## Start a **Software** development company by following these 10 steps:

You have found the perfect business idea, and now you are ready to take the next step. There is more to starting a business than just registering it with the state. We have put together this simple guide to starting your app development company. These steps will ensure that your new business is well planned out, registered properly and legally compliant

**STEP 1: Plan your business**

A clear plan is essential for success as an entrepreneur. It will help you map out the specifics of your business and discover some unknowns. A few important topics to consider are:

* What are the startup and ongoing costs?
* Who is your target market?
* How much can you charge customers?
* What will you name your business?

#### What are the costs involved in opening a **Software** development company?

If you want to start with a professional development team, you will need to establish an LLC company, rent a space, install high-end computers, license the appropriate software, and pay the utilities, which includes the electricity and the Internet connection fees.

A typical start-up team of software developers will require these start-up expenses:

* Facility rent and security deposits.
* Computers with monitors .
* Software licenses.
* Desks - up to $250 per person.
* Desk Chairs - up to $150 per person.

Many developers decide to start out by themselves, taking less projects, and working increased hours.This helps save on some of the above costs, until the company starts to experience so much demand that it is necessary to hire others.

#### What are the ongoing expenses for a Software development company?

You will need to rent a space and pay for Internet for your software development team. Other costs may include monthly subscriptions to development software, computer maintenance, and, of course, payroll.

#### Who is the target market?

If your business model includes creating apps for other companies, you will want to find companies who will give you a steady workflow to keep your software programmers busy and also pay you a fair price for the work.

If your business model includes selling the apps you create yourself, your customers will be as many people as you can possibly find in your target market. If the app has a lot of interest by theN general public it will sell easily. On the other hand, if the app solves some critical problem for a niche market it will sell to a smaller group of people or companies, but at a higher price.

#### How does a **Software** development company make money?

There are four business models for applications and various combinations of them, which are:

1. Work For Hire - Getting paid to create applications for others.
2. Advertiser Supported Free Apps - An app that is popular can earn revenues from associated advertisements.
3. Free to try (or limited version) with Premium Paid Service - An entry level app is either a free trial for a specific time or a limited version. Those who pay for a premium version get enhanced features and can remove advertisements.
4. Paid Apps – These apps charge for their use by timeframe, by the number of users, or by other means, such as a license fee. There are no free versions. These apps may be highly specialized and very valuable to those who pay for them.

#### How much can you charge customers?

The charge for clients that want you to develop software applications for them is usually based on a set fee, with a very specific request for the work to be done. If the work is more open-ended then you can charge based on the hourly rates for the level of skills the programmers have, who are assigned to the tasks. Because of the global competition, these rates can be minimal or much higher depending on where the individual software programmers live.

Software development rates per hour range from the low end of $5 per hour for international programmers, to $75 per hour for programmers from the US.

An example of a recent project to develop a mobile phone app had three software developers. One was in Pakistan and the other two were in India. About 15 global freelancers were used to translate the software display results on mobile phones into multiple languages. The total project cost was less than $2,000 and took one month to complete. This same project would cost over $50,000 if made solely in the USA.

The average cost for a paid app is $0.99.

When you sell apps online, the best method is to give a modified version away for free and offer enhanced services for those that like the free version and want to have more features. This is a very successful business model. There may be, for example, tens of millions of free users that make a specific app very popular. Of those tens of millions, a smaller percentage will want to pay for the enhanced services. Even if only capturing five to ten percent of millions that use your free version, who pay for the enhanced services, the revenue stream is exceptional.

#### How much profit can a **Software** development company make?

You may make nothing to billions. The amount you make comes from your app’s popularity.

#### How can you make your business more profitable?

Make sure you are creating apps for things people really want. In some ways, the market for apps is becoming oversaturated, so you will have to find your own unique niche in order to thrive as a business.

There is a caution you will need to understand regarding earning a “fair price” for the work. Software development of apps is a global business. In countries where the standards are lower and the cost of living is substantially less than the more developed countries, there are programmers that work very cheaply. If you are not in one of these countries you can still use the programmers from the areas of the world with lower labor costs. If you do not do this, you will not be competitive and you will probably not get much work from other companies that want your software development team to make apps for them.

An example of the price differential for labor is that a highly qualified computer programmer in the USA might cost $80,000 per year, whereas international programmers with the same skills might cost only $20,000 per year. The labor costs are a big part of developing software apps, so you really need to understand the global dynamics.

Though international outsourcing comes with certain financial benefits, US-based programmers may come with other advantages, including the ability to work locally. This can greatly help when it comes to communication and meeting project deadlines.

#### What will you name your business?

Choosing the right name is important and challenging. If you don’t already have a name in mind, visit our How to Name a Business guide or get help brainstorming a name with our **Software** Development Company Name Generator

If you operate a sole proprietorship, you might want to operate under a business name other than your own name. Visit our DBA guide to learn more.

When registering a business name, we recommend researching your business name by checking:

* Your state's business records
* Federal and state trademark records
* Social media platforms
* Web domain availability.

It's very important to secure your domain name before someone else does.

### STEP 2: Form a legal entity

The most common business structure types are the sole proprietorship, partnership, limited liabilitycompany (LLC), and corporation.

Establishing a legal business entity such as an LLC or corporation protects you from being held personally liable if your app development company is sued.

You can start an LLC yourself and pay only the minimal state LLC costs or hire one of the Best LLC Services for a small, additional fee.

Recommended: You will need to elect a registered agent for your LLC. LLC formation packages usually include a free year of registered agent services. You can choose to hire a registered agent or act as your own.

### STEP 3: Register for taxes

You will need to register for a variety of state and federal taxes before you can open for business.

In order to register for taxes you will need to apply for an EIN. I

#### Small Business Taxes

Depending on which business structure you choose, you might have different options for how your business will be taxed. For example, some LLCs could benefit from being taxed as an S corporation (S corp).

You can learn more about small business taxes in these guides:

* LLC Taxes
* Sole Proprietorship vs LLC
* LLC vs Corporation
* LLC vs S Corp
* How to Start an S Corp

There are specific state taxes that might apply to your business. Learn more about state sales tax and franchise taxes in our state sales tax guides.

### STEP 4: Open a business bank account & credit card

Using dedicated business banking and credit accounts is essential for personal asset protection.

When your personal and business accounts are mixed, your personal assets (your home, car, and other valuables) are at risk in the event your business is sued. In business law, this is referred to as piercing your corporate veil.

Additionally, learning how to build business credit can help you get credit cards and other financing in your business's name (instead of yours), better interest rates, higher lines of credit, and more.

#### Open a business bank account

* This separates your personal assets from your company's assets, which is necessary for personal asset protection.
* It also makes accounting and tax filing easier.

Recommended: Read our Best Banks for Small Business review to find the best national bank, credit union, business-loan friendly banks, one with many brick-and-mortar locations, and more.

#### Open net-30 accounts

When it comes to establishing your business credit, net-30 vendors are considered the way to go. The term "net-30," which is popular among vendors, refers to a business credit arrangement where the company pays the vendor within 30 days of receiving goods or services.

Net-30 credit terms are often used for businesses that need to obtain inventory quickly but do not have the cash on hand.

Besides establishing business relationships with vendors, net-30 credit accounts get reported to the major business credit bureaus . This is how businesses build business credit so they can qualify for credit cards and other lines of credit.

Recommended: Read our guide on the best net-30 vendors so you can start building business credit now, so you never have to worry about cash flow in the future. Keep in mind that poor cash flow is the #1 reason businesses fail!

#### Get a business credit card

* This helps you separate personal and business expenses by putting your business' expenses all in one place.
* It also builds your company's credit history, which can be useful to raise money and investment later on.

### STEP 5: Set up business accounting

Recording your various expenses and sources of income is critical to understanding the financial performance of your business. Keeping accurate and detailed accounts also greatly simplifies your annual tax filing.

### STEP 6: Obtain necessary permits and licenses

Failure to acquire necessary permits and licenses can result in hefty fines, or even cause your business to be shut down.

#### State & Local Business Licensing Requirements

Certain state permits and licenses may be needed to operate an app development business. Learn more about licensing requirements in your state by visiting SBA’s reference to state licenses and permits.

Most businesses are required to collect sales tax on the goods or services they provide. To learn more about how sales tax will affect your business.

In addition, certain local licensing or regulatory requirements may apply. For more information about local licenses and permits:

* Check with your town, city or county clerk’s office
* Get assistance from one of the local associations.

#### Services Contract (e.g. MSA)

**Software** development companies should require clients to sign a services agreement before starting a new project. Such agreements clarify client expectations and minimize risk of legal disputes by setting out payment terms and conditions, service level expectations, and intellectual property ownership (who will ultimately own the app). members receive access to hundreds of legal agreements and on call attorneys to get complimentary legal advice.

#### Trademark & Copyright Protection

Because a **Software** development business may be creating its own apps and related intellectual property, it is prudent to protect your rights by registering for the appropriate trademarks and copyrights.

### STEP 7: Get business insurance

Just as with licenses and permits, your business needs insurance in order to operate safely and lawfully. Business Insurance protects your company’s financial wellbeing in the event of a covered loss.

There are several types of insurance policies created for different types of businesses with different risks. If you’re unsure of the types of risks that your business may face, begin with General Liability Insurance. This is the most common coverage that small businesses need, so it’s a great place to start for your business.

Another notable insurance policy that many businesses need is Workers’ Compensation Insurance. If your business will have employees, it’s a good chance that your state will require you to carry Workers' Compensation Coverage.

Recommended: Learn what business insurance for your **Software** Development Company will cost.

### STEP 8: Define your brand

Your brand is what your company stands for, as well as how your business is perceived by the public. A strong brand will help your business stand out from competitors.

If you aren't feeling confident about designing your small business logo, then check out our [Design Guides for Beginners](https://howtostartanllc.com/logo-maker/design), we'll give you helpful tips and advice for creating the best unique logo for your business.

Get a logo using [Truic's free logo Generator](https://howtostartanllc.com/logo-maker) No email or sign up required

- or -

Use a [Premium Logo Maker](https://tailorbrands.go2cloud.org/aff_c?offer_id=1&aff_id=1825&aff_sub=BIindustry&aff_sub2=step8)

#### How to promote & market an **Software** development company

The best apps, by being very useful, promote themselves. It is very easy to put an app for sale in the Apple Store or on Google. You can offer a two-tiered system with a “free version” and a paid enhanced version and put your software available for download on download.com run by CNET.

Attending trade shows is an excellent way to meet potential customers if you want to do work-for-hire. There are many freelance systems online that you can use to find customers looking for software developers with specific skills. Giving public speeches and becoming known as an industry leader is a great way to increase the popularity of yourself and the applications made by your company.

#### How to keep customers coming back

Your reputation says it all. There are two types of reputations. The first one is with clients that hire you to create applications for them. The second type is a public reputation for **Softwares** you sell directly. Both reputations are enhanced when your app serves an important need and the users fall in love with the app, as well as they tell all their friends about it on social media and in other ways.

### STEP 9: Create your business website

After defining your brand and creating your logo the next step is to create a website for your business.

While creating a website is an essential step, some may fear that it’s out of their reach because they don’t have any website-building experience. While this may have been a reasonable fear back in 2015, web technology has seen huge advancements in the past few years that makes the lives of small business owners much simpler.

Here are the main reasons why you shouldn’t delay building your website:

* All legitimate businesses have websites - full stop. The size or industry of your business does not matter when it comes to getting your business online.
* Social media accounts like Facebook pages or LinkedIn business profiles are not a replacement for a business website that you own.

### STEP 10: Set up your business phone system

Getting a phone set up for your business is one of the best ways to help keep your personal life and business life separate and private. That’s not the only benefit; it also helps you make your business more automated, gives your business legitimacy, and makes it easier for potential customers to find and contact you.

There are many services available to entrepreneurs who want to set up a business phone system. We’ve reviewed the top companies and rated them based on price, features, and ease of use.