

Write Your Business Plan and Choose Your Partners

A brief guide to two critical steps in planning,
seeking financing and starting your ISO right
Mark Dunn



Why go to the trouble of developing a business plan?

- Discipline of committing it to writing
 - Objectivity and Critical Thinking
- Importance of being able to review it and refine it later
- Defines company's current status, objectives, plans and growth
- Foundation for financing proposal/request
- Don't underestimate the value of presentation quality



Objectives

- What you want to accomplish with your business plan
 - Document your plan, goals, strengths, challenges, competition and pro forma
 - Propose a financial plan, participation of the investor and ROI for investors/partners
 - Demonstrate your in-depth understanding of the dynamics and metrics of your business within the industry
 - Get commitment in a reasonable time period:
 - In or out



Caution

- What you DO NOT want to do
 - Divulge your trade secrets or details of how everything works (Make sure you get a Non-Disclosure Agreement)
 - Reveal confidential information about the financial situation or participation of other investors/partners/related companies
 - Make inaccurate or misleading statements
 - Distribute information your partners have not reviewed and approved
 - Oversell the expected results
 - Appear desperate
 - Send the business plan to everyone who might be an investor or partner - be choosy!



Business Plan Sections: 1

- Executive Summary
 - Company background and objectives
 - Products and Services
 - Marketplace and Competitive Advantages
 - Why the Company will Succeed
 - Market Growth and Company Growth
 - Management Team
 - Funding Needs, Timeline, Uses for Funds



Business Plan Sections: 2

- Introduction
 - Background
 - Description of the Problems Facing Merchants
 - Description of the Business
 - Opportunity and Strategy
 - Target Market – Particular Types of Merchants
 - Competitive Advantages
 - Economics and Profitability



Business Plan Sections: 3

- Company and Its Market
 - The Merchant Bankcard Industry
 - The Merchant Services or ISO Industry
 - Business Concept
 - Infrastructure
 - The Company
 - Services
 - Entry and Growth



Business Plan Sections: 4

- Market Research and Analysis
 - Customers and Market Segment
 - Market Size and Trends
 - Competition and Competitive Factors
 - Estimated Market Share and Sales
 - Ongoing Market Evaluation



Business Plan Sections: 5

- Business Metrics
 - Gross and Operating Margins
 - Profit Potential and Durability
 - Fixed, Variable, and Semi-Variable Costs
 - Months to Breakeven/Months to Reach Positive Cash Flow
- Marketing Plan
 - Overall Marketing/Sales Strategy
 - Pricing
 - Sales Approaches and Tactics
 - Customer Service
 - Advertising and Promotion
 - Territories and Sales Geography



Business Plan Sections: 6

- Operations Plan
 - Operating Cycle
 - Third Party Processors
 - Sales Offices and Corporate Office
 - Facilities and Improvements
- Management Team
 - Organizational and Key Management Personnel
 - Team Acquisition, Retention, Technical Vitality, Innovation
- Key Risks, Problems, Assumptions



Business Plan Sections: 7

- Financial Plan
 - Pro Forma Income Statements
 - Capital Expenditures
 - Pro Forma Cash Flow Analysis
 - Cost Control
 - Highlights
- Proposed Company Offering
 - Desired Financing
 - Offering
 - Return on Investment
- Conclusions
- Supporting Documentation



What types of Partners

- Sponsor Bank
- Processor
- Equipment/Deployment
- Customer Service
- Equipment Leasing



Major Agreement

- Sponsor/Processor Agreement
- Terms and Conditions: Critical Issues - list from Adam Atlas and Mary Winingham
 - Ownership Portability and Assignment Rights
 - Term - fixed, auto, exit
 - Exclusivity/Preferred, etc
 - Events of termination on both sides
 - Fixed vs variable pricing elements
 - PCI compliance responsibilities
 - Responsibility for delivery of services (who's actually doing what, and who's responsible)
 - Liability and portfolio risk - what are you responsible for regardless of who holds risk (I was thinking of an agent who defrauds, they still stand to lose)
- See checklist of operational questions - Dinah Suppes



“Partnering up”

- Find a partner that matches your style
- Find a partner who respects your time, your agenda and takes you seriously
- How quickly do they respond to your “redline” version of their contract?
- How does their contract read vs others?
- Are they looking for you to fail or succeed?



“Partnering up” - 2

- What part of the work can they do well? - What part must you do?
- What tools do they provide to help you get the work done?
- What are the details of the terms and conditions?
- What is their pricing? Start-up costs?
- Monthly minimums? What costs are counted toward the minimums?



Get Help

- Software
 - Business Plan Pro 11.0 (2008) \$99.95
http://www.paloalto.com/business_plan_software/
- Industry Attorney - Adam Atlas
- Industry Consultant - Mark Dunn


