



# 12 Steps to Startup

If you're really serious about starting a business, these 12 steps will help get your business up and running before you know it.

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**A**fter repeated attempts at squeezing your square self into a round hole, you've finally admitted it isn't going to work—you're just not cut out to be someone's employee. You wanna say good-bye to corporate America and embark on a journey toward the greener pastures of entrepreneurship. And that's where we can help. Come with us on this 12-step journey toward business ownership. From helping you think of a business idea to creating your business and marketing plans, these 12 steps are sure to set you on the right path.

## 1. Take a Skills and Interests Inventory

Begin a soul-searching process to determine which business is right for you. You'll definitely have an advantage with a business that's a spin-off of your background or experience. You can also enjoy success in an area where you have strong interest yet lack experience, though you may need to qualify yourself through entrepreneurial training or professional certification programs.

Jot down the skills that already exist in your talent bank. What do you like to do with your time? What technical skills have you learned or developed? Do you have hobbies or interests that are marketable? It might help to create a personal resume that lists your professional and personal experiences as well as your expertise. For each job you list, describe the duties you were responsible for and how successful you were at each. Be sure to include professional skills, educational background, hobbies and accomplishments that required expertise or special knowledge.

Don't forget the personality factor. Are you outgoing and friendly or do you prefer to keep to yourself? Do you like working indoors or outdoors? Do you enjoy working with the general public or with a few close clients? Do you love working 24/7 on an exciting project, or do you enjoy your downtime as much as your work time? Every business has its own personality, and your own personality should be a complement to the one you finally choose.

You should also talk with others in businesses similar to the ones you're considering about the traits and temperaments needed to be successful. Find out what they really like about the businesses they're running and also what they don't like. Compare their responses with your own interests and personality to see if there's a fit. Don't stop searching until you find an idea that couples your love for the work with your marketable talents.

### *Learn More*

- Determine if your business idea really suits you by reading "Finding the Perfect Business Idea" ([www.entrepreneur.com/article/0,4621,304276,00.html](http://www.entrepreneur.com/article/0,4621,304276,00.html)).
- Not sure you want to do it alone? Maybe you need the guidance provided by a franchise. Check out Entrepreneur's franchise database ([www.entrepreneur.com/franzone](http://www.entrepreneur.com/franzone)).
- Looking for more startup ideas? Check out "What's Hot for 2005" ([www.entrepreneur.com/hotcenter](http://www.entrepreneur.com/hotcenter)).

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## 2. Research and Evaluate Your Idea

Many people have great ideas, but their businesses flounder in the marketplace because there really isn't an audience for their product or service. Thorough research will help support expectations about a business's success as well as uncover any potholes in your thinking. Ask yourself these questions:

- What problem does my product or service solve?
- Who will buy my product or service?
- Why will they buy it?
- Where will they buy it—specialty shops, department stores, mail order, online?
- What do I need to charge to make a healthy profit and will people actually pay that?
- What products or services will mine be competing with?

No business—particularly a small one—can be all things to all people. The more narrowly you can define your business and your target market, the better. So it's crucial that you create a niche for yourself in the marketplace—it's the key to success for even the biggest companies. Wal-Mart and Tiffany's are both retailers, but they have very different niches: Wal-Mart caters to bargain-minded shoppers, while Tiffany's appeals to upscale jewelry customers.

To find out if your business idea has a chance of succeeding in the marketplace and to help you create an effective marketing plan, you'll need to do more than just answer the questions listed above. You'll also need to conduct more formal market research.

First, meet with a consultant, talk to a business or marketing professor at a local college or university, or contact your local Small Business Development Center ([www.sba.gov/sbdc](http://www.sba.gov/sbdc)). These sources can offer guidance and help you decide exactly what information you need to gather. Generally, you'll need to collect information on three crucial aspects of your business: industry information, target market and your competition.

You can dig up trends, statistics, surveys and other data from sources like, the U.S. Census Bureau (<http://www.census.gov>), the Economic Statistics Administration (<http://www.stat-usa.gov/>), Government Research Centers (<http://grc.ntis.gov/>) and industry associations. Once you're able to substantiate the viability of your idea, then you can confidently move ahead.

### *Learn More*

- Visit your local library or Small Business Development Center ([www.sba.gov/sbdc](http://www.sba.gov/sbdc)) to check out the Encyclopedia of Associations from Gale Research.
- Spend a little and get a lot with tips from "Research for Less" ([www.entrepreneur.com/article/0,4621,283535,00.html](http://www.entrepreneur.com/article/0,4621,283535,00.html)).
- Download these free forms from Entrepreneur.com's FormNet: Survey Questionnaire ([www.entrepreneur.com/graphics/formnet/MKTR0001.doc](http://www.entrepreneur.com/graphics/formnet/MKTR0001.doc)), Demographic Comparison ([www.entrepreneur.com/graphics/formnet/ANLY0006.doc](http://www.entrepreneur.com/graphics/formnet/ANLY0006.doc)) and Industry Analysis Worksheet ([www.entrepreneur.com/graphics/formnet/ANLY0005.doc](http://www.entrepreneur.com/graphics/formnet/ANLY0005.doc)).

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## 3. Calculate Your Costs

It's critical to determine how much cash you'll need to open and operate your business before you hang out your shingle. To keep your business running smoothly in its startup phase, you'll need enough capital to cover all expenses until you reach the break-even point. Many experts recommend new companies start out with enough money to cover projected expenses for at least six months. It's foolhardy to expect to generate revenue immediately—it's best to play it safe and plan for all contingencies.

Create a checklist of expenditures. These suggested tips will help you get started:

- List the equipment, furniture, supplies and people needed to operate your business.
- Itemize startup costs for inventory, signage, sales and marketing literature or tools, research and product development, licenses, permits, operating capital, and legal or professional fees.
- Calculate your monthly overhead for rent, supplies, utilities, business and health insurance, taxes, Internet access, shipping and other services.
- Factor in your salary and employee or contractor wages.

Refer to industry-specific startup books and resources for additional costs that may apply to your respective business type. As for determining accurate cost estimates, a good rule of thumb is to assume everything will cost more than you expect, so pad your numbers in order to create a safety net. Tally and double-check the numbers before you begin writing your business plan and searching for startup funds.

### *Learn More*

- Use Entrepreneur.com's FormNet's Business Startup Cash Needs ([www.entrepreneur.com/graphics/formnet/FIN0015.doc](http://www.entrepreneur.com/graphics/formnet/FIN0015.doc)), Business Insurance Planning Worksheet ([www.entrepreneur.com/graphics/formnet/LEGL0003.doc](http://www.entrepreneur.com/graphics/formnet/LEGL0003.doc)), Personal Cash Flow Statement ([www.entrepreneur.com/graphics/formnet/EVAL0006.doc](http://www.entrepreneur.com/graphics/formnet/EVAL0006.doc)) and Development Budget Worksheet ([www.entrepreneur.com/graphics/formnet/FIN0006.doc](http://www.entrepreneur.com/graphics/formnet/FIN0006.doc)) to help you determine your startup finances.
- *Entrepreneur* magazine's What If? Software ([www.smallbizbooks.com/cgi-bin/SmallBizBooks/00107.html](http://www.smallbizbooks.com/cgi-bin/SmallBizBooks/00107.html)) allows you to easily forecast your new business's finances, calculating the numbers for you and generating charts and graphs you can use in your business plan.

## 4. Write Your Business Plan

You gain an advantage by building your business on paper first. A business plan's value goes beyond its ability to help secure a loan package for you. It's a working document that helps you prepare for opportunities as well as difficulties.

Just as you wouldn't start off on a cross-country drive without a road map, you shouldn't embark on your new business without a business plan to guide you. A business plan won't automatically make you a success, but it will help you avoid some common causes of business failure, such as undercapitalization or lack of an adequate market. You'll find weak spots in your business idea that you'll be able to repair. You'll also discover ar-

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eas with potential you may not have thought about before—and ways to profit from them.

There are three primary parts to a business plan. The first is the business concept, where you discuss the industry, your business structure, your product or service and how you plan to make your business a success. The second is the marketplace section, in which you describe and analyze potential customers: who and where they are, what makes them buy and so on. You'll also describe your competition and how you'll position yourself to beat it. Finally, financial section contains your income and cash flow statement, balance sheet and other financial ratios, such as break-even analysis. This part may require help from your accountant and a good spreadsheet software program.

Writing a plan forces you to think through every aspect of your venture. Only by putting together a business plan can you decide whether you should proceed with your idea or look for a new one. Glean some inspiration and guidelines from resources below:

## *Learn More*

- Check out *Creating a Successful Business Plan*, an *Entrepreneur* magazine Startup Guide, by logging on to [www.smallbizbooks.com/cgi-bin/SmallBizBooks/00059.html](http://www.smallbizbooks.com/cgi-bin/SmallBizBooks/00059.html)
- Download or print the SBA's free business plan guide ([www.sba.gov/starting\\_business/planning/basic.html](http://www.sba.gov/starting_business/planning/basic.html)).
- You'll find dozens of real business plans in our Business Plan How-to ([www.entrepreneur.com/businessplan/a-z/0,7257,,00.html](http://www.entrepreneur.com/businessplan/a-z/0,7257,,00.html)).

## 5. Identify Sources of Startup Financing

Once you've decided on the type of venture you want to start, the next step on the road to business success is figuring out where the money will come from to fund it. Where do you start?

Most entrepreneurs self-finance their businesses through personal savings, credit cards, second mortgages, or loans from friends and family. You may also be able to match your qualifications with a microloan: Private and SBA-backed agencies make loans from a few hundred dollars to \$25,000. You can find a local microlender through the SBA's Web site ([www.sba.gov](http://www.sba.gov)).

You may also qualify for a niche or specialty loan. A new lending and learning organization called Count Me In ([www.count-me-in.org](http://www.count-me-in.org)) makes loans from \$500 to \$10,000 to women entrepreneurs. Wells Fargo and Bank of America offer special loan programs for women, minorities and small-businesses.

Although there's no such thing as "free money" for small businesses, there are some cash awards, prize money and minigrants offered by a dwindling pool of organizations. Begin your search in *Awards, Honors & Prizes*, a publication by the Gale Group that should be available at your local library.

You can also seed venture or angel funding. Both angels and venture capitalists are looking for great ideas that can translate into highly profitable businesses. They'll want a large equity stake

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(25 to 40 percent or more), so this process can take significant time to arrange and a formal written business plan will be required for consideration. And you won't find them listed in the Yellow Pages of your phone book—they can be located through referrals from personal contacts you make among the leading business owners, trade group members, industrial associations or chamber of commerce activities in your local business community.

Whatever your funding source, remember to incur any debt in moderation. You'll make better business decisions when you're not under the pressure of heavy debt.

## *Learn More*

- Check out our Financing Coach's archive ([www.entrepreneur.com/business-coaching/articles/0,6897,320561,00.html](http://www.entrepreneur.com/business-coaching/articles/0,6897,320561,00.html)) to read his latest advice on raising money for your business.
- Search America's top microlenders in Entrepreneur.com's Best Banks for Entrepreneurs ([www.entrepreneur.com/bestbanks](http://www.entrepreneur.com/bestbanks)) database.

## 6. Choose a Business Structure and Name Your New Business

Of all the decisions you make when starting a business, probably one of the most important is the type of legal structure you select for your company. Your structure can make a big difference in how you pay taxes (how much and how often), raise money, handle lawsuits, or dissolve or pass on the business. Will you operate as a sole proprietorship, partnership, corporation, S corporation or limited liability company? Because each business form comes with different tax consequences, you'll want to want to make your selection wisely and choose the structure that most closely matches your business's needs. If you're not a tax or legal expert, you should seek advice from a professional on how to pick the structure that'll best manage your liabilities.

Also important in the success of your business is the right name for your new venture: The right name can make your company the talk of the town; the wrong one can doom it to obscurity and failure. If you're smart, you'll put just as much effort into naming your business as you did into coming up with your idea and writing your business plan.

An effective name will establish your marketplace presence, convey what you do, and create a memorable impression. Thumb through phone books, DBA filings, directories and The Trademark Register of the United States to research names already in use or similar to yours. Conduct a free trademark search at the U.S. Patent and Trademark Office site ([www.uspto.gov](http://www.uspto.gov)). Patent. Search through federal trademarks, Canadian and European trademarks, domain names and company names.

Enlisting the help of a trademark attorney or at least a trademark search firm before you decide on a name is highly advisable. The extra money you spend now could save you countless hassles and expenses down the road. And once you've made a decision, determine if your chosen name has an available domain name for your future Web site, and reserve it. Even if you won't be selling products online, a Web site is crucial these days for marketing purposes.

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## *Learn More*

- "Business Structure Basics" ([www.entrepreneur.com/article/0,4621,319133,00.html](http://www.entrepreneur.com/article/0,4621,319133,00.html)) to discover which business structure is right for you.
- "How to Name Your Business" ([www.entrepreneur.com/article/0,4621,265010,00.html](http://www.entrepreneur.com/article/0,4621,265010,00.html)) can help you determine which moniker will work best for your new venture.

## 7. Work Through the Startup Paperwork Maze

Visit your city's "first- or one-stop" business center—you can usually find it through the government listings in your phone book or through your local chamber of commerce. These offices can provide information about licensing, permits, your particular business type, and running a local business in general. Find more information at your local library in Gale's *National Directory of State Business Licensing and Regulation*. You can also learn about other laws that may affect you from the U.S. Federal Trade Commission ([www.ftc.gov](http://www.ftc.gov)); the agency offers hundreds of free business publications.

Learn how to set up your books through free programs and resources offered by Uncle Sam. Request a copy of Small Business Resource Guide-CD 2000 (publication 3207) by calling (800) 829-3676. Sign up for the IRS's Small Business Tax Workshop online at [www.irs.gov/businesses/small/article/0,,id=111361,00.html](http://www.irs.gov/businesses/small/article/0,,id=111361,00.html).

You should also speak with an experienced insurance agent about purchasing a business owner's policy (BOP) and any additional coverage that will protect you against lawsuits and natural disasters. You need to make sure your business is adequately covered so you don't lose your shirt.

## *Learn More*

- Visit our Tax Center ([www.entrepreneur.com/taxcenter](http://www.entrepreneur.com/taxcenter)) for all the tips, tools and resources you need to comply with Uncle Sam, including paying your taxes online.
- Determine your new business's insurance needs by using the resources in our Insurance Center ([www.entrepreneur.com/insurancecenter](http://www.entrepreneur.com/insurancecenter)).

## 8. Develop Your Marketing and Customer Service Plans

Without marketing, no one will know your business exists—and if customers don't know you're there, you won't make any sales. When your marketing efforts are working, however, and customers are streaming through the door, an effective customer service policy will keep 'em coming back for more. So now it's time to create the plans that will draw customers to your business again and again.

A marketing plan consists of the strategies and devices you're going to use to communicate to your target audience. A customer service plan focuses on your customer's requirements and the ways of filling those requirements. The two work in concert.

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Descriptions of your market and its segments, the competition and prospective customers should be in your business plan. This is the start of your marketing plan. Based on this information, you can begin choosing the communication channels to use to get the word out about your business: radio, TV, billboards, direct mail, fliers, print ads, etc. Then prioritize your tactics and begin with the ones that your research has shown to be the most effective for your audience. For example, a TV repair service's marketing program may be supported mainly by paid advertisements in the phone book, since "Television Repair" is one of the most often looked-up headings by homeowners.

For your customer service plan, think about what it'll take to develop relationships with your customers that can be mutually beneficial for years to come. Since repeat customers are the backbone of every successful business, in your customer service plan, you'll want to outline just how you're going to provide complete customer satisfaction. Consider money-back guarantees, buying incentives, and the resolution of customer complaints. Determine what your customer service policy will say, how you'll train your employees to attend to the needs of your customers and how to reward repeat customers. Remember, this is just the beginning: Your program should evolve as the business grows.

## *Learn More*

- Create your own plan of attack with help from Entrepreneur's "How to Create a Marketing Plan" ([www.entrepreneur.com/howto/mktngplan](http://www.entrepreneur.com/howto/mktngplan)).
- For more tips on marketing plans and customer service tactics, visit Entrepreneur's Sales & Marketing channel at [www.entrepreneur.com/salesandmarketing/](http://www.entrepreneur.com/salesandmarketing/).

## 9. Court Your First Customers

You have a profile of the end user of your product or service. Now's the time to get in the habit of "talking up" your business—telling everyone you know about it. Ask for referrals from colleagues, suppliers, former employers and other associates. You can improve the quality of your referrals by being specific in your request. For example, an insurance broker developed a successful referral network by asking existing clients if they knew anyone who was "in a two-income professional family with young children," rather than just asking if they knew anyone who needed insurance.

Consider offering free consultations or an introductory price to first-time buyers. Consider joining forces with a complementary business to get them to help you spread the word about your new venture. For example, a carpet cleaner might offer incentives to a housecleaning service if they'd recommend them to their regular customers. Once you've done work for a few satisfied customers, ask them for a testimonial letter to use in your promotional materials.

## *Learn More*

- Find out how to attract those all important customers with help from the articles in our "Prospecting" section ([www.entrepreneur.com/channel/archive/0,7004,476,00.html](http://www.entrepreneur.com/channel/archive/0,7004,476,00.html)).

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## 10. Develop and Hire Your Support Team

Even if you think of yourself as a one-person operation, you'll need a team of support people to help you create a successful business. From contractors and suppliers to advisory board members and employees, each of these individuals can help make or break your new business. Start networking—with friends, family, business associates, the professionals in your life—to widen your network and choose the best people for your team.

Your advisory board can include a mix of professional peers, legal or financial advisors, or mentors. You need to develop a network of advisors whose talents, knowledge, resources and skills can be used to help you handle the demands of your business. Besides providing you with sound advice, the collaborative talents of your team can also help you obtain larger projects and grow with your clients' needs. Meet with them a few times a year to solicit their professional feedback.

If you need to hire employees, consider interns, students or part-timers as your first-time hires. If you think you won't need permanent employees in the beginning, you can also look into temporary services and independent contractors. If you're planning to hire someone on full-time, however, remember that the employees you hire can make or break your business. While you may be tempted to hire the first person who walks in the door "just to get it over with," doing so can be a fatal error. A small company just can't afford to carry deadwood on its staff, so start smart by taking time to figure out your staff needs before you begin looking for job candidates.

### *Learn More*

- For more information on spreading the word about your business, check out Entrepreneur.com's Networking Columnist Ivan Misner's archive ([www.entrepreneur.com/writers/articles/0,4586,300965,00.html](http://www.entrepreneur.com/writers/articles/0,4586,300965,00.html)).
- Read our Employee Management section ([www.entrepreneur.com/Your\\_Business/YB\\_Node/0,4507,499,00.html](http://www.entrepreneur.com/Your_Business/YB_Node/0,4507,499,00.html)) for advice on finding, hiring, training, managing and motivating employees.
- Get free personnel forms—including job applications, time cards and more—on Entrepreneur.com's FormNet ([www.entrepreneur.com/formnet](http://www.entrepreneur.com/formnet)).

## 11. Execute Your Marketing Plan

If you took our advice in Step #8, you've already created a marketing plan designed to help you spread the word about your business. Now's the time to establish your marketing infrastructure. You work against yourself when you're not prepared to respond to opportunities that result from your marketing efforts.

Your stationery, business cards and marketing materials should be ready for distribution. If your customers can reach you via e-mail, set up autoresponders to handle their queries. Have a phone system in place that allows customers to easily get in touch with you. Develop a Web site that offers information on your company and its products and services. Whatever response methods buyers can use to contact you, you should have materials that can be sent via those same mediums.

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Jump into action: Mail a press release to the local media announcing the opening of your business. Do a joint mailing with other complementary businesses to widen your reach. Beat the deadline for your Yellow Pages ad, and talk with your manufacturer about co-op advertising opportunities. Take advantage of all free directory listings. Contribute an article to a trade journal. Send out special offer postcards to prospects. Create a coupon offer. Make a speech at a networking event. Track the results of your devices by asking all respondents how they heard about you.

Whatever you do, don't just sit back and wait for business to fall into your lap. Despite popular opinion, if you build it, they will not just come! You've got to get the word out and keep working your contacts in order to attract customers to your new business.

### *Learn More*

- Market your business for less than \$4 a day with our tips in "Marketing for Less" ([www.entrepreneur.com/article/0,4621,281215,00.html](http://www.entrepreneur.com/article/0,4621,281215,00.html)).
- Find out the answers to your common marketing dilemmas by reading our marketing coach's vast archive of articles ([www.entrepreneur.com/business-coaching/articles/0,6897,260062,00.html](http://www.entrepreneur.com/business-coaching/articles/0,6897,260062,00.html)).

## 12. Hang Out Your Shingle

You've done all the legwork. All your permits and licenses are in hand. Your dedicated business line is set up with a professional voice-mail greeting. You've marked the calendar with a few prospect meetings and networking events. You've got your shelves stocked and even a few projects lined up. Now it's time to open your doors to more opportunities and much success as an entrepreneur!

This e-book was adapted from an Entrepreneur.com article by Kimberly Stansell.  
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