

# FROM IDEA TO BUSINESS

## Business Planning and Research

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*The Arizona Commerce Authority's Innovation Forward center offers entrepreneurs the opportunity to take classes, receive business advice, and utilize a large meeting room.*

# B U S I N E S S C H E C K L I S T

## Arizona Commerce Authority's (ACA) Checklist Program

*The ACA's free online Checklist Program is designed to help you easily navigate information on what you need to know, who you need to contact and where you need to go to license your business in Arizona.*



The Checklist guides you through a series of brief questions to create your own customized business checklist. From your customized business checklist, you will be able to either apply online or download your license applications. It includes telephone numbers and addresses of all state, county and city/town licensing offices. It also includes contact information to statewide resources and assistance to accelerate your business growth.

The process of going through the Checklist generally takes 10-15 minutes to complete. Visit our website at [www.azcommerce.com/smallbiz](http://www.azcommerce.com/smallbiz) to create your customized business checklist.

## Startup Checklist

To help you setup your business efficiently, legally and soundly, here is a checklist in to-do order to follow:

- Contact one of the free small business assistance organizations. See Chapter 2, Business Assistance and Counseling, for organizations that provide business assistance.
- Select your business support team: tax advisor (CPA), attorney and insurance agent.
- Develop your business mission statement.
- Prepare a written business plan complete with financial statements.
- Select your business structure: sole proprietorship, partnership, LLC or corporation.
- Select the business name you will use. Research the availability of the name.
- Register your business name and structure.
- Select your business location: lease or purchase.
- Review all labor regulations if hiring employees.
- Acquire necessary licenses and/or permits from federal, state, county and/or city.
- Choose a banker and set up a business bank account(s).
- Select an accounting system and software and set up accounting and reporting procedures.
- Secure funding.
- Establish your "store front."
- Launch!

*Special thanks to the Southern Arizona SCORE Chapter for developing this startup checklist.*

The following resources provide referrals/listing of, and/or verify, licensed professionals.

**Accountant:**  
Arizona Society of Certified Public Accountants  
(ASCPA)  
602-252-4144; 888-237-0700  
[www.ascpa.com](http://www.ascpa.com)

**Attorney:**  
State Bar of Arizona  
602-252-4804; 520-623-9944; 866-482-9227  
[www.azbar.org](http://www.azbar.org)

**Insurance Agent/Broker:**  
Arizona Department of Insurance  
602-364-2499; 800-325-2548  
[www.azinsurance.gov](http://www.azinsurance.gov)

# THE BUSINESS PLAN – YOUR ROAD MAP TO SUCCESS

Your business plan should be:

- A well-thought-out document stating your goals and how you plan to develop and finance it.
- Primarily for you to prove that you can reach your financial goals as well as personal.
- For lenders, investors and associates to fully understand what the business is and how it will be done.



## PURPOSES OF THE BUSINESS PLAN

As a **planning tool**, the business plan guides you through the various phases of your business. A thoughtful plan will help identify roadblocks and obstacles so that you can avoid them and establish alternatives. Many business owners share their business plans with their employees to foster a broader understanding of where the business is going.

As a **communication tool**, it is used to attract investment capital, secure loans, convince workers to join the company, and assist in attracting strategic business partners. The development of a comprehensive business plan determines whether a business has the potential to make a profit. It requires a realistic look at almost every phase of your business and allows you to show that you have worked out all the problems and decided on potential alternatives before actually launching your business.

As a **management tool**, the business plan helps you track, monitor, and evaluate your progress. The business

plan is a living document that you will modify as you gain knowledge and experience. By using your business plan to establish timelines and milestones, you can gauge your progress and compare your projections to actual accomplishments.

**Before you begin writing your business plan, consider the following core questions:**

- What service or product does your business provide?
- What problem in the marketplace does it solve?
- What needs or wants does it fill?
- Who are the potential customers for your product or service and why will they purchase it from you?
- How will you reach your potential customers?
- Where will you get the financial resources to start your business?



**Note:** The following guidelines do not address every aspect of every business plan. You should consider more questions than those posed in each section. Be sure to ask many questions – your success depends on the completeness of your planning process.

## ELEMENTS OF A BUSINESS PLAN

### I. TITLE PAGE

The title page should contain the following items, double-spaced, horizontally centered and positioned just above the center of the page:

- Business name
- Owner(s) name
- Complete contact information

### II. TABLE OF CONTENTS

The Table of Contents should list the title of each section of the document and indicate the page number where each is located. It also should list specific support items (*appendices*) by name.

*Table of Contents page will be completed last, since it requires the entire document as input. It allows the reader to quickly locate specific sections.*

### III. EXECUTIVE SUMMARY

**Most important section of the business plan:**

- Should be written last.
- Will be viewed first.
- An enthusiastic snapshot of your company, explaining who you are, what you do and why.

The Executive Summary should be not more than a two-page explanation of what your business is and its competitive advantage.

Here you will provide a clear description of the industry in which you are competing and a precise explanation of your business' unique qualities that set it apart from the competition. This section is the business description of:

- Your story: Who you are, why you exist (*the problem in the market place*), special benefits, unique features, patents and copyrights. Your mission, vision and core values.
- What you do: Business model, what's in it for the customer (*the solution you offer*), product/service, production costs, benefits, competition and market.
- Where you're going: What success looks like, goals, financials and proof of profitability.
- How you're going to get there: Action plans, long-term strategy and roadmap.

### IV. MARKETING PLAN

This section should contain a narrative description of these factors:

#### A. Product/Service

- What is this industry's outlook? What is the demand for your product or service?
- What needs/wants/benefits are sought by your customers (*what's in it for them*)?
- Specifically, how does your product/service meet those needs/wants/benefits?
- How is your product/service unique from the competition?
- What customer services do you provide to support the central product/service?

#### B. Target Market

First, determine if your focus is on consumers (*end-users*) or other businesses. Tailor your responses to the following appropriate category:

- Describe your customer base. Who and where is your target market?
- What needs/wants/benefits are sought by your customer that your product/service satisfies?
- When and under what circumstances does your customer buy your product or service?
- Describe the volume and frequency of your customer's purchases.
- Based on available data, what is the expected volume of your target market?
- Of that target market, what is the projected volume of actual paying customers?

Additional information on writing a business plan can be found on the U.S. Small Business Administration's website at [www.sba.gov](http://www.sba.gov) under the "Starting & Managing a Business" menu, select "Create Your Business Plan." Also, under the "Local Assistance" menu, you can find local contacts such as AZSBDC and SCORE, who provide FREE, one-on-one counseling. They can assist you by reviewing your business plan and your business ideas.



**Consumer:** It is important for you to develop a clear, mental picture of your ideal customers. Describe your potential customers using the following factors: age, gender, income, education, location, occupation, interests, buying habits, and goals and aspirations.

**Businesses:** If selling to a business, your description should include type of business, size of business, priority placed on purchasing your product/service; projected image of the business, markets that the business services, its trade organizations and memberships, and the trade publications read.

## C. Competition

A description of your competition should answer the following questions:

- Who are your major competitors?
- Why are they successful? What are their strengths and weaknesses?
- What alternatives are there to your product?
- How do alternatives impact your sales?
- What distinctive differences separate you from your competitors?
- Why should customers leave your competitors to choose your product/service?
- What market share do you expect?

## D. Location Analysis

Describe your business location and how it will enhance the sale of your product or service. Your description should answer the following questions:

- What strategic advantages do you have at this location?
- Is there opportunity for expansion?
- What are the neighboring businesses?
- Do they complement/detract from yours?
- Are renovations needed? At what cost?
- What is the zoning classification?
- Is the neighborhood stale, changing, improving, deteriorating? How?
- How is customer access, parking, safety, etc.?

Include in the appendix a photograph of the building, a drawing of the immediate area showing road access and identity of adjoining businesses, and a drawing of the floor plan of your business.

## E. Price Determination

A description of the price structure for your product or service will answer the following questions:

- How does the unit cost of your product compare to the relative value seen by the customer?
- How does your price compare with the competition price?
- Why will customers pay your price?
- What image will this price project?
- What special advantages do your customers get that is included in the price?
- Will you offer credit terms?

## F. Marketing Approach

A description of your marketing effort should answer the following questions:

- What are the test market results?
- Where do your customers seek information about purchasing your product/service?
- How will your image be clearly and consistently conveyed to potential buyers?
- Which media are most suitable?
- How will you evaluate the effectiveness of each advertising and promotional effort?
- How will you use/evaluate a sales staff?

## V. MANAGEMENT PLAN OR OPERATIONAL PLAN

This section contains a detailed description of who will run the business and how they will do it, including the following:

### A. Management Team

A description of how the business will be managed will answer these questions:

- What business management background do you have?



- How will that drive the business?
- How is the experience of key people related to this type of business?
- What legal form will you use: sole proprietorship, partnership, LLC or corporation?
- Who does what? Who reports to whom?
- What resources are needed and who will provide them (*accountant, lawyer, etc.*)?

Key personnel resumes should be included in the appendix.

### B. Employee Relations

A description of your methods of hiring, training and communicating with your staff will answer these questions:

- What are your personnel needs?
- What skills will be required?
- How will you hire and train?
- What salary/benefits will be provided?
- How will you determine wage increases?
- What personnel policies will be provided?

### C. Operational Controls

A description of the kinds of management systems and how they will be used will answer these questions:

- What is your production capacity?
- What operating advantages do you have?
- What elements are key to your success?
- How will you monitor these factors?
- What hazards do you anticipate for your business?
- What protection and/or alternate plans do you have?
- What policies will you establish for the operation of your business?
- Who are your suppliers?
- How will costs be controlled?

## VI. FINANCIAL PLAN

A description of how your business will be financed and how you will maintain a sound financial condition will answer the following questions:

### A. Current Funding Requirement

- How much money will be needed for starting your business?
- What will be the sources of startup capital?
- What business and personal assets will be pledged as collateral?

### B. Use of Funds

- How will the money be spent (*working capital, capital expenditures, etc.*)?
- How will borrowed funds make your business more profitable?

### C. Long-Range Financial Strategies

- How will you liquidate your investors' position?
- What terms of repayment are feasible?
- What will you do if repayment cannot be accomplished as planned?

### D. Financial Statements

To support this section, several financial statements will be required, such as the following:

- Personal financial statement of owner
- Business startup costs
- Pro forma cash flow analysis (*expected*)
- Balance sheet (*actual or proposed*)
- Income statement (*actual or proposed*)
- Breakeven analysis
- Competitive analysis

See worksheets on the following pages.

## VII. STRATEGIC PLAN

It is important to include a description of where you want your venture to be in the next few years and how you intend to achieve those goals.

This strategic plan should focus on years two through five and include descriptions of the following items:

- Strengths within your organization
- Weaknesses within your organization
- Opportunities available to you
- Threats impeding you

Using these four factors, you should describe strategies that use your strengths to take advantage of opportunities and overcome threats and strategies to reduce weaknesses and avoid threats to your business. They should identify intermediate goals (*yearly*) and the marketing, management and financial resources to achieve these goals.

Be sure your goals are **SMART goals** (*Specific, Measurable, Achievable, Relevant, Timely*).

*Special thanks and appreciation to*

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## BUSINESS RESEARCH RESOURCES

**Arizona Commerce Authority**  
[www.azcommerce.com](http://www.azcommerce.com), select “Facts & Figures”

**Arizona Commerce Authority, Small Business Services**  
[www.azcommerce.com/smallbiz](http://www.azcommerce.com/smallbiz)

**Arizona Department of Administration  
 Office of Employment and Population Statistics**  
[www.azstats.gov](http://www.azstats.gov)

**Arizona State University’s W.P. Carey School of Business  
 Center for Competitiveness and Prosperity Research**  
<http://wpcarey.asu.edu/seid/ccpr>

**Arizona State University’s W.P. Carey School of Business  
 JP Morgan Chase Economic Outlook Center**  
<http://wpcarey.asu.edu/seid/eoc>

**BizStats**  
[www.bizstats.com](http://www.bizstats.com)

**Northern Arizona University’s W. A. Franke College of  
 Business, Arizona Rural Policy Institute (ARPI)**  
[www.franke.nau.edu/RPI](http://www.franke.nau.edu/RPI)

**University of Arizona’s Eller College of Management  
 Economic and Business Research Center**  
<http://ebr.eller.arizona.edu>

**U.S. Bureau of Economic Analysis (BEA)**  
[www.bea.gov](http://www.bea.gov)

**U.S. Bureau of Labor Statistics (BLS)**  
[www.bls.gov](http://www.bls.gov)

**U.S. Census Bureau, Economic Census**  
[www.census.gov/econ/census/index.html](http://www.census.gov/econ/census/index.html)

**U.S. Census Bureau, North American Industry  
 Classification System (NAICS)**  
[www.census.gov/eos/www/naics](http://www.census.gov/eos/www/naics)

**U.S. Department of Commerce**  
[www.commerce.gov](http://www.commerce.gov)

**U.S. Securities and Exchange Commission (SEC),  
 Electronic Data Gathering, Analysis, and Retrieval  
 (EDGAR)**  
[www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)

### Visit Your Local Library . . .

It’s a great resource for every stage of your business development.

Librarians will help you find information on every phase of business ownership, information on writing the business plan, and electronic databases where you can research industries and competitors.

In addition, libraries provide free access to the Internet. Many libraries present free programs, workshops and book lists on business topics. To find your local library, visit the website at [www.lib.az.us/LibDir](http://www.lib.az.us/LibDir).

Visit the IRS website at  
[www.irs.gov/businesses](http://www.irs.gov/businesses)

to learn what new  
 business owners  
 need to know about  
 starting a business.

# Personal Financial Statement Worksheet

As of: \_\_\_/\_\_\_/\_\_\_\_

<u>Assets</u>	<u>Amount in Dollars</u>
Cash - checking accounts	\$ _____
Cash - savings accounts	\$ _____
Certificates of deposit	\$ _____
Securities - stocks / bonds / mutual funds*	\$ _____
Notes and contracts receivable*	\$ _____
Life insurance ( <i>cash surrender value</i> )	\$ _____
Personal property ( <i>autos, jewelry, etc.</i> )*	\$ _____
Retirement funds ( <i>IRAs, 401k, etc.</i> )	\$ _____
Real estate ( <i>market value</i> )	\$ _____
Other assets ( <i>specify</i> )* _____	\$ _____
<b>Total Assets</b>	<b>\$ _____</b>

<u>Liabilities</u>	<u>Amount in Dollars</u>
Current debt ( <i>credit cards, accounts</i> )	\$ _____
Notes payable*	\$ _____
Taxes payable*	\$ _____
Real estate mortgages*	\$ _____
Other liabilities ( <i>specify</i> )* _____	\$ _____
<b>Total Liabilities</b>	<b>\$ _____</b>

**Net Worth** \$ \_\_\_\_\_

\*Describe in the appropriate section below.

1. Describe securities - stocks/bonds/mutual funds:
2. Describe notes and contracts receivable:
3. Describe personal property:
4. Describe other assets:
5. Describe notes payable:
6. Describe taxes payable:
7. Describe real estate mortgages:
8. Describe other liabilities:



# Business Startup Costs Worksheet

As of: \_\_\_/\_\_\_/\_\_\_

## Living Expenses

From last pay check to opening day \$ \_\_\_\_\_  
For three months after opening day (*startup cushion*) \$ \_\_\_\_\_

## Deposits, Licenses, Prepayments

Deposit for rent \$ \_\_\_\_\_  
Telephone and utilities \$ \_\_\_\_\_  
Business licenses \$ \_\_\_\_\_  
Insurance premiums \$ \_\_\_\_\_

## Leasehold Improvements

Remodeling and redecorating \$ \_\_\_\_\_  
Fixtures, equipment, displays \$ \_\_\_\_\_  
Installation labor \$ \_\_\_\_\_  
Signs - outside, inside \$ \_\_\_\_\_

## Inventory

Service, delivery equipment and supplies \$ \_\_\_\_\_  
Merchandise (*approx. 65% of startup costs are invested in opening stock*) \$ \_\_\_\_\_

Operating Expense for the First 3 Months (*From Cash Flow Projection*) \$ \_\_\_\_\_

Reserve to Carry Customers' Accounts \$ \_\_\_\_\_

Cash for Petty Cash, etc. \$ \_\_\_\_\_

**TOTAL STARTUP CASH NEEDS** \$ \_\_\_\_\_

# Pro Forma Cash Flow Analysis Worksheet

As of: \_\_\_/\_\_\_/\_\_\_\_

## Cash Receipts

Cash Sales	\$ _____
Cash from Accounts Receivable	\$ _____
Cash from Investments	\$ _____
<b>Total Cash Receipts</b>	<b>\$ _____</b>

## Cash Disbursements

Merchandise, inventory	\$ _____
Salary and wages	\$ _____
Outside labor	\$ _____
Payroll taxes	\$ _____
Advertising	\$ _____
Car and delivery	\$ _____
General office administration	\$ _____
Legal and accounting	\$ _____
Operating supplies	\$ _____
Bad debts	\$ _____
Rent	\$ _____
Repairs and maintenance	\$ _____
Utilities	\$ _____
Insurance	\$ _____
Taxes and licenses	\$ _____
Loan payments ( <i>principal and interest</i> )	\$ _____
<b>Total Cash Disbursements</b>	<b>\$ _____</b>

**NET CASH FLOW (+/-)** \$ \_\_\_\_\_

**NOTE:** This analysis should be done on a monthly basis for the first year and on a quarterly basis for years 2 and 3.

# Balance Sheet Worksheet

As of: \_\_\_/\_\_\_/\_\_\_\_

## ASSETS

### Current Assets

Cash in bank	\$ _____
Accounts receivable	\$ _____
Inventory	\$ _____
Other current assets	\$ _____
<b>Total Current Assets</b>	<b>\$ _____</b>

### Fixed Assets

Machinery & equipment	\$ _____
Furniture & fixtures	\$ _____
Land & buildings	\$ _____
Other fixed assets	\$ _____
<b>Total Fixed Assets (net of depreciation)</b>	<b>\$ _____</b>

**TOTAL ASSETS** \$ \_\_\_\_\_

## LIABILITIES AND EQUITY

### Current Liabilities

Accounts payable	\$ _____
Interest payable	\$ _____
Taxes payable	\$ _____
Notes, short-term ( <i>due within 12 months</i> )	\$ _____
Current part, long-term debt	\$ _____
Other current liabilities	\$ _____
<b>Total Current Liabilities</b>	<b>\$ _____</b>

### Long-Term Debt

Bank loans payable	\$ _____
Notes payable to stockholders	\$ _____
LESS: Short-term portion	\$ _____
Other long-term debt	\$ _____
<b>Total Long-term Debt</b>	<b>\$ _____</b>

### Owners' Equity

Invested capital	\$ _____
Retained earnings - beginning	\$ _____
Retained earnings - current	\$ _____
<b>Total Owners' Equity</b>	<b>\$ _____</b>

**TOTAL LIABILITIES & EQUITY** \$ \_\_\_\_\_



# Income Statement Worksheet

As of: \_\_\_/\_\_\_/\_\_\_\_

*(3 Previous Years for Existing Business)*

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>
<b>SALES</b>	\$ _____	\$ _____	\$ _____
Less Cost of Goods	\$ _____	\$ _____	\$ _____
<b>GROSS PROFIT</b>	\$ _____	\$ _____	\$ _____
 <b>OPERATING EXPENSES</b>			
Salaries and wages	\$ _____	\$ _____	\$ _____
Commissions	\$ _____	\$ _____	\$ _____
Outside labor	\$ _____	\$ _____	\$ _____
Payroll taxes	\$ _____	\$ _____	\$ _____
Advertising	\$ _____	\$ _____	\$ _____
Car and delivery	\$ _____	\$ _____	\$ _____
General office administration	\$ _____	\$ _____	\$ _____
Legal and accounting	\$ _____	\$ _____	\$ _____
Supplies	\$ _____	\$ _____	\$ _____
Bad debts	\$ _____	\$ _____	\$ _____
Rent	\$ _____	\$ _____	\$ _____
Repairs and maintenance	\$ _____	\$ _____	\$ _____
Utilities	\$ _____	\$ _____	\$ _____
Insurance	\$ _____	\$ _____	\$ _____
Taxes and licenses	\$ _____	\$ _____	\$ _____
Depreciation	\$ _____	\$ _____	\$ _____
Interest	\$ _____	\$ _____	\$ _____
Miscellaneous	\$ _____	\$ _____	\$ _____
<b>TOTAL OPERATING EXPENSES</b>	\$ _____	\$ _____	\$ _____
<b>PROFIT/LOSS BEFORE TAXES</b>	\$ _____	\$ _____	\$ _____

# Competitive Analysis Worksheet

As of: \_\_\_/\_\_\_/\_\_\_

FACTOR	MY BUSINESS	STRENGTH	WEAKNESS	COMPETITOR A	COMPETITOR B	COMPETITOR C	IMPORTANCE TO CUSTOMER
Products							
Price							
Quality							
Selection							
Service							
Reliability							
Stability							
Expertise							
Company Reputation							
Location							
Appearance							
Sales Method							
Credit Policies							
Advertising							
Image							