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20 Top Questions You Need To Ask Yourself For Surviving In Business.

Companies fail for a host of reasons. Bad luck plays a role, sure, but disaster usually strikes because of a more fundamental flaw--in the original idea, the strategy, the execution or all of the above.

What entrepreneurs can do is ask the core set of tough questions that govern the fate of any enterprise.

1. What is your value proposition?

This is the single most important question of the bunch. If you can't explain--in three, jargon-free sentences or less--why customers need your product, you do not have a value proposition. Without a need, there is no incentive for customers to pay. And without sales, you have no business. Period.

2. Does your product address a viable market?

Entrepreneurs are passionate to a fault. Many fall in love with an idea before confirming that there's any viable market for it, let alone one large enough to attract investment capital. If a market doesn't yet exist--the toxic term of art here is "white space"--they assume they can create one. (Hint: There may be a reason for all that white space.)

3. What differentiates your product from competitors'?

Few companies can rely on--let alone afford--clever marketing schemes to separate themselves from the competition. Yes, Starbucks made people believe they wanted \$4 caffeinated concoctions, and Louis Vuitton lulled people into shelling out \$1,500 for denim handbags, but those are the exceptions that prove the rule. If you want to win in business, you need to offer something tangibly valuable that the competition doesn't.

4. How big is the threat of new entrants?

If you're smart enough to spy a profitable business opportunity, you can bet competition isn't far behind. Some barriers to entry--patented technology, a storied brand--are more fortified than others, but eventually someone will find a way to do what you do faster, cheaper and maybe

even better. If not a direct competitor, then a substitute technology might take a chunk out of your hide. (Think what digital film did to Kodak.) The trick: building a loyal following before that happens.

5. How much start-up capital do you need?

Any early stage investor or small business consultant will tell you that most businesses fail because they were undercapitalized. The lesson: Figure out how much you think you need, and then add plenty of extra cushion.

6. How much cash do you need to survive the early years?

In case you didn't pay attention to the previous question, take this one to heart. It doesn't matter how much money your business might make down the road if you can't get out of your garage. Plenty of business plans boast hockey-stick-style financial projections but run out of cash before the good times kick in. (Remember all those busted dot-com companies from the tech boom?) Three words: Mind the cash.

7. How will you finance the business?

You have a few choices: Aunt Sally, credit cards (dangerous), angel investors, and if you're really onto something, venture capital. Forget bank loans (at least until the cash is flowing in a positive direction). As for selling shares to the public, what with all the regulatory hurdles, you might find the price of that exposure a tad steep. If you can bootstrap your business, do it; raising money is difficult and distracting. If you plan on stumping for capital, consider how much equity and control you're willing to give up. (The more you need the money, the stiffer the terms will get, so ask for it sooner than later.) Finally, always remember to match the timing of cash inflows from your assets and the outflows to cover liabilities. A mismatch can sting.

8. What are your strengths?

Google writes powerful search algorithms; Steinway works wonders with wood; Cisco sniffs out promising new technologies and buys them. Figure out what you're good at and stick to it. An obvious notion, perhaps, but plenty of zealous entrepreneurs lose their way--especially when the world seems so full of possibilities.

9. What are your weaknesses?

You may know how to design a widget, but not know a thing about running an efficient manufacturing plant. Apple designs and markets its nifty iPods and iPhones, but lets someone else slap them together. Countless Webpreneurs farm out the design of their sites and back-office payment systems. Wasting resources just to be mediocre is suicide. Stick to core competencies and find trusted partners to handle the rest.

10. How much power do your suppliers have?

Convincing customers to buy your products is tough enough without suppliers giving you a hard time. Basic rule of thumb: The fewer the number of suppliers, the more sway they have. Take the steel industry, which relies on a handful of companies for its iron feedstock. If two of those big guys should get together--as BHP Billton and Rio Tinto have been discussing--they would have significant pricing power, potentially crimping steel producers' margins. On the flipside, beware getting hooked on low-cost providers who don't keep an eye on quality. ("Lead-laced" Barbie, anyone?)

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11. How much power do your buyers have?

Take a lesson from Delphi, the giant auto parts supplier stuck in Chapter 11 despite its \$26 billion in annual sales: It's no fun to be in a business where a few big customers can demand price cuts with each passing year. Meanwhile, movie theaters--even while besieged by video-on-demand and other services--still manage to push higher prices on the disaggregated masses. The cost of a seat at a Regal Entertainment Group theater in lower Manhattan is now \$12--up 20% in less than three years.

12. How should you sell your product?

There is no one-size-fits-all solution to wooing customers. For two decades, Dell Computer bypassed retailers and sold directly to customers, with limited tech support. General Motors and Coca Cola rely on distributors to move their cars and cans. Clothing companies like Ralph Lauren work both internal and external channels. And thanks to daily, intensive sales training, privately held Lazy Days moves some \$800 million worth of RVs out of one sprawling location near Tampa, Fla. Whatever sales method you choose, make sure it aligns with your overall business strategy.

13. How should you market your product?

Young companies have to get the word out, but they also can go broke doing it. A decade ago, America Online spent so much money flooding the planet with free trial software that it tried to

mask the bleeding by capitalizing those expenses on its balance sheet. (Regulators later nixed that accounting treatment, wiping out millions in accounting profits.) What percentage of sales should go toward marketing? As with sales, there is no one rule of thumb.

14. Does the business scale?

Bill Gates plowed piles of money into developing the first copy of Microsoft Office. The beauty: Each additional copy of that software program costs next to nothing to produce. That's called scale--and it's the difference between modest wealth and obscene riches. What models don't scale? Think service businesses, where the need for people grows along with revenues.

15. What are your financial projections?

You can't lead if you don't have a destination. Two critical milestones: 1) the point where more cash is coming into the business than going out in a given period, and 2) the point at which you finally recuperate your cumulative initial investment (including an adjustment for the time value of money). Financial projections should be reasonable. Paint too rosy a picture and seasoned investors will run; more to the point, you might run out of cash.

16. What price will consumers pay?

Get this answer wrong and you could leave bags of money on the table--or worse, send customers running into the arms of the competition. When Apple sliced the price of its iPhone by a third after only two months on the market, even loyal customers screamed, forcing chief Steve Jobs to apologize and offer a partial rebate. Consultants get paid handsomely to help companies arrive at the right price.

17. How do you protect your intellectual property?

Imagine slaving for years on a new cellphone battery that lasts more than two days, only to watch it reverse-engineered and patented by someone else. Before you ask anyone to crank out a few prototypes, file for a provisional patent. It protects your idea for a year while you work out the kinks.

18. How do you keep the help happy?

What's Google worth without its super-geeks? Goldman Sachs without its number crunchers (and their golden Rolodexes)? The local bar without old Jim manning the tap? Not much, which is why attracting and retaining talent is critical to so many businesses. For starters, that means crafting the right benefits package. Starbucks sets a fairly high standard: Health benefits are available to any Starbucks employee who works at least 20 hours a week and has been with the company for more than 90 days.

19. How committed are you to making this happen?

About a year ago, Chuck Prince, recently resigned chief executive of Citigroup, addressed a group at New York University's Stern School of Business. An audience member asked what life looked like at the helm of such a colossal firm. Prince responded that, save for a few exceptions, every evening for the next five months was already accounted for. Fair warning: If you want to run the show, get ready to give everything--and then some.

20. What is your end game?

Running a business with an eye toward flipping it to a strategic buyer is a lot different than digging in for the long haul. (Will YouTube ever turn a profit? Who knows, but that's Google's problem now; the same goes for MySpace and News Corp.) Not sure whether you want to build the next great empire or just make a decent buck?