Center for the Study of Minority & Small Business

Department of Business Administration

Minority and Small Business Review

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Featured Articles

Minority and Small Business Review

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The Minority and Small Business Review is published annually each Spring by the Center for the Study of Minority and Small Business (CSMSB) and the Department of Business Administration at University of the West. This publication includes original contributions based on both theory and practical insights on a variety of topics on entrepreneurship. While the topics may vary, each volume contains articles on subject matters that are critical to the growth and sustainability of minority and small businesses, such as: leadership & management strategies; finance/accounting; access to capital; marketing/branding; and legal/tax issues. The contributing authors include UWest Business Department Faculty as well as industry experts, business leaders/executives and entrepreneurs. Each year, the Review seeks to provide information that is content-rich and topically current.

We invite such articles to be submitted to the Editor via e-mail to meskeremt@uwest.edu (using a standard MS word-processing program such as Word). All submissions are subject to editorial review and modification--acceptance is not guaranteed unless such notification is provided in writing by the Editor.

The annual subscription rate is $10.00 for mailing within USA and $15.00 outside USA. (Please see Order Form). All correspondence regarding contributors' writings, excerpt permission and scholarly exchange; as well as subscriptions, changes of address and request for sample copies, should be addressed to: Editor of The Review, CSMSB, University of the West, 1409 N. Walnut Grove Avenue, Rosemead, CA 91770.

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Center for the Study of Minority and Small Business

The Center for the Study of Minority and Small Business (CSMSB) serves as a link between the University and the minority and small business community, offering regular seminars, lectures, conferences, business counseling and the publication of "The Review". The Center seeks to develop itself into an outreach link to connect area minority and small businesses with governmental and non-governmental organizations in order to broaden their exposure to current business realities and changing governmental regulations.

As the Center strives to strengthen its efforts to play a more meaningful role towards the long-term growth and sustainability of minority and small business, it is mindful of the fundamental need for a broad-based support and partnership of area stakeholders and the community at large.

Your subscription to The Review will not only provide us your contact info so we can advise you of upcoming programs and events, it will also signify your support to the Center's programs and activities.

We invite your ideas, feedback, support and involvement. Please address all correspondence to the Center's Director via email @ meskeremt@uwest.edu.

Minority and Small Business Review

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Minority and Small Business Review

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Featured Articles

Message from Dr. Stephen Morgan, President
University of the West

March 18, 2015

For more than a decade the Department of Business Administration at University of the West has published **Minority and Small Business Review** as a service to small businesses throughout our region. I am pleased to present the 2015 edition of this valuable publication.

Small and minority owned businesses are the backbone of the economy of San Gabriel Valley and, in fact, all of Southern California. These businesses provide employment and serve as the economic engines that drive our local communities. Our Uwest graduates and many of our faculty are proud to serve our small businesses as employees, consultants and advisors.

Thank you to those who have contributed articles to this publication and special thanks to Professor Meskerem Tadesse who serves as the Director of the Center and Editor of **Minority and Small Business Review**. We are pleased to continue our partnership with the small businesses of our community.

Sincerely,

Steve Morgan

Dr. Stephen Morgan, President
University of the West

From The Editor

March 18, 2015

On behalf of the Business Administration Department of University of the West, it is my pleasure to present this Volume 13 of the UWest Minority and Small Business Review ("The REVIEW"), published each Spring by the UWest Center for the Study of Minority and Small Business (CSMSB).

For the past 13 years, we have come to you with this publication to extend our greetings as well as to provide a collection of insightful and educational business articles authored by faculty from UWest and other institutions, as well as entrepreneurs and business leaders.

Our institution is located in one of the most business-centered local communities, and we recognize the pivotal role these businesses play in sustaining our community, both by providing employment income and support services, CSMSB is well positioned to play a more meaningful role in providing education and outreach services to optimize our community businesses. We invite the collaboration and partnership of other area stakeholders, including public and private organizations as well as the community at large, to join us in this worthwhile endeavor.

Finally, I want to express our sincere appreciation to all the contributing authors, who graciously agreed to share their valuable works with our readers.

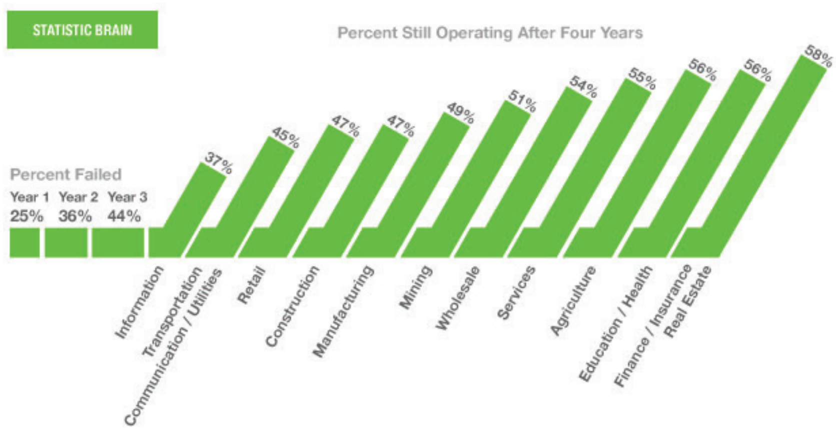
Best Regards,

Professor Meskerem Tadesse
Director, Center for Minority and Small Business &
Editor, Minority and Small Business Review

Developing and Managing A Marketing Campaign for Your Startup: A Practical Approach

By John G. Robbins, MBA

Abstract: *This article examines the interactive relationship between the total sales for the business and the components of its Integrated Marketing Campaign (IMC) to produce those sales. Small business owners must know how to optimally combine the five major IMC platforms (advertising, direct marketing, personal selling, sales promotion, and public relations and publicity) into a coordinated outreach to their target market. This article examines how to build an IMC for a start-up. Then, it examines how to measure its performance through metrics targeting the performance of each platform at the component level. Small businesses must adjust quickly to poorly performing components or their small budgets will be drained. We believe the approach described in this article will give small business owners an easy to use approach to building and controlling their IMC.*



In the United States, almost anybody can start a small business. Supposedly, all it takes is some hard work. However, 44% of startups fail by the 3rd year, according to the University of Tennessee Research report of 1.1.14. And, only 47% of retail shops are still operating after 4 years.

Obviously, it takes more than just hard work to make a startup successful.

Let's look at the number 1 cause of failure, according to their research: Incompetence.

In specific:
Emotional Pricing, Living too high for the business, Nonpayment of taxes, No knowledge of pricing, No knowledge of financing, and No experience in record-keeping. All these add up to the number one cause of failure: Lack of planning. And, the primary cause of plans to fail is lack of Marketing Planning.

That's where we will focus: Marketing Planning. Anyone can open a shop but only 47% will still be around in 4 years. How can you reduce your chance of becoming one of the 53% who will fail? The answer is to prepare a detailed Marketing Plan before you start. That way, we'll be able to see if there is a market for your product and whether there is enough of a market to sustain a profitable business. And, you can determine that before you even spend a dime!

Step One: Identify Your Target Market

The first step in developing a marketing plan is to define your target customer in detail.

A clear target audience must be identified. We demonstrated this in two previous articles*: Locating and Attracting Customers: A Practical Approach*[2] and *Market Research for Small Businesses: A Practical Approach*[3].

Since an Integrated Marketing Communication plan is a black hole for money, the more time you spend on defining your potential customers, the less money you will need to spend on your promotion.

Business Description:

We must define exactly what business we're in. In our example, we are opening **Sophisticated Shoes, Inc. (SSI)** a retail trendy shoe store for men and women in the Gelson's Center at San Joaquin Hills Road and San Miguel Drive, Newport Beach, CA 92660.

Target Market:

Now, we must define our customers as thoroughly as we can, so we don't waste advertising dollars. We also want to determine if there are enough potential customers that are willing to pay what we need to sustain our business.

SSI's Target Market: Men and women looking for unusual trendy shoes whose average price is $175 per pair.

Instead of making the typical mistake of using the city's population, we need to get into more detail about the psychology and demographics of our potential customer. Let's begin with the psychology.

SRI Consulting developed the **Values and Lifestyle System (VALS)** to better explain customer purchasing behavior. They divide the general population into eight distinctive subgroups based on their answers to a questionnaire. Then, they divided each subgroup by percentage ***of the general population***:

Innovator: Most resources, receptive to new technologies	11.7%
Thinker: Principle oriented	10.5%
Believer: Principle oriented	17.0%
Achiever: Status oriented, likes premium products	14.7%
Striver: Status oriented	11.8%
Experiencer: Action oriented, follows trends	12.7%
Maker: Action oriented	12.0%
Survivor: Least resources	9.5%

After looking into the VALS system in more detail, we want to target Achievers (14.7% of the population, Strivers (11.8%), and Experiencers (12.7%). Therefore our target market represents 39.2% of the general population. Now, let's look at another point of view.

MindBase Segmentation: Yankelovich developed a focus **on households**, as opposed to the SRI-VALS general population, using eight major groups and 32 subgroups:

MindBase provides an understanding of customers—their hopes, aspirations, concerns, points of view and outlook on life—all of which create a foundation for market strategy development. MindBase can attribute consumer motivations and attitudes to specific individuals within households and link these households to specific names and addresses in databases. They then divided each subgroup by ***percentage of households:***

Expressive:	Live in the now	16%
Driven:	Self focused	8%
Capacity:	Very busy	12%
Steady:	Family Focus	14%
Down to Earth:	Own pace	14%
Sophisticated:	High expectations	9%
Measure Twice:	Active seniors	15%
Devoted:	Old-fashioned	12%

After looking at the MindBase system more closely, we decide that the Expressive (16% of the adult population), Driven (8%), and Sophisticated (9%) should be our targets with a focus on Sophisticated whose life is full of high expectations for quality and uniqueness. Young Materialists, or "Driven," are ambitious with a drive to succeed personally and professionally. Up and Comers or "Expressive" live life to the fullest and are not afraid to express their personality. These three segments represent 33% of the adult population.

For further explanation of how to define a target market, please review *Locating and Attracting Customers: A Practical Approach.*

Now, let's look at the demographics.

There is an estimated population of 158,362 within 5 miles of store:

However, that is not the entire target market. We need to adjust the total population to reflect the portion that is our target.

First, we need to adjust for age down to 64,928 since only 41% are in our target age range. Then, let's adjust for VALS (62,078) and compare it to the population adjusted for MindBase (52,260). Let's choose the lower number for our use. This brings our target population down to 33% of the total. This is just an estimate, but it gets you down to a more realistic number than 158,362.

So, when we look to build market awareness, we will focus on the 52,260 within 5 miles of the store and not the total 158,362.

Now, how are we going to get in front of our adjusted target market?

Sophisticated Shoes, Inc.

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Business Description:		Trendy shoe store in Gelson's Center at San Joaquien Hills Road and San Miguel Drive, Newport Beach, CA 92660							
Target Market:		Men and women looking for unusual trendy shoes. 158,362 population within 5 miles of store							
	Geodemographic:		5 miles of store						
			Zips	Residences		Zips	Residences above 405 Freeway		
		Zip Codes:	92660	15,656		92614	9,817		
			92612	12,751		92604	9,941		
			92603	7,775		92606	8,164		
			92625	7,192		92782	9,837		
			92657	4,427					
			92662	2,419					
		Households:	87,979	50,220			37,759		
		Population:	158,362	1.8 Persons/Residence					
		Target Demographics					Newport Beach Demographics:		
		Gender:	50/50				50.2% male		49.8% Female
		Age:	30-55				43.8 years		41%
		College Grad:	50%				66.20%		
		HHMI:	$90,000				$112,259		
				Adjusted Population					
				158,362	100%				
		Age:		64,928	41%				
		VALS		62,078	39.20%	General Population			
		MindBase		52,260	33%	Households			
		Target:		52,260	33%				
		Source:	https://eddm.usps.com/eddm/customer/routeSearch.action						
			http://www.city-data.com/city/Newport-Beach-California.html						

Step Two: Develop an Integrated Marketing Campaign (IMC)

Most small business owners come from the operational side of their business and focus on production or service delivery. This is the classic “build it and they will come” approach. They build it and people don’t come. That’s why 44% have used up their savings and are gone by the third year.

The most common mistake is not building an IMC. They think running an ad in the local paper and putting up a website will do. For 44%, it doesn’t do at all. The key to an IMC is it gives focus to the marketing. We **must** define your target customer in detail. Then, we **must** find out how to get in front of them when they want to buy. And, we **must** do it cost effectively. So, we must always do an IMC first, not as an afterthought. That way, we’ll know if there are enough people that will pay what we need to sustain our business before we spend any money on anything.

First, let’s review the five major platforms of communication in today’s IMC:

1. Advertising: Any paid promotion by an identified advertiser that is does not target a specific person.
2. Direct Marketing: Mail, phone, or email targeting specific prospects.
3. Personal Selling: Face-to-face interaction with prospects.
4. Sales Promotion: Short-term incentives encouraging a trial or purchase.
5. Public Relations and Publicity: Programs to promote image or products.

Let’s begin with the Advertising Platform and project the sales and marketing costs attributed to advertising for the first three months by week. We may want to do it by day for the first month so we can make adjustments quicker to observed variances from the Plan.

Mass Marketing:
1. Advertising

Sopisisticated Shoes, Inc.																		
3/27/2015																		
					Pre-Start-Up Phase		Start-Up Phase				Begin Operational Phase							
							Open			Month 1				Month 2				Month 3
IMC					Week -2	Week -1	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12
Advertising		MEDIA																
		Newspaper																
		Daily Reporter												Reduce to 3days: Fri/Sat/Sun				
		Ad Size: 1/4 pg	$400/day		$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$1,200	$1,200	$1,200	$1,200	$1,200
		Dist: 5 days: Wed-Sun																
		Weekly Circulation:		111,000	15,170									9,102				
		Inquiry Rate:		0.50%							75.85	75.85	75.85	45.51	45.51	45.51	45.51	45.51
				1.00%			151.7	151.7	151.7	151.7								
		Capture		33%			50	50	50	50	25	25	25	15	15	15	15	15
		Average Sale:		$175														
		Sales:			$0	$0	$8,761	$8,761	$8,761	$8,761	$4,380	$4,380	$4,380	$2,628	$2,628	$2,628	$2,628	$2,628
			Monthly:							$35,043				$15,769				$10,513
			Quarterly:															$61,325
Advertising Costs:			Monthly							$12,000				$7,200				$4,800
			Quarterly:															$24,000
Net Contribution of Advertisingl to Cost of Goods Sold & G&A:																		$37,325

We expect 16% of total sales to come from the Advertising Platform by the end of the First Quarter. We anticipate the Inquiry Rate to be 1% for the first month due to the Grand Opening and the drop to 0.5% for the following months. Of those potential customers that inquired, we expect to Capture 33% as customers with an average sale of $175.

We chose the *Daily Reporter* newspaper and adjusted their 111,000 weekly circulation down to 15,170 to more closely reflect the geo-demographics of our target audience.

Based on information from the newspaper’s advertising staff, we estimate the inquiry rate for ad to be 1% initially because of the newness, then drop to 0.5% in the 5th week as awareness increases. We estimate the capture rate of inquiries into customers will be 33% and our average sale to be $175, which is one pair of shoes.

Our First Quarter sales estimate is $61,325 with marketing costs of $24,000 providing a contribution to cost of goods sold and operating expenses of $37,325 from just the Advertising Platform alone.

Direct Marketing:
2. Email

Sophisticated Shoes, Inc.																		
3/27/2015					**Pre-Start-Up Phase**		**Start-Up Phase**				***Begin Operational Phase***							
							Open			**Month 1**				**Month 2**				**Month 3**
					Week -2	**Week -1**	**Week 1**	**Week 2**	**Week 3**	**Week 4**	**Week 5**	**Week 6**	**Week 7**	**Week 8**	**Week 9**	**Week 10**	**Week 11**	**Week 12**
IMC																		
Direct Marketing		**Media**																
		Email																
		Vendor: Dunhill												3days: Fri/Sat/Sun				
		Quantity: 30,000/drop	$1,000/drop		$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
		IHD: Thursday																
		Quantity/Wk:			60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	30,000	30,000	30,000	30,000	30,000	30,000
		Delivered		98.00%	58,800	58,800	58,800	58,800	58,800	58,800	58,800	58,800	29,400	29,400	29,400	29,400	29,400	29,400
Subject Line		Opened	**(0.7-10%)**	7.00%	4,116	4,116	4,116	4,116	4,116	4,116	4,116	4,116	2,058	2,058	2,058	2,058	2,058	2,058
Copy		Click through	**(0.5-1.0%**	5.00%	206	206	206	206	206	206	206	206	103	103	103	103	103	103
Phone Script		Capture		33%			68	68	68	68	68	68	34	34	34	34	34	34
Add-ons		Average Sale:		$175														
		Sales from Email IMC:			$0	$0	$11,885	$11,885	$11,885	$11,885	$11,885	$11,885	$5,942	$5,942	$5,942	$5,942	$5,942	$5,942
			Monthly:							**$47,540**				**$35,655**				**$23,770**
			Quarterly:															**$106,965**
Email Costs:			**Monthly**							**$10,000**				**$6,000**				**$4,000**
			Quarterly:															**$20,000**
Net Contribution of Email to Cost of Goods Sold & G&A:																		**$86,965**

We expect 29% of total sales to come from the Email Platform. Based on information from the email vendor, we anticipate that 98% of email sent will be delivered and of those 7% will be opened. Of those opened, 5% will click through to our website. We estimate 33% of those will come to the store and become customers with an average sale of $175. The open rate depends on the subject line of the email and the click-thru rate depends on the email copy. We may need to adjust one or the other.

Our website should have a chat feature where the visitor can have voice communication with someone representing the store to entice the visitor to come into the store to try on the shoes.

The site will have maps and directions to the store since we are new to the community.

Our First Quarter sales estimate is $106,965 with marketing costs of $20,000, providing a contribution to cost of goods sold and operating expenses of $86,965 from the Email Platform alone.

2a. Postcards

We expect 47% of total sales to come from the Postcard Platform. From a weekly mailing of 10,000, we anticipate a 2% inquiry rate. We estimate a 50% capture rate due to the personal and tactile nature of postcards based on information provided by the postcard mailing house.

We estimate First Quarter sales of $175,000 with marketing costs of $48,000 and a contribution to cost of goods sold and operating expenses of $127,000 from just the Postcard Platform alone.

Sophisticated Shoes, Inc.																		
3/27/2015					**Pre-Start-Up Phase**		**Start-Up Phase**				***Begin Operational Phase***							
							Open			**Month 1**				**Month 2**				**Month 3**
					Week -2	**Week -1**	**Week 1**	**Week 2**	**Week 3**	**Week 4**	**Week 5**	**Week 6**	**Week 7**	**Week 8**	**Week 9**	**Week 10**	**Week 11**	**Week 12**
Direct Marketing		**Media**																
		Postcards																
		Size: 8.5x11		$0.40	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$2,000	$2,000	$2,000	$2,000
		IHD: Thurs																
		Weekly Mailing	10,000												5,000			
		Inquiries:		2.00%			200	200	200	200	200	200	200	200	100	100	100	100
		Capture		50%			100	100	100	100	100	100	100	100	50	50	50	50
		Average Sale:		$175			$17,500	$17,500	$17,500	$17,500	$17,500	$17,500	$17,500	$17,500	$8,750	$8,750	$8,750	$8,750
		Sales from Postcard IMC:																
			Monthly:							**$70,000**				**$70,000**				**$35,000**
			Quarterly:															**$175,000**
Postcard Costs:			**Monthly**							**$24,000**				**$16,000**				**$8,000**
			Quarterly:															**$48,000**
Net Contribution of Postcards to Cost of Goods Sold & G&A:																		**$127,000**

3. Personal Selling

Sophisticated Shoes, Inc.																	
3/27/2015				Pre-Start-Up Phase		Start-Up Phase				Begin Operational Phase							
						Open			Month 1				Month 2				Month 3
				Week -2	Week -1	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12
Personal Selling																	
	Build Word-of-Mouth																
	Average Sale:		$175														
	Opinion Leaders			10	10	10	10	5	5	5	5	5	5	5	5	5	5
	Discount to Opinion Leader		75%														
			33%														
	Costs			$1,313	$1,313	$1,313	$1,313	$289	$289	$289	$289	$289	$289	$289	$289	$289	$289
	Sales from Personal Selling IMC:			$1,313	$1,313	$1,313	$1,313	$656	$656	$656	$656	$656	$656	$656	$656	$656	$656
		Monthly:							$6,563				$2,625				$2,625
		Quarterly:															$11,813
Personal Selling Costs:		Monthly							$5,828				$1,155				$656
		Quarterly:															$7,639
Net Contribution of Personal Selling to Cost of Goods Sold & G&A:																	$4,174

We expect 3% of total sales to come from the Personal Selling Platform by the end of the first year. We will focus on building a group of Opinion Leaders that will recommend our store to their friends. To entice them to try our shoes, we will offer them a 75% discount. For the two weeks before and the week of the Grand Opening we will have 20 pairs available for this discount each week. For the next two weeks, we will have 10 pairs available and the rest of the Quarter, 5 pairs per week.

Opinion Leaders are those individuals who people look to for advice on a specific topic, such as fashion in our case. We will review local groups and media to locate these individuals. We will review the fashion section of local papers to see who is featured in pictures at local up-scale events.

We estimate First Quarter sales of $11,813 with marketing costs of $7,639 and a contribution to cost of goods sold and operating expenses of $4,174 from just the Personal Selling Platform.

4. Sales Promotion

Sopisisticated Shoes, Inc.																	
3/27/2015				Pre-Start-Up Phase		Start-Up Phase				Begin Operational Phase							
						Open			Month 1				Month 2				Month 3
				Week -2	Week -1	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12
Sales Promotion																	
	Grand Opening Party					$2,500											
	Grand Opening Discounts		50%	Pairs	100	$2,188	$2,188	$2,188	$2,188								
	After Open Discounts		20%	Pairs	100					$875	$875	$875	$875				
	Costs					$4,688	$2,188	$2,188	$2,188	$875	$875	$875	$875				
	Average Sale:		$175														
	Sales from Promotion IMC:					$2,188	$2,188	$2,188	$2,188	$3,500	$3,500	$3,500	$3,500				
		Monthly:							$6,563				$10,500				
		Quarterly:															$17,063
Promotion Costs:		Monthly							$11,250				$3,500				$0
		Quarterly:															$14,750
Net Contribution of Promotion to Cost of Goods Sold & G&A:																	$2,313

We expect 5% of total sales to come from the Sales Promotion Platform. We plan to offer a 50% discount to the public the month of the Grand Opening for up to 200 pair of shoes for the month. For the second month, we will offer a 20% discount to the public the month of the Grand Opening for up to 200 pair of shoes for that month. For the third month, we will offer no discounts to the public, since we should have achieved the projected awareness. The PR firm will do surveys of our Target Market to determine awareness level of our store as part of our monitoring process.

We estimate First Quarter sales of $17,063 with marketing costs of $14,750 and a contribution to cost of goods sold and operating expenses of $2,313 from the Sales Promotion Platform.

5. Public Relations

Sophisticated Shoes, Inc.																
3/27/2015		Pre-Start-Up Phase		Start-Up Phase				Begin Operational Phase								
				Open			Month 1				Month 2				Month 3	
		Week -2	Week -1	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12
Public Relations	Awareness of Target Market	0%	20%	50%	60%	65%	70%	75%	80%	85%	90%	90%	90%	90%	90%
	Grand Opening PR Cost		$2,000	$2,000	1,000										
	Backgrounder for Media	$2,500													
	Press Releases:	Bk. Grnder	PR-Grand	GO Pics			PR-3 Event Pics				PR-4 Event Pics				PR-5 Event Pic
	Awareness Surveys:						$1,000				$1,000				$1,000
	Preference Surveys:						$1,000				$1,000				$1,000
	PR Firm Cost:	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$1,000	$1,000	$1,000	$1,000	$1,000
	Costs	$4,500	$4,000	$4,000	$3,000	$2,000	$4,000	$2,000	$2,000	$2,000	$3,000	$1,000	$1,000	$1,000	$3,000
	Sales from Public Relations IMC:	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public Relations Costs:	Monthly						$21,500				$9,000				$6,000
	Quarterly:														$36,500
Net Contribution of Public Relations to Cost of Goods Sold & G&A:															($36,500)

We expect 0% of total sales to be directly attributed to the Public Relations Platform. Most of the PR effort will be in the first two months to build Target Market awareness through the local media. We will hire a local PR firm that knows both media and event PR. Prior to the Grand Opening, the PR firm will plan the Grand Opening, develop a Back Grounder folder to introduce us to the local media, release the Back Grounder to the media along with a press release announcing the Grand Opening. The week of the Grand Opening, they will release photos to the media of dignitaries that attended the Grand Opening.

Week 4, 8 and 12 will have press releases on other smaller events.

It will be difficult to get free placement continuously since, without some event linking us to the community (event sponsorship, etc.); the editorial staff will not consider it news and tell you to buy an ad.

The PR firm will monitor Target Market awareness through surveys at the end of each month.

We estimate First Quarter sales of $0 with marketing costs of $36,500 a negative contribution to cost of goods sold and operating expenses of ($36,500) from the Personal Selling Platform.

Total Sales

We expect total sales, from all the Platforms, for the First Quarter to be $372,164 with marketing costs of $126,253 giving us a Contribution to Cost of Goods Sold and G&A of $221,276. The expected first quarter dollar and percent contribution from each of the Platforms:

Sales Contribution by IMC Platform
First Quarter

IMC Platform	Media	Sales	Costs	Contribution	%
Advertising	Ad in local newspaper	$61,325	$24,000	$37,325	61%
Direct Selling	Postcards	$175,000	$48,000	$127,000	73%
	Email	$106,965	$20,000	$86,965	81%
Personal Selling	Discounts	$11,813	$7,639	$4,174	35%
Sales Promotion	Discounts	$17,063	$14,750	$2,313	14%
PR & Publicity	Press Release & Surveys	$0	$36,500	-$36,500	0%
Total		**$372,164**	**$150,889**	**$221,276**	**59%**

We have shown in this example only the first Quarter. The other Quarters should be projected by week through the end of the first twelve months.

Viability of the Business

We now know we should generate sufficient sales. But, just how many customers do we have to get and what percentage of our target market do we have to capture? We'll assume each customer will buy only one pair of shoes at $175 each quarter (we plan on 1 pair/month), as a conservative estimate.

That will result in 2,127 customers per quarter (4% of our Target Market) or 24 per day (.05% of Target Market). These capture rates seem to be achievable.

Therefore, our project seems viable from the marketing analysis. Now, we must analyze our business from the operational point of view and subtract cost of goods sold and G&A expenses from the Contribution provided by our IMC to get the profit for the quarter. (Here, we're just focused on the hard part, revenue generation).

Market Capture

				Customers	% of Target
Target Market:	52,262				
Number of customers:	$175	Per Pair	Per Qtr.:	2,127	4.07%
			Per Day:	24	0.05%

Step Three: Monitor and Adjust the Plan:

Now that we have a Marketing Plan, we must monitor it daily to make adjustments when the actual numbers don't meet our estimates. We want to react, but not over react, quickly to negative variances.

We want to analyze the variances, both positive and negative, for their underlying causes. For example in our Email Platform, we need to see how many were actually delivered. If that met our target, we need to see if the percent opened was on target. If it wasn't, the problem is in the email subject line and that needs to be changed and re-tested.

If the problem was in the click-through to our website, then we need to revise the copy of the email.

However, don't change everything at once or you'll never be able to isolate what is not working. Start at the beginning and work down through each step until each step is producing the maximum result for the following step.

IMC Platform:	Measure:
Mass Marketing	
1. Advertising:	Inquiry Rate Capture Rate Average Sale % of Sales
Direct Marketing	
2a. Email:	Delivered Opened Click Through Capture Rate Average Sale % of Sales
2b. Postcards:	Inquiries Capture Rate Average Sale % of Sales
3. Personal Selling:	Opinion Leaders Gained Discounts % of Sales
4. Sales Promotion:	Grand Opening Discounts After Opening Discounts Costs % of Sales
5. Public Relations:	Awareness of Target Market

The crucial part of marketing is the continuous monitoring of your marketing metrics. As you get in actual numbers, you will replace your percent estimates with actuals. Excel spreadsheets are ideal for this since you can tie the cells together with formulas. So you change an estimate to an actual and it will be reflected throughout the current spreadsheet, but also to those on the total spreadsheet since the platform sheets can be tied to the Total Sheet. This makes it very easy and keeps you on top of your marketing.

The Big IMC Benefit:
Once you have finished your initial Marketing Plan, you may discover that your project is not viable. It may be due to not having a big enough sustainable Target Market. Or, it could be due to too much competition which is driving down shoe prices so you can't meet your estimated average sale of $175 per pair.

Whatever the reason, the good news is you haven't spent a dime or signed a long term lease! All you invested is a little hard work not to be part of the 44% doomed to failure. So, put the plan in a file and move on to the next great idea.

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Trends and Opportunities in Global Real Estate

By Vasily Shorokhov, MBA &
Peng Chan, PhD

Abstract: *The United States in general and Southern California in particular accumulated a great amount of expertise in the global real estate area. With more economic growth predicted to happen outside of the United States borders in the near future, we believe that demand for the real estate service and professionals will continue to grow in counties with growing economies. This demand will encompass all facets of the real estate market from single family homes to apartments to office and to industrial facilities. Together with the opportunities developing in some particular growing markets there will be also opportunities for the experts in International Real Estate to help facilitate the investing capital in the real estate ventures overseas. PWC predicts that the global stock of institutional-grade real estate is expected to expand by more than 55% from US$29.0 trillion in 2012, to US$45.3 trillion in 2020, and then to US$69.0 trillion in 2030. This paper will focus on the two specific areas that present opportunities for growth: Global Real Estate Investment Trusts and Global Real Estate Management & Development.*

Introduction

In the past few years we have witnessed a lot of growth in the international markets, most of which has been associated with revival in the tech industry. As for specific international markets, this growth happened mostly in China and some parts of South East Asia. Recent growth in these markets has generated demand for engineering talent. As prosperity starts becoming more of the norm in these markets and as the middle class continues to blossom in these countries, there is going to be an increasing demand for services of real estate experts and professionals. As for more developed countries, they will be looking to capitalize on this growth by investing in real estate in the emerging markets. Although the tech industry and commodities will be the areas of most growth in the near future, becoming an expert in real estate in one of the emerging or already emerged markets will present an excellent career opportunity especially given the fact that many professionals exited this field after the recent financial crisis and the collapse of the real estate market. The real estate market is going through, some might say, the biggest change it had ever experienced. Part of becoming successful is recognizing and understanding the timing of taking certain action. With the real estate market, it is time to act now as these opportunities might not be available even in the near future. Today a successful strategy for many corporations is one that is aimed at reaching customers worldwide. For many years, many real estate firms have been inwardly oriented and just focused on operating in their home country. In today’s environment, there is no reason why real estate firms and professionals should not look at the real estate market from a global perspective and develop a truly global strategy.

This paper will discuss the state of the global real estate market today, outline the trends, provide comparative analysis of various regions in the world, and investigate the largest companies dominating this market. Why is this information important? A person considering a career in the field of global real estate needs to understand where the areas of growth are and who might be potential employers in this industry. The research conducted in this paper will revolve around two major components comprising the global real estate industry: global real estate investment trusts and global real estate management and development. This paper will provide the specific dynamics of both components by breaking them into various segments to provide interested parties with an overview of and insight into what happened to these segments in the recent past and what direction they are planning to go in the near future.

Global Real Estate Industries

The global real estate industry consists of two main market segments: real estate management and development, and real estate investment trust (REITs). The Real Estate Management and Development segment focuses mainly on acquiring and owning real estate with the purpose of generating rental income from renting or leasing properties. The revenues can also be generated via management services.

Real Estate Investment Trusts (REITs), on the other hand, include companies that are engaged in acquiring a mix of real estate companies that are involved in the development, ownership, leasing, management and operation of industrial properties, such as companies operating industrial warehouses and distribution properties. One of the main differences between the two groups of industries is that one is valued by the revenue it can generate and the other is valued by market capitalization.

Experts predict that both sectors of the industry (real estate management and development and REITs) will steadily continue to grow through 2015. The residential segment will continue to represent a larger growth segment. The growth rate of the industry was at 2.8% which brought the total value of the industry to almost $580 Billion in 2013.

As for global segmentation, Europe and America continue to lead the market with 36% and 35% of total market respectively. Although the Asia Pacific market currently holds only 20% of the total market, it is the market that is best positioned for growth as we are seeing most of the economic activity in the world concentrating in this region. From a specific company standpoint the market is very fragmented with no company controlling more than 2.1% of the market. Mitsui Fudosan, a Japanese real estate management company, is the company that controls 2.1% of the market. The largest US firm is CB Richard Ellis and it has control of 1.2% share by value.

Market Analysis

One of the more attractive features of the real estate market is scarcity. As the population and its industrial demands grow, the amount of available land does not. Real estate does not really have any serious substitute; perhaps changes in lifestyle, such as telecommuting and more online shopping have affected certain facets of the real estate market; however, the demand for industrial and storage facilities has gone up. The industry is competitive but not as nearly competitive as some other industries like high tech. Rivalry is moderate between the players in the industry as there is a finite amount of available product (land, building) and the available applications of these properties are limited. The power of suppliers is also moderate as real estate companies can choose from a number of available contractors; however, given the fact that the many real estate investments require a large amount of capital, there is a limited number of real estate investors and they to a certain extent have power over suppliers. The buyer power could vary by market segment but it also tends to be on lower end of the moderate side as buyers can't easily switch and the amount of substitutes as previously mentioned is limited. The only major barrier to entry into the industry is the amount of capital required to make investments. On a more regional level, knowledge of the specific market could also become a barrier for entry. That is why it is wise to focus on a specific region of the world so that one can become an expert in the real estate laws and regulation, and also the practices or customs associated with doing business in this industry. Specific expert knowledge of an area could become a differentiating factor as one builds one's strategy and executes on it.

Global Real Estate Investment Trusts

The real estate investment trust ("REIT") concept now exists in over 30 countries worldwide. REITs globally have seen their market cap grow from $300 billion to just over $1 trillion as of September 2013. The REIT concept has become increasingly recognized and accepted as a mainstream investment sector and a route for investors to access high value, illiquid real estate assets.

Companies in this industry primarily own and manage income-producing real estate such as retail, office, industrial, and multifamily residential buildings. Major US companies include American Tower Corporation, Equity Residential, Host Hotels & Resorts, Simon Property Group, and Vornado Realty Trust; major international companies include Icade (France), H&R REIT (Canada), Land Securities Group

(UK), Link Real Estate Investment Trust (Hong Kong), and Stockland Corporation (Australia).

The US REIT industry includes some 1,000 companies, about 180 of which are publicly traded, according to NAREIT. Industry size is measured by market capitalization and can vary significantly from year to year. Publicly traded US REITs have a market capitalization of about $780 billion.

Outside the US, about 30 countries have established real estate investment trusts (REITs), and other countries are considering adopting REIT-like structures. There are more than 400 stock-exchange listed real estate companies worldwide, according to the National Association of Real Estate Investment Trusts (NAREIT). Listed and non-listed REITs own more than $1.5 trillion in real estate assets globally.

Retail is a dominant segment in this industry accounting for 26% of total value. Today the Americas dominate in the global REIT industry with almost 45% of value. Simon Property Group is the biggest real estate investment trust in the industry with 3.2% share of the industry value.

For purpose of classification, industry experts break up the REIT market into the following segments: North America, South America, Western Europe, Eastern Europe, MEA, and Asia-Pacific.

- **North America** consists of Canada, Mexico, and the United States.
- **South America** comprises Argentina, Brazil, Chile, Colombia, and Venezuela.
- **Western Europe comprises** Belgium, Denmark, France, Germany, Greece, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.
- **Eastern Europe comprises** the Czech Republic, Hungary, Poland, Romania, Russia, and Ukraine.
- **Asia-Pacific** comprises Australia, China, India, Indonesia, Japan, New Zealand, Singapore, South Korea, Taiwan, and Thailand.
- **Middle East-Africa (MEA) comprises** Egypt, Israel, Nigeria, Saudi Arabia, South Africa, and United Arab Emirates.

As for specific companies, the market is very fragmented, with no single player dominating the market. Simon Property Group (Simon) is the leading player with 3.2% share of the market. Simon is a self-administered and self-managed real estate investment trust. The company headquarters are located in Indianapolis, IN. They own, develop and manage retail real estate properties, which consist primarily of malls, Premium Outlets and The Mills. As of December 31, 2014, they owned or held an interest in 207 income-producing properties in the United States, which consisted of 109 malls, 68 Premium Outlets, 13 Mills, three community centers, and 14 other retail properties in 37 states and Puerto Rico. Internationally, as of December 31, 2014, they had ownership interests in nine Premium Outlets in Japan, three Premium Outlets in South Korea, two Premium Outlets in Canada, one Premium Outlet in Mexico, and one Premium Outlet in Malaysia.

As of December 31, 2014, the group owned or held interest in over 6.5 million sq. ft. of "total gross leasable area" in the world.

Real Estate Management & Development

Just like with REITs the Americas also dominate this industry with almost 41% of the total value. Recent financial crisis has intensified the competitiveness of this industry as it became more challenging to get access to and obtain the necessary funding. But experts expect this segment to start growing and increase by 1.3% to reach the value of $466.00 billion.

Within the Real Estate Management and Development industry there are two major segments: residential and non-residential, with the residential market segment having a larger share of 57%. Below is the breakdown of this industry based on geographic region:

Americas	40.7%
Europe	34.7%
Asia-Pacific	21.7%
Others	3.0%

As mentioned earlier, the Americas represent the larger share in this industry with Europe being slightly behind. Just as with the REIT's, Asian markets account for slightly above 21%. Asia and the "other" markets present an opportunity for this industry to grow. Historically, growth in this market segment is associated with improved economic activity and access to the credit markets. With the dynamic economic growth in the Asian markets and the climate improving in the world credit markets, this segment of real estate should start showing signs of improvement and steady growth at a later stage.

Mitsui Fudosan Co Ltd (Mitsui) is one of the leading players in the global real estate management & development industry with 2.1% share of the industry's value. The company concentrates its efforts in the following sectors: office, retail properties, and housing and hospitality properties. Mitsui is known to be an organization that incorporates socially responsible goals into its long-term strategy. On their website the company has posted several links which are dedicated to the company's initiatives to help the environment, assist the victims of an earthquake and also initiatives that are aimed at helping the new generation of Japanese youth. Mitsui has operations in all the major global real estate markets of the World. Mitsui's 5 year plan is focused on becoming more profitable through innovation as they are realizing that consumer tastes are changing.

The Changing Landscape

Direct investment in real estate is "almost back at the pre-crisis level" and increasingly the impetus is attributable to sovereign wealth fund and institutional capital, much of it from Asia.

Sales of large lot-size commercial property around the world totaled over $1.1 trillion in 2013, surpassing the trillion dollar mark for the first time in the post-financial crisis era, according to Real Capital Analytics (RCA).

RCA says that the strength of the US, a revival of transactions in Europe and a massive volume of land deals in China all contributed to this remarkable uptick in activity.

The upside of the global real estate market is huge. The market continues to grow in both sectors: real estate management and REITs. In both sectors, the Asian market is significantly underrepresented given the economic growth in that part of the world. The real estate services industry is developed and mature in the European and American markets but has some major opportunities for growth in the Asian markets. Some eastern European markets can't be ignored either.

Asian real estate markets are currently enjoying an abundance of riches. Whether derived from new sources of institutional capital that continue to build across the region, or from almost 6 years of global central bank easing, a seemingly infinite stream of money is now pointed at real estate assets across virtually all jurisdictions and asset classes, pushing up prices and further compressing yields. For now, much of the new capital is sourced from China and South Korea. In the future it is likely to be supplemented by substantial amounts of pension fund capital emerging from Japan and potentially Australia.

For managers of companies involved in real estate, it is advisable to focus on a specific geographic area and dedicate time, money and other resources in becoming an expert in that particular region. As mentioned before, the market is very fragmented with a couple of main players dominating in both segments, but who are mostly involved in the established real estate markets. This leads us to conclude that there are opportunities to compete in the specialty markets, i.e. specializing in a certain geographic area as mentioned before. For people seeking careers in the field of global estate, the same advice would apply. Since the established markets are very competitive and have a plethora of knowledgeable experts, becoming an expert in a specific regional market could make one very valuable for a future employer.

Managerial Implications

The changing landscape will have major implications for real estate investment and development. It will increase the size of the asset pool, yet change the nature of investment opportunities. Real estate organizations will need to adapt early to survive and prosper.

PwC offered a few predictions for 2020 and beyond:

1. *The global investable real estate universe will expand substantially, leading to a huge expansion in opportunity, especially in emerging economies. World population growth and increasing GDP per capita will propel this expansion. By 2020, investable real estate will have grown by more than 55% compared to 2012, according to PwC forecasts, and then will expand by a similar proportion in the following decade.*

2. *Fast-growing cities will present a wider range of risk and return opportunities. Cities will present opportunities ranging from low risk/low yield in advanced economy core real estate, to high risk/high reward in emerging economies. The greatest social migration of all time – chiefly in emerging economies – will drive the biggest ever construction surge.*
3. *Technology innovation and sustainability will be key drivers for value. All buildings will need to have 'sustainability' ratings, while new developments will need to be 'sustainable' in the broadest sense, providing their residents with pleasant places to live. Technology will disrupt real estate economics, making some types of real estate obsolete.*
4. *Collaborating with governments will become more important. Real estate managers, the investment community and developers will need to partner with government to mitigate risks of schemes that might otherwise be uneconomic. In many emerging economies, governments will take the lead in developing urban real estate and infrastructure.*
5. *Competition for prime assets will intensify further. New wealth from the emerging economies will intensify competition for prime assets; the investment community will need to think laterally to earn attractive returns. They might have to develop assets in fast-growing but higher risk emerging economies, or specialize in the fast-growing subsectors, such as agriculture, retirement, etc.*
6. *A broader range of risks will emerge. New risks will emerge. Climate change risk, accelerating behavioral change and political risk will be key.*

In order to prepare for these implications, the real estate investment organizations will need to make sure they have the right capabilities and qualities.

Conclusion

In summary, this research shows that the real estate market is positioned for growth. In particular, the global real estate market has not been hit by the Economic Recession like in the United States. Although the barriers to enter this industry are very high in terms of capital requirements, the rivalry within the industry is not fierce which leaves some opportunities for smaller players to enter and successfully operate in this industry. As mentioned above, we strongly recommend a specialty approach to become an expert in a certain part of the world. As for future research on this topic, it would be interesting to compare the performance of the global real estate firms who specialize in certain regions versus the ones that invest all over the globe.

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Surviving the Dreaded IRS Tax Audit

By Fredrick Ho, CPA, MBA

Most taxpayers fulfill their responsibilities to the IRS by just filing their annual returns, while others are not so fortunate. Nothing strikes fear and panic in the heart like the prospect of a tax audit. What should be done when selected by the IRS for an audit? Education and following a few simple rules can make the process less painful.

Accurate Records Now, Less Trouble Later

The Internal Revenue Service (IRS) allows taxpayers numerous opportunities to save on taxes, but it is the latter's responsibility to maintain accurate records to support the information in the tax return in the event of an audit. Collecting and organizing records throughout the year will make it easier to prepare the tax return and reduce the chances of errors. It will also allow a defense if the IRS chooses to dispute items in the return. It should be a habit to do the following:

- Maintain at least three years' worth of tax returns and records
- Keep checkbook stubs and bank statements
- Retain, categorize, and file receipts and bills from all purchases
- Track cost basis for property and taxable investments
- Record in ledgers income and deductible items as they occur

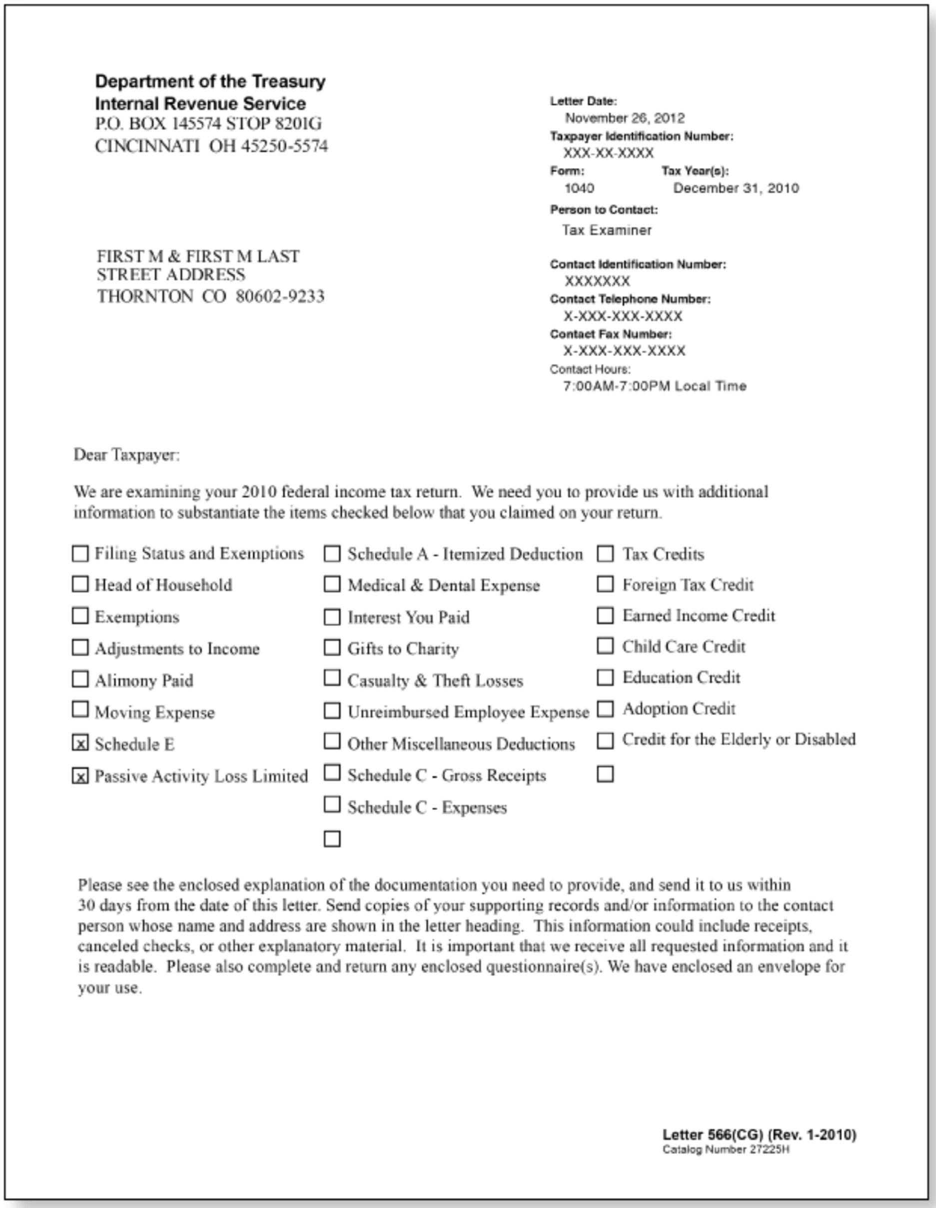
Odds of Getting Selected

The IRS has increased the number of audits it conducts. However, the focus is on high-income taxpayers, abusive tax shelters, and corporations. The odds that a return will be picked for a tax audit are actually quite low.

The IRS rarely singles out a taxpayer based on who the taxpayer is, or because the IRS thinks the taxpayer has done anything wrong. Personal tax audits occur as a result of entirely objective statistical reviews of filed returns. Audits may result from random selection, computer screening, and/or document matching. Taxpayers who fail to report all items of income, improperly report items, or omit required W-2s and other return schedules, are more likely to attract attention. Returns showing very large gross incomes, and those having Schedule C's (sole proprietorships) are frequently picked, often based on the amount of deductions claimed in relation to gross business income. Persons who have significant capital gain transactions reported on Schedule D are also more likely to be audited, since asset "tax basis" issues often arise and result in adjustments.

Types of Audits

The IRS examines individual taxpayers in essentially three ways. First, returns are examined at the IRS Service Center. Most simple issues, such as computational errors and missing documents and schedules, are resolved by correspondence audit from the Service Center. The taxpayer receives IRS Letter 566 which is a notice for an audit and Form 886-A (Explanation of Item and Request for Information). Merely sending in the requested information or schedule will usually bring these return reviews to a quick and trouble-free conclusion. 80 percent of individual audits are done this way. Exhibit 1 shows a sample notice sent to taxpayers for a correspondence examination, and Exhibit 2 shows a sample form 886-A. Returns with more complex issues may be forwarded to the IRS local District Office for further screening. Returns that warrant further examination will be assigned for either an "office examination," or "field examination." The taxpayer would then receive IRS letter 2205 or 3572 notifying an audit is being conducted and form 4564 with an explanation of the items being requested from the taxpayer. Office examinations are conducted by agents who do not leave the IRS premises to do their job. It normally lasts four hours of less. The taxpayer will be asked to produce receipts and other documents related to specific questions about the return. Field examinations are carried out by more experienced agents who usually go to the taxpayer's place of business or residence. It involves hours of intense review and verification by a revenue agent. The most complex returns, such as those involving high income schedule C (sole proprietor) businesses, are generally assigned for field examination.



Department of the Treasury
Internal Revenue Service
P.O. BOX 145574 STOP 8201G
CINCINNATI OH 45250-5574

Letter Date:
November 26, 2012
Taxpayer Identification Number:
XXX-XX-XXXX
Form: 1040 **Tax Year(s):** December 31, 2010
Person to Contact:
Tax Examiner
Contact Identification Number:
XXXXXXX
Contact Telephone Number:
X-XXX-XXX-XXXX
Contact Fax Number:
X-XXX-XXX-XXXX
Contact Hours:
7:00AM-7:00PM Local Time

FIRST M & FIRST M LAST
STREET ADDRESS
THORNTON CO 80602-9233

Dear Taxpayer:

We are examining your 2010 federal income tax return. We need you to provide us with additional information to substantiate the items checked below that you claimed on your return.

☐ Filing Status and Exemptions	☐ Schedule A - Itemized Deduction	☐ Tax Credits
☐ Head of Household	☐ Medical & Dental Expense	☐ Foreign Tax Credit
☐ Exemptions	☐ Interest You Paid	☐ Earned Income Credit
☐ Adjustments to Income	☐ Gifts to Charity	☐ Child Care Credit
☐ Alimony Paid	☐ Casualty & Theft Losses	☐ Education Credit
☐ Moving Expense	☐ Unreimbursed Employee Expense	☐ Adoption Credit
☒ Schedule E	☐ Other Miscellaneous Deductions	☐ Credit for the Elderly or Disabled
☒ Passive Activity Loss Limited	☐ Schedule C - Gross Receipts	☐
	☐ Schedule C - Expenses	
	☐	

Please see the enclosed explanation of the documentation you need to provide, and send it to us within 30 days from the date of this letter. Send copies of your supporting records and/or information to the contact person whose name and address are shown in the letter heading. This information could include receipts, canceled checks, or other explanatory material. It is important that we receive all requested information and it is readable. Please also complete and return any enclosed questionnaire(s). We have enclosed an envelope for your use.

Letter 566(CG) (Rev. 1-2010)
Catalog Number 27225H

Exhibit 1: IRS Audit Letter 566(CG)

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

Your plan submitted a request to the Internal Revenue Service for a determination letter on the qualified status of the plan. When the IRS completed our review of your request, we issued a Letter 1132 or a Letter 835 to the plan to notify you of the results.

Your determination letter was issued with a proposed caveat or caveats. The letter informed you that the plan had 91 days from the date on the determination letter to sign the proposed amendment or proposed plan adoption under the 401(b) period. See language on you determination letter. As stated, "This determination is subject to your adoption of the proposed amendments submitted in your letter dated XXXXXX. The proposed amendment should be adopted on or before the date prescribed by the regulations under code section 401(b)."

1. Please provide proof that the amendment(s) were signed within this period or provide an explanation why this was not completed.

2. Please send us a copy of this determination letter (Letter 1132 or Letter 835) with a copy of the amendment(s) that were signed within the 91 days that it pertains to. Your letter may have multiple proposed caveat(s) listed on it.

You may mail or fax the requested information to the address or fax phone number that appears on the attached letter within 15 days of the date on this request. Thank you.

Page Form **886-A** (1-1994) Catalog Number 20810W Department of the Treasury-**Internal Revenue Service** publish.no.irs.gov

Exhibit 2: Form 886-A Explanations of Items

Preparing for the Audit

The IRS has the right to inspect taxpayer's financial records to see if the information reported in the return as income, deductions, exemptions, credits, etc. are accurate. It is to the taxpayer's advantage to prepare for the impending audit. The first step should be to consider asking any questions to the IRS agent ahead of time to make sure that it is clearly understood what the IRS is looking for. Next, the taxpayer should review in detail a copy of the return being audited. Once a thorough understanding of the contents of the tax return is obtained, if the taxpayer feels that the matters being questioned by the IRS are too complicated, the taxpayer should seek the assistance of a professional such as a certified public accountant (CPA) or an attorney. It will be necessary to thoroughly organize the records to support the items questioned by the IRS. Organizing the paperwork to be given to the IRS is essential so the audit agent doesn't have to go looking through stacks of unrelated documents where he or she may find something else that needs auditing. In the event that there are missing receipts or other documentation, it will be necessary to try to reconstruct the information as much as possible, based on other documents, like canceled checks. Types of paperwork to gather may include sales slips, credit card receipts and other proofs of payment, invoices, canceled checks, bank statements and, of course, mileage logs. Prior to the actual examination, the taxpayer should establish a comfortable range for settlement. This will prepare the taxpayer for possible settlement terms that might be discussed later by the examiner.

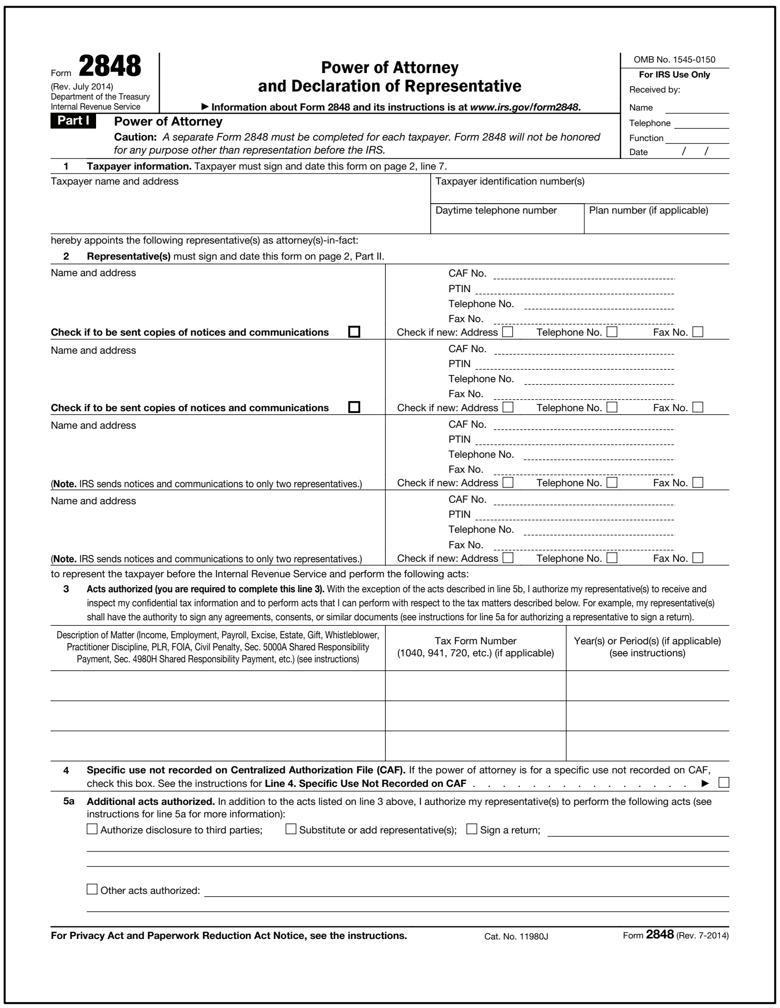
If the audit occurs in the taxpayer's place of business, all employees should be instructed in advance not to discuss about the business or the audit with the IRS agent. Inquiries from the IRS agent should be directed to the taxpayer. 10 days prior to the interview, a written notice should be provided to the IRS that the taxpayer will be making an audio recording of the interview with the IRS agent. Video recordings are not allowed. Finally, requesting a postponement of the audit is always advisable if the taxpayer needs more time to gather up records.

Retaining Representation

At times, it may be recommendable, to consult a certified public accountant or tax attorney to understand what the IRS is looking for and why. The taxpayer has the right to be represented during an audit. IRS employees are used to dealing with taxpayer representatives and will not assume or presume that the taxpayer has anything to hide just because a representative has been retained. It is possible to have a CPA, attorney, IRS Enrolled Agent, or the paid preparer of the return represent the taxpayer. Representation can be expensive, so it will need to be considered based on the nature of the issues, and the amount of tax believed that the IRS may determine it is being owed.

If it is anticipated that there will be significant issues that could result in substantial tax liability, and certainly if the taxpayer knows an inaccurate return had been filed, it may be wise to consult with an experienced and knowledgeable tax professional before the examination begins. Even if the taxpayer believes to be clear what the areas of concern might be, an experienced tax professional may be able to look at the return and tell what items or schedules are likely to draw the examining agent's attention. This may help better prepare, and it will also help to decide whether the taxpayer may want and require ongoing representation during the audit process.

The taxpayer can give a qualified representative the power of attorney (using IRS form 2848-see exhibit 3), and he or she can appear on behalf of the taxpayer. The representative can handle any or all aspects of the audit, including signing final



Form **2848**
(Rev. July 2014)
Department of the Treasury
Internal Revenue Service

Power of Attorney
and Declaration of Representative

▶ **Information about Form 2848 and its instructions is at *www.irs.gov/form2848*.**

OMB No. 1545-0150
For IRS Use Only
Received by:
Name
Telephone
Function
Date / /

Part I **Power of Attorney**

Caution: *A separate Form 2848 must be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.*

1 **Taxpayer information.** Taxpayer must sign and date this form on page 2, line 7.

Taxpayer name and address | Taxpayer identification number(s) | Daytime telephone number | Plan number (if applicable)

hereby appoints the following representative(s) as attorney(s)-in-fact:

2 **Representative(s)** must sign and date this form on page 2, Part II.

Name and address — CAF No. / PTIN / Telephone No. / Fax No.
Check if to be sent copies of notices and communications ☐ — Check if new: Address ☐ Telephone No. ☐ Fax No. ☐

Name and address — CAF No. / PTIN / Telephone No. / Fax No.
Check if to be sent copies of notices and communications ☐ — Check if new: Address ☐ Telephone No. ☐ Fax No. ☐

Name and address — CAF No. / PTIN / Telephone No. / Fax No.
(**Note.** IRS sends notices and communications to only two representatives.) — Check if new: Address ☐ Telephone No. ☐ Fax No. ☐

Name and address — CAF No. / PTIN / Telephone No. / Fax No.
(**Note.** IRS sends notices and communications to only two representatives.) — Check if new: Address ☐ Telephone No. ☐ Fax No. ☐

to represent the taxpayer before the Internal Revenue Service and perform the following acts:

3 **Acts authorized (you are required to complete this line 3).** With the exception of the acts described in line 5b, I authorize my representative(s) to receive and inspect my confidential tax information and to perform acts that I can perform with respect to the tax matters described below. For example, my representative(s) shall have the authority to sign any agreements, consents, or similar documents (see instructions for line 5a for authorizing a representative to sign a return).

Description of Matter (Income, Employment, Payroll, Excise, Estate, Gift, Whistleblower, Practitioner Discipline, PLR, FOIA, Civil Penalty, Sec. 5000A Shared Responsibility Payment, Sec. 4980H Shared Responsibility Payment, etc.) (see instructions)	Tax Form Number (1040, 941, 720, etc.) (if applicable)	Year(s) or Period(s) (if applicable) (see instructions)

4 **Specific use not recorded on Centralized Authorization File (CAF).** If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for **Line 4. Specific Use Not Recorded on CAF** . . . . ▶ ☐

5a **Additional acts authorized.** In addition to the acts listed on line 3 above, I authorize my representative(s) to perform the following acts (see instructions for line 5a for more information):
☐ Authorize disclosure to third parties; ☐ Substitute or add representative(s); ☐ Sign a return;

☐ Other acts authorized:

For Privacy Act and Paperwork Reduction Act Notice, see the instructions. Cat. No. 11980J Form **2848** (Rev. 7-2014)

Exhibit 3- Power of Attorney Form

agreement forms. Representation can be expensive, and it can at times have the effect of prolonging the audit process. An audit may occasionally move faster and more efficiently if the IRS examiner can deal directly with the taxpayer. Items requiring explanation can be dealt with quickly, without having to go through an intermediary.

A representative is highly advisable in any case where a taxpayer has knowingly filed a return that contains false information. There are costly civil penalties for tax understatements and inaccuracies, and if willfulness can be shown, a criminal investigation can result. If the taxpayer knows that an inaccurate return has been filed, and/or knows that it is not possible to substantiate material items in the return, there may be a need to see an attorney with experience in handling potentially criminal tax cases.

During the Audit

The job of the examiner is to determine if the entries on a return are accurate and supportable. If they are, the return will be "no-changed" and the audit process will be very brief. There could even be a refund, if in the process it is discovered that the taxpayer had deductions that were left out on the original return filed.

For the examination, only the records related to the items in the IRS Notice of Audit should be taken - extra records should never be volunteered, since this may end up leading to a new investigation. If the examiner happens to question on an item not mentioned in the IRS notice, the taxpayer should refuse in a polite but firm manner until the IRS files a formal request for this information. In addition, it is important:

- To answer questions as concisely as possible
- Not to lie
- To stop the audit if things are not going well in order to consult with a tax attorney or accountant before continuing
- To speak with the audit agent's supervisor if the auditor isn't being fair

The examiner will generally prepare an audit report showing the additional tax, any penalties and the accrued interest amounts. If the "bottom line" is acceptable, the taxpayer will be asked to sign the audit report, which also contains a provision by which he or she will allow the IRS to immediately assess the amount shown. By signing the form, the taxpayer will waive further administrative appeal rights, and the right to go to Tax Court. It will take the IRS Service Center anywhere from three to eight weeks to process the file, assess the tax and send out a final bill. Interest stops for 21 days after the bill is issued. If paying within that time, there is no additional interest.

After the Audit

IRS office examiners are encouraged by their managers to get examinations closed quickly, preferably right at the conclusion of the first audit interview. In most office examinations, the auditors will tell the taxpayer what they think he or she owes, based on the examiner's assessment of the taxpayer's records and substantiation. The examiner may encourage signing a computer generated audit report at the end of the audit interview, which allows the IRS to immediately assess the additional tax. If the taxpayer is not entirely comfortable with the amount of additional tax the examiner says is owed, nothing should be signed, and no indication should be given as to whether the taxpayer agrees or disagrees. The best approach then is to have the examiner run an audit report showing the additional tax, penalties and interest that he/she is proposing. The taxpayer should indicate to the examiner that the former will get back to the IRS after having a chance to study the report and consult with advisors.

When deciding whether to agree to additional tax, it should always be remembered that, in addition to the tax, there will also be statutory interest from the due date of the return. Also, the taxpayer needs to understand whether the examiner is proposing any penalties, such as late filing or accuracy penalties. These can be substantial in amount, and they too bear interest from the due date of the return. The audit report should reflect all of these items, and will give the "bottom line" amount owed. The taxpayer should be alert to the possibility that a subsequent year return may contain the same issues, and could make the taxpayer vulnerable to another audit. Thus, it is wise to carefully consider all the effects and risks of agreeing to any proposed tax deficiency.

If the taxpayer disagrees with the examiner's findings, the former can request a meeting with the examiner and his/her manager. Managers will sometimes reverse the examiner's findings if circumstances warrant. Examiners usually try to persuade taxpayers to do "partial agreements" in which the taxpayer agrees to those adjustments that he or she does not dispute. Only the disputed items are then written up as "unagreed." It is important to note that by agreeing to some issues that are marginal, the taxpayer may be giving up some measure of "leverage" in an appeal. Here again, professional advice can be helpful.

If the case will be fully or partially "unagreed," the IRS will issue what is known as a commonly called a "thirty-day letter." This letter will set out the proposed changes and tax liability, as well as explain appeal rights. A protest must be filed within thirty days. By filing a protest, the taxpayer insures his or her rights to have the Appeals Division consider the case. Prior to considering a hearing with the Appeals Division, the taxpayer may wish to pursue fast track mediation. In this case, a trained mediator from the IRS Office of Appeals works with the taxpayer and IRS Collection to reach an agreement. This option is normally very effective and economical and the taxpayer retains all subsequent appeal rights if this fails.

The Appeals division is staffed by experienced IRS agents who are charged with the responsibility to review the case, and to determine if there is a basis upon which the case can be compromised and settled. Appeals officers will generally give every taxpayer a fair and impartial hearing. It should not be expected that Appeals will settle issues that could not be supported or substantiated during the audit. However, if the issues are not entirely clear, are close-calls, or legally debatable, Appeals Officers, unlike an examining agent, have settlement authority. A large majority of cases submitted to Appeals are settled. However, the process can take up to eighteen months (or more) to complete. Meanwhile, interest continues to accrue on whatever tax liability is finally settled upon. The taxpayer may want to consider making at least a partial payment to reduce interest accruals. Doing so will not adversely affect the opportunity to get a fair hearing in the Appeals Division.

Appealing a case within the IRS or the Tax Court will often net some savings (although seldom a complete victory). However, an appeal may uncover issues not spotted by the initial auditor. So, another audit is a real possibility. As with the audit phase, the taxpayer has a right to and should consider having a qualified representative handle the appeal. Again, the costs can be substantial, so there is a need to weigh the issues and the amount at stake. Proposed deficiencies of less than $10,000 can make representation relatively uneconomical.

If the taxpayer goes to Appeals but does not obtain a settlement proposal that is fair, the next option is to petition the United States Tax Court. Once the taxpayer tells the Appeals Officer that the taxpayer will not agree, a "90-day Letter" will be issued. The letter will provide instructions on how to file a petition within the 90 day petition period. It can take up to two years to get a case heard in Tax Court. Most cases that are petitioned in the Tax Court are ultimately settled by Appeals Officers or IRS District Counsel attorneys. In those rare cases that cannot be settled, the Tax Court judge will make the final decision.

Again, costs must be considered before deciding to petition a case in Tax Court. It is possible to follow instructions and self petition a case. Tax Court judges will make every effort to give a taxpayer a chance to present his or her case. However, much more so than with the Appeals Division, it may be unwise and even counter-productive to enter the Tax Court arena without qualified legal counsel. The amount at issue must, of course, justify the cost, and the taxpayer should beware of ever accruing interest. Advance payments of some portion of the tax may be advisable.

Conclusion

Usually, the IRS will conduct an audit of a tax return only if it sees for example some invalid deductions or omitted income and it is confident that the audit will result in a tax bill. In other words, in an audit, it is very likely that the taxpayer will have to pay additional money for taxes, so there should not be any disappointment if the taxpayer couldn't "beat the IRS" when all the smoke clears.
Although audits are unpleasant, there is no need to dread them if the taxpayer has kept financial records complete and organized. If chosen for an audit, the taxpayer should make sure the examination is scheduled far enough in advance to allow for preparation time. Solid preparation should enable the taxpayer to get through the audit with a minimal amount of stress. A common question is whether being audited for a given year increases the risk of being audited again on future returns. If the same issue that originally triggered an audit appears in the following year's tax return, the chances of another audit are fairly high. In fact, examiners will normally request to see copies of filed subsequent years' returns to note if the same issues appear. The examiner has the discretion to initiate an examination (or to extend the current examination) to the subsequent years. An audit for a given year will definitely not, in and of itself, cause the taxpayer to be audited in future years.

The best way to get through an audit, and the best way to ward off additional audits, is to maintain good records! Most unpleasant audit experiences come from having improperly prepared returns and/or having inadequate records. Retaining professional assistance and representation may at times be of paramount importance in surviving an audit with the IRS.

No taxpayer should assume they are being audited for "personal reasons". In the vast majority of cases, there is no need to be worried or upset. There is only a small chance each year of having the IRS select a return for examination for one reason or another. However, unless a return is very simple and invariably accurate, the chances of at least one audit during the taxpayer's lifetime are fairly high.

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IRS Publication 3498 – The Examination Process
www.IRSVIDEOS.gov/audit

About the Author

Fredrick Ho, CPA, MBA is principal of Ho & Associates, Certified Public Accountant, a full service public accounting firm. Since his graduation from the University of Southern California's School of Accounting, Mr. Ho has been providing accounting services to profit and nonprofit organizations for over 20 years, and his firm has been awarded certificates of recognition by the American Institute of Certified Public Accountants. In addition to his accounting practice, he has been concurrently an educator at various colleges and universities in the southern California area. He is currently a tenured faculty member in Accounting for the Los Angeles Community College District and an Adjunct Accounting Professor at University of the West.

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Economic Outlook for the Year 2015

By Otto Chang, PhD

According to consensus of many economists, the U.S. economy will recover at its best rate in 2015 since the Great Recession. Conditions remain in place for a stronger pickup in the recovery: an accommodative monetary policy stance and favorable financial conditions, much-reduced fiscal drag, strengthened household balance sheets, and a healthier housing market (Wells Fargo 2014). Consumer spending, the locomotive of the economy, will benefit from positive employment reports in November 2014, lower unemployment rates and rising real personal income. The real gross domestic product (GDP) is forecast to increase at 3.0 percent, compared to an increase of 2.2 percent in 2014. Unemployment rate is predicted to decline from the current 5.8 percent to 5.5 percent by the end of 2015. Inflation rate, as measured by the Consumer Price Index, will maintain low at 1.7 percent in 2015. It is expected that the oil price will decline to $94.5 barrel during the coming year, from an average price of $101.7 in 2014, based on historical data. However, in accordance with the US Energy Information Administration (EIA), the price could average about $65.0 in the whole year of 2015 (Bandz 2014).

For the rest of the world, the economic growth is anticipated to be better than 2014. Global Real GDP, measured using the IMF's World Economic Outlook PPP-based exchange rates, will be at 3.8, compared with the 3.3 percent registered for 2014. Growth will be driven by a rebound in both advanced economies, with the United States playing the most important role, and emerging markets. Growth in most emerging market and developing economies is supported by the recovery of domestic demand and production in areas suffering from geopolitical tensions and domestic strife, governmental policy support to demand, and the gradual lifting of structural impediments to growth, as well as strengthening external demand from advanced economies (IMF 2014).

Outlook for the U.S. Economy

The U.S. economy will continue its upward swing in 2015. For the year ahead, I anticipate a recovery path with less inventory gains and federal spending and more gains from improved employment, personal income and consumption. State and local government spending will increase at a rate of 1.5 percent in 2015. Inflation will remain low, but short-term interest rates will rise in anticipation that the Federal Reserve will succeed in ending the monetary supply to prevent the economy from raising the expectation for inflation.

The consensus among economists is that real gross domestic product (GDP) will grow at about 3.0 percent in year 2015, compared with a growth rate of about 2.2 percent in 2014. Since GDP is the most common indicator of how an economy grows, this reflects a modest growth of U.S. economy in 2015. All major components of real GDP are consistent with the moderate recovery trend. For example, the real business fixed investment will grow at 5.7 percent (as compared to the growth of 5.9 percent in 2014); real personal consumption expenditures are expected to increase by 2.4 percent next year, representing a slight increase when compared with a 2.2 percent increase in 2014. Industrial production is expected to increase at a rate of 5.0 percent, compared with a growth rate of 4.1 percent in 2014, resulting in a small inventory buildup for 2015. Housing starts are estimated to gain modestly from 1.01 million in 2014 to 1.06 million in 2015, above the 0.78 million and the 0.92 million in 2012 and 2013 respectively. Light vehicles sales will increase from 16.4 million units to 17.1 million units next year. Oil prices will fluctuate $70 in 2015, giving a boost on the expansion of the U.S. economy. Interest rates are forecast to climb in 2015, in particular, the short-term interest rate. Because of the sustained recovery of the economy, unemployment rate will be decreasing throughout the entire year of 2015. Unemployment rate is forecasted to be at 5.6 percent compared with 6.2 percent in 2014.

Forecasts of Major Economic Indicators

Major Economic Indicators*	2014	2015
Real Gross Domestic Products	2.2	3.0
Industrial Production	4.1	5.0
Real Personal Consumption Expenditures	2.2	2.4
Real Business Fixed Investment	5.9	5.7
Changes in Private Inventories (in billions)	64.1	69.4
Net Exports of Goods and Services (in billions)	-439.7	-471.6
Real Government Consumption Expenditures	0.0	1.5
Car & Light Truck sales (millions of units)	16.4	17.1
Housing Starts (millions of units)	1.01	1.16
Unemployment Rate	6.2	5.6
Consumer Price Index	1.7	1.7
Two-year US Treasury Bill	0.51	1.06
10 year Treasury Note	2.56	2.71
30-year Fixed Mortgage Rate	4.23	4.46
Oil Price (dollars per barrel)	101.7	70.0

*All numbers are fourth quarter over fourth quarter percent changes unless otherwise indicated.
**Source: Wells Fargo (2014).

In 2014, corporate profits increased only by 0.9 as corporations still recovered from the great recession. In 2015, it is expected that corporate profits will grow at a 4.3 percent rate, and continue to grow at 3.4 percent for 2016. The stronger job market means consumers will have more money to spend. The lower gasoline bills will further boost the consumers' pockets, now that the price of crude oil is close to a four-year low. The hope is that companies will generate more revenue as a result. Since the recession, corporate profits have grown largely as a result of cutting expenses. Now they may reap some benefits of revenue enhancement.

According to Lawrence Yun, chief economist of the National Association of Realtors, existing-home sales in 2014 are expected to fall slightly below 2013 (5.1 million) to 4.9 million, and then are forecasted to increase to 5.3 million in 2015 and 5.4 million in 2016. "The improving job market has consumers feeling more confident, and the rebound in home prices is building household wealth for homeowners and giving them the ability to sell after waiting the last few years," said Yun (NAR 2014). Housing starts are forecast to hit 1 million in 2014 and reach 1.3 million in 2015, which is still below the underlying demand of about 1.5 million, but should gradually normalize as lenders open their credit box more to builders. New-home sales are likely to total 440,000 in 2014, and increase to 620,000 in 2015. Mortgage interest rates are projected to increase to slightly below 5 percent next year and reach 6 percent in 2016.

For 2015, S&P 500 index is projected to be at 2,100, which would produce a total return of approximately 5 percent (Market Watch, 2014). The S&P 500 has more than tripled since hitting bottom in early 2009, rising faster than corporate profits. Stocks in the index are trading at nearly 17 times their earnings per share over the last 12 months. In early 2009, the index's price-earnings ratio was just above 8. Further gains for stocks will probably have to come from earnings growth. So instead of seeing another 2013, during which the S&P 500 surged 29.6 percent, it may be safer to expect annual gains closer to 5 percent or 6 percent in the next few years, says Bill Stromberg, head of equity for T. Rowe Price (Choe 2014).

Outlook for World Economy

Global economic growth is expected to be 3.8 percent in 2015 as compared to 3.3 percent in 2014 (IMF, 2014). The expansion will be accompanied by stable inflation, around 1.8 percent for advanced economies and 5.6 percent for emerging market and developing economies. The price of oil is expected to decline to $70 a barrel. The euro is forecast to close in 2015 year at $1.32 per Euro and Japanese Yen at 110 per dollar (PNC 2014).

In the Americas, Canada's growth rate for next year is estimated to be 2.4 percent, slightly up from 2.3 percent in 2015. Mexico and Brazil's economy will grow at 3.5 and 1.4 percent rate, up from 2.4% and 0.3% respectively from their 2014 growth rates. The Argentine economy is expected to improve slightly from a negative -1.7 percent growth in 2014 to a -1.5 percent in 2015. Chile's growth rate will increase from 2.0 percent in 2014 to 3.3 percent in 2015. In 2015, Venezuela is expected to reduce its recession rate to -1.0 percent in 2015 as compared to a -3.0 percent recession in 2014 that was caused by severe supply bottlenecks, challenges from capital flight, and generally weak policy frameworks.

In Western Europe, British economy will grow by 2.7 percent next year, down from the 3.2 percent in 2014. The Euro area is forecast to grow by 1.3 percent in 2015, as compared to 0.8 percent in 2014.

In Central and Eastern Europe, the growth rate is different depending on the specific situation in each country as compared to 2014. Russia's economy will recess from 0.5 percent in 2014 to –0.3 percent in 2015, due to decline in crude oil price and embargo by western countries. Poland and Romania's growth will be 3.3 and 2.5 percent respectively in 2015, compared with 3.2 and 2.4 percent registered in 2014. Hungary's economy will recess from 2.8 percent in 2014 to 2.3 percent in 2015. Turkey's growth rate will remain flat at 3.0 percent in 2015.

In Asia, the economy reflects the slower demand from their major markets in the U.S. and Europe. The two countries that will have the largest growth are Thailand and India. In India, growth is expected to increase because exports and investment continue to pick up and more than offset the effect of an unfavorable monsoon on agricultural growth earlier in 2014. The strong growth for Thailand is explained by the ease of political tensions earlier in 2014. The following is a table showing the projected growth rates in 2014 and 2015 for the countries in this region.

Table: Growth Forecasts for Asian Countries

Country	2014	2015
China	7.4%	7.1%
India	5.6%	6.4%
Indonesia	5.2%	5.5%
Japan	0.9%	0.8%
Malaysia	5.9%	5.2%
Philippines	6.2%	6.3%
Singapore	3.0%	3.0%
South Korea	3.7%	4.0%
Taiwan	3.5%	3.8%
Thailand	1.0%	4.6%
Vietnam	5.5%	5.6%

Source: IMF (2014).

Assumptions, Risks, and Uncertainties

Several assumptions were made in the forecast above. Fiscal consolidation is projected to moderate in advanced economies with the notable exception of Japan. In emerging markets, the fiscal policy stance is projected to remain broadly unchanged even though noticeable differences exist across countries and regions. On the monetary policy front, the end of asset purchases in the United States is projected to complete in the fourth quarter of 2014, with policy rates expected to increase beginning in the second half of 2015. Monetary policy normalization in the United Kingdom is projected to begin in the first half of 2015. In the euro area and Japan, very accommodative policy stances are expected to remain in place. In emerging markets, policy rates are generally expected to be on hold until rate increases start in the United States.

Several risks are inherent in the economic projections presented above. As we head into 2015 with positive momentum, there are some major uncertainties that we need to watch for. These major uncertainties are discussed below:

• The increase in geopolitical risks and their repercussions for commodity markets and real activity, including turmoil in the Middle East and international tensions surrounding the situation in Russia and Ukraine.

• Downside risks from a financial market correction have increased because of increased financial market optimism—risk spreads and major implied volatility indicators are close to pre-crisis expansion lows, equity prices have continued to rise, and longer-term yields have declined.

•Downside risk from structural change in advanced economies. Despite continued very low interest rates and increased risk appetite in financial markets of advanced economies, a pickup in investment has not yet materialized. It may reflect concerns about low medium-term potential growth and subdued private consumption because of weak growth in median incomes.

•A hard landing in China in the medium term owing to excess capacity and the credit overhang remain a concern.

•Extreme weathers and global warming might cause major disasters, severely impacting on the prices of food and agricultural commodities.

Outlook for California Economy

California's economy will expand at a faster pace than the nation because of its industrial concentration in global trade and the technology sector. Consumer spending will also be stronger in California than in the nation. The state's housing starts will increase from 81,500 in 2014 to 115,700 in 2015. Nonfarm payroll employment will grow at 2.3 percent in 2015 versus 2.2 percent in 2014. Unemployment will shrink to 6.8 percent by the end of 2015 and to 5.9 percent at the end of 2016. Personal income will increase at a 7.5 percent in 2015 versus a 5.2 percent in 2014. Single family home resale will increase at 5.8 percent in 2015 versus a decline of -8.2 percent in 2014. Median home prices will increase from $455,000 in 2014 to $478,700 in 2015 (CAR 2014). In the Southern California area, the leading industries will be health services; leisure and hospitality; construction; professional, scientific and technical services (LAEDC 2014).

Implications for Small and Minority Business

In summary, U.S. and world economy will continue to recover slowly but steadily from the Great Recession in 2008-9 with various growth rates in different parts of the world. For planning purpose, small and/or minority business should monitor the economic conditions of their primary business regions carefully and set growth rates of their sales or profits commensurate with the pace of the economic development in those regions.

There are things that small business can do to improve their bottom lines. On top of all, small firms should continuously try to raise their productivity by incorporate information and communication technology in their operation. Secondly, as global warming is expected to cause more extreme weather and natural disasters, the prices of the raw materials are expected to increase in the long run. Small and/or minority business should carefully plan their requirements of inputs and materials for the coming year to make sure the cost of them are budgeted. Part of the solution could be making your business green. By relying less on carbon-based energy consumption, your business may be less susceptible to the fluctuation of energy and raw material prices. There are techniques to improve e-commerce, inventory planning, and to make your supply chain green. If you need assistance, please contact the Center for Minority & Small Business at the University of the West at (626) 571-8811, ext. 380.

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Marketing On A Shoestring Budget: Strategies and Tactics For Small Business

By Victor L. Kane, Ph.D.

Introduction

Marketing is widely considered to be key to survival, development, and success of all businesses, large and small. However, the marketing style of most small enterprises tends to be more simplistic and ad hoc in nature, based on owners' intuitions, with little or no formal structures and processes (Hill & Wright, 2000). Formal marketing planning may be hindered for a number of reasons. First, small businesses and new-venture entrepreneurs tend to focus on short-term survival rather than on long-term growth (Barrett & Sexton, 2006). It is likely that these top-level corporate goals (survival vs. growth) might impact the organization's perspective on how much they are willing to invest in marketing programs.

More often than not, small business and new venture enterprises tend to focus on financial planning rather than marketing planning, as cash flow and liquidity constraints might put a damper on overly aggressive spending. Second, marketing planning and the metrics to evaluate marketing campaigns (e.g., ROI, customer loyalty) can be difficult to measure and often require the expertise of experienced marketers. By contrast, larger companies with hefty marketing budgets often allocate large sums of money towards mass-media advertising, social media, direct mail and other forms of promotion. Many of them don't think twice about investing in a full-scale, integrated marketing campaign to 'one-up' the competition, often with the help of outside consultants and big-name marketing agencies. Smaller enterprises must pay ever close attention to marketing expenditures and must produce results at a fraction of the price of their larger and more established company counterparts.

Enter 'guerrilla marketing' with its associated *unconventional* marketing methods at low-cost budget levels. This paper aims to present some of the more effective strategies and tactics of the "guerrilla marketer" presented in the seminal works of authors such as Jay Conrad Levinson and others to serve as a guide for small enterprises and entrepreneurs seeking to gain the benefits of nontraditional, low-cost marketing.

The Concept Of 'Guerrilla Marketing'

In 1960, Ernesto Che Guevara, the leader of Cuban Revolution, described the 'guerrilla' tactic in his well-known book "Guerrilla Warfare" as a method of warfare that builds on raids and ambush attacks (Guevara, 1960). During the 1960s marketers began to adapt the concept to the business enterprise emphasizing unconventional marketing methods achieved with low-cost budgets (Baltes and Leibing, 2008). The term 'guerrilla marketing' was coined by Jay Conrad Levinson in 1984 (Levinson, 1984). The fundamental determinant in characterizing guerrilla marketing is its unconventional approach: "Guerrilla marketing is a body of unconventional ways of pursuing conventional goals. It is a proven method of achieving profits with minimum money" (Levinson, 2013).

Table 1 presents the differences between traditional marketing and guerrilla marketing.

Table 1. Comparison of Guerrilla Marketing versus Traditional Marketing

Traditional Marketing	**Guerrilla Marketing**
Geared to big business with large budget.	Geared to business owners with big dream, but small bank account.
Measure of success is sales.	Primary measuring stick is profit.
Based upon experience and judgment	Based upon perceived rules of human behavior.
Suggests that you make your business larger and diversify.	Focuses on creating excellence instead of diversifying.
Encourages you to grow your business linearly by adding new customers.	Encourages you to grow your business geometrically. Aims for more transactions and referrals.
Suggests that advertising, direct mail or website works by itself	Suggests that marketing combination work best, complementing each other.
Counts the sales receipts	Concentrates on how many new relationships are created.
Doesn't rely upon technology as it is perceived as having limited potential.	Embraces technology for simplicity and limitless potential.
Identifies a handful of ways, all at a cost, to promote the business.	Identifies numerous ways, many of them free, to boost profits.

The concept of 'guerrilla marketing' has steadily gained traction over the past decade with its emphasis on 'small budget, big results.' Ries and Trout (1986) outlined success drivers of guerrilla marketing (e.g., flexibility) which triggered a boom of guerrilla campaigns. Since his initial publication, Levinson's other books include hundreds of 'guerrilla marketing tools' while encouraging marketers to use their own creative know-how to develop other guerrilla marketing tactics (e.g., Levinson, 1999, 2007).

How To Leverage Guerrilla Marketing Tactics For Small Business Success

One of the questions that often arises for small enterprises is whether a formal marketing plan is essential for success. Formal marketing plans are regarded as highly beneficial in that they offer a blueprint for marketing strategies and tactics by identifying competitive advantages, setting objectives and strategies, specifying resources, and gaining commitment through communication with the organization's participants. This claim is supported by empirical evidence that suggests that there is a relationship between formal strategic planning and small and new enterprise survival and success (Kraus et al., 2008). However, small companies seem to perform marketing planning in a rather informal way (Dess & Robinson, 1984). The marketing style of small enterprises is said to be more simplistic and ad hoc in nature, based on intuition, with little or no formal structures (Hill & Wright, 2000).

So, in the absence of a formal marketing plan, what should the small enterprise do to harness the power of 'guerrilla marketing'? First, as Levinson so aptly puts it: "The guerrilla marketing plan or strategy should serve as the springboard for marketing that sells" (Levinson, 2007). At the very least, small business owners should clearly:

(1) define who their target market is;

(2) clarify their position vis-à-vis their competition (e.g., market niche) and how it will benefit the target customers

(3) specify the elements of promotion (the 'promotional mix') that will be used in the marketing program; and

(4) specify the budget to be used for the marketing program (typically expressed as a percent of gross revenues).

The briefer the plan, the easier it will be to follow. Enhance it with as many support documents necessary to amply tell your story. Whether it is brief or expanded, the marketing plan should be revisited every year. (**Tip:** *The marketing plan should not be confused with a business plan. The latter is more comprehensive in nature and will require more support documents, such as results of research, financial projections, and other details.)*

I don't have creative staff on my team. How do I develop a creative strategy before planning a tactical marketing program?

One of the biggest challenges of small businesses and sole proprietors is how to develop a creative strategy that drives the marketing program. Large companies have no problem in this area. They either have established marketing departments with in-house creative expertise or they outsource this function to advertising agencies or specialty branding boutiques.

The key to creating a compelling creative strategy for the small business marketer is to think *KISS – Keep it Simple, Stupid!* Start with a simple sentence that embodies the personality of your brand. A simple example is presented by Levinson:

> *The purpose of Kid-a-Licious breakfast cereal marketing will be to convince our target audience – mothers of children twelve years of age and younger—that Kid-a-Licious breakfast cereal is the most nutritious and healthful boxed cereal on the market. This will be accomplished by listing the vitamins and minerals in each serving of the cereal. Mood and tone of the advertising will be upbeat, natural, honest, and warm. (Levinson, 2007, p. 50)*

A basic creative strategy should drive the communications platform underpinning the promotional tools used in the marketing program. In sum, the goal of the creative strategy is not to get prospects to say: "Wow, that was really creative." But rather to say: "I want to buy that product or service."

What marketing tools will give me the best bang for the buck?

No matter how brilliant a creative strategy, if there is no place to communicate the message in an impactful way the creative will fall on deaf ears. For the small business owner, it is all about being impactful but also cost-efficient and creative in message placement. Here are a few tips:

1. Personal letters – not direct mailings of large quantities of letters and brochures – sent by surface mail or e-mail can be effective and cost-efficient. Personal letters are perfect for small business marketing as long as you have amassed a good mailing list of prospects. By sending out multiple mailings of personal letters, you build customer confidence through familiarity, getting that much closer to a sale.
2. *Personalized* letters (not to be confused with *personal* letters) are popular and easy to computer-generate. Just make the changes on the computer, print it, and sign it by hand—and write the P.S. by hand.
3. Circulars are effective tools for the small business marketer. There are several ways to

distribute them; they may be mailed alone or as part of a mailing package, placed in mailboxes, slipped under doors or windshield wipers, handed out at street corners and at trade shows, posted on community bulletin boards, and placed in hotel rooms.

4. Brochures are a necessity for small business, whether it is in hard-copy, video format, or both. The proper copy and visuals used in a brochure can make or break the quality. There is no room these days for a trace of amateurishness, sloppiness, smudges, poor grammar, misspelled words, typos, or omissions. Be smart and efficient in distributing brochures. While mass-producing brochures can save the marketer money, an oversupply of outdated brochures, or frivolous, over-distribution of them can cut into the marketer's budget.

5. Magazines are wide in scope and readership (Tip: Research your options online or at the library – e.g., MediaFinder.com). This medium may be perfect for reaching a highly defined target audience. A properly produced magazine ad, preferably in a full-page, color layout, will give a small business more credibility than any other mass-marketing medium. Run an ad once in the right magazine; reprints of the ad can be run forever. Think regional editions if your business is geographically limited (no need to waste money on national editions).

6. Don't limit yourself to consumer magazines. There is a whole world of trade magazines out there. Almost every trade and profession has its own publication. The readership may indeed be part of your target audience.

7. Cable and satellite TV have put the medium within reach of all advertisers. You can advertise on prime-time; even cherry-pick the subscriber neighborhoods and suburbs in which you want your spots to appear. But keep in mind that TV, even cable and satellite, is more expensive than other mediums. If you are not willing to buy at least 150 gross rating points (GRPs) for one month and have the budget to tough it out for at least three months, don't fool around with TV.

8. Direct mail marketing, which includes direct-mail, e-mail, mail-order, or coupon advertising, allows the small business marketer to take precision aim at its target market. If done correctly, direct-mail advertising will enable you to go through the entire selling process – from securing your prospect's attention to obtaining sales by means of coupons or toll-free numbers your prospects can call.

9. Amidst the clutter of direct-mail, you need to stand out. Brightly colored envelopes grab attention; oversized addressing is an attention-grabber (people like to see their name in big print); attention grabbing copies are all important. The larger, the better; a white #10 (business-size) envelope with a first-class stamp and no return address gets better response rates.

10. Direct-mail should not be a one-time event. Budget for multiple direct-mail "drops", be they "snail-mail" or email.

11. Outdoor signage and billboards by themselves are not successful as a sole means of marketing but when used in combination with other promotional methods can be quite effective.

12. Radio can be used effectively by small business marketers with a limited budget. Because radio listeners often change stations, it is important to play your radio ads across carefully chosen stations during times of the day when your target audiences are most likely to be tuned in. There are many types of stations: rock and roll, hip-hop, Spanish language, classical jazz, oldies, local interest, sports, and more. (**Tip:** *If plan to use radio for your direct-response offer, make sure to repeat your phone number or website URL at least three times.*)

How can I harness the power of new-media without breaking my budget?

Communicating the benefits of a company's product or service and engaging the consumer using an array of new-media options has now become the hot method of promotion for companies of all sizes and types. But like all other forms of paid placement, it costs money and the return on investment is not as easy to quantify as it is with say direct-response advertising and coupons. Nevertheless, new-media is here to stay and small businesses must embrace this trend. Here are a few notable tips:

1. When it comes to the company website, determine how much you can realistically spend and allocate about one-third of the budget to developing your website, one third to promoting it, and one third to maintaining it.
2. Gather e-mail opt-ins throughout your website. Keep your e-mail registration forms short and sweet: The more questions you require at registration, the greater the number of consumers who will not complete it.
3. Podcasts are becoming a popular staple in new-media promotion. Podcasting is the distribution of audio or video files, such as radio program or music videos, over the Internet, using either RSS (Really Simple Syndication) or Atom syndication for listening on mobile devices and personal computers. The key is developing content for an audience that wants to listen when they want, where they want, and how they want. With a minimal investment (a few hundred bucks!), you can produce an infomercial or broadcast and distribute your podcast through aggregators such as Ipodder and FeedDemon, or Web-based directories such as Podcast Alley. These podcasts are sent via topic-specific feeds to subscribers, who can download them to the digital music players or computers. All you really need is a good microphone, a computer, and podcasting software to capture the audio file. (**Tip:** *You can find a good tutorial on podcast development at PodcastTools.com.)*
4. Webinars have become increasingly popular as a sales and promotion tool for companies attempting to connect with a potentially large number of prospective customers in real-time without the limitation of face-to-face, on-site sales meetings. A webinar is a seminar conducted over the World Wide Web. Webinar hosting services has exploded over the last few years and is offered by numerous vendors including Microsoft Office Live Meeting, GoToMeeting.com, and GoToWebinar.com, to name a few. Many successful businesses use webinars to hold virtual, real-time company meetings, train geographically dispersed customers, and give every prospect a 'front-row seat at a virtual product demonstration. (**Tip:** *Research a number of host services as they vary in price and quality.)*
5. Search engine optimization (SEO) to maximize your presence on a search engine can be complicated business, and there is not enough space to talk about this method within the scope of this article. Suffice it to say, most consumers searching the Web for products and services only visit and do business in the top ten or top twenty of the sites in the major engines. SEO can be a very inexpensive way to drive targeted tic to your website. (Tip: A good starting point is to learn about SEO through Google's AdWords program found at www.google.com/adwords.)
6. Advertising on social media such as Facebook has been exploding, and the formats have been changing it seems every day. For example, video ads are now being sold through Facebook, albeit at prices beyond the reach of most small businesses. At the very least, small businesses should consider developing a Facebook page and even a Twitter account. Social media is here to stay, so don't be left behind. Research

advertising formats and prices on the major social network sites.

7. Tradeshows are a must for small business to get their products in the faces of prospective customers. You can research tradeshows on the Internet through a simple search on Google or another search engine, or browse through a copy of *Tradeshow and Convention Guide* at your local library. (**Tip:** *If you plan to showcase products at a tradeshow, make sure to begin planning well before the event by identifying and contacting your key prospects, and advertising in key trade magazines.)*

There is a lot more to be said about the benefits of being a 'guerrilla marketer' and the many methods at one's disposal to execute an impactful, cost-effective marketing campaign. Remember, it doesn't have to cost a bundle to market effectively. You just need to be smart, do your research, and *KISS – Keep It Simple*. (I will omit the last 'S' word!)

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Dr. Victor L. Kane is the Chair of the Business Administration Department at University of the West and serves as a faculty member in the undergraduate and graduate business programs. Dr. Kane's specialization is in marketing, business development, and product development with over 25 years of experience in management consulting, marketing research, product development, and advertising. His research and publications have focused on stakeholder management, corporate social responsibility, and the readiness of healthcare organizations to deal with the aging baby boomer population in the U.S. He is currently pursuing his strong research interest in the application of mindfulness at U.S. corporations.

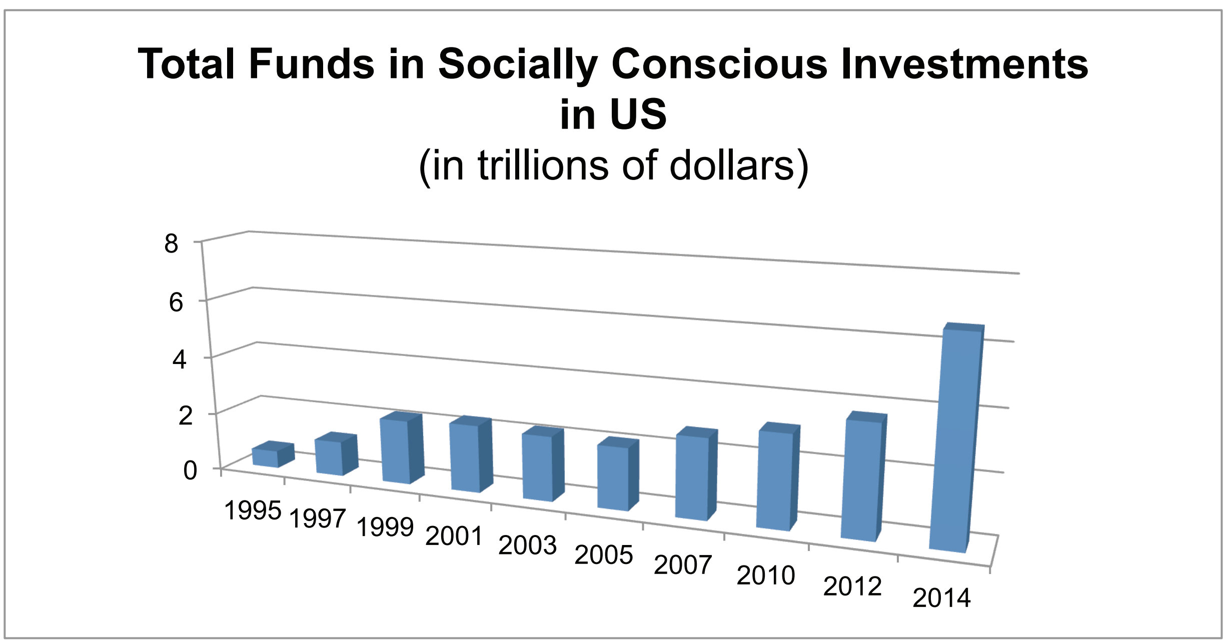
Social Impact Investing: Finding Solutions for a Sustainable Future

By Chi Sheh, PhD

Abstract: *In recent years, social impact investing has emerged as a growing sector and economy and is considered by many experts in the fields of philanthropy and socially responsible investing as one of the most promising approaches to leveraging private resources to create social and environmental benefits. This article intends to give an overview of this emerging field and present some ways in which small business owners and social entrepreneurs can potentially take advantage of this global trend.*

Social impact investing was a term which was first coined in 2007 by the Rockefeller Foundation, which was used essentially as an umbrella term to describe investments that create positive social impact beyond financial returns, or an investment strategy that intentionally aligns the investments held by an organization, with the mission of that organization, which may be itself an investment company.

The field of socially conscious investing has increased by leaps and bounds in the last decade, as evidenced by the dramatic increase in total funds in socially conscious investments. While socially conscious investment has been around since the 1970s, its growth has been nothing short of spectacular, rising from 0.6 trillion dollars in 1995, it has grown more than tenfold to 6.6 trillion dollars as of 2014. This explosive growth was the result of a multitude of factors, but one of the most important ones was the realization of both investors and companies that making investments and conducting business in a socially responsible manner was not just the right thing to do, but also the smart business decision.



Source: Forum for Sustainable and Responsible Investment

Historical Background

The realm of socially responsible investing has become much broader in scope and ambition in the last decade. While most socially responsible mutual funds in the 1980s simply aimed to avoid the so called "vice" industries of tobacco, alcohol, gambling, and weapons, the funds of today have become much more proactive. The current generation of sustainable investing funds specifically will seek out the companies that promote the values that their investors demand, including corporate policies that seek to protect the environment, resource sustainability, as well as the fair treatment of employees, customers, and local communities. In sum, these funds seek to proactively seek out those companies that truly embed corporate social responsibility in their strategies as well as their business practices.

A key demographic development that has turbocharged the current trend toward socially responsible investing has to do with the growing clout of the millennials, the 80 million Americans born between 1980 and 2000, who are entering their prime earning, saving, and consuming years. This is not even counting the trillions that they stand to inherit from their grandparents and parents in the next few decades. The millennial generation buys in fully into the idea of a sharing economy, where their sense of social justice, ecological sustainability, and a more caring form of capitalism permeates their ideas about investing too.

Another key factor in driving the money towards social impact investing has been the lack of effective funding models in the social sector. As pointed out by Sir Ronald Cohen and William Sahlman in their Harvard Business Review article in 2013, social entrepreneurs are stultified by traditional forms of financing. Donations and grants do not allow the social enterprises to innovate and grow. On top of that, they have virtually no access to capital markets and have little flexibility to experiment at various stages of growth. Donors starve organizations and entrepreneurs by refusing to cover overhead, which makes it impossible for these social organizations to scale. Social impact investment has in the last decade finally been able to start to bring opportunities to harness entrepreneurship and capital markets to drive social and environmental progress.

Investing with your conscience

Social impact investing enables investors to align their investment strategies with their values. Whether they most care about supporting healthy environments, sustaining communities, or promoting diverse workforces and humane working environments, there are investment funds out there that can help them invest in companies that not just espouse but make those values a reality through their business practices and actions.

Unlike traditional financial investments, the returns on impact investing are not simply measured in terms of dollars and cents. The metrics used are based on social or environmental outcomes. While there is a lot of research still being done nowadays in terms of the precise metrics that can best reflect those outcomes, a lot has already been learned and put into practice. Being able to obtain the right data to measure the relevant outcomes can be burdensome and finding out whether the degree of the changes being made are significant enough is also a challenge; but there are signs that the increasing flows of investment dollars into impact investing are indeed making a difference.

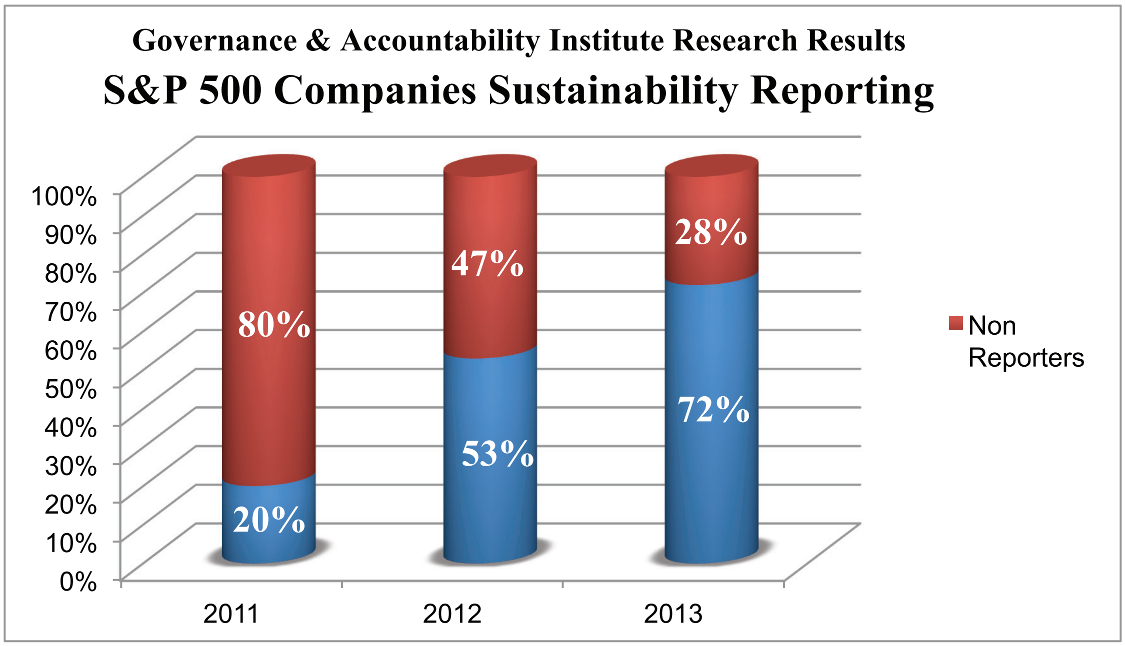
So what is the difference between impact investing and socially responsible investing? Impact investing is distinctly different from socially responsible investing in that socially responsible investing typically applies a set of negative or positive screens to a group of publicly listed securities – for example, a mutual fund that avoids investments in fossil fuels, tobacco, alcohol and firearms. Impact investing goes beyond a passive screen by actively seeking to invest in companies or projects that have the potential to create positive economic, social and/or environmental impact. Where socially responsible investing fund managers are generally passive and adopt a "do-no-harm" approach, impact investing funds seek to not only create a positive impact, but also to measure and report their impact in a transparent way.

The rise of corporate sustainability

For 2014, the Governance and Accountability (G&A) Institute reported that 72% of companies listed on the S&P 500 Index now publish corporate sustainability reports. That is a giant improvement over the mere 20% of companies that did so in 2011. As these statistics indicate, corporate sustainability reports have become now mainstream and the norm in US capital markets.

Louis D. Coppola, Executive VP of G&A Institute, who designed and coordinated the analysis, commented: "We are seeing clear indications over the past three years that senior corporate management understands the importance of adopting and implementing strategies that reflect the rising interest of investors and stakeholders in corporate sustainability."

"Companies headquartered in the United States of America are publishing sustainability reports in greater numbers, and with more content that meets stakeholder expectations. The S&P 500 companies in the lead on disclosure and reporting are focusing much more now on the materiality of Environmental, Social and Governance (ESG) issues, and engaging with internal and external stakeholders to determine the materiality of report content. So now, along with the sheer volume of corporate reporting increase, we are seeing greater intensity of focus on what really matters in the report."



Source: Governance & Accountability Institute Inc.

Sustainability reports answers a key question from impact investors: How does the organization demonstrate the link between their values and their business strategy and practices? Corporate sustainability reports highlight the economic, environmental, and social impacts of the company's everyday activities. These reports in return allow impact investment funds to align the values of their investors with the companies that espouse the same values.

Corporate responsibility is no longer about how a company gives money away; it's about the way the company makes money, about the culture and the values that inform its operating practices. From the viewpoint of impact investors, a company that donates millions to organizations to preserve and protect the environment yet pays no mind to the impact its own operations have on natural resources isn't practicing true corporate responsibility. Impact investment dollars have and will continue to be a major force in driving this point across to all companies in America and beyond.

The rise of sustainability professionals has been a recent development that has followed the more general trend towards more corporate emphasis on sustainability and improvements towards how it can be more effectively managed. Many large companies worldwide have adopted the position of Chief Sustainability Officer (CSO), to not just help manage various internal programs, but to be at the forefront of explaining to the investor community how the company is currently taking advantage of opportunities presented by corporate responsibility to enhance corporate value. The strategic shift presented by this change has created an environment where investors and analysts, who are tasked with evaluating the investment potential of a company, may actually take an interest in how a firm actually operates. Corporate Sustainability Officers, with the help of professional support staff trained in sustainability as well as better informed colleagues at the C-suite, are leading the movement in companies around the world in translating sustainability thinking into action on a global scale.

No drop off in financial performance

A common misconception about socially responsible investing is that this movement is about sacrificing financial gains for the pursuit of the greater good. Many academic financial studies that have systematically researched this issue have found strong empirical support that companies that pursue positive ESG strategies do not underperform the broader market. In fact, some studies suggest that companies that pursue ES&G oriented investment approaches that are focused on value creation tend to outperform other commonly used investment approaches.

A concrete validation of this point is revealed by the fact that some of the most commonly held stocks in socially responsible mutual funds are also some of the most profitable US companies, such as Apple, Qualcomm, and Google. In addition, given the series of accounting scandals of the 2000s and the huge environmental disasters such as the Deepwater Horizon oil spill in 2010, the value of socially responsible investing can be also realized by the avoidance of long term time bombs that on the surface may seem like solid investments.

Opportunities for Small Businesses and Sustainability Entrepreneurs

While most discussions on sustainability and impact investing may be focused on large companies, the global trend towards sustainable business practices and the investment dollars that flow to projects specifically developed for them creates various opportunities for small businesses as well as sustainability entrepreneurs. Market opportunities in the development of products and services specifically designed to reduce energy and natural resource use, for example, helps existing small businesses expand their product offering to both large businesses and consumers alike.

While entrepreneurship has always carried risks, the entrepreneurs that embrace opportunities associated with developing products and services that promote sustainability will find that the investment community is very receptive to the funding of their startups. From Green venture funds that are looking to fund startups whose target market is centered on environmental sustainability, to angel investors who are looking for a startup that addresses a specific ecological or social concern of intrinsic importance & value to them, the convergence of capital from financial markets with sustainability entrepreneurship has unleashed a global social trend in access to capital that can help these entrepreneurs make their startup dreams a reality. Businesses which are focused on sustainability have become not just a feel good story, but also a magnet for investment dollars and a hotbed for innovation.

Widening spectrum of investment vehicles

Social impact investing is, at its essence, about aligning your portfolio with your values. Over the last couple of years, I have had the privilege to lead, with the help of my students, the realignment of the University of the West student managed Investment Fund towards a focus on socially responsible investments. This new focus has been reflected in both the new name of the fund, which has been renamed the University of the West Socially Responsible Investment Fund, as well as its new investment guidelines, where social and environmental returns play an equal role in the investment selection process as financial returns. The investment benchmark for the fund was also changed to the MSCI KLD400 Social Index.

I have also seen a rise in the interest from college students in the area of sustainable investing, as reflected in the creation of the Sustainable Investing Club, for which I was the founding advisor. One of the submissions in the Idea Competition sponsored by the club last year promoted the idea of a socially responsible visa category, where foreigners would be able to invest in social enterprises structured as benefit corporations that pursue social and environmental causes in return for permanent residency. This kind of new idea arising in a campus environment can serve as the seed of future innovative financing methods that could further enhance the objective of achieving larger scale funding for social enterprises from an even wider investor audience.

While the scope of the investments of the University of the West Socially Responsible Investment Fund is restricted to publicly traded stocks, mutual funds, and exchange traded funds, the number of possible vehicles for socially responsible investing is much wider. Private equity, micro-lending, community investment notes, B corporations, as well as green bonds all provide avenues for investors to put dollars in a cause that they believe in, as well as getting a financial return that rewards them for the risk they take. This discovery process has helped me not just to understand the concept of social impact investing better, but also to see more clearly the vast scope of its power to transform our world, one company at a time.

About the Author

Dr. Chi Sheh is a professor at University of the West, teaching in the areas of finance, accounting, and economics. He conducts research in the areas of market microstructure and behavioral finance, and specializes in applying experimental methods to the analysis of financial markets and human behavior. Dr. Sheh is also the Director of the University of the West Socially Responsible Investment Fund, where he directs MBA students in the selection of socially responsible companies, mutual funds, and exchange traded funds. Dr. Sheh is also the founding advisor to the Sustainable Investing Club at University of the West, which seeks to promote a sense of responsibility to the society, the environment, and future generations by searching for ways to make investing more sustainable, as well as to be a platform to foster innovative ideas in the various areas of sustainable investment. His professional experience also includes working as a financial analyst for Enron Corporation in Houston, Texas, in the areas of Power Trading, International Project Development, and Energy Risk Management.

Building The Skills of Skill Development

By Murray Johannsen, MBA

Abstract: *What doesn't appreciate, depreciates. And so it is with knowledge and skills. We are expected to know how to learn, but are never taught that. Likewise, we are expected to grow skills, but are never shown how. This paper presents the framework for the Methods of Masters*[sm]*, a skill development model one can use to more quickly perfect many different application skills.*

Problems with The Classic Skill Learning Approach

> *"55% of newly acquired knowledge is forgotten after one hour. After 6 days, 77% of newly acquired knowledge is forgotten."* – Hermann Ebbinghaus Research

Let's face it, the training model used by the vast majority of companies doesn't work well. You might as well take cash and flush it down the toilet for all the good it does. For example, most of what people hear in classrooms and conference rooms is forgotten before it gets applied. Think about the last training program you went to. How much do you your still remember?

In fact, most leadership training and leadership degree programs aren't designed to build skills. Contrary to popular belief, you never master anything if you just practice it once, as is done in most training programs. With academic programs the problem is slightly different. Here, students get diverted into the pursuit of grades as their most important take away. Plus, you can't build soft skills if the major evaluation tools are quizzes, tests, and scholarly research papers. It's no wonder that most executives wonder about the value of university degrees and training without skill development. These problems are summarized below.

1. Most Individuals Don't Know How to Build Skills

Ask yourself, "Have you ever been taught how to turn theory into a skill?" Despite the lip service about lifelong learning and critical thinking, schools and the universities don't bother to teach how to build skill-sets. We might as well ask students to learn by osmosis.

2. Most Academic Theory Can't be Practiced

In today's management, supervisory and leadership development programs, the theories used are typically too abstract to apply in the real world. You will discover lots of lists though. Things like:

- Six ways to develop trust,
- Ten ways to prevent your career from derailing, and
- Seven habits that will completely change your life

There's nothing wrong with lists, but what's commonly missing is the how-tos. This type of article commonly lacks the detailed step-by-step actions needed to define the process that becomes the habit.

A second problem with the theory published in the journals or even textbooks is that the theory is typically very abstract. Academics love scholar English—an intellectual form of the language best understood by Ph. Ds. Unfortunately, it's difficult to practice this type of knowledge.

3. One Cannot Learn a Skill By Listening to Lectures

Today, so much of training and classroom education consists of an authority figure flipping through a

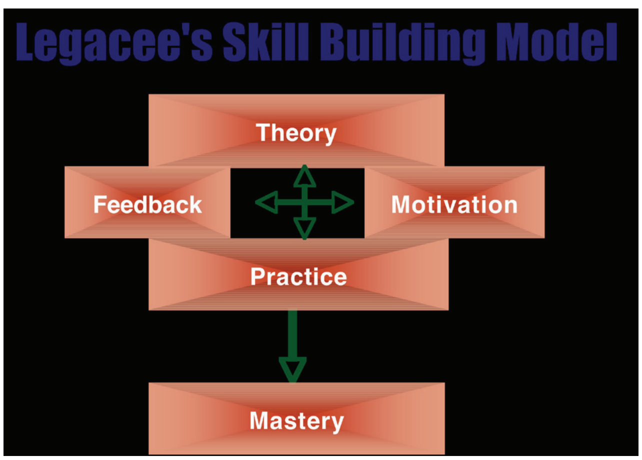
PowerPoint deck. But even simple behaviors such as tying your shoelaces or doing a Windsor knot on a tie cannot be acquired from this type of teaching method.

The Opportunity

The solution is to change the learning paradigm used by individuals, corporations and universities. To improve the ability to retain knowledge and develop understanding, individuals needed to use mastery practices such as: focused attention (mindfulness), how to memorize, and reading comprehension (Johannsen, ND).

And if we wish to build skills, we should expose them to a model of how to do so and put practice back into the learning process. For example, individuals need to understand that most leadership and human relationship skills must be practiced 5, 10, 50 or even 100 times.

The Legacee Skill Building Model



Unless you have been blessed with your own coach or sports psychologist, the first step in skill development is to understand how to build a skill (Anderson, 1985), (Fitts and Posner, 1967). These authors divide this process into: cognitive, associative and autonomous phases. Stripping away the scholar English, you have:

1. Find skill-based theory,
2. Engage in skilled practice, and
3. Achieve mastery.

Phase 1: Skill-Based Theory

"The only truth in the newspaper is to be found in the ads." — Thomas Jefferson

I believe in sound theory—if you can find it. Some theory is sometimes just good to know. Quantum physics and astronomy come to mind. But when it comes to playing the role of manager and leader, sound theory must be practical and capable of being practiced. This means that almost all theory in a typical textbook is not helpful when it comes to developing skills. Remember, a textbook is essential a set of research findings. It tells you what, but rarely how.

My favorite example comes from psychology. In all basic textbooks on psychology, there will be a chapter on memory (Franzoi, 2009). In a typical chapter you will find concept after concept, backed up by study after study listing different theories on: sensory, short-term, long-term, procedural, episodic and semantic memory; and you might even read about repressed memory and "forgetting."

What's missing? Real world techniques that improve memory such as exercises and application assignments. Consequently, psychology students understand what memory is, but not how to improve memory.

Learning skills be done different ways. For example, one can embed process into a teaching story.

Example 1: Improving Memory

"A man with a poor memory should always tell the truth." — Mark Twain, American writer

At a banquet given by a Nobleman of Tessaly named Scopas, the poet Simonides of Ceos chanted a lyric poem in honor of his host including a passage in praise of Castor and Pollux. Scopas meanly told the poet that he would only pay him half the sum agreed upon...A little later, a message was brought in to Simonides that two young men were waiting outside who wished to see him. He rose from the banquet hall and went out but could find no one. During his absence, the roof of the banquet hall fell in, crushing

Scopas and all the guests to death beneath the ruins. The corpses were so mangled that the relatives who came to take them away for burial were unable to identify them. But Simonides remembered the places at which they had been sitting at the table and was therefore able to indicate to the relatives which were their dead. . . And this experience suggested to the poet the principles of the art of memory of which he is said to have been the inventor. Noting that it was through his memory of the places at which the guests had been sitting that he had been able to identify the bodies, he realized that an orderly arrangement is essential to good memory. **Cicero** 1976, pp. 136-137)

Another way would be to make use of vicarious learning or modeling (Hurst, ND).

Example 2: Learning Respect

Let's say that a teacher says that followers should, "Treat your boss with respect." Nothing wrong with the principle, but it is an abstract principle difficult to turn into a behavior. So the teacher then provides specific behavioral examples — examples that could be practiced such as:

- Using sir, madam or a title with the surname,
- Keeping your head lower than the other,
- Speaking in a soft tone, and
- Keeping eye contact to a minimum.

Of course these can still be rather vague, so you might want to show the opening scene from the academy award winning movie *The Godfather*.

https://www.youtube.com/watch?v=OIBpHO1gZgQ

You might say that most professors love theory, but not theory that can be practiced. So in our universities we all too often see the leadership professor who can't lead, the accounting professor that can't do an audit, the marketing professor that can't run a campaign, and the entrepreneurial professor who never ran a real business or failed at it.

Phase 2: Skilled Practice

"If you don't practice, you can fall down, but you can't ski." — Murray Johannsen

Skills vary tremendously in terms of the amount of time and effort one must dedicate to practice. Some skill development efforts require a few minutes; others take hundreds or thousands of hours. Practicing to make a positive first impression typically take less than 30 minutes. Learning a new language as an adult takes hundreds or thousands of hours.

It takes thousands of hours to become a charismatic speaker, get a 7th degree black belt, to move into the ranks of a chess master or to perform a flawless tea ceremony. Even those with great aptitude blessed with a large dose of talent, one must practice endlessly to get really good.

Still, one can shorten the amount of practice needed if one uses skilled practice techniques. Skilled practice refers is both a process and a series of skills that allows mastery to occur more quickly. Doing so involves the use of certain mastery practices (Johannsen, ND). Major mastery practices in the skill development area include: reflection, mediation, self-talk and visualization. And it wouldn't hurt for someone to know how to control attention and awareness through the use of mindfulness practices.

It has long been known that using mental and physical practice together will accelerate the development of most skills (Driskall, 1994). And it has been demonstrated even when learning surgical skills (Arora, et. al., 2011). Time and effort can also be saved by keeping the following in mind the following.

Space Your Practice

Learning by massed practice is very inefficient. For example, Bray (1948) studied individuals in the military who were learning Morse code. He found that individuals with 7 hours of practice learned it equally as well as those with 4 hours of practice. In other words, people where putting in three extra hours a day of useless practice. Gay (1973) reported similar effects for cognitive skills such as learning the rules of algebra.

The research also indicates that training spaced over a period of time produces better results than intense practice of a shorter duration. Practicing one-hour every day for eight days will produce a higher level of skill than eight-hours of practice in a single day. So we would assume that a workshop to improve skills would best be taught in a class a few hours a week rather than as a two-day intensive.

Get Feedback from Others

Without a doubt, receiving feedback from others is effective—provided one knows how to use it properly. For example, if someone spells words incorrectly, is it better to point out this mistake immediately or later in the day? In this case, it's better to provide feedback quickly provided after the undesired behavior. This means that teachers, managers and supervisors that provide feedback in a timely manner will likely see positive behavior change.

Be Open to Reflection

Reflection (or self-feedback) is vital for people who cannot access teachers or coaches. Certain types of mental skills such as listening and reading comprehension require individuals to act as their own coach. If done well, reflection creates a feedback loop that sets-up the conditions required for continuous improvement.

Generate Intrinsic Motivation

"Be all that you can be." -- Ad Slogan, US Army

Some have said the first principle of success in real estate success is location, location, location. But when it comes to skill building, the first principle of success is practice, practice, practice. While we see a huge number of people who are motivated to sit in a class and get a grade, there is a smaller number who have the intrinsic motivation to practice. And that means you must know how to motivate yourself.

Phase 3: Skill Mastery

Mastery is a special state of mind in which the skill largely runs in the unconscious. This frees up the Ego to focus on other things. Sometimes called over learning, one experiences tremendous accuracy, precision and speed. In fact, if is often the very speed of the action that prevents conscious thought.

Enhanced Speed

In this phase, a speed increase to the point where there is little or no conscious thought is possible. Take college and professional basketball as an example. A shot gets taken, the ball gets passed, a dribble taken, a ball stolen—all with little conscious thought. In fact, these activities occur way too fast for conscious decision making. For a player to think, "He's open, I need to throw the ball," means delaying reaction time just enough to not capitalize on that observation.

Even some normal physical limitations can be overcome in this stage. The story is told about a woman who had the dull, routine job of rolling cigars by hand. But she was one of those rare human beings who were never happy with her performance. She continually improved her performance over a period of five years -- all except for the last year. It turned out she had not reached her physical limitations, one of the machines she was using with could not go faster.

Greater Accuracy

During the mastery stage, there is the potential for exceptional accuracy. Think of basketball free throw percentages. Contrast a senior in high school shooting percentage a person in the pros. Or take typing as an example. Most people start out with twenty words a minute with lots of mistakes per line. With practice, typing becomes more automatic, more accurate and speeds of fifty to sixty words a minute are not unusual (Wikipedia, ND). If the person keeps on training, speed can improve to over 100 words a minute with few errors a page.

Have you ever watched a baby take its first step? It actually takes a tremendous amount of mental effort for a baby to walk by itself. Or think back to the first time you rode a bike without training wheels. In those few minutes of panic and anxiety, you concentrated totally on the nature not falling and maybe succeeded. Still, after a few hours of practice, the unconscious takes over and the conscious mind becomes free to think about other matters.

Driving is another skill-set were people eventually reach a stage of automatic behavior. In fact, driving becomes so automatic that many individuals remember practically nothing of what happened between leaving work and getting home. It's rather disturbing to imagine that the next time you are on the eight-lane freeway, that the person on the right and the left, the one in the front and the one in the back, are allocating neither conscious thought nor attention to driving. Yet, we almost always manage to get to our destination safely.

Contrast this experience with trying to find an address in a strange area of town. In this case, much more conscious monitoring of the environment occurs since the scenery is novel. These individuals drive slower than everyone else, are the only individuals looking at street signs, and like to make lane changes just before an intersection.

Key Skill Mastery Concepts

"The beginning of wisdom is to know what is true and what is false." — Murray Johannsen

The Dunning-Kruger Effect

Incompetence is alive and well in the world, we see it all levels of the organization from CEOs to janitors. Inherent in this research is a disturbing fact -- that incompetents fail to recognize that they are incompetent. A huge problem if that person happens to be a head of state or running your company.

Illusory Superiority

We typically assume that we are better at some skill than we really are. Another aspect of this is known as Downing Effect that describes the tendency of people to overestimate their intelligence.

Self-Efficacy

This relates to a belief you have about your ability to learn something new. Bandura proposed that a key element of the theory is the importance of observational learning; and of course, the belief that one will ultimately be successful in mastering something.

Stages of Learning Competence

This psychological model has been around for a while (Whitmore 2002). It has four developmental stages, starting with unconscious unskilled and ending with being unconscious skilled. In between, there are two other stages of learning.

- Unconscious incompetence - no understanding, perhaps even no knowledge that there is a problem
- Conscious incompetence – Performance leaves must to be desired but there is a recognition of flaws and weak areas
- Conscious competence - Conscious effort continues to improve result in improved performance.
- Unconscious competence – One sees a high level of performance but most of the time, there is little conscious effort. The behavior runs largely with conscious intervention.

Conclusion

I remember the words my mother ground deeply into my mind when I was a little boy. Perhaps your mother had similar words. She told me on many occasions, "Work hard and you'll succeed." The assumption being that endless hours of 24/7 days made you successful.

After putting these words into practice for many years, it occurred to me that Mom was only half right. My new mantra is, "Work smart and you won't have to work so hard." And to work smarter, you must continually upgrade both knowledge and skills.

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About the Author

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https://www.legacee.com/core-competencies/skill-development/the-methods-of-masters/

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Increasing Cash Flow and Reducing Tax Liability for Commercial Property Owners ©

By E. Lamont Cosby MS, and BJ Hawkins PhD

Abstract: *There are many advantages for the small and middle-market business to own the building that houses their business operation. In addition to the numerous financial benefits of building ownership, the owner has the independence of deciding everything from the building's hours to the building's utilization. This means the owner is now in the additional business of managing and maintaining a significant asset. There are numerous rules and regulations that must be adhered to as a building owner. The recently finalized "Tangible Property Regulations" (TPR) has permanently changed the rules for all taxpayers that use a commercial property in or for their business. Non Compliance can cost tens of thousands of dollars, but compliance can mean thousands of additional dollars available for use in business operations.*

In any communication or experience interacting with owners of troubled businesses it is profoundly clear that the most important aspect of a business owner's operation is cash flow. There has been a significant and impactful financial change that occurred in January of 2014 that provides the opportunity for increased cash flow for small and middle market businesses. This change is an IRS regulation that directly impacts owners of commercial property. A temporary IRS regulation[1] was circulated during tax years 2012 and 2013 which allowed a voluntary opt in opportunity. Preceded by close to six years of development and circulation for input, on January 1, 2014 the "Tangible Property Regulations"[2] became effective and mandatory for all business owners, individuals, or Trusts where there is ownership of any type or size of commercial property.

Commercial Property

For the purposes of the Tangible Property Regulations (TPR) a commercial property is a property which is used for, by, or in business. This includes various types of property together with office buildings, restaurants, warehouses and rental units. According to the TPR as of tax year 2014 all expenditures for any commercial property that were previously expensed must now be capitalized. TPR non-compliant properties will potentially increase the owner's taxable income because of the inability to deduct current property related expenditures. Or in other terms any expenditure that you make on your building must now be capitalized.

For example, no longer can your CPA or accountant legally expense new carpeting, floor coverings, plumbing repairs, renovations, interior or exterior painting of the building, parking lot repair, generators or new HVAC/air conditioning. The game has changed *forever*. Booking assets, repairs and expenses have new rules!

The New TPR

Christian Woods, CPA makes the following statements in a The Journal of Accountancy article[3]: "Clearly, the new repair regulations pose considerable compliance risks both for CPAs and the businesses that they advise." "Taxpayer may need new collection procedures to capture the necessary data to implement the regulations"

"[IRS] Circular 230 may present challenges to practitioners in signing tax returns of clients who

[1] T.D. 9564, 76 Fed. Reg. 81060-01 [2012-14 I.R.B. 614]

[2] T.D. 9646

[3] The Journal of Accountancy, February 2014

have not implemented the regulations." "Challenges created by the regulations, make it ill advised to wait to address these issues until completing the 2014 tax returns."

TPR affects all businesses from small to corporate giants that use tangible or real property in the operation of their business. If the business owner owns the building that houses the business operation, compliance is required. If the company's CPA, accountant, enrolled agent or tax advisor has not yet established the process for bringing the building into compliance, there is reason for concern. For properties that are very small or limited in value a TPR study is not required, however, there is the requirement that a filing must be completed for safe harbor. [4]

Executive Vice President David Deshotels of Cost Segregation Services Inc., a firm nationally known for engineered platform building analysis that provides the required analysis for TPR, states that 95% of the CPAs and accountants that attended the popular TPR implementation webinars admit to having non-compliant tax clients.[5]

As with many new regulations, the TPR compliance issues are viewed as expensive and as an unnecessary regulation by many building owners and their tax advisors. For tax professionals becoming familiar with the regulation and the process of bring buildings into compliance through, classes, and continuing education workshop, according to feedback received by ourselves and our colleagues, TPR compliance is often viewed as non-productive and non-revenue generating activities.

This is an unfortunate attitude as it prevents viewing the regulatory change as an opportunity for substantial financial benefits for the commercial property owner(s). In fact, a TPR study completed by a competent Engineering firm frequently results in substantial tax savings and reductions. Stated another way, compliance with the new regulation can create unexpected positive cash flow. Tax savings and tax reductions from compliance, in almost all cases, far exceed the cost of the TPR study and provide many more opportunities for tax savings than the formerly generally accepted depreciation methodology.

A factor that many financial professionals unfamiliar with TPR have difficulty understanding is that repair and removal costs, and late partial asset disposition election allow adjustments for past tax years. This is significant because it allows adjustments for taxes paid in a previous year.

Compliance Requirements

The major aspect of compliance for the TPR is to have an analysis and a resultant study done on the building. The analysis is not allowable if done by the tax professional or the internal accountant or the external audit CPA firm. To be totally allowable, the analysis must be done by an 'independent' professional not involved with preparation of taxes for the business owner. This analysis divides the building into "units of property and systems". Going forward, all expenditures made on the building are associated with one or more of these "units of property".

The Internal Revenue Service accepts all "reasonable methods of analysis" but has designated "Engineered Cost Segregation" as the proven method. In addition, this heavily documented method of analysis can actually result in significant reduction of income tax liability due to accelerated depreciation schedules of units of property transferred into a personal property category. It should be noted that contractual engagements for studies with which most experts have been involved along with anecdotal data received from webinars and educational briefings have overwhelming supported the contention that the tax offset(s)

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[4] This is also known as the De Minimis Safe Harbor.
[5] Mr. Deshotels made this statement after conclusion of his February 4, 2015 webinar attended by over three hundred CPAs and Tax professionals from various geographical locations.

generally exceed any cost of the properly conducted TPR compliant engineered Cost Segregation analysis and study.

A factor that many financial professionals unfamiliar with TPR have difficulty understanding is that repair and removal costs, and late partial asset disposition election allow adjustments for past tax years. This is significant because it allows adjustments for taxes paid in a previous year.

Size Matters

It should also be noted that the size of the business is currently a determinant of whether the business has taken advantage of the voluntary compliance available prior to 2014. Of Fortune 500 companies it is estimated that approximately 85% to 90% have taken advantage of engineered Cost Segregation. The percentage of small businesses is estimated to be less than 15%.

It is thought that that one of the reasons for this low percentage for small businesses is the lack of a sophisticated financial professional as part of the small business owner's team. A contributing factor may also be the result of business owners believing that they are too busy to prepare or participate in 'strategic planning', a process that allows a focus on increasing profits, reducing expenses, and maintaining positive cash flow.

A Simple Case Example

A small wholesale distributor with annual revenues of $3 million owns a warehouse. The book price of the warehouse building when acquired in 2010 was $1 million dollars. For tax purposes; the accountant prepared a 39-year straight line depreciation schedule. 1/39 of a million dollars is taken as a depreciation expense deduction each year. This provides a depreciation expense of $39,000 per year. Simply put, taxable income is reduced by this amount. This is the traditional methodology utilized.

Four years into the ownership of the warehouse in 2014, the roof was replaced. The total cost of the new roof was $150,000. Also as a standard procedure, the accountant prepares a depreciation schedule for the new roof over a 15 year period. $150,000 divided by 15 is $10,000 per year.

One of the lesser known provisions of the TPR is the catch up period for partial disposition elections. The catch up period would allow the undepreciated value of the old roof (a ghost asset or an asset that no longer exists) to be expensed in the current year. For purposes of this case example we are assuming compliance with the TPR requirement as the result of a building analysis dividing the building into units of property and the roof is one of those units. This analysis has also established a value on the discarded roof. The undepreciated value of the discarded roof is $100,000 minus $11,824 or $88,176 accumulated depreciation.

The old roof is still being depreciated as part of the 39 year building depreciation schedule. A partial disposition allows the entire expense of the ghost assets to be taken in the current tax year. The forensic engineering analysis assigned a value to the old roof as well as the other components of the building including such items as the parking lot, the HVAC system, windows, and flooring. The assigned value is given a dollar number. For the purpose of the example the old roof was valued at $100,000. A "partial disposition election" will allow the business owner to take a one-time expense for the undepreciated portion of the discarded roof. According to the IRS, the preferred method is to have a third party to conduct a forensic engineering analysis. It is preferred because the deduction is defendable if questioned or reviewed in an unrelated audit and the preparation is by a third party with no interest in the outcome.

Removal and hauling costs as well as the remaining undepreciated portion of the old roof is captured through this partial disposition analysis. This allows $88,176 plus the cost of removal of the old roof to be taken as a depreciation expense in the 2014 tax year. While the partial disposition catch up period is only allowable in tax year 2014 going forward the same process is allowable for the year that the repair or placement is completed.

Summary

The implications of TPR for the owner of a commercial building or property including rental units are considerable. At a minimum an owner needs to consult with their CPA, accountant, enrolled agent, or tax professional to discuss making their 2014 tax return to be TPR compliant. Even if by some miracle the date for compliance is extended the opportunity for the increased cash flow benefits of engineered cost segregation should not be overlooked.

The challenges that TPR compliance present are worth the cash flow and tax saving advantages available to small and mid size business owners. Waiting to address these issues is not a prudent strategy for business owners interested in maximizing opportunities for business growth and profitability.

About The Authors

E. Lamont Cosby is currently a Regional Vice-President for Cost Segregation Services, Inc., headquartered in Baton Rouge Louisiana. He is designated as Tangible Property Regulation (TPR) proficient and is a participant and contributor in continuing education on the latest TPR updates. Most recently, Mr. Cosby has been a keynote speaker before CPA firms in Southern California explaining TPR compliance requirements. Mr. Cosby has over 30 years of experience in sales of complex intangibles and as a cash flow management expert and consultant. Mr. Cosby is noted for his expertise in designing internally controlled systems to accelerate cash flow for financially stressed businesses. Mr. Cosby holds a BA in Biology from Kean University and a Master's Degree in Business and Technical Marketing from Seton Hall University. Mr. Cosby can be contacted via email elamontcosby@gmail.com or Tel. 310.218.0446.

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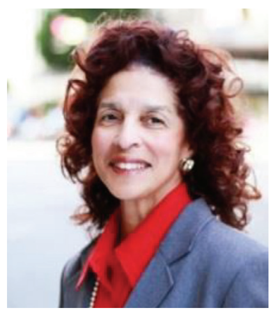

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The mission of the University is to educate students in a context informed by Buddhist wisdom and values and to facilitate cultural understanding and appreciation between the East and West.

A highly qualified faculty and a supportive and attractive learning environment are provided so that students can master a body of knowledge; acquire analytical, problem-solving, creative and learning skills; cultivate moral and cultural discernment and develop personal and social responsibility.

UWest was founded in 1991 by Venerable Master Hsing Yun. It is a pioneering effort among Chinese and American Buddhists to establish a Buddhist-affiliated university dedicated to transforming students' lives and providing a quality education based on American standards and traditions and fostering mutual recognition and respect among diverse spiritual traditions and cultures. The University is located on an attractive and peaceful campus with seven spacious buildings that have been fully remodeled to accommodate the needs of the University, the students, and the wider community that it serves.

The University offers programs of study at Bachelor's, Master's, and Ph. D. levels, including majors in **Business Administration, Religious Studies**, **Psychology, English Literary Studies, and Chinese Language and Literature.** The University also offers courses in **General Education, Academic English and English as a Second Language (ESL).**

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