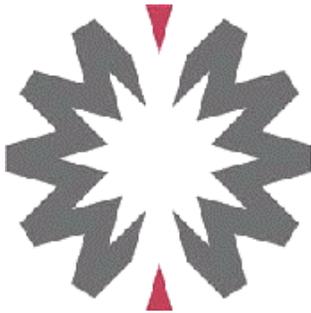


SPARC

Scholarly Publishing and Academic Resources Coalition



Gaining Independence:

**A Manual for Planning
the Launch of a Nonprofit
Electronic Publishing Venture**

Version 1.0

Gaining Independence: A Manual is a publication of SPARC, the Scholarly Publishing and Academic Resources Coalition, which is dedicated to helping transform the scholarly communications marketplace and process. SPARC intends this manual to help universities, libraries, societies, and others implement alternatives to commercially-published scholarly and scientific information. This publication may also be viewed and used **online** at <http://www.arl.org/sparc/GI>.

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A. Introduction and Overview



Gaining Independence: A Manual is a publication of SPARC, the Scholarly Publishing and Academic Resources Coalition, which is dedicated to helping transform the scholarly communications marketplace and process (see Appendix C-1). SPARC aims to put scientists and scholars back in control of their intellectual property while simultaneously lowering the cost of publishing and distributing their work to libraries and other users. The idea for this manual grew out of observing and participating in the efforts of many universities, libraries, societies and collaborative groups to implement alternatives to the commercial publication of scholarly and scientific information. It is a logical sequel to two earlier SPARC publications, **Create Change**^{*}, an issues brochure that advocates joint action by librarians and scholars, and **Declaring Independence**[†], a guide to publishing processes and options.

^{*} *Create Change: A resource for faculty and librarian action to reclaim scholarly communication* is available electronically and in print for redistribution. Its publication was sponsored by the Association of Research Libraries, the Association of College and Research Libraries (a division of the American Library Association) and SPARC, with support from the Gladys Krieble Delmas Foundation. To access this brochure, visit <http://www.arl.org/create/home/html>.

[†] *Declaring Independence: A Guide to Creating Community-controlled Science Journals* was produced by SPARC in collaboration with TRLN (Triangle Research Libraries Network). To access this guide, visit <http://www.arl.org/sparc/DI>.

A-1. Why We Wrote the Manual

Recently, we have seen papers talking of a "rebellion" or "revolution" in scholarly publishing – scientists and librarians taking charge to produce information products and services over which they have control, wrested away from or not ceded to the for-profit sector. This document is not a rebel's manifesto. The aim here is to help make scholarly initiatives mainstream – not in the sense of advocating conventional business models, but rather by emphasizing the importance of planning for sustainability. No matter how innovative and compelling the concept, how important its mission, it must ultimately if not quickly become self-sustaining. That can best be achieved by project developers that adapt and apply sound business planning practices.

The manual's focus is on the online dissemination of scholarly and scientific research, and possibly related information, by a nonprofit entity such as a university, consortium, learned society, or not-for-profit corporation. In addition to electronic journals, the planning process described in the manual applies equally well to creation of such other online ventures as academic servers or institutional repositories, and to the publication of printed and other offline products.

A-2. Who Should Use the Manual

The manual is intended for nonprofit and independent organizations which are preparing the launch of a scholarly communications project with these characteristics:

- The **publisher or producer** will typically be a *nonprofit* university, consortium, society, independent corporation, coalition, partnership or alliance. The **product or service** will typically be *either*
 - a **journal** containing research papers (peer-reviewed or not), along with other content or communications, *or*
 - an **academic server, institutional repository or E-print repository** providing access to research papers, peer-reviewed or not, and/or other content or communications.
- **Media** will typically be *either*
 - a **journal**: online, electronic only or electronic with print and/or other offline, *or*
 - a **server or repository**: online, electronic only and/or a distributed database.
- **Financial support** will be derived from one or a combination of the following:
 - Customers paying subscription fees, access fees and/or pay-per-view fees.
 - Membership or participation fees.
 - Fee-for-service (e.g., production, conversion, hosting services).
 - Authors paying publication fees.
 - Institutional or organizational financing.
 - Grants and/or donations.
 - In-kind contributions to offset expenses.
 - Other fees or sources of income.

A-3. How to Use the Manual

The manual is a guide for preparing a business and financial plan. It tracks to a classic plan format (but certainly not the *only* format). Preparation of such a plan is an essential early-stage activity for all ventures. If your concept is new or in its preliminary stages of development, answering the questions required for a good business plan will help to structure the planning process. In addition to serving as a prospectus for fundraising and collaboration, the plan document can become a basic operational reference work, updated periodically as the project evolves. If the product is already established, a business plan may help you to move from outsourcing (for example, from having your publishing operations handled externally) to self-publication and self-control.

You are encouraged to treat this manual like a catalog. As a general guide, it can be applied to most situations, but not everything in it will necessarily be useful to you or even appropriate to your specific concept or product. There is no rule that dictates what should be included in a standard business plan. Feel free to choose among the parts that are appropriate for your venture and the kind of business plan that you want to present. Customize it by dropping unnecessary sections, adding a section or two, re-labeling section headings. But whatever format you use, all key matters should be covered in a logical and comprehensive way and information should be presented consistently throughout.

Since confidentiality restrictions on existing successful business plans limited our use of illustrative examples and case studies, you may also wish to search elsewhere for examples of good documents. There are many excellent resources which include sample plans in print and electronic form (as a start, see Appendix C-2). Also, a literature search will yield hits to case studies published by project developers. Another good source for samples and models would be your contacts at other institutions and organizations who may be willing to share some documents.

This manual may address some topics that will be relatively unfamiliar as you undertake the role of publisher, manager and entrepreneur. Fortunately, there are parallels to the grant proposal or application process with which most academics are quite familiar. Beyond that, however, you may need professionally prepared legal documents as you establish your entity, and you may – during planning, development, launch and/or on-going operations – discover other areas requiring consultation with professional experts, such as in marketing, accounting, intellectual property, and insurance.

When you are ready to start preparing your business plan, a consultant may be able to save time and effort in guiding the process and recommending other experts, and will also be able to show you a selection of successful plan examples.

A-4. Why a Business Plan is Essential

The environment in which you seek to launch your nonprofit electronic publishing venture is as competitive as the more familiar grants process and must be approached with the same high level of quality research, analysis, forethought and documentation.

No matter how meritorious your venture, it will compete with other products and services, also of considerable merit, for financial support, content contributions, and readership. There are thousands of journals and servers extant – including some or many in your discipline – and there are limited resources available in their markets. Even freely accessible journals compete for visibility, prestige, usage and impact, and all compete for authors' papers and/or other content. No matter how exciting and innovative your concept, you must make a solid case for the venture's impact and strategies. The potential for economic viability, whether that means sustainable cost recovery or surpluses, or some other measure (even if that takes some years to achieve), must be presently convincingly if you are to secure start-up resources and then claim and hold market share.

The business plan has many purposes: It focuses the efforts of the initial core team and serves as an internal mechanism to test understanding of the effort and readiness to engage outside parties. It describes the problem or needs to be addressed by the product/service, why this is important and to whom. It allows objective analysis by third parties of the problem area, your understanding of it, and your plans ("Is this ladder up against the right wall? Can this team actually climb this ladder?"). It can help you to gain support and/or funding for your efforts. It can act as a recruiting tool to help you build your team and collaboration. It can be used to guide execution once support is achieved. And, it can serve as the basis for measuring success.

The audience for your business plan will probably be a diverse group. You will be writing for administrators, university faculty, government agencies, scholarly associations, granting agencies, non-profit presses and publishers, and possibly even private investors. Some of your readers will be colleagues who know the field of your proposed enterprise

quite well. Others, however, will be people who will look at your venture not only as a scholarly activity, but also as a business venture. Still others will be hard-headed business people who will focus primarily on the bottom line. Your plan must be clear to all persons in your audience.

Creating a formal plan may seem rather daunting, especially when coupled with the start-up tasks necessary to launch and/or operate your venture. However, planning is essential. A business plan may not guarantee the success of your venture, but the lack of a good plan will surely increase the potential for failure. Moreover, the process will help you:

- Structure your research and development activities and present your findings.
- Address organizational and legal issues.
- Discover and enumerate policy decisions.
- Identify core competencies required.
- Formulate, launch and operate the venture.
- Attract both start-up and longer-term support.
- Build visibility for the project.
- Help instill confidence in your colleagues and community.
- Attract customers, users and authors or other intellectual property owners.
- Make you a better manager and publisher.

A-5. What a Business Plan Covers

The effective business plan will answer all the important questions:

- Why is the project justified?
- What difference will it make?
- Will it be implemented in a responsible, businesslike manner?
- Can it be sustained over the long term?

When finished reading your plan, potential decision-makers, participants and supporters should be able to understand how and why the project came into being, the product and business models, the content and users of the product or service, and the economics of the enterprise. It should be evident that you have worked out the important details of content acquisition, production, distribution and access, technology, pricing, marketing and sales. Readers should understand your organization, budget and operating plan. Finally, they should see that you have given thorough and realistic consideration to risks and how these might be addressed through preventive measures, contingencies and mid-course corrections.

What is the recommended length for a business plan? Some highly effective plans are brief, while others are lengthy. Most concentrate important material up front and place supplementary material in exhibits or appendices. Chapter 1, the Executive Summary, is customarily limited to one or two pages. After that, each chapter should be as long as necessary to address its topics adequately, but not so lengthy and complex as to challenge the reader or obscure important information. Even if you are writing a plan for readers familiar with the project, it should reflect the reality of your situation and be thorough enough to serve as a practical guide to your own implementation of strategic actions.

What is an appropriate time horizon? While there is no hard-and-fast rule concerning time horizon, a business plan should present at least a three-year outlook. For

start-up ventures, it may be impractical to look beyond that horizon. You should place the greatest emphasis on the first 12 to 18 months, and you should include action plans within a logistical schedule. Make it clear to readers that the initial plan will be reviewed periodically and revised or updated as necessary. Typically, a new plan or revision is created annually in conjunction with the budgeting process.

Is the document confidential? Your plan will likely contain confidential and proprietary information. It is generally a good idea to label it as "Confidential" and get assurances from all intended recipients that they will treat the content accordingly. The following statement underscores confidentiality and presents a disclaimer that you may want to include on the cover or contents page:

"This document is confidential and proprietary. It may not be circulated or disclosed in whole or part without the written permission of _____. No representations or guarantees are made or implied. Plans and projections are subject to change. All stated amounts are approximate and estimated."

If confidentiality is a high concern, it is common practice to reinforce the confidentiality statement by distributing the document only in printed form. When the business plan as a whole is confidential, it is usually in the best interest of the venture to also have a summary document that can be shared more freely, such as a variant of the Executive Summary.

A-6. What This Manual Covers

Virtually all major topics related to the development of a business plan are covered in this manual, with an emphasis on the business of electronic scholarly publishing in a nonprofit environment. **Section B, Writing Your Business Plan**, which follows, is organized as a chapter-by-chapter guide, with 14 chapters arranged under five task descriptions. A final section, Exhibits, covers the kinds of documentation that a good business plan might include.

B-1 Summarize Key Points [Chapters 1 and 14]

- Chapter 1 Executive Summary
- Chapter 14 Conclusion (or End Notes)

B-2 Describe Overall Project [Chapters 2-4]

- Chapter 2 Situational Assessment and Strategic Response
- Chapter 3 Project History, Status and Outlook
- Chapter 4 The Product and Business Model

B-3 Describe the Product [Chapters 5-7]

- Chapter 5 The Product: Database or Journal
- Chapter 6 Technology and Technical Considerations
- Chapter 7 Production, Distribution and User Access

B-4 Describe Target Markets and Marketing [Chapters 8-9]

- Chapter 8 Prices (or Fees or Funding)
- Chapter 9 Markets, Marketing and Sales

B-5 Describe Organization and Finances [Chapters 10-13]

- Chapter 10 Organization and Staffing
- Chapter 11 Financial Plan: Budget and Forecast
- Chapter 12 First Year Operating Plan
- Chapter 13 Business Risks, Contingencies and Mid-course Corrections

B-6 Provide Documentation: Exhibits

Following the format of a business plan, the manual has its own exhibits. SPARC contact information and notices are in Appendix C-1. Appendix C-2 lists Web sites and other sources of useful information. A glossary for accounting, marketing and special terms is provided in Appendix C-3. You may find the checklist in Appendix C-4 useful as a quick reference guide, and shortcut, when you are ready to get started with structuring and preparing your Plan. It recapitulates in outline form exactly the topics covered in the main text. Finally, Appendix C-5 contains a sample chart of accounts, referred to in chapter 11 where budgeting is covered.

All readers are invited to suggest how this manual can be improved.

In a future edition of *Gaining Independence* we hope to include case studies and samples of actual business plans from successful scholarly publishing projects. Further, we hope to present more particulars applicable to projects and entities operating in Europe and elsewhere outside of the U.S.

Anyone having comments, or possibly willing to submit a plan or case study for inclusion, is invited to contact Alison Buckholtz at SPARC (email: alison@arl.org).

B. Writing Your Business Plan



The body of your business plan has four parts, bracketed at beginning (chapter 1) and end (chapter 14) with summaries of key points. In the first part, you set the scene and introduce the overall project (chapters 2 through 4). In the second part, you describe the product in detail—the journal or database and its distribution (chapters 5 through 7). In the third part, you present your marketing strategy (chapters 8 and 9), and in the fourth, you present financial, organizational and staffing details, along with a business risk analysis (chapters 10 through 13). Supporting documentation goes at the back of the document, typically arranged in the order in which it is mentioned.

B-1. Summarize Key Points

Your business plan should start and end with a presentation of the key points. The Executive Summary should be a stand-alone piece that introduces and summarizes the main text in a comprehensive way, including condensed versions of the financial plan and timetable. The Conclusion (chapter 14 in our document structure) should underline the main points in a way that drives home the soundness of your plan, the value of the results you expect, and the reasons why your project deserves support.

Chapter 1: Executive Summary

The Executive Summary is almost always the first chapter, presenting a concise overview of your plans. One might expect that all recipients of the document will read the Executive Summary carefully, but not all will read the balance of the plan with as much care. As with abstracts for research papers, the Executive Summary is usually written in final form after completing all other chapters. However, a thorough draft could be used for work in process, helping to drive the development of other sections.

Keep the Executive Summary to one or two pages, using language that any educated reader will be able to understand, summarizing at a high level of generality, and highlighting the most significant elements of your venture, including:

- Product model
- Organization model
- Rationale and justification for your product, organization and business
- Mission statement
- Status: where the project is currently and how it got there
- Market assessment, targeted universe
- Top goals
- Core strategies
- Key plans
- Outlook
- Plans for self-sufficiency and mitigating risk

If your venture is either seeking or currently receiving financial support (such as grants or contributions), it is important to address, in the Executive Summary, when and how it will become self-sustaining, if that is a goal or requirement of supporters. In any case, a multi-year financial summary should be presented, based upon the data in chapter 11, and a simple table may work best.

Figure 1. FINANCIAL SUMMARY

FY* ending _____	Year*	Year*	Year*	Year*
Revenue (or Income)	\$	\$	\$	\$
Expenses - Net				
Operating Surplus / (Deficit)				
Pct. of Revenue (or Income)	%	%	%	%
Cash Surplus / (Deficit)				

*FY is typically Fiscal Year in the U.S. or Financial Year in Europe and elsewhere. In tables and references, FYs are labeled as appropriate, e.g., Actual (if there are prior financials such as in early development), Budget for the immediate upcoming FY and Forecast for a series of future periods.

Chapter 14: Conclusion (or End Notes)

In not more than one page, *following all other chapters*, you will recap the most compelling and significant elements of your project and Business Plan. You will want to reiterate the reasons for your optimism and enthusiasm, tempered by a realistic outlook.

Of special concern to many start-up and early-stage enterprises is how to make the transition – and when this will be made – from financial dependence upon grantors, supporters, sponsors, contributors or others, to financial independence through revenue generated from the products or services. This is the sort of issue that you will want to reinforce in the **Conclusion**.

B-2. Describe Overall Project

Chapters 2 and 3, the first two chapters of the body of your business plan, set the scene for the product description that will follow. By the end of chapter 3, the reader should be primed to believe that your product will meet successfully an important market need, that you have a clear vision of how its introduction will proceed, and that you have taken steps to prepare the ground for its launch, or transformation from an existing model to a new one.

Chapter 2: Situational Assessment and Strategic Response

Potential supporters and participants will want to have substantive evidence that you have done your homework and developed strategies for carrying out your plan. Your assessment of the environment in which your project will be launched, and your justification for your product as a strategic response to market demand, may be one of the most important parts of your business plan because it articulates the problems or needs that will be addressed by the venture. However you choose to approach this, you should clearly:

- Describe the problem or need.
- Explain why this matters to those who you hope will become customers or users of your solution.
- Quantify, to the extent possible, the economic and/or social value of solving this problem or fulfilling this need.
- Describe why the approach and/or solution that you offer is the right response, and how far it will go towards solving the problem or fulfilling the need.
- Describe the key factors that will induce the marketplace and community to prefer your solution over anyone else's, or to the status quo.

The **Situational Assessment** highlights research and analysis of the need for your venture, its potential for success, as well as potential risks. The **Strategic Response** describes major strategies for meeting the needs that you have identified, along with the intended outcome of success for the venture.

The **Situational Assessment** starts with an overview of key research findings and conclusions laying out the potential receptiveness to and impact of your project. Next is a review of specific activities and findings that support your positive tone. Though each project may have a different set of assessment priorities and parameters, these are among the topics that you might address:

- Research and/or communications conducted in the pre-development or development phase, including especially any formal survey activities. For many of your readers, these data will be among the most compelling arguments in your Plan.
- Major findings and conclusions, especially the size and characteristics of intended markets and their likely acceptance of the product. Only results should be presented. Methods, detailed data, and survey instruments can be presented in an appendix or exhibit.

- How the findings and conclusions support your business and product model and how they relate to the needs and opportunities that you have identified.
- Potential risks, especially competition and barriers to content acquisition and/or market entry that will need to be overcome
- The most important lessons that you learned in the course of these research and development activities.
- The precedents for your product or for your organizational or business model. You might highlight useful information gained in talking with the principals engaged in other ventures.

The **Strategic Response** grows out of your assessment of the current situation. In it, you present core strategies for ensuring the success of your venture. For example, if your situational assessment has identified that your core market segment will be an estimated 1,000 faculty members and their graduate students in a number of research universities, your marketing strategy should target this group and determine the media, information and presentation style to be used in communicating with them. Summarize the marketing strategy in chapter 2 and provide a full description in chapter 9.

Chapter 3: Project History, Status and Outlook

Potential supporters and participants will want to know how your project came about, its present status, and what key actions are scheduled. In this chapter, you will describe your project's and organization's history and status at a general level. An effective way to do this is to note evolutionary *milestones* and prospective *scheduled benchmarks*, being sure to mention important parties that have been involved. The involvement and endorsement of leaders in your field, individuals and/or organizations, will be a powerful signal that yours is a worthwhile project.

Timelines and Schedules. A timeline might be presented, either within this chapter or as an exhibit. A simple diary and forward-looking schedule may work best. Figure 2 illustrates what such a timeline and schedule might look like. Keep this at a general level, as you may present a more detailed schedule in chapter 12.

In other chapters, you may also want to present milestones and schedules pertinent to specific topics, such as editorial and technical development. Some business plans eliminate this chapter altogether in favor of inserting more specific timelines and schedules within topical sections.

Figure 2. KEY ACTIONS AND EVENTS

Month/Year	MILESTONES REACHED
	Concept paper authored by -----; circulated to -----
	Endorsement of concept received from -----, announced in press release to -----
	Meeting of group of ----- under the auspices of -----; agreement in principle to -----
	Formal agreement to ----- executed by -----
	Survey of ----- conducted by ----- to assess -----

	Development grant proposal submitted to -----
	Grant commitment of \$----- received to fund ----- through -----
	Support commitment of in-kind contribution of ----- received from -----
Month/Year	SCHEDULED NEW MILESTONES
	Editorial board and criteria established, content acquisition begins
	Pilot project commences, including technology development and validation
	Price schedules and subscription agreements finalized
	Marketing plan implemented; sales promotional efforts commence
	Beta and trial use offered selectively
	Paid access service begins

Chapter 4: The Product and Business Model

Description of the proposed **product and business model** is a core element of any Business Plan.

In chapter 2, you laid out the general strategies that would be used in your venture. In this chapter, you will describe your product and business model in detail, as well as how the model was formulated. Suggested considerations include:

About the Model

- What is the field? What content will be delivered? What markets or communities will your product serve?
- What is the product or service? Is it an online journal? An academic server? Why is it needed?
- What media will you be using to convey the content? What means will you use to distribute to the targeted markets or communities? What is particularly innovative about the model in its distribution aspect? What is the real value of the innovation?
- In what ways will this product or service be distinctive, if not unique? What justifies this distinction relative to market needs and potential cost-benefits? How does the model follow or correlate to core strategies?
- What organization or entity will own and/or publish your product? Why and how is this entity qualified for this undertaking?
- How is the project and total enterprise to be financed, both initially and over the long term?
- Will there be funding from sources *other* than derived from sales of products and services, that may enable full or partial open access?
- Will there be revenue from ancillary products, services or activities, such as paid Web site advertising or sponsorships, e-commerce, fee-for-service, or licensing fees for proprietary software?

Regarding this last point, a caution is in order. Some start-ups have found in hindsight that expectations for non-core income were unrealistically high. We recommend that you not rely to a large extent on ancillary income, at least in the early stage, unless you

have a high degree of confidence based on research and/or pre-arrangements. Moreover, you will want to consult your tax advisor concerning any income-producing activities that may lie outside the scope of your organization's nonprofit and tax-exempt business purpose to determine any exposure to taxes for unrelated business income.

Formulation of Needs-to-Solutions Concept and Model

- What are the precedents for this model? How successful have they been?
- What alternative models have you considered and rejected? Why?
- What advisors and concerned parties assisted in the formulation of the concept and/or model? If there were many advisors, you might characterize them generally here and include a full list in an exhibit at the end of the document.
- What evidence exists to support the conclusion that the model chosen is the most appropriate and offers the best chance for success?

Interrelationships

- What significant interrelationships with other initiatives and programs have been or will be established? For example, will you have the support of a major association in your field? Or will you be publishing under the auspices of your university? Who are existing sponsors and what are the relationships?
- How do these interrelationships reinforce the potential for success of your venture?
- How will your venture relate to others with compatible goals, content, community? Such ventures might include programs in the same discipline as yours, or multi-disciplinary programs such as PubMedCentral, arXiv.org, the Open Archives Initiative (OAI), CrossRef, and JSTOR.
- Do any of your strategies and policies reflect or complement such collaborative programs as the Public Library of Science (PLoS) and the Budapest Open Access Initiative (BOAI)?

B-3. Describe the Product

Chapters 5 through 7 are the core of your plan. Providing the scene has been properly set in earlier chapters, the reader should be ready to consider favorably your product. Now you will seize upon that opportunity. The more concrete and specific your description can be, the more easily the reader will be convinced. By the same token, where there are detectable weaknesses, uncertainties, or gaps, acknowledge them. Summarize your plan for overcoming them and refer the reader to chapter 13, where you will present your intentions for mitigating risk and making mid-course corrections if need be.

Chapter 5: The Product: Database or Journal

The chapter in which you describe your **database** or **journal** will be critically important to your readers. Here you will present a full discussion of your content and editorial plans, as well as your plans for providing both short- and long-term access to your product. Especially in this chapter, you should make a strong case for your approach to content development, since content will be a major determinant of your ability to garner prestige and community support.

About the Content

- What are the type, scope and sources of the proposed content of your venture? Is the scope established or still developing? Who are the possible contributors, their contributions, and their likelihood for being included?
- What were the special considerations that led you to your content decisions? For example, did your market research, a survey of existing products in the marketplace, or did expressions of interest by editors, founders, and supporters play a role in your decision?
- Can your projections of volume be quantified, as illustrated in figures 3A or 3B?

Figure 3A. ESTIMATED CUMULATIVE VOLUME FOR PROJECT X

SERVER, AGGREGATION OR REPOSITORY	Year One	Year Two	Year Three
CONTENT TYPE A -----			
Titles			
Volumes including back years			
Issues including back years			
Research papers			
Other papers			
Pages or electronic page-equivalents			
CONTENT TYPE B -----			
<i>As above</i>			

Or...

Figure 3B.

ESTIMATED CUMULATIVE VOLUME FOR TITLE X

JOURNAL	Year One	Year Two	Year Three
Issues			
Research papers			
Other papers			
Pages or electronic page-equivalents			

- How much content must you acquire to have a critical mass – that is, enough articles and other pieces to sustain the venture both at startup and on an ongoing basis? How will you maintain critical mass?

Editorial Strengths, Practices and Policies

- How will the quality of content be ensured? Will you use an editorial board, review editors, referees? What plans or steps have been taken or will be taken to assemble and deploy editorial resources?
- In what ways might the content present a superior solution to the market needs that you have identified and/or offer the potential for justifiable innovation in your discipline?

Editorial Systems

- What automation and/or communication tools will be deployed, and at what point, for the collection, review, and editing of content? For example, if you are publishing a journal, will you use electronic tools for the editorial management of issues and articles, author submission, and peer review, collectively and typically called an “editorial toolkit” or “electronic manuscript system” (EMS)?
- What are the advantages, including process advantages and economies, of your choices?

Intellectual Property Considerations

- Overall, how do your policies and practices on intellectual property, intended or already implemented, correspond with the organization’s mission? For example, if your mission is to convey research freely, are your policies and practices on intellectual property sufficiently liberal?
- What is the policy regarding intellectual property ownership, for example, copyrights, and authors’ rights? Were other policies considered? Why was your specific policy adopted?
- Does the inclusion of articles and other content in your venture require licenses or other forms of agreement with authors or other owners/copyright holders? If so, describe the terms of such arrangements and, if possible, include a sample agreement in the exhibits. Be sure to address issues such as licensing of the electronic version of all included content and licensing of content for perpetual archival / access purposes. Virtually without exception, no project or enterprise should operate without professionally prepared legal agreements covering this and all other areas in which other parties are involved.

- Have you established any policies on intellectual property that are innovative within the realm of scholarly communications? How might your innovative policies benefit the enterprise and/or the scholarly communications process? (However, ability to meet significant market needs is more important than innovation for its own sake.)
- What is your policy regarding privacy, such as in the privacy of subscriber and user information? Does this comply with any Privacy Act, Data Protection Act or similar law or regulation in your country? Is this stated explicitly? Again, you might want to include your statement in an exhibit.
- Will some information about subscribers and users be shared with other parties – for example, publishers whose content is licensed for inclusion in the product? If so, what kinds of information will be shared, why, and with what restrictions?
- What are the intellectual properties owned or to be owned by the organization – for example, trademark and service mark, copyrights, URL domain names, software?
- Aside from the grant-of-use permissions by content owners, are there other intellectual properties for which grant-of-use permissions must be obtained? What are these permissions and from whom must they be obtained? What steps have been or will be taken to secure these rights?

Access and Visibility for Your Product

Your potential supporters will want to know how you propose to provide access to your product, in both the near and long terms. Access is provided through indexing and abstracting services, as well as through Web links. Perpetual access is assured through appropriate archiving.

Abstracting, Indexing, and Links

- How will readers learn about the content of your publication? Will your content be covered by the appropriate abstracting and indexing service? If so, which ones? Are there other considerations regarding abstracting and indexing?
- Will your publication be accessed on the World Wide Web? Will you use Web links? What links have been or will be established from and to other Web sites? What are the advantages of these linked sites? Are there other considerations regarding links from and to other Web sites?
- Will the full texts of research papers be reference-linked to other papers via use of identifier systems / services such as DOIs (Document Object Identifiers) and CrossRef?

Archiving and Perpetual Access

- Is there a policy regarding perpetual access to your electronic journal or database? That is, have you taken steps to make sure that researchers in years to come will be able to access it?
- What are the key elements of your archiving and perpetual access plan? When will it be implemented?
- Were representatives of the appropriate communities (e.g., academic librarians) consulted – or will they be consulted – for advice and recommendations? What was the outcome? Was there a consensus or clearly favored approach?

- What considerations apply to deposit programs for archiving?
- Have the long-term costs of archiving been included in the financial model? (A typical approach is to budget not only the funds necessary in the near term, but also to include an annual reserve to be available for archiving and possible data migration over the long term.)

Long-term access is of special concern within the library community, on which your product will probably depend for sales and support. Participating authors may also attach importance to digital archiving. Consider a plan for a digital archive that will ensure perpetual access by customers and users, even though it may be some time before it is implemented. As an example, here is a policy statement of an organization producing an online aggregation of related journals. In this case, adherence to the policy is addressed through arrangements with licensees, vendors and strategic partners.

“We are committed to a long-term archiving solution reflecting best practices. Each subscriber is entitled to continuing, perpetual access to and use of the publications to which it has subscribed, published electronically during the period of its paid subscription. This access is regardless of whether the subscription is still in effect, much in the same way as if the subscriber had been able to retain an archive of printed journals. Our technology plan attempts to ensure the long-term portability and adaptation of the database in new environments by providing transition paths for adopting new digital technologies as they evolve. In the worst case event that we must discontinue electronic archiving with online access, we will work with a third party to ensure subscribers’ continued online archival access, or barring that, we will furnish subscriber-specific archives on an appropriate off-line media.”

Chapter 6: Technology and Technical Considerations

Many readers of your plan will want to see how you propose to solve the technical issues and challenges that may be encountered in your venture. Your examination may include database production, Web site development, Web site hosting, and tools for manuscript management and editorial processes, as well as other important technical matters. Typically, a business plan reflects the collaboration of multiple experts and concerned parties. This chapter is one in which expert input is especially important.

- What are the principal types of technology and technical solutions that have been or will be deployed for the operation, production and distribution of your product, both software and hardware systems? Include details in the Exhibits section.
- To what degree is the project dependent upon off-the-shelf software? To what degree is custom and proprietary programming required? What is the scope of technical work to be done? Who will do the work?
- Are you making tradeoffs between FLURPS (Functionality, Localization, Usability, Reliability, Performance, Scalability), cost and time-to-market? If so, which of these are most important for the venture?
- What expertise is required in the development and start-up phase? What ongoing expertise will be needed? Will there be any special challenges in gaining this expertise?

- How have project principals and advisors contributed to the plan and basic technological approach?
- Describe the technological infrastructure, its location, and who will be responsible for operations and maintenance. How will this infrastructure be acquired and maintained?
- Will parties outside of the organization—for example, vendors or partners—be responsible for technical operations? If so, who are they? How will they be involved? What are the arrangements? What is the scope of work?
- Who is the host? That is, who will provide the server on which your electronic product will reside? Are there alternative hosts and/or mirror sites? Have you planned for database back-up, disaster recovery, archiving?
- What communications standards and systems will be deployed? What networking standards will you use?
- If you are publishing on the Internet, which electronic formats for content and information will you use (for example, SGML, XML, HTML, TIFF and/or PDF)? What are the advantages of the format choices that you have made, not only for the immediate term, but for the longer term to ensure data portability and archiving?
- What policies, standards and procedures will you use to ensure consistent data formats, timely receipt of new data, and quality control, especially if you are receiving content from other producers / publishers?
- Given the rapid evolution in technologies, what plans do you have in place for keeping pace with changes?
- Have you created, implemented, or acquired and deployed, any significant technology that you would consider innovative within the realm of scholarly communications? Is any of this proprietary? Who owns it?
- What information do you plan to gather – use statistics, content turn-around times, system response time? How do you plan to use this information to monitor system performance, evaluate use patterns? What user privacy controls will you put in place?
- Do you share proprietary technology with anyone? If so, with whom and how?
- What are the primary technology risks? How do you plan to manage these risks?
- Are you confident that you have sized adequately the effort and expenses associated with your technology plan over the pertinent time horizon?
- What are the key objectives or mission of your technology plan? These objectives might be expressed as a list of distinguishing characteristics. Figure 4 shows one example, prepared for a multi-title online aggregation of journals.

Figure 4. TECHNOLOGY PLAN OVERVIEW

Mission	Reliable, stable, secure technology-based systems and operations; highly cost-effective; open, standards-based design; scalable, computable systems for identification of abstracts and articles; convenient and efficient user experience for search and retrieval of abstracts and articles; internal and external linking to expand researcher’s access; archived content; migration path to new technologies.
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Standards	SGML core text (modified 12083, CALS table, MathML); HTML (display), PDF (print version); ODBC/SQL (Oracle); GIF, JPEG, TIFF (600 dpi); DOI (+SICI); http.
Displays	Archive by journal / volume / issue; abstract; author / keyword indexes; issue table of contents; full-text HTML and PDF; embedded thumbnail – full-size figures (600 dpi TIFF for print).
Searching	Browsable (browser enabled); simple and advanced searches, search by: subject category; journal / volume / issue; date range; document type; titles; author; keywords; abstract; full-text; references.
Linking	Internal: citation to article; article to other articles: related subject(s), by same author, citing articles. External: on-the-fly (instantaneous) link resolution to/from... other full-text publications and primary content, other database aggregations, A&I databases, participating content owners and others

Here is another example, an extract from the business plan of an organization producing an online aggregation of related journals.

"We are deploying a modular, scaleable, open architecture to bridge the gap between structured document information (SGML) and dynamic Internet publishing (HTML and/or XML). The system takes advantage of ISO SGML standards – for the long-term viability of the core documents, as well as for the searching and manipulation of highly-structured data – and current standard Web protocol, including freely available and widely used Web client software. HTML and PDF formats are provided for convenient common browser viewing and printing.

"Articles included in the database are identified using Document Object Identifiers (DOIs) and are reference-linked with other included journals to create an internally coherent resource and convenient user experience. The article DOIs will be made available to external abstracting and indexing (A&I) services to provide easy linking to the full-text of articles discovered as a result of A&I searches, and optionally for outward citation linking via Cross-Ref. This is essential for researchers in need of broad, deep, detailed information in a timely fashion. This also means that our database will be a highly portable resource capable of migrating as technology advances.

"Our current technology utilization also focuses on the long-term issue of online content provision and management from the research community's perspective rather than solely from the publisher's perspective. This approach will allow us to exploit advances in hardware and software without compromising other components, thereby making the system scaleable and upgradeable."

Chapter 7: Production, Distribution and User Access

It is essential to have a plan for production and distribution of your product, as well as for user access and, to the extent it may be necessary, user training and support.

Production and Distribution

- What are the noteworthy technological or infrastructure resources related to production of your product? What human resources will you need?
- How will your product be distributed? Describe all media and the means by which it is being made or will be made accessible to users.
- Do any aspects of production and distribution involve other entities? For example, will you be outsourcing any part of the production and distribution functions? If so, what are the other entities (or how will they be selected), and how will they be involved? Will you include specific performance measures in any agreements?

User Access

- Will any limits or controls be placed on access? For example, if licensed to a university library consortium, will all users of the libraries have access to it?
- Are subscribers and/or users required to accept an agreement governing access and use? If so, what type of agreement? What are the principal terms? How do these reinforce your intellectual property policies and practices, and reflect Fair Use guidelines? Include a copy of any standard agreements in the exhibits.
- What are the minimum platform capabilities that will be required from users? For example, are there restrictions on the type of Web browsers that are supported? Will users be required to install a custom application? Do they need a particularly fast Internet connection?
- In Chapter 6, Technology (or otherwise) has any special consideration been given to... users in less developed countries where equipment and software may be inferior? *and* use by persons with disabilities (and, in general, compliance with potentially applicable laws and regulations)?
- Have you consulted with representatives of the scientific, scholarly, and library communities for advice in shaping policies and terms of agreement with regard to access?

New User Training and On-going User Support

Ideally, the service will be designed to avoid the need for special training of new users or extensive levels of user support. But review the issues as part of your planning and include relevant details in this chapter.

- Will users need training before they use your product? If so, what are the key areas relative to your particular Web site, systems, user interface, and content that will require training? What tools and activities will be implemented to train users and make them proficient? For example, will there be an online tutorial, FAQs, a user manual, quick-reference aids or demonstrations? Who will create these?
- What are your objectives for user support, both technical support and content-substantive support? Will support be online? Will you operate a help desk for user support via telephone and/or email? If so, provide details about location, staff and resources, hours of operation, and tracking mechanisms. If no help desk, why?

B-4. Describe Target Markets and Marketing

For this pair of chapters, you will need to display business savvy. Sources of funds (chapter 8) and marketing strategy (chapter 9) are of interest in themselves to supporters and content providers, and are also the building blocks for the financial and operation plans presented in the last part of your business plan.

Chapter 8: Prices (or Fees or Funding)

Setting prices or fees is a core issue for your planning team, one about which many concerned parties will want to have input. Your project may receive income from product sales or access charges; from member, author, or user fees; from contributions and grants; or perhaps from other sources. You will by now, presumably, have resolved any controversy about how your operation will be funded in favor of an approach everyone can accept. The more clearly you can present in this chapter the basis for arriving at consensus by stakeholders, as well as the findings of situational and competitive assessments, the stronger your case will be.

Many of your potential supporters and participants will have an intense interest in the **prices, fees** and other elements of your **funding plan**. Readers will be looking at two principal aspects: Will your pricing or fees be seen by your community as fair and affordable relative to your product or service? And, just as important, will you be generating enough income, whether from sales or other sources, to sustain your venture through a start-up phase and for the long term?

While obviously aiming to establish an optimal pricing or fee structure from the outset, most start-ups find the need to refine such structures over time. If your structure is not yet firm, make clear what is preliminary, introductory or needs to be tested, and at what point the structure will be finalized in order to engage in marketing and sales promotion.

Pricing Strategy

- What is the core objective of your pricing or fee structure? Does it achieve a balance between the possibly different desires or requirements of invested parties? For example, the objective for most nonprofits is *cost recovery*, that is, achieving a balance of revenues and expenses, with a modest operating surplus.
- Were representatives of the appropriate communities consulted for advice and recommendations on pricing and fee structures? What was the outcome of this consultation? Was there a consensus or clearly favored approach?
- Have you conducted or considered conducting structured market research?

Prices or Fees

- In what ways is your product available for purchase? Is it available through full subscriptions, selective or partial subscriptions, non-subscription access in pay-per-view or other incremental use?
- Will you be charging fees to authors (for example, page fees) or to others, such as to journals for e-publishing production services?

- Who determines prices and terms of access and use? For example, is your organization the sole authority? Or do these decisions involve other parties, such as journal publishers or other content owners? If others are involved, what are their rights and what procedures will you follow? Will decisions be made by mutual agreement or unilaterally?
- What are the prices or fees? The clearest way to display them is in a table. If the display is complex, consider placing it in an exhibit.
- Have you looked at pricing and fee structure precedents? Have you considered the structures used by competitors?
- If you have already introduced your pricing or fee structures publicly, has community reaction been positive or negative? How do you plan to respond to the feedback that you have received?
- Is there a policy or plan regarding future adjustments to the price or fee structure? Over the next few years, will you be making adjustments to your pricing in response to your financial results, to added content or features, or to other factors?

If your model for revenue generation is not based upon any of those described above, you will need to adapt this chapter to fit your situation. Several alternative models are gaining momentum. For example, one model involves an aggregator charging content owners, for example, journal publishers, for e-publishing services and joining an aggregation of journals or databases with paid access, from which each content owner would earn an equitable share of revenue.

Transition to Free Access

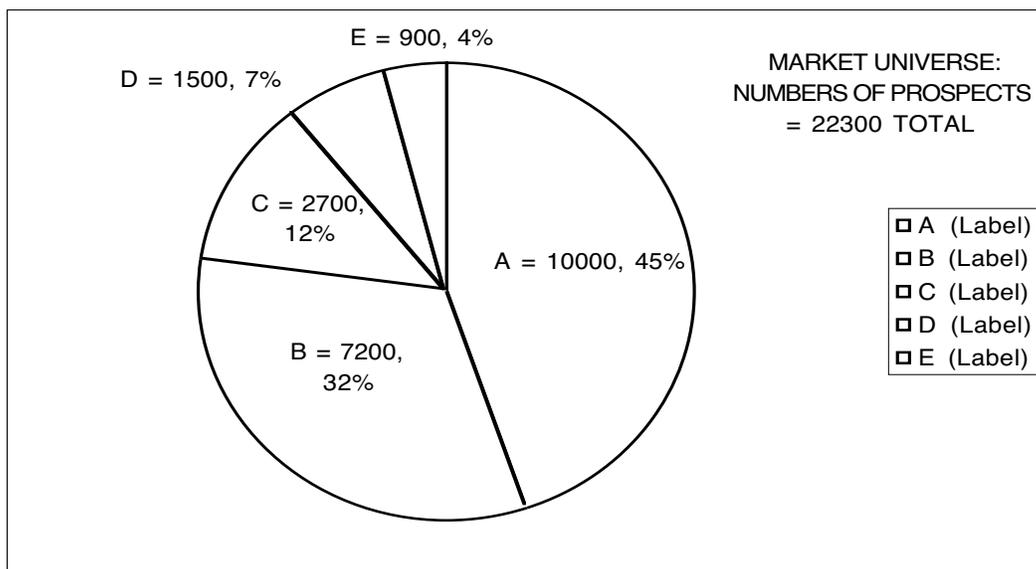
- Will your product be freely accessible at some point? One model provides that content is first accessible on a paid subscription or other cost-to-customer basis. Then there is a point, perhaps six months or a year after original issuance or whenever the product has lost its major revenue-generating power, when any researcher may access that content free of charge directly from your service and/or via other venues.
- Are there significant issues still to be resolved – for example, resistance to free access by content owners such as journal publishers? If so, what is the status of these issues and the outlook for their resolution?
- What are the advantages and benefits of offering free access? Are there risks to your business model and core revenue sources?

Chapter 9: Markets, Marketing and Sales

Most projects do not have the luxury of fully guaranteed funding and must be able to acquire revenue from sales. Even if you are certain that your project will be funded in perpetuity by secure sources of income, such as grants or contributions, do not skip this chapter. Authors and other content producers place great importance on the visibility and promotion of access to their work. Both sales and product promotion require a knowledge of your markets, adoption of the appropriate marketing techniques, and deployment of special resources.

Never assume that your product will sell itself, even if you are convinced that it will be a superior competitor in its field. Even if access is free and open, you will conduct some level of promotion and publicity, proportional to the need for visibility and market awareness. Marketing, sales promotion, soliciting and making sales, and processing orders are activities with which most scientists, scholars, and librarians have little experience. You may, therefore, wish to call upon and collaborate with a traditional publisher, such as a society or university press, to provide expert input and attention to detail. Another option is to establish a strategic business relationship with an agent, distributor or similar organization with proven sales channels and expertise.

Figure 5. MARKET UNIVERSE



Market Analysis

- What is your product’s market universe? Identify, describe and quantify it, as illustrated in figure 5 (above), which shows numbers of prospects. Be sure to distinguish different categories of prospects, such as customers and users if different.
- If sales will be made at different average prices to different types of customers, you may also want to present a chart showing breakdowns of market universe by expected volume of sales in various market segments. For example, distinguish between society members, non-members, students, or between academic libraries and other institutional and organizational types.
- What are the important characteristics of your market universe? For example, how dependent on journal publications are the researchers and students within this universe?
- What is the outlook for expansion or contraction of the market, as measured by numbers of prospects or volume of sales? What trends in the market universe have you noticed or do you foresee?

Competitive Landscape

- What is the competitive landscape? In your situational assessment (chapter 2), you may already have discussed the competition for your product, but you may want to repeat that discussion here or provide more details of your analysis.
- Who are the most noteworthy competitors, who is dominant, and what are the material differences between your product model and theirs?
- Is the market mature and clearly defined, or is it emerging and somewhat amorphous?
- What are the most formidable competitive barriers to market entry? How will you overcome them?

Market Capture

- What are your projections for market penetration, that is, capturing a share of the market as measured by the proportion of customers in the total potential market? Present your evidence, market research, and any relevant comparative examples. Describe and quantify your projections, as for example in figure 6. Be conservative!

Figure 6. PROJECTED MARKET PENETRATION

Market Segment	Year One		Year Two		Year Three	
	#	%	#	%	#	%
Segment A						
Segment B						
Segment C						
Segment D						
Segment E						
Total						

= number of customers within total segment market universe
% = customers as a percent of prospects in market universe

If you are especially ambitious and also have a sufficiently developed financial model, you might also address two additional issues:

- By comparison, what minimum levels of market capture are required to meet bottom-line financial requirements? What is needed to break even?
- Does the market exhibit network benefits? That is, does the value of the product or service increase as a function of the number of individuals who are already using it? If so, how does/should this influence your pricing and sales plans?

Marketing, Promotion and Public Relations (“Outbound Marketing”)

- In general, how will the product or service be marketed, promoted, and publicized? Which methods do you plan to use the most and why? You and/or your marketing partners may want to consider the following options:

- Conference exhibits
 - Direct mail printed and/or email promotion
 - In-person demonstrations and/or selling
 - Advertising on your own Web site and/or in other media or sites
 - Press releases and media placements
 - Presentations at conferences and meetings
 - Word-of-mouth
 - Product reviews
 - Endorsements and promotion by supporters, partners and others
 - Free trials
 - Links from and to related Web sites
- Will you conduct marketing and promotional activities with the internal resources of your organization, or will they be outsourced in whole or part – for example, to authorized agents or distributors, or strategic partners? Will marketing or advertising agencies or similar service firms be used? If such other parties are involved, who are they? What are their qualifications? Under what terms will they be involved? If you can, include information about matters such as deployment of resources, financial arrangements, and territories. Include copies of any agreements with service firms in an exhibit.
 - Are there noteworthy differences in how various product components – for example, elements within an aggregation or repository – will be promoted and marketed? Will there be differences in your marketing approaches to different categories of prospective customers or users? Between geographic areas (domestic, international)?
 - What is your schedule for promotion and publicity? Who is responsible for these activities? This information could be presented in a table such as figure 7, either within this chapter or as an exhibit.

Figure 7. YEAR ONE PROMOTION AND PUBLICITY SCHEDULE

Month/Year	ACTION	Responsible
	News release on project initiative distributed to -----	
	Beta site promoted to select group for trial access, feedback	
	Brochure and pre-publication price list / order form mailed to 0,000 prospects, posted on Web site	
	Pre-release site promoted for trial access in conjunction with promotion to -----, offer of free trial use	
	Exhibit booth and program event at XYZ Annual Conference	

- What promotional or publicity materials have already been created? How were these distributed? What were the results? If materials are available, you might include one or two items in the exhibits.
- If your project is supported in whole or part by author fees, how will this be promoted and publicized?

Sales

- Will selling or equivalent activities be conducted through internal resources or will they be outsourced in whole or part – for example, to agents, distributors, or strategic partners? If such other parties are involved, who are they? What are their qualifications? Under what terms will they be used? Include copies of any agreements in an exhibit.
- In general, how will the product or service be sold? What sales methods do you plan to use the most?
- Are there noteworthy differences in how various product components (elements within an aggregation or repository, for example) will be sold? Differences between types of prospective customers or users? Between geographic areas?
- Have you developed or will you be developing a “top prospect list” for priority attention?

Sales Administration, Order Processing and Customer Support

Sales administration includes administrative and clerical support for those engaged in selling, communications with prospects and customers, assisting in the preparation of quotes and proposals, keeping track of leads and ensuring follow-up, as well as maintaining databases of prospects and/or customers. If selling is being outsourced, these will be the concerns of your service providers, but you should be satisfied with their plans, systems and resources.

Customer support is sometimes distinctly different from user support, covered in chapter 7. User support focuses on assisting users with questions or problems related to technical, content-substantive, and Internet access matters. Customer support focuses on communications and response to inquiries or complaints regarding invoices, charges, and usage terms. In many cases, however, *customers* and *users* are the same, and you may decide to combine all support considerations in the most appropriate part of your plan.

- How will sales administration be conducted? Where will sales administration take place? Who will manage it?
- How will orders be processed, invoices issued, and payments collected?
- How will customer support be conducted? Where will it be conducted and by whom? What are the principal concerns of these support activities – for example, communication with and response to inquiries from them regarding invoices, charges, contract changes, and usage terms?

Conclusion

- How does your initial research and situational assessment support your estimates, plans and outlook for marketing and sales? How do they influence your strategies and plans?
- How have expert advisors contributed to your strategies and plans?
- What is the basis for your marketing and sales budget? This is an area that merits special attention in order to avoid the overconfidence that has led some developers to underestimate the effort and expense required to introduce a new product and grow its revenues.

B-5. Describe Organization and Finances

Many readers will want to see a description of how your enterprise will operate and conduct its business – how it will be managed and organized. You will, of course, choose the topics you wish to address in this chapter. The following is intended to be a menu from which you might select your topics.

Chapter 10: Organization and Staffing

Organization

- Origins: when and how did your organization come into being?
- Who are the key people in your organization – founders, key members, supporters, and partners? What are the related or affiliated organizations or institutions?
- Where is your organization located? Supply address, phone numbers, and other information that will help people get in touch with you.
- What is your organizational mission and purpose?
- What type of organization or corporation do you or will you have?
 - In the United States: If nonprofit and tax exempt, what will your IRS designation be (e.g., 501(c)(3)) – or will there be a similar status by connection with an existing institution or organization? Have you applied for these designations? Have you already received them?
 - Outside of the U.S.: Similar questions apply.
- What is your jurisdiction of incorporation? Do you have basic corporate documents, such as articles of incorporation, a charter, bylaws as required by national and local agencies? These may be included in the exhibits.
- What is your governance structure? Will you have a Board of Directors, management group, or other governance structure?
- Who are the officers of your organization, including chief executive officer and chief operating officer or equivalents?
- Even if your entity is not separate, instead operating as a university department or society division, or as an unincorporated partnership, what one position is ultimately “in charge” and accountable?
- What mechanisms have you set in place to avoid conflict of interest?
- What committees or other groups have you established? Are there volunteers, advisors, or others who are integral to your enterprise?
- Do you have an Organization Chart? If so, include it here or in an exhibit.

Human Resources

You will need to summarize key information in this chapter but you may deal separately with person-specific and position-specific details. Sensitive information about staffing and human resources management may also be addressed outside of the business plan on a need-to-know basis.

- What is the general staffing strategy? For example, will you staff primarily with full-time positions, part-time positions, student positions, contract resources, or some other mechanism? Are there any special considerations, requirements, or institutional restrictions with respect to staffing, such as limited ability to hire full-time resources, difficulty in recruiting certain competencies, non-compete and/or conflict of interest considerations?
- What staff positions have you instituted in your organization or are proposed? Are there position descriptions? Are there persons in these positions and what are their qualifications? Again, you might want to summarize here and address details in an exhibit.
- What is your compensation plan for staff?
- Will you have volunteers, advisors, or other non-compensated persons on your staff?
- How will you recruit personnel, whether paid staff or not?
- What benefits will you provide employees?
- How will you handle payroll and benefits administration?
- What are your employment and recruitment policies and procedures, including compliance with national, state and/or local laws and regulations, such as equal opportunity? What are the policies of the university or organization within which your project may be operating as a department, division or other entity?

Professional Services

- Who will handle your legal needs, including corporate, business, and intellectual property law?
- How will financial operations be managed, including bookkeeping or accounting and audit? Who will advise on budgeting, accounting practices and principles, and financial report preparation?
- Who will manage tax issues, including tax advice, tax preparation, and filings? Typically, this will be the same person or firm used for accounting and audit.
- Will you use consultants for general business, technology, marketing, and other functions?

Intellectual Property Filings and Registration

- Will you be registering a trade name, trademark or service mark, URL and domain name?
- Will you need to have a process for filing copyrights and patents?
- Does your venture involve international issues? For example, if authors outside of the U.S. will be contributing to your online publication, are there special intellectual property law considerations?

Insurance

Your enterprise may already be included in the insurance coverage of an established organization or institution with which yours is affiliated. In any case, you will want to consider what types of insurance coverage your project will need, a task for which you may want to seek professional advice. A competent insurance agent specializing in nonprofit organizations would be a good starting point.

Although this may not be a high priority in the project development and startup phase, at a certain point, insurance may be necessary to help protect directors and officers as well as the assets of the organization. For example, Internet/Media insurance is a relatively new type of insurance policy that covers potential claims for copyright and trademark infringement, libel, invasion of privacy, errors, omissions and negligent acts relating to content, and unauthorized access.

- What policies and practices will you establish to protect the organization from risks?
- What representations, warranties and indemnifications will be included in agreements with authors and/or content owners, vendors, and agents?
- What insurance will you carry? Examples include: Directors and Officers Liability, Property and Casualty, General Liability, and Internet/Media.
- Have you considered trans-border and international issues?

Corporate Filings

You should obtain the advice of a legal professional with regard to all corporate filings listed below and possibly other necessary filings and registrations. Most tax and related filings are performed by or with the assistance of your accounting and/or legal advisors.

- In the United States: If nonprofit and tax exempt, what will your IRS designation be (e.g., 501(c)(3))? Have you applied for these designations? Have you already received them? (Or, perhaps, will the enterprise have nonprofit status as part of a university or existing corporation?)
- Have you drafted Articles of Incorporation for the pertinent jurisdiction of incorporation? Include these in an exhibit.
- Do you have a Federal Employer Identification Number (EIN), which you will need if you are paying anyone for their services and filing IRS forms?
- Have you completed IRS Form 1023, Application for Exempt Status (exemption from Federal income tax) and similar applications for exempt status by jurisdiction of incorporation? These may include exemptions from income, franchise, personal property, and sales taxes.
- Have you completed IRS Form 990, the annual information return and any similar filing for your jurisdiction of incorporation?
- Have you completed all other filings, as applicable?
- Outside of the U.S., similar questions apply.

Chapter 11: Financial Plan: Budget and Forecast

The **Financial Plan** is one of the most important parts of your business plan. It is related closely to your strategic and operating plans, showing in financial terms the budgeted and projected results of your actions and operations. A correctly prepared financial plan accounts for all categories of income, expenses and net assets for the subject periods.

Developing the financial plan is perhaps the most complex activity in the planning process. Because of this complexity, there are fundamental decisions that should be made

and structures established as a prerequisite to developing the plan itself. These involve, for example, choosing a fiscal year, choosing software for budgeting and reporting, and setting up a chart of accounts for your budget and financial reports.

In establishing these structures, you will want to comply with generally accepted accounting principles (GAAP), which will differ by country and to a degree by type of organization, and you may want to obtain the advice and assistance of an accounting professional. In some cases, that person will be a financial director or manager within your parent organization or one of your supporting organizations. In most cases, full documentation is available, including a procedures manual. If you are working within a university or society, you are probably already familiar with most of these matters and need here simply to apply them to your project. The information and advice that follow may be more extensive and complex than would be needed in your situation. A simpler approach might be entirely adequate.

Establishing the Fiscal Year or Financial Year (FY)

The 12-month period constituting the FY may have already been set, or you will be doing that now. For many organizations, the FY is the calendar year. This is appropriate when the income and expense cycles are expected to be spread out mostly over calendar-year periods, even if financial inputs may be higher or lower from month to month. For others, the FY reflects a particular operating cycle. For example, if there is substantial funding from grants or institutional support, the FY might start with the month in the calendar quarter corresponding to the major funding cycle. For still others, if product sales income will tend to be concentrated in a particular quarter, a period during which most of each year's annual subscriber fees are collected, then the FY might start with the month in the calendar quarter corresponding to that cycle.

The most common fiscal year period is one of these four:

- FY ending December 31, annual period January 1 - December 31, quarterly periods January-March, April-June, July-September, October-December.
 - FY ending March 31, annual period April 1 - March 31, quarterly periods April-June, July-September, October-December, January-March.
 - FY ending June 30, annual period July 1 - June 30, quarterly periods July-September, October-December, January-March, April-June.
 - FY ending September 30, annual period October 1 - December 31, quarterly periods October-December, January-March, April-June, July-September.
- Is your enterprise a department, division or subsidiary of an established organization or institution? If so, you will probably want to adopt the same FY.
 - Is your enterprise an independent corporation? Then your FY should correspond to what is established in corporate documents, for example, your Articles of Incorporation or local equivalent.

Software for Budgeting, Accounting and Financial Reporting

If you have not already done so, consider what software will be used for financial recording, analysis and reporting. For some organizations or projects, a common spreadsheet program such as Microsoft Excel™ may be all that is needed. Others will require a more financially oriented program chosen from the many available off-the-shelf. A number of ex-

cellent and economical programs are available. Some of these are tailored for and have options especially designed for use by nonprofit organizations. Most allow considerable flexibility and customization. These PC-based programs can be used for virtually every aspect of financial management, from creating a chart of accounts and preparing the budget to monthly bookkeeping and periodic reports.

Questions you may want to consider about software include:

- What reports do you want to prepare?
- What financial evaluations and decisions will you need to make on a regular basis?
- What levels of detail are required?
- What is your realistic capacity (including human resources and cost justification) for inputting and tracking financial data?

If bookkeeping and accounting will be outsourced, those professionals already have their preferred programs, and your focus with them will be on setting the procedures for input and output, not on software selection.

Chart of Accounts

A fundamental prerequisite to budgeting and accounting is the establishment of a **chart of accounts**. This is a coded list of each account that the financial system tracks. It is integral to the process of creating financial reports, financial statements, as well as management reports and the balance sheet. The chart of accounts is typically divided into five categories. These will apply to and extend consistently through virtually all accounting and financial reporting. Again, this will differ by country practices, type and status of the organization, and relevance to your situation.

If yours is an **independent corporation** – that is, not a department, division or subsidiary of an established organization such as a society or university, and therefore required to keep a full set of books, you will need the following categories:

[1000] **Assets:** These are the tangible items the corporation has as resources, including cash, investments, accounts receivable, equipment, and property.

[2000] **Liabilities:** These are the financial obligations of the corporation, including loans, accounts payable, and all applicable types of taxes.

[3000] **Net Assets:** Net assets reflect the financial worth of the corporation, as would be shown in its balance sheet, representing the balance (a positive or negative amount) remaining after liabilities are subtracted from assets.

For **any organization or project**, you will need the following:

[4000-5000] **Revenue (or Income):** Each category, sub-category and line item that you will want for inputting and tracking any and all income, regardless of how realized or generated and received.

[6000-7000] **Expenses:** Each category, sub-category and line item that you will want for inputting and tracking any and all expenses, regardless of how incurred and paid. Expenses will include costs that are both direct and allocated. Direct expenses are those incurred directly by your organization, such as staff. Allocated expenses

are, for example, those charged to the project from a parent organization, such as for rent, administrative services, and overhead.

In Appendix C-5 you will find a **Sample Chart of Accounts** that can serve as a checklist for your financial planning process, particularly in constructing your budget to be inclusive for all pertinent items. This chart is comprehensive and itemized to a degree not fully applicable to any one venture. Adapt this chart to your situation as appropriate.

Presenting the Financial Plan

Once the structure for your financial plan has been set, you will develop a financial plan in full, perhaps with expert assistance. In presenting your financial plan in the business plan document, you may want to start with a summary. A simple table might work best, for example, the sort of table you might have used in chapter 1 (see figure 1). This is also the point at which to present a brief discussion of the most noteworthy elements of your financial picture, including commentary on significant factors related to:

- **Revenue**, including self-generated revenue such as sales and fees, and funding from grants and other external sources;
- **Expenses**, both gross and net of any in-kind contributions or other offsets;
- **Net Operating Results**, either a surplus or deficit at fiscal year end;
- **Cash Flow**, including positive or negative balance by month and **Cash Position** at fiscal year end.

Typical review periods are:

- **Historical or Prior Year Actual**, if your organization already exists and/or has a financial history;
- **Budget for current year**;
- **Forecast for future year/s**.

Your discussion can be supported and perhaps presented most clearly by using an expanded table such as shown in figure 8 (below), included either within the chapter or in an exhibit. Most commentaries will benefit from a discussion of the rates of year-to-year change that are anticipated, particularly in revenues, and the principal reasons for this outlook. To support this, you might use diagrams illustrating important aspects of the commentary. Find a format that best meets your purposes, such as a pie chart or bar chart that shows breakdowns of revenue and expenses by category, the top two or three plus "other." You might also use diagrams to show year-to-year changes.

Budget for First Year Operating Plan

The budget, which presents the financial picture for the Operating Plan, should be discussed in reasonable detail. Many items, situations and activities may already have been addressed. The most important considerations, however, should also be discussed here. Again, data may perhaps be presented most clearly by using a table in the same format as figure 8, but by month with totals by quarter, as in figure 9 (below). As a practical matter, the **budget spreadsheet** will likely be formatted in *landscape mode* to accommodate many columns, and thus will lend itself to inclusion as an exhibit rather than within the chapter.

Figure 8.

BUDGET AND FORECAST BY YEAR

FY ending _____	Actual (Year)	Budget (Year)	Forecast (Yr.)	Forecast (Yr.)
REVENUE (or Income)				
Grants and Donations	\$	\$	\$	\$
Sales, Online				
Sales, Offline				
Sales, Other				
REVENUE TOTAL				
EXPENSES @ GROSS				
Salaries and Wages				
Payroll Taxes and Benefits				
Travel, Entertainment				
Office				
Occupancy				
Insurance				
Professional Services				
Marketing and Publicity				
Content Acquisition				
Database				
Host and Distribution				
Production and Fulfillment				
Reserve for Data Migration				
Reserve for Royalties				
Indirect – Allocated Costs				
GROSS EXPENSES TOTAL				
EXPENSE OFFSETS				
In-kind Contributions				
Other				
EXP. OFFSETS TOTAL				
EXPENSES @ NET TOTAL				
OPERATING SURPLUS / (DEFICIT)				
Pct. of Revenue (or Income)		%	%	%
CASH SURPLUS / (DEFICIT)				

Figure 9.

BUDGET BY MONTH*

FY ending __/__/__	Jan.	Feb.	Mar.	Q 1	Apr.	May	June	Q 2	
	July	Aug.	Sep.	Q 3	Oct.	Nov.	Dec.	Q 4	Total

*Categories and line items same as used in above table

Participants

The preparation of budgets and forecasts is generally a team effort that involves all persons who have factual or other inputs to the process, as well as the highest levels of expertise in specific areas. You should identify all of these persons and describe the process that occurred in the budget preparation in this chapter, in order to help establish credibility and accountability. If yours is an organization or project that is operating within an existing parent organization that already has well-established policies and procedures regarding these matters, you may not need to address the following topics.

Accounting Basis and Financial Management and Controls

State the method of accounting to be used and describe key plans for financial management and financial controls. An accountant in your organization, or an outside advisor, may be able to draft this section for you can provide considerable assistance in the preparation of this section. Topics would include, for example:

- Compliance with generally accepted accounting principles (GAAP)
- Bookkeeping and accounting methods, including whether you will use a cash or accrual method of accounting
- Accounts payable and receivable systems and policies
- Banking and cash management
- Periodic reviews and reports
- Auditing

Chapter 12: First Year Operating Plan

In the preceding chapters, you have generally taken a multiyear view. Here you will present an operating plan for the immediate upcoming period. This will coincide with your organization's fiscal year and the budget for that 12-month period, but may also precede and/or extend beyond that, if incremental actions leading to product launch span more than one year.

Use this chapter to present a schedule of events and responsibilities detailing specific actions, including implementations of the strategies and goals of the broader strategic plan. This chapter is intended to ensure that all involved parties know what needs to get done in the near term and who is responsible, with a specific timetable to track benchmarks and any deviations from the plan. Be sure that all involved parties have acknowledged and accepted the schedule. An effective operating plan will generally include:

- A level of detail sufficient to identify and guide the work that needs to be done. You will want to avoid a level of detail that might overwhelm and confuse participants or constrain flexibility and creativity
- A clear indication of accountability. Which person or entity is responsible for each action? If the party responsible for a particular item or action has not yet been established, indicate "to be determined," but be sure to tie up loose ends well in advance of the action dates.

- A format and mechanism that allows for periodic progress reports and comparisons.
- A structure that approximately parallels the strategic plan, reflecting the same core strategies, goals and intended actions.

Suggested Formats

You may prefer a relatively simple table to present your schedule, such as shown in figure 10. This summary view focuses on when an action is taken or accomplished. Or you might want to depict your schedule in a more comprehensive format, such as a timeline or Gantt Chart, which usually presents itemized actions in sequence, showing all important intermediate steps, starting with the scheduled date for initiation and ending with the date for completion. Some plan documents will include both a summary in this chapter and a more specific presentation in an exhibit. The following is an example of a summary-level **Logistical Schedule**, which is one of a number of ways to present your key operational plans. This example presents a hypothetical schedule for illustrative purposes only.

Figure 10. LOGISTICAL SCHEDULE FOR (YEAR)

When	What	By whom
	PLANNING	
	Penultimate draft Business / Financial Plan submitted to directors and other concerned parties, feedback	
	Plan finalized and approved	
	ORGANIZATIONAL	
	Working with legal counsel, establish formal corporate documents	
	Form governing body, if any (e.g., board of directors), first meeting and election of officers, adoption of bylaws	
	Working with legal counsel, initiate filings for incorporation, tax exemptions, intellectual property registrations	
	Implement staffing plan (i.e., recruitment)	
	Form editorial board and/or advisory committees not previously established	
	FINANCIAL	
	Establish financial, accounting, payroll systems, policies and practices	
	TECHNOLOGICAL	
	Commence technology development for pilot (or, implement tech. plan)	
	Confirm and secure all major technical resources	
	Test and validate all technical resources and systems	
	Complete all technical systems for beta testing	
	Complete all technical systems for product launch	
	CONTENT	
	Working with editors and advisors, establish (or confirm) criteria for content	

	Test & validate content acquisition systems & editors' / reviewers' tools	
	Finalize content acquisition systems and tools for pilot	
	Begin content acquisition and pre-publication pilot process	
	Modify and finalize content acquisition systems and tools	
	Continue content acquisition and processing ready for product launch	
	MARKETING AND PROMOTION	
	Implement marketing plan	
	Confirm and secure all sales representation / distribution arrangements	
	Acquire all prospect lists for direct marketing	
	Finalize pricing	
	Launch sales promotional efforts; start to make, receive, process sales; coordinate with Finance for invoicing and collections	
	ONLINE PRODUCT ACCESS / FULFILLMENT	
	Promote and facilitate beta and trial use	
	Gather and respond to feedback from beta/trial users	
	Launch paid access services (product roll-out)	

Chapter 13: Business Risks, Contingencies and Mid-course Corrections

There is no guarantee that any project will succeed as planned. Your readers will want to know that you recognize the risks involved in your endeavor and that you have planned for contingencies and mid-course corrections.

Potential Business Risks

- Consider the possibility that you have underestimated or overestimated something important in your plan. Revenues? Expenses? Market universe? Customers? Consider which are the most critical inputs and how sensitive the outcome will be to variations in these inputs (sensitivity analysis). Consider providing rough probabilities that your estimates will be either exceeded or not met for the most important inputs (risk analysis).
- How will you deal with any failures to accomplish the myriad details involved in running a business?
- What do you project as the possible impacts of evolving situations? For example, do forecasts of general economic trends suggest that your marketplace will have more or fewer resources to spend on your product?

You should expect at least *some* of the risks that you have foreseen to materialize, and there will be other, unanticipated developments with positive or negative impacts. These known uncertainties mean that it is important to build into your plan sufficient re-

sources to actually *implement* the preventive measures and when necessary, draw on the contingencies that you have included.

Preventives and Contingency Allowance

You may want to build into your plan some preventive measures or activities whose purpose is to reduce the probability that a risk will manifest. For example, if failure to achieve a particular market penetration would have a significant unfavorable impact, you may wish to invest in structured market research and/or market acceptance testing to guide the product's definition, pricing, and positioning. Consider including a 5 to 15% contingency allowance in your budget, as engineers do when building a road.

Contingency Plans and Mid-course Corrections

For some start-up situations, a general statement might be most appropriate, while for others specific contingency plans might be established from the outset.

- What actions may be necessary if critical requirements or outcomes in content, technology development, market penetration, revenue generation, or cost controls do not appear to be turning out as favorably as estimated?
- What process and schedule will be used to measure actual and revised projected results versus initial plans and forecasts?
- What mid-course actions will you take in the event that your planning does not work out the way you projected? This question can be answered in a series of statements, either in narrative form, or in a table like figure 11.

Figure 11. CONTINGENCY PLAN

Occurrence	Potential Response or Remedial Action
Anticipated grant support does not materialize	Adjust financial model and action plans to achieve balance between expenses and income
Insufficient volume or quality of content	Make terms for intellectual property owners more favorable and/or cast a wider net in pursuing content
Inadequate results from activities of sales agent	Agreement includes performance standards that allow for termination if not met
Primary technology vendor fails to perform acceptably	Work to implement improvements or terminate relationship and secure alternative arrangements
Bottom-line financial results below budget and requirements	Implement tighter financial and management controls, reduce expenses where possible

Chapter 14: Conclusion (or End Notes)

To prepare this chapter, see **Summarize Key Points** in section B-1 of this manual.

B-6. Provide Documentation

Exhibits

Exhibits are an important supplement to your Business Plan. They demonstrate that you have been thoughtful and detailed in your planning – in short, that you know what you are doing! Organize this section to fit your needs and include those items pertinent to your document and situation. Generally, exhibits are numbered sequentially in the order in which they are referenced in the body of your plan, although you may want to organize the items in order of importance or on some other basis. As examples, these are the items mentioned in this manual that might be among those you will want to include.

- 2-1. Research conducted for the Situational Analysis and Strategic Response
 - A. Survey Instruments
 - B. Findings
- 3-1. Timeline for the Project History, Status, and Outlook
- 4-1. Advisors and/or Participants (who helped with the formulation of the concept and Business Model)
- 5-1. Licenses (or Other Agreements) with Content Owners/Copyright Holders
- 5-2. Privacy Policy
- 6-1. Technology Interrelationships
- 8-1. Licenses (or Other Agreements) with Subscribers and/or Users
- 8-2. Price or Fee Schedule
- 9-1. Promotion and Publicity Schedule
- 9-2. Sample Promotional and Publicity Materials
- 9-3. Outsourcing Agreement for Selling (e.g., Sales Agency) and Related Services
- 10-1. Basic Corporate Documents
 - A. Articles of Incorporation
 - B. Bylaws
 - C. other
- 10-2. Organization Chart
- 10-3. Staffing and Recruitment Plan
- 11-1. Budget and Forecast by Year
- 11-2. Budget by Month
- 12-1. First Year Operating Plan – Scheduled Benchmarks (or Gantt Chart)

C. Appendices



C-1. *Contacts and Notices*

About SPARC

SPARC is a coalition of research universities and libraries that facilitates increased competition in scholarly publishing. Its membership currently numbers approximately 200 institutions and library consortia in North America, Australia, New Zealand and Asia. SPARC is also affiliated with major library organizations in Canada, the United Kingdom and Ireland, Denmark, Australia and the U.S.A. New operations include **SPARC Europe**, a joint initiative with LIBER (the Association of European Research Libraries / Ligue des Bibliothèques Européennes de Recherche), which is building a coalition of European institutions, and the **SPARC Consulting Group**, which provides business planning and advisory services focusing on scholarly and nonprofit communications projects.

For further information: <http://www.arl.org/sparc>

and: <http://www.sparceurope.org>

Contact SPARC

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Alison Buckholtz, Associate Enterprise Director (email: alison@arl.org)

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SPARC

21 Dupont Circle, NW, Suite 800
Washington, DC 20036

Tel: 202-296-2296 Fax: 202-872-0884

Related SPARC Publications

As part of your preparations and to obtain additional useful information and guidance, see these Web-accessible sources. To order a free printed copy, email to: pmds@arl.org.

Declaring Independence:

A Guide to Creating Community-controlled Science Journals

This publication was produced by SPARC in collaboration with TRLN (Triangle Research Libraries Network). Among other content, the document lists alternative publishing options and methods to evaluate those choices, and serves as a guide to the publishing process and many aspects of the business of independent publishing.

To access this guide: <http://www.arl.org/sparc/DI>

Create Change:

A resource for faculty and librarian action to reclaim scholarly communication

This brochure, available electronically and in print for redistribution, outlines issues and actions in scholarly communications with particular emphasis on how librarians and faculty can work together. The program is sponsored by the Association of Research Libraries, the Association of College and Research Libraries (a division of the American Library Association) and SPARC, with support from the Gladys Krieble Delmas Foundation.

To access this brochure: <http://www.arl.org/create/home/html>

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C-2. Sites and Sources

Some of these Web sites and sources may be of special interest and value as you formulate your project concept and plans. Typically, most of these will also link to other useful sites.

Organization or Title	Description or Topics	URL
About®... Nonprofit Organizations	general interest for nonprofit planners and managers	http://www.nonprofit.about.com
Alliance for Nonprofit Management	general interest for nonprofit planners and managers	http://www.allianceonline.org
ARL	Association of Research Libraries	http://www.arl.org
ARL Office of Scholarly Communication	issues and resources in scholarly communication	http://www.arl.org/scomm/index.html
Association of Learned and Professional Society Publishers	represents the community of not-for-profit publishers	http://www.alpsp.org
Budapest Open Access Initiative	collaborative call for open access to peer-reviewed journal literature	http://www.soros.org/openaccess
CNI Copyright	e-forum for discussion of copyright and intellectual property issues	http://www.cni.org/Hforums/cni-copyright
Create Change	resource for faculty and librarian action	http://www.arl.org/create/home/html
CrossRef	linking service for scientific and scholarly online publications	http://www.crossref.org
Declaring Independence	guide to creating community-controlled journals	http://www.arl.org/sparc/DI
GAP	German Academic Publishers organization	http://www.ubka.uni-karlsruhe.de/gap-c
ICOLC Statement of Current Perspective and Preferred Practices	selection and purchase of electronic information	http://www.library.yale.edu/consortia/2001currentpractices.htm
INC: Internet Nonprofit Center	general interest for nonprofit planners and managers	http://www.nonprofit-info.org

International Coalition of Library Consortia	organization of some 150 library consortia from around the world	http://www.library.yale.edu/consortia
International Consortium for the Advancement of Academic Publication	devoted to the advancement of electronic scholarly communication	http://www.icaap.org
International Federation of Library Associations and Institutions	represents the interests of library and information services and their users	http://www.ifla.org
International Network for the Availability of Scientific Publications	cooperative network aiming to improve worldwide access to information	http://www.inasp.info
Journal of Electronic Publishing	e-journal published by the University of Michigan Press	http://www.press.umich.edu/jep
JSTOR	comprehensive archive of scholarly journal literature	http://www.jstor.org
Licensing Principles (IFLA)	basic principles for contracts between libraries and information providers	http://www.ifla.org/V/ebpb/copy.htm
National Library of Canada	Guide to Best Practices for Canadian Publishers	http://www.nlc-bnc.ca/9/13/indexe.html
Open Archives Initiative	develops and promotes interoperability standards	http://www.openarchives.org
Principles for Licensing Electronic Resources	statement and guide for license negotiators	http://www.arl.org/scomm/licensing/principles.html
Public Library of Science	promotes the exchange of scientific information	http://www.publiclibraryofscience.org
Publishing Resources for Journals and Repositories	list of sources of publishing and technical solutions and services	http://www.arl.org/sparc/core/index.asp?page=h16
Roquade	partnership of Dutch universities for electronic scientific publishing	http://www.roquade.nl
Signal Hill	European partnership of academic e-presses & support organisations	http://www.signal-hill.org

SPARC	Scholarly Publishing and Academic Resources Coalition	http://www.arl.org/sparc
SPARC Europe	Scholarly Publishing and Academic Resources Coalition	http://www.sparceurope.org
SPARC Partners	SPARC-endorsed nonprofit scholarly communications initiatives	http://www.arl.org/sparc
Stanford University Libraries	copyright and fair use of intellectual property	http://www.fairuse.stanford.edu
Tools and Resources for Online Journal Editing & Publishing	topical site maintained by the University of Nevada, Reno Libraries	http://www.library.unr.edu/ejournals/editors.html
University of Texas System	copyright resources; includes interactive Software and Database License Checklist	http://www.utsystem.edu/ogc/intellectualproperty/cprtindx.htm
WAI	World Wide Web Consortium resources and activities promoting a high degree of Web usability for people with disabilities	http://www.w3.org/WAI/Resources
Yale University Library LIBLICENSE	resource on licensing, includes sample license language and commentary	http://www.library.yale.edu/~llicense/index.shtml

C-3. Glossary

These terms are used in the Manual and, in *this context*, are defined as follows. For additional definitions and information regarding specific accounting terms, simply search the WWW by keywords "accounting terms" (which may have different meanings and relevance outside of the U.S.).

accrual method of accounting, also known as accrual basis – A method of accounting which is the opposite of the cash method in terms of the timing of income and expense recognition. Using the accrual method, income is reported when it is earned regardless of when it is actually received and expenses are reported when they are incurred regardless of when they have been paid.

An example you might find helpful regards subscription sales: A subscription is sold for a 12-month period for \$300. Under the accrual basis, 1/12th of the sale, or \$25, is recorded monthly, reflecting the incremental amount of "earned revenue". Similarly, a capital expenditure is made for equipment costing \$24,000 and having an estimated useful life for accounting purposes of 48 months. Thus, 1/48th of the expense, or \$500, is recognized monthly.

Accrual is the preferred standard because it more accurately shows the relationship between expenses and revenues, however, it is more complicated than the cash method of accounting. Many smaller nonprofits find it easier to keep their books on a cash basis but have their bookkeeper or accountant produce accrual basis statements at the end of the fiscal year, which are usually necessary for the annual auditor's report and for certain IRS and related filings.

cash flow – Cash flow from operations is the sum of all income less all expenses.

cash method of accounting, also known as cash basis – A method of accounting which is the opposite of the accrual method of accounting in terms of the timing of income and expense recognition. Using the cash method, income is reported when it is actually received rather than when it is earned and expenses are reported when they are actually paid rather than when they are incurred.

Using the same examples as above, under the cash basis: The \$300 subscription sale for a 12-month period is recorded in total in the month of the sale, and the \$24,000 capital expenditure is expensed in the month of purchase.

"critical mass" – The volume and variety of content necessary to achieve sufficient market appeal and perceived value for your product, and to support the financial plan and business model.

Gantt Chart – A widely used project management diagram for displaying project schedules depicting tasks and the dependencies between tasks, named for its developer, Henry Gantt, an early pioneer in the science of management. Many examples and software programs are available on the Web; search by keywords "gant chart".

grant-of-use permissions – A grant of rights to use the intellectual property of another party, which is typically conveyed in a license or similar agreement; for example, a publisher grants your organization the right to sell access to its journal and to disseminate

the publication online, usually with consideration such as a share of sales and possibly with restrictions, or as another example, an author grants rights to a publisher.

market capture – Customers (and/or users) that will be obtained from within the market universe; often used interchangeably with “market penetration.”

market or customer prospects – Those entities (which may be institutions, organizations and/or individuals within various market segments) that are legitimate prospects for the purchase (and/or use) of your product.

market entry – The time at which the product enters its market as a competitor.

market penetration – The portions of the market universe with which there are or are estimated to be transactions (such as a unit of sale or use), typically measured in numbers and percentages relative to the segment; often used interchangeably with “market capture.”

market segment – A distinct group within the total market universe (for example, research libraries are a segment within a universe that may also include public libraries, and government agencies,); market segments may also be viewed by geography (for example, North America, International).

market share – The shares of each market segment and the total market universe that have been realized (for example, the product will be sold by a certain time to a projected 100 within a universe of 1,000, representing a 10% share).

market universe – All market or customer prospects, however defined and quantified.

network benefits – The increase in customer value that derives from other customers having already adopted a solution. For example, Internet instant messaging is not very valuable if only a limited number have adopted it for its primary purpose – communicating with others. If many have already adopted, however, the same software/system/service/product becomes much more valuable.

sales agent or agency – A party engaged under the terms of an agreement to represent and sell the product or service; usually with consideration such as a commission and possibly with restrictions regarding market segments or types of products.

C-4. Business Plan Checklist (An Outline)

The model Business Plan presented in this manual reflects a highly structured and comprehensive approach. Our intent is to present important planning considerations for all major topics. However, our model may provide less – or in most cases, more – than your project and its planning document may require. However, even if you choose to create an entirely different document structure, we hope you will find the following **checklist** helpful as you choose among the topics you want to address in your plan, and how to organize them.

1. EXECUTIVE SUMMARY

Overview of

- product model
- organization model
- rationale and justification for product, organization and business
- mission statement
- status
- market assessment, targeted universe
- top goals
- core strategies
- key plans
- outlook
- plans for financial self-sufficiency and mitigating risk
- TABLE: FINANCIAL SUMMARY

2. SITUATIONAL ASSESSMENT AND STRATEGIC RESPONSE

About the Situation

- research and/or communications
- major findings and conclusions
- support for business and product
- potential risks
- lessons learned

About Strategies

- market or community needs analysis
- core solutions
- core strategies

3. PROJECT HISTORY, STATUS AND OUTLOOK

- how the project came about
- present status
- key actions scheduled
- TABLE: KEY ACTIONS AND EVENTS

4. THE PRODUCT AND BUSINESS MODEL

About the Model

- field of science
- markets or communities to be served
- content to be delivered

- product or service and why needed
- media, distribution channels
- distinguishing and unique characteristics
- pertinent organization or entity
- financing, initially and over the long term
- funding for open access
- revenue from ancillary products
- innovations of the model
- correlation to core strategies

Formulation of Concept and Model

- precedents and successes
- alternative models considered and rejected
- advisors and concerned parties
- evidence to support the model chosen

Interrelationships

- interrelationships with other initiatives and programs
- rationale, advantages, benefits

5. THE PRODUCT: DATABASE OR JOURNAL

About the Content

- type, scope and sources of content
- special considerations
- attaining and maintaining critical mass
- TABLE: ESTIMATED CUMULATIVE VOLUME

Editorial Strengths, Practices and Policies

- quality of content
- special concerns underlying content decisions
- superior solution to market needs
- innovations

Editorial Systems

- automation and/or communication tools (e.g., editorial toolkit)
- advantages

Intellectual Property Considerations

- policies and practices, correlation to organization's mission
- policy regarding intellectual property ownership (copyrights) and authors' rights
- requirements for licenses or other forms of agreement with authors and/or other owners/copyright holders
- innovations
- privacy of subscriber and user information
- information sharing
- intellectual properties owned or to be owned by the organization
- intellectual properties for which grants of use permissions must be obtained

Visibility for the Product: A&I and Links

- abstracting and indexing (A&I)
- links from and to other Web sites
- advantages

- special issues or problems

Archiving and Perpetual Access

- perpetual access policy
- archiving and access plan
- consultation with appropriate community
- deposit programs
- recurrent budget for archiving

6. TECHNOLOGY AND TECHNICAL CONSIDERATIONS

- principal types of technology and solutions for the operation, production and distribution
- dependency upon off-the-shelf software and/or custom and proprietary programming (special concerns; scope of work)
- cost/timing/FLURPS tradeoffs
- technological expertise required
- consultation with project principals and/or advisors
- technological infrastructure, location(s), responsibilities, acquiring and maintaining
- out-sourcing
- host, alternative hosts and/or mirror sites
- related matters: database back-up, disaster recovery, archiving
- communications standards and systems, network capacity
- electronic formats and standards for content / information for Internet publishing
- policies and/or plans to keep pace with technological changes
- innovations
- monitoring system performance
- ensuring user privacy
- sharing proprietary technology
- technology risk management
- technology plan budget
- key objectives or mission of technology plan – distinguishing characteristics
- TABLE: TECHNOLOGY PLAN OVERVIEW

7. PRODUCTION, DISTRIBUTION AND USER ACCESS

Production and Distribution

- noteworthy technological or infrastructure resources related to production
- product distribution and delivery
- outsourcing to other entities

User Access

- access controls
- subscriber and/or user agreements governing access and use
- minimum user platform requirements
- reinforcement of intellectual property policies and practices
- special considerations
- innovations

- consultation with appropriate communities

New User Training and On-going User Support

- needs for user training
- plans for user support
- tools, activities
- objectives for user support
- resources and procedures
- help desk

8. PRICES (OR FEES OR FUNDING)

In General

- core objective of the pricing or fee structure
- balance between the different desires or requirements of invested parties
- consultation with appropriate communities
- research
- special factors or influences

Prices or Fees

- product availability for purchase (alternatively, fees)
- determining prices and terms of access and use
- the prices or fees
- precedents and competitive comparisons
- reactions from the public, price testing
- policy or plan regarding future adjustments to the price or fee structure

Transition to Free Access

- policy or plan regarding free access to content
- significant unresolved issues
- advantages and benefits, risks

9. MARKETS, MARKETING AND SALES

Market Analysis

- market universe
- DIAGRAM: MARKET UNIVERSE
- market segments
- important characteristics of market universe in relation to model
- outlook for expansion or contraction of the market

Competitive Landscape

- competitive landscape
- noteworthy competitors, material differences
- mature or emerging market
- most formidable barriers to market entry

Market Capture

- objectives or projections for capturing a share of the market
- TABLE: PROJECTED MARKET PENETRATION
- minimum levels of market capture required
- network benefits

Marketing, Promotion, Public Relations (“Outbound Marketing”)

- how the product or service will be marketed, promoted, publicized
- marketing and related activities, responsibilities
- noteworthy differences for various product components, types of customers and users, geographic areas
- key schedule for promotion and publicity, responsibilities
- TABLE: YEAR ONE PROMOTION AND PUBLICITY SCHEDULE
- existing materials created and distributed
- promotion to authors
- significant problems or challenges

Sales

- selling activities, responsibilities
- how the product or service will be sold
- noteworthy differences for various product components, types of customers and users, geographic areas
- top prospect list

Sales Administration, Order Processing, Customer Support

- sales administration, responsibilities
- principal concerns of the sales administration activities
- order processing, invoicing, receivables and collections
- customer support (not the same as user support), responsibilities

Chapter Conclusion

- initial research and situational assessment in support of estimates, strategies, plans
- advice of experts
- marketing and sales budget

10. ORGANIZATION AND STAFFING

Organization

- origins
- founders or equivalent
- organizational mission and purpose
- location
- type of organization or corporation
- jurisdiction of incorporation
- basic corporate documents
- governance structure
- officers and accountability
- avoidance of conflict of interest
- committees and groups
- volunteers, advisors, others integral to the project or enterprise
- organization chart

Human Resources

- staffing strategy
- position descriptions
- compensation
- volunteers, advisors, other non-compensated persons

- recruitment
- employee benefits
- payroll and benefits administration
- employment policies and procedures
- special issues or considerations

Professional Services

- legal
- financial and accounting
- tax matters
- consultants (business, technical, marketing)

Intellectual Property Filings and Registrations

- tradename, trademark or service mark
- URL and domain name
- copyrights
- patents
- international considerations

Insurance

- policies and practices to protect the organization from risks
- protective legal clauses
- insurance
- international considerations

Corporate Filings

- U.S. IRS nonprofit designation
- Articles of Incorporation
- Federal Employer Identification Number (EIN)
- IRS Form 1023, Application for Tax Exempt Status, and related
- IRS Form 990 annual information return, and related others
- Other applicable forms including non-U.S.

11. FINANCIAL PLAN: BUDGET AND FORECAST

Preliminary Steps

- establishing the FY
- software for budgeting, accounting and financial reporting
- chart of accounts

Presentation

- noteworthy elements: revenue, expenses, net operating results, cash flow
- review periods: historical or prior year actual, budget for current year), forecast for future years
- TABLE: BUDGET AND FORECAST BY YEAR

Budget for First Year Operating Plan

- budget spreadsheet
- TABLE: BUDGET BY MONTH
- participants in budget process
- financial management and controls
- accounting basis, systems and policies
- cash management

- financial management and controls
- financial reporting and auditing

12. FIRST YEAR OPERATING PLAN

Plan Review

- TABLE: LOGISTICAL SCHEDULE

13. BUSINESS RISKS, CONTINGENCIES AND MID-COURSE CORRECTIONS

Potential Business Risks

- over- and under-estimations and their likelihood (risk analysis)
- most critical inputs (sensitivity analysis)
- plan for coping with failures
- impact of evolving economic and technological situations

Preventives and Contingency Allowance

Contingency Plans and Mid-course Corrections

- action plans if critical requirements or outcomes unmet
- periodic monitoring and evaluation
- mid-course corrections
- TABLE: CONTINGENCY PLANS

Mid-course Corrections

14. CONCLUSION (OR END NOTES)

EXHIBITS

C-5. Sample Chart of Accounts

The following can serve as a reference for your **financial** planning process – particularly in constructing your budget and economic model to be inclusive for all pertinent items. This chart is comprehensive and itemized to a degree not fully applicable to any one organization or project. Adapt this to your situation as appropriate. Items and terms reflect practices in the U.S.; there will be differences elsewhere, and by organization regardless of location. For example, “1300-Allowances for Doubtful Accounts” might be termed “Provision for Bad Debts,” while the accounts under “6140-Payroll Taxes,” such as “6141-FICA,” will definitely be different outside the U.S.

<u>1000</u>	<u>Assets</u>	
1100	Cash	
	1101	Checking Account
	1102	Petty Cash
	1103	Savings & Temporary Cash Investments
	1104	Checking Account
	1105	Misc. & Other
	1106	future use
1200	Receivables	
	1201	A/R - Sales & Fees
	1202	Pledges of Cash Contributions
	1203	Grants Receivable
	1204	Misc. & Other
	1205	future use
(a)	1300	Allowances for Doubtful Accounts
	1301	A/R - Sales & Fees
	1302	Pledges of Cash Contributions
	1303	Grants Receivable
	1304	Misc. & Other
	1305	future use
	1400	Prepaid Expenses
	1500	Tangible Property
	1501	Land
	1502	Building
	1503	Equipment
	1504	Misc. & Other
	1505	future use
	1600	future use
<u>2000</u>	<u>Liabilities</u>	
	2100	Accounts Payable
	2101	Trade
(b)	2102	Inter-organizational
	2103	Misc. & Other
	2104	future use
	2200	Loans
	2201	Loans
	2202	Mortgage
	2203	Misc. & Other
	2204	future use

	2300	Reserves
	2301	Royalties and/or Revenue-sharing
	2302	Refunds & Credits
	2303	Misc. & Other
	2304	future use
	2400	future use
	<u>3000</u>	<u>Net Assets</u>
	3100	Current Unrestricted Net Assets
	<u>4000 - 5000</u>	<u>Revenue</u>
	<u>4000</u>	<u>Contributions & Grants</u>
	4100	Cash Contributions
	4101	Member Solicitations
	4102	Public Solicitations
	4103	Corporate Grants
	4104	Foundation Grants
	4105	Government Grants
	4106	Sponsors
	4107	Special Events
	4108	Misc. & Other
	4109	future use
(c)	4200	Donated Services (In-kind Contributions)
	4201	Use of Staff
	4202	Facilities
	4203	Office Expenses
	4204	Production
	4205	Distribution
	4206	Information Tech. & Computer
	4207	Communications
	4208	Misc. & Other
	4209	future use
	4300	future use
	<u>5000</u>	<u>Sales</u>
	5100	Electronic Products & Services
	5101	Domestic - Product X
	5102	Domestic - Product Y
	5103	Domestic - Product Z
	5104	future use
	5105	future use
	5106	Int'l. - Product X
	5107	Int'l. - Product Y
	5108	Int'l. - Product Z
	5109	future use
	5110	future use
	5200	Printed Products
	5201	Domestic - Product X
	5202	Domestic - Product Y
	5203	Domestic - Product Z
	5204	future use
	5205	future use
	5206	Int'l. - Product X
	5207	Int'l. - Product Y

	5208	Int'l. - Product Z
	5209	future use
	5210	future use
5300		Publication Fees
	5301	Authors
	5302	Misc. & Other
	5303	future use
5400		Fees for Service
	5401	Service A - Publishers
	5402	Service A - Institutions
	5403	Service A - Misc.
	5404	Service A - future use
	5405	Service B - Publishers
	5406	Service B - Institutions
	5407	Service B - Misc.
	5408	Service B - future use
5500		Participation Fees
	5501	Type A - Publishers
	5502	Type A - Institutions
	5503	Type A - Misc.
	5504	Type A - future use
	5505	Type B - Publishers
	5506	Type B - Institutions
	5507	Type B - Misc.
	5508	Type B - future use
5500		Membership Dues
	5601	Individuals
	5602	Institutional & Corp.
	5603	Misc. & Other
	5604	future use
5700		Other Program Sales & Fees (if any)
	5701	Advertising
	5702	Sponsorships
	5703	E-commerce
	5704	Special Projects
	5705	future use
	5800	future use
	<u>6000 - 7000</u>	<u>Expenses</u>
	<u>6000 (d)</u>	<u>Direct Costs</u>
6100		Salaries & Wages of Officers & Directors
	6101	Officers & Directors
	6102	Misc. & Other
6120		Salaries & Wages of Staff
	6121	Position A
	6122	Position B
	6123	Position C
	6124	Position D
	6125	future use
6140		Payroll Taxes & Benefits
	6141	FICA
	6142	Unemployment Insurance & Taxes

- 6143 Workers Comp. Ins.
- 6144 Disability Insurance
- 6145 Life Insurance
- 6146 Retirement Benefits
- 6147 Misc. & Other
- 6148 future use
- 6160 Travel, Entertainment & Related
 - 6161 Officers & Directors
 - 6162 Staff
 - 6163 Consultants
 - 6164 Advisors
 - 6165 Volunteers
 - 6166 Misc. & Other
 - 6167 future use
- 6200 Office
 - 6201 Capital Expenditures
 - 6202 Other Furniture & Equipment
 - 6203 Supplies
 - 6204 Telephone
 - 6205 Duplicating & Printing
 - 6206 Postage & Shipping
 - 6207 Equip. Rental & Maintenance
 - 6208 Subscriptions & Fees
 - 6209 Incidentals
 - 6210 Misc. & Other
 - 6211 future use
- 6220 Occupancy
 - 6221 Rent - Office
 - 6222 Rent - Other
 - 6223 Utilities - Office
 - 6224 Utilities - Other
 - 6225 Janitorial & Similar
 - 6226 Misc. & Other
 - 6227 future use
- (e) 6240 Insurance
 - 6241 Directors & Officers Liability
 - 6242 Property & Casualty
 - 6243 General Liability
 - 6244 Internet/Media
 - 6245 Misc. & Other
 - 6246 future use
- 6300 Professional Services & Related
 - 6301 Accounting & CPA Fees
 - 6302 Bookkeeping Fees
 - 6303 Payroll Services
 - 6304 Bank Service Charges
 - 6305 Legal Fees
 - 6306 Consultant Fees
 - 6307 Advisor Fees
 - 6308 Graphic Designer Fees
 - 6309 Web Designer Fees

- 6310 Commissions – Agents & Contractors
- 6311 Filing & Registration Fees
- 6312 Seminars
- 6313 Memberships
- 6314 Misc. & Other
- 6315 future use
- 6400 Marketing & Publicity
 - 6401 Advertising re Sales
 - 6402 Advertising re Donation Solicitations
 - (f) 6403 Marketing re Sales
 - (f) 6404 Marketing re Donation Solicitations
 - 6405 Publicity
 - 6406 Exhibit Materials
 - 6407 Exhibition Fees
 - 6408 Misc. & Other
 - 6409 Misc. Selling Exp's.
 - 6410 future use
- 6500 Content Acquisition
 - 6501 Authors' Royalties or Equivalent (Variable)
 - 6502 Publishers' and/or Other Content Owners' Royalties or Equivalent (Variable)
 - 6503 Fixed Payments
 - 6504 Misc. & Other
 - 6505 future use
- 6520-6530 Database
 - (g) 6521 Capital Exp. - Hardware
 - (g) 6522 Other Equip. Purchased
 - (g) 6523 Equipment Lease/Rental
 - (g) 6524 Capital Exp. - Software
 - (g) 6525 Other Software Purchased
 - (g) 6526 Software License Fees
 - (g) 6527 Data Capture
 - (g) 6528 Data Conversion
 - (g) 6529 Data Processing
 - (g) 6530 Programming
 - (g) 6531 Contract Labor Not Incl. Elsewhere
 - 6532 Outsource A
 - 6533 Outsource B
 - 6534 Outsource C
 - 6535 Misc. & Other
 - 6536 future use
- 6540-6550 Database Host, Distribution & Archive
 - (h) 6541 Capital Exp. - Hardware
 - (h) 6542 Other Equip. Purchased
 - (h) 6543 Equipment Lease/Rental
 - (h) 6544 Capital Exp. - Software
 - (h) 6545 Other Software Purchased
 - (h) 6546 Software License Fees
 - (h) 6547 Programming
 - (h) 6548 Networking & Communications
 - (h) 6549 Contract Labor Not Incl. Elsewhere

	6551	Outsource A
	6552	Outsource B
	6553	Outsource C
	6554	User Support Not Incl. Elsewhere
	6554	URL & Domain Name Registrations
	6555	Misc. & Other
	6556	future use
6560		Printed Products
	6560	Composition
	6561	Printing and Binding
	6562	Shipping Materials
	6563	Storage/Warehousing
	6564	Fulfillment Services (incl. List Maintenance)
	6565	Shipping & Postage
	6566	Misc. & Postage
	6567	future use
(i)	6600	Contingencies & Reserves
	6601	Research & Development
	6602	Cost Overruns
	6603	Special Project
7000	(j)	<u>Allocated Costs & Charge-backs</u>

Notes to Sample Chart of Accounts

- (a) #1300 – Includes amounts held in reserve and debited against assets.
- (b) #2102 – May include charge-backs from parent organization if such expenses are not included in #7000 accounts.
- (c) #4200 – Includes the value of donated services (e.g., in-kind contributions) when these can be quantified and would represent deductions (i.e., offsets) from expenses reported in anywhere within #6000.
- (d) #6000 – These are expenses incurred directly by the organization or project, versus those that may be incurred and recorded under #7000.
- (e) #6240 – These are insurance costs (premiums) other than for the types in #6140.
- (f) #6403-04 – Includes costs related to creating, producing and distributing marketing and promotional materials, which might be itemized with greater specificity.
- (g) #6521-31 – Some or all these accounts may not be applicable if expenses will be consolidated by Outsourcers.
- (h) #6541-49 – As above.
- (i) #6600 – As with many other accounts, this is optional and depends on the particular situation. If applicable, establish an R&D fund and/or reserves for unforeseen contingencies, such as cost overruns, and special projects.
- (j) #7000 – This account would be used to itemize expenses that are charged to and recognized by the organization or project through accounting entries and/or invoices from a parent organization providing services (often termed “charge-backs”). If applicable, the chart of accounts for #7000 should be as detailed as applicable, including pertinent items that might otherwise be within #6000, as well as any others such as “Overhead Allocation” (often a practice within universities, for example).