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succeed



Guide to Starting and Operating a Small Business

Brought to you by the Michigan Small Business Development Center

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Welcome to the Guide to Starting and Operating a Small Business!

Helping businesses to open and grow is a focus activity of the Michigan Economic Development Corporation (MEDC), state government in general, and the Michigan Small Business Development Center, which is the key partner in providing small business assistance across the state: Counseling, training, and research to assist any small business to launch, grow, transition, and innovate. This Guide is designed as an information tool, outlining as clearly as possible many of the steps, responsibilities, issues, or questions facing prospective and existing entrepreneurs.

Information included in this guide is both general and Michigan-specific: Steps and process for starting a business; different forms of business organization; key elements of a business plan; complying with federal, state and local tax obligations; basics related to management, hiring, marketing, and more. Though this guide is not a substitute for legal or financial counsel, it is an information resource and quick reference designed to make the process of starting and operating a business in Michigan a little less overwhelming.

The information in this publication was accurate at time of publication, but it is subject to change due to revisions in law and administrative policies. Between published revisions, an online version is updated periodically if significant changes occur. The online PDF version can be accessed at:

www.SBDCMichigan.org/GuideToStarting

This Guide combined with one-on-one MI-SBDC assistance and training is intended to help you move forward on your business journey. In addition to MI-SBDC, there are many other resources available for starting and operating a business in Michigan:

- Michigan Small Business Development Centers (MI-SBDCs)
- SCORE -- Counselors to America's Small Businesses
- Assistance and counseling are also available from local economic development organizations, trade associations, local chambers of commerce, schools, community colleges, universities and public libraries.

MI-SBDC is ready to help! For more information or to contact any of the MI-SBDC offices located around the state, visit **www.SBDCMichigan.org**, or call MI-SBDC headquarters at Grand Valley State University: 616.331.7480.

Sincerely,

Michigan Small Business Development Center



Personal Assessment

Are You Ready to Start a Business?

Being your own boss is wonderfully exciting, but isn't for everyone. Anyone considering starting a business needs first to consider if s/he is suited for it, personally and professionally.

There are no right or wrong answers to these questions. This self-evaluation is designed to help you think through critical aspects of your personal and business readiness to be self-employed. It will help you: Assess your reasons and qualifications for going into business; set personal and business goals; consider if this is the right time to start a business; if you have the freedom, flexibility and resources to start a business; to consider your health and stamina; and how you will balance family and business.

Suggestion: It is recommended that you bring a completed version of this self-assessment to your first MI-SBDC consulting session. It will provide a profile of you and your readiness to help your consultant become acquainted with you. To self-assess, ask yourself the following questions and answer as honestly and in as much detail as possible.

SELF ASSESSMENT: Are You Ready To Be In Business?

1. Why do I want to start a business? OR Why am I in business?
2. Specifically, what kind of business do I want to start (or am I in)?
3. Why do I believe I can make this type of business work?
4. Why do I believe this type of business is sustainable?
5. Do I have the necessary education, skill and experience to succeed in this industry? If not, can I obtain these qualifications before start-up; how?
6. What is my true purpose and/or the goal I hope to accomplish with this business?
7. What is the financial goal I am seeking to achieve?
8. If I will need financing, do I have the resources and credit worthiness necessary to be eligible? [High credit score plus assets, collateral and good financial history.]
9. What are my strengths?
10. What are my weaknesses?
11. What is my physical, mental and emotional health and stamina?
12. What knowledge and skills do I have to start and control the day-to-day operations of a business?
13. Do I know and understand the technology necessary to be competitive in this business?
14. Do I have good judgment in people and ideas?
15. What sacrifices and risks am I willing to take to be successful?
16. What will it take for me to balance personal life and business demands?



Steps to Starting a Small Business

“What do I need to do and what comes first?” That’s the question most often asked by people considering starting a business. There is a logical sequence of actions and a process for starting a business. MI-SBDC has created a “Steps to Starting a Business” checklist (page 5) that maps out the tasks in recommended order to help you stay on track, manage the various steps, and give you the confidence of knowing you have considered all the essential elements.

1. Select a business idea.

Step #1 is deciding on what type of business you want to start. The first question every entrepreneur needs to ask about his/her product or service idea: “What problem does it solve or what need does it fill?” There are many reasons why consumers make purchase decisions, but the primary one is need.

2. Market Research (Feasibility).

Market research is the first and most important task you need to accomplish before you start your business, to determine if your idea is feasible, which according to Webster’s Dictionary means “capable of being done; suitable.” Market research is the gathering of facts and figures to make an informed decision about the market potential for your business, about the prospects for success and the direction your business will take – both at the start and periodically as you continue on your business journey.

Type of Research Needed: The following describes the type of research needed using the example of a pizza parlor, which is classified as part of the fast food industry:

Industry is the big picture of what’s happening in the “total world” of your particular type of business. Look for answers to questions like: What’s happening in the fast food industry these days – how many pizzas get sold in the U.S. or Michigan each year, are there increased sales, specialty pizzas, healthier alternatives, changes in sizes or packaging, more or less pizza parlors in and out of business, etc.? What’s the big picture in the pizza world?

Market is the total population of consumers or businesses that buy your particular product or service – you can generally define them by a common set of characteristics. **Market segments** are groups within that population that you can define by even more specific set or sets of characteristics. Questions to answer could include: Who and how many are buying fast food in the area or location I’m considering? How often do they buy? Can I group and identify them based on any common characteristics such as age or ethnicity?

Customers are the individual people or businesses that will buy your product or service. A good exercise is to define your ideal customer and work backwards – where there’s one, you can find another just like it, then another, and so on. How many households exist in my geographic area? How many of these eat pizza, and how often? How much pizza are these

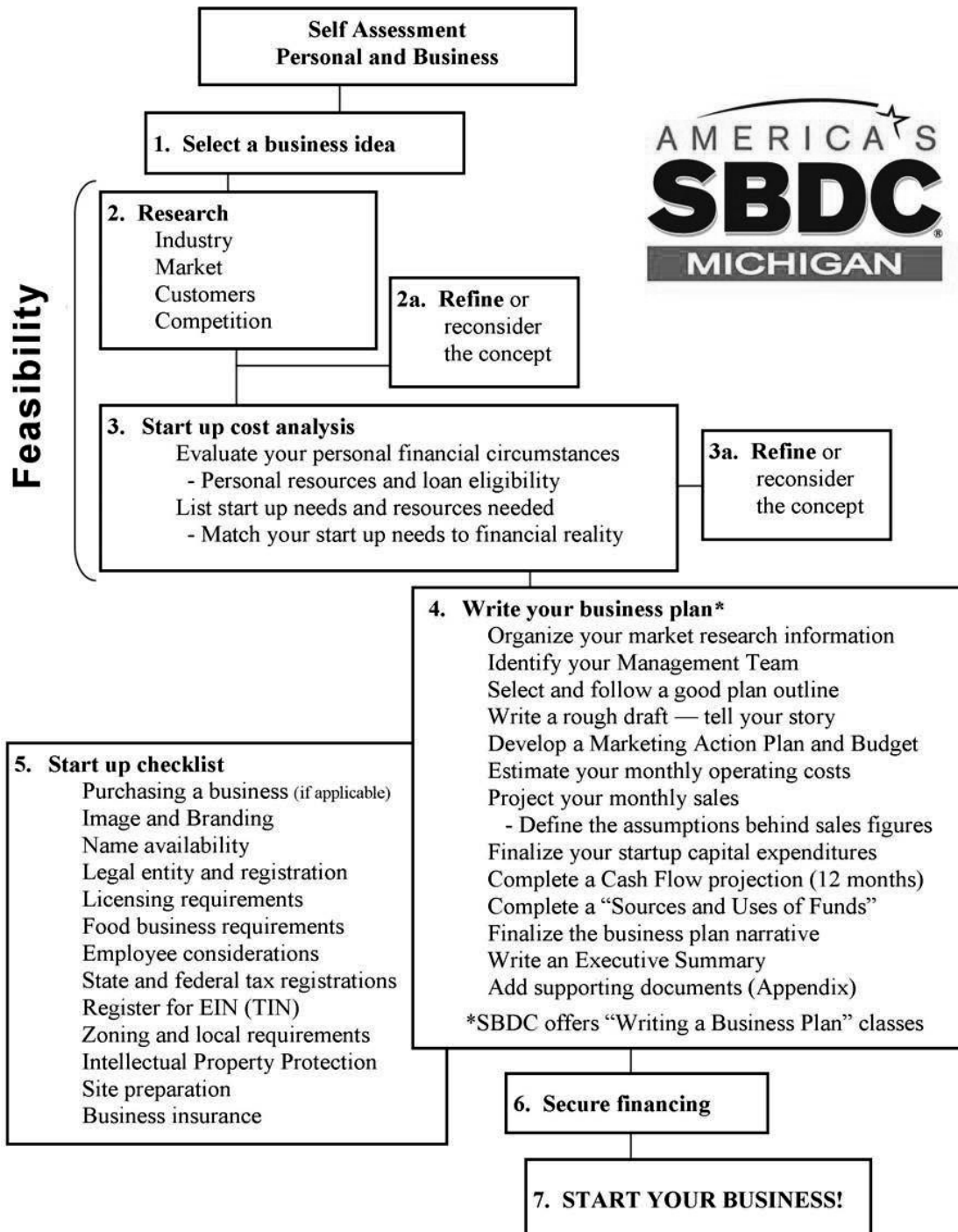
The first question every potential business owner needs to ask about his/her product or service idea—

“What problem does it solve or what need does it fill?”

prospective customers likely to purchase in a year? (Customers x frequency x price = market potential.)

Competition is any business that sells a product or service that is exactly like what you want to do (Direct competition) or that may be similar to or an alternative to your product or service (Indirect competition). Where are other pizza shops? What are they like? What and where are other fast food, and/or grocery store food options? Why would these prospective customers buy your pizza (and not the other choices)? Is there an unmet need, am I offering something totally unique, are they dissatisfied with other choices?

Steps to Starting a Business



The best source of market research information is still the library.

Many have business librarians and/or space dedicated to business reference materials.

How and where to do research (secondary):

Local Library. The best source of market research information is still the library. Many have business librarians and/or space dedicated to business reference materials. Look for information in sources and references related to your particular type of business, such as periodicals, trade journals, newspapers, industry association and other reference books. Some of the books in which you might find information include:

- Directory of Trade Associations
- Trade Journals and Industry Publications
- Encyclopedia of American Industries
- Encyclopedia of Global Industries
- Economic Census, i.e., Census of Retail Trade, Census of Wholesale Trade, or Census of Selected Services
- Other governmental statistic sources published by federal, state, and local agencies
- RMA (Risk Management Association) Annual Statement Studies

Many libraries also have subscriptions to online market research tools that your librarian will be able to access for/with you. Or the librarian can assist you in how to locate information through the **Michigan Electronic Library at www.mel.org**, which provides all Michigan residents with free access to online research tools, full-text articles, books, and more.

- From the home page, select the “Business” button to see a long list of research to do and business information resources such as data generators “Business Decision” and “Demographics Now: Business and People” as well as the “Encyclopedia of American Industries.”
- These research resources are available to you 24/7. It may take a little effort for you to learn how to use them on your own but they will be very valuable for periodically checking on marketplace conditions as well as for developing target marketing campaigns.

Internet. To get the most out of internet searches and make the best use of your time, it is important to define your search terms/strings as precisely as possible. The following are suggestions for more effective and efficient internet searches:

- Make a list of all the keywords and strings of keywords associated with your type of business.
- As you search, keep track of which key words or strings of key words you used so you don't end up duplicating the search at a later time.
- Save time by visually scanning the search results to see if a result site contains potentially significant information. If it does, print out the materials for later reading and highlighting of relevant facts and the URL to be able to cite the source in your business plan.
- Valuable websites for checking on competitors:
 - www.mel.org (DemographicsNow; Business Decision)
 - www.thomasnet.com
 - www.hoovers.com

Talk to people in the industry. Gain some valuable insights on opportunities and challenges by speaking to people who know it from the inside.

Other forms of research (primary):

Surveys. Build and conduct your own survey or focus group to gather information from businesses or persons who might be potential customers.

Market Research Information Checklist

Gather Information for all the items that relate specifically to your type of business.

Industry

- Associations related to the industry
- Size of industry
- Growth potential
- Historical trends (growth/decline)
- Seasonal or economic trends
- Other related industries
- Distribution channels
- Opportunities indicated
- Threats indicated

Market

- Businesses (B2B) or consumers (B2C) or both
- Total number of potential buyers
- Segments-groups with similar attributes
- Segment with greatest need, demand
- Market trends-political, social, environmental

Customer Profile – Consumers by segment

- Size of group
- Predominant gender
- Age
- Ethnicity
- Education level
- Occupation
- Income level
- Average amount of debt
- Home owner or renter
- Car owner
- Marital status
- Family status - # of children or not
- Pets – Type and number
- Media activity – magazines, newspapers, social media, television, radio, smartphone, other
- Purchase preferences – in person, internet, phone, catalog, other
- Product and/or service characteristics most highly valued by purchaser
- Payment preference – cash, credit
- Frequency of purchase

- Quantity of product/service purchased at each purchase
- Average dollars spent annually on this type of purchase
- Customer preferences and perceptions (quality, convenience, brand and image, exclusiveness, mass appeal....)

Customer Profile – Businesses by segment

- Industries, markets, or segments
- Products or services
- Number of employees
- Length of time in business
- Geography, location
- Purchasing patterns – how much, how often
- Purchasing process
- Outsourcing
- Local, national, or international purchaser
- Economic factors that influence the market
- Government policies that influence the market

Competition

- Direct competitors
- Indirect competitors
- Potential future competitors
- Annual sales and revenue
- Marketing and advertising methods and results
- Geography, location
- Distribution channels
- Outsources
- Sources for production, services, inventory, other

Competition Comparison

- Strengths
- Weaknesses
- Opportunities to differentiate
- Other _____

Visit and “shop” the competition. Observe your closest competitors from the perspective of a customer based on what matters most to customers related to purchasing this product or service. Compare their business model to yours: Strengths that you’ll have to work hard to overcome; weak points that may be opportunities of which you could take advantage.

View similar businesses’ advertising and websites. Study what they do, the image they present, the character of their marketing.

Talk to successful business owners. Find a mentor, if you can, with someone who owns a successful business like the one you want to start, preferably someone who won’t be a direct competitor and is outside the geography of your intended service area.

Hired or paid research. There are many companies that will conduct market research for a fee and can easily be found through the internet. Keep in mind that high quality research costs a lot. The good news is that you can get all the information you need for free if you’re willing to put in the time and effort. There’s lots of information available but it’s scattered among various resources. Just be sure that the source is valid, whether paid or free!

College or university marketing students. Some schools offering business courses in marketing are looking for “real world” projects in which to involve their students. Identify the professors teaching those courses at nearby schools and contact them directly, or ask your SBDC Consultant if they might introduce you. Timing may be an issue as they would have to plan your project into their course and it might take a term before that could happen.

Becoming a good market researcher is a valuable business skill for you to acquire. Market research is the basis for evaluating potential opportunities and ever-changing factors that affect your business – at start up and periodically as you continue on your business journey.

3. Startup Cost/Financial Resources Analysis (Feasibility).

One of the most common reasons businesses fail is “hitting a financial wall” either before opening or soon thereafter, as a result of one or more contributing factors such as:

- An insufficient estimate of the true cost of starting what you have in mind; finding out you need to spend more than you have to get it open or keep it going;
- An unrealistic expectation about resources you might tap into; grants, tax incentives and startup loans are scarce, competitive and difficult to obtain;
- A misconception about how quickly you will start making money, meaning you might need sources of cash to keep a business afloat until it does start making money.

You need a well-researched estimate of what it will cost to start the business you have in mind so you can match it to the reality of your available resources and/or your ability to get conventional financing. This may lead to refining your idea to make your startup possible, based on your personal financial situation.

The good news is that where there’s a will there is a way! Determining that you would not be able to pull together or be loan-eligible for a specific level of funding resources does not mean you won’t be able to start the business. It does mean you will have to rethink how you’ll start. The majority of businesses start by “bootstrapping” – starting with what you have at hand, perhaps working at it part time, building slowly but steadily. Every large business started as a small business, many of them building and growing one success or customer at a time.

The next page shows a summary of categories of common startup costs. Depending on your business, some may apply to you, and some may not:

The business you have imagined may not be the business model you can afford.

Startup Cost Analysis Summary

For each item on this list, there should be an accompanying list itemizing the detail.

Land and Buildings	
Purchase down payment or pre-paid lease	\$ _____
Closing costs	\$ _____
Remodeling/build out	\$ _____
Utility deposits	\$ _____
Other	\$ _____

Equipment	
Furniture	\$ _____
Fixtures	\$ _____
Production machinery/equipment	\$ _____
Computers/software	\$ _____
Telecommunication equipment	\$ _____
Cash registers/POS systems	\$ _____
Vehicles	\$ _____
Signs	\$ _____
Shipping and installation	\$ _____
Other	\$ _____

Materials and Supplies	
Starting inventory	\$ _____
Production materials/components	\$ _____
Office supplies	\$ _____

Marketing, Image and Branding	
Marketing and design consultants/planning	\$ _____
Advertising	\$ _____
Promotional items/activities	\$ _____
Other	\$ _____

Operations Fees and Expenses	
Professional fees (accountant, lawyer, etc.)	\$ _____
Patent/trademark fees	\$ _____
Insurance (Health, Life, Fire, Liability, other)	\$ _____
Licenses and permits	\$ _____
Trade association memberships	\$ _____

Personal Living Expenses	
From last paycheck to opening day	\$ _____
3-6 months after opening day	\$ _____
Moving expenses	\$ _____

Cash Reserve/Contingency/Working Capital	
Opening expenses	\$ _____
Wages/salaries	\$ _____
Other	\$ _____

TOTAL	\$ _____
--------------	-----------------

Sources of Financing / Startup Resources

Once you know the cost to start your business, there are resource and finance issues to consider:

How much do you need to start and what are the resources? Your savings? Selling your car? Asking your friends or family? Other more common forms of personal financial resources are:

- Home Equity
- Cash Value of Life Insurance
- Credit Cards
- Retirement Plans
- Keeping your day job or working part time as you build your business

Grants

Are you hoping for a grant? We've all seen the infomercials, advertising, or websites telling us there is "millions in free money." The myth of "free money" has been around for decades, and clever scammers often extract a hefty fee without delivering anything that provides you with the results you sought. There are federal and state government grant programs but generally speaking, grant funding does not go directly to businesses or individuals. Virtually all state or federal grant money flows to local governments, state agencies, and non-profits with highly restrictive eligibility requirements and do so to support regional or community programs.

"SBA does NOT provide grants for starting and expanding a business."

If you still want to look for grants, you can search at: www.grants.gov The following is excerpted from www.sba.gov/loans-grants/see-what-sba-offers/what-sba-doesnt-offer

"SBA does NOT provide grants for starting and expanding a business. Government grants are funded by your tax dollars and, therefore, require very stringent compliance and reporting measures to ensure the money is well spent. As you can imagine, grants are not given away indiscriminately. Some business grants are available through state and local programs, nonprofit organizations and other groups. These grants are not necessarily free money, and usually require the recipient to match funds or combine the grant with other forms of financing such as a loan."

Loans

Traditional and non-traditional lenders have criteria on which they qualify or reject business loan requests. The following are key lender considerations:

Character. What is your credit history and score? Lenders are looking for reliable borrowers who have demonstrated responsibility and have a high credit score (typically 700 and above) over a period of at least 3-5 years.

Cash. Lenders expect you to have "skin in the game" and be able to put up 20-30% of the total startup cost either as cash or cash plus equity investment.

Collateral. Lenders generally expect you to pledge assets against the loan that have a net value greater than the loan amount. Keep in mind that purchase value isn't resale value and banks may discount the value of brand new equipment to what they think they could get if they have to sell it to satisfy the debt.

SBA Loans. The SBA does not directly make loans but does have a variety of loan guarantee and/or support programs available through commercial lenders and Certified Development Financial Institutions (CDFI's). For more information visit: www.sba.gov.

SBA LINC (Leveraging Information and Networks to access Capital)

An SBA program to connect borrowers with SBA approved lenders. www.sba.gov/tools/linc

Crowd Funding

Crowd funding is a relatively new form of raising funds to support ideas or projects by contributions or loans from individuals or interested parties through a networked and publicly observable platform. It is being used in support of a wide variety of activities from artists and journalists, political campaigns, charitable purposes, invention development, entrepreneurship, to scientific research and more. Various platforms offering this type of funding can be searched on the internet. Because it is relatively new, the state and federal rules governing these kinds of solicitations and securities are still evolving, so it is strongly recommended to seek professional advice before engaging in crowd funding.

Equity crowd funding (ownership based), is still a complex work-in-progress with SEC (Securities and Exchange Commission). To facilitate Michigan equity crowd funding, the state legislature passed the “Michigan Invests Locally Exemption” (MILE), which allows small businesses to raise capital by reaching out to Michigan residents to invest in their companies. There are many regulations governing this type of funding and serious consequences for violations of either the Federal or State regulations. For more information on MILE go to: www.michigan.gov/lara/0,4601,7-154-61343_32915-332094--,00.html

For more information on crowd funding, refer to the section “Financing a Business” beginning on page 40. More thorough and detailed information is available online in pdf format: “The Crowd Funding Bible” by Scott Steinberg at: www.crowdfundingguides.com/The%20Crowdfunding%20Bible.pdf

Anyone considering crowd funding should thoroughly research the advantages and disadvantages, and consult an attorney and/or accounting/finance professional who is knowledgeable and experienced in crowd funding. It is extremely important to consult with a securities attorney for guidance before deciding on or entering into equity crowd funding.

Decision Point. Is It Feasible?

Once you've gathered and reviewed your market research and financial information, you can make knowledge-based decisions: To go forward as you intended or to modify your plan.

- Weigh the facts and make decisions based on what you KNOW, not “think” or “feel”.
Is there a need in the marketplace for your product or service?
- Can you generate enough sales to achieve your personal and business goals?
- Can you justify the investment and risk?
- What is your value proposition? (Why a customer would want to buy from you instead of a competitor.)

After research and informed consideration, most entrepreneurs adjust their original concept in some way, and quite often a smaller scale startup is the option chosen. Always be prepared for the possibility that expenses will be more than you projected, or that sales will develop more slowly than you expected.

NOTE: Once you have made the decision to proceed, Steps 4, and 5 will happen somewhat simultaneously, though they are numbered according to a recommended sequence.

4. Write a Business Plan

In spite of the fact that one of the major reasons for business failures is lack of planning, just mentioning the task of “writing a business plan” makes many aspiring (and existing) entrepreneurs cringe. There’s no question it does take time and commitment for researching, organizing information, evaluating, and writing down your actionable plan.

So why should every entrepreneur go to the trouble of creating a written business plan?

1. If you’re looking for financing or investment, **lenders and investors require a written plan**. A complete business plan provides the information needed and communicates your ideas to others, as the basis of a financial proposal. A decision on whether to extend financing or investment will be based on all the information in the business plan, not just the financials.
2. But the most important reason is YOU! **It’s not enough to “have it all in your head”** since ideas and thoughts aren’t a plan. What’s in your head is ideas, and they are like clouds that change form from minute to minute. The process of putting a business plan together, including the information gathering and analysis, organizing and writing down the information you’ve discovered combined with your ideas and measurable goals forces you to see the business project in its entirety, including its strengths and shortcomings.
3. Writing your business plan is a virtual simulation. Before you invest a chunk of money, it allows you to get to know the economic environment, test the financial scenarios, identify and locate your markets, figure out the what/how/when/why of operations and management, and more. It allows you to consider and adjust for needs or opportunities. **Writing a business plan can reduce your risk and increase your chances for success!**
4. Once launched, **your written business plan is a management tool**: It provides benchmarks and milestones you can use to measure your success; it is also a tool to remind management of the business goals as well as communicate them to employees as a means to keep everyone heading in the same direction.

Most everyone needs help in putting a business plan together and that’s where your SBDC Consultant becomes your personal, confidential thought partner! There are also several well-written brochures and books available at libraries and bookstores for guidance. Most large accounting firms have manuals available. Various legal and financial consultants are listed online. For more assistance, an individual request for business consulting and a schedule of MI-SBDC workshops or seminars on business planning, visit: www.SBDCMichigan.org

MI-SBDC Business Plan Overview

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Executive Summary
Section 1 – Company Information
Section 2 – Market Analysis/Marketing and Sales
Section 3 – Management and Operations
Section 4 – Financials Appendix

MI-SBDC Business Plan Outline

Section 1—Company Description/Introduction

Introduce and describe your company. How/why was your company formed? How long has your company been in operation? Where is the company located and what is its legal entity?

As you write your business description and the entire plan, think of ways you might make each section more interesting to read, especially if the plan will be used to acquire funding. A business plan should tell a story as it defines your business goals and actions. You may want to highlight the following elements within this section:

- Overview of company history/capabilities
- Location and hours
- Legal entity
- Product or service description, present state of development (if applicable)
- Mission and vision
- Intellectual property status (patents, copyrights, etc., if applicable)
- Commercialization strategies (brief summary, if appropriate)
- SWOT analysis (your strengths, weaknesses, how you will overcome those weaknesses)

Section 2—Market Analysis/Marketing and Sales

Industry Analysis

Paint a picture of what is happening in your specific industry overall so you can plan how to take advantage of market opportunities. Similarly, industry awareness will help you determine if your sales projections are realistic. For example, is the industry large enough to support another supplier; how fast is your industry growing (sales \$, number of customers, profits); are there some segments growing faster than others?

You may want to highlight the following elements within this section:

- Current industry size, status, and trends (to understand how to position your company for market opportunities and to identify areas of growth or decline)
- New products or services in the industry
- Trade associations that support your product/service (potentially a great source of industry and market information)
- Opportunities and threats affecting the industry (and how you will capitalize on the opportunities and handle the threats)

Market Analysis

Provide a good description of your market (all who might buy your product or service), then group them into primary and secondary markets. Your primary market is the group that is likely to buy the largest quantity of your product, or that is likely to buy more of your most profitable product. Secondary market includes those customers who will buy, but probably not at the same volume level as your primary target. Next you should estimate how large your target markets are (number of potential customers, how much are they likely to spend in a given year). Then, predict how fast your target markets will grow. Be realistic. Even if every customer loves your product, they all have limits on their ability to spend.

You may want to highlight the following elements within this section:

- Market size and trends
- Quantify available markets (number of potential customers, how much are they likely to spend in a given year)
- Predicted annual growth rate of markets
- Define your primary and secondary markets

Customers

It is important for a company to know exactly who they are targeting with their products/services, where the customers are located, why they are interested in the product/service, and when/how/why they will purchase the product/service. Describe your ideal customer in terms of their attributes or demographics (age, gender and income or business type, size and location) so that your selling approach will make sense to them.

You may want to highlight the following elements within this section:

- Description of target market (who is your ideal customer?)
- Geographic area for target market (within 60 mile radius? nationwide?)
- Problem that company is solving for the market (what do they need?)
- Buying behavior (how often, how many products?)
- Decision making process (how much lead time, is it a group decision?)

Competition

Who is your competition? Competitors include other suppliers who provide similar products (direct competitors) as well as those who provide a product in the same general category (indirect competitors). For example, a retail video rental store competes with other video rental companies, and also with other forms of entertainment such as movie theatres, HBO, etc.) How much of the market do your competitors hold? Who has the largest share of the market and what are their strengths and weaknesses? What is your competitive advantage against the competition?

- You may want to highlight the following elements within this section:
- Indirect & direct competitors? Who are they and where are they?
- Competition analysis (what they do, how they do it, their strengths and weaknesses, how you might differentiate)
- Market share held by competitors (or annual sales volume)

Marketing/Sales Plan

Your Marketing and Sales Plan needs to focus on the key characteristics of your target customers, their demographics and buying behavior, and their attitudes about your product. Why will a customer buy from you and not a competitor?

Set realistic sales goals that recognize the size of your industry, the size of your target market, how strong your competitors may be, and your ability to produce the product. Understanding your customers will also help you determine your sales force and distribution plans. Does your product require a direct sales approach? Will customers feel comfortable ordering online? Do customers need to see the product before purchasing? How many contacts will they need before agreeing to purchase?

Once you know your sales targets, you can plan your communications strategy around how many prospects you need to reach. Customers need to be aware of your company; and they have to want your product, have the ability to purchase it, and be satisfied with their purchase so that they will purchase again and also spread your name to others. Your advertising needs to include the media (such as print ads, radio, direct mail, billboards, events, publicity) that best reach your target market. And you will need to get the word out on a regular basis, so draft your communications plan onto a calendar, with regular communications activities throughout the year.

Often, partnering with a company that provides a complementary product can open the door to a broad base of potential customers. (For example, a Subway Shop may open next to a gas station.) Pricing is an important part of your marketing mix. Estimate sales at various price levels. Investigate your target customers' expectations about price in addition to what your costs are.

You may want to highlight the following elements within this section:

- Marketing and sales objectives
- Current customer profile (if applicable)
- Potential customers feature/benefit analysis (what are they looking for or do they need?)
- Potential teaming partners (who they are, why selected, if appropriate)
- Pricing: price points, margins and levels of profitability at various levels of sales
- Sales plan (methods and process, sales expectations for sales people, distribution channels, margins for intermediaries, customer service and warranties)
- Advertising: Year 1 detailed marketing communications plan including implementation plan; Year 2-5 general plan, marketing budget/costs, assumptions. See page 52 for an example of a Marketing Action Plan (plan, schedule, and budget).

Section 3—Management and Operations

Your Management and Operations section needs to focus on how the business will be run: The management team and the experience and skill they bring to the business as well as how you will manage the company, who will be responsible for running the day-to-day operation as well as the steps and processes necessary to get the work of your business done. Even the best and brightest entrepreneurs cannot do everything. Identify key work areas that will ensure customer satisfaction and company growth and make sure staff understands their responsibilities. This ranges from how the telephone should be answered to what is your return policy; from how do we reach more customers, to what is the most cost effective level of inventory? Note: Documented processes (job descriptions, training plan, activity steps, etc.) will help you develop consistency and quality in production, sales, delivery, and follow-up customer care.

Human Resources Plan

Who is on your management team? Consider your knowledge and experience gaps and anticipate and plan for how you will cover those gaps and manage all the important business functions. Who do you know that might help you in the early stages, and where do you need to incorporate specialized assistance such as: Financial management — accountant or bookkeeper; Legal advice — attorney; Risk management — insurance agent; Site or facilities — realtor and/or local economic development organization; Marketing and advertising — specialized consultants (graphic design, web development, marketing); Human resources — staffing service/consultant; Technology and computer systems — IT services consultant.

Consider how many staff members will you hire and in which roles? How much money will you spend? What are your goals for staffing? Estimate the costs and benefits of full-time, part-time and contract employees. How will new employees be trained? Critical areas include Operations, Sales, and Finance, and each function needs to be defined. How will decisions be made? Where are your greatest strengths? What skill areas and team members need to be added?

You may want to highlight the following elements within this section:

- Management team
- Organizational structure (chart)
- Staffing objectives (job duties and basic work schedules – this may include outsourced roles)
- Board of Directors, Advisory Board (if appropriate)

Operations Plan

You may want to highlight the following elements within this section:

- Basics on how work will be processed
- Use of subcontractors for work activity
- Quality control
- Facility needs (site and/or floor plan are helpful visuals)
- Manufacturing needs (equipment, work flow)

Research and Development Plan (if applicable)

Plan for your company's future and growth. Whether you will be developing new products or expanding to additional locations, a growth plan is important. What are your goals and plans in this area? What obstacles do you foresee while trying to achieve your objectives? Will you require additional financing to obtain your research and development objectives? You may want to highlight the following elements within this section:

- Research and Development objectives
- Milestones and contingency plans
- Difficulties and risks and how to overcome them
- Special budget needs

Section 4—Financials

In a narrative, identify the financial goals and projections for your company. What do you need and how will you obtain it? Start by estimating your monthly costs, both fixed and variable. That total tells you at a minimum what you need to generate in revenue – and then you can work backwards and calculate how many products you'd need to sell, or how many hours of service you'd need to complete, to at least break even (income = expenses).

The following elements should be included in this section:

- Assumption page - A list of your explanations for the numbers in the financial projection.
- Cash flow projections -This will compare the money coming in to the money going out on a month-by-month basis. Can you pay your monthly bills?
- 2-5 years profit & loss statements – Different than cash flow, a P&L includes some different categories and will show if your company is projected to grow or is growing financially and according to your targeted goals.
- Start-up or growth capital needed – An itemized or categorized list of how the money borrowed/invested will be spent (Sources and Uses).
- Financing needed and equity/debt options - Ask for what you have assumed in the financial projection. For example, if the projection assumes a \$50,000 at 5.0% for 10 years, that is what you ask for.
- Terms and conditions of any previous financing – Include information on any existing debt and equity arrangements.
- Commercialization/strategy (if applicable). Some business plans take an idea or invention from conception to the market place. One needs to address those issues as the timeframe for such a project is usually very long.
- Exit strategy - How is the money going to be extracted from the business? Do you plan to sell the business?
- Will your children inherit it?

Appendix

Supporting documents related to content you have referenced in your plan, which you or another reader may wish to refer to for more detail or verification, may include the following:

- Principal's resumes and/or list of owners with over 20% of the stock
- Personal income tax forms if required
- Letters of recommendation, purchase orders, other
- Site/floor plans
- Contracts

And when the plan is complete....

Cover Page

Allow one full page in actual document. Every business plan needs a cover page. The cover should show the following information (fill in for your business):

Company Logo (if available)
Company Name
Address
City, State Zip
Web Site Address

Company Owner's Name
Email Address
Phone Number / Fax Number
Date

Table of Contents

Allow one full page in actual document. Come back to this section and fill in the page numbers when the business plan is complete.

Table of Contents	Page Number
Executive Summary	xx
Company Introduction	xx
Marketing and Sales	xx
Industry Analysis	
Market Analysis	
Customers	
Competition	
Marketing/Sales Plan	
Management and Operations	xx
Human Resources Plan	
Operations Plan	
Research & Development Plan	
Financials	xx
Financial narrative	
Assumptions	
Sources and Uses of Funds	
Cash flow projections	
Appendix	xx

Executive Summary

The Executive Summary section provides an overview of the Business Plan, highlighting the primary ideas from each of the business plan components. Also, include in this section the purpose for writing the plan, i.e., “to obtain financing.”

Even though this section comes first in the business plan, it is written after all of the other sections have been completed, as a one or two page summary of the highlights. The order in which the highlights are presented depends on the audience that will be reading it. For example, if the plan will be read by an investor, it might be best to lead off with strong financial highlights.

- Company Introduction
- Industry Analysis
- Customers
- Market Analysis
- Competition
- Marketing/Sales Plan
- Human Resources Plan
- Operations
- R&D Plan (if appropriate)
- Financials

5. Complete the Startup Checklist

The following tasks are related to forming and finalizing business structure and entity. These tasks may be completed at any time in the startup process, but the recommended sequence is to determine first IF there is a market opportunity for the business (feasibility) before establishing and registering an entity, filing for an EIN, or other registrations. That can avoid the complicated process of having to “undo” those registrations if it is determined not to be feasible.

Purchasing an Existing Business (if applicable)

If you are considering purchasing a business, it is important to understand what you are getting into by requiring detailed information from the seller regarding its business operations and finances. As the purchaser of even a portion of a business, you may be responsible for the previous owner’s liabilities, regardless of any contractual language to the contrary. Make sure that the seller of the business provides you with proof that there are no hidden liabilities. In addition, the seller of the business should obtain Form 5156, Request for Tax Clearance Application online at www.michigan.gov/taxclearance to request a tax clearance from Michigan Department of Treasury. For further questions you may contact Michigan Department of Treasury/Tax Clearance at 517.636.5260. (It would be wise to obtain a copy of this Tax Clearance Request letter from the seller prior to the closing date or signing any purchase agreements.)

Image and Branding

A very critical aspect of establishing and growing a business is the marketing message you create, verbally and visually, to attract customers and identify the character of your business. Plan it carefully and consider its staying power. Much of the value of a business accrues from the recognition of the “brand” and reputation you achieve. For more details and guidance on marketing, see the section entitled “Marketing Your Business” starting on page 44.

Name and Legal Structure

Selecting a name for your business and deciding on legal structure need to be carefully considered: It is important to choose a name that is not already being used by another business; and there are many different forms of legal entity (which is not the same as a license to do business). Selection of entity depends on the type of business and issues of potential risks and liabilities; income taxes; and investment needs. The advantages and disadvantages of various legal structures are outlined in the section entitled “Registering A Business Name and Ways to Legally Structure a Business” starting on page 21. The decision of what legal structure to select may be very complicated, therefore, it is recommended that you consult an attorney and/or tax professional before deciding which structure is best for you.

Licensing

Not every business in Michigan is required to be licensed by the State of Michigan. Licenses are required for certain vocations or occupations that may be conducted within a business, and local governments may also require business licenses. NOTE: Legal entity registration is not a license. To find out if your new venture could require a state license or permit, visit www.michigan.gov/statelicenseresearch See page 26 for more on licenses.

Food Business Licensing

Licenses are required for different categories of Michigan food service businesses (temporary, fixed, mobile, vending machine, seasonal, and special transitory). Food establishments are governed by The Michigan Food Law and the Michigan Modified FDA Food Code. Food service establishments are licensed via local health departments that are empowered to set their own fees. For most questions related to licenses for these establishments, contact your local health department.

- Cottage Food Law allows individuals to make and store certain types of foods for sale in an unlicensed home kitchen. There are specific rules and limitations to making, storing, and selling foods under Cottage Law. A checklist for starting a Cottage Food Business is located at: www.michigan.gov/documents/mda/A_Cottage_Foods_Checklist_353382_7.pdf
- For more detailed information on all food business requirements and licensing, visit the Michigan Department of Agriculture and Rural Development website at <http://www.michigan.gov/mdard/> and select the “Business” topic.

State and Federal Tax Registration

More information on state and federal tax registrations and permits is covered in the section “Licenses, Permits and Other Regulations” beginning on page 26. For more information on how to access services for doing business in the state Michigan, www.michiganbusiness.org/start-up/business-assistance/#guidance .

Employer Identification Number (EIN) – Taxpayer Identification Number

An EIN identifies a business for federal and state tax purposes. Generally, an EIN is required by the IRS if: 1) The business will have employees; and/or 2) the business operates as a corporation or partnership. See “Business Taxes” beginning on page 29 for more details concerning an EIN.

Zoning and Local Requirements

It is important for startup and expanding businesses to make sure that the planned location or occupied facility is in compliance with all the local laws and regulations. Although Michigan does not have a generic business license, check with your local governmental units (cities, townships, villages, etc.) as they may require businesses to be licensed. See page 27 for more details.

Employee Considerations

If employees are hired, there are responsibilities at both the state and federal government levels. For more details, see “Hiring Employees” beginning on page 34.

Intellectual Property (IP) – Patent, Trademark, Service Mark, Copyright

A patent is a grant of an enforceable property right to the inventor, issued by the United States Patent and Trademark Office. A trademark is the “brand name” by which products are identified by a particular manufacturer or distributor. A trademark is a word, phrase, symbol or device, or any combination other than a trade name adopted and used to identify products and to distinguish them from similar products made or sold by others. A service mark is similar to a trademark and is used to identify and distinguish between services sold or advertised by a person from similar services of others. A copyright enables its owner to exclude others from reproducing certain kinds of works. See page 27 for more details.

Business Insurance

Contact an insurance agent to determine the types of insurance the business should purchase. Shop around. Insurance rates and types of coverage vary greatly among insurance carriers. For more details, see “Insurance” beginning on page 61.

6. Obtain Financing (if applicable)

If traditional lending is your financing path, begin visits to lenders just as soon as the business plan is completed before a site lease or purchase agreement is signed. Your MI-SBDC office will provide information on lenders in your area. For more information on financing, see the section “Financing a Business,” page 40.

7. START your Business!

Congratulations! Your planning, persistence and determination have paid off. **Now the journey and real hard work begins.** Don’t hesitate to contact your nearest MI-SBDC office for ongoing assistance.



Registering a Business Name and Ways to Legally Structure a Business

Selecting and Registering a Business Name

In general, an individual is always entitled to use their personal name for their business. If you choose a name that is not your personal name, you must choose a name that is not already being used by another business. It is important to do a search for the name on the internet to determine that the name is not already in use and/or Registered. Check names/registrations at: US Patent and Trademark Office www.uspto.gov; and the Michigan Corporations Name Availability Search at: <https://cofs.lara.state.mi.us/corpweb/CorpSearch/CorpSearch.aspx>

If your name is an integral part of your business or you plan to invest significant money in marketing materials you should consult with an attorney with expertise in intellectual property law prior to choosing and registering your name. For more information on protecting your business name, see “Patents, Trade, Service Marks and Copyrights” beginning on page 27.

In Michigan, a business name is registered at the time the business legal entity is formed. See “Choosing and Filing a Legal Structure for Your Business” which follows below. Important considerations in selecting and registering your business name and entity:

- A sole proprietorship or partnership using the name(s) of the owner(s) is not required to do anything to register their business name. If the sole proprietorship or partnership is assuming a different name they must file a “DBA” (doing business as...) certificate with county clerk of the county in which the business is located.
- A corporation registers its name when filing its Articles of Incorporation; an LLC registers its name when filing its Articles of Organization. Either one is filed with the Corporations Division of the Department of Licensing and Regulatory Affairs (www.michigan.gov/corporations). As noted above, it is recommended that you conduct a state entity search prior to filing your paperwork: www.michigan.gov/entitysearch
- It is important to note that just because the State of Michigan allows you to register your business name, it does not mean you have absolute rights and ownership of that name. Therefore, if you have any questions or concerns about choosing a name for your business you should consult an attorney.
- Also, a corporation or LLC may choose to operate the business under a name different than the LLC or corporation, or it may choose to operate multiple businesses through the one business. For corporations or LLC’s filed at the state, this form of “DBA” (“doing business as”) is not the same as one filed with the county. The corporation or LLC must file a Certificate of Assumed Name for each name used by the business, which can be done through the Corporations Division of LARA, website: www.michigan.gov/corporations

Choosing and Filing a Legal Structure for Your Business

Choosing the legal structure (aka legal entity) for your business is an important decision. In Michigan, filing for your legal entity is not a license to do business: see “Licenses, Permits and Other Regulations” beginning on page 26.

Choices for legal entity, in general, are sole proprietorship, partnership, corporation or LLC. Which structure you choose will depend on the type of business you run and your relationship with investors, partners and other key members of your team. The major factors to consider in choosing legal entity include:

- The potential risks and liabilities to which you will be exposed in running your business
- Income taxes & investment needs

- The formalities and expenses involved in establishing the business structure

Below is a review of the most common legal structures for businesses and some of the advantages and disadvantages of each. **NOTE: The decision of what legal structure to select may be very complicated — it is strongly recommended that you consult a business attorney and tax professional before deciding which structure is best for you and your business.**

Sole Proprietorship or Sole Proprietor DBA

A sole proprietorship is a business structure with one owner. A majority of small businesses in the United States are sole proprietorships because it is the easiest to set up and maintain. If you do nothing to choose a legal structure you will default to a sole proprietorship because there is no paperwork to file apart from additional schedules on your personal income tax returns. However, if you plan to operate the business under a name that is not your personal name, then you must file for an assumed name “DBA” (doing business as...) certificate with the county clerk of the county where your business is located.

There is no legal separation between the business and the owner in a sole proprietorship. This means that as a sole proprietor you will have unlimited responsibility for the liabilities and debts of the business. For instance, if the business cannot pay money owed to a vendor, that vendor may sue you individually. It also means that any income or losses of the business are accounted for on your personal tax return.

Advantages

- Easy and inexpensive to establish
- Profits are taxed only once at the owner’s rate

Disadvantages

- Owner has unlimited personal liability for business debts
- Ownership is limited to one person

Partnerships

There are two types of partnerships: General Partnerships and Limited Partnerships. A general partnership is similar to a sole proprietorship except that it has two or more owners. Like a sole proprietorship it is easy to set up and maintain. There is no paperwork to file unless you are operating the business under a name that is different from the personal names of the owners in which case you only need to file a “DBA” (doing business as...) certificate with the county where the business is located. It is also highly recommended that the partners create a partnership agreement that addresses roles, responsibilities and contingencies, in order to avoid disagreement and conflict between the partners. In a general partnership the owners have unlimited liability for the debts of the business. This means that even though the partners share the profits equally, each partner is 100% responsible for any debts of the business.

A limited partnership has one or more general partners and one or more limited partners. The general partner(s) control and operate the business and are 100% liable for any debts of the business. The limited partner(s) do not participate in the operation of the business and their personal liability is limited to their contribution to the partnership. Typically a limited partner is an investor.

In order to form a limited partnership in Michigan, you must file a certificate of limited partnership with the Michigan Department of Licensing and Regulatory Affairs (LARA). If a limited partnership does not follow statutory requirements it will be treated as a general partnership so you should consult with an attorney before creating a limited partnership.

Advantages

- General partnerships are easy and inexpensive to establish
- Each partner’s share of the profits is only taxed once
- Allows for ownership by more than one individual

Disadvantages

- General partners have unlimited personal liability for business debts
- Partnership is legally responsible for the business acts of each partner
- General partner’s interest in the business can only be sold or transferred by consent of all partners

Limited Liability Company

A limited liability company (LLC) business entity was created to combine the advantages offered by both partnerships and corporations. An LLC provides the members (owners) of the business limited liability protection like shareholders in a corporation combined with the simpler operation and pass-through tax characteristics of a partnership. An LLC is created by filing Articles of Organization with Michigan Department of Licensing and Regulatory Affairs (LARA) along with the appropriate filing fee. Like a corporation, an LLC will be responsible for paying an annual fee with LARA to continue its existence.

In addition to the Articles of Organization, members of an LLC are encouraged to establish an Operating Agreement. Particularly in a multi-member LLC, this is the basis on which you establish consistency and understanding about how the company will be managed and decisions made, duties of members, what contributions are required from members, how profits and losses will be calculated, limitations of liability and protection of members, and how members might be added, terminated or exit. The State of Michigan does not require an Operating Agreement to be filed in order to form an LLC, but rather this is a private document which governs the relationship of the members and may be amended by the members from time to time.

By default, a single-member LLC is taxed as a sole proprietorship and a multi-member LLC is taxed as a partnership. But the member(s) may elect to have the LLC taxed as an S-Corporation or a C-Corporation. Tax election is separate from entity choice, and so members should consult a tax attorney or CPA with any questions and to maximize tax planning opportunities.

Advantages

- Limited liability for business debts and claims
- Flexible tax options
- Easier to establish and maintain than a corporation

Disadvantages

- More complex start-up requirements than partnerships or sole proprietorships

L3C

A low-profit limited liability company (L3C) is a relatively new business entity and can be formed as a new entity or by converting an existing one. Michigan is one of just a few states that have amended their general limited liability company law to create this hybrid of a nonprofit and for-profit organization. An L3C is a for-profit company with a charitable mission first and a profit concern second. L3C encourages investments in socially beneficial for-profit businesses by simplifying compliance with the IRS rules for program-related investment, which is a type of investment that private foundations are allowed to make.

An L3C must significantly further the accomplishment of one or more charitable purpose; the production of income and appreciation of property cannot be a significant purpose of the L3C; and an L3C cannot seek to accomplish any political or legislative purposes.

As with an LLC, although Michigan does not require an operating agreement to be filed in order to form an L3C, executing one is highly advisable. It is the basis on which you establish consistency and understanding about how meetings are conducted, how the company will be managed and decisions made, duties of members, what contributions are required from members, how profits and losses will be calculated, limitations of liability and protection of members, and how members might be added, terminated or exit.

An L3C is created by filing Articles of Organization with the Michigan Department of Licensing and Regulatory Affairs (LARA) along with the appropriate filing fee. The words "low-profit limited liability company" or the abbreviation "L.3.C." or "l.3.c." must be included in the name of the new entity (Article I of the form) and the "all purpose" clause in Article II of the form crossed- or whited out. NOTE: Michigan law also requires that the definition of L3C business purpose include specific language so it is highly recommended one consult with an attorney if considering filing this legal entity. Also, If you choose to covert an existing entity to an L3C, it is essential to consider first both legal and tax implications in consultation with an attorney. Like a corporation or an LLC, an L3C will be responsible for paying an annual fee with LARA to continue its existence.

Advantages

- All the benefits of LLC structure
- Qualification as PRI (Program Related Investment), facilitating foundation investments
- Not subject to nonprofit regulation
- Branding and marketing opportunities

Disadvantages

- PR investments are rare and considered risky, with potential excise tax liability to the foundation
- So new that there are many unresolved questions about how rules and regulations will be interpreted and applied

Corporations

A corporation is considered a separate legal entity with its own rights, privileges and liabilities separate from its owners. Therefore, its shareholders or stockholders (owners) are not personally responsible for the debts of the business unless they personally guarantee those debts. Usually a corporation has more than one shareholder but it can be 100% owned by one person. A Corporation's governance structure has three layers: Shareholders who elect a Board of Directors who oversee major policies and decisions, and Officers hired or appointed by the Board of Directors to run the company on a day-to-day basis. The rights and obligations of Shareholders are generally set by Michigan law, and the rights and obligations of Directors and Officers are established in private Bylaws adopted by the incorporators. A corporation may be more expensive and complex to establish than the other business structures because of the three-tiered organizational structure. Corporations must abide by corporate formalities required by statute to retain corporate status; therefore, corporations are more complex to operate than sole proprietorships and partnerships.

A corporation is created by filing Articles of Incorporation with Michigan Department of Licensing and Regulatory Affairs (LARA) along with the appropriate fee. The corporation will also be responsible for paying an annual fee with LARA to continue its existence.

Corporations are characterized for tax purposes as "C" corporations by default by the IRS. A "C" corporation (the entity itself) pays taxes at special corporate tax rates on the profits it earns and retains. Corporations distribute earnings to shareholders (owners) as dividends and the shareholders are taxed on this income. Therefore, it is said that corporate earnings are subject to "double taxation": once at the corporation level and once at the shareholder level when they are passed through as dividends.

However, qualified small businesses (corporations and LLCs) may file an election with the IRS to be treated as a subchapter "S" corporation. There are eligibility requirements to becoming a subchapter S corporation including but not limited to having 100 or less shareholders or members. Subchapter S entities do not pay taxes on the earnings of the business but instead the income is passed through to the individual shareholders or members and reported on their personal income tax returns. This eliminates the corporate "double taxation" of C-corporations described above.

Advantages

- Easier to raise capital through sale of stock
- Limited liability for business debts – shareholders only risk their investment
- Easy to transfer ownership
- Can elect Subchapter S status with the IRS

Disadvantages

- More expensive to set up and maintain than other entity types
- Corporate formalities are complex but must be strictly followed to maintain corporate status and limited liability of shareholders
- Closely regulated by both federal and state government
- Double taxation if not eligible for or fail to elect Subchapter S status with the IRS

Professional Service Corporation or Professional Limited Liability Company

A professional service corporation (“PC”) is a corporation formed for the purpose of engaging in certain licensed professions (sometimes referred to as “learned professions”) such as law, medicine and architecture. A Professional Limited Liability Company (“PLC”) is an LLC formed for the same purpose. All shareholders or members of a Professional entity must be licensed professionals, so for example, if a law firm is a PC or PLC, all shareholders of the PC or PLC must be licensed attorneys. A PC is created by filing Articles of Incorporation with the Michigan Department of Licensing and Regulatory Affairs (LARA) and a PLC is created by filing Articles of Organization along with the appropriate fee. The entity will also be responsible for paying an annual fee with LARA to continue its existence as well as provide a list of equity holders and attest that all are licensed professionals.

For more information on filing documents for a limited partnership, corporation or Limited Liability Company please go to www.michigan.gov/lara or call 517-241-6470



Licenses, Permits and Other Regulations

Depending on the specific type of business, some kind of certification, license or permit may be required but there is no generic Michigan business license. Several occupations and services within a business are required to be licensed by the State of Michigan. Access the State License Search site for licensing information at: www.michigan.gov/statelicensesearch

Local licensing, permits and/or regulations may be different than state.

Be sure to check with your county, city, village, or township clerk to determine if any local licenses or registrations are required and to obtain the necessary forms.

Local licensing, permits and/or regulations may be different than state. Be sure to check with your county, city, village, or township clerk to determine if any local licenses or registrations are required and to obtain the necessary forms.

Environmental Considerations

Small businesses operate in an increasingly complex legal environment related to regulations and laws for consumer protection and environmental preservation. While compliance may seem difficult, the *good* news is that government provides a wide-range of assistance to businesses. One key to managing compliance is to stay up to date on the legal and business environment in which your business operates.

A business involved in activities that have the potential to impact the environment (such as land clearing and construction) or operating processes that generate air emissions and solid or liquid waste (such as coating lines, boilers, and cleaning metal parts with solvent) may need permits, licenses, or other authorizations from the Michigan Department of Environmental Quality (MDEQ).

For more information and specific program contacts at MDEQ at: www.michigan.gov/deq
The MDEQ regulates business activities that involve:

- The release of air emissions
- Solid waste disposal/processing
- Storage, hauling and disposal of hazardous waste
- Major alterations to the landscape
- Building near waterways or wetlands

The Department of Natural Resources also has some permitting and licensing programs related to use of, and approvals for the use and sale of, environmental resources. You can learn more from their Customer Services Guide found at: www.michigan.gov/documents/dnr/DNR_customer_service_guide_407568_7.pdf

Other Resources

- **Environmental Assistance Program (EAP).** Free technical assistance, consultation, and guidance by calling 800.662.9278 or online at: www.michigan.gov/deq/0,4561,7-135-3307_36106---,00.html
- **The Michigan Guide to Environmental, Health and Safety Regulations.** A general and informational reference that provides an overview of the regulatory programs that apply to many businesses, not just manufacturers. Available at www.michigan.gov/ehsguide

- **The DEQ Permit Information Checklist.** An easy to use checklist for determining if your project requires any type of environmental permit is available online at www.michigan.gov/deqpermits
- **Baseline Environmental Assessment (BEA).** The possibility of environmental contamination should be considered when looking at the lease or purchase of an existing building or property for conducting business. In Michigan, a Baseline Environmental Assessment allows people to purchase or begin operating at a facility without being held liable for existing or previous contamination. An information document on BEA and Due Care is available at www.michigan.gov/documents/deq/deq-rrd-BEA-BEACitizensGuide_357377_7.pdf

Business owners should also check with county and local authorities about whether local permits and licensing may be required. Even though the costs of adhering to the regulations may seem burdensome for a business owner, the cost of non-compliance, including fines, penalties, and even business closure, can be much greater.

Zoning and Building Codes and Ordinances

It is important for startups and expanding businesses to make sure that the site and facility will be in compliance with all the local laws and regulations. Contact the city assessor, city, township or village clerk to determine compliance with all the local zoning and building codes at your desired site — before you buy or lease.

Contact the local building inspector to assure compliance with regulations affecting construction (e.g., building, electrical, mechanical and plumbing codes, rules about construction, alterations, demolitions, occupancy, and use of buildings).

A home-based business is subject to the same local laws and regulations. Check with your local unit of government to determine if any special permits are required. Certain products cannot be produced in the home. Most states outlaw the home production of fireworks, drugs, poisons, explosives, sanitary or medical products and toys. Strict rules apply to the processing of food/drinks and the manufacturing of clothing.

In addition, be aware of city, county and village zoning regulations. If the business operates in violation of the local government's laws and regulations, you could be fined or closed down. For information about the laws and regulations at the city, county, township or village level contact your local government agency.

Barrier Free Design

A special part of the building code, Barrier Free Design, has been public policy in Michigan since 1966. In 1992, the Americans with Disabilities Act (ADA) mandated federal requirements concerning barrier free design. These regulations are intended to ensure that public facilities and facilities used by the public are accessible to and usable by all citizens. No exceptions to the state requirements can be made by a local unit of government or a state department, agency or person, except the Barrier Free Design Board. A person requesting an exception must demonstrate "compelling need" as defined in section 5a of 1966 Public Act (PA)1, MCL 125.1355a. For additional information, visit the Department of Licensing and Regulatory Affairs (LARA), Bureau of Construction Codes website at: www.michigan.gov/bcc or contact the Plan Review Division at 517.241.9328.

Patents, Trade, Service Marks, and Copyrights

According to the U.S. Patent and Trademark office, a patent for an invention is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office. Generally, the right conferred by the patent grant is "the right to exclude others from making, using, offering for sale, or selling" the invention in the United States or "importing" the invention into the United States for a period of time, typically 20 years. For information and details on patenting, visit: www.uspto.gov

A trademark is a word, phrase, symbol or design; or a combination of words, phrases, symbols or designs, that identifies and distinguishes the source of the goods of one party from those of others. A service mark is the same as a trademark, except that it identifies and distinguishes the source of a service rather than a product. All marks do not need to be registered but registration has advantages including a notice to the public of the

registrant's claim of ownership of the mark, a legal presumption of ownership, and the exclusive right to use the mark as set forth in the registration.

- The superscript symbol TM (™) is used to provide notice of a claim of rights in an unregistered trademark which means it does not guarantee protection under trademark laws.
- The symbol SM functions similarly to the TM symbol for an unregistered service mark, also without a guarantee of protection under trademark laws.
- The ® symbol should be used only in connection with registered marks. Use of ® with any unregistered trademark could result in fraud claims or other problems enforcing trademark rights.

Registration of a mark used in Michigan gives the owner of the mark certain limited legal protection. Contact the Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division at 517.241.6470. There is a registration fee. For use throughout the United States, trademarks and service marks may also be registered with the United States Patent and Trademark Office, (USPTO), USPTO Contact Center, Post Office Box 1450, Alexandria, VA 22313-1450 or by telephone at 800.786.9199 or available online at: **www.uspto.gov**

Copyrights

A copyright enables its owner to exclude others from reproducing certain works, such as books, musical compositions, technical drawings and computer programs. Copyright notice is the symbol © (the letter C inside a circle) or "Copyright", followed by the year of the first publication of the work and the name of the copyright holder.

The copyright notice for sound recordings of musical or other audio works is a sound recording copyright symbol ⓘ (the letter P inside a circle). Similarly, the phrase "All rights reserved" may also be used to assert copyright. A copyright may be registered by filing an application with the Library of Congress, U.S. Copyright Office, 101 Independence Avenue SE, Washington, D.C. 20559-6000; Phone 202.707.3000 or toll free 877.476.0778, or online at: **www.copyright.gov**



5

Business Taxes

Understanding your tax obligations and preparing taxes can be confusing and complicated. If returns are neglected or filed improperly, penalties and excess payments may be levied. This chapter provides an overview to guide you on filing and paying the appropriate taxes. It is strongly recommended to consult with a professional on all matters pertaining to business taxes as application of rules and credits can be complicated and subject to change.

Employer Identification Number (EIN)

An EIN identifies the business for federal and state tax purposes. Applying for an EIN is a free service offered by the Internal Revenue Service. Beware of websites on the Internet that charge for this free service. Many financial institutions will not open a commercial banking account without an EIN. Sole proprietorships without employees are not required to have an EIN and may use the owner's social security number for tax purposes, but a sole proprietor without employees may apply for and receive an EIN as an alternative to using a social security number especially since using a social security number could increase the chances of identity theft.

An EIN must be obtained if the business pays wages to one or more employees whether set up as a partnership, a corporation for profit or nonprofit, a limited liability company, a trust or estate, or a sole proprietorship. NOTE: If an owner of a corporation provides services to (works for) the corporation, the owner is an employee of the corporation and subject to all payroll/employment taxes.

An EIN is required on any return, statement, or other document if you are an employer. Individuals who file Schedule C or I must use EINs when filing excise, employment, alcohol, tobacco or firearms returns. Important notes:

- If you become the new sole owner of an existing business, you cannot use the EIN of the previous owner.
- An existing business that adds, opens or acquires a new operation of similar type may use its current EIN for both the existing and new operations. However, a new establishment must obtain its own EIN if its line of business is different from the existing operation.

An EIN form (SS-4) can be obtained from the IRS by filing online, by fax, mail, or phone. For information and instructions on filing go to www.irs.gov/businesses/small-businesses-self-employed/how-to-apply-for-an-ein

Employer Taxes

Any employer of one or more persons must withhold federal, state and possibly local income taxes from the wages paid to employees. Employers are also responsible for paying into the Social Security and Medicare systems as well as withholding a matched amount from the employee's wages. State and federal unemployment insurance payments must be paid entirely by the employer and not from an employee's wages. For detailed information about hiring employees and your obligations, refer to the chapter entitled "Hiring Employees" starting on page 34.

Self-Employment Taxes

Just as employers must withhold tax and report it to various government agencies, so must self-employed individuals, or those working for self-employers. You are considered self-employed if you operate a trade, business, or profession, either by yourself or as a partner. To learn more about your obligations, refer to the section entitled "Being Self-Employed" starting on page 32.

Personal Income Tax

As a sole proprietor or partner, the owner pays taxes on the income from the business on a personal income tax return with the state and federal governments. You will also file an additional schedule that identifies income and expenses of the business. Partners file a partnership return in addition to the personal income tax return that distributes profits and losses between the partners according to the partnership agreement. Corporations pay taxes on the business income at corporate tax rates. Shareholders and employees (including paid corporate officers) pay individual income tax on any salary and dividends received from the corporation.

Most businesses are also required to make “Estimated Tax” payments on a quarterly basis for Michigan income tax, federal income tax and self-employment tax. For more information about your tax obligations and the proper forms, contact the Michigan Department of Treasury at 517.636-4486 for state taxes and the IRS at 800.829.4933 or online at www.irs.gov for federal taxes.

State Business Taxes

Michigan Treasury Online (MTO) houses the e-Registration process for businesses, which is easy, secure, convenient and faster than registering by mail. At the MTO you can also register with the Unemployment Insurance Agency (UIA) for unemployment tax for the following Michigan business taxes:

- Corporate Income Tax
- Flow-Through Withholding
- International Fuel Tax Agreement (IFTA)
- Motor Fuel
- Sales
- Use
- Withholding
- Tobacco

Michigan Treasury Online (MTO) provides registered businesses the ability to access, view and make changes to account specific information that Treasury has captured from their application. The MTO self-service tool is intended to improve taxpayers’ convenience and efficiency when notifying Michigan Treasury of routine account changes. A registered business can now access its account information and submit account specific changes via MTO in lieu of sending a form. The new MTO self-service tool is easy to access, easy to navigate and is available 24/7, only through the Michigan Treasury Online website at: <https://mto.treasury.michigan.gov>

MTO also allows businesses to authorize others to access account information. A business can delegate access to account information to the appropriate staff or outside representative if desired. The Michigan Treasury Online website is located at <https://mto.treasury.michigan.gov> or you can call the Michigan Department of Treasury at 517.636.6925.

For more information on the various State of Michigan taxes, visit the Michigan website at: www.michigan.gov/businesstaxes. To download and print a pdf copy of “Michigan Business Taxes Registration Booklet” including mail filing forms, go to www.michigan.gov/documents/518_3620_7.pdf

Sales, Use and Withholding Taxes

Anyone who engages in the retail sales of tangible personal property (defined as any good that one can possess or exchange) from a Michigan location needs a sales tax license. The Michigan sales tax is 6 percent of retail sales receipts (at time of publication). Local governments cannot levy sales tax in Michigan.

- When selling or leasing tangible personal property to a Michigan customer from an out-of-state location and when the business has no retail location in Michigan, one must register for use tax, which is also 6 percent (at time of publication).
- When liable for sales, use or withholding tax, the business should register online for taxes at: <https://mto.treasury.michigan.gov>, the Michigan Treasury Online website; or by paper registration as

outlined in "Michigan Business Taxes Registration Booklet" available for download at www.michigan.gov/documents/518_3620_7.pdf

- A business must also register with the Michigan Department of Treasury if a Michigan resident buys or rents tangible property from an out-of-state source or when selling telephone, telegraph or other leased wire communication services.
- Every business that employs one or more employees is required to withhold federal income tax under the Internal Revenue Code. Businesses must also withhold Michigan income tax from wages paid to employees in Michigan.
- Visit www.michigan.gov/businessstaxes for questions and answers about registering a business. For more information about sales, use and withholding taxes, contact the Michigan Department of Treasury at 517.636.6925 or access the business tax information online.

Michigan Business Tax

The Michigan Business Tax (MBT) was signed into law and became effective in January 2008. The MBT was repealed effective 12/31/2011, except for a small number of tax payers that were engaged in specific tax credits as of that date.

Corporate Income Tax

Since 1/1/2012, the primary business tax in Michigan is the Corporate Income Tax (CIT). It is based on business income and applies to a business that is taxed as a C Corporation for federal tax purposes.

Taxpayers with less than \$350,000 in allocated or apportioned gross receipts are not required to file a Michigan business return or tax, however the gross receipts filing threshold does not apply to insurance companies and financial institutions. Those taxpayers are not required to file or pay if annual liability is less than or equal to \$100. For more information, please consult with a tax specialist or accountant.

Motor Fuel Taxes

Motor fuel tax is levied on highway, marine, and aviation fuel. International Field Tax Agreement (IFTA)/Intrastate Motor Carriers should contact the Michigan Department of Treasury, Special Taxes Section at 517.636.4600 or online at www.michigan.gov/taxes Click on "Motor Fuel" and/or "Tobacco Tax" for more information. For additional information, please refer to the Michigan Public Service Commission Motor Carrier Division online at www.michigan.gov/mpsc

Local Taxes

Local governments in Michigan levy property taxes. Since property tax rates vary by locality, it is important to consult your local city, township or village for specific information. The local treasurer's office can also provide information about other local taxes that may apply along with information about registration and payment requirements.



Social Security and Medicare for the Self-Employed

The majority of people who pay into Social Security work for someone else and their employer deducts Social Security taxes from their paycheck, matches that contribution, and sends wage reports and taxes to the Internal Revenue Service and Social Security. **Self-employed people must fill out the forms and pay the taxes directly to the government.** You are considered self-employed if you operate a trade, business, or profession either by yourself or as a partner, or report your earnings for Social Security when you file your federal income tax return. If your net earnings are \$400 or more in a year, you must report your earnings on Schedule SE.

For more detailed information on all taxes related to employment visit www.irs.gov/pub/irs-pdf/p15.pdf to download a copy of Publication 15 (Circular E) "Employer's Tax Guide for Use in 2017." It is also strongly recommended to consult with a professional on all matters pertaining to business taxes as application of rules and credits can be complicated and subject to change.

Paying Social Security and Medicare Taxes

The FICA tax rate paid by both employer and withholding from employee, is the combination of social security tax rate of 6.2% and the Medicare tax rate of 1.45% for a total of 7.65% (at time of publication). For more specific information on self-employment taxes, you can download an SSA information document "If You are Self Employed" at: www.socialsecurity.gov/pubs/EN-05-10022.pdf

The Social Security Administration (SSA) announced the 2017 wage base limit for the social security tax will be \$127,200. As in prior years, there is no limit to the wages subject to the Medicare tax.

For self-employed individuals, the social security wage limit as of 2017 will also be \$127,200 and there is no limit on self-employment income that will be subject to the Medicare tax. The self-employment tax rate will be 15.3% (combined social security tax rate of 12.4% and Medicare tax rate of 2.9%).

Additional Medicare Tax/ Patient Protection and Affordable Care Act. While there may be future changes to status of the Patient Protection and Affordable Care Act (Affordable Care Act or ACA), at time of printing there remains an extra 0.9% Medicare tax required on wages that exceed a threshold amount based on the individual's filing status. Employers will not pay the extra tax. The threshold amounts are: \$250,000 for married taxpayers who file jointly; \$125,000 for married taxpayers who file separately; and \$200,000 for all other taxpayers. More specific information is available at www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax

Electronic Federal Tax Payment System (EFTPS). It is important to note that federal tax deposits must be made by electronic funds transfer generally using the Electronic Federal Tax Payment System (EFTPS), a free service provided by the Department of Treasury. Or you can arrange for electronic deposits through a third party such as your tax professional or financial institution though those services may have a fee. For more information or to enroll in EFTPS, visit www.eftps.gov or call 800.555.4477 or 800.733.4829 (TDD).

Social Security Earnings Credits

You need earnings credits to qualify for Social Security benefits. Each year, people earn a certain number of

"credits" based on wages and net self-employment earnings. People can earn up to four Social Security credits per year, and will need earn at least 40 credits in their lifetime in order to be eligible for retirement benefits. What this means, is that self-employed people who need additional credits for Social Security purposes should file within the 3-year, 3-month, and 15-day time period. Self-employment earnings are self-reported using Schedule C (for non-farm businesses) or Schedule F (for self-employed farmers), which are included along with your Form 1040. All of your earnings covered by Social Security are used in figuring the amount of your Social Security benefit so it is important to report all of your earnings up to the maximum as required by law.

Figuring Your Net Earnings

Net earnings for Social Security are your gross earnings from your trade or business, minus your allowable business deductions and depreciation. Some income does not count for Social Security and should not be included in figuring your net earnings:

- Dividends from shares of stock and interest on bonds, unless you receive them as a dealer in stocks and securities;
- Interest from loans, unless your business is lending money;
- Rentals from real estate, unless you are a real estate dealer or regularly provide services mostly for the convenience of the occupant; or
- Income received from a limited partnership.

How to Report Earnings. As noted on the U.S. Social Security Administration web site, you must complete the following federal tax forms by April 15 following any year in which you have net earnings of \$400 or more: Form 1040 (U.S. Individual Income Tax Return); Schedule C (Profit or Loss from Business); Schedule F (Profit or Loss from Farming); Schedule SE (Self-Employment Tax).

These forms can be obtained from the IRS online at www.irs.gov as well as most banks and post offices. Send the tax return and schedules along with your self-employment tax to the IRS. Even if you do not owe any income tax, you must complete Form 1040 and Schedule SE to pay self-employment Social Security tax. This is true even if you already get Social Security benefits. IRS Publication 334, Tax Guide for Small Business, and IRS Schedule SE and Instructions have additional helpful information. You can find them at www.irs.gov or call 1-800-829-4933.

Joint Income Tax Returns: Family members may operate a business together. A husband and a wife may be partners of a joint venture. If you operate a business together as partners, you should each report your share of the business profits as net earnings on separate self-employment returns (Schedule SE), even if you file a joint income tax return. The amount each of you should report depends upon your agreement.

More Information

*For more information about being self-employed, visit Social Security online at www.irs.gov/businesses/small-businesses-self-employed/self-employment-tax-social-security-and-medicare-taxes



Hiring Employees

Employees add another layer of complexity to your business that requires careful consideration and planning. It is important to hire the right people, train them well, keep them happy so they will stay, and be aware of taxes and legal requirements.

Plan Your Hiring

Hiring and managing employees requires good record keeping systems; all the necessary paperwork completed; all regulatory requirements met; and a formal training plan to assure consistency and quality in performance.

- Prepare a written job description that indicates exactly what is expected of each employee.
- Develop at least a simple employment handbook that outlines the mission and vision of the business; employment policies such as work periods, time-keeping, holidays, etc.; and establish standards of employment. There are many resources available that provide framework for developing an employment handbook that meets state and federal legal compliance.
- A résumé is a good way to get a first impression of a candidate. From there, selected candidates should complete an application form and an interview. Ask each candidate for the same position the same questions and document the interview. There are many good sample sets of interview questions and application forms on the internet. Depending on the skill required for the position, many employers consider attitude of potential employees as the number one trait in their hiring decision.
- It can also be helpful to have a stated 30- or 90-day introductory period during which employer and employee can evaluate skills and compatibility with the organization and the position. Be sure to have a written declaration (handbook, application form, or otherwise) that employment is “at will” meaning the employer or employee may terminate the employment relationship at any time with or without cause or prior notice.

One place to start looking for your next great hire in Michigan, go to: www.mitalent.org/employer

The U.S. Small Business Administration’s (SBA) provides a wealth of online resources for hiring at: www.sba.gov/starting-business/hire-retain-employees/hire-your-first-employee

Employee Vs. Contractor (Contract Labor)

Hiring outside contractors or temporary help is also an option. Individuals may provide services to a business as either an employee or a contractor. The status as an employee or contractor affects the taxes, liability, benefit costs and many other areas of a business but it’s important to understand the IRS requirements regarding employment status as contractor vs. employee. The question of “employee vs. contractor” is a critical issue and does not have a simple answer. If you classify an employee as an independent contractor and you have no reasonable basis for doing so, you may be held liable for employment taxes and penalties. There are many different tests the IRS may apply to determine whether an individual is an employee or contractor. If you are considering using contractors instead of employees for your business, it is important that you consult with a competent tax advisor prior to making a decision. See Appendix A for more information on employee vs. contractor.

Training and Working with Employees

Training employees is extremely important. You want well-qualified employees who properly and consistently represent your business, add value to your brand and image, maintain the quality you expect, and build customer good will. A well-defined company policy handbook plus job descriptions that outline duties, responsibilities, ethical

standards, and criteria for success is an important employment tool.

To assure consistency and the quality of work you want performed by employees — to share your knowledge and expertise systematically as you add employees — it is highly recommended that you continuously develop documentation on steps, process, and requirements for specific tasks or activities in the business that employees may be called upon to perform, and create a training plan to insure every employee understands the expectations and requirements. Cross-training employees in areas other than those specifically defined in their individual job descriptions can also be very beneficial in small businesses. Some employers may also choose to invest in their employees by giving them the opportunities for specialized or advanced education and training.

To keep employees motivated and involved with the business, it is extremely important to develop and maintain effective strategies and methods of two-way communication. Many business owners find it beneficial to include employees in strategic, operational and process planning; and to work together to set individual goals that contribute to achieving overall business objectives.

New Hire Reporting

Employers in all 50 states are required by Federal law to report their new hires and re-hires to a state directory to expedite the collection of child support payments. This requirement establishes the employers' role as a key partner in efforts to facilitate a family's financial stability and for children to get the support to which they are entitled. The following must be reported:

- New employees who reside or work in the State of Michigan to whom the employer anticipates paying earnings. Employees must be reported even if they work only one day and are terminated (prior to the employer fulfilling the new hire reporting requirement).
- Re-hires or Re-called employees: those who return to work after being laid off; furloughed; separated; granted leave without pay; or terminated from employment after 60 days. Employers must also report any employee who remains on the payroll during a break in service or gap in pay, and then returns to work after 60 days. This includes teachers, substitutes, seasonal workers, etc.
- Temporary employees: Temporary agencies must report any employee who they hire to report for an assignment. Employees need to be reported only once; they do not need to be re-reported each time they report to a new client. They do need to be reported as a re-hire if the worker has a break in service or gap in wages.

For more detailed information and reporting forms, contact the Michigan New Hires Operations Center at 800.524.9846 or online at <https://mi-newhire.com/mi-Newhire/default.aspx>

Payroll Taxes

Any business with employees of any type must comply with federal and state payroll tax withholding requirements. This is true even if you are the sole employee of a corporation that you own. It is critical that you understand the various deadlines and requirements, or that you use the services of someone who does. The major types of payroll taxes in Michigan are:

- Income Tax Withholding (federal, state, and, if applicable, local)
- Federal Social Security and Medicare Tax (FICA)
- Federal Unemployment Tax Act (FUTA)
- Michigan Unemployment Tax (UIA)

NOTE: If the business is a corporation, anyone who performs services for the corporation or receives compensation of any kind (including any "owners") is considered an employee. This list of responsibilities may apply for a startup or existing business owner.

Income Tax Withholding

Any employer of one or more persons must withhold federal and state income taxes from wages paid to employees. A city income tax may also apply. To find out if a city levies a tax, contact that particular city tax assessor or city treasurer. Each employee should complete the following forms:

- Federal Withholding Exemption Certificate (W-4) from the IRS at: www.irs.gov/pub/irs-pdf/fw4.pdf or 800.829.4933
- MI-W4 from the Michigan Department of Treasury at: www.michigan.gov/documents/mw4f_76761_7.pdf or phone 517.636.4660.

Federal: Based on the W-4 certificate's information provided by the employee, an employer withholds a certain amount of taxes from the employee's wages. You may be required to deposit the federal taxes collected. One must file quarterly returns with the IRS and file an annual reconciliation of the quarterly returns. If returns are neglected or filed improperly, penalties and excess payments may be levied. For more information about federal income tax withholding, contact the IRS at 800.829.4933 or online at www.irs.gov

Social Security and Medicare: In addition to federal income taxes, federal law also requires that employers withhold (and deposit) Social Security taxes from employees' wages. The employer must also pay an equal amount. The FICA tax rate paid by both employer and employee is the combination of social security tax rate of 6.2% and the Medicare tax rate of 1.45% for a total of 7.65% (for 2017 at time of publication). Tax rates and maximum earnings subject to tax may vary from year-to-year. The latest information is available at: www.irs.gov or phone 800.829.4933.

State: Based on the MI-W4 certificate's information provided by the employee, an employer withholds a certain amount of taxes from the employee's wages. State filing requirements may vary based on the amount of state taxes withheld. "Michigan Business Taxes: Registration Booklet" is available online at www.michigan.gov/documents/518_3620_7.pdf

- Prior to hiring employees, an employer must register online for taxes at <https://mto.treasury.michigan.gov> or offline by completing the paper Form 518 included in the "Michigan Business Taxes: Registration Booklet" at www.michigan.gov/documents/518_3620_7.pdf or by contacting Michigan Department of Treasury at 517.636.4660.
- Once registered, employer will be provided with instructions for filing and completing necessary forms. Annual return is also required. Michigan's withholding tax tables are available from the Michigan Department of Treasury at 517.636.4660 or online at: <https://mto.treasury.michigan.gov>

City or Local: Contact the city treasurer to determine if a city income tax is applicable for the new employees. If the city does have an income tax, the city treasurer can provide the required registration forms and any information that is needed.

Federal Unemployment Insurance Act

The Federal Unemployment Insurance Act gives authority to the IRS to collect fees, and for the U.S. Department of Labor to pay administrative expenses, for operating the state unemployment systems. If you file an "Application for Employer Identification Number" (EIN) with the IRS and indicate that employees will be hired, the IRS will mail a packet of information that includes coupon forms for FUTA tax deposits and an Annual Report form. For more information about the FUTA tax, forms and deposit requirements, contact the IRS at 800.829.4933 or online at www.irs.gov

State Unemployment Insurance

The Unemployment Insurance Agency (UIA) operates Michigan's unemployment insurance program which collects unemployment taxes from employers and provides temporary income for workers who are unemployed through no fault of their own. Both state and federal unemployment taxes are paid by employers and no deductions can be made from an employee's wages to cover these taxes.

- Any business that employs one or more persons in Michigan is considered a contributing employer and required to register with the Unemployment Insurance Agency. UIA offers an online process to register for and receive your UIA Employer Account Number — faster, easier, more convenient than mail-in paper. With online registration, you can receive your UIA Employer Account Number in less than 3 days. To register online go to: www.michigan.gov/uia/0,1607,7-118--89978--,00.html

- The Michigan Business Taxes Registration Booklet contains the Form 518 for paper registration — and it's a good reference tool to have on hand even if you're registering online. It is located at www.michigan.gov/documents/518_3620_7.pdf
- A contributing employer is required to file tax reports with the UIA at the end of each calendar quarter, and pays a state unemployment tax based on the rate applied. Contribution rates range from 0.06% to 10.3% for 2017 and the wage base is \$9,000. For more specific detail on rates and contribution requirements, contact the UIA online at: www.michigan.gov/uia or phone 800.638.3994.

Employment Regulations

Employers have a legal as well as an ethical obligation to provide a safe and equitable workplace. There are state and federal regulations governing workplace health and safety administered by the Michigan Occupational Safety and Health Administration. MIOSHA's Consultation Education and Training (CET) Division offers free statewide safety and health assistance to employers and employees with a wide range of customized services to assist managers and staff in creating and maintaining a safe and healthful workplace. To learn more about CET services, call 800-866-4674 or download an information flyer at: www.michigan.gov/documents/dleg/wsh_cet0165_216929_7.pdf

Required Workplace Posters

Michigan employers are required to display certain posters in the workplace, and posters are available for free from various government agencies. A few key posters and the associated regulation are listed below, but there may be more poster requirements for your business as poster requirements depend on whether your business has requirements under federal or state jurisdiction.

- See Appendix B for a list of state and federal required posters and agency contact information.
- For general information on safety posters, go to www.michigan.gov/miosha and click on the "Quick Links MIOSHA Workplace Posters."

Fair Labor Standards Act (FLSA)

The FLSA establishes minimum wage, overtime pay, recordkeeping, and youth employment standards covering employees in the private sector and in Federal, State, and local governments. Covered nonexempt workers are entitled to a federal minimum wage of not less than \$7.25 per hour currently. Overtime pay at a rate not less than one and one-half times the regular rate of pay is required after 40 hours of work in a workweek. However, employers that are covered by both State and Federal Minimum Wage law should pay the higher applicable rate. (See Michigan Minimum Wage Law below.)

Exempt or Nonexempt: Employees whose jobs are governed by the FLSA are either "exempt" or "nonexempt." Nonexempt employees are entitled to overtime pay. Exempt employees are not. Most employees covered by the FLSA are nonexempt. Some are not. For an employee to be classified exempt from overtime FLSA requirements, the job must meet both salary and duty tests. In mid-2016, Department of Labor proposed sweeping changes to overtime rules and salary levels to meet exempt status. But a Federal district court judge in Texas placed a nationwide injunction on the rule revisions, preventing it from taking effect on Dec 1, 2016. At time of printing, the \$23,660 exempt-status salary threshold in place since 2004, is still in effect. Classifying positions as exempt or nonexempt is still complicated and includes duty tests. As such, it is highly recommended to consult with a qualified human resources professional. For further information about FLSA, visit www.dol.gov/whd/flsa/

Michigan Minimum Wage Law

Public Act 138 applies to employers in Michigan that have two or more employees age 16 and older. Michigan minimum wage effective January 1, 2017 is \$8.90/hour; effective January 1, 2018 is \$9.25/hour. PA 138 allows an employer to pay \$4.25 per hour to a newly hired employee age 16 to 19 for the first 90 days of employment.. It also allows a Michigan employer to pay 85 percent of the minimum wage to employees aged 16 and 17; however, note that the current Federal Minimum Wage rate (at time of printing) is \$7.25 per hour. PA 138 also covers overtime, compensatory time, and wage rates for tipped employees. For more detailed Michigan Minimum Wage information visit www.michigan.gov/lara/0,4601,7-154-59886_27909-330073--,00.html or call the Wage and Hour Division at 517.284.7800.

Drug-Free Workplace

Employers need to be alert to issues involving employees' use of drugs and alcohol and its relationship to work. For additional information about programs to make the workplace drug and/or alcohol free, contact the Substance Abuse and Mental Health Services Administration (SAMHSA) at 800.967.5752 or online at www.samhsa.gov

Health and Safety Standards

Employers are required to comply with federal and state health and safety standards and laws through the Michigan Occupational Safety and Health Act (MIOSHA). For a complete set of safety and health standards by industry, contact MIOSHA at 517-284-7777 or online at: www.michigan.gov/miosha

- **Tracking of Workplace Injuries and Illnesses:** An often overlooked key component of MIOSHA standards is the requirement for employers to record and report workplace injuries and illnesses. Failure to do so can result in citations and penalties. Each employer is required to keep records of work-related fatalities, injuries and illnesses that meet one or more of the general recording criteria including days away from work; restricted work; transfer to another position; medical treatment; loss of consciousness; significant injury or illness diagnosed by a health care professional; work related fatalities (must be reported within eight (8) hours to the current fatality line 800.858.0397); and work-related amputation, loss of an eye, or in-patient hospitalization of any employee (must be reported within 24 hours of the incident).

MIOSHA provides forms for recording and reporting as well as an online system. For more information visit www.michigan.gov/lara/0,4601,7-154-11407_30929---,00.html or phone MIOSHA at 517.284.7777.

Americans with Disabilities Act

Employers are required to comply with the Americans with Disabilities Act (ADA). The ADA gives civil rights protections to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion; it prohibits job discrimination against people with disabilities that are qualified if they can perform the job's essential functions with or without a reasonable accommodation; and it guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, state and local government services, and telecommunications. (www.eeoc.gov/laws/types/disability.cfm) For publications and technical information about the Act, contact the U. S. Department of Justice at 800.514.0301 or online at: www.ada.gov

Equal Employment Opportunity

The U.S. Equal Employment Opportunity Commission (EEOC) is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy, gender identity, and sexual orientation), national origin, age (40 or older), disability or genetic information. It is also illegal to discriminate against a person because the person complained about discrimination, filed a charge of discrimination, or participated in an employment discrimination investigation or lawsuit. Most employers with at least 15 employees are covered by EEOC laws (20 employees in age discrimination cases). Of the many antidiscrimination acts within EEOC, three standouts are:

- Equal Pay Act (EPA) says employers can't pay female employees less than male employees for equal work on jobs that require equal skill, effort and responsibility. (www.eeoc.gov/laws/types/sex.cfm)
- Pregnancy Discrimination Act (PDA) prohibits job discrimination on the basis of "pregnancy, exclusively based on their ability or inability to work. (www.eeoc.gov/laws/types/pregnancy.cfm)
- Age Discrimination in Employment Act prohibits any form of discrimination against applicants or employees older than 40 because of their age. (www.eeoc.gov/laws/types/age.cfm)

For more information, contact the Michigan Department of Civil Rights online at www.michigan.gov/mdcr or call 517.335.3165. For EEOC information visit www.eeoc.gov/ or call 800.669.4000.

Employee Polygraph Protection Act

The Employee Polygraph Protection Act of 1988 (EPPA) is a United States federal law that generally prevents employers from using polygraph (lie detector) tests, either for pre-employment screening or during the course of employment, with certain exemptions. To inquire about the Act, contact the U.S. Department of Labor, Wage and Hour Division: Detroit District Office, 211 W. Fort Street Room 517, Detroit, MI 48226-3237, Phone: 313.226.7447

or 866.487.9243; Grand Rapids Area Office, 800 Monroe Avenue, NW, Suite 315, Grand Rapids, MI 49503-1451, Phone: 616.456.2004 or 866.487.9243.

Other Employment Regulations

Patient Protection and Affordable Care Act

While there may be changes in the future to the Patient Protection and Affordable Care Act (Affordable Care Act or ACA), at time of printing this regulation was still in effect, designed to ensure Americans have access to quality, affordable health insurance.

- If you have no employees, ACA does not apply to you.
- Generally, an employer with fewer than 50 full-time employees or equivalents will be considered a small employer; is not required to provide health insurance coverage for employees.
- Employers with 50 or more full-time employees or equivalents will be considered a large employer and have responsibilities concerning how and what health insurance they offer to their full-time employees.

More details on the Affordable Care Act (ACA) as it applies to “small” or “large” businesses, and as it may change over time, can be found at www.irs.gov/affordable-care-act/employers In addition, for enrollment information as well as how the Affordable Care Act may affect your business, visit www.HealthCare.gov

Workers’ Compensation

All states require employers to carry insurance coverage for employee work-related illness and injury. Benefits are usually paid through an insurance company on behalf of an employer though some larger businesses may be approved for self-insurance. There are varying thresholds of applicability for different classes of employees. The insurance premium rates for Workers’ Compensation are competitively determined. Insurers use about 500 different rating classifications based on the type of business an employer operates. Premium rates for a given classification vary widely among insurers; and insurers have different merit and experience rating plans, schedule-rating plans, and premium discount tables, which can affect an employer’s final premium cost so shop carefully. Additional information and assistance is available at the Workers’ Compensation Agency of the Michigan Department of Licensing and Regulatory Affairs at 888.396.5041 or at: www.michigan.gov/wca.

Family and Medical Leave Act

The Family and Medical Leave Act (FMLA) allows employees with at least a year of service to take up to 12 weeks per year of unpaid, job-protected time off for the birth of a child or adoption of a child or to care for themselves or a sick child, spouse or parent who has a "serious" health condition. The FMLA applies to organizations with 50 or more employees. (www.dol.gov/whd/fmla)

Uniformed Services Employment and Reemployment Rights Act

The Uniformed Services Employment and Reemployment Rights Act (USERRA) makes it illegal to discriminate against employees who volunteer or are called to military duty. When reservists return from active duty tours of less than 5 years, they must be reemployed to their old jobs or to equal jobs. (www.dol.gov/vets/programs/userra/userra_fs.htm)

Immigration Reform and Control Act

The Immigration Reform and Control Act (IRCA) makes it illegal to hire and employ illegal aliens. Employers must verify identification and workplace eligibility for all hires by completing I-9 Forms. Note: This documentation must be kept separate from personnel records and never inserted into an individual’s personnel file. (www.uscis.gov/i-9)

TO OBTAIN REQUIRED POSTERS: Posters are available for free from various government agencies. Laminated poster sets are also sold by commercial enterprises (which may or may not meet all your poster obligations). See Appendix B for a list of Michigan Required Workplace Posters and contact information to acquire them.



Financing a Business

There are several options available for obtaining money to start a new business or expand an existing one. All businesses must plan for money to pay start-up and/or operating expenses, including one's own salary. Most businesses begin with the owner's own capital or loans from friends and family. Some are successful in obtaining bank financing or using a government sponsored loan program.

Grants

Although there is a lot of information on the internet and other media regarding grants, grant financing is highly unlikely. As noted previously in the section "Sources of Financing/Startup Resources" on page 10, the U. S. government does have grant programs but generally speaking virtually all grant money flows to local governments, state agencies, and nonprofits that are eligible to apply for grants and do so to support regional or community programs to assist small businesses. Those programs may include some secondary grant funding. If you still want to look for grants, you can search at www.grants.gov. The following is excerpted from www.sba.gov/loans-grants/see-what-sba-offers/what-sba-doesnt-offer

"SBA does NOT provide grants for starting and expanding a business. Government grants are funded by your tax dollars and, therefore, require very stringent compliance and reporting measures to ensure the money is well spent. As you can imagine, grants are not given away indiscriminately. Some business grants are available through state and local programs, nonprofit organizations and other groups. These grants are not necessarily free money, and usually require the recipient to match funds or combine the grant with other forms of financing such as a loan."

Founders, Friends and Family

Many times the first to invest are those who know and trust the entrepreneur – friends, family and the entrepreneur himself/herself. Someone that doesn't know the entrepreneur is less likely to take risks with the company unless it has achieved extremely impressive milestones. Be aware, however, that friends and family can make the entrepreneur's life difficult if they aren't sophisticated in business. Any early stage friend or family investment has the potential to cause trouble when you raise angel or institutional capital, so be careful on how the deal is structured. It's usually best to keep it simple and put it in writing.

Crowd Funding

Crowd funding is a relatively new form of funding for entrepreneurship in which contributions or investments are made by individuals or interested parties through a networked and publicly observable platform. While it may seem like an easy and available option, especially for startup capital, as crowd funding has grown more popular, there is growing competition for those dollars. In addition, it is important to note that crowd funding for businesses is through a "publicly observable platform" where it is required to disclose the idea for which the funding is sought, exposing the business to the risk of being copied and outpaced in development by better-financed competition.

Many times the first to invest are those who know and trust the entrepreneur – friends, family and the entrepreneur himself/herself.

Crowd funding was signed into law in April 2012 through the JOBS Act, legislation that opens up the possibility of a pool of small investors while providing fewer restrictions related to securities laws that previously had been a barrier to this kind of funding. Crowd funding is being used in support of a wide variety of activities, including entrepreneurship, artists and journalists, for political campaigns, charitable purposes, invention development, scientific research, and more.

Various networked platforms for this type of funding can be searched on the internet. Depending on the platform and the defined purpose and use of funds, crowd funding monies may be provided in the form of a loan or they may be donated funds. There are three forms of crowd funding:

1. **Donation or Premium:** Asking a crowd to donate to your project in exchange for something of value such as a CD, t-shirt, or other reward.
2. **Debt:** Asking a crowd to loan money to your business in exchange for financial return and/or interest paid in the future.
3. **Equity:** Asking a crowd to donate to your business in exchange for an ownership share of your business.

Although this form of funding is seen as an attractive alternative for acquiring funds for entrepreneurial ventures, there are still some unresolved issues on how rules governing solicitations and securities will be applied particularly related to equity crowd funding (selling amounts of equity to many investors), as that activity is governed by the Securities and Exchange Commission (SEC). Equity crowd funding remains a complex opportunity as SEC rules governing it are still evolving. To facilitate equity crowd funding in Michigan the state legislature passed the "Michigan Invests Locally Exemption" (MILE), which allows small businesses to raise capital by reaching out to Michigan residents to invest in their companies. There are complicated state regulations governing this type of funding and substantial consequences for violations of either the federal or state regulations on equity crowd funding. For more information on MILE go to: www.michigan.gov/lara/0,4601,7-154-61343_32915-332094--,00.html

An excellent resource on crowd funding is: "The Crowd Funding Bible" by Scott Steinberg available in pdf format at: www.crowdfundingguides.com/The%20Crowdfunding%20Bible.pdf

IMPORTANT NOTE: Anyone considering crowd funding should thoroughly research the advantages and disadvantages, and consult an attorney and/or accounting/finance professional who is knowledgeable and experienced in crowd funding, both for help on what form is best for your business venture and for guidance on regulations and compliance.

Debt Financing

Financing with debt (loan or credit) sources is usually grouped into two basic categories: unsecured and secured.

Secured debt is a loan backed by a borrower's pledge of collateral to reduce the risk associated with lending. In the event of default, the collateral can be used to satisfy the debt. The primary sources of secured short-term financing for business borrowers are:

- Commercial banks and commercial finance companies.
- Factoring accounts receivable -- A financial institution purchases "at a discount" the accounts receivables of a business, assumes the title and risk of those receivables, and in return provides that business with funds.
- U.S. Small Business Administration (SBA) "guaranteed" loan obtained through a private lending institution. (The SBA does not make direct loans.)

An **unsecured loan** is based on the borrower's credit-worthiness and doesn't include a pledge of collateral. Unsecured loans are bigger risks for lenders and typically have higher interest rates than secured loans. Examples include:

- Funds borrowed from family members and/or friends.
- Personal credit cards, savings, stocks and bonds, and/or cash value of life insurance policies.

- A company's line of credit is a commitment from a bank to its regular creditworthy business customers to provide a stated maximum amount of short-term financing for a specified time period. The credit line is often granted with a compensating balance requirement, and the floating or variable rate method of interest payment is used.
- Trade credit is credit extended by one firm to another in conjunction with the sale of goods or services that are used in the normal course of business. For example, goods are purchased but payment can be delayed to the extent of the specified credit terms.
- Accruals are services provided for a business on a continuing basis but are not paid for at the time the services are rendered.

Once you have a complete business plan (which is generally required by commercial lenders), the first place to inquire about business financing is your local bank or credit union where you have banking history and possibly a personal relationship with bank staff. However, you are not limited to inquiring at a bank you use, nor only one bank. Sometimes it takes several lender presentations to find a loan relationship that works for you and the lender.

Another option for commercial lending is on-line brokers/dealers that provide a website platform for submitting your loan request documents/application for financing consideration by conventional lenders or investors.

- www.lendingclub.com/public/how-peer-lending-works.action
- www.ondeckcapital.com/
- www.fundable.com/https://www.sba.gov/tools/linc

Equity Investment

Equity investment is money invested that, unlike a loan, is not repaid to the investors in the normal course of business and represents an ownership stake in the business. Equity investment is often associated with high risk/high return opportunities for companies developing and marketing products or processes such as “game-changing” technologies or other high-demand items that are far superior to existing competition.

These opportunities have huge potential returns but also often carry high cost to develop and market along with high risk of “failure to launch”. To compensate for the risk, equity investors expect a large equity share and a return on investment often in the 6 -10 times range. Equity in a privately held company is not a liquid asset so before investors buy in they expect to know the company’s strategy to provide them an exit to “cash out” their investment. For many investors, the only acceptable exit strategy is for the business to be acquired – meaning they are expecting the entrepreneur to sell the company. Major drawbacks to equity investment are the large ownership share (control) and acquisition exit strategies.

There are various types of equity investors. It is important to properly prepare for and approach the right type for the company to make a strong first impression since they have many other deals from which to choose. Your local MI-SBDC office can help you prepare and identify appropriate investors. It is also very important to consult with an attorney throughout the investment process. Soliciting investment from someone who is not an accredited investor can get the entrepreneur and the company in serious trouble.

Angel Investors

An angel investor is anyone who wants to invest in your business. More typically, angel investors are defined as individuals with high net worth who invest their own money in emerging companies. They often come together in formal or informal groups to pool their funds and evaluate investment opportunities.

An angel investor is usually focused on helping the business succeed, rather than merely gaining maximum profits. An angel investor can and should be a good partner by contributing expertise, industry contacts, and often leads on later rounds of financing. Angel investors are likely to request a rigorous, in-depth due diligence process for the companies in which they invest, and it is a crucial part of establishing the newly formed relationship. Examples of Angel Investor groups:

- Ann Arbor Angels: www.annarborangels.org
- Blue Water Angels: www.bluewaterangels.com
- Capital Community Angels: www.ccangels.org
- Grand Angels: www.grandangels.org
- Great Lakes Angels: www.glangels.org
- Northern Michigan Angels: www.northernmichiganangels.com
- OU Incubator Angels: www.oakland.edu/ouinc

When presenting to angel investors it is essential to make a strong first impression because the network is closely connected and word of mouth (bad or good) will travel fast.

Venture Capital

Venture capital (VC) is money from various sources held in a formally managed fund used to supply capital associated with starting or expanding companies that show the potential for an extremely high return on investment. The fund's charter governs how the money must be invested, which makes it critical to select the appropriate VCs and properly prepare for a presentation.

This form of raising capital is popular among new companies or ventures with limited operating history that cannot raise funds by issuing debt. The drawback for entrepreneurs is that VC's demand a significant percentage of ownership and the ability to influence direction and decisions of the company. Examples of Venture Capital groups and websites:

- Michigan Venture Capital Association: www.michiganvca.org
- Michigan Growth Capital Symposium: www.michigangcs.com
- Venture Michigan Fund: www.venturemichigan.com



Marketing Your Business

What is Marketing?

Simply defined, marketing is communicating the right message (appropriate & meaningful) to the right people (customer groups) at the right time (consistently and persistently) and in the best ways (channels used by customers).

Developing and implementing a marketing/communication strategy is a necessary process for a successful business. It begins as you start your business and is critical throughout the life of your business. To be effective it must be organized into a plan with activities scheduled on a calendar throughout the year (especially important for a seasonal product or business).

Marketing Includes:

- Product (or Service)
- Price
- Placement (Distribution)
- Promotion
- Sales
- Positioning
- Research

Here is a fun example of the difference between marketing, advertising and public relations:

"If a young man tells his date she's intelligent, looks lovely, and is a great conversationalist, he's saying the right things to the right person and that's marketing. If the young man tells his date how handsome, smart and successful he is -- that's advertising. If someone else tells the young woman how handsome, smart and successful her date is -- that's public relations."
S.H. Simmons, author and humorist

Marketing Plan

Having a plan is important because it provides a roadmap for where you are going. A good marketing plan involves much more than advertising and sales. It needs to define specific goals that are tied to sales and profitability.

- **Measurable Goals – A “Dream with a Deadline”**
We often talk about beginning with an end in mind, (Stephen Covey) and your measurable goals for this plan are what you should be thinking about. Are you trying to bring in 5 new customers a day, 10 clients a month or \$100K a year? Whatever your goal is it needs to be measurable.
- **Market Analysis – Prove that you have market potential**
Start an industry/market analysis to understand the playing field – customer needs and wants, economic forces, competitors, unique competitive advantages. This is the foundation that you build your marketing plan on.
- **Marketing Strategy – How you're going to achieve those goals**
Strategy and tactics designed to accomplish goals within the marketplace... Your strategy is the step-by-step plan you will take to reach those goals.
- **Budget – Budget drives marketing tactics you can afford**
A realistic and effective budget – where are marketing dollars put to best use?
- **Implementation Schedule – Putting your strategy in place**
A timeline or schedule for implementation can be as important as the action items themselves.

Market Analysis

- Determine if there is a market for your product or service.
- Set the stage for developing your marketing plan
- Uncover market information that will assist in the sale of your product or service

Know Your Market

You need to know the market for your business:

How many potential buyers are there?

Where are they, and what do they care about?

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

Does your product or service fill a need or a want?

How do you learn about competitors?

What does the industry environment look like?

What are the industry trends?

Understanding the market means that you should be able to answer the following questions: how many prospective customers are there; how much do they spend in your product/service area; where are they located; what are effective ways to reach them; how many other vendors serve the same customer groups; what unique abilities do competitors possess; how do economic trends impact customer buying decisions?

Target Market

Determine your “ideal customer.”

- **Know Why Customers Will Choose Your Business.** Based on why customers buy a particular product or service, you must determine the nature of your competitive advantage. If your potential customers buy solely on the basis of price, are your prices the lowest? If not, how will you compete? Be thorough and careful in this analysis. Your potential customers probably have established buying patterns that do not include your business. You must give them sufficient reason to break these established patterns and buy from you if your business is to succeed.
- **Determine the Most Efficient Methods to Reach Buyers.** Once you determine why potential customers select your type of product or service, you are in a position to identify how they make their buying decisions. Your marketing and advertising has to be delivered in the media channels that best reach your target market. Do they typically buy because they've seen an advertisement on cable TV or because they have driven by your place of business? Is this type of product or service generally purchased on the recommendation of another individual or by “word of mouth” through social media? Knowing how your customers will “get the message” about your business will help you make good decisions about how to spend your marketing and advertising dollars for the most effective results.
- **Determine How You Are Going to Sell.** How you sell is just as important as what you sell. Develop a sales strategy and process that meets your customer preferences. Methods of selling might include direct sales (Face to face) / Sales force / Online / Retail / Distributors, and/or inside sales (Take orders via a call center). A consistent and proven sales process includes the following steps:
 - Prospect: Uncover potential customers with your communications tactics. Your communications should tell customers what you want them to do. i.e. “Go to our website to place your order.”
 - Present: State your value proposition: Why should customers buy from you?
 - Follow up: Few customers buy at the first contact. Get to know them so that they will buy when you reach out to them again.
- **Determine Effective Delivery and Customer Service Methods.** Part of your planning is determining how to deliver your product or service in a timely, professional and customer-preferred way along with what you can do related to after-sale care and customer service that will build loyalty and trust and encourage the customer to eagerly return for additional purchases.
 - Who will buy? It may not be the end user. Example: Mom buys cereal children want.
 - Why? Will your product help them save time, save money, improve life?
 - How? Will they buy your product – in monthly installments, cash only, in 12 packs, one unit every five years?
 - When? Is there seasonality for your product? (e.g. gardening equipment is usually bought in spring.)
 - Where? Are customers likely to look for your product - online, in a retail store, on your web site?

- From Whom? Do they want to purchase? The owner, a sales representative, distributors, customer service/inside sales?

Characteristics of Your Target Customers

- Consumer Product Customers
- Geographic location
- Age
- Gender
- Marital status
- Family size
- Education
- Income
- Occupation
- Ethnic group
- Buying frequency
- Attitudes about your product

Group prospective customers into like categories in order to reach and serve them more effectively. Describe your “target market segments”.

- Example: Dog owners; age 30 – 60; with household income over \$60,000 (above average); are likely to visit a dog park once a week. How many flea collars will they purchase each year?

Business-to-Business Customers

- Geographic location
- Industry (NAICS or SIC code)
- Size (number of employees or annual sales)
- Length of time in business
- Type of product (s)
- Import or export products
- Buying process
- Decision maker
- Need for your product
- Loyalty to vendors
- Buying frequency

Customer Profile

Segment customer groups by

- Common characteristics
- Need for your product
- Buying frequency
- Determine size and growth of potential market(s)

Competitive Analysis

- Identify direct and indirect competitors
- Evaluate their strengths and weaknesses, relative to what customers value:
- Quality
- Customer service
- Price/value
- Location
- Convenience

Objectively evaluate your company within your industry. Evaluate competitors' strengths and weaknesses relative to your own. (Rate on scale 1 – 5, with 5 as superior)

	Your Company	Competitor 1	Competitor 2
Quality			
Customer service			
Price/value			
Location			
Convenience			
Other			

What are potential opportunities for new business, or for serving new customers?
 What potential threats may impact your marketing strategies? (Your competitor's weakness could be your strength and a threat could actually be an opportunity for your company.)
 Monitor your SWOT, as the marketplace continuously changes!

Internal/External SWOT Analysis
 Use SWOT as the basis for developing marketing strategies:
 Strengths
 Weaknesses
 Opportunities
 Threats

Positioning
 Build your competitive advantage by strategically "positioning" your company and product offerings. Be able to clearly answer the question

- Why should target customers buy from you?
- When they hear your company name, what will they think of?
- What "position" in your customer's mind will your product be in? Top of mind?
- Why should target customers buy from you?

Which strengths should you emphasize? What opportunities speak to unmet needs that you are uniquely positioned to serve?

Marketing Strategy

Building a marketing strategy is a process that allows an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. Once you understand your target customers, their needs, wants, and attitudes, you can develop your marketing mix to serve them, and increase their buying.

How do you build a strategy for gaining customers and building revenue? Thinking about your business, how would you answer these questions? Imagine that a marketing agency is interviewing you to take on your business as a new client.

- Describe your target market:
- Whom do we want to go after and how?
- What do we sell?
- Where do we sell it?
- How do we sell it?
- How do we retain customers?

Develop strategies that incorporate your goals, build on your strengths and embrace your unique competitive advantages. Build your marketing mix to best serve your target customer segments.

Identify the Product or Service. Describe your product or service in terms of Benefits vs. Features. What are the key features

of your products/services? What are key benefits to customers? Features “tell”. Benefits “sell”. The key to your product or service identity is your “market niche”, not only in terms of the services provided, but in terms of needs fulfilled. For instance, a feature of residential lawn service is that it provides lawn cutting, fertilization, etc. The need this business fills and the benefit provided to the customer is convenience for homeowners who are short on time or proper equipment.

Identify Potential Customers. A potential customer is one whose needs may be filled by your product/service and who may reasonably be expected to consider your business as a source of this product/service based on price, location and other factors. Everyone in the world is not a potential customer. Focus on an attainable and realistic portion (segments) of the market.

Identify Your Competitors. A competitor is a business that delivers the same product or service (direct) or similar product or service (indirect) as your business. For instance, if you are providing guard services to warehouses, all other such guard service businesses within your competitive reach would be direct competition. However, alarm systems for warehouses could be an alternative to guard services, and businesses selling alarm systems would be indirect competition.

Understand Why Customers Buy Your Product or Service. It is very important to understand the basis on which customers make buying decisions related to your type of product or service.

Price: Set prices strategically to accomplish business goals, while understanding customer motivations:

- Cost based – cover expenses
- Going rate – follow the leader
- Image pricing – exclusivity
- Service pricing – convenience
- Slow entry – build customer loyalty
- Loss leaders – generate traffic

Examples:

- Will you offer a 25% off coupon to generate traffic?
- What are your long term company and financial goals? (i.e. build a repeat base of loyal customers that buys your pizza every week? Provide a software solution with monthly subscription fees?)
- Based on your company goals, what pricing strategy will you implement?
- What are your target customers willing to pay for?
- Are you providing extra services that customers are willing to pay more for?
- In developing pricing strategy, be careful not to give away product! If the product is “free” its perceived value may be much less than actual cost.

Placement

Determine most effective ways to get your product to your customer: (with packaging that reinforces value and image). How will your customers get your product/service? Can you reduce the cost of delivery and not sacrifice customers’ value perceptions?

Can you increase the speed of delivery and increase your price?

Promotion

Which media are most likely to reach your target customers?

How can you gather information about which promotional tools are most effective?

Which media are most cost effective? (Calculate cost per lead.)

Be sure to ask your customers how they heard about your products, so that you can evaluate effectiveness of your promotional tools.

Publicity/Public Relations

What are some customer success stories that you would like to share?

Where can you find examples of well-written news releases?

What community events and organizations attract your target customers?

Name the media contacts that you reach out to regularly to reinforce your message.

- News releases
- Media relationships
- Success stories
- Organization memberships
- Community events

Advertising

Which advertising vehicles are most noticed by your target customers? (If you're not sure, ask them!) Contact the media sources you are considering to get cost, and target audience information:

- Electronic media
- Internet, radio, TV
- Print media
- Newspapers, magazines
- Brochures, letterhead, business cards
- Direct mail, newsletters

Online Marketing

If you're in business, you need a presence on the Internet. At the very least, get your website listed. Write down the goal for your website in one sentence. Do you want customers to call you? Do you want to sell products on your site? Drive visitors to your store? Write down a one sentence summary describing your business. List the key words that will draw prospects to your site (the more specific, the better). Think about your business' image. Is it modern? Is it colorful? Is it rough? Do you have high quality digital photographs of your products or services in action? Will your website design translate well to mobile devices?

Select your website address (example: www.mybusiness.com). Be sure to write down a few alternatives in case your top choices are already taken. Name the websites you admire and why: (Research your competition – study their sites). How will you capture online contact information from your prospects? What Online Marketing channels make sense for your target audiences? (LinkedIn followers tend to be business-focused; Twitter followers tend to be younger.)

- Website
- Email marketing
- Online advertising
- Social media
- Facebook, Twitter, LinkedIn, Pinterest, Instagram, Google+
- Blogs, Videos, Tweets

Online Marketing Strategy

Be sure to formulate an Online Marketing Strategy! It is easy to spend countless hours online, hoping to reach your target customers with the right message that will entice them to buy from you. As with the overall Marketing Plan, setting your goals will drive your Online Marketing Strategy.

- Who are you trying to reach?
- What online platform does this target group use?
- What are they interested in?
- How often will you post new information?
- When will you measure responses and adjust your strategy?

If your budget only allows one platform, which will reach the most customers most often?

Hootsuite is a good online marketing management tool that lets small businesses manage their social media presence across all social networks. You can build and engage audiences, execute multiple campaigns, collaborate with team members, and measure the performance of your social media.

More Communication Tools

Where are target customers likely to look for information about your product/service? Where are they likely to make their

purchase decision?

- Billboards, vehicle signs
- Point-of-purchase displays
- Product photos, exhibits, samples
- Telemarketing
- Referral incentives
- Word-of-mouth
- Personal selling

Which tools energize your target customers?

Communication Strategy

Build your overall communication strategy around your customer. What media do they see/hear? How long does it take them to make a purchase decision? Where are they located? How much budget do you have to commit to communications? What combination of marketing materials work best to accomplish your goals?

Consistent Message	
Media	
Frequency	
Reach	
Cost per contact	

Each promotional tool is designed for a purpose. General awareness ads may appear on a billboard, while point of purchase displays encourage an immediate purchase.

Blending advertising, public relations, publicity and word of mouth works best – a combination of tactics – on a consistent schedule. Be sure to track which media are most effective.

- Determine consistent message and look
- Clarify purpose of each tool
- Consider frequency, reach, cost per contact
- Plan on 8 – 12 touches minimum (One-time advertising rarely works.)
- Practice your elevator pitch: your word-of-mouth marketing
- Be sure to include a Call to Action (What do you want customers to DO?)

Marketing Plan

Your marketing plan includes an analysis of your target market, summarizes your goals, and breaks those marketing goals down into actionable, scheduled tactics. Begin with the end in mind. What do you want to accomplish this year and in three years from now?

Key Elements of a Marketing Plan

What do you want to accomplish this year?

- Annual Sales
- Net Income
- Number of customers
- Other ways to measure success?
- What do you want to accomplish in 3-5 years?
- Ongoing client database of repeat customers
- Annual growth rate of xx%
- Who is responsible for marketing/sales goals?
- Who is responsible for marketing/sales implementation?

Market Analysis

- Research your industry/environment
- How large is your industry?
- How many prospective customers are there?
- How do economic trends impact customer buying decisions?
- What unique abilities do competitors possess?

Research your customers

- How do you define your ideal customer? (Who will buy most often?)
- What is your target market? (Age, gender, income, geographic location?)
- Who will buy your product? (Who is the decision maker?)
- When will they buy your product? (Seasonally? 24/7?)
- Where will they look for your product? Online? Retail store? Catalog?
- From whom do they want to purchase your product? (Owner, Sales rep, Distributor, e-commerce site?)

Research your competitors

- Who are your direct competitors?
- Who are your indirect competitors?
- Evaluate direct and indirect competitor strengths and weaknesses in key areas (quality, customer service, price/value, location, convenience, speed, reliability)
- Evaluate your own company – do a SWOT analysis. Compare yourself to your competitors. Take advantage of your strengths.
 - Strengths
 - Weaknesses
 - Opportunities
 - Threats

Marketing Strategy

- Develop strategies that incorporate your goals, build on your strengths, and promote your unique competitive advantages. Build a marketing mix to best serve your target customers. Position your product in the customer's mind. Why should a customer buy from you and not your competitors?
- Product: Describe product from customer's point of view. What's in it for them? What are the benefits and features of your product?
- Price: Set prices to strategically accomplish business goals, while remaining sensitive to customer motivations.
 - Cost based: cover your expenses
 - Going rate: follow the market leader
 - Image pricing: your product is exclusive
 - Service pricing: your product is convenient
 - Slow entry: work toward building customer loyalty
 - Loss leaders: generate traffic by setting pricing low (by discounts off price you want to achieve).
- Place: Determine most effective way to get your product to customer, such as shipping, electronic transfer, personal delivery, retail, etc.
- Promotion: Determine promotional tools based on what your target customers hear and see, such as internet, radio, TV, print, billboards, etc.
 - Publicity: News releases, success stories, organization memberships, community events.
 - Advertising: Electronic media (i.e., website, email, social media, radio, TV,) and print media (i.e., newspaper, magazine, brochure, direct mail, newsletters, letterhead, business cards).

Implementation Schedule & Budget

- Create a timeline for when different methods of advertising and publicity will be used.
- Prepare cost estimates. What can you afford to do to achieve the results you want?

- Track results and make changes to improve results.

Sample Marketing Action Plan — 12 Month Schedule & Budget

Marketing Action Plan for: _____														AMERICA'S SBDC MICHIGAN		
Year: _____																
Actual Month		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL		
Activity - Tactic	Notes, Vendor, Details, Etc.															
Professional Assistance														\$0.00		
Marketing/PR Consultants														\$0.00		
Advertising Agency														\$0.00		
Direct Mail Specialists														\$0.00		
Graphic design														\$0.00		
Web design														\$0.00		
Social media management														\$0.00		
Printed Materials																
Brochures														\$0.00		
Postcards														\$0.00		
Business cards														\$0.00		
Other														\$0.00		
Website																
Development														\$0.00		
Maintenance/Hosting														\$0.00		
Internet optimization services														\$0.00		
Advertising																
Magazine:														\$0.00		
Magazine:														\$0.00		
Billboards														\$0.00		
Online														\$0.00		
TV/Radio														\$0.00		
Site signage														\$0.00		
Other														\$0.00		
Promotional Items																
Pens														\$0.00		
Notepads														\$0.00		
Other														\$0.00		
Trade Shows																
Fees and Setup														\$0.00		
Travel and Lodging														\$0.00		
Exhibit Materials/Equipment														\$0.00		
Networking and Memberships																
Open house														\$0.00		
Meeting travel														\$0.00		
Entertainment														\$0.00		
Service org membership														\$0.00		
Other														\$0.00		
TOTAL		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$288.00	\$0.00	\$0.00		



Managing a Business

Professional Assistance

The importance of professional assistance cannot be overstated. The cost of hiring professional consultants often discourages business people from obtaining professional assistance; but the expense of using skilled professional consultants may be insignificant when compared to the net gain you might achieve by putting your time to revenue producing activity, or the costly after-effects of poorly prepared or incomplete documents, or uninformed decisions.

There is no substitute for professional services to keep a business operating within financial and legal parameters. There are professionals available to assist with every aspect of a business, and able to determine what will best serve specific business needs. Listed below is a “core group” of professionals most business people need.

	Professional Services
Accountant	Bookkeeping, taxes, cash flow
Attorney	Legal form of business organization, contracts, agreements, general consultation
Banker	Loans, billing services, creditsystems
Information Technologist	Set up, manage, and monitor hardware and software
Insurance Agent	Design and implement marketing materials and plan

Recordkeeping

The term “record keeping” refers to the orderly and disciplined practice of storing business records. Record keeping is one of your most important responsibilities as a small business owner. The success of your business depends on creating and maintaining an effective record system. Record keeping ranges from simple manila folder filing systems to commercial software programs to complex on-line cloud-based systems.

Types of Records to Maintain

- Accounting – Cash flow, income and expense, balance sheet, petty cash
- Client files
- Contracts, vendor files
- Corporate or organization records (meetings, resolutions, etc.)
- Bank and credit card statements
- Annual tax returns, quarterly tax filings
- Personnel (for specific requirements, see HR professional and/or SBDC consultant)
- Inventory
- Vehicle use log, travel log

Technology

Acceptable Use Policy

“Acceptable use policies” are important guidelines and expectations a business should provide for employees to understand what is or is not allowed in the use of company-owned property. You may already have policies defining the acceptable use of company vehicles, copies, or other types of machinery and equipment. Given the high level of technology integration in businesses today, having an acceptable use policy for your company’s technology equipment and systems is extremely important. You may also wish to add policies regarding acceptable or prohibited use of personal technology devices in the workplace. Acceptable use policies serve as a means of limiting your liability should an employee misuse company equipment; they can also serve as a means to limiting workplace and workflow disruption. A technology or other acceptable use policy should be understood by every employee, and acknowledgement of the policy or policies documented by a signed and dated receipt for the policy document. More information and sample Acceptable Use Policy documents can be found from organizations such as SANS at www.sans.org/security-resources/policies

Data Back-Ups

While many of your records are likely to be maintained in some paper form for day-to-day operations purposes, businesses have come to rely heavily on computer-based technology for the majority of business recordkeeping functions, meaning that most or all of those records have an electronic file, likely stored on your hard drive. Having both paper and electronic copies of the same files is a simple method of backup, but not a fail-safe method. Having a backup of your files (especially electronic backup) that is stored off-site is important to help you recover in the event of a fire, flood or other unforeseen disaster.

Simply having a backup is not necessarily good enough. Could you imagine opening a filing cabinet with all of your paper backups, only to find water had seeped in, destroying all your hard copies? As a business, you should periodically check and/or test your backups. This means checking those paper files; it means restoring information from an electronic backup and verifying you could continue operating from those backups. Checking at least once a year, and preferably at least every quarter, is recommended. If your electronic backups are not properly configured and monitored, you may be in for a nasty surprise when you need them. Also keep in mind when using an Internet or “cloud-based” system for offsite backups, that in the event of a disaster, you may need access to your backups without an internet connection. A good backup solution will have both on-site and off-site backups.

Cybersecurity

As businesses have become increasingly engaged in internet/online business activity (sales, vendor purchases, email, marketing, website, e-commerce, and much more), your entire business can be quite literally IN your computer’s hard drive and online system tools. Protecting your business from online threats has become a critical consideration for every business – especially small businesses. Key items such as the sharing of passwords, use of personal devices (smartphones, tablets, etc.) on business systems, and the reporting of possible security breaches should be covered in a signed policy document such as your Acceptable Use Policy. You can also complete the Cyber Security Canvas (Appendix H) to begin planning the steps needed to protect your small business from cyber threats. Review the RansomwareDos and Don’ts Guide (Appendix I) to know how to respond to a potential ransomware attack.

For more information about cyber security for small business, including a cyber security assessment, visit our Small Business, Big Threat website at: <https://smallbusinessbigthreat.com>



Financials

Bookkeeping

Bookkeeping is the organized process of tracking all income and expense transactions.

Bookkeeping is a critical component of financial management, which leads to better business decisions regarding financing, taxes, owner's draw, and retirement. Here are ten basic bookkeeping steps:

1. Obtain business accounting software. Proper software selection is critical for success.
2. Open a separate business checking account. Do not mix business and personal checking accounts.
3. Reconcile your checking account. Each month, reconcile your account using business accounting software or a cloud computing reconciliation process.
4. Track sales. Create an airtight system for tracking sales using tools such as a register tape, invoices, and a sales book. Always use this sales tracking system.
5. Deposit all sales. Using the duplicating deposit slips, deposit all sales in your business checking account. Alternately, "remote deposit capture" (RDC) may be available for depositing checks—this technology allows you to deposit a check into your account from your office by sending the bank an electronic image of the check. Total sales should equal total deposits. Do not spend cash sales. Link all forms of sales documentation (such as invoices, cash register tapes, and sales books) with a specific deposit.
6. Write business checks for all business expenses (or use a business check card). Don't use a petty cash system until you are experienced at bookkeeping.
7. Obtain a separate business credit card. If you plan to use a credit card for business expenses, consider obtaining a card in your company's name. Doing so will help you keep track of business expenses.
8. Pay business expenses first. Most businesses start out as a sole proprietorship. In sole proprietorships, you, the owner, do not get a salary; rather you take an owner's draw. A common question is how much draw to take? Here's a rule of thumb: Sales pays for business expenses first, personal expenses second (step 10, below).
9. Run a profit and loss (P&L) statement. A checking account balance is not a good indication of how much profit the business has made or what amount is available for owner's draw. A P&L statement can provide a better picture of the financial health of the organization.
10. Pay yourself with owner's draw. Owners should pay themselves by writing a check or making an electronic transfer from the business account to a personal account. If you are a sole proprietor, assign those draw checks to an equity account called "Draws."

Cash Flow

Cash flow can be defined two ways:

- Balance of cash received less the amount of cash paid out over a period of time
- Moving cash in or out of a business

Cash Flow Projection

A cash flow projection is a financial statement that tries to show how cash is expected to flow in and out of a business over a future period of time. A cash flow projection is used to see if projected cash receipts (in flows) will be sufficient to cover projected cash disbursements (out flows). A business can be profitable and still run out of cash. As an investment banker might say, "Cash flow projections provide the visibility needed to avoid liquidity problems." In other words, a cash flow projection is a tool to help you manage your cash so you can pay your bills on a timely basis and keep the doors of your business open.

A cash flow projection is a great tool for setting sales goals and for planning for expenses to support those sales. A related use for a projection is to determine your breakeven point during a start-up or expansion phase. If you need to plan for a large expenditure, such as an equipment purchase or move to a new location, a cash flow projection is the perfect tool. Similarly, if you have a seasonal business with large inventory purchases, a projection can help you have the cash on hand to make a large inventory investment when you need it. A P&L statement can mask cash shortages if you use accrual accounting. A cash flow projection helps you see the cash status of your business now and plan into the future. A cash flow projection is a good way to prepare and plan for your financing needs and is often a required part of a business loan application.

Cash Flow Projection Spreadsheet

Let's look at a sample cash flow projection. The first set of rows, titled Sources of Cash, document all sources of incoming cash, including cash from customer sales, interest earned, loan funds, and current checking and savings account balances. The second section, Operating Uses of Cash, contains all those expenditures associated with the day-to-day buying and selling process. Most of these expenses show up on the P&L statement. The third section, Non-Operating Uses of Cash, show expenses that normally show up on your Balance Sheet: equipment purchases, the principle portion of loan payments, inventory, taxes, and owner's draw. Subtract your Uses of Cash from your Total Cash Available, and you have Ending Cash for the month. Ending Cash for one month becomes Opening Cash for the next month.

TWELVE-MONTH CASH FLOW STATEMENT

	Pre-Startup	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash on Hand (beginning of month)													

CASH RECEIPTS (CR)													
Cash Sales													
Collections from CR accounts													
Loan/other cash in.													
TOTAL CASH RECEIPTS													
Total Cash Available (before cash out)													

CASH PAID OUT													
Purchases (merchandise)													
Purchases (specify)													
Purchases (specify)													
Gross wages (exact withdrawal)													
Payroll, expenses (taxes, etc.)													
Outside services													
Supplies (office & oper.)													
Repairs & maintenance													
Advertising													
Car, delivery & travel													
Accounting & legal													
Rent													
Telephone													
Utilities													
Insurance													
Taxes (real estate, etc.)													
Interest													
Other expenses (specify)													
Other (specify)													
Other (specify)													
Miscellaneous													
SUBTOTAL													
Loan principal payment													
Capital purchase (specify)													
Other startup costs													
Reserve and/or Escrow													
Owners' Withdrawal													
TOTAL CASH PAID OUT													
Cash Position (end of month)													

ESSENTIAL OPERATING DATA (non cash flow information)													
Sales Volume (dollars)													
Accounts Receivable													
Bad Debt (end of month)													
Inventory on hand (eom)													
Accounts Payable (eom)													
Depreciation													

PROFIT AND LOSS STATEMENT

Estimated Projection Of Income And Expense For Three Years

	YEAR 1	YEAR2	VEAR3
Net Sales	\$ _____	_____	_____
Cost of Goods Sold	_____	_____	_____
Gross Profit	_____	_____	_____
OPERATING EXPENSES			
Depreciation & Amortization	\$ _____	_____	_____
Accounting & Legal	_____	_____	_____
Advertising	_____	_____	_____
Bad Debt Expense	_____	_____	_____
Dues & Subscriptions	_____	_____	_____
Insurance	_____	_____	_____
Miscellaneous	_____	_____	_____
Officers Salaries (Corporation)	_____	_____	_____
Other Salaries	_____	_____	_____
Payroll Taxes	_____	_____	_____
Rent	_____	_____	_____
Repairs	_____	_____	_____
Selling Expenses	_____	_____	_____
Supplies	_____	_____	_____
Telephone	_____	_____	_____
Travel/Entertainment	_____	_____	_____
Utilities	_____	_____	_____
<hr/>			
Total Operating Expense	_____	_____	_____
Operating Profit (before tax)	\$ _____	_____	_____
Interest Expense	\$ _____	_____	_____
Other Expense	\$ _____	_____	_____
Other Income	\$ _____	_____	_____
Est. Income Taxes (Corporate only)	\$ _____	_____	_____
Net Profit	\$ _____	_____	_____

Benefits of Financial Management

Quality financial management offers many benefits to you as a business owner. Financial management includes bookkeeping, projections, financial statements, and financing, which forms the foundation for reaching your goals through sound business decisions. Financial management is one of your main avenues to success as a business owner. Financial management is the way you know if you are making a profit. Financial management helps you decide what you can afford in terms of store or office location, inventory purchases, employees, and equipment. You need sound financial information to set your prices and select your vendors. Financial management gives you the tools to plan for overall business growth, for diversification of your product lines, or for reaching new markets. Financial management helps you decide which products, services, and markets are profitable. Effective financial management gives you tools to chart your course into the future, adjust your direction when needed, and help you find your way through challenging times. If your business growth requires financing (loans), financial management provides the information to know how much you can afford for your business. Financial management gives you not only the documentation needed for a loan application, but also helps you discuss your business circumstances with a lender in terms that improve your ability to qualify for the loan.

Creating a budget is the first place to start with your financial management practice. A budget is a list of all your (monthly or yearly) expenses, organized by categories. A budget is a tool that helps you:

- Track all your business expenses
- Plan for the future
- Economize when you need to
- Plan for expansion
- Make a profit Once you create a budget, use it to compare what you've budgeted with your actual expenditures.

Financial Recordkeeping

Accurate and complete financial records are the basis of understanding and monitoring the health of your business. An accountant or bookkeeper can be indispensable to a new or growing business, not only as a financial record keeping service but also as a key adviser on taxes, cash flow, payroll, credit, and systems management and changes within the tax system. Good financial recordkeeping allows you to create reports of current data so you can compare your status to your financial plan and overall business plan. It is essential to regularly review and compare; evaluate the reasons for differences, whether positive or negative; consider changes to business activity; and, if necessary, adjust the business and financial plan.

Separate Bank Account

As soon as you start accepting or spending money as your business, you should open a business bank account. Common business accounts include a checking account, savings account, credit card account, and a merchant services account. Merchant services accounts allow you to accept credit and debit card transactions from your customers.

Most business bank accounts offer perks that don't come with a standard personal bank account.

- **Protection:** Business banking offers limited personal liability protection by keeping your business funds separate from your personal funds. Merchant services also offer purchase protection for your customers and ensures that their personal information is secure.
- **Professionalism:** Customers will be able to pay you with credit cards and make checks out to your business instead of directly to you. Plus, you'll be able to authorize employees to handle day-to-day banking tasks on behalf of the business.
- **Preparedness:** Business banking usually comes with the option for a line of credit for the company. This can be used in the event of an emergency, or if your business needs new equipment.
- **Purchasing power:** Credit card accounts can help your business make large startup purchases and help establish a credit history for your business.
- **Find an account with low fees and good benefits**

Some business owners open a business account at the same bank they use for their personal accounts. Rates, fees, and options vary from bank to bank, so you should shop around to make sure you find the lowest fees and the best benefits. Here are things to consider when you're opening a business checking or savings account:

- Introductory offers
- Interest rates for savings and checking
- Interest rates for lines of credit
- Transaction fees
- Early termination fees
- Minimum account balance fees
- Here are things to consider when you're opening a merchant services account:
- Discount rate: The percentage charged for every transaction processed.
- Transaction fees: The amount charged for every credit card transaction.
- Address Verification Service (AVS) fees.
- ACH daily batch fees: Fees charged when you settle credit card transactions for that day.
- Monthly minimum fees: Fees charged if your business doesn't meet the minimum required transactions.
- Payment processing companies are an increasingly popular alternative to traditional merchant services accounts. Payment processing companies sometimes provide extra functionality, like accessories that let you use your phone to accept credit card payments. The fee categories that you need to consider will be similar to merchant services account fees. If you find a payment processor that you like, remember that you'll still need to connect it to a business checking account to receive payments.

Get documents you need to open a business bank account

Opening a business bank account is easy once you've picked your bank. Simply go online or to a local branch to begin the process. Here are some of the most common documents banks ask for when you open a business bank account. Some banks may ask for more.

- Employer Identification Number (EIN) (or a Social Security number, if you're a sole proprietorship)
- Your business's formation documents
- Ownership agreements
- Business license



12

Insurance

It is sensible for any business to purchase certain types of insurance: Some insurance coverage is required by law, and other coverage simply makes good business sense.

The insurances listed below are among the most commonly used and are some suggestions for evaluating the needs of your own business. To learn more about the coverage that is best for your specific business, you can contact an insurance agent who writes business insurance, often referred to as “business lines.”

You can also check into insurance programs offered by trade associations related to your type of business, as well as insurance programs that are beneficial to members through Chambers of Commerce. Insurance is a very competitive business. Be sure to contact more than one source — shop around to get the best coverage for the lowest price.

Liability Insurance

Businesses may incur various forms of liability in conducting normal activities. One of the most common types of liability is product liability, which may be incurred when a customer suffers harm (broadly defined) when using the product. There are many other types of liability related to specific industries. Liability law is constantly changing. An analysis of your liability insurance needs by a competent professional is vital in determining an adequate and appropriate level of protection for your business.

Property

There are many different types of property insurance and levels of coverage available. It is important to determine the property value to insure for the continuation of your business and the level of insurance if you should need to replace or rebuild. You must also understand the terms of the insurance, including any limitations or waivers of coverage.

Workers' Compensation

Most employers are required to provide Workers' Compensation coverage for their employees. This coverage applies to injuries incurred by workers in the course of their job duties. A Workers' Compensation policy is purchased from a private insurance company and is required by law. For further information, see “Workers' Compensation” section on page 39 or visit www.michigan.gov/wca

Business Interruption

While property insurance may pay enough to replace damaged or destroyed equipment or buildings, how will you pay costs such as taxes, utilities and other continuing expenses during the period between when the damage occurs and when the property is replaced? Business interruption (or “business income”) insurance can provide sufficient funds to pay your fixed expenses during a period of time when your business is not operational.

Key Person

If you (and/or any other individual) are so critical to the operation of your business that it cannot continue in the event of your illness or death, you should consider “key person” insurance. Banks or government loan programs

frequently require this type of insurance. It can also be used to provide continuity in operations during a period of ownership transition caused by death or incapacitation of an owner or other “key” employees.

Automobile

It is obvious that a vehicle owned by your business should be insured for both liability and replacement purposes. What is less obvious is that you may need special insurance (called “non-owned automobile coverage”) if you use your personal vehicle on company business. This policy covers the business for any damage that may result for such usage.

Officers and Directors

Under certain circumstances, officers and directors of a corporation may become personally liable for their actions on behalf of the company. An “officer and director” insurance policy covers this liability.

Home Office

If you are establishing an office in your home, it is a good idea to contact your homeowner’s insurance company to update your policy to include coverage for office equipment. This coverage is not automatically included in a standard homeowner’s policy.



13 Selling to the Government Procurement and Technical Assistance Centers

Government contracting is the process that lets you sell your goods or services to the government and its various agencies. The government has a contract, or agreement, with you whereby it purchases what you do or make. And U.S. government agencies buy a lot from small businesses – nearly \$400 billion worth of goods and services each year! From market research to janitorial services, if you want to make the government your customer, there's a good chance there's a need for what you offer.

Becoming registered to sell to the government (local, state, or federal) and pro-actively marketing to secure government contracts can be a key to expanding and diversifying the market and income potential of any business. It is a generally accepted practice, however, that to be eligible for government contracts, a business needs to have been in business at least 2 years to have history that demonstrates performance capability.

Procurement Technical Assistance Centers (PTAC) MEDC Procurement Offices & Government Contract Support

There are steps and a process for getting your business registered to be eligible for bidding on contracts or direct government purchases. The Michigan Economic Development Corporation (MEDC) provides support to the statewide network of PTAC and MEDC Procurement Offices in which skilled professionals assist businesses to successfully bid for federal, state and local government contracts; help you obtain the most current and relevant information available; provide insight into the research process; and coach you through the government contracting process from start to finish. Most services available through the PTACs of Michigan are free of charge.

To find the PTAC or MEDC Procurement Office nearest to your business, visit www.ptacsofmichigan.org/
Procurement support includes, but is not limited to:

- One-on-one counseling
- Orientation to the procurement system
- Training seminars and conferences
- Bid match for government solicitations
- Government specifications
- Bid package assistance; bid history and contract award results
- Linking local companies to federal and state government agencies
- State of Michigan contracting assistance
- Post bid-win assistance

Michigan Defense Center is the arm within MEDC that strategically connects defense buyers and prime contractors with Michigan's capable supply chain. With the goal of creating Michigan jobs by bringing more defense contracts to Michigan, the MDC aggressively seeks and identifies established Michigan companies to create and compete in supply chains, leveraging their unique abilities to meet defense goals. PTACs and MEDC Procurement Offices are the front line to the Michigan Defense Center. For more information or to register with the Michigan Defense Center, visit: <http://www.arsenalofinnovation.com/>

Becoming a State of Michigan Contractor: The Michigan Department of Management and Budget (DMB) competitively bids all solicitations; and Michigan businesses are encouraged to participate in the state contracting process. DMB and MEDC work closely to provide valuable tools and training for Michigan businesses that want to become state contractors.

The Michigan DTMB-Purchasing Operations' Contract Connect website provides information and educational services to businesses looking to contract with the State of Michigan. The Department manages the procurement of commodities, services, and information technology valued at \$25,000 and above for all state agencies. Contract Connect also provides opportunities in design and construction and real estate leasing.

At the website, [Michigan.gov/micontractconnect](http://www.michigan.gov/micontractconnect), you can view the current contract portfolio DTMB-Purchasing Operations Contract List. You will also find training materials and upcoming events that will help guide you through the state contracting process. To contact Purchasing Staff, please email DTMB-micontractconnect@michigan.gov. You will also find contact information for individual state agencies handling procurements of \$25,000 at <http://www.michigan.gov/micontractconnect/0,4541,7-225-40707---,00.html>.

Small Business Certifications

There is a prevalent misunderstanding that small business certifications confer special treatment for any certified small business. While such certifications may have marketing value or purchaser preference, they are applicable primarily for those small businesses engaged in government contracting. There is generally no advantage related to grants or funding.

When the federal government allocates government spending, it establishes set-asides — a percentage of total government contract money to be spent that is “set aside” and required to be spent with small businesses that meet certain criteria and are certified as:

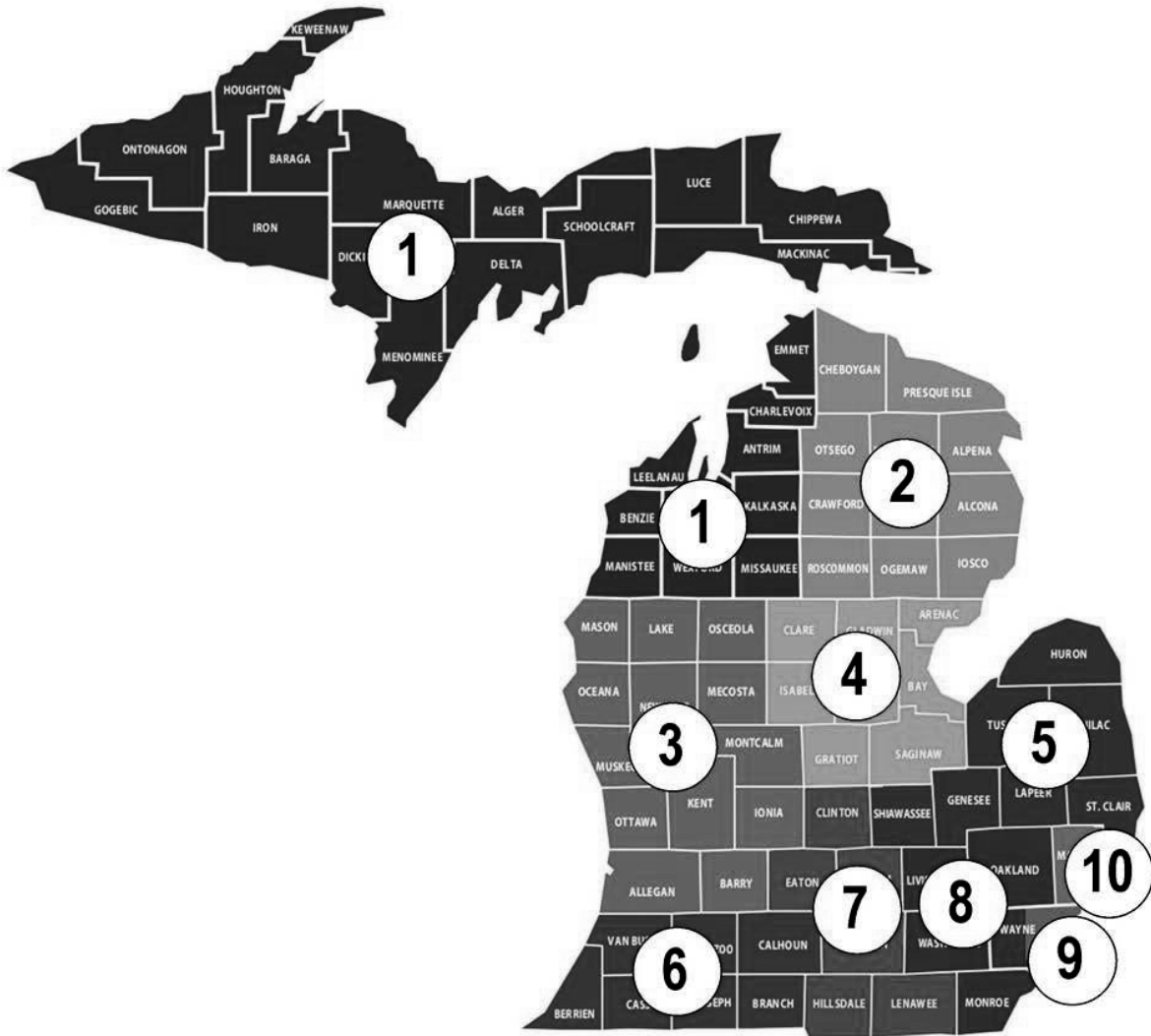
- Small Disadvantaged
For more information, visit: <https://www.sba.gov/content/disadvantaged-businesses>
- 8(a)
For more information, visit: <https://www.sba.gov/blogs/sbas-8a-certification-program-explained>
- Historically Underutilized Business Zone (HUBZones)
For more information visit: <https://www.sba.gov/contracting/government-contracting-programs/hubzone>
- Woman-Owned or Controlled Small Business or 8(m) Woman owned Small Business Program
For more information visit: <https://www.sba.gov/content/women-owned-small-business-program>
- Indian-Owned Economic Enterprises & Organizations
For more information visit: <https://www.sba.gov/content/native-americans-0>
- Veteran Owned - Service Disabled Veteran Owned Business
For more information visit: <https://www.sba.gov/content/veteran-service-disabled-veteran-owned>

Some certifications are “self-certifying” and others require certification through a third party certifier. Your PTAC consultant can assist you in determining if you would qualify for certification and where and how to complete it.

See directory of PTAC's, next page.

Procurement Technical Assistance Centers of Michigan

MAP	PTAC	Phone	City	Zip	Website
1A	Northwest Michigan PTAC	(906) 789-0558	Escanaba	49829	http://www.networksnorthwest.org/business/ptac/
1B	Northwest Michigan PTAC	(231) 929-5076	Traverse City	49685	http://www.networksnorthwest.org/business/ptac/
2	N.E. Michigan Consortium	(989) 733-8540	Onaway	49765	www.nemcworks.org
3	Muskegon Area First PTAC	(231) 722-7700	Muskegon	49440	www.muskegonareafirst.org/ptac
4	Saginaw Future Inc.	(989) 754-8222	Saginaw	48607	www.saginawfuture.com
5	Flint & Genesee Chamber of Commerce	(810) 600-1461	Flint	48502	www.flintandgenesee.org/develop/ptac/
6	S.W. Michigan PTAC	(269) 385-0470	Kalamazoo	49007	www.upjohn.org/
7A	PTAC of South Central Michigan	(517) 788-4680	Jackson	49201	www.enterprisegroup.org
7B	Lansing Area Satellite Office	(517) 853-6445	Lansing	48912	www.ptac_scmi.org/
8	Schoolcraft College	(734) 462-4438	Livonia	48152	http://schoolcraft.edu/bdc/about/ptac
9	Wayne State University	(313) 577-6581	Detroit	48202	http://execed.wayne.edu/entrepreneurship/ptac
10	Macomb Regonal PTAC	(586) 498-4122	Warren	48092	www.macomb.edu/ptac





14

Business Plan

You've taken the time to read this information and probably learned a lot about starting, running, and/or growing a business, but where should you go from here?

- Take the time to prepare a comprehensive business plan

Write a Business Plan

In spite of the fact that one of the major reasons for business failures is lack of planning, just mentioning the task of “writing a business plan” makes many aspiring (and existing) entrepreneurs cringe. There’s no question it does take time and commitment for researching, organizing information, evaluating, and writing down your actionable plan.

So why should every entrepreneur go to the trouble of creating a written business plan?

1. If you're looking for financing or investment, lenders and investors require a written plan. A completed business plan provides the information needed, and communicates your ideas to others, as the basis of a financial proposal. A decision on whether to extend financing or investment will be based on all the information in the business plan, not just the financials.
2. But the most important reason is YOU! It's not enough to “have it all in your head” since ideas and thoughts aren't a plan. What's in your head is ideas, and they are like clouds that change form from minute to minute. The process of putting a business plan together, including the information gathering and analysis, organizing and writing down the information you've discovered combined with your ideas and measurable goals forces you to see the business project in its entirety, including its strengths and shortcomings.
3. Writing your business plan is a virtual simulation. Before you invest a chunk of money, it allows you to get to know the economic environment, test the financial scenarios, identify and locate your markets, figure out the what/how/when/why of operations and management, and more. It allows you to consider and adjust for needs or opportunities. Writing a business plan can reduce your risk and increase your chances for success!
4. Once launched, your written business plan is a management tool: It provides benchmarks and milestones you can use to measure your success; it is also a tool to remind management of the business goals as well as communicate them to employees as a means to keep everyone heading in the same direction.

Most everyone needs help in putting a business plan together. There are several well-written brochures and books available at libraries and bookstores for guidance. Most large accounting firms have manuals available. Various legal and financial consultants are listed online. For more assistance or a schedule of MI-SBDC workshops or seminars on business planning, visit: www.SBDCMichigan.org

MI-SBDC Business Plan Overview

Cover Page
Table of Contents
Executive Summary
Section 1 – Company Introduction
Section 2 – Market Analysis/Marketing and Sales
Section 3 – Management and Operations
Section 4 – Financials

MI-SBDC Business Plan Outline

Section 1—Company Description/Introduction

Introduce and describe your company. How/why was your company formed? How long has your company been in operation? Where is the company located and what is its legal entity?

As you write your business description and the entire plan, think of ways you might make each section more interesting to read, especially if the plan will be used to acquire funding. A business plan should tell a story as it defines your business goals and actions. You may want to highlight the following elements within this section:

- Overview of company history/capabilities
- Location and hours, legal entity
- Product or service description, present state of development (if applicable)
- Mission and vision
- Intellectual property status (patents, copyrights, etc., if applicable)
- Commercialization strategies (brief summary, if appropriate)
- SWOT analysis (your strengths, weaknesses, how you will overcome those weaknesses)

Section 2—Market Analysis/Marketing and Sales

Industry Analysis

Paint a picture of what is happening in your specific industry overall so you can plan how to take advantage of market opportunities. Similarly, industry awareness will help you determine if your sales projections are realistic. For example, is the industry large enough to support another supplier; how fast is your industry growing (sales \$, number of customers, profits); are there some segments growing faster than others?

You may want to highlight the following elements within this section:

- Current industry size, status, and trends (to understand how to position your company for market opportunities and to identify areas of growth or decline)
- New products or services in the industry
- Trade associations that support your product/service (potentially a great source of industry and market information)
- Opportunities and threats affecting the industry (and how you will capitalize on the opportunities and handle the threats)

Market Analysis

Provide a good description of your market (all who might buy your product or service), then group them into primary and secondary markets. Your primary market is the group that is likely to buy the largest quantity of your product, or that is likely to buy more of your most profitable product. Secondary market includes those customers who will buy, but probably not at the same volume level as your primary target. Next you should estimate how large your target markets are (number of potential customers, how much are they likely to spend in a given year). Then, predict how fast your target markets will grow. Be realistic. Even if every customer loves your product, they all have limits on their ability to spend.

You may want to highlight the following elements within this section:

- Market size and trends
- Quantify available markets (number of potential customers, how much are they likely to spend in a given year)
- Predicted annual growth rate of markets
- Define your primary and secondary markets

Customers

It is important for a company to know exactly who they are targeting with their products/services, where the customers are located, why they are interested in the product/service, and when/how/why they will purchase the product/service. Describe your ideal customer in terms of their attributes or demographics (age, gender and income or business type, size and location) so that your selling approach will make sense to them.

You may want to highlight the following elements within this section:

- Description of target market (who is your ideal customer?)
Geographic area for target market (within 60 mile radius? nationwide?)
- Problem that company is solving for the market (what do they need?)
- Buying behavior (how often, how many products?)
- Decision making process (how much lead time, is it a group decision?)

Competition

Who is your competition? Competitors include other suppliers who provide similar products (direct competitors) as well as those who provide a product in the same general category (indirect competitors). For example, a retail video rental store competes with other video rental companies, and also with other forms of entertainment such as movie theatres, HBO, etc.) How much of the market do your competitors hold? Who has the largest share of the market and what are their strengths and weaknesses? What is your competitive advantage against the competition?

- You may want to highlight the following elements within this section:
- Indirect & direct competitors? Who are they and where are they?
- Competition analysis (what they do, how they do it, their strengths and weaknesses, how you might differentiate)
- Market share held by competitors (or annual sales volume)

Marketing/Sales Plan

Your Marketing and Sales Plan needs to focus on the key characteristics of your target customers, their demographics and buying behavior, and their attitudes about your product. Why will a customer buy from you and not a competitor?

Set realistic sales goals that recognize the size of your industry, the size of your target market, how strong your competitors may be, and your ability to produce the product. Understanding your customers will also help you determine your sales force and distribution plans. Does your product require a direct sales approach? Will customers feel comfortable ordering online? Do customers need to see the product before purchasing? How many contacts will they need before agreeing to purchase?

Once you know your sales targets, you can plan your communications strategy around how many prospects you need to reach. Customers need to be aware of your company; and they have to want your product, have the ability to purchase it, and be satisfied with their purchase so that they will purchase again and also spread your name to others. Your advertising needs to include the media (such as print ads, radio, direct mail, billboards, events, publicity) that best reach your target market. And you will need to get the word out on a regular basis, so draft your communications plan onto a calendar, with regular communications activities throughout the year.

Often, partnering with a company that provides a complementary product can open the door to a broad base of potential customers. (For example, a Subway Shop may open next to a gas station.) Pricing is an important part of your marketing mix. Estimate sales at various price levels. Investigate your target customers' expectations about

price in addition to what your costs are.

You may want to highlight the following elements within this section:

- Marketing and sales objectives
- Current customer profile (if applicable)
- Potential customers feature/benefit analysis (what are they looking for or do they need?)
- Potential teaming partners (who they are, why selected, if appropriate)
- Pricing: price points, margins and levels of profitability at various levels of sales
- Sales plan (methods and process, sales expectations for sales people, distribution channels, margins for intermediaries, customer service and warranties)
- Advertising: Year 1 detailed marketing communications plan including implementation plan; Year 2-5 general plan, marketing budget/costs, assumptions. See page 52 for an example of a Marketing Action Plan (plan, schedule, and budget).

Section 3—Management and Operations

Your Management and Operations section needs to focus on how the business will be run: The management team and the experience and skill they bring to the business as well as how you will manage the company, who will be responsible for running the day-to-day operation as well as the steps and processes necessary to get the work of your business done. Even the best and brightest entrepreneurs cannot do everything. Identify key work areas that will ensure customer satisfaction and company growth and make sure staff understands their responsibilities. This ranges from how the telephone should be answered to what is your return policy; from how do we reach more customers, to what is the most cost effective level of inventory? Note: Documented processes (job descriptions, training plan, activity steps, etc.) will help you develop consistency and quality in production, sales, delivery, and follow-up customer care.

Human Resources Plan

Who is on your management team? Consider your knowledge and experience gaps and anticipate and plan for how you will cover those gaps and manage all the important business functions. Who do you know that might help you in the early stages, and where do you need to incorporate specialized assistance such as: Financial management — accountant or bookkeeper; Legal advice — attorney; Risk management — insurance agent; Site or facilities — realtor and/or local economic development organization; Marketing and advertising — specialized consultants (graphic design, web development, marketing); Human resources — staffing service/consultant; Technology and computer systems — IT services consultant.

Consider how many staff members will you hire and in which roles? How much money will you spend? What are your goals for staffing? Estimate the costs and benefits of full-time, part-time and contract employees. How will new employees be trained? Critical areas include Operations, Sales, and Finance, and each function needs to be defined. How will decisions be made? Where are your greatest strengths? What skill areas and team members need to be added?

You may want to highlight the following elements within this section:

- Management team
- Organizational structure (chart)
- Staffing objectives (job duties and basic work schedules – this may include outsourced roles)
- Board of Directors, Advisory Board (if appropriate)

Operations Plan

You may want to highlight the following elements within this section:

- Basics on how work will be processed
- Use of subcontractors for work activity
- Quality control
- Facility needs (site and/or floor plan are helpful visuals)
- Manufacturing needs (equipment, work flow)

Research and Development Plan (if applicable)

Plan for your company's future and growth. Whether you will be developing new products or expanding to additional locations, a growth plan is important. What are your goals and plans in this area? What obstacles do you foresee while trying to achieve your objectives? Will you require additional financing to obtain your research and development objectives? You may want to highlight the following elements within this section:

- Research and Development objectives
- Milestones and contingency plans
- Difficulties and risks and how to overcome them
- Special budget needs

Section 4—Financials

In a narrative, identify the financial goals and projections for your company. What do you need and how will you obtain it? Start by estimating your monthly costs, both fixed and variable. That total tells you at a minimum what you need to generate in revenue – and then you can work backwards and calculate how many products you'd need to sell, or how many hours of service you'd need to complete, to at least break even (income = expenses).

The following elements should be included in this section:

- Assumption page - A list of your explanations for the numbers in the financial projection.
- Cash flow projections -This will compare the money coming in to the money going out on a month-by-month basis. Can you pay your monthly bills?
- 2-5 years profit & loss statements – Different than cash flow, a P&L includes some different categories and will show if your company is projected to grow or is growing financially and according to your targeted goals.
- Start-up or growth capital needed – An itemized or categorized list of how the money borrowed/invested will be spent (Sources and Uses).
- Financing needed and equity/debt options - Ask for what you have assumed in the financial projection. For example, if the projection assumes a \$50,000 at 5.0% for 10 years, that is what you ask for.
- Terms and conditions of any previous financing – Include information on any existing debt and equity arrangements.
- Commercialization/strategy (if applicable). Some business plans take an idea or invention from conception to the market place. One needs to address those issues as the timeframe for such a project is usually very long.
- Exit strategy - How is the money going to be extracted from the business? Do you plan to sell the business? Will your children inherit it?

Appendix

Supporting documents related to content you have referenced in your plan, which you or another reader may wish to refer to for more detail or verification, may include the following:

- Principal's resumes and/or list of owners with over 20% of the stock
- Personal income tax forms if required
- Letters of recommendation, purchase orders, other
- Site/floor plans
Contracts

When the plan is complete...

Cover Page

Allow one full page in actual document. Every business plan needs a cover page. The cover should show the following information (fill in for your business):

Company Logo (if available)

Company Name

Address

City, State Zip

Web Site Address

Company Owner's Name

Email Address

Phone Number / Fax Number

Date

Table of Contents

Allow one full page in actual document. Come back to this section and fill in the page numbers when the business plan is complete.

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Financials	xx
Financial narrative	
Assumptions	
Sources and Uses of Funds	
Cash flow projections	
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Executive Summary

The Executive Summary section provides an overview of the Business Plan, highlighting the primary ideas from each of the business plan components. Also, include in this section the purpose for writing the plan, i.e., “to obtain financing.”

Even though this section comes first in the business plan, it is written after all of the other sections have been completed, as a one or two-page summary of the highlights. The order in which the highlights are presented depends on the audience that will be reading it. For example, if the plan will be read by an investor, it might be best to lead off with strong financial highlights.

- Company Introduction
- Industry Analysis
- Customers
- Market Analysis
- Competition
- Marketing/Sales Plan
- Human Resources Plan
- Operations
- R&D Plan (if appropriate)
- Financials



Appendix A

Employee or Independent Contractor?

It is extremely important for a business owner to determine the employee or independent contractor status of individuals providing services to or for the business. One cannot automatically presume or designate that an individual will be providing services as a contractor to their business rather than providing services as an employee, particularly if it is done as a means to avoid responsibilities to the employee as well as the responsibilities of pay- roll, income tax withholding, Social Security and Medicare taxes. If you classify an employee as an independent contractor and you have no reasonable basis for doing so, you may be held liable for employment taxes for that worker.

Independent Contractor Defined

People such as doctors, dentists, veterinarians, lawyers, accountants, contractors, subcontractors, public stenographers, or auctioneers who are in an independent trade, business, or profession in which they offer their services to the general public are generally independent contractors. However, whether these people are independent contractors or employees depends on the facts in each case.

- The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done. The earnings of a person who is working as an independent contractor are subject to Self-Employment Tax.

The following excerpts below, reprinted from the IRS website, provide a basic overview on classifications and definitions. For more information on determining whether you are an independent contractor or an employee, refer to the IRS website section on Independent Contractors or Employees (<https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>) or consult with a human resources professional.

Independent Contractor (Self-Employed) or Employee?

Before you can determine how to treat payments you make for services, you must first know the business relationship that exists between you and the person performing the services. The person performing the services may be:

- An independent contractor. The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done. The earnings of a person who is working as an independent contractor are subject to Self-Employment Tax.
- An employee (common-law employee). Under common-law rules, anyone who performs services for you is your employee if you can control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed.
- A statutory employee. If workers are independent contractors under the common law rules, such workers may nevertheless be treated as employees by statute (statutory employees) for certain employment tax purposes if they fall within any one of the following four categories and meet the three conditions described under Social Security and Medicare taxes, below:
- A driver who distributes beverages (other than milk) or meat, vegetable, fruit, or bakery products; or who picks up and delivers laundry or dry cleaning, if the driver is your agent or is paid on commission.
- A full-time life insurance sales agent whose principal business activity is selling life insurance or annuity contracts, or both, primarily for one life insurance company.

- An individual who works at home on materials or goods that you supply and that must be returned to you or to a person you name, if you also furnish specifications for the work to be done.
- A full-time traveling or city salesperson who works on your behalf and turns in orders to you from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments. The goods sold must be merchandise for resale or supplies for use in the buyer's business operation. The work performed for you must be the salesperson's principal business activity.

Refer to the Salesperson section located in Publication 15-A, Employer's Supplemental Tax Guide (PDF) for additional information.

- A statutory non-employee. There are three categories of statutory nonemployees: direct sellers, licensed real estate agents and certain companion sitters. Direct sellers and licensed real estate agents are treated as self-employed for all Federal tax purposes, including income and employment taxes, if:
 - Substantially all payments for their services as direct sellers or real estate agents are directly related to sales or other output, rather than to the number of hours worked, and
 - Their services are performed under a written contract providing that they will not be treated as employees for Federal tax purposes.
- Companion sitters who are not employees of a companion sitting placement service are generally treated as self-employed for all federal tax purposes.

Refer to information on Statutory Nonemployees located in Publication 15-A, Employer's Supplemental Tax Guide (PDF) for additional information.

How do we determine if an individual is an employee or Independent Contractor?

In determining whether the person providing service is an employee or an independent contractor, all information that provides evidence of the degree of control and independence must be considered.

Common Law Rules

Facts that provide evidence of the degree of control and independence fall into three categories:

- Behavioral: Does the company control or have the right to control what the worker does and how the worker performs his or her job?
- Financial: Are the business aspects of the worker's job controlled by the payer? (these include things like how worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)
- Type of Relationship: Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and is the work performed a key aspect of the business?

Businesses must weigh all these factors when determining whether a worker is an employee or independent contractor. Some factors may indicate that the worker is an employee, while other factors indicate that the worker is an independent contractor. There is no "magic" or set number of factors that "makes" the worker an employee or an independent contractor, and no one factor stands alone in making this determination. Also, factors which are relevant in one situation may not be relevant in another.

The keys are to look at the entire relationship, consider the degree or extent of the right to direct and control, and finally, to document each of the factors used in coming up with the determination.

Form SS-8

If, after reviewing the three categories of evidence, it is still unclear whether a worker is an employee or an independent contractor, Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding (PDF) can be filed with the IRS. <https://www.irs.gov/pub/irs-pdf/fss8.pdf>

The form may be filed by either the business or the worker. The IRS will review the facts and circumstances and officially determine the worker's status. Be aware that it can take at least six months to get a determination, but a business that continually hires the same types of workers to perform particular services may want to consider filing the Form SS-8 (PDF).



Appendix B

Required Workplace Posters

Michigan employers are required to display certain posters in the workplace. Poster requirements are based on jurisdiction. You may obtain the appropriate posters at no cost from the agencies by online download at the URL shown.

The following is a list of Michigan required workplace posters, their purpose and where they can be obtained:

MICHIGAN REQUIRED WORKPLACE POSTERS

<p>ANNUAL SUMMARY OF INJURIES AND ILLNESSES FORM 300</p> <p>www.michigan.gov/lara Click on MI Occupational Safety and Health, then “MIOSHA Workplace Posters”</p>	<p>Often overlooked but very important is the requirement that employers must record and/or report information about every work-related injury or illness that involves loss of consciousness, restricted work activity or job transfer, days away from work, or medical treatment beyond first aid.</p>
<p>MICHIGAN EMPLOYMENT SECURITY ACT NOTICE TO EMPLOYEES</p> <p>“UIA 1710 Notice to All Employees Poster “</p> <p>www.michigan.gov/uia Click on Publications, then again on UIA Publications—scroll down.</p>	<p>This poster informs employees that unemployment benefits are payable to eligible workers through the Unemployment Insurance Agency (UIA).</p>
<p>MICHIGAN LAW PROHIBITS DISCRIMINATION</p> <p>www.michigan.gov/documents/mdcr/Discrimination_poster_539887_7.pdf</p>	<p>Notice for employees about rules protecting them against discrimination in the workplace.</p>
<p>MICHIGAN SAFETY AND HEALTH PROJECTION ON THE JOB – MICHIGAN RIGHT TO KNOW LAWS</p> <p>www.michigan.gov/lara Click on MI Occupational Safety and Health, then “MIOSHA Workplace Posters”</p>	<p>Employers must make this poster available for employees in a readily accessible manner for hazardous chemicals in their workplace.</p>
<p>MATERIAL SAFETY DATA SHEETS (MSDS)</p> <p>www.michigan.gov/lara Click on MI Occupational Safety and Health, then “MIOSHA Workplace Posters”</p>	<p>Employers must identify and catalog information about hazardous chemicals in their workplace, providing notice to employees about the location of the MSDS catalog (SDS Location Poster) and a log of new or revised MSDS (New or Revised SDS Poster).</p>
<p>WORKFORCE OPPORTUNITY ACT 138—Effective 1/1/2017 WHD 9904</p> <p>http://www.michigan.gov/lara/0,4601,7-154-59886-152535--,00.html (English, Spanish, Arabic)</p>	<p>Michigan Minimum Wage—posters are required if you are not covered by the Federal Fair Labor Standards Act, or if federal minimum wage would result in a minimum lower than state. See also federal minimum wage information at: http://www.dol.gov/general/topic/wages/minimumwage</p>
<p>MICHIGAN WHISTLEBLOWERS PROTECTION ACT – 469 OF 1980</p> <p>www.michigan.gov/lara Click on MI Occupational Safety and Health, then “MIOSHA Workplace Posters”</p>	<p>Section 15.368 states that an employer shall post notices and use other appropriate means to keep his or her employees informed of their protections and obligations under the act.</p>

FEDERAL REQUIRED WORKPLACE POSTERS

<p>JOB SAFETY AND HEALTH PROTECTION 202.693.1888 www.osha.gov/Publications/osha3165-8514.pdf</p>	<p>Private employers engaged in a business affecting commerce. Does not apply to federal, state or political subdivisions of states.</p>
<p>EQUAL EMPLOYMENT OPPORTUNITY IS THE LAW 800.397.6251 www1.eeoc.gov/employers/poster.cfm (English, Spanish, Arabic, Chinese)</p>	<p>Entities holding federal contracts or subcontracts or federally assisted construction contracts of \$10,000 or more; financial institutions which are issuing and paying agents for U.S. savings bonds and savings notes; depositories of federal funds or entities having government bills of lading.</p>
<p>FAIR LABOR STANDARDS ACT (FLSA) Minimum Wage Poster 866.487.9243 www.dol.gov/whd/flsa/ (Scroll down the page) (English, Spanish, Chinese, Russian, Thai, Hmong)</p>	<p>Every private, federal, state and local government employer employing any employee subject to the Fair Labor Standards Act, 29 USC 211, 29 CFR 516.4 posting of notices.</p>
<p>AMERICANS WITH DISABILITIES: Employee Right for Workers with Disabilities/Special Minimum Wage Poster 866.487.9243 www.dol.gov/whd/regs/compliance/posters/disabc.pdf</p>	<p>Every employer having workers employed under special minimum wage certificates authorized by section 14(c) of the Fair Labor Standards Act.</p>
<p>YOUR RIGHTS UNDER THE FAMILY AND MEDICAL LEAVE ACT 866.487.9243 www.dol.gov/whd/regs/compliance/posters/fmlaen.pdf</p>	<p>Public agencies (including state, local, and federal employers), public and private elementary and secondary schools, as well as private sector employers who employ 50 or more employees in 20 or more work weeks and who are engaged in commerce or in any industry or activity affecting commerce, including joint employers and successors of covered employers.</p>
<p>EMPLOYEE RIGHTS UNDER THE NATIONAL LABOR RELATIONS ACT www.dol.gov/OLMS/regs/compliance/EmployeeRightsPoster11x17_Final.pdf</p>	<p>Most private sector employers will be required to post a notice advising employees of their rights under the National Labor Relations Act.</p>
<p>UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT www.dol.gov/vets/programs/userra/userra_private.pdf</p>	<p>The full text of the notice must be provided by each employer to persons entitled to rights and benefits under Uniformed Services Employment and Reemployment Rights Act (USERRA).</p>
<p>EMPLOYEE POLYGRAPH PROTECTION ACT 866.487.9243 www.dol.gov/whd/regs/compliance/posters/eppac.pdf</p>	<p>Any employer engaged in or affecting commerce or in the production of goods for commerce. Does not apply to federal, state and local governments, or to circumstances covered by the national defense and security exemption.</p>
<p>Note that other posters may be required for specific types of businesses or employment circumstances, i.e., migrant workers, federal contracting, and more. For more information, visit the United States Department of Labor website: www.dol.gov/general/topics/posters/#workplace-posters</p>	

Appendix C

Small Business Development Centers (MI-SBDC)

Michigan SBDC's are part of a national network of small business development centers funded primarily by the U.S. Small Business Administration. The Michigan SBDC is also funded in part by the Michigan Economic Development Corporation (MEDC) as well as support from local partners.

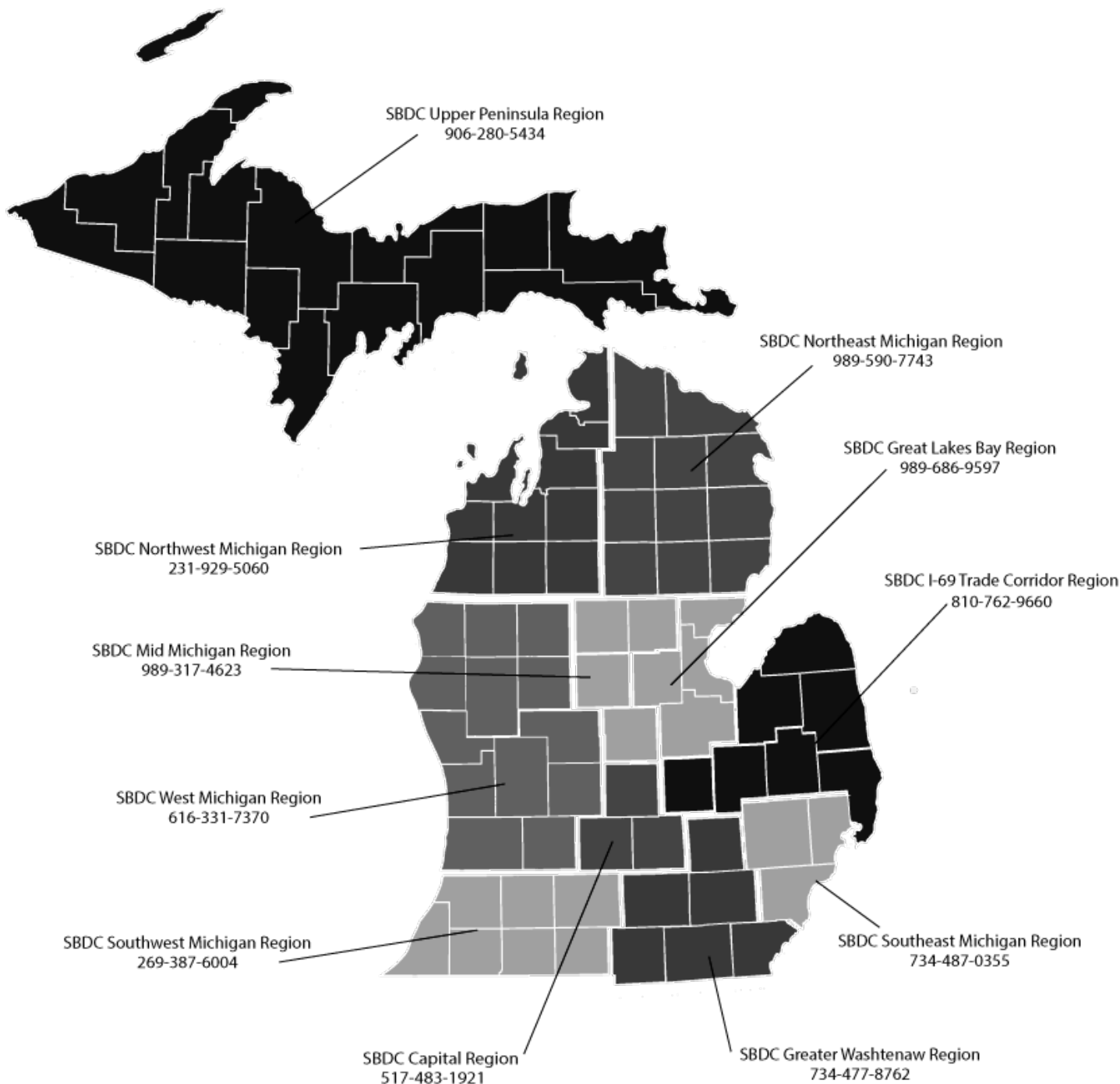
Michigan SBDC provides counseling, training, and research to assist small business to launch, grow, transition, and innovate. There are offices located throughout the state to provide assistance to new ventures, existing businesses, growth companies, and advanced technology companies that have fewer than 500 employees. MI-SBDC core services include no-cost counseling, business education, market research, and advanced technology commercialization assistance.

On a daily basis, a network of certified, experienced counselors with a wide range of expertise provides assistance in any aspect of starting, managing, or operating a small business including: Business planning; projecting, evaluating and managing cash flow; marketing initiatives including market research and SEO; strategies for growth; sales; exporting; operations; HR; process improvement; supply chain, accessing capital; as well as specialized assistance in advanced technology commercialization.

Region and Phone	Counties Served	Host Organization
Upper Peninsula (906) 280-5434	Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, Schoolcraft	Michigan Technological University
Northwest (231) 929-5060	Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee and Wexford	Networks Northwest
Northeast (989) 590-7743	Alcona, Alpena, Cheboygan, Crawford, Iosco, Montmorency, Ogemaw, Oscoda, Otsego, Presque Isle and Roscommon	Grand Valley State University
West Michigan (616) 331-7370	Allegan, Barry, Ionia, Kent, Lake, Mason, Mecosta, Montcalm, Muskegon, Newaygo, Oceana, Osceola, Ottawa	Grand Valley State University
Mid-Michigan (989) 317-4623	Clare, Gladwin, Gratiot, and Isabella	Mid-Michigan Community College
Great Lakes Bay Region (989) 686-9597	Arenac, Bay, Midland, and Saginaw	Delta College Corporate Services
I-69 Trade Region (810) 762-9660	Genesee, Huron, Lapeer, Sanilac, Shiawassee, St. Clair, and Tuscola	Kettering University
Capital (517) 483-1921	Clinton, Eaton, and Ingham	Lansing Community College
Southwest (269) 387-6004	Berrien, Branch, Calhoun, Cass, Kalamazoo, St. Joseph, Van Buren	Western Michigan University
Greater Washtenaw (734) 477-8762	Hillsdale, Jackson, Lenawee, Livingston, Monroe and Washtenaw	Washtenaw Community College
Southeast (734) 487-0355	Macomb, Oakland, Wayne	Eastern Michigan University

SBDCs also provide links to federal, state, and local resources including community colleges, universities, and the private sector to produce practical solutions to business problems.

For more information, visit: www.SBDCMichigan.org or call the regional office serving your county for information on a location nearest you.





Appendix D

Business Resource Centers

The Business Resource Centers offer a one-stop location where current and future small business owners can access business assistance and advice and have access to extensive small business reference library of hard copy books and publications.

<u>Host</u>	<u>Location</u>	<u>Telephone</u>
Adrian Library.....	Adrian.....	517.265-2265
Washtenaw Community College.....	Ann Arbor.....	734.973.3379
Michigan Works!.....	Bay City.....	989.667.0500
Brighton District Library.....	Brighton.....	810.229.6571
Michigan Works!.....	Caspian.....	906.265.0532
Chelsea District Library.....	Chelsea.....	734.475.8732
Pere Marquette District Library.....	Clare.....	989.386.7576
Berston Field House.....	Flint.....	810.787.6531
Michigan Works!	Gladwin.....	989.317.4623
Genesee District Library.....	Grand Blanc.....	810.694.5310
MMCC M-TEC Building.....	Harrison.....	989.317.4623
Cromine District Library.....	Hartland.....	810.632.5200
Michigan Works!.....	Hillsdale.....	517.437.3381
Howell Carnegie District Library.....	Howell.....	517.546.0720
Gogebic County Michigan Works!.....	Ironwood.....	906.932.4059
Michigan Works!.....	Jackson.....	517.841.5627
Jackson District Library, Carnegie Branch.....	Jackson.....	517.788.4087
Michigan Works!.....	L'anse.....	906.523.1072
Lansing Community College.....	Lansing.....	517.483.1921
Michigan Works!.....	Midland.....	989.631.3073
Ellis Library.....	Monroe.....	734.241.5277
MMCC Morey Tech Center.....	Mt. Pleasant.....	989.317.4623
Novi Public Library.....	Novi.....	248.349.0720
Michigan Works!.....	Ontonagon.....	906.884.4753
Portage District Library.....	Portage.....	269.329.4544
Michigan Works!.....	Saginaw.....	989.752.3145
Michigan Works!.....	Standish.....	989.846.2111
Delta College Library.....	University Center.....	989.686.9016
Ypsilanti District Library.....	Ypsilanti.....	734.482.4410



Appendix E

MI-SBDC Business Education

MI-SBDC no-cost and low-cost training sessions offer the opportunity to learn more about running and growing your business. From securing financing to writing a business or marketing plan to using social media effectively, numerous workshops are offered across the state in partnership with many of the Business Resource Centers as well as online and at various SBDC service centers.

Veteran and active military registration is available at no cost.

Whether ONLINE or at a partner site or local SBDC office, trainings presented by experienced professionals cover a wide range of topics. Search, select and register for seminars and workshops at :

www.SBDCMichigan.org/training

A sample of topics offered:

- Starting a Business
- Business Planning
- Financial and Accounting
- Customer Relations
- Government Contracting
- Internet and Social Media
- Legal
- Management
- Cyber-Security
- Marketing and Sales
- Succession Planning

Additional topics are scheduled regularly on current, relevant issues.



Appendix F

State & Federal Government Websites

State Government

Michigan Economic Development Corporation (MEDC) – Pure Michigan Business Connect is a public/private initiative developed by MEDC that includes: 1) B2B Network for connecting buyers to suppliers of Michigan goods and services; 2) Supplier Summits and Partner Searches to organize dedicated buyer-supplier matchmaking summits; 3) Business Services program in which Michigan business professionals (accountants, attorneys, marketing specialists, web developers, etc.) have pledged pro bono and discounted hours of services to entrepreneurs; 4) and the Economic Gardening® program, offering powerful resources to second-stage companies for assistance in launching them into the next stage of growth at no additional cost to those who qualify.
Web site: www.michiganbusiness.org/grow/pure-michigan-business-connect/

Michigan Department of Civil Rights – Information on compliance with Civil Rights laws.
Website: www.michigan.gov/mdcr

Michigan Department of Licensing and Regulatory Affairs – Information, forms, and publications related to health, safety, economic/cultural well-being.
Website: www.michigan.gov/lara

Consultation Education & Training (CET) – Information about training programs to provide a safe and equitable workplace for employees. Heading: Consultation Education & Training.
Website: www.michigan.gov/miosha

Corporation Division - Forms for filing as a corporation (Articles of Incorporation), limited partnership or limited liability company (Articles of Organization), and registrations of trademarks & service marks. Registrations for limited liability partnerships (LLPs).
Website: www.michigan.gov/corporations

Office of Occupational Safety & Health Administration (MIOSHA) - Information about safety and health standards and access to required workplace posters including Michigan Safety & Health Protection on the job, and Right to Know Material Safety Data Sheets. Heading: General Industry Safety & Health.
Website: www.michigan.gov/miosha

Workers' Compensation - Information about the Workers' Disability Compensation Act of 1969, Act 317 of 1969, an Overview of Workers' Compensation in Michigan, and the pamphlet – A Summary of Your Rights and Responsibilities under Workers' Disability Compensation. Heading: Publications.
Website: www.michigan.gov/wca

Michigan Department of Technology, Management & Budget - Access to information about doing business with the State of Michigan and the Vendor Registration Form.
Website: www.michigan.gov/buymichiganfirst

Michigan Department of Treasury - Forms to register for Michigan business taxes, i.e. Sales, Use & Withholding.
Website: www.michigan.gov/taxes

Michigan Works – A public-private partnership between Michigan Department of Energy, Labor & Economic Growth and Michigan Works which serves Michigan's employers and workers where job openings can be posted.
Website: www.michiganworks.org/

Michigan New Hire Operations Center – Michigan Employer Guide to New Hire Reporting along with the New Hire Reporting Form.
Website: <http://www.mitalent.org/employer-toolkit/>

Michigan Unemployment Insurance Agency – Information on unemployment insurance services.
Website: www.michigan.gov/uia

Federal Government

Internal Revenue Service – Information, forms, and publications regarding business and personal taxes.
Website: www.irs.gov

Social Security Administration - Information about the Social Security Administration, their services to employers (including a guide to wage reporting for employers), and information about being self-employed.
Website: www.ssa.gov

Department of Labor – Summary of federally required workplace posters
Website: www.dol.gov/oasam/programs/osdbu/sbrefa/poster/matrix.htm

U. S. Patent and Trademark Office – Registration forms for trademarks and service marks.
Website: www.uspto.gov

U. S. Copyright Office – Information, forms, and publications regarding United States Copyright laws.
Website: www.copyright.gov

U. S. Small Business Administration (SBA) – Information about the services, programs, and assistance available through the SBA.
Web site: www.sba.gov
Michigan District Office: www.sba.gov/mi

Other Organizations

Michigan Small Development Centers (MI-SBDC's) – Information about the services provided by the SBDCs, and a list of the Regional and Satellite Centers.
Website: www.SBDCMichigan.org

SCORE, Counselors to America's Small Businesses - Information about SCORE, a listing of regional chapters, and a schedule of available workshops.
Website: www.score.org



Appendix G

U. S. Small Business Administration (SBA)

U. S. Small Business Administration (SBA)

Michigan District Office
477 Michigan Avenue, Room 515, McNamara Building
Detroit, MI 48226
Phone: 313.226.6075
Michigan website: www.sba.gov/mi
Federal website: www.sba.gov

The U.S. SBA helps people get into business and stay successful. The agency accomplishes this mission by providing new and existing small businesses with loan guarantees, management counseling and training, and assistance in obtaining government contracts. The SBA also acts as an advocate for small business interests.

What is a small business?

SBA defines a small business concern as one that is independently owned and operated, is organized for profit, and is not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on sales volume averaged over a three-year period. Examples of SBA general size standards include the following:

- Manufacturing: Maximum number of employees may range from 500 to 1500, depending on the type of product manufactured;
- Wholesaling: Maximum number of employees may range from 100 to 500 depending on the particular product being provided;
- Services: Annual receipts may not exceed \$2.5 to \$21.5 million, depending on the particular service being provided;
- Retailing: Annual receipts may not exceed \$5.0 to \$21.0 million, depending on the particular product being provided;
- General and Heavy Construction: General construction annual receipts may not exceed \$13.5 to \$17 million, depending on the type of construction;
- Special Trade Construction: Annual receipts may not exceed \$7 million; and
- Agriculture: Annual receipts may not exceed \$0.5 to \$9.0 million, depending on the agricultural product.

SBA provides small business assistance in four major areas: Advocacy, Procurement, Business Development, and Financial Assistance.

Advocacy

The SBA supports the cause and explains the role of small business in our society and economy, and advocates programs and policies that help small firms. SBA's Office of Advocacy maintains a hotline to assist callers with their small business questions at 800.827.5722, "SBA National Answer Desk."

Procurement (Government Contracting)

SBA helps small businesses obtain a representative share of federal contracts through a variety of programs including assistance locating government contracts and prime subcontracts. Visit SBA's Office of Government Contracting online at www.sba.gov and click the "Contracting" tab.

SBA programs include

- 8(a)-Minority Enterprise Development Program: a business development program for small businesses at least 51 percent owned, managed, and controlled by individual(s) who are socially and economically disadvantaged citizen of the United States. The firm must also meet SBA's size standards and must have been established for two years before applying.
- Small Disadvantaged Business Certification (SDB) Program: to qualify as an SDB, a firm must be owned and controlled by one or more individuals who are socially and economically disadvantaged. Under the new rule, before a small business concern can become eligible to receive benefit as an SDB, it must be certified as a SDB through a self-certification process that can be accessed online at: www.sba.gov and click the "Contracting" tab.

Entrepreneurial Development

Through its resource partners, the SBA offers free, one-on-one counseling, and no/low cost training, conferences, and seminars. Major resource partners in Michigan include the following:

- **Small Business Development Centers (SBDCs)**, established to help foster small business concerns by providing "one-stop" guidance, assistance, and counseling to small business owners. There are 11 regional centers and many satellite and affiliate centers in Michigan. To find the location closest to you, please call 616.331.7480 or toll free 877.873.4567 or refer to Appendix C.
- SCORE, Counselors to America's Small Businesses: This non-profit organization is comprised of working and retired business executives and business owners who share their management and technical expertise with small business owners. To locate the SCORE office closest to you, please visit their website at: www.score.org.
- U.S. Export Assistance Centers (USEACs): A cooperative effort between the SBA, U.S. Department of Commerce and Export-Import Bank to provide free trade counseling and advise on all facets of the export process. There are four USEACs in Michigan: Detroit 313.872.6794, Pontiac 248.975.9600, Grand Rapids 616.458.3564, and Ypsilanti 734.487.0259. Website: www.sba.gov/content/us-exports-assistance-centers
- Women's Business Centers (WBCs): SBA funded microenterprise organizations created to help women become self-sufficient through self-employment. Each center provides a wide range of services customized for female entrepreneurs starting or growing a business. While assistance may vary between WBCs, typically each provides basic programs such as economic literacy training and business planning, to more specialized topics such as government contracting and certification. SBA also maintains an On-Line Women's Business Center full of information compiled from WBCs across the country on topics such as financing and accounting, marketing, management, technology and procurement. For a list of Women's Business Centers by state, visit: www.sba.gov/tools/local-assistance/wbc
- Central Contractor Registration (CCR): CCR is an electronic gateway of procurement information for and about small businesses. It is a search engine for contracting offers, a marketing tool for small firms and a "link" to procurement opportunities and important information. Visit www.sba.gov and click on the Contracting tab. For more information and assistance related to government contracting, contact your nearest PTAC as shown on page 50.

Online Classroom

SBA's Small Business Learning Center - www.sba.gov/services/training/index.html provides a series of online courses available 24/7 that provide everything you need to know to succeed in the new internet economy. You'll learn how to market effectively on the Web, implement e-commerce and how to participate in the internet economy!

The course content is divided into brief modules viewable in any order you choose. You'll get answers to questions most business owners like you want to ask about e-business.

- Go to: **www.sba.gov/services/training/index.html** Click on the Training tab for a complete list of available online small business trainings in the areas of Starting a Business, Managing a Business, Financing, Marketing, and Government Contracting.
- Online Women's Business Center -- How to Market Your Business Online. This site is full of tested advice compiled from the experienced business counselors of the Women Business Centers nationwide. There is a special marketing section devoted to the Internet. There are numerous articles with advice on choosing a web production company, selling online, promoting your web page, and more at:
<https://www.sba.gov/content/best-practices-advertising-and-marketing-internet>



Appendix H

Cybersecurity Ransomware Dos and Don'ts


Ransomware Dos and Don'ts

What it is: Ransomware will lock all available files on your computer system and make you pay for a code in order to restore them. It may also lead to all of your files being lost!

Who is affected: Ransomware can affect any business. If you fall for it, it will infiltrate your system, regardless of company size. It mostly affects Windows systems.

Do	Why?
Backup your computer somewhere you cannot always access. The more often the better.	Ransomware will encrypt anything it has access to, including network drives, Box, and any system that acts as external storage.
Have a disaster recovery plan.	Ransomware can be a tried and true disaster. Make sure you have planned for it and tested every option.
Train your people, even in a small company	Training is the best defense as people are the weak link when exposed to Ransomware!
Use a Firewall	Some Ransomware just attack through known security issues, make sure it can't get through a business class firewall.
Use IPS/IDS	Intrusion Detection and Intrusion Prevention can detect an attack as it gets in. It also offers protection for your users when they are in the wrong place.
Use Antivirus and Antimalware	Like it or not, Antivirus saves people all the time. The statistics are indisputable. Make sure you pick a good "not free" version of a trusted antivirus.
Use a DNS protection system	Sometimes a layer is something that will save you. Consider an extra layer of Protection like Umbrella.
Know who to call	Whether it is for Ransomware or other questions, don't rely just on internet searches, look for a credible company to help you when you don't know, and avoid being part of the statistics.

Don't	Why?
Open emails from unknown sources	Ransomware will encrypt anything it has access to, including network drives, Box, and systems that act as external storage.
Underestimate the threat	No one is safe from Ransomware.
Pass on updates or security patches	Many Ransomware exploits are solved quickly in patches. Waiting to patch your system could leave you vulnerable.
Keep your data only on site	Remember that you should keep several copies of your data: 3 copies, 2 media types, 1 off site.



Appendix I Cybersecurity Canvas

<p>Computer Security</p> <p>Is your technology up to date? Who takes care of your computers? Who do you call in the event of a computer emergency? Who takes care of your software? Do you use antivirus and malware protection? Do you use cloud services? Are your computers physically secure? Are your computers encrypted? DO you share computers?</p>	<p>Smartphone Security</p> <p>Who is your provider? What is on your phone? Do you lock your phone? Do you leave wireless (Bluetooth, WiFi, or Location) on? Who uses your phone? Are your smartphones encrypted? Do you use antivirus and malware protection? Can you remote locate and remote wipe your smartphone? Do you share your phone?</p>
<p>Password Security</p> <p>Do you save passwords in your browser? How safe is your Social Media password? Do you write passwords down? Do you save passwords in a file on your computer? Do you have a password on your phone? Do you use complex passwords? Do you use shared passwords? Do you use the same password for multiple logins?</p>	
<p>Internet Security</p> <p>Who is your provider? Do you have a firewall? Who uses your internet? Do you use Social Media? Who is watching out for you on the internet? Do you deal with vendors on the Internet? Do you do business internationally?</p>	<p>Data Security</p> <p>Where is your data? Do you have a disaster recovery plan? Do you know who to call when your data is gone? How do you protect your data? Do you store credit card data? Do you have a plan in case your data is unavailable? Do you have a data classification policy? Do you have a data handling standard? Do you know what data you have?</p>
<p>Action Items:</p>	

www.SBDCMichigan.org
616-331-7480



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