

A WORKBOOK FROM SURGE BUSINESS LAW

The Better Backwards Business Plan

START WITH THE MONEY



The things we say most often to business owners,
with room to write your own answers.

THIS WORKBOOK BELONGS TO _____

BUSINESS _____

DATE STARTED _____

Start with the money

Most business plans start with the executive summary. We work backwards. Decide what you need to earn each month, figure out how much work you can actually do in a month, and the price is just math. The summary comes last, on page 5.

A unit of work is whatever you sell one of: an hour, a job, a project, a seat in a class, a month of service. A painter who needs \$6,000 a month and can paint four houses a month needs \$1,500 a house, before overhead and profit.

THE THREE-LINE PLAN

Owner pay I need each month, before taxes	\$
Units of work I can deliver in a month	
Price per unit = pay ÷ work	\$

This is a minimum, not a goal. Overhead, taxes and profit come on top (pages 11 and 12). If the price looks high, the question is not "how do I charge less" but "who would gladly pay this, and why." That is page 3.

WORK IT OUT HERE

What would have to change to hit the number above?

Better, not cheaper

Your value proposition is the thing that makes you different from everyone else. It must be something your target customer cares about, and it must never be "cheaper." Cheaper attracts customers who do not like to pay, and nobody enjoys those customers.

Down the street from our office, three gas stations share one intersection: a Maverik, a Casey's and a QuikTrip. In a small town, Casey's is the gas station, the grocery store and the only restaurant. That is their difference. The QuikTrip manager told me they got the average visit time down to 53 seconds. That is their difference, and it is right there in the name.

BUSINESSES LIKE MINE: WHAT THEY'RE KNOWN FOR

Competitor	What they are known for	What we do better

OUR DIFFERENCE, IN ONE SENTENCE

Say who it is for and what they get from you that they cannot get down the street.

The thing we refuse to compete on:

Give them a choice then steer

Well-defined tiers do two things at once. They give the customer control over the decision, which we call agency. And they make it easy for you to guide them to the right one, which we call efficiency. People who get both feel empowered and supported.

Price the tiers on purpose. If good and better are close in price, more people choose better. If better and best are close, people who were considering better choose best. And look for ways to add value that do not drive up your cost of goods: McDonald's asks if you want the larger fries because potatoes are cheap. That boosts profit and gives the customer something they value.

MY TIERS

	Good	Better	Best
Who it is for			
What is included			
What is left out			
Price			

STEERING

Most people should pick: _____

The one sentence that steers them there: _____

Your big promise

Now the executive summary writes itself. We call it the big promise: one sentence for each type of customer you serve, built from the money, the difference, and the tiers you just settled. It belongs on your home page, or wherever people first find out about you. The goal: your ideal customers instantly know they are in the right place.

Our target persona is the business owner who wants advice. So our big promise, right on the front of surge.law, is: "We help small businesses with 0–100 employees by offering business and legal advice that is easy to understand and use."

PERSONA 1

Who they are: _____

What they want most: _____

OUR PROMISE TO THEM: "WE HELP [WHO] BY [WHAT], [THE QUALITY THEY CARE ABOUT]."

PERSONA 2 (IF YOU HAVE ONE)

Who they are: _____

What they want most: _____

OUR PROMISE TO THEM

Go where they are looking

Your ideal customer is already looking for someone like you. The job is not to convince strangers. It is to be in the places they look, and to say the thing that makes them know they are in the right place. Most small businesses win in two or three places, not ten.

WHERE MY IDEAL CUSTOMER LOOKS WHEN THEY NEED ME

- ☐ They search online. What they type: _____
- ☐ They ask someone they trust. Who: _____
- ☐ They drive or walk past. Where: _____
- ☐ They belong to a group or read something. Which: _____
- ☐ They already buy something related from: _____

WHO ALREADY HAS THEIR TRUST

The people and businesses your ideal customer already listens to. These are your referral partners.

THE FIRST THING THEY SHOULD SEE

Your big promise from page 5, in the words they would use, in the first place they find you.

Take risks that pay

We take risks with the expectation of profit. A savings account is safe, but pays 2% at best. The stock market ties your money up for months, and we hope for 20%. Nobody would take the market's risk for the savings account's return.

Take the risks you understand and are equipped to handle. Shift the ones with no upside to someone who is equipped, and who will profit from them.

If my roof leaks, I could climb up there. I am a lawyer. I would probably make it worse, and I might fall off. A roofer takes the same risk every day, with the right tools, training and experience, and gets paid for it. That roofer should not be drafting contracts. That risk comes to me. A general contractor subs out the concrete for the same reason, and may sub out a small deck too, because their overhead is too high to build it profitably.

YOUR VERSION OF THE ROOF

A job I should not do myself: _____

Who is equipped to do it, and profits from it: _____

A job others should not do, that I do safely: _____

RISKS I TAKE, FOR PROFIT

RISKS I SHIF T, TO WHOM

Shift to: a sub, a contractor, an insurer, a lawyer, or stop doing it.

Show, don't push

Some people are natural salespeople. Most of us just get better with practice. You do not need the talent. If you know who you are selling to and how it makes their life better, you are not pushing something they will hate. You are showing them how things improve.

A travel agent sells toes in the sand, a luau at night, waves on the shore. What you actually get is a plane ticket and a line at the airport. Everyone knows it. Sales is picturing how life is better afterward.

**BEFORE: MY CUSTOMER'S DAY
BEFORE THEY HIRE ME**

**AFTER: THEIR DAY ONCE THE WORK
IS DONE**

THE SENTENCE I CAN SAY OUT LOUD

The "after" in one line, in words they would use. This is your sales pitch.

BEFORE I PITCH, I ASK

The question that uncovers what they really want: _____

The objection I hear most, and my honest answer: _____

Where Surge comes in. What you promise in the sale becomes the contract. Make sure the offer matches your terms.

Pick a name on purpose

You have to pick one. It is fine if you do not love it. What matters is deciding deliberately, and then protecting it. You will not get everything on this list, so tick the two or three that matter most to you and decide on those.

DECISIONS

- ☐ Easy to remember and spell?
- ☐ Company name and product name the same, or separate? Frito-Lay makes Doritos; Facebook's first product was Facebook. A boring company name now and a brand later is fine.
- ☐ SEO or trademark? A descriptive name helps one and blocks the other. Our firm started as "Iowa Business Lawyer," which was wonderful for search and impossible to trademark.
- ☐ Local only? Then a local connection helps: "Lone Star Landscapes."
- ☐ Room to expand into other services or places?
- ☐ Is the web domain available? The social handles?
- ☐ Is anyone already using a confusingly similar name?

WHAT IF THE NAME I WANT IS IN USE?

- Someone can own a name without registering it, just by using it first. Search the USPTO, your state's business registry, and Google.
- The problem: a similar name in a similar line of business. The same name in an unrelated industry is often fine.
- Descriptive names get little protection. If a business far away uses a similar descriptive name, "Green Mowing," you may be fine.
- Adding "LLC," a city, or a different spelling does not fix it. If in doubt, pick another before you print anything.

Names I am considering: _____

Four questions, in writing

A contract is four questions answered in writing: who does what, by when, for how much, and what happens if it goes wrong. That is it. Here is one that fits on a napkin, with the four answers underlined.

Sam's Decks will build a 12 by 16 foot cedar deck at 123 Oak Street for Jane Homeowner, as drawn on the attached sketch. Work starts June 1 and is finished by June 20, weather permitting. The price is \$9,800: \$3,000 deposit today, the balance the day the deck is done. Any change to the sketch is priced in writing before the work is done. If we disagree, we talk first, then mediate in Polk County before anyone sues. Signed, Sam. Signed, Jane.

Three contracts a court will not enforce: one with indefinite terms ("I'll pay if I like the results"), one for an illegal purpose, and, for certain deals like land or anything over a year, one that is not in writing at all.

SIX THINGS WE LOOK FOR IN EVERY CONTRACT

- ☐ Dispute resolution: mediation first.
- ☐ Indemnification: read every word of it.
- ☐ Personal guarantee: avoid it when you can.
- ☐ Choice of law and venue: close to home is cheaper and easier.
- ☐ Balanced language: fee-shifting that only runs one way is a flag.
- ☐ Complicated text: if a paragraph is hard to follow, pause. That is where the bad stuff hides.

The next deal I need in writing: _____

Revenue is not profit

Revenue is what comes in. Profit is what is left after everything, including paying yourself. The surest way to have any is to decide it up front, take it off the top, and move it to a separate account before you spend a dollar. If in doubt, 8–12% is a sound starting point for most small companies.

A TYPICAL MONTH

Revenue	\$
Profit taken first (____ %) try 10% to start	\$
Owner pay (from page 2). Some owners take profit, some take pay, some take both.	\$
Cost of delivering the work (materials, subs, direct labor)	\$
Overhead (rent, software, insurance, admin, marketing)	\$
What is left to run on	\$

If the last line is negative, what changes first? _____

TWO HABITS

Pay bills twice a month, on set days. Do not trust your bank balance to tell you how you are doing; use an accounting tool so you see the real picture.

Pay yourself on purpose. Decide the amount, then write a check or transfer it from the business account to your personal account on payday, like any other employee.

The two things plans forget

Shrinkage is the money and opportunity you lose in the normal course of business. **Seasonality** is the months you cannot work. Both are predictable, and both wreck plans that ignore them.

A pizza place may run a 60–70% gross margin, but the dough has to be used today. A sushi restaurant's dream is to sell the last roll two minutes before closing. Run out early and customers leave without sushi. Leftovers go in the trash. Either way, money is gone.

MY SHRINKAGE

What I throw away, lose, or cannot sell: _____

As a share of what I buy or make: _____ %. Add it to cost of goods sold.

MY SEASON

Revenue drops in some months. Owner pay, payroll and rent do not. So the busy months have to pay for the quiet ones, and the extra has to be stashed away while it is coming in.

What I need for all 12 months (pay + costs + profit)	\$
÷ Months I can actually earn	
What I must bring in per working month	\$
What I stash each busy month for the quiet ones	\$

A note on inventory: some inventory drops in value over time, and you pay to store it while it sits. Inventory ties up money, and inflation shrinks that money while you wait. Managing inventory can be a big job.

Common shrinkage across industries:
Retail -1.5%, food service -7%, unskilled labor -30%

Where Surge comes in. Seasonal businesses live on deposits, progress payments and cancellation terms. We write those.

Who runs it tomorrow?

Succession does not start with retirement. It starts with who can run the business if you cannot. The highest-risk case is a business with more than one owner and nothing written down about what happens when one leaves, dies or stops pulling their weight.

IF I WERE OUT FOR 90 DAYS

Who signs: _____

Who pays people: _____

Who talks to our top three customers: _____

Where the passwords are: _____

Where the operating agreement is: _____

DO I HAVE THESE?

- | | |
|---|--|
| ☐ Buy-sell agreement | ☐ Power of attorney |
| ☐ Key-person insurance | ☐ A will or trust |

FOR THE NERDS: VESTING A PARTNER

A good employee can earn ownership a little at a time, by quarter, year or milestone. With skin in the game they treat the business like their own, which is hard to get from an employee. Write it so that if it ends, you get the whole business back and nothing is held hostage.

Someone I might vest in: _____

Hire your opposite

The first employee is special. Hire a complement to yourself, not a copy. And if you have the option of growing slowly, think hard about taking it. Hiring too fast brings management headaches and ballooning costs.

I am good at talking to people. When I get overworked, the first thing out the window is organization. So my first hire was someone who stays organized under pressure.

What I am good at: _____

What I would love to delegate: _____

The job, in one sentence: _____

CAN I AFFORD IT ?

Rough guide: skilled professionals may earn 33–40% of the revenue they produce, unskilled workers 15–25%. That rule only works for people who bring in revenue, though. Some of the most valuable people are cost centers, like the biller in a small clinic who sees no patients but without whom revenue is zero.

Revenue this role supports: _____ Pay band: _____

Loaded cost (wage plus taxes, insurance, tools): _____

BEFORE DAY ONE

- ☐ Employee vs contractor, decided honestly
- ☐ Written offer letter
- ☐ Withholding and unemployment accounts
- ☐ Workers' comp
- ☐ I-9 and W-4 on file
- ☐ Pay schedule and overtime status

Tip: some great people are motivated less by money than by schedule and flexibility.

Why we do it this way

Many lawyers bill by the hour. You email your attorney and get a bill for 0.1 hours. That teaches people to stop asking for advice, which is the opposite of what we want. So most of what we do is flat-fee or subscription, and legal costs are easy to understand and plan for. Law firms are also notoriously slow and hard to reach. With Surge, you can email, text, call, video-conference or stop in and see the team.

MATT'S STORY

In 2010 I had a business building mobile apps. The app stores had just opened and everyone wanted an app. I had a line of customers, so I hired and hired. Then I ran out of money and had to shut it down. I was embarrassed. How does a business fail with customers waiting to pay? Back in a corporate job, I took an accounting class and learned the name for it: uncontrolled growth, and the cash-flow problem it causes. I was relieved to find out it was common enough to have a name. I wanted to learn more about business risks, which is how I ended up in law school. My entrance essay was about small businesses being the backbone of our communities and the easiest way for families to build financial stability. That is the work we do now: helping small businesses launch, grow and succeed.

MOMENTUM MEMBERSHIP

A legal department for \$95 a month: unlimited email answers from an attorney, trademark monitoring, monthly check-ins and member pricing on everything else. Stop second guessing. Start moving.

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