Making Your Consulting Practice Work with an Effective Business Plan

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Do I Need a Business Plan?

- Did you write one before you started?
- Did you write one after you started?
- Have you updated it lately?
- Do you mean to write one soon? (!!!)
Do I Need a Business Plan?

Primary Functions of a Business Plan

1. Start up and run your business
   - Provides day-to-day guidance
   - Short and long term goals

2. Attract resources
   - Money - loans, venture capital
   - People – partners, key managers
   - Sales leads/contacts
   - Suppliers
Key Components

What’s in a Business Plan?

Templates are Everywhere

• SCORE
• Small Business Development Centers – many have seminars
• Entrepreneur - Magazine and website
• Software you can buy
• Someone can write it for you
Key Components

Generic Format
Twelve Sections

1. Title Page
2. Table of Contents
3. Mission Statement
4. Executive Summary
5. Industry Status
6. Target Market/Customer Base
7. Sales and Marketing Plan
Key Components

Generic Format

Twelve Sections

8. Production and Operations Plan (if selling something)
9. Insurance
10. Management/HR Plan (only if employees or partners)
11. Financial Plan
12. Attached Exhibits
Key Components

Mission Statement

• Short but must be exact
• Can be a variation of your slogan – slightly longer
• Often used for marketing materials like brochures and websites
• More than “we make the best widgets” – goal of safety is at a higher level
Key Components

Executive Summary

• Company history, qualifications of key personnel, general business goals
• Makes the reader want to go further
• Also useful as a stand-alone document for other purposes
• Sometimes easier to write after most of the Plan is done
Key Components

Industry Status

• Requires thorough research - don’t skip or skim
• Helps you identify new opportunities as well as current limitations
• Look for the industry outlook in area(s) where you will practice – both geographic and services
Key Components

Industry Status - Resources

• ASSE and NSC - job outlooks and compensation analysis articles every year
• Chamber of Commerce
• Business section of libraries
• Small Business Development Centers
• General web-based search
Key Components

**Target Market/ Customer Base**
- Is there someone who will buy what you have to sell?

**Sales and Marketing Plan**
- How will you convince them to buy it?
Key Components

Target Market/Customer Base

- Another research-based section
- Take the time to investigate fully
- How much should you charge?
- Don’t short sell to get the work
- Determine what the market will bear - can you survive on it?
“Sales is systematically converting potential clients to actual clients”

“Marketing is action to establish the consultant's reputation....it is directed at specific markets to generate prospects.”

William E. Phillips, P.E.  
The Advisor – Fall 2004
An effective sales and marketing plan can keep you off of the “consulting roller coaster”
Sales and Marketing Plan

As Easy as 1-2-3!!

1. Figure out what you want to sell
2. Find the people to sell your service to
3. Convince them to buy what you are selling
Sales and Marketing Plan

• We are technical people first, business people second
• One key reason why consulting practices fail in the first two years
• Must commit the time and learn the skills
• Be who you are - if solo practitioner, sell your size and responsiveness
Sales and Marketing Plan

• Need to define your practice and market niche – at least once a year
• Two paragraphs or less
  ➢ Look at industry sectors
  ➢ Skills and functions
  ➢ Ask your colleagues what they think
• Too hard to do? – Maybe you need to rethink your niche
• Find clients that are a good fit
• Focus on “target marketing”
  - Using a set of predetermined factors
  - Looking for potential clients who are most likely to become actual clients
  - Optimal return on time investment – allows enough time to stay billable
Using Existing Client Base

• One of the best resources - also cost-effective
• Evaluate carefully – create a client profile
• Use a rating system to organize:
  ➢ desired, solid, borderline, “nope”
  ➢ time spent is based on ratings
The “Sales” part of the Plan:

- Match the need with the solution
- Help your client find their needs
- Look for short and long term needs
- Balance time spent on both to smooth out the roller coaster
- Be aggressive and persistent, but not a pain
• Turning a potential client into a new client
  - this is a time-consuming process
  - more disciplined approach required

• Move “possible” new clients into “potential” ones (Phillips)
  - make sure to qualify before spending time (their needs, financial stability, match for your expertise)
  - create a “conversion” plan
Client Retention Plan

John Nordstrom’s Strategy:

1. Listen to the customer
2. Provide them with what they want
3. Appreciate the fact that they come to your store
4. Do everything in your power to make sure they are satisfied when they leave
1. Keep track of your clients – follow the money trail

- Simple excel spreadsheet database
- Identifying information
- Primary needs and service history
- Referral source
- 4-5 years of historical data
2. Know Your Top Clients

- Profile of specific clients or industry segments
- Not based on income alone – referral generation, multiple projects, multi-year projects
- Service needs have expanded over time
- They keep your doors open
Top Clients

- How can you serve them better, faster, more reliably?
- Discounts, advantageous payment terms, specialized mailings or calls
- Prompt phone call return, prime scheduling dates for training classes and audits
- Think personalized service
3. Relationships are the Key

- We provide a service based on them
- You are selling yourself and your expertise, but your personality will close the deal
- Repeat customers spend 33% more than new customers
- Repeat customers generate 107% more referrals
Relationships Require Good Communication Skills

- Build Rapport – feel at ease
- Make a good first impression – always “on duty”
- Show appreciation – “u r special”
- Find new ways to help
- Exceed their expectations
- Listen
- Establish a long-term relationship with them
4. Encourage Feedback - Especially Complaints

- Everyone knows someone else - What will they say about you?
- Make the effort to follow-up - thank the client or find a way to fix it
- Even if they don’t come back you have decreased the chance they will say something negative
Client Retention Plan

• Only 2-4% of unhappy clients provide unsolicited feedback, but they will still talk about you

• Set up a formal system for soliciting feedback
  ➢ Customer Satisfaction Surveys
  ➢ Telephone calls
Key Components

Insurance (risk types)

- Professional and General Liability - individual consultants
  - Can be hard to find competitive rates
- Business interruption
- Long-term disability
  - Very expensive
Key Components

Management and Human Resources Plan

- Table of organization, if needed
- Function-based description if not
- Project needs for ~five years
- Other consultants to be used – attorney, accountant, insurance broker, IT and website
Key Components

Financial Plan

• Often our weakest area – recognize and deal
• Looking for a solid break-even analysis
• Consider the need for Balance Sheets, Profit and Loss Statements, and Cash Flow Projections
• Must be solid if you need start-up cash
Key Components

Financial Plan Resources

• Find a good C.P.A. – preferably one that deals with small business start-ups
• SBDC seminars
• Service Core or Retired Executives (SCORE)
• Buy a book
• Take a local Community College course
• How long should it be?
  ➢ 10-15 pages is reasonable to start
• Outsider review
  ➢ one or two trusted colleagues
  ➢ an outsider for clarity
  ➢ your mentor
• More than one version may be needed
  ➢ different purposes
  ➢ cut and paste sections
Miscellaneous Information

• When is it done?
  ➢ never – it’s a live document
  ➢ guides day to day operations
  ➢ prominent place on your desk
  ➢ review at least quarterly – more often if major changes occur
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Questions??