

"Avoid costly pitfalls in launching your
Internet business..."

Business Plan Overview

Things You Really, Really Need to
Consider before Rushing into an
Internet Business



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Introduction

The days when you could just slap up a Website and wait for the money to roll in are long gone. Success today depends on knowing your target audience and having an effective strategy to reach them. Upfront planning is what separates winning Internet marketing endeavors from failures.

Some people approach Internet marketing as a dynamic exercise. They have an idea and then immediately create a Website to market their product or service, figuring they can tweak it as they go along to see what works and what doesn't. Visions of wealth or freedom from a dreary day job fuel their dreams, and they are eager to get the show on the road.

This is what I call the "ever decreasing concentric circle strategy to success...or failure." And most of the time, it is failure that is reaped. This troubled road to discovery gets to be very expensive when Websites must be redone, pay-per-click advertising doesn't yield the expected results, or sales just never seem to materialize at anticipated levels. These eager "short cutters" may also discover that the market is already saturated, or that the marketing window for their "novel idea" has been gobbled up by someone more focused.

Upfront planning, on the other hand, helps to avoid costly pitfalls and allows new Internet marketers to focus their monies and energies on activities that are more likely to lead to success. It also provides a cooling-off period during which a "great idea" undergoes a reality test.

Planning reduces risk by identifying requirements and developing a winning strategy before investing in online marketing. In short, if your idea proves feasible, you can get there quicker and spend a lot less money by doing proper research and analysis beforehand.

Internet Marketing Success Requires a Plan

Launching an Internet business without first accomplishing upfront research and developing a realistic "go to market" plan is tantamount to playing the "Wheel of Fortune" in Las Vegas - you may get lucky but the odds are against it.

Formal business planning is a process that takes that "great idea" and subjects it to rigorous scrutiny. It either validates your premise or else shows you where the idea falls apart. Moreover, business planning forces you to identify costs and develop a sensible marketing strategy before you start spending money. Having a business plan will also help you to acquire funding, if necessary

So what should an Internet marketing business plan address? At minimum, it should be a written document that covers:

Product/Service

A precise description of the product or service you wish to market on the Internet. What is it, and what are its ingredients? What (if anything) makes it unique? Are you sure you can actually provide this?

Marketplace

A clear definition of the target market(s) in terms of characteristics and numbers. That is, what need are you going to fulfill and who are your prospective customers? Is the market big enough to justify your investment? Is the market wide open or is it already saturated? Are there any entry barriers to prevent competitors from easily imitating your success? What industry associations, directories, agencies, clubs or events can be leveraged to reach your target market(s)?

Are there any distinct prerequisites to participating in the target market(s), such as industry certifications or association memberships?

Who are your competitors, and how are they addressing the market? What do their Websites offer and how are they constructed? How successful are they (check SEC filings if they are a public company)?

Strategy

Given what you have learned about the market and the competition, how are you going to differentiate yourself? Is it through better service, lower pricing, more features, by offering different models for market segments, improved convenience...what? Why should a customer buy from you rather than an established competitor with a proven track record? Unless it is a huge, unsaturated market, save yourself a lot of time and expense by stopping here if you don't have a good answer.

What is the most effective way to reach your targeted audience on the Internet? Through niche directories or search engines? By search engine optimization? Advertising in targeted online ezines or through Google Pay-Per-Click? Email marketing? How?!

Pricing

What is the going market price for the service or product that you wish to sell on the Internet? What will the market bear? Is this sufficient to yield the margins you need to have a profitable business?

What will be your pricing by model or type of service?

If you are considering consulting services, how will you provide timely bids?

Operations

If you intend to market a tangible product, how will it be produced at the required volumes and turnaround times?

How will orders be processed? By e-commerce, email, phone, or fax? Are merchant accounts necessary?

How are you going to fulfill orders? Will you have orders drop-shipped or handle them yourself? Is electronic distribution required, and how will you accomplish this?

Do you envision establishing a distribution channel, such as resellers or affiliates? If so, what is required and how long will it take?

How will customer service be handled? What is your guarantee to the customer? How will returns be processed?

Costs

What start-up investments are necessary (talent, hardware, software, outsource services, office space, etc.)?

Where will the start-up funds come from?

What are your production costs?

What are your ongoing costs (Web hosting, PPC advertising, etc.)?

What type of legal entity will your "company" be (e.g., LLC), and what cost and effort is necessary to make that happen?

Launch Plan

Identify all the major steps that must be accomplished to launch your Internet operation and determine which steps must be undertaken before others (i.e., what are the prerequisites for each step). Use Microsoft Excel or Project to sequence these by time.

Who is responsible for each step?

Determine your "go live" date.

Expected Return on Investment

Create a spreadsheet model to determine when you can expect to break-even on your investment costs and what your estimated profitability will be over the next two or three years (preferably on a monthly or quarterly basis). The major sections of your model will delineate:

- Expected Revenues by model or type of service, taking into account a start-up curve. Construct it so that you can easily enter different variables (e.g., number of monthly sales by units) to ascertain the impact on expected revenues and variable costs.
- Less Fixed Costs and Variable-Costs-per-unit or service (tied to expected sales).
- Equals Gross Profits Before Taxes.
- Then compute Net Profits After Taxes (taking into account allowable IRS deductions).

When finalized, use standard Excel features to generate at least two graphs:

- Line or bar chart showing the expected revenues, operational costs and anticipated gross profit on an annual basis.
- A break-even chart, illustrating when profits are expected to exceed costs.

If you are seeking funding, factor in future values using appropriate discount rates. If you don't understand this, get someone with a financial background to assist you.

So Where Do You Stand?

If your "great idea" still makes sense after going through this sobering exercise, then by all means proceed. You are way ahead of someone who just jumps on the Internet with no knowledge of where they are headed. Unlike those unfortunate souls, you will know your target, what you are doing (and why), and have a barometer against which to gauge your progress. Bon Voyage!

About Pacifica Endeavors LLC

Pacifica Endeavors is a marketing consulting firm that focuses on small businesses and start-ups. We specialize in Internet marketing and have helped dozens of companies improve their revenues.



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Each of our consultants has thirty-plus years of marketing and sales experience in both entrepreneurial endeavors and Fortune 1000 companies. Our rates are affordable and our clients benefit considerably by leveraging our expertise to launch businesses or enhance profits. Learn more at www.SmallBizSmartMarketing.com.

In addition to consulting, we own and operate three Internet businesses ourselves:

1. www.RENewsletter.com - Affordable Internet marketing services and solutions for real estate professionals.
2. www.FindQualityConsultant.com - An online directory for quality consultants (ISO, Six Sigma, etc.)
3. www.BabyBoomerLifeboat.com - Offers tips, information and advice to Baby Boomers,

demonstrating how they can still comfortably retire even though their nest-egg has been hard hit by the recession.

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