

Welcome To Your Business Plan!

Congratulations on taking the first step towards investigating and planning your own business.

Introduction

This business plan provides you with everything you need to know regarding what is required, what is optional, and what is not needed to establish and operate a business. The business plan includes all the relevant sections that both financial institutions and private investors are going to be interested in reviewing in order to assess the viability of your business.

Financial institutions want to see that:

- 1.) Your personal finances are in order, that you are credit worthy
- 2.) You have a firm grasp of the financial operations relative to running a business.

These issues are addressed in section six which outlines personal financial statements and in section eight where the primary financial tables are displayed.

There is an expectation by financial institutions and investors alike that the process of assembling these financial tables proved to be both a practical and educational experience in determining costs, expenses, and investment requirements.

However, this business plan is also intended to offer you a door to another opportunity. An opportunity characterized by freedom from the typical 9-5 routine and the freedom that comes with the pride of founding and operating your own business enterprise.

So read through all of this supporting material in preparation for customizing your own unique business plan. Completing this process is part of the transition from a dream and vision to a dynamic, hard-working entrepreneur. Entrepreneurs are successful individuals who learn quickly and are resourceful to a fault. Absorbing this material is but the first step in obtaining the requisite knowledge and foresight necessary to avoid some the well-documented pitfalls that many others have fallen victim to.

Lesson #1

The Anatomy of A Successful Business Plan

What is a Business Plan Exactly?

Many people believe that a business plan is nice but not a necessity. Business plans are nice but, in fact, they are vital to have if you are serious about success both in the short-term and the long-term.

First and foremost, business plans are about crystallizing your vision and planning. Many would argue that business plans might first be about getting a bank loan; although it is often extremely helpful it is not the most important reason for writing a business plan.

In addition, no lender, be it an institutional lender such as a banking institution through which Small Business Administration (SBA) loans are administered or a private investor, will take you seriously without a business plan.

Oh sure, everyone's heard about all the technology companies that were scratched out on the back of a napkin at a restaurant during the technology bubble but these examples are the exception and everyone knows what happened to the majority of those types of companies when a curve ball was thrown and their limited planning was put to the test. It is a well known fact that most businesses fail due to poor planning or lack of planning all together.

We believe that if many of those companies had a better business plan in place they might still be around today. In any event, business plans are both about getting money and clarifying the business concept.

Put succinctly, a thorough business plan outlines the business concept, discusses business goals and objectives, outlines business strategy, establishes the basic organizational structure of the company, and examines the financial requirements and operations of the business. Most of all a business plan forces you to answer the tough questions in advance of opening your business.

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These issues and others are generally formatted across three broad divisions in a given business plan:

1. The business idea or concept
2. The market or industry background and marketing
3. The financial section

Together, these three broad business plan divisions inform the reviewer that you have developed the business concept, determined upon a market entry strategy, designed a marketing plan to draw in customers, and are aware of costs and expenses related to actually operating the business.

A business plan also works on a more personal level as well. Writing the business plan allows the future business owner to get a better grasp of the commitment involved in starting and operating a business enterprise and it may very well result in a decision to not risk one's personal financial security to start a business which is a good thing.

This too is what business plans are for—they protect you from blindly jumping into a business venture without having fully weighed the commitment and financial risk relevant to your own personal risk tolerance. Business plans are, in essence, an entrepreneur's best friend.

What Happens Without a Business Plan?

The business plan is the most important professional documentation you will ever put together if you intend on becoming a successful small business owner. The business plan can be considered both a map to a successful business as well as a map to a more certain future. Without a business plan you are always managing by the seat of your pants because the only documentation of the business is in your, and perhaps your business partners' heads.

Certainly you might be successful if you choose to establish a business without one, but this is always the more risky proposition and the savvy small business owner always seeks methods to mitigate risk. After all, any business, large or small, is all about mitigating risk; that is, minimizing weaknesses and threats and maximizing strengths and opportunities.

Individuals that start a business without a business plan in place

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typically have more money than sense and we all know people like this. Some are successful and some fail, but they all seem to just be stumbling along. Don't be one of these people.

Formulating and composing a business plan is difficult and time consuming but the process can save you literally a lifetime of stress and financial difficulty. Business plans should be utilized by all potential small business owners regardless of financial reserves.

While success might be achieved in the marketplace without a business plan, having a business plan in place stacks the odds more in your favor and opens doors of opportunity that might not otherwise be opened.

Three things are certain to occur without a business plan in place:

- 1) Funding is much more difficult to source for the venture
- 2) Operating costs are typically higher because the operations have not been well thought out and this directly impacts revenue flows and profits.
- 3) Funding is not accurately calculated and their budgeting is inaccurate so they quickly run out of cash.

These aspects are extremely compelling reasons to start on your very own business plan today. Whether you do it yourself or commission one to be done for you, you will be forever grateful that you did.

Lesson #2

A Step by Step Guide to Writing A Successful Business Plan

In this section we will help you review and understand the importance of the business plan's components. We highly recommend utilizing the right column to make notes and list your ideas as you read each section and lesson.

I. The Executive Summary

The executive summary comes first—always. It is the most important section of the entire business plan. Conversely, the executive summary should be written last after all the other business plan sections have been completed.

The executive summary is most often the first page read by the reviewer; be it a bank officer or a potential investor. If the executive summary fails to pique the interest of the reviewer then the rest of the business plan will not be reviewed.

This is so critical it deserves to be said again. If the executive summary does not capture the interest of the reviewer it does not matter what is in the rest of the business plan and how well thought out it is then the reviewer will not bother to read it.

Two reasons the executive summary is so important:

- 1.) Most individuals tasked with reviewing a business plan are busy in their professional lives. A financial officer at a lending institution or a successful business person and/or investor will not take the time to review a business plan in which the business concept and requests are not clearly stated in the executive summary
- 2.) Without a strong executive summary the reviewer may simply assume the rest of the plan is just as mundane as the executive summary and not of interest as a potential investment opportunity.

Thus, what might actually be a strong business plan with an extremely attractive business concept will likely get overlooked if the executive summary is poorly written or poorly conceived.

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Writing an executive summary is not extremely difficult in itself. It is somewhat formulaic in that it has certain characteristics, which must be included in order for it to be of interest and use to the reviewer.

If one tries to fit everything that is in the business plan into the executive summary, this defeats the purpose of having a summary. Take your time with the executive summary.

Not including enough information within the executive summary is also a potential catastrophe. The reviewer that sits down to read a business plan always starts with the executive summary and if, after reading the executive summary the reviewer still has no idea what the business is about, he or she will be just as likely to toss it aside.

The executive summary is the conceptual anchor of the business plan because the entire focus of the plan and its various analyses and research are condensed into this single page summary.

In writing your executive summary, make sure that you address the following points to ensure it accurately summarizes your entire plan while still being interesting and informative:

- Keep the length to no more than 1 page
- The business concept should be stated very clearly in a sentence or two at the outset
- Outlay the key financial targets and objectives of the business
- State very clearly what you are asking for in terms of investment
- The current state of the business and of the business principles (founder and/or investors)
- Any critical relevant data such as secured contracts, orders, or customers

And then stop. That's it. Nothing else is necessary because if the reviewer is sufficiently interested he or she will then go on to review the rest of the plan to examine the details of the business and how well you have addressed your market and financial needs.

Don't use this area to sell your concept, as that section is next.

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Section I - General Company Description

This section is where you sell your concept. It is where you become the passionate evangelical for your business. The overview is where you relate what the business is; what it does, and where you will do it from.

This is followed by the legal description, which is typically based on the NAICS (North American Industry Classification System), which is the classification system the federal governments of the U.S., Canada and Mexico use to classify businesses and business activity.

The NAICS definition of your business is a legal description of the business and its industry and is immediately recognizable to all or easily referenced via the internet or reference manuals found in most financial institutions. **To find your NAICS go to: <http://www.census.gov/epcd/www/naics.html>**

Next, you will relate how the company concept was conceived, who conceived it, and how it developed over time to the current state where the business is poised to shift from concept or part-time hobby into a full-fledged business. It is important to let the reviewers know how passionate the founders are about their chosen enterprise. This does not mean that you must get your literary pen out and wax poetic; please don't.

Strong business writing must be concise and to the point. But it is apropos to let the reviewer know how important this concept has been to the founder and how the founder is driven to make this enterprise a success not only for personal reasons but for the enterprise's other investors as well.

Finally, the general company description section includes a Vision Statement and a Mission Statement. While many individuals might consider these two components so much fluff, they are actually very important. They serve to inform the reviewer how much thought and care has been put into the business and business plan regarding operations.

The Vision Statement summarizes the end state of the business and the Mission Statement informs the reviewer of how you intend on getting there as a business; i.e. what will be the character of your

operations as you move the business forward.

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Section II - Products and Services

This section is one of the briefest sections in the business plan. This is because so much of the information related to the product or service, as well as the service delivery, is discussed in more detail in the next section, which is the marketing plan.

However, the product description provided in this section should be detailed and illuminating. That is, it should ask and answer several questions such as: What is your product or service? What does it do or how does it help your target customer? And more importantly, what make the service or product stand out from the competition?

The service description needs to detail how you intend on greeting the customer and treating him or her once he or she enters your establishment. How will your operation differ from your competition?

The relationship between product and service is spelled out in detail in this section. The understanding needs to be illustrated that one can have the absolute best product in the world but if the service quality is poor, customers will simply not return. Businesses with returning customers and/or repeat business are infinitely more stable and successful.

Section III - Marketing Plan

The marketing plan section, in tandem with the financial plan section, is one of the most critical and difficult sections to put together. However, it also the most fun to assemble and research because it involves the most creative thought in the plan.

While many, if not most, business plans in the industry are not as detailed in their marketing plan sections as this one, the individual components included in this business plan's marketing section ensure that you will be able to assemble the most thorough marketing plan possible.

Because of the detail and the care that must go into each subsection of the marketing plan section of this business plan, each

component is discussed individually below:

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- **Industry overview:** this component discusses the industry overall. It should indicate some idea of the market size in terms of monetary value and if the industry is growing, flattening out or even shrinking—this is the big picture
- **Market size:** the market size details what the expected market demand is for the product or service.
- **Target market:** the target market component states specifically which customers you intend on catering to. Who are they and what do they look like in terms of income and life styles?
- **Marketing objectives:** this component of the marketing plan forces you to state very specifically what you intend to accomplish with the marketing plan. This ensures that no sales and marketing dollars are wasted. The objectives should follow the **S.M.A.R.T.** guidelines: **S**pecific, **M**easurable, **A**chievable, **R**epeatable, **T**ime constrained. Thus, if \$1,000 is the initial marketing budget, state exactly how many customers you intend to gain, how you will count them, ensure that the figure is reasonable, make certain the marketing initiative can be done again, and set a time limit on the marketing initiative in order to gauge its overall success
- **Products (1 of the 4Ps of Marketing):** this sub-section is where the product or service is discussed in detail once again. Much of the information mentioned in the previous product section will be repeated but more information regarding production and presentation can be offered
- **Pricing Strategy (1 of the 4Ps of Marketing):** how much do you intend on charging for each product? Here, each product's price, including serving size, is determined in a structured format including prices used during promotions
- **Promotion Strategy (1 of the 4Ps of Marketing):** promotion summarizes all of the sales and marketing material combined with the intended media in which that material is going to be presented; i.e. print, radio, television, or gorilla type activities such as open houses or promotional stunts

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- **Placement (1 of the 4Ps of Marketing):** placement is another word for distribution and this component informs the reviewer of how you intend to actually get your product into the hands of the consumer.
- **Sales Forecast:** this is an important component and provides the groundwork for much of the financial analysis offered in the financial plan section later in the business plan. The sales forecast states very clearly what you expect to make vis-à-vis sales revenue over a 12-month period. These monthly sales objectives are just that, objectives and they should be met. They are therefore also based on the SMART principle: Specific, Measurable, Achievable, Repeatable, Time constrained
- **Competitor Analysis:** understanding what makes your competitors successful, as well as unsuccessful, can greatly assist you in establishing best practices and avoiding the mistakes others have made in the industry. This sub-section examines several companies, large and small, and provides you with a competitive frame of reference
- **SWOT Analysis (strengths, weaknesses, opportunities, threats):** A SWOT analysis is just that; a measure of what your business is good at, poor at, what opportunities exist and the dangers that imperil the future of the business. The strength and weaknesses that are examined should be INTERNAL in origin; that is, managerial experience, financial liquidity, or similar. The opportunities and threats that are discussed should be EXTERNAL in origin; that is, competitor actions, market trends, or similar.
- **TOWS Strategy Development (threats, opportunities, weaknesses, strengths):** this is a type of strategic planning device that allows you to design a business strategy enabling you to assess the best strategy based on mitigating threats and weaknesses with the appropriate opportunities and strengths identified during the SWOT analysis—use the matrix provided
- **Forward Strategy & Future Outlook:** this sub section is extremely important because it tells the reviewer that, first and foremost, you intend to be around awhile. It also informs the reviewer that you have put some thought and consideration into long-term strategy and future expansion plans which can generate greater profit for all investors

Section IV—Operational Plan

The operational plan section covers a range of activities and topics related to actually running the business. The first subject for review is the production operations.

In many ways this operation is the most important because it directly produces the product or service that is for sale and upon which the business will rely on for its primary revenue stream. Understanding how production and operations will be handled is critical for achieving acceptable operating margins and obtaining profits depends on appropriate operating margins.

Related to this topic is the discussion that revolves on location. The location of the business is, of course, critical to success and locating a site that both meets the needs of the production processes and facilities as well as the business requirements for customer traffic is a difficult proposition.

This sub-section informs the reviewer of how these concerns have been met within the context of the business plan. The topic of product and raw material inventories is also discussed in detail because so much capital is tied up in inventories of one type or another that minimizing carried inventory is an important operational strategy. Minimized inventories are important since any freed up capital can be redirected either into sales and marketing activities or into profits removed.

Finally, the operational component of the business plan needs to discuss an exit strategy should the business fail. Many people might consider this too fatalistic but most professional business people merely consider this part of good planning.

Understanding how the business is going to be liquidated should it fail is critical to protecting the remaining value and equity in the business' assets for the investors in order to minimize their losses if possible. The most common exit strategies, as listed in the plan, are either an outright sell, or a bankruptcy.

Section V – Management & Organization

The management and organization section of the business plan is

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where the business owner normally introduces in detail the principles of the company. These include owners/founders, managers, and investors.

Additionally, the business plan author will begin by informing the reviewer what type of structure the company is going to operate under.

These business structures consist of:

- Sole proprietorship
- Partnership
- Corporation
- C-corporation
- S-corporation

After introducing the principles of the business enterprise, it is important to specifically state what each individual's roles and responsibilities are going to be. This serves to inform the reviewer how the business is going to be managed and operated as well as defines for the principles their exact roles and responsibilities.

Doing so is critical to avoiding any misunderstandings after the business is up and running and then having owners, investors, and managers each competing for greater influence or control.

Defining each individual's specific duties and responsibilities before the business is operational ensures that the principles can focus on managing the enterprise profitably and that the investors can feel certain that their interests are a priority should they actually not be part of the management structure.

To conclude this section, the sub-sections related to the salary structure of the principles involved is included so that the reviewers are able to ascertain how much of a percentage of revenues is going to be diverted to salaries. This too avoids potential misunderstandings in the future as a failure to clearly delineate salaries and salary expectations in the business plan almost guarantees that some principles will request an increase sooner or greater than agreed upon.

Salaries and profit taking are always a sensitive topic and it is best to go into as much detail as possible in order to avoid any confusion later.

The final sub-section lists the key success factors of the business

enterprise. These are factors that if not fully and completely achieved assure the business of failure and to that end they are intended to be met completely as major milestones within the business' overall project plan outline.

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Section VI - Personal Financial Statements

The personal financial statements and financial details are the sole responsibility of the individuals directly associated with the business and the business plan. These documents or the provision of these personal financial details must be completely and faithfully provided in order to maximize the likelihood of funding.

All personal assets and liabilities should be listed accurately so that the reviewer, and directly or indirectly, the lending body or individual, can make an accurate risk assessment of the investment opportunity. Some of the details that affect the business enterprise funding might be things like having the equity in one's home fully leveraged and subsequently not being able to leverage this equity as a potential funding source for the business enterprise. These are the kinds of details reviewers examine in the personal financial statements as well as basic credit worthiness of the business applicant.

Section VII - Startup Expenses and Capitalization

The startup expenses and capitalization section indicates where the initial capital for the business is coming from and who is offering it. All the principle investors are listed in tandem with the percentage of ownership, which, ideally, is also reflected in the percentage of profits, gained. The expected contributions from SBA loans and other private investors are also listed in this section whether they are actually received yet or not.

This capitalization sub-section is used to detail the full character of capitalization strategies that the business and its founder (s) is relying on or anticipating. Included in this section is a complete list of the startup expenses, which includes capital equipment, inventories, lease and lease-hold expenses, salaries, and related administrative and operational expenses necessary for startup to

occur.

The precision and detail with which this section is completed informs the reviewer and potential lender how much forethought and planning the business owner(s) have put into the actual operation of the intended business.

VIII - Financial Plan

The financial plan section of the business plan is, as mentioned previously, one of the most critical sections within a business plan. While all the other sections are critical in their own fashion, the financial section works at several levels to ensure that the business plan is appropriate, accurate, and meaningful to both the potential investors and the business owner or owners alike.

There are numerous financial spreadsheets and assumptions that can be formulated for any given business plan but the ones included in this business plan are the most important and the ones most often demanded by financial institutions and investors both.

To that end, they are discussed individually below:

- **Primary Assumptions:** these are financial assertions upon which the financial statements included in the rest of the business plan are based and together inform the reviewer of the logic or rationale upon which the financial tables are prepared
- **Summary of Financial Results:** these figures offer a brief overview of some of the primary results derived from the rest of the financial tables and analysis
- **12 Month Profit-Loss:** this financial table outlines the revenue and expenses that are expected over the first 12 months of the business' operations. It is meant to offer a rough estimate of how the books will be balanced relative only to income and expenses. These figures provide the business owner and the reviewer with the basic financial expectations during the initial startup phase of the enterprise
- **3-Year Profit Projection:** like the 12 month profit-loss table, the 3 year profit projection takes an extended view of the business enterprise over a 3 year period and anticipates

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the type of revenue that is expected. It also establishes sales objectives, targets, and growth strategies based on the percentage of expected or predicted increase in gross sales year on year

- **Opening Day Balance Sheet:** the opening day balance sheet outlays what the business enterprise is expected to have in terms of assets and liabilities from its first day in operations. This is an important projection from an operations perspective because it is an accurate reflection of assets and liabilities after the initial expense for capital equipment and supplies has been incurred and paid
- **Break-Even Analysis:** this financial analysis is designed to tell the business owner and business plan reviewer just how much revenue is required and when in order to adequately meet all expenses associated with business operations

There are other financial analysis and tables that can be included in a standard business plan such as the projected business ratios related to inventories and operations. However, these last are primarily suitable for business operations that are established and already have an existing operational profile such as accounts receivable and accounts payable, and similar. These are not necessarily appropriate for a startup business.

In any event, you should be beginning to realize that there is no such thing as too much information and analysis when studying a business and learning how to successfully bring it to market. While the business plan is the wrong place to include all the available business research and planning material, having this research and planning material serves the interest of the business owner considerably.

IX - Appendices

The appendix section of business plans is where relevant documents that are related to the business enterprise but not specifically necessary in the business plan itself, can be included should the reviewer want to review them. Other related documents for inclusion in the appendix might be sales and marketing brochures, advertisements, or even employment applications, for example.

X - Research Bibliography

The research bibliography is merely an alphabetic list of the sources used during the composition of the business plan. While most people expect that a business plan author used reliable resources and documentation during its composition, including such a research bibliography ensures the reviewer that the business plan author is confident in his or her research as well as thorough and detailed.

XI - End Notes

The end notes section in this business plan, as well as the research bibliography, is a component that many other business plans do not offer. The end notes are related to the industry and market research that the business plan author has made use of during its composition.

The end notes are intended to be kept in hand by the reviewer as he or she reviews the business plan, the industry notes and references can be checked with the citations in order to verify source reliability and relevance. The use of end notes corresponds with the superscripted numerals throughout the text that are used to indicate that the researcher is citing a source outside of the business plan and the business plan author.

The end notes serves to reinforce the notion of how important the research and planning component is to the business plan and critical it is to the sales and marketing function. Without the appropriate research in place a new business can spend \$1,000s of dollars on advertising and marketing material with little in return.

Advertising in the wrong media outlets or at the wrong times or with the wrong message to reach the appropriate demographic can undermine any business plan no matter how well written or thought out. Research is an extremely important part of being a small business owner.

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Have You Considered?

End of Lesson Checklist

- Have you completed background research, identified a target market, and examined the competition
- Identified the optimum business structure; i.e. sole proprietorship, corporation or s-corporation, for example
- Chosen a name, checked name availability, and registered the enterprise's name with the appropriate state & federal agencies
- Completed a comprehensive business plan
- Applied for and received the necessary licensure/permits from city, state, and federal agencies
- Obtained a Federal Employer Identification Number (EIN) if necessary
- Decided on an ideal business location
- Sourced the appropriate amount of financial capital from private and/or institutional investors
- Located an accountant familiar with the type and character of the expected business enterprise
- Become familiar with labor laws and regulations in your state and local market, such as OSHA regulations & related health codes
- Become familiar with technology applications common in the workplace, such as basic business productivity software
- Investigated and acquired the necessary insurance coverage related to your particular line of business
- Applied for bonding (if necessary)
- Contacted the local Chamber of Commerce for membership & advice information which is often free of charge to startups

Lesson #3

Site Selection and Location

Determining Factors in Location Selection

There are various factors that should be considered in deciding on a location for a business, which facilitate the decision of where to actually locate the store.

The decision about location can be divided into two broad dimensions:

- 1.) Geographic location
- 2.) Site location

And each dimension comes with its own set of independent criteria.

Any retail business depends more heavily on location than other businesses in other industries because these types of operations must be both visible and accessible to the general public both in terms of vehicular traffic to get there and in terms of actual foot traffic to and from convenient parking and other shopping locations.

Typically, the type of background research in identifying an ideal location for a retail operation is referred to as due diligence and it must be done during the site location process. Due diligence involves either purchasing the data oneself and performing traffic analysis, demographic analysis, and a review of existing businesses in the targeted area or just purchasing or commissioning the analyses outright.

Business owners look for locations with high traffic, defined as cars and people, generators such as existing large retailing operations, industrial or office complexes, or colleges and hospitals, for example.

Although opening a retail operation in less densely trafficked and populated areas may be a legitimate consideration for many businesses, the retail business owner must also recognize in advance that marketing spend will increase in order to attract

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customers to such locations that are, for whatever reason, in low traffic areas.

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Traditional business wisdom has always proposed that a new business should enter an area where it has no existing competition but this, in fact, may not be the best approach. There is a school of thought that says a potential retail business owner should find the location of its largest potential competitor and locate a site as close as possible to that competitor.

The advantage is that because this large competitor has most certainly spent vast financial resources on developing its own market-based research relative to location and site analysis, then the new retail operator can benefit in a sense on this competitor's extensive market analysis and investment.

Also, because the competitor is committing vast sums towards generating its foot-traffic, the new business owner benefits indirectly from this advertising as well.

The other dimension for determination of location is the actual location site analysis. If an area and building has been located for the potential business then it must also be examined according to certain criteria.

The first and most important question to ask is, of course, if the building is in an area appropriately zoned for a retail business. Following this, it must be determined if the building can meet the layout requirements both in terms of current business projections as well as future growth.

Also, do the building's utilities meet the business' requirements such as heating, cooling, and plumbing needs?

And finally, another important consideration is determining if the location is accessible not only to customers but also to employees who might not otherwise visit the area where the business owner may want to be in.

This site selection and site location strategy is extremely important for long-term growth and viability. Select wrong and the business may thrive initially just on the new buzz created but, after awhile, the new buzz will evaporate and customers may realize that although they enjoy the establishment or the products, the location is hard to get to or perhaps the parking is inadequate. Slowly, customers will go back to their previous favorite retail locations

not out of any sense of brand loyalty but just on convenience and ease of access.

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Mistakes to Avoid

One of the most common errors made in site location is to fail to make an adequate evaluation of the local market in terms of demographics and traffic patterns. You do not need to be a statistician with access to a super computer to make some of these basic market analyses yourself.

A simple review of the local business and residential population data available at the U.S. Census Bureau and the local chamber of commerce provides most of this information by zip code or township.

Additionally, make a survey of the potential site during regular shopping hours and high traffic hours such as evening rush hour over a 7 day period. Get an estimate of how many cars stop at each red light and then determine how long the red light lasts and then factor this by the hour times the number of cars and you can arrive at a very useful estimate of traffic flow.

Gauge how busy the local shopping parking lots are during the day and evening hours. If they are fairly empty even during rush hour then this may not be a great location despite being in a high traffic area.

Another mistake to avoid is to rush into a lease agreement based on the assumption that that site location is certainly the last one in the city and it is a must have. This type of reasoning is certain to end in failure or at best, lower operating margins because of an unreasonable lease payment over the life of the lease.

While the location might be ideal it, more than likely, is not the only ideal location available and it is best to shop around and to spend an adequate amount of time performing market research around each possible location.

Furthermore, if time and resources are an issue but financial capital is not, then there are professional research companies that collect the necessary data to perform these types of site location analyses and, for a fee, they can shorten the due diligence phase considerably.

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Although the potential list of mistakes relative to site location is lengthy, another important one that is fairly significant is related to the requisite permits and licensure.

It is paramount that all permits and licenses should be obtained prior to signing a lease or, at the least, the lease agreement should have an out-clause that stipulates that if the lessee cannot obtain the necessary licenses and/or permits then the lease becomes null and void.

This is a detail that is best left to your lawyer should you decide to go this route but, in all instances, protect yourself from possible litigation or loss of investment capital due to a lack of foresight.

Assistance in Site Location

There are several reliable sources of information and assistance when attempting to determine the best site location for your business enterprise. Every state typically operates an online business resource center and these are excellent sources of information as well as offering a healthy list of professional services and resources.

For example, the state of Florida's online business resource center can be found at the www.myflorida.com web portal where the business category can be entered. Within this web space there are many sources of information and assistance offered to the small business owner that can assist him or her in all aspects of business planning and startup in addition to site location.

There exists on this website an actual site location option which addresses such topics as economic highlights by region, transportation characteristics by area and region, demographic data for all markets, and contact information for further resources. While this is but one state, most other states in the nation operate similar online resources because they actively encourage investment and business startup activity within their borders and this is one way in which they facilitate this need.

Other useful and readily accessible resources in determining site location are the local chambers of commerce in your given market. Almost every city in the nation has a local chamber of commerce, which offers a full spectrum of business services to one degree or another. Most chambers of commerce offer basic information such as county and city listing for their areas, relocation assistance for

business owners, utility related information and data, state and local community vital links, education information, local and state licensing requirements as well as existing business profiles within the target market.

A good example of the types of site location assistance that can be found at most chambers of commerce can be seen at the Greater Tampa Chamber of Commerce at: www.tampachamber.com. Keep in mind that most cities offer very similar types of services through their local chambers of commerce and these should be one of the first places a would-be entrepreneur visits relative to both business startup and site location.

What Does a Lease Look Like?

Well, you asked! The following commercial lease agreement is a generic lease agreement that is would be altered in certain ways depending on the type of business as well as the individual leasehold agreements arranged between the lessor and the lessee.

However, the generic lease agreement (on the following pages) is useful in becoming familiar with the type of language and the provisions that are common to all commercial leases.

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COMMERCIAL LEASE

This lease is made between _____, herein called Lessor, and _____, herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situated in the City of _____, County of _____, State of _____, described as _____ upon the following TERMS and CONDITIONS.

1. Term and Rent. Lessor demises the above premises for a term of ____ years, commencing on _____, 19__ and terminating on _____, 19__, or sooner as provided herein at the annual rental of _____ Dollars (\$ _____) payable in equal installments in advance on the first day of each month for that month's rental, during the term of this lease. All rental payments shall be made to Lessor, at the address specified above.

2. Use. Lessee shall use and occupy the premise for the purpose of _____

_____ The premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.

3. Care and Maintenance of Premises. Lessee acknowledges that the premises are in good order and repair, unless otherwise indicated herein. Lessee shall, at his own expense and at all times, maintain the premises in good and safe condition, including plate glass, electrical wiring, plumbing and heating installations and any other system or equipment upon the premises, and shall surrender the same at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, excepting the roof, exterior walls, structural foundations, and: _____

4. Alterations. Lessees shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.

5. Ordinances and Statutes. Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.

6. Assignment and Subletting. Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, at the option of the Lessor, may terminate this lease.

7. Utilities. All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including those for sewer, water, gas, electricity, and telephone

services.

8. Entry and Inspection. Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purposes of inspecting the same, and will permit Lessor at any time within sixty (60) days prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

9. Possession. If Lessor is unable to deliver possession of the premises at the commencement hereof, Lessor shall not be liable for any rent until possession is delivered. Lessee may terminated this lease if possession is not delivered within days of the commencement of the term hereof.

10. Indemnification of Lessor. Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claim for damages, no matter how caused.

11. Insurance. Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows:

Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of cancellation or material change of coverage. To the maximum extent permitted by insurance policies which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation which might otherwise exist.

12. Eminent Domain. If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premise, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for and period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expenses.

13. Destruction of Premises. In the event of a partial destruction of the premises during the term hereof, from any cause, Lessor shall forthwith repair the same, provided that such repairs can be made within sixty (60) days under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which making the repairs cannot be made within sixty (60) days, Lessor, at his option, may make the same within a reasonable time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made within sixty (60) days, this lease may be terminated at the option of either party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement cost, Lessor may elect to terminate this lease whether the demised

premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

14. Lessor's Remedies on Default. If Lessee defaults in the payment of rent, or any additional rent, or defaults in the performance of any of the other covenants or conditions hereof, Lessor may give Lessee notice of such default and if Lessee does not cure any such default within _____ days, after the giving of such notice (or if such other default is of such nature that it cannot be completely cured within such period, if Lessee does not commence such curing within such _____ days and thereafter proceed with reasonable diligence and in good faith to cure such default), then Lessor may terminate this lease on not less than _____ days' notice to Lessee. On the date specified in such notice the term of this lease shall terminate, and Lessee shall then quit and surrender the premises to Lessor, but Lessee shall remain liable as hereinafter provided. If this lease shall have been so terminated by Lessor, Lessor may at any time thereafter resume possession of the premises by any lawful means and remove Lessee or other occupants and their effects. No failure to enforce any term shall be deemed a waiver.

15. Security Deposit. Lessee shall deposit with Lessor on the signing of this lease the sum of _____ Dollars (\$ _____) as security deposit for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease.

16. Tax Increase. In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to _____% of the increase in taxes upon the land and building in which the leased premises are situated. In the event that such taxes are assessed for a tax year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

17. Common Area Expenses. In the event the demised premises are situated in a shopping center or in a commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area.

18. Attorney's Fees. In case suit should be brought for recovery of the premises or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including reasonable attorney's fee.

19. Notices. Any notice which either party may, or is required to give, shall be given mailing same, postage prepaid, to Lessee at the premises, or Lessor at the address shown below, or at such other places as may be designated by the parties from time to time.

20. Heirs, Assigns, Successors. This lease is binding upon and inures to the benefit of the heirs,

successors in interest to the parties.

21. Option to renew. Provided that Lessee is not in default in the performance of this lease, Lessee shall have the option to renew the lease for an additional term of _____ months commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term except that the monthly rent shall be the sum of \$ _____. The option shall be exercised by written notice given to Lessor not less than _____ days prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire.

22. Subordination. This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

23. Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only in a writing signed by both parties. The following Exhibits, if any, have been made a part of this lease before the parties' execution hereof:

Signed this day of _____, 19____ .

Lessor: _____

Lessee: _____

Have You Considered?

End of Lesson Checklist

- Contacting the local chamber of commerce and state governments for site location and general business information and assistance
- Verified that the site location is properly zoned for your business
- Performed or purchased site analysis data relative to demographics and traffic patterns
- Obtained the services of a real estate lawyer to assist with lease negotiation
- Have every agreement discussed placed in writing within the lease agreement
- Ensure that no similar business be allowed in the shopping are (if applicable)
- Take your time locating and signing a lease for a location
- Do not sign a lease without having it reviewed by your lawyer
- Ensure the first location is profitable prior to opening a second one
- Ensure that all permits/license are obtained prior to signing the lease or include a clause canceling the lease if they cannot be obtained

Potential Business Owner Suitability Checklist

- I have what it takes to own and operate a small business venture**
 - I am independent and resourceful
 - I am prepared to work long hours without a break
 - I am prepared to leverage my personal financial stability
 - I am prepared to risk the financial stability of others

- I am prepared to either write or commission a complete business plan before applying for or asking for loans**
 - I have thoroughly researched my industry and market
 - I have a complete understanding of the financial requirements
 - I possess the requisite project management skills

- I understand the legal requirements of owning a small business**
 - I am aware of all business licenses and permits
 - I have an accountant to ensure tax compliance
 - I have a lawyer to review the lease agreement

- I have the background and experience to be successful**
 - I have solid management experience
 - I have industry experience and knowledge
 - I have a network of professional and moral support

- I have planning and execution abilities
- I have personally interviewed 5 business owners

- I am aware of security & safety issues with owning a small business related to employee security, robbery, and consumer/customer data**
 - I am prepared to install a security system with cameras
 - I am prepared to install a security system on the computer to protect vital business data and information
 - I will design and train employees on a disaster plan
 - I intend to conform to all OSHA safety regulations

- I know how much money I need and how to get it**
 - I have some of my own funds to invest
 - I qualify for an SBA loan
 - I know how I will repay this debt
 - I have investors & partners

- I have identified my target market, know who my target customer is, and know how to reach him or her**
 - I have price levels already set
 - I have a marketing plan in place
 - I have a location in mind

- I know where I can go for help with preparation and planning for my business enterprise**
 - I have contacted my chamber of commerce
 - I have visited the state business portal web site

- ❑ I have networked through friends and family

❑ I am ready to start my business—now what?

- ❑ I have a completed business plan
- ❑ I have a completed application for an SBA loan (see adobe file included on business plan CD)
- ❑ I have my business license applications filed or have received all requisite licensure