

If your business concept is very simple or short term, perhaps you don't need a fully developed business plan. This module was developed to allow you to respond quickly to a narrow window of opportunity, and to demonstrate to yourself that the venture is viable. George Finklestein had a lot of experience in window cleaning over the three summers he was attending university. As a matter of fact, it paid for his education. After graduating, and after a fruitless job search that involved sending out over 100 résumés, Finklestein decided that he could have a career in business. He knew that there was money to be made in window cleaning, and so he decided that this is where he would start. He wasn't looking for financing and wanted to get going right away. When he registered his business name, "Yes, We Do Windows," he knew he had to have some kind of plan. He created a fast-start plan. It took him only about a month to fill in the details since he already knew the business quite well.

Did the plan work? Here is George's response. "In February of my first year, I took three weeks off and did some deep-sea fishing. Turned out, window cleaning was quite profitable. While on vacation, I made a decision: when I got home I would spend my spare hours developing a detailed plan and a franchise package for my student employees." The next summer, he had 12 student franchisees, and was making plans to go biking in Europe during his off-season.

Some entrepreneurs, like George Finklestein, may not need an exhaustive business plan. The fast-start plan lets you get going now! It's great if you've been in business before and know the footwork of entrepreneurship. With the fast-start plan, you're using the business as a probe into the marketplace. You can start quickly because you have an instinct for beating out the competition. You have a sense of the market. You have a good feel of the business you are starting.

We have not included this fast-start template information in our main text because the fast-start plan is **not** a substitute for preparing a full-fledged plan. A fast-start plan can be used for a specific venture that is easy to start, carrying minimal risk. Also use it for a business that's breaking new ground, where there is little data available and speed to the market is imperative.

In addition, to check out a business idea quickly, you can prepare a Fast-Start Plan and then complete a full-fledged plan if the fast-start plan looks promising. Read through the *Yes, We Do Windows Business Plan* at the end of this module before you start writing your fast-start plan.

But first you need to make sure the fast-start plan is the right start for you. If you're going it alone, with money you can afford to lose (\$1,000; \$5,000; \$10,000; \$100,000), and if the loss of that money won't jeopardize your loved ones or make wolves howl at your door, the fast-start plan may work for you.

### LEARNING OPPORTUNITIES

After reading this module, you should be able to:

- admit that you're in a hurry;
- launch a start-up without getting financial help from bankers;
- capitalize on a hot opportunity in the marketplace;
- start small while you explore the possibilities of growing larger;
- work with numbers so that you can keep going when the going gets tough;
- make some money now;
- plan as you work in your new business.

### ACTION STEP PREVIEW



1. Describe your new business.
2. Describe the business you are really in.
3. Describe what your competitors look like.
4. Describe your pricing strategy.
5. Describe your target customer and your main market area.
6. Describe your promotion budget and program.
7. Calculate what it will cost you to open your doors.
8. Determine how much you will sell in your first month and how much you will spend.
9. Make a "things to do" list. This module hands you a fast-start plan that requires only a little work from the reader.

If other people are involved—investors, bankers, advisors, company officers—then return to Chapter 15 and write a comprehensive plan, which gives you a blueprint to follow month by month through the first year. It tracks your business through seasonal ups and downs and allows for contingencies.

Gather up all the information from your past action steps. For additional assistance, use BDC Business Plan Templates ([http://www.bdc.ca/en/business\\_tools/business\\_plan/default.htm?cookie%5Ftest=1](http://www.bdc.ca/en/business_tools/business_plan/default.htm?cookie%5Ftest=1)) or develop the fast-start plan on your own.

## QUICK CHECKLIST

Here's a quick checklist for implementing the fast-start plan:

- Can you afford to lose your dollar investment? How much money can you afford to lose at the slots in Las Vegas or Windsor, Ontario? Can you lose \$100? \$1,000? \$5,000? More? What's your deductible on your car insurance? Your boat? Write down the amount you can afford to lose. If you have excess money to speculate with, then the fast-start plan is for you.
- How easy is it to enter this business? Are there barriers to entry low? Is it easy to talk to owners? Are role models in great abundance? Do the prospective customers have a clear understanding of the goods and services provided? Examples of business with wide doors: window washing, auto detailing, landscape maintenance, pet-sitting, house-sitting, consulting.
- Can you start this business on a part-time basis? Starting part-time lessens your risk. You have a chance to prove the business. You can see how much you really like it, keep a running tally of customer responses, and keep your other job.
- How tough is it to gather the data needed to formulate a fast-start plan? In breaking new ground, be careful. In a venture like this, the market is not clearly defined. There are very few competitors. Pricing is not clear. Remaining part-time is essential. You must be certain you've got a market out there.
- Can you start using only your own funds? Bill Gates, the founder of Microsoft, could use the fast-start plan for a business start-up costing \$50,000 to \$1,000,000. A single parent of two with rent and a car loan to pay might afford much less. Be honest with yourself. Be honest with your family.

## STRUCTURING YOUR PLAN

Use these questions to structure your fast-start plan:

1. How do you describe your business?
2. What business are you really in?
3. Who is your main and secondary competition? How are they doing?
4. What is your entry strategy?
5. What is your pricing strategy?
6. Who is your target customer? Why should they buy from you?
7. How will you advertise?
8. What are your start-up costs?
9. What are your sales goals for the first three months?
10. What are your operating expenses for the first three months?
11. If you crash and burn, what can you salvage for cash?

It's night. The family's gone to bed. The house is quiet. The pets are snoozing. It's time to sit back in your favourite chair, time to relax, time to dream about your new business. Think about your vision, and then write down your dream:

You step out of your van. It's a handsome vehicle, spotless, white, and gleaming. On the side, in red letters, is your sign: My Carpet Cleaners—Quality and Service Is Our Number One Job. Your company phone number is underneath. You are all in white, white jumpsuit, white shoes. The starched look gives you the image of being the best carpet cleaner in town. You catch your reflection in the mirror. The jumpsuit makes you look taller. The company logo stitched on your breast pocket makes you proud.

The house of your prospective customer is large. Three stories, well-kept lawn, a three-car garage, a curved driveway. The walkway leading to the front door is paved. The doorway is large enough to drive a truck through. Out back, you can hear the happy shrieks of children as they splash in the pool.

Cut to the job. You're in a big room with wall-to-wall carpet. Your machine sucks up the dirt. The customer enters, walking on a drop cloth you laid down for your equipment. Pointing to a transparent tube attached to your super-steam vacuum, you show the customer the dirt coming out of her carpet. The carpet glows in the sunlight as you go after those drapes. The customer, overwhelmed with such service, hands you the biggest cheque you've ever seen.

This cheque is two metres long and one metre high. The customer smiles. You read the amount—fantastic money for a fantastic job—and dance your way out of the house and down the walkway to your van.

## GREAT DREAM EQUALS GREAT BUSINESS

A business dream separates your business from everyone else who's out there trying to clean carpets.

You're clean and you're in the cleaning business. You're proud of being in business. You care. The customer, owner of expensive things, cares that you care. We like to do business with people who care about what they're doing. Such people take pride in a job well done.

By being spotless when you enter this home, you show the customer respect. Your equipment is spotless. You're not dragging someone else's dirt into the place. The drop cloth is a nice touch.

You look like a carpet cleaner. You act like a carpet cleaner and are very knowledgeable about carpet cleaning. Your dream gives you a jump start. Now you add details.

What products and services will you offer? Will you limit yourself to carpets? Or will you clean chairs and drapes? Will you specialize in homes? Or will you do offices? Will you provide a simple service? Or will you also sell spot remover, touch-up cleaners, and other extras?

Complete Action Step 1.

## WHAT BUSINESS ARE YOU REALLY IN?

Are you selling clean carpets? Are you selling a better-looking home or office? Are you selling better health? Are you helping the customer preserve an investment? Remember, in the eyes of the customer, you are selling benefits.

To help you, let's profile two different businesses in the same industry.

Business A is a family restaurant. It's open 24 hours a day. There's nothing on the menu over \$9.95. The menu for children is extensive. On each table is a

### ACTION STEP 1



#### Describe your new business

What will your business look like to your customers? To your competitors? To yourself?

Write quick descriptions of your products and/or services. What do they look like? How do they feel? How much time do they take? How much do they cost? Next, describe them in terms of benefits to your customers. How will Target Customer A benefit from buying your product or service?

What is unique about your product or service? What separates you from your competitors?

Research the marketplace. Is your type of business growing? If so, how fast? Where are you on the life-cycle chart? Is your market area growing?

Try to describe your business in 50 words or less. When you tell people about your business, you want to have a clear, crisp picture. You want to use the right words.

This is your business. You want to know exactly what it is.

## ACTION STEP 2



### Describe the business you are really in

This is a tough task.

Start by interviewing customers of your competitors. Why do they buy what they buy? Why do they shop here instead of somewhere else? What are they after? What are they trying to satisfy? What itch does this business scratch?

Stimulate your thinking by analogy. For example, what do you get when you have your car washed? It costs you anywhere from \$2 to \$25, and for what? A clean car? A savings in time? Pride of ownership? A car your customer will ride in? Does washing the car make you feel clean? Is it maintenance you're paying for? Do you live near the beach, where the salt air eats your chrome?

Where do you buy clothes? Why? Where do you buy gas? Why? Who cleans your carpet? Why?

Probe your own buying habits. Probe the buying habits of your friends. Keep an open mind. Gather data. All this will lead you to discover what business you're really in.

digital clock and a sign that says you eat free if your meal is not on the table within 10 minutes of being ordered. The clock invites the customer to set it, and invites the waiter to beat the clock.

Business B is a restaurant with limited hours. Weekdays it's open from 11 a.m. to 2 p.m. and from 5 p.m. to 10 p.m. Weekends it's open from 5 p.m. until midnight. Each table features large, comfortable chairs. The lighting is soft. The china is fine, the silverware first class. The waiters wear tuxes, and their manners are impeccable. The wine list contains fine vintages from Europe and California. If you can stump the bartender by requesting a drink she cannot mix, your drink is served free by the *maitre d'* hotel. The cheapest entrée on the menu is \$25 (this restaurant rounds prices off).

Both A and B are in the food service business. You can find both in the restaurant section in the Yellow Pages. But are they both in the same business?

For your answer, look at the customers.

Customers go to Business A for fast service. Their desire is to feed the whole family without going broke. They don't want a long travel time, so Business A is close to home. The food is good. Not wonderful, not divine, but good.

Customers go to Business B for excellent food and superior service. They go to relax, to enjoy a perfect moment over a rare vintage. They may be driven by fantasy or romance or escape. They may go just to watch the staff perform. That's entertainment.

What business is A in? What business is B in?

Business A is in the family-feeding business. But B is in the entertainment business. While A provides nourishment at affordable prices, B provides more than food—it provides a dining experience. If you were the manager of Business A, you would do these things:

- purchase good food in quantity,
- get it at the lowest price,
- control waste in the kitchen,
- develop a fast and efficient delivery system,
- turn those tables.

If you were the manager of Business B, you would do these things:

- hire and train employees to fit the upscale image;
- provide ambience;
- select top-quality food, rare food, specialty food, and top-quality wines;
- find a bartender who knows the latest mixes and has excellent human relations skills.

To figure out what business you're in, take a couple of steps back. Look at your business from the viewpoint of the customer. Complete Action Step 2, then plan your course of action.

## WHO ARE YOUR COMPETITORS?

This is a good time to try out your new eyes. How much can you learn from your competitors?

How do you find them? If you're hunting for retailers or restaurant owners, you hop in your car and drive around. But how do you find a home-based word-processing business? How do you find a home-based cleaning service? How do you find a mobile auto detailer?

You know this: To stay in business, a business must communicate with potential customers. So use your entrepreneurial radar. Check your Yellow Pages and

your area newspapers. Look for business cards in copy centres. Check the Internet, and visit your competitors' websites. Look in trade magazines.

Once you find your competitors, take a closer look:

- Were they easy to find?
- How visible was their advertising?
- As you study their advertising strategies, what kind of a customer profile can you draw?
- Are they spending a lot on their advertising?
- Are they working on a shoestring?
- What can you tell from their pricing?
- Are prices firm?
- Are they negotiable?
- Are they high, low, or competitive?
- What kind of customer will go for these prices?
- Who will get shut out?
- Do your competitors understand the marketplace?
- Is their pricing structure positioned properly?
- Where is their pricing in the product life cycle?
- Have your competitors zeroed in on a specific target customer, or are they using the shotgun approach? Profile your competitors' target customer.
- Which of your competitors are successful? Can you tell why?
- Which are just hanging in there? Why?
- What are your competitors' market niches?
- What is their marketing strategy?
- What customer benefits do they offer?
  - Fast service?
  - Quality work?
  - Free delivery and pickup?
  - Low prices?
  - Better use of technology?

Even the most successful business overlooks something. Find out what they missed. Did they overlook a market segment? Did they get sloppy with their advertising? Is their range of services actually limited? Is their inventory sparse? Thousands of businesses have been built on the weaknesses of competition.

Take the time to chat with your competitors' customers:

- Are they satisfied? If not, why not?
- How do they see the competition?
- What image does the competition project?
- How do customers feel about price, quality, timeliness, and so on?

Take the time to chat with competitors outside your area. Is there a gap no one has thought to close? Complete Action Step 3.



**ACTION STEP 3**

**Describe what your competitors look like**

Are they winners? Losers? Why? What things are they doing right? What are they doing wrong?

How many competitors do you have? What customer groups are they serving? Which potential customers are they overlooking? Where do they advertise? Where do they promote? What do you think of their location? What market area do they cover?

If you owned a competitor's business, what would you change?

What can you learn from studying your competitors? After you have opened your business, do some more marketplace detecting as you study your competitors. You'll learn more, because you know more. A veteran entrepreneur knows what to look for.

In summarizing your competitive analysis, you might want to consider using a simple table or template, such as that shown in Table M2.1.

**Table M2.1 Competitor Evaluation Form**

Competitor (Name)	Strengths	Weaknesses	Strategy
Direct competitor 1			
Direct competitor 2			
Direct competitor 3			
Indirect competitor 1			

## HOW MUCH SHOULD YOU CHARGE?

Pricing is key. Don't be misled by thinking you can whisk customers away from established competitors by charging less for the same thing. It didn't work for now bankrupt department stores, and it won't work for you. Price should never be your only strategy.

Find out what's important to the customers. Is it time? Dependability? Quality? Convenience? Once you find out what it is, learn to see the value of your product or service through your customers' eyes.

For example, when you eat lunch at a fast-food restaurant, you buy French fries, coffee, tea, a soft drink. You pay a dollar or more for each of these items. The cost to the seller is a quarter or two per item. Within limits, these items are not price sensitive. The question is, What is the customer's perception of value?

When you shop, train yourself to make price comparisons. You might notice price differences like these, for example:

### Newspapers at the newsstand

*The Globe and Mail* \$0.85

Local paper \$0.70

### Coffee

At local doughnut shop \$1.00

At a luxury hotel \$3.00

### Car wash

High-school students' Saturday special \$3.00

Do-it-yourself \$3.00

Done for you \$12.00

### Transportation

Ford \$23,000

Mercedes \$75,000

Bentley \$275,000

### Education

One year at university \$8,000

One year at college \$3,000

Almost everyone has a price limit for every product or service. What is the most that people will pay for your product? Take a look at Action Step 4.

## PROFILE YOUR TARGET CUSTOMER

Who will receive the biggest benefit from your business? Who can afford your product? Who are your main, secondary, and invisible target customers? Where do they live? What's their income range? What do they need? What benefits do they want? What work do they do? Are they married? Single? Divorced? Retired? To profile your customers, become a marketplace detective. To practise, study the customers that buy from your competitors.

Do women outnumber men? What's the average age? What cars do they drive? What make? Price range? How are the customers dressed? How expensive are their shoes? Can you tell what methods of payment they use? Cash? Cheques? Credit? Debit? How expensive are the items they're buying?

Practice trains your eyes to consider the person as a prospect. The bottom line: What are the three or four critical success factors that characterize your target customer? Now complete Action Step 5.

### ACTION STEP 4



#### Describe your pricing strategy

What does your target customer see as good value?

What is most important to your target customer? Convenience? Quality? On-time delivery? Image? Price?

What stage of the product or service life cycle are you in?

How many competitors do you have? How close are they?

If price is the main decision factor, try to add a little extra something. What's unique about your product? Is it sufficient to let you charge a little extra?

### ACTION STEP 5



#### Describe your target customer and your main market area

Who is your primary target customer? Do a profile: sex, age, income, occupation, residence, vehicle driven—anything that gives you a picture of needs and wants.

What do they read? What do they watch? What do they listen to?

When you have profiled your primary customer, do the same thing for secondary customers.

How large is your main market area?

Will you sell in one section of town? The whole town? The province? The region? The country? If you're driving around to service accounts, how far will you have to drive?

## HOW DO YOU MAKE THAT CUSTOMER CONNECTION?

Before you spend a bundle on a TV ad, or three months knocking on doors of houses along Golf Course Drive, take some time to put together a message. What image do you want to project? How do you want the marketplace to perceive your product or service? What position do you want to assume among your competitors? What are the key benefits your business will offer customers? How soon do you want to start? How many autos can you detail—or homes can you clean—in one day?

Once you answer these questions, develop your overall marketing strategy. Start by designing your business card. Use a logo that offers insight into your business. If you're starting a computer training business, use something along the lines of "Computer Training That Works for You Tomorrow." If you're thinking of house cleaning: "Only Sparkle—Not a Speck of Dust." Always carry lots of business cards. They're inexpensive memory seeds, handy reminders, and often your most cost-effective advertising.

Once your business cards are ready, research ways of reaching customers. Do they gather at church? At school? At football games? At little league baseball? What do they read? Watch? Listen to? Could you reach them best through the Yellow Pages? Through radio? On a billboard? The Internet? What can you afford? Match that up with the most effective communication channel.

Stay visible. If your target customers gather in groups, try to reach them there. Attend their meetings. Get on their list of speakers. Give a demonstration. Hand out business cards. Offer a freebie. If you must find your customers one at a time, spend a few hours each day knocking on doors. Telephone prospects. Work your mailing list. If you use mail or e-mail contacts, be sure to follow up by phone.

Join the local chamber of commerce. If you're lucky, your chamber will run a short piece about you, the newcomer, in its newsletter. Stay visible at chamber meetings. Don't get pushy with your business cards, but have them handy.

While you're connecting with customers, don't overlook organizations that might act as your sales force. For example, let's say you've found a school where the parents' group is trying to raise funds to support an athletic endeavour. Put together a flier for students to take home. In return for each sale from the flier, perhaps your business could donate 10 to 25 percent to the fundraising group. Consider the donation a part of your promotional budget.

Complete Action Step 6.



### ACTION STEP 6

#### Describe your promotion budget and program

How will you let potential customers know that you are open for business? How will you let them discover the benefits of buying from you?

Start with the budget. How much money can you spend on promotion? Once you know what you can afford, select the advertising to match your budget.

As part of your plan, set up an evaluation procedure. You want to know how well each promotion works.

A template for a promotional budget and expected results, such as that shown in Table M2.2, will help you get started in planning this aspect of your new business.

**Table M2.2 Promotion Budget and Expected Results**

Promotion	Cost/Payment Dates	Expected Results
Yellow Pages		
Trade shows (2)		
Prizes		
Local fliers		
Newspaper ads		
Postage		
Brochures		
Networking events		
Website ads		
Other		

## ACTION STEP 7



### Calculate what it will cost you to open your doors

List your expenses: equipment, rentals, inventory—everything you'll need to start your business.

Start your list with business cards. End with the key for the front door. What comes in between?

When you have listed all the items, give each one an estimated cost. On equipment, buy used. If you can't buy used, try leasing. On inventory, negotiate with each supplier to see whether you can get credit terms right from the start. If you can't get credit, find out how you can get quality.

When the list is complete—items and costs—go through it with a black marker, deleting items you can do without for a month or so. You are trying to keep your up-front cash outlay to a minimum.

## WHAT ARE YOUR START-UP COSTS?

At your local office supply store, purchase the following: a travel log, an expense journal, and a folder to hold receipts. Remember to keep receipts because you can deduct travel and expenses related to your business start-up.

List everything that you need to get started. Don't worry whether the list would cost a bundle. You're brainstorming at this point. Don't overlook anything. A visit to your competitors will give you ideas for your list. An interview with an owner will trigger new items.

When you're chatting with businesspeople, ask questions: What kind of cash register or computer system and software do you use? What kind of bookkeeping system do you have? What's the cost of a start-up inventory? When your list is long, add price tags.

When you start purchasing, check the large discount stores. Also investigate mail order houses. If one company in your area can supply most of your needs, try to make a package deal and develop a long-term relationship.

Save by buying used equipment. Although it might be scratched or dented, you stand to save 50 to 90 percent. Check the newspaper classifieds under "Equipment for Sale" or "Office Furniture." Talk with potential suppliers—they usually know someone who's going out of business. You can find good deals from an owner who's folding.

Consider leasing your equipment. Leasing costs more in the long run but less when you're getting started. As your business grows and your leases expire, you can decide whether to replace by buying new or used. Leasing provides you with a lot of flexibility up-front.

Divide your start-up list into two columns. Column 1 should contain items that are absolutely necessary. Column 2 should contain "nice-to-haves." Check Column 1. Is there anything you can borrow from home, parents, friends? Scrape the bottom of the barrel here. Your goal is to cut costs so that you'll have cash to run the business. Whatever the case, allow for a cash contingency of at least 10 percent of your first 3 months' expenses, as you will likely forget something.

Complete Action Step 7.

## CHARTING YOUR SALES GOALS FOR THE FIRST THREE MONTHS

What is a realistic target for your business? How much would you like to sell the first month? The second? The third? How much can you afford to sell?

Sales goals provide the information you need to forecast your variable expenses—those expenses that are forced to change in relation to sales volume. If you are selling a product, sales goals will allow you to estimate the cost of goods sold.

Sales goals provide the driving force for your team. They help you focus on your target for the month. When the month is finished, compare how you did with your initial sales goals. Did you make it? If not, why not? Did you exceed your goal by 25 percent? Why? What worked well? What didn't? As you evaluate, decide how to improve next month—and how to keep improving.

To chart a reasonable sales goal, focus on three factors.

1. **The weight of your advertising program.** Do you plan a wide-area campaign? Or will you start by calling on friends and neighbours, counting on them to spread the word slowly? How much energy are you putting into this? Will you start full-time? Will you keep your job? If you're in school, will you stay enrolled?
2. **The experience of entrepreneurs in businesses like yours who operate in a non-competing area.** How much effort does Entrepreneur A have to put out to make a \$100 sale in his or her area?

3. **The capacity you have to deliver the product or service.** What do you need to make this venture work? If it costs you \$500 for materials to build one computer cabinet, and you have only \$500 worth of capital, then you will be limited to building one cabinet at a time. You have to get paid before you can build a second cabinet.

Or let's say you're starting a part-time business detailing autos. Detailing one car takes three hours. Driving time takes almost a half-hour per auto. Your maximum sales activity per week will be based on the number of hours you can devote to your business after you put in your hours at your full-time job. If you can devote 20 hours a week, then your sales would be 20 hours, divided by time, multiplied by your charge. Let's try that:

$$20 \div 3.5 = 6 \text{ autos per week,}$$

$$\text{your charge per auto is } \$60, \text{ and}$$

$$6 \times \$60 = \$360 \text{ per week.}$$

Make a list of your friends and relatives. Find out how many of them have their autos detailed. Add the repeat factor: How often do they want detailing? Once a month? Once every quarter? Once a year? When your list is finished, suppose you have 24 prospects. Let's say you have a realistic shot at 18 of those prospects. You then have to determine if that's enough for a start-up.

As a wise entrepreneur, you know that your first few jobs will take longer than later ones. You're new. You're learning the business, and you want to make sure you do a super job. You have four prospects who want monthly detailing and six who want it quarterly. Start with these 10 prospects, and lay out a chart. (See Table M2.3.)

Make these assumptions.

1. Assume that the first and second months contain four weeks and the third month has five weeks.
2. Assume sign-ups of 4 monthly detailing prospects from your list of 24. Add one new monthly prospect out of every six new customers from the "need-to-find" group.

**Table M2.3 First Sales Forecast**

	1	2	3	4	5	6	7	8	9
1									
2	First sales forecast								
3									
4		1st month		2nd month		3rd month		4th month	
5	Monthly detailing (2)	\$240	(4)	\$240	(4)	\$300	(5)	\$360	(6)
6	Quarterly detailing	180	(3)	180		0		180	(3)
7	Rest of 18 prospects	180	(3)	300	(5)	0			
8	Need to find			360	(6)	1,500			
9	Sales	600		1,080		1,800			
10									
11									
12									

## ACTION STEP 8



### Determine how much you will sell in your first month and how much you will spend

Your aim in this Action Step is to set realistic goals. To do that, you need to know your maximum capacity. For example, how many houses with an area of 1,500 to 2,000 square feet can you clean in one day? One week? One month? This will give you the top sales figure you could reach. That's your ideal.

Fixed expenses don't change with sales volume. List those first, then list the variable expenses. For fixed expenses, check with people who can give you answers: public utility companies (water, gas, electricity, natural gas), a leasing agent for rental rates, an insurance agent for estimated insurance costs, and so on.

For variable expenses—those that change with sales volume—figure out how far they go up relative to some fixed unit of change, for example, \$100 of sales per house cleaned. If you can establish a percentage relationship between sales and each individual variable expense, it will be easy to fill in your projections each month.

3. Assume a sign-up of 6 quarterly customers from your list of 24 prospects. Add one new quarterly customer out of every six new customers from the “need-to-find” group.
4. Assume a sign-up of 8 one-time prospects from your list of 24 prospects.
5. *Action:* Find new customers from the remaining 6 prospects on the list of 24 names. Other sources are referrals, sales calls, and advertising.
6. We plan only for the first three months but continue to update the plan every month. In the fourth month, it's easy to start building from monthly and quarterly customers.

## EXPENSE FORECAST

List everything you'll need to pay for on a regular basis to operate your business—for example, your phone, cell phone, fax, supplies, truck, and advertising and promotional materials. Next, list everything you can think of under each heading.

Here's a partial example.

Supplies	Truck
rags	gas
soap	oil/maintenance
wax	insurance
cleaner	
Q-Tips	

## ASSUMPTIONS

1. Monthly basic rate plus pager.
2. \$20 per month plus \$1 per job.
3. \$10 per month toward oil change, tires, and maintenance, plus 50 cents per job.
4. \$1,200 a year, \$100 per month expense paid quarterly for insurance.
5. Estimated at \$10 per job.
6. Yellow Pages ad at \$35 a month, plus \$15 a month for 4-line ad in weekly paper and \$25 for fliers and business cards in the second and third months.
7. Depreciation should be factored in for truck and buffer.
8. Set aside contingency (surprise) expenses.
9. Profit before depreciation (a non-cash expense). In time, you should get an estimate from your accountant for depreciation.

Now consider each specific item. Which ones can you tie to the detailing job? For example, for each auto-detailing job, you use two packages of rental rags, one-half can of wax, one-quarter can of cleaner, 10 Q-Tips, \$2 for gas, and so on. Add these expenses to your first sales forecast. Also add expense items that don't change (see Table M2.4).

Now we want you to get started on your sales and expense forecast. Complete Action Step 8.

## FINAL PASS

Out of the 24 prospects, you manage to sign up 15 for auto detailing. That's good. Six of those who want monthly detailing bargained you down to \$50. Two of those

**Table M2.4 First Income Statement Forecast**

	1	2	3	4	5	6	7
1	First Income Statement Forecast						
2							
3	Original Prospects	1st Month	2nd Month	3rd Month			
4	Sales						
5	Monthly	\$240	\$240	\$300			
6	Quarterly	180	180				
7	Original Prospects	180	300				
8	Need to Find		360	1500			
9							
10	Sales Total	600	1,080	1,800			
11							
12	Expenses:						
13	Phone <sup>1</sup>	20	20	20			
14	Gasoline <sup>2</sup>	30	38	50			
15	Oil/Maint. <sup>3</sup>	15	19	25			
16	Insurance <sup>4</sup>	100	100	100			
17	Supplies <sup>5</sup>	100	180	300			
18	Ad./Promotion <sup>6</sup>	50	75	75			
19	Depreciation <sup>7</sup>						
20	Miscellaneous <sup>8</sup>	50	50	50			
21							
22	Expense Total	365	482	620			
23	Profit <sup>9</sup>	\$235	\$598	\$1,180			
24							
25							

six agreed to a weekly hand wash at \$12. Five prospects agreed to a quarterly detailing, and one of those five agreed to a weekly hand wash. Five prospects decided on a one-time trial. You'd like to snag 25 new customers by the third month. A more reasonable estimate, however, is 15.

New expenses include \$5 a week for a Leads Club breakfast, \$75 to join the Chamber of Commerce, \$2 for the car washes, and \$1 for gas. The new numbers go into your forecast (see Table M2.5).

### “THINGS TO DO” LIST

Now that your plan is complete, act on it. Your first step is to write up a list of things that need doing. You need this list for at least three reasons.

1. It gives you easy steps to follow.
2. It keeps you on target.
3. It gives you a sense of getting there at last.

Following is a sample “things to do” list from a catering service started by Doris and Mike.

**Table M2.5 Start-up Income Statement Forecast**

	1	2	3	4	5	6	7
1	Start-up Income Statement Forecast						
2							
3		1st Month	2nd Month	3rd Month			
4							
5	Sales						
6	Monthly	\$ 250	\$ 250	\$ 300			
7	Car Washes	108	120	156			
8	Quarterly	180	120				
9	Rest of 15	120	180				
10	Need to Find		360	900			
11							
12	Sales Total	658	1,030	1,356			
13							
14							
15	Expenses:						
16	Phone	20	20	20			
17	Gas	39	41	54			
18	Oil/Maint.	19.5	23	27			
19	Insurance	100	100	100			
20	Supplies	100	180	236			
21	Ad./Promotion	145	95	95			
22	Depreciation						
23	Miscellaneous	50	50	50			
24							
25	Expense Total	473.5	509	582			
26	Profit	\$184.5	\$ 521	\$ 774			
27							

**LIST OF NECESSITIES BEFORE OPENING DAY**

1. Talk with experienced caterers.
2. Prepare fast-start plan.
3. Stay focused on the business.
4. Choose a business name.
5. Make arrangements with food service kitchen.
6. Determine what market area to service.
7. Have business phone installed with voice mail. Purchase office supplies.
8. Set up business bank accounts, and establish relationship with banker.
9. Locate suppliers: refrigeration, cooking, baking, utensils, cash register, tables, chairs, other.
10. Check business licensing regulations.
11. Get PST and GST numbers.
12. Select an insurance agent and appropriate insurance policy.

13. Develop job descriptions and application forms.
14. Hire employees. Full- or part-time? How many? Make sure to get all information.
15. Complete marketing plan and advertising for the opening.
16. Join a discount price warehouse.
17. Choose food suppliers.
18. Establish support business contracts:
  - a. rent tents, equipment;
  - b. contact florists;
  - c. arrange entertainment;
  - d. hire service staff;
  - e. contact other bakeries, specialty suppliers, ice carvers, props, lighting, and so on.
19. Order business cards, and get ready to hand them out.
20. Order preprinted billing statements for customers who do not pay on receipt (preferably, get money up-front).
21. Record all income and expenses daily in a ledger.
22. Find a bookkeeper to prepare financial statements. Check out computerized accounting systems.
23. Contact a lawyer for all leasing and legal agreements.
24. Network with friends, relatives, and other caterers.
25. Join the Chamber of Commerce—it's a good place to meet potential customers.
26. Do projected profit and loss statement for three months.

It's your turn. Complete Action Step 9. Make up your "to do" list.

Now it's time to take a look at the model Business Plan for Yes, We Do Windows, created by George Finklestein.

### In a Nutshell

The fast-start plan is not a substitute for preparing a full-fledged plan. Use it for a specific venture that is easy to start and carries minimal risk. Also use it for a business that's breaking new ground, where there is little information available.

The key to any business—and to any business plan—is how well you understand the needs of your target customer. Find an itch that isn't being scratched, and you can ace your competitors.

Write your own fast-start plan. Keep it handy. Refer to it often. Use it to keep your business on track in those early months of operation. When you've been in business for three months, use your fast-start plan as a launching pad for your next nine months of operation. For your second year, write a full-fledged business plan.

### Think Points for Success

- ✓ Your business plan, fast-start or full-fledged, is your pathway to success.
- ✓ Looking at your competition helps you see your target customer. Seeing your target customer clearly helps you position your business strategically in the marketplace.
- ✓ Building a plan builds confidence. Confidence breeds excitement. If you don't feel excited and confident about your business, bail out now.
- ✓ Once you get started on your business plan, keep your "new eyes" open on evolving opportunities in the marketplace and make changes accordingly to your plan.

### ACTION STEP 9



#### Make a "things to do" list

Use lists—they work. When you write down things to do, do them, and then cross them off. Try to put your "to-do" list in approximate chronological order of urgency. You'll feel good when you know what it is you have to accomplish and when. As you move from item to item, you'll feel even better.

Set up a pre-start list, and continue right on into your business. You'll find that you are more in control of your time and business if you keep lists.

## Model Business Plan: Yes, We Do Windows

1. Business definition
2. What business am I really in?
3. Competition
4. Pricing
5. Target customer
6. Ad/sales program
7. Start-up costs
8. Sales goals and expenses—first three months
9. “Things to do” list

### 1. BUSINESS DEFINITION

I have been a window washer for three years. For 2 years I worked for Windowlite Ltd., a large organization with over 250 satellites across 3 provinces. For the next year, I worked for a local operator who owned a truck and three squeegees. I feel that I know the business from both ends.

My idea—and the subject of this plan—is to do window washing and house cleaning.

**Window washing.** I will clean windows, screens, and window casings.

**House cleaning.** I will vacuum, dust, polish/wash, and mop. I will do bathrooms, mirrors, kitchens, range tops, and ovens.

A customer may contract for one or more services. House cleaning will be offered on a once-a-week or once-every-two-weeks basis. Window washing will be offered monthly, quarterly, twice a year, or as needed.

### 2. WHAT BUSINESS AM I REALLY IN?

I have determined the answer by identifying the following customer benefits.

1. **Pride of ownership.** A home is a person's most expensive investment. Keeping it clean makes the customer proud.
2. **Time savings.** Homeowners work hard to pay for their investment. Many homes today are supported by double incomes; few homeowners have the time to do their own cleaning.
3. **Preserving the value of the investment.** Dirt and grime damage the home. Cleaning on a regular basis enhances and preserves the value of the home.
4. **Comfortable, healthy living area.** A clean home is a healthier home. Who wants to live with dirt?

The business I am really in: “Providing a clean and healthy environment, while preserving the value of an investment and deepening pride of ownership.”

### 3. COMPETITION

At this writing, there are 77 window-cleaning services and 102 house-cleaning services listed in my metropolitan area's Yellow Pages.

Taking the time to make phone calls to these competitors made me feel even better about my idea for a business. Their phone skills need retooling. The clerks who answered were impolite. They didn't seem interested in the prospect of making money. Out of 59 businesses polled, a hefty 68 percent charged for an on-site estimate.

The phone bids were vague. When pressed, the people who answered the phone said they would have to call me back. Very few did.

I can see two “musts” for the business. (1) My bids must be firm. (2) My phone skills must be customer oriented. If I can’t answer the phone, I must find a phone person who can fulfill these two musts. The image we’re presenting here is “We aim to please. We’re interested in servicing your home.”

One question I asked was, “Will the same person be in my home every time?” Only 4 of the 59 businesses I phoned said yes. The other respondents were vague. That indicated a problem in scheduling.

Measuring the competition has given my start-up a real advantage. Because I’ll be doing all the work myself, I can gather customer data as I work. As I expand, I shall match employees to homeowners. A home is a private place. It’s a place where you go to escape from the day. You don’t want it invaded by different strangers every week.

My plan is to expand only when I find the right three employees.

#### 4. PRICING

My strategy is to price my services just slightly higher than the current competitors’ rates. Every three months, to stay current, I will survey the competition.

##### Basic Rates for Cleaning

Square Feet	Price
<i>First Cleaning</i>	
1,000	\$ 50
1,000–1,500	75
1,500–2,000	100
2,000+	100 + \$25 per 1,000 sq. ft.
<i>Weekly Cleaning</i>	
1,000	\$ 35
1,000–1,500	55
1,500–2,000	75
2,000+	75 + \$15 per 1,000 sq. ft.
<i>Bimonthly Cleaning</i>	
1,000	\$ 45
1,000–1,500	70
1,500–2,000	90
2,000+	90 + \$20 per 1,000 sq. ft.
<i>Window Washing</i>	
<i>One-storey house</i>	
Up to 15 windows	\$ 25
Each additional 5 windows	10
<b>Square Feet</b>	
<b>Price</b>	
<i>Two-storey house</i>	
Up to 25 windows	\$ 60
Each additional 5 windows	10

## 5. TARGET CUSTOMER

I can classify three types of target customer for my business.

### Customer A—Family Dwelling

A married couple with one or more children. The household income is \$75,000 or more. Two vehicles. Both parents work. Reason for the service: Spare time is at a premium for child care, recreation, and entertainment. Parents cannot spare the time to do windows or other cleaning.

### Customer B—Single-Person Condo

Customer B is a single or divorced person living alone, usually in an apartment or waterside condo. Ages range from 28 to 40. The income here runs from \$32,000 to \$50,000. Time is at a premium. Customers are seldom at home on nights or weekends.

### Customer C—High Roller

Customer C is distinguished by income in the six-figure range. Home values start at \$400,000 and move up the scale to \$1 million. Customer C has high standards, zero desire to perform menial tasks, wants a spotless home. If work is excellent and customer feels there is no rip-off, price is mainly no object.

## 6. PROMOTION PROGRAM

1. I will maintain an image of high visibility. My truck is washed daily. The colour is white. If there is mud on the tires after a job, the mud is washed off before the next job. I wear a white jumpsuit that bears the company logo. My employees wear similar jumpsuits. Our footgear is white sneakers. They're easy on the feet and look professional, creating an almost sporty image.
2. My business cards are white with blue lettering. On the reverse side is a list of my services. I make it a habit of getting a business card whenever I hand one out. Data from these cards are entered into a computer. Names are added to a master list.
3. Fliers will be placed door to door in target neighbourhoods. I plan to do one neighbourhood of 100 to 200 homes and then evaluate the response. I ask questions of each person who calls about the flier: What did they like? What was missing? From this marketing survey, I'll redesign the flier before approaching a second neighbourhood.

I make a habit of leaving fliers and business cards at all daycare centres in the area. In exchange for each customer I gain, I donate to a fund for school books or toys.

## 7. START-UP COSTS

Truck	\$10,000*
Paint truck white	1,000
Ladder rack (custom made)	350
Ladders	412
Supplies—Window washing	400
Supplies—House cleaning	500

Signs for new truck	195
Advertising	250
Answering machine	75
Phone and pager installation	200
Post office box per month (first and last month)	40
Chamber of commerce	200
Business name	65
Business licence	55
Used desk and chair	275
Desk calendar	6
Date book, home	65
Date book, truck	15
Rolodex, supplies, file system	50
Bank account and accounting system	125
Total estimate for start-up expenses	\$14,278

\*I should be able to buy a used truck for \$1,000 down and \$175 to \$200 per month for 36 months. Thus, start-up cash might be as low as \$5,078.

## 8. SALES GOALS AND EXPENSES—FIRST THREE MONTHS

My plan is to work six days per week. Until I gain experience, I can work a maximum of three jobs per day. As an incentive for customers, I will do windows at half price with the first house cleaning. I will devote two full weeks to marketing my new business. On the schedule at present, I have four weekly customers and two bimonthly scheduled for the third week. When not on the job, I plan a strong marketing effort so that I can add one customer per week until I'm up to 18 customers, my maximum for the week. At that time, I will evaluate my ability to add additional customers and/or hire a part-time employee. (See Table M2.6.)

## 9. "THINGS TO DO" LIST

- File for business name.
- Design business logo, cards, and flier.
- Order phone installation.
- Purchase phone.
- Lease pager.
- Set up bank account.
- Order one-write cheque system.
- Order business cards.
- Set up post office box.
- Locate source of supplies.
- Purchase supplies.
- Purchase truck.
- Obtain quotes and arrange for truck painting.
- Order signs for truck.
- Purchase answering machine.
- Buy ladder rack for truck.
- Buy ladders.
- Join chamber of commerce.
- Purchase desk, chair, and office supplies.

**Table M2.6 Sales Goals and Expenses**

	1	2	3	4	5	6	7
1	First Income Statement Forecast						
2							
3		1st Month	2nd Month	3rd Month			
4							
5	Sales <sup>1</sup>	\$1,087.50	\$2,580	\$4,580.50			
6							
7	Expenses:						
8	Gas <sup>2</sup>	73	91	115			
9	Maintenance <sup>3</sup>	25	25	25			
10	Insurance <sup>4</sup>	125	125	125			
11	Phone <sup>5</sup>	45	45	45			
12	Advertising <sup>6</sup>	80	80	80			
13	Supplies <sup>7</sup>	65	155	275			
14	Truck Loan Interest	60	60	60			
15	Expense Total	473	581	725			
16	Profit	\$614.50	\$1,999	\$3,855.50			
17							

1. Average customer will own a one-storey house of 2,000 square feet with 15 windows. Month 1 = four weeks. Month 2 = four weeks. Month 3 = five weeks. Every other new customer bimonthly. All window washing contracts on a quarterly basis.
2. Gas: \$15 per week plus \$1 per job.
3. Maintenance—mainly a reserve for tires, repairs, oil changes, \$25 per month.
4. Auto insurance and bonding, \$1,500 per year.
5. Basic phone, pager, post office box.
6. Approximately 400 fliers per month come to \$55, plus \$25 for distribution.
7. Approximately \$5 per job.