



How to Start a Small Business



Collin Small Business Development Center
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www.CollinSBDC.com



Starting a Business

- FEASIBILITY STUDY
- BUSINESS PLAN
- GETTING STARTED

FEASIBILITY STUDY

Is Starting a Business Right for You?

- Why do you want to start a business?
- Can you afford to lose your savings?
- Do you like making decisions?
- Can you become an accountant, salesperson or HR director?
- Are you willing to work 24/7?
- How will this affect your personal life?

Is Your Business Concept Sound?

- Can you make money at this idea?
 - Perform a market analysis
 - Evaluate your target market and market niche in 50 words or less
 - How much do they spend on similar products or services?
 - Perform a competitor analysis
 - Research your possible competitors
 - How much do they charge on similar products or services?



Test Your Idea

Get feedback

- Talk to bankers, supplies, SBA, or SCORE
- Take the information you've researched for your feasibility study and let them give you their opinion
- You'll need to get their objective, realistic assessment of what you are trying to do



How Will You Finance This Business?

Start-up Costs

Things you'll pay for once, at the beginning of the business

- Equipment purchases
- Cost for forming the business
- Logo design
- Site improvements
- Opening inventory
- Lease or utility security deposits
- Pre-opening salaries
- Advertising

How Will You Finance This Business?

Working Capital

Things you'll pay for every month; recurring expenses

- Payroll
- Payroll taxes
- Insurance premiums
- Ongoing advertising
- Internet and web hosting
- Accounting and legal expenses
- Office lease
- Telephone
- Utilities
- Inventory and/or purchases

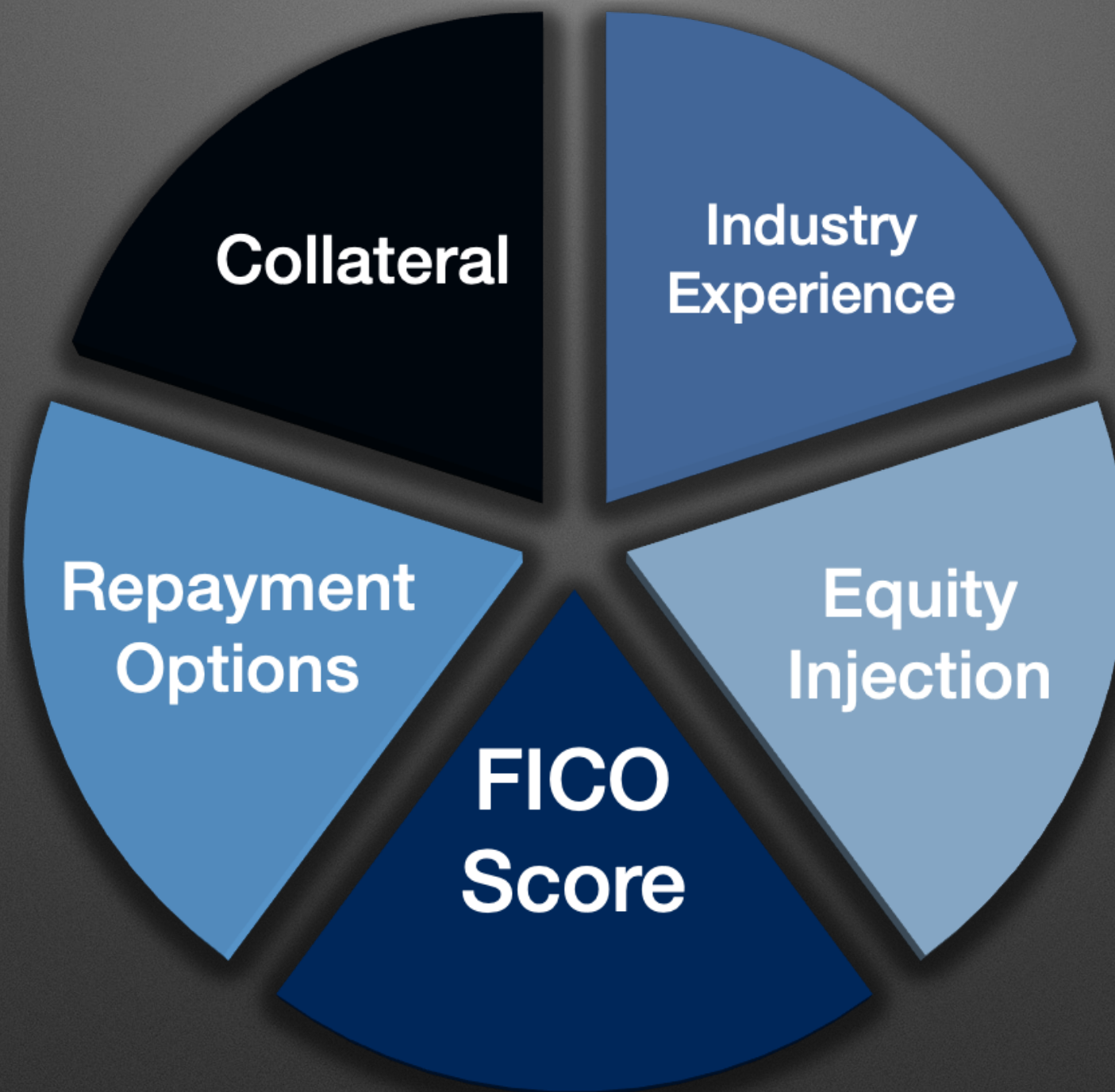


Sources of Capital



- Personal Savings
- Family and Friends
- Investors
- Bank Loans
- SBA Guaranteed Loans

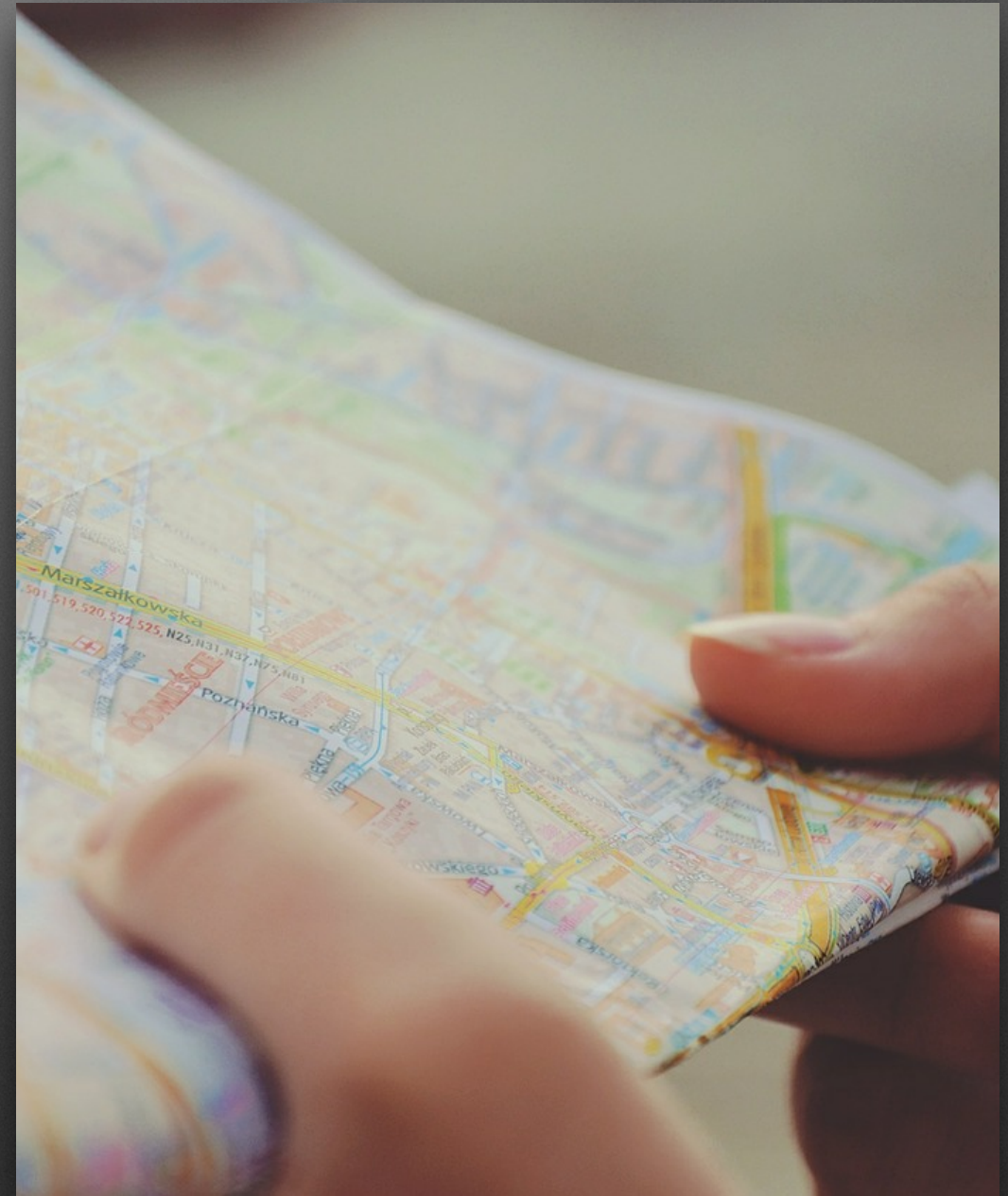
Key Points to Borrowing Money



BUSINESS PLAN

Why a Business Plan?

- To borrow money
- To use it as a road map to reach your business goals
- To measure your progress



Crucial Parts of a Business Plan

- Executive Summary
- Business Description
- Industry Analysis
- Market Analysis
- Marketing Plan
- Operations and Management Plan
- Critical Risks
- Financial Data
- Exhibits

Executive Summary

- Miniature business plan, as it should be able to stand alone
- No longer than two pages, where a reader can read it within 2-3 minutes
- It should:
 - Crystalize the key points of the business
 - Set priorities
 - Provide the foundation of the full plan

Business Description

- Product or service description
- Reasons the business was started
- Past performance or experience in the industry
- Short and long term goals
- Business address, phone and other contact information
- Information about the owners and key players of the company
- Legal formation of the business

Industry Analysis



- Outlook and trends of the business
- Current business conditions for the specific market area and for the regional and national scenes

Market Analysis

Identify your target market

- Who are they and how many of them are there?
- Where are they?
- On what do they spend and how much?

Analyze your competitors

- Who are they and where are they in relation to your business?
- SWOT Analysis
- What makes you different from them?

SWOT

Strengths

- What do you do well?
- What unique resources can you draw on?
- What do others see as your strengths?

Weaknesses

- What could you improve?
- Where to have fewer resources than others?
- What are others likely to see as your weaknesses?

Opportunities

- What positive opportunities are open to you?
- What trends could you take advantage of?
- How can you turn your strengths into opportunities?

Threats

- What trends could harm your business?
- What is your competition doing?
- What threats do your weaknesses pose for you?

SWOT

	Strengths	Weaknesses	Opportunities	Threats
Your Company				
Competitor #1				
Competitor #2				
Competitor #3				
Competitor #4				
Competitor #5				

Marketing Plan

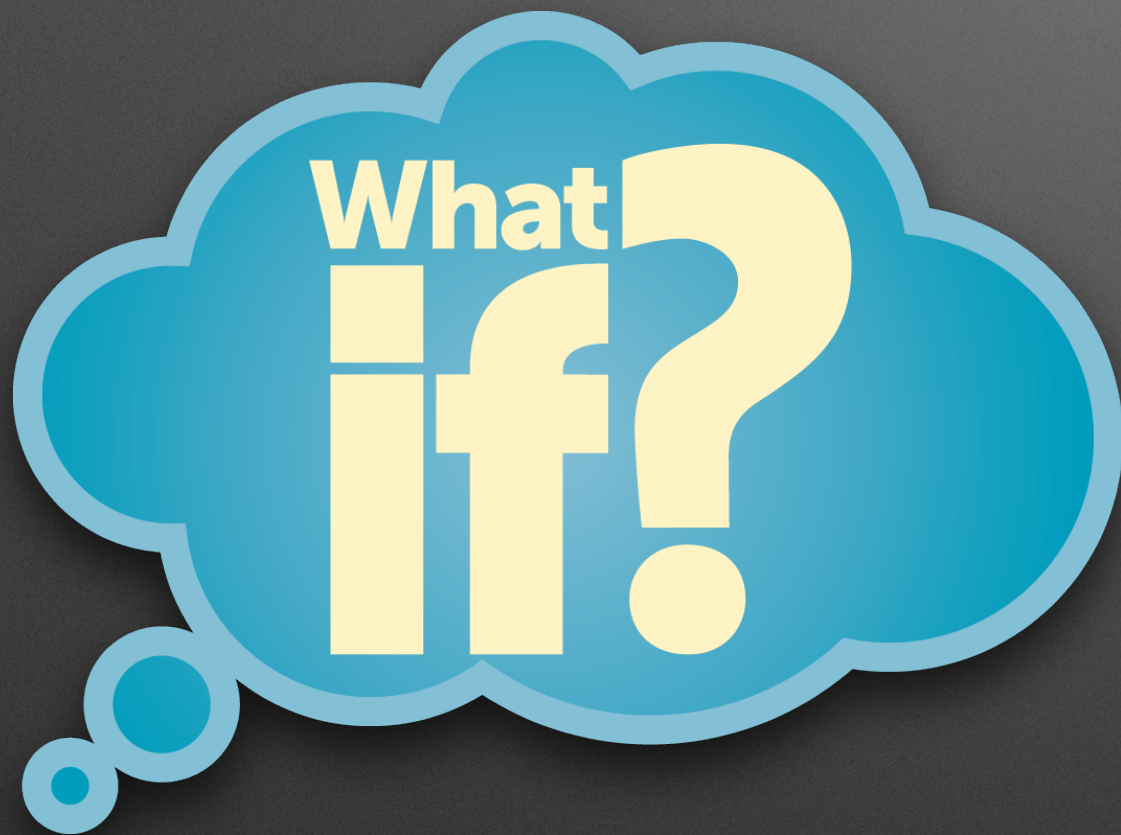


Operations and Management

(Now and for the future)

- Personnel requirements and what special licenses or certifications may be needed
- Organizational structure including key personnel duties and functions
- Workflow diagram explaining how the work is to be performed

Critical Risks



- Evaluate potential problems that could impact your business and how you would overcome them
- Create a “Plan B” to manage the unexpected

Financial Data

Income statements

Cash flow projections

Balance sheet

Breakeven analysis

Sources and application of capital

Exhibits

- Resume of key personnel
- Licenses, permits and other special educational achievements
- Examples of marketing pieces
- Organizational chart
- Letters of commendation, recommendation or achievement

GETTING STARTED

YOUR TO-DO LIST

1. Create a legal formation of your business
 - Assumed Name Certificate/Doing Business As
 - Create an LLC, Inc, LLC, S-Corp
2. Obtain a Sales and Use Tax permit, if necessary
3. Get your EIN number through the IRS
4. Open a separate business bank account for the business

Resources

- Local Small Business Development Centers
 - www.CollinSBDC.com
 - www.NTSBDC.com
- Continuing Education Courses
 - www.Collin.edu/CE
- U.S. Small Business Administration
 - www.SBA.gov
- Service Corps of Retired Executives
 - www.SCORE.org

Online Resources

URL	Description
www.SBDCNet.org	SBDC research depot
www.BPlans.com	Sample business plans
http://BLS.gov/cex	Bureau of Labor Statistics, Consumer Expenditure Survey
www.MarketingForSuccess.com	Marketing assistance
www.ManagementHelp.org	Free financial and management resources
www.Entrepreneur.com	Entrepreneurship articles and news
www.IRS.gov	IRS small business assistance

Summary

- Ensure this is your right path
 - Confirm that going into business is right for you; that the business idea is sound; and that you'll be able to finance it properly.
- Plan ahead
 - Write your business plan for guidance through the ups and downs of a typical business cycle
- Make it happen
 - Don't be afraid to pull the entrepreneurial trigger!



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