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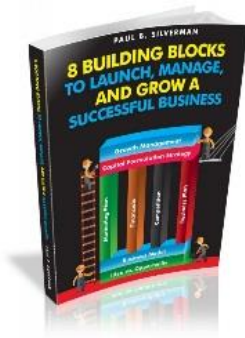
Book Excerpts

8 Building Blocks To Launch, Manage, And Grow A Successful Business

Book Details:

The second book in the ***Worm on a Chopstick*** series provides the foundation for Entrepreneurial Management 2.0, a management discipline developed by the author.

Entrepreneurial Management 2.0 is organized into 8 Building Blocks helping entrepreneurs improve management skills, attract funding, and grow their business.



Author: Paul B. Silverman

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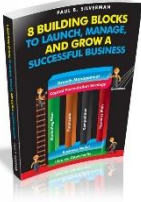
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Book Excerpts

*Excerpt from **Building Block 3: Marketing Plan** (Page 62):*

Four Key Elements in the Marketing Plan

Formats vary widely, but for our purposes let's review the following four key elements in all Marketing Plans: Defining Your Business; Total Size of Available Market; Addressable and Addressed Markets; and Market Share. Each of these components is discussed below.

- ***Defining Your Business***

You need to define exactly what are you selling and who are your customers. This sounds obvious, but it is an easy mistake to make as you develop your business. The following example should make this clear.

Worldwide Widget Corporation is developing AlphaFinancialAnalyzer, a new financial analysis tool. The product targets professionals interested in using powerful mobile-based stock market analytics to improve their portfolio performance.

That is a reasonable, high-level, definition of your business. You can identify specific competitive products, assess market size, and so on.



But suppose you have several other financial products and see an opportunity to launch a “financial supermarket” offering several other products; maybe a retirement planner, lifestyle management tool and others that you feel would broaden your market.

You may be right; you will broaden the market but remember, for investors you need to define exactly what business you are in. And what I described here are really two different businesses which drive different market projections, strategies, and business models. For example, pursuing the focused product strategy defined above you can secure major channel partners,

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Excerpt from Building Block 3: Marketing Plan (Page 65):

How to Develop “Bottoms-Up” Market Projections

As shown above, Tops-Down projections first look at the market, make assumptions about market size, addressable and addressed segments, and market share, and create a revenue projection.

Bottoms-Up projections provide a “test of reasonableness” to help corroborate your tops-down projections. You need to be creative here since bottoms-up projections vary widely by type of business and new venture business models. Here are two examples of bottoms-up projections I have used to support tops-down forecasts (I will provide guidance on how these models are used):

- *Sales Force Model Driven Projections:*

“We will hire 5 sales reps in Year 1 and expect to generate 1,000 sales leads monthly to support a proposal pipeline of 100 new proposals monthly and estimate a sales closing rate of 10



PAUL B. SILVERMAN AUTHOR, EXECUTIVE, EDUCATOR, AND SPEAKER

percent. Based on our product and services mix, average contract value is estimated at \$40,000. Each sales rep will close 2 contracts monthly and generate \$80,000 new business monthly with total projected revenue of \$400,000 based on initial sales team staffing. These monthly projections are within 6 percent of the Tops Down market projections and further validate our revenue projections.”

The above bottoms-up projection is based on sales staff resources and assumptions about closing rates and contract amounts which are often defensible...

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*Excerpt from **Building Block 6: Business Plan** (Page 130):*

How Key Performance Indicators (KPIs) Improve Your Business Plan

This sounds out of place: why are we talking about KPIs in a section about developing new venture business plans? Properly structured, KPIs play a key role in managing your business and addressing the "how are we doing?" questions. The challenge is to create KPIs that are both meaningful and defensible; there are many ways to create KPIs to ideally position your business with investors and shareholders.

If your business is being gauged on capturing market share, maybe signing up new users, your KPIs may emphasize, for example, the rate of new customer signups per 100,000 population, a KPI showing both the growth of your subscriber base and your market penetration in target markets. But if your future growth is driven by expanding customer, you



may use an ARPU (Average Revenue per User), a KPI discussed earlier in Building Block 6 (Business Plan (Be an Expert)).

Investors will always use traditional financial metrics ...

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*Excerpts from **Building Block 7: Capital Formulation Strategy** (Page 151):*

Crowdfunding: Creating New Options to Secure Investment Capital

Kickstarter, Indiegogo, and other crowdfunding sites are attracting considerable attention from all players in the new venture sector: entrepreneurs, investors, attorneys, bankers, regulators, and others. Crowdfunding is a new investment vehicle democratizing the opportunity to invest in early stage companies. Crowdfunding is in its infancy but I expect it to reshape today's new venture financing options. There are lots of misunderstanding about crowdfunding; let's have a closer look at what it is, where it is heading, and implications for entrepreneurs.

Crowdfunding: The Basics

Traditionally, acquiring stock in private companies is limited to institutional (private equity or venture capital firms) or accredited investors, as noted in our Regulation D private placement discussion. Crowdfunding is changing the rules, potentially allowing anyone, with some restrictions, to invest in early stage companies. For entrepreneurs seeking capital for operations or for special projects, crowdfunding may be an option. There is however much confusion ...

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Author Contact:

Paul B. Silverman

Tel: 703.850.5697
Email: paul@paulbsilverman.com
blog: <http://paulbsilverman.com/blog/>
Linked in: Paul Silverman
Twitter: @globalbizmentor
Facebook <https://www.facebook.com/paulbsilverman>

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