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If Content Is King. Then The
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**How to go about
Planning Your
Internet Business**

Plan To Succeed Online

Take The Guess Work Out of Starting & Building a Successful Business Online!

"If you fail to plan, you are by default planning to fail."
Robert Schuller

Planning Your Internet Business

Once you have your short-list of business ideas and options, you will need to start devoting some time to research, development and planning. Few successful ventures or achievements just happen by accident. Yes, dedication and hard work are important in building a business, but if you don't have a plan to guide you, how do you know where all your energies and efforts are taking you?

In its most general sense, business planning is all about taking your dreams and turning them into reality. A business plan defines the goals of your business and describes the means you'll use to attain those goals. It's your vision of where you want your business to go and how you're going to get there.

Who Should Create A Business Plan?

The short answer: Anyone who plans to be in business for any length of time.

The longer answer: You should create a business plan if you're...

- starting a new business
- expanding your business
- introducing a new product or service
- breaking into a new market
- joint venturing or partnering with another company

Alas, all too many small business owners are in such a hurry to get started that they don't give much thought to where they are headed. Or they feel they can keep track of everything in their heads without the need to write it down in plan format.

While this may indeed be the case initially, once you're up and running and things aren't going as smoothly as you envisioned, you'll wish you had spent a few extra days back when every decision wasn't costing you.

In its most general sense, business planning is all about taking your dreams and turning them into reality. A business plan defines the goals of your business and describes the means you'll use to attain those goals. It's your vision of where you want your business to go and how you're going to get there.

Why Create a Business Plan?

Conventional wisdom has it that you only need to create a business plan if you are seeking outside financing. And, if you want to get literal about, this is true. You do only NEED to create a formal plan if you aim to convince potential lenders to provide financial backing.

But let's face it. Everyone who goes into business for him or herself has some sort of a plan, however informal it may be. At the very least we all have some idea of what we want to achieve and how we want to achieve it. At it's most basic, a business plan is simply a written version of this vision we all have for what we want to do and how we want to do it.

Formulating a written plan will force you think about where you want your business to go and how you're going to get there. It will become, in effect, a roadmap for you to follow as your business grows and develops. Just as it helps to follow a proven guide in getting where you want to go or building a home the way you want it built, it's important to follow a written plan to achieve the business goals and objectives you set for yourself.

A business plan can play a vital role in helping you to...

- => avoid mistakes or recognize hidden opportunities.
- => be realistic about potential profits and expenses.
- => focus on the direction in which you want to take your business.
- => assess your competition so you'll be better able to differentiate your business to attract new customers.

The process of putting the business plan together, including the thought that you put in before writing it, forces you to take an objective, critical, unemotional look at your entire business proposal.

No matter how good your business idea is, your analysis of the overall market situation may convince you that you can't profitably pursue your idea right now. It may prove too costly, too competitive or just too chancy. The more likely outcome of your planning, however, is a business plan that you can use as your guide as you begin or continue to conduct your business.

Beyond this, the planning process forces you to understand more clearly what you want to achieve, and how and when you can do it. The structure a written plan provides and the research it requires make it more likely that you will consider all the relevant factors involved in your business concept and that nothing important gets overlooked or left out of your market analysis and strategy.

Benefits of a Written Plan

In addition to bringing sharply into focus and clarifying every aspect of your potential business's development and prospects, the benefits of a written plan include:

- a) providing a blueprint to help you manage your business operations - a logical framework within which your business can grow and develop.
- b) providing a benchmark against which actual performance can be measured and reviewed. Since you'll know your break-even points, you'll be able to better judge where you are and be able to adjust operations as needed to achieve your stated goals and objectives.
- c) providing a vehicle for tracking the progress of your business; a means to measure and monitor your business's performance over time.
- d) providing a starting point and a reference point for any and all future planning.
- e) providing a valuable communication tool. Your completed business plan is an effective means for

sharing your ideas and goals with others and may provide the basis for securing financing or other support for your business, as well as for building profitable partnerships.

So, how do you go about getting these benefits?

- Focus on the plan as a monitoring tool (or the basis for one).
- Make sure you have systems in place to gather the information you need to assess how your business is doing.
- Make sure those systems can provide the information to you in time for it to help.
- And, make sure that the information you gathered is the right information.

Even if you feel that your business doesn't require a written plan right now, if your goal is to prosper online, a clear plan will eventually become a necessity. Being prepared for such a time is important, since the need for strategic planning will only increase over time. And think about this - once you've established a documented planning process, you can use it over and over again, improving it each time by incorporating the knowledge and experience you've gained.

Believe me, the small amount of time and effort it takes to create your first plan (especially with the help of this course) will be more than repaid by the valuable insight you gain. Preparation of a plan may not absolutely guarantee success, but lack of a sound plan will, almost certainly, ensure failure.

All this being said, unless you are planning on using your business plan to secure outside financing, it needn't be overly complicated or extensive. In fact, when it comes to creating a business plan, the important thing is to start. Start with a simple document outlining the most important elements of your business concept and then add to it, build upon it, over time.

Putting Your Plan in Writing

Content Considerations

Just as each person's resume differs because it reflects the particular life experiences of that individual, each business plan will differ. But the format makes it instantly recognizable as a business plan.

The following are a number of key considerations that will play an important role in shaping the content of your plan.

=> *Audience*: who are you writing your plan for? Is it just for your own personal use or are it for third parties outside of your business? If so, their needs and expectations will govern the type of information and level of detail you include in your plan. Your neighborhood banker is going to be far more concerned with the financial than the marketing details of your plan.

=> *Planning horizon*: how far out into the future will your plan extend?

=> *Type of business*: your business's classification as a service provider, product producer/seller or mixed provider of products and services will impact the type of information you include in your plan. Issues relating to inventory, production, distribution etc. become less significant as you move more in the direction of a service-based business.

=> *Sources of information:* What information is available to you in creating your business plan and how extensive is your research going to be?

=> *Reasonable assumptions:* How can you set yourself up for success by taking a realistic look at internal and external conditions of your business, so as to make reasonable predictions about the future?

General Format and Presentation

After you've considered the purpose of your plan and done some background preparation, it's time to consider the actual elements that you'll include in your written document.

A business plan customarily has a number of major elements or sections. They are presented below in the order in which they usually appear in the plan. But don't feel constrained to follow this exact format if another way makes more sense because of the nature of your business or the use to which you plan on putting your plan.

If you're planning on a professional presentation, it pays to at least mention all the major elements listed below and address them, however summarily. For example, if you plan to work alone and perform all services personally, you might note that you anticipate no need to hire employees. You don't want to raise any questions in the mind of your audience that aren't resolved somewhere within the document.

Elements of a Business Plan

Below I've briefly outlined the key components/sections of a written business plan. On the following pages I'll discuss each element in a bit more detail.

Cover page - Contains contact information (name, address and telephone number) and a confidentiality blurb.

Table of contents - Enables you or your readers to quickly find the exact information they are looking for.

Executive Summary - Provides an overview of your entire plan briefly outlining your business's prospects, needs and situation and emphasizing the factors that you believe will lead to success.

a) *Mission Statement:* Defines what your company is all about.

b) *Vision Statement:* Describes where you want your company to go.

Business Description - Tells what your business is all about.

a) *Business Background:* Provides company-specific information, including type of business organization, history and future prospects.

b) *Product or Service:* Explains the type and unique qualities of the product or service you plan on marketing.

c) *Location:* Where you plan on operating your business (i.e. online).

d) *Management/ownership*: Introduces the people holding leadership positions in your business. If it's a sole proprietorship, this means you!

Marketing Plan - Presents an analysis of the market conditions that your business faces and sets forth the marketing strategy that you plan to use to capture your target market, including product, distribution, advertising and pricing objectives.

- a) *The market*: Creates a picture of the target market sector/niche in which your business will compete.
- b) *Customer Analysis*: Profiles the typical customer you will be targeting.
- c) *Competitive Analysis*: Focuses on your competitors' strengths and weaknesses.
- d) *Market strategy*: Provides a detailed schedule of marketing activities to support sales.

Operations Management/Action Plan - Details business operations that weren't covered in your marketing plan. It describes how you will manage the core processes of your business; how you'll get it set up and operate it day to day, including setting up your website and handling order taking, customer service and fulfillment issues.

Financial Management Plan - Details the costs associated with operating your business and explains how you will pay those costs. Includes lots of numbers (hopefully black) like your balance sheet, income statement, cash flow statement and financial forecasts.

Supporting Documents and Appendices - Includes charts, surveys, reference materials, promotional materials, ad copy, accounting statements etc.

More About Each Element in Your Business Plan

Cover Page & Table of Contents

The *cover sheet* contains all the usual and appropriate identification information about your business. This includes business address, website URL, email address, telephone and fax numbers etc. The cover sheet should state the date that the plan was prepared, and the period it covers. It should identify the person to contact regarding any questions about the plan (generally, you).

If you have created a company logo, slogan, or other identifying graphic or text, the cover page is the place to highlight it. If you haven't considered these basic marketing tools, I strongly suggest that you do so. Building an identity is vital if you want people to recognize and remember your business.

The *table of contents* should clearly and simply lead a reader to each of the documents in your plan. Be sure that page numbers are accurately reflected. If the plan is large, consider dividing it up into separately numbered sections, if that will make it easier for readers to reference specific documents. For smaller plans, just numbering the pages in sequence is fine.

If your table of contents is more than one page long, reconsider the length of your entries, the length of your plan and/or the number of documents you have included. Limit the inclusion of any extraneous material. No one wants to read a long-winded document.

Executive Summary

The *executive summary* is the introduction to your business plan and the most vital and important section. Although it comes first, you generally write it last, because it summarizes the entire plan.

Write it as if you're going to show it to others to explain your vision. Remember to match your plan to your purpose. Your executive summary should emphasize those factors that will make your business a success. Briefly outline your business goals and your market size and trends. Summarize projected sales, spending and profit summary figures as well as growth rates, opportunities and competitive advantage.

Bear in mind, this is business, not writing class. You're selling your idea, hit the highlights, make it exciting. For new businesses or businesses seeking funding, credibility and excitement are key elements of the executive summary. Venture capitalists receive hundreds of plans each month, just a few of which are actually read from cover to cover. A quick 20-second scan of the executive summary is the basis for screening which plans are read and which are passed over.

SIDEBAR: While you want to captivate your audience, avoid making unrealistic claims or assumptions. Your credibility will go right down the toilet if you brashly assert that your company will be bigger and better than Microsoft within a year!

Effective executive summaries cover these key points - *briefly*:

- Your company's origins
- Your product or service and its uniqueness or competitive advantage (USP)
- Your company's goals, including short and long-term objectives
- The market potential for your product or service
- A three to five year summary of key financial forecasts, especially sales and profit/loss. (If you are a new business, you'll have to do some research on your market and your competitors and then make some realistic assumptions about how your business can compete.)
- The management team and its track record. (Again, if you plan on being a sole proprietor, this is all about you!)
- The financing required to grow your business (if any).
- How you have prepared your business to deal with hard times, including, alas, an exit strategy (although if you've planned well, you will won't need to worry about either contingency).

Mission Statement

The nature of a business is often expressed in terms of its mission or its purpose. For example: "to design, develop, manufacture and market specific product lines for sale on the basis of certain features to meet the identified needs of specified customer groups via certain distribution channels in a particular geographic area."

A statement along these lines is much clearer than saying simply, "We're looking to market computer software." Or worse yet, "We're in business to make money," (assuming, of course, that you're not operating a mint!)

Describe your business's most basic and fundamental goals. Talk about the benefits you'll provide to your customers, your employees or affiliates, as well as those you'll derive as the business owner.

Think of what business you are really in, which is more about the benefits you offer to customers than the specific products or services you sell.

A good mission statement is critical in defining your business and communicating its true goals to others - be they potential customers, affiliates or investors. For example, if you believe customer satisfaction and customer service are most important, say so. If your focus is going to be more on growth and profits, or on having the best affiliate program in the business, say so.

A few don'ts...

Don't confuse your mission statement with your objectives. They are both about goals, however, your mission is about fundamental values, while your objectives are about measurable, concrete numbers.

Don't confuse compelling with elaborate in crafting your mission statement. Steer clear of industry buzzwords and lengthy, drawn out sentences. You want your mission to be easily understood and remembered, so keep it clear and concise.

Company Description or Profile

In this section, provide a detailed description of your business, the industry you are going to become a part of and why you want to become a part of it. Tell how your idea or company came about and identify your principle goals and objectives.

(Remember, goals are what you want your company to achieve in the long term, and objectives are mini or "milestone" goals. Your objectives are your goal's chronological breakdown, which grant you the ability to systematically evaluate your marketing efforts and your business's performance at specific intervals.)

Describe the unique aspects of your business and how or why they will appeal to consumers. Emphasize any special features that you feel will appeal to customers and explain how and why these features are appealing.

Some relevant questions you might consider in framing your description include:

If you are launching a new venture:

- What is your business form and type (merchandizing, manufacturing or service)
- Is yours a new, independent business or an outgrowth of an existing one?
- What is your company's mission? What are you trying to do?
- What will be your exact responsibilities in this business?
- What exactly is the product or service you will be providing & marketing?
- Why is the product or service worthwhile and viable?
- How is your business going to stand out from other businesses already in the field? List factors/features that will give you a competitive advantage.
- How you are going to make money with your business?
- What are your goals for new business development?

If expanding a pre-existing venture:

- When was your business founded and by whom?

- What is your form of business organization (sole proprietorship, general partnership, limited partnership, corporation)?
- How did the concept for your company's product or service originate?
- What sales have been recorded to date and what markets has your product/service penetrated?
- How much money has been invested in the company to date?
- Is your business's product or service protected by patent, copyright or trademark?

In formal business plans, the company description section is often divided into four sub-sections including: a) business description or background; b) product or service description; c) location and d) management.

I will deal with the last two summarily here, because for our purposes they aren't really very relevant.

Location - Normally, in selecting a location for your business you want to consider such factors as customer accessibility, rent and security. But if you're planning on operating your business online, your location i.e. your website URL is not a factor in the overall success of your business. Like it or not, you will be instantly accessible to customers worldwide.

Management - Typically this section identifies the key members of your company's management team, describes their respective responsibilities and documents the relevant experience and accomplishments of each member.

Since most of you are small or home business owners, I'm assuming you're planning on a sole proprietorship - a least to start - so this section will essentially be all about you. If you plan on showing your plan to others, you can include your resume and any other relevant information, including your commitment to your business and a realistic assessment of what you hope to accomplish.

Your Product or Service

If you plan on selling a product or providing a service (which is pretty much a given) this section should describe not only what the product/service is or will be relative to competitive products, but also why the product/service has promise to penetrate your pick of an existing or developing market.

What is the use and/or function of your product or service and what needs does it serve. For example, if you plan on selling a new type of backpack, you might want to discuss how it could be useful to office workers (in lieu of a briefcase), women (in lieu of a purse) and delivery men (in lieu of... whatever) as well as hikers, high-schoolers and college students.

Cite distinctive benefits, especially from your prospective customers' perspective, as well as features or attributes, cost, quality, reliability and price.

If your product is still in the development stage, discuss where the project stands and what is necessary to complete development. Tell how you plan to manufacture the product, the key equipment and materials that will be needed and the projected costs. If you plan to have a third party manufacture the product, identify the party and the anticipated contractual arrangement. Briefly explain how you plan to meet manufacturing, sales and distribution costs.

If your product is unique or one-of-a-kind, you should include your strategy for protecting it from being copied by competitors (patents, trademarks, copyrights or other proprietary protection). Also

point out how your business can enjoy new product exclusivity long enough to recoup developmental investment and achieve company growth, sales, and profit objectives.

Also include any plans you might have for logical extensions of your product line and/or future enhancements of your product. This is especially important if you are going to be looking for financing, as investors are typically not very interested in a one-product company.

Marketing Plan

Many people tend to confuse a business plan with a marketing plan and, if you're engaged in the business of selling, the confusion is understandable. For the record, however, a business plan is the blueprint for taking an idea for a product or service and turning it into a commercially viable reality. The marketing portion of the business plan advances your plan to the tactical level. It sets for the specific steps you will take to sell your product or service to your customers and provides a timetable for those actions to occur.

A marketing plan focuses primarily on your product or service and describes it in relation to your entire business. Essentially, it deals with what is called the "marketing mix" or "4 Ps," which are: *Product, price, place and promotion*. We will be discussing each of these important parameters at length in later sections, so I will not go into them here.

Suffice it to say, your marketing plan outlines your specific sales strategies. It addresses how you will get people to buy your product or service in sufficient quantities to make your business profitable. (Bear in mind, you make your business profitable by meeting the needs of your customers, at a price they're willing to pay, at a cost at which you can make a profit.)

Typically, marketing plans include the following elements:

1. A description of the market you plan to target to achieve your projected sales.
2. A description of the customers you plan to target with your marketing strategies.
3. A description of your main competitors and how you plan to deal with them.
4. A description of the specific marketing strategies you plan to use to accomplish all of the above.

As each of these elements are vital to the success of any internet marketing venture, we will explore each sub-component in some detail in upcoming sections.

Operations Management or Action Plan

The *operations management* or *action plan* is the portion of a business plan in which you account for business operations that weren't covered in your marketing plan. Let's make the distinction clear. Your marketing plan spells out the steps your business will take in an effort to achieve its sales goals. Your action plan explains how you will operate and manage your business. In terms of this document, it adds two other Ps to the traditional "marketing mix": *presence* and *precautions*.

Your action plan is where you describe the specific things that you need to do within the next year to reach your business goals.

1. How will you go about designing and setting up a website?

2. How will you e-commerce enable your website?
3. How will you distribute your products?
4. If you are going to be implementing an affiliate program, how will you go about it?
5. How many customers or projects do you need to achieve your goals?
6. According to your marketing plan, what will you have to do to get this amount? Write down all the steps. How much of your time will be spent on each?
7. If things go wrong or take longer than expected, how will you overcome these minor setbacks? Major setbacks?
8. How will you back-up your business files and data?

An action plan also addresses the back office activities that don't relate directly to providing goods or services to customers. These include activities such as:

1. employee hiring and management
2. obtaining and working with vendors for needed materials and supplies
3. ensuring that production takes place as planned
4. providing customer service and support after the sale
5. order fulfillment considerations
6. contingency plans for dealing with a changing business environment

With a step by step plan you will always know what to do next. This will allow you to see the "big picture" and keep your perspective through difficult times.

Financial Plan

In this section you address your short-term and long-term financial goals. It might be the least fun but the most important section of your business plan. Don't worry, you don't have to be a financial genius or Excel guru to do it. Just take it one step at a time.

The type of information you'll want to compile and include are:

1. How much money you'll need to get started (i.e. your estimated start-up cost).
2. How much money you'll need to keep your business going (i.e. your estimated first-year business expenses and cash requirements)
3. How much money you can afford to invest in your business (based on your personal and/or family budget).
4. How much money you may need to borrow to finance your first year of business.
5. How much money you expect to make in income (taking into account your gross profits and your net profits after expenses).

You'll need to look at pricing and potential profitability. Your projections (based on historical or researched data) should demonstrate how your business can be expected to do financially if your assumptions are sound and estimate when you will reach the all-important break-even point.

Your budget is also contained in this section. What are your fixed and variable expenses? List the various expenses and estimate how much you're going to need each month to meet each. Include business licensing fees, website design and hosting fees, cost of materials & equipment, advertising, business automation software, merchant account or e-commerce storefront fees, copyrights and any other legal expenses, accountant assistance, employee wages, affiliate program set-up costs and

commission deductions, taxes and any other expenses you can think of that go along with your planned business.

It's best to estimate a little high so that you'll always have a little leeway.

Appendix

This is basically a catch-all section where you can present any supporting documents to back up the claims in your business plan. You might include such things as statistical analyses, charts and graphics, product marketing materials, ad copy samples, balance sheets, cash flow projections, resumes of key employees etc.

Final Words Regarding Business Plans

First, a business plan's success is not based on its appearance, volume or complexity, but on its practicality. Use common sense when writing it. Your plan must show that you know your stuff. Not just about your business but also about your potential market. Research your industry and be clear on how your business will run, profit, grow and successfully compete. If you already have a business online, look in your own backyard for the information you need. Your current clients or customers offer you a goldmine of wisdom. Use it!

Don't make opinionated guesses - make educated ones based on cold, hard facts. Should you ever need to present your business plan to others, especially to potential financial backers, the component that will be scrutinized the most is its bottom line (i.e. its feasibility). Everything else is just icing, and too much icing can spoil the cake! Be simple and straight to the point, and your plan will go far.

Finally, don't forget that infamous "escape clause." As Benjamin Franklin once said, "Drive thy business lest thy business drive thee." Naturally, you don't want to be enslaved by your business, so always keep your eye on the time in the future when your business will run itself successfully without your presence or supervision. This is one of the greatest advantages an Internet business affords you - the ability to automate. Make use of it!

While you may not feel a need for producing a full blown business plan right now, keep in mind that knowing where you stand and where you want to go, especially at the beginning, will make the journey of turning your online business into a successful, profitable machine an easier one. It can also be quite an enlightening experience.

Of course, you can't expect to foresee everything that will happen to your company: **No plan provides an absolute roadmap to success and prosperity, but a good plan will carry you far along the way.**

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