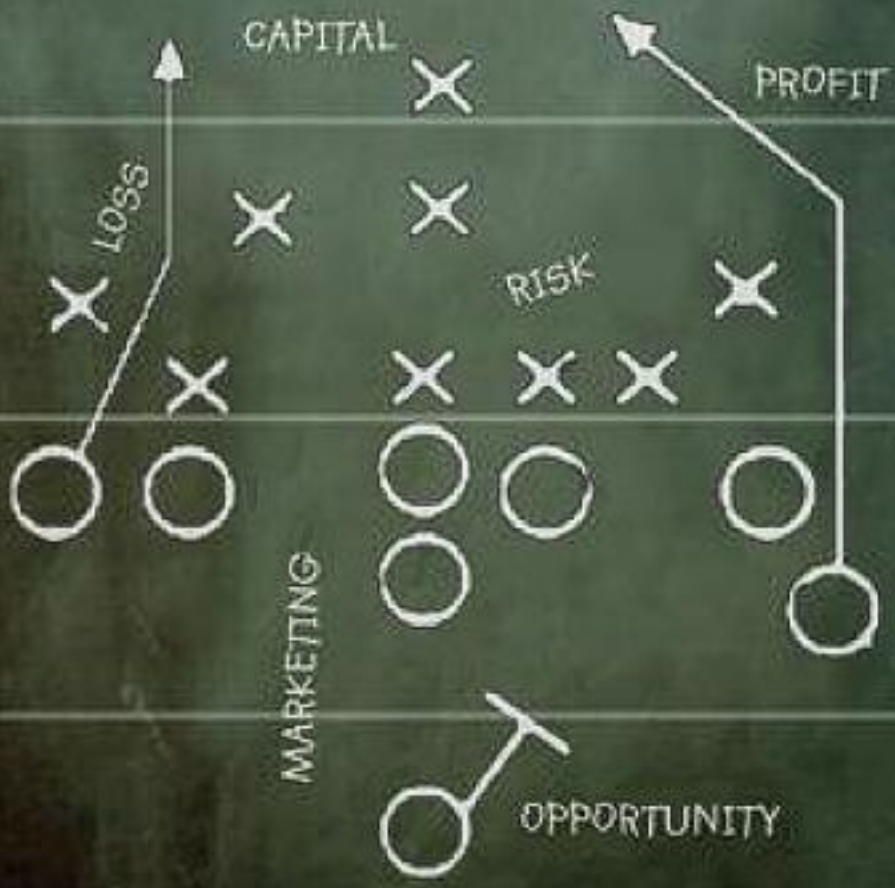
THE ENTREPRENEUR'S PLAYBOOK



BY TED LIEBOWITZ

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Fourth edition, September 2015

ISBN: 978-1-4951-7508-4

Visit the website: www.Liebowitzentrepreneurprogram.org

PREFACE

I wrote this book to share my knowledge about being an entrepreneur, knowledge I mostly acquired through starting and running a variety of successful businesses. Little did I know that the bagel route I had at age ten, serving over a hundred families in the Coney Island housing projects, would set the stage for a lifetime of diverse and exciting businesses.

In this book, you will learn the techniques, strategies, and requirements needed to be a successful entrepreneur. Every business is different, and there is no magic formula for success. The only constant is change, and you must be able to change directions as business conditions change.

I have learned first-hand from working alongside many successful businesspeople, lawyers, accountants, publicists, salespeople, and marketing experts. I have attended hundreds of trade shows, travelling millions of miles around the world, and made a point of going into businesses I knew nothing about. I have been in the accounting business, telecom, TV, film, music, publishing, direct response, Broadway show production, and the nightclub and restaurant businesses. All of these businesses required great energy, focus, timing…and a little luck.

To see what I'm up to now, go to www.tedliebowitz.com.

I wish you the best in your quest to become a successful entrepreneur.

Ted Liebowitz

DEDICATION

For my mom and dad, who gave me my entrepreneurial spirit.
And for my family, who continue to amaze me with their accomplishments.

ACKNOWLEDGMENTS

I would like to thank the people who helped inspire me to write this book: Cynthia MacGregor; Sara Liebowitz, my wife; my children, Brandon, Richard, and Rebecca; Bruce Jacobson; Keith Feltenstein, web designer; Professors Hervé Queneau and Clifton Clarke of Brooklyn College; Pamela Brown; and Hershey Friedman.

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Chapter 1
THE ENTREPRENEUR

Just what is an entrepreneur anyhow? *Random House Unabridged Dictionary* defines "entrepreneur" this way: "A person who organizes and manages any enterprise, esp. a business, usually with considerable initiative and risk." The word derives from the French *entreprendre,* "to undertake," and is related to the English word "enterprise."

When did the term come into being? The first printed citation seems to have occurred in 1852, in J.A. Froude's *Life of Carlyle II,* which on page 107 says, "A public set of rooms–*Kursaal* they call such things, finer than some palaces, all supported by gambling, all built by one French gambling *entrepreneur*." The first English dictionary citation occurred in 1934, in Webster.

So basically anyone who starts a new business is, in a sense, an entrepreneur, though the word is more commonly applied to someone who goes noticeably out on a limb with that new business, as opposed to someone who undertakes a more traditional, less risky venture. The proprietor of a mom-and-pop convenience store, or a gas station, is less likely to have the term "entrepreneur" applied to him or her than is the person who invents a new product, patents it, begins production in his or her garage, and perhaps even finds a new or unconventional way to sell the new product as well.

What differentiates an entrepreneur from a run-of-the-mill businessperson, then, is a certain degree of risk and daring inherent in the venture. Taking over the

family business is not entrepreneurship. Neither is working your way up to the top of the corporate ladder, starting in the mailroom and eventually becoming the CEO. Both these are admirable undertakings, but they are not entrepreneurship.

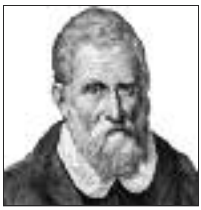
Nor is it the size of the business that separates the entrepreneur from other businesspeople. The woman who draws custom-made comic strips to order, promoting them as unique gifts for all occasions as well as being great to buy for oneself, is surely an entrepreneur even though she works from a drawing table in her living room, has nobody working for her, and derives a modest income at best.

Although, of course, there is always the possibility of her business growing, perhaps even growing into a syndicated comic strip, with her characters appearing on T-shirts, coffee mugs, and other merchandise as well. And that's part of the fun of entrepreneurship. You can start out small and grow your business into a giant worldwide enterprise; you need look no further than Microsoft, or, for that matter, Apple, for proof of that.

Entrepreneurship is not for the faint of heart. Only risk-takers need apply. On the other hand, it isn't necessary to have an MBA from Harvard—some notable entrepreneurs have even been high school dropouts, and we'll meet some of them in the next chapter.

What primarily differentiates entrepreneurs from run-of-the-mill businesspeople may just be the audacity of their ideas as well as the degree of risk they're willing to take—though that's not to say that entrepreneurship implies a seat-of-the-pants operation. Far from it! We'll talk, later in this book, about the importance of having a good business plan. (Although it's also important to be flexible and be willing and able to divert from your plan when circumstances so warrant!)

The world's first entrepreneur?



Arguments could be made for granting the title of "the world's first entrepreneur" to a variety of different individuals, and I don't think there's any person or organization who could settle the matter definitively. But surely one likely candidate for the title would be Marco Polo (1254-1324—so you see, entrepreneurship isn't a new concept, even if, lexicographically, the word itself is relatively new). The Venetian merchant-cum-explorer travelled with his father and two uncles to Cathay, in the Orient, and returned with silks and opium, not to mention rubies and other riches.

They set up trading posts in such places as Constantinople, Sudak (in the Crimea), and in a western part of the Mongol Empire. Marco Polo enriched his purse as well as his reputation and later wrote a book about his travels and his exploits, which became a thirteenth-century bestseller. This despite the fact that not only were there no TV talk shows (the holy grails of today's authors) to promote the book on, but the printing press had not yet even been invented. The book was translated into a number of different languages. *Il Milione* (the Italian title) is known as *The Travels of Marco Polo* in the English translation.

The qualities necessary for successful entrepreneurship

What qualities are necessary for successful entrepreneurship? The successful entrepreneur is proactive, ambitious, persistent, creative, flexible, self-confident, and willing to take risks. He or she believes in himself/herself. Certainly a quick-firing, lively mind that isn't boxed in by convention is at or near the top of the list of qualities. An old axiom posits that "If you build a better mousetrap, the world will flock to your door." But a surer candidate for successful entrepreneurship is the individual who devises something even better than a mousetrap—a revolutionary, *entirely new* method to capture, kill, or simply banish mice.

Ingenuity isn't a guarantee of success. Not all novel ideas are winning ideas. Some are impractical, unfeasible, or just won't sell. But novelty is certainly a good start. Selling a product that's very much like something else already on the market is an unlikely way to hit it big. Though selling a better and/or less expensive version of an existing product can be profitable, it's not often a gigantic money-maker.

Of course, the revolutionary idea may not even be in the product itself but rather in the way that it's sold or distributed. Take the party plan, now used to sell everything from cosmetics to kitchenwares. Before the party plan existed, these products were sold either in retail stores or door-to-door.

The first person to come up with the idea of selling products via the party plan was Brownie Wise. She was made vice-president of the Tupperware Plastics Company in 1951 and held that position till 1958, although she developed what she called "Patio Parties" in 1949, even before joining Tupperware. Here's the story in brief: Brownie and her mother, then living together in Miami, Florida, began these parties as a way of selling Poly-T (Tupperware), Stanley Home Products, and other home-oriented products. She came to the attention of Earl Tupper, who was still on the hunt for the best means by which to market his products. So in 1951, he hired Brownie as vice-president of his company and charged her with de-

veloping a party plan of sales along similar lines to what she and her mother had been doing independently. The product itself—plastic food storage containers—was hardly revolutionary, but the method of sales was, and Tupperware took off.

Certainly high on the list of top ten qualities necessary for successful entrepreneurship, and arguably in the number one slot, is the ability to manage your time. Whether you start out as a sole proprietor with no employees (or contract workers or other help), or whether you start out so well funded that you have ten or more employees from the day you first open your doors for business, you're going to be doing a *lot* of the work yourself. And don't think for a minute that your workload will lessen once you bring new people onboard to take over some of the functions you now perform. By then you'll have more to do in the other areas that you're still responsible for.

Do you know how to budget your time wisely? It's equally important as budgeting your money! How much time will you spend on financial planning, budgeting, reporting, and accounting, how much on product or service planning, how much on overseeing advertising (or creating it yourself), how much on overseeing manufacturing or retail operations, how much on general planning, how much on scouting the competition to keep up with, or exceed, their operations, how much on reading the financial section of your local paper and others, certainly including

You need to organize not only your time and your money but also your thoughts and ideas.

the *New York Times,* and the *Wall Street Journal,* or others, and business magazines and books as well (we'll look at a "required reading list" later), how much on pricing, how much on planning sales and other special events, how much on planning for new or additional products or services and/or the termination of underperforming present products or services, how much on evaluating employees (and contract workers), how much on such matters as overseeing the insurance your business carries, your phone service, website, office machines and equipment, and other necessities? Overlooking or merely giving short shrift to any of these areas of concern could be deadly to your business. Budget your time wisely!

Related though different is the necessity of being well organized. You need to organize not only your time and your money but also your thoughts and ideas and also your office itself. If you're disorganized, you have scant chance of making a

success of your business.

Another quality necessary for successful entrepreneurship must surely be nerves of steel. To start up *any* new business can be harrowing; and the less established and more innovative your concept is, the greater the risk there is, and the more you need to not just have faith in your concept but have iron nerves to wait out the start-up phase and see if your business turns out to be a moneymaker.

Then you need two qualities that, on the surface, seem to be self-contradictory: You need to be willing to take advice from others, and you need to be able to think for yourself. Let's look at why these two aren't quite as oppositional as they seem. You need to be able to distill the best advice from others with more experience than you, whether it comes in the form of books, symposiums, classes, or casual suggestions from knowledgeable sources. But you also need to have a good sense of what advice makes sense *for you* and which doesn't. What worked for Joe Doaks of ABC Manufacturing may not be the right advice for your consulting company. And not only the type of business (Joe Doaks is a manufacturer; you have a service business) but the geographic location in which you are operating it and even the

Confidence is key, too. You need faith both in your business idea—your product or service—and in your own personal abilities to carry through with your idea and make your business a success.

year (e.g. is the economy in a boom or in the low part of a cycle?) all make a difference in whether what worked for someone else will work as well for you. You also need to have a certain number of good ideas of your own, or else your business will be merely a retread, a rehash of what's been done before.

And here are two more seemingly self-contradictory qualities: You need tenacity, and you need to know when to give up. (This is commonly expressed as "Know when to hold 'em and know when to fold 'em.") Tenacity is essential in the face of a slow start—and most new businesses do *not* take off like a rocket. You can't give up and run crying with your tail between your legs just because you had a slow first season or a less robust than hoped for start-up. You have to tough it out. You have to move on to Plan B for making a success of your business. (And you'd better *have* a Plan B, and a Plan C, too.) On the other hand, not every business, or

every idea, is a winner, and you need to know when to cry "Uncle!" and backtrack at least long enough to completely retool your idea, if not to give up and try an entirely different business instead. (See the brief bio of Walt Disney, below.)

You need a good work ethic. I'm not now talking about *ethics,* although it certainly helps to have those too! I'm talking about the willingness to buckle down and work your butt off, to be everything from the Chief Executive to the Chief Cook and Bottle-Washer, to work long hours and perhaps more than five days a week—maybe even all seven—at least at until you can afford to hire additional employees to help you run the business.

Confidence is key, too. You need both faith in your business idea—your product or service—and in your own personal abilities to carry through with your idea and make your business a success.

You need to be able to relate well to other people. This includes both clients or customers and employees (or freelancers/contract workers or others who may be working for you, although they're not *employees* in the strict legal definition of the word). You need to know when to have a firm hand (with employees or clients who are trying to take advantage of you) and when to use every ounce of diplomatic skills you have.

You need vision. Vision to see any additional uses of your product or service besides the obvious, vision to see the big picture, vision to see a future when your business will be much larger.

Also useful is the ability to see a need and capitalize on it. The sister of an as-

Being well read is underrated…and vital.

sociate of mine tells the story of a fellow in her village who, one Christmas, saw people beginning to put up their outdoor Christmas lights, and hit upon an idea: He would hire himself out to local residents and put up their lights for a price—and not just put them up in conventional strings and such but really *decorate* with them. Now, clearly this isn't a twelve-months-a-year business or a way to support himself year round, but entrepreneurship isn't only about big ideas and big profits; it's also about niche marketing and seasonal ideas as well. And the fellow in question did very well with his Christmas light business over the month or so that he worked it.

Being well read is underrated—and vital. You need to read, at minimum, the daily *New York Times* business section as well as your local paper's business sec-

tion and perhaps the *Wall Street Journal*. Also recommended are *Business 2.0* (online at http://money.cnn.com/magazines/business2/),–*Forbes* (www.forbes.com), *Fortune* (CNNMoney.com), *Entrepreneur.com and Inc* (www.inc.com/magazine) and *Fortune Small Business* (money.cnn.com/smbusiness). There is no need to spend money to read some of these online publications, as some are available free on the web. A lot of ideas you're going to get for your own business will come to you from your reading. This refers both to ideas for new products or services and ideas for marketing your products or services, ideas for running your business more smoothly and efficiently and cost-effectively, ideas for employee management, and ideas for virtually every other facet of your business.

Besides periodicals, books can also be instructive. We'll take a look at the five top business books later in this chapter.

A quick look at a few well-known entrepreneurs:

Steve Jobs, the late and much respected co-founder of Apple, Inc., also served as the company's chairman and CEO. It was in the late 1970s that Jobs, in tandem with Steve Wozniak and with the help of others, designed and successfully marketed the Apple // (2, in Applespeak) line of personal computers, one of the earliest successful lines of such products. In the early 1980s, Apple produced the first Macintosh, which once again created a revolution in the computer world. Apple went on to create such products as the iPhone, Apple TV, iPad, and iPod, and most recently the Apple Watch, all of which owe some part of their creation and history to Jobs.

But Apple was only part of Jobs's involvement as an entrepreneur. As co-founder and one-time CEO of Pixar Animation Studios, Jobs attained membership on the Walt Disney Company board of directors when Disney acquired Pixar, and Jobs was also founder of NeXT, a computer platform development company.

Of interest: His death certificate listed his occupation as "entrepreneur."

Richard Branson, billionaire businessman, founded Virgin Atlantic Airways and Virgin Records, among some 360-plus other "Virgin"-branded companies. He has succeeded in life and in business despite suffering from dyslexia, not doing well in school as a result, and ultimately dropping out. Nonetheless, he reached the number 236 spot on *Forbes'* 2008 list of billionaires. He claimed his first success at an entrepreneurship venture when he was just fifteen, with the publication of a magazine he named *Student*.

His Virgin Megastores (renamed in 2007 as zavvi), originally known as Virgin

Records, was preceded by two years by a mail-order record business that Branson started in 1970. Though the name "Virgin" derives from his virginal status at business (which obviously didn't last long!), the name caught on as a reference to the fact that the records were never opened to be "auditioned" in listening booths, as in other stores, but were sold in pristine and unopened condition.

In 1999, Branson was knighted for his "services to entrepreneurship."

Forbes Magazine cites **Bill Gates** as the richest man in the world, a designation he has held since the mid-nineties. The co-founder of Microsoft met his business partner, Paul Allen, at Harvard University, which he entered in 1973 but never graduated from, leaving in his junior year to start Microsoft. Gates, along with Allen, at first worked on a programming language, soon expanding the scope of the company's endeavors to include computer programs, operating systems, and more. Microsoft Corporation (the name stands for "microcomputer software") is now the largest computer software company in the world.

Gates has diverted some of his earnings to the benefit of charity. With his wife, Melinda, he created one of the world's largest charitable foundations, with an endowment of more than $28 billion. Even those detractors who don't appreciate his monopolistic and, some say, copycat ways of doing business (the Windows system is arguably a knock-off of the OS that the Apple Macintosh had first) cannot dispute the good that Gates has done in the fields of health and learning worldwide.

If **Oprah Winfrey** had stayed in broadcasting and not expanded her reach, she wouldn't qualify as an entrepreneur. But this phenomenon, often referred to by just her first name, reinvented herself as a media mogul (and, as well, a philan-

If Oprah Winfrey had stayed in broadcasting and not expanded her reach, she wouldn't qualify as an entrepreneur.

thropist like Bill Gates—see above). She was ranked the richest African American of the 20th century, the most philanthropic African American ever, the world's only African American billionaire for three straight years, and the first African American woman billionaire in world history.

Her life had an inauspicious start in rural Mississippi, where she was born the daughter of a teenage mother who was poor and not married. She was raised in the inner city in Milwaukee. But she worked her way up, getting a job in radio while still in high school and getting a co-anchor spot on local TV at age nineteen.

It was after her success with a Chicago talk show that her entrepreneurial abilities came to the fore: Oprah founded her own production company (Harpo Productions) and achieved international syndication of her show, which ended a long run in 2011 only at Oprah's own request; she was still going strong in the ratings.

During her show's run, she launched two magazines (*O* and *O at Home*) and a TV network (Oxygen). Later on, she launched OWN (the Oprah Winfrey Network). She also was credited as a producer of the Broadway musical version of *The Color Purple,* which Oprah starred in the original movie version of. She also produced (and starred in) the movie *Beloved*. CNN called her "arguably the world's most powerful woman," and *Time* cited her as "one of the most influential people" during a several-year run. Other media gave her similar accolades.

She also is credited with producing the Broadway show *The Color Purple,* which she starred in the original movie of. In 2015 I was a producer with Oprah in the revival of that show.

Her charities include Oprah's Angel Network, for which Oprah herself covers all the administrative costs, making it possible for all of the funds raised to go to charity. She also founded and funds the Oprah Winfrey Leadership Academy for Girls, in South Africa, and considers the students there her "daughters."

Larry Page came by his interest in the world of computers naturally. His father was a computer science professor, his mother a computer programming teacher, and his brother, Carl Jr., was a co-founder of eGroups, which later was acquired by Yahoogroups, which bought it for some half a billion dollars.

Among his recognitions, the World Economic Forum named Larry Page as a Global Leader for Tomorrow, and the X Prize named Page to their board as a trustee. None of this is surprising, given that his deep interest in computers evinced itself at the tender age of six. He went on to graduate from the University of Michigan with honors, where his bachelor's degree in engineering concentrated on computer engineering.

He developed Google with the help of Sergey Brin, whom he had met while studying for his Ph.D. in computer science at Stanford University. Google initially was begun as a research project while the two were in school—this was in January of 1996. Google began operating as a business in 1998. It was Page's and Brin's conceit that a search engine that analyzed the relationships between websites would function better than one that ranked according to the number of times the search entry word(s) appeared on a page. The research-project-turned-business soon was occupying Page's time and energy to such a degree that he left Stanford with his

Master's but not the Ph.D. he had been studying for. But he found something far better in the huge success that was Google.

The start-up was, at first, run out of a garage belonging to a friend, though don't let that humble beginning fool you into thinking the business was begun on a shoestring; far from it—the funds invested to get the company going were nearly $1.1 million. In 2001, the U.S. Patent Office granted a patent (to Stanford University, with Lawrence Page listed as the inventor) for Google's ranking mechanism.

It was in 2000 that Google first sold ads, associated with searchwords, to bring

Of all the "social networking" sites on the Web, arguably the best known is Facebook.

in revenue. By then Google had left the garage that had been its home from the time of its commercial launch and had moved to offices in Palo Alto. Headquarters are now located in Mountain View, California, where, as of early 2008, the company that started with just Page and Brin had 19,156 full-time employees. Ironically, when I used Google to try to determine an updated number of employees for this latest edition of this book, I was fed a number of non-relevant answers (such as the amount of money each Google employee earns). Nonetheless, Google has been named plural times by *Fortune* magazine as the # 1 best place to work.

Larry views geothermal power and solar thermal power as areas ripe for future development.

Of all the "social networking" sites on the Web, arguably the best known is Facebook, the founder of which is **Mark Zuckerberg.** Born as recently as 1984 to a psychiatrist mom and dentist dad (who ironically went to Brooklyn College, as did his grandparents), he was writing software while only in sixth grade.
A hacking project in his senior year of high school caught the attention of both Microsoft and AOL, both of which offered him work, but he chose to go to Harvard, entering the class of 2006, with the intention of studying psychology. By 2008, *Forbes* had named him "the world's youngest self-made billionaire," thanks to Facebook, his invention.

In non-computer parlance, a facebook (lowercase "f") is an aggregation of photos of students, by which the students can get to know each other. In computerspeak—at least, since Zuckerberg came on the scene—Facebook (uppercase "F") is the name of a social networking site on which people can share news, exchange

photos, get involved in political causes together, or play computer-based games (e.g. Scrabble®) together.

When Zuckerberg first launched Facebook, in February of 2004, it was positioned strictly to serve Harvard students. It was an instant success, and within a few months Zuckerberg offered it to all Ivy League schools, then, the following semester, to still more schools. Open to non-students as well now (a move that initially drew some criticism), Facebook now reports 1.49 billion active users monthly.

In the summer of 2004, Zuckerberg took a leave of absence from Harvard (as of this writing, he has not yet returned) and moved to Palo Alto, California, where a rented house was pressed into service as the company's first office, though they soon moved to a proper office downtown. As of now, the company has seven downtown buildings, forming an "urban campus" where their employees tend to come to work late, stay at work late, and party *very* late.

In 2006, Yahoo! made an offer to Facebook to buy the company for $1 billion cash. Zuckerberg turned them down.

The IPO (initial public offering) of Facebook stock on May 18, 2012, was a

In 2006, Yahoo! made an offer to Facebook to buy the company for $1 billion cash. Zuckerberg turned them down.

much-ballyhooed event, the biggest in Internet history, but the stock value quickly tumbled, losing over a quarter of its value in less than a month. Within three months it had lost over half its IPO value.

Undaunted, Zuckerberg carried on. Even before Facebook's IPO, on April 8, 2012, in his role as Facebook CEO, Zuckerberg apprised the board of directors that he was about to spend $1 billion to acquire Instagram. It was literally mere hours' notice—the deal was concluded almost instantly thereafter. Instagram is a photo-sharing and -enhancing site, and one that has not been without controversy, mainly surrounding rights to photos posted on the site. It is, as of this writing, the hottest of the social media in terms of its value to PR people and to small businesses that put out their own publicity.

Jessica Alba seamlessly went from acting and modeling to enterprise. Even

before winning various awards for her acting, including the Golden Globe (for playing the lead in the TV series *Dark Angel*, when she was just nineteen), she was ranked as one of the "99 Most Desirable Women" and won similar accolades for her beauty and sexiness.

But this beauty also has a brain, and at the start of 2012, she co-founded The Honest Company, devoted to selling non-toxic household products. She holds somewhere between a 15 and 20 percent ownership in the company

Giving local newspapers' classifieds sections a run for their money—and in many areas winning—is the ubiquitous CraigsList, founded by and named after **Craig Newmark.** Born in 1952, Newmark, who is a bit older than some of his computer-entrepreneur compatriots, was graduated with a Bachelor of Science in Computer Science from Case Western Reserve University. The enterprise that is CraigsList was started in San Francisco in 1995 and still operates there, though it no longer headquarters from Craig's apartment as it did at its inception.

Classifieds once accounted for more than half the profit at many newspapers. That number has markedly declined in all cities in which CraigsList has a presence. Though CraigsList delivers better results for the advertiser in some categories than in others, the price tag *(free!)* makes advertising on CraigsList as opposed to advertising in the local daily paper a most attractive proposition. And as fewer and fewer households subscribe to their area's daily paper, that makes CraigsList ever more relevant.

An article in *Forbes* stated that, while Craig himself disputed taking money out of the newspapers' pockets, a study found that indeed, Craigslist took a giant bite out of newspapers' revenues—some $5 billion over an eight-year period during the last decade, not including revenues lost at the *New York Times*, the *Wall Street Journal,* or *USA Today*.

According to the San Francisco *Chronicle,* Craigslist makes money only through a handful of revenue streams. These include a $25 fee to post a job listing in six major U.S. cities and $75 for a job listing in the San Francisco area, and a $10 fee to list an apartment rental in New York. These revenues cover only the operating expenses of Craigslist. The company has never made an actual profit.

The original CraigsList was a simple website on which users could post information about apartments for rent, jobs available or wanted, and social events. There was no charge to post an ad. Most ads in most cities are still free. Yet at last report, CraigsList was pulling in $25 million per year. As of the last figures posted, there were CraigsLists specific to over four hundred fifty cities and over fifty countries.

And the latest figures for numbers of users and number of ads? Over 200K active listings and over 1.5 million users!

When Microsoft approached Newmark with an offer to run banner ads on his sites, Craig turned them down. He said, "I was making enough money to be comfortable. How much more money do you need?"

And here's a bit more inspiration for you: What if you've already tried a business venture but failed at it? *That doesn't mean you're not cut out to be an entrepreneur.* It doesn't mean you're not a good businessperson, inventor, marketer, or overall entrepreneur. *Having* a failure is not the same thing as *being* a failure. You can even fail multiple times—and not *be* a failure.

You may have picked the wrong time to get into the business you chose, or you may have picked a bad location, may have not chosen your employees well or may have succumbed to bad advertising…or it may be nothing that was within your grasp at all. I know a woman whose father went into the business of manufacturing belts a year before sack dresses came into fashion (back in the 1950s). That was nothing he could have foreseen or avoided—but it certainly wiped out his business.

And here's a quick look at *Inc*.'s top 10 young millionaires—not yet household names but all certifiable successes in life, all entrepreneurs, and perhaps tomorrow's Bill Gateses. Of note: The top two are women. There is no glass ceiling in entrepreneurism.

1. Ashley Qualls: The idea for WhateverLife.com came to her back in 2004, at a mere fourteen years of age. The site was meant to showcase her design skills but really took off when Ashley began offering free MySpace layouts. She turned down an offer from a buyer who wanted to acquire the site: $1.5 million and the car of her choice.

2. Juliath Brindak: She was just ten when she began creating sketched characters and only sixteen when she developed a complementary social-media platform. Her company, Miss O & Friends, is now valued at an estimated $15 million, although Brindak gets most of her revenue from ads.

3. Sean Belnik: This e-tailer began his business with just $600. At first he sold small items such as trading cards but soon moved on to furniture, at which point he founded BizChair.com. By age twenty, he was worth $24 million.

4. Adam Horowitz: His six-year challenge, at age fifteen, was to make his first million by the time he turned twenty-one. Thanks to Mobile Monopoly, a tutorial he developed for learning mobile marketing, he met his challenge and reached his

goal.

5. John Koon: Soon to be a genuine billionaire, John was only sixteen when he founded Extreme Performance Motorsports, an auto parts business in New York City. A deal with MTV to provide products for reality shows provided him with a connection that enabled him to team up on a fashion line with Young Jeezy.

6. Cameron Johnson: Cameron's good fortune, and his monetary fortune, began when he was just eleven. The origin of this windfall was his ability to create original greeting cards. Thousands of dollars to the good, he took the money and starting a company called SurfingPrizes.com, a toolbar service that brings in about $350,000 per month. When he was still in high school, as a senior, he was worth at least a million dollars.

7. David and Catherine Cook: The creation of siblings David and Catherine, MyYearbook.com, a digital yearbook site, was what earned them their fortune. The site remains highly valuable, worth around $100 million today, which must gladden the heart of their older brother, who invested $250,000 in the business.

8. Nick D'Aloisio: According to Yahoo, the app Nick designed was worth $30 million when he was just seventeen. No stranger to computers, Nick had started coding at a mere twelve years of age, which led to the development of a news app.

9. Tyler Dikman: Tyler had not yet even started high school when he began amassing his fortune. As an eighth grader, he charged $15 an hour to fix computers. Maybe fifteen was his lucky number: He was just fifteen when Merrill Lynch executives became aware of him and hired him. But it didn't take him long to jump ship and start his own computer-repair business, Cooltronics. Soon enough, millions were his, and so was a place on *Businessweek*'s "25 Under 25" list.

10. Fraser Doherty: In a world of fortunes made in apps, computers, and other technology, Fraser seems an unlikely entry. His fortune was made in a very low-tech business: foods. Fraser, a Scot, was only fourteen when he began making homemade jams using his grandmother's recipe. By the time he was sixteen, SuperJam was turning a tidy profit. His next breakthrough came when a major U.K. supermarket asked to stock his products. With a $9,000 loan he was soon on his way to becoming a millionaire. He has also authored recipe books, which can be bought through Amazon.

Here's a link to a listing of the top ten: http://10-most.com/the-top-10-most-youngest-millionaires/

Early failures who later achieved success

Plenty of famous successes encountered early failures before making names for themselves, so should it happen to you, pick yourself up, take stock of what went wrong and take a lesson from it—and try again.

One of the great business success stories of our time is surely that of **Walt Disney**, both the man and the enterprise. The name is synonymous with wholesome family entertainment. Yet before he founded the Disney studio, Walt seemed poised to be the same kind of failure his father had been.

A dropout after just one year of high school, Walt joined a commercial art stu-

Plenty of famous successes encountered early failures before making names for themselves, so should it happen to you, pick yourself up, take stock of what went wrong and take a lesson from it…and try again.

dio, where he met fellow cartoonist Ub Iwerks. Walt soon struck out on his own—but he failed. He and Ub formed their own art studio, but that endeavor, too, was doomed to failure.

Walt and Ub then found employment as animators, learning the trade as they worked, which led to the idea for another company, Laugh-O-Gram Films, which the duo started in 1922. Though their films were popular with the public, Walt and Ub knew little about the distribution end of the business. Once again, Disney's business failed.

But Walt didn't give up. He formed yet another company. The plan was to produce a series of shorts called "Alice in Cartoonland," which combined live action (Alice, the young girl) with animated creatures. (This same gimmick was used later on by Walt and by others, most notably to great success by another studio many decades later with *Who Framed Roger Rabbit?)* This venture ended in bankruptcy.

Fortunately, Walt *still* didn't give up. He believed in himself and in his driving desire to produce animated films. Though he enjoyed doing much of the drawing himself, he learned quickly to delegate responsibility (and tasks).

In 1923 Walt moved to Hollywood and gave his old ideas another try. Once again, Ub Iwerks joined him, as did Walt's brother, Roy. Walt was the idea man, Ub was in charge of the art department, and Roy handled the business end. Disney Brothers Studio was the beginning of the Walt Disney company that we know

today. Walt had a great talent for conceiving of wonderful ideas, first for cartoons, and later for related ventures (such as the theme parks). The early years were still a tad precarious financially. But little by little the company became financially stable and eventually grew to the giant it already was when Walt died, a wealthy and successful man. The huge empire that is Disney today is a tribute to Walt's persistence. He was a good entrepreneur in several respects: ideas, vision, the ability to put his ideas into practical motion, and the tenacity to not quit when he knew he had a good idea.

For those of middle years or older, "Woolworth's" is synonymous with "the five and ten," or "the dime store," a relic of a bygone era but one that was all-pervasive in its time—and its time encompassed over a hundred years.

The eponymous **F.W. (Frank Winfield) Woolworth** was the son of a farmer, but he disliked the agrarian life and had no desire to follow in his father's footsteps. At age twenty, he applied for a job as a store clerk, a position he proved to be somewhat less than stellar at, though he did show an aptitude for window-dressing. When Frank heard of a store that had successfully advertised "Any item on the counter, five cents," he decided the gimmick merited a larger application. With the financial backing of his employers, he struck out to see if a whole store of five-cent items would be the success he imagined it might.

At first it was, although gradually business fell off. Frank decided his location was the problem, not the idea itself, so instead of giving up and returning to clerking, he opened another store in another city on a more travelled street.

This five-cent store fared better, and Frank added ten-cent merchandise as well now, which was the birth of the "five-and-ten," as such stores eventually came to be known.

But his next two stores were again failures.

Once again, however, Frank Woolworth refused to lie down and play dead. He was sure his idea was a good one, and he determinedly opened yet another five-and-ten, this one a winner once again.

It was then that Frank had his next idea: not to borrow money but rather to finance additional stores by opening them as partnerships, with the partners putting up the money. This turned out to be another good idea. Eventually the partners and Frank parted amicably, with the former partners opening their own five-and-tens. By that time, though, Frank was able to finance new stores with the profits from the existing ones, so he could still hold true to his determination not to borrow

money.

As Woolworth's became a successful string of stores, a slew of competitors jumped on the bandwagon, but Woolworth's was the name that usually came to mind when someone spoke of "the five-and-ten."

Many years later, the last of the Woolworth's stores finally closed—this was long after Frank's death. Times had changed, and the five and ten was no longer a viable concept. But for many years, F. W. Woolworth's, the chain, and Frank Woolworth, the man who founded the chain, were a great success. And the building he had constructed in New York, and named after him—the Woolworth Building, at one time the tallest in New York—remains as a testament to the man who wouldn't give up on a good idea, even in the face of apparent failure.

As a side note to the above entry, though the "five-and-ten" has long since gone the way of the horse and buggy, their legacy lives on in today's "dollar stores" or "99¢ stores." Many dollar stores literally sell all their items for $1 each (or $1 or under); they feature only merchandise that can be sold at such low prices. Others use the term more loosely, just as the old five-and-tens did, selling inexpensively but not necessarily for literally a dollar.

From an early age, **Henry Ford** had an interest in machinery and the way things worked. By age fifteen, he was already quite skilled at repairing watches. A high school dropout, Henry took a low-paying job as an apprentice in a machine shop and, to make ends meet, a night job as well, working in watch repair. A year later, he went to work in the engine shop of a shipbuilding company, furthering his knowledge about machinery. And two years after that, he took another job, this time servicing farmers' self-propelled steam traction engines.

Even when he got married and began selling lumber and firewood for a living, he spent his spare time tinkering with steam and gas engines. European automotive pioneers were just beginning to manufacture cars, with a few American firms hot on their heels in their quest to manufacture this new mode of transportation. Henry Ford was intrigued.

By 1891, Ford, now living in Detroit, was still tinkering with engines in his spare time but was now working with engines powered by gasoline. He built a vehicle in 1896, though there was no discernible improvement to it over another that had recently been displayed around Detroit, and it was very crude in operation and appearance.

Over the next three years, Henry worked on developing another car while still

working full-time at a "dayjob." This vehicle was much more advanced than his first and did much to help Henry gain esteem for his work. That esteem helped him gain backers, and they pooled their money to form a company for the express purpose of manufacturing automobiles—the first such firm in Detroit.

Despite Henry's expertise with engines, however, the company was done in by the production methods of the day, and the fledgling firm shortly went out of business. Henry Ford's first automotive venture had failed.

Henry's abiding interest in engines and in automobiles, however, was unflagging, and a year later, in 1901, he built a racing car, entered it in a race, and won out over a more powerful car driven by a more seasoned driver. Henry's victory encouraged some of his former backers to give him another shot at the automobile manufacturing business with their money behind him. By late in November, Henry was back in business. His investors contributed the money; Henry contributed the know-how and ideas, for which he received shares that amounted to a one-sixth ownership of the company.

But Henry's interest in racing cars had taken a firm hold on him, and he became intent on building them, rather than vehicles for general commercial sale, a path that displeased his investors. In the wake of dissension, Henry found himself out in the cold. Chalk up another failed enterprise for Henry Ford.

Now Henry veered away from his determination to manufacture racing cars. The auto industry was taking hold in America, although there were two divergent points of view about the newfangled contraptions, espoused by different manufacturers: Should they be luxury vehicles, or should they be manufactured inexpensively and made available to the masses? Taking the latter view, Henry found yet another backer, but the going was rough, and problem after problem beset them, including that of undercapitalization. It was very nearly failure number three.

At length, Ford and his backer found additional investors, formed yet another company, and got down to manufacturing. June of 1903 saw the advent of the Model A, an immediately popular car. Ford quickly had to enlarge his plant, then move to a new one. He was on his way. The Model T eventually followed, arguably Ford's biggest success; and some years later, Ford bought out his investors, so that, for a time, all stock in the Ford company was owned by Henry, his wife, and their son.

No business career is without its bumps in the road, and Henry Ford's career from then on was no exception. There were lawsuits and other problems, but the company forged ahead with great success—which is the point, of course:

Remember, even if your first attempt at entrepreneurship fails, it won't be a total failure—you'll have gained more than one thing from the experience: First,

After twice trying and failing, Henry Ford didn't give up. He was rewarded with success on his third attempt to build automobiles for Mr. and Mrs. Average American, and his persistent faith in himself proved to be justified.

you'll have had the experience itself, and only a fool fails to learn from his mistakes and her experiences. If you know what you did wrong (or failed to do right), if you know what you need to do differently next time (and of course there's going to be a next time!), you've gained valuable lessons that can help you next time around. And second, you'll have built up a network of contacts, people from the banker who worked with you on structuring that loan to your Aunt Marge's friend Beth, who came to work for you and was such a gem that you know you want to hire her again next time around. Your network is valuable, and surely you'll have built it up in the course of your business venture. You'll use much of that same network next time—so hang on to all those names, phone numbers, and email addresses.

• And lest you think you're too young, too "green" (in the sense of inexperienced, not ecologically) to start a business, here is a list of blue ribbon businesses started while their entrepreneurs were still in college!

• As computer science grad students at Stanford University, Larry Page and Sergey Brin worked on their Ph.D. project, a search engine at the time called "BackRub." They later renamed it "Google."

• It isn't just modern times and the computer age that inspire college students to come up with great ideas. Henry Luce and Briton Hadden got the idea for the venerable newsmagazine *Time* while they were seniors at Yale.

• Alexis Ohanian was at the University of Virginia's library when the phrase "reddit" came into his mind. He teamed up with fellow student Steve Huffman to create the social news site, which was eventually bought by CondeNast.

• Seth Berkowitz was a University of Pennsylvania junior when he baked cookies to deal with late-night hunger pangs during a cram session. Word got around, and he soon was in the cookie business: Insomnia Cookies, now found at campuses around the country.

• Williams College classmates Bo Peabody and Brett Hershey decided to capitalize on the then-new WorldWide Web and, in tandem with their economics professor, Dick Sabot, began selling web server space through a company they called tripod.com, which became one of the first big dot-com companies. The site was eventually bought by Lycos.

• Northeastern University student Shawn Fanning wanted to share music with friends. This was the genesis of file-sharing service Napster. He teamed with his uncle, who handled the business responsibilities.

• Frederick W. Smith was still at Yale University when he wrote a term paper on his dream of an overnight delivery service. Now known worldwide as FedEx, it was originally called Federal Express.

• Arguably most famous of the lot is Bill Gates, who persuaded his friend Paul Allen to drop out of Harvard with him to launch Microsoft. They soon became a triumvirate when Gates's Harvard buddy Steve Ballmer came onboard.

• A close second to Gates and Microsoft, in terms of fame, would be Facebook founder Mark Zuckerberg, who started Facebook from his dorm room.

• Michael Dell was a student at the University of Texas-Austin when he launched a company out of his dorm room selling IBM PC computers. Only a year later, Dell designed the "Turbo PC," the first iteration of what is now known as the Dell computer.

Recommended reading

•*Forbes* recently promulgated a list of the top 100 websites for entrepreneurs. See the list here:

http://www.forbes.com/sites/natalierobehmed/2013/11/12/100-best-websites-for-entrepreneurs/

There are many good books on the subject of business and entrepreneurship.

Entrepreneur.com offers a very good list, which I offer here verbatim:

The Startup Playbook: Secrets of the Fastest-Growing Startups From Their Founding Entrepreneurs by David Kidder (Chronicle Books, 2012)

The title says it all. If you're looking for a wide array of lessons learned and entrepreneurial experiences, this book is for you. Sharing insights from forty-one different founders, *The Startup Playbook* covers everything from leadership lessons to finding one's niche.

Creativity, Inc.: Overcoming the Unseen Forces That Stand in the Way of True Inspiration by Ed Catmull (Random House, 2014)

This book is a must read for any business leader, not just the entrepreneur. It is filled with valuable insights about what creates, drives and sustains an innovative culture and compels a company to attempt what no other company has done. Remarkable lessons that only a CEO would know.

True North by Bill George and Peter Sims (John Wiley and Sons, Inc., 2015)

This is a great book to discover your personal leadership vision, values and motivations. The authors surveyed 125 men and women on what they believe makes them authentic leaders, and the answers may surprise you. Also of note is the personal leadership development portfolio handbook that accompanies the book, which is a personal guide to help you develop your authentic leadership.

Zero to One: Notes Startups, or How to Build the Future by Peter Thiel (Crown Business, 2014)

The following excerpt sums up the concept of Theil's book: "Doing what someone else already knows how to do takes the world from 1 to n, adding more of something familiar. But when you do something new, you go from 0 to 1."

This bestseller is geared specifically towards the startup community as it offers invaluable advice on what to consider and what to avoid before moving forward. Additionally, the author offers his philosophy on business, which helps the reader generate new ideas he or she may not have considered previously.

ThinkerToys by Michael Michalko (Ten Speed Press, 2014)

The ability to create is just that — a developable ability — that can be learned and improved upon much like any other competency, and the author does just that in this creativity "bible." After all, creativity and opportunity are what emboldens wannabe startup founders to take the plunge into the world of debt known as entrepreneurship. ThinkerToys, and its companion Thinkpad: A Brainstorming Card Deck, offers 33 different exercises and 56 cards that will spark your creativity and inspire the innovation monster within.

Unbroken: A World War II Story of Survival, Resilience, and Redemption by Laura Hillenbrand (Random House, 2014)

There's a reason why this book is number one on Amazon and a Hollywood motion picture. While entrepreneurism isn't quite the theme of this book, the lessons of personal sacrifice, survival and resiliency are. After reading this book your perspective on founding a startup may change because if the main character, Louie Zamperini, overcame the challenges and catastrophes he faced, then so can you.

Team of Teams: New Rules of Engagement for a Complex World by Gen. (Ret.) Stan McChrystal, Chris Fussel, Tantum Collins, and David Silverman (Penguin Publishing, 2015)

As head of the Joint Special Operations Command (JSOC), Gen. (Ret.) Stan McChrystal faced an enemy that was constantly changing before his very eyes. In a

world of both complicated and complex challenges, how do you stay ahead of the power curve while the world and competition change? This book explains how.

Abundance: The Future is Better Than You Think by Peter Diamandis and Steven Kotler (Free Press, 2012)

While this book is completely visionary, it raises questions and concerns about current industrial and societal trends and where they will lead in the future. From a startup perspective, the global challenges the authors envision also serve as business opportunities. Of note, the authors have a second book entitled *Bold* that "teach[es] today's entrepreneurs the tools, technologies and mindsets they will need to make 'it' happen."

And also on the subject:
For Immediate Release, by Ronn Torossian and Karen Kelly (Benbella Books, 2011)
Learn lessons from an expert on effective public relations in today's fast-paced world.

And while we're on the subject of reading…
Besides business books, you'll also want to follow blogs of particular interest to entrepreneurs. The following are just a sampling of recommended reading.

www.quora.com
This Q&A site offers a sampling of various relevant bloggers, many of whom are famous names in the business world.

http://pandodaily.com/
Sarah Lacy and friends blog on tech subjects.

http://www.linkedin.com/today/
A selection of biz articles tailored for you, based on your professional profile and social connections.

http://steveblank.com/
Steve Blank, professor of entrepreneurship, writes on a panoply of biz-specific

topics.

http://jackiehuba.com/ (Church of the Customer)
Jackie Huba's blog was named a 2010 Favorite Small Business Blog by Forbes.

http://www.allbusiness.com/
A smorgasbord of entrepreneurs and other experts blog on a wide range of business subjects

http://blog.guykawasaki.com (How to Change the World)
Noted entrepreneur/author Guy Kawasaki talks to small business owners in what the *Wall Street Journal* deemed one of the fifteen entrepreneur blogs worth reading.

http://www.entrepreneur.com/blog/index.html
Entrepreneur's regular contributors blog here, often riffing on current news stories.

http://www.smallbizsurvival.com/
Becky McCray and friends write for this blog that has ranked high on several blog-ranking charts.

http://www.smallbusinessbrief.com/
Robert Clough and Jennifer Laycock in a past Forbes Favorite among small business blogs.

http://www.copyblogger.com/
Brian Clark's blog has been recognized for its quality by *Ad Age, Technorati*, *Business Week,* and *The Guardian*.

http://dilbert.com/blog/ (The Scott Adams Blog)
Yes, Scott Adams does something more than draw *Dilbert*…although his popular humor still shines through in his blog.

http://smallbiztrends.com/ (Small Business Trends)
Anita Campbell and others in an informative blog for the small-biz owner.

http://www.ducttapemarketing.com/blog/
John Jantsch on low-cost or *no*-cost small-business marketing.

http://www.drjeffcornwall.com/ (The Entrepreneurial Mind)
Blogger Jeff Cornwall is chair of entrepreneurship at Belmont University.

http://www.toiletpaperentrepreneur.com/blog/
Michael Michalowicz is a savvy and experienced entrepreneur.

Non-financial assets
The term "assets" usually refers to money in the bank, accounts receivable, and such goods as the items your manufacturing concern produces, or the items your retail store offers for sale, and the furniture and furnishings and machinery in your office, store, or factory. But the books I just listed, above, might be considered "non-financial assets." That is, owning them, or even borrowing them, and reading them can be a huge help to you in your new business. The information contained in them can be very valuable. Not everything that qualifies as an asset is monetary. The financial use of the term "assets" is only one of its meanings.

Your knowledge is an asset.

Your knowledge is an asset. Your stick-to-it-iveness and ingenuity are assets. In fact, all the positive attributes and characteristics you possess are assets that can benefit your new business—*any* business you start.

The people you know are assets. Your contacts—friends, neighbors, and relatives, as well as business associates—are all assets. Any one of them who possesses any knowledge or ability that's of use to you in your business is an asset. If your Uncle Ed once applied for a business grant and can walk you through the process, he's an asset. If your neighbor Louise, who owns a cat, once told you that someone ought to invent a new type of cat exercise equipment and, based on her specifications, you've invented just such a thing, she's an asset. If your sister's roommate has a bunch of friends who are willing to get together and stuff envelopes for you at a ridiculously cheap price, and will work all evening to get the rush mailing finished in time, she's an asset. If your brother-in-law is a web designer and will

create a website for you that looks spectacular and does just what you want it to do, he's an asset. If your best friend's dad is an entrepreneur himself and offers you all manner of advice on starting and running a business, he's an asset.

Of course, not everyone who gives you advice will be telling you what's best for you. Times change, and so do circumstances. What was good advice ten or twenty years ago may not be the best advice now. Remember, the internet is less than twenty years old. As well, what worked for your friend's dad in his business may not work for you in your business. Even if he was in the same business as you are, the circumstances may have been different. But at least listen to what he has to say. Then make up your own mind as to whether you think his advice is right for *you* and *your business*.

The people you know all form a very valuable type of asset: your network. Not only can they help you by giving you information, pitching in and working or supplying other pairs of hands and other brains that can work for you, and advising you; they can also disseminate information. They can tell people that there's a new orchid nursery in town (yours) or that you have a positive gift for writing business press releases that are real attention-getters, or that you've invented a new type of vending machine, whose website is ____, and that distributorships are still available at ridiculously low costs. They can put out the word that you are seeking investors…or sales reps…or information. They can help in many ways.

Besides books and people, there are other sources of information. And besides information, there are other commodities that are useful and helpful in business. My point is that, even if your start-up capital is limited, you still have plenty of assets. They may not be the sort of asset that a bank will consider when determining whether you are worthy of a loan, but they are valuable assets nonetheless.

Your school networks are valuable, especially if you went to an Ivy League school, but even if you didn't: *Any* school network is an asset. Your school's alumni network can be a great and valuable asset to you. So can networking sites. The social ones (e.g. Facebook) are of some help, but LinkedIn is aimed at the b2b community and should be the first one you consider. Find it at www.linkedin.com. Their claim: "Over 30 million professionals use LinkedIn to exchange information, ideas, and opportunities." Use it to stay informed about your contacts and industry, find the people and knowledge you need to achieve your goals, and control your professional identity online. LinkedIn is another valuable asset. Although lumped in with Facebook and Twitter and such as a "social network," it really is a *business* network. Launched in May of 2003, this professional networking site is notable

for its longevity as well as for its usefulness. Its users are located in over 200 countries and territories, and the site is available in twenty-four different languages.

With approximately 8000 full-time employees, LinkedIn has offices in thirty global cities. But what can it do for *you?*

LinkedIn not only can spread the word of your business successes, company launches, new products and services, and any other news related to your professional life, it can also connect you with others who can be of use to you—or to whom you can be of help (hence the name LinkedIn).

Looking for a good employee? A distributor? A location for your new office, factory, or store? Try LinkedIn. Looking for a part-time position for yourself to bring in some steady earnings while you get your new business off the ground? Try LinkedIn. Looking for a business partner? An ad agency? A PR rep? Try LinkedIn.

LinkedIn allows you to create profiles, connections, and groups, or join groups that already exist. LinkedIn also allows you to get introduced to connections of your connections—even connections of your connections' connections. You can find employees, employers, freelance contractors, and suppliers. You can find business opportunities. You can "follow" companies to find those with which you have synergy, or those other small start-ups with which you'd like to merge. As your business expands and grows, you can even find takeover targets—or companies that might find *your* company an attractive takeover target if you're ready to sell and move on to your next venture.

LinkedIn's "gated access" approach, which requires either a relationship already existing between the two individuals or the intervention of a connecting individual, is designed to build trust among users. There are also interest groups, whose members number into the almost-million range, whose members are mostly seeking employment-related contacts, although professional and career issues bear a lot of the traffic as well. Job recruiters, head hunters, and HR personnel also use LinkedIn, and if you are considering hiring, you may want to use it as well.

In short, LinkedIn is a tool you should be using. I'm a member. I recommend you should be too. And then there's the TV show *Shark Tank*. Watch it (if you don't already) and give some thought to how it can help you launch or grow your business.

If you and your business idea are ready—but only if you are *really* ready!—you may be able to get funding for your venture via popular TV reality show *Shark Tank*. On this unscripted reality program, aspiring entrepreneurs have a chance to

present their ideas to a panel of—to quote the show's own promotional materials—"tough, self-made, multi-millionaire and billionaire tycoons."

These tycoons—the so-called "sharks"—are as eager to find promising new ideas as the idea developers are to find investors. It's a potential win/win situation—but you have as much chance of falling flat on your face as you have of succeeding. If you haven't dotted all your "i"s and crossed all your "t"s, if you haven't got a dynamic idea and a solid business plan, prepare to walk away a loser.

If the sharks believe you have a winning proposition, however, and the knowledge and skills to pull it off, you may walk away with the promise of all the investment capital you'll need to get up and running.

First, of course, there's what might be deemed an "audition"—applying to be on the show. Assuming he or she makes that cut, the would-be entrepreneur still has to persuade the sharks that his/her idea is worth investing in. The contestant has one hour in which to give his or her pitch to the panel, although that hour is edited down to a dramatic 10-minute segment.

On the ABC TV network since 2009, the show has not only captivated audiences but launched myriad businesses and started their originators down the road to success—and often riches. Along the way, it has also made money for the panel of sharks, whose investments in the contestant's businesses have the potential to pay off big for them. But be sure your idea is solid and your presentation is spot-on before you think of going before the cameras and the panel.

Help!

There is help for the small business entrepreneur from a variety of quarters.

The following types of help are available from the Small Business Administration (SBA): training and educational programs, counselling services, financial programs, and contract assistance. Also available from the SBA: publications and videos on a variety of business topics.

Small Business Development Centers (SBDCs) offer counseling, training, and technical services for you, whether you already have a small business up and running or are still in the planning stage, if you cannot afford the services of a private consultant. SBDCs can help you whether you are just getting your business off the ground, wish to make it more profitable and better run, or are getting ready to expand your small business.

The Kauffman Organization has many facets, all of which help entrepreneurs.

They are the preeminent entrepreneurship organization in the US, whose scope of offered help ranges from grants to information to help, and they are highly recommended. They are arguably the world's largest foundation devoted to entrepreneurship. Find them at www.kauffman.org.

The Khan Academy's YouTube videos are micro-lectures that anyone can access at no cost whatsoever, anywhere in the world. Named for its creator, Salman Khan, the academy also offers tools for educators. Access it at www.khanacademy.org. Business Information Centers (BICs) offer a small business reference library, management videotapes, and computer technology to help plan a business. If you want something more personalized, one-on-one assistance is also available. There is no charge for any of these services, no matter how often you use them, whether you already have your business open, are still in the planning stage, or are simply considering opening a small business.

Service Corps of Retired Executives (SCORE), one of the better-known acronyms, provides small business counseling and training to current and prospective small business owners. The current and retired businesspeople who staff SCORE will share the knowledge they gained over their years of running a business. They welcome people who either have a small business or are contemplating starting one, and they will help with suggestions for getting your business off the ground, running it successfully, and expanding it. SCORE also offers small business workshops, some of which may be of help and interest to you.

All the above agencies fall under the umbrella of the SBA, but they are not the only agencies available to help small business owners. Many states provide some help; check with your particular state to see what programs it offers. And other federal agencies besides the SBA offer publications and pamphlets of help and interest to small businesses. Most of these are available from the Superintendent of Documents at the Government Printing Office. If you want a list of what publications are available:

- Online, visit the GPO website at www.access.gpo.gov.
- By postal mail, write to:

  Superintendent of Documents
  U.S. Government Printing Office
  P.O. Box 371954
  Pittsburgh, PA 15250-7954
- By phone, call the GPO at 202-512-1800 or toll-free at 866-512-1800.

End-of-chapter exercise:

In an article in *Fortune*, Michael Bloomberg was quoted as saying that the best advice he ever got was to stop talking once you get the order. Reading magazines and/or websites and/or books, find ten other pieces of advice that resonate with you. Copy them and then explain briefly, in your own words, why you think each of the ten is a valuable piece of advice.

CAPITAL
PROFIT
LOSS
RISK
MARKETING
OPPORTUNITY

Chapter 2
SOME FAMOUS AND SUCCESSFUL ENTREPRENEURS

In this short chapter we'll have a look at some names, dollar figures, and stories that I hope will inspire you.

College student entrepreneurs

You don't have to wait till you're out of college to start a successful business. Plenty of college students with the right entrepreneurial spirit have started businesses large or small while still studying. Most of them, if they are successful, find that success on a small but rewarding scale; but there are some well-known companies whose founders were still in college when they started the businesses that grew and grew and grew.

Here is a list of six entrepreneurs, the college each was attending at the time, and the business each one started:

Shawn Fanning (Northeastern University)–Napster
Michael Dell (University of Texas)–Dell Computer
Jerry Yang (Stanford University)–Yahoo
Philip Knight (Stanford University)–Nike
Paul Orfalea (University of Southern California)–Kinko's
Mark Zuckerberg (Harvard) - Facebook

The World's Ten Wealthiest People

As ranked by *Forbes* magazine in 2015, these are the world's ten wealthiest people. Perhaps one day *your* name will make the list?

1–*Bill Gates*

William H. (Bill) Gates, co-founder and chairman of Microsoft Corporation, retired in 2008 from his day-to-day total involvement in the corporation he co-founded in 1975 with boyhood friend Paul Allen. Nonetheless, he moved up from the # 2 spot on last

year's list to the # 1 spot this year. ln 1975, most homes did *not* have computers, an astonishing statistic by today's standards, nor did the majority of businesses, either. But Gates had the foresight to realize the important role that computers would soon enough play in both homes and businesses, and he set about developing software—operating systems and programs—for personal computers.

Gates was born in 1955 to an attorney father and schoolteacher mother. It was at age thirteen, while he was in high school, that he learned to program computers. He went on to Harvard University, from which he dropped out in his junior year to found Microsoft.

His initial involvement with computers was in his high school, which paid General Electric to allow the students time on a DEC PDP-10 computer. It was then that Gates founded the Lakeside Programmers Group, which soon secured an assignment from the Computer Center Corporation to find bugs in their system software. As a side benefit, members of Gates's group had unlimited use of

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the Computer Center Corporation's computers, as well. Other assignments for the group followed.

In 1970, Gates and Allen founded Traf-O-Data, which used a computer to measure the flow of traffic and garnered nearly $20,000 for the two budding computer geniuses. They dissolved the company but were soon hired by their high school to create a scheduling system that was computerized. This was followed by an assignment from TRW, a defense company, which had bugs in their software and wanted Gates and Allen to find and eliminate them.

Gates entered Harvard in 1973 as a pre-law student, but it was clear from the start that his real love was computers. His summer job (and Paul Allen's) was at Honeywell, where the pair kept talking about founding a software company.

A whopper of a lie in 1974 led to the founding of Microsoft. Learning that the Altair 8080 was in production, Gates told the manufacturer that he and his partner had created a version of the BASIC programming language that would run on the Altair. They had no such creation, but when the company expressed

interest, Gates and Allen turned their lie into a reality, finishing writing the codes in about eight weeks. When they tested the software on the actual machine, it worked perfectly, and the two young entrepreneurs earned a nice profit for their work. It was at this point that they decided to go ahead and found what would be Microsoft.

In 1979, when Microsoft moved to Seattle, the company had only sixteen employees. In 1981, Microsoft bought an existing operating system called SCP-DOS, which they modified and renamed MS-DOS ("MS" for "Microsoft"). An agreement with IBM followed, and MS-DOS was soon shipped with all IBM PCs. The year 1983 saw the debut of Windows, an operating system whose idea Gates is alleged to have swiped from Steve Jobs of Apple. (Jobs, in turn, has been accused of stealing the idea from Xerox.) In 1986, Microsoft went public, with an IPO price of $21/share, making Gates an instant millionaire. At the age of thirty-one, Gates became the youngest self-made billionaire in American history. He has invested some of his money in such companies as Corbis Corporation and Berkshire Hathaway, Inc. Meanwhile, over 55,000 people in eighty-five countries currently work for Microsoft.

Since his quasi-retirement, Gates remains active in the company but devotes most of his time to his work at the Bill & Melinda Gates Foundation, whose chief causes are global health and education.

 # 2–Carlos Slim Helú and family

Born in 1940 in Mexico City, *Carlos Slim Helú* studied civil engineering at the National Autonomous University of Mexico. In 1965, at the age of twenty-five, he started work on the company he would incorporate at the start of 1966, Inmobiliaria Carso, or Grupo Carso. By 1980 he had achieved recognition in a variety of fields including real estate as well as industry and commerce.

The year 1982 saw Mexico struggling under a debt crisis, the banking system nationalized, and the country's finances at a near standstill. Slim and his company invested heavily in Mexican interests, including acquiring a company called Cigatam, which provided significant cash flow to to Grupo Carso, in turn allowing it to make other major acquisitions in diversified industries, which included Telmex (telecommunications) and Radiomóvil Dipsa (cellular communications). América Móvil, another of his companies, was a pioneer in cellular prepayment systems and is the fifth-largest cellular operator in the world today,

as measured by number of subscribers. Slim's other interests include retail, banking and insurance, technology, and auto parts manufacturing.

His success mainly came about through his finding undervalued companies and making them profitable. He is also quoted as having said, "It's not a question of arriving and putting in a whole new administration, but instead, arriving and 'compacting' things as much as possible, reducing management layers. We want as few management layers as possible, so that executives are very close to the operations. We also don't believe in having big corporate infrastructures."

Though no longer active on the boards of directors of most of his companies, he remains chairman of the board of a number of them and is still very active in business. His three sons, Carlos, Marco, and Patrick, have taken over running his businesses, while the senior Carlos involves himself in the activities of his

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foundations centered on education, health, and employment in Mexico and elsewhere in Latin America. He also speaks at both public and private institutions, and at such international organizations as the Economic Commission for Latin America. As well, he has been vice-chairman of the Mexican Stock Exchange and chairman of the Mexican Association of Brokerage Firms, not to mention chairman of the Latin American Committee of the Board of Directors of the New York Stock Exchange.

Carlos Slim is the wealthiest man in not only Mexico but all of Latin America, and one of the top ten richest men in the world. In 2007 he was estimated to be the wealthiest of them all, surpassing even Warren Buffett and Bill Gates.

3–*Warren Buffett*

Nicknamed "the Oracle of Omaha," Buffett, born in 1930, is considered the world's most successful investor. He had a good start to his career: his father was both a stockbroker and a congressman, and Warren himself was precocious with numbers and money.

At age eleven, he bought his first stock and made a modest profit but later re-

gretted selling the shares when they appreciated from $38/share to $200/share. The lesson he derived from this experience stayed with him all his life: Sit back and look at the big picture, and be patient.

He also bought bottles of soda at a low cost and resold them to other children at a higher price.

Buffett attended Wharton Business School at the University of Pennsylvania but left, frustrated that he was learning nothing, and switched over, instead, to

What differentiated Buffett from the other bright, up-and-coming businessmen of his day was that he looked beyond numbers into the workings of a company when deciding to invest. His research often paid off, and he was soon making impressive profits playing the stock market. He said, "If a business does well, the stock eventually follows."

the University of Nebraska–Lincoln. After being graduated in just three years, he applied to Harvard Business School…which rejected him. Attending Columbia University instead, he found a mentor there in Ben Graham, for whom Buffett would eventually work as a stockbroker. Graham, a brilliant investor in his own right, owned Graham-Newman.

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When Warren Buffett went out on his own, he started small, with Buffett Partnerships, Ltd., an investment company whose initial capital derived from small amounts of money gathered from family and friends. Eventually he folded this successful company into Berkshire Hathaway, a former textile company he acquired in 1965. At the time of the acquisition, Berkshire Hathaway was in dire straits, but believing that new management could restore the company, Buffett put some of his own trusted advisors in charge.

Besides that firm, Buffett's other important holdings include GEICO insurance, See's gourmet candy, Nebraska Furniture Mart, Scott & Fetzer, Fruit of the

Loom, and percentages of Coca Cola, Gillette, American Express, and many others. Ironically, the former newspaper delivery boy now also owns shares in *The Washington Post*. Another irony: When Buffett's daughter, Susie, was born in 1952, Buffett and his wife, Susan, had to use a dresser drawer as a crib because a real crib was out of their financial reach. In early 2008, Buffett's worth was stated as $62 billion.

In 2006, Warren Buffet announced that he would give away 85% of his wealth—then valued at $44 billion, now valued at $67 billion—to charity, most of it to the Bill & Melinda Gates Foundation.

4–*Amancio Ortega*

Spanish fashion entrepreneur Amancio Ortega was co-founder of the Inditex Group, of which he is chairman, and which has over 92,000 employees. Ortega has been ranked as Spain's richest man and Europe's second-richest. Born in 1936 to a railway worker father, he started his career as a gofer in shirt stores. In 1972 he founded Confecciones Goa, which manufactured bathrobes. In 1975 he opened the first Zara store, which would eventually become a hugely successful chain of apparel stores.

A casual dresser, he shies from cameras and publicity and lives a very private life. He is active in the day-to-day operations of his company, notably the areas of production and design, though he has announced plans to retire soon.

5–*Larry Ellison*

From an inauspicious beginning—he was born in 1944 to a young, unwed mother—Lawrence ("Larry") Ellison found his fortunes changing when he was adopted at nine months of age by his mother's solidly middle-class aunt and uncle. Ellison never completed college but went on to work in the world of computers and, at his second job, with the Ampex Corp., found himself assigned to write a database for the CIA. He named this database "Oracle," a name he would resurrect to pin on the company he originally founded as Software Development Laboratories in 1977. Its flagship product was the Oracle Database.

A 1990 financial crisis, resultant from a serious error in the way the company did business, very nearly drove Oracle into bankruptcy. The company recovered, however, and saw several of its rivals falter and be acquired. Oracle now is one of the co-dominators of its market.

Meanwhile, in 1997, Ellison became a director of Apple Computer, subsequent to Steve Jobs's return to Apple, though Ellison resigned in 2002, citing a lack of time to attend board meetings.

Briefly, in 2000, Ellison held the # 1 spot as richest man in the world. Last year he was in the # 3 spot and this year has dropped, but he tenaciously remains in the top ten.

 # 6 & # 7 (tie)–Charles Koch, David Koch

The wealth of the two halves of the ultra-conservative, politically active Koch brothers comes from a variety of sources. Koch Industries is the second largest privately held company in the U.S. It was founded by Fred Koch, who developed a new method for the refinement of heavy oil into gasoline. During the 1980s, the founder's four sons engaged in lawsuits over ownership in the company, with Charles and David remaining involved. They are also still affiliated with the Koch family foundations.

8–*Christy Walton and family*

Her wealth derives from Sam Walton's empire, the crown jewel of which is Wal-Mart, although Sam's Club is an offshoot. Christy is the widow of John T. Walton, one of Sam's sons. Following John's death in June 2005, Christy inherited his fortune of $18.2 billion, which gave her the ranking of the second richest woman in the world. Very philanthropic, she was ranked by *Portfolio* magazine as the most philanthropic woman.

9 - *Jim Walton*

The third child and youngest son of Wal-Mart founder Sam Walton (see Christy Walton, above), Jim joined Wal-Mart in 1972 and became involved in real estate dealings. In 1975 he moved over to Walton Enterprises, where he was named president.

10 - *Liliane Bettencourt & family*
French heiress, socialite, businesswoman, and philanthropist, Liliane is one of the principal shareholders of the cosmetics company l'Oréal. She was the only child of the founders of l'Oréal, which is one of the largest cosmetics companies in the world.

Will your name be on this list in ten years…or less?

End-of-chapter exercise :
Write a short (minimum of half a page) paper on a successful Forbes 500 entrepreneur who is not covered in this chapter. Tell what business he or she is or was in and explain how he or she made a success of it.

CAPITAL
PROFIT
LOSS
RISK
MARKETING
OPPORTUNITY

Chapter 3
CHOOSING YOUR FIELD

Basically, all businesses, from the little mall kiosk selling accessories up to such behemoths as General Motors, can be broken down into one of two classifications: service or product. Of course there are many other ways to differentiate businesses, and there are distinctions within the categories of service and product as well (such as wholesale, retail, or even middleman), and subcategories, such as the food service industry (which, despite the word "service" in it, is retail, and therefore product-oriented), but inarguably every business, large or small, can be classified as either product or service.

In planning for your entrepreneurial venture, you need to decide just what type of business you wish to launch. You may already have an idea in mind for a business. You may already know that you want to manufacture leather wallets or open up an electronics store or market your expertise in vintage automobiles by becoming a consultant to vintage car aficionados. But perhaps at this stage you know only that you have a driving desire to start your own business, rather than going out and working for someone else. Yet you do not thus far have a clear idea of what it is that you want to do.

We'll discuss, in this chapter, ways to narrow your focus. First let's compare service businesses with product-based businesses and consider the relative advantages of each.

Obviously, with a service business, you have no initial outlay for inventory. If you are a manufacturer of a product, you need to stock up on the raw materials required to fabricate the product. If you are a retailer, you generally need to stock up on a variety of products in order to sell them to your customers.

(One exception to this rule is the retailer who contracts with a manufacturer to

drop ship. Drop shipping is associated primarily with mail order sales, as from a catalog or other mass mailing, and with website sales, although the orders may also come from phone solicitations or from radio or TV ads. The retailer takes orders from his or her customers, collects the money, and then has the wholesaler fulfill the orders, shipping the merchandise directly to the customers' addresses. Obviously you have to have confidence in the manufacturer you are doing business

with—confidence that they are reliable, will ship faithfully, will ship timely, and will ship merchandise of a decent quality. With drop shipping you need not lay out any money in advance for inventory, nor have any of the other burdens that inventory imposes, which we'll discuss in this chapter.)

Besides the outlay for the products you're going to retail, or for the raw materials to manufacture the products if you're a wholesaler, you'll need a warehouse, a garage, one or more rooms in your office or factory, or some other suitable place to store these products or materials. Naturally both the size of your company and the size of your products or materials themselves will determine whether, at least when you first start out, you can warehouse your inventory in one room of your home, your garage, or something similarly modest, or whether you'll need to rent someplace larger and/or more industrial in character.

Another advantage of a service business over a product-based one is that there's no chance of your getting stuck with last year's styles, an unpopular item, or other unsalable merchandise.

Clearly, warehousing large auto parts, for example, is an entirely different matter from warehousing earrings and other small jewelry. It's not only a question of the size of the items but of the nature of your inventory that will determine whether your home or garage is suitable. Is your inventory something particularly flammable that you don't want in your home? Is your product something that's susceptible to the cold or heat or humidity to which it will be subjected in your garage?

If you're in a business involving a product, and have inventory, you'll need to purchase enough insurance to cover your losses in case of burglary, fire, flood, natural disaster, or some other eventuality that can ruin or cause the loss of your

inventory.

Of course, if your business is a retail store, your inventory, or most of it, will reside right there in the store. But suppose your "store" is a small freestanding kiosk in a suburban mall or on an urban street corner. In that case, you'll still need someplace else to warehouse your inventory. And if you're retailing through website sales, eBay, catalog sales, or some other means than a storefront, you'll definitely need storage space for any merchandise that's not being drop-shipped.

Another advantage of a service business over a product-based one is that there's no chance of your getting stuck with last year's styles, an unpopular item, or other unsalable merchandise. Whether you're selling consulting services, or you set up an advertising agency, or you become a life coach, or you offer bookkeeping services to businesses too small to need a full-time staff bookkeeper, or you're writing code for computer software, you won't have the problem of unsold and unsalable merchandise.

On the other hand, I know a sales representative who swears it's easier to sell a product than a service. She feels it's just an easier sale when you can put something tangible in the prospect's hand, show how it works, demonstrate its features and benefits—and close the sale. Too, in advertising a product vs. a service, whether we're talking about a TV or print ad, a web ad, or a window display, you can unquestionably make more of a visual impact on your prospects if you have something visible to show them. If you have something to display, it will be easier to tempt prospects, to attract their attention, and—if you are retailing in person rather than through a website, catalog, mass mailing, or TV ad—to further intrigue them once you have their attention, if you can put an item in their hands and let them handle it, feel it, and perhaps try it out.

On the other hand again, as a general rule (but by no means a hard and fast rule), it's easier to run a service business from home than to do so with a product-based business. Yes, you can manufacture a product in your garage. (Look at all the Silicon Valley businesses that started in garages and grew to multimillion-dollar businesses.) *But* you need to make sure you're not doing so in contravention of your local zoning ordinances, *and* you need to be concerned about burglary, exposure to weather conditions (most garages are neither heated nor air-conditioned, nor are they impervious to humidity—or to "critters," from mice on up, that might damage your merchandise.) You might set up your manufacturing in the basement of your house, but again there are zoning ordinances, lack of air conditioning, and perhaps the noise factor to consider. (If your production process involves crafting

something by hand, with no machinery, you have no worries; but if you're using machinery, and it's loud, you don't want to get in bad with your neighbors. You still have to live there, after all.)

Working in your pajamas

Is it specifically your intention to start a business that you can run from home? Or one that, at least, you can work on out of your own home in the beginning, to minimize your initial investment? Working at home has many attractive benefits, from the convenience of being near your own kitchen for lunches to the proverbial ability to "work in your pajamas." There's even a comic strip called "The Pajama Di-

Working at home has many attractive benefits, from the convenience of being near your own kitchen for lunches to the proverbial ability to "work in your pajamas."

aries" about a graphics designer who works from home. But some people—those fighting a weight issue—find that the proximity to the fridge can be as much a curse as a blessing. (Though surely that should be the least of your considerations.) And if your business requires you to meet with clients or customers—and more businesses do than not—you can't be dressed in your pajamas for that.

Working at home and for yourself is not for the undisciplined. If you're the type who will sleep till nine if there's no boss (and no employees) watching your arrival time, perhaps you haven't the discipline to work from home—unless you compensate by working late. Similarly, if you'll spend two hours of your workday talking to friends, or websurfing, or housecleaning, you probably don't have the discipline to work at home either—although there are some people who get away with nearly as egregious time management even when working in an office and for someone else.

The other side of the coin, of course, is that if you're self-employed and working from home, you can stop working long enough to put a roast into the oven (or whomp up something more ambitious), return to your desk, and have dinner ready at a decently early hour without relying on frozen foods, hamburgers, or minute steak to do so. Too, if you can grab a quick lunch out of your own home fridge, you might not spend a full hour (or more) on your lunch break but get more work done instead, and, as a bonus, that lunch is likely to be something more nutritious

than the fast food you may be tempted to buy on your lunch hour at a traditional office. You can even grab a half-hour nap on your own bed and return to your tasks refreshed in the afternoon!

All of which brings us back to the question of product vs. service. While it's possible to run a product-oriented business out of your home, it's easier to do so with a service business. (You don't have inventory issues in a service business, and retailing from home is dicey at best, especially if you're catering to a walk-in trade, and in all probability you'll be in contravention of either local ordinances, or your homeowners' or condo association's by-laws, or both, if you're selling and/or manufacturing a product at home.)

If you *don't* opt to work from home, or if it's not feasible (given the constraints

Working at home and for yourself is not for the undisciplined.

we just discussed), do try to get the landlord of your new office, warehouse, store, or factory to give you a concession on the rent. Many a new lease has included reduced rent—or none at all—for the first month, two, three, or even six (on a longer-term lease).

And before signing that lease, if your plans are for a retail outlet, visit other stores in the immediate area and ask the owners how well they do in the area and whether they would recommend that you rent the vacant storefront in question. Don't be abashed about approaching them. Unless you are a direct competitor (and possibly even then), they will welcome you to the neighborhood. An empty store brings no one to the shopping strip, city block, or other locale. A shop that does good business—as you are hoping to do—brings shoppers who will then take note of other stores surrounding yours and perhaps become the customers of those stores as well. So your presence in that strip or block of stores is a potential asset to the other stores there. You are *not* the competition. You are a draw who will bring them more customers.

Therefore do not hesitate to tell them, "I'm thinking of renting the store at number 32/the store next door/the store across the street. How is business around here? Do you think this would be a good location for a party outlet/used book store/silk plant shop?" They may point out that the big draw on the block is a bar that attracts

a nighttime crowd, rather than daytime business, or that a new shopping center planned for three blocks away is going to draw traffic away from their strip center, or that due to proximity to a middle school, the main customers in the strip are pre-teens. All of these are things you should know before deciding to sign a lease. And they are things the landlord is unlikely to tell you.

Also, when you negotiate the lease, try to get as many months' rent concessions (free rent for one, three, even six months) as you can, and make sure that the rent you are paying is the going price per square foot for a comparable location in that area. (Obviously don't compare the per-square-foot price in a small strip shopping center to that of a location in a mega-mall.)

Also be sure that the lease is assignable, in case you sell your business.

And be sure that the lease is in your corporate name, so that should you go out of business, you are not held personally responsible for the unfinished portion of the term of your lease. Otherwise the landlord can sue you and even seize your personal assets—your funds, your car—or even put a lien on your house.

Ideally you want a one- to two-year lease with the option for two more years at increases of 2 to 5 percent, depending on the location.

What's my line?

A classic TV show of the 1950s-60s, still sometimes seen in syndication and on YouTube, was called *What's My Line?* Panelists had to guess at the occupations of guests, these occupations generally being either unusual or else improbable for the people in question (such as a petite female lion tamer or bricklayer). It's best

if your occupation—your field of endeavor—is not that improbable for you. It should be something that people who know you well would not be surprised at your getting into. Why? Because you'll do best at something you have a sincere interest in, a good deal of knowledge about, or—ideally—both of these.

In deciding what business to get into, *don't* base your decision solely on what's likeliest to make a lot of money or be the next hot trend. Those are valuable considerations, yes, but they should not be the only determining factors. If you get into a field that doesn't interest you at all, or that you don't know anything about, you're in big trouble.

Do you want your workdays to be a chore and a drag? Or do you want to really *enjoy* your work? Then pick a field you have a genuine interest in—perhaps one

related to your hobby or other interests, like the avid reader who opens a used book store. And as for a field that you know nothing about, it should be self-evident that choosing such a career is inviting disaster. You might beat the learning curve and succeed in spite of everything, but the odds are not stacked in your favor.

Of course, if you buy into a franchise opportunity in a field in which you have no knowledge (but do have an interest), and if you've chosen your franchiser wisely, the parent corporation should provide enough education for you that even though you know nothing about carpet cleaning, or making donuts, or installing mufflers, or running a gym, you'll know enough to run such a business successfully by the time you've completed your training. But I am not referring to franchising when I say that you are better off, in most cases, to steer clear of fields you know nothing about.

It's better to be successful on a smaller scale at a business you truly enjoy than to have greater financial success at a business you hate.

What's *your* line? Ideally your line should be, as I said, one you're interested in and know something about. Follow your heart. Don't just pick the business that you think has the greatest chance of success. It's better to be successful on a smaller scale at a business you truly enjoy than to have greater financial success at a business you hate. (Although the chances of success are greater to begin with when you're working at something you love.)

You may build a business based on your hobby (such as an avid fisherman who creates and sells a line of unique hand-tied flies, or perfects a new design for a rod and reel and then manufactures it, or buys and captains a boat that takes folks out for a three-hour fishing cruise every day, or such as a computer enthusiast who envisions and then builds the next big thing in websites such as YouTube or Facebook or Google, or such as an electronics hobbyist who finds a way to manufacture a cellphone that also has a built-in musical keyboard, or TV receiver, or video camera, or some other gimmick). You may build a business based on your current career (such as the nurse who opens a medical staffing agency, or the newspaper photographer who opens a company specializing in school photos and hires a staff of photographers to do all the actual picture-taking, or the ad agency copywriter who opens his or her own ad agency). You may build a business based on a real

need you see in your own life or in your community (such as a mother of two small kids with messy rooms who invents and manufactures a new storage system specifically for small toys like marbles, jacks, small action figures, and such, or a school band teacher who invents and manufactures a new music holder for a marching piccolo player, or such as the person who lives in a community with quite a few senior citizens and opens an agency that will run errands, deliver home-cooked meals, check daily on shut-ins, or perform some other valuable service for these older residents).

In choosing a line of work, try not to cram into an already-crowded field. If you can't be unique, at least be distinctive. If you haven't invented a brand-new product or category of service, can you at least be the only manufacturer of an upscale something-or-other, a budget-priced something-else, or an otherwise ordinary gadget that plays music while it performs its normal function? In other words, if you aren't the only widget manufacturer, find a *segment* of the widget market that nobody else owns and cater to that. If you aren't the only pet-sitting service in town, can you run the only pet "vacation lodge" that offers a swimming pool for its canine residents, or strictly home-cooked organic meals for its visitors, or a tape recorder in every kennel that plays an endless loop of the pet's owner's voice? If

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you can't be the first to manufacture a particular product or provide a specific service, take a segment of the market and be first in that segment. Be the defining example of something: luxury, convenience, colorfulness, exemplary personal service. Do your best to insure that, when people think of motorcycles and luxury, or watches that are affordable, or sports drinks that are refreshing, they think of your company immediately.

Sometimes niche marketing can be more rewarding than catering to a more widespread market. There may be more of a market for golf clubs overall than in golf clubs for left-handers, but if you manufacture one of the only golf clubs that's specifically for lefties, by narrowing your market you've actually *broadened* the possibilities for sales.

Know your market

Once you decide on a product or service, make sure you know who your clients or customers are. So much depends on this! You need to know what their needs are, what price range they are comfortable in, and what type of advertising will best appeal to them. But you can't know any of this if you don't have a good handle on who your customers are in the first place.

So you must know your market. Is this product or service a luxury for your primary customers, or is it a necessity? Is this a product or service they're familiar with, something they already buy elsewhere? Or are you introducing a whole new concept to them? The way you market your product or service, the packaging of the product, if you are a manufacturer, where and how you advertise it, and even how you price it are all factors that will change according to *who* your primary targets are.

And what about your secondary market? Do you have one? If you're selling a product, is it it one that has more than one purpose? Can you sell your electronic tool for use in the household *and* the workshop? Can you sell your product for both practical and decorative purposes? Can you sell an upscale version (or even the exact same thing) in a different package, perhaps under a different tradename, at a higher price, pitching it to a different demographic (and of course using a different advertisement in a different medium)?

Lateral expansion

Is the product or service you are considering one that readily lends itself to lateral expansion? There are various ways for a business to grow: You can sell more and more of your product or service (shipping twenty cases of belt buckles a week instead of two, or adding additional clients to your graphic design business). You can open additional locations (a branch office, a second store in a different part of

Once you decide on a product or service, make sure you know who your clients or customers are.

town, a new self-storage business some distance from your original site). You can franchise other people to run a business under your trade name with your help and directions. Or you can expand laterally.

What is lateral expansion? Simply the addition of further products or services to an existing business without opening a new store, office, truck rental agency,

etc. You can even add products to a service business, or vice-versa. If you're a freelance artist and you also have the ability to design logos and start offering that service as well, you're expanding laterally. If you own a self-storage company and start selling packing and shipping materials, or renting moving trucks and trailers, you're expanding laterally. If you own a retail store that sells children's clothing, and you add children's books to the merchandise you carry, you're expanding laterally. The same is true if you own a bookstore and add CDs or DVDs to your merchandise, or if you own a sewing machine store and start selling fabric in addition. Likewise, it's lateral expansion if you sell gardening supplies and decide to go into the lawn care business as an adjunct line of work, or offer lawnmowers for sale or rent, or go into the lawnmower repair business.

Sometimes the ability to add a product or service to your present line can make the difference between going under during a recession or managing to stay afloat till good economic times come around again.

Of course, if the business you're considering doesn't lend itself to lateral expansion, that's not a reason to abandon the idea of the business. Don't rule it out arbitrarily just because you don't see any possibility for lateral expansion. But if the business you're contemplating does have that possibility, this makes that business all the more attractive. (Lateral expansion also helps shore up a business during lean economic times. Sometimes the ability to add a product or service to your present line can make the difference between going under during a recession or managing to stay afloat till good economic times come around again.)

We'll discuss increasing sales by adding locations and/or franchising later in the book.

Wholesale or retail?

Most of the time, you'll decide just what you want to do, and there won't be a question of "wholesale or retail?" But sometimes you simply know that you want to be involved in selling bicycles (because you're an avid cyclist), or that you love to cook and want to be involved in some kind of venture that involves food, to use two examples. But beyond that, you haven't yet sharpened your focus. Do you want to design a new and better bike and manufacture them wholesale, or do you

want to open a new bike store aimed at the adult bicycling enthusiast? Do you want to open a commercial bakery and sell artisanal breads and/or fancy cakes and/or all-natural fruit pies to local restaurants, or do you want to open your own retail bakery (or take-home organic or gourmet prepared food store) and bake or cook just enough to supply your customers?

There are opportunities for expansion either way—including crossovers from retail to wholesale or vice-versa, and lateral expansion, too. The bike manufacturer (wholesale) could open a store in which the company's products are sold to the public (retail), as well as the company's selling them to other retail outlets around the country. The bike store could add a line of helmets, gloves, and other gear, or, a bit further afield, bicycling-oriented books, or energy bars and trail mix and other healthful snacks, or picnic lunches to take on that 10-mile bike trip, or clothing that's particularly well suited to biking (lateral expansion). Or you might start with a bike store (retail) in which you sell bikes you purchase from a wholesaler, or several of them, then come up with a unique design or innovation and begin to manufacture bikes yourself (wholesale), which at first you sell only in your own shop. But then you ramp up production, rent larger quarters in which to manufacture more and more bikes, offer them for sale to other bike stores across the nation (and perhaps overseas, too), and suddenly you're a manufacturer and wholesaler.

If, unlike this scenario, your business idea is one that doesn't lend itself to lateral expansion and you don't see yourself crossing over from wholesaler to retailer or vice-versa, that's not a reason to abandon the idea. You can still grow your company simply by selling more product—by opening more retail stores or taking more wholesale orders, by selling different models of your core product. It's just that, in evaluating the growth potential of your business idea, you want to consider the various ways there are to expand the business, so that you know if your horizon is unlimited or if there are built-in limits to how far the business can grow.

And of course, most businesses *don't* expand from wholesale to retail or vice-versa. Some do, but more don't. So, if your business idea is more generalized than specific—you know you want to be in the health care products field, the apparel industry, or in something to do with children's toys and games—but you don't have a narrowly defined vision, the next thing you need to do is to pinpoint your interest: What specific product or products do you want to sell, and do you want to manufacture them or retail them?

Find a niche, or a way to distinguish yourself

Are you going to be the only bookstore within a ten-mile radius? The only manufacturer of a new kitchen gadget you've invented? The manufacturer of a line of clothes you're designing yourself? The exclusive retailer in your city of a particular brand of imported lawn and garden statuary? The only DJ in your town who plays Irish dance music or music from the Swing Era? Great—you've got a corner on the market.

But if you're planning to open what's slated to be just another farmstand in a suburban area already overrun with farmstands, or a factory that will manufacture sandals that are not particularly unusual in design, or a graphics studio that's no different in concept, services, or price from the twelve others listed in the local Yellow Pages, what's to set you apart from all the others? What's going to drive customers to *your* particular farmstand? Why will shoe stores want to order *your* sandals as opposed to those of your competitors? Why will people planning a catered affair want *you* to be the DJ at their parties? Why will businesses that need the services of a graphics studio pick yours?

You need to set yourself apart in some way—and if you don't, you can expect to be clobbered by the competition. What are some of the ways you can distinguish your business and virtually insure that you'll have clients/customers?

• Be the only one to manufacture or sell a particular item or service—at least in your area if not altogether.

• Sell your item(s) or service(s) at a significantly lower price than your competitors. (There are two caveats here: 1–If you price yourself too low, you may wipe out your profit margin and put yourself out of business. 2–The public sometimes equates price with value and assumes a lower-priced product or service is inferior to its higher-priced competitor: "You get what you pay for," as the saying goes.)

• Sell your item(s) or service(s) at a noticeably higher (yet not unaffordable) price, creating the illusion of greater quality and value.

• Offer unparalleled customer service at a comparable price to that of your competitors. (This is more relevant in a retail or service business than in a wholesale industry, but it has some relevance in wholesale as well.)

• Get the best location possible (this is more relevant to retail than to wholesale or to a service business) and rely on the sheer volume of passers-by or of convenience of location to drive in more traffic.

• Offer a greater variety of products or services than your competition.

• Have clever and compelling advertising that simply outsells your competitors.

• Offer something extra with your product or service to entice customers/clients.

• Offer a greater range of sizes, colors, prices, models, services…whatever is relevant to your particular product or service.

• Offer a better customer satisfaction policy than your competition does.

Location, location, location

One item I mentioned above bears going into in a little more detail: location. An old axiom posits (with tongue slightly in cheek) that in real estate, the three most important things are location, location, and location. The same can be said of retail. (It is true to a lesser extent of wholesale and service businesses, because convenience, cost of rent [or of buying your office, factory, or other place of business], and other factors make location relevant too, but not to the same extent as in retail, where you not only need to find a location that's affordable but also one that's accessible and that has a good amount of traffic going past, whether it's foot traffic on an urban block or vehicular traffic in a suburban shopping strip.)

So when you're scouting for the location of your business, especially if it's retail, choose your location wisely.

Many an otherwise well-thought-out retail business has gone down the tubes because the proprietor chose a location that wasn't heavily trafficked or was simply inconvenient for shoppers to get to. Such a location might work for a big-box discount store that's located outside of town where the cost of land is cheaper but that benefits from good word-of-mouth and very heavy advertising, and from the bargains it offers in a multiplicity of items from clothing to fishing equipment to auto supplies to boomboxes to toys. But it won't work for the average Joe or Jane's small retail establishment. It won't even work for many recognizable-name chains or franchises.

So when you're scouting for the location of your business, *especially* if it's retail, choose your location wisely.

And even with a service business, if you expect your clients to come to you,

make it easy for them. Which is a busy businessperson more likely to go to consult with: an ad agency that's located downtown, conveniently near his or her own business, or one that requires a forty-minute drive to an out-of-the-way location? You may eliminate yourself from contention before you ever have a chance to pitch your capabilities and your prices, if you choose a location off the beaten track.

Wholesale, too, demands some attention to location. Is your factory located near the source of raw materials, so that you don't have to pay higher prices for shipping these materials to you? Is it located where there is ample inexpensive labor? What are the local taxes like? Labor laws? Other laws and regulations? Is it a union state or a right-to-work state (or an overseas location)? If overseas, what extra charges will you incur to bring raw materials into the country of origin or to ship the finished goods out and bring them into the U.S.?

Location is less relevant if you are running a retail or service business in which your clients or customers don't come to you—for example, if you are selling retail but strictly by catalog or via website sales, or by having customers phone in orders in response to TV, radio, newspaper, magazine, or emailed ads, with you delivering the product by mail, UPS, FedEx, or some other means, which obviates the need for a walk-in clientele. Or if you are running a service business in which you always visit your clients, never vice-versa, such as a D.J., an in-home massage therapist, or an office-cleaning service.

The beauty of flea markets

If your plan is to sell retail, or to manufacture wholesale a new product that you hope to sell to retailers, why not try out your product or products at a flea market first? I'm a big proponent of flea markets. So, before you sign a lease and commit yourself to a storefront, or to a facility where you plan to manufacture your great new product idea, if you think you have an inspiration about a new design in jewelry or a new kind of umbrella, multi-purpose pen knife, or car-cleaning liquid, test it out in a local large flea market or crafts fair to confirm that it sells well.

Most flea markets don't require a long-term lease or commitment. (There are some hybrid "indoor flea markets" that do require leases.) The cost to rent a stall or set up a table for the day or for the weekend is nominal. Because of the temporary nature of the location, there is no expensive outlay for signage. (You will want

some sort of signs, but they won't cost anywhere near what a typical storefront sign would cost, whether lighted, neon, or simply painted but unlit. To begin with, flea market signs are more modest in sheer size, as well as in type and presentation.)

In your flea market location, you can try out the product you plan to manufacture, or to buy wholesale and resell retail. While a flea market does draw a somewhat different clientele than a storefront, the similarities are close enough that a flea market is a pretty good testing ground to prove the salability of your product—the chief exceptions being high-end merchandise and items that are particularly large, heavy, bulky. And you can do this in an efficient and expeditious manner, with minimal outlay, and with no long-term commitment.

The point is that the flea market experience is a proving ground, where you can test out your plans before you put the money and commitment into renting a storefront..

If your hoped-for customers consistently walk away without buying, listen to their comments and objections. Is your price too high? Is there a design flaw in the product? (If you're buying it for resale, you may not be able to do anything about this, but if you're manufacturing or crafting it yourself, you may be able to fine-tune the product.) Is the color, style, or design not aesthetically pleasing? (Again, if you're buying from a wholesaler, you may not be able to do anything to change the product's appearance—but perhaps you can buy a more readily salable product from one of your supplier's competitors. Or, if your supplier is a small company, they may even be willing and able to work with you and redesign their product.)

The point is that the flea market experience is a proving ground, where you can test out your plans before you put the money and commitment into renting a storefront. And if the idea seems to be a dud? You need not necessarily give up on it; simply making some changes in the product or its pricing—or the way you sell it—may be all that's necessary. (You may even be able to repurpose the product, selling it for a different use than the one you'd originally envisioned! This doesn't work in all cases, but it might work in yours.)

Know your field

If you think you've decided what sort of business you want to get into, how thoroughly do you know the field in question? Do you know:

• What the typical charge is to the customer (that would be the retailer if you're interested in wholesaling/manufacturing) for the product(s) or service(s) you're contemplating selling?

• What your costs are likely to be—including not only the obvious items such as rental or purchase of a place to do business if other than your home, and the cost of raw materials if you plan to be a manufacturer, or of product you'll buy wholesale to sell retail if you plan to be a retailer, but also insurance, credit card processing, bank fees, accountancy fees, taxes (federal, state, and local), any required licenses, utilities (even if you work out of your home, your electric bill is likely to go up, and even your water bill if you have employees or freelancers working for you and/or clients coming to see you), salaries and/or freelance labor fees, cost of vehicle(s) and vehicle maintenance and gasoline, office supplies, office furniture, office equipment (e.g. computer, copier, postage meter), advertising (including Yellow Pages), stationery and business cards, logo design, website, website design, website maintenance, cleaning and maintenance of premises, damaged and stolen merchandise (not applicable to a service business), security (at minimum an alarm system for a retail operation, and possibly security guards), window decoration for a storefront, signage (for a retail or wholesale operation and also for a service business that is run from other than an office or your home), and any other equipment that is specific to your particular business (e.g. utensils, dishes, linens or papergoods, all kitchen equipment, and all else needed for a restaurant)?

• All the laws including local regulations that pertain to your business?

• Who your competition is and what they're charging, whether you are running a business that is local or national or international?

• What the typical mark-up is in your industry?

• How much spoilage you should plan to account for (retail merchandise that gets dirtied or broken and becomes unsalable, foods that spoil or simply become unappealing, raw materials that become bent or otherwise unusable, manufactured product that isn't up to your standards)?

• What records you are required to keep other than income?

• Whether you are subject to collecting sales tax and, if so, what records you are required to keep in conjunction with that?

• What licenses you are required to obtain?

• Seasonal and other trends that will affect your business?
• Where advertising will bring in the best results?
•Where to buy direct mail advertising lists, if this is applicable to your product/service?
• How your budget is likely to change in the future (as dictated by national trends, growth of your business, and other factors)?
• Whether and how you can get free publicity (e.g. get a newspaper write-up about your business or secure a TV interview about the uniqueness of your product or some other newsworthy aspect of your business)?
• Whether and how you can get publicity that isn't free (e.g. be one of the sponsors of an event and get your name in the local papers, on the event programs, on banners at the event, and possibly on other materials pertinent to the event)?

Scoping out the competition

Depending on whether your business is local, national, or international, your competition may be the three other plant nurseries in town, all the sellers of gourmet popcorn nationwide, or every manufacturer of baby blankets in the world. But in any case, you need to know who your competition is. You need to know:
• What they sell (their main product(s) and any other auxiliary products they also sell).
• Where they sell.
• At what prices they sell their products.
• Where they advertise, and how (radio, TV, newspaper, magazine, catalog, direct mailing, flyers, banners, storefront window advertising, gimmicks or stunts, free publicity, sponsorship of events).
• Where they are located (specific street location if you are competing locally, city and state if you are competing nationally, country if you are competing internationally).

Whether your business is wholesale or retail, product-oriented or service, local or national or global, you'll need to know as much as you can about the competition before you get started.

You may or may not have direct competitors. If you have devised some new software that does what no other computer program does, then you'll have no head-to-head competitors…yet. (If your product is a success, someone is likely to come along and write his or her own code for a similar product that does essentially the same thing.) But you would still do well to look at other companies that make soft-

ware, even if it isn't directly competitive to yours.

• What do they charge for the software?

• How do they package it?

• How is it priced?

• How is it sold? (Over the internet? In stores? Through catalogs? By some other means? All of these?)

• Where and how is it advertised?

• How often is it updated?

Whether your business is wholesale or retail, product-oriented or service, local or national or global, you'll need to know as much as you can about the competition before you get started...

These and as many other questions as you can think of will provide valuable information for you. Not that you have to do exactly as the other company does. In fact, if you can think of likely places to advertise that they haven't exploited, you can gain an edge on them, which is particularly useful when you are going head-to-head with a direct competitor, someone whose product is very much like yours.

In an either/or situation, the consumer won't buy both your product and that of the competition, because they both do essentially the same thing. Whether you've invented a revolutionary new kitchen mop or a collapsible umbrella that fits in a purse, most customers aren't going to buy two mops or two umbrellas, regardless of the feature. And even if your product is not directly competitive, sometimes it's still an either/or situation. Let's get back to the software we were using as an example earlier. There may be no other program out there that does what your software does, but if a consumer is on a limited budget and has, let's say, only $100 that he feels comfortable spending on non-essential software, he's going to have to decide between your program and another that he also wants, which performs an entirely different task *but is competing with yours for his budgeted dollars*.

In fact, when budget is a consideration, you are in constant competition even with a unique product that is utterly different from anything out there. You are still competing for the consumer's money: Will she spend it on your product (or service) or on someone else's? So don't get too complacent even if you have a unique

service or product—especially if it's a discretionary expense rather than an essential.

But to get back to the question of scoping out the competition, when comparing your price with that of your competitors', being the lowest-priced is one way to go but not the only way. As I've already said, sometimes by charging *more* than the competition you can create the perception of *greater value*. You do, however, need to be mindful of what your competitors are charging for their similar products.

Sometimes by charging more than the competition you can create the perception of greater value.

If your venture is a retail one, visit your competitors' stores to see:

• How the merchandise is displayed.

• How the window is decorated.

• How they advertise special deals, sales, and bargains.

• Whether the store looks jam-packed or spacious, soothing, and inviting.

• Whether they have music playing in the background (and, if so, what kind).

• Whether they broadcast special offers over a public address system.

• Whether the lighting in the store is bright, subdued, colored, or otherwise notable.

• What stop-loss (anti-theft) measures are in place.

• What credit cards they accept and what their policy is regarding personal checks.

• What special services they offer (e.g. gift wrapping, trying out electronic merchandise in-store, free classes in how to use the product, free recipes using their food products, play corner for kids whose parents are shopping).

• How helpful *and knowledgeable* the employees are when customers (you, as a "mystery shopper") ask questions about the merchandise.

• What hours the store is open.

• Whether the store offers delivery, same-day delivery, free delivery.

(Naturally not every question above is applicable to every type of store.)

If you are planning to sell over the internet, visit your competitors' websites to see:

• How each site is designed.

• What the predominant colors are on the site.

• What items are available.

• What the prices are.

• How the site ships and whether they charge extra for shipping (and, if so, how much).

• Whether they ship only domestically or worldwide.

• Whether insurance (in case of loss during transit) is included in the shipping price, or offered separately for an additional fee.

• What the name of the site is.

• Whether its suffix is .com or one of the others (.net, .biz, etc.—more about this in the next chapter).

And *whatever* type of business you are planning to go into, decide what your hook is: What are you planning to do that's different from the competition? Sometimes it isn't enough to simply be better or cheaper. Sometimes, as the two experienced ecdysiasts sang to the fledgling Gypsy Rose Lee in the stage musical and movie *Gypsy,* "You gotta have a gimmick." Or if not a gimmick, then an angle, but *something*—something more than lower prices or better service—that makes your brand of lawnmower, your restaurant, your tax preparation service, your footwear store, your employment agency, your website design service, your line of organic snow-melting chemicals stand out from the competitors. True, you might be "the only game in town"—the inventor of a brand new product, the innovator of a never-done-before service, or at minimum the only store in a fifty-mile radius to carry this particular type of product. But most entrepreneurs are following in someone else's footsteps, not inventing the wheel. And if that's you, you need to offer your potential clients/customers a compelling reason for doing business with *you* rather than with your competitors.

But most entrepreneurs are following in someone else's footsteps, not inventing the wheel. And if that's you, you need to offer your potential clients/customers a compelling reason for doing business with you rather than with your competitors.

Some thoughts on choosing a business

I'm personally down on businesses that require you to maintain an inventory. In-

ventory, and keeping tabs on it, is complicated to master. Also, when you have an inventory, you're subject to theft—from both your customers (if this is a storefront business) and your employees (unless you're a one-person business—and even if you are a one-person business at the inception, you certainly hope to grow and hire others to work for you eventually). The hours are longer—you generally will need to be open seven days, and perhaps longer hours—maybe even twenty-four hours a day—in the run-up to Christmas.

And the food service industry (restaurants, take-out storefronts, cafeterias and such) is, if you'll pardon a pun, no picnic either. First of all, your profits—or losses—are predicated on the price of food, which can rise sharply. Then, rain can kill you. A lot of the food service industry depends on Saturday nights. If you've got a foul-weather Saturday night, there goes your whole week—at least, in upscale places, and to a lesser extent, in the others as well.

In choosing a field, one of the things I would do is look around at different businesses that have growth opportunity. Read what you can on the subject. And take a look at the *Fortune* 500 to see what those businesses are doing, just to get an idea of "what you want to do when you grow up." Also read *Entrepreneur* and *Inc* and *Forbes Small Business* (fsb.com) magazines, or their online versions (*Entrepreneur.com,* www.inc.com/magazine and *Fortune Small Business* (money.cnn.com/smbusiness).

And do look into franchise opportunities. There's nothing wrong with owning ten McDonalds—or just one, to start. Not all entrepreneurism is about starting a business from the ground up, inventing a new product, or otherwise being an innovator. Running a successful franchise is a very valid approach.

Technology is, of course, a growing field. Are you handy? Are you good with computers—building them, repairing them, writing code for them, or inventing or improving on a peripheral device for them? Apart from computers, how are you at fixing things? There are many types of repair business, both high-tech and low-tech, that you can start up and be successful at. Start as a one-person operation, with a view to building a larger operation down the road, with others working under you.

Look inside yourself. What are your strengths (and what are your weaknesses)? Are you a good people person? This will stand you in good stead in relating to your customers or clients and also in managing employees. Do some soul-searching when choosing your field. It's not only a question of what interests you and what field you think has growth potential but also what you think you would be

good at. Talk about this a bit with others, such as friends who know you well and can clearly identify your strong points and weak points.

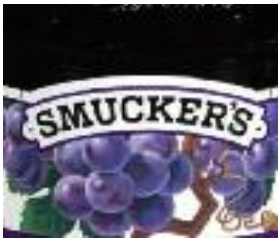
For that matter, are you cut out to be an entrepreneur at all? Not everyone is, and there's nothing wrong with that. Some people are drawn to entrepreneurship but don't have the right qualifications. Perhaps you like the idea of being your own boss (or, more accurately, of not having a boss), or you're attracted to the virtually limitless potential of entrepreneurship. But are you a risk-taker? Can you self-direct? Are you self-disciplined? Are you aggressive? Can you manage others? Are you an idea person? Can you tough out the rough times—and yet, do you know when it's time to cut your losses and give it up, or at least try something else?

Or maybe what you're cut out to be is an *intrapreneur*. What is an intrapreneur? Here is a definition taken from Wikipedia: "**Intrapreneurship** is the act of behaving like an entrepreneur while working within a large organization. Intrapreneurship is known as the practice of a corporate management style that integrates risk-taking and innovation approaches, as well as the reward and motivational techniques, that are more traditionally thought of as being the province of entrepreneurship."

End-of-chapter exercise: Write a short paper (at least one page, one side) on which interests you more, selling a product or service, and why.

CAPITAL
PROFIT
LOSS
RISK
MARKETING
OPPORTUNITY

Chapter 4



CHOOSING A NAME . . . FOR YOUR BUSINESS *AND* YOUR PRODUCT, SERVICE, OR STORE

"What's in a name?" Juliet's famous quotation, as put in her mouth by Shakespeare, makes light of the importance of a name. And perhaps to Juliet, Romeo's last name (which placed him squarely in the enemy camp, a member of the family at odds with her own family) was of no importance at all.

But in business, a name has the utmost importance.

Your business needs at least one name, possibly several. First of all, there is the name of the corporation, limited liability company, partnership, or sole proprietorship that is the legal entity under which you will be conducting business. Unless this is also the name by which your customers will know you, this name is of lesser importance.

In the majority of cases, the name of your legal entity will not be the name of your store or your product, though with services it is more likely that it *will* be the name your customers know. Sole proprietorships or partnerships filing a "d/b/a" ("doing business as") also are more likely to be known by their legal name. "Ben Madison d/b/a Benny's Discount Auto Parts" is indeed "Benny's Discount Auto Parts"—or simply "Benny's" for short—to his customers, whether or not they know that his name is Ben Madison.

But let's say that you and a partner decide to sell hand-made candies under the name Lucy's Candy Kitchen. You form a corporation and call it L & K Enterprises,

Inc., or Lucy and Karl Candy Corp. The name of your legal entity is *not* the name your customers will know you by, so it does not have to be memorable, catchy, trust-inspiring, clever, or even descriptive of your product or service.

On the other hand, though, there is the name your customers will know you by—in the example above, that would be Lucy's Candy Kitchen. You want that to be a name that will inspire people to use your service or buy your product or visit your store. You want it to be a name that people will remember. The Federal Express Corporation, which for some time did business under simply "Federal Express," at length switched to "FedEx" because it was catchier and more readily rememberable.

The value of names

The name "Genevieve's Candy Kitchen" sounds old-fashioned, which is suitable for hand-made candies, and "Candy Kitchen" implies a handmade process. While the name is neither clever nor jazzy, that's not what's called for in this case. A down-home approach is what you're after. And "Genevieve's" makes it sound like the public will be dealing with a real person rather than a faceless mega-corporation. (Of course, if your business takes off, you could grow, open other branches, expand into other states, franchise others to open their own Genevieve's Candy Kitchens with your recipes—and you will wind up as a mega-corporation yourself. But the name will still project the image of hand-made candies offered for sale in a store run by a woman named Genevieve—even if that's, in fact, no longer the case.)

Your business's name should be descriptive. The name "Paint Paradise" tells you exactly what you'll find inside the store. The name "Graham's Place" does not, nor is it particularly memorable, catchy, or tempting. If you're opening a fabric store, the name Fabric Fantasies may not be terribly clever or original, but it's straightforward and descriptive, as well as being alliterative, which makes it easier to remember. And sometimes cleverness is not called for. Sometimes you want a simple, straightforward name such as "Avis Hartley Life Changes Coaching, Inc." That says it all and says it plainly.

If you're manufacturing a product (or several), you may want a good, memorable, clever name for your product, whether or not your company itself has a "good" name. Certainly the need for a "good" name is less applicable to a new type of auto engine part, an article of clothing, or something equally as common and prosaic. But what about a kitchen gadget, a toy, or a new food? An associate

of mine who loves to cook has a simple and inexpensive gadget in her kitchen that stirs, strains, and cuts. Its brand name? The Kitchamajig. Reasonably descriptive and definitely clever. As for toys, you need look no farther than the Slinky for cleverness and descriptivity. And in foods there are a variety of contenders for Best Name, but for all-around popularity and endurance, consider the Big Mac, whose name, in just two little syllables and six letters, suggests immediately that the item in question is both large and a product of the McDonald's Corporation.

Even a service-oriented business can benefit from clever names for its serv-

Does your name fit the image you want your enterprise to project?

ice—or services. If you offer more than one service, a trade name for each can differentiate between the two or more services you offer. And even if you offer only one, a clever trade name can help promote it and make it memorable. Weight Watchers is a good example of a "good" name for a service business. A household cleaning service I've heard of is called "Maid in America," a catchy play on words and one that certainly implies that the product is maid service. And speaking of enterprises that specialize in cleaning, the name of a boat-cleaning service I've been told about is Barnacle Busters, which also is catchy, descriptive, and easy to remember. Then there's The Spay Shuttle (don't just read it silently; say it aloud quickly to get the effect), a mobile animal neutering service.

Fitting the image

Does your name fit the image you want your enterprise to project? This is not as important for the name of a manufacturing concern, for example, as it is for the product or products that company will be manufacturing. Similarly it is unimportant whether Carla's Closet, a women's consignment boutique, is owned by the Carla Corporation or the ABClothing Partnership. But the name the public will know you and/or your product by is of great importance. And you want that name to fit the image you wish to project.

Do you want your image to be cozy, formal, homey, professional, funny or goofy or otherwise lighthearted, conservative, folksy, or some other attribute? Your name needs to reflect the image you wish to project. "Eton Haberdashers" hardly suggests budget clothing. "Crazy Charlie's Used Cars" does not imply a lot full of

carefully tended pre-owned upscale automobiles. And "The Humor Emporium," despite the word "Humor," is not your best choice for a store offering gag gifts and the implements for practical jokery. Which inspires more confidence: "Preferred Personnel Agency" or "Susie's Employment Agency"?

Getting there first

Even in this internet-dominated world, the old-fashioned phone book is still in wide use. (In fact, it seems there are more editions of the Yellow Pages than ever before, with competing companies vying to get the advertising and be the directory that consumers will turn to when they want to find a particular category of business, from ice cream parlors to funeral parlors.) So there is much to be said for having a business name that starts with "A" or, at least, is near the beginning of the alphabet. Check your local Yellow Pages to see how many businesses start with "A" or a variant such as "AAAA" (e.g. AAA Carpet Cleaning). Not only does such a name put you near the top of your category at the Yellow Pages, but it implies to consumers that you are AAA-rated.

That is *not* to advocate for the old ploy of naming a business "Aardvark Enterprises" just to capture that first slot. Surely there is more to be gained by a memorable, catchy, descriptive, or confidence-inspiring name than there is to be gained from having the first listing in your particular category in the Yellow Pages. After all, the Yellow Pages are not the be-all and end-all of name-recognition, especially in these days when Google is the dominant player for finding a business. It's more important that your company's or product's or store's name be one your customers will remember, and one they will find appealing or confidence-inspiring, than that it be first in its phone book category. Still, that said, if you are deciding between two names for your enterprise, both of which are equally good on every other level, and one starts with a "B" while the other starts with a "T," by all means pick the one that is closer to the beginning of the alphabet, with a nod to Yellow Pages placement, as well as to placement in any other alphabetically sorted directories you might possibly wind up advertising in.

The name's the same

Before you settle on a name for your business, your store, your service, or your product, though, there are other considerations besides how clever, memorable, and descriptive the name is. One of these is whether the name is already taken. Now, names cannot be copyrighted (we'll discuss trademarks and servicemarks

shortly), and while you may be restrained from using the same name *for your legal entity* that another legal entity is already using, unless the name of your store or service has been trademarked or servicemarked, it's "open season" on using it. To find out if there is a trademark or servicemark already covering a name you're interested in using, and to register it if it's available, go to www.uspto.gov.

Your state may disallow your registering your corporation as Pete's Pizza, Inc., if there is already another Pete's Pizza, Inc. in the state, but there might be a Pete's Pizza, Inc. just across the state line—perhaps even a five-minute drive from your store—which wouldn't legally impede your calling your store Pete's Pizza at all.

But do you want to? Do you want other people to confuse you with another store of the same name? At first blush, you might even think it's a good idea. If the other store is well known and enjoys a good reputation, you might hope some of their fame and their luster will rub off on you. But what if that luster gets tarnished? What if the *other* Pete's Pizza is discovered using inferior ingredients, or breaking the labor laws? What if someone eats there, gets sick, and sues, and the case makes the local paper? What if the Department of Health makes an inspection and discovers that Pete's Pizza—the other one, not your store—has a rodent or roach problem? Word gets around…via the newspapers, the local news on TV, emails and other internet communication, and good old word of mouth, one friend or neighbor telling another. Some people are going to hear that "Pete's Pizza has a filthy kitchen" and think the problem store is yours. Some people will remember later on only that "Pete's Pizza got busted for unfair labor practices" and forget that it wasn't your store but another of the same name.

Too, in certain cases, if it appears you were trying to deliberately confuse the

If it appears you were trying to deliberately confuse the public, you may wind up with a lawsuit on your hands.

public, you may wind up with a lawsuit on your hands. In a famous case in New York in 1987, involving a slew of restaurants with names that were variants on "Ray's Pizza," including "Ray Bari's Pizza," "Original Ray's Pizza," "Famous Ray's Pizza," and simply "Ray's Pizza"—as well as other combinations and permutations of these names—one of the proprietors sued the others for infringing on his name. Whether you lose the lawsuit or prevail against the litigator, it's going to cause you grief, time, hassles—and legal fees. Not to mention potential bad

publicity. (Though there is the old saying that goes, "Say anything you want about me; just make sure you spell my name right." Another variant is, "There is no such thing as bad publicity. *Any* publicity is good." I do not, however, subscribe to that theory.)

Spinning a worldwide web

But whether or not there's another business in your area that uses the same (or even a similar) name as your store, service, or product, that's not the only consideration at hand. These days there's also the internet.

Virtually every business needs a worldwide web presence, and in most cases the optimal web URL is the business's name. (Exceptions include businesses with unusually long names.) But what if someone else already owns that URL? You have several choices:

1–Modify the name slightly. (E.g.: Halloran_Plant_Nursery_Oakville.com, for a Halloran Plant Nursery located in Oakville, Creepy_Critters_Pet_Shop.com, for a shop whose actual name is simply Creepy Critters.)

2–Use a suffix other than .com, such as .biz or .net. (This is *not* a *recommended* solution, but it will work. In fact, you may be well advised, when you reserve your URL, to reserve the same name with several suffixes, such as .biz and .net and perhaps even .org, to prevent someone else from taking these, possibly even with the deliberate intent to fool your customers or those interested in becoming your customers.)

3–Offer to buy the existing URL from its current owner. (Sometimes it's an actual owner of a business by that name; other times it may be a "cybersquatter." Cybersquatters are people who register "good" names and "sit" on them till someone comes along and wants them—for a price. Cybersquatting is not a bad sideline to get into, by the way, if you have the funds to register a variety of names and are clever enough to think of what names might be likely to appeal to future business owners. I am not talking of such names as Anderson Lawn Supply or Gene's Handyman Service but rather of names that tap into current or potential future trends, political or social causes, emerging product categories, rising showbiz stars, and other "hot" names.)

4–Use something other than your business name for your URL, but make sure your business name appears several times on the home page of your website so that search engines will pick up on it and lead potential customers to your site when they key in your business name, product name, store name, or service name.

5 - Choose a different business name altogether. There may be no business in your area by the name you have chosen, but if the website URL is not available, you may be well advised to rethink your trade name.

To find out if a domain name is spoken for or available, go to www.whois.com.

Bad connotation

Try to insure that there is no negative connotation to the spelling, the pronunciation, or any other aspect of the name you have chosen for your store, your product, your service, or your company. Be sure, too, that when the words of your business name are run together for your website's URL (Paragon Ergonomics would be paragonergonomics.com), you don't wind up with an unfortunate result. The "goner" in the middle of "paragonergonomics" is not the worst faux pas in the world, but it would be better to avoid it if you can.

In that same category I should mention unfortunate foreign translations. This

While it's unrealistic to translate every trade name into every possible language, you don't want to wind up with a problem such as Chevrolet encountered when sales of their Nova model failed to do well in Latin America. What they didn't realize was that "Nova" sounded like "no va"—Spanish for "it doesn't go."

is not an issue for a strictly local business that has little or no potential for foreign expansion; but suppose you have a store that you can envision opening overseas branches of, as McDonald's has done, or a product that might one day be sold in some foreign country. What now?

While it's unrealistic to translate every trade name into every possible language, you don't want to wind up with a problem such as Chevrolet encountered when sales of their Nova model failed to do well in Latin America. What they didn't realize was that "Nova" sounded like *"no va"*—Spanish for "it doesn't go." A car that doesn't go? Who wants to buy that! And there are other, similar stories of product names or company names that had unfortunate translations or connotations in other languages.

End-of-chapter exercise: Devise one or more "good" (clever, catchy, memorable,

descriptive) names for a possible future business. Look them up on the web to see if they are spoken for already. (Do *not* just type in the name as a URL to see what comes up. Go to www.whois.com to see if the name has been spoken for. There might not be an actual website yet even though the name is taken.)

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Chapter 5
GETTING SET UP AND CHOOSING YOUR BUSINESS FORMAT

No one but a lawyer or accountant who is familiar with your particular situation is truly qualified to tell you whether you should incorporate or not, and whether you should be a sub-S corporation, a regular corporation, an LLC (limited liability company), or a simple d/b/a (sole proprietorship or partnership "doing business as [tradename]." That said, however, there are a few generalities I can venture to state:

Doing business as a sole proprietorship or partnership (as opposed to a corporation or LLC) puts your personal assets at risk should the business fail. Your creditors can go after your personal money and property (including your house and car) to satisfy unpaid debts. And it's not only a business failure that could put your personal capital and possessions at risk. They would also be in jeopardy in case of any sort of lawsuit that results in a judgment against you. This would include a person who is injured on your premises or who claims injury or damage as the result of using a product you sell or manufacture or a service you provide.

It is less expensive to start a simple d/b/a than a corporation, but the ultimate risk is far greater.

It is less expensive to start a simple d/b/a than a corporation, but the ultimate risk is far greater. Too, there may be tax advantages to incorporating. *You do not have to have one or more other people in business with you to incorporate. One person can form a corporation.*

But the corporate laws vary from state to state, so check with the secretary of state or department of corporations of your state, or an attorney or accountant in your state, to get the laws and rules specific to your locality, and the forms of cor-

poration or other entity that are available to you.

Should you take on a partner or go it alone?

There are various reasons to go into business with another person, rather than alone, whether you and he or she become simple partners or a corporation.

• You may have one or more investors to whom you will promise partial ownership in the company in return for their investment.

• You may have one or more active partners who, in return for their work, are given partial ownership in the company, possibly even in lieu of any salary or in lieu of as large a salary as they would otherwise expect to draw.

• You may have another reason, perhaps a legal or tax advantage reason, as advised by your accountant or lawyer, to give partial ownership to some other person—perhaps a relative.

• You may offer part ownership to someone in return for services provided in helping you get the company going, even though this person is not going to be an active ongoing worker in the company.

If you plan to incorporate, in what state should you form your corporation? There was a time when many corporations favored Delaware because of their liberal tax laws for corporations. These days, many people feel that incorporating in your own home state is the best thing to do. But again, your accountant or lawyer is best positioned to advise you on this question.

Solo acts, duos, and more

Is it better to have some sort of partner (literal partner in a simple partnership or active shareholder in a corporation), or to go into business on your own? In this next section, I am going to use the term "partner" loosely to include not only a partner in a simple partnership but an active co-owner of a corporate entity as well.

Obviously life is easier in some respects when you don't have to answer to a partner. You can do as you wish without consulting anyone else or taking his wishes into consideration. But often a partner is just the counterbalance you need. Perhaps you're a great idea person, but some of your ideas are a little wild or impractical, and a partner will provide the needed sensibility to "apply the brakes" when you get carried away. Or *you* may be the sensible, practical, down-to-earth one, while your partner provides the spark of creativity and ideas that you need.

Sometimes there's no question but that your business will be some form of partnership. You and two friends developed your business idea or invention to-

gether, and naturally you're each going to get a share of ownership in the resultant company. You and a business associate work together to craft one-of-a-kind jewelry and sell these in a storefront, with the two of you taking equal turns at manning the store.

Though sometimes partners do roughly the same work as each other, more commonly each brings his or her own talents to the partnership, and each does different work accordingly. Suppose you live in a tourist town, and you and a friend decide to buy a secondhand bus and provide sightseeing tours. You may agree on the general nature of the business, the parts of town you're going to cover, and the specific sites you're going to point out on the tour. You may each put up equal amounts of seed money to start the business. (Although this is not essential. One partner may put up more money and the other more labor—"sweat equity"—to get the business going. Or one may put up more money than the other and own a larger share of the business accordingly.)

Obviously life is easier in some respects when you don't have to answer to a partner.

But after that, your areas of responsibility diverge. Perhaps your partner runs the office, writing the ads for the company, keeping the books and doing the other paperwork, and answering the phone, giving the sales spiel about the tour when interested people call to inquire. You, meanwhile, run the actual tours, driving the bus, calling out the information about the sites you point out along the tour, and collecting the tourists' money as they get on board.

Each partner has his or her own areas of responsibility, usually according to his or her talents. And by taking on a partner with different talents than yours, you have a wider panoply of abilities covered and can more readily give quality attention to the divergent facets of running your business.

Protecting yourself and your heirs

You may think of your partner, "Jim is my best friend. He'd never mess me over. I don't need anything in writing about our partnership." Chances are you're right, but money does strange things to people, and should your business take off into the stratosphere—or should it fail and leave you indebted—you may see a side of Jim you never knew existed.

Or Jim could simply turn out not to be everything you thought he was.

Too, there could come a time when you disagree so strongly about which direction to take the company in that you arrive at an unresolvable impasse. Maybe you want to take the company public, while your partner is adamant that you remain a privately held entity. Maybe you want to franchise your business to people across the country, while your partner wants all expansion stores to be company-owned in order to guarantee that the same high standards apply in every store, and there is no risk that the company name will become sullied. Maybe you want to accept an offer of a corporate takeover, but your partner would rather that the two of you continue to own and run the company yourselves. Maybe you want to offer your service in six new locations, but your partner insists that that is growing too

You need something in writing called a partnership agreement that specifies the rights of one partner to buy out the other.

fast, is financially risky, and the prudent thing is to open one new location at a time, no closer together than every three months.

What to do? You may have arrived at an impasse, where the only feasible solutions are either for one of you to buy out the other or for each of you to sell your interest in the company to some other person, people, or company and terminate the partnership.

And then there is this to consider: Your partner—let's again say we're talking about a fellow named Jim—may be everything you thought he was, loyal and upstanding and devoted to you and the company and every principle of fairness that ever existed. But something—up to and including death—could happen to him. You may think, *Jim and I are in our twenties. We have a long time to go before we have to worry about dying*. But realistically you should know better. Accidents—auto or otherwise—can occur. Unexpected health issues can arise out of the blue. Not only could Jim die, he could become legally incapacitated. Any of these situations could leave you in partnership with, and at the mercy of, his heir or heirs. And these heirs may not be the same sort of partner that Jim is.

Maybe you even have thought far enough ahead as to say, "Oh, Jim's wife is every bit as sensible as he is. I wouldn't have a problem with her as a partner either." But Jim could get divorced and remarried. Or his daughter, now age six,

might be eighteen and of legal age and might be his legal heir at the time of his death. (To use just one example, Jim and his wife might die in the same accident. Or Jim's wife could divorce him prior to his death, leaving the daughter as his only heir.) And she might still be a headstrong and inexperienced kid in spite of legally being an adult.

Also, Jim might get into a financial bind and find it desirable, or necessary, to sell his interest in the company, regardless of the friendship between you, leaving you with a whole different person as partner.

You need something in writing called a partnership agreement that specifies the rights of one partner to buy out the other, or to have the right of first refusal to buy out his/her partner's share of the company in the event that the partner wishes to sell. (For corporations you need a buy/sell agreement.) *See the appendix at the end of this book*. This same document should also protect the surviving partner's rights in the case of one partner's death. And it should specify how the partner's interest in the company should be valued in case of a sale. You and Jim's widow may agree on your buying what had been Jim's share of the company after his death but may not agree on the dollar value of Jim's share. (For one thing, is the company worth as much now that you no longer have Jim working for it and contributing not only his time but his talents and knowledge?) The document should also cover the eventuality of the partners arriving at an impasse: If you cannot agree on a major issue, does one partner have the right to buy out the other, and if so, how is the sale price to be calculated?

Usually a buy-out agreement would have a formula for calculating the purchase price, including a down payment and then monthly payments for four to seven years, depending on the business.

Necessary paperwork

After you have set up the legal entity (corporation, LLC, sole proprietorship, partnership) under which you will run your business and have preferably drawn up some sort of document to protect yourself and your partner or partners, if any, from each other and each other's heirs, you're still not quite ready to open your doors for business.

The next thing you need is an EIN, or Employer Identification Number, which is to a business what a Social Security number is to an individual—your unique ID with the federal government, which will also be used by others (including your bank). You can apply for your EIN online at

http://www.irs.gov/businesses/small/article/0,,id=102767,00.html and get your EIN assigned immediately. A newer form replaces the former Form SS-4 and is easier to fill out.

If you live in a state that has sales tax, and if the laws of your state require the business you are in to collect sales taxes, you will need to apply for a sales tax number.

You may need to file for a professional license or other licensing offered by your state, county, or municipality. You may need to apply to your local zoning board to get permission to establish your business at your desired location; this is especially true of home-based businesses but also applies to many others. If you plan on opening up a food establishment such as a restaurant, you will need certificates from the department of health and also probably zoning. Please check the ordinances for your municipality or locality to determine just what you need to file.

You will need a bank account. Before going to the bank to open the account, call ahead to ask what documents you'll need to bring with you and how much of a deposit is required to open an account. The rules differ from bank to bank.

Choosing professional help

You also should choose an accountant and an attorney, who will be ready to represent you or help you as needed. You may or may not need an attorney's help in setting up your business structure, but you should have a good business lawyer on tap in any case. And a good accountant is indispensible. You will need him or her to fill out tax forms, perhaps calculate deductions for employees' salaries, and be available to answer questions that will inevitably occur of a financial nature. In choosing an accountant (and, to a lesser extent, a lawyer), try to pick one with experience with comparable companies.

True, you hope to be a megacorp some day, but right now you're a start-up, so seek out an accountant with plenty of experience with small companies that at one time, within his time as their accountant, were in their infancy as your business is now. And look for an accountant who has experience with similar businesses. If you manufacture widgets, you don't necessarily need to find an accountant with another widget manufacturer as a past or present client, but you do want to find an accountant with other manufacturing clients. You don't want to pick an accountant whose other clients are all professionals—lawyers and dentists, psychologists and architects. Or one who specializes in retail accounts, or fraternal organizations, or

religious congregations.

The same is true for a lawyer. You'll need a lawyer on call who is familiar with your particular industry, who knows the ins and outs of the ordinances, laws, and other governing rules that apply to your business and has had experience in litigation in your field, in case of any lawsuit that might come up. You don't want to look for trouble, but you'd better be prepared to deal with it if it does come up.

A referral is a great place to start when you're looking for an accountant (or attorney), but make sure he or she has a background in working with firms comparable to yours. You wouldn't hire a trial lawyer to make up your will or a traffic lawyer to represent you in a murder case, would you? Then why (even if she's your sister-in-law) would you hire a lawyer or accountant who specializes in nonprofits or in manufacturers to represent your landscaping business?

Do you need a C.P.A., or just an ordinary accountant, who will normally charge a bit less and may serve many of your needs or all of them quite adequately? And can some of your bookwork be handled by a bookkeeper, or an outside bookkeeping service? (If you don't need a full-time bookkeeper or a steady part-time bookkeeper, there are services out there that can take on the task of reliably keeping your books updated, balancing your bank statements, and even filling out simple tax-related forms such as periodic sales tax reports. This obviates the need to hire a bookkeeper to work for you or to assign the task of bookkeeping to yourself or someone on your staff who may not be as facile working with numbers or as knowledgeable about the various forms as is desirable. It also removes the necessity of giving such tasks to an accountant, who will certainly charge more than a bookkeeper would.

End-of-chapter exercise: List the particular strengths and talents that you, as a partner, would bring to a business enterprise. Be broad in your view: List items as diverse as salesmanship, being detail-oriented, creativity, being good with numbers, being an idea person, being businesslike, an ability to think outside the box, inventiveness, being a good manager…traits specifically helpful to a business you might have in mind as well as traits that would come in handy in many businesses in general.

Now list your weaknesses, and the traits that would be detrimental to your running a business successfully—the places in which a partner with complementary traits and skills would come in handy.

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Chapter 6
A FEW WORDS ABOUT APPS

Apps can be helpful in your new enterprise—and, what's more, an app can even *be* your next enterprise!

Elsewhere in this book I talk about apps such as websites that can help you find employees, and apps that can help you get publicity for your new business. There is quite a proliferation of apps out there, and new ones are invented just about literally every day. Some catch fire and become the newest thing. Others… well, they fail to catch on and eventually die out. Then there are those that have their day but become a thing of the past.

This can happen either because the need they serve no longer exists or because someone comes along who invents an app that eclipses the existing app, perhaps by doing more than what the original app did, or simply by doing it better. Look at how popular MySpace was until the advent of Facebook. While MySpace is still around, how many people do you know who use it anymore? Quite probably none. On the other hand, much of the world is on Facebook.

Although apps for use predominantly on computers may never go away, trending now are apps for other devices, often *exclusively* for other devices. As an example, look at ride-hailing service Uber, which requires a smartphone in order to summon this lower-cost alternative to a taxi.

How many of these names are familiar to you: ZocDoc, Spothero, Snapchat, Waze, VividSeats, Close5, Tinder, and Periscope? They're among the relatively more recent apps that have caught on and proved themselves useful. Which apps will you use in your business?

Of course the answer to that question depends in part on what business you go

into, but one you should be particularly aware of (and it's not that new anymore) is Pinterest. Pinterest has become the darling of the PR world, which should tell you that, when putting out your own publicity, you really should look into Pinterest. It's particularly useful in promoting clothing and food—including desserts—but the list of products it's good for promoting certainly doesn't end there.

As I said a minute ago, however, apps are not only useful in running a business—developing a new app can be a business unto itself. Look at Mark Zuckerberg and Facebook—and look at the money he's raked in from his creation. Of course, not every app is successful, nor is every successful app the moneymaking monster that Facebook is, but there's nothing wrong with a small success, and who knows—your invention may be the next big thing to hit the internet.

You may want to start your new business as a sideline while not quitting your dayjob.

And if it isn't, keep trying. I know a fellow who has developed several apps, none of which has yet caught on, but that doesn't stop him from continuing to develop new ones. By trade he's a web designer and SEO expert, so, not surprisingly, his app inventions have all been business oriented rather than social, or family oriented, or falling into some other category. One app he created even required the use of a new device, which was purpose-specific to his app and similar to a tablet. He invented the device as well as the app, which was designed for retail marketing. Like his several other apps, it failed to gain traction, but that didn't discourage him. The last time we discussed it, he was at work on yet another app.

A catch phrase one hears these days is, "There's an app for that," and indeed there are apps for many things, ranging from shopping to matchmaking to the quest for new friendships to recipe-sharing. And that's just thinking in terms of social apps, not business. Sometimes, of course, what starts out as a social app becomes a very useful app for people in business, Pinterest being a prime example of that.

Think of an area of life—business, education, family, investments, employment, hobbies, genealogy.... Now think of what needs in that field could be met by an app. Here are two examples that occur to me off the top of my head: Is there an app for matching composers with lyricists? If one exists already, can you devise a better one? Is there an app for helping adopted children who are now adults find their birth parents, and vice-versa? And again, if one exists already, can you devise

a better one? While the adage posits that it's not necessary to re-invent the wheel, if you can invent a better wheel, go for it. Rubber tires certainly are a million steps up from the first caveman-invented stone wheel. And within the field of apps, you need look no further than Facebook, which is comparable to MySpace in what it does, yet improved on it to the point of eclipsing it.

If you don't know how to write computer code, that doesn't exclude you from devising an app. It simply suggests you take in a partner. You come up with the basic idea of what you want your app to do and how you want it to function, then partner up with someone you trust (and perhaps get to sign a Non-Disclosure Agreement) who can write code and turn your idea into actuality.

End-of-chapter exercise: Dream up the concept for at least one app—what its purpose would be, which device(s) it would work on, what advantages it would offer, whom it would appeal to, and as much more detail as is applicable. (After all, an app like Facebook has a lot more complexities than an app such as Uber. Your idea may be simple and straightforward, but that doesn't mean it doesn't have the potential to become the next big thing.)

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Chapter 7
CAPITALIZING YOUR NEW ENTERPRISE
"IT TAKES MONEY TO MAKE MONEY" ~ SATOSHI HASHIMOTO

So far we've talked about a new business's need for ideas, for a name (or several), for a legal entity under which to run the business, and for the appropriate paperwork. But there's one *very important* need we haven't discussed yet—money with which to get the business started!

It used to be much easier to start a business on a shoestring. These days, while it's not impossible, it's much more difficult to do and commensurately more unlikely that you'll succeed. The easiest businesses to start on a shoestring are small, home-based businesses with no employees. As a general rule, service businesses are less costly to fund than are product-oriented businesses. (Think about it. It stands to reason. There is no outlay for materials to manufacture or sell, no outlay for storage space, no need for security of any kind—such as an alarm system at minimum—to protect your products and/or raw materials, although you still may want security to protect your office equipment.) And service businesses, again as a generality, are easier to run as home-based businesses than are product-oriented ventures.

How much money will you need?

While some fortunate entrepreneurs start to show a profit soon after going into business, that is the exception, not the rule. To be safe, you had better assume that there will be no profits *and no money to pay yourself a salary* for at least a year. So the first thing you need, even before you open the doors to your new business,

is enough money put by, or coming in from some other source, that you can live on for a year.

What do I mean by "coming in from some other source"? You may want to start your new business as a sideline while not quitting your dayjob. Or you may want to work at your new business during normal business hours but also take an evening and/or weekend job to bring in some money you can live on.

You may need to cut back on your lifestyle—see fewer movies, eat fewer dinners out, postpone buying that new car, buy your clothes used, rather than new, at thrift shops, at consignment shops, or on eBay—in order to accommodate your reduced income; even if you are working evenings and/or weekends, this does not usually bring in as much money as working a traditional nine-to-five.

You may want to start your new business as a sideline while not quitting your dayjob.

But of course, besides needing enough savings and/or income to support yourself for a year, you also need sufficient funds for your initial investment into equipment, inventory (if applicable), and other start-up costs, as well as enough money to run the business for a year.

By the time a year is up, if the business is not at least breaking even—which includes generating enough money to pay you a salary—you need to rethink your plan. Are you in a viable business? Are you in a good location? Are your prices high enough to generate a profit, low enough to keep you competitive in the market? Is your window display (for retail) attractive, your packaging (for a manufacturer) both attractive and budget-wise, your advertising effective, your overhead as low as is practicably feasible?

But that's something for you to look at a year from now if you aren't at least breaking even. Right now, what you need to look at is *What are you going to need to budget money for in your first year of operation?* Not all the items on the list below will pertain to you. Some are only for product-oriented businesses, some only for retail, some won't apply to a home-based business, and others might not apply to you for other reasons. And you may think of other items that do apply to you and that I have not included. But what you'll find below is a general list that should help you plan your outlay of funds over your first year of operation. Some

are initial expenses while others are recurring ones. Obviously you have to determine what the actual dollar value of each item will be for you.

- Salaries for workers other than yourself and any co-owners (or freelance labor payments to contract workers and other "1099" workers—we'll discuss 1099 workers shortly)
- Office furniture
- Store fixtures (display cases, pipe racks and/or revolving racks, mannequins, etc.)
- Cash register
- Credit card machine
- Cost of processing credit card payments
- Accountant's fees
- Lawyer's fees
- Bank fees and other charges
- Computer equipment and supplies: computer, software, disks, printer, printer ink, paper, scanner
- Copying machine
- Fax machine (There are very good three-in-one machines that perform the functions of a fax, copier, and scanner. Consider buying one of these.)
- Phone line(s)
- Initial deposit to phone company
- Phone equipment
- Yellow Pages ad
- General advertising
- Office door or storefront sign(s)
- Professional window trimmer
- Window washer
- Raw items with which to manufacture your end product
- Items bought wholesale to resell in your store or other retail operation
- Any equipment or supplies necessary to performing your service (e.g. a massage table and lotions for a massage therapist)
- Miscellaneous items such as light bulbs, paper towels, toilet paper
- Cost of incorporation
- Cost of any licenses you may need
- Cost of patenting invention(s)
- Cost of obtaining a trademark or servicemark

- Pest control
- Insurance: hazard and liability at minimum. Hazard insurance should cover structure if not rented and all relevant contents including furniture and fixtures, machinery including computers, merchandise and/or parts. You may also be required to carry workers' comp.
- Electricity
- Initial deposit to electric company
- Water
- Initial deposit to water company
- Water cooler and bottled water for cooler
- Retail loss prevention equipment
- Security alarm
- Vehicle(s)
- Gas, oil, and other fluids for vehicle(s)
- Vehicle maintenance
- Vehicle insurance
- Loss of products or raw materials due to retail theft and/or spoilage and breakage
- Music source for atmosphere in store. (An iPod with various playlists seems to serve most businesses quite well, or if you don't have an iPod, an inexpensive radio will work fine for this.)
- Price tags and tagging equipment
- Rental of office, store, factory, storage warehouse
- Deposit on rented premises (see item above)
- Packaging for manufactured items
- Bags for retail store
- Individual or service to do office cleaning or store cleaning
- Office or store or factory equipment maintenance (e.g. computer repair)
- Taxes that are not passed along to the consumer (e.g. the retail customer pays sales tax—you just collect it—but you have to build corporate franchise tax etc. into expenses).
- Cloud storage fees
- SEO marketing on Google
- Facebook geo-targeted ads

Where will the money come from?

Where can you get the money that you'll need to start the business and to keep it running for that crucial first year? You can expect to cover part of your operating expenses out of income the business will generate, but you need to anticipate a shortfall. To fund operating expenses not covered by money the business takes in, and to cover your start-up expenses, here are some sources of capital:

Personal savings that you can invest into your business. This may be in the form of a savings account, money market account, certificates of deposit, or even cash you've stashed away.

Valuables you can either sell to raise capital or use as collateral for a personal loan. These might include a collection of some kind that's worth money, valuable art and/or antiques, or jewelry.

A mortgage, second mortgage, or home equity loan on your home that you take out in order to raise money personally with which to get your venture going.

Money you borrow personally from friends and/or family.

Shares in the business you sell to friends and/or family (or even to others) who think you have a strong chance of success and are willing to invest in the business in return for shares of future profits. Or loans from business sources other than a bank or lending institution. (A Google search of the term "venture capital" may prove helpful in finding an investor or group of investors willing to lend money to a business with a strong enough plan. Also look at the ads in the New York *Times* and *Wall Street Journal* for private investors who lend money to businesses, although usually at a higher rate than a bank.) While some venture capitalists and other lenders will prefer to offer you money in exchange for stock, others will prefer to offer you money in the form of an interest-bearing loan.

A business loan from your bank or some other lending institution.

Note: Self-financing with money you derive from your personal savings, a mortgage or equity loan on your house, or even loans you get from family or friends will come at a lower cost than funding from a lending institution or outside investors. Unless mortgage rates are sky-high at the time, or your cooperative uncle is a Shylock, the rate of interest, and the terms, will be far more favorable when you self-finance. So if this is a feasible option for you, you should always consider self-financing over other possibilities.

The SBIR/STTR program and government grants

Eleven federal agencies take part in the Small Business Innovation and Research

and Small Business Technology Transfer programs, which award money to select small companies that are taking part in new technology research. In fact, if you qualify you can receive as much as $100,000 in Phase I funding and up to $750,000 in Phase II funding—but, naturally, there's a catch.

These awards go only to companies whose research might result in a new technology that could be commercialized and would be of interest to the federal government. Nobody else need apply. If you think your business might qualify, here's where to go on the web to get an application: grants.nih.gov/grants/funding/sbirsttr1/index.pdf.

However, apart from the SBIR/STTR program, there are virtually no government grants available for starting a business, regardless of the fact that some TV hucksters (notably on late-night programs) purport to be prepared to tell you where to find them—for a fee, of course. They, along with other perpetrators of this hype, have unfortunately raised false hopes in all too many inventors, business owners, and other entrepreneurs, as a Google search of grants + complaints + scams will reveal all too easily.

There *are* guaranteed *loan* programs offered by the Small Business Administration, but these are *not* grants. They require repayment, and to qualify you need to have credit, collateral, and a business plan. The place to find out more about these programs is at your bank. Also check out the SBA website at SBA.gov.

Crowdfunding/Crowdsourcing

A relatively new way to fund an enterprise is called crowdfunding or crowdsourcing. It is used both by start-ups and by businesses already operational but looking for funds to expand with. Crowdfunding is accessed through websites, such as Kickstarter, Indiegogo, YieldStreet, FundRise (for large amounts), and GoFundMe. Entering "crowdfunding" or "crowdsourcing" in Google (or the search engine of your choice) will lead you to these sites.

Some crowdfunding is available only to going concerns—that is, companies that already have a respectable net worth and a solid track record. Other crowdfunding sources, however, are available to start-ups. Each of the sites has its own rules and requirements, which are explained on the individual sites.

There you will enter a description of your project or product, why you need the money and what you will do with it, whether you are a start-up or expanding, and any other relevant information, including the total amount of funds you wish to raise. A short video is helpful. It puts a face on the appeal. The video can simply

show you talking to the camera about the project, or if yours is a project that involves a product with reasonable eye appeal, show a sample of the product. An essential element on Kickstarter is a premium offer: For every contribution of $X, you will award the recipient thus-and-such. For every contribution of $Y, you will award the recipient thus-and-such. And so on. The premiums get better as the size of donation goes up. Ideally the premium should be related in some way to your project, whether it involves giving away one of your products or is otherwise in some way pertinent to what you're doing.

The catch on some of the sites is that the money goes into escrow with the crowdfunding company and is released to you *only if you meet your goal*. If you do not raise your total goal funds (or over that amount), you do not get *any* of the money.

Every site has its own rules, its own restrictions, and its own ramifications. But they share in common the fact that through them a company or individual can raise funds without soliciting venture capitalists one by one or hitting up family members or friends. Which site is best for you? Check them all out—not only the ones I've listed here but any others that may arise between now and when this book is next updated—and then decide for yourself.

Once you decide on a crowdfunding platform, it is a good idea to look at a representative number of other appeals before signing up and writing you own request for funding. That way you can see how other companies and individuals word their appeals, what their premium offers consist of, and what their videos look like.

The good news

According to Andrew Zacharakis, professor of entrepreneurship at Babson College in Babson Park, Massachusetts, many highly successful businesses have been started for less than $20,000. While this may not qualify as a "shoestring," it's not a million-dollar capitalization, either. Twenty—thousand dollars is not a staggeringly unobtainable number. It's reachable. It's do-able.

And, of course, that's not to say that you absolutely have to have a minimum of $20,000 to get started. There's no unwavering rule that you can't start a successful business with only $10,000—or even less. You'll be starting smaller. It will take you longer to build up the business into a mid-size or, eventually large enterprise. But it can be done.

Accepting payments from clients/customers:
Before we close out this chapter, let's take a minute to talk about the money that will come in after you get your business up and running: payments from your clients or customers. The old days of "cash and carry" being the only option are as behind us as the horse and buggy. Relatively few businesses offer credit accounts financed by the business itself anymore either—furniture stores and some used car lots are two exceptions that immediately come to mind. With the advent and then widespread usage of credit cards, most people making a purchase of goods or services that exceeds their immediate ability to pay out of pocket utilize American Express, Visa, MasterCard, or Discover to fund the expense.

One old-fashioned idea that has made a modest comeback in retail in the last few years is layaway. Under the layaway system, a person makes a purchase of an item by selecting the item and putting down a down payment to hold that item for a certain period of time. He then makes ongoing regular payments till the item is paid for in full. Only then does he get to take the item home with him. This is as opposed to credit (*not* credit card) purchases, under which system the customer takes the item home and *then* pays off the debt, sometimes defaulting and leaving the merchant with the necessity of dunning the consumer and possibly even "repoing" (repossessing) the item. With layaway, since the consumer does not yet have the purchased item in his possession, the incentive is greater to keep up the payments.

Another relatively newer innovation is debit cards, which function like credit cards but will process only if the customer or client already has the funds in his account. A debit card may be attached to a bank account or to an independent company such as PayPal. Processing the payment will cost the merchant a small percentage of the sale. (The actual amount varies from one card-processing company or bank to another, just as with credit cards.) The upside is that, unlike the situation when you accept a check as payment, debit card payments can't "bounce." There *are* charge-backs, which occur most frequently when the client or customer finds the merchandise or service flawed or unsatisfactory, but this can happen with credit cards as well, and even customers who pay by check can try to get their money refunded, though they are in a weaker bargaining position. Also, there are cases of debit card fraud, just as there are cases of credit card fraud, but overall, most merchants find debit cards safer and more convenient to accept than checks.

The newest player in the debit and credit card field is Apple Pay.Square, which came onto the scene just a few years ago, is a mobile credit card reader. Similar to

PayPal's mobile card reader, it enables the merchant to accept the card as payment for goods or services *anywhere,* not just in his or her place of business. This says that if you're a consultant meeting with your client at her place of business, a door-to-door vendor, a flea market merchant, a gastrotruck chef, or a mobile pet groomer, to give just five examples, you can accept credit or debit cards off-premises.

End-of-chapter exercise: Using the list of expenses above as a starting point, create your own list of expenses specific to the business you want to get into. If you do not yet have a particular business in mind, choose a business you might be interested in getting into. After you have listed all the start-up and recurring expenses pertinent to that business, estimate the costs of each expense, figuring the recurring expenses over the course of a year. Now add the list up. This is your best-guess estimate of the money you will need to capitalize your start-up.

Yes, some of these expenses will be offset by income generated by the business, but there are bound to be unexpected expenses not covered on the list, and/or expenses for which you have underestimated the cost.

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Chapter 8
HAVE A PLAN . . . AND KNOW WHEN TO DEVIATE FROM IT

Just as every coach needs a game plan, every business needs a business plan. It will guide you as you try to get your business up and running and turn it into a profitable venture. You also may need to show your business plan to the bank if you seek a loan from them, or to potential investors if you are selling shares of stock to raise capital. The list of expenses you made as an exercise at the end of the last chapter will be part of your business plan, but there is much more that needs to go into it as well.

Business plans come into play not only at the inception of a business but further along as well. For example, if you are planning a major expansion of an existing business, specifically an expansion for which you need funding, you will need a business plan to show the lender or investor(s). As well, you will need to show a plan if you are planning to sell a profitable business or take your business public.

Right now, selling your business may be the furthest thing from your mind. You are just starting it, or not even—it may be nothing but a half-formed idea, or simply a dream in your head. But one day when it is a going enterprise, you may be approached by a larger company that is interested in a takeover. Or you may simply want to take it public, sell shares, and use the revenue for a significant expansion. Right now, though, in the formative stages, you need a workable business plan that's suitable for a start-up.

However, as good as it is to have a plan, it is never good to be a slave to it. Circumstances change. Situations change. Let's take an example from the retail side

of things: You are offered some close-out merchandise at a deep discount. You are fairly sure you can sell most or all of this inventory at a decent mark-up over your cost. But this will require a much larger expenditure of money this month than you had budgeted for. Advertising the resultant special sale may cost more than you were budgeted for in advertising this month as well. (Or you might run ads for the special sale in lieu of your regular ads, or sell the merchandise as an "Unadvertised Special.")

You have the needed funds in your bank account, but they had been allocated toward future expenses. Should you use that money to acquire and advertise the close-out merchandise, hoping to turn the merchandise over and get back your investment before the funds are needed elsewhere? Should you cut back somewhere else in order to have the money to make the purchase? Or should you let this opportunity get away from you because it isn't in your business plan or your budget?

Should you use that money to acquire and advertise the close-out merchandise?

Now let's take an example from the manufacturing end of things. Six months ago, when you started your business, you bought a small used machine with which to manufacture or assemble your product. Sales are going reasonably well, and you have good reason to believe that your business shows signs of turning into a winner. You are contacted by another business owner—perhaps even a competitor—who is going out of business. She has a machine for sale that does the same thing as the machine you presently own but does it better—perhaps it works faster and turns out significantly more units per day than your present machine. You investigate her machine and satisfy yourself that it's in good working order, and the price is a real steal. A capital outlay such as buying new machinery is definitely not in your budget or business plan, but you honestly feel that with increased production you could make additional sales. And if you sell the machine you've been using, you can recoup a part of your investment. You even know where in the budget you can borrow the money from. But should you do it? It's not in your business plan.

And finally, an example from a service industry. You are running a small dog grooming shop, with one employee and yourself working at grooming the dogs. You have more business than the two of you can handle, but there is no room in

the shop for an additional employee. The lease runs out on the small store next door to you, and the store owner decides to move rather than renew. If you signed a lease to take over that store, you could break through the wall, enlarge your shop, hire two more groomers to work for you, and double the number of clients you can service every day. You are sure that after a couple of months you will be getting in enough new clients to cover the salaries of your two new employees, and you have a friend who's a contractor who will give you a break on the cost of breaking through the wall. The main sticking point is the additional rent. You're not sure how long it will take till you have sufficient additional income to cover not only the new employees and the additional supplies you're going to need but also the increased rent. A small increase in your price structure would help toward offsetting these additional expenditures. But right now your prices are commensurate with those of most of the other local dog grooming salons. If you raise your rates, you risk losing customers. And expanding your business this quickly was definitely not in your business plan.

What should you do in each of these circumstances? My feeling is that the retailer in the first example should buy the close-out merchandise, and the manufacturer in the second example should buy the machine, but for the dog grooming salon in the third example, the expansion is too risky and the additional costs too radical, and so, tempting though the opportunity is, the owner should pass. It's not the right time to take that bold a step.

But whether you agree with me or not (and you're entitled to disagree—my opinion is just that: an opinion, not a pronouncement from an infallible source), the point I am making here is that it's not necessary (and not always even good) to be slavish to your business plan. Contingencies occur. Circumstances change. Opportunities come up—and so do problems. It's good to have a plan—but it's also good to be flexible. Don't, however, depart from your plan cavalierly without thinking things through very well. Is the expenditure or change you're about to make really a good bet? Do you have the money elsewhere in your budget? What happens if this new expenditure doesn't pan out or doesn't pay off as quickly as you expect it to? If some other, more essential unexpected expense comes up—an equipment breakdown, a burst pipe in your office, store, or factory that causes great damage and that your insurance covers only part of the expense of—will you be strapped for the money to pay this expense because of the money you've laid out to buy the inventory, buy the machine, or break through to the adjoining store and rent it?

You can't be a slave to your business plan, but neither can you write it only to totally disregard it.

Writing a business plan

Now, how do you write a business plan? There is no one accepted method, no one-size-fits-every-company document. The rest of this chapter will offer a basic outline for a business plan. You can use it as is, change it and add to it and adapt it to your needs, or search Google for "business plan" and follow the format of one that you find there.

Here is a one form of business plan:

> Company Summary
>
> Under this heading, list the company name, address, phone number, fax number, email address, and website. List the owners, officers, and any other key people. State your main product or products, or service or services. If it's a store or other retail operation (e.g. a catalog or direct mail sales operation), state the type or types of merchandise you will be selling. If it's a restaurant or catering service, state what type of food you will be serving, the décor of the restaurant (casual, upscale, family, rustic), and the price range (low, moderate, high-end). Give the demographics of the people who are (or are expected to be) your primary customers or clients. (Examples include people in a certain geographic area, companies in a certain business, or people interested in a particular hobby.) State why your product, service, or retail operation is likely to succeed, especially as regards other competitive businesses already out there, if any. State how many employees (including yourself and any other co-owners) you have now or expect to have at the inception of business.

Also mention any special knowledge or education or experience or other qualifications you or any other owners or key personnel have that make you especially well qualified to succeed in this business. If you plan to register or trademark or patent any invention, name, process, or other intellectual property, or have done so already, say so here.

Statement of Purpose

Explain just what it is that your company does or intends to do and how it makes its money or intends to. Include the geographic scope of your market base; do you intend to serve your neighborhood, your entire town or city, or are you marketing nationally or globally?

Marketing Plan

Here you will explain how you intend to market and advertise your product or service or retail operation. How will you call the attention of the public, or of your specific target market, to your product or service or retail operation? How will you advertise it? If it is a product that you manufacture, how will you package it?

Competition

Identify your most direct competition. Depending on whether you are marketing locally, globally, or somewhere in between, your competition may be all U.S. mid-priced hair product manufacturers, low-cost catering services in your local area, natural herbal supplement distributors globally, or plant food

sellers who market on the internet. Now explain how your product or service compares with theirs and what your selling points are that would induce potential customers or clients to do business with or buy from you rather than from your competition.

Financial Plan

Here is where you plug in the plan you worked on in the last chapter. Now project ahead one year, and five years, and estimate what the numbers will be for each item then, including such one-time costs as additional or replacement vehicles, office machinery, and other such outlays.

Financial Growth Projection

Under this heading, project or estimate how many units of product you expect to sell, or how many clients you expect to service, or how much net profit you expect to derive from retail sales at start-up, again in a year, and again five years from now, and explain how you arrived at these figures. Project an overall profit or loss for the first year and an overall annual profit for the fifth year. List any other specific financial goals you may have.

Overall Growth Projection

Under this heading, project how many employees you expect to have in a year, and the same again in five years, what enlargement of facilities you anticipate (such as moving to larger quarters, opening a second store or factory, or transferring your home-based business into an office), and any other growth

markers other than income/profit (which you have already covered in the previous section). Also list here any plans you have for franchising others to do business under your trade name and your supervision. State how your franchise fees will be structured. Be realistic and, where applicable, explain how you arrived at your projections.

Social Impact (or Community Impact)

It may be helpful to include a section on social impact or community impact. This is particularly relevant to a company that does business locally and is looking for a loan, investment, or other participation from a local lender, investor, or other interested party. If your company will have an impact on conditions in your community (and this can include something as simple as large-scale hiring), it may be helpful to point this out. If you do not see your company impacting positively on your community, simply omit this section.

Green Impact

That's not "green" as in money but green as in ecology. If your factory will have a remarkably negligible carbon footprint, or your product or service will appreciably reduce greenhouse emissions or will in any other way positively impact on the environment, it can be very useful to point this out. As with the social/community impact section, above, if you do not see your company impacting positively on the environment, simply omit this section.

If you are using this business plan to apply for a loan or for equity financing, your bank or other lender or investor may request other documents in addition to the plan itself. These may include:

- Copies of personal tax returns for the principals of the business for the last year or several
- A copy of your lease (or leases, if you are renting more than one premises, such as a separate office and factory, or two offices) if this is not a home-based business
- A copy of any necessary licenses
- A copy of your franchise contract if you are a franchisee
- Copies of any contracts with or letters of agreement from suppliers
- Copies of your business's recent bank statements—for at least the last year, if you have been in business that long
- Copies of paperwork for any other existing loans your company owes
- A statement of how much equity in the company you are willing to offer for equity financing

Depending on the lender or investor, other documents may be requested as well.

Not to put undue pressure on you, but drawing up a proper business plan that shows off your company to its best advantage can truly be a make-or-break undertaking, especially when it comes to using the business plan to apply for a loan. If you don't make your prospects look good enough, you won't get the loan, though if you make it seem like a pie-in-the-sky financial plan, based on nothing but clouds, hopes, and dreams, that won't get you anywhere either.

If you have trouble constructing a proper business plan or financial plan, *get help*. You can hire your accountant to construct the business plan and/or financial plan for you, enlist the aid of a friend who is an established businessperson and has had experience in constructing these documents, or call an organization such as SCORE (Service Corps of Retired Executives). There is even help on the web, though most of it is in the form of templates, which I've given you here, and which won't help you in your financial projections or in "filling in the blanks" of the business plan. Coming up with the appropriate information and projections is the toughest part to do, but it's important.

Goal!

Let's talk about one more way in which it's good to have a plan. I'm referring to

goal-setting. Besides having a business plan, it's good to set goals for your business, and for yourself within the business. Don't just go along and get by. Don't just say, "Let's see how much business we do this month." Have a goal: Perhaps to beat last month's sales figures, even if it's only by $10. Or set a more ambitious goal for the company: to improve production by 20%. If you set a goal for the business, or for yourself within the business, the likelihood is greater that you'll do better than if you just go along and "try your best."

Three websites that offer business plan templates are:http://www.scribd.com/doc/36341/Business-Plan-Template, http://planmagic.com/business_plan/business_plan_templates.html, and http://www.bplans.com/sample_business_plans.php.

Remember, if you believe it's impossible, it will be! But if you believe you can do it, there's an excellent chance that you can.

Fresh eyes

Before we close out this chapter, let's look at one more aspect of planning. Actually it's something more all-encompassing than just simply planning, but planning is as good a way as any to categorize it.

I'm talking about taking a periodic look at your business with fresh eyes.

Anything that we see all the time, we fail to see clearly after a while. This is true of people, furniture, scenery…and situations. When your business has been running along for a while, whether it's growing and growing and growing or simply humming along steadily in a plateau phase, you tend to take it for granted. This is the way it works, this is the way it's run, this is the type of advertising you do, and these are the media in which you place your ads. This is your pricing, these are your employees, these are the tasks they perform, this is the way your office/store/factory is set up. You no longer see it. You just go through the daily routine. You may think about things that require conscious thought, day-to-day decisions and planning. But overall, you don't see the forest for the trees.

And that's not a good plan.

So once a quarter (give or take), take a fresh and hard look at your business. Is everyone who works for you being used to his or her best potential? Is there any "dead wood" in the organization? Anyone who isn't being properly rewarded for his or her efforts and accomplishments? Is the physical layout—the arrangement of desks, equipment, partitions or rooms, machinery—the most effective for what you're trying to accomplish, or do you need to move things around? Or maybe it's

time to move to larger quarters altogether? Are all your procedures producing the best results? Is your advertising the best you can afford? Is it time to try something new in the way of ads or the media in which you place them? Is it time to stage a publicity event? Is it time to send out press releases even though there's no special event to peg them to? Is your financial situation solid? Is there anyone who owes you money who ought to be turned over to a collection agency or lawyer?

As well, every quarter you need to compare the quarter just ended with the previous quarter or quarters and, if you have been in business more than a year, compare the quarter to the same one in the previous year, so that you are comparing apples to apples. For example, you would want to monitor Christmas season sales from the prior year to this year, in hope that seeing what has sold previously will help you merchandise more smartly, so that you can have a more profitable season. Too, you can simply compare your sales for Q4 this year with your sales for Q4 last year, to make sure you're moving up and not down. (And, if sales and/or profits *are* down, you need to look for the reason.)

Look at every aspect of your business with fresh eyes, and really *see* what's in front of you. (If looking at every minute aspect of your business every month is too time-consuming and seems to waste time needlessly, decide which aspects to look at every month and which aspects to look at every other month or every third month.) But do "inspect" your business with fresh eyes on a regular basis.

End-of-chapter exercise: Create a business plan for the business you are planning to start. If you do not yet have a definite business in mind, pick one that might interest you.

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Chapter 9
KEEPING TABS ON THE COMPETITION

Nobody likes to walk through life figuratively looking over his or her shoulder, but in business you do have to keep an eye on the competition. What are they doing that's different from what you're doing? What are they doing that's *better* than what you're doing? What are they doing that you could take a lesson from?

The fact that your competitor and you have different approaches does not necessarily mean that the competitor is right and you have a lesson to learn—not even if the competitor has been in business longer than you have, and not even if the competitor is doing well. Your company may just be the young upstart with brash new ideas that, in the end, will prove better than the established way of doing things. But don't get so arrogant that you assume your way is arbitrarily the best way. The newer way *might* be better. Your ideas *might* be fresher. But still, you can always learn from others—and not necessarily your direct competitors, either.

The fact that your competitor and you have different approaches does not necessarily mean that the competitor is right and you have a lesson to learn—not even if the competitor has been in business longer than you have, and not even if the competitor is doing well.

Let's say you're a DJ specializing in weddings, bar/bat mitzvahs, and sweet 16s. Naturally you would do well to keep an eye on other DJs to see what they're doing, and especially what they are doing that is different from you. Items of interest would include how and where they're advertising, how they encourage people to give them referrals (this would pertain to both satisfied clients and others in the party industry), how much they charge, what music they're playing, what equipment they use, and so on. But in addition to scoping out your direct competi-

tors, you would also do well to keep an eye on, for example, other people who specialize in parties for the same occasions you do, chiefly caterers, florists, and party rental companies. Where do they advertise? Do they work hand in hand with each other, referring clients back and forth? Is a referral fee involved? It might also help to check up on bands that play for anniversary parties, corporate functions, society balls, and birthday parties for the older crowd. Though they're playing for different occasions, you still might learn something useful from them.

Or let's say you manufacture unusual costume jewelry, which you sell to local

Look at a comparable catalog put out by a competitor (or, if you are advertising in someone else's catalog, look at comparable products in that catalog).

stores. Is there someone else in town doing the same thing, from whose methodology you might learn? If not, how about someone in a different geographic location who's doing what you do, or something similar? Or how about others in your area who handcraft items other than jewelry that are sold through local stores? Is there an incense maker, a toymaker, someone who crochets baby jackets? How do these artisans advertise? How do they find and approach the stores that become their retail outlets? What sort of packaging and/or labels do they use? Do they provide display racks to the stores? Do they also sell direct to consumers, and if so, how? Through website sales? Through direct mail solicitations? What else can you learn from them?

Or let's say your business is a retail store. How does the competition set up their store? What merchandise goes where? Do they have enticing specials near the front door, to lure customers inside, or is that where they place higher-cost merchandise, or impulse items? How do they generate excitement for shoppers already in the store? What kind of merchandise is in the window? And what kind of signage?

Or suppose you sell products through a catalog (either a catalog of all your own products, or a catalog of other people's products). Look at a comparable catalog put out by a competitor (or, if you are advertising in someone else's catalog, look at comparable products in that catalog). How is the catalog set up? What logic seems to drive the product placement? After reading through your competitor's catalog to get a feel for both the types of products sold and the descriptions of

them, what specific demographic, if any, do you think their catalog appeals to, and how does that compare with the demographic you're pursuing with your catalog? (Upscale, budget-minded, hobbyists, retired folks, proud grandparents, kitsch collectors, people in a certain industry, buyers of business-oriented paper products?) How do their product descriptions read?

The one, the only, the original

Right about now, some of you reading this book are thinking, or saying aloud, "I *have* no competition. My product [or service, or store, or catalog] is [or will be] unique."

If there *is* no competition, it could be that you're a prescient genius. After all, no matter what product or service you can think of, *somebody* was the first to say, "Hey…wouldn't it be a good idea if I___?" or "Hey, I bet I could make big money if I made/designed/organized/sold/arranged____." Yes, you could be the next big industry pioneer—or it could be that there's a reason nobody else is selling this particular product/service, or at least not doing so in your location. (For example, despite the general popularity of ice cream, I imagine there are a limited number of ice cream stores in areas north of the Arctic Circle.)

But even if you have a truly unique concept, *someone, somewhere* is manufacturing/selling/marketing *something* that is in some way comparable enough that you could learn something about marketing your service or product, or running your store, from seeing how they do it.

Comparisons are illustrative

An old saying claims "Comparisons are odious." But whoever first said that surely wasn't talking about scouting out your competition in a business context. You *have* to compare yourself with the competition to learn what they are doing different from what you are doing that might be working better. And that includes comparing your business to another even if you have no direct competition. If your product is a totally new way to record and play back music, look into existing music recording and playing devices. If your product is a new machine for home use that cleans clothes without water and will eliminate the need to ever take clothing to the dry cleaners again, look into the sale, advertising, pricing, and promotion of washing machines. Maybe you've invented a new soft beverage that isn't carbonated, isn't a fruit juice, isn't caffeinated, tastes delicious, has only three calories per serving and yet doesn't rely on artificial sweeteners. There's nothing like it on the market, you say? True—but you can still compare it to other canned or bottled soft drinks.

Just the facts

Whether you're selling wholesale or retail or offering a service, most of the following questions will be applicable to you as regards your competition: How do they market and advertise? *Where* do they advertise? How often do they advertise? Do they advertise in mainstream media, such as newspapers, magazines, radio, or TV, internet banners, Google, outdoor signs, Yellow Pages, or Pennysavers, or do they distribute flyers, or send out direct mail solicitations, or do they put costumed characters out on the street holding up placards, or send up planes to do skywriting

What kind of image does the company try to project? Down-home? Sophisticated? Friendly?

or pull a banner? Do they run promotional contests, or do give-aways?

If they advertise nationally, do they run the same ads nationwide or tailor their advertising to different geographic areas?

How does the company generate excitement: through coupons, holiday sales, two-for-the-price-of-one offers?

What kind of image does the company try to project? Down-home? Sophisticated? Friendly?

How does the competition price their products? You do not necessarily want to be the lowest-priced. You may want to be a higher-end manufacturer, retailer, or service provider and offer better products, more personalized service, etc. As I said earlier, sometimes by selling at a higher price you create the image of "better." But if you're pursuing a budget-minded market, it will do you no good to be priced way above your competitors. And even if you're *not* pursuing a budget-minded demo, it will do you no good to price yourself out of the market.

End-of-chapter exercise: Keeping in mind either the business idea you plan to pursue or one that might appeal to you, draw up a chart of three columns (and probably several pages). In the first column, list all the facets of the business that you want to compare with your competitors, whether that is a product, service, store, or catalog. Review this chapter to see what these facets are. In the second column, list what your closest competitor is doing in each regard. And in the last column, list what you plan to do.

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Chapter 10
PRICING YOUR PRODUCT OR SERVICE

At what prices should you sell your products or services?

If you're operating a retail store and selling boxed items whose prices are printed right on the boxes, you don't have much of a decision to make—unless you're discounting from the list price. Similarly, if you're operating a bookstore and selling at full retail, the prices are printed on the dustjacket or paperback cover. And there are other items, too, for which the manufacturer sets, or suggests, a retail price.

But what if that's not the case?

What if you're a retailer but have full discretion to set your own prices? What if you're *not* running a retail operation? What if you're a manufacturer? Or a craftsperson? What if you're in a service business? At what price should you sell your goods or services?

To answer that question sensibly, you need to answer two other questions first.

What will the traffic bear?

Let's begin with this one: What is the competition charging for the same or comparable merchandise or services? (Reminder: We talked about this in the previous chapter.)

Next, what is your cost for the item or service? If this is an item you're selling retail, we're talking here about the price you pay the manufacturer or other wholesaler (or possibly a jobber or other middle man). If this is an item you're manufacturing, we're talking about the price of the raw materials, plus any packaging you may be using. And if it's a service, what direct costs, if any, are there that are associated with the service?

Now what about labor directly involved in the sale or manufacture of the item or rendering of the service? If you have retail salespeople, factory workers, artisans or crafters, or people working for you who provide the service you're selling, you need to factor in the cost of their salaries.

Now there is the rest of your overhead to account for. Besides costs directly attributable to each item you sell or service you provide, there are also all the expenses that you assigned a dollar value to in Chapter 6. Not included in those figures is salary for you and any co-owners. For the first year, you may wish to not draw any salary in order to keep your expenses down, but assuredly you want to eventually be able to pay yourself (and any co-owners) a regular salary. Then there are the contingencies and emergencies that inevitably pop up. You need to allow for the unexpected. And finally, don't forget profits. If your company is to become successful, it has to do better than just break even. You have to do more than just cover costs. Looking at it simplistically, you want something to be left in your bank account after you've paid all your bills.

Profits are not the same as salary

Bear in mind that your salary and your profit are two different things, and while you may not draw a salary for the first year, you ultimately will need to figure for both. The company needs to be making a profit, *and* you need to eventually be

The company needs to be making a profit, and you need to eventually be taking a salary yourself as well. Otherwise, you might just as well be working for someone else—or spending your time doing volunteer work, unpaid.

taking a salary yourself as well. Otherwise, you might just as well be working for someone else—or spending your time doing volunteer work, unpaid. Your salary is a fixed amount that you will draw weekly (or bi-weekly or monthly). The company's profits can be left entirely in the company's account to grow the company, or a portion of them can be distributed periodically among the owners or shareholders. If you're a publicly owned corporation, these distributed profits are called dividends. If the ownership of the company rests with just you, or you and a partner or two, you can decide more informally when to pay out some of the profits to yourselves, and how much. But don't look at the company as a cash cow from

which to draw down all the profits. This will neither leave your company healthy in case of a sudden emergency nor make it attractive to investors if you do decide to take it public.

Doing the math

So how much do you have to "mark up" in order to cover all your costs and still make a profit? A mark-up is usually figured by percentage rather than by dollar amount. A 100% markup means that an item you buy wholesale for $10 you sell for $20—you add 100% of the cost to the cost to get the retail price. You need to determine how much of a mark-up you require in order to meet all your expenses with something left over for contingencies and for profit. Of course, in the first year, there may not be any profits. That's to be expected. You may not even meet all your expenses. To be safe, you should plan on starting the business with enough of an investment to cover one year's worth of expenses and not plan on drawing a salary either. (See the chapter on capitalization.) If you find the company making enough money that you're able to start drawing a salary, even a modest one, then do so. And if you start accruing profits before the end of the first year, so much the better. You're ahead of your target goal.

You can always adjust your prices if you find that you're not charging enough for your products or services.

You can always adjust your prices if you find that you're not charging enough for your products or services. Mid-course corrections are not a bad thing. When you first estimate what your overhead will be, at least part of those figures will be a "guesstimate." You may find your actual costs are higher (or lower!) than you anticipated, leaving you needing to raise your prices—or possibly leaving you able to lower them. Or to leave them alone but to start drawing a salary sooner than you had expected.

Of course, if you've signed a contract with a client for your services, you'll usually have to continue to provide them at that price till termination of the contract. Similarly, if you've contracted to supply product at a given price, you will need to honor that contract as well. But for goods or services provided other than under contract, you can adjust your prices as needed—remembering, of course,

that if you raise your prices appreciably, you risk losing customers or clients.

How much should you mark up, then, or how much should you charge for your services? I can't give you a number. You have to do your own math. But I've given you the bases on which you can come to your own determination: a combination of two basic questions. What is the competition charging? And what are your costs, including all overhead? How many products do you think you can sell a month, or how many times do you think you can sell your services per month? Calculate the cost of each item or service. Divide your total monthly overhead among the number of sales. Allow something for profits too. Now calculate what price you need to set per item or per service. How does that compare with your competitors' prices?

If you're way overpriced, you may need to in some way adjust your overhead so that you can sell your products or services for less and still make a profit.

End-of-chapter exercise: Based on the information given in this chapter, calculate at what price you should sell your product or service or, if you have more than one product or service, one of your products or services.

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Chapter 11
MARKETING YOUR BUSINESS

What does "marketing" mean? Marketing refers to the promotion of products, particularly advertising and branding, both of which we'll talk about in a bit. According to the American Marketing Association (AMA), "Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

Marketing is a creative industry that encompasses advertising, distribution, and selling, as well as determining what your customers are going to want and/or need to buy from you in the future. This is true whether you are selling a product or a service.

"Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

Marketing is specialized and distinct from advertising, and relies on tools as disparate as market research, focus groups, and psychology to both help make your product/service more attractive to customers/clients and anticipate their future wants and needs. The tentacles of marketing reach into such divergent areas as attractive packaging of merchandise, and product placement in movies, TV, and other media, as well.

The four "P"s of marketing are fundamental and are taught in virtually every marketing class. They are: product, pricing, promotion, and placement.

Virtually every product, service, or retailer needs to advertise. How else are people going to know you're in business, and what merchandise or services you have available to sell?! Wholesalers need to reach retailers to let them know their products are available for resale. Retailers need to reach the public to let them know where their stores are, what they're selling, when they're open…and to let them know of any sale or other special promotion. Craftspeople and other artisans who sell direct to the public need to promote their wares, too. And people who offer a service, whether that's "b2b" (business to business) or "b2c" (business to consumer), need to let their potential clients know that they're out there and ready to do whatever it is that they do.

Naturally, the medium you advertise in and the form of your ad will vary according to whether you're selling to retailers or to consumers, nationally or locally, and on a large scale or a small scale.

Toilet paper is one of the few products that fits the "for everyone" description, but even ads for toilet paper will vary according to whether you are pitching your product for home use or for industrial use, for economy-minded customers or for those who most value softness and absorbency….

So the first thing you have to do is identify your customer or client. Who is she or he, or who are they? Rarely is a product for "everyone." Toilet paper is one of the few products that fits the "for everyone" description, but even ads for toilet paper will vary according to whether you are pitching your product for home use or for industrial use, for economy-minded customers or for those who most value softness and absorbency…. And few products are as ubiquitous as tp. Even food doesn't fit the "for everyone" description. Is it upscale food, kids' food, organic food, quick food (I don't mean "fast food," although there's that too…I mean quick to prepare), food to take camping in the outdoors, food for those on a diet, or does it fit some other category?

Where and when?

Writers, especially journalists, learn that factual articles need to inform about the "five Ws": Who, What, Where, When, and Why. Advertisers need to concern themselves with two of those five Ws: Where and When? Where do you want to advertise, and when do you want to place your ads? What is the best medium for your particular business to advertise in, and for you to reach your particular customer? And when is the best time to advertise? If you're advertising in one of the broadcast media, what's the best time of day to advertise? In *any* medium, what's the best day to advertise, or the best time of the year to advertise most heavily? (We'll explore this question further later in this chapter.)

"Advertising" can refer to ads in the local paper or a national magazine, to ads on radio or TV, which may be local spots or regional or national, or to something as simple as flyers tacked up on bulletin boards or left under car windshield wipers (illegal in some localities), or to promotional stunts such as stiltwalkers wearing "sandwich" signs or costumed characters handing out leaflets. Advertising can be mailers, inserts in your local paper (quite different from ads printed in the paper), or a mailed packet of an assortment of coupons and ads for various local businesses, including yours, like the mailings by a company such as ValPak.

That's "where." What about "when"? When are you going to place your ad or ads? Obviously if your product or service is seasonal, your ad will be timely. But that's not what I'm talking about. I am referring to the time of day you run your radio or TV ad or the time of the week you run your print (basically, newspaper) ad. Weekend ads may cost more in your local paper, but there are plenty of people who subscribe to the weekend editions only. Then there may be special sections—a Sunday business section, a Monday local business section, a Sunday book review section, a Thursday women's section, or some other special section that may be applicable to the product or service you are advertising. As for broadcast advertising, do you want to catch your listeners in morning drive time or evening drive time (commuter rush) on radio, working hours (good for reaching those people who work in offices that have the radio on, which especially applies to medical and dental offices, among others, as well as people who don't work or who work shifts other than nine to five), the before-work hours when some people have the TV on as they eat breakfast, get dressed, and otherwise get ready for work…or some other specific time?

Where is your competition advertising? And do you want to go up against them, or advertise in a different venue or, in the case of one of the broadcast media, at a

different time of day or on a different station or channel?

In selecting where to advertise, though the "big five" are radio, TV, newspapers, magazines, and the internet, there are other options as well, which may serve you depending on the demographic and the geographic area you're trying to reach:

• Some informal restaurants feature placemats with advertising on them. Most commonly the border of the placemat is divided into squares, with each square sold to a different advertiser.

• "Stunt" advertising aims to catch the public's attention with stiltwalkers, costumed characters, hot air balloons, and other such gimmicks, as well as events that will appeal to the members of the public, such as an appearance at your store by a popular local radio personality, or a contest run by your service business or retail outlet. The stiltwalker type of stunt works best for a very localized product or service—one that aims at consumers not just in your city but in a particular neighborhood—though it can be effective on a wider scale too, especially if the stunt is outrageous enough to get the attention of the news media.

• Direct mail advertising lands your ad in your potential customers' or clients' mailboxes. You can rent a list of people in your ZIPcode, your city, or other such demographic, or a list of people who have an interest in your industry—say, pet owners in your city, if your product is home-cooked organic pet food. Then you prepare an ad, print as many copies as the number of names you have secured from the mailing list company, and mail out the copies. List brokers such as Hugo Dunhill of New York City (HDML.com) rent the lists to you for one-time use and will supply the names on labels, ready to be affixed to envelopes or postcards, or directly onto flyers. Or you can get in touch with a company such as Valassis, who is the world's largest provider of newspaper inserts, or ValPak, which prepares mailings containing offerings from a number of advertisers, and arrange to get your ad included in their next mailing. (Again, you can choose the ZIPcode(s) or other geographic delineators within which your ad will be mailed.) You can also get such specialized lists as new residents of the area, new homeowners, new mortgage holders, or newly incorporated businesses, if targeting one of these groups is a good move for your particular business. Companies providing such names can be found by looking on a web search engine such as Google.

• An old standby, the Yellow Pages, may be a very worthwhile venue for you to advertise in. When people know what they want but not who sells that product or service, they often "let their fingers do the walking" to look under that classification and find advertisers. Whether you're operating a landscape business, or

you're an architect, or you're offering ten-minute "chair massages" for weary executives and office workers, people still use the Yellow Pages to find out who is selling what they want, and they'll find *you* if your ad is in there. (Note: There are a number of different companies whose competitive directories are all termed "The Yellow Pages" or even "The *Real* Yellow Pages." The one put out by the company that serves the largest number of users in your area is probably the dominant Yellow Pages in your location and the one most rewarding to advertise in, if you can afford to put your ad in only one publisher's edition.) If you are a service professional, such as a lawyer, plumber, or dog groomer, the Yellow Pages are especially effective.

• Your local schools may sell ads in programs for their sports teams or their band concerts. Your local theatres (live performances) may sell ads in their programs or playbills. Your local movie theatres may sell ads that are projected on the screen between showings of films. None of these will reach huge numbers of people—but the price is usually commensurately low, and depending on your product or service, such an ad may do well for you.

• Word-of-mouth has always been a good way to spread most any message. If there is something "newsworthy" about your product or service that bears repeating from person to person, you may find that the public is doing some of your advertising for you.

• For a company doing business locally, including a b2b enterprise, consider products emblazoned with your company's name, phone number, and a tagline, preferably one that identifies your products or services. If you've opened a copy shop, business consultancy, bike repair shop, French bakery, or office cleaning service—to name just a few examples—spread the word on either a generic product (the ubiquitous pen or coffee mug or t-shirt) or something more specific to your business, such as a tire pressure gauge or a package of paper napkins.

• Vehicle ads are often worthwhile for companies doing business locally. These range from the painted-on or magnetic signs promoting a local real estate agent, plumber, cosmetics salesperson, or herbal supplement seller to the ads painted on the sides of buses in some municipalities to the illuminated ads atop taxis. If you have your own corporate vehicle(s), it costs nothing but the price of the paint or magnetic sign to turn your truck or car into a billboard on wheels. (And if your car doubles as the family auto, a magnetic sign is removable for those times when you don't want to arrive in a rolling ad—such as attending church, the theatre, or a wedding or funeral.) If you don't have one or more corporate vehicles (and per-

haps even if you do), consider buying space on the side of a bus or the top of a taxi.

• Don't overlook the value of sending out promotional materials with many of your company mailings. When you get a phone bill or electric bill, chances are that there is some promotional information included with it. Why shouldn't you do the same? If you send your customers or clients paper bills or invoices (as opposed to electronic), you can include a simple but effective ad for a new product or service you're offering, a sale or other promotional push you are currently featuring, or even a product or service that hasn't quite caught on yet and that you'd like to make more people aware of. And you don't have to restrict these promotional enclosures to bills; you can send out promotional literature with other types of mail as well—within reason, of course.

• Electronic mailings are even less expensive—and in many cases free. While everyone hates receiving "spam" (which I'll talk more about in a minute), spam is not the only form of e-advertising. If you bill or invoice your clients electronically, send out regular or occasional e-newsletters, or send any other missives electronically to your clients, customers, or people who have signed up for your mailing list, you can include persuasive news. Let them know that "We just got in a shipment of _____" or "We've reduced the price of _____" or "Do you know that we also offer _____?"

• "Product placement" is a more recent concept, in which a visibly recognizable product is prominently displayed in a movie or on TV. An actor may be brushing his or her teeth with a specific brand of toothpaste, pouring a particular brand of beer or soda into his glass, or even clearing a clogged kitchen drain with an identifiable brand of drain opener. Though this type of placement in a movie from a major studio is pricey and beyond the budget of most start-up companies, it's something to think about when you get your company on more solid financial footing. And in the meanwhile, you may find it's affordable to place your product in an independent or low-budget movie, or on a short clip for YouTube. Try coupling your product placement in a YouTube video with an email campaign in which you mail the URL for that clip to all your friends and family with a note to pass it on. You may hit paydirt and find that the clip with your product in it becomes one of YouTube's most-watched videos. (This will, of course, depend in part on what's on the clip. People won't just blindly send the URL to all their friends if they don't feel the contents are worth watching. Your friends might do it for you as a favor, if you tell them what's involved, but *their* friends have no emotional investment

in promoting a video that promotes your product, so spreading the word will depend on the video standing on its own merit.)

Viral marketing

Viral marketing got its name because it spreads from person to person just like a virus (or in the way a computer virus spreads from machine to machine). You probably don't want to spread the flu to your friends, family, and neighbors, but you surely want to spread word of your product. With traditional advertising, you place your ad (in a newspaper or magazine, on the radio or TV, or in one of the many other media from the Yellow Pages to skywriting) and hope that people see it and are impelled to become customers as a result. If you're lucky, one person may tell another, "Did you see there's a big sale on tropical fish at the Kenwood Center Pet Store?" But you're not counting on much word-of-mouth to spread your message.

With viral marketing, you rely on some form of network (which I'll define further in a minute) to help spread the word of your product, service, store, latest promotion, or other event or message (the delicious taste of your bakery's confections, the award your new CD won).

The network may be as traditional as family and friends or as up-to-date as members of Facebook, or the people who have "friended" someone on some other social networking site. It may be all the people whose names someone has in his or her email address book.

The idea is that a customer is said to tell an average of three people about a product or service he or she likes, though with viral marketing you hope to improve upon that number, especially if you have something more clever or interesting to spread than simply the news of a sale or new product. A particularly clever commercial can spread good word-of-mouth: "Hey, have you seen that new ad with the dancing penguins? Watch for it! It's funny!" YouTube, too, has been tapped as a good venue for placement of videos that carry a message. If the video is worth watching, people will mail the URL to their friends and other contacts—and your message will spread from person to person to person to person. Just like a virus. Other media suitable for viral marketing include interactive Flash games, eBooks, computerized images, and even text messages.

And speaking of getting people to promote a YouTube video that features your product, here's a gimmick that works with more standard advertising: Involve the man-on-the-street, and watch him tell all his friends to watch for that particular

commercial. If you interview or otherwise involve members of the public, people who are *not* professional actors or actresses, in your TV commercial, in a print ad with a picture in it, or in a radio commercial, they will be eager to tell their friends, "I'm in a commercial/newspaper ad/magazine ad. Watch for it! It's the one that _____." This is an example of what's called "viral advertising," in which word spreads and grows "by itself" as the public passes along the URL of a YouTube video or the suggestion to watch for a particular ad on TV or the hot buzz about a new product.

Branding

What is branding? Branding, or brand management, applies marketing techniques to a product, a service, a company, a line of products, or a person (e.g. a performer or, more to the point here, a professional such as a C.P.A. or life

The practice of brand management originated with Proctor & Gamble. It is now practiced worldwide.

coach). It establishes an image for that company, service, product, or individual, both on its/his/her own and in comparison to that of competitive products, services, companies, or individuals. The results of good brand management include increased sales, the ability to raise prices without sales declining as a result, and reduced cost of good sold.

The practice of brand management originated with Proctor & Gamble. It is now practiced worldwide.

What's the good word?

What is the purpose of your commercial or ad? That may sound like a dumb question, the seemingly obvious answer to which is "To sell more products or services," but it isn't really a dumb question at all. Yes, of course you want to make sales, but beyond that, there are a variety of specific purposes to advertisements.

• To acquaint a potential customer or client, who has never done business with you or bought your product before, with your store, product, or service.

• To let your potential customer or client know that you have other products or services besides the one you are best known for—perhaps a new addition to your product line, or perhaps just a product or service that is not as well known as your

main product or service.

• To remind former clients or customers of your business's existence, especially if your product or service is not an essential, not something that they are going to have to go out looking for.

• To promote new benefits of your existing product or service. ("New studies show that the ingredients in Horizon Food Supplements not only give you more energy but also actually help reduce cholesterol.")

• To announce a sale or other special promotion.

• To encourage existing customers or clients to tell their friends or business associates about your store, business, product, or service. ("We'll give you 10% off your next order when you send it in with an order from a friend who hasn't ordered from us before.")

• To familiarize people with new packaging or some other change in the appearance of your product ("now in a new lime-green box!"), or a change of address for your store ("new location—same great selection, service, and prices!"), so that people will have no trouble finding your store or product despite the change in location or packaging.

Spiders don't have the only webs

There are a number of ways to advertise on the internet. Probably the most familiar is "spam": unsolicited mass emailings. I'll deal with it first because it's probably the best-known method of internet advertising. But I'll tell you upfront that I'm against it. Does spam work? If it didn't reach enough people to sell a reasonable amount of product, nobody would bother sending it out. But it is looked down on by most, and the majority of people with email accounts mistrust spam and the people who send it out. Especially in these days of "phishing schemes," in which people try to obtain other people's credit card info and other sensitive information by means of various nefarious mailings, most sophisticated internet users will not send an order to a spammer, no matter how low the price or how good the product sounds. Too, spam has been made largely illegal, primarily as a result of the CAN-SPAM Act. So, altogether, the advice from here is: Don't spam.

How, then, are you to advertise on the Internet?

• Have a compelling website, with good SEO (I'll explain that in a minute) and either shopping capabilities right on your site or clear directions to realworld and/or cyberworld retailers who are selling the product you manufacture, or a phone number would-be clients can call to avail themselves of your service.

• Arrange to get pop-up ads associated with one or more websites.

• Contact Google or another search engine and ask about having your ads appear whenever someone keys in a relevant term in a websearch.

• Based on your focus, you can advertise on the web. For example, if you are looking to reach teens, then you would want to advertise on Facebook or Snapchat. AOL and other web portals and internet presences may also be good bets, depending on the target audience you most want to reach. Don't overlook Twitter, either.

• Spread your message via a vlog. Vlogs are video logs, akin to blogs but recorded in video form rather than simply being in print. They are often distributed through web syndication for playback on computers (via YouTube or through video software) or on mobile devices. If your message is something more than just a commercial, and you can get enough people interested in watching it, you can get your point across for very little money.

Collect mobile phone numbers through your website so you can send text messages to the users who have signed up.

• Mobile marketing is one of the newer technologies and refers to marketing on or with a mobile device (e.g. a cellphone). (The term is also used to describe marketing in a mobile fashion, such as through the use of moving billboards. But it is marketing via a mobile device to which I am referring here.) One such method is through the use of SMS (Short Message Service), also known as text messages. As long as consumers opt in to the service, it is not deemed spam. Guidelines for good practices in mobile marketing are established in the MMA (Mobile Marketing Association) Consumer Best Practices Guidelines, which are followed by all mobile marketers in the United States. The Mobile Marketing Association is a global non-profit industry trade group established to lead the growth of mobile marketing and its associated technologies.

• Collect mobile phone numbers through your website so you can send text messages to the users who have signed up.

• Opt-in marketing, in which consumers sign up to receive newsletters, notices of sales and promotions, news bulletins, and other informative emailings from your company. Most commonly these names and addresses are collected on your website; other means may also be used to garner the names of consumers amenable

to receiving marketing mailings from you.

• Buy advertising on Yahoogroups, which places ads at the bottom of the group mailings it distributes.

• Buy advertising on one of the free email services.

• Buy a recurring ad in an ezine or other emailed publication, preferably one whose topic is at least tangentially related to the product or service you're selling. (If it is, then you know there's a good chance that the readers are going to be interested in the type of product or service you're putting forward. Which is better: To place an ad for plant food in a humor ezine, pet-oriented ezine, or general interest ezine, and hope that enough of the people who read it are plant enthusiasts, or to place that ad in an ezine that deals with horticultural subjects? With the horticultural ezine readers, you know they are, at least, interested in plants. Persuading them to buy *your* product is up to you, but you know you're talking to the right group.)

Now, let's talk for a minute about your website. (And if your business is up and running already, but your website isn't, your first order of business is to set a website up *now*.) We've already discussed websites briefly in two previous chapters. What are the purposes of a website?

• To make your business easily findable by potential customers (and others who may be looking for you).

• To make your business look credible. Virtually every business has and needs a website.

• To offer information about your business: At minimum, name, physical address (or perhaps a mailing address, in the case of your having a home-based business and not wanting to publicize your home address), phone number, fax number, email address, hours of operation (especially if you're open to the walk-in public, but even if you aren't but want people to know at what hours they are likely to get a live human and not voicemail, if they call), and information about your products or services, or your retail operation and what people are likely to find there.

• To provide a means of buying from you online, if you wish to take electronic orders. This requires setting up a "shopping cart" and a means of taking payments online (credit cards and/or PayPal—go to www.paypal.com).

Now…how do people find you when they go online and search for companies that sell retro clothing or herbs and spices? They'll enter "retro clothing" (substitute for "retro clothing" whatever it is your company specializes in) in Google, Yahoo, or some other search engine…and likely turn up 357,987 hits. How do you insure

that your company is, if not the first on the list, at least closer to the first than the 357,987th? It's called SEO—which stands for Search Engine Optimization. Whole books have been written on the subject (as well as manifold articles on the web—and I suggest you read several of them).To name just two, there are *Search Engine Optimization for Dummies,* by Peter Kent (**ISBN-10:** 0470262702; **ISBN-13:** 978-0470262702) and *Search Engine Optimization: An Hour a Day* by Jennifer Grappone and Gradiva Couzin (**ISBN-10:** 0470226641; **ISBN-13**: 978-0470226643). For now, I'll just say that you should have several iterations of your prime keywords on the landing page (home page) of your website.

Meta-tags (or meta elements) are code inserted into a webpage to help search engines categorize the page correctly. They are usually hidden, not visible to the visitor reading the page..

If your company sells four main products (and a number of, or even a host of, others), be sure those four products are mentioned—plural times—on your home page. The search engine "spiders" that crawl the web will find and note those iterations and move your listing up in ranking accordingly. Too, there are "meta-tags"—ask your webmaster what those are and how to best take advantage of them. Be sure he or she knows what your prime products or services are, so he or she can make the best use of the most important key meta-tags on your website. In the meanwhile, here is a short explanation of them:

Meta-tags (or meta elements) are code inserted into a webpage to help search engines categorize the page correctly. They are usually hidden, not visible to the visitor reading the page. They can also aid in SEO (Search Engine Optimization) by giving the page a higher ranking on search engines, though this is more difficult to accomplish now than it was in the 1990s.

Ask your webmaster to install Google Analytics to find out which keywords are bringing in your website's visitors, and also which other websites are referring them. Also look up Alexa.com to see your site's ranking as well as those of your competitors.

Do give your website a human face. People like to deal with other people, not with faceless and seemingly humanless corporations. A picture and perhaps a bio of you, and/or of your partner or some other key person in your organization will

reassure visitors to your website that they are dealing with other *people*. Who would *you* rather do business with: The XYZ Corporation, or Dan Greene? Let your potential customers/clients know that behind the corporate structure of your business there are real live human beings waiting to help them with their needs. This is true even for manufacturing concerns. The retailers or others who will be buying from you, settling billing issues with you, or simply contacting you for information want to know they can find human beings at your company and that real live humans are watching over quality control as well.

And while we're on the subject of internet advertising, did you know that Google has a number of potentially useful tools to increase your business? With their Adsense, you can earn more revenue on your site by displaying other people's advertisements. Adwords is the reverse of that: Your ads pop up on other people's sites in response to users typing in relevant keywords. And Google Maps will show your business and selected information about it (such as, perhaps, your address, your hours of operation, and even printable coupons) when websurfers request Google maps of your area. Other Google tools include a Website optimizer and a shopping cart and checkout software.

Many experts recommend that you can and should have live chat on your website. The benefits are improved service, improved sales, and improved search results. When customers or clients can reach your company online for real-time conversation, they are more inspired to do business with you, whether you are a service company, a wholesaler, or a retailer, and whether you deal locally, nationally, or globally.

Live chat can be handled in-house or outsourced. Clearly the advantages to in-house live chat include the fact that people contacting your company get someone intimately familiar with your company, your products or service, your immediate location (in the case where a local customer asks, "Where are you located in relation to ____?") and more. On the other hand, with in-house live chat the time people can expect a live response is limited to your business's hours of operation, with time out for lunch, bathroom breaks, business meetings, and other necessities of life. With outsourced live chat you can offer online responses twenty-four/seven, which is particularly useful when you are dealing with customers globally, but your online representatives can't offer the same level of intimate knowledge of your products or services that in-house representatives can.

By chatting in real-time with your site visitor, your online representative has a better chance of converting a browser or questioner to a customer/client. Not only

that, but by keeping visitors on your site longer—especially if the visitor reached you after a keyword search that brought him or her to your site—the visit length, if it was appreciable, will send strong signals to search engines for ranking purposes.

Groups aren't only gatherings

A quick word here about Groupon and similar companies such as Living Social and Daily Candy. These enterprises offer great daily discounts to consumers, attracting them to the businesses that advertise with these companies. Best-known is Groupon, which got off to a leaping start sales-wise, despite the fact that its stock, when it first went public, underperformed.

Known as a "deal-of-the-day" website, Groupon offers discounts to both local and national merchants, service providers, event venues, and restaurants and drinking establishments. The catch for consumers is that if a minimum number of people don't sign up for that day's deal, the coupon (the name "Groupon" derives from "group coupon") isn't valid. The catch for advertisers is twofold: First, if the minimum number of responses isn't met, and the coupon isn't valid, there may be minimal to no benefit to the advertiser. On the other hand, if the response is fantastic, the company may be inundated with more customers than it can handle. (This is more of an issue with a company offering merchandise than one offering services, although some restaurants have found their kitchens overwhelmed in response to a Groupon offering.) The second catch is that there have been reports of significant numbers of consumers not following up the "loss leader" coupons with repeat patronization. Many simply wait for another Groupon offering.

Still, many advertisers find Groupon a worthwhile investment. Worth knowing: The majority of Groupon users are female, so the predominance of advertisers, in addition to restaurants and bars, vendors of clothing and other woman-purchased items, event ticket sales, are such service providers as spas, fitness centers, hair and nail salons, and other personal service businesses. The customer pays for the coupon, which entitles him or her to the deal, and Groupon keeps half of the coupon's price as its payment. There is no upfront advertising cost to the merchant.

Publicity and promotions

But let's get back to advertising in the more traditional media. Besides paying for advertising, you might be able to get some free publicity as well. One way to accomplish this is through articles in the paper. You are more likely to get an article

written about you if (1) you are already advertising in the paper and/or (2) this is a small local weekly paper and not the big daily that serves your whole metropolitan area—though that's not to say you shouldn't try to get publicity in the daily paper even if you don't advertise in it. Some newspapers do completely separate their advertising and editorial departments and look down on giving preferential editorial treatment to advertisers, while others, unfortunately, still give more "ink" to advertisers—or no ink at all to non-advertisers.

Try to identify something newsworthy that's happening in your company at the moment: a new product you've just introduced, a new service you've added in response to popular demand, some sort of event (and we'll talk more about these in a minute) that you're holding in the near future, an award given to an employee, a significant milestone or other "news peg" in your own life, or that of a partner of yours, an expansion of your factory, store, or other facility, or some other newsworthy happening that your local paper (or, less likely, TV news program) might be tempted to devote a little ink (or airtime) to.

Send out a press release to the medium or media you are hoping will give you a write-up (or airtime). Begin with "FOR IMMEDIATE RELEASE Contact [your name, your phone number, your email]" across the top of the page and then tell in as few words as possible what it is you want them to know. Try to keep it to one page (one side) if you can. (If you must go to a second page, don't turn the page over; use a second sheet.)

There are two schools of thought about press releases: One says that you should be clever and attention-grabbing in your lead sentence; the other says that you should be straightforward and lead with the "Five Ws": *Who, What, Where, When,* and *Why*. Here is a sample press release:

FOR IMMEDIATE RELEASE
Contact Jon Dough, (123) 555-1212

KITCHEN GADGETS GALORE OPENS
NEW STORE

Popular store Kitchen Gadgets Galore, a staple at 987 So. Main St. in Mapleton for three years now, has opened a second location at 555 River Ranch Rd. Co-owners Jon Dough

and Jeremy Dough, a father/son team, said the fantastic reception their customers have given them since the opening of their So. Main St. store inspired them to open a North End location.

The pair attribute their success to their large selection of all types of kitchen accoutrements, from simple handheld can openers (useful when the power goes out) to the most upscale electric food processors, their knowledge of culinary matters overall, and their willingness to give instructions and help not only to customers but to anyone who asks. "Though many folks who stopped in only to ask a question have come back later as customers," observed Jeremy, Jon's dad and partner.

Jeremy will remain at the So. Main location, while Jon and a staff of two others run the River Ranch Rd. store, the hours of which are Monday through Thursday from 9:30 to 6, Friday from 10 to 8, and Saturday from 10 to 4. The new store's phone number is 555-1212, and the merchandise is comparable to that of the original store, although with a larger selection of kitchen knives and old-fashioned accessories.

And those promotions or events I mentioned? These can be oriented toward families, if that's the crowd you're looking to draw, toward adults, toward singles or seniors, or toward any other demographic who are most likely to be your customers. And the event might be anything such as:

• A charity day in which 10% (or some other percentage) of all your sales or

your profits that day will be donated to a charity—preferably a local one.

• A carnival event, at which you will have a bounce house or pony rides or some other attraction for kids, perhaps a juggling clown or magician performing (if not all day then perhaps at noon and at two PM, or some other set times that work for both you and the performer), cotton candy and popcorn and lemonade for sale, or whatever else works for you.

• A book and movie exchange, to which people are invited to bring books and movies they no longer want, which they can give away to others while perusing the other people's offerings for books and movies they might want.

• An entertainer or speaker.

• A doggie fashion parade.

• A costume contest.

• An art fair.

• Some sort of drawing or other give-away, which people must attend to win, though they don't need to purchase anything.

The purpose of your event is to draw the public. Once they're there, it's on you to make your merchandise or services look attractive so they'll become customers or clients. Obviously this will not work for most wholesalers (excepting those that sell direct to the public) or for most b2b companies, but it's often a particularly good choice for retailers.

But publicity isn't only for events. You want to get your company's name out in front of the public as much and as often as possible. An old saying that has been attributed to show biz folks, authors, and others in the public light, goes, "Say anything you want about me; just be sure you spell my name right." It's as true—and as vital—for a business as it is for anyone else. Get that name in print—as often as possible.

And while we're talking about promoting your business, don't overlook the value of joining a b2b networking organization. Whether this is your local Chamber of Commerce or Rotary, or something like a Business and Professional Women's Network (assuming you're a woman) or other specialized group, the chance to network with others has a double value: You can make others in the group who might be potential customers or clients aware of your company, and you can get good referrals from them to other potential customers.

Do you need an agency? Or should you have an in-house advertising department?

When it comes to more traditional forms of advertising (basically broadcast and print, and in the larger media), you can hire the services of an advertising agency if you choose. Or you can do it yourself and save money. If you are capable of writing your own ad copy—*good* ad copy—and want to contact the various media to place your ads yourself, you will be entitled to take a 15% discount from those media that would otherwise have accrued to your ad agency. On the other hand, an ad agency not only will write the ads for you (and produce them if these are broadcast ads) but will decide just which media they believe will work best for you and make the media buys for you. All you have to do is tell them what your advertising budget is—and insist that they stay within it.

An advertising agency will not help you with publicity—notably press releases, and perhaps "stunts" too—however. That's the province of a PR (public relations) agency. Some PR agencies are more staid and concentrate on the traditional and conservative forms of publicity, sending out press releases and trying to get you write-ups in the paper and appearances on radio and TV, while there are also those that are known for staging stunts and events—the more outrageous, the better.

You can hire an ad agency, a PR agency, or one of each. Or you can do it all yourself. If you do decide to hire an ad agency and/or a PR agency, make sure to ask them to show you examples of campaigns they've run for other clients, so you can get a feel for the kind of material they put out and the kind of advertising or publicity they generate. Depending on the nature of your business and the image you want to put forth, you may want a more staid and traditional campaign, or you may want something more clever and innovative. Just remember, though, that while clever may be memorable, it doesn't necessarily sell the product or the service. You need ads that are not just memorable but *persuasive*.

You can hire an ad agency, a PR agency, or one of each. Or you can do it all yourself.

You should probably plan on an advertising budget of between 2% and 5% of your gross sales, or estimated first-year gross sales if you are only just launching the business. That is not including the agency fee. (Another way to go is to have someone on staff—perhaps part-time, if you are a start-up, or someone who "wears two hats" and also has some other function within your company—

whose responsibility it is to write and place the ads, and to produce them if they are broadcast ads.) Hiring a staffer or the services of an agency will free you up to spend more time running the business. But if you yourself are clever and creative, you may be best off, after all, to write and place (and produce) the ads themselves. After all, nobody else knows your business, your products or services, and just who the people are that you are trying to reach as well as you yourself do.

A word about print ads: If you're concerned that you don't have the capability to lay out an ad yourself, not to worry: Almost every print medium has an ad department that will take care of this for you. Though you are certainly welcome to design and lay out your own ad and submit it "camera-ready," most print media charge no extra fee to design the ad and lay it out for you, although they will want you to provide the basic wording and any logo or other special art that you require. And those that do charge extra for design and layout will still perform the service for you, albeit for an additional cost.

Keep the customer in your sight

But let's assume, for now, that you're going to be handling your company's advertising yourself. A famous blooper from the early days of television occurred on the show *What's My Line?* Four panelists were tasked with guessing the occupations of various mystery guests. One such guest was a mattress manufacturer, and one of the panelists, trying to determine what the guest's product might be, asked, "Is your product used by one sex over the other?" It was a comic moment, and a memorable one, and it bears on the advertising you're going to be writing for your company. As I've said elsewhere in this book, very few products are "for everyone." When writing your advertising, it helps to keep in mind an image of the person you envision as your typical customer. Is your product used by one sex, one age, one occupation, one education level over the other or others?

Here are some questions to ask yourself about your product's or service's or store's typical consumer. (Some may not apply in your company's case, nor will they apply if you are a wholesaler in a b2b situation.)

- What is his or her age?
- What is his or her occupation or profession?
- Is this more likely to be a male or female?
- What is his or her education level?
- What is his or her income level?

• Is this person more likely to be married or single?
• Is this person likely to be a parent?
• Is this person a pet owner?
• What else distinguishes this person in particular?
• How will the consumer use your service or product?
• Is he or she likely to be most motivated by low price?
• Will he or she view this purchase as a luxury or a necessity?
• Is this likely to be an impulse buy for your consumer?
• Which of your product's or service's features is most likely to be attractive to the consumer?
• Where is this person most likely to hear or read about your product or service, or read about that *type* of product or service in general: radio, television, the Internet, newspapers, or magazines?

These questions should help you decide both where to advertise and what form or tone your ads should take. In choosing where to advertise, you need to decide not only on the medium but the specific radio station, TV show, magazine, or newspaper, and knowing your target consumer should help you decide what he or she is likely to watch, listen to, or read. You should have no problem in deciding between national media and local ones—are you selling nationally or locally? But deciding what show your target consumer watches on TV or what magazine she reads is trickier. The better you identify who he or she is, the easier it should be for you to decide where to spend your advertising budget. (Your choice does not have to be between broadcast media and print media and internet advertising, or between traditional advertising and non-traditional. You can do some of each.)

Affordability will be a factor in your decision as well. You may find that you can afford an ad in your local paper but not in an (also local) glossy magazine. You may find that you can afford a spot on cable TV but not on a major broadcast network. Or you may find that one high-powered promotional stunt and a few boxes of coffee mugs with your company name, slogan, and phone number on them pretty well exhaust your advertising budget.

If you're having trouble deciding between two different ads, or two different advertising approaches, and you haven't the budget for a "focus group" or other market study, consider running the two different ads in a small weekly paper several weeks apart, as a test. The results will be lesser than if you'd run the ad in a more powerhouse daily paper with a bigger circulation, but the cost will be significantly lower too—and will also be lower than paying for a focus group study,

with the added benefit of actually bringing in some customers.

On the other hand…
While an ad agency costs money, if you're not a promotional whiz or a genius copywriter, it may pay to hire the services of an agency. As the old saying goes, "You get what you pay for." Can you afford to pass up the creative abilities *and the media knowledge* of a professional ad agency?

While there are less-expensive agencies out there, these often don't offer the full range of services that a high-powered agency does. You need more than someone who can design a logo for you and write and place (and perhaps produce) an ad. But how are you going to find the right creative team? This is one time when you definitely don't want the Yellow Pages approach to shopping!

One good way is to identify an ad (internet, broadcast, or print) that you think very highly of and find out what agency is responsible for it. (Many companies won't object to telling you who their ad agency is, as long as you're not the company's competitor.) You can also ask for referrals to a good ad agency; ask businesspeople you know, whose advertising you are impressed with. Be sure the agency you are considering is one whose philosophies mesh with yours and whose corporate culture is a good match for yours. If you're a young, hip company whose employees come to work in jeans or shorts, you may not be happy with an ultra-conservative, old-line agency whose mentality is three-piece suits. (Again, I'm talking about their mentality—don't judge them by the way they *actually* dress.)

Regardless of whether you hire an agency or do it yourself, the holy grail of advertising is a viral campaign: a campaign that takes on a life of its own and is passed from one person to another to thousands, either via Facebook, YouTube, or simply as an email attachment. What makes a campaign go viral? That's the $64,000 question. The two biggest factors are humor and human interest, but certainly there are many ad campaigns that fit either or even both of those categories yet never catch fire. It must, however, have a value outside of simply pushing your product or service. It must be fun or heartwarming to watch. It must deliver some emotional punch or humorous punch that will make people want to watch it—and watch it again—and share it with their friends.

Recommended reading: Almost any marketing/advertising book by Al Ries.

***Being Direct* by Lester Wunderman (1997)** Lester Wunderman created the business known as direct marketing. He conceived and refined its basic strategies, and he gave it a name. Today, he is Chairman of Wunderman, Cato, Johnson, the largest direct marketing organization in the world. This is his own story, in his own words, of how he did it.

***Everybody Writes*: *Your Go-To Guide to Creating Ridiculously Good Content* by Ann Handley (John Wiley & Sons, 2014)** A go-to guide to creating and publishing the kind of content that will make your business thrive.

***Youtility: Why Smart Marketing Is About Help Not Hype* by Jay Baer (Portfolio/Penguin 2013)**
A stunning guide to social meda marketing.

***The Power of Visual Storytelling: How to Use Visuals, Videos, and Social Media to Market Your Brand* by Ekaterina Walter (McGraw Hill Education 2015)**
Explains how to grow your business and strengthen your brand by leveraging photos, videos, infographics, presentations, and other rich media.

***Welcome to the Funnel: Proven Tactics to Turn Your Social and Content Marketing Up to 11* by Jason Miller (Heavy Metal Thunder, 2014)**
Raising brand awareness, building trust, establishing credibility, and ultimately driving revenue, that's what the top of the funnel is all about. It can be a marketer's "Paradise City," but without focus, it can quickly become overwhelming. The one-two punch of social media and content marketing is a vital part of any successfully integrated marketing approach.

***Ignore Everybody: and 39 Other Keys to Creativity* by Hugh MacLeod (Portfolio/Penguin, 2009)**
While this isn't necessarily a book about marketing or social media, it's incredibly relevant as it brings a very fresh perspective on how to think differently and stand out from the crowd.

***Optimize: How to Attract and Engage More Customers by Integrating SEO, Social Media, and Content Marketing* by Lee Odden (John Wiley & Sons, 2012)**
Help for marketers in optimizing their efforts to attract, engage, and convert cus-

tomers.

What's the Future of Business: Changing the Way Businesses Create Experiences **by Brian Solis (John Wiley & Sons, 2013)**
This book doesn't just explore trends and theories; it introduces a dynamic, actionable path to transformation.

Global Content Marketing: How to Create Great Content, Reach More Customers, and Build a Worldwide Marketing Strategy that Works **by Pam Didner (McGraw Hill Education, 2015)**
How to engage customers around the world with cross-regional content marketing. Technology has virtually erased national borders, forever transforming the way we reach and engage customers, as well as the way we search for and consume content.

The Big Data-Driven Business: How to Use Big Data to Win Customers, Beat Competitors, and Boost Profits **by Sean Callahan (John Wiley & Sons, 2014)**
Expert perspective and practical advice on big data. Makes the case that big data is for real, and more than just big hype. Uses real-life examples-from Nate Silver to Copernicus, and Apple to Blackberry-to demonstrate how the winners of the future will use big data to seek the truth.

Content Rules: How to Create Killer Blogs, Podcasts, Videos, Ebooks, Webinars (and More) That Engage Customers and Ignite Your Business **by C.C. Chapman and Ann Handley (John Wiley & Sons 2012)**
The guide to creating engaging web content and building a loyal following, revised and updated. Blogs, YouTube, Facebook, Twitter, Google+, and other platforms are giving everyone a "voice," including organizations and their customers. So how do you create the stories, videos, and blog posts that cultivate fans, arouse passion for your products or services, and ignite your business?

Epic Content Marketing: How to Tell a Different Story, Break through the Clutter, and Win More Customers by Marketing Less **by Joe Pulizzi (McGraw Hill Education, 2013)**
Publishing is the new marketing. How do you cut through the noise, commotion, and bad information that is right now cluttering up your customers' digital space?

End-of-chapter exercise: Make a list, in descending order, of the places you feel would be most beneficial for you to market or advertise the business you plan to start or, if you have no specific business in mind for sure, then a business you might be interested in starting. Be specific: Don't just write "newspaper" but give the name of the paper that most interests you. Don't just write "TV" but give the name or at least the *type* of program (news, drama, soap opera, infomercial, golf tournament) you're interested in advertising on, and the channel or network. And for radio give the station call letters and the time of day: morning drive, midday, afternoon drive, late evening, overnight.

CAPITAL
PROFIT
LOSS
RISK
MARKETING
OPPORTUNITY

Chapter 12
MARKETING IN THE AGE OF SOCIAL MEDIA

As if the computer hadn't been enough of a game-changer when it comes to marketing, the advent of social media such as Facebook has had arguably as much impact as the computer itself.

I hardly think I have to explain to you what Facebook is, but perhaps I *do* need to explain to you some of the uses to which this tool originally designed for social purposes can be put in the interest of promoting your product or service.

The basic premise is the same as for social use—but for a different purpose: You try to build as large a list as possible of followers, people who "like" you and will receive all your posts with your latest news. Instead of these being tidbits of personal news, however, they detail news related to your product or service.

What do you want to put in these posts? Any worthwhile news, teasers, promotions, or updates. From new products to special offers or sales, anything that will draw the interest or uphold the continuing interest of your Facebook "friends" is fair game for a post, If there's no new product or giant sale to announce, is there any other news within the company that would be of interest to your customers and other Facebook "friends"?

Do not, however, post boring trivia or other information that will lose the interest of those you're trying to reach. If they stop reading your posts or, even worse, "unfriend" you or "unfollow" you, you'll be defeating your own purpose.

And just what *is* that purpose? Actually there are several.

One, obviously, is to make sales. If you have a new product or service, you want to bring it to the attention of both previous and prospective clients/customers…and Facebook is an excellent—and *free*—tool for doing that.

Another purpose is to build up customer loyalty. Make your Facebook followers feel an affinity for you, feel tied to you, feel involved with you. They'll be more likely to seek out you and not one of your competitors the next time they're looking for a product or service that you offer. It will also keep your name near the top of a prospect's head if someone asks him or her for a recommendation for a good _____ [fill in a service or product you offer].

Still another purpose, of course, is to generate excitement for your product or service. Let's say you own a restaurant. Posts about your newest menu item might encourage customers to come try out your new veal dish instead of going to a competitor's restaurant…or staying home and cooking. Posts about your catering service might encourage a customer to think of your restaurant as not just a good place to eat but a great resource when she's planning her next party.

Then there is building "buzz" about a forthcoming product or service, or some other innovation you are about to introduce, in anticipation of your actually launching it. By the time the new Twilight Dinner menu is in place, or the new karaoke machine is installed, your customers will have been primed for it and will be eager to come and experience it for themselves.

If you use Facebook skillfully, you can get the word out about your business and build up excitement, even if you don't have a new product or service to tempt customers with—and do it all at *no cost*.

But not everything associated with Facebook is free. For example, there are boosted posts, which are posts that, for a price, Facebook will send out to a larger number of users than would normally see your posts. There are geo-local ad buys, which target Facebook users in your particular geographic area. (This is, of course, less relevant to a business that sells over the internet rather than to individuals or businesses in its geographic area.)

But Facebook isn't the only tool in your arsenal that will allow you to accomplish this. Twitter is another name that will likely be familiar to you but that you may not have realized the full potential of. Yes, many jokes have been made on the subject of new mothers tweeting "news" of their babies spitting up. And yes, many tweets are indeed über-mundane or just plain lame. Still, there is a business application for Twitter, too.

Do you have a new shipment of silk blouses in your apparel store? Tweet it! Did your music store just get in a carton of the newest CD from today's hottest vocal artist or band? Tweet it! Are you having a BOGO (buy one, get one) sale at your plant nursery? Tweet it! Is your gastro truck going to be parked in front of

the main branch of the library on Tuesday and Thursday this week, serving your signature crepes? Tweet it! Did your public relations firm just add a prestigious Famous Name to your roster of clients? Tweet it!

Also Tweet-worthy are grand openings, promotional events, moves to larger quarters, and any other news that might encourage customers or clients to once again patronize your business. *Any* news—*if it's of interest*—serves to put your business at the top of people's minds, and that's certainly a good thing. So even if your news isn't a direct incentive to come in and shop (or call you for your service), it's worth getting the word out. If you've just named a new manager, or hired three new sales associates to better serve your customers, by all means spread the news.

The same caveat, though, that applies to Facebook applies here: Don't bombard folks with useless trivia. If you leave your clients feeling that you're wasting their time with boring or inappropriate information, they're likely to stop reading your tweets.

Also Tweet-worthy are grand openings, promotional events, moves to larger quarters, and any other news that might encourage customers or clients to once again patronize your business. Any news—if it's of interest—serves to put your business at the top of people's minds, and that's certainly a good thing.

Another social network worth mentioning is LinkedIn, though you'll use it in a different manner. LinkedIn isn't for announcements but for connections—business and professional connections. Although termed a "social network" because of how it's structured, its purpose isn't largely social, like Facebook, but rather is mostly about getting people together with other people with whom they share business interests.

A picture is worth a thousand words

Another way to spread the word is through YouTube. This requires something more than simply sitting down and typing a few sentences—or 140 characters (the limit per tweet on Twitter). This requires some degree of proficiency with a video camera. At minimum, you need to be able to turn out a respectable-quality video, simple and basic but not amateurish-looking. If you have video-editing software that

can add some fancy touches to your presentation, so much the better.

Now, what do you want to show on your video? That depends in part on what the message is, and in part on what your product or service is. If you're selling a product, and it's at all visually appealing (think apparel, jewelry, home furnishings, and the like), don't just talk about it—*show it!* Which is more persuasive: Words to the effect that you have a new shipment of sheets and tablecloths in your linen store, or a video display that shows the pattern on the sheets, the lacework on the tablecloths, or the eye appeal of whatever your product is?

On the other hand, if you offer a service rather than a product, or if your product is pedestrian in nature (e.g. cartons and containers, rods and dowels), you may be better off with a video that shows you (or your spokesperson) talking to the camera and the audience. Intersperse the shots of you/your spokesperson with "billboards" (lettering) displaying relevant information. This might include the location of your store, factory, or showroom, your phone number, website, and email address, the hours you're open for business, the dates your sale will be in effect, information on prices or "specials," or a list of the services your company offers.

Should you have your own channel on YouTube? I think that really depends on how often you plan to post videos. Some businesses lend themselves more readily to frequent updates; other businesses, especially service businesses, offer less opportunity for "news" (as opposed to what might be thought of as "commercials"). How am I distinguishing between "news" and "commercials"? Simple: If you're having a sale, have moved your place of business, gotten a new line of merchandise in, had a change of personnel, changed your store hours, or if anything else about your business has changed or is *new,* that's *news*. On the other hand, if you're simply exhorting people to patronize your business, but there is nothing new to report, that's a *commercial*.

Certain types of businesses are less likely to have a sale than others. These include service businesses and b2b (business-to-business) businesses, as opposed to b2c (business to consumer) businesses. Service businesses are also less likely to have something new on offer. Such businesses, with little or no news to report, can still utilize YouTube to remind people they're out there and are offering good value for the money, good products/service, timely delivery, or whatever is applicable—but most people don't want to go to YouTube just to watch a commercial!

What you *can* do, if you don't have news to report, is offer *information*—not information specifically about your business, but useful information that is of genuine interest to viewers and tangentially bears on your business. As an example,

let's say you own a packing and shipping store. This is not the sort of business that is likely to have a sale, to get much in the way of new merchandise, or otherwise to have *news* to report. But it *can* offer *information*.

What sort of information? Well, one idea is a tutorial on how to pack fragile items for the safest possible shipping. Naturally, you're happiest to have customers come in and entrust their fragile (or other) items to you to pack and ship for them. But you know that a certain percentage of customers are going to do their own packing and will look to you for help with only the shipping aspect. You want to encourage these people to come to you and not one of your competitors. By creating a short, informative video on how to pack fragile items (or odd-shaped items, or home-grown fruit), you present yourself as both knowledgeable and helpful. This leaves a positive image in the viewers' minds. After they pack their items themselves, they're more likely to come to you for shipping. What's more, after seeing the video, some of them may well decide that, after all, it's best to leave the job of packing to an expert, too.

Do you own a paint store? How about a brief, clever video on ways to decorate with paint? Are you a life coach? Consider a video on five things anyone can do to improve his life or her outlook.

None of this, however, means that you need to entirely rule out videos that are simply advertisements. If you can create advertisements that are clever, catchy, interesting to watch, and entertaining, people will actually enjoy viewing them. If most of your videos simply repeat that Sam's Bargains is a good place to shop, or that you can get a great massage at Massages and More, or that Effective Publicity can really help spread the word about you, you're better off not bombarding people too frequently with your message.

If, on the other hand, you can create a *really* clever, entertaining, catchy video—whether it's newsy or simply a pitch for your product/service—you have the chance to go viral…and as I said above, that's everyone's holy grail. A viral commercial is one that's so clever or funny or catchy or amusing or beautiful or entertaining that people send the hyperlink to their friends, usually with a note such as, "Funny! You gotta see this!" or "Really beautiful. Watch this!" Your stat counter (showing the number of people who have viewed the video) spirals upward. And people all over are suddenly aware of your business.

Now, if you live and work in Topeka, Kansas, and your business is local (say, a restaurant, a nail spa, or a retail outlet that doesn't sell on the web), will it help add customers when people in Portland, Oregon and Portland, Maine view your

video? Not necessarily—but it won't hurt it, either. And some of them may have friends in your area and will send them the video saying, "Do you know this store/life coach/karaoke bar?" So even if you're a strictly local business, you can still get some benefit out of national exposure.

Facebook, by the way, is now competing with YouTube and expects to surpass it in popularity some time soon.

If you lack either the technical know-how or creative talent to put together an effective YouTube video, there are companies and individuals out there who can do it for you, for a fee. Some of these are ad agencies; others are freelance videographers. Check the ads in your local paper, or on CraigsList, or ask fellow entrepreneurs for a referral. Or put an ad on CraigsList yourself, specifying what you want. (Of course you'll want to see a sample of the work of anyone who responds—and that's true no matter where you find the ad agency or videographer you're talking to, even if the company or individual came highly recommended.)

Before I leave the subject of YouTube, let me mention my own channel, offering classes and guest speakers. Go to www.LiebowitzEntrepreneurProgram.org to see what's on offer there.

Facebook, by the way, is now competing with YouTube and expects to surpass it in popularity some time soon.

And on the subject of pictures, let's not overlook Instagram. If you're not familiar with it, check it out to see how it might help you in showing off your merchandise. (It can even help with a service business if you can find a way to show yourself or one of your employees helping a client, or show before-and-after pictures that depict what your service can do for someone.)

Now, while we're on the subject of CraigsList, let me briefly touch on that as a venue for spreading the word about your business. Although better suited to local businesses than to national, because it's set up by city or area, CraigsList can nonetheless be effective for certain types of business—and it's almost always free. The caveat of "almost always" is necessary because in some cities and for some types of advertising, CraigsList does charge a fee. But in most locations and in most categories there is no charge at all. Will it be an effective medium for your business? There's one way to find out. Go ahead and try it.

Warning: You *will* get spammed. There are businesses that troll the CraigsList

listings and send out spam to every poster. Is it a pain in the rear? Absolutely. Is it still worth it? Well, that depends on the results you get—but again, the only cost is a few minutes of your time every few days as you relist the ad to get good placement. (The newest ads go to the top, where they're most likely to be seen.)

Don't overlook the value of placing pictures on Pinterest. Whether it's the new shipment of clothing your store is selling, a sampling of dishes your catering service (or restaurant) offers, this week's specials—in almost any type of business—or just an item that has particular eye appeal or a unique and distinctive look, show it off and draw the customers in.

You want a blogger who has a good-sized following and whose readers fit within the demographics you are trying to reach.

One more thought—and I will tell you there are opinions pro and con on this, but there is more to recommend it than to recommend against it: You can pay bloggers to get out the word about your product or service. Choose your bloggers carefully, however. You want a blogger who has a good-sized following and whose readers fit within the demographics you are trying to reach. To use an extreme example, if your target customers or clients are young men, it's worthless to get a mention from a "mommy blogger."

SEO

Now let's talk about SEO—Search Engine Optimization. You surely have a website for your business, whether you're a service business, a retail business, or a wholesale business, and whether you sell b2b or b2c. But how are people going to find you? People will seek out your website under two circumstances. One is that they hear about Acme Ace (and I certainly hope the real name of your business is more imaginative and more descriptive than that!) and look you up on the web in order to learn more about you. The other is that they're searching for a ribbon wholesaler, an Italian restaurant in Des Moines, a source for discontinued china patterns, a tutoring service in San Diego, or whatever it is they're in the market for, and they have no idea who fits that description.

What are they going to do? Google what they're looking for. Now, Google is not the only search engine, but it is ubiquitous, pre-eminent, and so dominant in

the market that its proprietary name has become a generic verb: "to google." This potential customer will enter in the search engine "discontinued china" or the name of the china pattern he or she is seeking, "tutoring + San Diego," "wholesale ribbons," or whatever is applicable.

Of course, yours will not be the only company selling that china pattern or offering tutoring in San Diego, and if you're the thousandth or hundredth or perhaps even simply the twentieth entry in the search engine's list of results, your prospect may never get to your name. You want to be as high up in the rankings as you can get, and that's where SEO comes in. SEO stands for Search Engine Optimization, but what does the term actually refer to?

With SEO, you load your website with relevant terms as much as you can without being offputtingly heavy-handed. You want to make sure that every relevant term appears on your website *at least* once and preferably multiple times—and as close as possible to the top of the landing page ("home page"—the page surfers land on when they key in your URL or click on a search engine's hyperlink).

You want to be as high up in the rankings as you can get, and that's where SEO comes in. SEO stands for Search Engine Optimization, but what does the term actually refer to?

Your first task is to determine what words are most relevant to your business and what terms your prospective customers/clients are most likely to key into a search engine when seeking a company that provides the product or service they're looking for. Let's say you own a weight-loss center. You might decide that the most applicable terms are weight, weight loss, pound shedding, diet, nutrition, calories, and weight counseling. Additionally, if your business is a franchise, you'll want to include the company name as well. Write something about your business that will be prominently placed near the top of the landing page and that includes each of those terms *at least* once, preferably several times each. You may also want to have a blog or other content on a separate page where you use these terms again.

Many businesspeople and professionals use WordPress for their blogs. It's a free service, and you can update your blog as often as you want, or go back and

edit a blogpost that's already up on the site. You can post pictures as well as text, which offers three advantages: First, if you're blogging about a product, you can show it right there with your words. Second, it gives your blog eye appeal. And finally, if the picture shows you, it puts a face on your business, whether you're a one-person operation or the head of a growing empire. Even a static head shot is good, or a picture of you in a pose and setting that has nothing to do with your business, as long as it shows your face clearly and you're preferably smiling.

Certainly it's good if your picture shows you engaged in something business-related, but even if that isn't possible—say, if your profession is consultancy—just a picture that shows *you* looking intelligent, friendly, and approachable can help. As for the blog content, it should be something relevant to your business, of course. When you have news to report—a sale, a new product or service, a move to larger quarters or the opening of a branch office or second store, the arrival of a new shipment of merchandise for the new season, to give some examples—by all means mention it in the blog. When there's no hard news, you can still talk about either your own business or a related topic. (For example, if you're a landscape designer, you can talk about the suitability of certain plants for your region, or for current conditions such as drought or excessive heat. If your knowledge shines through, potential future clients will be impressed.) You should blog at least three times a week if possible, although if you really can't find something new to say three times a week, it may be better to blog once a week and keep it sharp and sparkling than to write dull, redundant blogs that will turn readers off.

When there's no hard news, you can still talk about either your own business or a related topic.

Be sure to include appropriate SEO keywords in your blog, so that Google and the other search engines will pick them up. Search engines are important. You want to attract their attention and be as high as possible in their listings. For the same reason, use meta tags. Wordpress and similar services give you the opportunity to fill in meta tags in a box. These are words or word combinations relevant to the topic of your blog, whether or not they appear as keywords in the blogpost itself.

Further influence on the search engines can be effected by having multiple hits on the page from various computers. Simply logging on to your own site from

your own computer won't cut it, but if you can enlist a group of friends, relatives, or associates to log on to your page, perhaps two or three times each, this can help move up your ranking (position on the list) on the search engines.

foursquare

Now for some information on a relatively newer entry in the roster of social media: foursquare (the "f" isn't capped—that's how the company styles it) is particularly helpful to retail businesses, restaurants, and other enterprises that people physically go to (as opposed to doing business by phone or web). foursquare works via an app for smartphones, though you can also use it in conjunction with text messaging on a basic cell phone. When the user checks in, his/her location is noted, and he/she is informed of participating businesses in the vicinity. By visiting these businesses, the user earns points and "badges," which can lead to discounts and other specials.

foursquare also enables users to find friends who are currently in or near the location from which they check in, so that they can meet to shop together, have coffee together, catch a movie together, or engage in some other activity with each other. Users can also comment on the merchandise, food, service, or other attributes of a given participating merchant, thus enticing others to try a particular item or venue—or to stay away.

At last report there were over 45 million users, approximately half in the U.S. and the other half overseas. You, as a merchant, can attract more customers by joining.

Positioning yourself as an expert in your field

Finally for this chapter, let's take a look at something that isn't a new medium or a social medium at all, but is a medium that can definitely help in the marketing of many types of businesses: books. There's something almost magical about having a published book to your credit. People think you really must be an expert if you authored a book on the subject. As well, the book will help spread your name around. Let's say that your business is a garden center. If you write a book on the care of African violets, or on xeriscaping, it will bring your name to the attention of not only those who read the book but even those who simply *see* the book somewhere. They're likely to remember you later when looking for a landscaper or a good place to buy houseplants.

Now, a "book" can mean anything from a small booklet to a massive, exhaustive compendium. It can be hardcover or paperback. It can be self-published, pub-

lished by a small company, or published by a Big Name publishing house. And, before you say, "But I'm not a writer!" let me point out that there are plenty of ghostwriters out there who, for a fee, will do the actual writing, working from information you supply. Your name—and only your name—will appear on the cover, unless you choose to give the ghost co-writing credit.

There are three ways to publish a book these days, but only two that are of interest here. E-publishing, while growing exponentially in popularity, is not your best choice. Ideally, you want an actual printed book, something that, depending on what your business is, you might want to leave on the front counter of your store, or on a table in the waiting room of your office. There, people can see it and think, "Oh—Jamie Doe really is an expert in the field." People who buy the book may well leave it on a living room table where their guests can see it and think the same thing. E-publishing won't get you that.

That leaves the other two choices: conventional publishing and self-publishing. Which is right for you?

With conventional publishing you have the hassle of finding a publisher who will accept your book, and the delay while you send the manuscript out to various publishers in search of one who's interested. On the other hand, when you find one, you are very likely to receive an advance against royalties, you don't have the outlay of your own money that's inherent in self-publishing, and neither do you have the hassle of distributing the book to bookstores and other outlets that you have with self-publishing. Which is right for you? To help you decide, answer these questions:

1–Do you have money to invest in self-publishing?

2–Are you in too much of a hurry to publish to wait through the long process of submissions to various publishers?

3–Do you have something to say that's new and/or different enough from what's been published on the subject already that a traditional publisher is likely to be interested in your book?

If you do choose to self-publish, you can either go with one of the companies out there that specialize in helping self-published authors, or you can do it totally on your own, hiring an editor, a book designer, cover artist, and printer, and a ghostwriter if needed. If you go with an existing company, they will publish the book with their company listed as publisher. If you choose to do it all on your own, consider forming a separate company to publish the book, rather than utilizing the corporation, LLC, or other entity under which you are doing business. If your busi-

ness's corporate name (not trade name) is Greenvale Garden Center, Inc., and the publisher of the book is Greenvale Garden Center, Inc., it is evident that it was self-published. This is less prestigious in many people's minds. If, on the other hand, the publisher is Xpertise Publishers, LLC, even though you own the company, nobody needs to know this or to realize that the book was self-published unless you tell them. Your being a published author will now be more impressive to the average person.

Marketing today is very different from the way it was a decade or two ago. Fortunately, many of the options are easy to execute, many of them are free to use, and what's more, some (such as creating a video) can be downright *fun*!

End-of-chapter exercise: Thinking about the business you plan to start, or a business you can imagine yourself going into, make a list of the most helpful SEO keywords you can think of, which you would embed on the landing page of your website.

CAPITAL
PROFIT
LOSS
RISK
MARKETING
OPPORTUNITY

Chapter 13
HIRING AND SUPERVISING WORKERS

Sooner or later, you're going to need people to work for you. It may be the first day you open your doors for business (literally or figuratively). It may be three years later. But whether your business has forty-seven employees from the very first day or whether you (and any partners) go it alone for several years, the odds are that, as your business grows, eventually you're going to need help.

Even if you're an artisan who handcrafts jewelry and insists on making every piece yourself, you may need someone to handle sales for you, calling on potential retail outlets to get them to agree to carry your merchandise, and/or someone to deliver the finished pieces for you and collect the money you've earned. Sure, you can do that all yourself, maybe even do it all well (depending, for example, on how good a salesperson you are), but there are only twenty-four hours in a day—some of which you'll want to spend eating, sleeping, relaxing, and so on. And even if you work more than a forty-hour week (as many entrepreneurs do), you still have only so many hours in which you can be productive for your enterprise.

Sooner or later, you're going to need people to work for you.

If you spend, let's say, sixteen hours a week driving around delivering the jewelry and collecting the money, that's sixteen hours during which you can't be crafting your creations. If, on the other hand, you hire someone trustworthy to do the deliveries (and pick up the money) for you, that frees you up to spend more time making the jewelry. As long as the money you earn for the pieces you

create during those sixteen hours exceeds what you're paying the delivery driver, you're ahead of the game. And if it doesn't, either you're paying the driver too much or you're charging too little for your jewelry.

In the early stages of your business, it pays for you (and your partners, if any) to do as much of the work yourselves as is possible to save on paying employees and other types of workers. (We'll discuss the difference between employees and freelance workers or independent contractors—"1099" people—shortly.) As your business grows and requires more person-hours of labor per week, you can work even harder and work longer hours, or you can stifle the business's growth and say, "There are only so many hours to the day," or you can hire others to do some of the work for you.

If you've been doing it all yourself and now find there just aren't enough hours in the week, which work should you delegate?

- That which least requires your specialized talents
- That which you can farm out at the lowest rate of pay
- That which you do least well
- That which you least enjoy doing

Finding good help

If you have one or more partners, hopefully he, she, or they (let's assume for now that you have one partner, a woman) have different areas of expertise and ability than you do. Perhaps you're a genius inventor and she is a clever writer who also is a down-to-earth managerial type. You can invent, improve, and perhaps market your company's products, while she writes ads for them and runs the day-to-day business affairs (and will also be better than you at supervising your eventual employees).

In choosing a partner, it's often better to select someone who has complementary skills and strengths rather than those that mirror yours.

In choosing a partner, it's often better to select someone who has complementary skills and strengths rather than those that mirror yours. (We touched on this earlier in the book.) Does your company really need two genius inventors, or two brilliant ad writers, or two good bookkeepers, or even two dynamite salespeople? Isn't it better if your skills and hers run to different areas?

But whether you're running your business on your own, or have a partner, or have two or more, there'll likely come a time when you need additional help. Where should you look?

In part this will depend on what you're looking for. A sales rep? An administrative assistant? A delivery driver? A bookkeeper? A retail salesclerk? Mailroom help? An all-around office worker? A collections specialist? Are you looking for someone part-time or full-time? Here are some places to look:

• *CraigsList and its imitators*. Since the wild success of CraigsList, a slew of other online bulletin boards has sprung up in imitation. Most do not charge for ads. Even the venerable CraigsList charges to run an employment (or housing) ad only in select cities, not in all of them.

• Such sites as indeed.com, ziprecruiter.com, simplyhired.com, careerbuilder.com, snagajob.com, and perhaps the granddaddy of them all, monster.com.

• *Online employment agencies*. Monster.com is probably the best-known of these.

• *An ad in your local daily paper.* This is one of the two most time-honored places to seek qualified help, and one of the two that people have traditionally used to fill a job that requires skills, perhaps a college degree, and applicants who are more conservative—although that doesn't mean that you should use the classifieds only for jobs that fit that description.

If you are hiring a computer programmer who earns $90,000 annually, you could pay up to $45,000 to the agency, and there is not even a guarantee that your employee will stick around for a full year.

• *An employment agency.* This is the other time-honored venue for finding qualified applicants, especially (but, again, not exclusively) for jobs that require skills and/or a college degree. Employment agencies are quite expensive and can charge fees as high as up to fifty percent of the employee's first year's salary. If you are hiring a computer programmer who earns $90,000 annually, you could pay up to $45,000 to the agency, and there is not even a guarantee that your employee will stick around for a full year.

• *Ads on store bulletin boards*. Does your area have one or more stores that

offer bulletin boards on which people can post ads at no cost? You may find such a bulletin board in a supermarket, bookstore, coffee shop, or other store. Or if you're looking for a specialized sort of skill—say, someone who can play an instrument or compose music—seek out a store that such a person would be likely to frequent—in this case, a music store—and see if they have a bulletin board. (In fact, many music stores do.)

• *Ads on college bulletin boards*. Many colleges have one or more bulletin boards, in the student center or other location, on which people are free to list anything from apartments and rooms for rent to employment positions available. If you have a college, including a community or "commuter" college, in or near your town, you may be in luck. And since more "non-trads" (non-traditional students—that is, people who *aren't* eighteen to twenty-one and just out of high school) are enrolled in colleges than ever before, don't assume the respondents to your ad will all be "college kids." You may get a fifty-five-year-old grandmother who's back in school to get that degree she abandoned pursuit of when she got married at age nineteen, or a thirty-five-year-old fellow who has returned to college to belatedly pursue postgraduate work, or a forty-year-old non-matriculating student who's there to learn but not for credit. You may even snag a professor or other teacher who works part-time and is interested in the part-time work you're offering.

• *Student employment office*. Many colleges also have a student employment office with which you can register your needs and be matched up with one or more potential hires whose backgrounds match your needs.

• *Ads in weekly or alternative newspapers, or magazines*. Besides your city's daily paper, there are likely other publications that serve your area. These may be weekly news-oriented papers for smaller neighborhoods, a Pennysaver, composed primarily or totally of advertising, an alternative paper that reaches out primarily to teens or to people in an alternative lifestyle, or some other genre of newspaper other than a daily news-oriented publication. Your area may also be served by one or more local magazines.

• *Ads in newsletters*. These have much more limited circulation, but your church or synagogue, civic organization, homeowners' association or neighborhood improvement association, or other affiliation may have a newsletter that it publishes and that accepts advertising, usually at a very modest charge.

• *Temporary employment agencies*. When you know you will need someone only for the busy season, only to help fill a large order, only for the three months that your regular employee will be out on maternity or health leave, or in similar

circumstances, you can call a temporary staffing agency. They will send you a "temp," who will work while you need him without your owing him any unemployment compensation (see below under "W-2 or 1099") when his services are no longer required.

• *Student employment office*. Your local college(s) may be a good source of eager, educated help. Too, a student or recent grad starting out on what may be his/her first job, or first full-time job, probably does not expect as high a pay rate as someone who's been in the workforce for a while. And if he or she has been studying courses related to the position for which you're hiring him, he is likely to be quite up to date on the latest knowledge, information, and methodology, whether we're talking about marketing, merchandising, bookkeeping, or web design. (Naturally this isn't relevant if you're hiring a truck driver, sales clerk, or messenger.)

• *Alumni association*. Another college-affiliated source through which you may be able to connect with the sort of person you're looking for, though in this case not necessarily a recent graduate.

• *Word of mouth*. "Do you know anyone who is looking for work, is good at organizing people, and doesn't mind working weekends?" An inquiry such as this may land you exactly the person you're looking for—and not just a stranger off the street, but your best friend's cousin, your neighbor's former co-worker, or your barber's out-of-work buddy.

W-2 or 1099?

It's a number you should know: 1099. That's the tax form you'll need to fill out at the end of the year for people who work for you but aren't employees. If the phrase "work for you but aren't employees" leaves you puzzled, then you've never worked as a freelancer or independent contractor, sometimes referred to as a "1099 worker."

Technically an *employee* works for you at a fixed rate, which may be by the hour, by the week, or by the month or year. He or she may be full-time or part-time, and his or her hours may be fixed or variable, but he generally works for you on a fairly regular basis. You withhold certain deductions from his paycheck, most notably federal withholding tax and, if applicable in your area, state and/or municipal withholding tax as well, along with Social Security (FICA). At the end of the year you'll issue him a form W-2 showing how much you paid him in the past year and how much of that you withheld for taxes, Social Security, and so on, and

submit the withheld taxes to the government with a transmittal form documenting the employee's name and Social Security number and amount of money you withheld, which you are now sending to the Internal Revenue Service.

A freelance worker or independent contractor probably works on an as-needed basis and is more likely to get paid by the task. For example, a freelance editor will get paid for each book (or magazine issue or website or other assignment) she edits, rather than getting paid by the week or by the month; a freelance seamstress gets paid for "piecework": for each handmade dress she sews at home and turns in, rather than getting paid by the hour. You will withhold no deductions from her paycheck. And at the end of the year you'll issue her a form 1099 (that's where that number, above, comes from) showing how much you paid her in the past year.

Salaried workers are more likely to work in your place of business than in their own homes, though that is not a hard-and-fast rule. Freelancers are more likely to work in their own homes, though again that's by no means absolute.

If you hire a driver who must have his own vehicle to do your deliveries, you're paying him for his labor and the use of his vehicle, and you're probably hiring a 1099 worker, rather than a salaried employee.

Salaried workers are more likely to work in your place of business than in their own homes, though that is not a hard-and-fast rule. Freelancers are more likely to work in their own homes, though again that's by no means absolute.

If you hire a salaried employee and feel a need to fire her, the state may pay her unemployment compensation, depending on the reason for firing her, which may in turn cause your rate of paying unemployment taxes to go up. You may also be required to give her three written warnings first, before you fire her. If you engage an independent contractor to perform a certain task for you on a regular basis but become dissatisfied with her work, her attitude, her promptness, or her professionalism, you can simply replace her with someone more satisfactory. You owe her nothing but payment for the work already performed. And you need give her no warning and no advance notice.

Salaried employees may belong to a union. Unions are rarely involved (there are some exceptions, such as the acting unions and the Writers' Guild) with free-

lancers.

Hiring an independent contractor with his own truck, her own sewing machine, or other such machinery may obviate the need to buy and maintain (and have a space in which to keep) a truck, sewing machine, or other machinery of your own. It will in all likelihood also ease your insurance burden. But you must make sure that these independent contractors are fully insured, primarily for liability reasons.

You don't have to pay toward the retirement fund of a 1099 worker.

In addition to not having to pay Social Security and Medicare taxes for an independent contractor, you also don't have to pay Workers' Compensation. Nor are independent contractors entitled to family leave, paid vacations, or paid sick days. And if you engage them for a limited-time project, it's easier to ease them out the door when the project concludes.

But on the other hand, they can sue you for on-site injury, and if you contract with them for a certain number of hours, days, weeks, or months (rather than to complete a certain task), and the circumstances change, obviating your need for their services, they may be able to hold you to the terms of the contract and paying them for the contracted time. Also, if they are working on a creative project for you, you may not be able to claim copyright on the work the independent contractor has done.

But if the good seems to outweigh the bad, don't think that you can blithely classify all your workers as independent contractors and thus get around withholding taxes, contributing toward Social Security, paying unemployment compensation, and all the rest of what makes freelancers easier to have as workers. The government takes a dim view of such shenanigans, so if you do engage someone's services as a 1099 worker, be prepared to defend that choice on stronger grounds than "I didn't want to have to go through all that rigamarole."

The IRS, on its website, lists the following three questions to ask yourself in helping to determine whether the person performing work for you may be legally classed as an independent contractor:

1 - Does your company control or have the right to control what the worker does and how the worker does his or her job?

2 - Are the business aspects of the worker's job controlled by the payer? (These include things like how worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)

3 - Are there written contracts or employee-type benefits (e.g. pension plan, insurance, vacation pay, etc.)? Will the relationship continue, and is the work per-

formed a key aspect of the business?

The IRS goes on to say:

"Some factors may indicate that the worker is an employee, while other factors indicate that the worker is an independent contractor. There is no 'magic' or set number of factors that 'makes' the worker an employee or an independent contractor, and no one factor stands alone in making this determination. Also, factors which are relevant in one situation may not be relevant in another.

"The keys are to look at the entire relationship, consider the degree or extent of the right to direct and control, and finally, to document each of the factors used in coming up with the determination.

"After reviewing the three categories of evidence, if you are still unsure if a worker is an employee or an independent contractor, the business can file Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding with the IRS. The form may be filed by either the business or the worker. The IRS will review the facts and circumstances and officially determine the worker's status. Be aware that it can take up to six months to get a determination."

Here are some factors that may point in the direction of a worker being legitimately classifiable as an independent contractor:

- Does he have a business license to do the sort of work he does?
- Does she have other people working for her?
- Does he advertise his services in the newspaper, the Yellow Pages, or elsewhere?

Be sure to have him or her invoice you for all work she performs, and by all means save the invoices. Write out a contract spelling out the services she is to perform and the compensation she is to receive in return.

If, after all, you decide that classifying the worker as an independent contractor is not legally defensible, you're going to need to pay him or her a salary and deduct taxes and social security, unemployment insurance, as well as possibly retirement fund withholding and union dues. Since you're going to need the services of a good accountant at year's end, why not ask him or her to figure out exactly what you need to withhold from each new employee as you hire him or her, so you can be sure your numbers are correct? This is one of those cases in which an ounce of prevention is worth a pound of cure—and also worth the cost of whatever your accountant charges you for doing this. (It shouldn't be much—especially if you're already an established client.)

And speaking of the government….

While we're on the subject of governmental requirements, remember that it's illegal to discriminate in hiring on the basis of race, religion, gender, sexual orientation, national origin, or disability. If you hire someone who is disabled, you may need to make certain accommodations for them. This can be anything from making sure the employees' restroom is handicap-accessible to allowing the person two naps a day at her desk. But you are not allowed to show preference for a non-disabled worker just to get out of making those allowances. (Clearly, if the applicant's disability would prevent him from good job performance, that's a different story.)

On the other hand, while you're not allowed to discriminate against an applicant because of his national origin, you *are* supposed to make sure that, if a worker is foreign-born, he or she is here legally and has the right to work. You are allowed to ask to see her "green card" to insure that she is permitted to work in the U.S. (Remember, though, that Puerto Ricans are not foreign-born. They are U.S. citizens, as Puerto Rico is a territory of the United States.) You have the right to ask to see his or her Social Security card as well.

Hiring relatives

Whether you involve him as a salaried employee or an independent contractor, do you really want your brother-in-law, your mother, or any other relative working for you? Do you even want your best friend on your staff? As with so much else in life, there are two answers to this question: Yes and no. On the one hand, few people are going to be as concerned with your success and as eager to help you as will be those nearest and dearest to you. If she has the right attitude and the right values, your sister is more likely to stay late at work, bring work home, and generally go the extra mile. And unless she's a real back-stabber, she's not going to leak trade secrets to the competition, jump ship for a tiny raise in pay, or do any other nasties to you.

On the other hand, it can be awfully awkward to fire (or even lay off for lack of work) a relative (or close friend), yet you may need to do just that if her work isn't up to standard, if you have your eye on someone who can do the job much better, if you don't need a full-time bookkeeper but would love to have that same person also handle your customer relations, a job your sister doesn't have the right personality for…or for any other reason.

And if she has the wrong attitude and values, then instead of giving the job her

all plus extra, she might take advantage of the familial relationship to come in late, go home early, take too many days off frivolously, or otherwise abuse her relationship to you. So you see, hiring a relative (or close friend) is a two-edged sword: You can get exceptional work and help, *or* you can be taken advantage of ("He won't fire me—he's my brother!") *and* find it harder to fire the person if you need to…whether because of her job performance or for some reason unrelated to her work.

> **Consider this:** When you let an ordinary employee go, you probably won't ever see him or her again. No awkward moments. But if you hire and then fire your brother-in-law, your Aunt Helen, or your Cousin Pete, you're going to run into him or her over and over again, at every family function from Thanksgiving dinner to nephew Steve's wedding to your mom's big fiftieth birthday celebration. And even if Pete doesn't introduce you to his new wife as "the cousin who fired me," and Aunt Helen doesn't ask, "Did you ever overcome that dumb inventory snafu you created?" it's still going to be awfully uncomfortable for you—and perhaps for everyone else present at the occasion as well.

Eeny, meeny, miney, mo

The way some people hire, they might as well be sticking pins in a paper or using a children's counting game to decide which applicant to choose. How *do* you decide which would-be employee to choose from among the several (or even many) who answer your ad (or respond to the inquiries you're putting out there)?

First of all, references are of only limited value. Even assuming the reference is legitimate and not utterly bogus (such as being written by the applicant on letterhead swiped from his last job), the reference provider may be concerned about giving a bad reference and may say kind things he doesn't mean.

…Or the reference provider may be the applicant's best friend, uncle, or bowling buddy, who really wrote the reference, really works for Warranteed Widget World, but never really employed your applicant.

The bottom line? Put limited faith in references.

On the other hand, put a lot of faith in your instincts. Your "gut." Surely you've fed the bull to somebody in your time. Do you recognize a bull artist when you in-

terview him? Does he have a fabulous resume—or is it "smelling" too good to be true? If he's "job-jumped" a lot, why? Is he unable to stay put in one job for long without getting restless feet? Or, worse, has he been fired often for reasons that will become all too apparent only after you hire him to work for you?

Talk to him for a little while. Try to get a feel for whether his personality will fit in with you and the others in your company. The best worker in the world is worth nothing if he has an abrasive personality that riles up all those around him, or is an annoying brown-noser, or has some other character defect or personality flaw that outweighs the value of his job performance.

Ask him what his ultimate job goals are. Ask him what he feels he has to contribute to your company—both in terms of his work-specific abilities and knowledge and in terms of his overall attitudes and personality. Ask him what he sees himself doing in five years, in ten years. Ask him questions such as how he would handle it if he learned that a co-worker he was friendly with was stealing from the company or in some other way dealing dishonorably with the company—not something minor like calling in sick to go fishing, but something seriously dishonest. (Pick an example that's relevant to your company, your industry.) If the candidate you are interviewing is applying for a job that requires thinking, give him a hypothetical situation that realistically could occur within the scope of his job and ask him how he would handle it.

An employee with no previous experience—one who's fresh out of school, or one who went from high school straight to motherhood, and is now applying for her first-ever job at age thirty—is not necessarily undesirable. True, you will have to teach her from the ground up, but you can teach her to do things your way, the way your company does things, the way you yourself want them done. She will not have to first unlearn the way she was taught at her previous job. So don't discount a prospect just because she has no prior work experience.

Telecommuters

Don't overlook the possibility of hiring a telecommuter—a person who works for you from his or her home. Naturally there are some positions—those that require being present in the office or other workplace, those that require being face to face with the rest of the staff, or the customers/clients, those that require being where your equipment is—for which telecommuting is not feasible. But many jobs can be performed more than competently from an employee's home.

Yes, he or she is away from your supervision. Yes, he or she could be chatting

for hours with friends on the phone, working in the garden on company time, or even taking a nap when you expect him to be working. But look at all the unauthorized downtime even in an office environment when employees engage in extended water cooler or break room chats, answer personal emails or play computer games, take time for extended phone conversations, or simply goof off and stare into space. The bottom line? If he or she is getting her work done satisfactorily, don't worry that she's possibly engaging in non-work activities between 9:00 and 5:00 when she's supposed to be "on your clock."

Making telecommuting even more workable nowadays are such inventions as Instant Messaging and computer-connected TV cameras, which allow for quick communication and response between you and your distance-based employees. Cameras allow for you to see your employees face-to-face electronically while you talk to them and even to see a project an employee may be working on (other than a document, which can be sent by email), so that you can comment on or help with a project that requires your guidance.

Making telecommuting even more workable nowadays are such inventions as Instant Messaging and computer-connected TV cameras, which allow for quick communication and response between you and your distance-based employees.

And there are cost-effective arguments in favor of hiring telecommuters: You needn't provide a desk, a computer, break room supplies, office supplies, physical space, and more for almost any employee who telecommutes. (You may want to have a desk or two available, and perhaps a computer, if, on occasion, you do expect your telecommuters to visit the office and do some work there.) As well, an employee who isn't feeling well and might be tempted to call in sick if she worked in the office might, if she is a telecommuter and able to work at home, put in a day's work, or the better part of a day's work in spite of not feeling up to par.

You can lead a horse to water…

You can lead a horse to water…but how do you lead an employee to a good job performance? Well, "lead" is the key word. You don't get good work out of an employee by browbeating, hassling, threatening, or intimidating. You get good work

out of an employee by encouraging, by recognizing good work and praising it, by helping him or her to understand clearly both what the work is that's expected of him and, if necessary, how to best perform it, and by setting a good example.

If you spend half your day on the internet playing games, on the phone chatting with friends, or taking time off out of the office, your employees will want to do the same. The boss who takes long lunch hours, not in pursuit of a new client but simply socializing with friends, who comes in late and leaves early "because I can—it's *my* company," and who otherwise slacks off is not setting a good example for his employees.

By the same token, the boss who does a half-hearted job, does the least he can get by with, and never goes the extra mile is also setting a bad example, if only by failing to set a good one.

When it's time to say goodbye

Of course, sometimes you, the boss, work hard, put in a long and productive workweek, and otherwise set a good example; you encourage your employees to do their best and praise them when they do something particularly notable; you reward them monetarily, whether with raises, bonuses, or other financial incentives—and still there's one who "phones in" his work: does the absolute least he can get by with and seems to be just going through the motions. In that case, the fault isn't yours but his, and it's probably time to start looking for a replacement for him.

If the workers like you, they'll be more eager to give the job their all and do their best for the company…and for you.

It helps if you can inspire your employees to *want* to do well. How? Well, for one thing, by making your office, factory, store, or other place of business a good place to work, a place where work is not onerous or odious, a place where employees feel appreciated and valued and cared about. If they have the right attitude to start with, working in such a place will be a pleasure and a privilege, and they'll be motivated to do their best for the company to help it thrive and grow. Make *yourself* a person they'll want to help, too, and a person they'll want to please. Even if they enjoy their work, if they don't like you, this will disincentivize them from doing well for the company, since they'll be less than eager to see you profit from the company's success.

But if you've made a mistake, if you've hired the wrong person, don't be afraid

to replace him. In a small office (or factory, store, or other work environment)—and most new businesses are small—it's easier for the boss and employees to have a friendlier relationship than in a MegaCorp, with 2000 (or even 200) workers. And it's only natural to want to be liked—it's even good for business, as we talked about earlier: If the workers like you, they'll be more eager to give the job their all and do their best for the company—and for you. But you mustn't let your desire to be liked inhibit you from firing someone lest the others look with disfavor on you, or lest you lose the friendship of the one you're firing. If someone isn't working out for the company, whether it's because he's goofing off, because her skills aren't up to par, or for some other reason, let him or her go.

It's for the good of *your* company and *your* future. (And, in the long run, that's what's best for the others who work for you, as well.)

End-of-chapter exercise: Make a list of the tasks you feel qualified to perform well that may be pertinent to your business, or the business you'd like to start. Now make a list of all the tasks you feel you will need to have performed for your business by someone else—whether it's you, a partner, or a worker (employee or independent contractor).

CAPITAL
PROFIT
LOSS
RISK
MARKETING
OPPORTUNITY

Chapter 14
ADVANTAGES FOR WOMEN AND MINORITIES

For many years, it was a given that women and minority members had a tougher time of it in business. It was more difficult to get hired, more difficult to get promoted, and more difficult to get respect from your subordinates or be treated as a co-equal by your peers.

It is generally accepted that the reason so many Jews are in the professions (doctors, lawyers, dentists, accountants, and such) is that—especially a generation or two or three ago—discrimination was rampant, and it was difficult for Jewish people to get jobs or, if they were hired, to get promoted and to be treated fairly. So they went into the professions, where generally speaking they could be their own bosses, earn a good living, and not have to answer to higher-ups—or to suppliers or others who might also make their lives difficult, as could be the case. Because, yes, it's true that then (and even now), if a minority member (or woman) started his or her own business, so that he controlled his own fate, he still had the cards stacked against him. Suppliers/vendors, competitors, employees, and potential customers…all would treat him or her differently because she was a woman or he was a minority.

Then the government stepped in.

While the sometimes-held belief that women-owned and minority-owned businesses get tax breaks is *not true,* they *do* benefit from certain advantages. There are incentives for the federal government (and many local governments) to give them preference in contracts to purchase goods, in contracted services, and similar. Women and minorities also benefit from the existence of the Women's Business Centers, funded by the U.S. Small Business Administration, and the Minority Busi-

ness Center, funded by the U.S. Department of Commerce. Similar in function to the Small Business Development Centers, but aimed specifically at minority- and women-owned businesses, these organizations exist explicitly to give information and aid to business that fall into one of the two categories.

In 1994, the Federal Acquisition Streamlining Act (FASA) set a goal for federal agencies to award at least 5 percent of all prime and subcontract dollars to women-owned small businesses (WOSBs). Unfortunately, although there has been an ever-increasing number of women-owned firms since then, the 5 percent goal has yet to be achieved. In fiscal 2003, 3 percent of federal contract dollars were spent with women-owned businesses. The good news? That's the highest percentage since this information has been recorded. The bad news? It's still not the 5 percent the government had set as a goal. The news is better when it comes to actions awarded: nearly 600,000 contract actions were awarded to WOSBs in fiscal 2003, up nearly 100 percent over fiscal 2002's statistic of 272,000 actions. WOSBs received 5.3 percent of contract actions in 2003, up from 3.8 percent in 1999 and 3.4 percent in 2002.

More good news: Women now make up 50 percent of the work force. And 60 percent of today's college graduates are women.

Here is just one example of women who have made it—and made it big—in what used to be considered a man's world: The world of commerce. They did it by aiming squarely at other women. Birchbox, based in New York City, is a service that sends its subscribers a box every month that contains four or five samples of makeup, skin-care products, perfumes, and other beauty-related products, all high-end. If they like the products, subscribers can then order them from the company in full size. The selections are individualized, following questionnaires the subscriber fills out. The two founders of the company, Katia Beauchamp and Hayley Barna, are alums of Harvard Business School.

Let's take a quick peek at some other notable female founders of successful companies:

Alexa von Tobel, CEO and Founder, LearnVest

After winning an Astia business plan competition, Von Tobel dropped out of Harvard Business School to launch LearnVest, a personal finance platform that offers tools, content, and financial planning for women.

Sukhinder Singh Cassidy, Founder and Chairman, Joyus
Joyus, a video-based e-commerce site, helps customers discover treasure among offerings in apparel, beauty and lifestyle. Formerly the CEO at Polyvore, Singh Cassidy's business history includes stints as an executive at such companies as Google, Amazon, and News Corporation. She also held the title of CEO-in-Residence with Accel Partners.

Laura Fitton, Founder, oneforty
Realizing ahead of most others that Twitter could be leveraged for marketing, Laura Fitton started Pistachio Consulting, then wrote *Twitter for Dummies*. From there she proceeded to launch oneforty, an app store offering the best extensions and apps for Twitter. Eventually oneforty was acquired by HubSpot. Fitton remains onboard as the company's inbound marketing evangelist.

Olga Vidisheva, Founder, Shoptiques
Harvard Business School alum Vidisheva envisioned Shoptiques as a new way to shop online, offering boutique-style fashion via ecommerce.

Kass Lazerow, Co-Founder & COO, Buddy Media
After starting GOLF.com with her husband, Mike Lazerow, serial entrepreneur Lazerow, again in tandem with her husband, launched the social media management software Buddy Media.

Cheryl Yeoh, Co-Founder and CEO of Reclip.it
After launching her first startup, CityPockets, Yeoh went on to launch Reclip.it as an innovative way to save money, share deals with friends, and keep up with the latest deals offered by users' favorite brands.

Aslaug Magnusdottir, Co-Founder and CEO, Moda Operandi
Magnusdottir is co-founder, along with fashionista Lauren Santo Domingo, of Moda Operandi. The company gives its customers the opportunity to pre-order high-end apparel and accessories "straight off the runway" during seven-day trunk shows. Magnusdottir has an MBA from Harvard Business School, an LLM from Duke University, and an undergraduate law degree from the University of Iceland, her native country.

Katina Mountanos, Co-Founder and CEO at Manicube
Manicube, a mobile manicure service, contributes $1 of each manicure to microloans abroad. Mountanos is in the process of expanding the company.

Julia Hartz, Co-Founder and President, Eventbrite
In tandem with her husband, Hartz co-founded Eventbrite, which merges e-commerce with the social graph to democratize event ticket sales. The platform has helped event organizers sell more than $1 billion in ticket sales.

Gina Bianchini, Founder, MightyBell
Serial entrepreneur Bianchini previously owned custom social network Ning but went on to start Mightybell, whose mission is to help users break a big idea into small steps that can be shared to social networks.

Tracy Sun, Co-Founder, Poshmark
Dartmouth MBA recipient Sun co-founded Est.Today, a website where young girls could design their own fashions and share these with their friends. From there she went on to launch Poshmark, in partnership with Manish Chandra and Chetan Pungaliya. Poshmark is an iPhone app that lets its users browse, buy, and sell clothing and accessories.

Christina Wallace, CEO and Co-Founder, Quincy
Wallace and fellow Harvard Business School grad Alex Nelson co-founded this apparel company, which is designed to look good on any woman, regardless of her body type. Rather than relying on general sizing, Quincy focuses on specific measurements.

Alex Tryon, CEO and Co-Founder, Artsicle
Artsicle, the art rental company Penn alum Tryon co-founded, lets users rent art by emerging artists. Thus the renter (and potential buyer) can see if an artwork suits his or her tastes, while unknown artists get their creations displayed. Tryon's co-founder is boyfriend Scott Carleton.

Brooke Moreland, Co-Founder and CEO, Fashism
The Fashism site lets users post a photo and get instant, crowdsourced feedback

from other shoppers and fashionistas. Women appreciate the opinions of their friends, husbands or S.O.s when trying on a new garment, and Fashism gives them this opinion bank in an online milieu.

Rashmi Sinha, CEO and Co-founder, SlideShare
Sinha first co-founded Uzanto, a user experience consulting company, before launching her first product, MindCanvas. Then came SlideShare, which she subsequently co-founded and which today is the world's largest community for sharing presentations. It was acquired by LinkedIn.

Alexa Andrzejewski, Co-Founder, Foodspotting
A desire to build her own UX-driven company led Andrzejewski to launch Foodspotting. On a trip to Japan, Andrzejewski saw that everyone around her was snapping photos of food. She wondered who would ultimately see the pictures. This inspired her to start her company.

Amy Jo Martin, Founder, Digital Royalty
Martin founded DigitalRoyalty to help companies, celebrities, professional sports leagues, and athletes strategize, build, and monetize their digital universe. Social media expert Martin consults with her clients on how to create a better personal brand for themselves on social media.

Caroline Ghosn and Amanda Pouchot, Co-Founders, Levo League
Meeting at their first job out of college, Ghosn and Pouchot found themselves in a fast-paced and male-dominated environment. They soon began mentoring and consulting each other, agreeing it was unfortunate that they didn't have older, experienced women to whom they could reach out for advice. The result was that they left their positions to start Levo League, with its rotating list of mentors who are available during the site's weekly "office hours."

Jenn Hyman and Jenny Fleiss, Co-Founders, Rent the Runway
Harvard Business School classmates Hyman and Fleiss devised Rent the Runway, a high-end dress rental service by means of which women can dress like Cinderella at the ball without having to go into hock to do it. The company has over 25,000 dresses available for rental.

Cindy Gallop, Founder and CEO, If We Ran the World
Branding, marketing, and advertising maven Gallop's company turns ideas into action. She is also responsible for launching the website Make Love Not Porn and serves as an adviser to tech startups.

Deborah Jackson, Founder, JumpThru and Plum Alley, Co-Founder, Women Innovate Mobile
JumpThru, founded by Jackson, is an accelerator for women-owned tech companies. She is also the managing director of the angel investor group Golden Seeds, the co-founder of Women Innovate Mobile (with Kelly Hoey and Veronika Sonsev), and the founder of Plum Alley, an e-commerce company whose mission is to promote female-founded companies.

Jen Bekman, CEO and Founder, 20x200
Bekman founded her eponymous art gallery in Manhattan before launching 20x200, an online gallery selling prints that start at $20. She is also the founder of Jen Bekman Projects, which includes the international photo competition "Hey, Hot Shot."

Jess Lee, Co-Founder, Polyvore
Stanford alum Lee, the daughter of an entrepreneur mother, co-founded Polyvore, which is a fashion trendspotting site. It is now the biggest fashion site on the web.

Rachel Sklar, Founder, Change The Ratio and TheLi.st
Sklar helps women make their way around the male-dominated tech world—but she also helps men. She accomplishes this through Change the Ratio, new media venture TheLi.st, and her advisory work. Sklar's mission in founding Change the Ratio was to bring awareness to women's work accomplishments.

To learn more about women-owned businesses and federal contracting, read Federal Contracting with Women-Owned Businesses, FY1998 to FY2003 at http://www.womenbiz.gov/exit.html?to=www.nwbc.gov/documents/Issue_brief-Federal_Contracts-2004.pdf. The SBA Web site outlines the statutory goals for contracting with women-owned businesses at:

- http://www.womenbiz.gov/exit.html?to=www.sba.gov/GC/goals/

and provides data on those goals at the following websites:

• http://www.sba.gov/GC/indexprograms-cawbo.html.
• http://www.womenbiz.gov/exit.html?to=www.sba.gov/GC/indexprograms-cawbo.htmlhttp://www.sba.gov/GC/cawbofactsheet.html.
• http://www.womenbiz.gov/exit.html?to=www.sba.gov/GC/cawbofactsheet.html.

A certification process is in place to prevent such abuse as a man putting his business in his wife's name in order to get women-owned business status. And for a business to get minority-owned status, one or more persons of a minority demographic group must own at least 51 percent of the stock or equity. Those demographics are: Hispanic, Black, Native American or Alaskan Native, Asian, and Native Hawaiian or other Pacific Islander.

Partly as a result of the government's efforts to level the playing field, women- and minority-owned businesses have made some advances in what is still, to be sure, a game where conditions are not entirely equitable. Over the past decade, there has been tremendous growth in the number of such businesses. The most recent data available from the U.S. Census Bureau shows that over the six years 1992-1997, the number of minority-owned firms increased 30 percent, which is over four times the rate of growth of U.S. businesses overall (6 to 7 percent). However, while one in seven Caucasian men works in his own business, only one in eighteen working African-American men can say the same, and only one in twelve working Hispanic men. As well, the survival rate for Black-owned businesses and Hispanic-owned businesses is not that encouraging. Among Caucasian-owned start-ups, nearly half remain in business for at least four years, whereas only a bit over a third of Black-owned businesses survive that long. Hispanics, at 44.9 percent, average better results than Blacks but still not as well as Caucasians. Further, according to a 2002 study by the SBA, only 18 percent of the 23 million U.S. firms were owned by minority members.

The SBA did report some encouraging facts, however, from a study that covered the years 1997-2002:

> • Black-owned firms had the highest growth rate during that period according to several ways of measuring, including a 45.5 percent increase in the number of firms.
> • During the same period, the number of all minority-owned businesses increased 10 percent.
> • The percentage of businesses owned by minority women also rose.

• Hispanics constituted the largest minority business community, owning 6.6 percent of all U.S. firms.
• Interestingly, though hardly surprisingly, the distribution of firms tends to vary by industry and race/ethnicity: 16 percent of Native American-owned businesses were in construction; 20.5 percent of Black-owned firms were in health care and social assistance; and Hispanic- and Islander-owned businesses were concentrated in administrative, support, waste management and remediation (contaminant removal) services.
• About half of nonemployer minority owners used their own and family savings to start their business. The second most popular source of financing was a personal or business credit card.

At this point, if you're a woman, you may be wondering how to certify your business as woman-owned. Actually, the federal government does not require such certification, but local governments may, and such certification may help you in the award of some other types of contracts. You can register through the federal government's Central Contractor Registration, through the private Women's Business Enterprise National Council (WBENC), or through the (also private) National Women's Business Owners Corporation (NWBOC). More than one hundred major corporations, agencies, and organizations accept NWBOC certification.

Which brings us to the fact that it's not just governmental agencies that give preference to women- and minority-owned business. Many companies in the nongovernmental sector also provide incentives for such small businesses to do business with them. Examples include U.S. automakers, who number over 360 minority-owned dealerships (comprising 7 percent of the total 5,100 domestic auto dealers). As well, Ford spent $3.1 billion on goods and services bought from 320 minority-owned suppliers in 2003, the last year for which figures are available. Starbucks, another company that makes a point of favoring women- and minority-owned businesses, not only can boast that 24 percent of its corporate officers are women, but they favor purchasing coffee from female coffee farmers and exporters whenever possible.

For more specific information on advantages for women-owned businesses and getting certified as such, go to http://www.womenbiz.gov. Here are some other useful websites:

•http://www.womenbiz.gov/exit.html?to=www.onlinewbc.gov/wbc.

pdf and Association of Women's Business Centers

- http://www.womenbiz.gov/exit.html?to=www.awbc.biz
- http://www.womenbiz.gov/exit.html?to=www.sba.gov/financing/special/women.html
- http://www.nwbc.gov/
- http://www.sba.gov/aboutsba/sbaprograms/onlinewbc/index.html?cm_sp=ExternalLink-_-Federal-_-SBA http://www.women-21.gov/?cm_sp=ExternalLink-_-Federal-_-DOL.

Several state governments have offices and resource centers for women business owners:

Illinois - Women and Minority Business Assistance
http://business.illinois.gov/women_assistance.cfm
Massachusetts - State Office of Minority and Women Business Assistance
http://www.somwba.state.ma.us/
Missouri - Women-Owned Business Network
http://www.wobnetwork.mo.gov/
Washington - State Office of Minority and Women's Business Enterprises
http://www.omwbe.wa.gov/
Wisconsin - Women-Owned Business Resources
http://commerce.wi.gov/MT/BD-WomensResourceIndex.html

Here are several websites specifically in place to help minority-owned businesses:
https://eweb1.sba.gov/hubzone/internet/?cm_sp=ExternalLink-_-Federal-_-SBA
http://www.mbda.gov/?cm_sp=ExternalLink-_-Federal-_-DOC
http://www.sba.gov/aboutsba/sbaprograms/8abd/index.html?cm_sp=ExternalLink-_-Federal-_-SBA

Specifically for American Indians, Native Alaskans, and Native Hawaiians:
http://www.ncaied.org/
State minority business development centers:

Alabama - http://www.mbocalabama.org/
Arizona - http://www.azmbec.com/
California - http://www.inlandempire-mbdc.com/
California - http://www.losangelesmbec.org/
District of Columbia - http://www.dcmbdc.org/
Florida - http://www.mbocflorida.org/

Florida - http://www.mbdcsouthflorida.org/
Georgia - http://www.georgiambdc.org/
Hawaii - http://www.honolulu-mbdc.org/
Illinois - http://www.cmbdc.org/
Michigan - http://www.mi-mbdc.com/
Minnesota - http://www.nabdc.org/
New Mexico - http://www.nedainc.net/
New York - http://www.manhattan-bronx-mbdc.com/
New York http://www.odabdc.org/
North Carolina - http://www.mbdc-nc.com/
North Carolina - http://www.cnabdc.com/
Oklahoma - http://www.indiansbusiness.org/
Puerto Rico - http://www.mbdcpr.com/
South Carolina - http://www.scmbdc.com/
Texas - http://www.sa-mbec.org/
Washington - http://www.mbdcwa.com/
Wisconsin - http://www.milwaukeemboc.org/

If you are a woman or a member of a minority, by all means take advantage of every break that is offered you, whether it's in the form of a preference for doing business with you *because* you're a minority or woman, or whether it's a website or agency set up to help you overcome the obstacles in your path. Getting started in business and making a success of it is tough enough; if someone hands you a lifeline, grab it!

End-of-chapter exercise: If you are a woman and/or a member of a minority, research online for *at least* one grant, loan, or business advantage you are eligible for by dint of your status, and list the steps you need to take to apply for the loan, grant, or minority certification involved.

CAPITAL
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Chapter 15
KEEPING BOOKS AND OTHER RECORDS

There are certain records you'll need to keep as a business owner, either because the law requires it or because they simply are necessary for your business. To begin with, you'll need a record of your income and expenses, and the resultant profit or loss at the end of the year. (Note: You may report your income and profit or loss for the calendar year [January 1 to December 31] or for a fiscal year [365 days (in a non-leap year) beginning at some time other than January 1]). Consult with your accountant on this and on whether to report on what is called a cash basis or what is called an accrual basis. The difference in essence refers to whether you report income in the year it was earned or the year it was paid.

Keeping your records will be much easier if you have a computer program called QuickBooks. QuickBooks is a line of business accounting software and is the best software not only for accounting but for the preparation of statements. It's easy and efficient and makes keeping your books and records simple.

Keeping your records will be much easier if you have a computer program called QuickBooks.

You'll need to file quarterly reports with the federal and/or state or local government. These include a 941 (payroll tax report), unemployment tax report, workers' compensation, disability, and possibly a sales tax return (which may instead be monthly or at some other frequency).

If you have one or more employees, *including yourself and any partners who are drawing salaries,* you'll need to keep a record of what they were paid and what

deductions were taken. If you pay independent contractors, whether they perform regular work for you or are more along the lines of a painter who paints the inside of your new store (and that includes your brother-in-law, if you pay him to do the painting!), you need to keep a record of who you paid and what for, and be sure to keep the invoices these people bill you with (as noted in Chapter 12).

You need, of course, to keep the home addresses of all your employees so that you know where to send their forms W-2 at tax time, and so that you can report this information to the IRS.

If you claim such business expenses as lunches with clients or prospects, or other business entertainment, you'll need to keep records of that, including receipts, annotated as to whom you had the meal with and, if you think the name may not ring a bell three years hence, the company that person is with or the reason you took him or her to lunch.

Note to serial entrepreneurs: If you are in more than one business, you should keep a complete and separate set of records for each business. A corporation should keep minutes of board of directors'meetings.

If you use your personal vehicle for company business, you need to keep a record of mileage, gas, maintenance and repairs, and other related expenses.

You may, at your own discretion, keep any number of other types of records, of course, from employees' birthdays (so you can congratulate them at the appropriate time) to clients' personal interests (so you can buy them presents that come across as thoughtful in the literal sense and will be truly appreciated) to what ads pulled the most response for your business when you ran them (so you have a clearer idea of what works in advertising), but while any of these may be a good idea for your business, there is no legal requirement that you do so.

Vehicle records

If you use your personal vehicle for business purposes, whether for travel, deliveries, or otherwise, you need to keep accurate records. (If you don't, the IRS is likely to deny your deduction in case of audit.) While it is not necessary to do this for a vehicle such as a bus, heavy machinery such as a tractor, a semi-trailer, or other strictly business vehicles, it is essential for such mixed-use vehicles as cars,

minivans, and SUVs that are used for business as well as for personal use. Keep track of both the total number of miles you put on the odometer during the year and the number of miles that were put on for strictly business purposes. Divide the number of business miles by the number of total miles. The resulting number is the *percent of use for business*.

Vehicle deduction calculations

The IRS allows you to deduct what they call a standard mileage rate, which is a flat rate based on the number of miles you drove the car for business purposes. If you prefer, you are allowed to deduct actual expenses (proportionate according to the percent of use of the vehicle for business purposes, as explained above). You are allowed to calculate your costs for the following items: Depreciation, lease payments, registration, garaging rent, licenses, repairs, gas, oil and brake, transmission and steering fluids, tires, insurance, parking fees, and tolls.

If you claim the standard mileage rate, you may still be permitted to deduct some state and local taxes, interest on your car loan, business-related parking fees, and tolls. For more information on vehicle deduction calculations, request the IRS's Publication 463, *Travel, Entertainment, Gift, and Car Expenses*.

Allowable deductions when you claim your home for business use

In order to claim expenses for business use of your home, you must be able to honestly answer Yes to the following questions:

1–Is your use of the business part of your home *exclusive** AND *regular* AND *for your trade or business?*

2–Is the business part of your home *your principal place of business*** OR *a place where you meet or deal with patients, clients, or customers in the normal course of your trade or business* OR *a separate structure (not attached to your home) that you use in connection with your trade or business?*

*For a part of your home to qualify under the exclusive use test, you must use that specific area only for your trade or business. This area can be a room or can be other separately identifiable space, though the space in question does not need to be delineated by a wall or other permanent partition. If you use the room or part of a room for personal purposes as well, it does not qualify, *with the following exceptions:*

You do not have to meet the exclusive use test if you use part of your home for the storage of inventory or product samples OR if you use part of your home as a

daycare facility.

**Your home office can qualify as your principal place of business if you meet the following requirements:

1 - You use it exclusively and regularly for administrative or management activities of your trade or business.

2 - You have no other fixed location where you conduct substantial administrative or management activities of your trade or business.

If you use your home office exclusively and regularly for your business, but your home office does not qualify as your principal place of business based on the previous rules, you determine your principal place of business based on the following factors.

1 - The relative importance of the activities performed at each location.

2 - (If the relative importance factor does not determine your principal place of business), the time spent at each location.

If your home does not qualify as your principal place of business, there are other ways you may be able to deduct home office expenses. The IRS's Publication 587 explains these, or your accountant will be familiar with them.

IRS help; IRS requirements

Besides the info in Publication 587, you may find helpful information in Publication 583, which can be found online at: http://www.irs.gov/publications/p583/ar02.html. Publication 509 may also be of help; it has tax calendars that tell you when to file returns and make tax payments.

Publication 538, which covers a diversity of items, includes info on: depreciation, start-up costs, what business expenses are allowable, when to file estimated taxes, and *much* more. Your accountant can also guide you in these matters.

I mentioned earlier the importance of keeping records, both to help you in filing tax returns and for the sake of keeping track of your own business, its ups and downs, what months are typically better in a seasonal business, what items or services sell better, and whether your prices are high enough to offset your overhead and leave you with a profit.

You or your accountant may well want to keep the following records:

An income statement, showing the income and expenses of the business for a given period of time.

A balance sheet, showing the assets, liabilities, and your equity in the business on a given date.

A list or other identification sourcing your receipts. Your receipts (money and/or goods) will come in from various sources. You want to know what came from where, both for tax purposes and to separate any non-business (and non-taxable) receipts from that which is business.

A list, ledger, or other record of deductible expenses, helping you keep track of them and recording them for use when filing tax returns.

Minutes of board of directors' meetings if you are a corporation.

Payroll records showing whom you paid, what position they hold or what type of work they were paid for, what their gross rate of pay is, what deductions were taken, and what their net pay was.

Petty cash slips that either document the use of money from petty cash (e.g. a register tape from a store) or at least explain it (e.g. a note that states how much money was taken out of petty cash on a particular expenditure and what it was used for).

Cash register tapes if your business has a cash register.

Credit card charge slips if you have a business credit card (or if you are using your personal credit card for occasional business expenditures).

Cancelled checks and bank statements.

Invoices for items you buy for resale.

List of assets such as machinery and furniture you own and use in your business, showing the date bought, where purchased (or otherwise acquired), and for what amount, the cost of any improvements, any deductions taken such as for depreciation or casualty losses (e.g. loss due to fire, storm, or robbery), when and how you disposed of each asset, and the amount you received if you sold it or the item received in trade if you bartered it, as well as any expenses of the sale (e.g. the cost of an ad offering the item for sale).

Tax returns, which your accountant will probably prepare for you, and which you need to save copies of.

Copies of forms W-2, 1099, and any other such forms you send out, and employment tax records as specified by IRS Publication 15.

Except in a few cases, the law does not require any specific type of record-keeping. You can choose any system suited to your business that clearly shows your income and expenses. But whatever format you choose, you need to keep your business records available at all times for the IRS to review should they want to do so. The more complete and comprehensive your records are, the faster the IRS examination is likely to go, and the fewer questions the examiner is

likely to pose.

Note to serial entrepreneurs: If you are in more than one business, you should keep a complete and separate set of records for each business. A corporation should keep minutes of board of directors' meetings.

How long do you need to keep your records, cancelled checks, and receipts?
Check with your accountant to determine how long he or she recommends you keep each type of business record, with regard to the IRS, but you may find it helpful to your business to keep certain records longer for other purposes, including insurance. For tax purposes, you must keep your records as long as they may be needed for the administration of any provision of the Internal Revenue Code—that is, until the period of limitations for that return runs out. The period of limitations is the time during which you can amend your return to claim a credit or refund, or the IRS can assess additional tax. For example, for employment tax returns, that is a minimum of four years after the date the tax became due or was paid, whichever is later. But as a general guideline, one accountant I know suggests that, while three years is the IRS requirement, five years is a much safer time frame.

Records related to payroll and withholding must be kept for at least four years after the due date of the tax return they were reported on.

Getting help from the IRS
For specific questions regarding how long to keep records, or for other tax questions, you may call the IRS toll-free at 800-829-1040.

In-person help is available every business day at IRS Taxpayer Assistance Centers. Call your local Taxpayer Assistance Center for an appointment, listed in the phone book under United States Government, Internal Revenue Service, or find them online at www.irs.gov/localcontacts.

If you use TTY/TDD equipment, call 800-829-4059 to ask tax questions or to order forms and publications.

Many publications and in-person help are available on a walk-in basis at your nearest tax office.

A certain number of forms, publications, and instructions are available in a variety of other locations, some around tax time and others year-round. These include

many post offices, libraries, and IRS offices. In addition, some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. As well, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for use as research material, not to be removed from the premises but available to read there.

You can download forms and instructions from the IRS website at: http://www.irs.gov/publications.

You can order forms, instructions, and publications from:
National Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903

Keeping records of money paid to those who work for you

You need to keep records of all payments made to either salaried employees or independent contractors. The law requires you to keep records of all payments to employees covered by the federal minimum wage, equal pay, and overtime provisions, as well as those not covered by those provisions, in order to prove they are exempt. Records related to payroll and withholding must be kept for at least four years after the due date of the tax return they were reported on. There are still more specifications and requirements, but as this is not a book specifically and comprehensively about record-keeping, and since the state laws vary even though the federal laws don't change from state to state, I'll simply suggest that you check with your accountant for the applicable laws.

Nonexempt Employee Records

Besides wage records, Federal law has other requirements regarding records kept on employees considered "nonexempt"—those who must be paid at or above the minimum wage, and who must be paid time-and-one-half for overtime. These include:

- Name in full
- Identifying number or symbol, if any such is used in lieu of name on any records
- Home address including ZIPcode
- Date of birth if employee is under age 19 (this is with reference to the Child Labor Law)

• Gender (this is with reference to the Equal Pay Provisions)
• Occupation of employee
• Time of day and day of week on which employee's workweek starts if not uniform with regard to all your employees
• Regular hourly rate of pay for any workweek in which overtime is due
• Amount and nature of all pay excluded from the regular rate
• Hours worked each workday
• Total hours worked each workweek
• Total daily or weekly straight-time earnings or wages due for hours worked during workday or workweek, not counting overtime compensation
• Total premium pay for overtime hours
• Total additions to or deductions from wages paid each pay period
• Total wages paid each pay period
• Date of payment and the pay period covered by the payment

Audits

Small businesses are audited three times more often than individuals. If you have kept good records and been honest, a tax audit can be nail-chewing nervous-making but is likely to leave you unscathed. The three areas the auditor is most likely to focus on are auto, travel, and entertainment deductions.

Small businesses are audited three times more often than individuals.

Fifty percent of the cost of almost any entertainment activity that relates to business can be deducted: If you entertain a client, prospect, or other legitimate business connection with a game of golf, lunch or dinner, a day at the ballgame, a concert, or even a session of jetskiing, it's deductible. Just be sure to keep all your receipts and make a note on them as to whom you were entertaining, and *why*.

By the way, the expenses of a function to which you treat your staff and their families, such as a dinner, picnic, party, or field day are 100% deductible.

As compared with entertainment expenses, travel expenses are 100% deductible, though there are some exceptions. One is that if your family joins you (and we're presuming here that they're not joining you for business reasons, but

because they always wanted to swim in Hawaii or ski in Colorado, where you're headed), the portion of expenses that they incur is not deductible. By the same token, if you stay longer than business requires you to at your destination (because business is taking you to New York for a day, and you want to stay two extra nights and see a couple of shows), the extra two nights in the hotel, the meals you consume during that time, taxis, and any other expenses are *not* deductible. *But,* if you stay an extra night or two in order to get a discounted airfare, then in that case your extra night or two in the hotel, and your meals consumed during that time would be deductible.

We've already discussed automobile deductions, and there is nothing further that I need to say here on the subject. Just remember to keep an accurate record of the miles your car was driven and whether it was for business purposes or personal.

Poor record-keeping, rather than over-deducting, is what causes most small businesses to come out on the short end of the stick when they're audited.

Other requirements

Aside from the records you are required to keep for the IRS and those you may wisely wish to keep for your own purposes, your state and/or municipality may have requirements. This is particularly true with regard to sales tax and any other state or local taxes. Check with your accountant to find out what the additional requirements may be in your area. You will need both to pay the requisite taxes and to keep the associated records. These may include records of sales of both a taxable and tax-exempt nature.

If your situation is that your business has hit rocky times, your chances are indeed diminished that you will get the loan unless you back the loan personally and put up your house, stocks or bonds, or some other appreciable equity as collateral.

Another reason for keeping accurate records of your sales, expenses, profit or loss, and other significant numbers is that you may one day need to apply for a business loan. The bank, investment group, or other lending institution is going to want to see figures, supported by careful record-keeping, that show your company

is a good risk for a loan. It's an old joke, sad yet in some respects true, that to borrow money you must first prove you don't need it. While of course it's not quite literally true, the reality is that banks and other lenders want to know they stand a good chance of getting repaid before they will lend you the money you want.

You may be thinking, "If my business is good, I don't need a loan. And if my business is bad, according to you I'm not going to get the loan." Here's the reality: If your situation is that your business has hit rocky times, your chances are indeed diminished that you will get the loan unless you back the loan personally and put up your house, stocks or bonds, or some other appreciable equity as collateral. But tough times are not the only reason for needing a loan.

Here's one example: Sometimes a manufacturing business gets a big order from a client but lacks the needed capital to purchase the raw materials required to manufacture the goods to fill the order. It's not a question of business being bad; business, in fact, is good. But you're not accustomed to orders of that size, and you don't have the liquidity to purchase the raw materials. Or your business is growing so fast that you need to buy or build or rent a larger store, factory, or office, or move out of a home office (or garage à la Silicon Valley) and into a more conventional setting. But you need more capital than you have in order to build or buy or lease the new premises, perhaps subdivide and furnish the rented premises according to your particular needs, perhaps order expensive signage for your new location, perhaps order new office equipment or factory machinery, pay a moving company, put down deposits on utilities, and all else that goes with moving. Or perhaps you have a retail store that's doing so well that you want to open a second location—but that takes more money than you have available. In all these cases, the business is doing well—but *you need a loan to accomplish your goal*.

These are instances in which the bank or other lender will want proof that you are likely to be able to repay in full with interest, and in a timely manner, before they will lend you the money. Your well-kept records will support your assertion that business is good and you should be able to make the payments properly.

Yet another purpose for which you will need to have kept good books leads us right into the next chapter of this book: One day, you may wish to sell the business to some other corporation, individual, or partnership. Right now, when your business is new, or perhaps nothing more than a half-formed plan in your head, selling it may be the furthest thing from your mind. You want to nurture it, grow it, enjoy it, and take pride in it. But there may come a day when—for any of a variety of reasons that we'll discuss in the next chapter—you do decide to sell it. Or you may

wish to take it public (sell shares of stock on the open market). And in that case, you will need to show just how robust the company is, how strong its figures, how promising its future. A good set of records can support that assertion and more readily induce a prospective buyer, or prospective stockholders, to invest in it.

End-of-chapter exercise: On the internet or by checking with your accountant or with governmental offices by phone, ascertain what taxes are required to be paid by a business in your state and municipality, and what records the state and/or municipality require you to keep (e.g. sales tax records).

CAPITAL
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Chapter 16
EXPAND, SELL, OR START OVER

With a little bit of luck—and a *lot* of hard work and good planning on your part…your business will grow and grow. You may wish to stick with it and turn what was once a start-up (and before that, merely a dream) into an empire under your watchful eye and control—and your continued sole ownership, or the ownership of just you and your partner.

Or you may wish to take the business public—sell shares on the open market and watch your stock move up and down on the stock exchange. You'll lose some of your control of the business; there'll be a board of directors you'll have to answer to. But you can still stay on as CEO—at least for the time being—and you'll own some of those shares of stock yourself, though the company will no longer belong only to you (or you and your partner or partners). And the money you'll raise through selling those shares of stock can help you grow your company to the next level, such as opening another store, office, or factory—or several.

With a little bit of luck…and a lot of hard work and good planning on your part…your business will grow and grow.

Or you may wish to sell the business outright. This can happen in a number of ways. You can sell your share of the business to your partner, if you have one. You and any partners can sell the business to another individual, partnership, or small corporation. Or a larger corporation can buy you out.

It used to be that traditionally a business owner would start a business and then run it and grow it till he retired, at which point, he would either pass the business on to his son (or daughter) or sell the business for money to retire on—sometimes selling it to one or several of his own employees.

These days, however, many people start a business with the specific plan of growing it till it's an attractive takeover target, then selling it to a larger corporation and using the proceeds of the sale to start another business. These are known as

serial entrepreneurs.

And then, of course, there are serial entrepreneurs who keep a first business running under their control while they start a second business—and eventually a third, and perhaps a fourth and fifth and so on. Eventually they have a conglomeration of businesses, often in diversified fields, all of which they continue to work at, supervise, and grow, with no thought of selling them to others for a profit.

How does your business grow?

Let's take a look at the means by which a business grows. Of course, it can just grow larger and larger through more sales, more income, more profits. That's simple and basic, and it works. But it limits your expansion and the scope of increase of your profits,

Another way is to expand to a larger and better location. Let's take a retail store for an example. Perhaps you knew all along that you would have sold even more widgets if you'd been in a more upscale shopping center, or a larger store, or both, but when you started the business, this was an impossibility. It was totally out of your budget. Now, a year or three later, you've done well, you've built up some saved capital and/or you have a track record that will prove to a bank that you're worthy of a loan. And you decide that it's time to take that step and move into larger, nicer, better, more enticing quarters, where you can raise your prices a bit *and* sell more widgets.

If you're in a service business, a comparable situation would have you moving out of a home-based office and into a traditional office or storefront, where you have greater visibility, and where, in some people's eyes, you will look more professional. This in turn greatly increases the traffic you get and the business you do, and soon you're raising your prices, hiring one or more people to provide the same service you do, for which you pay them a percentage of what you bill the clients, while keeping another portion in the company's coffers—which grow and grow and grow.

The equivalent scenario for a manufacturing firm would have you moving to a larger factory, buying more machinery, hiring more people, and turning out more product for a greater profit.

Growing sideways

But that's not the only way in which a business can grow. The examples I just gave illustrate what might be called "growing upward," but there's also lateral expansion, or "growing sideways." You may remember we discussed that in an earlier

chapter. That, as you will hopefully recall, is when you decide to manufacture (or sell in your store) not only gardening seeds but also gardening tools, or when you decide that in addition to offering career counselling you will also offer economic counselling. You add another product or service to what you offer, what you sell, what you manufacture, and you increase your earnings and your profits as a result.

In fact, a great number of successful business chains are franchise operations.

If you're a manufacturer, you will in all likelihood need to expand your factory, or rent or buy or build another one, in order to have room to manufacture both handbags *and* wallets. If you're a retailer, you may need a larger store (or a separate one) in which to sell the handbags as well as the wallets. Or you may be able to rearrange your current store to make room for the new line. (If, for "handbags" and "wallets" we substitute "rare fruit trees" and "educational toys," you can see that the two types of merchandise, being unrelated, are not likely to sell well together. But if we substitute "women's clothes" and "children's clothes," you could very possibly sell both in the same store, space permitting.) If you offer a service, expand to offer two different services, and you are the sole provider of them in your company, you will surely want to keep it all under one roof. And even if you have others working for you, you can keep both services offered out of one office to save renting two offices needlessly, and so that clients visiting your office to get career counselling can be exposed to discreet signage or brochures advertising the fact that you offer economic counselling as well.

Growing by replication

On the other hand, you may *want* to open a second location even if you haven't outgrown the first one, just because having two locations gives you twice the opportunity to earn. For a manufacturer, this is mainly true in terms of locating two factories in distinctly different geographic locations, such as eastern and western U.S., thus saving on shipping costs and being able to have your shipments reach your customers faster. But for retailers and service businesses, having two (or more) locations doubles (triples, quadruples) your exposure and expands your business commensurately.

Certainly you aren't likely to open your second store selling hand-dipped chocolates right around the corner from your first store. But if you open a second location in a different part of a large city, or in a different city or different state, you're likely to significantly increase your sales—and profits. The same is true of a service business. If you open a second office in a distant location, you aren't going to be able to provide the service yourself, but you can train someone (or several people) to do whatever it is you do—run a publicity business or credit counselling agency or staffing agency—according to the same precepts that have made your business successful.

Growth by adding mail order or internet sales to bricks-and-mortar

If, up till now, you've sold all your imported spices in your two stores, or by distributing them wholesale to area retailers (or even national retailers), maybe it's time to consider selling through the internet and/or by mail order.

Going public is principally a way of capitalizing your business to permit speedier and greater growth.

Probably you have a website, but it may just tell the story of your company and promote your product, listing the locations that sell it, and giving a phone number and email link for people who want to contact you with questions. Why not add an electronic shopping cart and start selling over the internet?!

You can also sell by mail order, sending out a catalog or just a small brochure that offers to ship your products by mail, UPS, or FedEx to people who send you a check or give you their credit card information.

As well, you can buy a series of commercials on TV (or radio) that advertise your products as available by mail. "Just call our toll-free number at 1-800…." "Operators are standing by" is a cliché and a joke, but it's become those things because it's heard so often. And it's heard so often because *it pays*.

Growth through franchise

Surely you know that not all McDonald's restaurants are corporately owned; many are franchises. In fact, a great number of successful business chains are franchise operations. And once your business is a proven success, you too can enter the ex-

citing world of franchising. For a set fee (and perhaps a commitment to continue to buy raw materials from your company and to turn over a certain percentage of their monthly gross sales), an individual, partnership, or small corporation can obtain the right to sell the same product or service as yours, under your business name, and trade on your reputation.

You don't have to be a megacorp like McDonald's. Neither was McDonald's when they started out. You do have to have a track record, a name that some people will recognize, and a method of doing things that is your own, whether it's cleaning carpets or installing mufflers or preparing tax returns or crafting teddy bears.

If you think you're ready to franchise your business, you'll want to consult with both an accountant and an attorney. The point I'm making here is simply that you shouldn't overlook franchising as a way of growing your business just because you think you're not big enough. The real questions are, are you *good* enough and are you *different* enough? Are your name, your methodology, and your product or service distinctive enough that it's worth it to someone to pay you for the privilege of using your name and for the opportunity to learn how it is that you do whatever you do? If you can answer Yes, you may be ready to franchise.

Growth through going public

We already discussed this in the previous chapter. Going public is principally a way of capitalizing your business to permit speedier and greater growth. By selling shares of stock, you raise money that will enable you to open ten new stores, or a new factory, or offices in five new cities. Or the money may be used for research and development of a new product. Or an aggressive advertising campaign that will allow you to go national.

Selling your company for a profit

There are many reasons for selling a profitable business. For the serial entrepreneur, the reason may be simply that, now that the business is a success, has expanded and grown, and is running smoothly, it's no longer a challenge and no longer fun!

For a prescient businessperson who can "see the future," it may be evident that now is the time to sell and get out. Looking ahead, he or she can perceive that the time will come in the next five years when the public will no longer buy as many DVDs, even though current sales are at an all-time high. (Surely there has been a decline in the sale of cigarette lighters and ashtrays, now that smoking is on the

wane. Hardly anybody buys phonograph needles anymore, even though vinyl records are making a small comeback. Is typewriter correction fluid such as Wite-Out® selling like it used to? And the last time you went to the supermarket, did you see lard on your grocer's shelves? How far in advance did the principals of the companies that manufacture(d) these products see the end coming?)

Or you may have an idea for a new business that you're sure will be a winner, raking in far more than your present business. But you lack the necessary capital to start this new business and for one reason or another don't want to create it as a subsidiary of your existing business. (Perhaps you want to start the new company in partnership with someone other than your present partner, or with no partner at all.) So you sell your existing business—or you sell your share of it to your partner—in order to raise the necessary capital to start your new business.

Or you may have an idea for a new business that you're sure will be a winner, raking in far more than your present business.

Of course retirement, ill health, or the desire to cut back on your workload are all traditional reasons for selling a business.

Then too, you may have two businesses and feel you're not spending enough time on either one. You may decide to sell one business so you can concentrate on the other.

Disputes or ill will with partners are another cause of businesses being sold. You want to expand; your partner doesn't. Your partner wants to cut corners on quality to improve your bottom line; you feel it will cause your product or service to be less good and business to slack off as a result. You can't agree, so you agree to sell your business, even though you're both pulling in high salaries from the company.

Don't be surprised if the person or company that buys your business asks you to sign a "non-compete," a separate agreement or a clause in the sale document that precludes your going into the same business again, or at least for a certain period of time and/or within a certain geographic area. These are usually enforceable only when the agreement or clause is reasonable and has a set time limit. For example, if you sold your pizza restaurant, you could not open another pizza restaurant within a five-mile radius for up to two years. This would be a reasonable and

enforceable non-compete agreement. If, on the other hand, you signed a non-compete that says you cannot open a pizza restaurant anywhere in the United States at any time up to five years, that would not be an enforceable agreement.

Yes, the mom-and-pop business or sole proprietorship or other little business you and your partner are just starting out with today may indeed grow and grow… and fetch Big Bucks when you're ready to sell it. And, as excited as you are now to be starting or planning that business, you may be even more excited at the prospect of selling it and starting out on a whole new venture…and adventure.

Good luck to you!

End-of-chapter exercise: Research, on the web or in books or both, the process of franchising a company, and write a one-page report.

CAPITAL
PROFIT
LOSS
RISK
MARKETING
OPPORTUNITY

Chapter 17
I'M READY TO BE AN ENTREPRENEUR: CHECKLIST OF THINGS TO DO

• Select a business to go into
• Decide where you are going to locate your business
• Review the competition to see what they are doing, how they are doing it, how well they are doing, where they are located, and whether they present any obstacle to your starting the business you have in mind
• Read books and websites relevant to entrepreneurship, to your prospective business venture, and to the things you need to do and forms you need to file to begin your business
• Determine what your pricing structure and mark-up should be
• Have a plan for advertising, including where to advertise and what it will cost
• Determine how much money you will need to get your business going and sustain it till it becomes profitable
• Decide where this money will come from, and raise the needed funds
• Decide on a business format (corporation, LLC, d/b/a)
• Decide whether you want one or more partners
• Draw up a partnership agreement, if you are taking on (a) partner(s)
• Choose an attorney and accountant
• Choose a name for your business (legal entity) and one for your store, product(s), or service
• Secure an EIN (tax number) and any other requisite licenses
• Open a bank account

• Write a business plan
• Rent (or buy) the requisite office space, storefront, or factory, unless you are going to run the business from your (or your partner's) home
• Buy/rent all necessary machinery, furniture, equipment, phones, phone lines, and signage
• Have a marketing plan that incorporates, but goes beyond, simply advertising
• Hire any necessary employees and/or freelance contractors
• Determine what books and records you are required to keep, and set them up, along with your bookkeeping software
• Decide on any opening day or new business strategy (such as advertising and/or publicity) to let the public (or whoever your potential customers are) know that you're now open for business

• …and, later on, when your business is successful, decide whether to expand or to sell the business for a profit. If expanding, decide whether to do so by adding locations, by adding more products or services at your existing location, or by franchising, and whether to fund this expansion by selling shares of stock

Appendix:
GLOSSARY OF TERMS

1099 form: Filled out to report wages for independent contractor.

App: Application. A program to be used on an electronic device (desktop or laptop computer, tablet, smartphone, or a device specifically created to run the app).

Audit: Examination of a business's financial records.

B2B: Business-to-business marketing and networking.

B2C: Business-to-consumer marketing and networking.

BIC (Business Information Center): Provides economic, demographic, and workforce information tailored to the needs of your business.

Branding or brand management: Reinforcing the relationship between trade name and the company's (or individual's) products or services.

BSP (Business service provider): Company renting third-party software packages to customers.

Corporation: Legal entity designed to shield investors from personal legal liability, maintaining rights, privileges, and liabilities separate from those of its members.

Cybersquatter: Person or organization registering desirable Web domain names for resale.

D/B/A: Abbreviation for "doing business as." Paperwork filed by sole proprietors or partners to establish legal relationship between personal name and business name. Also the legal entity established thereby.

Deductions: Nontaxable portions of income.

Direct mail advertising: Sending marketing materials through the postal service.

EIN: Employee Identification Number, used to prepare tax forms and also as an identifier in your business's dealings with governmental agencies.

Employment agency: Firm specializing in matching workers with jobs.

Entrepreneur: A person with the initiative to risk starting, organizing, and managing a business.

Four Ps of marketing: Product, pricing, promotion, and placement.

Franchise: Form of business that is authorized to sell the goods or offer the services of a larger established corporation, under the name of that corporation.

Google ranking: See ranking.

GPO (Government Printing Office): Offers publications and pamphlets of interest and use to business owners.

Independent contractor: Person or business providing goods or services to another when required, not as a salaried employee.

Inventory: Supply of goods and materials kept in stock by business for sales purposes.

Invoice: Form detailing the charge for goods or services.

IRS (Internal Revenue Service): U.S. tax collection office.

Legal entity: Individual or business (or nonprofit) organization legally recognized and able to enter into a contract.

Limited partnership: Entity funded by silent partners and managed by other partners.

LLC (Limited Liability Company): Legal entity that shields owners from personal liability, in some ways similar to a corporation.

Market: Group of consumers or other outlets that will purchase a business product.

Metatags: Codes inserted into web pages to aid insertion in search engines.

MLM (Multi Level Marketing): Selling goods or services through distributors and their downlines.

Mobile marketing: Using a mobile device like a cell phone to arouse interest in a business or its products.

NDA: See Non-Disclosure Agreement

Non-Disclosure Agreement: A legal agreement between two or more people or business entities in which one party agrees to keep confidential some proprietary information that the other party proposes to disclose for business purposes.

Nonexempt employees: Those paid at or above minimum wage.

Partnership: Members of an unincorporated business venture joined by contract.

Paypal: Electronic system used to make and request payments for goods and services.

PR Agency: Public relations firm that specializes in managing flow of informa tion from business to public.

Profit and Loss (P & L) or income statement: Statement showing financial gains and deficits.

Proprietor: Owner of a business.

Purchase order: Form authorizing the sale of good or services from vendor.

Quickbooks: Accounting software for businesses.

Ranking: How high up in a search engine's results a website is listed.

Raw materials: Products needed to fabricate a finished inventory item.

SBA: Small Business Association, an agency of the federal government whose purpose is to aid, counsel, assist, and protect the interests of small business concerns, to preserve free competitive enterprise, and to maintain and strengthen the overall economy of our nation.

SBDC (America's Small Business Development Center): helps new entrepreneurs realize their dream of business ownership, assists existing businesses to remain competitive in the modern marketplace.

SCORE (Service Corps of Retired Executives): Provides small business counseling and training to current and prospective small business owners.

SEO: See search engine optimization

Search Engine Optimization: The use of relevant keywords and/or metatags to make a website more readily findable by a search engine and/or to make its ranking better.

Service business: Business in which profit is earned chiefly through personal services or advice instead of tangible inventory.

SMS (Short message service): Text-message advertising.

Social media: Websites/apps that connect people with other people and/or businesses for a purpose or several purposes.

Spider: A program that searches the web in connection with SEO such as to find metatags and rank websites on search engines.

Sole proprietorship: Business with only one owner and manager (or, for tax purposes, a married couple operating a business as one entity).

Tablet: iPad or similar handheld device.

Telecommuter: Person who works from home.

Venture: Speculative or risky business undertaking with goal of turning a profit.

Viral marketing: Technique in which Web users are encouraged to pass along advertising materials via email.

W-2 form: Form filled out to report wages for regular employees.

APPENDIX

Here are some document templates or samples you can use as starting points if you are looking to draw up such a document for your own business.

Partnership agreement
https://www.legalnature.com/lp/gp-3337/free-Partnership-Agreement-Form?utm_source=Bing&utm_medium=ppc&utm_term=sample%20partnership%20agreement&utm_campaign=Partnership+Agreement+Forms+-+Bing&fid=8336015

Non-Disclosure Agreement
https://legaltemplates.net/form/non-disclosure-agreement/?utm_source=bing&utm_medium=ppc&utm_campaign=bing%20ppc

Buy/sell agreement
www.entrepreneur.com/formnet/form/472

Rental/lease agreement for a store
www.microsoft.com/.../**Rental-Lease**-**Agreement**/9NBLGGGZJCBM