

U.S. SMALL BUSINESS ADMINISTRATION



VETERANS BUSINESS OUTREACH CENTERS

Steps to Starting a Business

Is Entrepreneurship For You?

- * Starting your own business can be an exciting and rewarding experience. Consider whether you have the following characteristics and skills associated with successful businesses.
- * *Comfortable with taking risks*
- * *Independent and Persuasive*
- * *Able to negotiate and be creative*
- * *Supported by others (Family)*

Questions Before Starting

- * Why am I starting a business? (Exact goals)
- * Are you prepared to spend the time and money needed to start this business?
- * How much money will I need to start and then sustain the business until break even?

Questions Before Starting

- * Who is your competition and how are you going to one up them?
- * How will you reach potential customers?
- * Will your Family support your decision to become fully consumed by the new business?

Steps to Starting

- * **Use you own idea and start from scratch.**
 - * Advantages; control over developing the business model, ease of entering new markets and establishing client demographics for marketing.
 - * Disadvantages; not a proven business model, financing usually equity from family or friends and no operations guideline.

Steps to Starting

- * **Should you purchase an existing business?**

- * Advantages; existing customer base, historically proven cash flow, trained employees, proven business model.
- * Disadvantages; outdated equipment, worthless inventory, excessive valuation from current owner, high expectations from current customer base, reputation already established.

Steps to Starting

- * **Should you buy a franchise?**

- * Advantages; proven business model(where), regional and national advertising, training, protected territory, economies of scale when buying inventory, research and development of new products and operational manual.
- * Disadvantages; cost, protected territory, must follow all the rules from franchisor. No name or brand recognition.

Steps to Starting

- * **Strategic Alliance/Manufacturers Representative**

- * Advantages; Direct drop ship, no cost of carrying inventory, software automation of ordering, some product recognition.
- * Disadvantages; Limited assistance with marketing, legal costs developing agreement, security of customer data, no control over quality of products.

Steps to Starting

- * **VBOC as your mentor**

- * The Veteran Business Outreach Center (VBOC) provides management assistance to current and prospective small business owners. VBOCs offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations.

- * www.vboc.org

Steps to Starting

- * ***Write a Business Plan (in pencil)***
 - * Executive Summary (complete this part last)
 - * Company Description
 - * Services or Products
 - * SWOT Analysis
 - * Marketing & Sales
 - * Organization & Management
 - * Funding
 - * Critical Assumptions
 - * Financial Projections
 - * Appendix

SWOT Analysis

- * **Strengths**-the positive attributes within your control and what resource advantages do you have.
- * **Weaknesses**-the factors that detract from your ability to obtain or maintain a competitive advantage.
- * **Opportunities**-the potential you could realize from your marketing strategies.
- * **Threats**-challenges created by an unfavorable trend or governmental regulation, economic downturn, shift in consumer behavior that reduces sales or makes your products obsolete.

Steps to Starting

- * **From SWOT analysis design a Feasibility Study to determine**
 - * Niche and customer needs you are fulfilling
 - * Market share availability (potential customers)
 - * Perceived value with method of delivery
 - * Pricing structure and flexibility
 - * Barriers to Entry (Government Regulations)
 - * Competitive Advantage and challenges

Steps to Starting

- * **Determine the Legal Structure of Your Business to decide which form works best for you**
 - * Sole Proprietorship (Easiest to start and close)
 - * Partnership (Required if multiple owners)
 - * Limited Liability Company (State specific)
 - * S Corporation (Avoid some self employment tax)
 - * C Corporation (Separate Entity)

Steps to Starting

- * **Register a business name as a “Fictitious Name” at www.sunbiz.org for all Sole Proprietors and Partnerships. (\$50 for five years)**
- * LLC’s, S Corporations and C Corporations only need to register a Doing Business As (DBA) as a Fictitious Name.
- * For example Ducks Unlimited Inc. would need to register “Quack Quack” as a business operations name owned by Ducks Unlimited Inc.

Steps to Starting

- * **Financing most from scratch start-ups comes from personal funds or Family and Friends**
 - * Banks avoid RISK by not funding any start-up businesses (first two years).
 - * There are NO grants from the Government to fund For-Profit businesses.
 - * When searching for financing know if the Bank is a Collateral or Credit Score lender.

Steps to Starting

- * **Using personal funds without a repayment plan is called Equity Financing**
 - * Equity Financing involves obtaining part ownership in the business which could include voting rights or a say in management.
 - * The entrepreneur may not want to dilute his ownership control to some Family investors. Be sure to create a document specifying the rights to the business on every Equity investment.

Steps to Starting

- * **Purchasing an existing business provides verifiable proof to the bank of repayment capacity**
 - * The bank could utilize the SBA guarantee to extend the repayment terms and reduce required collateral.
 - * Realistic market valuation of the business is critical to receive bank financing.

Steps to Starting

- * **SBA does not lend money directly. SBA only guarantee loans provided by local banks.**
- * There are two main types of SBA loans
 - * 7A which is usually amortized over 7-10 years
 - * 7A interest rate fluctuates every 3 months based on Prime
 - * 7A credit decisions under Express can be based on credit score only with no collateral
 - * 504 mortgage involves Real Estate used as collateral and the interest can be fixed over 20 years

Steps to Starting

- * **Choosing the right location for your business** can be a major factor in its success or failure. A good location may allow a struggling business to survive, but a weak location could mean trouble for even a very well-run business. Make sure you know all the legal restrictions of your place of business. (*How do your potential customers decide to buy.*)

Steps to Starting

- * ***Obtain any required local business licenses***
 - * The physical location of your business determines whom you should contact about licensing.
 - * Even Home Based businesses within a City limits should contact City Hall for any required licenses.
 - * All businesses located outside City limits within a County should contact the County Seat for licensing inquiries.
 - * The State of Florida only requires licensing for Professionals such as CPAs, Attorneys, Contractors etc.

Steps to Starting

- * ***Do you need to file for a State Sales Tax Number***
(<http://dor.myflorida.com/dor/taxes/registration.html>)
 - * All retail transactions conducted within the State of Florida are subject to a minimum 6% sales tax plus any local option tax.
 - * Pest Control, Security Services and Commercial Lawn Maintenance must collect State Sales Tax.
 - * Remember to buy all retail items **used for resale** without paying sales tax by providing your sales tax exemption card to the vendor.

Steps to Starting

- * **Do you need a Federal Employment Identification Number (FEIN) ANY YES's**

(<https://sa2.www4.irs.gov/modiein/individual/index.jsp>)

- * Do you have employees?
- * Do you operate a business as a corporation or a partnership?
- * Are you a single member LLC who would like to apply for workmen's compensation exemption?

Steps to Starting

* **Hiring the Right Stuff**

- * Can your business growth support a new employee?
- * Conducting a thorough job analysis. What are the job's essential functions and key performance criteria?
- * Writing a job description and job specification for the position based on the job analysis.
- * Is the salary comparable and proportional with the salaries and responsibilities of other positions inside your company as well as similar positions out in the marketplace?

Steps to Starting

- * **Hiring the Right Stuff**

- * Deciding where and how to find qualified applicants. Ask the candidate questions that directly relate to the job.
- * Collecting and reviewing a fair amount of applications and resumes and then selecting the most qualified candidates for further consideration.
- * Checking references.

Getting Out

- * ***Getting out of business is a process.*** The length of time required to complete the process is directly related to the complexity of the business and the circumstances underlying this decision to get out of business. It can range from one week for a home-based sole proprietorship to several years for a corporation forced into involuntary bankruptcy.
- * Succession planning should be mandatory exercise every year after the owner reaches 50 years old.

Always have an exit strategy in a commercial lease!

Questions?



*800-542-7323

*www.vboc.org complete an on-line request for counseling