

## **RE: SO YOU WANT TO START A BUSINESS?!**

Each year thousands of would-be entrepreneurs take out loans, sign leases and open businesses in search of the elusive American dream: freedom through self employment. Unfortunately, nearly two-thirds fail in their first three years.

What are the characteristics of the businesses and owners that are able to survive these sobering statistics? Here's a sampling of the success factors that I have encountered in twenty-five years of business consulting.

**1. Have a Plan.** In addition to a great idea, every successful business has a strategic plan that focuses on: a) the product and service; b) marketing and sales; c) customer base identification; d) employee hiring, training and retention; e) site selection; f) interior and exterior design; g) signage; h) furniture, fixtures and equipment; i) leasehold concerns; and j) **OPERATING BUDGET**. I have emphasized the budgeting function because this is where the seeds of success or failure are often initially sown.

**2. Cash Is King.** No matter how fine-tuned your budget is, there are always some surprises. I recommend that once you have completed your annual budget, make sure you have at least that same amount available in working capital. This enables you to take advantage of bargains, try new marketing ideas, and most importantly, keep your stress level manageable.

In order to conserve cash, some people prefer to lease their furniture, signs and equipment rather than purchase them outright. Another strategy is to ask your vendors to give you terms for repayment. This is often possible to achieve if your credit is good and your financial statement is solid. Leasehold improvement expenses can also be pared if you are willing to do some of the work yourself.

Landlords generally allow you to handle such minor remodeling tasks as painting, carpeting and other decorative touches. For the big jobs, landlords will usually amortize the cost of improvements over the life of the lease. And never forget that thousands of successful businesses have been born in a garage or spare bedroom and later moved to a storefront or office.

**3. Do the Research.** Too many people open restaurants because they like to cook and their friends have complimented them on their skills (what friend tells the truth when it comes to a bad meal?).

Don't guess about the marketability of your product or service. If you really feel you can make a better taco than Sadie's, hire an advertising agency to arrange a focus group to sample your menu. You pay a focus group to be fair and impartial, so leave your sensitivity at the door.

It's very important to know and understand your target customer. Just because you like knick-knacks and covet collectibles doesn't necessarily mean the world does. In fact, in my experience, gift and collectible shops suffer about the same mortality rate as restaurants.

Don't try to compete with Wal-Mart! When Wal-Mart came to his small Missouri town, my brother-in-law had the only shoe store. He watched what the giant retailer carried in shoes (low price and medium quality) and decided to go with more expensive inventory. It worked!

Gypsy Rose Lee advised, "You have to have a gimmick." The "gimmick" for a small retail business is SERVICE. Wal-Mart only delivers large-ticket items but you can deliver anything. Wal-Mart doesn't offer its customers soothing refreshments on a hot afternoon - but you can!

**4. Think Like an Entrepreneur.** When looking for a business to start, ask yourself what goods and services are not readily available in your market. Successful entrepreneurs will do what others don't want to do or can't do. Who asks a plumber how much it's going to cost for an emergency call when the toilet is overflowing?

Postpone hiring employees as long as possible! Be willing to assume the role of cook, waiter and janitor if it will help you save a buck! If you can perform a function without jeopardizing the growth of the business, do it.

In the case of a manufactured product, consider engaging a contract manufacturer to make it for you. I have a friend with a jewelry manufacturing business who produces high-quality jewelry for designers across the country. The designers concentrate on the sales function and build the manufacturing cost into the price of the product (and they don't have to deal with all the headaches that are associated with employees, equipment and governmental regulations).

**5. Don't Become a Hostage.** When selecting your new business, make sure you understand all its intricacies so you don't have to rely on one or two key employees for your success. It's fine to hire a chef to run your restaurant's kitchen but you should have the ability to step into that role in the event of a dispute, sickness or other emergency.

**6. Market Effectively!** Getting the most bang for your marketing buck takes some thought. The electronic media are costly and hardly an effective choice if your target market lies within a one-mile radius surrounding your business. That situation may lend itself more to direct mail that blankets a specific zip code, or flyers in a nearby parking lot.

Businesses that require city-wide sales must rely on billboards, radio, television or newspapers. Those that target state-wide sales will likely need television. Some businesses rely solely on trade journal ads. And in today's cyber world, **all new businesses need a functioning web site.** And finally...

**7. Never Be Too Proud To Ask For Advice.** Established business owners will often give you the advice you need if you are not a direct competitor. There are also several helpful organizations such as SCORE (Service Corps of Retire Executives) sponsored by the SBA and the Small Business Development Center located on the TVI campus.