


Nine Steps for Starting Your Small Business (Statewide Credential Exercises)

(Updated: June 16, 2017)

There are many lists of the steps you need to take to start your own small business. Some of these steps are administrative, indicating the forms you must complete to start a business. Other lists are entrepreneurial, indicating the business steps necessary to start a successful enterprise.

This document describes both the entrepreneurial and the administrative steps necessary to start a small business.

Entrepreneurial Steps to Launch a Small Business	Initial Administrative Requirements for Starting a Small Business
1) Describe your <i>differentiated offering</i> 2) Identify and quantify your target market 3) Create your one-page financial projections (<i>pro forma</i>) 4) Determine your marketing and selling strategies 5) Secure your funding (and your mentors / advisors) 6) Develop your Launch Plan	7) Visit the <i>geauxBIZ</i> portal to register your business 8) Select your accounting system 9) Arrange for sound insurance protection <div style="text-align: center;">  GO / No Go </div>

1) Describe your *differentiated offering*

“Differentiated” means “different than anything else.” Small businesses that succeed have a reason they succeed, a “differentiated offering” that attracts customers, generates sales and serves as the foundation for a thriving business.

How your small business will be different depends on your vision, what you are passionate about doing. *Most successful small businesses start and succeed because the entrepreneur is driven, propelled by the vision of what he / she believes is the unique contribution his / her business will deliver.*

2) Identify and quantify your target market

As you consider your new enterprise, determine who is the *exact* target market you intend to serve. For example:

- you might be willing to cut hair for anyone who comes into your salon, *but your passion is to serve “fashion forward” young adults living within two miles who want to constantly experiment with their “look.”* Or
- you might be willing to provide parts for anyone who owns a vehicle, *but your passion is to serve young plant and construction workers in your three-parish area who want to compete to make their trucks look the best.*

Determine the entire market your business will serve, *and the target market you intend to serve with a differentiated offering these customers will find irresistible.*

3) Create your one-page financial projections (*pro forma*)

Before starting a business you should complete a one-page financial projection (called a *pro forma*) that lists your anticipated revenue sources and expenses.

This *pro forma* should show how you intend to make enough money each month to pay your staff, cover your overhead, and have enough left over to pay any debt interest, taxes . . . and lastly, yourself, the owner!

Don’t be concerned if your first *pro formas* indicate your business can’t make a positive monthly margin. *The first few pro formas of every new business show negative results until you refine and improve your business concept.*

Typical Financial Project (*Pro Forma*) Format

Revenues by service or type of customer
 - (number of customers) x (typical purchase)
 - anticipated monthly revenues for first two years

Expenses by category
 - cost of goods sold
 - personnel costs (not including owner compensation)
 - facility costs
 - marketing / sales (“customer capture”) costs
 - overhead costs

Monthly Margin for debt interest, taxes, owner pay

See
Resource
23-06

4) Determine your marketing and selling strategies

Although there are many good definitions of “marketing” and “selling,” an easy way to remember the difference is:

- **marketing** is how you intend to communicate to large numbers of customers, motivating them to learn more about your business. (Example: advertising is a marketing tool.)
- **selling** is how you move specific customers to buy from you. (Example: a special event in your store’s parking lot featuring discount prices is selling.)

Obviously, marketing campaigns and selling efforts should support one another. All of your efforts to help customers learn about your business and buy from you should emphasize your differentiating offerings.

5) Secure your funding (and your mentors / advisors)

You will need to assemble enough *capital* and *credit* to launch and operate your new business. *Every* new venture finds it challenging to secure the funds necessary to launch and operate.

To attract investors you should develop an “elevator speech” about your business – a clear, concise and compelling way you can describe *in 30 seconds* your differentiating vision to encourage potential investors to learn more. An example: *“I intend to start an auto parts store that can successfully compete against Amazon and national chains. We will focus on young plant and construction professionals in our three-parish region who want to “trick out” their trucks. We will offer workshops on the best ways to work on trucks and competitions with prizes for the best trucks. We will create a loyal community of customers who convince their friends and colleagues to buy from us.”*

In most cases the investors who provide you with funding will become your mentors and advisors. They will want your business to succeed. When they invest in your enterprise, get them to agree to meet with you regularly and be available to talk with you at any time, so that you have a team of supporters who can help you succeed.

6) Develop your Launch Plan

A Launch Plan is a detailed *To Do List* of steps you’ll need to take to go from concept and funding all the way to business launch. The more detailed you make a Launch Plan – specific tasks, projected costs, targeted task completion dates and the team member responsible for each step – the better you can measure and manage the process it takes you to launch your business.

Launch Plan – Sample Format			
Task	Costs	Completion Date	Responsible

7) Visit the *geauxBIZ* portal to register your business

We’re fortunate that the Louisiana Secretary of State makes it easy for entrepreneurs to start-up a new small business! Just go online to the *geauxBIZ* web portal (<https://geauxbiz.sos.la.gov>). This portal will walk you through all the steps necessary to register your business name, determine the appropriate legal structure for your business, submit required state and federal government forms, and obtain any required permits or licenses.

8) Select your accounting system

No business should keep handwritten financial records. None. Not at this point in history. ***Every business should use Quicken, QuickBooks or some software program to track your expenses.*** Smart small businesspeople also use software or online programs to budget and track their expenditures, and even create invoices and manage payroll.

If you are interested in starting a small business, *please* learn how to use an automated accounting program.

9) Arrange for sound insurance protection

Every business needs insurance. Insurance may be very expensive for a new small business, but it provides you with the necessary protections to guard against a single unfortunate event closing your business before it even gets started.

Contact one or more insurance agents before launching your business to discuss with them the types of insurance you and your new business may need. When you find the insurance agent you think is best – representing reputable insurance companies – then develop a plan for the insurance policies you will need.

Two important concepts about the cost of insurance: 1) the “premium” is the annual cost to you of your insurance; and 2) “deductibles” indicate the amount you will pay before the insurance company reimburses you for a loss. For example, if you have fire insurance for your store, the insurance company may require you to carry a \$5,000 deductible, meaning you only get reimbursed for losses above \$5,000. *The higher your deductibles the lower your premiums – but the more risk your small business assumes.* (Your future insurance agent will provide additional details.)

Insurance Coverage Example
You have a property insurance policy with a \$5,000 deductible.
A fire at your store destroys \$80,000 in equipment and inventory.
You will receive a \$75,000 check from the insurance company - your \$80,000 loss less the \$5,000 deductible.

The insurance agent should provide you with a letter describing the types and costs of coverage you will need. You can use this letter to reassure investors that your enterprise is “insurable” and that you’re prepared to secure necessary insurance protection as soon as you launch your business



At some point all your planning will be complete. You’ve determined the name of your enterprise, your differentiated offerings, your target market and your key marketing and selling campaigns.

Your *pro forma* will show how you can make ends meet during those difficult first months and years, and how your business will prosper enough to meet your bills, pay your credit interest, pay your taxes and even pay yourself. Your projections will give investors comfort that you can and will succeed.

Your Launch Plan will illustrate in convincing detail the steps you’re going to take to make your vision an operating reality, an actual small business properly prepared to prosper.

You will have assembled a team of investors willing to provide you with the funds you need, and with on-going mentorship, support and advice.

You will have recruited a team of partners and/or employees willing to take the next brave steps with you, fully aware of the risks of starting a new business but full of the same vision, excitement, energy and optimism you feel.

The *geauxBIZ* web portal will have helped you select your legal structure under your registered name, submit all required forms and secure all required licenses and permits. Your insurance agent will have found affordable, complete protection for you at the most affordable price.

Now you face one last decision: **GO / No Go**. Do you actually start your new small business?

Only you will know whether or not you, your team members, your family and your friends are ready for the stress and commitment of starting a new business. Your life will never be the same – the amount of effort and dedication necessary to start a new business cannot be imagined or simulated. Starting a new business is all-consuming. It will force you to work harder than you’ve ever worked before.

But if you complete the nine steps above, you will have done the initial work necessary to position yourself for success.

GOOD LUCK!

Differentiation Exercise: The Match Game

<i>Match the differentiating claim on the left with the statement on the right that best describes that claim.</i>			
1	<i>“Nobody matches the low prices at Crazy Lefty’s!”</i>	A	A highly defensible differentiation, based on a unique benefit customers will likely find valuable (even at a higher price).
2	<i>“The best products and the best service for the best customers.”</i>	B	An easy promise to make, but being the low-price provider is a differentiation that competitors can easily copy.
3	<i>“We fit your lifestyle - helping you live the life you want to lead.”</i>	C	An attempt to create a defensible emotional bond with customers, but effective only if the company has a distinctive, appealing style.
4	<i>“Cutting-edge technology tools that transform coastal restoration efforts.”</i>	D	Sort of creepy, and not a differentiating promise likely to appeal to customers.
5	<i>“Technology that works when we want it to work.”</i>	E	A strong promise, but one that competitors can try to match if they have the same dedication and are willing to invest in great service.

Ranking Effective Differentiation: Case One

<i>You’ve just launched a new venture: Cajun Coastal Restoration (see resource 23-04, text box bottom of page 1). Rank the differentiating factors you intend to offer to your target market customers. Rank these from the most effective (1) to the least effective (4). Indicate if each factor is Highly Effective, Effective or Not Effective by placing your number in the appropriate column.</i>			
Differentiating Factor	Highly Effective	Effective	Not Effective
1) Technologically-advanced environmental consulting and restoration services using cutting-edge technology			
2) Our team members wear bright blue golf shirts when they’re interacting with members of the public			
3) We use social media tools to create low-cost two-way communication channels with key local stakeholders			
4) Our services are scientifically-advanced and reasonably priced			

Ranking Effective Differentiation: Case Two

<i>You’ve opened a new high school: Total Success Career Academy. Rank the differentiating factors you intend to offer to your target market customers (same instructions as above).</i>			
Differentiating Factor	Highly Effective	Effective	Not Effective
1) Paying summer internships in jobs you want to experience			
2) The best teachers and training equipment in any Louisiana school			
3) Our high school mascot is the Angry Accountant			
4) All students receive Chromebooks to complete their homework			