

Starting a “Small Business”

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By BBN Business Solutions

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Table of Contents

Introduction.....[Page 4](#)

What is a “Small Business” and How to Get it Started?.....[Page 5](#)

Financing Your Small Business.....[Page 8](#)

Creating a Professional Business Plan for Your Small Business.....[Page 11](#)

Taxes and Your Small Business.....[Page 14](#)

Some Common Mistakes that Small Business Owners Make.....[Page 16](#)

The Importance of Having an Online Presence and Developing an.....[Page 20](#)

Conclusion.....[Page 23](#)

About The Author.....[Page 24](#)

Introduction

It is a challenge for most people to start a new business, especially if this is your first one. Here are simple tips that can help you succeed in your need venture. Even though all businesses are different and unique in nature, you can apply certain principles to help you get started.

To your success in business,

BBN Business Solutions

What is a “Small Business” and How to Get it Started?

“Small business” is a phrase that is used every day by millions of people across the globe. This is because during the past decade the rise of small business has become more substantial than in any other decade prior. This is largely due to the growing number of services that are offered to small business owners, to make it possible for them to keep their business running.

There really isn't any guidelines for when the term small business is used, however it is simply defined as a business which has a small number of employees. How few employees is debatable, and the definition of when a business changes from a small business to a bigger business differs both by country as well as industry. This number is generally less than 100 employees.

Small businesses due to their nature, are usually sole proprietorships, partnerships, or privately owned. Common in many countries, small businesses, tend to be related to consultants, restaurants, guest houses, photographers, small shops, hairdressers, tradesmen, solicitors, lawyers, small-scale manufacturing, and more...

Small businesses are often located in private homes, for two main reasons. The first is because it is cost-effective and in most cases convenient. The second reason is that there are several benefits with taxes by having your business in your home.

Starting a “Small Business”

Running a small business is an exciting opportunity, a great way to introduce yourself into the business world, and to gain business sense.

But, before you spend a lot of money on your small business it's important that you know the facts, take some time, go to the library or get on the Internet and research the basics. If possible talk to a few experts or other small business owners so that you can be sure that entrepreneurship is right for you.

Here is a quick list of some things that you can do to get started:

- **Conduct a feasibility study of your business idea.**

Describe what your typical customer, your product and your competitors. Who will your suppliers be? What will you charge for your product? How will you market your product? These are just a few of the questions you need to answer.

- **Write a complete business plan.**

Do this using the information you gathered from your feasibility study. This is vitally important and often an overlooked step that needs to include a description of your company, its goals, competitors, market, financial information, and of course, how you intend to meet your goals.

- **Get your financing in place.**

There are many ways to finance your business, from your own savings to personal credit cards to bank loans. If you need credit, know your business plan from front to back and maybe even sideways.

Starting a “Small Business”

- **Decide what kind of structure your company will have.**

From a legal standpoint, there are three basic choices, sole proprietorship, partnership and incorporation, each with advantages and disadvantages.

- **Choose a name for your company and check on name availability.**

Naming your company is highly individual, but it’s the first thing associated with your business, so choose your name carefully and you need to make sure it is a unique name.

- **Determine whether there are special permits or licenses that your business will need.**

Check with county court house or your local tax collector’s office for the proper forms.

- **Set up your business bank account and record-keeping system.**

Your banker will need to see your business documents, and depending on your business industry you may want to set up more than one account so you can keep track of your finances better. Proper record-keeping is required, it can be done manually or with a computer program.

- **Purchase insurance.**

There are many different types of insurance, but most probably your

Starting a “Small Business”

company will need at least one. For example, if you’re going to have employees, you need to have workers compensation insurance.

- **Decide where your business will be located.**

Lease your business’ space. Alternatively, you could choose to start your business from home if it’s feasible. There are advantages and disadvantages to starting your business from home. You have tax write-offs for example, but sometimes your image suffers.

- **Purchase supplies and office equipment.**

You'll need too many things to list here, and of course, each business has different needs. You'll probably need a computer, printer and fax service. You'll definitely need paper, pens, pencils and a calculator.

Being armed with the facts and information you need from the beginning is a giant step towards ensuring the success of your small business. So take your time and do your research.

Financing Your Small Business

There are different options available for financing your small business and there are numerous challenges when establishing your own small business. Financing is a major aspect to consider when embarking on this journey.

Starting a “Small Business”

Determining where the funds are going to come from can sometimes turn out to be a very nerve-racking endeavor.

This really is an obvious obstacle, that you must overcome, and one, which often prevents many people from starting their own small business.

Bank Loans

Bank loans are usually the first step that most people take when attempting to start their own small business. Banking institutions can become demanding for things like collateral and business plans. Banks do tend to make it hard for the people attempting to start their own business. The demand for personal assets and the thought of putting your home up for collateral can be stressful and scary at the same time.

Banks can also demand that the business owner actually rent their business space as compared to purchasing the space. They make these demands occasionally because they do not want you to tie up their money in assets that in the bank’s eyes will offer no short-term rewards. Banks may even demand that you use their money for inventory, which will offer them some immediate returns in case of closure. You must also keep in mind that these loans come with interest charges that will increase the amount that you must repay.

Government Grants

Starting a “Small Business”

Applying for government grants is something I recommend to every person interested in starting their own small business. The US as well as other countries has numerous programs that cater to the needs of potential small business owners. Make sure you check not only the federal government but also your local state and state government as well for possible grants, which could aid you in your venture. Applying for a grant is not an easy task, but it is well worth the effort because the money does not have to be repaid.

Relatives and Friends

When it comes to relatives or friends you may be reluctant to ask to borrow money to start your small business, but this is sometimes a good option because they are obviously people who know and trust you. The only downside to this suggestion of relatives or friends is that they may feel that they own a stake in your business, so it is important that you keep the terms clear from the beginning.

This type of loan often has no legal binding however; it can create serious rifts between you and your loved ones. Be sure you point out that the money is only a loan and will by no means give them any share or say in your new small business.

Yourself

Dipping into your own personal funds is another way to fund your small business. This is typically used with a combination of other methods. The great

Starting a “Small Business”

thing about this approach is that you will not be confronted with interest charges and personal conflicts that other loans may demand.

Donations and Investors

One more option to consider is accepting private donations or seeking out investors. If you feel you have a great new idea for a new small business, it is possible to sell your great idea to potential investors; these are commonly called venture capitalists.

Unlike receiving loans from your family members, this method will without a doubt involve the investor having some type of stake in your business. The disadvantage of this method is that the idea has to be creative as well as potentially profitable because you literally have to convince the investors that you are going to make money.

Often a controlling interest in the company will be given if an investor spends their money for you to start your own small business, so you must be prepared to share control of your business to some extent.

Whichever way you decide to fund your small business it is important that you do your research and be ready to face any obstacles that may get in your way.

Creating a Professional Business Plan for Your Small Business.

Starting a “Small Business”

This is absolutely essential when you are ready to start your own small business. There are several reasons that this step is so important to your success. Including the fact that banks and prospective investors will require that you show them a solid business plan so that they can evaluate your potential for success and decide if they will fund your business.

Business plans commonly have three major sections as well as a cover sheet, table of contents and an executive summary. Your business plan should be proportioned according to your small business. If it takes you numerous pages to explain the aspect of your small business then so be it but keep in mind that people do get tired of reading page after page of documents, try to minimize the wording in your business plan as much as possible while still getting your point across.

Essential components of a professional business plan that will help you get started:

- **Business plan cover page.**

This page is solely for identifying your business from the others. Include things like your business name, logo, contact information, address, and the names of principals for your business.

- **Loan requests.**

A small loan request should be ten pages or less with adding in the attachments. If you are seeking a small business loan, keep in mind that most conventional lenders will accept a summary sheet along with the loan

Starting a “Small Business”

application. You will usually need three years of income as well as tax records when applying for small loans.

- **Business plan executive summary.**

This is nothing more than a summary of the rest of the plan. It should be placed first within the business plan. This page is what investors and banks will most definitely read. Keep in mind that your business plan is a sales proposal that is presented to other people for investment purposes.

- **Supporting documents.**

Supporting documents are very important. Ensure that you attach copies of these to the business plan. These will be documents will prove your points on many topics within the business plan. Also include any professional licenses you might have, contracts, resume's, leases or even company brochure's you might have created for the business you want to start. Promotional material is always a good addition as well.

These are only a few of the components of an effective business plan. There are many factors to consider and it can be a very daunting task, but it is essential especially if you want to obtain outside funding for your business. As with anything, before you begin you will need to do your research and learn as much as you can about constructing a solid plan.

Crafting an effective business plan can be very time consuming as well as stressful. If you don't feel confident in your skills to write the actual plan yourself, you may want to consider hiring a professional to construct your business plan for

Starting a “Small Business”

you. Keep in mind this can be a big expense, but it often pays for itself in the long run.

Remember you will be presenting this plan to possible lenders and investors, so it has to be well written if you want to secure the funding you are seeking for your business.

Taxes and Your Small Business.

Every small business owner worries about paying taxes and looks for ways of reducing their tax burden. When you have a small business of your own you must keep up date on your knowledge of tax laws that pertain to “small businesses.” You must also clearly understand accounting systems and tax planning, it is always recommended that you always seek for professionals regarding your small business tax matters.

The best place to start is to sit down with your accountant and plan the different ways that you will maintain business expenses, filing receipts, “tax saving” investments, and a strategy for running your business in the most beneficial way.

Did you know that?

- According to law you can reduce your tax liability by hiring family members to carry out work in your business. Pay your children and spouse to perform

Starting a “Small Business”

assigned duties. This way you can shift from higher tax rates to lower ones.

- Hiring independent contractors instead of employees. You will save on payroll taxes. However ensure that you meet the IRS’s criteria.
- You can take advantage of tax deductions allowed for charitable donations. Make donations in November or December instead of January so that you can include the donations for tax deductions in the current year.
- You can maximize your expenditure on equipment and office supplies. Buy in advance for a quarter and use the tax deductions allowed in the current fiscal year.
- If you pay all bills due before the end of the year. Payment to cell services, rent, insurance, and utilities related to the business can be included for accounting and applicable tax waivers.
- By setting up a retirement plan and making payments before the end of the year. This will reduce your income for the year and proportionately the tax due. Be sure to check on the limits. Plan a feasible and beneficial strategy with your accountant.
- Be sure to deduct from your taxable income money paid to licensing fees, businesses taxes, and annual memberships to businesses related organizations. Be sure to deduct interest paid on borrowings for running the business and related fees. Insurance premiums paid to insure the business

Starting a “Small Business”

office and machinery are eligible for tax deductions. Make a list of your memberships and check which ones are eligible for tax deductions.

- Check whether you have deducted management and administration expenses as well as money spent on maintenance and repairs of equipment.

Decide whether you should use a cash accounting system or accrual one. Which one will benefit your business the most? Keep in mind that the tax deductions are different depending on the system you use.

When setting up your small business it is wise to seek out the advice of a tax and accounting professional as to which accounting system would be most suitable.

Some Common Mistakes that Small Business Owners Make.

When first starting your small business you may not realize that there are mistakes you may make at different stages of your business’ growth that can slowly kill it for months or even years if you don’t watch out for them.

These mistakes are not just restricted to the new business owners. Many operating businesses, including those you may think are “successful” because they've been around for 10 years, are often still making them... and are most likely losing a lot of money and/or wasting a lot of time in the process.

Starting a “Small Business”

Although some of these mistakes seem aimed more at service type companies, they really do fit the bill for almost any type of business. Let's go over a few examples that you can use for future reference.

Underestimating project or service time is a big one.

This relates to service companies as well as companies that sell a product. This is a service company's bread and butter. If you don't estimate the time and effort required to perform each service your business offers you will lose out and there is little you can do about it except learn from it. The best way to estimate time required to do the job is to do it once yourself or watch your best employee perform the task, then determine the appropriate fees that you should charge for the service.

Not knowing “your” company numbers and setting prices too low.

Notice the word “your” is emphasized. It is a common mistake to use a competitor's fees as your pricing gauge without actually knowing why they use those numbers. Consider for a minute what will happen if you take a competitor's price, cut it by 10% and then start selling.

What if the competition has a bad pricing structure and is barely making money or even losing money? What if your costs are more than theirs?

Starting a “Small Business”

While it's a good idea to know your competitors pricing structure and maybe even use it as a starting point you shouldn't base your whole strategy on it.

Different market sectors have their own variables as far as costs go and you should be aware of them for your project or product pricing. What you pay for a product you are going to sell is not the only cost to have in your head when you are pricing your products. Considering how much your labor and materials cost for a service is only a part of an hourly rate.

Employees also cost more than just salary and not every employee is part of your labor cost. Every company has insurance to pay for. There are overhead expenditures, quality factors that need to be part of your pricing structure. What you include as “standard services” or “standard product features” as well as job site etiquette or in store service or warranties all need to go into your pricing.

Not charging for all of your time and costs is mistake most business owners will admit that they made. For instance let's say that you run a service company. You can't just undercut your competitor's price to acquire the job; you have to ensure that your costs will be covered in your rates. Stores undermine themselves, for example, when they put more people on the floor for customer service but don't charge for it. These things cost you money and when your competitors don't do them it costs them less money.

As a business owner you need to believe that you are providing your clients worthwhile wares that deserve to be paid for. If you get the chance to explain why your prices are higher, then take that opportunity and do it. If they don't like the

Starting a “Small Business”

fact that you include things that others charge extra for later or that you treat them better, then they are most likely completely price shoppers. You don't want them as regular customers anyway...

Getting Paid.

Not getting paid fast enough is another one that easily creates a cash flow problem. As long as you are actually making enough money to pay the bills, this problem can be solved, prevented or at least managed. To avoid this, bill customers very promptly, after all that's the reason you are doing the work... to get paid.

Failure to have solid systems and procedures in place.

Having no procedures and systems in place for tasks like billing, collections, payroll, interviewing, hiring, job responsibilities, manufacturing, operating equipment, maintaining equipment and inventory procedures will help things run smoothly and reduce expenditures as well.

Spending too much advertising money without tracking the results.

There is no point in a marketing campaign if you do not put things in place that allow you to measure how well the plan is working.

Spreading yourself too thin is a classic mistake made by every entrepreneur.

Starting a “Small Business”

The key is to figure out when you are at that “wearing too many hats” point and start getting some help. Not getting help or waiting too long can kill a company. The three big issues people like to tackle themselves but are usually the ones they are the least knowledgeable about like; legal issues, accounting, bookkeeping and daily operations issues.

Keeping an eye out for these potential problems is always a good idea, the end of a year is an excellent time to make sure you are not making these errors. Take the time, or make the time to determine if you have issues to address. If you don't know how to stop or fix the mistakes, then find some help. The success of your business may depend on it!

The Importance of Having an Online Presence and Developing an Internet Marketing Strategy for your Small Business.

These days advertising your business online has become a must for any company large or small. It is vital to your success that you develop some type of online presence because a large percentage of consumers begin their search for products and services online.

When it comes to this form of marketing you have to run an even tighter and more planned campaign than if you were doing it for a large business with a big budget.

Starting a “Small Business”

The smaller the business, it seems, the more tightly the plan should be. Large companies have a much larger advertising budget, so even if their online marketing strategies aren't very successful, traditional advertising can make a huge difference for them.

Typically smaller businesses don't have thousands of dollars to spend on the more common forms of advertising. Internet marketing often becomes the main thrust of the marketing campaign, so it's necessary that it's done effectively.

One advantage that small businesses can have over large corporations when it comes to marketing online is that they're more likely to have a much focused specialized niche. While large companies have niches, too, sometimes larger companies market a variety of products and services over a very broad customer base.

When using Internet marketing for your small business, you will probably only have to worry about one very specific niche. You will know exactly what your customers are looking for, and you can easily focus on filling that need with every aspect of your marketing plan, rather than having to spread the campaign over many different groups of consumers.

Search engine optimization is one method of Internet marketing that you can use for your small business. There can be some expense involved especially if you hire a marketing professional or an SEO service to manage this part of your marketing campaign, but the money spent will probably be well worth it.

Starting a “Small Business”

The key to a successful SEO campaign is to make sure that your website content is optimized for the search engines. Otherwise it will be very difficult for someone to find you unless they’re searching for your company specifically.

Just keep in mind that people search for what they want, though, not the company that might have what they’re looking for. So when you employ this type of marketing for your small business you should always include a plan to get your website higher in the search engine rankings on the best keywords for your company.

Another part of your search engine efforts should involve getting other websites to link to yours. Search engines don’t just take optimized content and keywords into account, they also pay attention to a website’s popularity with other sites. The more sites that link to yours, the more valuable your information is according to most search engines.

These methods of Internet marketing for small business can get a small company’s website ranked well ahead of a corporation’s, all while spending much less money on advertising.

Of course SEO isn't the only Internet marketing technique that you can use for your business. There are many others like pay-per-click, banner advertising, email, newsletters, blogs and article marketing just to name a few. They are all very effective and often less costly than more traditional offline methods. The key is a good Internet marketing plan is to consistently track your results and focus on the methods that work the best for your business.

Conclusion

Starting your small business can be a challenging and tedious task, but it is very rewarding when you see a successful business you have started from just an idea... If you need any assistance along the process to start and run your own business, for the utmost in service, competence, and reliability, contact BBN Business Solutions.

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About The Author

BBN Business Solutions, has been in business since 2004, we offer an excellent solution for small to medium size businesses. From start up to business analysis and corporate accounting BBN Business Solutions is always available to help with your accounting needs.