



BUSINESS START-UP GUIDE



PARTNER COLORADO
CREDIT UNION



Introduction

If you dream of owning your own business, it's important to make sure you cover all the business planning components to be able to start, grow and manage your business successfully.

Whether you want financial success or to turn your passion into a livelihood, transforming the idea of being your own boss into reality doesn't have to be daunting.

We know that owner-operated businesses are the lifeblood of the economy, and every day, people like you talk to our Business Managers about getting into business for themselves.

This Business Start-Up Guide is designed to help you turn that desire to start your own business into a reality. We have selected some important topics that you should review before you open your doors.

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Step 1

Why?

As well as having the required level of skill, ability, knowledge, and experience to run your business, you must be prepared to work hard and be clear about why you're going into business.

Many people find the thought of working for themselves quite appealing. Being your own boss offers the freedom to:

- ▶ Work your own hours.
- ▶ Make your own decisions.
- ▶ Create your own lifestyle.

However, establishing a successful business requires more than a great idea and a willingness to give it a go.

Are you clear about why you are going into business?

For example, you might be aiming to:

- ▶ Make more money than you could as an employee.
- ▶ Be independent.
- ▶ Represent a product or service you feel passionate about.
- ▶ Create a business you can leave for family.
- ▶ Build a business that you intend to sell.
- ▶ Have a better work/life balance.

Once you're clear about why you'd like to be your own boss, it's time to take a close look at yourself and determine if you have what it takes to run your own business.

CONFIRM YOU HAVE THE NECESSARY SKILLS AND ATTRIBUTES

This self-assessment guide will help you get a feel of whether you're ready to be self-employed. The more of these characteristics you have, the more comfortable you're likely to feel about starting and running your own business.

- ▶ You have years of experience in the industry you plan to enter
- ▶ You're prepared to undergo training to develop the skills you need or to get input from specialist advisors
- ▶ You're prepared to work long hours without the security of a steady income
- ▶ You have sufficient savings or an alternative income to live off during the start-up period
- ▶ Your family understands the impact starting a new business could have on them and support you in achieving your goals
- ▶ You thrive on challenges
- ▶ You enjoy making and being responsible for your own decisions
- ▶ You're prepared to accept a lower income until your business starts to make a profit
- ▶ You naturally look to streamline processes and methods when approaching a task
- ▶ You're prepared to take the risk of losing the money you invest in your new business
- ▶ You're prepared to hire staff and delegate responsibilities to them or use the services of a professional if needed

If you believe you have what it takes, you'll now need to decide if your idea does too.

TIP

KNOW SOMEONE IN BUSINESS?

Talk to someone who's started their own business to gain an understanding of their challenges and see if it's right for you.



Step 2

Establish if there's a market

You'll need a sustainable market for your goods or services (where your business generates on-going sales), so it's important to investigate that market potential by observing what prospective customers really think.

Profile your ideal customers to gain an accurate analysis of market potential. To focus your marketing more effectively you'll want to identify:

- ▶ If there's a need for your product or service.
- ▶ The characteristics of your "ideal" customer.
- ▶ Ways to research the potential size of your market.
- ▶ Trends that could affect your venture.

Consider how you will sell to the market. Look at industry and market trends, and global and local influencers, so you can identify any threats or opportunities ahead.

Investigate market potential

The only guaranteed way to find out exactly how the market will respond to your business is to start operating and see what happens. Before you start, collect solid evidence that a market for your product or service actually exists.

Find out as much as you can about potential customers in your target market, such as:

TIP



ASK POTENTIAL CUSTOMERS DIRECTLY

No matter how much desk research you do, the best information you can get is the opinion of your potential customers. Consider their input on important decisions such as location, pricing, range of items, and preferred purchasing methods.

- ▶ Who might buy your product or service.
- ▶ Where they're located.
- ▶ How much they would pay and how often they might buy.
- ▶ When they would buy – for instance, you might have seasonal demand.
- ▶ Who they currently buy from.

Consider utilizing surveys, one-on-one interviews or focus groups to collect data on your target customers. If your research generates some positive feedback, consider test marketing your product or service (before you give up your day job).

That way you'll get actual, on-the-ground feedback from customers about what they really think. And you'll be able to test your product or service in the marketplace.

TIP



TALK TO SUPPLIERS

It can be useful to talk to suppliers already working in your target market to tap into their knowledge of the marketplace. If they think your idea has merit, then it can give you confidence to continue.

Think about your ideal customer

Researching the market enables you to steadily build a profile of your best customer: the person or business that is most likely to buy from you. Market research is important for two reasons:

1. By defining your ideal customer accurately, you'll be able to analyze market potential more accurately.
2. When you start your business, you can focus your marketing efforts by positioning everything you do to this customer type.

For instance, if your new office product is intended for businesses with 10 to 50 employees, you can research how many businesses of that size exist in your area and where they're located.

Identify how you will reach your target market

How you plan on getting your message across to potential customers once you know there are enough out there is critical. You'll need to select the appropriate channels to deliver your goods or service to your target market. Some possible channels to markets include:

- ▶ Selling directly, such as a retailer or a manufacturer with a factory outlet.
- ▶ Trading through a wholesaler.
- ▶ Selling through a website as an online business, also known as e-commerce.
- ▶ Employing your own sales force.
- ▶ Using sales agents or distributors.
- ▶ Licensing your products or services.
- ▶ Forming a joint venture – or a strategic marketing alliance with other companies.

Each option has advantages and disadvantages.

Research industry and market trends

Ensure you take the time to research the wider marketplace before you start up, to check that your business can be sustainable long-term. Pay particular attention to any economic, social and industrial trends or changes that could impact on your business's future.

You can find out this information by:

- ▶ Reading local and international online news sites.
- ▶ Talking to other small business owners and suppliers.
- ▶ Subscribing to industry and trade online publications.
- ▶ Listening to business and current affairs programs – via podcasts, TV or radio.
- ▶ Subscribing to news and business updates on your mobile or e-newsletters through your inbox.

Understand the opportunities and threats

New opportunities may emerge from your industry and market analysis. Consider how these may impact your business.

For example, you might identify:

- ▶ Different customers or markets from those initially considered.
- ▶ Opportunities for innovative services or products.
- ▶ Potential investors should you pursue your business idea.

Threats can be harder to acknowledge and particularly devastating to a new business, so take a realistic look at what could jeopardize your start-up. For example, some threats might be:

- ▶ Upcoming changes in legislation or zoning that affect traffic flows.
- ▶ A new competitor entering the market.
- ▶ Fluctuations in currency exchange rates.
- ▶ Emerging technology that could revolutionize the industry.

Of course, some of these threats may also provide opportunities for your new business.

Conduct a SWOT analysis

Invite some family members, friends, colleagues, or business associates to join you for a SWOT (Strengths, Weaknesses, Opportunities, and Threats) brainstorming session.

Set a time frame and record all the ideas that are put forward. Resist the temptation to respond to any suggestions. Simply write them all down and then evaluate each idea afterwards.

TIP



BE HONEST WITH YOURSELF

Weaknesses and threats can be harder to acknowledge than strengths and opportunities. Remember that the purpose of conducting a SWOT analysis is to outline the feasibility of your business and minimize risk.

Step 3

Analyze your competitors

Once you know what your competitors offer, you can compare your similarities to identify your points of difference, then develop these into a compelling competitive advantage.

Identify competitors and how they may impact your business

Researching your direct competitors is vital. These are the businesses selling a directly comparable product or service to your own. You'll be competing directly with these businesses if you go ahead and launch your business.

You'll need to know:

- ▶ What your competitors offer and how much they charge.
- ▶ What they do well, which you should try and minimize.
- ▶ What they don't do well, which you can solve.
- ▶ Where there are gaps you can take advantage of.

Be aware of indirect competition

Indirect competitors are those offering products or services that aren't the same as yours but could still satisfy the same need. You'll have to think "outside the box" to spot your indirect customers as they may not be immediately obvious.

One example of indirect competition to a newly opened restaurant is the local movie theatre (rather than another restaurant). Potential customers could choose to spend their consumable income on a movie instead of a meal out.

There are always other options for customers to spend their money on, and it's important to be aware of these alternatives.

Using your competitive advantage to beat the competition

What you do better than anyone else will be crucial to staying in business long-term.

Ways to entice customers away from the competition could include being:

- ▶ Faster at delivery.
- ▶ More convenient.
- ▶ Cheaper.
- ▶ More diversified.
- ▶ Product exclusive.
- ▶ Located in a better place.
- ▶ Focused on after sales service.
- ▶ More experienced.

Know exactly why you are better than the competition and make sure you promote these attributes.

Reduce the effect of competitors

Try to anticipate how your competitors will react to you encroaching on their territory once you start operating. They might make an effort to drive you out of the market before you get established.

Ask yourself:

- ▶ What tactics are your major competitors likely to employ when you begin competing for their market share, and what is your return action?
- ▶ How would you cope with a discount battle if your competitors are larger businesses with possibly more cash reserves?

TIP

PROMOTE YOUR COMPETITIVE ADVANTAGE

Don't expect customers to guess your business's point of difference. Competitive advantages are only advantages if you promote them strongly. Develop two or three main points, and consider making them obvious on your marketing material, signage, website, in fact anything you can.



Create barriers for others to enter your market

If you have specific new ideas, branding or market position, then you need to prevent other people copying your business idea, products or services, as much as you can.

Try to create barriers against your competitors that will make it harder for them to compete. For example, you may be able to secure:

- ▶ An exclusive operating license. If no other business is currently operating in the area, ensure your license is the only one granted.
- ▶ A contract with a supplier that restricts competitors' access to the same goods.
- ▶ An extended lease if location is important to your success.
- ▶ Experienced staff with bonuses or profit sharing to reduce the chance they will leave.

Intellectual property (IP) protection

If you've invented something, you may have intellectual property to protect. Your business name and logo also have potential value as they could get you recognized in the marketplace.

Some types of IP include:

- ▶ The appearance or shape of a product design – for example, Coca Cola's bottle design is protected.
- ▶ The slogan that defines a brand, such as Nike's "Just Do It."
- ▶ A registered trademark – such as the Apple iPad, iPhone and iPod.
- ▶ Patents, if you have a new product, process or way of creating something.
- ▶ Copyright on any words or designs.

Intellectual asset protection

Intellectual 'assets' are things that you can't legally protect but are still important. For example:

- ▶ Your business contacts and networks that provide referrals.
- ▶ Business know-how on the way things are done or processes.
- ▶ Knowledge of when customers go through their buying cycles.
- ▶ Your (or key staff) experience in the business and to know "how things are done."
- ▶ A customer database that you use to keep in contact and encourage repeat purchases.

Often these intellectual assets are more important than intellectual property, especially, for smaller businesses that are not inventing anything completely new.



DID YOU KNOW?

The United States Patent & Trademark Office (USPTO) has useful information about protecting your trademark, patents, copyright, and designs. It's a good idea to talk to a lawyer who specializes in intellectual property rights, and your other business advisors before making any decisions.

Step 4

Determine financial feasibility

Once you've established demand, it's time to find out if your idea is financially viable. Look at what it'll cost you not only to start the business but to keep it running and, most importantly, make a profit. This is where it comes down to crunching the numbers.

Calculate your start-up costs

You've got two sets of costs to consider: start-up costs and working capital.

- ▶ Start-up costs are what it's going to cost you to actually get the business up and running. They're one-off costs that are required for the launch, and which you probably won't have to pay for again. It's common for some business owners to underestimate the actual amount of money needed to start up a new business venture. For example, equipment, machinery, office fixtures and fittings, computers, initial stock or inventory and vehicles, etc. Also include any one-off service costs such as legal fees, consulting or accounting fees.
- ▶ Once you've determined all your start-up costs, the next thing is to work out how much working capital you'll need. This is how much it's going to cost to keep your business running until you think you'll break even, and then start to show a profit. This includes costs like rent, power, wages, marketing, IT communication costs, etc. Usually you'd add up all these monthly costs and then try to have a number of months' cash in reserve, until sales can cover all these expenses.

Try not to underestimate these costs and be as realistic as possible.

Working through the financials early in your planning will help you calculate how much money you'll need to raise beforehand. It also makes sense to work out if your investment is going to bring you a decent rate of return.

TIP

BE AWARE OF SEASONAL PURCHASE CYCLES

Many organizations only make purchases at specific times throughout the year. If you're planning to sell to a business or government department, you'll need to find out who makes the buying decisions and when.



Work out costing and pricing to ensure you're making a profit

If your business is to succeed, your prices must cover the cost of producing your goods or services, plus generate a profit.

Your earlier market research will have given you an indication of what prospective customers are prepared to pay, so now it's time to work out if you can feasibly deliver on their expectations and get a return on your investment. Common ways of pricing are:

Cost-plus pricing

Calculate all the costs in producing your product or service, then add a margin for your profit. It's a good idea if you get your accountant to confirm you haven't missed anything, so your price includes enough profit to grow your business.

For example, if you're selling outdoor furniture, you need to add up all the costs of manufacturing the furniture – wood, nails, labor costs – then add your profit margin on top.

Adding a margin

If your business buys products and then on-sells them (such as retailers, wholesalers, online businesses), their usual pricing strategy is to add a margin to their cost price. What this margin is depends on the industry and, often, there are industry guidelines. Contact your industry association to find out what the accepted margin is.

Hourly rate

Some businesses charge an hourly rate and, again, there are often industry guidelines. Most mechanics will charge a similar price to everyone else. Of course, this doesn't mean you have to copy.

Combinations

Combining pricing methods is common when your business offers both a product and a service.

Calculate break-even to check your capacity

Once you know what your costs are, and you've got a good idea of what you plan to sell your product or service for, it's time to work out at what point you will break even. You need to know that you can cover your costs and begin to make a profit. Here's an example: selling coffee tables.

- ▶ You've decided that a realistic price to sell your coffee tables is \$200. The labor cost (\$60) and materials (\$50) come to \$110. The difference is your gross margin of \$90. So, every table you sell, you'll make \$90.
- ▶ Your overheads for your business come to \$90,000 per year.
- ▶ Sales required to break even is \$90,000 divided by the \$90 profit from each table. This comes to 1,000: number of coffee tables you'll need to sell each year.
- ▶ On a weekly basis, you need to sell around 20 tables to break even (1,000 divided by 50 weeks).

Remember, this is to break even only. If you wanted to find out the number of tables to sell to make a profit, add your salary and any business profit to the \$90,000, then do the calculation again.

Reducing your break-even point

You can, try and reduce the work you need to do for breaking even. For example, if you:

- ▶ Increase your prices
- ▶ Reduce the cost of materials
- ▶ Reduce the cost of labor by working faster
- ▶ Reduce your overheads

Then you may find it's easier to break even and to make a profit.

TIP



TALK TO YOUR BUSINESS MANAGER

Build a lasting relationship with your Business Banking Manager. Discuss your cash flow forecast with them and let them know if you expect to have cash issues during the year.

Prepare a cash-flow forecast to make sure you don't run out of cash

A cash-flow forecast is essentially an attempt to predict exactly what your future bank statements will look like: will you have spare cash each month, or will you be in debt and need funding?

A cash-flow forecast will:

- ▶ Help you manage the cash coming in and going out of your business. You can compare the income you're expecting to receive every month so you can adjust your costs and expenses.
- ▶ Give you time to address any cash issues. If you know that it's likely you'll run out of cash in a few months, it's easier to come up with a plan to reduce the chance of this happening (e.g., reduce costs, add more capital).
- ▶ Prepare a forecast for at least the first 12 months. Given that you're dealing with the unknown, many business owners prepare three versions: a worst, realistic and best-case forecast.

If you decide to proceed with your business idea, you can update the estimated information in your cash flow with actual figures after you've started. Then, use these to prepare more accurate forecasts in the future as you go.

Identify your cash cycle

As you put your figures together, consider your business's cash cycle. This is the length of time it takes to turn your product or service into a completed (and paid for) sale.

Each business has its unique cycle. For example, a retailer usually receives money from customers immediately (people don't usually buy a pair of shoes and arrange to pay the shoe store later). Conversely, it could take an electrician a month to finish a job and six weeks to see payment.

How long is your business cash cycle? If you sell on credit, build a delayed cash flow factor into your forecast since it may be a while before you see any money coming in.

If your intended business follows a seasonal pattern, such as holidays like Easter or Christmas, factor this into your cash flow.

Be sure to make provision for on-going costs, equipment, employees, and other resources that align with your plans for development and growth. Also remember to consider how much, and how frequently, you'll need to draw money from your business.

Step 5

Raising finance

Unless you're lucky enough to have all the cash you need for starting a business already in place, you will need to carefully consider all the options available in order to secure start-up funds. There are several options to review, and whether you choose one, or a combination, depends on what kind of business you're starting and how much you'll need.

Understand all the options to raise finance

It makes sense to raise as much cash as you can to start your business. Here are some options to consider:

- ▶ **Personal savings**
The most obvious. Any funds you have saved will be invaluable.
- ▶ **Sell any personal assets**
Take a long hard look at what you currently own. Vehicles, real estate, furniture, even sports equipment. Selling personal assets can be a very effective way to increase your cash base.
- ▶ **Use the equity from any property assets**
If you own property, whether it's investment or your own personal home, you can look at re-financing to borrow the cash you need.
- ▶ **Advance deposits**
Depending on the business, you can have customers pay in advance.
- ▶ **Cut personal expenses and reduce salary**
There is an argument that you could work for a period of time without drawing a salary to reduce the amount of capital you need right from the start.
- ▶ **Borrow**
There could be assets or set-up costs that you can delay paying by borrowing equipment or machinery or working with existing businesses to use any of their spare capacity until you're big enough to buy your own.

Tips for borrowing from the bank

For many business start-ups, borrowing from the bank can be the easiest option. How much you borrow depends on how successful you've been with the above.

Before you decide to apply for business financing, it's important to have all the information at hand. The more organized you are, the better your chances of success. Prepare the following:

- ▶ How much it'll cost to either buy or set up the business, including what stock or equipment you'll need.
- ▶ How much you think you'll need to borrow and how much you're contributing yourself such as savings, assistance from family or any investors you already have on board.
- ▶ What you'll use to secure the loan, if anything. Borrowing against your house is common, but there are other options available.
- ▶ How you intend to repay the loan, ideally from the extra profit the business will make from the extra capital you've borrowed.
- ▶ If you've got any other debt or any other sources of income you can use to repay the loan.

If you can provide the bank with that information at the start, they'll be reassured you've thought carefully about the basics.

TIP

TALK TO US ABOUT OUR BUSINESS LENDING SOLUTIONS

We understand that every business is unique and has different financial needs. We'll work with you to tailor your business loan for your requirements.



Government grants and subsidies

The main grants available are covered by the [US Small Business Administration](#), the go-to resource for government assistance for small businesses.

With that said, entrepreneurs can explore the following available financial assistance options:

- ▶ **[SBIR \(Small Business Innovation Grants\)](#)**

The SBIR (Small Business Innovation Research) and STTR (Small Business Technology Transfer) programs are designed to stimulate technological innovation and provide opportunities for small business.

- ▶ **Small Business Innovation Research**

If your business is involved in research and development and is offering innovative products, this could be helpful to you. [Find out more.](#)

US Small Business Administration Loan Programs

The SBA is a government department aimed at helping small businesses. One of the ways they do this is to offer [loan programs](#) to small business owners. There are several different kinds of loan programs available, but whichever option you go with, there are some important points to keep in mind:

- ▶ You're still borrowing from your bank. Your bank will loan you the money. The SBA guarantees the loan to the bank, so it reduces the bank's risk if you fall behind on your repayments.
- ▶ SBA's application process is detailed and has a [section on its website](#) to help streamline the process as much as possible.

Other sources of finance

Your start-up funds don't always have to be borrowed. You could try looking for investors – angel investors, venture capitalists, crowdfunding – to help get your business off the ground.

Angel investors

An angel investor is often a person who has some experience or knowledge of your industry and is looking to invest in start-up businesses to gain a return.

The best time to approach angels is when you can clearly demonstrate that their investment will help launch your business. So, you need to be ready to discuss your business's financial projections, its current and potential value, your competitors, any protection you have over your products or services, and how you want to structure a deal with an investor. Make sure you have all your paperwork in order such as your accounts, IP ownership and contracts with staff and suppliers.

For more information, check out the [Angel Capital Association](#) and other groups.

Venture capitalists

Venture capital companies are professionally run businesses that look to invest in companies they anticipate will be sold to the public, or to a larger company, at a high rate of return. If your business is in a fast-growing industry with a large market potential, you may just catch the eye of an investor.

Like angel investors, venture capitalists (VCs) provide funding in exchange for a share in your company. Unlike angel investors, VCs invest on a much larger scale – typically millions of dollars. They rarely invest in an untested idea, preferring businesses that can demonstrate rapid, consistent growth and guarantee a worthwhile return. As shareholders, venture capitalists earn a portion of annual revenue – but the real profit isn't made until the company is sold.

So, to attract VCs, your business should be in a fast-growing industry, be part of a large market, have a solid and up-to-date business plan for continued growth, have a proven management team, and be able to bring in investment returns of 20% to 30% each year.

The [National Venture Capital Association](#) (NVCA) is a good place to start.

Crowdfunding

Described as “democratic finance,” crowdfunding allows a number of people to invest small amounts of money in your business, often in return for the products you're selling.

It's particularly useful for entrepreneurs and potential small business owners with ideas that aren't bankable in the minds of traditional lenders.

Having gained popularity over the last few years, crowdfunding lets you receive donations on the Internet to help get your business idea off the ground. You can offer people incentives to encourage them to get behind your business.

[Kickstarter](#) is a commonly used crowdfunding platform.

Step 6

Things you need to do

Make sure you identify what you must comply with to ensure your business operates legally.

There will be taxes to address along with permits, licenses and regulations that you may have to meet. There might also be some local or regional municipal government rules to comply with.

Also consider what types of business insurance your new venture will need to minimize major risks.

Tax and compliance obligations

There's no getting around it – you'll have to pay tax. Although this is primarily a job for your accountant, it's important that you understand the basics.

Employer Identification Number (EIN)

This is a 9-digit number that the IRS uses to identify you as a business. There are exceptions, but in general terms, most businesses need one. It's free, and there are various ways you can apply for one:

- ▶ Online – not only is this the easiest method, it's the fastest. All the information you supply is validated while you're online, and your EIN is issued immediately.
- ▶ Fax – once you've faxed the completed Form SS-4, and the IRS confirms all the details, your EIN will be faxed back to you within 4 business days.
- ▶ Mail – you're filling out the same form as for a fax, and it can take up to 4 weeks to get your EIN back by mail.

The [IRS website](#) has a section that explains applying for an EIN in more detail.

Federal income taxes

The federal government (the IRS, specifically) has four basic types of business taxes: income tax, self-employment tax, taxes for employers, and excise taxes. The way your business is set up will determine which income tax form you need to use.

State income taxes

For most small businesses, you'll need to pay business income tax. Each state has its own rules around state taxes so check with your state. Find your [state website here](#).

Permits and licenses

Depending on your industry, you may need to apply for a permit or license before you can start a business.

- ▶ Apply for general [business permits and licenses](#).
- ▶ Each state has their own permits and licenses you should research.

Day-to-day banking

You will need somewhere to put all your money from sales and have a way to pay for your expenses. A transactional account is fundamental to the day-to-day running of your business. Most of the payments in and out of your business will be channeled through this account. It may also be linked to an overdraft facility to allow for working capital requirements.

Insurance

Starting your own business involves a degree of risk. If the unthinkable should happen and a fire, theft or flood strikes your business, or a serious illness or injury prevents you from being able to work, the results could be devastating. What have you got in place to ensure your business survives? The types of insurance you may need to consider include:

- ▶ Life and medical, Property, Equipment and buildings, Vehicles
- ▶ Travel, Director and product liability, Mortgage protection.

Business names and structure

When you decide to start your own business, you need to determine what type of business structure best suits your needs. In the US, there are four main types:

- ▶ **Sole proprietor** – this is someone who owns a business by themselves.
- ▶ **Partnership** – this is if you own a business with someone else. Many partnerships don't pay tax as a business, but each partner must include their share of the business's income on their tax return.
- ▶ **Corporation** – this is a business that has shareholders, and the tax is paid as a separate legal entity.
- ▶ **Limited Liability Company (LLC)** – this is a structure allowed by state statute, and the owners are called members, which may include individuals, corporations and other LLCs. Different states have different requirements for an LLC, and your accountant will tell you what they are in your state.



DID YOU KNOW?

The SBA website has a [good overview](#) on how to choose your business structure.

Accounting and record keeping

You will need to keep accurate business records so you can track sales and expenses, and so the IRS knows what tax they can collect.

Good accounting software reduces the risk of making mistakes, and enables you to monitor in real time your cash flow on a daily basis. Explore different accounting software options online.

Having good accounting systems will help you to:

- ▶ Determine whether your business is making enough money to meet its expenses.
- ▶ Make purchasing decisions depending on budget.
- ▶ Have enough money to pay taxes.
- ▶ Demonstrate to investors, bankers and others that your business is sound and is being run professionally.
- ▶ Save time. A good system will allow you to get a realistic picture of your business when you need it without being so time-consuming as to be a burden.
- ▶ Save money on accountant fees. If you're doing the day-to-day bookkeeping, your accountant won't have to spend valuable time (that you're paying for) getting your books in order. You'll be able to use the accountant's services for more specialized tax and financial advice instead.



Step 7

Build awareness

Even if you've got the world's greatest new product or service, you can still have trouble selling it if potential customers are unaware you exist. Consider:

Attending trade shows in your industry

If there are any trade shows relevant to your business, make sure you go. If you can set up a stand as an exhibitor, so much the better.

Develop an online presence

Email, websites and social media are all great ways of engaging your customers. It's most likely that your customers will have checked out your business online before they contact you and checked you out personally on social media.

Develop an advertising campaign based on what you've learned

To increase your customer base, try to come up with some marketing tactics that will entice and retain customers, particularly during the early phase of your business.

Plan an advertising campaign that fits within your budget. Think about which mediums will be most effective for your target group. That may mean a combination of online advertising, search, content marketing, print, email marketing, flyers, signage, personal visits, and anything else that suits your business type.

Build word-of-mouth advertising

This is the most powerful marketing tool you can make use of, and it's free. If you provide an excellent customer experience, the customer may tell their friends and family about you, who will then become customers themselves. People trust the word of their friends and family when it comes to recommendations more than anything else.

Run events

Physical workshops or online webinars can generate awareness and provide a level of credibility. If you can speak at events, everyone will often think of you as an expert.



Step 8

Employing staff

Once you start your business, there is a high chance that you will need employees to assist you. Regardless of when you need to hire, there are certain steps you should take to make it easier to get them on board and up to speed with your requirements.

Write a job description

Spend time thinking about your requirements and deciding what your new employee will be required to do. For example:

- ▶ A person profile and the technical, physical or personal requirements needed.
- ▶ The problem you are trying to address.
- ▶ The key tasks for the role, from the day-to-day tasks to likely one-off jobs and special requirements.
- ▶ Likely salary expectations so you can determine if you can afford them.
- ▶ How many hours will the role require? This includes whether the role will be a part-time or full-time position, permanent or fixed-term.
- ▶ How much responsibility is required.

It's important to make sure the job description you've drawn up clearly outlines the position, what its goals are and your expectations. You want the description to be attractive to potential applicants – remember, you're selling yourself and your business.

There are a number of methods when it comes to finding the right person for your team. Some of the options you could consider are:

- ▶ Advertising in newspapers, trade journals and online job sites.
- ▶ Employment agencies – these people are HR experts, and often money well spent as they handle all the time-consuming tasks plus help ensure your job description is attractive and accurate.

Interviewing

Once you've created a shortlist of applicants (if you're going with an agency, they'll have done this for you and provided their own notes on the shortlisted people), it's time to talk to them face to face. When you're interviewing them, keep the following in mind:

- ▶ Be consistent – ask all applicants the same key questions.
- ▶ Skills and experience – while they'll have listed these on their resume, it's important to go into detail so you know they don't just look good on paper.
- ▶ Give them kudos if they've clearly done their homework on your business and ask you relevant questions about your business goals. Be wary of applicants who are more interested in pay, leave and perks.
- ▶ Consider carefully whether they'll fit into your existing team. There's nothing worse than upsetting a successful dynamic by inserting the wrong person into the mix.

When you've narrowed down your shortlist, it's important to conduct background checks on the finalists. Contact the reference people they've listed. Often, it's better to phone them, as they're more likely to be candid about the applicant than if you send an email or you're just reading a written reference.

TIP



EMPLOYER REGULATIONS

It's important that you're familiar with the employer responsibilities and labor laws in the states that you operate.

Step 9

Lowering your risk

Reduce potential risks to your start-up by building your business's credibility, avoiding some common pitfalls and focusing on your business's critical success factors. You'll want customers, lenders and suppliers to have confidence and trust in you.

Be sure to plan for unexpected events such as natural disasters, economic downturns and staffing issues. Identify and focus on the critical factors that are essential to the success of your business.

Building credibility to make it easier to be in business

There are three key areas you should focus on when building your credibility:

- ▶ **Customer confidence** – make sure you're giving good value for money and delivering what you say you will. Anytime you receive positive customer feedback, record it and use it in your promotional material.
- ▶ **Supplier confidence** – suppliers must trust you. Pay your bills on time and represent them well in the marketplace.
- ▶ **Lender and investor confidence** – keep your accounting up to date so you've always got relevant financial documents at your fingertips, and ensure you've got good systems and processes in place.

Avoiding common pitfalls

There will always be risks associated with running a business. Identifying and managing some of the common risks in advance can help to strengthen your chances of success.

You want to:

- ▶ **Never run out of cash** – preparing regular cash-flow forecasts and implementing sound business systems, especially around credit management and debt collection, will help you avoid this. Remember that simply being good at what you do is not enough; you also need to manage your business competently. Get help from your accountant to identify the key performance indicators you need to monitor.
- ▶ **Seek professional advice** – you don't need to make all decisions on your own. Successful business people consult their advisors regularly.
- ▶ **Prepare for mishaps** – the unexpected will happen, so ensure you have appropriate insurance and other cover for emergencies.
- ▶ **Maintain your own health and well-being** – starting a business can be very stressful, especially in the first years. Make sure you look after yourself as well as your business.
- ▶ **Never fall behind** – it's important to keep up to date with economic and market trends, what your competitors are doing and the latest technology.

Expect the unexpected

It's important to think about anything that could possibly go wrong and plan ahead. Create some "what if" scenarios, such as:

- ▶ Your premises were destroyed by natural disaster.
- ▶ Your computer systems were wiped out by a virus.
- ▶ Key machinery failed and would take time to repair.
- ▶ A nasty bug hits all your staff and keeps them off work for a week.

What impact would any of these occurrences have on your business?

Action plan

Business start up guide

1. Write why you want to go into business. What are your reasons?

2. Confirm the skills and attributes you need to be successful.

3. List the evidence that your good or service has a market.

4. Identify your strengths and weaknesses, and opportunities and threats in your target market.

5. List your competitors and how they may affect your business.

6. Detail your competitive advantage. What will you do better than anyone else?

7. Outline your IP and the steps you'll take to protect your IP.

8. Show what pricing strategy you're using and why it's best for you.

Action plan

Business start up guide

9. Write your break-even point. What steps can you take to reduce it if necessary?

10. Identify your best options for raising finance.

11. List the steps you need to take to remain compliant.

12. Detail your business structure and why that structure is best for you.

13. Outline the steps you'll take to ensure people hear about your business.

14. Identify all the positions you'll need to hire for. List the responsibilities and qualifications necessary to be successful in each position.

15. Show what steps you'll take to avoid common pitfalls in your business.

16. Explain how you'll take steps to protect your business from issues like a natural disaster, computer system failure, or equipment breakdown.

Action plan

Business start up guide

✓ Step 1: Why

- Identify your reasons for going into business
- Confirm you have the necessary skills and attributes
- Ensure you have enough money in savings or additional income
- Talk to an existing business owner for their advice
- Identify your strengths and weaknesses, and opportunities and threats
- Check family and friends support your decision to start

✓ Step 2: Establish if there's a market

- Research your target market
- Talk to suppliers to get their input into the market
- Identify channels for reaching your target market
- Conduct a SWOT analysis
- Outline your pricing strategy

✓ Step 3: Analyze your competitors

- Identify your competitors
- Explain your competitive advantage
- Create barriers for others to enter your market
- List and protect your intellectual and assets

✓ Step 4: Determine financial feasibility

- Calculate your start-up costs
- Work out your costing
- Ensure you're making a profit
- Identify your break-even point
- Prepare a cash-flow forecast
- Identify your cash cycle

✓ Step 5: Raising finance

- Identify your financial options
- Prepare documentation necessary for borrowing from the bank
- Explore government grants and subsidies
- Examine other possible sources of finance

✓ Step 6: Things you need to do

- Understand the basics of your taxes
- Register for your Employer Identification Number (if necessary)
- Obtain any necessary business permits and licenses
- Open a business bank account
- Obtain insurance
- Choose a business name and structure
- Set up accounting and record keeping processes
- Register as a beneficial owner

✓ Step 7: Build awareness

- Attend trade shows
- Develop an online presence
- Start an advertising campaign
- Encourage word-of-mouth advertising
- Run events

✓ Step 8: Employing staff

- Write a job description
- Shortlist the candidates
- Familiarize yourself with employer regulations
- Conduct interviews

✓ Step 9: Lowering your risk

- List and solve any potential catastrophic events
- Outline and solve key business risks

SUMMARY

Write a full business plan to cover all the elements you need

The process of writing your plan will help you focus, crystallize your ideas and identify priorities, saving both time and effort. A business plan outlines your strategies. You'll need it for finance applications, for presenting to potential investors and as a road map for the growth of your business. It'll give you a clear sense of direction, as well as providing a benchmark so you can measure your business progress.

Keep your plan short and sweet. If you overload it with detail or make it too long, it'll become cumbersome and difficult to follow – thus defeating the purpose. Above all, keep your business plan realistic. For example, unrealistic sales forecasts could lead to increased overhead followed by a damaging cash-flow crisis and drastic cost cutting. It could also damage your credibility, because lenders and other interested parties will quickly see through optimistic plans that ignore weaknesses or threats.

By the time you've worked your way through this guide and have done your due diligence, you'll be in a great position to



TIP

Earthquakes, tsunamis, hurricanes, wildfires, floods can all affect small businesses – however unlikely it may seem. By identifying the risks and creating contingency plans, you can eliminate or mitigate your losses and strengthen your business's chances of survival.

consider whether you are able to launch your new business, with as few roadblocks as possible. It's important that you have plenty of support during this time, so make sure your family and friends are behind you – you'll need their encouragement to boost your confidence.

Remember that we're always on hand to offer advice. We want your business to succeed, so talk to us about anything that might be concerning you and seek our advice when it comes to your financial planning.

Good luck with your new business!

Please note that the information provided isn't intended and should not be relied upon as professional or personal financial product advice. You should seek professional advice before making any decision that could affect the financial health of your business.