

Starting Your Small Business Resource

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Powerhouse



So, you think you want to go into business for yourself. You've got the idea, and you know you have the talent, but where do you start to make your dream a reality?

Follow us as we take you through an overview of how to take your idea and bring it to life. In addition, at the end of this resource, we've included a list of websites we think will be helpful as you embark on your small business journey.

Let's get started:

- ▶ **1. Do Your Research.**
You have an idea of what you want to do. Has it been done before? Who has done it successfully? What does it take to make your idea successful? The internet is a treasure trove of information, but talk to others in your industry as well. What has worked for them? What hasn't? Trust us, information is key!
- ▶ **2. Make a Plan.**
Your research is done, and you think you're ready to take the next step. What do you need to do? Make a list. Don't forget to include such things as where you will get start up money, where your business will be located, what your one-month plan is, what your one-year plan is, and what materials you will need. Take time to create a contingency plan just in case certain things don't work the way you think they should.
- ▶ **3. Plan Your Finances.**
Of course, there's the seed money. In addition, think micro: Will you pay yourself a salary, and if so, how much? Will you have other employees, and if so, how much will you pay them? Plan money for expenses. How will you pay back any loans you take? Think about your financial plan if things don't work out. How will you pay any money you owe if, for some reason, your business doesn't succeed? Nobody wants to think of this possibility, but it's an important consideration.
- ▶ **4. Choose a Business Structure.**
This is where you need to decide if you will be a sole proprietorship, a limited liability company (LLC), a cooperative, a partnership, or an S corporation. Each has its benefits depending on the type of business you plan.

▶ **5. Select and Register Your Business Name.**

Let's face it, this is one of the more exciting things you get to do when opening your own business. Take care to ensure that whatever name you choose adequately depicts what your business is. For example, if you're opening a doggie day care, you probably don't want a name that might make people think you have an indoor children's playground!

▶ **6. Get Licenses and Permits.**

Your research in step one should have turned up any license and permit requirements for the business you plan to open. Make sure to apply and have all documentation ready (and correct!) before opening your doors. Don't forget to check any state-specific requirements as well.

▶ **7. Choose Your Accounting System.**

You may think you've got a little time once you get started before you need to worry about this, but trust us—having the right accounting system in place before you open is a must. Depending on your business, there are plenty of great apps as well as more traditional software tools to choose from. Or, if it's more appealing to you and you can afford it, look into hiring an accounting service. The right accounting system makes keeping the books a breeze.

▶ **8. Set Up Your Business Location.**

This is a no-brainer if you will have a traditional store-front space. However, if you are planning to operate from home, you may not think about this detail as much. Besides the psychological benefit of having your own business space in your home, setting up and setting aside space for your business could have tax implications for you when it comes time to file.

▶ **9. Get Your Team Ready.**

This, too, is obvious if you will operate out of a traditional store-front space and plan on having employees from the start. However, if you are starting a home business or a direct sales business, remember that your team includes your family. Make sure they are ready for any changes that will happen once you start working. If you won't be making all the meals, or will suddenly be unavailable to be the last-minute chaperone for school events, ensure that everyone knows what the new operating procedure will be.

▶ **10. Promote Your Small Business.**

This is key to a successful launch. People have to know you exist. In our increasingly technology-driven business world, utilizing social media, etc. is extremely important. Check out the resources we have available on the Powerhouse website that deal with using social media in your business. Traditional advertising may also be a mode you wish to use, depending on your business. Print ads, business cards, word of mouth, etc. can help immensely in the first months. In addition, you may consider attending conferences in your industry.





Developing Your Business Strategy

You've settled on a business, done your research, and are ready to start. Now you need a business strategy. In simple terms, a business strategy is just that—a strategy or plan for making your business successful. A business strategy can be developed, tweaked, and reviewed at any time (and should be routinely considered), but you definitely want to prepare one at the beginning.

In developing your business strategy, you want to look at

- What your aspirations/goals are.
- Where your particular business can make the most impact in your industry.
- Who your target market is.
- What tools you need for successfully implementing your business plan.

Your aspirations/goals are laid out in your vision and mission statements. A vision statement basically states what your business hopes to accomplish long-term. A mission statement is simply that—a statement encompassing what your business exists to do. These two statements help to shape your business strategy by focusing on what your business exists to do and what type of impact you envision having on your industry. You may find as your business progresses that you need to revisit these statements from time to time, but always use them as the basis for your business strategy.

Once you've determined what your business exists to do, you can then look at where within your industry you can make the most impact. If, for instance, you are opening a day care whose mission is to provide an academic environment for 2- to 4-year-old children, then you know that your business strategy will focus on appealing to that market of parents who want their young children prepared for the academic rigors of elementary school. Your business strategy then would be developed around providing this service to this market.

Your market, of course, drives what tools you need to make your business plan work. In our example, you would need teachers qualified and certified to teach young children. You would also need facilities that aid in the goal of teaching. Your strategic goal of providing academic training to the toddler set would then require tactical methods for implementation.

If business strategy sounds like a giant game of chess to you, you're not entirely wrong. Tim Berry describes any business as one of transactions and, "Every transaction is a solution to somebody's problem." You are a problem solver, and your business strategy is the tool you use to solve those problems. For more resources and in-depth information on how to develop a business strategy, please see our "Resources" page at the end of this document.

Considering Franchise and Direct Sales Opportunities

You want to own and operate your own business. Maybe you don't have a definite good or service in mind, but you really like the idea of being your own boss. If so, franchise or direct sales may be the best business choice for you. Each offers its own benefits and potential pitfalls, but one thing they have in common is this: If you wish to be successful, you need to believe in the product you are selling.

Franchises provide you with the opportunity to own your own business without the need to plan the business from the ground up. Many franchises offer the security of a known business entity/model and provide training in how to be an owner-operator of that particular chain. Some franchise opportunities allow you to be completely autonomous, and others offer the opportunity to own your own store while still operating under the umbrella of a parent company. One benefit of a franchise business is that there is a well-established business plan in place, and most offer extensive training in their service industry.

Potential downsides are that franchise opportunities tend to require a lot of money up front and that a substantial portion of profits may be owed to the parent company for quite some time after you open. Additionally, if you decide you don't like the franchise business for any reason, it can be difficult to leave without serious repercussions. Another consideration is that franchises can take up to a year and a half to get up and running, depending on the company and industry, and they may take a while to turn a profit.

Direct sales opportunities, on the other hand, usually require a minimal startup fee, primarily for the initial product. With many direct sales businesses you have complete autonomy on how you organize your business and how much or how little you put into the business; and if you decide direct sales isn't for you, there is little risk involved in walking away.

Unlike franchises, most direct sales opportunities have minimal training available. While they do typically offer an option to attend a convention once a year in which they introduce you to new products, provide some training, and give you an opportunity to network with others selling your same product, there is little to no help in getting started from the parent company. Direct sales almost exclusively rely on a mentor-style program. If you wish to begin selling a product, you sign up under someone else who already sells that product. That person then provides help to you in getting started as well as gives tips on what has and has not worked for them. If you wish to go into direct sales, it is vital to pick a good mentor. Direct sales will build as you build your client base. Profits will be minimal at first and gradually improve as you build your business. Your profits are also directly impacted by how much time and effort you put into your direct sales business.

At the end of this resource, we have provided a list of both franchise and direct sales companies. This list is neither comprehensive nor an endorsement of any product. It is simply a place to begin your research if either of these options appeals to you.





Obtaining Small Business Loans

Chances are, if you are planning to start your own business, you will need a loan. You may be thinking of applying for a small business loan. If that is the case, you may want to consider a different avenue. Most lenders will not provide a small business loan for a company that is just starting. They want to see a couple of years of service so they can evaluate what type of risk you are. In addition, they want you to have a good small business credit score as well as good personal credit. Without these, most lenders will not take a chance on you.

An alternative to the traditional small business loan is the microloan. These are loans from between \$500-\$35,000 and are offered through lenders other than banks. A few hundred microloan lenders exist in the United States. These loans typically require less paperwork and are perfect for those trying to get a new business started.

Another option is to apply for a U.S. Small Business Administration (SBA) loan. An SBA-backed loan is available to any small business, but there are requirements that must be met. A couple of these requirements include that you must have previously applied for a small business loan and been turned down and that you must not be capable of raising the funds you need in any other way. If you are interested in pursuing this option, check out the SBA website for all the rules and for access to the online application.

Some other options for raising funds to start your business are to crowdsource, ask for money from family and friends, borrow against your 401(k), or put the money on a credit card. As you may have already figured out, these options can be risky and may not garner you the amount you need. If any of these are your only option, you may wish to reevaluate as to whether this is the right time to start your own business. Maybe the better choice would be to start a savings account and put some money aside each month until you have a little bit of a nest egg for starting your business. Being able to show a lender that you have some cash to put toward the endeavor may also make you a more attractive option.

Finding the Right Mentor

Finding the right mentor can make the difference between whether you succeed or fail in your business venture. Starting a business is always a risky endeavor fraught with stress and unforeseen complications. It is not for the faint of heart! Having a business mentor, someone who has been through it all before, who can offer you advice or just a sympathetic ear, can be the difference between throwing in the towel and riding out the storm.

If you are considering a franchise or a direct sales business, chances are there is a mentor built into the process. In the case of direct sales, the person you sign up under should act as your mentor. Therefore, it is imperative that you sign up to sell under someone you know and trust to guide you. In the case of a franchise, usually the company will assign a mentor to you. This individual is typically someone who has undergone the process sometime within the last five years that you are undertaking now. Because you have little to no say in your assigned mentor, you may need to look around for someone who is a better fit. The good news is that most franchise companies offer some kind of directory of owner-operators so you can find someone who fits you.

If you are opening a consulting or other type of small business, it may be harder to find a business mentor. Some of you may be lucky enough to know a family member or friend who has gone through the process and is willing to take on that role. For those of us not so lucky, it may be a lengthy process that involves a lot of networking. Don't be afraid to seek someone out in your chosen industry and ask questions. Even if you don't "connect," you may get some invaluable advice that will help you as you go through the process. Eventually, you'll find the right mentor.

Until then, just remember: Starting your own business is hard. There will be days when you question whether or not you should have ever started down this path. With lots of hard work, perseverance, and grit you'll get there! In the meantime, PH has lots of resources available to help you on your journey.



Resources

Powerhouse Planning Business Resources

www.powerhouseplanning.com/resources

Starting Your Business and Developing Your Business Strategy

Berry, Tim. "How to Develop Your Business Strategy."

<https://articles.bplans.com/how-to-develop-your-business-strategy/>

"Checklist for Starting a Business."

<http://www.irs.gov/businesses/small-businesses-self-employed/checklist-for-starting-a-business>

Fallon, Nicole. "How to Start a Business: A Step-by-Step Guide."

www.businessnewsdaily.com/4686-how-to-start-a-business.html

Gregory, Alyssa. "10 Steps to Starting a Small Business."

<https://www.thebalance.com/starting-a-small-business-4073888>.

MacDonald, Jamie. "6 Steps to Create an Effective Business Strategy."

www.business2community.com/strategy/6-steps-create-effective-business-strategy-01391113

Martin, Roger L. "Five Questions to Build a Strategy."

www.hbr.org/2010/05/the-five-questions-of-strategy

MindTools. "Developing Your Strategy: What Is the Path to Success?"

www.mindtools.com/pages/article/developing-strategy.htm

Morgaine, Briana. "30 Small Business Ideas (for When You Don't Know What Business to Start)."

<https://articles.bplans.com/business-ideas/small-business-ideas/thirty-small-business-ideas/>

U.S. Small Business Administration

www.sba.gov

Small Business Loans

Inc. Staff. "10 Ways to Finance Your Business."

www.inc.com/guides/2010/07/how-to-finance-your-business.html

U.S. Small Business Administration

www.sba.gov/business-guide



Resources (con.)

Veteran-Friendly Franchises

Franchise Business Review. "Top Franchise Opportunities: Best Franchises to Buy based on Franchise Owner Reviews."

www.franchisebusinessreview.com/top-franchises/

Herold, Tracy Stapp. "100 Veteran-Friendly Franchises."

www.entrepreneur.com/article/251658

Military Times Reboot Camp. "Military Times Best: Franchises 2018."

<https://bestforvets.militarytimes.com/franchises/2018/>

Stites, Eric. "Top 10 Low-Cost Franchises for Veterans According to Veterans Who Own Them."

www.business.com/articles/top-10-low-cost-franchises-for-veterans-according-to-veterans-who-own-them/

Direct Sales Opportunities

Direct Selling Star. "9 Completely New Direct Sales Companies 2018."

www.directsellingstar.com/new-direct-sales/

Hanna, Holly Reisen. "What Should I Sell? A HUGE List of Direct Sales Business Ideas."

www.theworkathomewoman.com/direct-sales/

Money Making Mommy. "Direct Sales Companies List 2018 Complete List and Profiles."

www.moneymakingmommy.com/direct-sales-companies/

Real Ways to Earn Money Online. "The Mega-List of Direct Sales Companies."

www.realwaystoearnmoneyonline.com/money-earnig-directory/direct-sales

Retired Brains. "Direct Sales Jobs."

www.retiredbrains.com/direct-selling.html

SmartNancials. "The Best Direct Sales Companies You Can Start for Cheap."

www.smartnancials.com/the-best-direct-sales-companies/

