



HOW TO START YOUR BUSINESS

Getting a new business off the ground isn't easy, as any entrepreneur will tell you. Countless logistical obstacles—from filing the right forms to ordering the right equipment to making the right hires—stand between you and success. Yet the satisfaction of turning your business dream into reality is absolutely worth the effort.

To give you a hand, we've put together this SBN 101 guide covering the basic steps necessary to start a business. This is by no means an exhaustive list, as the forms and funding required to open a food cart are different from those required to launch a startup. But we've tried to cover the common challenges that every entrepreneur faces.



Small Business Nation
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STEP 1

WRITE A BUSINESS PLAN

No matter how small your proposed business may be, you need to develop a business plan that outlines your endeavor, maps out the market in which it will operate, and specifies how it will make money. A business plan is critical if you're trying to attract investors, as they'll want evidence that you've thought through the challenges and market opportunities implicit in your operation. But even if you're selling homemade jewelry on Etsy, a business plan will help you specify how you intend to distinguish yourself from competitors and achieve long-term success.



FRAMING: Consider using a Business Model Canvas (BMC) as the template for your business plan. A canvas is a visual chart with nine blocks covering a firm or product's value proposition, infrastructure, customers, and finances. BMC is a popular template because it's easy to understand at a glance and can easily be edited. BMC can be used in lieu of a full plan or as a complementary visual to a more detailed treatment.



VALUE PROPOSITION: No matter what template you choose, your business plan should lead with your value proposition. Identify your target audience, the problem your product or service solves, and the reason your target audience should choose your business over alternatives.



COMPETITION: Identify all of your market competitors and specify which factors make them different from each other and from your proposed product or service.



FINANCES: Be very clear on how you will make a profit, even if you don't anticipate seeing a return in the short term.



LENGTH: A business plan doesn't need to be a 40-page e-book with dozens of charts and footnotes—in fact, the more concise it can be, the better. Remember: If readers want more information, they'll ask.



DETAILS: Cut down on length, but don't leave out any important details. You should have hard numbers to back up every claim you make.



STEP 2

ASSESS YOUR FUNDING

Launching any type of business will require some degree of funding, so you need to understand exactly how you're going to cover upfront and medium-term costs. One reason many businesses fail is that they undercapitalize—they may have enough money to get the business off the ground, but don't have enough to sustain it after several months with little or no profit. It is critical that you understand how much money you will actually need to start and run your business until revenues equal or surpass your expenses.

HOW MUCH MONEY IS REQUIRED TO START THIS BUSINESS?

Talk to entrepreneurs who own similar businesses to get a better sense of costs. Trade associations are also an excellent source of information, as they deal directly with your particular market niche.

WHAT SPECIFIC TYPE OF COSTS WILL YOU HAVE?

You need to distinguish:

- ▶ One-time versus ongoing costs
- ▶ Essential versus optional costs
- ▶ Fixed versus variable costs

DO YOU HAVE ENOUGH PERSONAL CAPITAL TO START THIS BUSINESS?

This number should include your savings and available lines of credit. If your own money isn't enough, do you have friends and family who are willing and able to invest in your business?

DO YOU NEED A LOAN FROM A FINANCE INSTITUTION?

A commercial loan through a bank is usually a good starting point, although they can be difficult to secure if it's your first business. You can also apply for a small business loan through the Small Business Administration or an alternative lender.

DO YOU NEED MONEY FROM AN INVESTOR?

While a bank or family loan will suffice for most small businesses, tech startups may require large levels of funding from a venture capitalist or angel investor. Startups may also choose to launch equity crowdfunding campaigns to raise smaller amounts of money from multiple backers.



STEP 3

DETERMINE YOUR LEGAL BUSINESS STRUCTURE

Before you can register your company, you need to determine your legal organizational structure. This structure affects everything from how you file your taxes to your personal liability if something goes wrong. Choosing the right structure at the outset is critical, as current tax laws make it difficult to change your legal structure after you begin operating. **Four basic structure types are available:**



SOLE PROPRIETORSHIP

Single business owner responsible for all debts and obligations.



PARTNERSHIP — GENERAL & LIMITED

Two or more people are held personally liable as business owners.



CORPORATION — S CORP, C CORP

Business is a separate entity apart from its owners. Corporations can own property, assume liability, pay taxes, enter into contracts, and sue and be sued like any other individual.

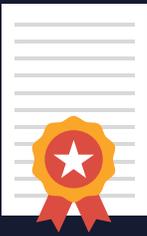


LIMITED LIABILITY COMPANY (LLC)

Hybrid structure with the legal protections of a corporation while allowing for the tax benefits of a partnership.

PRO TIP! How do you decide which legal structure is best for you? Consult with an attorney or certified public accountant. These professionals can walk you through the pros and cons of each structure and help you make a well-informed decision. The costs of seeking professional advice will outweigh the expenses of choosing the wrong structure.





STEP 4

REGISTER YOUR BUSINESS

You must register your business with the appropriate government agencies to legally operate.

For most businesses, this simply involves registering the business name—which may be the name you’ve chosen for the business, a fictitious “[Doing Business As](#)” name, or your legal name—with your county clerk’s office or with your state government, depending on where your business is located. If you establish your business as a sole proprietorship operating under your legal name (instead of a DBA name), you won’t need to register your business at the state level.

Corporations will need to submit an “articles of incorporation” document, which will include the business name, business purpose, corporate structure, stock details, and other information about your company.

After you register your business, you can apply for your employer identification number (EIN) from the IRS. While an EIN is not required for sole proprietorships with no employees, a business

operating under this structure may still want to apply for one in order to keep personal and business taxes separate.

Some businesses may also require federal or state licenses and permits in order to operate.

PRO TIP!

Use a business name that sounds good when said aloud. Alliteration is an easy way to achieve this.





STEP 5

PURCHASE AN INSURANCE POLICY

Insurance coverage is available for every conceivable risk your business might face. Businesses with employees are required by law to pay for certain types of insurance, while obligations for other businesses vary considerably. **Here are some of the common insurance types:**

GENERAL LIABILITY INSURANCE: Protects businesses against liability claims for bodily injury and property damage arising out of premises, operations, products, and completed operations. It can also cover claims of false advertising, slander, or copyright infringement.

PRODUCT LIABILITY INSURANCE: Protects against financial loss as a result of a defective product that causes injury or bodily harm. Would be necessary insurance for companies that manufacture, wholesale, distribute, or retail products.

PROFESSIONAL LIABILITY INSURANCE: Protects service professionals (e.g., accountants, attorneys, consultants) against liability incurred as a result of errors and omissions in performing their services. State governments may require certain professionals to carry such a policy. Physicians, for example, are required to purchase malpractice insurance as a condition of practicing in certain states.

COMMERCIAL PROPERTY INSURANCE: Protects businesses against damage to their buildings and contents due to a covered cause of loss, including fire, smoke, wind, civil disobedience, or vandalism. The policy may also cover loss of income or increase in expenses that result from the property damage.

WORKERS' COMPENSATION INSURANCE: Covers medical treatment, disability, and death benefits in the event an employee is injured or dies as a result of his work with that business. Workers' compensation insurance should be acquired as soon as the first employee has been hired. Even slip-and-fall injuries can result in a pricey claims.

UNEMPLOYMENT INSURANCE TAX: Businesses with employees are required to pay unemployment insurance taxes under certain conditions, according to the Small Business Administration. If your business is required to pay these taxes, you must register your business with your state's workforce agency.

DISABILITY INSURANCE: Some states require employers to provide partial wage replacement insurance coverage to their eligible employees for non-work related sickness or injury.



PRO TIP!

You can contact an insurance agent or broker to determine the specific insurance policies your business will require.



STEP 6

PROMOTE YOUR BUSINESS

Getting your business noticed is one of the single most important components to business success, but advertising and marketing can be difficult for small businesses operating on tight budgets. Thankfully, entrepreneurs are no longer beholden to newspaper ads, television spots, and yellow page listings to promote their businesses. Today, the internet offers a lot of free or affordable options to get the word out.



GET A WEBSITE UP IMMEDIATELY

Your website is your footprint on the web, and if you don't have one up then you're not making an impact. Potential customers need to be able to find you through a Google search or to learn more about you after they've seen your other marketing content or social accounts. If you can't afford a custom designed site, then use one of the many free templates available through sites like WordPress.



EMBRACE SOCIAL MEDIA

Your social accounts aren't just extensions of your website, they're a more personal platform for engaging directly with customers. Facebook is especially useful as a marketing tool, as you can easily put together ads and offers targeted at a narrow audience. Twitter, Instagram, and LinkedIn are also important accounts with their own distinct benefits.



USE THE MAJOR ONLINE LISTING SERVICES

It's easy and free to register your business with Google Places, Yahoo Local, and Bing Places so that you show up on maps and searches. This is especially important if you're operating at an address that was previously attached to a different business.



TAKE ADVANTAGE OF ADWORDS

When a prospective customer is looking online for a product or service, they're likely going to search for it on Google. Unless the search is very specific (and your website copy reflects those terms) then it's very difficult to show up on the first page of search results. Google AdWords gives you a better chance to be seen, and helps you narrow in on your target audience.



CONSIDER A GOOD OLD FASHIONED PRESS RELEASE

A well-written press release can be an effective way to drum up buzz. Dozens of websites let you publish official looking press releases for free, which you can then forward to local and industry-relevant media outlets.



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WANT MORE SMALL BUSINESS RESOURCES?
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SMALL BUSINESS NATION



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Disclaimer: None of the content within this guide should be construed as legal advice. If you have specific financial or legal questions about starting a business, you should speak with an accountant or an attorney.