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FOR THE LIFE OF YOUR BUSINESS

POWERED BY

SBA

U.S. Small Business
Administration

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Simple Steps
for Starting Your Business
Session 2 - Business Concepts

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Workshop Roadmap

One-on-One Mentoring

Session 1: Start-Up Basics → Session 2: Business Concepts → Session 3: Marketing Plan → Session 4: Financial Plan → Session 5: Funding Sources

"Go or No-go" decision & next steps with mentor → Mentoring/Build Business Plan
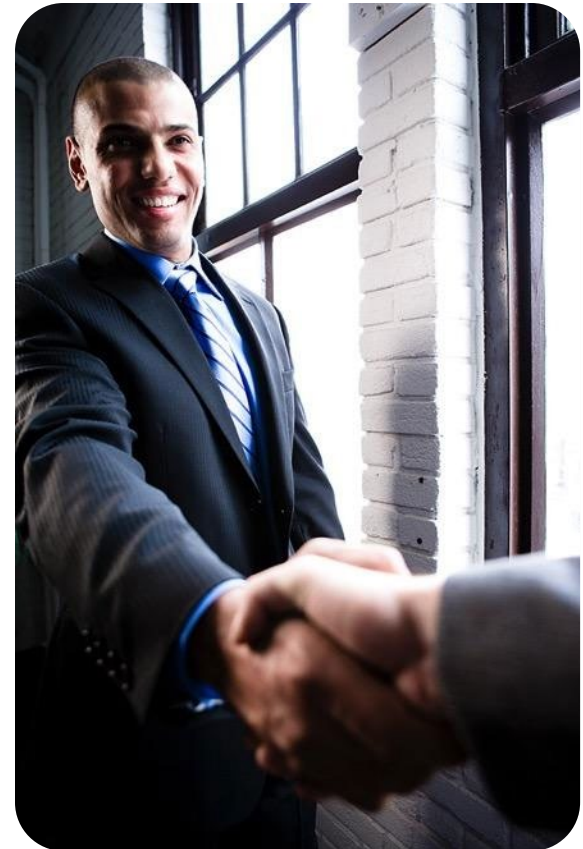
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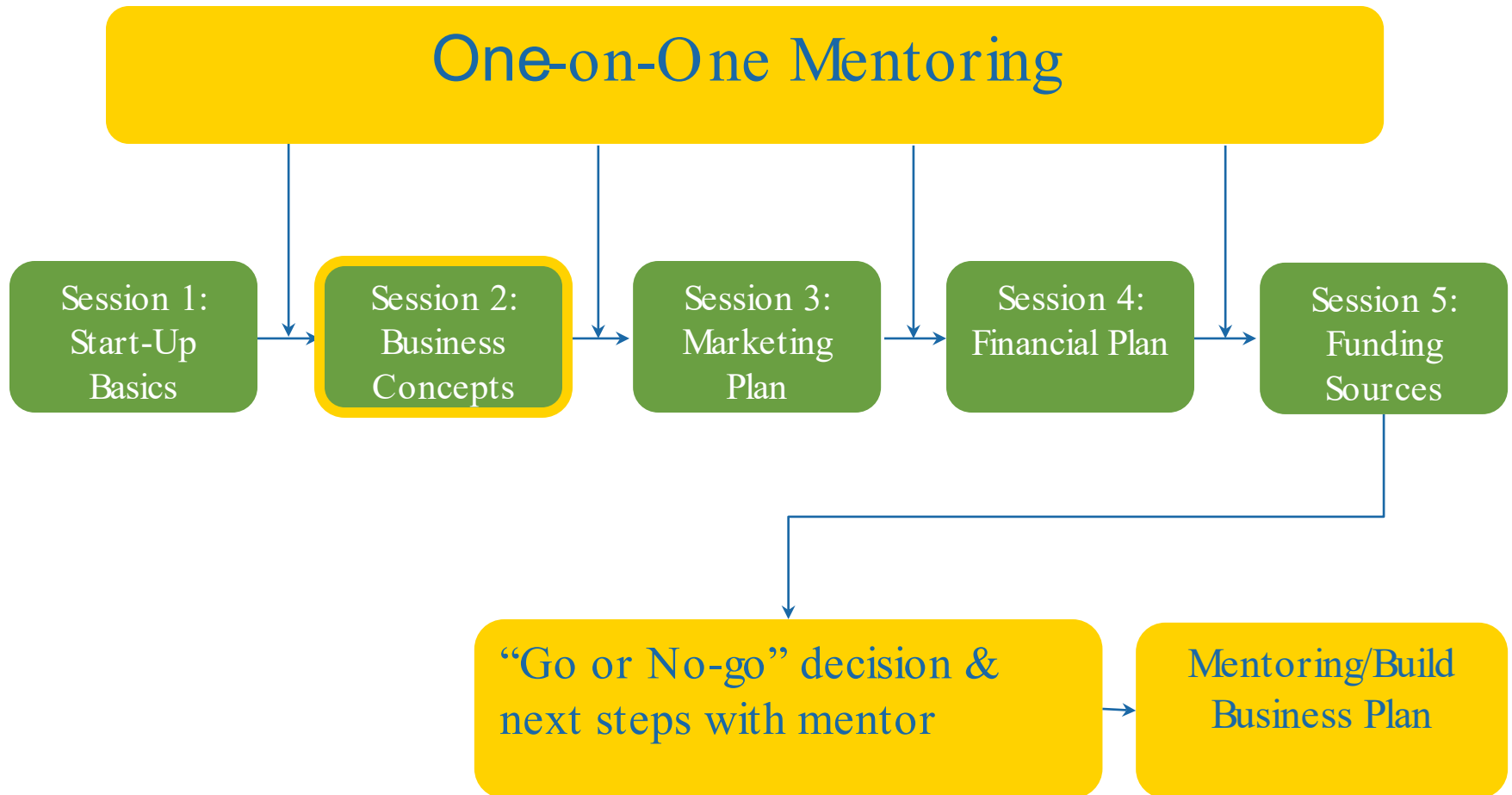
Welcome Back!

You came back for session 2!!

That means to you are serious about starting a business

Briefly tell us a bit about you in one minute or less:

- Your name
- Your Business idea(s)
- What you want to learn

SCORE's Commitment

- Deliver quality information and a quality learning process for the five-part business planning series

- Provide free, one-on-one mentoring to clients so they can be appropriately prepared to launch their new businesses

- Help get clients to a Go/No-Go decision on their business ideas

Your Commitment

- Attend the workshop series

- Do assigned homework

- Sign up for free, one-on-one mentoring

- Complete a draft of the feasibility plan (text and financials)

All of the above will assist you in reaching a decision about starting your business.

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Homework Review

Welcome!

- Please share your:

  ✓ Name

  ✓ Business idea

  ✓ Vision statement

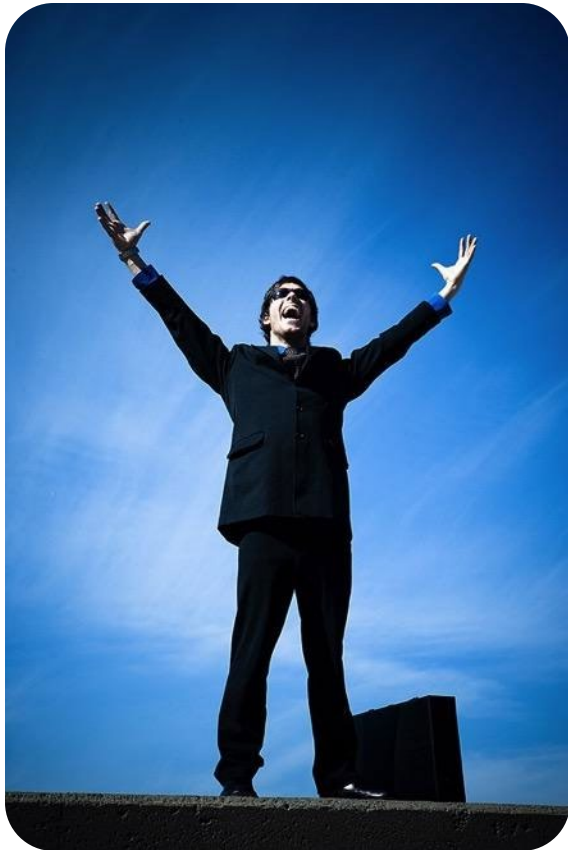- Did you read the Ann's Nursery handout? Any questions?

Time: 15 minutes

Agenda

- Capture Your Dream

- Feasibility Plan Draft

- Meet Ann's Nursery

- Industry Profile Data

- Customer Data

- Competitive Data

- Resources for Collecting Data

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Capture Your Dream

They all started with a dream!

- Steve Jobs
- Bill Gates
- Richard Branson
- Mary Kay Ash
- Walt Disney
- Steven Spielberg
- Oprah Winfrey
- Ray Kroc
- Sam Walton

What is your dream?

If there were no obstacles in your way, what would be your ideal business?

Time: 15 minutes to discuss.

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Feasibility Plan Draft

- See Ann's Nursery Feasibility Plan

- Provides with the information to help you make a Go/No-Go decision for your business idea.

- Has the core information to create a complete business plan for bankers and investors.

- Gives you direction to get started.

Meet Ann's Nursery

- Has a wide range of target market choices.

- Its financials are relatively complex and require a building, inventory, and borrowing.

  Though fictitious, it is realistic and covers all the elements necessary for a business.

Business Idea

Defining a Market Need

- Needs fulfilled or problems solved

- Product/service features and benefits

- Competitive advantage

- Business model

Personal Background

Your Experience

- Skills that fit your idea

- Personal risk tolerance that fits your idea

Industry Profile

Defining Your Business

- Description- North American Industry Classification System (NAICS)

- Profitability- Risk Management Association (RMA) Annual Statement Studies

- National Trade and Professional Association (NTPA) Directory

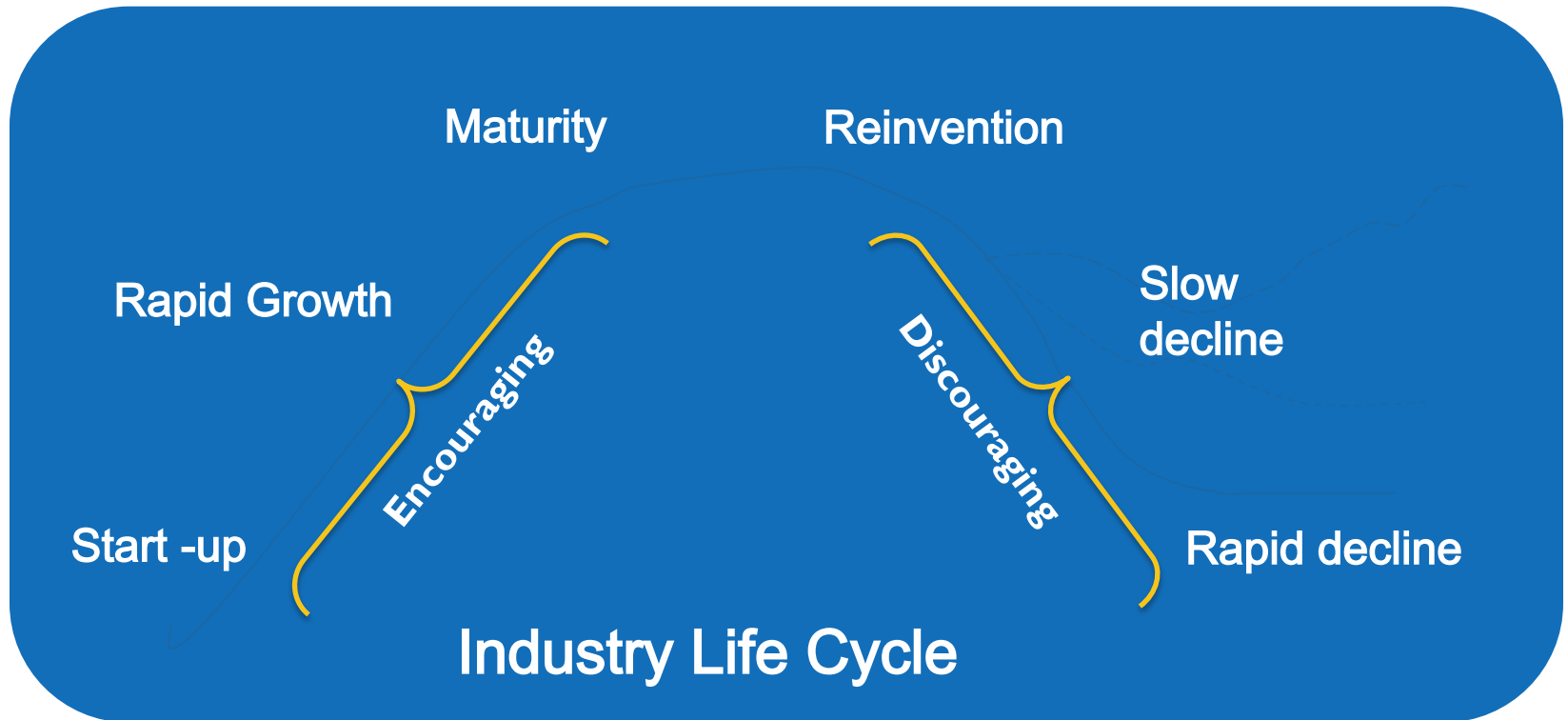- Growth / Life Cycle

- Profitability- RMA
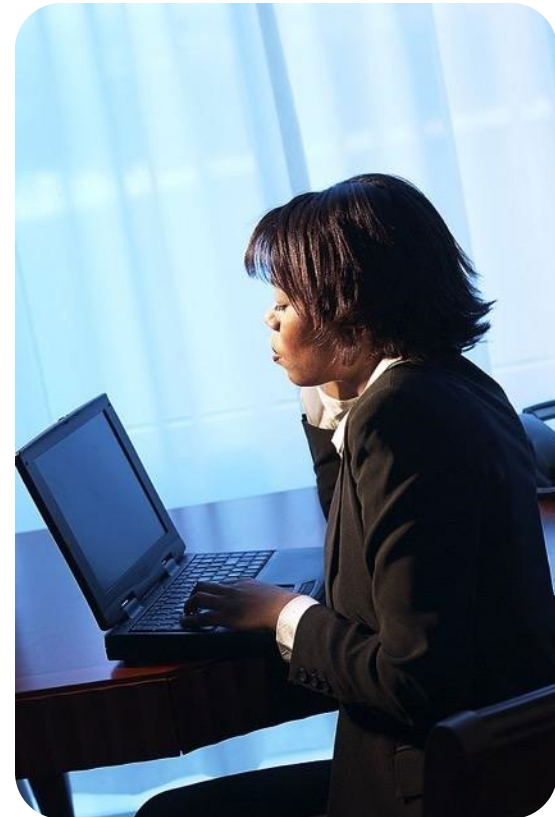
NAICS Definition

2012 NAICS Definitions

111421 Nursery and Tree Production

This U.S. industry comprises establishments primarily engaged in (1) growing nursery products, nursery stock, shrubbery, bulbs, fruit stock, sod, and so forth, under cover or in open fields and/or (2) growing short rotation woody trees with a growth and harvest cycle of 10 years or less for pulp or tree stock.
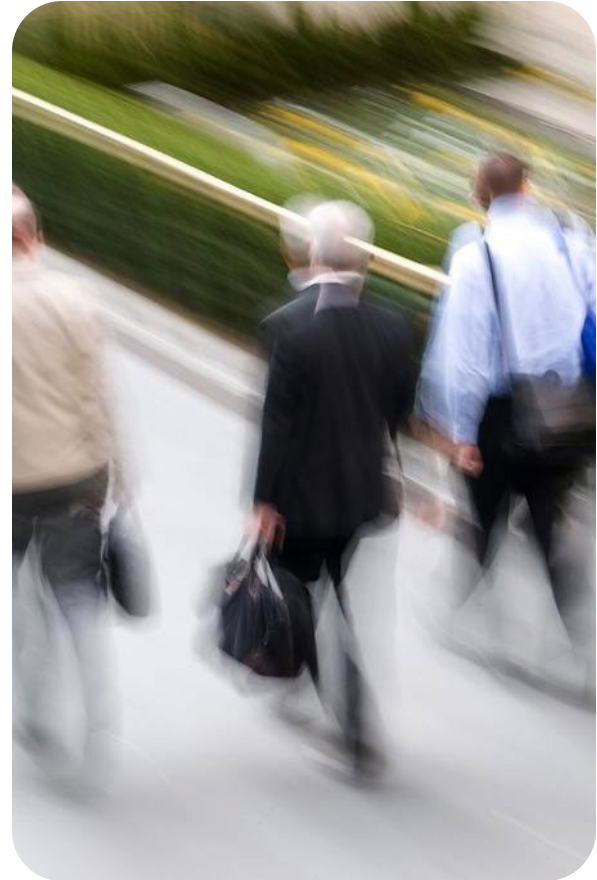
The Industry Life Cycle

Maturity   Reinvention

Rapid Growth

Slow decline

Encouraging

Discouraging

Start -up

Rapid decline

Industry Life Cycle

Target Markets

Think about who you plan to serve?

- Type of Customer*(Business, Consumer, ….etc.)*

- Number

- Income level / ability to pay

- Demographics

- Lifestyle

- Habits

Other Key Factors

- **Competition**
  - size
  - product/service features
- **Suppliers**
  - availability
  - reliability
- **Business Risk**
  - product longevity
  - legal / environmental

Group Exercise–Business Concept

- From what you know now, outline the first 2 elements of your business concept by element (take 5 minutes maximum).

- Pick a partner near you and give an elevator speech (two minutes each) outlining your business concept.

- Ask each other questions to clarify ideas.

Handout– Business Concepts Outline

Group exercise– 10 minutes

Collecting Critical Information

- Industry

- Customer

- Competitor

- Market Trends

Customer Data

Know Your Market

- Demographics

- Habits and patterns

Customer Data Sources

- Internet

- Census data / government websites

- Trade associations

- Civic/community organizations

- Library reference sections

Competitor Data

Understand What They Offer

- Price
- Features
- Annual Sales
- Size/profitability
- Market strategy

Competitor Data Sources

- Competitor
- Suppliers
- Trade associations
- RMA
- D&B (Dun and Bradstreet)

Handout – Competitive Data Collection

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Income Demographics Example

Income Demographics for Zip Code 17601

Household income →

Less than $15,000	$15,000- $24,999	$25,000- $34,9999	$35,000- $49,999	$50,000- $74,999	$75,000- $99,999	$100,000 $140,000	$150,000 and over
779	1,508	1,833	3,047	4,385	2,798	2,152	1,442

Number of households

Total households: 17,944

Source: www.census.gov

Competitive Data Example

Example: Hoovers

Competitive Data Example

Example: RMA

AGRICULTURE—Nursery and Tree Production   NAICS 111421   (SIC 0181, 0811)   117

Comparative Historical Data | | | | **Current Data Sorted By Sales** | | | | | |

4/1/02-3/31/03 ALL 105	4/1/03-3/31/04 ALL 128	4/1/04-3/31/05 ALL 156	Type of Statement	0-1MM	1-3MM	3-5MM	5-10MM	10-25MM	25MM & OVER
12	16	17	Unqualified	1			3	3	10
16	17	30	Reviewed		2	5	13	3	7
28	43	35	Compiled	7	16	4	5	3	
18	14	30	Tax Returns	13	8	1	6	2	
31	38	44	Other	5	7	3	8	9	12
				37 (4/1-9/30/04)			119 (10/1/04-3/31/05)		
105	128	156	NUMBER OF STATEMENTS	26	33	13	35	20	29
%	%	%	**ASSETS**	%	%	%	%	%	%
8.1	6.4	5.5	Cash & Equivalents	4.2	6.7	5.3	7.4	6.3	2.3
12.7	19.5	13.3	Trade Receivables (net)	8.4	8.5	18.6	11.3	17.4	20.4
31.6	28.4	28.9	Inventory	37.4	26.7	18.0	28.9	24.4	31.5
1.9	4.5	3.4	All Other Current	7.5	.7	1.3	2.7	4.4	4.2
54.3	52.8	51.1	Total Current	57.4	42.7	43.3	50.2	52.5	58.4
36.7	37.5	37.8	Fixed Assets (net)	39.3	45.2	47.2	33.9	34.8	30.6
1.4	2.8	2.4	Intangibles (net)	1.7	1.8	1.9	1.1	4.5	4.0
7.6	6.9	8.8	All Other Non-Current	1.6	10.4	7.6	14.8	8.2	7.0
100.0	100.0	100.0	Total	100.0	100.0	100.0	100.0	100.0	100.0
			LIABILITIES						
17.3	15.9	16.4	Notes Payable-Short Term	21.8	21.1	16.9	15.0	6.1	14.7
4.2	4.3	4.3	Cur. Mat.-L/T/D	4.3	4.1	3.8	3.6	4.3	5.6
8.1	8.3	8.9	Trade Payables	8.0	7.4	13.7	6.7	10.0	11.1
1.2	1.1	1.0	Income Taxes Payable	.0	.4	.0	1.6	.5	2.3
8.2	5.7	6.0	All Other Current	1.9	4.5	4.0	6.0	6.0	12.3
39.1	35.2	36.6	Total Current	36.0	37.6	38.4	33.0	27.0	46.0
16.7	23.5	23.5	Long-Term Debt	39.2	23.3	33.0	17.6	16.9	17.4
1.1	1.0	.7	Deferred Taxes	.0	.7	.0	1.2	1.3	.7
7.2	11.2	8.7	All Other Non-Current	9.2	13.4	11.1	8.3	2.6	6.4
35.9	29.1	30.5	Net Worth	15.6	25.0	17.5	39.9	52.3	29.5
100.0	100.0	100.0	Total Liabilities & Net Worth	100.0	100.0	100.0	100.0	100.0	100.0
			INCOME DATA						
100.0	100.0	100.0	Net Sales	100.0	100.0	100.0	100.0	100.0	100.0
39.2	40.4	42.6	Gross Profit	62.2	46.7	40.9	36.4	34.6	32.1
34.4	35.3	37.5	Operating Expenses	54.3	46.3	36.3	31.0	29.2	26.6
4.8	5.1	5.1	Operating Profit	7.8	2.4	4.6	5.4	5.4	5.5
1.7	1.9	1.7	All Other Expenses (net)	3.5	1.2	1.9	1.0	1.0	1.7
3.0	3.2	3.4	Profit Before Taxes	4.3	1.2	2.7	4.4	4.4	3.8

American Community Survey

The American Community Survey (ACS) is an ongoing survey that provides data every year – giving communities the current information they need to plan

Subject	Washington city, District of Columbia			
	Estimate	Margin of Error	Percent	Percent Margin of Error
EMPLOYMENT STATUS				
Population 16 years and over	523,073	+/-911	523,073	(X)
In labor force	352,716	+/-4,560	67.4%	+/-0.9
Civilian labor force	350,483	+/-4,630	67.0%	+/-0.9
Employed	310,607	+/-5,456	59.4%	+/-1.0
Unemployed	39,876	+/-3,595	7.6%	+/-0.7
Armed Forces	2,233	+/-733	0.4%	+/-0.1
Not in labor force	170,357	+/-4,554	32.6%	+/-0.9
Civilian labor force	350,483	+/-4,630	350,483	(X)
Percent Unemployed	(X)	(X)	11.4%	+/-1.0
Females 16 years and over	278,970	+/-554	278,970	(X)
In labor force	179,564	+/-3,508	64.4%	+/-1.3
Civilian labor force	179,280	+/-3,489	64.3%	+/-1.3
Employed	160,529	+/-4,243	57.5%	+/-1.5
Own children under 6 years	41,391	+/-1,271	41,391	(X)
All parents in family in labor force	29,456	+/-2,299	71.2%	+/-5.2
Own children 6 to 17 years	57,964	+/-1,973	57,964	(X)
All parents in family in labor force	43,927	+/-2,842	75.8%	+/-4.3

The Best Resource Your Local Librarian

- Web-based searches for information (e.g., Reference USA)

- Reference library tools most commonly used by SCORE clients

- Reference books display and typical information

Key Data Websites

NAICS:www.census.gov/eos/naics

American Community Survey: www.census.gov/acs

Small Business Administration: www.sba.gov

Bureau of Economic Analysis: www.bea.gov

Securities and Exchange Commission: www.sec.gov

Bureau of Labor and Statistics: www.bls.gov

Foundation Center (non-profits): www.foundationcenter.org
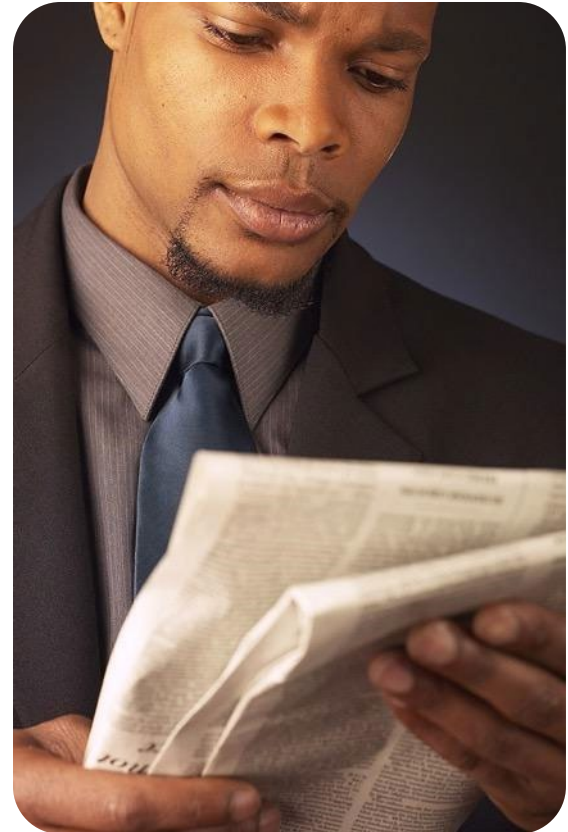
SCORE's website: www.score.org

Other Market Trends

Important Considerations

- Political
- Social
- Environmental

Trend Sources

- Newspapers
- Periodicals
- Television
- Internet

Collecting Critical Information

- Ask directly, usually a distant competitor

- Ask mutual suppliers

- Ask competitors' customers (hopefully your future customers)

- Be a customer

- Join a trade association

- Check competitor websites

Exercise – Competitor Data Collection

Gather competitive information

- Price and pricing strategy
- Product features
- Estimate of annual sales
- Marketing strategies

Pair up and share plans

- What did you learn from this discussion?
- How will you use that knowledge in the future?

Time 5 minutes to write – 15 minutes for discussion.

Review

- Capture your dream

- Feasibility plan draft

- Meet Ann's Nursery

- Industry profile data

- Customer data

- Competitive data

- Resources for collecting data
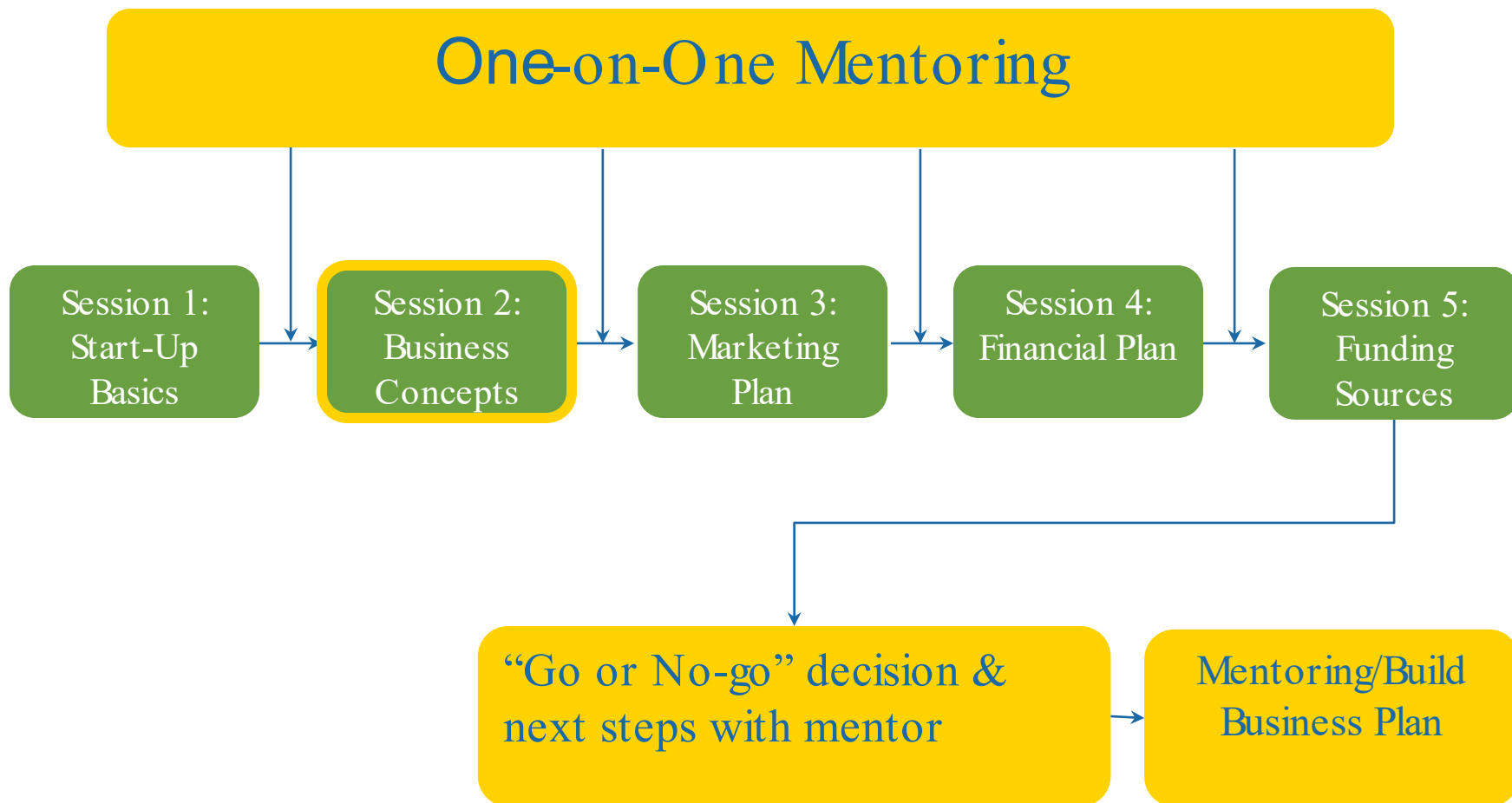
Workshop Sessions

Testing Your Business Idea

✓ Session 1   → Start-up Basics

✓ Session 2   → Business Concept

Session 3   → Marketing Plan

Session 4   → Financial Projections

Session 5   → Funding Sources

Homework

1. Review the feasibility plan for Ann's Nursery (if you haven't already).

2. Draft Your "Business Concept Feasibility Plan".

3. Collect key competitive information. This data will be used in the next session.

    a) Price and pricing strategies

    b) Features and benefits

    c) Annual sales

    d) Marketing strategies in reaching target customers

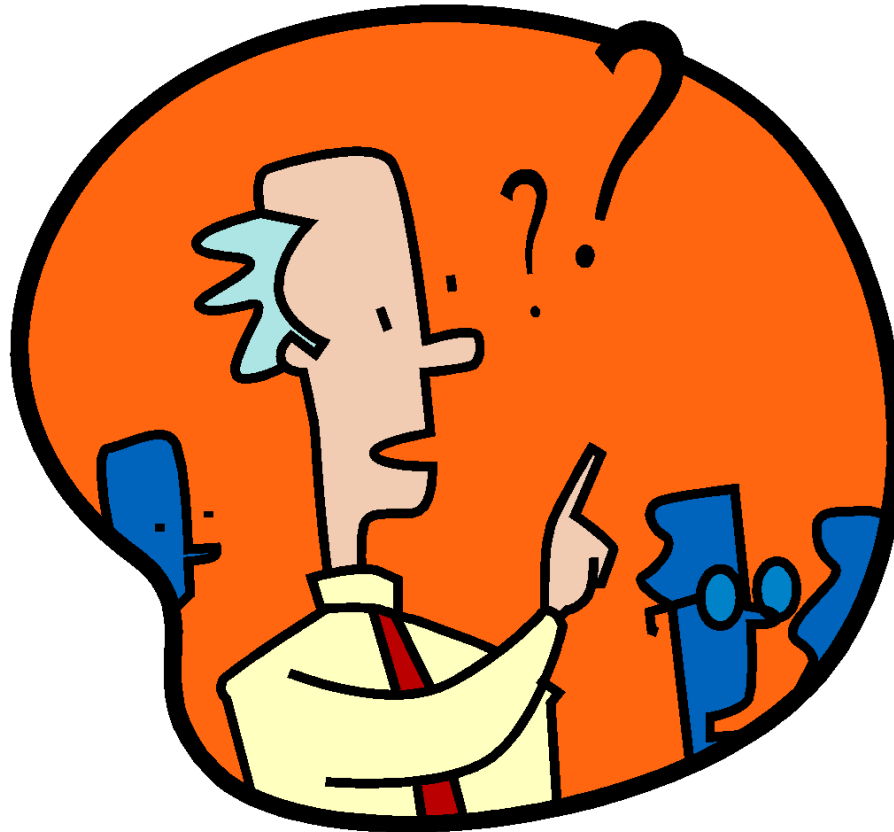See you at the next session on Marketing.

Workshop Roadmap

One-on-One Mentoring

| Session 1: Start-Up Basics | → | Session 2: Business Concepts | → | Session 3: Marketing Plan | → | Session 4: Financial Plan | → | Session 5: Funding Sources |

"Go or No-go" decision & next steps with mentor → Mentoring/Build Business Plan

Your Own SCORE Mentor

Take advantage of this free service in order to make the best possible decision.

www.score.org/mentors

Questions?

Thank You!

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