



Library podcast

Your Business - Start Smart: Planning Your Business

[00:00:05] Welcome to the Seattle Public Library's podcasts of author readings and library events. Library podcasts are brought to you by the Seattle Public Library and Foundation.

[00:00:19] Thank you all for coming tonight. I just want to quickly thank the library, the Seattle Public Library, for hosting us. It's been great. And I want to also recognize the Start Smart team. That will be Jay Lyman, Jeff Levy, who couldn't be with us tonight. Kathy Key, who's in the Bellevue Library, and me. I'm part of the team. My name is Mimi Hetzel, and I'm with the U.S. Small Business Administration. Jay is going to provide some market research tools. And then we have Jennifer from the Women's Business Center, who's going to be talking about the Lean Canvas method. And then Seeb Wallace, who's gonna be talking about the business plan, the traditional business plan. So just a quick intro about the SBA. We're dedicated to this small business owners and those who want to become small business owners start, grow and succeed in their businesses. We know that businesses, well, businesses are vital to our nation's economic health. For we know that small businesses currently create two out of three net new jobs and account for nearly half of America's overall employment. The Seattle district covers most of Washington and northern Idaho and is one of many district offices around the country. We help entrepreneurs with what we call the three Cs. Through our district counseling, capital, and access to, contracting, government contracting. Through our district office and extensive network of resource partners, SBA offers hands on training, mentoring, expert advice tailored to your needs. Business counseling through our resource partners is offered for free and is unlimited and confidential. And here you'll see SCORE, the Small Business Development Center and the Veteran's Business Outreach Center.

[00:02:18] And then with the Women's Business Center, we have three locations across the state. We've got one in Lacey, one in Spokane, and then we've got one in Seattle. And Jennifer, raise your hand, Jennifer is here from the Seattle office. And by the way, the Women's Business Center counsels men as well. We hold monthly briefings at our Seattle downtown office and our Spokane branch office on many topics, including how to obtain an SBA guaranteed loan and how to contract with the government. Our online learning center is SBA.gov, and is also available around the clock so you can explore our tools and take free training classes at your convenience. Every large business started as a small company, and we've helped some of the most recognizable brands along their journey to success: FedEx, Apple, AOL, Ben and Jerry's, Nike, Chobani, JetBlue Airways, just to name a few. Locally, we've helped Mud Bay Pet Supply Store, Cougar Mountain Cookie Company, KuKuRuZa Gourmet Popcorn, Janell's Gluten-Free Foods, Top Pot Donuts. SBA is poised to help at

any stage in your business from writing a business plan, to securing working capital, to exporting your products overseas. SBA stands for more than the Small Business Administration. It stands for Smart, Bold and Accessible. Stay connected to us at [SBA.gov/wa](https://www.sba.gov/wa). We are your small business resource. And now without further ado, I'd like to turn it over to Jay Lyman, who's going to talk briefly about business tools at your local library. Thank you.

[00:04:05] Hi, everyone. Thank you for coming. My name is Jay Lyman. And thank you Mimi for that wonderful introduction. The SBA does some wonderful work. We refer people to them all the time and they refer people to us. So I'm with the Seattle Public Library and I'm going to talk a little bit about business information and the kind of help that you can get at your local library. I'm not going to go into too much depth, so I'm gonna stay at a really high level because I want to make sure we get into the content of the planning your business. So it's really two ways that the library can help you be successful. And those of you heard me talk before, know these two things, which is that first we answer questions. Of course, librarians, we love questions. That's what we do. So we answer questions. We can do it in a lot of different ways in today's world. We can, you can call us on the phone. You can open a chat window with us. You can email us. There's a number of different ways. I like to prepare people that, you know, if you're if you're on the phone or coming in in person. Sometimes one way that we we can work for you is to leave your question with us so that we can do a little bit more digging on your behalf, because sometimes these business questions get into really deep water really fast. So it just kind of cautioned people about that. If you're interested in contacting us, those two links there on the web there will take you to the Seattle Public Library, as well as the King County Library's Ask-a-Librarian service.

[00:05:18] So the second way that we help is that we buy things for you to use. And of course, we buy books. But we also buy CDs, DVDs and all these electronic downloadable content. In some cases that's like an e-book. But more then, more often, the things that are being really helpful for a small business are those databases, things that can answer business questions and help you with that market research piece of what you're looking for. So the library can help. We buy things for you to use. The important thing to remember there is that since it is electronic, you can get it from outside the library, but you need to have a library card and a PIN number set up to be able to do that. So that's why getting, having a card can help you with that, too. Getting cards based on where you live, work or go to school. If you live in Bellevue you can still get a Seattle Public Library Card. We just need to see some identification because we have these reciprocal agreements between library systems and we have those with north, to the north of us, and to the south of us; Timberland and a number of different area libraries work together to be able to give you a card. So, yes. Quick question here. (unintelligible) We have a lot of different information. Yes, good question. And that actually brings us to this next piece. And here's the qualifying for for a card.

[00:06:42] And then in terms of what kind of things people ask us for when we're talking about business planning, specifically, people might want to know what other companies am I competing against. You know, so we need to know, who's who are my competitors? They might know want to know what's a market trends are or forecasts of what that industry is doing? Or is it growing? Is it sinking? What's happening with the industry or the market. Might want to know, you know, how much

do people actually spend on this kind of product? You know, those kinds of kinds of things. And we have some tools that would help with that. Or demographics, who typically buys this product? Is it you know what, what do they look like? Where do they live? How much money do they make? All those kinds of questions. And those are things that the library has tools that you can use. I'm just sort of at a very high level going through that for a bit information about other companies. Couple of key resources are *Business Insights: Global*, *Reference USA* and *Mergent Intellect* are three tools. Seattle Public Library doesn't have *Mergent Intellect* but King County does. So there's an example of another library system that you could get a card. If you're in Seattle, go to Bellevue and get a card and then use their their tool because that's a great in-depth database. In terms of market trends and forecast, couple of tools that I use all the time are *ABI/INFORM*. This has these great sets of market research reports that talk at the very high level about what's happening in the pet supply industry or the railroad industry or whatever it might be.

[00:08:20] And so it can tell you some trends, things, technologies are affecting the market. All these kinds of things. All this good stuff that could go into a business plan to sort of show whoever's reading the plan that what your idea is viable. You know, that this this this jives with the industry. *Business Insights: Global*, some great essays in there about industries and markets, and then the *Standard and Poor's industry surveys*, which are really detailed. And they have, they're written by analysts, so there's a lot of numbers and forecasts in them. And then sales by business type. King County has this great tool called *SimplyMap*. We have one called *DemographicsNow*. This is the one that could answer the 'who typically buys this product', 'how much do they spend on it'. This can be searched by zip code, you can draw on a map. So it's really flexible tool for finding out where people are and what kinds of people live in certain areas. And then, of course, put industry associations because they can be really useful, too. And then financial ratios, these are so little bit esoteric. This is one where you would want to work with a counselor to kind of understand how to use these things. But we have the actual ratios themselves. And essentially what they do is that they they are numbers, sort of like numbers that represent that industry. And what they've done is they've gone out and analyzed the financial statements of companies in that industry so that you can use those ratios to compare what's typical in your plan to what's typical in the industry.

[00:10:01] So these are huge and we have a number of different tools that have the ratios in them there. And then often the people that I'm working with, they've never seen a business plan that for their for their industry. And so we have these business plan handbooks that, in print and electronic, that you can take a look at what a pet supply store business plan looks like. So you can get a sense of what goes into these things. And then *Bplans* online is another one that has that kind of thing. And then this is just the tip of the iceberg. I actually do a lot of more in-depth DIY market research class that goes on for about an hour, hour and a half. And we walk through some of these tools. And so we'll have, I don't have any right on the on the books right now, but I'll have some in the new year. so keep checking back to the library's web page and we'll, we'll have some definitely have some of those classes online or on there so you can spend some more time. Or the most important thing is that you don't have to remember anything that I just said. You can just get in touch with us and we'll figure out which ones of those are applicable to you, to your situation. So ask us the questions.

[00:11:11] OK

[00:11:12] All right. Well, I want to give the time over to Jennifer Teehan. Thank you for coming.

[00:11:17] All right, everybody hear me OK? Give me thumbs up or thumbs down if the volume gets off. Thank you, Jay.

[00:11:25] I'm Jennifer. I direct Washington Women's Business Center, located up on Jackson Street. Plenty of free parking. We refer a lot to Jay here at the library. He's a fabulous, fabulous resource when it comes to market research and really figuring out what to expect in your planning process, getting that valuable information. You might have this book. They do. OK. So a lot of the presentation today, business model canvas is, also if you love it, go more in-depth on this book. I don't know what the waitlist is, but really good book. *Business Model Generation*.

[00:12:07] And so today, there's two different business models that look kind of like this, but I'm going to talk about briefly very, very similar tools. One is Business Model Canvas, and one is Lean Canvas. So I get the question a lot, 'what is the difference?' And I'll answer that question for you here today. Quick show of hands, how many people here have written a business plan?

[00:12:33] A few, OK. How many of you have heard of a business plan? Almost everybody, right? So it's kind of like a paper, 10 to 20 pages. A lot of research, a lot of text, a lot of really good information. The first one I wrote was over a decade ago and resulted in ten thousand dollars that helped someone start a business that changed the course of their life. So a business plan can be really valuable planning tool also takes a lot of time to put together, can bring confidence. Just very, very good tool. And then in 2008, a new tool came out and it's called Business Model Canvas.

[00:13:13] And sometimes videos are worth a thousand words, so let's see if this works.

[00:13:21] This is the Business Model Canvas. It's just what Beth and Karl will need to craft a powerful business model. And it can do the same for you. Let's dive in and see how it works. There are nine essential building blocks that make up any business model. You get all nine blocks working together, you have answered the fundamental questions any business model must solve. We'll start here with customer segments. These are all the people or organizations for which you're creating value. For each segment you have a specific value proposition. These are the bundles of products and services that create value for your customers. Channels describes which touch points are interacting with customers and delivering value to the customer relationships, outline the types of relationships you're establishing with your customers, and how you're acquiring and retaining them. Pricing mechanisms through which your business model captures value are documented under revenue streams. The key resources show which assets are indispensable in your business model so you can describe the infrastructure you need to create, deliver and capture value. The key activities show which things you need to be able to perform well. The key partners show who can help you leverage your business model since you won't own key all resources yourself, nor you perform all key activities. Once you understand your business models infrastructure, you'll also have an idea of its

cost structure. Any business model can be mapped this way. Nine building blocks working to reinforce and strengthen each other. But before you make a model for yourself, it helps to see what a breakthrough business model looks like in action. Like this one. Low cost airlines revolutionized air travel thanks to their disruptive business model, let's first look at their value proposition.

[00:15:06] A low cost airline offers ultra cheap flights to their main customer segment, budget travelers, by adopting a no frills policy. And this leads to additional revenue streams because customers pay for their ticket and additional fees on items like food and drink, priority boarding, and luggage. The airlines save even more money through their choice of channels, selling only through call centers and the Internet, making for efficient, if not always convenient, customer relationships that are automated and often impersonal. Okay, that covers the right side of the canvas, the part everyone can see. The left side of the canvas is what's going on backstage. Like their choice of key resources, they reduce maintenance and training costs by using a single aircraft model for the whole fleet. And they only fly to cheap airports where it's cost efficient to land where they even get paid to touchdown. Planes that do land have quick turnarounds, so they get back in the air earning money as quickly as possible. And they form key partnerships with others in the travel industry, like car rental, hotel and insurance companies. Finally, under cost structures, all maintenance, training, airport and call center costs are trimmed to their lowest levels. All of these pieces working together make their fares almost impossible for traditional airlines to compete with. There's nothing superior about these airlines except their business models. They're reaching an entirely new segment of travelers out of reach for traditional airlines. Cutting out costs is pretty exciting, right? But wait, just because it's successful for discount airlines doesn't mean it will work for your idea. Luckily, the Business Model Canvas allows you to iterate many models and test them quickly. Let's get started with your own business idea.

[00:16:50] So at the end, they said the Business Model Canvas helps you create and test your idea quickly so you can see how one page can be a lot quicker way to do that before you get to writing the full business plan. So a lot of times with clients, we'll have them start here and play with the idea, test out a few different versions and find out they're solving, find out that it's going to be more likely to work and then move on to write the business plan.

[00:17:16] So let's take a minute and go through another example. Think, what's, what's a local company everybody, what's a company everybody knows? Or maybe one of your companies that you'd like to play with on the Business Model Canvas? Does someone have a company that you're just itching that you think would be good to plug in here? What is it? REI? Ok, yeah, that is a great one.

[00:17:38] So with REI. What are some of, it's like, what are the customer segments for REI?

[00:17:45] Who do you think? Who are some other customers? Yeah. Outdoor enthusiasts, right? Do they have any other main segments? They do travel? OK. So who who does the travel? Who are the customer segments with travel? Has anyone traveled with them? Are those twenty-somethings? Are they families? Are they retirees? Who travels?

[00:18:12] Are they youth groups? Businesses? So it's like a business corporate. I'm not familiar with their travel line. So businesses travel with them. So you could say corporate, like corporate team building kind of things?

[00:18:29] OK, so they have a whole travel arm at REI. Another segment might be, maybe...

[00:18:38] So you said corporate, corporate marketing groups. Why would corporate marketing groups want to travel? Why would corporate marketing groups want to travel?

[00:18:48] So maybe corporate employees that are doing corporate corporations, sending employee, corporate employees, let's say, that are maybe going for team building or sharing or something like that. Cool.

[00:19:02] So you might have one segment, your outdoor enthusiasts, you might have another as your corporate employees. What are the channels?

[00:19:10] How did they deliver the product to the customer? Is it by bike? No, retail, yeah, exactly. And the Internet. Yeah. So online is another big channel.

[00:19:25] They call them, OK? So customer relationships you bring us. That's perfect transition to our next box. So customer relationships over the phone.

[00:19:37] How else do they, how else do they have customer relationships?

[00:19:42] You've got personal assistants in the store, right? And I've gone to REI. They always come there, like, hey can I help you find something? You know, can I help? Yeah, yep, yeah, they have the climbing wall. Yeah, definitely. So that would go somewhere else. That's a good one. That's definitely part of the business model. So they've got the personal one-on-one personal service. How else do they have relationships with the customers? We've got phone, one-on-one, actual 'Hey, hey, can I help you?'

[00:20:11] Community involvement? Yep. Community engagement, involvement.

[00:20:17] And then I think today of the Skype thing that comes up, pretty sure they've got the Web site, the 'Can I help you guy'? Don't they? It's been a while since I've been on their web site. I think they have an online helper service as well. Online customer service. They have a call center, yeah. They have that telephone opportunity. And then revenue streams, where does their money come from? Retail sales, there's a lot of it, right?

[00:20:44] Ah, yes, memberships. That's, and this is something that as you're doing your business plan, you might decide to change. It might be maybe memberships wasn't part of their revenue to start with, and then later they decided to add that. Or maybe they put it here to start with and then at

some point they're like, 'Meh, ok that doesn't work'. So, yeah, retail sales, memberships. What are some other revenue stream sources?

[00:21:08] Rent. Yeah. Equipment rental. So you can rent tents, sleeping bags, all sorts of stuff.

[00:21:19] Any other sources of revenue for them? Online sales, yeah. We'll call those the retail sales. You might put online and store. And then if they're during the trips, there's probably some sort of travel fee. Thank you, right? So classes, fee for classes, maybe. Classes for a fee. So there are lots of diverse revenue streams for REI.

[00:21:42] Cost structure. What are some of their big costs probably? Manufacturing, yeah. So for their own brand they've got manufacturing.

[00:21:55] Distribution, there's probably quite a lot of distribution costs to all their stores.

[00:22:01] Labor, yeah, labor is probably a huge one for REI. So you guys see how this works? It's a little easier for big established store that we all know.

[00:22:13] The key resources. What's some of their key resources that they're using, using be? Memberships. Yes. So their memberships. Their members.

[00:22:25] That could be, yeah, it could be. Knowledgeable staff. Yeah. Maybe knowledgeable, passionate, staff. The key activities. What are some key activities that they're doing? Promotion. Yeah, there's a lot of sales and marketing. Don't they have? Do they have a Black Friday thing going there? They're the non-Black Friday is their thing. They're closed for Black Friday. I think it's very big. So, yeah, marketing and sales.

[00:22:55] I wonder if the returns are still a key activity.

[00:23:00] Demonstrations. Yeah, that could fall into the marketing and sales.

[00:23:03] Yeah, definitely. Sponsorships.

[00:23:10] Value prop. What are they offering? So value proposition is a word we talk about in business and that's just 'what are you delivering?' 'What is it that somebody is going to get?'

[00:23:22] Quality product. Yeah, that could be.

[00:23:28] Yeah, so there's sort of a guarantee there, and it might even be that they're getting, reliability, or a reliable out, adventure outdoors, or safe, reliable, fun, outdoor adventure. Or it might be that they're getting the staff. They're getting the expertise.

[00:23:49] Rebates could be part of it, yes. So it might be rebates, rebates and return policy.

[00:23:56] That probably wouldn't be your main value prop. Like, you'll end up going and picking what's your main one? So that might be one to keep in mind there, but then kind of getting to what's the bigger one and that might go with the value outdoor gear or reliable, reliable outdoor gear.

[00:24:14] Compare pricing? Do they do that? Oh, I don't know. Or thinking like like what's the main reason people go to REI? What's the main problem it's solving for people? What's. So one stop shop.

[00:24:31] For what? For outdoors? Okay.

[00:24:37] For anything active? So it's yoga. It's not like a mountaineering store, it's like, OK. So maybe it's outdoor enthusiasts, that's their target markets, more like a family oriented outdoor enthusiast, or like a... It would be interesting to look at who that customer segment would be.

[00:24:58] So the value prop. So what is it? Why, do any of you shop at REI?

[00:25:03] A few of you, not to put you on the spot or anything, why do you go there?

[00:25:08] What's what's the value of REI? Why do you go to REI instead of a, I don't know, Target or the Mountaineer store? Reliable. [unintelligible] yeah. And why does it meet your needs more than like Target or the mountaineering store? So the rebate program. The members [unintelligible] Hit and miss...

[00:25:35] OK, so there's certain quality assurance, there's a certain quality. Yeah, so the return policy might be their value prop. So it might be that reliable outdoor store with the return policy. And in warranties. Yeah, which they don't do as much anymore. Key partners who are some of their key partners. Sierra Club, yeah. Who are some of their other key partners. World Wildlife Fund.

[00:26:12] [unintelligible] It might also be like Patagonia, and what are some of the other brands that carry there. Outdoor Research, would be all the different brands, the suppliers that they carry. Yup, they might have a certain shipping company. Yeah, but there's probably some sort of shipping that's happening, yeah.

[00:26:39] So does everybody kind of see how that works?

[00:26:42] So that's something that you could do with your, by yourself or with your team, to get an idea of really understanding and having a way to talk about your business idea. And to test, whether it's likely to work or not. So the whole goal of this is to increase your chance of success and decrease your chance of failure. [unintelligible] That's a really hard question. So the question was 'how many business plans should a person write?' So by business plan, I'm thinking of that like 10 to 20 page paper. And that usually people have one that they edit a couple times because it's a lot of work to write that paper. And that's almost a fault with it in that people get really, really attached to that idea, especially if they're writing it themselves. When I first started in this industry, I was really young and

would just write plans for people, and then we get halfway through and then 'Guys, I switched my idea.' I'm like, "No! I put all this work in." But it's a lot of work to change the idea once you start writing the business plan. But ideally, we call it pivoting, ideally, you'll be changing your idea quite a few times. I made a lot of times a business will start out thinking they're solving one problem for one customer, and it'll turn out to be totally different. For example, I had a client who was a really, really good artist and sort of like the skateboarder type. He's a young 20 something.

[00:28:09] And he had these T-shirts that he was really excited about and he's selling them at the farmer's market and then was like, OK, to just kind of test it out. We'll talk about testing it and see how it works. And it turned out he thought it was young males that would buy it.

[00:28:25] And he looked around and the people that were interested in it were actually more of like the 20-, 30-something hipster women, like the yoga mom types, because of the cut of the shirt and in bamboo. The art was sort of an extra.

[00:28:41] And so by getting it in the market, getting that feedback, he kind of did this, and then got it out and tested it, and then went to this again. And it really it shifts the idea. So I guess the moral is your ideas should change quite a few times.

[00:28:55] Sometimes more than others, and the good thing about this is different pieces can change. So I'll talk about that a little bit more. But yeah, good question. Do it in words, you can edit it.

[00:29:06] As long as you want it to take. So this is something that is, you know, you can throw this up there in an afternoon. Have a few hours and just put this up there and then we'll talk about it in a little bit, but then come up with a way to test your idea. Come up with a really simple way to do it. For example, was it is it Zappos is the shoe company?

[00:29:26] Is that right, reorder order, so they had the hypothesis that you can, people would buy shoes online. So they thought the value prop was, you know, people can buy shoes without going to the store. Don't have to try em on. They didn't know if that would actually work or not. I'm surprised they did, I don't think I would buy shoes without trying them on because I'm not good at sending them back.

[00:29:44] But that was their hypothesis. So they put up a website. They didn't even have the inventory and stuff yet. They just put up a website and got a bunch of orders.

[00:29:54] And so they tested the idea. Then they would probably later go, then they would go in with, so they probably did this. Then put up the website just to test it and see if people make orders, and then like 'oops' we better fulfill those orders, and then go back and do this and then be the plan. Does that make sense?

[00:30:13] So.

[00:30:16] So very, very similar thing is the Lean Canvas. So, the other one was this one, the Business Model Canvas is Creative Commons. So it's open for, people can we arrange it. They can make different versions. And another entrepreneur named Ash, I don't know how to pronounce it, but he did another version of it that looks like this. And some people prefer that.

[00:30:43] So the difference. He focuses on problem. So you can see up instead of key partners, you'd put the problem.

[00:30:55] So his idea was, you know, I don't want to waste your time, I'm not going to add extra things. I think something that's more important than key partners. Key partners are good, but what you need before you have key partners, you need to be solving a problem. Let's make a great big box for that. So they put the problem box up there. And then the solution. He intentionally made that box small because he didn't want you to get too attached to your solution and just go on and on and on and on and on about your solution. He wanted it to be really concise. And other than that, he did unfair advantage. So how is it different?

[00:31:34] How is REI different? Is it that return a policy? Is that what makes it an unfair advantage? Is that the membership?

[00:31:42] And then he still had costs and revenue at the bottom. Something fun to play with. And we thought we'd give you 10 minutes to try it on your own. Maybe five minutes because we're running kind of short on time. Let's do five minutes each. Does everybody have a worksheet? OK. Everybody have a chance to start thinking about the context of your idea, and this is something you might want to go home and put on a big piece of paper just on your window, put some sticky notes and think about what are the different pieces that go into my business idea. Say, you know, ideas to some extent are a dime a dozen, and where the value comes is in the implementation and in the model and in the planning.

[00:32:27] And some of those will take some time to figure out. So you might not know immediately, oh, these are all my partners. It might be overtime. You might be like, OK, who would make sense to partner with? So if I'm delivering quality outdoor gear, to outdoor enthusiasts, we're sort of weekend warrior outdoor enthusiasts, who would I partner with to do that? So it is an element of asking questions for sure. And the idea is this should be something that you're learning and playing with and trying out different things. So you're starting out with this hypothesis, that there's a specific problem for someone who's going to pay in a certain way. So you might have the hypothesis, well I think that there's a shortage of desserts in Seattle, maybe the cupcake place or the doughnut place.

[00:33:21] OK, there's a shortage of desserts and I think that people will pay X amount for desserts, and then finding a way to build it. Can you get, is there a way to test it, to talk to people, to get feedback, to go back to your business model and say, okay, how's that going to work?

[00:33:41] To see what your results are. Go back to your model.

[00:33:45] And so, once you come up with your first draft of your Business Model Canvas, whichever one you decide to do.

[00:33:53] Once you come up with the draft, that's when you want to go and test your idea. So that's when you want to try to find a way to talk to people, to say, hey, where do you get this? Is this a problem out there in the market? And that's something we can work with you a lot more one-on-one on because it'll depend on your specific idea. So how REI tests it might be different from how the donut shop tests it.

[00:34:14] But really figuring out how you can test that. And the idea is to figure out before you build it. So before REI goes and builds an entire store, to figure out all the different pieces that are going to go into the business, it goes from being more than just outdoor gear, but OK, well, who's the outdoor gear getting sold to? Is it the outdoor gear that they're buying or is it really the warranty is the key piece? And if that goes away, the business model fails.

[00:34:45] So really trying to figure out is it viable, will it succeed and really being customer oriented throughout the entire process. So really a huge part of this is on customers, right? You've got how am I reaching my customers? Who are my customers? Who are my customer segments? What are my relationships with my customers? How much are my customers paying?

[00:35:02] So really a huge, huge focus on that. So the question so you so, you know, what questions do we ask? What problem do you solve? What problem out there is just so compelling that it really needs solved? Who? Who are you solving that problem for? It's not going to be everyone. Definitely not everybody. Very specifically, who are you solving that problem for? So am I building something that someone wants? And how are you going to make money? So is it going to be through subscriptions? Is it going to be through memberships? Is it going to be through product sales? Is it going to be through online ads? Where's that money going to come from?

[00:35:47] And so two different approaches to planning. Business Model Canvas puts it all on one page. And then the business plan. Steve is going to talk about business plan.

[00:36:02] So are there any more questions? About Business Model Canvas?

[00:36:10] Before I wrap up, is everybody totally confused? Kind of makes sense in a vague kind of way, but you got to really sit down and grapple with it for your idea.

[00:36:20] On the wall is wonderful. So you can if you have a window even like, say, you have a picture window in your living room, you could take some whiteboard markers,

[00:36:29] and make your categories, and then just put Post-it notes. That would be a really good way to do it.

[00:36:37] Yes, I would say that's the most common. You can also print out like what I gave you, except it's kind of small. But people will also print out from the Internet. But the wall is really nice and some people who are artistic, which I'm not artistic enough, will actually use pictures.

[00:36:55] So instead of writing Sierra Club, they might draw a picture that represents Sierra Club or they might put, they might put in value proposition, they might put a couple of pictures of skis and then some picture that represents warranties. So you can be much more visual with this. Yeah, yeah, you can be creative with it if you want. Yeah, yeah you can do. So, yeah, lots of... So for people print out the paper, they'll do it on the wall. You can probably do it on a table if you wanted to put the Post-it notes on the table with headings, if you had a big kitchen table that would work too.

[00:37:33] It doesn't show your competitor. No, it just shows on the second one. It has your competitive advantage. So the idea of this one is to reduce the risk by really thinking through your business model before you go get a huge loan. So, yeah, it does in that way. That's that's how it things through the risk. It's not like a business plan where it says, OK, there's a risk that if I'm making strawberry jelly, there's a risk that the strawberries are all going to get eaten by mites.

[00:38:06] Or if I'm making jewelry, that the jewelry that the supply costs of, of the metals that go into it are going to go up.

[00:38:14] It doesn't it doesn't really think about risk in that way. That's in the business plan. But here it thinks about risk very much in terms of are you solving the right problem for the right person? How are you going to get your product from. OK, I've got shoes, but how am I going to get it to you? Am I going to bike it to you? Am I going to mail it to you? Am I going to have a store that you come to? So it's this model is very, very, very customer focused. It's very much like really quickly, how can we figure out, I have a product, does somebody want it? How am I going to get it to them? How much is that going to cost and how much money am I going to make? But this doesn't have Excel spreadsheets where I can see, OK, in year, in month six, I'm going to make X amount of money. It just more has, OK, what are my biggest costs? What are my fixed costs? What are my variable costs?

[00:39:04] I'm going to spend 50 percent, X percent on labor, but it's not going to have it in a spreadsheet, per se. Good questions.

[00:39:16] And so, once you do this, then you want to try to get it out and test it in a small way. You might still come to the library and do a little bit of research,. You might come and see, OK, what are competitors doing? What are some possible ways I could deliver the product? The Business Model Canvas a lot of times that's used before the business plan. You would never bring this. We do a lot, at the Women's Business Center, we do a lot. We are co-housed with a lending arm that loans to startups. And I would never do this and bring this to a lender necessarily, to get a loan.

[00:39:52] [unintelligible] I don't, have you seen a lender take this for a loan? I think so, too. If you've done this and you can then talk succinctly about your business idea, or if you do this and it saves you time and writing the business plan. Absolutely.

[00:40:06] But the business plan is still the gold standard for lenders usually. Any more questions?

[00:40:14] Yeah, and this is something you try block off four hours. Try block off at least four hours to go through your first run of it. Quite likely you do it with friends or with a mentor, with a SCORE mentor or the Women's Business Center mentor. Probably block off, yeah, it wouldn't be a 30 minute quick here, here let's overview, it would be like four hours of really OK.

[00:40:35] Where are you? What am I? What's my value prop? What might that be?

[00:40:39] And then the great part about this is it's super easy to change. That's what we love about this one.

[00:40:45] So there's no money, no more questions. The Women's Business Center does provide free one on one business coaching and counseling. It's paid staff. We do a lot of business plan development. We do Business Model Canvas. We help with just the basic startup process. Like I want to start, I don't know where to go, or I'm not sure what the process should be. Help with loans and other capital like crowdfunding campaigns. One of our staff has personally done two or three highly successful crowdfunding campaigns and also helps clients with those. Increasing sales is one of the most common questions we get.

[00:41:20] Hi, I'm not generating as much money as I thought I would. And we do do financials too.

[00:41:28] And we've got a class starting, a Monday class Launch and Grow.

[00:41:31] That's a seven week series about starting a business that goes into it way more in-depth and is taught by our business coach. It's 1:00 to 4:00 on Mondays, and it's on our website. So I don't want to take too much more time we've got.

[00:41:46]. Thanks so much, Jennifer. [applause] You hear me? OK. OK.

[00:41:57] So one of the things that I normally do is I have a flyer for the workshops that we have coming up for next month. And I totally forgot to print it out. I am so sorry, but you can get the information about what classes are available at our Seattle downtown Belltown location just by going to our website at [SBA.gov/wa](https://www.sba.gov/wa). And then just click on the, you see the whole month of of classes that we hold. The classes that we hold at the Seattle, at the SBA are all free. And then we are co-located with SCORE and the classes that they hold are just offered at a nominal fee to cover their costs.

[00:42:45] And so the next part of this is, you can, you'll probably see that the Lean Canvas model and the traditional business plan are not mutually exclusive, that you can do one, and the other, and

one feeds into the other. So you could see that this is a really easy tool to put down your assumptions and pivot, whereas the traditional business plan is something that you want to have if you, and when you want to go seek some money. So without further ado, I'm going to hand it over to Seeb Wallace, Seeb, is a former deputy district director at the SBA. And we're so grateful to have him because he came all the way from Bainbridge to be with us tonight. And I'll let him introduce himself. So please give it up for Seeb, Seeb Wallace. Thank you, Seeb.

[applause]

[unintelligible]

[00:43:44] I have, this canvas model is a brand new thing to me. I've been teaching business plan for years and I've never seen that. And I don't know that it was the people who did it were wise enough. But but it actually is a lovely thing that dovetails with what I'm gonna present to you, because the canvas models are very conceptual. You're talking you're talking about, you know, interrelations and how things flow from from one part of the business to the next. And so that's kind of big picture. And what I'm going to give you is very much little picture, grind it out detail line by line, how to do a business plan. So you kind of get both views of it here. Yeah, I have the rather unlikely first name of Seeb and last name is Wallace. And as to why you should be interested in... Let me talk to you for an hour. I've retired some years ago, a few years ago from the local office of the SBA, the Small Business Administration, as a deputy director who'd been there for a long time. I have a bachelor's degree in business from Berkeley University, California, and an MBA from University of Washington, and have taught at some university classes and grew up in a small business family.

[00:44:56] Of everything else I can tell you in terms of credentials, that's probably the most germane one. So that's me very briefly. And what I'd like to know here is there if there's, I'd like to know if anybody or how many people here are in business now, meaning it's pretty much your full time occupation. OK. And that's that, so just just a couple. Understand, please, that I'm going to pitch this at people who are sort of pre startups, because that's the majority of the audience. And so when I talk about doing projections and so forth, what you people who are in business will do, of course, is take your history and build on that. So you can you have a lot more facts to deal with. Very, very good. Oh, OK. What I'm going to give you now in an hour is the outline of a business plan. And you'll you also have in your packets a hard copy of it, and I'll show you where to get it online so you can download it as a as a complete, not really a computer program or an app, but a set of temp, templates. And we'll talk about that as we go on. All right. And this one was devised actually here locally by our retired executive group. And when I was still working for the SBA, I kind of had a hand in it, so we sort of like it. And I'll tell you what the approach is before we even get into what the business plan is, you can give you upfronts on this. When we decided at the SBA office that we wanted to have offer people a business plan and it was getting to the point where almost everybody had a personal computer, of course universally we do now, but there was a point when.

[00:46:36] when we get to the point where everybody had a computer was that, OK, let's do a business plan. So we went out and we actually purchased commercial business plan software, figuring out that we will adopt one of these and that'll be our model that we'll use for our classes and

for our counselling. And it turned out that we, a lot of them were really nice and a lot of ways, but we didn't like any of them. And the reason we didn't like them is because they were too clever. If war is too important to be left to the generals, why building a business plan software is too important to be left to the programmers. They made them, they made them very clever. They were interactive. You ask, answer a question here and a question here and a question there, seemingly unrelated. And then this very clever piece of software would roll out a business plan. And we said no because of our approach to business planning. And our approach essentially is that we like to wrap ourselves in the flag of very big, important people. Anybody here know who Peter Drucker was? Peter Drucker. OK, who was Peter Drucker? Just briefly, you know, 10 words. The ultimate management guru. Toward the end of his life when he didn't need the money or whatever, but he was so well thought of he would go and speak to big business meetings.

[00:47:54] They paid him a hundred thousand dollars an hour to come and speak to it. He was the management guy. And clearly, and wrote books and books and his his magnum opus just called *Management*, is this doorstop of a thing that's over a thousand pages. OK.

[00:48:13] Drucker, D R U C K E R, and I'm sure your library can show you half a shelf of Peter Drucker work here. Anyway, so obviously he believed in business planning, but Peter Drucker said that a business plan is worthless. Planning is invaluable. So one of the base, I'm going to I'm going to show you the structure of a business plan, we're gonna go through it together, and I'll also try to propagandize you're throwing little zingers every now and again about what I think good managers and successful business owners do. So it's kind of going to be a combination. But. You know, I started I'll tell you how we develop this. We didn't want a clever, interactive thing. We wanted it absolutely plain vanilla so that when you are at the point of the business plan, when you are looking at, you know, what is the, what are the demographic characteristics of my core market group and where are they and why do I want those people? It isn't hidden. You know exactly that's what you're studying at that moment. And so they're, getting back to Drucker, that's because what we want you to be conscious of the planning, because that's what's valuable. What's valuable is not the booklet you get at the end. What's valuable is the self education that you get by going through and doing a detailed plan. And since we're all somewhat lopsided, most people going into business kind of have a skill. You know, you're a you're a baker.

[00:49:38] You want to own open a bakery, you're a mechanic, you want to open a garage, you have a skill. What you don't have is probably a lot of experience in running a business. And there's just thousands of things to be known about that. My favorite one is insurance. You know, if you've been thinking about this business for a long time, you probably haven't spent much time thinking about what kind of insurance you need for the business. It's not a sexy topic, but it's an important one. So the plain vanilla business plan will drag you through that and make you look at all the important stuff. OK. That's that's the philosophy up front, and my little propaganda. The business plan is a model of your business. Thing that you construct some not like a scale model airplane but sort of like it, because if you construct this model well, it starts looking like the business. And when you get to the financial part, which where it can only briefly brush against this evening. It actually starts acting like the business. You build a financial models and what are my expenses going to be? What is my

revenue going to be? And then you can start asking questions like, what if my revenue falls 20 percent short? What will that do to my bottom line? And the model will actually help you understand that. It's a very cool thing. It's it's a story told twice. First in descriptive terms in.

[00:50:57] When we start looking in some more detail at the business plan, and I hope every one of you picked up this rather thick packet says business plan for start up business with a SCORE logo. OK. OK. You'll see what that is. It's a series of questions. It's a workbook for you. It's a series of questions. And your job as it is to research those, those become research topics for you. If you already know the answer. Fine, write it down. Probably every one of those is gonna, is gonna take some research and I would guess something arcane and uninteresting like insurance, you probably haven't even started the research, so it tells you here's something you got to do. So you build the model as a series and start using our outline, answering a series of a couple hundred questions. Maybe one line, maybe a paragraph, maybe a page. And so you end up with this narrative in words. Then, you start you you tell the story all over again in numbers, in financial terms. It has been said and well said that accounting is the language of business. And again, most people are entrepreneurs and aren't really in love with the details of accounting and numbers and so forth. But you've got to pay attention to that. I knew a fellow who had a very successful business. It happened to be a janitorial business, cleaning out cleaning office buildings. And had it for a long time, was very good at it, but he didn't pay any attention to the numbers.

[00:52:32] He took on a big new contract one time and really big for the scale of his business. In the end, he didn't make it. Afterwards, we realized he had way underpriced it. So he was losing money. He didn't like looking at the numbers. He thought that was the bookkeeper and the accountants business. You know, he's the salesman. He was the motivator. Numbers, someone else could do that. And he went on losing money without knowing it for the better part of a year. And it cost him his business. And I must say, his house and his marriage. So it is important that you also understand your business in financial terms. And it's not as daunting as you think. And now is the time that I'll tell you that the library is apparently having a good series. Also, SCORE, the Service Corps Of Retired Executives every month does a whole day on what we're going to do in an hour, which is go through a business plan and then we'll actually have time to walk you through the financial plan. If that's not your background, it's very worthwhile. We did the November one just yesterday. So the December one is, was the second Wednesday, isn't that the formula? If you call the office or look it up on the SCORE website, you can find out. So the next one, I think it's the second Wednesday in December.

[00:53:46] We will do that. And I invite you to it's eighty five dollars for an all day thing, and that even includes a lunch. And it's in Seattle on Upper Fourth Avenue down by the Seattle Center. OK? So that's what I'll have time to do. But understand that a very important part of your business plan is going to be numbers, and they can't be phony numbers. You have to really, you have to, well, it's easy to grab numbers out of the air. I used to you know, I used to go through a lot of loan applications, had a fella come in one time who we look we look at his whole business plan and and said, you know, I just don't, we don't think this can be successful.

[00:54:25] We are not going to put our money in your business. I'm sorry. He got really upset. He said, you're calling me a liar.

[00:54:31] What? You're calling me a liar. He said I gave you my financial projections showing the business would be profitable. And you're saying you don't believe it? Sir, do you think we ever see a business loan application that doesn't have, that isn't projecting a profit? So the point is the numbers have to be believable. So for this year in business, you start with your past history, assess your current position. It's mostly about planning for the future, allows you to consider alternatives. And it doesn't cost much money to do a plan, but it does take a lot of time and effort. When people ask me, it's it's all over the map. But, you know, plan to spend a couple of months doing this. Not because because the whole package should probably be maybe, I don't know, 25, 30, 40 pages of text and then a bunch of numbers. It's the research. It's not, remember, it's not the plan, it's the ing. It's the plann-ing. And you're going to you're going to work on the plan, you're going to get to question, I don't know about that. And you're going to go out and research it and come back. And that process for most people takes a couple of months, even if they're really bearing down on it.

[00:55:37] OK. It is and this I'd like to introduce you to it is a, let's see here.

[00:55:44] I want to spend at least the last half of our time going through the details of the thing. But first, I want to give you a frame of reference for it. And the and again, understand there's a lot of help, a lot of books here, a lot of stuff online. But I really do invite you to come to our monthly all day business plan workshop where you can get this same thing. That's the same model. You'll just get a lot more detail, which which which will be good for you. OK. It's a decision tool. I'd really like to come down hard on that, as most people say, well it's a descriptive tool. It's what I'm gonna do when I go into business. But if you think about the plann-ing. When you, for example, look at your market, say well I think all these people are my market, and you do some research and you take a look at what people are buying and what they're not buying, where they might. You might get you might go through that process and say, you know, I think that's really wrong. I think it's this group over here is gonna buy my product, not this group. So it's a decision tool, it isn't just describing in the process of research, no point in researching, if you know the answer. All right. Since it is a research project. All right. What you're doing is educating yourself and therefore making better decisions. In fact, a decision and testing tool, decision and testing tool and I would like to, here's another, here's a sermonette two, All right? It's a decision tool and has a lot of decisions to be made. How many of you have heard, imagine many have heard. How many of you have not heard the famous business failure statistics? And they they come out a little differently, but essentially the same pattern. Out of 100 businesses starting today, two years from now, a third of them will be gone, five years half of them will be gone. Let's see three years, half will be gone, five years, two thirds will be gone. I think that's the way it usually comes out. All right.

[00:57:33] In other words, most new small businesses don't, don't last as long as the owners hope they had. Those numbers are true.

[00:57:43] But they are misunderstood. It is not, going into business is risky, make no mistake. It's risky, but it's not that risky. Those numbers would make you think that starting your own business is sort of akin to entering a cosmic craps game when the dice are loaded against you. Two thirds failure in five years. All right. What those numbers... After years of dealing with small business people working at the SBA, I can tell you what those numbers really mean is that most people go in ill prepared.

[00:58:15] That's what those numbers are really saying.

[00:58:19] And a lot of, and this is the one that really grabs you when you work with a lot of people. A lot of those failure, failures were knowable in advance. Now, of course, there are unknown unknowns things, you know, things that come out of the blue and hit you that you can't possibly think about. But it's really a shame when somebody goes down in flames putting all their money and all their effort. And they made a mistake that with some research up front was probably knowable, therefore avoidable. So it is a it is a decision tool, you not only decide how you do it, but at some point you might decide whether to do it. Let me tell you a war story about that.

[00:59:02] Fella came to us, he owned a, a small clothing store in a small town. Family clothing store. And was doing OK, but not making a lot of money. But he owned the property. And the property was right on Main Street and was a lovely building. And he was tired of the retail clothing business that incidently is the business I grew up in, families business was retail, women's clothing.

[00:59:21] He decided he wanted to open a restaurant. Sort of an upscale family restaurant like a Red Robin, kind of fancy, expensive, big hamburgers. So he came to us. And he had the building. And he he'd been a business owner manager for 20 years. And said he said here, you know, here it is. I'm an experienced business manager. I got the property. I got equity. Make me a loan to start a restaurant.

[00:59:45] Well, any of you who've been around the banking industry, if you have well, restaurants are just one of the riskiest businesses there are just because it's a nickel and dime business. And then on top of that, it's got got to have magic. So it's a tough combination. So, anyway, so we looked and we said, I'm sorry, you know, we just we just don't think that we want to help anybody get in the restaurant business.

[01:00:07] I said no. We asked you, have you ever owned a restaurant? Well, no, no, I've always been the clothing business. Ever even worked in a restaurant? Well, no, never even worked in a restaurant. I'm sorry, you're just not equipped. Instead, he went off in a huff, but, but instead of instead of just being angry, he went home and thought about and thought maybe possibly we might even be right. So he he did kind of a genius thing. He found a very similar kind of restaurant, same formula in a city an hour's drive away. So there's no way he was going to be a competitor, went to the owner and said, look, here I am. I'm Mike and I have run my own business for 20 some years. I'm a seasoned executive and a manager, and I will work for you free for six months if you promise to rotate me through every part of this business. The buying, the kitchen, the financial part, the personnel

management that run me through every part of the business. Teach me the business and I'll work for it for free for six months. And he did it.

[01:01:05] He came back to us and with a resume like that we were really blown away. He got his loan and opened a business. OK. So it is a, keep in mind, it is a decision tool. You're not just describing, but in your planning you're making decisions. You're you're uncovering things and making decisions. So it's a live process. And then, let's see. OK. So obviously these these things just fall right out of what I've been blathering to you about. Should I even go into this business? Should I expand? How will I expand? Should I sell my business, that incidentally, once your business is up and running, people kind of overlook that. But you always ought to think about what they in in the financial terms called monetizing the business. If it's a successful thing, you think, you know, one of these days I'm going to want to retire. And how do I set this thing up so that I can, in fact, sell it to somebody, sell to the employees, you know, make it saleable. That's that's way down the road. But it is something that every business needs to think about eventually.

[01:02:05] Okay.

[01:02:07] Who was the plan for? A lot of people want to do a business plan because they want to take it to a bank or to an investor and say, look, this is a good deal, put some of your money in here. So they're writing it for someone else. Primarily, it's for you. If you are going to give it to somebody else, fine. Write it for you first and then go back and polish it the way you show it to someone else. But think of it as being so not something to show outsiders, to convince him how good you, think about as educating yourself. But it can also be used for loan, investors, focusing your employees and your team. And I'll tell you. Because this one, my favorite war stories. People who've never been in business think that they're, the data, the financial data about that firm, about their firm is really confidential.

[01:02:57] They're not going to let anybody see those numbers. That's mine.

[01:03:02] This guy, a fellow I used to work with, a very successful retired, travels all over the place, he ran a his business was he ran a pretty good size independent tire store in this area. And he used his financial data to motivate his employees. He did, he got good financial statements, and so he at some point calculated his break-even, now break-even is that point where sales exactly equal equal expenses and your you know, and you're neither losing or or making money, all right. That's the break-even point. So he took his annual year end financial statement, calculated the year break-even point, then divided that by the number of days each year that the business was open, which gave him a daily break-even sales goal.

[01:03:48] Every employee who worked for him knew what the daily break even was.

[01:03:52] And at the end of the day, when the last customer left and they locked the door and turned off the lights, everybody gathered in the back around the cash register when they pushed the big red button that rolled up the total sales for the day. And it became like a sporting event. And, you know, if

they if they continue, they all knew that if they continued to perform at less than break even, what's going to happen to their job. Right? Business is going to go away. If they if they made it, they cheered. If it was really good, maybe they'd go out for pizza. But what I want to point out to you there is that there's lots of uses for a plan, including sharing people, sharing them sometimes with your own employees so they know what's going on rather than just what you tell them to do. It's a management tool. I've hit you hard enough with that one already. Your research, you think about why businesses succeed. They have realistic expectations. You know, the fellow who thought he could run a restaurant because he ran a clothing store, that was not a realistic expectation.

[01:04:51] It's too technical a business for them. Skills related to propose business, again, he missed that. And but I got to say, that's also a trap for for a lot of people that the again, the classic formula first is for someone starting a business is they know how to do something. You know, you get, you're a mechanic, you want to open a repair shop. That kind of thing. You're a printer, you want to open a print shop. So an awful lot of people with you get in trouble, do, in fact, have those skills. They don't realize all the other stuff that they need to be wise about and know about it. And that's, again, going right back to the plann-ing process. That's why the business plan helps. It will drag you through those things like marketing and location, and some legal stuff and accounting stuff that otherwise you might just. It's not so much fun. Push into the background and the business plan makes you pay attention to that. Good understanding every weaknesses, I kind of like that one.

[01:05:47] Not to make you feel inferior, but you really should know what you do well and what you don't do well, so that you can take care of because some of the things you don't do well, again, I go back to my favorite example of accounting. Most of you probably should not be your own accountant. So you should know that that's not your thing and that you that you need to hire someone for that. And then if you're listening to what I told you before, you know that you should also educate yourself so that you you aren't going to make your financial statements, putting together, that's an accountant's job. If you can't read them and understand them, then you might be going down the path of my poor friend who had the successful janitorial business and he made a mistake but didn't get feedback, financial feedback, and so it cost him his hide. OK. Understanding of your weaknesses, basic understanding of finances. That's kind of what I've been talking about. Because, look, finances. Think of as a almost through with a airy stuff. OK, but I do want you to think about this. Close your eyes for just a second and imagine the business you want to start. Just do a mental picture of it.

[01:06:56] And what you're seeing is a product, or most of you that's going to be a service instead of a product, because that's the way I swear our economy is. And you're going to have a location where you make or do or distribute this thing.

[01:07:08] And you're going to have maybe people who work for you. And you're certainly going to have people who your customers, who you buy from. And you're probably going to have a landlord, an accountant, an attorney and a logo and some advertising.

[01:07:20] You're thinking about all those things, right? That's those are the physical manifestations of the business. All right. But a business exists simultaneously in two separate universes. The physical

manifestation, which is, I think, probably what's come to mind when you visualize a business. And it exists in a separate parallel universe called a financial world. It is a physical creature. It is also a financial creature with assets and debts and expenses and revenues. All right. And you need to be comfortable with thinking about your business in both ways. They're not opposed. They're the same. It's against the story told twice. There's the physical manifestation of the business. Right?

[01:08:06] And then there's its financial life. And when it's your business, you have to be comfortable with both. OK.

[01:08:15] Why business succeed? Adequate working capital. Oh, my goodness, yes. Working capital that can be made an arcane topic, but actually for small businesses, it's pretty simple.

[01:08:28] It's basically extra money to get you over the hump when you start a new business, because you're not going to get, very few business going to start right away with positive cash flow.

[01:08:37] And so you need you need a cushion. That's your car. You're going to drive from here to Spokane and there's no gas stations in between, you've got to have enough gas in the tank to get you to Spokane and not get stuck. Adequate working capital. Diverse customer base. We're thinking there about people or the classic in this area with people who subcontracted to Boeing and that got to be a big part of their business. And then all of a sudden, airplane sales fell off and Boeing pulled all that work back in-house and these machine shop operators were in big trouble. Okay. You want a diverse customer base? Perseverance? Absolutely. It's going to be tough. When I'm not teaching this stuff, I teach mountaineering for the Seattle Mountaineers.

[01:09:21] And part of a course that I used to teach in, we spent the night in a in a snow cave, went up to a ridge above Stevens Pass and dug a hole in the snow bank and spent the night there. It sounds awful, but actually a well constructed snow cave, if you have the right equipment, it is quite a comfortable place. You're shielded from the winter weather. Anyway, so but the people they were these were newbies and they were kind of nervous about spending the night inside a snow bank. And there was a couple who I knew, they were clients. That's from the SBA. And they had a really genius little electronic business going. And they were sitting there in the back of the snow cave yucking it up and just having a great time.

[01:10:00] And I said, aren't you a little concerned? Compared to what we do every day in running, our business, this is a piece of cake. This isn't a challenge. It takes perseverance and passion.

[01:10:15] Which is what gives you the perseverance. And now my final sermonette.

[01:10:20] Why businesses don't succeed. Plunge ahead heroically. Let me tell you a story. Anybody know who Ray Kroc was?

[01:10:31] Well, I'll pick someone else this time. Someone else knows who Ray Kroc is. Yes, please. Exactly. Exactly, he started, that's the way I'd say it too. There are some people know who Ray Kroc

was, that's good, but he didn't actually start it. The McDonald brothers started it, and Ray Kroc was just an ordinary guy. He sold milkshake mixing machines. So he just, you know, ordinary middle class guy is a salesman on the road. But he's he called on the McDonald's restaurant and they had invented the formula that we now know was the fast food, the precook, the drive in. And he really thought that had potential. He was right. So he went to the McDonald brothers who are kind of getting up in years. And he said hey, hey, you guys thought about retiring, would you like to sell? And they dithered around a while and said, yeah, we will. He said, what's your price? And they gave the price and it was kind of high. This is just ordinary middle class guy. But he went out and he scrounged up the money, got investors, tapped his family, got the money. And so they were going to sign the deal in the lawyer's office in downtown Los Angeles. And now this is, this happened, what, about 1952, 53, probably so the number, you have to inflate the number to use it for today. McDonald brothers come in with their lawyer and they say, Mr. Grant, we think we underpriced, we want an extra hundred thousand dollars. And today that would be like, I don't know what, an extra 15 million or something. OK. And in a moment that lives in business history, he turned to his lawyer and said, fine, I'll find the money, like Marshall Foch at the Marne. Attack! Attack! And that's just a wonderful story. We all love reading stories like that. What you will never read about is that that same day in Los Angeles, ninety nine other people did the same thing. Well, I don't have the money, but I'll make it work. I'll plunge ahead.

[01:12:22] And [raspberry sound] they went down in flames. And that's the one you don't read about in *People* magazine or in the Sunday newspaper. So anyway, these are the kinds of things that lead people to succeed. This is what gets them into trouble. It does take a heroic leap but only after you've educated yourself. There's a whole difference between a WAG, a wild-ass-guess, and and and a careful estimate.

[01:12:48] And that's the difference we're talking about. OK.

[01:12:51] And these are the kinds of things we're here that tell us, that we see when we're seeing loan proposals that tell us that people haven't done the job. Our market is huge again. There's enough enough demand for this. We don't have to worry about selling it. Red flag. We conservatively forecast. We don't hear that. We want to know why your forecast is what it is.

[01:13:13] What is it based on? Why do you think you can sell this many units? How come?

[01:13:18] Our revolutionary technology. Oh, boy. We've got some brand new and it's going to take the world by storm. Maybe? Maybe? Assuming most of our financial numbers, we believe that. OK, when we're going to say, based on what evidence? And we have no competition. That's the ringer. If you owned the only airline in the world, you'd have competition. There are other ways that people travel. There's no such thing as a business without competition. And the competition incidently is valuable to you because they're pathfinders. They've been out there doing what you propose to do and doing it successfully. So you don't fear them and run away from them, you study them.

[01:13:57] OK, here is the SCORE business plan guide, which you all have, right? Pick up that, wave that. Please. That big, thick packet. OK, and there's another one. We gave you the one for the start up business. There's another one for established business, with a little different questions. This is in your notes, the little PowerPoint notes you have. You can you can go to this website, select templates and tools, click on business plan, a financial statement, and what you will get is essentially this packet.

[01:14:30] Part of it is, is a Word processing document with, last time I count there was over 200 questions. Which become your research assignments. And then a bunch of spreadsheets and the spreadsheets, again, are not interactive, they're not cute because when you're working, when you're asking yourself, what is my rent expense going to be the sixth month of my business. We want you to be studying precisely that and not coming around it through indirection. All right. So these things are not cute. They're very plain vanilla for a purpose. And anyway, oh, spreadsheets are these things. Those are financials. If you flip the thing over in the back. That is the twelve month profit loss, which is sort of the heart of your of your financial business plan. And if you want to come to the, any number of classes but places around town. But if you want to come to our all day session, we'll spend we spend quite a bit of time walking through that using case study. OK, so you know where to go to get the full thing and what you're going to get is what's in this packet, but you'll get it as a live Word processing document that you can just fill in as you're doing your research and then insert a set of these, of these, spreadsheet templates, which are smart enough that you can you can add lines, subtract lines and but the arithmetic is built in. So they add up, the percentages are calculated. They add across. So that part's done for you. All right. Use of the guide. Well, we've talked about the use of the guide, and this is just to tell you that SCORE, but also the Women's Business Center, a lot of places around town, are there to help you. Don't do more than an initial visit just walking in with your hands in your pockets. Once you get to serious counsel, you got to go in with something to show them. That you've actually done some work. And here are the parts of the business plan and we are about to go through them in 22 minutes. All right?

[01:16:34] So. And you have the big business plan, but you also have this PowerPoint print out, the one that's got the little boxes and the lines in the side. And so maybe that's the one you should be looking at as we march through this.

[01:16:47] Executive summary.

[01:16:48] You know that, right? It's a summary, see, right at last. Even though the first thing that's really important, only if you're going to show this to somebody else. If you're writing this business plan for investor, banker, whatever, then you want a summary. And you want a summary, because if they're doing, they are doing what I used to do. You've got a stack of these things on your desk to go through. And some of them are this thick. You're going to read that summary and decide whether you even want to read any further. So that's important, particularly if you are if you're going to use that to show to somebody else. And as far as what to put in it, we give you a nice outline in the in the business plan. But I I'd, I'd put it this way. You're going to go to a banker and ask for a lot of money

and you have an appointment with Ms. Big, the vice, the vice president. And she's going to give you five minutes.

[01:17:38] What are you going to tell her in five minutes? That will make her think that you're going to be someone that they should put their money in. Right? And don't forget description of the loan. You'll get people who were so coy that I had to get a third of the way through their business plan before they finally mentioned how much money they wanted. And that's, that's not a really good approach. OK.

[01:18:01] And again, we've gone through this, it's a series of questions. And you answered general company, general company description. Now we're getting to the meat of the thing. And again, this is precisely what you'll get if you download our our template. Industry background. What's going on in the industry? Retail coffee shop. My goodness. What's going on in that industry? And that's just exploded in the last, what, 20 years. Right. So there's there's an industry background. We want to be sure you know about your industry. Form of ownership. That's kind of a legal and tax question. You're going to be a proprietorship, corporation, LLC. What are you going to be? That's something you work out with your attorney, primarily. Products and customers. What do you make? And we understand these days. I'll talk about a product. But for most of you, it'll be a service. What do you make? And who's gonna buy it? And remember, one of the red flags that tells us that we're dealing with someone who probably doesn't really have what it takes to be successful business, as someone says, everybody is my customer. Well, if everybody is your customer, then it doesn't matter what price range you have. It doesn't matter whether you look where you locate. It doesn't matter where you advertise. Everybody's your customer. So you can't focus.

[01:19:12] You can't do anything, if you think. So, we want you to really hone in on that. Who that who's, your business philosophy. That's kinda nice. You know why you think you're giving something new to the world? People who know nothing about business. I love going online and reading all that. The excuse me, the sort of left wing blogs about the greedy business people. Believe me, I've lived around business people all my life and all the really successful ones had a sense of mission. Sure, they want to make money. But they really they you know, they were providing a product that they thought was doing a lot of good for the world. They were applying, providing employment for people and they really cared about that. So did little time in the business philosophies. Good think. What do you really want to do this? Sure you don't? I hope you want. If you don't want to make money, we don't want you. And I'm speaking now as a banker because you don't make, if you don't make any money, that means we're not going to get our money back. OK. So we want you to be, you know, hungry, if not greedy. OK, your strengths. And we went through that before. What are your strengths and maybe what are your not strengths?

[01:20:20] All right. Products and services.

[01:20:22] Well, here you get into a more complete description of the product. What you're going to offer a complete description of your product. And, you know, why somebody wants to buy it. Quality and pricing. Let me talk a little bit about this. Pricing especially. There is a, again, from people who

have not been in business before. There's a tendency, or people who are simply as, as you all will be when you start, a little uneasy that the market is really there, that people are really going to come through that door, through that website and really pay you real money for what you, for what you're offering. OK. You're going to be [gasp] a little nervous about that. And so what's one way to bring people in?

[01:21:14] Low price. [negative buzzer sound] For almost all small businesses, almost all, low price is the wrong answer. To begin with, the people who are big can have economies of scale, and they can beat the pants off you on low price. You think you're going to sell a shirt for less than Wal-Mart? Guess again. OK, so you're not going to do that. Furthermore, that isn't even necessarily desirable. Let's say, for example, I want to buy a diamond. I know nothing about diamonds.

[01:21:44] You could sell me a piece of cut glass and I'd be, walk out of your store happy, OK? But I walk into your jewelry store and I say, I want to buy a diamond. Show me some diamonds. And you pull the tray of rings out and put it on top of the counter. And each one has a price tag on it. And without knowing anything about diamonds, I instantly know which is the best diamond on the tray.

[01:22:06] What tells me? The price.

[01:22:10] What's the worst diamond on the tray?

[01:22:13] The one the cheapest. All right. So in trying to entice people with low price, you may inadvertently be telegraphing a message that we all know that something is worth what? You pay for it. OK, so I'm trying to get really propagandize you because I'll tell you a story about me. And I'm I'm I'm not proud of it, but I'll share it with you. When I retired, I decided that I was gonna, one things I wanted to do was go on the road and do financial talks for for business groups and so forth. And, yeah, it takes a little while to get the word out that you do it. And so I finally got a live one got some, Yeah I want you to come down Ocean Shores and talk to our convention. And he asked me a question I hadn't thought about. What do you charge? Look, I teach this stuff. I've been teaching it for decades. What did I do? I gave them a price that was so low that when I hung up the phone I was embarrassed. I thought he'd call back and say, if if that's what you're worth, we don't want you. OK. The point of that little story on myself is that there is huge emotional pressure

[01:23:12] to price low so that people will come. So you don't scare them away.

[01:23:16] For small business almost, so just know it's there and be ready to resist it. For a few of you, low price may be the right answer, I have to be convinced. So for a small business, the strategy is, make pricing a non-issue. Price with the market. Make it a make it not a big issue and compete based on what? What can you do that the big guy can't do?

[01:23:41] You can give them

[01:23:44] quality and service. OK. Now, I grew up maybe I'm sensitive because I grew up in a retail store. When I go into, into into a small retailer, I think I can always tell whether I'm dealing with the owner or someone else. Right? There's that spark. There's that desire.

[01:24:01] And so that's what you sell. That's what you sell.

[01:24:06] You call me, you're not going to get it. You're not going to get into an endless phone tree that ends in [unintelligible] land out there somewhere. And you're going to get service. And we're gonna make sure you're happy with our product.

[01:24:18] And you don't like it, you get to talk to the boss. OK, marketing plan. Marketing.

[01:24:29] OK, I'm still gonna spend a few minutes on marketing; And that is because, again, so many people start a small business, probably most of you, go into it because you know how to make a product, right? Or how to do the service, all right? And it's easy to think that marketing is something that simply happens. The problem getting moving that product out into the world is something that just happens if it's a good product at the right price. And there is an old saw that if you build a better mousetrap, the world will. Come on, someone's heard it. Beat a path to your door. OK. So I'm going to take a minute of your time to tell another war story as this one was involved, my family, my mother bought one of these things. One of the few people who did. This company is going back to, again, so you understand the prices, this is going back to probably 1950.

[01:25:18] And you know what a mousetrap looks like, just it's a little piece of Pine wood with a spring device on top. Been around forever. This company came up with a better mousetrap. It was a molded plastic thing, looked like it looked like a flying saucer. This beautiful, molded plastic thing. It had four little doors. And the my you see, that the the mouse put its head through the door and though the spring came up and so forth and it really and it was a wonderful mouse trap. But the anyway they didn't sell. So they, they invested. It's pretty expensive actually to make dies to do this plastic molding and so forth and set up their factory. You know, these people had some money. They thought the great idea, it was, it was a wonderful product, but it didn't sell. They got him out around the country and they sat on the shelves. And so they had enough money and enough moxie to commission some market research to follow up and said, how come these things aren't selling? It's a wonderful mousetrap? And what they found was that, pardon me if this is just a tinge sexist, I hope. But the average mousetrap that sold for in those days, I think seven cents or something was bought by a woman who bought it, and and and and set it at home. All right. And when she came down on the morning and looked under the kitchen sink and there was a dead rodent there, did she pick that up and undo the spring and pry the mouse out of there? What do you suppose she did? Throw the whole thing in the garbage. She didn't mind throwing out, you know, throwing out seven cents. But this thing cost seven ninety five. She's not going to throw that out.

[01:26:50] So, OK. They build a better mousetrap. Right. But they didn't think enough about their market, and what people would really use to.

[01:26:59] And it's probably discoverable. Maybe not this kind of, you know, kind slippery. But but anyway, just building a better product isn't enough. You have to you have to sell it. So you do some research. Secondary research here at the library, online. Maybe primary research. Stand on a street corner and talk to people. Questionnaires and so forth. What are the economics of the industry? How do people make money in this industry?

[01:27:29] And then, oh, now look at this product. Hold it, back up two slides.

[01:27:35] What was what was it, two slides ago, what was our question? Wait a second, no, one slide ago. Last slide. What was our question?

[01:27:43] Products and services. OK. Right? Well, what's it doing here?

[01:27:53] OK, the reason is that, let me lead up to it. You know, if you get hired by McDonald's as a store manager, you go to you go to Hamburger U. It really exists. And at Hamburger U, among other things, they have a rather thick little book that describes a McDonald's hamburger. I mean, practically down to the molecule. How many grams of sauce or what goes into the sauce and how much lettuce and how much beef of what grade and how is it formed and what goes into the bread. I mean, there's a complete description. OK? That's a description of the product. When people go to a McDonald's, this is assuming that you like McDonald's, OK? When people go to a McDonald's, what are they buying? Are they buying, you know, a 30 page technical description?

[01:28:39] What are they going there for? They're going there for an experience. It tastes good.

[01:28:46] It's filling. It's not expensive. The kids love it. It's bright and airy. And again, you may not like McDonald's hamburger, but I worked one time with a guy who was a very successful restaurant consultant, and I was doing my hoity toity thing about McDonald's. He said, you know, I never had a bad sandwich there. It's consistent. That's one of the things fast food people do. It's consistent. So that's what people are buying. Taste, fun, consistency, nice atmosphere. Kids love it. That's what they're buying. That is not a 30 page manual from Hamburger U. The reason we give you this twice is to give you a chance to think about that one slide back. We're talking about the product. We were talking about the physical manifestation of the product or the service. OK, talking about the product from whose point of view?

[01:29:31] From your point of view, the producer. Now we're looking at the product from whose point of view? The consumer's point of view. OK.

[01:29:41] Very important to hold both of those. All right. And both, you know, they're both important. You've got to put out a good hamburger or people won't buy it. But you also have to have a real sense of what it is people want. So you know how to present it. I mean, how many times now people are getting more sophisticated, you know, we'll solve your problem? Not not. We're going to give you a software, you know, a bunch of electrons coming over the coming coming down the Wi-Fi tube. We'll solve your problem. Now in back at the back of that, probably thousands of hours of detailed

coding, but that's not what you're buying. What you're buying is someone's going to solve your problem. But you'd better do the coding, too. You'd better make the product, but you've got to know this. So pay time. Spend time with customers. Wow. Who are your customers? I think the business plan will lead you through that, but really try to nail that down. Spend time on that one. Who are they? What's their demographic? Where are they located? What income level? Kinds of things do they do? Where do they buy now? Then the competition, and that's where they buy now. Who else is doing it? Doing something like you? So the product, the customer and this item strategy. OK. Let's think about this. If you understand, we're going really getting down to some core parts of the business plan. If you really understand your product, the marketing part, you know, you understand why people want to buy the product. And then you understand who it is you need to appeal to, who will buy it. And then you understand who else is doing it, so that you know how the market works and how how to work with them or around them. If you know those three things, what automatically falls out? Your market strategy, right? If I know what I'm selling and who's buying it and why, and who else is doing it that they're buying from now, doesn't that if I really research it, doesn't I just tell me what my market niche is?

[01:31:35] OK. Is it, the research project is making you educated.

[01:31:43] Which will help you, A, decide it's not time to do it, or, B, do it smarter.

[01:31:49] Sales forecast, and that's, now we're starting to get to the numbers. Remember said you tell it words and then numbers. So you take all this and then you do a month by month, and it's one of the templates you've got when you download this thing, month by month and for not just month by month, but also month by month by division. So, OK, I got I grew up in a retail clothing store. My dad invested a lot of money in cash registers because in those days there were all mechanical, huge, big, expensive, heavy machines. But he invest a lot of money in the cash register that didn't just ring sales, it rang sales by department. So every time he rang a sale, it was in sportswear or dresses or hosiery or lingerie or cosmetics. OK? Why'd he do that? He did, he did that because he needed to know how much inventory to have, of what type. And so his sales forecast, wouldn't, wasn't just be how much will the store sell this year? It was how much will we sell in sportswear, how much will we sell in dresses, how much we will sell in cosmetics.

[01:32:50] And that allowed him to really fine tune, how much inventory to have on town on hand, how to allocate floor space, how to allocate sales personnel. All right. Almost every business I'm kind of jumping into the financial plan, which is I didn't think we had time for. But almost every business, if you think of it, is a collection within and of smaller businesses. We talked about the restaurant business. Restaurant businesses, if they have a liquor license, you know, they've got a food. Food sales and bar sales. Different inventory, way different markup. Different personnel. Probably a different part of the of of the of the place. Two different businesses. And you don't just jumble them together, you know, you manage them as separate business. And to do that. You've got to, you've got to keep the numbers separately for those two things. So you'll know which ones making money, which ones dragging you down. OK. The operations plan. This one is pretty straightforward. It's probably what you thought a business plan was when you came in here. It's the nuts and bolts

physical manifestation, production. You know what do I make? Where do I make it? Locations. Where do I make it? Personnel. And these days, more and more personnel are not necessarily people who are working 40 hours a week for you. They're subcontractors, they may even be offshore. But you def-, you almost surely have some people who were making part of your product for you. This is this is part of the plan. When you do that inventory, again, for my dad.

[01:34:20] Retail store, it's inventory times markup times, times, turnover. That's the whole story. That's what makes it happen. If you are, say, a contractor, a building contractor, how much inventory should a building contractor have?

[01:34:36] Zip, zero, none. They buy things as they need them. All right.

[01:34:41] So depending on what kind of an, as we wrap up here, we can get to refining your plan for different kinds of businesses., that's a good example. For my dad's clothing business inventory, there there wasn't a bigger question than inventory for him. For a building contractor, it's a zero. You shouldn't have any. You have inventory because you made a mistake and you left, you have material left over. OK, suppliers. Who are you going to go to for and and how do you deal with them and will they give you credit and how much do you buy. And so as part it's all part of the operational plan and accounting and I would add to that legal and insurance. It's part of the operating part of the operating plan is who is what's my support staff? And your support staff must include an attorney. One of the worst times in the world to go looking for attorneys is when you're being sued, right? You get your attorney upfront as part of starting your business, especially if you're going to sign a lease to somebody. Before I knew much about this, I'd signed leases as a as a student. You know, I rented apartments and those things are boilerplate. They come out of the stationery store. You're roll them out of the computer. They're all the same commercial lease. Uh-uh. Commercial leases. Everyone is different. They can have pitfalls in them. I would never sign a commercial lease without an attorney. So part of your business plan is who is my attorney? Same with accounting. You know you're going to need accounting, you're probably not an accountant. And even if you are, you might have better things to do with your time right now. So you'd line those people up as part of your business plan.

[01:36:15] And insurance.

[01:36:18] And next one, there we are, a management organization. We've gone through most of this actually already. Talking about your skills, not only what you have, but where do you come up short? What do you not have? Again, the classic example would be legal and accounting.

[01:36:38] And again, these days, you oftentimes don't hire skills in the form of full time employees. You hire people as you need them, pay them by the hour. Especially especially people like professionals. So essentially, it's that this part is an assessment of your management capability, but it includes hopefully a sharp notion of everything you everything that's needed in the business in terms of management, where you're strong and where you're not and where you're not, how are you going to fill the gap? Not really a complicated thing, but you really need to know where you need help and

where you keep where you can do it all on your own, where you can not. The financial plan. Oh, boy. The financial plan

[01:37:22] is this this, big, ugly spreadsheets in the back of it's actually. This is just the sort of the capstone, the profit and loss projection. But let me just tell you about this, about the financial planning. So, again, I invite you to come to next month's all day workshop on this. But here's the deal. We've gone through this thing and talked about things

[01:37:41] you have to think about. Your customers and your product and so forth and so on. You'll do the same thing with the financial plan. And the financial plan will give you the same research shopping list. It'll say, how much are you going to spend for utilities and for telephone and for rent and for salaries and how much inventory you're going to buy? And it'll ask those financial questions. And and they are exactly like the verbal questions. They are research projects. And, you know, the you can grab numbers out of the air, but nowhere in the known universe is the old formula, garbage in, garbage out, more applicable than it is to building the financial part of your business plan. You can slap numbers down in the papers. Oh, I think eight hundred dollars a month will do for rent. No, that's not what you do. You go shopping with a real, I need this kind of location, in this town, and what's that going for. What a guy expected. These things are knowable. And you're setting yourself up for a big problem if you don't take the time to know them. And the financial plan works just like this except it's not as frank. It's it's not friendly territory like words.

[01:38:51] It's hostile territory. It's numbers. But once you get these things rolling and you get used to them, those numbers are going to be your friend. You're going to feel so good when you have a financial plan that tells me I think this is what my expenses will be. This is what it's going to take me to start the business. I need furniture. I need inventory. I need some equipment. I need to I need to remodel this place and so forth. And you actually gotten shot that you're going to start getting a comfortable feeling, that you know what this thing look, remember, it's a financial animal as well as a physical animal. When you're going to get comfortable with that and that it'll make you feel good and make you feel good for a very good reason that you are no longer in that category of of people who go in ill prepared because they haven't planned. So don't be afraid it's numbers. There's a lot of help. Again, from us from our workshop next month and every month, Women's Business Center, Small Business Development Center, Mimi can tell you more. Get help with this because it's probably not your strong point.

[01:39:51] When I used to read it, if you show, if you show this plan to somebody else. Oh, gosh, I forgot. Important thing. More the more important.

[01:40:00] Probably you thought about it, but just in case not. As you do your plan, footnote for yourself. Make little notes on it. Where did I get this information? How how do I find out how much the rent was going to be? How did I? Where is my list of my major competitors and their strengths and weaknesses? Okay. Make footnote so that you know where you got every bit of information. Because if you do this right, if you do the way it do with the way successful businesses typically do, you will go back from time to time and revise this. And even though it's it's hot in your memory right now, you

know, six months now, a year from now, when you want to go and revise it, you won't remember where you got all that stuff. So do yourself a favor and footnote it as you go along. OK? And then if especially you're going to give it to somebody else, don't give them a great big package of paper within all the spreadsheets and blueprints and so forth, you know? Give me a nice prose summary. Again, I say they go 20, 30, 40 pages, depending on what kind of story you're telling with the other stuff, appendices in the back. Make it easier to read. That's all. That's very simple.

[01:41:08] Refining the plan, we talked a little bit about that, talked about. I did. We don't have contractors here. But the difference between my dad's business, where inventory was the lifeblood of the contractor, where there shouldn't be any inventory or service business, where inventory is probably supplies or something. Okay. Now, finally this. And then I, I'm done too refined for raising capital. I told you first, you know, do it for yourself. Then if you want to use this for raising money, then you go back and rewrite it and you tell it not you're not fibbing, mind you, but you emphasize different things because an investor, a true equity investor, if any of you think you're gonna be in that league, they're looking for the next Microsoft, McDonald's, Starbucks. OK? They're looking for something that can put in some money now on the ground floor, and five years from now, it will be worth 100 times what they put in. So for them, you talk about explosive growth. We get this thing right. And you can keep feeding us some money. And this is just gonna go. Sky's the limit. Great. There are people who when they came into us, the SBA, and we think like bankers, they thought that they were impressing us by saying, sky's the limit.

[01:42:20] We're going to grow. You're going to own the world in ten years. They were impressing us, OK? We thought they're impressing us as madmen. All right. A banker. A banker wants to hear a different story. A banker wants to hear, look, we got a solid business, we had good management, we know what we're doing. We know how to price. We know who the customer is going to come from. And what we're going to do is have nice paced growth so that we can afford to add more, material, people or whatever, as we grow but never grow so fast that we outgrow our capital because our goal, this banker, is that we will have a nice steady profit and a nice steady cash flow so that we can always make that monthly loan payment.

[01:43:06] All right? Completely different stories. So depending on who you're selling to, you don't fib, but you slant it differently.

[01:43:15] All right? Good enough. I think. OK. Excellent. It's been a fun group. Do you have any questions? I can be here for a few minutes afterwards if I have questions. She's saying if you're doing contracting work, you may not need inventory, but you do have to know other source. That's a different question. Yes, that's called, we call that suppliers. Yeah. You have to know the suppliers. And you have to know which ones to go to and who have who has the right price. Yes. Yes. Now, some service businesses, I do a case study at the all day workshop, that's a janitorial business and they do need inventory. They need to have paper supplies and detergent and floor wax and so forth on hand. It's just not big. Not like a manufacturing business. Yes, please. OK, sir, your question. You can first get experienced by volunteering and then turn that into a business. Should people do that? Absolutely. It's one of the ways. Yeah, I remember I told you the story about the clothing owned



clothing store. Another one. That's what he did. He volunteered. He volunteered and got the experience. And then, then he said, now I know enough to own a restaurant. Oh, yeah. A lot of people do that.

[01:44:22] This podcast was presented by the Seattle Public Library and Foundation and made possible by your contributions to the Seattle Public Library Foundation. Thanks for listening.

