

The First Steps



**A Complete Guide to
Starting Your Business**

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Introduction

Now the Hard Part Begins

You have brainstormed, researched and finally decided what type of business you would like to get in. Congratulations!

Now the hard part begins...

It is one thing to conceptualize a business but quite another to make it a reality. In fact few businesses, once dreamed up, rarely make it into existence in the real world.

The reasons for this are many, but perhaps the number one reason is that people are afraid to look at the feasibility of any idea that they hold so dear. It is hard to look at the expenses, paperwork and other hard realities that govern the workings of the business world and realize that manifesting the project in real life is going to take a lot of hard work, focus and money.

Yet another reason that many great business ideas do not manifest in reality is because people simply have no idea what to do, what the legalities are or even what first step to take in order to finally get down to business.

Ultimately, this is where the information in this eBook can hopefully help you get launched into the business of your dreams without having to hire too many consultants, lawyers or attend business school courses.

Keep in mind that thousands of people with less experience than you open businesses of their own every single day and they go on to be great successes. You can do the same simply by following the steps to success outlined in the chapters to follow!

Chapter 1

Understanding Business Structure

The Three Main Types of Business Structures

Let's start off this book by getting down to brass tacks. The very first thing you should do after you have conceptualized your business is to do choose a structure that will facilitate its operation.

Basically there are three types of small business structures that you can adopt --

1. Sole Proprietorship
2. Partnership
3. Corporation

Read on a bit further to help you decide which business structure format best suits your business situation.

Sole Proprietorship

A sole proprietorship is the simplest, most autonomous and least expensive way to start a business. That's because "the buck stops at you." You are your own boss.

Expect to pay a fee to obtain a business name registration, a fictitious name certificate and any necessary professional licenses. You can also expect also to pay an attorney to prepare the documents required to legitimize your business.

As you are the only owner, you also retain complete control over the business and are 100% accountable for its failure or success.

Partnership

If you are going into partnership with someone else it is highly recommended that you get a lawyer to administer the agreement. That is because there are several different types of partnerships that can exist. For instance, being in partnership with a franchise is a lot different than being in partnership with an unnamed investor, which in turn is a lot different than being in a 50-50 partnership with your buddy from college who has agreed to launch the business with you.

Each business situation that requires a partnership is clearly unique on to itself and you really do need a lawyer to draw up any necessary legal agreements.

Still even though many types of partnerships exist they are subcategories of the two most common types -

1. General partnerships
2. Limited partnerships.

A general partnership can be the result of a verbal agreement between two or more persons. However this is not the way to go if you want to avoid problems down the line if the two of you disagree, have a dispute or decide to go your separate way! This is because this type of agreement is based on each other's "word."

The rule of thumb is that whenever you are involved with anybody else in business you should make sure to leave a "paper trail." A legal partnership agreement drawn up that describes a division of responsibilities, profits and other joint matters of the business...

Legal fees for creating a partnership agreement are higher than those for a sole proprietorship, but are likely less expensive than the cost of incorporating a business.

Are there any drawbacks to a partnership? If your partner is corrupt you could be liable for his or her action. The plain fact is that partners are responsible for each other's business actions, as well as their own.

You can also get do-it-yourself legal agreements online to form a partnership. However, regardless of which way you decide to go with this a Partnership Agreement should include the following essential information -

- A description of the type of business
- The mission state of the business
- Amount of equity expected to be invested into the business by each partner.
- A description of the division of profit or loss
- A detailed description of the compensation that will be due to each partner at certain milestone events or dates
- A description of who gets what assets on the dissolution of the business
- An agreement regarding the duration of the partnership
- Provisions for changes to or dissolving the partnership'
- A dispute settlement clause
- Restrictions regarding authority and expenditures

- A description of which partner gets what in the case of death or an illness that prevents the running of the business

Corporation

This eBook is directed towards small business owners who do not usually form a corporation. However it is useful to know what a corporation is and how it operates.

The corporate structure is usually the most complex and more costly to organize than the other two business structures. Control of the business depends on who owns the most stock in the company. The running of the business is exercised through regular board of directors' meetings and annual stockholders' meetings.

Records must be kept to document decisions made by the board of directors. Small, closely held corporations can operate more informally, but keeping excellent records is a requirement of running this kind of business as there are usually a lot of different variables that govern how it will be run.

Although many small business owners will incorporate for tax purposes or to protect their personal assets in the case of a bankruptcy, this is not the same as a corporation which is usually reserved for larger business entities. If you do decide to incorporate you should consult a business attorney so that it is done properly.

Becoming a corporation is expensive, unwieldy and can take a long time to create. If you are an entrepreneur you probably want to stick to simpler business entities such as the sole proprietorship or a partnership.

Chapter 2

Creating a Killer Business Plan

The Purpose of a Business Plan

One of the biggest strategic mistakes that people make when they are starting a small business is to neglect putting together a business plan. In fact this is the point in the business process where people stall, procrastinate and then give up. It is because they find the process of writing one to be too daunting.

The bottom line is that if you are not prepared to write a business plan then you are probably not prepared to run a business.

Writing out a business plan is all about looking at the realities of what it is going to make it run including the hard core non-negotiable costs of making your dream real. If you are not capable of writing the business plan then it means you probably lack the mathematical, written or logical skills needed to manage a big project like opening up your business. However you can hire someone else to write it for you if necessary. You can find experts willing to do this for you at elance.com and guru.com.

However it is YOUR business and best to be “hands on” about it. If you are a true entrepreneur that is destined for success you will not at all be dismayed by the idea of putting the entire strategic plan for your business down on paper. You will consider it to be a fun, absorbing task that builds enthusiasm and helps you get your priorities straight. At any rate you should see writing a business plan as a sort of self-test to see if you have what it takes to become an entrepreneur.

Why a Business Plan Is So Valuable

A business plan is not anything to put aside, put off or dismiss but that is exactly what a lot of people do. They plunge into business without considering the consequences.

A business plan is valuable to you in two very important ways.

First of all it is a promotional tool. Your business plan is the document that will be used to interest others in financing or becoming involved in your business.

Secondly it serves as a personal map full of touchstones and guideposts that tells you exactly how and when you will reach your business goals.

The very act of writing a business plan helps you define your brand, identify your goals and serves as your resume.

The three basic components of a business plan are –

1. A balance sheet that describes both current and projected profits
2. An income statement
3. A cash flow analysis

A well thought out business plan can be your best ally in the future assisting you with making good business decisions especially when it comes to deciding the how's, when's and where's of allocating your resources.

A business plan also provides specific and organized information about your company and how you will repay borrowed money.

Furthermore did you know that you cannot get a loan without a business plan? It is a crucial part of any business that you do. Additionally, you can present it to potential investors, partners and suppliers to inform them about your operations and goals and to obtain credit from suppliers.

Despite the critical importance of a business plan, many entrepreneurs drag their feet when it comes to preparing a written document. They argue that their marketplace changes too fast for a business plan to be useful or that they just don't have enough time to create one. Many first time businesses think they are too small to bother about a business plan but that is a big misperception – no matter what the size of your enterprise you should go to the trouble of creating one.

Even though time may be of the essence, it is a huge mistake to think that you can build the foundations of your business without a blue print.

Brainstorming Your Business Plan

For some people writing the business plan is daunting because they do not know where to start. I will be giving you a more detailed outline of how to write one in the next section but loosely, yet definitely the business plan can be divided into four distinct sections –

1. Description of the business
2. Marketing
3. Finances

4. Management

Before writing your business plan it is helpful to ask yourself the following questions:

- What does your service or product provide for your customers?
- How much money a year do you hope to make from this business as in “where do you hope this business will lead you in three years?”
- Who are the potential customers for your product or service and why will they purchase it from you?
- How will you give your customers the message about what you have to sell?
- Where will you ideally be located?
- What type of premises will you be operating from or will it be just a virtual business?
- Will your business have employees?
- Where will you get the financial resources to start your business?

Asking yourself these questions can help trigger the inspiration that you need to write a well-fleshed out plan that is going to ultimately serve that dual purpose of being a guide with landmarks for your own success as well as act as a promotional tool to convince others to invest with you or be employed by you.

Outline for a Great Business Plan

In this section you are going to be given the outline for the simplest, format for creating your own business plan.

It should consist of –

1. Cover sheet
2. Statement of purpose
3. Table of contents

I. The Business

- i. Description of business
- ii. Marketing
- iii. Competition
- iv. Operating procedures
- v. Personnel
- vi. Business insurance

II. Financial Data

- i. Loan applications
- ii. Capital equipment and supply list
- iii. Balance sheet
- iv. Breakeven analysis
- v. Profit & loss statements
- vi. Three-year summary
- vii. Detail by month, first year
- viii. Detail by quarters, second and third years
- ix. Assumptions upon which projections were based
- x. Pro-forma cash flow

III. Supporting Documents

- i. Tax returns of principals for last three years
- ii. Personal financial statement
- iv. Copy of licenses and other legal documents
- v. Copy of resumes of all principals
- vi. Copies of letters of intent from suppliers, etc.

One of the best ways to learn about writing a business plan is to study the plans of established successful businesses that are operating in your chosen niche market.

Of course the above table is just a guideline. A way to learn about writing a business plan that is highly recommended is to study the plans of a successful business. If you can get your hands on it try to get one that is in your chosen niche market.

Once you follow the outline above you should have no problem putting the entire document together. Although the bulk of material and the different sections might seem like a big task, realize that this is all worth it especially if your business plan happens to land you a business loan, a business grant or the financial favor of a chosen investor.

Chapter 3

Making Your Business Legal

Making the Government Happy

It is a big mistake to ignore the tax regulations of your state or federal government. Researching applicable regulations is boring and time consuming but it is as important as doing market research.

Below is a checklist of some of the most important considerations for small business. Carefully consider how they can affect your business. Being out of compliance could leave you unprotected legally, result in unexpected fines, and threaten your business.

A Checklist of Important Requirements

Here is a look at some of the most important legal documents that are part of running any business.

Business Licenses

You can't be in business without a business license. Many different types of business licenses exist. Where you obtain the license from can vary as well. If it is outside the city then you can get it from the county. In urban areas you typically can get the license from a city office.

Certificate of Occupancy

If you are planning on residing in a new or used building for a business, you might have to acquire for a Certificate of Occupancy from a city or county zoning department.

Business Organization

The business structure that you choose can affect the way you pay taxes during the year. The most common structures are Corporations, Sole Proprietorships, General and Limited Partnerships.

Each structure has its own particular organizational options. It is a wise idea to research the legal structure of each type of structure thoroughly and consult a tax lawyer and a good accountant before making any decisions about how each applies to you.

Fictitious Business Name

Businesses that use a name that is not the owner's Christian name have to register that name, even though it is made up... This is the law as prescribed by the U.S. Trade Name Registration Act. The exception to this rule is those practicing any profession under a name that describes a partnership.

Once again, to get the complete scoop on this, you will need to contact your state or local government. The laws do vary from area to area.

Protecting Your Intellectual Property

If you are developing new software or a new program for running your business and don't want it to be poached by other online businesses you might want to consider applying for a trademark, patent or a copyright.

Registering A Trademark or Patent

Trademarks are names or symbols that are used in any form of Congress. If your business has a trademark then it has to be registered. Each registration lasts for ten years.

For more information about Applications for Registration of Trademark or Service Mark, contact:

U.S. Department of Commerce

Trademark Office

2021 Jefferson Davis Highway

Arlington, Virginia 22202

(703) 305-8341 or (800) 786-9199

To register a patent, contact:

Asst. Commissioner for Trademarks, Patent Applications

Washington, D.C. 20231

(800) 786-9199

OR you can visit their web site at <http://www.uspto.gov>

Copyrights

Copyrights protect the ideas, creations and thoughts of authors, composers and artists. It prevents others from plagiarizing or copying art, computer programs or written matter. In order to ensure copyright protection, the original artist should put a copyright notice on all copies of the work.

Contact:

U.S. Library of Congress

James Madison Memorial Building

Washington, D.C. 20559

(202) 707-9100 - Order Line

(202) 707-3000 - Information Line

Federal Self-Employment Tax

Everyone must pay Social Security Tax. If you are self-employed, your Social Security contribution is made through the self-employment tax. You will need to calculate how best to report earnings and pay your business taxes.

Contact the IRS at (800) 829-1040, visit your local IRS office, go to the Official IRS Web site for more information. The IRS may seem like a complicated maze, but there are publications, counselors and workshops available to help you sort it out what you need to do to ensure you receive a pension in your old age.

Chapter 4

Finding Money to Finance Your Business

How to Raise Capital

Raising money to start your business is the most basic of all business start-up activities. But, as many new entrepreneurs quickly discover, raising capital may not be easy.

There are more than a few ways that a small business can raise money. Many of the sources of capital are quite obvious. Here is a quick list of considerations for obtaining money to open a business.

Personal savings. The number one source of funding for most new businesses comes from savings and other personal sources. Credit cards can be used but overdrafts and credit lines are better ideas.

Friends and relatives. Many entrepreneurs borrow from friends and family when beginning a new business. Sometimes you can convince your loved ones to loan you this money interest free.

Banks and credit unions. Banks and credit unions will provide a loan if you can present a killer business plan that describes exactly how your business will make the money back and then turn a profit.

Venture capital firms. These firms help expanding companies grow in exchange for equity or partly owning the business.

Before You Borrow From A Bank ...

The truth is that business people can have hard time borrowing money. It's easier if you can present a good sound business plan. Also needless to say, before you try to borrow from a bank, make sure you have a decent credit rating. If you don't have a good credit rating, find a co-signer for your loan that does.

It is inexperience more than anything that causes banks to turn down a request for a loan. This is because many newbies start stuttering when the bank asks such pertinent question as "how much will you need, when will you need it and how soon will be able to pay it back?"

Small Business Administration Loans

The United States Small Business Administration has a program that encourages banks to loan money to small start up business. These loan programs were invented to encourage longer term financing for small businesses, but actual loan maturities are based on the ability to repay, the purpose of the loan proceeds, and the useful life of the assets financed.

If you don't fit these criteria you might fit other criteria that is based on equal opportunity based race, gender or ability.

Short-term loans are also available through the SBA to help small businesses meet their short term and cyclical working capital needs. There is more information about these loans in subsequent chapters in this book but if you immediately need to find out more check out the information at the SBA site at www.sba.gov.

Types of Business Loans

The terms of loans are different depending on the lender, but there basically there are two types: short-term and long-term.

1. Short term Loan. A short-term loan matures in one year. These include lines of credit, working-capital loan and accounts-receivable loans.
2. Long-term Loan. Long term loans usually take place from one to seven years. Real estate and equipment loans can be 25 years or even longer. These longer term loans can cover matters such as the purchase of land or real estate, construction, durable equipment, fixtures and furniture.

Depending on all kinds of variables, from the structure of your business to its estimated length to your credit rating you may or may not be approved for these loans.

How to Guarantee That Your Loan Is Approved

Although some experts will tell you that a lender can be persuaded to lend you money on the basis of your killer business plan, nobody walks out of a bank with a loan without being interrogated about their business.

Here is a short list of the types of questions you can be expected to be asked. If you can answer them all succinctly and directly then you will more than likely just get your loan.

- Do you have at least 25 percent to 50 percent of the loan have asked for in the form of equity? (Keep in mind that a lender or investor will not finance all of your business.)
- Are you credit worthy?
- Do you have a work history and letters of recommendation to show the lender?
- Do you have the necessary experience to run a successful business?
- Did you create a proposal and business plan that demonstrates how the business will be run and how it will succeed.
- Can you explain how the cash flow will work so that you can make the monthly loan payments?

If you can't answer any of these questions then chances are that you will not receive your expected loan.

The hard truth of the matter is that the lender is primarily concerned about how you may repay the loan.

To determine this loan officers obtain your business credit report from a credit-reporting agency such as Equifax. The only thing that can guarantee a business loan is your ability to present the lender with BOTH a killer business plan and a sound credit rating. One doesn't substitute for the other.

Chapter 6

Your Best Sources of Advice

Which Professionals Should You Consult?

How many professionals you are going to bring into the process of starting your own business is going to depend on what kind of experience you can bring to the business. If you have worked in a particular role for a number of years then you may not need to hire certain types of people to help you. For instance, if you worked as a lawyer for a certain number of years you may not need to hire a lawyer as a professional to work for you.

If you have never run a small business before it is a very good idea to hire someone who knows what they are doing.

To determine whether or not you need to hire someone you need to ask yourself a number of questions.

- What type of formal education do you have?
- Are you good with people?
- Can you manage people or will you need to bring in another person to do this for you?

If you are lacking in any of the above areas you might have to hire someone. If you want to be more autonomous you can also always consider going back to school and take a few courses so you can learn a few skills that can help your business and allow you to become successful.

Often, in an attempt to cut costs, business owners will try and do as much as they can themselves, when using an expert or professional can make a big difference in the success of your company. This can include hiring anyone from marketing experts to web developers.

Typically, experts like these are hired by the project or on a temporary basis. Here is a short list of experts that can possibly help you run your business.

Accountant

An accountant is there to help you do your taxes, keep your money on track and give you advice when you are over or under budget. Hiring an accountant is advisable because it

shows that you care enough about your business to have things professionally done. If you have a payroll, your accountant or the assistants in his office might take care of those matters for you.

Book Keeper

If you are not great with money you might want to consider hiring a bookkeeper to keep your business in shape. Hiring a bookkeeper is a good way to show lenders that you can control money and keep it turning over a profit. Keep in mind that an accountant is not the same as a bookkeeper although many accounting and financial firms have them on staff for you to hire.

Copywriters

Many studies have shown that people are less likely to trust a business that has spelling mistakes or bad grammar in its copy. Furthermore if your business has a presence online you might want to hire a copywriter that specializes in writing copy that will draw online visitors. This type of marketing expert is called an SEO (short for search engine optimization) copywriter.

Industry Specific Experts

If you are in a specific industry it might be a good idea to hire an industry specific expert. For instance if you are opening a business that sells weight loss products you might want to hire a nutritionist to help you research your market, promote your product and back up your claims.

Publicist or Press Agent

If you are not able to sell yourself then you may have to hire a publicist or press agent to market your business for you. This is highly advisable if you are not able to sell yourself to an audience and convince people you are in the business to stay.

Web Developers

Most new businesses need a well-designed functional website. Your website is like your business card and representative of you so make sure that it looks good. If it is a merchant site, meaning that you sell goods directly from it, then you definitely need to hire someone to make sure that your shopping cart works correctly. You can get professionals online or hire them offline to do this.'

Helpful Government Agencies.

If you are looking for business or need help starting a business there are a number of government agencies where you can find good advice about how to run your business. However before you look anywhere be sure to look on one of the biggest government umbrella sties about small business in the world – the SBA.

The Small Business Administration.

The good news is that if you live in the United States is that all of the information about starting a small business that you will ever need is located on one site -www.sba.gov.

If you want to land a contract with or sell to the government this is the place to go to get the big bucks. The Small Business Administration lists all of the different contract opportunities that are available for small businesses through the federal government.

The Small Business Administration also provides the contact information for all applicable government agencies and regional offices.

This is a wonderful resource. Be sure to take advantage of all it has to offer as it saves you from having to go searching for the contact information for various agencies; instead, all of the information that you need is located in one place.

The Small Business Administration also provides loans and other assistance for any businesses that have suffered from a variety of natural disasters and financial disasters.

The U.S Department of Agriculture

The Small Business Administration is not the only federal government agency that works to provide contract opportunities for small businesses. The U.S. Department of Agriculture, or USDA, has a special office designed to aid small businesses and disadvantaged businesses win contracts through the federal government.

One of the missions of the U.S. Department of Agriculture is to aggressively make sure that smaller businesses have the same abilities as larger businesses to apply for government contracts.

The Office of Small and Disadvantaged Business Utilization

The Office of Small and Disadvantaged Business Utilization, or OSDBU, which you can find at <http://www.usda.gov/osdbu/>, works to provide small businesses and businesses owned by historically disadvantaged groups to work as federal contractors. For instance if you are disabled or are trying to conduct a business in a hurricane ravaged area this is the place to look for advice on how to get ahead.

Where to Find Experts

Finding experts is incredibly easy if you own a computer. Simply do a search on the internet for what you need and you will turn up a list of many professionals that can help you.

Keep in mind as well that you can hire experts on a project-by-project basis (for example, to write a brochure or design a website) . This is the approach to take if you don't have enough work for them to do to justify hiring them full-time.

Some great resources for finding experts to advance your small business include:

- **Temporary agencies.** Many temp agencies now provide professionals with degrees and experiences in specific fields. These are usually hired on an hourly basis or for a flat fee.
- **Online agencies.** Sites like guru.com and elance.com can help you find the professional that you need.
- **Advertisements.** Sites like craigslist or your local classifieds have employment sections you can place free ads.
- **Word of mouth.** Talk to other small business owners and find out who they used for their website or other instances where an expert was required. This can be a great way to find out information that is particular to helping your business.

When it comes to advancing your small business, using experts in their fields can help, whether it's on a permanent or temporary basis.

Chapter 7

How to Buy A Franchise

The Pros and Cons of Running Franchises

A franchise enables you, the investor or franchisee, to operate a business that is a known quantity and that has known to be successful. You pay a franchise fee and you get a format or system developed by the company (franchisor), the right to use the franchisor's name for a limited time, and (usually) assistance with training and running a business.

The franchisor may provide you with help in finding a location for your outlet; initial training and an operating manual; and advice on management, marketing, or personnel.

As a franchisee you might also be granted support through newsletters, a web-site a toll-free telephone number, a website, or scheduled workshops or seminars. Some franchises are run very well, hold frequent meetings and conventions and make you feel almost like you are part of a family.

Buying a franchise may reduce your investment risk by enabling you to associate with an established company. However, keep in mind that a franchise fee can be substantial. You also will have other costs: for example, you may be required to give up control over your business because of obligations to the franchisor detailed in your contract.

You might think that franchising is one of the easiest ways to run a business but it is not for everyone. There are as many advantages as disadvantages to running a business like this.

Advantages

- The company comes already pre-branded
- You are supplied with a known product that will sell
- Your company will grow quickly
- Your investment risk is much lower than with other businesses

Disadvantages

- You have to follow a code of conduct to satisfy the license agreement
- Policies that are in place are out of your control and could
- You might have to give a lot of what you make to the franchisee
- The franchise fee alone might be substantial and you could be in debt for years trying to pay it off

One big reason that you need to consider the opening of a franchise carefully is that it often takes a great deal of money to open one which can also mean taking out quite a substantial loan from bank. This makes it even more crucial that this type of business succeed.

Things to Consider Before You Buy A Franchise

There are several things that you need to consider before you buy a franchise.

- Your initial franchise fee which can be from several thousand to several hundred thousand dollars may be non-refundable and you may also incur significant costs to rent or build as well as have to put out a substantial amount of money for operating licenses and insurance.
- You will have to pay royalties equal to three percent or more to use the chain's brand so you might want to go with a franchise that charges less or that will consider negotiating with you.
- Franchises can persuade you to buy without really outlining the drawbacks of the business so beware of overly optimistic sales tactics.
- Keep in mind that different franchises are going to be based on different business models. An automotive repair company is not going to be run the same way a fast food joint is. Make sure you look carefully into the business model that the parent company outlines for your and that you will be able to make money from it.
- You may need site approval from the franchisor and you usually have to comply with imposed standards to do with the design and appearance standards as well as the quality of the service or the type of product that is delivered. For instance, if you are running a restaurant you may not be able to make changes to the menu.
- You may have to make a mandatory payment into an advertising fund to help promote your business.
- You may not be able to expand and sell in another area that might potentially steal the business of another franchisor. The franchisor might also restrict your ability to have online customers.

- Read the “offering circular” thoroughly. This is a document that the Federal Trade Commission requires franchisors to provide franchisees with to provide basic facts about the business including its experience, legal history and profitability. This is absolutely the best way to know for sure what you are “getting into...” This is also sometimes called a “disclosure document.”
- Do you like the people who work at the parent company? Do they seem like an outfit that you can develop a profitable business with? Ask other franchisors if they have had any kind of relationship problems with the parent company. Get reviews!
- Make sure that the franchisor can back up its earning claims. Ask for documentation or go to the Associations of Franchisees operating similar outlets. They can provide you with real-life truths about the business that the franchise broker or parent company may not be able to ...
- If your business does not work out and you have to close it, you may still have to pay royalties on the business for the remainder of your agreement if you are no longer open!
- How is the franchisor prepared to assist you with your business? Get a list and get it all in writing. Remember if it is not all on paper it is not likely to happen.

Remember that a franchise never should be an impulse buy! It should be a decision that is carefully considered!

Where to Buy a Franchise

There are many places and ways to buy franchise opportunities. Some franchisors have information on the web. However one of the best ways is to go to a franchise exposition.

Attending a franchise exposition allows you to see and compare a variety of opportunities. You can collect brochures and offering circulars about the franchisors and ask the people at the booths important questions such as -

- How long has the franchisor been a business?
- How many outlets does the franchise have?
- What controls does the franchisor impose?
- What management, technical or other support does the franchise offer?

- What are the start up costs and the initial franchise fees and what are the royalty payments that must be made after that?

Consider consulting a lawyer, your bank and the Better Business Bureau to find out what the general opinion is of the franchise is that you are going to buy and whether it is considered to be a “flopportunity.”

You can also use a franchise broker to buy a franchise. These types of experts often call themselves “business coaches”, “advisors”, “referral sources” or “sales consultants.” You can find them on the internet, at franchise expos and advertised in the back of business magazines. They work on commission or a flat fee if they manage to get you to buy.

The main role of the franchise broker is to direct you to opportunities that match your budget and interests and then help you complete the paperwork to finalize the sale.

The most important thing is to investigate before you invest or sign a franchise agreement. Otherwise starting this type of business is absolutely the same as starting any other kind. You need to have a business plan and most likely a loan from a bank to get the ball rolling.

Chapter 8

Researching Your Market

Why Market Research is So Important

No company is too small to be able to take advantage of some market research. Selling people precisely what they want in your market is what will make you rich. Second guessing what people want has never made anyone any profits.

One of the most important benefits of market research is discovering what, how, when and why your customers buy. By discovering this wealth of information about your customers you are going to be able to figure out better ways to serve your customers wants and needs.

Market research can also help you get an edge over your competition. If you know how to get feedback from your employees and customers you can get price points and offer products that they can't. You can also use market research to refine a niche for your business.

Some of the things that you should be attempting to find out using market research are:

- The size of the market now and how big it is expected to get
- Who your customer are including information about their age, gender, occupation, location, buying tendencies, lingo and interests
- What your customers are really looking for and willing to pay a lot of money for when they come to your website or business to buy!

How to Do Market Research

Doing your market research does not have to be much more complicated than a questionnaire. The easiest way to get the information you need is to ask the customers for it. Give each customer you work with a card and ask them to return it; you may even consider giving it to them when you are just starting to check-out their items. If you have a website uses a pop up window to ask people from feedback.

Most businesses already have the information they need; they just need to organize it. You should have invoices, sales receipts, and credit card receipts and applications. All of these documents will easily provide you with the information you need from your customers, you just need to plug the information into a database.

You can send out emails to your customer or you can hire students to do telephone surveys. Internet forums and magazines and online articles about business trends can also help you research your market. The internet and library are also invaluable sources of information about customers and successful tactics for your particular business niche.

Yet another good source is Trade Associations. You have to pay them for their information but usually it is of great value because it is accurate!

Researching Your Competition

You can use your competition as a market research tool. You can look at what a rival business provides and decide to provide it at a lower price and higher quality or you can look at what the rival does not provide and decide to provide it.

You can also learn a lot by looking at the copy your competitors use to lure people in and also at how their businesses are designed. Study their storefronts, their websites, their floor plans and the way their employees treat customers. See if you can do better.

A great way to learn more about your competition is to pull up customer reviews about them. You should also look for magazine articles and other things that have been published about the company. These are easy enough to find on the internet. The more you know, the easier it will be to go to bat against them with your next marketing campaign.

Chapter 9

Marketing and Promoting Your Business

Top Ten Ways to Market Your Business Offline

The old fashioned ways of marketing a business still work today. Here are some simple yet effective non-virtual ways to make sure that customers will flock to your business.

1. Print postcards and mail them to prospects in your area in your targeted market. Make sure that you have your website URL on there as well.
2. Use buddy marketing to promote your business by sending out leaflets or brochures that related to another business. This allows you to reach a whole new crowd of customers.
3. Make sure you vary your marketing techniques so your customers do not get bored or feel that you are spamming them with the same message again and again.
4. Answer your phone in a unique way that is friendlier than your competitions or that makes an offer to your customer just for phoning you. This will pique their curiosity and make them want to call you again and again.
5. Promote within your mail. Always insert brochures, ads or put stickers, stamps and notes in with any outgoing mail. Stickers on the outside of envelopes turn them into miniature billboards.
6. Follow up after a sale right away. After your customer checks out and pays at your cash register make sure they get a discount coupon or brochure or flyer before they exit the store. It is also a good idea to ask them for their email address or other information at this point so you can follow up on their first sale electronically or through the postal service or by using door -to-door flyers.
7. Newsletters. These are old fashioned but they work. Deliver them to customers or cold to people in your area. If you have people's information from a sale, then use it to send a newsletter to their address. The electronic equivalent can also be offered online in the form of an email.

8. Host seminars and open houses. These are both great ways to gain one on one time with key customers and prospects. Invite the media to cover your event so you can create a buzz about yourself and your business.
9. Bartering. Trade your product for advertising space or vice versa. Two companies on limited budgets can piggy back this way.
10. Put up flyers. It does not hurt to paper the town with flyers or put them under windshields, unless it is against the law in your city or county. Just be sure to be considerate where you decide to post them.

Top Ten Ways to Market Your Business Online

Whether you have had a website for a while or are using a website to market your online business you can benefit from utilizing these top ten strategies to marketing online.

1. Creating a Web 2.0 Website. If you have been around a bit then you know that web 2.0 means creating the most visually appealing, easy to use and functional website possible for your customers. It must be absolutely user friendly, simply and have no unnecessary gimmicks or fussy pictures or graphics. Studies have shown that a website that is all about the customer makes the most money this decade.
2. Put videos up on Youtube. Provide free information or entertainment in the form of video on Youtube and similar sites and link it to your site. It is an effective and contemporary way to get people's attention.
3. Practice e-mail marketing. Email customers coupons, updates and newsletters to keep them up to date on your offers.
4. Practice SEO (Search Engine Optimization.) This is a covert form of content augmentation that helps you attract the attention of bots and spiders from big search engines like Google. These spiders will crawl and find specific pages on your website and list it quickly as a high ranking in the search engine ranking pages.
5. Use banner ads. This consists of animated gifs or static images that have messages on them. They float virtually or pop up. You can pay to run the ad on

someone else's site or you can get a banner swap deal that would allow you to run someone else's ad while they run yours.

6. Social Networking. Sites like Facebook, Myspace and Twitter allow you to provide daily status updates about what is going on in your business. These are set up so that your messages can be subscribed to or followed virally, thus keeping you linked up with present customers as well as contacting future customers.
7. Create a newsletter. By creating a newsletter you are allowing customers who want to keep up with new developments on your website. The newsletter should also allow you to receive feedback from your customers
8. Online Press Releases. There are many inexpensive services online that can help you get out the word out about your business. Releasing one to thousands of articles usually costs about twenty bucks. Make sure that there is a link back to your website with the article to get results.
9. Pay-per-click Advertising. Pay per click advertising is very similar to search engine optimization, except that it costs you a set amount per click on the link you are providing. The price usually varies depending on the keywords you use.
10. Pop Up Ads. Marketing via pop-up ads is easily facilitated on your website with a plug-in. However make sure that your clients are the type that is not against this type of advertising. Some people aggressively hate pop-ups and block them with a program so your ad and sometimes your site is never seen!

Remember if you do not excel at marketing your customers will not know how to find you, what you are selling and launching your business will be like throwing a party to which nobody knows the address! Do your job as an entrepreneur and make your presence known!

Conclusion

Enjoy Your Grand Opening

If you really want to make sure that you stay in a business for a good long time be sure to throw a grand opening for your business. There are no real statistics about this but most business people know that everyone loves a party and that is you want to leave a lasting impression in your new neighborhood then you will make a big deal of yourself on opening day.

Here are some tips for making that opening day a big success!

- Have a 'soft' opening first to make sure that your employees are trained and ready to serve the real public. You need only invite friends and family to a soft opening.
- Announce that discount coupons are available on your website.
- Hold a raffle for a big prize.
- Make sure that you have food at the opening including free coffee and if possible booze. If you are a restaurant make sure that you are giving away samples of your food.
- Hand out freebies such as pens, pencils, buttons, mugs or anything that you can afford to give away that also has your logo on it!
- Put signs on the nearest highway and crossroads announcing your grand opening.
- Make a big donation to a charity on your opening day.
- Have a babysitting service in place and water and food out for dogs outside your store.
- Get a big inflatable balloon and place it on top of your business.
- Be sure to announce in the paper that you are opening!
- Invite members of the media that you think might be willing to write about your business.
- Don't just make it a party; make it a ceremony complete with a celebrity cutting the ribbon for you. Make the biggest deal out of it all that you possibly can!

Finally remember that a business launch is not that different than staging a home for sale. Only in this case you are staging your brand and what you have to sell and letting people get to know you so that they leave with a positive impression!