

SCORE[®]

Counselors to America's Small Business

BASIC LEVEL

Are You Ready to Go into Business

What Will it Cost to Start (A spreadsheet)

Understanding Your Market

ARE YOU READY TO GO INTO BUSINESS

Are You Able To Run a Business?

Ten Questions before Going into Business

- ◆ Do you have a unique product or service?
- ◆ Do you have the right kind of business experience?

Can you prepare a credible 3-year business plan?

- ◆ Can you take responsibility?
- ◆ Can you organize yourself and others?
- ◆ Are you ready to put in long working hours?
- ◆ Can you stick to it during rough times?
- ◆ Do you have family support?
- ◆ Do you have enough resources and credit?
- ◆ Is your health up to it?

Can You Qualify for a Loan?

- ◆ What kind of business do you plan to start?
- ◆ Do you have the right kind of business experience?
- ◆ Is it a new or going business? How long in business?
- ◆ How large a loan will you need? How will you spend it?
- ◆ Do you have savings/collateral equal to 1/3 of the loan?
- ◆ Is your credit record good? Bankruptcies? Debts?
- ◆ Have you made a Business Plan completed with financial projections? If not, can you do it?
- ◆ Do you have a realistic idea of expected income vs. your personal and business expenses?
- ◆ Can you repay a loan from realistic projected earnings?

Possible Funding Sources

DEBT FUNDS

- ◆ Cash Value Life Insurance
- ◆ Your Home Equity
- ◆ Loans From Family or Friends
- ◆ Banks, Credit Unions, S & L's, Finance Companies, The Money Store
- ◆ Your Credit Card (Very Expensive unless you shop around)
- ◆ Customer Prepayments
- ◆ Credit From Suppliers
- ◆ Equipment Leases
- ◆ SBA Loans-Guaranteed or Direct
- ◆ Veterans Administration-GI Loans

- ◆ Dept of Commerce –Export
- ◆ Dept of Energy
- ◆ Fed Housing Admin
- ◆ State of California-Industrial Development - Anti-Pollution Loans

EQUITY FUNDS

- ◆ Your Savings, Bonds, Stocks
- ◆ Family/Friends Ownership Participation
- ◆ Small Business Investment Co.
- ◆ Risk/Venture Capital
- ◆ May Also be Debt Funds
- ◆ Limited Partnerships
- ◆ Sale of Stock to Public or Friends

START-UP COSTS

What will it Cost to Start My Business?

NAME OF BUSINESS

TYPE OF BUSINESS

COST FOR STARTING BUSINESS

SOLE PROPRIETORSHIP

- ◆ FICTITIOUS NAME COSTS
- ◆ CORPORATION
- ◆ FILING FEE
- ◆ CORPORATE TAX PREPAYMENT
- ◆ ACTIVATION FEE
- ◆ LEGAL & ACCOUNTING FEES
- ◆ SUBTOTAL: LICENSE & LEGAL
- ◆ TAXING CONSIDERATIONS

FOR BUSINESS W/EMPLOYEES:

- ◆ FEDERAL TAX ID
- ◆ SALES TAX PERMIT PREPAYMENT
- ◆ FEDERAL EST. INCOME TAX
- ◆ PENNSYLVANIA EST. INCOME TAX
- ◆ PENNSYLVANIA UNEMPLOYMENT TAX
- ◆ WORKERS COMP. INSURANCE
- ◆ SUBTOTAL: TAX-RELATED COSTS

ONE-TIME SETUP COSTS:

- ◆ LEASEHOLD IMPROVEMENTS
- ◆ REMODELING
- ◆ FURNITURE & FIXTURES
- ◆ INSTALLATION LABOR
- ◆ SIGNS
- ◆ SUBTOTAL: LEASEHOLD IMPROVEMENTS
- ◆ DEPOSITS & PREPAYMENTS:
- ◆ RENT (FIRST/LAST Some landlords require 3 months or more)
- ◆ SECURITY DEPOSIT
- ◆ CAM CHARGES (Common Area Maintenance)
- ◆ TELEPHONE
- ◆ OTHER UTILITIES
- ◆ INSPECTION FEES
- ◆ UPS
- ◆ SUBTOTAL: DEPOSITS/PREPAYMENTS

GETTING READY TO DO BUSINESS

- ◆ INVENTORY
- ◆ OFFICE SUPPLIES
- ◆ BUSINESS SUPPLIES
- ◆ TOOLS AND EQUIPMENT
- ◆ PRINTING: CARDS, STATIONERY, ADV.
- ◆ PETTY CASH
- ◆ REGISTER CASH
- ◆ LIVING EXPENSES (Working Capital) - 3 MOS. MINIMUM
- ◆ SUBTOTAL: SETUP COSTS

MONTHLY COSTS

- ◆ LABOR:
- ◆ OWNER/MANAGER
- ◆ EMPLOYEES
- ◆ PAYROLL TAXES/BENEFITS (Could be 8.75% of salaries without benefits)
- ◆ SUBTOTAL: MONTHLY COSTS-LABOR

OPERATIONS:

- ◆ RENT
- ◆ ADVERTISING
- ◆ DELIVERY EXPENSE
- ◆ SUPPLIES
- ◆ INVENTORY REPLENISHMENT
- ◆ TELEPHONE/FAX
- ◆ OTHER UTILITIES
- ◆ REPAIRS AND MAINTENANCE
- ◆ LEGAL/ACCOUNTING/PROFESSIONAL
- ◆ INTEREST/PRINCIPAL ON LOANS
- ◆ INSURANCE
- ◆ SUBTOTAL: MONTHLY COSTS-OPERATION

TOTAL STARTUP CASH NEEDED

- ◆ LICENSE/LEGAL
- ◆ TAX RELATED
- ◆ SETUP COSTS
- ◆ MONTHLY COSTS-LABOR
- ◆ MONTHLY COSTS-OPERATION
- ◆ SUBTOTAL
- ◆ ADD 10% CONTINGENCY
- ◆ ESTIMATED TOTAL NEED

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KNOW YOUR MARKET

Your business will not succeed just because you want it to succeed. Determining if there is a market for your products or services is the most critical item of planning. Once you decide on your product or service, you must analyze your market -- a process involving interviewing competitors, suppliers and new customers.

However, before you begin researching your market, you should take a brief, but close, look at your product or service from an objective standpoint. In terms of a checklist, you should ask yourself the following questions:

- ◆ Is this product or service in constant demand?
- ◆ How many competitors provide the same service or product?
- ◆ Can I create a demand for my product or service?
- ◆ Can I effectively compete in price, quality and delivery?
- ◆ Can I price my product or service to give me the projected profit?

Once you are satisfied that these questions are answered, move on to performing your research. Market research is extremely beneficial; the information gathered can increase your profit potential.

Market Research

- ◆ Shows alternative approaches to your market.
- ◆ Provides a more accurate base for making profit assumptions.
- ◆ Aids in the organization of marketing plans.
- ◆ Assists in the development of critical short/mid-term goals.
- ◆ Breaks down your market's profit boundaries.

Unfortunately, many entrepreneurs fail to complete this critical section of their business plan. Collecting research data can be frustrating unless you have defined your goals and organized the collection and analysis process. To prevent this from happening, you must plan how you will collect, sort and analyze the information. Maintain a notebook and file in which to store, organize and retrieve data as needed.

Questions to ask your research should ask these questions:

- ◆ Who are your customers?
- ◆ Where are they located?
- ◆ What are their needs and resources?
- ◆ Is your service or product essential in their day-to-day activity?
- ◆ Can the customer afford your service or product?
- ◆ Where can you create a demand for your service or product?
- ◆ What areas within your market are declining or growing?
- ◆ What is the general economy of your service or product area?

Market Data

Knowing your market not only requires an understanding of your product, but also an understanding of your customers' socio- economic conditions. This information will serve as a map in letting you know what is ahead.

More market information can be found in:

- ◆ Library listings of trade associations and journals.
- ◆ Regional planning organizations' studies on growth trends.
- ◆ Banks, realtors and insurance companies.
- ◆ Competitors.
- ◆ Customer surveys in your market area.
- ◆ U.S. Government publications.

Once you have obtained and analyzed this information, it will become the foundation of your business plan. Research data is important because it supports the basic assumptions in your financial projection --your reason for going into business.

Summary

To be successful, a small business owner must know the market. Market research is simply an orderly, objective way of learning about people -- the people who will buy from you.

How to Get More Information

Information is power! Make it your business to know what business information is available, where to get it and, most importantly, how to use it. Sources of information include:

- ◆ U.S. Small Business Administration
- ◆ SBA District Offices
- ◆ Small Business Development Centers (SBDCs)
- ◆ Service Corps of Retired Executives (SCORE)
- ◆ Small Business Institutes (SBIs)

Consult your telephone directory under U.S. Government for your local SBA Office or call the Small Business Answer Desk at 1-800-8-ASK-SBA for information on any of the above resources. In Washington D.C. call 205-7333. Also, you may request a free copy of The Small Business Directory of business development publications and products from your local SBA office or the Answer Desk.

Other Sources

- ◆ State Economic Development Agencies
- ◆ Chambers of Commerce
- ◆ Local Colleges
- ◆ The Library
- ◆ Manufacturers and suppliers of small business technologies and products.

All SBA programs are available to the public on a nondiscriminatory basis.