

So You Want To Start A Business

Intro to Business
Ownership



What is a Small Business?

Defined by the Small Business Administration



What is a Small Business?

Small Businesses in the US

- Represent 99.7% of all employer firms
- Employ just over ½ of all private sector employees
- Pay 44% of total US private payroll
- Have generated 64% of net new jobs over the past 15 years
- Made up 97.3% of all identified exporters
- Create 13 times more patents per employees than large companies. (zipper, light bulb, FM radio, laser, air conditioning, escalator, personal computer, automatic transmission, and many more!)



Workshop Agenda

1. About the Larimer County SBDC
2. Introductions
3. It's All About You (self assess)
4. What is a Small Business
5. Essential Skills for Entrepreneurs
6. Small Business Myths & Trouble Spots
7. Introducing a Systematic Approach
8. Wrap Up & Next Steps

Presenter: John Murphy



John Murphy is a third generation Colorado native. Since 2007, John has been teaching business classes, including Small Business Management, at Front Range Community College.

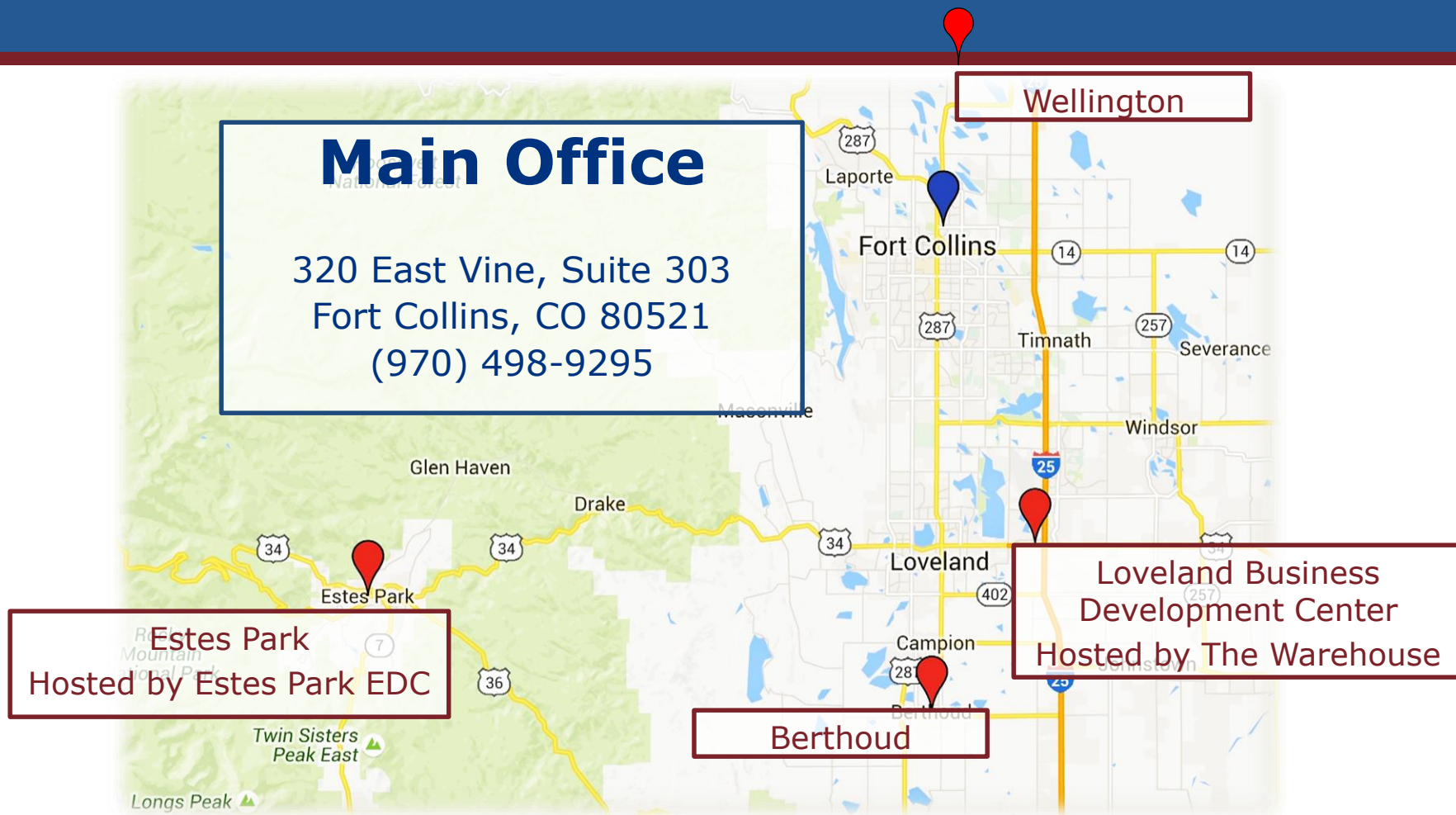
John's experience includes retail management, direct mail and radio advertising, manufacturing, business development, sales forecasting, channel management, and sales training. He received his Master's degree in Marketing from CSU.

Who We Are & What We Do



Helping local businesses start, grow and prosper through street-smart business education and assistance.

Larimer SBDC Services



Larimer SBDC Success Stories



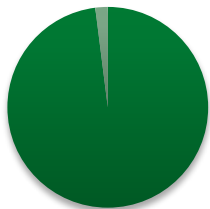
2015 Services Performed

Free Confidential Consulting



591 Clients

2,299 Hours



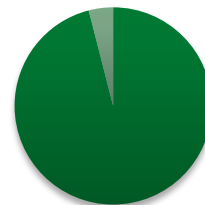
97% Satisfaction

Training



69 Classes

736 Attendees



97% Satisfaction

Our Results - 2013-2015



59

**Businesses
Started**



600

**Jobs
Retained**



294

**Jobs
Created**



**Capital
Infusion**



Connections to Resources:

- Commercial lenders
- Micro-lenders
- Larimer County Workforce Center
- PTAC
- Legal
- Bookkeepers
- Business Brokers
- Colo Office of Economic Development

Goals of this class



Introductions

1. Who are you?
2. What is your business (now or planned)?
3. Why are you here ?
4. What have you already done to start your business?

Handout Alert !

SWOT Analysis Handout

SWOT Analysis

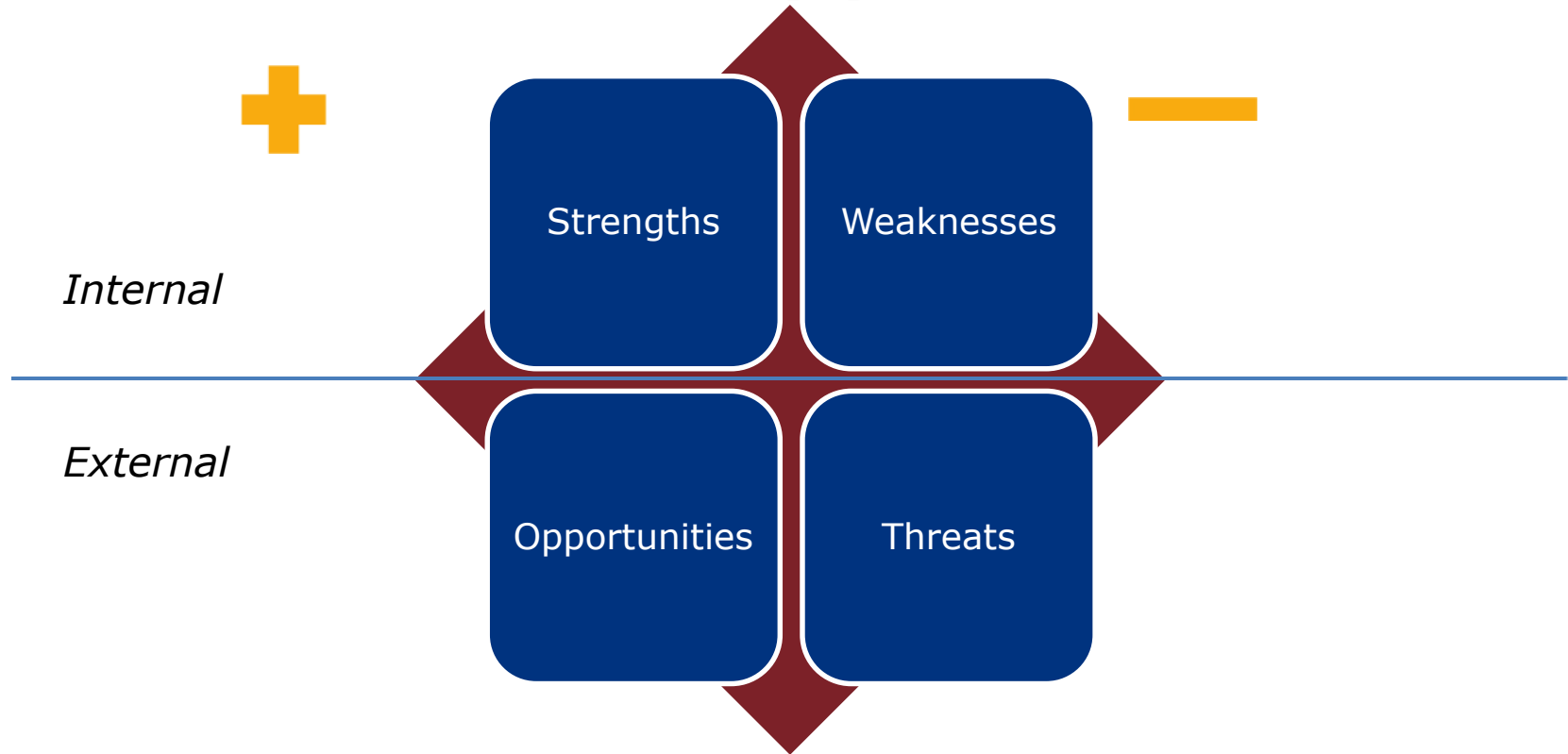
Complete one for yourself as an individual and one for your business.

	+	-
Internal	Strengths _____ _____ _____ _____ _____ _____	Weaknesses _____ _____ _____ _____ _____ _____
External	Opportunities _____ _____ _____ _____ _____ _____	Threats _____ _____ _____ _____ _____ _____



It's All About You

Class exercise - Identify your SWOT



What Does it Take to Start a Business?

- Are you a self-starter?
- Do you plan and organize well?
- Do you get along with different personalities?
Are you good at making decisions?
- Do you have the physical and emotional stamina to run a business?
- Will your family be supportive during the difficult times of running a business?

Skills Every Entrepreneur Needs to Learn And/or Develop



Handout Alert !

“Top Five Traits You Gotta Have to Sell”

About.com
Small Business Information

Top Five Traits You Gotta Have to Sell

From Kimberly L. McCall

Stellar sellers and entrepreneurs share great commonality, including personality traits. An entrepreneur will excel because she has such enthusiasm for her service, and her ebullience is embraced by prospects accustomed to the same-old, same-old hackneyed pitches. A great closer will possess an aura of competence and zeal that makes him top of the board each month.

To understand the valuable qualities in selling, I asked experts and business owners what characteristics allow a salesperson to transcend the trite.

1. Creativity. Having an appreciation for the non-obvious solution is a must if a sales pro is going to outpace the pack. While an average salesperson depends on business cards and leave-behinds, a true rainmaker brings a "unique vision to his work that makes him stand out," says Wendy Weiss, a.k.a. "The Queen of Cold-Calling" and president of Weiss Communications, a sales training and coaching company in New York City.

2. Passion. Genuine love for a product gets salespeople through the inevitable dark times, and it makes their offers all the more irresistible to their clients. Passion, like creativity, cannot be faked, so it has great weight with customers.

Paul R. DiModica is president of DigitalHatch Inc., a sales training business for high-tech firms in Peachtree City, Georgia. DiModica ranks passion as the number-one characteristic a salesperson needs. "You must believe in what you sell," he says. "This belief is communicated to the prospect invisibly."

3. Integrity. Why are used-car salesmen so poorly regarded? Because the perception is that they lack integrity and that they'll say anything to get the sale. Dave Condensa, CEO and founder of Hello Solutions, an IT consulting firm in Sunnyvale, California, thinks integrity tops the list of qualities salespeople need. "We're building a relationship, and it's imperative that the customer trusts the salesperson."

Feeling good about a purchase is a hallmark of buying from a salesperson with integrity. "Trust brings [customers] back, and that's a key factor to the success of any salesperson," adds Condensa. The importance of selling with integrity has been heightened by the recent poor ethical and financial performance of huge corporations. Says DiModica, "Customers still buy the salesperson."

4. Tenacity. Shelving feelings of rejection to keep plugging away is another essential requirement for sales success. "It takes personal courage to get up every morning and say 'I am going to be the best,'" says DiModica. It also requires a certain steely quality to persist in the wake of one dismissal after the next. Weiss agrees: "Sales requires someone who can always see possibilities, even in difficult situations."

5. Commitment. The sales cycle for any big deal can typically take months, even years. Keeping an eye on the prize, while continuing to sell to other prospects simultaneously, takes commitment. "Selling is never easy," explains DiModica. "You must have a burning desire." Weiss also believes that success is the result of a person's "willingness and intent to make things happen."

On the flip side, certain traits will surely doom any salesperson to the also-ran heap: lack of integrity, for instance. "Integrity means the person will always attempt to do the right thing for the company and the customers," says Weiss.

DiModica also points to not being prepared when trying to make a sale. "You can't just pick up the phone and call a prospect because your contact manager says it's time."

And, of course, there's the ultimate vice: dishonesty. Condensa warns: "You ruin the chance of repeat or referral business."

The preceding is an excerpt from *Sell & Succeed: 37 Down-to-Earth & Practical How-To's on Marketing, Branding & Sales*, by Kimberly L. McCall (a.k.a. Marketing Angel). This About.com page has been optimized for print. To view this page in its original form, please visit: <http://smallbusiness.about.com/cc/sales/5/success.htm>. ©2011 About.com, Inc., a part of The New York Times Company. All rights reserved.

Why be an Entrepreneur?

The opportunity to:

- Create your own destiny
- Make a difference
- Reach your full potential
- Reap impressive profits
- Contribute to society and to be recognized for your efforts
- Do what you enjoy and to have fun at it



Why be an entrepreneur?

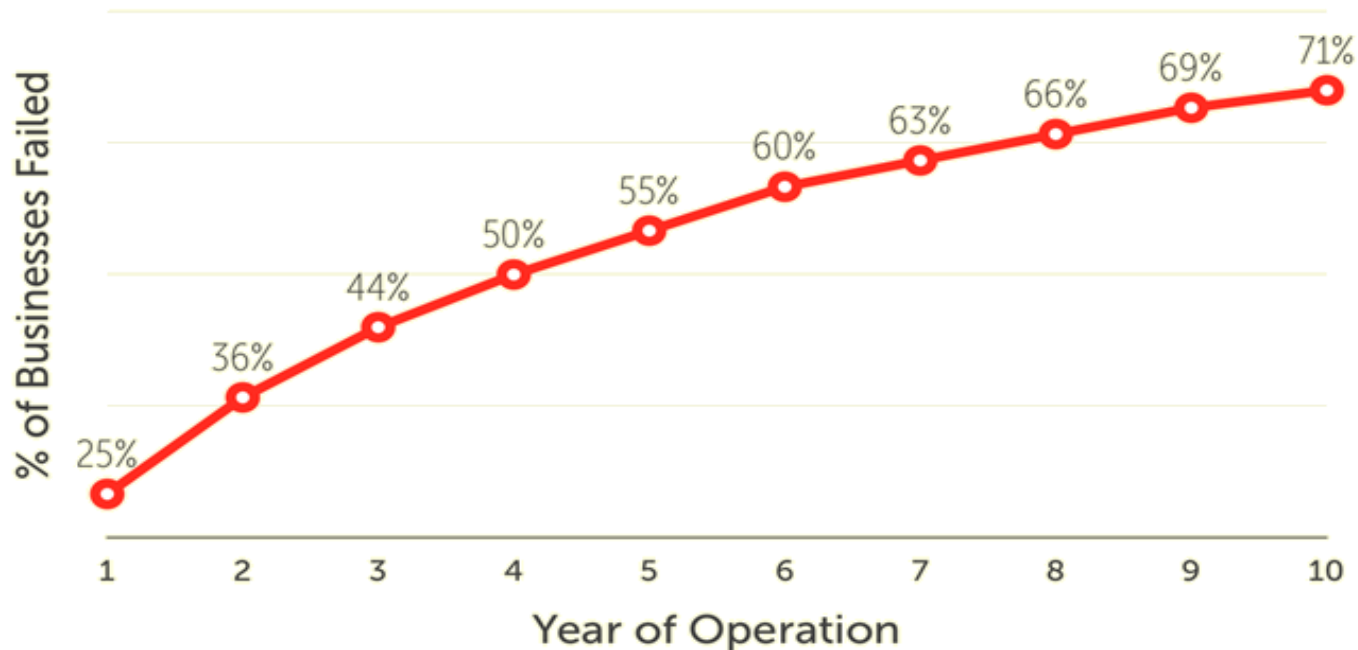
Drawbacks to business ownership:

- Uncertainty of income
- Risk of losing your entire investment
- Long hours and hard work
- High levels of stress
- Complete responsibility
- Discouragement
- Lower quality of life until the business gets established



Reality: Business Failure Rates

Business Failure Rates Year over Year



Source: Entrepreneur Weekly, Small Business Development Center, Bradley Univ, University of Tennessee Research via Statistic Brain.

Myth #1

You need to be good at
everything...

Reality #1

...You can't afford to be
BAD at anything!

Myth #2

You can be your own
boss !!...

Reality #2

...You'll have multiple
"bosses"

Myth #3

Work when you
want to!

Reality #3

...Sure, as long as it's at least 60 hours per week, and you're thinking about it all the other remaining hours...

Myth # 4

“As soon as I finish (..fill in the blank..), then the customers will come rolling in”....

Reality # 4

.... SELLING your
services and/or
products will probably be
your toughest job.

Top 6 Trouble List

Top 6 List of how businesses
get into trouble....

Top 6 Trouble List

1. Not putting enough value on your goods and services.



“Red Flags” for Pricing Issues:

- Receiving a high percentage of quoted jobs
- Selling out of your goods/services
- Leadtimes stretching out
- Profit margin deterioration
- Haven't implemented a price increase in “a long time”

Top 6 Trouble List

2. Not understanding your cash flow process.



Top 6 Trouble List



3. Paying
rent/mortgage
on a physical space
that's too big.

Top 6 Trouble List

4. Not having/understanding
your competitive advantage.



Toothpaste Market - 1975



Toothpaste Market - Today



Competitive Advantage – Wash Gear



Manufactures and markets
specialized credit card
swipers for car washes

Competitive Advantage – Wash Gear

“... Customers are spending an average of **40% more** using the CardMate system...”

Top 6 Trouble List

5. Surprising your banker



Top 6 Trouble List

6. Not having clear, well-defined responsibilities for your employees, managers, and co-owners.

SBA: Why Businesses Fail

The top reasons why businesses fail:

- Lack of experience
- Unrealistic expectations
- Incorrect pricing
- Insufficient capital (money)
- Over-investment in fixed assets
- Insufficient market / industry research
- Overly optimistic sales projections
- Cash flow management (liquidity)
- Poor location
- Poor inventory management
- Unexpected growth
- Poor credit arrangements

"By failing to prepare, you are preparing to fail."

- Benjamin Franklin

Why A Systematic Approach?

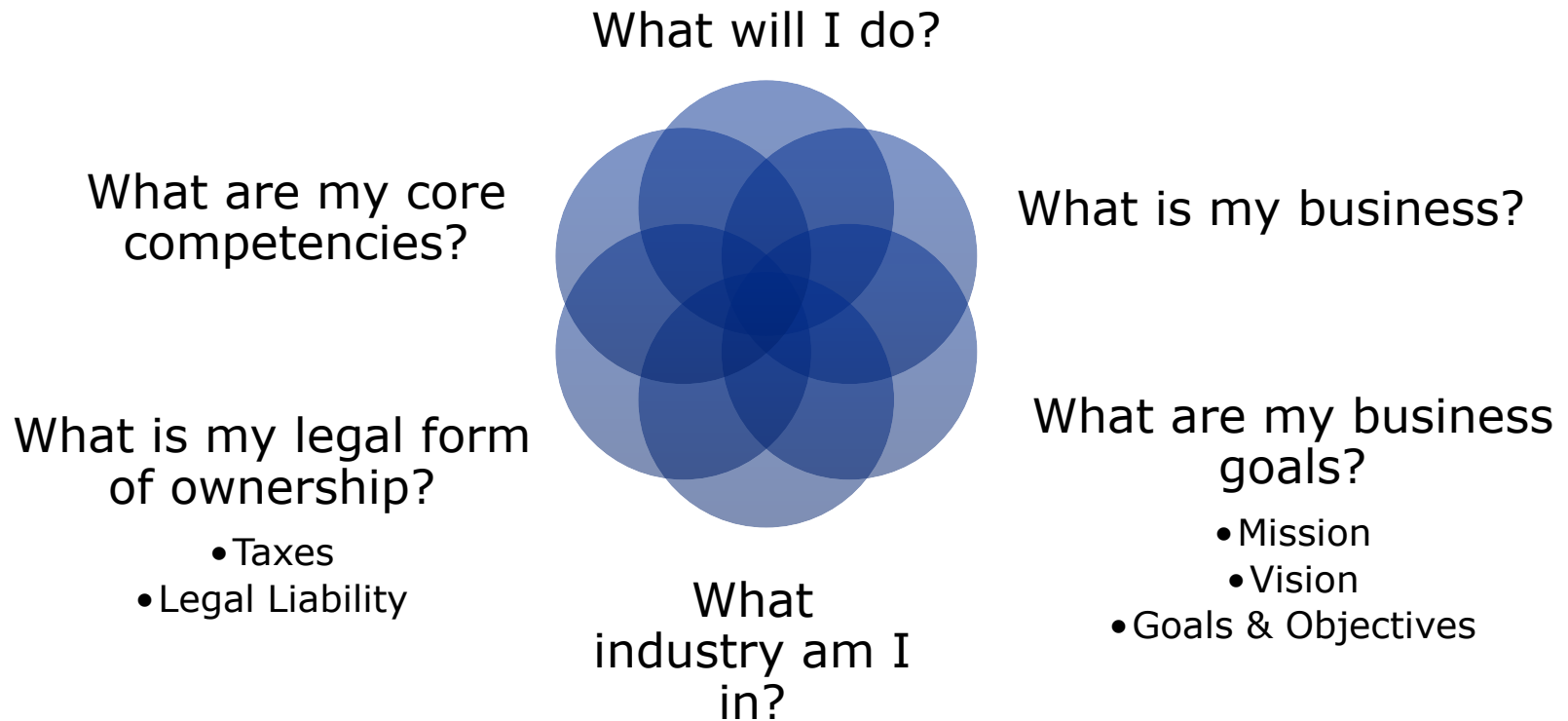


"Would you tell me please, which way ought I go from here?"
"That depends a good deal on where you want to get to," said the Cat.
"I don't much care where-" said Alice.
"Then it doesn't matter which way you go," said the Cat.

-Lewis Carroll
From *Alice In Wonderland*

A Systematic Approach

Define Your Business



Worksheet #1

Handout Alert !

"General Company Description"



General Company Description

What business will you be in? What will you do? _____

Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them? _____

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? _____
Why have you selected this form? _____

Products and Services

List your products/services and prices (however, not technical specifications, drawings, photos, sales brochures and other bulky items, which belong in Appendices of a completed Business Plan). _____

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique/proprietary features. _____

What are the pricing, fee, leasing structures of your products or services? _____

Additional Help: Planning for Business Success Workshop; Public library, internet research; Make It Official Workshop.

A Systematic Approach

Licensing & Registration

- What type of business (legal entity) should I be?
- Does that entity type facilitate my business goals?
- What are the requirements of my business form?
- What are my tax remittance responsibilities?

Handout Alert !

"Starting a Business in Colorado"



Starting a Business in Colorado

*Full legal disclaimer: Depending on your industry, where your business is located, and the type of business you are operating, this may not be a complete list. **As a business owner, YOU are responsible for complying with the law. Do your due diligence BEFORE starting your business.***

- 1. Location check** – Where will your business be located? If you're operating out of your home, you need to check with your landlord or HOA to make sure you are not violating any clauses about home based businesses. If you're renting a commercial space, verify with the landlord and the city/municipality that your business will not violate any existing zoning laws.
- 2. License check** – Some businesses require special licenses that can take months to apply for. Colorado has an "Occupational License Database" online at:
<http://www.advancolorado.com/business-colorado/occupational-license-database>.
- 3. Local registration** – You may or may not need to register your business with your city or county, you'll want to check both to make sure. This can also vary if your business is home based. The key to look for is a "Business" section on their website, from there you should see information about potential licensing requirements. While you're there, pay attention to how to pay sales and use tax if this applies to your business, you may need a separate tax license.
- 4. State registration** – In Colorado, you must register your business with the Colorado Secretary of State. The entity type you register as will affect your taxes as well as how much legal separation there is between you and your business, so choose carefully. It can be difficult and expensive to change your entity type after you've started, so again, research is key. You can search to make sure your desired business name is available in your state as well.
- 5. Federal registration** – For tax purposes, you'll likely need to register for an Employer Identification Number (EIN) through the IRS online. Your entity selection will affect how income from your business appears on your tax return and whether or not you'll be responsible for paying estimated taxes.
- 6. Separate your banking** – This is a really big deal, even for small single owner businesses. Set up a separate bank account! Your banker will need your EIN and to see you're in good standing with the Secretary of State. Both your accountant and attorney will recommend you don't "pierce the corporate veil," which in essence means that you are walking, talking and acting like a business, and this is especially important with finances. If you co-mingle funds or operate your business from a personal bank account, not only will your accountant charge you more to sort it out, but it can put all of your funds in a legally liable position if something goes wrong.
- 7. Walk the walk, talk the talk** – Now you can do things like buy business cards, technology for your business, take jobs and make sales under your official business name. You've still got a long way to go towards building your dream business, but you're going in the right direction!

Still lost? Check out our upcoming workshops for "So You Want to Start a Business" or "Make It Official" for classroom training, or register for consulting.



A Systematic Approach

Products & Services



Worksheet#2

A Systematic Approach

Customers

- Who do I sell to?
- Who will buy from me?
- What are their characteristics?
 - Demographic
 - Geographic
 - Psychographic (lifestyle & behaviors)
- How do I reach them?
- Where do I reach them?
- How much do I charge?

Worksheet #3

Handout Alert !

- “Library Business Research Resources” handout here.

A Systematic Approach

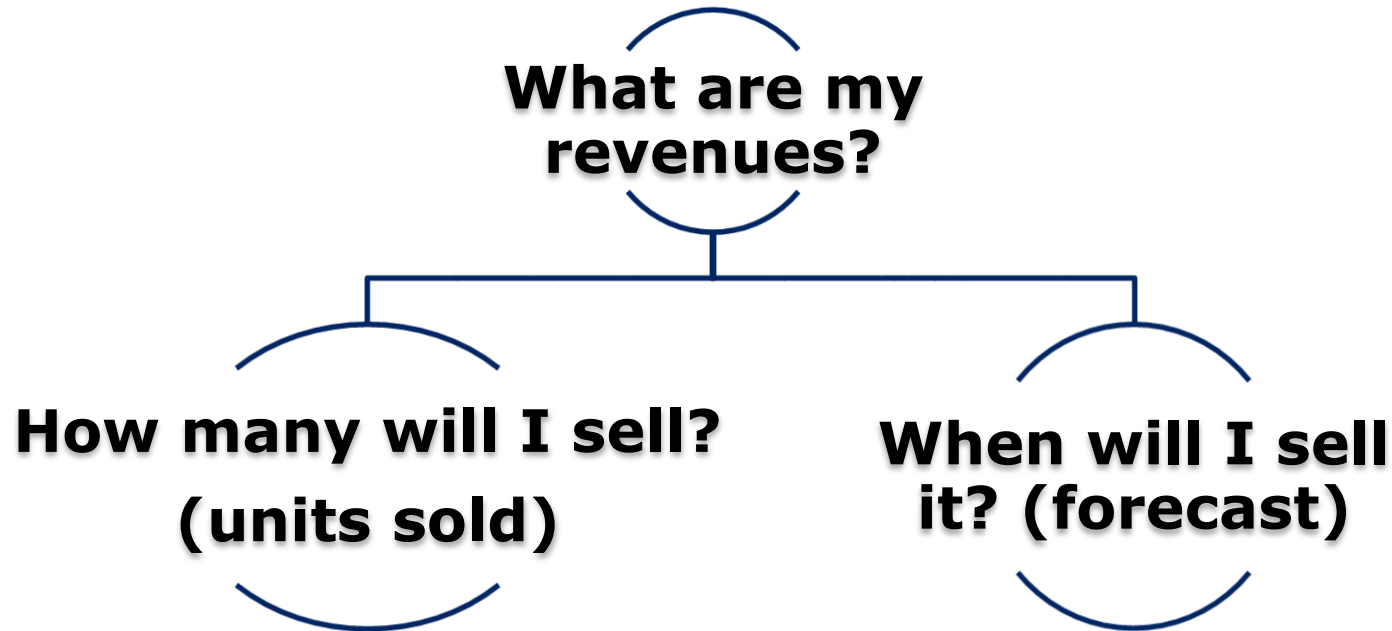
Competition

- Who else sells my product/service?
 - (Direct & Indirect)
- Where are they located?
- How do they compete with me?
- How am I different?

Worksheet #4a

A Systematic Approach

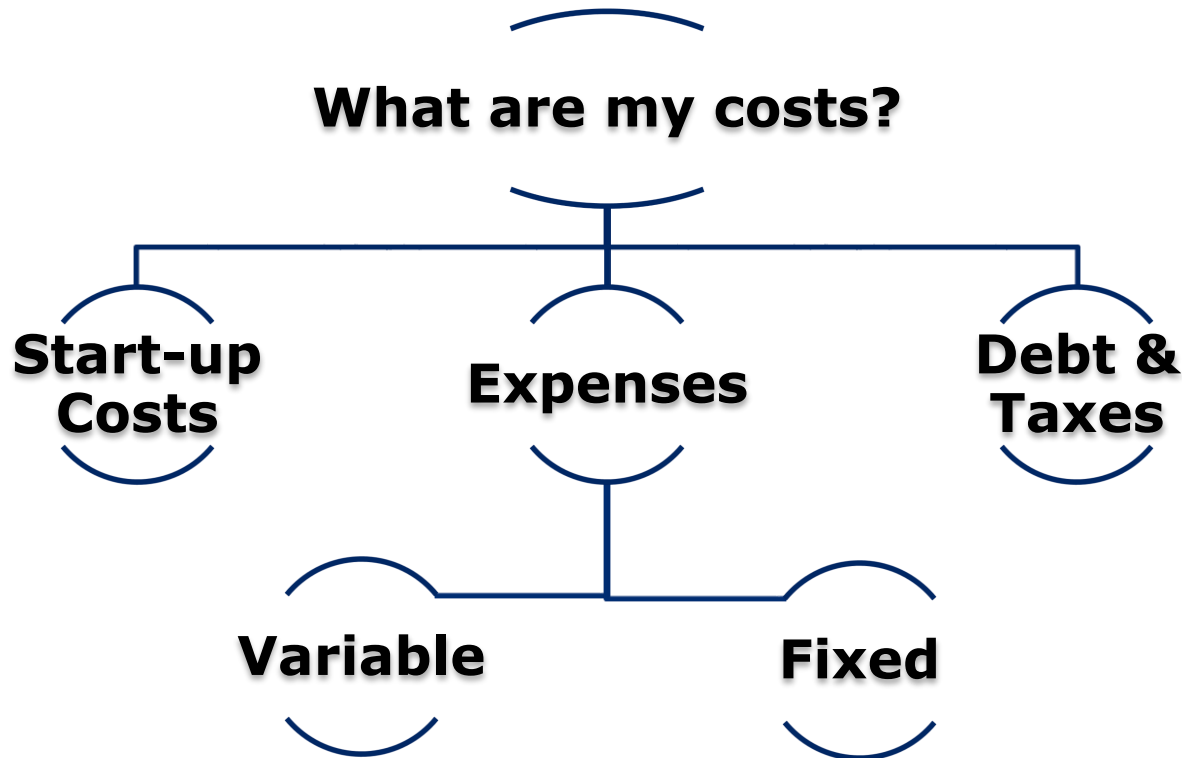
Will My Business Make Money?



Financial Worksheets

A Systematic Approach

Will my business make money?



Handout Alert !

“Monthly Cash Flow Projection”

Monthly Cash Flow Projections

NAME OF BUSINESS	Year														Notes
	Pre-Start-up Position	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL Columns 1-12	
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
1. CASH ON HAND (Beginning of the month)		0	0	0	0	0	0	0	0	0	0	0	0	0	
2. CASH RECEIPTS															
a) Cash Sales															
b) Collections from Credit Accounts															
c) Loan or Other Cash Injection (specify)															
3. TOTAL CASH RECEIPTS (2a + 2b + 2c = 3)		0	0	0	0	0	0	0	0	0	0	0	0	0	
4. TOTAL CASH AVAILABLE (before cash paid out) (1 + 3)		0	0	0	0	0	0	0	0	0	0	0	0	0	
5. CASH PAID OUT:															
a) Inventory Purchases															
b) Gross Wages (excludes withdrawals)															
c) Payroll Expenses															
d) Outside Services															
e) Supplies (Office and Operating)															
f) Repairs and Maintenance															
g) Advertising															
h) Car, Delivery and Travel															
i) Professional Services															
j) Rent															
k) Telephone															
l) Utilities															
m) Insurance															
n) Taxes															
o) Interest															
p) Other Expenses (specify)															
+ Credit Card Fees															
+ Unexpected Expenses															
q) Misc. Expenses															
r) Subtotal		0	0	0	0	0	0	0	0	0	0	0	0	0	
s) Loan Principal Payment															
t) Capital Purchases (specify)															
u) Other Start-up Costs															
v) Reserve and/or Escrow (specify)															
w) Owner's Withdrawal															
6. TOTAL CASH PAID OUT (Total 5a thru 5w)		0	0	0	0	0	0	0	0	0	0	0	0	0	
7. CASH POSITION (End of month) (4 minus 6)		0	0	0	0	0	0	0	0	0	0	0	0	0	
ESSENTIAL OPERATING DATA (Non-cash flow information)															
A. Sales Volume (dollars)															
B. Accounts Receivable (end of month)															
C. Bad Debt (end of month)															
D. Inventory on Hand (end of month)															
E. Accounts Payable (end of month)															
F. Depreciation															

A Systematic Approach

How is my company organized?

1. What needs to be done
2. Who does what?
3. How do we provide our service?
4. How do we sell our product?
5. How do we service our customers?

To Summarize

1. **DEFINE** your business
2. Investigate **LICENSE & REGISTRATION**
3. Research **CUSTOMERS**
4. Identify **COMPETITION**
5. Determine **PROFITABILITY**
6. Build an integrated **BUSINESS PLAN**
7. Decide **NEXT STEPS**

Wrap Up

- 1. Q & A**
- 2. Additional Resources**
- 3. Share Your Next Action Item**
- 4. Work on your “Elevator Pitch”.**
- 5. Evaluations**

Thank You!

Tell your business friends to find us at
www.larimersbdc.org

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