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This Disaster Recovery Planning Guide is intended to be a resource for businesses to utilize in formulating a customized disaster plan. This is not an all-inclusive guide. It is intended only to begin your thought process for developing a Disaster Recovery Plan. The guide was developed after the NY Small Business Development Centers throughout New York State provided assistance to businesses affected by the terrorist attacks on 9/11/01 and natural disasters such as Hurricane Irene and Hurricane Sandy.

It is important for businesses to be prepared for emergencies of any sort. While big companies can afford to have in-house planners, that’s not the case for most small businesses. The SBDC can help small businesses plan for emergencies with this Disaster Recovery Planning Guide.

Every business circumstance and structure is unique, so any plan must be tailored to suit its needs. Focus on creating a plan that is an “all-inclusive” plan; consider anything that could happen at any given time. Use this planning guide as a starting point. Don’t become overwhelmed by thinking about everything all at once. Work on your plan in sections, addressing the things that seem most important to your business. It is important to make plans that can be implemented in the event of an interruption to your business.

We sincerely hope that you are not involved in a natural disaster or any emergency, but being prepared is the first step to recovery. This guide can help you plan accordingly. Remember, the New York SBDC is ready, willing and able to assist you. It is up to you to plan, prepare, and get back to business as soon as possible, keep money coming in, and provide consistent service to your customers/clients!
WHAT IS A DISASTER RECOVERY PLAN?

Whatever you call it… disaster planning, emergency preparedness, or business continuity, the goal is ultimately the same: get your business or organization back up and running as soon as possible. A disaster recovery plan is a users’ guide to document the restoration of your business/organization’s operations… It must be created before an interruption occurs.

Part of writing a plan is trying to think about what can go wrong and make contingency plans. The goal is not to create a separate plan that addresses every risk, but to create one plan that addresses all risks. Identified below (in no particular order) are some things that you may think about in creating your plan:

- Who in the business should be responsible for creating the plan?
- Who’s in charge of maintaining/updating the plan?
- Who’s in charge of making decisions during a disaster?
- Do you have an alternate decision maker (in case the main person is not available)?
- Are employees trained for disaster response?
- Do you have notification, warning, and communication procedures?
- What are your emergency response procedures?
- What are evacuation, shelter, and accountability procedures?
- Do you have emergency equipment?
- Do your employees know where it is kept and how to use it?
- What are your emergency shutdown procedures?
- What are your critical services and functions?
- Do you have a list of emergency contacts/resources? Is it updated on a regular basis?
- Do your employees know where the emergency contact list is kept?
- Do you have a plan to restore some functions so the business can operate at least minimally?
- What are the potential identifiable disasters (internal and external)?
- How would each type of disaster affect the business operations?

The plan needs to be specific about which recovery steps should be taken and in what order, and who has access to that information. The details depend on the nature of your business and its services as well as the type of disaster or interruption. Remember to make the plan flexible in case the person (or team) in charge isn’t immediately available to implement the plan. Make it legible, understandable, and able to be interpreted by any employee… common sense must rule.

Remember to consider who is in charge of maintaining/updating the plan as your business (or organization) changes. People come and go and operations change – the plan has to be updated accordingly.
WHY SHOULD YOU PREPARE?

Disasters:
- Can affect business continuity
- Can cost you money
- Can be deadly

You want:
- To solve a problem
- To protect assets/investments
- To minimize losses
- To maximize recovery
- To ensure business continuity

Have you ever said:

“This will never happen to me.”
“I can take care of some wind & rain.”
“You can’t fight mother nature.”
“Snow… what snow?”
“It’s fate.”
“Help will arrive in no time.”

It is not a matter of IF a disaster will occur… it is a matter of WHEN. You need to start planning in advance so you are able to get your business back up and running sooner rather than later. Use this guide to become better prepared.
WHAT SHOULD YOU PREPARE FOR?

You should prepare for natural and man-made disasters such as:

- Storm
- Flood
- Drought
- Fire
- Power Failure
- Loss of Records
- Loss of Key Personnel
- Loss of Business

Basic Assumptions:

Being business-ready is like having insurance. You don’t want to use it but it is there and will come in handy when you need it.

- 80% of businesses that don’t recover within a month of a major disaster go out of business for good.
- 70% of businesses that experience major data loss go out of business within a year.
- 40% of businesses tend to disappear after a major disaster.

(Source: Emergency Preparedness Solutions, LLC)

Basic Questions:

You may want to consider the following questions as you develop your disaster plan:

- How will I recover losses?
- How will I recover clients/customers?
- How will I duplicate business records?
- Who do I call for help?
- What if I have to relocate?
- Am I properly insured?
- Do I have backups for critical operations?
- How long will it take to get help/ or to recover functionality?
WHAT SHOULD YOU DO TO PREPARE?

- Determine the type & probability of disasters that can impact your business
- Determine the key functional areas of your business
- Determine how each disaster will affect your business
- Establish a plan of action & review it periodically
- Share with your staff – and create a culture of preparedness

Disaster Preparation 101:

- Have a Contingency Plan (in writing)
- Document the present
  - Paper documents
  - Photo documentation
- When a disaster occurs, be prepared to document the damages
- Talk to your insurance Agent
- Talk to disaster response experts about their plans
  - Police
  - Fire
  - Engineers
  - County Emergency Management
  - SBDC
- If possible, before a disaster occurs, become familiar with assistance programs
  - What they require
  - What they provide
  - How long does it take from submittal of application to disbursement of funds?
  - Eligibility requirements… do you meet them?
  - Documentation… understand that you will need to provide an enormous amount of documents/information, including financial & sales information
- Ask questions now… don’t wait until you are facing a disaster!
DEFINITION OF A DISASTER

A disaster can be human or natural in origin, and can result in the disruption of your business’ ability to operate and/or serve your customers/clients. The regular processes or responsibilities can be disrupted for an extended period of time.

The following events can result in a disaster, requiring that your Disaster Recovery Plan be activated:

- Fire
- Flash Flood
- Power Failure
- Drought
- Ice Storm
- Snow Storm

Your business should define the potential disasters it could face. A disaster can result in the following:

- One or more vital systems/processes/operations are non-functional
- The business may not be accessible for an extended period of time, but otherwise is operational
- The business may be accessible but all systems/operation are non-functional
- The business and all systems/operations are non-functional and not accessible

TIP: It’s important to identify hazards that could affect your business… including natural hazards, human-caused hazards, and technology related hazards. Here are some things to consider:

- History – gather information about the types of emergencies or disasters that have occurred in your community.
- Geography – What types of natural disasters are likely to happen in your region
- Human Error – What emergencies or disasters might be caused by employees (or others)?
- Structure– What types of emergencies could result from the design or construction of the facility in which your business is located?
- Technology – What would happen as a result of a major technology disruption?
- Other – Consider other situations that might keep your business from conducting normal operations. Perhaps a disaster could be caused by ruptured gas mains. Your building might have water, smoke, structural damage from a fire. Your building might be subjected to air or water contamination. There might be a building collapse, etc. (Try to think about situations that are beyond your control).
PURPOSE

The purpose of the Disaster Recovery Plan (DRP) is to document the steps that the business will follow if a disaster occurs. The goal is not to create a separate plan that addresses every risk, but to create one plan that addresses all risks.

In the event of a disaster the first priority of your business/organization is to prevent the loss of life. Before any secondary measures are undertaken, your business/organization will ensure that all employees and any other individuals on the business premises are safe and secure. You should also consider situations in which the employees are at home or not on site at the time of the disaster.

After you have confirmed that all employees are safe, the next goal of your business/organization will be to enact the steps outlined in the DRP to bring all of the organization’s groups and departments back to business-as-usual as quickly as possible.

TIPS: Think about how you would:

- Determine the key functional areas of your business.
- Prevent/Minimize losses of businesses resources: equipment, materials, hardware, software, etc.
- Optimize recovery: how to get business back up and running as quickly as possible.
- Business continuity: keeping the business running in the event of a disaster.

Scope of the Plan

Your business’ Disaster Recovery Plan should include the following areas:

- Infrastructure
  - Networks
  - Servers
  - Telephone
  - Data Storage & Backup Systems
  - Power
- Physical integrity
- Business location options
- Suppliers
- Distribution Channels
- Customers (how would the disaster impact your customer base?)
- Who is in charge?

What do I need to run the business? Try to predict what will happen and how you would respond. This
is where you would refer to your Business Continuity Plan (BCP).

Version Updates & Changes

It is the responsibility of the Disaster Recovery Lead to ensure that all existing copies of the Disaster Recovery Plan are up-to-date. Whenever there is an update to the DRP, the version number should be updated to indicate the date of the revision.

Contact Information

Here is a suggested format for a contact list. Add or delete rows to reflect your business/organization needs.

<table>
<thead>
<tr>
<th>Name</th>
<th>Role/Title</th>
<th>Work Phone #</th>
<th>Home Phone #</th>
<th>Mobile Phone #</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Smith</td>
<td>DR Lead</td>
<td>123-456-7890</td>
<td>123-456-7890</td>
<td>123-456-7890</td>
</tr>
<tr>
<td>Ellen Jones</td>
<td>CEO</td>
<td>123-456-7890</td>
<td>123-456-7890</td>
<td>123-456-7890</td>
</tr>
</tbody>
</table>
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DISASTER RECOVERY TEAMS & RESPONSIBILITIES

In the event of a disaster, you may designate different groups (teams) to restore normal operations, to assess and document damage, and to communicate with suppliers and customers.

Here are some teams you might want to establish. Note that the teams will vary depending on the size of your business/organization. Some teams/roles may be combined or may be split into more than one team:

• Disaster Recovery Lead(s)
• Disaster Management Team
• Facilities Team
• Infrastructure Team
• Communications Team

The lists of roles and responsibilities in this section should be created to suit your business/organization structure.

Disaster Recovery Lead

The Disaster Recovery Lead is responsible for making all decisions related to the Disaster Recovery efforts as predeterminded by your business/organization in your DRP. The primary role of this person will be to guide the disaster recovery process. All individuals involved in the disaster recovery process will report to this person. You should consider having this person separate from the rest of the disaster management teams to keep his/her decisions unbiased. The Disaster Recovery Lead should not be a member of other Disaster Recovery groups.

Role & Responsibilities

• Make the determination that a disaster has occurred & trigger the DRP and related processes.
• Utilize the Disaster Recovery Call Tree to notify individuals listed.
• Be the single point of contact for and oversee all of the Disaster Recovery Teams.
• Organize and chair regular meetings of the DR Team leaders throughout the disaster.
• Present to the Management Team on the state of the disaster and the decisions that need to be made.
• Organize, supervise and manage DRP processes and updates.

Disaster Management Team

A Disaster Management Team will oversee the entire disaster recovery process. It will be the first team to take action in the event of a disaster. This team will evaluate the disaster, determine the critical services and functions, and outline the steps to be taken to restore business operations.
Role & Responsibilities

- Set the Disaster Recovery Plan into motion.
- Determine the magnitude of the disaster.
- Determine what parts of the business/organization have been affected by the disaster.
- Communicate the details of the situation to the other disaster recovery teams.
- Determine the first steps to be taken by the disaster recovery team.
- Monitor progress and compare to pre-determined expectations and goals.
- Keep a record of money spent during the disaster recovery process.
- Make decisions based on the DRP and your business/organization’s policies.
- If necessary, prepare your alternative site to restore business operations; make sure it’s functional and secure.
- Document the steps undertaken in the disaster recovery process.
- Notify the relevant parties once the disaster is over and the business operations are restored.
- Once business is restored, summarize all costs and provide them to the Disaster Recovery Lead.

NOTE: Documentation is very important, particularly to inform disaster assistance resources that provided funding to get your business back in operation.

Facilities Team (if applicable)

The Facilities Team is responsible for all issues related to the physical facilities that house the business/organization, the employees, and IT equipment. The Team is responsible for ensuring that the alternate location facilities are maintained appropriately and for assessing the damage to and overseeing the repairs of the primary location in the event of the primary location’s destruction or damage.

Role & Responsibilities

- Determine that the alternate location facility is in working order.
- Participate in the assessment of any physical damage to the primary facility.
- Secure the primary facility to prevent further damage.
- Work with the insurance company to identify damage, destruction, or loss to the primary facility equipment/services.
- Determine the resources needed to rebuild or repair the damage at the primary facility.
- Generate a summarized report of all cost and actions involved to get back to operations, and provide the report to the Disaster Recovery Lead.
Network Team (if applicable)

The Network Team is responsible for assessing damage to any network infrastructure and for providing baseline network functionality at the alternate location facility.

**Role & Responsibilities**

- Determine the functionality of network services at the primary facility.
- Prioritize the recovery of services compromised in an order that has the least business impact.
- If third parties are involved, the team will communicate and co-ordinate with these third parties to ensure recovery of connectivity.
- As necessary, ensure that all network services are brought online at the alternative facility.
- Once critical systems have been restored, restore connectivity for employees. Suggested order for restoration of connectivity to employees:
  - All members of the DR Teams
  - All Executive Staff
  - All IT employees
  - All remaining employees.
- Ensure that alternate location facility is operational.
- Ensure that primary facility equipment, hardware, software and systems will be ready when business operations are restored.
- Generate a summarized report of all cost and actions involved to get back to normal operations and provide the report to the Disaster Recovery Lead.

Server Team (if applicable)

The Server Team is responsible for assessing damage to the server infrastructure and for providing baseline server functionality at the alternate location facility for your business’ IT operations and applications.

**Role & Responsibilities**

- Determine the functionality of servers at the primary facility.
- Prioritize the recovery of compromised servers in a manner with the optimal business impact.
  - Assess the damage to the servers
  - Restart and refresh servers if necessary
- If secondary servers are needed in the alternate location facility, keep them updated & working by implementing:
  - System patches
  - Application patches
  - Data copies
  - Appropriate back ups
  - Any tools, hardware, and systems required
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- Ensure that primary facility tools, hardware, and systems will be ready when the business is back up and running.
- Generate a summarized report of all cost and actions involved to get back to normal operations and provide the report to the Disaster Recovery Lead.

Applications Team (if applicable)

The Applications Team is responsible for ensuring and validating appropriate applications operate as required to meet business objectives.

Role & Responsibilities

- Determine the applications that are functioning at the primary facility.
- Determine if migration to alternate location facility is necessary.
- If applications are impacted, the team will prioritize the recovery of applications in a manner and order with the least business impact.
  - Assess the impact to application processes
  - Restart, patch, recode or rewrite applications as required
- If determined that secondary servers are needed in the alternate location, keep them updated and working by implementing:
  - Application patches
  - Data copies
  - Tools, software and patches required
- Ensure that primary facility tools, software and patches are updated and will be ready when business is back up and running.
- Generate a summarized report of all cost and actions involved to get back to normal operations and provide the report to the Disaster Recovery Lead.

Operations Team

The Operations Team’s primary goal is to provide employees with the tools they need to perform their roles as quickly and efficiently as possible. The team ensures that employees in the alternate location facility and those working from home have the tools needed to perform their specific jobs.

Role & Responsibilities

- Maintain lists of essential supplies
- Ensure the supplies are allocated appropriately
- Ensure sufficient spare computers and laptops are on hand, are working, and are updated (ready to use) to minimize work disruption
  - Update software and patches
  - Have related supplies on hand, such as cables, wireless cards, printers, etc.
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• Generate a list of spare computer equipment and the employees that might need them to ensure you can minimize work disruption by providing them in an appropriate timeframe
• Create a log sheet to track the supplies and equipment used at each location
• Generate a summarized report of all cost and actions involved to get back to normal operations and provide the report to the Disaster Recovery Lead

The Network, Server, Applications & Operations Teams should work together in documenting the business/organization’s data, including:
• Where data and backups reside onsite
• Where data and backups are kept (secured and offsite)
• Procedures on restoring systems and backups

In the event of a disaster, it is important to have this information to locate and restore data as needed at the alternate location facility and/or to restore systems at the main facility once business operations are restored.

Senior Management Team

The Senior Management Team should be established with members who can make business decisions outside the scope of responsibility of the Disaster Recovery Lead.

Role & Responsibilities

• Ensure that the Disaster Recovery Team (DRT) Lead is held accountable for his/her role
• Assist the DRT Lead as required
• Communicate with DRT Lead
• Make the decisions that will (or could) impact the business/organization
• Determine the critical services and functions needed to get the business up and running
  - Primary facilities structural stability
  - Decision to rebuild or permanent relocation
  - Other financial and business decisions
Communication Team

The Communication Team has a critical role in your DRP. The Team is responsible for all communications during a disaster, and until normal business operations are restored, including communications with employees, clients, vendors and suppliers, banks, and the media if necessary.

**Role & Responsibilities**

- Communicate the nature of disaster and its impact on your business/organization with:
  - Employees
  - Authorities (as required)
  - Business partners if applicable
  - Clients/Customers
  - Vendors
  - Media contacts (as required)

- Generate a summarized report of all cost and actions involved and provide information to the Disaster Recovery Lead.

*NOTE: There is more information about communicating during and after a disaster/emergency later in this guide.*

Finance Team (if applicable)

The Finance Team is responsible for ensuring that the business/organization finances are handled in an appropriate and timely manner. The Team is charged with ensuring that money is available for necessary expenses that may result from the disaster as well as expenses from normal day-to-day business operations.

**Role & Responsibilities**

- Ensure there is sufficient cash on hand or accessible to deal with small expenses
- Ensure there is sufficient credit available to deal with larger expenses
- Review and approve Disaster Teams’ finances and spending
- Ensure that employees are paid (if possible)
- Communicate with creditor(s)
- Communicate with bankers to inform them about the business/organization’s situation and to obtain materials if needed, such as:
  - Checks
  - Bank books
  - Other documents that may need to be replaced as a result of the disaster
- Communicate with Disaster Recovery Lead
- Generate a summarized report of all cost and actions involved to provide a report to the Disaster Recovery Lead
Other Business/Organization Teams (if applicable)

There may be other teams that your business/organization needs to respond to the disaster. Make sure that you define their goals.

**Role & Responsibilities**

- List the team’s roles and responsibilities

**Disaster Recovery Call Tree**

The Call Tree is a very important aspect of your DRP and business continuity emergency plan. When faced with a disaster or emergency, time is of the essence. The use of a Call Tree is imperative to ensure that appropriate individuals are contacted in a timely manner.

Once you determine your Disaster Recovery Team Lead, you can then determine the order in which to contact others and determine who should call whom, etc.

You may choose to develop a Contact List and divide it by various levels of responsibility. It is important to document the information and have it available to those designated as Team leaders for quick reference.

Sample provided below for consideration purposes… in no specific order. Your list should be in specific order in relation to your Team leaders as determined within your DRP or business continuity emergency plan.

**Contact Information**

Here is a suggested format for a contact list. Add or delete rows to reflect your business/organization needs:

<table>
<thead>
<tr>
<th>Contact Name</th>
<th>Disaster Recovery Title</th>
<th>Office Phone #</th>
<th>Home Phone#</th>
<th>Mobile Phone #</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Smith</td>
<td>DR Lead</td>
<td>123-456-7890</td>
<td>123-456-7890</td>
<td>123-456-7890</td>
</tr>
<tr>
<td>Ellen Jones</td>
<td>DR Management Team Lead</td>
<td>123-456-7890</td>
<td>123-456-7890</td>
<td>123-456-7890</td>
</tr>
</tbody>
</table>

**NOTE:** There will be more information regarding “Communicating during and after a disaster/emergency” in the next few pages.
DISASTER RECOVERY: A PLANNING GUIDE

RECOVERY FACILITIES

If your business/organization is affected by a disaster or emergency it is important to identify a facility at an alternative location from which to operate. You should document information about facility and its location, and include operational information should that facility be used.

Location of Alternate Facility

Once the Disaster Recovery Lead has declared a disaster, then it will be determined when/if to use a facility at a pre-determined alternate location separate from the primary business/organization.

The Disaster Recovery Lead will communicate with others in authority about when to use the alternate location based on a critical assessment* of the impact of the disaster on the business/organization. The alternate facility may be used to house the “command center” for the DR Lead and other Team members and/or to operate the business.

The alternate location should have:

• Sufficient space to operate the business/organization
• Sufficient supplies including equipment, materials, inventory, etc., for business operations
• The ability to support the business/organization’s computer access needs
• Bathroom facilities
• Appropriate, sanitary and safe conditions for the employees
• Other important features to support restoration of normal business operations

*The critical assessment of the impact of the disaster will most likely involve your Facilities Team (if so designated), which will be responsible for ensuring that the alternate location is a proper working environment. The Facilities Team will be responsible for keeping it in proper working order for the duration.
Communications during a disaster is a very important element of the recovery process and restoration of normal business operations. Your business/organization will need to communicate with various parties to inform them of the effects of the disaster on the business, surrounding areas and timelines for return to normal. The Communications Team also is responsible for contacting your business/organization’s stakeholders.

Communicating with the Authorities

The Communications Team’s first priority will be to ensure that the appropriate authorities have been notified of the disaster, providing the following information:

- Location of the disaster
- Nature of the disaster
- Magnitude of the disaster
- Impact of the disaster
- Assistance required
- Anticipated timelines for restoration of business operations

Authorities Contacts

Here is a suggested format for a contact list of authorities in the community. Add or delete rows to reflect your business/organization needs:

<table>
<thead>
<tr>
<th>Authorities</th>
<th>Point of Contact</th>
<th>Phone #</th>
<th>E-Mail Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police Dept.</td>
<td>(Contact Name)</td>
<td>123-456-7890</td>
<td>(Contact E-Mail)</td>
</tr>
<tr>
<td>Fire Dept.</td>
<td>(Contact Name)</td>
<td>123-456-7890</td>
<td>(Contact E-Mail)</td>
</tr>
</tbody>
</table>

Communicating with Employees

The Communications Team’s second priority will be to ensure that the business/organization’s employees have been notified of the disaster. The Communications Team and employees should work together to develop the best and/or most practical means of contacting everyone.

Here is a list of suggested communications methods:

- E-mail - using the business/organization’s internal e-mail system (if functional)
- E-mail - using employees’ personal e-mail addresses (if functional)
- Utilize your Call Tree
  - Telephone to employees home phone number
  - Telephone to employees’ mobile phone number
- Create a voice recording for employee call-ins
• Designate a phone number where employees are instructed to leave an “I am okay” message.
• Generate an Emergency Response Flowchart that will provide functional guidance in the decision making steps

The employees should be informed of the following:
• Whether it is safe for them to report to work
• Where they should go if they cannot report to the primary location
• Which services are still available to them
• Work expectations during the disaster (employee responsibilities)

Employee Contacts

It’s important to communicate with your employees routinely as they are a valuable asset for your business. Make them aware of your Disaster Recovery Plan, Business Continuity Plan, and Emergency Action Plan. Consider sharing the plans before a disaster or emergency occurs via:
• Business/Organization newsletter
• Periodic internal E-mails
• Other internal communication tools

 Communicating with Clients/Customers

Once employees have been informed, the Communications Team should inform clients/customers about the disaster and the impact it will have on your business/organization.

Here is a list of suggested communications items to share with your clients/customers: Impact of the disaster on service offerings:
• Impact of the disaster on delivery schedules
• Impact of the disaster on the security of client/customer information
• Anticipated timelines for restoration of business operations

Your business/organization should notify clients/customers first via E-mail blast (if possible), and then with a follow-up phone call to ensure that the message has been received. You may also want to implement a mass mailing. When you develop your client/customer contact list, you may want to identify crucial clients, and then categorize others into groups: Secondary, etc. All clients/customers are critical to your business success, and every attempt to inform them of the disruption is imperative to your future business success.
Communicating with Vendors

The Communications Team is responsible for informing vendors of the disaster and the impact it will have on the business operations including:

- Adjustments to service requirements
- Adjustments to delivery locations
- Adjustments to contact information
- Anticipated timelines for restoration of business operations

You may want to categorize your vendors as crucial or secondary. You can notify vendors by:

- E-mail blast (if possible)
- Phone call to ensure the email message was delivered

Vendors provide everyday services to your business/organization. The Communications Team will be the go-between between the DR Team leads and vendor contacts should issues arise.

Communicating with the Media

Once the business/organization’s employees have been informed of the disaster, the Communications Team is responsible for informing media outlets, perhaps by providing the following information:

- Official statement about the status of the business
- Magnitude of the disaster
- Impact of the disaster on the business
- Anticipated timelines for restoration of business operations

You may want to advise the media if an alternate location is being utilized during a media update.

Communicating with Others

Your business/organization may identify others that you want/need to contact regarding the disaster/emergency and the status of the business/organization.

You may want to define specific circumstances under which the others are to be contacted, and the information that should be communicated.
DEALING WITH A DISASTER

When/if a disaster occurs for your business/organization your first priority is to ensure that all employees are safe and accounted for. Once this is done then the Facilities Team should formulate steps to be taken to mitigate any further damage to the facility and to minimize the impact of the disaster to the business.

Regardless of the disaster, dealing with its impact can be broken down into the following steps:

1. Disaster identification and declaration
2. Activation of your DRP
3. Communications with various groups, as discussed previously
4. Assessment of the situation and prevention of further damage
5. Analysis and decision about activating the alternative location
6. Development of timeline for restoration of business operations
7. Repairing & rebuilding (if necessary) of primary business/organization facility

Disaster Identification & Declaration

Disasters are impossible to predict. Your business/organization must be prepared to learn of about potential or impending disasters from a variety of sources, such as:

- First hand observation
- Security system alerts that maybe in place within your business/organization
- Community sirens or other broadcast alerts
- Your employees
- Media reports

Once the Disaster Recovery Lead (DRL) has made the determination that a disaster has occurred, he/she must officially declare that your business/organization is in an official state of disaster. It is at this time the DRL must ensure that every person who was at the primary facility has been accounted for and evacuated to safety, according to your business/organization’s Evacuation Policy.

While employees are being taken to safety, the DRL should instruct the Communications Team to begin contacting authorities and all employees not at the impacted facility, to inform them that a disaster occurred.

Disaster Recovery Plan Activation

Once the DRL has formally declared a disaster occurrence, he/she will initiate the activation of your business/organization’s DRP by utilizing the Disaster Recovery Call Tree. You should determine what information will be provided via the first and subsequent calls.
Here are some examples of information to be shared with your employees:

- A disaster has occurred
- If known, state the nature of the disaster
- If known, an estimation of the magnitude of the disaster
- If known, as estimation of the impact of the disaster
- If known, expected duration of the disaster
- Actions taken by the business/organization
- Actions that will be taken prior to meeting of the Disaster Recovery Team Leads
- Place and time of Disaster Recovery Team Leads meetings
- Other pertinent information deemed necessary for your business/organization structure

If the Disaster Recovery Lead is unavailable to activate the DR Call Tree, then that responsibility would fall to the Disaster Management Team Lead.

Assessment of Current & Prevention of Further Damage

It is important that all employees understand that before anyone from the business/organization can enter the primary facility after a disaster, the appropriate authorities must ensure that the premises are safe.

Once deemed safe, the first team that should be allowed to examine the primary facility is the Facilities Team (or whoever has been designated within your DRP to perform this function). Once an examination of the building has been completed and a report submitted to the Disaster Recovery Lead, then all of the other Teams will be allowed to examine the building accordingly. All teams should be required to create an initial report on damage and provide this to the Disaster Recovery Lead within the timeframe designated by DRL. This is very important for insurance documentation and/or funding purposes to get your business/organization “back in business” as soon as possible.

Once all information is reviewed, the Team’s will assess any areas where further damage can be prevented and take the necessary action to protect the business/organization’s assets. Though necessary repairs or preventative measures should be taken to protect the facility, these costs must first be approved by the DRT Lead (or the designated authorized person).

Activation of Alternative Location

Your alternative location will be activated when the Disaster Recovery Lead determines that the primary facility is not sufficiently functional or operational to sustain normal business operations.

The Facilities Team (or those charged with this task) is charged with bringing the alternative location to functional status. The DRL will most likely convene a meeting with other Team Leads to assess next steps. Some steps to consider might include:
1. Determining the impact of the disaster on the business/organization
2. Ranking functions according to critical status to restore business operations
   3. Determining your recovery strategy
   4. Assigning responsibilities according to the recovery strategy
   5. Determining a timeframe for restoration of business operations
   6. Determining which aspects of the business/organization can operate from the alternative location
   7. Getting systems operational at the alternative location
   8. Communicating with employees critical to getting alternative location operating in business mode as soon as possible
   9. Determining outstanding tasks required at primary facility
  10. Determining what further actions have to be taken
  11. Documenting processes and expenses for record purposes and to assist in analyzing for future recovery planning.

It’s important that your “Teams” responsibilities are clearly defined/so they are carried out quickly and efficiently to support your business/organization’s ability to get back to business.

Repair & Rebuilding of Primary Facility

It is imperative that your primary facility be in operable condition before you can return to normal business operations. This is dependent on the magnitude and severity of the damage. You should develop action planning points based on your assessment of the damage and assign tasks relating to repairs and rebuilding accordingly.

Restoring IT Functionality

This section depends on your business structure. You may have an in-house IT department that should be involved in restoring IT equipment and systems. If you outsource your IT functionality, then you should identify their contact information in your “Call Tree” and your Facilities Team would be charged with communicating with that source to get your IT operations working at your primary and alternative locations.

Should a disaster actually occur and your business/organization needs to exercise its Disaster Recovery Plan, this section will be referred to frequently, as it will contains all of the information about your Information Technology systems to be recovered. You should work with your IT department and/or provider to develop this section of your Disaster Recovery Guide.

It’s important to include all Standard Operating Procedure documents, run-books, network diagrams, software format information, etc. in your Disaster Recovery Guide. You may want to consider having all of these documents copied and stored in a secure environment - perhaps offsite - along with all your other important documents.
Identifying Information Technology (IT) Systems

For your business/organization’s records and insurance purposes you might want to consider generating a list to identify your IT Systems in order of their criticality. Included components should include:

- Rank
- Vendor Name (IT System)
- Model #
- Serial #
- System Components (List in order of importance)

Plan Testing & Maintenance

As you initially develop your Disaster Recovery Plan in as complete and accurate manner as possible, you're still unlikely to address all possible situations and problems. This DRP should be considered a working document, which should be revised as your business/organization structure changes. It is important to “test” this plan on a periodic basis to identify errors and omissions, and address them by updating the Plan.

The main purpose of testing your plan is to make sure that your DRP is ready for a disaster. You don’t want to have a plan in place that fails and causes major disruption to your business/organization.

Maintenance

The DRP should be updated on a routine basis, and you should identify within this section the frequency with which the plan should be tested and updated. Business operations change or upgrades in processes take place, and those are important considerations when maintaining your DRP. Make sure you gather information and updates from employees and departments within your organization to complete the task of maintaining your DRP, such as the following

- Update your Call Tree
- Update your Team lists *
- Review the plan to ensure that all of the instructions are still relevant to the organization
- Operational changes
- Goal changes
- Employee/Management changes
- Requirements specified by new laws
- Other organizational changes/goals, etc.

*If any member of a Disaster Recovery Team no longer works with the business/organization, it is the responsibility of the Disaster Recovery Lead to appoint a new team member.
Testing

Your business/organization must be committed to ensuring that the DRP is functional. The DRP should be tested as stated in this section to ensure it is still effective. Here are some recommended methods for testing the plan:

1. **Walkthroughs** – Team members should verbalize and visualize the plan. A walkthrough assists in evaluating effectiveness and identifying gaps, bottlenecks, or other weaknesses. It enables you to review the plan with a larger subset of people. This enables the DRP Project Manager to gather knowledge and experience. Staff should be familiar with procedures, equipment, and offsite facilities.

2. **Simulations** – A disaster is simulated so normal operations will not be interrupted. During this simulation test your IT systems, personnel, communication, procedures, supplies and forms, documentation, transportation, utilities and alternate site processing. Using validated checklists can provide a reasonable level of assurance for many scenarios. Analyze previous simulation tests to ensure that lessons learned during those tests have been applied accordingly.

3. **Parallel Testing** – A parallel test can be performed in conjunction with the checklist test or simulation test. This is an opportunity to use historical information/transactions for IT testing purposes. This would allow testing of backup files at the alternate location. Those reports can be cross referenced against your primary business records to ensure your software/hardware processes are in check.

4. **Full-Interruption Testing** – A full-interruption test activates the total DRP. You need to be aware that this type of testing is likely to be costly and could disrupt normal operation.

   During the testing methods, any gaps in the DRP discovered need to be addressed by the Disaster Recovery Lead. Testing is critical to the success of your DRP.

Call Tree Testing

It’s a good idea to test your Call Tree. However, if you are completely confident that your Call Tree is updated on a regular basis, then you may opt to skip this section of the testing process. Call Trees are a major part of the DRP and should be tested frequently to ensure they are functional. Here is the suggested process for testing your Call Tree (edit as best reflects your business/organization):

1. The Disaster Recovery Lead initiates the Call Tree and gives the first round of employees called a code word.

2. The code word is passed from one caller to the next.

3. The next work day all Disaster Recovery Team members are asked for the code word.

4. Any issues with the call tree, contact information etc., can then be addressed accordingly.

   Remember to document and update your DRP after testing and as your business changes. This is very important in having a successful Disaster Recovery Plan!
OUTSIDE ASSISTANCE RESOURCES

There are many valuable resources for businesses to contact in the event of a disaster that can help them throughout the recovery planning process. Listed below, in no particular order, are some organizations that we feel would be noteworthy for your business/organization to utilize during a disaster.

When a disaster is declared by the President of the United States, disaster victims should tele-register with the Federal Emergency Management Agency (FEMA). This important first step will open the door to a variety of Federal disaster relief programs designed to aid in the recovery process. Once registered, either by phone or in person, the disaster victim may be given an SBA disaster loan application package to complete and return.

- **Federal Emergency Management Agency (FEMA)**
  Phone: 800-621-3362
  Online: [www.fema.gov](http://www.fema.gov)
  - Need to have a federal disaster declared. FEMA does not provide direct assistance to businesses, but you will need to obtain a number for other federal and state programs.

- **U.S. Small Business Administration (SBA)**
  Phone: 800-659-2955
  Online: [www.sba.gov](http://www.sba.gov)
  - After registering with FEMA, applicants should apply for the SBA Disaster Loan electronically at [disasterloan.sba.gov/ela/](http://disasterloan.sba.gov/ela/) or visit one of the Disaster Loan Outreach Centers (a temporary disaster assistance facility), which the SBA opens in disaster-affected area. Following major disasters, the U.S. SBA is the primary source of Federal funds for long-term recovery assistance. They provide low interest loans, business counseling, and can act without FEMA.

- **New York Small Business Development Center (SBDC)**
  Phone: 800-732-7232
  Online: [www.nysbdc.org](http://www.nysbdc.org)
  - The NY SBDC main office is located in Albany, NY with 24 Regional Centers located throughout New York State. The SBDC is generally activated by the U.S. SBA to provide immediate local assistance within a disaster affected area. SBDCs’ provide NO COST practical business services in a one-on-one, confidential environment.

- **NYS Department of Labor – Disaster Unemployment Assistance (DUA)**
  Phone: 800-877-872 Ext. 5624
  Online: [workforcesecurity.doleta.gov/unemploy/disaster.asp](http://workforcesecurity.doleta.gov/unemploy/disaster.asp)
  - DUA provides financial assistance to individuals whose employment or self-employment has been lost or interrupted as a direct result of a major disaster and who are not eligible for regular unemployment insurance benefits.

- **USDA Farm Insurance Loan**
  Online: [www.fsa.usda.gov/FSA](http://www.fsa.usda.gov/FSA)
  - To qualify for an emergency loan, you must be a U.S. Citizen or permanent resident who owns or controls farmland, has suffered production or property losses from a natural disaster and has been denied a loan by a commercial lender. For production loan losses the applicant must have suffered at least a 30% loss in yield. Loans may also be made to replace damaged farm property. USDA can act without FEMA.
DISASTER RECOVERY: A PLANNING GUIDE

• IRS
  - The IRS provides special tax relief, special loss categories, extensions, breaks, etc. Some of their initiatives are tied to FEMA declaration.

Information Resources

This listing provides websites with a wealth of information that can be valuable to business/organizations in regard to disaster assistance and preparedness. It’s important to become familiar with assistance programs and resources as this can assist you in developing action plans to incorporate into your disaster plan.

• www.sba.gov
• www.preparemybusiness.org
• www.nysbdc.org
• www.fema.gov
• www.ready.gov
• www.disasterassistance.gov
• www.disastersafety.org
• www.redcross.org
• www.readyrating.org
• www.stormrecovery.ny.gov

The Real Story

• All disasters, their impacts, & responses to them are different
• Help will not be immediate from any source
• Copious business records will be required by most organizations offering assistance
• You will be probably dealing with a business AND a personal calamity
• You must be ready to fend for yourself
• Readiness is the key to recovery

Keep in mind that the SBDC can assist business/organizations interested in talking about ways to prepare for future disasters or business interruptions. Contact your local SBDC for NO-FEE and confidential one-on-one counseling.

Questions? Please contact the NY SBDC, we are prepared to help you!
YOUR BUSINESS PLAN

Every business requires a plan. Why should you go to the effort of creating a written business plan? There are three major reasons:

• The process of putting together a business plan, including the thought you put in beforehand, forces you to take an objective, critical, and unemotional look at your business project in its entirety.

• The finished product—your business plan—is an operating tool which, when used properly, will help you better manage your business and work toward its success.

• The completed business plan is a way to communicate your ideas to others and provides the basis for your financing proposal.

The importance of planning cannot be overemphasized. By taking an objective look at your business, you can identify areas of weakness and strength, pinpoint needs you might otherwise overlook, spot problems as they arise, and begin planning how you can best achieve your business goals. It may even help you to avoid some problems altogether.

This guide has been designed with these considerations in mind. It is important that you complete as much of the work as possible. A professionally prepared business plan won’t do you any good if you’re not familiar with every aspect of the plan. This deep understanding comes from being involved with your plan’s development from the very start.

No business plan, no matter how carefully constructed, will be of any value unless you use it. Going into business is a very serious matter in terms of your future and your family’s future—over half of all new businesses fail within the first two years of operation. A major reason for failure is lack of planning.

Use your plan. Don’t put it in a bottom drawer of your desk and forget about it.

A business plan can help you avoid going into a venture that is doomed to failure. It can help you see if your proposed venture is marginal.

Finally, your business plan provides the information others need to evaluate your venture, especially if you need to seek outside financing. A thorough business plan automatically becomes a complete financing proposal which will meet requirements of most lenders.

Suggested Business Plan Outline

Cover Sheet

• Name of business
• Names of owners
• Address and phone numbers of business
Statement of Purpose

The Business
- Description of business
- Market
- Competition
- Location
- Advertising
- Management
- Personnel
- Application and Expected Impact of Loan (if needed)
- Summary

Financial Data

Supporting Documents
- Personal resumes
- Personal financial requirements and statements
- Cost-of-living budget
- Credit reports
- Letters of reference
- Job descriptions
- Letters of intent
- Copies of leases, contracts, legal documents, and anything else relevant to the plan

Cover Sheet

The cover sheet should:
- Identify the name of the business and the date of the plan
- Identify the location and telephone numbers of the business or where the owners can be reached
- Identify the person who wrote the business plan.

The cover sheet should not be elaborate, but should be neat and attractive. If you have a logo, use it. If the plan is to be submitted as a financing proposal, use a separate cover sheet for each bank or capital source you want to submit it to.

Statement of Purpose

The first page should state the plan or proposal objectives as simply as possible. If for your sole use, the statement should be a brief description of how you intend to use the plan.

If the plan is also to be used as a financing proposal, the statement of purpose becomes more complex. It should include responses to the following questions:
- Who is asking for the money?
- What is the business structure (sole proprietorship, partnership, corporation, etc.)?
- How much money is needed?
- How will the money be used?
- How will the funds benefit the business?
• Why does the loan or investment make sense?
• How will the funds be repaid?

The deal you are proposing — the loan or investment, its use and expected effects on the business, and how you will repay it — should be supported by the rest of the plan.

If you are not seeking a loan, the plan should still support and justify the use of your own money (or the money of partners, friends, family).

Keep the statement short and businesslike. It will usually be no longer than half a page, but may be longer if necessary. Use your judgment.

Contents Page

The Contents Page should follow your Statement of Purpose. The remainder of the plan should be devoted to elaborating on and supporting the Statement of Purpose. A business plan, even for a modest project, generally runs to 20 pages or more.

There are three main sections of your plan:

• The Business
• Financial Data
• Supporting Documents

Description of Your Business

This is the most important, most complex part of your business plan. It should make a clear statement of:

• What the business is (or will be)
• What market you intend to service, the size of the market, and your expected share
• Why you can service that market better than your competition
• Why you have chosen this particular location
• What management and other personnel are available and required for the operation
• Why (if appropriate) borrowed money or an equity investment will make your business more profitable

These six considerations are crucial. They are the written policy of your business—rules you should not deviate from without compelling reasons. Since policy gives stability and direction to your business, it requires a great deal of thought and planning.

Your business will reflect your personality and abilities—not someone else’s. In describing your business idea, aim at clarity and simplicity. A rule of thumb: If you can’t describe your idea clearly and simply, you haven’t thought it through.

Deciding what your business is—and where you want it to be in five years—is the most important decision you will have to make. If a small business is involved in more than one activity, your judgment of what the central activity or central activities are is crucial. Your entire planning effort is based on your perception of what business you are in. Be sure to take the time to think this decision through.
The description of the business includes:

- **Type of business**: Is your business primarily merchandising, manufacturing, or service?
- **The status of the business**: Is your business a start-up, an expansion of a going concern, or a takeover of an existing business?
- **The business form**: sole proprietorship, limited liability company (LLC), partnership, or corporation?
- **A statement of why your business will be profitable**
- **The date you plan to start the business**
- **The hours your business will be open** (if your business is a seasonal business, describe how the hours will be adjusted seasonally).

Knowing exactly what your business does and how it operates enables you to plan for profits effectively. Before you begin to consider profit-making, you must be able to clearly state the aims and goals of your business. As the business progresses, the question of how to make profits must be continually asked.

*For a New Business*

Your description of the business should contain responses to the following questions:

- **Why will you be successful in this business?**
- **What is your experience in the business?**
- **Have you spoken with other people in this kind of business? What were their responses?**
- **What will be special about your business?**

Many businesses fail to take advantage of the insights and experience of actual and potential competitors. Your best single source of information, they will often give you much valuable advice for nothing more than a chance to share their expertise. Talking with competitors (and observing their business practices) will also help you define what the special advantages of your own business could be.

Two more questions to consider:

- **Have you spoken with prospective trade suppliers to find out what managerial and/or technical help they will provide?**
- **Have you asked about trade credit?**

Trade credit is a source of funds. “Net due in 30 days” allows you to use the supplier’s money for the 30 days—like a non-interest-bearing loan. This means, however, that you may forgo any frequently available cash discount if you pay the bill within 10 days. Taking the discount your supplier offers can represent a substantial savings. If you can borrow the funds somewhere else at a lower rate of interest, you should do so. However, such credit is often not available until a business has been in operation long enough to establish a reputation for paying on time.

Many suppliers also offer free services as an inducement to buy their products. For instance, store fixture manufacturers give free layout advice, and utility companies give hints on how effective use of light can create more sales. Two additional considerations:

- **If you will be doing contract work, what are the specific terms of the contract? (Reference any firm contract or letter of intent, and include it as a supporting document.)**
- **How will you offset any slow payment by the customer?**
Especially important for anyone contemplating contract work is to find out how and when you will be paid. Get a feel from other contractors about their experiences. Remember that a slow-paying customer can put you out of business if you aren’t prepared. If you find that slow payment is a fact of life, plan ahead to compensate for the shortfall.

For a Takeover

Your description should contain a brief history of the business you plan to take over and should respond to the following questions:

- When and by whom was the business founded?
- Why is the owner selling it?
- How did you arrive at a purchase price for the business?

Businesses that are strong and growing are infrequently offered for sale, and most sellers may give—not necessarily deliberately—misleading reasons for selling their business. Protect yourself. Ask your banker to check out the business. This is a routine activity for the bank, which has the means to find out such information. You can also ask your lawyer or accountant who are often experienced in this area.

Pricing a business requires professional expertise and ethics. Paying for a professional appraisal may turn out to be an excellent investment, as it not only establishes a fair price for the business but also provides justification for the price if outside financing is needed. Include a copy of the appraisal as a supporting document. The price should reflect business assets, the rate of expected income on your investment, and perhaps a “goodwill factor,” such as patents which can be capitalized, a reputation for excellent service, or an advantageous lease.

Since you will be repaying the purchase price out of profits, make sure that you get what you are paying for. Consider the following:

- What is the trend of sales?
- If the business is going downhill, why? How can you turn it around?
- How will your management make the business more profitable?

These last two items should be supported by income statements and tax returns. If a business is sliding downhill, there may be reasons which aren’t obvious. Discuss the owner’s reasons for selling. Ask the bankers involved with the business. It is difficult to restore a tarnished reputation. It can’t be done overnight.

Some additional thoughts as you check out the business: Have you evaluated and aged the inventory? Checked with trade creditors? Aged the receivables? What is the condition and age of operating machinery? Does the business owe money—and if it does, will you inherit the liabilities? Check with state, federal, and local agencies concerning outstanding taxes due.

Determine exactly what you are buying. You are planning to put your money on the line. Don’t be afraid to ask for advice before you commit yourself to any deal. A good attorney is essential at this point to help determine what you are buying and to make sure that the terms of the sale are in your favor.

For Purchasing a Franchise

Many small business owners have been helped in getting a start by investing in a franchise. You may want to consider such an investment.
Most franchises require some or all of the following:

- Initial franchise or license fee
- Training costs
- On-site start-up and promotional costs
- Periodic royalties
- Charges for the building, equipment, inventory, supplies
- Bookkeeping charges (occasionally)

Along with the franchise costs, you should have on hand working capital for at least three months of operation, and preferably more. You can determine working capital needs by a simple formula: multiply living expenses by three and add total franchise costs.

Keep in mind that a parent company is involved in franchising for two basic reasons: to expand, and to raise capital. So if you have a reasonably good credit record and pass all financial requirements, most franchisors will bend over backwards to get you on their team. The help that franchisors provide usually includes assistance with business plans, loan application help, introduction to lending sources, and, in many cases, they serve as guarantor of the loan.

Remember that the price of the franchise does not always reflect the actual cost of the business. Additional costs can include down payments on the land, building, and equipment, fixtures, signs, and many other items.

Be sure you understand the requirements of your cash investment. Do a thorough search of the company in which you will be investing your money. Federal franchise laws require that all franchisors give the franchisee a full and complete disclosure, including a description of the business, training programs, services provided, number of franchises, financial statements, and audits. They must fully describe all that will be required of the franchisee.

It is imperative that you, as the potential franchisee, retain legal counsel to review all contracts, agreements, and other documentation that may be required before signing them.

The Market

To generate an ongoing sales flow, you must become knowledgeable about your market — the people who will be buying your service, product, or merchandise.

Basic market considerations are:

- Who is your market?
- What is the current size of the market?
- What percent of the market will your business expect to capture?
- What is the market’s growth potential?
- As the market grows, does your share increase or decrease?
- How will you satisfy your market?
- How will you price your service, product, or merchandise to make a fair profit and also be competitive?
Define Your Market

In marketing terminology, define your target market—the target of all your efforts. You do this by considering:

- Who needs your product or service?
- Who buys the kind of merchandise you stock?

It may be necessary to alter your service, product, or merchandise mix to meet the needs of the market you have targeted.

However, you must first know exactly who your market is. Perhaps it is defined by geographic location, socioeconomic or ethnic factors, age, gender, or other conditions.

Whatever your market elements, make sure you identify them. One way to do this is to simply list all important characteristics, and then, by using Census data or other available information, find out to what extent these characteristics are present in different areas.

You must then measure your target market. As simple as this may sound, remember, having too few customers puts you out of business. Although your business will receive cash from four sources—sales, loan proceeds, sale of fixed assets, and proceeds of new investment—it will ultimately rely on sales as the main source of money. (If there are no sales, there is no business.)

You can obtain information about the size of your market from your Chamber of Commerce, the SBDC, trade publications, marketing consultants, other business persons, libraries, schools and colleges. Census data, which you can find at your nearest library or online, is an excellent source of information.

Get help in assessing the market from such sources rather than trying to guess by watching passing traffic and hoping for the best. Good marketing strategy must be planned, and it must be based on good information.

When you have a feel for your market, answer the following questions:

- How will you attract and keep this market?
- How can you expand your market?

These two critical questions lead to other ideas to consider, such as how and where to advertise, the suitability of your location, and how attractive your office or store is to the clientele you hope to draw.

The second aspect of your marketing strategy concerns price:

- What price do you anticipate getting for your product?
- Is the price competitive?
- Why will someone pay your price?
- How did you arrive at the price? Is it profitable?
- What special advantages do you offer that may justify a higher price?

To make a profit, your business must make more on sales than it spends (both directly, as in cost of goods sold, and indirectly, as in overhead and selling costs). Many businesses flounder because they lose sight of this simple truth.
A Brief Note on Credit

Will you offer credit to your customers? If you do, you are, in effect, making a loan to them. Can you afford to do this? Do you have to extend credit? Can you evaluate credit risk? Can you collect? Can you afford to write off bad debts?

Customer credit can represent an unexpected cash drain on the business. If you must offer credit, make sure that you plan how to absorb its effects. Offering credit to your customers costs you money, especially if you then have to borrow funds to cover these accounts. It may strangle your business by tying up funds you could possibly use for other purposes.

Pricing

Keep in mind that pricing reflects a total package of product and service and expenses.

There is no point in pricing yourself out of the market, nor is there anything to be gained from a price which puts your business in the red.

Competition

If you have decided on your target market, and it is large enough to be profitable, and it contains reasonable expansion possibilities, the next step is to identify and assess your competition. Consider these questions:

- Who are your five nearest competitors?
- How will your operation be better than theirs?
- How is their business: Steady? Increasing? Decreasing? Why?
- How are their operations similar and dissimilar to yours?
- What are their strengths and weaknesses?
- What have you learned from watching their operations?

This section should enable you to make your business more profitable by picking up good competitive practices and avoiding your competitors’ errors. Opening a business in a market that is already more than adequately serviced is a common error. Carefully evaluating the competition will sometimes lead you to alter your basic business strategy or modify operations to compete more effectively. This should be an ongoing practice, since market shift and success attract competition.

Learn from competitors’ mistakes, and go after the market segment currently being inadequately served. A good practice is to identify an unserved or underserved target market, identify the needs of that market, and go after it. An advantage for a small business is its ability to operate profitably in a market too small for big businesses to consider. Checking out the competition is a valuable extension of your marketing efforts.

Location

Proper site location can help your business make money. If you are going into business, first try to identify the ideal site, then figure how close you can come to it, remembering that rent is computed as the combination of space and advertising.
Information about specific geographic areas is available from Chambers of Commerce, trade sources (such as magazines and associations, planning commissions, bankers, and lawyers), and industrial development commissions. They may also have information about tax breaks and financing incentives for businesses that will employ substantial numbers of people in towns under their commission.

Do not go into business in a given spot simply because the price is low. Rent and purchase prices are usually fixed by market forces, and a low price can reflect low desirability. Although for some operations, this consideration is beside the point, for others—merchandising operations in particular—it is a very important factor.

Each business has its own location needs. If your enterprise is manufacturing or wholesale, low rent and easy access to transportation routes are very important. For most retail operations, however, exposure to people and accessibility are most important. Traffic studies may be available for the area you are considering. Sources of this information may include the state or local highway agencies, the local library, or Chambers of Commerce. Your local banker may well be one of your most useful information sources. Some locations seem to be “jinxed,” and most likely he or she will know why and will tell you.

In this section of your business plan, you should answer the following:

- What is your business address?
- What are the physical features of your building?
- Is your building leased or owned? State the terms.
- If renovations are needed, what are they?
- What is the expected cost? Get quotes in writing from more than one contractor. Include quotes as supporting documents.
- What is the neighborhood like? Does zoning permit your kind of business?
- What kind of businesses are already in the area?
- Have you considered other areas? Why is this one desirable for your business?
- Why is this the right building and location for your business?
- How does this location affect your operating costs?

The key to correct site selection: keep in mind that a bad site can put you out of business, while a good site can increase your profits. Once you get started, or if you are already located, keep a constant eye on changes in your location—new roads may be built, populations may shift, zoning ordinances may change. Such changes could mean you need to alter your business plan.

Advertising

Effective advertising can help owner-managers of small companies achieve benefits such as increased sales, sustained sales volume, and reduced selling costs. The secret to such results is not so much in the amount of money budgeted for advertising, but in how it is spent.

Advertising can be one of small businesses’ most effective weapons in an intensely competitive business climate. It can offer a creative and effective way for retailers to bid for their fair share of the market in the face of stiff competition and rising costs.

Advertising is not an end in itself, but rather, a means of providing customers with convincing reasons why they should patronize a particular business.
Businesses should always build their advertising messages around the particular advantages they are prepared to offer their customers. Usually, these advantages relate to price and quality of products, convenience and accessibility of store location, or quality of service.

Planning for Timely Advertising

While frequently considered a temporary expedient, advertising should be based on long-range planning, which includes more immediate plans and goals. Moreover, it should be consistent throughout the year as a cumulative sales effort. Although this planning should be the controlling factor, advertising plans should be flexible.

Because small businesses have limited funds, they must plan carefully to obtain maximum effectiveness from their advertising expenditures. Advertising should be planned in relation to the overall merchandising program. It should also be coordinated with such specific management activities as buying, inventory balancing, and acquisition of new customers. In other words, the effectiveness of a limited advertising budget can be greatly strengthened if advertising goals are planned in relation to the total merchandising and selling program.

Timing is possibly the most important single consideration in the planning of effective small business advertising. Timing involves adjusting the advertising plans not only to seasonal sales patterns but also to the business’s special days and to the community’s or shopping district’s special events. Coordination of the advertising program with the buying schedule is also necessary. A promotional advertisement which is not backed up by adequate merchandise can do more harm than good.

Media, Copy, and the Internet

It is becoming a truism that you will not be taken seriously as a business without an Internet presence. Businesses should explore fully the opportunities of presenting themselves to customers via the Internet. An Internet presence can be inexpensive and effective.

The newspaper is a medium used by many small businesses. Other effective media for business are direct mail, radio, television, handbills, billboards, and increasingly, the Internet—through a company website. Also don’t discount the effectiveness of a well-designed sign for your location.

The key to success in direct-mail advertising is a carefully selected and maintained mailing list. Small businesses should not overlook the use of radio and television where local rates are low enough to fit the budget of a small shop. These media can be used occasionally with great effectiveness to advertise outstanding promotional events.

Each business must determine the type of advertising copy most appropriate to the identity or image they are seeking to establish in the public mind. All advertising copy benefits from observing the basic rules of eye appeal, simplicity, brevity, straightforwardness, and credibility. An advertising message that is obscure, confusing, or misleading may be successful in the short run, but generally is bound to fail.

To be effective, an ad must:

- Attract attention of the reader or audience
- Offer visual persuasion showing how the product will benefit the customer
- Show why the product is necessary and why it should be purchased at this time
- Encourage purchase, giving reasons for buying, particularly from the business doing the advertising.
Sources of Advertising Help

Businesses can find many outside sources of assistance, such as the following:

- The advertising departments of newspapers offer assistance in preparing copy, artwork, and layout. They are often willing to advise the business on general merchandising and sales promotions planning.
- The firms that supply the retailer with merchandise often provide advertising materials free of charge, grant advertising discounts, and participate cooperatively in the business’s advertising by sharing a portion of the cost.
- Direct-mail agencies compile specialized mailing lists which the business can use to contact selected customer groups. These agencies also assist in the preparation of mailing literature.
- Trade newspapers and magazines often provide useful information to the business manager about advertising practices. Trade associations, Chambers of Commerce, and Better Business Bureaus also provide information on advertising and advertising ethics.
- Some advertising agencies specialize in servicing small businesses, and typically will take full responsibility for all aspects of advertising.

In addition, businesses should keep well informed about their competitors’ advertising. The larger ones usually have effective advertising, and a study of the methods they use, the merchandise they feature, the style of their copy, and the size and layout of their advertisements can provide helpful ideas.

Budgeting

Advertising has three basic goals:

- Sell goods and services
- Create a positive business image
- Allow the advertiser to compete successfully

Budgeting for advertising is necessary for maximum returns. The amount to spend depends on many factors, such as specific promotional objectives, store location, competition, age of store, and past success in attracting customers. Often, businesses discover that what they need to spend on advertising and what they can afford to spend are not the same. They must study their own situation carefully and, within the limits of their financial capabilities, allocate funds on a planned basis over an extended period, usually six months.
Roughly 98 percent of small businesses fail because of managerial weakness; fewer than two percent of the failures are due to factors beyond the control of the people involved.

Your business plan must take this into account. If you are preparing a financing proposal, you should make sure that your prospective financial source is aware of the steps you have taken or are taking to correct any weaknesses in your managerial staff. If you are to use your business plan to the fullest, you should highlight both management strengths and weaknesses.

There is no known cure for incompetence, but there are direct cures for inexperience: Acquire the necessary experience yourself, or find a partner or employee who does.

In preparing the Management section, you should cover five areas:

- Personal History of Owners and Key Managers
- Related Work Experience
- Duties and Responsibilities
- Salaries
- Resources Available to the Business

Properly treated, these five will help make a proposal convincing and a business plan useful. The aim is to spot areas of potential weakness before problems arise and threaten to put you out of business.

**Personal History of Owners**

In this segment, include responses to these questions:

- What is your business background?
- What management experience have you had?
- What education (including both formal and informal learning experiences) have you had which has a bearing on your managerial abilities?
- Personal data: age, where you live and have lived, special abilities and interests, reasons for going into business. Keep in mind that your family will be affected by your decision to go into business. Try to assess the potential impact. While they may be supportive now, will they continue to be supportive a year from now?
- A personal financial statement must be included as a supporting document in your business plan if it is a proposal for financing.

Bankers and other lending sources want to see as much collateral as possible to secure their loan. Be forewarned: Under most circumstances, the personal credit worthiness of the principals will be a major concern for the banker. Also, you will undoubtedly be expected to sign personally for the loan. This means that your personal assets could be taken if the business fails — even if it’s set up as a corporation.

**Related Work Experience**

This segment is an expansion of the experience factors mentioned earlier. It requires, but is not limited to, information on the following:

- Direct operational experience in this type of business
Managerial experience in this type of business
Managerial experience acquired elsewhere—whether in totally different kinds of businesses, or as an offshoot of club or team membership, civic activities, church work, or some other activities.

While some managerial skills are transferrable, others are not. Managerial experience and expertise that is not carefully balanced can cause serious problems. The talents required of a financial specialist are quite different from those of a used-car salesman. A combination of both sets of talents in one individual is rare.

Duties and Responsibilities

Once you have filled in the experience and skills—and have a feel for the weaknesses—of the proposed management, this segment is relatively simple.

Make sure that you spell out in advance:

• Who does what
• Who reports to whom
• Where the final decisions are made

Allocating duties and responsibilities is critical. If the chain of command is unclear to your employees, you will have personnel problems. This is a major responsibility of management and must not be evaded under the guise of “we can work it out later when we see where the problems are.”

Salaries

When completing this section, include salaries of management and all employees. Don’t forget to include employee benefits as well as salaries (e.g., medical, pension, Social Security, insurance coverage). Be realistic when computing upper-level salaries.

Knowing what you need, as distinguished from thinking you know what you need, takes effort. One sure way to damage a small business is to take the money out for family necessities. If your business can’t afford to pay you a living wage, and you have no other income or savings, you had better reconsider your deal.

Resources Available to the Business

All businesses, no matter how small, need the services of:

• Accountant
• Lawyer
• Insurance broker

If you don’t have any of these services, make sure you get them immediately!

Other sources of assistance include:

• Small Business Development Centers
• Business, trade, civic organizations, which often have a pool of talent available to their members
• Small Business Administration technical assistance and SCORE programs
Avail yourself of all of these. And don’t forget: Your banker can be among the most helpful partners you have. If you borrow money, the bank has a vested interest in the success of your business.

You won’t necessarily have to use all of these secondary resources, but it is a good idea to know what help is available if you need it.

Summary

This section should make you aware of the necessity of developing your management skills, and, for the skills you do not possess, of accessing all outside resources (legal, financial, etc.) available to you. Keep in mind the necessity of managing your business rather than letting the business manage you. Constantly review and re-evaluate the status of your business. In this way, you will drastically diminish the odds of failure. Keep this section short, direct, and honest.

Personnel

Businesses stand or fall on the strength of their personnel. Good employees can make a marginal deal succeed; poor employees can destroy the best business. Studies have consistently shown that out of 100 customers who stop patronizing the average store, more than 70 do so because they didn’t get prompt, courteous attention.

Here are some questions to think about in determining your hiring needs:

- What are your personnel needs now? In the near future? In five years?
- What skills must your staff have?
- Are the people you need available?
- Do you need full or part-time staff?
- Will you pay them salaries or hourly wages?
- Will you offer fringe benefits?
- Will you pay for overtime?
- Will you have to train people? If so, at what cost to the business?

Application and Expected Impact of Loan

This section is important, whether you are seeking a loan or planning to finance your deal yourself. In determining how much money you will need and for what purposes, do not rely on guesses when exact prices are available. Specify how you arrived at your figures. It may be helpful to make a list.

Fill out your reasonable choice. It may be important to you to have a luxury item or two, but weigh the cost. A tabular worksheet is particularly useful for a start-up business and can be used whenever a purchase of additional equipment is contemplated.

Make sure that this section contains responses to the following:

- How is the loan or investment to be spent? This can be fairly general (working capital and new equipment, inventory, supplies).
- What is the item to be bought?
• Who is the supplier?
• What is the price?
• What is the specific model name and number of your purchase?
• How much did (or will) you pay in sales tax, installation charges, and freight fees?

Your banker may be interested in using whatever it is that you are buying as collateral for the loan. By having a list, your loan can be processed faster.

Consider the possible advantages of leasing some of the capital equipment you need, and definitely look into the advantages of renting rather than owning your business building. If you have the money to buy, owning may (or may not—ask your accountant) be less expensive than leasing. If you are short of cash, a lease arrangement may enable you to ease cash problems by lowering your investment in fixed assets (perhaps a sale/lease-back deal). Leases also have greater flexibility. As your business grows, you can often make changes more readily. It is also possible to save money on taxes by deducting lease payments as business expenses.

Most important, ask yourself how the loan will make your business more profitable.

Interest is an expense which reduces profits. If you propose borrowing money or investing your own, you must know how the money is going to work for you.

Make sure it earns more than it costs! A well-thought-out business plan can be an asset to any small business. If you have followed the steps outlined in this guide, you should be able to develop a good, workable plan.

Financial Plan

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). 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, security deposits, etc.

A start-up budget should allow for these expenses:

• Personnel (costs prior to opening)
• Occupancy (lease, rent or mortgage)
• Legal/Professional Fees
• Equipment
• Supplies
• Salary/Wages
• Income
• Utilities
• Payroll Expenses
• Internet
• Licenses/Permits
• Insurance
• Advertising/Promotions

The operating budget is prepared when you’re actually ready to open for business. The operating budget will reflect your priorities in terms of how money will be spent, the expenses you will incur and how you will
meet those expenses. Your operating budget should also include money to cover the first three to six months of operation. It should cover the following expenses:

- Personnel
- Lease/Rent/Mortgage
- Loan Payments
- Legal Fees
- Accounting
- Supplies
- Salaries/Wages
- Dues/Subscriptions/Fees
- Repairs/Maintenance
- Insurance
- Advertising/Promotions
- Depreciation
- Payroll Expenses/Payroll Taxes
- Internet
- Travel/Entertainment
- Miscellaneous

The financial plan should also describe the type of financing you’re seeking, the amount of money you’re looking for, how you plan to use these funds and the preferred terms for repayment.

The financial plan will be the tool prospective investors, bankers, and even you will use in order to determine the feasibility of the business you are presenting. If the business already exists, it should illustrate the current financial status of your business and represent your best estimate of its future operation. If the business is new, a projection will suffice. The results presented should be both realistic and attainable. The financial forecasts should come in the form of three-year cash flow and balance sheet statements.
| Month | Net Cash Flow | Total Outflows | Total Inflows | Cash Inflows | Other Income | Other Outflows | Miscellaneous | Bank Charges | Legal Fees | Taxes & Entertainment | Licenses & Permits | Repairs & Maintenance | Interest | Professional Fees | Insurance | Accounting | Dues & Subscriptions | Office Expense | Telephone | Loan Payments (current) | Loan Payments (previous) | Advertising & Promotion | Periodic Taxes | Other Expenses | Commission Sales | Franchise Fee | Cost of Goods Sold | Ending Cash Balance | Beginning Cash Balance |
|-------|---------------|----------------|---------------|---------------|--------------|---------------|---------------|--------------|------------|----------------------|-------------------|--------------------|----------|-------------------|-----------|-----------|----------------------|------------------|------------------|---------------------|-------------------|---------------------|-----------------------|-------------------|---------------------|
| 1     |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 2     |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 3     |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 4     |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 5     |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 6     |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 7     |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 8     |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 9     |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 10    |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 11    |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| 12    |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |
| Total |               |                |               |               |              |               |               |              |           |                      |                   |                    |          |                   |           |           |                      |                   |                  |                     |                   |                     |                       |                   |                     |

CASH FLOW PROJECTION
# CASH FLOW PROJECTION

## Year 2

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<th>3</th>
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### Cash In-Flows
- Sales
- Other Income

### Total In-Flows

### Cash Out-Flows
- Cost of Goods Sold
- Rent/Mortgage
- Owner's Salary
- Other Salaries
- Payroll Taxes
- Advertising & Promotion
- Utilities
- Loan Payments (current)
- Loan Payments (previous)
- Telephone
- Office Expense
- Dues & Subscriptions
- Accounting
- Insurance
- Professional fees
- Internet
- Repairs & Maintenance
- Licenses & Permits
- Travel & Entertainment
- Legal fees
- Bank charges
- Miscellaneous

### Total Out-Flows

### Net Cash Flow

### Beginning Cash Balance

### Ending Cash Balance
### Pro-Forma Balance Sheet
(Opening Day of Business)

#### ASSETS
- Cash
- Accounts Receivable
- Inventories
- Prepaid Expense
- Other Current Assets

**TOTAL CURRENT ASSETS**

#### FIXED ASSETS
- Land
- Leasehold Improvements
- Equipment
- Vehicles
- Other Fixed Assets

Subtotal Fixed Assets

Less: Accumulated Depreciation

**TOTAL FIXED ASSETS**

**TOTAL ASSETS**

#### CURRENT LIABILITIES
- Accounts Payable
- Current Portion of Long-Term Debt
- Accrued Expenses
- Other Current Liabilities

**TOTAL CURRENT LIABILITIES**

**LONG-TERM DEBT, net of current portion**

#### OWNER’S EQUITY
- Paid-In Capital
- Retained Earnings

**TOTAL OWNER’S EQUITY**

**TOTAL LIABILITIES & OWNER’S EQUITY**
# Pro-Forma Income Statement

<table>
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<th>Year</th>
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<th>3</th>
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<tr>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Other Income</td>
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## Gross Profit

## Operating Expenses

- Cost of Goods Sold
- Rent/Mortgage
- Owner's Salary
- Other Salaries
- Payroll Taxes
- Advertising & Promotion
- Utilities
- Telephone
- Office Expense
- Dues and Subscriptions
- Accounting
- Insurance
- Professional fees
- Internet
- Repairs & Maintenance
- Licenses & Permits
- Travel & Entertainment
- Legal fees
- Bank Charges
- Miscellaneous
- Depreciation
- Interest

## Net Income
Advertising as Part of Your Marketing Plan

Marketing and advertising are often mistaken for one another. Advertising is actually part of the marketing process. Advertising includes all activities in the paid promotion process, whereas marketing includes planning what, where, how, and to whom you will sell your product or service.

Putting together an advertising campaign for your business should entail a clear idea of:

• How much to spend
• What type of media to use
• What market area to reach
• How often to run any ads

If you make decisions haphazardly or use a “seat-of-the-pants” approach, the results will probably show it.

To help organize a cohesive plan, it is wise to commit your ideas and decisions in the form of a written advertising plan. This helps you identify areas that need to be looked at in developing an advertising campaign. And it gives you a written reference that you can and should periodically review during the course of the year.

Marketing Plan Format

Although there is no one marketing plan format for all businesses, a plan can be developed using the following topic list as a guide:

• Advertising Objectives. What are you trying to achieve? Establishing a particular identity for your project, such as “the most dependable” or “lowest price” (often called positioning), or simply trying to increase sales?

• Advertising Strategy. This should contain the overall methodology to meet advertising objectives. For example, if the primary objective is to convey the message that your product is “the most dependable,” the strategy should explain how this is to be carried out.

• Creative Strategy. This contains guidelines or specifics to assist in the creative aspects of advertising. Creative aspects include slogans, themes, use of graphics and colors, logos, copy guidelines, and mechanical specifications (e.g., typestyles and sizes, use of photography, and details of reproductions).

• Media Plan. This should identify the media mix (combination of print, broadcast, and other). A media schedule details the types of media that should be used for advertising throughout the year. This may be generic and contain only types of media that will be used, such as the Internet, radio and newspapers, or specific and contain types of media and corresponding identities, such as WXYZ Radio and the Daily News. The media budget includes costs associated with each ad placement (cost of airtime, newspaper space, magazine placement). The media budget is then used as part of your advertising budget.

• Advertising Budget. This has two components: the media budget and the production budget. The production budget contains all costs associated with production of advertisements. Typical items include: time and materials from in-house staff (normally not included if your company does not cross-charge departments), photography, purchased services such as typesetting or use of consultants,
or the entire creative and production charge if you use an advertising agency. Transfer the total to your master budget, where you can represent it as either a total advertising line item or break it down into media and production components.

Overall Promotional Strategy

The primary goal of advertising is to position your company and product in the mind of the potential customer. Advertising is one of three major promotion methods. The others are personal selling and public relations.

Personal Selling

Personal selling is the dominant form of promotion, done through sales clerks, telemarketing, and/or field salespeople. Personal selling is flexible and enables greater control over the sale, since questions can be answered, the sales pitch can be customized, and the sale can be closed. Many customers build strong bonds with salespeople, counting on them for in-depth information on a product, on industry trends, and on special treatment in pricing and order lead times. For these reasons, it is necessary to maintain adequately trained salespeople and keep them well informed about your current products, and your competitors’ products as well.

Salespeople must know how much flexibility they are allotted for adjusting prices, modifying standard product offerings, extending credit, and promising delivery dates. The ability to respond to customer inquiries helps build confidence. Many companies assign titles such as marketing representative, marketing specialist, or sales engineer to indicate this type of authority.

Salespeople are often responsible for customer support in addition to getting orders. This allows valuable input to the company that could affect other sales. Good sales techniques can forge strong customer-company relationships and can result in repeat business and secondary promotion through word of mouth. Friendly, knowledgeable salespeople can be one of your best promotion assets.

Sales promotion includes activities supporting personal selling. These include brochures, fliers and catalogs, novelties, displays, and trade shows.

Public Relations

Public relations includes any type of publicity that is generally not paid for, and that seeks to create interest or favorable recognition for the company and its products or services. Public relations provides an economical way to enhance your company’s image. The disadvantage: You have little or no control over how much of your message gets through.

Many activities present excellent public relations opportunities; these include new product announcements, giving or receiving awards or significant contracts or grants, hiring new key personnel, as well as stunts, shows, exhibits, grand openings, guest appearances by celebrities or dignitaries, sponsorships, and fundraisers.

For most public relations activities, the company must take the initiative to generate media interest. In most cases, this involves preparing and distributing a press release describing the activities, and including photographs, when available.
The Four “Ps” of the Marketing Mix

Promotion is only one component of marketing, more specifically, the marketing mix, which consists of Four Ps: Promotion, Product, Place and Price. Marketing involves managing decisions about the mix, that is, type and amount of promotion, product, place, and price.

Promotion

Promotion consists of your overall strategy for putting your product or service in front of the appropriate buying public and creating an environment in which sales result. In considering all of the elements of promotion (marketing, advertising, public relations, etc.), do not overlook the Internet, potentially and actually the most powerful business promotion tool to arrive in decades. Increasingly, almost every business, if it is to be taken seriously, will have an Internet presence in the form of a website. Your SBDC business adviser can explore with you the opportunities and options the Internet offers your business.

Product

Product refers to the goods and services that your company provides. You need to define your product in terms of the target market.

Typical key product decisions include:

- Product features
- Accessories
- Packaging
- Warranty
- Service
- Installation
- Instructions and/or training

Pay close attention to trends, and minimize the possibility of making product decisions based on fads. Product decisions are not only initially important, but must be updated to reflect changing consumer wants and needs.

Place

Place refers to the where your product or service is distributed, or where your customer comes in contact with you.

For retail establishments, location is the primary factor. Obviously, a retail store should be accessible to the target market and have adequate parking, if necessary. Other location pluses include frontage exposure and proximity to other major, non-competing retail stores.

Other types of businesses must decide whether to sell through dealerships, distributors, mail order, jobbers, the Internet, or a combination of methods.

Price

Prices should conform to the overall company pricing strategy. Ask yourself: Does your company have a low price strategy, an at-market strategy, or upscale market strategy?
How does your pricing compare to that of your competitors? If your pricing is consistently higher, does your product offer recognizable differences that will justify the additional price? If so, maybe this is something you should bring out in your advertising.

**External Factors Affecting the Market Mix**

We have just described the four internal factors that you can control as a business manager. This marketing mix is central to your marketing strategy. But there are also external factors—technological, economic, societal, political, legal, and natural—that you cannot control.

*Technological Factors*

Introduction of new technologies, and obsolescence of old technologies, has a direct impact on the marketing mix by making a continuous stream of new products available which are priced for, promoted in, and sold to new markets.

An example of a major new resource created through advancements in technology is the Internet, made possible through developments in integrated circuit technology, the spread of personal computers, and the conversion of an advanced defense-oriented system to civilian purposes.

Technological advances in areas such as biotechnology, medicine, chemistry, automation, metals, and advanced materials provide the knowhow for similar development for countless new products.

The Internet is another example of a technology producing profound change in the ways in which we do business and conduct our lives.

*Economic Factors*

The state of the economy influences demand for particular products, and determines how they are sold and promoted and at what price they are offered.

A sluggish economy decreases consumer demand for most products. Increased advertising may be required to stimulate sales.

Carefully monitor economic indicators, such as the Consumer Price Index, interest rates, and unemployment rates, and make adjustments to the marketing mix as needed.

*Societal Factors*

Cultural and social customs, values, and lifestyles require special attention. You may need to take into account issues of multiculturalism, religion, economic status, health, diet and nutrition, crime, and public opinion.

Responding to societal wants and needs with the right product at the right time gives your company a competitive edge.

*Political and Legal Factors*

Government policies, regulations, and legal actions at federal, state, and local levels can have a dramatic effect on all aspects of the marketing mix.
Two examples of government regulations that impact the marketing mix are those related to product labeling and to the environment. Alcohol and tobacco products must bear special warnings on their labels; where and to what age group they can be sold are heavily regulated. Environmental regulations have placed mandates on industry to develop products that are not harmful to our environment.

Natural Factors

Factors such as geographic location, weather and climate, and availability of natural resources all can influence your marketing mix.

The agriculture industry, for example, requires not only a good geographic location for the type of product being produced, but good weather during growing seasons. These conditions will influence the type of products and growing season yield and price. The occurrence of natural disasters such as floods and hurricanes not only can create hardship for the agricultural producer, but can also result in unexpected delays or depletion of expected agricultural products for companies selling or processing them.

Infrastructure Factors

Finally, the cost and availability of transportation, communication, and energy dictate how markets will be accessed, and how much it will cost to produce and transport products.

High-quality, reliable roads, railways, air transportation, and utilities must exist to enable large-scale economic activity. Improvements must constantly be made to accommodate increasing demand.

Developing a Marketing Plan

To develop a marketing plan, your company should formulate a marketing strategy which identifies target market, marketing objectives, and marketing mix. A marketing strategy defines the game plan for your business. It provides information about your markets and how you intend to penetrate them. It defines the character of your business—for example, as an innovator, challenger, or follower.

While the marketing strategy outlines constraints under which your business will operate, the marketing plan details how the strategy will be carried out. For example, a clothing retailer should provide information on promoting the latest trends in men’s sportswear in the marketing plan.

Format

As with the advertising plan, no one marketing plan format is ideal for every business. The following topic list, however, provides a useful guide for constructing a marketing plan:

- Mission Statement. Describe your business purpose, its goals and objectives, and specific strategies to reach them.
- Product/Service. Identify each of your products and/or services, their cost to you, specific characteristics (including competitive advantages and disadvantages), and expected annual sales volume.
- Market. Provide a complete demographic analysis of the customers in each market, including market size. Identify current or projected market or industry trends, as well as information from supporting market studies or test markets.
• Distribution. Identify how products will reach the customer, including labeling, packaging, and shelving information. If you will use distributors, include a list of distributors and satisfaction level from previous experience (if applicable). If you plan to offer cooperative advertising programs with them, include guidelines. Identify details on incentives and sales quotas, and on the handling and returning of goods.

• Competition. Identify competitors by divisions, product lines, and markets. Include competitive strengths and weaknesses. Identify and compare marketing techniques.

• Pricing. Develop price schedules, including discounts, where applicable. Include comparative price lists of competing products, and explanations of price variations.

• Marketing. Provide guidelines for developing your advertising plan. For example, will you do advertising in-house or hire an agency? Do you have preferences in advertising media? Be sure to identify any planned marketing events, such as seasonal sales, new product announcements, and promotions. Provide guidelines for advertising expenditures.

• Sales Forecast. Include a detailed sales forecast for the year. Identify sales commission plans and expected sales quotas.

• Action Plan. Identify major marketing activities, their priorities, completion schedule, and the people or organizations responsible for carrying them out.

• Production. Include product production information, if applicable, to ascertain availability of products in the face of projected demand. Identify contingency plans to increase product availability, if required.

The marketing plan should be a pivotal document for developing your advertising plan. Re-evaluate and update your marketing plan regularly so it is always up to the moment and can be used reliably.

Putting It All Together

Managing an effective advertising program for a business requires a great amount of research and planning. While larger companies devote an entire staff to advertising responsibilities, smaller companies should delegate advertising responsibilities to at least one individual. This advertising specialist should be (or become) knowledgeable in advertising media—in particular, rates and coverage areas.

Advertising should not be a one-time event at the time an ad is placed, but rather a continuous process. Databases of media information should be maintained and updated frequently so that when this information is needed, it is complete and up to date. You can use media directories such as Standard Rates and Data, available in the reference section of many libraries, or call or write or visit the website of the sales department of any newspaper, magazine, radio station, television station, cable company, or other medium.

Past advertising effectiveness should be evaluated to determine which strategies have worked in the past, enabling you to adjust the marketing mix. Don’t forget to adjust your advertising messages to conform to changes in the external environment, as well as competitive advertisements.
Develop an advertising budget from the bottom up, by determining true costs of planned advertising activities, rather than by simply allocating an arbitrary dollar amount for your total advertising effort. This gives the most accurate cost projection, and enables you to better identify true costs for future advertising budgets.

Above all, use good business sense. Although advertising requires a substantial share of a company’s financial resources, it also projects a lasting image of your company, its products, and services for years to come.
ACCOUNTING AND RECORD KEEPING

“If you don’t understand the need for good records, you don’t have enough experience to be starting a business.”
— Anonymous

This quotation emphasizes the importance of accounting and record keeping. Many businesses have fail because the owners did not maintain the records necessary to allow for sound management of the business.

Why Keep Good Bookkeeping Records?

The Internal Revenue Service requires that everyone in business keep records. “The law does not require any special kind of records. You may choose any system that is suited to your business and that will clearly show your income,” says the IRS.

Good record-keeping also helps you monitor the business for planning, controlling, and budgeting purposes. As an owner, you must plan for the future of the business, based on financial knowledge rather than guesswork. Good business decisions are made from timely and accurate information about the company.

Up-to-date bookkeeping records should provide useful data for you to make intelligent decisions to operate your business successfully. Your records should yield information such as:

• sales information and operating results
• fixed and variable costs
• profit and loss
• inventory levels
• data comparisons - current & prior
• financial statements
• tax returns and reports to regulatory agencies

What System Should You Use?

Small business owners should use a simple and practical bookkeeping system. Because owners are usually busy with daily operations, it is imperative that the bookkeeping not be cumbersome.

A good system should be:
• simple to use
• easy to understand
• reliable
• accurate
• consistent
• timely

Cash and Accrual Methods of Accounting

Before we consider the fundamental elements of bookkeeping systems, let’s talk about cash and accrual methods of accounting.

Using the cash method of accounting means you record your sales at the time you actually receive the cash. You also record your expenses when you pay out the cash. This method follows the cash flow in and out
of your business and is used by most small businesses because of its simplicity.

Under the **accrual method** of accounting, you would record all sales and all expenses when the service is performed or the goods are delivered, regardless of when payment is received or made. Using this method requires the use of an account for “receivables” and another for “payables” in your records to allow you to keep track of what is owed to you and how much cash you owe.

You may use what is known as the **hybrid method**, which incorporates both methods: Using the cash method during the year and the accrual method at year-end allows you to accurately state your income because you can record unbilled sales and expenses in the year they have actually occurred. An “account receivable” and “account payable” would again be necessary. This method is preferred by businesses with 30-day credit accounts because it allows a more accurate accounting of profit and loss without the bother of keeping these two extra accounts throughout the year.

Any of these methods is acceptable. It is up to you to decide which one best suits your situation.

**Elements of Bookkeeping**

Currently, there are many bookkeeping systems to choose from on the market—all fulfill the six requirements of a good system. Choose a system with rules and methods for collecting, processing, and summarizing financial and economic data that is useful in your decision making.

Any bookkeeping system should include at least the following:

- business checkbook
- chart of accounts
- daily summary of cash receipts
- disbursements journal
- monthly summary of cash receipts and disbursements

**Storage Medium**

Although there is no requirement to keep your records in bound books, you should use either pre-packaged forms or columnar paper designed for bookkeeping purposes. Your records are your tool for the present and future management of the business.

**Business Checking Account**

The first step in setting up your system is to open a separate checking account. Shop around to learn which financial institution charges the price you want to pay and offers the services you need for your operation. Banks are competitive, and prices for services can vary.

Take into consideration the location, reputation, hours of operation, and friendliness of the bank you select. You may be interested in “one-stop shopping.” If your business grows and at some later date you are looking for funding, cultivating a good banking relationship will be a priority.

**Visa/MasterCard Privileges**

If you plan to offer credit to your customers through Visa/MasterCard, you will want to ask the bank if they provide this service and what the bankcard discount would be. Offering Visa/MasterCard allows your
customers to buy without having to pay cash. There is no risk to you of customer no-payment. This security does not come without a cost. The bank charges a percentage of the ticket price, which is called the bankcard discount, which is usually determined by the annual dollar amount of credit sales generated through your firm. For the initial year, a percentage is assigned and is adjusted each year thereafter accordingly.

*Business Checkbook*

Once you have opened the checking account, you will want to use it for all “cash in and cash out.” All money you receive, whether from sales, loans, personal equity advances, or other sources, should be deposited into the checking account. All payments, including deductible expenses and personal withdrawals, should be made by check. This gives you internal control over your most precious asset — cash.

Each deposit made and check written must also be recorded in your business checkbook. Be sure to keep deposit slips and sales invoices or statements on file. These will provide documentation of your business transactions and supply an “audit trail,” should the Internal Revenue Service ever decide to audit your company.

*Reconciling Your Bank Statement*

A basic principle of good recordkeeping is reconciling your bank statement with your checkbook each month. Normally, because of timing differences, your checkbook balance and the bank statement will not agree if your business has been active. You may have made deposits after the date of the bank statement or written checks that have not yet been cashed. It is also possible that the bank made special debits and credits to your account and included them on the bank statement but that these have not yet been entered into your records. Reconciling your bank statement to your checkbook is the only way to prove your cash account. The balance in your checkbook and the balance on the statement must be adjusted to the true cash balance, with the items causing the difference indicated. Below is an illustration of how to reconcile your bank statement:

*Sample Bank Reconciliation as of January 31, 2006*

| Balance on bank statement .................. 1,609.83 |
| Add deposits not credited: |
| 1/27 .............................................. 701.33 |
| 1/30 .............................................. 380.65 |
| Subtotal ............................................ 1,081.98 |
| TOTAL ............................................ 2,675.53 |
| Subtract outstanding checks: |
| Check # 88 ......................................... 66.70 |
| Check # 89 .......................................... 9.80 |
| Check # 92 ........................................ 212.47 |
| Check # 93 ........................................ 150.00 |
| Subtotal .............................................. 438.97 |
| Adjusted balance per bank statement ............... 2,236.56 |
| Balance shown in checkbook ................... 2,240.56 |
| Add deposit of 600.40 for 1/8 entered as 594.40 (difference) ........ 6.00 |
| Subtotal ............................................ 2,246.56 |
| Subtract bank service charge .................... (10.00) |
Adjusted checkbook balance .............................. 2,236.56

Chart of Accounts

To achieve an efficient bookkeeping system, you must set up a separate account for each item that you plan to record. Every account is titled and numbered and classified as asset, liability, owner’s equity, revenue, or expenses. This procedure is known as selecting a chart of accounts for your business. Following is a model:

**XYZ COMPANY Chart of Accounts**

**ASSETS (100-199)**
- 100 Cash
- 110 Inventory
- 120 Equipment

**LIABILITIES (200-299)**
- 200 Loan(s) Payable
- 210 Sales Tax Payable

**OWNER’S EQUITY (300-399)**
- 300 Jane Doe, Capital
- 310 Jane Doe, Drawing

**REVENUE (400-499)**
- 400 Merchandise Sales
- 410 Service Sales

**EXPENSES (500-599)**
- 500 Purchases
- 510 Rent Expense
- 520 Utilities Expense
- 530 Salaries Expense
- 540 Interest Expense
- 550 Supplies Expense
- 560 Advertising Expense
- 570 Miscellaneous Expense

When a business transaction occurs, it must be entered into your records; the amount is entered as an increase or decrease in these accounts. For example, $150 of merchandise sold is entered into the Merchandise Sales account, increasing the Revenue. Recording the deposit of the $150 into the checking account increases the Assets - Cash account.

The accounts keep a tally of the monetary activities of your business.

There are no standardized account titles. You will want to select titles that clearly and precisely indicate the nature of the account. The accounts are numbered using at least a three-digit system to allow space for 100 account titles within each classification. However, you should have only as many accounts as necessary to keep tabs on your business operation.
Daily Summary of Cash Receipts

Not all cash received is income. Cash can come into a business from many sources, including sales income, bank loans, personal advances, interest earned, sale of equipment, and other. Every transaction involving the receipt of cash must be recorded in your bookkeeping system.

To accomplish this, use a Cash Receipts Journal. The form can vary according to the needs of your company. Typically, column headings are used to provide flexibility in identifying affected accounts. Remember that any sales on credit are not entered into a Cash Receipts Journal. This journal is used only to record cash actually received. Following is a model:

Cash Receipts Journal

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Sales</th>
<th>Sales Tax</th>
<th>Other</th>
<th>Total Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/1</td>
<td>Merchandise</td>
<td>152.55</td>
<td>10.68</td>
<td>0.00</td>
<td>163.23</td>
</tr>
<tr>
<td>6/5</td>
<td>Service</td>
<td>80.84</td>
<td>5.66</td>
<td>0.00</td>
<td>86.50</td>
</tr>
<tr>
<td>6/12</td>
<td>Merchandise</td>
<td>179.84</td>
<td>12.59</td>
<td>0.00</td>
<td>192.43</td>
</tr>
<tr>
<td>6/26</td>
<td>Service</td>
<td>115.00</td>
<td>8.05</td>
<td>0.00</td>
<td>123.05</td>
</tr>
<tr>
<td>6/30</td>
<td>Bank Loan</td>
<td>1,000.00</td>
<td></td>
<td></td>
<td>1,000.00</td>
</tr>
<tr>
<td>6/30</td>
<td>Total Cash</td>
<td>662.00</td>
<td>46.34</td>
<td>1,000.00</td>
<td>1,708.34</td>
</tr>
</tbody>
</table>
Disbursements Journal

You must enter daily all expenditures made in cash or checks. These payments from company funds may be made for deductible and nondeductible disbursements. For a particular expense to be deductible when computing your taxable net profit, it must be an “ordinary and necessary” expense incurred in your trade or business for an item that is not a capital asset. A capital asset has a life of more than one year and is subject to special IRS rules in expensing and/or depreciating when you compute profit and loss on your tax return.

Since this journal accounts for all cash out of the business money, it is critical that each disbursement be carefully recorded and supported with objective evidence, usually in the form of a business document such as a supplier’s invoice. Following is a model:

Disbursements Journal

<table>
<thead>
<tr>
<th>Date</th>
<th>Paid To</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/1</td>
<td>ABC Advertising</td>
</tr>
<tr>
<td></td>
<td>Check Acct #</td>
</tr>
<tr>
<td>224</td>
<td>560 Adv. Exp.</td>
</tr>
<tr>
<td></td>
<td>Amount 85.00</td>
</tr>
<tr>
<td>6/7</td>
<td>Mark Baker</td>
</tr>
<tr>
<td></td>
<td>Check Acct #</td>
</tr>
<tr>
<td>225</td>
<td>510 Rent Exp.</td>
</tr>
<tr>
<td></td>
<td>Amount 400.00</td>
</tr>
<tr>
<td>6/9</td>
<td>National Grid</td>
</tr>
<tr>
<td></td>
<td>Check Acct #</td>
</tr>
<tr>
<td>226</td>
<td>520 Util. Exp.</td>
</tr>
<tr>
<td></td>
<td>Amount 125.80</td>
</tr>
<tr>
<td>6/17</td>
<td>General Supply</td>
</tr>
<tr>
<td></td>
<td>Check Acct #</td>
</tr>
<tr>
<td>227</td>
<td>500 Purchases</td>
</tr>
<tr>
<td></td>
<td>Amount 437.95</td>
</tr>
<tr>
<td>6/20</td>
<td>Jane Doe</td>
</tr>
<tr>
<td></td>
<td>Check Acct #</td>
</tr>
<tr>
<td>228</td>
<td>310 Drawing</td>
</tr>
<tr>
<td></td>
<td>Amount 250.00</td>
</tr>
<tr>
<td>6/24</td>
<td>NYS Sales Tax</td>
</tr>
<tr>
<td></td>
<td>Check Acct #</td>
</tr>
<tr>
<td>254</td>
<td>210 S.T.Payable</td>
</tr>
<tr>
<td></td>
<td>Amount 230.07</td>
</tr>
</tbody>
</table>

6/30 Total Payments: $1,534.61

Note: Two non-deductible disbursements were made—one to New York State to turn over the sales tax collected, and one to Jane Doe for a personal withdrawal.
DISASTER RECOVERY: A PLANNING GUIDE

Monthly Summary of Cash Receipts and Disbursements

It is important to have information available in summary form with year-to-date balances for each account. These balances provide the data to create financial statements, prepare government reports, and make decisions for operating and controlling the business. Following is a model:

510 Rent Expense Ledger

<table>
<thead>
<tr>
<th>Date</th>
<th>Increase</th>
<th>Decrease</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>20XX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan</td>
<td>400.00</td>
<td></td>
<td>400.00</td>
</tr>
<tr>
<td>Feb</td>
<td>400.00</td>
<td>800.00</td>
<td>1,200.00</td>
</tr>
<tr>
<td>Mar</td>
<td>400.00</td>
<td></td>
<td>1,600.00</td>
</tr>
<tr>
<td>Apr</td>
<td>400.00</td>
<td></td>
<td>2,000.00</td>
</tr>
<tr>
<td>May</td>
<td>400.00</td>
<td></td>
<td>2,400.00</td>
</tr>
<tr>
<td>Jun</td>
<td>400.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Keeping Records

The IRS says you must keep your records for as long as they may be needed to administer any IRS provision. Keep records that support an item of income or deduction on a return until the statute of limitations runs out — usually three years after the return is due or filed, or two years from the date the tax was paid, whichever occurs later.

You may wish to keep your records for a longer period. For instance, journals and ledgers should be kept indefinitely. Supporting documents can be discarded whenever you stop using them, provided it is past the three-year statute of limitations.

Business Versus Personal Records

Your business records must be kept separate from personal records. Do not commingle funds or information. If you have more than one business, you must keep a set of records for each business. For example, if you own a consulting firm and a car wash, you would need to keep three sets of records: one for each of the businesses and one for your personal records.

Getting Started

Ideally, getting your bookkeeping system up and running would occur at the time the first sales or expense has been incurred. The sooner you have your system in place and ready to accept the information from your business operations, the smoother the job of planning, controlling, and budgeting will be. Be accurate when recording dollar amounts of cash in and cash out, and keep supporting documents in your files. As you get more experienced, this process will become easier to handle. Above all, stay on top of your bookkeeping.

The IRS website contains a special section for small business and the self-employed. It offers a broad range of resources across federal and state agencies, as well as industry/profession specific information for self-employed entrepreneurs, employers and businesses.
DISASTER RECOVERY: A PLANNING GUIDE

Here are the IRS site addresses that might be of specific interest:

Home page for small businesses and self-employed individuals -


IRS forms in espanol - http://www.irs.gov/espanol/article/0,,id=132230,00.html

Valuation of New Technology Companies

A valuation of a new technology company must be agreed upon by the principals of the company and the investors. This will establish the size of the equity stake that the investor will receive in exchange for the investors’ funds. The following is a list of articles, books, and resources that provide information about valuing startup and technology companies:

ASEAN-USPTO Program on Technology Transfer-Technology Valuation Methods and Case Studies
By Marcel D. Mongeon
www.slideshare.net/marcelm/technology-valuation-methods

Business Valuation – What Will Your Company Sell For?
By Strategic Exits Corp.
1) www.exits.com/
2) www.angelblog.net/Business_Valuation_-_What_will_your_company_sell_for.html

The Dark Side of Valuation: Valuing Young, Distressed, and Complex Businesses (2nd Edition)
By Aswath Damodaran, FT Press, July 2009

High Tech Startup Valuation Estimator, Cayenne Consulting, LLC
www.caycon.com/valuation.php

How to Value a Young Company
By Martin Zwillinger, Forbes.com, September 2009

How to Value Your Startup; These three steps will help you determine what your new business is worth
By Asheesh Advani, Entrepreneur.com
www.entrepreneur.com/article/72384#ixzz2gZHuPft2

Valuation Considerations for High Technology Companies
By The Brenner Group, July 2008

Valuation of Early Stage Companies
By Greg N. Robin and Jason M, Malak, Cogent Valuation
www.cogentvaluation.com/

Valuing an Early-Stage Company
By Karen E. Klein, Businessweek.com, April 30, 2010
www.businessweek.com/smallbiz/content/apr2010/sb20100429_990157.htm
DISASTER RECOVERY: A PLANNING GUIDE

Valuing Early Stage Technologies
By Pellegrino and Associates; published in the May/June 2007 issue of Valuation Strategies Magazine by Thomson Tax & Accounting

Valuing Pre-revenue Companies; a Collection of Articles and Tools
Various authors, published by the Kauffman Foundation in 2007

Valuing Young, Startup and Growth Companies: Estimation Issues and Valuation Challenges
By Aswath Damodaran, Stern School of Business, New York University, May 2009
http://people.stern.nyu.edu/adamodar/pdffiles/papers/younggrowth.pdf
APPENDIX B

Website Resources

New York State Resources

Empire State Development – Regional Technology Development Centers
esd.ny.gov/nystar/RegionalTechCtrs.asp
Provides entrepreneurial and business assistance as well as financial, venture capital, and grant
information to companies across New York State. The centers help new and emerging businesses move a
new technological breakthrough from the research lab to the marketplace, provide education and training,
help companies implement best practices and new technologies into their business processes, and provide
business planning and quality control guidance.

Innovate NY Fund
www.esd.ny.gov/BusinessPrograms/InnovateNY.html
A seed stage business equity fund with up to $45 million to support innovation, job creation, and high
growth entrepreneurship throughout the state.

New York Small Business Development Center – Technology Services
www.nyssbdc.org/services/tech/tech.html
The NYS SBDC can help you transform your ideas into products and services, whether you want to work
on carburetors, computer chips, or capillaries.

Federal Resources

SBIR-STTR (Small Business Innovation Research-Small Business Technology Transfer)
www.sbir.gov

SBIR/STTR Opportunities
www.win-sbir.com
Current news and information

U.S. Patent and Trademark Office (USPTO)
www.uspto.gov/
Search patent and trademark databases; review laws & regulations

U.S. Small Business Administration – SBIR-STTR Programs
www.sba.gov/content/small-business-innovation-research-program-sbir
Other Resources

The Entrepreneur’s Guide - Entrepreneurship.org Resource Center
www.entrepreneurship.org/Resource-Center.aspx

Sample Technology Business Plan from Bplans.com

Wall Street Journal – Start-up Journal
online.wsj.com/public/page/small-business.html?refresh=on&mg=reno64-wsj

Angel Networks in NYS

ARC Angel Fund (NYC)
arcanefund.com/

Buffalo Angels
www.wnyventure.com/buffalo-angels

Eastern New York Angels
easternnyangels.com/

Golden Seeds (NYC, Boston, Silicon Valley)
www.goldenseeds.com/

Life Sciences Angel Network (NYC – NY Academy of Sciences)
www.nyas.org/WhatWeDo/Innovation/lisanintro.aspx

Long Island Angel Network
www.liangels.net/

New York Angels (NYC)
newyorkangels.com/

Rochester Angel Network
www.rochesterangels.com/

Seed Capital Fund of Central NY
www.scfcny.com/

Star Angel Network
starangelnet.com/

Tri State Ventures (NYC)
www.tristateventures.com/
Venture Capital Funds in NYS

Canrock Ventures (NYC & Long Island)
www.canrockventures.com

Cayuga Venture Fund (Southern Tier and Western NY)
www.cvfbiz/

Excell Partners (Finger Lakes and Western NY)
excellny.com/

ff Venture Capital
www.ffvc.com/

Golden Seeds (NYC)
www.goldenseeds.com/Venture-Capital.aspx

New York Venture Capital Association (NYC)
www.nyvca.org/

SCP Incubators/Z80 Lab (Buffalo & Western New York)
z80labs.com/index.html

Stonehenge Growth Capital
www.stonehengegrowthcapital.com

Western New York Venture Association
www.wnyventure.com/
Patents and Trademarks

Patents

A patent is an intellectual property right granted by the Government of the United States to an inventor “to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States” for a limited time in exchange for public disclosure of the invention when the patent is granted.

There are three types of patents:

1) Utility patents may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof. Here is the process for obtaining a utility patent.

2) Design patents may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture.

3) Plant patents may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.

Patents Ombudsman

The Patents Ombudsman Program is designed to enhance the USPTO’s ability to assist applicants with issues that arise during the patent application process. More specifically, when there is a breakdown in the normal prosecution process, the Ombudsman Program can assist in getting the process back on track. To request assistance from the Ombudsman Program, visit: www.uspto.gov/patents/ombudsman.jsp

For more information about patents and to conduct an online search of the patent database, visit www.uspto.gov/patents/

Trademarks

A trademark is a brand name. A trademark or service mark includes any word, name, symbol, device, or any combination, used or intended to be used to identify and distinguish the goods/services of one seller or provider from those of others, and to indicate the source of the goods/services. Although federal registration of a mark is not mandatory, it has several advantages, including notice to the public of the registrant's claim of ownership of the mark, legal presumption of ownership nationwide, and exclusive right to use the mark on or in connection with the goods/services listed in the registration.

It’s important to understand whether you should file for a trademark/service mark, a patent, and/or a copyright. While all are types of intellectual property, each protects something very specific. Please study
how trademarks, patents, and copyrights differ to ensure you are making the proper filing decision at the outset of the filing process.

Although not required, most applicants use private trademark attorneys for legal advice regarding use of their trademark, filing an application, and the likelihood of success in the registration process, since not all applications proceed to registration. A private trademark attorney (not associated with the USPTO) may help you avoid many potential pitfalls. To locate an attorney, consult your local telephone listings or contact the attorney referral service of a state bar or local bar association (see American Bar Association’s Consumers’ Guide to Legal Help). The USPTO cannot provide you with legal advice or help you select an attorney.

Attorneys generally charge a fee for their services, but some attorneys and bar associations may offer free or greatly reduced services to financially under-resourced individuals and small businesses. The USPTO has interacted with intellectual property ("IP") law associations to encourage the establishment of such pro bono programs, including the American Bar Association. The International Trademark Association also has a committee dedicated to raising awareness about IP pro bono issues globally. The USPTO's reference of these resources is for informational purposes only.

Trademark Assistance Center

If an attorney is not being used, other possible resources do exist: for general trademark information, please e-mail TrademarkAssistanceCenter@uspto.gov, or telephone 1-800-786-9199; if you need help in resolving technical glitches when using the Trademark Electronic Application System (TEAS), please e-mail teas@uspto.gov. Please include your telephone number in your e-mail.

You may also seek assistance through a participating law school clinic program or a Patent and Trademark Resource Center.

Other Considerations

Before starting the application process, it is important to have clearly in mind (1) the mark you want to register; (2) the goods and/or services in connection with which you wish to register the mark; and (3) whether you will be filing the application based on actual existing use of the mark or a bona fide intention to use the mark in the future. This will make your search of the USPTO database more useful and may simplify the application process. More details on mark types, goods and services, filing basis, and searching are provided in the next four sections.

You are responsible for enforcing your rights if you receive a registration, because the USPTO does not "police" the use of marks. While the USPTO attempts to ensure that no other party receives a federal registration for an identical or similar mark for or as applied to related goods/services, the owner of a registration is responsible for bringing any legal action to stop a party from using an infringing mark.

For more information about trademarks and to conduct an online search of the trademark database, visit www.uspto.gov/trademarks
APPENDIX D

Research Foundation of SUNY's Technology Transfer Offices

The Research Foundation of SUNY's Technology Transfer Central Office administers the intellectual property activities of 27 state campuses. The University Centers at Albany, Binghamton, Buffalo, and Stony Brook, however, have their own local Technology Transfer offices which handle their own activities. For information on activities administered by these campuses, please directly contact that office.

Central Office
Guven Yalcintas, Ph.D., Vice President for Technology Transfer
35 State Street
Albany, NY 12207
Phone: (518) 434-7167
Fax: (518) 434-8351
E-mail: guven.yalcintas@rfsuny.org

University at Albany
Theresa A. Walker, Ph.D., Assistant VP for Research and Director of Technology Development
University at Albany
1400 Washington Avenue - University Hall Room 307
Albany, NY 12222
Phone: (518) 956-8171
Fax: (518) 956-8175
E-mail: twalker@uamail.albany.edu

Binghamton University
Eugene Krentsel, Ph.D., Director of Technology Transfer and Innovation Partnerships
Binghamton University
Binghamton, New York 13902
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DISASTER RECOVERY: A PLANNING GUIDE

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The US Small Business Administration is the coordinating agency for the SBIR program. It directs the 11 agencies' implementation of SBIR, reviews their progress, and reports annually to Congress on its operation. SBA is also the information link to SBIR. SBA collects solicitation information from all participating agencies and publishes it quarterly in a Pre-Solicitation Announcement (PSA). The PSA is a single source for the topics and anticipated release and closing dates for each agency's solicitations. STTR is an important small business program that expands funding opportunities in the federal innovation research and development arena. Central to the program is expansion of the public/private sector partnership to include the joint venture opportunities for small business and the nation's premier nonprofit research institutions. STTR's most important role is to foster the innovation necessary to meet the nation's scientific and technological challenges in the 21st century.

**The SBIR Program**

The Small Business Innovation Research (SBIR) program is a highly competitive program that encourages domestic small businesses to engage in Federal Research/Research and Development (R/R&D) that has the potential for commercialization. Through a competitive awards-based program, SBIR enables small businesses to explore their technological potential and provides the incentive to profit from its commercialization. By including qualified small businesses in the nation's R&D arena, high-tech innovation is stimulated and the United States gains entrepreneurial spirit as it meets its specific research and development needs.

The mission of the SBIR program is to support scientific excellence and technological innovation through the investment of Federal research funds in critical American priorities to build a strong national economy.

The program’s goals are four-fold:

- Stimulate technological innovation
- Meet Federal research and development needs.
- Foster and encourage participation in innovation and entrepreneurship by socially and economically disadvantaged persons.
- Increase private-sector commercialization of innovations derived from Federal research and development funding.

**SBIR-Participating Agencies**

Each year, Federal agencies with extramural research and development (R&D) budgets that exceed $100 million are required to allocate 2.5 percent of their R&D budget to these programs. Currently, eleven Federal agencies participate in the program:

- Department of Agriculture
- Department of Commerce - National Institute of Standards and Technology
- Department of Commerce - National Oceanic and Atmospheric Administration
- Department of Defense
- Department of Education
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- Department of Energy
- Department of Health and Human Services
- Department of Homeland Security
- Department of Transportation
- Environmental Protection Agency
- National Aeronautics and Space Administration
- National Science Foundation

Each agency administers its own individual program within guidelines established by Congress. These agencies designate R&D topics in their solicitations and accept proposals from small businesses. Awards are made on a competitive basis after proposal evaluation.

**Three-Phase Program**

The SBIR Program is structured in three phases:

**Phase I** - The objective of Phase I is to establish the technical merit, feasibility, and commercial potential of the proposed R/R&D efforts and to determine the quality of performance of the small business awardee organization prior to providing further Federal support in Phase II. SBIR Phase I awards normally do not exceed $150,000 total costs for 6 months.

**Phase II** - The objective of Phase II is to continue the R/R&D efforts initiated in Phase I. Funding is based on the results achieved in Phase I and the scientific and technical merit and commercial potential of the project proposed in Phase II. Only Phase I awardees are eligible for a Phase II award. SBIR Phase II awards normally do not exceed $1,000,000 total costs for 2 years.

**Phase III** - The objective of Phase III, where appropriate, is for the small business to pursue commercialization objectives resulting from the Phase I/II R/R&D activities. The SBIR program does not fund Phase III. Some Federal agencies, Phase III may involve follow-on non-SBIR funded R&D or production contracts for products, processes or services intended for use by the U.S. Government.

**SBIR Program Eligibility**

Only United States small businesses are eligible to participate in the SBIR program. Business must meet all of the following criteria at the time of Phase I and II awards:

- Organized for profit, with a place of business located in the United States;
- At least 51 percent owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in, the United States, or
- At least 51 percent owned and controlled by another for-profit business concern that is at least 51% owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in, the United States; and;
- No more than 500 employees, including affiliates.

SBIR differs from STTR in two important aspects:

1. The principal investigator must have primary employment with the SBC (unless a waiver is granted by the agency).
2. SBIR encourages but does not require the SBC to partner with a research institution.
The STTR Program

Small Business Technology Transfer (STTR) is another program that expands funding opportunities in the federal innovation research and development (R&D) arena. Central to the program is expansion of the public/private sector partnership to include the joint venture opportunities for small businesses and nonprofit research institutions. The unique feature of the STTR program is the requirement for the small business to formally collaborate with a research institution in Phase I and Phase II. STTR's most important role is to bridge the gap between performance of basic science and commercialization of resulting innovations.

The mission of the STTR program is to support scientific excellence and technological innovation through the investment of Federal research funds in critical American priorities to build a strong national economy.

The programs’ goals are to:

- Stimulate technological innovation
- Foster technology transfer through cooperative R&D between small businesses and research institutions
- Increase private sector commercialization of innovations derived from federal R&D

STTR-Participating Agencies

Each year, Federal agencies with extramural research and development (R&D) budgets that exceed $1 billion are required to reserve 0.3% of the extramural research budget for STTR awards to small businesses. These agencies designate R&D topics and accept proposals.

Currently, five agencies participate in the STTR program:

- Department of Defense
- Department of Energy
- Department of Health and Human Services
- National Aeronautics and Space Administration
- National Science Foundation

Each agency administers its own individual program within guidelines established by Congress. These agencies designate R&D topics in their solicitations and accept proposals from small businesses. Awards are made on a competitive basis after proposal evaluation.

Three-Phase Program

The STTR Program is structured in three phases

Phase I - The objective of Phase I is to establish the technical merit, feasibility, and commercial potential of the proposed R/R&D efforts and to determine the quality of performance of the small businesses prior to providing further Federal support in Phase II. STTR Phase I awards normally do not exceed $100,000 total costs for 1 year.

Phase II - The objective of Phase II is to continue the R/R&D efforts initiated in Phase I. Funding is based on the results achieved in Phase I and the scientific and technical merit and commercial potential of the Phase II project proposed. Only Phase I awardees are eligible for a Phase II award. STTR Phase II awards normally do not exceed $750,000 total costs for 2 years.
Phase III - The objective of Phase III, where appropriate, is for the small business to pursue commercialization objectives resulting from the Phase I/II R/R&D activities. The STTR program does not fund Phase III. In some Federal agencies, Phase III may involve follow-on non-STTR funded R&D or production contracts for products, processes or services intended for use by the U.S. Government.

STTR Program Eligibility

Only United States small businesses are eligible to participate in the STTR program. The small business must meet all of the following criteria at time of award:

- Organized for profit, with a place of business located in the United States;
- At least 51 percent owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in, the United States, and;
- No more than 500 employees, including affiliates.

The nonprofit research institution must also meet certain eligibility criteria:

- Located in the US
- Meet one of three definitions:
  - Nonprofit college or university
  - Domestic nonprofit research organization
  - Federally funded R&D center (FFRDC)

STTR differs from SBIR in three important aspects:

1. The SBC and its partnering institution are required to establish an intellectual property agreement detailing the allocation of intellectual property rights and rights to carry out follow-on research, development or commercialization activities.
2. STTR requires that the SBC perform at least 40% of the R&D and the single partnering research institution to perform at least 30% of the R&D.
3. Unlike the SBIR program, STTR does not require the Principal Investigator to be primarily employed by the SBC.

For more information, visit the SBIR/STTR website: [http://www.sbir.gov/](http://www.sbir.gov/)
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## APPENDIX F

**New York SBDC - Technology Points of Contact**

<table>
<thead>
<tr>
<th>Region</th>
<th>Name</th>
<th>Organization</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital District/Eastern New York</td>
<td>Dick Frederick</td>
<td>Albany SBDC</td>
<td>518-380-5073</td>
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<td></td>
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</tr>
<tr>
<td></td>
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<td></td>
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<td><a href="mailto:powersj@sunyocc.edu">powersj@sunyocc.edu</a></td>
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<tr>
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