

The High School Entrepreneur:

Researching and Writing A Small Business Plan

I. Introduction

Throughout the course of this project, you will write and design a small business plan for a product or service (of your choice) that you can successfully sell to consumers in the current economy. Starting and operating a small business is a difficult task. Many small business attempts fail because entrepreneurs neglect to research their ideas, establish goals or to document their plans. This portfolio is designed to help you avoid these pitfalls by allowing you to gather the ideas, formulate the plans and write the documents necessary to initiate a successful business venture.

II. Identifying a Product or Service

In order to design a small business plan, you must identify a product or service that you can successfully sell in the current economy. Considering doing something you love is a start, but it has to be further analyzed by examining the market potential, competition, resources required to enter the market, consumer/buyer demand, and uniqueness of the idea.

The best place to start in picking a small business is with consumers (including other businesses that may want your product or service). What do consumers or businesses want that's not being provided to them? Ultimately, whether you succeed will depend upon whether you are able to meet some unmet need in the market.

In fact, if you love to cook, you may be more likely to succeed if you open an interior decorating service — even if you know nothing about interior decoration — than you would be if you open a catering service, if there is a demand for interior decorating services but not for another catering company in your area. It's far easier to hire someone who knows something about interior decoration than it is to sell consumers something that they don't want.

Of course, you don't necessarily have to sell a new or different product or service in order to succeed; you can succeed if you can improve what is already being sold. In the above example, you should open a catering business if you can provide a better service than other catering businesses, such as a wider menu or lower prices. But that's *still* a function of what consumers want. Your research would have told you that there is a demand for a new catering business if prices were lower or if the menu were more varied.

What do consumers want? Product selection procedures.

Decide what consumers want. A good place to start is with the mainstream press: *The New York Times*, *The Wall Street Journal*, *Time*, *U.S. News and World Report*, *Newsweek*, *USA Today* and your local/state newspapers. You should also look at the business press: *Fortune*, *Forbes*, *Business Week*, or any of the other business periodicals to which you have access.

When you read them, look for trends that may be emerging, not just in business but in our culture at large. To give you some idea of what you should be looking for, here are three examples of current trends and how you might take advantage of those trends for a small business success.

Trend #1: *Increasingly, husband and wife are both wage earners. This means that many couples don't have the time or energy to perform tasks that were most commonly performed by the wife. How can you fill in the gap? Some business ideas are: child care provider, grocery delivery service, house-cleaning service, interior decorator, dog walking service, household manager, and gift purchase and delivery service.*

Trend #2: *In an effort to cut costs, many companies have laid off employees. This means that companies are increasingly looking outside of the company to perform tasks previously performed in-house. In business-speak, it's called outsourcing. Ask yourself: which tasks are businesses most commonly outsourcing? Some business ideas are: copywriting services, legal and paralegal services, billing and other human resources related services, and meeting planning.*

Trend #3: *Computers are now everywhere. Many businesses, however, lack the inhouse expertise they need to take full advantage of the emerging technologies. How can you meet the need? Some business ideas are: Web site developer, graphics designer, desktop publisher, and database consultant.*

In addition to reading newspapers and magazines, don't forget the often most overlooked resource -- yourself. You're a consumer. If you've wished that a particular service were available, chances are that others have too.

Also, when you think about market opportunities, think about how you can improve upon a product or service that is already being provided. But be aware that there are at least two potential stumbling blocks here. The first is the tendency to believe too readily that you can improve upon an existing product or service. This is just old-fashioned overconfidence. Be sure that you've thought through the specific things you can do to improve what's already out there.

The second is the fact that being able to improve upon a product or service is no guarantee of its success. In other words, you must be sure not only that you can improve what's already there, but also that there is a demand for the improvement.

ACTION ITEM #1 – Selecting a Product or Service

Brainstorm a list of products or services that you might be successful selling. Record this list.

Next, choose a product or service to sell! Your product may or may not follow one of the 4 trends you noticed, but you should justify your choice. Summarize (1-2 paragraphs) your product idea and give reasons for selecting your product or service. Include any talents you possess, ideas for future gains and/or other considerations you have made which will help guarantee your product will sell.

(You will use these ideas for your *Executive Summary* page in your small business plan, but you will research and investigate your product market in detail for your *Marketing Plan*.)

III. Market Research

Today the world is defined by the term "information age." All businesses require accurate and timely information to be successful. Whether your company is large or small, the right amount of financing, equipment, materials, talent, and experience alone are not enough to succeed without a constant flow of the right business information.

Many large companies make market research into a very sophisticated and lengthy process, so that they can find out everything possible about their customers. For example, Philip Kotler, author and economist, writes in *Marketing Management*, "Coke knows that we put 3.2 ice cubes in a glass, see 69 of its commercials every year, and prefer cans to pop out of vending machines at a temperature of 35 degrees . . . We each spend \$20 per year on flowers; Arkansas has the lowest consumption of peanut butter in the United States; 51 percent of all males put their left pants leg on first, whereas 65 percent of women start with the right leg; and . . . P&G once conducted a study to find out whether most of us fold or crumple our toilet paper. . ."

While you probably won't be able to afford a separate marketing research department to gather and monitor all the information that could possibly help you, all successful business owners must know their markets, competitors, customer wants and needs, and "what it takes to be competitive." It is not enough to know the answers to *what*, *where*, *when*, and *how* questions about our businesses. We also need to know *why* people buy our products and services. You should expect to budget at least a minimal amount of time and money for research, especially if you are starting a new business or branching out into a new direction.

Market research procedures: Generally, market research procedures break down into the following categories:

• **Primary research:** This research involves the actual data-gathering about the specific usage patterns, product feature likes and dislikes, etc., of target buyers or current users of your product. It may be completed with personal interviews, phone surveys and/or other types of written or verbal “polling” of consumers. This research is most valuable when you need a general feel for how/what consumers think about your product category. It is important to survey the appropriate group of consumers (those who will be purchasing/using your product) and ask questions that will provide you with important information as you pursue your business venture.

• **Secondary Research:** Most of us are familiar with secondary research from doing library research with books and periodicals. With secondary research, someone else has done the actual data gathering in the field and has written it up in a form that's easier for you to use. Secondary research is generally much less time consuming and cheaper than primary research. The internet is a key source for gathering information about industries. For example, if you choose to open a specialty pizza restaurant, you might conduct an internet search for “pizza industry.” This search returns *Pizza Today Magazine* and *Pizza Marketing Quarterly*, publications which provide valuable information about the pizza industry. A beauty salon owner might discover www.beautyexperts.com which gives beauty industry news, events, and tips for salons.

ACTION ITEM #2 – Market Research Studies

Complete a secondary market research study from trade publications or industry journals. The market research section of your business plan should illustrate your industry and market knowledge as well as any of your research findings and conclusions. Locate at least two industry/trade journals for your product and include the following: Make sure to reference your sources. (MLA or Chicago Turabian Citation Format)

INCLUDE THE FOLLOWING: (See below for description)

- **industry description and outlook**
- **information about your target market**
- **competitive analysis**
- **regulations**

Industry Description and Outlook – Describe your industry, including its current size and historic growth rate as well as other trends and characteristics (e.g., life cycle stage, projected growth rate). Next, list the major customer groups within your industry.

Information About Your Target Market – Narrow your target market to a manageable size. Many businesses make the mistake of trying to appeal to too many target markets. Research and include the following information about your market:

Distinguishing characteristics – What are the critical needs of your potential customers? Are those needs being met? What are the demographics of the group and where are they located? Are there any seasonal or cyclical purchasing trends that may impact your business?

Size of the primary target market – In addition to the size of your market, what data can you give about the annual purchases your market makes in your industry? (example: 20-25 year old females purchasing skinny blue jeans constitute 63% of the market)

How much market share can you gain? – What is the market share percentage and number of customers you expect to obtain in a defined geographic area? Explain the logic behind your calculation.

When you include information about any of the market tests or research studies you have completed, be sure to focus only on the results of these tests. Any other details should be included in the appendix.

Competitive Analysis – Your competitive analysis should identify your competition by product line or service and market segment. Assess the following characteristics of the competitive landscape:

- How important is your target market to your competitors?
- Are there any indirect or secondary competitors who may impact your success?
- What barriers to market are there (e.g., changing technology, high investment cost, lack of quality personnel)?

Regulatory Restrictions – Include any customer or governmental regulatory requirements (including environmental regulations) affecting your business, and how you'll comply. Also, cite any operational or cost impact the compliance process will have on your business.

IV. Naming your Product

Naming your business is a critical step for a business owner. Use these considerations when selecting a name for your business:

- The name should be easy to understand, spell, pronounce, remember and find in the telephone directory. Does the name help describe the image you want for your business?
- Can your actual product be listed as part of the name? (e.g. Domino's Pizza ®) This may help consumers to remember your name.
- Since businesses are listed with the first word, choose your first word (e.g. "The", "A" or "An") carefully.
- Avoid unusual spellings such as "Kar" for "Car" to prevent confusion. Avoid names similar to those used by another business.
- Terms such as Corp., Inc., or LLP may only be used for businesses structured in this way.

ACTION ITEM #3 – Selecting a Name

Select a name for your product using the considerations above. Write a short paragraph to summarize how you determined your product name. Under what category(ies) would your business be listed in the yellow pages? EXPLAIN.

V. The Executive Summary

The research you have now done and the decisions you have made about your product have helped prepare you to write the opening page of your business plan. The Executive Summary is approximately a one page explanation of your business and its competitive advantage. It should provide a clear description of the industry you are competing in and what sets you apart from your competitors. Use the following five bullet points as your headings:

- **The Mission Statement** – This explains what your business is all about. It should be between several sentences and a paragraph.
 - What image will it have?
- **Company Information** – Include a short statement that covers when your business was formed, the names of the founders and their roles, your number of employees, and your business location(s).
 - What does your business do?
- **Your Products/Services** -- Briefly describe the products or services you provide.
 - What customer needs are met?
 - What makes it unique from competitors?
 - In what price range will it compete?
- **Financial Information** – If you are seeking financing, include any information about your current bank and investors.
- **Summarize future plans** – Explain where you would like to take your business.

With the exception of the mission statement, all of the information in the executive summary should be covered in a concise fashion and kept to one page. The executive summary is the first part of your business plan many people will see, so each word should count.

ACTION ITEM #4 – Executive Summary

Write your Executive Summary page answering the questions above.

VI. The Marketing Plan

Following your Executive Summary, your business plan should include a detailed Marketing Plan which provides specific descriptions on these 5 factors:

A. The Target Market - This section describes the customers you are targeting. It defines their demographic profile (e.g., age, gender), psychographic profile (e.g., their interests) and their precise wants and needs as they relate to the products and/or services you offer. Being able to more clearly identify your target customers will help you both pinpoint your advertising (and get a higher return on investment) and better “speak the language” of prospective customers.

B. Unique Selling Proposition (USP) - Having a strong unique selling proposition (USP) is of critical importance as it distinguishes your company from competitors. The hallmark of several great companies is their USP. For example, FedEx’s USP of “When it absolutely, positively has to be there overnight” is well-known and resonates strongly with customers who desire reliability and quick delivery.

C. Distribution Plan - Your distribution plan details how customers will buy from you. For example, will customers purchase directly from you on your website? Will they buy from distributors or other retailers? And so on. Think through different ways in which you might be able to reach customers and document them in this section of your marketing plan.

D. Pricing & Positioning Strategy - Your pricing and positioning strategy must be aligned. For example, if you want your company to be known as the premier brand in your industry, having too low a price might dissuade customers from purchasing. In this section of your marketing plan, detail the positioning you desire and how your pricing will support it.

E. Promotions Strategy- The promotions section is one of the most important sections of your marketing plan and details how you will reach new customers. There are numerous promotional tactics, such as television ads, trade show marketing, press releases, online advertising, and event marketing. In this section of your marketing plan, consider each of these alternatives and decide which ones will most effectively allow you to reach your target customers.

ACTION ITEM #5 – Marketing Plan

Organize and write your own Marketing Plan according to the 5 factors listed above. Use clear section headings, paragraphs and bullets when appropriate.

Advertisements

Your Marketing Plan required you to make advertising decisions. Now you must create one of these advertisements. Effective advertising includes something original that catches the consumer’s attention, provides them with information and helps them to remember your product.

ACTION ITEM #6 – Advertising

Design and present an advertising piece or a promotional strategy to your class. This may be a video, sign, radio announcement, jingle, flier, newspaper ad, free sample, or any other advertising piece you would use to market your product. Attach a copy to your portfolio (if possible – otherwise attach a photo or script).

VII. The Management Plan

The Management Plan of a small business plan defines the type of business organization you wish to operate, your business experience and your hiring/employee management decisions.

The first step is to decide on the type of business you wish to operate: sole proprietorship, partnership or corporation. Next you must describe your current business experience.

This summary is similar to the skills you would list on a resume, but you will also include any skills of employees you plan to hire. Finally you must plan your hiring and training strategies, employee policies and wages/benefits for all personnel working with or for you.

ACTION ITEM #7 – Type of Business Organization

You are familiar with the three main types of business structures and their pros and cons: sole proprietorships, partnerships, and corporations. The type of business that entrepreneurs choose depends on their tolerance for risk and appetite for rewards.

Write a short summary stating which business structure you will employ and justify your reasons.

ACTION ITEM #8 – Management Skills

Read the “Qualities of Successful Business Owners” on the following page. These are skills you may or may not yet possess, but are valuable for business success. Use this list as a guide to discuss your current business skills and experience that will contribute to a profitable business venture. Even if you feel your business experience is limited, concentrate on your strengths and talents that will enhance your particular business. Describe any jobs you have held and your responsibilities at these jobs. Give specific examples of where/how you used each skill that you list.

Your summary is similar to writing a resume, but focused more on your talents as they relate to your specific business. It may also include a description of the talents/skills of the employees you will hire. Use bullets and formatting to make this page easy to read. Your summary should answer the following questions:

- **What is your education level? Include any specific courses that will help you in your business.**
- **What is your business background/work experience?**
- **How does your experience help you in *this* business?**
- **What are your strengths?**
- **What are your weaknesses? How will you compensate for them?**
- **Why are you going to be successful in this type of business?**
- **Who is on your management team? What skills do they bring to your business?**

Qualities of Successful Business Owners:

- **Willingness to sacrifice** — you must be willing to accept the fact that, as a small business owner, you are the last one to be paid. Your bank, your vendors, and your employees are all in line ahead of you and must be paid before you see any of the money. You must also be willing to sacrifice much of what once was your free time to your business. If you like working nine-to-five, knowing how much you'll make, and taking three weeks of vacation every year, don't go into business for yourself.

- **Strong interpersonal skills** — if you thought that getting along with your boss was tough, wait until you have to deal with suppliers, customers, employees, lawyers, accountants, government officials, and everybody in between. Successful owners are able to work with all personality types, and they're able to find out from their customers what they like and don't like.

- **Strong leadership skills** — successful owners understand that others are looking to them to be led to the promised land. Others will be looking to you for answers, and if you're not ready for that responsibility, you probably shouldn't own your own business.

- **Strong organizational skills** — successful owners are able to keep track of everything that's going on in their business and they're able to set priorities and get things done. They know that if they lose track of what's going on, they're sunk.

- **Intelligence** — we're not talking about the ability to score well on standardized tests. We're talking more about street smarts and common sense. Successful owners are able to anticipate problems before they arise and to take preemptive steps to avoid them, and they know how to solve crises after they occur.

- **Management ability** — small business is all about managing relationships, with your customers or clients, with your employees, with your suppliers, with your accountant and lawyer, with your banker, and with your family. If you don't think you can effectively manage those relationships, you shouldn't start a new business.

• **Business experience** — without some solid business experience, you're probably not going to be able to borrow any money. Your banker will want to know about your experience, not just in business, but in the same field as the business you're hoping to start. If you lack the experience, go get it any way you can: volunteer at an existing business or try to get a part-time or weekend job in the field.

• **Optimism** — how will you react when business isn't going as well as your expected? A pessimist may fold the tent, but an optimist who believes in the business will keep going. Successful owners are optimists who are able to weather the rough spots.

ACTION ITEM #9 – Personnel Strategies

You may choose to operate your business solo, but if you do plan to hire in the future, please discuss that option. Your section on Personnel Strategies should answer the following questions (use bullets and clear paragraph formatting to make it easy to read):

- **What are your personnel needs now and in the future?**
- **What are your hiring and training strategies?**
- **What are the duties of each person on your team?**
- **Who reports to whom?**
- **What and how will management and staff be paid?**
- **What benefits will be provided? (e.g. vacation, overtime, insurance, etc.)**
- **What are your specific personnel policies (e.g. dress code, work shifts, behavior on the job, etc.)**

VIII. The Financial Plan

Sound financial management is one of the most important ways for your business to remain profitable and solvent. In your Financial Plan you will need to determine the amount of money needed to open your business (start-up costs) and the amount needed to keep it open (operating costs). Then you will have to evaluate how much money you currently have and how much you are able to acquire through loans or other resources. Finally you will predict the amount of money your business will make in the first few months of operation, allowing you to determine your expected net profit.

Since your business is a realistic venture for a high school entrepreneur, several financial components/expenses such as legal fees or contractor fees may not be relevant. Still, business owners are required to file special taxes depending on the type of business they operate such as self-employment tax and income tax. Many small business owners hire an accountant to assist them with the details of these tax statements as well as other aspects of their Financial Plan.

These projects will concentrate on your business cost needs and personal assets, but avoid the details of business taxation. Your aim as a young entrepreneur is not to become a financial wizard, but to understand the financial tools well enough to gain their benefits.

ACTION ITEM #10 – Start Up Costs

Brainstorm a list of all the inventory, supplies, advertising, equipment/building and other needs you have before you can open your business. It may help to imagine a typical work day: what tools or supplies are you using at any particular moment? Be specific.

Create a chart that shows your own start-up costs. Organize your chart into categories and find costs associated with each item. This is a time consuming process requiring much research to obtain realistic dollar amounts. In your chart, you *must* include a brief description of how you arrived at each figure (make a separate column). Perhaps some of your supply needs will be furnished free from friends/relatives or are already owned by you (tables and chairs, furniture, etc). Make sure to explain these situations in your description column. Remember this list includes all of the costs you must incur before you can even open your business. Total the column and label the amount “Total Start Up Dollars.”

Now you must determine all fixed costs (e.g. rent, equipment, insurance, salaries) and variable costs (e.g. office supplies, hourly wages, advertising) you will incur during your first 3 months of operation. Review the descriptions and examples of these costs in your textbook or class notes as you prepare to evaluate your own business costs.

IX. The Strategic Plan

The final piece of your small business plan includes a description of your future business goals. It describes how you intend to achieve these goals and is often referred to as the **SWOT** analysis (*Strengths, Weaknesses, Opportunities and Threats*). This Strategic Plan should focus on years two through five of your business.

ACTION ITEM #11 – Strategic Plan

Write a 1-2 page summary of your short and long term goals for your company by conducting a SWOT analysis. Include bullets to make this easy to read.

- **What are the Strengths of your business?**
- **What are the Weaknesses of your business?**
- **What Opportunities are available to you (and your competitors)?**
- **What Threats may impede you (and your competitors)?**

The answers to these questions should describe strategies that use your strengths to not only take advantage of opportunities but also to overcome threats and reduce weaknesses. Include a section describing how your short term business goals (about 2 years) may vary from your long term goals (about 5 years) as well as business strategies that may change over the course of those five years.

X. The Summary

ACTION ITEM #12 – Final Summary

Each member of the group, must write a one page summary describing your final thoughts on the potential success of your business. Discuss whether or not would like to put your plan into action and your reasons. Finally, comment on specific ideas or details that you have learned about being an entrepreneur from this business plan project.

XI. Title Page and Table of Contents

You have completed the final pieces of your business plan. Now you must prepare a Title Page and a Table of Contents pages, as well as a tri-fold display and a 30 second pitch”

ACTION ITEM #13 – Title Page and Table of Contents

Complete a Title Page for your business plan that is unique to your business. You may wish to use a logo or design, but it must contain the following information in a center-spaced format:

- Business Name
- Address/Phone Number
- Owner Name (Your Name)

Table of Contents page: It must include these sections with page numbers in the following order (do not include “action item” in the title of each page):

<u>TABLE OF CONTENTS:</u> (Example)	Page#
Selecting a Product or Service	3
Market Research Studies	5
Selecting a Name	7
Executive Summary	12
Marketing Plan	16
Advertising Plan	19
Type of Business Organization	21
Management Skills	22
Personnel Strategies	25
Start Up Costs	29
Strategic Plan	33
Final Summary	34

ACTION ITEM #14 – Assemble your Final Products

Assemble the pieces of your small business plan into a folder or binder.

XII. Tri-Fold Presentation Display and “30 Second Pitch”

As an additional requirement, you and your business partner must create a tri-fold business display board that will showcase your business. This display must include pictures, graphs, charts, information, startup costs, environmental impact statistics (if applicable), management structures, etc.

This presentation will be displayed at a community business fair on May _____, during which members of the community will come and rank your projects based on a set of given criteria. As business partners you must come up with a thirty second speech that you will “pitch” to each potential investor at the business fair. Your pitch must be concise, professional and intriguing, as this will be your chance to win over investors.

ACTION ITEM #15 -Tri Fold Presentation Display and “30 Second Pitch”

Complete a tri-fold presentation board that effectively showcases your business. Include all relevant information to attract potential investors

Write a “30 Sec Pitch” that will hook potential investors into investing in your idea. This short speech must be written 1st, typed, single space, with name of both business partners, and memorized for the business fair.

XIII. Formatting

For all pages and documents please format accordingly:

- Use appropriate titles as indicated (do not include *Action Item #*)
- Use appropriate order as indicated
- Each Action Item Must be a separate document
- Use 12 pt font, Times New Roman, Arial, Garamond, Cambria
- Single Space, Block Formatting
- Page number at the bottom right corner of every page

XIV. Dates

Project intro and workday: Tuesday, March 4

Project workdays (lab): **Monday, March 10**
 Monday, March 24
 Monday, March 31
 Monday, April 7
 Monday, April 14
 Monday, April 28

Project due date: Friday, May 2

Business Fair: _____

Grade: This project will count for 20% of your semester grade

Note: Adapted from Economics: Performance Assessment Idaho Department of Education