How to Start a Internet Business

By the BizMove.com Team

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Table of Contents

1. Determining the Feasibility of Your New Business

A. Preliminary Analysis

This guide is a checklist for the owner/manager of a business enterprise or for one contemplating going into business for the first time. The questions concentrate on areas you must consider seriously to determine if your idea represents a real business opportunity and if you can really know what you are getting into. You can use it to evaluate a completely new venture proposal or an apparent opportunity in your existing business.

Perhaps the most crucial problem you will face after expressing an interest in starting a new business or capitalizing on an apparent opportunity in your existing business will be determining the feasibility of your idea. Getting into the right business at the right time is simple advice, but advice that is extremely difficult to implement. The high failure rate of new businesses and products indicates that very few ideas result in successful business ventures, even when introduced by well established firm. Too many entrepreneurs strike out on a business venture so convinced of its merits that they fail to thoroughly evaluate its potential.

This checklist should be useful to you in evaluating a business idea. It is designed to help you screen out ideas that are likely to fail before you invest extensive time, money, and effort in them.

Preliminary Analysis

A feasibility study involves gathering, analyzing and evaluating information with the purpose of answering the question: "Should I go into this business?" Answering this question involves first a preliminary assessment of both personal and project considerations.

General Personal Considerations

The first seven questions ask you to do a little introspection. Are your personality characteristics such that you can both adapt to and enjoy business ownership/management?

1. Do you like to make your own decisions?

2. Do you enjoy competition?

3. Do you have will power and self-discipline?

4. Do you plan ahead?

5. Do you get things done on time?

6. Can you take advise from others?

7. Are you adaptable to changing conditions?

The next series of questions stress the physical, emotional, and financial strains of a new business.

8. Do you understand that owning your own business may entail working 12 to 16 hours a day, probably six days a week, and maybe on holidays?

9. Do you have the physical stamina to handle a business?

10. Do you have the emotional strength to withstand the strain?

11. Are you prepared to lower your standard of living for several months or years?

12. Are you prepared to loose your savings?

Specific Personal Considerations

1. Do you know which skills and areas of expertise are critical to the success of your project?

2. Do you have these skills?

3. Does your idea effectively utilize your own skills and abilities?

4. Can you find personnel that have the expertise you lack?

5. Do you know why you are considering this project?

6. Will your project effectively meet your career aspirations

The next three questions emphasize the point that very few people can claim expertise in all phases of a feasibility study. You should realize your personal limitations and seek appropriate assistance where necessary (i.e. marketing, legal, financial).

7. Do you have the ability to perform the feasibility study?

8. Do you have the time to perform the feasibility study?

9. Do you have the money to pay for the feasibility study done?

General Project Description

1. Briefly describe the business you want to enter.

____

____

2. List the products and/or services you want to sell

____

3. Describe who will use your products/services

____

4. Why would someone buy your product/service?

____

5. What kind of location do you need in terms of type of neighborhood, traffic count, nearby firms, etc.?

____

6. List your product/services suppliers.

____

7. List your major competitors - those who sell or provide like products/services.

____

____

8. List the labor and staff you require to provide your products/services.

____

____

B. Requirements For Success

To determine whether your idea meets the basic requirements for a successful new project, you must be able to answer at least one of the following questions with a "yes."

1. Does the product/service/business serve a presently unserved need?

2. Does the product/service/business serve an existing market in which demand exceeds supply?

3. Can the product/service/business successfully compete with an existing competition because of an "advantageous situation," such as better price, location, etc.?

Major Flaws

A "Yes" response to questions such as the following would indicate that the idea has little chance for success.

1. Are there any causes (i.e., restrictions, monopolies, shortages) that make any of the required factors of production unavailable (i.e., unreasonable cost, scare skills, energy, material, equipment, processes, technology, or personnel)?

2. Are capital requirements for entry or continuing operations excessive?

3. Is adequate financing hard to obtain?

4. Are there potential detrimental environmental effects?

5. Are there factors that prevent effective marketing?

C. Desired Income

The following questions should remind you that you must seek both a return on your investment in your own business as well as a reasonable salary for the time you spend in operating that business.

1. How much income do you desire?

____

2. Are you prepared to earn less income in the first 1-3 years?

____

3. What minimum income do you require?

____

4. What financial investment will be required for your business?

____

5. How much could you earn by investing this money?

____

6. How much could you earn by working for someone else?

____

7. Add the amounts in 5 and 6. If this income is greater that what you can realistically expect from your business, are you prepared to forego this additional income just to be your own boss with the only prospects of more substantial profit/income in future years?

____

8. What is the average return on investment for a business of your type?

____

D. Preliminary Income Statement

Besides return on investment, you need to know the income and expenses for your business. You show profit or loss and derive operating ratios on the income statement. Dollars are the (actual, estimated, or industry average) amounts for income and expense categories. Operating ratios are expressed as percentages of net sales and show relationships of expenses and net sales.

For instance 50,000 in net sales equals 100% of sales income (revenue). Net profit after taxes equals 3.14% of net sales. The hypothetical "X" industry average after tax net profit might be 5% in a given year for firms with 50,000 in net sales. First you estimate or forecast income (revenue) and expense dollars and ratios for your business. Then compare your estimated or actual performance with your industry average. Analyze differences to see why you are doing better or worse than the competition or why your venture does or doesn't look like it will float.

These basic financial statistics are generally available for most businesses from trade and industry associations, government agencies, universities and private companies and banks

Forecast your own income statement. Do not be influenced by industry figures. Your estimates must be as accurate as possible or else you will have a false impression.

1. What is the normal markup in this line of business. i.e., the dollar difference between the cost of goods sold and sales, expressed as a percentage of sales?

____

2. What is the average cost of goods sold percentage of sales?

____

3. What is the average inventory turnover, i.e., the number of times the average inventory is sold each year?

____

4. What is the average gross profit as a percentage of sales?

____

5. What are the average expenses as a percentage of sales?

____

6. What is the average net profit as a percent of sales?

____

7. Take the preceding figures and work backwards using a standard income statement format and determine the level of sales necessary to support your desired income level.

____

8. From an objective, practical standpoint, is this level of sales, expenses and profit attainable?

____

ANY BUSINESS, INC.

Condensed Hypothetical Income Statement
For year ending December 31

Item	Amount		Percent
Gross sales	773,888		
Less returns, allowances, and cash discounts	14,872		
Net sales		759,016	100.00
Cost of goods sold		589,392	77.65
Gross profit on sales		169,624	22.35
Selling expenses	41,916		5.52
Administrative expenses	28,010		3.69
General expenses	50,030		6.59
Financial expenses	5,248		0.69
Total expenses		125,204	16.50
Operating profit		44,220	5.85
Extraordinary expenses		1,200	0.16
Net profit before taxes		43,220	5.69
taxes		19,542	2.57
Net profit after taxes		23,678	3.12

E. Market Analysis

The primary objective of a market analysis is to arrive at a realistic projection of sales. after answering the following questions you will be in a better positions to answer question eight immediately above.

Population

1. Define the geographical areas from which you can realistically expect to draw customers.

____

2. What is the population of these areas?

____

3. What do you know about the population growth trend in these areas?

____

4. What is the average family size?

____

5. What is the age distribution?

____

6. What is the per capita income?

____

7. What are the consumers' attitudes toward business like yours?

____

8. What do you know about consumer shopping and spending patterns relative to your type of business?

____

9. Is the price of your product/service especially important to your target market?

____

10. Can you appeal to the entire market?

____

11. If you appeal to only a market segment, is it large enough to be profitable?

____

F. Competition

1. Who are your major competitors?

____

2. What are the major strengths of each?

____

3. What are the major weaknesses of each?

____

4. Are you familiar with the following factors concerning your competitors:

Price structure?

____

Product lines (quality, breadth, width)?

____

Location?

____

Promotional activities?

____

Sources of supply?

____

Image from a consumer's viewpoint?

____

5. Do you know of any new competitors?

____

6. Do you know of any competitor's plans for expansion?

____

7. Have any firms of your type gone out of business lately?

____

8. If so, why?

____

9. Do you know the sales and market share of each competitor?

____

10. Do you know whether the sales and market share of each competitor are increasing, decreasing, or stable?

____

11. Do you know the profit levels of each competitor?

____

12. Are your competitors' profits increasing, decreasing, or stable?

____

13. Can you compete with your competition?

____

G. Sales

1. Determine the total sales volume in your market area.

____

2. How accurate do you think your forecast of total sales is?

____

3. Did you base your forecast on concrete data?

____

4. Is the estimated sales figure "normal" for your market area?

____

5. Is the sales per square foot for your competitors above the normal average?

____

6. Are there conditions, or trends, that could change your forecast of total sales?

____

7. Do you expect to carry items in inventory from season to season, or do you plan to mark down products occasionally to eliminate inventories? If you do not carry over inventory, have you adequately considered the effect of mark-down in your pricing? (Your gross profits margin may be too low.)

____

8. How do you plan to advertise and promote your product/service/business?

____

9. Forecast the share of the total market that you can realistically expect - as a dollar amount and as a percentage of your market.

____

10. Are you sure that you can create enough competitive advantages to achieve the market share in your forecast of the previous question?

____

11. Is your forecast of dollar sales greater than the sales amount needed to guarantee your desired or minimum income?

____

12. Have you been optimistic or pessimistic in your forecast of sales?

____

13. Do you need to hire an expert to refine the sales forecast?

____

14. Are you willing to hire an expert to refine the sales forecast?

____

H. Supply

1. Can you make a list of every item of inventory and operating supplies needed?
2. Do you know the quantity, quality, technical specifications, and price ranges desired?
3. Do you know the name and location of each potential source of supply?
4. Do you know the price ranges available for each product from each supplier?
5. Do you know about the delivery schedules for each supplier?
6. Do you know the sales terms of each supplier?
7. Do you know the credit terms of each supplier?
8. Do you know the financial condition of each supplier?
9. Is there a risk of shortage for any critical materials or merchandise?
10. Are you aware of which supplies have an advantage relative to transportation costs?
11. Will the price available allow you to achieve an adequate markup?

I. Expenses

1. Do you know what your expenses will be for: rent, wages, insurance, utilities, advertising, interest, etc?
2. Do you need to know which expenses are Direct, Indirect, or Fixed?
3. Do you know how much your overhead will be?
4. Do you know how much your selling expenses will be?

Miscellaneous

1. Are you aware of the major risks associated with your product? Service Business?
2. Can you minimize any of these major risks?
3. Are there major risks beyond your control?
4. Can these risks bankrupt you? (fatal flaws)

J. Venture Feasibility

1. Are there any major questions remaining about your proposed venture?
2. Do the above questions arise because of a lack of data?
3. Do the above questions arise because of a lack of management skills?
4. Do the above questions arise because of a "fatal flaw" in your idea?
5. Can you obtain the additional data needed?

Go to Top

2. Starting Your Business Step by Step

A. Things to Consider Before You Start

This guide will walk you step by step through all the essential phases of starting a successful service business. To profit in a service based business, you need to consider the following questions: What business am I in? What services do I provide? Where is my market? Who will buy? Who is my competition? What is my sales strategy? What merchandising methods will I use? How much money is needed to operate my firm? How will I get the work done? What management controls are needed? How can they be carried out? When should I revise my plan? And many more.

No one can answer such questions for you. As the owner-manager you have to answer them and draw up your business plan. The pages of this guide are a combination of text and workspaces so you can write in the information you gather in developing your business plan - a logical progression from a commonsense starting point to a commonsense ending point.

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

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

Keep in mind too, that your final goal is to put your plan into action. More will be said about this near the end of this Guide.

What's in this for Me?

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

A business plan offers at least four benefits. You may find others as you make and use such a plan. The four are:

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

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

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

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

Why am I in Business?

Many enterprising people are drawn into starting their own business by the possibilities of making money and being their own boss. But the long hours, hard work, and responsibilities of being the boss quickly dispel and preconceived glamour.

Profit is the reward for satisfying consumer needs. But it must be worked for. Sometimes a new business might need two years before it shows a profit. So where, then, are reasons for having your own business?

Every business owner-manager will have his or her own individual reasons for being in business. For some, satisfaction come from serving their community. They take pride in serving their neighbors and giving them quality work which they stand behind. For others, their business offers them a chance to contribute to their employees' financial security.

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

____

____

____

What business am I in?

In making your business plan, the first question to consider is: What business am I really in. At the first reading this question may seem silly. "If there is one thing I know," you say to yourself, "it is what business I'm in." But hold on. Some owner-managers go broke and others waste their saving because they are confused about the business they are in.

The changeover of barbershops from cutting hair to styling hair is one example of thinking about what business you're really in.

Consider this example, also. Joe Riley had a small radio and TV store. He thought of his business as a retail store though he also serviced and repaired anything he sold. As his suburb grew, appliance stores emerged and cut heavily into his sales. However, there was an increased call for quality repair work.

When Mr. Riley considered his situation, he decided that he was in the repair business. As a result of thinking about what business he was really in, he profitably built up his repair business and has a contract to take care of the servicing and repair business for one of the appliance stores.

Decide what business you are in and write your answer in the following spaces. To help you decide, think of the answers to questions such as: What inventory of parts and materials must you keep on hand? What services do you offer? What services do people ask for that you do not offer? What is it you are trying to do better, more of, or differently from your competitors?

____

How to Plan Your Marketing

When you have decided what business you're in, you have made your first marketing decision. Now you are ready for other important considerations.

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

The narrative and work blocks that follow are designed to help you work out a marketing plan for your firm. The blocks are divided into three sections:

Section One - Determining the Sales Potential

Section Two - Attracting Customers

Section Three - Selling to Customers

Section One - Determining the Sales Potential

In the service business, your sales potential will depend on the area you serve. That is, how many customers in this area will need your services? Will your customers be industrial, commercial, consumer, or all of these?

When picking a site to locate your business, consider the nature of your service. If you pick up and deliver, you will want a site where the travel time will be low and you may later install a radio dispatch system. Or, if the customer must come to your place of business, the site must be conveniently located and easy to find.

You must pick the site that offers the best possibilities of being profitable. The following questions will help you think through this problem.

In selecting an area to serve, consider the following:

Population and its growth potential

Income, age, occupation of population

Number of competitive services in and around your proposed location

Local ordinances and zoning regulations

Type of trading area (commercial, industrial, residential, seasonal)

For additional help in choosing an area, you might try the local chamber of commerce and the manufacturer and distributor of any equipment and supplies you will be using.

You will want to consider the next list of questions in picking the specific site for your business:

Will the customer come to your place of business?

How much space do you need?

Will you want to expand later on?

Do you need any special features required in lighting, heating, ventilation?

Is parking available?

Is public transportation available?

Is the location conducive to drop-in customers?

Will you pick up and deliver?

Will travel time be excessive?

Will you prorate travel time to service call?

Would a location close to an expressway or main artery cut down on travel time?

If you choose a remote location, will savings in rent off-set the inconvenience?

If you choose a remote location, will you have to pay as much as you save in rent for advertising to make your service known?

If you choose a remote location, will the customer be able to readily locate your business?

Will the supply of labor be adequate and the necessary skills available?

What are the zoning regulations of the area?

Will there be adequate fire and police protection?

Will crime insurance be needed and be available at a reasonable rate?

I plan to locate in ___________ because:

____

____

____

Is the area in which you plan to locate supported by a strong economic base? For example, are nearby industries working full time? Only part time? Did any industries go out of business in the past several months? Are new industries scheduled to open in the next several months?

Write your opinion of the area's economic base and your reason for that opinion here.:

____

____

Will you build? ________ What are the terms of the loan or mortgage?

____

____

Will you rent? _________ What are the terms of the lease?

____

____

Is the building attractive? _________ In good repair? _________

Will it need remodeling? __________ Cost of remodeling? __________

What services does the landlord provide?

____

____

What is the competition in the area you have picked?

The number of firms that handle my service _________

Does the area appear to be saturated? _________

How many of these firms look prosperous? _________

Do they have any apparent advantages over you? _________

How many look as though they're barely getting by? _________

How many similar services went out of business in the area last year? _________

Can you find out why they failed? _________

How many new services opened up in the last year? _________

How much do your competitors charge for your service? _________

Which firm or firms in the area will be your biggest competition? _________

List the reasons for your opinion here:

____

____

Section Two - Attracting Customers

When you have a location in mind, you should work through another aspect of marketing. How will you attract customers to your business? How will you pull customers away from your competition?

It is working with this aspect of marketing that many service firms find competitive advantages. The ideas which they develop are as good and often better, than those which large companies develop with hired brains. The workblocks that follow are designed to help you think about image, pricing, customer service policies, and advertising.

Image

Whether you like it or not, your service business is going to have an image. The way people think of your firm will be influenced by the way you conduct your business. If people come to your place of business for your service, the cleanliness of the floors, the manner in which they are treated, and the quality of your work will help form your image. If you take your service to the customer, the conduct of your employees will influence your image. Pleasant, prompt, courteous service before and after the sale will help make satisfied customers your best form of advertising.

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

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

____

____

Pricing

In setting prices for your service, there are four main elements you must consider:

(1) Materials and supplies

(2) Labor and operating expenses

(3) Planned profit

(4) Competition

Further along in this Guide you will have the opportunity to figure out the specifics of materials, supplies, labor, and operating expenses. From there you may want the assistance of your accountant in developing a price structure that will not only be fair to the customer, but also fair to yourself. This means that not only must you cover all expenses but also allow enough margin to pay yourself a salary.

One other thing to consider. Will you offer credit? __________ Most businesses use a credit card system. These credit costs have to come from somewhere. Plan for them. If you use a credit card system, what will it cost you? __________

Can you add to your prices to absorb this cost?

Some trade association have a schedule for service charges. It would be a good idea to check with the trade association for your line of business. Their figures will make a good yardstick to make sure your prices are competitive.

And, of course, your prices must be competitive. You've already found out your competitors' prices. Keep these in mind when you are working with your accountant. If you will not be able to make an adequate return, now is the time to find out.

Customer Service Policies

Customers expect certain services or conveniences, for example, parking. These services may be free to the customer, but not to you. If you do provide parking, you either pay for your own lot or pick up your part of the cost of a lot which you share with other businesses. Since these conveniences will be an expense, plan for them.

List the services that your competitors provide to customers:

____

____

____

Now list the services that you will provide your customers:

Service / Estimated Cost

_______________ _______________

_______________ _______________

_______________ _______________

_______________ _______________

Planning Your Advertising Activities

In this section on attracting customers, advertising was saved until last because you have to have something to say before advertising can be effective. When you have an image, price range, and customers services, you are ready to tell prospective customers why they should use your services.

When the money you can spend on advertising is limited it is vital that your advertising be on target. Before you can think about how much money you can afford for advertising, take time to determine what jobs you want advertising to do for your business. The work blanks that follow should be helpful to your thinking.

The strong points about my service business are:

____

My service business is different from my competition in the following ways:

____

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

____

When you have these facts in mind, you now need to determine who you are going to tell it to. Your advertising needs to be aimed at a target audience - those people who are most likely to use your services. In the space
below, describe your customers in terms of age, sex, occupation, and whatever else is

necessary depending on the nature of your business. This is your customer profile of "male and female automobile owners, 18 years old and above." Thus, for this repair business, anyone over 18 who owns a car is likely to need its service.

The customer profile for my business is

____

Now you are ready to think about the form your advertising should take and its cost. You are looking for the most effective means to tell your story to those most likely to use your service. Ask the local media (newspapers, radio and television, and the printers of direct mail pieces) for information about the services and the results they offer for your money.

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

The following blanks should be useful in determining what advertising is needed to sell your strong points to prospective customers.

Form of Advertising	Size of Audience	Frequency of Use	Cost of A Single Ad	Estimated Cost
________	________	________	________	________
________	________	________	________	________
________	________	________	________	________
________	________	________	________	________
			Total	________

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

Section Three - Selling to Customers

To complete your work on marketing, you need to think about what you want to happen after you get a customer. Your goal is to provide your service, satisfy customers, and put money into the cash register.

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

If you previously decided to work only for cash, take a hard look at your decision. Americans like to buy on credit. Often a credit card, or other system of credit and collections, is needed to attract and hold customers.

Based on this description and the dollar amount of business you indicated that you intend to do this year, fill in the following workblocks.

Fixtures and Equipment

No matter whether or not customers will come to your place of business, there will be certain equipment and furniture you will need in your place of business which will allow you to perform your service.

Parts and Material

You will probably need some kind of parts or material to provide your service.

I plan to buy parts and material from:

____

Before you make any supply arrangements, examine the supplier's obsolescence policy. This can be a vital factor in service parts purchasing. You also look at the supplier's warranty policy.

Now that you have determined the parts and materials you'll need. you should think about the type of stock control system you'll use. A stock control system should enable you to determine what needs to be ordered on the basis of: (1) what is on hand, (2) what is on order, (3) what has been used. (Some trade associations and suppliers provide systems to members and customers.)

When you have decided on a system for stock control, estimate its cost. My system for stock control will cost me __________ for the first year.

Overhead

List the overhead items which will be needed. Examples are: rent, utilities, office help, insurance, interest, telephone, postage, accountant, payroll taxes, and licenses or other local taxes. If you plan to hire others to help you manage, their salaries should be listed as overhead.

____

Getting the Work Done

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

Organization is essential because you as the owner-manager cannot do all the work. As your organization grows, you have to delegate work, responsibility and authority. A helpful tool in getting this done is the organization chart. It shows at a glance who is responsible for the major activities of a business.

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

Activity / Name

_____________ _______________

_____________ _______________

_____________ _______________

_____________ _______________

_____________ _______________

How Much Money Will You Need

At this point, take some time to think about what your business plan means in terms of dollars. This section is designed to help you put your plan into dollars.

The first question concerns the source of dollars. After your initial capital investment, the major source of money is the sale of your services. What dollar volume of business do you expect to do in the next 12 months? __________

Expenses

In connection with your annual dollar volume of business, you need to think about expenses. If, for example you plan to do 100,000 in business, what will it cost you to do this amount of servicing? And even more important, what will be left over as profit at the end of the year? Never lose sight of the fact that profit is your pay. Even if you pay yourself a salary for living expenses, your business must make a profit if it is to continue year after year and pay back the money you invested in it.

The following workblock is designed to help you make a quick estimate of your expenses. To use this formula, you need to get only one figure - the cost of sales figure for your line of business. If you don't have this operating ratio, check with your trade association.

	Expressed in percentage	Expressed in dollars	your percentage	your dollars
1. Sales	100	100,000	100	$ __________
2. Cost of sales	-61.7	-61,700	________	-$ __________
3. Gross margin	38.3	38,300	________	$ ___________

Start-Up Costs

If you are starting a new business, list the following estimated start-up costs:

Fixtures and equipment	__________
Starting inventory	__________
Office supplies	__________
Decorating and remodeling	__________
Installation of equipment	__________
Deposits for utilities	__________
Legal and professional fees	__________
Licenses and permits	__________
Advertising for the opening	__________
Operating cash	__________
Owner's withdraw during prep-start-up time	__________
Total	__________

Whether you have the funds (savings) or borrow them, your new business will have to pay back these start-up costs. Keep this fact in mind as you work on the "Expenses" section, and on other financial aspects of your plan.

Break Down Your Expenses

Your quick estimate of expenses provides a starting point. The next step is to break down your expenses so they can be handled over the 12 months. Use an "Expenses Worksheet" form to make up an expense budget.

Matching Money and Expenses

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

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

Is Additional Money needed?

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

What you do depends on the situation. For example, the need may be for bank credit to tide your business over during the lean months. This loan can be repaid during the fat sales months when expenses are far less than sales. Adequate working capital is necessary for success and survival.

Whether an owner-manager seeks to borrow money for only a month or so or on a long-term basis, the lender needs to know whether the store's financial position is strong or weak. Your lender will ask to see a current balance sheet.

Even if you don't need to borrow, use it, to draw the "picture" of your firm's financial condition. Moreover, if you don't need to borrow money, you may want to show your plan to the bank that handles your store's checking account. It is never too early to build good relations with your banker, to show that you are a manager who knows where you want to go rather than a store owner who hopes to make a success.

Control and Feedback

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

But you can't wait 12 months for the score. To keep your plan on target you need readings at frequent intervals. A profit and loss statement at the end of each month or at the end of each quarter is one type of frequent feedback. However, the income statement or profit and loss statement (P and L) may be more of a loss than a profit statement if you rely only on it. You must set up management controls which will help you to insure that the right things are being done from day to day and from week to week. In a new business, the record-keeping system should be set up before your business opens. After you're in business is too late. For one thing, you may be too busy to give a record-keeping system the proper attention.

The control system which you set up should give you information about: stock, sales, and disbursement. The simpler the system, the better. Its purpose is to give you current information. You are after facts with emphasis on trouble spots. Outside advisers, such as an accountant, can be helpful.

Stock Control

The purpose of controlling parts and materials inventory is to provide maximum service to your customers and to see that parts and materials are not lost through pilferage, shrinkage, errors, or waste. Your aim should be to achieve a high turnover on your inventory. The fewer dollars you tie up in inventory, the better.

In a business, inventory control helps the owner-manager to offer customers efficient service. The control system should enable you to determine what needs to be ordered on the basis of: (1) what is on hand, (2) what is on order, and (3) what has been used.

In setting up inventory controls, keep in mind that the cost of the inventory is not your only cost. You will also have costs such as the cost of purchasing, the cost of keeping control records, and the cost of receiving and storing your inventory.

Sales

In a small business, sales slips and cash register tapes give the owner-manager feedback at the end of each day. To keep on top of sales, you will need answers to questions such as: How many sales were made? What was the dollar amount? What credit terms were given to customers?

Disbursements

Your manager controls should also give you information about the dollars your company pays out. In checking on your bills, you do not want to know what major items, such as paying bills on time to get the supplier's discount, are being handled according to your policies. Your review system will also give you the opportunity to make judgments on the use of funds. In this manner, you can be on top of emergencies as well as routine situations. Your system should also keep you aware that tax moneys such as payroll income tax deductions, are set aside and paid out at the proper time.

Break-Even Analysis

Break-even analysis is a management control device because the break-even point shows how much you must sell under given conditions in order to just cover your costs with No profit and No loss.

Profit depends on sales volume, selling price, and costs. Break-even analysis helps you to estimate what a change in one or more of these factors will do to your profits. To figure a break-even point, fixed costs, such as rent, must be separated from variable costs, such as the cost of sales and the other items listed under "controllable expenses" on the expense worksheet, of this Guide.

The formula is:

Break-even point (in sales dollars) =

$$\frac{\text{Total fixed costs}}{1 - \dfrac{\text{...........Total variable costs}}{\text{........Corresponding sales volume}}}$$

An example of the formula is: Bill Jackson plans to open a laundry. He estimates his fixed expenses at about $9,000, the first year. He estimates his variable expenses at about $700 for every $1,000 of sales.

$$\text{BE point} = \frac{\$9{,}000}{1 - \frac{700}{1{,}000}} = \frac{\$9{,}000}{1 - .70} = \frac{\$9{,}000}{30} = \$30{,}000$$

Is Your Plan Workable?

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

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

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

With your revised figures work out a revised break-even point. Whether the new break-even point looks good or bad, take one or more precaution. Show your plan to someone who has not been involved in working out the details.

Your banker, or other advisor outside of your business may see weaknesses that failed to appear as you pored over the details of your plan. They may put a finger on strong points which your plan should emphasize.

Put Your Plan into Action

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

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

At this point, look back over your plan. Look for things that must be done to put your plan into action.

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

Have you more money to put into this business?

Do you borrow from friends and relatives? From your bank? From your suppliers by arranging liberal commercial credit terms.

If you are starting a new business, one action step may be to get a loan for fixtures, employee salaries, and other expenses. Another action step will be to find and hire capable employees.

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

Action / Completion Date

____________ ____________

____________ ____________

____________ ____________

____________ ____________

____________ ____________

Keeping Your Plan Up To Date

Once you put your plan into action, look out for changes. They can cripple the best made business plan if the owner-manager lets them.

Stay on top of changing conditions and adjust your business plan accordingly.

Sometimes the change is made within your company. For example, several of your employees quit their jobs. Sometimes the change is with customers: for example, their desires and tastes shift. Sometimes the change is technological as when raw materials are put on the market introducing the need for new processes and procedures.

In order to adjust your plan to account for such changes, an owner-manager must:

(1) Be alert to the changes that come in your company, line of business, market, and customers.

(2) Check your plan against these changes.

(3) Determine what revisions, if any, are needed in your plan.

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

[Go to Top]

3. Complete Internet Business Plan Template

Table of Contents

1.0 Executive Summary

Introduction

The consumption of entertainment is changing at an unprecedented rate, on a truly global scale. The ever increasing speed, robustness & interconnectivity of the global telecommunication system has increased young consumers' expectations and demands for entertainment solutions that represent their own cultural statement and multi-tasking lifestyle.

As a result of this pop cultural revolution, YouTube has emerged as the number one entertainment destination for Generation (YouTube), creating a flurry of internet stars (aka YouTuber’s) whose channels generate millions of views per day. [Company Name] will function in a full studio capacity, housing a diverse collection of popular YouTuber’s, allowing them to monetize their fragmented super-stardom across a multitude of platforms & mediums.

The Market

With almost 2 billion viewing sessions per day, more content is consumed on YouTube then the combined primetime audiences of ABC, CBS, FOX, & NBC. Originally, most of the content on YouTube was low quality amateurish user submitted videos, with little to no consistency or brand loyalty, making it very difficult to monetize, as advertisers we’re reluctant to associate their brands to videos with such low production value’s & mainstream irrelevance.

In 2007 YouTube launched the “Partners Program”, which allows popular independent content creators to share (up to 50%) in the ad revenue generated off of their videos. In addition to a cut of the ad revenue, partners were given grants to purchase top of the line video cameras, editing software, etc. as to increase the production value of their videos. As a result, YouTuber’s began to produce high quality entertainment content that consistently garners millions of unique views each week.

Out of the 15,000 independent content creators currently enrolled in the Partners Program, hundreds are making between five and six figures a year from their share of the ad revenue, with a select few making as much as 7 figures a year.

Service and Opportunity

Despite massive audiences and dedicated consumer loyalty, the majority of YouTubers have yet to branch out into more lucrative mainstream media platforms. [Company Name] will acquire & develop a comprehensive roster of YouTube artists, providing them with a full studio apparatus allowing them to fully exploit their popularity across a host of various profit centers. The combination of these consistently massive viewership numbers, & a 360degree infrastructure capable of monetizing them, will overnight create an incredibly profitable & valuable new media powerhouse.

[Company Name] is seeking funding in the amount of $X in order to acquire the talent, brands and channels, office space, business model development, hiring employees, PR, legal fees and general start-up operations in Los Angeles, California.

Chart: Highlights

1.1 Objectives

a. Full Capacity by year end 2011 to assemble & develop a network of YouTube Channels & artists exceeding 100 million views per month.

b. Develop an infrastructure capable of fully monetizing collection of YouTubers across more lucrative mainstream platforms.

c. Succeed in branding [Company Name] Properties as lucrative widespread entertainment objects.

1.2 Mission

The Mission of [Company Name] is to transform popular YouTube properties into lucrative mainstream entertainment objects. We will offer distinctive entertainment & brands based off of popular YouTube artists across a defragmented platform whereas Consumers can enjoy their favorite entertainment properties on & off the web.

1.3 Keys to Success

a. Assemble collection of YouTube properties that have potential to cross over into more lucrative platforms & mediums
b. High quality production value of content that can compete for advertising dollars with

more premium online entertainment properties
c. Strong & capable infrastructure that can Identify, Develop, & Exploit popular YouTubers into lucrative global brands

2.0 Company Summary

[Company Name] will capitalize on the growing viewership numbers of YouTube videos & channels across the world through the acquisition & development of lucrative YouTube Channels & Artists. Located in Los Angeles, CA, the company will become highly profitable through the advertising revenue off [Company Name] Corp Channels, sale of Pre-Recorded music of [Company Name] Artists, licensed Consumer products based off of [Company Name] IP and other ancillary profit centers. [Company Name] will own and control the copyrights and licenses of its properties, which will enable [Company Name] to create immediate revenue streams while growing its library of content into a multi-million dollar asset.

It starts with [Company Name] Corp identifying the right properties. The barrier to entry is so low in today's entertainment climate; everybody is now a potential artist. On the Internet, a lot of different types of videos can generate massive viewership numbers. [Company Name] will hand-pick talent that produces consistent viewership numbers with dedicated audiences, that the Company feels can cross-market into mainstream media and entertainment.

2.1 Company Ownership

[Company Name] is the sole owners and creators of [Company Name], whose parent company is [Company Name] which was organized in the State of Florida.

The plans of [Company Name] are to retain twenty five percent (25%) ownership of the company and allocate twenty five percent (25%) to the first five acquired YouTube artists, allowing fifty percent (50%) ownership of the Company available to prospective investors.

2.2 Start-up Summary

The start-up costs of [Company Name] consist of acquiring talent along with channels and content, creating a promotion campaign, and establishing operations in Los Angeles, California. The Company is proposing to offer newly acquired talent up to ten times the amount of their current annual income in order to retain fifty percent (50%) ownership of intellectual property of said talent.

The Company is seeking to acquire funding in the amount of **$2,702,866**. The assumptions are shown in Table 1 and Illustration 2.

Table: Start-up

Start-up	

Requirements	
Start-up Expenses	
Legal	$50,000
Rent	$26,400
Office Supplies	$3,000
Office Equipment	$11,370
YouTube Channel Acquisition	$1,000,000
Employees	$1,092,096
Marketing/PR for [Company Name] Brands	$500,000
Total Start-up Expenses	$2,682,866
Start-up Assets	
Cash Required	$20,000
Other Current Assets	$0
Long-term Assets	$0
Total Assets	$20,000
Total Requirements	$2,702,866

Chart: Start-up

3.0 Products

[Company Name] will offer "YouTuber" talent the following themed services and brands:

Ad Sales

The Company will work one on one with the client so that they can ensure that the brand is being represented to the client's satisfaction.

* Full service ad sales unit will work with YouTubers to fully monetize their popularity by creating sponsorship opportunities

* [Company Name]’s ad sales unit works with advertisers to create unique opportunities for sponsors to align themselves with YouTubers creating “credible brand ambassadors” for their respective brands

* Ad Sales unit will also work YouTubers to maximize ad revenue on their YouTube Channels by creating “Packages” whereas Advertisers can align themselves with YouTubers across multiple platforms including their Facebook and Twitter accounts in order to maximize market penetration.

Consumer Products

[Company Name] will monetize its' intellectual property through the following in-house channels:

- Experienced sales force in all categories including Toys, Apparel, Electronics, Publishing & Novelty
- Will work with potential licensees to identify licenses that not only fully monetize individual the property, but also are brand appropriate
- Full service creative that works with licensors & licensees to maintain brand INTEGRETY & CONTINUITY across all mediums and platforms
- Dedicated retail department that works with retailers & licensees creating unique licensing programs for retailers
- Retail department will also work with retailers & YouTubers to create cross promotional opportunities as well as potential in store appearances/videos

Recorded Music

[Company Name] will have a record label component which is currently in the process of securing distribution through a major label.

- Full distribution apparatus for digital and retail outlets
- Will create comprehensive marketing and promotional campaigns

- Secure radio placement for [Company Name] artists by leveraging entertainment industry contacts to create collaborations with mainstream artists

Marketing/PR

* Full Service PR/Marketing Department

* Works with [Company Name] Brands to establish core audience & look for ways to grow audience using traditional marketing & PR iniatives as well as non-traditional social media tools

* Will also work with [Company Name] brands as well as partners to promote specific initiatives, videos, & new product offerings in order to maximize audience awareness & brand potential

* Utilize [Company Name]'s network of advertising partners to create unique co-branding & sponsorship initiatives across multiple platforms & mediums

Production

[Company Name] will offer production support. Improve the quality and production value of the content that is being exploited through the full studio model. Assisting and increasing the production values in order to compete with mainstream distributed content.

* [Company Name] Production unit will work with YouTubers to help produce original content for distribution on their respective YouTube Channels

* Production department will also work with YouTubers to repurpose their content for distribution on mainstream media outlets.

* Production Unit will also provide YouTubers creative apparatus from which to create new content specifically for release on mainstream outlets

Distribution

* [Company Name]'s Distribution apparatus will work directly with YouTubers to distribute their content (Recorded Music, Videos, and Episodic Series) across all distribution channels, including retail outlets.

* [Company Name] will also syndicate content across a network of other platforms as to maximize viewership for each video.

Booking

* [Company Name] booking department will create consistent “payday” opportunities for YouTubers by “booking” them jobs on TV Shows, Films, and Commercials

* [Company Name] will also work with YouTubers to create unique opportunities for live appearances including music & comedy tours

By creating a full studio model [Company Name] will be able to monetize its acquired intellectual property across a variety of different media platforms & mediums. By doing this, the Company is enhancing the value of each property across all platforms.

In addition, [Company Name] will provide the Company's services to other YouTube talent on a "work-for-hire" basis.

4.0 Market Analysis Summary

People are watching 2 BILLION VIDEOS A DAY on YouTube. THAT’S NEARLY DOUBLE THE PRIME TIME AUDIENCE OF ALL 3 MAJOR US BROADCAST NETWORKS COMBINED.

In 2011, more users will be turning to digital platforms including the web as a primary source of entertainment. Additionally, more content providers—including major networks, studios, and talent—will be making significant investments in digital platforms including the web as a distribution channel. To engage audiences on these growing platforms marketers will increasingly be employing new video opportunities beyond traditional pre-roll including interactive video based ad units, ad-selector models, branded entertainment. Those marketers and publishers at the forefront of the medium will employ new technologies including 3D and HD. Digital video will not be defined as a web only phenomenon and we will start to see video scale across new platforms such as iPad, mobile devices, internet-enabled TVs, and 3D-enabled TVs in the New Year.

2011 is going to be the start of the “smart reach” – reaching the right consumer at the right time with content that’s relevant to them. The concept of demographics will fade away as more content is consumed via some sort of connected device. As mobile continues to expand and adoption of connected devices grows, online advertising inventory will adapt to offer the opportunity to deliver advertising in a far more granular and effective manner. Advertisers will begin taking advantage of this once they realize that taking the traditional television model and applying it to online video just doesn’t work anymore.

Many reports about the consumption of streaming media delivered by the Internet were released recently. Nielsen data showed a sharp increase in the use of Netflix (NASDAQ: NFLX). The Nielsen report said that Netflix consumers spent and average of 11 hours on the service in December. No other web destination was even close.

Research firm comScore found that Google’s (NASDAQ: GOOG) **YouTube** was the largest video site based on usage. Google sites, which include YouTube, had 1.9 billion viewing sessions in January. Netflix was not even in the top ten based on comScore data. Most of comScore's list is dominated by large media company video sites and premium offerings such as Hulu.

The extraordinary thing about YouTube, based on comScore's information, is that its users spent an average of 283 minutes watching video on the site last month. This is even more than Hulu, at 235 minutes. Hulu offers long-form programs, primarily TV episodes and films. Most of the YouTube video is short, amateurish, and user created.

YouTube and Netflix share something in common. They have emerged as the dominant video destinations on the Internet, although one is a highly profitable enterprise because of its subscription based model. Netflix has 20 million paid subscribers and most have abandoned its DVD-by-mail service for it streaming video product.

It is purely a coincidence that Netflix will use a Google Android based platform to help move its service to portable devices. A new Qualcomm (NASDAQ: QCOM) chip will be the hardware engine for the product. Google has Android and YouTube among its most broadly distributed product lines. YouTube is pre-installed on many smartphones. Netflix is at work to get more installations of its service.

Google believes that YouTube's future is to market premium content and streaming services to its hundreds of millions of users. The management of the world's largest search engine company knows that advertising supported content cannot make YouTube profitable. It needs another source of sales which only subscriptions for premium content access.

People who use YouTube are clearly willing to stay on the site for long periods. YouTube's business plan puts it on course to battle Netflix. YouTube is large enough to do what Hulu and Blockbuster have not been able to do. Netflix may finally have a worthy competitor.

There is a lot of money to be made on YouTube. In fact, these ten YouTube stars are rumored to have earned close to or more than $100,000 dollars from ad revenue based solely on their YouTube video postings.

TubeMogul, an advertising company, used the page views from these "independent users" to come up with an estimate of how much they make from ads, "TubeMogul defined "independent user" as someone who is not affiliated with a media company or brand.

Yahoo has more about how TubeMogul reached their conclusions, but for now, here are the top ten highest paid stars on YouTube.

As a suggestion, don't take these numbers at exact face value, since CPM (amount earned per 1,000 pageviews) are only estimated and quite honestly *TubeMogul* and *Yahoo News* had Mediocre Films with 40 million more pageviews than they actually had, we dropped Mediocre Films to number 12 based off proper pageviews and we only used the list as a way to show off top viewed independent users channels.

TV is merging with the internet. This is already happening. TV shows are being watched online with increasing frequency – and viewers all win for the following reasons:

1. The viewers watch when they want to – they no longer abide by a schedule

2. Businesses can dominate each viewing with their ads running alone (this is why the writers in the US went on strike a few years ago because the networks were trying to not pay them their share of the revenues from advertising on internet-viewed content).

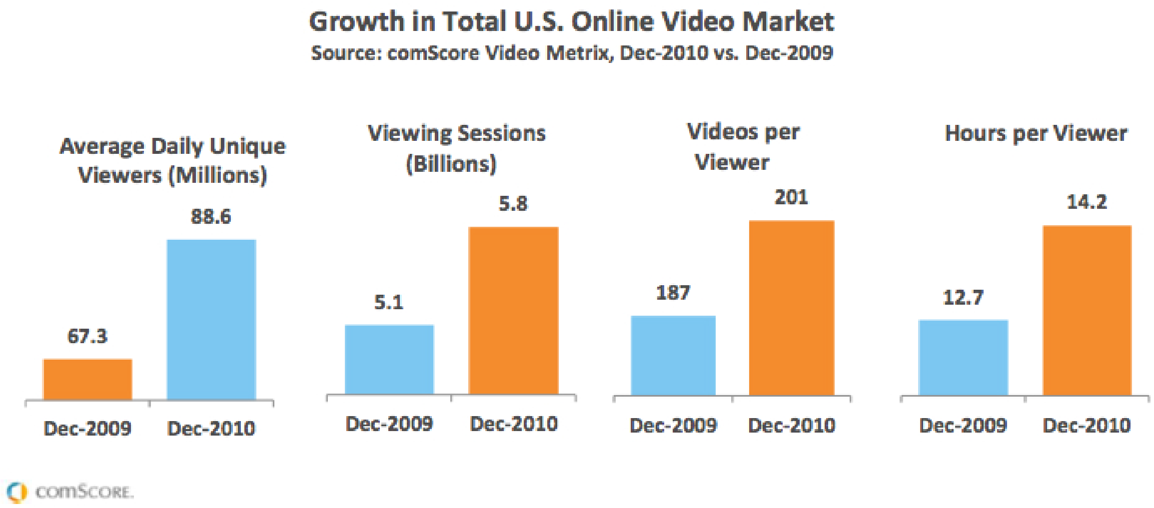
3. Content providers can accurately measure audience to accurately charge business that runs their ads on the episodes that viewers are watching.

The irony is that for such a regulated and influential medium its success has relied on the regulatory control that limited the number of viewing options available to people. People were so enthralled by the passive and escapist nature of TV that watching was a given. But, with cable and now the internet, what is going to become of the guaranteed revenues that TV benefited from?

And then there is HULU – it's a co-venture between Fox and NBC to find a new medium to promote 'TV' shows and selling advertising. And it's huge. Its ad inventory sells out immediately.

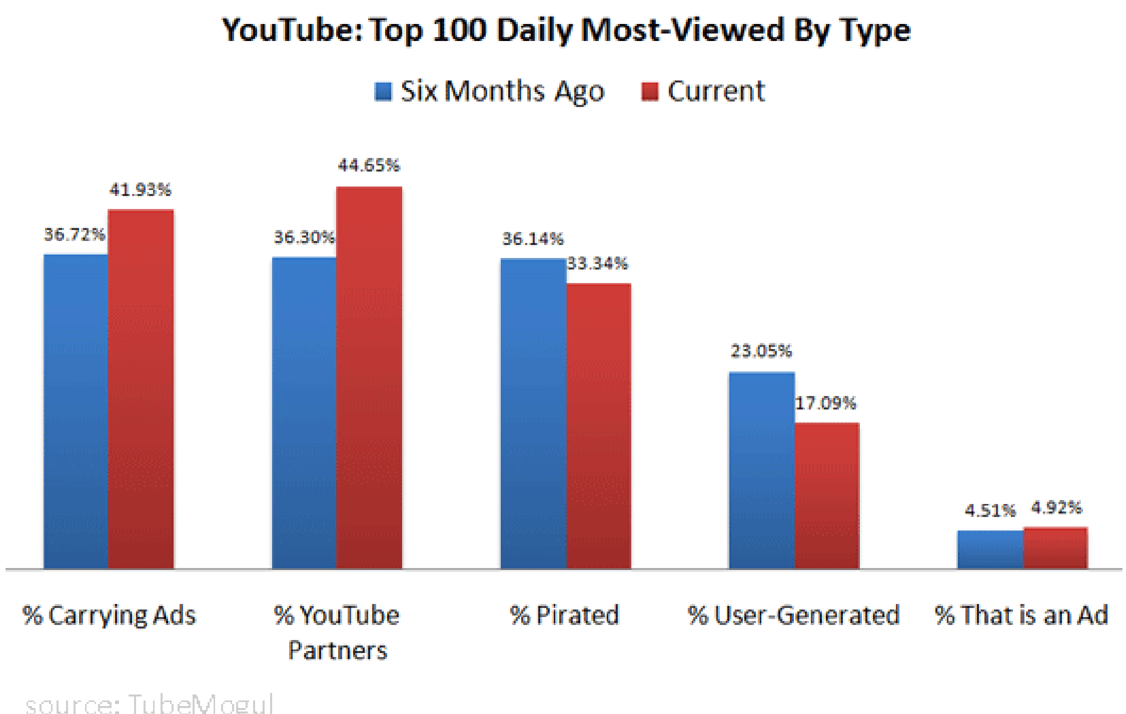
However, content suppliers are pulling their 'content' because they are worried that they're helping NBC and Fox to become champions of the new era of content delivery. Perhaps they're trying to figure out a model where they can make money by having the content on Hulu and other upcoming mainstream mediums, such as YouTube.

In 2011, more users will be turning to digital platforms including the web as a primary source of entertainment. Additionally, more content providers—including major networks, studios, and talent—will be making significant investments in digital platforms including the web as a distribution channel. To engage audiences on these growing platforms marketers will increasingly be employing new video opportunities beyond traditional pre-roll including interactive video based ad units, ad-selector models, branded entertainment. Those marketers and publishers at the forefront of the medium will employ new technologies including 3D and HD. Digital video will not be defined as a web only phenomenon and we will start to see video scale across new platforms such as iPad, mobile devices, internet-enabled TVs, and 3D-enabled TVs in the new year.



With almost 2 billion viewing sessions per day, more content is consumed on YouTube then the combined primetime audience's of ABC, CBS, FOX, & NBC. Originally, most of the content on YouTube was low quality amateurish user submitted videos, with little to no consistency or brand loyalty, making it very difficult to monetize, as advertisers we're reluctant to associate their brands to videos with such low production value's & mainstream irrelevance.

In 2007 YouTube launched the "Partners Program", which allows popular independent content creators to share (up to 50%) in the ad revenue generated off of their videos. In addition to a cut of the ad revenue, partners were given grants to purchase top of the line video cameras, editing software, etc. as to increase the production value of their videos. As a result, YouTuber's began to produce high quality entertainment content that ***consistently*** garners millions of unique views each week. Although Partner generated videos account for the majority of YouTube's views, advertisers are still reluctant to pay premium CPM's because the content is viewed as overly fragmented unable to garner mainstream awareness.



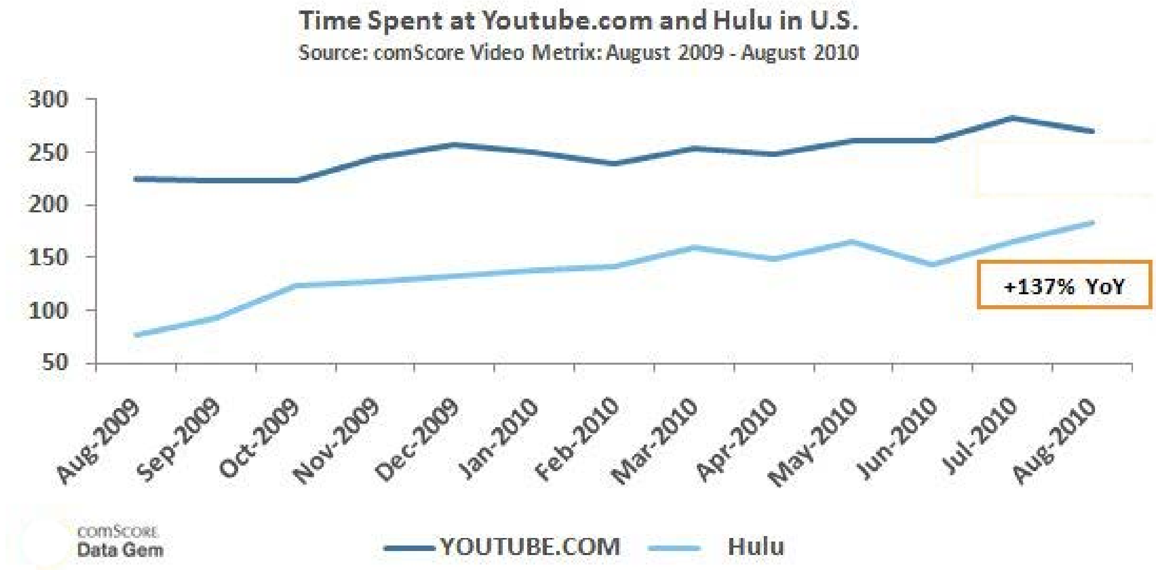
TV is merging with the internet. This is already happening. TV shows are being watched online with increasing frequency. A prime example of this growing phenomenon is Hulu which attributes it success in large part to the following factors:

1. The viewers watch what they want, when they want to – they no longer have to abide by a schedule

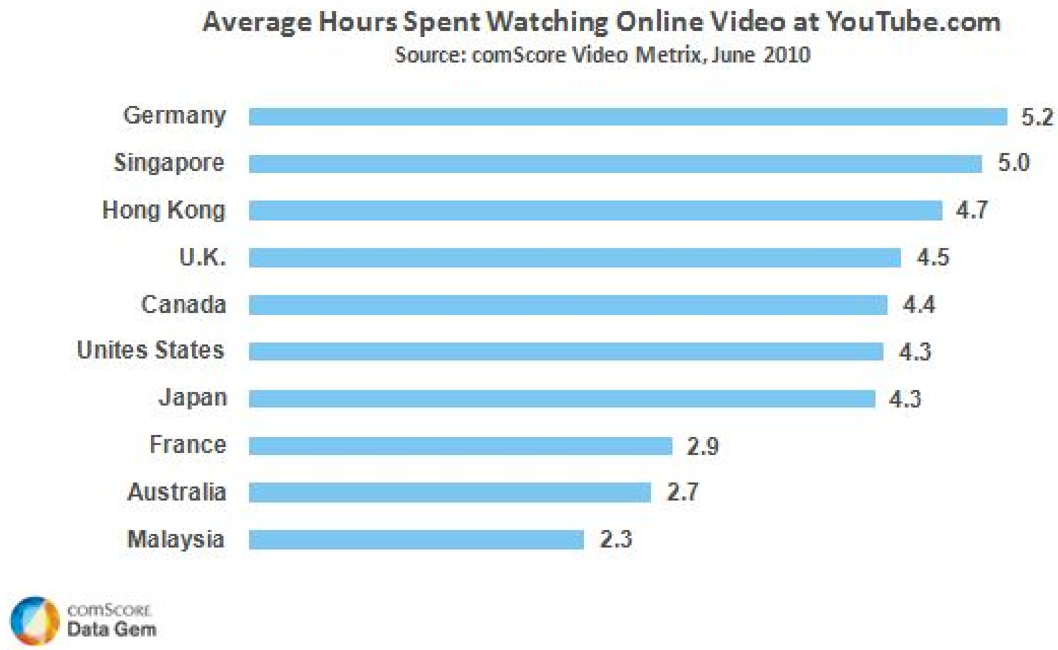
2. Advertisers can dominate each viewing with their ads running alone

3. Content providers can accurately measure audience to accurately charge advertisers that runs their ads on the episodes that viewers are watching.

Hulu offers long-form programs, primarily TV episodes and films. Most of the YouTube video is short, amateurish, and user created. However despite all that, YouTube still generates far more views then Hulu!!



Hulu is still not available in many international territories due to pre existing International TV licensing deals, while YouTube is a truly global stage.



The allure of independent content creators for the viewers is several fold:

- It allows the viewer to feel as if they are part of the experience creating a “window” into the YouTuber’s daily life
- The social media components allow users to immediately share the content and experience with their friends via facebook, twitter etc.
- YouTube allows for “video responses” where you can record and upload a video post to almost any content you choose, thus obviously enhancing the viewers experience
- Viewers can watch the content whenever & however they please to, including tablets, laptops, mobile devices, and yes even (web enabled) TV
- It is uploaded in real time, and doesn’t have a 3-6 Month lead in
- Utilizing comments and video responses the consumer can dictate to the content creator the type of videos they want to be uploaded

- They can interact with these creators via other portals and web destinations (many popular Youtubers have twitter & facebook accounts in excess of 500K followers

Between the explosion of immerging technologies and the advent of social media it is no surprise that viewers are longer interested in a “one way” viewing experience. Viewers want to be able to watch what they want, whenever they want, on whatever device is most convenient for them. They also want the ability enhance their viewing experience by sharing it with whomever they please across their vast network of digital social connections. Given the current landscape of media consumption, there is a “perfect storm” aligning which will allow [Company Name] to take a select group of YouTuber’s to the next realm of profitability. Below is a list of already successful YouTubers:

TOP YOUTUBE TALENT TO ACQUIRE:

1. Shane Dawson – Said To Have Made Over $315,000

Shane Dawson has three different YouTube Channels. His most popular is a music parody and comedy skit channel. His other channels are a vlog called AskShane, and a channel that he films solely from his iPhone.

Views: 431,787,450

2. The Annoying Orange – Said To Have Made Over $288,000

If you like talking fruit, you’ll like The Annoying Orange. It’s a comedy website that takes place in a kitchen. Dane Boedigheimer is the creator of The Annoying Orange, as well as the voice.

Views: 349,753,047

3. Philip DeFranco – Said To Have Made Over $181,000

Phillip DeFranco has a Monday through Thursday YouTube show. He Vlogs about anything from politics to pop culture.

Views: 248,735,032

4. Ryan Higa – Said To Have Made OverSaid To Have Made Over $151,000

Ryan Higa is the least prolific YouTuber user on this list, but he isn’t the least lucrative. Higa made “How to be a Gangster” which went viral, and helped him earn 2.6 million subscribers.

Views: 206,979,909

5. Fred – Said To Have Made Over $146,000

Fred is the second most subscribed to user on YouTube. Lucas Cruikshank is the creator of Fred, and is currently making a movie with Nickelodeon.

Views: 200,656,150

6. Shay Carl – Said To Have Made Over $140,000

Shay Carl makes comedy skits for YouTube. According to Yahoo, he held down 20 different jobs before finding his niche doing DJ and VJ gigs with YouTube.

Views: 192,309,247

7. Smosh – Said To Have Made Over $113,000

Ian Hecox and Anthony Padilla make up the comedy duo of Smosh. Their first viral video, “Pokemon Theme Music Video” was shot in 2006, and since then they have racked up 1.7 million subscribers.

Views: 154,936,876

8. The Young Turks – Said To Have Made Over $112,000

The Young Turks run a political talk show on YouTube, but also broadcast on Sirius Satellite radio. Cenk Uygur is the host of the Young Turks talk show.

Views: 153,807,362

9. Natalie Tran – Said To Have Made Over $101,000

Natalie Tran is the most watched YouTube user in Australia. She, like most of the others on this list, writes skits, and is a video blogger.

Views: 138,871,829

10. Mediocre Films – Said To Have Made Close TO $100,000

When Greg Benson’s TV show, “Skip TV” was canceled. He turned to the web where he now makes low budget web videos.

11. iJustine - Said To Have Made Over $216,000

She has made more than 400 videos, including videos on such subjects as *Lost* and parkour. Her videos have received more than 25 million views, 16 million on YouTube alone. Her popularity is such that a video about her wanting to order a cheeseburger got 600,000 YouTube views in a week. She is sometimes described as a "lifecasting star,” a "new media star," or one of the web's most popular lifecasters.

Views: 196,482,352

12. Matty B Raps - Said To Have Made Over $176,288

Pint sized rapper MattyB only just turned 8 years old but is already being called the next **“Bieber”.** MattyB’s rap video **“Eenie Meenie”** had over 500,000 views and made the front page.

Views: 113,000,000

Source: 24/7 Wall Street, Indyposted.com, Zimio - Author "Bradshaw", Socialblade

4.1 Market Segmentation

Generation Y, also known as the Millennial Generation (or Millennials), describes the demographic cohort following Generation X. As there are no precise dates for when the Millennial generation starts and ends, commentators have used birth dates ranging somewhere from the mid-1970s to the early 2000s. Characteristics of the generation vary by region, depending on social and economic conditions. However, it is generally marked by an increased use and familiarity with communications, media, and digital technologies.

YOUTUBE CONSUMERS AVIDLY WATCH THEIR FAVORITE STARS AND CAN'T JUST WALK INTO WALMART OR BEST BUY THEIR MERCHANDISE AS THEY CAN HANNAH MONTANA OR THE JUSTIN BEIBER.

Licensors of Intellectual Property

Royalties rates have stayed fairly consistent in the celebrity area for the last few years. Guarantees have become a bit more negotiable and also in whether the royalty will be paid in advance. A clear upward trend is celebrity engaging in licensing and/or developing their names and images into products, licensed goods and brands. And, in the advertising arena, the old taboo of celebrities doing advertising is completely gone.

Advertising Sales

[Company Name] will be focusing on cultivating strong relationships with nationwide brands that wish to purchase advertising space on [Company Name]'s advertising space on any of the channel's sites that [Company Name] owns.

[Company Name] will also create unique sponsorship packages for advertisers that span across the multitude of platforms created by [Company Name].

Record/Music Sales

All of this growth for the Company and the industry will come from the online segment, which comprises track downloads, full album downloads, music videos, digital kiosks and subscription services. Spending on online music will grow to $3.82 billion in 2013, up from $2.22 billion in 2009. By contrast, the mobile component of digital music will remain around the $750-million mark through 2013.

Despite the growth forecast for digital music, total recording industry spending will show a sharp decline as physical sound carriers (i.e., CDs) continue to spiral downward. Spending on CDs will dwindle to less than $1 billion by 2013, down from $4.32 billion in 2009. These are staggeringly low figures for a format that, at its peak in 1999, attracted $14.6 billion in US consumer spending.

Now that the medium has drastically switched to online downloading and iTunes along with many other music selling services existing, the opportunity has been set for [Company Name] to partner with a record label and share in revenues.

The tipping point between physical and digital formats has occurred in 2010. The dollar volume spent on digital music has eclipsed spending on CDs.

In today's music industry, the entry threshold for an emerging music talent is extremely penetrable. The fast pace of marketing technology and viral marketing will, in today's market, save millions of dollars and [Company Name] intends to capitalize on this trend.

US Recorded Music Spending, by Segment, 2008-2013 (billions and % of total)

	2008	2009	2010	2011	2012	2013
Physical	**$5.76**	**$4.32**	**$3.11**	**$2.18**	**$1.48**	**$0.96**
Digital total	**$2.64**	**$3.00**	**$3.39**	**$3.80**	**$4.20**	**$4.56**
-Online	$1.82	$2.22	$2.65	$3.07	$3.47	$3.82
-Mobile	$0.82	$0.77	$0.74	$0.73	$0.73	$0.74
Grand total	**$8.40**	**$7.31**	**$6.50**	**$5.98**	**$5.68**	**$5.52**
Digital % of total	**31.4%**	**41.0%**	**52.2%**	**63.6%**	**73.9%**	**82.6%**

Note: numbers may not add up to total due to rounding
Source: eMarketer, June 2009

103970 www.eMarketer.com

Film/TV Production

[Company Name] will market television show and film concepts based off of its' popular artists and brands. The Company will shop projects directly to mainstream media outlets and function in a producer capacity, retaining ownership over the show and the intellectual property, seeking fees for various services rendered as well as procuring talents fees for [Company Name]'s artists.

Please note that the numbers reflected in the chart are representing millions, not the actual number showing. The number represented in the Record/Music Sales category is representing billions.

Table: Market Analysis

Market Analysis							
		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
IP Licensees	5%	50	6,600	7,260	7,986	8,785	264.08%
Corporate Advertising Clientele	5%	25	3,300	3,630	3,993	4,392	264.07%
Recorded Music	11%	100	0	0	0	0	100.00%
TV/Film Production	10%	75	0	0	0	0	100.00%
Total	169.44%	250	9,900	10,890	11,979	13,177	169.44%

Chart: Market Analysis (Pie)

4.2 Target Market Segment Strategy

YouTube pays royalties to YouTuber talent after a "partnership" has been formed. [Company Name] will receive the revenue generated from talent's channels and distribute the artist's share accordingly.

4.3 Service Business Analysis

[Company Name] will have seven core divisions:

- Consumer Products
- Booking
- Marketing and PR
- Ad Sales
- Recorded Music
- Distribution
- Production

Competitive Landscape

TuneCore

TuneCore is an online distribution service for music founded in 2005. TuneCore principally offers musicians and other rights-holders the opportunity to place their music into online retailers such as iTunes, AmazonMP3, Zune Marketplace, Rhapsody, eMusic, and others for sale. TuneCore also offers other goods and services to the music community, including sale of equipment and expertise.

However, TuneCore lacks the full-business model that is required to be able to successfully monetize a music property in today's fragmented media landscape. [Company Name] not only offers all of the above but in addition offers representation in cross-marketing into the mainstream entertainment world including but not limited to branding, merchandise, intellectual property licensing and shopping talent and television/film concept property to major media outlets.

District Lines

District Lines is touted to be dedicated to creating the world’s most innovative marketplace. They intend to build an honest and secure environment that allows artists to sell their products and consumers to embrace their passions.

They tend to lean more into the merchandise promotion of their represented artists and appear to not pay attention to the overall process of true talent cultivation and exploitation for mutually beneficial profits.

TubeMogul

TubeMogul’s mission is to get online videos watched and watched longer by highly targeted TV-sized audiences. TubeMogul services are powered by the company’s unprecedented data platform that processes billions of video streams every month from the Internet’s top publishers to know precisely who is watching what and where online. Advertisers and marketers never again have to choose engagement and accountability over reach if they use TubeMogul's online video distribution, analytics and video ad network.

TubeMogul provides a very reputable and valuable service, but like the others listed in this analysis, it lacks providing the "one-stop-shop" model that YouTuber talent will need in order to be propelled forward and fully exploit the talents offered. [Company Name] feels that this could be a strong component to their business model; however, it TubeMogul is not everything the today's YouTuber needs.

Ad.Ly

Ad.Ly helps brands connect with consumers via the most influential celebrities, artists and athletes on the most popular platforms.

More than 1,000 of the top celebrities in social media work with us to endorse brands, products and services to their fans.

This is where their service offering stop. Outside of branding influential talent, Ad.Ly has yet to offer a full well-rounded service platform. [Company Name] can.

4.3.1 Competition and Buying Patterns

Highly viewed YouTube talent will choose [Company Name] based on a mutual enthusiasm with other community members of unique online talent waiting to transition into mainstream and the reputation for high quality service within the industry. With the combined high production quality services and catering to the Generation Y market, the Company doesn't feel that there is high competition.

THERE ARE SOME COMPANIES THAT JUST DO SOCIAL MEDIA MARKETING. SOME DO LICENSING TO ITUNES. [COMPANY NAME] WILL BE ALL OF EVERYTHING UNDER ONE ROOF. Additionally, where the Company differs from other companies is attaining ownership of the copyright to properties, not just functioning on a "work-for-hire" basis, much like other service companies. By having the capacity to do what other outfits can, across multiple platforms, [Company Name] will be exponentially enhancing the value of each property while creating an extremely valuable enterprise.

5.0 Strategy and Implementation Summary

[Company Name] has clearly defined the target market and has already differentiated the Company by offering a unique solution to talent, advertisers and consumer's needs. [Company Name]'s sales and marketing strategy will be a combination of targeted mass marketing techniques as well as a focused direct sales team approach. Reasonable sales targets have been established with an implementation plan designed to ensure the goals set forth below are achieved.

5.1 SWOT Analysis

The SWOT analysis provides us with an opportunity to examine the internal strengths and weaknesses [Company Name] must address. It also allows the Company to examine the opportunities presented to [Company Name] as well as potential threats.

5.1.1 Strengths

1. In the process of building strong relationships with talent that offer arrangements, flexibility, and response to special branding requirements.
2. Assembling a team of experienced employees each with a vast variety of experience in their respective industries.
3. Business model will be uniquely designed to accommodate all of a YouTube artist's needs.
4. The Company's artists will have consistent high consumer loyalty among repeat and high-dollar purchase Generation Y consumers in today's changing and emerging new media outlet markets.

5.1.2 Weaknesses

- Access to additional operating capital.
- Similar companies exist, although not to the same scale as [Company Name]'s full-service model.
- Challenges of the unpredictability of the business.

5.1.3 Opportunities

Generation YouTube, has a total $175 billion dollar per year spending power! (YouTubers have massive audiences with very loyal fanbase's, BUT their fans can't find them anywhere else but YouTube.

5.1.4 Threats

One thing that Hulu has over the competition - a stunning revenue model. Hulu can command huge ad dollars and premium CPMs as they have complete control over the content. Furthermore, the site can leverage pre-existing relationships with advertisers at News Corp and NBC Universal. As opposed to traditional TV where viewers can’t click or ‘follow’ the ads, this form of programming is interactive and opens the door to new advertising opportunities. This conversion process is not only more effective, but also measurable.

Hulu

Hulu has one thing that nearly all of other video sharing sites lack - the rights to production-quality content. YouTube and others will continue to stream illegal content. What catapulted YouTube to the top in the first place may ultimately lead to its demise in the end. This is imminent flaw of social media.

However, YouTube is expected to grow due to providing content that is not licensed, is sometimes private and candid and not readily available through other channels of entertainment.

TuneCore

TuneCore is an online distribution service for music founded in 2005. TuneCore principally offers musicians and other rights-holders the opportunity to place their music into online retailers such as iTunes, AmazonMP3, Zune Marketplace, Rhapsody, eMusic, and others for sale. TuneCore also offers other goods and services to the music community, including sale of equipment and expertise. TuneCore differs from traditional music distribution by not taking any percentage off of its customers' sales and not asking for rights, copyrights or masters nor requiring exclusivity.

However, TuneCore lacks the full-business model that is required of independent talent today. [Company Name] not only offers all of the above but in addition offers representation in cross-marketing into the mainstream entertainment world including but not limited to shopping branding, merchandise, intellectual property licensing and shopping talent and television/film concept property to major production outlets.

District Lines

District Lines is a licensing and merchandising agency for YouTube artists which distributes its own products in limited categories.

They tend to lean more into the merchandise promotion of their represented artists and appear to not pay attention to the overall process of true talent cultivation and exploitation for mutually beneficial profits. Their merchandising is overly fragmented and has not consistency across categories or correlation to the content.

5.2 Competitive Edge

Tube Nation's competitive advantage is offering branding and advertising lines that make a statement but won't leave clients spending more (as they have a larger risk of using mainstream television media advertising campaigns). The major brands presented on mainstream television are expensive and not distinctive enough to satisfy the changing taste of the Company's target consumers. [Company Name] offers a full studio model that is just ahead of the curve and so conducive to the target market's needs.

Another competitive factor is that materials and brands for this age group (Generation Y) are part of the current technological lifestyle statement. [Company Name] is focused on serving consumers and brands globally. [Company Name] wants to represent style, high quality production value and professional career choices to its top-of-the-line talent and licensed materials. The Company believes that it will create a loyal talent and consumer base that will see [Company Name] as part of their lives. To facilitate that connection, the channel will have a chat section where viewers can share what is happening in their communities as well as comment on the content, talent and brands and what [Company Name] should add to the full studio model in the future.

[Company Name] in itself is not a brand. The Company's talent are the brands. [Company Name] will be careful and select the top YouTube talent the Company feels it can strongly stand behind and cross-market into mainstream media.

5.3 Sales Strategy

What [Company Name] will do:

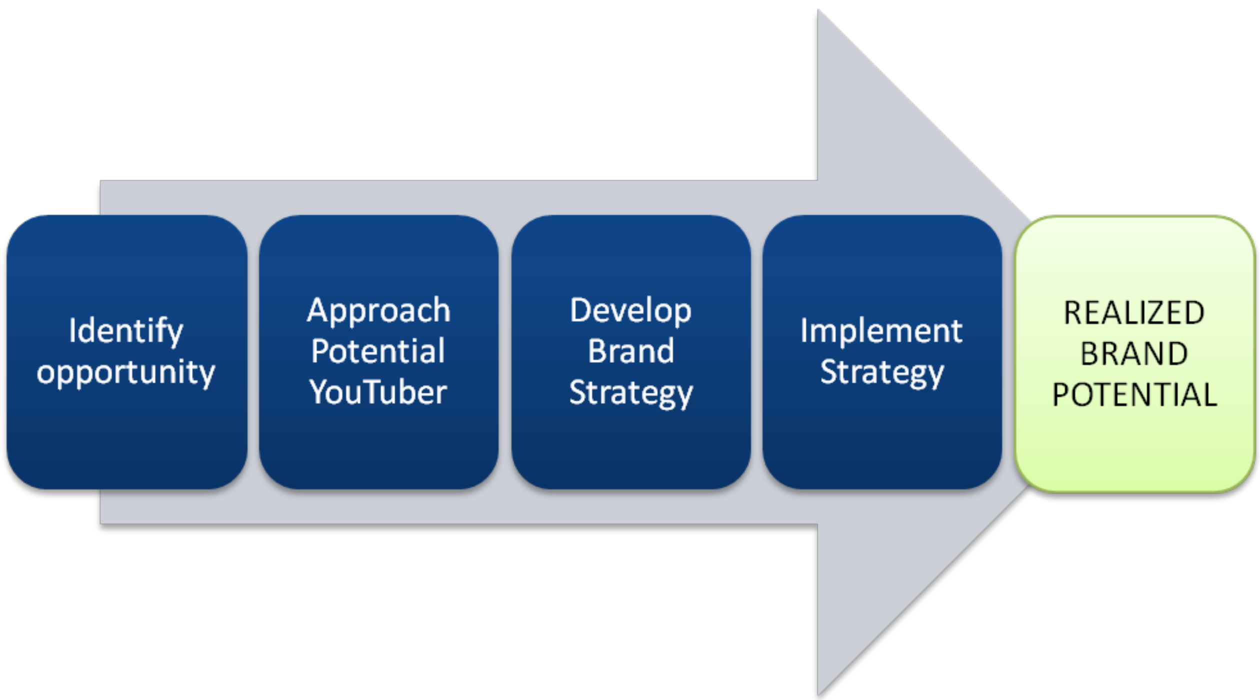
• Identify undervalued & underexploited YouTube Properties

• Approach YouTubers to "Sign" with [Company Name]

• Develop Brand Strategy around each property on how best to realize full brand potential on & off YouTube

• Provide a full service infrastructure for YouTubers with already large audiences to fully monetize their popularity across multiple platforms & mediums

• Create & launch original channels/brands exclusively for YouTube wholly owned by [Company Name]



1) **<u>Ad Sales</u>**
[Company Name] will be able to offer advertisers innovative turn-key solutions that will allow them to effectively target consumers utilizing [Company Name]s far reaching "Micro-Network" of digital platforms

a) YouTube Channel's

i) Google sells their ad inventory themselves, and [Company Name] will simply collect a 50 percent share of this revenue each month. Ad inventory units include pre-roll ads, banner placements, digital displays, & interactive video based units.

(1) As [Company Name] succeeds in repositioning its properties as mainstream entertainment objects, Google will be able to command significantly higher CPM's for [Company Name] channels

ii) [Company Name] will also control the "embedded links" in each of its channels videos which will allow [Company Name] to sell branded integrations that can be measured and sold against a CPC (cost per click)

iii) [Company Name] will also use their embedded links to drive traffic to other [Company Name] properties, as well as web destinations which will be wholly owned by the company along with any subsequent ad inventory on each site

b) Social Media

Social Media is now the preferred method consumers utilize to share content with one another. From 2009-2010 email usage declined nearly 60 percent amongst 12-18 year olds. While email still accounts for 55 percent of content referrals, the CTR (click through rate) on email referrals is only 31 percent, while social media outlets have a staggering 60 percent CTR against their 24 percent of all content referrals.

i) [Company Name]'s properties will all have Twitter & Facebook accounts which will allow the company to offer these platforms to advertisers as part of its Micro-Network

ii) Tweets & Facebook posts will be sold as part of overall package to advertisers that can be used to increase number of impressions being sold against an ad-buy.

c) Web Destinations

i) Each [Company Name] property will have its own web destination which will be relatively seamlessly integrated into not only their YouTube Branded channel but as well as each properties social network base, as to maximize referrals from one destination to another

ii) [Company Name] will sell the ad inventory on each of its web properties, as well as the inventory on the videos which will be repurposed on their own video player for each site

(1) YouTube Player will not be embedded on hub sites, as ads are not delivered against embedded players

d) Content Syndication

i) [Company Name] will syndicate content on other video sharing sites, blogs, and social networks as to maximize video views, increasing the ever reaching number of impressions being offered to advertisers through its unique "Micro-Network"

e) Branded Entertainment

i) [Company Name] will offer advertisers creative & unique branded integration opportunities that will not only allow them to raise awareness for their products, but even allow them to generate sales utilizing embedded links in videos to drive consumers to E-Commerce destinations

f) Mobile

In December 2010, nearly 47 percent of mobile subscribers were connected media users (used browsers, accessed applications or downloaded content) The growth in mobile media usage is largely attributable to the growth in smartphone adoption, 3G/4G device ownership and the increasing ubiquity of unlimited data plans, all of which facilitate the consumption of mobile media.

i) [Company Name] Properties will all have their own Mobile App's that will allow consumers to watch & share content with other connected users.

ii) The Majority of smartphones come pre installed with a YouTube player, and although traditional pre-roll & banner ads are not currently available on these embedded players, [Company Name] will still leverage the mobile views as part of its total number of impressions generated by its Micro-Network

iii) While mobile advertising is still in its infancy, Mobile based ads have increased by 150 percent in the past two years. However many advertisers are still skeptical of the fragment nature of mobile media. [Company Name] will sell the leverage its other platform offerings to sell mobile ad inventory as part of a bundle, defragmenting the mobile reach.

2) Consumer Products

a) Licensing

i) As [Company Name] properties succeed in positioning themselves as mainstream assets, the company's Licensing Dept will begin signing up licensees & commanding large advances as well as generous royalty rates

ii) [Company Name]s licensing sales team will work to identify & sign up global licensees across a wide spectrum of categories for each property including

(1) Toys
(2) Apparel
(3) Novelty
(4) Publishing
(5) Electronics

iii) Licensing Sales staff will also work in hand with Ad Sales Department to identify unique product licensees with existing advertising partners

b) Retail

i) [Company Name]'s retail department will create unique product offerings with exclusive retail outlets further expanding the market saturation of each property

c) E-Commerce

i) Utilizing the company's unique Micro-Network of digital properties, [Company Name] will incorporate E-Commerce offerings of licensed product into many of the outlets at its disposal, while always being concise of maintaining the integrity of the brand

3) TV & Film

a) The company's TV & Film department will be dedicated to creating and distributing content across non-digital outlets

i) Dedicated development team will work hand in hand with YouTube artists to not only repurpose successful online properties for mainstream outlets, but also to develop entirely new & original concepts

ii) Dedicated sales team which will shop concepts to TV Networks & Studios

(1) [Company Name]s Unique Micro-Network will serve as a very enticing sales proposition to networks & studios in that the company can generate large amounts of awareness around an upcoming project without major marketing budgets, as well as serving as an incubator for potential projects

iii) TV & Film department will also target existing TV Shows & Films to create co branding initiatives whereas our artists can be featured on successful shows, & create original content based on that collaboration for through the company's digital plattforms

4) Booking

The company's booking department will function in an agency capacity looking to book its artists on various TV, Film, & Commercial Projects as well as Live Entertainment & Personal Appearances

a) [Company Name]’s booking agents will identify High Paying opportunities for their Artists in the mainstream entertainment space
b) Booking Department will create tours for its comedy and musical based acts

5) **Recorded Music**

a) All production and distribution aspects of the [Company Name] Music Division will be outsourced through a major label
b) [Company Name] will focus on creating value through ancillary profit centers like Ad Sales, Consumer Products & TV/Film Projects, with the label partner handling everything to do with the actual Production & Distribution of the Music itself

5.4.1 Sales Forecast

The average median annual income for a top YouTuber to earn is approximately $194,000. If [Company Name] plans to acquire five to start with in Year 1 and YouTube takes 50% off the top, this allows [Company Name] to make approximately $727,497 in sales conservatively.

As demonstrated in the projections for both Year 2 and Year 3, [Company Name] feels confident that with the Company's resources and skillset, these projections are based on that as the talent is cross-marketed into mainstream media and entertainment venues, YouTube will command higher CPMs hand-in-hand, and higher viewership will follow.

In addition, the music sales are calculated through medium to large sized record labels and the overall industry current sales trends.

Television and Film concepts currently being sold on an average for $50,000 in the fourth quarter of 2010.

Intellectual property licensing is a very lucrative revenue stream for [Company Name]. This conservative calculation is based upon the estimation of approximately ten (10) licensing opportunities per calendar year per talent of five (5) to start with in Year 1.

The following is the sales forecast for three years. First year monthly sales forecast is shown in the appendix.

Table: Sales Forecast

Sales Forecast			
	Year 1	Year 2	Year 3
Sales			
Consumer Products	$4,000,000	$24,105,366	$30,131,708
YouTube Channel Royalties	$727,497	$1,454,994	$2,909,988
Recorded Music	$7,621,975	$9,143,196	$10,971,835
Film/TV Projects	$250,000	$1,000,000	$2,000,000
Sponsorship Revenue	$903,724	$1,355,586	$2,711,172
Total Sales	$13,503,196	$37,059,142	$48,724,703

Chart: Sales Monthly

Chart: Sales by Year

5.5 Milestones

- The target TouTube channels that [Company Name] plans to acquire command a minimum of viewership of 50 million.
- The licensing sector goal is to establish licenses around [Company Name] brands in excess of 50 licensees.
- The following table lists important program milestones with dates for each. The milestone schedule indicates the Company's emphasis on planning for implementation. The dollar amount needed of each task to be completed has yet to be determined.

Table: Milestones

Milestones			
Milestone	Start Date	End Date	Budget
Acquiring Stable of YouTube Channels	4/1/2011	6/1/2011	$1,000,000
Hire In House Personnel	4/28/2011	7/15/2011	$1,092,096
Licensor Revenue	4/1/2011	10/1/2011	N/A
Represented Music Artist Success	4/1/2011	1/31/2012	N/A
Two TV/Film Projects in Development	4/1/2011	3/31/2012	N/A
Totals			$2,092,096

Chart: Milestones

6.0 Management Summary

[Company Name] is assembling a management team for the Company and this will be announced upon commencement.

6.1 Personnel Plan

[Company Name] is assembling a management team for the Company and this will be announced upon commencement.

Table: Personnel

Personnel Plan			
	Year 1	Year 2	Year 3
Advertising Sales and Support Staff	$153,960	$377,376	$566,064
Music and Music Support Staff	$72,780	$163,992	$245,988
Booking Agent	$51,012	$102,024	$153,036
Merchandising Department	$393,384	$786,768	$1,180,152
Head of TV/Film Development	$105,420	$250,008	$375,012
Distribution/Content Syndication	$75,540	$151,080	$254,616
CEO/Directors	$240,000	$480,000	$720,000
Creative and Technology	$135,000	$139,050	$146,003
Total People	15	30	45
Total Payroll	$1,227,096	$2,450,298	$3,640,871

7.0 Financial Plan

The following is the financial plan for [Company Name].

7.1 Start-up Funding

[Company Name] is seeking funding in the amount of $2,212,866 in order to fund start-up costs including:

- Legal
- Rent for one year ($2,200/month)
- Office Supplies
- Office Equipment
- YouTube Talent Channel Acquisition
- Employee Salaries for One Year
- Promoting [Company Name] properties
- Website development web properties owned by [Company Name]

The Company's start-up costs are detailed above, in the Start-up Table. The following table shows how these start-up costs will be funded by the owner and one or various outside sources.

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	$2,682,866
Start-up Assets to Fund	$20,000
Total Funding Required	$2,702,866
Assets	
Non-cash Assets from Start-up	$0
Cash Requirements from Start-up	$20,000
Additional Cash Raised	$0
Cash Balance on Starting Date	$20,000
Total Assets	$20,000
Liabilities and Capital	
Liabilities	
Current Borrowing	$0
Long-term Liabilities	$0
Accounts Payable (Outstanding Bills)	$0
Other Current Liabilities (interest-free)	$0
Total Liabilities	$0
Capital	
Planned Investment	
Investment #1	$100,000

Investment #2	$100,000
Additional Investment Requirement	$2,502,866
Total Planned Investment	$2,702,866
Loss at Start-up (Start-up Expenses)	($2,682,866)
Total Capital	$20,000
Total Capital and Liabilities	$20,000
Total Funding	$2,702,866

7.2 Important Assumptions

The following sections present the assumptions used in the financial calculations of this business plan.

7.3 Break-even Analysis

The monthly break-even point, based on forecasted monthly expenses and costs, is shown in the table and chart below.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	$160,658
Assumptions:	
Average Percent Variable Cost	0%
Estimated Monthly Fixed Cost	$160,658

Chart: Break-even Analysis

7.4 Projected Profit and Loss

The following table and charts present the projected profit and loss for three years. First year monthlies are in the appendix.

You will notice that year 2 will decrease in profit; however that is only to re-invest into the Company so that it can further progress to reach projected profits within the next 5 year period.

Table: Profit and Loss

Pro Forma Profit and Loss			
	Year 1	Year 2	Year 3
Sales	$13,503,196	$37,059,142	$48,724,703
Direct Cost of Sales	$0	$0	$0
Other Production Expenses	$0	$0	$0
Total Cost of Sales	$0	$0	$0
Gross Margin	$13,503,196	$37,059,142	$48,724,703
Gross Margin %	100.00%	100.00%	100.00%
Expenses			
Payroll	$1,227,096	$2,450,298	$3,640,871
Sales and Marketing and Other Expenses	$60,000	$90,000	$135,000
Depreciation	$0	$0	$0
Leased Equipment	$90,000	$92,700	$95,481
Utilities	$8,400	$8,652	$8,912
Insurance	$3,000	$3,090	$3,183
Web Developer	$43,000	$44,290	$45,619

Website Operation Expense	$42,000	$46,200	$53,130
Telephone	$12,000	$12,360	$12,731
Travel	$18,000	$18,540	$19,096
Rent	$16,250	$16,738	$17,240
Subscriptions/Professional Development	$2,400	$2,472	$2,546
Office Operations/Admin	$42,000	$44,100	$46,305
YouTube Talent Due Royalties	$363,744	$727,497	$1,454,994
Total Operating Expenses	$1,927,890	$3,556,937	$5,535,108
Profit Before Interest and Taxes	$11,575,306	$33,502,205	$43,189,595
EBITDA	$11,575,306	$33,502,205	$43,189,595
Interest Expense	($1,170)	($2,250)	($2,430)
Taxes Incurred	$3,472,943	$10,051,337	$12,957,608
Net Profit	$8,103,533	$23,453,119	$30,234,418
Net Profit/Sales	60.01%	63.29%	62.05%

Chart: Profit Monthly

Chart: Profit Yearly

Chart: Gross Margin Monthly

Chart: Gross Margin Yearly

7.5 Projected Cash Flow

The following table and chart is detail the projected cash flow for three years. The appendices include first year cash flow monthly estimates.

Table: Cash Flow

Pro Forma Cash Flow			
	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	$13,503,196	$37,059,142	$48,724,703
Subtotal Cash from Operations	$13,503,196	$37,059,142	$48,724,703
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	$0
New Current Borrowing	$0	$0	$0
New Other Liabilities (interest-free)	$0	$0	$0
New Long-term Liabilities	$0	$0	$0
Sales of Other Current Assets	$0	$0	$0
Sales of Long-term Assets	$0	$0	$0
New Investment Received	$0	$0	$0
Subtotal Cash Received	$13,503,196	$37,059,142	$48,724,703
Expenditures	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	$1,227,096	$2,450,298	$3,640,871

Bill Payments	$3,671,359	$10,740,024	$14,545,824
Subtotal Spent on Operations	$4,898,455	$13,190,322	$18,186,695
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0
Principal Repayment of Current Borrowing	$0	$0	$0
Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$21,600	$1,800	$1,800
Purchase Other Current Assets	$19,800	$19,800	$19,800
Purchase Long-term Assets	$0	$0	$0
Dividends	$0	$0	$0
Subtotal Cash Spent	$4,939,855	$13,211,922	$18,208,295
Net Cash Flow	$8,563,341	$23,847,220	$30,516,408
Cash Balance	$8,583,341	$32,430,561	$62,946,969

Chart: Cash

7.6 Projected Balance Sheet

The following table shows the projected balance sheet for three years.

Table: Balance Sheet

Pro Forma Balance Sheet			
	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	$8,583,341	$32,430,561	$62,946,969
Other Current Assets	$19,800	$39,600	$59,400
Total Current Assets	$8,603,141	$32,470,161	$63,006,369
Long-term Assets			
Long-term Assets	$0	$0	$0
Accumulated Depreciation	$0	$0	$0
Total Long-term Assets	$0	$0	$0
Total Assets	$8,603,141	$32,470,161	$63,006,369
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	$501,208	$916,909	$1,220,500
Current Borrowing	$0	$0	$0
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$501,208	$916,909	$1,220,500
Long-term Liabilities	($21,600)	($23,400)	($25,200)

Total Liabilities	$479,608	$893,509	$1,195,300
Paid-in Capital	$2,702,866	$2,702,866	$2,702,866
Retained Earnings	($2,682,866)	$5,420,667	$28,873,786
Earnings	$8,103,533	$23,453,119	$30,234,418
Total Capital	$8,123,533	$31,576,652	$61,811,069
Total Liabilities and Capital	$8,603,141	$32,470,161	$63,006,369
Net Worth	$8,123,533	$31,576,652	$61,811,069

7.7 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the NAICS Code, 711410, *Agents and Managers for Artists*, *Athletes*, *Entertainers, and Other Public Figures*, are shown for comparison.

Table: Ratios

Ratio Analysis				
	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	n.a.	174.45%	31.48%	7.70%
Percent of Total Assets				
Other Current Assets	0.23%	0.12%	0.09%	49.05%
Total Current Assets	100.00%	100.00%	100.00%	78.06%
Long-term Assets	0.00%	0.00%	0.00%	21.94%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	5.83%	2.82%	1.94%	35.51%
Long-term Liabilities	-0.25%	-0.07%	-0.04%	12.14%
Total Liabilities	5.57%	2.75%	1.90%	47.65%
Net Worth	94.43%	97.25%	98.10%	52.35%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	100.00%	100.00%	100.00%	100.00%
Selling, General & Administrative Expenses	68.58%	68.68%	63.55%	77.16%
Advertising Expenses	0.00%	21.31%	20.00%	1.71%
Profit Before Interest and Taxes	85.72%	90.40%	88.64%	2.84%

Main Ratios				
Current	17.16	35.41	51.62	1.66
Quick	17.16	35.41	51.62	1.31
Total Debt to Total Assets	5.57%	2.75%	1.90%	60.58%
Pre-tax Return on Net Worth	142.51%	106.11%	69.88%	14.75%
Pre-tax Return on Assets	134.56%	103.19%	68.55%	5.81%

Additional Ratios	Year 1	Year 2	Year 3	
Net Profit Margin	60.01%	63.29%	62.05%	n.a
Return on Equity	99.75%	74.27%	48.91%	n.a
Activity Ratios				
Accounts Payable Turnover	8.33	12.17	12.17	n.a
Payment Days	28	23	26	n.a
Total Asset Turnover	1.57	1.14	0.77	n.a
Debt Ratios				
Debt to Net Worth	0.06	0.03	0.02	n.a
Current Liab. to Liab.	1.05	1.03	1.02	n.a
Liquidity Ratios				
Net Working Capital	$8,101,933	$31,553,252	$61,785,869	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	0.64	0.88	1.29	n.a
Current Debt/Total Assets	6%	3%	2%	n.a
Acid Test	17.16	35.41	51.62	n.a
Sales/Net Worth	1.66	1.17	0.79	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Go to Top