



Accounting Service

BUSINESS PLAN MARCUS ACCOUNTING, LLC

4 E. Locust Street
Market, Kentucky 48107

This business marketing plan was prepared to help Marcus Accounting, LLC, obtain a \$8,200 Small Business Loan for company start-up related costs. This company proposes to provide accounting services to small and home business, as well as individuals in Market County.

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MISSION STATEMENT

The Marcus Accounting mission is to provide dependable and quality service of accounting and tax preparation assistance to all sectors of industry, commerce, and individuals. We shall endeavor to provide our services in a comprehensive and cost-competitive manner, while providing our customer care advantage.

EXECUTIVE SUMMARY

General Ledger, Accounts Payable and Receivable, Payroll, Billing and Collections, Filing of Federal, State, and Local Forms, and Tax Preparation are services necessary to each corporate entity and individual. Assistance in these endeavors are the basis of Marcus Accounting and the makings of a highly profitable venture. Presently, management of Marcus Accounting is seeking funds to develop and expand the business in a phased approach, as highlighted within this planning tool.

Marcus Accounting is a new accounting service being made available to small businesses, self-employed, home-based businesses, and individuals in the Greater Market area. The owner, Mary Beth Marcus, has extensive business experience; over 20 years' experience in a variety of business types. Since 1995 she has been concentrating in the accounting field, working for L&R Bank and temporary staffing firms in accounting positions.

Mary Beth received her B.A. in Accounting from the University of Kentucky in May 1996. Desiring to start her own business, Mary Beth established Marcus Accounting, a full-service accounting service in 1997.

The foundation for the plan is a combination of primary and secondary research, upon which the marketing



strategies are built. Discussions and interviews were held with a variety of individuals and small businesses to understand why and how they consider using an accounting service. Census data, *County Business Patterns*, and other directories were consulted to develop the market potential and competitive situation.

Initially, as a home-based business (keeping low overhead in the start-up phase) Marcus shall specialize in individual and small business clientele. As growth warrants, additional staffing assistance and/or outside office location can be realized (Phase II).

Business Plan

INTRODUCTION

In today's highly competitive environment, formal business planning is an essential element in achieving business success. A well-written business plan is primarily a communication tool to be used in obtaining financing. In certain instances, particularly with our early stage company, this business plan also serves as a strategic plan.

Considering that lenders are inundated by numerous investment opportunities from which they choose only a few, this business plan describes our story and how we intend to grow with your assistance. The Marcus management team has made an in-depth analysis of its opportunities and weaknesses and it has concluded that the company has an excellent chance to succeed.

METHODOLOGY FOR BUSINESS PLANNING

Sophisticated business planning helps management answer questions such as: What will be our record of achievement? How have we fared compared to our competitors? Are we setting realistic and attainable goals and objectives?

Constructive and useful business planning requires a broad-based understanding of changes taking place in the marketplace in which the company competes, or plans to compete, and the ever-changing financial markets. In-depth technical skills in a variety of disciplines such as tax, financial analysis, sales, marketing, and managing growth are critical components in assessing a company's opportunities and risks.

DEVELOPING THE BUSINESS PLAN

The management of Marcus Accounting has developed this disciplined planning methodology to help the company anticipate its start-up economic requirements and other critical information, and arrive at this realistic plan.

GUIDANCE FROM OUTSIDE PROFESSIONALS

Ms. Mary Beth Marcus has sought out assistance and advisors to Marcus in developing its business plan, however, she will maintain an active management involvement in every aspect of the formation of this business plan and the plan reflects her broad concept of the business.

The experienced professionals Ms. Marcus has obtained have assisted the company in:

- Helping develop a realistic business plan;
- Reviewing financial projections incorporating all of the assumptions and quantitative data presented in the business plan;
- Structuring funding options and lending offerings;
- Conducting market research;
- Researching growth potential for the industry;
- Identifying competitive forces and products; and,



- Offering creative marketing approaches.

FIVE OBJECTIVES OF MARCUS ACCOUNTING

1. Attract investment capital;
2. Focus ideas and establish goals;
3. Identify and quantify objectives;
4. Track and direct growth; and,
5. Create benchmarks for measuring success.

Marcus Accounting was formed to market a full-service accounting and related minor consulting firm by combining expertise in tax, accounting, tax planning, control systems, and management. The integration of these disciplines results in extensive and innovative services for our prospective clients.

COMPANY BUSINESS PLAN OBJECTIVE

This Business Plan serves to detail the direction, vision, and planning to achieve our goal for providing superior and comprehensive accounting services. Our plan objectives are:

- Attract \$8,200 Loan as Start-Up Capital,
- Focus Ideas and Establish Goals,
- Identify and Quantify Long-Term Objectives,
- Track and Direct Growth,
- Create Benchmarks for Measuring Success.

Company Ownership

Marcus Accounting was founded by Ms. Mary Beth Marcus in February 1998 as a Kentucky Corporation. Marcus Accounting was created to address the need for quality service of comprehensive accounting and tax documentation. Marcus Accounting will continue to expand its client base within the Greater Market Area.

Marcus has been in the accounting field since 1995. Prior to that she had completed over thirty-five years in various medical technology related positions and has a desire to complete the three-year requirement of public accounting experience for eligibility to sit for the Certified Public Accounting (CPA) test.

Key Advisors to the Company

Marcus Accounting has additional key staff members to assist it. Mr. Brian Kelley and Ms. Marcia Stone have been retained by Marcus Accounting to assist in the development, planning, and market phases.

Management & Organizational Summary

Ms. Mary Beth Marcus will manage all aspects of the business and service development to ensure effective customer responsiveness. Additional support services will be provided by qualified contractual professionals. Support staff will be added as client work load factors mandate.

CORPORATE DEVELOPMENT PLAN

For purposes of this business plan document, Marcus Accounting-Phase I and Phase II for developmental growth are defined below:

Phase I -This phase involves preparation and development of Marcus's client base. Marcus Accounting will be housed at the home of Ms. Mary Beth Marcus, its founder. Marcus Accounting, Inc. will establish its own



identity, management directives, and capital. Incorporating a total quality management approach (its Customer Care Advantage program), Marcus will develop key "base" small businesses which require biweekly through quarterly [reoccurring] accounting services. Through word of mouth and advertising, additional small- and mid-sized business and individual taxpayer accounts will be secured. Phase I capital (start-up) funds are documented in this business plan.

Phase II -Continue implementation of sales, advertising, and marketing strategies developed in Phase I. Identify and pursue other business support market. Marcus Accounting will target market identified "niche" industries to "specialize" in (i.e. automobile dealerships, church groups, nursing home patients, etc.). Strategic partnerships with specific industry associations (i.e. trade, industry, or service (non-profit) organization for volume discounts to its members, etc.) will be explored.

Marcus anticipates additional support staff and efforts to several community related entities will allow Marcus to consolidate its efforts with a centralized "out of the home" office. This Plan does not contain funding needs for this Phase.

Initially, Marcus management will focus its efforts in Phase I activities. Phase II efforts depend upon the timely development of Phase I and the analysis of its client service base. Marcus's growth funding capital will directly impact the rate of which marketing and development of this service occurs and the rate of growth potential is obtained.

ACCOUNTING OVERVIEW SUMMARY

Establishing an accounting business clientele will take time, as the research revealed word-of-mouth/recommendations/referrals as the primary way in which accounting services are selected by new clients. People who are completely new to the area, or who have few established connections, may look to the Yellow Pages or other advertising to establish available services, then call for information or pricing.

According to the County and City Data Book 1994 published by the U.S. Department of Commerce, Greater Market has 27,620 total households and 2,141 business establishments (less than 20 employees). Given that the 35 accounting firms/CPAs/tax preparation services in the area have an average of 200 individual and 50 business clients (accounting firms/CPAs only), each yields a served market of roughly 7,000 households and 1,300 businesses. The established business market appears to be fairly well penetrated, but potential exists for the self-employed, home-based businesses and individuals (all likely captured as "households" in the census data).

Between 1990 and 1996, an estimated 6,400 people moved into Market County (SE WI Regional Planning Commission Annual Report 1996) and 96 new businesses were established (County Business Patterns 1995). Capturing a share of the new arrivals will be a priority for Marcus Accounting.

Competitive Advantage

Internal Assessment of Marcus Accounting Written by the Outside Advisors to the Company.

Strengths of Marcus Accounting include Mary Beth Marcus' broad base of experience in different types of companies from banking to manufacturing, and in different types of financial positions. This experience means Mary Beth understands the needs of small businesses and individuals when it comes to managing money—hence, her tag line "Keeping an Eye on Your Dollar." Her emphasis is on consulting with clients as well as keeping their books, bringing their attention to areas where money could be saved, strategies for better cash flow, etc., in a pro-active manner, as opposed to waiting until the client has a question about something, which may be too late to do anything about it.

This "full service" niche appears to be vacant in the market, with most accounting/CPA firms focused on volume and throughput, leaving little time available to get to know the client's business well enough to become



a financial "partner." In addition, Mary Beth's willingness to meet with clients during evening and weekend hours, as well as in their own office or home offers convenience for the client, and is especially attractive to the elderly or disabled. Mary Beth's own in-home office is set up professionally, with adequate equipment to perform the services she offers.

As the business grows (especially among the business customer segment), Mary Beth may need to upgrade to the professional version of the tax preparation software. She may also want to consider offering electronic tax filing services for all clients.

Industry Keys to Success

Following is a list of the industry Keys to Success:

1. A Vital Service Designed for the End User
2. Customer Care Advantage Program "Keeping An Eye on Your Dollar"
3. Controlled Overhead and Operational Costs
4. Regular and On-Going Customer Feedback
5. Sufficient Forms and Technology/Software Capacity
6. Consultation Services - Ongoing
7. Dedicated Management and Support Staff

MARKET ANALYSIS SUMMARY

Marcus Accounting, like all businesses, is affected by forces and trends in the market environment. These include economic, competitive, legal/political, technology, and customer issues.

Economic Environment

Positive forces include the generally prosperous economy that is currently in place, full employment, rising wages, and low inflation, leading more people and businesses to be willing and able to hire an accountant to keep financial records and prepare taxes. The strong stock market means people are making more money, primarily in the form of capital gains, which may require more complicated recordkeeping and tax preparation. The new tax laws signed into effect in 1997 "makes filing this year much more complex for many people" says Martin Nissenbaum, national director of personal income-tax planning at Ernst & Young in New York, as quoted in the Friday, February 20, 1998 edition of the *Wall Street Journal*. The *Journal* also cited that about half of the nation's filers used an independent tax preparer last year.

Even though corporate downsizing is generally observed as a negative trend, it has positive implications for Marcus Accounting. A growing number of involuntary (and voluntary) corporate cast-offs are starting their own businesses, and unless their background is in a financial field, will need the services of an accountant to get the business recordkeeping set up. In 1996, there were 95 new business start-ups in Market County (*County Business Patterns* , U.S. Department of Commerce, Bureau of the Census, 1995).

Legal/Political Environment

As stated above, the new tax laws, new IRS forms, and regulations are becoming very complicated for the average person/small business to stay current with and understand. People increasingly need someone knowledgeable about the laws to draw their attention to ways to save money and taxes. Laws have changed regarding individual retirement accounts and small business SEPs and Keogh plans to the extent that people are starting to rely on their accountant to sort it all out for them.



Technology Environment

Computer programs greatly simplify the financial recordkeeping and tax preparation for both individuals and businesses, yet most are beyond the scope of the average person to learn and use. Small business owners/self-employed, in particular, wear many hats; the most important of which is controlling the output of their own business. Developing the expertise necessary to run the financial end of the business, including learning and updating accounting software, is just not a priority with many business owners and individuals. Outsourcing of business functions that a firm does not have the expertise in-house is a significant trend in business today. Better to hire an outside expert than to risk doing an inadequate job in-house, or to spend the resources necessary to develop the expertise in-house. Accounting is certainly one such business function. A variation on this trend is for the business to maintain the financial records in-house, and have the accounting service come on-site to generate the reports or complete the work.

Competitive Environment Summary

Many firms exist in Market County to assist individuals and businesses with their financial/accounting needs. Firms range from private individuals just preparing taxes to national chains like H&R Block, to accounting firms serving individuals and businesses, to CPA firms. A listing of the businesses offering accounting/tax preparation services in Market County (sourced through Midwest Directories) is as follows:

Tax Return Preparation

Edward Bastian (Deerhorn)
H&R Block (locations in four areas of Market County)
Tonda's Tax Service (Suet Mill)
Deutsch Tax Service (Market)
West Kite Tax Service (West Kite)
Mighty Fine Income Tax Service (Lincoln Heights)
Gerald Thomas (Springwater)

Bookkeeping Service

MET Bookkeeping Service (Venice)
KP Bookkeeping Systems (Swan Lake)

Accountants

AIDA Business Center (Swan Lake)
Penguin Accounting (Market)
Michael Looper & Associates (Overland)
Franklin Accounting Services (Overland)
Kurstz Accounting, Inc. (Overland)
Marion Froeming (West Moose)
DDR & Associates (Clemray)
Best Advisory Service, Inc. (Clemray)
McDougal & Missal Assoc. (Swan Lake)
Preferred Tax Service (King's Mill)
Joseph Betting Bookkeeping (King's Mill)
Irene Hopper (Sugarcreek)



Certified Public Accountants

Andrew Green (Mt. Orab)
Professional Electronic Accounting Services (King's Mill)
Lein & Associates (Swan Lake)
John Hammersmith (Sugarcreek)
Gerald Slinger (Swan Lake)
Mario Robbins & Co. (Clemray)
Michael Hutton (Sugarcreek)
Patrick Spartan & Company (Lake Geneva)
Doug Schaub (Wyoming)
Smith & White CPAs (Mt. Orab)
Theresa Summers (Sugarcreek)
VanDyke, Kroger & Associates (Lincoln)
Kitty Mitchell & Co. (Sugarcreek and Lincoln)
Robert Brown & Associates (Wyoming)

In addition to this list, there are private individuals preparing taxes for family and friends, but who are not in the "business" of doing so. Accounting services in four adjacent counties are listed in local directories, and do advertising in local papers, but are not included in the above list.

Generally, the CPA and accounting firms service business and individual clients and offer full-service monthly accounting and tax reporting services, while the tax preparation services and H&R Block concentrate on preparing individual tax returns. Marcus Accounting is attempting to carve out a third segment in the market; that of self-employed, home-based businesses and small businesses who, like many non-business individuals, currently maintain their own financial records and prepare their own tax returns. For individuals, Marcus Accounting would like to target those who need financial services beyond just tax preparation - for example, seasonal residents who need someone to look after their accounts while they are away, or senior/elderly (especially women) who need someone to help them keep their financial affairs in order.

A review of competitors' marketing strategies reveals no one launching a major attack on the Market County market. Many are advertising through Yellow Pages, and in newspapers during tax season, but the general approach to get new business is through networking, referrals, and personal selling. Accounting is a referral-driven business, according to John Simons (CPA). If new business of a certain type is desired, personal calls are made with targeted accounts. Other strategies used by area firms include telemarketing and encouraging and rewarding present clients to refer future clients. Networking within business groups, civic groups, church groups, etc. is important, even if the business results are not immediately felt. People want to obtain financial/accounting services from someone they trust; and that can be someone they knew from past membership in a group. Groups may also offer the opportunity for the business person to give a talk to the membership—an excellent public relations opportunity.

A threat to be aware of is the emergence of new competitors. The barriers to entry are low, and the local university turns out hundreds of accounting majors every year. The accounting program is very strong there, and offering classes at non-traditional times and locations attracts area adults who may be looking for a second career leading to their own self-employment in an accounting business.

Market Research Summary

A hypothetical behavior sequence model for a new client (individual) using an accounting service for the first time might look something like the following: (based on discussions and interviews with potential clients):

- Individual decides to utilize the services of an accountant to prepare taxes. This may happen as a result of a change in the individual's life situation (marry, divorce, lose a spouse, move, win the lottery) or investment/tax situation (sell house, receive inheritance). The need can arise anytime, but late fall and



winter months are when most people are thinking about their tax situation.

- Individual investigates alternative accounting services. In most cases, this means the individual will consider first any accountants he/she is knowledgeable of through prior association (relative, friend, social, civic, or church group). Not knowing any accountants personally, the individual will begin asking his/her friends, family, coworkers, etc., for recommendations. If the individual is new to the area or otherwise has not made any close connections with people, he/she would look in the Yellow Pages for a listing, or would look in a newspaper for advertising.
- Acting on the advice of friends (or own knowledge), the individual will call the recommended accountant(s) to obtain information that will help him/her decide if this person is the best for them. Criteria for selection include: competence (can the accountant do what the client needs done?); reputation (has the accountant done this for other clients?); empathy (does the accountant understand the client's situation?); courtesy (does the accountant seem friendly and nice?); and pricing (is the service affordable?).
- Based on the information received, the individual makes a decision and schedules an appointment with the accountant.
- The individual's satisfaction with his/her decision and with the service itself is largely a function of their interaction with the accountant during the appointment. The accountant should do everything possible to ensure a satisfactory experience for the client, so that future business (and future referrals) are not at risk. This means preparing the client as much as possible for what will happen (what kinds of records and documents to bring, what kinds of questions will be asked, etc.).

Because of the confidential nature of income tax preparation for individuals, and financial recordkeeping for businesses, people do not tend to jump around from accountant to accountant, unless they become significantly dissatisfied with the service they are receiving. An investment is made on behalf of both parties to understand each other, communicate, and retain information from year to year.

Marketing strategies will build on this model—taking advantage of precipitating events, fostering word-of-mouth recommendations, and creating satisfaction through interacting with the client.

Summary of Opportunities and Threats in the Environment

Overall, the environment appears very positive for Marcus Accounting. The forces driving market demand, mainly economic and political/legal, are strong, with new businesses forming, new residents moving into the county, and more complicated tax regulations requiring a knowledgeable accountant to keep records in order. On the negative side, there is significant competition, and it will take a while for Marcus Accounting to get "established."

STRATEGY AND IMPLEMENTATION

The business is driven by referrals, so for the first few years Marcus Accounting will need to be more aggressive in getting new clients, who will then pass the word on, and the business can begin to experience organic growth.

Marketing Strategies

Target Markets - Business (Market County)

- Small businesses (up to 20 employees) with an emphasis on new business start-ups
- Self-employed (for example, contractors)
- Home-based businesses (for example, consultants, freelance, professionals)



Target Markets - Consumer (Market County)

- Upper-income households
- New residents in the area
- Women (elderly or single)
- Seasonal residents

Positioning and Product Strategy

For both business and consumer clients, Marcus Accounting will be positioned as a full-service accounting service that takes the time to get to know the client's business (or situation) and become a financial partner "keeping an eye on the client's dollar." A full range of accounting, bookkeeping, and tax-related services will be made available and tailored to the needs of the particular market segment.

Business service needs range from annual tax filing to monthly recordkeeping and reporting, including accounts payable and receivable, payroll and payroll tax reporting, sales and use tax reporting, bank reconciliation, profit/loss and cash flow statements. Marcus Accounting will aim to attract the business clients needing monthly accounting services in order to even out revenues throughout the year.

Consumer clients primarily need annual tax filing services; however, in keeping with the positioning, Marcus Accounting will also offer tax planning, personal budgeting, credit counseling, and checkbook reconciliation services. A special effort will be made to attract seasonal residents who need someone to make deposits and pay bills while they're away.

Distribution Strategy

Unlike products which are produced, then distributed and sold, accounting services are produced and consumed simultaneously in a real-time environment. Thus, distribution issues center on making the services available in a convenient manner to the most number of potential clients. Marcus Accounting maintains an office in the home of its owner, Mary Beth Marcus, so clients are able to come to her home/office to access her services, or Mary Beth will meet with clients in their home or office, whichever is more convenient. This flexibility is especially attractive to elderly or disabled clients. Clients can contact Marcus Accounting by telephone, fax, and hopefully soon e-mail. Marcus Accounting offers evening and Saturday appointments, in addition to the regular business hours.

Pricing Strategy

A sliding scale of fees has been developed and can be found in Appendix C. The fee schedule takes into account individual and business clients specific needs.

For businesses, pricing will be in the hourly rate of \$55, in line with other established accounting services and what other types of professionals charge.

Personal/household tax preparation and filing prices are a function of the forms and schedules involved. Generally there is a base charge (\$50-\$125) plus extra for each schedule (\$10-\$15). Personal consulting (or other non-tax filing services) will be priced out at the \$25 hourly rate.

SERVICE AND SUPPORT PHILOSOPHY

"Keeping An Eye on Your Dollar"—A tag line, yes, but by giving careful consideration to customer responsiveness, Marcus' goal will be to meet and exceed every service expectation of its accounting services. Quality service and quick responsiveness will be the philosophy guiding a total quality management (TQM) approach to Marcus operations in its benchmark Customer Care Advantage program.



PROMOTION STRATEGY SUMMARY PROMOTION STRATEGY SUMMARY

Promotion strategies will vary depending on the target market segment. Given the importance of word-of-mouth/referrals among all market segments when choosing an accountant, efforts are designed to create awareness, stimulate trial, and build referrals. A cost-effective campaign, focused on direct marketing, publicity, a customer reward program, and advertising is being proposed.

MARKETING PLAN

New Business Segment:

A direct marketing (direct mail) package consisting of a tri-fold brochure, letter of introduction, and reply card will be sent to a list of new businesses in Market County. This list can be obtained from International Business Lists, Inc. (Chicago, IL) and is compiled from Secretary of State incorporation registrations, business license applications, announcements from newspaper clippings, and tax records. The letter introduces Marcus Accounting, stresses the importance of having a good accountant to the success of the new business, provides information on services and what sets it apart from other accounting services, and includes a promotional offer—the opportunity to sample the services for free (a one-month bank reconciliation, up to 200 checks).

Approximately ten days to two weeks after the mailing, a telephone follow-up should be conducted, to make sure the brochure was received, whether the client has any questions, or would like to schedule an appointment. Approximately 50 new businesses would be targeted.

Established Small Business/Home-based & Self-Employed Segment:

A similar direct mail package will be sent to a select list of small businesses, home-based businesses, and self-employed. The letter will emphasize a slightly different aspect than for new businesses; established businesses may already have a relationship with an accountant, so the focus of the letter is on the differentiation of Marcus Accounting—what Mary Beth Marcus offers that others don't.

The list of established small businesses/self-employed (contractors) can be compiled from local directories, while a list of home-based businesses/self-employed can be obtained from Direct Media, Inc. (Greenwich, CT). Approximately 250 existing businesses would be targeted.

It is recommended that the mailings be made over a period of several months—not all at once— so that proper follow-up telephone calls can be made.

A customer/prospect database can be developed in addition to the purchased lists. Monitoring the local newspapers for announcements about new businesses in the area will provide a steady influx of new names. These can be added to the database, and the business mailed the brochure and "new company" letter.

Marcus Accounting can also consider developing a one-page newsletter to be mailed quarterly to customers and prospects in the database. The newsletter can be used to update clients on accounting and tax-related developments, but also serves as a reminder of what sets Marcus Accounting apart from other accounting services—being a financial "partner" and "keeping an eye on your dollar." Business and recordkeeping tips are always valued, and friendly reminders to clients to pass the newsletter along to their friends and colleagues will literally "spread the word" about Marcus Accounting. The newsletter can be produced in-house and for the cost of paper and a stamp creates a lot of goodwill among customers and prospects.

Networking - Attorneys and Bankers

A direct mail effort will also be targeted at the approximately 150 attorneys and bankers in Market County, as they routinely come into contact with businesses and individuals needing accounting or tax-related services. The letter introduces Marcus Accounting, and along with information about services, etc., asks the recipient to consider the service as a possible referral. Several brochures would be included with the letter for the recipient



to hand out to his/her customers.

Publicity and Public Relations

A news release will be sent to area newspapers and magazines announcing the launch of Marcus Accounting. Mary Beth Marcus may join the Market County area Chamber of Commerce as a means of networking in the community. She may also make herself available for speaking engagements at other community or civic organizations. Becoming a sponsor in a community event (Festival of Spring, County Fair, Autumn Fest, various parades, bloodmobiles, etc.) is a low-cost way of increasing awareness and building goodwill in the community.

Customer Reward Program

As a means of building business by word-of-mouth, present customers should be encouraged and rewarded for referring future customers. This can be accomplished by offering a small "rebate" (\$10-\$15 or equivalent gift) to current customers who successfully recruit a new customer. In addition, all new tax preparation clients receive a Marcus Accounting coffee mug when they pick up their returns. Since the 1998 tax season is underway, the coffee mug giveaway would take place in 1999.

Advertising

Advertising is utilized primarily to attract new consumer and home-based/self-employed business clients for income tax preparation services. It also serves to build awareness and name recognition of the company in general—important for word-of-mouth referrals ("Oh yes, I've seen that company's ads before.")

Market County Shopper/Sunday Shopper Market County Shopper/Sunday Shopper —advertising in this Wednesday and Sunday primarily classified newspaper reaches over 33,000 homes and businesses in the county twice each week. A 12-week schedule (24 insertions) commencing early in January and running through the middle of April coincides with tax season when the need for professional accounting help is most acute. Marcus Accounting can use its business card as creative, and can be placed under the "Services Offered" section of the display/classified ads. A six-week, every-other-week schedule (12 insertions) is also proposed for the fall to promote end-of-year tax planning and bill paying for seasonal residents.

Accounting services typically advertise only during tax season, so the earlier schedule will help set Marcus Accounting apart from and ahead of the rest.

Yellow Pages — Ameritech PagesPlus, Greater Market County Telephone Directory . Research indicated that new residents or people who don't have many personal acquaintances to ask about accounting services will look to the Yellow Pages to establish a list of potential accounting services to call. Even a small 2" × 2" boxed ad can create awareness and attract the desired target client, above and beyond the ability of a simple listing to do so. Ameritech Yellow Pages covers the relevant market area, delivering over 30,000 copies to residents and business. Midwest Directories covers greater Market County, with a circulation of 90,000, but is considered a second-tier directory to Ameritech.

Telephone Book Cover —A business cardlike ad on the plastic cover which is placed over any telephone book enables the business name/logo to be seen virtually 24 hours a day, 365 days a year. Covers are distributed biannually free of charge to residents and businesses in Market County.

Restaurant Placemats —Opportunities exist for a business cardlike ad to be placed on the paper placemats used in area restaurants (shelf-life of the ad is about six months), or for special (holiday) events taking place at a restaurant (1-off opportunities). An example would be getting on the Pizza Hut placemats (about 9,000 in six months), or getting on the special Lions Club "St. Patrick's Day" dinner placemats at the Village Restaurant (about 1,000 placemats for that event). Placemat advertising will reach area residents as well as seasonal/tourists.



Additional places to post flyers/business cards or for a business card ad include bulletin boards in public buildings (grocery stores, senior centers), and playbills for local theater groups.

Example Promotion Budget - 1998 & 1999

Company brochure (2-color, 1,000 quantity, high quality paper)	\$450.00
Reply card (2-color, 500 quantity, card stock)	\$150.00
Lists (new businesses, home-based businesses)	\$750.00
Postage (mailing 300 businesses, 150 attorneys/banks)	\$250.00
Telephone follow-up (\$1.50/call x 300 calls)	\$450.00
Public relations activities and sponsorships	\$1,000.00
Customer reward program	\$500.00
Newspaper advertising (Shopper)	\$1,036.80
Yellow Pages advertising	\$621.50
Telephone book cover advertising	\$535.00
Restaurant placemats (5 restaurants/10 events)	\$1,650.00
Miscellaneous flyers	\$200.00
Advertising specialties (give-aways)	\$200.00
Total for 1998 & 1999	\$7,792.80

Company brochure (2-color, 1,000 quantity, high quality paper)	\$450.00
Reply card (2-color, 500 quantity, card stock)	\$150.00
Lists (new businesses, home-based businesses)	\$750.00
Postage (mailing 300 businesses, 150 attorneys/banks)	\$250.00
Telephone follow-up (\$1.50/call × 300 calls)	\$450.00
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Customer reward program	\$500.00
Newspaper advertising (Shopper)	\$1,036.80
Yellow Pages advertising	\$621.50
Telephone book cover advertising	\$535.00
Restaurant placemats (5 restaurants/10 events)	\$1,650.00
Miscellaneous flyers	\$200.00
Advertising specialties (give-aways)	\$200.00
Total for 1998 & 1999	\$7,792.80

Evaluation & Control Strategies

Objectives have been established for Marcus Accounting so that actual performance can be measured against them. Thus, at the end of 1999, Marcus should have:

- \$36,000 in total revenue
- 17 business clients
- 65 consumer clients
- Anticipate 90% customer retention (not measurable for first year)

Each subsequent year, new objectives will be set for these benchmarks, and actual performance will be measured against them. If actual performance falls short of objectives, investigation will be made into the cause, and plans adjusted accordingly.

In addition, it is recommended that Marcus Accounting keep track of the source of all new clients ("Where did you hear of me?") in order to measure the effectiveness of each type of promotion. Each subsequent year's budget should adjust spending toward the types of promotion that are accounting for the most new clients.

Customer satisfaction is most directly reflected in the year-to-year customer retention percentage. All lost customers should be investigated to find out why they left. A customer satisfaction survey may be considered



after three to four years in the business.

FINANCIAL PLAN SUMMARY

The following proforma contains Marcus's projections for seven years.

Income Statement:

REVENUES	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Total Revenue	14,550	35,850	52,500	73,625	79,146.88 ⁴	85,082.89	91,464.11
EXPENSES							
Fixed Labor Cost	\$12,500 ¹	\$25,000	\$26,250 ²	\$27,563	\$28,941	\$30,388	\$31,907
Variable Labor Cost		\$2,860 ¹	\$8,580	\$9,009 ²	\$9,459	\$9,932	\$10,429
Operating Expenses	4,400	\$6,910 ³	\$7,083	\$7,260	\$7,441	\$7,627	\$7,818
Loan Repayment	\$2,043	\$2,043	\$2,043	\$2,043	\$2,043		
Total Cost of Goods Sold	\$18,943	\$36,813	\$43,955	\$45,874	\$47,884	\$47,947	\$50,154
Gross Margin (Profit or Loss)	(\$4,393)	(\$963)	\$8,545	\$27,751	\$31,263	\$37,135	\$41,310
Percent of Revenue (%)			16.30%	37.70%	39.50%	43.60%	45.20%
Income Tax (33%)			\$2,820	\$9,158	\$10,317	\$12,255	\$13,632
Development Cost Amortization (Five Year Straight Line Method)	\$1,640	\$1,640	\$1,640	\$1,640	\$1,640		
{After Tax} Net Income	(\$2,753)	\$677	\$7,365	\$20,233	\$22,586	\$24,881	\$27,678

Notes:

¹Prorated Salary

²Labor Costs Rise Annually 5%

³Operating Costs Rise Annually 2.5%

⁴Beginning in Year 5 - Revenues Increase on an Annual 7.5% Basis

Income Statement:

Notes:

¹ Prorated Salary

² Labor Costs Rise Annually 5%

³ Operating Costs Rise Annually 2.5%

⁴ Beginning in Year 5 - Revenues Increase on an Annual 7.5% Basis

REVENUES	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Total Revenue	14,550	35,850	52,500	73,625	79,146.88 ⁴	85,082.89	91,464.11
EXPENSES							
Fixed Labor Cost	\$12,500 ¹	\$25,000	\$26,250 ²	\$27,563	\$28,941	\$30,388	\$31,907
Variable Labor Cost		\$2,860 ¹	\$8,580	\$9,009 ²	\$9,459	\$9,932	\$10,429
Operating Expenses	4,400	\$6,910 ³	\$7,083	\$7,260	\$7,441	\$7,627	\$7,818
Loan Repayment	\$2,043	\$2,043	\$2,043	\$2,043	\$2,043		
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Development Cost Amortization (Five Year Straight Line Method)	\$1,640	\$1,640	\$1,640	\$1,640	\$1,640		
{After Tax} Net Income	(\$2,753)	\$677	\$7,365	\$20,233	\$22,586	\$24,881	\$27,678

Phase I Funding Amounts Sought

The following schedule highlights the anticipated developmental costs and the first year Marcus Accounting

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project expenditures. This schedule defines the financial needs to develop a successful business and are the basis for the financial start-up capital amounts listed in the Seven-Year Proforma.

Developmental Expenses

Classification:	Cost
Office Storage System	\$200
Advertising & Promotion	\$2,500
Supplies, Postage & Printing	\$1,500
Computer and Software	\$2,500
Association Dues and Training	<u>\$1,500</u>
	\$8,200

Annual Value Amortized over 5 years \$1,640

Classification:	Cost
Office Storage System	\$200
Advertising & Promotion	\$2,500
Supplies, Postage & Printing	\$1,500
Computer and Software	\$2,500
Association Dues and Training	\$1,500
	\$8,200

Annual Value Amortized over 5 years \$1,640

The development of the business will require the time and talents full-time of Mary Beth Marcus. Her salary, office, and other related expenses during the first year of the project are incorporated into the Seven-Year Proforma.

Phase II growth amounts will be developed and sought at a later date, based upon needs to be determined at that time.

Financial Plan Assumptions

- The following assumptions will be incorporated into the Marcus proforma statements.
- All operating costs are based on Marcus management research of similar operating companies.
- Automated informational systems will reduce Marcus staff requirements.
- Developmental start-up costs are amortized over a five-year period.
- Home office lease costs are deferred until year two combined and lease back to Marcus.
- Overhead and operations costs are calculated on an annual basis.
- Marcus founder salary is based on a fixed salary expense basis.
- All fixed and variable labor costs should rise annually at five percent.
- All revenues, past year 5 are figured to rise annually at seven and a half percent.
- Fixed annual, administrative, and office expenses rise at an annual rate of two and a half percent.

APPENDIX A - APPENDIX A - APPENDIX A - RESUME OF MS. MARY BETH MARCUS

MARY BETH MARCUS

Qualification Highlights:

- Computer literate (experience with Peachtree, Quicken, Excel, Microsoft)



- Knowledge of accounts payable and receivable, payroll
- Extensive knowledge of recordkeeping and filing
- Utilization of management skills in areas of recruiting, training, evaluating, and development of policies, procedures, and budgets
- Inventory control, manufacturing schedules, and warehouse shipping

Experience:

L&R OF Kentucky
Account Clerk/Credit Analyst

Louisville, Kentucky
April 1995 to June 1996

Experience:

L&R OF Kentucky Louisville, Kentucky
Account Clerk/Credit Analyst April 1995 to June 1996

Assisted with small bank mergers, posted loan payments, assisted customers in problem-solving when payments were late and with errors in posting of checking and savings account balances. Prepared and analyzed cash flow and profitability statements for loan officers.

OLSTEN, MANPOWER, OFFICETEAM, ACCOUNTEMPS EMPLOYMENT AGENCIES

Accounting/clerical positions

May 1994 to April 1995
June 1996 to May 1997

Accounting/clerical positions May 1994 to April 1995
June 1996 to May 1997

Proofread reports, assisted customers in setting up new accounts or errors in accounts, address changes, etc. Assisted in tax preparation/closing entries, bank reconciliation, accounts payable/receivables, payroll data entry, and processing of government forms. Confirmation of shipping, discounts, and payment schedules.

Additional Work Experience 1978 to 1993

Accounting is a second career. Previous experience as a medical laboratory technologist and supervisor included working with sales personnel and purchasing departments to order and track reagents, equipment and supplies for my department, conversations with ill patients and physician offices (confidentiality and good oral communication skills with compassion), learning to work within the organization for budget preparation and review.

Education:

University of Cincinnati, B.A., Accounting, May 1996 Ohio State University, B.S., Medical Technology, May 1968

APPENDIX B - EXAMPLE PROMOTIONAL MATERIALS

News Release

For Immediate Release:

A new full-service accounting business has opened its doors in Market, Kentucky, in Market County. Owned and operated by Mary Beth Marcus, Marcus Accounting will cater to the needs of both small and home-based businesses and individuals throughout Greater Market County.

"I realize there are several accounting firms in the area, many offering the same services I offer," says Marcus,

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a graduate of the University of Cincinnati with a B.A. in accounting. "But Marcus Accounting is different. I firmly believe in the importance of customizing my service to the needs of my clients."

Marcus' company will offer a full range of accounting services. Accounts payable/receivable, general ledger, payroll, tax reporting, balance sheet, P & L statements, tax planning, and cash flow analysis are among the services she will provide to small business owners. Private individuals can look to Marcus Accounting for income tax filing, checkbook/bank reconciliation, budgeting, tax planning, and bill paying. For both types of customers, Marcus can provide a turnkey approach or offer individual services.

In addition to traditional accounting services, Marcus will also offer pick-up and delivery services, along with evening and Saturday hours. She will also go to a customer's home, an especially attractive service for the elderly or disabled. For all of her customers, Marcus stresses the importance of timely reviews and consultation sessions.

In this day of automated tax returns and impersonal service, Marcus Accounting offers an alternative. As Marcus emphasizes, "I truly am interested in the success of my customers, whether they're a small business operator like myself or an individual just trying to make their way through new tax codes."

For more information, contact Mary Beth Marcus at (606) 123-1234 or write to Marcus Accounting, 4 E. Locust St., Market, Kentucky 48107.

ON LETTERHEAD

Dear (Lawyer, Banker),

Please allow me to introduce myself and the services my firm offers.

My name is Mary Beth Marcus and I operate Marcus Accounting, a full-service accounting firm. Conveniently located in Market, Kentucky, my business meets the needs of both small and home-based businesses and individuals throughout Market County.

In your professions, you many times have the opportunity to refer clients to accounting services. I would like you to consider my firm as a possible referral. I have a four-year degree in accounting and 20 years of experience in a variety of occupations and businesses. Not only do I understand how small businesses operate, I can identify with their concerns and challenges.

I realize there are several accounting firms in the area, many offering the same services I offer. Marcus Accounting is different, however. I firmly believe in the importance of customizing my service to the needs of my clients. I can provide a turnkey program of monthly accounting (accounts receivable, accounts payable, payroll, and tax reporting) or offer individual services to clients, and I stress the importance of having timely reviews and consultation sessions. In addition, Marcus Accounting offers pick-up and delivery services, evening and Saturday hours and I will even go to my client's home, an especially nice service for the elderly or disabled.

In this day of automated tax returns and impersonal service, Marcus Accounting offers an alternative for your clientele. I truly am interested in their success, whether they're a small business operator like myself or an individual just trying to make his or her way through the new tax codes.

Please consider my firm the next time a client asks, "Do you know an accountant who will really care about my needs?"

Sincerely,

Mary Beth Marcus

P.S. I've enclosed several brochures to give to interested clients. Please give me a call at (606) 123-1234 if you run short of brochures or if you have any questions about the services I offer.



ON LETTERHEAD

Dear (New Business Owner),

Please allow me to introduce myself and the services my firm offers.

My name is Mary Beth Marcus and I operate Marcus Accounting, a full-service accounting firm. Conveniently located in Market, Kentucky, my business meets the needs of both small and home-based businesses and individuals throughout Market County.

Being a new business owner, you may not realize yet how important a good accountant will be to the success of your company. I would like you to consider my firm as a resource. I have a four-year degree in accounting and 20 years of experience in a variety of occupations and businesses. Not only do I understand how small businesses operate, I can identify with your concerns and challenges.

I realize there are several accounting firms in the area, many offering the same services I offer. Marcus Accounting is different, however. I firmly believe in the importance of customizing my service to the needs of my clients. I can provide a turnkey program of monthly accounting (accounts receivable, accounts payable, payroll, and tax reporting) or offer individual services to clients, and I stress the importance of having timely reviews and consultation sessions. In addition, Marcus Accounting offers pick-up and delivery services, evening and Saturday hours and I will even go to my client's home, an especially nice service for the elderly or disabled.

In this day of automated tax returns and impersonal service, Marcus Accounting offers an alternative. I truly am interested in your success, whether you're a small business operator like myself or an individual just trying to make your way through the new tax codes.

Please consider my firm for your accounting needs. As the name implies, Marcus Accounting is more than a traditional accounting firm. I will specialize in watching your dollars. I've enclosed a brochure that describes the services I offer. If you have any questions or would like to talk with me about your accounting needs, please give me a call at (606) 123-1234.

Sincerely,

Mary Beth Marcus

P.S. The best way I can think of to show businesses like yours just how beneficial my services are is to let you sample them for free! New clients will receive a one-month bank reconciliation (up to 200 checks) at no charge. Call for details.

ON LETTERHEAD

Dear (Established Business Owner),

Please allow me to introduce myself and the services my firm offers.

My name is Mary Beth Marcus and I operate Marcus Accounting, a full-service accounting firm. Conveniently located in Market, Kentucky, my business meets the needs of both small and home-based businesses and individuals throughout Market County.

Being a business owner, you already realize how important having a good accountant is to your success. Having an accountant who can identify with your special concerns and challenges and customize services to meet your needs is even more important today. With that in mind, I would like you to consider my firm as a resource. I have a four-year degree in accounting and 20 years of experience in a variety of occupations and businesses. Not only do I understand how small businesses operate, I understand their needs.

I realize there are several accounting firms in the area, many offering the same services I do. Marcus Accounting is different, however. I firmly believe in the importance of customizing my service to the needs of my clients. I can provide a turnkey program of monthly accounting (accounts receivable, accounts payable,



payroll, and tax reporting) or offer individual services to clients, and I stress the importance of having timely reviews and consultation sessions. In addition, Marcus Accounting offers pick-up and delivery services, evening and Saturday hours and I will even go to my client's home, an especially nice service for the elderly or disabled.

In this day of automated tax returns and impersonal service, Marcus Accounting offers an alternative. I truly am interested in your success, whether you're a small business operator like myself or an individual just trying to make your way through the new tax codes.

Please consider my firm for your accounting needs. As the name implies, Marcus Accounting is more than a traditional accounting firm. I will specialize in watching your dollars. I've enclosed a brochure that describes the services I offer. If you have any questions or would like to talk with me about your accounting needs, please give me a call at (606) 123-1234.

Sincerely,

Mary Beth Marcus

P.S. The best way I can think of to show businesses like yours just how beneficial my services are is to let you sample them for free! New clients will receive a one-month bank reconciliation (up to 200 checks) at no charge. Call for details.

APPENDIX C - EXAMPLE FEE SCHEDULE

BUSINESS CLIENT SERVICES:

HOURLY RATE: \$55.00

EXAMPLE TYPICAL SERVICES:

ACCOUNTS PAYABLE & RECEIVABLE PAYROLL
CHECK WRITING AND LEDGER ENTRIES
GENERAL LEDGER AND BALANCE SHEET PREPARATION
QUARTERLY TAX DOCUMENT PREPARATION
BILLING AND COLLECTIONS

Terms: Volume Discount for Long-Term Commitment and for Bundling of Services

INDIVIDUAL TAX RELATED PREPARATION:

HOURLY RATE: \$25.00

EXAMPLE TYPICAL CHARGES:

1040EZ & KY-Z (1.5 hours)	\$37.50
1040A, KY-A & Hst. (2.0 Hours)	\$50.00
1040 w/Schs., KY-I & Hst. (4.0 Hours)	\$100.00

Terms: Net - \$5.00 Upon Receipt