



PROVIDING RESOURCES FOR SMALL BUSINESSES

Start-up Guide

Your Business Starts Here



**University of Wisconsin
Stevens Point**

SBDC at UW-Stevens Point

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SBDC UW-Stevens Point, Startup
Booklet
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The SBDC at UW-Stevens Point, part of a network of 12 SBDC locations throughout Wisconsin.

Assisting Startup and Existing Businesses

One of 14 in Wisconsin, the Small Business Development Center (SBDC) at UW-Stevens Point offers no cost, confidential advising and resources, as well as fee-based workshops/conferences to both **startup and existing businesses** throughout nine counties - Adams, Langlade, Lincoln, Marathon, Oneida, Portage, Vilas, Waupaca and Wood.

We can help you: **Start | Manage | Finance | Grow | Market**

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This booklet is intended to be a starting point for business development; as a general reference, it is not exhaustive. Further research may be necessary. If you have questions, please contact the Small Business Development Center, UW-Stevens Point at 715-346-3838.



University of Wisconsin
Stevens Point



U.S. Small Business
Administration



Table of Contents

Considering Self-Employment	5 - 10
Entrepreneurial Boot Camp	13 - 15
Steps to Take When Starting a Business	17 - 20
Business Feasibility	23 - 33

Considering Self-Employment?

Management Skills Checklist

The purpose of this exercise is to identify your personal skills and experience. This exercise will help you delegate tasks based on your current level of knowledge.

SKILLS	I KNOW HOW	I NEED TRAINING	SOMEONE ELSE WILL DO
Establish and maintain financial records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prepare operating budgets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Put together a loan proposal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compile financial statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Meet payroll and sales tax requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Analyze financial performance and control cash flow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Purchase and manage inventory and/or supplies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Determine credit worthiness of customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Collect past-due accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Price my product/service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Promote my product/service/business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hire and train employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monitor employee performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motivate employees; build a team environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Manage my time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delegate work to others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Negotiate agreements/contracts with suppliers, customers, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Schedule production work, including labor, machinery, and material needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Install quality control methods and conduct follow-up measurement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Meet basic legal requirements, including those related to employment, zoning, safety/health, waste disposal, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Identify and make changes necessary to maintain the business's success	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Names of people or places who will satisfy "I need Training requirements:

.....

.....

.....

Names of people or places who will satisfy "Someone Else Will Do" requirements:

.....

.....

.....

Management Scoresheet

Rate your level of agreement with the following statements concerning the management issues of your business. Check the appropriate box and total the number of choices at the bottom of each column.

STATEMENT	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
I have a strong need to achieve.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I possess a large amount of energy which I am willing to put into my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am persistent-I keep trying until I get it right.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am comfortable taking risks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have good reading, writing, and arithmetic skills.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I know the most common skills needed to operate this business and possess them myself or will get training.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have owned or managed a business before and it was successful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have work experience in the type of business I want to start.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am comfortable with hiring, firing, training, and managing employees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have assembled a team of advisors- attorney, accountant, insurance agent, banker - and I am comfortable seeking advice from them.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have considered the consequences if the business fails and I know how I will handle them.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TOTAL NUMBER OF CHOICES IN EACH CATEGORY					

Market Scoresheet

Rate your level of agreement with the following statements concerning the sales and marketing issues of your business. Check the appropriate box and total the number of choices at the bottom of each column.

STATEMENT	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
I have demonstrated that my product/service is needed in the proposed market area.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The proposed product/service is different from anything already available from competitors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Based on research and conversations, I have identified why customers will buy my product/ service.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have described ten key characteristics of my customer(s) in detail.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have described five geographical sites where my customers are located.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have estimated the number of potential customers in the proposed market area.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have identified and described the strengths and weaknesses of at least 50% of my potential competitors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
As a manufacturer or distributor, I have researched at least three ways to get my product to my customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have identified and spoken at length with at least five suppliers of my raw materials.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have researched, priced, and spoken with key people concerning the advertising and sales techniques that I will use to reach my customer.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TOTAL NUMBER OF CHOICES IN EACH CATEGORY					

Financial Scoresheet

Rate your level of agreement with the following statements concerning the financial issues of your business. Check the appropriate box and total the number of choices at the bottom of each column.

STATEMENT	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
Based on research about similar businesses, my business' projected sales per square foot is typical for the industry.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The business will show a profit at the end of the first year, based on the expected sales volume minus all anticipated expenses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The estimated sales are built on researched assumptions about how much product can be sold at the projected selling price.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Start-up costs and business expense estimates for the last year are based on actual dollar costs where quotes or documented estimates could be obtained.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade associations and/or financial publications have proven to be good sources of useful information about the typical financial performance of businesses similar to mine.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My business' projected sales and expenses are comparable to the industry information I have obtained for similar businesses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have personal assets, such as land, stocks, etc., that I can and will use as collateral to get a loan to start this business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have cash savings that I will use to start the business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The business will be able to pay me a salary on which I can live.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I need to borrow no more than 70% of the money required to start the business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I know what lenders will expect of me if I seek a loan to start the business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TOTAL NUMBER OF CHOICES IN EACH CATEGORY					

Analyzing the Scoresheets

You can now analyze the results from the Market, Management, and Money scoresheets. Please fill out the form below, as described:

		MARKET SCORESHEET		MANAGEMENT SCORESHEET		FINANCIAL SCORESHEET	
	Multiply by:	# of choices	Points	# of choices	Points	# of choices	Points
Strongly Disagree	-10						
Disagree	-5						
Neutral	0						
Agree	+5						
Strongly Agree	+10						

Total the points for each of the three scoresheets.

ABOVE +50: GREEN LIGHT

If your score for a particular scoresheet is above 50, it indicates that, based on your opinions and analysis, you have a relatively positive business proposal with respect to the particular topic.

+50 TO -50: YELLOW LIGHT

A score between +50 and -50 for a particular scoresheet indicates that, based on your opinions and analysis, it is hard to predict whether or not this is a solid proposal. You can proceed to steps beyond this study of business feasibility but be aware that some areas may require further work.

BELOW -50: RED LIGHT

A score below -50 for a particular scoresheet indicates that, based on your opinions and analysis, you have a relatively poor business proposal in respect to this topic at this point, and you should not proceed further until you have sorted out some of the issues raised. Please contact the Small Business Development Center to assist you with addressing the issues.

Entrepreneurial Boot Camp



CREATING YOURSELF AS AN ENTREPRENEUR

Successful People...

- Understand themselves and how their actions affect others.
- Know how to maximize their talents by focusing on what they do well.
- Assert a positive attitude, which builds confidence in others.
- Adapt their behavior to meet the needs of other people and other situations.

Reflection

List three key strengths:

1.
2.
3.

List two limitations:

1.
2.

What are your three greatest fears?

1.
2.
3.

Who motivates you?

.....

.....

.....

Describe your “comfort level” in taking risks.

.....

.....

.....

Where are you in your entrepreneurial journey?

.....

.....

.....

What does this information say about YOU as you explore becoming an entrepreneur?

.....

.....

.....

Steps to Take When Starting a Business

Steps to Take When Starting a Business

1. Define the Idea

- What does my product or service DO for my customers?
- Who will, or won't be, a customer? Where do they presently do business?
- Why can I expect to succeed? What strengths and weaknesses do I possess?
- Visit with a SBDC counselor and attend a SCORE (Service Corp of Retired Executives) workshop

2. Calculate the Odds of Success

- **Use resources such as the library, indirect competitors, market surveys and the Small Business Development Center (SBDC) for ideas on how to determine market and financial feasibility.**
 1. Describe the industry. How big is it? Is it young or old? Growing or declining? Where will it be in five years? Will it support my business?
 2. Demographics: Who will make up my customer base? Consider age, income, education, buying patterns, etc.
- **Study the competition. List strengths and weaknesses.**
 1. Where is the competition located? Who is their typical customer?
 2. What image does the competition project to the public? What image does the public perceive?
 3. What can I give the customer that these competitors can't or don't?
 4. How will I tell the public about my product/service?
- **How will I compete:**
 1. Where will I locate? How do I want the public to perceive my business?
 2. Who will my typical customer be? Will I compete on price, quality, service, selection or convenience?
 3. What pricing strategy will I use? What percent of the market can I capture?
 4. How will I tell the public about my product/service?
- **Evaluate the Feasibility of Your Business Idea:**
 1. The next section is a working guide to help you determine the feasibility of your idea
- **Personal Feasibility:**
 1. What are my financial needs?
 2. What are my personal expectations and goals?
 3. What level of family support can I expect?

3. Write a Business Plan

- Call the Small Business Development Center for a resource guide to writing a business plan. Examples of information included in a business plan are:
 1. Business description
 2. Marketing information referring to your customers, competition, advertising.
 3. Legal structure (sole proprietor, partnerships, corporations, etc.)
 4. Risks involved - how will you deal with those risks?
 5. How much money will I need to start the business? Exactly what must be purchased?
 6. What level of sales, in dollars and number of units, must be achieved each month in order to break even? On a month-to-month basis, what are the projections for the year? What resources and assumptions were used to arrive at these figures.
 7. What are the projections for profit, loss, and cash-flow over the next three years? What assumptions were made here? What is the supporting data?
- Sign up for the Entrepreneurial Training Program, offered at several locations by the Small Business Development Center at UW-Stevens Point. The program is designed to assist you in completing a business plan.
For more details, visit <https://www.uwsp.edu/conted/Pages/entrepreneurial-training-program.aspx>.

4. Select a Business Entity

- The business entity is sometimes referred to as the business structure. This is how a business is legally organized to do business. The four primary business entities include the sole proprietorship, partnership, corporation and LLC. A brief description of each is below.

Sole Proprietorship - An individual entrepreneur that decides to go into business for themselves. This is the easiest and least expensive of the four entities to set up. The owner is personally responsible for all debts and actions of the company. This is called unlimited liability and is the biggest downside to the sole proprietorship. This means if the business is sued, the owner's personal assets are potentially at risk. The owner will also pay self-employment tax on all business profits and may pay more in taxes than other entities. There is no filing for a sole proprietorship in Wisconsin.

General Partnerships - Consist of two or more people conducting a business together. Like the sole proprietorship, there is no formal filing. Also like the sole proprietorship, the partnership has unlimited liability. If the partnership were to be sued, each of the partner's personal assets are potentially at risk. The partnership itself does not pay tax from business income. Instead, profits and losses are passed through to the owner's personal tax return. This income is subject to self-employment tax.

Corporation - A legal business entity that is separate from the individual. While corporations are more expensive and complicated than sole proprietorships and partnerships to form, the major advantage is that the corporation shields the owner's personal assets should the corporation be sued. There are multiple ways a corporation can elect to be taxed. Also, there is no self-employment tax with a corporation as income to the owner(s) will come from either a salary or dividends. To form a corporation, the Articles of Incorporation need to be filed with the Wisconsin Department of Financial Institutions.

Limited Liability Company (LLC) - A popular business entity choice. It provides the liability protection of a corporation with the ease of operation like a sole proprietorship. The Limited Liability Company does not have the many burdens a corporation such as holding a board of directors meeting, shareholders meeting, taking minutes, etc. The LLC also has the greatest tax flexibility of the four entities. Income can be taxed as a pass-through entity like the sole proprietor or partnership or as a corporation.

- To form a Wisconsin Corporation or LLC, the Articles of Organization needs to be filed with the Wisconsin Department of Financial Institutions.
- Corporations and LLCs have to pick a name at the time of filing for the entity and each corporation/LLC has to be uniquely named.
- Visit wdfi.org for up-to-date filing information, fees, and to check the availability of names.

5. File for an EIN

- Employer Identification Number (EIN)
 - Sometimes referred to as the Federal Employer Identification Number or FEIN
 - Nine-digit tax identification number from the Internal Revenue Service (IRS).
 - Identifies a business operating in the U.S, tracks tax returns and is used to open a bank account.
 - Much like what a social security number is to a person, the EIN is a social security number for a business. While most businesses will need to get an EIN, some do not.
- Partnerships, corporations and many LLCs OR sole proprietorships with employees must file for an EIN.
- Sole proprietorships or a single-member LLC with no employees is not required to get an EIN (although highly recommended for a LLC). In these instances, the owner's social security number is used.
- Filing the EIN online only takes a few minutes and the number is available immediately. Filing can also be done by mailing the SS-4 form or by calling the IRS. For more information about how to apply and to see our video with a step-by-step guide, check out how to file for an EIN.
- Visit the federal IRS website to apply for an EIN.
 - <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>

Steps to Take When Starting a Business

6. Seek Financing

- After writing the business plan, look into the various loan programs available.
- Request the SBDC Finance Resource Guide online at uwsp.edu/SBDC.
- Contact appropriate lenders and set up an appointment.

7. Apply for Permit/License

- Contact the local zoning office and/or municipal clerk.
- Visit the Wisconsin Department of Safety and Professional Services for information on licensing.
 - Website: dsps.wi.gov/pages/home.aspx
 - Phone: 608-266-2112
- Visit the Wisconsin One Stop Business Portal for more information on permits/certificates
 - Website: openforbusiness.wi.gov
 - Phone: 608-250-4606
- If required to have a Wisconsin seller's permit, apply through <http://www.revenue.wi.gov>
- To register for a Federal Employer's ID Number (FEIN), visit: www.irs.gov.
(Required for independent contractors, LLCs, Corporations, Partnerships)

8. If Hiring Employees

- For Wisconsin state tax withholding number, apply through the Department of Revenue.
 - Website: www.revenue.wi.gov
 - Phone: 608-266-2486
- For information on your obligation for state unemployment compensation, contact the Department of Workforce Development.
 - Website: dwd.wisconsin.gov
 - Phone: 608-266-3131
- For information on your obligation for federal unemployment compensation, contact the IRS.
 - Website: www.irs.gov
- To inquire about Worker's Compensation, call insurance companies for quotes.
- Develop an employee handbook. The SBDC can assist you with this.
- Research state job programs that can help offset wages.

9. Set Up the Business - Steps You May Need to Consider

- Order furniture, fixtures, supplies.
- Order inventory, decide on inventory control system.
- Determine store layout and décor.
- Decide on point-of-sale system (i.e. cash register, manual or computer-generated receipts)
- Consider American with Disabilities (ADA) Act requirements, when building a new building, remodeling or hiring. Call the U.S. Department of Justice's ADA information line at 800-514-0301 or visit www.ada.gov.

The background of the page is decorated with several large, overlapping, wavy bands in shades of red, dark blue, and grey, creating a dynamic, flowing effect.

Business Feasibility

Contributed by University of Missouri Outreach and Extension.

© Curators of University of Missouri, October 2000, for the Missouri Enterprise Development Focus Team. University Outreach and Extension, and first version writers: Elizabeth Bax (MBAC), Glen Giboney (MO-SBDC), Sharon Gulick (MBAC), Alan Hauff (UOE), Dean Larkin (UOE), Buz Sutherland (MO-SBDC), and Virgil Woolridge (UOE). "Evaluating Your Business Idea" is supported by the University of Missouri Outreach and Extension Outreach Development Fund.

Feasibility: Evaluating Your Business Ideas[©]

These questions will help you and your business adviser examine your business idea and determine your potential for success. You will evaluate your market, your competitors, your projected start-up costs, expenses, and your financing. Your honest answers will provide insight into your business idea and identify areas of strength and concern. They will also help determine if you are ready to take the next step or need to re-evaluate your business idea. This is only a beginning and should not be considered as the final word when determining the feasibility of a new business venture.

By working through this relatively short checklist, you will be able to determine if your idea has the potential to create a successful business. You will evaluate your market, your competitors, your projected start-up costs, sales, expenses and your financing. The question you are attempting to answer is "Can my business sell enough products or services to make enough of a profit to be successful?" You will then be able to make an educated decision about going ahead as you planned or making some critical changes to allow you to reach your goals.

1. Describe what you are selling and how it will benefit your customers. Explain how your product or service is different from the competition. Answer the question, "Why will people buy from me?"

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.....

It is important that you concisely and accurately describe your product or service in terms that your customer can understand and relate to. The ability to describe your product or service will be a critical factor in the success of your marketing and advertising. What are the things about your product or service that are important to your customer? What words immediately create an image of your business? For example, instead of saying "We sell plants and do landscaping and special designs and have a greenhouse and you know how important it is that plants meet the needs of customers and that the plants are appropriate to the climate and..." Try saying "We are a full service landscaping company with our own retail greenhouse that specializes in plants appropriate to this climate."

2. Briefly describe your management/technical experience with your product/service.

.....

.....

.....

Your chances of success decrease dramatically when you have little or no business management experience. If you hope to obtain a loan, your experience in the particular business you choose will be one of the main criteria by which your banker will judge your qualifications.

Good Management is Key To a Successful Business. These Crucial Areas Are:

Marketing Strategies

This means knowing what kind of product or service to sell, how to target and reach your customers, and how to sell your product or service at a price that maximizes your profits.

Technical Ability

You must be able to get the work done and do it right, so you will have satisfied customers. If you are going into the auto repair business, for example, you better know a lot about how to keep autos running right, or you will not be in business very long.

Financial Knowledge

While you do not necessarily have to be a financial wizard, you do need to know how to plan and control your business' cash flow; raise or borrow the money you will need to start your business; and get through tight periods without being caught short of cash. A certain amount of financial sophistication is becoming more and more important in today's increasingly complex financial world, even for the small business owner. Being able to focus on the bottom line and pay attention to the numbers is as essential as the ability to price your products and services, manage your cash flow, and make sure you collect payment for the work you do. If you are lacking in

these skills you can get training in business courses, through books and magazines, and individual counseling, or hire someone to do it for you.

A Marketing Mindset

You aren't truly in business until you have business. No matter how much your product or service is in demand, or how great a job you do, if people don't know about you, you won't have much business. You must be able to make your business visible to the people who need it and this means understanding marketing.

Self-Management Skills

To make it on your own, you must become a goal-directed and self-motivated individual. You must be able to get yourself started every day, stick to business, and close the door on work at the day's end.

Time-Management Skills

In your business, you will need to wear many hats, from chief executive officer to janitor. You'll have to do the business, get the business, and run the business. This means you'll need to manage your time effectively to make sure the most important and urgent things get done in a timely fashion.

Basic Office Organization

Since one of the roles you'll probably play is that of your office administrator, you will need to be able to organize, equip, and manage your office space so that you can work effectively in it, having a place for everything and keeping everything in its place so that you can find it easily when you need it.

Source: "The Best Home Businesses for the 90's," second edition, by Paul and Sarah Edwards, 1994. Published by G.P. Putnam's Sons.

In addition, are you really sure that you are prepared to work independently? Many entrepreneurs report being overwhelmed with the number of decisions that they are called upon to make. They also report feeling isolated and lonely. Although they no longer report to an official "boss," they now have customers, bankers, and suppliers telling them what to do. Few new business owners have the time or money for anything other than work.

3. Which category best represents your primary group of potential customers?

- General Public Businesses Government Specific Industry

You need to determine whether the primary target group will include purchasers, users, or both. Keep in mind that it is very difficult to effectively market to two primary markets. Attempt to determine which target is the driving force and what makes up their purchase and usage behavior. Consider these five factors in your determination:

- The amount purchased and/or used
- The degree of influence on the usage and purchase decision
- The size of the market
- Who the competition chooses as its target market
- The inherent benefits of your product to one target or the other

Each category of potential customers will require unique marketing efforts and will have its own unique set of characteristics. Target market definition is the most important phase in preparing a business plan. Effective marketing is impossible without a thorough understanding of your current and potential customer base. The better the customer is understood, the better the business is able to fulfill the customer's needs.

A business plan provides a format that sorts current and potential customers into "segments." Segmenting allows customers to be grouped according to common demographic (e.g., age, sex, education, marital status, household income, etc.), geographic (where they are located), product usage, and purchasing characteristics. This helps to determine which customer group is (or will be) most profitable and which has the most potential for your company.

The end result of segmenting is that a company is able to focus its marketing resources at a target market that has common demographic and product usage characteristics, purchasing habits, and product or service needs. Instead of trying to be all things to all people, the company can direct its energies toward satisfying essentially one person as characterized by the target market segment or segments.

Feasibility: Evaluating Your Business Ideas[©]

4. Select the criteria below that best represents the demographics of your customer:

If selling to businesses, which category(s) represent your primary customers?

- | | |
|--|--|
| <input type="checkbox"/> Agriculture/Forestry/Fishing | <input type="checkbox"/> Mining |
| <input type="checkbox"/> Construction | <input type="checkbox"/> Manufacturing |
| <input type="checkbox"/> Finance/Insurance/Real Estate | <input type="checkbox"/> Retail Trade |
| <input type="checkbox"/> Services | <input type="checkbox"/> Transportation/Communication/Public Utilities |
| <input type="checkbox"/> Wholesale Trade | <input type="checkbox"/> Other: _____ |

If selling to the general public, profile your customer by answering the questions and checking the boxes that apply below:

What is the percentage of the population that uses your products/services? _____%

Is your product designed for a: mass-market specialty market

Customer Age: Under 18 18 - 34 35 - 55 55 +

Sex: Male Female Both

Race/Ethnicity: Asian Black Hispanic Origin White Other

Household Income: Under \$25,000 \$25,000 - \$50,000 \$50,000 - \$100,000 Above \$100,000

Family Size: 1 2 3 - 4 5 - 6 7+

Home: Own Home Rent

Geographic Location: Urban Suburban Rural

Education Level: Did not graduate high school High school degree Some college Graduated college

Developing a profile of current (or targeted) customers allows you to determine if your company's customers are different from the general product category consumer. The similarities and differences will be important when determining future marketing strategies. A company may find that its product is consumed by a far older population than the general product category's consumer is. This information can be used in the marketing plan to further target this older age segment or to develop plans to attract more of the younger, mainstream consumers.

The traditional method of defining purchaser and user groups and segmenting markets is by utilizing demographic factors. Demographics can be determined for either individuals or households. Marketers also use lifestyle factors or psychographics to help develop target markets. Lifestyle descriptors help to define a customer segment in terms of the attitudes, interests, and activities of the consumer. Samples of the types of information you will want to collect for your target market are:

- How many potential consumers exist?
- Has the number of consumers been growing or shrinking over the past five years?
- How many of these consumers will purchase your product?
- How is your product used? Are there multiple uses?

For some products, demographics aren't as important as why the product is purchased or how it is used. Many times purchasers with similar demographics purchase the product for different reasons. This offers the opportunity to segment consumers based on usage of the product. Baking soda is a good example: some purchase it only for use in baking; others purchase it only as a deodorizer; some for both purposes. Product usage helps define the customer segments and knowledge of the customer's usage is critical for how this product would be marketed to each of the groups.

Business-to-Business Marketing:

Business-to-business firms typically have far fewer potential customers than do consumer companies. In addition, each business-to-business customer usually generates larger sales than does the typical consumer customer. As with consumer target markets, it is important to segment so you can determine which type of business is most profitable and has the most potential for your company.

5. Which category best describes the sales area for your product/service?

- Sold locally
- Sold statewide
- Sold regionally
- Sold in two or more states
- Sold nationally (all or nearly all 50 states)
- Sold national and internationally

Determining your product/service sales area is crucial in planning your marketing campaign, determining how you will provide customer service, how you will ship product to customers or make it available in wholesale/retail outlets, etc. If you are shipping product directly to customers, do you have a return policy in place? Do you understand mail order regulations? Will you have a toll-free number for customer service and complaints? How will you handle a remote sales force?

6. How do you plan to promote your business to potential customers?

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Most small business owners find it easy to start a business. They understand the technical aspects of their product or service but often stumble when trying to find customers. There are five basic ways to reach customers: advertising, personal selling, public relations, publicity, and sales promotion. Resources you can use include business cards, yellow pages, direct mail, personal contacts, trade associations, newspapers, magazines, billboards, radio, and television. The mix you choose will be dependent on your available money, competitive factors and customer expectations.

7. How many competitors do you have? ("None" is not an appropriate answer.)

.....

.....

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Every business faces competition from direct competitors selling the same or similar product or service and from indirect competitors selling substitute products or services. You must be able to identify who and where these competitors are so that you can study their individual strengths and weaknesses, and identify opportunities and threats that may present themselves to your business. Knowing your competition will help you differentiate your business and assist in the identification of markets that are under-served or show the greatest promise for success.

8. Who are your five primary competitors?

Name and Location	No. of Employees	Years in Business	Why do customers buy from them?
.....
.....
.....
.....
.....

To be successful, you must consistently monitor your most important competitors. Not only can you learn from their successes and failures, but you can also learn how to better position your products and services against them. Information can be gathered from newspaper articles, advertisements, conventions, trade shows, customers, vendors, and personal visits to their businesses. Create a file to track each competitor.

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9. What would you expect your annual salary to be from your business?

Hourly Wage \$ _____ X 2080 hours = \$ _____ (Annual Salary)

As the owner of a small business, you need to establish an annual salary for yourself based on what the business can afford. You need to budget your annual salary so it can be included in your total business expenses, calculated into your selling price and used to determine your sales break-even point. This will help you arrive at a reasonable level of compensation without putting your business at risk by taking too much money out of the company. This calculation will also make you aware of the hourly cost associated with your annual salary, the number of hours you have available in a work year, and the value of your time.

10. Estimate your start-up costs

Estimating your start-up costs is critical to getting started. These are one-time costs incurred prior to beginning your business operations. These costs will help you determine how much money is needed to launch and maintain your business until you generate enough sales to cover normal operating expenses.

Legal, Accounting and Professional Services – professional fees associated with registering your legal form of business, reviewing contracts and agreements and preparing financial information for your business plan. Also includes consultants and other professionals.

Advertising and Promotions – includes all promotional costs associated with “opening” your business.

Deposits for Utilities – advance payments required to obtain electric, gas, telephone, water and sewer.

Licenses and Permits – fees for licenses, permits and other requirements related to starting your business and making its operations legal.

Prepaid Insurance – advance payments required to obtain business insurance that protects the contents of your business against fire, theft and other losses.

Salary and Wages – payroll to owner and employees for training and business setup “prior to opening” the business.

Payroll Taxes – usually 10-15% of gross payroll costs.

Truck and Vehicle – includes mileage, parking, tolls, etc. “prior to opening” the business.

Travel – include conference, hotel, meal and transportation charges for securing prospective distributors, suppliers and customers.

Tools and Supplies – services, supplies and tools purchased for use in the business (prior to opening).

Furniture and Fixtures – acquisition cost plus installation expense. If you plan to pay by installments, enter your down payment.

Machines and Equipment – acquisition cost plus installation expense. If you plan to pay by installments, enter your down payment.

Building Improvements – include costs of structural changes, repairs, HVAC upgrades, painting and decorating.

Land and Buildings – include the down payment for lease, rent or purchase and deposits required.

Starting Inventory – include acquisition cost plus transportation.

Cash (working capital) – amount of money you will need to maintain your business until you generate enough sales to cover normal operating expenses.

Other (specify) – include those start-up costs that may be unique to your business and do not have an account listed on the worksheet.

WORKSHEET 1: Start-up Costs

One-time Requirements before start-up	Items already purchased	Items still needed before start-up	
Legal, Accounting and Professional Services	\$	\$	Before your business can earn money, you will need to invest money in start-up costs. These costs are paid just one time and do not include your normal monthly expenses. This worksheet will help you estimate your start-up costs. List the costs of items you have already purchased in the "purchased" column and those you still need in the "needed" column.
Advertising and Promotions	\$	\$	
Deposits for Utilities	\$	\$	
Licenses and Permits	\$	\$	
Prepaid Insurance	\$	\$	
Salary and Wages	\$	\$	
Payroll Taxes	\$	\$	
Truck and Vehicles	\$	\$	
Travel	\$	\$	
Tools and Supplies	\$	\$	
Furniture and Fixtures	\$	\$	
Machines and Equipment	\$	\$	
Building Improvements	\$	\$	
Land and Buildings	\$	\$	
Starting Inventory	\$	\$	
Cash (working capital)	\$	\$	
Other (specify)	\$	\$	
TOTAL:	\$	\$	

11. What do you expect your annual Revenue (Sales) to be in the first year?

To determine this estimate, please answer the questions below:

- | | |
|--|-----------------|
| A) How many different customers do you anticipate serving in a 12-month period? | |
| B) How many times in a 12-month period will the average customer return to purchase something? | |
| C) How much will the average customer spend on each visit to your business? | \$ |
| A) Multiply A X B X C = Estimated Annual Revenue (Sales) | \$ |

Estimating your annual Revenue (Sales) will help you set a sales goal for your business and provide you with tools to manage your day-to-day operations. The Revenue (Sales) estimate is based on three factors:

- 1) The number of different customers you anticipate serving
- 2) The number of times the average customer will return to purchase something
- 3) The average expenditure each customer will make per visit.

By monitoring each of these factors on a daily, weekly and monthly basis, you will know if your business is on target to meet its sales goal or if adjustments must be made to increase sales or decrease expenses.

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12. Estimate your annual sales and earnings

Forecasting “Sales and Earnings” is important for your financial success. It may take several years before your business begins to generate “satisfactory” profits but your sales goal should be to break-even (match sales with expenses) by the end of the first year and show modest profits for Years 2.

Revenue (Sales) – use the formula provided in Question 11 to estimate annual revenue for each year.

Cost of Goods Sold – estimate the cost of sales for the sales found under Revenue (Sales). Include labor used to produce the product or service (direct labor), materials used in the final product or service (direct material), and their transportation and handling costs.

Gross Profit – Total Revenue (Sales) minus Total Cost of Goods Sold equals Gross Profit.

Salaries and Wages – Base pay plus overtime and bonuses, include owner’s draw on this line item. (NOTE: For purposes of estimating profit, it is important that all costs, including owner’s draw, be part of the projection.)

Outside Services – includes cost of sub-contracts, overflow work farmed out, special or one-time purchase of services.

Office Supplies and Postage – services and items purchased for use in the business and not for resale.

Dues and Subscriptions – include subscriptions to professional, technical, and trade journals that deal with your business field. Also include membership fees.

Donations – gifts to charitable or non-profit organizations.

Rent – include only real estate used in the business. List equipment and other rentals under “Other Expenses.”

Telephone – include all line charges associated with fax, Internet and telephone.

Utilities – water, sewer, gas, electric, etc.

Loan Repayments – include interest and principal that must be paid to lender. (NOTE: For purposes of estimating net profit, it is important that all costs, including principal paid, be part of the projection.)

Depreciation – If property you acquire to use in your business has a useful life of more than one year, you generally cannot deduct the entire cost as a business expense in the year you acquire it. You must spread the cost over more than one tax year and deduct part of it each year.

Advertising and Promotions – includes all the costs associated with making your products and services known to your customers.

Truck and Vehicle – includes mileage, parking, tolls, etc.

Travel – business trips; include conference, hotel, meal and transportation charges.

Payroll Taxes – includes paid vacations, sick leave, health insurance, unemployment insurance, Medicare and social security taxes. (NOTE: Usually 10-15% of gross payroll.)

Taxes, Licenses and Permits – excise tax, inventory tax, real estate tax, sales tax, other non-payroll taxes and license or permit fees as applicable.

Legal and Accounting Services – include cost of outside professional services.

Insurance – includes Commercial General Liability, Property, Commercial Auto, Workmen’s Compensation, umbrella policies and Bonding. (NOTE: Does not include Health Insurance.)

Repairs and Maintenance – regular maintenance and repair, includes painting and decorating.

Bad Debts – A business bad debt is a loss from the worthlessness of a debt that was created or acquired in your trade or business, or is closely related to your trade or business when it became partly or totally worthless. A debt becomes worthless when there is no longer any chance that the amount owed will be paid.

Miscellaneous (unspecified) – small expenditures without separate accounts.

Other Expenses – tools and equipment that are “expensed” (not set up on a depreciation schedule); and payments for leased or rented equipment.

Estimate Year 1, 2, and 3 sales and earnings. Do not include start-up costs on the worksheet.

WORKSHEET 2: Sales and Earnings			
	1st Year	2nd Year	3rd Year
Total Revenue (Sales)	\$	\$	\$
LESS: Cost of Goods Sold	\$	\$	\$
GROSS PROFIT	\$	\$	\$
LESS: Expenses			
Salaries and Wages	\$	\$	\$
Outside Services	\$	\$	\$
Office Supplies and Postage	\$	\$	\$
Dues and Subscriptions	\$	\$	\$
Donations	\$	\$	\$
Rent	\$	\$	\$
Telephone	\$	\$	\$
Utilities	\$	\$	\$
Loan Payment	\$	\$	\$
Interest	\$	\$	\$
Depreciation	\$	\$	\$
Advertising and Promotions	\$	\$	\$
Truck and Vehicle	\$	\$	\$
Travel	\$	\$	\$
Payroll Taxes	\$	\$	\$
Taxes, Licenses and Permits	\$	\$	\$
Legal and Accounting Services	\$	\$	\$
Insurance	\$	\$	\$
Repairs and Maintenance	\$	\$	\$
Bad Debts	\$	\$	\$
Miscellaneous (unspecified)	\$	\$	\$
Other Expenses (specify each)	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
Total Expenses:	\$	\$	\$
NET PROFIT	\$	\$	\$

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13. Calculate your sales breakeven point

Sales Breakeven Point = Total Expenses* ÷ Gross Profit Percentage**

*Total Expenses = found at the bottom of WORKSHEET 2: Sales and Earnings

**Gross Profit Percentage = percentage difference between the selling price of a product or service and its cost.

(Note: It is recommended that your gross profit percentage be at least 15% or higher.)

Example: Total Expenses of \$25,000 divided by Profit Percentage of 0.15 = Sales Breakeven Point of \$233,333.

The “Sales Breakeven Point” tells you the amount of sales that must be made to cover all the expenses identified on “Worksheet 2: Sales and Earnings,” found in Question 12. Once you’ve figured your breakeven point, you can begin making plans to achieve your sales goal. The “Total Revenue” (Sales) that you will need to break even at the end of the year is equal to your “Total Expenses” divided by your “Gross Profit Percentage.”

14. An alternative way to determine if you can meet your financial obligations

A) Project your average total monthly revenue (sales)	\$
B) Project your average total monthly expenses	\$
B - A =	\$

These monthly averages are obtained from information found in Question 12, “Worksheet 2: Sales and Earnings.” Divide “Total Revenue” and “Total Expenses” by 12 to obtain a monthly average for each. Subtract the monthly expenses from the monthly revenue (sales) figure to obtain the monthly net profit or loss. This number will help you determine if your monthly revenue (sales) forecast is realistic in relationship to your monthly expenses.

15. A) How much money is needed to start your business ?

Total Estimated Start-up Costs: \$.....

(Use “Total Estimated Start-up Costs” from WORKSHEET 1: Start-up Costs)

15. B) Where will you find money for your business?

Personal Savings	\$	Family and Friends	\$
Bank Loan	\$	Retirement Account	\$
Investor(s)	\$	Partners	\$
Credit Cards	\$	Other	\$

Most small businesses are started with the owner’s savings. If you have equity in your home, you may need it for your equity investment in the business (see Question #17) as well as collateral on a loan. A second commonly used source of funds is family and friends who might loan you money or invest in the business.

Outside funds come into the business as either debt or equity. Debt occurs when you obtain a loan from a bank or another source, which must be repaid to the lender over some period of time, usually at some specified interest rate. Whether the business succeeds or fails, you will be responsible for repaying the loan. On the other hand, equity funds come into the business through one or more investors who in turn own a share (perhaps even a majority share) of the business. These investor-owners may take part in making

decisions, and will take a share of the profits. Investors usually require a high rate of return because they are taking the business risks with you. Should the business fail, they lose that investment because you do not have to repay it as you would a loan.

Banks are not enthusiastic about making start-up loans for new businesses, and venture capitalists/investors are very rarely interested in a new, small business. Potential business owners frequently have to put their plans on the back burner while they save additional funds to start the business.

Getting a Grant to Start Your Business

Prospective business owners frequently ask about obtaining grants to start their businesses. There are numerous “consultants,” books, and infomercials that happily announce that the government (state and federal) has millions of dollars available in the form of grants and all you need to do is ask for the money.

The reality is that there are almost no programs (public or private) that provide “grants” or “forgivable loans” to start a for-profit business.

You should be aware that financing institutions require that you have a business plan. If you need help in preparing a business plan, contact the Small Business Development Center 715-346-3838 for insight into preparing a business plan and information on classes that are available in your area.

16. How would you rate your personal credit score?

Excellent

Good

Average

Poor

One of the first criteria your banker will look at is your credit rating. A bankruptcy will complicate the possibility of your receiving a loan. A poor credit history will also limit your possibilities of obtaining a loan. Most bankers now use a rating system in which points are assigned for the various aspects of your credit history. The number of points your credit history accumulates determines your loan status. Above a certain number, the loan may be approved. Below that number, it will be rejected. (You may obtain a copy of your credit report to review and correct any misinformation prior to talking to your banker.)

Bankers will also look at your character. How likely are you to make an effort to repay this loan? Have you ever been arrested, indicted or convicted of any criminal offense other than a minor motor vehicle violation?

They will then look at collateral. If all else fails, what do you have of value that they can take possession of and sell to raise funds to pay off your debt? Their first choice is usually a second mortgage on your home. Major equipment, inventory, or real estate may also serve as collateral.

To get a copy of your credit report, contact the Consumer Reporting Agencies (CRAs) listed in the Yellow Pages under “credit” or “credit rating and reporting.” Because more than one CRA may have a file on you, call each until you locate all the agencies maintaining your file.

The three major national credit bureaus are: **Equifax, Experian, TransUnion**

Visit **AnnualCreditReport.com (or contact them at 1-877-322-8228)**, the only federally mandated and authorized source for obtaining a free credit report. The website is jointly operated by the three national major credit bureaus. You are entitled to one free copy of your credit report every 12 months from each of the three nationwide credit reporting companies. The Federal Trade Commission caution consumers to be aware of imposter websites that may have similar names or deliberate misspellings of the real name.

17. Owner Equity/Investment in the business

Most financial institutions will require that you produce a minimum of 20-30% of the total estimated cash needed for start-up costs. This is referred to as your owner equity/investment in the business.

I have this money or access to it.

I have some but not all of the money required.

I have no money to invest in this business.

When borrowing money, you will be expected to have at least 20% (some lenders will require as high as 50% owner’s equity) of your own money invested in the cost of starting your business (see Question 10, “Worksheet 1: Start-Up Costs”).

Example: Estimated cash needed for start-up costs = \$25,000. If the bank requires a 20% owner’s equity/investment (cash) to secure the loan, you will be required to contribute \$5,000 of your own money before they will loan the remainder of \$20,000.

BUSINESS IDEAS - STRATEGIES - INSPIRATIONS - NOTES

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Small Business Development Center at UW-Stevens Point

We provide free one-on-one counseling on particular business problems. We also offer educational services such as seminars and workshops. Our mission is to provide learning opportunities and practical guidance to help those we serve make informed business decisions. For information on no charge SBDC and SCORE's First Steps to Starting a Business classes, visit the UW-Stevens Point SBDC website at uwsp.edu/SBDC.

The Wisconsin SBDC Network is a proud part of the Institute of Business and Entrepreneurship in the UW-System. Funded in part through a cooperative agreement with the U.S. Small Business Administration. Reasonable accommodations for persons with disabilities will be made if requested at least two weeks in advance. Please contact the SBDC at 715-346-3838 or uwspce-bus@uwsp.edu.

