

Small Business Success: Mastering the Essentials

Today's Agenda:

- A Few Questions
- Myths and Realities
- Critical Success Factors
- Know Your Business
- Early Considerations & Key Essentials
- Making It Legal
- Funding & Finance
- Your Business Concept Statement & Business Plans
- Companion Information – Types of Businesses

Let's Begin with 3 Questions:

1. What problem are you attempting to solve?
2. Who will be your target customer?
3. Why would your target customer switch their allegiance and buy from you? *Your Unique Value Proposition.*

Exploring your idea further, let's take a deeper dive:

1. How will this product or service make someone else's life better?
1. How are potential buyers currently solving the problem that you seek to solve?
1. What resources are needed to produce the new product or service?
1. Do you have the characteristics, temperament and access to the capital to make this venture a success?

MYTHS & REALITIES

Myth 1:

All I need is a good idea to be a successful entrepreneur

Myth 2:

If you go out on your own, you won't have to work so hard or such long hours

Myth 3:

You'll be able to deduct everything, so you don't have to pay taxes

Myth 4:

If you work independently, you won't have to report to a boss

Myth 5:

Business owners get to do the work they want to do and only what they find interesting

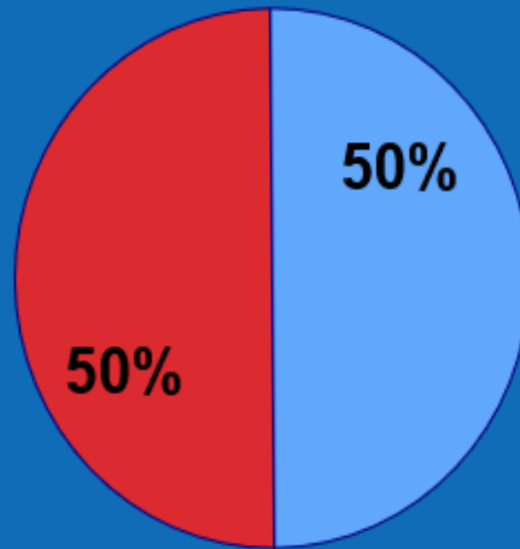
Myth 6:

If you choose to be self-employed, you'll be limited in what you can achieve, since you'll be working alone

Reality: Proper Planning is Key

After 5 Years

Percent of
New Businesses
(2+ employees)



■ Successful
■ Failed

Source: SBA Office of Advocacy, Frequently Asked Questions about Small Business, March 2014

WHY BUSINESSES FAIL

- Lack of Planning
- Insufficient capitalization
- Mismanagement of cash
- Ineffective Pricing
- Revenue not equal to or greater than expenses

It's said, "if you fail to plan – then you plan to fail." Your planning starts with research.



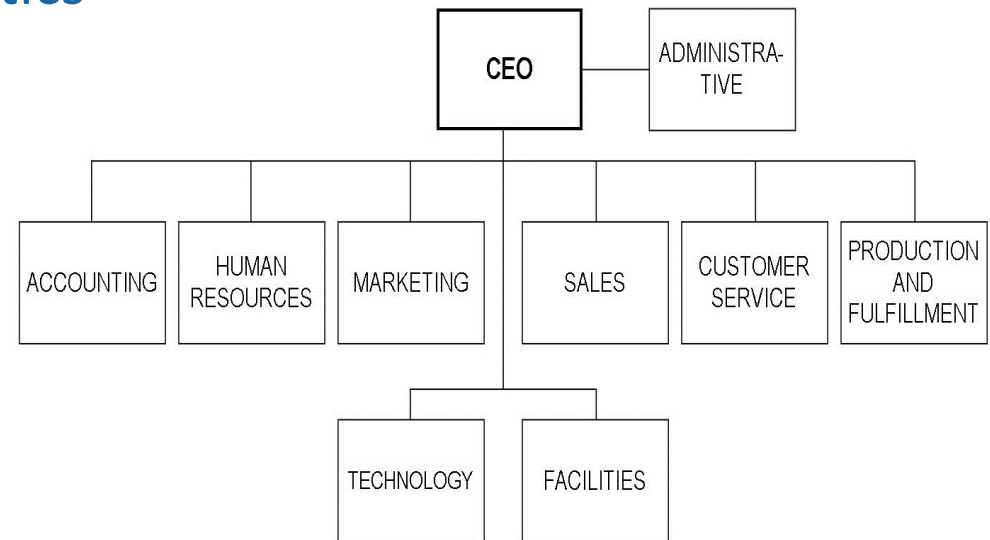
CRITICAL SUCCESS FACTORS

- Clear financial goals and objectives
- Clear path to achieving your goals
- Adequate capital
- Ability to manage and multi-task
- Experience in field
- Strong work ethic
- Effective time management
- Willingness to ask for input from others



CRITICAL SUCCESS FACTORS

- Hard work and long hours
- Extensive research and planning
- Effective strategies and tactics
- Answering to many bosses
- Wearing many hats
- Luck



BEING A BUSINESS OWNER

- Self-starter
- Resourceful
- Responsible
- Organized
- Supportive family
- Hard worker
- Persistent
- Decisive

Know Yourself *(and know your limitations)*
“Surround yourself with great people
who are good at what you’re not good at.”

SUPPORT NETWORK



Banker



Marketing



Accountant



Lawyer



SCORE Mentor



Insurance Agent

KNOW YOUR BUSINESS



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EARLY CONSIDERATIONS

- Business Idea - Product or Service
- Presence - Physical or Virtual
- Market - Broad or Niche
- Sales/Distribution Channel - Direct or Multi-Channel
- Pricing - Competitive or Premium

KEY ESSENTIALS

- Self Assessment
- Target customers
- Product or service mix
- Competitive Assessment
- Distribution Channels
- Pricing
- Brand Messaging
- Marketing Strategy

The image displays several overlapping worksheets from a business plan template. The visible sections include:

- Pricing Strategy**: A section with a blue header and a text area for detailing pricing.
- Product or Service Description**: A section with a blue header and a table for listing products or services. The table has columns for Business Name, Product Idea/Service, and Special Benefits.
- Target Market Data**: A section with a blue header and a large grid for demographic and market data. The grid has columns for MARKET: and rows for Sales & Distribution Channel, Demographics, Income/Spending Habits, and Location.
- Competitive Assessment**: A section with a blue header and a grid for comparing the business to competitors. The grid has columns for My Business, Competitor 1, Competitor 2, and Competitor 3, and rows for various business attributes.

MAKING IT LEGAL

What are Entities and Why They Are Important

- Business entity: the legal structure for a business or organization that determines its liability and how it's taxed.

Choosing the right entity can:

- Protect business owners from personally being liable for risks of the business.
- Legally minimize the taxes the owner(s) pays.

COMMON BUSINESS STRUCTURES

	• Offers	• Downside
Sole Proprietorship	<ul style="list-style-type: none"> • Owner sole manager • Taxed as individual 	<ul style="list-style-type: none"> • Owner has unlimited liability • Start up capital difficult • May dissolve when owner dies
Partnership	<ul style="list-style-type: none"> • Shared management responsibilities • Income taxed at partner level 	<ul style="list-style-type: none"> • Unlimited liability for each partner • Needs extensive partnership agreement
Limited Liability Company (LLC)	<ul style="list-style-type: none"> • Protection for owners • Easy to form • Fewer rules than corporations 	<ul style="list-style-type: none"> • If partner, need op agreement • Restrictions on ownership and transfer/ File IRS Form 1065
"C" Corporation (Conventional)	<ul style="list-style-type: none"> • Stock shares • Limits liability • Continues until dissolved • Most appropriate to secure outside investment 	<ul style="list-style-type: none"> • Expensive to form and maintain • Requires Board of Directors, By-Laws, Annual Mtg of Shareholders, etc.
"S" Corporation <i>(Not an entity, but a filing status with the IRS)</i>	<ul style="list-style-type: none"> • Results in savings on self-employment tax • Permits owner to be paid a salary • Limited liability 	<ul style="list-style-type: none"> • Limited to 100 shareholders and other restrictions • File IRS Form 2553 in Q! to elect S Corp Status

BUSINESS ENTITY RECAP

In summary:

- Sole proprietorship and general partnership are easy to set up but can have liability exposure.
- Corporations are complex to set up and maintain, so have a good reason to create one. Get an attorney to help.
- LLC is the sweet spot; they are easy to set up and provide liability protection.

At SCORE we generally say that if there is more than a slight chance of legal liability related to the goods or services of your business – you should form an entity and use it.

INSURANCE CONSIDERATIONS



Review annually:

- Property
- Liability
- Motor Vehicles
- Umbrella Liability
- Worker's Compensation
- Health
- Life
- Business Interruption

REGULATIONS

- Business Licenses and Approvals
- Labor Laws
- Immigration Laws
- IRS and Social Security Withholding & Payments (*see IRS.gov for Publications #334 and #583*)

See SCORE Kansas City website at: (<https://score.org/kansascity>) for a library of upcoming and past recorded webinars, templates and helpful resources.

In business or working in KC, MO – contact KC BizCare 816-513-2492 (<https://bizcare.kcmo.gov>) re licensing & permits.



Funding & Cash Management

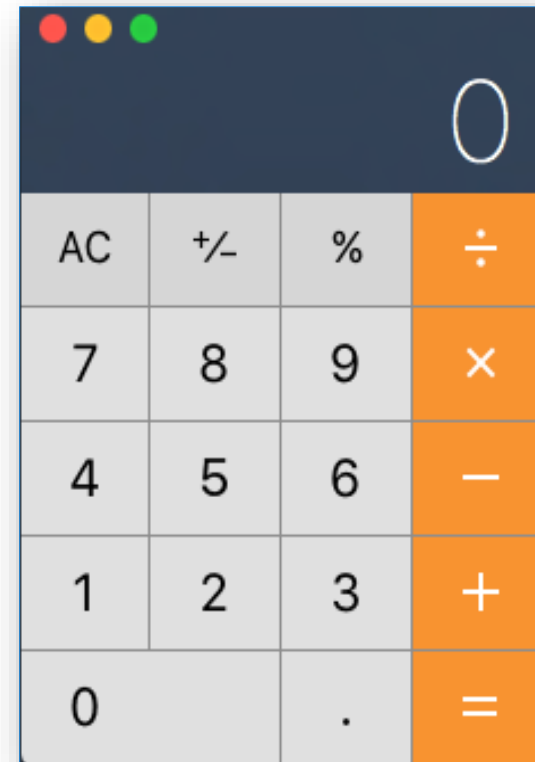
CONSIDERATIONS



- Total monthly cost of living
- Areas where you can cut back
- Outstanding debt
- Amount in savings
- Total amount needed to cover 6 to 12 months of expenses

STARTUP CASH NEEDS

- Marketing costs
- Tools and equipment
- Leasehold improvements
- Licenses and permits
- Pre-opening salaries/payroll
- Professional fees
- Initial inventory
- Working capital reserve fund



OPERATING CASH NEEDS



- Salaries
- Rent
- Insurance
- Taxes and fees
- Marketing
- Loan interest & principal
- Utilities
- Maintenance
- Professional fees
- Supplies

SOURCES OF CAPITAL

Equity

Signifies Ownership

- Personal savings
- Family and friends
- Partners' contributions
- Profits retained in the business

Debt

Does Not Signify Ownership

- Banks and credit unions
- Community Express Micro Loans
- Credit cards (not recommended)

LENDERS VIEW

- **Character** - Do you have the history of paying your bills on time and the likely-hood to repay a loan (FICO Score)?
- **Capacity** - Do you have the skills and ability to create and run a successful business and pay back the loan?
- **Capital** - How much equity are the owners providing (your skin in the game)?
- **Collateral** - Are there secured assets pledged to repay the loan if the business fails?
- **Cash Flow** - Can your business create the cash flow to repay the loan?



<https://www.investopedia.com/terms/f/five-c-credit.asp>

CASH: YOUR MOST IMPORTANT ASSET



- Open a separate business bank account
- Retain all receipts
- Use debit/credit card vs. petty cash fund
- Separate sales tax receipts on your books
- Hang on to cash as long as possible
- Reconcile bank account monthly
- Have adequate cash and a reserve fund at the start of the business
- Prepare and maintain a cash forecast for at least six months into the future

Business Plan Basics



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BUSINESS PLAN: GETTING STARTED

In business as in life, you should always crawl before you walk and walk before you run. And so it goes when developing the idea for your new startup. In the early stages of your business's development, you'll hear from plenty of experts and prognosticators who will emphasize the need to create a sound, air-tight business plan. While it's true that a business plan is an important tool for defining your strategy, detailing deliverables for stakeholders, and developing cashflow forecasts for investors, it's important to **first crystallize the idea behind the business** by putting together a Business Concept Statement.

What is a Business Concept Statement?

Think of your [Business Concept Statement](#) as a tool that distills your voluminous [business plan](#) (link to SCORE.org) into a handy one- or two-page document. Not only does it lay the groundwork for the business plan to come, it also refines your idea, outlines the consumer problem it aims to solve, and discusses how the idea will fit into the overall market. It's a snackable snapshot you can share with investors, lenders, and/or future partners. *Bridget Weston, 9.17.19

Before a Business Plan...

Create Your Business Concept Statement:

(<https://www.score.org/blog/why-every-startup-needs-business-concept-statement>)

1. A Brief Description of the Business Concept
2. The Market Need
3. Your Solution
4. Your Proposed Business Model
5. Your Unique Value Proposition (UVP)
6. A Succinct Competitive Analysis
7. A Quick Overview of Your Marketing Plan

Business Concept Statement

A Brief Description of the Business Concept. This doesn't have to be more than a sentence or two that captures the essence of your product or service.

The Market Need. Identify the void in the marketplace that your business idea is going to fill. This could be a problem your product or service will solve, an emerging market your product will help to define, or the absence of a product or service that people don't even know they need.

Your Solution. This is a more in-depth discussion of how your business idea is going to fill the void, solve the problem, or create a new market. It's also your chance to discuss why your product or service is the answer and, more specifically, why YOU are the perfect person to bring the idea to market.

Your Proposed Business Model. This is a critical component for every stakeholder involved because this is the element of the Business Concept Statement that details how you are going to make money. You'll want to discuss how you're going to charge for your product or service, the business processes you plan to implement, and the resources you'll need to make it a success.

Business Concept Statement, part 2

Your Unique Value Proposition (UVP). Explain how your product or service is different from others in the marketplace. Identify why someone would want to buy your product instead of one that's already on the market. Your UVP is your differentiator—the reason your business will exist. Will it be your unparalleled customer service? A new technology? A higher-quality product? Better price points? Faster delivery? Or a combination of those things? Even something as simple as more attractive packaging can make all the difference for many consumers..

A Succinct Competitive Analysis. To be absolutely sure your new business idea will fill a hole in the market, you'll need to look at your potential [competition](#). Who else is currently providing products or services to your prospective customers? What are their strengths and weaknesses? Examine the competition's annual revenue (or estimate it if you have to) and identify their market share. This will help you determine both the size of the market and its potential for disruption, innovation, or new products or services.

A Quick Overview of Your Marketing Plan. How you market your business will be critical to its success. In some cases, your marketing plan may actually be your UVP. Establish buyer personas, develop a target audience, and assess and prioritize your ideal marketing verticals. Then, discuss how you plan to promote your business idea in a way that's different from your competitors.

Business Concept Statement, part 3

Once you've finished developing your Business Concept Statement, you'll have a useful tool to pursue business partners, investors, lenders, advisors, mentors, peers, and even future employees.

One important endnote: make sure your Business Concept Statement isn't a sales pitch! Stakeholders aren't looking for catchy slogans, guarantees, or pushy sales copy. They want to see a well-thought-out business idea that's supported by an actionable analysis of the existing market.

BUSINESS PLAN IMPORTANCE

- Encourages an objective view
- Becomes foundation for planning
- Powerful management tool
- Communicates:
 - Owner's ideas
 - What, when, where and how
- The planning process:
 - Makes us consider, evaluate and think
 - Identify opportunities and risks
 - Anticipate problems
 - Develop contingencies



BUSINESS MODEL CANVAS

PROBLEM & SOLUTION

Problem, Need or Want 1

What problems/needs/wants does your solution address?
One-off need or ongoing? Who, what, where, when?
Other benefits?

Alternatives and Existing Solutions 2

How does the customer currently meet their need?
Any issues with alternatives? Not fully meeting needs?
Any competition extending into product or service space?
Any similar products or services are they buying?

Your Solution 3

How does your solution address the need over the competition? Sustainable? Repeatable? Additional products or services? Anything unique?

Value Proposition 4

Why would anyone buy your solution?
Any shortcomings? How is your solution different? Better, cheaper, faster? Do you have a competitive advantage?

YOUR CUSTOMER

Who is your Customer(s) 5

Who has the problem or need? Business or individuals?
Common segment or customer characteristics?
Is your customer also the buyer? Where do they live/work?
Demo & psychographics

Your 30 Second Pitch! 6

Sales Channels 7

How will you sell to your customers? Bricks and mortar, online business, direct mail/catalog, wholesale, distributors, value-added reseller, mobile business.

Marketing Plan 8

How will you reach your customers? How will you test the market? How does the competition market?
Direct mail/phone calls? Social media, press, tv, radio, website, blogs, webinars.

DO THE \$\$\$s WORK

Pricing and Income Projection 9

How are you pricing your product or service?
What is your break-even point? How many x's do you NEED to sell?

Costs 10

Breakdown your costs: Start-up, fixed, and variable costs.

Metrics and Measurements 11

How will you measure the success of your business?
Profit? Units sold? Repeat customers?

Key Activities 12

What risks are there to your business? What are the next tasks that you need to do? Priority?

TRADITIONAL BUSINESS PLAN FORMAT

- Table of contents
- Executive summary – core message & vision
- Company description
- Market assessment
- Organization and management
- Service or product line
- Marketing and sales
- Funding request
- Financial projections
- Appendix and supporting documentation

See: www.sba.gov (Browse business topics & sample business plans)

<https://www.score.org/templates-resources/business-planning-financial-statements-template-gallery>

Readiness Self-Assessment



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SELF ASSESSMENT

Startup Basics: Business Concept Feasibility Assessment

Please read the following statements and assign between 0-5 points based on your level of agreement with each statement. The more you agree with a statement, the more points you assign to it. If you do not agree with a statement, then you can give it 0 points. Calculate the subtotal for each section and see your results on the second page!

Topic	Statement	Points
Idea Feasibility	I know that my idea is serving an unmet need and solving an un-served need.	
	I know that my product / service could be expanded to gain additional customer groups.	
	Subtotal	
Market Identification	I know who my potential buyers are.	
	I have a clear value proposition for my potential buyers.	
	Subtotal	
Implementation	I know what it will take to start my business.	
	I know what it will take to run my business.	
	Subtotal	
Funding	I understand what it will take to obtain funding.	
	I have a plan to fund my business start.	
	Subtotal	
Personal Readiness	I am ready to work hard to achieve my business goals.	
	I understand the challenges lying ahead and have a plan to tackle them.	
	Subtotal	

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Startup Basics: Business Concept Feasibility Assessment

Total Point Structure	What It Means	Next Steps
If "Idea Feasibility" got the most points	Congratulations! It seems that you feel ready to move forward. You know that you have an idea that solves a potential customer pain point. That is one of the solid foundations a business needs to succeed. This workshop will help you further evaluate your idea and provide the necessary data to make an educated decision.	Schedule your next counseling session to finalize your plans.
If "Market Identification" got the most points	Knowing your customers is paramount and having a clear value proposition for them is what leads to making a potential sale into a closed sale. This workshop will help you use your strengths to further evaluate your idea and provide the necessary data to make an educated decision.	
If "Implementation" got the most points	This section is where most people score low, so you definitely have an edge. Strategy and process do make a difference in a small business environment and are often a competitive advantage. This workshop will help you use your strengths to further evaluate your idea and provide the necessary data to make an educated decision.	
If "Funding" got the most points	Funding can sometimes be the dream killer for entrepreneurs, so you have a leg up on most aspiring business owners. This workshop will help you evaluate your idea and provide the necessary knowledge to plan your business right.	
If "Personal Readiness" got the most points	Many entrepreneurs often do not realize how their life will be impacted by starting a business. It is good that you understand the challenges and are ready to overcome them. This workshop will help you use your strengths to further evaluate your idea and provide the necessary data to make an educated decision.	
If you did not agree with any statements	Starting this workshop with an open mind will allow you to fully understand what it takes to start and run a business. Make sure you understand all aspects before making a "go, no-go" decision.	

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Thank you!



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Companion Information – Types of Businesses and Research Assessments

STARTING A NEW BUSINESS

ADVANTAGES

- Not hampered by previous image or technologies
- Can choose location, name, logo, relationships
- Can explore new markets and directions
- See your dreams come true

DISADVANTAGES

- No base, must build all new
- Greater risk
- No track record = difficulty in financing
- See your dream become a nightmare

BUYING A BUSINESS

ADVANTAGES

- Established clientele, suppliers, location
- Known quantity, proven formula/name
- Help in starting & running business
- Can review records
- Easier to obtain financing

DISADVANTAGES

- Potential hidden issues: debts, poor reputation, loyalty to owner, out-of-date inventory or transfer issues
- No guarantee that success will continue

BUYING A FRANCHISE

ADVANTAGES

- Proven image and product/service
- Marketing/Sales power
- Limited experience
- Training, professional guidance
- Continued consulting relationship
- Access to other franchisees for help

DISADVANTAGES

- Loss of control - not always our own boss
- Franchise = royalty and other fees
- Operational boundaries and limited choices
- Binding contract
- Franchisor problems are your problems

HOME BASED BUSINESS

ADVANTAGES

- Convenient work location
- Less expensive
- Flexible schedule
- Tax Advantages
 - Sq. Ft of total home
 - Percentage of utilities

DISADVANTAGES

- Zoning or deed restrictions
- Isolation from others
- Difficult financing
- Family distractions
- IRS scrutiny

NON - PROFIT

ADVANTAGES

- Allows operation in a not-for-profit status – no owners
- May qualify for government or foundation grants
- Protection from liability for directors and employees
- Can pay salaries to employees and consulting fees for contractors

DISADVANTAGES

- Focus on educational or charitable purposes and cannot profit those who created the organization
- All profits remain within the organization
- Must apply and qualify for 501(c)3 status or sales tax exemption

ON-LINE BUSINESS

ADVANTAGES

- Lower startup costs
- Expanded geographic reach
- Convenience & accessibility
- Flexibility

DISADVANTAGES

- Low conversion rates
- Low barriers to entry = higher competition
- Visitor expectations
- No personal contact/
limited sensory info

PRODUCT AND / OR SERVICE

Self-Assessment

How would you describe your business focus, product offering, features & benefits and unique differential advantage?

- Who has the problem or need?
- How does the customer currently meet their need?
- How is your solution different or better than the competition?

Product or Service Description

Business Name	
Product Idea/Service	
Special Benefits	
Unique Features	
Limits and Liabilities	
Production and Delivery	
Suppliers	
Intellectual Property Special Permits	

TARGET MARKET ASSESSMENT

How would you describe your ideal customers?

What are the characteristics of that customer that will help you better understand their needs and where you can address those needs?

- Business or individuals?
- Common segment?
- Is your customer also the buyer?

Target Market Data

	MARKET:	MARKET:	MARKET:	MARKET:
Market Needs				
Demographics				
Income/ Spending Habits				
Sales & Distribution Channel				
Other Relevant Data				

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COMPETITION

Analyze your competitors to get a clear sense of where you have competitive advantage or disadvantage.

- Size of operation & # employees
- Price and quality
- Services provided
- Reputation: strengths / weaknesses
- Personal visits and observations
- Suppliers & contractors
- Other businesses in area

Competitive Assessment

	My Business	Competitor 1	Competitor 2	Competitor 3
Benefits/Features				
Pricing				
Sales Size/Mix				
Market Strategy				
Business Model				

General comments – How do you stack up?

DISTRIBUTION CHANNELS

Understand:

- How your customer buys
- How your competition sells
- Where are the most profitable paths to the market
- The barriers to the market
- What business processes to employ
- What sales strategy to employ

Distribution Channel Assessment

Complete the worksheet by noting each distribution channel you are considering, then assessing its pros and cons based on the factors below.

	DISTRIBUTION CHANNEL:	DISTRIBUTION CHANNEL:	DISTRIBUTION CHANNEL:
Ease of Entry			
Geographic Proximity			
Costs			
Competitors' Positions			
Management Experience			
Staffing Capabilities			
Marketing Needs			

PRICING

How Are You Pricing?

- Competitor assessment
- Average accepted pricing
- Value based pricing
- Cost based pricing

***Important to know -**

What is your break-even point?

Pricing Strategy

Business Name

Briefly describe your pricing strategy below – comment on where you think your strengths and weaknesses are relative to competition, market acceptance and profitability.

BRAND MESSAGING


Is Your Brand Clear?

Branding is the core of your marketing strategy. Branding is the image, logo and market positioning of your company, product or service.

- Understand your target market
- ID your unique selling proposition
- Communicate brand consistently

Brand Messaging

Product/Service
Points of Differentiation
Ideal Customer
Create your Brand Message below:

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