

# QuickSTART: Start-up Basics



# SCORE QuickSTART Series

## Workshop

## Session 1

# Start-up Basics

# About SCORE



- Successful and experienced executives acting as volunteers
- Seminars and workshops
- Free Mentoring
  - One-on-one
  - E-mail
- Resources for small business:  
[www.score.org](http://www.score.org)  
[www.scorecr.org](http://www.scorecr.org) - **Locally**

# Counseling Locations



- Local counseling locations will be provided on this slide.
- Please make note of this information in your manual.

# Agenda



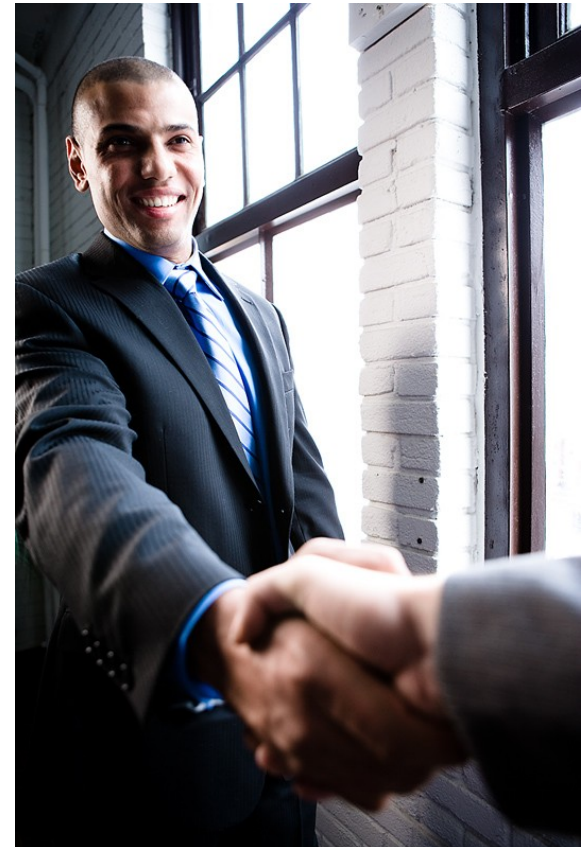
- Myths
- Business Opportunities
- Assessing Your Journey
- Organization, Insurance, Regulations
- Funding and Cash Management
- Business and Marketing Plans
- Next Steps



# Nice to Meet You!

Briefly tell us a bit about you:

- Your name
- Your Business idea(s)
- What you want to learn today



# Start-up Myths

# Myth #1



**Myth:** All I need is a good idea to be a successful entrepreneur.

**Reality:** A good idea is a great start, but it takes hard work, research, and planning *plus* successful implementation strategies to turn your idea into a profitable enterprise.



# Myth #2



**Myth:** If you go out on your own, you won't have to work so hard or such long hours.

**Reality:** You'll probably work harder and longer than you've ever worked before, but you'll enjoy it more. Exhaustion fades at the moment you proudly say, "I did this!"

# Myth #3



**Myth:** You'll be able to deduct everything so you don't have to pay taxes.

**Reality:** Taxes are based on *net* income, which can be lowered by subtracting expenses related to the business from *gross* income. Strict regulations apply, so keep good records and learn how to make the tax system work for you.

# Myth #4



**Myth:** If you work independently, you won't have to report to a boss.

**Reality:** You don't have a single boss, you have many. These are your clients and customers, each of whom have specific needs and demands. Your challenge is to keep all of them happy.

# Myth #5



**Myth:** Business owners get to do the work they want to do and only what they find interesting.

**Reality:** Think again. You will have to wear many hats and juggle many skills, some of which may bore you or be downright challenging.

# Myth #6



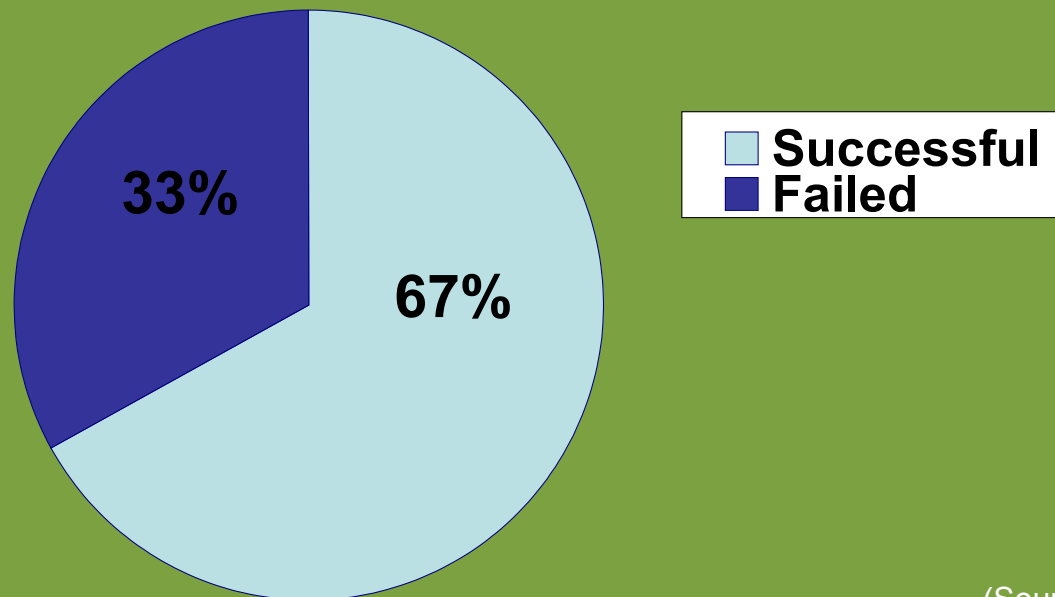
**Myth:** If you choose to be self-employed, you'll be limited in what you can achieve, since you'll be working alone.

**Reality:** The limitations are created mostly by the space between your ears. Be realistic, but don't trap yourself with self-imposed limitations. You *can* make a difference.



# Reality: Business Success

Percent of New Businesses after Four Years



(Source: SBA)

# Critical Success Factors



- Good choice of time and location
- Adequate capital
- Ability to manage and multi-task
- Education/experience in field
- Strong work ethic
- Effective time management
- Willingness to ask for input from others

# Business Opportunities

# Starting a New Business

## ADVANTAGES

- Not hampered by previous image or technologies
- Can choose location, name, logo, relationships
- Can explore new markets and directions
- See your dreams come true

## DISADVANTAGES

- No base, must build all new
- Greater risk
- No track record = difficulty in financing
- See your dream become a nightmare

# Buying a Business

## ADVANTAGES

- Established clientele, suppliers, location
- Known quantity, proven formula/name
- Help in starting and running business
- Can review records
- Easier to obtain financing

## DISADVANTAGES

- Potential hidden issues: debts, poor reputation, loyalty to owner, out-of-date inventory or transfer issues
- No guarantee that success will continue



# Buying a Franchise

## ADVANTAGES

- Proven image and product/service
- Marketing/Sales power
- Limited experience
- Training, professional guidance
- Continued consulting relationship
- Access to other franchisees for help

## DISADVANTAGES

- Loss of control - not always your own boss
- Franchise = royalty and other fees
- Operational boundaries and limited choices
- Binding contract
- Franchisor problems are your problems

# Home Based Business

## ADVANTAGES

- Convenient work location
- Less expensive
- Flexible schedule
- Tax Advantages
  - Sq Ft of total home
  - Percentage of utilities

## DISADVANTAGES

- Zoning or deed restrictions
- Isolation from others
- Difficult financing
- Family distractions
- IRS scrutiny

# Non-Profit

## ADVANTAGES

- Allows operation in a not-for-profit status – no owners
- May qualify for government or foundation grants
- Protection from liability for directors and employees
- Can pay salaries to employees and consulting fees for contractors

## DISADVANTAGES

- Focus on educational or charitable purposes and cannot profit those who created the organization
- All profits remain within the organization
- Must apply and qualify for 501c3 status or sales tax exemption

# Online Business

## ADVANTAGES

- Lower startup costs
- Expanded geographic reach
- Convenience & accessibility
- Flexibility

## DISADVANTAGES

- Low conversion rates
- Low barriers to entry = higher competition
- Visitor expectations
- No personal contact/ limited sensory info

# Assessing Your Entrepreneurial Journey

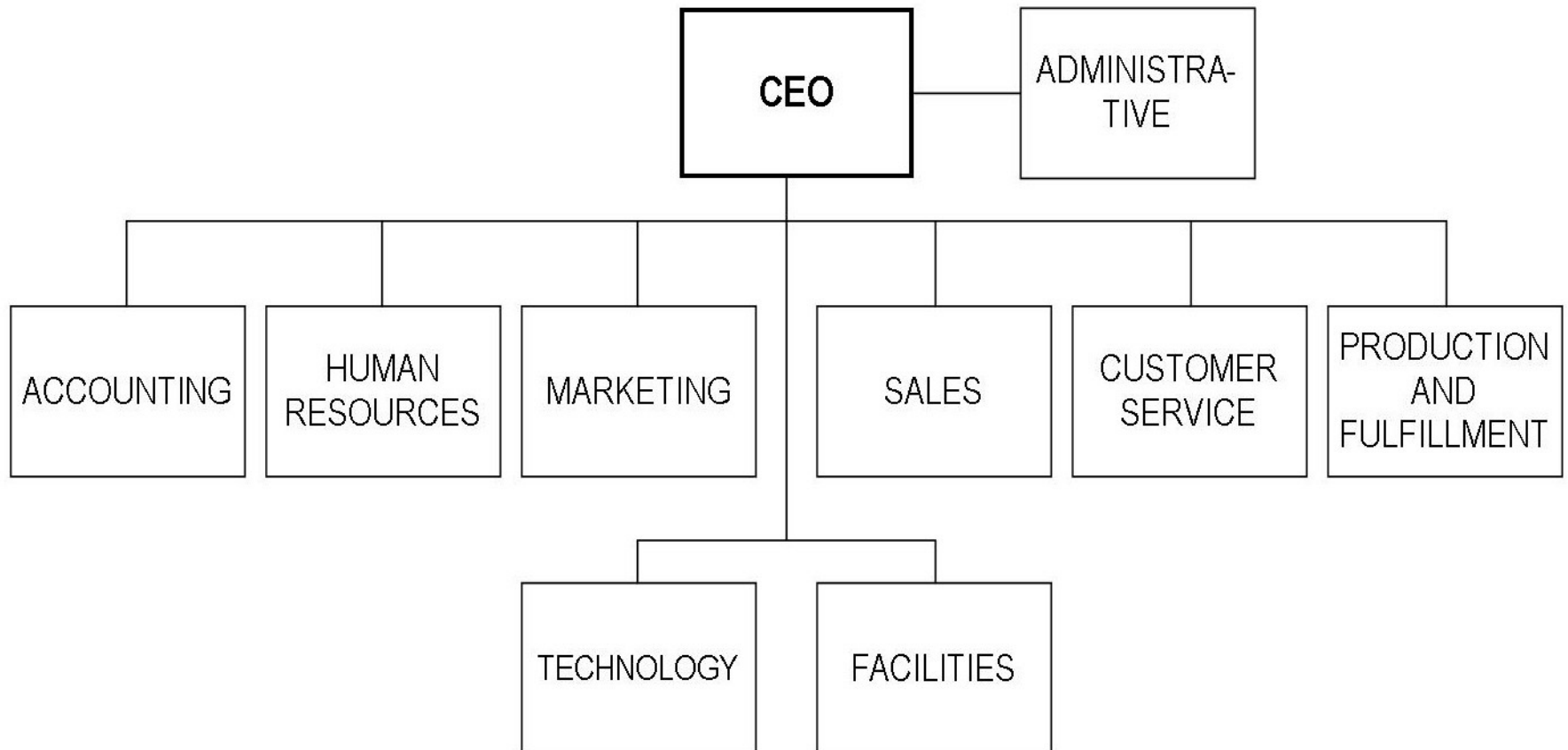


# Entrepreneur Characteristics



- Self-starter
- Resourceful
- Responsible
- Organized
- Hard worker
- Persistent
- Decisive
- Healthy
- Supportive family

# How Many Hats Will You Wear?



# Marketing



- Strategy used to create a desire to purchase
- Creates your company image
- Anything you do to get and keep a customer
- Your product or service will *not* sell itself

# Sales

- Customer contact work
- Finding prospects
- Making presentations
- Preparing bids
- Closing deals
- Processing orders



# Product and/or Service



- Definition of offering
- Functionality and packaging
- Quality
- Differentiation



# Position

- Location, Location, Location
- Niche / target market
- Competition
- Distribution
- Merchandising



# Branding

- Name recognition
- Qualification of product/service
- Market identity
- Advertising



# Price



- Consumer reaction
- Cost
- Competition
- Credit terms and discount

# Competition

- Size of operation and number of employees
- Price and quality
- Services provided
- Reputation: strengths and weaknesses
- Personal visits and observations
- Suppliers & contractors
- Other businesses in area



# Details, Details: Legal Forms, Insurance, Regulations, Advisors

# Business Organization Forms



- Sole Proprietorship
- Partnership
- Limited Liability Company (LLC)
- “C” Corporation (Conventional)
- “S” Corporation (Sub-chapter)



# Recommendations for Start-ups



## Keep It Simple

- Sole proprietorship or partnership
- If liability and/or tax are a concern, an LLC or S-corporation

# Insurance Considerations



- Property
- Liability
- Motor Vehicles
- Umbrella Liability
- Worker's Compensation
- Health
- Life



# Government Regulations



- Business Licenses and Approvals
- Labor Laws
- Immigration Laws
- IRS and Social Security Withholding & Payments

# Every Business Owner Needs:



- Banker
- Lawyer
- Accountant
- Insurance Agent
- Business Mentor

# Funding and Cash Management

# Personal Budget Considerations



- Total monthly cost of living
- Areas where you can cut back
- Outstanding debt
- Amount in savings
- Total amount needed to cover 6 to 12 months of expenses

# Start-up Cash Needs

## Essential Considerations:

- Tools and equipment
- Leasehold improvements
- Licenses and permits
- Professional fees
- Initial inventory
- Working capital reserve fund



# Operating Cash Needs



- Salaries
- Rent
- Insurance
- Taxes and fees
- Advertising
- Loan interest/ principal
- Utilities
- Maintenance

# Sources of Capital

## Equity

Signifies Ownership

- Personal savings
- Family and friends
- Partners' contributions
- Profits retained in the business

## Debt

Does NOT Signify Ownership

- Banks and credit unions\*
- Community Express Micro Loans\*
- Credit cards (not recommended)

*\* Usually guaranteed by SBA*



# Lender's View of Borrower



- Character, Commitment
- Credit rating
- Cash flow
- Collateral, Capital
- Industry knowledge
- Personal investment
- Financial history
- Financial projections
- Management skills
- Competition



# Cash: Most Important Asset

- Open a separate bank account for your business ASAP
- Deposit all receipts “in tact”
- Use a petty cash fund
- Separate sales tax receipts on your books
- Hang on to cash as long as possible
- Reconcile bank account monthly



# Business and Marketing Plans

# Business Plan Importance



- Encourages an objective view
- Becomes foundation for planning
- Powerful management tool
- Communicates owner's ideas

# Business Plan Contents

- Table of Contents
- Executive Summary
- Section One:  
The Business
- Section Two:  
Financial Forecasts
- Section Three:  
Supporting Data



# Executive Summary

- Brief description of the business
- How much money needed
- How the money will be used
- Whether you will seek a loan or investors
- When you will repay loans



# Section 1: The Business



- Description of business
- Product or service
- Market need
- Location
- Competition
- Management and personnel
- Use of new funds



# Section 2: Financial Forecasts

- Capital equipment list
- Income and expenses
- Assets, liabilities & equity
- Sources & applications of funds (cash flow)
- Break-even calculation
- Historical records (including variation analysis)





# Your Marketing Plan



- Target market: Is it large enough to be profitable?
- How is your product or service different/better?
- How is the market reached?
- Costs involved?
- Required pricing to make a profit?
- Who are your competitors and where are they located?

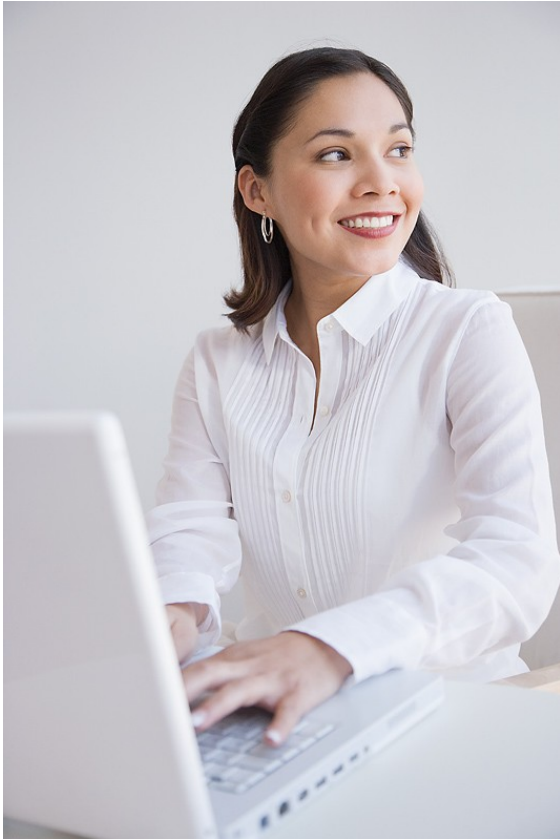
# Market Plan Data Sources



**Data you need is most likely available - the trick is to dig and find it!**

- Chambers of Commerce
- Banks
- Civic Organizations
- Census Data
- Internet
- Libraries
- Trade Associations

# Review



- Myths
- Business Opportunities
- Assessing Your Journey
- Organization, Insurance, Regulations
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# Next Steps

# Make Your Dream a Reality



*What do these businesses have in common?*

**Disney**

**Apple**

**Nike**

**Wal-mart**

**eBay**

**Amazon.com**

**Starbucks**

**Your local grocery store, bakery,  
gift shop, landscaper...**

# Now What?

1. Be well prepared to proceed by signing-up for the QuickSTART series (includes free, one-on-one mentoring with SCORE).
  - Test the feasibility of one or multiple business ideas and start work on a business plan and financials
  - Learn more about topics presented in this session
1. Defer your decision about going into business for yourself at least for now.

# QuickSTART Series

## Testing Your Business Ideas

- ✓ **Session 1** → Start-up Basics
- Session 2** → Business Concept
- Session 3** → Marketing Plan
- Session 4** → Financial Projections
- Session 5** → Funding Sources & Next Steps



# Sign-up for QuickSTART Series



*“The best way to predict the future is to create it.”*

- Peter Drucker

Are you ready to create your future? Would you like support with taking the next step in starting your own successful business?

## Sign-up for the Remaining Workshops!

# Homework

## **1. Write a vision statement for your business idea(s).**

### **It should contain:**

- A. The overall purpose of your business: What are you trying to achieve? Why are you in business?
- B. Describe the products and services your business provides.
- C. Explain what is important to your business—the values your business lives by.

## **2. Read the business plan and background for Ann's Nursery.**

**See you at the next session on Business Concepts**

# Help Us, Help You

## Answer the Following Questions



1. On a scale of 0 - 10, how likely is it that you would recommend this workshop to your friends and colleagues?
2. What is the primary reason for the answer you just gave us?
3. What is the most important improvement that would make you rate us closer to a 10?