 92 |
| Utilities | 2,400 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| Salaries of Owners | 14,400 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Payroll Tax & Benefits | 1,728 | 144 | 144 | 144 | 144 | 144 | 144 | 144 | 144 | 144 | 144 | 144 | 144 |
| Advertising | 655 | 100 | 25 | 25 | 25 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Office Supplies* | 600 | 350 | 40 | 40 | 60 | 55 | 30 | 25 |
| Insurance* | 1,200 | 300 | 300 | 300 | 300 |
| Maintenance & Cleaning | 600 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Legal & Accounting | 500 | 125 | 125 | 125 | 125 |
| Delivery | 1,320 | 80 | 85 | 90 | 95 | 100 | 110 | 110 | 110 | 120 | 130 | 130 | 135 | 135 |
| Licenses | 100 | 50 | 50 |
| Boxes, paper, etc. | 600 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Telephone | 900 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 |
| Miscellaneous | 480 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| TOTAL CASH EXPENSE | 27,283 | 650 | 2,254 | 1,979 | 1,994 | 2,253 | 2,187 | 2,219 | 2,523 | 2,314 | 2,212 | 2,330 | 2,197 | 2,071 |
| Interest Paid on Loans | 3,450 | 302 | 300 | 297 | 294 | 292 | 289 | 286 | 283 | 281 | 279 | 275 | 272 |
| CASH FROM OPERATIONS | 824 (2,650) (3,527) (209) (21) (135) | 253 | 1,172 | 1,872 | 2,285 | 2,025 | 238 | (804) | 325 |
| Owner Cash Injection | 9,000 | 9,000 |
| Bank Loan | 36,000 | 36,000 |
| Less Mortgage Princ. Paymts. | 668 | 53 | 54 | 54 | 54 | 55 | 56 | 56 | 57 | 57 | 58 | 58 |
| Less Term Loan Princ. Paymt | 995 | 79 | 80 | 80 | 81 | 82 | 83 | 83 | 84 | 85 | 86 | 87 |
| Less Working Cap. Loan Paymts | 2,346 | 187 | 188 | 189 | 191 | 191 | 193 | 195 | 196 | 198 | 200 | 201 | 203 | 205 |

## CASH FROM FINANCING & CAPITAL

| CASH FROM FINANCING & CAPITAL | 40,991 | 45,000 | (319) | (322) | (323) | (326) | (330) | (334) | (335) | (338) | (342) | (343) | (347) | (350) |
| Building Purchase | 31,000 | 31,000 |
| Building Renovations | 3,000 | 3,000 |
| Truck Purchase | 1,885 | 1,885 |
| Equipment Purchase | 1,315 | 1,315 |

## LESS CASH INVESTED IN LONG TERM ASSETS

| LESS CASH INVESTED IN LONG TERM ASSETS | 37,200 | 37,200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## Net Increase (Dec.) in Cash**

+ Beginning Cash Balance | 4,615 | 5,150 | (3,846) | (531) | (344) | (461) | (77) | 838 | 1,537 | 1,947 | 1,683 | (105) | (1,151) | (25) |

+ Ending Cash Balance | 4,615 | 5,150 | 1,304 | 773 | 429 | (32) | (109) | 729 | 2,266 | 4,213 | 5,896 | 5,791 | 4,640 | 4,615 |

*Prepaid Expenses have also been taken as an expense on the Income Statement

**Cash from Operations = Cash from Investing in Longterm Assets = Net Increase or (Decrease) in Cash for each period
STARTING A BUSINESS -- A CHECKLIST

1. **FEASIBILITY:** Determine if your business idea or proposal is feasible. Evaluate the local economy, the specific industry, the purchasing power of your customers, the credit terms available from your suppliers, the availability of trained, skilled workers, the size and financial strength of the competition, the price/service/quality offered by similar products and services, the size of the potential market, the cost of insurance, potential legal problems, licensing requirements and federal, state & local regulations applicable to your industry/product. (SEA Publications (800) 827-5722.)

2. **FINANCING ELIGIBILITY:** If you will be borrowing money to finance the start up of your business, determine if you can meet the general requirements of: Credit History; Cash Injection by Owner; Collateral (assets) used to secure the loan; Cash Flow (or secondary income) for Repayment of the loan; Capacity to Manage; Character you can bank on and Current Experience in the industry.

   You may get one free copy of your credit report each year from TRW, a national credit bureau. Phone (800) 682-7654. The other national credit bureaus may charge a small fee to copy your credit record. Phone Trans Union at (800) 851-2574 or Equifax at (800) 685-1111.

3. **LICENSING:** The State of Maine offers a toll-free number to call to order applications and information on state licenses applicable to your business. Call Business Answers in Augusta at (800) 872-3838 between 9:00 am and 4:00 pm. (A grocery or convenience store may require 18 licenses, a restaurant as many as 10.) Business Answers will also mail you state tax forms and some federal tax booklets. You may also want to order a GUIDE TO DOING BUSINESS IN MAINE (costs $4).

4. **BUSINESS PLAN:** Research your business proposal in depth and then draft a Business Plan, a written document that clearly describes your Type of Business, Products & Services, Marketing, Competition, Location, Management experience, Personnel, Source and Application of Loan Funds.

   A business plan serves as: (1) an **operating guide** for your business; (2) a **communications tool** that summarizes your business for interested parties such as your banker, your accountant, your attorney and your suppliers who may be able to extend credit terms to a well-planned start-up; (3) a **road map** to follow when the business is pushed into bumpy detours in the marketplace; (4) an **agreement** among owners on the mission and direction of the business and (5) a financing **prospectus** that can be submitted for loan committee review by banks or investors (or family and friends with available capital).

5. **PRO FORMA FINANCIAL STATEMENTS:** Lenders & Investors will require your to submit **projected** financial statements showing the expected financial status of the business after its first year of operations. In a summary sheet called "Assumptions" explain the basis for your projections (price, volume, inventory turnover, trade association data, info from retired executives, former business owners, suppliers, customers, and similar businesses that are located in other cities or states not in direct competition with you.) Pro Forma statements that you will need to provide are:
   a. Projected **Income Statement**, detailing revenue and expenses for the first year of operation. The income statement is prepared on an ACCRUAL basis, reporting revenue when earned (not when received) and expenses when incurred (not when paid).
   b. Projected **Balance Sheet**, listing major categories of Assets, Liabilities & Owner Equity. (Provide account balances for both the beginning and end of a twelve month period.) For example, a business opening on July 1, 2003 would list the cash balance on July 1, 2003 and the cash balance on June 30, 2004. (See the sample financial statements.)
   c. Projected **Cash Flow Statement** on a **month to month** basis. The Cash Flow Statement will summarize all cash receipts and disbursements for the year. Your Cash Flow Forecast will serve as a Cash Budget. Set realistic goals because lenders may require that you file monthly, quarterly, or annual statements which compare estimated to actual numbers.
6. **NAME OF BUSINESS:** Select a name for your business after running it by marketing professionals or business counselors. A business name should be memorable, not too long, easy to spell, and easy to get from the telephone operator (some may not find "Kar Care" if you ask for "Car Care"). The name should clearly indicate your product or services, be easy to pronounce, unique and include a major selling point for your business. It should be positive and general enough to adjust to changes in partners or owners. Use of personal names for retail businesses can hurt re-sale value as the new owner may not want to operate under someone else’s name. Review phone books in your competition area to avoid selecting a similar name to a current business.

Before you invest in expensive signage, apply for a **state trademark** on your name (if you are incorporating your name may be protected in the state as part of the incorporation process.) The fee for a trademark on your business name is $50. (State law permits the filing of a tradeMARK, not a tradeNAME.) You may also apply for brand name protection for products in separate applications. Put “TM” after names/designs/slogans you wish to protect. Contact the Secretary of State’s Office in Augusta (207) 287-4190 for more information. About 25% of names are rejected.

Register the business name with your local municipal office (town or city clerk or manager). You will complete a Doing Business As (DBA) form which identifies the business owners as a matter of public record. (the City of Bangor charges a $10 fee to register your business. This does NOT protect your name.) You may chose to apply for **federal trademark** protection especially if you distribute nationwide. The University of Maine at Orono Library has a computer that can search the FEDERAL trademark data base to see if another company has already protected the name federally. To apply for a federal trademark call: (703) 308-4357. The fee is $245 to process the application.

7. **FORM OF ORGANIZATION:** Decide whether your wish to operate the business as sole Proprietorship, Partnership, (General, Limited, or Limited Liability partnership), S Corporation, C Corporation, or a Limited Liability company (a form of business organization recognized by 48 states, excluding VT & HI.) Maine recently (effective Jan. 1, 1995) recognized the LLC form of business. The LLC is a cross between a partnership (for tax purposes) and a corporation (for limited liability purposes). The form of organization is an important decision with long-term ramifications. Consult with your accountant and your attorney BEFORE making a selection.

8. **IDENTIFICATION NUMBERS:** You, as a sole owner of your business, may open a business checking account and file tax returns under your social security number until you hire an employee. All employers, partnerships (even if there are no employees) & corporations are required to apply for an **EMPLOYER IDENTIFICATION NUMBER** from the IRS on Form SS-4. Call the IRS at (800) 829-1040 to order this form and a packet of information for small business. Forms are also available in display racks at the local IRS office (990-0645). You do not have to give your name to pick up forms.

Your federal EIN number can be immediately assigned by phone by calling (508) 474-9717. The application for your State of Maine sales tax number (for wholesalers & retailers) can be obtained by calling the Bureau of Taxation in Augusta at (207) 287-2338. Address Sales and Use Tax questions to (207) 287-2336 and Income & Withholding questions to (207) 626-8475. The State of Maine will also use your federal employer identification number for state withholding.

9. **REGULATORY AGENCIES TO CONTACT:** Unemployment Compensation division: (207) 287-3176: A business has to pay both state and federal unemployment taxes on workers.

Workers’ Compensation Board: (207) 287-7198: A business has to carry workers’ comp insurance on employees. An owner, spouse, parents and children of owner MAY be exempt or an S Corporation MAY apply for exemption of officers in a small corporation. Check on any waivers. Check with local governments on ZONING and CODE ENFORCEMENT.
PREPARING A CASH FLOW FORECAST

Why should you prepare a Cash Flow Forecast?
How do you get started?
Making the Best Use Of Your Cash Flow
Designing A Cash Flow Worksheet

Why Should You Prepare a Cash Flow Forecast?

A cash flow forecast shows the critical whens of cash coming in and cash going out during a certain month. Preparing a monthly cash flow forecast provides you with the opportunity to show dollar figures, representing revenues and expenses, in the month the business expects to collect and spend the cash. A cash flow forecast does not show sales estimates or overhead expenses averaged across several months.

Used properly, this will provide you with the means to keep your business decision-making on track and your inventory purchasing in control. It will also serve as an early warning indicator when your expenditures are running out of line or your sales targets are not being met.

As the manager of your cash , you will have enough time to devise remedies for anticipated temporary cash shortfalls and ample opportunity to arrange short term investments for the business' temporary cash flow surpluses.

The completed cash flow forecast will clearly show a bank loans officer (or yourself) what additional working capital, if any, the business may need, and will offer proof that there will be sufficient cash on hand to make the interest payments to support a revolving line of credit (to cover the shortfalls). If the performance projections are realistic, they will also provide support for the feasibility of a term loan for an equipment purchase or for a master marketing campaign.

Computer spreadsheet programs such as Microsoft Excel, Lotus 123 or any of a variety of full-faceted business software can be very useful for cash flow worksheet development.

Reliable cash flow projections can bring a sense of order and well-being to your business and more calm to your life. The most important tool owners/managers have available to control the financial aspects of their business is the cash flow worksheet .

How Do You Get Started?

Step one: Consider your Cash Flow Revenues

Find a realistic basis for estimating your sales each month.

For new operations, the basis can be the average monthly sales of a similar-sized competitor's operations who is operating in a similar market. It is recommended that you make adjustments for this year's predicted trend for the industry. Be sure to reduce your figures by a start-up year factor of about 50% a
month for the start-up months. There are also publications available in libraries and book stores that discuss methods of sales forecasting.

For existing operations, sales revenues from the same month in the previous year make a good base for forecasting sales for that month in the succeeding year. For example, if the trend readers in the economy and the industry predict a general growth of 4% for the next year, it will be entirely acceptable for you to show each month's projected sales at 4% higher than your actual sales the previous year. Include Notes to the Cash flow to explain any unusual variations from previous years' numbers.

If you sell products on credit terms or with installment payments, you must be careful to enter only the part of each sale that is collectible in cash in the specific month you are considering (realized accounts receivable). Any amount collected after 30 days will be termed Collections on Accounts Receivable and will be shown in the month in which it will be collected.

It is critical to the credibility of your plan that any sales made should only be entered once the cash is received in payment. This is the critical test principle of the cash flow and should be applied whenever you are in doubt as to what amount to enter and when.

**Step two: Consider your Cash Flow Disbursements:**

Project each of the various expense categories (that would normally be shown in your ledger) beginning with a summary for each month of the cash payments to trade suppliers (accounts payable). Again, follow the principle that there should not be any averaging or allocating of these inventory purchases (trade payables).

Each month must show only the cash you expect to pay out that month to your trade suppliers. For example, if you plan to pay your supplier invoices in 30 days, the cash payouts for January's purchases will be shown in February. If you can obtain trade credit for longer terms, then cash outlays will appear two or even three months after the stock purchase has been received and invoiced.

An example of a different type of expense is your insurance expenditure. Your commercial insurance premium may be $2400 annually. Normally, this would be treated as a $200 monthly expense. But the cash flow will not see it this way. The cash flow wants to know exactly how it will be paid. If it is to be paid in two installments, $1200 in January and $1200 in July, then that is how it must be entered on the cash flow worksheet. The exact same principle applies to all cash flow expense items.

Once total cash collections, total cash payments on goods purchased, and any other expected expenses have been estimated for each individual month of operation, it is necessary to link the cash flow status of each month to the cash flow status and activity of the preceding and succeeding months (i.e. the reconciliation).

**Step Three: Reconciliation of the Cash Revenues to Cash Disbursements**

The reconciliation section of the cash flow worksheet begins by showing the balance carried over from the previous months' operations. To this it will add the total of the current month's revenues and subtract the total of the current month's expenditures. This adjusted balance will be carried forward to the first line of the reconciliation portion of the next month to become the base to which the next month's cash flow activity will be added and/or subtracted.
Making the Best Use Of Your Cash Flow

Cash flow plans are living entities and must constantly be modified as you learn new things about your business and your paying customers. Since you will use this cash flow forecast to regularly compare each month's projected figures with each month's actual performance figures, it will be useful to have a second column for the actual performance figures right alongside each of the planned columns in the cash flow worksheet. As the true strengths and weaknesses of your business unfold before your eyes, actual patterns of cash movement emerge. Look for significant discrepancies between the planned" and actual figures.

For example, if the business' actual figures are failing to meet your cash revenue projections for three months running, this is an unmistakable signal that it is time to revise the year's projections. It may be necessary to delay the stock replenishment plan, or apply to the bank to increase the upper limit of your revolving line of credit. Approaching the bank to increase an operating loan should be done well in advance of the date when the additional funds are required. Do not leave cash inflow to chance.
GENERAL

DEFINITION: A cash flow projection is a forecast of cash funds\(^3\) a business anticipates receiving, on the one hand, and disbursing on the other hand, throughout the course of a given span of time, and the anticipated cash position at specific times during the period being projected.

OBJECTIVE: The purpose of preparing a cash flow projection is to determine deficiencies or excesses in cash from that necessary to operate the business during the time for which the projection is prepared. If deficiencies are revealed in the cash flow, financial plans must be altered either to provide more cash by, for example, more equity capital, loans or increased selling prices of products, or to reduce expenditures including inventory, or allow less credit sales until a proper cash flow balance is obtained. If excesses of cash are revealed, it might indicate excessive borrowing or idle money that could be “put to work.“ The objective is to finally develop a plan which, if followed, will provide a well-managed flow of cash.

THE FORM: The cash flow projection form provides a systematic method of recording cash receipts and expenditures. Some entries listed on the form will not necessarily apply to every business, and some entries may not be included which would be pertinent to specific businesses. It is suggested, therefore, that the form be adapted to the particular business for which the projection is being made, with appropriate changes in the entries as may be required. Before the cash flow projection can be completed and pricing structure established, it is necessary to know or to estimate various important factors of the business, for example: What are the direct costs of the product or services per unit? What are the monthly or yearly costs of the operation? What is the sales price per unit of the product or service? Determine that the pricing structure provides this business with reasonable break even goals (including a reasonable net profit) when conservative sales goals are met. What are the available sources of cash, other than income from sales: for example, loans, equity capital, rent or other sources?

PROCEDURE: Most of the entries for the form are self-explanatory; however, the following suggestions are offered to simplify the procedure:

(a) Suggest even dollars be used rather than showing cents.
(b) If this is a new business, or an existing business undergoing significant changes or alterations, the cash flow part of the column marked “Pre-start-up Position” should be completed. (Fill in appropriate blanks only.) Costs involved here are, for example, rent, telephone, and utility deposits before the business is actually open. Other items might be equipment purchases, alterations, the owner’s cash injection, and cash from loans received before actual operations begin.
(c) Next fill in the pre-start up position of the essential operating data (non-cash flow information), where applicable.
(d) Complete the form using the Item-By-Item instructions on reverse side.

CHECKING: In order to insure that the figures are properly calculated and balanced, they must be checked. Several methods may be used, the following four checks are suggested as a minimum:

Check #1: Item 1 (Beginning Cash on Hand) – 1st Month
Check #2: Items A (Sales volume – Total Column) plus Item (Accounts Receivable – pre-start-up Position) minus Item #2(a) (Cash Sales – Total Column) minus Item #2(B) (Accounts receivable collection – Total Column) minus Item C (Bad Debt – total Column) should be equal to Item B (Accounts Receivable End of 12th Month).
Check #3: The horizontal total of Item #6 (Total Cash Paid Out) is equal to the vertical total of all items under Item #5 [5(a) through 5(w)] in the total column at the right of the form.
Check 4: The horizontal total of Item 3 (Total Cash Received) is equal to the vertical total of all items under #2 [2(a) through (c)] in the total column at the right of the form.

ANALYZE: Analyze the correlation between the cash flow and projected profit during the period in question. The estimated profit is the difference between the estimated change in assets and the estimated change in liabilities before such things as any owner’s withdrawal, appreciation of assets, change in investments, etc. (The Change may be positive or negative.) This can be obtained as follows:

CHANGE IN ASSETS: The change in assets before owner’s withdrawal, appreciation of assets, change in investments, etc., can be computed by adding the following:

(1) Item #7 (Cash Position – End of Last Month) minus Item #1 (Cash on Hand Beginning of the First Month).
(2) Item #5(t) (Capital Purchases – Total Column) minus Item F (Depreciation – Total Column).
(3) Item B (Accounts Receivable – end of 12th Month) minus Item B (Accounts Receivable – Pre-start-up Position).
(4) Item D (Inventory on Hand – End of 12th Month) minus Item D (Inventory on Hand – Pre-start-up Position).
(5) Item #5(w) (Owner’s Withdrawal – Total Column) or dividends, minus such things as an increase in investment.
(6) Item #5(v) (Reserve and/or Escrow – Total Column).

CHANGE IN LIABILITIES: The change in liabilities (before items noted in “change in assets”) can be compared by adding the following:

(1) Item 2c (Loans – Total Column) minus 5(s) (Loan Principal Payment – Total Column).
(2) Item E (Accounts Payable – End of 12th Month) minus E (Accounts Payable – Pre-start-up Position).

\(^3\) Cash funds, for the purpose of this projection, are defined as cash, checks, or money order, paid out or received.
<table>
<thead>
<tr>
<th>ITEM-BY-ITEM INSTRUCTIONS FOR CASH FLOW PROJECTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Cash on hand</strong>&lt;br&gt;(Beginning of Month)</td>
</tr>
</tbody>
</table>

**2. Cash Receipts**
(a) Cash Sales
- All cash sales. Omit credit sales unless cash is actually received.

(b) Collections from Credit Accounts
- Account to be expected from all credit accounts.

(c) Loan or Other Cash Injection
- Indicate here all cash injections not shown in 2(a) or 2(b) above. See "A" of "Analysis".

**3. Total Cash Receipts**
(2a + 2b + 2c = 3)
- Self-explanatory

**4. Total Cash Available**
(before cash out) (1 + 3)
- Self-explanatory

**5. Cash paid out**
(a) purchases (Merchandise)
- Merchandise for resale or for use in product (paid for in current month).

(b) Gross Wages (excludes withdrawals)
- Base pay plus overtime (if any).

(c) Payroll Expenses (taxes, etc.)
- Include paid vacations, paid sick leave, health insurance, unemployment insurance, etc. [This might be 10 to 45% of 5(b)].

(d) Outside Services
- This could include outside labor or material for specialized or overcapacity work, including subcontracting.

(e) Supplies (office & operating)
- Items purchased for use in the business (not for resale).

(f) Repairs & Maintenance
- Include periodic large expenditures such as painting or decorating.

(g) Advertising
- This amount should be adequate to maintain sales volume - include telephone book yellow page cost.

(h) Car, Delivery, & Travel
- If personal car is used, charge in this column - include parking.

(i) Accounting & Legal
- Outside services, including - for example, bookkeeping.

(j) Rent
- Real estate only (See 5(p) for other rentals).

(k) Telephone
- Self-explanatory.

(l) Utilities
- Water, heat, light, and/or power.

(m) Insurance
- Coverage on business property and products e.g., fire, liability: also workman’s compensation, fidelity, etc. Exclude “executive” life [Include in (5(w))].

(n) Taxes (Real estate, etc.)
- Plus inventory tax - sales tax - excise tax, if applicable.

(o) Interest
- Remember to add interest on loan as it is injected [see 2(c) above].

(p) Other expenses (specify each)
- Unexpected expenditures may be included here as a safety factor.

- Equipment expenses during the month should be included here (Non-capital equipment).

- When equipment is rented or leased, record payments here.

(q) Miscellaneous (Unspecified)
- Small expenditures for which separate accounts would not be practical.

(r) Subtotal
- This subtotal indicates cash out for operating costs.

(s) Loan Principal Payment
- Include payment on all loans. Including vehicle & equipment purchases on time payments.

(t) Capital Purchases (Specify)
- Non-expensed Depreciable expenditures such as equipment, building, vehicle purchases, and leasehold improvements.

(u) Other Start-up costs
- Expenses incurred prior to first month projection and paid for after the "start-up" position.

(v) Reserve and/or Escrow (Specify)
- Example: insurance, tax, or equipment escrow to reduce impact of large periodic payments.

(w) Owners Withdrawal
- Should include payment for such things as owner’s income tax, social security, health insurance, "executive" life insurance premiums, etc.

**6. Total Cash Paid Out**
[Total 5(a) through 5(w)]
- Self-explanatory

**7. Cash Position**
(End of Month) (4-6)
- Enter this amount in (1) Cash on Hand following month - See "A" of "Analysis".

**ESSENTIAL OPERATING DATA**

(Non-cash flow information)
- This is basic information necessary for proper planning and for proper cash flow projection. In conjunction with this data, the cash flow can be evolved & shown in the above form.

**A. Sales Volume (Dollars)**
- This is a very important figure & should be estimated carefully, taking into account size of facility & employee output as well as realistic anticipated sales (Actual sales performed, not orders received).

**B. Accounts Receivable (End of month)**
- Previous unpaid credit sales, plus current month's credit sales, less amounts received current month (deduct "C" below)

**C. Bad Debt (End of month)**
- Bad debts should be subtracted from (B) in the month anticipated.

**D. Inventory on Hand (End of Month)**
- Last month’s inventory plus merchandise received and/or manufactured current month minus amount sold current month.

**E. Accounts Payable (End of month)**
- Previous month’s payable plus current month’s payable minus amount paid during month.

**F. Depreciation**
- Established by your accountant, or value of all your equipment divided by useful life (in months) as allowed by the Internal Revenue Service.

**ANALYSIS**

A. The cash position at the end of each month should be adequate to meet the cash requirements of the following month. If too little cash, then additional cash will have to be injected or cash paid out must be reduced. If there is too much cash on hand, this money is not working for your business.

B. The cash flow projection, the profit & loss projection, the break-even analysis, and good cost control information are tools which, if used properly, will be useful in making decisions that can increase profits to insure success.

C. The projection becomes more useful when the estimated information can be compared with actual information as it develops. Utilize the cash flow projection to assist in setting new goals & planning operations for more profit.
# MONTHLY CASH FLOW PROJECTION

<table>
<thead>
<tr>
<th>NAME OF BUSINESS</th>
<th>ADDRESS</th>
<th>OWNER</th>
<th>TYPE OF BUSINESS</th>
<th>PREPARED BY</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disbursement of Loan Proceeds</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Column 1-12</td>
</tr>
<tr>
<td>MONTH</td>
<td></td>
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<td></td>
<td></td>
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- Estimate
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- Estimate
- Estimate
- Estimate
- Estimate
- Estimate
- Estimate
| 1. Cash on hand (beginning of month) |
| 2. Cash Receipts |
| (a) Cash Sales |
| (b) Collections from Credit Accounts |
| (c) Loan or Other Cash Injection (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 & operating) |
| (f) Repairs & Maintenance |
| (g) Advertising |
| (h) Car, Delivery, & Travel |
| (i) Accounting & Legal |
| (j) Rent |
| (k) Telephone |
| (l) Utilities |
| (m) Insurance |
| (n) Taxes (real estate, etc.) |
| (o) Interest |
| (p) Other Expenses (specify each) |
| (q) Miscellaneous (Unspecified) |
| (r) Subtotal |
| (s) Loan Principal Payment |
| (t) Capital Purchases (Specify) |
| (u) Other Start-up Costs |
| (v) Reserve and/or Escrow (Specify) |
| (w) Owner's Withdrawal |
| 6. Total Cash Paid Out \[Total 5(a) through 5(w)\] |
| 7. Cash Position (End of Month) (4 minus 6) |
**INCOME STATEMENT**

Your Company  
**January 1, 20__ - December 31, 20__**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET SALES</strong></td>
<td>$__________</td>
</tr>
<tr>
<td>Less: COST OF GOODS SOLD</td>
<td>$__________</td>
</tr>
<tr>
<td><strong>GROSS MARGIN</strong></td>
<td>$__________</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSE</strong></td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>$__________</td>
</tr>
<tr>
<td>Payroll Taxes &amp; Benefits</td>
<td>$__________</td>
</tr>
<tr>
<td>Rent</td>
<td>$__________</td>
</tr>
<tr>
<td>Utilities</td>
<td>$__________</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$__________</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>$__________</td>
</tr>
<tr>
<td>Postage</td>
<td>$__________</td>
</tr>
<tr>
<td>Automobile &amp; Truck</td>
<td>$__________</td>
</tr>
<tr>
<td>Insurance</td>
<td>$__________</td>
</tr>
<tr>
<td>Maintenance Delivery Equipment</td>
<td>$__________</td>
</tr>
<tr>
<td>Legal &amp; Accounting</td>
<td>$__________</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$__________</td>
</tr>
<tr>
<td>Other</td>
<td>$__________</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSE TOTAL</strong></td>
<td>$__________</td>
</tr>
<tr>
<td><strong>OTHER EXPENSE</strong></td>
<td></td>
</tr>
<tr>
<td>Interest Payments</td>
<td>$__________</td>
</tr>
<tr>
<td><strong>OTHER EXPENSE TOTAL</strong></td>
<td>$__________</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSE</strong></td>
<td>$__________</td>
</tr>
<tr>
<td><strong>PROFIT (LOSS) PRE-TAX</strong></td>
<td>$__________</td>
</tr>
<tr>
<td>TAXES</td>
<td>$__________</td>
</tr>
<tr>
<td><strong>NET PROFIT (LOSS)</strong></td>
<td>$__________</td>
</tr>
</tbody>
</table>
BALANCE SHEET
For Company: ________________________________
For Period: ________________________________ Ending: ______________, 20__

ASSETS

Current Assets
Cash $__________
Accounts Receivable $__________
Inventory $__________
Prepaid Expenses $__________
Total Current Assets $__________

Fixed Assets
Land $__________
Buildings $__________
Equipment $__________
Furniture $__________
Fixtures $__________
Less Accumulated Depreciation $__________
Total Fixed Assets $__________

Other Assets $__________

TOTAL ASSETS $__________

Current Liabilities
Accounts Payable $__________
Accrued Payroll $__________
Taxes Payable $__________
Short-Term Notes Payable $__________
Total Current Liabilities $__________

Long-Term Liabilities
Long Term Notes Payable $__________
Total Long-Term Liabilities $__________

Net Worth
Shareholders' Equity $__________
Retained Earnings $__________
Total Net Worth $__________

TOTAL LIABILITIES AND NET WORTH $__________
MARKETING PRIMER

Who is your Customer?
The Right Product
Positioning your Business
Pricing Techniques

Who is Your Customer?

In order to tailor your marketing and advertising strategies to appeal to the tastes and interests of your market, you must first identify your customer. In order to do this, it is necessary to conduct thorough research of the consumer marketplace. Keep in mind, the more information you have about your target market, the better able you will be to develop a successful marketing plan.

A market profile typically uses primary and secondary sources to answer key questions about a potential market. A profile is a picture or an outline. Information that makes up the social profiles of the people in your target market is called demographic information, and includes:

- Age, usually given in a range (20-35 years)
- Sex
- Marriage/partner status
- Location of household
- Family size and description
- Income, especially disposable income (money available to spend)
- Education level, usually to last level completed
- Occupation
- Interests, purchasing profile (what are consumers known to want?)
- Cultural, ethnic, racial background (optional)

A clothing manufacturer may consider a number of possible target markets--toddlers, athletes, grandparents (for grandchildren), teenagers, and tourists. A general profile of each of these possible markets will reveal which ones are more realistic, pose less risk, and which are more likely to show a profit. A test market survey of the most likely market groups, or those who buy for them, such as parents for babies and toddlers, can help you separate real target markets from unlikely possibilities.

Information provided by Canada British Columbia Business Service Center
http://www.sb.gov.bc.ca/smallbus

The Right Product

What are your customer's needs? What do they expect to get when they buy your product or use your service? The right product is the one that best fits their requirements.

People who eat in restaurants want more than a good meal. They might expect quick service, a reasonable price, a vegetarian menu, a children's menu, entertainment, a drive through window, or to be identified with a trendy crowd. It becomes a difficult and probably an unprofitable venture trying to satisfy everyone's needs.
If you have identified your customer and listed their expectations, you can design your product or service around their requirements.

The more you fulfill your customer's expectations, the better the quality of your product. Think of your product or service as more than just what the customers pays for. When you are planning your business consider how the whole transaction meets the customer's needs.

**Positioning your Business**

Positioning refers to the image customers have of your business. The goal is to create a business image that enables you to position your business in such a way that, in essence, it acts as a natural magnet for your intended customers. A number of factors that customers often look for include:

- Price (i.e. cheapest price, fair price, price for quality, etc.)
- Quality
- Assortment
- Fashion
- Parking
- Convenience
- Service
- Location
- Sales personnel
- Atmosphere

Your overall position should emphasize those areas that your customers value most, and those which make you different from your competition.

**Pricing Techniques**

The importance of pricing can not be underestimated as incorrect pricing can often result in the failure of a business. New businesses often make the mistake of either charging too little or too much for their product or service. So to help you avoid making one of these mistakes, the following section will outline some of the guiding principles of price determination.

Price is a key part of marketing. Setting prices is called pricing.

**Setting Prices**

Prices for products and services can be set by pricing to the market, pricing to your costs, and rule of thumb pricing. New business people with little experience may set an initial price based on the market, and then as experience grows, re-set prices according to costs. These two aspects of price--what is acceptable to the market, and what costs are--must both be considered. In addition, effective pricing depends on the business goals of your company: do you want to maximize profits or are you aiming for high growth in sales? The choices that a business ultimately makes about its markets and sales make a big difference in pricing.

For example, a business may make an early choice about where to position themselves in the market--the "good value," low end of the market, or the "quality conscious," upscale market. In pricing, as in everything else in business, the customer is the reference point.
Pricing to the Market

Compare prices with your competitors for similar products and services. Set the price range that customers will expect. You can use that market price range--what is acceptable to the market--as a guide to set your prices. Businesses or people to whom you sell may also price to the market by telling you what they will pay for your product or service. As you keep records of actual costs, the cost approach to pricing will help you make sure all your costs are covered, which may not be true in a market approach to pricing.

NOTE: Be careful about under pricing in order to compete or make sales. Use competitor's prices to establish the price range for similar products or services but don't under price; if your true costs are higher, your final prices will have to be higher.

Cost Approach to Pricing

Price must cover all costs of goods/services sold, including production costs of supplies, materials, fixed overhead, and time/labor, plus a profit. Costs should include costs of production, labor and non-labor, including overhead or fixed costs as well as supplies and materials.

Use this simple formula in setting a price (per unit):

**Total Costs of Production Per Unit + Desired Dollar Profit Per Unit**

Businesses can set different profit rates, for example 15% profit on supplies and materials, 20% profit on labor/time, and 25% profit on overhead. These more complicated approaches to pricing usually emerge in response to the special needs of a particular business.

If your research reveals that similar products or services are available on the market at a cost much lower than what you could offer, you may have to either adjust your profit margin, the return you expect, or decide to provide enough specialized service or selection that the market will pay the extra. Alternatively, you may be forced to conclude that you cannot afford to make this item or provide this service and look for something else to do.

NOTE: Remember to cost materials at the level it costs to replace them - NOT at original prices; include salaries as a business expense; include interest in your business cost calculations – interest that could have been accrued had the money used in the company been invested elsewhere (i.e. a bank); make allowances for future refunds, servicing, bad debts, amortization of capital costs of equipment or machinery.

"Rules of Thumb" in Setting Prices

Some types of businesses charge prices according to certain "rules of thumb": For example:

- price is always twice labor plus materials, or twice materials plus labor depending on which is higher; price is always materials and labor plus 20% for fixed costs, plus 25% for profits.
Calculating actual costs is the only proven way to make sure your prices cover your costs. Labor/time charges are to be covered partly in the costs of production and partly as a salary in the fixed/operating or overhead costs. In summary, key points to consider in setting prices are:

- marketing strategy and your immediate goals
- competitors' prices, and the market demand for the product and consumer buying trends
- need to cover costs and provide an adequate profit.

**SALES FORECASTING**

**Sales Forecasting for a New Business**
**Sales Forecasting for an Existing Business**
**Sales Forecasting and the Business Plan**

Sales forecasting is the process of organizing and analyzing information in a way that makes it possible to estimate what your sales will be. This document outlines some simple methods of forecasting sales using easy to find data. Books containing simple and sophisticated techniques of forecasting sales can be found in libraries and business oriented bookstores.

If you sell more than one type of product or service, prepare a separate sales forecast for each service or product group.

There are many sources of information to assist with your sales forecast. Some key sources are:

- Competitors
- Neighboring Businesses
- Trade suppliers
- Downtown business associations
- Trade associations
- Trade publications
- Trade directories
- US Census

**Factors that can affect Sales.**

**External:**

- Seasons
- Holidays
- Special Events
- Competition, direct
- Competition, indirect
- External labor events
- Productivity changes
- Family formations
- Births and deaths
- Fashions or styles
- Population changes
- Consumer earnings
- Political events
- Weather
Internal:

- Product changes, style, quality
- Service changes, type, quality
- Shortages, production capability
- Promotional effort changes
- Sales Motivation plans
- Price changes
- Shortages, inventory
- Shortages/working capital
- Distribution methods used
- Credit policy changes
- Labor Problems

Sales Forecasting for a New Business

These steps for developing a sales forecast can be applied to most kinds of businesses:

Step 1

Develop a customer profile and determine the trends in your industry.

Make some basic assumptions about the customers in your target market. Experienced business people will tell you that a good rule of thumb is that 20% of your customers account for 80% of your sales. If you can identify this 20% you can begin to develop a profile of your principal markets.

Sample customer profiles:

1. Male, ages 20-34, professional, middle income, fitness conscious.
2. Young families, parents 25 to 39, middle income, home owners
3. Small to medium sized magazine and book publishers with sales from $500,000 to $2,000,000

Determine trends by talking to trade suppliers about what is selling well and what is not. Check out recent copies of your industry's trade magazines. Search the Business Periodicals Index (found in larger libraries) for articles related to your type of business.

Step 2

Establish the approximate size and location of your planned trading area.

Use available statistics to determine the general characteristics of this area.

Use local sources to determine unique characteristics about your trading area.

How far will your average customer travel to buy from your shop? Where do you intend to distribute or promote your product? This is your trading area.

Estimating the number of individuals or households can be done with little difficulty using US census data. US Census Family Expenditure Survey can identify what the average household spends on goods
and services. US Census Data has population forecasts for areas in the United States. Information on planned construction is available from a variety of sources. Directories like Maine Manufacturers Directory, or the Yellow Pages can help identify names of companies located in your trading area.

Neighborhood business owners, the local Chamber of Commerce, the Government Agent and the community newspaper are some sources that can give you insight into unique characteristics of your area.

Step 3

List and profile competitors selling in your trading area.

Get out on the street and study your competitors. Visit their stores or the locations where their product is offered. Analyze the location, customer volumes, traffic patterns, hours of operation, busy periods, prices, quality of their goods and services, product lines carried, promotional techniques, positioning, product catalogues and other handouts. If feasible, talk to customers and sales staff.

Step 4

Use your research to estimate your sales on a monthly basis for your first year.

The basis for your sales forecast can be the average monthly sales of a similar-sized competitor's operations who is operating in a similar market. It is recommended that you make adjustments for this year's predicted trend for the industry. Be sure to reduce your figures by a start-up year factor of about 50% a month for the start-up months.

Consider how well your competition satisfies the needs of potential customers in your trading area. Determine how you fit in to this picture and what niche you plan to fill. Will you offer a better location, convenience, a better price, later hours, better quality, better service?

Consider population and economic growth in your trading area.

Using your research, make an educated guess at your market share. If possible, express this as the number of customers you can hope to attract. You may want to keep it conservative and reduce your figure by approximately 15%.

Prepare sales estimates month by month. Be sure to assess how seasonal your business is and consider your start up months.

Sales Forecasting for an Existing Business

Sales revenues from the same month in the previous year make a good base for predicting sales for that month in the succeeding year. For example, if the trend forecasters in the economy and the industry predict a general growth of 4% for the next year, it will be entirely acceptable for you to show each month's projected sales at 4% higher than your actual sales the previous year.

Credible forecasts can come from those who have the actual customer contact. Get the salespersons most closely associated with a particular product line, service, market or territory to give their best estimates. Experience has proven the grass roots forecasts can be surprisingly accurate.
Sales Forecasting and the Business Plan

Summarize the data after it has been reviewed and revised. The summary will form a part of your business plan. The sales forecast for the first year should be monthly, while the forecast for the next two years could be expressed as a quarterly figure. Get a second opinion. Have the forecast checked by someone else familiar with your line of business. Show them the factors you have considered and explain why you think the figures are realistic.

Your skills at forecasting will improve with experience particularly if you treat it as a "live" forecast. Review your forecast monthly, insert your actuals, and revise the forecast if you see any significant discrepancy that cannot be explained in terms of a one-time only situation. In this manner, your forecasting technique will rapidly improve and your forecast will become increasingly accurate.

CONDUCTING MARKET RESEARCH

Market Research is only as valuable as the actual data that is collected and the resources used to gather that data. Market researchers use the following types of data in their decision making process:

A. Secondary Data
B. U.S. Government Sources
C. Trade & Industry Sources
D. General Business Sources
E. Primary Data

A. SECONDARY DATA

Secondary data is information that is collected for other purposes than the current project. This information is available through external sources such as:

* The Public Library. This is the best place to start. Free information is in the reference department. Librarians LOVE to help researchers. Some reference materials you might want to look into:

  * Magazines and Reports. The Directory of Associations will show you what trade associations are available for the type of business you are in. The listings should include the address, phone number and a list of their publications.

  - Sales and Marketing Management Magazine. This magazine publishes "Survey of Buying Power," a yearly issue. It contains information on every county in the United States and cities with a population over 10,000. This includes:

    1. Total population.
    2. Number of households: Most important for many businesses because products are bought to serve a household.
3. Median cash income per household: How affluent a city or county is compared to its neighbors.
4. Population percentage breakdown by income: Income levels are broken down into several categories, and for each amount it shows what percentage of households earn that much.
5. Total retail sales: How much is spent by customers in retail stores.
6. Total retail sales for each of the following businesses: Automotive, drug, food, furniture, general merchandise and household appliances.

* Competitors. Surprisingly, you can learn a lot by going right to your competition and requesting any information, advice or help they might be able to offer. If you feel awkward directly approaching your competition, contact a business owner located farther away. For example, if you publish a magazine, you need to know what competitive publications are charging for advertising space, what their circulation is, and reader profile. You cannot possibly compete unless you know what they are doing and not doing.

* Potential Consumers. This is best accomplished via survey. Since it is important to ask the right questions, you will find a detailed method of creating a questionnaire later in this module.

* The Federal and State Government. The U.S. Department of Commerce has regional service offices which can provide you with pertinent information. The government also publishes reports on specific industries, markets and products.

* Trade Associations. There are trade associations which serve specific industries and are great sources of information.

* Business Publications. Local and national publications, newsletters and pamphlets exist for every industry imaginable.

* Media Representatives. This includes advertising space salespeople representing magazines, newspapers, radio stations and television stations. Many of their companies have extensive research departments; and the information is free. You can call to ask for a Media Kit.

* Your Chamber of Commerce. They collect information about the community and local businesses and offer most of their services for free.

* Observation. By the simple act of observing, you can gather an excess of information; and it's one of the best ways to conduct market research. Pay attention to what customers do in individual businesses. How many people pass by a particular store? What are their reactions? Are they window-shopping or going in?

* Local colleges or universities. The marketing departments of local colleges or universities will prove very helpful, as will their libraries. You can contact the business school or management department and ask for the person who directs the internship program. This is a good resource if you are planning to conduct any survey research.

* Vocational-Technical Institutes (Voc-Tech Schools). The instructors teach a variety of trade subjects and are a great source for information. Classes range from operating a supermarket to home decorating.
B. U.S. GOVERNMENT SOURCES

The U.S. government is a voracious compiler of statistics from which you can reap the benefits.

* American Statistics Index (ASI)--This is the single best source for locating government statistics and is published annually by the Congressional Information Service of Bethesda, MD, with monthly supplements. The ASI provides an index to all the statistical publications of the U.S. government in one handy location. You will find the ASI particularly helpful, not only because it contains an index, but because its second volume, ASI ABSTRACTS, briefly summarizes the actual reports listed in ASI. Thus, you can avoid wasting time trying to locate a document that may not contain information useful to you. It lists documents from the U.S. Census Bureau, CURRENT INDUSTRIAL REPORTS (CIR), the U.S. Bureau of Labor Statistics, and special studies by governmental agencies.

* U.S. Department Of Commerce--The U.S. INDUSTRIAL OUTLOOK, published annually each January by the U.S. Department of Commerce, provides a general economic outlook by forecasting growth rates for the coming year and reporting on production in the past year. You may find it a useful reference for anticipating trends in your industry.

* U.S. Census Bureau--The U.S. Census Bureau publishes more than 100 CURRENT INDUSTRIAL REPORTS on 5,000 manufactured products, accounting for 40% of all goods manufactured in the United States. CIRs provide information on production, shipping, inventories, consumption, and the number of firms manufacturing each product.

*ECONOMIC CENSUSES AND RELATED STATISTICS, also published by the U.S. Census Bureau, offers a variety of industries, such as retail trade, service, transportation, and manufacturing. These publications report on monthly sales figures and trends, information on sales by geographic area, zip code, and merchandise line.

*CENDATA, an online database offering COUNTY BUSINESS PATTERNS, a source of industry information analyzed by geography is useful for evaluating the performance and trends of your industry in your target location. The printed version of COUNTY BUSINESS PATTERNS includes listings for each industry having more than 50 employees in an area, and a computerized version has listings of every Standard Industrial Classification (SIC) category with at least one employee.

Most federal government publications can be ordered from:

* Superintendent of Documents

  U.S. Government Printing Office
  Washington, D.C. 20402
  (202)783-3238, (202)275-0019 (fax)

To gain access to government statistics by computer, contact:

* Data User Services Division

  Bureau of the Census
In addition to the agencies listed above, check your state and local agencies: These can be good sources of information specific to your geographic market or regional industry. State sales tax receipts are a good indicator of the health of your local economy. Local planning department information regarding building permits indicates population growth or stagnation.

C. TRADE AND INDUSTRY SOURCES

If you have a small business, you can locate many of the trade references you need in the SMALL BUSINESS SOURCEBOOK, published by Gale Research of Detroit, MI. Although the SMALL BUSINESS SOURCEBOOK is limited to a relatively few types of businesses with a strong orientation towards retail trade, if your business happens to be included, you'll find substantial information well-organized for easy accessibility. The book lists trade publications, industry associations, trade shows and conventions, and venture capital firms and consultants active in each business.

For bigger businesses or those not listed in the SMALL BUSINESS SOURCEBOOK, try Gale Research's ENCYCLOPEDIA OF BUSINESS INFORMATION SOURCES. Arranged by industry, this guide lists trade associations and major sources of statistical information, including databases, directories, and major publications in the field. If you still need help finding information on your industry's sources, consult Gale's ENCYCLOPEDIA OF ASSOCIATIONS or the NATIONAL TRADE AND PROFESSIONAL ASSOCIATIONS OF THE UNITED STATES, published by Columbia Books of Washington, D.C. These two publications offer information on more than 30,000 trade associations and also list the major publications of such associations.

D. GENERAL BUSINESS SOURCES

The following publications discussed in this section are available from most libraries.

STANDARD & POOR'S INDUSTRY SURVEY'S; while designed for investors, can be a source of insight about your overall industry and major competitors. The "Basic Analysis" section gives overviews of trends and issues in the industry. The remaining sections define some basic industry terms, report the latest revenues and earnings of more than 1,000 companies, and occasionally list major reference books and trade associations. When using STANDARD & POOR'S, consider the broad industry category under which your business falls, for instance, "Retail" or "Textiles" for an apparel or home furnishings store.

PREDICASTS F & S FORECASTS provides an index to articles from more than 750 business and trade magazines, newspapers, financial publications, and special reports. This index helps you find interesting and useful stories about new developments and products, mergers and acquisitions, and general sociological and political issues that may affect your business.

PREDICASTS is divided into two sections: "Industries and Products" and "Companies." "Industries and Products" is arranged by Standard Industrial Classification (SIC), the number the government has assigned to identify each industry. You will find an alphabetical list of industries with their SICs at the beginning of the book. It will be useful for you to know the SIC number of your business when referring to other documents.
When consulting PREDICASTS'S "Industries and Products" section, look for citations for articles about
your industry, product, sales, and market demand. The format of this section includes an index of general
economic subjects, including information about the economy, wages, population, and other sociological
factors. The "Companies" section will help you find articles about competitors or possible business
customers.

BUSINESS PERIODICALS INDEX, published by H.W. Wilson Co., of Bronx, N.Y., is an index to
articles in major business publications. It is arranged alphabetically and is easier to use than
PREDICASTS, but the articles to which it refers, are likely to contain fewer details.

CONSUMER'S INDEX, published by Thomas Publishing Company of New York, N.Y., may be an
invaluable source of information as you develop your business. It's a good place to identify suppliers,
distributors, potential customers, or competitors. There are three sections to the THOMAS REGISTER:
"Products and Services," which lists companies according to their products; "Company Profile," an
alphabetical listing of companies and their products; and "Catalog File," which has copies of company
catalogs. The THOMAS REGISTER is particularly useful as you develop the marketing and operations
sections of your business plan.

For non-governmental statistics, refer to the STATISTICAL REFERENCE INDEX (SRI), published by
Congressional Information Service of Bethesda, MD. SRI index reports statistical studies from major
organizations and trade associations. A second volume, SRI ABSTRACTS, provides brief summaries of
the information included in these reports.

One often overlooked source of business information is the YELLOW PAGES of your local telephone
directory. The YELLOW PAGES can give you insight about the nature and scope of your local
competition and potential suppliers.

E. PRIMARY DATA

Primary data is information you will collect yourself to analyze a specific situation. The data can be one
of the two:

1. Subjective Data
2. Measurable Data

1. Subjective Data

Subjective data is useful and elemental, but cannot be statistically analyzed. One example of subjective
data is the following:

- Focus Groups Or Group Interview: In order to eliminate the time issue, you can utilize the focus
group, or group interview method. This enables you to interview several people for their opinions
and reactions at one time. This method is used by many companies when developing new products,
marketing strategies or business procedures. It provides instant feedback and usually one opinion
leads to another from which you will receive some interesting information. Organize your own
group by approaching a local church, civic organization or school, or you can gather several
carefully selected friends. Remember that local groups may charge a small fee. To get the most from
a group interview, try these guidelines:
* Be sure to have a strong moderator. The moderator will ask the questions and keep the group from getting off the subject.

* Encourage the group to be open and honest about their opinions.

* Do not let anyone slip into the background by being silent. Encourage everyone to speak. They all represent your market.

* Do not provide any of your own opinions or prejudices as they may lead to false feedback.

* Use visual aids to initiate helpful conversation. Write down opinions on a blackboard or flip-chart.

* Appoint a person to take notes.

* Get a second or third group opinion. One is not enough.

2. Measurable Data

Measurable data is more reliable because statistical analysis can be done on it. Measurable sources include the following:

- Surveys: Surveys are a large part of market research and are one of the best ways to gather information from individuals or businesses on any specific subject. Surveys require good planning and a proper sequence of questions.

Below are three types of survey samples listed:

1. **Personal Interview**: The most widely used method is the personal interview. Conducting market research through this venue will provide you with the most accurate information because you will be speaking directly with the consumers. However, because you will most likely interview people at several locations, this is the most expensive and time-consuming route to take.

Several advantages to choosing the personal interview technique include:

   - You are able to ask detailed questions.
   - You are able to ask follow-up questions.
   - You are able to use visual aids or samples.

The personal interview can either be conducted by you or someone you hire and is on a one-to-one basis. Your survey "sample," or group of people you choose to survey, can either be chosen randomly (i.e., in a shopping mall) or specifically (i.e., buying a specific product). It is to your advantage to pick consumers who best resemble the customers you will serve. Keep in mind that if you are conducting research for an outdoor recreational store, don't interview only men. Women are equally active in outdoor sports and should be included in your interviews as well.
2. **Telephone Interview**: One of the most convenient methods for market research include the telephone interview. This can be done in your home and around your schedule. However, since you won't know to whom you are calling, your sample will be very random. Keep the questionnaire brief and grab their attention immediately as people tend to become very impatient when kept on the phone for something that doesn't benefit them directly. Remember that they are doing you a favor and they know it. For example: "In order for us to provide you with a product that best fits your needs. We would like you to take only a few moments of your time to answer several questions regarding your toothpaste."

3. **Mail Interview**: The mail interview is the perfect way of reaching consumers a distance away who are hard to reach by phone or in person. In order to reach the right people, you will need a select list of addresses. Mailing lists can be purchased from research agencies ranging in cost from $50 to $200 per thousand names. Don't forget to include a return envelope with postage.

   One disadvantage is that direct mail doesn't receive a high response rate. On average, you can expect between .5% to 3% (that's 3 responses from 100 questionnaires) of the people to whom you sent questionnaires to respond. There is also the option to follow-up with a telephone interview, but this can be time-consuming. If expense isn't much of an issue, but time is, it may be well worth your while to look into market research firms to conduct the interviews for you. By comparison, you can expect the telephone interview to give you a 60% response and the personal interview should give you a response of 90%. Combined, they will give you the most accurate and complete information.

   The results of a subjective and measurable data will enable you to make a more accurate marketing decision related to your business.

   Advantages to using secondary data include saving time and money and minimized duplication of information. Disadvantages are that the data may not apply to the situation or that the data is outdated. As long as the advantages of using secondary data outweigh the disadvantages, proceed with your primary data information. Marketing research in any form reduces the known and unknowns. Therefore, reducing risks, it empowers management to make new choices and alternatives.

**WHO ARE THE "RIGHT" PEOPLE?**

Asking the right people the right questions and being able to decipher the information will enable you to use it to your best advantage to see direct and positive results in your business. However, keep in mind that time is the key investment.

The "right" people are the ones with whom you will be doing business with. You need to gather everything you know about the people who will buy your products/services. Include the following in the list of information:
Buying Habits  Leisure Time Activities
Income  Area of Residence
Special Interests  Vacation Activities
Occupation  Hobbies
Physical Handicaps  Age and Type of Car
Sex  Skills
Own or Rent a Home  Household Pets
Age  Religion
Eating Habits  Marital Status
Race  Number of Children
Do-It-Yourself Type  Age of Home
Education  Health

These are just a few examples for your "customer profile," however, you should customize your list to best describe your potential customers.

Next, you need to find these customers, and how you choose to locate them is up to you. You could sit on a street bench and look for obvious match-ups. You could stand near a competitor's store and interview customers. You could purchase mailing lists with your customer's profiles and conduct a mail survey. There are many possibilities.

Once you identify the group of customers who matches your profile, they become your "sample." This is a sample of the general public who are the type of people with whom you will most likely do business. Keep in mind that the smaller your sample the greater your margin of error will be. Watch out for the sample that is too small, or carelessly selected. This could provide you with incorrect information.

**DESIGNING A QUESTIONNAIRE**

It is important to ask the right questions to get the information which will benefit you. Determine the value of a question by judging how you would use the results. This will help you avoid wasting time on questions that prove useless and inadequate. Make each question worthwhile.

There are several rules to follow when designing your questionnaire to suit your needs. They are:

1. Always keep your survey concise and understandable. Be certain to make your questions comprehensible by various types of people. Long, drawn-out questions will only lead to confusion. Confusing questions breed confusing answers. Get to the point immediately. For example, ask, "When you purchase socks, what brand do you buy?"

2. Be direct when asking questions about your subject. If you want to know why a customer chose your store to shop in, don't ask, "Why didn't you go to the XYZ Shop?" You might find out why they dislike the other store when you are looking for what they like about your store. This could lead to false assumptions.
3. Make sure your questions can be answered easily. You don't want to stump them and get an "I don't know" answer. Remember to follow up YES and NO answers with a WHY?

4. Avoid offending anyone. People become sensitive when asked questions about income, age, occupation, race and sex. Only include these questions if they are absolutely relevant.

5. Don't lie about the intention of the questionnaire. Tell them it's a survey for the paint store you're thinking of opening. Otherwise, you won't get the customers real opinions about a new paint store.

6. Don't answer the questions for them. Prompting people for answers only provides you with your own answers.

7. Provide enough time for the person to give you an answer and let them finish what they are saying.

8. Read back to them what they answered to be sure of accuracy. You want to understand everything they say.

9. Don't react negatively to any answers. If they upset you, don't show it. If they never heard of your product, then they haven't. This is why you are doing research.

10. If you are using secondary data for comparison, make sure the selections you offer match those of your secondary data (i.e.: age 20-35, 36-40).

11. Never forget to be courteous. Remember they are doing you a favor.

Double check your answers by categorizing them in some way. If they can't be categorized, they should probably be changed. Always test your questionnaire before you actually use it. Give it to a few friends and get their opinions.