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About the Author & Acknowledgements

About the author, Mike, has been involved in various types of financial services for businesses for more than twenty years. By virtue of a business loan gone bad, he acquired the assets of a defunct personnel/career counseling business. Back then advances were written with a retail installment finance agreement, Upon the closing of the doors of the personnel agency, many of its clients came to me to work out the advances that the counseling agency had granted based on the person's acceptance to a job gained through a contract with the personnel agency. With over 200 accounts to manage, this was not one of my specialties, handling customer accounts was much more labor intensive than handling business accounts with appropriate security collateral, in this instance there was none. So your collection efforts many times fell on deaf ears. Of the next three years of time I invested, ninety percent of the accounts were cleared out with either payment in full or extended payment arrangements. I still can remember the calls to the delinquent accounts and when the phone was answered, I would introduce myself and I was met with a response of, who are you? Why are you calling, oh, he's not in., or just a complete hang-up. With assistance of legal counsel and money, I was able to bring some customers to answer a judge.

Sometimes workout payments were made and others I ended up buying a judgment (buying a judgment is a phrase used indicating paying out attorney fees and getting a judgment with futile collection efforts). Typically, most accounts were less than two thousand in value. And o'yes, there were the thorns, on one occasion, one customer made the statement to the judge that the whole contract was unenforceable and invalid, because he wanted to pay the installment with a self-made promissory note (not real money) and I wouldn't accept it as payment. The judge didn't buy it either and asked the customer "how much can you pay on a monthly basis." The customer replied, "five dollars", the judge replied "so its set, you will pay five dollars per month, until paid off", then the judge said "sir, do you have five dollars with you, he replied yes, the judge said "in good faith please, give me the five dollars" after the customer did this the judge called up my attorney- spoke some words to him and handed him the five dollars. After leaving the court I asked my attorney "what did the judge say" he said "let it go," It was the only five dollars I ever saw of that account and the judgment never came in the mail. Only later, through my own investigation did I find that the customer was in the same fraternity lodge as the Judge. So goes life.

I was not discouraged, because one element I found to be true in just about any business is that on a daily basis, you've got to be ready for a curve ball, or slider, or fast ball. Learning this business is a progressive journey that never stops. When you think you know everything, learning stops and stagnation sets in. Watch, your competitors closely, rarely do they stop learning when you stop learning. This plateauing happens to most small business owners at some point; however with the proper learning sources in place, the right business resources in place, and support by like-kind experienced people, the development of new methodologies, operating systems, and learning continues every day.

I would like to thank all of my business colleagues and especially past business customers, for without them and the experiences this book would not be possible.



E-BOOK Introduction:

Financial help means many things to many people. For some, it's in the form of charity, for some its consumer loans; for others, it means financial guidance to obtain greater returns to fund the future; and for others it's a vital importance to existing week to week. For me, when first looking into this business, it was seen as a supplement to what I was already doing, above and beyond my regular job. The very essence of growing something of my own was always more intriguing than repeating the patterns of procedure created by a designer who had already gained accolades, a sense of accomplishment, and recognition.

In the early years, I struggled-greatly, I was naïve to the whims of very sly business operators. The costs are still felt today, however with the help of a very trustworthy friend, an attorney, his guidance and advice pointed my energies on a more decisive setting. Some successes occurred along the way, knowing what do you is essential, knowing what not to do is paramount. I related my whole experience close to riding a bike, I know it's a bit of a cliché but it's very true. Along the journey, many stumbles, falls, and scratches will occur, but eventually the pedals begin to go up and down in smooth fashion, the chain remains tight and the rear wheel rotates at a regular speed. Such achievement is the beginning to predictable occurrences in business. It's that unique instant of time in the business life cycle, when you can begin to forecast business traffic, develop marketing plans, and strategically plan for revenue growth.

Whether it is a short or long ramp up time to smooth pedaling, it will be a prerequisite experience, one that must be achieved first hand and not circumvented. My findings have found that affiliation with a strong, sharp, and well experienced organization can be the quickest ways to reduce the number of hours this first hand experience consumes.

Instructing via a teachable system is what I do and know, writing is another story, altogether. This book project began and grew out of the dissatisfaction I found in many business books, especially those that covered the payday advance industry or lack thereof. As a precursor to this book, I was requested as part of our current business to research and develop a debt counseling book that could be given to clients for free or nominal cost. The October 17, 2005 Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 has began to take effect, clamping down on personal financial security. That e-book lead me to this book, especially when I found that the general profile of a bankruptcy petitioner consisted of excessive debt, where some eight percent of petitioners had or were beginning to look at payday advances as a method to keep the lifestyle in status quo. Reality was that most of the petitioners needed to get a budget, stick to it, and seek to expand their employable skills to increase their paychecks.

A quick writer I am not, however, my successes are very unique to the payday advance industry, rather than that of a storefront model, I decided to remain low-key and grow through referrals in a more dignified manner. After years of putting the bike wheel in motion, Private Payday was created to incorporate my system and continue with the attributes necessary for business success. My research spans over fourteen years of transactions, collections, legal cases and other experiences in the payday advance industry.

“As an entrepreneur or investor interested in seeing your skill, knowledge and asset base grow, you have knocked and your knock has been heard... the door is opening on one-of-a-kind opportunity to learn a fast-paced, highly energetic, yet mysterious industry... the **Deferred Payment** industry.”

Sounds good, the above passage is what I remember reading back in 1999 when the payday advance industry was just beginning to the scratch the surface of financial services. Embedded in code, all of the mystery surrounding deferred payments really is no accident, and most beginners' haven't a clue as to the “ins” and “outs” of the financial world. Nor do they know why this multi-faceted field may yield some of the greatest rewards and headaches possible in investing and/or business owning today. Since those days, I have been through a few ups and downs, but I feel one of my best moves was to bring dignity to the industry rather than copy the business model of a fast food place. Another realization is the importance of good customers as being the essential key, because those customers can make the business enjoyable or turn your energies into heartache, keeping you up at night. Through trial and error, I have formulated a system I have put together which methodically teaches everyone from a novice to an expert, the pertinent first hand lessons known to me needed for success in this business. While you can go to a weekend seminar to become a payday advance investor, success varies greatly. My approach is to teach you similar steps as to how a carpenter learns his trade via an apprenticeship program accomplished over time and gained

experience, not through feel good words discussed in a hotel ballroom. My system is the advanced apprenticeship program.

The system took me more than ten years to develop and an enormous amount of money to find the right mix. Each lesson is supported by real world accounts based on my experiences backed by actual documentation, evidence that is laid out in a logical format with descriptors detailing key secrets about the documents discussed.





You as a PRIVATE PAYDAY OWNER

The purpose of this book is to show you what is involved in the most common aspects of the deferred payment business: Advances and special situations. This book will take you inside and introduce you to the terminology, methodology, and techniques of a payday advance enterprise. It will give you the facts to prepare you as a future private payday business owner.

You have control choices over your life, which is either to attain expert knowledge in a field or not. Putting your nose to a low yielding grindstone will result in getting old, whereas a successful training system supplemented with mentoring by someone with first hand knowledge can answer your dream. Ultimately, you will be the only one responsible for success or failure. That kind of personal power is hard to come by.

Most importantly, as an author, business speaker and developer of training systems, I will explain in detail the complete process or the whole picture ... as some may say. I not only emphasize the importance of a system, but the tracking, funding, improvement, and action steps necessary to address special situations followed with exercising exit strategies to generate additional income.

For me, I, personally, learned it the hard way. Through spending gobs of money and wasting large blocks of time, I have compiled my research and findings into the trainable, usable, and achievable system found throughout this book. I will discuss and describe to you every technique I know for payday advance success, as well as tips on advertising and promotion. The last two must do's are using active advertising and promotional campaigns of which are critical to the overall formula of creating a powerful repeatable business.





Myths About the PAYDAY ADVANCE Business

There are several myths about the Payday Advance Industry that I would like to dispel at the onset. Until I really got involved in creating and taking assignment to payday advances, I thought I could just open up my storefront and let the millions come rolling in... **HA! HA! how very naïve I was.**

Several million people annually ponder the thought and then start a payday advance career. While most begin as payday advance agents fewer desire to be payday advance specialist, even some become all too tempted by the possibility of making quick money. To the make the case...you mean to tell me.... All I have to do is order the franchise package and poof I can be instantly successful? Can you imagine how many current and past business owners, buy a philosophy and then take money to put it to work in the wonderful world of payday advance? Scary! What's really shocking is that many never really had experience from either the banking or financing industry and only a handful that are what I consider active, furthermore out of those only a small percentage (sometimes less than 10%) are really understanding their business. So just imagine all of the exponential growth in this hot new industry, to the pinnacle point that a small city near me, population 4,400, which has three payday advance storefronts within sight of each other, all without proper training – sounds like mega competition. What I am trying to promote is a low-key value based skills building method through the thoughtful use of training tools I've developed that are made for everyone to understand. However, if your promotion is too low-key it will be evident in the sales numbers.

The alternative to this book, which you should be made aware is to enroll in a financial accounting/banking and entrepreneurial course. A community college level course may supply many basic terms and methods currently used in the payday advance industry today. The course I offer is unorthodox in process and in many ways short circuits many traditional methods employed in the payday advance sales industry. There are easier, more direct ways to learn payday advance than what I promote and you should be aware of them. The traditional payday advance sales industry provides an avenue to where your personal service is offered to everybody. Our system seeks to create your business as a nucleus and be the sifter of opportunities rather than the presenter of them.



Some Popular Myths Include:

Can I start my business for “Nothing Down?” – It looks so easy.

True! But not with my system. I need to define “nothing down” because a number of people have said to me that I was wrong, then proceeded to describe a thorough biz plan that was not “nothing down.” A nothing down deal is a payday advance business site in which the business is completely created on financing meaning to have a loan-to-value ratio, after start-up of 100%. I don't rebuke the broadly defined nothing down concept to starting a business. But in the deferred payment business, a cash reserve is required to fund the advances- cash only. Achieving a nothing down condition for this unique business formulates lending ratios so high it usually not the norm that banks would participate in and definitely add substantial risk to receiving a positive return for the business owner or investor. My system seeks out to reduce the risk levels so reasonable transactions are available for profit.



The three most important things in payday advance are location, location, location.

False! Don't get me wrong... location helps immensely. The three most important things in determining business site value are location, location, and location. The most important thing in payday advance investment is the magnitude and probability of profit in each customer. What I'm saying is that return of capital is more important than return on capital. There is generally more profit in less desirable locations. Keep in mind that a highly profitable site can go sour over time if your ability to attract a solid customer base is hampered.



With the right Payday advance idea, very little will have to be spent on advertising.

This is also **False!** The secret lies in using low-cost mainstream media outlets to create a campaign that attracts quality customers. These include direct mail, yellow pages, internet and offline traditional ad campaigns, such as classified ads, TV, radio, etc.

Payday advances revenues always goes up over a period of time.

This one is **false**. Payday advances are highly dependent upon attracting customers. Factors such as political upheaval, business regulatory laws, and regional economic changes have caused long-term flat or negative business growth. Further evidence to the fact, that the diversification is a must to offering customers with helpful referral services, similar to how web pages get link referral fees. My system has concrete steps to finding such referrals that best fit the customer base and profile found in the payday advance industry. Profit formulas can further generate places of cost savings to expand the bottomline.

If you approach the subject of owning a payday advance business as a series of well-formulated steps that can be accomplished with little effort, one of the possible results is failure. In today's climate great energy must be expended to get the ball rolling and more effort required to actively manage the direction of the ball.

Does succeeding in this business sound like a long shot?... Well, it happened to a co-worker, who happen to be a good friend of mine. He began small with a storefront in his relatives retail location and boutique shops, flipped them to an investor group, then moved along to take care of his health issues. For economic, as well as personal reasons, the decision to become a payday advance specialist should be very easy. The sense of control is attractive, and it is not surprising that a great potential for profit is contained within the payday advance industry. You can realize this too.

Maybe you want to gain control over your time, achieve freedom from debt, release your actions from oppressive governmental constraints, or to just show your family that you are engaged in a straightforward income producing pursuit. No matter what your reasons for starting in the payday advance business, this book is for you.





Knowledge About the Customers Using the PAYDAY ADVANCE Service

Q. How often do most people use this service?

A. Since a payday advance is a short-term solution to an immediate need, it is not intended for repeated use in carrying an individual from payday to payday. When an immediate need arises, But a payday advance is not a long-term solution for ongoing budget management. Repeated or frequent use can create serious financial hardship. Should you need help with budgeting or debt management, call the National Foundation for Credit Counseling at 1-800-388-2227, NFCC is a national network dedicated to helping people learn how to budget better and use credit wisely. With one toll-free call you will be connected to the center nearest you.

Q. Is the customer's transaction confidential?

A. The payday advance transaction is a confidential one. All payday advance members abide to destroy documents pursuant to the Fair and Accurate Credit Transaction Act.

Q. How is the advance amount determined?

A. State law generally regulates the maximum of \$1000 advance amount available. Within the allowed range, you qualify for a particular advance amount based on your current income. Sometimes you may not be able to get as much as you'd like; but a payday advance should be part of a financial solution. You would not really be helping another if you granted more than your customer had the ability to repay.

Q How are fees established?

A. The fee is competitive and in compliance with applicable state or federal law.





UNDERSTANDING THE Customer BASE

Middle-Income

7%

77% have incomes over \$25,000

- 52% have incomes between \$25,000 and \$50,000
- 23% less than \$25,000
- 25% greater than \$50,000

Middle-Educated

94% have high school diploma or better

- 56% have some college or degree
- 19% have a college degree

Young Families

68% are under 45 years old (only 3.5% are 65 or older)

- Majority are married
- 64% have children in household

Stable Working Class

42% own homes

- 100% have steady incomes
- 100% have checking accounts
- 49% are credit union members
- 57% have major credit cards

Source: The Credit Research Center, McDonough School of Business, Georgetown University, Gregory Elliehausen and Edward C. Lawrence. Payday Advance Credit in America: An Analysis of Customer Demand. April 2001.

Georgetown University's Credit Research Center Report — "Payday Advance in America: An Analysis of Customer Demand"

In April 2001, the Credit Research Center released the first-ever, comprehensive economic analysis of consumer demand for and use of payday advance services. Conducted among a nationally representative sample of customers by Consumer Financial Services of America member companies, survey findings included the following:

Customers overwhelmingly appreciate payday advance.

92% believe it's a useful service.

Over 75% were satisfied with their last transaction, only 12% were dissatisfied.

Customers use the service responsibly.

66% use it to cover unexpected expenses or a temporary reduction in income.

34% use it for planned or discretionary expenses.

Customers understand the cost of the service.

96% were aware of and reported the finance charge and could compare it with similar fees.

78% could recall that the fee had been disclosed as an APR, although most could not recall the rate.

Most customers use payday advance infrequently or moderately.

60% either did not renew in the last year or renewed only 1-2 or 3-4 times. ("Renewals" include both rollovers and advances taken out the same day another was paid in full.)

Most customers fit the expected economic profile of consumers in early life-cycle stages.

Most are middle-income, middle-educated young families.

42% own homes and 100% have steady incomes and checking accounts.

Nearly 94% have a high school diploma or better, with 56% having some college or a degree.



THE NEED FOR CASH ADVANCE SERVICES

Customer Motivation

(as stated by the Consumer Financial Services Association)

About half of all Americans live paycheck-to-paycheck¹, where one unexpected expense can cause a financial setback. For those with checking accounts and steady incomes, payday advance can be a convenient and less costly solution. A national survey of payday advance customers found that:²

70% choose payday advance for convenience (quick and easy process, fast approval, less paperwork, convenient location).

Only 6% choose it because there's no other alternative.

Most customers use the service responsibly.

66% to cover unexpected expenses or temporary reduction in income

34% for planned expenses or other discretionary uses

Payday Advance Use & Frequency

(as stated by the Consumer Financial Services Association)

While the vast majority of customers use payday advance responsibly, CFSA continues to address the minority who become over-reliant on the product. The Association implemented mandatory practices to its membership and works with state policymakers in supporting regulations that provide appropriate solutions for the minority, while protecting access for the majority. The Credit Research Center (CRC) found that customers use payday advance infrequently or moderately:

More than half used payday advance six or fewer times in the last year.

78% used it between once a year and about once a month.

60% either did not renew in the last year or renewed only 1-4 times.

A PWC industry survey found that the average customer took out 7.3 advances in a year.³

Recent reports by state regulatory agencies are consistent with research findings that most customers use payday advance between once a year and about once a month:

73% of NC customers took out between one and 12 advances a year and the average was 6.9.⁴

71% of WI customers used payday advance between one and 15 times a year.⁵ Report data yielded an estimated average of 11.9 annual advances.⁶

Many customers attribute repeat use of payday advance to the unavailability of cheaper alternatives. A payday advance is always cheaper than a bounced check, a late fee to a landlord or a utility reconnect. When faced with these choices, whether once a month or once a year, consumers often choose payday advance.

Customer Satisfaction

Customers overwhelmingly appreciate payday advance (CRC). 92% believe it's a useful service. Over 75% were satisfied with their most recent transaction; only 12% were dissatisfied. State regulators receive very few complaints out of millions of transactions:

NC Commissioner of Banks reported 27 in 2000.

WI Department of Financial Institutions reported 10 from 1995 to 2001.

WA Department of Financial Institutions reported 3 in 2001 out of 2.2 million transactions.⁷

IA Division of Banking Superintendent said his office took no complaints in 2001 and only one in 2002.⁸

Commissioner, UT Department of Financial Institutions, estimates fewer than 10 a year.⁹

Director, NM Financial Institutions, estimates a dozen or fewer annually.¹⁰

1. Ispos-Reid Omnibus Poll, June 2002, reported 48%. Princeton Survey Research Associates, Consumer Survey, October 2000, reported 53% sometimes, most of the time or always, and the percentage increases to 64% for those with moderate incomes of \$20,000 to \$50,000.

2. The Credit Research Center, McDonough School of Business, Georgetown University, Gregory Elliehausen and Edward C. Lawrence. Payday Advance Credit in America: An Analysis of Customer Demand, April 2001.

3. PricewaterhouseCoopers, The Payday Advance Industry: 1999 Company Survey Findings, October 2001.
4. North Carolina Office of the Commissioner of Banks, Report to the General Assembly on Payday Lending, 2001.
5. Wisconsin Department of Financial Institutions, Review of Payday Lending in Wisconsin, 2002.
6. Caskey, John P., The Economics of Payday Lending, Filene Research Institute, 2002.
7. Washington Department of Financial Institutions, Annual Report, 2002.
8. The Associated Press, Des Moines, IA, Rules for Payday Loans Proposed, December 12, 2002.
9. The Deseret News, Salt Lake City, UT, "Easy Cash, Hard Reality," January 27, 2002.
10. Weekly Alibi, Albuquerque, NM, "Predatory Lending in Albuquerque," March 21, 2002.



IMAGE ENHANCEMENTS

The image of the payday advance specialist, is one of unique perception. On occasion to obtain my first business license the city clerk when finding out what my business license was for, she replied “oh, your just preying on the poor.” On another instance, a friend of mine went to city hall to his business license and the clerk there replied “not another one of those, high interest rate places.” The image to say the least is not as spectacular as a brain surgeon, however. We do provide a service, most notably a service to those who may have no other person to turn to for cash in a pinch. Back in early, 2003, I had a customer come to me asking for an advance, she had just came to the area for the growth in real estate mortgages. She was a loan processor and fully aware of the fees I was about to charge her. I asked “why do you need this advance?” a standard question I ask everyone, especially her because she had only lived in the area for the last three months. She replied “my family is on the other side of the globe, vacationing and my nearest relative is 500 miles away and they didn’t have the money to loan me. She also recently had her car broken into taking the six hundred twenty five dollars (earmarked for her rent), the police report she showed me backed her story. She needed the next day for rent, if not paid the rent would be six hundred and seventy five dollars. After listening to her story and her honesty, I felt that she was eligible for the advance. Within five days she came back in and said “I am here to payoff the advance, my parents returned from the trip and sent me the money” I said “okay, I expected you to make good on this, my assessment was right.” Later on, we talked and I referred her to a friend of mine who owned a mortgage company, he was in need of a good loan processor, she got a job with him and assembled an admirable career.

Credibility and image go hand and hand, while it is important to have business revenue for profit, it is equally important to make the hard decisions and deny a payday advance service to questionable customers. A qualifying process must be strictly adhered to for developing a stable customer base and at times will scratch at your very ethical being. In reflection of accepting questionable customers, you will find that some part of the qualifying process was either skipped, minimized, or over-looked in error. Again the return of money is more important than the fee on the money. To “avoid the noid”, as taken from a popular pizza commercial, a qualifying system is necessary through the technologies offered in today’s electronic age. A clear, step-by-step system will also streamline the qualification process. One red flag is multiple open accounts a customer may have with you or other advance companies.

My recommendation is a proper business image (ie suit & tie, professional dress) is quintessential and adds credibility to customers when transactions occur. Additionally, a proper business image will bring some degree of respect, with others in banking, finance and government.

Second to a strong business-like image, is a well delivered training program. The training program is not only for you, but for your employees. Well trained, well dressed employees will not only bring respect from customers at times, it will discourage, the questionable customers from applying. Its something about a professional setting that shady characters turn to their best behavior and minimize manipulative practices. I have been involved with both the storefront locations, and office face sites. Each make a direct statement to your commitment to the payday advance business. Both experiences proved to me the importance of a good, clean-cut image. In comparison, when I switched to office face sites only, I tended to only get foot traffic from customers who were very realistic in their expectations involved in a payday advance transaction. Also, with an office face site, the foot traffic was reduced greatly and other methods of advertising had to be utilized. Ironically, when I made the switch the number of customers who switched over with me was 60%. With that type of retention rate the cost savings I found with the office consequently made up for the drop in business retention. My drawback was with the office, it was hard to get additional uninterrupted time to tend to the regular business functions, much of the accounting went home with me. Hours of operation also first posed a problem when I needed to be available to customers on Saturdays. With a revisit to the owner of the building, I worked out an arrangement for building access. Under a restrictive regulatory environment, the office face site is much more conducive to making payday loan transactions.

Storefront sites offer exposure to customers in a more smooth transition than the office face site. What I mean is that most customers are comfortable with going into a main street location storefront to obtain a payday advance. Imagine yourself as a customer, going to the bank is typically on a main street location, a sort of storefront. That type of conditioning does put customers at ease when they are ready to engage in a transaction for a payday

advance. The only other place I see a payday advance service take hold is in malls or fronts of grocery stores, similar to what banks have done.

Regardless of the site location of your advance business, a good image, well-trained personnel and personal contact is proper when giving comfort to customers looking to transact for an advance.



OPENNING YOUR DOORS

Now that you know something about the business, is it what you want and most importantly are you truly cut out for this business. In a snapshot, take the self-assessment with the **CHECKLIST FOR STARTING A SUCCESSFUL SMALL BUSINESS**

PART #1 - ARE YOU EQUIPPED FOR A BUSINESS VENTURE?

Rate Yourself

1. Have you ever been in business for yourself before? 0-5
2. Have you succeeded in business for yourself before? 0-10
3. Have you ever previously rated your abilities for managing a growing business enterprise? 0-3
4. Have you taken any courses or special training or educational seminars that will help you in your own business? 0-5
5. Have you read any books about starting your own business? 0-3
6. Have you talked to friends who have started their own businesses? 0-3
7. Has anyone in your family -- your father, mother, brother, sister, been self-employed? Have you spoken to them about your venture? _____ 0-7

Average score on these seven questions, on a sampling of several hundred potential entrepreneurs, was 25 out of a possible 36 points.

PART #2 - THE IDEA STAGE

1. Is your idea an original idea or business model? Does it have significant merit or is it a new package for an old idea? 0-7
2. Is it your idea? Will you be able to generate extensions of this idea? 0-3
3. How difficult would it be for someone else to have the same idea? 0-5
4. Have you checked to see if other companies exist who offer the same service? 0-4
5. Is there a single large successful competitor who is highly profitable? 0-10

The average score in these 13 questions, on a sampling of several hundred potential entrepreneurs, was 27 out of a possible 29 points.

PART #3 - HOW ABOUT MONEY?

1. Have you saved enough money to start the business on your own (\$15K to \$40k)? 0-15
2. Do you know how much money you'll need to get the business started? 0-10
3. How much of your own money can you put into the business versus how much money is needed? Do you need a partner to supply money? 0-15
4. Do you know what sales volume is necessary to break even? 0-7
5. Do you know how much credit your suppliers will provide? 0-5
6. Do you know the terms of payment in your industry? 0-4
6. Are you aware of money sources that will help finance your business in the event that you exhaust your initial capital? 0-4

7. Have you talked to a banker about your plans for a new business? 0-3
8. Have you talked to a lawyer about your plans for a new business? 0-3
9. Have you talked to an accountant about your plans for a new business? 0-3
10. Have you found a good location for your business? 0-10
11. Does the location provide expansion possibilities?
12. Will the new location require extensive lease-hold improvement expenditures? 0-5
13. Is the location convenient for parking, buses, and for employees to get to work, and for suppliers and customers? 0-5
14. Have you checked the lease and zoning requirements? 0-3
15. Have you made a scaled layout of your office or work area to study work flow or customer flow? 0-7
16. Are you a good manager of money? 0-15

The average score on the above 16 money questions, based upon a sampling of several hundred potential entrepreneurs, was 72 out of a possible 81 points.

17. Have you answered the difficult question, "What business am I in?" 0-15
 18. What is the way my business makes each dollar... by providing what? For how much? 0-15
- Average score on the above two questions, based upon a sampling of several hundred entrepreneurs, was 25 out of a possible 30 points.

PART#5 - RISK MANAGEMENT

1. Have you considered the impact on your business of government regulatory agencies like Financial Institutions Bureau, etc.? 0-3
2. Have you made allowances for unpredictable expenses resulting from uninsured risks, such as bad debts, or shoplifting, or fire? 0-5
3. Do you know the kind of insurance that you should purchase? Should you purchase product liability insurance? 0-4

The average score on the above four questions, based upon a sampling of several hundred entrepreneurs, was 15 out of a possible 17 points.

PART #6 - EMPLOYEE RELATION AND PURCHASING

1. Have you hired your first employee? Does the employee have the requisite skills to handle the job as well as employ flexibility in the initial phases? 0-10
2. If you plan to employ your friends and relatives, are you sure the family will not get in the way of the business? 0-10
3. Are you planning an employee incentive program? 0-3
4. If so, is it your program or their program? 0-7

Sum

Average score -- 21 out of a possible 30 points.

PART #7 - ADVERTISING AND SALES PROMOTION

1. Do you have copies of your competitors' advertisements for the last twelve months? 0-5
2. Do you understand how much your competitors are spending on each advertisement and percentage of sales? 0-5
3. Have you defined your customer? Do you know how and why your customer uses your service? 0-15
4. Do you know what successful and unsuccessful advertising will be for your business? 0-7
5. Have you selected the most promising features and benefits 0-10

of your business to promote?

6. Do you know a list of media, or methods, that is most suitable for advertising your business? 0-12

7. Do you know the cost of these media? 0-5

8. Have you discussed marketing issues which are central to your business with a marketing expert? 0-15

Average score -- 51 out of a possible 74 points.

PART #8 - FEES

1. Have you decided on the fee for your service? 0-15

2. Is the fees and charges you have decided on regulated by government or fixed? 0-10

3. Is your fee sufficient so that you will make a profit on each of the services you sell? 0-5

4. Do you anticipate having to raise or lower your price to meet competitors in the future? 0-5

5. Do you offer special discounts for special customers? 0-3

6. Have you developed a chart of accounts to classify your expenses? 0-10

7. Do you know what your largest expense items are? 0-10

8. Can you control or reduce these expenses? 0-10

9. Have you attempted to control these expenses from the very beginning? 0-10

10. Do you have a flexible expense budget to be able to handle unexpected expenses? 0-7

11. Do you have ideas for supplemental revenue from your customers? 0-10

Average score -- 63 out of a possible 98 points.

PART #9 - MISCELLANEOUS

1. What is your Businesses "Red Time" (most optimal time that you experience the most amount of business revenue during the day or week)? 0-15

2. Have you been able to comply with the local town government regulations by filing the appropriate forms with the town? 0-2

3. Have you done the same for the state and the federal government? 0-2

4. Have you provided an adequate system of records in order to generate your tax payments and especially your payroll taxes? 0-3

5. Have you obtained a social security number or tax identification number for your business? 0-2

6. Is your business clear from sales tax exemptions? 0-2

7. Have you complied with regulations about copyrighting, trademarks, brand names, and trade names? 0-3

8. Have you figured out whether or not you could make more money working for someone else? 0-5

9. Are you prepared to invest substantial energy and time in this business venture? 0-8

10. Does your family and spouse go along with your desire to start a business? 0-15

Average 27 out of 31

Summary Topics

1. Are you equipped for a business venture

2. How about raising money --

3. How about the potential success of your business
4. Risk management
 5. Employee skills and purchasing
 6. Advertising and sales promotion
7. Pricing
8. Miscellaneous

Something about you

Under each question, check the answer that says what you feel or comes closest to it. Be honest with yourself.

1. ARE YOU A SELF STARTER? (check one)

I do things on my own. Nobody has to tell me to get going.

I like people. I can get along with just about anybody.

I have plenty of friends -- I don't need anyone else.

Most people bug me.

2. CAN YOU LEAD OTHERS?

I can get most people to go along when I start something.

I like to have a plan before I start. I'm usually the one to get things lined up when the gang wants to do something.

3. CAN YOU MAKE DECISIONS? (check one)

I can make up my mind in a hurry if I have to. It usually turns out okay, too.

I can if I have plenty of time. If I have to make up my mind fast, I think later I should have decided the other way.

I don't like to be the one who has to decide things. I'd probably blow it.

4. CAN PEOPLE TRUST WHAT YOU SAY?

You bet they can. I don't say things I don't mean.

I try to be on the level most of the time, but sometimes I just say what's easiest.

What's the sweat if the other fellow doesn't know the difference?

5. CAN YOU STICK WITH IT?

If I make up my mind to do something, I don't let anything stop me.

I usually finish what I start -- if it doesn't get fouled up.

If it doesn't go right away, I turn off. Why beat your brains out?

6. GOOD IS YOUR HEALTH?

I never run down.

I have enough energy for most things I want to do.

I run out of juice sooner than most of my friends seem to.

Now count the checks you made. How many checks are there beside the first answer to each question? How many checks are there beside the second answer to each question? How many checks are there beside the third answer to each question?

If most of your checks are beside the first answers, you probably have what it takes to run a business. If not, you're likely to have more trouble than you can handle by yourself. Better find a partner who is strong on the points you're weak on. If many checks are beside the third answer, not even a good partner will be able to shore you up.

AN ALTERNATIVE: BUYING A BUSINESS SOMEONE ELSE HAS STARTED

Some questions that come to mind....

Have you made a list of what you like and don't like about buying a business someone else has started?

Are you sure you know the real reason why the owner wants to sell the business?

Have you compared the cost of buying the business with the cost of starting a new business?

Is the building in good condition?

Will the owner of the building transfer the lease to you?

Have you talked with other businesspersons in the area to see what they think of the business?

It takes time and energy and patience to draw up a satisfactory business plan. Use the following questions as a guideline to get your ideas and the supporting facts down on paper. And, above all, make changes in your plan on these pages as that plan unfolds and you see the need for changes.

Bear in mind that anything you I gave out of the picture will create an additional cost, or drain on your money, when it crops up later on. If you leave out or ignore enough items, your business is headed for disaster.

Keep in mind, too, that your final goal is to put your plan into action.

Business Planning: Another must do

What's In it for Me? The WII-FM station

You may be thinking: Why should I spend my time drawing up a business plan? What's in it for me? If you've never drawn up a plan, you are right in wanting to hear about the possible benefits before you do your work.

(1) The first, and most important, benefit is that a plan gives you a path to follow. A plan makes the future what you want it to be. A plan with goals and action steps allows you to guide your business through turbulent economic seas and into harbors of your choice. The alternative is drifting into "any old port in a storm."

(2) A plan makes it easy to let your banker in on the action. By reading, or hearing, the details of your plan he will have real insight into your situation if he is to lend you money.

(3) A plan can be a communications tool when you need to orient sales personnel, suppliers, and others about your operations and goals.

(4) A plan can help you develop as a manager. It can give you practice in thinking about competitive conditions, promotional opportunities, and situations that seem to be advantageous to your business. Such practice over a period of time can help increase an owner- manager's ability to make judgments.

Profit is the reward for satisfying consumer needs. But, it must be worked for. Sometimes a new business might need two years before it shows a profit.

There are as many rewards and reasons for being in business as there are business owners. Why are you in business?

A business plan offers at least four benefits. You may find others as you make and use such a plan. The four are: What you are in business to accomplish, what direction your business needs to take for success, what is the way your business earns money, and is your business venture a believable story.

What Business am I in?

In making your business plan, the first question to consider is: What business am I really in? At the first reading this question may seem silly. "If there is one thing I know," you say to yourself, "it is what business I'm in." But hold on. Some owner-managers go broke and others waste their savings because they are confused about the business they are in. The deferred payment industry is providing a short term financial fix for a fee.

questions such as: What inventory and materials must you keep on hand? What services do you offer? What services do people ask for that you do not offer? What is it you are trying to do better, more of, or differently from your competitors?

In selecting an area to serve, consider the following:

population and its growth potential

income, age, occupation of population

number of competitive services in and around your proposed location

local ordinances and zoning regulations

Successful marketing starts with the owner-manager. You have to know your service and the needs of your customers.

How many similar services went out of business in this area last year? -_

Can you find out why they failed? —

If people come to your place of business for your service, the cleanliness of the floors, the manner in which they are treated, and the quality of your work will help form your image. If you take your service to the customer, the

conduct of your employees will influence your image. Pleasant, prompt, and courteous service before and after the sale will help make satisfied customers your best form of advertising.

Thus, you can control your image. Whatever image you seek to develop, it should be concrete enough to promote in your advertising. For example, "service with a smile" is an often used image.

Write out what image you want customers to have of your business.

My advertising should tell customers and prospective customers the following facts about my business and services

When you have these facts in mind, you now need to determine who you are going to tell it too. Your advertising needs to be aimed at a target audience—those people who are most likely to use your services

How you spend advertising money is your decision, but don't fall into the trap that snares many advertisers. As one consultant describes this pitfall: "It is amazing the way many managers consider themselves experts on advertising copy and media selection without any experience in these areas."

When you have a figure on what your advertising for the next 12 months will cost, check it against what others in the industry spends. Advertising expense is one of the operating ratios (expenses as a percentage of sales) which trade associations and other organizations gather. If your estimated cost for advertising is substantially higher than this average for your line of service, take a second look. No single expense item should be allowed to get way out of line if you want to make a profit. Your task in determining how much to spend for advertising comes down to: How much can I afford to spend and still do the job that needs to be done?

Your goal is to provide your service, satisfy customers, and put money into the cash register.

One-time customers can't do the job. You need repeat customers to build a profitable annual sales volume. When someone returns for your service, it is probably because he was satisfied by his previous experience. Satisfied customers are the best form of advertising.

Getting the Work Done

An important step in setting up your business is to find and hire capable employees. Then you must train them to work together to get the job done. Obviously, organization is needed if your business is to produce what you expect it to produce, namely profits.

Company President (owner-manager)

Shop Manager + Sales Manager + Office Manager

As an additional aid in determining both what needs to be done and who will do it, list each activity that is involved in your business. Next to the activity indicate who will do it. You may do this by name or some other designation such as "worker #1... Remember that a name may appear more than once.

- These figures are taken from Annual Statement Studies published by Robert Morris Associates. Robert Morris Associates cannot emphasize too strongly that their composite figures for each industry may not be representative of that entire industry (except by coincidence), for the following reasons:
 1. The only companies with a chance of being included in their study in the first place are those for whom their submitting banks have recent figures.
 2. Even from this restricted group of potentially includable companies, those which are chosen, and the total number chosen, are not determined in any random or otherwise statistically reliable manner.
 3. Many companies in their study have varied product lines; they are "mini-conglomerates," if you will. All they can do in these cases is categorize them by their primary product line, and be willing to tolerate any "impurity" thereby introduced.
 - In a word, don't automatically consider their figures as representative norms and don't attach any more or less significance to them than is indicated by the unique aspects of the data collection.

Bad debts –

What are they? Bad debts are those financial transactions where some or all of the monies involved are not returning to you- the business owner

Why they happen? Bad debts generally occur when a step in the qualification process is either overlooked or a customer is trying to perpetuate a fraud.

How to collect? Collection at times can be difficult, however most courts tend to move in favor of the business owner in many matters, the real secret of proper legal action involves providing undisputable service.

In a this business, inventory(money) control helps the owner- manager to offer customers efficient service. The control system should enable you to determine what needs to be readily available at the right time: (1) what is on hand, (2) what is accessible, but maybe on stand-by, and (3) what has been used.

Your money review system should also give you the opportunity to make judgments on the use of funds. In this manner, you can be on top of emergencies as well as routine situations. Your system should also keep you aware that tax monies such as payroll income tax deductions, are set aside and paid out at the proper time.

Break-Even-plus One. Break-even plus One analysis is a management control device because the break-even point shows how much you must sell under given conditions in order to just cover your costs with No profit and No loss. Profit depends on sales volume, selling price, and costs. Break-even plus One analysis helps you to estimate in real world circumstances what a change in one or more of these factors will do to your profits. To figure a break-even point, fixed costs, such as rent, must be separated from variable costs, such as the cost of sales and the other items listed under “controllable expenses”

The formula is:

$$\text{Break-even point (in sales dollars)} = \frac{\text{Total fixed costs}}{1 - \text{Total Variable Costs/Corresponding Sales Volume}}$$

An example of the formula is: Bill Jackson plans to open a Payday Advance Store. He estimates his fixed expenses at about \$19,000, the first year. He estimates his variable expenses at about \$700 for every \$1,000 of sales.

$$\text{BE Point} = \frac{\$19,000}{1 - 700/1000} = \frac{\$19,000}{1 - .70} = \frac{\$19,000}{.30} = \$63,333.00$$

Is Your Plan Workable?

Stop when you have worked out your break-even point. Whether the break-even point looks realistic or way off base, it is time to make sure that your plan is workable.

Take time to re-examine your plan before you back it with money. If the plan is not workable better to learn it now than to realize 6 months down the road that you are pouring money into a losing venture.

In reviewing your plan, look at the cost figures you drew up when you broke down your expenses for one year. If any of your cost items are too high or too low, change them. You can write your changes in the white spaces above or below your original entries on that worksheet. When you finish making your adjustments, you will have a Revised projected statement of sales and expenses for 12 months.

With your revised figures work out a revised break-even point.

When your plan is as near too on target as possible, you are ready to put it into action. Keep in mind that action is the difference between a plan and a dream. If a plan is not acted upon, it is of no more value than a pleasant dream that evaporates over the breakfast coffee.

A successful owner-manager does not stop after he has gathered information and drawn up a plan, as you have done in working through this guide. He begins to work his plan.

At this point, look back over your plan. Look for fundamental elements (ie catalysts and constraints) that must be done to put your plan into action.

What needs to be done will depend on your situation. For example, if your business plan calls for an increase in sales, one action to be done will be providing funds for this expansion.

Have you more money to put into this business?

Do you borrow from friends and relatives? From your bank? If you are starting a new business, one action step may be to get a loan for fixtures, employee salaries, and other expenses. Another action step will be to find and hire capable employees.

In the spaces that follow, list things that must be done to put your plan into action. Give each item a date so that it can be done at the appropriate time. To put my plan into action, I must do the following:

Define Action

Completion Date

- (1) Be alert to the changes that come in your company, line of business, market, and customers.
- (2) Check your plan against these changes.
- (3) Determine what revisions, if any, are needed in your plan.

The method you use to keep your plan current so that your business can weather the forces of the market place is up to you. Read the trade papers and magazines for your line of business. Another suggestion concerns your time. Set some time—two hours, three hours, whatever is necessary—to review your plan periodically. Once each month, or every other month, go over your plan to see whether it needs adjusting. If revisions are needed, make them and put them into action.

Keeping Your Plan Up To Date

Once you put your plan into action, look out for changes. They can cripple the best made business plan if the owner-manager lets them. It's a well known fact in the military that during war a very detailed strategic plan must be followed, until the first bullet flies, then many great battle plans crumble and tactical maneuvers take over. Stay on top of changing conditions and adjust your business plan accordingly.

Whether you have the funds (savings) or borrow them. Your new business will have to pay back these start-up costs. Your aim should be to achieve a high turnover on your inventory. The fewer dollars you tie up in inventory, the better.

Whether an owner-manager seeks to borrow money for only a month or so or on a long-term basis

Control and Feedback

To make your plan work you will need feedback. For example, the yearend profit and loss statement shows whether your business made a profit or loss for the past 12 months.

But you can't wait 12 months for the score- monthly/quarterly review is necessary

Cash:

Cash in bank _____

Petty cash _____

Accounts receivable _____

Less allowance for doubtful accounts _____

Merchandise inventories _____

Total current assets _____

Total fixed assets _____

Total assets _____

Liabilities and Capital

Current liabilities:

Accounts payable _____

Notes payable, due within 1 year _____

Payroll taxes and withheld taxes _____

Sales taxes _____

Total current liabilities _____

Long-term liabilities

Notes payable, due after 1 year _____

Total liabilities _____

Capital:

Proprietor's capital, beginning of period _____

Net profit for the period _____

Less proprietor's drawings _____

Increase in capital _____

Capital, end of period _____

Total liabilities and capital _____

Current Balance Sheet for

(name of your firm)
As of _____
(date)



SETTING OUT YOUR SHINGLE

Site locations: a franchise look

Since the infant days of the franchise industry and the signing of the first franchise agreement, every franchisor (and franchisee) has been on the hunt for the ultimate franchise location—that singular property which will generate the highest possible revenue in its market. However, since that first franchise agreement, and the first store opened, franchisors have followed one basic rule: *location, location, location*. As Ghosh and McLafferty (1987) tell us: In the extremely competitive retail environment, even slight differences in location can have a significant impact on the market share and profitability. Most importantly, since store location is a long-term fixed investment, the disadvantages of a poor location are difficult to overcome.'

With the ever-increasing diversity of the American population, the basic rules haven't changed much. What has changed is the information available to locate a new franchise and how to analyze that information. Not too long ago demographic and market analysis for franchise site location consisted, at best, of looking at a series of basic census data reports. If a company were somewhat sophisticated, the potential locations would be mapped out, complete with red dots and threemile radii (drawn with the appropriate size coffee cup) on a Rand-McNally map. Then the director of real estate would hop on a plane for a trip to the target market and tour the available real estate with a local broker, getting a firsthand look at locations and local site issues.

In the new millennium and beyond, the key to continued growth of franchise systems is the franchisor's ability to adapt to an increasingly diverse landscape. As the industry grows and matures, and as competition continues to intensify, competition for prime sites also intensifies. Franchisors are forced to find better and more innovative methods of designing territory strategies, locating and evaluating sites, and delivering marketing support at the local level. The ultimate test of strength for any franchise system is how each individual unit performs, and the ultimate measure of success is the return on investment (ROI) generated by each franchisee. Therefore, a key challenge facing every franchisor today is how to quickly identify the factors that determine a successful franchise location. Beyond that is the need to minimize risk for both franchisor and franchisee through better information, including better demographic and market analysis. The result is better and more informed business decisions.

However, be forewarned. More information does not guarantee more informed business decisions. Better decisions come from a rigorously defined process that lifts out necessary information from the deluge of data now available. And in the end, no matter how much information is gathered and analyzed, there is always risk attached to the site-location process. As opening day approaches for each location, the team will always wonder, "Will they come?"

The foundation for these information systems is the 2000 census, whose GER database (Topographically Integrated Geographic Encoding and Referencg) links detailed geographic and visual information with customer and market

ata. Now, franchisors can create proprietary definitions of customer profiles to drive an integrated site-location and marketing process.

The 2000 Census

There was a plethora of population and marketing studies during the 1990s, and many of them were able to give site location and marketing departments the information they needed to make informed decisions. However, the 2000 census provides information that gives every company the unprecedented ability to look into the future. Some of the key factors the census shows are:

Information Technology and Micromarketing

In the early 1900s pedestrian counts were used to locate tobacco shops. Today's needs are more sophisticated. The availability of information at the household level, and the recognition that we need information portrayed graphically to understand it more easily, has given birth to a new discipline-micromarketing. The original micromarket was a one-on-one relationship between a buyer and seller who knew each other in a village setting. But this relationship changed as America moved from an agricultural to an industrial society. Now, paradoxically, as we become an information-based society, we are moving back to a one-on-one relationship with customers. However, this time around the relationship will be much more impersonal, since it will be driven by large databases. There is a wealth of information available on U.S. households. Additionally, there are syndicated databases such as MediaMark Research (MRI) and Simmons and Stanford Research's (SRI) VALS and VALS II. There can be no doubt that we are in the midst of an information revolution. The keys to this revolution are (1) the realization that *geography is* the common denominator to all site location and marketing decisions; (2) phenomenal growth in the capability of computers (now powerful in handheld sizes), coupled with a dramatic drop in computer prices; (3) the rapidly increasing amount and quality of data available; and (4) integration of data elements with mapping software.

However, even though technology has extraordinary potential, the rules that have always applied to franchise growth strategies, including territory and site location, remain: (1) a company must have a thorough understanding of all aspects of a problem to find a viable solution; and (2) no computer system or information base can replace common sense and creative thinking. Intuitive decision making is still in demand. And some very basic questions must be answered:

•

Where are you now? • Where are you going? •

How do you get there?

The "New" Geography

Asking and answering the basic business questions is best done in the new context of today's trade areas. This means learning the "new" geography.

Utilizing data as previously described has led to a new way of looking at markets. It is particularly important to understand the implications of two critical factors in site location. In gaining this understanding, you create a new way of looking at present and future markets, on the basis of valid information.

1. *Trade-area dynamics vs. market-area dynamics.* Typically, a franchise license is granted for a particular "geography," such as a three-mile radius from the store location, or a population of 100,000 in a radius from the store location. While this may provide a good legal definition, frequently more than 25 percent to 40 percent of a retail location's business comes from outside that specified trade area. This influences development strategy, site-location process, and marketing support programs. It is crucial that you be aware of the difference between a defined trade area and the *actual* market area.

2. *Demographic profile vs. actual target customer profile.* Sound planning reduces risk. Good information reduces the risk of unsound planning.

We all know there is nothing more expensive than opening a business in a poor location. So make a resolution now that future location decisions will not be made without the *right* information.

There are some key questions that all departments need to answer.

A process that answers these questions enables the franchisor to determine where, and in what order, new units should be opened. Fortunately, the answers are readily available.

1. *Who are the customers?* *see above* If the past, finding this information meant undertaking expensive primary research. Now the answer is affordable; all that is required is a valid number of customer addresses.

2. *Where are the customers?* Once a franchisor knows precisely where the customers live relative to its store locations, because all information is now in the context of geography, there is, in effect, a digital pin map of individual trade areas and the *actual* trade-area dynamics.

3. *How can we find more of the "right" customers?* Once the target customer is clearly defined, the next task is to find markets and subsequently trade areas that have a high concentration of target customers. Using micromarket technology automates what once was a tedious process. Using a cluster definition and key demographic and/or geographic variables, a microcomputer system "scans" the entire country using a set definition and criteria for the target customer. The city, county or country is then mapped and prioritized to allow development matching the company's opportunities and resources. But don't get fooled by the beauty of the maps.

4. *Where are the competitors located?* Often the success or failure of a location depends partly on the existence or absence of competition. For most retail locations, it is frequently critical to know precisely where the competitor is located relative to an existing or proposed location. Several business databases have been geo-coded, including Dun & Bradstreet's *BusinessLine* and NDS/Equifax's Business-Facts. Thus, you can map out competitive locations inside a given trade area and make the appropriate decision about the site. Competition may or may not be a factor for a service concept; however, if you are in a service business, do not neglect to consider the ramifications of competition.

5. *What is the market potential for the product or service?* Having found a high concentration of target customers and a prospective site, and having located the competition, it is imperative that the franchisor complete a market-potential study. Market-potential information is readily available in report form from models based on the U.S. Census of Retail Trade. These reports are available from Claritas, DMIS, NDS/Equifax, and other sources, including syndicated sources such as MRI or Simmons. No decision should be made about a site without studying both current and forecast market-potential information. The following outlines the primary steps that must be taken in the site-location process.

Determine which will best fit your business plans:

LOCATION SITE

Storefront V. Office Face V. Web Site

EQUIPMENT NECESSITIES

Storefront V. Office Face V. Web Site

Verification Services

HICCUPS WITH TECHNOLOGIES

Technical Difficulties : Planned?



ADVERTISING TO CREATE FOOT TRAFFIC

YELLOW PAGES

IT'S A MUST DO FOR THE PAYDAY ADVANCE BUSINESS

TV GUIDES

All guides are not created equally, some like the ones found in the Sunday newspaper, tend to remain around a week and people can recall what they saw on the front page of the guide.

ROAD FRONT SIGNAGE OR MESSAGE BOARDS

Pending your location, either a two-sided sidewalk sign will work, a flag style banner, or large staked sign

DIRECT MAIL

Primarily best in the surrounding villages and cities of a major metropolitan areas

FREE SHOPPERS NEWSPAPERS

Suburban and rural areas

LOCAL TV-CABLE

Commercials are best in midday and late night time slots

IN-STORE SPECIALS

With proper planning and business acumen the offer of select reduced fees is an incentive to customers

TESTIMONIALS

Posting testimonials can be tricky, however, a thank you note, with a request for a response, can best be a way to solicit a favorable note, also ask permission

TIMED PUBLIC RELATIONS

When I mean timed-public relations, private payday advances are most utilized during social and holiday events. Prime public relations coverage should be geared toward the week before, spring break, valentines day, Easter, memorial day, fourth of july, labor day, sweetest day and Christmas/New Year holidays

RESPONSE TRACKING

Tracking and monitoring your ad response must be a regular activity of business. Tracking your sources with the most responses will help make your decisions for your next campaign of business advertising.

FREE BEE'S

Low cost marketing rinkets now range from pens and notepads to "How to" books and apparel merchandise. Once thought too expense, books and apparels can be as low as \$5-10 dollars per item and less per impression. A good example is my special research report "Personal Finance: Budgeting & Emergencies Training" a licensable guide designed to be handed to customers as a free-bee.



OPERATIONAL ORGANIZATION

Business Planning

Keen Employee selection

When your not at your business, and others you have left in charge what happens? Did every thing go according to your business plan or were your employees making critical mistakes that will cost you dearly. According to a recent study by Leadership IQ, 46% of newly hired employees will fail within 18 months, while only 19% will achieve unequivocal success. Contrary to popular belief, technical skills are not the primary reason why new hires fail. Instead, poor interpersonal skills dominate the list, flaws which many managers admit were overlooked in the interviewing process. The three-year study by Leadership IQ, a global leadership company, compiled these results after studying 5247 hiring managers from 312 public, private, and healthcare organizations. The following top areas of failure, matched with the percentage of respondents:

Coachability (26%), the ability to accept and implement feedback from bosses, colleagues, customers, and others.
Emotional Intelligence (23%), the ability to understand and manage one's emotions, and accurately assess others' emotions

Motivation (17%), sufficient drive to achieve one's full potential and excel on the job.

Temperament (15%), Attitude and personality suited the particular job and work environment.

Technical Competence (11%) , Functional or Technical skills required to do the job.

In hindsight, 82% of managers reported that their interview process with these employees elicited subtle clues that they would be headed for trouble. But during the interviews, managers were too focused on other issues, too pressed for time, or lacked confidence in their interviewing abilities to heed the warning signs. Emphasis on interpersonal and motivational issues were critical interview factors.

The people you hand the keys over too close-up when your not there are many times more important than taking on questionable accounts in the vain of charging a fee.

Monitoring the business

TRAINING SYSTEMS(now deemed Performance Improvement): Strategically planning for growth

Training is the lifeblood of a successful business organization. It is the vehicle that ensures the continuity and replicability of all the systems that make a franchise unique.

When customers walk through the door of a business, they expect the same level of service and/or product as received at each of the franchisor's other stores. What happens in one store reflects on every other store in the system. Good experiences create repeat customers for the franchisee; poor experiences drive customers to the competition. Training provides the foundation for the good experiences that will allow an owner to prosper.

When a person purchases a franchise, there is both an explicit and implicit understanding that the franchisor will provide the training necessary to lead the franchisee to success. The implicit understanding is based on the assurances, usually made during the sales process, that the franchisor will provide ongoing training to help the franchisee. These assurances are rarely detailed and create high levels of expectation on the part of the franchisee.

Incorporating the Four Tiers of Training in your business

Besides the training of yourself, there are two other audiences that require specific training within the business organization. These are the employees themselves, and the internal/external business counsel (ie accountant, attorney, etc). The training of these people is as critical to your success. Although

rarely is there as much training attention paid to these people as there is to yourself. Training at all levels is the responsibility of the you and you must continually be aware of new ways of managing an organization. It must stay abreast of changing needs within the business market to keep the organization alert and alive.

The staff must continually upgrade their skills to maintain a meaningful and positive relationship with their customers. Every person who comes in contact with a customer, whether it be by phone, correspondence, or face-to-face, must understand the needs and expectations of the customer and have the skills necessary to meet them. We often focus on training the development and field (operations) staffs, but neglect other staffers who also interact with the customers. These include the receptionist, accounting staff, advertising and marketing personnel, and legal staff as well as other departments. The key office manager must be trained in how to operate her new business position in the prescribed professional manner that you have mandated. The training must cover every area of the business, from daily operation to compliance reporting. One rule of thumb: If a topic is important enough to be in the operations or policy manual, then it is important enough to be in the training schedule. Employees come into your system with a variety of backgrounds and experiences that may contribute to their long-term success, but no one comes to the business with the specific knowledge to operate your storefront. The thoroughness of employee training is your assurance that the manager will understand and remain in compliance.

The front line people, who actually deliver the services to the consumer, require detailed and continual training. These people determine whether a customer comes back. If these people are not well trained and cannot perform their jobs well, it does not matter how well anyone else in the organization is trained. If there are no satisfied customers, there is no business!

Employee training must be developed as a long-term commitment. It must be developed as a curriculum, not as a single event. Many owners have been very successful with a training schedule that spans several years. This indicates that the needs of participants have been given planning and consideration. In the eyes of business managers, it shows that there's a lot to learn and that their business has room for growth. Another benefit to long-term training is that it answers the everpresent owner's question, "What have you done for me lately?"

•

Basic Questions for a Training Program

Several basic questions must be answered whenever you are considering a training program. The answers to these questions provide the guidelines for developing and implementing a training program. In the following section we address each of these questions:

- What are the specific measurable objectives of the training program? •
- Who is the audience that must be trained to do the job? •
- How should the training be delivered? •
- Who should deliver the training? •
- When is the best time to deliver this training? •
- Where should the training be conducted? •
- What skills and knowledge do the participants need as a prerequisite for the training? •
- What are the possible sources for this training? •
- What measurements will you use to determine if the training was effective?

What Is the Issue or Problem?

Successful training programs focus on specific skills to enhance the performance of a particular task. The better we define the task, the better defined are the skills necessary to accomplish that task.

If a customer survey indicates that the satisfaction level is lower than you

hoped or has dropped from the last time you conducted the survey, you obviously want to correct the problem. One immediate response might be to ignore the situation or blame it on the season or the way the study was conducted, and hope the problem goes away. Another solution might be to reinforce among the employees the importance of customer satisfaction; you might send a message of a customer repeat incentive program it may raise awareness, but they do little to address the specific problem. Furthermore, they do not provide any solutions or specific activities to change the situation.

The trainer must break down the generalized problem into specific issues.

Customer dissatisfaction may be due to factors such as:

"I had to wait a long time before I was served."

"The staff didn't seem to care whether I was there or not."

"The store was dirty."

"The product or service I received didn't meet my expectations. It was [late/cost more than I expected/didn't look like the pictures]."

These issues are clear, concise, and manageable. At this point you can begin to decide the best plan of action for correcting these matters. If the complaints are important they deserve the time and attention to resolve them properly. Too often we compress too much into too little time, and important issues blend into a morass of other matters. Sometimes the truly important issues are tacked on to the tail end of other issues, treated as afterthoughts rather than serious points. It is always worth taking the time to analyze what the real issues are before moving ahead with plans for correction or improvement.

What Do You Want People to Do Differently as a Result of the Training?

Learning is a continual process. For example, as a result of the training, you might like to see the following:

•

The counter people greeting the customer quickly and politely •

The counter person being attentive to customer needs •

The store staff maintaining the cleanliness and appearance of the store •

The counter person determining the customer's satisfaction at the time of delivery

What Are the Specific Measurable Objectives of the Training Program?

The objectives of the training program must be stated in action terms that are measurable. Adults, especially, must know what is expected of them and have a means for determining when they are meeting those objectives.

For instance, as a result of the training, the participant will:

•

Greet the customer within one minute after he or she enters the store. •

Greet the customer using the standard 1-2-3 greeting. •

Determine the customer's needs by asking the 1-2-3 Six Magic Questions. •

Ask all customers to comment on their level of satisfaction using the 1-2-3 Customer Satisfaction Guide.

All these issues fall into the same category: face-to-face customer skills. The issue of store cleanliness and appearance does not fit this context, so it may be better handled at another time.

One-on-one training using an experienced staff member is the simplest and quickest form of training, but it offers the highest risk: There is no guarantee that the experienced staff member *is* teaching the right skills.

Who Should Deliver the Training?

The best possible training personnel are professional trainers. Most businesses, have limited training resources and must rely on personnel from the internal and external possibilities.

Where Should the Training Be Conducted?

Skills training, such computer and technical skills, should be conducted as close to the actual work site as possible. If

a person is learning to operate a computer qualification system-software, he must be in a properly equipped and placed in front of the computer. If the real officeroom has not been built, then the training must be conducted in a facility that has the same equipment and same environment as he will be working in later.

Awareness training can be conducted off-site as long as the facility is conducive to learning. If the training is a major event, the site must reflect the importance of the event. But regardless of the location, the training facility must have good lighting, good ventilation, and comfortable seating. No one can learn in an environment that bombards with distractions or is uncomfortable.

What Skills and Knowledge Do the Participants Need as a Prerequisite to the Training?

Rarely can you teach a new skill without assuming some basic knowledge. If you were training individuals to be income tax preparers, you would assume that they had some basic mathematics skill. If you were training a person in sales skills, you would assume that they had some basic communications skills. Unfortunately, these assumptions often lead to disappointment or disillusionment. There are people who cannot add and others who cannot talk to strangers.

When designing a training program, you must challenge all your assumptions and create a checklist of basic, intermediate, and advanced skills that trainees should have. Once you have determined these, state them prior to the training. This avoids a great deal of frustration, embarrassment, and wasted time, while you strive to help one individual catch up to the rest of the group.

What Are the Possible Sources for This Training?

A franchisor is responsible to provide the training, not to create it.

Many of the dollars expended on developing training programs could be saved if you look to programs that already exist. Many times you can find existing resources for training at a fraction of the cost of developing new ones. This includes my own sales system of "Selling with....How"

If the skills you are training are generic to the industry, trade sources can often provide training. Trade associations usually have numerous offerings. For example, management training is available through the American Management Association whose web site is www.amanet.org. Training is an investment, not an expense.

What Measurements Will t Use to Determine

Whether the Training Was Successful?

Every successful training program has measurable objectives. At the end of the training there should be some type of measurement system to ensure that the objectives have been met. Usually participants are asked to evaluate the training at the completion of a program. This type of evaluation-the smile sheet-tells you how much the participant enjoyed the training and provides some insight into how the participant feels the training will help her in the future, but it does not show if the training has indeed changed real performance.

The true measurement of success is the training program's impact on the issues the prop_rant was designed to address. In the customer satisfaction example, the results of the next survey will tell you if the training succeeded. Continual measurement and feedback often highlight areas that need greater attention.

Ultimately, every training activity should be measured as a return on investment.

If you do not measure the long-term effectiveness of your training programs, you may be throwing away time and dollars.

The new employee is excited about her new opportunity and is ready to learn. There is probably no better training audience than the new store owner. It's your job to deliver the training in understandable and meaningful terms.

The following training matrix provides a format that has proved successful for many franchisors.

To develop a training matrix, list every topic found in your operations and

policy manual. For each item listed, ask the following questions:
 The completed matrix defines who should be trained when
 and in what. The process of developing the matrix highlights redundant items in
 the operations manual as well as redundancies in the training process. From the
 matrix you will then be able to determine the areas that require revision or new
 training programs.

SAMPLE TRAINING MATRIX

| Updated 1/13/04 | Arnold | Lonn | Gary | Sandra | Jim | Geary | Catherine | Randall | W |
|--------------------------------|--------|------|------|--------|-----|-------|-----------|---------|---|
| Check Cashing Basics | | | | | | X | X | | |
| State Regulation/Compliance | | | | | | X | | | |
| Onsite Computer Training | | | | | X | X | | | X |
| Project Management | | | | | | X | | | |
| Computer Solutions & Debugging | | | X | | | X | | | X |
| Invoicing | | | | | | | | | |
| Customer Interactions | | | | | | X | | | X |
| CBT/WBT | | | | | | | | | |
| Proper Documentation | | | | | | | X | | |
| JobAide Office Technology | X | | X | | | X | X | | X |
| Collection Basics | | | | | | X | | | X |
| Financial Health Basics | | | | | | X | | | X |
| Product Cross Selling | | | | | | | | | |
| Health and Safety | | | | | | | | | |
| Material handling | X | X | X | | X | X | X | | X |
| Material handling | | X | | | | | | | |
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SUMMARY

The quality and thoroughness of your training programs directly reflect the quality and thoroughness of your business operation. The first true exposure a new employee has to how your organization does business is the training process. When the training process is presented in a professional manner, with professionally prepared materials presented by professional people, the employee feels good. If the training, materials, and presenters are poorly prepared and ineffective, the employee begins to resist and questions his choice of job duties. In short, during the interviewing/development process the employee was told how good everything was going to be. The training process is his first fulfillment of this promise. When the staff is confident and well trained, then customers will keep coming back for more.

Developing the Marketing and Sales Plan

I am certain you have heard about the man who woke up one morning and decided to drive from his small city in Arkansas to the big city of New York. He had always heard about it, knew what it looked like, but had never been there. He headed northeast in the approximate direction of New York, but he did not have a road map. He watch his odometer. He had determined he'd driven hundreds of miles enough to get there and, suddenly, there it was. He excitedly drove his car into the city he had always wanted to visit- Yorktown – not New York.

"If you don't know where you are going, you'll probably end up somewhere else." When a company seeks money, the first thing it must do is develop a business plan to present to banks, venture capital

companies, and other investors. So why do those same companies move blindly along without the marketing plan (and a parallel sales plan) they so desperately need?

It is always interesting to listen to companies discuss marketing plans. They usually understand the terminology, but seldom understand the ingredients. They also do not understand the difference between a marketing plan and a sales plan. In the following pages I hope to generate the type of understanding and processes necessary to build a strong strategic marketing plan.

Marketing Plan Ingredients

A marketing plan looks at your present company activities and the competitive environment. That view forces the strategic and tactical changes required to move or stay ahead of the competition. It views how you will market your business and who you will market to, not how it will be sold at the grass-roots level. The sales plan is different. It is designed, once you have determined who you are selling to and where, to provide the *how* and *when you will* sell the service. In the sales plan, the questions of who will sell, where they will sell, and what the sales environment is will also be answered.

Following are some of the specific ingredients that should be considered and included in your marketing plan.

Environmental Analysis

Before beginning your journey, you must know your environment. The five environmental categories are: economic, societal, industry, markets, and growing. Understand each thoroughly before embarking.

1. *The economic* evaluation includes the current economic condition of the country and the mood of the general public, the consumer. Timing of your business under certain economic conditions can be crucial. Currently, the market is primed for the Payday Advance service. A recession can be a good time to go into this business, the opportunity that meets the proper requirements. For example, when

people have excessive debt or exhausted normal means of credit they are looking for alternatives, a recession-proof business as a payday advance specialist becomes one of those alternatives. Understanding interest-rate issues is also critical. Is borrowing expensive? Does your business require a large amount of borrowing? Does your business have tangible assets that can be used as partial collateral? Is your business riskier than others? (Fast-food or sit-down restaurant operations are examples of franchises that are considered riskier to lending institutions.) Direct marketing to people experienced in your industry, such as those already engaged in banking or management will reduce the risk factor to the lending institutions. Even if a recession appears to be over, the mood of the population is also important. Small business generally reacts much later than large business to upswings following recessions.

2. The *societal*, cultural, and governmental environment and the restrictions placed upon by any of these-uncontrollable entities will also affect your franchise significantly. Not understanding the tastes or governmental restrictions of a particular community can be fatal. In the 1980s, Popeye's entered the Detroit and other northern markets with a "hot" fried chicken product. The Detroit population was not interested. In a relatively short period of time, all the Popeye's stores in Detroit were forced to close minus a few in Pontiac. Popeye's did not understand that northern tastes were not accustomed to "hot" chicken products. The introduction of the product failed, only after tweaking the product ingredients and the service did Popeye's chicken catch on in the Detroit area.

Also, what national, state, and local governmental restrictions have been, or may be, placed on your business? What environmental issues face your businesses? What are the problems on the horizon that could affect your strategic plan in the future?

3. Understanding your own *industry* is also crucial. Where do you fit with your competitors? Do you have a specific niche you are attempting to fill, or do you look like all the rest? Picking a particular niche can be crucial to your marketing effort, but understanding your competition is most important before choosing

that niche.

4. Understanding each *market* is critical as well. While your business program may work well in Detroit, it may not be understood in Denver. Carefully planning how you will be expanded market to market is critical to the success of your entire program. You will spend more time on one failing store than you will on twenty successful ones. Your marketing plan should include special attention to special markets where you do not have excessive competition. Is your goal to enter a market and then concentrate on saturating that market? Is "shotgunning" (opening wherever a business can be placed) the goal? Are there specific target markets?

5. The last analysis must be toward *growth* itself. While you feel that your competitors are in the same field as you (payday advance services), your real competitors are every company that is a independent, franchisee or franchisor. Your marketing plan is geared toward finding and keeping quality employees in your business. What marketing tools and degree of professionalism are they using? How does it compare to you? How to talk to them, who they are, and where to find them are all critical. You can only do that when you understand what your competition is doing to approach that same prospect.

Competition Analysis

Before you begin the process of marketing your business services to the general public, it is important for you to analyze companies in your own field as well as others, such as those in banking or mortgage brokering. Choosing the top live companies in your specific industry is your first goal. Second, pick several new up-and-coming; companies in your industry. Third, determine other non-niche companies in your industry and evaluate those, for marketing of their product or service to the consumer. Fourth, pick five companies who are not in your industry but are growing rapidly and evaluate how they are making their business grow or at least appealing to the public. The first three processes are to determine the structure of your direct competitors; the fourth-is-storyboard your indirect competitors. Both are important because they will affect the decisions of both you and your business partners.

Since you are evaluating how to market to the general public, you should review the service need first and the marketing approach second. If possible, visit a store or business in each of these categories and attempt to buy the business from each of those competitors.

Review their marketing materials, their sales approach, and their business plan. Understand the features their business and what it has to offer. If possible, understand the performance of their business. Determine the decor, the sales, the profitability, the consumer approach, and the overall image. Then evaluate their strengths and weaknesses in the marketplace.

Once you have developed a matrix of all of these businesses, and complete an assessment, you will have a better understanding of where your company fits into the marketing equation.

Assessment and Feedback

It's hard to know where to go if you don't know where you are. Another key element of the marketing plan is to understand your current positioning and what is successful or not successful about your present business plan. Part of the analysis must ask the essence of your business plan:

1. What are the key ingredients to making a your business successful *rapidly*?
2. What are the major problems a new owner must face?
3. How can you solve those motivational problems through your circle of support consultants?-

The analysis can be divided into the following components:

1. *Current sales analysis.* A complete analysis of every documented first-year sales by month, second year, and beyond sales to determine trends and growth patterns.

2. *Market coverage and penetration.* How successful has the business owner been in developing its markets and successfully penetrating market share?

3. *Area strengths and weaknesses.* What areas are strong or weak and what increased penetration must be made in order to properly develop each area or market? Gaps between markets, where no penetration has taken place, should also be noted:

4. *Income and expense analysis.* What are the specific expenses of your business (if known), as well as the net income (if known) of the business in each month of year 1, year 2, and so on? The minimum level of your knowledge must be cost of goods, labor costs, and other controllable costs where support can be provided by the consultants.

Most other costs are of "franchisee's choice." See the chapter "Opening Your Doors" – break-even point.

5. *Return on investment.* What was the investment of the business against the return received? A fast-food restaurant company

based in the Midwest grew rather substantially. It was very successful in growing its company, but after one year it found the managers were quite unhappy. None of them were getting a return on their investment because *their* business didn't grow. Customers were not returning because they weren't satisfied with the food. If they looked only at the growth of the franchise system they would have a false view of their success..

6. *Employee profiles.* Who are the workers, what is their background, what are their financial capabilities? A matrix should be developed to determine the profiles of the most successful versus the least successful employees.

7. *Operational support.* Determine the strength of the management team (you) and the support team (your consultants). It is also important to test all support materials and their implementation.

8. *Administrative.* What administrative problems do you have in collecting revenue fees and communicating with customers or employees? Or should it be outsourced

9. *Recruiting methods.* What methods have been used to recruit employees for the various functions and how successful have they been?

10. *Communications activities and incentives.* What newsletters, public relations activities, and bonus or incentive programs are available to your employees and how successful have they been?

11. *Advertising techniques.* What advertising media have been most successful for the dollars expended?

All of the above components must be weighed to determine the strengths and weaknesses of your current business. In the following sections, this will help you better define your system as it relates to those strengths and weaknesses.

Overall Goals

OWNERS' PERSONAL GOALS

The personal goals of the owners of the company and its majority shareholders must be considered in the development of your marketing plan. If a particular owner or officer is looking to maximize earnings, you may seek to expand as rapidly as possible to build the profitability quickly. However, that creates substantial risk since the business may suffer for lack of complete and proper support. Under these circumstances, the growth plan must be even more carefully planned. However, if the officers' personal goals are not taken into account, the plan could be in conflict and challenged. Each owner and officer must accept the final plan if it is to be successful.

CORPORATE GOALS

"What if" planning becomes important in this section. What if one segment of the plan does not work? How will it effect the other segments? Or, what if we

would increase our advertising budget by 50 percent? These and many other questions should be addressed during the development of this plan. Once everyone understands the components of the plan, the final preparation of numbers can begin. Everyone who has any involvement in the sales of these franchises must be involved in the development of those numbers and be willing to accept those goals. Compromise may be required, and while it is important not to be too conservative it is equally as important not to be too aggressive. Reachable goals should show bottom and top limits.

| GOAL | BOTTOM LIMIT | TOP LIMIT |
|------|--------------|-----------|
| | | |
| | | |
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| | | |

After you analyze your own company and its activities, and compare them to the competition, you must develop the program tactics to use in your future marketing. This becomes the most critical portion of the marketing plan. These tactics are divided into segments, each of which should be evaluated separately and costs assigned for the changes required. These areas are:

1. *Support programs.* Based on your weaknesses and strengths you must know the kinds of support needed to build your business into a stronger system. Do you need additional communications support efforts? Do you need better training techniques? And if so, at what cost?
2. *Market direction.* What changes will be required in your business plan to achieve the goals you have determined? What new markets will you enter? What markets must you penetrate more inclusively? Where and how will you need to increase the market share? How will you offer more requested services? It may require advertising. Incentives may be used to increase sales in a given market. Increasing the number of stores to penetrate the market more successfully may be the solution. All opportunities and potential solutions must be evaluated and a cost associated with each change must be applied.
3. *Organization required.* Who are the people who can help you achieve your goals? Should you restructure your present organization or should you add to it? Where will you obtain the kinds of people you'll need? If possible, you should utilize internal restructuring rather than outside hiring. However, your people may lack some of the strengths required to carry your company forward to the new position and, therefore, outside staff people may be required.
4. *Image.* When you fully understand the current image, you may then define the image you wish now to achieve. What changes are required to achieve that image and what cost? This issue transcends to advertising, promotions, public relations, added resources, product line, and other issues.
5. *Accounting, control, or reporting systems required.* Do you need better controls internally? Do you need more information from your employees to help them control the business better? What reporting system changes will be required?
6. *Advertising and promotions.* Do you need to change the advertising and promotional fees involved? If a change is required, it is easy to upgrade and update the advertising arrangement. With this plan there must also be included the type and intensity of advertising to be accomplished. If promotions are a part of the equation, these must be tested and rolled out accordingly. If public relations is required, careful consideration as to how it will be controlled must be made. Costs on all of these issues must be carefully planned and put into the budget accordingly.
7. *Training support requirements.* Do the training programs need to be

changed significantly in order to accomplish the goals to be established? On many occasions the system does not grow adequately because the initial training was not correct or was inadequate. This would cause them to become disenchanted with low sales, hard work, and very little profitability with an incentive plan. The result was that its employee retention rate increased substantially.

8. *First-year support needed. It is essential to success* to enhance the initial training and improve first-year's sales of your business system. If you could develop an advertising or marketing program to provide substantial increases in sales, it would mean that future years' sales will be substantially higher as well. Over the long term, this means more profits to you.

Careful evaluation must be made of your training and first-year support in order to maximize the sales and profitability level of your business.

9. *Sales plan.* This is discussed in more detail in the next section.

10. *Financial planning.* What will be the cost of all of the added items from above? What will be the added revenue as well? Here is where "what if" planning can be very valuable to your company.

11. *Financial assistance needed.* With this financial planning, what financial assistance and borrowing will be required to achieve the goals? Will you need new lines of credit, asset-based borrowing, or other financial support structures to provide for the required changes in the system? See the chapter "ABC's of Financing Your Business"

Overall Strategic Planning

The finalized strategic marketing plan narrative is now ready to be prepared. You have reviewed your own environment and your competitive environment, and analyzed the differences. You have determined the changes in tactics required in order to reach the goals you seek to achieve. Assumptions, changes in program tactics, and the costs associated with such changes will be part of the narrative. The expected benefit of each change should also be identified.

At this point, overall assumptions must be made to project the additional cost and benefits. Very specific objectives must be established. Assumptions for each of those objectives must be portrayed. This includes the revenue amounts to be achieved as a result of those goals. Very specific measuring devices must be included in these assumptions. The first-year assumption should include the specific media and cost associated as well as all other costs to build the business to the level expected by the strategic and tactical positioning from above.

The second year of this projection should be a "what if" planning year. This will also be a monthly plan with the same parameters as year 1. Assume that the goals projected from year 1 will be reached and, if so, year 2 will project the following results. The narrative for the second year might include fail-safe planning. If certain elements of the first-year projection do not produce the results expected, new decisions need to be made based upon assumptions to be placed in this marketing plan. Specifically, year 2 may show two projections:

- Results as expected
- Forecast if results are not as expected

Years 3 through 5 should be yearly projections only, rather than monthly, and will make the assumption that *year 1* projections and the tactical strategic plans produce the expected results.

Once the marketing plan is produced, every person responsible for any element of success of that marketing plan must make final approval of the plan. If any one person or department does not buy into the plan, the plan could be doomed to failure. The result will be only as good as the component parts, and each manager and department must commit to the plan as if it were his or her own.

From this marketing plan a task chart should be created, showing the responsibility

of each person and department for execution of the tactical and strategic plans and results. A beginning and completion date for all of the tactical program issues must be prepared and a constant evaluation of these component parts must be made. Initially, weekly meetings may be required. Ultimately, tactical and strategic evaluation meetings must take place at least monthly. An overall coordinator for the execution of this marketing plan must be appointed and the responsibility for execution and follow-up should be in their hands.

The danger with small companies is that objectivity in the preparation of the plan, as well as in its execution, is difficult. Determining who will control the plan is also more difficult in a small company. There is a tendency to procrastinate in the execution of certain component parts, which could cause the entire plan to fall behind.

There should be no question with any company as to the importance of having a marketing plan. Rather, the intensity by which a marketing plan should be devised is at issue. No marketing plan is complete without the entire detailed objectives of all of the components listed previously. It is not enough merely to forecast numbers; there must be reasons behind each number and understanding of how those numbers were reached and why.

Once the marketing plan had been completed, a sales plan must be developed for your company.

The Sales Plan

Most companies develop only one sales plan, but you really need many sales plans-one for each of the selling modes you wish to accomplish:

- Sales of Primary Services offered
- Sales of Secondary Services offered
- Expansion through growth

Security Checklist:

1. Consider all company business as strictly confidential.
2. Never discuss business problems outside your office – not even with your wife.
3. Never brag about your business successes to anyone.
4. Don't leave copies of your notes or other company documents lying around.
5. Lock all desks and file cabinets when not in use and when you go home at night.
6. Destroy all paper waste daily- shred excess



Revenue Sources & SERVICES

REVENUE MAINLY IS GENERATED FROM THE FEE STRUCTURE THAT IS SET-UP FOR EACH TYPE OF TRANSACTION, BASED ON THE AMOUNT. THE FEE CAN RANGE GREATLY FROM STORE TO STORE OR STATE TO STATE. SOME STATES DO REGULATE THE CEILINGS FOR FEES BEING CHARGED AND IMPOSE STIFF PENALTIES FOR ANY VIOLATIONS. KNOW YOUR STATE LAWS AND BE SURE TO COMPLY COMPLETELY. ANY MISTAKE IF DEEMED SERIOUS ENOUGH COULD EXCLUDE YOU FROM THIS BUSINESS AND LIVELIHOOD.

ADDITIONAL SOURCES OF REVENUE

REFERRAL INCOME:

It came to me on a vacation with a friend, who is a avid real estate investor, while we stopped for some snacks at a party store he posted four business cards on the store's corkboard near its entrance. I asked him does that really work? He said "my response rate is real low, but when someone does call, there usually very determined to sell their property". I said, "I should try some of them at the store and office to see what type of response", he said "here's 25 cards, go for it". We worked out a situation that if one of the referred persons I sent his way did close, that he would give me a \$100 dollar finders fee. I thought ok let's see. Within three weeks, my friend had two people, referred from our office, who were very interested in selling their property, Within six weeks of the first time I put out the cards, I received two, one hundred dollar checks from the referrals from my busines. This got me thinking so I called the ads in the newspaper of guys who wanted to buy junk cars for cash. I allowed them to display their cards and in turn I would get half of what they gave my referrals when and if they got a junk auto. Within three weeks I received cash from the tow yard of \$70 dollars when he returned to drop off more cards.

Having an extensive experience in the financial services industry, I called some local tax preparation offices and asked them if they would like to display their cards and if they got a new client to give me a \$10 referral fee. It being the thanksgiving holiday the timing was right, upon the lapse into the new year, oh about February, two local tax preparers gave me \$30 dollars and \$40 dollars respectively. Unfortunately, my total accounting bill for that year was in the thousands.

As one more additional service to customers who might need pay for some immediate convenience was to offer, envelopes and stamps for customers to write out bills and send. One more marketing idea is offering a rack of gift and prepaid cards for stores like the home depot to services for phone long distance. And nowadays, the minutes on long distance cards are down to pennies per minute, literally pennies per minute.

On a more local front, I allow coupon publishing companies to place a stack of their publication next to the waiting chairs in the office. Some of the coupons are two for one meals, discount car service, etc.

Recently, I have been speaking with a friend I know who runs his own non-profit debt counseling and career counseling center. He also displays his card describing his services, this is done "gratto" for the customers. I don't make a thing, but it's a nice free service to offer.

On a final note, distribution of direct dish TV coupons may also yield some additional income, should your customers participate in installing Dish TV access.



CUSTOMERS, CUSTOMERS & MORE CUSTOMERS

No one likes to be taken, in the spirit of avoiding a possible headache, customers must be handled with consistent treatment and straightforwardness. This business does afford a certain amount of room for the not so welcomed customer-service provider relationships. It all comes down to knowledge, awareness, and service, not just any service but genuine kind hearted service that puts at ease the customer. The customer has a want, he also wants a bit of dignity when he's finished with his transaction. Some important ways to more clearly develop the customer relationship is through documenting the steps the customer must complete in order for you to fulfill their want. Because of today's societal blame game, a Private Payday Advance specialist must always dot the I's and cross the T's, failing to fully complete an application, skipping the eligibility process or neglect certain due diligence could lead to serious legal and financial issues. Its not uncommon in today's world to have debts challenged, and should the slightest bit of impropriety or mistake happen, the error cost falls on you.

To systematically avoid this possibly fatal business error. A system must be adhered to that acts as a checklist, guide and compliance document all-in-one. Documents for the customers need to be clearly typed in 12-point font or larger, the fee schedule needs to be not only in the documents but also on the wall of the business. Clear illustrations along with text must also indicate a cannons of practice and identify any state agencies and regulatory rules covering the transaction.

Customer goodwill is necessary maintaining favorable relationships with clients, I suggest face to face interaction as the best method to developing customer rapport. Such rapport begins with sharing, likenesses such as, discussing with a customer weather issues, family-children issues, and comments about generalities. Never discuss politics, job market or religion issues. The later is know become taboo in industry, however, I placed in my office a statue of Jesus along with a painting. It not a recommended avenue for all business owners, but for me, if it permates the relationship I have with a client I would rather advise them to seek another advance company.

Small talk can open the doors, it also can lead to extensive communication that also is to be avoided. Only until after a few visits by the same customer should long and engaged conversations occur. Because of the nature of the business, promptly processing an application is more important than a continued conversation that could be addressed at a later visit, pending the customer is satisfied.

The Web as I used it in the past is an awareness tool, I personally would much rather look into a persons eyes to discovery their integrity versus receiveing a set of faxed paperwork to finalize a transaction. The internet has its value, but my finding is personal contact cannot be usurped.

Such thing come to mind that include the customer I named the whiner, every single time she came into the office to receive a new advance, she reupdated me with how her twenty something daughter and her boyfriend were taking over her household and had no plans to move out on there own. The story she always began with was, when she needed help after her fall, she asked her daughter to move in with her to help her along, that was four years ago. So either, the daughter didn't know when is was time to leave or the mother, my customer, kept wanting her to stay longer for companionship. Because at the end of each of her stories she would she say "I guess its alright she's staying, its better than not knowing where she's at". For me is completely baffling. I've also learned its not my place to try and figure out people. Customers will do what customers will do and even if it defies commone sense of a normal course of logic. This goes for all people, including me, I think why am I share my experiences with other through this book when I could be doing other enjoyable things, I say, "oh, hell let others stumble as I did" but one bit of fiber in me says, "If one person can gain from my experiences, then I've done my part to help someone else". That's what its really all about.



ABC'S OF FINANCING YOUR BUSINESS

Money is money is money, right. Wrong, this is a money business and don't let anyone tell you otherwise. Most importantly, money is used as the funding source for transactions. Good bad or indifferent, Money must be used and without it you can't float along top of the back of vendors. Yes it will take money to finance the up-start fees, leasing space, utilities, computers, furniture, subscriptions, accounting programs, surveillance equipment, site improvements, signage, advertising, payroll, forms and compliance expenses. And in light of some minimal financing of equipment, the rest is an out-of-pocket cost to opening the doors. This money in all of my experiences came from one piggy bank and that was my own personal savings.

Once you've covered the basis for operation, the next bite of money is cold hard cash, you must have it in order to operate, and that's the advance money. Typically, you need a minimum of at least twenty-five thousand preferable fifty thousand of free and clear cash for operating money. That free and clear cash must be held, ready for use, (ie in a checking or saving business account). Its not to be used than for anyother use than making advances. Don't use it for payroll, operating expenses, salaries, purchases, etc. I've watched to many people enter this business and go out because they couldn't separate the running of a business with the inventory of the business.

CASH IS YOUR INVENTORY

I highly recommend that you closely monitor your inventory and make daily inquiries as to the status of the inventory and track its whereabouts, regularly. Check, recheck and re-recheck the customers checks for proper amounts, properly written amounts, date, and for certain a signature. You would not believe how many times I've looked in a file only to find one or more essential elements not on the check. Then its wait and hope, or panic. Luckily on each of the past occassions I found a defficiency on the check, that person paid according to the terms and they made good each time. I've known of others who would deliberately leave out the date or signature, hoping to get it through in order to be down the street with cash and no plans on repayment. On one occasion, I had to kindly request that the cashier not give the customer any funds, and returned all his papers and check back to him to calmly exit the store. He came unglued when he was exposed for trying to pass checks that were not sincere and genuine in nature.

That inventory or cash, that goes out the door is being promised on a on a post-dated check. That's not a whole lot of security for your inventory. So be cognitive of the fact that cash is fungible, but should be used, in a non-multiuse manner.

Personal funds

I've been involved in a variety of businesses and inevitable the initial cash for each one of those business came from only one pocket, my pocket, commonly referred to as "bootstrapping." In a recent study by the small business administration, eighty percent of all business start-ups come from people's personal savings. Those personal savings have parlayed into some of the best companies today. One company in particular is Biomet, that company was started with the founders own capital, they even took second mortgages on their own personal homes to make it a success. Today Biomet is a near billion dollar company in the orthopedic instrument/limb business. It will take either your own money or Uncle Harry's money to get you started in this business. Some sources others have used include, home equity, 401K monies, early retirement buyouts, friends and relatives. From many of my experiences, this business is not a good business for partners, unless a clear understand of who has control and is responsible over the advance account. If not clearly defined, agruements ensue and before you know it a business is lost and more crucial a friendship will be dissolved.

Commercial notes

Personal savings accounts and other immediate funding will run out, unless you have very deep pockets. My one suggestion to funding your advance account is through the use of commercial notes. From the beginning of time, businesses that wish to raise money had to offer investors some sort of agreement detailing the terms of repayment. That agreement is a commercial business note. Many of today's small businesses use them and for certain large companies include General Motors issue a plathorea of commercial notes on the public market. The problem is that most small business owners don't have access to the public debt and equity market.

Therefore if you can't raise the funding through an equity backing you need to raise it via networking. Networking is when you go to local business functions with local leaders, upon introduction, you need to build a rapport with three to four local business guys. Accountants seem to be the best source, Attorneys are another, any locally based professional is also a candidate to fund your business note. The networking function is not the venue for introducing your need for funding. A day or two after, try to obtain a meeting with a possible source and meet for lunch then get to the business. Tell them to look over the note and if it fits, then you should get together to formalize it. Don't delay once they say they are interested move forward either immediately or later that day if possible. I have found that once someone agrees to fund the commercial note the deal needs to be closed, if not, the deal will be lost within 36 hours, usually due to other outside influences. On one instance, I was introduced to a retired hi-lo driver, him and his wife were attending social functions, to get better acquainted with the community. He heard of my business and its potential through a chiropractor, who was a client of mine. I gave him my card at the function and the very next day he called me, I thought why there's a switch. We got together and I offered him a copy of the commercial note to read over. Before lunch was finished he said, "okay", over the next few weeks, Melvin funded nearly two hundred thousand dollars in seed money.

Lines of credit or equity

Not all lines of credit or equity are the same or work the same for that matter. In the normal fashion, a line of equity is that loan against collateral that has value in it, but is not fully indebted to its maximum amount. The difference is equity and a loan to get the equity is typically granted from a bank or financial institution. A line of credit, might be either secured by collateral or unsecured. Your credit card is an unsecured line of credit. Signature loans are another form of unsecured lines of credit. Some lines of credit are secured against a businesses invoices or banking accounts. Equity capital on the other hand is money that doesn't have a repayment plan, unless specified in the future such as a buy-back clause. Equity capital is money that you get when you sell part of your interest in the business. You take people into your company who are willing to risk their money in it. They are interested in potential income rather than in an immediate return on their investment. Sources of potential equity capital come from local economic development corporations, business organizations and professional organizations. Because of the nature of equity capital, it is important to only confer with investors who truly want to be passive, I have only received equity capital once and it led to threatened legal action against the investor for selling proprietary business secrets.

Private Placement Offerings

The most versatile in the arsenal of raising business capital, private placements can be the right fit for investor and business owner. Private placements come in variety of forms, including stock in the company, debt in the company, partnerships or some other type of joint venture arrangement. Before a private placement can be offered, compliance with the state and federal laws must be adhered to. Typically, most states allow for the private placement of money without the requirement of registration, so long as the placement does not exceed ten investors and each investor meets minimum requirement for net worth and investment history. The advantage of a private placement is that it spells out the downside and upside potential of the investment a prospectus, sometimes referred to as a memorandum. With proper planning, other professionals in the financial field who already have clients with ample investment funds can introduce your private placement to them. For doing so, the financial advisor receives a disclosed fee from you when their client invests money into the private placement. The memorandum also details the length of the placement and the repayment schedule, the use of the funds, and the parties involved with the company offering the private placement. Because of the nature of a private placement, it may qualify for IRA monies. In order to achieve qualified monies a third party, private IRA administrator must be used. Their fees can range based on the amount of money or the type of investment, even some have a flat fee. On one occasion a software executive, invested through an IRA administrator and it was his expense to pay the administrators fee for both his and his wife's IRA. It can be done with nominal expenses. I suggest that even if a private placement goes quick and according to plan, a portion of the money should go into either staggered maturity CD's or Treasury bills until absolutely needed. The reason for this is to give comfort to the investor and to achieve a margin of safety in your stewardship of the money.

ABC of YOUR BIZ SETUP

What structure for your business?

Your business can take the form of three basic forms: proprietorship, partnership and corporation. Each has advantages and disadvantages that you can weigh in terms of your own goals. Many individuals have been deterred by the task of incorporating a business because of the high initial cost and the fact that they did not know how to go about it. Realistically, the cost to properly incorporate and file the necessary forms will range from \$100 to \$300, and some times more.

Advantages of Partnerships and Proprietorships (((CHART ALL)))

Both have somewhat lower cost to organize since there are no incorporating fees.

Less formality in record keeping.

The owners file only one tax return.

Owners can deduct losses that might be incurred during the early life of a business from other personal income.

Profits of a partnership, unlike dividends paid by corporations, are not subject to a second federal income tax when distributed to the owners. However, whether this is an advantage, tax-wise, depends on others factors, namely:

The individual tax brackets of the owners as compared with that of the corporation.

The extent to which double taxation of earnings of the corporation is eliminated by deductible salaries paid to the owners and by retention of earnings in surplus.

Disadvantages of Partnerships and Proprietorships

Both have unlimited personal liability. The owners are personally liable for all debts and judgments against the business, including liability in case of failure or other disasters. However, I have personally experienced an acquaintances' corporation be dismantled by the courts and take on the form of "an alter ego" whereby all personal protection was stripped.

In a partnership, each member can bind the other so that one partner can cause the other to be personally liable. A prime example of this event is if one of the partners goes through a divorce.

All profits are personally taxable to the owners at rates that may be higher than corporate rates.

There aren't the tax advantages of benefit plans such as pension and profit-sharing that are available to corporations. (larger contributions are available to self-controlled pensions versus IRA or 401K qualified plans).

If the owner(s) dies or become incapacitated, the business often comes to a standstill.

The owner(s) does not have the full tax benefits of the tax-deductible plans including pension and profit-sharing that are available to a corporation.

Advantages of incorporating

The personal liability to the founders is limited to the amount of money put into the corporation with the exception of unpaid taxes.

If a business owner wishes to raise capital, a corporation is more attractive to investors who can purchase shares of stock in it for purposes of raising capital. Later I will touch upon this issue.

A corporation does not pay tax on monies it receives in exchange for its own stock.

Many more tax options are available to corporations than to proprietorships or partnerships. One can set up pension, profit-sharing and stock option plans that are favorable to the owner of the corporation.

A corporation can be continued more easily in the event o the death of its owners or principals

Shares of a corporation can easily distributed to family members.

The debts of the corporation are the corporation's debt.

The owners(stockholders) of a corporation can operate with all the advantages of a corporation, yet to be taxed on personal income tax rates if this option provides a tax advantage.

Owners can quickly transfer their ownership interest represented by shares of stock without the corporation dissolving.

Issuing and selling additional shares of stock can expand the corporation's capital.

Shares of stock can be used for estate and family trust planning

The corporation can ease the tax burden of its stockholders by accumulating its earnings. This is provided that the accumulation is not unreasonable and is for business purposes.

It is a separate "legal" entity, separate and apart from its owners. It can have its own tax identification number issued from the internal revenue service.

A corporation may own shares in another corporation and receive dividends, 85 percent of which are tax-free, subject to certain limitations.

Disadvantages of Incorporating

The owners of a corporation file two tax returns- individual and corporate. This may require added time and accounting expense. (the owner of a proprietorship files one return; a member of a partnership files two.)

Unless the net taxable income from a business is substantial (i.e. \$100,000 or more annually), there may not be tax advantages.

Maintaining the corporate records may require added time.

If a corporation (i.e. a loan from a bank) obtains debt financing, the fund source may require the personal guarantee by the owner(s), thereby eliminating the limited liability advantage of corporation, at least to the extent of the loan.

The only business structure

Really in business today with the craziness of people and their attorneys. The way to go is---a corporation.

It should be the first step in setting up your internet business. Remember corporations offer: personal protection (if done right), tax benefits, credibility to your entrepreneurial pursuits and a longevity characteristic that encourages family participation. Corporations come in many style and shapes most notably is the use of a C corporation and S Corporation. Further details of each type can be gained from professionals in your area.

I can't over emphasize the importance of incorporation. If for any reason you would prefer incorporation through a lawyer Thinkpropub has negotiated a special rate for purchasers of Income Producing Sites courseware.

Raising Capital

As the owner of a valuable product you have the primary ingredient necessary to attract capital. While you do not need much capital to enter the internet business, you will need some start-up money. And if you are willing to share some of the profits with others, you can approach the creation of an income producing website in an altogether different way.

There are thousands of capital sources. Many tell the tale of a wild goose chase.

Capital in the business world can take the form of debt financing--- a loan, debenture, bond, or equity financing---- the sale of stock, rights or options in a business. Whichever form you choose and decide is the best for your business, the most important factor in raising capital is the preparation of a carefully written plan.

Here are some sources and capital raising techniques:

Loans--- through business credit with commercial notes, loans from personal friends, relatives; or private investors might loan money to a new and promising company; a bank, corporate finance company or a factoring company (used to receive money from pending invoices).

Private offerings-- To avoid expense and time involved involved in a Securities and Exchange (SEC) registration, shares can be offered at a price set by the corporation directors, However it is wise to review the "Bluesky Laws" of the State you are domiciled in. In many cases, state laws will restrict the number of investors who can participate. Typically no more than 25 investors can participate. Any violation of the SEC rules can result in very stiff penalties. Recently, a new offering called a U-7 has been created to streamline the registration process so smaller companies offering stock can comply.

Venture firms-- currently the stock market is saturated with dot.com companies that have been financed by venture capital firms. Typically, venture capital firms want a big equity stake along with a debt stake and the authorization to take the company public to recoup any investment plus a gain.

Intra-state offering--- Shares of the stock may be offered to residents within the boundaries of any one state. There is no limit to either number of persons who can be approached. Many other states may require the offering company to submit and register an *offering circular*.. Investors are generally required to sign a "subscription and disclosure agreement" which states that the stock is being bought as a speculation investment and not available for resale. SEC registration is usually a requirement.

Public Offerings-- you can engage an underwriter who will guide the corporation toward filing a prospectus with the SEC for the purpose of selling shares in the corporation to the public. 'Start-up' as well as established companies can raise capital by selling minority portions (less than 51 percent) of the corporation. The amount of capital sought may be limited to \$1 million dollars or less. The underwriting and attorney fees for going public can easily exceed \$50,000 and can range to \$10million as was the case when United Parcel Service in 2000 went public, it was one of the largest to hit the Initial Public Offering (IPO)market ever bringing in over \$5 billion dollars to the company.

Funding Summary

Some small businesspersons cannot understand why a lending institution refused to lend them money. Others have no trouble getting funds, but they are surprised to find strings attached to their loans. Such owner-managers fail to realize that banks and other lenders have to operate by certain principles Just as do other types of business.

lets discuss the following fundamentals of borrowing: (1) credit worthiness, (2) kinds of loans, (3) amount of money needed, (4) collateral, (5) loan restrictions and limitations, (8) the loan application, and (7) standards which the lender uses to evaluate the application.

This section is designed to give the highlights of what is involved in sound business borrowing. It should be helpful to those who have little or no experience with borrowing. More experienced owner-managers should find it useful in re-evaluating their borrowing operations.

Is Your Firm Credit Worthy?

The ability to obtain money when you need it is as necessary to the operation of your business as is a good location or the right equipment, reliable sources of supplies and materials, or an adequate labor force. Before a bank or any other lending agency will lend you money, the loan officer must feel satisfied with the answers to the five following questions:

1. What sort of person are you, the prospective borrower? By all odds, the character of the borrower comes first. Next is your ability to manage your business.
 2. What are you going to do with the money? The answer to this questions will determine the type of loan, short or long-term. Money to be used for the purchase of seasonal inventory will require quicker repayment than money used to buy fixed assets.
 3. When and how do you plan to pay it back? Your banker's judgment of your business ability and the type of loan will be a deciding factor in the answer to this question.
 4. Is the cushion in the loan large enough? In other words, does the amount requested make suitable allowance for unexpected developments? The banker decides this question on the basis of your financial statement which sets forth the condition of your business and on the collateral pledged.
 5. What is the outlook for business in general and for your business particularly?
- Adequate Financial Data Is a "Must."

The banker wants to make loans to businesses which are solvent, profitable, and growing. The two basic financial statements used to determine those conditions are the balance sheet and profit-and-loss statement. The former is the major yardstick for solvency and the latter for profits. A continuous series of these statements over a period of time is the principal device for measuring financial stability and growth potential.

In interviewing loan applicants and in studying their records, the banker is especially interested in the following facts and figures.

General Information: Are the books and records up-to-date and in good condition? What is the condition of accounts payable? Of notes payable? What are the salaries of the owner-manager and other company officers? Are all taxes being paid currently? What is the order backlog? What is the number of employees? What is the insurance coverage?

Accounts Receivable: Are there indications that some of the accounts receivable have already been pledged to another creditor? What is the accounts receivable turn over? Is the accounts receivable total weakened because many customers are far behind in their payments? Has a large enough reserve been set up to cover doubtful ac counts? How much do the largest accounts owe and what percentage of your total accounts does this amount represent?

What Kind of Money?

When you set out to borrow money for your firm, it is important to know the kind of money you need from a bank or other lending institution. There are three kinds of money: short term, term money, and equity capital.

Keep in mind that the purpose for which the funds are to be used is an important fact deciding the kind of money needed. But even so, deciding what kind of money to use is not always easy. It is sometimes complicated by the fact that you may be using some of the various kinds of money at the same time and for identical purposes.

Keep in mind that a very important distinction between the types of money is the source of repayment. Generally, short-term loans are repaid from the liquidation of current assets which they have financed. Long-term loans are usually repaid from earnings.

Short-Term Bank Loans

You can use short-term bank loans for purposes such as financing accounts receivable for, say 30 to 60 days. Banks grant such money either on your general credit reputation with an unsecured loan or on a secured loan.

The unsecured loan is the most frequently used form of bank credit for short-term purposes. You do not have to put up collateral because the bank relies on your credit reputation.

To plan your working capital requirements, it is important to know the “cash flow” which your business will generate. This involves a simple consideration of all elements of cash receipts and disbursements at the time they occur. These elements are listed in the profit-and-loss statement which has been adapted to show cash flow. They should be projected for each month.

The secured loan involves a pledge of some or all of your assets. The bank requires security as a protection for its depositors against the risks that are involved even in business situations where the chances of success are good.

Term Borrowing

Term borrowing provides money you plan to pay back over a fairly long time. Some people break it down into two forms: (1) intermediate—loans longer than 1 year but less than 5 years, and (2) long-term—loans for more than 5 years.

However, for your purpose of matching the kind of money to the needs of your company, think of term borrowing as a kind of money which you probably will pay back in periodic installments from earnings.

What Kind of Collateral?

Sometimes, your signature is the only security the bank needs when making a loan. At other times, the bank requires additional assurance that the money will be repaid. The kind and amount of security depends on the bank and on the borrower's situation.

If the loan required cannot be justified by the borrower's financial statements alone, a pledge of security may bridge the gap. The types of security are:

endorsers; comakers and guarantors; assignment of leases; trust receipts and floor planning; chattel mortgages; real estate; accounts receivables; savings accounts; life insurance policies; and stocks and bonds. In a substantial number of States where the Uniform Commercial Code has been enacted, paperwork for recording loan transactions will be greatly simplified.

Endorsers, Co-makers, and Guarantors Borrowers often get other people to sign a note in order to bolster their own credit. These endorsers are contingently liable for the note they sign. If the borrower fails to pay up, the bank expects the endorser to make the note good. Sometimes, the endorser may be asked to pledge assets or securities too.

A co-maker is one who creates an obligation jointly with the borrower. In such cases, the bank can collect directly from either the maker or the co-maker.

A guarantor is one who guarantees the payment of a note by signing a guaranty commitment. Both private and government lenders often require personal guarantees from officers of corporations in order to assure continuity of effective management.

Assignment of Leases

The assigned lease as security is similar to the guarantee. It is used, for example, in some franchise situations. The bank lends the money on a building and takes a mortgage. Then the lease, which the dealer and the parent franchise company work out, is assigned so that the bank automatically receives the rent payments. In this manner, the bank is guaranteed repayment of the loan.

Chattel Mortgages

If you buy equipment such as a cash register or a delivery truck, you may want to get a chattel mortgage loan, You give the bank a lien on the equipment you are buying.

The bank also evaluates the present and future market value of the equipment being used to secure the loan. How rapidly will it depreciate? Does the borrower have the necessary fire, theft, property damage, and public liability insurance on the equipment? The banker has to be sure that the borrower protects the equipment.

Real Estate

Real estate is another form of collateral for long-term loans. When taking a real estate mortgage, the bank finds out: (1) the location of the real estate, (2) its physical condition, (3) its foreclosure value, and (4) the amount of insurance carried on the property.

Accounts Receivable

Many banks lend money on accounts receivable. In effect, you are counting on your customers to pay your note. The bank may take accounts receivable on a notification or a nonnotification plan. Under the notification plan, the purchaser of the goods is informed by the bank that his or her account has been assigned to it and he or she is asked to pay the bank. Under the nonnotification plan, the borrower's customers continue to pay you the sums due on their accounts and you pay the bank.

Savings Accounts

Sometimes, you might get a loan by assigning to the bank a savings account. In such cases, the bank gets an assignment from you and keeps your passbook. If you assign an account in another bank as collateral, the lending bank asks the other bank to mark its records to show that the account is held as collateral.

Life Insurance

Another kind of collateral is life insurance. Banks will lend up to the cash value of a life insurance policy. You have to assign the policy to the bank.

If the policy is on the life of an executive of a small corporation, corporate resolutions must be made authorizing the assignment. Most insurance companies allow you to sign the policy back to the original beneficiary when the assignment to the bank ends.

Some people like to use life insurance as collateral rather than borrow directly from insurance companies. One reason is that a bank loan is often more convenient to obtain and usually may be obtained at a lower interest rate.

Stocks and Bonds

If you use stocks and bonds as collateral, they must be marketable. As a protection against market declines and possible expenses of liquidation, banks usually lend no more than 75 percent of the market value of high grade stock. On Federal Government or municipal bonds, they may be willing to lend 90 percent or more of their market value.

The bank may ask the borrower for additional security or payment whenever the market value of the stocks or bonds drops below the bank's required margin.

What Are the Lender's Rules?

Lending institutions are not just interested in loan repayments. They are also interested in borrowers with healthy profit-making businesses. Therefore, whether or not collateral is required for a loan, they set loan limitations and restrictions to protect themselves against an unnecessary risk and at the same time against poor management practices by their borrowers. Often some owner-managers consider loan limitations a burden.

Yet others feel that such limitations also offer an opportunity for improving their management techniques.

Especially in making long-term loans, the borrower as well as the lender should be thinking of: (1) the net earning power of the borrowing company, (2) the capability of its management, (3) the long range prospects of the company, and (4) the long range prospects of the industry of which the company is a part. Such factors often mean that limitations increase as the duration of the loan increases.

What Kinds of Limitations?

The kinds of limitations, which an owner-manager finds set upon the company, depends to a great extent, on the company itself. If the company is a good risk, only minimum limitations need be set. A poor risk, of course, is different. Its limitations should be greater than those of a stronger company.

Look now for a few moments at the kinds of limitations and restrictions which the lender may set. Knowing what they are can help you see how they affect your operations.

The limitations which you will usually run into when you borrow money are:

- (1) Repayment terms.
- (2) Pledging or the use of security.
- (3) Periodic reporting.

A loan agreement, as you may already know, is a tailor-made document covering, or referring to, all the terms and conditions of the loan. With it, the lender does two things: (1) protects position as a creditor (keeps that position in as protected a state as it was on the date the loan was made and (2) assures repayment according to the terms.

The lender reasons that the borrower's business should generate enough funds to repay the loan while taking care of other needs. The lender considers that cash in flow should be great enough to do this without hurting the working capital of the borrower.

Covenants or Terms—Negative and Positive

The actual restrictions in a loan agreement come under a section known as covenants. Negative covenants are things which the borrower may not do without prior approval from the lender. Some examples are: further additions to the borrower's total debt, nonpledge to others of the borrower's assets, and issuance of dividends in excess of the terms of the loan agreement.

On the other hand, positive covenants spell out things which the borrower must do. Some examples are: (1) maintenance of a minimum net working capital, (2) carrying of adequate insurance, (3) repaying the loan according to the terms of the agreement, and (4) supplying the lender with financial statements and reports. Overall, however, loan agreements may be amended from time to time and exceptions made. Certain provisions may be waived from one year to the next with the consent of the lender. Ask to see the papers in advance of the loan closing. Legitimate lenders are glad to cooperate.

The Loan Application

Now you have read about the various aspects of the lending process and are ready to apply for a loan. Banks and other private lending institutions, as well as the Small Business Administration, require a loan application on which you list certain information about your business.

For the purposes of explaining a loan application, go to the web site www.sba.gov to review the Small Business Administration's application for a loan (SBA Form 4 not included). The SBA form is more detailed than most bank forms. The bank has the advantage of prior knowledge of the applicant and his or her activities. Since SBA does not have such knowledge, its form is more detailed. Moreover, the longer maturities of SBA loans ordinarily will necessitate more knowledge about the applicant.

Before you get to the point of filling out a loan application, you should have talked with an SBA representative, or perhaps your accountant or banker, to make sure that your business is eligible for an SBA loan. Because of public policy, SBA cannot make certain types of loans. Nor can it make loans under certain conditions. For example, if you can get a loan on reasonable terms from a bank, SBA cannot lend you money.

INSURANCE - Checklist

The checklist is followed by a brief discussion of four basic steps that are necessary for good insurance management: (1) Recognize the risks to which you are exposed. (2) Follow the guides for buying insurance economically. (3) Have a plan. (4) Get professional advice.

Some small business owners look on insurance as if it were a sort of tax. They recognize that it is necessary but consider it a burdensome expense that should be kept at a minimum. Is this view justified?

Not if you take a more conservative approach. You can use insurance to get many positive advantages as well as the negative one of avoiding losses. Used correctly, insurance can contribute a great deal to your success by reducing the uncertainties under which you operate. It can reduce employee turnover, improve your credit at the bank, make it easier to sell to customers on favorable terms, help keep your business going in case an insured peril interrupts operations. The potential benefits of good insurance management make it well worth your study and attention.

How It Works

Insurance has been defined as a system in which winners pay losers." Those who are lucky enough to avoid loss contribute through premium payments to the unlucky ones who do suffer loss. If you never collect from your insurance, consider yourself ahead, because then you are one of the winners. If you suffer a loss for which you are insured, you have the security of knowing that the other members of the insurance system will relieve you of most of your burden.

In this sense, you come out ahead either way. Your premiums are the price you pay for the freedom from worry about economic loss from conditions outside your control.

But insurance itself becomes the subject of worry many small business owners.

The points covered in the checklist are grouped under three general classes of insurance: (1) coverages that essential for most businesses, (2) coverages that are desirable for many firms but not absolutely necessary and (3) coverages for employee benefits.

Essential Coverages

Four kinds of insurance are essential: fire insurance liability insurance, automobile insurance, and workman's compensation insurance. In some areas and in some kinds of businesses, crime insurance, which is discussed under Desirable Coverages," is also essential.

Are you certain that all the following points have been given full consideration in your insurance program?

Fire Insurance

- 1 You can add other perils—such as windstorm, hail, smoke, explosion, vandalism, and malicious mischief—to your basic fire insurance at a relatively small additional cost.
2. If you need comprehensive coverage, your best buy may be one of the all-risk contracts that offer the broadest available protection for the money.

Liability Insurance

Automotive fleet insurance for business purposes can generally be insured under a low-cost fleet policy protecting against legal liability limits of up to \$1 million are not uncommon for both material damage to your vehicle and is it considered high or unreasonable for an internet business.

Liability to others for property damage or personal injury, include.

Worker's Compensation

YOU can be liable for the acts of others independent contracts you have signed with them. Federal and common state law requires that this liability is insurable.

An employer (1) provide employees a safe Place to work, (2) hire competent fellow employees. (3) provide safe tools, and (4) Advise employees of an existing danger

Business Interruption Insurance

Under properly written contingent business-interruption insurance, you can also collect if fire or other peril closes down the business of a supplier or customer and this interrupts your business.

1. The business-interruption policy provides payments for amounts you spend to hasten the reopening of your business after a fire or other insured peril.
2. You can get coverage for the extra expenses you suffer if an insured peril, while not actually closing your business down, seriously disrupts it.
3. When the policy is properly endorsed, you can get business-interruption insurance to indemnify you if your operations are suspended because of failure or interruption of the supply of power, light, heat, gas, or water furnished by a public utility company.

Crime Insurance

1. Burglary insurance excludes such properly as accounts, fur articles in a showcase window, and manuscripts.
2. Coverage is granted under burglary insurance only if there are visible marks of the burglars forced entry'.
3. Burglary insurance can be written to cover, in addition to money in a safe, inventoried merchandise and damage incurred in the course of a burglary.
4. Robbery insurance protects you from loss of property, money, and securities by force, trickery, or threat of violence on or off your premises.
5. A comprehensive crime policy written just for small business owners is available. In addition to burglary and robbery, it covers other types of loss by theft, destruction, and disappearance of money and securities. It also covers thefts by your employees.
6. If you are in a high-risk area and cannot get insurance through normal channels without paying excessive rates, you may be able to get help through the federal crime insurance plan. Your agent or State Insurance Commissioner can tell you where to get information about these plans.

Glass Insurance

1. You can purchase a special glass-insurance policy that covers all risk to plate-glass windows, glass signs, motion-picture screens, glass brick, glass doors, showcases, countertops, and insulated glass panels.
2. The glass-insurance policy covers not only the glass itself, but also its lettering and ornamentation, if these are specifically insured, and the costs of temporary plates or boarding up when necessary.
3. After the glass has been replaced, full coverage is continued without any additional premium for the period covered.

Rent Insurance

1. You can buy rent insurance that will pay your rent if the property you lease becomes unusable because of fire or other insured perils and your lease calls for continued payments in such a situation.
2. If you own property and lease it to others, you can insure against loss if the lease is canceled because of fire and you have to rent the property again at a reduced rental.

Employee Benefit Coverages

Insurance coverages that can be used to provide employee benefits include group life insurance, group health insurance, disability insurance, and retirement income,

Group Life Insurance

1. If you pay group-insurance premiums and cover all employees up to \$50,000, the cost to you is deductible for Federal income-tax purposes, and yet the value of the benefit is not taxable income to your employees.
2. Most insurers will provide group coverage at low rates even if there are 10 or fewer employees in your group.
3. If the employees pay part of the cost of the group insurance, State laws require that 75 percent of them must elect coverage for the plan to qualify as group insurance.
4. Group plans permit an employee leaving the company to convert group-insurance coverage to a private plan, at the rate for his/her age, without a medical exam, within 30 days after leaving the job.

Group Health Insurance

1. Group health insurance costs much less and provides more generous benefits for the worker than individual contracts would.
2. If you pay the entire cost, individual employees cannot be dropped from a group plan unless the entire group policy is canceled.
3. Generous programs of employee benefits, such as group health insurance, tend to reduce labor turnover.

Disability Insurance

1. Workers' compensation insurance pays an employee only for time lost because of injuries and work-related sickness—not for time lost because of disabilities in time off the job.

Key-Man Insurance

Key-man insurance protects the company against special loss caused by the death of a valuable employee or partner.

Insurance Review-

Be sure to cover the following points:

1. Decide what perils to insure against and how much loss you might suffer from each.
2. Cover your largest loss exposure first.
3. Use as high a deductible as you can afford.
4. Avoid duplication in insurance.
5. Buy in as large a unit as possible. Many of the 'package policies' are very suitable for the types of small businesses they are designed to serve, and often they are the only way a small business can get really adequate protection.
6. Review your insurance program periodically to make sure that your coverage is adequate and your premiums are as low as possible consistent with sound protection.

Have a plan. To manage your insurance program for good coverage at the lowest possible cost, you will need a definite plan that meets the objectives of your business. Here are some suggestions for good risk and insurance management:

Get professional advice about your insurance

TAXES

A well managed business never should have any problems in meeting its tax obligations. Its owner will have developed an informed and systematic approach to handling Federal, State, and local taxes.

It also points out that the owner-manager is an agent, collecting taxes such as Social Security and State and local sales taxes. At the same time, the owner-manager is a debtor, owing taxes for income tax and personal property tax. TAXES” is a scare word for many small retailers. “I’m always filling out forms and paying one kind of tax or another.” some of them say. Just look in the local legal news and it will have a listing of those businesses receiving new tax lien obligations and those who have paid off any indebtedness for taxes.

“Taxes slip up on me. It’s hard to pay them on time,” They say.

Yet the word “taxes” need not call up nightmares of anxiety and confusion any more than “accounts payable” does. Just as good management keeps its “accounts payable” under control so can it keep “taxes” from getting out of hand.

Manage Taxes

1. You pay taxes on time to avoid penalties for late payment.
2. You get advice from experts, such as an accountant, lawyer, or tax counselor.

Agent And Debtor

The owner-manager of a small business plays two roles in managing taxes. In one role, you are a debtor. In the other, an agent of the taxing authorities.

In the role of debtor, you are liable for various taxes and you pay them as part of your business obligations. For example, each year you owe Federal income taxes which you pay out of the earnings of your business. Another example of your debtor’s role is the local real estate tax which you owe when you own property.

In the role of agent, the owner-manager of a small business collects various taxes and passes the funds on to the appropriate government agency. For example, each payday you deduct Federal income and Social Security taxes from the wages of your employees. In some States, you deduct State income taxes also. In some localities, you may also be involved in collecting a local income tax. Moreover, you may be thought of as an agent for collecting state and local sales taxes and passing them on to the appropriate government agency. Of course, in many jurisdictions the owner-manager in reality owes the tax on goods sold, regardless of whether or not you collect it from customers. Whether you are an agent or a debtor, the critical aspect is that as the owner-manager of a small business you are responsible for paying your own taxes and those which you collect from others. The rules—terms and conditions when you think of taxes in a businesslike way—for paying them vary according to the tax.

Federal Taxes

The two best-known Federal taxes are income taxes and Social Security taxes. Other taxes set by the Federal Government are unemployment taxes and excise taxes.

In paying income taxes and Social Security taxes, the owner-manager of a small business is both a debtor and an agent. “Withholding” is the key word in your role as agent. But first look at your role as debtor in income taxes.

Income Taxes.

The amount of Federal Income taxes owed by the owner-manager depends on the earnings of your company. It also depends on the type of business organization—individual proprietorship, partnership, or corporation—that you use, as well as your other income, exemptions, and your non-business deductions and credits.

If you are a proprietor, you pay your income tax just as any other individual citizen. The major difference is that your income is usually from the earnings of the store or service shop instead of from salaries or wages. You file the same form as an individual taxpayer. However, you also file an additional schedule which, in effect, identifies items of expense and income from your business.

If you are a member of a partnership, the partnership must file a return to reflect the income and expenses of the profit on your return.

Individual proprietors and partners are required by law to put the Federal income tax and self-employment tax liability on a “pay-as-you-go” basis. They do this by filing a Declaration of Estimated Tax (Form 1040 ES) on or before April 15 of each year. The Declaration is an estimate of the income and self-employment taxes they expect to owe based on expected income and exemptions. Payments on the estimate of one quarter each are due April 15, June 15, September 15, and January 15. At the time of each payment, adjustments to the estimate can be made.

If your business is a corporation, it pays taxes on its profit. In addition, you pay an individual tax on salary and dividends that your corporation pays you.

The IRS or a tax accountant can tell you the current rates.

The important things in meeting your business' obligation on Federal income taxes are having the funds and paying on time. You may want to have a calendar of tax obligations as a reminder.

Withholding Income Taxes

Your employees make Federal income tax payments each payday. They do it through you. You pass these payments on to the Government periodically.

Your work as an agent starts when you hire a new employee. You have him or her sign a Form W-4, "Employees Withholding Allowance Certificate." On it he or she lists the exemptions and additional withholding allowances which he or she claims.

This completed certificate is your authority to withhold income tax in accordance with the withholding tables issued by the Internal Revenue Service (IRS). If an employee fails to furnish a certificate, you are required to withhold tax as if he or she were a single person with no withholding exemptions. Before December 1 each year, you should ask your employees to file new exemption certificates for the following year if there has been a change in their exemption status since they filed their last certificate.

At the end of the year, you have to furnish each employee with copies of Form W-2, "Wage and Tax Statement" for him or herself and each taxing jurisdiction. He or she files a copy with his or her income tax return and keeps one for him or herself. You, the employer, must also furnish a copy of Form W-2 to the Internal Revenue Service on or before February 28.

Withholding Social Security Taxes

In paying Social Security taxes, the owner-manager is also both an agent and a debtor. As an agent, you deduct the tax which each employee owes. As a debtor, you match these deductions, paying the same amount as each employee.

Social Security taxes are deducted at the rate set by law, usually a percentage of an employee's wages. You must match paying amounts you withhold and see that the Government is paid.

The procedure involves two actions:

1. Reporting the income and Social Security taxes which you withheld from employees' pay.
2. Depositing the funds which you withheld.

You use tax return Form 941 to report withholding and Social Security remittances to the Government.

Unemployment Taxes

Your business is liable for Federal unemployment taxes if you paid wages over the minimum amount in any calendar quarter.

Each deposit must be accompanied by a prescribed Federal Unemployment Tax Deposit form (Form 508). An annual return must be filed on Form 940 on or before January 31 following the close of the calendar year for which the tax is due. Any tax still due is payable with the return. You must file Form 940 on a calendar year basis even if you operate on a fiscal year basis.

State Taxes

Although State taxes vary from State to State, the three major types of State taxes are unemployment taxes, income taxes, and sales taxes. It is essential to know what taxes your State requires you to pay as a debtor and what taxes it requires you to collect as an agent. In some States, if you fail to remit State withheld taxes you can be charged with embezzlement.

Unemployment Taxes

Each State has unemployment taxes. Because the rules and requirements vary by State, you should check the authorities in your State to determine your obligations. Usually, unemployment taxes are based on the taxable wage base of a quarter. The rate of tax charged is usually determined by your unemployment experience, coupled with the unemployment experience of your State.

In some States, the worker, through payroll deductions is also assessed.

State Income Taxes

Some States impose an income tax. When they do, owner-managers are required to deduct (withhold) this tax from their employees' wages.

In some cases, the State tax returns are similar to those used by the Federal Government. Other areas use a different approach. Many States require you to file an information return.

You should contact the State authorities in your area and find out what requirements apply to your business. If the requirements differ from those for Federal income tax returns, make sure that your records give you the necessary information for State income taxes.

Sales Tax

Many States have state taxes. In meeting this tax obligation, you act as an agent. You collect the tax and you pass it on to the appropriate State agency.

Local Taxes

Counties, towns, and cities impose various kinds of taxes. Among them are real estate taxes, personal property taxes, taxes on gross receipts of businesses, and unincorporated business taxes. A license to do business is also a tax even though some owner-managers don't think of it as such. And some localities (mostly large cities) have an income tax.

You should check with the authorities in your locality to be sure your business is paying the various taxes to which it is subject.

Make sure that you file tax reports when they are due and pay the tax on time. Failure to file or pay taxes when due can bring penalties (fines and/or jail sentences) and interest on the tax money which is involved. In many cases, the officers of a company can be held personally responsible for taxes due by their corporation if the corporation does not pay the taxes. In addition criminal charges may be imposed, particularly when monies—such as income tax withholdings—that are held in escrow for others are not available on the due dates.

Records

Keeping score in small business is vital to success and profits. In discussing recordkeeping for small firms, this points out that a recordkeeping system should be simple to use, easy to understand, reliable, accurate, consistent, and should provide information on a timely basis.

Keeping records is really scorekeeping; a serious side of scorekeeping. If you attended a basketball game where either no score was kept or the score was several minutes late, you would probably be disgusted and leave the game. Yet, many people don't know the current score of their own business because of inadequate or out-of-date records. Adequate records are necessary to prepare various tax returns. They are required by banks and other financial institution you may deal with. Many times financial records and reports are required by suppliers or other creditors.

Requirements of a Good Record System

A good recordkeeping system must be (1) simple to use, (2) easy to understand, (3) reliable, (4) accurate, (5) consistent, and (6) designed to provide information on a timely basis.

Minimum Records Required

You will need four basic records:

1. Sales records
2. Cash records
3. Cash disbursements
4. Accounts receivable

When you use a cash register, a combined Sales and Cash Receipts record may be kept. Sales are divided in to a few categories, possibly three or four, such as wholesale, retail, and services. Cash receipts represent cash sales and collections of Accounts Receivable. One entry is made for each day.

A smaller business without a cash register can enter each item in the Sales and Cash Receipts register showing date, name, invoice number, and amount.

As soon as bank statements are received, reconcile them with your checkbook.

Petty Cash Fund

A Petty Cash Fund should be set up to be used for payment of small amounts not covered by invoices. A check should be drawn for, say, \$25.00. The check is cashed and the fund placed in a box or drawer. When payments are made for such items as postage, freight, and bus fares, the items are listed on a printed form or even on a blank sheet. When the fund is nearly exhausted, the items are summarized and a check drawn to cover the exact amount expended. The check is cashed and the fund replenished.

The use of too many accounts should be avoided. Break down sales into enough categories to show a clear picture of the business. Use different expense accounts covering frequent or substantial expenditures but avoid minute by minute distinctions which will tend to confuse rather than clarify.

Payroll Records

Yearly and quarterly reports of individual payroll payments must be made to State and Federal Governments. Each individual employee receives a W-2 form at the yearend showing total withholding payments made for the employee during the calendar year.

An employment card should be kept for each employee showing, among other things, social security number, name, address, telephone number, and name of next of kin and their address. Indicate whether the employee is married and the number of exemptions claimed. A W-4 form should also be on record.

A summary payroll should be made each payday showing names, employee number, rate of pay, hours worked, overtime hours, total pay and amount of deductions for FICA, withholding taxes and deductions for insurance, pension and/or saving plans.

Also a separate sheet should be kept for each employee. On this individual Payroll Record, list rate of pay, social security number, and so on. Enter amounts for each pay period, covering hours worked, gross pay, and the various deductions. At the end of each quarter add the amounts and balance. These forms provide the data you need for quarterly and annual reports.

It is good policy to keep records up to date. The best way to do it is by seeing that your recordkeeping is done daily.

Small Business Financial Status Checklist

(What an Owner-Manager Should Know)

Daily

1. Cash on hand.
2. Bank Balance (keep business and personal funds separate).
3. Daily Summary of sales and cash receipts.
4. That all errors in recording collections on accounts are corrected.
5. That a record of all monies paid out, by cash or check, is maintained.

5

General Ledgers are kept to record transactions and balances of individual accounts — Assets, Liabilities, Capital, Sales and Expenses. A typical Classification of Ledger Accounts follows.

At the end of each fiscal year or accounting period, accounts are balanced and closed. Sales (Income) and Expense Account balances are transferred to the Summary of Revenue and Expenses and are used in the Income Statement.

The remaining Asset, Liability, and Capital accounts provide the figures for the Balance Sheet.

Classification of Accounts (Sample)

Assets

- 100 — Cash in Banks
- 101 — Petty Cash Fund
- 102 — Accounts Receivable
- 105 — Materials and Supplies
- Prepaid Expenses
- 108 — Deposits
- 120 — Land
- 121 — Buildings
- 121 — Accumulated depreciation—Buildings (Credit)
- 123 — Tools and Equipment
- 124 — Accumulated Depreciation—Tools and Equipment (Credit)
- 125 — Automotive Equipment
- 126 — Accumulated Depreciation—Automotive Equipment (Credit)
- 127 — Furniture and Fixtures
- 128 — Accumulated Depreciation—Furniture and Fixtures (Credit)

130 — Organization Expenses (to be amortized)

Liabilities

200 — Accounts Payable

— Notes Payable

205 — Sales Taxes—Payable

206 — FICA Taxes—Payable

207 — Federal Withholding Taxes

208 — State Withholding Taxes

209 — Unemployment Taxes

220 — Long-Term Debt—Mortgages Payable

221 — Long-Term Debt—SBA Loan

225 — Miscellaneous Accruals

Capital Accounts

300 — Common Capital Stock
for Corporations

301 — Preferred Capital Stock

or

300 — Proprietorship Account
for Proprietorships

301 — Proprietor s Withdrawals

305 — Retained Earnings

Sales (Revenue) Accounts (Credit)

400 — Retail Sales

401 — Wholesale Sales

402 — Sales—Services

405 — Miscellaneous Income

Expenses (Debit)

500 — Salaries and Wages

501 — Contract Labor

502 — Payroll Taxes

503 — Utilities

504 — Telephone

505 — Rent

List Equipment

Keep a careful list of permanent equipment used in the business. Keep track of items useful for a year or longer and of appreciable value. Show date purchased, name of supplier, description of item, check number by which paid, and amount. If you own quite a number of items, prepare separate lists for automotive equipment, tools and manufacturing equipment, and furniture and fixtures. These lists provide the basis for calculating depreciation and provide supporting data for fixed asset accounts.

Cash or Accrual Basis for Records

A small business such as a deferred payment “cash advance” biz will use the cash basis for bookkeeping. A larger, more complicated business no doubt will use the accrual basis. The dividing line between the cash basis and accrual basis might depend on whether or not credit is granted to customers and the amount of inventory required.

Accrual basis is defined as “a method of recording in come and expenses, in which each item is reported as earned or incurred, without regard as to when actual payments are received or made.”

20 yrs.

Weekly tips

1. Accounts Receivable (take action on slow payers).

2. Accounts Payable (take advantage of discounts).

3. Payroll (records should include name and address of employee, social security number, number of exemptions, date ending the pay period, hours worked, rate of pay, total wages, deductions, net pay, check number).

4. Taxes and reports to State and Federal Government (sales, withholding, social security, etc.)

Monthly

1. That all Journal entries are classified according to like elements (these should be generally accepted and standardized for both income and expense) and posted to General Ledger.
2. That a Profit and Loss Statement for the month is available within a reasonable time, usually 10 to 15 days following the close of the month. This shows the income for the business for the month, the expense incurred in obtaining the income, and the profit or loss resulting. From this, take action to eliminate loss (adjust mark-up? reduce overhead expense? pilferage? incorrect tax reporting? incorrect buying procedures? failure to take advantage of cash discounts?).
3. That a Balance Sheet accompanies the Profit and Loss Statement. This shows assets (what the business has), liabilities (what the business owes), and the investment of the owner.
4. The Bank Statement is reconciled. (That is, the owner's books are in agreement with the bank's record of the cash balance.)
5. The Petty Cash Account is balanced. (The actual cash in the Petty Cash Box plus the total of the paid-out slips that have not been charged to expense total the amount set aside as petty cash.)
6. That all Federal Tax Deposits, Withheld Income Taxes, FICA Taxes (Form 501) and State Taxes are made.
7. That Accounts Receivable are aged, i.e., 30, 60, 90 days, etc., past due. (Work all bad and slow accounts.)
8. That Inventory Control is worked to remove dead stock and order new stock. (What moves slowly? Reduce. What moves fast? Increase.)

* This balance is your starting cash balance for the next month.

Whether you have the funds (savings) or borrow them. Your new business will have to pay back these start-up costs. Keep this fact in mind as you work on the "Expenses" section, and on other financial aspects of your plan. Break Down Your Expenses. Your quick estimate of expenses provides a starting point. The next step is to break down your expenses so they can be handled over the 12 months.

Matching Money and Expenses.

A budget helps you to see the dollar amount of your expenses each month. Then from month to month the question is: Will sales bring in enough money to pay the firm's bills on time? The answer is "maybe not" or "I hope so" unless the owner-manager prepares for the "peaks and valleys" that are in many service operations.

A cash forecast is a management tool which can eliminate much of the anxiety that can plague you if your business goes through lean months. Use the worksheet, "Estimated Cash Forecast." above, or ask your accountant to use it to estimate the amounts of cash that you expect to flow through your business during the next 12 months.

Is Additional Money Needed? Suppose at this point you have determined that your business plan needs more money than can be generated by sales. What do you do?

A cash forecast is a management tool which can eliminate much of the anxiety that can plague you if your business goes through lean months.

In summary, the critical part of your business success will be to develop a concrete business plan that allows for growth and financing alternatives. Such steps should be taken along the way to minimize the amount of risk exposure to ward off the inevitable hiccups of business operation. Armed with protection and adequate finances, your expectation of success can be assured.



YOUR DUTY:become INVOLVED

Become involved in the trade organization

It's a must to become a member of the trade organization which can represent you at the high levels, that is in the legislature. With the stroke of a pen your whole business livelihood could change and put you and your families financial picture in jeopardy. Get involved at the state level, its where most of the bills will come from that have the greatest effect on you. Some states do not regulate this business and for that no state organization may be available.

Some of the advantages of professional trade organization include training on new laws, business operations, and customer service. Also as a member, many professional organizations offer discounted advertising and documentation services.

Local chambers of commerce

Because of your standing in the community, becoming a member of the chamber of commerce is critical to developing the important local business contacts. Let's face when you go home at night you have neighbors that you have to live near. As a business owner it's a good idea to get friendly with your business neighbors. In times of need, they might provide a helping hand.

Cannons

These cannons are reprinted with the permission of the Deferred Payment Association of Michigan
Cannons of Practice for the Deferred Payment Industry

To be a member in good standing of DPAM, a payday advance provider must abide by the following Cannons of Practice:

Full disclosure. A member will comply with the disclosure requirements of the State in which the payday advance office is located and with Federal disclosure requirements including the Federal Truth in Lending Act, Social Security Number Privacy Act, Identity Theft Protection Act. A contract between a member and the customer must fully outline the terms of the payday advance transaction. Members agree to disclose the cost of the service fee both as a dollar amount and as an annual percentage rate ("APR").

Compliance. A member will comply with all applicable laws. A member will not charge a fee or rate for a payday advance that is not authorized by State or Federal law.

Truthful advertising. A member will not advertise the payday advance service in any false, misleading, or deceptive manner.

Encourage customer responsibility. A member will implement procedures to inform customers of the intended use of the payday advance service. These procedures will include notifying customers that a payday advance is a short-term cash flow tool not designed as a solution for longer term financial problems and informing customers of the availability of credit counseling services.

Rollovers. (state law) A member will comply with State laws on rollovers (the extension of an outstanding advance by payment of only a fee). In States where rollovers are not specifically allowed a member will not under any circumstances allow a customer to do a rollover. In the few States where rollovers are permitted, a member will limit rollovers to four (4) or the State limit, whichever is less.

Right to rescind. A member will give its customers the right to rescind, at no cost, a payday advance transaction on or before the close of the following business day.

Appropriate collection practices. A member must collect past due accounts in a professional, fair and lawful manner. A member will not use unlawful threats, intimidation, or harassment to collect accounts. DPAM believes that the collection limitations contained in the Fair Debt Collection Practices Act (FDCPA) should guide a member's practice in this area.

No criminal action. A member will not threaten or pursue criminal action against a customer as a result of the customer's check being returned unpaid or the customer's account not being paid.

Enforcement. A member will participate in self policing of the industry. A member will be expected to report violations of these Cannons of practice to DPAM, which will investigate the matter and take appropriate action.

Each member company agrees to maintain and post its own toll-free customer hotline number in each of its outlets.

Support balanced legislation. A member will work with State legislators and regulators to support responsible legislation of the payday advance industry that incorporates these Cannons of practice.

Customer Eligibility. A member will immediately notify a customer on whether they are eligible or ineligible for the deferred payment transaction. If determined ineligible, a member agrees to advise the customer seeking the deferred payment transaction the reason for the determination or advise the customer of a contact method to make a direct inquiry to the member's source database provider, to obtain a more detailed explanation of the particular transaction that was the basis for the ineligibility determination.

Military. A member will comply with a separate code of Military Cannons of practice that addresses the unique circumstances of active duty military customers. These special customer protections include, among others: a prohibition on the garnishment of military wages or salaries and on contacting the military chain of command to collect payment; and the establishment of financial literacy initiatives that will benefit service men and women.

Compliance Investigations. A member will comply with all State regulatory statutes which require to full investigation of potential customers that may have simultaneous open accounts with others engaged in the deferred payment industry. Members will refrain from business transactions with customers attempting to obtain several payment advances simultaneously. Additionally members will also verify through investigation against terrorist and money laundering schemes.

Destruction of Information. A member will comply with the Fair and Accurate Credit Transaction act.