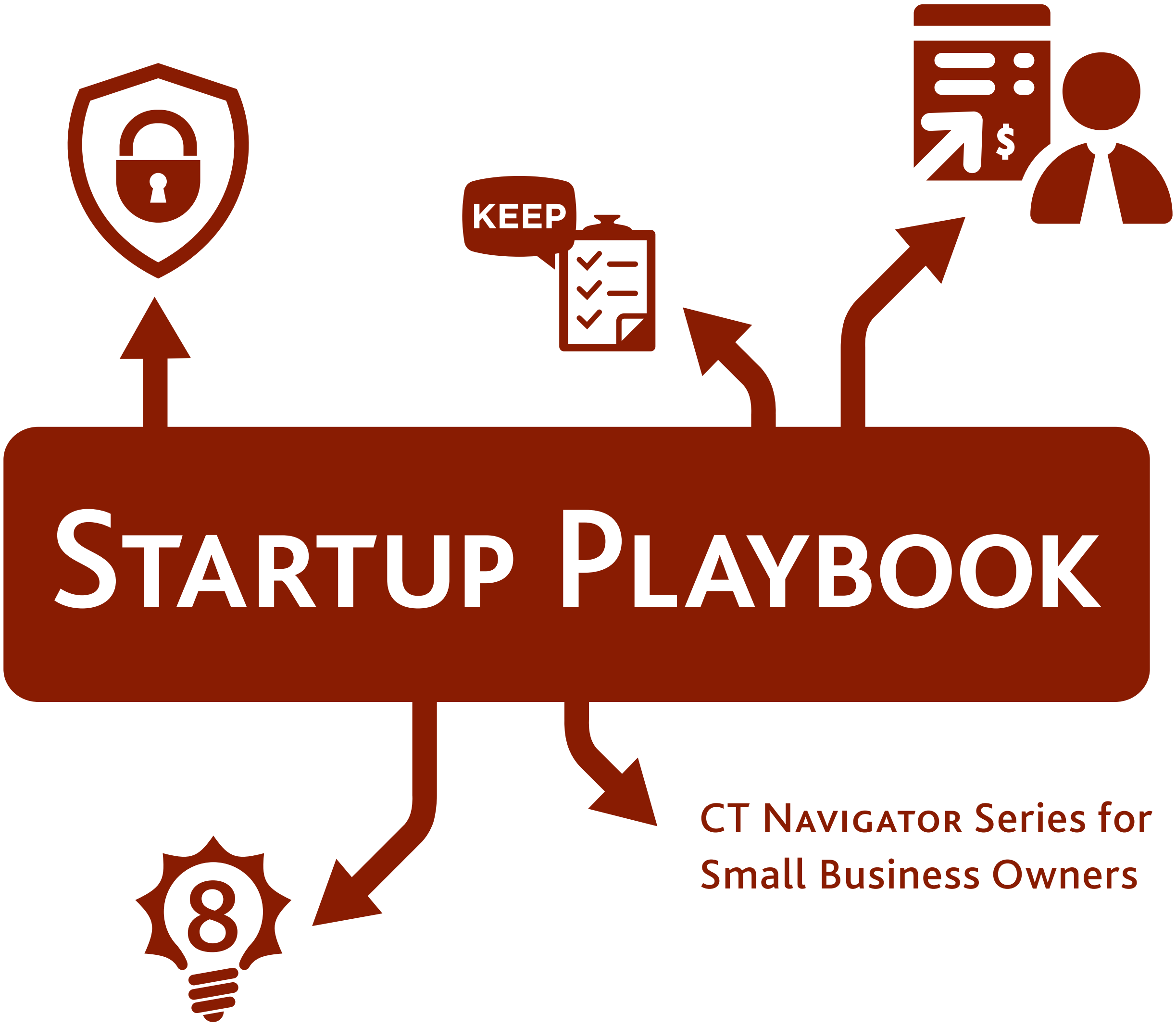
STARTUP PLAYBOOK



CT NAVIGATOR Series for Small Business Owners

Wolters Kluwer
Corporate Legal Services
CT Corporation

Table of Contents

8 Great Ideas
to Jumpstart Your New Business's Marketing Efforts

Congratulations on forming your new business and joining the ranks of America's job creators. Now that your doors are open, you'll need enticing marketing programs that lead customers in and make the cash registers ring.

Improving your marketing efforts can seem like an overwhelming prospect. That's why we have identified eight steps to help you improve your marketing. With a little effort, you can jumpstart your marketing without paying a consultant top-dollar.

1 Give Prospects a Compelling Offer

Whether you're trying to convince prospects to call your business after reading a print advertisement or click a "Submit" button on your website, your offer must be strong. That is, what does a customer receive for completing the action you desire (calling your business or clicking a button)? If you're not offering customers anything for their time, they won't give you their time. Many small businesses rely on tried-and-true offers such as a free quote, a consultation with an expert, etc. Perhaps you can offer a free quote *and* 10% off your first order to make your offer that much more enticing than your competitor's.

2 Create (or Retool) Your Unique Differentiator

Every small business should have a unique differentiator—a product, service or add-on only your business offers. The trouble is competitors can, and often do, invade your turf by replicating your unique differentiator and offering it to customers. What's worse, they may offer it cheaper, placing you in the midst of a price war. Rather than slashing your prices, consider new unique differentiators that will make your business stand out from your peers.

3 Stop Marketing Products and Start Marketing Solutions

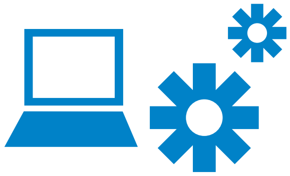
The overwhelming majority of your customers use your product or service for a simple reason: It's a solution to their problem. People bought iPods en masse because those little devices let them bring hours and hours of music with them anywhere. Ask a few customers what's the biggest problem your business has helped them solve. Incorporate what they say into your marketing materials to see how prospects respond. Odds are that by selling solutions, you will sell more.

4 Land and Expand

Up-selling to your current customers costs considerably less than finding new business. Once you "land" an account, explain how your other services can help them improve business or be a happier consumer. You can try to "expand" at the time of sale, but that may come off as pushy. Follow up with current customers once they've settled in.

5 Contact Former Customers with a Special Offer

Many customers, especially in business-to-business, will abandon ship because a competitor swooped in with a cheaper price. Two can play at that game. While you don't want to engage in a price war, you do want to show former customers there are no hard feelings and you'd love to have their business again. Write an email containing a special offer—a discount for returning, a free product, etc.—and send it to former customers *who left on good terms.*



Boosting Your Online Presence

Today's online technology creates tremendous opportunity—and greatly expands your competition. To stay competitive in the online world, start focusing on these aspects of your online marketing:

A/B Test Your Online Ads

This procedure is simply a matter of testing one item (A) against another item (B), particularly through search engine marketing. Through Google AdWords, you can quite easily test one headline against another, one offer against another, etc. Don't test multiple variables at once because you won't be able to determine what works and what doesn't. Once you determine the winners, update your ads accordingly.

Create a Blog and Social Media Presence

Your prospective customers are searching for experts. Become an authority with an online presence that provides them with something of real value. Write blogs posts and content for your website. Create how-to videos and upload them to YouTube. Share everything on your Twitter, Facebook, Google+ and LinkedIn pages. This "pull marketing" (or "inbound marketing") strategy "pulls" interested prospects to your business. Many small businesses are getting their best customers from pull marketing, and there's no harm in adding this method to your marketing mix.

Monitor Online Review Sites

A negative review on Yelp, Google, or similar websites can make prospects think twice about giving you their business. Check in on these sites regularly and contact anyone who left a negative review. Ask happy clients if they would be willing to write positive reviews. Don't offer compensation, though, as they may report you to review sites based on perceived dishonesty.

6 Pound the Pavement and Market Your Business in Person

Forging valuable relationships within the business community is an important component of nearly every small business—and it can't always be accomplished from the comfort of your office. Check with your local chamber of commerce to see what in-person networking events are available. Join professional associations that give you the opportunity to meet fellow entrepreneurs. See if the local community college hosts any applicable events. Get yourself—and your business's name—out there.

7 Create a Nurture Campaign—and Stick to It

Some prospects are hot to trot right off the bat, then their interest wanes and you never hear from them again. The simple truth is people need reminders and motivation. To keep the momentum, write several emails or telephone scripts you can use at various points in the sales cycle. For example, you might contact leads at 15 days to simply check in, at 30 days to remind them of the benefits of your solution, and at 45 days to give them a firm date for choosing your business at the price you quoted. For a nurture campaign to work, you'll need to be zealous in your efforts, or you can research email marketing services that automate the process.

8 Consistently Evaluate All Marketing Programs—and Immediately Stop What's Not Working

Entrepreneurs become quite attached to their marketing programs. After all, you poured your heart and soul into creative ideas and solid strategies. But when a marketing program isn't working (or stops working), it's time to pull the plug. You can't afford to put your limited marketing budget into fruitless endeavors. Even free marketing programs cost you time better spent growing your business.

Owner's Checklist
for Starting a New Business

You may never be busier than during the startup period for a new business. There's so much to do, before and after you open your doors. So to help make sure that you don't overlook anything in the crush of daily duties, we have created this New Business Startup Checklist. Think of it as your "To Do" list for organizing your startup efforts.

We've broken these various duties into three categories: background steps, business transactions, and pre-opening activities. Keep in mind that this checklist contains a general, high-level listing of the tasks you need to complete when starting your new business. So, for example, while it lists "prepare a business plan" as one of the tasks, it does not list every step you need to take to create a business plan.

Once you have completed these tasks, you can feel confident about beginning operations and serving your customers.

Owner's Checklist

Background Work

- ☐ Assess your strengths and weaknesses
- ☐ Establish business and personal goals
- ☐ Assess your financial resources
- ☐ Identify the financial risks
- ☐ Determine the startup costs
- ☐ Review local business codes
- ☐ Decide on your business location
- ☐ Do market research
- ☐ Identify your customers
- ☐ Identify your competitors
- ☐ Develop a marketing plan

Business Transactions

- ☐ Select a lawyer
- ☐ Choose a form of organization (corporation, limited liability company, partnership, etc.)
- ☐ Create your business (register your name, form entity with state, etc.)
- ☐ Select an accountant
- ☐ Prepare a business plan
- ☐ Select a banker
- ☐ Set up a business checking account
- ☐ Apply for business loans (if applicable)
- ☐ Establish a line of credit
- ☐ Select an insurance agent
- ☐ Obtain business insurance

Pre-Opening Steps

- ☐ Get business cards
- ☐ Obtain a lease
- ☐ Line up suppliers (if applicable)
- ☐ Get furniture and equipment
- ☐ Obtain a business license or permit (if applicable)
- ☐ Get a federal employer identification number (if applicable)
- ☐ Get a state employer ID number (if applicable)
- ☐ Send for federal and state tax forms
- ☐ Join a professional organization
- ☐ Set a starting date

The Basics of Business Planning

"By failing to prepare, you are preparing to fail." –Benjamin Franklin

Benjamin Franklin nailed it. In the more than 220 years since this Founding Father has passed, countless American businesses have failed because they haven't made the time for planning.

Now that your business is legitimate in the eyes of the state, it's time to take the steps that will make it legitimate in the small business world. Since you've already come this far, we assume you've already completed or considered such essentials as:

- developing or finding the right business idea
- evaluating the chances of success for your business idea
- finding a location for your business, whether it's an office, storefront, factory, or your home
- determining whether it's best to lease or buy in your situation

So what's left after you've checked off all those items on your never-ending to-do list? Behold, you're ready to create a **written business plan.**

What Exactly Is a Written Business Plan?

"Planning is bringing the future into the present so that you can do something about it now." –Alan Lakein

We couldn't have said it better ourselves. But for those of you looking for a more concrete definition of business planning, may we suggest the following: "The document you create when you take an idea for a commercial endeavor and work through all the factors that will have an impact on the startup, operation, and management of the business."

Some approach a business plan as a two-fold process:

- an exercise that forces you to analyze and develop your business idea
- a blueprint that provides the instructions for turning your business idea into reality

Because your business includes a number of functions—and potential investors will review it—the end-product is a fairly formal document that must include these important components:

- **Title page and table of contents.** Don't worry—your plan won't be epic in length. But a clean title page and a table of contents add elements of professionalism that convey you're a serious entrepreneur.
- **Executive summary.** Many serial entrepreneurs and investors agree that the executive summary constitutes the most important component of your business plan. While this may sound intimidating, it's basically a short overview of your business plan and the high-level steps necessary for success. Approach this like a thesis statement in a term paper: Get something on paper and periodically revisit it as the rest of the document unfolds. Make sure this is the strongest, most engaging section of your business plan.
- **Business background.** Include company-specific information describing the business organization and its history, as well as the product or service the business will provide.
- **Marketing plan.** Analyze the market conditions your business faces and set forth the marketing strategy you will enact. Be sure to provide a detailed schedule of marketing activities to support sales.

The document you create when you take an idea for a commercial endeavor and work through all the factors that will have an impact on the startup, operation, and management of the business.

- **Action plans.** Describe how operational and management issues will be resolved, including contingency planning.
- **Financial projections.** Provide projections (and historical financial information, if available) and demonstrate how the business can be expected to do financially if the business plan's assumptions are sound.
- **Appendix.** Present supporting documents, statistical analysis, product marketing materials, resumes of key employees, etc. Include any supporting material you think can be useful but could be distracting in the body of your business plan.

While there are plenty of templates to guide you through writing a business plan, remember that **no two business plans are identical.** Every business is different; therefore, your plan will be unique.

Do I Really Need a *Written* Business Plan?

"Always, always have a plan." –Rick Riordan

We think Riordan is right on the money, at least when it comes to business plans. There are very few instances when you'd be ill-advised to draft this document. Rather than pointing out when business plans aren't useful, we believe you should create a business plan if you're considering any of the following:

- opening a new business
- expanding your current business
- introducing a new product
- entering a new market
- creating a new distribution channel
- acquiring a new business or franchise

What Actual Benefits Will a Written Plan Provide?

"A goal without a plan is just a wish." –Antoine de Saint-Exupéry

And wishes seldom materialize. That's why a business plan is paramount. Simply put, a well-written business plan can provide two distinct benefits. It can serve as:

- the vehicle to convince potential investors or lenders to provide the financial backing needed to start your business
- an important management tool, providing step-by-step instructions for transforming your ideas into a profitable business, or providing goods and/or services to the selected market

Many business owners' decisions to operate without formal business plans cost them dearly. Without taking the vital business planning steps, they often fail to:

- anticipate new entrants into the market
- consider what kind of sales volume levels were required to grow the business
- establish realistic measures by which to judge business performance

If these business owners had taken the time to create formal business plans, they would have had the opportunity to more closely examine some of the initial assumptions. While they're out of business, you're in business (we hope).

How Can Anyone Plan for the Unknown?

"Prediction is difficult, especially about the future." –Yogi Berra

Yes, prediction is difficult, but you're not predicting anything. You're planning. You don't need to foretell what will happen to the economy, your business, or any number of variables. Your job is to have some plan in the event that things change.

A good business plan can include contingency plans that help you establish how to react when the real world doesn't conform to your plan.

You're going to have to make some assumptions about the general business environment. By and large, these assumptions tend to focus on issues such as interest rates, demographics, and other factors that all businesses face. And you'll have to make some assumptions specific to your business. There's no way to avoid assumptions, but remember to make assumptions, not wild guesses.

Gather as much information as you need to feel comfortable that you are making reasonable assumptions. If the assumptions on which you base your planning are generally "in the ballpark," you've done a good job.

From a practical standpoint, there are two potential sources for the information you need to make reasonable assumptions. If you have an existing business, you have your personal experiences on which to rely. If you have experience in your industry, you have that knowledge to fall back on.

But what about the business owner who has relatively little experience in a particular field? The best bet is to tap into existing sources of information, such as:

- industry groups or associations for operational concerns
- banks are an obvious source regarding financial information
- your network of insiders can offer valuable experience

When it comes to estimating time commitments for back-office duties, most tasks will take you longer than you think. Make your best guess and then add to it. It's always better to be pleasantly surprised by something demanding less time.

Of course, every business must deal with an environment in which key assumptions can change without much warning. A good business plan can include contingency plans that help you establish how to react when the real world doesn't conform to your plan. Identify "environmental" conditions that would have the most direct impact on your business. There may be several. Try to quantify how changing conditions would impact your business and what the likelihood is that those changes will occur.

Getting Down to Business – Writing Your Plan

"Reduce your plan to writing. The moment you complete this, you will have definitely given concrete form to the intangible desire." –Napoleon Hill

For some, reducing a plan to writing is the hardest part. For other entrepreneurs, writing comes naturally. Keep things in perspective.

You're not writing the next Great American Novel. However, you are writing a document that, presumably, will play a central role in your business—your very livelihood.

While you could outsource the entire writing of your business plan to a freelance writer, we don't recommend that route. You'll need to be so intimately involved in creating the content, crunching the numbers, and developing arguments for financing, you'll save time and money writing the first draft. Concentrate on getting everything down first. It's much easier to eliminate or refine ideas than write material you lack.

Consider some basic issues regarding the format and presentation of the plan. Your plan should look professional and double as a useful tool. That means:

- **Appearance matters.** Print the plan on one side of high-quality paper, incorporate a cover page that includes your logo, integrate samples of ads and marketing materials, include identifying information for the business and the primary contact, and bind the final version of the plan.
- **Keep the formatting clean.** Number pages, use an easy-to-read font, and maintain standard borders.
- **Brevity above all.** Your business plan isn't the place to wax philosophical. Be short and concise, and limit industry jargon as much as possible.

Have as many people review the document as possible. Try to break your review process into two parts: developmental editing and line editing.

Developmental editing is when you invite readers to think critically about the document and comment on its organization, flow, arguments, and coherence. Once you've moved on from the developmental editing phase, ask readers to limit their comments to line editing, a fancy term for a review that focuses only on spelling, grammar, mechanics, and consistency. Don't let any "pride of authorship" prevent you from seeking input. Even the best writer or editor can miss something critical. It never hurts to have a professional editor review the plan before it goes to press.

What Happens When Plans Don't Align with Reality?

"Everybody has a plan until they get punched in the face." –Mike Tyson

Military generals, business leaders, and athletes like the former heavyweight champ know plans change because the environment changes. Life has a habit of defying our expectations. That doesn't mean you can't prepare for the unexpected.

Play it safe: Take the time to write a strong business plan. It's the best step you can take to prepare for your career as an entrepreneur.

From business to battle plans, the most successful strategies involve planning for the unexpected. President Eisenhower famously said, "In preparing for battle, I have always found that plans are useless, but planning is indispensable." He knew that, as Tyson put it, punches in the face are inevitable. But you can prepare through "what if" scenarios that reflect your best estimates of what could happen.

For example, if a sales rep quits, you obviously lose the ability to reach part of your customer base. But that loss of a sales rep can also result in reduced sales, a particularly difficult situation during the early stages of a business. Knowing that you can survive for a while down one sales rep gives you a better chance to hire a high-quality replacement.

Run a number of scenarios relating to today's fragile economy, such as:

- What if credit is difficult to obtain, as it was in 2007–2009?
- What if some of your biggest customers (or predicted biggest customers) go out of business?
- What if your business is subject to new regulations?
- What if competitors encroach upon your turf?

You can probably think of many more. But limit your modeling to situations that might realistically occur. Remember that some potential factors are just too remote to concern you.

A business plan can't have all the answers. Then again, nothing will. Play it safe: Take the time to write a strong business plan. It's the best step you can take to prepare for your career as an entrepreneur.