
Entrepreneur

**START
YOUR
OWN
BUSINESS**

THE ONLY **STARTUP BOOK
YOU'LL EVER NEED**

EIGHTH EDITION

BY THE STAFF OF ENTREPRENEUR MEDIA, INC.

Entrepreneur Press, Publisher
Cover Design: Andrew Welyczko
Production and Composition: Eliot House Productions

© 2021 by Entrepreneur Media, Inc.

All rights reserved.

Reproduction or translation of any part of this work beyond that permitted by Section 107 or 108 of the 1976 United States Copyright Act without permission of the copyright owner is unlawful. Requests for permission or further information should be addressed to Entrepreneur Media, Inc. Attn: Legal Department, 18061 Fitch, Irvine, CA 92614.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

Entrepreneur Press® is a registered trademark of Entrepreneur Media, Inc.

An application to register this book for cataloging has been submitted to the Library of Congress.

ISBN 978-1-64201-135-7 (paperback) | ISBN 978-1-61308-448-9 (ebook)

Printed in the United States of America

24 23 22 21

10 9 8 7 6 5 4 3 2 1

GOOD IDEA!

How Do I Know If I Have a Great Idea for a Business?

Many people believe starting a business is a mysterious process. They know they want to start a business, but they don't know the first steps to take. In this chapter, you're going to find out whether a business idea you already have is a viable one. If it's not, we will take you through the steps to finding a feasible business idea, then show you how to take action on it. This is the biggest step in figuring out what it is you want to do.

But before we get started, let's clear up one point: People always wonder if this is a good time to start their business. The fact is there's never a bad time to launch a business. It's obvious why it's smart to launch in strong economic times. People have money and are looking for ways to spend it. But launching in tough or uncertain economic times can be just

as smart. If you do your homework, presumably there's a need for the business you're starting. Because many people are reluctant to launch in tough times, your new business has a better chance of getting noticed. And, depending on your idea, in a down economy there is often equipment (or even entire businesses!) for sale at bargain prices.

Estimates vary, but generally more than 627,000 businesses are started each year in the United States, according to the SBA. Yet for every American who starts a business, there are likely millions more who begin each year saying "OK, this is the year I am going to start a business," and then don't.

Everyone has their own roadblock, something that prevents them from taking that crucial first step. Most people are afraid to start; they may fear the unknown, failure, or even success. Others find starting something overwhelming because they think they have to come up with something that no one has ever done before—a new invention, a unique service. In other words, they think they have to reinvent the wheel.

For most people starting a business, the issue should not be coming up with something so unique that no one has ever heard of it but instead answering the questions: How can I improve on this? Or, "Can I find a new way to build something, improve upon an existing product, find a new means of selling or shipping items, or improve upon an already great idea? After all, Henry Ford did not invent the automobile; he simply figured out how to make it affordable enough so that the masses could buy them. For that matter, Bill Gates did not invent the computer, he just revolutionized it in ways we had previously not imagined. You can also ask: Is there a pain point for consumers, and can I find a solution for them? Or simply, Is there market share not being served that makes room for another business in this category? Most new businesses are not discovering uncharted territory

*"Even if you don't
have the perfect idea
to begin with, you
can likely adapt."*

—VICTORIA RANSOM,
COFOUNDER OF WILDFIRE
INTERACTIVE

or selling products that are new inventions, instead they are finding new ways to use and mine that territory.

>> **Is My Idea a Good One?**

So you've got an idea for a business already worked out. But is it a good, viable one? The answer might seem complicated, but there are a few markers that will tip you off, according to Neil Petch, chairman of Virtugroup, a holding company that supports startups from their early days to market entry.

1. *It solves a problem.* Solving a problem means delivering a solution that makes a sizable number of people's lives easier. The problem doesn't have to be one that nobody else is tackling; it can just as easily be a problem no one has dealt with effectively.
2. *It's scalable.* Scalability is the potential of your business opportunity to grow and be applied to an ever-increasing market. Think about whether you can expand on your idea, make it flexible and resilient, monetize it throughout, and remodel it if necessary?
3. *Your doubts are few and quickly disappear.* If you have a flash of inspiration followed by a handful of nagging doubts, it's easy to set them aside because they don't fit with the version of events you prefer. You need to be honest though. Conviction is important, but blind conviction is dangerous.
4. *People want your product and service.* Other people need to be as excited about your idea as you are. Start testing the idea and talking about it with friends, family members, and (as soon as possible) potential customers. Are they enthusiastic; do they love it? Validating your idea outside your own headspace is key.

Together, these four markers of success can help point you in the right direction. If you can answer all of them, great! If not, take heart and take some time to rework your concept. Not being able to say "yes" to all four doesn't mean you should scrap the idea—it just means you have an opportunity to reframe how you approach it and present it to the world.

Get the Juices Flowing

If you don't have a specific business idea, but you know that you would love the idea of having your own business, start thinking about what type of business you would most enjoy starting. It should be something you feel good about, something that would be fulfilling and personally gratifying. After all, if you are not passionate about your business idea, it will be difficult to spend numerous hours and make major sacrifices to make a go of it.

So how do you start the idea process? First, take out a sheet of paper, or open a new file on your computer, and across the top write "Things About Me." Then, list five to seven things about yourself—things you like to do or that you're really good at, personal things (we'll get to your work life in a minute). Your list might include: "I'm really good with people, I love kids, I love to read, I love computers, I love numbers, I'm good at coming up with marketing concepts, I'm a problem solver." Just write down whatever comes to your mind; it doesn't need to make sense. Once you have your list, number the items down one side of the paper.

On the other side of the paper, list things you don't think you're good at or you don't like to do. Maybe you're really good at marketing concepts, but you don't like to meet people, or you're really not that fond of kids, or you don't like to do public speaking, or you don't want to travel. Don't overthink it.

When you're finished, ask yourself: "If there were three to five products or services that would make my personal life better, what would they be?" This is your personal life as a man, woman, father, husband, mother, wife, parent, grandparent—whatever your situation may be. Determine what products or services would make your life easier or happier, make you more productive or efficient, or simply give you more time.

Next, ask yourself the same questions about your business life. Examine what you like and dislike about your work life as well as what traits people like and dislike about you. What could you do to make your work life easier? How could you improve upon the way things are done in your industry? Don't worry if you do not have

instant answers. Just start exploring the world around you more closely.

Now, think about your neighborhood, community, town, or city. What is missing you think people need? Is there an underserved market of interest? Is your town missing a family-friendly restaurant? A car wash? A spa? Is there a service you think is missing? Remember, a business doesn't have to be based on a new invention; it just needs to solve the needs of your community, be it a town of 2,000 people or a city of 2 million.

Finally, ask yourself why you're starting a business in the first place. Then when you're done, look for a pattern (i.e., whether there's a need for a business doing one of the things you like or are good at). To make the process a bit easier, we've provided a "Things About Me Worksheet" for you to complete, starting on page 32.

tip



Along with checking out websites, don't overlook publications in your search for business ideas. Books, newspapers, and magazines all contain a wealth of ideas. Your reading list should include business, lifestyle, and niche publications like pets or antique tractors. Read your local newspaper, as well as major newspapers from the large trendsetting cities like Los Angeles, New York, and San Francisco. You can still find many newspapers and magazines online for free, while others may be worth the cost of a subscription.

They Delivered

Here's a business startup story that's a great example of seeing a need and filling it. *Entrepreneur's* home office is in Irvine, California, a planned community. Many years ago, there weren't many fast-food restaurants in the area. Most were across town, where the residential neighborhoods were located. Two young men in Irvine found this lunch situation very frustrating. Some affordable food courts were in strip centers, but the parking lots were small and the wait was horrendous.

One day, as they were lamenting their lunch problem, one of them asked, "Wouldn't it be great if we could get some good food

Things About Me Worksheet

Complete the following self-assessment worksheet as honestly as you can. Just write down whatever comes to mind; don't overthink the exercise. Most likely, your first response will be your best. Once you've finished the exercise, look for patterns (i.e., is there a need for a business that features one of the things you like or excel at?).

1. List at least five things you like to do or excel at:

2. List five things you are not good at or you don't like to do:

3. List three products or services that would make your personal life better:

4. List three products or services that would make your business life better:

Figure 3.1. Things About Me Worksheet

Things About Me Worksheet

5. When people ask what you do, what's your answer? (List one occupation or whatever mainly occupies your week.)

6. List five things you enjoy about your work:

7. List five things you dislike about your work:

8. When people tell you what they like most about you, they say:

Figure 3.1. Things About Me Worksheet, continued

Things About Me Worksheet

9. Some people dislike the fact that you:

10. Other than your main occupation, list any other skills you possess, whether you excel at them or not:

11. In addition to becoming more financially independent, you would also like to be more:

12. Write down three things you want to see changed or improved in your community:

Figure 3.1. Things About Me Worksheet, continued

delivered?” The proverbial light bulb went on! Then they did what many people don’t do, they went to work developing their idea. Coincidentally, they purchased an Entrepreneur Press *Step-By-Step Startup Guide* and started a restaurant delivery business.

To date, their business has served more than 15 million people! It’s neither a complicated business nor an original one. Their competition has gotten stiffer, and yet they’re doing phenomenally well. And it all began because they listened to their own frustrations

and decided to act. Little did they know that research indicated the shrinking lunch hour was one of the biggest complaints by American workers. Some only get 30 minutes, making it nearly impossible to get out, get lunch, and get back on time. So while these young entrepreneurs initially thought they were responding to a personal need in their local area, they struck a universal chord.

That is one way to get ideas—listening to your own needs or frustrations or those of your co-workers, family, friends, and/or neighbors. The opportunities are all there; you just need to search for them. If your brain is always set on idea mode, you'll capture new, fresh ideas often. For instance, if you had read an article about the shrinking lunch hour, and you were thinking entrepreneurially and seeking ideas, you would say “Wow, maybe there's an opportunity for me to do something. I should start researching it.” You never know when an idea will strike, so it's a good idea to carry a pen and paper with you, or be ready to record your thoughts in your cell phone's notepad or in voice memos—otherwise you're likely to forget them.

aha!



Your hobbies may also lead you to business ideas. If gardening or antique toy collecting are what interests you, take your passion and turn it into a real business. Sell your locally grown herbs or vegetables to restaurants or set up an online business selling your rare toy finds on eBay or on your own website. Hobbies also lead to magazines, popular websites, blogs, and podcasts which can generate advertising and/or subscriptions.

Inspiring Moments

Inspiration can be anywhere. Here's another classic startup story: Before the days of on-demand movies from cable providers did you ever get charged a fee for returning a video late? Bet you didn't do anything about it. Well, when Reed Hastings got a whopping \$40 late charge, instead of getting mad, he got inspired. Hastings wondered “How come movie rentals don't work like a health club,

where, whether you use it a lot or a little, you get charged the same?" From this thought, Netflix was born. From its start in 1999, Netflix has grown into a big business with revenues topping over \$20 billion at the close of 2019.

Getting an idea can be as simple as keeping your eyes peeled for the latest hot businesses; they crop up all the time. Many local entrepreneurs made tons of money bringing the Starbucks coffeehouse concept to their hometowns, then expanding.

Take Minneapolis-based Caribou Coffee. The founders had what they describe as an "aha moment" in 1990, and two years later launched what has become one of the nation's largest corporate-owned gourmet coffeehouse chains. Other coffee entrepreneurs have chosen to stay local.

And don't overlook the tried and true. Hot businesses often go through cycles. Take gardening. For the last few years, gardening products and supplies have been all the rage, but you wouldn't consider gardening a 21st century business. The same goes for cleaning businesses or pet care and dog walking, for instance, with people ever more time-pressed and looking to outsource parts of life they don't have time for.

"Don't start a company unless it's an obsession and something you love. If you have an exit strategy, it's not an obsession."

—MARK CUBAN,
SERIAL ENTREPRENEUR AND
INVESTOR

"Plan your hunches and use your head."

—LILLIAN VERNON,
FOUNDER OF LILLIAN
VERNON CORP.

In other words, you can take any idea and customize it to the times and your community. Add your own creativity to any concept. In fact, customizing a concept isn't a choice; it's a necessity if you want your business to stand out and be successful. You can't just take an idea, plop it down, and say "OK, this is it."

Outside of a McDonald's, Subway, or other major franchise concept, there are few businesses that work with a one-size-fits-all approach.

One of the best ways to determine whether your idea will succeed in your community is to talk to people you know. If it's a business idea, talk to co-workers and colleagues. Run personal ideas by your family or neighbors. Don't be afraid of people stealing your idea. It isn't likely to happen, but to play it safe, just discuss the general concept; you don't need to spill all the details.

Just Do It!

Hopefully by now, the process of determining what business is right for you has at least been somewhat demystified. Truth is, starting a business isn't rocket science. No, it isn't easy to begin a business, but it's not as complicated or as scary as many people think, either. It's a step-by-step process that takes plenty of research, lots of determination, a healthy amount of passion, and many hours of dedication. So take it a step at a time. First step: Figure out what you want to do. Once you have the idea, talk to people to find out what they think. Ask them: "Would you buy and/or use this, and how much would you pay?"

Understand that many people around you won't encourage you (some will even discourage you) to pursue your entrepreneurial journey. Some will tell you they have your best interests at heart; they just want you

aha!



Is there a household chore or annoyance that drives you up the wall? Common sources of frustration or irritation are great idea generators. The woman who invented the now-ubiquitous spill-proof Snack-Trap for small children (they can reach their little hands in to grab a treat, but no matter how much they shake or drop the snack cup, nothing falls out—usually) was simply tired of cleaning up Cheerios from the floor, amid the couch cushions, and in the crevices of her toddler's car seat.

to see the reality of the situation. Others will resent you for having the guts to follow your dream. You can't allow these naysayers to dissuade you, to stop your journey before it even begins.

In fact, once you get an idea for a business, what's the most important trait you need as an entrepreneur? Perseverance. When you set out to launch your business, you'll be told "no" more times than you ever have. You can't take it personally. It's a numbers game and most successful entrepreneurs struggle before everything falls into place. You've got to get beyond the "no's" and move on to the next person—because eventually, you're going to get a "yes."

One of the most common warnings you'll hear about are the risks involved in starting a business. Among the risks of starting a business is the financial risk that comes with giving up a steady paycheck. You can mitigate this risk to some degree by maintaining connections in your field, which may enable you to come back to a job if all else fails. Don't give up your network or delete your contact list.

In many cases people start their new businesses on nights and weekends while still maintaining their day jobs (sometimes with fewer hours). For example, Sara Blakely developed Spanx for several years while keeping her full-time job selling fax machines; Phil Knight was an accountant selling shoes on the side for five years before fully launching Nike; Minecraft's developer, Markus Persson, was a programmer who built games on the side and kept his day job for a full year before committing to Minecraft full time. We'll talk more about juggling a job and a business in the next chapter.

We'll talk more about funding your business later in the book, but suffice to say, you will usually need to have some funding set aside that you can use to put into your business. Other risks that factor into starting a business include competitive, market, political, environmental, and economic risks. While many risks are out of your control, you need to be aware of them and even address them in your business plan (which we'll also cover later).

Bottom line, starting a business comes with risk, and people will constantly remind you of that. But success is almost always predicated with a fair amount of risk. In this case you want to take

calculated risks as opposed to foolish ones. You can mitigate your risk if you carefully consider what you're doing, get help when you need it, learn as much as you can about the business/industry, and never stop asking questions.

If you still have concerns about risk, take some time to do a self-assessment of your risk tolerance. Not everyone feels comfortable with the same level of risk—and that's OK. Start by asking yourself: What am I really risking? What am I giving up? What will I lose if things don't work out? That's the biggest concern when it comes to risk: Can you tolerate the results, if they are not favorable, and then move forward understanding that you took a chance?

The most important concern when risk taking is that you don't risk what you can't afford: your home, your family, or your health.

>> **Fit to a "T"**

Every year in *Entrepreneur*, the hottest business trends for the coming year are profiled, representing a lot of research and a lot of homework. But that doesn't mean these businesses will work for you. After all, you may not be interested in these opportunities or you may be living in an area where there are plenty of similar ventures. Conversely, a business simply may not be viable in your area or region of the country. For example, you probably won't sell a lot of snowmobiles in Miami. Get to know the latest business trends and determine which ones are of interest to you *and* are viable in your neck of the woods. However, if you see an opportunity that really suits you, remember you can always go the online business route, which means you can sell products or services anywhere to anyone.

CONTENTS

Foreword by Jason Feiferix

On Your Mark ...

PART 1

THINK

CHAPTER 1

Introduction..... 7

CHAPTER 2

Taking the Plunge: Get Ready to Be an Entrepreneur...11

START YOUR OWN BUSINESS

CHAPTER 3

Good Idea! How Do I Know If I Have a
Great Idea for a Business? 27

CHAPTER 4

Good Timing: Should You Launch Your Business
Part or Full Time?..... 41

CHAPTER 5

Build It or Buy It? Starting a Business vs. Buying One 53

PART 2
PLAN

CHAPTER 6

Choose Your Target: Defining Your Market 93

CHAPTER 7

If You Build It, Will They Come? Conducting
Market Research..... 109

CHAPTER 8

The Name Game: Naming Your Business135

CHAPTER 9

Make It Legal: Choosing a Business Structure147

CHAPTER 10

Plan of Attack: Creating a Winning Business Plan.....167

CHAPTER 11

Call in the Pros: Hiring a Lawyer and an Accountant 183

PART 3
FUND

CHAPTER 12

All in the Family: Financing Starts with Yourself
and Friends and Relatives..... 205

CHAPTER 13

- Nothing Ventured, Nothing Gained:** How to
Find and Attract Investors **225**

CHAPTER 14

- Looking for Loans:** The Ins and Outs of Debt Financing **239**

CHAPTER 15

- Fed Funds:** How to Get Government Loans..... **259**

Get Set ...

PART 4

PREPARE

CHAPTER 16

- What's Your Deal?** Negotiating Successfully
by Cliff Ennico **277**

CHAPTER 17

- Site Seeking:** Choosing a Location for Your Business **285**

CHAPTER 18

- Looking Good:** Creating a Professional Image **309**

CHAPTER 19

- Stock Answers:** The Lowdown on Inventory..... **323**

CHAPTER 20

- Mailing and Shipping:** Transporting Your Goods **345**

CHAPTER 21

- Charging Ahead:** Offering Your Customers Credit **357**

CHAPTER 22

- Cover Your Assets:** Getting Business Insurance..... **379**

START YOUR OWN BUSINESS

CHAPTER 23

Staffing Smarts: Hiring Employees **397**

CHAPTER 24

Perk Up: Setting Employee Policies and Benefits **435**

PART 5

BUY

CHAPTER 25

Buyer's Guide: Business Equipment Basics..... **475**

CHAPTER 26

Business 24/7: Using Technology to Boost
Your Productivity **491**

CHAPTER 27

Your All-Important Website: Building Your Web Presence ... **513**

CHAPTER 28

Keep in Touch: Using Technology to Stay Connected..... **533**

Go!

PART 6

MARKET

CHAPTER 29

Brand Building: How to Build Your Brand **553**

CHAPTER 30

Genius Marketing: Advertising and Marketing
Your Business..... **565**

CHAPTER 31

Talking Points: How to Promote Your Business **623**

CHAPTER 32

Sell It! Effective Selling Techniques **649**

CHAPTER 33

Now Serving: Offering Superior Customer Service **669**

PART 7

ENGAGE

CHAPTER 34

Net Sales: Online Advertising and Marketing **681**

CHAPTER 35

Social Media: Using Online Platforms to Spread the Word ... **697**

CHAPTER 36

Can You Relate? Social Media Networking **711**

PART 8

PROFIT

CHAPTER 37

Keeping Score: The Basics of Bookkeeping
by J. Tol Broome Jr. **727**

CHAPTER 38

Making a Statement: How to Create Financial
Statements by J. Tol Broome Jr. **747**

CHAPTER 39

On the Money: Effectively Managing Your Finances
by J. Tol Broome Jr. **761**

CHAPTER 40

Pay Day: How to Pay Yourself **795**

CHAPTER 41

Tax Talk: What You Need to Know about Your Taxes
with Insights from Mark J. Kohler **801**

APPENDIX

Business and Government Resources **825**

START YOUR OWN BUSINESS

Glossary 839

Index..... 863