

A Whitepaper for the Members of UMA

version 2-a: 04/10/2016



New Operators Guide Part 2 of 2



What it takes to drive your business.

113 S. West St, 4th Floor, Alexandria, VA 22314-2824 • Ph: 800-424-8262 • Email: info@uma.org



Introduction

From time-to-time UMA will commission studies and guides for our membership and for the industry we serve. The results are published here and distributed to the appropriate audience. In the past several decades, certain guides have been more popular and requested more often that we have rewritten them to bring them current. These guides are offered here free of charge and will hopefully allow you to get the answers you need to the questions you have.

For more information, contact UMA at:

Mail:

113 S. West St, 4th Flr., Alexandria, VA 22314

Phone:

1-800-424-8262

Email:

info@uma.org

Appendix A: Making the Right Business Decisions

Starting your own motorcoach business is a big step. It can be the most profitable, most personally rewarding experience of your life. Or it can be the most discouraging. Right now is the time to conduct the most serious "reality check" of your life.

Whether you're Bill Gates or Bill the driver, the issues are the same every time. Before you make weighty investments; before you leave your current job; before you announce your new career, you need to make certain that you have the right tools and the right answers. Because it's so important to start things right, we've turned on your behalf to the U.S. Small Business Administration (SBA) for help. The SBA is today one of America's foremost authorities on the question of "what works" for new business. What follows is the SBA's outline for new small business owners. For more, you can contact the SBA on the Internet at <http://www.sba.gov>.

Are you ready to be your own boss? SBA's Answers.

1. Do I have what it takes to own/manage a small business?

You will be your own most important employee, so an objective appraisal of your strengths and weaknesses is essential. Some questions to ask yourself are: Am I a self starter? How well do I get along with a variety of Personalities? How good am I at making decisions? Do I have the physical and emotional stamina to run a business? How well do I plan and organize? Are my attitudes and drive strong enough to maintain motivation? How will the business affect my family?

2. What business should I choose?

Usually, the best business for you is the one in which you are most skilled and interested. As you review your options, you may wish to consult local experts and business persons about the growth potential of various businesses in your area. Matching your background with the local market will increase your chance of success.

3. What is a business plan and why do I need one?

A business plan precisely defines your business, identifies your goals and serves as your firm's resume. Its basic components include a current and performance balance sheet, an income statement and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make the right decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan package. Additionally, it can tell your sales personnel, suppliers and others about your operations and goals.

NOTE: A complete online training module on how to develop a business plan can be found in the Starting Your Business selection of our Home Page.

4. Why do I need to define my business in detail?

It may seem silly to ask yourself, "What business am I really in," but some owner-managers have gone broke because they never answered that question. One watch store owner realized that most of his time was spent repairing watches while most of his money was spent selling them. He finally decided he was in the repair business and discontinued the sales operations. His profits improved dramatically.

5. What legal aspects do I need to consider?

Licenses required, zoning laws and other regulations vary from business to business and from state to state. Your local Small Business Administration (SBA) office and/or chamber of commerce will provide you with general information, but you will need to consult your attorney for advice specific to your enterprise and area. You also must decide about your form of organization (corporation, partnership or sole proprietorship) or tax status (e.g., should you opt for a Subchapter S status?).

6. What do I need to succeed in a business?

There are four basics of success in small business:

- Sound management practices.
- Industry experience.
- Technical support.
- Planning ability.

Few people start a business with all of these bases covered. Honestly assess your own experience and skills; then look for partners or key employees to compensate for your deficiencies.

7. Would a partner(s) make it easier to be successful?

A business partner does not guarantee success. If you require additional management skills or start-up capital, engaging a partner may be your best decision. Personality and character, as well as ability to give technical or financial assistance, determine the ultimate success of a partnership.

8. How can I find qualified employees?

Choose your employees carefully. Decide beforehand what you want them to do. Be specific. You may need flexible employees who can shift from task to task as required. Interview and screen applicants with care. Remember, good questions lead to good answers-the more you learn about each applicant's experience and skills, the better prepared you are to make your decision.

9. How do I set wage levels?

Wage levels are calculated using position importance and skill required as criteria. Consult your trade association and accountant to learn the most current practices, cost ratios and profit margins in your business field. While there is a minimum wage set by federal law for most jobs, the actual wage paid is entirely between you and your prospective employee.

10. What other financial responsibilities do I have for employees?

You must withhold federal and state income taxes, contribute to unemployment and workers compensation systems, and match Social Security contributions. You may also wish to inquire about key employee life or disability insurance. Because laws on these matters vary from state to state, you probably should consult local information sources and/or SBA offices.

11. What kind of security measures must I take?

Crimes ranging from armed robbery to embezzlement can destroy even the best businesses. You should install a good physical security system. Just as important, you must establish policies and safeguards to ensure awareness and honesty among your personnel. Because computer systems can be used to defraud as well as keep records, you should check into a computer security program. Consider taking seminars on how to spot and deter shoplifting and how to handle cash and merchandise; it is time and money well spent. Finally, careful screening when hiring can be your best ally against crime.

12. Should I hire family members to work for me?

Frequently, family members of the owner "help out in the business." For some small business owners it is a rewarding experience; for others it can cause irreparable damage. Carefully consider their loyalty and respect for you as the owner-manager. Can you keep your family and business decisions separate?

13. Do I need a computer?

Small business today faces growing inventory requirements, increased customer expectations, rising costs and intense competition. Computers can provide information that leads to better returns on investment. At the same time, they help you cope with the many other pressures of your business. Computers are not cure-alls, however, and considerable care should be given to:

- deciding if you need one, and
- selecting the best system (or personal computer) for your business.

14. What about telecommunications?

All small businesses share some common functions: sales, purchasing, financing, operations and administration. Depending on your individual business, telecommunications can support your objectives in any or all of these areas. In its basic form, the telephone (the terminal) and the network (local or long distance) make up the basic components of telecommunications. It is an effective tool that can easily change with seasonality and growth. How you use telecommunications can affect how efficiently and profitably your company grows in the future.

15. How much money do I need to get started?

Once you have taken care of your building and equipment needs you also must have enough money on hand to cover operating expenses for at least a year. These expenses include your salary as the owner and money to repay your loans. One of the leading causes of business failure is insufficient start-up capital. Consequently, you should work closely with your accountant to estimate your cash flow needs.

16. What are the alternatives in financing a business?

Committing your own funds is often the first financing step. It is certainly the best indicator of how serious you are about your business. Risking your own money gives confidence for others to invest in your business. You may want to consider family members or a partner for additional financing. Banks are an obvious source of funds. Other loan sources include commercial finance companies, venture capital firms, local development companies and life insurance companies. Trade credit, selling stock and equipment leasing offer alternatives to borrowing. Leasing, for example, can be an advantage because it does not tie up your cash. Ask your local SBA office for

information about these various sources as well as materials produced by SBA including publications such as "Focus on the Facts".

17. What do I have to do to get a loan?

Initially, the lender will ask three questions:

- How will you use the loan?
- How much do you need to borrow?
- How will you repay the loan?

When you apply for the loan, you must provide projected financial statements and a cohesive, clear business plan which supplies the name of the firm, location, production facilities, legal structure and business goals. A clear description of your experience and management capabilities, as well as the expertise of other key personnel, will also be needed.

18. What kind of profits can I expect?

Not an easy question. However, there are standards of comparison called "industry ratios" which can help you estimate your profits. Return on Investment (ROI), for example, estimates the amount of profit gained on a given number of dollars invested in the business. These ratios are broken down by Standard Industrial Classification (SIC) code and size, so you can look up your type of business to see what the industry averages are. These figures are published by several groups, and can be found at your library. Help is also available through the SBA and the trade associations that serve your industry.

[To view motorcoach industry business statistics, go to [Appendix C, Industry Information](#).]

19. What should I know about accounting and bookkeeping?

The importance of keeping adequate records cannot be stressed too much. Without records, you cannot see how well your business is doing and where it is going. At a minimum, records are needed to substantiate:

- Your tax returns under Federal and State laws, including income tax and Social Security laws;
- Your request for credit from vendors or a loan from a bank;
- Your claims about the business, should you wish to sell it.

But most important, you need them to run your business successfully and to increase your profits.

20. How do I set up the right record keeping system for my business?

The kind of records and how many you need depend on your particular operation. The SBA's resources and an accountant can provide you with many options. When deciding what is and is not necessary, keep in mind the following questions:

- How will this record be used?
- How important is this information likely to be?
- Is the information available elsewhere in an equally accessible form?

21. What financial statements will I need?

You should prepare and understand two basic financial statements:

- the balance sheet, which is a record of assets, liabilities and capital; and
- the income (profit and loss) statement, a summary of your earnings and expenses over a given period of time.

22. What does marketing involve?

Marketing is your most important organizing tool. There are four basic aspects of marketing, often called the "four P's":

- Product: The item or service you sell.
- Price: The amount you charge for your product or service.
- Promote: The ways you inform your market as to who, what and where you are.
- Provide: The channels you use to take the product to the customer.

As you can see, marketing encompasses much more than just advertising or selling. For example, a major part of marketing involves researching your customers: What do they want? What can they afford? What do they think? Your understanding and application of the answers to such questions play a major role in the success or failure of your business.

23. What is my market potential?

The principles of determining market share and market potential are the same for all geographic areas. First determine a customer profile (who) and the geographic size of the market (how many). This is the general market potential. Knowing the number and strength of your competitors (and then estimating the share of business you will take from them) will give you the market potential specific to your enterprise.

24. What about advertising?

Your business growth will be influenced by how well you plan and execute an advertising program. Because it is one of the main creators of your business' image, it must be well planned and well budgeted. Contact local advertising agencies or a local SBA office to assist you in devising an effective advertising strategy.

25. How do I set price levels?

The price of a service or item is based on three basic production costs: Direct materials, Labor and Overhead. After these costs are determined, a price is then selected that will be both profitable and competitive. Because pricing can be a complicated process, you may wish to seek help from an expert.

26. Are some locations better than others?

Time and effort devoted to selecting where to locate your business can mean the difference between success and failure. The kind of business you are in, the potential market, availability of employees and the number of competitive establishments all determine where you should put your business.

27. Is it better to lease or buy the store (plant) and equipment?

This is a good question and needs to be considered carefully. Leasing does not tie up your cash; a disadvantage is that the item then has no resale or salvage value since you do not own it. Careful weighing of alternatives and a cost analysis will help you make the best decision.

28. Can I operate a business from my home?

Yes. In fact, experts estimate that as many as 20 percent of new small business enterprises are operated out of the owner's home. Local SBA offices and state chambers of commerce can provide pertinent information on how to manage a home-based business.

29. How do I find out about suppliers/manufacturers/ distributors?

Most suppliers want new accounts. A prime source for finding suppliers is the Thomas Register, which lists manufacturers by categories and geographic area. Most libraries have a directory of manufacturers listed by state. If you know the product line manufacturers, a letter or phone call to the companies will get you the local distributor-wholesaler. In some lines, trade shows are good sources of getting suppliers and looking over competing products.

30. Where can I go for help?

The U.S. Small Business Administration has offices in nearly every major city in the country. SBA's operates the toll-free "Answer Desk" at 1-800-8-ASK-SBA (1-800-827-5722), to give callers direct referral to appropriate sources of information. Sponsored by SBA are a variety of counselling, training and information services including the Service Corps of Retired Executives (SCORE), Business Information Centers (BICs), One-Stop Capital Shops (OSCSs), Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs). In addition, procurement center representatives can be found at each major military installation. More than 2,700 chambers of commerce are located throughout the country to provide additional assistance.

31. What do I do when I'm ready?

You have done your homework: you have a complete business plan; you know where you want to operate; you know how much cash you will need; and you have specific information on employee, vendor and market possibilities. You now may want someone to look over your plans objectively. Contact the business department at a local college for another opinion. A SCORE representative at the Small Business Administration can also review your work and help with the fine tuning. Then, when you have made the final decision to go ahead, it is time to call the bank and get going. Good luck! All of SBA's programs and services are extended to the public on a nondiscriminatory basis.

FIRST STEPS: HOW TO START A SMALL BUSINESS

Starting and managing a business takes motivation, desire and talent. It also takes research and planning. Like a chess game, success in small business starts with decisive and correct opening moves. And although initial mistakes are not fatal, it takes skill, discipline and hard work to regain the advantage.

To increase your chance for success, take the time up front to explore and evaluate your business and personal goals. Then use this information to build a comprehensive and well-thought-out business plan that will help you reach these goals.

The process of developing a business plan will help you think through some important issues that you may not have considered yet. Your plan will become a valuable tool as

you set out to raise money for your business. It should also provide milestones to gauge your success.

1. Getting Started

Before starting out, list your reasons for wanting to go into business. Some of the most common reasons for starting a business are:

- You want to be your own boss.
- You want financial independence.
- You want creative freedom.
- You want to fully use your skills and knowledge

2. Next you need to determine what business is "right for you." Ask yourself these questions:

- What do I like to do with my time?
- What technical skills have I learned or developed?
- What do others say I am good at?
- Will I have the support of my family?
- How much time do I have to run a successful business?
- Do I have any hobbies or interests that are marketable?

3. Then you should identify the niche your business will fill. Conduct the necessary research to answer these questions:

- What business am I interested in starting?
- What services or products will I sell?
- Is my idea practical, and will it fill a need?
- What is my competition?
- What is my business's advantage over existing firms?
- Can I deliver a better quality service?
- Can I create a demand for my business?
- 4. The final step before developing your plan is the pre-business checklist. You should answer these questions:
 - What skills and experience do I bring to the business?
 - What will be my legal structure?
 - How will my company's business records be maintained?
 - What insurance coverage will be needed?
 - What equipment or supplies will I need?
 - How will I compensate myself?
 - What are my resources?
 - What financing will I need?
 - Where will my business be located?
 - What will I name my business?

Your answers will help you create a focused, well-researched business plan. that should serve as a blueprint. It should detail how the business will be operated,

managed and capitalized. One of the most important cornerstones of starting a business is the business plan. SBA offers you a tutorial on preparing a solid plan with all its essential ingredients. Be sure to review and peruse this section.

Once you have completed your business plan, review it with a friend or business associate. When you feel comfortable with the content and structure, make an appointment to review and discuss it with your banker. The business plan is a flexible document that should change as your business grows.

THE BUSINESS PLAN: ROAD MAP TO SUCCESS

A Tutorial and Self-paced Activity

Below is an outline for a business plan. Use this model as a guide when developing the business plan for your business.

Elements of a Business Plan

- * 1. Cover sheet
 - * 2. Statement of purpose
 - * 3. Table of contents

I. The Business

- A. Description of business
- B. Marketing
- C. Competition
- D. Operating procedures
- E. Personnel
- F. Business insurance
- G. Financial data

II. Financial Data

- A. Loan applications
- B. Capital equipment and supply list
- C. Balance sheet
- D. Breakeven analysis
- E. Pro-forma income projections (profit & loss statements)
 - + Three-year summary
 - + Detail by month, first year
 - + Detail by quarters, second and third years
 - + Assumptions upon which projections were based
- F. Pro-forma cash flow + Follow guidelines for letter E.

III. Supporting Documents

- Tax returns of principals for last three years
- Personal financial statement (all banks have these forms)
- In the case of a franchised business, a copy of franchise and all supporting documents provided by the franchisor
- Copy of proposed lease or purchase agreement for building space
- Copy of licenses and other legal documents
- Copy of resumes of all principals
- Copies of letters of intent from suppliers, etc.

THE BUSINESS PLAN - WHAT IT INCLUDES

What goes in a business plan? This is an excellent question. And, it is one that many new and potential small business owners should ask, but oftentimes don't ask. The body of the business plan can be divided into four distinct sections: 1) the description of the business, 2) the marketing plan, 3) the financial management plan and 4) the management plan. Addenda to the business plan should include the executive summary, supporting documents and financial projections.

DESCRIPTION OF THE BUSINESS

In this section, provide a detailed description of your business. An excellent question to ask yourself is: "What business am I in?" In answering this question include your products, market and services as well as a thorough description of what makes your business unique. Remember, however, that as you develop your business plan, you may have to modify or revise your initial questions.

The business description section is divided into three primary sections. Section 1 actually describes your business, Section 2 the product or service you will be offering and Section 3 the location of your business, and why this location is desirable (if you have a franchise, some franchisors assist in site selection). Business Description When describing your business, generally you should explain:

- * 1. Legalities - business form: proprietorship, partnership, corporation. The licenses or permits you will need.
- * 2. Business type: merchandizing, manufacturing or service.
- * 3. What your product or service is.
- * 4. Is it a new independent business, a takeover, an expansion, a franchise?
- * 5. Why your business will be profitable. What are the growth opportunities? Will franchising impact on growth opportunities?
- * 6. When your business will be open (days, hours)?
- * 7. What you have learned about your kind of business from outside sources (trade suppliers, bankers, other franchise owners, franchisor, publications).

A cover sheet goes before the description. It includes the name, address and telephone number of the business and the names of all principals. In the description of your business, describe the unique aspects and how or why they will appeal to consumers. Emphasize any special features that you feel will appeal to customers and explain how and why these features are appealing.

The description of your business should clearly identify goals and objectives and it should clarify why you are, or why you want to be, in business.

Product/Service

Try to describe the benefits of your goods and services from your customers' perspective. Successful business owners know or at least have an idea of what their customers want or expect from them. This type of anticipation can be helpful in building customer satisfaction and loyalty. And, it certainly is a good strategy for beating the competition or retaining your competitiveness. Describe:

- * 1. What you are selling.
- * 2. How your product or service will benefit the customer.
- * 3. Which products/services are in demand; if there will be a steady flow of cash.
- * 4. What is different about the product or service your business is offering.

The Location

The location of your business can play a decisive role in its success or failure. Your location should be built around your customers, it should be accessible and it should provide a sense of security. Consider these questions when addressing this section of your business plan:

- * 1. What are your location needs?
- * 2. What kind of space will you need?
- * 3. Why is the area desirable? the building desirable?
- * 4. Is it easily accessible? Is public transportation available? Is street lighting adequate?
- * 5. Are market shifts or demographic shifts occurring?

It may be a good idea to make a checklist of questions you identify when developing your business plan. Categorize your questions and, as you answer each question, remove it from your list.

The Marketing Plan

Marketing plays a vital role in successful business ventures. How well you market your business, along with a few other considerations, will ultimately determine your degree of success or failure. The key element of a successful marketing plan is to know your customers-their likes, dislikes, expectations. By identifying these factors, you can develop a marketing strategy that will allow you to arouse and fulfill their needs.

Identify your customers by their age, sex, income/educational level and residence. At first, target only those customers who are more likely to purchase your product or service. As your customer base expands, you may need to consider modifying the marketing plan to include other customers.

Develop a marketing plan for your business by answering these questions. (Potential franchise owners will have to use the marketing strategy the franchisor has developed.) Your marketing plan should be included in your business plan and contain answers to the questions outlined below.

- * 1. Who are your customers? Define your target market(s).
- * 2. Are your markets growing? steady? declining?
- * 3. Is your market share growing? steady? declining?
- * 4. If a franchise, how is your market segmented?
- * 5. Are your markets large enough to expand?
- * 6. How will you attract, hold, increase your market share?

If a franchise, will the franchisor provide assistance in this area? Based on the franchisor's strategy? how will you promote your sales?

- * 7. What pricing strategy have you devised?

Appendix I contains a sample Marketing Plan and Marketing Tips, Tricks and Traps, a condensed guide on how to market your product or service. Study these documents carefully when developing the marketing portion of your business plan.

Competition

Competition is a way of life. We compete for jobs, promotions, scholarships to institutes of higher learning, in sports-and in almost every aspect of your lives. Nations compete for the consumer in the global marketplace as do individual business owners. Advances in technology can send the profit margins of a successful business into a tailspin causing them to plummet overnight or within a few hours. When considering these and other factors, we can conclude that business is a highly competitive, volatile arena. Because of this volatility and competitiveness, it is important to know your competitors.

Questions like these can help you:

- * 1. Who are your five nearest direct competitors?
- * 2. Who are your indirect competitors?
- * 3. How are their businesses: steady? increasing? decreasing?
- * 4. What have you learned from their operations? from their advertising?
- * 5. What are their strengths and weaknesses?
- * 6. How does their product or service differ from yours?

Start a file on each of your competitors. Keep manila envelopes of their advertising and promotional materials and their pricing strategy techniques. Review these files periodically, determining when and how often they advertise, sponsor promotions

and offer sales. Study the copy used in the advertising and promotional materials, and their sales strategy. For example, is their copy short? descriptive? catchy? or how much do they reduce prices for sales? Using this technique can help you to understand your competitors better and how they operate their businesses.

Pricing and Sales

Your pricing strategy is another marketing technique you can use to improve your overall competitiveness. Get a feel for the pricing strategy your competitors are using. That way you can determine if your prices are in line with competitors in your market area and if they are in line with industry averages. Some of the pricing strategies are:

- * retail cost and pricing
 - * competitive position
 - * pricing below competition
 - * pricing above competition
 - * price lining
 - * multiple pricing
 - * service costs and pricing (for service businesses only)
-
- service components
 - material costs
 - labor costs
 - overhead costs

The key to success is to have a well-planned strategy, to establish your policies and to constantly monitor prices and operating costs to ensure profits. Even in a franchise where the franchisor provides operational procedures and materials, it is a good policy to keep abreast of the changes in the marketplace because these changes can affect your competitiveness and profit margins.

Appendix 1 contains a sample Price/Quality Matrix, review it for ideas on pricing strategies for your competitors. Determine which of the strategies they use, if it is effective and why it is effective.

Advertising and Public Relations

How you advertise and promote your goods and services may make or break your business. Having a good product or service and not advertising and promoting it is like not having a business at all. Many business owners operate under the mistaken concept that the business will promote itself, and channel money that should be used for advertising and promotions to other areas of the business. Advertising and promotions, however, are the life line of a business and should be treated as such.

Devise a plan that uses advertising and networking as a means to promote your business. Develop short, descriptive copy (text material) that clearly identifies your goods or services, its location and price. Use catchy phrases to arouse the interest of

your readers, listeners or viewers. In the case of a franchise, the franchisor will provide advertising and promotional materials as part of the franchise package, you may need approval to use any materials that you and your staff develop. Whether or not this is the case, as a courtesy, allow the franchisor the opportunity to review, comment on and, if required, approve these materials before using them. Make sure the advertisements you create are consistent with the image the franchisor is trying to project. Remember the more care and attention you devote to your marketing program, the more successful your business will be.

A more detailed explanation of the marketing plan and how to develop an effective marketing program is provided in the Workshop on Marketing. See Training Module 3 - Marketing Your Business for Success.

THE MANAGEMENT PLAN

Managing a business requires more than just the desire to be your own boss. It demands dedication, persistence, the ability to make decisions and the ability to manage both employees and finances. Your management plan, along with your marketing and financial management plans, sets the foundation for and facilitates the success of your business.

Like plants and equipment, people are resources-they are the most valuable asset a business has. You will soon discover that employees and staff will play an important role in the total operation of your business. Consequently, it's imperative that you know what skills you possess and those you lack since you will have to hire personnel to supply the skills that you lack. Additionally, it is imperative that you know how to manage and treat your employees. Make them a part of the team. Keep them informed of, and get their feedback regarding, changes. Employees oftentimes have excellent ideas that can lead to new market areas, innovations to existing products or services or new product lines or services which can improve your overall competitiveness. Your management plan should answer questions such as:

- * How does your background/business experience help you in this business?
- * What are your weaknesses and how can you compensate for them?
- * Who will be on the management team?
- * What are their strengths/weaknesses?
- * What are their duties?
- * Are these duties clearly defined?
- * If a franchise, what type of assistance can you expect from the franchisor?
- * Will this assistance be ongoing?
- * What are your current personnel needs?
- * What are your plans for hiring and training personnel?
- * What salaries, benefits, vacations, holidays will you offer?

If a franchise, are these issues covered in the management package the franchisor will provide?

- * What benefits, if any, can you afford at this point?

If a franchise, the operating procedures, manuals and materials devised by the franchisor should be included in this section of the business plan. Study these documents carefully when writing your business plan, and be sure to incorporate this material. The franchisor should assist you with managing your franchise. Take advantage of their expertise and develop a management plan that will ensure the success for your franchise and satisfy the needs and expectations of employees, as well as the franchisor.

THE FINANCIAL MANAGEMENT PLAN

Sound financial management is one of the best ways for your business to remain profitable and solvent. How well you manage the finances of your business is the cornerstone of every successful business venture. Each year thousands of potentially successful businesses fail because of poor financial management. As a business owner, you will need to identify and implement policies that will lead to and ensure that you will meet your financial obligations.

To effectively manage your finances, plan a sound, realistic budget by determining the actual amount of money needed to open your business (start-up costs) and the amount needed to keep it open (operating costs). The first step to building a sound financial plan is to devise a start-up budget. Your start-up budget will usually include such one-time-only costs as major equipment, utility deposits, down payments, etc.

The start-up budget should allow for these expenses.

Start-up Budget

- * personnel (costs prior to opening)
- * legal/professional fees
- * occupancy
- * licenses/permits
- * equipment
- * insurance
- * supplies
- * advertising/promotions
- * salaries/wages
- * accounting
- * income
- * utilities
- * payroll expenses

An operating budget is prepared when you are actually ready to open for business. The operating budget will reflect your priorities in terms of how you spend your money, the expenses you will incur and how you will meet those expenses (income). Your operating budget also should include money to cover the first three to six months of operation. It should allow for the following expenses.

Operating Budget

- * personnel
- * insurance
- * rent
- * depreciation
- * loan payments
- * advertising/promotions
- * legal/accounting
- * miscellaneous expenses
- * supplies
- * payroll expenses
- * salaries/wages
- * utilities
- * dues/subscriptions/fees
- * taxes
- * repairs/maintenance

The financial section of your business plan should include any loan applications you've filed, a capital equipment and supply list, balance sheet, breakeven analysis, pro-forma income projections (profit and loss statement) and pro-forma cash flow. The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years.

The accounting system and the inventory control system that you will be using is generally addressed in this section of the business plan also. If a franchise, the franchisor may stipulate in the franchise contract the type of accounting and inventory systems you may use. If this is the case, he or she should have a system already intact and you will be required to adopt this system. Whether you develop the accounting and inventory systems yourself, have an outside financial advisor develop the systems or the franchisor provides these systems, you will need to acquire a thorough understanding of each segment and how it operates. Your financial advisor can assist you in developing this section of your business plan.

The following questions should help you determine the amount of start-up capital you will need to purchase and open a franchise.

- * How much money do you have?
- * How much money will you need to purchase the franchise?
- * How much money will you need for start-up?
- * How much money will you need to stay in business?

Other questions that you will need to consider are:

- * What type of accounting system will your use? Is it a single entry or dual entry system?
- * What will your sales goals and profit goals for the coming year be? If a franchise, will the franchisor set your sales and profit goals? Or, will he or she expect you to reach and retain a certain sales level and profit margin?
- * What financial projections will you need to include in your business plan?
- * What kind of inventory control system will you use?

Your plan should include an explanation of all projections. Unless you are thoroughly familiar with financial statements, get help in preparing your cash flow and income statements and your balance sheet. Your aim is not to become a financial wizard, but to understand the financial tools well enough to gain their benefits. Your accountant or financial advisor can help you accomplish this goal.

Sample balance sheets, income projections (profit and loss statements) and cash flow statements are included in Appendix 2, Financial Management. For a detailed explanation of these and other more complex financial concepts, contact your local SBA Office. Look under the U.S. Government section of the local telephone directory.

SELF-PACED ACTIVITY

During this activity you will:

- * Briefly describe what goes into a business plan.
- * Identify advantages of developing the marketing, management and financial management plans.
- * List financial projections included in the financial management plan.
- * Sketch an outline for a business plan.

APPENDIX 1: MARKETING

- * 1. THE MARKETING PLAN**
- * 2. PRICE/QUALITY MATRIX**
- * 3. MARKETING TIPS, TRICKS & TRAPS**

THE ENTREPRENEUR'S MARKETING PLAN

This is the marketing plan of _____

I. MARKET ANALYSIS

A. Target Market - Who are the customers?

* 1. We will be selling primarily to (check all that apply):

* Total Percent

* of Business

a. Private sector _____

b. Wholesalers _____

c. Retailers _____

d. Government _____

e. Other _____

* 2. We will be targeting customers by:

* a. Product line/services.

We will target specific lines _____

b. Geographic area? Which areas? _____

c. Sales? We will target sales of _____

d. Industry? Our target industry is _____

e. Other? _____

* 3. How much will our selected market spend on our type of product or service this coming year?

\$ _____

B. Competition

* 1. Who are our competitors?

NAME _____

ADDRESS _____

Years in Business _____

Market Share _____

Price/Strategy _____

Product/Service _____

Features _____

NAME _____

ADDRESS _____

Years in Business _____

Market Share _____

Price/Strategy _____

Product/Service _____

Features _____

* 2. How competitive is the market?

High _____

Medium _____

Low _____

* 3. List below your strengths and weaknesses compared to your competition (consider such areas as location, size of resources, reputation, services, personnel, etc.):

Strengths Weaknesses

1. _____ 1. _____

2. _____ 2. _____

3. _____ 3. _____

4. _____ 4. _____

C. Environment

* 1. The following are some important economic factors that will affect our product or service (such as trade area growth, industry health, economic trends, taxes, rising energy prices, etc.):

* 2. The following are some important legal factors that will affect our market:

* 3. The following are some important government factors:

* 4. The following are other environmental factors that will affect our market, but over which we have no control:

II. PRODUCT OR SERVICE ANALYSIS

A. Description

- * 1. Describe here what the product/service is and what it does:

B. Comparison

- * 1. What advantages does our product/service have over those of the competition (consider such things as unique features, patents, expertise, special training, etc.)?

- * 2. What disadvantages does it have?

C. Some Considerations

- * 1. Where will you get your materials and supplies?

- * 2. List other considerations:

III. MARKETING STRATEGIES - MARKET MIX

* A. Image

- * 1. First, what kind of image do we want to have (such as cheap but good, or exclusiveness, or customer-oriented or highest quality, or convenience, or speed, or ...)?

* B. Features

- 1. List the features we will emphasize:

- * a. _____

- * b. _____

- * c. _____

* C. Pricing

1. We will be using the following pricing

strategy:

a. Markup on cost ____ What % markup? ____

b. Suggested price ____

c. Competitive ____

d. Below competition ____

e. Premium price ____

f. Other ____

* 2. Are our prices in line with our image?

YES____ NO____

* 3. Do our prices cover costs and leave a margin of profit?

YES____ NO____

* D. Customer Services

1. List the customer services we provide:

2. These are our sales/credit terms:

3. The competition offers the following services:

* E. Advertising/Promotion

1. These are the things we wish to say about the
business:

* 2. We will use the following advertising/promotion sources:

1. Television _____
2. Radio _____
3. Direct mail _____
4. Personal contacts _____
5. Trade associations _____
6. Newspaper _____
7. Magazines _____
8. Yellow Pages _____
9. Billboard _____
10. Other _____

* 3. The following are the reasons why we consider the media

we have chosen to be the most effective:

MARKETING TIPS, TRICKS & TRAPS

1. Marketing Steps

* Classifying Your Customers' Needs

* Targeting Your Customer(s)

* Examining Your "Niche"

* Identifying Your Competitors

* Assessing and Managing Your Available Resources

- Financial
- Human
- Material
- Production

2. Marketing Positioning

* Follower versus Leader

* Quality versus Price

* Innovator versus Adaptor

* Customer versus Product

* International versus Domestic

* Private Sector versus Government

3. Sales Strategy

* Use Customer-Oriented Selling Approach - By Constructing

* Agreement

- Phase One: Establish Rapport with Customer - by agreeing to discuss what the customer wants to achieve.
- Phase Two: Determine Customer Objective and Situational Factors - by agreeing on what the customer wants to achieve and those factors in the environment that will influence these results.
- Phase Three: Recommend a Customer Action Plan - by agreeing that using your product/service will indeed achieve what customer wants.

- Phase Four: Obtaining Customer Commitment - By agreeing that the customer will acquire your product/service.

* Emphasize Customer Advantage

* Must be Read: When a competitive advantage can not

- be demonstrated, it will not
- translate into a benefit.

Must be Important

- to the Customer: When the perception of competitive advantage varies between supplier and customer, the customer wins.
- Must be Specific: When a competitive advantage lacks specificity, it translates into mere puffery and is ignored.
- Must be Promotable: When a competitive advantage is proven, it is essential that your customer know it, lest it not exist at all.

4. Benefits vs. Features * The six "O's" of organizing Customer Buying Behavior

ORIGINS of purchase: Who buys it?

OBJECTIVES of purchase: What do they need/buy?

OCCASIONS of purchase: When do they buy it?

OUTLETS of purchase: Where do they buy it?

OBJECTIVES of purchase: Why do they buy it?

OPERATIONS of purchase: How do they buy it?

* Convert features to benefits using the "...Which Means..."

* Transition

* Sales Maxim: "Unless the proposition appeals to their INTEREST, unless it satisfies their DESIRES, and unless it shows them a GAIN-then they will not buy!"

* Quality Customer Leads:

Level of need Ability to pay

Authority to pay Accessibility

Sympathetic attitude Business history

One-source buyer Reputation
(price or quality buyer)

CONVERT FEATURES INTO BENEFITS-THE "...WHICH MEANS..." TRANSITION

FEATURES	"WHICH MEANS"	BENEFITS
Performance		Time Saved
Reputation		Reduced Cost
Components		Prestige
Colors		Bigger Savings
Sizes		Greater Profits
Exclusive		Greater Convenience
Uses		Uniform Production
Applications		Uniform Accuracy
Ruggedness		Continuous Output
Delivery		Leadership
Service		Increased Sales
Price		Economy of Use
Design		Ease of Use
Availability		Reduced Inventory
Installation		Low Operating Cost
Promotion		Simplicity
Lab Tests		Reduced Upkeep
Terms		Reduced Waste
Workmanship		Long Life

BUYING MOTIVES

RATIONAL	EMOTIONAL
Economy of Purchase	Pride of Appearance
Economy of Use	Pride of Ownership
Efficient Profits	Desire of Prestige
Increased Profits	Desire for Recognition
Durability	Desire to Imitate
Accurate Performance	Desire for Variety
Labor-Saving Safety	Time-Saving
Availability	Fear
Simple Construction	Desire to Create
Simple Operation	Desire for Security
Ease of Repair	Convenience
Ease of Installation	Desire to Be Unique
Space-Saving	
Increased Production	
Complete Servicing	
Good Workmanship	
Low Maintenance	
Thorough Research	
Desire to be Unique	
Curiosity	

PRICE / QUALITY MATRIX

SALES APPEALS

PRICE/QUALITY	HIGH	MEDIUM	LOW
HIGH	"Rolls Royce" Strategy	"We Try Harder" Strategy	"Best Buy" Strategy
MEDIUM	"Out Performs" Strategy	"Piece of the Rock" Strategy	"Smart Shopper"
LOW	"Feature Packed" Strategy	"Keeps on Ticking" Strategy Hunter"	"Bargain"

APPENDIX 2: FINANCIAL MANAGEMENT

1. Income Projection Statement

* Instructions for Income Projection Statement

2. Balance Sheet

* Instructions for Balance Sheet

3. Monthly Cash Flow Projection

* Instructions for Monthly Cash Flow Projection

4. Information Resources

INCOME PROJECTION STATEMENT

% total %

- * Total net sales (revenues)
 - * Costs of sales
 - * Gross profit
 - * Gross profit margin
 - * Controllable expenses
- * Salaries/wages
 - * Payroll expenses
 - * Legal/accounting
 - * Advertising
 - * Automobile
 - * Office supplies
 - * Dues/Subscriptions
 - * Utilities
 - * Miscellaneous
 - * Total controllable
 - * expenses
- * Fixed expenses

- * Rent
 - * Depreciation
 - * Utilities
 - * Insurance
 - * License/permits
 - * Loan payments
 - * Miscellaneous
- * Total fixed expenses
- Total expenses**
- * Net profit (loss) * before taxes
- Taxes**
- Net profit (loss) after taxes

INSTRUCTIONS FOR INCOME PROJECTIONS STATEMENT

The income projections (profit and loss) statement is valuable as both a planning tool and a key management tool to help control business operations. It enables the owner/manager to develop a preview of the amount of income generated each month and for the business year, based on reasonable predictions of monthly levels of sales, costs and expenses.

As monthly projections are developed and entered into the income projections statement, they can serve as definite goals for controlling the business operation. As actual operating results become known each month, they should be recorded for comparison with the monthly projections. A completed income statement allows the owner/manager to compare actual figures with monthly projections and to take steps to correct any problems.

Industry Percentage

In the industry percentage column, enter the percentages of total sales (revenues) that are standard for your industry, which are derived by dividing

costs/expenses items x 100%

Total net sales

These percentages can be obtained from various sources, such as trade associations, accountants or banks. The reference librarian in your nearest public library can refer you to documents that contain the percentage figures, for example, Robert Morris Associates' Annual Statement Studies (One Liberty Place, Philadelphia, PA 19103).

Industry figures serve as a useful bench mark against which to compare cost and expense estimates that you develop for your firm. Compare the figures in the industry percentage column to those in the annual percentage column.

Total Net Sales (Revenues)

Determine the total number of units of products or services you realistically expect to sell each month in each department at the prices you expect to get. Use this step to create the projections to review your pricing practices.

* What returns, allowances and markdowns can be expected? * Exclude any revenue that is not strictly related to the business.

Cost of Sales

The key to calculating your cost of sales is that you do not overlook any costs that you have incurred. Calculate cost of sales of all products and services used to determine total net sales. Where inventory is involved, do not overlook transportation costs. Also include any direct labor. Gross Profit

Subtract the total cost of sales from the total net sales to obtain gross profit.

Gross Profit Margin

The gross profit is expressed as a percentage of total sales (revenues). It is calculated by dividing

$$\frac{\text{gross profits}}{\text{Total net sales}}$$

Controllable (also known as Variable) Expenses

- * Salary expenses-Base pay plus overtime.
 - * Payroll expenses-Include paid vacations, sick leave, health insurance, unemployment insurance and social security taxes.¹
 - * Outside services-Include costs of subcontracts, overflow work and special or one-time services.
 - * Supplies-Services and items purchased for use in the business.
 - * Repair and maintenance-Regular maintenance and repair, including periodic large expenditures such as painting.
 - * Advertising-Include desired sales volume and classified directory advertising expenses.
 - * Car delivery and travel-Include charges if personal car is used in business, including parking, tools, buying trips, etc.
 - * Accounting and legal-Outside professional services.

Fixed Expenses

- * Rent-List only real estate used in business.
 - * Depreciation-Amortization of capital assets.
 - * Utilities-Water, heat, light, etc.

- * Insurance-Fire or liability on property or products.
- * Include workers' compensation.
- * Loan repayments-Interest on outstanding loans.
- * Miscellaneous-Unspecified; small expenditures without separate accounts.

Net Profit (loss)

(before taxes) - Subtract total expenses from gross profit. Taxes - Include inventory and sales tax, excise tax, real estate tax, etc. ***Net Profit (loss)***

(after taxes) - Subtract taxes from net profit (before taxes)

Annual Total

- For each of the sales and expense items in your income projection statement, add all the monthly figures across the table and put the result in the annual total column.

Annual Percentage

- Calculate the annual percentage by dividing

$$\frac{\text{Annual total} \times 100\%}{\text{total net sales}}$$

* Compare this figure to the industry percentage in the first column.

BALANCE SHEET

COMPANY NAME
As of _____, 19____

Assets

Current assets

Cash	\$_____
Petty cash	\$_____
Accounts receivable	\$_____
Inventory	\$_____
Short-term investment	\$_____
Prepaid expenses	\$_____

Long-term investment \$_____

Fixed assets

Land \$_____

Buildings \$_____

Improvements \$_____

Equipment \$_____

Furniture \$_____

Automobile/vehicles \$_____

Other assets

1. \$_____

2. \$_____

3. \$_____

4. \$_____

Total assets \$_____

Liabilities

Current Liabilities

Accounts payable \$_____

Notes payable \$_____

Interest payable \$_____

Taxes payable

Federal income tax \$_____

State income tax \$_____

Self-employment tax \$_____

Sales tax (SBE) \$_____

Property tax \$_____

Payroll accrual \$_____

Long-term liabilities

Notes payable \$_____

Total liabilities \$_____

Net worth (owner equity) \$_____

Proprietorship

or

Partnership

(name's) equity \$_____

(name's) equity \$_____

or

Corporation

Capital stock \$_____

Surplus paid in \$_____

Retained earnings \$_____

Total net worth \$_____

Total liabilities and
total net worth \$_____

(Total assets will always equal total liabilities and total net worth)

INSTRUCTIONS FOR BALANCE SHEET

Figures used to compile the balance sheet are taken from the previous and current balance sheet as well as the current income statement. The income statement is usually attached to the balance sheet. The following text covers the essential elements of the balance sheet.

At the top of the page fill in the legal name of the business, the type of statement and the day, month and year.

Assets

List anything of value that is owned or legally due the business. Total assets include all net values. These are the amounts derived when you subtract depreciation and amortization from the original costs of acquiring the assets.

Current Assets

- Cash-List cash and resources that can be converted into cash within 12 months of the date of the balance sheet (or during one established cycle of operation). Include money on hand and demand deposits in the bank, e.g., checking accounts and regular savings accounts.
- Petty cash-If your business has a fund for small miscellaneous expenditures, include the total here.
- Accounts receivable-The amounts due from customers in payment for merchandise or services.
- Inventory-Includes raw materials on hand, work in progress and all finished goods, either manufactured or purchased for resale.
- Short-term investments-Also called temporary investments or marketable securities, these include interest- or dividend-yielding holdings expected to be converted into cash within a year. List stocks and bonds, certificates of deposit and time-deposit savings accounts at either their cost or market value, whichever is less.
- Prepaid expenses-Goods, benefits or services a business buys or rents in advance. Examples are office supplies, insurance protection and floor space.

Long-term Investments

Also called long-term assets, these are holdings the business intends to keep for at least a year and that typically yield interest or dividends. Included are stocks, bonds and savings accounts earmarked for special purposes.

Fixed Assets

Also called plant and equipment. Includes all resources a business owns or acquires for use in operations and not intended for resale. Fixed assets may be leased. Depending on the leasing arrangements, both the value and the liability of the leased property may need to be listed on the balance sheet.

- Land-List original purchase price without allowances for market value.
- Buildings
- Improvements
- Equipment
- Furniture
- Automobile/vehicles

LIABILITIES

Current Liabilities

List all debts, monetary obligations and claims payable within 12 months or within one cycle of operation. Typically they include the following:

- Accounts payable-Amounts owed to suppliers for goods and services purchased in connection with business operations.

- Notes payable-The balance of principal due to pay off short-term debt for borrowed funds. Also includes the current amount due of total balance on notes whose terms exceed 12 months.
- Interest payable-Any accrued fees due for use of both short- and long-term borrowed capital and credit extended to the business.
- Taxes payable-Amounts estimated by an accountant to have been incurred during the accounting period.
- Payroll accrual-Salaries and wages currently owed.

Long-term Liabilities

Notes payable-List notes, contract payments or mortgage payments due over a period exceeding 12 months or one cycle of operation. They are listed by outstanding balance less the current position due.

Net worth

Also called owner's equity, net worth is the claim of the owner(s) on the assets of the business. In a proprietorship or partnership, equity is each owner's original investment plus any earnings after withdrawals.

Total Liabilities and Net Worth The sum of these two amounts must always match that for total assets.

MONTHLY CASH FLOW PROJECTION

Name of Business Owner Type of Business Prepared by Date

Pre-start- 1 2 3 4 5 6 Total up position Columns 1-6

Year Month

Est.* Act.* Est.Act. Est.Act. Est.Act. Est.Act. Est.Act. Est.Act.

Est.Act.

1. Cash on hand (beginning month)

2. Cash receipts

* (a) Cash sales

* (b) Collections from credit

* accounts

* (c) Loan or other cash

* injections (specify)

3. Total cash receipts (2a+2b+2c=3)

4. Total cash available

(before cash out) (1+3)

5. Cash paid out

* (a) purchases (merchandise)

* (b) Gross wages (excludes withdrawals)

* (c) Payroll expenses (taxes, etc.)

* (d) Outside services

* (e) Supplies (office and

- * operating)
- * (f) Repairs and maintenance
- * (g) Advertising
- * (h) Car, delivery and travel
- * (i) Accounting and legal
- * (j) Rent
- * (k) Telephone
- * (l) Utilities
- * (m) Insurance
- * (n) Taxes (real estate, etc.)
- * (o) Interest
- * (p) Other expenses (specify
- * each)
- * (q) Miscellaneous
- * (unspecified)
- * (r) Subtotal
- * (s) Loan principal payment
- * (t) Capital purchases
- * (specify)
- * (u) Other start-up costs
- * (v) Reserve and/or escrow
- * (specify)
- * (w) Owner's withdrawal
- 6. Total cash paid out (5a through 5w)
- 7. Cash position (end of month) (4 minus 6)
- * Essential operating data
- * (non-cash flow information)
 - * A. Sales volume (dollars)
 - * B. Accounts receivable
 - * (end on month)
 - * C. Bad debt (end of
 - * month)
 - * D. Inventory on hand (end
 - * of month)
 - * E. Accounts payable (end
 - * of month)

INSTRUCTIONS FOR MONTHLY CASH FLOW PROJECTION

- * 1. Cash on hand (beginning of month) -- Cash on hand same as
- (7),
- * Cash position, pervious month
- * 2. Cash receipts-
 - * (a) Cash sales-All cash sales. Omit credit sales unless cash is actually received

- * (b) Gross wages (including withdrawals)-- Amount to be expected from all accounts.
- * (c) Loan or other cash injection-Indicate here all cash injections not shown in 2(a) or 2(b) above.
- * 3. Total cash receipts (2a+2b+2c=3)
- * 4. Total cash available (before cash out)(1+3)
- * 5. Cash paid out -
 - * (a) Purchases (merchandise)--Merchandise for resale or for use in product (paid for in current month).
 - * (b) Gross wages (including withdrawals)--Base pay plus overtime (if any)
 - * (c) Payroll expenses (taxes, etc.)-- Include paid vacations, paid sick leave, health insurance, unemployment insurance, (this might be 10 to 45% of 5(b))
 - * (d) Outside services-This could include outside labor and/or material for specialized or overflow work, including subcontracting
 - * (e) Supplies (office and operating)--Items purchased for use in the business (not for resale)
 - * (f) Repairs and maintenance-Include periodic large expenditures such as painting or decorating
 - * (g) Advertising-This amount should be adequate to maintain sales volume

- * (h) Car, delivery and travel-If personal car is used, charge in this column, include parking
- * (i) Accounting and legal-Outside services, including, for example, bookkeeping
- * (j) Rent-Real estate only (See 5(p) for other rentals)
- * (k) Telephone
- * (l) Utilities-Water, heat, light and/or power
- * (m) Insurance-Coverage on business property and products (fire, liability); also worker's compensation, fidelity, etc. Exclude executive life (include in 5(w))
- * (n) Taxes (real estate, etc.)-- Plus inventory tax, sales tax, excise tax, if applicable
- * (o) Interest-Remember to add interest on loan as it is injected (See 2© above)
- * (p) Other expenses (specify each)

Unexpected expenditures may be included here as a safety factor _____

Equipment expenses during the month should be included here (non-capital equipment) _____

When equipment is rented or leased, record payments here

- * (q) Miscellaneous (unspecified)--Small expenditures for which separate accounts would be practical

* (r) Subtotal-This subtotal indicates cash out for operating costs

* (s) Loan principal payment-Include payment on all loans, including vehicle and equipment purchases on time payment

* (t) Capital purchases (specify)--Nonexpensed (depreciable) expenditures such as equipment, building purchases on time payment

* (u) Other start-up costs-Expenses incurred prior to first month projection and paid for after start-up

* (v) Reserve and/or escrow (specify)-- Example: insurance, tax or equipment escrow to reduce impact of large periodic payments

* (w) Owner's withdrawals-Should include payment for such things as owner's income tax, social security, health insurance, executive life insurance premiums, etc.

* 6. Total cash paid out (5a through 5w)

* 7. Cash position (end on month) (4 minus 6)-- Enter this amount in (1) Cash on hand following month-

Essential operating data (non-cash flow information)--This is basic information necessary for proper planning and for proper cash flow projection. Also with this data, the cash flow can be evolved and shown in the above form.

* A. Sales volume (dollars)--This is a very important figure and should be estimated carefully, taking into account size of facility and employee output as well as realistic anticipated

sales (actual sales, not orders received).

* B. Accounts receivable (end of month)-- Previous unpaid

credit sales plus current month's credit sales, less amounts

received current month (deduct "C" below)

* C. Bad debt (end on month)-- Bad debts should be subtracted

from (B) in the month anticipated

* D. Inventory on hand (end on month)-- Last month's inventory

plus merchandise received and/or manufactured current month

minus amount sold current month

* E. Accounts payable (end of month) Previous month's payable

plus current month's payable minus amount paid during month.

* F. Depreciation-Established by your accountant, or value of

all your equipment divided by useful life (in months) as

allowed by Internal Revenue Service

APPENDIX 3: INFORMATION RESOURCES

U.S. Small Business Administration (SBA): The SBA offers an extensive selection of information on most business management topics, from how to start a business to exporting your products.

This information is listed in "Resource Directory for Small Business Management." For a free copy contact your nearest SBA office. SBA has offices throughout the country. Consult the U.S. Government section in your telephone directory for the office nearest you. SBA offers a number of programs and services, including training and educational programs, counseling services, financial programs and contract assistance. Ask about

- Service Corps of Retired Executives (SCORE), a national organization sponsored by SBA of over 13,000 volunteer business executives who provide free counseling, workshops and seminars to prospective and existing small business people.
- Small Business Development Centers (SBDCs), sponsored by the SBA in partnership with state and local governments, the educational community and the private sector. They provide assistance, counseling and training to prospective and existing business people.
- Business Information Centers (BICs), offering state-of-the-art technology, informational resources and on-site counseling for start-up and expanding businesses to create

business, marketing and other plans, do research, and receive expert training and assistance.

For more information about SBA business development programs and services, call the SBA Small Business Answer Desk at 1-800-U-ASK-SBA (827-5722).

Other U.S. Government Resources

Many publications on business management and other related topics are available from the Government Printing Office (GPO). GPO bookstores are located in 24 major cities and listed in the Yellow Pages under the "bookstore" heading. You can request a "Subject Bibliography" by writing to Government Printing Office, Superintendent of Documents, Washington, DC 20402-9328.

Many federal agencies offer publications of interest to small businesses. There is a nominal fee for some, but most are free. Below is a selected list of government agencies that provide publications and other services targeted to small businesses. To get their publications, contact the regional offices listed in the telephone directory or write to the addresses below:

*** Consumer Information Center (CIC)**

* P.O. Box 100

* Pueblo, CO 81002

The CIC offers a consumer information catalog of federal publications.

*** Consumer Product Safety Commission (CPSC)**

* Publications Request

* Washington, DC 20207

The CPSC offers guidelines for product safety requirements.

*** U.S. Department of Agriculture (USDA)**

* 12th Street and Independence Avenue, SW

* Washington, DC 20250

The USDA offers publications on selling to the USDA. Publications and programs on entrepreneurship are also available through county extension offices nationwide.

*** U.S. Department of Commerce (DOC)**

* Office of Business Liaison

* 14th Street and Constitution Avenue, NW

* Room 5898C

* Washington, DC 20230

DOC's Business Assistance Center provides listings of business opportunities available in the federal government. This service also will refer businesses to different programs and services in the DOC and other federal agencies.

*** U.S. Department of Health and Human Services (HHS) - Public Health Service**

* Alcohol, Drug Abuse and Mental Health Administration

* 5600 Fishers Lane

* Rockville, MD 20857

Drug Free Workplace Helpline: 1-800-843-4971. Provides information on Employee Assistance Programs.
National Institute for Drug Abuse Hotline: 1-800-662-4357. Provides information on preventing substance abuse in the workplace.
The National Clearinghouse for Alcohol and Drug Information: 1-800-729-6686 toll-free. Provides pamphlets and resource materials on substance abuse.

*** U.S. Department of Labor (DOL)**

- * Employment Standards Administration
- * 200 Constitution Avenue, NW
- * Washington, DC 20210
- * The DOL offers publications on compliance with labor laws.

*** U.S. Department of Treasury**

- * Internal Revenue Service (IRS)
- * P.O. Box 25866
- * Richmond, VA 23260
- * 1-800-424-3676
- * The IRS offers information on tax requirements for small businesses.

*** Environmental Protection Agency Office of Small Business Ombudsman**

- * U.S. Environmental Protection Agency (EPA)
 - * Small Business Ombudsman (Mail Code 2131)
 - * Room 3423
 - * 401 M Street, S.W.
 - * Washington, D.C. 20460
 - * 1-800-368-5888 except in DC and VA
 - * 202-260-1211 in DC and VA
- The EPA offers more than 100 publications designed to help small businesses understand how they can comply with EPA regulations.

U.S. Food and Drug Administration (FDA)

- FDA Center for Food Safety and Applied Nutrition
- * 200 C Street, SW
 - * Washington, DC 20204
- The FDA offers information on packaging and labeling requirements for food and food-related products.

For More Information

A librarian can help you locate the specific information you need in reference books. Most libraries have a variety of directories, indexes and encyclopedias that cover many business topics. They also have other resources, such as

*** Trade association information**

- * Ask the librarian to show you a directory of trade associations. Associations provide a valuable network of resources to their members through publications and services such as newsletters, conferences and seminars.

* **Books**

* Many guidebooks, textbooks and manuals on small business are published annually. To find the names of books not in your local library check Books In Prints, a directory of books currently available from publishers.

* **Magazine and newspaper articles**

* Business and professional magazines provide information that is more current than that found in books and textbooks. There are a number of indexes to help you find specific articles in periodicals.

In addition to books and magazines, many libraries offer free workshops, lend skill-building tapes and have catalogues and brochures describing continuing education opportunities.

Last Modified by the SBA: 8-18-99

Appendix B: Forms & Documents

Paperwork is an unavoidable part of the professional motorcoach business. Before, after and during the work of carrying passengers for hire, your need to maintain and file documentation continues.

This section contains some of the documents you'll need to conduct your business. It starts with the Federal Motor Carrier Safety Administration's (FMCSA) "OP-1P" form, your application for the grant of federal authority to carry passengers in interstate commerce; and it proceeds through many of the Internal Revenue Service (IRS) tax forms you'll use to reclaim a share of the federal excise taxes which you spend in purchasing diesel fuel.

These documents are provided for your use in ".PDF" files. Created by Adobe Software, the "portable document format" allows you to open a document and print in your own office a form which is the exact replica of the original form. To open a PDF file, you need the "Adobe Acrobat" reader program. The program is free and available both as part of the disk copy of this guide and through virtually every website using PDF documents, including the [FMCSA](#) and the [IRS](#).

All forms are in Adobe Portable Document Format (PDF). To read PDF documents you need to have Adobe Acrobat Reader installed on your computer. You can install it at no cost by clicking on the yellow graphic above or going to <http://www.adobe.com/prodindex/acrobat/readstep.html>.

Appendix B: FORMS

A. Federal Motor Carrier Safety Administration (FMCSA) Forms:

- 1) **Form OP-1P:** Application for Interstate Operating Authority.
[Form](#) [Explanation](#)
[Additional Discussion](#)
- 2) **Form BOC-3: Registration of Process Agents**
[Form](#) [Explanation](#)
- 3) **FMCSA Form MCS-150: Motor Carrier Periodic Census Information**
[Form](#) [Explanation](#)
- 4) **FMCSA Driver Medical Form (revised 2000)**
[Form](#) [Explanation](#)

B. Internal Revenue Service (IRS) Forms:

- 1) **Form 4136:** Refund of Federal Excise Tax on Diesel Fuel (Annual)
[Form](#) [Explanation](#)
- 2) **Form 8849** Refund of Federal Excise Tax on Diesel Fuel (Quarterly)
[Form](#) [Explanation](#)
- 3) **Form 720:** Delayed Payment of Federal Excise Tax on Diesel Fuel

[Form](#) [Explanation](#)

4) **IRS Publication 510:** Federal Excise Tax Refund Instructions

[Form](#) [Explanation](#)

C. Americans with Disabilities Act (ADA)

[Final Act: Federal Register](#) [Explanation](#)

[Reporting Forms](#) [Explanation](#)

D. National Transportation Safety Board (NTSB)

[Study: Bus Crashworthiness](#) [Study](#)

E. United Motorcoach Association (UMA)

1.) Membership Application Form

[Form](#) [Explanation](#)

2a.) [UMA Operating Ratio Study Spreadsheet \(.pdf file\)](#)

2b.) [UMA Operating Ratio Study Spreadsheet \(.xls file\)](#)

3.) [UMA White Paper on Seat Belts.](#)

4.) [Rules for Schools](#)

[UMA Website: http://www.uma.org](#)

E-mail to UMA info@uma.org

Appendix C: Industry Business Statistics

One of the keys when to success when starting a new business or making mid-course adjustments to a well-established business is to understand the benchmarks which exist in your industry.

When the Interstate Commerce Commission (ICC) required annual financial statements from motor carriers of passengers, comparisons were comparatively easy. Since 1982, however, those reports have not been required. As a result, company operating statistics have been held closely confidential. Even if they had been made public, the widespread differences in individual bookkeeping practices and charts of accounts might have made comparisons impossible.

In 2000, the United Motorcoach Association (UMA) asked each of its member companies to -- voluntarily -- provide financial information about their company to the Association. More than a hundred companies representing large and small operators; charter, tour and fixed-route service; urban and rural, responded to the request. Their responses allowed UMA to compile industry performance benchmarks presented here in the report's executive summary. Full results of the *Year 2000 Operating Ratio Survey* is available for purchase from the UMA by calling (800) 424-8262 or by e-mail to info@uma.org.

UMA BENCHMARKING & OPERATING RATIO STUDY Executive Summary

The United Motorcoach Association's (UMA) First Annual Benchmarking and Operating Ratios Study was conducted in the fall of 2000 on UMA's behalf by VERIS Consulting, Inc. (VERIS, formerly Johnson, Lambert & Co.). Results of the survey were compiled in January of 2001.

Together with VERIS, UMA's Survey Task Force developed a survey which it hoped could set industry benchmarks for bus and motorcoach operators. The survey covered all major aspects of operating a commercial bus and motorcoach business, including overall company costs, financial performance, fleet composition and compensation practices.

UMA/VERIS received approximately 175 responses from motorcoach companies nationwide. The sample was diverse: participating companies' sales ranged from several hundred thousand dollars in gross revenues per year to those with revenues of more than \$20 million.

Clearly, this survey represents responses from very large companies and very small companies. It represents responses from line haul and charter, urban and rural carriers. The full survey results go to great length to segregate each category within the appropriate mode of operation. We urge readers to review those specific category results. To review the survey's data categories, look in [Section 3's Tracking Your](#)

[Finances](#) discussion. Some pertinent, generalized, findings are available from the report, however. They include:

- In the 1999-2000 fiscal year, the average bus travelled more than 54,000 miles.
- The average company earned total operating revenues per coach of approximately \$128,000.
- Drivers' costs, which include wages and benefits, averaged 21- percent of total revenue.
- The average driver in the 1999-2000 fiscal year earned an hourly wage of \$9.96.
- The average mechanic in the 1999-2000 fiscal year earned an hourly wage of \$14.76.
- [Revenue equipment costs](#) were highest among companies with revenues between \$2 million and \$8 million. These companies reported revenue equipment costs that were approximately 22-percent of their total revenues, while the companies with under \$2 million in revenues and those with over \$8 million in revenues reported 18-percent and 15-percent respectively.
- The debt to equity ratio, which expresses the relationship between what is owed by a company (current and long-term debt) and what a company is worth (net worth or equity), ranged from 2.41 among the companies in the under \$2 million revenue category to 7.9 among the over \$8 million revenue category. This ratio is often used as a test of long-term solvency, although special care should be exercised in interpreting these numbers since accounting methods differ between companies.
- Of great importance to most operators are fuel expenditures as a percentage of total revenues. This number was of particular interest this year, given the year 2000's sharp increases in fuel prices. In the 1999-2000 fiscal year, the average company reported fuel expenditures of 7.1-percent of total revenues. The median small company (under \$2 million) reported fuel expenditures of 8.2-percent.

The report contains hundreds of other ratios and statistical benchmarking information on profitability measures, return on investments, equipment usage and driver costs. It is available at no charge to survey participants. Non-participating companies may purchase the full report by contacting [UMA](#).

UMA wishes to thank the following companies for their sponsorship of the study:

Blue Bird Corporation
Prevost Car
Deacher Consulting Group
SETRA/Kassbohrer of North America, Inc.
GE Capital

Watch UMA for updates.

About UMA

The United Motorcoach Association ("UMA") is North America's largest association of professional bus and motorcoach companies. Founded in 1971 as the United Bus Owners of America, UMA's membership now includes over 900 motorcoach companies. Another 250 motorcoach manufacturers, suppliers and related businesses are currently "Associate" members of UMA.

Headquartered in Alexandria, VA, across the Potomac River from Washington, DC, UMA serves the informational, legislative, regulatory and business needs of its member companies. Within the membership, companies range from one and two vehicles to those with many hundreds of coaches; from small tour-specific companies to those performing intercity route service, charter and tour operations on a coast-to-coast scale.

The UMA's offices are located in Alexandria, Virginia.

You may contact UMA CEO Victor S. Parra at (703) 838-2929 or, toll-free, at 800-424-8262.

If you'd like more information about UMA or how to become a member, please write to info@uma.org.



What it takes to drive your business.